

ABB India posted strong set of results for Q2CY23 in a historically weak quarter. Order inflows sustaining momentum- 20% growth YoY. Growth in topline, better EBITDA & PAT Margins both YoY & QoQ- indicates improvement in execution in this quarter.

- Revenue at Rs 25,086 Mn vs Rs 20,525 Mn (+22% YoY) vs Rs 24,112 Mn (+4% QoQ) ||
- EBITDA at Rs 3,487 Mn vs Rs 1,988Mn (+75% YoY) vs ₹3,170 Mn (+10% QoQ)
- EBITDA Margin at 13.9% vs 9.7% (YoY) vs 13.1% (QoQ)
- PBT Rs 3,931 Mn vs Rs 1,959 Mn(+100% YoY) vs Rs 3,595 Mn(+9% QoQ) || PAT at Rs 2,958 Mn vs ₹1,471 Mn (+101% YoY) vs ₹2,768 Mn (+6.85% QoQ)
- EPS at Rs13.9 vs ₹6.9 (YoY) vs ₹13.1 (QoQ)
- Order inflows – 30,440 Mn vs 27,670Mn(YoY) vs 31,250(QoQ)

Financial Summary

Y/E Mar (Rs mn)	CY21	CY22	CY23E	CY24E	CY25E
Net sales	69,340	85,675	1,08,791	1,30,048	1,46,133
EBIDTA	5,567	9,619	14,180	16,958	18,834
Margins (%)	8.0	11.2	13.0	13.0	12.9
Adjusted net profit	5,197	10,162	11,771	14,002	15,375
EPS (Rs)	24.5	47.9	55.5	66.0	72.5
P/E (x)	152	78	67	56	51
EV/EBITDA (x)	140	79	53	44	39
RoCE (%)	13.70%	19.39%	23.53%	23.17%	21.52%
RoE (%)	12.85%	20.57%	19.62%	19.22%	17.68%

Source: Company, Dalal & Broacha Research

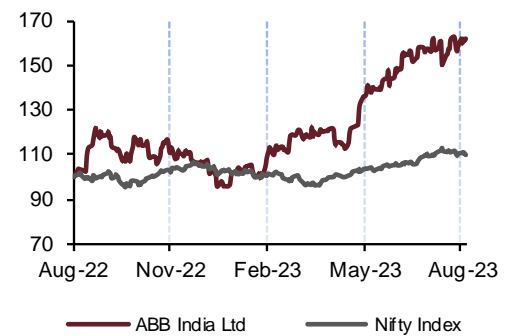
Rating	TP (Rs)	Up/Dn (%)
BUY	4,954	10

Market data

Current price	Rs	4,527
Market Cap (Rs.Bn)	(Rs Bn)	959
Market Cap (US\$ Mn)	(US\$ Mn)	11,597
Face Value	Rs	2
52 Weeks High/Low	Rs	4615 / 2640
Average Daily Volume	('000)	176
BSE Code		500002
Bloomberg		ABB.IN
Source: Bloomberg		

One Year Performance

Source: Bloomberg



Source: BSE

% Shareholding	Jun-23	Mar-23
Promoters	75.00	75.00
Public	25.00	25.00
Total	100	100

Source: Bloomberg

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Segmentals

- **Electrification: (40% of Income)**
 - **Orders** grew by 15% YoY to Rs 11,000 Mn
 - **Order backlog** grew by 31% YoY to Rs 20,000 Mn
 - **Revenues** grew by 20% YoY and grew 0.7% QoQ to Rs10,060 Mn
 - **PBIT margins** 16.3% vs 11.5% YoY and 19.5% QoQ
 - **High demand** from data centers, and for low & medium voltage electrical equipment from sugar sector for ethanol production
 - Increase in margins on account of better capacity utilisations, change in mix, increased price realizations & favourable commodity prices
- **Motion (37% of Income)**
 - **Orders** grew by 8% YoY to Rs 11,260 Mn
 - **Order backlog** grew by 18% YoY Rs25,570 Mn
 - **Revenues** grew by 10 % YoY to Rs 9,170 mn
 - **PBIT margins** 14.5% v/s 8.9% YoY and 12% QoQ
 - **High demand for traction motors, traction converters, & drives** in transportation – Railways & other heavy industries.
- **Process Automation (20% of Income)**
 - **Orders** grew by 10% YoY and by 69% QoQ to Rs 7,840 Mn
 - **Order backlog** grew by 48% YoY to Rs 29,560 Mn
 - **Revenue** grew by 38% YoY to Rs 5,101 mn
 - **PBIT margins** 9.25% v/s 10.15% YoY and 17.62% QoQ
 - **Large Order win of Rs 1580 Mn** from a metals major for power & automation solutions.
- **Robotics (5% of Income)**
 - **Orders** have decreased by 13% YoY to Rs 610Mn
 - **Order backlog** grew by 38% YoY to Rs 2370 Mn
 - **Revenue** grew by 154% YoY and 81% QoQ to Rs 1230 mn
 - **PBIT margins** 12.6% v/s 12.5% YoY and 15.8% QoQ
 - **Order mainly** from automotive sector & a large order from a Metals Major
- **Breakup by Mode of Offering:**
 - **77% of revenue - Products** in the nature of fast moving industrial goods with a shorter turnaround time
 - **13% of Revenues in the nature of services;** Orders for services have grown by 37% YoY and revenues have gone up by 33% YoY.
 - **10% of Revenues** by nature of projects with a longer gestation period

- **Geographical Breakup:**
 - **Domestic- 89% vs 88%(YoY)**
 - **Exports-11% vs 12%(YoY)**
- **Other Concall KTA's**
 - ABB India on account of increasing market is looking to **expand organically as well as inorganically with bolt-on acquisitions**. Thus sitting on high cash position currently as on Jun-23 of Rs 12957 Mn
 - ABB India also sees **exponential growth** ahead for its **energy efficient motors & energy efficient drives** in the coming years as they help various industries & companies to comply with ESG norms

Valuation & Outlook

Looking at the emphasis placed by Government on infra & capex push in the previous 2 budgets, The capex cycle in India has just begun & the capital goods sector looks structurally strong after years of volatility. Themes like **Datacenters** (expected to grow at **25% CAGR**), **waste water management** (growing at **10% CAGR**), **electronics** & ancillary component manufacturing (growing at **30% CAGR** due to the PLI incentive scheme) are picking up at rapid pace. The Indian economy is further bolstered by expedite growth in **Railways & metro segment (growing at 25% CAGR)** & growth in **building construction & infra**.

ABB India's product profile, reputation, brand presence & technology places it in a sweet spot to seize this growth story & generate sizeable profits, high cashflows & RoCE in the forthcoming years

At CMP of Rs 4,510 it trades at 81x CY23E EPS of Rs.55.5 and 68x CY24E EPS of Rs.66, we maintain BUY on the stock for a target price of Rs.4,954 valuing the company at 75x CY24E(i.e Dec-24) EPS of Rs 66 (10% Upside).

Quarterly Financials

ABB India Ltd			YoY		
Particulars (Rs Mns)	Q2CY23	Q2CY22	Growth	Q1CY23	QoQ Growth
Revenue from Operations	25,086	20,525	22.22%	24,112	4.04%
Other Income	750	253	196.21%	723	-
Total Mfg cost	15,280	12,529	21.96%	14,364	6.38%
Subcontracting expenses	640	567	12.97%	992	-35.48%
Employee Benefits Expense	1,681	1,457	15.39%	1,878	-10.50%
Other Expenses	3,998	3,985	0.33%	3,708	7.82%
Total Expenses	21599	18538	16.52%	20942	3.14%
EBITDA (Excluding Other Income)	3487	1988	75.45%	3170	10.01%
Depreciation and Amortisation Expenses	292	253	15.35%	275	6.37%
EBIT / PBIT	3945	1987	98.50%	3618	9.06%
Finance Costs	14	28	-50.88%	22	-37.67%
EBT/ PBT (excluding exceptional items)	3931	1959	100.66%	3595	9.35%
Exceptional Items*	-	-		-	-
PBT including exceptional items	3931	1959	100.66%	3595	9.35%
Tax Expense	973	489	99.18%	827	17.71%
PAT from Continuing Operations after Tax	2958	1471	101.15%	2768	6.85%
Earning Per Share (EPS)	13.95	6.94	101.15%	13.06	6.85%
Orderbook(%)					
Order Inflows	30,440	27,670	10.01%	31,250	-2.59%
Order Backlog	77,270	59,950	28.89%	71,700	7.77%
Margins (%)					
			(In bps)	(In bps)	
Gross Margins	39.1%	39.0%	13	40.4%	-134
EBITDA Margins (Excl Other Income)	13.9%	9.7%	422	13.1%	75
PBT Margins before exceptional items	15.2%	9.4%	579	14.5%	74
PAT Margins	11.4%	7.1%	437	11.1%	30
As a % to sales					
Mfg Cost as a % to sales	60.9%	61.0%	-13	59.6%	134
EE & Subcon Cost as a % to sales	9.3%	9.9%	-61	11.9%	-265
Other exps as a % to sales	15.9%	19.4%	-348	15.4%	56
Segmental Revenue (incl. Intersegment)					
Electrification	10,060	8,380	20.05%	9,990	0.70%
Motion	9,170	8,340	9.95%	9,720	-5.66%
Process Automation	5,100	3,700	37.84%	4,200	21.43%
Robotics & Discrete Automation & Others	1,230	480	156.25%	680	80.88%
Segmental Results (PBIT Margins)					
Electrification	16.30%	11.50%	480	19.30%	-300
Motion	14.50%	8.90%	560	12.00%	250
Process Automation	11.10%	10.80%	30	9.20%	190
Robotics & Discrete Automation	12.60%	12.50%	10	15.80%	-320

Source: Dalal & Broacha Research

Financials

P&L (Rs mn)	CY21	CY22	CY23E	CY24E	CY25E
Net Sales	69,340	85,675	1,08,791	1,30,048	1,46,133
Total Operating Expenses	44,154	53,012	66,906	79,979	89,872
Subcontracting Charges	2,110	2,415	3,536	4,552	5,115
Employee Cost	5,882	6,353	7,306	8,402	9,662
Other Expenses	11,627	14,277	16,863	20,157	22,651
Operating Profit	5,567	9,619	14,180	16,958	18,834
Depreciation	1,027	1,047	1,582	1,962	2,396
PBIT	4,540	8,572	12,599	14,996	16,438
Other income	1,596	1,795	3,264	3,901	4,384
Interest	107	131	168	228	322
PBT (Before exceptional)	6,029	10,235	15,695	18,670	20,500
Exceptional	1,213	3,393	-	-	-
PBT (post exceptional)	7,243	13,628	15,695	18,670	20,500
Provision for tax	1,918	3,372	3,924	4,667	5,125
PAT (From continuing operations)	5,325	10,256	11,771	14,002	15,375
PAT (From Discontinuing operations)	(128)	(94)	-	-	-
MI	-	-	-	-	-
Reported PAT	5,197	10,162	11,771	14,002	15,375
Adjusted Profit	5,197	10,162	11,771	14,002	15,375

Source: Dalal & Broacha Research

Balance Sheet (Rs mn)	CY21	CY22	CY23E	CY24E	CY25E
Equity capital	424	424	424	424	424
Reserves	40,028	48,970	59,577	72,413	86,559
Net worth	40,452	49,394	60,000	72,837	86,983
Non Current Liabilites	238	285	319	415	567
Current Liabilites	39,543	43,503	53,092	63,518	71,453
discontinued operations/ assets held for	495	-	-	-	-
TOTAL LIABILITIES	80,727	93,182	1,13,411	1,36,771	1,59,003
Non Current Assets	14,374	14,196	16,493	18,699	20,626
Fixed Assets	8,793	9,538	11,388	13,167	14,781
Goodwill	146	146	146	146	146
Non Current Investments	-	-	-	-	-
Non-current assets tax (net)	2,674	1,912	2,432	2,910	3,272
Deferred Tax Asset	939	898	850	800	750
Other Financial Assets	87	75	50	50	50
Other Non Current Assets	1,736	1,626	1,626	1,626	1,626
Current Assets	65,752	78,986	96,915	1,18,071	1,38,197
Current investments	-	4,932	5,000	6,000	7,000
Inventories	10,091	14,207	15,499	18,527	20,819
Trade Receivables	18,838	20,930	28,912	34,561	38,835
Cash and Bank Balances	7,181	31,469	38,100	47,754	58,917
Bank Balances other than cash & cash equiv	19,696	22	20	-	-
Short Term Loans and Advances	185	49	-	-	-
Other Financial Assets	6,690	2,931	3,728	4,461	5,016
Other current assets tax (net)	3,070	4,447	5,656	6,768	7,609
Other Assets(associated with discontinued operations/ assets held for sale)	602	-	-	-	-
TOTAL ASSETS	80,727	93,182	1,13,407	1,36,771	1,58,823

Source: Dalal & Broacha Research

Cash Flow St. (Rs. mn)	CY21	CY22	CY23E	CY24E	CY25E
PBT (including Discontinued Operations)	7,072	13,503	15,695	18,670	20,500
Add: Dep. & Amort.	1,027	1,047	1,582	1,962	2,396
Add: Interest Expenses	107	131	168	228	322
Operating profit before working capital change	8,206	14,681	17,444	20,859	23,218
(Inc)/Dec in					
Working capital adjustment	(1,166)	547	(4,346)	(2,562)	(1,939)
Gross cash generated from operations	7,040	15,228	13,098	18,297	21,279
Direct taxes paid	(1,790)	(3,278)	(3,924)	(4,667)	(5,125)
Others	1,268	(4,524)	2,147	1,987	1,512
CF from Oper. activities	6,488	7,426	11,321	15,616	17,666
CF from Inv. activities	(20,079)	18,262	(3,449)	(4,720)	(5,010)
CF from Fin. activities	(1,268)	(1,402)	(1,241)	(1,242)	(1,493)
Cash generated/(utilised)	(14,859)	24,287	6,632	9,655	11,163
Cash at start of the year	22,040	7,181	31,469	38,100	47,754
Cash at end of the year	7,181	31,469	38,100	47,754	58,917
Balance sheet	7,181	31,469	38,100	47,754	58,917
Diff on account of exchange gair	0	0	-	0.09	-

Ratios	CY21	CY22	CY23E	CY24E	CY25E
OPM	8.03%	11.23%	13.03%	13.04%	12.89%
NPM	7.33%	11.62%	10.50%	10.45%	10.21%
Tax Rate	26.48%	24.74%	25.00%	25.00%	25.00%
Growth Ratios (%)					
Net Sales	19.12%	23.56%	26.98%	19.54%	12.37%
Operating Profit	105.29%	72.78%	47.43%	19.58%	11.07%
PBT	145.51%	69.76%	53.34%	18.95%	9.80%
PAT	137.07%	95.54%	15.83%	18.95%	9.80%
Per Share (Rs.)					
Net Earnings (EPS)	24.51	47.94	55.52	66.05	72.52
Cash Earnings (CPS)	29.36	52.87	62.98	75.30	83.82
Payout ratio	21%	11%	10%	8%	8%
Dividend	5.15	5.27	5.50	5.50	5.80
Book Value per share (BVPS)	190.81	232.99	283.02	343.57	410.30
Free Cash Flow	6,022	6,781	9,474	13,833	16,052
Valuation Ratios					
P/E(x)	151.75	77.60	67.00	56.32	51.29
P/B(x)	19.50	15.97	13.14	10.83	9.07
EV/EBIDTA(x)	140.40	78.74	52.95	43.71	38.77
Div. Yield(%)	0.14	0.14	0.15	0.15	0.16
FCFF Yield(%)	0.76	0.86	1.20	1.75	2.04
Return Ratios (%)					
ROE	12.85%	20.57%	19.62%	19.22%	17.68%
ROCE	13.70%	19.39%	23.53%	23.17%	21.52%

Source: Dalal & Broacha Research

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