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Avalon Technologies Ltd

Q2FY27 Result Update

13 Nov 2026

- ✓ Revenue grew 37% Y-o-Y and EBITDA 71%; EBITDA margin expanded 247 bps to 12.6%.
- ✓ FY27 revenue growth guidance raised to ~30% (from 26–30%); new target to double revenue over FY26–29.
- ✓ Order book grew 27.1% Y-o-Y to Rs. 2,367 cr; Zollner JV adds medical and test & measurement verticals.
- ✓ Estimates maintained; Zollner JV valued separately (SOTP) – TP raised to Rs. 2,421; BUY maintained.

Rating	1Y Target Price	CMP
BUY Maintained	Rs. 2,421 Revised from Rs. 2,115 (14%)	Rs. 2,038 1Y Upside: 19% | 58x FY28E P/E

Estimate Update: FY27E/FY28E estimates maintained | TP = 60x FY28E EPS + Rs. 307/share Zollner JV (SOTP)

RESEARCH ANALYST

Devang Bhatt
Devang.b@sparkcapital.in

Kaustubh Agrawal
Kaustubh.a@sparkcapital.in

Spark Result Update Reports – Rebooted!

Outlining the framework from our desk

In our new, rejuvenated approach to publishing fundamental research ideas, we aim to balance a traditional, time-tested framework with a contemporary and, hopefully, refreshing approach to stock-picking. Accordingly, our Result Update reports will be presented in four sections: **(1) Business Assessment Scores, (2) Valuation Framework, (3) Decision Tree, and (4) Stock Buzz & Influencing Factors.**

This report is underpinned by three key beliefs: (1) business assessment should be separated from valuation frameworks, enabling equity research to calibrate the mix objectively when making stock calls; (2) the decision tree we publish makes this process simple and objective, highlighting the three major factors that underpin our recommendation; and (3) reactions to "buzz" and other factors that influence price action must be identified and given due regard when timing stock calls, particularly in the current environment, where information flow is incessant.

Business Assessment Scores

To address the question of whether a company's business can emerge as a long-term winner, we draw on Porter's Five Forces framework to examine key aspects such as revenue models, pricing risks, market positioning, and competitive moats. Our financial analysis and estimates are anchored in our assessment of both the company's current performance and its long-term potential. To ensure that this assessment remains objective and not influenced by subjective judgment, we employ a scoring model that captures the key drivers of business quality across five composite vectors. The resulting scores form the basis of our call on the business.

Valuation Framework

We have often observed how markets can make target multiples appear like the proverbial rabbits out of a hat. To avoid the temptation of retrospectively justifying valuations alongside the broader market, we returned to first principles while designing our Valuation Framework. Anchored in market, peer, and historical absolute benchmarks, our valuation scores incorporate Economic Value Added, return profiles, growth prospects, and leadership positions, mapped against relevant valuation multiples. Ultimately, the central question remains: given everything we know about the business, markets, and peers, does the current pricing appear attractive? This question forms the bedrock of stock-picking in equity research.

Stock Buzz & Influencing Factors

The **Buzz Chart** & Liquidity Chart track stock-specific news flow, events, and market activity to help identify **periods of elevated attention or sentiment shifts,** complementing fundamental and valuation analysis.

Decision tree

A schematic view of what we hinge our stock recommendation on. In our opinion a discerning investor identifies essence of our pitch from a limited, but reasonably exhaustive bunch of factors that can be organized as branches of a tree. The decision tree we publish makes that process simple and objective, highlighting the 3 major factors that underpin our recommendation.

Source: Company, Midas Research

Q2FY27 Results Summary (Consolidated Financials)

(In Rs. cr)

Description	Q2FY27	Q1FY27	Q2FY26	Q-o-Q	Y-o-Y	Midas Est.	Beat/Miss
Net Sales	**525.4**	**484.4**	**382.5**	**8.5%**	**37.4%**	**545.5**	**-3.7%**
RM Cost	346.1	316.5	251.2	9.4%	37.8%		
Gross Profit	**179.3**	**167.9**	**131.3**	**6.8%**	**36.6%**		
Gross Margin	**34.1%**	**34.7%**	**34.3%**	**-54 bps**	**-20 bps**		
Operating & Manufacturing Expenses	28.6	26.6	22.8	7.6%	25.6%		
Employee Cost	84.7	83.4	69.9	1.5%	21.2%		
EBITDA	**66.0**	**58.0**	**38.6**	**13.9%**	**71.0%**	**67.2**	**-1.8%**
EBITDA Margin	**12.6%**	**12.0%**	**10.1%**	**60 bps**	**247 bps**	**12.3%**	**24 bps**
Other Income	2.7	2.8	7.9	-2.9%	-65.4%		
Depreciation	10.0	8.6	8.9	16.2%	12.4%		
EBIT	**58.8**	**52.2**	**37.7**	**12.6%**	**56.1%**		
EBIT Margin	**11.2%**	**10.8%**	**9.8%**	**41 bps**	**134 bps**		
Interest	4.2	3.5	4.1	20.0%	1.9%		
PBT	**54.6**	**48.7**	**33.6**	**12.1%**	**62.7%**		
Tax	14.8	13.9	8.6	6.8%	72.1%		
Tax Rate	27.1%	28.5%	25.6%	-136 bps	148 bps		
Adj PAT	**39.8**	**34.9**	**25.0**	**14.2%**	**59.5%**	**41.7**	**-4.5%**
PAT Margin	**7.6%**	**7.2%**	**6.5%**	**38 bps**	**105 bps**	**7.6%**	**-6 bps**
EPS	**6.0**	**5.2**	**3.7**	**14.6%**	**59.8%**	**6.2**	**-4.3%**

Revenue Y-o-Y
37.4%
Led by Clean Energy (2x+ YoY)

PAT Margin
7.6%
+105 bps Y-o-Y on better operating margins

PAT vs Est.
-4.5%
Due to lower-than-expected other income

EBIT Margin
11.2%
+134 bps Y-o-Y on lower employee cost/sales

Source: Company, Spark PWM Pvt. Ltd.

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Q2FY27 Conference Call – Key Takeaways

Financial highlights of Q2FY27

- Revenue rose 37.4% Y-o-Y and 8.5% Q-o-Q to Rs. 525.4 cr, the 9th consecutive quarter of growth; per management, growth has averaged 45% over the last nine quarters.
- Gross margin at 34.1% (Q2FY26: 34.3%) stayed within the guided 33–35% band; EBITDA grew 71.0% Y-o-Y to Rs. 66.0 cr, with margin up 247 bps to 12.6%.
- Operating leverage drove the margin gain: employee cost fell to 16.1% of sales from 18.3% a year ago (per management).
- PAT rose 59.5% Y-o-Y to Rs. 39.8 cr (margin 7.6%) due to better operating performance offset by lower other income (Rs. 2.7 cr vs Rs. 7.9 cr in Q2FY26); H1FY27 revenue/EBITDA/PAT grew 43.1%/81.0%/90.6%.
- Operating cash flow was Rs. -22 cr in Q2 (H1: Rs. +10 cr) on inventory build; gross debt rose to Rs. 311 cr, net debt Rs. 120 cr (0.15x equity, ~0.5x EBITDA).

Operational highlights of Q2FY27

- Order book of Rs. 2,367 cr (+27.1% Y-o-Y, ~14 months execution) plus Rs. 1,275 cr of long-term contracts (15–36 months); Q2 order intake of ~Rs. 684 cr.
- Q2 mix: Industrial 35% (+36% Y-o-Y), Clean Energy 29% (more than doubled), Mobility 25% (+27%; rail 17%, aerospace 8%, aerospace up 40%+).
- Box-build rose to 61% of revenue (FY22: 44%); top-10 customers formed ~64% of H1 revenue, with new customer programs now at US$20–40 mn each.
- India manufacturing (74% of Q2 revenue) delivered 17.1% EBITDA and 11.4% PAT margins; US losses narrowed to Rs. 4.8 cr, near EBITDA breakeven.
- NWC days improved to 120 from 131 (receivables 73 days, payables 54, inventory 101); RoCE to 24.2% from 18.4%.

Business developments & growth drivers

- Zollner Avalon (Zollner: 51%; Avalon: 49%) will manufacture PCBAs and undertake box-build operations in India for Zollner's global customers across rail, industrial, test & measurement and medical segments.
- Beyond its 49% JV stake, Avalon expects additional business from manufacturing cable/wire harnesses, metal parts, plastics, magnetics, and transformers used in JV products. The JV will focus only on PCBA and box-build operations (as per management).
- Until the JV facility is operational, products for JV customers will be manufactured at Avalon's existing facilities. Avalon also has an option to increase its stake by 2% to 51%, exercisable three years after commencement of commercial production.
- Avalon plans to issue preferential warrants worth up to Rs. 425 cr to Zollner (19.38 lakh warrants at Rs. 2,193.20 each; 25% upfront and balance within 18 months). Upon conversion, Zollner will hold ~2.8% in Avalon. EGM scheduled for 21 November 2026.
- Avalon is developing a 25-acre Oragadam campus(SIPCOT), partly for the JV, with Rs. 53–54 cr land cost included in H1 capex of Rs. 90 cr. It also invested Rs. 11 cr in an EV-charger electronics firm via convertible notes.

Outlook

- FY27 growth guidance raised to ~30% (from 26–30%). Having nearly achieved its FY24–27 revenue-doubling target a year early, mgmt. now targets doubling revenue over FY26–29.
- Semiconductor equipment (currently under Industrial) may be reported separately upon reaching ~10% of revenue, likely in 12 months; 4–5 global customers are in the pipeline.
- Rail (locomotive engine sub-systems and Kavach) and aerospace cabin sub-assemblies are moving into volume production, while HVDC remains project-based, with the next growth step-up expected in a couple of quarters.
- Management expects further EBITDA margin expansion over the next three years, driven by a higher share of India manufacturing. NWC is guided at 120–130 days.
- Capex to stay above ~Rs. 55 cr annual run-rate for two years, led by Oragadam expansion, while maintaining high-single-digit asset turns. Clean Energy focus remains export-led.

Source: Company, Spark PWM Pvt. Ltd.

Avalon Technologies Ltd – Q2FY27 Result Update

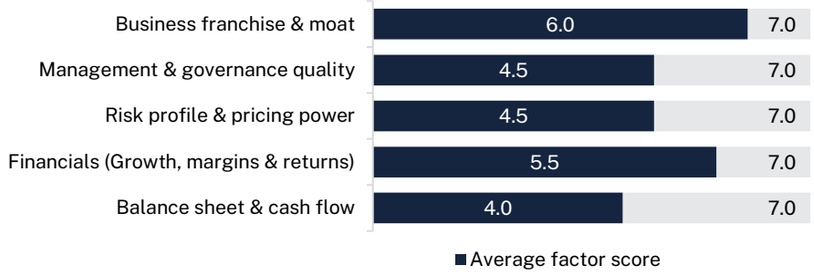
CMP **Rs. 2,038**

Rating **BUY**

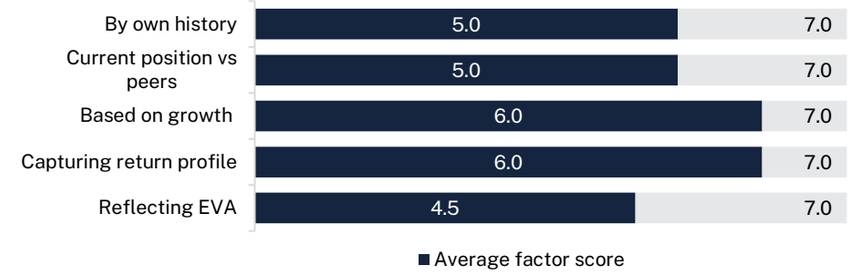
Avalon Technologies Ltd - OUR COMMENTARY ON RESULTS

- Avalon delivered its ninth consecutive quarter of growth, with revenue rising 37.4% Y-o-Y to Rs. 525.4 cr and EBITDA margin expanding 247 bps to 12.6%. Management raised FY27 growth guidance to ~30% and targets doubling revenue over FY26–29.
- We maintain our FY27E/FY28E estimates (33.3% revenue CAGR over FY26–28E), while revising the segment mix assumptions: raising FY27E Clean Energy growth to 80% on strong US BESS demand and lowering Communication growth to -30%.
- We value the core business at 60x FY28E EPS and assign Rs. 307/share to the Zollner JV under SOTP valuation, arriving at a TP of Rs. 2,421 (19% upside). Maintain BUY.

Business Assessment Scores*



Valuation Framework*



Financials and Estimates Summary

Particulars (Rs. cr)	Revenue	EBITDA	EBITDA %	PAT	EPS	RoE %	RoCE %	PE	EV/EBITDA
FY24	867	63	7.2	28.0	4.3	5.1	5.6	487.9	219.2
FY25	1,098	115	10.5	63.4	9.6	10.4	11.5	215.2	119.2
FY26	1,603	173	10.8	112.9	16.9	15.6	15.4	120.9	79.4
FY27E	2,183	269	12.3	171.9	25.7	17.2	19.2	79.4	50.8
FY28E	2,848	360	12.6	236.0	35.2	19.1	22.0	57.8	38.1

Source: Company reports, Bloomberg, Midas Research

13 Nov 2026

Industry	Electrical Equipment

Key Stock Data

Bloomberg	AVALON IN
Shares o/s (cr)	6.7
Market Cap (Rs. cr)	13,655
52-wk High/Low	Rs. 2,618 – Rs. 777
20D ADV (In '000)	349.5
Index	Nifty Smallcap 500
F&O	N

Latest Shareholding (%)

	Sep 26	Jun 26	Mar 26
Promoters	40.4	44.4	44.4
Institutions	32.9	32.5	32.6
Public	26.7	23.1	23.0
Pledge	0.0	0.0	0.0

Stock Performance (%)

	1M	3M	12M
AVALON IN	(10.6)	5.6	96.5
NSE SMLCAP 500	0.5	(2.1)	5.3

RESEARCH ANALYST

Devang Bhatt
Devang.b@sparkcapital.in

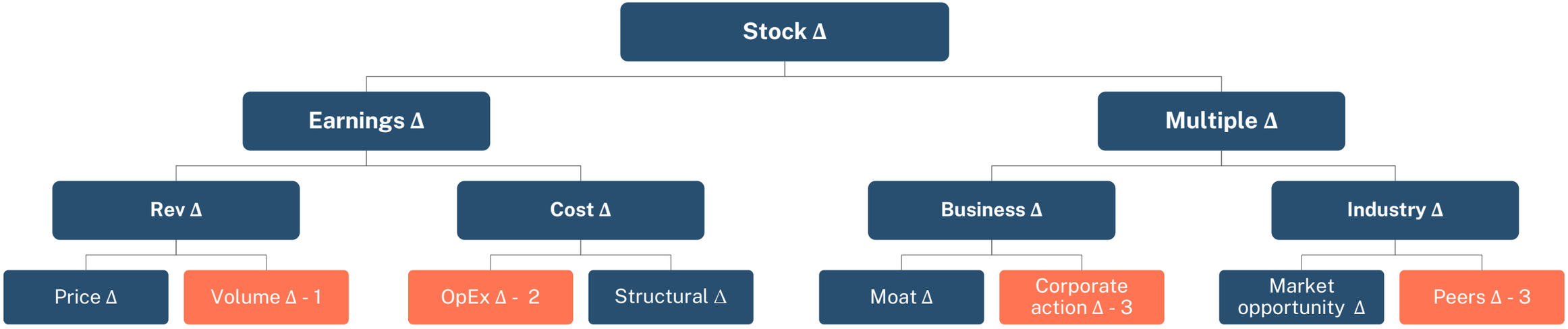
Kaustubh Agrawal
Kaustubh.a@sparkcapital.in

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Decision Tree – Stock call

CMP **Rs. 2,038**

Rating **BUY**



1 Reasoning 1

- Order inflows remain robust (Q2: ~Rs. 684 cr, +50% Y-o-Y), taking the order book to Rs. 2,367 cr (+27% Y-o-Y). Including Rs. 1,275 cr of long-term contracts, order visibility stands at ~2.3x FY26 revenue.
- We build in a 33.3% revenue CAGR over FY26–28E, driven by Clean Energy (US BESS demand supporting 100%+ growth in H1FY27), Industrial (expected addition of semiconductor equipment customers and a pick-up in HVDC projects) and steady execution in Mobility across aerospace and railways.
- Zollner JV provides access to Zollner's global customer base, with upside potential to our estimates.

2 Reasoning 2

- Operating leverage drove a 247 bps Y-o-Y EBITDA margin expansion to 12.6%, aided by lower employee costs (16.1% vs. 18.3% of sales). Management expects further expansion over the next three years.
- US losses narrowed sharply to Rs. 4.8 cr. We expect the US business to break even over the medium term as its expanded pipeline converts into volumes.
- With India manufacturing delivering a 17.1% EBITDA margin, a rising share of complex box-build (61% of revenue) and aerospace programmes should support ~181 bps EBITDA margin expansion over FY26–28E.

3 Reasoning 3

- The Zollner JV (Avalon: 49%, with an option to increase to 51%) provides access to the customer base of a ~US$3 bn European EMS group and adds medical and test & measurement verticals.
- We value the JV at Rs. 307/share, based on 30x FY29E EPS attributable to a 51% stake, applying a holding-company discount to Avalon's 60x multiple and discounting at 14%.
- Superior growth (44% EBITDA CAGR over FY26–28E vs 32% for peers) & higher returns (FY28E RoE of 19% vs 13%; Bloomberg consensus) should sustain Avalon's valuation premium vs peers (58x vs 43x FY28E P/E). We assign a 60x, implying a PEG of 1.3x vs peer avg. of 1.1x.

Source: Company, Spark PWM Pvt. Ltd.

Change in Estimates

Context: Considering the strong H1 (+43% Y-o-Y), raised FY27 guidance (~30%) and a healthy order book, we have maintained FY27E/FY28E estimates while re-calibrating the segment mix.

	New estimates		Old estimates		Change	
Description	**FY27E**	**FY28E**	**FY27E**	**FY28E**	**FY27E**	**FY28E**
Net Sales (Rs. cr)	2,183	2,848	2,182	2,849	0.0%	0.0%
EBITDA (Rs. cr)	269	360	269	360	0.0%	0.0%
EBITDA Margin	12.3%	12.6%	12.3%	12.6%	0 bps	0 bps
Adj. PAT (Rs. cr)	172	236	172	236	0.0%	0.0%
PAT Margin	7.9%	8.3%	7.9%	8.3%	0 bps	0 bps
EPS (Rs.)	26	35	26	35	0.0%	0.0%

Why estimates were revised: Headline estimates remain unchanged. Following 131% H1 growth, we raised FY27E Clean Energy growth to 80% (from 35%) on strong US BESS demand, while cutting Communication to -30% (from +35%), Medical & Others to 5% (from 15%), and Industrial to 36% (from 40%).

SOTP Summary

Core business	Zollner JV	1Y TP (SOTP)
Rs. 2,114	**Rs. 307**	**Rs. 2,421**
60x FY28E EPS	30x FY29E EPS, PV @ 14%	Core + JV

Why we value the JV separately: Zollner is a ~US$3 bn group ("60 Avalons"), with the JV adding medical and test & measurement segments. Management provided no JV estimates. Avalon's component supply and interim production for JV customers offer upside to core estimates.

Valuation Summary

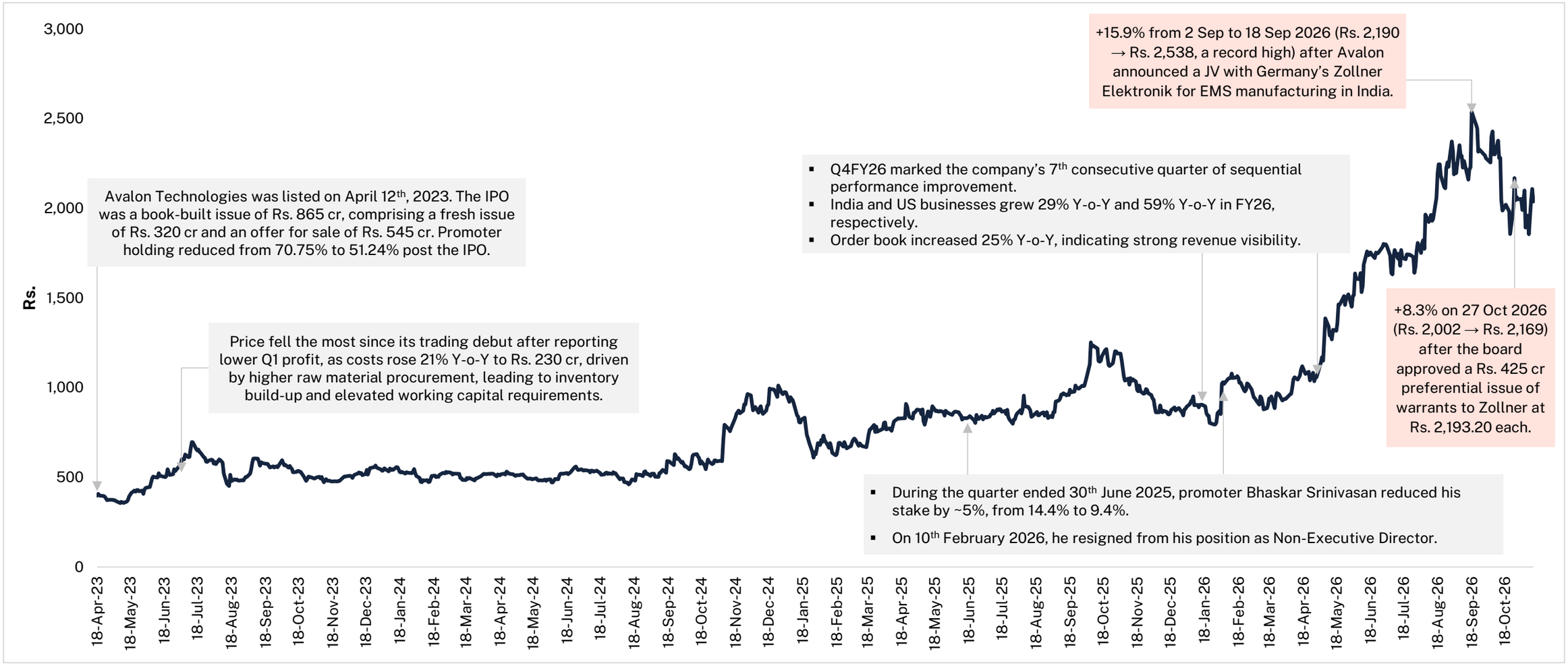
Target Multiple	Target EPS	1Y TP	PEG Ratio	1Y Upside
60x FY28E P/E	**Rs. 35**	**Rs. 2,421**	**1.3x**	**19%**
Maintained	FY28E EPS	Incl. Zollner JV (Rs. 307)	On FY26–28E EPS CAGR	From CMP

Source: Company, Spark PWM Pvt. Ltd. TP = 60x FY28E EPS (Rs. 2,114) + Zollner JV SOTP (Rs. 307/share)

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Stock Buzz & Influencing Factors

Avalon Technologies Ltd



Source: Company, Bloomberg, NSE, Midas Research

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Financial Summary

All figures in Rs. cr

Particulars	FY24	FY25	FY26	FY27E	FY28E
Profit & Loss					
Revenue	867	1,098	1,603	2,183	2,848
Gross profit	315	393	550	771	1,006
EBITDA	63	115	173	269	360
Depreciation	23	29	34	43	49
EBIT	40	86	140	226	310
Other Income	15	17	29	23	27
Interest expense	16	17	15	16	16
Exceptional items	0	0	0	0	0
PBT	38	87	154	233	321
Reported PAT (after minority interest)	28	63	113	172	236
Adj PAT	28	63	113	172	236
EPS (Rs.)	4.3	9.6	16.9	25.7	35.2
Balance Sheet					
Net Worth	547	612	722	1,000	1,236
Total debt	164	142	183	176	171
Other liabilities and provisions	213	287	359	447	537
Total Networth and liabilities	925	1,040	1,264	1,623	1,945
Gross Fixed assets	210	277	321	386	476
Net fixed assets	147	185	192	214	255
Capital work-in-progress	20	10	24	129	229
Intangible Assets	0	0	0	0	0
Investments	0	2	9	9	9
Cash and bank balances	107	102	71	178	134
Loans & advances and other assets	0	0	0	0	0
Net working capital	652	741	968	1,093	1,318
Total assets	925	1,040	1,264	1,623	1,945
Capital Employed	711	753	905	1,176	1,407
Invested Capital (CE - cash - CWIP)	585	641	810	870	1,045
Net debt	58	40	112	-1	37
Cash Flows					
Cash flows from Operations (Pre-tax)	34	44	91	249	247
Cash flows from Operations (post-tax)	17	25	57	188	162
Capex	-36	-46	-54	-170	-190
Free cashflows	-18	-21	4	18	-28
Free cashflows (post interest costs)	-35	-38	-11	2	-44
Cash flows from Investing	-146	54	-64	-170	-190
Cash flows from Financing	-251	-52	8	89	-16
Total cash & liquid investments	**107**	**102**	**71**	**178**	**134**

Particulars	FY24	FY25	FY26	FY27E	FY28E
Growth ratios (%)					
Revenue	-8.2	26.6	46.0	36.1	30.5
EBITDA	-44.5	83.7	50.9	55.2	33.7
Adj PAT	-46.7	126.7	78.0	52.2	37.3
Margin ratios					
Gross	36.3%	35.8%	34.3%	35.3%	35.3%
EBITDA	7.2%	10.5%	10.8%	12.3%	12.6%
Adj PAT	3.2%	5.8%	7.0%	7.9%	8.3%
Performance ratios					
Pre-tax OCF/EBITDA	53.9%	38.7%	52.6%	92.6%	68.7%
OCF/IC (%)	3.0%	3.9%	7.1%	21.6%	15.5%
RoE (%)	5.1%	10.4%	15.6%	17.2%	19.1%
RoCE (%)	5.6%	11.5%	15.4%	19.2%	22.0%
Fixed asset turnover (x)	4.1	4.0	5.0	5.7	6.0
Total asset turnover (x)	0.9	1.1	1.3	1.3	1.5
Financial stability ratios					
Net Debt to Equity (x)	0.1	0.1	0.2	N.a.	0.0
Net Debt to EBITDA (x)	0.9	0.3	0.6	N.a.	0.1
Interest cover (x)	2.4	5.2	9.3	14.4	19.8
Working capital days	163	173	160	129	121
Valuation metrics					
Fully Diluted Shares (cr)	6.5	6.6	6.7	6.7	6.7
Market cap (Rs. cr)			13,654.7		
P/E (x)	487.9	215.2	120.9	79.4	57.8
P/OCF(x)	789.8	545.0	238.8	72.8	84.4
EV (Rs.Cr) (ex-CWIP)	13,712.3	13,694.8	13,766.8	13,653.4	13,692.1
EV/ EBITDA (x)	219.2	119.2	79.4	50.8	38.1
EV/ OCF(x)	793.1	546.6	240.7	72.8	84.6
FCF Yield	-0.3%	-0.3%	-0.1%	0.0%	-0.3%
Price to BV (x)	24.95	22.33	18.92	13.66	11.05
Dividend pay-out (%)	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Cash as a % of CE	15.0%	13.5%	7.9%	15.1%	9.5%

Source: Company, Spark PWM Pvt. Ltd.

Disclaimer (1/2)

Absolute Rating Interpretation

BUY	Stock expected to provide positive returns of >15% over a 1-year horizon	**REDUCE**	Stock expected to provide returns of <5% – -10% over a 1-year horizon
ACCUMULATE	Stock expected to provide positive returns of >5% – <15% over a 1-year horizon	**SELL**	Stock expected to fall >10% over a 1-year horizon

The terms defined above are applicable to fundamental research reports published by the Research Analyst. For technical research reports, the expected (target) price is given in the report along with the time period within which it can be achieved. For Momentum Ideas the expected timeline to achieve the price target would be upto 3 months from the date of publication of the research report.

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Spark PWM Private Limited. (Registered Office: No. 1, 3rd Floor, First Crescent Park Road, Gandhi Nagar, Adyar, Chennai 600 020; CIN: U66190TN2012PTC086696; Telephone No.: +91 44 69250000; Website: www.sparkcapital.in; Correspondence Address: Solitaire Corporate Park, Unit 1252 , Building No. 12, Andheri Kurla Road, Chakala, Andheri (East), Mumbai 400093; Telephone No: +91 22 62916700; SEBI Registration: (Stock Broker: INZ000285135; Portfolio Manager: INP200007274; Research Analyst: INH200008954; BSE RA Enlistment No- 5503; Investment Adviser: INA000021067; BSE IA Enlistment No. 2390; Depository Participant: IN-DP-757-2023); AMFI – Registered Mutual Fund Distributor: ARN 86685. APMI – Registered PMS Distributor (APRN00662). Compliance and Grievance Officer details: Mr. Anupam Mohaney: +91 22 62916700. RA Grievance Redressal Matrix & Research T & C

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Our Offices



Chennai

No. 1, 3rd Floor,
First Crescent Park Road,
Gandhi Nagar,
Adyar,
Chennai – 600 020



Mumbai

Unit – 301, 302, Windsor House,
2, Kolivery Village,
MMRDA Area, Kalina,
Santacruz East,
Mumbai – 400 098

11th floor, C Wing, ONE BKC,
Unit Nos. 1116,
Bandra Kurla Complex,
Bandra East,
Mumbai – 400 051



Delhi

No. 23, 1st Floor,
Community Centre,
Basant Lok,
Vasant Vihar,
New Delhi – 110 057



Bengaluru

No. 2, 3rd Floor,
Prestige
Emerald,
Lavelle Road,
Bengaluru – 560 001



Hyderabad

No. 25 & 42, 3rd Floor,
Lumbini Avenue,
Near Preston Prime Mall
Main Road, Gachibowli,
Hyderabad – 500 032



Pune

No. 7/352 1st Floor,
Elbee House,
Boat Club Road,
Sangamvadi,
Pune – 411 001



Ahmedabad

No. 409, 4th Floor,
Venus Amadeus,
Near Jodhpur Cross Road,
Satellite,
Ahmedabad – 380 015



Kolkata

No. 9A-1 & 9B-1,
9th Floor,
No. 95A,
Park Street,
Kolkata – 700 016



Kochi

No.1285 F1, Ground floor,
The Quadrant, MP Pylee Road,
Jawahar Nagar Avenue,
Kadavanthra P O,
Ernakulam – 682 020



Thiruvananthapuram

2nd Floor,
Mankulangara Tower,
Kuravankonam,
Pattom P.O.,
Trivandrum – 695 004



Lucknow

Unit No.6, 3rd Floor
Marigold Building,
Sapru Marg Shahnajaf Road,
Hazratfang,
Lucknow – 226 001



Kanpur

Unit No 205, 2nd Floor,
Imperial Square,
16/105,
MG Road,
Kanpur – 208 001



Spark Global PWM Private Limited
Unit number- GV-00-04-03-BC-24, Gate Village Building
04, Dubai International Financial Centre (DIFC), Dubai, UAE