



Issue Details

Issue Open Date

3rd

April 2023

Issue Close Date

6th

April 2023

Lot Size

34 Shares**₹415/- to ₹436/-**

Price Band

Issue Size

₹8.65 bn**19.83 mn shares**

No of Shares

Face Value

₹2/- per share



Offer Breakup

Category	Allocation	Issue size (No. of Shares)	
		Lower Band	Upper Band
QIB	75%	6,48,74,99,823	6,48,74,99,823
NII	15%	1,23,50,05,700	1,29,74,99,965
Retail	10%	82,33,37,134	86,49,99,976
Total	100%	8,23,33,71,335	8,64,99,99,764





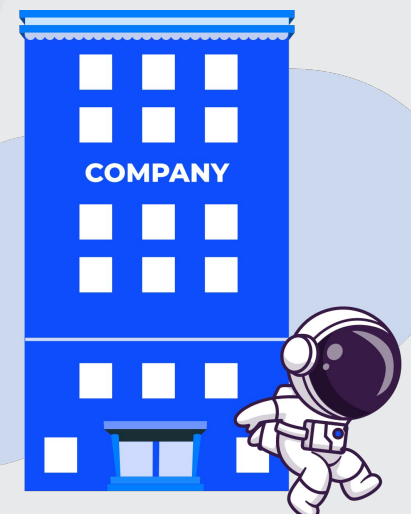
About Company

Founded in 1999, Avalon Technologies is one of the leading fully integrated Electronic Manufacturing Services (EMS) companies with end-to-end capabilities in delivering box build solutions in India, with a focus on high value precision engineered products. Through a unique global delivery model, they also provide a full stack product and solution suite, right from printed circuit board (PCB) design and assembly to the manufacture of complete electronic systems (Box Build) to global original equipment manufacturers (OEMs) located in the United States, China, Netherlands, and Japan. For FY22, the company derived 37.8% through domestic sales, while US contributed around 62.2% of total sales. Through end-to-end operations, the company believes that customers achieve tangible benefits such as reduced manufacturing costs, improved supply chain management and reduced inventory oldness. The company has 12 manufacturing facilities located across the United States and India. Ten units in India, in the states of Tamil Nadu (8) and Karnataka (2) and two units in the US in the states of California and Georgia

The objective of the offer

The net proceeds from the fresh issue will be used towards the following purposes:

- Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the Company and one of their Material Subsidiaries, ATSPL.
- Funding incremental working capital requirements of the company.
- General corporate purposes.





Strengths

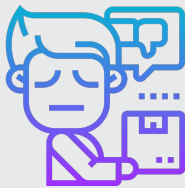


**Well-diversified
business leading to
strong growth
avenues**



**Established
relationships with
marquee customer
base**

Risks



**Any disturbance to
manufacturing
facilities may hinder
the operations**



**Higher
dependency
on key
customer**



Investment Rationale

Well-diversified business with varied opportunities for expansion

The company's business is well-diversified in terms of end-use industries, customers, geographies, and offerings. They have over the years diversified and expanded their customer bases, and developed operations to cater to various end-use industries across multiple product capabilities. They are present in major industry verticals, including clean energy, mobility, industrial, communication, and medical. In FY22 and eight months ended November 30, 2022, the clean energy segment accounted for 20.3% and 23.4% of revenues, respectively. They also cater to industries that require high-precision manufacturing, including aerospace, defense, and medical. Further, the company has also diversified in terms of offerings, namely PCBA, cable assembly and wire harnesses, sheet metal fabrication, machining, magnetics, injection molded plastics, and end-to-end box-build. The diversification on this front allows them to grow in multiple verticals and also shields them from a slowdown in some industries.

Long-standing relationships with marque customers enable to maintain strong financial performance

Avalon Technologies has built long-term relationships with customers over the years through their diversified product portfolio. As of November 30, 2022, they had an average relationship of eight years, with these customers accounting for 80% of the revenue in FY22 and in the eight months ended November 30, 2022. The company has established and will continue to focus on strengthening long-standing relationships with well-known customers across the end-use industries. Further, Avalon Technologies is a supplier to certain key customers in the railway and aerospace vertical in India. The company also provides final integrated solutions to some of their customers' end clients through logistics and warehousing support, realizing significant supply chain efficiencies for such customers. Certain customers locate their distribution centers inside the company's manufacturing facilities in addition to having dedicated lines, thereby ensuring highly efficient distribution operations for customers.

Valuation

Avalon Technologies has a unique global delivery model, comprising design and manufacturing capabilities across both India and the United States. Avalon Technologies is the only Indian EMS company with full-fledged manufacturing facilities in the United States, which gives them a unique competitive advantage in the North American markets. The company also developed strong relationships with certain customers through a client servicing model which aims to provide fully integrated solutions, robust manufacturing capabilities, delivering quality products on time, supply chain efficiency as well as a focus on new product development. The company's strong product capabilities, high quality, and loyal customer base have enabled them to maintain strong financial performance. The current order book (open order) of the company stood at Rs 11,902 mn, with majority of the open orders to be fulfilled within ~1.5 years. The company's financial stability and positive cash flow have enabled them to meet the present and future requirements of its customers. Further, the company has a track record of sustained growth in revenues and profitability. The company grew its revenue at a CAGR of 14.2% during FY20-22 period, though lower than the industry average of 43.9% registered during FY20-22 period. On the upper price band, the issue is valued at a P/E of 38.8x based on FY2022 earnings which we feel is richly valued. We, therefore, recommend an "Avoid" rating for the issue.



Important Financials Data

For the year/period ended (in Crore)

IPO closing Date	FY20	FY21	FY22	H1FY23
Revenue				
Revenue from Operations	6,419	6,905	8,407	5,948
Total Revenue	6,419	6,905	8,407	5,848
Expenses				
Cost of raw material and components consumed	4,290	4,356	5,608	3,815
Purchase of stock-in-trade				
Changes in inventories	(177)	204	(67)	(137)
Employee benefit expenses	1,162	1,192	1,314	1,036
Other expenses	499	491	577	453
Total Operating Expenses	5,774	6,243	7,423	5,167
EBITDA	645	661	975	681
Depreciation and Amortization expenses	155	157	172	124
Other income	113	54	109	122
EBIT	603	558	975	681
Finance costs	450	270	248	205
Exceptional item	0	0	0	0
PBT	153	288	864	474
Current tax	22	34	123	87
Deferred Tax charge/ (credit)	8	24	60	45
Total tax	30	57	183	87
PAT	123	231	682	342
Diluted EPS	2.2	4.0	11.3	6.0



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Last 10 IPO Performances

IPO Listing Date	Company Name	Issue Price (Rs.)	Current Price at BSE (Rs.)	Current Price at NSE (Rs.)	Gain (%)
Mar 23, 2023	Global Surfaces Limited	140	157.5	158.1	170.9
Mar 14, 2023	Divgi TorqTransfer Systems Limited	590	605.15	624.55	5.86
Jan 04, 2023	Radiant Cash Management Services Limited	94	96.64	97.2	2.81
Apr 13, 2022	Hariom Pipe Industries Limited	153	447.15	446.7	192.25
May 24, 2022	Venus Pipes & Tubes Limited	326	728.5	728.35	123.47
Feb 08, 2022	Adani Wilmar Limited	230	474.5	474.4	106.3
Nov 22, 2022	Kaynes Technology India Ltd	587	934.1	931.15	59.13
Apr 08, 2022	Ruchi Soya Industries Ltd	650	1009.35		55.28
Nov 21, 2022	Archean Chemical Industries Limited	407	621.45	621.65	52.69
Nov 16, 2022	Global Health Limited	336	508.85	508.85	51.44

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification :

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