

Gradual path to progress...

About the stock: ABB is a technology leader in electrification and automation, enabling a more sustainable and resource-efficient future. By connecting its engineering and digitalization expertise, ABB helps industries run at high performance, while becoming more efficient, productive and sustainable so they outperform.

- It operates in mainly three key segments including robotics & motion (39%), electrification (41%), industrial/process automation (20%).
- Well placed to gain from the overall energy market transformation from electrification to automation & digitisation

Q1CY25 performance: ABB reported muted results for the Q1CY25. It's revenue grew 2.6% YoY to ₹3160 crore, EBITDA at ₹675 crore up 3.4%, EBITDA margins flat at 18.4% Consequently PAT came in at ₹475 crore up 3.3% YoY. On a segmental basis, Robotics (5% of revenue mix) grew by 37%, Motion (35%) grew by 8% and Electrification (43%) grew by 5% YoY, whereas process automation (19%) declined by 20% YoY. EBIT margin for Electrification business expanded by 245 bps to 26.2% whereas Robotics EBIT margin declined 220bps to 13.2%. It received orders worth ₹3751 crore during the quarter up 4% YoY on a larger base and 40% on a QoQ basis. Order backlog at ₹9958 crore up 6% sequentially.

Investment Rationale:

- Order book reasonable; moderation in inflows on high base:** ABB expects private capex to increase CY25. The company expects order inflow growth to be led by power generation, automotive, food & beverages, data centres, railway and metro, pharma, electronics and warehousing segments. Given the high base on last couple of years, the company stated expects order inflow growth expectations to be-: high growth segments: >11%, medium growth segments: 7-11%, low growth segments: <7%. Going ahead, we have built in order inflow growth of 12% YoY and 7% YoY for CY25E and CY26E respectively. Post strong order inflow CAGR of 22.2% over CY19-24. The current order backlog stands at ₹9958 crore which provides reasonable revenue visibility.
- PAT to grow at 14% CAGR over CY24-CY26E:** With reasonable backlog and low double digit CAGR in inflows, we expect execution to be steady over the medium term. Hence, we expect the revenues to grow at a CAGR of 16% over CY24-CY26E with PAT exhibiting a CAGR of 14% over the same period.

Rating and Target Price

- We like ABB for its diverse presence across key sectors of core industries and product range it has to capitalise the tailwinds in the capex growth of the economy. With strong balance sheet and ROCE generation we rate the stock as Buy and assign a fair value of ₹6860 per share (60x CY26E EPS)



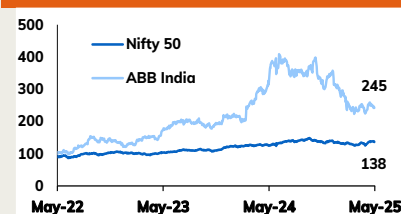
Market data

Particular	Rs. in crore
Market Cap	1,15,289.0
CY24 Gross Debt	8.7
CY24 Cash	5,443.4
Enterprise Value	1,09,854.3
52 Week H/L (Rs./share)	9200/4590
Equity Capital	42.4
Face Value (Rs./share)	2.0

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	75.0	75.0	75.0	75.0
FII	12.1	12.3	11.9	10.3
DII	5.6	5.4	5.7	7.0
Public	7.3	7.3	7.5	7.7

Price chart



Key risks

- slowdown in order inflow growth
- lower than expected profit margins

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Key Financial Summary

(Rs in crore)	CY21	CY22	CY23	CY24	CAGR (%) CY21-CY24	CY25E	CY26E	CAGR (%) CY24-CY26E
Revenues	6,934	8,568	10,447	12,188	20.7	14,054	16,377	15.9
EBITDA	557	962	1,490	2,305	60.6	2,672	3,124	16.4
Adj Net Profit	430	761	1,242	1,871.6	63.2	2,104.3	2,423.7	13.8
EPS (Rs.)	24.5	48.0	58.6	88.3		99.3	114.4	
P/E (x)	275.7	156.0	95.5	63.4		56.4	49.0	
Price / Book (x)	29.3	24.0	20.0	17.3		12.5	10.8	
EV/EBITDA (x)	208.3	119.6	76.4	49.4		41.8	35.3	
RoCE (%)	18.5	20.7	26.2	36.5		29.0	28.6	
RoE (%)	10.6	15.4	20.9	27.4		22.2	22.1	

Key result highlights

- Revenue for Q1CY25 was ₹3160 crore, up 2.6% YoY, mainly due to a 19.3% YoY decline in revenue of Process automation segment to ₹586 crore. The Electrification, Motion and Robotics division grew by 5%, 8.2% & 37% YoY respectively to ₹1358, ₹1096 and ₹150 crore respectively.
- EBITDA grew 3% YoY to ₹528 crore. EBITDA Margins came in at 18.4% vs. 18.3% in Q1CY24 and 19.5% Q4CY24. Segmental EBIT expanded by 245/52/15 basis points in Electrification, Motion and Process Automation business to 26%, 22% and 16.4% respectively. Consequently, PAT came in at ₹475 crore, up 3.3% YoY. PAT margins expanded 10 basis points to 14.4%.
- Order inflows for the quarter came in at ₹3751 crore, a 4% growth YoY on a larger base in Q1CY24 due to one-time large order in data centre. Order backlog grew by 11.4% YoY to ₹9958 crore.

Key concall highlights

- The quarter witnessed muted growth in revenue as customers rescheduled execution on account of dynamic macro issues.
- During the quarter the material costs held at 58.3% due to favourable mix of revenues, operational efficiencies and price realisations, however personnel expenses were higher on account of hiring new employees and salary revisions. The company is also witnessing an inflationary trend in other expenses.
- On the orderbook, the company's base orders grew by 10% despite few large orders. Order inflows were led by base orders and complemented by large ones. The market segments for order momentum include electronics, railways, data centres, energy, metals and mining, building and infrastructure. Two thirds of the orders will be executed in the current year and remaining will be executed in subsequent year. Export orders grew by 40% in the Q1CY25 offsetting delay in domestic orders.
- ABB also witnessed traction from Tier 2 and Tier 3 cities, as it sees the aspiration to consume high quality product is rising. The company expects to capture this sentiment in its Electrification and Motion portfolio.
- ABB does not see exciting macros due to which consumers in process industries and government spending on infrastructure may be delayed. This is expected to have a bearing on order inflows for the company in the medium term specially in the process automation segment.
- ABB Inc has made a global acquisition and currently it holds little relevance for India.
- The company witnessed a high growth period over CY19-24 with revenues and orderbook both growing at CAGR of 20-22%. Over this larger base it may see some moderation on order inflows and revenues before the next capex cycle begins. As a result, management will focus on opportunities and achieve a reasonable growth.
- The company aims to maintain a PAT margin of 12-15%.

Financial Summary

Exhibit 1: Profit and loss statement

₹ crore

(Year-end December)	CY23	CY24	CY25E	CY26E
Net Sales	10,367	12,088	13,934	16,247
Operating income	80	101	120	130
Revenue	10,447	12,188	14,054	16,377
% Growth	28.3	16.7	15.3	16.5
Other income	301.7	353.4	310.0	310.0
Total	10,777	12,558	14,380	16,687
% Growth	32.2	16.5	14.5	16.0
Total Raw Material Costs	6,329	6,749	7,803	9,098
Employee Expenses	715	822	961	1,105
other expenses	1,639	1,971	2,230	2,600
Total Operating Expenditure	8,957	9,883	11,382	13,253
Operating Profit (EBITDA)	1,490	2,305	2,672	3,124
% Growth	109.1	54.7	15.9	16.9
Interest	13	16	22	22
PBDT	1,779	2,642	2,960	3,412
Depreciation	120	129	155	180
PBT before Exceptional Item	1,659	2,513	2,806	3,232
Total Tax	411	639	701	808
PAT before MI	1,248	1,875	2,104	2,424
Minority Interest	-	-	-	-
PAT	1,242	1,872	2,104	2,424
% Growth	314.2	50.7	12.4	15.2
EPS	58.6	88.3	99.3	114.4

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement

₹ crore

(Year-end December)	CY23	CY24	CY25E	CY26E
Profit after Tax	1,242	1,872	2,104	2,424
Depreciation	120	129	155	180
Interest	13	16	22	22
Cash Flow before WC changes	1,375	2,017	2,281	2,626
Changes in inventory	(140)	(242)	(276)	(344)
Changes in debtors	(451)	(94)	(404)	(503)
Changes in loans & Advances	(1)	(23)	(4)	(5)
Changes in other current assets	(3)	(150)	(91)	(114)
Net Increase in Current Assets	(475)	(509)	(776)	(966)
Changes in creditors	472	(104)	460	573
Changes in provisions	62	(24)	64	80
Net Inc in Current Liabilities	656	(477)	623	776
Net CF from Operating activities	1,555	1,031	2,129	2,436
Changes in deferred tax assets	(13)	-	-	-
(Purchase)/Sale of Fixed Assets	(191)	(175)	(175)	(175)
Net CF from Investing activities	(131)	(173)	(175)	(175)
Dividend and Dividend Tax	(233)	(936)	(937)	(954)
Net CF from Financing Activities	(249)	(989)	(968)	(981)
Net Cash flow	1,175	(130)	985	1,280
Opening Cash/Cash Equivalent	3,642	4,817	4,687	5,673
Closing Cash/ Cash Equivalent	4,817	4,687	5,673	6,953

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet

₹ crore

(Year-end December)	CY23	CY24	CY25E	CY26E
Equity Capital	42.4	42.4	42.4	42.4
Reserve and Surplus	5,902	6,801	7,959	9,424
Total Shareholders funds	5,945	6,843	8,001	9,466
Minority Interest	-	-	-	-
Total Debt	8	9	9	9
Total Liabilities	6,007	6,909	8,067	9,532
Gross Block	1,435	1,610	1,779	1,954
Acc: Depreciation	497	631	785	965
Net Block	938	980	994	989
Capital WIP	60	59	65	65
Total Fixed Assets	998	1,039	1,059	1,054
Non Current Assets	454	454	454	454
Inventory	1,561	1,803	2,079	2,423
Debtors	2,544	2,638	3,042	3,545
Loans and Advances	6	29	33	39
Other Current Assets	448	597	689	802
Cash	4,817	4,687	5,673	6,953
Total Current Assets	9,549	9,928	11,689	13,935
Current Liabilities	3,109	3,005	3,465	4,038
Provisions	445	421	485	565
Net Current Assets	4,555	5,411	6,548	8,018
Total Assets	6,007	6,909	8,067	9,532

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end December)	CY23	CY24	CY25E	CY26E
Per Share Data				
EPS	58.6	88.3	99.3	114.4
Cash per Share	227.3	221.2	328.1	394.4
BV	280.5	322.9	446.7	518.3
Dividend per share	11.0	44.2	44.2	45.0
Dividend payout ratio	19%	50%	45%	39%
Operating Ratios				
EBITDA Margin	14.3	18.9	19.0	19.1
PAT Margin	11.9	15.4	15.0	14.8
Return Ratios				
RoE	20.9	27.4	22.2	22.1
RoCE	26.2	36.5	29.0	28.6
RoIC	91.5	100.0	91.6	99.8
Valuation Ratios				
EV / EBITDA	76.4	49.4	41.8	35.3
P/E	95.5	63.4	56.4	49.0
EV / Net Sales	10.9	9.4	7.9	6.7
Sales / Equity	1.8	1.8	1.5	1.5
Market Cap / Sales	11.4	9.7	8.4	7.2
Price to Book Value	20.0	17.3	12.5	10.8
Turnover Ratios				
Asset turnover	9.1	5.6	5.6	6.2
Debtors Turnover Ratio	4.5	4.7	4.5	4.4
Creditors Turnover Ratio	3.6	4.0	4.0	3.9
Solvency Ratios				
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.1	1.3	1.3	1.4
Quick Ratio	0.7	0.8	0.9	0.9

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%



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