

February 21, 2024

RESULT REPORT Q4 CY23 | Sector: Capital Goods

ABB India Ltd

Revenue growth moderates but broad-based strong performance continues; Downgrade to ADD from BUY on sharp run-up

Result Analysis

ABB India's Q4CY23 print highlighted moderating growth as high base effect comes into play. Revenue growth of 14% YoY moderated driven by weakness in the motion segment pertaining to LV motors while electrification and process automation continue to report above 15% YoY revenue growth. EBITDA margin came in above 15% for second consecutive quarter marked by continued strength in gross margin. Order Inflows growth of 34% YoY was driven by large orders from traction converters railways business.

Our View

ABB ended the year CY23 on a strong note with revenue growth maintaining above 20% trajectory, EBITDA margin continuing to see strong expansion (+310 bps) resulting in supernormal PAT growth of 82%. Order inflow and Orderbook growth of 23% and 29% continue to provide visibility for the near-term growth to sustain. ABB's strong continued performance has been led by both steady state growth in its core end-user industries such as cement and oil & gas, high capex growth in key segment of Railways & Metro, its increased penetration in electronics and F&B and entry into tier-2,3 cities. The runway for some of these demand drivers seems long with strong investments expected in transportation infrastructure (particularly high-speed trains), building infrastructure (airports, malls, stadiums etc.), power distribution solutions with high growth power demand and increasing load complexity. We expect the company to report revenue CAGR of 21% over CY23-25 while EBITDA margin is expected to remain at similar levels with operating leverage benefit being a lever to compensate the risk of higher commodity prices. We downgrade to ADD from BUY given the sharp run-up in the stock price since our last BUY recommendation. Target Price of Rs5,250 based on 60x CY25 EPS.

Result Highlights

- Revenue growth moderated to 14% YoY with revenue at Rs27.6bn. Electrification and Process Automation saw ~20% YoY revenue growth while Motion saw revenue drop of 2% YoY.
- EBITDA margin at 15.1% (+100bps YoY, -70bps QoQ). Gross margin stood above 40%. Motion (17.7%, +160bps YoY) and Electrification (19%, +370bps YoY) saw expansion in EBIT margin while Process Automation (12.8%, -480bps YoY) and Robotics (11.8%, -450bps YoY) saw decline.
- PAT (continuing) grew by 13% YoY to Rs3.45bn (2% below estimates).
- Order inflows came in at Rs31.9bn, up 34% YoY driven by high growth in motion segment OI.

Exhibit 1: Actual vs Estimate

Rs mn	Actual	Estimate		% variation		Comments
		YSec	Consensus	YSec	Consensus	
Sales	27,575	30,887	NA	-10.7	NA	Strong performance lower on revenue growth and upward surprise on profitability
EBITDA	4,172	4,363	NA	-4.4	NA	
EBITDA margin %	15.1	14.1	NA	100 bps	NA	
Adj.Pat	3,452	3,528	NA	-2.2	NA	

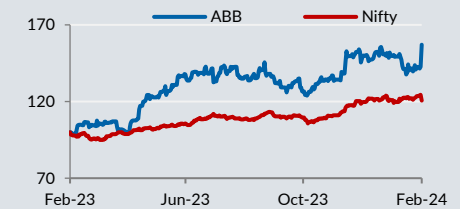
Source: Company, YES Sec

Reco	: ADD
CMP	: Rs 5,000
Target Price	: Rs 5,300
Potential Return	: +6%

Stock data (as on Feb 21, 2024)

Nifty	22,055
52 Week h/l (Rs)	5134 / 3049
Market cap (Rs/USD mn)	958779 / 11566
Outstanding Shares (mn)	212
6m Avg t/o (Rs mn):	1,136
Div yield (%):	0.1
Bloomberg code:	ABB IN
NSE code:	ABB

Stock performance



	1M	3M	1Y
Absolute return	4.9%	14.7%	57.3%

Shareholding pattern (As of Dec't23 end)

Promoter	75.0%
FII+DII	17.6%
Others	7.4%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	BUY
Target Price	5,250	5,200

Δ in earnings estimates

	CY24E	CY25E
EPS (New)	71.1	88.2
EPS (Old)	73.0	87.1
% change	-3%	+1%

Financial Summary

(Rs mn)	CY23E	CY24E	CY25E
Revenues	104,465	124,638	153,708
YoY growth (%)	21.9	19.3	23.3
OPM (%)	14.3	14.6	14.6
EPS (Rs)	58.9	71.1	88.2
EPS growth (%)	81.9	20.7	24.0
P/E (x)	84.8	70.3	56.7
EV/EBITDA (x)	67.9	55.5	44.6
Debt/Equity (x)	0.0	0.0	0.0
RoE (%)	17.3	17.9	18.7
RoCE (%)	17.5	18.1	18.9

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Revenue growth moderates to 14% YoY as larger base comes into play

- Electrification and Process Automation saw revenue growth closer to the 20% range while Motion saw revenue falling 2% YoY. Robotics segment maintained its quarterly revenue run-rate of over Rs1bn with revenue growth of 71% YoY.
- **Electrification** segment saw a consistent revenue growth of 15-20% YoY in each of the quarters in CY23. CY23 revenue came in at Rs41.8bn (+18.3% YoY).
- **Motion** segment is the only segment to see revenue falling YoY led by increased pricing competitiveness in a portion of the LV Motors business (also highlighted by CG Power in the concall). This could persist in the next few quarters. CY23 revenue for motion business stood at Rs37.9bn (+12.4% YoY).
- **Process Automation** saw strong revenue growth of 23% YoY, although it moderated from higher growth in the last two quarters partly driven by a higher base. CY23 revenue came in at 22.4bn (+42% YoY).
- **Robotics & Discrete Automation** continued higher growth from the last two quarters. CY23 revenue stood at Rs4.2bn (+78% YoY).

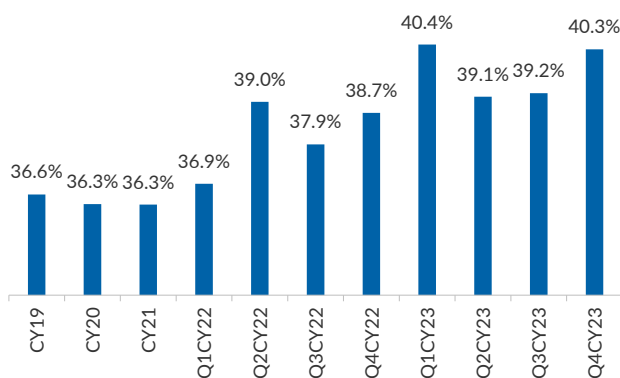
Order Inflow growth accelerates to 35% with strong project orders

- During Q4CY23, Order Inflow grew 35% YoY to Rs31.5bn driven by project orders with a consecutive bump up from the traction converter Railway order. This resulted in 82% YoY growth in order inflow for the motion segment which came in as the prime driver for order inflows.
- Electrification and Process Automation reported 21% and 12% YoY growth in order inflows respectively while Robotics segment saw 53% YoY fall in order inflow during Q4CY23.
- For CY23, order inflow came in at Rs125.2bn (+23% YoY) driven by electrification (+20% YoY) and motion segments (+30% YoY) while Process Automation saw 5% YoY fall in order inflow.

EBITDA margin came in above 15% for second straight quarter

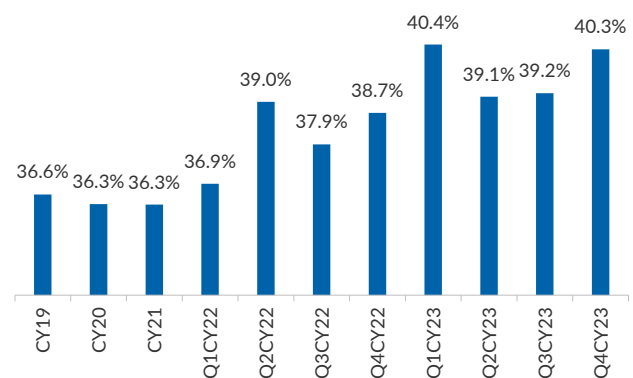
- **EBITDA margin of 15.1% (+10bps YoY)** continued to show robust strength led by gross margin of 40.3% (+160bps YoY).
- For CY23, the company saw 310 bps expansion in EBITDA margin to 14.3%.

Exhibit 2: Gross margin continues to remain elevated



Source: Company, YES Sec

Exhibit 3: EBITDA margin came in above 15% for 2nd qtr



Source: Company, YES Sec

Other Conference Call Highlights

- Electronics has seen strong investments which has also translated into orderbook. Robotics & Automation is expected to benefit from electrification. Also, some of the electrification and motion products would also benefit.
- Order backlog has ~15% from the large orders (18-24 months execution) while it was 7% a year back.
- **Motion:** Some price competitive intensity increase in a particular segment of the motion segment.
- Strong pipeline in process automation, expecting orders in the next few quarters.
- **Traction Orders:** Focus market segment is Railways & Metro. Vande Bharat new trains being launched have a substantial contribution from Railways. Railway Electric engines and Metros are also where ABB has presence.
- Expanded MV product portfolio in the current year on account of strong demand from across infrastructure, industry, and data centers.
- Premiumization playing out in Robotics, Buildings, Infrastructure projects, Data Centers.
- Exports growing at 15% while share in the revenue remains same.
- E-commerce business has a low single digit contribution to order inflow.

Exhibit 4: Quarterly snapshot (Standalone)

Rs mn	Q4CY22	Q1CY22	Q2CY23	Q3CY23	Q4CY23	YoY (%)	QoQ (%)	CY22	CY23	YoY (%)
Revenue	24,269	24,112	25,086	27,692	27,575	13.6	(0.4)	85,675	104,465	21.9
Total Revenues	24,269	24,112	25,086	27,692	27,575	13.6	(0.4)	85,675	104,465	(18.0)
Expenditure	20,626	21,259	21,599	23,307	23,403	13.5	0.4	76,057	89,567	(15.1)
as % of sales	85.0	88.2	86.1	84.2	84.9			88.8	85.7	
Consumption of RM	14,883	14,364	15,280	16,842	16,461	10.6	(2.3)	53,012	63,286	(16.2)
as % of sales	61.3	59.6	60.9	60.8	59.7			61.9	60.6	
Employee Cost	1,585	1,878	1,681	1,780	1,813	14.3	1.9	6,353	7,152	(11.2)
as % of sales	6.5	7.8	6.7	6.4	6.6			7.4	6.8	
Other expenditure	4,158	5,017	4,638	4,685	5,129	23.3	9.5	16,692	19,130	(12.7)
as % of sales	17.1	20.8	18.5	16.9	18.6			19.5	18.3	
EBITDA	3,643	2,853	3,487	4,385	4,172	14.5	(4.9)	9,618	14,898	(35.4)
Depreciation	268	275	292	303	329	22.7	8.7	1,047	1,199	(12.7)
EBIT	3,375	2,578	3,195	4,082	3,843	13.9	(5.9)	8,571	13,699	(37.4)
Other Income	700	723	750	768	776	10.8	1.0	1,795	3,017	(40.5)
Interest	72	22	14	9	82	12.7	827.3	131	127	3.6
Exceptional Item	-	-	-	-	-			(3,393)	-	
PBT	4,002	3,279	3,931	4,842	4,537	13.4	(6.3)	13,628	16,589	(17.9)
Total Tax	943	827	973	1,222	1,085	15.1	(11.2)	3,372	4,107	(17.9)
Reported PAT	3,059	2,452	2,958	3,620	3,452	12.8	(4.6)	10,256	12,482	(17.8)
Adjusted PAT	3,059	2,452	2,958	3,620	3,452	12.8	(4.6)	6,863	12,482	(45.0)
EPS	14.4	11.6	14.0	17.1	16.3	12.8	(4.6)	48.4	58.9	(17.8)
Margins (%)	Q4CY22	Q1CY22	Q2CY23	Q3CY23	Q4CY23	bps YoY	bps QoQ	CY22	CY23	bps
EBIDTA	15.0	11.8	13.9	15.8	15.1	12	(71)	11.2	14.3	(303)
EBIT	13.9	10.7	12.7	14.7	13.9	3	(81)	10.0	13.1	(311)
EBT	16.5	13.6	15.7	17.5	16.5	(4)	(103)	15.9	15.9	3
PAT	12.6	10.2	11.8	13.1	12.5	(9)	(55)	8.0	11.9	(394)
Effective Tax rate	23.6	25.2	24.8	25.2	23.9	35	(131)	24.7	24.8	(2)

Source: Company, YES Sec

Exhibit 5: Segmental Performance

Revenue	Q4CY22	Q1CY22	Q2CY23	Q3CY23	Q4CY23	YoY (%)	QoQ (%)	CY22	CY23	YoY (%)
Robotics & Discrete Automation	628	675	1,225	1,183	1,077	71.5	(9.0)	2,333	2,553	(8.6)
Motion	9,353	9,722	9,173	9,810	9,146	(2.2)	(6.8)	33,671	25,917	29.9
Electrification	9,500	9,994	10,056	10,420	11,302	19.0	8.5	35,297	27,522	28.2
Industrial Automation	5,108	4,202	5,096	6,756	6,306	23.5	(6.7)	15,732	14,034	12.1
Others	19	19	53	24	29	55.7	18.0	290	505	(42.5)
Less Intersegmental	(339)	(500)	(517)	(502)	(286)	(15.6)	(43.1)	(1,647)	(1,190)	38.4
Total	24,269	24,112	25,086	27,692	27,574	13.6	(0.4)	85,675	69,340	23.6
EBIT	Q4CY22	Q1CY22	Q2CY23	Q3CY23	Q4CY23	YoY (%)	QoQ (%)	CY22	CY23	YoY (%)
Robotics & Discrete Automation	102	107	155	142	127	24.0	(10.5)	293	203	44.6
EBIT margin (%)	16.3	15.8	12.6	12.0	11.8			12.6	7.9	
Motion	1,502	1,168	1,329	1,899	1,619	7.8	(14.7)	4,125	3,239	27.3
EBIT margin (%)	16.1	12.0	14.5	19.4	17.7			12.3	12.5	
Electrification	1,455	1,946	1,640	2,011	2,148	47.6	6.8	4,878	3,060	59.4
EBIT margin (%)	15.3	19.5	16.3	19.3	19.0			13.8	11.1	
Industrial Automation	900	389	568	983	810	(10.0)	(17.6)	2,007	1,279	56.9
EBIT margin (%)	17.6	9.2	11.1	14.5	12.8			12.8	9.1	

Source: Company, YES Sec

FINANCIALS

Exhibit 6: Balance Sheet (Standalone)

CY/e 31 Dec (Rs mn)	CY21	CY22	CY23	CY24E	CY25E
Sources of Funds					
Equity capital	424	424	424	424	424
Reserves	40,028	48,970	59,022	69,568	82,645
Non Minority Controlling Int.	0	0	0	0	0
Net worth	40,452	49,394	59,446	69,992	83,068
Debt	367	331	331	331	331
Deferred tax liab (net)	(939)	(898)	(1,027)	(1,027)	(1,027)
Total liabilities	39,880	48,827	58,750	69,296	82,372
Application of Funds					
Gross Block	11,724	13,398	15,541	18,041	20,541
Depreciation	3,741	4,586	5,786	7,229	8,872
Fixed Asset	8,170	8,992	9,940	10,996	11,853
CWIP	769	693	599	599	599
Investments	0	4,932	16	0	0
Net Working Capital	30,941	34,211	48,196	57,700	69,920
Inventories	10,091	14,207	15,608	15,366	18,950
Sundry debtors	18,838	20,930	25,443	32,440	40,006
Cash & equivalents	27,122	31,491	48,162	48,988	57,942
Loans & Advances	6,717	3,056	1,859	11,716	14,449
Other Current Asset	8,081	7,985	7,359	14,333	17,676
Sundry creditors	19,613	26,368	31,091	32,440	40,006
Provisions	3,345	3,832	4,508	4,986	6,148
Other current liabilities	16,951	13,258	14,636	27,718	32,949
Total Assets	39,880	48,827	58,750	69,296	82,372

Source: Company, YES Sec

Exhibit 7: Income statement (Standalone)

CY/e 31 Dec (Rs mn)	CY21	CY22	CY23	CY24E	CY25E
Revenue	69,340	85,675	104,465	124,638	153,708
% Change YoY	19.1	23.6	21.9	19.3	23.3
Operating profit	5,567	9,618	14,898	18,197	22,441
EBITDA margins	8.0	11.2	14.3	14.6	14.6
% Change YoY	101.8	72.8	54.9	22.1	23.3
Depreciation	1,027	1,047	1,199	1,443	1,643
EBIT	4,540	8,571	13,699	16,754	20,798
EBIT margins	6.5	10.0	13.1	13.4	13.5
Interest expense	107	131	127	125	154
Other income	1,596	1,795	3,017	3,490	4,304
Profit before tax	6,029	10,235	16,589	20,119	24,948
Taxes	1,918	3,372	4,107	5,054	6,267
Effective tax rate (%)	31.8	32.9	24.8	25.1	25.1
Net profit	4,112	6,863	12,482	15,065	18,681
Minorities and other	(128)	(94)	(61)	0	0
Net profit after minorities	3,984	6,769	12,421	15,065	18,681
Exceptional items	1,213	3,393	0	0	0
Net profit	5,197	10,162	12,421	15,065	18,681
% Change YoY	137.1	95.5	22.2	21.3	24.0
EPS (Rs)	19.4	32.4	58.9	71.1	88.2

Source: Company, YES Sec

Exhibit 8: Cash flow statement (Standalone)

CY/e 31 Dec (Rs mn)	CY21	CY22	CY23	CY24E	CY25E
Profit before Tax	7,072	13,503	16,507	20,119	24,948
Interest	107	131	127	125	154
Depreciation	1,027	1,047	1,199	1,443	1,643
Other Items	(1,598)	(4,601)	(2,346)	-	-
(Inc)/Dec in WC	1,025	(194)	1,696	(8,678)	(3,266)
Direct Taxes Paid	1,131	2,467	3,667	5,054	6,267
CF from Oper. Activity	6,502	7,419	13,515	7,955	17,212
Inc/(Dec) in FA	1,723	1,680	1,831	2,500	2,500
Free Cash Flow	4,779	5,740	11,684	5,455	14,712
(Pur)/Sale of Invest.	(18,356)	19,942	(31,691)	16	-
CF from Inv. Activity	(20,079)	18,262	(33,522)	(2,484)	(2,500)
Change in Networkth	-	-	-	-	-
Inc/(Dec) in Debt	(124)	(187)	(286)	-	-
Interest Paid	(85)	(113)	(77)	(125)	(154)
Dividends Paid	(1,060)	(1,102)	(2,331)	(4,520)	(5,604)
Others	-	-	-	(0)	0
CF from Fin. Activity	(1,268)	(1,402)	(2,695)	(4,644)	(5,758)
Inc/(Dec) in Cash	(14,845)	24,280	(22,701)	826	8,954
Opening cash Balance	22,040	7,191	31,469	8,769	9,595
Others	(4)	(2)	2	-	-
Closing cash Balance	7,191	31,469	8,769	9,595	18,549

Source: Company, YES Sec

Exhibit 9: Du-pont analysis

CY/e 31 Dec (Rs mn)	CY21	CY22	CY23	CY24E	CY25E
Tax burden (x)	1.6	1.7	2.5	2.5	2.5
Interest burden (x)	0.4	0.4	0.3	0.3	0.3
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1
Asset turnover (x)	1.7	1.8	1.8	1.8	1.9
Financial leverage (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	7.7%	11.6%	17.3%	17.9%	18.7%

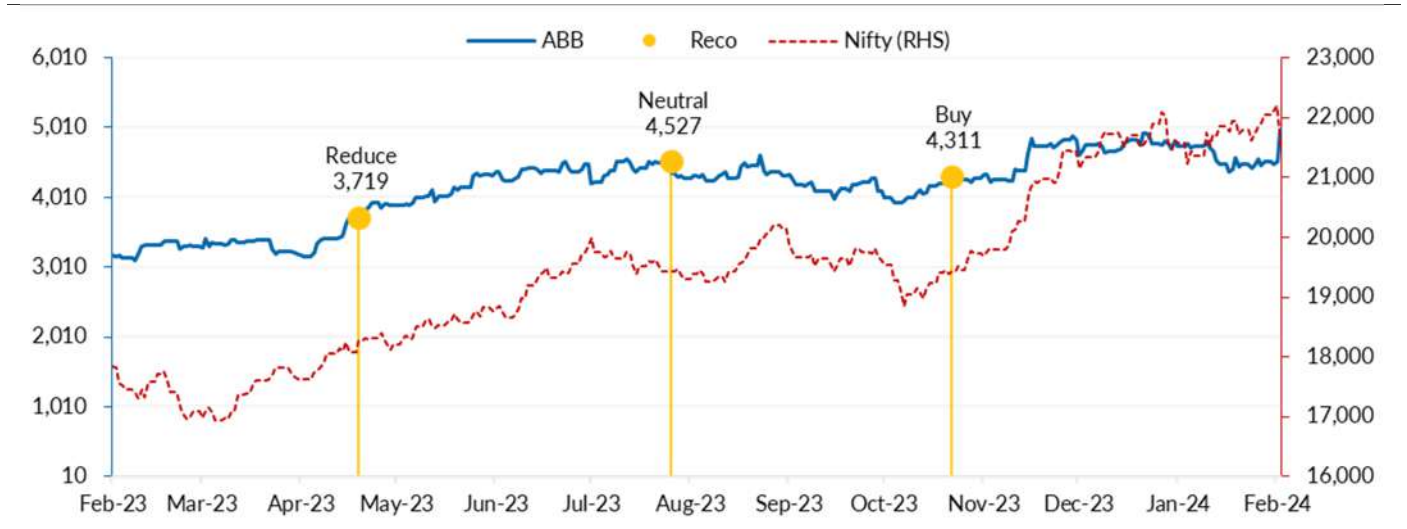
Source: Company, YES Sec

Exhibit 10: Ratio Analysis

CY/e 31 Dec (Rs mn)	CY21	CY22	CY23	CY24E	CY25E
Basic (Rs)					
EPS	19.4	32.4	58.9	71.1	88.2
Dividend per share	5.0	5.2	17.6	21.3	26.4
Cash EPS	29.4	52.9	64.3	77.9	95.9
Book value per share	190.9	233.1	280.5	330.3	392.0
Div. payout (%)	19.9	10.7	29.9	30.0	30.0
Valuation ratios (x)					
P/E	257.5	154.3	84.8	70.3	56.7
P/CEPS	170.1	94.5	77.7	64.1	52.1
P/B	26.2	21.4	17.8	15.1	12.7
EV/EBIDTA	185.4	106.8	67.9	55.5	44.6
Dividend yield (%)	0.1	0.1	0.4	0.4	0.5
Profitability Ratios (%)					
RoIC	10.4	14.0	21.5	24.6	25.7
RoE	7.7	11.6	17.3	17.9	18.7
RoCE	7.8	11.8	17.5	18.1	18.9
Liquidity ratios					
Debtor (days)	99	89	89	95	95
Inventory (days)	53	61	55	45	45
Creditor (days)	103	112	109	95	95
Net working Capital (days)	20	12	0	26	28
Asset Turnover (x)	2	2	2	2	2

Source: Company, YES Sec

Recommendation Tracker



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