REDUCE

ABB India

Execution gains momentum; margin improvement key monitorable

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Engineering & Capital Goods ▸ Result Update ▸ **August 02, 2026**

CMP (Rs): 7,285 | TP (Rs): 7,600

We assume coverage on ABB with REDUCE and TP of Rs7,600, as we value ABB on 1HCY28E and assign PER of 65x. ABB's 2QCY26 operational performance was above our estimates; however, the company missed consensus' estimates on the profitability front. Revenue at Rs35.6bn (+21% yoy) beat our/consensus' estimates, supported by execution pick up in the Electrification segment (+31% yoy), though profitability remained under pressure on account of higher material costs, adverse revenue mix, and rise in employee expenses. Ordering momentum stayed healthy, seeing the highest-ever quarterly inflow of Rs43.6bn (+50% yoy) and leading to a strong order book position of Rs119bn (+22% yoy). Business outlook remains optimistic as the company is witnessing healthy revival in aggregate demand across its key businesses; however, given the premium valuations, we await a better entry point to upgrade the stock.

Revenue booking gains momentum, with traction in key end-user markets

ABB's 2QCY26 revenue at Rs35.6bn grew 21% yoy, above our/consensus's estimates, supported by strong execution in the Electrification division (+31% yoy to Rs18bn) driven by export revenue pick up and efficient execution of orders. Motion business revenue stood at Rs12.7bn (+17% yoy), on the back of export revenue pick up along with better service revenue booking. Automation revenue was up 7% yoy, at Rs5.2bn. The strong performance in short cycle and retrofit orders aided revenue conversion and points to business normalization.

Margin weakness continues; near-term pressure to persist

ABB's gross margin for the quarter contracted by 270bps yoy to 37.1%, impacted by higher material costs, execution of low-margin orders, increased import content, and heightened competition in the Electrification and Motion businesses. EBITDA stood at Rs4.5bn (+11% yoy), impacted by the weak gross margin profile, higher staff costs, and other expenses; this led to a 100bps yoy fall in EBITDA margin to 12.6%. Margin contraction was seen across all segments—around 440bps for Motion, 120bps for the Electrification segment, and decline to the tune of 260bps yoy in Automation.

Healthy order inflow in the quarter; backlog stands at Rs119bn (+22% yoy)

ABB clocked the highest quarterly net order inflow in 2QCY26, at Rs43.6bn (+50% yoy) supported by sharp improvement in base ordering. Electrification/Motion segment order inflow surged 77%/ 26% yoy, respectively, led by sustained industrial activity. Also, automation ordering registered a strong 24% yoy growth. Order backlog was strong at Rs119bn (+22% yoy), providing 0.9x its TTM revenue visibility leading to healthy near-term revenue prospects.

View and valuation

The business outlook remains optimistic as the company is seeing healthy revival in aggregate demand across its key businesses. However, given the premium valuations, we assume coverage on ABB with REDUCE and await a better entry point for upgrading the stock.

Target Price – 12M	Jun-27
Change in TP (%)	-
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	4.3

Stock Data	**ABB IN**
52-week High (Rs)	7,925
52-week Low (Rs)	4,638
Shares outstanding (mn)	211.9
Market-cap (Rs bn)	1,544
Market-cap (USD mn)	16,182
Net-debt, CY26E (Rs mn)	(57,767.0)
ADTV-3M (mn shares)	0.5
ADTV-3M (Rs mn)	3,069.4
ADTV-3M (USD mn)	32.2
Free float (%)	75.0
Nifty-50	24,383.6
INR/USD	95.4

Shareholding,Jun-26	
Promoters (%)	75.0
FPIs/MFs (%)	7.7/9.9

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	3.6	0.8	32.2
Rel. to Nifty	1.4	(0.8)	34.3

1-Year share price trend (Rs)

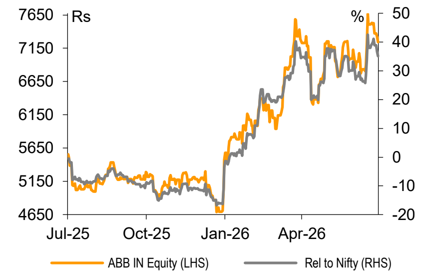


ABB India: Financial Snapshot (Standalone)

Y/E Dec (Rs mn)	**CY24**	**CY25**	**CY26E**	**CY27E**	**CY28E**
Revenue	121,883	132,027	144,566	164,550	190,674
EBITDA	23,052	20,430	18,756	26,703	31,925
Adj. PAT	18,746	16,694	15,870	22,380	26,940
Adj. EPS (Rs)	88.5	78.8	74.9	105.6	127.1
EBITDA margin (%)	18.9	15.5	13.0	16.2	16.7
EBITDA growth (%)	54.7	(11.4)	(8.2)	42.4	19.6
Adj. EPS growth (%)	50.2	(10.9)	(4.9)	41.0	20.4
RoE (%)	28.8	22.4	18.9	23.0	23.5
RoIC (%)	138.9	88.8	53.3	59.8	65.6
P/E (x)	82.5	92.5	97.3	69.0	57.3
EV/EBITDA (x)	64.6	72.9	79.4	55.7	46.6
P/B (x)	21.8	19.7	17.3	14.7	12.4
FCFF yield (%)	1.0	0.8	0.3	1.3	1.6

Source: Company, Emkay Research

Amit Shah
amit.s@emkayglobal.com
+91-22-66242474

Abhishek Taparia
abhishek.taparia@emkayglobal.com
+91-22-66121302

Exhibit 1: Quarterly and half-yearly performance

Particulars (Rs mn)	2QCY26	2QCY25	yoy (%)	1QCY26	qoq (%)	1HCY26	1HCY25	yoy (%)
Total revenues (net)	**35,589**	**29,405**	**21.0**	**31,841**	**11.8**	**67,429**	**59,505**	**13.3**
RM	22,386	17,689	26.5	19,517	14.7	41,903	35,016	19.7
% of Sales	*62.9*	*60.2*	*274 bps*	*61.3*	*161 bps*	*62.1*	*58.8*	*330 bps*
Staff cost	2,510	2,089	20.2	2,529	(0.7)	5,038	4,472	12.7
% of Sales	*7.1*	*7.1*	*-5 bps*	*7.9*	*-89 bps*	*7.5*	*7.5*	*-4 bps*
Other operating expenses	6,223	5,615	10.8	5,711	9.0	11,934	10,410	14.6
% of Sales	*17.5*	*19.1*	*-161 bps*	*17.9*	*-45 bps*	*17.7*	*17.5*	*20 bps*
Total expenditure	31,118	25,393	22.5	27,757	12.1	58,875	49,898	18.0
EBITDA	**4,470**	**4,012**	**11.4**	**4,084**	**9.5**	**8,554**	**9,608**	**(11.0)**
EBITDA Margin (%)	***12.6***	***13.6***	***-108 bps***	***12.8***	***-27 bps***	***12.7***	***16.1***	***-346 bps***
Depreciation	392	354	11.0	424	(7.4)	816	689	18.4
Interest	17	42	(59.1)	38	(55.1)	55	89	(37.8)
Other income	927	998	(7.1)	996	(7.0)	1,923	1,921	0.1
Extraordinary items	-	-		-		-	-	
PBT	**4,988**	**4,614**	**8.1**	**4,619**	**8.0**	**9,606**	**10,750**	**(10.6)**
Tax	1,287	1,188	8.3	1,200	7.3	2,487	2,752	(9.6)
Tax rate (%)	*25.8*	*25.8*	*5 bps*	*26.0*	*-17 bps*	*25.9*	*25.6*	*29 bps*
Reported net profit	**3,701**	**3,426**	**8.0**	**3,419**	**8.2**	**7,120**	**7,999**	**(11.0)**
Adjusted net profit	**3,701**	**3,426**	**8.0**	**3,419**	**8.2**	**7,120**	**7,999**	**(11.0)**
EPS (Rs)	**17.5**	**16.2**	**8.0**	**16.1**	**8.2**	**33.6**	**37.7**	**(11.0)**

Source: Company, Emkay Research

Exhibit 2: Quarterly and half-yearly segmental performance

Particulars (Rs mn)	2QCY26	2QCY25	yoy (%)	1QCY26	qoq (%)	1HCY26	1HCY25	yoy (%)
Sales								
Motion	12,688	10,881	16.6	11,606	9.3	24,294	21,840	11.2
Electrification Products	18,044	13,786	30.9	15,645	15.3	33,688	27,362	23.1
Automation	5,241	4,921	6.5	5,004	4.7	10,245	10,786	(5.0)
Total	**35,972**	**29,587**	**21.6**	**32,255**	**11.5**	**68,227**	**59,987**	**13.7**
EBIT								
Motion	1,522	1,788	(14.9)	1,480	2.9	3,002	4,186	(28.3)
Electrification Products	2,673	2,214	20.7	2,370	12.8	5,042	5,569	(9.5)
Automation	767	847	(9.4)	706	8.6	1,472	1,809	(18.6)
Total	**4,961**	**4,848**	**2.3**	**4,555**	**8.9**	**9,517**	**11,564**	**(17.7)**
EBIT Margins (%)								
Motion	12.0	16.4	*-443 bps*	12.7	*-75 bps*	12.4	19.2	*-681 bps*
Electrification Products	14.8	16.1	*-125 bps*	15.1	*-33 bps*	15.0	20.4	*-539 bps*
Automation	14.6	17.2	*-258 bps*	14.1	*53 bps*	14.4	16.8	*-240 bps*
Total (%)	**13.8**	**16.4**	***-259 bps***	**14.1**	***-33 bps***	**13.9**	**19.3**	***-533 bps***

Source: Company, Emkay Research

Exhibit 3: Half-yearly balance sheet

Balance Sheet (Rs mn)	1HCY26	1HCY25	yoy (%)	CY25	CY24	yoy (%)
Share capital	424	424	-	424	424	-
Reserves and Surplus	92,971	71,520	30	77,936	70,330	11
Minority Interest	-	-		-	-	
Loan Funds	-	-		-	-	
Deferred Tax Liability	(823)	(757)		(565)	(985)	(43)
Total	**92,571**	**71,186**	**30**	**77,795**	**69,769**	**12**
Fixed Assets	12,275	10,967	12	11,947	10,619	13
Capital Work-in-Progress	1,797	997	80	1,164	948	23
Goodwill/Other intangible assets	211	177	19			
Investments	16	16	-	16	16	**1**
Current Assets, Loans, and Advances	**142,237**	**115,083**	**24**	**122,693**	**111,347**	**10**
Inventory	25,483	23,122	10	20,530	17,780	15
Sundry Debtors	32,756	29,840	10	31,763	29,837	6
Cash and Bank Balances	73,355	52,618	39	58,349	55,078	6
Loans and Advances	120	124	(3)	141	143	(2)
Other current assets	10,524	9,380	12	11,910	8,509	40
Current Liabilities, and Provisions	**63,964**	**56,054**	**14**	**58,025**	**53,159**	**9**
Liabilities	58,802	51,045	15	52,592	47,960	10
Provisions	5,162	5,009	3	5,433	5,200	4
Net Working Capital	**78,273**	**59,029**	**33**	**64,668**	**58,187**	**11**
Total	**92,571**	**71,186**	**30**	**77,795**	**69,769**	**12**
Net debt	**(73,355)**	**(52,618)**	**NM**	**(58,349)**	**(55,078)**	**NM**

Source: Company, Emkay Research

Concall KTAs

Execution and operational performance

- Strong Order and Revenue growth: In 2QCY26, ABB India recorded 50% yoy growth in orders and 21% yoy increase in revenue. For 1H (half year), order worth stood at ~Rs86.4bn (up 36% yoy), with revenue at Rs67.4bn (up 13% yoy).
- Robust order backlog: The company maintains a strong backlog of Rs119bn, with no slow-moving or non-moving orders. Approximately 40% of this backlog is expected to be billed over the next two quarters.
- Segment execution: Revenue was bolstered by strong execution across segments, with Electrification growing 31%, though Motion saw slightly lower revenue realization due to long-gestation railway orders.

Margins and profitability compression

- Operational EBITDA trend: Operational EBITDA for 2Q stood at 12.6%, a decline from the 13.6% in previous quarter. PAT also saw a sequential dip.
- Input cost headwinds: Profitability was mainly impacted by material cost increases (~3%) due to hardening copper and metal prices.
- External pressures: Other compression factors included forex volatility, rupee depreciation, and a revenue mix that included some low-margin orders executed to maintain factory loadings. The company's 2.1% scale-benefit gain was offset by rise in expenses and in material costs.

Pricing scenario

- Price hikes and lag effects: The company has passed on two price lists to the market, to compensate for the impact on EBIT, but there is an inherent lag between the rise in material cost and the realization of these price hikes.
- Market acceptance: Acceptance of higher prices varies; while reliability and digital connectivity help, some customers remain hesitant.
- System vs product pricing: In the flow business (products), ABB has been able to pass on rise in prices more effectively. However, in system businesses involving L1 tendering and reverse auctions, passing on of costs is more challenging due to competitive pressure.

Capex plans

- Capacity strategy: ABB India aims to maintain a 15-20% capacity headroom, to cater to future demand, planning ahead for an incremental growth momentum.
- Specific investments: The company is investing heavily in increasing capacity for specific components, such as breakers, to meet multifold demand in coming years.
- Local expansion: Recent investments include a new factory location in Nelamangala, to support new product launches, particularly for the data center segment.

Growth outlook across key segments

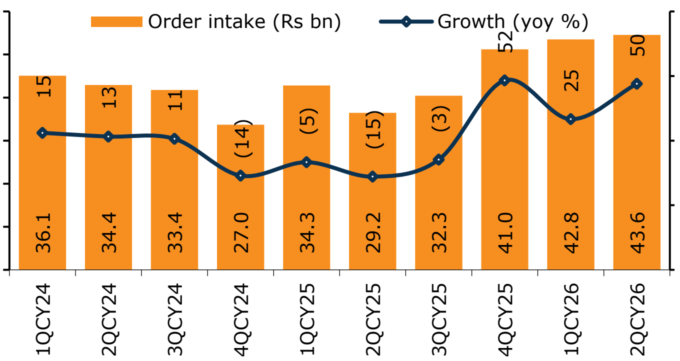
- Electrification: is the strongest-growing segment, with 77% order growth in the quarter, driven by commercial buildings, data centers, and the metals and mining sectors.
- Motion: This segment shows stable 26% sequential growth. It has a strong outlook in the railway and metro segments, supported by long-term contracts and OEMs succeeding in the marketplace.
- Automation: Described as cyclical, it saw growth of 24% in orders but only of 7% in revenue. A significant portion of its revenue (30%) comes from services, which helps maintain margins.

Data Center business

- Data centers have become a significant driver for ABB India, contributing 15-17% of total orders in the quarter.
- High demand for speed: Clients in this sector require fast delivery; ABB leverages its local manufacturing facilities aimed at gaining a competitive advantage.
- Strategic preparedness: The company is making fairly huge investments to avoid supply struggles in 2027-2028, as it anticipates that demand will continue to increase multifold.
- Product focus: Growth is being supported by specific offerings, such as specialized electrical components tailored to the configurations required by hyperscalers and core data-center clients.

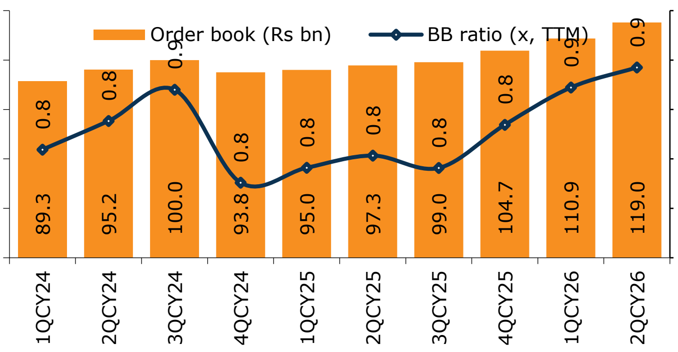
Story in charts

Exhibit 4: Healthy order intake of Rs43.6bn (+50% yoy)



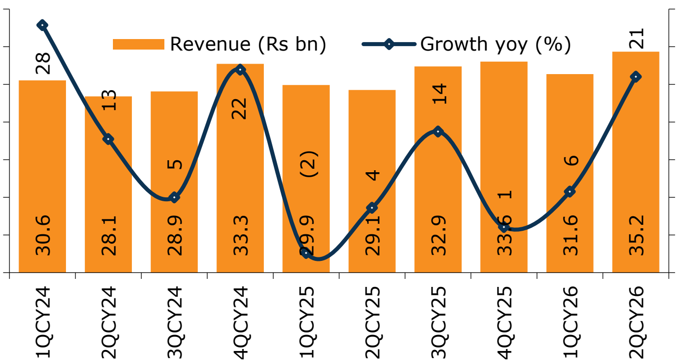
Source: Company, Emkay Research

Exhibit 5: Order backlog stands at Rs119bn (+22% yoy), with BB ratio of 0.9x TTM revenue



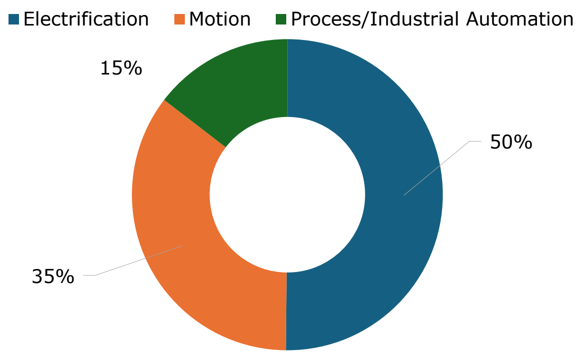
Source: Company, Emkay Research

Exhibit 6: Registers revenue growth of 21% yoy



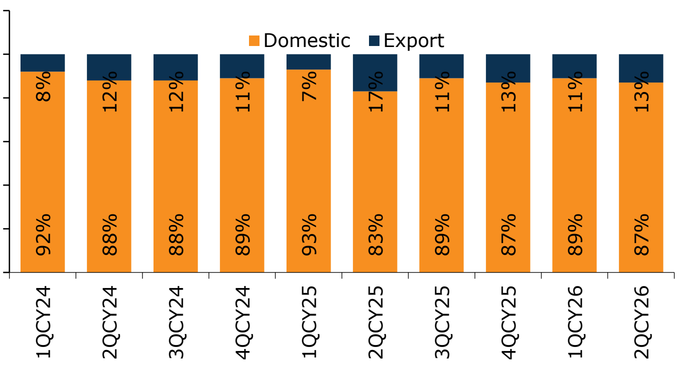
Source: Company, Emkay Research

Exhibit 7: Revenue break-up, segment-wise



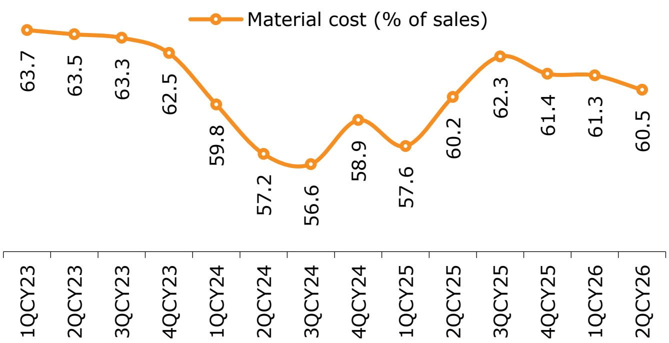
Source: Company, Emkay Research

Exhibit 8: Export revenue contribution stands at 13% in 2QCY26 vs 17% in 2QCY25



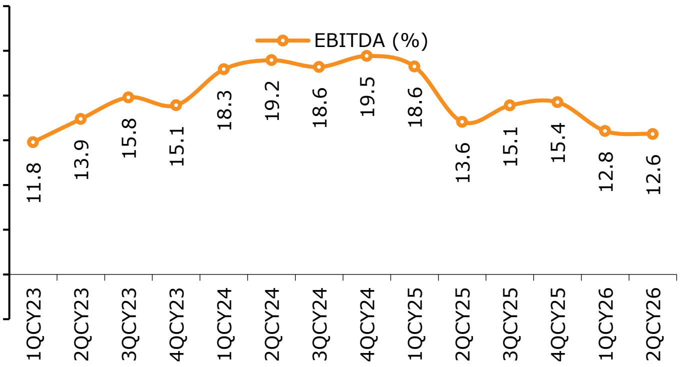
Source: Company, Emkay Research

Exhibit 9: Increased import content weakens the gross margin profile



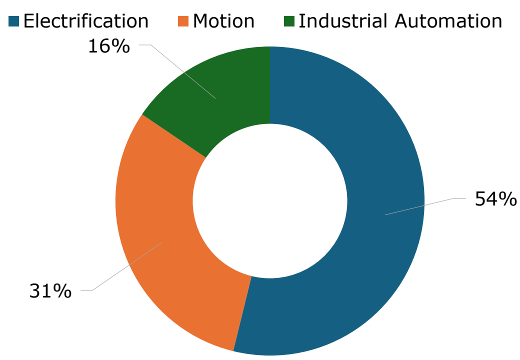
Source: Company, Emkay Research

Exhibit 10: Adjusted EBITDA margin declines by 100bps yoy



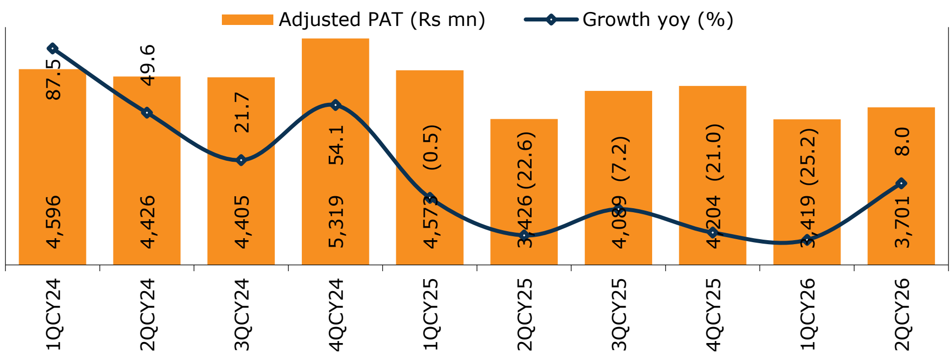
Source: Company, Emkay Research

Exhibit 11: EBIT contribution break-up, segment-wise



Source: Company, Emkay Research

Exhibit 12: Registers PAT growth of 8% yoy



Source: Company, Emkay Research

ABB India: Standalone Financials and Valuations

Profit & Loss

Y/E Dec (Rs mn)	CY24	CY25	CY26E	CY27E	CY28E
Revenue	**121,883**	**132,027**	**144,566**	**164,550**	**190,674**
Revenue growth (%)	16.7	8.3	9.5	13.8	15.9
EBITDA	**23,052**	**20,430**	**18,756**	**26,703**	**31,925**
EBITDA growth (%)	54.7	(11.4)	(8.2)	42.4	19.6
Depreciation & Amortization	1,289	1,455	1,616	1,718	1,864
EBIT	**21,763**	**18,975**	**17,141**	**24,985**	**30,061**
EBIT growth (%)	58.9	(12.8)	(9.7)	45.8	20.3
Other operating income	1,006	1,374	1,439	1,507	1,579
Other income	3,534	3,524	4,228	5,074	6,089
Financial expense	165	199	209	219	230
PBT	**25,133**	**22,299**	**21,160**	**29,839**	**35,919**
Extraordinary items	(30)	(11)	0	0	0
Taxes	6,387	5,605	5,290	7,460	8,980
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	**18,716**	**16,683**	**15,870**	**22,380**	**26,940**
PAT growth (%)	49.9	(10.9)	(4.9)	41.0	20.4
Adjusted PAT	**18,746**	**16,694**	**15,870**	**22,380**	**26,940**
Diluted EPS (Rs)	**88.5**	**78.8**	**74.9**	**105.6**	**127.1**
Diluted EPS growth (%)	50.2	(10.9)	(4.9)	41.0	20.4
DPS (Rs)	**44.2**	**39.4**	**22.5**	**31.7**	**38.1**
Dividend payout (%)	**50.0**	**50.0**	**30.0**	**30.0**	**30.0**
EBITDA margin (%)	18.9	15.5	13.0	16.2	16.7
EBIT margin (%)	17.9	14.4	11.9	15.2	15.8
Effective tax rate (%)	25.4	25.1	25.0	25.0	25.0
NOPLAT (pre-IndAS)	**16,233**	**14,205**	**12,856**	**18,739**	**22,546**
Shares outstanding (mn)	212	212	212	212	212

Source: Company, Emkay Research

Balance Sheet

Y/E Dec (Rs mn)	CY24	CY25	CY26E	CY27E	CY28E
Share capital	424	424	424	424	424
Reserves & Surplus	70,330	77,936	89,045	104,711	123,569
Net worth	**70,754**	**78,360**	**89,469**	**105,135**	**123,992**
Minority interests	-	-	-	-	-
Non current liabilities & prov.	(985)	(565)	(565)	(565)	(565)
Total debt	**0**	**0**	**0**	**0**	**0**
Total liabilities & equity	**69,769**	**77,795**	**88,904**	**104,570**	**123,428**
Net tangible fixed assets	17,207	19,540	21,540	23,540	25,540
Net intangible assets	-	-	-	-	-
Net ROU assets	-	-	-	-	-
Capital WIP	948	1,164	1,164	1,164	1,164
Goodwill	-	-	-	-	-
Investments [JV/Associates]	-	-	-	-	-
Cash & equivalents	**55,094**	**58,364**	**57,767**	**70,697**	**86,208**
Current assets (ex-cash)	56,268	64,344	81,206	92,505	107,286
Current Liab. & Prov.	53,159	58,025	63,565	72,409	83,980
NWC (ex-cash)	**3,109**	**6,319**	**17,641**	**20,095**	**23,307**
Total assets	**69,769**	**77,795**	**88,904**	**104,570**	**123,428**
Net debt	(55,094)	(58,364)	(57,767)	(70,697)	(86,208)
Capital employed	70,754	78,360	89,469	105,135	123,992
Invested capital	**13,728**	**18,267**	**29,973**	**32,709**	**36,056**
BVPS (Rs)	333.9	369.8	422.2	496.1	585.1
Net Debt/Equity (x)	(0.8)	(0.7)	(0.6)	(0.7)	(0.7)
Net Debt/EBITDA (x)	(2.4)	(2.9)	(3.1)	(2.6)	(2.7)
Interest coverage (x)	153.8	113.1	102.3	137.1	157.0
RoCE (%)	**38.9**	**30.2**	**25.5**	**30.9**	**31.6**

Source: Company, Emkay Research

Cash flows

Y/E Dec (Rs mn)	CY24	CY25	CY26E	CY27E	CY28E
PBT (ex-other income)	25,133	22,299	21,160	29,839	35,919
Others (non-cash items)	-	-	-	-	-
Taxes paid	(6,387)	(5,605)	(5,290)	(7,460)	(8,980)
Change in NWC	(3,406)	(3,210)	(11,322)	(2,455)	(3,211)
Operating cash flow	**16,629**	**14,939**	**6,164**	**21,643**	**25,593**
Capital expenditure	(2,317)	(3,001)	(2,000)	(2,000)	(2,000)
Acquisition of business	-	-	-	-	-
Interest & dividend income	-	-	-	-	-
Investing cash flow	**(2,304)**	**(2,592)**	**(2,000)**	**(2,000)**	**(2,000)**
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	0	0	0	0	0
Payment of lease liabilities	-	-	-	-	-
Interest paid	-	-	-	-	-
Dividend paid (incl tax)	(9,358)	(8,341)	(4,761)	(6,714)	(8,082)
Others	1,949	(736)	0	0	0
Financing cash flow	**(7,408)**	**(9,077)**	**(4,761)**	**(6,714)**	**(8,082)**
Net chg in Cash	6,917	3,271	(597)	12,930	15,511
OCF	16,629	14,939	6,164	21,643	25,593
Adj. OCF (w/o NWC chg.)	20,035	18,149	17,486	24,098	28,804
FCFF	14,313	11,938	4,164	19,643	23,593
FCFE	14,148	11,740	3,955	19,424	23,363
OCF/EBITDA (%)	72.1	73.1	32.9	81.1	80.2
FCFE/PAT (%)	75.6	70.4	24.9	86.8	86.7
FCFF/NOPLAT (%)	**88.2**	**84.0**	**32.4**	**104.8**	**104.6**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Dec	CY24	CY25	CY26E	CY27E	CY28E
P/E (x)	82.5	92.5	97.3	69.0	57.3
P/CE(x)	77.0	85.1	88.3	64.1	53.6
P/B (x)	21.8	19.7	17.3	14.7	12.4
EV/Sales (x)	12.3	11.4	10.4	9.1	7.9
EV/EBITDA (x)	64.6	72.9	79.4	55.7	46.6
EV/EBIT(x)	68.4	78.4	86.8	59.6	49.5
EV/IC (x)	108.4	81.5	49.7	45.5	41.3
FCFF yield (%)	1.0	0.8	0.3	1.3	1.6
FCFE yield (%)	0.9	0.8	0.3	1.3	1.5
Dividend yield (%)	0.6	0.5	0.3	0.4	0.5
DuPont-RoE split					
Net profit margin (%)	15.4	12.6	11.0	13.6	14.1
Total asset turnover (x)	1.9	1.8	1.7	1.7	1.7
Assets/Equity (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	**28.8**	**22.4**	**18.9**	**23.0**	**23.5**
DuPont-RoIC					
NOPLAT margin (%)	13.3	10.8	8.9	11.4	11.8
IC turnover (x)	10.4	8.3	6.0	5.3	5.5
RoIC (%)	**138.9**	**88.8**	**53.3**	**59.8**	**65.6**
Operating metrics					
Core NWC days	9.3	17.5	44.5	44.6	44.6
Total NWC days	**9.3**	**17.5**	**44.5**	**44.6**	**44.6**
Fixed asset turnover	7.4	7.2	7.0	7.3	7.8
Opex-to-revenue (%)	22.9	23.5	24.5	23.3	22.8

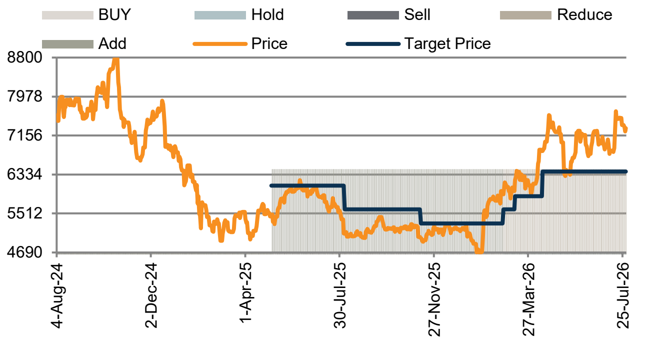
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
10-May-26	7,013	6,400	Reduce	Ashwani Sharma
14-Apr-26	6,829	6,400	Reduce	Ashwani Sharma
10-Mar-26	6,225	5,875	Reduce	Ashwani Sharma
23-Feb-26	5,918	5,600	Reduce	Ashwani Sharma
10-Nov-25	4,992	5,300	Add	Ashwani Sharma
05-Aug-25	5,084	5,600	Add	Ashwani Sharma
13-May-25	5,637	6,100	Add	Ashwani Sharma
04-May-25	5,451	6,100	Add	Ashwani Sharma

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

Emkay Global Financial Services Ltd.
CIN - L67120MH1995PLC084899
7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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