

RESULTS REVIEW

ABB Limited (India)

Buy

Share Data

Market Cap	Rs. 317.96 bn
Price	Rs. 1,500.45
BSE Sensex	20345.20
Reuters	ABB.BO
Bloomberg	ABB IN
Avg. Volume (52 Week)	0.03 mn
52-Week High/Low	Rs. 1,670 / 638
Shares Outstanding	211.91 mn

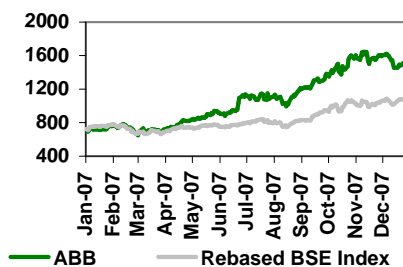
Valuation Ratios

Year to 31 Dec	2007E	2008E
EPS (Rs.)	24.9	36.7
+/- (%)	55.3%	47.2%
PER (x)	60.2x	40.9x
EV/ Sales (x)	3.3x	2.3x
EV/ EBITDA (x)	26.5x	18.0x

Shareholding Pattern (%)

Promoters	52
FII's	18
Institutions	16
Public & Others	14

Relative Performance



Trending higher

ABB reported modest results for Q3'07, with a revenue growth of merely 28.7% yoy to Rs. 13.8 bn. The soft revenue growth seems to be the result of slowdown in the power projects due to the seasonality associated with the monsoons. EBITDA increased by 55.9% yoy to Rs. 1.7 bn and margin improved by 219 bps due to a decline in the cost of raw material consumption and lower cost of purchase of traded goods. Better operational performance percolated to the bottomline, resulting in a rise of 40.8% yoy to Rs. 1.2 bn and improvement in margin by 73 bps to 8.4%.

Driven by technological expertise over its peers, ABB will continue to be a major beneficiary of the massive investments in the Indian power and infrastructure sector. The Company has embarked on an aggressive capex plan of USD 100 mn spread over a period of 2-3 years, with the possibility of adding another USD 100 mn as and when required, whereby it plans to increase its product offerings. Considering all of the above factors, the Company's strong balance sheet and ABB Global's increased emphasis on ABB India's operations, we believe the Company will continue its expansion drive.

We expect the revenues to grow at a CAGR of 43.2% over FY06-08E to Rs. 87.6 bn in CY08E. The stock is currently trading at a P/E of 60.2x for CY07E and 40.9x for CY08E. Based on DCF valuation, our target price of Rs. 1,751 provides an upside of 16.7% over the current price. Hence, we upgrade our rating to Buy.

Key Figures (Standalone)

Quarterly data	Q3'06	Q2'07	Q3'07	QoQ%	YoY%	M9'06	M9'07	YoY%
(Figures in Rs. mn, except per share data)								
Net Sales	10,706	14,009	13,775	(1.7)%	28.7%	28,477	40,909	43.7%
EBITDA	1,106	1,638	1,724	5.2%	55.9%	2,820	4,644	64.7%
Net Profit	821	1,086	1,157	6.6%	40.8%	2,054	3,109	51.4%

Margins(%)

EBITDA	10.3%	11.7%	12.5%			9.9%	11.4%
NPM	7.7%	7.7%	8.4%			7.2%	7.6%

Per Share Data (Rs.)

Adjusted EPS	3.9	5.1	5.5	6.6%	40.7%	9.7	14.7	51.4%
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Result Highlights

Lower raw material cost contributed to margin improvement

Net sales for the third quarter ended Sep 07, grew by 28.7% yoy to Rs. 13.8 bn supported by 43.2% revenue growth in "Automation Technologies" and 19.7% growth in revenue of "Power Technologies". The soft growth in revenues seems to be impacted by a slowdown in power project work due to the seasonality factor. EBITDA for the quarter improved 55.9% yoy to Rs. 1.7 bn and EBITDA margin improved 219 bps to 12.5%. The increase in margin was primarily due to lower cost of purchase of traded goods (down 128 bps) and reduced raw material costs (down 16 bps). A healthy EBITDA growth was offset by reduction in other income (down 31.6% yoy), resulting in a net profit growth of 40.8% yoy to Rs. 1.2 bn and margin of 8.4% (up 73 bps). The Automation business primarily contributed to the margin improvement.

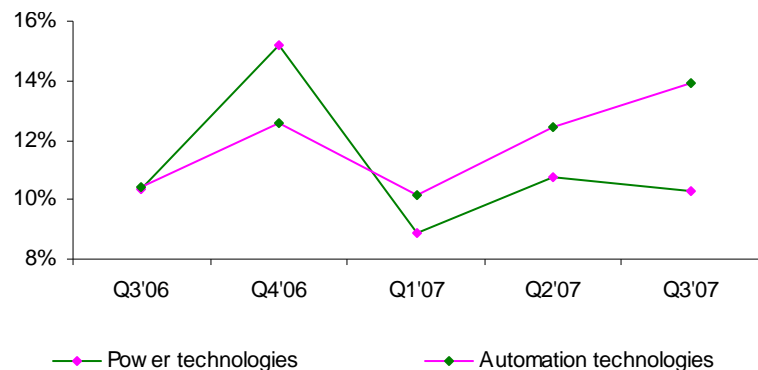
Segmental Highlights

Power systems business registered a growth of 26.1% yoy in net sales to Rs. 5.1 bn (representing 36.9% of total revenues). In absolute terms, operating profit increased by 19.9% yoy, on the other hand operating margin compressed by 49 bps.

Power products segment recorded a growth of mere 11.7% yoy in revenue to Rs. 3.6 bn - contributing 26% to the total sales. Despite reduced revenue growth, operating margin improved by 63 bps.

EBIT margin performance

Power Technologies margins are expected to improve



Source: Company data, Indiabulls research

*Power Technologies includes Power systems and Power products

*Automation Technologies includes Process automation and Automation products

Process automation segment reported a healthy growth of 45.3% yoy in net sales and 73.5% yoy in operating profit. The operating margin also improved notably by 214 bps to 13.2%.

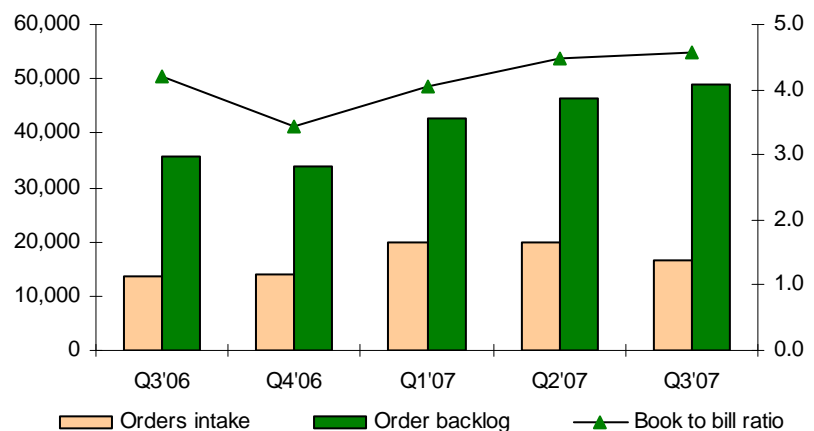
Automation products segment showed the most robust results during the quarter with a growth of 41.5% yoy in net sales and a whopping 105.8% yoy rise in operating profit. The operating margin also improved impressively by 450 bps to 14.4%.

Order-book status

Order book stood at Rs. 49 bn, an increase of 37.5% yoy while order intake was Rs. 16.7 bn. The order book growth was the result of the increased orders placed due to massive investments in the India's power and infrastructure sectors.

Continuous growth momentum in the orders

Order intake is growing at the rate of 22.8% yoy



Source: Company data, Indiabulls research

Key Events

ABB bags JSW contract

ABB bagged orders worth approx. Rs. 5,120 mn from JSW and their associated companies to provide turnkey power and automation solutions for their steel and power plant projects.

Outlook

ABB India's earnings expected to grow above 40% yoy in the short-term

ABB (India) being one of the most efficient and low cost manufacturing facilities of ABB Global, aims to pick up its export contribution to minimum 50% in the long run. Driven by technological expertise over its peers, ABB will continue to be a major beneficiary of the massive investments in the Indian power and infrastructure sector. The Company has embarked on an aggressive capex plan of USD 100 mn spread over a period of 2-3 years, with the possibility of adding another USD 100 mn as and when required, whereby it plans to increase its product offerings. Considering all of the above factors, the Company's strong balance sheet and ABB Global's increased emphasis on ABB India's operations, we believe the Company will continue its expansion drive. We expect the revenues to grow at a CAGR of 43.2% over FY06-08E to Rs. 87.6 bn in CY08E. The stock is currently trading at a P/E of 60.2x for CY07E and 40.9x for CY08E. Based on DCF valuation, our target price of Rs. 1,751 provides an upside of 16.7% over the current price. Hence, we upgrade our rating to Buy.

Key risks to our ratings include an increase in prices of raw materials like, steel, copper, aluminium etc. and any slowdown in the power sector reforms.

Key Figures

Year to Dec	CY04	CY05	CY06	CY07E	CY08E	CAGR (%)
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(Figures in Rs mn, except per share data) (CY06-08E)

Net Sales	22,602	29,631	42,740	60,714	87,621	43.2%
EBITDA	2,152	3,182	4,767	7,620	11,216	53.4%
Net Profit	1,534	2,187	3,398	5,278	7,768	51.2%

Margins(%)

EBITDA	9.5%	10.7%	11.2%	12.6%	12.8%
NPM	6.8%	7.4%	8.0%	8.7%	8.9%

Per Share Data (Rs.)

EPS	7.2	10.3	16.0	24.9	36.7	51.2%
PER (x)	26.8x	37.4x	93.6x	60.2x	40.9x	

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