

August 5, 2025

Gradual path to progress...

About the stock: ABB is a technology leader in electrification and automation, enabling a more sustainable and resource-efficient future. By connecting its engineering and digitalization expertise, ABB helps industries run at high performance, while becoming more efficient, productive and sustainable so they outperform.

- It operates in mainly three key segments including robotics & motion (39%), electrification (41%), industrial/process automation (20%).
- Well placed to gain from the overall energy market transformation from electrification to automation & digitisation

Q2CY25 performance: ABB reported muted results for the Q2CY25. It's revenue grew 12% YoY to ₹3175 crore, However, EBITDA and PAT declined 24% and 21% to ₹414 crore and ₹352 crore respectively. EBITDA and PAT margins at 13% (-612 bps YoY) and 11% (-446 bps YoY). On a segmental basis, Robotics (7% of revenue mix) grew by 180% YoY, Motion (34%) grew by 1% YoY and Electrification (43%) grew by 23% YoY, whereas process automation (16%) declined by 22% YoY. EBIT margin for Robotics, Motion and Electrification business contracted by 804/671/708 bps to 7%/16%/16% respectively whereas Process Automation business expanded 104 bps to 17.2%. It received orders worth ₹3036 crore during the quarter down 12% YoY on a larger base and sluggishness in ordering activity. Order backlog at ₹10,064 crore up 1% sequentially and 6% YoY. Company has declared ₹9.77 per share as interim dividend.

Investment Rationale:

- Order book reasonable; moderation in inflows on high base:** ABB expects private capex to increase in CY25. The company expects order inflow growth to be led by power generation, automotive, food & beverages, data centres, railway and metro, pharma, electronics and warehousing segments. Given the high base on last couple of years, the company stated expects order inflow growth expectations to be:- high growth segments: >11%, medium growth segments: 7-11%, low growth segments: <7%. Going ahead, we have built in order inflow growth of 13% YoY and 17% YoY for CY25E and CY26E respectively, post strong order inflow CAGR of 22.2% over CY19-24. The current order backlog stands at ₹10064 crore which provides reasonable revenue visibility.
- PAT to grow at 6.4% CAGR over CY24-CY26E:** With reasonable backlog and low double digit CAGR in inflows, we expect execution to be steady over the medium term. However, company's profitability was hit by multiple factors leading to PAT margin contraction. The company is cautiously navigating through challenges with focus on mitigating risks and ensuring stability. We expect profitability to normalise by CY26E. Hence, we have built in revenues growth of 14% over CY24-CY26E with PAT exhibiting a CAGR of 6.4% over the same period.

Rating and Target Price

- We like ABB for its diverse presence across key sectors of core industries and product range it has to capitalise the tailwinds in the capex growth of the economy. With strong balance sheet and ROCE generation we rate the stock as Hold and assign a fair value of ₹5500 per share (55x CY26E EPS)



Market data

Particular	Rs. in crore
Market Cap	1,08,052.0
H1CY25 Gross Debt	9.4
H1CY25 Cash	5,261.8
Enterprise Value	1,02,799.6
52 week H/L (Rs./ share)	8941/4590
Equity capital	42.4
Face value (Rs./ share)	2.0

Shareholding pattern

%	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	75.0	75.0	75.0	75.0
FII	12.3	11.9	10.3	9.3
DII	5.4	5.7	7.0	7.7
Public	7.3	7.5	7.7	8.1

Price chart



Key risks

- slowdown in order inflow growth
- lower than expected profit margins

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Key Financial Summary

(Rs in crore)	CY21	CY22	CY23	CY24	CAGR (%) CY21-CY24	CY25E	CY26E	CAGR (%) CY24-CY26E
Revenues	6,934	8,568	10,447	12,188	20.7	13,757	15,863	14.1
EBITDA	557	962	1,490	2,305	60.6	2,331	2,714	8.5
Adj Net Profit	430	761	1,242	1,871.6	63.2	1,850.9	2,120.6	6.4
EPS (Rs.)	24.5	48.0	58.6	88.3		87.3	100.1	
P/E (x)	248.6	140.6	86.2	57.2		57.8	50.5	
Price / Book (x)	26.5	21.7	18.0	15.6		12.0	10.3	
EV/EBITDA (x)	187.4	107.5	68.6	44.4		43.2	36.6	
RoCE (%)	18.5	20.7	26.2	36.5		27.1	26.4	
RoE (%)	10.6	15.4	20.9	27.4		20.8	20.3	

Source: Company, ICICI Direct Research

Key result highlights

- Revenue for Q2CY25 was ₹3175 crore, up 12% YoY. The Electrification, Motion and Robotics division grew by 23%, 1.1% & 180% YoY respectively to ₹1379, ₹1088 and ₹236 crore respectively. Whereas, process automation business declined 22% on a YoY basis to ₹492 crore.
- EBITDA declined 24% YoY to ₹414 crore. EBITDA Margins contracted 612 basis points to 13% vs. 19.2% in Q2CY24 and 18.4% Q1CY25. Segmental EBIT margin for Process automation expanded 100 bps YoY to 17.2% whereas EBIT margin contracted by 708/ 671 & 804 basis points in Electrification, Motion and Robotics & Discrete Automation business to 16%, 16% and 6.5% respectively. Consequently, PAT came in at ₹352 crore, down 21% YoY. PAT margins contracted 446 basis points YoY to 10.7%.
- Order inflows for the quarter came in at ₹3,036 crore, 12% on a larger base YoY on a larger base in Q1CY24 due to one-time large order in data centre. Order backlog grew by 11.4% YoY to ₹9,958 crore.

Key concall highlights

- The quarter witnessed decent growth in revenue of 12% on the back of strong orderbook.
- During the quarter the material costs rose to 58.3% (55% previously) due to first time compliance with QCO guidelines which lead to higher import content for scheduled deliveries. Sharp appreciation of EURO and CHF by 10% resulting in even higher material costs, other expenses also rose sharply to 18.4% (15%) on account of inflationary trends. Whereas, personnel expenses remained at 6.8%. The company recorded a one-off expense of ₹39.5 crore in electrification business.
- On the orderbook, the company's base orders grew by 5% despite lower large orders. Order inflows (₹3036 crore -12% YoY) were subdued due to delay from customers and tepid government capex leading to lower large orders. The market segments for order momentum include electronics, railways, data centres, energy, metals and mining, building and infrastructure. The orderbook of ₹10,064 crore has a 1:1 mix of base and large order and will be executed over next 18-24 months.
- ABB continues its efforts on Tier 2 and Tier 3 cities, as it sees the aspiration to consume high quality product is rising. The company expects to capture this sentiment in its Electrification and Motion portfolio.
- ABB does not see exciting macros due to which consumers in process industries and government spending on infrastructure may be delayed. This is expected to have a bearing on order inflows for the company in the medium term specially in the process automation segment.
- The company witnessed a high growth period over CY19-24 with revenues and orderbook both growing at CAGR of 20-22%. Over this larger base it is witnessing moderation in order inflows and revenues before the next capex cycle begins. As a result, management will focus on opportunities and achieve a reasonable growth.

Financial Summary

Exhibit 1: Profit and loss statement					₹ crore
(Year-end December)	CY23	CY24	CY25E	CY26E	
Net Sales	10,367	12,088	13,637	15,733	
Operating income	80	101	120	130	
Revenue	10,447	12,188	13,757	15,863	
% Growth	28.3	16.7	12.9	15.3	
Other income	301.7	353.4	310.0	310.0	
Total	10,777	12,558	14,080	16,173	
% Growth	32.2	16.5	12.1	14.9	
Total Raw Material Costs	6,329	6,749	7,910	9,125	
Employee Expenses	715	822	955	1,070	
other expenses	1,639	1,971	2,182	2,517	
Total Operating Expenditu	8,957	9,883	11,426	13,149	
Operating Profit (EBITDA)	1,490	2,305	2,331	2,714	
% Growth	109.1	54.7	1.1	16.4	
Interest	13	16	22	22	
PBDT	1,779	2,642	2,619	3,002	
Depreciation	120	129	151	174	
PBT before Exceptional lte	1,659	2,513	2,468	2,828	
Total Tax	411	639	617	707	
PAT before MI	1,248	1,875	1,851	2,121	
Minority Interest	-	-	-	-	
PAT	1,242	1,872	1,851	2,121	
% Growth	314.2	50.7	(1.1)	14.6	
EPS	58.6	88.3	87.3	100.1	

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement					₹ crore
(Year-end December)	CY23	CY24	CY25E	CY26E	
Profit after Tax	1,242	1,872	1,851	2,121	
Depreciation	120	129	151	174	
Interest	13	16	22	22	
Cash Flow before WC changes	1,375	2,017	2,024	2,317	
Changes in inventory	(140)	(242)	(232)	(311)	
Changes in debtors	(451)	(94)	(340)	(456)	
Changes in loans & Advances	(1)	(23)	(4)	(5)	
Changes in other current assets	(3)	(150)	(77)	(103)	
Net Increase in Current Assets	(475)	(509)	(652)	(875)	
Changes in creditors	472	(104)	387	519	
Changes in provisions	62	(24)	54	73	
Net Inc in Current Liabilities	656	(477)	524	703	
Net CF from Operating activities	1,555	1,031	1,896	2,145	
Changes in deferred tax assets	(13)	-	-	-	
(Purchase)/Sale of Fixed Assets	(191)	(175)	(175)	(175)	
Net CF from Investing activities	(131)	(173)	(175)	(175)	
Dividend and Dividend Tax	(233)	(936)	(937)	(954)	
Net CF from Financing Activities	(249)	(989)	(968)	(983)	
Net Cash flow	1,175	(130)	753	988	
Opening Cash/Cash Equivalent	3,642	4,817	4,687	5,440	
Closing Cash/ Cash Equivalent	4,817	4,687	5,440	6,428	

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet					₹ crore
(Year-end December)	CY23	CY24	CY25E	CY26E	
Equity Capital	42.4	42.4	42.4	42.4	
Reserve and Surplus	5,902	6,801	7,706	8,866	
Total Shareholders fun	5,945	6,843	7,748	8,908	
Minority Interest	-	-	-	-	
Total Debt	8	9	9	9	
Total Liabilities	6,007	6,909	7,814	8,974	
Gross Block	1,435	1,610	1,779	1,954	
Acc: Depreciation	497	631	782	956	
Net Block	938	980	997	998	
Capital WIP	60	59	65	65	
Total Fixed Assets	998	1,039	1,062	1,063	
Non Current Assets	454	454	454	454	
Inventory	1,561	1,803	2,035	2,347	
Debtors	2,544	2,638	2,978	3,433	
Loans and Advances	6	29	33	38	
Other Current Assets	448	597	674	777	
Cash	4,817	4,687	5,440	6,428	
Total Current Assets	9,549	9,928	11,333	13,196	
Current Liabilities	3,109	3,005	3,392	3,911	
Provisions	445	421	475	548	
Net Current Assets	4,555	5,411	6,292	7,451	
Total Assets	6,007	6,909	7,814	8,974	

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios					
(Year-end December)	CY23	CY24	CY25E	CY26E	
Per Share Data					
EPS	58.6	88.3	87.3	100.1	
Cash per Share	227.3	221.2	303.3	367.5	
BV	280.5	322.9	420.4	491.9	
Dividend per share	11.0	44.2	44.2	45.0	
Dividend payout ratio	19%	50%	51%	45%	
Operating Ratios					
EBITDA Margin	14.3	18.9	16.9	17.1	
PAT Margin	11.9	15.4	13.5	13.4	
Return Ratios					
RoE	20.9	27.4	20.8	20.3	
RoCE	26.2	36.5	27.1	26.4	
RoIC	91.5	100.0	81.1	85.8	
Valuation Ratios					
EV / EBITDA	68.6	44.4	43.2	36.6	
P/E	86.2	57.2	57.8	50.5	
EV / Net Sales	9.8	8.4	7.3	6.3	
Sales / Equity	1.8	1.8	1.5	1.5	
Market Cap / Sales	10.2	8.8	7.8	6.7	
Price to Book Value	18.0	15.6	12.0	10.3	
Turnover Ratios					
Asset turnover	9.1	5.6	5.5	6.0	
Debtors Turnover Ratic	4.5	4.7	4.5	4.3	
Creditors Turnover Rat	3.6	4.0	4.0	3.8	
Solvency Ratios					
Debt / Equity	0.0	0.0	0.0	0.0	
Current Ratio	1.1	1.3	1.3	1.4	
Quick Ratio	0.7	0.8	0.9	0.9	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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