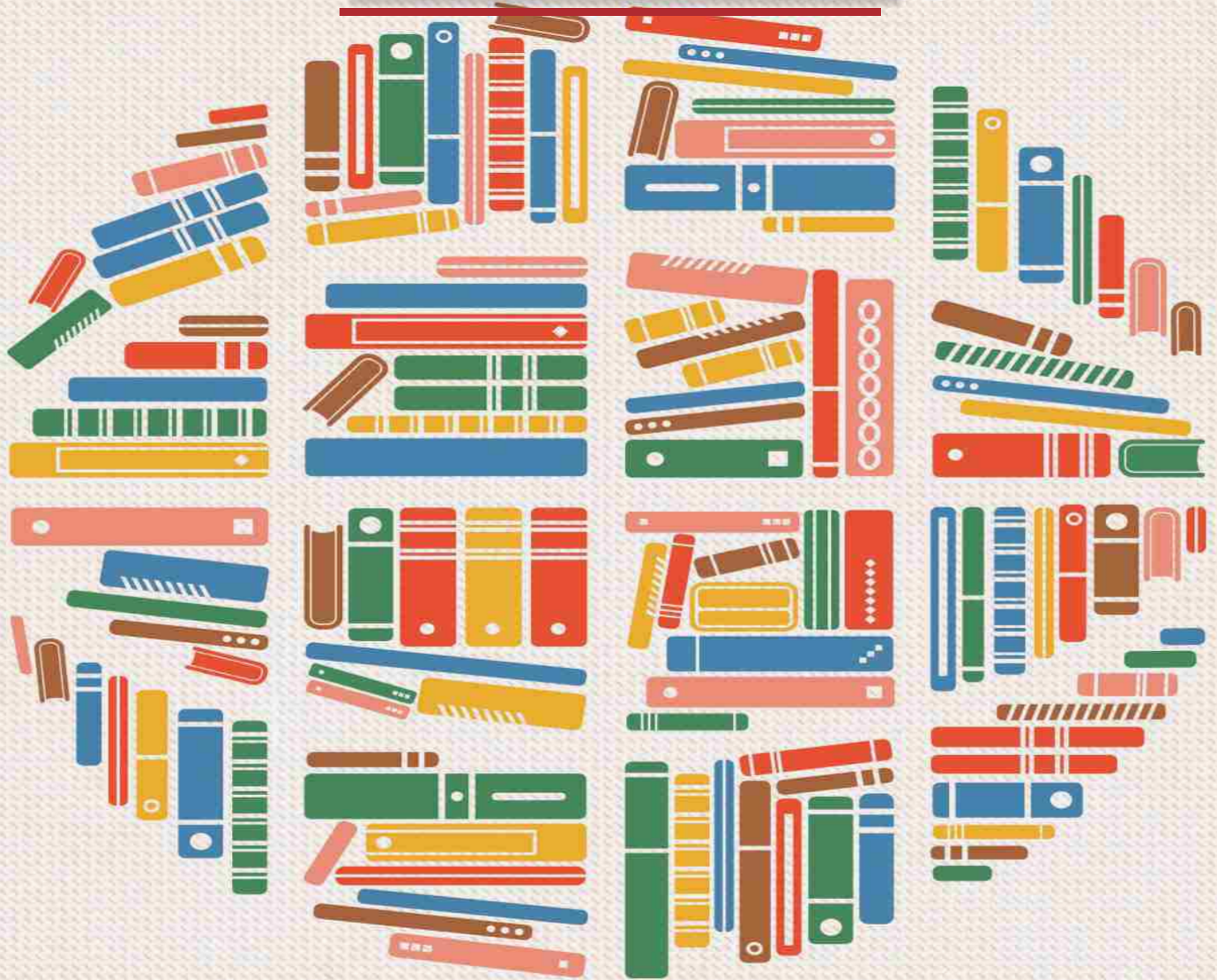


Stock **TALES**



Stock Tales are concise, holistic stock reports across wider spectrum of sectors. Updates will not be periodical but based on significant events or change in price.

Leading player in industrial automation market...

Siemens Ltd (Siemens) is a leader in technology solutions for smart, intelligent, sustainable cities, building technologies, mobility and power transmission & distribution (T&D). Siemens operates mainly in five key business verticals like energy/gas & power (40%), smart infrastructure (27%), digital industries (19%), mobility (9%), portfolio of companies (4%). Key products include transformers, turbines, medium/low voltage switchgears, motors, mechanical drives and railway electrification equipment & control systems. Siemens's product portfolio, debt free status, highly underpenetrated market, strong global parentage (Siemens AG) augur well.

Digital industries, smart infra, mobility to drive future growth...

Siemens is well placed to gain from the overall energy market transformation from **electrification to automation & digitisation** across energy & industrial value chain. Increased contribution of renewable energy to the energy mix, **grid stability & reliability** will be main focus areas driving the products and services business in gas & power, **smart infrastructure** business. We believe **digital industries** (process, discrete) segment would benefit from expected revival of manufacturing capex driven by **PLI scheme**, from better demand for retrofit and modernisation in the industrials. **Mobility** would be driven by capex in railway modernisation, high speed rail, metro rail. Overall, we believe Siemens's growth will be driven by **digital industries, mobility, smart infrastructure, which are expected to grow at ~17%, ~13%, ~17% CAGR, respectively, in FY21E-23E.**

Segment mix, operational efficiencies to drive superior margins

Siemens' contribution to the products and services business has increased over the years aiding operating margins. The nature of services includes repairing & spare parts replacements, annual maintenance, etc. Siemens continues to focus on profits over revenue by range of **rationalisation and enrichment efforts for product mix to enhance market share, operating margins and gain competitive advantage** across key segments. **EBIT margins have expanded in FY17-19** and are expected to further improve in the next two years from 9.9% in FY19 to 10.3% in FY23E.

Valuation & Outlook

Overall, the company is expected to further strengthen its leadership position through further penetration of **automation and digitisation products & services across segments** will drive growth. We believe it currently commands addressable revenue market share (digital industries, smart infrastructure, mobility, etc) of ~15% in India being leader in the industry. Further, Siemens is currently trading at 42x P/E on FY23E (vs. forward median P/E band of 44x, up cycle and down cycle average TTM P/E of 25x and 80x, respectively). We value Siemens at ₹ 2210/share with a **BUY** rating, implying multiple of 49x on FY23E EPS for core business and adding recently acquired C&S business valuing at 1.7x on FY23E sales.

Key Financial Summary

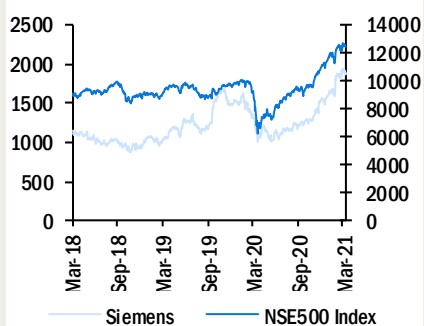
(₹ Crore)*	FY19	FY20	FY21E	FY22E	FY23E	CAGR FY20-23E
Revenue (₹ crore)	13,083.9	9,946.5	12,089.7	13,935.0	15,850.8	16.8%
EBITDA (₹ crore)	1,526.1	1,003.6	1,322.7	1,645.5	1,938.1	24.5%
EBITDA margin (%)	11.7	10.1	10.9	11.8	12.2	
Net Profit (₹ crore)	1,135.6	769.5	1,026.3	1,314.5	1,534.9	25.9%
EPS (₹)	31.9	21.6	28.8	36.9	43.1	
P/E (x)	57.7	85.2	63.8	49.8	42.7	
Price / Book (x)	7.2	6.9	6.4	5.9	5.3	
EV/EBITDA (x)	39.7	59.6	44.9	35.7	29.9	
RoCE (%)	19.1	11.2	13.5	15.9	16.9	
RoE (%)	12.5	8.1	10.0	11.8	12.5	

Source: Company, ICICI Direct Research, *September year end

Particulars

Particular	Amount
Market Capitalization	₹ 65526 Crore
Total Debt (FY20)	₹ 0 Crore
Cash and Inv (FY20)	₹ 5710 Crore
EV (FY20)	₹ 59817 Crore
52 week H/L (₹)	2055 / 947
Equity capital	₹ 71.2 Crore
Face value (₹)	10.0

Price Performance



Key risks to our call

- Any slowdown in smart infrastructure capex across transportation (rail, metro, ports, airports) smart grids, urban infrastructure, T&D, renewables, water infrastructure would adversely affect the digital and automation business
- Any slowdown in R&D spending could slow down transition efforts towards industrial automation and digitisation

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Industry Background

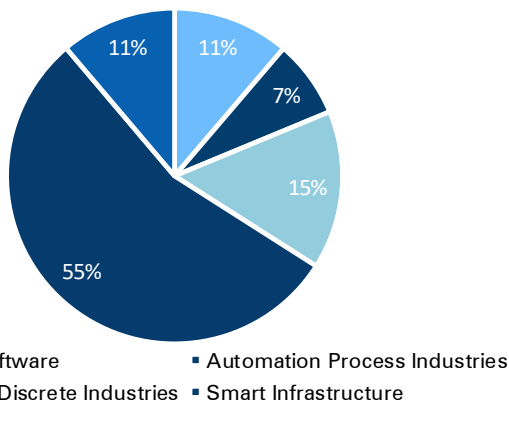
Global industry background

The global industrial automation market is estimated at ~US\$400 billion (bn) for CY20, which includes segments like digital industries (process automation, discrete automation in industries, industrial software, smart infrastructure, mobility motion, etc). Going forward, we believe the global industrial automation market will grow at 5-6% CAGR in the next five years to US\$540 bn by FY25E considering multiple of more than 2x to global GDP.

The global industrial automation market is dominated by MNC conglomerates like Siemens AG, Schneider Electric, Honeywell International Inc., Rockwell automation, Emerson Electric, Eaton Corp, etc.

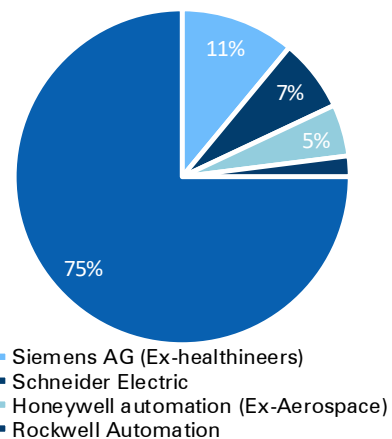
Siemens AG is among the top three market leaders in most industrial automation segments in which it operates, indicating a clear dominant position in the global industrial automation market.

Exhibit 1: Global industrial automation addressable market...



Source: Company, Industry, ICICI Direct Research

Exhibit 2: Addressable market share of global players...

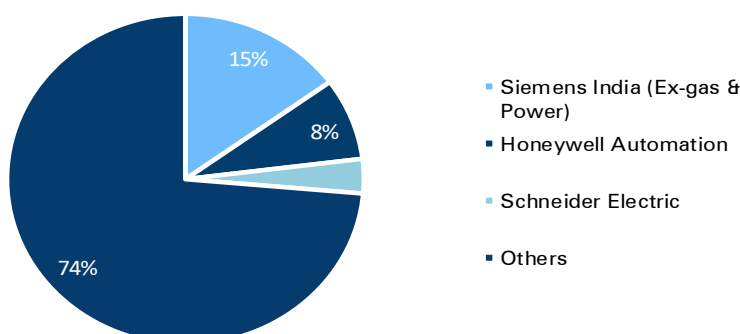


Source: Company, Industry, ICICI Direct Research

Indian industry background

The Indian industrial automation market is estimated at ~ ₹ 41000 crore (US \$5.5 bn), which is ~1.5% of the global automation market. India industrial automation market is expected to grow at ~11-12% CAGR in five years to reach a size of ~₹ 75000 crore (~US\$10 bn) and increasing India's global market share to ~2% driven by pressing need for operational excellence, improved productivity, quality. This is further supplemented by macroeconomic factors such as the burgeoning middle-class population, rising disposable incomes, urbanisation and focused government initiatives, which are expected to have a positive impact on growth of the manufacturing industry indicating huge potential for industrial automation in India.

Exhibit 3: Addressable market share (%) of MNC companies in India (incl. exports)



Source: Company, ICICI Direct Research, Market includes, Industrial automation, motion, mobility robotics, smart infra for like to like comparison

Company Background

Siemens Ltd (Siemens) started its operations in India in 1867. It is ~51% owned by Siemens AG, Germany and ~24% by Siemens Energy. Siemens India is a leader in technology solutions for smart (intelligent), sustainable cities, building technologies, mobility and power transmission & distribution (T&D). It manufactures steam turbines, turbo compressors, high-voltage switchgear (circuit breakers, disconnectors and gas-insulated switchgear), switchboards, remote monitoring systems (RMS), fire detectors and suppression systems, motors and generators, relays and smart grid systems, transformers and advanced medical imaging equipment. Key products include transformers, industrial steam turbines, medium/low voltage switchgears, motors, mechanical drives, railway electrification equipment and control/monitoring systems.

Siemens operates mainly in five key business verticals like energy/ gas & power, smart infrastructure, digital industries, mobility, portfolio of companies, etc. For FY20 (financial year end-September 2020), overall energy (gas & power) contributed 40% followed by smart infrastructure (27%), digital industries (19%), mobility (9%), portfolio of companies (4%). While business wise, the products segment still remains the largest revenue contributor at ~51%, it is followed by projects (~32%) and services (~17%). Geography wise, domestic business contributed ~78% and exports business contributed 22%. In the overall revenue pie, private sector contributed ~75% while government sector contributed 25% to revenue.

Exhibit 4: Siemens's segment wise business overview

Segmentation	Gas & Power	Smart Infrastructure	Digital Industries
As % of Revenue	(~40% of FY20 Revenue)	(~27% of FY20 Revenue)	(~19% of FY20 Revenue)
Products & Solutions	<ul style="list-style-type: none"> Gas turbines (≤ 400 MW) Steam turbines (≤ 1900 MW) Generators (≤ 2235 MVA) Shunt reactors (≤ 125 MVA) Protection relays and devices AIS upto 800 kV GIS upto 800 kV Circuit breakers (≤ 800 kV) Disconnectors (≤ 765 kV) Condensers Turbo compressors Instrumentation and control Electrical balance of plant Integrated power plant solutions Energy solutions: Power block, Power island, complete lump sum turnkey power plants on EPC basis Power transformers (≤750 MVA) Instrument transformers Digital & Services 	<ul style="list-style-type: none"> Control and relay panel (≤ 765 kV) LV /MV switchboards (≤ 40 kV) Digital grid Low Voltage Products Distribution Systems Control products & Building Products Building automation systems HVAC products Building control Security systems Fire safety systems Energy efficiency systems Total Building Solutions Integrated systems and solutions for specific markets and industries such as data centers, utilities, airports, hospitals and hotels 	<ul style="list-style-type: none"> Automation systems Process Automation Industrial control Industrial communication LV and MV Drives Geared motors Motion control CNC solutions Low voltage switchgear for switching, protection and control PLM software and services
Total Factories	22	22	22
Application in Segments/ Industries/ Sectors	Power T&D, Smart Grid, Technical upgradation of transmission grid, Oil & Gas Applications	Transport & Infrastructure, Government led capex (Metros, Airports, Ports, Railways, Smart Cities etc)	Manufacturing led Industries, Applications in Cement, Steel, Fertiliser, Metals, Automotive, Electronics, pharma etc to boost demand for digitisation and automation.

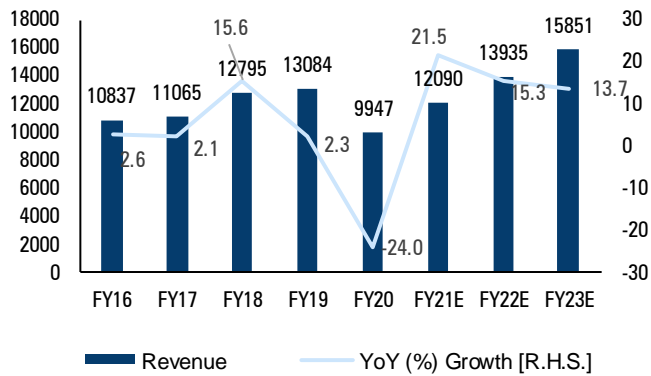
Source: Company, ICICI Direct Research

Exhibit 5: Siemens's segment wise business overview (Continued...)

Segmentation	Mobility	Portfolio of Companies	Others
As % of Revenue	(~9% of FY20 Revenue)	(~4% of FY20 Revenue)	(~1% of FY20 Revenue)
Products & Solutions	<ul style="list-style-type: none"> • Propulsion systems • Inverters • Rail Signaling • Rail electrification • Rail automation • Intelligent Traffic Management • Light Rail • Metro Rail • Passenger coaches • Traction Motors 	<ul style="list-style-type: none"> • Large Drives • Mechanical Drives • Process Solutions • Windmill generators (≤ 1875 MW) • Gear boxes 	-
Total Factories	-		
Application in Segments/ Industries/Sectors	Dedicated freight corridors, High Speed Rails, Metros Infrastructure, Indian railways station redevelopment, modernisation, electrification etc.	Applications in Cement, Steel, Fertiliser, Metals etc.	-

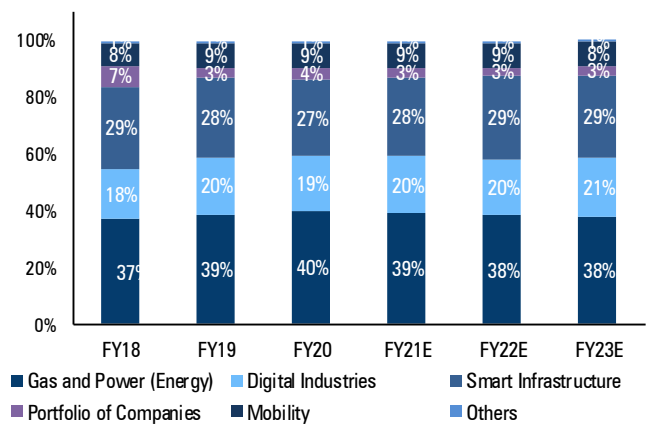
Source: Company, ICICI Direct Research

Exhibit 6: Siemens – Revenue trend...



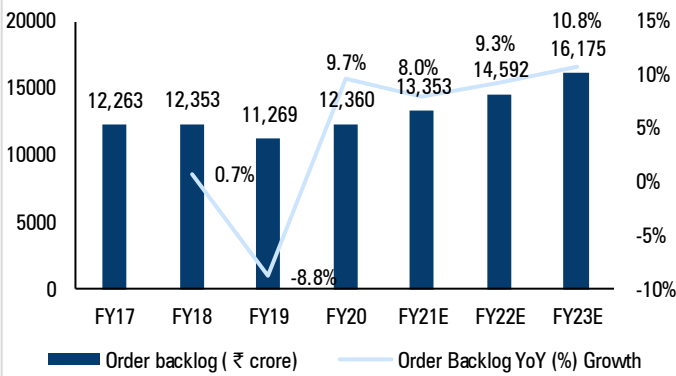
Source: Company, ICICI Direct Research

Exhibit 7: Siemens – Segment wise revenue contribution (%)



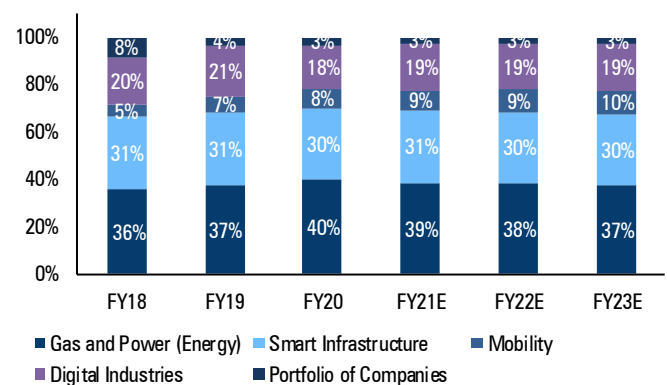
Source: Company, ICICI Direct Research

Exhibit 8: Siemens – Order backlog trend...



Source: Company, ICICI Direct Research

Exhibit 9: Siemens – Segment wise order inflow break-up



Source: Company, ICICI Direct Research

Investment Rationale

Gas & power: High efficiency products, solutions to drive growth

The energy (gas & power) segment of Siemens offers products and solutions for reliable, efficient and clean power generation from fossil fuel and for oil & gas applications. It is also a supplier of products, solutions and services for transmission & distribution of electric energy.

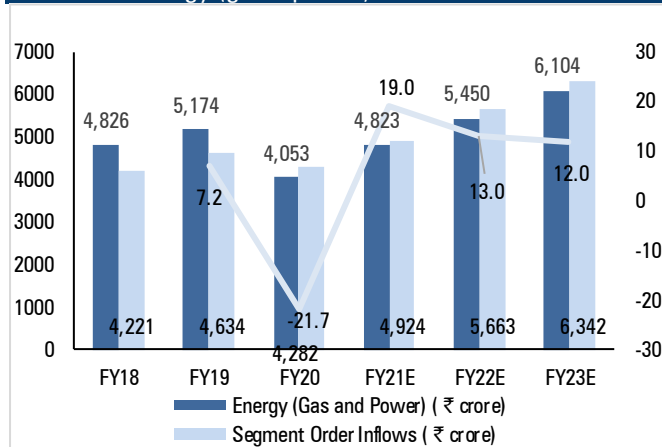
Key portfolio offerings

The energy business (gas & power) provides fully integrated products, solutions and services across the energy value chain of power generation & transmission, distribution, oil & gas production, which helps de-centralised, flexible power, to manage grid complexities, improve and de-risk old conventional power assets and connect demand, supply through storage technologies such as grid scale batteries and power-to-X technologies. This segment has a broad customer base that includes oil & gas, utilities, independent power producers, EPC companies and industrial companies in sectors such as mining and chemicals, etc.

Siemens currently derives ~40% of its revenue from the energy (gas & power) segment with products ranging from steam & gas turbines, generators, air insulated substation (AIS), gas insulated substations (GIS), compressors, condensers, power transformers, electrical balance of plants, digital & services, etc, mainly driven by power and oil & gas sectors. Its services portfolio includes maintenance, repair, replacements and modernisation and upgrade of components such as turbines, generators, industrial power plants, and compressors for oil & gas.

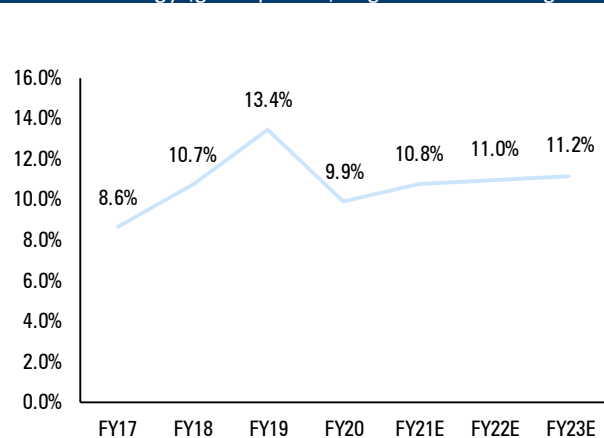
We expect gas & power/ energy segment revenue to grow at ~12.5% CAGR in FY21E-23E on the back of increased focus on energy sector transformation and automation in India. Over the past two to three years, the segment has commanded EBIT margins in the range of 10-11%. We expect this to gradually improve by 100-150 bps with increasing share of innovative products and services.

Exhibit 10: Energy (gas & power) revenue & order inflows..



Source: Company, ICICI Direct Research

Exhibit 11: Energy (gas & power) segment EBIT margin trend



Source: Company, ICICI Direct Research

Siemens is well placed to gain from the overall energy market transformation from **electrification to automation & digitisation**. With increased contribution of renewable energy to the energy mix, grid stability & reliability will be the main focus area driving the products and services business. For instance, sector coupling or Power-to-X involving flexible storage capabilities and hydrogen technologies could emerge as key innovation areas. Siemens commands one of the leading positions in most products and services it offers in the gas & power segments.

Market drivers: Demand revival for small steam turbines across steel, cement, chemicals, oil & gas, etc, **strong renewable capacity addition** pipeline in India are creating opportunities for transmission and electrical products, T&D. Power demand is expected to grow at a CAGR of 6-6.5% over the next decade with support from various government initiatives like '24*7 power for all', increased electrification and industrialisation and improving infrastructure. Consequently, it will boost market for electrification and smart grid solutions required to reduce aggregate technical and commercial losses. Further, increased use of **digitisation solutions** would improve efficiency and performance of power utilities and industrial operators.

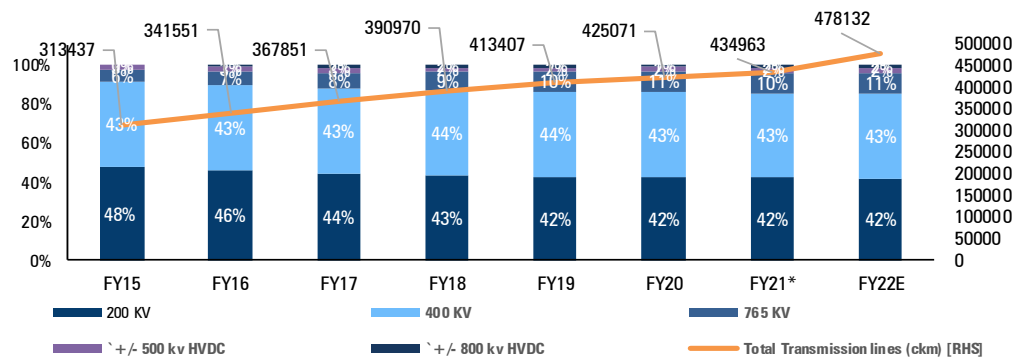
As per National Infrastructure pipeline overall capex for the power sector is expected to be ₹ 14.1 lakh crore over the next five to six years including ₹ 3.3 lakh crore towards generation (mainly towards highly efficient super-critical technology based plants, replacement of old retired plants and hydro), ₹ 3.2 lakh crore towards distribution (towards schemes like **DDUGJY**, integrated power distribution systems (**IPDS**), **smart metering** infrastructure, proposed new schemes) and ₹ 3.0 lakh crore towards transmission and remaining ₹ 4.6 lakh crore by states creating ample demand for technology integrated electrical equipment.

Exhibit 12: Capital expenditure in power sector over FY20-25

Capital expenditure expected over FY20-FY25 (₹ crore)	FY20	FY21E	FY22E	FY23E	FY24E	FY25E	Total
Generation	30056	53819	63789	63474	64982	50690	326811
Distribution	21127	42000	44207	60000	70000	85700	323034
Transmission	54875	53897	50712	51522	51522	41522	304050
States	58081	75834	63027	48491	38732	33090	456533
Overall Total	164139	225550	221735	223487	225236	211002	1410428

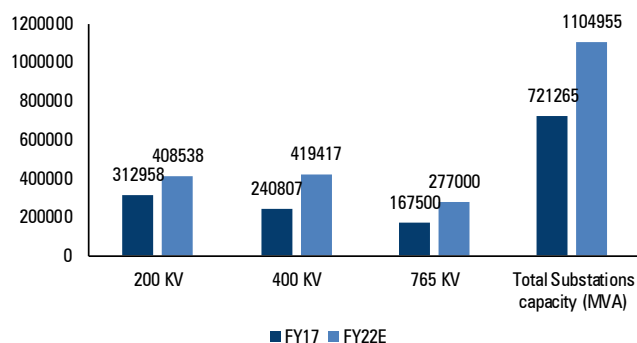
Source: Industry, NIP, CEA, ICICI Direct Research

Exhibit 13: Transmission line break-up in India



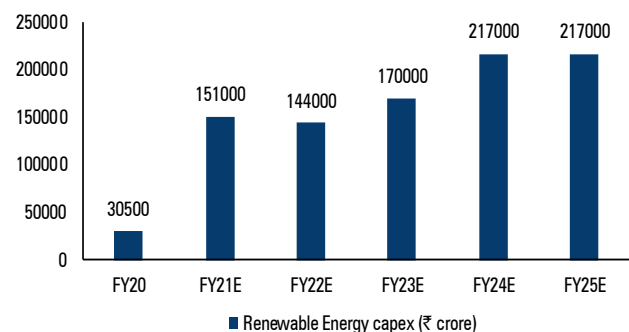
Source: Company, NIP, Central Electricity Authority (CEA), ICICI Direct Research, *Upto Jan 2021

Exhibit 14: India sub-station capacity (MVA)



Source: CEA, Company, ICICI Direct Research

Exhibit 15: Renewable energy capex over FY20-25



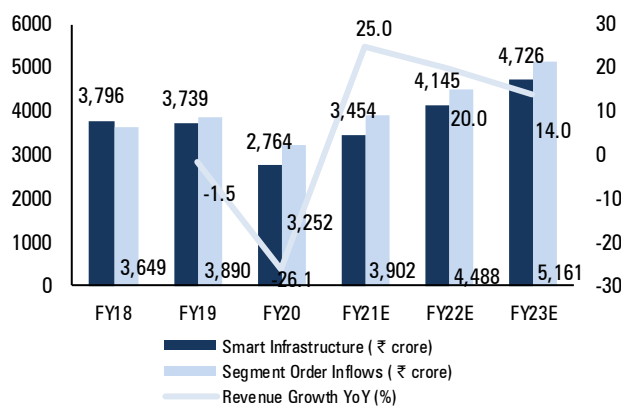
Source: CEA, Company, ICICI Direct Research

Smart infrastructure: Capex, emerging fields to drive demand...

Siemens's Smart Infrastructure (SI) segment contributed **~27% to FY20 revenue**. Smart infrastructure intelligently connects energy systems, buildings and industries to enhance through greater efficiency and sustainability. Smart infrastructure unites building technology with energy supply – including **low and medium-voltage power distribution and grid control**. Siemens offers a broad portfolio of grid control and automation; low- and medium-voltage power distribution, switching and control; and building automation, fire safety and security, HVAC control, **smart grid, smart storage** solutions and energy solutions. The portfolio is balanced across full range of products, systems and solutions. Its offerings combine **physical solutions and digitisation** across the focus areas of **electrification and automation** from intelligent grid control and electrification to smart storage solutions, from building automation and control systems to **switches, valves and sensors**.

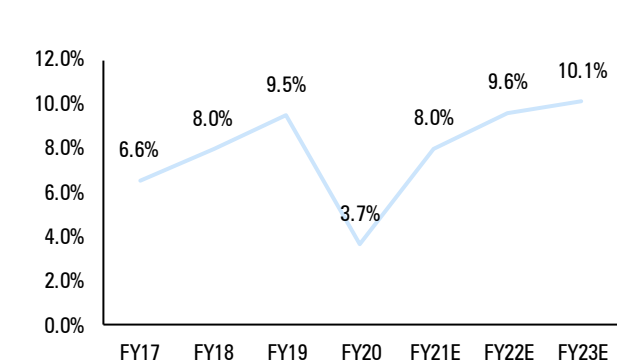
Drivers: We expect the SI segment revenue to grow at a CAGR of **~17% over FY21E-23E** led by buoyed government led infrastructure spending (metros, ports, railways, smart cities). Emerging fields like data centres and growth in telecom, life sciences, intelligent building systems in upcoming smart cities and energy efficient solutions are expected to drive demand for Siemens's market leading portfolio of smart electrical products.

Exhibit 16: Smart infrastructure- Revenue, order inflow trend



Source: Company, ICICI Direct Research

Exhibit 17: Smart infrastructure (SI) EBIT margin trend



Source: Company, ICICI Direct Research

Smart Grid or digital grid is an electrical grid with automation, communication and IT systems that can monitor and control power flows from generation to consumption or curtails the load to match generation on a real-time basis empowering utilities to partner with end-consumer and better respond to disruptive challenges and help in reducing AT&C losses. Siemens provides various products & solutions covering substation automation, protection, grid operation and control, grid applications.

Siemens is focusing on R&D to develop and introduce new advanced technology based products & services to further gain market and improving segment EBIT margins in the long run, which is hovering at **~7-9.5%** over the last few years. The government's thrust on urban infrastructure spending and smart energy solutions is expected to further aid performance.

Exhibit 18: Capital expenditure envisaged for ports, airports, urban infrastructure, smart cities over FY20-25

Capital expenditure expected over FY20-FY25 (₹ crore)	FY20	FY21E	FY22E	FY23E	FY24E	FY25E	Total
Ports	13357	18104	20649	15863	7724	10002	121194
Airports	18667	21655	24820	21334	25386	5141	143448
Urban Infrastructure	298174	462208	404134	234858	217164	159862	1919267

Source: Industry, NIP, ICICI Direct Research

Exhibit 19: Urban Infrastructure – Capex (FY20-FY25)

Urban Infrastructure (₹ crore)	Capex over FY20-FY25
Affordable Housing	540711
Urban Transport/ MRTS	573366
Street lighting/ solid waste management (smart city mission)	131460
AMRUT (water supply, sanitation, sewage treatment, green parks)	47382
Jal Jeevan Mission (water supply, rejuvenation of water bodies, water treatment)	279492
Total	1572410
States	346856
Overall total	1919266

Source:- NIP, Industry, Company, ICICI Direct Research

C&S acquisition: Gaining edge in low-voltage switchgear market

Siemens recently completed the acquisition of Delhi-based C&S Electric, which supplies low-voltage switchgear components and panels, low & medium voltage power busbars and protection & metering devices businesses for the domestic and exports market. The acquisition is aimed at further **strengthening its position as key supplier of low-voltage power distribution and electrical installation technology to meet rising demand of low-voltage power distribution in India and to enable export to other markets.** On March 1, Siemens acquired 99.2% equity shares for an aggregate consideration of ₹ 2100 crore on cash free/debt free basis, which is 1.7x FY19 sales.

C&S is among the top four players in switchgear business and market leader in busbar business with more than 50% market share. C&S revenue has grown strongly at ~25% CAGR over the last 10 years enjoying significant market share in the power & infrastructure segment. C&S Electric is one of the largest exporters of industrial power distribution and control equipment with exports contributing ~26% of revenue.

Digital industries: PLI, manufacturing capex to drive growth...

Siemens’s digital industries (DI) segment contributed ~19% to FY20 revenue. The DI segment offers a comprehensive portfolio of software products and automation technologies for industrial applications covering the entire life cycle, from product design and production to aftersales service for **discrete manufacturing industries such as automotive, F&B, etc and process industries like cement, steel, etc.** Siemens Digital Industries is an innovation and technology leader in industrial **automation & digitisation** and driving force for the digital transformation in the discrete and process industries.

It offers products and solutions like **factory automation, process automation, industrial control, automation systems, motion control, customer services etc, with** integration cutting-edge technologies such as **artificial intelligence, edge computing, industrial 5G, autonomous handling systems, blockchain and additive manufacturing** into its digital enterprise portfolio.

Drivers: PLI, Manufacturing and private capex led growth is expected to boost demand for factory automation. **PLI Scheme** was launched to create manufacturing champions across 13 sectors with ~₹ 2 lakh crore over the next five years starting in FY22. We believe **PLI Scheme** along with other initiatives like **‘Make in India’ to boost domestic manufacturing could lead to annual private capex run rate of ₹ 2.5 lakh to ₹ 3 lakh crore beginning in FY23E.** This segment is driven by manufacturing and industrial sectors like automotive, pharma, steel, cement, etc. Government’s initiative and augmenting manufacturing share to 25% GDP over the next five years are expected to drive the performance of this segment. Cost productivity and energy saving are anticipated to drive demand for retrofit and modernisation

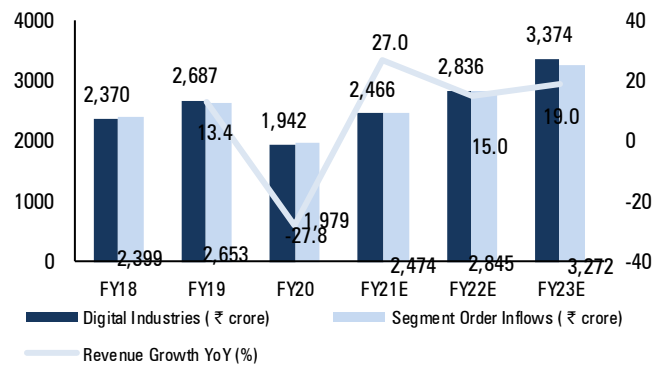
in the industrial space creating opportunity for automation and digitisation based products. On the other hand, overall infrastructure focus is expected to boost capacity utilisation and augmentation in process industries like cement, steel, etc, aiding demand for process automation products. **We expect digital industries segment to grow at a CAGR of ~17% over FY21E-23E driving the incremental growth.**

Exhibit 20: Total capital outlay towards Production Linked Incentive (PLI) Scheme ...

Sectors	Estimated Exp (₹ crore)
Mobile phone manufacturing	47240
API & others	6940
Manufacturing of Medical devices	3420
Advanced Cell Chemistry Battery	18100
Electronic/Technology products	5000
Automobiles & Auto Components	57042
Pharmaceutical Drugs	15000
Telecom & Networking products	12195
Textile products	10683
Food products	10900
High Efficiency Solar PV Modules	4500
White Goods (Acs & LED)	6238
Specialty Steel	6322
Total	203580

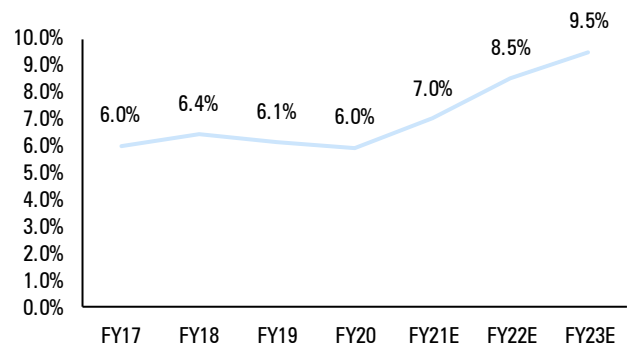
Source: Industry, PIB, Company, ICICI Direct Research

Exhibit 21: Digital industries revenue and order inflow trend



Source: Company, ICICI Direct Research

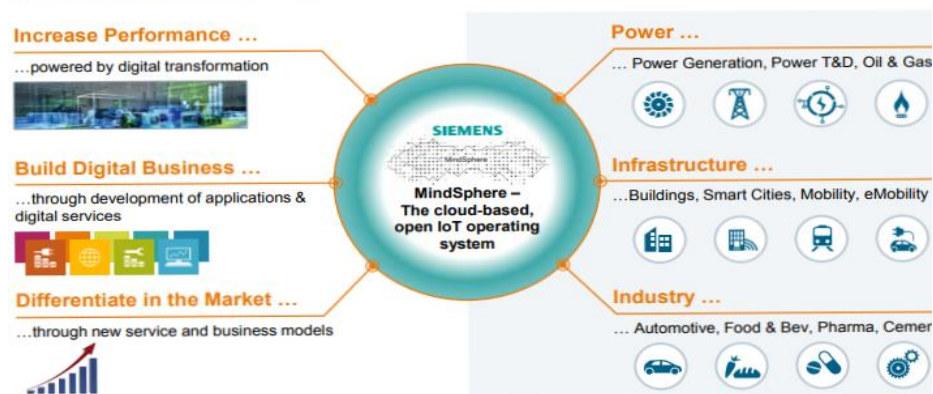
Exhibit 22: Digital industries EBIT trend



Source: Company, ICICI Direct Research

MindSphere - Industrial IoT as a Service: MindSphere is the leading industrial IoT as a service solution that uses advanced analytics and AI to power IoT solutions from the edge to the cloud. It helps connect all machines and aggregate the relevant data into one system so one can perform concise and powerful analysis, optimise one's processes, reduce costs and accelerates one's time to market.

Exhibit 23: Digital Industries: - Portfolio across entire value chain...



Source: Company, ICICI Direct Research

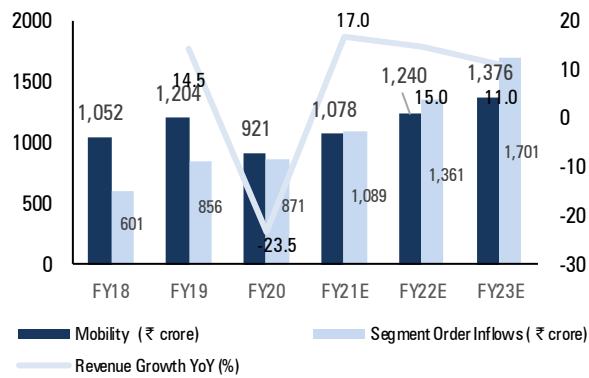
Mobility: Strong pipeline of transformational railway projects.

Siemen’s mobility segment **contributed ~9% to FY20 revenue**. The mobility segment provides products and solutions for passenger and freight transportation, including rail vehicles, rail automation and rail electrification systems. Modern, interconnected, IT-based mobility is the core competency of mobility's four business units viz, mobility management, turnkey projects & electrification and rolling stock & customer services.

Portfolio offerings includes full range of vehicle for rail traffic (intercity, high speed trains, metro cars, passenger coaches, driverless vehicles and locomotives), rail signal and control technology, electrification solutions, maintenance & services, road traffic control systems, parking space management, turnkey mobility systems, etc.

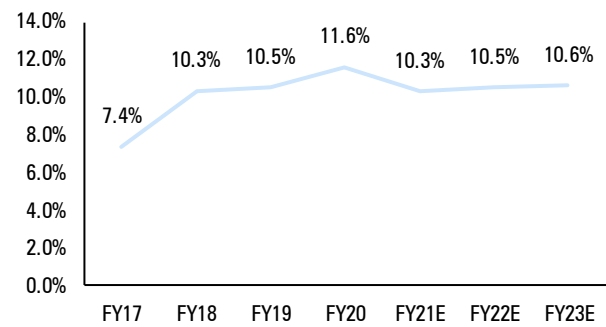
Drivers: Planned capex on upgrade of railway network and rolling stock, Metro projects, various initiatives to transform railways like **dedicated freight corridors, high speed rail and metro infrastructure**. Strong pipeline of large railway projects for which tenders are expected to pick up even further. Increased ordering in traction motors and rail electrification. Consequently, **we expect mobility segment to benefit and grow at a CAGR of ~13% over FY21E-23E**.

Exhibit 24: Mobility segment revenue and order inflow trend



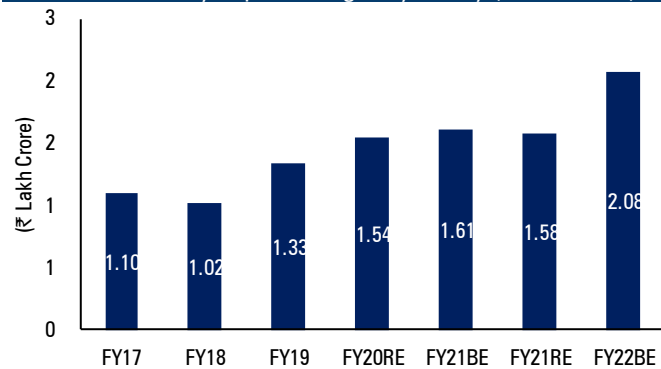
Source: Company, ICICI Direct Research

Exhibit 25: Mobility segment EBIT margin (%)



Source: Company, ICICI Direct Research

Exhibit 26: Railway capex- budgetary outlay (₹ lakh crore)



Source: Company, ICICI Direct Research

Exhibit 27: Railway capex envisaged in NIP over FY20-25

Railways (₹ crore)	Capex over FY20-FY25
New lines/ Gauge conversion	440072
Capacity Augumentation	247985
Dedicated frieght Corridor	166171
Rolling Stock	275539
High-Speed Rail	110647
Others	118406
Total	1358820
States	8746
Overall Total	1367566

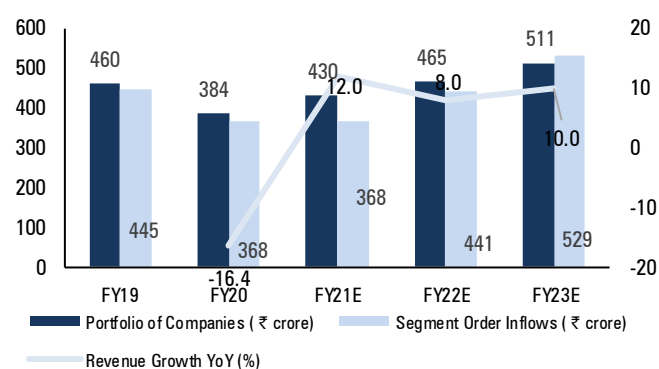
Source: Company, ICICI Direct Research

Portfolio of companies: Large drives for specific industries...

Siemen’s portfolio of companies (PoC) segment **contributes ~5% to total revenue**. It focuses on market specific offerings for diverse verticals, **providing strategic flexibility for specific industry verticals** including dedicated target setting, medium sized business setup, increased strategic flexibility, accountability to sectors like minerals, mining, cement, pulp & paper, metals, marine ports, wind power, defence, etc.

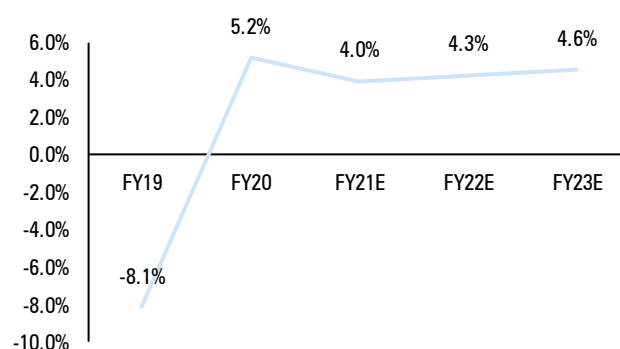
Portfolio offerings includes mechanical drives, process solutions and large drive applications. Large drives applications develop and produce heavy-duty electrical drive systems for medium and high-voltage ranges: electrical motors, converters and generators. Additionally, the unit offers special large drives for ships, mines and rolling mills. Wind energy products include products that include several types of geared generators, direct drive generators and components as well as wind converters.

Exhibit 28: Portfolio of companies revenue, order inflows



Source: Company, ICICI Direct Research

Exhibit 29: Portfolio of companies EBIT margins (%)



Source: Company, ICICI Direct Research

Transfer of mechanical drive business:

Siemens has decided to sell and transfer its **mechanical drives business** for a consideration of ~ ₹ 440 crore (which is at 0.65x to sales) to Flender Drives Pvt Ltd (subsidiary of Siemens AG Group company) on a slump sale going concern basis, with effect from January 1, 2021.

Exhibit 30: Financials of mechanical drives business (September end)

Particulars (₹ Crore)	FY19	FY20
Net Sales	683.3	671.3
EBITDA	-35.9	19.4
Other income	0.7	0.2
Interest	0.1	0.4
Depreciation	19.4	20.5
PBT	-54.7	-1.3
Taxes	-18.5	-0.4
Net loss	-36.2	-0.9

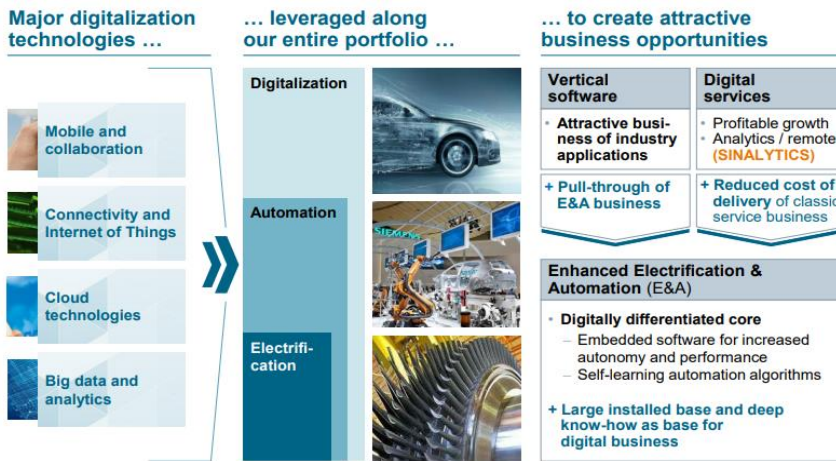
Source: Company, Capitaline, ICICI Direct Research

Automation, digitisation common theme across segments

Siemen’s digitisation portfolio is seeing renewed interest from industries like pharma, food & beverages, automotive, power distribution, etc. enabling increased productivity and flexibility.

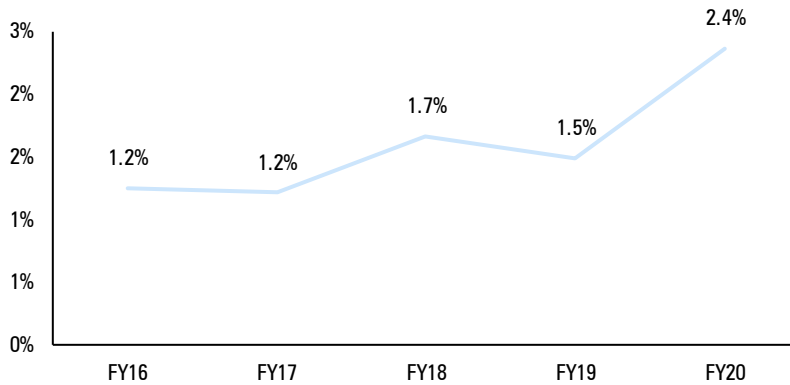
Further, new product offerings, technologies advancements, R&D, patents and product development in tandem with industrial automation, digitisation across segments is likely drive growth for Siemens over the next two years and help further strengthen its leadership position.

Exhibit 31: Automation, digitisation product & solution portfolio...



Source: Company, ICICI Direct Research

Exhibit 32: Royalty, licence fees paid to parent (as% of Sale)..



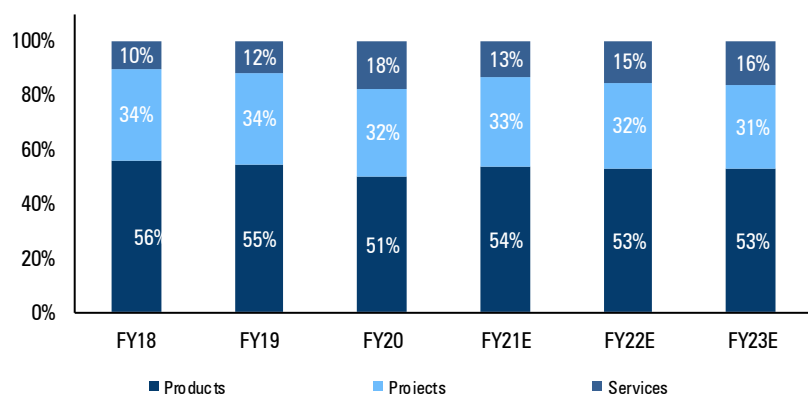
Source: Company, ICICI Direct Research

Segment mix, operational efficiencies to drive superior margins

Siemens caters to a whole gamut of smart, intelligent and integrated services across all technologies and segments like building technologies, energy, etc. The nature of services includes repairing and spare parts replacements, annual maintenance, etc.

Siemens continues to focus on productivity improvements, operational efficiencies, cost optimisation, resourcing, quality, including range rationalisation and enrichment of product mix to enhance market share, operating margins and gain competitive advantage. Siemens's EBIT margin has expanded in FY17-19 and is expected to further improve over the next two years owing to increasing share of innovative product, services.

Exhibit 33: Increasing share of products & services to improve margins in long run...



Source: Company, Capitaline, ICICI Direct Research

Strong global parentage provides technology edge, market reach

Siemens Ltd (Siemens) is ~51% owned by Siemens AG, Germany and ~24% by Siemens Energy. Siemens AG (SAG), the parent is German multinational and largest industrial manufacturing company in Europe with focus on electrification, digitisation and automation. It is one of the world’s largest producer of energy-efficient technologies. Siemens AG is pioneer in infrastructure and energy solutions, automation and software for industry.

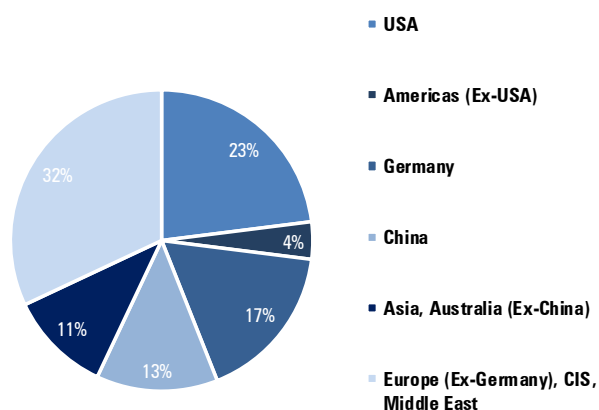
In FY20, SAG reported €57.1 billion revenue comprising €15 bn (28%) from digital industries (DI), €14.3 bn (27%) from smart infrastructure, €9.1 bn (17%) from mobility and €14.5 bn (27%) from Healthineers.

Exhibit 34: Siemens AG: financial summary

FY20	Digital Industries	Smart Infrastructure	Mobility	Siemens Healthineers (79%)
Revenue (€ bn)	15	14.3	9.1	14.5
Adj. EBITDA Margin (%)	21.7	9.1	9.1	15.1
Employees	71700	69600	38500	54300

Source: Company, ICICI Direct Research, Industry

Exhibit 35: Siemens AG –Geography wise revenue break-up (%)



Source: Company, ICICI Direct Research

Exhibit 36: Robust R&D spend to drive product innovations...

Global R&D investment (€ bn)	FY20	FY21e
Smart Infrastructure	0.6	-
Digital Industries	2	-
Mobility	0.4	-
Siemens Healthineers	1.3	-
Others/ T	0.3	-
Total	4.6	4.9
As % of Revenue	8%	>8%

Source: Company, ICICI Direct Research

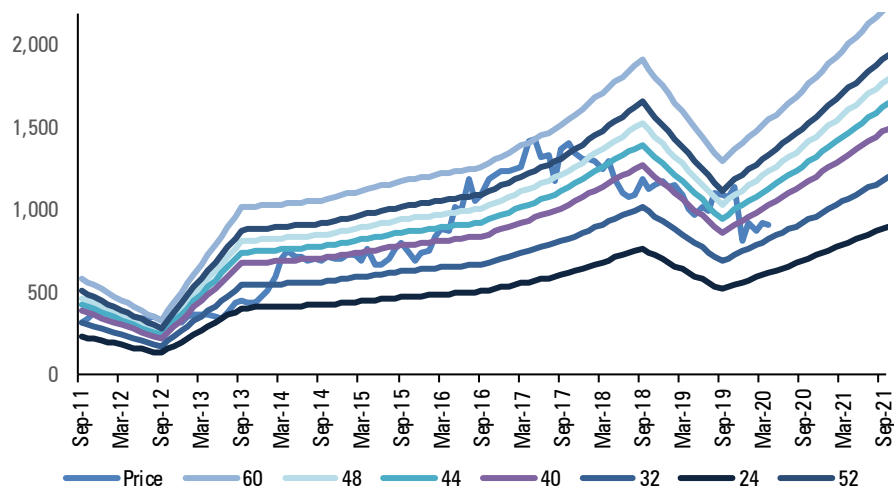
Valuations & Outlook:

Strong balance sheet, debt free status and domain expertise will drive technology/R&D innovation for companies like Siemens, which already command dominant position in almost all segments in which it operates in industrial automation and digitisation space. Hence, higher adoption of automation/digitisation products and services by mid/small industrial sector is expected to drive return ratios and operating cash flows for Siemens. Siemens is expected to further expand its margin profile over the next few years by leveraging its strong product profile, cost efficiencies, business mix, innovation, global brand image and network through Siemens AG.

Overall, the company is expected to further strengthen its leadership position through value added new product offerings, R&D, further penetrating automation and digitisation products & services in process & discrete industries, smart infrastructure, gas & power, mobility space, which will drive growth and help further gain market share. We believe it currently commands an addressable revenue market share (digital industries, smart infrastructure, mobility, etc) of ~15% in India being the leader in the industry. Further, Siemens is currently trading at 42x P/E on FY23E (vs. forward median P/E band of 44x, up cycle and down cycle average TTM P/E of 25x and 80x, respectively). We value Siemens Ltd at ₹ 2210/share, implying multiple of 49x on FY23E EPS of for core business and adding recently acquired C&S business valuing at 1.7x on FY23E sales. We have a **BUY** recommendation on the stock.

Peer One Year forward P/E band

Exhibit 38: One year forward rolling P/E Band



Source: Company, ICICI Direct Research

Valuation Summary

Exhibit 39: One year forward rolling P/E Band

Particulars	Multiple	FY23E Valuation (crore)	Value per share	
Siemens	P/E (x)	49.0	75211	2112
C&S Acquisition	P/Sales (X)	1.7	3580	101
Total	-	-	78791	2212

Source: Company, ICICI Direct Research

Key risk & concerns

Any slowdown in infrastructure and core sector spending in India

Any slowdown in smart infrastructure capex across transportation (rail, metro, ports, airports) smart grids, urban infrastructure, transmission & distribution, renewables, water infrastructure is expected to adversely affect the digital and automation business.

Global market slowdown may impact exports business...

India is fast developing as an exports and services hub for most global MNC industrial automation companies to cater to growing demand for automation products and services in major world markets. Any slowdown in key global markets is anticipated to adversely affect exports business of Indian automation companies.

Digital industries business may get affected by slower private capex

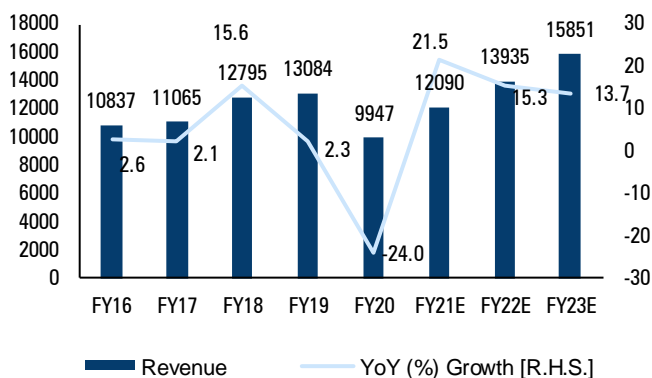
Also, slower pace of capacity augmentation or muted consumer demand is expected to affect private industrial capex thereby affecting digital industries.

Limited R&D spending may pose challenges in industrial transformation...

Industrial transformation through electrification, automation and digitisation is driven by R&D for new products, solutions, innovations and services driving the pace of Industrial automation. Any slowdown in R&D spending could slow down the transition efforts.

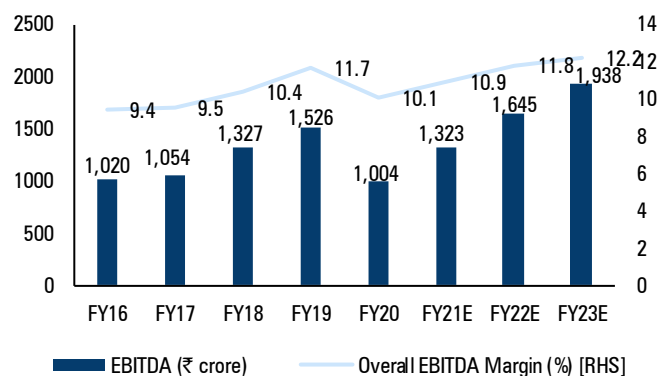
Financial story in charts:

Exhibit 40: Revenue trend...



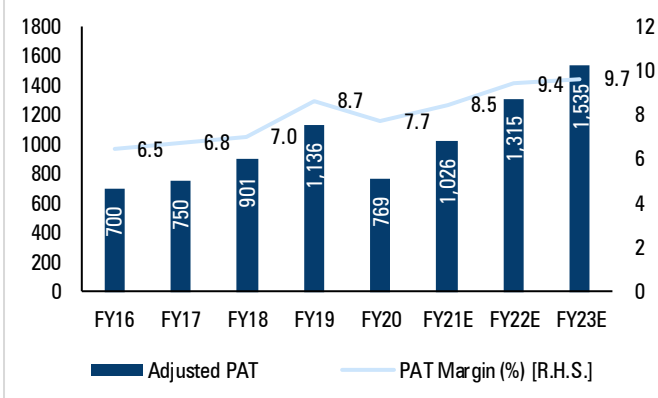
Source: ICICI Direct Research, Company

Exhibit 41: EBITDA and EBITDA margin trend



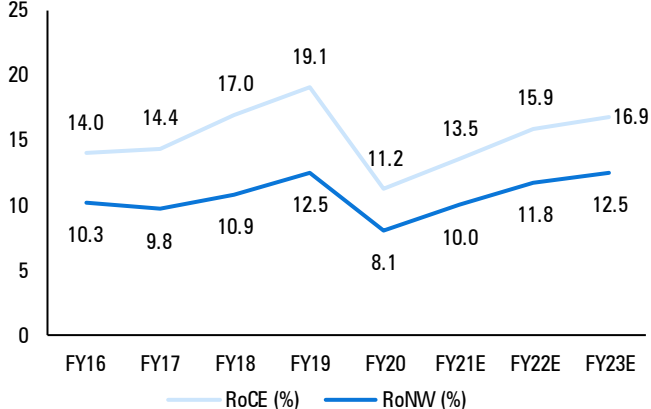
Source: ICICI Direct Research, Company

Exhibit 42: PAT and PAT margin (%) trend...



Source: Company, ICICI Direct Research

Exhibit 43: RoE, RoCE (%) trend...



Source: Company, ICICI Direct Research

Top 10 shareholders & SHP:

Exhibit 44: Top 10 shareholders

Rank	Investor Name	Filing Date	% O/S	Position (%)	Change
1	Siemens Internationa	31-Dec-20	47.7	169.88m	0.00m
2	Siemens Gas	31-Dec-20	24.0	85.47m	0.00m
3	Life Insurance Corp	31-Dec-20	7.5	26.70m	1.78m
4	Siemens Metals Tech	31-Dec-20	3.3	11.74m	0.00m
5	Vanguard Group	28-Feb-21	0.9	3.09m	0.24m
6	Blackrock	19-Mar-21	0.6	2.05m	0.00m
7	Dsp Investment Manag	28-Feb-21	0.5	1.82m	0.05m
8	Hdfc Asset Managemen	28-Feb-21	0.3	0.97m	0.00m
9	Norges Bank	31-Dec-20	0.2	0.68m	0.00m
10	Investor Education &	31-Dec-20	0.2	0.65m	0.00m

Source: Reuters, ICICI Direct Research

Exhibit 45: Shareholding Pattern

(in %)	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
Promoter	75.0	75.0	75.0	75.0	75.0
FII	4.3	4.2	4.2	4.1	4.2
DII	9.9	10.2	10.1	10.4	10.6
Others	10.8	10.6	10.7	10.5	10.2

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 46: Profit and loss statement				
₹ crore				
(₹Crore)	FY20	FY21E	FY22E	FY23E
Net Sales	9,946.5	12,089.7	13,935.0	15,850.8
Other Operating Inc	-	-	-	-
Total Operating I	9,946.5	12,089.7	13,935.0	15,850.8
% Growth	(24.0)	21.5	15.3	13.7
Other Income	314.9	266.0	362.3	396.3
Total Revenue	10,261.4	12,355.7	14,297.3	16,247.1
Cost of materials c	1,776.2	2,538.8	3,344.4	3,851.7
Purchase of stock-	2,163.7	2,538.8	2,229.6	2,536.1
Other Expenses	1,034.0	1,257.3	1,407.4	1,585.1
Total expenditure	8,942.9	10,767.0	12,289.5	13,912.7
EBITDA	1,003.6	1,322.7	1,645.5	1,938.1
% Growth	(34.2)	31.8	24.4	17.8
Interest	29.5	12.1	13.9	15.9
Depreciation	252.1	205.1	237.2	267.3
PBT	1,036.9	1,371.5	1,756.7	2,051.2
Tax	267.4	345.2	442.2	516.3
PAT	769.5	1,026.3	1,314.5	1,534.9
% Growth	(32.2)	33.4	28.1	16.8
EPS	21.6	28.8	36.9	43.1

Source: Company, ICICI Direct Research

Exhibit 47: Cash flow statement				
₹ crore				
(₹ Crore)	FY20	FY21E	FY22E	FY23E
Profit after Tax	768.6	1,026.3	1,314.5	1,534.9
Depreciation	252.1	205.1	237.2	267.3
Interest	29.5	12.1	13.9	15.9
Other income	(314.9)	(266.0)	(362.3)	(396.3)
Prov for Taxation	267.4	345.2	442.2	516.3
Cash Flow before WC chang	1,002.7	1,322.7	1,645.5	1,938.1
Change in Working Capital	421.0	(332.1)	(266.8)	(162.4)
Taxes Paid	(267.4)	(345.2)	(442.2)	(516.3)
Cashflow from Operatir	1,156.3	645.4	936.6	1,259.4
(Purchase)/Sale of Fixed Ass	(258.8)	(108.5)	(311.5)	(318.0)
(Purchase)/Sale of Investme	-	-	(10.0)	(15.0)
Other Income	-	-	-	-
Cashflow from Investin	(258.8)	(108.5)	(321.5)	(333.0)
Issue/(Repayment of Debt)	-	-	-	-
Changes in Minority Interest	-	-	-	-
Changes in Network	(326.9)	(300.1)	(385.9)	(428.8)
Interest	(29.5)	(12.1)	(13.9)	(15.9)
Others	(436.6)	-	-	-
Cashflow from Financir	(793.0)	(312.2)	(399.8)	(444.6)
Changes in Cash	707.7	490.6	577.5	878.1
Opening Cash/Cash Equivale	5,001.9	5,709.6	6,200.2	6,777.7
Closing Cash/ Cash Equivale	5,709.6	6,200.2	6,777.7	7,655.8

Source: Company, ICICI Direct Research

Exhibit 48: Balance sheet				
₹ crore				
(₹ Crore)	FY20	FY21E	FY22E	FY23E
Share Capital	71.2	71.2	71.2	71.2
Reserves & Surplus	9,420.8	10,146.9	11,075.6	12,181.7
Networth	9,492.0	10,218.1	11,146.8	12,252.9
Total Debt	-	-	-	-
Deferred tax liability	-	-	-	-
Total Liabilities	10,001.4	10,701.7	11,705.2	12,978.7
Gross Block	1,855.5	2,030.5	2,280.5	2,570.5
Acc: Depreciation	877.1	1,067.2	1,296.3	1,555.7
Net Block	1,167.1	1,152.1	1,172.9	1,203.6
Capital WIP	88.0	6.5	60.0	80.0
Investments	-	-	-	-
Inventory	1,115.2	1,374.6	1,527.1	1,519.9
Sundry debtors	3,140.2	3,506.0	3,971.5	4,279.7
Cash and bank bala	5,709.6	6,200.2	6,777.7	7,655.8
Loans and advance	272.2	338.5	459.9	523.1
Other Current Asset	873.7	278.1	418.0	634.0
Total current Asset:	12,716.0	13,269.0	14,756.7	16,403.7
CL& Prov.	3,660.6	3,920.8	4,309.5	4,651.6
Net Current Assets	6,857.2	7,679.9	8,524.2	9,564.7
Total Assets	10,001.3	10,701.7	11,705.1	12,978.7

Source: Company, ICICI Direct Research

Exhibit 49: Key ratios				
₹ crore				
(Year-end March)	FY20	FY21E	FY22E	FY23E
EPS	21.6	28.8	36.9	43.1
Cash EPS	28.7	34.6	43.6	50.6
BV	266.5	286.9	313.0	344.1
DPS	7.0	7.0	9.0	10.0
Cash Per Share	24.6	30.0	36.4	43.7
EBITDA Margin	10.1	10.9	11.8	12.2
PBT / Net Sales	7.6	9.2	10.1	10.5
PAT Margin	7.7	8.5	9.4	9.7
Inventory days	40.9	41.5	40.0	35.0
Debtor days	115.2	105.9	104.0	98.6
Creditor days	102.3	92.0	90.0	87.0
RoE	8.1	10.0	11.8	12.5
RoCE	11.2	13.5	15.9	16.9
RoIC	27.6	44.0	46.0	49.9
P/E	85.2	63.8	49.8	42.7
EV / EBITDA	59.6	44.9	35.7	29.9
EV / Net Sales	6.0	4.9	4.2	3.7
Market Cap / Sales	6.6	5.4	4.7	4.1
Price to Book Value	6.9	6.4	5.9	5.3
Debt/EBITDA	0.0	0.0	0.0	0.0
Net Debt / Equity	-0.6	-0.6	-0.6	-0.6
Current Ratio	1.5	1.4	1.5	1.5
Quick Ratio	1.2	1.1	1.1	1.2

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

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