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Avalon Technology Ltd



About Company

Recommendation: Subscribe with Risk

Avalon Technology Ltd is a leading fully integrated Electronic Manufacturing Services (“EMS”) company with end-to end capabilities in delivering box build solutions in India with focus on high value precision engineered products. Company has a client servicing model which aims to provide manufacturing, design support for critical integrated assemblies, sub-assemblies, components and enclosures for multiple industry verticals. They offer 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”), including OEMs in USA, Japan, China, Netherland. Avalon technology have 12 manufacturing units located across the United States and India.

Price Band	: Rs.415 to 436/- per Share
Bid Lot size	: 34 Shares
Issue size	: Rs 865 Cr
Face Value	: Rs 2/-
Min App Amount	: Rs 14824/- at upper band
Issue Period	: 3 rd April 2023 to 6 th April 2023
Indicative credit of equity shares	: 17-04-2023
Indicative listing date	: 18-04-2023

Important Note: All retail applications compulsory in UPI mode*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected.

Msearch View & Recommendation: We believe Avalon technology is well placed as a EMS company providing a “One Shop Stop” integrated solution for electronics, electro mechanical design and manufacturing services. We consider company’s strength in collective cross industry experience and strong product portfolio with flexible volume product manufacturing which helps them to have strong relationship with their clients, on an average relation with customers which accounts for 80% revenue in 2022 is more than 7 years. By looking at the companies order book growth for FY21/22 is 26%/35% compare with revenues growth 8%/21% seems sluggish execution. On Valuation terms company parse at upper Band (Rs.436/-), the issue is asking a Market cap of Rs.2847/- crs for a company with lower revenues growth and lower PAT margin seems fully priced in. The higher promoter dilution post issue seems concern to investors, we recommend investors to SUBSCRIBE WITH RISK.

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BASIC FINANCIAL DETAILS				
Particulars Rs (in Cr)	2020	2021	2022	Nov'30 2022 (06)
Equity Share Capital	1.53	1.60	1.60	11.34
Reserves as stated	45.04	58.35	85.59	133
Net worth as stated	46.57	59.95	87.19	147.83
Revenue from Operations	641.87	690.47	840.72	584.79
Revenue Growth (%)	-	7.57%	21.76%	8.01%
EBITDA as stated	64.48	66.14	97.55	68.06
Profit Before Tax	15.30	28.83	86.43	47.39
Net Profit for the period	12.32	23.08	68.16	12.33
EPS (Rs)	2.21	4.01	11.30	6.10
RONW%	25.19%	40.36%	85.86%	28.17%
NAV (Rs)	8.93	11.19	15.60	26.37

Data as on 31st March 2022

Source: Company RHP

COMPARISON WITH LISTED INDUSTRY PEERS Rs (in Cr)								
Companies	Mcap (in Cr)	FV	Revenue from operation FY 2022 (in Cr)	EPS	NAV	P/E	P/Bv	RoNW
Avalon Technology Ltd	2847	2	840.72	11.3	15.6	38.58	28.98	85.86%
Dixon Technologies Ltd	16652.72	2	10697.08	32	167.73	89.61	25.67	21.93%
Amber Enterprises India Ltd	6130.74	10	4206.40	32.41	514.7	59.5	6.85	6.54%
Syrma SGS Technology Ltd	4574.13	10	1266.65	5.17	41.57	49.91	-	13.04%
Kaynes Technology Ltd	5616.57	10	706.25	8.93	43.89	106.55	-	24.29%

Data as on 31st March 2022, Mcap: Cline, P/E, P/BV calculated as on 31st March 2022



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Msearch's Recommendation (Absolute Performance) Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months Sell : < -20% within the next 12 Months

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