

# ABB India

## Order booking surprises positively

ABB's reported decent revenue/EBITDA/PAT at INR 24.1/2.9/2.5bn, beating/(missing) our estimates by 3/ (12)/ (7)%. For Q1CY23, order inflow (OI) was INR 31.2bn, supported by higher-order wins in Motion and Electrification segments. Consequently, the order backlog stands at INR 71.7bn consisting mainly of short-cycle orders. Of the new orders received in the quarter, 80% are fast-moving industrial goods, 13% pertain to service-related orders and the rest 7% are project-based orders which generally have a long gestation period. The overall EBITDA margin at 11.8% normalised to its long-term value. However, the electrification segment saw a strong EBIT margin of 19.5% (+416/+576bps QoQ/YoY), supported by higher volume growth, better product mix and price realisation and efficient capacity utilisation. The cash balance stands strong at INR 39bn, a part of which is earmarked for inorganic growth, in line with global strategy, targeting small and medium firms across the globe, and another part for capacity expansion and plant modernisation. We have increased our EPS estimate for CY23/24 on the back of better order visibility on account of secular demand across segments and a favourable mix. However, we believe the punchy valuation would limit further upside on cyclical recovery and, thus, maintain REDUCE with an increased TP of INR 3,444/sh (54x Mar-25 EPS).

- Q1CY23 financial highlights:** Revenue was INR 24.1bn (+23%/-1% YoY/QoQ, vs. est. of 3% beat). Annually, robotics & discrete automation (RA)/ motion (MO)/ electrification (EL)/ process automation (PA) posted growth of 4.4/36/16/23%. EBITDA was recorded at INR 2.9bn (+52%/-22% YoY/QoQ, 12% miss). Consequently, the EBITDA margin was 11.8% (+228/-317bps YoY/QoQ, 13.9% est.). RPAT/APAT was INR 2.5bn (+68%/-20% YoY/QoQ, 7% miss). Electrification recorded the highest-ever EBIT margin of 19.5%, supported by volume growth, better product mix, and higher price realisation. Higher contributions from Services supported the overall revenue.
- Robust order inflow:** For Q1CY23, OI was at INR 31.2bn, taking the backlog to INR 71.7bn. Most of the orders in the backlog are short-cycle orders. Ordering across the business segment has been robust except for PA, which saw a sequential decline of 26% and was flat annually. However, RA/ MO/ EL reported 95/37/44% annual growth in new orders. EL segment in particular is seeing strong demand momentum. Metals, Data Centers and IT are mainly driving growth in this segment. MO segment saw high-value order wins from railways and metro. System Drives business within MO also bagged a high-value packaging order.
- Comfortable cash balance to drive inorganic growth:** The cash position for the company stands at a robust INR 39bn. Of this, in line with the global strategy, c.INR 20bn will be deployed for inorganic growth i.e. multiple small and medium-sized acquisitions related to digitalisation, value-added services, etc.

### Standalone financial summary (INR mn)

Dec Year End	Q1CY23	Q1CY22	YoY (%)	Q4CY22	QoQ (%)	CY22	CY23E	CY24E	CY25E
Net Revenues	24,112	19,684	22.5	24,269	(0.6)	85,675	107,816	130,313	150,948
EBITDA	2,853	1,879	51.9	3,643	(21.7)	9,619	13,644	16,544	19,294
APAT	2,452	1,458	68.2	3,059	(19.9)	7,712	10,967	13,054	14,890
EPS (INR)	11.6	6.9	68.2	14.4	(19.9)	36.4	51.8	61.6	70.3
P/E (x)						102.2	71.9	60.4	52.9
EV/EBITDA (x)						78.7	55.3	45.0	38.1
RoE (%)						17.2	20.3	20.2	19.4

### Standalone estimate change summary

INR Mn	CY23E			CY24E			CY25E		
	New	Old	% Chg	New	Old	% Chg	New	Old	% Chg
Net Sales	107,816	100,800	7.0	130,313	122,195	6.6	150,948	-	-
EBITDA	13,644	12,003	13.7	16,544	14,541	13.8	19,294	-	-
EBITDA Margin (%)	12.7	11.9	74.7	12.7	11.9	79.6	12.8	-	-
Adj PAT	10,967	9,557	14.8	13,054	11,062	18.0	14,890	-	-

Source: Company, HSIE Research

## REDUCE

CMP (as on 5 May 2023)	INR 3,719
Target Price	INR 3,444
NIFTY	18,069

KEY CHANGES	OLD	NEW	
Rating	ADD	ADD	
Price Target	INR 2,645	INR 3,444	
EPS change %	CY23E +14.8	CY24E +18.0	CY25E -

### KEY STOCK DATA

Bloomberg code	ABB IN
No. of Shares (mn)	212
MCap (INR bn) / (\$ mn)	788/9,636
6m avg traded value (INR mn)	1,246
52 Week high / low	INR 3,754/2,077

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	32.5	15.5	67.4
Relative (%)	32.2	15.3	57.8

### SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	75.00	75.00
FIs & Local MFs	9.74	8.99
FPIs	7.55	8.45
Public & Others	7.71	7.56
Pledged Shares	-	-

Source : BSE

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