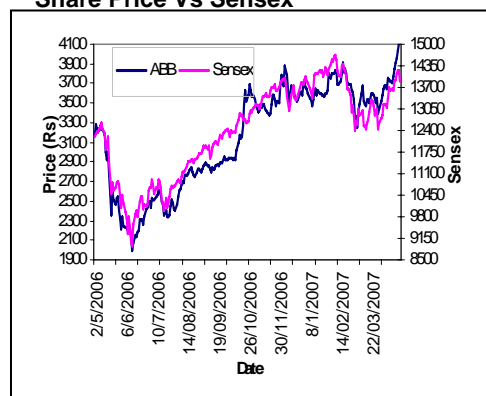


**ABB**
**Neutral**
**CMP: Rs 4087**
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Sector	Capital Goods
Market Cap (Rs cr)	17338
Beta	0.93
52 WK High / Low	4160/ 1920
Avg Daily Volume	27072
Face Value (Rs)	10
BSE Sensex	13872
Nifty	4088
BSE Code	50002
NSE Code	ABB
Reuters Code	ABB.BO
Bloomberg Code	ABB.IN

**Shareholding Pattern (%)**

Promoters	52.1
MF/Banks/Indian FIs	17.6
FII/ NRIs/ OCBs	18.5
Indian Public	11.8

**Share Price Vs Sensex**

**Q1CY2007 Result Update**
**Performance Highlights**

**Net Sales jumped by 64%YoY:** ABB India came out with strong numbers for Q1CY2007 reporting Net Sales to Rs 1312.4cr (Rs 802.9cr). Strong revenue growth was witnessed across all business segments of the company. The segment revenue of Power Systems was higher by 49% to Rs 448.03cr (32% of total sales) and that of power products was higher by 84% to Rs 380.33cr (27% of total sales). While the segment sales of Automation products was up by 51% to Rs 287.97cr (21% of total sales) that of process automation was higher by 65% to Rs 267.14cr (19% of total sales)

**Strong Order Book Position:** ABB has strengthened its order backlog to Rs 4260cr (Rs 2674cr). The company registered a record order intake of Rs 2000cr during the Q1CY2007, a 43% growth over Q1CY2006. Significant orders were received from Power utilities and Core sector Industries like Cement, Steel, Pulp and Paper.

**Increased revenue conversion rate:** During the quarter, the revenue has grown by 64% to Rs 1312.4cr (Rs 802.9cr). From 2004 to 2007, company has invested close to Rs 500cr for ramping up capacity which the company was able to execute in time. Now the company is gearing up for the next phase of investment, which will be during 2007 and up to 2008. So, the investment programme will continue to build up company's project execution capability.

**Better Operating Margins:** ABB Ltd showed improvement in the operating margins for the quarter. The Operating Margins reported at 9.8% (8.7%). This can be attributed to better Operating Leverage & also the total share of products and services put together was more than 50%(40%) for the first time as they normally offer a better margin

**Exhibit 1: Key Financials**

Y/E December (Rs cr)	CY2006	CY2007E	CY2008E	CY2009E
<b>Net Sales</b>	<b>4274.0</b>	<b>6115.0</b>	<b>8186.1</b>	<b>10764.0</b>
% chg	-	43.1	33.9	31.5
<b>Net Profits</b>	<b>340.3</b>	<b>489.9</b>	<b>671.0</b>	<b>876.9</b>
% chg	-	44.0	37.0	30.7
OPM (%)	11.2	11.2	11.3	11.3
<b>EPS (Rs)</b>	<b>80.3</b>	<b>115.6</b>	<b>158.3</b>	<b>206.9</b>
P/E (x)	50.9	35.4	25.8	19.8
RoE (%)	28.4	30.1	30.0	28.9
RoCE (%)	37.0	39.8	39.3	38.2
EV/Sales (x)	3.9	2.7	2.0	1.5
EV/EBITDA (x)	35.3	24.4	17.7	13.2

Source: Company, Angel Research

## Business Developments

### Strong Order Book:

ABB has a strong order backlog of Rs 4260cr (Rs 2674cr) which is 1xCY2006 sales as of today. ABB India was awarded large orders in this quarter like to provide Grasim Industries' and Ultratech Cement, power and automation products and systems for their cement capacity expansions which are worth Rs 311cr. It has also been awarded a turnkey contract valued at Rs 186cr by Karnataka Power Transmission Corporation Ltd. The company has secured orders worth around Rs 250cr to provide turnkey solutions and a range of power and automation products to the JSW Group for its steel and power plant expansions in Bellary, Vasind and Salem.

Order Book Details	CY03	CY04	CY05	CY06	CY07E
Order Backlog	1071	1335.6	2103.2	2094.1	3173.6
y-o-y growth	22%	25%	57%	0%	52%
Order Inflows	1705.4	2587.8	3764.5	5623.6	7314.2
y-o-y growth	31%	52%	45%	49%	30%
Sales to order backlog	1.7	2.2	2.3	1.80	1.7

### Valuation & Outlook

The outlook for the Company looks positive as we expect a reasonable Capital expenditure in Power & Industrial Segment in the coming years. ABB's power business in India has strong growth prospects given that Power deficits are widespread, GDP is growing at 8%+ & Country's inadequate T&D (transmission & distribution) infrastructure is being refurbished. Apart from this ABB has access to the parent (a global leader in power and automation technology) Implies ABB has no technological constraints and does not have to worry about getting a technology partner for new products. However given India's huge power and industrial capex that could attract international players as order ticker size increases which could increase competitive pressure & margins can come under pressure. Further at CMP of Rs 4087 stock trades at 35.4x its CY2007E EPS & 25.8X its CY2008E, which looks stretched. Thus we believe current valuations already discount's ABB's buoyant growth prospects. **Hence we maintain Neutral on the stock.**

### Exhibit 2: Q1CY2007 Performance

Y/E December (Rs cr)	Q1CY2007	Q1CY2006	% chg	CY2006	CY2005	% chg
Net Sales	1312.4	802.9	63.5	4274.0	2963.1	44.2
Total Expenditure	1184.3	733.5	61.5	3797.3	2644.9	43.6
Operating Profit	128.2	69.5	84.6	476.7	318.2	49.8
OPM (Margin)	9.8	8.7		11.2	10.7	
Interest	1.0	0.2	416.5	0.7	6.6	(89.1)
Depreciation	8.6	6.2	38.9	26.5	23.1	14.4
Non Operating Income	15.2	18.0	(15.5)	73.7	51.1	0.0
Non recurring items	0.0	0.0		0.0	0.0	
Profit Before tax	133.7	81.0	65.1	523.2	339.5	54.1
Tax	47.1	29.7	58.6	182.9	120.8	51.4
Reported Profit After Tax	86.6	51.3	68.9	340.3	218.7	55.6
PAT (Margin)	6.6	6.4		8.0	7.4	
Adjusted Profit After Tax	86.6	51.3	68.9	340.3	218.7	55.6
Adj. PAT (Margin)	6.6	6.4		8.0	7.4	
Adj. EPS	20.4	12.1	68.9	80.3	51.6	55.6

Source: Company; Angel Research

**Exhibit 3: Segmental Performance**

Y/E December (Rs cr)	Q1CY2007	Q1CY2006	% chg	CY2006	CY2005	% chg
<b>Revenues</b>	<b>1327.6</b>	<b>820.9</b>	<b>61.7</b>	<b>4347.7</b>	<b>3014.1</b>	<b>44.2</b>
Power Products	380.3	207.2	83.6	1213.0	874.8	38.7
Power Systems	448.0	300.8	48.9	1509.6	1063.3	42.0
Automation Products	288.0	191.2	50.6	917.9	635.4	44.5
Process Automation	267.1	162.0	64.9	914.0	554.9	64.7
Others	5.4	1.9	191.0	14.7	10.0	46.5
Unallocable	9.8	13.3	(25.9)	27.3	28.3	(3.6)
Intersegment revenue	71.1	55.5	28.0	248.8	152.5	63.2
<b>EBIT</b>	<b>129.2</b>	<b>78.4</b>	<b>64.8</b>	<b>515.0</b>	<b>333.0</b>	<b>54.7</b>
<b>Margin(%)</b>	9.7	9.6		11.8	11.0	
Power Products	34.4	18.3	88.2	138.2	111.4	24.1
Margin(%)	9.0	8.8		11.4	12.7	
Power Systems	42.4	24.6	72.2	163.1	82.9	96.6
Margin(%)	9.5	8.2		10.8	7.8	
Automation Products	32.6	21.7	50.1	114.5	79.3	44.5
Margin(%)	11.3	11.3		12.5	12.5	
Process Automation	20.0	13.6	47.0	98.3	58.1	69.3
Margin(%)	7.5	8.4		10.8	10.5	
Others	(0.1)	0.2	(162.0)	0.9	1.4	(31.4)
Margin(%)	(2.4)	11.4		6.4	13.7	
<b>Capital Employed</b>	<b>1380.2</b>	<b>957.8</b>	44.1	<b>1197.4</b>	<b>906.9</b>	32.0
Power Products	279.0	234.2	19.1	220.3	208.0	5.9
Power Systems	260.7	152.0	71.6	160.5	131.9	21.6
Automation Products	127.5	88.8	43.6	110.2	52.7	109.1
Process Automation	114.7	44.1	160.0	83.6	41.4	101.9
Others	3.0	(0.3)	(1134.6)	(0.3)	(0.3)	(18.7)
Unallocable capital employed	595.2	439.0	35.6	623.2	473.1	31.7

Source: Company; Angel Research



## Angel Broking Limited

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