

## Apollo Micro Systems Ltd : Good Issue

**IPO Note : Topline and bottom-line growth more than 54% in last four years  
: Ranking\*\*\***



### Issue details

Price band (Rs)	Rs.270-275
IPO Opening Date	10/01/18
IPO Closing Date	12/01/18
Issue Size	Rs.156 Cr.

### Recommendation

Total revenue grew at a **CAGR of 54.21%** from Rs.37.45 Cr for the FY 2013 to Rs.211.80 Cr for FY 2017 and Net Profit grew at a **CAGR of 58.26%** in the same period. Net profit grew from Rs.2.96 crore to Rs.18.57 crore in this period. For the six months ended on 30.09.17, it has earned net profit of Rs.7.11 cr. on a turnover of Rs.109.47 cr. If we annualize the latest earnings and attribute it on fully diluted equity capital of Rs.20.67 crore, the EPS works out to Rs.6.86 then **asking price Rs.275 is at a P/E of 40+.** **If we consider EPS of FY17, then PE comes at 30+ on enhanced equity.** As per RHP, There are listed peer like Astra Micro and Centum Electronics. The stocks of the Astra Micro and Centum Electronics are trading at a PE of 17.76 and 58.24 respectively. **Looking to its business model and tremendous topline and bottom-line growth, investment may be considered.**

### Highlights

- Apollo Micro Systems Limited is engaged in the business of electronic, electro-mechanical, engineering designs, manufacturing and supply.
- Over last two decades, developed an established brand name, acceptance and recall value in the defence ESDM Sector.
- Strong R&D team of 56 engineers with core competencies in development of Embedded Hardware and Software along with engineering designs team. Its R&D professional has varied experiences in electronics and electro - mechanical engineering
- A discount of Rs 12 per equity share is offered to Retail Investors & Employee.
- Topline and bottom-line grew at a CAGR of 54% and 25% in last four years.
- Total debt as on 30 Sept. 2017 was Rs.88.78 Crore
- This issue being under Rs. 250 crore will get listed in "T" group for initial period eliminating speculative aspect.

### Company Introduction

Incorporated in 1997, Apollo Micro Systems Limited is Hyderabad based company engaged in the business of electronic, electro-mechanical, engineering designs, manufacturing and supply. Company design, develop and sell high-performance, mission and time critical solutions to Defense, Space and Home Land Security for Ministry of Defense, government controlled public sector undertakings and private sectors.

Apollo Micro Systems offers custom built COTS (Commercially off-the shelf) solutions based on specific requirements to defense and space customers. Company has participated in several Indigenous Missile programs, underwater electronic warfare, underwater missiles, surface to air missiles, nuclear missile programs, surface to surface missile programs, indigenous submarine programs UAV's long



[www.apollo-micro.com](http://www.apollo-micro.com)

### Financial Summary (Rs. In Crore)

Particulars	Six month ended Sept 2017	FY2017	FY2016	FY2015
Total Income	109.47	211.80	159.53	108.77
Net Profit	7.11	18.57	10.00	7.45
EPS (Rs)	3.43	8.98	4.84	3.6

Source: RHP and ACE Equity

### RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

and short endurance, ships, space programs.

The Company has its participation in several Indigenous Missile programmes, underwater electronic warfare, underwater missiles, surface to air missiles, nuclear missile programmes, surface to surface missile programmes, indigenous submarine programmes UAV's long and short endurance, ships, space programmes. The solutions offered by the company were used by its customers during development and user trials on account of which these solutions are qualified to be a part of supply chain in production phase. The defence and space solutions require expertise in advanced technology development and engineering knowledge to make the systems withstand harsh environmental conditions. The Company has proven track record of executing projects which are qualified in several programmes.

The Promoters of the company are:

Mr. Karunakar Reddy Baddam is the promoter of the company.

### The object of the issue

- To meet additional working capital requirement of the Company
- General corporate purposes

### IPO Issue Proceed

To part finance its meet additional working capital requirement of Company and General corporate purposes funding needs the company is coming out with a maiden IPO of 5672727 (Approx.) equity shares of Rs. 10 each via book building route to mobilize Rs. 153 cr. to Rs. 156 cr. (based on lower and upper price bands). Price band of the issue is Rs. 270-275 per share. It opens for subscription on 10.01.18 and will close on 12.01.18. Minimum application is to be made for 50 shares and in multiples thereon, thereafter. Post allotments, shares will be listed on BSE and NSE. Post issue its current paid up equity capital of Rs. 15.00 crore will stand enhanced to Rs. 20.67 crore.

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