ABB India (ABB)

CMP: ₹7560 | Target ₹ 8835 (17%) | Target Period: 12 months

BUY

August 3, 2026

Result Update

Structural growth backed by electrification & data centre demand…

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 motion (36%), electrification (45%), industrial/process automation (19%).
- Well placed to gain from the overall energy market transformation from electrification to automation & digitisation.

Q2CY26 performance: ABB India reported a Q2CY26 performance, with revenue increasing 21.0% YoY to ₹3,559 crore. EBITDA grew 11.4% YoY to ₹447 crore, while EBITDA margin contracted 108 bps YoY to 12.6%, impacted by higher commodity prices, freight & energy costs, forex volatility and an adverse revenue mix. PAT increased 8.0% YoY to ₹370 crore. The company also announced a special dividend of ₹90/share following the Robotics divestment.

Investment Rationale:

- **Record order backlog and accelerating Electrification demand provide strong revenue visibility:** ABB India's record order backlog of ₹11,900 crore (up ~22% YoY) provides healthy execution visibility, with management expecting ~40-45% of the backlog to be executed over the next two quarters. The company's largest business, Electrification, reported 77% YoY order inflow growth, while overall order inflows were driven by Data Centres (15–17% of orders), Metals & Mining (15%), Oil & Gas (9%), Buildings & Infrastructure (8%) and Renewables (6%). Management highlighted that all orders in the backlog are executable with no slow-moving orders, supporting sustained revenue growth over the medium term.
- **Data centre-led capacity expansion and localisation to drive long-term earnings growth:** ABB is expanding its manufacturing footprint by commissioning its sixth manufacturing facility at Nelamangala and investing in additional capacity for switchgear, breakers and other data centre-related products. Management plans to maintain 15–20% manufacturing headroom, supporting 10–15% annual incremental sales growth, while data centres already contribute 15–17% of quarterly order inflows. Faster investment decisions by hyperscalers, combined with ABB's localisation strategy and expanding product portfolio, position the company to benefit from India's accelerating AI-led data centre investments, grid modernisation and electrification cycle over the medium term.

Rating and Target Price: We expect revenues and PAT to grow at CAGR of 19.4% and 14.3% over CY25-CY28E. We recommend **BUY** on **ABB India** with a target price of **₹8835 per share (based on 75x CY28E EPS).**

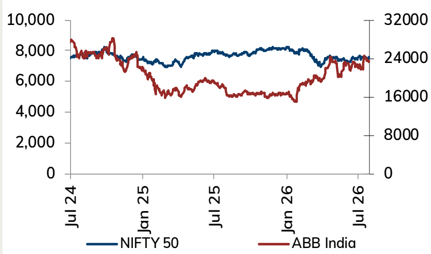
Particulars

Particulars	Rs. (in crore)
Market Capitalisation	1,54,905
CY25 Gross Debt	9.5
CY25 Cash	5,834.9
Enterprise Value	1,49,079.6
52-week H/L (Rs.)	7924/4638
Equity capital	42.4
Face value (Rs.)	2

Shareholding pattern

%	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	75.0	75.0	75.0	75.0
FII	8.3	7.6	8.2	7.7
DII	8.3	9.2	9.3	9.9
Public	8.4	8.2	7.5	7.4

Price Chart



Key risks

(i) slowdown in order inflow growth

(ii)) lower than expected profit margins

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ICICI Securities – Retail Equity Research

Key Financial Summary

(Rs in crore)	CY23	CY24	CY25	CAGR (%) CY23-CY25	CY26E	CY27E	CY28E	CAGR (%) CY25-CY28E
Revenues	10,447	12,188	13,203	12.4	14,268	21,646	22,500	19.4
EBITDA	1,490	2,305	2,043	17.1	1,875	3,031	3,223	16.4
EBITDA (%)	14.3	18.9	15.5		13.1	14.0	14.3	
Adj Net Profit	1,242	1,872	1,669	15.9	1,529	2,364	2,495	14.3
NPM (%)	11.9	15.4	12.6		10.7	10.9	11.1	
EPS (Rs.)	58.6	88.3	78.8		72.1	111.6	117.8	
P/E (x)	129.0	85.6	96.0		104.8	67.8	64.2	
EV/EBITDA (x)	104.3	67.1	75.6		82.6	50.9	47.4	
RoCE (%)	26.2	32.8	27.3		24.8	31.6	32.0	
RoE (%)	20.9	26.5	21.3		18.1	24.0	21.9	

Source: Company, ICICI Direct Research

Q2CY26 Earnings call highlights

- **Financial Performance**:
  - ABB India reported a Q2CY26 performance, with revenue increasing 21.0% YoY to ₹3,559 crore. EBITDA grew 11.4% YoY to ₹447 crore, while EBITDA margin contracted 108 bps YoY to 12.6%, impacted by higher commodity prices, freight & energy costs, forex volatility and an adverse revenue mix. PAT increased 8.0% YoY to ₹370 crore.
  - Segment-wise, Electrification revenue increased 30.9% YoY to ₹1,804 crore, with EBIT margin at 14.8% (vs. 16.1% YoY). Motion revenue grew 16.6% YoY to ₹1,269 crore, with EBIT margin at 12.0% (vs. 16.4% YoY), while Automation revenue rose 6.5% YoY to ₹524 crore, with EBIT margin moderating to 14.6% (vs. 17.2% YoY), reflecting commodity cost inflation and an unfavourable business mix.
- **Order Book & Demand Environment:**
  - **Order book:** During the quarter, order inflow surged 49.6% YoY to a record ₹4,363 crore, while the order backlog increased 22.2% YoY to ₹11,898 crore, with management confirming no slow-moving or non-performing orders, providing healthy execution visibility.
  - Approximately 40% of the order backlog is expected to be executed over the next two quarters, while the balance extends into CY27.
  - Q2CY26 order inflows were broad-based, led by Data Centres (15–17%), Metals & Mining (15%), Oil & Gas (9%), Buildings & Infrastructure (8%) and Renewables (6%), reflecting sustained industrial capex momentum.
- **Data Centre Opportunity:**
  - Management highlighted data centres as one of the fastest-growing end markets, contributing 15–17% of quarterly order inflows.
  - Company is expanding manufacturing capacity and localising critical products, including switchgear, breakers and distribution equipment, to cater to the strong pipeline of hyperscale data centre projects.
- **Pricing & Margins:**
  - Operational EBITA margin declined to 12.6% from 13.6%, primarily due to ~328 bps material cost inflation, led by higher copper prices, metal inflation and rupee depreciation.
  - While two price revisions have already been implemented, management remains focused on protecting current margins rather than targeting mid-teen EBITA margins in the near term.
- **Electrification:**
  - **Order inflow:** Order inflow increased 77% YoY, driven by robust demand from data centres, metals & mining, buildings & infrastructure and cement.
  - **Order book:** Order backlog stood at ~₹4,800–4,900 crore, providing healthy execution visibility.
  - **EBITDA margin**: Operational EBITA margin stood at ~15%, impacted by higher copper prices, metal inflation and forex volatility

- Management implemented two public price hikes during the quarter, with benefits expected to accrue gradually as pricing catches up with input cost inflation.

- **Motion:**
  - **Order inflow:** Order inflow increased 26% YoY, supported by strong traction across railways, metro, food & beverage and industrial motors.
  - **Order book:** Order backlog stood at ~₹4,900 crore, providing strong medium-term visibility.
  - Revenue growth remained relatively subdued due to the longer execution cycle of railway projects.
- **Process Automation:**
  - **Order inflow:** Order inflow increased 24% YoY, driven by orders from energy, marine & ports and process industries.
  - Around 30% of segment revenue continued to come from the high-margin service business, supporting profitability.
  - Management expects order inflows to improve further as investments across energy and process industries gather pace.
- **Capacity Expansion:**
  - ABB commissioned its sixth manufacturing facility at Nelamangala and continues to invest in localisation, manufacturing expansion and new product development.
  - Management targets 15–20% capacity headroom, enabling 10–15% annual incremental sales growth, while incremental investments remain focused on data centres, electrification and automation.
- **Outlook:**
  - Management remains constructive on the medium-term outlook, supported by structural growth drivers including electrification, automation, AI-led data centres, digitalisation, grid modernisation, renewable energy investments and government manufacturing capex.
  - However, elevated commodity prices, rupee depreciation, geopolitical uncertainty and supply-chain disruptions are expected to remain near-term headwinds.
  - Management refrained from guiding for mid-teen EBITA margins, preferring to prioritise protecting current profitability while leveraging the record ₹11,900 crore order backlog to drive sustained revenue growth over the coming quarters.

Financial summary

Exhibit 1: Profit and loss statement (₹ crore)

(Year-end December)	CY25	CY26E	CY27E	CY28E
Net Sales	13,066	14,138	21,431	22,277
Operating income	137	130	214	223
Revenue	13,203	14,268	21,646	22,500
% Growth	8.3	8.1	51.7	3.9
Other income	352.4	380.6	380.6	381
Total	13,564	14,649	22,026	22,881
% Growth	8.0	8.0	50.4	3.9
Total Raw Material Costs	7,625	8,316	12,484	12,905
Employee Expenses	975	1,072	1,586	1,649
other expenses	2,131	2,513	3,794	3,944
Total Operating Expenditure	11,160	12,393	18,614	19,277
Operating Profit (EBITDA)	2,043	1,875	3,031	3,223
% Growth	(11.4)	(8.2)	61.7	6.3
Interest	21	11	11	11
PBDT	2,375	1,720	2,581	2,726
Depreciation	146	180	206	220
PBT before Exceptional Items	2,229	2,065	3,195	3,372
Total Tax	561	536	831	877
PAT before MI	1,669	1,529	2,364	2,495
Minority Interest	-	-	-	-
PAT	1,669	1,529	2,364	2,495
% Growth	(10.8)	(8.4)	54.7	5.5
EPS	78.8	72.1	111.6	118

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement (₹ crore)

(Year-end December)	CY25	CY26E	CY27E	CY28E
Profit after Tax	1,669	1,529	2,364	2,495
Depreciation	146	180	206	220
Interest	21	11	11	11
Cash Flow before WC changes	1,835	1,720	2,581	2,726
Changes in inventory	(275)	(58)	(1,091)	(126)
Changes in debtors	(193)	(146)	(1,718)	(199)
Changes in loans & Advances	(0)	(27)	(17)	(2)
Changes in other current assets	14	(322)	(361)	(42)
Net Increase in Current Assets	(660)	(554)	(3,188)	(369)
Changes in creditors	258	63	1,819	211
Changes in provisions	24	(46)	255	29
Net Inc in Current Liabilities	454	(502)	2,465	285
Net CF from Operating activities	1,629	664	1,858	2,643
Changes in deferred tax assets	42	-	-	-
(Purchase)/Sale of Fixed Assets	(269)	(250)	(250)	(200)
Net CF from Investing activities	(373)	(250)	(250)	(200)
Dividend and Dividend Tax	(834)	(954)	(954)	(954)
Net CF from Financing Activities	(928)	(907)	(973)	(973)
Net Cash flow	327	(493)	635	1,469
Opening Cash/Cash Equivalent	5,508	5,835	5,342	5,977
Closing Cash/ Cash Equivalent	5,835	5,342	5,977	7,446

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet (₹ crore)

(Year-end December)	CY25	CY26E	CY27E	CY28E
Equity Capital	42.4	42.4	42.4	42.4
Reserve and Surplus	7,794	8,427	9,829	11,362
Total Shareholders' funds	7,836	8,469	9,872	11,405
Total Debt	9	9	9	9
Total Liabilities	**7,935**	**8,568**	**9,970**	**11,503**
Gross Block	1,829	2,131	2,381	2,581
Acc: Depreciation	725	905	1,111	1,331
Net Block	1,104	1,226	1,270	1,250
Capital WIP	116	65	65	65
Total Fixed Assets	1,221	1,291	1,335	1,315
Non-Current Assets	667	667	667	667
Inventory	2,053	2,111	3,202	3,329
Debtors	3,176	3,323	5,041	5,240
Loans and Advances	6	34	51	53
Other Current Assets	377	699	1,061	1,103
Cash	5,835	5,342	5,977	7,446
Total Current Assets	11,750	11,811	15,634	17,472
Current Liabilities	3,456	3,518	5,337	5,548
Provisions	539	493	747	777
Net Current Assets	6,046	6,609	7,967	9,520
Total Assets	**7,935**	**8,568**	**9,970**	**11,503**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end December)	CY25	CY26E	CY27E	CY28E
Per Share Data				
EPS	78.8	72.1	111.6	117.8
Cash per Share	275.3	252.1	282.0	351.4
BV	369.8	399.7	465.9	538.2
Dividend per share	39.4	45.0	45.0	45.0
Operating Ratios				
EBITDA Margin	15.5	13.1	14.0	14.3
PAT Margin	12.6	10.7	10.9	11.1
Return Ratios				
RoE	21.3	18.1	24.0	21.9
RoCE	27.3	24.8	31.6	32.0
RoIC	82.9	57.5	68.8	80.0
Valuation Ratios				
EV / EBITDA	75.6	82.6	50.9	47.4
P/E	96.0	104.8	67.8	64.2
EV / Net Sales	11.7	10.9	7.1	6.8
Market Cap / Sales	12.1	11.2	7.4	7.1
Turnover Ratios				
Asset turnover	6.5	4.5	5.5	5.7
Debtors Turnover Ratio	4.3	4.4	5.2	4.4
Creditors Turnover Ratio	4.0	4.1	4.9	4.1
Solvency Ratios				
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.3	1.4	1.4	1.4
Quick Ratio	0.8	0.9	0.9	0.9

Source: Company, ICICI Direct Research

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