

November 6, 2024

Q3CY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	CY25E	CY26E	CY25E	CY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	8,133		8,833	
Sales (Rs. m)	1,45,351	1,74,320	1,59,765	1,92,556
% Chng.	(9.0)	(9.5)		
EBITDA (Rs. m)	25,945	30,767	27,879	33,023
% Chng.	(6.9)	(6.8)		
EPS (Rs.)	99.3	117.6	106.1	126.3
% Chng.	(6.4)	(6.9)		

Key Financials - Standalone

Y/e Dec	CY23	CY24E	CY25E	CY26E
Sales (Rs. m)	1,04,465	1,21,545	1,45,351	1,74,320
EBITDA (Rs. m)	14,898	22,753	25,945	30,767
Margin (%)	14.3	18.7	17.9	17.7
PAT (Rs. m)	12,482	18,387	21,041	24,916
EPS (Rs.)	58.9	86.8	99.3	117.6
Gr. (%)	62.0	47.3	14.4	18.4
DPS (Rs.)	29.3	34.7	39.7	47.0
Yield (%)	0.4	0.5	0.6	0.7
RoE (%)	22.9	28.3	27.2	27.1
RoCE (%)	25.0	32.8	31.5	31.4
EV/Sales (x)	14.0	12.0	10.0	8.3
EV/EBITDA (x)	98.3	64.1	56.0	46.9
PE (x)	121.1	82.2	71.8	60.7
P/BV (x)	25.4	21.4	18.0	15.1

Key Data

ABB.BO | ABB IN

52-W High / Low	Rs.9,200 / Rs.4,141
Sensex / Nifty	79,477 / 24,213
Market Cap	Rs.1,512bn / \$ 17,971m
Shares Outstanding	212m
3M Avg. Daily Value	Rs.2611.88m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	12.28
Domestic Institution	5.42
Public & Others	7.30
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(10.1)	6.5	71.2
Relative	(7.6)	(1.0)	38.6

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Mixed Q3; large order execution in focus

Quick Pointers:

- Higher share of large orders led to lower revenue growth in Q3CY24
- Base order inflow increased 11.4% YoY at Rs27.2bn, while large orders rose 10.9% YoY to Rs6.2bn

We revise our CY24/25E EPS estimates by -2.6%/-6.4% factoring in slower execution due to increasing share of large orders. ABB India (ABB) reported mixed quarterly performance with revenue growing 5.2% YoY and EBITDA margin expanding by 271bps YoY to 18.6%. Domestic demand outlook remains strong, fueled by growth in data centers, O&G investments, and electronics, and rising demand for propulsion systems and traction motors from rail and metro sectors. Higher capacity utilization, stable input costs, and increasing share of exports are expected to support margin expansion. Additionally, a higher share of large orders reflects increasing public and private capital expenditure, which may extend the average execution cycle in the near term.

We remain positive on ABB given 1) increasing traction for energy efficient and premium quality products, 2) resilient business model, 3) focus on high-growth areas such as data centers, rail & metro, renewables and electronics, and 4) strong domestic order pipeline. The stock is trading at a P/E of 82.2x/71.8x/60.7x CY24/25/26E. We maintain 'Accumulate' rating with a revised TP of Rs8,133 (Rs8,833 earlier) valuing it at a P/E of 75x Jun'26E (76x Jun'26E earlier).

Higher share of large orders led to lower revenue growth: Revenue rose 5.2% YoY to Rs29.1bn (PLe: Rs33.0bn) led by healthy execution in Electrification and Motion, partly offset by de-growth in Robotics and Automation. Robotics revenue fell by 5.9% YoY to Rs1.1bn, while Motion revenue went up by 10.0% YoY to Rs10.8bn aided by higher revenue from traction motors and drives. Electrification revenue increased 10.7% YoY to Rs11.5bn driven by better execution, while Automation revenue declined by 11.7% YoY to Rs6.0bn. EBITDA rose 23.2% YoY to Rs5.4bn (PLe: Rs6.5bn) with EBITDA margin rising by 271bps YoY to 18.6% (PLe: 19.8%) driven by better gross margin performance, partially offset by higher other expenses (up 341bps YoY % of sales). Operational EBITA margin expanded by 338bps YoY to 16.4%. Electrification EBIT margin rose to 20.8% (vs 19.3% in Q3CY23); Automation margin came in at 19.2% (vs 14.5%); Motion margin jumped to 23.1% (vs 19.4%); and Robotics margin stood at 14.7% (vs 12.0%). PAT rose 21.7% YoY to Rs4.4bn (PLe: Rs5.2bn) driven by higher operating profitability.

Order book stands at Rs1.0trn (0.9x TTM revenue): Q3CY24 order inflow grew 11.3% YoY to Rs33.4bn led by Electrification (+71.1% YoY), while Robotics and Motion were down 35.3% & 26.0%, respectively, against a higher base. Automation order inflow declined by 5.7% YoY to Rs5.0bn. Growth was driven by data centers, power T&D and railways. Motion constituted 40% of the order book; Automation, 24%; Electrification, 33%; and Robotics, 3%. Base/Large order book mix stood at 75%/25%.

Exhibit 1: Better operating performance led to adj. PAT growth of 21.7% YoY to Rs4.4bn.

Y/e Dec (Rs mn)	Q3CY24	Q3CY23	YoY gr.	Q3CY24E	% Var.	Q2CY24	QoQ gr.	9MICY24	9MICY23	YoY gr.
Revenue	29,122	27,692	5.2%	33,006	-11.8%	28,309	2.9%	88,234	76,890	14.8%
Gross Profit	12,636	10,170	24.3%	13,863	-8.8%	12,130	4.2%	37,162	28,092	32.3%
Margin (%)	43.4	36.7	667	42.0	139.2	42.8	54	42.1	36.5	558
Employee Cost	2,031	1,780	14.1%	2,159	-5.9%	2,030	0.0%	6,272	5,339	17.5%
as % of sales	7.0	6.4	55	6.5	43.4	7.2	(20)	7.1	6.9	17
Other expenditure	5,203	4,005	29.9%	5,182	0.4%	4,675	11.3%	14,411	12,027	19.8%
as % of sales	17.9	14.5	341	15.7	216.7	16.5	135	16.3	15.6	69
EBITDA	5,402	4,385	23.2%	6,522	-17.2%	5,425	-0.4%	16,479	10,726	53.6%
Margin (%)	18.6	15.8	271	19.8	(121.0)	19.2	(61)	18.7	13.9	473
Depreciation	328	303	8.4%	330	-0.5%	310	6.0%	952	870	9.4%
EBIT	5,074	4,082	24.3%	6,192	-18.1%	5,115	-0.8%	15,527	9,856	57.5%
Margin (%)	17.4	14.7	268	18.8	(133.7)	18.1	(65)	17.6	12.8	478
Other Income	929	768	20.9%	890	4.4%	868	7.1%	2,668	2,241	19.0%
Interest	30	9	240.9%	45	-33.3%	45	-33.5%	113	45	151.6%
PBT (ex. Extra-ordinaries)	5,973	4,842	23.4%	7,037	-15.1%	5,938	0.6%	18,081	12,052	50.0%
Margin (%)	20.5	17.5	303	21.3	(81.0)	21.0	(46)	20.5	15.7	482
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT	5,973	4,842	23.4%	7,037	-15.1%	5,938	0.6%	18,081	12,052	50.0%
Total Tax	1,568	1,222	28.3%	1,794	-	1,511	3.8%	4,654	3,022	54.0%
Effective Tax Rate (%)	26.3	25.2	102	25.5	75.4	25.5	80	25.7	25.1	67
Reported PAT	4,405	3,620	21.7%	5,243	-16.0%	4,426	-0.5%	13,427	9,030	48.7%
Adj. PAT	4,405	3,620	21.7%	5,243	-16.0%	4,426	-0.5%	13,427	9,030	48.7%
Margin (%)	15.1	13.1	205	15.9	(75.8)	15.6	(51)	15.2	11.7	347
Adj. EPS	20.8	17.1	21.7%	24.7	-16.0%	20.9	-0.5%	63.4	42.6	48.7%

Source: Company, PL

Exhibit 2: Motion and Industrial Automation margins expanded by 377bps and 466bps respectively.

Y/e Dec (Rs mn)	Q3CY24	Q3CY23	YoY gr.	Q3CY24E	% Var.	Q2CY24	QoQ gr.	9MICY24	9MICY23	YoY gr.
Revenue										
Robotics & Discrete Automation	1,113	1,183	-5.9%	1,178	-5.5%	843	32.1%	3,047	3,084	-1.2%
Motion	10,795	9,810	10.0%	12,576	-14.2%	10,758	0.3%	31,681	28,705	10.4%
Electrification	11,540	10,420	10.7%	14,446	-20.1%	11,214	2.9%	35,716	30,471	17.2%
Industrial Automation	5,963	6,756	-11.7%	5,623	6.0%	6,327	-5.8%	19,553	16,054	21.8%
Others	47	24	90.6%	30	55.0%	44	5.9%	116	96	20.7%
Less : Inter segment revenues (continuing)	335	502	-33.2%	846	-60.4%	877	-61.8%	1,879	1,519	23.7%
Total	29,122	27,692	5.2%	33,006	-11.8%	28,309	2.9%	88,234	76,890	14.8%
EBIT										
Robotics & Discrete Automation	163	142	15.3%	-	-	123	32.9%	454	403	12.8%
Motion	2,496	1,899	31.5%	-	-	2,490	0.2%	7,149	4,395	62.7%
Electrification	2,397	2,011	19.2%	-	-	2,594	-7.6%	8,069	5,598	44.1%
Industrial Automation	1,145	983	16.5%	-	-	1,023	11.9%	3,349	1,939	72.7%
EBIT Margin (%)										
Robotics & Discrete Automation	14.7%	12.0%	269	-	-	14.6%	9	14.9%	13.1%	185
Motion	23.1%	19.4%	377	-	-	23.1%	(2)	22.6%	15.3%	725
Electrification	20.8%	19.3%	147	-	-	23.1%	(236)	22.6%	18.4%	422
Industrial Automation	19.2%	14.5%	466	-	-	16.2%	304	17.1%	12.1%	505

Source: Company, PL

Conference Call Highlights

- **Order inflow grew 11.3% YoY in Q3CY24** with traction in both large and base orders (up 10.9% & 11.4% YoY, respectively) from data centers, railways, electronics, etc. The management believes Rs25-30bn base order intake band is healthy for its current capacities.
- **Large orders with execution period longer than 12 months constituted ~25% of the order book**, while the remaining consisted of base orders with execution period ranging from 3-12 months.
- **Q3CY24 domestic/export revenue mix stood at 88%/12%**; product/service/project mix was 76%/12%/12%; and channel mix was 37%/43%/9%/11% across direct sales/partners/EPCs/OEMs.
- **Electrification:** Order inflow grew 71% YoY to Rs17.7bn led by data centers, railways, and export orders. Revenue grew 10.7% YoY to Rs11.5bn driven by higher revenue across divisions and better contribution from exports and services. The management expects further revenue growth with execution ramp-up of large orders.
- **Motion:** Order inflow declined 26% YoY to Rs10.5bn due to a large order booked in Q3CY23. The segment reached 10GW milestone in renewable energy automation solutions, and optimizing solar, wind, and battery storage systems. Revenue grew 10% YoY aided by higher revenue in traction motors, system drives and drive products along with better contribution from exports and services. LT motors continued to face pricing headwinds. However, the management believes that pricing erosion has ended and demand prospects remain strong aided by ABB's market leading position in IE3&4 motors and public capex.
- **Process Automation:** Order inflow fell 6% YoY to Rs5.0bn due to two major system orders booked in Q3CY23. The company also had some orders slipped to the next quarter due to decision delay from metals and O&G sectors. O&G is a significant contributor to revenue and orders and has a robust outlook driven by refinery expansions and private sector capex, while Automation continues to see demand uptick from process industries like cement and aluminum, and energy. The company also has export allocations for the energy business and process industry and can cater to export regions like the Middle East and Africa.
- **Robotics:** Order inflow fell 35% YoY to Rs750mn due to higher inflows from automotive and electronics sectors in same quarter last year. Decision making delays also led to lower intake, which is anticipated to catch up in coming quarters. Robotics continued to see better execution and higher margins from Automotive orders. Overall opportunity pipeline remains healthy.
- **High-growth segments driving growth**, with data centers, railways & metros, and electronics sectors registering 20%+ CAGR. Data centers are seeing demand uptick for smart power distribution and energy efficient technology, while transportation is seeing demand uptick for propulsion equipment, battery chargers and composite converters from railways and metros. These high-growth sectors contribute to 15-20% of the total order pipeline for ABB.

Financials

Income Statement (Rs m)

Y/e Dec	CY23	CY24E	CY25E	CY26E
Net Revenues	1,04,465	1,21,545	1,45,351	1,74,320
YoY gr. (%)	21.9	16.3	19.6	19.9
Cost of Goods Sold	63,286	67,713	83,940	1,01,193
Gross Profit	41,180	53,832	61,411	73,127
Margin (%)	39.4	44.3	42.3	42.0
Employee Cost	7,152	8,289	9,302	10,808
Other Expenses	8,854	9,894	11,192	13,423
EBITDA	14,898	22,753	25,945	30,767
YoY gr. (%)	54.9	52.7	14.0	18.6
Margin (%)	14.3	18.7	17.9	17.7
Depreciation and Amortization	1,199	1,285	1,478	1,676
EBIT	13,699	21,469	24,467	29,092
Margin (%)	13.1	17.7	16.8	16.7
Net Interest	127	134	116	139
Other Income	3,017	3,379	3,779	4,358
Profit Before Tax	16,589	24,714	28,130	33,310
Margin (%)	15.9	20.3	19.4	19.1
Total Tax	4,107	6,327	7,089	8,394
Effective tax rate (%)	24.8	25.6	25.2	25.2
Profit after tax	12,482	18,387	21,041	24,916
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	12,482	18,387	21,041	24,916
YoY gr. (%)	62.0	47.3	14.4	18.4
Margin (%)	11.9	15.1	14.5	14.3
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	12,482	18,387	21,041	24,916
YoY gr. (%)	21.7	47.3	14.4	18.4
Margin (%)	11.9	15.1	14.5	14.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,482	18,387	21,041	24,916
Equity Shares O/s (m)	212	212	212	212
EPS (Rs)	58.9	86.8	99.3	117.6

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	8,400	10,076
Tangibles	5,638	6,922	8,400	10,076
Intangibles	-	-	-	-
Net fixed assets	9,755	11,970	13,992	15,316
Tangibles	9,755	11,970	13,992	15,316
Intangibles	-	-	-	-
Capital Work In Progress	784	784	784	784
Goodwill	-	-	-	-
Non-Current Investments	88	85	102	122
Net Deferred tax assets	1,027	1,027	1,027	1,027
Other Non-Current Assets	2,883	4,254	5,087	6,101
Current Assets				
Investments	-	-	2,000	5,000
Inventories	15,608	17,982	21,106	24,835
Trade receivables	25,443	29,637	35,442	42,505
Cash & Bank Balance	48,162	52,426	58,307	65,216
Other Current Assets	4,476	5,470	7,268	8,716
Total Assets	1,08,985	1,26,376	1,47,866	1,73,128
Equity				
Equity Share Capital	424	424	424	424
Other Equity	59,022	70,107	83,509	99,797
Total Networkth	59,446	70,531	83,933	1,00,221
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	34,965	40,619	47,281
Other current liabilities	18,985	21,417	23,851	26,163
Total Equity & Liabilities	1,08,985	1,26,376	1,47,866	1,73,128

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Dec	CY23	CY24E	CY25E	CY26E
PBT	16,507	24,714	28,130	33,310
Add. Depreciation	1,199	1,285	1,478	1,676
Add. Interest	127	134	116	139
Less Financial Other Income	3,017	3,379	3,779	4,358
Add. Other	(2,346)	-	-	-
Op. profit before WC changes	15,486	26,132	29,724	35,126
Net Changes-WC	1,696	(4,621)	(3,500)	(5,054)
Direct tax	(3,667)	(6,327)	(7,089)	(8,394)
Net cash from Op. activities	13,515	15,185	19,136	21,677
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 Invt. activities	41,355	(3,484)	(5,500)	(6,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(237)	-	-	-
Dividend paid	(2,331)	(7,302)	(7,639)	(8,628)
Interest paid	(127)	(134)	(116)	(139)
Others	-	-	-	-
Net cash from Fin. activities	(2,695)	(7,436)	(7,755)	(8,768)
Net change in cash	52,176	4,264	5,881	6,909
Free Cash Flow	11,684	11,685	15,636	18,677

Source: Company Data, PL Research

Key Financial Metrics

Y/e Dec	CY23	CY24E	CY25E	CY26E
Per Share(Rs)				
EPS	58.9	86.8	99.3	117.6
CEPS	64.6	92.8	106.3	125.5
BVPS	280.5	332.8	396.1	473.0
FCF	55.1	55.1	73.8	88.1
DPS	29.3	34.7	39.7	47.0
Return Ratio(%)				
RoCE	25.0	32.8	31.5	31.4
ROIC	154.6	122.4	105.1	97.4
RoE	22.9	28.3	27.2	27.1
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	121.1	82.2	71.8	60.7
P/B	25.4	21.4	18.0	15.1
P/CEPS	110.5	76.8	67.1	56.8
EV/EBITDA	98.3	64.1	56.0	46.9
EV/Sales	14.0	12.0	10.0	8.3
Dividend Yield (%)	0.4	0.5	0.6	0.7

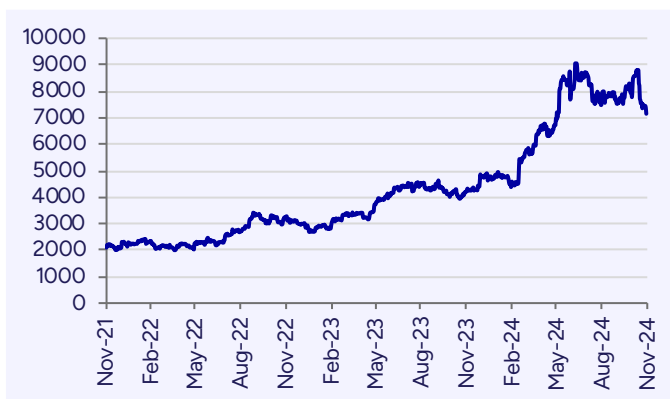
Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Dec	Q4CY23	Q1CY24	Q2CY24	Q3CY24
Net Revenue	27,575	30,804	28,309	29,122
YoY gr. (%)	13.6	27.8	12.8	5.2
Raw Material Expenses	16,461	17,612	15,250	15,817
Gross Profit	11,114	13,191	13,058	13,305
Margin (%)	40.3	42.8	46.1	45.7
EBITDA	4,172	5,652	5,425	5,402
YoY gr. (%)	14.5	98.1	55.6	23.2
Margin (%)	15.1	18.3	19.2	18.6
Depreciation / Depletion	329	314	310	328
EBIT	3,843	5,338	5,115	5,074
Margin (%)	13.9	17.3	18.1	17.4
Net Interest	82	38	45	30
Other Income	776	871	868	929
Profit before Tax	4,537	6,171	5,938	5,973
Margin (%)	16.5	20.0	21.0	20.5
Total Tax	1,085	1,575	1,511	1,568
Effective tax rate (%)	23.9	25.5	25.5	26.3
Profit after Tax	3,452	4,596	4,426	4,405
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,452	4,596	4,426	4,405
YoY gr. (%)	12.8	87.5	49.6	21.7
Margin (%)	12.5	14.9	15.6	15.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,452	4,596	4,426	4,405
YoY gr. (%)	12.8	87.5	49.6	21.7
Margin (%)	12.5	14.9	15.6	15.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,452	4,596	4,426	4,405
Avg. Shares O/s (m)	212	212	212	212
EPS (Rs)	16.3	21.7	20.9	20.8

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-24	Accumulate	8,833	7,930
2	12-Aug-24	Accumulate	8,833	7,972
3	08-Jul-24	Accumulate	8,400	8,679
4	14-May-24	Accumulate	8,400	7,984
5	12-Apr-24	Accumulate	5,331	6,645
6	22-Feb-24	Accumulate	5,329	4,985
7	09-Jan-24	Accumulate	4,984	4,753
8	09-Nov-23	Accumulate	4,950	4,311

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,833	7,930
2	Apar Industries	Accumulate	10,353	9,430
3	BEML	Accumulate	4,484	3,664
4	Bharat Electronics	BUY	341	270
5	BHEL	Accumulate	260	230
6	Carborundum Universal	Accumulate	1,601	1,401
7	Cummins India	Accumulate	4,081	3,624
8	Engineers India	BUY	247	187
9	GE T&D India	Hold	1,601	1,661
10	Grindwell Norton	BUY	2,528	2,151
11	Harsha Engineers International	Hold	566	502
12	Hindustan Aeronautics	Hold	4,515	4,257
13	Kalpataru Projects International	Accumulate	1,368	1,242
14	KEC International	Hold	880	1,032
15	Larsen & Toubro	BUY	4,088	3,408
16	Praj Industries	BUY	804	700
17	Siemens	Accumulate	7,374	7,247
18	Thermax	Reduce	4,186	5,193
19	Triveni Turbine	BUY	719	671
20	Voltamp Transformers	BUY	14,326	10,516

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

ANALYST CERTIFICATION

(Indian Clients)

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