

India

**ADD** (previously HOLD)

Consensus ratings\*: Buy 13 Hold 11 Sell 6

Current price:	Rs4,239
Target price:	Rs4,965 ▲
Previous target:	Rs4,735
Up/downside:	17.1%
InCred Research / Consensus:	7.6%
Reuters:	ABB.NS
Bloomberg:	ABB IN
Market cap:	US\$10,779m Rs898,343m
Average daily turnover:	US\$14.2m Rs1186.1m
Current shares o/s:	211.9m
Free float:	25.0%

\*Source: Bloomberg

**Key changes in this note**

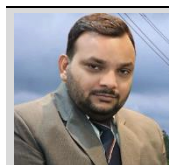
- For CY23F-25F, we raise revenue estimates by ~1%~3% and PAT estimates by ~3%/~6%.




Price performance	1M	3M	12M
Absolute (%)	1.1	(5.8)	34.0
Relative (%)	3.3	(5.2)	27.6

Major shareholders	% held
Promoters (ABB Asea Brown Boveri)	75.0
SBI MF	1.3
Canara Robeco Mutual Fund	1.0

**Research Analyst(s)**



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# ABB India Ltd

## Margin expansion continues

- 3Q EBITDA was up 108% YoY (+26% QoQ) at Rs4.4bn, up 38% vs. our estimate/ up 27%.vs, consensus estimate. Adj. PAT at Rs3.6bn, up 79% YoY.
- ABB India witnessed a strong momentum in order inflow led by its focus on the growth segments, rising market penetration and portfolio expansion.
- We upgrade our rating on the stock to an ADD (HOLD earlier) with a target price of Rs4,965, valuing it at a P/E of 75x CY25F EPS.

### Healthy operational performance

ABB India reported a strong set of numbers for 3QCY23, with its revenue up 31% YoY (+10.4% QoQ) at Rs27.7bn, 8% above our estimate and 6% above consensus estimate. EBITDA was up 108% YoY (+26% QoQ) at Rs4.4bn, 38% above our estimate and 27% above consensus estimate. The EBITDA margin was up 588bp YoY (+193bp QoQ). Adjusted PAT stood at Rs3.6bn, up 79% YoY, beating our estimate by 35% and consensus estimate by 33%. Total orders during the quarter stood at Rs30bn, registering a 14% growth YoY. Order backlog as of Sep 2023-end stood at Rs80.1bn (+23% YoY).

### Sustains healthy growth momentum

ABB India registered strong revenue growth across segments. Robotics and process automation divisions' revenue rose by a stellar 105% and 93%, respectively, during the quarter. The EBIT margin continued its double-digit trend across segments. The motion business reported an 880bp YoY increase in the EBIT margin during the quarter. While the process automation division witnessed a 25% YoY dip in order inflow, the order backlog was up 10%, which provides good revenue visibility. ABB India continues its focus on high-growth segments, increased penetration in Tier-II and Tier-III markets and expansion of its products portfolio. The company has ~1,700 customers across 12 Tier-II and Tier-III markets as of 3QCY23-end. The domestic market sustained its 90% contribution. ABB India commissioned a diverse range of projects, including providing electrification distribution solutions for a mega lift irrigation project in South India.

### Upgrade our rating on the stock to ADD

ABB India remains a strong player in automation space across multiple industries with a healthy operating performance, focus on order execution, pricing strategies and efficient capacity utilization, which bode well for the company. We raise our revenue estimates by ~1%~3% and PAT estimates by ~3%/~6%, factoring in a healthy 3QCY23 performance and order inflow. ABB India witnessed a strong momentum in order inflow aided by its focus on the growth segments, rising market penetration, portfolio expansion, and the expansion of partner network. The pipeline is strong in the case of large orders, with metal & cement sectors investing in large projects, and this trend, we feel, is likely to remain strong going ahead. **We upgraded our rating on the stock to an ADD (HOLD earlier) with a target price of Rs4,965 (Rs4,735 earlier), valuing it at a P/E of 75x CY25F EPS.** Downside risks: Delay in order execution and lower margins.

Financial Summary	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (Rsm)	68,640	84,980	109,230	138,580	157,179
Operating EBITDA (Rsm)	5,567	9,615	14,105	15,803	17,283
Net Profit (Rsm)	5,325	10,252	11,513	12,689	14,029
Core EPS (Rs)	19.4	35.6	54.3	59.9	66.2
Core EPS Growth	82.8%	83.6%	52.5%	10.2%	10.6%
FD Core P/E (x)	168.70	87.62	78.03	70.79	64.03
DPS (Rs)	5.0	5.8	6.4	7.0	7.7
Dividend Yield	0.12%	0.14%	0.15%	0.17%	0.18%
EV/EBITDA (x)	156.57	90.18	61.55	54.64	49.56
P/FCFE (x)	153.00	153.71	1,076.49	162.65	96.06
Net Gearing	(65.9%)	(63.2%)	(50.7%)	(49.2%)	(50.1%)
P/BV (x)	22.21	18.19	15.08	12.70	10.80
ROE	10.9%	18.8%	26.1%	24.8%	23.1%
% Change In Core EPS Estimates			2.97%	5.78%	4.90%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## 3QCY23 conference-call highlights

- ABB India reported healthy performance backed by a strong order momentum and continued execution of large orders. Total orders during the quarter stood at Rs30bn, registering a 14% growth YoY. The order backlog as of Sep 2023-end stood at Rs80.1bn (+23% YoY), which provides good revenue visibility.
- The company received positive traction from the sectors like metals, energy, railways, electronics, and data centres, to name a few. The electrification business witnessed strong order conversion from the renewable segment, with higher penetration in the retail market. The motion segment reported robust growth led by good order inflow in the railway segment. Process automation witnessed some delay in the realization of a few large orders, which are likely to fructify in the coming quarters. Robotics and discrete automation posted significant growth YoY led by the paints and electronics segments.
- Revenue from the services segment accounted for 16% of the total revenue while projects and products contributed 11% and 73%, respectively. The domestic market sustained its 90% contribution.
- During the quarter, the company commissioned a diverse range of projects, including providing electrification distribution solutions for a mega lift irrigation project in South India.
- During the quarter, the company focused on the railway segment, and metro rail, in particular. Investments in the railway segment are likely to grow at a CAGR of 15% over the next two years. Railway infrastructure is likely to have a potential of US\$715bn by 2030F. The metro rail network has its presence across 15 cities, of which 640km of rail line is under implementation in 7 cities. These sectors will provide massive growth opportunities for ABB India.
- The company will closely monitor the impact of global conflicts like the ongoing Israel-Hamas war.
- ABB India continues to focus on its ESG goals and achieved 95% and 50% waste and water recyclability, respectively. The smart manufacturing campus at Nelamangala achieved a zero waste-to-landfill certification from Intertek Sustainability.

Figure 1: Quarterly results snapshot

(Rs m)	3QCY23	3QCY22	YoY (%)	2QCY23	QoQ (%)	InCred est.	InCred diff.	Bloomberg est.	Bloomberg diff.
<b>Net revenue</b>	<b>27,692</b>	<b>21,197</b>	<b>30.6</b>	<b>25,086</b>	<b>10.4</b>	<b>25,662</b>	<b>7.9%</b>	<b>26100</b>	<b>6%</b>
<b>Expenses</b>	<b>-23,307</b>	<b>-19,088</b>	<b>22.1</b>	<b>-21,599</b>	<b>7.9</b>	<b>-22,484</b>			
Stock	535	560	(4.4)	481	11.3	0			
Raw material costs	-18,058	-14,379	25.6	-16,401	10.1	-16,424			
Employee	-1,780	-1,561	14.0	-1,681	5.9	-1,733			
Other expenses	-4,005	-3,708	8.0	-3,998	0.2	-4,328			
Exch. (loss)/ gain	0	0		0		0			
<b>EBITDA</b>	<b>4,385</b>	<b>2,110</b>	<b>107.9</b>	<b>3,487</b>	<b>25.7</b>	<b>3,178</b>	<b>38.0%</b>	<b>3446</b>	<b>27%</b>
Other income	768	469	63.9	750	2.4	713			
Interest	-9	-16	(43.6)	-14	(36.7)	-15			
Depreciation	-303	-269	12.7	-292	3.6	-307			
<b>PBT</b>	<b>4,842</b>	<b>2,294</b>	<b>111.1</b>	<b>3,932</b>	<b>23.2</b>	<b>3,569</b>			
Tax	-1,222	-728	67.8	-973	25.5	-892			
<b>Adjusted PAT</b>	<b>3,620</b>	<b>1,566</b>	<b>131.2</b>	<b>2,958</b>	<b>22.4</b>	<b>2,677</b>	<b>35.2%</b>		
EOI	0	459		0		0			
<b>Overall PAT</b>	<b>3,620</b>	<b>2,025</b>	<b>78.8</b>	<b>2,958</b>	<b>22.4</b>	<b>2,675</b>	<b>35.3%</b>	<b>2720</b>	<b>33%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Cost analysis snapshot

Cost Analysis	3QCY23	3QCY22	YoY (bp)	2QCY23	QoQ (bp)
Raw material costs	65.2%	67.8%	-262	65.4%	-17 bp
Employee costs	6.4%	7.4%	-94	6.7%	-27 bp
Other expenditure	14.5%	17.5%	-303	15.9%	-148 bp
<b>EBITDA margin</b>	<b>15.8%</b>	<b>10.0%</b>	<b>588</b>	<b>13.9%</b>	<b>193 bp</b>
PBT margin	17.5%	10.8%	666	15.7%	181 bp
Tax rate	25.2%	31.7%	-650	24.8%	48 bp

**Figure 3: Order inflow details**

Order details (Rs m)	3QCY23	3QCY22	YoY (%)	2QCY23	QoQ (%)	InCred est.	Difference
Order-booking	30,040	26,340	14.0%	30,440	-1.3%	28,974	3.7%
Backlog	80,080	65,190	22.8%	77,270	3.6%	80,582	-0.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Segmental revenue**

Revenue (Rs m)	3QCY23	3QCY22	YoY (%)	2QCY23	QoQ (%)
Robotics & discrete automation	1,183	577	105.2%	1,225	-3.4%
Motion	9,810	8,822	11.2%	9,173	6.9%
Electrification	10,420	8,809	18.3%	10,056	3.6%
Process automation	6,756	3,499	93.1%	5,096	32.6%
Others	24	49	-49.8%	53	-54.0%
<b>Total</b>	<b>28,194</b>	<b>21,755</b>	<b>29.6%</b>	<b>25,603</b>	<b>10.1%</b>
Unallocated	0	0	NA	0	NA
Less: Inter-segment	502	557	-10.0%	517	-2.9%
<b>Net sales (continued operations)</b>	<b>27,692</b>	<b>21,197</b>	<b>30.6%</b>	<b>25,086</b>	<b>10.4%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Segmental EBIT**

EBIT (Rs m)	3QCY23	3QCY22	YoY (%)	2QCY23	QoQ (%)
Robotics & discrete automation	142	73	94.2%	155	-8.4%
Motion	1,899	931	103.9%	1,329	42.9%
Electrification products	2,011	1,280	57.2%	1,640	22.6%
Process automation	983	350	180.6%	568	73.2%
<b>Total</b>	<b>5,034</b>	<b>2,634</b>	<b>91.1%</b>	<b>3,692</b>	<b>36.4%</b>
(Add)/ Less - interest	9	16	-43.6%	14	-36.7%
Other unallocated expenditure	184	324	-43.3%	-254	-172.4%
<b>Total profit before tax</b>	<b>4,842</b>	<b>2,294</b>	<b>111.1%</b>	<b>3,931</b>	<b>23.2%</b>

EBIT Margin (%)	3QCY23	3QCY22	YoY (bp)	2QCY23	QoQ (bp)
Robotics & discrete automation	12.0%	12.6%	-68 bp	12.6%	-65 bp
Motion	19.4%	10.6%	880 bp	14.5%	486 bp
Electrification products	19.3%	14.5%	478 bp	16.3%	299 bp
Process automation	14.5%	10.0%	454 bp	11.1%	341 bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 6: Segmental order details**

Order Inflow (Rs m)	3QCY23	3QCY22	YoY (%)	2QCY23	QoQ (%)
Robotics & discrete automation	1,160	500	132.0%	610	90.2%
Motion	14,170	9,660	46.7%	11,260	25.8%
Electrification	10,320	9,640	7.1%	11,000	-6.2%
Process automation	5,290	7,060	-25.1%	7,840	-32.5%

Order Backlog (Rs m)	3QCY23	3QCY22	YoY (%)	2QCY23	QoQ (%)
Robotics & discrete automation	2,290	1,650	38.8%	2,370	-3.4%
Motion	30,010	22,730	32.0%	25,570	17.4%
Electrification	20,860	16,300	28.0%	20,000	4.3%
Process automation	28,020	25,470	10.0%	29,560	-5.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

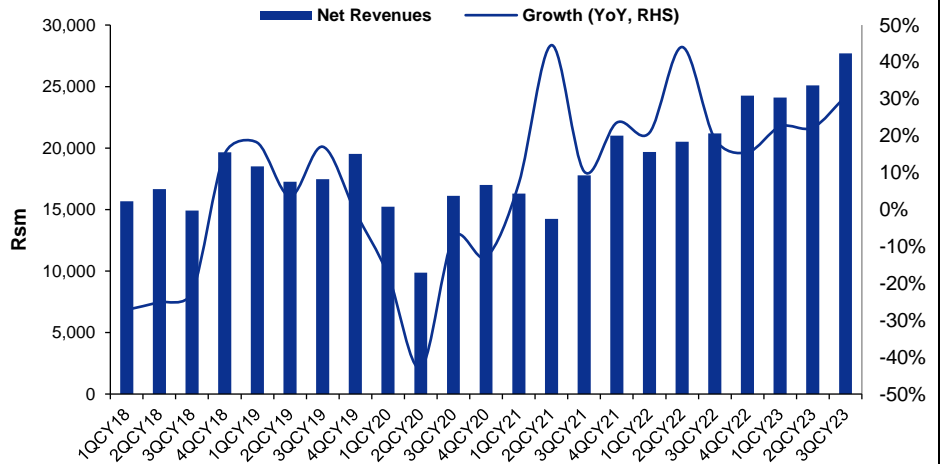
**Figure 7: Earnings revision summary**

(Rs m)	Old estimates			New Estimates			Change (%)		
	CY23F	CY24F	CY25F	CY23F	CY24F	CY25F	CY23F	CY24F	CY25F
Revenue	1,09,230	1,34,317	1,55,722	1,09,230	1,38,580	1,57,179	0.0%	3.2%	0.9%
EBITDA	13,305	15,238	16,901	14,105	15,803	17,283	6.0%	3.7%	2.3%
Core PAT	11,180	11,996	13,374	11,513	12,689	14,029	3.0%	5.8%	4.9%
EPS (Rs)	52.8	56.6	63.1	54.3	59.9	66.2	2.9%	5.8%	4.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

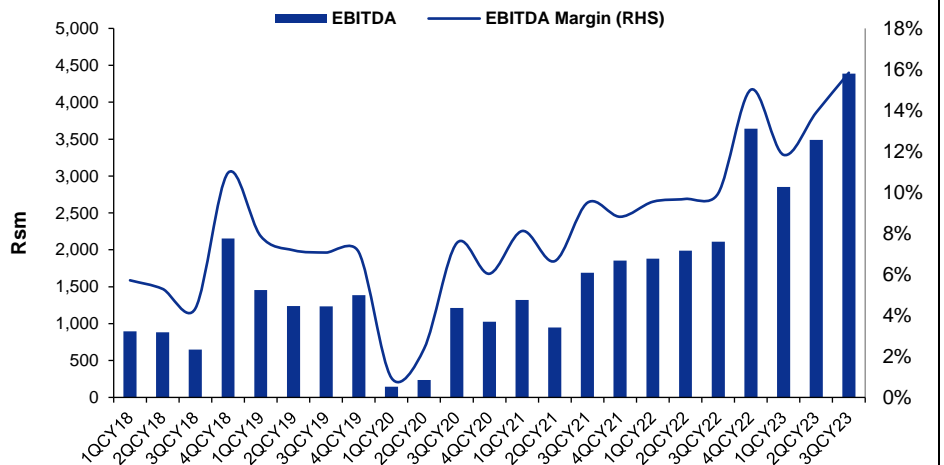
### Story in charts

Figure 8: Quarterly revenue trend



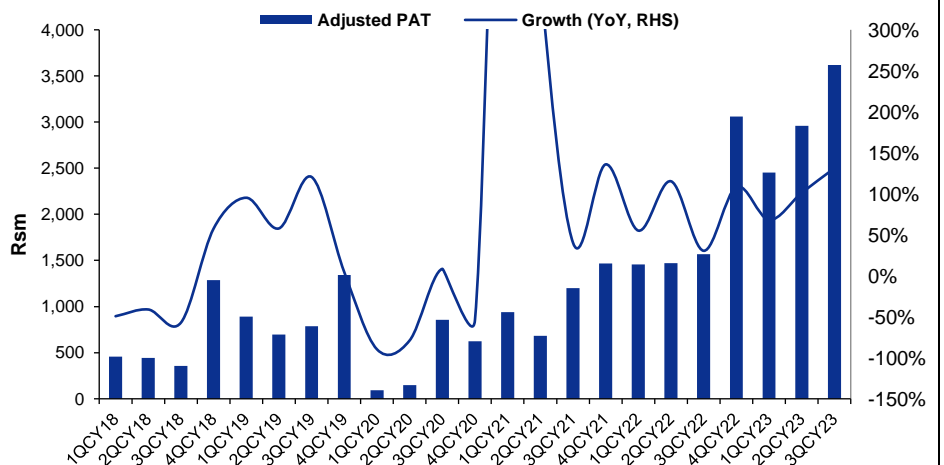
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Quarterly EBITDA trend



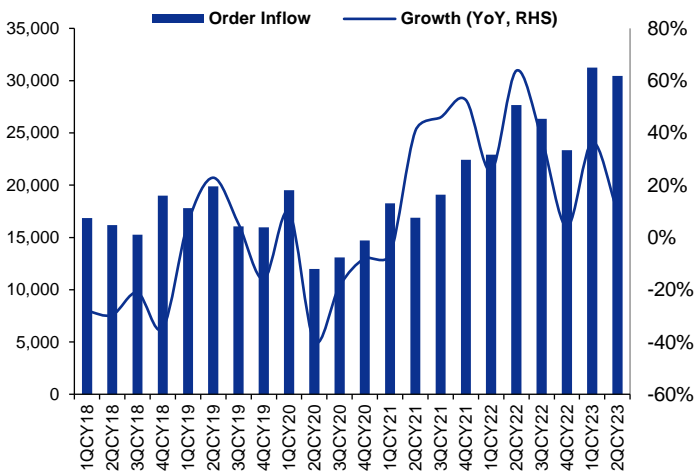
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Quarterly PAT trend



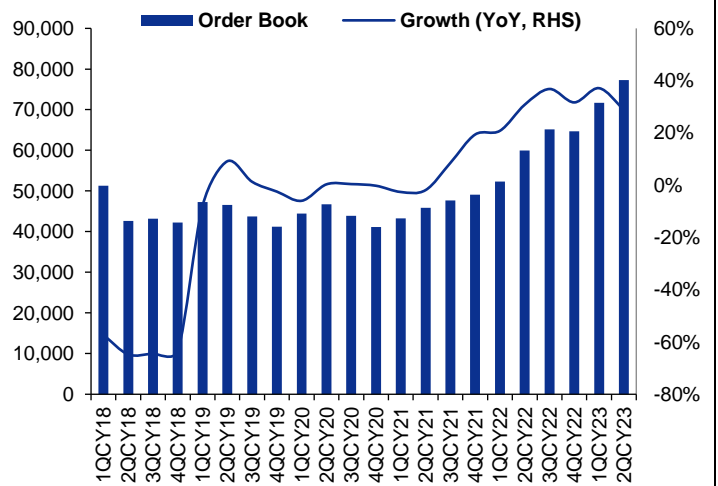
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Order inflow trend (in Rs m)



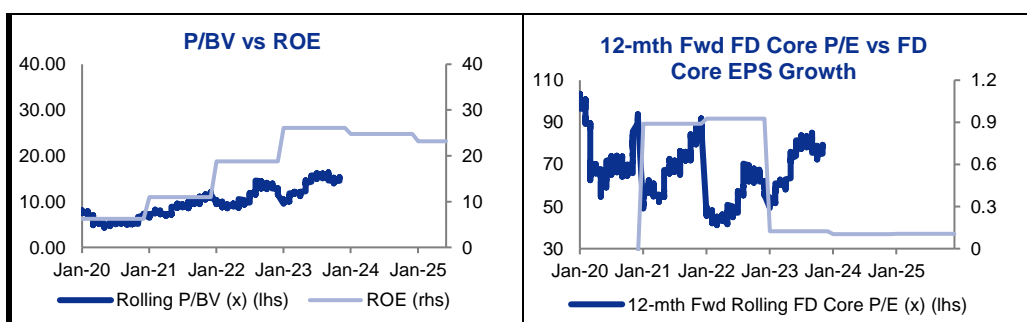
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 12: Order book trend (in Rs m)



SOURCE: COMPANY REPORTS, INCRED RESEARCH

**BY THE NUMBERS**



**Profit & Loss**

(Rs mn)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Total Net Revenues</b>	<b>69,340</b>	<b>85,672</b>	<b>109,230</b>	<b>138,580</b>	<b>157,179</b>
<b>Gross Profit</b>	<b>23,077</b>	<b>30,245</b>	<b>38,434</b>	<b>48,761</b>	<b>55,305</b>
<b>Operating EBITDA</b>	<b>5,567</b>	<b>9,615</b>	<b>14,105</b>	<b>15,803</b>	<b>17,283</b>
Depreciation And Amortisation	(1,027)	(1,047)	(1,188)	(1,283)	(1,516)
<b>Operating EBIT</b>	<b>4,540</b>	<b>8,568</b>	<b>12,917</b>	<b>14,520</b>	<b>15,767</b>
Financial Income/(Expense)	(107)	(131)	(55)	(57)	(60)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	1,596	1,795	2,971	3,161	3,778
<b>Profit Before Tax (pre-EI)</b>	<b>6,029</b>	<b>10,232</b>	<b>15,833</b>	<b>17,624</b>	<b>19,485</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>6,029</b>	<b>10,232</b>	<b>15,833</b>	<b>17,624</b>	<b>19,485</b>
Taxation	(1,918)	(2,682)	(4,320)	(4,935)	(5,456)
Exceptional Income - post-tax	1,213	2,703			
<b>Profit After Tax</b>	<b>5,325</b>	<b>10,252</b>	<b>11,513</b>	<b>12,689</b>	<b>14,029</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>5,325</b>	<b>10,252</b>	<b>11,513</b>	<b>12,689</b>	<b>14,029</b>
Recurring Net Profit	4,112	7,549	11,513	12,689	14,029
<b>Fully Diluted Recurring Net Profit</b>	<b>4,112</b>	<b>7,549</b>	<b>11,513</b>	<b>12,689</b>	<b>14,029</b>

**Cash Flow**

(Rs mn)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>EBITDA</b>	<b>5,567</b>	<b>9,615</b>	<b>14,105</b>	<b>15,803</b>	<b>17,283</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	924	(3,773)	(9,366)	(5,949)	(3,694)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1,027	1,047	1,188	1,283	1,516
Other Operating Cashflow	370	1,999	208	151	225
Net Interest (Paid)/Received	(107)	(131)	(55)	(57)	(60)
Tax Paid	(1,918)	(2,682)	(4,320)	(4,935)	(5,456)
<b>Cashflow From Operations</b>	<b>5,864</b>	<b>6,075</b>	<b>1,760</b>	<b>6,296</b>	<b>9,814</b>
Capex	(803)	(1,797)	(2,500)	(2,500)	(2,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	1,075	1,519	1,575	1,727	2,037
<b>Cash Flow From Investing</b>	<b>272</b>	<b>(278)</b>	<b>(925)</b>	<b>(773)</b>	<b>(463)</b>
Debt Raised/(repaid)	(264)	47			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(1,060)	(1,231)	(1,354)	(1,489)	(1,638)
Preferred Dividends					
Other Financing Cashflow					
<b>Cash Flow From Financing</b>	<b>(1,324)</b>	<b>(1,184)</b>	<b>(1,354)</b>	<b>(1,489)</b>	<b>(1,638)</b>
Total Cash Generated	4,812	4,613	(519)	4,034	7,713
<b>Free Cashflow To Equity</b>	<b>5,871</b>	<b>5,844</b>	<b>834</b>	<b>5,523</b>	<b>9,351</b>
<b>Free Cashflow To Firm</b>	<b>6,243</b>	<b>5,928</b>	<b>889</b>	<b>5,580</b>	<b>9,411</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Dec-21A</b>	<b>Dec-22A</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
Total Cash And Equivalents	26,877	31,491	30,478	35,126	41,977
Total Debtors	18,838	20,930	26,902	34,131	38,712
Inventories	10,091	14,207	13,698	17,493	19,875
Total Other Current Assets	14,442	15,967	20,523	26,038	29,532
<b>Total Current Assets</b>	<b>70,248</b>	<b>82,594</b>	<b>91,602</b>	<b>112,787</b>	<b>130,096</b>
Fixed Assets	8,939	9,689	11,001	12,218	13,202
Total Investments					
Intangible Assets					
Total Other Non-Current Assets	1,540	898	898	898	898
<b>Total Non-current Assets</b>	<b>10,479</b>	<b>10,588</b>	<b>11,900</b>	<b>13,116</b>	<b>14,100</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	19,613	23,282	31,422	39,865	45,216
Other Current Liabilities	19,930	20,221	12,735	14,880	16,293
<b>Total Current Liabilities</b>	<b>39,543</b>	<b>43,503</b>	<b>44,157</b>	<b>54,745</b>	<b>61,509</b>
Total Long-term Debt	238	285	285	285	285
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	495				
<b>Total Non-current Liabilities</b>	<b>732</b>	<b>285</b>	<b>285</b>	<b>285</b>	<b>285</b>
Total Provisions					
<b>Total Liabilities</b>	<b>40,276</b>	<b>43,788</b>	<b>44,442</b>	<b>55,030</b>	<b>61,793</b>
Shareholders Equity	40,452	49,394	59,553	70,753	83,143
Minority Interests					
<b>Total Equity</b>	<b>40,452</b>	<b>49,394</b>	<b>59,553</b>	<b>70,753</b>	<b>83,143</b>

<b>Key Ratios</b>					
	<b>Dec-21A</b>	<b>Dec-22A</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
Revenue Growth	19.2%	23.8%	28.5%	26.9%	13.4%
Operating EBITDA Growth	101.8%	72.7%	46.7%	12.0%	9.4%
Operating EBITDA Margin	8.1%	11.3%	12.9%	11.4%	11.0%
Net Cash Per Share (Rs)	125.72	147.27	142.49	164.42	196.76
BVPS (Rs)	190.90	233.10	281.04	333.90	392.37
Gross Interest Cover	42.43	65.35	236.22	252.90	261.55
Effective Tax Rate	31.8%	26.2%	27.3%	28.0%	28.0%
Net Dividend Payout Ratio	25.8%	16.3%	11.8%	11.7%	11.7%
Accounts Receivables Days	122.96	80.52	77.49	67.27	66.82
Inventory Days	85.31	77.33	57.52	52.63	53.68
Accounts Payables Days	184.40	138.38	130.02	115.96	116.14
ROIC (%)	21.6%	34.8%	32.5%	29.0%	27.9%
ROCE (%)	11.7%	21.2%	29.1%	28.2%	25.9%
Return On Average Assets	5.1%	9.2%	13.4%	13.3%	12.9%

<b>Key Drivers</b>					
	<b>Dec-21A</b>	<b>Dec-22A</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
Order inflow (Rs m)	76,660	100,270	117,405	136,193	156,065
yoy growth (%)	29	31	17	16	15
Order backlog (Rs m)	48,951	64,373	73,986	72,586	72,592
yoy growth (%)	19	32	15	(2)	N/A
Revenue (Rs m)	70,026	87,032	110,361	139,979	158,767
Robotics & Discrete Automation	2,553	2,333	4,026	4,870	5,919
Motion	25,917	33,671	41,331	52,108	58,442
Electrification products	27,522	35,297	42,821	53,072	62,914
Industrial Automation	14,034	15,732	22,183	29,929	31,491

SOURCE: INCRED RESEARCH, COMPANY REPORTS



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