

ABB India posted strong set of results for Q1CY23 CY23 boosted by a significant growth in order inflows which were up 36% YoY over Q1CY22 Orders. Also, a key improvement in this quarter was in the gross margins which went up by 3.5% YoY and 1.75% QoQ.

- Revenue at Rs24,112 Mn vs Rs19,749 Mn (+22% YoY) vs Rs 24,269 Mn (-0.65% QoQ) ||
- EBITDA at Rs2,853 Mn vs Rs1,877Mn (+52% YoY) vs ₹13,470 Mn (-22% QoQ)
- EBITDA Margin at 11.8% vs 9.5% (YoY) vs 15% (QoQ)
- PBT(Excluding exceptional items) Rs3,279 Mn vs Rs1,979 Mn(+65% YoY) vs Rs4,002Mn(-18% QoQ) || PAT(Adjusted for exceptional items) at Rs2,452 Mn vs ₹1,457 Mn (+68% YoY) vs ₹9,130 Mn (-20% QoQ)
- Adjusted EPS at Rs11.6 vs ₹6.9 (YoY) vs ₹14.4 (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	1,45,327
EBIDTA	5,567	9,619	13,092	16,307	18,314
Margins (%)	8.0	11.2	12.0	12.5	12.6
Adjusted net profit	5,197	10,162	9,463	11,703	12,952
EPS (Rs)	24.5	47.9	44.6	55.2	61.1
P/E (x)	152	78	83	67	61
EV/EBITDA (x)	140	79	58	46	40
RoCE (%)	13.70%	19.39%	22.59%	23.77%	22.76%
RoE (%)	12.85%	20.57%	16.40%	17.15%	16.20%

Source: Company

Segmental

- Electrification: (41% of Income)**
 - Orders** grew by 44% YoY and by 55% QoQ to Rs13,350 19,180Mn
 - Order backlog** grew by 48% YoY and by 2% QoQ to Rs26,920 Mn
 - Revenues** grew by 16% YoY and grew 5% QoQ to Rs9,994 Mn
 - PBIT margins** 19.47% vs 13.71% YoY and 15.31% QoQ
 - Major orders** from data centers, metal sector & IT majors
 - Increase in margins on account of better capacity utilisations, increased price realizations & favourable commodity prices

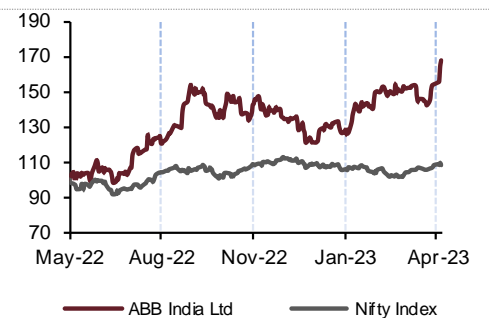
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	4,140	11

Market data

Current price	Rs	3,719
Market Cap (Rs.Bn)	(Rs Bn)	788
Market Cap (US\$ Mn)	(US\$ Mn)	9,630
Face Value	Rs	2
52 Weeks High/Low	Rs	3,754/ 2,077
Average Daily Volume	('000)	1,327
BSE Code		500002
Bloomberg		ABB.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-23	Dec-22
Promoters	75.00	75.00
Public	25.00	25.00
Total	100	100

Source: Bloomberg

Akash Vora
+91 22 67141489
akash.vora@dalal-broacha.com

- **Motion (40% of Income)**
 - **Orders** grew by 37% YoY and by 58% QoQ to Rs12,160 Mn
 - **Order backlog** grew by 19% YoY and by 11% QoQ to Rs23,440 Mn
 - **Revenues** grew by 36 % YoY and 4% QoQ to Rs 9,722 mn
 - **PBIT margins** 12.01% v/s 13.33% YoY and 16.05% QoQ
 - **High value Order wins** in transportation – Railways and Metro & a high value packaging order won in system drives.
- **Process Automation (17% of Income)**
 - **Orders** grew by 1% YoY and declined by 26% QoQ to Rs4,630 Mn
 - **Order backlog** grew by 48% YoY and by 2% QoQ to Rs26,920 Mn
 - **Revenue** grew by 21% YoY and declined 18% QoQ to Rs 4,202 mn
 - **PBIT margins** 9.25% v/s 10.15% YoY and 17.62% QoQ
 - **Order wins** from city gas distribution projects, life sciences, metals
- **Robotics (3% of Income)**
 - **Orders** grew by 95% YoY and by 30% QoQ to Rs1,560 Mn
 - **Order backlog** grew by 97% YoY and by 41% QoQ to Rs2,980 Mn
 - **Revenue** grew by 4% YoY and 8% QoQ to Rs 675 mn
 - **PBIT margins** 15.36% v/s 8.83% YoY and 16.27% QoQ
 - **Order wins** from automotive sector & from electronics market
- **Breakup by Mode of Offering:**
 - **80% 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.
 - **7% of Revenues** by nature of projects with a longer gestation period
- **Geographical Breakup:**
 - **Domestic- 91%**
 - **Exports- 9%**

ABB Focus Strategy

Diverse businesses growing in leading segments

Focus	Enhance	Sustain
Electronics	Water &	Cement
Data Centers	Wastewater	Metals & Mining
Warehouse & Logistics	Food & Beverage	Oil, Gas and
	Pharma &	Chemicals
	Healthcare	Building & Infra
	Automotive	Rubber & Plastics
	Power Distribution	Marine & Ports
	Railways & Metro	Pulp & Paper
	Renewable	Textile
		Conventional Power
High Growth	High-Moderate Growth	Moderate Growth

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** & ancilliary 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** & 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 RoCE in the forthcoming years

Valuations @ Rs 3,720: 83x CY24E EPS of Rs.45 and 68x CY23E EPS of Rs.55, we maintain **ACCUMULATE** on the stock for a **target price of Rs.4,140 valuing the company at 75x CY24E EPS of Rs55.**

Quarterly Financials

ABB India Ltd					
Particulars (Rs Mns)	Q1CY23	Q1CY22	YoY Growth	Q4CY22	QoQ Growth
Revenue from Operations	24,112	19749	22.10%	24,269	-0.65%
Other Income	723	376	92.15%	700	-
Total Mfg cost	14,364	12473	15.16%	14,883	-3.49%
Subcontracting expenses	992	572	73.52%	630	57.42%
Employee Benefits Expense	1,878	1761	6.67%	1,585	18.49%
Other Expenses	4,025	3066	31.29%	3,528	14.09%
Total Expenses	21,259	17871	18.96%	20,626	3.07%
EBITDA (Excluding Other Income)	2,853	1877	51.98%	3,643	-21.68%
Depreciation and Amortisation Expenses	275	259	6.02%	268	2.46%
EBIT / PBIT	3,301	1994	65.53%	4,075	-18.99%
Finance Costs	22	15	49.66%	72	-69.20%
EBT/ PBT (excluding exceptional items)	3,279	1979	65.65%	4,002	-18.08%
Exceptional Items*	-	2934	-100.00%	-	-
PBT Including exceptional items	3,279	4913	-33.26%	4,002	-18.08%
Tax Expense	827	1212	-31.78%	943	-12.34%
PAT from Continuing Operations after Tax	2,452	3701	-33.75%	3,059	-19.86%
Adjusted PAT (adjusted for exceptional items)	2,452	1457	68.28%	3,059	-19.86%
Earning Per Share (EPS)	11.56	17.46	-33.75%	14.43	-19.86%
Adj EPS	11.6	6.9	68.28%	14.4	-20%
Orderbook(%)					
Order Inflows	31,250	22,910	36.40%	22,350	39.82%
Order Backlog	71,700	52,290	37.12%	64,680	10.85%
Margins (%)					
			(In bps)		(In bps)
Gross Margins	40.4%	36.8%	359	38.7%	175
EBITDA Margins (Excl Other Income)	11.8%	9.5%	233	15.0%	-318
PBT Margins before exceptional items	13.2%	9.8%	337	16.0%	-283
PAT Margins	9.9%	18.4%	-852	12.3%	-238
As a % to sales					
Mfg Cost as a % to sales	59.6%	63.2%	-359	61.3%	-175
EE & Subcon Cost as a % to sales	11.9%	11.8%	9	9.1%	278
Other exps as a % to sales	16.7%	15.5%	117	14.5%	216
Segmental Revenue (incl. Intersegment)					
Electrification	9,994	8,610	16.08%	9,500	5.20%
Motion	9,722	7,157	35.84%	9,353	3.95%
Process Automation	4,202	3,486	20.54%	5,108	-17.74%
Robotics & Discrete Automation & Others	694	647	7.30%	628	10.48%
Segmental Results (PBIT Margins)					
Electrification	19.47%	13.71%	576	15.31%	416
Motion	12.01%	13.33%	-132	16.05%	-404
Process Automation	9.25%	10.15%	-90	17.62%	-838
Robotics & Discrete Automation	15.36%	8.83%	653	16.27%	-91

Financials

P&L (Rs mn)	CY21	CY22	CY23E	CY24E	CY25E
Net Sales	69,340	85,675	1,08,791	1,30,048	1,45,327
Total Operating Expenses	44,154	53,012	66,906	79,329	88,650
Subcontracting Charges	2,110	2,415	3,536	4,552	5,450
Employee Cost	5,882	6,353	7,306	8,402	9,662
Other Expenses	11,627	14,277	17,951	21,458	23,252
Operating Profit	5,567	9,619	13,092	16,307	18,314
Depreciation	1,027	1,047	1,582	1,962	2,396
PBIT	4,540	8,572	11,511	14,346	15,918
Other income	1,596	1,795	2,176	2,601	2,907
Interest	107	131	168	228	322
PBT (Before exceptional)	6,029	10,235	13,519	16,719	18,502
Exceptional	1,213	3,393	-	-	-
PBT (post exceptional)	7,243	13,628	13,519	16,719	18,502
Provision for tax	1,918	3,372	4,056	5,016	5,551
PAT (From continuing operations)	5,325	10,256	9,463	11,703	12,952
PAT (From Discontinuing operations)	(128)	(94)	-	-	-
MI	-	-	-	-	-
Reported PAT	5,197	10,162	9,463	11,703	12,952
Adjusted Profit	5,197	10,162	9,463	11,703	12,952

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	57,269	67,807	79,529
Net worth	40,452	49,394	57,693	68,230	79,953
Non Current Liabilities	238	285	319	415	567
Current Liabilities	39,543	43,503	53,092	63,518	71,060
discontinued operations/ assets	495	-	-	-	-
TOTAL LIABILITIES	80,727	93,182	1,11,103	1,32,164	1,51,579
Non Current Assets	14,374	14,196	16,493	18,699	20,608
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	3,254
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	94,607	1,13,464	1,30,792
Current investments	-	4,932	5,000	6,000	7,000
Inventories	10,091	14,207	15,499	18,527	20,704
Trade Receivables	18,838	20,930	28,912	34,561	38,621
Cash and Bank Balances	7,181	31,469	35,792	43,147	51,911
Bank Balances other than cash & cash equi	19,696	22	20	-	-
Short Term Loans and Advances	185	49	-	-	-
Other Financial Assets	6,690	2,931	3,728	4,461	4,988
Other current assets tax (net)	3,070	4,447	5,656	6,768	7,567
Other Assets(associated with discontinued operations/ assets held for sale)	602	-	-	-	-
TOTAL ASSETS	80,727	93,182	1,11,099	1,32,164	1,51,399

Source: Dalal & Broacha Research

Cash Flow St. (Rs. mn)	CY21	CY22	CY23E	CY24E	CY25E
PBT (including Discontinued Operations)	7,072	13,503	13,519	16,719	18,502
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	15,268	18,908	21,220
(Inc)/Dec in Working capital adjustment	(1,166)	547	(4,346)	(2,562)	(1,842)
Gross cash generated from operations	7,040	15,228	10,923	16,346	19,378
Direct taxes paid	(1,790)	(3,278)	(4,056)	(5,016)	(5,551)
Others	1,268	(4,524)	2,147	1,987	1,439
CF from Oper. activities	6,488	7,426	9,013	13,317	15,266
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	4,324	7,356	8,764
Cash at start of the year	22,040	7,181	31,469	35,792	43,147
Cash at end of the year	7,181	31,469	35,792	43,147	51,911
Ratios	CY21	CY22	CY23E	CY24E	CY25E
OPM	8.03%	11.23%	12.03%	12.54%	12.60%
NPM	7.33%	11.62%	8.53%	8.82%	8.74%
Tax Rate	26.48%	24.74%	30.00%	30.00%	30.00%
Growth Ratios (%)					
Net Sales	19.12%	23.56%	26.98%	19.54%	11.75%
Operating Profit	105.29%	72.78%	36.11%	24.56%	12.30%
PBT	145.51%	69.76%	32.08%	23.67%	10.67%
PAT	137.07%	95.54%	-6.88%	23.67%	10.67%
Per Share (Rs.)					
Net Earnings (EPS)	24.51	47.94	44.64	55.20	61.09
Cash Earnings (CPS)	29.36	52.87	52.10	64.46	72.39
Payout ratio	21%	11%	12%	10%	9%
Dividend	5.15	5.27	5.50	5.50	5.80
Book Value per share (BVPS)	190.81	232.99	272.13	321.84	377.14
Free Cash Flow	6,943	11,724	7,116	11,466	13,555
Valuation Ratios					
P/E(x)	151.75	77.60	83.34	67.39	60.89
P/B(x)	19.50	15.97	13.67	11.56	9.86
EV/EBIDTA(x)	140.40	78.74	57.52	45.74	40.26
Div. Yield(%)	0.14	0.14	0.15	0.15	0.16
FCFF Yield(%)	0.88	1.49	0.90	1.45	1.72
Return Ratios (%)					
ROE	12.85%	20.57%	16.40%	17.15%	16.20%
ROCE	13.70%	19.39%	22.59%	23.77%	22.76%

Source: Dalal & Broacha Research

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992 | E-mail: equity.research@dalal-broacha.com