Apollo Tyres (APOTYR)

ICICI Direct

CMP: ₹440	Target ₹ 510 (16%)	Target Period: 12 months	BUY

August 10, 2026

Company Update

ICICI Securities – Retail Equity Research

Best among the peers, RM pressure to ease in near term...

About the stock: Apollo Tyres (ATL), is a leading tyre manufacturer, having operations in India & Europe. In India, ATL has substantial presence in TBR (~30% market share) and PCR space (~20% market share). India contributes ~63% of sales

- FY26 product mix: Truck/Bus- 40%; PV- 38%; OHT- 10%; Others-12%

Q1FY27 Results: Total operating income on consolidated basis in Q1FY27 stood at ₹ 7,398 crores, up 13% YoY. EBITDA for the quarter stood at ₹ 868 crore with EBITDA margins at 11.7%, down ~285 bps QoQ. Consequent consolidated PAT for Q1FY27 came in at ₹ 349 crores. On standalone basis it reported an EBITDA margin of 12%, down 260 bps QoQ (lowest decline amongst peers announcing results till date).

Investment Rationale:

- **Strong Domestic growth visibility amid GST 2.0 tailwinds:** The tyre industry exhibits a robust demand structure, with approximately 70% of its revenue stemming from the replacement market and the remaining 30% from Original Equipment Manufacturers (OEMs). In Q1FY27, the India business delivered double digit volume growth across segments. Demand continued to stay robust into July supported by market-share gains, strong replacement demand and high-capacity utilisation, while expectations of momentum to sustain in the near term, primarily tracking GST rate cut tailwinds both for the OEM as well as replacement market.
- **Raw material volatility mitigated, expected moderation in Q3:** Rubber & crude derivatives form bulk of raw material costs at tyre companies. Consequently, domestic tyre industry has largely witnessed volatile margin profile with industry realising healthy margins during periods of benign raw material prices. Natural rubber cost increased from around ₹225/kg in Q1 to an expected ~₹260/kg in Q2, implying a significant sequential cost increase. Apollo mitigated the impact through calibrated and staggered price increases, with around 7–9% hikes implemented during Q1 and further increases announced for Q2; cumulative pricing currently stands at around 9% in TBR and 11% in other categories, against an estimated 15–16% required to fully offset RM inflation. Management expects natural rubber prices to cool from Q3 onwards as seasonal factors normalise, which, could provide a meaningful margin tailwind from H2FY27.
- **Debt on B/S substantially reduced, structurally well placed to withstand near term pressure:** Tyre industry is known to have bloated balance sheets owning to high capex intensity. Apollo tyre has done considerable work in this domain with net debt down from ~₹ 6,000 crore in FY20 to ~₹ 1,700 crore as of Q1FY27, a reduction of substantial ~₹ 4,300 crore. In this timeframe its EBITDA has improved from ~₹ 1,900 crore in FY20 to ~₹ 4,100 crore in FY26 with consequent Net Debt: EBITDA now placed at 0.4x.

Rating and Target Price

- With company's ability to mitigate the sharp and persistent rise in RM costs along with healthy underlying demand with double-digit volume growth we maintain our **BUY** rating on the stock & value it at **₹ 425 i.e. 7x on FY28E EV/EBITDA**. Healthy CFO generation and controlled leverage on B/S (Debt: Equity at 0.2x) provide margin of safety to our investment thesis.

APOLLO TYRES LTD

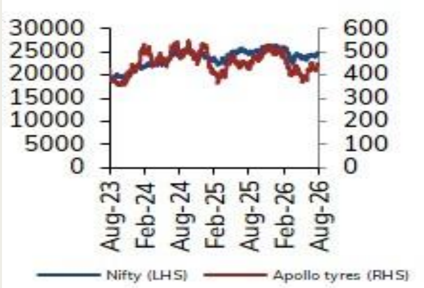
Particulars

Particular	₹ crore
Market Capitalization	27,942
Total Debt (FY26)	2,632
Cash & Inv. (FY26)	1,044
EV (₹ Crore)	29,530
52-week H/L (₹)	540 / 365
Equity capital	₹ 63.5 Crore
Face value	₹ 1

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	37.0	36.9	36.9	36.9
FII	11.9	12.3	12.2	10.1
DII	27.9	27.9	27.6	29.1
Other	23.2	22.9	23.4	23.9

Price Chart



Recent event & key risks

- Guides for cooling of RM costs by Q3, will take partial price hikes to offset its impact in Q2.
- Key Risk: (i) less than expected recovery in domestic demand (ii) elongated pressure on margins amid high RM prices

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Key Financial Summary

Key Financials	FY23	FY24	FY25	FY26	5-year CAGR (FY21-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Net Sales	24,568	25,378	26,123	28,471	10.4	33,393	35,483	11.6
EBITDA	3,314	4,447	3,572	4,143	8.6	4,062	4,981	9.6
EBITDA Margins (%)	13.5	17.5	13.7	14.6		12.2	14.0	
Net Profit	1,046	1,722	1,121	1,372	31.4	1,676	2,249	28.0
EPS (₹)	16.5	27.1	17.7	21.6		26.4	35.4	
P/E	26.7	16.2	24.9	20.4		16.7	12.4	
RoNW (%)	8.3	12.4	7.6	8.2		9.3	11.3	
RoCE (%)	9.8	15.2	10.4	12.5		10.4	12.7	

Source: Company, ICICI Direct Research

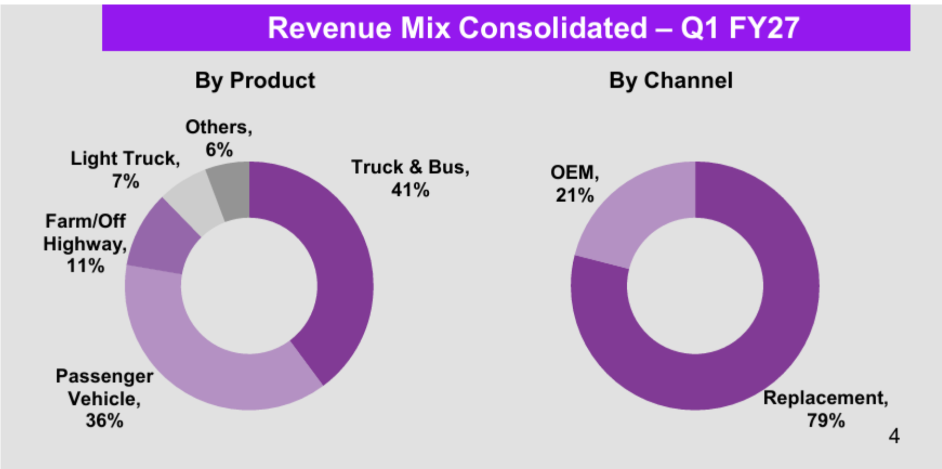
Key Highlights for the Quarter

Exhibit 1: Quarterly variance

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Total Operating Income	7,398	6,561	12.8	7,336	0.8
Raw Material Expenses	4,222	3,668	15.1	3,890	8.5
Employee Expenses	963	870	10.7	885	8.8
Other expenses	1,345	1,155	16.4	1,492	(9.9)
EBITDA	868	868	0.0	1,069	(18.8)
EBITDA Margin (%)	11.7	13.2	-149bps	14.6	-284bps
Depreciation	391	378	3.5	397	(1.5)
Interest	91	101	(9.1)	90	1.9
Other income	58	19	208.7	35	65.6
Tax	119	25	366.3	(469)	(125.3)
PAT	349	13	2,609.1	631	(44.7)
EPS (|)	5.5	0.2	2,609.1	9.9	(44.7)
Key Metrics					
Revenue (₹ crore)					
APMEA	5,529	4,829	14.5	5,346	3.4
Europe	2,039	1,848	10.3	2,180	(6.5)
EBIT Margin (%)					
APMEA	8.7	8.8	-5 bps	11.1	-234 bps
Europe	0.7	2.6	-186 bps	6.6	-582 bps

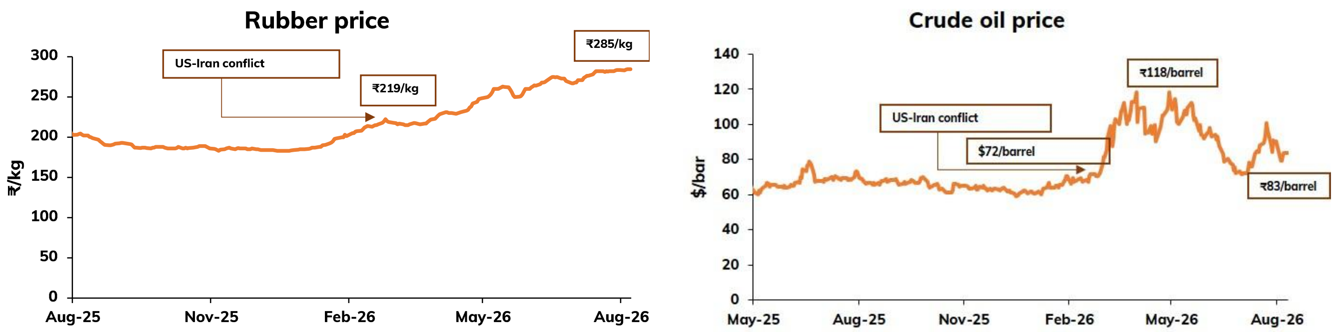
Source: Company, ICICI Direct Research

Exhibit 2: Apollo Tyres – Revenue Mix (Consolidated)



Source: Company, ICICI Direct Research

Exhibit 3: Trend in key raw material prices



Source: Company, ICICI Direct Research

Q1FY27 Concall highlights

Indian Operation

- **Strong demand momentum:** Replacement volumes grew 13% YoY, OEM volumes 10% and exports 15%, while most product categories delivered double-digit growth. July also saw a strong start, providing management confidence that the momentum can sustain into Q2 despite the seasonally weaker quarter
- **Performance:** India revenue reached a record ₹5,460 crore, growing 15.6% YoY and 4.3% QoQ, marking the strongest YoY quarterly growth in the last 14 quarters. Growth was largely volume-led, with approximately 12% coming from volumes. Apollo also estimates that it has regained market share, with TBR replacement share now above 30% and passenger-car replacement share >21%.
- **Capex:** Capacity emerges as a key constraint given utilisation level in the 90%+ range. India capex stood at ₹500 crore in Q1, with spending expected to increase in Q2 and Q3. The Andhra Pradesh expansion is expected to begin coming on stream toward the end of FY27 and ramp through FY28. Management indicated that, in hindsight, capacity additions may have been a quarter late rather than too early given the strength of demand.
- **Commodity Inflation and Price Hike:** Raw-material costs increased approximately 17% in Q1, with another ~8% sequential increase expected in Q2, primarily driven by natural rubber. Apollo implemented 7–9% price increases during Q1, while the full requirement to offset the RM inflation is estimated at around 15–16%. Current price increases are approximately 9% in TBR and 11% in other categories, with another one to two rounds of increases expected.
- Margin Recovery Potential: India EBITDA margin declined to around 12% from 13.6% YoY, primarily because of the sharp RM cost increase and the lag in price realisation. Since price hikes were staggered through Q1, only 3–4% flowed into Q1 revenue, with the full benefit expected from Q2 onwards. Management expects natural rubber to start cooling from Q3 and noted that Apollo historically delivers its strongest margins during falling RM cycles, creating potential for meaningful margin expansion if commodity prices moderate

European Operations

- **Performance:** Europe revenue stood at €147 million, up 0.5% YoY, with low-single-digit volume growth. EBITDA was €13 million, resulting in an 8.9% margin versus 10.8% YoY. Management attributed the muted reported performance partly to the Enschede closure and ongoing manufacturing transition, with some revenue also lost during the shift of truck-radial capacity. Core PCR replacement, however, continued to grow at a healthy double-digit rate.
- **Margin & product mix:** Hungary is expected to increase passenger-car tyre capacity from approximately 17,000 to 21,000 tyres per day, with production ramp-up beginning in H2FY27. The current European margin is affected by overlapping costs between the Netherlands and Hungary; management estimated that margins would have been around 11% without these overlaps. Once the new footprint is fully optimised, management is targeting high-teens EBITDA margins for the European operations.
- **Plant Closure & restructuring:** The Netherlands plant stopped production in June 2026, with a large portion of its approximately 750,000-tyre capacity being shifted to Hungary, while lower-end 14-inch and 15-inch tyres are being transferred from Hungary to India. The transition is expected to be completed around September–October 2026. Space Master spare-tyre production has already been shifted to Baroda with OEM approvals secured.
- **Management Guidance:** Management expects European operations to pick up as the capacity transition is completed and restructuring benefits begin from H2FY27. Anti-dumping duties on Chinese tyres are expected to be positive for Apollo, particularly as Chinese players had been taking share at the lower end of the market. Combined with healthy PCR replacement growth, the Hungary ramp-up and elimination of Netherlands-related cost overlaps, Europe provides a meaningful medium-term earnings opportunity.

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Total operating Income	26,123	28,471	33,393	35,483
Growth (%)	2.9	9.0	17.3	6.3
Raw Material Expenses	14,695	15,554	19,237	19,909
Employee Expenses	3,130	3,542	3,954	4,049
Other Expenses	4,728	5,232	6,141	6,544
Total Operating Expenditure	22,552	24,327	29,331	30,501
EBITDA	3,572	4,143	4,062	4,981
Growth (%)	-19.7	16.0	-2.0	22.6
Depreciation	1,498	1,543	1,603	1,774
Interest	447	391	426	411
Other Income	88	133	155	159
PBT	1,546	1,309	2,211	2,956
Exceptional items	168.7	1,033.5	-23.5	0.0
Total Tax	425	-63	537	709
Reported PAT	1,121	1,372	1,676	2,249
Growth (%)	-34.9	22.4	22.1	34.2
EPS (₹)	17.7	21.6	26.4	35.4

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	1,121	1,372	1,676	2,249
Add: Depreciation & Interest	1,945	1,935	2,029	2,185
(Inc)/dec in Current Assets	-1,306	-736	-1,595	-704
Inc/(dec) in CL and Provisions	38	1,141	499	466
CF from operating activities	1,798	3,712	2,608	4,196
(Inc)/dec in Investments	493	-	-	-
(Inc)/dec in Fixed Assets	(1,082)	(2,156)	(3,500)	(3,000)
Others	(63)	(785)	66	2
CF from investing activities	(652)	(2,941)	(3,434)	(2,998)
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(565)	(745)	1,600	(250)
Dividend & interest outgo	(764)	(773)	(775)	(855)
Others	158	893	(20)	(20)
CF from financing activities	(1,171)	(625)	805	(1,125)
Net Cash flow	(25)	147	(21)	73
Opening Cash	922	898	1,044	1,023
Closing Cash	898	1,044	1,023	1,096

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Liabilities				
Equity Capital	63.5	63.5	63.5	63.5
Reserve and Surplus	14,702	16,652	17,978	19,782
Total Shareholders funds	14,766	16,715	18,042	19,846
Total Debt	3,377	2,632	4,232	3,982
Deferred Tax Liability	1,799	1,455	1,455	1,455
Total Liabilities	21,494	22,286	25,411	27,029
Assets				
Gross Block	30,724	32,238	33,815	35,315
Less: Acc Depreciation	15,173	16,716	18,319	20,093
Net Block	15,551	15,522	15,496	15,222
Capital WIP	435	1,077	3,000	4,500
Total Fixed Assets	15,987	16,599	18,496	19,722
Investments	45	62	72	82
Goodwill on consolidation	237	277	277	277
Inventory	5,131	5,452	6,404	6,805
Debtors	3,062	3,191	3,660	3,889
Loans and Advances	0	0	0	0
Other current assets	725	1,011	1,186	1,260
Cash	898	1,044	1,023	1,096
Total Current Assets	9,815	10,698	12,273	13,049
Creditors	2,874	3,224	3,660	3,889
Provisions	289	854	421	447
Total Current Liabilities	3,164	4,079	4,080	4,336
Net Current Assets	6,652	6,620	8,192	8,714
Application of Funds	21,494	22,286	25,411	27,029

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per share data (₹)				
EPS	17.7	21.6	26.4	35.4
Cash EPS	41.3	45.9	51.6	63.3
BV	232.5	263.2	284.1	312.5
DPS	5.0	6.0	5.5	7.0
Cash Per Share	14.1	16.4	16.1	17.3
Operating Ratios (%)				
EBITDA Margin	13.7	14.6	12.2	14.0
PBT / Net sales	7.9	9.1	7.4	9.0
PAT Margin	4.3	4.8	5.0	6.3
Inventory days	71.7	69.9	70.0	70.0
Debtor days	42.8	40.9	40.0	40.0
Creditor days	40.2	41.3	40.0	40.0
Return Ratios (%)				
RoE	7.6	8.2	9.3	11.3
RoCE	10.4	12.5	10.4	12.7
RoIC	11.1	13.9	12.5	16.3
Valuation Ratios (x)				
P/E	22.5	11.4	16.9	12.4
EV / EBITDA	8.5	7.1	7.7	6.2
EV / Net Sales	1.2	1.0	0.9	0.9
Market Cap / Sales	1.1	1.0	0.8	0.8
Price to Book Value	1.9	1.7	1.5	1.4
Solvency Ratios				
Debt/Equity	0.2	0.2	0.2	0.2
Current Ratio	2.8	2.4	2.8	2.8
Quick Ratio	1.2	1.0	1.2	1.2

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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