

Gradual path to progress but consistency is the key ...

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

Q4CY25 performance: ABB India Limited reported Q4CY25 and full-year CY25 results with strong order acceleration but margin pressure persisting. In Q4CY25, revenue grew 6% YoY to ₹3,557 crore. However, profitability moderated with EBITDA declining ~17% YoY to ₹546 crore and PAT falling ~18% YoY to ₹434 crore. EBITDA margin contracted to 15.3% (-420 bps YoY approx.) while PAT margin stood at 12.2% (-360 bps YoY approx.), impacted by material-cost inflation, higher labour-code expenses and forex volatility. Orders surged sharply by 52% YoY to ₹4,096 crore the highest Q4 intake in five years driven by strong traction in data centres, automotive, railways, metals and infrastructure. Order backlog stood at ₹10,471 crore, up 12% YoY, providing healthy visibility.

Investment Rationale:

- **Order Momentum Improves, but Revenue Acceleration Yet to Sustain:** Q4CY25 orders rebounded sharply (+52% YoY) with backlog at ₹10,471 crore, providing multi-quarter execution visibility. Management highlighted improving traction across core industries (metals, refining, power generation) and continued strength in data centers (~10-11% of backlog). However, revenue growth remains moderate at +6% YoY and management cautioned against extrapolating a single strong quarter, emphasizing that sustained order conversion over next 2-3 quarters is key. While demand signals are constructive and private capex sentiment is improving, earnings acceleration is contingent on consistent order inflow and faster backlog execution. Hence, near-term upside appears measured.
- **Margins Normalizing; Limited Scope for Immediate Expansion:** PBT margin moderated to ~16% in Q4CY25 (CY25 PBT margin ~16.9%) versus CY24 peak, impacted by elevated material costs (strategic imports under QCO, forex and copper volatility) and labour code cost absorption. Management guided to a sustainable PAT margin of 12-15%, implying current profitability is closer to steady-state levels. While operating leverage from higher volumes could support margins, commodity volatility and competitive intensity remain watch factors. With margins largely normalized and incremental expansion dependent on volume growth and cost stability, risk-reward appears balanced at current levels. We expect revenue and PAT to grow at CAGR of 14.9% & 15.3% over CY25-27E.

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 **Hold** and assign a fair value of **₹6800 per share (65x CY27E EPS)**



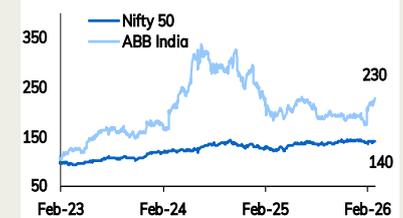
Market data

Particular	Rs. (in crore)
Market Capitalisation	1,30,714
CY25 Gross Debt	9.5
CY25 Cash	5,834.9
Enterprise Value	1,24,888.6
52 week H/L (Rs.)	6300/4590
Equity capital	42.4
Face value (Rs.)	2

Shareholding pattern

%	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	75.0	75.0	75.0	75.0
FII	10.3	9.3	8.3	7.6
DII	7.0	7.7	8.3	9.2
Public	7.7	8.1	8.4	8.2

Price chart



Key risks

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

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Key Financial Summary

(Rs in crore)	CY22	CY23	CY24	CY25	CAGR (%) CY22-CY25	CY26E	CY27E	CAGR (%) CY25-CY27E
Revenues	8,568	10,447	12,188	13,203	15.5	15,224	17,425	14.9
EBITDA	962	1,490	2,305	2,043	28.5	2,410	2,861	18.3
Adj Net Profit	761	1,242	1,872	1,669	30	1,898	2,218	15.3
NPM (%)	8.9	11.9	15.4	12.6		12.5	12.7	
EPS (Rs.)	48.0	58.6	88.3	78.8		89.6	104.7	
P/E (x)	171.7	105.2	69.8	78.3		68.8	58.9	
Price / Book (x)	26.4	22.0	18.5	16.7		14.8	12.9	
EV/EBITDA (x)	132.0	84.5	54.3	61.1		51.7	43.2	
RoCE (%)	20.7	26.2	32.8	27.3		29.1	29.4	
RoE (%)	15.4	20.9	26.5	21.3		21.5	22.0	

Key result and earning call highlights

- Q4CY25 revenue grew 6% YoY to ₹3,557 crore, while full-year revenue reached a record ₹13,203 crore (+8% YoY). Growth was broad-based across businesses with contribution from exports and execution of prior backlog.
- Q4CY25 EBITDA stood at ₹546 crore with EBITDA margin at 15.3% (-420 bps YoY) while PAT was ₹434 crore (12.2% margin). Margins were impacted by mix, higher material costs, forex volatility and normalization of pricing after COVID-led premiumization.
- Company reported highest-ever annual orders of ₹14,115 crore in CY25 (+8% YoY), with Q4CY25 order inflow at ₹4096 crore, witnessing strong 52% YoY growth supported by base business (+27%) and timing of large orders. Order backlog strengthened to ₹10,471 crore (+12% YoY), providing healthy revenue visibility; ~30–35% comprises large orders with longer execution cycles.
- **Segmental highlights:**
 - **Electrification** orders grew 43% YoY to ₹1465 crore led by Smart Power and Distribution Solutions, including a large data center order. Revenue increased 6% YoY to ₹1598 crore, while PBIT margin improved sequentially to 21.4% in Q4CY25, reflecting operational efficiencies despite commodity cost impact.
 - **Motion** orders rose 25% YoY to ₹1339 crore driven by propulsion systems for Indian Railways and strong drives & large motors demand. Revenue grew 7% YoY to ₹1202 crore, while margins were impacted by forex volatility and material inflation. Order backlog increased 12% YoY to ₹4,251 crore.
 - **Automation** orders increased 34% YoY to ₹768 crore on demand from energy and process industries. Revenue grew modestly 4% YoY to ₹652 crore, although backlog declined 6% YoY to ₹2255 crore due to execution mix. Margins were affected by material cost pressures and business mix.
 - **Robotics & Discrete** Automation orders surged 283% YoY to ₹570 crore (low base effect) led by automotive segment wins. However, revenue declined 4% YoY to ₹134 crore due to execution timing. Order backlog expanded 175% YoY to ₹762 crore, improving medium-term visibility.
- Material costs increased to ~61.53% (vs ~58.9% YoY) due to imported material stocking for Quality Control Order (QCO) compliance, rising copper/metal prices and forex fluctuations. Elevated material costs are expected to remain for the next two quarters as imported inventory is consumed.
- Order momentum remained robust across infrastructure, buildings, transport, renewables, and discrete automation. Data centers orders account for ~10–11% of backlog with a strong inquiry pipeline, supported by AI, digitalization and energy-efficient technologies.

- Management views the India–Europe FTA (expected ratification in late 2026/early 2027) as structurally positive, enabling duty reduction, portfolio expansion and supply chain integration with the EU. Additionally, Union Budget FY26-27 capex outlay of ₹12.2 lakh crore (~11.5% YoY increase) and thrust on manufacturing, railways and clean energy provide healthy demand visibility.
- Cash balance remained robust at ₹5,694 crore, with strong collections and aligned inventory.
- **Guidance:** Management targets double-digit revenue growth with a PAT margin trajectory of 12–15% going forward, contingent on market conditions. While forex and metal price volatility remain key risks, revival in private capex from 2026, along with sustained demand across emerging industries, infrastructure and core sectors, underpins a constructive medium-term outlook.

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end December)	CY23	CY24	CY25	CY26E	CY27E
Net Sales	10,367	12,088	13,066	15,094	17,280
Operating income	80	101	137	130	145
Revenue	10,447	12,188	13,203	15,224	17,425
% Growth	28.3	16.7	8.3	15.3	14.5
Other income	301.7	353.4	352.4	310.0	310.0
Total	10,777	12,558	13,564	15,534	17,735
% Growth	32.2	16.5	8.0	14.5	14.2
Total Raw Material Costs	6,329	6,749	7,625	8,755	9,936
Employee Expenses	715	822	975	1,117	1,244
other expenses	1,639	1,971	2,131	2,445	2,817
Total Operating Expenditu	8,957	9,883	11,160	12,814	14,564
Operating Profit (EBITDA)	1,490	2,305	2,043	2,410	2,861
% Growth	109.1	54.7	(11.4)	18.0	18.7
Interest	13	16	21	22	22
PBDT	1,779	2,642	2,375	2,698	3,149
Depreciation	120	129	146	167	192
PBT before Exceptional Itc	1,659	2,513	2,229	2,531	2,957
Total Tax	411	639	561	633	739
PAT before MI	1,248	1,875	1,669	1,898	2,218
Minority Interest	-	-	-	-	-
PAT	1,242	1,872	1,669	1,898	2,218
% Growth	314.2	50.7	(10.8)	13.7	16.8
EPS	58.6	88.3	78.8	89.6	104.7

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end December)	CY23	CY24	CY25	CY26E	CY27E
Profit after Tax	1,242	1,872	1,669	1,898	2,218
Depreciation	120	129	146	167	192
Interest	13	16	21	22	22
Cash Flow before WC changes	1,375	2,017	1,835	2,088	2,431
Changes in inventory	(140)	(217)	(275)	(199)	(326)
Changes in debtors	(451)	(439)	(193)	(119)	(476)
Changes in loans & Advances	(1)	(0)	(0)	(30)	(5)
Changes in other current assets	(3)	57	14	(369)	(108)
Net Increase in Current Assets	(475)	(523)	(660)	(717)	(915)
Changes in creditors	472	89	258	298	543
Changes in provisions	62	70	24	(13)	76
Net Inc in Current Liabilities	656	256	454	(183)	735
Net CF from Operating activities	1,555	1,750	1,629	1,188	2,252
Changes in deferred tax assets	(13)	4	42	-	-
(Purchase)/Sale of Fixed Assets	(191)	(229)	(269)	(175)	(175)
Net CF from Investing activities	(132)	(302)	(373)	(175)	(175)
Dividend and Dividend Tax	(233)	(730)	(834)	(954)	(954)
Net CF from Financing Activities	(249)	(757)	(928)	(918)	(984)
Net Cash flow	1,173	692	327	95	1,093
Opening Cash/Cash Equivalent	3,642	4,816	5,508	5,835	5,930
Closing Cash/ Cash Equivalent	4,816	5,508	5,835	5,930	7,023

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-end December)	CY23	CY24	CY25	CY26E	CY27E
Equity Capital	42.4	42.4	42.4	42.4	42.4
Reserve and Surplus	5,902	7,033	7,794	8,796	10,052
Total Shareholders fun	5,945	7,076	7,836	8,838	10,094
Minority Interest	-	-	-	-	-
Total Debt	8	9	9	9	9
Total Liabilities	6,007	7,141	7,935	8,937	10,193
Gross Block	1,435	1,582	1,829	2,056	2,231
Acc: Depreciation	497	579	725	892	1,084
Net Block	938	1,003	1,104	1,163	1,146
Capital WIP	60	95	116	65	65
Total Fixed Assets	998	1,098	1,221	1,228	1,211
Non Current Assets	454	530	667	667	667
Inventory	1,561	1,778	2,053	2,252	2,578
Debtors	2,544	2,984	3,176	3,295	3,771
Loans and Advances	6	6	6	36	41
Other Current Assets	448	391	377	746	854
Cash	4,816	5,508	5,835	5,930	7,023
Total Current Assets	9,548	10,763	11,750	12,562	14,569
Current Liabilities	3,109	3,198	3,456	3,754	4,296
Provisions	445	515	539	526	602
Net Current Assets	4,553	5,512	6,046	7,041	8,313
Total Assets	6,007	7,141	7,935	8,937	10,193

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end December)	CY23	CY24	CY25	CY26E	CY27E
Per Share Data					
EPS	58.6	88.3	78.8	89.6	104.7
Cash per Share	227.3	259.9	275.3	279.8	331.4
BV	280.5	333.9	369.8	417.1	476.4
Dividend per share	11.0	34.5	39.4	45.0	45.0
Dividend payout ratio	19%	39%	50%	50%	43%
Operating Ratios					
EBITDA Margin	14.3	18.9	15.5	15.8	16.4
PAT Margin	11.9	15.4	12.6	12.5	12.7
Return Ratios					
RoE	20.9	26.5	21.3	21.5	22.0
RoCE	26.2	32.8	27.3	29.1	29.4
RoIC	91.4	103.7	82.9	80.7	87.2
Valuation Ratios					
EV / EBITDA	84.5	54.3	61.1	51.7	43.2
P/E	105.2	69.8	78.3	68.8	58.9
EV / Net Sales	12.0	10.3	9.5	8.2	7.1
Sales / Equity	1.8	1.7	1.7	1.7	1.7
Market Cap / Sales	12.5	10.7	9.9	8.6	7.5
Price to Book Value	22.0	18.5	16.7	14.8	12.9
Turnover Ratios					
Asset turnover	9.1	7.7	6.5	5.2	5.6
Debtors Turnover Ratic	4.5	4.4	4.3	4.7	4.9
Creditors Turnover Rat	3.6	3.9	4.0	4.2	4.3
Solvency Ratios					
Debt / Equity	0.0	0.0	0.0	0.0	0.0
Current Ratio	1.1	1.3	1.3	1.3	1.4
Quick Ratio	0.7	0.8	0.8	0.9	0.9

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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