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SEBI Registration No- INH000018142

Trade View Report-



Published Date	April 29th, 2026
Rating	BUY
Trade Type	Medium Term
Stock Name	APOLLO
Entry Price	303
Target	350
Stop Loss Price	288
Target%	16%
SL%	5%

Rationale-

Apollo Micro Systems (AMS) has shown significant growth momentum in FY26, transitioning from a subsystem manufacturer to a full-fledged weapon systems player.

Below is the point-wise breakdown of the latest financials, growth rationale, and product mix.

Latest Financial Performance (Q3 & 9M FY26)

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The company reported its highest-ever quarterly and nine-month revenue in February 2026.

- **Revenue (Q3 FY26):** ₹252.22 crore, a **70% YoY increase** from ₹148.39 crore.
- **Net Profit (PAT):** ₹22.88 crore, up **25% YoY** (though it saw a slight QoQ dip from ₹30.03 crore in Q2).
- **EBITDA:** ₹50.39 crore (excluding other income), representing a **33% YoY growth**.
- **9M FY26 Cumulative:** Revenue surged 53% to ₹611 crore, with PAT climbing 67% to ₹71 crore.
- **Margins:** EBITDA margin expanded by **134 bps** during the first nine months of FY26.

Investment Rationale & Growth Drivers

- **Order Book Visibility:** As of December 31, 2025, the consolidated order book stood at **₹1,305 crore**.
- **Forward Guidance:** Management has projected a **45% to 50% CAGR** for revenue over the next three years, driven purely by the core business.
- **Strategic Shift (DCPP Model):** AMS is transitioning into a **Development cum Production Partner (DCPP)** for DRDO. This allows them to handle entire missile and weapon system production rather than just supplying components.
- **Arms Licence Advantage:** The company recently secured a major arms licence for manufacturing large-calibre weapons and ammunition, which management expects could scale the order book by 4–5X.

Product Mix & Domain Expertise

AMS specializes in high-performance electronics and electro-mechanical systems across multiple strategic domains:

- **Naval Systems:** Currently producing **Underwater Mines** (only Indian company in this space), including moored mines and limpet mines. They have completed limited series production for **Heavyweight Torpedoes** and expect bulk orders soon.
- **Missile Programs:** Significant contributor to indigenous missile programs; providing

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nearly 60% of electronics/mechanical systems for certain indigenized platforms.

- **Aerospace:** Recently secured a licence for **defense aircraft manufacturing**.
- **Anti-Drone Technology:** Developing **Anti-drone swarm drone hard-killing rockets**, with trials scheduled for early FY27 (Q1).

Expansion & Key Developments

- **Acquisition of IDL Explosives (IDLEL):** Completed through subsidiary ADIPIL for ₹107 crore. This adds 7 manufacturing plants across 6 states (primary plant in Rourkela, Odisha).
- **Explosive Capabilities:** With the IDLEL acquisition, AMS now functions as a **Tier-I Original Equipment Design-cum-Manufacturer (OEDM)** with integrated explosive capabilities.
- **Capacity Utilization:** The IDLEL land currently has only ~40% utilization, providing significant headroom for brownfield expansion.
- **Capital Infusion:** The company recently converted warrants into equity at ₹114 per share, strengthening the balance sheet for upcoming R&D and manufacturing requirements.

Apollo Micro Systems (AMS) is undergoing a structural transformation from a high-end electronics supplier to an **Original Equipment Design-cum-Manufacturer (OEDM)**.

Following the latest April 2026 updates, here is an elaborated point-wise analysis of the company's current standing.

1. Strategic Milestone: Lifetime Arms Manufacturing License

In April 2026, the Government of India granted AMS a **lifetime arms manufacturing license** under the Arms Act. This is the single most important growth catalyst for the company.

- **Capability Shift:** AMS can now manufacture, assemble, and **proof-test** complete weapon systems instead of just subsystems.

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- **Permitted Products:** The license covers weapons with calibers above 12.7mm, including:
 - **Guided Weapons:** Missiles (Short, Medium, and Long-range) and ATGMs (Anti-Tank Guided Missiles).
 - **Naval Systems:** Torpedoes (Light and Heavyweight) and Underwater Mines.
 - **Aerial Munitions:** Rockets, aerial bombs, and loitering munitions (suicide drones).

2. Diversified Product Mix & Technological Edge

- **Underwater Warfare:** * AMS is now the **sole Indian supplier** of Limpet Mines (diver-carried) to the Indian Navy after successful blast trials in April 2026.
 - It covers the full spectrum of underwater denial: Shallow water, Deep water, and Limpet mines.
- **Counter-Drone Systems:** * Unveiled a **Medium Range Aerial Rocket System** designed for "Hard-Kill" (physical destruction) of drone swarms.
 - Unlike electronic jammers, this system works against pre-programmed drones that do not rely on GPS or radio links.
- **Strategic Missiles:** Supplies nearly 60% of the electronics for several indigenous Indian missile platforms, including On-board Computers (OBCs) and Telemetry systems.

3. Synergies from IDL Explosives (IDLEL) Acquisition

The ₹107 crore acquisition of IDL Explosives is a vertical integration play:

- **Revenue Impact:** IDLEL had a turnover of ~₹623 crore in FY24. While it currently operates at lower margins, AMS expects it to turn **EBITDA positive by Q1 FY27**.
- **Manufacturing Footprint:** Adds 7 manufacturing plants across 6 states.

- **Integrated Solutions:** AMS can now combine its electronics/fuzes with IDLEL's explosive warheads to deliver "**Ready-to-Fire**" munitions, significantly increasing the value per order.

4. Financials & Operational Growth

- **Order Book:** Stood at **₹1,305 crore** as of Dec 31, 2025. With the new arms license, management anticipates this could scale to **₹2,500–₹5,000 crore** within 24 months.
- **FY26 Performance:** * **Revenue Growth:** Trending at ~53% YoY.
 - **EBITDA Margins:** Historically ~22-26%. While the IDLEL acquisition may temporarily dilute margins, the shift to complete weapon systems (higher value-add) is expected to bolster them long-term.
- **Investment in Infrastructure:** Investing **₹150–₹300 crore** in a new defense manufacturing facility at Hardware Park, Hyderabad, to support full-scale production of drones and missiles.

5. Key Risks to Monitor

- **Working Capital Cycle:** Defense projects involve long gestation periods and delayed payments from government entities, which can strain cash flows.
- **Interest Costs:** Interest expenses have historically been high (approx. 32% of operating profit), though recent equity infusions via warrant conversions are helping deleverage the balance sheet.
- **Execution Risk:** Transitioning from a component maker to a system integrator requires high operational precision; any delay in proof-testing or bulk production clearance could impact quarterly numbers.

Disclaimer-

Investment in securities market is subject to market risks. Read all the related documents carefully before investing. Trading in Futures & Options (F&O) carries high risk as it depends on market momentum. "Registration granted by SEBI & Certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to Investors." Past performance is no guarantee of future results.

Intraday- Not more than one day

Short term – 0-15 days

Medium term – 1- 3 months

Long term – more than a Year

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