

RESULTS

REVIEW

## Asea Brown Boveri Ltd. (ABB)

Rs.4,094 | Buy

Q1CY07 results update

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Nifty: 4178; Sensex: 14229

## Key Stock Data

Sector	Electric Equipment
Bloomberg/Reuters	ABB@IN/ABB.BO
Shares o/s (m)	42.4
Market cap (Rs bn)	174
Market cap (US\$ m)	4,240
3-m daily average vol.	30,097

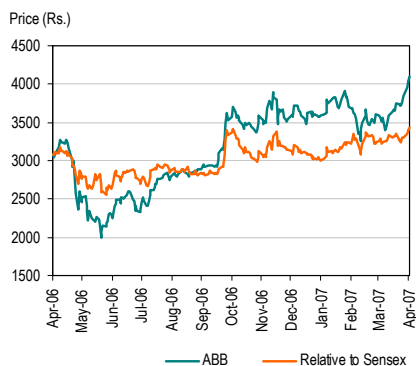
## Price Performance

52-week high/low	Rs.4,122/1,920		
	-1m	-3m	-12m
Absolute (%)	14.1	13.8	32.7
Rel to Sensex (%)	5.7	14.2	13.5

## Shareholding Pattern (%)

Promoters	52.11
FII/NRIs/OCBs/GDR	16.87
MFs/Banks/FIs	17.61
Non Promoter Corporate	1.60
Public & Others	11.81

## Stock vs Relative to Sensex



Source: Capitaline

Note: Price as of 28 March, 2007

## Highlights

**Net sales at Rs.13,124m up 63.5% YoY, driven by conversion of order backlog and the consistent order intake, across projects, products and services. This represents the 2nd highest quarterly turnover achieved by the company in the last 12 quarters. Operating EBITDA margins rose by 110bps on higher sales growth and control over costs.**

**The current price discounts 35.8x FY07 EPS of Rs.114.2 and 23.3x FY08 EPS of Rs.175.9. We expect the strong growth momentum to continue in CY07 as well as CY08, margins to be at similar levels as that of CY06. We retain our 'Buy' recommendation.**

- Strong growth across divisions**

The company registered a record order intake of Rs.20,003m during the Q1CY07, a 43% growth over Q1CY06. Significant orders were received from power utilities and core sector industries like cement, steel, pulp and paper etc.

All the sub-divisions showed strong growth rates as can be seen from the table below:

Table 1: Strong performance by all the key division

Sub-segments	Q1CY07	Q1CY06	% change
Power systems	4,480.3	3,008.5	48.9
Power products	3,803.3	2,071.8	83.6
Process automation	2,671.4	1,620.2	64.9
Automation products	2,879.7	1,912.2	50.6
Others	54.0	18.6	190.3
Total (Gross sales)	13,888.8	8,631.2	60.9

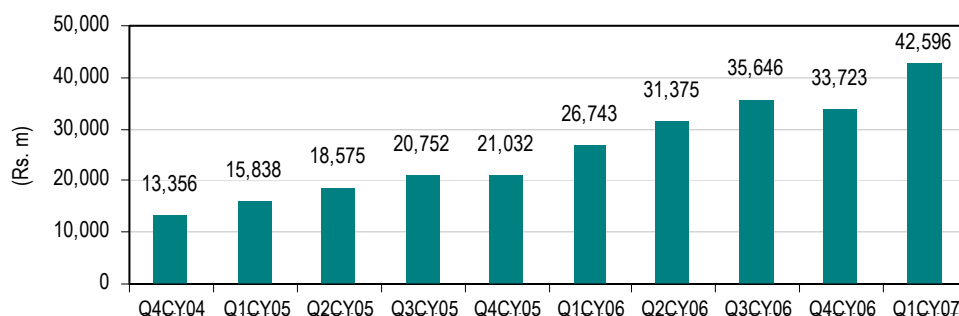
Source: Company reports; IDBI Capital Market Services

The strong growth was as a result of India's thrust on the power sector which is driving capacity enhancement and also bringing home the advantage of leveraging technology for improving grid efficiency and reliability across the transmission and distribution value chain. Further, the Indian industry continues to scale up through greenfield and brownfield expansions, at the same time increasing its focus on improving productivity, efficiency and quality for global competitiveness which has driven the process automation and automation products sub-divisions.

- Continued rise in order backlog**

The company further strengthened its order backlog to Rs.42,596m as compared to Rs.33,723m at the beginning of the year 2007 and Rs.26,743m as at Q1CY06, reflecting the robust order intake and providing revenue visibility for the coming quarters.

Figure 1: Rising order backlogs



Source: Company reports; IDBI Capital Market Services

## ■ Strong top line growth and control over costs props up operating margins

The operating EBITDA for Q1CY07 stood at Rs.1281.8m as compared to Rs.694.5m for Q1CY06 which is a growth of 84.6%. The operating EBITDA margins for Q1CY07 stood at 9.8% vis-à-vis 8.7% for Q1CY06 which is a rise of 110bps. This was in spite of raw material as a % of sales for Q1CY07 rising to 74.3% as compared to 73.1% for Q1CY06. This rise in operating margins was achieved due to better control over employee and other costs and a strong top-line growth.

**Table 2: Financial snapshot**

(Rs. m)

Year-end: December	Q1CY07	Q1CY06	% YoY	CYF06	CY07E	% YoY
Net sales	1,3124.4	8,029.1	63.5	42,740.1	60,159.7	40.8
Other income	151.7	179.5	(15.5)	736.9	1,250.0	69.6
Operating profit	1,433.5	874.0	64.0	5,504.0	7,807.4	41.8
OPM (%)	10.9	10.9		12.9	13.0	
Interest	10.0	1.9	356.3	7.0	10.0	42.9
Depreciation	86.2	62.1	(1.0)	265.0	350.0	32.1
Tax	471.0	297.0	33.8	1,829.0	2,606.5	42.5
PAT	866.3	513.0	24.3	3,403.1	4,840.6	42.2
NPM (%)	6.6	6.4		8.0	8.0	
EPS (Rs.)	20.4	12.1		80.3	114.2	42.2
No. of shares (m)	42.4	42.4		42.4	42.4	
CMP (Rs)				4,094	4,094	
PE (x)				51.0	35.8	

Source: Company reports; IDBI Capital Market Services

### Equity Sales/Dealing

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