Apollo Micro Systems

Operator: Ladies and gentlemen, good day, and welcome to Apollo Micro Systems Ltd. Q2 FY27 earnings conference call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikas Singh from ICICI Securities. Thank you, and over to you, sir.

Vikas Singh – ICICI Securities: Thank you, ma'am. Good morning, everyone. A warm welcome to Apollo Micro Systems H1 FY27 and Q2 FY27 earnings conference call. Before I introduce the management, I would just like to give a short disclaimer. This call may contain some forward-looking statements, which are completely based on the belief, opinion, and expectation of the management. These statements should not be taken as a guarantee of future performance.

We would like to thank Apollo Micro Systems management for giving us the opportunity to host them. From the management side, we have with us Mr. Karunakar Reddy Baddam, Managing Director; Mr. Krishna Sai Kumar Adepalli, Whole-time Director and Operations; and Mr. Sudarshan, Chief Financial Officer. Without taking any more time, I will hand over to the management for their opening remarks. Over to you, sir.

Management: Good morning, everyone. It is an exciting time in Indian defence, and we are glad to have you with us as we share where Apollo Micro Systems stands today. We have delivered the strongest performance in our company's history, with record results for both the September quarter and the first half of FY27. This is a defining milestone built on sharp execution, rising scale, and growing customer confidence. The momentum is real, and we are only accelerating.

I trust you have had the opportunity to review our financial results, shareholder letter, press release, tear sheet, and investor presentation. This is our second investor interaction of FY27, and Q2 has been a quarter of landmark progress. Four developments define it.

First, a regulatory milestone: the CCI of India has approved the Premier Explosives transaction, clearing the way for the open offer to public shareholders.

Second, a leap in indigenous precision guidance: in the distinguished presence of the Honourable Defence Minister, Mr. Rajnath Singh, the transfer of technology for the Semi-Active Laser Homing system was awarded to us. This technology allows munitions to find and strike laser-designated targets with precision, and it strengthens India's self-reliance in advanced defence capabilities.

Third, a bold new chapter: Shauryaastra Defense Systems. This new Apollo group company will design and develop complete weapon systems, long-range systems, and integrated defence platforms for the nation. It is going to be led by promoter Dr. V.K. Saraswat, former Scientific Advisor to the Defence Minister, a celebrated architect of India's missile defence capability, and it takes us from building critical components to shaping the entire system.

Fourth, scale on the ground: IDL has commissioned its {? Bolkonda ?} silo unit near Asansol, spread over 18.5 acres of land, with 9,000 metric tonnes of bulk explosive storage. It deepens IDL's

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nationwide silo network and equips us to serve the long-term order secured from Coal India subsidiaries.

Technology, systems, portfolio, and infrastructure—each advances a different front, and together they build the foundation for our next phase of growth, powered by indigenous innovation, disciplined execution, and enduring value creation. Let us come to the numbers that created history and reinforced strong confidence in us to serve the nation.

Let me now take you through our consolidated financial performance for H1 FY27, a record-breaking half-year performance. We delivered our highest-ever half-year revenue, EBITDA, and PAT. Revenue surged 78% year-on-year to a record 639 crores from 359 crores in H1 FY26. EBITDA excluding other income grew 65% to a record 165 crores from 100 crores. PAT grew by 50% to a record 71%, 71 crores from 48 crores. We maintained positive cash flow from operations of 22 crores during the period. Our working capital cycle also showed an improvement, with working capital days reducing to 350 days from 359 days in FY26.

H1 FY27 standalone performance is a record on every front, including margins. We delivered our highest-ever half-year revenue, EBITDA, and PAT. Revenue grew 29% year-on-year to a record 462 crores from 359 crores in the preceding year. EBITDA excluding other income outpaced topline growth, rising 56% to a record 156 crores from 100 crores. PAT grew by 44% to a record 76 crores from 52 crores. EBITDA margin reached an all-time high of 34%, expanding by 600 basis points. PAT margin also reached an all-time high of 16%, expanding by 200 basis points.

Coming to the quarterly performance of Q2 FY27 on a consolidated basis, revenue grew by 72% year-on-year and 54% quarter-on-quarter, reaching an all-time high of INR 388 crores in the quarter. EBITDA excluding other income grew by 88% year-on-year and 107% quarter-on-quarter, outpacing topline growth and reaching an all-time high of 111 crores in the quarter. EBITDA margin excluding other income reached an all-time high of 29%, expanding by 200 basis points year-on-year and 700 basis points quarter-on-quarter. PAT also reached an all-time high of 46 crores, growing by 40% year-on-year and 83% quarter-on-quarter, outpacing topline growth.

Turning to the standalone business, Q2 FY27 was a breakout quarter. Our topline reached an all-time high of 306 crores, growing 36% year-on-year and 96% sequentially. EBITDA excluding other income grew even faster. EBITDA excluding other income soared 82% year-on-year and 122% quarter-on-quarter to a record 108 crores. Profitability took a big step up, with EBITDA margin reaching 35%, up 900 basis points year-on-year and 400 basis points sequentially. At the bottom line, we earned a record 48 crores in PAT, up 46% year-on-year and 73% sequentially.

A number captures the pace of our scale-up. In Q1 FY27, our EBITDA excluding other income was 48 crores. In Q2 FY27, our PAT alone was 48 crores. What we earned at the operating level a quarter ago, we have now delivered at the bottom line. That is the scale delivered with discipline.

As of September 30, 2026, our order book stood at an all-time high of 1,765 crores. Every headline metric has scaled, and the pace reflects the strength of our execution. We are focused on sustaining this momentum through disciplined delivery, operational efficiency, and continued investment in our capabilities. Thank you for your continued trust and support. We now look forward to addressing your questions.

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Operator: Thank you very much, sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Amit Dixit from Goldman Sachs. Please go ahead.

Amit Dixit – Goldman Sachs: Hi. Good morning, everyone, and congratulations on a good set of numbers. A couple of questions from my side. The first one is essentially that, if I look at the performance and try to subtract standalone from consolidated, it looks like a couple of subsidiaries in particular, such as IDL or others, are not performing that well. If I look at consolidated PAT, it is lower than standalone, while revenue is, of course, higher. I just wanted to understand the turnaround plan we have for these subsidiaries so that they can also contribute to overall profitability like the standalone business. That is the first question.

Management: Thank you, Amit. Good morning. We have been vocal and have explained earlier as well that IDL was a loss-making company owing to thin margins. We have refined its financials over the last few quarters, reduced a lot of expenditure and other costs, and a few more initiatives are being planned. There is also a lot of transformation planned towards entering the full-fledged energetics business related to defence requirements, as well as improving margins in the commercial and industrial explosives business, which IDL is currently engaged in. It will take a couple of more quarters for us to make all these changes that have to be brought into the company.

This is something that we have stated earlier as well. For four quarters, there will be a curve of changes that we would be incorporating. The new plant expansion that we have undertaken for silos is also an incremental initiative in that direction. A few more initiatives are coming up over the next 2-3 quarters. You will see an improvement. However, this particular quarter is specifically a very lean quarter. It is generally an off-season, lean quarter for commercial explosives companies, so the impact is felt a little more. Going forward, you will be able to see a lot of improvement in the overall performance of IDL's business.

Amit Dixit – Goldman Sachs: Wonderful, sir. The second question essentially is that we are pursuing growth on all fronts across various products. There are multiple initiatives being taken. Now you have two subsidiaries, and congratulations on the CCI approval for Premier, by the way. We have Premier, we have IDL, we have our standalone business, and we have a host of products that we are developing. I just wanted to understand what constraints we are facing today with this multi-pronged growth approach. Also, how are you managing this multi-location, multi-pronged growth?

Management: [pause] We have a disciplined team, and the leadership team is already well built for the current subsidiaries that we have acquired and are about to acquire. We continue to provide the vision, strategy, and direction to the leadership teams that have been managing these companies. For a few more acquisitions that we may undertake in the future, we will continue to maintain a similar structure. We will build the leadership team, strengthen the team, and create layers, accountability, and transparency. Obviously, the vision will be provided by our Managing Director, Mr. Karunakar Reddy. That is how we will have to proceed, and we will continue to do the same.

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Management: We are also planning automation, and as of now, from one location, we are able to monitor all the locations and units.

Amit Dixit – Goldman Sachs: Yes, sir. The question was more on the multi-location aspect. There are also a lot of products that we are developing. {? MIGM ?}, for example, is one of them. Then there are torpedoes, and so on. These are very varied products. Particularly in torpedoes, there is already a company that is engaged in this business. These products require a lot of technical excellence, apart from the R&D effort. The R&D effort is, of course, at the higher end among Indian companies, generally at 8%. If you could throw some light on the product development initiatives, whether we are hiring in a better manner, and the organisational structure, that would be helpful.

Management: [pause] We have a multi-layered structure for the development teams. At the topmost layer, the Managing Director and the Director Technical, Mr. Prasad, both handle it. Under them, there are almost 11 heads of departments who handle different types of technologies. There is someone who handles pyrotechnics, someone who handles controls, someone who handles RF, and so on. There are different heads of departments. Under them, there are team leaders with almost 6-8 years of experience who manage the teams. Under them, we have a layer of teams with 0-4 and 0-5 years of experience. Thus, we have a multi-layered structure through which we manage the development work.

We hire teams from some of the local engineering institutes and some from outside the region. We hire them, groom them, and gradually develop them to a leadership level. Then there is an architect team that handles the entire engineering perspective and other related matters. This is the multi-layered structure through which we operate the entire R&D team.

Management: Expertise.

Management: From the technology point of view, there are generally common technologies that are used across different verticals, whether for naval defence, air defence, or missile defence. Over and above that, we also have some retired scientists from the DRDO and domain expertise and knowledge contributed by former armed forces personnel and retired staff. Through this, we obtain domain expertise and technological knowledge from retired DRDO scientists and others. This is how we are able to maintain, sustain, and develop the technologies, re-engineer the technologies that have been developed, and come out with newer technologies based on current threat requirements.

Management: That is how we are operating.

Shreyans {? ...Khatani ?} – SBI Securities: Understood, sir. Thank you so much, and all the best.

Management: Thank you, Amit.

Operator: Thank you. The next question is from the line of Abhijit Singh from Systematix. Please go ahead.

Abhijit Singh – Systematix: Thank you for the opportunity. Am I audible?

Management: Yes, yes.

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Abhijit Singh – Systematix: Sir, my first question is on the standalone business. What has contributed to the almost all-time high gross margins here, at around 48% gross margins in standalone? That is the first question.

Management: You can go ahead and ask all the questions. I will answer them together.

Abhijit Singh – Systematix: The second question, sir, is on the path ahead for IDL Explosives. What kind of capex do we envisage in IDL, and what is the plan for the next 4-5 quarters, which we mentioned would be a transition period during which we would be restructuring the business? Lastly, what is the status of the MIGM order? Are we expecting the RFP anytime soon, or when can we expect the order to come into our order book? These are my 3 questions.

Management: The further plans for IDL are something that we will keep disclosing as and when we start those activities. On this conference call, I would reserve my reply.

As far as the current quarter's growth is concerned, we have executed reasonably good production orders, which have driven the margin growth for this particular quarter. As far as MIGM is concerned, the Managing Director will answer that.

Management: Regarding MIGM, we are in touch with headquarters, the Naval Headquarters, and we are expecting the RFP next month, anytime in November.

The Indian Navy's plan is that during January or February, it wants to release the purchase order. It wants to release the advance payments before the end of the financial year. There is a provision for a 20% advance payment in this order. It is included in the sanction. Thus, it wants to release the 20% advance before the financial year-end. That is what the Indian Navy team expects.

Abhijit Singh – Systematix: Sir, just one follow-up on this. Do you think the trials can happen quickly, within a 2-3-month period after the RFP is issued, between the RFP and the final order? I am sure the trials would happen—the final user evaluation trials?

Management: We are expecting the purchase order before February so that I can submit the BG and, before March 31, we can avail the advance payment.

Abhijit Singh – Systematix: Trials happen?

Management: MIGM trials have already been completed. User trials and everything have already been completed. There are no more trials. It will go straight into production. The first lot will be subjected to some critical trials. After that, series production will continue.

Abhijit Singh – Systematix: Understood, sir. That is it from my end. I will get back in the queue.

Management: Thank you.

Operator: Thank you. The next question is from the line of Benakin from HSBC. Please go ahead.

Benakin – HSBC: Thank you for the opportunity. Sir, can you give us some colour on the potential export opportunities on the horizon over the next 12-24 months and how you see that progressing?

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Management: For many decades, we concentrated only on the domestic business. Based on our capacities, we did not focus on exports. However, our third unit is getting ready. The first phase of the third unit is now operational. Once it is fully operational, we want to take up foreign assignments as well. We are building that capacity. Compared with our present capacity, once the expansion is ready, it will be almost 2.5 times larger than the present facility. We are in touch with many overseas companies, and I think from the next financial year onwards, we will be taking and executing good export orders as well.

Benakin – HSBC: Understood, sir. My second question is that we sense there has been a delay in the ordering process this year. There was obviously a lot of expectation that order flow would increase across the board, but so far we have seen muted order flow, especially for large systems. In your view, sir, what is driving this delay at the ordering level?

Management: In some cases, the government is changing its strategy. For example, there is QRSAM. The government, through the Ministry of Defence, is supposed to place an order with Bharat Electronics and BDL. However, the Ministry of Defence is now planning to split the order. Particularly, for the first lot of 1,000 units, it wants to split the order. It wants to place 50% with BDL and consider private industry for the remaining 50%. That process is also going on. I think that is one reason for the delay in that particular case. Other things are proceeding as scheduled, and orders are being released.

In our case, naval systems and related programmes are proceeding on a fast-track basis. In fact, you must have seen that BDL recently received one lot order for a torpedo, our mass order. BDL is also going to receive one more order for an electrical heavyweight torpedo. They have already received the RFQ and submitted the quotation, and they are expecting the order at any time over the next month.

Benakin – HSBC: Understood. Thank you very much.

Management: Thank you.

Operator: Thank you. The next question is from the line of Amit Kumar from HDFC Securities. Please go ahead.

Amit Kumar – HDFC Securities: Good morning, sir. Congratulations on a great set of numbers, and thank you for the opportunity. I wanted to understand 2 points. One is on the shorter horizon. In this quarter, which specific orders were executed, if you could please highlight them? In the next 2 quarters, how do you see execution from this 1,700-crore order book? Some guidance on how much would be executed and which specific programmes you are focusing on would be helpful. That is one point.

The second point is on the longer-term order book trajectory, specifically for Apollo standalone. We understand MIGM. Apart from that, how do you see QRSAM and Pinaka order inflows coming? The third point is on Premier Explosives. How do you see the order inflows for Premier in FY27?

Management: Amit, thank you for joining. Regarding Premier, we do not want to comment as of now. Once the full process is over, we will start providing our guidance and other details jointly.

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As far as Apollo's order book is concerned, the current order book is close to a little over 1,700 crores. This will grow to around 2,000-plus crores by March, excluding the MIGM order that we are going to receive.

Amit Kumar – HDFC Securities: Yes, sir.

Management: MIGM is something that we are certainly going to receive in this financial year. The Managing Director has already said that it will be by February, but not later than March. That is the guidance we have been giving from the beginning. We are continuing with the same position, as we remain in regular contact with the customers.

Regarding Pinaka and QRSAM, the Managing Director has already addressed QRSAM.

Management: Pinaka is already in process. The Ministry of Defence is releasing orders for approximately 2,000 units to 2–3 companies. We are expecting orders. In fact, we have already submitted our response; the RFQ has also come, and we have submitted our quotation for the MIL case. They are going to release orders for 300 units. Solar has also received some orders, and MIL has also received some units. Bharat Forge is also getting some units. We are expecting these Pinaka-related orders by the end of December at the latest.

Regarding QRSAM, as I said, they want to consider BDL for only 50% of the quantity and private industries for the remaining 50%. We are also in that race. Most of the onboard systems in QRSAM are being done by Apollo, while Premier is handling the propellant side. If anyone wants to take the major portion of the weapon, it is being done by the Apollo group. I am sure the Ministry of Defence wants to consider 2 private industries, and I am sure we will also be part of that process.

Amit Kumar – HDFC Securities: Thank you, sir. I had one more question that I had highlighted earlier. For the next 2 quarters, which programmes are you focusing on, and could you provide any numbers?

Management: We have executed only Indian Navy orders in the last quarter, and we are also executing them now. Execution related to Pinaka is also going on. There are strategic programmes whose names I do not want to mention, and orders under those programmes are also being executed. We are also in the process of executing requirements related to the Indian Navy. We are completing production for a lot of orders from other companies, including private industries.

For the next 2 quarters, we have orders from various departments. Some R&D-related orders are there, some production orders are there, and we have also received limited-series orders from a number of programmes. Execution of those orders and production are also going on. Over the next 2 months, we will be executing many production and R&D-related orders. Some of the programmes are strategic programmes, and we are not supposed to disclose their names.

Amit Kumar – HDFC Securities: I understand. On the numbers side, do we expect a similar run rate? We did approximately 400 crores in H2 last year. Do we expect close to 700 crores this year?

Management: Yes, we are targeting and aiming for more than that. I think [cut off]

Management: Amit, what is the question? Can you repeat it?

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Amit Kumar – HDFC Securities: Sir, I wanted to know how much of the 1,700 crores we expect to execute in H2. Some broader guidance would also be fine.

Management: We will continue to maintain the growth momentum that we have been demonstrating. That is how I think [cut off]

Management: Definitely, we are targeting 35–45% growth.

Amit Kumar – HDFC Securities: That helps, sir. Thank you. Those are all my questions.

Operator: Thank you. The next question is from the line of Rahul Thakur from NVS Brokerage. Please go ahead.

Rahul Thakur – NVS Brokerage: Sir, we are India's premier defence company. Therefore, considering the huge opportunity in the defence sector, when do you see our company reaching revenues of perhaps 5,000 crores and corresponding margins of 20% or 22%?

Management: In the coming years, we are definitely targeting that. Once the acquisition is completed and all the companies have started functioning under one management group, I am sure this is expected to happen. That is all I can say.

Rahul Thakur – NVS Brokerage: Thank you, sir.

Management: Thank you.

Operator: Thank you. The next question is from the line of Ronak {? Samani ?} from NAFA Asset Managers. Please go ahead.

Ronak {? Samani ?} – NAFA Asset Managers: Hello. Congratulations on the good numbers. Am I audible?

Management: Yes. Thank you. Please go ahead.

Ronak {? Samani ?} – NAFA Asset Managers: The effective tax rate in Q2 is around 51% for standalone. What makes this tax percentage so high?

Management: [pause] As per the income tax rules, effective from this year, wherever turnover was 400 crores and above during 2022–23 [cut off]

Management: 2019–20.

Management: In 2024–25, it was a 25% tax rate. Now it has been shifted to 30%. That is why the [cut off]

Ronak {? Samani ?} – NAFA Asset Managers: So you are under the old tax regime, not 115BAA. My next question is regarding the previous call. You had said that, for 155 mm shells, Premier Explosives had provided some samples to the Indian Army, for which testing was in the final stages. Once the order is received, Premier Explosives will provide the explosives and Apollo will provide the fuzes. What is the current status? Have the samples materialised into an order, and is Apollo

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ready to provide the fuzes?

Management: Regarding Premier, we want to comment only after completion of this acquisition. Under the SPA, we are not supposed to discuss that company.

Ronak {? Samani ?} – NAFA Asset Managers: Understood, sir. Thank you.

Management: Thank you.

Operator: Thank you. The next question is from the line of Shreyans

Operator: {? ...Khatani ?} from SBI Securities. Please go ahead.

Shreyans {? ...Khatani ?} – SBI Securities: Hello, congratulations, sir. I had just one question. I am trying to understand when the government splits an order between 2 parties—for example, MIGM is between BDL and Apollo, and we provide subsystems—whether it is compulsory for BDL to have a separate vendor for the subsystems, with a complete separation, or whether we would provide the subsystems and also make MIGM ourselves. Similarly, for QRSAM, for the portion that BDL handles and the portion going to private players, will Apollo be involved in both, or will there be a separation there?

Management: In the case of MIGM, Apollo has provided all the electronic subsystems and other critical sensors to DRDO. For future production orders as well, Apollo will provide the electronic processing system and the sensors. There is no second source for those items. Apollo is the only source.

In the case of QRSAM, Apollo has established a couple of subsystems so far, and we are going to be a proprietary source, possibly on a nomination basis, for a couple of subsystems. For 1 or 2 systems, there is also a second vendor, and the order will be shared between 2 companies.

Shreyans {? ...Khatani ?} – SBI Securities: So there is no restriction that the vendors have to be separate for certain subsystems when the order goes to 2 different parties? We can be a party to both, right?

Management: It need not be so. During development, whoever supplies the subsystems will continue with the same vendors. If we supplied them during the development stage, they will have to come to us.

Shreyans {? ...Khatani ?} – SBI Securities: Understood. That is helpful. That is all I had. Thank you.

Management: Thank you.

Operator: Thank you. The next question is from the line of Abhijit Singh from Systematix. Please go ahead.

Abhijit Singh – Systematix: Thank you for the follow-up, sir. Continuing with the previous participant's question on the QRSAM scope, you are saying that even if there is competition in certain subsystems or products, it is limited to a maximum of 2 or 3 players in addition to Apollo, right? In MIGM, we are the only supplier for the electronics part to the system integrators. Is that the

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correct understanding?

Management: Yes. For QRSAM, if I remember correctly, there are 3 subsystems and 3 very critical systems. For example, for navigation and the onboard computer, we are the only people who have submitted so far. For 2 other subsystems as well, Apollo Micro Systems has supplied them so far. The trials, technical trials, user trials, and everything happened using our technology. Therefore, they have to stick with the same company.

In the future, they may develop a couple of more vendors. DRDO's policy is that they want to have a minimum of 2 vendors. Their process is that, if they provide technology to a second company, the second company has to absorb the technology, produce samples, conduct the qualification tests, and use them in a couple of trials. Only then will they consider the second source. That is how the process works.

For the present order and quantity, since no second vendor has been developed so far, we are expecting a couple of subsystems on a nomination basis. There are 2-3 other subsystems for which 2 vendors are available. Apollo is one, and there is one more vendor.

Abhijit Singh - Systematix: Right, sir. On Pinaka, you mentioned that this is for the Pinaka long-range version, and that MIL already has the order and we are also expecting an order. Is that for the long-range version?

Management: Pinaka has 2 variants. One has an 80-kilometre range, and the other has a 120-kilometre range. For the 120-kilometre version, the Ministry of Defence has not yet finalised the DCPP production partner. We are also in that race. For the 80-kilometre version, there are currently 3 vendors: MIL, Solar, and Bharat Forge.

Abhijit Singh - Systematix: There was one order that they received in FY25. Is this a follow-up to that order?

Management: Yes. That order was for Armenia, and these 3 companies received orders for 2,000 units. There is also a recent order for the Indian Army's own requirement. The Indian Army is placing an order for 2,000 units. Negotiations, the RFQ, submission of quotations, and everything have been completed. They will receive the order at any time. Procurement has also started. MIL has already sent the RFQ, and we have submitted our quotation. Once they receive the order—

Abhijit Singh - Systematix: Overall 4,000 for Pinaka, 4,000 rockets in total? Half of that is export demand and half is Indian domestic demand, right?

Management: Correct, correct, yes.

Abhijit Singh - Systematix: Lastly, on the heavyweight torpedo, I think you mentioned that the RFQ has already been issued and you are expecting an order. Is that correct? Did I hear that correctly, or would you like to correct it?

Management: The RFQ is there for a small quantity. An RFQ for approximately 30 units has been raised on an urgent basis. The Indian Navy has raised the RFQ with BDL. They are expecting the order at any time during November. It is on a fast-track basis. That order will be finalised during

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November.

Abhijit Singh – Systematix: But the advanced heavyweight torpedo order, the follow-on order for the submarine torpedo, is that going to come in FY28?

Management: These 30 units are required on an emergency basis, within 9 months. After that, they are going to place an order for another requirement of approximately 125 units. However, these 30 units are on an emergency basis and we have to supply them. They will give us only 9 months.

Abhijit Singh – Systematix: Understood, sir. Thank you for answering all the questions. I will get back. Thank you.

Management: Yes.

Operator: Thank you. The next question is from the line of Ankush Agrawal from Surge Capital. Please go ahead.

Ankush Agrawal – Surge Capital: Hi. Thank you for taking my question. First, during H1, our standalone revenue has grown by approximately 20%, versus the guidance maintained at around 45-50%. Do we expect H2 to cover that gap, or will this year be lower than the earlier standalone guidance?

Management: We have already given guidance. We will continue to maintain the guidance that we have given.

Management: On one side, we have already increased capacity. Unit 3, Phase 1, has already commenced, and we already have an order base. As I was telling another gentleman, regarding the guidance, we will definitely maintain growth of 35-45%.

Ankush Agrawal – Surge Capital: Secondly, BDL has recently received an order of around 1,700 crores, I think for a torpedo. Would it be possible for you to share how much of that would flow to us in terms of our share?

Management: I think you are referring to Varunastra.

Ankush Agrawal – Surge Capital: Yes, I think they recently received an order of approximately 1,700 crores.

Management: We are expecting approximately 100 crores, or more than 100 crores, from the Varunastra order.

Ankush Agrawal – Surge Capital: That was all. Thank you.

Management: Thank you.

Operator: Thank you. The next question is from the line of Gaurav Shukla from Finsec. Please go ahead.

Gaurav Shukla – Finsec: Am I audible, sir?

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Management: Yes, sir.

Gaurav Shukla – Finsec: Congratulations on a very good result, sir. Q2 EBITDA margin improved to 28.6%, while the H1 margin was approximately 25.8%. What drove the Q2 improvement, and what sustainable EBITDA margin should we consider for FY27 and FY28?

Management: [off-mic discussion] The line is broken now.

Management: I am sorry, can you repeat the question?

Gaurav Shukla – Finsec: The Q2 EBITDA margin improved to 28.6%, while the H1 margin was approximately 25.8%. What drove the Q2 improvement, and what sustainable EBITDA margin should we consider for FY27 and FY28?

Management: Quarterly margins keep varying, sometimes by a few hundred basis points here and there. This should not be construed as an annuity performance or anything of that nature. The product mix generally varies from quarter to quarter, and therefore the margin also keeps varying.

As far as the margin drivers are concerned, I already explained during my opening presentation that we executed some production orders compared with certain development projects, and this drove the margins. Broadly, we can guide that we will continue to maintain good momentum going forward in the coming quarters as well, in line with the topline momentum for which we have already provided guidance.

Gaurav Shukla – Finsec: Sir, one more question. What is the company's target for operating cash flow and free cash flow in FY27? When can we expect cash conversion to improve closer to reported PAT?

Management: On an annual basis, you will start seeing positive operating cash flow throughout all quarters fully from FY29 onwards. From then on, the anchoring orders will predominantly be production orders compared with the current mix, where we are undertaking more development projects and fewer production orders. From FY29 onwards, the anchoring will be entirely through production orders. That is when there will be both advance payments and regular cash flow momentum as quarterly execution takes place, and you will start seeing a good amount of positive cash flow.

Gaurav Shukla – Finsec: One more question, sir. We have an order book of 1,700 crores. What is the exposure to QRSAM, Akash-NG, Pralay, and other major programmes? What is the exposure of all these programmes in the order book?

Management: We are currently not providing any breakup of the order book. We would refrain [cut off]

Management: We have not received or finalised orders for Pralay so far. We are participating in Pralay, including as one of the companies participating in complete missile production. However, for production, the Ministry of Defence has not yet placed the order. It is only at the RFQ stage.

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Gaurav Shukla – Finsec: Understood. Thank you, sir, and all the best for the very good result and for the future.

Management: Thank you.

Operator: Thank you. The next question is from the line of Raj Rishi from DCPL. Please go ahead.

Operator: Mr. Rishi, you are not audible.

Operator: Mr. Rishi?

Operator: Sir, the line for the current participant in the question queue seems to have disconnected. May we move to the next question?

Operator: Sir?

Management: Yes.

Management: Yes, go to the next question.

Operator: The next question is from the line of Ronak Sangi from NAFA Asset Managers. Please go ahead.

Ronak Sangi – NAFA Asset Managers: Hello, thank you for the follow-up question, sir. How much of the 1,765-crore order book is standalone? What is the standalone order book?

Management: A little less than 1,300 crores.

Ronak Sangi – NAFA Asset Managers: A little less than 1,300 crores. The rest is from {? IDL ?}, correct?

Management: Yes.

Ronak Sangi – NAFA Asset Managers: Thank you, sir.

Operator: Thank you. The next question is from the line of Kaushik from Bharat Petroleum Corporation Limited. Please go ahead.

Kaushik – Bharat Petroleum Corporation Limited: Can you hear me?

Management: Yes.

Kaushik – Bharat Petroleum Corporation Limited: The Defence Secretary, Mr. Rajesh Singh, has constantly talked about opening up missile production, especially for the private sector. He has also talked about the conflicts taking place in Ukraine and Russia, and between Iran and the US, and how Ukraine has missile production capacity many times greater than India's. How do you see Apollo Micro Systems in this context?

Management: We are also shortlisted for complete weapon manufacturing. Once the Premier acquisition is complete, we are going to be placed in a different position [cut off]

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Management: We will have the complete ecosystem for producing a missile, including electronics, mechanical systems, propulsion, warheads, and everything together. We will be the only people going to have that kind of facility. We are participating in many programmes under the DCPP framework, and the Ministry of Defence is now taking a different route.

There are 8-9 programmes for which they are offering ToT, or technology transfer. Once we receive the technology, we have to produce samples to demonstrate performance. Based on that, they will consider placing production orders.

Kaushik - Bharat Petroleum Corporation Limited: Could I ask one more question? How do you see the entry barriers, both domestically and internationally?

Management: The entry barriers for new companies entering this business are significant. One has to understand the quality standards of defence. Getting into this business overnight is not easy, and this is not a commercial business. One first has to understand the quality processes, and companies have to face audit levels and other requirements. Once they clear those, they can enter the business. At least in my view, it will take 4-5 years for anyone to enter the defence business.

Kaushik - Bharat Petroleum Corporation Limited: Okay.

Management: I would also like to add that although the government has been consistent and quite bullish over the last few years, as reflected in the comments you mentioned, the key issue is the ability of a new company to enter and sustain itself in this business. Earlier, there was a huge entry barrier. Although the government is now encouraging the sector, the company's ability to sustain itself in this business will remain important, because it will continue to be a lumpy business with one or two products being developed and sustained.

To obtain orders of a similar size, the company must also have the ability to go offshore and market the products, and match international quality requirements. This is a very long-term bet and a long-term plan. It is not merely a matter of receiving a push from the government. The interest and ability to remain in and continue in the defence business will determine the real entry barrier as things stand today.

Regarding your point about Ukraine having mass production capability, yes, more players are being encouraged because the arsenal requires very large quantities, and the ability to produce large quantities at the quality levels expected by the armed forces is paramount at this point.

Kaushik - Bharat Petroleum Corporation Limited: Right. Can I ask one more question?

Management: Yes.

Kaushik - Bharat Petroleum Corporation Limited: The Managing Director had talked on a South Indian channel about an aspirational target—or not aspirational, but a target—of 25,000 crores in 5 years. Is that

Management: As a group of companies, we are aiming for that. We are now planning a major expansion in {? IDEAL ?} as well. We are planning to start approximately 15 types of manufacturing plants. We will release details of that investment very soon. We are also going to raise a substantial

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investment.

In addition, we are in the process of acquiring another 2,000 acres close to Hyderabad. We already hold 1,100 acres there. We have all these major plans, and based on those plans, I said that I am aiming to achieve those numbers. I am still saying that I am definitely aiming for that kind of number.

Kaushik – Bharat Petroleum Corporation Limited: All the best, sir. It will be great for all of us.

Management: Thank you. Thank you very much.

Kaushik – Bharat Petroleum Corporation Limited: Thank you, sir.

Operator: Thank you. The next question is from the line of Sagar Shetty from {? Wealthvia ?}. Please go ahead.

Sagar Shetty – {? Wealthvia ?}: Good afternoon, sir, and congratulations on the great set of numbers. Most of my questions have been answered, so I have only 1 or 2 questions. They relate to order book replenishment. We have seen very good revenue execution in Q2, while the sequential incremental order book has shown only a minor increase. Going forward, what do you think will be the key drivers that will help us achieve the revenue goal we are targeting? Could you also provide some visibility on the orders we have apart from QRSAM and MRSAM, including the type of orders we have going forward and the execution timeline for them?

Management: QRSAM itself is not a large project for us. There are many projects involving quantities such as 15 units or 100 units. There are several hundred programmes under execution. QRSAM, Akash-NG, and Pinaka are highlighted programmes that everyone knows about. There are many other strategic programmes involving nuclear warheads and similar matters, and we are not supposed to discuss such programmes. Many programmes are under execution. It is not only Pinaka and 2 or 3 other programmes that are in progress; those are simply the ones known to the general public. Several other programmes are also going on.

Sagar Shetty – {? Wealthvia ?}: What about the lag in the sequential incremental order book? In the previous quarter, we had an order book of around {? 1,700, 7,200-odd ?} crores, and now we have 1,755 crores. What was the reason behind that?

Management: In terms of orders, we receive some R&D orders and production orders every month. As I was telling you, from a growth point of view, we are projecting growth of 35-45%. There is no problem on the order front. At present, we have orders of more than 1,700 crores, but we are adding orders every month. I am sure that by the end of this financial year, once the MRSAM orders are placed, we will be holding orders of approximately 4,500-5,000 crores.

Sagar Shetty – {? Wealthvia ?}: What would be the execution timeline for the new orders going forward?

Management: Generally, they will have an 18-month execution period. For MRSAM, I think we will have approximately 2.5 years.

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Sagar Shetty – {? Wealthvia ?}: Thank you so much, sir.

Management: Thank you.

Operator: Thank you. The next question is from the line of Jenish Jain from Well Mind Advisory Services LLP. Please go ahead.

Jenish Jain – Well Mind Advisory Services LLP: Am I audible?

Management: Yes, sir. Please go ahead.

Jenish Jain – Well Mind Advisory Services LLP: You have given us a vision of achieving 5,000 crores in the long term. When do we expect this to be achieved? In which year, approximately?

Management: Your voice is not very clear. On one side, as I was telling you, we are increasing our production capacity to almost 12 times. The first phase has already started. In terms of orders, a lot of orders are in the pipeline. Everyone knows that several large programmes, such as QRSAM, MRSAM, and bow-mounted mines, are in the pipeline. We are also participating in programmes such as Pralay. We are one of the participants in complete weapon manufacturing for that programme. I think the Ministry of Defence has shortlisted 3 or 4 companies, and Apollo is one of them.

There are many programmes. For some programmes, we are supplying subsystems. For some programmes, we are undertaking complete sections. For some programmes, we are manufacturing the complete weapon. For MRSAM, we are manufacturing the complete weapon. We are also manufacturing the complete weapon for bow-mounted mines. We are manufacturing complete Limpet mine weapons. We are manufacturing the complete RGB-60 rocket. We are expecting a couple of more programmes, and I think we are going to announce them very soon. I think we will hear about another 2 DCPP programmes being finalised over the next 15-20 days, and Apollo will announce them very soon.

Jenish Jain – Well Mind Advisory Services LLP: [inaudible]

Management: Your voice is not very clear. A remote sound is coming through. Can you repeat your question?

Jenish Jain – Well Mind Advisory Services LLP: I was saying that the new capacity will come live [cut off]

Operator: I am sorry to interrupt you, sir. Your voice is not clear. Can you please use a handset?

Jenish Jain – Well Mind Advisory Services LLP: Hello. Am I audible now?

Operator: Yes, sir. Please go ahead.

Jenish Jain – Well Mind Advisory Services LLP: I was saying that the new capacity, Unit 3, is going live by March 2027, as you said. What peak revenue can we expect from that optimised utilisation?

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Management: Quantifiable peak revenue is not something that can be determined in that manner. The capacity has increased substantially by equipping it with multiple machines, increasing the scale of machinery, and increasing the scale of test equipment. We will be able to reduce the overall production cycle time effectively when large production orders come in.

From a quantification perspective, we supply multiple types of systems for several hundred types of programmes. Quantification is not something that is possible. However, for the scaled-up revenues that we are discussing for the next 5-6 years, the current type of subsystem-level business that we are undertaking can be handled by this facility. At a scaled-up level, for larger systems such as MRSAM and other systems, including explosive mines, this facility is also adequate for integration and other activities. That is how we want you to understand it.

Management: One more important point is qualification testing. At present, we use third-party facilities, and we lose a lot of time as a result. We are now going to have our own facility. Installation is under way, and within the next month we will have a complete EMI/EMC test facility. For the complete navigation system and other equipment, we have to carry out calibration, and the calibration system is also being installed. We are now building all of this in-house.

As a result, production time will be reduced. At present, we depend on DRDO facilities for some very critical tests, and we do not get access to them continuously. Sometimes we have to wait for weeks or months. We are going to see a lot of change in the near future.

Jenish Jain – Well Mind Advisory Services LLP: That was helpful. That is all from my side. Thank you.

Management: Thank you.

Operator: Thank you. The next question is from the line of {? Dikshant ?} from DB Wealth. Please go ahead.

{? Dikshant ?} – DB Wealth: Hi, management, and congratulations on the good results. Our inspiration, as you have said in the last few quarters, is also Solar Industries, and we aspire to be like them and even better than them, considering the quality of management and execution that we have seen so far.

What I really want to understand is, with the opportunities we are seeing right now and with the integration of the explosives business that we already have, what additional acquisitions do we need to undertake to become better than, or at least equal to, our inspiration? That is point one.

Point two is that we are now on the integrated side, or close to being integrated, with the capex that we have undertaken so far. How long do you think this capex will be sufficient for us to scale towards the ambition of 25,000 crores before we need to start another capex cycle?

Point three is about the importance of the new explosives acquisitions we have undertaken. What importance do they have in terms of integration, and which particular products or programmes will they help us with?

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Management: The last question is quite lengthy. It is something that we can take one-on-one. It is not something I can explain in just a few words.

Broadly, coming back to your first question, we do not aspire to compete with anybody in the market, whether in the private sector or the public sector. We are independently growing, strength by strength and brick by brick. We have built ourselves from the grassroots level, developing the core intelligence that forms part of either a weapon system or any other platform system. That is the strength with which we have grown.

Now that the government is providing significant encouragement and support, private industry can start building larger systems, because larger quantities are also required and government-owned entities cannot cater to all of those requirements. That is how we also continue to aspire to [cut off]

Management: ...start building a larger platform, while retaining our existing capabilities and strengths in building the intelligent systems that form part of those platforms.

We are looking forward to emerging as a global OEM in the next 5-6 years, rather than trying to compete with anybody in the industry. For all the industry players and partners in India, we want to partner and collaborate with them and work jointly towards the sovereignty of the country by building good systems at cost-competitive prices for our armed forces. That is how we want you to understand it. I want to set the tone by taking your question as a platform, and thank you for asking it.

As far as energetics is concerned, this is a very strategic move that we have made, and we will continue to build and scale the size of the energetics business in our subsidiary company, Ideal Explosives. The Managing Director has already stated, and we have also been vocal earlier, that we will continue to make large investments in Ideal Explosives. This is something that we will continue to grow as arsenal requirements increase substantially going forward. Did I miss any question?

{? Dikshant ?} - DB Wealth: How long do you think the current capex will last before we start another cycle?

Management: Capex is something that we are undertaking for Apollo standalone in 3 phases. However, we will continue to undertake incremental capex as the scale of the business grows. There are 2 fundamental things on which we have been running this business. For the last 15 years, we have consistently invested in R&D. As the government has started changing its policy more aggressively by encouraging private industry, we have also started increasing capex and infrastructure investment.

Augmenting the infrastructure will be a continuous process as the scale of the business grows. The size of our investment in R&D will also grow. That is how we want you to understand it.

{? Dikshant ?} - DB Wealth: One more question. Now that Ideal has started contributing positively to our consolidated business, what guidance can you provide for 1 year or 2 years from now? We are also integrating the new business for which we have an open offer, so what consolidated outlook do you have for the next 12-24 months, particularly on the bottom line?

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Management: Regarding the overall thought process for energetics and guidance relating to the revenue of our entire energetics business, once the acquisition is completed, we will start providing that guidance effectively. For now, we want to refrain from giving any indication because we first want the entire platform to come under one umbrella. Then we will develop a proper plan on a pan-India basis, and from that point onward we will provide better guidance.

{? Dikshant ?} – DB Wealth: I apologise for pressing this point, but I know that you are very aggressive, and we really appreciate that as investors. You will also be looking for more acquisitions. I completely understand that you cannot disclose anything today, but some indication of the consolidated outlook going forward would really help us. That is just a request.

Management: It is not very far away. I did not memorise your name, sir.

{? Dikshant ?} – DB Wealth: Rishant, sir.

Management: Rishant.

{? Dikshant ?} – DB Wealth: Yes.

Management: Rishant, I am not deferring your question forever. The acquisition process is due to be completed in only a month. I am not asking you to wait for a quarter or any other period of time for this question to be answered. Let the acquisition process be completed. Once it is complete, we will hold another proper call. We want to hold a joint post-acquisition call and provide an effective thought process and guidance.

We are a very, very transparent company, and we will be vocal about the company's vision in the energetics business. Coming back to the aggression you mentioned, thank you for understanding that we have been aggressive. We are not doing anything extraordinary, nor is our thought process extraordinary. We are doing exactly what the government wants this industry to do. We are simply responding to it. The government wants private industry to be aggressive, invest in R&D, invest in infrastructure, and build scaled-up systems at cost-effective prices. That is all we are doing.

{? Dikshant ?} – DB Wealth: We fully admire your aggression, and thank you for the growth you have delivered to shareholders. Thank you.

Management: Thank you, Mr. Rishant.

Operator: Thank you. A reminder to all participants in the conference: please limit your questions to 1 per participant. The next question is from the line of Rahul Gupta from Arya Research. Please go ahead.

Rahul Gupta – Arya Research: Hello?

Management: Yes.

Rahul Gupta – Arya Research: My question is whether major anticipated orders under QRSAM, MIGM, or Pinaka could be delayed. What alternative programmes or existing orders can support the FY27 revenue guidance? Which programme represents the largest execution risk today?

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Management: The existing order book we have, including orders held with our existing customers, is very strong. We are Tier 2 and Tier 3 suppliers to larger system integrators, both government and private. Those orders are bound to come to us. That is also a very strong number, although I do not want to disclose any specific number now.

Even if, under some circumstances, there is a last-mile delay of a month or so in receiving the MIGM order, the momentum of the business will continue because of the current order book we have and the orders already held by our customers that we are supposed to receive, for which we are the proprietary supplier. Keeping that in view, along with the regular orders we receive every year for various programmes, the momentum will continue to be maintained.

Rahul Gupta – Arya Research: How much contribution will come from new orders versus old orders?

Management: There is no old or new.

Management: In what sense?

Rahul Gupta – Arya Research: Is it 60:40 or something like that?

Management: It is only execution, Rahul.

Rahul Gupta – Arya Research: Understood, sir. Thank you.

Management: Thank you, Rahul.

Rahul Gupta – Arya Research: Good luck, sir.

Operator: Thank you. The next question is from the line of Abhishek Gandhar from Value Plus Advisors LLP. Please go ahead.

Abhishek Gandhar – Value Plus Advisors LLP: Hi. Am I audible?

Operator: Yes, sir.

Abhishek Gandhar – Value Plus Advisors LLP: Congratulations on a great set of numbers, and thank you for the opportunity. I had a question regarding Shaurya Astra, the new associate company. I am trying to understand the opportunity here and how the IP and commercial economics will work.

Management: Shaurya Astra has been started with Dr. Saraswat, former Chairman of the DRDO and former NITI Aayog member. The idea is to address gaps wherever they exist. The DRDO is undertaking many programmes, but there are certain programmes that it is not undertaking. Dr. Saraswat wants to take up programmes wherever there is a gap.

For example, we currently have Pinaka only up to a range of 120 kilometres. The armed forces are now also looking for ranges of 300 kilometres, 500 kilometres, and 900 kilometres. We want to address all of those requirements.

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Regarding IP, we will undertake joint development. Shaurya Astra will handle the development portion, and Apollo Micro Systems will take up production. That is our understanding. The IP will be held jointly. Apollo is holding a 33% stake in the company and—34%, sorry, Apollo is holding 34%. The remaining stake is currently held by Mr. Saraswat, and a few more people are going to join.

Abhishek Gandhar – Value Plus Advisors LLP: Are we looking to be the lead integrator and lead the development of these new long-range systems under Shaurya Astra?

Management: We are undertaking complete weapon design. We have already started doing it. We will undertake the complete weapon design ourselves.

Abhishek Gandhar – Value Plus Advisors LLP: Okay.

Management: Those are our IPs.

Abhishek Gandhar – Value Plus Advisors LLP: All right. Thank you, and all the best.

Management: With Mr. Saraswat involved, we will naturally undertake our own design. He is a highly experienced person.

Abhishek Gandhar – Value Plus Advisors LLP: Thank you, and all the best.

Management: Thank you, sir. Thank you.

Operator: Thank you. That was the last question for today. I now hand the conference over to the management for closing remarks.

Management: Thank you so much. Before I conclude, a word on the bigger picture. India's defence sector is entering a structural growth phase. Strong tailwinds are converging: the government's push for indigenisation and military modernisation, Telangana's ambition to become a leading defence manufacturing destination, and rising global demand for Indian defence exports.

Globally, initiatives like EU ReArm Europe are reshaping procurement and supply chains, opening a real and very significant opportunity for Indian companies to participate beyond the domestic market. Our view is simple: the winners will be those who design in India, manufacture in India, and earn the trust of customers worldwide.

Apollo Micro Systems is built for this moment. We develop mission-critical, technology-driven solutions for the increasingly complex demands of modern defence platforms. Our principle is clear: build for today's challenges, invest in tomorrow's capabilities, and create lasting value through disciplined execution.

I thank the Ministry of Defence, the Government of India, our customers, and our partners for their trust. To our investors and analysts, thank you for your engagement and constructive perspectives. We know that confidence is earned through performance, transparency, and consistent delivery, and that is our commitment.

We welcome you to visit our facilities to see our manufacturing and development capabilities first-hand. For any questions, please write to our investor relations team at

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investors.relations@apollo-micro.com.

India's defence ambitions are expanding, technology requirements are deepening, and the opportunity for indigenous companies is growing. We intend to meet it with innovation, execution, and unwavering commitment to the nation. Thank you for your time and trust. We look forward to updating you on our Q3 results. Wishing you and your family a very Happy Diwali in advance. Jai Hind.

Operator: Thank you, sir. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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