

Avalon Technologies

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	AVALON IN
Equity Shares (m)	66
M.Cap.(INRb)/(USDb)	58.4 / 0.7
52-Week Range (INR)	1074 / 425
1, 6, 12 Rel. Per (%)	9/16/75
12M Avg Val (INR M)	446

Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	11.0	14.2	18.5
EBITDA	1.1	1.7	2.2
Adj. PAT	0.6	1.0	1.6
EBITDA Margin (%)	10.1	11.7	12.1
Cons. Adj. EPS (INR)	9.6	15.6	24.6
EPS Gr. (%)	125.2	63.1	57.1
BV/Sh. (INR)	92.4	108.1	132.6

Ratios

Net D:E	0.1	(0.0)	(0.0)
RoE (%)	10.9	15.6	20.4
RoCE (%)	10.1	14.0	19.4

Valuations

P/E (x)	91.7	56.2	35.8
EV/EBITDA (x)	53.0	35.0	25.9

Shareholding Pattern (%)

As on	Jun-25	Mar-25	Jun-24
Promoter	44.6	50.6	50.9
DII	22.0	17.3	23.2
FII	8.7	7.1	2.6
Others	24.7	25.0	23.4

Note: FII includes depository receipts

CMP: INR879 TP: INR1,100 (+25%) Buy

Robust performance driven by both India and US markets

Large beat on operating performance

- Avalon Technologies (AVALON) reported a robust quarter, with revenue growing 62% YoY in 1QFY26, fueled by a stellar performance in both the Indian and US businesses (both up 62%). EBITDA improved (+700bp) due to a rise in domestic manufacturing (~80% in 1QFY26) and favorable operating leverage.
- The company is witnessing growth across all business segments, with the order book growing ~23% YoY (INR17.9b). Supported by a robust order book visibility and strong performance in 1QFY26, management has increased its **FY26 guidance for revenue growth to 23-25% (vs. 18-20% earlier), with a sequential improvement in EBITDA margin.**
- Factoring in the robust performance in 1QFY26 and the upward revision of guidance, we increase our EPS estimates for FY26/FY27 by 5%/7% and **reiterate a BUY rating with a TP of INR1,100 (premised on 45x FY27E EPS).**

Operating leverage continues to aid EBITDA margin expansion

- AVALON's consolidated revenue grew 62% YoY to INR3.2b, driven by growth in both the domestic (up 62% YoY) and US (up 62% YoY) businesses.
- Consolidated EBITDA surged 6.8x YoY to INR299m, with EBITDA margin expanding 700bp to 9.2%, driven by gross margin expansion (up 230bp YoY) to 35.5%, which was led by a change in the product mix and operating leverage. This was reflected in a 320bp YoY decline in employee expenses as a percentage of sales to 19.6% and a 160bp decline in other expenses to 7%. Consequently, the company reported an adjusted PAT of INR142m, compared to a net loss of INR23m in 1QFY25.
- The total order book stood at INR29.4b, with the short-term order book (executable within 14 months) at INR17.9b (up 22% YoY/2% QoQ) and the longer executable order book (from 14 months up to three years) at INR11.23b.
- Gross debt as of Jun'25 was INR1.3b vs. INR1.4b as of Mar'25. Net working capital days increased to 142 from 124 days as of Mar'25, on account of higher inventory days (up 18 days).
- Standalone revenue/ EBITDA/Adj. PAT grew 43%/3.6x/2.1x YoY to INR1.6b/INR167m/INR146m in 1QFY26. Subsidiary (Consol less standalone) revenue grew ~90% YoY to INR1.6b, with an EBITDA of INR132m and a net loss of INR4m.

Highlights from the management commentary

- Guidance & outlook:** The company has raised its revenue growth guidance to 23-25% (from 18-20%) and aims to double revenue by FY27, led by major growth in India. Margins are expected to improve sequentially starting next quarter, with continued momentum in FY27 as well.

- **Semiconductor:** AVALON entered the semiconductor equipment manufacturing space through a partnership with a top global semiconductor OEM, leveraging its box-builds expertise. The ramp-up will occur over the next 4-5 quarters, with initial revenues starting from next quarter. This is a high-margin and scalable business.
- **US tariffs:** All US business operates on a pass-through model. The company remains agile and expects only a limited impact on its US business if current conditions persist, with minimal effect on overall revenue.

Valuation and view

- With the company witnessing growth across both the Indian and US businesses, we expect AVALON's revenue and profitability to maintain robust momentum, as reflected in its revised guidance and strong margin commentary for the near term.
 - Further, the company's long-term revenue trajectory is anticipated to remain strong, backed by: 1) its entry into the semiconductor equipment manufacturing space, 2) strategic collaborations leading to higher margins, 3) strong order book visibility across segments, and 4) India's emergence as a manufacturing base, supported by structural reforms and government policies.
 - We estimate AVALON to post a 30%/42%/60% CAGR in revenue/EBITDA/adj. PAT over FY25-FY27 on account of strong growth and healthy order inflows.
- Reiterate BUY with a TP of INR1,100 (premised on 45x FY27E EPS).**

Consolidated - Quarterly Earnings

Y/E March	FY25				FY26				FY25	FY26	FY26E	(INR m)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1Q	Var %
Gross Sales	1,995	2,750	2,809	3,428	3,233	3,300	3,454	4,216	10,981	14,204	2,434	33
YoY Change (%)	-15.2	36.8	31.1	58.1	62.1	20.0	23.0	23.0	26.6	29.3	22.0	
Total Expenditure	1,951	2,449	2,462	3,014	2,934	2,934	3,008	3,668	9,876	12,544	2,296	
EBITDA	44	301	346	414	299	367	447	549	1,105	1,661	138	117
Margins (%)	2.2	11.0	12.3	12.1	9.2	11.1	12.9	13.0	10.1	11.7	5.7	
Depreciation	66	69	74	77	85	85	87	88	286	345	80	
Interest	42	37	45	42	38	30	20	19	167	107	35	
Other Income	44	39	100	32	17	60	50	55	215	182	71	
PBT before EO expense	-20	234	327	326	193	312	390	497	867	1,391	94	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	-20	234	327	326	193	312	390	497	867	1,391	94	
Tax	3	60	87	83	51	79	99	127	233	356	24	
Rate (%)	-14.5	25.4	26.7	25.5	26.4	25.5	25.5	25.5	26.8	25.6	25.5	
MI & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	-23	175	240	243	142	232	290	370	634	1,034	70	
Adj PAT	-23	175	240	243	142	232	290	370	634	1,034	70	103
YoY Change (%)	NA	140.1	264.7	243.8	NA	32.8	21.0	52.4	126.7	63.1	NA	
Margins (%)	-1.2	6.4	8.5	7.1	4.4	7.0	8.4	8.8	5.8	7.3	2.9	