

November 7, 2025

Q2FY26 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	HOLD		HOLD	
Target Price	1,083		1,083	
Sales (Rs. m)	18,908	24,509	18,704	24,374
% Chng.	1.1	0.6		
EBITDA (Rs. m)	2,231	2,892	2,207	2,876
% Chng.	1.1	0.6		
EPS (Rs.)	20.8	27.5	20.8	27.6
% Chng.	0.3	(0.3)		

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
Sales (Rs. m)	10,981	14,566	18,908	24,509
EBITDA (Rs. m)	1,149	1,521	2,231	2,892
Margin (%)	10.5	10.4	11.8	11.8
PAT (Rs. m)	634	876	1,390	1,835
EPS (Rs.)	9.6	13.1	20.8	27.5
Gr. (%)	125.7	37.0	58.6	32.0
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	10.9	13.4	18.1	19.7
RoCE (%)	14.1	16.9	22.7	25.0
EV/Sales (x)	6.4	4.9	3.8	2.9
EV/EBITDA (x)	61.2	46.6	31.9	24.7
PE (x)	110.7	80.8	51.0	38.6
P/BV (x)	11.5	10.1	8.4	6.9

Key Data AVAL.BO | AVALON IN

52-W High / Low	Rs.1,318 / Rs.578
Sensex / Nifty	83,311 / 25,510
Market Cap	Rs.71bn/ \$ 800m
Shares Outstanding	67m
3M Avg. Daily Value	Rs.506.67m

Shareholding Pattern (%)

Promoter's	44.46
Foreign	10.04
Domestic Institution	22.84
Public & Others	22.66
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(6.2)	24.5	80.1
Relative	(7.9)	20.5	73.7

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Decent performance but margins contracted

Avalon Technologies (AVALON IN) has reported decent revenue growth of 39.1% YoY mainly driven from Mobility/Industrial segments (grew by ~29%/65% YoY). EBITDA margin contracted by healthy ~90bps YoY to 10.1%, (Mobility/industrials contributes 28%/36% to the revenue) with increased domestic manufacturing (reached 81% of revenue). AVALON has upward its guidance from 23-25% to 28-30% growth in topline for FY26 and maintained its gross margin to 33-35%. We tweak our earnings estimates for FY27/FY28. We estimate FY25-28E revenue/EBITDA/PAT CAGR of 30.7%/36.0%/42.5%, with EBITDA margin expansion of ~130bps. We maintain our 'HOLD' rating with a TP of Rs 1,083 valuing at 45x Sep'27 earnings, healthy performance in H1FY26.

Q2FY26 financial performance: Sales grew by 39.1% YoY at Rs 3.8bn (PLe: Rs 3.5bn) Clean Energy/Mobility& Transportation/Industrials/Communication segment revenue grew by 47.2%/29.1%/65.4%/39.1% YoY, whereas medical segment revenue declined by 21.5% YoY. The Mobility & Industrial segments account for 64% of revenue. Gross margins contracted by ~250 bps to 34.3% (PLe: 35.0%). EBITDA grew by 28.1% YoY to Rs 386mn (PLe: Rs 310mn). EBITDA margins contracted by ~90bps to 10.1% (PLe: 8.9%). PBT stood at Rs 336mn (PLe: Rs 225mn). PAT stood at Rs 250mn (PLe: Rs 168mn). The Order book grew by 25.5% YoY to Rs 19bn in Q2FY26. Box-build revenue grew by 56.8% YoY, contributes 53% revenue (vs 47% in Q2FY25).

H1FY26 financial performance: Sales grew by 48.7% YoY to Rs7.1bn. Clean Energy/Mobility& Transportation/Industrials/Communication segment revenue grew by 33.9%/54.5%/74.4%/65.3% YoY, whereas medical segment revenue declined by 3.8% YoY. EBITDA grew by 98.5% YoY to Rs685mn. Margin expanded by ~240bps YoY to 9.7%. PBT grew by 146.9% YoY to Rs529mn. PAT grew by 158.3% to Rs392mn.

Con call highlights: **1)** Management upward their revenue growth guidance from 23-25% to 28-30% for FY26, while maintaining gross margin guidance at 33-35%. **2)** Company had onboarded three major customers across the power, industrial, and defense verticals, with production starting in the US and later transitioning to India. These customers are expected to become among the company's top 10 accounts within the next year. **3)** The railway segment reported 58% YoY growth in H1FY26, with the Kavach safety system having completed testing and on track for commercial production in the second half of FY27. **4)** The export-focused Chennai plant has commenced production and is ramping up steadily, supported by the dual-shore model. Production for locomotive engine subsystems will begin in the second half of FY26, while Phase 2 of the Chennai brownfield expansion is progressing well and is scheduled for completion by Q3FY26. **5)** Avalon strengthened its design capabilities through a collaboration with Zepco in the power and clean energy segments. The partnership focuses on design activities, including projects like drone motors for the Indian market, with manufacturing expected to follow after the design phase. **6)** The company remains confident of sustaining its growth momentum and reaffirmed its commitment to double revenues over three years, from FY24 to FY27. **7)** Avalon has entered partnership

in H1FY26 semiconductor equipment manufacturing partnership has achieved prototype completion, with full-scale production expected by FY27. **8)** In H1FY26, the company incurred a capex of Rs 244mn. For the full year, it has outlined a capex plan in the range of Rs 450–550mn. **9)** Net Working capital days improved by 11 days QoQ to 131 days, and management expects it to normalize to 120–130 days by FY26.

Exhibit 1: Q2FY26 Result Overview: Sales increased by 39.1% YoY, EBITDA margins contracted by ~90bps to 10.1%

Y/e March (Rs mn)	Q2 FY26	Q2 FY25	YoY gr. (%)	Q2 FY26E	% Var.	Q1 FY26	QoQ gr. (%)	H1 FY26	H1 FY25	YoY gr. (%)
Net Sales	3,825	2,750	39.1	3,479	9.9	3,233	18.3	7,058	4,745	48.7
Expenditure										
Operating & Manufacturing Expenses	2,512	1,737	44.6	2,261	11.1	2,085	20.5	4,597	3,069	49.8
<i>% of Net Sales</i>	<i>65.7</i>	<i>63.2</i>		<i>65.0</i>		<i>64.5</i>		<i>65.1</i>	<i>64.7</i>	
Gross Profit	1,313	1,013	29.6	1,218	7.8	1,148	14.3	2,461	1,676	46.9
<i>Gross Margin (%)</i>	<i>34.3</i>	<i>36.8</i>		<i>35.0</i>		<i>35.5</i>		<i>34.9</i>	<i>35.3</i>	
Personnel Cost	699	467	49.6	651	7.4	634	10.3	1,333	922	44.6
<i>% of Net Sales</i>	<i>18.3</i>	<i>17.0</i>		<i>18.7</i>		<i>19.6</i>		<i>18.9</i>	<i>19.4</i>	
Other Expenses	228	245	-7.0	257	-11.6	216	5.6	443	409	8.5
<i>% of Net Sales</i>	<i>6.0</i>	<i>8.9</i>		<i>7.4</i>		<i>6.7</i>		<i>6.3</i>	<i>8.6</i>	
Total Expenditure	3,438	2,449	40.4	3,169	8.5	2,934	17.2	6,373	4,400	44.8
EBITDA	386	301	28.1	310	24.7	299	29.2	685	345	98.5
<i>Margin (%)</i>	<i>10.1</i>	<i>11.0</i>		<i>8.9</i>		<i>9.2</i>		<i>9.7</i>	<i>7.3</i>	
Depreciation	89	69	29.0	79	12.0	85	4.8	173	135	28.6
EBIT	297	233	27.9	230	29.1	214	38.9	512	210	143.3
Other income	79	39	102.1	35	126.0	17	377.4	96	84	14.5
Interest	41	37	8.9	40	0.9	38	8.1	78	80	(1.5)
PBT	336	234	43.3	225	49.2	193	73.9	529	214	146.9
Total Taxes	86	60	44.5	57	51.9	51	69.0	137	63	119.2
<i>ETR (%)</i>	<i>25.6</i>	<i>25.4</i>		<i>25.2</i>		<i>26.4</i>		<i>25.9</i>	<i>29.2</i>	
Adj. PAT	250	175	42.9	168	48.3	142	75.7	392	152	158.3
Exceptional Items	-	-		-		-		-	-	
Reported PAT	250	175	42.9	168	48.3	142	75.7	392	152	158.3

Source: Company, PL

Exhibit 2: Segmental Breakup: Mobility/Transportation & Industrials contributed ~64% to the Topline in Q2FY26.

Y/e March (Rs mn)	Q2FY26	Q2FY25	YoY gr. (%)	Q1FY26	QoQ gr. (%)	H1FY26	H1FY25	YoY gr. (%)
Revenues								
Clean Energy	688	468	47.2	582	18.3	1,270	949	33.9
Mobility / Transportation	1,065	825	29.1	841	26.7	1,906	1,234	54.5
Industrials	1,365	825	65.4	1,035	31.9	2,400	1,376	74.4
Communication	382	275	39.1	323	18.3	706	427	65.3
Medical & Others	324	413	(21.5)	453	(28.5)	776	807	(3.8)

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Net Revenues	10,981	14,566	18,908	24,509
YoY gr. (%)	26.6	32.6	29.8	29.6
Cost of Goods Sold	7,055	9,392	12,120	15,710
Gross Profit	3,927	5,174	6,788	8,799
Margin (%)	35.8	35.5	35.9	35.9
Employee Cost	1,986	2,561	3,139	4,068
Other Expenses	792	1,092	1,418	1,838
EBITDA	1,149	1,521	2,231	2,892
YoY gr. (%)	83.9	32.4	46.7	29.6
Margin (%)	10.5	10.4	11.8	11.8
Depreciation and Amortization	286	329	344	396
EBIT	863	1,192	1,887	2,496
Margin (%)	7.9	8.2	10.0	10.2
Net Interest	167	157	165	180
Other Income	171	136	136	136
Profit Before Tax	867	1,171	1,858	2,452
Margin (%)	7.9	8.0	9.8	10.0
Total Tax	233	295	468	617
Effective tax rate (%)	26.8	25.2	25.2	25.2
Profit after tax	634	876	1,390	1,835
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	634	876	1,390	1,835
YoY gr. (%)	127.2	38.1	58.6	32.0
Margin (%)	5.8	6.0	7.4	7.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	634	876	1,390	1,835
YoY gr. (%)	127.2	38.1	58.6	32.0
Margin (%)	5.8	6.0	7.4	7.5
Other Comprehensive Income	(17)	-	-	-
Total Comprehensive Income	617	876	1,390	1,835
Equity Shares O/s (m)	66	67	67	67
EPS (Rs)	9.6	13.1	20.8	27.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Non-Current Assets				
Gross Block	2,767	3,462	4,010	4,584
Tangibles	2,014	2,464	2,914	3,364
Intangibles	752	998	1,095	1,220
Acc: Dep / Amortization	918	1,247	1,591	1,987
Tangibles	541	723	915	1,141
Intangibles	377	524	676	846
Net fixed assets	1,849	2,216	2,419	2,597
Tangibles	1,474	1,742	1,999	2,224
Intangibles	375	474	420	374
Capital Work In Progress	105	105	105	105
Goodwill	-	-	-	-
Non-Current Investments	74	93	115	144
Net Deferred tax assets	155	156	156	156
Other Non-Current Assets	48	64	83	108
Current Assets				
Investments	332	332	332	332
Inventories	3,379	4,190	5,439	7,051
Trade receivables	3,160	3,392	4,403	5,708
Cash & Bank Balance	1,015	845	593	396
Other Current Assets	275	275	275	275
Total Assets	10,400	11,673	13,926	16,877
Equity				
Equity Share Capital	132	133	133	133
Other Equity	5,983	6,860	8,250	10,085
Total Network	6,115	6,993	8,383	10,218
Non-Current Liabilities				
Long Term borrowings	184	-	-	-
Provisions	103	103	103	103
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,233	1,233	1,233	1,233
Trade payables	1,894	1,995	2,590	3,357
Other current liabilities	578	983	1,141	1,349
Total Equity & Liabilities	10,400	11,673	13,926	16,877

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
PBT	867	1,171	1,858	2,452
Add. Depreciation	286	329	344	396
Add. Interest	143	157	165	180
Less Financial Other Income	171	136	136	136
Add. Other	32	(169)	(155)	(161)
Op. profit before WC changes	1,327	1,488	2,212	2,867
Net Changes-WC	(883)	(572)	(1,549)	(1,995)
Direct tax	(194)	(295)	(468)	(617)
Net cash from Op. activities	251	621	195	255
Capital expenditures	(462)	(697)	(347)	(574)
Interest / Dividend Income	44	136	136	136
Others	955	(18)	(22)	(29)
Net Cash from Invst. activities	538	(579)	(234)	(467)
Issue of share cap. / premium	-	1	-	-
Debt changes	(1)	-	-	-
Dividend paid	(427)	(157)	(165)	(180)
Interest paid	(111)	-	-	-
Others	15	(58)	151	195
Net cash from Fin. activities	(523)	(214)	(13)	15
Net change in cash	266	(172)	(52)	(197)
Free Cash Flow	251	621	195	255

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY25	FY26E	FY27E	FY28E
Per Share(Rs)				
EPS	9.6	13.1	20.8	27.5
CEPS	13.9	18.1	26.0	33.4
BVPS	92.4	104.8	125.7	153.2
FCF	3.8	9.3	2.9	3.8
DPS	-	-	-	-
Return Ratio(%)				
RoCE	14.1	16.9	22.7	25.0
ROIC	10.6	13.3	17.7	19.0
RoE	10.9	13.4	18.1	19.7
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	0.0	0.0
Net Working Capital (Days)	154	140	140	140
Valuation(x)				
PER	110.7	80.8	51.0	38.6
P/B	11.5	10.1	8.4	6.9
P/CEPS	76.3	58.8	40.8	31.8
EV/EBITDA	61.2	46.6	31.9	24.7
EV/Sales	6.4	4.9	3.8	2.9
Dividend Yield (%)	-	-	-	-

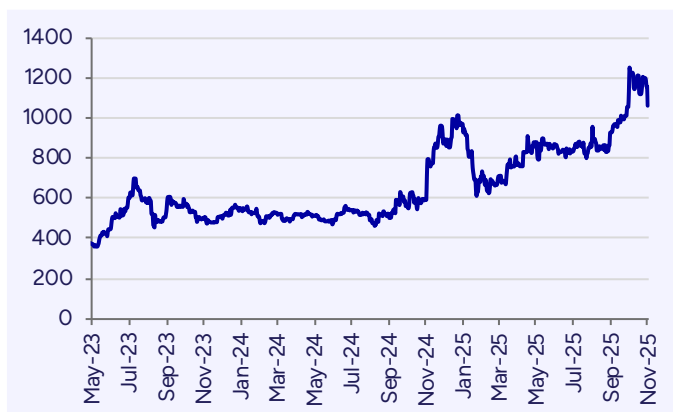
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Net Revenue	2,809	3,428	3,233	3,825
YoY gr. (%)	31.1	58.1	62.1	39.1
Raw Material Expenses	1,760	2,225	2,085	2,512
Gross Profit	1,048	1,203	1,148	1,313
Margin (%)	37.3	35.1	35.5	34.3
EBITDA	346	414	299	386
YoY gr. (%)	109.2	140.5	583.4	28.1
Margin (%)	12.3	12.1	9.2	10.1
Depreciation / Depletion	74	77	85	89
EBIT	273	336	214	297
Margin (%)	9.7	9.8	6.6	7.8
Net Interest	45	42	38	41
Other Income	100	32	17	79
Profit before Tax	327	326	193	336
Margin (%)	11.6	9.5	6.0	8.8
Total Tax	87	83	51	86
Effective tax rate (%)	26.7	25.5	26.4	25.6
Profit after Tax	240	243	142	250
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	240	243	142	250
YoY gr. (%)	264.7	243.8	(716.1)	42.9
Margin (%)	8.5	7.1	4.4	6.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	240	243	142	250
YoY gr. (%)	264.7	243.8	(716.1)	42.9
Margin (%)	8.5	7.1	4.4	6.5
Other Comprehensive Income	(16)	(1)	-	(24)
Total Comprehensive Income	224	242	142	225
Avg. Shares O/s (m)	66	66	66	67
EPS (Rs)	3.6	3.7	2.1	3.7

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-25	Hold	1,083	1,253
2	06-Aug-25	Accumulate	943	878
3	04-Jul-25	Accumulate	927	838
4	08-May-25	Accumulate	927	879
5	04-Apr-25	Accumulate	900	807
6	07-Feb-25	BUY	900	733
7	09-Jan-25	Hold	899	938
8	09-Dec-24	Hold	899	860

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Amber Enterprises India	BUY	9,889	8,418
2	Astral Ltd.	BUY	1,727	1,384
3	Avalon Technologies	Hold	1,083	1,253
4	Bajaj Electricals	BUY	600	514
5	Cello World	BUY	686	575
6	Century Plyboard (I)	Hold	818	808
7	Cera Sanitaryware	BUY	7,424	6,149
8	Crompton Greaves Consumer Electricals	BUY	391	293
9	Cyient DLM	Accumulate	478	441
10	Finolex Industries	Accumulate	240	206
11	Greenpanel Industries	BUY	410	299
12	Havells India	Accumulate	1,653	1,487
13	Kajaria Ceramics	Hold	1,288	1,251
14	Kaynes Technology India	Accumulate	7,565	6,659
15	KEI Industries	BUY	4,926	4,173
16	LG Electronics India	BUY	1,780	1,688
17	Polycab India	BUY	8,808	7,440
18	R R Kabel	BUY	1,634	1,391
19	Supreme Industries	BUY	4,723	4,001
20	Syrma SGS Technology	Accumulate	870	852
21	Voltas	Hold	1,440	1,354

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

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