

Result Update

Q1 FY26

Apollo Tyres Ltd.

Institutional
Research

Apollo Tyres Ltd.



BP WEALTH

Tyres and Rubber Products | Q1FY26 Result Update

11th August 2025

Financial metrics miss estimates; One-offs drag profits

Apollo Tyres Ltd. (ATL) delivered a muted Q1FY26 performance, with consolidated revenue rising 3.6% YoY and 2.1% QoQ to Rs. 65,608 million, marginally below estimates. Growth was supported by modest volume uptick in both OEM and replacement segments, while export weakness, particularly in Europe, weighed on overall traction. Gross profit grew 0.3% YoY and 3.7% QoQ to Rs. 28,923 million, with gross margins at 44.1%, down 143 bps YoY, but improved 66 bps sequentially, aided by stable RM costs and higher inventory. EBITDA came in at Rs. 8,677 million, down 4.6% YoY, reflecting weak operating leverage in the European business. EBITDA margin compressed 113 bps YoY to 13.2%, though improved 19 bps QoQ. Margin pressures were primarily due to higher staff and overhead costs, partially offset by the higher contribution of premium mix. Notably, Europe reported a 293 bps YoY and 354 bps QoQ EBITDA margin decline, despite steady topline in euro terms (+0.2% YoY) due to operational and RM cost pressures. PAT fell sharply by 95.7% YoY and 93.0% QoQ to Rs. 129 million, significantly missing expectations. The steep drop was driven by a large exceptional loss of Rs. 3.7 billion, linked to the imminent shutdown of the manufacturing plant in the Netherlands. The company also highlighted record volumes for its premium Vredestein brand, signalling traction in its premiumisation strategy.

Valuation and Outlook

Apollo Tyres (ATL) delivered a mixed performance in Q1FY26, with a steady uptick in sales but margins remaining under pressure due to negative operational leverage in the European business. Profitability was further impacted by a one-off exceptional charge linked to the planned closure of its Netherlands-based Enschede plant. Excluding this charge, earnings would have been broadly healthy. The India business continued to exhibit resilience, supported by healthy OEM and replacement demand, alongside strong traction in premium PCR, underpinned by record Vredestein volumes. In contrast, European operations remained under strain, weighed down by elevated cost pressures and negative operating leverage, which compressed segment margins. Looking ahead, we remain largely optimistic on the medium-term trajectory. The company's increasing focus on a higher premium portfolio and the continued strengthening of the Vredestein brand provide a solid strategic foundation to drive topline growth and sustain a richer product mix, aiding margin resilience. From H2FY26, demand prospects are expected to improve, supported by post-monsoon infrastructure and mining activity. In addition, a likely softening in raw material costs, contingent on USD/INR stability, could provide incremental margin uplift from Q2 onwards. Execution, however, remains a key variable, particularly maintaining pricing discipline amid intensifying competition, and restoring European profitability in the face of macro headwinds.

Key Highlights

Particulars (Rs. Mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Net Sales	65,608	63,349	3.6%	64,236	2.1%
Gross Profit	28,923	28,832	0.3%	27,892	3.7%
Gross Margin (%)	44.1%	45.5%	-143 bps	43.4%	66 bps
EBITDA	8,677	9,093	-4.6%	8,374	3.6%
OPM (%)	13.2%	14.4%	-113 bps	13.0%	19 bps
Rep. PAT	129	3,020	-95.7%	1,846	-93.0%
EPS (Rs.)	0.2%	4.8%	-457 bps	2.9%	-268 bps

Source: Company, BP Equities Research

Sector Outlook

Neutral

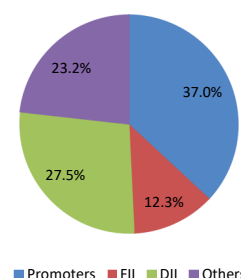
Stock

CMP (Rs.)	438
BSE code	500877
NSE Symbol	APOLLO-
Bloomberg	APTY IN
Reuters	APLO.BO
Key Data	
Nifty	24,585
52 Week H/L (Rs.)	585/371
O/s Shares (Mn)	635
Market Cap (Rs. bn)	278
Face Value (Rs.)	1

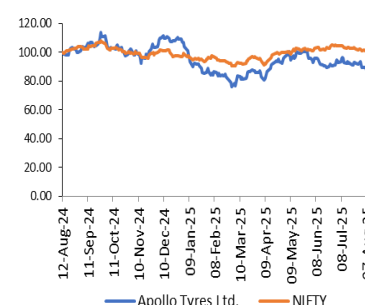
Average Volume

3 months	12,38,800
6 months	14,00,710
1 year	15,49,090

Share Holding Pattern (%)



Relative Price Chart



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Key Concall Highlights

Business Development & Strategic Initiatives

- The company secured supply approval from a leading German PV OEM for both India and Europe, reinforcing expansion into the premium segment.
- Launched the Apollo Aspire 5, a new ultra-high-performance (UHP) tyre catering to premium and SUV segments.
- ATL's dual-brand strategy continues to gain traction, with Vredestein recording its highest-ever quarterly volumes in Q1FY26.

Volume & Segment Performance

"Improvement in Europe is expected largely due to seasonal factors"

- Replacement volumes grew in single digits, OE volumes grew in the mid-single digits, while exports saw a significant decline.
- In OE, truck volumes grew modestly, but PV volumes declined.
- Replacement performance was in line with markets: TBR grew in mid-single digits (slightly above markets), while PCR grew in low single digits (slightly below markets).
- PCR volumes were slightly higher, Space Master volumes declined sharply due to lower contract renewals, Agri volumes were weak, and TBR saw negative market growth.
- Overall mix remained favourable, driven by higher PCR realisations and greater penetration of the UHP portfolio.

"Stability in RM basket is highly dependent on the USD/INR rates, which are likely to be volatile"

Demand & Market Outlook

- Demand outlook remains positive from H2FY26, supported by improved sentiment and higher infrastructure/mining activity post-monsoon.
- Given evolving industry conditions, higher single-digit topline growth is considered more realistic versus double-digit growth in prior years.
- No price hikes anticipated in the near term, aided by reversal in RM costs.

Raw Material & Cost Outlook

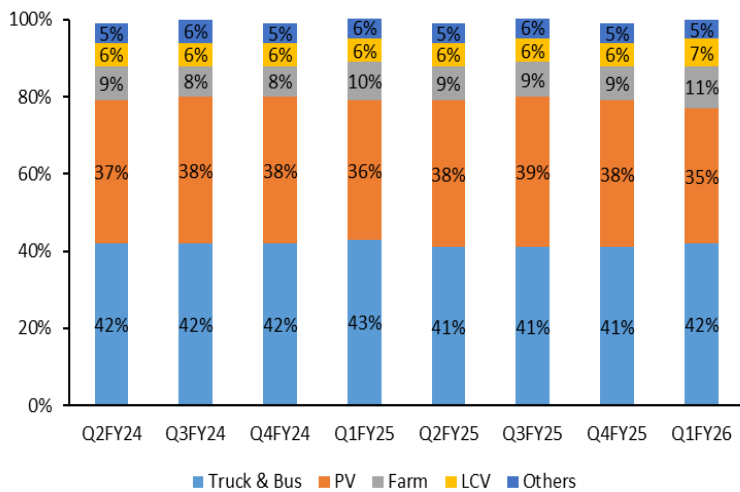
- RM outlook remains optimistic, with slightly lower prices expected ahead, though FX volatility could limit benefits.
- Assuming stability in the USD/INR rate, RM prices in INR terms are expected to decline in Q2.
- RM prices during the quarter: Natural Rubber - USD 210/100 kg, Synthetic Rubber - USD 180/100 kg, Carbon Black - USD 120/100 kg, with blended RM basket at ~USD 166/100 kg.

Regional Performance

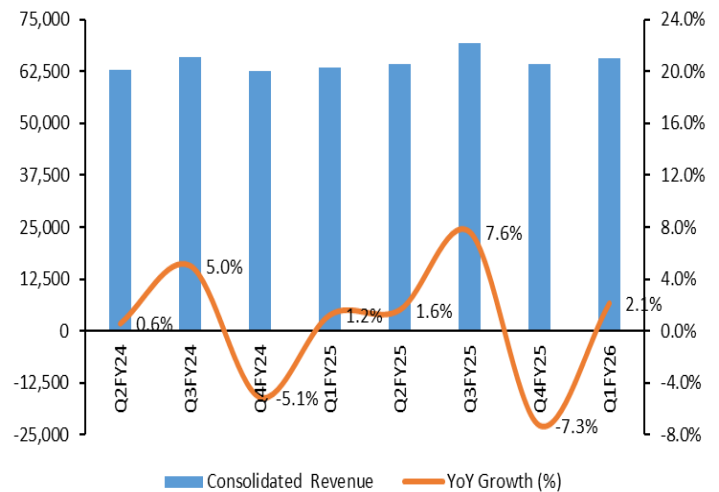
- European margins remained tepid, impacted by higher-than-usual inflationary pressures, weak demand sentiment, adverse operating leverage, and the closure of the Enschede plant in the Netherlands.
- Q2 is expected to benefit from seasonality in the European market, leading to improved operating performance.

Quarterly Snapshot

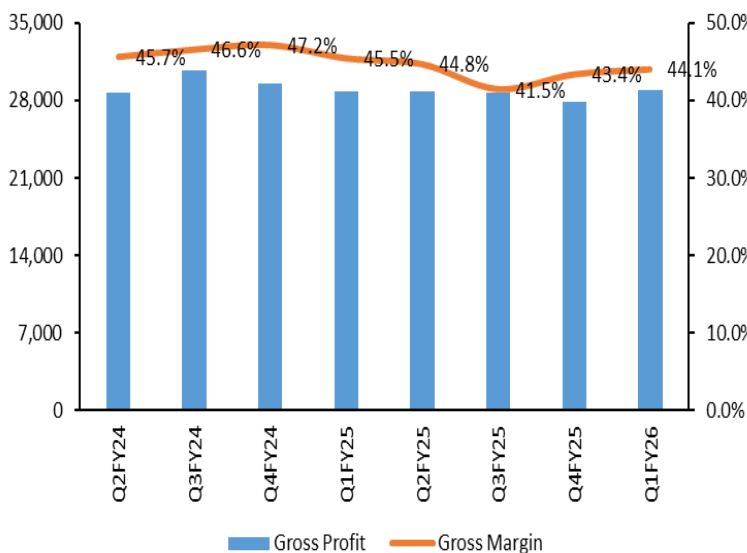
Revenue Mix



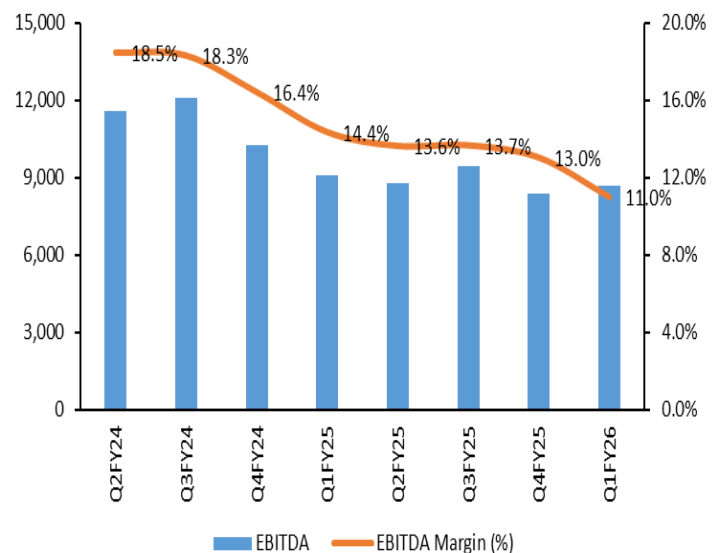
Revenue Trend



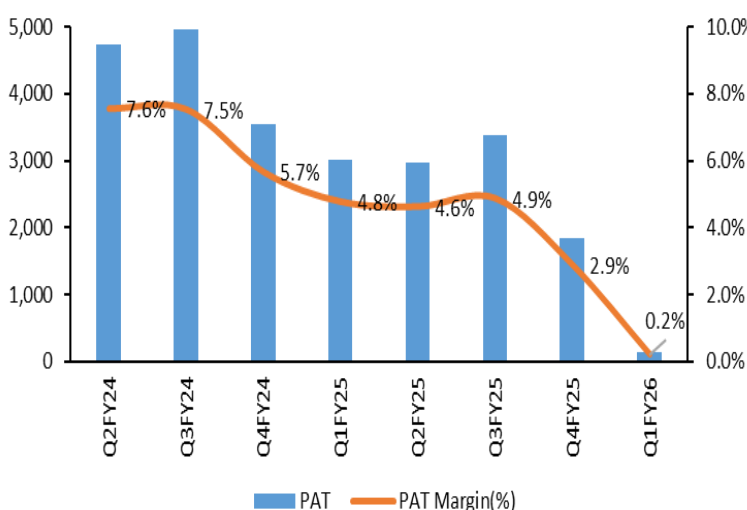
RM pressure stabilizing



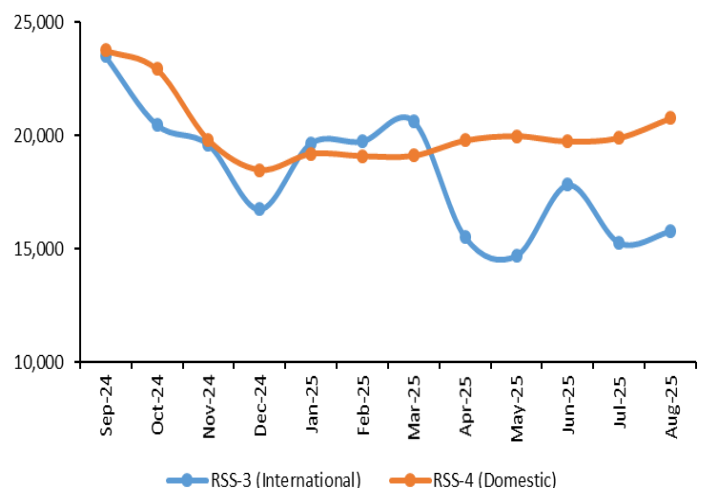
EBITDA & EBITDA Margin



PAT and PAT Margins



Rubber Price Trend



Source: rubberboard.gov.in

Source: Company, BP Equities

Key Financials						
YE March (Rs. mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	2,09,476	2,45,681	2,53,777	2,61,234	2,81,610	3,07,800
Revenue Growth (Y-o-Y)	20.4%	17.3%	3.3%	2.9%	7.8%	9.3%
EBITDA	25,741	33,136	44,473	35,715	39,989	45,862
EBITDA Growth (Y-o-Y)	-8.0%	28.7%	34.2%	-19.7%	12.0%	14.7%
Net Profit	6,386	10,458	17,219	11,213	11,546	16,006
Net Profit Growth (Y-o-Y)	82.4%	63.8%	64.6%	-34.9%	3.0%	38.6%
Diluted EPS	10.1	16.5	27.1	17.7	18.2	25.2
Profitability Ratios						
EBIDTA (%)	12.3%	13.5%	17.5%	13.7%	14.2%	14.9%
NPM (%)	3.0%	4.3%	6.8%	4.3%	4.1%	5.2%
ROE (%)	5.4%	8.3%	12.4%	7.6%	7.4%	9.6%
ROCE (%)	6.5%	10.4%	15.8%	10.8%	12.0%	13.6%
Valuation Ratios						
P/E (x)	43.4x	26.5x	16.2x	24.8x	24.1x	17.4x
EV/EBITDA (x)	12.8x	9.8x	7.1x	8.8x	7.8x	6.7x
Market Cap/Sales (x)	1.3x	1.1x	1.1x	1.1x	1.0x	0.9x

Source: Company, BP Equities

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil**Analyst (s) Certification:**

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