

Avalon Technologies

Estimate change	
TP change	
Rating change	

Bloomberg	AVALON IN
Equity Shares (m)	67
M.Cap.(INRb)/(USDb)	68.1 / 0.8
52-Week Range (INR)	1318 / 602
1, 6, 12 Rel. Per (%)	15/15/38
12M Avg Val (INR M)	350

Financials & Valuations (INR b)

Y/E Mar	FY26E	FY27E	FY28E
Sales	15.7	20.4	25.5
EBITDA	1.7	2.3	3.1
Adj. PAT	1.1	1.7	2.3
EBITDA Margin (%)	11.0	11.5	12.2
Cons. Adj. EPS (INR)	16.8	25.7	35.3
EPS Gr. (%)	75.1	53.1	37.2
BV/Sh. (INR)	109.2	134.9	170.2
Ratios			
Net D:E	0.1	0.0	(0.1)
RoE (%)	16.7	21.1	23.1
RoCE (%)	14.6	19.1	21.9
Valuations			
P/E (x)	60.7	39.7	28.9
EV/EBITDA (x)	39.4	28.8	21.5

Shareholding Pattern (%)

As on	Dec-25	Sep-25	Dec-24
Promoter	44.4	44.5	50.6
DII	25.4	22.9	20.9
FII	7.6	10.0	5.4
Others	22.6	22.7	23.2

Note: FII includes depository receipts

CMP: INR1,021 **TP: INR1,300 (+27%)** **Buy**

Strong growth momentum continues; guidance raised thrice in FY26

Earnings above our estimate

- Avalon Technologies (AVALON) reported a robust quarter, with revenue growing 49% YoY in 3QFY26, fueled by a strong performance in both the Indian (up 23% YoY) and US businesses (up 69%); broad-based growth across segments (Clean Energy/Mobility and transportation/Industrials/Communication). However, EBITDA margins contracted (down 80bp) due to lower gross margins YoY (100bp impact due to tariffs).
- The company is witnessing strong growth across all business segments, leveraging its dual presence in India and the US. This, coupled with new-age business forays into semiconductor equipment and energy storage systems, is expected to keep its growth momentum intact.
- Factoring in a strong growth in 3QFY26 and FY26 growth **guidance being raised to 40%** (vs. 28-30% earlier), we raise our FY26 earnings estimates by 10% while largely maintaining our FY27/FY28 estimates. **We reiterate our BUY rating with a TP of INR1,300** premised on 37x FY28E EPS.

Broad-based growth with strong visibility

- AVALON's consolidated revenue grew 49% YoY to INR4.2b (est. INR3.5b), driven by growth in both the domestic (up 23% YoY) and US (up 69% YoY) businesses. Consolidated EBITDA surged 39% YoY to INR480m, while EBITDA margin contracted 80bp YoY to 11.5% (est. 11.7%). Adj. PAT grew 36% to INR326m (est. INR257m).
- The company had a labor code impact of INR3.3m for the quarter.
- The segment mix for Clean Energy/Mobility and transportation/Industrials/Communication/Medical and Others stood at 21%/27%/37%/7%/8% in 3QFY26 compared to 20%/27%/30%/8%/15% in FY25.
- The total order book stood at INR31.9b, with the short-term order book (executable within 14 months) at INR20.2b (up 26.5% YoY & 8.2% QoQ) and the longer executable order book (from 14 months up to three years) at INR11.8b.
- Gross debt as of Dec'25 was INR1.4b, similar to Mar'25. Net working capital days improved to 118 from 131 as of Sep'25, on account of lower receivables (down by 8 days) and higher payables (up by two days).
- For 9MFY26, revenue/EBITDA/adj. PAT grew 49%/69%/84% to INR11.2b/INR1.2b/INR720m; implied growth for 4QFY26 is expected to be 30%.

Highlights from the management commentary

- **Semiconductor:** The government's push under India Semiconductor Mission 2.0, particularly toward semiconductor equipment, is well aligned with the company's capabilities and recent wins. The company has completed the project readiness phase for a key customer, with meaningful revenue contribution expected from FY27.
- **Aerospace and Defense:** The company continues to make steady progress in aerospace cabin sub-assemblies, having completed the first tranche of prototypes for a communications customer involving control units for satellite antenna systems.
- **New Product Development:** New business wins are translating into fresh orders and production ramps across verticals, led by the fast-growing energy storage systems program. Prototype milestones are complete across communication and industrial segments, while the semiconductor equipment program is project-ready, with meaningful export-led revenues expected from FY27.

Valuation and view

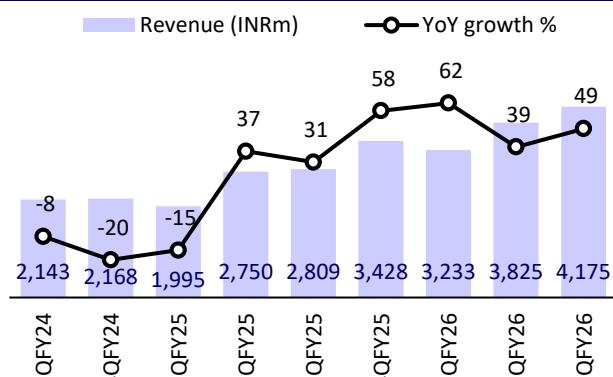
- With the company witnessing growth across both the Indian and US businesses, we expect its revenue and profitability to maintain a robust momentum, as reflected in its revised guidance and strong margin commentary for the near to medium term.
- Further, the company's long-term revenue trajectory is anticipated to remain strong, backed by: 1) its entry into the semiconductor equipment and energy storage systems space, 2) strong order book visibility across segments, and 3) India's emergence as a manufacturing base, supported by structural reforms and government policies.
- Factoring in a strong growth in 3QFY26 and FY26 growth **guidance being raised to 40%** (vs. 28-30% earlier), we raise our FY26 earnings estimates by 10% while largely maintaining our FY27/FY28 estimates. **We reiterate our BUY rating with a TP of INR1,300** premised on 37x FY28E EPS.

Consolidated - Quarterly Earnings Model

Y/E March	(INR m)										
	FY25				FY26				FY25	FY26	FY26E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			
Gross Sales	1,995	2,750	2,809	3,428	3,233	3,825	4,175	4,456	10,981	15,689	3,454
YoY Change (%)	-15.2	36.8	31.1	58.1	62.1	39.1	48.7	30.0	26.6	42.9	23.0
Total Expenditure	1,951	2,449	2,462	3,014	2,934	3,438	3,692	3,903	9,876	13,968	3,049
EBITDA	44	301	346	414	299	386	483	553	1,105	1,721	406
Margins (%)	2.2	11.0	12.3	12.1	9.2	10.1	11.6	12.4	10.1	11.0	11.7
Depreciation	66	69	74	77	85	89	79	85	286	338	91
Interest	42	37	45	42	38	41	30	19	167	127	30
Other Income	44	39	100	32	17	79	74	75	215	245	60
PBT before EO expense	-20	234	327	326	193	336	448	524	867	1,502	345
Extra-Ord expense	0	0	0	0	0	0	3	0	0	3	0
PBT	-20	234	327	326	193	336	445	524	867	1,498	345
Tax	3	60	87	83	51	86	119	134	233	390	88
Rate (%)	-14.5	25.4	26.7	25.5	26.4	25.6	26.7	25.5	26.8	26.0	25.5
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0
Reported PAT	-23	175	240	243	142	250	326	391	634	1,109	257
Adj PAT	-23	175	240	243	142	250	328	391	634	1,111	257
YoY Change (%)	NA	140.1	264.7	243.8	NA	42.9	36.9	60.9	126.7	75.1	7.1
Margins (%)	-1.2	6.4	8.5	7.1	4.4	6.5	7.9	8.8	5.8	7.1	7.4

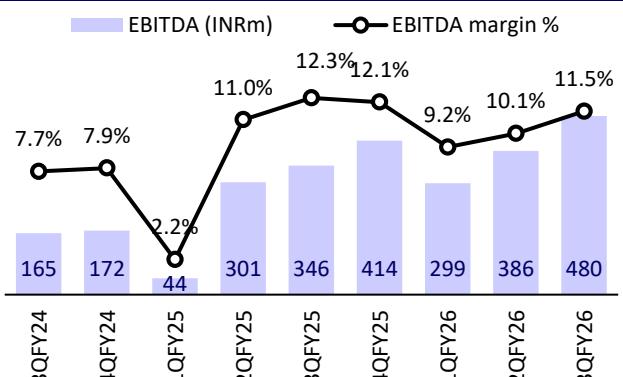
Key exhibits

Exhibit 1: Consolidated revenue trend



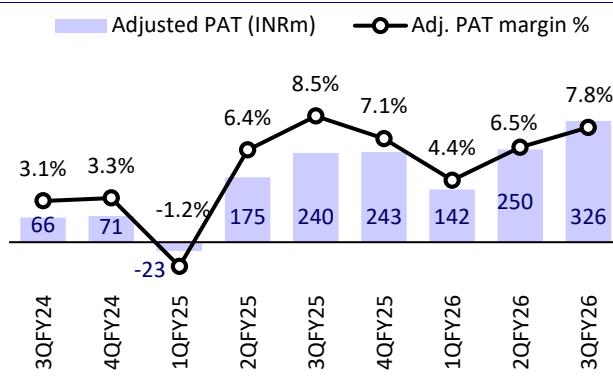
Source: Company, MOFSL

Exhibit 2: Consolidated EBITDA trend



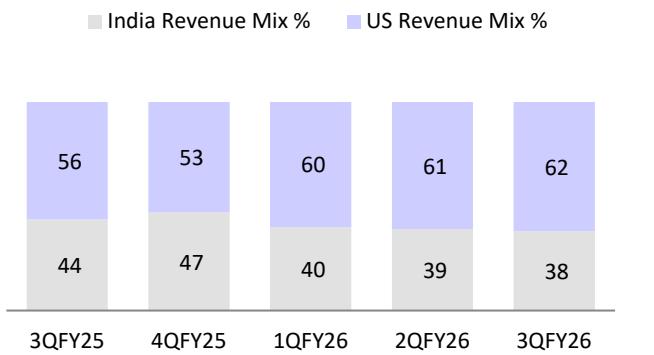
Source: Company, MOFSL

Exhibit 3: Consolidated Adj. PAT trend



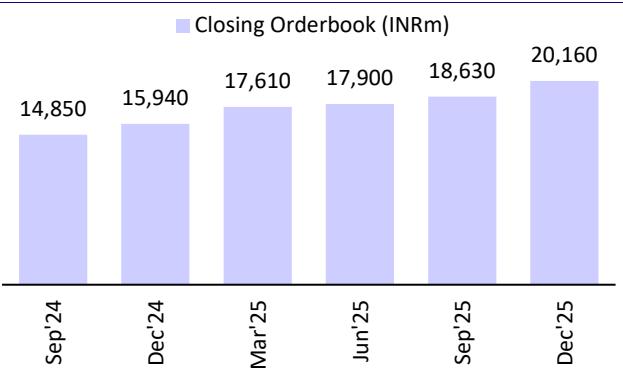
Source: Company, MOFSL

Exhibit 5: Region mix



Source: Company, MOFSL

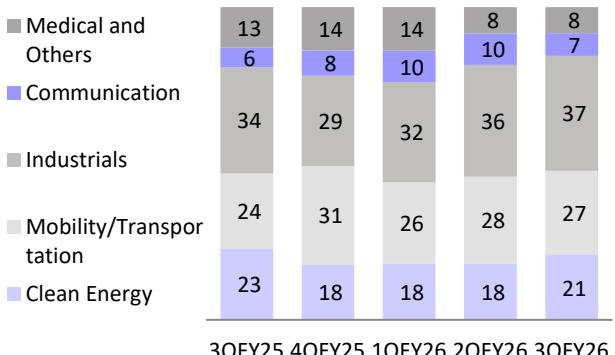
Exhibit 4: Order book trend



Note: Short-term order book

Source: Company, MOFSL

Exhibit 6: End-user industry mix



Source: Company, MOFSL



Highlights from the management commentary

Guidance and outlook

- AVALON has revised its revenue guidance upwards to 40% (vs earlier 28-30%), driven by strong execution, healthy order book, and operational efficiency.
- Company to provide revenue guidance for FY27 over the next quarter
- Asset turnover is expected to be in the range of 7-10x
- The company plans to keep the manufacturing mix at 80-20% for India-US

Operating performance

- Both India and the US recorded strong YoY growth of ~23% and 69%, respectively, led by diversified performance among verticals.
- India's manufacturing contribution stood at 81%, delivering healthy EBITDA and PAT margins of 16.7% and 11.9%, respectively.
- The US manufacturing facility reported an operating loss of INR78m; the facility is benefitting from operating leverage and expects breakeven in the next few quarters.
- Box-build accounted for 53% of the total revenue in 9MFY26.
- AVALON reported ROCE improvement to 18.8% and asset turnover of 9.7x due to capital utilization and continued efficiency.
- AVALON's gross margin contracted due to the impact of tariffs
- As of Dec'25, gross debt stood at INR1.4b.
- The company actively manages commodity price fluctuations by working with customers to recoup costs, aiming to cover these within the same quarter and maintain gross margins within the guided range of 33% to 35%.

Aerospace and Defense

- The company is making steady progress in aerospace cabin sub-assemblies. It has completed the first tranche of prototypes for a communication customer, wherein it is manufacturing control units for satellite antenna systems.
- The company is on the cusp of venturing into cable commodity for a major customer in aerospace. The company is witnessing increased interest from aerospace majors in cable and electronics commodities.
- Some of the aerospace contracts are for 10 – 15 years. Moreover, the company has onboarded new customers across defense and aerospace.

Capex

- Capex for 3QFY26/9MFY26 stood at INR107m/INR351m
- The company plans to maintain a capex of INR500m over the next couple of years.

Semiconductor

- The government direction towards India Semiconductor Mission 2.0, with a focus on semiconductor equipment, aligns well with the company's capabilities and recent business wins.
- The company has completed the project readiness phase for a key customer, marking an important milestone ahead of volume production. The company expects this program to begin contributing meaningfully to revenue during FY27.
- The company will split the semiconductor vertical separately from industrials when it sees significant growth from this vertical.

US tariffs

- The company was able to recover 99% of tariffs from its customers during the elevated tariffs period. Gross margin was impacted a bit.
- Without tariffs, gross margins could have been better by 100bp (optically, not due to raw material prices)

Others

- Energy storage systems (ESS) facility is growing fast and ramping up in line. Growth in energy storage systems and some of the other new businesses can aid the US in becoming profitable.
- The fastest-growing segment in clean energy in the US is battery systems for storage. It's been growing in the last couple of years, and it's not impacted by subsidy in the sense that happened in the wind and solar stuff. This is the focus for the US because of the grid with all the data centers coming in.
- The new Chennai export facility has supported the company in its dual shore approach.
- The company has been able to maintain gross margins even with fluctuations in commodity prices.

Valuation and view

- With the company witnessing growth across both the Indian and US businesses, we expect its revenue and profitability to maintain a robust momentum, as reflected in its revised guidance and strong margin commentary for the near to medium term.
- Further, the company's long-term revenue trajectory is anticipated to remain strong, backed by: 1) its entry into the semiconductor equipment and energy storage systems space, 2) strong order book visibility across segments, and 3) India's emergence as a manufacturing base, supported by structural reforms and government policies.
- Factoring in a strong growth in 3QFY26 and FY26 growth **guidance being raised to 40%** (vs. 28-30% earlier), we raise our FY26 earnings estimates by 10% while largely maintaining our FY27/FY28 estimates. **We reiterate our BUY rating with a TP of INR1,300** premised on 37x FY28E EPS.

Exhibit 7: Changes to our estimates

Earnings change (INR m)	Old			New			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	14,728	19,147	23,934	15,689	20,396	25,495	7%	7%	7%
EBITDA	1,626	2,259	2,992	1,721	2,346	3,110	6%	4%	4%
Adj. PAT	1,012	1,654	2,259	1,111	1,701	2,335	10%	3%	3%

Financials and valuations

Consolidated - Income Statement									
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	6,419	6,905	8,407	9,447	8,672	10,981	15,689	20,396	25,495
Change (%)	NA	7.6	21.8	12.4	-8.2	26.6	42.9	30.0	25.0
RM Cost	4,128	4,574	5,552	6,067	5,545	7,055	10,287	13,319	16,597
Employees Cost	1,162	1,192	1,314	1,605	1,815	1,986	2,763	3,467	4,258
Other Expenses	484	478	566	647	685	836	918	1,265	1,530
Total Expenditure	5,774	6,243	7,432	8,319	8,046	9,876	13,968	18,051	22,385
% of Sales	90.0	90.4	88.4	88.1	92.8	89.9	89.0	88.5	87.8
EBITDA	645	662	975	1,128	626	1,105	1,721	2,346	3,110
Margin (%)	10.0	9.6	11.6	11.9	7.2	10.1	11.0	11.5	12.2
Depreciation	155	158	172	197	229	286	338	384	436
EBIT	490	504	803	931	397	819	1,384	1,962	2,674
Int. and Finance Charges	450	270	248	348	164	167	127	96	64
Other Income	113	54	309	144	148	215	245	408	510
PBT bef. EO Exp.	153	288	864	727	381	867	1,502	2,274	3,120
EO Items	0	0	0	0	0	0	3	0	0
PBT after EO Exp.	153	288	864	727	381	867	1,498	2,274	3,120
Total Tax	30	58	183	202	101	233	390	572	785
Tax Rate (%)	19.4	19.9	21.1	27.8	26.5	26.8	26.0	25.2	25.2
Minority Interest	8	16	50	0	0	0	0	0	0
Reported PAT	115	215	632	525	280	634	1,109	1,701	2,335
Adjusted PAT	115	215	632	525	280	634	1,111	1,701	2,335
Change (%)	NA	86.1	193.9	-16.9	-46.7	126.7	75.1	53.1	37.2
Margin (%)	1.8	3.1	7.5	5.6	3.2	5.8	7.1	8.3	9.2

Consolidated - Balance Sheet									
Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	15	16	16	116	131	132	132	132	132
Preference Capital	356	388	388	0	0	0	0	0	0
Total Reserves	450	584	856	5,254	5,342	5,983	7,092	8,793	11,128
Net Worth	822	988	1,260	5,370	5,473	6,115	7,224	8,925	11,260
Minority Interest	-431	-317	0	0	0	0	0	0	0
Total Loans	2,388	2,775	2,789	3,063	1,642	1,800	1,400	1,000	600
Deferred Tax Liabilities	-263	0	0	0	15	19	19	19	19
Capital Employed	2,515	3,445	4,049	8,433	7,129	7,934	8,643	9,944	11,879
Gross Block	1,126	1,335	1,512	1,861	2,285	2,950	3,283	3,750	4,243
Less: Accum. Deprn.	139	295	390	586	815	1,101	1,439	1,822	2,259
Net Fixed Assets	987	1,041	1,123	1,275	1,470	1,849	1,844	1,927	1,984
Goodwill on Consolidation	0	0	0	0	0	0	0	0	0
Capital WIP	27	0	20	153	196	104	271	304	311
Total Investments	24	0	0	0	755	349	349	349	349
Current Investments	0	0	0	0	755	332	332	332	332
Curr. Assets, Loans&Adv.	3,197	4,084	4,738	10,375	6,886	8,096	9,610	11,813	14,786
Inventory	1,553	1,458	2,330	3,179	3,163	3,379	4,538	5,838	7,048
Account Receivables	1,138	1,819	1,774	2,062	1,869	3,160	3,439	4,191	5,239
Cash and Bank Balance	266	335	101	4,222	1,065	1,015	692	560	969
Loans and Advances	241	472	532	912	789	542	941	1,224	1,530
Curr. Liability & Prov.	1,719	1,680	1,831	3,370	2,178	2,465	3,432	4,450	5,552
Account Payables	1,369	1,289	1,242	1,418	974	1,894	2,114	2,737	3,410
Other Current Liabilities	216	253	449	1,823	1,048	422	1,098	1,428	1,785
Provisions	134	138	141	130	156	149	220	286	357
Net Current Assets	1,478	2,404	2,906	7,005	4,708	5,631	6,178	7,363	9,234
Misc Expenditure	0	0	0	0	0	0	0	0	0
Appl. of Funds	2,516	3,445	4,049	8,433	7,129	7,934	8,643	9,944	11,879

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)									
EPS	2.0	3.7	10.9	9.1	4.3	9.6	16.8	25.7	35.3
Cash EPS	4.7	6.4	13.9	12.5	7.7	13.9	21.9	31.5	41.9
BV/Share	14.2	17.0	21.7	92.7	83.3	92.4	109.2	134.9	170.2
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Payout (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation (x)									
P/E	511.9	275.1	93.6	112.6	239.6	106.4	60.7	39.7	28.9
Cash P/E	218.5	158.8	73.6	81.9	131.8	73.4	46.6	32.4	24.4
P/BV	72.0	59.9	46.9	11.0	12.2	11.0	9.3	7.6	6.0
EV/Sales	9.5	8.9	7.4	6.1	7.7	6.2	4.3	3.3	2.6
EV/EBITDA	94.3	92.6	63.4	51.4	106.9	61.5	39.4	28.8	21.5
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FCF per share	8.4	-2.4	-0.4	-7.0	-2.8	-3.2	-0.6	-0.7	5.5
Return Ratios (%)									
RoE	14.1	23.8	56.2	15.8	5.2	10.9	16.7	21.1	23.1
RoCE	15.1	12.8	22.5	12.4	5.2	10.1	14.6	19.1	21.9
RoIC	21.4	17.7	20.2	17.7	6.4	10.4	14.8	18.3	21.1
Working Capital Ratios									
Fixed Asset Turnover (x)	5.7	5.6	5.9	5.6	4.2	4.2	5.0	5.8	6.4
Asset Turnover (x)	1.5	1.3	1.4	0.8	0.9	1.1	1.3	1.4	1.5
Inventory (Days)	98	120	125	166	209	169	161	160	155
Debtor (Days)	65	78	78	74	83	84	80	75	75
Creditor (Days)	87	106	83	80	79	74	75	75	75
Leverage Ratio (x)									
Current Ratio	1.9	2.4	2.6	3.1	3.2	3.3	2.8	2.7	2.7
Interest Cover Ratio	1.1	1.9	3.2	2.7	2.4	4.9	10.9	20.4	41.8
Net Debt/Equity	2.6	2.5	2.1	-0.2	0.0	0.1	0.1	0.0	-0.1

Consolidated - Cash Flow Statement

(INRm)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	153	288	856	727	381	867	1,502	2,274	3,120
Depreciation	155	158	180	197	229	286	338	384	436
Interest & Finance Charges	434	222	209	244	113	143	-118	-312	-446
Direct Taxes Paid	-47	-35	-125	-189	-164	-194	-390	-572	-785
(Inc)/Dec in WC	-121	-561	-805	-1,125	-414	-883	-870	-1,317	-1,462
CF from Operations	574	72	315	-147	145	218	462	456	864
Others	83	-17	-158	13	28	32	0	0	0
CF from Operating incl EO	657	55	157	-133	173	250	462	456	864
(Inc)/Dec in FA	-170	-192	-177	-273	-355	-462	-500	-500	-500
Free Cash Flow	487	-137	-21	-406	-182	-212	-38	-44	364
(Pur)/Sale of Investments	-24	29	0	0	-1,121	955	0	0	0
Others	2	-104	-6	2	15	44	245	408	510
CF from Investments	-192	-267	-184	-271	-1,461	538	-255	-92	10
Issue of Shares	0	73	0	798	8	15	0	0	0
Inc/(Dec) in Debt	-296	461	158	128	-1,580	122	-400	-400	-400
Interest Paid	-426	-217	-189	-283	-88	-111	-127	-96	-64
Dividend Paid	-4	-37	-38	-37	-41	-52	0	0	0
Others	302	22	-138	3,915	-807	-497	-3	0	0
CF from Fin. Activity	-424	301	-207	4,522	-2,508	-523	-530	-496	-464
Inc/Dec of Cash	42	89	-234	4,118	-3,796	265	-323	-132	409
Opening Balance	204	246	335	101	4,219	423	1,015	692	560
Other cash & cash equivalent	20	0	0	3	643	328	0	0	0
Closing Balance	266	335	101	4,222	1,065	1,015	692	560	969

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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