



Avalon Technologies Limited

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Offer Details

Fresh Issue	Rs. 320Cr.
Offer for Sale	Rs.545Cr.
Shares Face Value	Rs.2 per share
Shares price band	Rs.415 to Rs.436 per share
Lot	34 shares
Opening Date	April 03, 2023
ClosingDate	April 06, 2023

Business Overview

- **Company is leading fully integrated Electronic Manufacturing Services (“EMS”)** with end-to-end operations in delivering box build solutions in India.
- **Focus on high value precision engineered products.**
- **Company has unique global delivery model**, 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 certain global original equipment manufacturers (OEMs).
- **There capabilities include** PCB design and assembly, cable assembly and wire harnesses, sheet metal fabrication and machining, magnetics, injection moulded plastics and end-to-end box build of electronic systems.
- Company specialize in manufacturing and providing **design support for critical integrated assemblies, sub-assemblies, components and enclosures for multiple industry verticals.**
- **End use industries includes** power, clean energy, railways, aerospace and medical industries.
- Some of their **key customer are** Kyosan India Private Limited, Zonar Systems Inc., Collins Aerospace, e-Info chips Private Limited, The US Malabar Company, Meggitt (Securaplane Technologies Inc) and Systech Corporation.
- Currently **company has 80+ customers and order book of 1190Cr. as of 30th November 2022.**
- Company is **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.**

- **Company has 12 manufacturing units** located across India and United states. In addition, company has a **new facility in Chennai, Tamil Nadu, which is currently under construction and renovation.**
- They have **electronic manufacturing facilities comprise an aggregate of 66 production lines**, consisting of 11 Surface Mount Technology (SMT) lines, 12 Through Hole Technology (THT) lines and 43 assembly lines.
- Company has **separate lines for sheet metal fabrication, machining, cable assembly and wire harnesses, magnetics and plastics etc.**
- There manufacturing facilities are staffed by a **workforce of 2,004 persons**, as of November 30, 2022.
- Company started in 1999 as a pure play PCB assembler and now become vertically integrated which include multiple offerings as shown in table:



Source: Company's RHP

- **Company has 3 subsidiaries** which are in same line of business as that of company.

What is working for company?

- **End-to-end integrated solutions** offering a "One Stop Shop" for manufacturing and design services for electronics and electro-mechanical devices.
- **Entry barriers to business** because of combined cross-industry experience, customer engagement skills, and dominant position in the high mix flexible volume product manufacturing area no one can easily take entry.
- **Strong relationship with clients and market participants:** Company has depth and nature of engagement with longstanding customers, the customers would not find it easy to switchover to alternative EMS providers as the cost, time and effort for such transitions is high.
- **Well-diversified business leading to strong growth avenues:** Company has well diversified business in terms of end-use industries, customers, geographies and offerings. Also company has expanded customer base and develop operations to cater to various end-use industries across multiple product capabilities.
- **Global delivery footprint with high quality standards and advanced manufacturing and assembly capabilities:** Company currently operate through 12 manufacturing units, spread across two states in the US (California and Georgia) and two states in India (Karnataka and Tamil Nadu).
- **Experienced board, management and operating team:** Promoter of company have several decades of pioneering experience in the field of EMS, and they have been instrumental in the growth of the business. Company has diversified Board of Directors, which is supplemented by a strong management team with extensive experience in the EMS sector and a proven track record of performance.

What is not working for company?

- Manufacturing facilities of company are critical to the business **any disruption in the continuous operations of manufacturing facilities** would have adverse effect on business and its financials.
- **Company purchase its raw material on purchase order basis**, which may not perform their contractual obligations in a timely manner, or at all also **any price change in raw material** may affect the final product price and business.
- Company is **depended on certain customers** for its revenue loss of any of the customers may affect the sales and profitability of customers.
- The **average cost of acquisition of Equity Shares for Selling Shareholders is much lower than the Offer Price.**
- Due to global nature of operations **company may face numerous risk in future which may affect the business.**
- Companies operations depend on the **availability of timely and cost-efficient transportation and other logistic facilities** and any disruption may affect the business.
- Company in the past has been in **non-compliance with certain reporting requirements under FEMA**, within the prescribed period this may also happen in future.

Financial Statements

Profit & Loss Statement

(Fig. in cr.)

	Mar 2020	Mar 2021	Mar 2022
Sales +	642	690	841
Expenses +	577	624	743
Operating Profit	64	66	98
OPM %	10%	10%	12%
Other Income +	11	5	31
Interest	45	27	25
Depreciation	16	16	17
Profit before tax	15	29	86
Tax %	19%	20%	21%
Net Profit	12	23	68
EPS in Rs	754.25	1,345.65	3,954.92

Source: Screener.in

Balance sheet

(Fig. in cr.)

	Mar 2020	Mar 2021	Mar 2022
Share Capital +	37	40	40
Reserves	45	58	86
Borrowings +	239	277	279
Other Liabilities +	164	175	222
Total Liabilities	450	512	588
Fixed Assets +	99	104	112
CWIP	3	0	2
Investments	2	0	0
Other Assets +	346	408	474
Total Assets	450	512	588

Source: Screener.in

Cash Flow Statement

(Fig. in cr.)

	Mar 2020	Mar 2021	Mar 2022
Cash from Operating Activity +	66	6	14
Cash from Investing Activity +	-19	-27	-17
Cash from Financing Activity +	-42	28	-21
Net Cash Flow	4	7	-24

Source: Screener.in

Our Recommendation

We recommend you to **May Subscribe** to this IPO on the following parameters:

- Avalon Technologies Limited is a leading fully integrated Electronic Manufacturing Services ("EMS") company.
- The company is one of the leaders in the segment in India in terms of revenue in Fiscal 2022.
- The offerings of Avalon Technologies Limited include PCB design and assembly, cable assembly and wire harnesses, sheet metal fabrication, etc.
- The cost of imported raw materials and expensive valuations are the points of concern.
- The company is not planning to do any further capital expansion through IPO money. All of the money will be used for funding the capital requirements and debt repayment.

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