NARNOLIA

ABB

NEUTRAL

2-Nov-16

ABB India Ltd.

Result Update

CMP	1095
Target Price	
Previous Target Price	-
Upside	-100%
Change from Previous	-

Market Data

BSE Code	500002
NSE Symbol	ABB
52wk Range H/L	1,432.70/963.05
Mkt Capital (Rs Cr)	23,438
Av. Volume	8874
Nifty	8669

Stock Performance

	1Month	1Year	YTD
Absolute	-3.1	-4.3	-9.6
Rel.to Nifty	-3.2	-11.1	-21.1

Share Holding Pattern-%

	4QFY16	3QFY16	2QFY16
Promoter	75.0	75.0	75.0
Public	25.0	25.0	25.0
Others	--	--	--
Total	100.0	100.0	100.0

Company Vs NIFTY

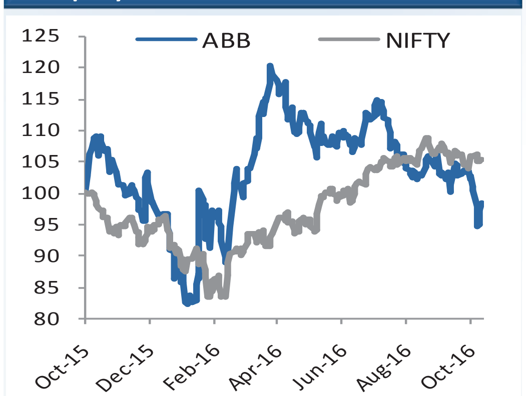

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ABB India Ltd: Sustained performance in mixed markets

The third quarter revenue was reported at Rs 2,055 crore. Service and exports revenue continue to be strong as customers focused on efficiency and productivity of existing operations. The company is well positioned with a solid execution and conversion of a robust order backlog. Supported by a favorable revenue mix and cost management strategies, the company, during the quarter, posted a profit before tax of Rs 124 crore and profit after tax of Rs 81 crore.

The company received orders worth Rs 2,967 crore in the third quarter of 2016. Focus on renewables and the transportation sector continues to pave the way for growth. While base orders remained solid, the company witnessed a strong turnaround in large orders. As consolidation continues in the industry sector, utilities remained cautious and mostly continued with upgradation of technology through dry type transformers, gas insulated switchgears and substation packages. A relatively strong order backlog of Rs 8,676 crore as of September 30, 2016 provides visibility to future revenues.

3QCY16_Concall highlights:

→ The company continues to gain orders from Power Grid and several State electricity boards.

→ Company is having very healthy backlog.

→ Management has indicated that order pipeline remains robust from sectors like Transportation (Rail orders for traction motors, converters and transformers), T&D and Renewable (solar).

→ In Railway there is $132bn expansion plan in next 4-5 years and as per the management this investment will play quite well going forward.

Outlook and Valuation

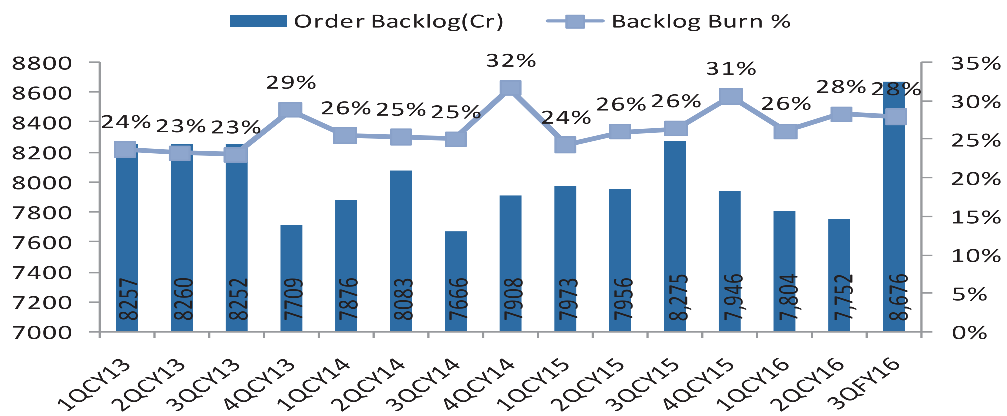
We can see company continues to gain orders from Power Grid expansion of the transmission networks in the country. In Railway there is $132bn expansion plan in next 4-5 years and as per the management this investment will play quite well going forward. ABB keen to expand its business in India through merger & acquisition. Capital goods sector continues to struggle and we expect it to remain sluggish in near term. We are keeping positive view on this stock in long term with "NEUTRAL" rating.

Rs in Cr

Financials	*CY12*	*CY13*	*CY14*	*CY15*	*FY16E*
Sales	*7565*	*7722*	*7733*	*8140*	*9159*
EBITDA	*336*	*470*	*556*	*712*	*865*
Net Profit	*137*	*179*	*229*	*300*	*420*
EBIDTA%	*4.4%*	*6.1%*	*7.2%*	*8.8%*	*9.4%*
P/E	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*

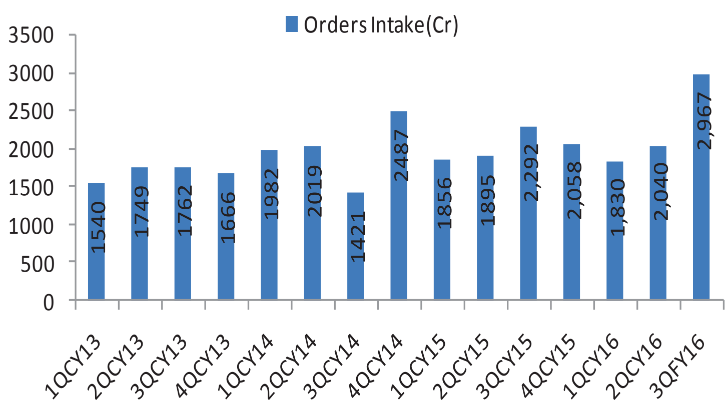
(Source: Company/Eastwind)

Order Baclog & Backlog burn ratio:

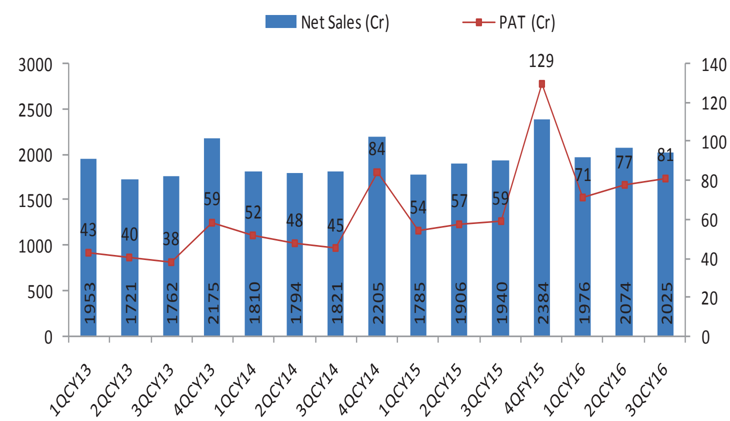


→Order backlog is approx Rs 8000 cr which is roughly compared to today's one year revenue and it provided a good revenue visibility.

Order Intake trend:



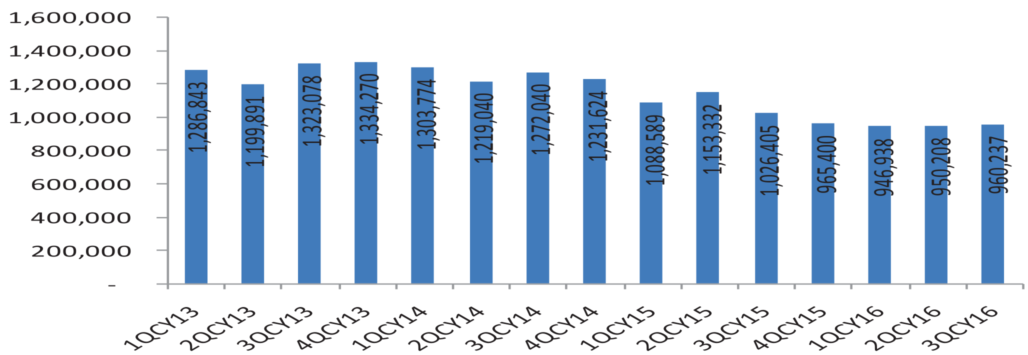
Quarterly Revenue & PAT trend:



Key figures (Cr)

	3QFY16	3QFY15	YTD 2016	YTD 2015
Orders	2967	2292	6837	6042
Revenue	2055	1969	6157	5715
Profit before Tax	124	95	352	266
Profit before Tax %	6.0%	4.8%	5.7%	4.6%
Profit after Tax	81	59	229	170
Profit after Tax %	3.9%	3.0%	3.7%	3.0%
Operational EBITDA %	7.1%	5.9%	6.5%	6.1%

Copper price (Indian Rupee per Metric Ton):



Investment Argument:

→ Company is executing the world's first multi-terminal UHVDC 6,000 MW transmission corridor which will take power from the hydel plants in the north east India to Agra with a provision for reverse flow.

→ ABB keen to expand its business in India through merger & acquisition.

→ Company has good observation around in new investments and technologies which is coming into the market.

→Revenue from service has remained constant about 12% of revenue stream, so company is focusing services as major focus area and it is one of the major support areas also for profitability perspective. So company remain positive about that.

→India is seen as one of the rising stars of possibilities among all the markets they are exposed to, which is a kind of positive outlook for a country from an outside-in perspective.

→A strong backlog of around a year and that gives us a good base for us to build this business, as well as serve the markets.

→Company has lot of opportunity in the neighboring countries as well as in markets of Africa and Southeast Asia and management saw some good positive orders coming, high quality orders coming to them.

About the Company:

ABB India (ABB) is a 75%-owned subsidiary of Switzerland based ABB Group, a global provider of power transmission and distribution (T&D) products and automation technology with operations in more than 100 countries.It operates in two segments i.e. power technology and automation technology, and offers its services and products to the power transmission as well as other industries. Its power technology segment provides solutions for power transmission, power distribution, and control and protection systems for power plants. Products include transformers, switchgears, breakers, capacitors, power line carrier communication equipment, and relay control panels. Under the automation technology segment, it offers products, systems, software, and services for automation and optimization of discrete, process, and batch manufacturing operations, and related services.

Key Risks:

→Some of the risks are like speed of reform implementation by our current Government.

→Trade Receivables are increasing it will effect the future profit of the company.

Financials Snap Shot

INCOME STATEMENT

	CY13	CY14	CY15	CY16E
Revenue (Net of Excise D	7722	7733	8140	9159
Other Income	7	17	13	32
Total Revenue	7729	7751	8153	9190
COGS	4930	4837	4834	5368
GPM	1	1	1	1
Other Expenses	1177	1229	1378	1569
EBITDA	470	556	712	865
EBITDA Margin (%)	6%	7%	9%	9%
Depreciation	103	113	160	139
EBIT	367	443	553	726
Interest	101	105	91	93
PBT	272	355	475	665
Tax	96	127	175	245
Tax Rate (%)	35%	36%	37%	37%
Reported PAT	179	229	300	420
Dividend Paid	75	78	78	78
No. of Shares	21	21	21	21

Souce: Eastwind/Company

RATIOS

	CY13	CY14	CY15	CY16E
EPS	8	11	14	20
Book Value	126	133	142	158
DPS	4	4	4	4
Payout (incl. Div. Tax.)	42%	34%	26%	19%
Valuation(x)				
P/E	81.9	119.5	93.4	62.9
Price / Book Value	5.5	9.7	9.3	7.9
Dividend Yield (%)	0.51%	0.29%	0.28%	0.30%
Profitability Ratios				
RoE	7%	8%	10%	13%
RoCE	14%	16%	15%	18%
Turnover Ratios				
Asset Turnover (x)	1	1	1	1
Debtors (No. of Days)	153	149	152	153
Inventory (No. of Days)	73	67	71	71
Creditors (No. of Days)	98	94	94	94
Net Debt/Equity (x)	0.0	0.0	0.2	0.2

Souce: Eastwind/Company

BALANCE SHEET

	CY13	CY14	CY15	CY16E
Share Capital	42	42	42	42
Reserves	2635	2770	2966	3308
Net Worth	2678	2812	3009	3350
Long term Debt	0	0	600	600
Short term Debt	620	371	0	0
Deferred Tax	0	0	0	0
Total Capital Employed	2678	2812	3609	3950
Net Fixed Assets	1439	1431	1343	1271
Capital WIP	47	32	44	44
Debtors	3236	3158	3391	3836
Cash & Bank Balances	317	226	574	535
Trade payables	2083	1984	2102	2365
Total Provisions	269	352	426	435
Net Current Assets	1477	1353	1824	2181
Total Assets	7050	6822	7409	7945

Souce: Eastwind/Company

CASH FLOW STATEMENT

	CY13	CY14	CY15	CY16E
OP/(Loss) before Tax	272	355	475	665
Depreciation	103	113	160	139
Direct Taxes Paid	209	121	197	245
Operating profit before w	513	609	795	896
CF from Op. Activity	330	479	382	200
	(5)	(56)	0	0
Capital expenditure on fix	(222)	(111)	(110)	(67)
CF from Inv. Activity	(220)	(148)	(76)	(67)
Repayment of Long Term	23554	15683	11163	0
Interest Paid	99	99	93	93
Divd Paid (incl Tax)	(74)	(74)	(94)	(78)
CF from Fin. Activity	119	(422)	42	(171)
Inc/(Dec) in Cash	230	(91)	347	(38)
Add: Opening Balance	85	315	224	574
Closing Balance	315	224	572	535

Souce: Eastwind/Company