

February 19, 2025

Q4CY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	CY25E	CY26E	CY25E	CY26E
Rating	BUY		ACCUMULATE	
Target Price	6,955		8,133	
Sales (Rs. m)	140,607	160,938	145,351	174,320
% Chng.	(3.3)	(7.7)		
EBITDA (Rs. m)	24,958	28,486	25,945	30,767
% Chng.	(3.8)	(7.4)		
EPS (Rs.)	96.4	110.4	99.3	117.6
% Chng.	(2.9)	(6.1)		

Key Financials - Standalone

Y/e Dec	CY23	CY24	CY25E	CY26E
Sales (Rs. m)	104,465	121,883	140,607	160,938
EBITDA (Rs. m)	14,898	23,052	24,958	28,486
Margin (%)	14.3	18.9	17.8	17.7
PAT (Rs. m)	12,482	18,746	20,430	23,395
EPS (Rs.)	58.9	88.5	96.4	110.4
Gr. (%)	62.0	50.2	9.0	14.5
DPS (Rs.)	29.3	35.4	38.6	44.2
Yield (%)	0.6	0.7	0.8	0.9
RoE (%)	22.9	28.8	26.5	25.7
RoCE (%)	25.0	33.2	30.4	29.4
EV/Sales (x)	10.0	8.5	7.3	6.3
EV/EBITDA (x)	69.9	44.9	41.1	35.6
PE (x)	87.3	58.1	53.3	46.6
P/BV (x)	18.3	15.4	13.1	11.1

Key Data

ABB.BO | ABB IN

52-W High / Low	Rs.9,200 / Rs.4,449
Sensex / Nifty	75,967 / 22,945
Market Cap	Rs.1,090bn/ \$ 12,530m
Shares Outstanding	212m
3M Avg. Daily Value	Rs.2283.61m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	11.85
Domestic Institution	5.70
Public & Others	7.45
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(21.2)	(35.0)	13.7
Relative	(20.5)	(31.2)	8.4

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Strong Q4; healthy outlook across key segments

Quick Pointers:

- Order inflows for Q4CY24 declined by 14.4% YoY to Rs27.0bn, due to the impact of large orders received in Q4CY23.
- Domestic/export revenue mix stood at 89%/11% vs (90%/10% in Q4CY23).

We revise our CY25/26E EPS estimates by -2.9%/-6.1% factoring in pricing normalization and transient base order moderation but upgrade the rating to 'BUY' from Accumulate due to recent sharp correction in stock price and ABB's sustained growth momentum. ABB India (ABB) reported strong quarterly performance with revenue growing 22.0% YoY and EBITDA margin expanding by 440bps YoY to 19.5%. During the quarter, the growth was led by strong momentum in Electrification and execution upticks in Data center orders. ABB's opportunity pipeline remains robust, fueled by traction across F&B, chemicals, pharma, automotive, power distribution, water and new edge industries such as electronics, data centers and renewables. In addition, with the premiumization trend at the center stage in India, higher demand for premium products will aid margin expansion. Base order intake is projected to sustain at ~Rs27bn per quarter and continues to remain a key monitorable. With price normalization on the horizon, ABB has provided guidance for a PAT margin of 12-15% going forward (15.4% in CY24), underscoring its confidence in continued profitable growth.

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 53.3x/46.6x CY25/26E. We roll forward to CY26E and value the company at a PE of 63x CY26E (75x Jun'26E earlier) with a revised TP of Rs6,955 (Rs8,133 earlier). Upgrade to 'BUY'.

Seamless execution drove revenue growth: Revenue rose 22.0% YoY to Rs33.6bn (PLe: Rs27.6bn) led by healthy execution in Robotics, Electrification and Motion while Process Automation came in flat. Robotics revenue increased by 29.7% YoY to Rs1.4bn while Motion revenue increased by 22.4% YoY to Rs11.2bn. Electrification revenue also increased by 33.0% YoY to Rs15.0bn meanwhile, Process automation revenue was flattish at Rs6.3bn. Gross margin increased by 354bps YoY to 41.1% (PLe: 40.9%) aided by revenue mix and execution of better margin orders. EBITDA rose 57.6% YoY to Rs6.6bn (PLe: Rs6.1bn) with EBITDA margin rising by 440bps YoY to 19.5% (PLe: 18.8%) driven by better gross margin performance and operating leverage. Robotics EBIT margin declined by 136bps YoY to 10.4% meanwhile, Process Automation margin improved by 660bps YoY to 19.4%. Motion EBIT margin improved by 320bps YoY to 20.9% and Electrification EBIT margin improved by 461bps YoY to 23.6%. PAT rose 54.1% YoY to Rs5.3bn (PLe: Rs4.8bn) driven by better operating profitability.

Order book stands at Rs93.8bn (0.8x TTM revenue): Order inflows for Q4CY24 declined by 14.4% YoY to Rs27.0bn, due to the impact of large orders received in Q4CY23. Base/Large order intake mix stood at 98%/2% (vs 81%/19% in Q4CY23). Order book stands strong at Rs93.8bn (0.8x TTM revenue) with segmental mix of 3%/40%/32%/25% for Robotics/Motion/Electrification/Process Automation.

Exhibit 1: Gross margin expansion and operating leverage resulted in EBITDA margin expansion of 440bps YoY

Rs mn	Q4CY24	Q4CY23	YoY gr.	Q4CY24E	Var.	Q3CY24	QoQ gr.	CY24	CY23	YoY gr.
Revenue	33,649	27,575	22.0%	32,454	3.7%	29,122	15.5%	121,883	104,465	16.7%
Gross Profit	13,818	10,348	33.5%	13,273	4.1%	12,636	9.4%	50,980	38,440	32.6%
Margin (%)	41.1	37.5	354	40.9	16.6	43.4	(233)	41.8	36.8	503
Employee Cost	1,947	1,813	7.4%	1,959	-0.6%	2,031	-4.1%	8,219	7,152	14.9%
as % of sales	5.8	6.6	(79)	6.0	(24.9)	7.0	(119)	6.7	6.8	(10)
Other expenditure	5,297	4,363	21.4%	5,201	1.9%	5,203	1.8%	19,709	16,391	20.2%
as % of sales	15.7	15.8	(8)	16.0	(28.2)	17.9	(212)	16.2	15.7	48
EBITDA	6,573	4,172	57.6%	6,114	7.5%	5,402	21.7%	23,052	14,099	63.5%
Margin (%)	19.5	15.1	440	18.8	69.6	18.6	98	18.9	13.5	542
Depreciation	337	329	2.4%	332	1.4%	328	2.7%	1,289	1,199	7.5%
EBIT	6,236	3,843	62.3%	5,781	7.9%	5,074	22.9%	21,763	12,900	68.7%
Margin (%)	18.5	13.9	460	17.8	72.0	17.4	111	17.9	12.3	551
Other Income	866	776	11.6%	687	26.0%	929	-6.7%	3,534	3,017	17.1%
Interest	51	82	-37.1%	30	70.5%	30	71.0%	165	127	29.9%
PBT (ex. Extra-ordinaries)	7,051	4,537	55.4%	6,439	9.5%	5,973	18.1%	25,133	15,791	59.2%
Margin (%)	21.0	16.5	450	19.8	111.6	20.5	45	20.6	15.1	550
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
PBT	7,051	4,537	55.4%	6,439	9.5%	5,973	18.1%	25,133	15,791	59.2%
Total Tax	1,732	1,085	59.6%	1,623	-	1,568	10.5%	6,387	4,107	55.5%
Effective Tax Rate (%)	24.6	23.9	65	25.2	(63.8)	26.3	(169)	25.4	26.0	(60)
Reported PAT	5,319	3,452	54.1%	4,816	10.5%	4,405	20.8%	18,746	11,683	60.5%
Adj. PAT	5,319	3,452	54.1%	4,816	10.5%	4,405	20.8%	18,746	11,683	60.5%
Margin (%)	15.8	12.5	329	14.8	96.9	15.1	68	15.4	11.2	420
Adj. EPS	25.1	16.3	54.1%	22.7	10.5%	20.8	20.8%	88.5	55.1	60.5%

Source: Company, PL

Exhibit 2: Strong margin expansion across Motion, Electrification and Process Automation while Robotics margin declined

Segment Revenue (Rs mn)	Q4CY24	Q4CY23	YoY gr.	Q4CY24E	Var.	Q3CY24	QoQ gr.	CY24	CY23	YoY gr.
Robotics & Discrete Automation	1,397	1,077	29.7%	1,217	14.8%	1,113	25.5%	4,444	4,161	6.8%
Motion	11,193	9,146	22.4%	11,887	-5.8%	10,795	3.7%	42,874	37,851	13.3%
Electrification	15,028	11,302	33.0%	13,385	12.3%	11,540	30.2%	50,744	41,772	21.5%
Process Automation	6,277	6,307	-0.5%	6,327	-0.8%	5,963	5.3%	25,830	22,361	15.5%
Others	60	29	107.3%	(116)	-151.5%	47	28.4%	176	125	40.7%
Less : Inter segment revenues (continuing)	306	286	7.0%	246	24.4%	335	-8.8%	2,185	1,804	21.1%
Total	33,649	27,575	22.0%	32,454	3.7%	29,122	15.5%	121,883	104,465	16.7%
EBIT										
Robotics & Discrete Automation	145	127	14.7%	-	-	163	-11.0%	600	530	13.3%
Motion	2,340	1,619	44.5%	-	-	2,496	-6.3%	9,489	6,014	57.8%
Electrification	3,548	2,148	65.2%	-	-	2,397	48.0%	11,618	7,746	50.0%
Process Automation	1,221	810	50.7%	-	-	1,145	6.6%	4,570	2,749	66.2%
EBIT Margin (%)										
	YoY bps			QoQ bps				YoY bps		
Robotics & Discrete Automation	10.4%	11.8%	(136)	-	-	14.7%	(426)	13.5%	12.7%	77
Motion	20.9%	17.7%	320	-	-	23.1%	(222)	22.1%	15.9%	624
Electrification	23.6%	19.0%	461	-	-	20.8%	284	22.9%	18.5%	435
Process Automation	19.4%	12.8%	660	-	-	19.2%	24	17.7%	12.3%	540

Source: Company, PL

Conference Call Highlights

- **Order inflows for Q4CY24 declined by 14.4% YoY to Rs27.0bn**, due to the impact of large orders received in Q4CY23. Base orders grew ~4% YoY to Rs26.5bn with traction from segments like metals and mining, energy and chemicals, buildings and infrastructure, food and beverage, electronics and renewables.
- **Large orders with execution periods longer than 12 months constituted ~30-35% of the order book**, while the remaining consisted of base orders with execution period ranging from 3-12 months.
- **Q4CY24 domestic/export revenue mix stood at 89%/11%**; product/service/project mix was 75%/12%/13%; and channel mix was 44%/37%/10%/9% across direct sales/partners/EPCs/OEMs.
- **Electrification:** Order inflow declined -1.3% YoY to Rs10.2bn due to a large data center order received in Q4CY23. Electrification orders continue to see traction from buildings, renewables and power distribution segments. Revenue grew by 33.0% YoY to Rs15.0bn with higher revenue across all the divisions and better contribution from exports. Favorable revenue mix and better price realization aided margins in the segment meanwhile, management does not see any severe Chinese competition.
- **Motion:** Order inflow declined -30.4% YoY to Rs9.8bn due to base orders being deferred to next quarter as private players delayed capex decisions and a large traction equipment order in Q4CY23. Motion outlook remains strong driven by wide application of motors and drives in bioethanol space, hydrogen pumping stations, electrolyzers, data centers, transportation sector.

Meanwhile, there are some headwinds in process industries such as metals however management believes that it is transient.

- **Process Automation:** Order inflow fell by -17.6% YoY to Rs5.7bn due to presence of high value orders from energy industry in Q4CY23. ABB saw good intake for rectifiers from metal majors. While revenue was flat YoY, margins were aided by better revenue mix, high contribution of service business and operational improvements in projects.
- **Robotics:** Order inflow came in at Rs1.5bn (vs Rs570mn YoY) driven by strong inflows from electronics where major opportunity pipeline remains. Electronics is a fast growing business and management expects that the consumption in electronics and Auto sector will be similar. While Auto & Auto ancillary continue to driven Robotics growth, electronics and warehousing technologies are emerging sectors and are expected to aid Robotics growth in next 2-3 years.
- **ABB launches new Flame Proof Motor** in IEC low voltage electric motors category expanding its product portfolio for hazardous environments. The new product will cater to both domestic and international demand from sectors like O&G, Pharma and F&B. The motor is available in IE2, IE3 and IE4 efficiency classes and offer output in the range of 37kw-500kW and can operate in temperatures from -20 degrees celsius to 60 degrees celsius.

Financials

Income Statement (Rs m)

Y/e Dec	CY23	CY24	CY25E	CY26E
Net Revenues	104,465	121,883	140,607	160,938
YoY gr. (%)	21.9	16.7	15.4	14.5
Cost of Goods Sold	63,286	67,486	81,200	93,424
Gross Profit	41,180	54,397	59,406	67,513
Margin (%)	39.4	44.6	42.3	42.0
Employee Cost	7,152	8,219	9,139	10,220
Other Expenses	8,854	19,709	10,827	12,070
EBITDA	14,898	23,052	24,958	28,486
YoY gr. (%)	54.9	54.7	8.3	14.1
Margin (%)	14.3	18.9	17.8	17.7
Depreciation and Amortization	1,199	1,289	1,398	1,587
EBIT	13,699	21,763	23,559	26,899
Margin (%)	13.1	17.9	16.8	16.7
Net Interest	127	165	112	129
Other Income	3,017	3,534	3,867	4,506
Profit Before Tax	16,589	25,133	27,313	31,276
Margin (%)	15.9	20.6	19.4	19.4
Total Tax	4,107	6,387	6,883	7,882
Effective tax rate (%)	24.8	25.4	25.2	25.2
Profit after tax	12,482	18,746	20,430	23,395
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	12,482	18,746	20,430	23,395
YoY gr. (%)	62.0	50.2	9.0	14.5
Margin (%)	11.9	15.4	14.5	14.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	12,482	18,746	20,430	23,395
YoY gr. (%)	21.7	50.2	9.0	14.5
Margin (%)	11.9	15.4	14.5	14.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,482	18,746	20,430	23,395
Equity Shares O/s (m)	212	212	212	212
EPS (Rs)	58.9	88.5	96.4	110.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Dec	CY23	CY24	CY25E	CY26E
Non-Current Assets				
Gross Block	15,393	17,371	20,871	23,871
Tangibles	15,393	17,371	20,871	23,871
Intangibles	-	-	-	-
Acc: Dep / Amortization	5,638	6,927	8,325	9,913
Tangibles	5,638	6,927	8,325	9,913
Intangibles	-	-	-	-
Net fixed assets	9,755	10,444	12,546	13,959
Tangibles	9,755	10,444	12,546	13,959
Intangibles	-	-	-	-
Capital Work In Progress	784	1,122	1,122	1,122
Goodwill	-	-	-	-
Non-Current Investments	88	96	98	113
Net Deferred tax assets	1,027	-	-	-
Other Non-Current Assets	2,883	3,640	5,343	6,116
Current Assets				
Investments	-	-	2,000	5,000
Inventories	15,608	17,780	20,417	22,928
Trade receivables	25,443	29,837	34,285	39,242
Cash & Bank Balance	48,162	55,078	62,629	69,890
Other Current Assets	4,476	3,911	4,921	5,633
Total Assets	108,985	123,913	147,017	168,187
Equity				
Equity Share Capital	424	424	424	424
Other Equity	59,022	70,330	82,978	97,989
Total Network	59,446	70,754	83,402	98,412
Non-Current Liabilities				
Long Term borrowings	289	282	282	282
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	201	237	237	237
Trade payables	31,091	31,980	39,293	43,652
Other current liabilities	18,985	20,660	23,803	25,604
Total Equity & Liabilities	108,985	123,913	147,017	168,187

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Dec	CY23	CY24	CY25E	CY26E
PBT	16,507	25,133	27,313	31,276
Add. Depreciation	1,199	1,289	1,398	1,587
Add. Interest	127	165	112	129
Less Financial Other Income	3,017	3,534	3,867	4,506
Add. Other	(2,346)	(2,913)	-	-
Op. profit before WC changes	15,486	23,674	28,824	32,992
Net Changes-WC	1,696	(3,690)	(1,011)	(3,337)
Direct tax	(3,667)	(6,626)	(6,883)	(7,882)
Net cash from Op. activities	13,515	13,358	20,930	21,774
Capital expenditures	(1,846)	(2,137)	(3,500)	(3,000)
Interest / Dividend Income	2,770	3,433	-	-
Others	40,432	67,171	(1,984)	(3,000)
Net Cash from Invt. activities	41,355	68,467	(5,484)	(6,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(237)	(274)	-	-
Dividend paid	(2,331)	(7,265)	(7,782)	(8,384)
Interest paid	(127)	(165)	(112)	(129)
Others	-	-	-	-
Net cash from Fin. activities	(2,695)	(7,704)	(7,895)	(8,513)
Net change in cash	52,176	74,121	7,551	7,261
Free Cash Flow	11,684	11,218	17,430	18,774

Source: Company Data, PL Research

Key Financial Metrics

Y/e Dec	CY23	CY24	CY25E	CY26E
Per Share(Rs)				
EPS	58.9	88.5	96.4	110.4
CEPS	64.6	94.6	103.0	117.9
BVPS	280.5	333.9	393.6	464.4
FCF	55.1	52.9	82.3	88.6
DPS	29.3	35.4	38.6	44.2
Return Ratio(%)				
RoCE	25.0	33.2	30.4	29.4
ROIC	154.6	154.2	135.9	121.7
RoE	22.9	28.8	26.5	25.7
Balance Sheet				
Net Debt : Equity (x)	(0.8)	(0.8)	(0.8)	(0.8)
Net Working Capital (Days)	35	47	40	42
Valuation(x)				
PER	87.3	58.1	53.3	46.6
P/B	18.3	15.4	13.1	11.1
P/CEPS	79.6	54.4	49.9	43.6
EV/EBITDA	69.9	44.9	41.1	35.6
EV/Sales	10.0	8.5	7.3	6.3
Dividend Yield (%)	0.6	0.7	0.8	0.9

Source: Company Data, PL Research

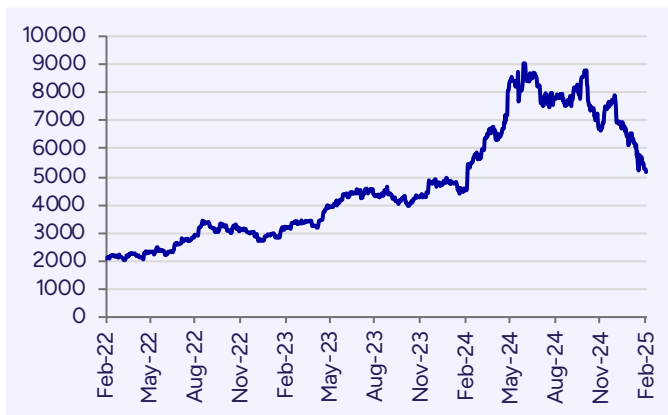
Quarterly Financials (Rs m)

Y/e Dec	Q1CY24	Q2CY24	Q3CY24	Q4CY24
Net Revenue	30,804	28,309	29,122	33,649
YoY gr. (%)	27.8	12.8	5.2	22.0
Raw Material Expenses	17,612	15,250	15,817	18,807
Gross Profit	13,191	13,058	13,305	14,843
Margin (%)	42.8	46.1	45.7	44.1
EBITDA	5,652	5,425	5,402	6,573
YoY gr. (%)	98.1	55.6	23.2	57.6
Margin (%)	18.3	19.2	18.6	19.5
Depreciation / Depletion	314	310	328	337
EBIT	5,338	5,115	5,074	6,236
Margin (%)	17.3	18.1	17.4	18.5
Net Interest	38	45	30	51
Other Income	871	868	929	866
Profit before Tax	6,171	5,938	5,973	7,051
Margin (%)	20.0	21.0	20.5	21.0
Total Tax	1,575	1,511	1,568	1,732
Effective tax rate (%)	25.5	25.5	26.3	24.6
Profit after Tax	4,596	4,426	4,405	5,319
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	4,596	4,426	4,405	5,319
YoY gr. (%)	87.5	49.6	21.7	54.1
Margin (%)	14.9	15.6	15.1	15.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,596	4,426	4,405	5,319
YoY gr. (%)	87.5	49.6	21.7	54.1
Margin (%)	14.9	15.6	15.1	15.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,596	4,426	4,405	5,319
Avg. Shares O/s (m)	212	212	212	212
EPS (Rs)	21.7	20.9	20.8	25.1

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	Accumulate	8,133	6,657
2	06-Nov-24	Accumulate	8,133	7,133
3	07-Oct-24	Accumulate	8,833	7,930
4	12-Aug-24	Accumulate	8,833	7,972
5	08-Jul-24	Accumulate	8,400	8,679
6	14-May-24	Accumulate	8,400	7,984
7	12-Apr-24	Accumulate	5,331	6,645
8	22-Feb-24	Accumulate	5,329	4,985

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,133	6,657
2	Apar Industries	Accumulate	8,219	7,179
3	BEML	Accumulate	3,561	3,132
4	Bharat Electronics	BUY	340	279
5	BHEL	Accumulate	226	200
6	Carborundum Universal	Accumulate	1,114	1,005
7	Cummins India	BUY	3,723	2,870
8	Elgi Equipments	Accumulate	608	539
9	Engineers India	BUY	242	170
10	GE Vernova T&D India	Accumulate	1,950	1,710
11	Grindwell Norton	Accumulate	1,890	1,651
12	Harsha Engineers International	Accumulate	440	394
13	Hindustan Aeronautics	Accumulate	4,110	3,594
14	Ingersoll-Rand (India)	BUY	4,540	3,533
15	Kalpataru Projects International	BUY	1,178	880
16	KEC International	Accumulate	930	813
17	Kirloskar Pneumatic Company	BUY	1,564	1,013
18	Larsen & Toubro	BUY	4,025	3,421
19	Praj Industries	BUY	751	632
20	Siemens	Accumulate	5,902	5,199
21	Thermax	Accumulate	3,857	3,385
22	Triveni Turbine	BUY	800	634
23	Voltamp Transformers	BUY	11,437	8,358

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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