

Avalon Technologies Ltd

Q4FY26 Result Update

08 May 2026

Avalon Technologies Ltd. – Q4FY26 Result Update

Capital-efficient business with robust growth potential

CMP
Rs. 1,256

1Y TP
Rs. 1,440

1Y Returns
(Incl. dividend)
15%

Rating
BUY

Avalon reported Q4FY26 revenue of Rs. 479.9 cr (+14.9% Q-o-Q, +40.0% Y-o-Y). The company delivered its seventh consecutive quarter of improvement, supported by broad-based growth across industrials, mobility, clean energy, and communication segments. EBITDA for the quarter stood at Rs. 56.9 cr (+18.6% Q-o-Q, +37.5% Y-o-Y), translating into an EBITDA margin of 11.8% versus 11.5% in Q3FY26 and 12.1% in Q4FY25. Margin expansion was aided by operating leverage and improved scale benefits. Adjusted PAT came in at Rs. 41.2 cr (+26.2% Q-o-Q, +69.5% Y-o-Y), resulting in an adjusted PAT margin of 8.6% versus 7.8% in Q3FY26 and 7.1% in Q4FY25. PAT margin was 70 bps above Midas estimates, with PAT broadly in line with estimates. EPS stood at Rs. 6.1.

Segment-wise, industrials remained the largest contributor (~34% of FY26 revenue), growing 65% Y-o-Y, led by automation & power systems. Mobility contributed ~28% of revenue and grew 50% Y-o-Y, supported by railway and aerospace programs, while clean energy and communication grew 45% & 58% Y-o-Y, respectively.

Investment Rationale:

- Confirmed growth ambition with strong revenue visibility:** Avalon started FY26 with a revenue growth guidance of 18–20% Y-o-Y and ultimately delivered 46% Y-o-Y revenue growth. Additionally, the company had targeted doubling its revenues over FY24–27, which it achieved a year ahead of schedule in FY26. Going forward, we believe the company is well-positioned to surpass its FY27 growth guidance of 24–25% Y-o-Y and achieve another doubling of revenues over FY26–29. Accordingly, we have built in an aggressive revenue CAGR of 31.5% over FY26–28E (vs company expectation of 26% CAGR). Further, with a significant ramp-up in the U.S. industrial and defence business transitioning from prototype to production, we believe there is meaningful scope for the company to outperform our estimates. This, coupled with a 25% Y-o-Y rise in the order book to Rs. 2,196 cr and geographic expansion across Europe and Southeast Asia, provides strong revenue visibility in the coming years. Avalon's dual presence in India and the U.S. enhances customer access and supply-chain resilience, supporting growth despite global tariff uncertainties. In addition, fixed-asset turns of ~8–9x enable the company to scale revenues with minimal incremental capex.
- Margin and return expansion via scale & utilization:** The U.S. arm remains loss-making, reporting losses of ~Rs. 5 cr in Q4FY26 due to low utilization. However, we expect it to break even in the medium term as the expanded pipeline translates into higher volumes. Along with operating leverage in India and a higher share of complex box-build and aerospace programs, Avalon is well positioned for ~180 bps EBITDA margin expansion. Working-capital efficiency also improved, with net working capital days declining from 124 in FY25 to 112 in FY26. Consequently, cash flow from operations doubled to Rs. 57 cr in FY26 from Rs. 25 cr in FY25.
- Capital-efficient growth with adequate balance sheet flexibility:** Annual capex requirements remain modest at Rs. 50–60 cr, mainly directed toward land, buildings & automation. Growth is largely funded through internal accruals, with debt at ~Rs. 183 cr (D/E of 0.3x) as of FY26 versus management's comfort range of 0.8–1.0x, implying additional debt capacity of ~Rs. 400–500 cr, if required. With the existing infrastructure capable of supporting ~Rs. 3,200 cr in revenue, incremental growth is expected to translate into stronger return ratios. Accordingly, we expect RoE to improve from 16% in FY26 to 21% in FY28E.

Valuation: We initiated coverage on Avalon Technologies Ltd. on 19 March 2026 with a one-year upside potential of 47%. The stock has since appreciated 34% from our recommended price, and hence, may remain range-bound in the near term. However, with Avalon entering a phase of improving profitability, stronger return ratios & enhanced cash generation, we maintain our BUY rating with a target price of Rs. 1,440, based on a valuation multiple of 42x and an attractive ~1x PEG ratio.

Key Risks: Slower-than-expected turnaround in U.S. operations, where delays in utilization & profitability could impact margin recovery & overall financial performance.

| Particulars (Rs. cr) | Revenue | EBITDA % | PAT % | EPS | RoE % | RoCE % | PE | EV/ EBITDA | Mcap/ Sales |
|----------------------|---------|----------|-------|------|-------|--------|-------|------------|-------------|
| 2025 | 1098 | 10.5 | 5.8 | 9.6 | 10.4 | 11.5 | 132.6 | 73.6 | 7.7 |
| 2026 | 1603 | 10.8 | 7.0 | 16.9 | 15.6 | 15.4 | 74.5 | 49.2 | 5.2 |
| 2027E | 2182 | 12.3 | 7.9 | 25.6 | 19.2 | 21.1 | 49.0 | 31.3 | 3.9 |
| 2028E | 2773 | 12.6 | 8.3 | 34.3 | 20.5 | 23.3 | 36.6 | 23.8 | 3.0 |

8 May 2026

Industry Electrical Equipment

Key Stock Data

| | |
|--------------------|-----------|
| Bloomberg | AVALON IN |
| Shares o/s (cr) | 6.7 |
| Market Cap (Rs cr) | 8,410 |
| 52-wk High/Low | 1,318–774 |
| 3M ADV (In '000) | 23.6 |
| Index | MICROCAP |
| F&O | N |

Latest Shareholding (%)

| | Mar 26 | Dec 25 | Sep 25 |
|--------------|--------|--------|--------|
| Promoters | 44.4 | 44.4 | 44.4 |
| Institutions | 32.6 | 33.0 | 32.9 |
| Public | 23.0 | 22.6 | 22.7 |
| Pledge | 0.0 | 0.0 | 0.0 |

Stock Performance (%)

| | 1M | 6M | 12M |
|-------------|------|------|------|
| AVALON | 30.5 | 21.2 | 43.4 |
| MICROCAP250 | 19.1 | 2.0 | 17.9 |

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Q4FY26 Results Summary

(In Rs cr)

| Description | Q4FY26 | Q3FY26 | Q4FY25 | Q-o-Q | Y-o-Y | Q4FY26 Midas Estimate | Q4FY26 Beat/Miss |
|------------------------------------|--------------|--------------|--------------|----------------|-----------------|-----------------------|------------------|
| Net Sales | 479.9 | 417.5 | 342.8 | 14.9% | 40.0% | 537.1 | -10.6% |
| RM Cost | 318.3 | 274.9 | 222.5 | 15.8% | 43.0% | | |
| Gross Profit | 161.6 | 142.7 | 120.3 | 13.3% | 34.4% | | |
| Gross Margin | 33.7% | 34.2% | 35.1% | -49 bps | -141 bps | | |
| Operating & Manufacturing Expenses | 27.3 | 24.7 | 21.9 | 10.8% | 24.6% | | |
| Employee Cost | 77.4 | 70.0 | 57.0 | 10.6% | 35.9% | | |
| EBITDA | 56.9 | 48.0 | 41.4 | 18.6% | 37.5% | 67.8 | -16.2% |
| EBITDA Margin | 11.8% | 11.5% | 12.1% | 36 bps | -21 bps | 12.6% | -78 bps |
| Other Income | 11.9 | 7.4 | 3.2 | 60.4% | 275.2% | | |
| Depreciation | 8.3 | 7.9 | 7.7 | 4.6% | 7.6% | | |
| EBIT | 60.5 | 47.5 | 36.8 | 27.4% | 64.3% | | |
| EBIT Margin | 12.6% | 11.4% | 10.7% | 124 bps | 186 bps | | |
| Interest | 4.2 | 3.0 | 4.2 | 42.2% | -0.6% | | |
| PBT | 56.3 | 44.5 | 32.6 | 26.5% | 72.7% | | |
| Tax | 15.1 | 11.9 | 8.3 | 27.1% | 82.2% | | |
| Tax Rate | 26.9% | 26.7% | 25.5% | 14 bps | 139 bps | | |
| Adj Profit After Tax | 41.2 | 32.6 | 24.3 | 26.2% | 69.5% | 42.3 | -2.7% |
| PAT Margin | 8.6% | 7.8% | 7.1% | 77 bps | 149 bps | 7.9% | 70 bps |
| EPS | 6.1 | 4.9 | 3.6 | 26.3% | 69.1% | 6.3 | -2.6% |

Source: Company, Spark PWM Pvt. Ltd.

Q4FY26 Conference Call – Key Takeaways

Financial highlights of Q4FY26

- Avalon reported revenue of Rs. 480 cr in Q4FY26, registering strong growth of 40.0% Y-o-Y and 14.9% Q-o-Q, led by broad-based traction across industrials, mobility, clean energy, and communication segments. The company reported its seventh consecutive quarter of growth.
- Gross margin stood at 33.7%, within the guided range of 33–35%. Management highlighted that tariff-related pass-through revenue had an optical impact of ~141 bps on gross margins, while underlying profitability remained healthy.
- EBITDA rose 37.5% Y-o-Y & 18.6% Q-o-Q to Rs. 56.9 cr, with EBITDA margin improving to 11.8% from 11.5% in Q3FY26, aided by operating leverage & scale benefits.
- PAT grew 69.5% Y-o-Y & 26.2% Q-o-Q to Rs. 41.2 cr, while PAT margin improved 149 bps Y-o-Y to 8.6%, aided by better operational performance and capital efficiency.

Business developments & growth drivers

- The company highlighted steady progress across multiple new programs built over the last 2–3 years, with several projects transitioning from prototype/testing to commercial production.
- Energy storage system programs continue to ramp up in line with management expectations, while aerospace cabin sub-assemblies have moved toward volume production following successful static inspections.
- Locomotive engine subsystem production has commenced, while the Kavach anti-collision system remains on track for commercial production post testing.
- In semiconductor equipment manufacturing, Avalon completed the project readiness phase with a global partner, with meaningful volume production expected from FY27.
- Management highlighted rising opportunities from aerospace customers across advanced metal assemblies, cockpit assemblies, and landing gear components, expanding Avalon's addressable opportunity set beyond existing programs.

Operational highlights of Q4FY26

- Industrial segment contributed ~34% of FY26 revenue and grew 65% Y-o-Y, driven by continued ramp-up in automation, power systems, and industrial processing programs. Mobility contributed ~28% of revenue and grew 50% Y-o-Y, supported by railway and aerospace programs.
- Clean energy contributed ~20% of revenue and grew 45% Y-o-Y, aided by strong ramp-up in energy storage system programs. Communication revenue grew 58% Y-o-Y, supported by telecom and satellite-related programs.
- Box-build contribution increased to 56% in Q4FY26 from 44% four years ago, reflecting deeper customer integration and increasing focus on high-value complex manufacturing.
- Order book grew 24.7% Y-o-Y to Rs. 2,196 cr, with additional long-term contracts worth Rs. 1,245 cr executable over 15–36 months, providing strong medium-term revenue visibility.
- India manufacturing operations contributed 77% of Q4 revenue and delivered EBITDA margin of 16.7% and PAT margin of 12.2%. U.S. manufacturing losses narrowed to ~Rs. 5 cr in Q4FY26, with management targeting breakeven in the latter part of FY27.
- Net working capital days improved to 112 in Mar'26 from 124 in Mar'25, supported by lower receivable days and inventory optimisation as more programs entered the execution phase.

Outlook

- Management indicated that demand environment remains healthy across industrials, mobility, clean energy, aerospace, and communication verticals, with customer engagements increasing across India, US, Southeast Asia, and Europe.
- The company highlighted that elevated tariff periods accelerated customer discussions around supply-chain diversification, leading to additional business wins from US customers and improving export opportunities for India manufacturing.

Revenue

- Avalon reiterated confidence in sustaining strong growth momentum and guided for FY27 revenue growth of ~24–25%, despite a significantly higher FY26 base.
- Management remains confident of doubling revenue from Rs. 1,603 cr in FY26 to ~**Rs. 3,200 cr by FY29**, supported by a healthy order book, ongoing ramp-up of new programs, and continued customer additions.

Margins

- Management reiterated gross margin guidance of 33–35% and indicated that operating leverage benefits are expected to continue as revenues scale further.
- US manufacturing margins are expected to improve gradually with higher utilisation and better operating leverage, while India manufacturing continues to remain the primary profitability driver.

Future Lens

AVALON's aerospace and defence contracts typically span up to 10 years, providing strong long-term revenue visibility and margin stability. Its strategic entry into semiconductor equipment electronics further strengthens its positioning for sustained long-term growth.

In our view, while aerospace programs are reflected in the order book in shorter executable phases, their inherently long-term nature provides strong revenue visibility. The healthy executable order book of 15–26 months further strengthens confidence in steady growth with disciplined execution. Additionally, accelerating China+1 manufacturing shifts toward India support long-term demand tailwinds beyond FY28E. We expect revenue and PAT to grow at a CAGR of 28% and 35%, respectively, over FY26–FY30E.

Entry at **Rs. 1256** @
37x FY28E P/E

Exit multiple at **42x**
on FY30E P/E

+

Cumulative Dividend of
Rs. 0/share

Total returns
89%

Sensitivity of 3-yr TP

| PE Multiple | EPS | Target Price | Dividend | Total Upside |
|-------------|-----|--------------|----------|--------------|
| 40x | 57 | 2,264 | 0 | 80% |
| 42x | 57 | 2,378 | 0 | 89% |
| 44x | 57 | 2,491 | 0 | 98% |

Change in Estimates

| Description | New Estimates | | Old Estimates | | Change in Estimates | |
|------------------|---------------|-------|---------------|-------|---------------------|--------|
| | FY27E | FY28E | FY27E | FY28E | FY27E | FY28E |
| Net Sales(Rs cr) | 2,182 | 2,773 | 2,185 | 2,771 | -0.2% | 0.1% |
| EBITDA(Rs cr) | 269 | 350 | 271 | 352 | -0.5% | -0.5% |
| EBITDA Margin | 12.3% | 12.6% | 12.4% | 12.7% | -8 bps | -8 bps |
| Adj PAT(Rs cr) | 172 | 230 | 175 | 231 | -1.7% | -0.6% |
| PAT Margin | 7.9% | 8.3% | 8.0% | 8.3% | -12 bps | -6 bps |
| EPS | 26 | 34 | 26 | 34 | -1.6% | -0.6% |

Financial Summary

All figures in Rs. cr

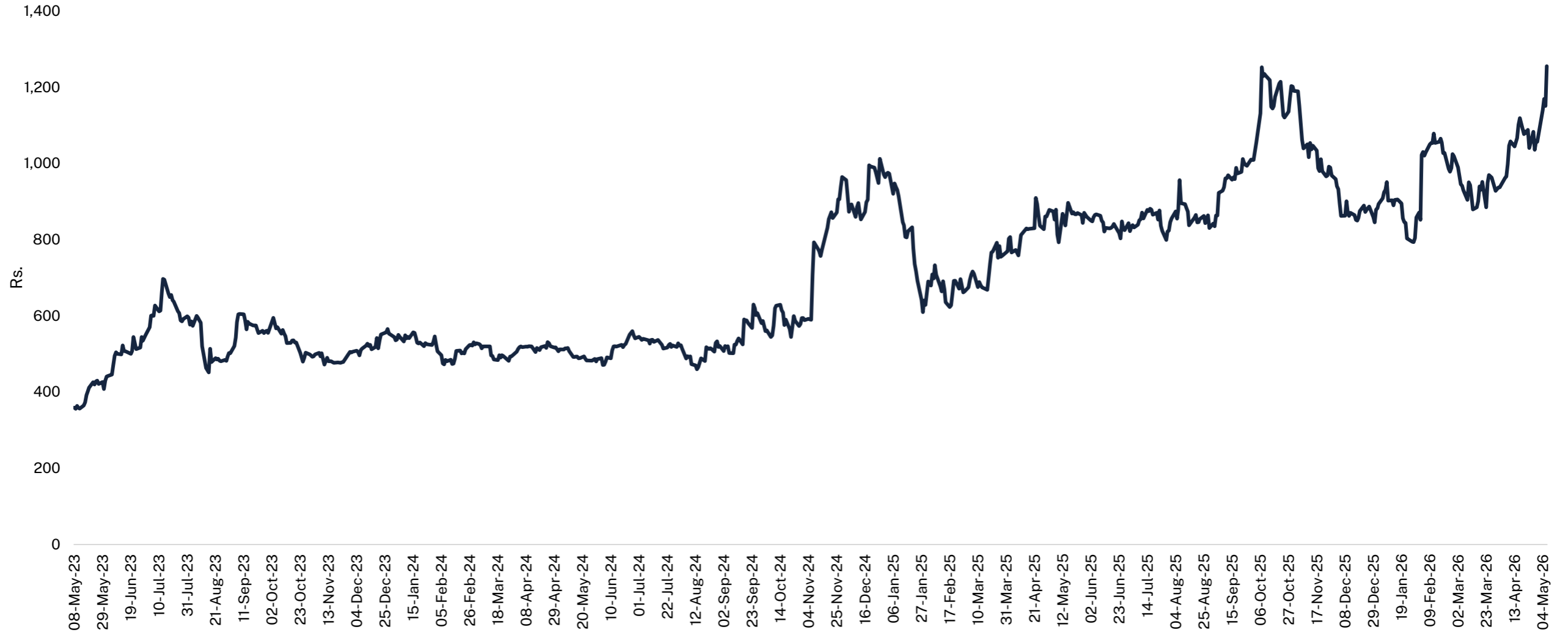
| Particulars | FY24 | FY25 | FY26 | FY27E | FY28E |
|--|------------|------------|-----------|------------|------------|
| Profit & Loss | | | | | |
| Revenue | 867 | 1,098 | 1,603 | 2,182 | 2,773 |
| Gross profit | 315 | 393 | 550 | 771 | 980 |
| EBITDA | 63 | 115 | 173 | 269 | 350 |
| Depreciation | 23 | 29 | 34 | 43 | 49 |
| EBIT | 40 | 86 | 140 | 226 | 301 |
| 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 | 234 | 312 |
| Reported PAT (after minority interest) | 28 | 63 | 113 | 172 | 230 |
| Adj PAT | 28 | 63 | 113 | 172 | 230 |
| EPS (Rs.) | 4.3 | 9.6 | 16.9 | 25.6 | 34.3 |
| Balance Sheet | | | | | |
| Net Worth | 547 | 612 | 722 | 893 | 1,123 |
| Total debt | 164 | 142 | 183 | 176 | 171 |
| Other liabilities and provisions | 213 | 287 | 359 | 447 | 528 |
| Total Networth and liabilities | 925 | 1,040 | 1,264 | 1,517 | 1,822 |
| Gross Fixed assets | 210 | 277 | 321 | 376 | 436 |
| Net fixed assets | 147 | 185 | 192 | 205 | 216 |
| Capital work-in-progress | 20 | 10 | 24 | 28 | 33 |
| Intangible Assets | 0 | 0 | 0 | 0 | 0 |
| Investments | 0 | 2 | 9 | 9 | 9 |
| Cash and bank balances | 107 | 102 | 71 | 182 | 266 |
| Loans & advances and other assets | 0 | 0 | 0 | 0 | 0 |
| Net working capital | 652 | 741 | 968 | 1,093 | 1,299 |
| Total assets | 925 | 1,040 | 1,264 | 1,517 | 1,822 |
| Capital Employed | 711 | 753 | 905 | 1,070 | 1,295 |
| Invested Capital (CE - cash - CWIP) | 585 | 641 | 810 | 860 | 996 |
| Net debt | 58 | 40 | 112 | -5 | -95 |
| Cash Flows | | | | | |
| Cash flows from Operations (Pre-tax) | 34 | 44 | 91 | 249 | 247 |
| Cash flows from Operations (post-tax) | 17 | 25 | 57 | 187 | 165 |
| Capex | -36 | -46 | -54 | -59 | -64 |
| Free cashflows | -18 | -21 | 4 | 128 | 100 |
| Free cashflows (post interest costs) | -35 | -38 | -11 | 112 | 85 |
| Cash flows from Investing | -146 | 54 | -64 | -59 | -64 |
| Cash flows from Financing | -251 | -52 | 8 | -18 | -16 |
| Total cash & liquid investments | 107 | 102 | 71 | 182 | 266 |

| Particulars | FY24 | FY25 | FY26 | FY27E | FY28E |
|-----------------------------------|---------|---------|---------|---------|---------|
| Growth ratios (%) | | | | | |
| Revenue | -8.2 | 26.6 | 46.0 | 36.1 | 27.1 |
| EBITDA | -44.5 | 83.7 | 50.9 | 55.1 | 30.2 |
| Adj PAT | -46.7 | 126.7 | 78.0 | 52.1 | 33.7 |
| 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% | 70.7% |
| OCF/IC (%) | 3.0% | 3.9% | 7.1% | 21.8% | 16.5% |
| RoE (%) | 5.1% | 10.4% | 15.6% | 19.2% | 20.5% |
| RoCE (%) | 5.6% | 11.5% | 15.4% | 21.1% | 23.3% |
| Fixed asset turnover (x) | 4.1 | 4.0 | 5.0 | 5.8 | 6.4 |
| Total asset turnover (x) | 0.9 | 1.1 | 1.3 | 1.4 | 1.5 |
| Financial stability ratios | | | | | |
| Net Debt to Equity (x) | 0.1 | 0.1 | 0.2 | N.a. | N.a. |
| Net Debt to EBITDA (x) | 0.9 | 0.3 | 0.6 | N.a. | N.a. |
| Interest cover (x) | 2.4 | 5.2 | 9.3 | 14.5 | 19.2 |
| 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 (INR Cr) | | | 8,410.7 | | |
| P/E (x) | 300.5 | 132.6 | 74.5 | 49.0 | 36.6 |
| P/OCF(x) | 486.5 | 335.7 | 147.1 | 45.0 | 51.1 |
| EV (Rs.Cr) (ex-CWIP) | 8,468.3 | 8,450.8 | 8,522.7 | 8,405.4 | 8,315.8 |
| EV/ EBITDA (x) | 135.4 | 73.6 | 49.2 | 31.3 | 23.8 |
| EV/ OCF(x) | 489.8 | 337.3 | 149.0 | 44.9 | 50.5 |
| FCF Yield | -0.4% | -0.4% | -0.1% | 1.3% | 1.0% |
| Price to BV (x) | 15.37 | 13.75 | 11.65 | 9.41 | 7.49 |
| 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% | 17.0% | 20.6% |

Source: Company, Spark PWM Pvt. Ltd.

3-Year Price Chart

Avalon Technologies Ltd



Source: Bloomberg, 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 |

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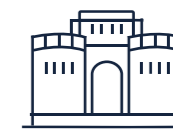
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