

India

ADD (no change)

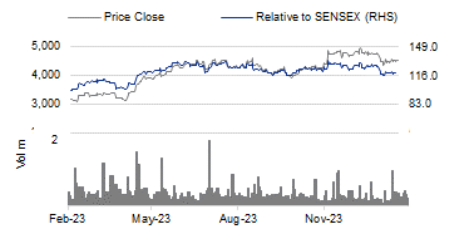
Consensus ratings*: Buy 15 Hold 9 Sell 5

Current price:	Rs4,985
Target price:	Rs5,500 ▲
Previous target:	Rs4,965
Up/downside:	10.3%
InCred Research / Consensus:	12.5%
Reuters:	ABB.NS
Bloomberg:	ABB IN
Market cap:	US\$12,731m
	Rs1,056,300m
Average daily turnover:	US\$13.6m
	Rs1126.4m
Current shares o/s:	211.9m
Free float:	25.0%

*Source: Bloomberg

Key changes in this note

- Raise our PAT estimates by 4/11% for CY24F/25F, respectively.
- Lower our revenue estimates by 7%/2% for CY24F/25F, respectively.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.9	14.7	57.5
Relative (%)	3.2	4.1	31.6

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

Margins likely to sustain at higher levels

- 4QCY23 EBITDA (+15% YoY) was 7% below our estimate due to lower-than-expected revenue. The EBITDA margin stood at 15.1% (+12bp yoy) vs. our estimate of 15.2%.
- Order inflow was up 35% YoY at Rs31.5bn while the order book rose by 30% YoY to ~Rs84bn, providing revenue visibility. The demand remains strong across sectors.
- We raise PAT estimates by 4/11% for CY24F/25F, respectively. Retain ADD rating with a higher TP of Rs5,500 (Rs4,965 earlier), valuing the stock at a P/E of 75x CY25F EPS.

Strong CY23 with a 65% jump in PAT; margin expands by 300bp

ABB India's 4QCY23 EBITDA (+15% YoY) was 7% below our estimate (5% below Bloomberg or BB consensus estimate) due to lower-than-expected revenue. The EBITDA margin stood at 15.1% (+12bp yoy) vs. our estimate of 15.2% (BB consensus estimate of 14.5%). PAT was at Rs3.45bn, up 13% YoY, below our estimate of Rs3.76bn (BB consensus estimate of Rs3.5bn). In CY23, revenue grew by 22% YoY to Rs104bn. EBITDA grew by 55% to Rs14.9bn as the margin expanded by 290bp to 14.3%, and PAT grew by 65% to Rs12.5bn. RoCE doubled from the CY19 level to touch 21% in CY23.

Healthy 35% YoY jump in order inflow

Order inflow was up 35% YoY at Rs31.5bn led by base orders. The order book rose by 30% YoY to ~Rs84bn, providing revenue visibility. The demand was strong across sectors like railways, data centres, electronics & renewables, which are classified as high-growth areas. The automotive, wastewater & power distribution segments saw moderate growth while metal, cement and oil & gas witnessed low growth. The order book comprises ~15% large orders and these will be executed in ~18-24 months. India has witnessed a 30x jump in solar power capacity while the wind power capacity doubled in the last 10 years.

Electrification segment drives the growth

The robotics & discrete automation division witnessed the highest revenue growth of 71.5% at Rs1.1bn. Electrification and process automation revenue was up 19%/23.5% at Rs11.3bn/Rs6.3bn, respectively. The motion segment saw a dip of 2% YoY in revenue at Rs9.1bn. The EBIT margin of robotics and process automation division was down by 451bp and 478bp to 11.8% and 12.8%, respectively, while motion and electrification products witnessed an EBIT margin expansion of 165bp and 369bp, respectively.

Retain ADD rating with a higher target price of Rs5,500

ABB India is a strong player in the automation space across multiple industries with a healthy operating performance, focus on order execution, pricing strategies & efficient capacity utilization. We raise our PAT estimates by 4/11% for CY24F/25F, respectively, factoring in strong order inflow from the high-margin motion segment (+82% YoY) & the electrification segment (+21% YoY) in 4QCY23. **We retain our ADD rating on ABB India with a higher target price of Rs5,500 (Rs4,965 earlier), valuing it at a P/E of 75x CY25F EPS.** Downside risks: Delay in order execution & lower margins.

Financial Summary

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue (Rsm)	68,640	84,984	103,993	129,044	154,508
Operating EBITDA (Rsm)	5,567	9,619	14,898	16,199	18,914
Net Profit (Rsm)	5,325	10,256	12,482	13,136	15,539
Core EPS (Rs)	19.4	35.6	58.9	62.0	73.3
Core EPS Growth	82.8%	83.7%	65.3%	5.2%	18.3%
FD Core P/E (x)	198.36	102.99	84.62	80.41	67.98
DPS (Rs)	5.0	5.8	6.4	7.0	7.7
Dividend Yield	0.10%	0.12%	0.13%	0.14%	0.16%
EV/EBITDA (x)	184.95	106.57	67.69	63.06	53.65
P/FCFE (x)	0.00	0.00	0.00	0.00	0.00
Net Gearing	(65.9%)	(63.2%)	(80.3%)	(48.8%)	(48.9%)
P/BV (x)	26.11	21.38	17.77	14.86	12.43
ROE	10.9%	18.8%	28.3%	25.6%	25.4%
% Change In Core EPS Estimates				3.53%	10.76%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

4QCY23 conference-call highlights

- **Business scenario:**
 - ABB India continued to focus on customers, execution capabilities and product improvement while enhancing the engagement in diverse market segments, portfolio expansion and localization for Indian markets, which helped the company to report strong numbers for CY23.
 - The sectors like data centres and railways (including metro rail) are the smallest contributors but have the highest growth possibilities. The company is aiming to add more of such high-growth sectors to its order book. Waste and wastewater, logistics and power distribution were moderate growth contributors while in the core sectors like oil and gas, pharma, healthcare and cement - all low-growth sectors – the performance remained slightly muted.
 - ABB India stated that its order backlog remains strong, with a good mix of orders from 23 market segments. Ahead of general elections in India later this year, the company remains cautious on giving any estimation about its profitability. However, it will aim at improving the gross margin in the coming years.
- **Healthy CY23:** ABB India witnessed healthy revenue/EBITDA/PAT growth on a quarterly as well as yearly basis. In CY23, EBITDA was up 55% while the margin expanded by 290bp to 14.3%. PAT grew by 65% to Rs12.5bn. RoCE doubled from the CY19 level to touch 21% in CY23. Customer outreach outlets increased to 7,000+ across 31 Tier-2 and Tier-3 markets.
- **Order inflow:** It was up 35% YoY at Rs31.5bn in 4QCY23 while the order book rose by 30% YoY to ~Rs84bn, providing revenue visibility. The company received several large orders during the quarter. The demand remained healthy from various sectors like railways, metals, data centres, cement, specialty chemicals, etc. The order book comprised ~15% large orders and these orders will get executed over a period of ~18-24 months, depending on the project.
- **Segment-wise performance:** The robotics & discrete automation division witnessed the highest revenue growth of 71.5% at Rs1.1bn. The sector received strong traction from the automotive sector. Electrification revenue was up 19% YoY. The segment witnessed key orders from data centres and energy sector players. The process automation division's revenue was up 23.5% at Rs6.3bn while the segment focused on higher execution and export contribution. The motion segment saw a dip of 2% YoY in revenue to Rs9.1bn. It received a large order for traction converters during the quarter. The EBIT margin of robotics and process automation divisions were down by 451bp and 478bp to 11.8% and 12.8%, respectively, while motion and electrification products witnessed EBIT margin expansion of 165bp and 369bp, respectively.
- **Cash:** ABB India's cash position continued to remain robust at Rs47.3bn as of CY23-end. The company continues to focus on achieving superior margins while the strategic product mix will continue to aid robust cash generation.

Figure 1: Results snapshot

(Rs m)	4QCY23	4QCY22	YoY (%)	3QCY23	QoQ (%)	CY23	CY22	YoY
Net Revenue	27,575	24,269	13.6%	27,692	-0.4%	1,04,466	85,675	21.9%
Expenses	-23,403	-20,626	13.5%	-23,307	0.4%	-89,567	-76,057	17.8%
Stock	-289	-130	122.9%	535	-154.0%	267	1,015	-73.7%
Raw Material Costs	-16,938	-15,384	10.1%	-18,058	-6.2%	-66,292	-56,442	17.5%
Employee Costs	-1,813	-1,585	14.3%	-1,780	1.9%	-7,152	-6,353	12.6%
Other Expenses	-4,363	-3,528	23.7%	-4,005	9.0%	-16,391	-14,277	14.8%
EBITDA	4,172	3,643	14.5%	4,385	-4.9%	14,898	9,619	54.9%
Other Income	776	700	10.8%	768	1.0%	3,017	1,795	68.1%
Interest	-82	-72	12.7%	-9	827.3%	-127	-131	-3.4%
Depreciation	-329	-268	22.7%	-303	8.7%	-1,199	-1,047	14.5%
PBT	4,537	4,002	13.4%	4,842	-6.3%	16,589	10,235	62.1%
Tax	-1,085	-943	15.1%	-1,222	-11.2%	-4,107	-2,682	53.1%
Adjusted PAT	3,452	3,059	12.8%	3,620	-4.6%	12,482	7,553	65.3%
Extraordinary Items	0	0		0		0	2,703	
Overall PAT	3,452	3,059	12.8%	3,620	-4.6%	12,495	10,162	23.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Cost and margin analysis

Cost Analysis	4QCY23	4QCY22	YoY	3QCY23	QoQ	CY23	CY22	YoY
Raw Material Costs	61.4%	63.4%	-196 bp	65.2%	-379 bp	63.5%	65.9%	-242 bp
Employee Costs	6.6%	6.5%	4 bp	6.4%	15 bp	6.8%	7.4%	-57 bp
Other Expenditure	15.8%	14.5%	129 bp	14.5%	136 bp	15.7%	16.7%	-97 bp
EBITDA Margin	15.1%	15.0%	12 bp	15.8%	-71 bp	14.3%	11.2%	303 bp
Net Margin	12.5%	12.6%	-9 bp	13.1%	-55 bp	11.9%	8.8%	313 bp
Tax Rate	23.9%	23.6%	35 bp	25.2%	-131 bp	24.8%	26.2%	-145 bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Order details

(Rs m)	4QCY23	4QCY22	YoY (%)	3QCY23	QoQ (%)	CY23	CY22	YoY
Order Inflow	31,470	23,350	34.8%	30,040	4.8%	1,23,200	1,00,270	22.9%
Order Book	84,040	64,680	29.9%	80,080	4.9%	84,040	64,680	29.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Segmental performance

Revenue (Rs m)	4QCY23	4QCY22	YoY (%)	3QCY23	QoQ (%)	CY23	CY22	YoY
Robotics & Discrete Automation	1,077	628	71.5%	1,183	-9.0%	4,161	2,333	78.3%
Motion	9,146	9,353	-2.2%	9,810	-6.8%	37,851	33,671	12.4%
Electrification	11,302	9,500	19.0%	10,420	8.5%	41,772	35,297	18.3%
Process Automation	6,307	5,108	23.5%	6,756	-6.6%	22,361	15,732	42.1%
Others	29	19	55.7%	24	18.0%	125	290	(57.0)%
Total	27,861	24,608	13.2%	28,194	-1.2%	1,06,270	87,322	21.7%
Unallocated	0	0		0		0	0	
Less: Inter-segment	286	339	-15.6%	502	-43.1%	1,804	1,647	9.5%
Net Sales (continued operations)	27,575	24,269	13.6%	27,692	-0.4%	1,04,465	85,675	21.9%

EBIT (Rs m)	4QCY23	4QCY22	YoY (%)	3QCY23	QoQ (%)	CY23	CY22	YoY
Robotics & Discrete Automation	127	102	24.0%	142	-10.5%	530	293	80.8%
Motion	1,619	1,502	7.8%	1,899	-14.7%	6,014	4,125	45.8%
Electrification products	2,148	1,455	47.6%	2,011	6.8%	7,746	4,878	58.8%
Process Automation	810	900	-10.0%	983	-17.6%	2,749	2,007	37.0%
Total	4,616	3,959	16.6%	5,034	-8.3%	16,951	11,302	50.0%
(Add)/ Less - Interest	82	72	12.7%	9	827.3%	127	131	(3.4) %
Other Unallocated Expenditure	85	-116	-173.0%	184	-53.9%	323	936	(65.5) %
Total Profit Before Tax	4,450	4,002	11.2%	4,842	-8.1%	16,502	10,366	59.2%

EBIT Margin (%)	4QCY23	4QCY22	YoY	3QCY23	QoQ	CY23	CY22	YoY
Robotics & Discrete Automation	11.8%	16.3%	-451 bp	12.0%	-21 bp	12.7	12.6	17 bp
Motion	17.7%	16.1%	165 bp	19.4%	-165 bp	15.9	12.3	364 bp
Electrification Products	19.0%	15.3%	369 bp	19.3%	-30 bp	18.5	13.8	472 bp
Process Automation	12.8%	17.6%	-478 bp	14.5%	-170 bp	12.3	12.8	-46 bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Segmental orders split

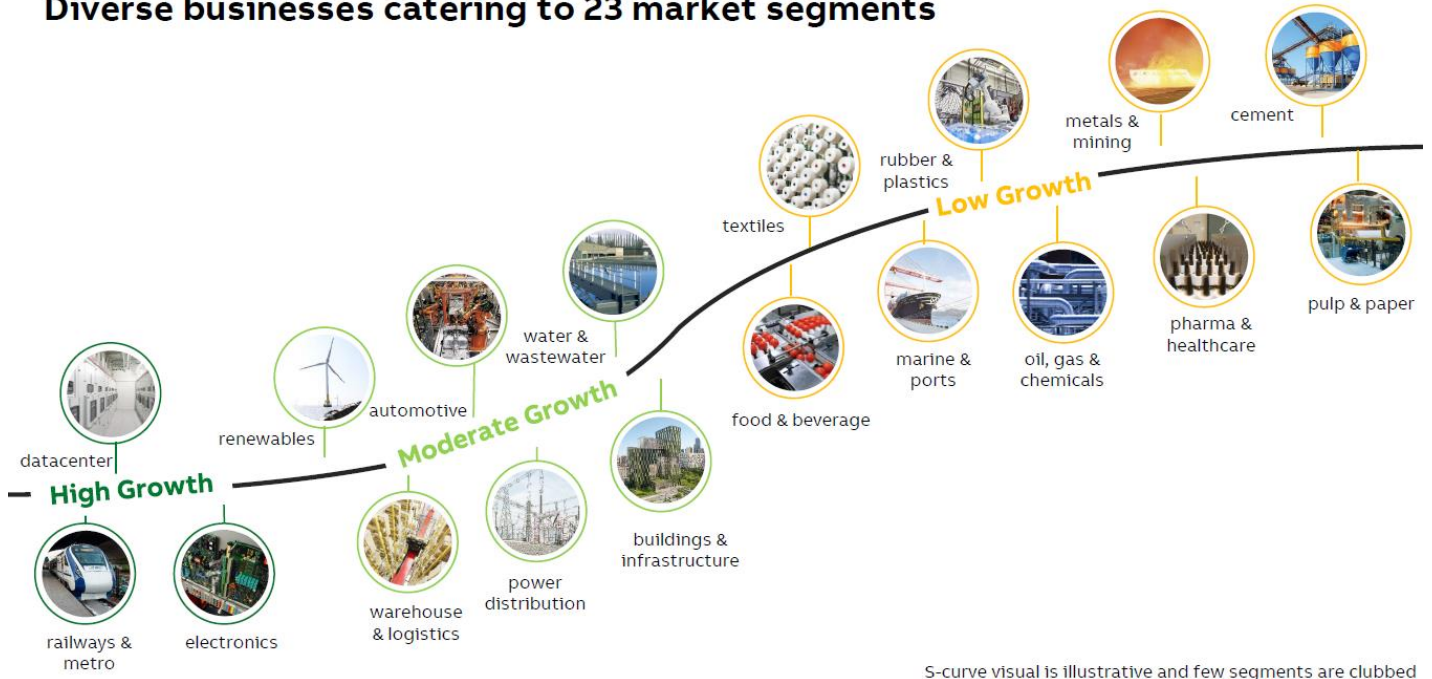
Order Inflow (Rs m)	4QCY23	4QCY22	YoY (%)	3QCY23	QoQ (%)	CY23	CY22	YoY
Robotics & Discrete Automation	570	1,200	-52.5%	1,160	-50.9%	3,900	3,200	21.9%
Motion	14,000	7,700	81.8%	14,170	-1.2%	51,590	36,620	40.9%
Electrification	10,370	8,600	20.6%	10,320	0.5%	45,040	37,160	21.2%
Process Automation	6,950	6,220	11.7%	5,290	31.4%	24,710	25,030	-1.3%

Order Backlog (Rs m)	4QCY23	4QCY22	YoY (%)	3QCY23	QoQ (%)	CY23	CY22	YoY
Robotics & Discrete Automation	1,870	2,110	-11.4%	2,290	-18.3%	1,870	2,110	-11.4%
Motion	35,060	21,060	66.5%	30,010	16.8%	35,060	21,060	66.5%
Electrification	19,590	15,830	23.8%	20,860	-6.1%	19,590	15,830	23.8%
Process Automation	28,800	26,450	8.9%	28,020	2.8%	28,800	26,450	8.9%

SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 6: Growth strategy in place

Diverse businesses catering to 23 market segments



S-curve visual is illustrative and few segments are clubbed

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Diversified product offerings across sectors



Power distribution package for datacenter of IT major



Robotics solutions for electronics business of a conglomerate



Traction technology service/AMC offering for railways



Electrics, drives and automation for a leading integrated metals and mining company



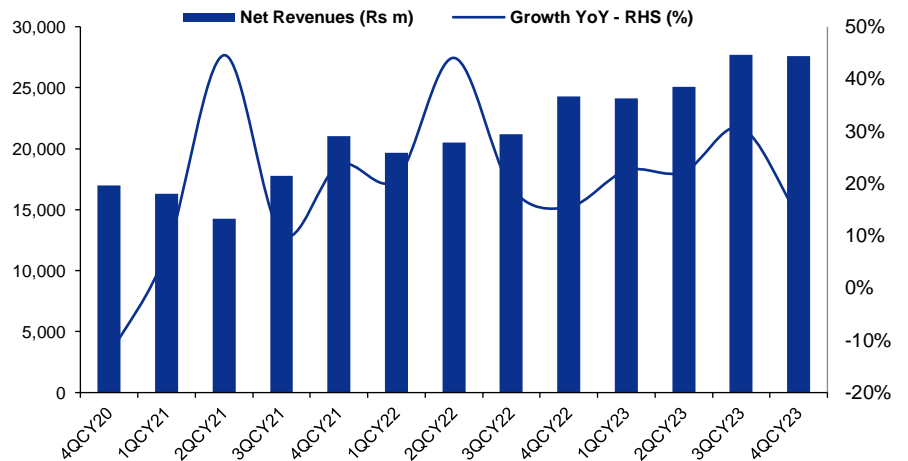
Distributed control systems for a specialty chemicals company



Vacuum circuit breakers for ~5GW of solar and wind projects in 2023

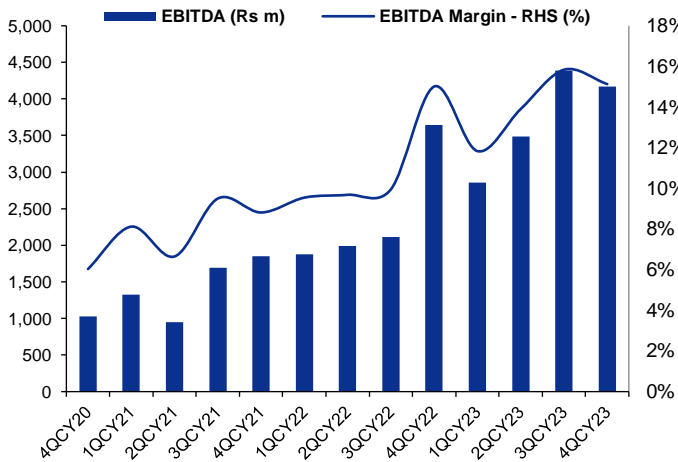
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Quarterly revenue trend



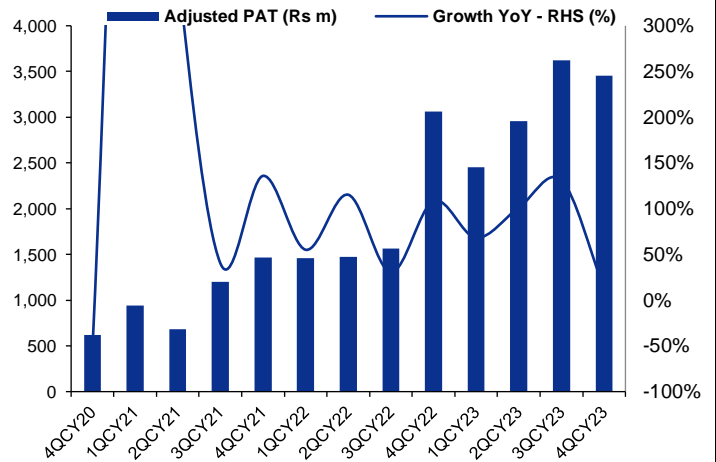
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Quarterly EBITDA trend



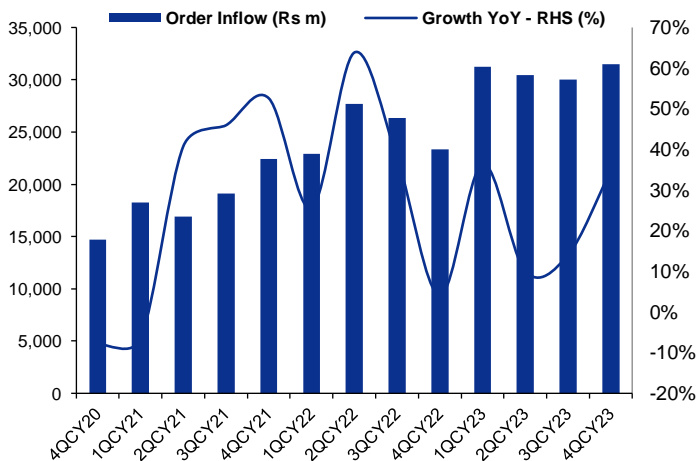
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Quarterly PAT trend



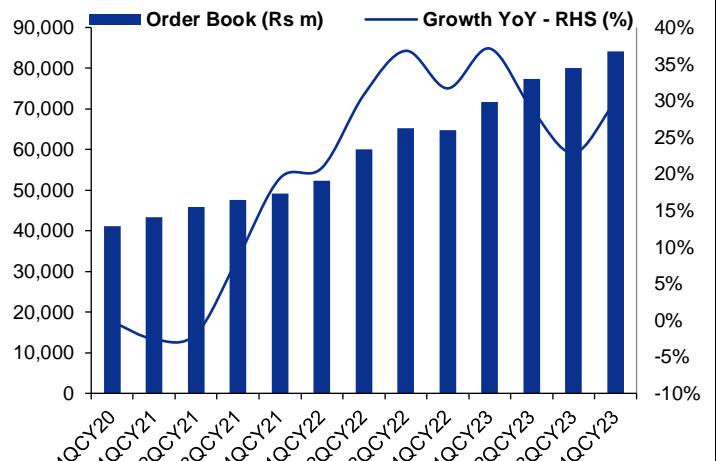
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Quarterly order inflow



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Order backlog remains strong



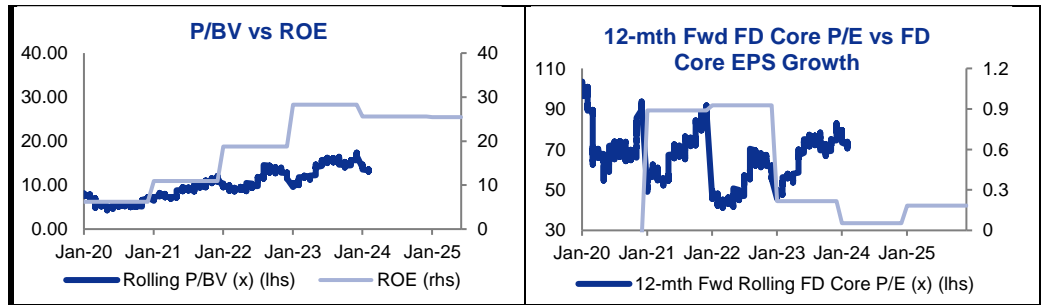
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Earning revision summary

(Rs m)	New Estimates		Old estimates		Changes	
	CY24F	CY25F	CY24F	CY25F	CY24F	CY25F
Revenue	1,29,044	1,54,508	1,38,580	1,57,179	-6.9%	-1.7%
EBITDA	16,199	18,914	15,803	17,283	2.5%	9.4%
Core PAT	13,136	15,539	12,689	14,029	3.5%	10.8%

SOURCE: COMPANY REPORTS, INCRED RESEARCH

BY THE NUMBERS



Profit & Loss

(Rs mn)	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Total Net Revenues	69,340	85,675	104,466	129,044	154,508
Gross Profit	23,077	30,249	38,441	44,138	52,388
Operating EBITDA	5,567	9,619	14,898	16,199	18,914
Depreciation And Amortisation	(1,027)	(1,047)	(1,199)	(1,175)	(1,376)
Operating EBIT	4,540	8,572	13,699	15,025	17,538
Financial Income/(Expense)	(107)	(131)	(127)	(191)	(195)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	1,596	1,795	3,017	3,161	3,778
Profit Before Tax (pre-EI)	6,029	10,235	16,589	17,995	21,121
Exceptional Items					
Pre-tax Profit	6,029	10,235	16,589	17,995	21,121
Taxation	(1,918)	(2,682)	(4,107)	(4,859)	(5,582)
Exceptional Income - post-tax	1,213	2,703			
Profit After Tax	5,325	10,256	12,482	13,136	15,539
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	5,325	10,256	12,482	13,136	15,539
Recurring Net Profit	4,112	7,553	12,482	13,136	15,539
Fully Diluted Recurring Net Profit	4,112	7,553	12,482	13,136	15,539

Cash Flow

(Rs mn)	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
EBITDA	5,567	9,619	14,898	16,199	18,914
Cash Flow from Invt. & Assoc.					
Change In Working Capital	924	(164)	6,820	(10,141)	(2,098)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1,027	1,047	1,199	1,175	1,376
Other Operating Cashflow	370	1,999	243	259	365
Net Interest (Paid)/Received	(107)	(131)	(127)	(191)	(195)
Tax Paid	(1,918)	(2,682)	(4,107)	(4,859)	(5,582)
Cashflow From Operations	5,864	9,687	18,927	2,443	12,779
Capex	(803)	(1,797)	(2,049)	(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
Cash Flow From Investing	272	(278)	(474)	(773)	(463)
Debt Raised/(repaid)	(264)	47	140		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(1,060)	(1,231)	(1,354)	(1,489)	(1,638)
Preferred Dividends					
Other Financing Cashflow					
Cash Flow From Financing	(1,324)	(1,184)	(1,214)	(1,489)	(1,638)
Total Cash Generated	4,812	8,226	17,239	181	10,678
Free Cashflow To Equity	5,871	9,457	18,593	1,670	12,316
Free Cashflow To Firm	6,243	9,540	18,580	1,861	12,511

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Total Cash And Equivalents	26,877	31,491	48,162	35,126	41,977
Total Debtors	18,838	20,930	25,443	31,572	37,802
Inventories	10,091	14,207	15,608	16,497	19,779
Total Other Current Assets	14,442	12,359	6,263	7,771	9,305
Total Current Assets	70,248	78,986	95,475	90,966	108,863
Fixed Assets	8,939	9,689	10,539	11,864	12,988
Total Investments			16	16	16
Intangible Assets					
Total Other Non-Current Assets	1,540	898	1,027	1,027	1,027
Total Non-current Assets	10,479	10,588	11,581	12,906	14,030
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	19,613	26,368	31,091	37,122	44,447
Other Current Liabilities	19,930	17,136	19,051	11,405	13,027
Total Current Liabilities	39,543	43,503	50,142	48,528	57,475
Total Long-term Debt	238	285	424	424	424
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	495				
Total Non-current Liabilities	732	285	424	424	424
Total Provisions					
Total Liabilities	40,276	43,788	50,566	48,952	57,899
Shareholders Equity	40,452	49,394	59,446	71,093	84,994
Minority Interests					
Total Equity	40,452	49,394	59,446	71,093	84,994

Key Ratios

	Dec-21A	Dec-22A	Dec-23A	Dec-24F	Dec-25F
Revenue Growth	19.2%	23.8%	22.4%	24.1%	19.7%
Operating EBITDA Growth	101.8%	72.8%	54.9%	8.7%	16.8%
Operating EBITDA Margin	8.1%	11.3%	14.3%	12.6%	12.2%
Net Cash Per Share (Rs)	125.72	147.27	225.28	163.77	196.10
BVPS (Rs)	190.90	233.10	280.54	335.50	401.10
Gross Interest Cover	42.43	65.38	108.21	78.69	89.86
Effective Tax Rate	31.8%	26.2%	24.8%	27.0%	26.4%
Net Dividend Payout Ratio	25.8%	16.3%	10.8%	11.3%	10.5%
Accounts Receivables Days	122.96	80.52	78.47	68.62	66.90
Inventory Days	85.31	77.33	66.96	53.53	53.38
Accounts Payables Days	184.40	148.54	138.50	116.78	114.48
ROIC (%)	21.6%	43.4%	118.0%	54.3%	55.1%
ROCE (%)	11.7%	21.2%	30.8%	29.1%	28.5%
Return On Average Assets	5.1%	9.2%	14.6%	14.5%	15.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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