



## India

**HOLD** (previously ADD)

Consensus ratings\*: Buy 14 Hold 6 Sell 7

Current price:	Rs7,984
Target price:	Rs8,165
Previous target:	Rs5,500
Up/downside:	2.3%
InCred Research / Consensus:	29.3%
Reuters:	ABB.NS
Bloomberg:	ABB IN
Market cap:	US\$20,256m
	Rs1,691,930m
Average daily turnover:	US\$29.0m
	Rs2425.5m
Current shares o/s:	211.9m
Free float:	25.0%

\*Source: Bloomberg

**Key changes in this note**

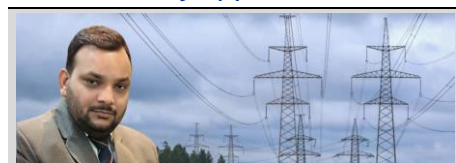
- For CY24F/25F, we raise revenue estimates by 2%/11%.
- For CY24F/25F, we raise PAT estimates by 18%/31%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	18.2	75.2	102.8
Relative (%)	20.6	72.9	72.8

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

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**ABB India Ltd****Strong momentum but premium valuation**

- Strong 1Q EBITDA beat on InCred (39%) & consensus (43%) estimates led by higher margin across segments. EBITDA margin up 651bp YoY at 18.3%.
- Order inflow up 19% YoY while the order book grew 25% YoY to ~Rs89.3bn. The momentum was driven by a significant contribution from service revenue.
- The stock has run up 78% in the last three months and trades at 1+SD currently. Downgrade rating to HOLD (from ADD) with a higher TP of Rs8,165.

**All-time high EBITDA margin**

ABB India delivered a strong 1QCY24 EBITDA beat on InCred estimate (39%) and consensus estimate (43%) led by a higher margin across segments while PAT was 38% and 39% above InCred/consensus estimates, respectively. The EBITDA margin improved by 651bp YoY and 322bp QoQ to 18.3%. The company sustained its leading position in core product segments and enjoyed a higher margin led by product differentiation, and better pricing amid higher localization coupled with more service offerings. Revenue grew 28% YoY led by strong growth across segments, especially process automation (up 73%) and electrification (up 30%). Electrification and robotics revenue was up 30% and 62%, at ~Rs13bn/Rs1.1bn, respectively. The motion segment saw a jump of 4.2% YoY in revenue to Rs10.1bn. PAT came in at Rs4.6bn, up 28% YoY.

**Healthy order placement activity**

The order inflow was up 19% YoY at Rs37.1bn. The order book increased by 25% YoY to ~Rs89.3bn, providing revenue visibility. ABB India has bought compact sub-stations, smart power products, medium-voltage switchgear for a significant data centre project, process automation solutions for a remote terminal unit, detection system, and SCADA for the brownfield project of an energy major. The company's revenue momentum was also driven by its installed base and market, with a significant contribution from exports and service revenue. The higher capex in infrastructure, railways and metals is likely to provide several opportunities in the coming quarters.

**Downgrade our rating to HOLD on rich valuation**

ABB India remains a strong player in the automation space across multiple industries with a healthy operating performance, focus on order execution, pricing strategies & efficient capacity utilization. For CY24F/25F, we raise revenue estimates by 2%/11% and PAT estimates by 18%/31%, respectively, factoring in the strong inflow, higher execution and superior margin. We have also introduced CY26F EPS of Rs119 on a revenue of Rs206bn. ABB India reported strong margin expansion and significant beat on earnings, but the stock ran up 100%+ in the last 12 months and 78% in the last 3 months alone; it trades at 1+SD currently. We downgrade our rating on ABB India to HOLD (from ADD) with a higher target price of Rs8,165 (from Rs5,500 earlier). Upside risks: Healthy execution with significant margin expansion. Downside risks: Delay in order execution & lower margins.

Financial Summary	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue (Rsm)	84,984	103,993	131,427	171,320	206,314
Operating EBITDA (Rsm)	9,619	14,898	16,993	22,563	27,501
Net Profit (Rsm)	10,256	12,482	15,514	20,420	25,257
Core EPS (Rs)	35.6	58.9	73.2	96.4	119.2
Core EPS Growth	83.7%	65.3%	24.3%	31.6%	23.7%
FD Core P/E (x)	164.96	135.54	109.05	82.85	66.98
DPS (Rs)	5.8	6.4	7.0	7.7	8.5
Dividend Yield	0.07%	0.08%	0.09%	0.10%	0.11%
EV/EBITDA (x)	172.65	110.36	96.28	71.88	58.26
P/FCFE (x)	178.91	62.48	(505.08)	107.75	78.74
Net Gearing	(63.2%)	(80.3%)	(76.0%)	(75.8%)	(77.6%)
P/BV (x)	34.25	28.46	23.03	18.34	14.62
ROE	18.8%	28.3%	30.0%	32.4%	32.4%
% Change In Core EPS Estimates			18.10%	31.41%	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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## 1QCY24 conference-call highlights

- **Overview:** ABB India reported a healthy performance in 1QCY24, with a significant surge in margin. The company reported a 28% YoY growth in revenue to Rs30.8bn. The growth was primarily led by the electrification and process automation business, which received traction across multiple sectors. ABB India's PBT percentage reached a record high of 20%, showcasing its financial stability and growth trajectory. The expansion of margin was a result of operational leverage on higher volume, execution of continuous improvement initiatives, pricing strategies, higher share of service and export revenue, and stable currency and commodity price levels. Moreover, management believes the ongoing general elections are unlikely to have a major impact.
- The company said that there was an 88% reduction in greenhouse gas emission compared to the baseline year of 2019 and achieved water positivity in half of its campuses by 1QCY24.
- **Orders:** The company reported an increase in orders to Rs36bn (+15% YoY), the highest first-quarter orders in the last five years. Moreover, the order backlog showed a healthy growth of 25% YoY, touching Rs89bn. Some of the key orders included compact sub-stations, smart power products, medium-voltage switchgear for a significant data centre project, and process automation solutions for remote terminal unit, leak detection system, and SCADA for the brownfield project of an energy major. The company's revenue momentum was also driven by its installed base and market with a significant contribution from export and service revenue. Rs3.7bn worth of orders were from data centres.
- **Segments:**
  - **Electrification:** Increased traction across data centres and smart buildings, as well as expansion in tier-2 and tier-3 markets and OEMs. Revenue was driven by the seamless execution of system product orders. PBIT is positively impacted by a revenue mix favouring services, execution of higher-margin orders, minimal forex impact, and efficient capacity utilization.
  - **Motion:** Orders received were slightly delayed due to a decision on system orders. Standard products faced pricing pressure. However, the steady backlog led to stable revenue growth. Revenue benefited from a favourable mix, with price advantages in select product revenue streams and higher revenue from services.
  - **Process Automation:** Orders were received from power, metal and logistics sectors, with higher execution of order backlog driving revenue, supported by contribution from services and exports, while PBIT benefited from revenue mix and strong service revenue support, alongside optimized value chain costs in project revenue streams.
  - **Robotics & Discrete Automation:** The segment showed strength from the automotive and electronics sectors, with the focus on executing industry and automotive orders from the backlog, along with a positive momentum in book and bill revenue. PBIT saw increased revenue from services and the automotive segment.
- **High growth areas:** Management said that sectors like energy, mining, and data centres are experiencing significant expansion. Global majors are increasingly focusing on data localization and provide faster and more efficient cloud services to meet the rising digital consumption demands. There is a positive trend in the transportation sector, with rising demand for propulsion technology, especially for railway electrification and metro rail systems. During the quarter, the company launched the compact drive ACH180 required for heating, ventilation, air-conditioning, and refrigeration. (HVACR) equipment which is a high-growth sector.

- **Cash:** ABB India's cash position continued to be healthy at Rs50.4bn at the end of 1QCY24, compared to Rs39.4bn in 1QCY23.
- **Outlook:** The higher capex in infrastructure, railways, renewables, power distribution, water, energy, commercial buildings, and metals are likely to provide several opportunities for growth. Policy-driven public sector capex, with investments in energy transition, FDI in steel, cement, and incentivizing local production led by the government's PLI scheme in the areas like specialty steel and battery manufacturing will also add to the opportunity landscape for ABB India.

**Figure 1: Quarterly review**

(Rs m)	1QCY24	1QCY23	YoY (%)	4QCY23	QoQ (%)
<b>Net Revenue</b>	<b>30,804</b>	<b>24,112</b>	<b>27.8%</b>	<b>27,575</b>	<b>11.7%</b>
<b>Expenses</b>	<b>-25,152</b>	<b>-21,259</b>	<b>18.3%</b>	<b>-23,403</b>	<b>7.5%</b>
Raw Material Costs	-18,408	-14,896	23.6%	-16,938	8.7%
Employee Costs	-2,211	-1,878	17.7%	-1,813	22.0%
Other Expenses	-4,533	-4,025	12.6%	-4,363	3.9%
<b>EBITDA</b>	<b>5,652</b>	<b>2,853</b>	<b>98.1%</b>	<b>4,172</b>	<b>35.5%</b>
Other Income	871	723	20.6%	776	12.3%
Interest	-38	-22	70.9%	-82	-53.3%
Depreciation	-314	-275	14.3%	-329	-4.6%
<b>PBT</b>	<b>6,171</b>	<b>3,279</b>	<b>88.2%</b>	<b>4,537</b>	<b>36.0%</b>
Tax	-1,575	-827	90.5%	-1,085	45.1%
<b>Adjusted PAT</b>	<b>4,596</b>	<b>2,452</b>	<b>87.4%</b>	<b>3,452</b>	<b>33.1%</b>
EOI	0	0		0	
<b>Overall PAT</b>	<b>4,596</b>	<b>2,452</b>	<b>87.4%</b>	<b>3,452</b>	<b>33.1%</b>
<b>EPS (Rs)</b>	<b>21.7</b>	<b>11.6</b>	<b>87.4%</b>	<b>16.3</b>	<b>33.1%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Margin analysis**

(% of sales)	1QCY24	1QCY23	YoY	4QCY23	QoQ
Raw material Costs	59.8%	61.8%	-202 bp	61.4%	-167 bp
Employee Costs	7.2%	7.8%	-61 bp	6.6%	61 bp
Other Expenditure	14.7%	16.7%	-198 bp	15.8%	-111 bp
<b>EBITDA Margin</b>	<b>18.3%</b>	<b>11.8%</b>	<b>651 bp</b>	<b>15.1%</b>	<b>322 bp</b>
Net Margin	14.9%	10.2%	475 bp	12.5%	240 bp
Tax Rate	25.5%	25.2%	30 bp	23.9%	160 bp
Gross Margin	40.24%	38.22%	202 bp	38.58%	167 bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Order inflow and order book**

Order details (Rs m)	1QCY24	1QCY23	YoY (%)	4QCY23	QoQ (%)
Order Inflow	36,070	31,250	15.4%	31,470	14.6%
Order Book	89,320	71,700	24.6%	84,040	6.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Segment-wise revenue and EBIT performance**

Revenue (Rs m)	1QCY24	1QCY23	YoY (%)	4QCY23	QoQ (%)
Robotics & Discrete Automation	1,092	675	61.6%	1,077	1.3%
Motion	10,128	9,722	4.2%	9,146	10.7%
Electrification	12,963	9,994	29.7%	11,302	14.7%
Process Automation	7,263	4,202	72.9%	6,307	15.2%
Others	26	19	37.1%	29	-11.5%
<b>Total</b>	<b>31,470</b>	<b>24,612</b>	<b>27.9%</b>	<b>27,861</b>	<b>13.0%</b>
Unallocated	0	0		0	
Less: Inter-segment	667	500	33.4%	286	133.4%
<b>Net Sales</b>	<b>30,804</b>	<b>24,112</b>	<b>27.8%</b>	<b>27,575</b>	<b>11.7%</b>
EBIT (Rs m)	1QCY24	1QCY23	YoY (%)	4QCY23	QoQ (%)
Robotics & Discrete Automation	168	107	58.0%	127	32.9%
Motion	2,163	1,168	85.2%	1,619	33.6%
Electrification Products	3,078	1,946	58.2%	2,148	43.3%
Process Automation	1,181	389	203.9%	810	45.8%
<b>Total</b>	<b>6,586</b>	<b>3,609</b>	<b>82.5%</b>	<b>4,616</b>	<b>42.7%</b>
(Add)/ Less - Interest	38	22	70.9%	82	-53.3%
Other Unallocated Expenditure	381	308	23.7%	85	350.3%
<b>PBT</b>	<b>6,167</b>	<b>3,279</b>	<b>88.1%</b>	<b>4,450</b>	<b>38.6%</b>
EBIT Margin (%)	1QCY24	1QCY23	YoY	4QCY23	QoQ
Robotics & Discrete Automation	15.4%	15.8%	-36 bp	11.8%	366 bp
Motion	21.4%	12.0%	935 bp	17.7%	366 bp
Electrification Products	23.7%	19.5%	427 bp	19.0%	474 bp
Process Automation	16.3%	9.2%	701 bp	12.8%	342 bp

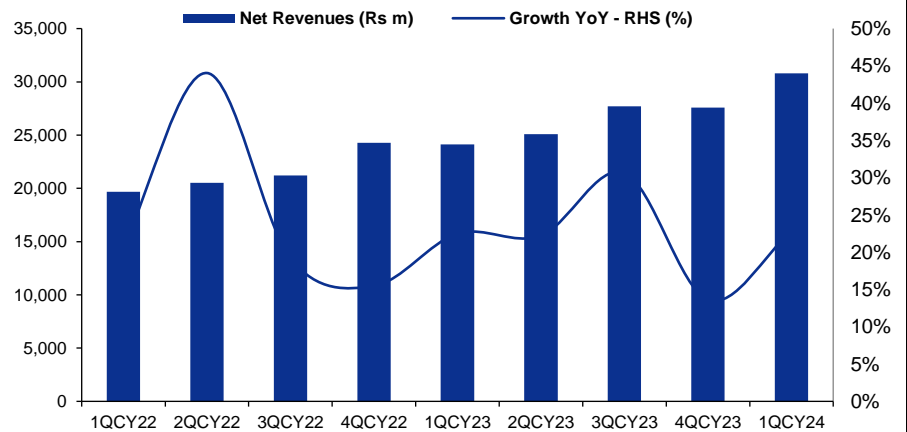
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Segment-wise order details**

Order Inflow (Rs m)	1QCY24	1QCY23	YoY (%)	4QCY23	QoQ (%)
Robotics & Discrete Automation	1,520	1,560	-2.6%	570	166.7%
Motion	11,810	12,160	-2.9%	14,000	-15.6%
Electrification	17,910	13,350	34.2%	10,370	72.7%
Process Automation	5,410	4,630	16.8%	6,950	-22.2%
<b>Order Backlog (Rs m)</b>	<b>1QCY24</b>	<b>1QCY23</b>	<b>YoY (%)</b>	<b>4QCY23</b>	<b>QoQ (%)</b>
Robotics & Discrete Automation	2,260	2,980	-24.2%	1,870	20.9%
Motion	36,750	23,440	56.8%	35,060	4.8%
Electrification	24,680	19,180	28.7%	19,590	26.0%
Process Automation	26,860	26,920	-0.2%	28,800	-6.7%

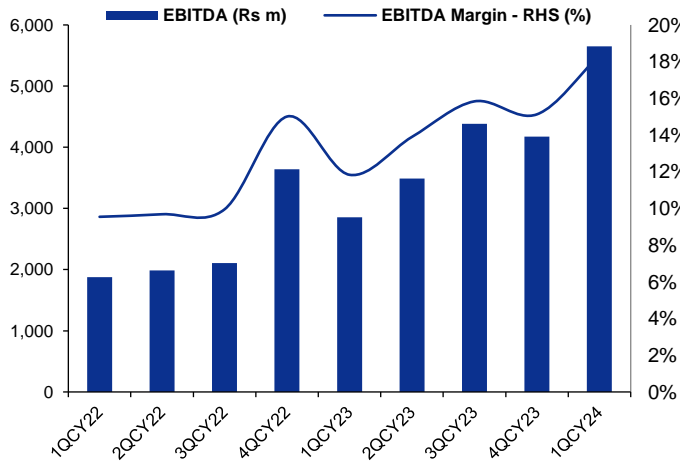
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 6: Strong revenue growth in 1QCY24**



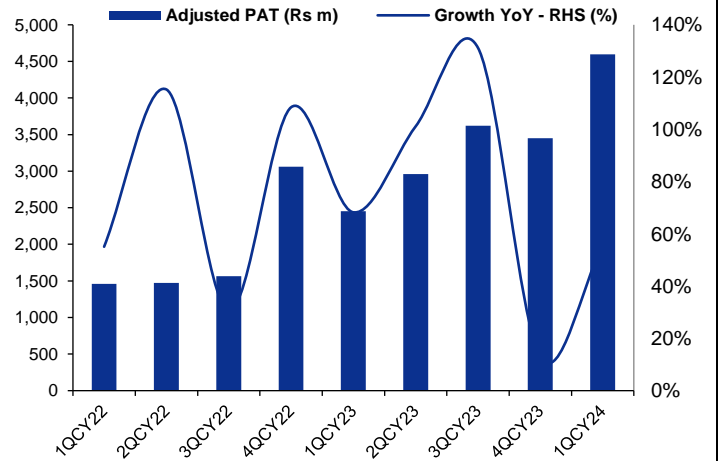
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 7: Significant margin expansion**



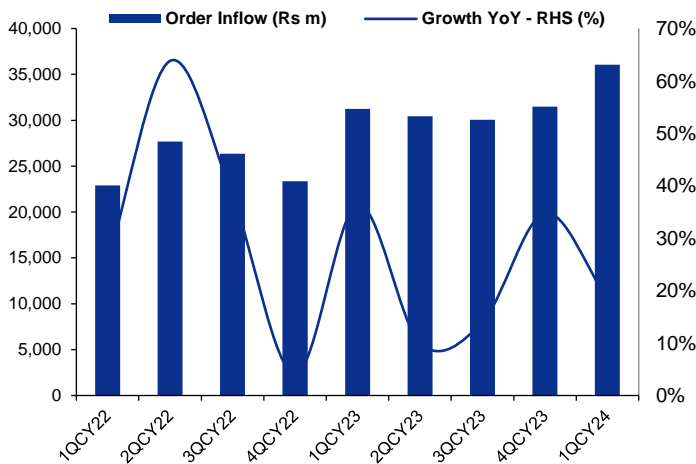
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 8: Improved profitability**



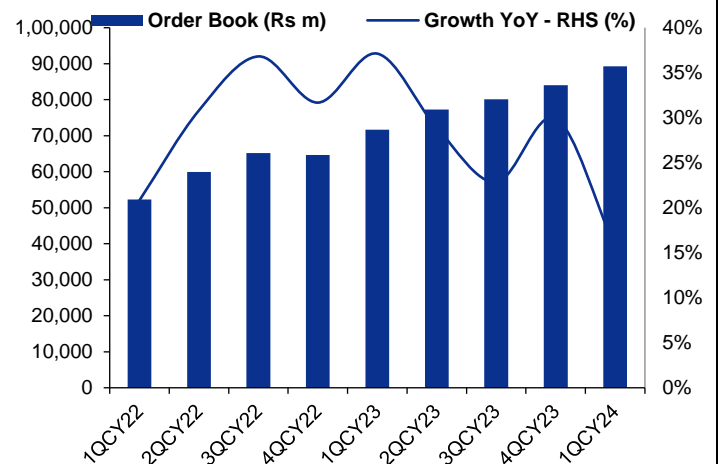
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 9: Healthy order inflow**



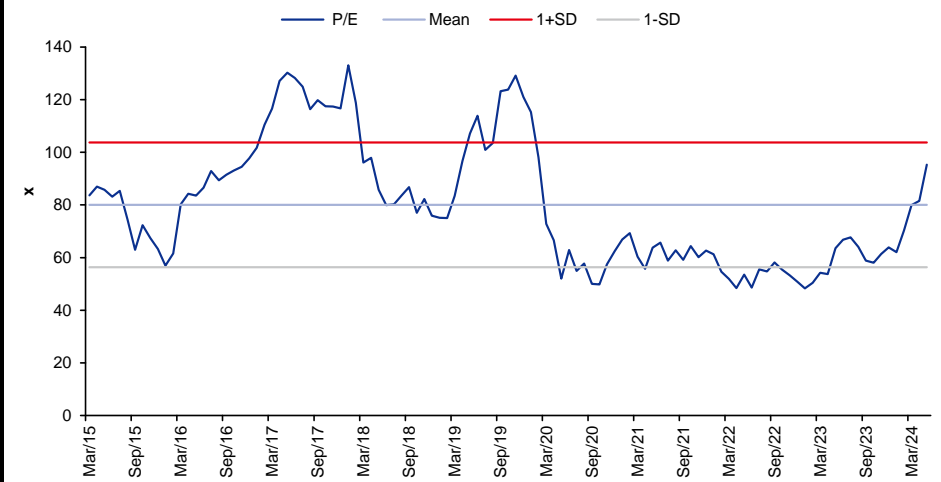
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 10: Strong order pipeline**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 11: Stock trades at near 1+SD**



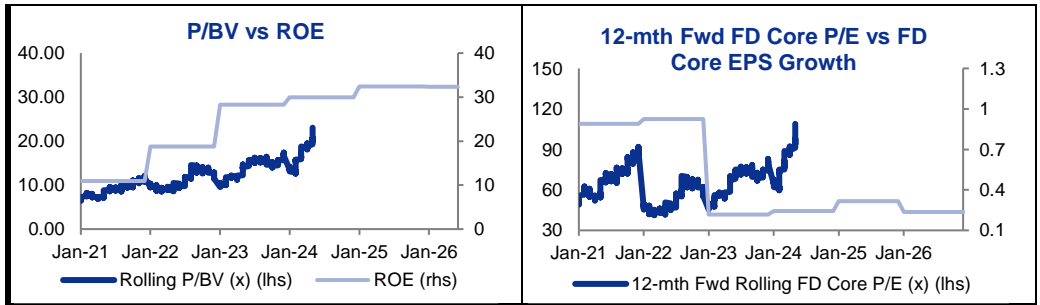
SOURCE: COMPANY REPORTS, INCRED RESEARCH, BLOOMBERG

**Figure 12: Key revision in our estimates**

(Rs m)	New Estimates		Old estimates		Changes	
	CY24F	CY25F	CY24F	CY25F	CY24F	CY25F
Revenue	1,31,427	1,71,320	1,29,044	1,54,508	1.8%	10.9%
EBITDA	22,056	28,898	16,199	18,914	36.2%	52.8%
Core PAT	15,514	20,420	13,136	15,539	18.1%	31.4%

SOURCE: COMPANY REPORTS, INCRED RESEARCH

## BY THE NUMBERS



### Profit & Loss

(Rs mn)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
<b>Total Net Revenues</b>	<b>85,675</b>	<b>104,466</b>	<b>131,427</b>	<b>171,320</b>	<b>206,314</b>
<b>Gross Profit</b>	<b>30,249</b>	<b>38,441</b>	<b>45,289</b>	<b>58,560</b>	<b>70,806</b>
<b>Operating EBITDA</b>	<b>9,619</b>	<b>14,898</b>	<b>16,993</b>	<b>22,563</b>	<b>27,501</b>
Depreciation And Amortisation	(1,047)	(1,199)	(1,175)	(1,450)	(1,709)
<b>Operating EBIT</b>	<b>8,572</b>	<b>13,699</b>	<b>15,818</b>	<b>21,113</b>	<b>25,792</b>
Financial Income/(Expense)	(131)	(127)	(140)	(149)	(140)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	1,795	3,017	5,063	6,334	8,114
<b>Profit Before Tax (pre-EI)</b>	<b>10,235</b>	<b>16,589</b>	<b>20,741</b>	<b>27,299</b>	<b>33,766</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>10,235</b>	<b>16,589</b>	<b>20,741</b>	<b>27,299</b>	<b>33,766</b>
Taxation	(2,682)	(4,107)	(5,227)	(6,879)	(8,509)
Exceptional Income - post-tax	2,703				
<b>Profit After Tax</b>	<b>10,256</b>	<b>12,482</b>	<b>15,514</b>	<b>20,420</b>	<b>25,257</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>10,256</b>	<b>12,482</b>	<b>15,514</b>	<b>20,420</b>	<b>25,257</b>
Recurring Net Profit	7,553	12,482	15,514	20,420	25,257
<b>Fully Diluted Recurring Net Profit</b>	<b>7,553</b>	<b>12,482</b>	<b>15,514</b>	<b>20,420</b>	<b>25,257</b>

### Cash Flow

(Rs mn)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
<b>EBITDA</b>	<b>9,619</b>	<b>14,898</b>	<b>16,993</b>	<b>22,563</b>	<b>27,501</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(164)	15,306	(16,539)	(2,668)	(1,980)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1,047	1,199	1,175	1,450	1,709
<b>Other Operating Cashflow</b>	<b>1,999</b>	<b>243</b>	<b>2,161</b>	<b>2,847</b>	<b>4,368</b>
Net Interest (Paid)/Received	(131)	(127)	(140)	(149)	(140)
Tax Paid	(2,682)	(4,107)	(5,227)	(6,879)	(8,509)
<b>Cashflow From Operations</b>	<b>9,687</b>	<b>27,413</b>	<b>(1,577)</b>	<b>17,165</b>	<b>22,949</b>
Capex	(1,797)	(2,049)	(3,500)	(3,500)	(3,500)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	1,519	1,575	1,727	2,037	2,037
<b>Cash Flow From Investing</b>	<b>(278)</b>	<b>(474)</b>	<b>(1,773)</b>	<b>(1,463)</b>	<b>(1,463)</b>
Debt Raised/(repaid)	47	140			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(1,231)	(1,354)	(1,489)	(1,638)	(1,802)
Preferred Dividends					
Other Financing Cashflow					
<b>Cash Flow From Financing</b>	<b>(1,184)</b>	<b>(1,214)</b>	<b>(1,489)</b>	<b>(1,638)</b>	<b>(1,802)</b>
Total Cash Generated	8,226	25,725	(4,839)	14,064	19,684
<b>Free Cashflow To Equity</b>	<b>9,457</b>	<b>27,079</b>	<b>(3,350)</b>	<b>15,702</b>	<b>21,486</b>
<b>Free Cashflow To Firm</b>	<b>9,540</b>	<b>27,066</b>	<b>(3,210)</b>	<b>15,850</b>	<b>21,626</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

### Balance Sheet

(Rs mn)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Cash And Equivalents	31,491	48,162	56,252	70,381	90,158
Total Debtors	20,930	25,443	32,155	41,915	50,477
Inventories	14,207	15,607	19,514	25,415	30,506
Total Other Current Assets	12,359	6,263	7,915	10,317	12,425
<b>Total Current Assets</b>	<b>78,986</b>	<b>95,474</b>	<b>115,836</b>	<b>148,029</b>	<b>183,566</b>
Fixed Assets	9,689	10,539	12,864	14,914	16,705
Total Investments		16	16	16	16
Intangible Assets					
Total Other Non-Current Assets	898	1,027	1,027	1,027	1,027
<b>Total Non-current Assets</b>	<b>10,588</b>	<b>11,581</b>	<b>13,906</b>	<b>15,956</b>	<b>17,747</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	26,368	31,091	37,808	49,284	59,351
Other Current Liabilities	17,136	27,536	16,552	20,472	24,185
<b>Total Current Liabilities</b>	<b>43,503</b>	<b>58,627</b>	<b>54,360</b>	<b>69,756</b>	<b>83,536</b>
Total Long-term Debt	285	424	424	424	424
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>285</b>	<b>424</b>	<b>424</b>	<b>424</b>	<b>424</b>
Total Provisions					
<b>Total Liabilities</b>	<b>43,788</b>	<b>59,051</b>	<b>54,784</b>	<b>70,180</b>	<b>83,960</b>
Shareholders Equity	49,394	59,446	73,471	92,253	115,708
Minority Interests					
<b>Total Equity</b>	<b>49,394</b>	<b>59,446</b>	<b>73,471</b>	<b>92,253</b>	<b>115,708</b>

### Key Ratios

	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue Growth	23.8%	22.4%	26.4%	30.4%	20.4%
Operating EBITDA Growth	72.8%	54.9%	14.1%	32.8%	21.9%
Operating EBITDA Margin	11.3%	14.3%	12.9%	13.2%	13.3%
Net Cash Per Share (Rs)	147.27	225.28	263.46	330.14	423.47
BVPS (Rs)	233.10	280.54	346.72	435.36	546.05
Gross Interest Cover	65.38	108.21	112.97	142.17	184.21
Effective Tax Rate	26.2%	24.8%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio	16.3%	10.8%	9.6%	8.0%	7.1%
Accounts Receivables Days	80.52	78.47	68.19	64.72	63.16
Inventory Days	77.33	66.96	59.16	57.47	60.22
Accounts Payables Days	148.54	138.50	116.56	111.51	115.44
ROIC (%)	43.4%	4,105.0%	61.9%	66.3%	69.9%
ROCE (%)	21.2%	30.8%	30.3%	33.3%	32.9%
Return On Average Assets	9.2%	14.6%	16.2%	18.0%	18.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS



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