

August 12, 2024

Q2CY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

| | Current | | Previous | |
|---------------|------------|----------|------------|----------|
| | CY24E | CY25E | CY24E | CY25E |
| Rating | ACCUMULATE | | ACCUMULATE | |
| Target Price | 8,833 | | 8,400 | |
| Sales (Rs.m) | 1,28,233 | 1,59,765 | 1,31,374 | 1,59,180 |
| % Chng. | (2.4) | 0.4 | | |
| EBITDA (Rs.m) | 23,326 | 27,879 | 20,875 | 26,106 |
| % Chng. | 11.7 | 6.8 | | |
| EPS (Rs.) | 89.1 | 106.1 | 80.2 | 99.6 |
| % Chng. | 11.1 | 6.6 | | |

Key Financials - Standalone

| Y/e Dec | CY23 | CY24E | CY25E | CY26E |
|----------------|----------|----------|----------|----------|
| Sales (Rs. m) | 1,04,465 | 1,28,233 | 1,59,765 | 1,92,556 |
| EBITDA (Rs. m) | 14,898 | 23,326 | 27,879 | 33,023 |
| Margin (%) | 14.3 | 18.2 | 17.5 | 17.2 |
| PAT (Rs. m) | 12,482 | 18,875 | 22,487 | 26,770 |
| EPS (Rs.) | 58.9 | 89.1 | 106.1 | 126.3 |
| Gr. (%) | 62.0 | 51.2 | 19.1 | 19.0 |
| DPS (Rs.) | 29.3 | 35.6 | 42.4 | 50.5 |
| Yield (%) | 0.4 | 0.4 | 0.5 | 0.6 |
| RoE (%) | 22.9 | 28.9 | 28.7 | 28.3 |
| RoCE (%) | 25.0 | 33.5 | 33.4 | 33.0 |
| EV/Sales (x) | 15.7 | 12.8 | 10.2 | 8.4 |
| EV/EBITDA (x) | 110.2 | 70.2 | 58.5 | 49.0 |
| PE (x) | 135.3 | 89.5 | 75.1 | 63.1 |
| P/BV (x) | 28.4 | 23.8 | 19.7 | 16.4 |

Key Data

ABB.BO | ABB IN

| | |
|---------------------|------------------------|
| 52-W High / Low | Rs.9,200 / Rs.3,848 |
| Sensex / Nifty | 79,706 / 24,368 |
| Market Cap | Rs.1,689bn/ \$ 20,122m |
| Shares Outstanding | 212m |
| 3M Avg. Daily Value | Rs.3750.53m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 75.00 |
| Foreign | 12.06 |
| Domestic Institution | 5.64 |
| Public & Others | 7.30 |
| Promoter Pledge (Rs bn) | - |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|-------|------|------|
| Absolute | (7.2) | 77.6 | 76.6 |
| Relative | (6.5) | 59.5 | 46.2 |

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Strong Q2; margin profile continues to improve

Quick Pointers:

- Base order inflow was flat YoY at Rs28.9bn, while large orders jumped 3.4x YoY to Rs5.5bn in Q2CY24.
- Domestic/export revenue mix stood at 88%/12% (vs 89%/11% in Q2CY23).

We revise our CY24/25E EPS estimates by +11.1%/6.6% factoring in continued healthy prospects and better margin profile. ABB India (ABB) reported strong quarterly performance with revenue growing 12.8% YoY and EBITDA margin expanding by 526bps YoY to 19.2%. Domestic demand momentum continues to remain strong across data centers, automation in energy and metals, traction & propulsion technology in rail & metro, and robotics in EV and electronics, with increasing penetration in Tier II & III markets. Given the sustained demand expected over the next 5-10 years, the company has prepared capacity expansion plans across segments. Leverage from rising capacity utilization will continue to aid margins. ABB is also seeing growing offtake in export markets, but continues to remain selective.

We remain positive on ABB given 1) the increasing traction for energy efficient and premium quality products, 2) its resilient business model, 3) its focus on high-growth areas such as data centers, rail & metro, renewables, and electronics, and 4) the strong domestic order pipeline. The stock is trading at a P/E of 89.5x/75.1x CY24/25E. We maintain 'Accumulate' rating with a revised TP of Rs8,833 (Rs8,400 earlier) valuing the stock at a P/E of 76x Jun-26E (same as earlier).

Material cost improvement drives margin expansion: Revenue rose 12.8% YoY to Rs28.3bn (PL: Rs32.0bn), slightly impacted by the general elections and efforts to align deliveries with customer project schedules. Electrification revenue grew 11.5% YoY to Rs11.2bn; Automation grew 24.2% YoY to Rs6.3bn; and Motion grew 17.3% YoY to Rs10.8bn. Meanwhile, Robotics fell 31.2% YoY to Rs0.8bn (vs a high base in Q2CY23 when more automotive orders were executed). Gross margin increased by 631bps YoY to 42.8% (PL: 40.2%) as better mix, positive pricing, and higher utilization drove material cost savings. EBITDA rose 55.6% YoY to Rs5.4bn (PL: Rs5.8bn) with EBITDA margin rising by 526bps YoY to 19.2% (PL: 18.1%) led by the gross margin improvement. Operational EBITA margin expanded by 612bps YoY to 19.7%. Electrification EBIT margin rose to 23.1% (vs 16.3% in Q2CY23); Automation margin came in at 16.2% (vs 11.1%); Motion margin jumped to 23.1% (vs 14.5%); and Robotics margin stood at 14.6% (vs 12.6%). PAT rose 49.6% YoY to Rs4.4bn (PL: Rs4.7bn) driven by the strong operating performance.

Order book stands at Rs95.2bn (0.8x TTM revenue): Q2CY24 order inflow grew 12.8% YoY to Rs34.5bn led by Electrification (+30% YoY), Motion (+18% YoY) and Robotics (+157% YoY), while Automation was down 32% YoY vs a high base. Growth was driven by data centers, rail & metro, auto, metals, power T&D, and energy. Order book composition: Motion 41%, Automation 27%, Electrification 29%, and Robotics 3%. Long-cycle orders account for 40-45% of the order book.

Exhibit 1: Better revenue mix & pricing, optimization, and increased utilization drive robust improvement in gross margin

| Y/e March (Rs mn) | Q2CY23 | Q3CY23 | Q4CY23 | Q1CY24 | Q2CY24 | YoY gr. (%) | QoQ gr. (%) | H1CY24 | H1CY23 | YoY gr. (%) |
|-----------------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|---------------|---------------|----------------|
| Revenue | 25,086 | 27,692 | 27,575 | 30,804 | 28,309 | 12.8 | (8.1) | 59,112 | 49,198 | 20.2 |
| Total Revenues | 25,086 | 27,692 | 27,575 | 30,804 | 28,309 | 12.8 | (8.1) | 59,112 | 49,198 | 20.2 |
| Expenditure | 21,599 | 23,307 | 23,403 | 25,152 | 22,884 | 5.9 | (9.0) | 48,036 | 42,858 | 12.1 |
| as % of sales | 86.1 | 84.2 | 84.9 | 81.7 | 80.8 | | | 81.3 | 87.1 | |
| Consumption of RM | 15,920 | 17,522 | 17,227 | 18,408 | 16,179 | 1.6 | (12.1) | 34,586 | 31,276 | 10.6 |
| as % of sales | 63.5 | 63.3 | 62.5 | 59.8 | 57.2 | | | 58.5 | 63.6 | |
| Employee Cost | 1,681 | 1,780 | 1,813 | 2,211 | 2,030 | 20.8 | (8.2) | 4,241 | 3,559 | 19.2 |
| as % of sales | 6.7 | 6.4 | 6.6 | 7.2 | 7.2 | | | 7.2 | 7.2 | |
| Other expenditure | 3,998 | 4,005 | 4,363 | 4,533 | 4,675 | 16.9 | 3.1 | 9,208 | 8,023 | 14.8 |
| as % of sales | 15.9 | 14.5 | 15.8 | 14.7 | 16.5 | | | 15.6 | 16.3 | |
| EBITDA | 3,487 | 4,385 | 4,172 | 5,652 | 5,425 | 55.6 | (4.0) | 11,077 | 6,340 | 74.7 |
| Depreciation | 292 | 303 | 329 | 314 | 310 | 6.0 | (1.4) | 624 | 567 | 10.0 |
| EBIT | 3,195 | 4,082 | 3,843 | 5,338 | 5,115 | 60.1 | (4.2) | 10,453 | 5,773 | 81.1 |
| Other Income | 750 | 768 | 776 | 871 | 868 | 15.6 | (0.4) | 1,739 | 1,473 | 18.1 |
| Interest | 14 | 9 | 82 | 38 | 45 | 224.5 | 18.4 | 83 | 36 | 129.8 |
| Exceptional Item | - | - | - | - | - | | | - | - | |
| PBT | 3,931 | 4,842 | 4,537 | 6,171 | 5,938 | 51.0 | (3.8) | 12,109 | 7,210 | 67.9 |
| Total Tax | 973 | 1,222 | 1,085 | 1,575 | 1,511 | 55.3 | (4.0) | 3,086 | 1,800 | 71.4 |
| Reported PAT | 2,958 | 3,620 | 3,452 | 4,596 | 4,426 | 49.6 | (3.7) | 9,022 | 5,410 | 66.8 |
| Adjusted PAT | 2,958 | 3,620 | 3,452 | 4,596 | 4,426 | 49.6 | (3.7) | 11,683 | 7,703 | 51.7 |
| Adj. EPS | 14.0 | 17.1 | 16.3 | 21.7 | 20.9 | 49.6 | (3.7) | 42.6 | 25.5 | 66.8 |
| Margins (%) | Q2CY23 | Q3CY23 | Q4CY23 | Q1CY24 | Q2CY24 | YoY bps | QoQ bps | H1CY24 | H1CY23 | YoY bps |
| Gross | 36.5 | 36.7 | 37.5 | 40.2 | 42.8 | 631 | 261 | 41.5 | 36.4 | 506 |
| EBITDA | 13.9 | 15.8 | 15.1 | 18.3 | 19.2 | 526 | 82 | 18.7 | 12.9 | 585 |
| EBIT | 12.7 | 14.7 | 13.9 | 17.3 | 18.1 | 533 | 74 | 17.7 | 11.7 | 595 |
| EBT | 15.7 | 17.5 | 16.5 | 20.0 | 21.0 | 530 | 94 | 20.5 | 14.7 | 583 |
| PAT | 11.8 | 13.1 | 12.5 | 14.9 | 15.6 | 384 | 72 | 19.8 | 15.7 | 411 |
| Effective Tax rate | 24.8 | 25.2 | 23.9 | 25.5 | 25.5 | 70 | (7) | 25.5 | 25.0 | 52 |

Source: Company, PL

Exhibit 2: Strong margin improvement across segments

| Segment Performance | Q2CY23 | Q3CY23 | Q4CY23 | Q1CY24 | Q2CY24 | YoY gr. (%) | QoQ gr. (%) | H1CY24 | H1CY23 | YoY gr. (%) |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|---------------|---------------|----------------|
| Revenue (Rs mn) | | | | | | | | | | |
| Robotics & Discrete Automation | 1,225 | 1,183 | 1,077 | 1,092 | 843 | (31.2) | (22.8) | 1,934 | 1,901 | 1.8 |
| Motion | 9,173 | 9,810 | 9,146 | 10,128 | 10,758 | 17.3 | 6.2 | 20,886 | 18,895 | 10.5 |
| Electrification | 10,056 | 10,420 | 11,302 | 12,963 | 11,214 | 11.5 | (13.5) | 24,176 | 20,051 | 20.6 |
| Process Automation | 5,096 | 6,756 | 6,307 | 7,263 | 6,327 | 24.2 | (12.9) | 13,590 | 9,298 | 46.2 |
| Others | 53 | 24 | 29 | 26 | 44 | (17.2) | 72.2 | 69 | 72 | (3.1) |
| Less Intersegmental | (517) | (502) | (286) | (667) | (877) | 69.7 | 31.5 | (1,544) | (1,017) | 51.8 |
| Total | 25,086 | 27,692 | 27,575 | 30,804 | 28,309 | 12.8 | (8.1) | 59,112 | 49,198 | 20.2 |
| EBIT (Rs mn) | | | | | | | | | | |
| Robotics & Discrete Automation | 155 | 142 | 127 | 168 | 123 | (20.6) | (27.1) | 291 | 261 | 11.5 |
| Motion | 1,329 | 1,899 | 1,619 | 2,163 | 2,490 | 87.3 | 15.1 | 4,653 | 2,497 | 86.4 |
| Electrification | 1,640 | 2,011 | 2,148 | 3,078 | 2,594 | 58.2 | (15.7) | 5,672 | 3,586 | 58.2 |
| Process Automation | 568 | 983 | 810 | 1,181 | 1,023 | 80.3 | (13.4) | 2,204 | 956 | 130.5 |
| EBIT Margin (%) | | | | | | YoY bps | QoQ bps | | | YoY bps |
| Robotics & Discrete Automation | 12.6 | 12.0 | 11.8 | 15.4 | 14.6 | 196 | (85) | 15.1 | 13.7 | 131 |
| Motion | 14.5 | 19.4 | 17.7 | 21.4 | 23.1 | 865 | 178 | 22.3 | 13.2 | 906 |
| Electrification | 16.3 | 19.3 | 19.0 | 23.7 | 23.1 | 682 | (61) | 23.5 | 17.9 | 557 |
| Process Automation | 11.1 | 14.5 | 12.8 | 16.3 | 16.2 | 503 | (9) | 16.2 | 10.3 | 593 |

Source: Company, PL

Conference Call Highlights

- Order inflows grew 12.8% YoY in Q2CY24** with traction in large orders from emerging segments (data centers, renewables, electronics, rail & metro). Base orders were flat YoY owing to election-related slowdown, but are expected to pick up as the pipeline remains strong, especially in Tier 2/3 cities.
- Long-cycle orders constitute 40-45% of the order book**, and have an execution period of 15-18 months with price variation clauses built in. Balance 55-60% is short-cycle orders with an execution period of 6-9 months, majority of which are fixed-price contracts.
- Q2CY24 domestic/export revenue mix stood at 88%/12%**; product/service/project mix was 76%/12%/12%; and channel mix was 42%/34%/11%/13% across direct sales/partners/EPCs/OEMs.
- Revenue worth ~Rs2bn was postponed** on account of efforts to align deliveries with customers' project schedules as well as delays due to elections.
- Material cost savings drove margin improvement** (gross margin +630bps YoY). ~350bps came from external factors such as mix, pricing and market penetration, and balance from internal levers such as operational efficiencies, capacity utilization and supply chain localization. Rs95mn FX & commodity gains (vs Rs300mn loss in Q1CY24) also aided profitability.
- Electrification:** Order inflows grew 30% YoY to Rs14.3bn led by data centers and smart power, including large orders for power distribution solutions and higher service orders. Margin improved by 682bps YoY to 23.1% on the back of operating efficiency and better mix with execution of higher margin orders.

- **Motion:** Order inflows rose 18% YoY to Rs13.3bn driven by large orders for traction technology in rail & metro. Order book rose 54% YoY to an all-time high of Rs39bn, including a major order for traction converters in railways as well as a long-term service order. Excluding these, the order book was up 20-22% YoY. Q1CY24 saw higher revenue from propulsion equipment and high dynamic performance motors. Margin jumped by 865bps YoY to 23.1% aided by superior price realization, better mix, and FX gains. IE3&4 motors account for 52-53% of ABB's motor production, even though minimum efficiency norms in India are still at IE2, signifying customer focus on energy efficiency.
- **Process Automation:** Order inflows fell 32% YoY to Rs5.3bn with orders in chemicals and energy partly offsetting the absence of a large metal order from Q2CY23. Margin rose 503bps YoY to 16.2% aided by higher contribution from energy industries, services and exports. Momentum continues in energy and metals, while demand from minerals & mining is consolidating.
- **Robotics:** Order inflows jumped to Rs1.6bn (vs Rs610mn in Q2CY23) with momentum in auto sector driven by EVs. Margin rose 196bps YoY to 14.6% aided by higher share of service revenue.
- **Data Centers** was the highlight during the quarter, with momentum in smart power distribution and energy efficient technology. The segment is scaling up well, but there is still a long runway ahead with growing data consumption in India and policies that demands that data be stored within the country.

Financials

Income Statement (Rs m)

| Y/e Dec | CY23 | CY24E | CY25E | CY26E |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| Net Revenues | 1,04,465 | 1,28,233 | 1,59,765 | 1,92,556 |
| YoY gr. (%) | 21.9 | 22.8 | 24.6 | 20.5 |
| Cost of Goods Sold | 63,286 | 73,413 | 92,903 | 1,12,549 |
| Gross Profit | 41,180 | 54,819 | 66,862 | 80,007 |
| Margin (%) | 39.4 | 42.8 | 41.9 | 41.6 |
| Employee Cost | 7,152 | 8,399 | 10,225 | 12,131 |
| Other Expenses | 8,854 | 9,489 | 12,302 | 14,827 |
| EBITDA | 14,898 | 23,326 | 27,879 | 33,023 |
| YoY gr. (%) | 54.9 | 56.6 | 19.5 | 18.5 |
| Margin (%) | 14.3 | 18.2 | 17.5 | 17.2 |
| Depreciation and Amortization | 1,199 | 1,285 | 1,523 | 1,701 |
| EBIT | 13,699 | 22,041 | 26,356 | 31,322 |
| Margin (%) | 13.1 | 17.2 | 16.5 | 16.3 |
| Net Interest | 127 | 141 | 128 | 154 |
| Other Income | 3,017 | 3,334 | 3,834 | 4,621 |
| Profit Before Tax | 16,589 | 25,234 | 30,063 | 35,789 |
| Margin (%) | 15.9 | 19.7 | 18.8 | 18.6 |
| Total Tax | 4,107 | 6,359 | 7,576 | 9,019 |
| Effective tax rate (%) | 24.8 | 25.2 | 25.2 | 25.2 |
| Profit after tax | 12,482 | 18,875 | 22,487 | 26,770 |
| Minority interest | - | - | - | - |
| Share Profit from Associate | - | - | - | - |
| Adjusted PAT | 12,482 | 18,875 | 22,487 | 26,770 |
| YoY gr. (%) | 62.0 | 51.2 | 19.1 | 19.0 |
| Margin (%) | 11.9 | 14.7 | 14.1 | 13.9 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 12,482 | 18,875 | 22,487 | 26,770 |
| YoY gr. (%) | 21.7 | 51.2 | 19.1 | 19.0 |
| Margin (%) | 11.9 | 14.7 | 14.1 | 13.9 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 12,482 | 18,875 | 22,487 | 26,770 |
| Equity Shares O/s (m) | 212 | 212 | 212 | 212 |
| EPS (Rs) | 58.9 | 89.1 | 106.1 | 126.3 |

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

| Y/e Dec | CY23 | CY24E | CY25E | CY26E |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Non-Current Assets | | | | |
| Gross Block | 15,393 | 18,893 | 22,393 | 25,393 |
| Tangibles | 15,393 | 18,893 | 22,393 | 25,393 |
| Intangibles | - | - | - | - |
| Acc: Dep / Amortization | 5,638 | 6,922 | 8,445 | 10,146 |
| Tangibles | 5,638 | 6,922 | 8,445 | 10,146 |
| Intangibles | - | - | - | - |
| Net fixed assets | 9,755 | 11,970 | 13,948 | 15,246 |
| Tangibles | 9,755 | 11,970 | 13,948 | 15,246 |
| Intangibles | - | - | - | - |
| Capital Work In Progress | 784 | 784 | 784 | 784 |
| Goodwill | - | - | - | - |
| Non-Current Investments | 88 | 90 | 112 | 135 |
| Net Deferred tax assets | 1,027 | 1,027 | 1,027 | 1,027 |
| Other Non-Current Assets | 2,883 | 4,488 | 5,592 | 6,739 |
| Current Assets | | | | |
| Investments | - | - | 2,000 | 5,000 |
| Inventories | 15,608 | 18,971 | 23,199 | 27,433 |
| Trade receivables | 25,443 | 31,268 | 38,956 | 46,952 |
| Cash & Bank Balance | 48,162 | 51,842 | 57,796 | 65,346 |
| Other Current Assets | 4,476 | 5,770 | 7,988 | 9,628 |
| Total Assets | 1,08,985 | 1,29,159 | 1,54,528 | 1,82,269 |
| Equity | | | | |
| Equity Share Capital | 424 | 424 | 424 | 424 |
| Other Equity | 59,022 | 70,595 | 85,248 | 1,02,812 |
| Total Network | 59,446 | 71,019 | 85,672 | 1,03,235 |
| Non-Current Liabilities | | | | |
| Long Term borrowings | 289 | 289 | 289 | 289 |
| Provisions | - | - | - | - |
| Other non current liabilities | - | - | - | - |
| Current Liabilities | | | | |
| ST Debt / Current of LT Debt | 201 | 201 | 201 | 201 |
| Trade payables | 31,091 | 36,889 | 44,647 | 52,228 |
| Other current liabilities | 18,985 | 21,788 | 24,747 | 27,343 |
| Total Equity & Liabilities | 1,08,985 | 1,29,159 | 1,54,528 | 1,82,269 |

Source: Company Data, PL Research

Cash Flow (Rs m)

| Y/e Dec | CY23 | CY24E | CY25E | CY26E |
|--------------------------------------|----------------|----------------|----------------|----------------|
| PBT | 16,507 | 25,234 | 30,063 | 35,789 |
| Add. Depreciation | 1,199 | 1,285 | 1,523 | 1,701 |
| Add. Interest | 127 | 141 | 128 | 154 |
| Less Financial Other Income | 3,017 | 3,334 | 3,834 | 4,621 |
| Add. Other | (2,346) | - | - | - |
| Op. profit before WC changes | 15,486 | 26,660 | 31,713 | 37,645 |
| Net Changes-WC | 1,696 | (5,693) | (4,722) | (5,715) |
| Direct tax | (3,667) | (6,359) | (7,576) | (9,019) |
| Net cash from Op. activities | 13,515 | 14,608 | 19,416 | 22,911 |
| Capital expenditures | (1,846) | (3,500) | (3,500) | (3,000) |
| Interest / Dividend Income | 2,770 | - | - | - |
| Others | 40,432 | 16 | (2,000) | (3,000) |
| Net Cash from Inv. activities | 41,355 | (3,484) | (5,500) | (6,000) |
| Issue of share cap. / premium | - | - | - | - |
| Debt changes | (237) | - | - | - |
| Dividend paid | (2,331) | (7,302) | (7,834) | (9,207) |
| Interest paid | (127) | (141) | (128) | (154) |
| Others | - | - | - | - |
| Net cash from Fin. activities | (2,695) | (7,443) | (7,962) | (9,361) |
| Net change in cash | 52,176 | 3,680 | 5,954 | 7,550 |
| Free Cash Flow | 11,684 | 11,108 | 15,916 | 19,911 |

Source: Company Data, PL Research

Quarterly Financials (Rs m)

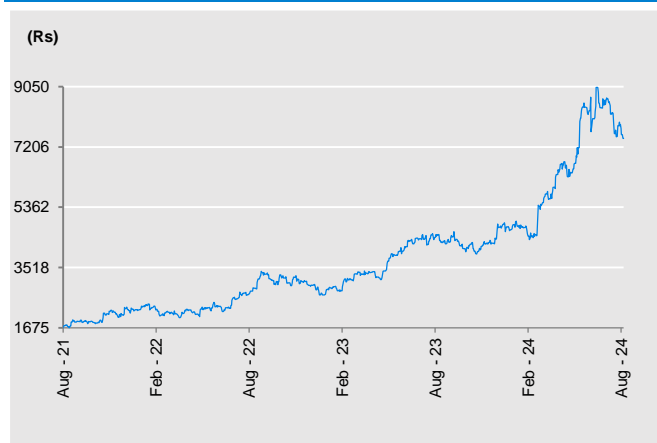
| Y/e Dec | Q3CY23 | Q4CY23 | Q1CY24 | Q2CY24 |
|-----------------------------------|---------------|---------------|---------------|---------------|
| Net Revenue | 27,692 | 27,575 | 30,804 | 28,309 |
| YoY gr. (%) | 30.6 | 13.6 | 27.8 | 12.8 |
| Raw Material Expenses | 16,842 | 16,461 | 17,612 | 15,250 |
| Gross Profit | 10,850 | 11,114 | 13,191 | 13,058 |
| Margin (%) | 39.2 | 40.3 | 42.8 | 46.1 |
| EBITDA | 4,385 | 4,172 | 5,652 | 5,425 |
| YoY gr. (%) | 107.9 | 14.5 | 98.1 | 55.6 |
| Margin (%) | 15.8 | 15.1 | 18.3 | 19.2 |
| Depreciation / Depletion | 303 | 329 | 314 | 310 |
| EBIT | 4,082 | 3,843 | 5,338 | 5,115 |
| Margin (%) | 14.7 | 13.9 | 17.3 | 18.1 |
| Net Interest | 9 | 82 | 38 | 45 |
| Other Income | 768 | 776 | 871 | 868 |
| Profit before Tax | 4,842 | 4,537 | 6,171 | 5,938 |
| Margin (%) | 17.5 | 16.5 | 20.0 | 21.0 |
| Total Tax | 1,222 | 1,085 | 1,575 | 1,511 |
| Effective tax rate (%) | 25.2 | 23.9 | 25.5 | 25.5 |
| Profit after Tax | 3,620 | 3,452 | 4,596 | 4,426 |
| Minority interest | - | - | - | - |
| Share Profit from Associates | - | - | - | - |
| Adjusted PAT | 3,620 | 3,452 | 4,596 | 4,426 |
| YoY gr. (%) | 114.5 | 12.8 | 87.5 | 49.6 |
| Margin (%) | 13.1 | 12.5 | 14.9 | 15.6 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 3,620 | 3,452 | 4,596 | 4,426 |
| YoY gr. (%) | 78.8 | 12.8 | 87.5 | 49.6 |
| Margin (%) | 13.1 | 12.5 | 14.9 | 15.6 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 3,620 | 3,452 | 4,596 | 4,426 |
| Avg. Shares O/s (m) | 212 | 212 | 212 | 212 |
| EPS (Rs) | 17.1 | 16.3 | 21.7 | 20.9 |

Source: Company Data, PL Research

Key Financial Metrics

| Y/e Dec | CY23 | CY24E | CY25E | CY26E |
|----------------------------|-------|-------|-------|-------|
| Per Share(Rs) | | | | |
| EPS | 58.9 | 89.1 | 106.1 | 126.3 |
| CEPS | 64.6 | 95.1 | 113.3 | 134.4 |
| BVPS | 280.5 | 335.2 | 404.3 | 487.2 |
| FCF | 55.1 | 52.4 | 75.1 | 94.0 |
| DPS | 29.3 | 35.6 | 42.4 | 50.5 |
| Return Ratio(%) | | | | |
| RoCE | 25.0 | 33.5 | 33.4 | 33.0 |
| ROIC | 154.6 | 118.8 | 103.5 | 95.2 |
| RoE | 22.9 | 28.9 | 28.7 | 28.3 |
| Balance Sheet | | | | |
| Net Debt : Equity (x) | (0.8) | (0.7) | (0.7) | (0.7) |
| Net Working Capital (Days) | 35 | 38 | 40 | 42 |
| Valuation(x) | | | | |
| PER | 135.3 | 89.5 | 75.1 | 63.1 |
| P/B | 28.4 | 23.8 | 19.7 | 16.4 |
| P/CEPS | 123.5 | 83.8 | 70.4 | 59.3 |
| EV/EBITDA | 110.2 | 70.2 | 58.5 | 49.0 |
| EV/Sales | 15.7 | 12.8 | 10.2 | 8.4 |
| Dividend Yield (%) | 0.4 | 0.4 | 0.5 | 0.6 |

Source: Company Data, PL Research

Price Chart
Recommendation History


| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|------------|----------|-------------------|
| 1 | 08-Jul-24 | Accumulate | 8,400 | 8,679 |
| 2 | 14-May-24 | Accumulate | 8,400 | 7,984 |
| 3 | 12-Apr-24 | Accumulate | 5,331 | 6,645 |
| 4 | 22-Feb-24 | Accumulate | 5,329 | 4,985 |
| 5 | 09-Jan-24 | Accumulate | 4,984 | 4,753 |
| 6 | 09-Nov-23 | Accumulate | 4,950 | 4,311 |
| 7 | 05-Oct-23 | Accumulate | 5,013 | 4,068 |
| 8 | 12-Aug-23 | Accumulate | 5,013 | 4,511 |

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|----------------------------------|------------|---------|------------------|
| 1 | ABB India | Accumulate | 8,400 | 8,679 |
| 2 | Apar Industries | Accumulate | 10,399 | 9,110 |
| 3 | BEML | Accumulate | 4,484 | 3,914 |
| 4 | Bharat Electronics | Accumulate | 341 | 321 |
| 5 | BHEL | Reduce | 264 | 309 |
| 6 | Carborundum Universal | Hold | 1,650 | 1,719 |
| 7 | Cummins India | Hold | 3,719 | 4,134 |
| 8 | Engineers India | Hold | 264 | 268 |
| 9 | GE T&D India | Hold | 1,601 | 1,585 |
| 10 | Grindwell Norton | Accumulate | 2,749 | 2,650 |
| 11 | Harsha Engineers International | Hold | 436 | 572 |
| 12 | Hindustan Aeronautics | Hold | 4,515 | 5,552 |
| 13 | Kalpataru Projects International | Accumulate | 1,413 | 1,327 |
| 14 | KEC International | Hold | 880 | 874 |
| 15 | Larsen & Toubro | BUY | 4,130 | 3,519 |
| 16 | Praj Industries | BUY | 804 | 700 |
| 17 | Siemens | Accumulate | 7,030 | 7,884 |
| 18 | Thermax | Reduce | 4,237 | 4,984 |
| 19 | Triveni Turbine | BUY | 719 | 619 |
| 20 | Voltamp Transformers | Accumulate | 14,922 | 14,174 |

PL's Recommendation Nomenclature (Absolute Performance)

| | |
|--------------------------|-----------------------------------|
| Buy | : > 15% |
| Accumulate | : 5% to 15% |
| Hold | : +5% to -5% |
| Reduce | : -5% to -15% |
| Sell | : < -15% |
| Not Rated (NR) | : No specific call on the stock |
| Under Review (UR) | : Rating likely to change shortly |



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We/I, Mr. Amit Anwani- MBA (Finance), Mr. Shirom Kapur- BSc, Passed CFA Level III, Mr. Prathmesh Salunkhe- MBA Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

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