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ABB Ltd. (ABB), one of the world's leading power and automation engineering companies, operates in Power Systems Segment, Power Products Segment, Process Automation Segment, Discrete Automation and Motion Segment and Low Voltage Products Segment. ABB provides a range of engineering products, solutions and services in areas of automation and power technology to the utility and industry customers. Recently, the company has received a contract worth \$55 million from a Brazilian company, Eolicas do Sul to supply three substations and power lines that will connect wind farms to the electricity grid. The contract will be very beneficial in attracting revenues to the company.

Investor's Rationale

Top-line grew by 9.8% YoY backed by growth in power and automation segments

ABB Ltd. posted a growth of 9.8% YoY in its net sales at ₹18.6 billion, driven mainly by the power business group and automation group. The Power Products and Power Systems segment posted a growth of 12.6% YoY and 12.0% YoY at ₹5.3 billion and ₹5.7 billion respectively. Despite of cost overrun in some projects and provision for the same during the quarter, revenue from the Process Automation segment reported a 12.1% rise at ₹3.3 billion.

Bottom-line posted a 33.3% YoY increase on higher revenues

ABB Ltd. posted a growth of 33.3% in its net profit at ₹0.5 billion backed by 9.8% YoY rise in revenues and decrease in depreciation charges by 12.5% YoY at ₹0.2 billion. A forex gain of ₹9 crore during Q2CY'12 as against a loss of ₹12 crore in the corresponding previous period further augmented the strong bottom line.

OPM expanded by 63bps on lower raw material cost

EBITDA of ABB inclined by 24.0% YoY to ₹1.1 billion, consequently OPM grew by 63bps to 5.6%, as against 5.0% in the same quarter previous year, backed by lower raw material cost and other expenses as proportion to sales net of stocks. The raw material cost was lower by 120bps to 61.5% that of other expenses was lower by 90bps to 13.9%. Further, inventories of finished goods and purchase of stock-in-trade declined by 91.1% YoY and 13.5% YoY.

NPM grew by 49bps on lower depreciation

NPM grew by 49bps to 2.7%, compared to 2.3% in the corresponding period last year mainly due to a decline in depreciation charges by 12.5% YoY to ₹0.2 billion, regardless of fall in other income by 78.2% YoY. Further, interest expenses as well as taxation charges grew by 15.0% YoY and 23.8% YoY respectively.

Market Data

CMP (₹)	771.8	
Target Price	864	
Stop Loss	741	
Duration	Mid-term	
52-week High-Low (₹)	1036.9/541.0	
Rise from 52WL (%)	42.7	
Correction from 52WH (%)	25.6	
Beta	1.1	
1 year Average Volume (mn)	0.1	
	3M-	6.8
Stock Return (%)	6M-	(11.5)
	9M-	10.0
Market Cap (₹bn)	163.5	
Enterprise Value (₹bn)	160.8	

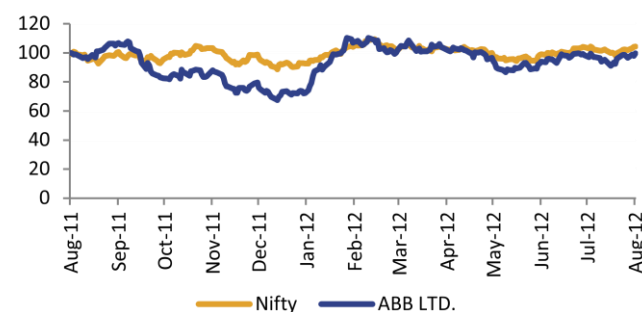
Shareholding Pattern

	Jun'12	Mar'12	Chg
Promoters (%)	75.0	75.0	-
FII (%)	3.3	3.2	0.1
DII (%)	12.9	12.9	-
Public & Others (%)	8.8	8.9	(0.1)

Quarterly Performance (Standalone)

(₹ bn)	Q2 CY'12	Q2 CY'11	Q1 CY'12	YoY Change(%)	QoQ Change(%)
Net sales	18.6	16.9	17.7	9.8	4.8
Op. exp	17.8	16.3	16.9	9.3	5.0
EBITDA	1.1	0.9	1.0	24.0	8.7
OPM (%)	5.6	5.0	5.4	63bps	18bps
Net profit	0.5	0.4	0.5	33.3	8.4
NPM (%)	2.7	2.3	2.7	49bps	8bps
EPS (₹)	2.4	1.8	2.3	33.3	8.4

One Year Price Chart





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