

ABB India posted robust set of results for Q3CY23. Order inflows sustaining momentum- 14% growth YoY. Both base orders & large orders seen continuous progression. Growth in topline, better EBITDA & PAT Margins both YoY & QoQ- indicates strong execution in this quarter. Rise in order flow from Tier-3 as well as Tier-4 cities indicates good prospects in future.

Key Takeways from the Concall

- The company has been seeing growth in base orders as well as large orders, does not see in concerns in order flow even for the upcoming quarters. Strong order flow momentum from Tier-3 & Tier-4 cities as well which confirms an uptick in private capex across industrials & manufacturing.
Commodity prices have now started to stabilize & margin expansion on account of commodity price fluctuations appears difficult. However company remains committed to generate PAT margins of 10%+ for the coming quarters.
- The motion segment orderbook has seen a significant uptick in the current quarter due to a large railway order won for the complete lifecycle of the project – ABB to supply products for the same. Owing to the large demand in the railway market, Company to announce expansion in traction motor & propulsion systems capacity.
- Also, LV motors have seen a deceleration in the export market & demand will take a few more quarters to recover.
- Overall Exports have seen a decline due to slowdown in Europe, although on Y-o-Y basis Exports have still seen a 13-15% volume growth.
- Food & beverages, Steel, Cement, Oil & gas & Railway are the sub-verticals which currently comprise a major portion of the revenue as well as orderbook.

Financial Summary

Y/E Mar (Rs mn)	CY21	CY22	CY23E	CY24E	CY25E
Net sales	69,340	91,896	1,08,791	1,30,048	1,46,133
EBIDTA	5,567	15,840	14,180	16,763	18,542
Margins (%)	8.0	17.2	13.0	12.9	12.7
Adjusted net profit	5,197	7,097	11,771	13,953	15,375
EPS (Rs)	24.5	33.5	55.5	65.8	72.5
P/E (x)	152	111	67	57	51
EV/EBITDA (x)	140	48	53	44	39
RoCE (%)	13.70	31.93	23.53	22.91	21.20
RoE (%)	12.85	14.37	19.62	19.17	17.69

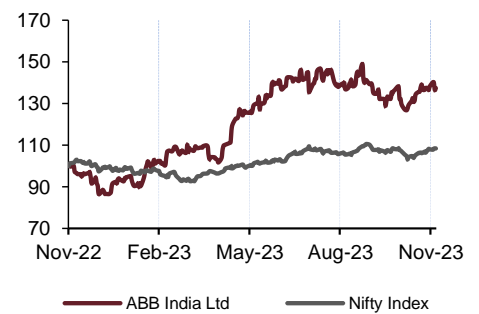
Source: Company, Dalal & Broacha Research

One Year Performance

Rating	TP (Rs)	Up/Dn (%)
BUY	5,077	19
Market Data		
Current price	Rs	4,261
Market Cap (Rs.Bn)	(Rs Bn)	903
Market Cap (US\$ Mn)	(US\$ Mn)	10,836
Face Value	Rs	2
52 Weeks High/Low	Rs	4678 / 2636.65
Average Daily Volume	('000)	181
BSE Code		500002
Bloomberg		ABB.IN

Source: Bloomberg

Source: Bloomberg



Source: Bloomberg

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

Source: BSE

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Key Financial Metrics

- Revenue at Rs 27,692 Mn vs Rs 21,197 Mn (+31% YoY) vs Rs 25,086 Mn (+11% QoQ) ||
- EBITDA at Rs 4,385 Mn vs Rs 2,110Mn (+108% YoY) vs ₹3,3,487 Mn (+10% QoQ)
- EBITDA Margin at 17% vs 10.6% (YoY) vs 15.2% (QoQ)
- PBT Rs 4,842 Mn vs Rs 2,753 Mn(+76% YoY) vs Rs 3,595 Mn(+23% QoQ) || PAT at Rs 3,620 Mn vs ₹ 2,025 Mn (+78% YoY) vs ₹2,958 Mn (+22% QoQ)
- EPS at Rs 17.08 vs ₹ 9.55 (YoY) vs ₹13.95 (QoQ)
- Order inflows – 30,040 Mn vs 26,340Mn (YoY) vs 30,440 (QoQ)

Segmentals

- **Electrification: (38% of Income)**
 - **Orders** grew by 7% YoY to Rs 10320 Mn
 - **Order backlog** grew by 28% YoY to Rs 20,860 Mn
 - **Revenues** grew by 18% YoY and grew 3.5% QoQ to Rs 10,420 Mn
 - **PBIT margins** 19.3% vs 14.5% YoY and 16.3% QoQ
 - **High demand** from distribution & power divisions of power companies, data center companies & metals players
 - Increase in margins on account of better capacity utilisations, increased price realizations
- **Motion (35% of Income)**
 - **Orders** grew by 47% YoY to Rs 14,170 Mn
 - **Order backlog** grew by 32% YoY Rs 30,010 Mn
 - **Revenues** grew by 11 % YoY to Rs 9,810 mn
 - **PBIT margins** 19.4% v/s 10.5% YoY and 14.5% QoQ
 - **High demand for traction motors, traction converters, & drives** in transportation – Railways & other heavy industries- One large order received in this quarter to be executed over the next few years.
- **Process Automation (24% of Income)**
 - **Orders** declined by 25% YoY and by 33% QoQ to Rs 5,290 Mn due to · Delay in realization of few large orders due to pending approvals; to be realized in subsequent quarters
 - **Order backlog** grew by 10% YoY to Rs 28,020 Mn
 - **Revenue** grew by 93% YoY to Rs 6,760 mn on account of strong execution & increase in service revenue.
 - **PBIT margins** 14.5% v/s 10% YoY and 11.1% QoQ
- **Robotics (4% of Income)**
 - **Orders** have increased by 132% YoY to Rs 1160Mn
 - **Order backlog** grew by 39% YoY to Rs 2370 Mn
 - **Revenue** grew by 105% YoY to Rs 118 mn
 - **PBIT margins** 12% v/s 12.6% YoY and 12.6% QoQ
 - **Large Order** from automotive sector & leading electronics manufacturer

- **Breakup by Mode of Offering:**
 - **73% of revenue - Products** in the nature of fast moving industrial goods with a shorter turnaround time
 - **16% of Revenues in the nature of services;** higher share of services will help ABB to drive their margins forward
 - **11% of Revenues** by nature of projects with a longer gestation period
- **Geographical Breakup:**
 - **Domestic- 90% vs 88%(YoY)**
 - **Exports-10% vs 12%(YoY)-** exports also form 11% of the total orderbook currently

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 4,253 it trades at 57x CY24E EPS of Rs.66 and 51x CY25E EPS of Rs 72.5 we maintain BUY on the stock for a target price of Rs.5,077 valuing the company at 70x CY25E (i.e Dec-24) EPS of Rs 72.5 (19% Upside).

Quarterly Financials

Particulars (Rs Mns)	Q3CY23	Q3CY22	YoY		QoQ
			Growt h	Q2CY23	Growt h
Revenue from Operations	27,692	21,197	30.64%	25,086	10.39%
Other Income	768	469	63.87%	750	-
Total Mfg cost	16,842	13,171	27.88%	15,280	10.22%
Subcontracting expenses	680	648	4.94%	640	6.25%
Employee Benefits Expense	1,780	1,561	14.01%	1,681	5.87%
Other Expenses	4,005	3,708	8.00%	3,998	0.17%
Total Expenses	23,307	19,088	22.10%	21,599	7.91%
EBITDA (Excluding Other Income)	4385	2110	107.88%	3487	25.75%
Depreciation and Amortisation Expenses	303	269	12.73%	292	3.63%
EBIT / PBIT	4850.60	2310	110.02%	3945	22.95%
Finance Costs	9	16	-43.59%	14	-36.69%
EBT/ PBT (excluding exceptional items)	4841.80	2294	111.06%	3931	23.16%
Exceptional Items*	-	459		-	-
PBT Including exceptional items	4841.80	2753	75.87%	3931	23.16%
Tax Expense	1,221.80	728	67.81%	973	25.54%
PAT from Continuing Operations after Tax	3620.00	2025	78.77%	2958	22.38%
Earning Per Share (EPS)	17.08	9.55	78.77%	13.95	22.38%

Orderbook(%)

Order Inflows	30,040	26,340	14.05%	30,440	-1.31%
Order Backlog	80,080	65,190	22.84%	77,270	3.64%

Margins (%)

			(In bps)			(In bps)
Gross Margins	39.2%	37.9%	131	39.1%	9	
EBITDA Margins (Excl Other Income)	15.8%	10.0%	588	13.9%	194	
PBT Margins before exceptional items	17.0%	10.6%	642	15.2%	180	
PAT Margins	12.7%	9.3%	337	11.4%	127	

As a % to sales

Mfg Cost as a % to sales	60.8%	62.1%	-131	60.9%	-9
EE & Subcon Cost as a % to sales	8.9%	10.4%	-154	9.3%	-37
Other exps as a % to sales	14.5%	17.5%	-303	15.9%	-148

Segmental Revenue (incl. Intersegment)

Electrification	10,420	8,809	18.29%	10,060	3.58%
Motion	9,810	8,822	11.20%	9,173	6.95%
Process Automation	6,756	3,499	93.12%	5,096	32.59%
Robotics & Discrete Automation & Others	1,183	577	105.20%	1,230	-3.82%

Segmental Results (PBIT Margins)

Electrification	19.30%	14.52%	478	16.31%	300
Motion	19.35%	10.56%	880	14.49%	486
Process Automation	14.55%	10.01%	454	11.14%	341
Robotics & Discrete Automation	11.97%	12.65%	-68	12.57%	-60

Source: Dalal & Broacha Research

Financials

P&L (Rs mn)	CY21	CY22	CY23E	CY24E	CY25E
Net Sales	69,340	91,896	1,08,791	1,30,048	1,46,133
Total Operating Expenses	44,154	53,012	66,906	80,174	90,164
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	15,840	14,180	16,763	18,542
Depreciation	1,027	1,047	1,582	1,962	2,396
PBIT	4,540	14,793	12,599	14,801	16,146
Other income	1,596	1,795	3,264	4,031	4,676
Interest	107	131	168	228	322
PBT (Before exceptional)	6,029	16,456	15,695	18,605	20,500
Exceptional	1,213	3,393	-	-	-
PBT (post exceptional)	7,243	19,849	15,695	18,605	20,500
Provision for tax	1,918	3,372	3,924	4,651	5,125
PAT (From continuing operations)	5,325	16,477	11,771	13,953	15,375
PAT (From Discontinuing operations)	(128)	(9,380)	-	-	-
MI	-	-	-	-	-
Reported PAT	5,197	7,097	11,771	13,953	15,375
Adjusted Profit	5,197	7,097	11,771	13,953	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	72,365	86,511
Net worth	40,452	49,394	60,000	72,788	86,934
Non Current Liabilities	238	285	319	415	567
Current Liabilities	39,543	43,503	52,496	62,805	70,652
discontinued operations/ assets	495	-	-	-	-
TOTAL LIABILITIES	80,727	93,182	1,12,815	1,36,009	1,58,153
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	96,318	1,17,310	1,37,348
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	28,614	34,204	38,435
Cash and Bank Balances	7,181	31,469	37,802	47,349	58,468
Bank Balances other than cash & cash eqt	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	1,12,811	1,36,009	1,57,973

Cash Flow St. (Rs. mn)	CY21	CY22	CY23E	CY24E	CY25E
PBT (including Discontinued Operations)	7,072	18,596	15,695	18,605	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	19,774	17,444	20,794	23,218
(Inc)/Dec in					
Working capital adjustment	(1,166)	547	(4,644)	(2,621)	(1,983)
Gross cash generated from operations	7,040	20,321	12,800	18,173	21,235
Direct taxes paid	(1,790)	6,008	(3,924)	(4,651)	(5,125)
Others	1,268	(18,903)	2,147	1,987	1,512
CF from Oper. activities	6,488	7,426	11,023	15,509	17,622
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	6,334	9,548	11,119
Cash at start of the year	22,040	7,181	31,469	37,802	47,349
Cash at end of the year	7,181	31,469	37,802	47,349	58,468
Balance sheet	7,181	31,469	37,802	47,349	58,468

Source: Dalal & Broacha Research

Ratios	CY21	CY22	CY23E	CY24E	CY25E
OPM	8.03%	17.24%	13.03%	12.89%	12.69%
NPM	7.33%	7.57%	10.50%	10.41%	10.20%
Tax Rate	26.48%	16.99%	25.00%	25.00%	25.00%
Growth Ratios (%)					
Net Sales	19.12%	32.53%	18.38%	19.54%	12.37%
Operating Profit	105.29%	184.52%	-10.47%	18.21%	10.61%
PBT	145.51%	172.94%	-4.63%	18.54%	10.19%
PAT	137.07%	36.56%	65.86%	18.54%	10.19%
Per Share (Rs.)					
Net Earnings (EPS)	24.51	33.48	55.52	65.82	72.52
Cash Earnings (CPS)	29.36	38.41	62.98	75.07	83.82
Payout ratio	21%	11%	10%	8%	8%
Dividend	5.15	3.68	5.50	5.50	5.80
Book Value per share (BVPS)	190.81	232.99	283.02	343.34	410.07
Free Cash Flow	6,022	6,781	9,176	13,726	16,008
Valuation Ratios					
P/E(x)	151.75	111.12	67.00	56.52	51.29
P/B(x)	19.50	15.97	13.14	10.83	9.07
EV/EBIDTA(x)	140.40	47.82	52.97	44.24	39.41
Div. Yield(%)	0.14	0.10	0.15	0.15	0.16
FCFF Yield(%)	0.76	0.86	1.16	1.74	2.03
Return Ratios (%)					
ROE	1284.76%	1436.79%	1961.84%	1916.99%	1768.59%
ROCE	1369.95%	3193.16%	2352.83%	2291.41%	2120.23%

Source: Dalal & Broacha Research

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