Management Discussion

Suresh Veerappan - Chief Financial Officer, Avalon Technologies Ltd
Private Limited. As a reminder, all participant 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 star then 0 on your touchtone phone. Please note that this conference is being recorded.

Operator
I now hand the conference over to Mr. Ajit Shah from 361 Capital Markets Private Limited. Thank you, and over to you, sir. Please proceed.

Archit Shah - Analyst, 361 Capital Markets
Thank you, Shailendra. Good afternoon everyone and a warm welcome to the Q2 FY27 earnings call of Avalon Technologies Limited. To take us through the results today, we have with us from the management Mr. Kunal Mitt Bichar, Chairman and Managing Director, Mr. Suresh V.R., Chief Financial Officer, Mr. Sriram Vijayaraghavan, Chief Operating Officer, and Mr. Venki Venkatesh, Chief Sales Officer. Mr. Bichar will give us an overview of the business performance and will be followed up by Mr. Suresh's remarks on the financial performance, post which we'll open up the floor for question and answer.

As we move forward, it is important to bear in mind that 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 his initial remarks. Thank you, and over to you, sir.

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Thank you, Archit. Good afternoon, everyone. A very warm welcome to Avalon Technologies Q2 and H1 FY27 earnings call. I would like to begin by thanking our investors for the continued trust and support. Your confidence in Avalon keeps us focused On delivering on our growth, on our growth plans. Q2 FY27 marks our 9th consecutive quarter of growth. More importantly, we continue to demonstrate that Avalon can deliver growth with profitability and capital efficiency. Our performance improved across many key parameters.

Revenue grew 37%. EBITDA grew 71% and PAT grew nearly 60% year on year. EBITDA margins improved and gross margins stayed within our guided range. ROCE and asset turns improved further and net working capital remained at a sustainable level. This is the operational leverage we have been working towards- profitable growth better margins, and stronger return on capital. Our work on complex mission-critical programs increased further as a share of revenue. Our order book also grew, giving us good visibility.

We have consistently delivered against our commitments, and our focus remains unchanged: sustainable growth, margin expansion, and disciplined capital allocation. We owe this to our customers, shareholders, and employees. Beyond our quarterly performance, we made 2 strategic moves that Avalon- that position Avalon for its next phase of growth. First, we signed a memorandum of understanding with the government of Tamil Nadu for an advanced electronics manufacturing facility, secured 25 acres of land at SIPKOT Industrial Park, Orgadam.

This will support our growth over the coming decade. Second, we entered a joint venture with Zollner Elektronik AG, a leading European EMS company. The joint venture brings together Zollner's

engineering expertise and global customer relationships with Avalon's manufacturing capability in India. We'll talk about both of these developments in more detail later. Moving to the financial Highlights. Revenue for Q2 FY27 was at Rs 525 crores, up 37.4% year on year from Rs 382 crores in Q2 FY26, and up 8.5% over Q1 FY27.

During the quarter, India contributed 29% of revenue and export business contributed 61%. India business grew 37% year on year and export business grew 38% year Thank you. Growth was broad-based across our key verticals. Industrial vertical contributed 35% of revenue, growing 36% year on year. Clean energy contributed 29%, more than doubling year on year. Mobility contributed 25%, growing at 27%. Within mobility, rail contributed 17%, and aerospace 8%, growing over 40%. This diversification across markets continues to be a key strength of our business.

Our gross margin for the quarter was 34.1%, within our guided range of 33 to 35%. Our gross margins have stayed stable over the last 6 years despite tariffs, global conflicts, rising freight and raw material costs. This reflects the strength of our customer relationships.

Shriram Vijayaraghavan - Chief Operating Officer, Avalon Technologies Ltd
EBITDA

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Was at 66 crores, up 71% year on year. EBITDA margin improved to 12.6% from 10.1% a year ago and 12.12% in Q1. Which reflects the operating leverage. Profit after tax was at Rs 40 crores, up 59.5% year on year, with a PAT margin of 7.5%. For H1 FY27, revenue was at Rs 1,010 crores, up 43% year on year. EBITDA grew 81%, PAT grew 91% over the same period. Our order book grew 27.1% year on year to Rs 2,367 crores, providing strong revenue visibility over the coming quarters. Order book has an average- has an average execution period of 14 months.

Long-term contracts with execution timelines ranging from 15 to 36 months is at Rs 1,275 crores. Importantly, this growth is diversified across geographies and industry verticals. India manufacturing operations, which serve both domestic and global customers, contributed 74% of our revenue in Q2 FY27, delivered an EBITDA margin of 17.1% and a PAT margin of 11.4%. Our US operations continue to make steady progress With losses reducing substantially year on year to Rs 4.8 crores. The US footprint remains strategically important for the customer- for customer acquisition, acquisition qualification, and strengthening our global manufacturing proposition.

Net working capital days improved to 120 days in September 2026, to 131 days from 131 days a year ago. This was driven by a reduction in trade receivable days from 80 to 73 days. And an improvement in trade payable days from 50 days to 54 days, while inventory days remained stable at 101 days. Asset turns improved from 8.7 to 10.7 times. Return on capital employed improved from 18.4 to 24.2%. Now, more on the 2 developments we mentioned earlier. First, on our new manufacturing campus at Orgadam, we have signed a memorandum of understanding with the Tamil Nadu government for an advanced electronics manufacturing campus.

This 25-acre campus is a strategic investment in Avalon's next decade of growth. Most of it will support Avalon's growth, with some areas set aside for the joint venture. Our phased development approach allows us to expand capacity while maintaining capital discipline. The detailed plan and timelines are being finalized, and we will share more in the coming quarters. We thank the Government of Tamil Nadu and SIPCOT for their support. Second, on our joint venture with Zollner Electronic AG- Zollner is one of Europe's leading EMS companies.

With more than 6 decades of experience and over 12,500 employees across 26 locations worldwide.

The joint venture, Zollner Avalon Private Limited, will focus on PCB assembly, box build, and integrated systems in India. Avalon can supply the JBL components such as metals, plastics, and cable harnesses. It will initially serve the India operations of Zollner It will initially serve the India operations of Zollner's established global customers in rail, industrial, test and measurement, medical and life sciences, and other sectors.

Medical and life sciences and test and measurement will be new verticals for Avalon. At the start, Zollner will hold 51% and Avalon 49%. This lets Zollner lead the early operations drawing on customer relationships and engineering expertise. 3 years after the joint venture starts commercial production, Avalon will have an option, subject to certain conditions, to buy 2% and become the majority shareholder at 51%. So the structure gives Avalon a clear path to majority as the business matures. The Zona partnership is a strategic accelerator for Avalon.

For Zollner's customers, it offers a ready manufacturing base in India. For Avalon, it gives access to Zollner's global customer relationships and expands their presence in high-complexity manufacturing. It is a natural extension of our strategy- high mix, high complex products, long product lifecycles, and long-term customer relationships. Until the JV's own facility is ready, the joint venture will outsource production to its- of its new customers to Avalon. Our relationship with Zollner goes beyond the joint venture.

To strengthen this further, our board has approved a preferential issue of warrants to Zollner of up to Rs 425 crores. This is subject to shareholders' approval at the AGM. Once the warrants are converted, Zorno will become a shareholder in Avalon. This aligns our long-term vision of our partnership. The warrants also gives us flexibility. Zorno pays 25% of the allotment and the balance on conversion within 18 months. This lets us raise capital in step with our needs. The proceeds will be used for capital expenditure, debt repayment, and general corporate purposes.

Now on to key business updates. Programs we won in earlier quarters continue to move from development into production across our verticals. In semiconductor equipment, we continue to build on our partnership with global industry leaders, and we see a healthy pipeline. In rail production of locomotive engine subsystems, is progressing well, and our Kavach program remains on track. In aerospace, cabin sub-assemblies are moving into volume production. We are also widening our reach. We continue to grow in Southeast Asia and Europe.

Moving to our outlook, given our strong H1 performance and a healthy order book, we are raising our FY27 revenue growth guidance to around 30%. From 26% to 30% earlier. At the same time, we remain mindful of the global environment. The timing of new programs moving from prototype to production depends on several external factors. Thus, we continue to plan with measured optimism. We nearly achieved our '24 to '27 revenue doubling goal a year, a year ahead of schedule. We have now set the goal of doubling revenue again from FY26 to FY29.

With a growing order book, expanding capabilities, and strategic investments, we are confident and are on track to achieve this. To conclude, H1 FY27 has been a good period for Avalon. With the Oregon campus and the partnership with Solna, we have also laid the foundation for our next phase of growth. Our priorities remain clear. Sustain profitable growth, improve capital efficiency, and build capabilities. We believe Avalon is well positioned for the opportunities ahead. Avalon is built on trust of our customers, our shareholders, and our employees, and we thank them for that.

With this, I will hand over to our CFO, Sudesh Veerappan, to take through our financial performance in more detail. Thank you.

Suresh Veerappan - Chief Financial Officer, Avalon Technologies Ltd
Thank you, Kebi. Good afternoon everyone, and thank you for joining us today. Let me take you through our financial performance for the quarter and the half year. Revenue for Q2 FY27 was Rs 525 crores, up 37.4% year on year and up 8.5% sequentially from Q1 FY27. Over the last 9 quarters, our revenue growth has averaged 45%. Box bill, which reflects our more complex work, has grown from 44% of revenue in FY22 to 61% in Q2 FY27. This improves the quality of our growth. Gross profit was Rs 179 crores, up 36.6% year-on-year from Rs 131 crores in Q2 FY26.

Gross margin was 34.1%, within our guided range of 33 to 35%. EBITDA was Rs 66 crores, up 71% year-on-year, with a margin of 12.6%. Compared with 10.1% in Q2 FY26 and 12% in Q1 FY27. Depreciation was Rs 10 crores and finance cost were Rs 4 crores. PAT grew 59.5% year-on-year to Rs 40 crores and PAT margin improved to 7.5% from 6.4%. Other income was lower at Rs 3 crores against Rs 8 crores in Q2 FY26. For H1 FY27, revenue was Rs 1,010 crores, up 43.1% year-on-year. Gross profit was Rs 347 crores, up 41.1%, at a margin of 34.4%.

EBITDA was Rs 124 crores, up 81%, with margins improving by 257 basis points to 12.3%. PAT was Rs 75 crores, up 19.6%, with margins improving by 188 basis points to 7.4%. For H1 FY27, customers in India contributed 40% of our revenue, And export customers, 60%. By manufacturing location, India contributed 73% and US 27%. Our India manufacturing operations continue to deliver strong profitability. In Q2 FY27, India manufacturing delivered an EBITDA margin of 17.1% and a PAT margin of 11.4%. It remains the driver of our consolidated margins.

Our order book stood at Rs 2,367 crores. Order intake during the quarter was about Rs 684 crores. This gives us good visibility for the coming quarters. Moving to the balance sheet, net working capital improved to 120 days in September 2026 from 131 days a year ago. On a sequential basis, net working capital moved from 117 days to 120 days as we built inventory for programs wrapping up in the coming quarters. At 120 days, Net working capital remains within our guided range of 120 to 130 days. Cash flow from operations was negative Rs 22 crores in Q2 against positive Rs 32 crores in Q1.

For H1 as a whole, operating cash flow was positive Rs 10 crores. Total debt was Rs 311 crores as of September 30th, up from Rs 196 crores at June 30th, mainly to fund our higher working capital needs. Cash and investments were Rs 189 crores, giving net debt of Rs 120 crores. Net debt to equity was 0.15 compared with 0.03 in Q1. Even with the inventory build this quarter, net debt is about 0.5 times EBITDA. We continue to grow without stretching the balance sheet. We are also pleased that Dun Bradstreet has upgraded Avalon's rating to 5.82.

Asset turns of 10.7 times reflect our CapEx-led model, up from 9.9 times in FY26 and 7.5 times in FY25. In H1 FY27, our CapEx was Rs 90 crores, and we continue to invest in the capabilities we believe will matter. Return on capital employed improved to 24.2% from 20.6% in FY26 And 10% in FY24. As KP mentioned, our board has approved a preferential issue of warrants of up to Rs 425 crores to Zolon Electronics AG, subject to shareholders' approval at the AGM. 25% is payable on allotment and the balance on conversion within 18 months.

This gives us added financial flexibility while strengthening our long-term partnership with Zolon. Our board has also approved an investment of Rs 11 crores in Reverse Autotech PT Limited, Through convertible notes. Trivox designs and makes electronic hardware for EV chargers. This is a small strategic investment into the fast-growing EV charging space. As we prepare for the next phase of growth, we are also investing ahead in talent, leadership, and organizational capabilities. These investments come ahead of the business scale-up and will help us support Avalon's growth over the

coming decade.

To summarize, Q2 FY27 shows continued progress across our key financial metrics. Margins and returns improved, and our balance sheet remains healthy as we invest in inventory and people for the growth ahead. We remain focused on profitable growth and disciplined use of capital. Growth means little without the trust that enables it. Thank you for yours. We will do our best to keep earning it. With that, I request the moderator to open the floor for questions. Thank you.

Questions & Answers

Operator
Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from Santosh Sheshadri from Avendus Spark. Please go

Santosh Seshadri - Analyst, Avendus Spark
Ahead. Very good evening. Thanks for the opportunity and congratulations for a good set of numbers. So my first question is on some of the newer growth segments. So can you spend some time talking about the segments like semiconductors and also the railways and HVAC segments? So how are the customer additions and product approvals progressing here? And are we already seeing some sort of revenue contribution from these segments? And when should we expect them to ramp up?

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Thank you, Santosh. Good question. So let's first address the first part which you said. Today, There is revenue for semiconductor equipment. It is in the industrial sector. Okay, we club it under industrial. As soon as it becomes substantial revenue, which we believe it will in the coming quarters, close to around 10% of our revenue, we will segregate that out as semiconductor equipment. We are also working just not with one or two, we are working with 4 or 5 customers globally, and a lot of them are on various stages of conversion, or it takes a period of, you know, 1 to 2 years to get their comfort in what we do.

Railways has been the second, has been with us for what, 14 years, 12 to 14 years. So we are adding not only customers, we are adding new products. On a, I would say, quarterly, half-yearly basis from existing customers as well as new customers. We also see with the joint venture some European rail customers will also be added in time. Again, it's not overnight, it takes a period of time to get them converted. The last piece is HVDC. We continue to work with the 2 global leaders when they win projects Again, it's long drawn out.

We do see activity on our end. Did I answer your question, Santosh?

Santosh Seshadri - Analyst, Avendus Spark
Yes, sir. And just a follow-up on the semiconductors. You mentioned that you're engaging with multiple clients globally. How should we think about the revenue opportunity from the existing customer, existing anchor customer, and the overall revenue opportunity? And, you know, over the medium term, maybe like 2 to 3 years down the line, how big, uh, you know, this business could be? Can you put a number to that?

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
I don't want to put a number. I would say, you know, in a period of 12 months it'll become another segment, if that's okay with you. And you know why, I've told you the percentage, easily that.

Santosh Seshadri - Analyst, Avendus Spark
And also on the Zollner JV, uh, you know, have you started engaging with, uh, Zollner's, uh, customer base, uh, in, in India already? Yeah, can you give us some sense of what was the initial feedback and how should we think about, uh, yeah, you know, the revenue contribution? Also, uh, you know, the segments that we are going to cater to, uh, through Zollner JV?

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Absolutely. Yeah, we have multiple customer visits, okay, mostly European customers, uh, with interest to create a manufacturing base in India. And these are customers who have worked with Zollner sometimes 20 years, sometimes 30 years. So we are seeing a lot of activity, and actually the activity started before signing the JV, so we don't lose time because we took a year to kind of finalize- Zollner took a year to finalize who the JV partner was. But around 6 months back when they decided, from that time we've been engaging multiple visits, multiple industries.

And I feel very positive, and I believe this for Avalon is a strategic accelerator into the future. And all the numbers we speak today are, you know, organic, and we hope that we can give you a better feel in the future.

Santosh Seshadri - Analyst, Avendus Spark
And does that open up any new segment, and how are we positioned in terms of capability?

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Again, it's, uh, it's interesting because, see, when we entered the semi-cap or semiconductor equipment business around 2 years back, you know, starting to move there. The next segment we always thought was test and measurement, which ties to this, is this test and measurement in the semiconductor space. And the other piece was medical and life sciences. These were the 2 sectors we were eyeing after we settled down with the semi-cap equipment, and we thought we'll do it one step at a time. And as you know, we're very conservative.

We don't want to rush into too many things. So what the Zollner relationship brings to us is the credibility for these 2 segments instantly, because their largest customers are in this space and have been there for the last 20 or 30 years. So if they decide to move to India. We will do these 2 segments in JV. Apart from this, Zollner's other customers, whether it's rail, whether it's industrial, any other segment will also come in. The good part of the, uh, the JV is that the JV will only do box assembly and PCB assembly.

All the- Parts which go into like metal or cable assemblies or plastics or magnetics, transformers, will be made by Avalon. So I think it is, you know, like I said earlier, it's a strategic accelerator for us. And we believe this is over a period of time. Again, things don't happen overnight. A period of time will be a significant part of what we do. And as you know that we also have an option to take majority in a few years, which I think is the right move from both sides. Did I answer your question?

Yeah,

Santosh Seshadri - Analyst, Avendus Spark
Absolutely. Uh, thank you very much, sir. Uh, all the very best wishes.

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Thank you so much.

Operator
Thank you. The next question is from Siddharth Veda from Nomura. Please go ahead.

Siddharth Bera - Analyst, Nomura
Yeah, thanks for the opportunity, sir, and congratulations on a good set of numbers. Uh, sir, first question is, uh, on, uh, this semi part again. I mean, uh, possible to highlight what percentage of the industrial revenue it will be now? And in terms of our order book also, we did see about Rs 7 billion, uh, sort of order inflows in the current quarter. Uh, what percentage will be semi, uh, within that? And, uh, what is the addressable content now in a semi, uh, given that we had said in the past that we were adding a few other more components.

So what will be, uh, is the percentage of value will it be now? And now with Zollner, how do you see that moving in the next couple of years?

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
So on the ChemiCap equipment, you know, we had a start and when we said around 6 months or 9 months back that we're entering this, we had worked on it for, for a year previously. So the first set of revenues have come in and it will increase, um, into- the orders are there into Q4 and next year. And we are also working on multiple other projects within the same customer which can substantially increase our revenues. But our goal now is, you know, how do we diversify from one customer? And then we are seeing a lot of good activity where we can say that we've got our second customer, where we've got our third customer.

We see a lot of activity towards closure of these accounts, and this is slowly getting like like I said as soon as we get in the next year to that ten percent of our revenues, which are higher revenues if you look at our growth, we will of course segregate it out. But again, as an addressable market, we are just in the tip of an iceberg. You know, it's how much. We can work towards and how much capabilities we build. This is not just a step and repeat. Each of these customers need different capabilities, different functionalities, which we work for a few quarters to get those functionalities and capabilities in-house before the customer actually kicks in.

But we are working with the customer much earlier. So the 2nd and 3rd customer, we already created the capabilities. To make sure that, you know, a few quarters from now- we're expecting it to be earlier- and that we can cut them in half.

Siddharth Bera - Analyst, Nomura
Does that answer your

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Question?

Siddharth Bera - Analyst, Nomura
Yes, sir. So second question is on the SBDC side. I mean, here we have been working for quite some time and some of our customers are also seeing a very strong demand traction. So Uh, when do you expect, uh, orders or revenues to start flowing in this segment, uh, going ahead?

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
So it's, it's a project-based revenue for us, and one of our largest customers, um, uh, in this segment is, you know, uh, we have revenues. It's not- we are hoping for the next big jump, which may, uh, come, uh, you know, a couple of quarters from now, or because it's a long drawn-out project phase. It's depending on how much our customer wins. We know that a year or 2 later we get, we get the business.

Siddharth Bera - Analyst, Nomura
Understood, sir. Thanks a lot. I'll come back. Thank

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
You.

Operator
Thank you, sir. The next question is from Saksham Tiagi from Despilado Advisory. Please go ahead.

Saksham Tiagi - Analyst, Despilado Advisory
Hello, am I audible?

Operator
Uh, yeah, yes, sir.

Saksham Tiagi - Analyst, Despilado Advisory
Thanks for the opportunity, sir. So my first question is on the international manufacturing facilities. So, uh, since we have only one manufacturing facility in Atlanta, US as of now, so how are we planning to do that? Like, are you planning to set up some more factories, or are there any acquisitions lined up? If you could give some colors on that.

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Our heart is always in India. I mean, the only reason we have a US facility is to make sure the products flow from the US to India. So it's a factory which starts where customers get their confidence to move to India, and it's always been that. And we have no intention of starting other factories or acquiring people outside. India is a manufacturing base, and, you know, and India is around 72% of revenue, um, 74% of revenue this quarter, and which is at 17.1% EBITDA and, uh, 11.4%.

Saksham Tiagi - Analyst, Despilado Advisory
11.4%

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
PAT. So our intention is to move more to India, and this is just- this facility in the US just facilitates that. And, um, and that's the reason, uh, we have the facilities. There's no intention to do that. For example, a customer wants to make something in Europe, we'll make it through our joint venture partner Zollner, who have multiple factories in Europe.

Saksham Tiagi - Analyst, Despilado Advisory
Okay, sir, understood. And sir, uh, secondly, can you give some colors on the hybrid model? Like, how does it work and what kind of benefit is it contributing to the business?

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
The hybrid model is, um, ideally We want to make everything in India, but certain customers say, can you do final assembly in the US? Okay, so we do a small portion. The smaller portion we do in the US, the better. So we do- the labor-intensive part is done in India and the final assembly is done in the US, and that's the hybrid model. But ideally, we want to do 100% in India.

Saksham Tiagi - Analyst, Despilado Advisory
Okay, and is there anything that you are planning to make the Indian labor-intensive manufacturing kind of automated like the US facility or something like that?

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
No, it is to a certain extent well automated. Since we do complex assemblies, you know, we are not doing millions of units. We are doing high mix, high volume- sorry, high mix, low volume, high value products. Some of our products are 100,000, you know, 2 crores or 3 crores per. So the mission criticality of that, there is labor involved. Involved. There's a lot of testing time and labor, so we intend to keep with it.

Saksham Tiagi - Analyst, Despilado Advisory
Okay, sir, understood, sir. Thank you very much and all the best for the upcoming quarter.

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Thank you, sir.

Operator
Thank you. Thank you, sir. The next question is from Mr. Tanay Shah from Dam Capital. Please go ahead.

Tanay Shah - Analyst, DAM Capital
Yeah, hi, sir. Good afternoon and thank you for the opportunity and many congratulations on a strong set of numbers. So my first question is on the Zollner JV, right? I mean, while we spoke about it in detail, we understand that Zollner is almost a $3 billion revenue group in Europe. How much of that $3 billion which they do globally do we expect to move to the JV, let's say, in 2 to 3 years? And how big can it be from our perspective? Just want to understand that a little better.

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
So we are, uh, like I said, a lot of the Zollner visits have happened and will continue to happen. Okay, and it's a $3 billion group, so you know the potential is high. So anything which a Zollner customer wants, an India manufacturing base, so we are instant. We don't need to start it up. There's no greenfield, brownfield, whatever it is. We make it in Avalon in the beginning. When the JV facility comes up, we move it to the JV. So there's substantial potential, but I don't want to comment on the numbers and all that.

But as you said, it's a $3 billion group, so, you know, you've got 60 Avalons in there.

Suresh Veerappan - Chief Financial Officer, Avalon Technologies Ltd
I would just like to add that the strategic benefit to Avalon, and this is access to the global European customers, entry into some new vertical sectors and measurement and advancement of high complexity manufacturing capabilities as well. So that is critical.

Tanay Shah - Analyst, DAM Capital
So no particular number right now that we have in mind that let's say by FY30 Zollner has intentions to shift a certain percentage of their manufacturing to India via the JV?

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
No, no, it's not shifting. It is letting their customers come to India who want a customer base. In India. Okay, and there is- I wouldn't call it shifting. Okay, I would call it, you know, strategic sourcing in India. Okay, and whenever the customer wants to build in India, which is happening more and more for the India market as well as for export, they have the option to start. And we are seeing a lot of activity. I really don't want to give a number because it's potentially, you know, I would only say it's a strategic

Suresh Veerappan - Chief Financial Officer, Avalon Technologies Ltd
Accelerator.

Tanay Shah - Analyst, DAM Capital
Got that, sir. Got that. So my second question is that now we've almost seen a second consecutive quarter on EBITDA for the U.S. Manufacturing, which is almost at breakeven levels. So can we assume that this revenue base of, let's say, 135 to 140 crores has become the base requirement to absorb all the U.S. Costs? And year on, we can only expect the profitability to improve for U.S., or do we expect even cost structures to sort of improve Or other version of their over a period of time?

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
So the way we look at US is that, you know, to enable more of India business. In that sense, as the geopolitics change, if you go back in time, you know, FY25 it was, right, when the tariffs came, we have to do more manufacturing in the US. In an ideal situation, I don't want to do more manufacturing in the US. More beneficial for the group to do it in India. Okay, so this number, it will change with geopolitics and we have to deliver the change. So US is the strategic location for us to get production into India.

That's how we look at it. And it's more of a cost center in that sense. The more we can move to India, we can sustain the higher EBITDA. The reason India manufacturing has got the 17 point 1% EBITDA is because a lot of these products have done the stopover and then come to India. Okay, so we will continue to do that, but we will adjust according to geopolitics. You know, there's sometimes there's no reason to do as much as, uh, this in India, which the geopolitics has changed in the last couple of weeks.

Uh, we believe more customers will be able to come directly to India, and we'll have to adjust to that.

Tanay Shah - Analyst, DAM Capital
Yeah, absolutely, that makes sense. So my last question would be that the H1 CapEx which we've seen, right, uh, is almost at 90 crores. Which is way higher than our usual run rate of 45 to 50 odd crores for the last 2 to 3 years. Any specific CapEx that we've had to put up for, you know, any of our new programs? Like for example, semicon equipment, did that require higher CapEx or any new program required higher CapEx?

Suresh Veerappan - Chief Financial Officer, Avalon Technologies Ltd
Included approximately 53-54 crores of CapEx for the land acquisition, 23-acre land acquisition in Moragadam, Chennai. That's the new campus we are intending to build in the coming quarters. So

that's the run-off over there.

Tanay Shah - Analyst, DAM Capital
Oh, okay. Got that. So that

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Includes that whole land acquisition for our next, I don't know, 5 to 10 years of growth. We need the land. So that, that part has come into, um, in the CapEx last quarter.

Tanay Shah - Analyst, DAM Capital
Perfect, perfect. Thank you so much for answering all my questions and wishing you all the best.

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Thank you, Tanay.

Operator
Thank you. The next question is from Achut Prabhat from Dijan Capital. Please go ahead.

Achut Prabhat - Analyst, Dijan Capital
Hello, sir. My first question is on your opening comments. You told that you are ready with next phase of growth. So I want to understand, are you doing any capacity expansion or entering any new business vertical, sir?

Shriram Vijayaraghavan - Chief Operating Officer, Avalon Technologies Ltd
So, um, hi Ashutosh, thanks for your question. So a couple of things, uh, first thing, uh, Mr. Bichcha mentioned at the beginning was that we've made a strategic investment in a 25-acre property in Oragadam in the state of Tamil Nadu. That is, uh, for us, uh, to build a factory or set of factories for the next phase of growth. That is a key, uh, expansion that we indicated, and this is essential for us Uh, in order to facilitate growth within Avalon as well as, uh, with our JV partner that we just announced this quarter.

Achut Prabhat - Analyst, Dijan Capital
Okay. Um, and I think EBITDA margins improved to 13% from 10%. So what is the reason behind it? And can we- are these margins sustainable, sir, going forward?

Suresh Veerappan - Chief Financial Officer, Avalon Technologies Ltd
12.6% is the EBITDA percentage in Q2 FY27. Operating leverage has helped play play out with the increase in revenues, and considering that most of our expenses below gross margin are fixed or semi-fixed in nature. For example, for example, if you look at our employee cost, in this quarter employee cost percentage of sales is 16.1 percent in comparison to 18.3 percent a year ago. So operating leverage playing out is the key reason over there.

Achut Prabhat - Analyst, Dijan Capital
So this margin, so sustainable, right sir, going power?

Suresh Veerappan - Chief Financial Officer, Avalon Technologies Ltd
Looking at from a 3-year perspective, we would like to improve from here

Achut Prabhat - Analyst, Dijan Capital
Also. All right, improve. Okay, that is wonderful, sir. And, uh, apart from this, sir, what is the current

order book and execution timeline?

Suresh Veerappan - Chief Financial Officer, Avalon Technologies Ltd
Our current order book is Rs 2,367 crores, executable over an average period of 14 months. In addition to this, we have long-term contracts of Rs 1,275 crores. Which is executable between 15 months to 36 months.

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Okay. And we also have orders past that, we don't include that.

Achut Prabhat - Analyst, Dijan Capital
Okay. And my last question, like every year we can see that generally, uh, you're growing quarter on quarter and your H2 is always heavier than H1. So even this year we can expect, uh, H2 better than H1, sir?

Suresh Veerappan - Chief Financial Officer, Avalon Technologies Ltd
See, uh, what you've highlighted is a revenue growth guidance of around 30%. Uh, considering the macro environment and everything. So that is something that you can expect.

Shriram Vijayaraghavan - Chief Operating Officer, Avalon Technologies Ltd
And, you know, generally we've guided FY26 to FY29, we are hoping to double the revenue. You know, some quarters here, there, up and down, you'll always see because our, you know, programs take time to come on. These are complex box builds, so the kick-in date is not really well known. I mean, we know LV plus minus. So when those kick in, the revenues will come in, right? But you should look at us over a longer-term horizon, not quarter to quarter.

Achut Prabhat - Analyst, Dijan Capital
Okay, thank you for that answer. Thank

Shriram Vijayaraghavan - Chief Operating Officer, Avalon Technologies Ltd
You. Thank

Operator
You. The next question is from Mr. Mayank Pandey from MK Global. Please go ahead.

Mayank Pandey - Analyst, MK Global
Hi, sir. Congratulations on a good set of results and thank you for the opportunity. Uh, my first question, sir, is like you earlier mentioned that 10% of your revenue will be from semiconductor equipment in the next, say, 12 months. So if you could just give me some sense that this 10% is coming from the one customer that we have, we are close to, the one which we are ramping up right now, or does that also include additions from new customers coming in that vertical as well? That is question 1.

And question number 2, if you could also give us some similar percentage ballpark for the HPDC opportunity that we have. And from what year we expect it to contribute to our top line? Uh, those are my 2 questions. Thank you.

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Okay, let me just rephrase what I said. I said when it comes to 10%, we'll split it into a new vertical. So, and we hope that comes sooner than later. Okay, so it's not like it's 10%. It- when it comes to

10%, we'll split it as a, as a vertical, and we are very confident that that will happen. In the near to midterm. Okay, and because it takes time to cut in the different programs. HVDC, yes, we are excited. You know, as our customer wins more programs, we, we would, but we don't want to give a percentage.

That will always be in the industrial side.

Suresh Veerappan - Chief Financial Officer, Avalon Technologies Ltd
Just to add to that, our growth has been really diversified. If you look at our rail, it is 39%. Aero has grown at 44%. Industrial has grown at 43%. So the growth has come well diversified across verticals and across geographies.

Mayank Pandey - Analyst, MK Global
So my limited question was actually on the 10% for the semiconductor. If and when that 10% happens, as and when that happens, will that be from the current customer that we are working with, or will that also include like new customers that we are hoping to win in the coming quarters?

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Okay, we hope it will be from the current customer, and the second and third, uh, it will only add on.

Mayank Pandey - Analyst, MK Global
And if I may ask just one more question, are we seeing any evidence that, uh, our- because there's a lot of supply chain pressure that, uh, all the EMS players are calling out- so are we seeing any evidence that any of our customers are stockpiling inventory by buying a little bit in advance from the EMS players in India? Or you guys in specific, just to be better prepared for any kind of supply chain stress that may come later?

Shriram Vijayaraghavan - Chief Operating Officer, Avalon Technologies Ltd
So Mayank Sriram here. I, you know, I wouldn't say that. What I'd say is, you know, generally you find, you know, year to year there are supply chain constraints, there are situations across different components and parts. You know, these things are very tied down to specific industry uses. And specific plant capacities. These are things that we are used to managing, and, you know, lead times move up and down all the time. We work through them. There's no specific anything like what you've mentioned.

These are, you know, sort of day-to-day things that we work with. It is- there have been tough times in the past, and we come across components that are challenging, but nothing to the extent that you're

Suresh Veerappan - Chief Financial Officer, Avalon Technologies Ltd
Talking about. To add 2 points over there, One, if the question is if there is any lumpiness in the sales, the answer is no. There can be evidence through the last 9 quarters average growth of 45%. And second, the growth is well diversified across geographies and verticals. So that also is evident there.

Mayank Pandey - Analyst, MK Global
Right, sir. Understood.

Sumit Sinha - Analyst, Macquarie
Thank you.

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Thank you, ma'am.

Suresh Veerappan - Chief Financial Officer, Avalon Technologies Ltd
Thank you, ma'am.

Operator
Thank you. The next question is from Samit Sinha from Macquarie. Please go ahead.

Sumit Sinha - Analyst, Macquarie
Yes, thank you very much. Going deeper into the Zollner, can you give us kind of a sense of timeline now that you've signed the financing, etc., also has been concretized? How do you see it progressing? You know, can you give us, let's say, some ballpark timing in terms of 6 months, the Lines will be set up, production will begin in 12 months, et cetera, that'll be helpful. Second is, considering that you're going up in terms of capabilities now, you have some prominent partners in Zollner. Any thoughts on kind of ODM revenues, which would make you more strategic to customers?

And third question is- actually, I'll come back to the third one later. If you can answer these 2. Thank you.

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Okay, I'll- the easier one is the second, ODM. ODM. Both Zollner as well as Avalon have no intention to get an ODM because we are not in the IP business. The day we get in the IP business, I think we will lose more customers, okay? Because we know we can make certain products at a reasonable cost, and then we start doing our own products, It is so, it is dangerous for the customer base. And to Zollner and Avalon have the same philosophy that we will not do ODM since customers are giving us hundreds of millions of dollars of IP to make their product.

So the day we start doing products of our own, it doesn't bear well with most of our larger larger customers. Then the first part of your question, yes, we are all excited about all the visits, you know, all things happening with Zollner visits and the customer visits, multiple stuff happening every month. But they're just getting used to the idea that Zollner's got an India base. Yeah, because you need time for them to- customers to digest as Zollner customers, and it could be substantial as we go forward.

So there's- a Zollner customer can start immediately if they so choose, because Avalon's going to make it to the new facility, come to the India Avalon facility. So I don't think there's a- But these customers usually, because of the size and nature and the relationship, it's not an instant start. So they go through their whole processes. They have to get Avalon facilities approved. The technical expertise can come from Solnor because they could be making this product, you know, for the last 10 years or so, right?

So it's a transfer internally between Solnor and Avalon. So I don't want to comment on when it will start, but if there's an opportunity there to start in the next, you know, in the short term, of course we will do it.

Shriram Vijayaraghavan - Chief Operating Officer, Avalon Technologies Ltd
And just to add to that, uh, I think it's still very early days in the relationship. Uh, these are all things, uh, that we're talking through, you know, between Zollner and us. So as there are updates, you

know, quarter to quarter, uh, as Suresh and KB mentioned earlier, we will give updates, uh, as, you know, these things

Sumit Sinha - Analyst, Macquarie
Got it. This is my final question. It's a follow-up actually to Zollner. What is the trigger for you to get that additional 2%?

Suresh Veerappan - Chief Financial Officer, Avalon Technologies Ltd
So the option is- we have an option to acquire an additional 2% stake, thereby taking our shareholding to 51%. This option is exercisable beginning 3 years after commencement of commercial production. At the JV's manufacturing facility, 3 years after the commercial production.

Sumit Sinha - Analyst, Macquarie
Okay, got it. Okay, thank you very much. Thank you, Sameer.

Operator
Thank you. Ladies and gentlemen, a reminder to all the participants, please press star and 1 on your touchtone telephone to ask any question. We will wait for a moment. Uh, we have Mr. Achit Shah from 361 Capital. Please go ahead, sir.

Archit Shah - Analyst, 361 Capital Markets
Yeah, uh, thank you for the opportunity. Just one question, sir. Uh, this entire, uh, the anti-AI sentiments that we are hearing and that we are seeing across the globe, even in India. So, uh, if let's say tomorrow if there are more data centers get stalled So are we hearing any restriction in order book or any potential impact in our scaling up plan in silicon ecosystem? Because somewhere it does come down the line if data centers get halted. So are you hearing from your clients whether they, uh, their order book getting impacted or getting delayed or anything?

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Uh, I don't believe so from what we have talked to, and I did personally talk to couple of them, uh, they're seeing a good line of sight, uh, for the next few years because a lot of this is not about what happens today, it is what, uh, what happens for the future of actually global economies because each country is trying to put more capacity, uh, in semiconductor manufacturing like India is doing. So I think it is more strategic for diversification away from certain countries into

Archit Shah - Analyst, 361 Capital Markets
Oh, okay, okay, got it, got it, sir. So basically maybe this is just a narrative and maybe also that our role is we are very small in the ecosystem, so we might not get immediately impacted or let's say next 4-5 years would not be impacted in terms of growth. Is that fair to understand? We

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Are just starting off, we are just starting off. Billions of dollars are there at

Archit Shah - Analyst, 361 Capital Markets
Play. And just last question from my side that this US EBITDA breakeven that we saw in this quarter. I don't know, I might have missed the question earlier if someone had asked. So is that sustainable, or will we see some ups and downs in the near quarter before getting sustained EBITDA break-even?

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
So see, um, the way we look at the business is the more we move to India, the better off we are from the margin standpoint, right? So with the tariffs and all that, we move- we didn't bring a lot more into India. Customers wanted to stay in the US. With the new geopolitics in the last couple of weeks, I don't know, but we are flexible. We are ready to move either way. Okay, so, um, so ultimately if you move more to India, it's, uh, more margins for the group. Uh, if the customer wants to keep it there, it's there.

It's more strategic rather than having the factory there is more strategic for us in getting high-value products into India.

Archit Shah - Analyst, 361 Capital Markets
Sure, sir. Thank you so much and all the best for the coming quarter, sir.

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Thank you. Thank you so much.

Operator
Thank you. The next question is from Mr. Sumanth Kumar from Motilal Oswal. Please go ahead.

Sumanth Kumar - Analyst, Motilal Oswal
Yeah, hi, sir. So my question is regarding this under clean energy. Can you talk opportunity in base for India and how Avalon is positioning there in the clean energy in base in India?

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Yeah, Sumanth, hello, Sumanth. So for us, most of clean energy is export.

Sumanth Kumar - Analyst, Motilal Oswal
Hello?

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Yeah, Sumanth, for us, most of clean energy is export.

Sumanth Kumar - Analyst, Motilal Oswal
Okay, so India can- are we exporting more in India because the overall government is incentivizing the BEST system and also clean energy side? So are we exploring, and can we see how things are going to shape up for us also in India?

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Yes, we do look at it, but then when we look at it, we can't say we are going for profitable growth. I can have growth at all costs, but I cannot have profitable growth because it's going to get commoditized in India sooner than later.

Sumit Sinha - Analyst, Macquarie
Okay, okay.

Operator
Thank you, sir. Operator request has been initiated. If you'd like to cancel this request, please press star 0 again. Mr. Ma'am, please go ahead.

Mayank Pandey - Analyst, MK Global
Yeah, hi, uh, sir. Just one more question. Uh, if you can give us any sense on what would be our customer concentration and also for the OneEdge FY27. And if any sense we can get on what have been new customer additions and what's been the revenue contribution from new customer additions, let's say in the last 1 or 2 years, how are they contributing to revenue as of now and how do we expect them to scale up?

Suresh Veerappan - Chief Financial Officer, Avalon Technologies Ltd
I'll take the first part of the question. And with respect to customer concentration, our top 10 customers for the first half is approximately 64%. As far as the customer additions?

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Yeah, so, so what is truly happening is our customers are coming in with larger ticket sizes. So as we, you know, previously mentioned, you know, 5 years back, top customers $5 to $10 million. 3 years back it was, you know, $10 to $20 million. Now we're seeing customer cut-ins at, you know, uh, $20 to $35 or $40 million. So in that sense, you're going to get a little bit top-heavy, but we got a number more- number

Operator
Of- Operator request has been initiated. If you'd like to cancel this request, please press star 0 again.

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Too many customers to get that number going.

Operator
Okay,

Tanay Shah - Analyst, DAM Capital
Thank you.

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
You're welcome.

Operator
Thank you. The next question is from Bhavik Mehta from JPMorgan. Please go ahead.

Tanay Shah - Analyst, DAM Capital
Hi, thank you. Just one question, uh, can you give some color in terms of how much CapEx we'll end up doing for this year and over the next couple of years given, you know, this expansion in Tamil Nadu as well as, uh, resolving the JV?

Suresh Veerappan - Chief Financial Officer, Avalon Technologies Ltd
Sure, got it. So last few years on average we did Rs 55-56 crores a year. This first half we did Rs 90 crores. Like we explained earlier, this 90 crores is also because we spent close to 385 crores for the land deal in Oragadam in Chennai facility. Over the period of next 2 to 3 years, there may be 2 years, the next year and the following year, 2 years where the CapEx may be slightly higher, but we will be able to share more finer details in the coming quarters as we Having said that, is this an approach of having a CapEx-like model?

Is that some- is something that you will continue?

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
For us, the asset-like model is a success. So once in 10 years, when you get this plan and get ready for the next stage of growth, you may have, you know, 1 or 2 years of a little bit more CapEx than usual. Like, you know, last 6 months You've seen actually, if we didn't get the land, CapEx is well within range or lower than expected. But we continue the path to an asset-light model with, you know, with our asset turns being in high single digits or higher. This quarter was a bit higher. Thank you, sir.

Operator
Thank you, sir. Uh, ladies and gentlemen, this will be the last question for the day. I now hand the conference over to management for closing comments.

Kunhamed Bicha - Chairman and Managing Director, Avalon Technologies Ltd
Thank you all for joining us today. With a healthy order book, a growing customer base, and the new foundations we have built this quarter, we remain focused on profitable growth. We thank our investors for the continuous support and look forward to updating you in the coming quarters. Thank you very

Operator
Much. Thank you. On behalf of 361 Capital Markets Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you. Thank you.