

ABB India reported a mixed set of numbers for Q2CY25 as the company achieved their highest ever Q2 revenues - (+12% YoY) driven by base orders, though large orders were impacted by subdued market conditions. Profitability came under pressure due to adverse revenue mix, higher import content (linked to QCO compliance), forex volatility and one-off costs in the Electrification segment. Order backlog rose to an all-time high of ₹100.64 Bn (+6% YoY), offering visibility for the next 12-18 months. Management reiterated that CY25 will likely remain a year of consolidation before momentum picks-up again in CY26.

Key takeaways from the concall

- **Capex Cycle Outlook:**
 - a. Core sectors like heavy industries, metals, mining and process industries remain cautious, delaying large capex decisions.
 - b. Government capex has begun to pick up but private capex remains muted; revival expected in H2CY26.
 - c. Base order growth in Tier-2 and Tier-3 markets remains intact (+5% YoY in Q2CY25).
- **Profitability Pressures:**
 - a. QCO guidelines required higher import sourcing to meet customer delivery timelines, increasing material cost.
 - b. Forex volatility (esp. EUR and CHF appreciation) impacted margins, with a ₹56.5 Cr hit in Q2.
 - c. One-off cost of ₹39.5 Cr taken in Electrification segment due to project risk provisioning.

Financial Summary

Y/E Mar (Rs mn)	CY21	CY22	CY23	CY24	CY25E	CY26E
Net sales	69,340	85,675	1,04,465	1,21,883	1,32,401	1,54,148
EBIDTA	5,567	9,619	14,898	23,052	22,192	27,436
Margins (%)	8.0	11.2	14.3	18.9	16.8	17.8
Adjusted net profit	5,197	10,162	12,421	18,746	18,656	22,918
EPS (Rs)	24.5	47.9	58.6	88.4	88.0	108.1
P/E (x)	208	106	87	58	58	47
EV/EBITDA (x)	193	109	72	47	46	37
RoCE (%)	13.70%	19.39%	24.94%	32.45%	27.58%	29.84%
RoE (%)	12.85%	20.57%	20.89%	26.49%	23.29%	25.05%

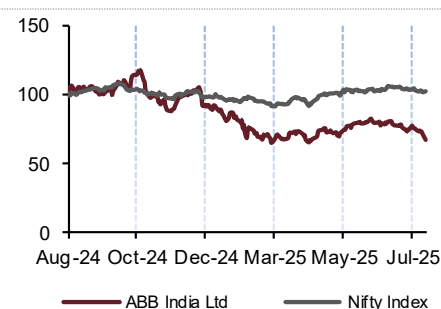
Source: Company

Rating	TP (Rs)	Up/Dn (%)
BUY	7,027	38

Market Data

Current price	Rs	5,093
Market Cap (Rs.Bn)	(Rs Bn)	1,079
Market Cap (US\$ Mn)	(US\$ Mn)	12,329
Face Value	Rs	2
52 Weeks High/Low	Rs 41.45 / 4590.05	
Average Daily Volume	('000)	406
BSE Code		500002
Bloomberg		ABB.IN

Source: Bloomberg

One Year Performance


Source: Bloomberg

% Shareholding	Jun-25	Mar-25
Promoters	75.00	75.00
Public	25.00	25.00
Total	100	100

Source: BSE

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Segment Commentary:

- **Electrification:** Healthy base order growth (+9% YoY) in building solutions, data centers, and renewables, but higher import content and revenue mix impacted margins
- **Motion:** Base load orders stable with traction in railways, drives and motors; large orders subdued.
- **Process Automation:** Stable performance; large orders delayed for two consecutive quarters.
- **Robotics:** All-time high revenues but high trading content keeps margins in check.

Key Financial Metrics

- Revenue at ₹31,754 Mn vs ₹28,309 Mn (+12.1% YoY) vs ₹31,596 Mn (+0.5% QoQ)
- EBITDA at ₹4,140 Mn vs ₹5,420 Mn (-23.6% YoY) vs ₹5,823 Mn (-28.9% QoQ)
- EBITDA Margin at 13.0% vs 19.2% (YoY) vs 18.4% (QoQ)
- PBT at ₹4,741 Mn vs ₹ 5,938 Mn (-20.2% YoY) vs ₹6,361 Mn (-25.5% QoQ)
- EPS at ₹16.6 vs ₹ 20.88 (YoY) vs ₹22.36 (QoQ)
- Order inflows at ₹30,360 Mn vs ₹34,350 Mn (-11.6% YoY) vs ₹37,510 Mn (-19.1% QoQ)
- Order backlog at ₹100,640 Mn vs ₹95,170 Mn (+5.7% YoY) vs ₹99,580 Mn (+1.1% QoQ)

Segmental Results in Detail:

Electrification:

- **Orders** at ₹1,369 Cr were down ~4% YoY, reflecting the absence of the large order in the base quarter, but base demand remained steady in building & infrastructure, data centers and renewables.
- **Order Backlog** expanded sharply to ₹3,491 Cr, up ~27% YoY, providing strong execution visibility.
- **Revenue** grew 23% YoY to ₹1,379 Cr on the back of robust backlog conversion and healthy mix.
- **Margin pressure** came from higher import content (driven by QCO compliance), forex volatility and a one-off provisioning, which muted profitability despite top-line growth.

Motion

- **Orders** declined 17% YoY to ₹1,099 Cr, with large orders remaining soft, though base load segments like traction, drives and motors showed resilience.
- **Order Backlog** inched up to ₹4,012 Cr (+2% YoY), supported by a mix of system and product orders.
- **Revenue** was largely flat, rising ~1% YoY to ₹1,088 Cr, reflecting steady execution.
- **Margins** were impacted by competitive pricing and forex headwinds, weighing on overall profitability.

Process Automation

- **Orders** fell 12% YoY to ₹471 Cr, with large project decisions still delayed, leading to a softer intake.
- **Order Backlog** declined 12% YoY to ₹2,240 Cr, mirroring the subdued order flow.
- **Revenue** dropped 22% YoY to ₹492 Cr as customer delivery schedules shifted.
- Despite the top-line softness, profitability held up relatively better owing to a favorable revenue mix (higher service content) and project close-outs, partially offsetting forex headwinds.

Robotics

- **Orders received** declined 24% YoY to ₹119 Cr, with the large electronics order from the prior year missing in this quarter.
- **Backlog**, however, expanded to ₹331 Cr (+10% YoY), indicating strengthening pipeline and future conversion potential.
- **Revenue** surged 181% YoY to ₹236 Cr, marking an all-time high on the back of execution in emerging segments.
 - Margins remained under check due to a high share of trading content and forex losses, even as underlying demand trajectory improved.

Breakup by Mode of Offering:

- 75% of revenue in H1FY25 came from short-cycle Products (vs 73% in H1FY24), indicating continued strength in Fast moving industrial goods.
- 13% of revenues were from Services (vs 12% YoY).
- 12% from Projects (vs 15% YoY).

Geographical Breakup:

- **Domestic share** in revenue - 90% vs 89% (YoY) – indicating majority of growth coming from India Business.
- Share of Exports in revenue **10% vs 11%(YoY)**

Valuation & Outlook

Looking at the emphasis placed by Government on infra & capex push in the previous 2 budgets as well as the recent Union Budget of 2025-26 - wherein effective capex (inclusive of grants) went up by 17% on a YoY basis. The Capital goods sector looks structurally strong after years of volatility. Themes like **Datacenters** (expected to grow at 25%+ CAGR), **renewables**, **electronics** & ancillary component manufacturing (growing at 30% CAGR due to the PLI incentive scheme) are picking up at rapid pace. The Indian economy is further bolstered by expedite growth in **Railways & metro segment (growing at >15% CAGR)** & growth in **building construction & infra**. ABB India's product profile, reputation, brand presence & technology places it in a sweet spot to seize this growth story & generate sizeable profits, high free cashflow generation & superior RoCE in the forthcoming years

However, there remains a slight degree of skepticism regarding stagnation in government capex, coupled with continued concerns about muted private capex over the past couple of quarters. This impact is most visible in ABB's Process Automation segment, which has reported de-growth for five consecutive quarters and is down 20% YoY.

Nevertheless, the other three segments — Electrification, Motion, and Robotics — continue to see strong base order momentum, resulting in highest ever backlog of 10,000 Cr+, offering encouraging signs. Basis the same, we believe topline shall continue to grow although at a slower rate than previous years- we cut our CY25E Revenue Growth rate from 10% to 8.6%. Due to the forex volatility & QCO compliance, we believe EBITDA margins to remain under pressure, cutting our EBITDA estimates for CY25/26 by 9%/5% respectively.

We believe this healthy growth in the order book effectively mitigates any near-term de-growth in revenues, thereby limiting downside from current levels. At the CMP of ₹5,100, the stock trades at 58x CY25E EPS of ₹88, and 47x CY26E EPS of ₹108.

ABB's expansion in product portfolio and localization initiatives, coupled with the government's strong commitment to budgeted infrastructure spends, and a secular capex uptick in emerging areas like Data Centers and Renewables, have helped the company deliver a 20%+ CAGR from CY21-CY24.

However, to return to such elevated growth levels, a revival in core sector demand and a pickup in private sector order inflows will be essential. In our estimates, we have factored in a 12.5%/9%/10.5% CAGR in Revenue/EBITDA/PAT for CY24-26, and assign a target price of ₹7,027, valuing the stock at 65x Dec-26E EPS of ₹88, implying 38% upside.

We continue to like the stock from a 2-3 year perspective and therefore maintain a BUY rating.

Quarterly Financials

Particulars (Rs Mns)	Q2CY24	Q1CY25	Q2CY25	YoY growth	QoQ Growth
Revenue from Operations	28,309	31,596	31,754	12%	1%
Other Income	868	923	998	15%	8%
Total Mfg cost	15,250	17,467	18,464	21%	6%
Subcontracting expenses	928	953	1,150	24%	21%
Employee Benefits Expense	2,030	2,452	2,160	6%	-12%
Other Expenses	4,675	4,901	5,840	25%	19%
Total Expenses	22,884	25,773	27,614	21%	7%
EBITDA (Excluding Other Income)	5,425	5,823	4,141	-24%	-29%
Depreciation and Amortisation Expenses	310	338	355	15%	5%
EBIT / PBIT	5,983	6,408	4,783	-20%	-25%
Finance Costs	45	47	42	-7%	-11%
EBT/ PBT (excluding exceptional items)	5,938	6,361	4,741	-20%	-25%
Exceptional Items*	-	-	-		-
PBT Including exceptional items	5,938	6,361	4,741	-20%	-25%
Tax Expense	1,511	1,620	1,220	-19%	-25%
PAT from Continuing Operations after Tax	4,426	4,741	3,521	-20%	-26%
Earning Per Share (EPS)	20.88	22.36	16.61	-20%	-26%

Orderbook

Order Inflows	34,350	37,510	30,360	-12%	-19%
Order Backlog	95,170	99,580	1,00,640	6%	1%

Margins (%)

(In bps)

Gross Margins	46.1%	44.7%	41.9%	-427	-286
EBITDA Margins (Excl Other Income)	19.2%	18.4%	13.0%	-612	-539
PBT Margins before exceptional items	20.4%	19.6%	14.5%	-588	-509
PAT Margins	15.2%	14.6%	10.7%	-442	-383

As a % to sales

Mfg Cost as a % to sales	53.9%	55.3%	58.1%	427	286
EE & Subcon Cost as a % to sales	10.4%	10.8%	10.4%	-3	-35
Other exps as a % to sales	16.5%	15.5%	18.4%	188	288

Segmental Revenue (incl. Intersegment)

Electrification	11,214	13,576	13,786	23%	2%
Motion	10,758	10,959	10,881	1%	-1%
Process Automation	6,327	5,865	4,921	-22%	-16%
Robotics & Discrete Automation & Others	843	1,496	2,361	180%	58%

Segmental Results (PBIT Margins)

Electrification	23.1%	24.7%	16.1%	-708	-866
Motion	23.1%	21.9%	16.4%	-671	-545
Process Automation	16.2%	16.4%	17.2%	104	80
Robotics & Discrete Automation	14.6%	13.2%	6.5%	-804	-669

Source: Dalal & Broacha Research

Financials

P&L (Rs mn)	CY21	CY22	CY23	CY24	CY25E	CY26E
Net Sales	69,340	85,675	1,04,465	1,21,883	1,32,401	1,54,148
Total Operating Expenses	44,154	53,012	63,286	67,486	75,799	87,325
Subcontracting Charges	2,110	2,415	2,740	3,417	3,972	4,624
Employee Cost	5,882	6,353	7,152	8,219	9,452	10,870
Other Expenses	11,627	14,277	16,391	19,709	20,986	23,893
Operating Profit	5,567	9,619	14,898	23,052	22,192	27,436
Depreciation	1,027	1,047	1,199	1,289	1,303	1,477
PBIT	4,540	8,572	13,699	21,763	20,888	25,959
Other income	1,596	1,795	3,017	3,534	4,237	4,933
Interest	107	131	127	165	250	334
PBT (Before exceptional)	6,029	10,235	16,589	25,133	24,875	30,557
Exceptional	1,213	3,393	-	-	-	-
PBT (post exceptional)	7,243	13,628	16,589	25,133	24,875	30,557
Provision for tax	1,918	3,372	4,107	6,387	6,219	7,639
PAT (From continuing operations)	5,325	10,256	12,482	18,746	18,656	22,918
PAT (From Discontinuing operations)	(128)	(94)	(61)	-	-	-
MI	-	-	-	-	-	-
Reported PAT	5,197	10,162	12,421	18,746	18,656	22,918
Adjusted Profit	5,197	10,162	12,421	18,746	18,656	22,918

Balance Sheet (Rs mn)	CY21	CY22	CY23	CY24	CY25E	CY26E
Equity capital	424	424	424	424	424	424
Reserves	40,028	48,970	59,022	70,330	79,692	91,061
Net worth	40,452	49,394	59,446	70,754	80,116	91,485
Non Current Liabilities	238	285	424	420	401	520
Current Liabilities	39,543	43,503	50,142	52,740	58,879	68,629
discontinued operations/ assets	495	-	-	-	-	-
TOTAL LIABILITIES	80,727	93,182	1,10,012	1,23,913	1,39,396	1,60,634
Non Current Assets	14,374	14,196	14,537	16,288	18,481	20,826
Fixed Assets	8,793	9,538	10,393	11,420	13,272	14,952
Goodwill	146	146	146	146	146	146
Non Current Investments	-	-	16	16	16	16
Non-current assets tax (net)	2,674	1,912	1,369	1,836	1,996	2,326
Deferred Tax Asset	939	898	1,027	985	1,000	1,000
Other Financial Assets	87	75	73	80	90	100
Other Non Current Assets	1,736	1,626	1,514	1,804	1,961	2,286
Current Assets	65,752	78,986	95,475	1,07,626	1,20,915	1,39,808
Current investments	-	4,932	-	-	-	-
Inventories	10,091	14,207	15,608	17,780	19,951	23,228
Trade Receivables	18,838	20,930	25,443	29,837	32,647	38,009
Cash and Bank Balances	7,181	31,469	8,769	9,356	53,026	62,403
Bank Balances other than cash & cash eq	19,696	22	39,393	45,722	10,000	10,000
Short Term Loans and Advances	185	49	54	63	-	-
Other Financial Assets	6,690	2,931	1,733	958	1,041	1,213
Other current assets tax (net)	3,070	4,447	4,476	3,911	4,251	4,955
Other Assets(associated with discontinued operations/ assets held for sale)	602	-	-	-	-	-
TOTAL ASSETS	80,727	93,182	1,10,012	1,23,914	1,39,396	1,60,634

Cash Flow St. (Rs. mn)	CY21	CY22	CY23	CY24	CY25E	CY26E
PBT (including Discontinued Operations)	7,072	13,503	16,507	25,133	24,875	30,557
Add: Dep. & Amort.	1,027	1,047	1,199	1,289	1,303	1,477
Add: Interest Expenses	107	131	127	165	250	334
Operating profit before working capital change	8,206	14,681	17,833	26,586	26,428	32,369
(Inc)/Dec in						
Working capital adjustment	(1,166)	547	(1,191)	(5,677)	(687)	(2,681)
Gross cash generated from operations	7,040	15,228	16,642	20,910	25,741	29,687
Direct taxes paid	(1,790)	(3,278)	(4,046)	(6,387)	(6,219)	(7,639)
Others	1,268	(4,524)	915	(1,200)	933	2,151
CF from Oper. activities	6,488	7,426	13,512	13,323	20,456	24,200
CF from Inv. activities	(20,079)	18,262	(33,522)	(5,033)	32,630	(3,157)
CF from Fin. activities	(1,268)	(1,402)	(2,695)	(7,704)	(9,417)	(11,665)
Cash generated/(utilised)	(14,859)	24,287	(22,705)	586	43,669	9,377
Cash at start of the year	22,040	7,181	31,469	8,769	9,356	53,026
Cash at end of the year	7,181	31,469	8,769	9,356	53,026	62,403
Balance sheet	7,181	31,469	8,764	9,354	53,025	62,403
Diff on account of exchange ga	0	0	4.90	2.49	0.04	-
Ratios	CY21	CY22	CY23	CY24	CY25E	CY26E
OPM	8.03%	11.23%	14.26%	18.91%	16.76%	17.80%
NPM	7.33%	11.62%	11.56%	14.95%	13.65%	14.41%
Tax Rate	26.48%	24.74%	24.76%	25.41%	25.00%	25.00%
Growth Ratios (%)						
Net Sales	19.12%	23.56%	21.93%	16.67%	8.63%	16.43%
Operating Profit	105.29%	72.78%	54.88%	54.74%	-3.73%	23.63%
PBT	145.51%	69.76%	62.08%	51.50%	-1.02%	22.84%
PAT	137.07%	95.54%	22.22%	50.93%	-0.48%	22.84%
Per Share (Rs.)						
Net Earnings (EPS)	24.51	47.94	58.59	88.42	88.00	108.10
Cash Earnings (CPS)	29.36	52.87	64.24	94.51	94.15	115.07
Payout ratio	21%	11%	59%	50%	57%	46%
Dividend	5.15	5.27	34.80	44.16	50.50	50.00
Book Value per share (BVPS)	190.81	232.99	280.41	333.75	377.91	431.53
Free Cash Flow	6,022	6,781	12,660	12,291	18,604	22,520
Valuation Ratios						
P/E(x)	208.04	106.39	87.05	57.68	57.95	47.18
P/B(x)	26.73	21.89	18.19	15.28	13.50	11.82
EV/EBIDTA(x)	192.96	109.16	72.01	46.51	46.35	37.15
Div. Yield(%)	0.10	0.10	0.68	0.87	0.99	0.98
FCFF Yield(%)	0.56	0.63	1.17	1.14	1.72	2.08
Return Ratios (%)						
ROE	12.85%	20.57%	20.89%	26.49%	23.29%	25.05%
ROCE	13.70%	19.39%	24.94%	32.45%	27.58%	29.84%

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