PL Capital
PRABHUDAS LILLADHER

Avalon Technologies (AVALON IN)

Rating: ACCUMULATE | CMP: Rs878 | TP: Rs943

August 6, 2025

Q1FY26 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	943		927	
Sales (Rs. m)	14,360	18,704	13,811	17,849
% Chng.	*4.0*	*4.8*		
EBITDA (Rs. m)	1,585	2,207	1,563	2,178
% Chng.	*1.4*	*1.4*		
EPS (Rs.)	14.0	20.8	13.9	20.4
% Chng.	*0.8*	*1.8*		

Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	8,672	10,981	14,360	18,704
EBITDA (Rs. m)	625	1,149	1,585	2,207
Margin (%)	*7.2*	*10.5*	*11.0*	*11.8*
PAT (Rs. m)	280	634	926	1,374
EPS (Rs.)	4.3	9.6	14.0	20.8
Gr. (%)	*(53.0)*	*125.2*	*46.0*	*48.4*
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	*5.2*	*10.9*	*14.1*	*17.8*
RoCE (%)	*7.0*	*14.1*	*17.6*	*22.3*
EV/Sales (x)	6.6	5.3	4.1	3.1
EV/EBITDA (x)	92.0	50.6	36.9	26.6
PE (x)	206.1	91.5	62.7	42.2
P/BV (x)	10.5	9.5	8.2	6.9

Key Data	AVAL.BO | AVALON IN
52-W High / Low	Rs.1,074 / Rs.425
Sensex / Nifty	80,544 / 24,574
Market Cap	Rs.58bn/ $ 665m
Shares Outstanding	66m
3M Avg. Daily Value	Rs.285.66m

Shareholding Pattern (%)

Promoter's	44.60
Foreign	8.67
Domestic Institution	22.01
Public & Others	24.72
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.4	19.7	77.6
Relative	9.2	16.0	73.3

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Strong performance, Margins Expanded

Avalon Technologies (AVALON IN) has reported strong revenue growth of 62.1% YoY mainly driven from Mobility/Industrial segments (grew by ~92%/85% YoY). EBITDA margin expanded by healthy ~710bps YoY to 9.2%, attributed to a favorable segment mix (Mobility/industrials contributes 26%/32% to the revenue) with increased US manufacturing (reached 20% of revenue). AVALON has upward revised its guidance from 18-20% to 23-25% growth in topline for FY26, while maintaining GM at 33-35%. We estimate FY25-27E revenue/EBITDA/PAT CAGR of 30.5%/38.6%/47.2%, with EBITDA margin expansion of ~130bps.

We maintain our 'Accumulate' rating with a TP of Rs 943 (earlier Rs 927) valuing at 45x FY27 earnings, with healthy performance in Q1FY26. We have revised our FY26/FY27 EPS estimates upward by 0.8%/1.8% to reflect stronger earnings in the quarter.

Revenues increased by 62.1%, PAT stood at Rs 142mn: Sales increased by 62.1% YoY to Rs 3.2bn (PLe: Rs 2.6bn). Clean Energy/Mobility& Transportation/Industrials/Communication/Medical segment grew by 26.8%/91.6%/85.2%/102.6%/19.4% YoY. The Mobility & Industrial segments account for 58% of revenue. Gross margins expanded by ~230 bps to 35.5% (PLe: 35.4%). EBITDA grew by 583.4% YoY to Rs 299mn (PLe: Rs 249mn). EBITDA margins expanded by ~710bps to 9.2% (PLe: 9.6%). PBT stood at Rs 193mn (PLe: Rs 165mn). PAT stood at Rs 142mn (PLe: Rs 124mn). The Order book grew by 22.5% YoY to Rs 18bn in Q1FY26. Box-build revenue grew by 106% YoY, contributes 56% revenue (vs 44% in Q1FY25). Net working days improved from 163 days in Jun'24 to 142 days in Jun'25.

Con call highlights: 1) Management upward their revenue growth guidance from 18-20% to 23-25% for FY26, while maintaining gross margin guidance at 33–35%. **2)** The management expects that operating leverage will start reflecting from H2FY26 onwards, as the upfront costs associated with the manufacturing ramp-up in H1FY26 are expected to normalize, supported by a gradual improvement in capacity utilization. **3)** The company reported a loss of Rs 90mn from its US operations in Q1FY26; however, management expects to achieve breakeven in the coming quarters, supported by ramp-up in orders from a key US customer. **4)** The Railway Kavach system, a critical safety project, is anticipated to start contributing to revenues from FY27 onwards. **5)** The Communication segment, which witnessed robust YoY growth of ~102% in Q1FY26, is projected to maintain its strong momentum in the upcoming quarters, driven by healthy order inflows. **6)** Avalon expects minimal impact from the 'Beautiful Bill' on its Clean Energy segment. Strong 60–70% growth in the US energy storage market is driving revenues, with a gradual manufacturing shift to India as US incentives phase out. **7)** Avalon has entered semiconductor equipment manufacturing through a partnership with a global OEM, focusing on high-margin, Industry 4.0-compliant Box-Builds. Under this partnership, the company will produce power boxes for semiconductor equipment. Production will ramp up over the next 4–5 quarters, starting Q2FY26, offering a scalable growth opportunity with eligibility for government incentives. **8)** Avalon's dual manufacturing footprint ensures flexibility amid ongoing US tariff discussions. With cost-plus contracts and long-term customer tie-ups (15–20 years), the company expects full pass-through, while India's cost advantage and tech capabilities bolster its global competitiveness. **9)** Incentives for Battery Energy Storage Systems (BESS) in the US are set to phase out from FY27, the company remains optimistic about demand-led growth, especially in the Indian market, where the energy storage ecosystem is expected to see significant traction. **10)** The company highlighted that any tariffs imposed by the USA will be passed on to customers.**11)** The export-focused Chennai plant is now in production and ramping up, with Phase 2 brownfield expansion scheduled for completion by Q3FY26.**12)** In Q1FY26, the company incurred a capex of Rs 96mn. For the full year, it has outlined a capex plan in the range of Rs 450–550mn.

Exhibit 1: Q1FY26 Result Overview: Sales increased by 62.1% YoY, EBITDA margins expanded by ~710bps to 9.2%

Y/e March (Rs mn)	Q1FY26	Q1FY25	YoY gr. (%)	Q1FY26E	% Var.	Q4FY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
Net Sales	**3,233**	**1,995**	***62.1***	**2,593**	***24.7***	**3,428**	**-5.7**	**14,360**	**10,981**	***30.8***
Expenditure										
Operating & Manufacturing Expenses	2,085	1,332	*56.5*	1,675	*24.5*	2,225	*-6.3*	9,173	7,055	*30.0*
% of Net Sales	*64.5*	*66.8*		*64.6*		*64.9*		*63.9*	*64.2*	
Gross Profit	**1,148**	**662**	***73.3***	**918**	***25.1***	1,203	**-4.5**	**5,187**	**3,927**	*32.1*
% of Net Sales	*35.5*	*33.2*	*2.30*	*35.4*	*0.11*	*35.1*		*36.1*	*35.8*	
Personnel Cost	634	455	*39.4*	493	*28.6*	570	*11.2*	2,525	1,986	*27.1*
% of Net Sales	*19.6*	*22.8*		*19.0*		*16.6*		*17.6*	*18.1*	
Other Expenses	216	164	*31.5*	176	*22.3*	219	*-1.7*	1,077	792	*35.9*
% of Net Sales	*6.7*	*8.2*		*6.8*		*6.4*		*7.5*	*7.2*	
Total Expenditure	2,934	1,951	*50.4*	2,344	*25.2*	3,014	*-2.7*	12,775	9,832	*29.9*
EBITDA	**299**	**44**	***583.4***	**249**	***20.0***	414	***-27.7***	**1,585**	**1,149**	***38.0***
Margin (%)	*9.2*	*2.2*	*7.05*	*9.6*		*12.1*	*-2.8*	*11.0*	*10.5*	
Depreciation	85	66	*28.2*	76	*11.4*	77	*9.6*	328	286	*14.7*
EBIT	**214**	**-22**	***NA***	**173**	***23.8***	**336**	***-36.3***	**1,258**	**863**	***45.7***
Other income	17	44	*-62.7*	34	*-51.3*	32	*-47.8*	136	171	*(20.5)*
Interest	38	42	*-10.7*	42	*-9.9*	42	*-10.9*	156	167	*(6.6)*
PBT	**193**	**-20**	***NA***	**165**	***16.9***	**326**	***-40.7***	**1,238**	**867**	***42.7***
Total Taxes	51	3	*1,638.2*	41	*23.3*	83	*-38.6*	312	233	*33.9*
ETR (%)	*26.4*	*-14.5*		*25.0*		*25.5*		*25.2*	*26.8*	
Adj. PAT	**142**	**-23**	***NA***	**124**	***14.7***	243	*-41.5*	**926**	**634**	*46.0*
Exceptional Items	-	-		-		-		-	-	
Reported PAT	**142**	**(23)**	***NA***	**124**	***14.7***	**243**	***-41.5***	**926**	**634**	***46.0***

Source: Company, PL

Exhibit 2: Segmental Breakup: Mobility/Transportation & Industrials segment grew by ~92% & 85% in Q1FY26.

Y/e March (Rs mn)	Q1FY26	Q1FY25	YoY gr. (%)	Q4FY25	QoQ gr. (%)	FY26E	FY25	YoY gr. (%)
Revenues								
Clean Energy	582	459	*26.8*	610	*(4.6)*	2,899	2,196	*32.0*
Mobility / Transportation	841	439	*91.6*	1,077	*(21.9)*	4,003	2,965	*35.0*
Industrials	1,035	559	*85.2*	953	*8.6*	4,283	3,294	*30.0*
Communication	323	160	*102.6*	274	*17.9*	791	879	*(10.0)*
Medical & Others	453	379	*19.4*	439	*3.2*	2,385	1,647	*44.8*

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Net Revenues	**8,672**	**10,981**	**14,360**	**18,704**
YoY gr. (%)	*(8.2)*	*26.6*	*30.8*	*30.2*
Cost of Goods Sold	5,523	7,055	9,173	11,989
Gross Profit	3,148	3,927	5,187	6,715
Margin (%)	*36.3*	*35.8*	*36.1*	*35.9*
Employee Cost	1,850	1,986	2,525	3,105
Other Expenses	674	792	1,077	1,403
EBITDA	**625**	**1,149**	**1,585**	**2,207**
YoY gr. (%)	*(44.5)*	*83.9*	*38.0*	*39.2*
Margin (%)	*7.2*	*10.5*	*11.0*	*11.8*
Depreciation and Amortization	229	286	328	342
EBIT	**396**	**863**	**1,258**	**1,865**
Margin (%)	*4.6*	*7.9*	*8.8*	*10.0*
Net Interest	164	167	156	164
Other Income	149	171	136	136
Profit Before Tax	**381**	**867**	**1,238**	**1,836**
Margin (%)	*4.4*	*7.9*	*8.6*	*9.8*
Total Tax	101	233	312	462
Effective tax rate (%)	*26.5*	*26.8*	*25.2*	*25.2*
Profit after tax	**280**	**634**	**926**	**1,374**
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	**280**	**634**	**926**	**1,374**
YoY gr. (%)	*(46.7)*	*126.7*	*46.0*	*48.4*
Margin (%)	*3.2*	*5.8*	*6.4*	*7.3*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**280**	**634**	**926**	**1,374**
YoY gr. (%)	*(46.7)*	*126.7*	*46.0*	*48.4*
Margin (%)	*3.2*	*5.8*	*6.4*	*7.3*
Other Comprehensive Income	(13)	(17)	-	-
Total Comprehensive Income	267	617	926	1,374
Equity Shares O/s (m)	**66**	**66**	**66**	**66**
EPS (Rs)	**4.3**	**9.6**	**14.0**	**20.8**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
Non-Current Assets				
Gross Block	**2,099**	**2,767**	**3,452**	**4,205**
Tangibles	1,414	2,001	2,451	2,901
Intangibles	685	766	1,002	1,305
Acc: Dep / Amortization	**629**	**918**	**1,245**	**1,588**
Tangibles	374	527	705	906
Intangibles	255	391	540	682
Net fixed assets	**1,470**	**1,849**	**2,207**	**2,618**
Tangibles	1,039	1,474	1,746	1,995
Intangibles	430	375	461	623
Capital Work In Progress	196	104	104	104
Goodwill	-	-	-	-
Non-Current Investments	219	74	92	114
Net Deferred tax assets	167	137	137	137
Other Non-Current Assets	96	48	63	82
Current Assets				
Investments	755	332	332	332
Inventories	3,163	3,379	4,419	5,637
Trade receivables	1,869	3,160	4,132	5,124
Cash & Bank Balance	1,065	1,015	482	236
Other Current Assets	229	275	275	275
Total Assets	**9,249**	**10,399**	**12,268**	**14,684**
Equity				
Equity Share Capital	131	132	132	132
Other Equity	5,342	5,983	6,909	8,284
Total Networth	**5,473**	**6,115**	**7,042**	**8,416**
Non-Current Liabilities				
Long Term borrowings	533	184	-	-
Provisions	135	103	103	103
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	1,108	1,233	1,233	1,233
Trade payables	974	1,894	2,557	3,331
Other current liabilities	665	560	954	1,112
Total Equity & Liabilities	**9,249**	**10,399**	**12,268**	**14,684**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	381	867	1,238	1,836
Add. Depreciation	229	286	328	342
Add. Interest	113	143	156	164
Less Financial Other Income	149	171	136	136
Add. Other	28	32	(167)	(155)
Op. profit before WC changes	751	1,327	1,555	2,188
Net Changes-WC	(414)	(883)	(987)	(1,320)
Direct tax	(164)	(194)	(312)	(462)
Net cash from Op. activities	**173**	**251**	**256**	**406**
Capital expenditures	(355)	(462)	(686)	(553)
Interest / Dividend Income	15	44	136	136
Others	(1,121)	955	(17)	(22)
Net Cash from Invt. activities	**(1,461)**	**538**	**(567)**	**(439)**
Issue of share cap. / premium	4,642	-	-	-
Debt changes	(1,683)	(1)	-	-
Dividend paid	99	(427)	(156)	(164)
Interest paid	(88)	(111)	-	-
Others	(5,479)	15	(66)	152
Net cash from Fin. activities	**(2,508)**	**(523)**	**(222)**	**(13)**
Net change in cash	**(3,796)**	**266**	**(533)**	**(46)**
Free Cash Flow	173	251	256	406

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25	FY26E	FY27E
Per Share(Rs)				
EPS	4.3	9.6	14.0	20.8
CEPS	7.7	13.9	19.0	25.9
BVPS	83.3	92.4	106.4	127.2
FCF	2.6	3.8	3.9	6.1
DPS	-	-	-	-
Return Ratio(%)				
RoCE	7.0	14.1	17.6	22.3
ROIC	4.9	10.6	13.3	16.6
RoE	5.2	10.9	14.1	17.8
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	0.1	0.1
Net Working Capital (Days)	171	154	152	145
Valuation(x)				
PER	206.1	91.5	62.7	42.2
P/B	10.5	9.5	8.2	6.9
P/CEPS	113.3	63.1	46.3	33.8
EV/EBITDA	92.0	50.6	36.9	26.6
EV/Sales	6.6	5.3	4.1	3.1
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Net Revenue	**2,750**	**2,809**	**3,428**	**3,233**
YoY gr. (%)	*36.8*	*31.1*	*58.1*	*62.1*
Raw Material Expenses	1,737	1,760	2,225	2,085
Gross Profit	1,013	1,048	1,203	1,148
Margin (%)	*36.8*	*37.3*	*35.1*	*35.5*
EBITDA	**301**	**346**	**414**	**299**
YoY gr. (%)	*139.1*	*109.2*	*140.5*	*583.4*
Margin (%)	*11.0*	*12.3*	*12.1*	*9.2*
Depreciation / Depletion	69	74	77	85
EBIT	**233**	**273**	**336**	**214**
Margin (%)	*8.5*	*9.7*	*9.8*	*6.6*
Net Interest	37	45	42	38
Other Income	39	100	32	17
Profit before Tax	**234**	**327**	**326**	**193**
Margin (%)	*8.5*	*11.6*	*9.5*	*6.0*
Total Tax	60	87	83	51
Effective tax rate (%)	*25.4*	*26.7*	*25.5*	*26.4*
Profit after Tax	**175**	**240**	**243**	**142**
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	**175**	**240**	**243**	**142**
YoY gr. (%)	*140.1*	*264.7*	*243.8*	*(716.1)*
Margin (%)	*6.4*	*8.5*	*7.1*	*4.4*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**175**	**240**	**243**	**142**
YoY gr. (%)	*140.1*	*264.7*	*243.8*	*(716.1)*
Margin (%)	*6.4*	*8.5*	*7.1*	*4.4*
Other Comprehensive Income	2	(16)	(1)	-
Total Comprehensive Income	**177**	**224**	**242**	**142**
Avg. Shares O/s (m)	66	66	66	66
EPS (Rs)	**2.6**	**3.6**	**3.7**	**2.1**

Source: Company Data, PL Research

Price Chart

Recommendation History

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

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Accumulate	1,630	1,494
2	Avalon Technologies	Accumulate	927	838
3	Bajaj Electricals	Hold	641	610
4	Cello World	BUY	746	621
5	Century Plyboard (I)	Hold	775	749
6	Cera Sanitaryware	Accumulate	7,389	6,788
7	Crompton Greaves Consumer Electricals	BUY	423	350
8	Cyient DLM	Accumulate	540	480
9	Finolex Industries	Accumulate	217	197
10	Greenpanel Industries	BUY	374	280
11	Havells India	Accumulate	1,645	1,532
12	Kajaria Ceramics	Hold	1,192	1,242
13	Kaynes Technology India	Hold	6,367	6,326
14	KEI Industries	BUY	4,527	3,970
15	Polycab India	BUY	8,091	6,926
16	R R Kabel	Accumulate	1,516	1,337
17	Supreme Industries	Hold	4,346	4,243
18	Syrma SGS Technology	Hold	705	706
19	Voltas	Hold	1,350	1,367

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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