

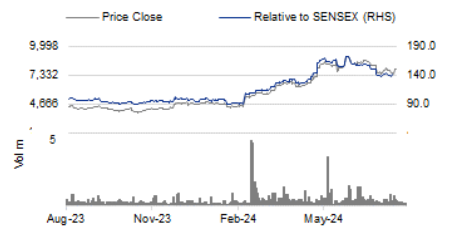
India

ADD (previously HOLD)

Consensus ratings*: Buy 10 Hold 9 Sell 9	
Current price:	Rs7,942
Target price: ▲	Rs9,400
Previous target:	Rs8,165
Up/downside:	18.4%
InCred Research / Consensus:	20.3%
Reuters:	
Bloomberg:	ABB IN
Market cap:	US\$23,178m
	Rs1,683,040m
Average daily turnover:	US\$47.9m
	Rs3476.8m
Current shares o/s:	211.9m
Free float:	25.0%
*Source: Bloomberg	

Key changes in this note

- For CY24F/25F/26F, we lower revenue estimates by 4%/9%/12%.
- For CY24F/25F/26F, we raise EPS estimates by 23%/7%/3%.

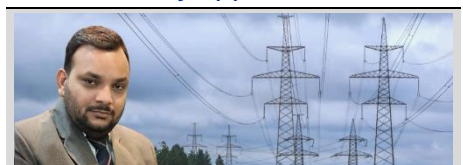


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(7.2)	10.5	77.6
Relative (%)	(5.5)	1.4	48.6

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

Research Analyst(s)



Arafat SAIYED
 T (91) 22 4161 1542
 E arafat.saiyed@incredcapital.com
Anirvan DIVAKERA
 T (91) 02241611548
 E anirvan.divakera@incredresearch.com

ABB India Ltd

Continues to beat expectations on profitability

- 2QCY24 EBITDA grew 56% YoY to Rs54.3bn while the EBITDA margin rose by 526bp YoY led by better-margin orders, pricing and cost optimization.
- ABB India continues to focus on energy transition to strengthen its energy efficiency portfolio and capitalize on the emerging opportunities.
- For CY24F/25F/26F, we raise EPS estimates by 23%/7%/3%, respectively, and upgrade our rating to ADD (from HOLD), with a higher TP of Rs9,400.

Strong profitability

2QCY24 revenue, EBITDA and PAT of ABB India were up 13%, 56% and 50% YoY at Rs28.3bn, Rs5.4bn and Rs4.64bn, respectively. The revenue growth was led by electrification (up 12% YoY) & process automation business (up 24% YoY), which offset the sluggishness in the robotics & discrete automation business (down 30% YoY). EBITDA beat InCred and Bloomberg or BB consensus estimates by 10% and 15%, respectively, while PAT was 8% and 12% above InCred/BB consensus estimates, respectively. The EBITDA margin jumped 526bp YoY and 82bp QoQ to 19.2%. The order inflow was up 13% YoY at Rs34.4bn. The order book increased by 23% YoY to ~Rs95.2bn, providing revenue visibility. The company's cash position continued to remain robust at Rs48.7bn at the end of 1HCY24.

Uptick in orders to improve the performance further

Despite a slowdown in orders due to general elections in India, the company reported a healthy inflow growth of 13% YoY to Rs34.3bn led by robotics (up 157% YoY) and electrification (up 30%) segments. Superior pricing power, reduction in raw material costs and internal efforts like supply chain optimization and capacity enhancements help to improve the margin. Additionally, the company successfully entered new markets, further strengthening its pricing power. The current order book at Rs95bn and a healthy order inflow pipeline are likely to provide healthy revenue visibility in the coming quarters.

Outlook and valuation

Building on its positive momentum, ABB India continues to focus on energy transition and infrastructure to strengthen its energy efficiency portfolio and capitalize on the emerging opportunities. The company continues its leadership in the automation industry, driven by strong operating performance, healthy order execution, strategic pricing, and efficient capacity utilization. ABB India has posted strong margin expansion in 1HCY24, which is likely to continue led by supply chain optimization and pricing power. The demand for power distribution solutions, particularly in data centres, transportation, mobility, and electric vehicles or EVs, and a positive trend in margins due to high-quality orders will lead to further expansion. For CY24F/25F/26F, we lower our revenue estimates by 4%/9%/12% and raise EPS estimates by 23%/7%/3%, respectively. We upgrade our rating on the stock to ADD (from HOLD), with a higher target price of Rs9,400 (Rs8,165 earlier) as we roll forward our valuation to Sep 2026F (from Mar 2026F), valuing it at 80x EPS. Downside risks: Delay in order execution and lower margins.

Financial Summary	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue (Rsm)	85,675	104,465	126,690	155,491	181,526
Operating EBITDA (Rsm)	9,619	14,898	23,483	27,108	32,073
Net Profit (Rsm)	10,256	12,482	19,059	21,824	25,927
Core EPS (Rs)	32.4	58.9	89.9	103.0	122.4
Core EPS Growth	66.9%	81.9%	52.7%	14.5%	18.8%
FD Core P/E (x)	164.09	134.83	88.30	77.12	64.91
DPS (Rs)	5.2	11.0	18.0	20.6	24.5
Dividend Yield	0.07%	0.14%	0.23%	0.26%	0.31%
EV/EBITDA (x)	171.69	109.74	69.26	59.73	50.19
P/FCFE (x)	65.53	(84.12)	438.42	383.86	323.38
Net Gearing	(63.8%)	(81.0%)	(75.7%)	(69.2%)	(64.8%)
P/BV (x)	34.07	28.31	22.53	18.26	14.91
ROE	17.1%	28.3%	36.6%	34.5%	33.4%
% Change In Core EPS Estimates			22.85%	6.87%	2.65%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

2QCY24 conference-call highlights

- **Sustains higher margin:** ABB India reported strong profitability, beating the estimates, led by its revenue mix, exports & customer segments and better-margin orders. Positive price movement, cost optimization and relatively steady raw material costs, and favourable currency movement also aided growth. Despite the moderation in orders due to general elections in India, it reported a healthy growth during the quarter. The higher margin was achieved through a combination of internal initiatives, including supply chain optimization and capacity gains. Externally, the company has successfully tapped into different markets, further enhancing its pricing power.
- **Double-digit order inflow growth:** The company saw increased traction from various emerging sectors like data centres, renewable energy, electronics, metro rail & railways. The company received orders worth Rs34.4bn (Rs70.4bn in 1HCY24). The business areas saw significant double-digit growth. Key growth drivers included strong demand for power distribution solutions, particularly from data centres, transportation, mobility, and EV robotics segments. Orders came from metro rail, a metals company, and a solar project in Gujarat. Export and service orders, such as precision equipment for chemical EPCs and gas insulated switchgear services for energy majors, also boosted growth, along with opportunities in terminal automation and blending solutions for energy companies. The order book comprises 40-45% of long-cycle orders with a timeline of 15-20 months, while the remaining 55-60% are short-cycle orders with a duration of 6-9 months.
- **Weak base orders:** The base orders were slightly weaker, but there was an improvement in enquiry levels post general elections. This indicates a steady growth path, despite facing some challenges, particularly in the building sector, where growth could have been ~18% higher. Tier-2 and Tier-3 cities will experience an uptick in orders. As regards power distribution, an increase in base orders is likely, and there is good growth in demand for robotics and automation.
- ABB Group, being exposed to international markets, faces greater variability in its margins. However, ABB India is experiencing a positive trend in margin growth, primarily driven by high-quality orders, increased localization, and productivity measures. Meaningful investments and a post-Covid shift in customer preference towards more reliable suppliers have also contributed to this improvement. Consistent growth in service revenue, which was sluggish during the Covid-19 pandemic period, has further supported margin expansion.
- **New product launches:** During 2QCY24, the company launched its latest IEC low voltage IE4 cast iron super premium efficiency motors and IE3 aluminum motors, designed for energy-efficient and reliable solutions across industries such as water & wastewater, packaging, food & beverage, metals, cement & mining, plastics & rubber, and HVAC. These motors, manufactured in India and introduced on a global platform, cater to diverse industrial needs.
- **Healthy cash position:** The company's cash position remained healthy at Rs48.7bn at the end of 1HCY24. The company also approved an interim dividend of Rs10.66 per share.
- **Sustainability:** Efforts are ongoing, with three out of five manufacturing locations now water-positive. ABB India's IEC low voltage motors business has contributed to annual energy savings of over 500GWh, equivalent to Sikkim's annual energy consumption.
- **New partnership:** ABB India has partnered with Witt India to enhance safety and operational efficiency in key infrastructure projects by delivering advanced tunnel ventilation solutions, setting new benchmarks in the industry. 2QCY24 marked 20 years of ABB's AquaMaster electromagnetic flowmeters in India, which have been installed in water networks across more than 15 cities in eight states.

Figure 1: Quarterly results snapshot

(Rs m)	2QCY24	2QCY23	YoY (%)	1QCY24	QoQ (%)	1HCY24	1HCY23	YoY (%)
Net revenue	28,309	25,086	12.8%	30,804	-8.1%	59,112	49,199	20.1%
Expenses	-22,884	-21,599	5.9%	-25,152	-9.0%	-48,036	-42,858	12.1%
Raw material costs	-16,179	-15,920	1.6%	-18,408	-12.1%	-34,586	-31,276	10.6%
Employee costs	-2,030	-1,681	20.8%	-2,211	-8.2%	-4,241	-3,559	19.2%
Other expenses	-4,675	-3,998	16.9%	-4,533	3.1%	-9,208	-8,023	14.8%
Exch. (loss)/ gain	0	0		0				
EBITDA	5,425	3,487	55.6%	5,652	-4.0%	11,077	6,341	74.7%
Other income	868	750	15.6%	871	-0.4%	1,739	1,473	18.1%
Interest	-45	-14	224.5%	-38	18.4%	-83	-36	129.8%
Depreciation	-310	-292	6.0%	-314	-1.4%	-624	-567	10.0%
PBT	5,938	3,932	51.0%	6,171	-3.8%	12,109	7,210	67.9%
Tax	-1,511	-973	55.3%	-1,575	-4.0%	-3,086	-1,800	71.5%
Adjusted PAT	4,426	2,958	49.6%	4,596	-3.7%	9,022	5,410	66.8%
EOI	-	-		-		-	-	
Reported PAT	4,426	2,958	49.6%	4,596	-3.7%	9,022	5,410	66.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Margin and cost analysis

(% of Sales)	2QCY24	2QCY23	YoY	1QCY24	QoQ	1HCY24	1HCY23	YoY
Raw material costs	57.2%	63.5%	-631 bp	59.8%	-261 bp	58.5%	63.6%	-506 bp
Employee costs	7.2%	6.7%	47 bp	7.2%	-1 bp	7.2%	7.2%	-6 bp
Other expenditure	16.5%	15.9%	58 bp	14.7%	180 bp	15.6%	16.3%	-73 bp
EBITDA margin	19.2%	13.9%	526 bp	18.3%	82 bp	18.7%	12.9%	585 bp
Net margin	15.6%	11.8%	384 bp	14.9%	72 bp	15.3%	11.0%	427 bp
Tax rate	25.5%	24.8%	70 bp	25.5%	-7 bp	25.5%	25.0%	52 bp
Gross margin	42.85%	36.54%	631 bp	40.24%	261 bp	41.49%	36.43%	506 bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Order details

Orders (Rs m)	2QCY24	2QCY23	YoY (%)	1QCY24	QoQ (%)	1HCY24	1HCY23	YoY (%)
Order inflow	34,350	30,440	12.8%	36,070	-4.8%	70,420	61,690	14.2%
Order book	95,170	77,270	23.2%	89,320	6.5%	95,170	77,270	23.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Order inflow and order book mix

Order Inflow (Rs m)	2QCY24	2QCY23	YoY (%)	1QCY24	QoQ (%)	1HCY24	1HCY23	YoY (%)
Robotics & Discrete Automation	1,570	610	157.4%	1,520	3.3%	3,090	2,170	42.4%
Motion	13,290	11,260	18.0%	11,810	12.5%	25,100	23,420	7.2%
Electrification	14,320	11,000	30.2%	17,910	-20.0%	32,230	24,350	32.4%
Process Automation	5,330	7,840	-32.0%	5,410	-1.5%	10,740	12,470	-13.9%
Order Backlog (Rs m)	2QCY24	2QCY23	YoY (%)	1QCY24	QoQ (%)	1HCY24	1HCY23	YoY (%)
Robotics & Discrete Automation	3,020	2,370	27.4%	2,260	33.6%	3,020	2,370	27.4%
Motion	39,300	25,570	53.7%	36,750	6.9%	39,300	25,570	53.7%
Electrification	27,780	20,000	38.9%	24,680	12.6%	27,780	20,000	38.9%
Process Automation	25,560	29,560	-13.5%	26,860	-4.8%	25,560	29,560	-13.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Segment-wise revenue and EBIT performance

Revenue (Rs m)	2QCY24	2QCY23	YoY (%)	1QCY24	QoQ (%)	1HCY24	1HCY23	YoY (%)
Robotics & Discrete Automation	843	1,225	-31.2%	1,092	-22.8%	1,934	1,901	1.8%
Motion	10,758	9,173	17.3%	10,128	6.2%	20,886	18,895	10.5%
Electrification	11,214	10,056	11.5%	12,963	-13.5%	24,176	20,051	20.6%
Process Automation	6,327	5,096	24.2%	7,263	-12.9%	13,590	9,298	46.2%
Others	44	53	-17.2%	26	72.2%	69	72	-3.1%
Total	29,186	25,603	14.0%	31,470	-7.3%	60,656	50,215	20.8%
Less: Intersegment	877	517	69.7%	667	31.5%	1,544	1,017	51.8%
Net Sales	28,309	25,086	12.8%	30,804	-8.1%	59,112	49,199	20.2%
EBIT (Rs m)	2QCY24	2QCY23	YoY (%)	1QCY24	QoQ (%)	1HCY24	1HCY23	YoY (%)
Robotics & Discrete Automation	123	155	-20.6%	168	-27.1%	291	261	11.5%
Motion	2,490	1,329	87.3%	2,163	15.1%	4,653	2,497	86.4%
Electrification products	2,594	1,640	58.2%	3,078	-15.7%	5,672	3,586	58.2%
Process Automation	1,023	568	80.3%	1,181	-13.4%	2,204	956	130.5%
Total	6,230	3,692	68.8%	6,590	-5.5%	12,820	7,301	75.6%
(Add)/ Less - Interest	45	14	224.5%	38	18.4%	83	36	129.8%
Other unallocated expenditure	247	-254	-197.5%	381	-35.2%	629	55	1051.5%
PBT	5,949	3,931	51.3%	6,167	-3.5%	12,109	7,210	67.9%
EBIT Margin (%)	2QCY24	2QCY23	YoY	1QCY24	QoQ	1HCY24	1HCY23	YoY
Robotics & Discrete Automation	14.6%	12.6%	196 bp	15.4%	-85 bp	15.1%	13.7%	131 bp
Motion	23.1%	14.5%	865 bp	21.4%	178 bp	22.3%	13.2%	906 bp
Electrification products	23.1%	16.3%	682 bp	23.7%	-61 bp	23.5%	17.9%	557 bp
Process Automation	16.2%	11.1%	503 bp	16.3%	-9 bp	16.2%	10.3%	593 bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: 2QCY24 actuals Vs. estimates

cs. InCred	2QCY24	2QCY24F	Diff (%)
Revenue	28,309	30,812	-8.1%
EBITDA	5,425	4,939	9.8%
EBITDA Margin (%)	19.2%	17.2%	196 bp
PAT	4,426	4,091	8.2%

Vs. Consensus	2QCY24	2QCY24C	Diff (%)
Revenue	28,309	30,653	-7.6%
EBITDA	5,425	4,713	15.1%
EBITDA Margin (%)	19.2%	17.2%	196 bp
PAT	4,426	3,970	11.5%

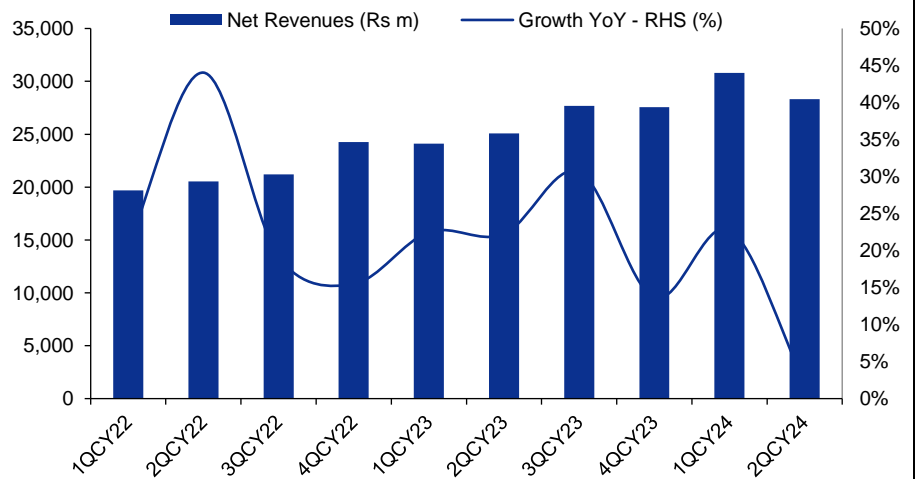
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: Our revised earnings estimates

(Rs m)	New Estimates			Old estimates			Changes		
	CY24F	CY25F	CY26F	CY24F	CY25F	CY26F	CY24F	CY25F	CY26F
Revenue	1,26,690	1,55,491	1,81,526	1,31,427	1,71,320	2,06,314	-3.6%	-9.2%	-12.0%
EBITDA	23,483	27,108	32,073	16,993	22,563	27,501	38.2%	20.1%	16.6%
PAT	19,059	21,824	25,927	15,514	20,420	25,257	22.8%	6.9%	2.6%

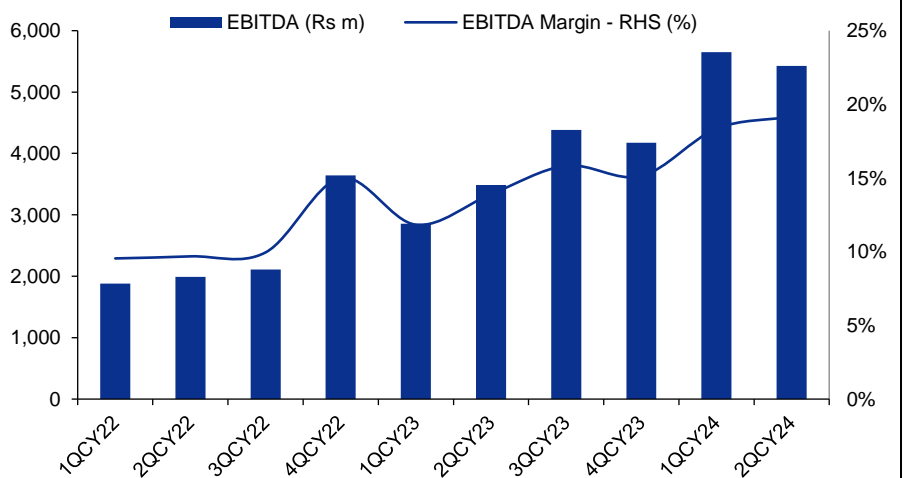
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 8: Quarterly revenue trend



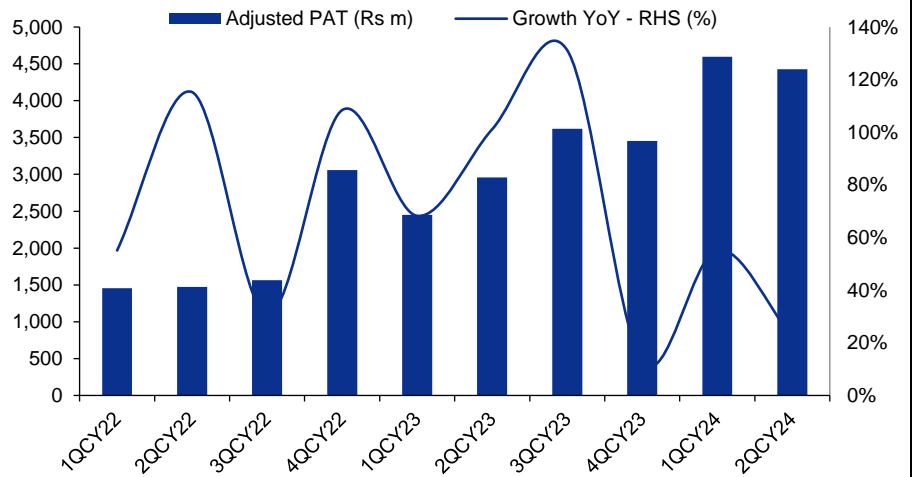
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Quarterly EBITDA trend



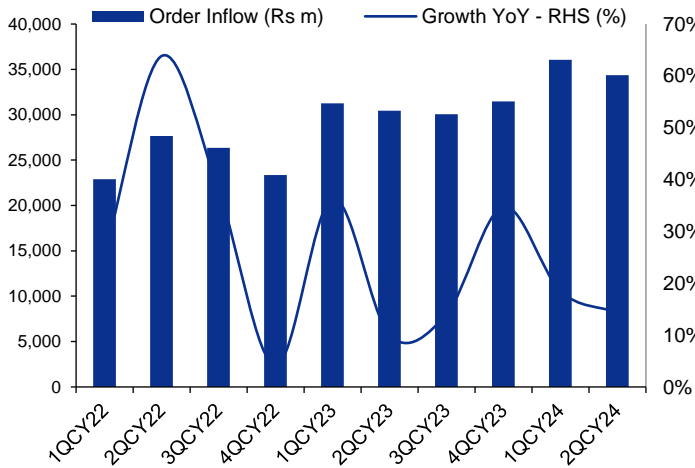
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Quarterly PAT trend



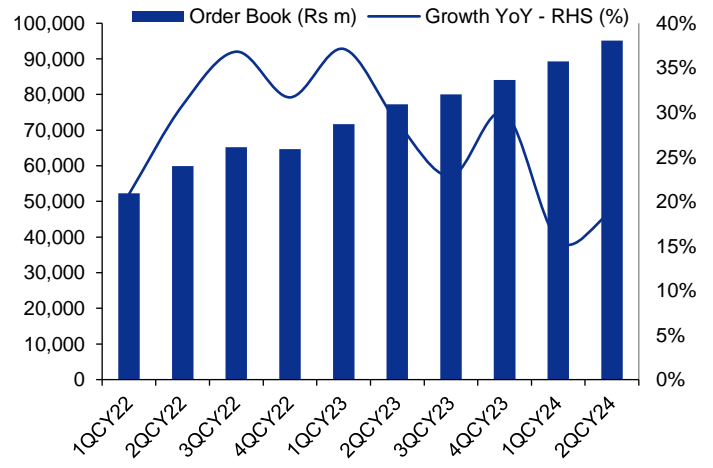
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Order inflow on track



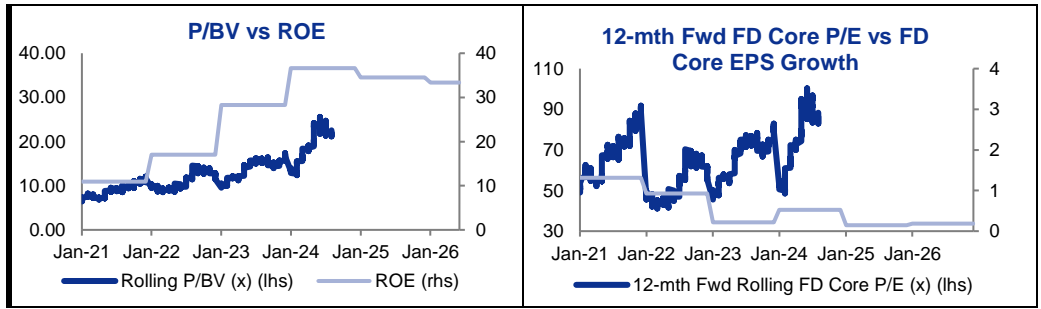
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Strong order book



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Total Net Revenues	85,675	104,465	126,690	155,491	181,526
Gross Profit	29,234	38,173	52,831	59,289	69,524
Operating EBITDA	9,619	14,898	23,483	27,108	32,073
Depreciation And Amortisation	(1,047)	(1,199)	(1,262)	(1,489)	(1,717)
Operating EBIT	8,572	13,699	22,221	25,619	30,356
Financial Income/(Expense)	(131)	(127)	(176)	(135)	(123)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	1,795	3,017	3,526	3,809	4,568
Profit Before Tax (pre-EI)	10,235	16,589	25,571	29,293	34,801
Exceptional Items					
Pre-tax Profit	10,235	16,589	25,571	29,293	34,801
Taxation	(3,372)	(4,107)	(6,512)	(7,470)	(8,874)
Exceptional Income - post-tax	3,393				
Profit After Tax	10,256	12,482	19,059	21,824	25,927
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	10,256	12,482	19,059	21,824	25,927
Recurring Net Profit	6,864	12,482	19,059	21,824	25,927
Fully Diluted Recurring Net Profit	6,864	12,482	19,059	21,824	25,927

Cash Flow

(Rs mn)	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
EBITDA	9,619	14,898	23,483	27,108	32,073
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(194)	1,696	(12,564)	(15,208)	(17,981)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	462	589	633	622	908
Net Interest (Paid)/Received					
Tax Paid	(2,467)	(3,667)	(6,512)	(7,470)	(8,874)
Cashflow From Operations	7,419	13,515	5,040	5,052	6,125
Capex	(1,479)	(1,831)	(3,325)	(3,409)	(3,538)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	19,741	(31,691)	2,124	2,741	2,617
Cash Flow From Investing	18,262	(33,522)	(1,201)	(668)	(921)
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(1,102)	(2,331)	(3,812)	(4,365)	(5,185)
Preferred Dividends					
Other Financing Cashflow	(300)	(364)	(94)	(20)	(19)
Cash Flow From Financing	(1,402)	(2,695)	(3,905)	(4,384)	(5,204)
Total Cash Generated	24,280	(22,701)	(67)		
Free Cashflow To Equity	25,682	(20,007)	3,839	4,384	5,204
Free Cashflow To Firm	25,682	(20,007)	3,839	4,384	5,204

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	56,509	63,733	73,183
Total Debtors	20,930	25,443	32,974	42,600	52,220
Inventories	14,207	15,608	19,785	26,412	33,818
Total Other Current Assets	7,427	6,263	9,025	12,780	15,915
Total Current Assets	74,055	95,475	118,292	145,526	175,135
Fixed Assets	9,538	10,393	12,456	14,376	16,197
Total Investments	4,932	16	13	16	18
Intangible Assets					
Total Other Non-Current Assets	4,512	3,983	4,688	5,131	6,172
Total Non-current Assets	18,982	14,391	17,156	19,522	22,387
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	26,368	31,091	36,445	44,730	52,220
Other Current Liabilities	13,304	14,599	18,049	21,300	24,867
Total Current Liabilities	39,672	45,690	54,494	66,031	77,086
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	285	424	507	622	726
Total Non-current Liabilities	285	424	507	622	726
Total Provisions	3,832	4,452	5,901	6,390	6,963
Total Liabilities	43,788	50,566	60,902	73,043	84,775
Shareholders Equity	49,394	59,446	74,693	92,152	112,893
Minority Interests					
Total Equity	49,394	59,446	74,693	92,152	112,893

Key Ratios					
	Dec-22A	Dec-23A	Dec-24F	Dec-25F	Dec-26F
Revenue Growth	23.6%	21.9%	21.3%	22.7%	16.7%
Operating EBITDA Growth	72.8%	54.9%	57.6%	15.4%	18.3%
Operating EBITDA Margin	11.2%	14.3%	18.5%	17.4%	17.7%
Net Cash Per Share (Rs)	148.61	227.29	266.68	300.77	345.36
BVPS (Rs)	233.10	280.54	352.49	434.88	532.77
Gross Interest Cover	65.38	108.20	126.17	190.07	246.41
Effective Tax Rate	32.9%	24.8%	25.5%	25.5%	25.5%
Net Dividend Payout Ratio					
Accounts Receivables Days	80.52	78.47	71.92	72.11	73.54
Inventory Days	75.94	66.69	69.66	69.25	78.25
Accounts Payables Days	145.87	137.94	132.57	122.06	128.05
ROIC (%)	37.3%	64.4%	68.0%	54.3%	48.1%
ROCE (%)	21.3%	31.0%	42.7%	40.5%	39.1%
Return On Average Assets	8.3%	14.4%	19.4%	18.8%	18.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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