

Issue Details	
Issue Opens	10-Jan-18
Issue Closes	12-Jan-18
Issue Size (Rs. Crore)	156.00
Face value (per equity share)	10
Price Band (Rs.)	270-275
Lot Size (No of Share)	50
No of Shares on Offer (crore)	0.56
QIB (%)	50%
Non-Institutional (%)	15%
Retail (%)	35%
Commencement of Trading	22-Jan-18

Issue Date: 10th Jan – 12th Jan 2018

Price Band (Rs.): 270 - 275

Lot Size (No. of Share): 50

Company Background

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

Financials

Particulars	For the year/period ended (in Rs. Million)				
	Mar'17	Mar'16	Mar'15	Mar'14	Mar'13
Total Assets	2,458	2,030	1,347	849	458
Total Revenue	2,118	1,595	1,088	729	375
Profit After Tax	186	100	74	53	30

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	88.5	64.2
Public (incl institutions and employees)	11.5	35.8
Total	100.0	100.0

Concerns

- Highly working capital intensive business.
- Delay or cancellation of the orders.
- Technological obsolescence.
- Rise in interest rate.

Strengths

- Proven track record in developing new technological systems and long standing relationship with the defence sector.
- Recurring orders from existing programs.
- Strong R&D capabilities.
- Quality control.

Our View

The price band of INR 270-275 per share and FY17 EPS of Rs.13.5, P/E ratio works out to 20x to 27x. Its listed peers like Bharat Electronics is trading at P/E ratio of 28x (Highest), Centum electronics at P/E of 27.5x and Astra Microwave at P/E ratio of 18x (Lowest). Hence the issue price of Rs275 is reasonably priced.

Company's profits are in increasing mode. It has established its brand recognition in the ESDM sector. It is planning to foray into non-defence sector to develop technology for railways. Make in India and Digital India initiatives will provide huge scope for defence electronics companies to grow and expand. As being first mover in the specific segment in defense sector, it may create fancy going forward. Considering all these positive factors, investors can invest in this IPO for the long term.

Objects of the Issue

The objects of the issue is to utilize the Net Proceeds towards the following objects:

1. To meet additional working capital requirement of the Company.
2. General corporate purposes.