RATING REDUCE | CMP INR 2,050 | TP INR 1,786

PL Capital
PRABHUDAS LILLADHER

Avalon Technologies (AVALON IN)

Q2FY27 Result Update

November 13, 2026

■ Estimate Change | ■ Target | ■ Reco.

Change in Estimates

	Current		Previous	
	FY28E	FY29E	FY28E	FY29E
Rating	Reduce		Reduce	
Target Price	1,786		1,786	
Sales (INR mn)	28,778	37,922	28,778	37,922
% Chng.	-	-		
EBITDA (INR mn)	3,439	4,626	3,439	4,626
% Chng.	-	-		
EPS (INR)	33.8	46.9	33.8	46.9
% Chng.	-	-		

Key Data	AVAL.BO | AVALON IN
BSE Code	543896
NSE Code	AVALON
52-W High / Low	INR 2,620 / INR 777
Face Value	2
Sensex / Nifty	81,592 / 25,144
Market Cap	INR 137 bn / $ 1,455 mn
Shares Outstanding	66.9 mn
3M Avg. Daily Value	INR 1,343.90 mn

Shareholding Pattern (%)

Promoters	40.35
FIIs	11.13
Mutual Funds	18.74
Domestic Institutions	3.07
Public & Others	26.71
Promoter's Pledge (INR bn)	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	(10.1)	6.2	58.6	97.6
Relative	(19.5)	1.6	45.0	104.6

Key Financials - Consolidated

Y/e Mar	FY26	FY27E	FY28E	FY29E
Sales (INR mn)	16,032	21,736	28,778	37,922
EBITDA (INR mn)	1,733	2,434	3,439	4,626
Margin (%)	*10.8*	*11.2*	*12.0*	*12.2*
PAT (INR mn)	1,129	1,549	2,258	3,133
EV (INR mn)	137,272	137,594	137,885	137,865
Total Debt (INR mn)	1,834	1,834	1,834	1,834
C&C Eq. (INR mn)	714	392	101	120
EPS (INR)	16.9	23.2	33.8	46.9
Gr. (%)	*76.4*	*37.2*	*45.7*	*38.8*
DPS (INR)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	*16.9*	*19.4*	*22.8*	*24.9*
RoCE (%)	*20.3*	*22.9*	*27.3*	*30.3*
EV/Sales (x)	8.6	6.3	4.8	3.6
EV/EBITDA (x)	79.2	56.5	40.1	29.8
PE (x)	121.2	88.3	60.6	43.7
P/BV (x)	19.0	15.6	12.4	9.7

Expanding Opportunities Across Key Growth Segments

Quick Pointers

- Management upward revised its revenue growth guidance for FY27 to 30% from 26-30%.
- Robust order book of INR 23.7bn in Q2FY27.
- AVALON to double its revenue from FY26-29.

Avalon Technologies (AVALON IN) reported a decent Q2FY27, with revenue growth of 37.4% YoY, driven by clean energy, industrial and mobility segments, (grew by 121%, 38% and 23%, respectively). EBITDA margin expanded by ~250bps YoY to 12.6%, supported by operating leverage. Management revised FY27 revenue growth guidance upward to ~30% from 26–30%, while retaining gross margin guidance of 33–35%. The company has commenced semiconductor equipment manufacturing revenues and expects the vertical to contribute ~10% of topline over the coming quarters. Further, the Zollner JV is expected to strengthen its presence in high-complexity manufacturing and provide access to new global customers and European railway opportunities. AVALON achieved its earlier target of doubling revenues from FY24 to FY27 nearly one year ahead of schedule and has set a target to further double revenues between FY26 and FY29. We estimate Revenue/EBITDA/PAT CAGR of 33.2%/38.7%/40.5% over FY26-29E, with EBITDA margin expansion of 140bps. We maintained our 'REDUCE' rating (mainly due to higher valuation) with a TP of INR 1,786 valuing at 45x on Sept'28 earnings.

Q2FY27 financial performance: Revenues grew by 37.4% YoY at INR 5.3bn (PLe: INR 5.0bn). Clean Energy/Mobility& Transportation/Industrials segment grew by 121%/23%/~38% YoY, whereas Communication segment declined by 45.0% in Q2FY27. India: US contributes 40:60 to the revenue in Q2FY27. Box-build revenue grew by 58.1% YoY, contributes 61% revenue (vs 53% in Q2FY26).Gross margins contracted by ~20 bps to 34.1% (PLe: 34.0%). EBITDA grew by ~71% YoY to INR 660mn (PLe: INR 567mn). EBITDA margins expanded by 250bps to 12.6% (PLe: 11.4%). PBT stood at INR 546mn (PLe: INR 478mn). PAT stood at INR 398mn (PLe: INR 358mn).

H1FY27 financial performance: Revenues grew by 43.1% YoY at INR 10.1bn. Gross margins contracted by ~50 bps to 34.4%. EBITDA grew by ~81% YoY to INR 1.2bn. EBITDA margins expanded by 260bps to 12.3%. PBT stood at INR 1.0bn. PAT stood at INR 747mn.

Quarter Summary

Y/e Mar	Q2'27E	Q2'27A	% Var.	Q2'26A	YoY gr. (%)
Net Sales (INR mn)	4,972	5,254	*5.7*	3,825	*37.4*
EBITDA (INR mn)	567	660	*16.4*	386	*71.0*
Margin (%)	*11.4*	*12.6*	*120 bps*	*10.1*	*250 bps*
PAT (INR mn)	358	398	*11.2*	250	*59.2*

Source: Company, PL

Praveen Sahay
praveensahay@plindia.com | +91-22-66322369

Rahul Shah
rahulshah@plindia.com | +91-22-66322534

Conference Call Highlights:

- Mgmt revised FY27 revenue growth guidance upward to 30% from 26–30%, while maintaining gross margin guidance of 33–35%. The company retained a conservative outlook despite strong order inflows and an expanding opportunity pipeline across geographies and business verticals.
- AVALON has signed an MoU with the Tamil Nadu government for setting up an advanced electronics manufacturing campus of 25 acres of land in Tamil Nadu.
- The Company has entered into a JV with Germany-based Zollner Elektronik AG (51% stake; AVAL 49%) to manufacture PCBA, box build and integrated systems in India.
- The JV will cater to Zollner's global customers across railways, industrial and medical & life sciences, adding two new verticals for AVAL. AVAL will also supply components to the JV, while initial production will be outsourced to its existing facilities. Company can acquire an additional 2% stake after three years of commercial production, subject to conditions. The Zollner JV is expected to provide access to European railway customers over time.
- Avalon's board approved a preferential issue of warrants worth up to INR4.3bn to Zollner, subject to shareholders' approval. Zollner will pay 25% upfront and the balance upon conversion within 18 months. Proceeds will be utilised for capex, debt repayment and GCP.
- AVALON has started generating revenue from semiconductor equipment manufacturing, currently reported under the industrial segment. Management expects the vertical to contribute ~10% to the topline over the coming quarters, enabling separate reporting.
- In HVDC, company is working with two global leaders, with revenue conversion dependent on customer project wins and longer execution cycles.
- Management highlighted that the majority of Avalon's clean energy business is currently export-oriented. While the company continues to evaluate opportunities in the domestic Indian market, it remains selective in pursuing business opportunities, given the risk of commoditisation in certain clean energy products.
- The company's top 10 customers contributed approximately 64% of revenue during H1FY27.
- The company incurred CapEx of INR900mn in H1FY27, including approximately INR535mn towards land acquisition at Tamil Nadu. CapEx is expected to remain elevated over the next 1–2 years for campus development, while maintaining an asset-light business model.

Exhibit 1: Quarterly Estimates

(INR mn)	1QFY27	*YoY gr.*	2QFY27	*YoY gr.*	3QFY27E	*YoY gr.*	4QFY27E	*YoY gr.*
Net Sales	4,844	*49.8%*	5,254	*37.4%*	5,512	*32.0%*	6,126	*27.7%*
EBITDA	580	*93.9%*	660	*71.0%*	639	*33.3%*	762	*34.0%*
Margins (%)	*12.0%*	*272*	*12.6%*	*247*	*11.6%*	*11*	*12.4%*	*59*
Adj. PAT	349	*145.3%*	398	*59.5%*	406	*24.6%*	504	*22.4%*

Source: Company, PL

Exhibit 2: Q2FY27 Result overview

Y/e March (Rs mn)	Q2FY27	Q2FY26	YoY gr. (%)	Q2FY27E	%Var.	Q1FY27	QoQ gr. (%)	H1FY27	H1FY26	YoY gr. (%)
Net Sales	**5,254**	**3,825**	***37.4***	**4,972**	***5.7***	**4,844**	***8.5***	**10,098**	**7,058**	***43.1***
Expenditure										
Operating & Manufacturing Expenses	3,461	2,512	*37.8*	3,282	*5.5*	3,165	*9.4*	6,626	4,597	*44.1*
% of Net Sales	*65.9*	*65.7*		*66.0*		65.3		*65.6*	*65.1*	
Gross Profit	1,793	1,313	*36.6*	1,690	*6.1*	1,679	*6.8*	3,472	2,461	*41.1*
Gross Margin (%)	*34.1*	*34.3*	*- 0.20*	*34.0*	*0.13*	34.7		*34.4*	*34.9*	
Personnel Cost	847	699	*21.2*	840	*0.8*	834	*1.5*	1,681	1,333	*26.1*
% of Net Sales	*16.1*	*18.3*		*16.9*		17.2		*16.6*	*18.9*	
Other Expenses	286	228	*25.6*	283	*0.9*	266	*7.6*	551	443	*24.4*
% of Net Sales	*5.4*	*6.0*		*5.7*		5.5		*5.5*	*6.3*	
Total Expenditure	4,594	3,438	*33.6*	4,405	*4.3*	4,265	*7.7*	8,859	6,373	*39.0*
EBITDA	**660**	**386**	***71.0***	**567**	***16.5***	**580**	***13.9***	**1,240**	**685**	***81.0***
Margin (%)	*12.6*	*10.1*	*2.47*	*11.4*	*1.17*	12.0	*0.6*	*12.3*	*9.7*	*2.57*
Depreciation	100	89	*12.4*	95	*5.2*	86	*16.2*	185	173	*7.0*
EBIT	**561**	**297**	***88.5***	**472**	***18.8***	**494**	***13.5***	**1,054**	**512**	***106.1***
Other income	27	79	*-65.4*	48	*-43.1*	28	*-2.9*	56	96	*(42.0)*
Interest	42	41	*1.9*	42	*-1.2*	35	*20.0*	76	78	*(2.9)*
PBT	**546**	**336**	***62.7***	**478**	***14.3***	**487**	***12.1***	**1,034**	**529**	***95.5***
Total Taxes	148	86	*72.1*	120	*22.9*	139	*6.8*	287	137	*109.4*
ETR (%)	*27.1*	*25.6*		*25.2*		28.5		*27.7*	*25.9*	
Adj. PAT	**398**	**250**	***59.5***	**358**	***11.4***	**349**	***14.2***	**747**	**392**	***90.6***
Exceptional Items	-	-		-		-		-	-	
Reported PAT	**398**	**250**	***59.5***	**358**	***11.4***	**349**	***14.2***	**747**	**392**	***90.6***

Source: Company, PL

Exhibit 3: Segmental breakup: Mobility/Transportation & Industrials contributed ~61% to the Topline in Q2FY27

Y/e March (Rs mn)	Q2FY27	Q2FY26	YoY gr. (%)	Q1FY27	QoQ gr. (%)	H1FY27	H1FY26	YoY gr. (%)
Revenues								
Clean Energy	1,524	688	*121.3*	1,405	*8.5*	2,929	1,270	*130.5*
Mobility / Transportation	1,314	1,065	*23.3*	1,211	*8.5*	2,525	1,906	*32.5*
Industrials	1,883	1,365	*38.0*	1,550	*21.5*	3,433	2,400	*43.1*
Communication	210	382	*(45.0)*	194	*8.5*	404	706	*(42.8)*
Medical & Others	323	324	*(0.1)*	484	*(33.2)*	808	776	*4.1*
Total	**5,254**	**3,825**	***37.4***	**4,844**	***8.5***	**10,098**	**7,058**	***43.1***

Source: Company, PL

Financials

Income Statement (INR mn)

Y/e Mar	FY26	FY27E	FY28E	FY29E
Net Revenues	**16,032**	**21,736**	**28,778**	**37,922**
YoY gr. (%)	*46.0*	*35.6*	*32.4*	*31.8*
Cost of Goods Sold	10,528	14,303	18,734	24,687
Gross Profit	5,504	7,434	10,043	13,235
Margin (%)	*34.3*	*34.2*	*34.9*	*34.9*
Employee Cost	2,807	3,652	4,849	6,333
Other Expenses	963	1,348	1,755	2,275
EBITDA	**1,733**	**2,434**	**3,439**	**4,626**
YoY gr. (%)	*50.9*	*40.5*	*41.3*	*34.5*
Margin (%)	*10.8*	*11.2*	*12.0*	*12.2*
Depreciation and Amortization	336	379	427	464
EBIT	**1,397**	**2,055**	**3,012**	**4,163**
Margin (%)	*8.7*	*9.5*	*10.5*	*11.0*
Net Interest	150	168	172	186
Other Income	289	192	191	210
Profit Before Tax	**1,536**	**2,080**	**3,031**	**4,187**
Margin (%)	*9.6*	*9.6*	*10.5*	*11.0*
Total Tax	407	530	773	1,054
Effective Tax Rate (%)	*26.5*	*25.5*	*25.5*	*25.2*
Profit After Tax	**1,129**	**1,549**	**2,258**	**3,133**
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**1,129**	**1,549**	**2,258**	**3,133**
YoY gr. (%)	*78.0*	*37.2*	*45.7*	*38.8*
Margin (%)	*7.0*	*7.1*	*7.8*	*8.3*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**1,129**	**1,549**	**2,258**	**3,133**
YoY gr. (%)	*78.0*	*37.2*	*45.7*	*38.8*
Margin (%)	*7.0*	*7.1*	*7.8*	*8.3*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,129	1,549	2,258	3,133
Equity Shares O/s (mn)	**67**	**67**	**67**	**67**
EPS (INR)	**16.9**	**23.2**	**33.8**	**46.9**

Source: Company, PL

Balance Sheet (INR mn)

Y/e Mar	FY26	FY27E	FY28E	FY29E
Non-Current Assets				
Gross Block	**3,206**	**3,801**	**4,400**	**5,025**
Tangibles	2,382	2,884	3,386	3,888
Intangibles	824	917	1,014	1,136
Acc: Dep / Amortization	**1,282**	**1,661**	**2,088**	**2,551**
Tangibles	760	1,010	1,293	1,602
Intangibles	522	651	795	950
Net Fixed Assets	**1,924**	**2,140**	**2,312**	**2,473**
Tangibles	1,622	1,874	2,094	2,286
Intangibles	302	266	219	187
Capital Work In Progress	239	239	239	239
Goodwill	-	-	-	-
Non-Current Investments	153	201	237	285
Net Deferred Tax Assets	105	120	120	120
Other Non-Current Assets	33	50	66	87
Current Assets				
Investments	717	717	717	717
Inventories	4,633	6,253	8,279	10,909
Trade Receivables	3,813	5,062	6,702	8,831
Cash & Bank Balance	714	392	101	120
Other Current Assets	292	292	292	292
Total Assets	**12,644**	**15,472**	**19,071**	**24,079**
Equity				
Equity Share Capital	134	134	134	134
Other Equity	7,084	8,633	10,891	14,024
Total Networth	**7,217**	**8,766**	**11,024**	**14,158**
Non-Current Liabilities				
Long Term Borrowings	112	112	112	112
Provisions	150	150	150	150
Other Non Current Liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,723	1,723	1,723	1,723
Trade Payables	2,513	3,407	4,510	5,944
Other Current Liabilities	724	1,057	1,210	1,544
Total Equity & Liabilities	**12,644**	**15,472**	**19,071**	**24,079**

Source: Company, PL

Cash Flow (INR mn)

Y/e Mar	FY26	FY27E	FY28E	FY29E
PBT	1,536	2,080	3,031	4,187
Add. Depreciation	336	379	427	464
Add. Interest	145	168	172	186
Less Financial Other Income	289	192	191	210
Add. Other	(56)	(219)	(200)	(221)
Op. Profit before WC Changes	1,961	2,408	3,430	4,615
Net Changes-WC	(1,049)	(1,686)	(2,461)	(3,063)
Direct Tax	(340)	(530)	(773)	(1,054)
Net Cash from Op. Activities	**572**	**192**	**196**	**499**
Capital Expenditures	(536)	(595)	(599)	(624)
Interest / Dividend Income	(29)	192	191	210
Others	(70)	(48)	(36)	(47)
Net Cash from Invt. Activities	**(636)**	**(451)**	**(444)**	**(461)**
Issue of Share Cap. / Premium	10	-	-	-
Debt Changes	265	-	-	-
Dividend Paid	(6)	(168)	(172)	(186)
Interest Paid	(114)	-	-	-
Others	(77)	105	130	168
Net Cash from Fin. Activities	**79**	**(63)**	**(43)**	**(18)**
Net Change in Cash	**15**	**(322)**	**(291)**	**19**
Free Cash Flow	572	192	196	499

Source: Company, PL

Quarterly Financials (INR mn)

Y/e Mar	Q3FY26	Q4FY26	Q1FY27	Q2FY27
Net Revenues	**4,175**	**4,799**	**4,844**	**5,254**
YoY gr. (%)	*48.7*	*40.0*	*49.8*	*37.4*
Raw Material Expenses	2,749	3,183	3,165	3,461
Gross Profit	1,427	1,616	1,679	1,793
Margin (%)	*34.2*	*33.7*	*34.7*	*34.1*
EBITDA	**480**	**569**	**580**	**660**
YoY gr. (%)	*38.5*	*37.5*	*93.9*	*71.0*
Margin (%)	*11.5*	*11.8*	*12.0*	*12.6*
Depreciation / Depletion	79	83	86	100
EBIT	**400**	**486**	**494**	**561**
Margin (%)	*9.6*	*10.1*	*10.2*	*10.7*
Net Interest	30	42	35	42
Other Income	74	119	28	27
Profit before Tax	**445**	**563**	**487**	**546**
Margin (%)	*10.7*	*11.7*	*10.1*	*10.4*
Total Tax	119	151	139	148
Effective Tax Rate (%)	*26.7*	*26.9*	*28.5*	*27.1*
Profit After Tax	**326**	**412**	**349**	**398**
Minority Interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**326**	**412**	**349**	**398**
YoY gr. (%)	*35.9*	*69.5*	*145.3*	*59.5*
Margin (%)	*7.8*	*8.6*	*7.2*	*7.6*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**326**	**412**	**349**	**398**
YoY gr. (%)	*35.9*	*69.5*	*145.3*	*59.5*
Margin (%)	*7.8*	*8.6*	*7.2*	*7.6*
Other Comprehensive Income	(12)	-	7	-
Total Comprehensive Income	**314**	**412**	**356**	**398**
Avg. Shares O/s (mn)	67	67	66	67
EPS (INR)	**4.9**	**6.2**	**5.2**	**6.0**

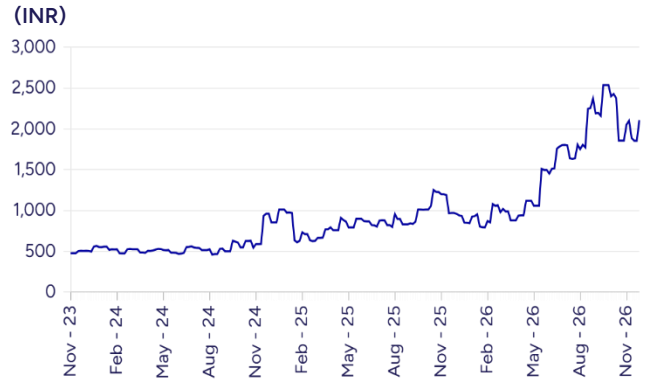
Source: Company, PL

Key Financial Metrics

Y/e Mar	FY26	FY27E	FY28E	FY29E
Per Share (INR)				
EPS	16.9	23.2	33.8	46.9
CEPS	21.9	28.9	40.2	53.9
BVPS	108.1	131.3	165.1	212.1
FCF	8.6	2.9	2.9	7.5
DPS	-	-	-	-
Return Ratio (%)				
RoCE	20.3	22.9	27.3	30.3
ROIC	15.0	17.6	20.6	22.9
RoE	16.9	19.4	22.8	24.9
Balance Sheet				
Net Debt : Equity (x)	0.1	0.1	0.1	0.1
Net Working Capital (Days)	135	133	133	133
Valuation (x)				
PER	121.2	88.3	60.6	43.7
P/B	19.0	15.6	12.4	9.7
P/CEPS	93.4	71.0	51.0	38.1
EV/EBITDA	79.2	56.5	40.1	29.8
EV/Sales	8.6	6.3	4.8	3.6
Dividend Yield (%)	-	-	-	-
FCFF Yield (%)	0.4	0.1	0.1	0.4
PEG Ratio	1.6	2.4	1.3	1.1

Source: Company, PL

Price Chart



Recommendation History

No.	Date	Rating	TP (INR)	Share Price (INR)
1	07-Oct-26	REDUCE	1786	2430
2	05-Aug-26	Reduce	1470	1823
3	06-Jul-26	REDUCE	1374	1788
4	08-May-26	Hold	1233	1256
5	07-Apr-26	BUY	1175	963
6	06-Feb-26	BUY	1175	1021
7	06-Jan-26	BUY	1100	908
8	07-Nov-25	Hold	1083	1062
9	07-Oct-25	Hold	1083	1253
10	06-Aug-25	Accumulate	943	878

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Amber Enterprises India	BUY	9234	6925
2	Astral	BUY	1595	1388
3	Avalon Technologies	REDUCE	1786	2430
4	Bajaj Electricals	HOLD	281	293
5	Cello World	Accumulate	394	370
6	Century Plyboard (I)	BUY	772	650
7	Cera Sanitaryware	BUY	6868	4801
8	Crompton Greaves Consumer Electricals	BUY	294	216
9	Cyient DLM	REDUCE	873	1030
10	Finolex Industries	BUY	206	141
11	Greenpanel Industries	BUY	239	125
12	Havells India	Accumulate	1212	1073
13	Kajaria Ceramics	BUY	1325	1138
14	Kaynes Technology India	BUY	4280	3365
15	KEI Industries	BUY	5961	3873
16	LG Electronics India	Accumulate	1881	1772
17	Polycab India	BUY	11083	8207
18	Premier Energies	BUY	1288	883
19	R R Kabel	BUY	2735	2123
20	Supreme Industries	Accumulate	3583	3250
21	Syrma SGS Technology	Accumulate	1788	1625
22	Vikram Solar	Accumulate	162	149
23	Voltas	Buy	1251	1061
24	Waaree Energies	BUY	3115	2238

PL's Recommendation Nomenclature (Absolute Performance)

BUY	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

ANALYST CERTIFICATION

Indian Clients

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Registered Office: 3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018

Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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