Apollo Tyres (APOTYR)

ICICI Direct

CMP: ₹ 505 | Target: ₹ 600 (19%) | Target Period: 12 months | BUY

February 6, 2026

Company entering a Capex led growth phase...

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%

Q3FY26 Results: ATL reported healthy performance in Q3'26. Revenues on consolidated basis stood at ₹ 7,743 crores, up 12% YoY. EBITDA for the quarter stood at ₹ 1,186 crore with EBITDA margins at 15.3%, up ~40 bps QoQ. Consequent consolidated PAT for Q3FY26 came in at ₹ 471 crores, up 40% on YoY basis (higher other income offsets one-time exceptional labour code charge). On standalone basis it reported an EBITDA margin of 14.5%, down 80 bps QoQ.

Investment Rationale:

- **Strong Domestic growth visibility with premiumization 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 Q3FY26, the India business delivered mid-teen volume growth across replacement, OEM and exports, with premium products achieving their highest-ever volumes, reflecting successful premiumization. Growth was supported by a favorable demand environment, reduced GST rates, and strong traction in premium products. Demand continued to stay robust into January, and the company expects healthy growth momentum to sustain in the near term.

- **Debt on B/S substantially reduced, calibrated Growth Capex on anvil:** 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 ~₹ 1,300 crore as of Q3FY26 end, a reduction of substantial ~₹ 4,700 crore. In this timeframe its EBITDA has improved from ~₹ 1,900 crore in FY20 to ~₹ 3,600 crore in FY25 with consequent Net Debt: EBITDA now placed at 0.4x as of Q3FY26. This financial flexibility allows the company to undertake a capacity expansion plan over FY27–FY29 with India capacity utilization at >80%, and has approved a ₹5,800 crore capex plan to expand PCR capacity by 3.7 million p.a. and TBR capacity by 1.3 million p.a. in India. It has planned for ~₹2,000 crore growth capex for FY27, with overall consol capex pegged at ~₹3,000 crore next year, including Hungary expansion and maintenance capex. New capacity will begin contributing from FY28, with full benefits visible by FY30, without compromising leverage, with management guiding that net-debt/EBITDA will remain below 2x even at peak capex.

Rating and Target Price

- With continued strong demand traction domestically post GST rate cuts, margin recovering to normalised levels, healthy CFO generation and calibrated capex spends on the anvil, we continue to have positive view on the company. We retain our **BUY rating** on the stock & value it at **₹ 600 i.e. 8x on avg. of FY27-28E EV/EBITDA.**

APOLLO TYRES LTD

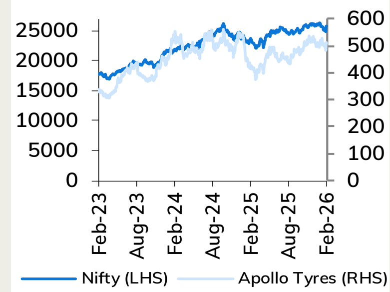
Particulars

Particular	₹ crore
Market Capitalization	32,070
Total Debt (FY25)	3,377
Cash & Inv. (FY25)	898
EV (₹ Crore)	34,549
52 week H/L (₹)	540 / 368
Equity capital	₹ 63.5 Crore
Face value	₹ 1

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	37.4	37.0	37.0	36.9
FII	13.4	12.3	11.9	12.3
DII	26.5	27.5	27.9	27.9
Other	22.7	23.2	23.2	22.9

Price Chart



Recent event & key risks

- Announces capex of ₹5,800 crores for capacity expansion.
- Key Risk: (i) Execution risk from large capex (ii) pressure on margins amid high RM prices

Research Analyst

Shashank Kanodia, CFA
shashank.kanodia@icicisecurities.com

Bhavish Doshi
bhavish.doshi@icicisecurities.com

Company Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials	FY21	FY22	FY23	FY24	FY25	5 year CAGR (FY20-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Net Sales	17,344	20,948	24,568	25,378	26,123	9.9	28,630	31,025	33,013	8.1
EBITDA	2,744	2,574	3,314	4,447	3,572	13.3	4,163	4,733	5,198	13.3
EBITDA Margins (%)	15.8	12.3	13.5	17.5	13.7		14.5	15.3	15.7	
Net Profit	350	639	1,046	1,722	1,121	18.7	1,171	2,022	2,269	26.5
EPS (₹)	5.5	10.1	16.5	27.1	17.7		18.4	31.8	35.7	
P/E	91.6	50.2	30.7	18.6	28.6		27.4	15.9	14.1	
RoNW (%)	3.1	5.4	8.3	12.4	7.6		7.5	11.9	12.2	
RoCE (%)	7.6	6.3	9.8	15.2	10.4		13.1	14.2	14.7	

Source: Company, ICICI Direct Research

Key Highlights for the Quarter

Exhibit 1: Apollo Tyres – Quarterly Results (Consolidated)

₹ crore	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Total Operating Income	7,743	6,928	11.8	6,831	13.4
Raw Material Expenses	4,260	4,052	5.1	3,736	14.0
Employee Expenses	909	797	14.0	879	3.4
Other expenses	1,388	1,132	22.7	1,196	16.1
EBITDA	1,186	947	25.2	1,021	16.2
EBITDA Margin (%)	15.3	13.7	165bps	14.9	37bps
Depreciation	385	376	2.5	383	0.5
Interest	100	111	(9.4)	101	(0.9)
Other income	50	8	514.9	30	66.6
Tax	253	127	98.4	128	97.3
PAT	471	337	39.5	258	82.3
EPS (₹/share)	7.4	5.3	39.5	4.1	82.3
Key Metrics					
Revenue (₹ crore)					
APMEA	5,208	4,612	12.9	4,823	8.0
Europe	2,637	2,372	11.2	2,191	20.4
EBIT Margin (%)					
APMEA	10.9	6.4	442 bps	10.1	75 bps
Europe	10.1	9.8	34 bps	4.4	568 bps

Source: Company, ICICI Direct Research

Q3FY26 con-call highlights

Indian Operation

- **Industry:** Management highlighted that domestic demand remained strong during the quarter, supported by favorable macro conditions and continued momentum across replacement, OEM and export channels. Demand continued to stay robust into January, and the company expects healthy growth momentum to sustain in the near term.

- **Performance:** Apollo Tyres delivered strong double-digit growth in India, with revenue at ₹5,208 (+13% YoY). Volume growth remained in mid-teens across replacement, OEM and exports. EBIT for the quarter stood at ~₹ 566 Crore, a margin of 11% compared to 10% in Q2FY26. Premium product portfolio continued to gain traction and achieved highest-ever volumes during the quarter.

- **Capex:** India capacity utilization is currently in the high-80% range, and the company expects to hit capacity constraints soon. The board has approved ₹5,800 crore capex for FY27–FY29 to expand PCR and TBR capacity, with ~₹2,000 crore planned in FY27. Incremental capacity will start contributing from FY28, with full benefits visible by FY30.

- **Balance Sheet & Returns:** Strong operational cash flows led to sharp debt reduction, with consolidated net debt declining to ₹1,300 crores and net-debt/EBITDA improving to 0.4x. Even with upcoming capex, management expects leverage to remain below 2x. Current ROCE stands at ~13.5%.

Commodity Inflation and Price Hike: Pricing remained largely stable in the domestic market with no major price hikes taken. Raw material outlook remains broadly flattish, although management acknowledged global volatility in rubber, crude and currency. Replacement continues to be the most profitable segment, followed by exports. Elevated A&P spends in Q3 impacted margins temporarily and are expected to normalize towards ~2.5% of sales from FY27. Management disclosed indicative commodity levels during Q3: natural rubber ~₹195/kg, synthetic rubber ~₹170/kg, carbon black ~₹150/kg.

European Operation

- **Performance:** European revenue remained flattish YoY due to weak demand environment, though profitability improved with EBITDA margin at 17.9%. Market conditions remain subdued, especially in passenger car tires, though the decline has moderated compared to earlier quarters. European revenue for Q3FY26 stood at EUR 180 million.

- **Product wise performance:** Premiumization continues to support performance, with UHP mix improving to 52% vs 48% YoY. The company continues to secure OEM approvals and strong performance in independent European tests, strengthening its premium positioning.

Capacity and product roadmap: PCR capacity expansion in Hungary is progressing as planned and will support future growth. The Netherlands plant closure remains on track, with production stopping by June 2026. Benefits from restructuring are expected to start reflecting in profitability from H2 FY27 onward.

Management Guidance: European demand remains weak in near term, though gradual improvement is visible. Long-term growth in the region is expected to remain modest (~1-2%), with profitability improvement driven more by premiumization and cost optimization rather than volume growth.

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Total operating Income	26,123	28,630	31,025	33,013
Growth (%)	2.9	9.6	8.4	6.4
Raw Material Expenses	14,695	15,808	17,148	18,182
Employee Expenses	3,130	3,549	3,707	3,869
Other Expenses	4,728	5,110	5,436	5,763
Total Operating Expenditure	22,552	24,466	26,292	27,815
EBITDA	3,572	4,163	4,733	5,198
Growth (%)	-19.7	16.6	13.7	9.8
Depreciation	1,498	1,575	1,706	1,816
Interest	447	399	328	339
Other Income	88	123	69	62
PBT	1,546	1,735	2,768	3,105
Exceptional items	168.7	577.4	0.0	0.0
Total Tax	425	565	747	838
Reported PAT	1,121	1,171	2,022	2,269
Growth (%)	-34.9	4.4	72.7	12.2
EPS (₹)	17.7	18.4	31.8	35.7

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	1,121	1,171	2,022	2,269
Add: Depreciation & Interest	1,945	1,973	2,034	2,155
(Inc)/dec in Current Assets	-1,306	-504	-788	-654
Inc/(dec) in CL and Provisions	38	544	532	441
CF from operating activities	1,798	3,184	3,800	4,211
(Inc)/dec in Investments	493	-	-	-
(Inc)/dec in Fixed Assets	(1,082)	(1,500)	(3,000)	(3,300)
Others	(63)	46	37	20
CF from investing activities	(652)	(1,454)	(2,963)	(3,280)
Issue/(Buy back) of Equity	-	-	-	-
Inc/(dec) in loan funds	(565)	(1,000)	100	75
Dividend & interst outgo	(764)	(748)	(899)	(975)
Others	158	(20)	(20)	(20)
CF from financing activities	(1,171)	(1,768)	(819)	(920)
Net Cash flow	(25)	(38)	18	12
Opening Cash	922	898	859	877
Closing Cash	898	859	877	889

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet ₹crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Liabilities				
Equity Capital	63.5	63.5	63.5	63.5
Reserve and Surplus	14,702	15,524	16,975	18,609
Total Shareholders funds	14,766	15,587	17,038	18,672
Total Debt	3,377	2,377	2,477	2,552
Deferred Tax Liability	1,799	1,799	1,799	1,799
Total Liabilities	21,494	21,421	23,067	24,846
Assets				
Gross Block	30,724	32,174	34,160	35,960
Less: Acc Depreciation	15,173	16,748	18,454	20,270
Net Block	15,551	15,426	15,706	15,690
Capital WIP	435	485	1,500	3,000
Total Fixed Assets	15,987	15,912	17,206	18,690
Investments	45	55	65	75
Goodwill on consolidation	237	237	237	237
Inventory	5,131	5,491	5,950	6,331
Debtors	3,062	3,138	3,400	3,618
Loans and Advances	0	0	0	0
Other current assets	725	794	861	916
Cash	898	859	877	889
Total Current Assets	9,815	10,282	11,088	11,754
Creditors	2,874	3,138	3,400	3,618
Provisions	289	316	342	364
Total Current Liabilities	3,164	3,453	3,742	3,982
Net Current Assets	6,652	6,828	7,346	7,772
Application of Funds	21,494	21,421	23,067	24,846

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
EPS	17.7	18.4	31.8	35.7
Cash EPS	41.3	43.2	58.7	64.3
BV	232.5	245.5	268.3	294.0
DPS	5.0	5.5	9.0	10.0
Cash Per Share	14.1	13.5	13.8	14.0
Operating Ratios (%)				
EBITDA Margin	13.7	14.5	15.3	15.7
PBT / Net sales	7.9	9.0	9.8	10.2
PAT Margin	4.3	4.1	6.5	6.9
Inventory days	71.7	70.0	70.0	70.0
Debtor days	42.8	40.0	40.0	40.0
Creditor days	40.2	40.0	40.0	40.0
Return Ratios (%)				
RoE	7.6	7.5	11.9	12.2
RoCE	10.4	13.1	14.2	14.7
RoIC	11.1	14.1	16.0	17.7
Valuation Ratios (x)				
P/E	25.8	20.6	15.9	14.1
EV / EBITDA	9.7	8.1	7.1	6.5
EV / Net Sales	1.3	1.2	1.1	1.0
Market Cap / Sales	1.2	1.1	1.0	1.0
Price to Book Value	2.2	2.1	1.9	1.7
Solvency Ratios				
Debt/Equity	0.2	0.2	0.1	0.1
Current Ratio	2.8	2.7	2.7	2.7
Quick Ratio	1.2	1.1	1.1	1.1

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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