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In Focus

ABB

Outperformer

Rs 3,634

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Q3 CY06 Result Update – Robust order inflow

ABB has reported a robust 50.6% yoy growth in its top line to Rs 10.7bn. The margin has been hit by 120bp, compared to same period last year, to 10.3%. Other income has increased by a significant 151.1% yoy and 50.6% qoq to Rs 230m. Net profit has grown by a tremendous 55.1% yoy to Rs 821m.

For the nine-month period, ABB has reported growth of 44% in revenue to Rs 28.5bn, followed by a 65.5% yoy jump in the bottom line to Rs 2.1bn. The margin improved by a significant 80bp compared to same period last year.

The order book has shown noteworthy growth of 13.6% qoq to Rs 35.6bn. The order intake during the quarter continued to be robust, with inflows of Rs 13.6bn, 48% higher than the third quarter of the previous year. The cumulative order intake for the nine-month period stands at Rs 42.1bn, an increase of 53% over the same period last year.

ABB has commissioned its Haridwar-based Low-Voltage Distribution Electricals unit ahead of schedule. Also, the new facility at Bangalore for control gear and LV motor units is now in full swing.

At the CMP of Rs 3,634, the stock trades at 46.0x CY06E and 32.2x CY07E earnings of Rs 79.1 and Rs 112.4 respectively. On an EV/EBIDTA basis, it trades at 30.8x and 20.1x FY06 and FY07 estimates respectively. We maintain our Outperformer rating.

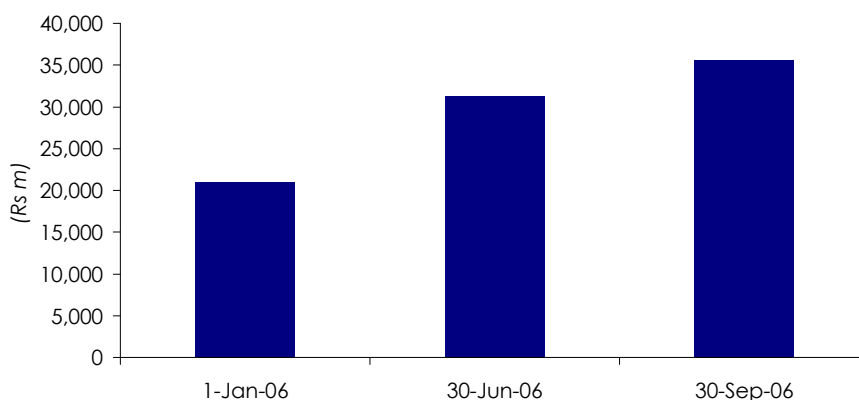
Key Figures

Y/e Dec	CY04	CY05	CY06E	CY07E
Revenues (Rs m)	22,602	29,631	41,496	61,379
EBITDA (Rs m)	2,129	3,182	4,813	7,220
<i>Margins (%)</i>	<i>9.4</i>	<i>10.7</i>	<i>11.6</i>	<i>11.8</i>
PAT (Rs m)	1,505	2,187	3,352	4,764
EPS (Rs)	35.5	51.6	79.1	112.4
PER (x)	102.3	70.4	46.0	32.3
EV / E (x)	70.0	46.9	30.8	20.1
EV / Sales (x)	6.6	5.0	3.6	2.4
RoCE (%)	20.5	24.4	28.7	32.7
RoE (%)	21.2	24.6	28.3	29.4

(Stock price as on October 30, 2006)



Order-Book Movement



Source: Company Data, PL Research

Segment-wise Break-up

(Rs m)

Y/e Dec	Q3CY06	Q3CY05	yoy gr. (%)	9MCY06	9MCY05	yoy gr. (%)
Revenue						
Power Products	3,238	2,030	59.5	8,252	5,734	43.9
<i>% of Total</i>	<i>28.1</i>	<i>26.9</i>		<i>26.8</i>	<i>27.2</i>	
Power Systems	3,541	2,454	44.3	10,121	6,964	45.3
<i>% of Total</i>	<i>30.7</i>	<i>32.5</i>		<i>32.9</i>	<i>33.0</i>	
Automation Products	2,320	1,611	44.0	6,322	4,431	42.7
<i>% of Total</i>	<i>20.1</i>	<i>21.3</i>		<i>20.5</i>	<i>21.0</i>	
Process Automation	2,250	1,366	64.7	5,652	3,650	54.9
<i>% of Total</i>	<i>19.5</i>	<i>18.1</i>		<i>18.4</i>	<i>17.3</i>	
Others	34	20	67.8	83	89	-6.7
<i>% of Total</i>	<i>0.3</i>	<i>0.3</i>		<i>0.3</i>	<i>0.4</i>	
Unallocated	149	73	104.8	369	231	59.8
Total	11,531	7,554	52.6	30,799	21,099	46.0
EBIT						
Power Products	344	268	28.5	768	602	27.6
Power Systems	382	190	100.8	896	448	99.9
Automation Products	230	215	6.9	718	490	46.4
Process Automation	219	134	63.6	613	329	86.5
EBIT Margins %						
<i>Power Products</i>	<i>10.6</i>	<i>13.2</i>		<i>9.3</i>	<i>10.5</i>	
<i>Power Systems</i>	<i>10.8</i>	<i>7.8</i>		<i>8.9</i>	<i>6.4</i>	
<i>Automation Products</i>	<i>9.9</i>	<i>13.3</i>		<i>11.4</i>	<i>11.1</i>	
<i>Process Automation</i>	<i>9.7</i>	<i>9.8</i>		<i>10.8</i>	<i>9.0</i>	



Q3 CY06 Result Overview

(Rs m)

Y/e Dec	Q3 CY06	Q3 CY05	YoY Gr. (%)	Q2 CY06	9M CY06	9M CY05	YoY Gr. (%)	CY05	CY06E	YoY Gr. (%)
Net Sales	10,706	7,107	50.6	9,742	28,477	19,773	44.0	29,631	41,496	40.0
Expenditure										
Raw Material	7,872	4,946	59.2	7,204	20,943	14,296	46.5	21,311	30,956	45.3
<i>% of Net Sales</i>	<i>73.5</i>	<i>69.6</i>		<i>73.9</i>	<i>73.5</i>	<i>72.3</i>		<i>71.9</i>	<i>74.6</i>	
Personnel Cost	605	471	28.3	597	1,757	1,291	36.1	1,784	1,874	5.1
<i>% of Net Sales</i>	<i>5.6</i>	<i>6.6</i>		<i>6.1</i>	<i>6.2</i>	<i>6.5</i>		<i>6.0</i>	<i>4.5</i>	
Others	1,124	876	28.3	921	2,956	2,396	23.4	3,354	3,852	14.9
<i>% of Net Sales</i>	<i>10.5</i>	<i>12.3</i>		<i>9.5</i>	<i>10.4</i>	<i>12.1</i>		<i>11.3</i>	<i>9.3</i>	
Total Expenditure	9,600	6,293	52.6	8,722	25,657	17,983	42.7	26,449	36,682	38.7
EBITDA	1,106	815	35.7	1,020	2,820	1,790	57.5	3,182	4,813	51.3
<i>Margin (%)</i>	<i>10.3</i>	<i>11.5</i>		<i>10.5</i>	<i>9.9</i>	<i>9.1</i>		<i>10.7</i>	<i>11.6</i>	
Other Income	230	92	151.1	153	563	352	60.0	511	690	35.1
Depreciation	66	59	12.9	65	194	169	14.2	231	289	25.0
EBIT	1,270	848	49.8	1,108	3,190	1,973	61.7	3,462	5,214	50.6
Interest	2	20	(87.9)	2	6	40	(84.6)	66	10	(84.9)
PBT	1,267	827	53.2	1,106	3,184	1,933	64.7	3,395	5,204	53.3
Taxes	446	298	49.7	387	1,130	692	63.3	1,208	1,853	53.4
<i>ETR (%)</i>	<i>35.2</i>	<i>36.0</i>		<i>35.0</i>	<i>35.5</i>	<i>35.8</i>		<i>35.6</i>	<i>35.6</i>	
PAT	821	529	55.1	719	2,054	1,241	65.5	2,187	3,352	53.2

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