

ABB India Ltd

ADD

CMP Rs1,382

Target Rs1,474

Upside 7%

Result Highlights

- ✓ ABB's sales grew by 7% YoY to Rs16.3 bn which was below our estimates. Motion (MO)/ Industrial Automation (IA)/ Electrification (EL)/ Robotics & Discrete Automation (RA) segment reported revenue growth of 11%/11%/2%/13% YoY respectively. Several segments were impacted during the quarter owing to COVID related demand and supply disruptions.
- ✓ EBITDA however saw a sharp jump with margin improving to 8.1% (as against our estimates of 7.1%). APAT stood at Rs 761 mn as against APAT of Rs.92 mn reported during same period last year.
- ✓ Order inflow grew by 24% QoQ (-7% YoY) to Rs18.2 bn. ABB secured orders for:
 - i) Distributed control and safety system projects for one of the largest agro-chemical companies,
 - ii) Robotic automation solution for building electric scooters for OLA,
 - iii) ABB doubly fed induction generator for the wind sector for a renewable energy major,
 - iv) Distributed control and manufacturing execution system for a pharma major and
 - v) Electrification solutions for an engineering company.

Our view: We marginally reduce our topline estimates for CY21 to factor in the impact of COVID 19 on demand across segments. We however expect earnings recovery to be strong with i) Efficiency improvement through cost rationalization ii) Increasing contribution of high margin 'electrification products' iii) Higher sales contribution by exports and services and iv) Increase in local content. We believe, ABB will retain its focus on growth segments like Data Center, Renewables, Electronics manufacturing, Food & beverages, Pharma, Railways & Metros while conventional sectors like Oil & Gas, Metal & Mining would continue to remain muted. We retain our ADD rating on the stock for a target price of Rs1474.

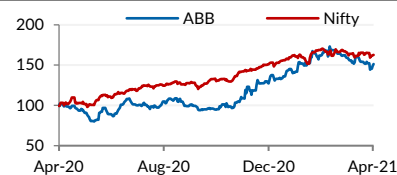
Exhibit 1: Result table

Particulars (Rs mn)	Q1CY21	Q1CY20	% yoy	Q4CY20	% qoq
Total sales	16,292	15,222	7	17,008	(4)
EBITDA	1,323	145	812	1,026	29
EBITDAM (%)	8.1	1.0	717 bps	6.0	209 bps
Depreciation	253	271	(7)	297	(15)
Interest	32	34	(6)	69	(54)
Other income	253	458	(45)	144	76
PBT	1,291	298	333	804	61
Tax	530	206	157	182	191
Adjusted PAT	761	92	726	622	22
Exceptional item	(745)	(568)		0	
Reported PAT	1,506	660	128	622	142
PATM (%)	4.7	0.6	407	3.7	101
EPS (Rs)	3.6	0.4	726	2.9	22

Stock data (as on April 28, 2021)

Sensex:	14,618
52 Week h/l (Rs)	1635 / 722
Market cap (Rs/USD mn)	290601 / 3908
Outstanding Shares	212
6m Avg t/o (Rs mn):	215
Div yield (%):	0.4
Bloomberg code:	ABB IN
NSE code:	ABB

Stock performance



	1M	3M	1Y
Absolute return	-4.9%	6.7%	53.2%

Shareholding pattern (As of Dec'20 end)

Promoter	75.0%
FII+DII	9.81%
Others	15.17%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	1474	1472

Financial Summary

	CY20	CY21e	CY22e
Revenue	58,210	68,324	78,520
YoY	(20.4)	17.4	14.9
EBITDA	2,759	5,052	6,779
YoY	(48.0)	83.1	34.2
PAT	1,717	3,772	5,207
YoY	-53.8%	119.8%	38.0%
ROE	4.8	10.0	12.5
EPS	8.1	17.8	24.6
P/E	170.6	77.6	56.2

Δ in earnings estimates

	CY20	CY21e	CY22e
EPS (New)	8.1	17.8	24.6
EPS (Old)	8.1	18.8	24.5
% change	-	-5.3%	0.4%

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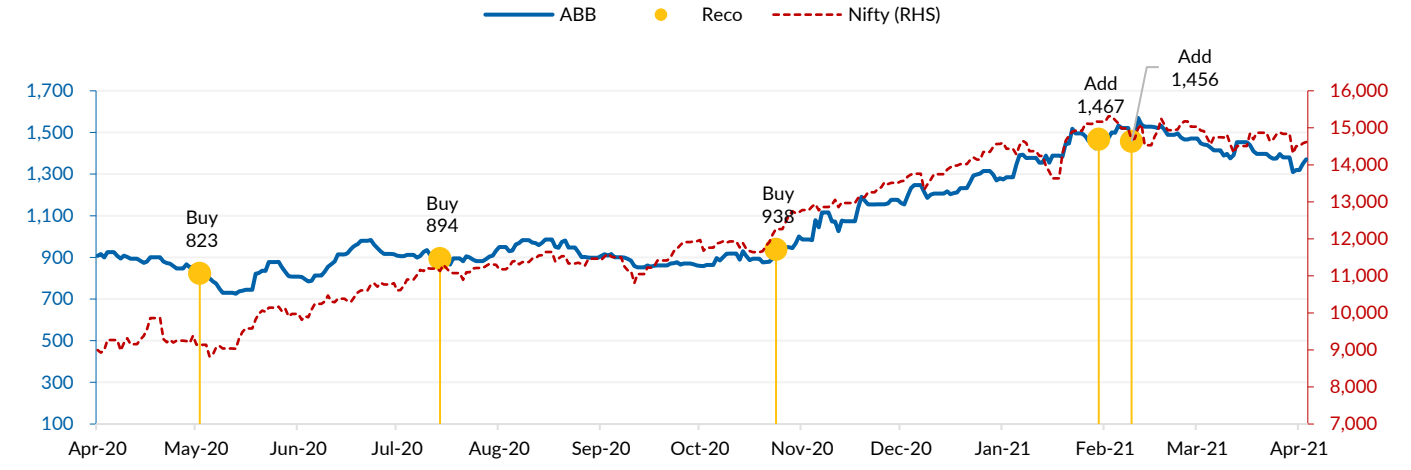
CON-CALL HIGHLIGHTS

- ✓ The company is witnessing highest growth in data center followed by renewables and electronics manufacturing. Decent growth is also seen in Food & Beverage, Power distribution, water & waste treatment, railway and metro, and automotive verticals. Some of the muted segments are Building & Infrastructure, Oil & Gas, chemicals, cement and steel.
- ✓ **Key highlights of the quarter** –During the quarter, the company provided electrification and flow meter solutions for clean drinking water for Surat Smart City in Gujarat, commissioned low voltage switchgear systems for private utilities, and installed smart sensors and soft starters to reduce water usage in Shimla, Himachal Pradesh. ABB motors were commissioned for one of the country's earliest dam projects and energy efficient drives commissioned for a biopharmaceutical major in south India for vaccine production. In Mobility, there were multiple installations for EV chargers with commissioning of HVAC systems for tunnel ventilation for Chennai Metro.

Segmental performance

- ✓ **Electrification** – the segment witnessed an order inflow of Rs6.8 bn during the quarter with order backlog of Rs13.5 bn. The major orders were from Data Centers, Metro rail, Food & Beverage. The segment also had repeat orders in the MV division. The segment witnessed strong export performance. The increase in Capacity utilization and cost rationalization supported profitability. In case of electrification the company has witnessed strong buildup in Enquiries which would likely translate into new orders going forward. EV charging is a part of Electrification portfolio for which market is yet to develop in India and ABB is the largest supplier of EV charging globally. Data centers is one area where clients have preference for ABB given its global expertise built over the years.
- ✓ **Motion** – the segment witnessed an order inflow of Rs6.4bn during the quarter with order backlog of Rs15.0 bn. The focus was on transportation, digitalization and services. The Orders concentrated of short cycle orders with good contribution from Channel business and packaging. The segment Q1 order book also saw inclusion of high value orders. The profitability remained strong with higher capacity utilization and superior product mix.
- ✓ **Industrial Automation** – the segment witnessed an order inflow of Rs4.4bn during the quarter with order backlog of Rs13.4bn. The revenues were impacted due to execution of slow moving legacy projects of power generation. Profitability however improved with – i) Improved cost structure and backlog realization ii) No major impact of legacy projects. The Company expects the Core sector to pick up however the demand improvement would be gradual.
- ✓ **Robotics and Discrete Automation** – The segment witnessed an order inflow of Rs0.94 bn with order backlog of Rs1.75bn. The orders received include providing Robotic automation solution for building electric scooters for OLA. The segment witnessed early signs of recovery from 2-wheeler and electronics segment, however, orders remained muted from Auto OEMs and Tier1 as they continued to be cautious on investments.
- ✓ **Key challenges** –i) The 2nd wave of COVID has led to demand and supply disruptions and India is the most impacted currently. It is unclear how long the situation would last. ii) The input prices have increased and some projects may get impacted in terms of profitability.
- ✓ **Overall Margins** – Through cost control measures and improved capacity utilization, the blended EBITDA for the Company stood at ~8% levels. The Company is targeting to increase the blended margins to double digits. This would be through digitization, focus on high margin business, tight cost controls.

Recommendation Tracker



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