



Strong growth being driven by ramp up across verticals.

Avalon delivered a strong FY26 performance with revenue growing 46% YoY to Rs.16,030 mn, ahead of guidance, while Q4 revenue stood at Rs.4,800 mn (+40% YoY). Gross margin remained healthy at 34.3%, while EBITDA margin improved to 10.8% driven by operating leverage and better mix. FY26 PAT grew 78% YoY to Rs.1,130 mn, with RoCE improving sharply to 20.6%.

The company continued strengthening its position as a high-end vertically integrated box-build manufacturer, with box-build contribution rising to 56% in Q4FY26. India manufacturing (~77–79% of revenue) remained the profitability anchor with 16.7% EBITDA margin, while losses in the US business narrowed further with breakeven targeted in FY27. Management reiterated its long-term 80:20 India–US manufacturing strategy.

Growth remained broad-based across Industrial (+65% YoY), Mobility (+50%), Clean Energy (+45%) and Communication (+58%). Semiconductor equipment, aerospace, rail and energy storage systems are emerging as key growth drivers, with semiconductor manufacturing expected to become a meaningful vertical over the next few years.

Order visibility remains strong with an executable order book of Rs.21,960 mn (+24.7% YoY) along with long-term contracts worth Rs.12,450 mn. Net working capital improved to 112 days, supporting stronger operating cash flows and a comfortable balance sheet. Management remains confident on sustained multi-year growth and has guided for 24–25% revenue growth in FY27 after nearly achieving its FY27 doubling target a year ahead of schedule.

Financials

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25	FY26e	FY27e
Net sales	8,407	9,447	8,672	10,981	15,904	20,231
EBIDTA	975	1,141	625	1,149	1,759	2,858
Margins	11.6	12.1	7.2	10.5	11.1	14.1
PAT (adj)	632	539	280	634	1,125	1,777
Growth (%)	192.3	-20.2	-48.0	126.7	77.3	58.0
EPS	79.16	9.29	4.26	9.59	17.00	26.86
P/E (x)	11	95	207	92	52	33
P/B (x)	8	9	11	10	8	6
EV/EBITDA (x)	3	49	92	51	32	20
RoE (%)	55	10	5	10	15	20
ROCE (%)	24	13	8	14	20	25
RoIC (%)	19	19	8	12	21	27
Gross Fixed Asset Turn	8	8	6	6	8	9

Source: Dalal & Broacha Research, Company

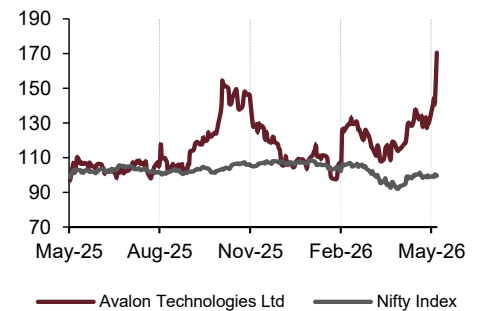
Rating	TP (Rs)	Up/Dn (%)
HOLD	1,343	-3

Market data

Current price	Rs	1,387
Market Cap (Rs.Bn)	(Rs Bn)	93
Market Cap (US\$ Mn)	(US\$ Mn)	983
Face Value	Rs	2
52 Weeks High/Low	Rs	1427.8 / 774
Average Daily Volume	('000)	2,912
BSE Code		543896
Bloomberg		AVALON.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-26	Dec-25
Promoters	44.46	44.46
Public	55.40	55.40
Total	100.00	100.00

Source: Bloomberg

Bharat Gulati
+91 22 67141412
bharat.gulati@dalal-broacha.com

Concall Highlights

Strong Growth across Core Operations

Avalon delivered a strong FY26 performance with broad-based growth across industrial, mobility, clean energy and communication verticals. Revenue grew 46% YoY, ahead of guidance, supported by rising contribution from complex box-build systems, which increased to 56% in Q4FY26, reinforcing Avalon's positioning as a high-end vertically integrated manufacturer. Industrial remained the largest contributor with strong traction across automation and power-related programs, while mobility growth was driven by rail and aerospace execution. Clean energy continued scaling through energy storage systems, while semiconductor equipment programs progressed through readiness and prototyping stages, with commercial production expected from FY27 onward.

India Manufacturing Remains Profitability Anchor

India manufacturing operations continued to anchor profitability, contributing ~77–79% of revenue with EBITDA margins of 16.7%. The company continues leveraging India as a cost-efficient manufacturing hub for both domestic and export markets, benefiting from operating leverage, higher asset turns and vertically integrated capabilities. Working capital efficiency improved significantly, with receivable and inventory optimization reducing net working capital days to 112, supporting stronger operating cash flows. Management highlighted that India manufacturing continues to benefit from increasing export opportunities, stronger customer engagement and growing traction across Southeast Asia and Europe.

US Manufacturing Showing Gradual Improvement

US manufacturing operations continued to improve steadily, with losses narrowing sequentially as utilization levels increased. The US business remains strategically important for customer onboarding, localization, prototyping and tariff management, while India serves as the scale manufacturing base. Management reiterated its long-term 80:20 India–US manufacturing mix and expects US operations to move toward breakeven in the later part of FY27 as clean energy, industrial and new customer programs ramp up. The dual-shore manufacturing model continues to provide supply-chain flexibility and strengthens customer confidence amid evolving global trade dynamics.

Operational Highlights and Outlook

Order visibility remains strong with an executable order book of Rs.21,960 mn along with long-term contracts worth Rs.12,450 mn. EBITDA margins improved sequentially on operating leverage, while RoCE strengthened to 20.6% under a disciplined, CapEx-light model. Management remains optimistic on long-term growth, supported by semiconductor equipment opportunities, aerospace ramps, energy storage systems, rail execution and export expansion. Having nearly achieved its FY27 doubling target a year ahead of schedule, the company now aims to double revenue again by FY29, while guiding for 24–25% revenue growth in FY27 with continued focus on profitability, cash flows and capital efficiency.

Valuation & Outlook

operates a differentiated EMS model with a dual-shore manufacturing presence across India and the US, supported by strong export orientation and vertically integrated capabilities. The company continues scaling its complex box-build systems business, with box-build contribution increasing to 56% in Q4FY26, reinforcing its positioning as a high-end end-to-end systems manufacturer. With long product life cycles and expertise in mission-critical, high-complexity assemblies, Avalon benefits from strong customer stickiness and diversified exposure across industrial, mobility, aerospace, rail, clean energy and communication verticals. Growth momentum remains broad-based, supported by program ramps, expanding customer engagements and increasing export opportunities across Southeast Asia and Europe. Management remains confident on sustained growth, guiding for 24–25% revenue growth in FY27 after nearly achieving its FY27 doubling target a year ahead of schedule.

Margins are expected to improve further with operating leverage, higher utilization and better scale efficiencies. India manufacturing operations continue to remain the profitability anchor with EBITDA margins of 16.7%, while losses in US manufacturing have narrowed steadily and are expected to move toward breakeven in the later part of FY27 as clean energy and industrial programs scale further. The company's expansion into semiconductor equipment manufacturing marks an important strategic growth driver, with multiple products progressing through qualification and readiness stages ahead of expected commercial production from FY27 onward. Supported by a CapEx-light model, improving working capital efficiency, strong order visibility and diversified end-market exposure, Avalon remains well positioned for sustained multi-year growth and improving capital efficiency.

We assign a HOLD on the stock with a target price of Rs.1,343. The stock currently trades at a P/E(x) of 51x FY27e. We assign a target multiple of 50x to get to our target price.

Quarterly Result Analysis

(Rs.Mn)	4QFY26	4QFY25	YoY Growth (%)	3QFY26	QoQ Growth (%)
Revenue from Operations	4,799	3,428	40.0%	4,175	14.9%
Other Income	119	32	275.2%	74	60.4%
COGS	3,183	2,225	43.0%	2,749	15.8%
Gross Profit	1,616	1,203	34.4%	1,427	13.3%
Employee Benefits Expense	774	570	35.9%	700	10.6%
Other Expenses	273	219	24.6%	247	10.8%
Total Expenses	4,230	3,014	40.3%	3,696	14.5%
EBITDA (Excluding Other Income)	569	414	37.5%	480	18.6%
Depreciation and Amortisation Expenses	83	77	7.6%	79	4.6%
EBIT / PBIT	605	368	64.3%	475	27.4%
Finance Costs	42	42	-0.6%	30	42.2%
EBT/ PBT	563	326	72.7%	445	26.5%
Tax Expense	151	83	82.2%	119	27.1%
PAT	412	243	69.5%	326	26.2%
Adj Earning Per Share	6.2	3.7	65.8%	4.9	26.2%
Margins Analysis (%)			bps		bps
Gross Margins	33.7%	35.1%	-141	34.2%	-49
EBITDA Margins (Excl Other Income)	11.8%	12.1%	-21	11.5%	36
PAT Margins	8.4%	7.0%	135	7.7%	70
Effective Tax Rate %	26.9%	25.5%	139	26.7%	14
Cost Analysis (%)			bps		bps
COGS as a % to sales	66.3%	64.9%	141	65.8%	49
EE Cost as a % to sales	16.1%	16.6%	-49	16.8%	-64
Other exps as a % to sales	5.7%	6.4%	-70	5.9%	-21

Source: Dalal & Broacha Research, Com pany

Financials

P&L (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e
Net Sales	6,419	6,905	8,407	9,447	8,672	10,981	15,904	20,231
Operating Expenses	-4,113	-4,560	-5,541	-6,067	-5,523	-7,055	-10,329	-12,871
Employee Cost	-1,162	-1,192	-1,314	-1,605	-1,850	-1,986	-2,732	-3,220
Other Expenses	-499	-491	-577	-633	-674	-792	-1,084	-1,282
Operating Profit	645	661	975	1,141	625	1,149	1,759	2,858
Depreciation	-155	-157	-180	-197	-229	-286	-351	-374
PBIT	490	504	795	945	396	863	1,408	2,484
Other income	113	54	109	144	149	171	66	73
Interest	-450	-270	-248	-348	-164	-167	-145	-121
PBT	153	288	656	740	381	867	1,329	2,436
(post exceptional)	153	288	856	740	381	867	1,530	2,436
Provision for tax	-30	-57	-182	-202	-101	-233	-405	-659
Associates/JV	-	-	-	-	-	-	-	-
Reported PAT	124	231	675	539	280	634	1,125	1,777
MI	-8	-16	-43	-	-	-	-	-
Owners PAT	116	215	632	539	280	634	1,125	1,777
(excl Exceptionals)	116	199	485	539	280	634	1,101	1,777
Balance Sheet (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e
Equity capital	15	16	16	116	131	132	132	132
Reserves	450	583	872	5,254	5,342	5,983	7,084	8,861
Net worth	466	599	888	5,370	5,473	6,115	7,217	8,993
MI	-431	-317	-	-	-	-	-	-
Non Current Liabilites	792	1,051	1,016	1,072	1,030	597	542	554
Current Liabilites	3,670	3,792	3,990	5,361	2,745	3,686	2,839	3,139
TOTAL LIABILITIES	4,496	5,125	5,894	11,803	9,249	10,399	10,598	12,686
Non Current Assets	1,370	1,329	1,391	1,667	2,161	2,232	1,900	1,873
Fixed Assets	754	841	918	1,086	1,257	1,620	1,245	1,208
Right of Use Assets	260	200	244	342	409	333	367	367
Financial Assets	68	43	53	53	219	74	77	80
Deferred Tax Asset	262	232	159	154	230	185	190	196
Advances	-	-	-	-	-	-	-	-
Assets	26	12	18	32	45	20	21	22
Current Assets	3,127	3,796	4,503	10,136	7,088	8,167	8,698	10,814
Current investments	-	-	-	-	755	332	365	401
Inventories	1,553	1,458	2,330	3,179	3,163	3,379	2,434	3,033
Trade Receivables	1,138	1,819	1,774	2,062	1,869	3,160	3,268	4,157
Balances	266	335	101	4,222	1,065	1,015	2,350	2,941
Advances	-	-	-	-	-	-	-	-
Other Financial Assets	9	14	13	38	7	5	6	6
Other Current Assets	161	170	284	635	229	275	275	275
TOTAL ASSETS	4,496	5,125	5,894	11,803	9,249	10,399	10,598	12,686

Source: Dalal & Broacha Research, Company

Cashflow (Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e
PBT	288	856	740	381	867	1,530	2,436
Depreciation	157	180	197	229	286	351	374
Net Chg in WC	-555	-760	-904	-235	-588	132	-1,196
Taxes	-35	-125	-189	-101	-233	-405	-659
Others	200	6	23	355	571	1,098	-3
CFO	55	157	-133	173	251	800	1,200
Capex	-192	-177	-273	-355	-461	-454	-391
Net Investments made	-99	-6	2	-1,121	-18	-	-
Others	29	-	-	15	1,017	-	-
CFI	-263	-184	-271	-1,461	538	-454	-391
Change in Share capital	73	-68	4,815	4,837	28	-	-
Change in Debts	440	86	128	-1,199	122	-260	6
Div. & Div Tax	-37	-38	-37	-41	-52	-	-
Others	-201	-189	-363	-5,723	-621	1,525	-224
CCF	275	-209	4,542	-2,508	-523	1,265	-218
Total Cash Generated	67	-236	4,138	-3,796	266	1,611	591
Cash Opening Balance	266	335	101	4,219	424	688	2,300
Cash Closing Balance	333	99	4,240	424	688	2,300	2,891
Ratios	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e
OPM	9.6	11.6	12.1	7.2	10.5	11.1	14.1
NPM	2.9	5.7	5.6	3.2	5.7	6.9	8.8
Tax rate	-19.9	-21.2	-27.3	-26.5	-26.8	-26.5	-27.1
Growth Ratios (%)							
Net Sales	7.6	21.8	12.4	-8.2	26.6	44.8	27.2
Operating Profit	2.6	47.5	17.0	-45.3	83.9	53.1	62.5
PBIT	2.9	57.8	18.8	-58.1	118.1	63.2	76.4
PAT	86.7	192.3	-20.2	-48.0	126.7	77.3	58.0
Per Share (Rs.)							
Net Earnings (EPS)	26.92	79.16	9.29	4.26	9.59	17.00	26.86
Cash Earnings (CPS)	46.64	101.70	12.68	7.74	13.91	22.30	32.51
Dividend	-	-	-	-	-	-	-
Book Value	75.07	111.19	92.66	83.29	92.44	109.09	135.94
Free Cash Flow	-25.25	-7.90	-4.37	-1.74	-2.14	17.94	9.06
Valuation Ratios							
P/E(x)	33	11	95	206.6	91.8	51.8	32.8
P/B(x)	12	8	9	11	10	8	6
EV/EBIDTA(x)	4	3	49	92	51	32	20
Div. Yield(%)	-	-	-	-	-	-	-
FCF Yield(%)	-2.87	-0.90	-0.50	-0.20	-0.24	2.04	1.03
Return Ratios (%)							
ROE	36%	55%	10%	5%	10%	15%	20%
ROCE	16%	24%	13%	8%	14%	20%	25%
RoIC	14%	19%	19%	8%	12%	21%	27%

Source: Dalal & Broacha Research, Company

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time. SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report-:

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992 | : equity.research@dalal-broacha.com