Apollo Tyres (APOTYR)

ICICI Direct

CMP: ₹ 440 | Target: ₹ 530 (20%) | Target Period: 12 months | BUY

August 12, 2025

Company Update

RM costs decline; margins poised for recovery…

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 ~67% of sales

- FY25 product mix: Truck/Bus- 41%; PV- 38%; OHT- 9%; Others-12%

Q1FY26 Results: ATL reported healthy performance in Q1FY26. Total operating income on consolidated basis for the quarter stood at ₹ 6,561 crores, up 3.6% YoY. EBITDA for the quarter stood at ₹ 868 crore with margins at 13.2%, up 20 bps QoQ. Consolidated PAT for Q1FY26 came in at ₹ 13 crores (includes one-time exceptional charge). On standalone basis EBITDA margin stood at 13.6%, up 240 bps QoQ.

Investment Rationale:

- **Replacement demand to drive volume growth:** 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). This significant reliance on the replacement segment underscores its critical role as the primary growth driver for the industry. Even during periods of slowdown in OEM sales, the steady demand for tyre replacements ensures sustained industry momentum. In Q1FY26 demand concerns were seen on the OEM side, However ATL reported mid-single digit growth supported by CV volumes. The replacement segment however showed modest growth and will be the main growth driver for the company amid widespread presence pan India.
- **Raw material price correction to aid margin recovery:** 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. With blended RM prices at 166/kg (down ~2% QoQ) & domestic natural rubber prices now stabilising ~₹ 210/kg we believe the worst in terms of gross margin hit for tyre players is behind us. In Q1FY26 it witnessed ~220 bps QoQ improvement on gross margins on standalone basis. We see green shoots of recovery on margins side for domestic tyre players & swift recovery going forward, benefitting Apollo Tyres.
- **Debt on B/S substantially reduced, Net Debt: EBITDA ahead of target:** 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 ~₹ 2,100 crore as of Q1FY26 end, a reduction of substantial ~₹ 4,000 crore. In this timeframe its EBITDA has improved substantially from ~₹ 1,900 crore in FY20 to ~₹ 3,600 crore in FY25 with consequent Net Debt: EBITDA now placed at 0.7x as of Q1FY26E vs. its slated target of <2x shared few years back.

Rating and Target Price

- With margins showing signs of recovery, healthy CFO generation amid calibrated capex spends, consequent debt reduction and double digit return ratios in the medium term, we retain our BUY rating on the stock & **value ATL at ₹ 530 i.e. 7.5x FY27E EV/EBITDA.**

APOLLO TYRES LTD

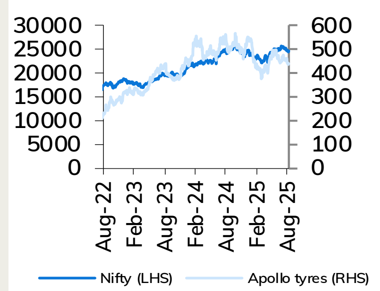
Particulars

Particular	₹ crore
Market Capitalization	27,942
Total Debt (FY25)	3,377
Cash & Inv. (FY25)	898
EV (₹ Crore)	30,421
52 week H/L (₹)	585 / 368
Equity capital	₹ 63.5 Crore
Face value	₹ 1

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	37.4	37.4	37.4	37.0
FII	14.6	14.2	13.4	12.3
DII	25.6	26.1	26.5	27.5
Other	22.5	22.3	22.7	23.2

Price Chart



Recent event & key risks

- Posted steady consol margins at 13.2% amidst stabilizing RM costs. Standalone margins surprises positively.
- Key Risk: (i) pressure on exports volumes in near term amid global trade uncertainty (ii) pressure on margins amid low operating leverage benefits

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ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials	FY21	FY22	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Net Sales	17,344	20,948	24,568	25,378	26,123	9.9	27,925	29,676	6.6
EBITDA	2,744	2,574	3,314	4,447	3,572	13.3	4,002	4,422	11.3
EBITDA Margins (%)	15.8	12.3	13.5	17.5	13.7		14.3	14.9	
Net Profit	350	639	1,046	1,722	1,121	18.7	1,269	1,912	30.6
EPS (₹)	5.5	10.1	16.5	27.1	17.7		20.0	30.1	
P/E	79.8	43.8	26.7	16.2	24.9		22.0	14.6	
RoNW (%)	3.1	5.4	8.3	12.4	7.6		8.1	11.2	
RoCE (%)	7.6	6.3	9.8	15.2	10.4		12.3	13.5	

Source: Company, ICICI Direct Research

Key Highlights for the Quarter

Q1FY26 con-call highlights

Indian Operation

- **Industry:** ATL observed growth in the OEM segment, primarily driven by pre-buying due to mandatory AC cabin regulations in the heavy commercial vehicle segment. The replacement segment showed modest growth, with performance aligning with market trends. Here, going forward the growth will be led by replacement segment.

- **Performance:** ATL witnessed marginal overall volume growth, with low single-digit growth in replacement & mid-single digit growth in OEM volumes (supported by growth in CV). Exports witnessed significant decline during the Quarter. At its Indian business, revenue for the quarter was ~₹ 4829 crore, a growth of ~2.4% over Q1FY25 & EBIT for the quarter stood at ~₹ 424 Crore, a margin of 8.8% compared to 7% in Q4FY25.

- **Commodity Inflation and Price Hike:** ATL witnessed decline in key raw material costs, improving gross margins by ~220 bps QoQ. The raw material basket averaged around INR 166 per kg. Key commodity prices during the quarter were as follows: Natural rubber was around ₹210/kg, synthetic rubber at ₹180/kg, carbon black at ₹ 120/kg & steel tyre cord at ₹160/kg. Expectations indicate slight cost reductions in Q2 unless impacted by exchange rate volatility (expected at 1% lower on QoQ basis).

- **Capex:** Capex number for the FY26E is at ₹700-₹750 crores of growth Capex over and above the ₹ 800 crores of maintenance Capex, total amounting to ~₹ 1500 crores. The focus remains on profitability, free-cash flow generation, and enhancing return ratios.

European Operation

- **Performance:** European revenue for Q1FY26 stood at EUR 146 million, reflecting a flat year-on-year performance. However, sequential revenue saw a significant decline, primarily due to weak market conditions and seasonal factors. The demand environment remained challenging with negative growth across all product categories. EBITDA for the quarter was EUR 16 million, resulting in an EBITDA margin of 10.8%, down from 13.7% in the same quarter last year.

- **Product wise performance:** Despite the overall market downturn, Apollo Tyres outperformed the market in passenger car replacement segment, although volumes still remained in negative territory. The Ultra-High Performance (UHP) segment showed promising growth, now representing the high 40s percentage of the product mix. The company experienced a sharp decline of nearly 40% in the special category (spacemaster tyres) due to the high-cost manufacturing structure and non-renewal of contracts.

- **Management Guidance:** Looking ahead, Apollo Tyres expects demand momentum to improve, driven by seasonal factors in Q2 and potential market recovery in Q3.

On the consolidated basis, company also booked restructuring expenses of ~₹ 370 crore on account of its decision to close tyre manufacturing at its Netherlands plant. Company expects it to be a non-cash impact in FY26E with cash impact of the same in FY27E

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total operating Income	25,378	26,123	27,925	29,676
Growth (%)	3.3	2.9	6.9	6.3
Raw Material Expenses	13,663	14,695	15,587	16,651
Employee Expenses	2,964	3,130	3,482	3,685
Other Expenses	4,303	4,728	4,855	4,918
Total Operating Expenditure	20,930	22,552	23,923	25,255
EBITDA	4,447	3,572	4,002	4,422
Growth (%)	34.2	-19.7	12.1	10.5
Depreciation	1,478	1,498	1,564	1,632
Interest	506	447	370	255
Other Income	154	88	62	84
PBT	2,540	1,546	1,759	2,618
Exceptional items	77.3	168.7	370.2	0.0
Total Tax	818	425	490	707
Reported PAT	1,722	1,121	1,269	1,912
Growth (%)	64.7	-34.9	13.2	50.7
EPS (₹)	27.1	17.7	20.0	30.1

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	1,722	1,121	1,269	1,912
Add: Depreciation & Interest	1,984	1,945	1,934	1,887
(Inc)/dec in Current Assets	-12	-1,306	110	-552
Inc/(dec) in CL and Provisions	-432	38	387	389
CF from operating activities	3,262	1,798	3,701	3,636
(Inc)/dec in Investments	(92)	493	(450)	(850)
(Inc)/dec in Fixed Assets	(943)	(1,082)	(1,500)	(1,350)
Others	380	(63)	23	18
CF from investing activities	(654)	(652)	(1,927)	(2,182)
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(1,646)	(565)	(1,000)	(500)
Dividend & interst outgo	(887)	(764)	(751)	(763)
Others	1	158	(20)	(20)
CF from financing activities	(2,531)	(1,171)	(1,771)	(1,283)
Net Cash flow	76	(25)	2	171
Opening Cash	846	922	898	900
Closing Cash	922	898	900	1,071

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Liabilities				
Equity Capital	63.5	63.5	63.5	63.5
Reserve and Surplus	13,839	14,702	15,591	16,995
Total Shareholders funds	13,902	14,766	15,654	17,059
Total Debt	3,942	3,377	2,377	1,877
Deferred Tax Liability	1,653	1,799	1,799	1,799
Total Liabilities	21,183	21,494	21,451	22,418
Assets				
Gross Block	29,729	30,724	32,174	33,474
Less: Acc Depreciation	13,675	15,173	16,737	18,369
Net Block	16,548	15,551	15,887	16,405
Capital WIP	348	435	485	535
Total Fixed Assets	16,896	15,987	16,373	16,941
Investments	532	45	505	1,365
Goodwill on consolidation	231	237	237	237
Inventory	4,246	5,131	4,973	5,285
Debtors	2,665	3,062	3,060	3,252
Loans and Advances	50	0	0	0
Other current assets	652	725	775	823
Cash	922	898	900	1,071
Total Current Assets	8,534	9,815	9,708	10,431
Creditors	2,979	2,874	3,060	3,252
Provisions	239	289	308	327
Total Current Liabilities	3,217	3,164	3,368	3,579
Net Current Assets	5,317	6,652	6,340	6,851
Application of Funds	21,183	21,494	21,451	22,418

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (₹)				
EPS	27.1	17.7	20.0	30.1
Cash EPS	50.4	41.3	44.6	55.8
BV	218.9	232.5	246.5	268.6
DPS	6.0	5.0	6.0	8.0
Cash Per Share	14.5	14.1	14.2	16.9
Operating Ratios (%)				
EBITDA Margin	17.5	13.7	14.3	14.9
PBT / Net sales	11.7	7.9	8.7	9.4
PAT Margin	7.0	4.3%	4.5%	6.4%
Inventory days	61.1	71.7	65.0	65.0
Debtor days	38.3	42.8	40.0	40.0
Creditor days	42.8	40.2	40.0	40.0
Return Ratios (%)				
RoE	12.4	7.6	8.1	11.2
RoCE	15.2	10.4	12.3	13.5
RoIC	16.7	11.1	13.5	15.6
Valuation Ratios (x)				
P/E	15.7	22.5	18.2	14.6
EV / EBITDA	6.9	8.5	7.2	6.2
EV / Net Sales	1.2	1.2	1.0	0.9
Market Cap / Sales	1.1	1.1	1.0	0.9
Price to Book Value	2.0	1.9	1.8	1.6
Solvency Ratios				
Debt/Equity	0.3	0.2	0.2	0.1
Current Ratio	2.4	2.8	2.6	2.6
Quick Ratio	1.0	1.2	1.1	1.1

Source: Company, ICICI Direct Research

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