

RESEARCH
ABB INDIA | TARGET: Rs 5,000 | +11% | HOLD

Ends the year on a high note

SUMMARY
ABB INDIA

- Healthy Q4 led by growth across segments; order inflows swelled 35% YoY and backlog held strong at Rs 84bn
- Management sees data centres, rail, metros, renewables, and electronics as key growth areas amid India's capex upturn
- CY24/CY25 EPS raised by 6% each and TP increased to Rs 5,000 (vs. Rs 4,700); maintain HOLD as we await a better entry point

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Daily macro indicators

Indicator	19-Feb	20-Feb	Chg (%)
US 10Y yield (%)	4.28	4.28	0bps
India 10Y yield (%)	7.10	7.06	(4bps)
USD/INR	83.02	82.97	0.1
Brent Crude (US\$/bbl)	83.6	82.3	(1.5)
Dow	38,628	38,564	(0.2)
Hang Seng	16,156	16,248	0.6
Sensex	72,708	73,057	0.5
India FII (US\$ mn)	15-Feb	16-Feb	Chg (\$ mn)
FII-D	103.4	23.0	(80.3)
FII-E	137.7	20.8	(116.9)

Source: Bank of Baroda Economics Research



HOLD
 TP: Rs 5,000 | ▲ 11%

ABB INDIA

| Capital Goods

| 21 February 2024

Ends the year on a high note

- **Healthy Q4 led by growth across segments; order inflows swelled 35% YoY and backlog held strong at Rs 84bn**
- **Management sees data centres, rail, metros, renewables, and electronics as key growth areas amid India’s capex upturn**
- **CY24/CY25 EPS raised by 6% each and TP increased to Rs 5,000 (vs. Rs 4,700); maintain HOLD as we await a better entry point**

Vinod Chari | Arshia Khosla
 Swati Jhunjhunwala
 research@bobcaps.in

Strong finish to CY23: ABB reported a healthy Q4CY23 (Y/E Dec) print with revenue up 14% YoY to Rs 27.5bn, led by growth of 71% YoY in robotics (to Rs 1.1bn), 8% in the motion division (Rs 9.1bn), 48% in electrification (Rs 11.3bn), and 23% in process automation (Rs 6.3bn). Gross margin expanded 145bps YoY to 37.5% on lower raw material prices, and EBITDA margin was flattish at 15.1% due to a forex impact. ABB has maintained a strong gross margin of >34% in the last six quarters.

Outperforms guidance; outlook remains strong: Order inflows stood at Rs 31bn, advancing 35% YoY in Q4CY23 and taking ABB’s order backlog to Rs 84bn (+30% YoY). Order flow for the year has risen 23% to Rs 123bn, surpassing guidance of 12-15% growth (from Rs 100bn in CY22). The company has outperformed CY23 guidance on all other counts as well – revenue stood at Rs 104bn vs. Rs 100bn guided, gross margin at 36.7% vs. 35-37%, and PAT margin at 12% vs. 10%. ABB expects growth to remain healthy given the ongoing capex upturn in India, citing potential drivers such as data centres, railways, metros, renewable energy and electronics.

Strong cash flows, ROCE and FCF conversion: EBITDA margin expanded 300bps YoY to 14.3% in CY23, lifted by the short-cycle business. This coupled with strong net cash from operations of Rs 13.5bn (vs. Rs 7.4bn in CY22) led to ~80% free cash flow conversion, taking ABB’s cash balance to Rs 47bn as of Dec’23 (vs. Rs 36bn in the year-ago period) and elevating ROCE to a high of 21% (13% in CY21). Management has stated in the past that some of this cash is earmarked for potential acquisition targets, both global and local, that will enhance the core portfolio and provide growth in energy and energy-efficiency sectors.

Maintain HOLD: We raise our CY24/CY25 EPS estimates by 6% each to account for the strong margins and order flows. We continue to value the stock at 70x P/E – in line with the 5Y mean – and roll valuations forward to Dec’25E. Along with estimate revision, this yields a higher TP of Rs 5,000 (vs. Rs 4,700). We retain HOLD on limited upside potential and await a better entry point.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	ABB IN/Rs 4,525
Market cap	US\$ 11.7bn
Free float	25%
3M ADV	US\$ 13.7mn
52wk high/low	Rs 4,990/Rs 3,053
Promoter/FPI/DII	75%/4%/9%

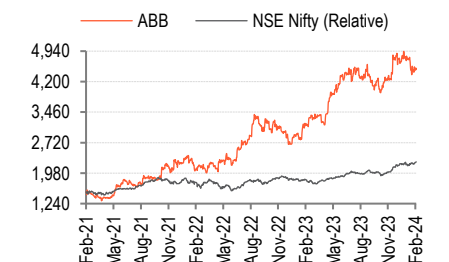
Source: NSE | Price as of 20 Feb 2024

Key financials

Y/E 31 Dec	CY23P	CY24E	CY25E
Total revenue (Rs mn)	1,04,465	1,30,241	1,39,540
EBITDA (Rs mn)	14,898	18,038	18,658
Adj. net profit (Rs mn)	12,482	14,547	15,064
Adj. EPS (Rs)	58.9	68.6	71.1
Consensus EPS (Rs)	58.9	66.1	68.9
Adj. ROAE (%)	22.9	22.0	19.0
Adj. P/E (x)	76.8	65.9	63.6
EV/EBITDA (x)	64.3	53.1	51.4
Adj. EPS growth (%)	81.9	16.5	3.6

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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