# "Avalon Technologies Limited Q4 FY-25 Earnings Conference Call"

**May 07, 2025**

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| **MODERATORS:** | **MR. DEEPAK AGARWAL – AXIS CAPITAL LIMITED** |

**Moderator:** Ladies and gentlemen, good day and welcome to the Avalon Technologies Limited Q4 and FY25 Earnings Conference Call hosted by Axis Capital Limited.

As a reminder all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Deepak Agarwal from Axis Capital Limited. Thank you and over to you sir.

**Deepak Agarwal:** Good afternoon, everyone and a warm welcome to the Q4 FY25 Earnings Call of Avalon Technologies.

To take us through the Results today we have with us from the Management. Mr. Kunhamed Bicha – Chairman and Managing Director, Mr. Bhaskar Srinivasan – President, Mr. Suresh V.R. – Chief Financial Officer, Shriram Vijayaraghavan – Chief Operating Officer, Mr. Venky Venkatesh – Chief Sales Officer and Mr. Michael Robinson – Chief Operating Officer for the US Operations.

Mr. Bicha will give an overview of the business performance and will be followed by Mr. Suresh's remark on the financial performance, post which will open the floor for Q&A.

As we move forward, it is important to bear in mind any forward-looking statements made during this call are subject to potential risk and uncertainties, both known and unknown.

Now without any further delay, I will hand over the floor to Mr. Bicha for an initial remark, the CMD. Thank you and over to you sir.

**Kunhamed Bicha:** Thank you, Deepak. Ladies and gentlemen, on behalf of Avalon Technologies we extend a very warm welcome to our Q4 FY25 Earnings Call.

I will quickly introduce Avalon Technologies especially for the ones who are joining us for the first time. Avalon Technologies established itself as a key player in electronic manufacturing services with a global reach. We take pride in our leadership in high mix, flexible volume manufacturing. We currently operate across 14 manufacturing facilities in India and United States.

Our three key differentiators are:

1. Vertical integration – we offer a complete box build solution from PCB designs, new product development to final manufacturing.
2. Our global presence is both in terms of manufacturing presence and customer base.

3. Optimal mix of established industries like industrials, rail, aerospace, communication and emerging industries like clean energy.

Now turning to our business performance:

I would like to begin by thanking all our investors for your continued trust and confidence in Avalon. As we celebrate our 25th anniversary, it is not only a time to reflect on our journey but also look forward. Over these years, India has evolved to be a well-established global manufacturing hub. With this shift, the outlook for the electronics manufacturing service industry and for Avalon in particular is very encouraging. We believe the road ahead holds even greater opportunities. In Q4 FY25 our revenues grew by 58.1% year-on-year, for the full year we achieved 26.6% year-on-year revenue growth. This growth has been broad based, well diversified across sectors and geographies and consistently delivered in a dynamic environment. We continue to see strong demand from our customers both in India and the US and remain confident in our strategy for sustainable and profitable growth.

On gross margins, we are pleased to report that Q4 FY25 came in at 35.1% at the upper end of our guidance of 33% to 35%. Supported by operating leverage, our EBITDA margins for the quarter stood at 12.1%, profit after tax came in at Rs. 24.3 crores marking a 244% increase over Q4 FY24.

As of March 31st, 2025, our order book stood at Rs. 1,761 crores with an average execution period of 14 months. In addition, long-term contracts with execution timelines of 15 to 36 months grew by 18.3% year-on-year to Rs. 1,123 crores. Our year-on-year order book growth improved from 11% in FY24 to 29% in FY25. This order book growth has been well balanced and diversified across industry verticals and geographies.

We have also made meaningful progress in optimizing our working capital. Net working capital days improved from 161 days in March 2024 to 124 days in March 2025, an improvement of 37 days, better than our guidance of 10 to 15 days. This reflects our ongoing efforts to drive operational efficiency. In Q4 FY25, our US manufacturing plant contributed 16.6% of total revenue. Meanwhile, our India based operations which catered to both domestic and global customers accounted for 83.4% of revenue during this quarter. The India operations remain highly profitable delivering an EBITDA margin of 14.8% and a PAT margin of 9.6%.

We had previously outlined our three key drivers of growth, our existing US business, new US businesses and our ever-expanding India business. We are encouraged by the traction across all three which reinforces our confidence in growth opportunities ahead over the next decade. At the same time, we are closely monitoring evolving global trade dynamics including tariff negotiations and macroeconomic developments which could influence manufacturing flows worldwide. India continues to benefit from strong industry tailwinds, and we are seeing sourcing decisions increasingly moving towards India's favor. Avalon's dual manufacturing presence in both US and India positions us well to navigate these shifts. On one hand, higher tariffs on imports from select countries are driving opportunities to India to emerge as a preferred manufacturing hub, resulting in an increased engagement from global customers aiming to diversify their supply chains. At the same time, our US Manufacturing facility offers strategic flexibility to support customers looking to localize production and meet regional requirements. On the other hand, policy uncertainty and its impact on US economy call for continued agility and disciplined planning.

Considering this, we are adopting a more measured outlook for the first half of FY26 with expectations of improved momentum in the second half as visibility strengthens. Accordingly, we are approaching FY26 with measured optimism, mindful of the macroeconomic environment influenced by policy decisions, we are guiding for a revenue growth of 18% to 20% for FY26 and will reassess this as the year progresses in line with market developments.

Now moving to our key wins - We are making meaningful progress towards volume production across several ongoing projects. These include products for global auto components, home electrification systems, we are also developing new products across industry verticals including rail, industrial, infrastructure, clean energy and communications segments. Some examples include backup power systems, transmission systems, aerospace cabin products and locomotive engine systems. Over the past year, we have secured several new projects across industry verticals which are progressing in line with our expectations.

Moving from design of prototype stage to production - Many of these are expected to ramp up during the current financial year and support our strategy of deepening customer engagement across diverse end markets. In addition, we are entering new sophisticated advanced technology segments that play a critical role in enabling the next generation electronics and digital infrastructure. While these initiatives are still at an early stage, we see encouraging potential and will share further updates in the coming quarters. To support the series of new product introductions and the anticipated growth, we are scaling up our operations in advance of the project ramp-up. As a result, we expect the second half of FY26 to be stronger than the first. While FY25 has been a pivotal year in setting the foundation for growth, in FY26 we are going to focus on scaling capacity, deepening customer engagements and building strategic partnerships.

On the infrastructure front - We are pleased to share that a new export-focused manufacturing plant in Chennai is now complete and has fully commenced production. In parallel, Phase-II of our brownfield expansion in Chennai aimed at addressing rising domestic demand has also been initiated. We continue to strengthen our capabilities and capacities. As part of this, we are enhancing our technical competence through strategic collaborations including our partnership with Zepco Technologies. Zepco is involved in the design and manufacture of motors, drives, controllers and power solutions, serving sectors like drones, electric vehicles and defense. This collaboration supports our efforts to gradually build capabilities in select emerging technology areas.

In summary, Avalon's unique business model, anchored in its dwell manufacturing presence across India and US, offers customers the flexibility. Our ability to serve diverse end markets, adapt to changing trade dynamics and invest ahead of growth puts us in a strong position for the future.

With that, I would like to hand over the call to our CFO – Suresh Veerappan for a detailed overview of our Financial Performance. Thank you so much.

**Suresh V.R:** Thank you KB and good afternoon, everyone. Thank you for joining the call today. FY25 has been a pivotal year for us marked by profitable growth.

Let me begin with our Q4 FY25 performance:

We recorded revenue of Rs. 343 crores year-over-year growth of 58.1% compared to Rs. 217 crores in Q4 FY24 and a sequential growth of 22.1% over the previous quarter. For the full year, FY25 revenue from operations stood at Rs. 1,098 crores, reflecting a 26.6% year-on-year increase exceeding the guidance we had provided earlier.

Our geographical revenue split for the quarter was 47:53, with India contributing Rs. 160 crores and the US contributing Rs. 183 crores. For FY25, our geographical revenue split was 43 and 57, with India contributing Rs. 477 crores and US contributing Rs. 621 crores. Our gross margin for Q4 FY25 stood at Rs. 120 crores, reflecting a 47.7% year-over-year increase from Rs. 81 crores in Q4 FY24. Sequentially gross margin grew by 14.7%. For the full year, we delivered a gross margin of 35.8%, which remains among the industry's leading levels. EBITDA for Q4 FY25 stood at Rs. 41 crores, reflecting a 139.6% increase from Rs. 17 crores in Q4 FY24. This resulted in an EBITDA margin of 12.1%, up by 410 basis points from 8% in the same period last year. For the full year, EBITDA stood at Rs. 115 crores, representing a year-on-year increase of 83.7%. The EBITDA margin for FY25 was 10.5%, marking an improvement of 325 basis points over the previous year. PAT increased to Rs. 24 crores, a 243.8% year-over-year increase from Rs. 7 crores with a PAT margin of 7%, up by 380 basis points from 3.2% in Q4 FY24. For FY25, PAT stands at Rs. 63 crores, an increase of 126.7% from Rs. 28 crores in FY24. Our profitability continues to strengthen, delivering sustained growth.

Net working capital days improved to 124 days in March ‘25 from 161 days in March ‘24, an improvement of 37 days, exceeding the guided reduction of 10 to 15 days. The Net inventory days improved to 86 days in March ‘25 from 118 days in March ‘24. Trade receivables increased slightly to 84 days in March ‘25 from 79 days in March ‘24. The trade payable days improved to 46 days from 36 days over the same period, reflecting better terms with our vendor partners. For FY25, cash flow from operations reached Rs. 25 crores up from Rs. 17 crores in FY24. The improvement is due to better working capital management and profitable growth. As of March 31st, our total outstanding debt stands at Rs. 141.7 crores with cash equivalents and investments at Rs. 134.7 crores resulting in a marginal debt position of Rs. 7 crores. Our CAPEX for Q4 FY25 and FY25 was INR 25.1 crores and Rs. 57.8 crores respectively. With a CAPEX light model, our asset turns are at 7.5X. Building on FY25's revenue growth, we are approaching FY26 with measured optimism mindful of the prevailing macroeconomic environment.

To conclude, we are encouraged with consistent momentum across all three of our growth engines, our continued focus on operational efficiency, working capital management and strategic execution positions, we are well positioned to capture the opportunities ahead and creating lasting value for our shareholders.

Thank you. Over to you Deepak.

**Moderator:** Thank you, sir. The first question comes from the line of Deepak Krishnan from Kotak Institutional Equities. Please go ahead.

**Deepak Krishnan:** I wanted to understand the rationale behind our measured guidance of 18% to 20%, especially in light of near-term uncertainties both from a short-term and medium-term perspective . Is there any disruption of orders in the shorter term, are you seeing work getting stalled because of tariff uncertainty? And second, on the medium term, is that leading to more conversations of volume shifting and do they want to do it in India or US or any sort of commentary around the shorter-term impact as well as longer term conversations that we are having with our clients with respect to this tariff uncertainty that is there?

**Kunhamed Bicha:** Thank you, Deepak, for your question. See, we are uniquely positioned in this scenario because we have factories in the US as well as in India. So, I think either way, what we see is that taking India, for example, is a better position than most other countries as it stands today, it changes every day, but as it stands today and if customers want to make it in the US before the transfer to India, the new customers, want to make in the US before transferring to India in the mid or longer term, that is also possible. So, we are seeing different parts of this play out and customers are also cautious because they are not sure how the whole policy situation is going to play out. So, I think as of now we are fairly confident with all the news around, you want to be optimistically cautious, let me put it that way. But I think there is a lot of growth ahead for us, the programs which we have signed up for with customers, especially the new programs. Did I answer your question, Deepak?

**Deepak Krishnan:** Yes. So, for FY26, should we assume a higher India percentage in terms of the overall mix because maybe 1Q there is uncertainty and then things gradually recover. Does India become 60% contributor this year? Is that what you are looking at in terms of order book or that's not the case today?

**Kunhamed Bicha:** If you go back 3 years, Deepak, we were an export focused company where it was 30% India, 70% export. Our goal in the last 18 months is to have the 50-50 mix, 50% export and 50% domestic which is India. And as you can see, over the few quarters we have come to 47% India in the last quarter and 53% export. And we see the trend continuing. As India evolves, we are seeing a lot of our customers in rail, we are seeing a lot of customers in the infrastructure side of things and industrial. And we are confident that the India number is going to go up. And that's where it's just not export focused, US focused. On the other side, we are seeing a lot of activity in our US factory with customers requesting what it will take for new programs to build in the US. Of course, as there's a cost over time and they see an easier path to India once the tariff situation settles down.

**Deepak Krishnan:** Maybe just one final thing, is tariff an element that can be passed through customers in your contract or in a worst-case outcome would we have to take some impact on our end or is it mostly like a pass-through element for us once we get some certainty on tariffs?

**Kunhamed Bicha:** It's 100% pass through. Okay. And in the US, we have also been dealing with the Chinese tariffs for US customers which is 35%-40%, for the last couple of years we have been passing it through.

**Deepak Krishnan:** Sure sir, that were of my questions and best of luck for future quarters.

**Kunhamed Bicha:** Thank you Deepak.

**Moderator:** Thank you. Participants, please restrict yourselves to two questions. If you have any more questions, you may rejoin the queue. The next question comes from the line of Praveen Sahay from PL Capital. Please go ahead.

**Praveen Sahay:** Thank you for the opportunity. My question is related to the order book which highlights 29% of growth. If you can give some more detail on that, how is the geographical mix in that or a sector bifurcation and related to that even after 29% of growth you are talking about 18%-20% of a growth in revenue because the customers are little cautious. So, you are seeing some delay in the orders as well from the customers?

**Kunhamed Bicha:** No, Praveen, we are cautious. It's not like what we had seen with the destocking situation. So, we don't see too much of a slowdown from customers. But if the economy slows down there could be some slowdown, which is all that we are planning for. And as you have seen last year, every quarter we had come back and revised our guidance. We would like to follow through and do that as things progress.

**Suresh V.R:** And on the first part of the question, on the order book mix it closely resembles the revenue mix. India will be approximately 45% and US will be 55%.

**Praveen Sahay:** Okay. And sector is also similar in the order book, sector bifurcation?

**Suresh V.R:** It will closely resemble.

**Kunhamed Bicha:** Yes. So, if you actually look at it by sectors, we have seen growth across every one of them, all the five sectors. And these are significant growth across the board. So that's why we are confident in projecting this. For example, clean energy is at 66% growth, communication is 53% growth, industrial is 35% growth, mobility is 113% growth.

**Praveen Sahay:** Okay. And on your receivable part.

**Moderator:** Sorry to interrupt Praveen. Those were your two questions. I would request you to rejoin the queue for further questions.

**Praveen Sahay:** Okay.

**Moderator:** Thank you.

**Kunhamed Bicha:** Thank you Praveen.

**Moderator:** The next question comes from the line of Palaash Gandhi from Investec India. Please go ahead.

**Aditya:** Hi sir, this is Aditya from Investec. I just wanted to confirm once again. So, you are mentioning so far you have not really seen any major slowdown. It's only going forward that you are fearing that the US economy may slow down. And therefore, you are building in such a conservative estimate. But as far as April and whatever little we have seen in May is concerned, you are not seeing customers pushing back on deliveries or at this stage going slow.

**Kunhamed Bicha:** Aditya, historically we have been a light on the first half and heavier on second half which will continue to go through. But to answer your question, we are not seeing anything significant happening. But it's just the news every day, it just throws it off. But we are just being cautious. But there is enough growth in the system.. We are just not what you say, committed. And we are always committed for the last year or so that we will double in 3 years. And we are still sticking to that commitment. It may be a one slow quarter but it's still there in the past. And some of the customers we are signing up are fairly large.

**Aditya:** Sure. Understood, sir. And sir, given that our capacity has also now increased, what does this 18% to 20% growth mean in terms of capacity utilization? Do you think we'd be left with the excess capacity and therefore risk of unabsorbed overheads?

**Kunhamed Bicha:** No. So, we have been planning for our growth in the sense of people and building earlier than it's coming. So, a good sign or bad sign, I am not sure. We built this new export facility which is supposed to take care of us for 12 to 18 months. But I am happy to say that in four months it's filled up and different projects have started there. So, we are building a newer facility or updating a newer facility. The same goes with India. We are building up the buildings earlier and getting the people in for the projected projects to come in a bit earlier. There's going to be a couple of months of lag before the projects kick in. So that's going on. So, we are confident of the growth, and you have seen as we managed 50%-58% growth from Q4 FY24 to Q4 FY25we didn't break a sweat doing that.

**Aditya:** Perfect. Thank you so much sir. Helpful.

**Kunhamed Bicha:** Thank you, Aditya.

**Moderator:** The next question comes from the line of Bhoomika Nair from DAM Capital. Please go ahead.

**Bhoomika Nair:** Good afternoon, sir and congratulations on a good set of numbers. Sir, my first question is on aspect of the new client additions that we have done in the last year and a half. How is that progress moving which clients are you seeing scaling up quite sharply both in US and in India, which is moved to now from a prototype to a mass production kind of phase? And which areas are you seeing new client additions happening per se? If you can just give some more qualitative color on which segments are seeing improvement in terms of the trajectory? That is my first question.

**Kunhamed Bicha:** Thank you Bhoomika. It's broad based but let me just put it in perspective. The clean energy for example was slower last year but last year meaning a year before '25. So, you have seen a growth of 66% last year and we will continue to see that there are additional new customers on the infrastructure side in India is where the larger growth piece is going to come in and we are setting up for that. It is yet come in and we believe that will play out in I think late part of Q2, if not earlier or Q3 for sure. We are seeing that rail, we have got six or seven new products in different types of NPI to production which will kick in later part of this year. Industrial multiple customers, in both geographies we are seeing significant growth. It's a little bit lower than the other two but it's broad based and most of these customers are Fortune 500 type customers, not startups or anything. And clean energy, I thought we are going to see significant growth in the US especially.

**Bhoomika Nair:** Okay. And in the quarter, we saw very strong growth in terms of the mobility segment. Is this something now at the steady run rate that we should look at as we move into the next year? Because we have seen growth of new customer additions and a scale up in both rail and aero. So, should that continue into the next quarter or next year as well at this run rate?

**Kunhamed Bicha:** Yes, for a yearly basis for sure because there's multiple projects which are going to come in also and this is not including Kavach and all that. And that is all progressing very well. And on the aero side or rail side multiple projects have kicked in and some of it you see already playing out. We have a few more coming in. So, I would assume that it is going to continue and that's all India.

**Bhoomika Nair:** Sure. And if I might just squeeze in one more question on the margin profile. India margins are doing quite well. We have reported about 14.5% margin as such out there. The US business to some extent remains a drag. How do we see that progressing particularly when we are seeing perhaps with the trade tariffs, etc. a lot of clients actually looking to do more prototyping in US do you see that kind of turning around or will that remain a drag? What kind of timelines, if any should we look at?

**Kunhamed Bicha:** So, we have always mentioned US because we are present in the US for the long term and today this is a unique situation where it's just not cost, it's location. So, I think it will play out well. The margins won't be as high as what we see in India which is 14.8% EBITDA 9.6 last quarter. But in '26 I am fairly sure that it is going to make a reasonable amount of money.

**Bhoomika Nair:** Sure sir. Great. All the best. I will come back in the question queue. Thank you so much.

**Kunhamed Bicha:** Thank you Bhoomika.

**Moderator:** The next question comes from the line of Meet Jain from Motilal Oswal Financial Services Limited. Please go ahead.

**Meet Jain:** Hi sir. Congratulations on the good set of numbers. My first question is regarding our order book and our revenue guidance. Seeing the order book like we mentioned, the order book is average 14 months and it comes to around let's say Rs. 1,500 crores. But the given guidance is far less than that. And when you get a commentary on segment wise, we are estimating a very strong growth across segments. Just want to understand is it really optimism like a conservative number or are we seeing an early signs in the US slowdown what we have seen the past 2 years because of the order book and everything. Could you give some more color on that?

**Kunhamed Bicha:** So, we use the exact two words Meet, we are cautiously optimistic at this point. And you used that. So that's what exactly we are, I think there is a lot more growth in the system. We are just making sure that things settle down with macroeconomics and there are enough new customers to fill the growth. So, it is more of erring on the side of caution rather than going out and saying a number and chasing it. And for us, we have never had a strong India position, a couple of years back when we got into the US slowdown and that time India was probably around less than 30%. Today India is 47% and growing. So, between the two economies we should be okay.

**Meet Jain:** Understood. So just as a differentiator, what mitigating factors will we have implemented in place to avoid that kind of period like last 2 years if the US goes into slowdown or something like that?

**Kunhamed Bicha:** Now we are seeing substantial pieces coming to India itself and there are new customers coming into US. So even if they slow down existing customers, it's not going to be a stocking- destocking situation where they stop. So instead of taking 100 parts, they may take 80 parts. Okay. So, it's not an alarming situation like what went through a couple of years back. So, we are just being cautious and not think the orders are there. It's broad based, it's exciting for us on both segments and there are more coming and so that's the key.

**Meet Jain:** Understood. The second question is on the margin part. So, can we expect FY26 to show some positive bias on FY25 levels in terms of margin going ahead?

**Kunhamed Bicha:** We will still continue to say 33% to 35% and certain quarters you may see a little bit higher, certain quarters it will be in that range.

**Meet Jain:** And what about the EBITDA margin?

**Suresh V.R:** We generally do not provide guidance at the EBITDA level, PAT level. But like what KB said, we would like to reiterate that 33% to 35% is a reasonable number for us to look at the gross margin level. Some quarters may be higher; some quarters may be at this range.

**Meet Jain:** Okay, so also just to clarify like in this year FY25 we saw….

**Moderator:** I am sorry to interrupt Meet; those were your two questions. If you have any more questions please rejoin the queue.

**Meet Jain:** Okay, thank you.

**Kunhamed Bicha:** Thank you Meet.

**Moderator:** The next question comes from the line of Jalaj from Swan Investments. Please go ahead.

**Jalaj:** First of all, thanks for the opportunity and congrats on a great set of numbers. Sir, my first question was what exactly happened or what went through in the gross margins for this quarter in particular, could you help us understand that? Because that will help us to project forward or going forward. There is a drop in the gross margin this quarter, what explains that?

**Suresh V.R:** So, the guidance range, what we mentioned earlier is 33% to 35% of gross margins. We are there at the upper end of that guided range. The previous quarters may have been little higher because of the product mix, but we have always maintained that 33% to 35% is a reasonable number to look at. From a full year perspective, we are at 35.8%. I think that is a reasonable number to look at Jalaj.

**Jalaj:** Okay, understood. So, basically so just harping on to it a little. So, considering the order book we have in hand and the product and the industry wise mix, 33% to 35% looks a reasonable one, is that my understanding, correct going forward also?

**Kunhamed Bicha:** In certain quarters you will see an upside. I know where you are coming from. We always said 33% to 35%. But a few quarters we have been 37% and odd. And of course, our endeavor is to be higher, and we will try to get there. But I think you should take 33% and 35% as a range.

**Jalaj:** Got it. That was it. And secondly, on your aspiration to double the revenue in 3 years, what year base are we considering and what sort of mix should I see across US and the India business across it?

**Suresh V.R:** One it is from FY24 to FY27 and in terms of growth engines, like we mentioned earlier, we are seeing growth opportunities across India, existing business in US, the new projects in US. We are seeing growth opportunities on all three. The aspiration is to be 50-50 between India and US. Some quarters you may see some industry verticals growing a little faster, some geographies going a little faster, but the aspiration is to be 50-50.

**Kunhamed Bicha:** And today we are at 47 India 53 US. It is little earlier than we expected.

**Jalaj:** So, sir, I understand that India as an industry, as a market.

**Moderator:** I am sorry to interrupt but Jalaj, those were your two questions. I would request you to rejoin the queue for any further ones.

**Jalaj:** Thank you.

**Suresh V.R:** Thank you Jalaj.

**Moderator:** The next question comes from the line of Chirag from Keynote Capitals. Please go ahead.

**Chirag:** Thank you for the opportunity. Sir, my first question is related to raw material sourcing. Could you make me understand like do we procure bare PCB from India or is it from another country and if you could provide the mix for the same?

**Kunhamed Bicha:** Shriram you want to answer that?

**Shriram Vijayaraghavan:** So, we source materials globally, so wherever available in India, we would source locally. And wherever sometimes it is required to import the materials, we would do that. So, it depends on the commodity and depends on the particular build.

**Kunhamed Bicha:** Also, sometimes complexity and type of product.

**Chirag:** Any ballpark number to understand if there is any dependence on a particular country at this moment?

**Shriram Vijayaraghavan:** No, it's all over the world. So, it depends, a lot of it could be from India as well.

**Kunhamed Bicha:** Now with the PLI scheme for the PCBs coming out, our endeavor is to do more and more India. Only when we can't do India, we go outside.

**Chirag:** Perfect. The second question of mine is related to the collaboration that we had with the new company. I just wanted to know what different things as R&D they are bringing on table? And what are your future thoughts related to for the same company, that are you willing to increase the stake in the same company or not?

**Kunhamed Bicha:** So, our endeavor is always to do manufacturing. So, what Zepco Technologies brings to us is a design arm for our clean energy customers who are looking for doing more and more designs out of India. And what that helps us is a funnel to get our production. These are some of the large customers we already deal with. And some of the future products will be designed by us in association with Zepco. Number two, they are into one of the—I don't know the exact statistics, one of the—key companies making drone motors and controllers. And in the same case we will be doing the manufacturing into the future. So that is one of the reasons why we have this close association with them. They also have an EV solution for three wheelers which we completely made and designed in India, which we want to see if we can partner with some of the OEMs. Did I answer your question?

**Chirag:** Yes, it was clear. I just have one last question, and I will join back with you. As you have said that you are being cautiously optimistic related to revenue guidance. Is it possible for you to make us understand is there any kind of seasonality in sales that takes place? Because from the perspective that last year Q1 was at around 200 crores run rate, at this moment we are almost 340 crores run rate on a quarterly basis. ARR is almost about 110 crores per month. So just wanted to have a check. Is there any kind of seasonality as achieving the 12 month or 14 month average order book guidance? We could have easily thought about doing a top line of Rs. 1,400-1,500 crores from just a number perspective. But it would be great if you could throw some light on that?

**Kunhamed Bicha:** So, let me put it this way, the order book is strong. We anticipate growth which is there. You have seen in the last three quarters in Q2 we grew 38% last year, Q3 we grew 31% and Q4 we grew 58%. So, we are just being cautiously optimistic, and I believe that the growth is there. And like I said, every quarter we will try and update you as the big programs kick in. So, some of these programs, there could be delays. We don't want to go out and say that it's going to kick in June. Let's say it could be August because we burnt our fingers couple of years back doing that. But it's all there. So, we will update as we go.

**Suresh V.R:** Just to add a point, there is no seasonality per se, but H2 tends to be little stronger than H1 for us.

**Chirag:** Thank you so much. I will rejoin the queue.

**Kunhamed Bicha:** Thank you, Chirag.

**Moderator:** Thank you. The next question comes from the line of Rahul Gajare from Haitong Securities. Please go ahead.

**Rahul Gajare:** Hi, good evening gentlemen and thanks for the opportunity. Firstly, congratulations on your Q4 performance. The first question that I have is on your Chennai facility which has become operational, can you talk about the potential peak revenue that can come out of Chennai factories and based on your thought on the capacity etc. when do you think you will have to start adding or think of adding more manufacturing? That's the first question.

**Kunhamed Bicha:** So, let's put it this way, being cautiously optimistic on one side, but this factory is already spoken. So, some of our products are larger in size. So, we believe that the capacity is getting utilized. But over the period of this year you will see, we always look for asset turns of I would say 8% to 10%. And we continue to be the asset light model. So, you can do the math on that. I don't want to say because it's not a specific product we are making there, it is a multiple set of products. So, saying that we are also setting up two more factories in the next 6 to 12 months.

**Rahul Gajare:** Okay. And where are you planning to set up these factories?

**Kunhamed Bicha:** So, for export we are looking at setting up in the same location which is in Chennai. And the Phase-II is around 30 km from where we are for the domestic tariff unit that's in Tamil Nadu also.

**Rahul Gajare:** Okay, so you are well sorted as far as manufacturing is concerned. Now my second question is on the segmental business now you have given a decent color on sector wise what to expect from industrial clean energy, railway etc. I want to know your take on communication especially given that we have seen a drop. How do you see this particular segment do in the next year based on the backlog or discussion visibility that you are having with customers in communication? Thank you.

**Kunhamed Bicha:** See communication has also grown but is not grown at a rate like the others and communication is primarily India and we have grown at 53% in Q4. So that speaks for itself, and it is going to grow further, and we are in the highest ever in communication for the India market.

**Rahul Gajare:** I was actually looking at from a full year basis. We have done closer to Rs. 90 odd crores compared to Rs. 112 crores. Though it's a small number, I just wanted to know.

**Kunhamed Bicha:** A lot of that will come in the Q3 and Q4, I would say Q4 primarily. So that will continue.

**Rahul Gajare:** Okay, sure. Thank you.

**Kunhamed Bicha:** Again, this is in the 5G area, so you know what I mean.

**Rahul Gajare:** Got it. Thank you very much and all the very best.

**Kunhamed Bicha:** Thank you, sir.

**Moderator:** The next question comes from the line of Chetan Kumar from Avendus Spark. Please go ahead.

**Uttam Kumar:** Good evening, sir. This is Uttam Kumar from Avendus Spark. Most of my questions has been answered except for on the CAPEX front. The first thing is, I mean two factories is something which you had highlighted that it's going to be up and running over the next 6 to 12 months. Just wanted to know what kind of CAPEX amount are we talking about because one on side we are talking about doubling of revenue over the next 3 years. So, what is the overall CAPEX which we are planning to set aside for this particular target?

**Kunhamed Bicha:** So, we usually say CAPEX everything including buildings and around Rs. 40 to 50 crores could just go over a little bit to be if like the previous example I said our factories, what we planned for 12 to 18 months was kind of sold off in 4 months, so it may be just preponed a bit, but we still maintain that, Rs. 45 to 50 crores a year.

**Uttam Kumar:** These two new facilities which you had stated, is it on and above the brownfield capacity expansion which is happening right now as mentioned in the PPT?

**Kunhamed Bicha:** No, it is the Phase-I is over, Phase-II is what we are building in the brownfield.

**Uttam Kumar:** Got it sir, that's all from my side.

**Kunhamed Bicha:** Thank you sir.

**Moderator:** The next question comes from the line of Vipraw Srivastava from Phillip Capital. Please go ahead.

**Vipraw Srivastava:** Quickly on the transport mobility business which has shown very rapid growth. So my question is that if the margin profile of your Indian business is similar to US business on gross margin side?

**Kunhamed Bicha:** We couldn't hear the last part of your question. I know it's on mobility. Could you repeat the last part of it?

**Vipraw Srivastava:** Sir what I am saying is if the margin profile of your Indian business similar to US business and gross margins?

**Kunhamed Bicha:** There will be some difference for sure. But since we are in mission critical product lines in rail or in air, so they more than make up for it. So, we are not doing consumer or communication that way. So that makes up.

**Vipraw Srivastava:** Right sir. And so, one more question, quickly on the clean energy business. Obviously, US that segment, all these stocks in that space are not doing well. There has been IRA funds blockage by Trump. So, you can continue to remain optimistic on the clean energy segment?

**Kunhamed Bicha:** Yes. So, because we are in the right part of the clean energy business, we are not in rooftop solar, a small part of it is there but mostly in storage which is growing at 70% in the US.

**Vipraw Srivastava:** Our storage and water, am I right? That's the product mix for clean energy business.

**Kunhamed Bicha:** Yes, storage systems. And we have also got new customers in other, see because of the, what do you call the data requirements of the AI servers a lot of clean energy going in the US with the data centers coming up. So that's why you are seeing a lot of upticks in that especially in storage.

**Vipraw Srivastava:** Right sir. And sir lastly the storage mix is for your storage which you cater to is for commercial partners. It is not for rooftop owners or homeowners. It's for industrial and commercial partners?

**Kunhamed Bicha:** It's industrial and commercial. I mean not commercial. There is home also but that is where they can actually make use of the solar because by storing it because there is a different price tariff for different times of the day in the US.

**Vipraw Srivastava:** Sure. That's all from my end. Thank you.

**Kunhamed Bicha:** Thank you, Vipraw.

**Moderator:** The next question comes from the line of Praveen Sahay from PL Capital. Please go ahead.

**Praveen Sahay:** Thank you for a follow up. So, first question is related to your receivable which has increased to 84 days for a year. Is this due to the change in business mix, which has led to an increase in receivable days?

**Suresh V.R:** No. Receivable days have slightly increased from 79 to 84. But if you look at it, there is a decline in receivable days when you compare it with December '24. I think between 75 to this current 85 days is a reasonable range to look at. Depends upon the quarter it changes. But yes, overall if you look at our networking capital days, there has been a marked improvement from 161 days in March '24 to 124 days in March '25.

**Praveen Sahay:** And we will try to maintain this?

**Suresh V.R:** We will try to improve it but then absolutely try to maintain.

**Kunhamed Bicha:** Maintain and internally to improve.

**Praveen Sahay:** Okay. And one clarification sir because one on the expansion part, the new export plant and the brownfield domestic, those are operational or commenced. Apart from that two new you are inducting?

**Kunhamed Bicha:** No, let me clear it. There's one export which is already functional, the brownfield the second phase is getting started and we are looking for starting on a new export.

**Praveen Sahay:** Okay, fine. And any utilization number, if you can say right now.

**Kunhamed Bicha:** We have always said anytime we hit around the 70% number we will expand. We will build buildings which has got the longest lead time.

**Praveen Sahay:** Thank you, sir and all the best.

**Kunhamed Bicha:** Thank you Praveen.

**Moderator:** The next question comes from the line of Ashutosh Parashar from Mirabilis Design. Please go ahead.

**Vipin Goel:** Hi sir, thank you for the opportunity. Vipin Goel from Mirabilis this side. Sir, I had two questions broadly on the current quarter only. So, first was on the mobility execution. Since it's a strong execution that we have seen this quarter. I wanted to understand what is the nature of the project which is leading to such strong execution. So, you can give some qualitative commentary on either of the nature of the product or the customer or the geography which led to this?

**Kunhamed Bicha:** Lot of this is India and lot of this is in rail and aero. Multiple sides we are in the cabin, we are in the engine in the aero side, multiple different projects, multiple customers. And the rail side again we are in braking, we are in interlocking, we are in the engine controls. So, it's well broad based and diversified in the segment itself.

**Vipin Goel:** Got it. Okay. Could you also share a similar commentary on this quarter's order intake, which stands at around ₹500 crores? So, if you could just highlight. I understand that you have already made a commentary that it's largely broad based. But again, if you can just highlight it, let's say the largest two orders in this intake either on which is the kind of product or are these on for new customers or existing customers?

**Kunhamed Bicha:** The largest intake I would say is in mobility.

**Vipin Goel:** Okay and this is not the two-wheeler EV customer?

**Kunhamed Bicha:** No. When you talk mobility its more air and rail.

**Vipin Goel:** Sure. That's it from my side. Thank you.

**Kunhamed Bicha:** Thank you.

**Moderator:** The next question comes from the line of Jalaj from Swan Investments. Please go ahead.

**Jalaj:** Thanks for the opportunity again. So, this was with regards to the India business specifically. If I understand the industry itself is growing at somewhere around 30%-35% because of the migration from exports to domestically. But still our growth has been moderate in that sense. Any specific reason for that or are we changing any outlook or the way we are working for at least India business?

**Kunhamed Bicha:** India growth last quarter has been 70%.

**Jalaj:** I am talking more so from a YOY complete year, I was looking at those numbers and most of from a maybe a 2-year perspective. If you could share your thoughts around that.

**Kunhamed Bicha:** So, see what we are trying to equate is both export and India and India is growing faster as far as we are concerned because in the last 3-years we have worked in India to get these projects to come in and we also need the export. We want to have both geographies doing well and apart from that 24% of our business is Japanese with Japanese customers. And today what we are looking into the future growth is Europe and GCC.

**Moderator:** Does that answer your question, Jalaj?

**Jalaj:** Yes. And so, the second question was on the margins. So, I understand that we usually talk about the gross margins but on the EBITDA level or flowing through, is there a possibility of eventually the operating leverage playing out because traditionally in these businesses of EMS beyond the point we have not seen it playing out the operating leverage. So how should we understand that? Have we reached out to a peak? We are in the shifting of from the US facility to India has reached to a level of maturity right now, incrementally no more shift will happen and the margins to be stable here or there is enough lever further to grow that?

**Kunhamed Bicha:** Jalaj, we always look at profitable growth and not growth at any cost. So certain Businesses we actually don't do because we can’t achieve the profitable growth. That's why you will see us even worldwide we probably have one of the best gross margins there. And then as the top line increases, you will start to see some flow through below that. But today we are investing or getting ready for the future where some projects though it's kicking in 3 or 4 months later. We need to start training our people to get ready to do that. So, there's a lag before the revenue comes through.

**Jalaj:** And only part of shifting from the US to the India facility margin kick us from that side, have we reached to an optimum level or there is more scope to do it?

**Kunhamed Bicha:** See, ideally when we sell or do our sales, the ideal situation for us is a US customer. I am talking about export route since you are talking on that, US customer coming directly to India. But sometimes they want to stop over in our US facility. The ultimate goal is to get everybody to India and the US facility is a beachhead. But today being in this unique situation, in case the customer is adamant to do it in the US we can do that, but always our goal is to move the products to India. And last year it was a short-term thing where we moved whatever existing product we did. Actually, we are lucky that we did that. So, in case new projects come in the US we can do that in the US.

**Moderator:** Thank you, sir. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing comments.

**Kunhamed Bicha:** Thank you, Deepak and Nikhil. FY25 has been a pivotal year for Avalon, marked by strong revenue growth, margin delivery and operational improvements and strategic progress across markets and customer segments. As we step into FY26, we remain focused on executing with discipline, scaling responsibly and investing ahead of growth to capture long term opportunities. With a robust order book, diversified customer base, expanding infrastructure and a clear roadmap supported by strategic partnerships, we are well positioned to build on the momentum and continued delivering sustainable, profitable growth. We thank our investors for their continued support and look forward to updating you on our progress in the quarters ahead. Thank you very much.

**Moderator:** Thank you, sir. Ladies and gentlemen, on behalf of Axis Capital Limited, that concludes this conference. You may now disconnect your lines.