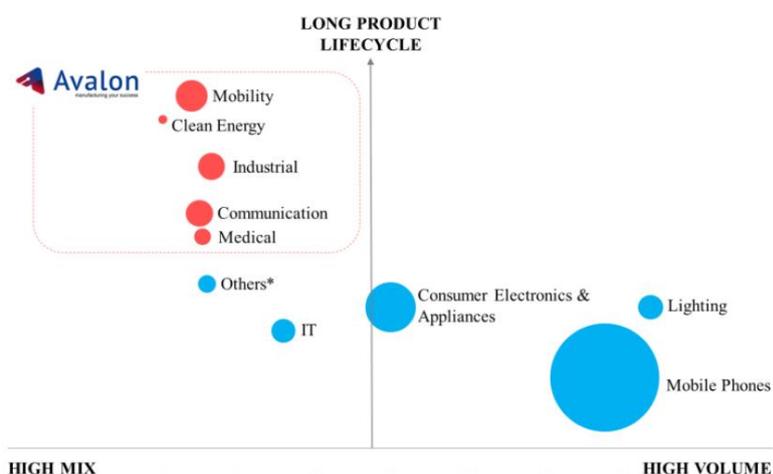


Business Overview

Company Profile:

- Incorporated on November 3, 1999, Avalon Technologies Limited is one of the leading fully integrated Electronic Manufacturing Services (“EMS”) companies with end-to-end operations in delivering box build solutions in India in terms of revenue in Fiscal 2022, with a focus on high value precision engineered products.
- The company started in 1999 as a pure play PCB assembler and has invested in their capabilities and become vertically integrated to include multiple offerings. They have a significant level of vertical integration in the EMS industry (Source: F&S Report), that includes PCB assembly, cable assembly and wire harnesses, sheet metal fabrications and machining, injection molded plastics, magnetics and end-to-end box build.
- They are 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 (Source: F&S Report).
- Some of the marquee customers across the end-use industries that the company caters to include Kyosan India Private Limited, Faiveley Transport Rail Technologies India Private Limited, a Wabtec Company, TransDigm Technologies India Private Limited, Zonar Systems Inc., and Collins Aerospace in the mobility industry, Caire Inc., in the medical industry, e-Infochips Private Limited and Haas Automation, Inc. in the industrial sector, TMEIC and Ohmium India Private Limited in the clean energy sector.
- The company has been recognized with various awards including “Best Supplier Award” from Collins Aerospace, Bengaluru in 2019, “Supplier Excellence Award for Strategic Partnership” from Faiveley Transport Rail Technologies India Private Limited, a Wabtec Company in 2018 to ATSPL, “Prime Supplier” from Toshiba Mitsubishi Electric Industrial Systems Corporation, Japan in 2017, “Environmental Leadership Award” at the Indian ABO Suppliers Conference from Cummins in 2015, and “Best Indian Supplier 2012” from CE+T.



Issue Details

Fresh Issue of up to [●] Equity Shares aggregating up to ₹ 3,200 million and Offer for sale of up to [●] Equity Shares aggregating up to ₹ 5,450 million

Issue size: ₹ 865 Cr.

No. of shares: 1,98,39,450 - 2,08,43,373

Face value: ₹ 2/-

Price band: ₹ 415 - 436

Bid Lot: 34 shares and in multiples thereon

Post Issue Implied Market Cap:

₹ 2,725 - 2,847 Cr.

BRLMs: JM Financial Limited, DAM Capital Advisors Limited, IIFL Securities Limited and Nomura Financial Advisory and Securities (India) Private Limited.

Registrar: Link Intime India Private Limited

Indicative Timetable

Activity	On or about
Anchor Investor Issue Opens	31-03-2023
Issue Opens	03-04-2023
Issue Closes	06-04-2023
Finalization of Basis of Allotment	12-04-2023
Refunds/ Unblocking ASBA Fund	13-04-2023
Credit of equity shares to DP A/c	17-04-2023
Trading commences	18-04-2023

Listing: BSE & NSE

Issue Break Up

Retail	QIB	NII
10%	75%	15%

Shareholding *

	Pre Issue	Post Issue
Promoters & Promoter Group	70.75%	51.24%
Public - Selling Shareholders	22.28%	12.19%
Public - Other	6.97%	36.58%
Total	100.00%	100.00%

*Calculated using data in RHP on pages - 1, 25, 120.

Competitive Strengths

End-to-end integrated solutions, providing a “One Stop Shop” for electronics and electro-mechanical design and manufacturing services: The company offers an integrated and diversified solution suite comprising PCB design and assembly, manufacture of cable assembly and wire harnesses, sheet metal fabrication, sheet metal machining, plastic injection molding, magnetics, and electro-mechanical integration, which combined allows them to offer end-to-end box build solutions. They are able to support NPD initiatives by virtue of their diversified offerings and their ability to catalyze transformation of products from the prototype stage to production.

High entry barriers to business through the collective cross-industry experience, customer engagement capabilities and leading position in the high mix flexible volume product manufacturing segment: The company's experience in offering EMS services across product and industry verticals for customers globally for several years serves as an entry barrier in the industry for any new entrants. They have built long term relationships, with certain of their customers extending for more than seven years. As of March 31, 2022, they had an average relationship of more than seven years, with customers who accounted for 80% of their revenue in Fiscal 2022.

Well-diversified business leading to strong growth avenues: The company's business is well-diversified, in terms of end-use industries, customers, geographies and offerings. They are well diversified and are present in virtually every major industry vertical, including clean energy, mobility, industrial, communication and medical. The company services a variety of industries which are characterized by long life cycles. They have also penetrated sunrise industries such as clean energy with presence in the solar, hydrogen, and electric vehicles industries.

Established relationships with marquee customer base: The company's thrust to become a significant player in the EMS industry has hinged on their performance and ability to build longstanding relationships with the customers. They have a number of reputed multinational companies as their customers across industry vertical, thus indicating the quality of the client base. Varied applications of the company's products have helped them build a wide customer base across many end-use industries complemented by a strong client value delivery process, with strong focus on up-selling and cross-selling.

Global delivery footprint with high quality standards and advanced manufacturing and assembly capabilities: The company currently operates through 12 manufacturing units, spread across two states in the US (California and Georgia) and two states in India (Karnataka and Tamil Nadu). In addition, they have a new facility in Chennai, Tamil Nadu, which is currently under construction and renovation. The company's manufacturing facilities have an aggregate of 66 production lines, consisting of 11 SMT lines, 12 THT lines and 43 assembly lines, with total installed SMT capacity of 366 million component placements per year in Fiscal 2022 and 322 component placements per eight months in the eight-month period ended November 30, 2022.

Strong financial performance, stable cash flows and visible growth profile: The company's strong product capabilities, high quality and loyal customer base have enabled them to maintain strong financial performance. They have been able to increase their total income from Fiscal 2020 to Fiscal 2022 at a CAGR of 14.19%. Their financial stability and positive cash flow from operations enable them to meet the present and future requirements of the customers. The company's strong balance sheet gives customers the confidence that they will be able to support them in terms of both capabilities and capacities.

Experienced board, management and operating team: The Promoters of the company who have several decades of pioneering experience in the field of EMS, and they have been instrumental in the growth of their business. They also have a 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. The quality and experience of their management team has been critical in achieving their business results and allowing them to make strategic and timely business decisions in response to evolving customer needs and market conditions.

For further details, refer to 'Competitive Strengths' page 225 of RHP

Business Strategies

Sustaining and catering to high growth sunrise industry sectors such as clean energy and emerging communication technologies: The company intends to leverage their experience and expertise to focus on upcoming, high growth sectors, such as clean energy and emerging communication technologies. They aim to focus on high margin value products with medium to long life cycles that need precision engineering, expertise to innovate, the ability to deliver flexible manufacturing plans, and rapid development in the NPD stage, such as the clean energy and emerging communication technologies sectors. The clean energy sector comprises solar, electric vehicles and hydrogen. The communication sector comprises telecom, satellite and digital infrastructure.

Consolidate and expand their position in global markets for existing industry verticals: In Fiscals 2020, 2021 and 2022, the company catered to 54, 62 and 81 customers respectively and in the eight months ended November 30, 2021 and 2022, they catered to 72 and 89 customers, respectively. They have built long-term relationships with certain key customers that span from five to more than seven years. The company has been able to do this by offering multiple product solutions, besides offering vertically integrated box build solutions. They intend to increase cross-selling of the products to increase wallet share with the existing customers and expand into new or adjacent product verticals with the existing customers.

Creating high growth opportunities for their existing offerings : Given that their business lines of PCBA, cable assembly and wire harnesses, sheet metal fabrication, machining, magnetics and injection molded plastics are capable of functioning independently, the company intends to focus on high growth opportunities in each of these business verticals. Due to strict engineering and quality requirements in the aerospace industry, supplier onboarding and development is characterized by the need for quality systems for special process and traceability documentation for materials.

Focus on expanding local manufacturing presence in the largest markets, namely the United States and India by leveraging country specific government policy initiatives: The company intends to continue focusing on increasing their customer base within the US and Indian markets. The EMS industry is poised for robust growth over the next five years. They aim to continue benefiting from the Government of India's "Aatmanirbhar Bharat Abhiyaan," or Self-Reliant India campaign, which provides an additional boost to India's business operations by encouraging substitution of imports of low-technology products from other countries and generating demand for local manufacturing, which would help in reducing import dependence and positioning India as an export hub.

Continue to build on hybrid model of delivery leveraging access to high value market and low cost production base: The company's locations are spread between the US and India; accordingly they are ideally poised to offer a hybrid model of delivery to the customers, where they have access to high value markets (the US) while at the same time being able to leverage low cost production bases (India). They have recently acquired a new manufacturing facility spread over a total built up area of 93,552 sq. ft. in the Special Economic Zone (SEZ), Chennai and intend to continue using this model as demonstrated by the inclusion of a new SMT line at Atlanta, Georgia for expansion.

Invest in expanding their technological capabilities and manufacturing capacities: The company intends to continue to invest in technology infrastructure to enable further technical innovation, improve operational efficiencies, increase customer satisfaction and improve sales and profitability. They intend to continue to focus on optimizing and automating their manufacturing processes to improve returns in a rapidly changing technological environment.

For further details, refer to 'Strategies' page 234 onwards of RHP

Profile of Directors

Kunhamed Bicha, is one of the Promoters and currently the Chairman and Managing Director who has been associated with the company since its incorporation. He co-founded Sienna and currently serves as its chief executive officer. He was awarded the “CII Connect 2017 Award for Entrepreneur of the Year (Manufacturing)” award by the Confederation of Indian Industry.

Bhaskar Srinivasan, is one of the Promoters and currently the Non-Executive Director who has been associated with the company since its incorporation. He co-founded Sienna and currently serves as its president. Prior to joining Avalon, he was associated with Applied Materials, Inc.

Luquman Veedu Ediyannam, is the Non-Executive Director who has been associated with the company since March 3, 2017. He currently is, and has been the legal partner and the managing director at Dhafir Technologies LLC., United Arab Emirates since its establishment in 1970.

Sareday Seshu Kumar, is the Non-executive Director of the company. He participated in the accelerated management programme conducted by Indian School of Business and was awarded the “Best Project Presentation” during the course of the said programme. Prior to joining the company, he was associated with Emantras Interactive Technologies Private Limited as its founder and chief executive officer.

Venkataramani Ananthramakrishnan, is the Independent Director of the company. He currently is, and has been serving as the managing director of IP Rings Limited since 2010, a company forming part of the Amalgamations group.

Chandar Pattabhiram, is the Independent Director of the company. He is currently serving as the chief marketing officer of Coupa Software Incorporated. Prior to joining the company, he was associated with Badgeville, Inc. and Marketo, Inc.

Byas Unnikrishnan Nambisan, is the Independent Director of the company. He is currently the chief executive officer and is a director on the board of Ezetap Mobile Solutions Private Limited (“Ezetap”) and has been associated with Ezetap since June 2014.

Nandita Abraham, is the Independent Director of the company. She was associated with the Pearl Academy for over 19 years with her last designation being president-Pearl Academy and is currently serving as the chief partnership officer at GUS Global Services (India) Private Limited.

Given above is the abstract of data on directors seen on page 284 of the RHP

Object of the Offer

Offer for Sale: Since the Offer is an offer for sale, the Company will not receive any proceeds from the Offer.

Fresh Issue: The Net Proceeds are proposed to be utilized in accordance with the details provided in the following table:

Particulars	Estimated Amount ⁽¹⁾ (Rs. In Million)
Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the company and one of the Material Subsidiaries, ATSPL	1,450.00
Funding the working capital requirements of the company	900.00
General corporate purposes ⁽²⁾	[●]
Total Net Proceeds	[●]

(1) The Company, in consultation with the BRLMs, has undertaken two Pre-IPO Placements of Equity Shares aggregating to approximately ₹300.00 million and approximately ₹500.00 million, respectively. Accordingly, the size of the Fresh Issue has been reduced by ₹800.00 million pursuant to the Pre-IPO Placements and the revised Fresh Issue size is up to ₹3,200.00 million.

(2) To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount to be utilised for general corporate purposes shall not exceed 25% of the gross proceeds from the Fresh Issue.

Comparison with peers

The following peer group has been determined on the basis of companies listed on Indian stock exchanges, whose business profile is comparable to their business:

Company	FV/Share (₹)	EPS (Basic)	RONW (%)	NAV (₹ per share)	P/E (times)
Avalon Technologies Limited	2.00	11.30	85.86%	15.60	[●]
Listed Peers					
Dixon Technologies (India) Limited	2.00	32.31	21.93%	167.73	89.61
Amber Enterprises India Limited	10.00	32.41	6.54%	514.70	59.50
Syrma SGS Technology Limited	10.00	5.25	13.04%	41.57	49.91
Kaynes Technology India Limited	10.00	9.70	24.29%	43.89	106.55

Above data is obtained from page 142 of RHP

Notes:

- Basic EPS refers to the EPS sourced from the financial statements of the respective company.
- P/E Ratio has been computed based on the closing market price of equity shares on BSE on March 16, 2023 divided by the Diluted EPS of the company.
- Return on net worth ("RoNW") is computed as total profit/ (loss) for the year attributable to equity shareholders of the parent divided by average net worth (excluding non-controlling interest), as at March 31, 2022.
- Net asset value per share is calculated by dividing net worth (excluding non-controlling interest) by number of equity shares outstanding as at March 31, 2022

Source:

- Financial information for Avalon Technologies Limited is derived from the Restated Consolidated Financial Information as at and for the financial year ended March 31, 2022.
- All the financial information for Dixon Technologies (India) Limited and Amber Enterprises India Limited is sourced from the annual audited financial results of the company for the year ended March 31, 2022.
- All the financial information for Syrma SGS Technology Limited is based on their proforma condensed combined financial statements from their red herring prospectus.
- All the financial information for Kaynes Technology India Limited is based on their restated consolidated financial statements for the year ended March 31, 2022 from their red herring prospectus.)

Financials (Restated Consolidated):

(Rs. in Million unless stated otherwise)

Particulars	As at November 30, 2022	As at March 31, 2022	As at March 31, 2021	As at March 31, 2020
Equity Share Capital	113.36	15.97	15.97	15.30
Total equity (Equity Share Capital, other equity and non - controlling interests)	1,478.33	871.91	282.08	34.46
Total Borrowings	3,164.03	2,940.53	2,953.32	2,484.81
Revenue from Operations	5,847.86	8,407.18	6,904.71	6,418.67
EBITDA	680.56	975.49	661.44	644.79
EBITDA Margin	11.64%	11.60%	9.58%	10.05%
Profit/(Loss) Before Tax	473.86	864.31	288.29	152.95
Profit/(Loss) After Tax	341.86	681.64	230.82	123.26
PAT Margin	5.73%	8.00%	3.32%	1.89%
Return on Net Worth	28.17%	85.86%	40.36%	25.19%
Basic EPS	6.10*	11.30	4.01	2.21

Above data obtained from pages 26, 88, 91 & 92 of RHP

Notes:

- a) Basic EPS = Restated consolidated profit for the year/period attributable to equity holders of the parent / Weighted average number of equity shares in calculating basic EPS
- b) Total borrowings = non - current borrowings (including preference share capital classified as financial liability) + current borrowings (including current maturities of non- current borrowings)
- c) Revenue from Operations is the total revenue generated from operations excluding other income.
- d) EBITDA is calculated as Profit after Tax (before exceptional items) plus tax expenses, depreciation, and amortization expense plus finance cost less finance income and other income.
- e) EBITDA Margin is calculated as EBITDA by Revenue from Operations.
- f) PAT is profit after tax for the period.
- g) PAT Margin is calculated PAT by Total Income.
- h) Return on Net Worth is calculated as Net Profit attributable to equity holders of the parent company by average shareholders' equity (excluding non-controlling interest).
- i) Profit/(Loss) Before Tax represents the amount after taking into consideration the exceptional items.

Key Risk Factors

- The company's manufacturing facilities are critical to their business. Any disruption in the continuous operations of the manufacturing facilities, including due to the COVID-19 pandemic, or a similar public health threat would have a material adverse effect on their business, results of operations and financial condition.
- The company sources the raw material from suppliers, primarily on purchase order basis, who may not perform their contractual obligations in a timely manner, or at all. Any increase in the cost of the raw material or components, delay, shortage, interruption or reduction in the supply of raw materials and major production inputs to manufacture the company's products may adversely affect their business, results of operations, cash flows and financial condition.
- The markets in which the customers compete are characterized by sectors specific to the industries which the company caters to, and the rapidly changing preferences and other related factors including lower manufacturing costs and therefore as a result they may be affected by any disruptions in the industry.
- The company is dependent on certain customers for a portion of their revenues. Loss of relationship with any of these customers or a reduction in their demand for their products may have a material adverse effect on their profitability and results of operations.
- The company has not entered into any definitive arrangements to utilize certain portions of the Net Proceeds of the Offer. Their funding requirements and proposed deployment of the Net Proceeds are based on management estimates and have not been independently appraised by a bank or a financial institution.
- The company faces significant competitive pressures in the business, and their inability to compete effectively would be detrimental to the business and prospects.
- Any defaults or delays in payment by a significant portion of the customers, may have an adverse effect on the company's cash flows, results of operations and financial condition.
- The global nature of the company's operations exposes them to numerous risks that could materially adversely affect their financial condition and results of operations.
- The company may not be able to successfully develop new production processes and adopt new original design manufacturing capabilities, if they are unable to identify emerging trends and are not able to predict customer preferences.
- The company has had negative cash flows from operating activities in the past and may continue to have negative cash flows in the future.
- The company has in the past entered into related party transactions and will continue to do so in the future and it cannot be assured that they could not have achieved more favourable terms if such transactions had not been entered into with related parties.
- The company's dependence on their Subsidiaries exposes them to significant risks.
- The company's business requires them to obtain and renew certain accreditations, licenses and permits from government, regulatory authorities including in relation to quality standards and the failure to obtain or renew them in a timely manner may adversely affect their business operations.
- The company's business and results of operations are dependent on the contracts that they enter into and/or purchase orders that they enter into. Any breach of the conditions under these contracts may adversely affect the business and results of operations.
- The company's operations depend on the availability of timely and cost-efficient transportation and other logistic facilities and any prolonged disruption may adversely affect the business and results of operations.
- There are outstanding litigation against the Company, their Promoters, Directors and Subsidiaries. An adverse outcome in any of these proceedings may affect the company's reputation and standing and impact their future business and could have a material adverse effect on the business, financial condition, results of operations and cash flows.
- The company has, in the past, been in non-compliance with certain reporting requirements under FEMA, within the prescribed period.
- The company is required to comply with certain restrictive covenants under their financing agreements. Any non-compliance may lead to, amongst others, suspension of further drawdowns, which may adversely affect the business, results of operations and financial condition.
- The company's Promoters, certain of the Directors, Key Managerial Personnel and Senior Management Personnel may have interests other than reimbursement of expenses incurred and normal remuneration or benefits.
- The company has certain contingent liabilities that have not been provided for in their financial statements, which if materialized, may adversely affect the financial condition.

Please read carefully the Risk Factors given in detail in section II (page 41 onwards) of RHP

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Registration details:

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Stock Broker – Registration No. - INZ000195834

Corporate Identity Number: U67120MH1998PLC115415

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