

Retail Equity Research

ABB India Limited

Capital Goods

BSE CODE: 500002

NSE CODE: ABB

Bloomberg CODE: ABB:IN

SENSEX: 76,457

HOLD

 12 Months Investment Period Rating as per Large Cap
 CMP Rs. 8,100 TARGET Rs. 8,820 RETURN 9% 
 (Closing: 11-06-24)

KEY CHANGES:
TARGET 
RATING 
EARNINGS 

Key growth factors boost near-term outlook

ABB India Ltd (ABB) manufactures heavy engineering and industrial equipment and executes engineering and construction projects. It operates mainly through its robotics and motion, electrification products and industrial automation business units.

- In Q1CY24, revenue grew 27.8% YoY to Rs. 3,080cr, led by revenue growth across all segments.
- EBITDA stood at Rs. 565cr (+98.1% YoY) in Q1CY24. The margin expanded 650 basis points (bps) YoY to 18.3%, supported by superior product mix, better pricing, higher share of services and exports and cost optimisation. Profit after tax grew 87.5% YoY to Rs. 459cr.
- New orders increased 15% YoY to Rs. 3,607cr and the overall order backlog rose 25% YoY to Rs. 8,935cr.
- ABB India has recorded a good performance. Seamless execution of backlog orders, increasing contribution from services and exports, cost optimisation techniques and favourable product mix contributed to the overall result. Robust order book, increasing penetration of high efficiency power drives in motors and customer support are expected to further boost growth in the near term. However, the stock has rallied significantly in the recent past. Hence, we maintain our HOLD rating on the stock with a revised target price of Rs. 8,820 based on 73x 26E EPS.

Revenue growth across segments supports topline

In Q1CY24, ABB reported a revenue growth of 27.8% YoY to Rs. 3,080cr. The electrification segment grew 29.7% YoY to Rs. 1,296cr, driven by smooth execution of backlog orders. Order inflows grew 34% YoY, which were majorly received from data centres, smart buildings, expansion of original equipment manufacturers in tier 2/3 cities. Revenue in the robotics and motion segment grew 7.9% YoY to Rs. 1,122cr. Execution of backlog orders and good momentum execution of book and bill revenue drove growth. Revenue from industrial automation grew 72.9% YoY to Rs. 726cr, aided by strong execution of backlog and contribution from services and exports. Orders grew 17% YoY, led by power, metal and logistics.

Several factors contribute to margin expansion

EBITDA stood at Rs. 565cr (up 98.1% YoY). The margin expanded 650bps YoY to 18.3%, led by favourable product mix, better pricing power, higher contribution from services and exports and cost optimisation techniques. Cost of raw material and other expenses (including subcontracting charges) increased 26.2% and 13.9% YoY, respectively. Employee expenses rose 17.7% YoY, due to salary revision and an increase in headcount. Profit after tax rose 87.5% YoY to Rs. 459cr.

Key concall highlights

- ABB expects the use of high efficiency power drives, IE3 and IE4 to increase as energy efficiency norms tighten. Increasing penetration of power drives in motors is expected to boost orders.
- Customers are opting for reliability and availability instead of price, resulting in a major section of customers shifting towards ABB.

Valuation

Continued execution of backlog orders, contribution from services and exports, cost reduction initiatives and improved product mix have aided ABB's performance. Further, strong pipeline, penetration of high efficiency power drives in motors and increasing customer support are likely to support the upcoming results in the near term. However, the stock looks expensive at current valuation. Therefore, we maintain our HOLD rating on the stock with a revised target price of Rs. 8,820 based on 73x 26E adjusted EPS.

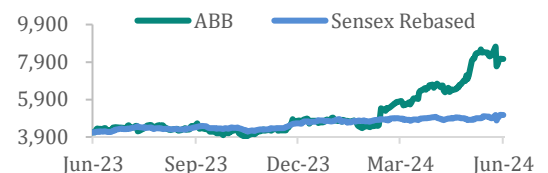
Company Data

Market Cap (cr)	Rs. 171,648
Enterprise Value (cr)	Rs. 166,555
Outstanding Shares (cr)	21.2
Free Float	25.0%
Dividend Yield	0.4%
52 week high	Rs. 8,818
52 week low	Rs. 3,848
6m average volume (lacs)	4.6
Beta	1.2
Face value	Rs. 2

Shareholding (%)	Q3CY23	Q4CY23	Q1CY24
Promoters	75.0	75.0	75.0
FII's	10.2	10.7	11.9
MFs/Insti	7.4	6.9	6.0
Public	7.3	7.1	6.9
Others	0.2	0.3	0.2
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	39.0%	69.1%	95.2%
Absolute Sensex	-0.3%	4.8%	17.0%
Relative Return*	39.4%	64.3%	78.2%

*over or under performance to benchmark index



Consolidated (cr)	CY24E	CY25E	CY26E
Sales	12,924	15,343	17,855
Growth (%)	23.7	18.7	16.4
EBITDA	2,036	2,436	2,870
EBITDA Margin (%)	15.8	15.9	16.1
Adj. PAT	1,696	2,126	2,560
Growth (%)	35.9	25.3	20.4
Adj. EPS	80.0	100.3	120.8
Growth (%)	35.9	25.3	20.4
P/E	101.2	80.8	67.0
P/B	23.5	18.8	15.3
EV/EBITDA	81.8	68.0	57.3
ROE (%)	23.2	23.3	22.9
D/E	0.0	0.0	0.0

Quarterly Financials (Consolidated)

Profit & Loss Account

Rs. cr	Q1CY24	Q1CY23	YoY Growth (%)	Q4CY23	QoQ Growth (%)
Revenue	3,080	2,411	27.8	2,757	11.7
EBITDA	565	285	98.1	417	35.5
EBITDA margins	18.3	11.8	650bps	15.1	320bps
Depreciation	31	27	14.3	33	(4.6)
EBIT	534	258	107.0	384	38.9
Interest	4	2	70.9	8	(53.3)
Other Income	87	72	20.6	78	12.3
Exceptional Items	-	-	-	-	-
Share of profit from Associate	-	-	-	-	-
PBT	617	328	88.2	454	36.0
Tax	157	83	90.5	109	45.1
Reported PAT	460	245	87.5	345	33.1
Minority Interest	-	-	-	-	-
PAT att. to shareholders	459	245	87.5	339	35.6
Adjustments	-	-	-	-	-
Adj. PAT	459	245	87.5	339	35.6
No. of shares	21.2	21.2	(0.0)	21.2	(0.0)
Adj. EPS (Rs.)	21.7	11.6	87.6	16.0	35.7

Change in Estimates

	Old estimates			New estimates			Change (%)		
Year / Rs. cr	CY24E	CY25E	CY26E	CY24E	CY25E	CY26E	CY24E	CY25E	CY26E
Revenue	13,183	14,850	-	12,924	15,343	17,855	(2.0)	3.3	-
EBITDA	1,701	1,942	-	2,036	2,436	2,870	19.7	25.4	-
Margins (%)	12.9	13.1	-	15.8	15.9	16.1	290bps	280bps	-
Adj. PAT	1,408	1,582	-	1,696	2,126	2,560	20.5	34.4	-
Adj. EPS	66.4	74.6	-	80.0	100.3	120.8	20.5	34.4	-

PROFIT & LOSS

Y.E December (Rs. cr)	CY22A	CY23A	CY24E	CY25E	CY26E
Revenue	8,568	10,447	12,924	15,343	17,855
% change	23.6	21.9	23.7	18.7	16.4
EBITDA	962	1,490	2,036	2,436	2,870
% change	72.8	54.9	36.6	19.7	17.8
Depreciation	105	120	122	155	174
EBIT	857	1,370	1,913	2,281	2,696
Interest	13	13	18	20	24
Other Income	519	302	366	574	741
PBT	1,363	1,659	2,262	2,834	3,414
% change	88.2	21.7	36.3	25.3	20.4
Tax	337	411	565	709	853
Tax Rate (%)	24.7	24.8	25.0	25.0	25.0
Reported PAT	1,016	1,242	1,696	2,126	2,560
PAT att. to common shareholders	1,016	1,242	1,696	2,126	2,560
Adj*	9	6	-	-	-
Adj PAT	1,026	1,248	1,696	2,126	2,560
% change	92.6	21.7	35.9	25.3	20.4
No. of shares (cr)	21.2	21.2	21.2	21.2	21.2
Adj EPS (Rs.)	48.4	58.9	80.0	100.3	120.8
% change	92.6	21.7	35.9	25.3	20.4
DPS (Rs.)	5.5	29.3	28.0	35.1	42.3

BALANCE SHEET

Y.E December (Rs. cr)	CY22A	CY23A	CY24E	CY25E	CY26E
Cash	3,149	4,816	5,142	6,052	7,371
Accounts Receivable	2,093	2,544	3,360	4,097	4,803
Inventories	1,421	1,561	2,221	2,739	3,308
Other Cur. Assets	1,236	626	649	672	697
Investments	-	2	2	2	2
Gross Fixed Assets	1,340	1,539	1,772	2,048	2,369
Net Fixed Assets	881	975	1,086	1,207	1,354
CWIP	69	60	66	73	80
Intangible Assets	18	18	18	18	18
Def. Tax (Net)	90	103	98	93	88
Other Assets	361	296	293	290	288
Total Assets	9,318	11,001	12,934	15,242	18,008
Current Liabilities	4,350	5,014	5,581	6,075	6,743
Provisions	-	6	6	6	6
Debt Funds	28	37	49	53	56
Other Liabilities	(0)	0	(0)	0	(0)
Equity Capital	42	42	42	42	42
Reserves & Surplus	4,897	5,902	7,256	9,066	11,161
Shareholder's Fund	4,939	5,945	7,298	9,109	11,203
Minority Interest	-	-	-	-	-
Total Liabilities	9,318	11,001	12,934	15,242	18,008
BVPS (Rs.)	233	281	344	430	529

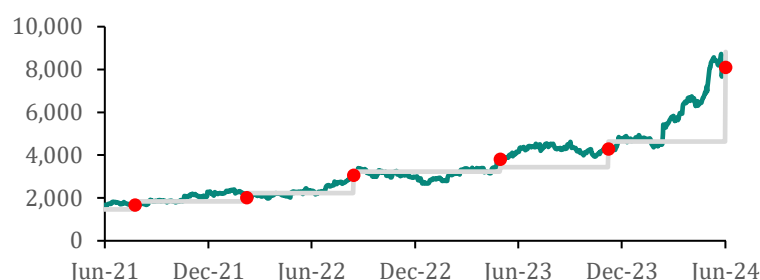
CASH FLOW

Y.E December (Rs. cr)	CY22A	CY23A	CY24E	CY25E	CY26E
Net inc. + Depn.	1,121	1,362	1,819	2,281	2,735
Non-cash adj.	(114)	122	(206)	(274)	(302)
Changes in W.C	(265)	(133)	(981)	(793)	(644)
C.F. Operation	742	1,352	632	1,214	1,788
Capital exp.	(148)	(183)	(233)	(276)	(321)
Change in inv.	1,175	(3,446)	-	-	-
Other invest.CF	799	277	582	612	646
C.F - Investment	1,826	(3,352)	349	336	324
Issue of equity	-	-	-	-	-
Issue/repay debt	-	-	12	2	3
Dividends paid	(110)	(233)	(621)	(594)	(744)
Other finance.CF	(30)	(36)	(46)	(49)	(53)
C.F - Finance	(140)	(269)	(655)	(640)	(794)
Chg. in cash	2,428	(2,270)	326	909	1,319
Closing cash	3,149	4,816	5,142	6,052	7,371

RATIOS

Y.E December	CY22A	CY23A	CY24E	CY25E	CY26E
Profitab. & Return					
EBITDA margin (%)	11.2	14.3	15.8	15.9	16.1
EBIT margin (%)	10.0	13.1	14.8	14.9	15.1
Net profit mgn.(%)	11.9	11.9	13.1	13.9	14.3
ROE (%)	20.6	20.9	23.2	23.3	22.9
ROCE (%)	17.3	22.9	26.0	24.9	23.9
W.C & Liquidity					
Receivables (days)	89.2	88.9	94.9	97.5	98.2
Inventory (days)	97.8	90.0	105.1	108.8	112.4
Payables (days)	181.5	179.3	170.6	161.5	159.6
Current ratio (x)	1.8	1.9	2.0	2.2	2.4
Quick ratio (x)	1.2	1.5	1.5	1.7	1.8
Turnover & Leverage					
Gross asset T.O (x)	6.8	7.3	7.8	8.0	8.1
Total asset T.O (x)	1.0	1.0	1.1	1.1	1.1
Int. coverage ratio (x)	65.4	108.2	108.2	112.0	112.3
Adj. debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation					
EV/Sales (x)	5.2	9.0	12.9	10.8	9.2
EV/EBITDA (x)	46.0	63.3	81.8	68.0	57.3
P/E (x)	46.2	79.4	101.2	80.8	57.0
P/BV (x)	9.6	16.7	23.5	18.8	15.3

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
18-Feb-21	REDUCE	1,368
3-May-21	HOLD	1,470
3-Aug-21	HOLD	1,840
16-Feb-22	HOLD	2,230
24-Aug-22	ACCUMULATE	3,230
10-May-23	REDUCE	3,440
17-Nov-23	HOLD	4,640
12-Jun-24	HOLD	8,820

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:** Reduce your exposure to the stock due to limited upside; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review

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