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AVALON TECHNOLOGIES LIMITED

Our Company was incorporated as Avalon Technologies Private Limited, a private limited company, at Chennai under the Companies Act, 1956 on November 3, 1998, and was granted the certificate of incorporation by the Registrar of Companies, Tamil Nadu at Chennai ("RoC"). Subsequently, the name of the Company was changed to Avalon Technologies Limited pursuant to a special resolution passed by the shareholders of the Company on July 8, 2022, and a fresh certificate of incorporation dated July 29, 2022 was issued by the RoC, consequent upon change of name upon conversion of a private limited company under the Companies Act, 2013. For further details of change in name and registered and corporate office of the Company, see "History and Certain Corporate Matters" on page 271 of the red herring prospectus dated March 23, 2023 filed with the RoC ("RHP").
Registered and Corporate Office: 8-7, First Main Road, NEPE, Tambaram, Chennai - 600 045, Tamil Nadu, India. Tel: +91 44 42205 400.
Contact Person: Dr. Rajesh V. Company Secretary, Compliance Officer and Legal Head. E-mail: investorsrelations@avalontechnic.com; Website: www.avalontechnic.com
Corporate Identity Number: U30007TN1998PL0343478



OUR PROMOTERS: KUNHAMED BICHA AND BHASKAR SRINIVASAN

INITIAL PUBLIC OFFERING OF UP TO [●] EQUITY SHARES OF FACE VALUE OF ₹2 EACH ("EQUITY SHARES") OF AVALON TECHNOLOGIES LIMITED (OUR "COMPANY" OR THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF ₹[●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹[●] PER EQUITY SHARE) (THE "OFFER PRICE") AGGREGATING UP TO ₹8,650.00 MILLION (THE "OFFER") COMPRISING A FRESH ISSUE OF UP TO [●] EQUITY SHARES BY OUR COMPANY AGGREGATING UP TO ₹3,200.00 MILLION (THE "FRESH ISSUE") AND AN OFFER FOR SALE OF UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹5,450.00 MILLION.

Name of Selling Shareholder	Type of Selling Shareholder	Number of Equity Shares held as on the date of RHP	Offer for Sale of up to [●] Equity Shares aggregating up to	Weighted average cost of acquisition per Equity Share on a fully diluted basis (in ₹)*
Kunhamed Bicha	Promoter	17,430,799	₹1,310.00 million	2.15
Bhaskar Srinivasan	Promoter	13,505,309	₹1,720.00 million	2.33
T P Imbichammad	Promoter Group	1,050,587	₹160.00 million	2.01
Mariam Bicha	Promoter Group	482,650	₹100.00 million	3.79
Anand Kumar	Others	4,164,792	₹755.00 million	23.90
Sareday Seshu Kumar	Others	3,396,079	₹650.00 million	0.01
Luqman Veedu Ediyanam	Others	5,350,942	₹755.00 million	61.59

*As certified by Mohan & Venkataraman, Chartered Accountants in their certificate dated March 23, 2023.

The Offer is being made in accordance with Regulation 6(2) of the SEBI ICDR Regulations.

QIB Portion: Not less than 75% of the Offer | Non-Institutional Portion: Not more than 15% of the Offer | Retail Portion: Not more than 10% of the Offer

PRICE BAND: ₹415 TO ₹436 PER EQUITY SHARE OF FACE VALUE OF ₹2 EACH.

THE FLOOR PRICE IS 207.50 TIMES THE FACE VALUE OF THE EQUITY SHARES AND THE CAP PRICE IS 218.00 TIMES THE FACE VALUE OF THE EQUITY SHARES. BIDS CAN BE MADE FOR A MINIMUM OF 34 EQUITY SHARES AND IN MULTIPLES OF 34 EQUITY SHARES THEREAFTER

OUR 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. THE SIZE OF THE FRESH ISSUE HAS BEEN REDUCED BY ₹ 800.00 MILLION PURSUANT TO THE PRE - IPO PLACEMENTS. ACCORDINGLY, THE REVISED FRESH ISSUE SIZE IS UP TO ₹3,200.00 MILLION.

Details of the Pre - IPO Placements:

Date of allotment in Pre - IPO Placements	Name of the allottee	Number of Equity Shares issued	Issue price per Equity Share (in ₹)	Amount raised (₹ in millions)
October 20, 2022	UNIFI Financial Private Limited	798,339	375.78	300.00
February 20, 2023	Ashoka India Equity Investment Trust Plc	1,173,543	426.06	500.00

In accordance with the recommendation of a Committee of Independent Directors of our Company, pursuant to their resolution dated March 23, 2023, the above provided price band is justified based on quantitative factors/ KPIs disclosed in the 'Basis for the Offer Price' section of the RHP vis-a-vis the WACA of Primary and Secondary transaction(s) disclosed in 'Basis for the Offer Price' section on page 141 of the RHP.

RISKS TO INVESTORS

- Our past profitability ratios have been low. There is no guarantee that the profitability ratios will improve in future and our company will be able to generate higher returns.

Particulars	Eight-month period ended November 30, 2022	Eight-month period ended November 30, 2021	Fiscal 2022	Fiscal 2021	Fiscal 2020
Profit after Tax (in ₹ million)	341.86	423.02	681.64	230.82	123.26
Profit after Tax Margin (%)	5.73%	7.78%	8.00%	3.32%	1.89%
10-year Government securities par yield (%)*	7.32%	6.34%	6.86%	6.32%	6.73%

Notes: *Source: www.rbi.org.in/.

- Revenue contribution from our top 2 and top 5 customers.

Customer	Revenue Contribution (%)				
	Eight-month period ended November 30, 2022	Eight-month period ended November 30, 2021	Fiscal 2022	Fiscal 2021	Fiscal 2020
Top two customers	18.39%	26.08%	25.52%	22.58%	20.83%
Top five customers	37.14%	53.34%	49.65%	48.66%	45.67%

The loss of these customers or a loss of revenue from sales to these customers may materially affect our business, financial condition, results of operations and cash flows.

- A significant portion of our revenue is generated from our customers engaged in various industries viz. (i) Clean Energy (ii) Mobility / Transportation and (iii) Industrial which accounted, cumulatively, for 73.72%, 78.82%, 76.91%, 75.60% and 74.43% of our total income for the eight-month period ended November 30, 2022 and November 30, 2021 and in Fiscals 2022, 2021 and 2020, respectively. We may

be affected by any disruptions in the industries which we cater to.

- In the eight months ended November 30, 2022 and November 30, 2021 and Fiscals 2022, 2021 and 2020, our revenue from operations from outside India was 57.86%, 64.24%, 62.19%, 62.65% and 62.26% of our total income, respectively. In eight months ended November 30, 2022 and November 30, 2021 and Fiscals 2022, 2021 and 2020, we imported 49.34%, 42.66%, 40.37%, 45.74% and 45.08% of our raw materials, respectively.
- Our Company will not receive any proceeds from the Offer for Sale portion of the Offer.
- We had negative cash flows from operating activities in the past, details of which are given below. Negative cash flows over extended periods, or significant negative cash flows in the short term, could materially affect our ability to operate our business and implement our growth plans.

Particulars	Eight months ended November 30, 2022	Eight months ended November 30, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021	For the year ended March 31, 2020
Net cash generated / (used) by operating activities (in ₹ million)	(15.43)	231.98	138.59	55.16	657.25

- Details of weighted average cost of acquisition of all Equity Shares transacted in last three years, eighteen months and one year immediately preceding the date of the RHP.

Period prior to the date of filing of Red Herring Prospectus	Weighted Average Cost of Acquisition (in ₹)	Range of acquisition price: Lowest Price - Highest Price (in ₹)	Cap Price (₹436) is 'x' times the Weighted Average Cost of Acquisition
One Year	16.01	0-426.06	27.23
Eighteen Months	16.01	0-426.06	27.23
Three Years	17.35	0-426.06	25.13

Pursuant to the certificate dated March 23, 2023, issued by Mohan & Venkataraman, Chartered Accountants.

