

We recently visited AMS's Hyderabad plant and interacted with Mr. Krishna Sai Kumar, Whole-Time Director (Operations). The visit covered three facilities: Unit-1 is fully operational, Unit-2 is partially operational, while Unit-3 (Rs.2.5bn capex) is under construction and expected to be partially operational by January 2026.

AMS has a ~40-year presence in the defence segment, with in-house technologies deployed in missiles and torpedoes used by the MoD (Ministry of Defence). The company has also recorded the highest level of participation in DRDO's indigenous missile programmes. The company spends ~6–8% of its topline on R&D, with ~Rs.1bn allocated for FY26.

The company has capabilities today to cater to all sub systems & systems that are present in missiles and is the largest producer for such components as well as being of sole supplier for some of these components.

AMS has recently forayed into weapons manufacturing, with MIGM (Multi-Influence Ground Mine) (Underwater Mine) as its flagship product. Large orders to come in the near term which will help elevate margins and help company achieve tier 1 supplier status allowing participation in complex tenders. Large portion of projects to move from development phase into mass production phase to bring in large orders.

Management has guided for 45–50% organic CAGR topline growth, which is expected to be further heightened by the recent acquisition of IDL for Rs.1.1bn, enabling diversification into the explosives segment. The company will continue to evaluate acquisition opportunities. Margins, while varying across products, are expected to remain on an upward trajectory with foray into explosives and weapons helping achieve that.

For incremental CAPEX, IDL offers brownfield expansion via ~60% unutilised land bank, while greenfield growth is supported by a ~Rs.15bn MoU with the Telangana government, to grow their explosives and weapons business.

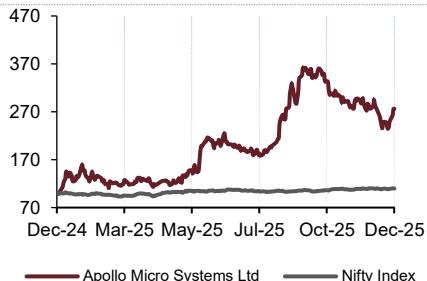
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Market data

| | | |
|----------------------|-----------|---------------|
| Current price | Rs | 263 |
| Market Cap (Rs.Bn) | (Rs Bn) | 88 |
| Market Cap (US\$ Mn) | (US\$ Mn) | 985 |
| Face Value | Rs | 1 |
| 52 Weeks High/Low | Rs | 354.7 / 93.39 |
| Average Daily Volume | ('000) | 3,112 |
| BSE Code | | 540879 |
| Bloomberg | | APOLLO.IN |

Source: Bloomberg

One Year Performance



Source: Bloomberg

| % Shareholding | Nov-25 | Sep-25 |
|----------------|---------------|---------------|
| Promoters | 52.41 | 50.33 |
| Public | 47.59 | 49.67 |
| Total | 100.00 | 100.00 |

Source: BSE

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Financial Summary:

| Particular | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|------------|-------|-------|-------|-------|-------|-------|
| Sales | 2,459 | 2,031 | 2,432 | 2,975 | 3,716 | 5,621 |
| EBITDA | 487 | 385 | 455 | 641 | 839 | 1,292 |
| Margins | 20% | 19% | 19% | 22% | 23% | 23% |
| EPS | 0.7 | 0.5 | 0.7 | 0.9 | 1.2 | 1.9 |
| ROCE | 10% | 8% | 9% | 11% | 12% | 15% |

Source: Dalal & Broacha Research, Company

About the company:

Apollo Micro Systems Limited (AMS), founded in 1985 and headquartered in Hyderabad, is a leading Indian defence technology company and a key enabler of the 'Atmanirbhar Bharat' and 'Make in India' initiatives, participating in over 150 indigenous defence programs.

Business:

The company provides mission-critical electronic and electromechanical solutions across Missile Systems, Naval Platforms, Avionics, Satellite and Space Systems, and Homeland Security, with a technological portfolio of 700+ onboard technologies and specialized COTS solutions designed for extreme operational conditions. AMS has played pivotal roles in strategic projects, including the AGNI, Pralay, Kusha, Akash and many more missile programmes, ISRO payload checkout systems, and all indigenous torpedo programmes (TAL). In a strategic transition from a Tier-2/3 supplier to a Tier-1 OEM, AMS strengthened its vertical integration through the FY26 acquisition of IDL Explosives Ltd for ~Rs.1.1bn, enabling end-to-end weapon platform solutions. The company operates an integrated model encompassing in-house R&D, design, development, and testing, mass production and is expanding its capabilities with a 350,000 sq. ft. flagship facility at Hardware Park-II, Hyderabad, featuring advanced EMI/EMC and environmental testing labs alongside high-throughput production lines. AMS also emphasizes collaborative innovation, recognized as a Collaborative R&D Partner by Bharat Electronics Limited (BEL) and maintaining strategic MoUs with Bharat Dynamics Limited (BDL) and Garden Reach Shipbuilders and Engineers (GRSE).

**Key Takeaways:****AMS advances from subsystems to full weapons supplier:**

AMS advances from systems & subsystems to full weapons platforms with Flagship product as underwater mines. This shift boosts revenue potential through direct orders and tech leadership. The company expects large orders to come for their MIGM under water mine.

Product Portfolio:

Company develops Multi-Influence Ground Mines (MIGM), Moored Mines, and Limpet Mines, along with rockets and bombs. These feature stealth tech to evade detection. Complexity drives premium pricing and barriers to entry.

CAPEX Plans going forward:**CAPEX Overview:**

Company invests ~Rs.2.5bn in Unit-3 construction for CNC machining and underwater mine production. Phase-1 starts January 2026, full operations by end of June 26. Timely commissioning acts as key growth catalyst.

Unit-3 Capabilities:

Facility adds 5-axis and 7-axis HAAS CNC machines for enhanced precision. Focuses on high-tech manufacturing. Boosts output quality and support complex defence orders.

Unit-2 Expansion:

SMT capacity grows from 2 to 5 lines, relocating to Unit-2. Fully operational by January 2026, also handles underwater mines. Production splits between Units-2 and 3 for full ramp up.

Unit-1 Role:

Dedicated fully to R&D for in-house product design. Strengthens innovation pipeline. Enables faster development of new weapons platforms. (Rs.1bn in FY26e on R&D)

Strategic MoU:

Signed ~Rs.15 bn MoU with Telangana Government for land bank access with plans to execute this over the next 6 years. Supports future expansions. Positions AMS for sustained CAPEX and multi-year revenue growth.

**Projects Entering Mass Production Phase:**

With deep expertise in systems and sub-systems, the company is expected to see a strong inflow of orders as multiple programs transition from development to full-scale production, validating its R&D strength and technological moat.

IDL Acquisition to help with diversification and vertical integration:**AMS's acquisition of IDL Explosives Ltd enables vertical integration into explosives for defence growth:**

The ~Rs.1.1 bn deal adds explosive capabilities with minimal capex needs. Medium-term margin accretion follows from synergies and unutilized land.

Company Background:

IDL Explosives Ltd, incorporated in 1961 as GOCL, pioneered indigenous explosives under Hinduja Group. Exports to over 20 countries as a Star House performer. Serves mining and infrastructure with packaged and bulk explosives.

Acquisition Details:

AMS bought IDL for ~Rs.1.1 bn in an all-cash transaction. Enables instant integration into explosives. Deepens overall defence portfolio strategically.

Financial Impact:

Business starts EBIT-neutral and margin-dilutive short-term. Turns accretive medium-term via vertical integration benefits. Supports scalable revenue growth without heavy capex.

Strategic Advantages:

~60% of IDL's land bank remains unutilized. Limits future investment needs significantly. Positions AMS for efficient expansion in high-margin defence segments.



Valuation & Outlook:

AMS is deeply entrenched in the defence ecosystem with strong capabilities in missile systems and sub-systems. Sustained R&D focus (~Rs.1 bn in FY26E) has enabled the company to transition into a weapons platform provider, with underwater mines as its flagship product.

Backed by deep missile-domain expertise and one of the largest private listed defence infrastructures and R&D bases, AMS is well positioned to benefit from rising defence spending and accelerating indigenisation.

Management has guided for 45–50% organic growth, with the acquisition of IDL expected to further support FY26 growth by strengthening explosives capabilities, enabling vertical integration, and driving margin accretion over the medium term.

As key programmes move into mass production and large order wins—particularly for MIGM will help to achieve Tier-1 supplier status, supporting broad-based growth and an upward margin trajectory driven by end-to-end critical capabilities.

With capex largely completed, ~60% land bank available at IDL, and an MoU with the Government of Telangana for ~₹15 bn providing access to additional land, incremental medium-term capex appears manageable.

The working capital cycle is expected to improve as key projects transition from development (60% of Revenue) to mass production and AMS begins receiving advances (minimum ~15% of order value) as a Tier-1 supplier, supporting operating cash flows. Management's long-term vision is to emerge as a prime defence player and, towards this, the company intends to continue pursuing capability-accretive acquisitions.

The stock trades at ~110x TTM P/E, with FY22–25 revenue/EBITDA/PAT CAGR (%) at 32/42/57;

We do not have a rating on the stock.



Financials:

Profit & Loss

| Particular | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales | 2,459 | 2,031 | 2,432 | 2,975 | 3,716 | 5,621 |
| COGS | 1,805 | 1,512 | 1,816 | 2,103 | 2,591 | 3,975 |
| OPEX | 168 | 133 | 161 | 231 | 287 | 354 |
| EBITDA | 487 | 385 | 455 | 641 | 839 | 1,292 |
| Margin (%) | 20% | 19% | 19% | 22% | 23% | 23% |
| Depreciation | 99 | 87 | 90 | 104 | 113 | 153 |
| EBIT | 388 | 298 | 365 | 537 | 726 | 1,139 |
| Interest | 151 | 160 | 170 | 224 | 303 | 342 |
| PBT | 237 | 138 | 195 | 314 | 423 | 797 |
| Tax Rate | 48% | 30% | 29% | 33% | 31% | 33% |
| PAT | 140 | 103 | 146 | 187 | 311 | 564 |
| Margins (%) | 6% | 5% | 6% | 6% | 8% | 10% |
| EPS | 0.7 | 0.5 | 0.7 | 0.9 | 1.2 | 1.9 |

Balance Sheet

| Particular | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|
| Equity & Liability | | | | | | |
| Share capital | 208 | 208 | 208 | 208 | 282 | 306 |
| Shareholders fund | 2,959 | 3,052 | 3,193 | 3,835 | 5,185 | 6,069 |
| Non Current Liabilities | 828 | 1,161 | 1,152 | 1,417 | 1,982 | 1,148 |
| Current Liabilities | 866 | 1,095 | 1,646 | 1,686 | 2,483 | 5,771 |
| Total Liability & Equity | 4,654 | 5,318 | 5,992 | 6,926 | 9,562 | 12,995 |
| Assets | | | | | | |
| Fixed Assets | 503 | 493 | 861 | 1,061 | 1,443 | 1,819 |
| CWIP | 365 | 522 | 296 | 316 | 348 | 723 |
| Non Current Assets | 869 | 1,028 | 1,162 | 1,395 | 1,892 | 2,702 |
| Current Assets | 3,785 | 4,290 | 4,830 | 5,531 | 7,670 | 10,293 |
| Total Assets | 4,654 | 5,318 | 5,992 | 6,926 | 9,562 | 12,995 |

Cash Flow

| Particular | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 |
|--|------------|-----------|------------|-------------|-------------|------------|
| Cash Flow from Operations | | | | | | |
| Profit Before Tax | 253 | 145 | 203 | 290 | 441 | 825 |
| CFO Before Changes in WC | 486 | 386 | 455 | 608 | 839 | 1,295 |
| Changes in WC | 41 | -293 | -9 | -741 | -1,572 | -1,123 |
| OCF | 527 | 94 | 447 | -132 | -733 | 172 |
| Cash Flow from Investing | | | | | | |
| Others | -187 | -227 | -243 | -348 | -604 | -913 |
| Cash Flow from Financing | | | | | | |
| Others | -360 | 165 | -187 | 510 | 1,362 | 1,211 |
| Cash Balance at the beginning of the Year | 79 | 1 | 1 | 3 | 2 | 2 |
| Cash Inflow/Outflow During the Year | -78 | 0 | 2 | -1 | -1 | 401 |
| Closing Balance | 1 | 1 | 3 | 2 | 2 | 403 |

Source: Dalal & Broacha Research, Company



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