

ABB India records its highest ever order backlog of ~99,950 Mn at the end of Q3CY24. Also, the quarter has seen a growth of 5%/23%/22% increase in topline/EBITDA & PAT on a YoY basis, while sequentially the results were flattish. ABB's new order inflows have grown at ~22% CAGR from (CY21- CY24e) while the backlog has seen a growth of ~24% CAGR from Sep-22 to Sep-24. After a steady compounding in order inflows & backlog, we might see some consolidation for a couple of quarters but broad-based buoyancy in capex from government & private sector keeps the management bullish for future growth in order momentum, backlog & earnings.

Key takeaways from the concall

- ~25% of the ~99,950 Mn order backlog now pertains to large orders - which takes ~18-24 months to convert into revenue. Larger
- These large project orders mainly pertain to traction equipment orders on the **Railways side**, Distribution solutions related orders from **Data Centers** for Electrification segment, from **Oil & Gas & Metals & mining sectors** in the Process Automation division
- Base order comprise the balance 75% of the order backlog, implying a healthy demand of short cycle & long cycle products.
- ABB's large orders currently are very high-value add in nature thus strong margins to continue even for long cycle projects.
- In the Process Automation Segment - ABB expects strong traction from Oil & Gas sector & Metals & mining in coming quarters.

Financial Summary

Y/E Mar (Rs mn)	CY21	CY22	CY23	CY24E	CY25E	CY26E
Net sales	69,340	85,675	1,04,465	1,23,911	1,46,099	1,74,767
EBIDTA	5,567	9,619	14,898	23,001	27,797	33,689
Margins (%)	8.0	11.2	14.3	18.6	19.0	19.3
Adjusted net profit	5,197	10,162	12,421	18,922	22,839	27,544
EPS (Rs)	24.5	47.9	58.6	89.3	107.7	129.9
P/E (x)	291	149	122	80	66	55
EV/EBITDA(x)	270	154	101	64	52	43
RoCE (%)	13.70%	19.39%	24.94%	31.69%	31.12%	30.39%
RoE (%)	12.85%	20.57%	20.89%	26.22%	25.74%	25.04%

Source: Company, Dalal & Broacha Research

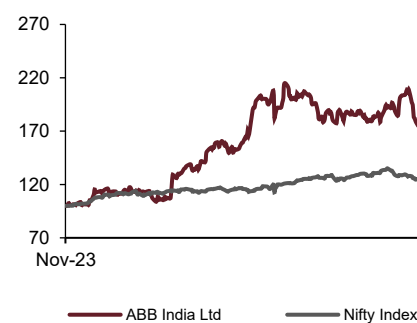
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	8,318	17

Market Data

Current price	Rs	7,133
Market Cap (Rs.Bn)	(Rs Bn)	1,512
Market Cap (US\$ Mn)	(US\$ Mn)	17,970
Face Value	Rs	2
52 Weeks High/Low	Rs	9200 / 4141.3
Average Daily Volume	('000)	341
BSE Code		500002
Bloomberg		ABB.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-24	Mar-24
Promoters	75.00	75.00
Public	25.00	25.00
Total	100	100

Source: BSE

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- In the Motion segment- in LT motors vertical ABB is facing pricing issues as well as losing market share due to slowdown in underlying demand. However, ABB expects situation to only improve from here since demand for LT motors as a product cannot evaporate & is bound to revive sooner than later.

Key Sectors Driving order flows:

- **Data centers, Railway/metro, Electronics are the high growth segments for ABB-** (currently comprising 15-20% of the full revenue)- is growing north of 20% within ABB's orderbook & topline
- **Renewables, Automotive, Water & wastewater, warehousing & logistics** (currently comprising 25-30% of of ABB's revenues) are currently growing between 10-15% for ABB Ltd.
- **Textiles, rubber & plastics, metals & mining, pharma** (currently comprising 45-50% of the full business) are segments growing slowly currently but have historically been strong & continue to contribute significantly to ABB's orderbook

Financial Metrics

- Revenue at Rs 29,122 Mn vs Rs 27692 Mn (+5% YoY) vs Rs 28,309 Mn (+3% QoQ) ||
- EBITDA at Rs 5402 Mn vs Rs 4385 Mn (+23% YoY) vs ₹5425Mn (0% QoQ)
- EBITDA Margin at 18.6% vs 15.8% (YoY) vs 19.2% (QoQ)
- PBT Rs 5973 Mn vs Rs 4841 Mn(+23% YoY) vs Rs 5938 Mn (+1% QoQ)
- EPS at Rs 20.79 vs ₹ 17.07 (YoY) vs ₹20.88 (QoQ)
- Order inflows 33,420 Mn vs 30040 Mn (+11% YoY) vs 34350 (-3% QoQ)

Segmental

Electrification: (39% of Income)

- **Orders Inflows** saw a 71% jump from 10,320 Mn to YoY to Rs 17,760 Mn on a YoY Basis on account of some large orders from data centers, railways & exports.
- **Record Order backlog** grew by 64% YoY to Rs 34,260 Mn
- **Revenues** grew by 11% YoY owing to strong backlog execution of system.
- **PBIT margins** of 20.8% vs 19.3% YoY and 23.1% QoQ .

Motion (37% of Income)

- **New Orders** down by 26% YoY mainly due to a large order was received in the Railways for traction motors. Base orders have still gone up on a YoY basis.
- **Record Order backlog in Motion Segment** which grew by 30% YoY Rs 39,090 Mn since certain orders are in the nature of project orders

- **Revenues** improved by 10% YoY to Rs 10,790 Mn
- **Significant improvement in PBIT margins** 23.1% v/s 19.4 YoY and 23.1% QoQ due to better price realisations for drives.

Process Automation (20% of Income)

- **New Orders** decreased by 6% YoY. Major orders this quarter were from Oil & Gas sector.
- **Order backlog** has gone down 12% to 24560 Mn on a YoY Basis
- **Revenue** also decreased by 12% on a YoY basis -due to execution of a large system order last year in Q3.
- **Improvement in PBIT margins** 19.2% v/s 14.5% YoY and 16.2% QoQ - due to higher services contribution in the revenue mix.

Robotics (4% of Income)

- **Orders received** have decreased by 35% YoY to Rs 75 Mn due to the high base effect on account of some large orders on the Automotive side in last year.
- **Order backlog** increased by 16% YoY to Rs 26600 Mn
- **Revenue** saw a slight degrowth of 6% YoY to Rs 1110 mn
- **PBIT margins** 14.7% v/s 12% YoY and 14.7% QoQ

Breakup by Mode of Offering:

- **71% of revenue is from short cycle Products as against 78% in Q1CY23:** in the nature of fast moving industrial goods with a shorter turnaround time
- **16% of Revenues in the nature of services as against 13% in Q1CY23:** higher share of services will help ABB to drive their margins forward
- **14% by nature of projects as against 9% in Q1CY22-** these are orders with a longer gestation period & provide a certain level of consistency in revenues over time. **The current order backlog of 89,350 Mn contains almost 40% of the orders in the nature of projects which generally convert to revenue over a period of 18-24 months.**

Geographical Breakup:

- **Domestic share in revenue - 88% vs 90%(YoY) - indicating majority of growth coming from India Business.**
- **Share of Exports in revenue 12% vs 10%(YoY)-** on absolute levels exports have increased, however due to high growth in India - relatively share of exports has gone down.

Valuation & Outlook

Looking at the emphasis placed by Government on infra & capex push in the previous 2 budgets, The capex cycle in India has just begun & the capital goods sector looks structurally strong after years of volatility. Themes like **Datacenters** (expected to grow at **25% CAGR**), **waste water management** (growing at **10% CAGR**), **electronics** & ancilliary component manufacturing (growing at **30% CAGR** due to the PLI incentive scheme) are picking up at rapid pace. The Indian economy is further bolstered by expedite growth in **Railways & metro segment (growing at >15% CAGR)** & growth in **building construction & infra**.

ABB India's product profile, reputation, brand presence & technology places it in a sweet spot to seize this growth story & generate sizeable profits, high free cashflow generation & superior RoCE in the forthcoming years

At CMP of Rs 7,313 it trades at 90xTTM EPS ; 80x CY24E EPS of Rs.89.3 and 66x CY25E EPS of Rs.107.7 & 55x CY26e EPS of Rs 129.9 . We have assigned a target price of Rs 8,318 valuing the stock at 70x Sep-26e EPS of Rs 118.8. Considering the recent run-up in the prices we maintain our "Accumulate" Rating on the stock.

Quarterly Financials

Particulars (Rs Mns)	Q4CY23	Q1CY24	Q2CY24	Q3CY24	growth	Growth
Revenue from Operations	27,575	30,804	28,309	29,122	5%	3%
Other Income	776	871	868	929	21%	7%
Total Mfg cost	16,461	17,612	15,250	15,817	-6%	4%
Subcontracting expenses	766	796	928	669	-2%	-28%
Employee Benefits Expense	1,813	2,211	2,030	2,031	14%	0%
Other Expenses	4,364	4,533	4,675	5,203	30%	11%
Total Expenses	23,403	25,152	22,884	23,719	2%	4%
EBITDA (Excluding Other Income)	4172	5652	5425	5402	23%	0%
Depreciation and Amortisation Expenses	329	314	310	328	8%	6%
EBIT / PBIT	4619	6209	5983	6003	24%	0%
Finance Costs	82	38	45	30	233%	-33%
EBT/ PBT (excluding exceptional items)	4537	6171	5938	5973	23%	1%
Exceptional Items*	-	-	-	-		-
PBT Including exceptional items	4537	6171	5938	5973	23%	1%
Tax Expense	1,085	1,575	1,511	1,568	28%	4%
PAT from Continuing Operations after Tax	3452	4596	4426	4405	22%	0%
Earning Per Share (EPS)	16.28	21.68	20.88	20.78	22%	0%
Orderbook(%)						
Order Inflows	31,470	36,070	34,350	33,420	11%	-2.71%
Order Backlog	84,040	89,350	95,170	99,950	25%	5.02%
Margins (%) (In bps)						
Gross Margins	40.3%	42.8%	46.1%	45.7%	651	-44
EBITDA Margins (Excl Other Income)	15.1%	18.3%	19.2%	18.6%	272	-61
PBT Margins before exceptional items	16.0%	19.5%	20.4%	19.9%	287	-48
PAT Margins	12.2%	14.5%	15.2%	14.7%	194	-51
As a % to sales						
Mfg Cost as a % to sales	59.7%	57.2%	53.9%	54.3%	-651	44
EE & Subcon Cost as a % to sales	9.3%	9.8%	10.4%	9.3%	39	-118
Other exps as a % to sales	15.8%	14.7%	16.5%	17.9%	340	135
Segmental Revenue (incl. Intersegment)						
Electrification	11,302	12,963	11,214	11,540	11%	3%
Motion	9,146	10,128	10,758	10,795	10%	0%
Process Automation	6,307	7,263	6,327	5,963	-12%	-6%
Robotics & Discrete Automation & Others	1,077	1,092	843	1,113	-6%	32%
Segmental Results (PBIT)						
Electrification	2,148	3,078	2,594	2,397	19%	-8%
Motion	1,619	2,163	2,490	2,496	31%	0%
Process Automation	810	1,181	1,023	1,146	17%	12%
Robotics & Discrete Automation	127	168	123	163	15%	33%
Segmental Results (PBIT Margins)						
Electrification	19.00%	23.74%	23.14%	20.77%	147	-236
Motion	17.70%	21.36%	23.14%	23.12%	377	-2
Process Automation	12.85%	16.26%	16.17%	19.22%	468	305
Robotics & Discrete Automation	11.76%	15.43%	14.57%	14.66%	269	9

Source: Dalal & Broacha Research

Financials

P&L (Rs mn)	CY21	CY22	CY23	CY24E	CY25E	CY26E
Net Sales	69,340	85,675	1,04,465	1,23,911	1,46,099	1,74,767
Total Operating Expenses	44,154	53,012	63,286	68,770	81,816	98,744
Subcontracting Charges	2,110	2,415	2,740	3,717	4,383	5,243
Employee Cost	5,882	6,353	7,152	8,224	9,458	10,877
Other Expenses	11,627	14,277	16,391	20,197	22,645	26,215
Operating Profit	5,567	9,619	14,898	23,001	27,797	33,689
Depreciation	1,027	1,047	1,199	1,434	1,763	2,180
PBIT	4,540	8,572	13,699	21,567	26,035	31,509
Other income	1,596	1,795	3,017	3,841	4,675	5,593
Interest	107	131	127	179	257	377
PBT (Before exceptional)	6,029	10,235	16,589	25,230	30,452	36,725
Exceptional	1,213	3,393	-	-	-	-
PBT (post exceptional)	7,243	13,628	16,589	25,230	30,452	36,725
Provision for tax	1,918	3,372	4,107	6,307	7,613	9,181
PAT (From continuing operations)	5,325	10,256	12,482	18,922	22,839	27,544
PAT (From Discontinuing operations)	(128)	(94)	(61)	-	-	-
MI	-	-	-	-	-	-
Reported PAT	5,197	10,162	12,421	18,922	22,839	27,544
Adjusted Profit	5,197	10,162	12,421	18,922	22,839	27,544

Balance Sheet (Rs mn)	CY21	CY22	CY23	CY24E	CY25E	CY26E
Equity capital	424	424	424	424	424	424
Reserves	40,028	48,970	59,026	71,739	88,306	1,09,577
Net worth	40,452	49,394	59,450	72,163	88,730	1,10,001
Non Current Liabilities	238	285	424	458	638	911
Current Liabilities discontinued operations/ assets	39,543 495	43,503 -	50,142 -	59,994 -	70,822 -	84,863 -
TOTAL LIABILITIES	80,727	93,182	1,10,016	1,32,615	1,60,190	1,95,775
Non Current Assets	14,374	14,196	14,537	16,780	19,156	21,544
Fixed Assets	8,793	9,538	10,393	12,136	13,898	15,488
Goodwill	146	146	146	146	146	146
Non Current Investments	-	-	16	-	-	-
Non-current assets tax (net)	2,674	1,912	1,369	1,625	1,917	2,295
Deferred Tax Asset	939	898	1,027	1,027	1,027	1,027
Other Financial Assets	87	75	73	50	50	50
Other Non Current Assets	1,736	1,626	1,514	1,796	2,119	2,537
Current Assets	65,752	78,986	95,475	1,15,834	1,41,034	1,74,232
Current investments	-	4,932	-	6,000	7,000	7,000
Inventories	10,091	14,207	15,608	18,671	22,015	26,335
Trade Receivables	18,838	20,930	25,443	30,553	36,024	43,093
Cash and Bank Balances	7,181	31,469	8,769	43,242	57,305	77,396
Bank Balances other than cash & cash eqi	19,696	22	39,393	10,000	10,000	10,000
Short Term Loans and Advances	185	49	54	-	-	-
Other Financial Assets	6,690	2,931	1,733	2,056	2,425	2,904
Other current assets tax (net)	3,070	4,447	4,476	5,311	6,265	7,503
Other Assets(associated with discontinued operations/ assets held for sale)	602	-	-	-	-	-
TOTAL ASSETS	80,727	93,182	1,10,016	1,32,615	1,60,190	1,95,775

Cash Flow St. (Rs. mn)	CY21	CY22	CY23	CY24E	CY25E	CY26E
PBT (including Discontinued Operations)	7,072	13,503	16,507	25,230	30,452	36,725
Add: Dep. & Amort.	1,027	1,047	1,199	1,434	1,763	2,180
Add: Interest Expenses	107	131	127	179	257	377
Operating profit before working capital change	8,206	14,681	17,833	26,843	32,473	39,282
(Inc)/Dec in						
Working capital adjustment	(1,166)	547	(1,191)	(1,922)	(2,128)	(2,749)
Gross cash generated from operations	7,040	15,228	16,642	24,920	30,345	36,533
Direct taxes paid	(1,790)	(3,278)	(4,046)	(6,307)	(7,613)	(9,181)
Others	1,268	(4,524)	915	1,764	2,079	2,699
CF from Oper. activities	6,488	7,426	13,512	20,377	24,811	30,050
CF from Inv. activities	(20,079)	18,262	(33,522)	20,285	(4,524)	(3,771)
CF from Fin. activities	(1,268)	(1,402)	(2,695)	(6,186)	(6,225)	(6,188)
Cash generated/(utilised)	(14,859)	24,287	(22,705)	34,475	14,062	20,092
Cash at start of the year	22,040	7,181	31,469	8,769	43,242	57,305
Cash at end of the year	7,181	31,469	8,769	43,242	57,305	77,396
Balance sheet	7,181	31,469	8,764	43,243	57,305	77,396
Diff on account of exchange ga	0	0	4.90	(0.20)	-	-
Ratios	CY21	CY22	CY23	CY24E	CY25E	CY26E
OPM	8.03%	11.23%	14.26%	18.56%	19.03%	19.28%
NPM	7.33%	11.62%	11.56%	14.81%	15.15%	15.27%
Tax Rate	26.48%	24.74%	24.76%	25.00%	25.00%	25.00%
Growth Ratios (%)						
Net Sales	19.12%	23.56%	21.93%	18.61%	17.91%	19.62%
Operating Profit	105.29%	72.78%	54.88%	54.39%	20.85%	21.20%
PBT	145.51%	69.76%	62.08%	52.09%	20.70%	20.60%
PAT	137.07%	95.54%	22.22%	52.35%	20.70%	20.60%
Per Share (Rs.)						
Net Earnings (EPS)	24.51	47.94	58.59	89.26	107.73	129.92
Cash Earnings (CPS)	29.36	52.87	64.24	96.02	116.05	140.21
Payout ratio	21%	11%	9%	6%	5%	4%
Dividend	5.15	5.27	5.50	5.50	5.80	5.80
Book Value per share (BVPS)	190.81	232.99	280.42	340.39	418.54	518.87
Free Cash Flow	6,022	6,781	12,660	18,628	23,050	28,460
Valuation Ratios						
P/E(x)	290.97	148.80	121.75	79.92	66.21	54.90
P/B(x)	37.38	30.61	25.44	20.96	17.04	13.75
EV/EBIDTA(x)	270.37	153.96	100.94	63.88	52.36	42.61
Div. Yield(%)	0.07	0.07	0.08	0.08	0.08	0.08
FCFF Yield(%)	0.40	0.45	0.84	1.23	1.52	1.88
Return Ratios (%)						
ROE	12.85%	20.57%	20.89%	26.22%	25.74%	25.04%
ROCE	13.70%	19.39%	24.94%	31.69%	31.12%	30.39%

Source: Dalal & Broacha Research

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