

<b>BSE SENSEX</b>	<b>S&amp;P CNX</b>
29,926	9,314
Bloomberg	ABB IN
Equity Shares (m)	211.9
M.Cap.(INRb)/(USDb)	325.9 / 4.9
52-Week Range (INR)	1595 / 950
1, 6, 12 Rel. Per (%)	11/36/7
Avg Val, INRm	90
Free float (%)	25.0

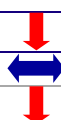
#### Financials & Valuations (INR b)

Y/E Dec	2016	2017E	2018E
Net Sales	86.6	100.8	111.9
EBITDA	7.9	10.2	12.5
Adj PAT	3.7	5.3	6.8
Adj EPS (INR)	19.7	25.1	32.2
EPS Gr (%)	25.0	27.2	28.3
BV/Sh (INR)	154.9	180.0	203.7
RoE (%)	12.7	13.9	15.8
RoCE (%)	18.3	21.3	23.7
P/E (x)	78.1	61.4	47.8
P/BV (x)	9.9	8.5	7.5

Estimate change

TP change

Rating change



**CMP: INR1,538 TP: INR1,200 (-21%) Downgrade to Sell**

#### Below-estimate performance; order inflow up 28% YoY off a low base

- **Operational performance below expectations:** 1QCY17 revenue of INR21.7b (+8% YoY) was marginally below our estimate of INR22b, while EBITDA margin of 7.9% (-110bp YoY) was lower than our estimate of 9.7%. The miss on revenue was led by weak execution in Electrification Products (+3.5% YoY) and Process/Industrial Automation (+3.4% YoY). EBITDA of INR1.7b (-5% YoY) was below our estimate of INR2.1b, led by ECL provisioning done under Ind-AS accounting system and a weak sales mix. PAT of INR0.9b too was below our estimate of INR1.0b.
- **Gross margin at all-time high, but operating margin contracts 110bp YoY:** Gross margin at 36.2% improved 30bp YoY to touch an all-time high level. Initiatives undertaken over past 3-4 years in terms of increased localization, rationalization of supply chain, improving efficiency, better project management capabilities and lower raw material prices have helped keep gross margin at all-time high. However, EBITDA margin shrunk 110bp YoY to 7.9%, led by higher provisioning on account of expected credit loss (ECL) under the Ind-AS accounting system.
- **1Q order inflow up 28% YoY; order backlog increases 54% YoY:** Order inflow in 1QCY17 increased strongly by 28% YoY to INR23.4b, driven by a low base and finalization of a few large-sized orders. Order backlog of INR120b (+54% YoY) provides strong revenue visibility. Of the total order book, 50% of the backlog constitutes of long-cycle orders and the balance comes from short- and medium-cycle orders.
- **Valuation and view:** Management is optimistic on the demand scenario, driven by government capex. It continues to remain focused on margin expansion via its efforts toward operational efficiency and localization. We marginally cut our estimates for CY17/18 by 4%/1% to factor in margin compression on account of ECL provisioning. We downgrade our rating to **Sell** given premium valuations while maintaining our TP of INR1,200 (35x March 2019E EPS of INR34).

#### Quarterly Performance

Y/E December	(INR Million)									
	CY16				CY17				CY16	CY17E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Sales	20,035	21,015	20,550	24,915	21,689	23,833	23,342	28,871	85,318	99,401
Change (%)	10.4	8.8	4.4	2.7	8.3	13.4	13.6	15.9	6.4	16.5
EBITDA	1,808	1,701	1,516	2,819	1,715	1,736	992	3,203	7,901	10,164
Change (%)	25.9	5.6	-2.7	7.1	-5.2	2.1	-34.6	13.6	5.8	28.6
As % of Sales	9.0	8.1	7.4	11.3	7.9	7.3	4.3	11.1	9.3	10.2
Depreciation	359	357	406	389	376	393	393	410	1510	1573
Interest	223	180	178	285	212	285	292	380	919	1,169
Other Income	149	44	44	95	186	92	95	108	658	378
PBT	1,376	1,208	976	2,241	1,312	1,150	401	2,521	6,131	7,800
Tax	442	434	427	773	428	390	136	1,535	1,957	2,489
Effective Tax Rate (%)	32.1	35.9	43.8	34.5	32.6	33.9	33.9	60.9	31.9	31.9
Reputed PAT	854	774	811	1,468	884	760	265	986	3,687	5,311
Adj. PAT	934	774	871	1,468	884	760	265	986	4,175	5,311
Change (%)	72.0	13.1	48.2	13.4	-5.3	-1.8	-69.5	-32.8	25.0	27.2

E: MOSL Estimates, \*: As reported by ABB

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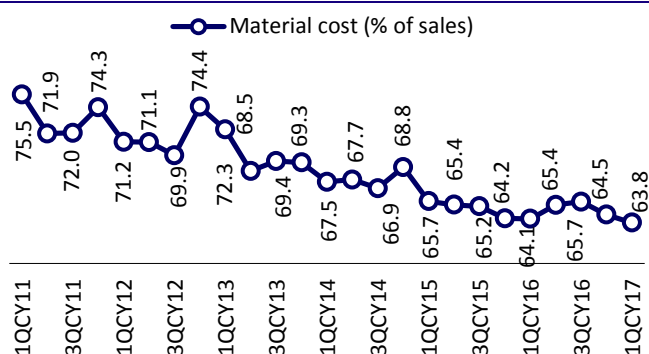
**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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### Operating performance below expectations

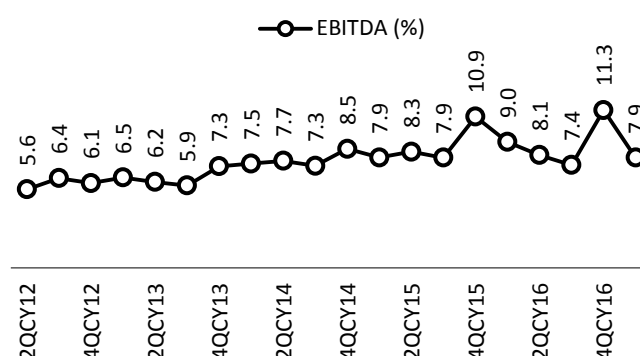
- ABB's 1QCY17 revenues of INR21.7b (+8% YoY) came marginally below our estimates (INR22.1b), EBITDA margin of 7.9% (-110bps YoY) was below our estimate of 9.7%. Topline growth was hampered by weak execution in electrification products (+3.5% YoY) and Process Automation (+3.4% YoY). EBITDA of INR1.7b (-5.2 % YoY) was below our estimate of INR2.1b, impacted by provisioning of ECL under the IND-AS accounting system. PAT of INR0.9b was below our estimate of INR1.0b.
- Gross margin at 36.2% improved 30bps YoY and is at all-time high. Initiatives undertaken over past 3-4 years in terms of increased localization, rationalization of supply chain, improving efficiency, better project management capabilities and lower raw material prices have helped achieve all time high gross margin. However, EBITDA margin declined 110bps YoY to 7.9% led by higher provisioning on account of Expected Credit Loss under the IND AS accounting system and a weak sales mix.
- Order inflow in 1QCY17 stood at INR23.4b (+28% YoY), strong growth in order inflow was driven by low base effect and helped by finalization of large ticket orders. Base orders increased by 17% YoY. Order backlog stands at INR120b (+54% YoY). Of the total order book 50% of the backlog constitutes of long cycle orders and balance comes from short and medium size orders.

Exhibit 1: RM cost declines 40bps on YoY basis



Source: Company, MOSL

Exhibit 2: EBITDA margin declines 110bps on YoY basis on account of ECL provisioning



Source: Company, MOSL

### Segmental Analysis: Exports, Service revenue and timely execution of orders drive revenue growth

- Discrete Automation (renamed to Robotics and Motion) reported a revenue growth of 11% YoY to INR5.0b, supported by improved traction in execution of the orders in hand. EBIT margins declined to 7.6% (-260bps YoY) impacted by provisioning for ECL under INDAS accounting system.
- Process Automation (renamed to Industrial automation) sales came in at INR3.1b (+3.0% YoY) and margin at 3.6% (-240bps YoY). Subdued revenues are reflective of the weak industrial capex in the country. Margin decline was on account of provisioning for ECL under IND AS accounting system.
- Power Grid revenue rose by 13% YoY to INR8.7b, and EBIT margin declined by 30bps YoY to 6.1%. Sales improvement was led by pick up in execution of the

orders in hand. Margin decline was on account of provisioning for ECL under IND AS accounting system.

- Electrification Products sales rose 4% YoY to INR6.9b. EBIT margins declined by 280bp YoY to 11.3%.
- ABB has rearranged the business portfolio into four divisions. The scope of electrification products division was expanded to include electric vehicle charging, solar and power quality business from the erstwhile discrete automation and motion business.
- Discrete Automation and motion was renamed as Robotics and motion division while the process automation division was renamed as industrial automation division.

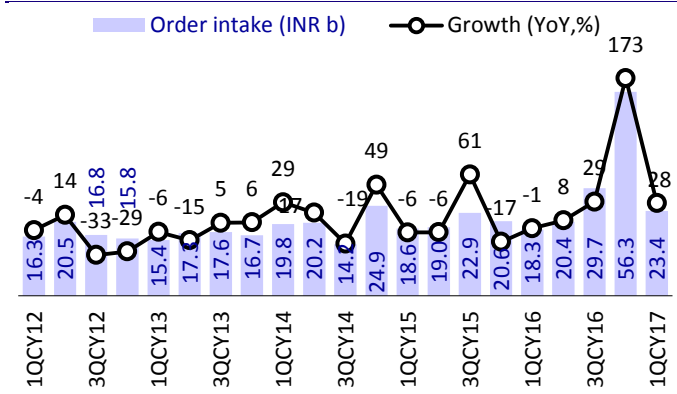
### Exhibit 3: Segmental Analysis (INR m)

	1QCY15	2QCY15	3QCY15	4QCY15	1QCY16	2QCY16	3QCY16	4QFY16	1QFY17
<b>Discrete Automation</b>									
Revenue	4,647	4,788	5,064	6,125	4,505	5,293	5,243	6,695	4,993
Growth YoY (%)	6.7	21.1	2.9	6.4	-3.1	10.5	3.5	9.3	10.8
EBIT	390	388	443	476	461	306	406	956	381
EBIT Margin (%)	8.4	8.1	8.8	7.8	10.2	5.8	7.7	14.3	7.6
<b>Electrification Products</b>									
Revenue	3,695	3,892	2,110	4,753	6,675	4,165	3,934	5,122	6,910
Growth YoY (%)	-2.5	101.5	22.2	150.1	80.7	7.0	-5.6	7.8	3.5
EBIT	454	412	227	553	942	580	475	719	782
EBIT Margin (%)	12.3	10.6	10.8	11.6	14.1	13.9	12.1	14.0	11.3
<b>Process Automation</b>									
Revenue	2,907	3,317	2,765	4,205	2,975	3,209	3,582	3,835	3,075
Growth YoY (%)	0.6	9.9	-10.5	21.8	2.3	-3.3	22.0	-8.8	3.4
EBIT	290	338	252	561	179	295	348	650	110
EBIT Margin (%)	10.0	10.2	9.1	13.3	6.0	9.2	9.7	17.0	3.6
<b>Power Grid</b>									
Revenue	7,836	8,618	10,962	10,149	7,676	9,242	8,542	10,206	8,665
Growth YoY (%)	-25.4	-20.9	6.0	-22.3	-2.0	7.2	-2.2	0.6	12.9
EBIT	171	357	853	1,098	491	622	257	524	526
EBIT Margin (%)	2.2	4.1	7.8	10.8	6.4	6.7	3.0	5.1	6.1

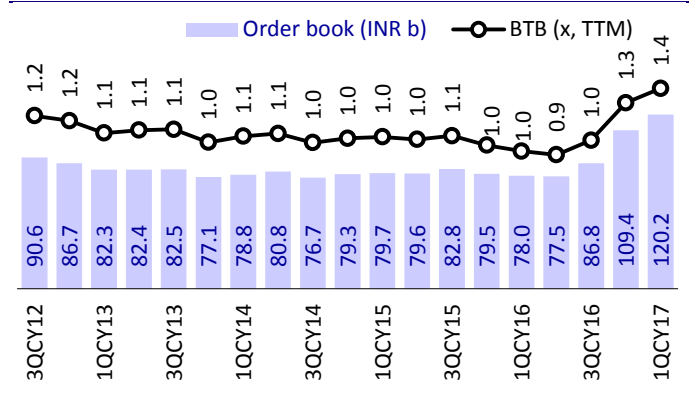
Source: Company, MOSL, Note Q116 onwards, the segments have been reclassified

### Order inflow improves 28% YoY supported by finalization of large orders, base orders also show 17% growth YoY

- Order inflow in 1QCY17 stood at INR23.4b (+28% YoY), strong growth in order inflow was driven by low base effect and helped by finalization of large ticket orders. Base orders increased by 17% YoY. Key sectors driving base orders were Transportation (Rail), Renewable (primarily solar) and Transmission. Even traditional areas of Cement, Refining and Power have started to show early sign of traction.
- Management has indicated that ordering outlook remains robust from sectors like Transportation (Rail orders for traction motors, converters and transformers), T&D, Renewable (solar), oil and Gas and cement.
- Order backlog stands at INR120b (+54% YoY). of the total order book 50% of the backlog constitutes of long cycle orders and balance comes from short and medium size orders.

**Exhibit 4: Order inflow improves led by finalization of large ticket orders**

Source: Company, MOSL

**Exhibit 5: B-T-B ~ 1.4x provides decent revenue visibility**

Source: Company, MOSL

**Valuation and view**

- Over the last 2-3 years, ABB's raw material costs have declined from ~75% to the current ~64%, led by its various initiatives. However, the savings are yet to fully reflect in the reported EBITDA margin due to poor operating cost absorption: staff costs have increased from ~7-7.5% to the present 9%, while SG&A expenses have increased from ~13% to 17% in this period.
- Localization of manufacturing is an important priority, and the ongoing/recently commissioned capacity expansions include i) doubling of MCB capacity and will largely cater to the export market ii) capacity for GIS Transformers and Distribution Transformers, iii) HT Motors, etc. In Process Automation, ABB is making efforts to build a service portfolio, which over a period of time will provide stability to margins.
- Management has always maintained that 'In Country, for Country, by Country' remains an important strategy and its focus is on developing products that are suitable for the Indian market.
- Management is optimistic on the demand scenario, and remains focused on margin expansion via its efforts toward operational efficiency and localization. While segments such as Transmission, Renewable and Transportation are witnessing traction, an improvement in the traditional sectors of Steel, Cement and Oil & Gas remains elusive. We marginally cut our estimates for CY17/18 by 4%/1% to factor in to factor in margin compression on account of ECL provisioning, and also downgrade our rating to **SELL** given premium valuations. We maintain price target of INR1,200 (35x Mar'19 EPS of INR34).

**Exhibit 6: Revision in estimates**

Description	New Estimates			Old Estimates		Change in Estimates	
	2017	2018E	2019E	2017	2018E	2017	2018E
Sales	99,401	110,493	124,590	100,307	114,187	-1%	-3%
EBITDA	10,164	12,490	14,794	10,853	13,059	-6%	-4%
Margin(%)	10.20%	11.30%	11.90%	10.80%	11.40%	-0.60%	-0.10%
PAT	5,311	6,815	8,300	5,528	6,910	-4%	-1%
EPS	25.1	32.2	39.2	26.1	32.6	-4%	-1%

Source: Company, MOSL

## Key Concall Highlights

### Government capex currently driving capex – exports a key focus area as well

- **Power Generation** - 35GW of 25 year old plants to be retired over 5-8 years which creates new power gen orders, Lack of PPA's and FSA's hurt developers who are highly leveraged
- **Transmission** - Renewables a focus so INR2.6trn transmission capex in 13th plan, 61% from the states of this and transmission capex quite strong
- **Renewables** – Govt. planning big push on solar and wind, Reverse tariffs pushing down tariffs, manufacturers are doing cost rationalization to keep margins in from falling
- **Rail** - Inviting bids for USD3b for 5000 electric coaches and railway stations which +vely impacts ABB, Multiple opportunities for ABB and competition is there
- **O&G** - Plans to merge state owned OMC's and BS VI compliance will bring in \$6b capex for desulphurisation units, Electrification, Process Automation benefit from this O&G capex
- **Cement** - Housing for All for 2022 and cement for all road projects will bring in investments in cement capacity addition and +ve for ABB, Enquiries for capacity addition coming and increasing efficiency of existing plants
- **Ports** - ABB strong in port modernization and has a strong footprint in these
- **F&B** - slight impact of demon but outlook is quite +ve
- **Exports** - ABB India is a strong established center globally, Global technologies are localized within ABB India and being used as a sourcing hub and seeing an increase in export markets. ABB India has a strong manufacturing and engineering base which is being used by the parent
- **Outlook** - growth to be driven by government capex/spending, NPA's need to be resolved for private capex to restart

### Pricing pressures in solar inverters

- Current capacity at 4.5GW of solar inverter while India total is 12GW and ABB has 45% of the overall capacity
- New players have entered this market in solar inverters - customers prefer ABB for high quality as failures can impact IRR's. Customers value uptime for equipment and so favour ABB's solar inverters
- Prices have come off from earlier with new players coming in this segment

**Exhibit 7: Operating Matrix**

<b>Year ended December</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017E</b>	<b>2018E</b>	<b>2019E</b>
<b>Revenues (INR m)</b>										
Electrification Products	4,486	5,399	6,174	6,769	7,373	16,509	23,895	28,674	34,409	41,291
Discrete Automation & Motion	15,929	17,993	17,753	18,237	18,986	20,624	19,245	22,364	23,683	26,323
Process automation	11,886	13,219	13,566	12,480	12,450	13,366	14,923	15,518	16,795	18,947
Power products	18,155	20,008	20,853	21,304	23,255	25,992	0	0	0	0
Power systems	18,267	23,624	22,422	23,851	21,554	18,707	0	0	0	0
<b>Power Grid</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>37,176</b>	<b>44,314</b>	<b>48,304</b>	<b>52,279</b>
<b>Gross Segmental Sales</b>	<b>68,722</b>	<b>80,243</b>	<b>80,767</b>	<b>82,640</b>	<b>83,617</b>	<b>85,832</b>	<b>95,238</b>	<b>110,869</b>	<b>123,191</b>	<b>138,840</b>
<b>Revenue Growth (% YoY)</b>										
Electrification Products	17.3%	20.4%	14.4%	9.6%	8.9%	123.9%	44.7%	20.0%	20.0%	20.0%
Discrete Automation & Motion	13.2%	13.0%	-1.3%	2.7%	4.1%	8.6%	-6.7%	16.2%	5.9%	11.1%
Process automation	-1.8%	11.2%	2.6%	-8.0%	-0.2%	7.4%	11.7%	4.0%	8.2%	12.8%
Power products	-8.9%	10.2%	4.2%	2.2%	9.2%	11.8%				
Power systems	6.3%	29.3%	-5.1%	6.4%	-9.6%	-13.2%				
Power Grid								19.2%	9.0%	8.2%
<b>Revenue Growth</b>	<b>1.3%</b>	<b>16.8%</b>	<b>0.7%</b>	<b>2.3%</b>	<b>1.2%</b>	<b>2.6%</b>	<b>11.0%</b>	<b>16.4%</b>	<b>11.1%</b>	<b>12.7%</b>
<b>EBIT Margins (%)</b>										
Electrification Products	0.4%	6.3%	6.4%	3.7%	5.4%	11.6%	11.9%	11.9%	11.9%	11.9%
Discrete Automation & Motion	8.3%	11.5%	11.0%	6.9%	6.8%	8.2%	8.9%	10.9%	10.9%	10.9%
Process automation	6.9%	2.9%	-1.1%	5.7%	8.0%	11.2%	10.5%	8.5%	10.5%	10.5%
Power products	4.5%	5.0%	6.6%	8.0%	7.9%	9.1%				
Power systems	-0.6%	0.0%	2.9%	3.9%	5.3%	6.5%				
Power Grid							4.4%	5.9%	7.4%	8.5%
<b>Costs, % of Revenues</b>										
Material Costs	75.5%	72.4%	71.7%	69.9%	67.8%	65.1%	64.8%	66.0%	65.8%	65.9%
<b>Contribution Margins, %</b>	<b>24.5%</b>	<b>27.6%</b>	<b>28.3%</b>	<b>30.1%</b>	<b>32.2%</b>	<b>34.9%</b>	<b>35.2%</b>	<b>34.0%</b>	<b>34.2%</b>	<b>34.1%</b>
Staff Costs	7.7%	7.9%	8.2%	8.8%	9.1%	9.2%	8.7%	8.1%	7.9%	7.7%
Other Expenses	11.2%	15.5%	13.7%	14.9%	15.3%	16.4%	17.2%	15.7%	15.0%	14.6%
<b>EBIDTA %</b>	<b>5.6%</b>	<b>4.2%</b>	<b>6.3%</b>	<b>6.4%</b>	<b>7.7%</b>	<b>9.3%</b>	<b>9.3%</b>	<b>10.2%</b>	<b>11.3%</b>	<b>11.9%</b>
<b>Products (% of Revenues)</b>	<b>56.1%</b>	<b>54.1%</b>	<b>55.4%</b>	<b>56.0%</b>	<b>59.3%</b>	<b>66.3%</b>	<b>74.3%</b>	<b>76.7%</b>	<b>77.6%</b>	<b>78.1%</b>
Fixed Assets Turn (x)	6.3	6.3	5.5	5.5	6.2	6.9	8.2	9.3	10.8	12.5
NWC (Days)	57.6	46.8	71.2	71.8	71.7	74.1	54.6	82.3	82.3	82.3
EPS (INR/sh)	12.2	7.5	12.4	9.5	12.8	15.8	19.7	25.1	32.2	39.2
% YoY	-35.9%	-38.2%	65.6%	-23.6%	35.0%	22.8%	25.0%	27.2%	28.3%	21.8%
PER (x)	127.0	205.6	124.2	162.5	120.4	98.1	78.4	61.6	48.0	39.4



## Financials and Valuations

Income Statement					(INR Million)		
Y/E December	2013	2014	2015	2016	2017E	2018E	2019E
<b>Net Sales</b>	<b>77,218</b>	<b>77,333</b>	<b>81,403</b>	<b>86,646</b>	<b>100,769</b>	<b>111,905</b>	<b>126,046</b>
Change (%)	2.1	0.1	5.3	6.4	16.3	11.1	12.6
Raw Materials	53,985	52,429	53,000	56,173	66,509	73,618	83,015
Staff Cost	6,771	7,052	7,499	7,503	8,172	8,889	9,658
Other Mfg. Expenses	4,363	4,489	4,904	5,015	5,664	6,237	6,955
Selling Expenses	1,044	1,133	1,239	1,299	1,513	1,682	1,896
Admin. & Other Exp.	6,110	6,239	7,296	8,755	8,747	8,988	9,728
<b>EBITDA</b>	<b>4,945</b>	<b>5,991</b>	<b>7,465</b>	<b>7,901</b>	<b>10,164</b>	<b>12,490</b>	<b>14,794</b>
% of Net Sales	6.4	7.7	9.2	9.1	10.1	11.2	11.7
Depreciation	1,033	1,128	1,598	1,510	1,573	1,670	1,773
Interest	1,011	1,050	912	919	1,169	1,189	1,209
Other Income	70	173	130	658	378	378	378
Extra-ordinary Items (net)	-223	-435	-340	-487	0	0	0
<b>PBT</b>	<b>3,194</b>	<b>3,552</b>	<b>4,746</b>	<b>5,644</b>	<b>7,800</b>	<b>10,009</b>	<b>12,190</b>
Tax	956	1,267	1,747	1,957	2,489	3,194	3,890
Rate (%)	29.9	35.7	36.8	34.7	31.9	31.9	31.9
<b>PAT</b>	<b>2,238</b>	<b>2,285</b>	<b>2,999</b>	<b>3,687</b>	<b>5,311</b>	<b>6,815</b>	<b>8,300</b>
<b>Adjusted PAT</b>	<b>2,015</b>	<b>2,719</b>	<b>3,339</b>	<b>4,175</b>	<b>5,311</b>	<b>6,815</b>	<b>8,300</b>
Change (%)	-23.6	35.0	22.8	25.0	27.2	28.3	21.8

Balance Sheet					(INR Million)		
Y/E December	2013	2014	2015	2016	2017E	2018E	2019E
Share Capital	424	424	424	424	424	424	424
Reserves	26,352	27,696	29,662	32,404	37,715	42,748	48,878
<b>Net Worth</b>	<b>26,776</b>	<b>28,120</b>	<b>30,086</b>	<b>32,828</b>	<b>38,139</b>	<b>43,172</b>	<b>49,302</b>
Loans	6,243	3,756	6,043	6,000	6,000	6,000	6,000
Net Deferred Tax Liability	-272	-152	-478	-784	-784	-784	-784
<b>Capital Employed</b>	<b>32,746</b>	<b>31,723</b>	<b>35,651</b>	<b>38,045</b>	<b>43,356</b>	<b>48,389</b>	<b>54,519</b>
Gross Fixed Assets	18,627	19,718	20,267	21,142	22,448	23,835	25,308
Less: Depreciation	4,712	5,723	7,227	8,592	10,165	11,835	13,609
<b>Net Fixed Assets</b>	<b>13,915</b>	<b>13,995</b>	<b>13,040</b>	<b>12,549</b>	<b>12,283</b>	<b>12,000</b>	<b>11,700</b>
Capital WIP	475	319	443	678	678	678	678
Investments	173	165	164	163	182	193	208
<b>Curr. Assets</b>	<b>55,661</b>	<b>53,585</b>	<b>60,007</b>	<b>63,116</b>	<b>67,795</b>	<b>77,294</b>	<b>89,038</b>
Inventory	9,889	8,938	9,396	9,403	10,955	12,177	13,731
Debtors	32,357	31,575	33,909	30,633	35,690	39,673	44,734
Cash & Bank Balance	3,166	2,260	5,736	11,892	7,806	10,611	13,848
Loans & Advances	6,077	6,790	7,002	7,114	8,170	9,082	10,240
Other current Assets	4,172	4,022	3,964	4,074	5,174	5,752	6,486
<b>Current Liab. &amp; Prov.</b>	<b>37,477</b>	<b>36,341</b>	<b>38,003</b>	<b>38,461</b>	<b>37,582</b>	<b>41,776</b>	<b>47,105</b>
Creditors	20,826	19,840	21,020	21,573	24,510	27,245	30,721
Other Liabilities	13,960	12,977	12,720	12,411	8,170	9,082	10,240
Provisions	2,692	3,524	4,263	4,476	4,902	5,449	6,144
<b>Net Current Assets</b>	<b>18,184</b>	<b>17,244</b>	<b>22,004</b>	<b>24,655</b>	<b>30,213</b>	<b>35,518</b>	<b>41,933</b>
<b>Application of Funds</b>	<b>32,747</b>	<b>31,723</b>	<b>35,651</b>	<b>38,045</b>	<b>43,356</b>	<b>48,389</b>	<b>54,519</b>

E: MOSL Estimates

## Financials and Valuations

### Ratios

Y/E December	2013E	2014	2015	2016	2017E	2018E	2019E
<b>Basic (INR)</b>							
<b>EPS</b>	<b>9.5</b>	<b>12.8</b>	<b>15.8</b>	<b>19.7</b>	<b>25.1</b>	<b>32.2</b>	<b>39.2</b>
Growth	-23.6	35.0	22.8	25.0	27.2	28.3	21.8
Cash EPS	14.4	18.2	23.3	26.8	32.5	40.0	47.5
Book Value	126.4	132.7	142.0	154.9	180.0	203.7	232.7
DPS	3.0	3.7	3.7	3.9	5.6	7.2	8.8
Payout (incl. Div.Tax)	31.8	28.8	23.5	19.9	22.5	22.5	22.5
<b>Valuation (x)</b>							
P/E	161.8	119.8	97.6	78.1	61.4	47.8	39.3
Cash P/E	106.9	84.7	66.0	57.3	47.3	38.4	32.4
EV/EBITDA	27.1	36.6	44.3	34.3	26.4	20.1	15.1
EV/Sales	4.3	4.2	4.0	3.7	3.2	2.9	2.5
Price/Book Value	12.2	11.6	10.8	9.9	8.5	7.5	6.6
Dividend Yield (%)	0.2	0.2	0.2	0.3	0.4	0.5	0.6
<b>Profitability Ratios (%)</b>							
RoE	7.5	9.7	11.1	12.7	13.9	15.8	16.8
RoCE	12.7	15.4	17.5	18.3	21.3	23.7	25.4
RoIC	9.5	11.4	13.1	15.6	19.0	20.1	22.7
<b>Turnover Ratios</b>							
Debtors (Days)	153	149	152	129	129	129	130
Inventory (Days)	47	42	42	40	40	40	40
Creditors. (Days)	98	94	94	91	89	89	89
Asset Turnover (x)	2.4	2.4	2.3	2.3	2.3	2.3	2.3
<b>Leverage Ratio</b>							
Debt/Equity (x)	0.2	0.1	0.2	0.2	0.2	0.1	0.1

### Cash Flow Statement

(INR Million)

Y/E December	2013	2014	2015	2016	2017E	2018E	2019E
<b>PBT before EO Items</b>	<b>2,971</b>	<b>3,986</b>	<b>5,086</b>	<b>6,131</b>	<b>7,800</b>	<b>10,009</b>	<b>12,190</b>
Add : Depreciation	1,033	1,128	1,353	1,712	1,859	2,003	2,143
Interest	1,011	1,050	900	200	100	80	64
Less : Direct taxes paid	956	1,267	1,747	1,957	2,489	3,194	3,890
(Inc)/Dec in WC	-444	34	-1,284	3,505	-9,644	-2,500	-3,178
<b>CF from operations</b>	<b>2,604</b>	<b>3,881</b>	<b>3,653</b>	<b>9,190</b>	<b>-2,760</b>	<b>5,985</b>	<b>6,896</b>
(Inc)/Dec in FA	-2,180	-1,053	-766	-1,254	-1,307	-1,387	-1,473
<b>Free Cah Flow</b>	<b>425</b>	<b>2,828</b>	<b>2,887</b>	<b>7,936</b>	<b>-4,067</b>	<b>4,597</b>	<b>5,423</b>
(Pur)/Sale of Investments	352	8	1	1	-19	-11	-15
<b>CF from investments</b>	<b>-1,815</b>	<b>-1,134</b>	<b>-2,039</b>	<b>-1,989</b>	<b>-1,939</b>	<b>-1,891</b>	<b>-1,844</b>
(Inc)/Dec in Net Worth	-253	-30	-122	19	1,389	0	0
(Inc)/Dec in Debt	2,924	-2,490	-1,855	-371	-297	-237	-190
Less : Interest Paid	1,011	1,050	900	200	100	80	64
Dividend Paid	744	911	911	964	1,389	1,782	2,170
<b>CF from Fin. Activity</b>	<b>789</b>	<b>-4,157</b>	<b>-4,537</b>	<b>-2,929</b>	<b>-3,714</b>	<b>-4,840</b>	<b>-6,280</b>
<b>Inc/Dec of Cash</b>	<b>2,399</b>	<b>-906</b>	<b>3,477</b>	<b>6,155</b>	<b>-4,085</b>	<b>2,804</b>	<b>3,237</b>
Add: Beginning Balance	767	3,165	2,260	5,736	11,892	7,806	10,611
<b>Closing Balance</b>	<b>3,165</b>	<b>2,260</b>	<b>5,736</b>	<b>11,892</b>	<b>7,806</b>	<b>10,611</b>	<b>13,848</b>

E: MOSL Estimates

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## Corporate profile

### Company description

ABB is a worldwide leader in power transmission and distribution and process automation space. ABB India is 75% subsidiary of ABB with focus on power T&D and automation space. Besides power transmission and distribution, automation products and process automation are the larger areas of operations. Power T&D includes products and project services like switchgears, transformers, motors, generators, balance of plant activities etc. Exports contribute ~15% to the total revenues, and share of service sector stands at ~12%.

Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Mar-17	Dec-16	Mar-16
Promoter	75.0	75.0	75.0
DII	12.5	12.6	12.5
FII	4.4	4.4	4.3
Others	8.1	8.1	8.2

Note: FII Includes depository receipts

Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
LIC of India Profit Plus Balanced Fund	8.7
Aberdeen Global Indian Equity Limited	1.5

Source: Capitaline

Exhibit 4: Top management

Name	Designation
Frank Duggan	Chairman
Sanjeev Sharma	Managing Director
B Gururaj	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
D E Udawadia	Nasser Munjee
Renu Sud Karnad	Tarak Mehta

\*Independent

Exhibit 6: Auditors

Name	Type
Ashwin Solanki & Associates	Cost Auditor
HBP & Co	Secretarial Audit
S R Batliboi & Associates LLP	Statutory

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
CY17	25.1	23.1	8.8
CY18	32.2	29.0	11.1

Source: Bloomberg

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