

ABB India

| | |
|------------------|---|
| Estimate changes | ↓ |
| TP change | ↓ |
| Rating change | ↔ |

| | |
|-----------------------|---------------|
| Bloomberg | ABB IN |
| Equity Shares (m) | 212 |
| M.Cap.(INRb)/(USDb) | 1079.1 / 12.3 |
| 52-Week Range (INR) | 8941 / 4590 |
| 1, 6, 12 Rel. Per (%) | -10/-14/-33 |
| 12M Avg Val (INR M) | 2455 |

Financials Snapshot (INR b)

| Y/E DEC | CY25E | CY26E | CY27E |
|-------------|-------|-------|-------|
| Net Sales | 134.7 | 153.1 | 175.2 |
| EBITDA | 20.5 | 24.6 | 29.2 |
| PAT | 17.0 | 20.2 | 23.7 |
| EPS (INR) | 80.0 | 95.1 | 111.9 |
| GR. (%) | -9.5 | 18.8 | 17.6 |
| BV/Sh (INR) | 366.9 | 405.6 | 449.7 |

Ratios

| | | | |
|----------|------|------|------|
| ROE (%) | 22.8 | 24.6 | 26.2 |
| RoCE (%) | 23.0 | 24.8 | 26.3 |

Valuations

| | | | |
|---------------|------|------|------|
| P/E (X) | 63.7 | 53.6 | 45.6 |
| P/BV (X) | 13.9 | 12.6 | 11.3 |
| EV/EBITDA (X) | 51.8 | 43.0 | 35.9 |
| Div Yield (%) | 0.8 | 0.9 | 1.1 |

Shareholding pattern (%)

| As On | Jun-25 | Mar-25 | Jun-24 |
|----------|--------|--------|--------|
| Promoter | 75.0 | 75.0 | 75.0 |
| DII | 7.7 | 7.0 | 5.6 |
| FII | 9.3 | 10.3 | 12.1 |
| Others | 8.1 | 7.7 | 7.3 |

FII Includes depository receipts

CMP: INR5,093 TP: INR6,000 (+18%) Buy

Weakness to persist a bit longer

ABB India's 2QCY25 results were lower than our estimates as margins contracted significantly owing to forex fluctuations, quality control order (QCO) implementation and competitive pricing. Order inflows declined 12% YoY, while base ordering was strong. Demand remained sluggish across segments during 2QCY25 and is still far off from the highs seen two years ago. We cut our estimates by 15%/8%/2% for CY25/26/27 to bake in lower margins. ABB is currently trading at 63.7x/53.6x/45.6x on CY25E/CY26E /CY27E earnings. We believe that in the near term, ABB can underperform due to margin pressure and sluggish ordering activity in the private and government sectors. However, in the long run, we expect ABB to 1) improve its margins once the QCO implementation is over in the next few quarters and 2) improve its revenue once ordering activity starts ramping up. We, thus, maintain BUY with a revised DCF-based PT of INR6,000, implying 55x Sep'27E earnings. Scope of re-rating back to higher multiples will emerge once inflows and margins start showing an improving trend.

Results impacted by forex fluctuation and higher costs due to QCO implementation

ABB's margin and PAT came in lower than our estimates due to forex fluctuations and exceptional expenses during the quarter. For 2QCY25, revenue grew by 12% YoY, while EBITDA/PAT fell by 24%/20%. Revenue was in line, whereas EBITDA/PAT missed our estimates by 30%/27%. Electrification revenue growth was strong, while other segments were weak due to delays in clearance and decision-making in certain sectors. Gross margin declined 350bp QoQ and 470bp YoY. EBITDA margin contracted 620bp YoY to 13.0% vs. our estimate of 18.4%. Margins remained under pressure mainly due to the margin contraction in the Electrification and Robotics & Motion segments, which were affected by competitive pricing and forex loss during the quarter. PAT declined 21% YoY to INR3.5b.

Ordering activity weak, hopes lie on 2HCY25

Order inflows were weak during the quarter, down 12% YoY at INR30.4b. Base orders formed INR30.2b (+5% YoY), while large orders at INR130m were impacted by subdued market conditions. As a result, the order book moved up to INR100.6b. Within segments, for electrification and motion, the company saw softer demand across key areas and expects a revival in 2HCY25. Similarly, for process automation, the company is cautiously optimistic about the demand revival in 2HCY25. Government capex has started moving up but is still lower than previous highs. Private capex is yet to show meaningful signs of revival. We build in weak inflow growth in CY25 and expect it to ramp up from CY26 onward.

Margin performance can remain weak in near term

EBITDA margin declined significantly during 2QCY25 due to a sharp margin contraction seen in the electrification and motion segments. During the quarter, forex fluctuations worth INR565m were recognized pertaining to EUR and CHF appreciation. Along with this, as per BIS standards, in order to adhere to the QCO implementation timeline for certain products, the company had to import a lot of components to stay committed to delivery timelines. This resulted in higher impact of forex fluctuations and higher inventories. The QCO implementation timeline varies for different products, and many products have an implementation timeline between Mar'26 and Sep'26. Thus, we believe that for the next few quarters, ABB would have to rely on sourcing the components from domestic as well as imports. This can weigh on near-term margin performance. Incremental costs are easier to pass on for long-term contracts but difficult for short-term contracts. We, thus, build in 310bp/160bp/40bp reduction in EBITDA margin to 15.2%/16.0%/16.7% for CY25/26/27.

Electrification segment: QCO and forex weigh on profitability

Electrification segment witnessed 23% YoY revenue growth in 2QCY25, while PBIT margin declined 700bp YoY to 16.1% due to higher import content to comply with the QCO compliance requirements, forex volatility, and a one-time impact of INR395m during the quarter. Order inflow for the segment declined 4% YoY owing to a high base of large orders last year. Demand remains strong across key industries such as renewables, data centers, smart building, and infrastructure. We expect the segment's revenue/orders to clock a CAGR of 21%/20% over CY25-27, with PBIT margins to be in the range of 18%-20%.

Motion and Robotics: Revenue grows amid order weakness

Motion and Robotics segments posted healthy revenue growth, though new order intake remained under pressure. The robotics segment continued to benefit from rising adoption in emerging sectors such as electronics and automotive. While revenue grew 181% YoY, margins contracted to 6.5% (vs. 14.6% in 2QCY24) due to forex volatility, and order inflow dropped 24% YoY to INR1.2b, mainly due to a delay in service orders. In motion, revenue inched up 1% YoY, supported by increased deliveries in drive products, traction systems, and services. However, order inflows declined 17% YoY due to the absence of a large railway contract seen in 2QCY24. Additionally, competitive pricing and forex headwinds compressed profitability. We expect both these segments together to clock a CAGR of 13% each in revenue and order inflows over CY25-27 on stronger execution, with PBIT margin ranging around 17%-18%.

Process Automation: Revenue drag continues amid weak ordering

Process automation remained under pressure as both order inflows (-12% YoY) and revenue (-22% YoY) declined due to delayed finalization in customer projects and changes in delivery schedules. Though demand was visible in sectors like mining and paper, execution suffered in the absence of large orders that benefited the base quarter. However, PBIT margin held up at 17.2% (vs. 16.2% in 2QCY24), supported by a favorable service mix, operational efficiencies, and project closures, which partially offset forex losses. ABB expects near-term pressure to persist due to prolonged customer decision cycles, especially in government and core infra-linked projects. Given weak ordering, we expect a negative revenue CAGR of 3% in the segment over CY25-27 with PBIT margin in the range of 15-17%.

Financial outlook

We cut our estimates by 15%/8%/2% for CY25/26/27 to bake in lower margins for Electrification and Motion segments, which are currently impacted by the QCO implementation and competitive pricing. We build in 310bp/160bp/40bp reduction in EBITDA margin at 15.2%/16.0%/16.7% for CY25/26/27. We maintain our order inflow and revenue estimates and expect order inflow activity to be a bit sluggish during CY25. We, thus, expect revenue/EBITDA/PAT CAGR of 14%/19%/18% over CY25-27.

Valuation and recommendation

We believe that in the near term, ABB can underperform due to margin pressure and sluggish ordering activity in the private and government sectors. However, in the long run, we expect ABB to improve its margins once the QCO implementation is over in the next few quarters and revenues once ordering activity starts ramping up. We, thus, maintain BUY with a revised DCF-based TP of INR6,000, implying 55x Sep'27E earnings. The scope of re-rating back to higher multiples will emerge once inflows and margins start showing an improving trend.

Key risks and concerns

Slowdown in order inflows, pricing pressure across segments, increased competition, supply chain issues, and geopolitical risks could affect our estimates and valuations.

Standalone - Quarterly Earning Model

| Y/E December | CY24 | | | | CY25E | | | | CY24 | CY25E | CY25E 2QE | (INR m) Est Var (%) |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|---------------|---------------------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | | |
| Net Sales | 30,804 | 28,309 | 29,122 | 33,649 | 31,596 | 31,754 | 33,412 | 37,971 | 1,21,883 | 1,34,733 | 32,160 | -1 |
| YoY Change (%) | 27.8 | 12.8 | 5.2 | 22.0 | 2.6 | 12.2 | 14.7 | 12.8 | 16.7 | 10.5 | 13.6 | |
| Total Expenditure | 25,152 | 22,884 | 23,719 | 27,076 | 25,773 | 27,614 | 28,634 | 32,194 | 98,831 | 1,14,214 | 26,244 | |
| EBITDA | 5,652 | 5,425 | 5,402 | 6,573 | 5,823 | 4,141 | 4,778 | 5,777 | 23,052 | 20,519 | 5,916 | -30 |
| Margins (%) | 18.3 | 19.2 | 18.6 | 19.5 | 18.4 | 13.0 | 14.3 | 15.2 | 18.9 | 15.2 | 18.4 | |
| Depreciation | 314 | 310 | 328 | 337 | 338 | 355 | 336 | 336 | 1,289 | 1,365 | 341 | |
| Interest | 38 | 45 | 30 | 51 | 47 | 42 | 36 | 20 | 165 | 145 | 36 | |
| Other Income | 871 | 868 | 929 | 866 | 923 | 998 | 874 | 874 | 3,534 | 3,668 | 938 | |
| PBT before EO expense | 6,171 | 5,938 | 5,973 | 7,051 | 6,361 | 4,741 | 5,279 | 6,295 | 25,133 | 22,677 | 6,476 | -27 |
| PBT | 6,171 | 5,938 | 5,973 | 7,051 | 6,361 | 4,741 | 5,279 | 6,295 | 25,133 | 22,677 | 6,476 | -27 |
| Tax | 1,575 | 1,511 | 1,568 | 1,732 | 1,620 | 1,220 | 1,330 | 1,544 | 6,387 | 5,715 | 1,632 | |
| Rate (%) | 25.5 | 25.5 | 26.3 | 24.6 | 25.5 | 25.7 | 25.2 | 24.5 | 25.4 | 25.2 | 25.2 | |
| Reported PAT | 4,596 | 4,426 | 4,405 | 5,319 | 4,741 | 3,521 | 3,949 | 4,752 | 18,746 | 16,962 | 4,844 | -27 |
| Adj PAT | 4,596 | 4,426 | 4,405 | 5,319 | 4,741 | 3,521 | 3,949 | 4,752 | 18,746 | 16,962 | 4,844 | -27 |
| YoY Change (%) | 87.4 | 49.6 | 21.7 | 54.1 | 3.2 | -20.5 | -10.3 | -10.7 | 50.2 | -9.5 | 9.4 | |
| Margins (%) | 14.9 | 15.6 | 15.1 | 15.8 | 15.0 | 11.1 | 11.8 | 12.5 | 15.4 | 12.6 | 15.1 | |

| INR m | CY24 | | | | CY25E | | | | CY24 | CY25E |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | |
| Segmental revenue | | | | | | | | | | |
| Robotics & Motion | 11,219 | 11,601 | 11,908 | 12,590 | 12,454 | 13,242 | 13,456 | 13,413 | 47,318 | 52,565 |
| YoY Change (%) | 7.9 | 11.6 | 8.3 | 23.2 | 11.0 | 14.1 | 13.0 | 6.5 | 12.6 | 11.1 |
| Electrification Products | 12,963 | 11,214 | 11,540 | 15,028 | 13,577 | 13,786 | 15,002 | 19,369 | 50,744 | 61,733 |
| YoY Change (%) | 29.7 | 11.5 | 10.7 | 33.0 | 4.7 | 22.9 | 30.0 | 28.9 | 21.5 | 21.7 |
| Process Automation | 7,263 | 6,327 | 5,963 | 6,277 | 5,865 | 4,921 | 5,247 | 5,589 | 25,830 | 21,622 |
| YoY Change (%) | 72.9 | 24.2 | -11.7 | -0.5 | -19.3 | -22.2 | -12.0 | -11.0 | 15.5 | -16.3 |
| Unallocated and others (incl. excise duty) | 26 | 44 | 47 | 60 | 51 | 38 | 44 | 44 | 176 | 178 |
| Less: inter-segmental | -667 | -877 | -335 | -306 | -351 | -232 | -337 | -444 | -2,185 | -1,365 |
| Total revenues | 30,804 | 28,309 | 29,122 | 33,649 | 31,596 | 31,754 | 33,412 | 37,971 | 1,21,883 | 1,34,733 |
| Segmental EBIT | | | | | | | | | | |
| Robotics & Motion | 2,332 | 2,613 | 2,659 | 2,485 | 2,596 | 1,942 | 2,287 | 2,286 | 10,089 | 9,112 |
| Margin (%) | 20.8 | 22.5 | 22.3 | 19.7 | 20.8 | 14.7 | 17.0 | 17.0 | 21.3 | 17.3 |
| Electrification Products | 3,078 | 2,594 | 2,397 | 3,548 | 3,356 | 2,214 | 2,400 | 3,142 | 11,618 | 11,112 |
| Margin (%) | 23.7 | 23.1 | 20.8 | 23.6 | 24.7 | 16.1 | 16.0 | 16.2 | 22.9 | 18.0 |
| Process Automation | 1,181 | 1,023 | 1,145 | 1,221 | 962 | 842 | 897 | 974 | 4,570 | 3,676 |
| Margin (%) | 16.3 | 16.2 | 19.2 | 19.4 | 16.4 | 17.1 | 17.1 | 17.4 | 17.7 | 17.0 |
| Total | 6,590 | 6,230 | 6,202 | 7,254 | 6,914 | 4,998 | 5,585 | 6,402 | 26,276 | 23,899 |



Conference call highlights

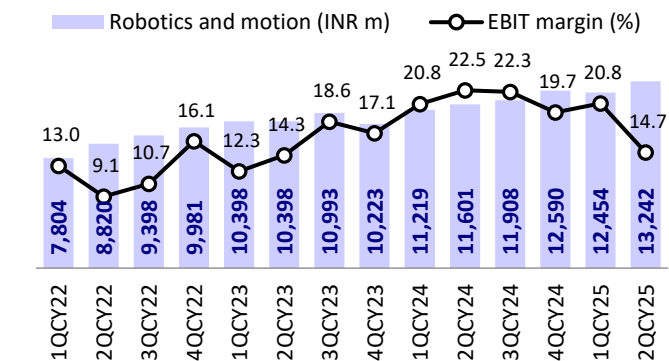
- **Execution in 2Q:** Despite operational headwinds such as QCO-related disruptions and forex volatility, ABB ensured continuity in customer commitments by leveraging its strong backlog and diversified segment exposure. Management emphasized that execution strength was particularly visible in segments like process automation, where high service content and project closures supported profitability. While electrification and motion segments faced some delays and cost pressures due to imported content, ABB's overall execution momentum remained intact, supported by disciplined order conversion.
- **Order inflows and order book:** Base orders grew 5% YoY, led by traction in Tier 2 and Tier 3 markets, though large orders remained absent this quarter. The total order backlog stood at INR100.6b, with a healthy mix of large and product orders spread over an 18-24-month execution cycle. While base orders in motion and electrification remained resilient, process automation saw order delays, and robotics had a high prior base from a large electronics order.
- **2H order inflow expectations:** Management expects 2HCY25 to see a gradual pickup in order inflows, though at a more normalized pace compared to the post-Covid surge seen over the last few years. While the large order pipeline is not as robust as seen in earlier periods, the company is hopeful of converting a few mid- to large-sized opportunities in segments such as railways, metros, and data centers. Private sector capex decisions remain cautious due to global uncertainties and delayed clarity on domestic consumption trends, but public capex, particularly in infra, is expected to gather pace in 2H. ABB also expects continued order inflow from emerging trends such as energy transition, grid strengthening, and digital infrastructure, including localized data centers and cloud computing ecosystems.
- **Prospect pipeline delayed, not decreased:** Management clarified that the overall project pipeline has not reduced meaningfully but is facing delays in decision-making across segments. In process automation and motion, prospects remain healthy, with delays attributed to timing rather than demand decline.

Electrification continues to see strong base enquiries, though large project decisions, particularly in oil & gas and heavy industries like cement and steel, are taking longer. In robotics, interest levels are high with a short-term gap, which is expected to normalize. Overall, management views the situation as temporary, with recovery likely once customer confidence improves.

- **Nature of hit on electrification segment:** The electrification business faced a one-time impact of INR395m due to engineering corrections in an ongoing project. Additionally, this segment was disproportionately impacted by the QCO compliance requirements, which forced ABB to import critical components at elevated costs to meet delivery deadlines. These factors, along with an unfavorable revenue mix tilted toward trading activity, have impacted segmental profitability. This QCO requirement is expected to last for a few more quarters.
- **Impact of US tariffs:** Management claimed that the impact of recently announced US tariffs would be negligible for ABB India. Over 90% of its revenue is derived from the domestic market, and its global 'local-for-local' sourcing model has further helped the company during trade disruptions. Only a small portion of exports go to the US, and any cost impact on these limited volumes is not material to the overall business. After Covid, ABB has deepened its domestic supply chain integration, aligning its sourcing and manufacturing footprint more closely with local demand, which will help ABB mitigate the impact of geopolitical or tariff-related risks.
- **Pricing impact:** The company faced headwinds on price realization, particularly in motors, due to heightened competition and weaker demand in some segments. While ABB remains focused on offering technologically superior products, pricing volatility in short-cycle product orders is harder to pass through. Long-cycle orders are somewhat shielded through index-based adjustments. Inflationary costs are partly being passed on, but the volatility in input prices, particularly for imports, has led to margin compression.
- **Forex losses:** Forex volatility had a material impact (~INR565m), particularly from EUR and CHF appreciation during the quarter, which affected hedged imports. ABB uses fair value hedging, and currency movements directly impacted the P&L. Some of this impact was mitigated through service revenue and favorable project mix in process automation.
- **Competition from Chinese players:** Management acknowledged increased Chinese competition, particularly in process automation and heavy industries, with aggressive pricing. However, the company has chosen not to match irrational prices and focuses on value-added offerings. No significant Chinese presence was seen yet in electrification or motion segments.

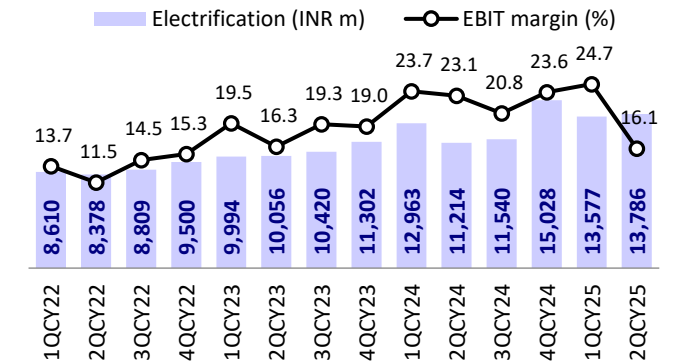
Key Exhibits

Exhibit 1: Robotics and motion segment margin contracted due to forex loss



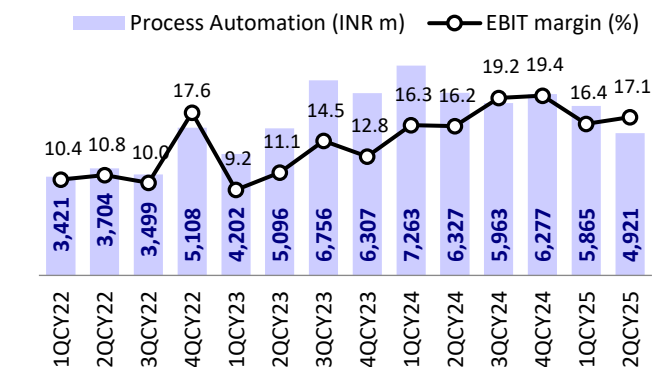
Source: Company, MOFSL

Exhibit 2: Electrification segment margin contracted due to higher import content and engineering corrections



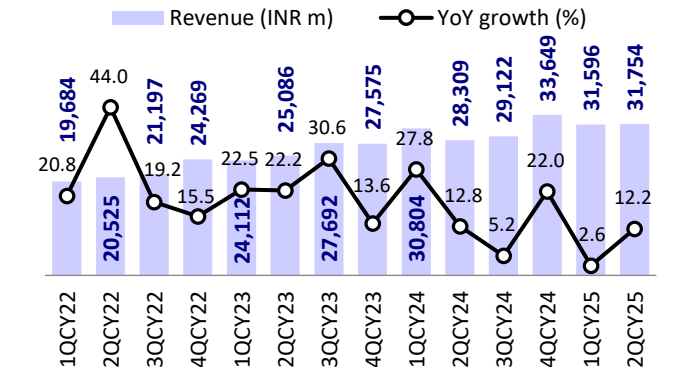
Source: Company, MOFSL

Exhibit 3: Process Automation revenue was down 22% YoY on changes in delivery schedule of customers



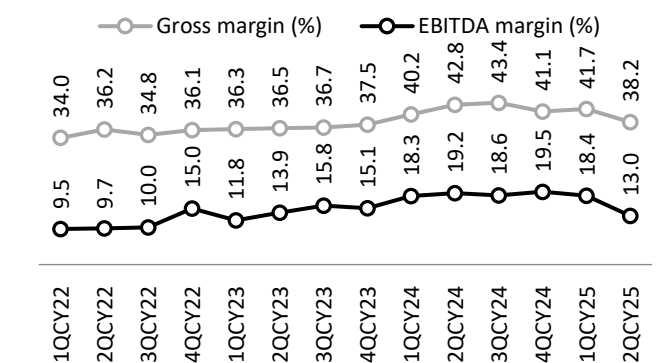
Source: Company, MOFSL

Exhibit 4: Overall revenue up 12% YoY, on higher volumes across segments, offset by shortfall in Process Automation



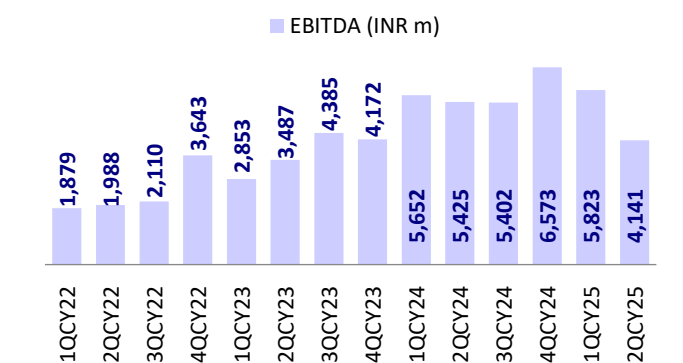
Source: Company, MOFSL

Exhibit 5: EBITDA margin contracted due to volatility in input prices



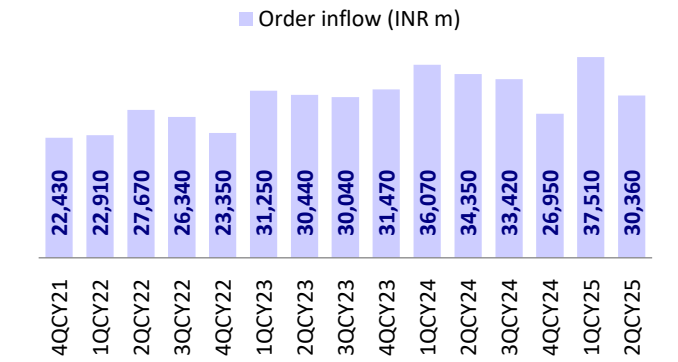
Source: Company, MOFSL

Exhibit 6: Journey of profitable growth continues with EBITDA growing marginally by 3% YoY to INR5.8b



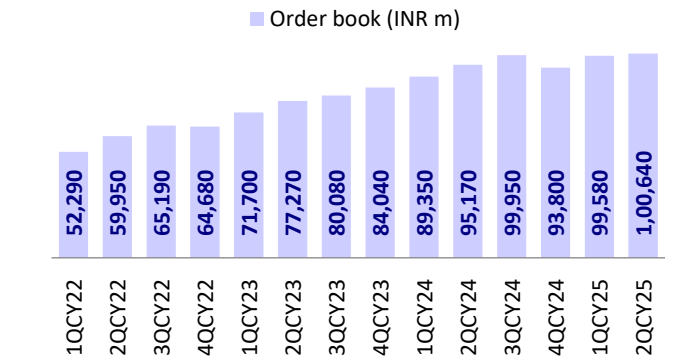
Source: Company, MOFSL

Exhibit 7: Order inflow decreased 4% YoY on absence of large orders compared to previous year



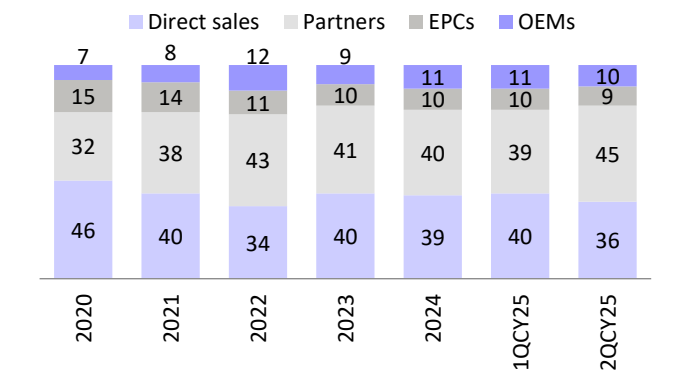
Source: Company, MOFSL

Exhibit 8: Order book up 12% YoY with increased share of base orders



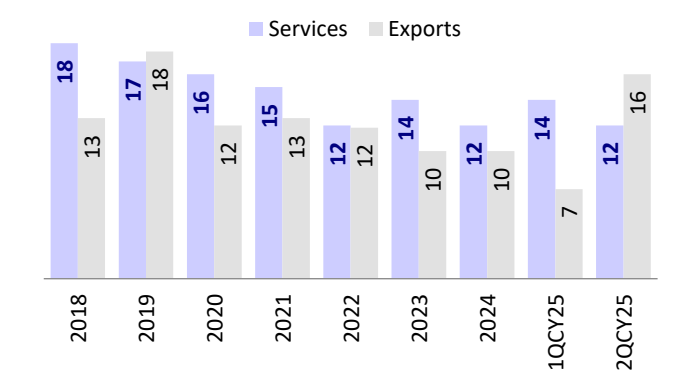
Source: Company, MOFSL

Exhibit 9: Breakup of revenues by channels (%) led by direct sales and partners in 2QCY25



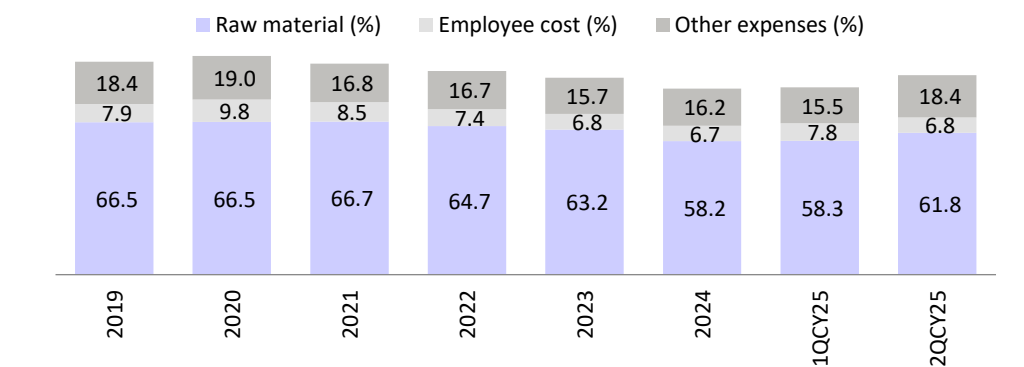
Source: Company, MOFSL

Exhibit 10: Decreased share of services in revenues led to lower operating margin in 2QCY25 (%)




















Source: Company, MOFSL

Exhibit 11: Higher operating expenses during the quarter led to margin contraction



Source: Company, MOFSL

Exhibit 1: Segregation of market segments based on high (>15%), moderate (8% to 15%) and low (<8%) growth rates

| High | Moderate | Low |
|--|--|---|
|  Data Center  Electronics  Renewables |  Water & wastewater  Railways & Metro  Buildings & infrastructure  Oil, gas & chemicals  Food & beverage  Pharma & healthcare  Automotive  Rubber & plastics |  Power distribution  Cement  Metals & Mining  Pulp & Paper  Marine & Ports  Textiles |

Source: Company, MOFSL

Exhibit 2: ABB India's order inflow decreased 12% YoY while for ABB Group it was down 9% YoY in 2QCY25

Demand vs Supply Q2'25

Orders for ABB in India is -12% while for ABB Group it is -9% in Q2'25

ABB Group India Orders

| Indian 3 rd party customers served by | Q2/25 | Q2/24 | Change % |
|--|-------|-------|----------|
| ABB India Ltd | 320 | 360 | -11% |
| Other ABB companies in India | 9 | 4 | +125% |
| ABB companies outside India | 5 | 4 | +25% |
| Group India Orders | 334 | 368 | -9% |

ABB India Ltd Reported Orders

| Domestic and Export | Q2/25 | Q2 24 | Change % |
|---|-------|-------|----------|
| 3 rd party customers in India (Domestic) | 320 | 360 | -11% |
| Exports | 41 | 49 | -16% |
| Orders from India | 361 | 409 | -12% |

Fig in MUSD @ 1 \$ = 83.91 INR

Source: Company

Exhibit 12: ABB has lagged behind the parent entity in 2QCY25 in terms of segmental margins, mainly due to forex losses and higher import content (Segment wise margins % - Parent vs. ABB India)

| Electrification | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 1QCY25 | 2QCY25 |
|---|-------------|--------------|-------------|--------------|-------------|--------------|--------------|--------------|
| Parent (A) | 13.3% | 14.1% | 16.1% | 16.5% | 20.1% | 22.7% | 23.2% | 23.9% |
| ABB India (B) | 9.8% | 4.1% | 11.1% | 13.8% | 18.5% | 22.9% | 24.7% | 16.1% |
| Net margin difference (A-B) | 3.5% | 10.0% | 5.0% | 2.7% | 1.6% | -0.2% | -1.5% | 7.8% |
| Motion | | | | | | | | |
| Parent (A) | 16.6% | 16.8% | 17.1% | 17.3% | 18.9% | 19.4% | 19.6% | 19.8% |
| ABB India (B) | 9.2% | 5.3% | 12.5% | 12.3% | 15.9% | 22.1% | 21.9% | 16.4% |
| Net margin difference (A-B) | 7.4% | 11.5% | 4.6% | 5.0% | 3.0% | -2.7% | -2.3% | 3.4% |
| Process Automation | | | | | | | | |
| Parent (A) | 11.7% | 7.8% | 12.8% | 14.0% | 14.5% | 15.1% | 15.8% | 15.9% |
| ABB India (B) | 6.1% | -5.4% | 9.1% | 12.8% | 12.3% | 17.7% | 16.4% | 17.2% |
| Net margin difference (A-B) | 5.6% | 13.2% | 3.7% | 1.2% | 2.2% | -2.6% | -0.6% | -1.3% |
| Robotics and Discrete Automation | | | | | | | | |
| Parent (A) | 11.9% | 8.2% | 10.8% | 10.7% | 14.7% | 10.2% | 9.9% | 9.1% |
| ABB India (B) | 8.8% | 3.2% | 7.9% | 12.5% | 12.7% | 13.5% | 13.2% | 6.5% |
| Net margin difference (A-B) | 3.1% | 5.0% | 2.9% | -1.8% | 2.0% | -3.3% | -3.3% | 2.6% |

Source: Company, MOFSL

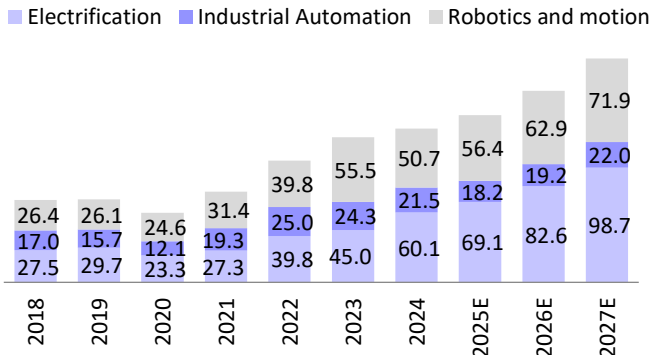
Exhibit 13: We trim our estimates by 15%/8%/2% for CY25/26/27 to bake in lower margins

| (INR M) | CY25E | | | CY26E | | | CY27E | | |
|------------|----------|----------|---------|----------|----------|---------|----------|----------|---------|
| | Rev | Old | Chg (%) | Rev | Old | Chg (%) | Rev | Old | Chg (%) |
| Net Sales | 1,34,733 | 1,34,045 | 0.5 | 1,53,089 | 1,51,704 | 0.9 | 1,75,207 | 1,73,548 | 1.0 |
| EBITDA | 20,519 | 24,502 | (16.3) | 24,569 | 26,749 | (8.1) | 29,220 | 29,642 | (1.4) |
| EBITDA (%) | 15.2 | 18.3 | -310 bp | 16.0 | 17.6 | -160 bp | 16.7 | 17.1 | -40 bp |
| Adj. PAT | 16,962 | 20,005 | (15.2) | 20,156 | 21,947 | (8.2) | 23,703 | 24,219 | (2.1) |
| EPS (INR) | 80.0 | 94.4 | (15.2) | 95.1 | 103.6 | (8.2) | 111.9 | 114.3 | (2.1) |

Source: MOFSL

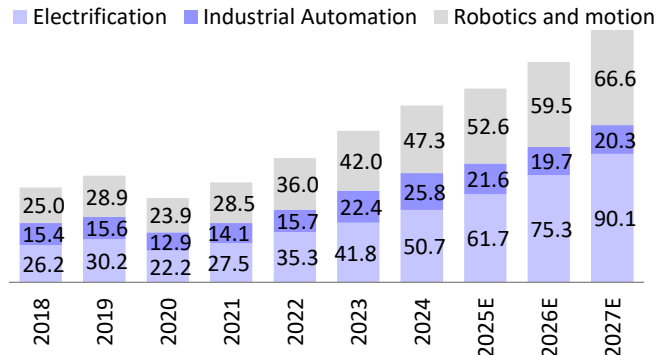
Financial outlook

Exhibit 14: We expect 16% order inflow CAGR over CY25-CY27E (INR b)



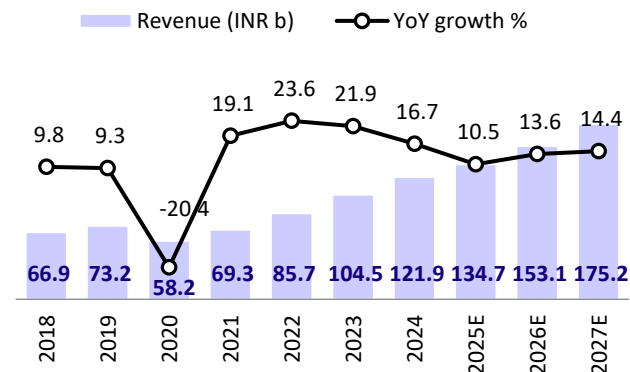
Source: Company, MOFSL

Exhibit 15: Revenue is expected to clock 14% CAGR over CY25-27E (INR b)



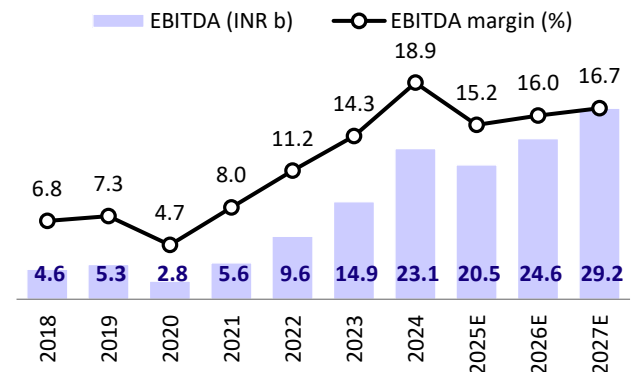
Source: Company, MOFSL

Exhibit 16: Revenue growth has been strong over last few years on healthy inflows (INR b)



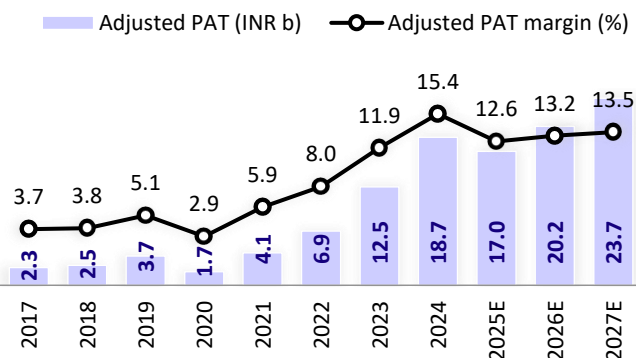
Source: Company, MOFSL

Exhibit 17: We expect ABB to clock 19% EBITDA CAGR over CY25-CY27E (INR b)



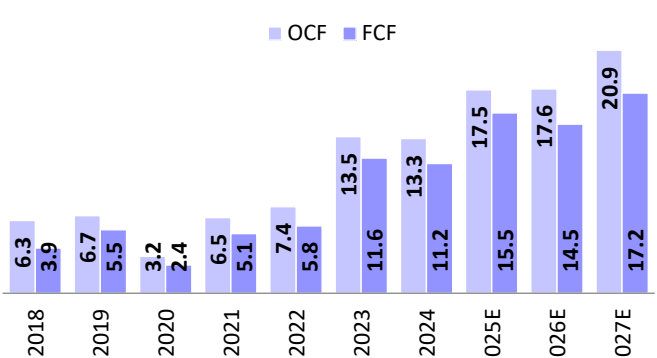
Source: Company, MOFSL

Exhibit 18: PAT is expected to post 18% CAGR over CY25-CY27E (INR b)



Source: Company, MOFSL

Exhibit 19: FCF and OCF to remain strong on stable working capital (INR b)



Source: Company, MOFSL

Financials and Valuation

Standalone - Income Statement

(INR m)

| Y/E Dec | CY21 | CY22 | CY23 | CY24 | CY25E | CY26E | CY27E |
|-------------------------------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Total Income from Operations | 69,340 | 85,675 | 1,04,465 | 1,21,883 | 1,34,733 | 1,53,089 | 1,75,207 |
| Change (%) | 19.1 | 23.6 | 21.9 | 16.7 | 10.5 | 13.6 | 14.4 |
| Raw Materials | 46,263 | 55,426 | 66,025 | 70,903 | 80,840 | 93,384 | 1,06,701 |
| Gross Profit | 23,077 | 30,249 | 38,440 | 50,980 | 53,893 | 59,705 | 68,506 |
| Employee Cost | 5,882 | 6,353 | 7,152 | 8,219 | 9,359 | 10,315 | 11,769 |
| Other Expenses | 11,627 | 14,277 | 16,391 | 19,709 | 24,015 | 24,821 | 27,517 |
| Total Expenditure | 63,773 | 76,057 | 89,567 | 98,831 | 1,14,214 | 1,28,520 | 1,45,987 |
| % of Sales | 92.0 | 88.8 | 85.7 | 81.1 | 84.8 | 84.0 | 83.3 |
| EBITDA | 5,567 | 9,619 | 14,898 | 23,052 | 20,519 | 24,569 | 29,220 |
| Margin (%) | 8.0 | 11.2 | 14.3 | 18.9 | 15.2 | 16.0 | 16.7 |
| Depreciation | 1,027 | 1,047 | 1,199 | 1,289 | 1,365 | 1,523 | 1,767 |
| EBIT | 4,540 | 8,572 | 13,699 | 21,763 | 19,154 | 23,046 | 27,453 |
| Int. and Finance Charges | 107 | 131 | 127 | 165 | 145 | 146 | 148 |
| Other Income | 1,596 | 1,795 | 3,017 | 3,534 | 3,668 | 4,047 | 4,383 |
| PBT bef. EO Exp. | 6,029 | 10,235 | 16,589 | 25,133 | 22,677 | 26,947 | 31,688 |
| EO Items | | | | | | | |
| PBT after EO Exp. | 6,029 | 10,235 | 16,589 | 25,133 | 22,677 | 26,947 | 31,688 |
| Total Tax | 1,918 | 3,372 | 4,107 | 6,387 | 5,715 | 6,791 | 7,985 |
| Tax Rate (%) | 31.8 | 32.9 | 24.8 | 25.4 | 25.2 | 25.2 | 25.2 |
| Reported PAT | 4,112 | 6,863 | 12,482 | 18,746 | 16,962 | 20,156 | 23,703 |
| Adjusted PAT | 4,112 | 6,863 | 12,482 | 18,746 | 16,962 | 20,156 | 23,703 |
| Change (%) | 139.5 | 66.9 | 81.9 | 50.2 | -9.5 | 18.8 | 17.6 |
| Margin (%) | 5.9 | 8.0 | 11.9 | 15.4 | 12.6 | 13.2 | 13.5 |

Standalone - Balance Sheet

(INR m)

| Y/E Dec | CY21 | CY22 | CY23 | CY24 | CY25E | CY26E | CY27E |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Equity Share Capital | 424 | 424 | 424 | 424 | 424 | 424 | 424 |
| Total Reserves | 40,028 | 48,970 | 59,022 | 70,330 | 77,326 | 85,523 | 94,873 |
| Net Worth | 40,452 | 49,394 | 59,446 | 70,754 | 77,750 | 85,946 | 95,297 |
| Total Loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Deferred Tax Liabilities | -939 | -898 | -1,027 | -985 | -985 | -985 | -985 |
| Capital Employed | 39,513 | 48,496 | 58,419 | 69,769 | 76,765 | 84,962 | 94,312 |
| Gross Block | 11,764 | 13,432 | 15,624 | 17,061 | 19,034 | 22,085 | 25,763 |
| Less: Accum. Deprn. | 3,741 | 4,586 | 5,831 | 6,589 | 7,953 | 9,476 | 11,243 |
| Net Fixed Assets | 8,024 | 8,846 | 9,793 | 10,472 | 11,081 | 12,609 | 14,520 |
| Goodwill on Consolidation | 146 | 146 | 146 | 146 | 146 | 146 | 146 |
| Capital WIP | 769 | 693 | 599 | 948 | 948 | 948 | 948 |
| Total Investments | 0 | 4,932 | 39,408 | 45,738 | 45,738 | 45,738 | 45,738 |
| Curr. Assets, Loans&Adv. | 70,248 | 77,668 | 59,038 | 65,625 | 77,742 | 92,191 | 1,08,937 |
| Inventory | 10,091 | 14,207 | 15,608 | 17,780 | 16,661 | 18,748 | 21,296 |
| Account Receivables | 25,604 | 24,451 | 25,443 | 29,837 | 32,982 | 37,476 | 42,890 |
| Cash and Bank Balance | 26,877 | 31,491 | 8,769 | 9,356 | 18,430 | 24,898 | 31,994 |
| Loans and Advances | 796 | 921 | 1,859 | 1,101 | 1,321 | 1,585 | 1,902 |
| Other Current Asset | 6,880 | 6,599 | 7,359 | 7,551 | 8,347 | 9,484 | 10,855 |
| Curr. Liability & Prov. | 39,781 | 43,788 | 50,566 | 53,159 | 58,889 | 66,670 | 75,976 |
| Other Current Liabilities | 36,436 | 39,956 | 46,058 | 47,960 | 52,983 | 59,959 | 68,295 |
| Provisions | 3,345 | 3,832 | 4,508 | 5,200 | 5,906 | 6,711 | 7,680 |
| Net Current Assets | 30,467 | 33,880 | 8,472 | 12,465 | 18,853 | 25,521 | 32,961 |
| Misc Expenditure | 107 | 0 | 0 | 0 | 0 | 0 | 0 |
| Appl. of Funds | 39,513 | 48,496 | 58,419 | 69,769 | 76,765 | 84,962 | 94,312 |

Financials and Valuation

Ratios

| Y/E Dec | CY21 | CY22 | CY23 | CY24 | CY25E | CY26E | CY27E |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| Basic (INR) | | | | | | | |
| EPS | 19.4 | 32.4 | 58.9 | 88.5 | 80.0 | 95.1 | 111.9 |
| Cash EPS | 24.2 | 37.3 | 64.6 | 94.6 | 86.5 | 102.3 | 120.2 |
| BV/Share | 190.9 | 233.1 | 280.5 | 333.9 | 366.9 | 405.6 | 449.7 |
| DPS | 5.2 | 4.5 | 29.3 | 33.5 | 40.2 | 48.2 | 57.9 |
| Payout (%) | 31.4 | 16.3 | 58.2 | 44.3 | 58.8 | 59.3 | 60.5 |
| Valuation (x) | | | | | | | |
| P/E | 262.8 | 157.5 | 86.6 | 57.6 | 63.7 | 53.6 | 45.6 |
| Cash P/E | 210.3 | 136.6 | 79.0 | 53.9 | 59.0 | 49.8 | 42.4 |
| P/BV | 26.7 | 21.9 | 18.2 | 15.3 | 13.9 | 12.6 | 11.3 |
| EV/Sales | 15.2 | 12.2 | 10.3 | 8.8 | 7.9 | 6.9 | 6.0 |
| EV/EBITDA | 189.3 | 109.1 | 72.0 | 46.5 | 51.8 | 43.0 | 35.9 |
| Dividend Yield (%) | 0.1 | 0.1 | 0.6 | 0.7 | 0.8 | 0.9 | 1.1 |
| FCF per share | 24.2 | 26.7 | 54.9 | 52.6 | 73.2 | 68.6 | 81.2 |
| Return Ratios (%) | | | | | | | |
| RoE | 10.7 | 15.3 | 22.9 | 28.8 | 22.8 | 24.6 | 26.2 |
| RoCE | 10.9 | 15.5 | 23.1 | 29.0 | 23.0 | 24.8 | 26.3 |
| RoIC | 25.9 | 49.4 | 98.1 | 138.9 | 112.9 | 137.8 | 141.6 |
| Working Capital Ratios | | | | | | | |
| Fixed Asset Turnover (x) | 5.9 | 6.4 | 6.7 | 7.1 | 7.1 | 6.9 | 6.8 |
| Asset Turnover (x) | 1.8 | 1.8 | 1.8 | 1.7 | 1.8 | 1.8 | 1.9 |
| Inventory (Days) | 53 | 61 | 55 | 53 | 45 | 45 | 44 |
| Debtor (Days) | 135 | 104 | 89 | 89 | 89 | 89 | 89 |
| Creditor (Days) | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Leverage Ratio (x) | | | | | | | |
| Current Ratio | 1.8 | 1.8 | 1.2 | 1.2 | 1.3 | 1.4 | 1.4 |
| Interest Cover Ratio | 42.4 | 65.4 | 108.2 | 132.3 | 132.0 | 157.5 | 186.0 |
| Net Debt/Equity | -0.7 | -0.7 | -0.8 | -0.8 | -0.8 | -0.8 | -0.8 |

Standalone - Cashflow Statement

(INR m)

| Y/E Dec | CY21 | CY22 | CY23 | CY24 | CY25E | CY26E | CY27E |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| OP/(Loss) before Tax | 7,072 | 13,503 | 16,589 | 25,133 | 22,677 | 26,947 | 31,688 |
| Depreciation | 1,027 | 1,047 | 1,199 | 1,289 | 1,365 | 1,523 | 1,767 |
| Interest & Finance Charges | -579 | -1,137 | -2,644 | -3,268 | -3,523 | -3,901 | -4,235 |
| Direct Taxes Paid | -1,131 | -2,467 | -3,667 | -6,626 | -5,715 | -6,791 | -7,985 |
| (Inc)/Dec in WC | 1,015 | -194 | 1,696 | -3,690 | 2,687 | -201 | -344 |
| CF from Operations | 7,405 | 10,752 | 13,173 | 12,838 | 17,491 | 17,578 | 20,890 |
| Others | -912 | -3,427 | 285 | 451 | 0 | 0 | 0 |
| CF from Operating incl EO | 6,492 | 7,326 | 13,458 | 13,288 | 17,491 | 17,578 | 20,890 |
| (Inc)/Dec in FA | -1,358 | -1,660 | -1,831 | -2,137 | -1,974 | -3,051 | -3,677 |
| Free Cash Flow | 5,134 | 5,666 | 11,627 | 11,151 | 15,518 | 14,527 | 17,213 |
| (Pur)/Sale of Investments | 0 | 19,741 | -16 | 0 | 0 | 0 | 0 |
| Others | 950 | 180 | 2,827 | 3,463 | 0 | 0 | 0 |
| CF from Investments | -409 | 18,262 | 981 | 1,326 | -1,974 | -3,051 | -3,677 |
| Issue of Shares | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Inc/(Dec) in Debt | -124 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest Paid | -85 | -300 | -364 | -439 | 3,523 | 3,901 | 4,235 |
| Dividend Paid | -1,060 | -1,102 | -2,331 | -7,265 | -9,967 | -11,960 | -14,352 |
| CF from Fin. Activity | -1,268 | -1,402 | -2,695 | -7,704 | -6,444 | -8,059 | -10,117 |
| Inc/Dec of Cash | 4,815 | 24,186 | 11,744 | 6,910 | 9,074 | 6,468 | 7,096 |
| Opening Balance | 22,066 | 26,877 | 31,491 | 8,769 | 9,356 | 18,430 | 24,898 |
| Other Bank Balances | -4 | -19,573 | -34,466 | -6,323 | | | |
| Closing Balance | 26,877 | 31,491 | 8,769 | 9,356 | 18,430 | 24,898 | 31,994 |

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| Explanation of Investment Rating | |
|----------------------------------|--|
| Investment Rating | Expected return (over 12-month) |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | < - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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