

Decent performance, margins impacted...

About the stock: Siemens Ltd (Siemens) is a leader in technology solutions for smart, intelligent, building technologies, mobility, digital industries and power T&D.

- It operates mainly in five key segments including energy/gas & power (34%), smart infrastructure (33%), digital industries (22%), mobility (7%)
- Well placed to gain from the overall energy market transformation from electrification to automation & digitisation

Q4FY21 Results: Siemens reported decent Q4FY21* results amid disruptions.

- Consolidated revenue at ₹ 4296.1 crore, up 21.1% YoY
- EBITDA came in at ₹ 447.2 crore with margins of 10.4% impacted by higher other expense, higher commodity prices
- Consequently, PAT came in at ₹ 321.6 crore (vs. ₹ 335.7 crore in Q4FY21)
- Order inflows for Q4FY21 came in decent at ~₹ 3378 crore, up 4.9% on YoY

What should investors do? Overall, further penetration of automation & digitisation products and services across segments to drive long term growth.

- We remain long term positive and retain our BUY rating on the stock.

Target Price and Valuation: We value Siemens at ₹ 2550 on an SoTP basis.

Key triggers for future price performance:

- Strong focus on technology leadership in digitisation and automation products to further strengthen its market share
- Strong demand for short cycle products with clear traction from steel, cement, chemical, pharma, fertiliser industries to drive strong growth and margin expansion in smart infrastructure and digital industries segments
- We expect revenue, EBITDA to grow at CAGR of ~11%, 16.4%, respectively, in FY21-23E owing to strong traction in short cycle products and services

Alternate Stock Idea: We also like Bharat Electronics in our coverage.

- Strong order inflows visibility, strategy to diversify into non-defence/civil areas, focus on increasing exports and services to drive long term growth
- BUY with a target price of ₹ 250

SIEMENS

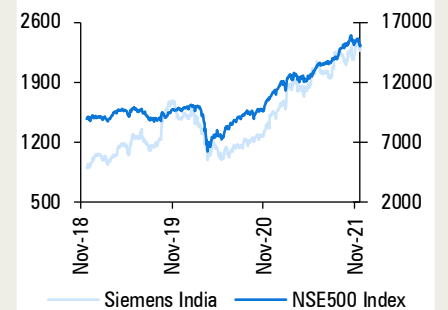
Particulars

Particular	Amount
Market Capitalization	₹ 76566 Crore
Total Debt (FY21)	₹ 3 Crore
Cash and Inv (FY21)	₹ 5159 Crore
EV (FY21)	₹ 71409 Crore
52 week H/L (₹)	2438 / 1357
Equity capital	₹ 71.2 Crore
Face value (₹)	2.0

Shareholding pattern

(in %)	Dec-20	Mar-21	Jun-21	Sep-21
Promoter	75.0	75.0	75.0	75.0
FII	4.2	4.4	4.6	5.2
DII	10.6	10.6	10.3	9.9
Others	10.2	10.1	10.1	9.9

Price Performance



Recent events & Key risks

- Key risk:** (i) Any slowdown in capex across infrastructure, transportation etc. (ii) Any slowdown in R&D spending towards automation and digitisation

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Key Financial Summary

(₹ Crore)*	FY19	FY20	FY21	5 Year CAGR (FY16-FY21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Revenue (₹ crore)	13,083.9	9,946.5	13,639.2	4.7%	15,001.7	16,804.2	11.0%
EBITDA (₹ crore)	1,526.1	1,003.6	1,518.5	8.3%	1,762.8	2,058.4	16.4%
EBITDA margin (%)	11.7	10.1	11.1		11.8	12.2	
Net Profit (₹ crore)	1,135.6	769.5	1,050.1	8.5%	1,327.6	1,603.0	23.6%
EPS (₹)	31.9	21.6	29.5		37.3	45.0	
P/E (x)	67.4	99.5	72.9		57.7	47.8	
Price / Book (x)	8.5	8.1	7.4		6.8	6.1	
EV/EBITDA (x)	46.9	70.6	47.0		40.1	33.9	
RoCE (%)	19.1	11.2	13.9		15.9	17.4	
RoE (%)	12.5	8.1	10.1		11.7	12.9	

Key takeaways of recent quarter & conference call highlights

Q4FY21 Results: Decent performance, margins impacted...

- Siemens reported consolidated revenue at ₹ 4296.1 crore, up 21.1% YoY amid low base. Gas & power (energy) segment de-grew 0.8% to ₹ 1571 crore; smart infrastructure segment grew 65.8% to ₹ 1526.8 crore; digital industries segment revenue grew 23.9% to ₹ 783.9 crore while mobility segment revenue de-grew 5.2% YoY to ₹ 311.7 crore. Gas & power, smart infrastructure, digital industries, mobility segments contributed ~36%, ~35%, 18%, 7%, respectively
- EBITDA came in at ₹ 447.2 crore with EBITDA margin of 10.4% (vs. ₹ 12.9% in Q4FY20) impacted by higher other expenses, lag in passing through input cost increase amid challenges. Gross margins declined 180 bps to 30.5% on a YoY basis while it declined 300 bps on a QoQ basis. Gas & power reported EBIT margin of 13.2%, which improved 110 bps YoY, Mobility segment EBIT margin declined to 11.7% (vs. 13.4% in Q4FY20) while digital industries and smart infrastructure reported EBIT margins at 6.7% and 4.8%, respectively
- Reported PAT came in at ₹ 321.6 crore, down 4.2% YoY, partly impacted by higher depreciation expense YoY
- Order inflows came in decent at ₹ 3378 crore, registering growth of 4.9% YoY led by order growth across all businesses. Order backlog was healthy at ₹ 13520 crore
- **Outlook:** Short cycle business is witnessing strong demand with clear traction from steel, cement, chemical, pharma, fertiliser for short cycle projects/ products. While on long cycle projects, transmission projects from government, utilities are deferring due to pandemic though longer term pipeline remains intact with visible demand for GIS substations. On the generation side, waste heat recovery (WHR) plants largely from steel, cement, chemical, fertiliser players are seeing a lot of demand and conversions. In the smart infrastructure segment, a lot of traction is seen in data centres, hospitals, building management systems, low voltage products with fairly visible opportunity pipeline

Exhibit 1: Variance analysis

Year	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
Income from Operation	4296.1	3546.8	21.1	2934.2	46.4	Overall revenue growth driven by smart infrastructure, digital industries segment
Other Income	62.2	62.5	(0.5)	50.0	24.4	
Cost of materials consumed	1910.0	1122.90	70.1	1653.00	15.5	
Power & Fuel	0.0	0.0	-	0.0	-	
Changes in inventories of finished goods & WIP	158.9	365.9	(56.6)	(243.1)	(165.4)	
Employee cost	472.1	392.8	20.2	440.4	7.2	
Other expenses	390.0	294.5	32.4	297.1	31.3	
EBITDA	447.2	456.0	(1.9)	246.0	81.8	
EBITDA Margin (%)	10.4	12.9	-245 bps	8.4	203 bps	Margins impacted by cost pressures and higher commodity prices
Depreciation	80.0	63.5	26.0	93.0	(14.0)	
Interest	7.2	5.9	22.0	8.0		
PBT	422.2	449.1	(6.0)	195.0	116.5	
Taxes	100.6	113.4	(11.3)	56.1	79.3	
PAT	321.6	335.7	(4.2)	138.9	131.5	
Segment Revenue	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	
Gas & Power/ Energy	1571.0	1583.0	(0.8)	954.9	64.5	
% Contribution	36%	44%		32%		
Smart Infrastrucutre	1526.8	920.8	65.8	1071.7	42.5	
% Contribution	35%	25%		36%		
Mobility	311.7	328.8	(5.2)	144.1	116.3	
% Contribution	7%	9%		5%		
Digital Industries	783.9	632.8	23.9	683.8	14.6	
% Contribution	18%	17%		23%		
Portfolio of Companies	123.3	127.6	(3.4)	96.3	28.0	
% Contribution	3%	4%		3%		

Source: Company, ICICI Direct Research, *September Year End.

Exhibit 2: Change in estimates

	FY19	FY20	FY21	FY22E			FY23E		
(₹ Crore)	Actual	Actual	Actual	Old	New	% Change	Old	New	% Change
Revenue	13,084	9,947	13,639	14,651	15002	2.4	16,650	16804	0.9
EBITDA	1,526	1,004	1,519	1,749	1,763	0.8	2,041	2,058	0.9
EBITDA Margin (%)	11.7	10.1	11.1	11.9	11.8	-15 bps	12.3	12.2	-5 bps
PAT	1,136	769	1,050	1,350	1,328	(1.7)	1,605	1,603	(0.1)
EPS (₹)	31.9	21.6	29.5	37.9	37.3	(1.6)	45.1	45.0	(0.2)

Source: Company, ICICI Direct Research

Valuation Summary

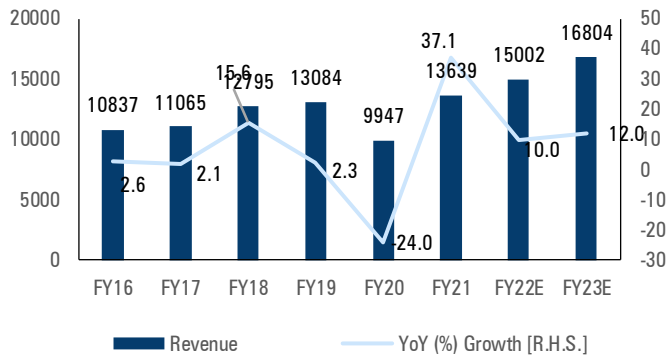
Exhibit 3: SoTP Valuation

Particulars	Multiple	FY23E Valuation (₹ crore)	Value per share
Siemens	P/E (x)	54.0	86563
C&S Acquisition	P/Sales (X)	2.0	4212
Total	-	90775	2549

Source: Company, ICICI Direct Research

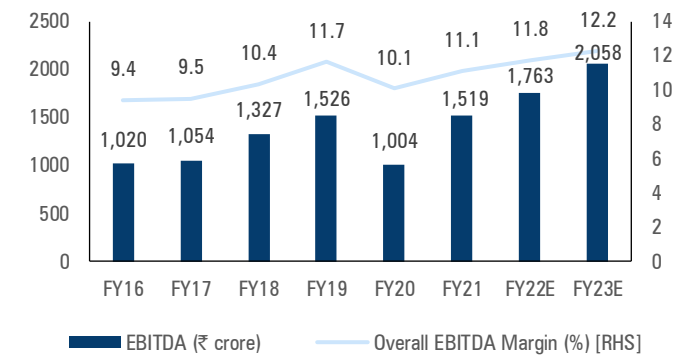
Financial story in charts:

Exhibit 4: Revenue trend...



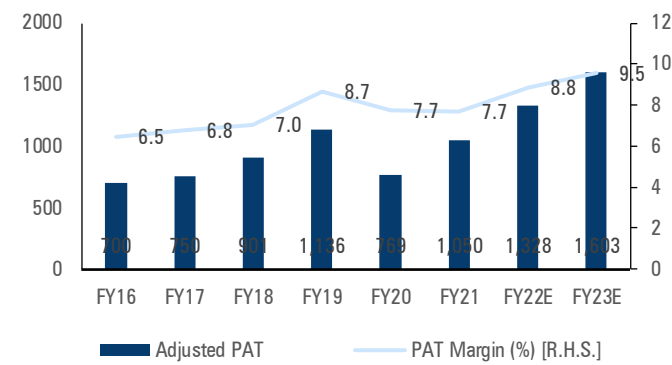
Source: ICICI Direct Research, Company

Exhibit 5: EBITDA and EBITDA margin trend



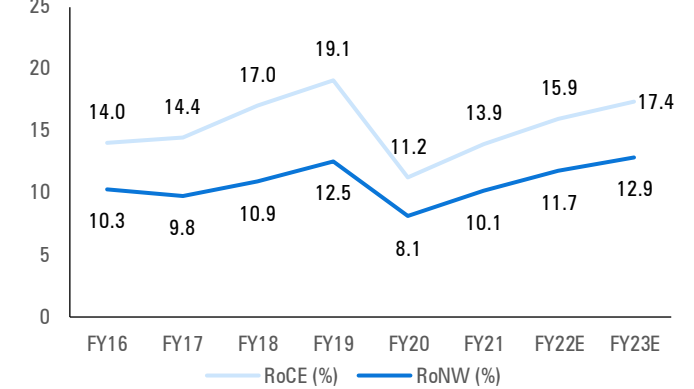
Source: ICICI Direct Research, Company

Exhibit 6: PAT and PAT margin (%) trend...



Source: Company, ICICI Direct Research

Exhibit 7: RoE, RoCE (%) trend...



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 8: Profit and loss statement				
	₹ crore			
(₹ Crore)	FY20	FY21	FY22E	FY23E
Net Sales	9,946.5	13,639.2	15,001.7	16,804.2
Other Operating Income	-	-	-	-
Total Operating Income	9,946.5	13,639.2	15,001.7	16,804.2
% Growth	(24.0)	37.1	10.0	12.0
Other Income	314.9	226.5	360.0	448.7
Total Revenue	10,261.4	13,865.7	15,361.7	17,252.9
Cost of materials consumed	1,776.2	2,887.4	3,600.4	4,083.4
Purchase of stock-in-trade	2,163.7	3,911.4	2,400.3	2,688.7
Other Expenses	1,034.0	1,117.3	1,260.1	1,428.4
Total expenditure	8,942.9	12,120.7	13,238.9	14,745.8
EBITDA	1,003.6	1,518.5	1,762.8	2,058.4
% Growth	(34.2)	51.3	16.1	16.8
Interest	29.5	24.6	18.0	13.4
Depreciation	252.1	300.5	322.8	341.9
PBT	1,036.9	1,419.9	1,782.0	2,151.7
Tax	267.4	369.8	454.4	548.7
PAT	769.5	1,050.1	1,327.6	1,603.0
% Growth	(32.2)	36.5	26.4	20.7
EPS	21.6	29.5	37.3	45.0

Source: Company, ICICI Direct Research, * September Year End

Exhibit 9: Cash flow statement				
	₹ crore			
(₹ Crore)	FY20	FY21	FY22E	FY23E
Profit after Tax	768.6	1,050.1	1,327.6	1,603.0
Depreciation	252.1	300.5	322.8	341.9
Interest	29.5	24.6	18.0	13.4
Other income	(314.9)	(226.5)	(360.0)	(448.7)
Prov for Taxation	267.4	369.8	454.4	548.7
Cash Flow before WC changes	1,002.7	1,518.5	1,762.8	2,058.4
Change in Working Capital	421.0	(63.5)	(152.2)	(316.4)
Taxes Paid	(267.4)	(369.8)	(454.4)	(548.7)
Cashflow from Operating Act	1,156.3	1,085.2	1,156.2	1,193.4
(Purchase)/Sale of Fixed Asset	(258.8)	(2,159.0)	(354.2)	(388.0)
(Purchase)/Sale of Investment	-	(97.1)	(10.0)	(15.0)
Other Income	-	-	-	-
Cashflow from Investing Act	(258.8)	(2,256.1)	(364.2)	(403.0)
Issue/(Repayment of Debt)	-	2.5	(2.5)	-
Changes in Minority Interest	-	-	-	-
Changes in Networth	(326.9)	(185.0)	(385.9)	(428.8)
Interest	(29.5)	(24.6)	(18.0)	(13.4)
Others	(436.6)	-	-	-
Cashflow from Financing Act	(793.0)	(207.1)	(406.4)	(442.2)
Changes in Cash	707.7	(550.5)	745.6	796.8
Opening Cash/Cash Equivalent	5,001.9	5,709.6	5,159.1	5,904.8
Closing Cash/ Cash Equivalent	5,709.6	5,159.1	5,904.8	6,701.6

Source: Company, ICICI Direct Research

Exhibit 10: Balance sheet				
	₹ crore			
(₹ Crore)	FY20	FY21	FY22E	FY23E
Share Capital	71.2	71.2	71.2	71.2
Reserves & Surplus	9,420.8	10,285.9	11,227.5	12,401.8
Networth	9,492.0	10,357.1	11,298.7	12,473.0
Total Debt	-	2.5	-	-
Deferred tax liability (asset)	-	-	-	-
Total Liabilities	10,001.4	11,175.6	12,199.3	13,521.5
Gross Block	1,855.5	2,242.7	2,582.7	2,947.7
Acc: Depreciation	877.1	1,127.6	1,442.4	1,776.4
Net Block	1,167.1	1,303.9	1,329.0	1,360.1
Capital WIP	88.0	33.8	40.0	55.0
Investments	-	-	-	-
Inventory	1,115.2	1,796.9	1,849.5	1,887.6
Sundry debtors	3,140.2	3,683.0	4,035.4	4,419.5
Cash and bank balances	5,709.6	5,159.1	5,904.8	6,701.6
Loans and advances	272.2	606.0	495.1	554.5
Other Current Assets	873.7	367.2	435.0	655.4
Total current Assets	12,716.0	13,152.2	14,415.0	16,100.6
CL& Prov.	3,660.6	4,638.4	4,789.2	5,064.4
Net Current Assets	6,857.2	6,370.2	7,268.0	8,381.2
Total Assets	10,001.3	11,175.6	12,199.2	13,521.5

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
EPS	21.6	29.5	37.3	45.0
Cash EPS	28.7	37.9	46.3	54.6
BV	266.5	290.8	317.3	350.2
DPS	7.0	7.0	9.0	10.0
Cash Per Share	24.6	31.7	40.5	49.9
EBITDA Margin	10.1	11.1	11.8	12.2
PBT / Net Sales	7.6	8.9	9.6	10.2
PAT Margin	7.7	7.7	8.8	9.5
Inventory days	40.9	48.1	45.0	41.0
Debtor days	115.2	98.6	98.2	96.0
Creditor days	102.3	98.3	93.0	89.0
RoE	8.1	10.1	11.7	12.9
RoCE	11.2	13.9	15.9	17.4
RoIC	27.6	40.2	44.0	45.8
P/E	99.5	72.9	57.7	47.8
EV / EBITDA	70.6	47.0	40.1	33.9
EV / Net Sales	7.1	5.2	4.7	4.2
Market Cap / Sales	7.7	5.6	5.1	4.6
Price to Book Value	8.1	7.4	6.8	6.1
Debt/EBITDA	0.0	0.0	0.0	0.0
Net Debt / Equity	-0.6	-0.5	-0.5	-0.5
Current Ratio	1.5	1.4	1.4	1.5
Quick Ratio	1.2	1.0	1.0	1.1

Source: Company, ICICI Direct Research

Exhibit 12: ICICI Direct coverage universe (Capital Goods)

Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
L&T (LARTOU)	1850	2,150	Buy	259592	81.9	51.9	52.9	22.6	35.6	34.9	7.4	8.0	9.0	18.8	11.4	11.2
Siemens Ltd	2150	2,550	Buy	76566	29.5	37.3	45.0	72.9	57.7	47.8	13.9	15.9	17.4	10.1	11.7	12.9
AIA Engineering (AIAENG)	1866	2,230	Buy	17600	59.7	60.4	69.7	31.2	30.9	26.8	16.4	15.3	16.1	13.3	12.4	12.9
Thermax (THERMA)	1700	1,800	Buy	20257	17.3	26.7	40.0	98.1	63.7	42.5	9.8	11.8	16.4	7.6	9.2	12.7
Kalpataru Power(KALPOW)	405	455	Hold	6258	41.3	25.8	37.8	9.8	15.7	10.7	15.9	15.2	16.7	12.7	9.7	11.8
KEC International (KECIN)	461	550	Buy	11857	21.5	19.9	32.3	21.5	23.1	14.3	19.4	17.3	21.3	16.5	14.7	18.7
Greaves Cotton (GREAVE)	154	150	Hold	3567	0.4	2.4	5.4	344.3	63.1	28.6	6.5	7.2	18.6	3.3	5.1	13.6
Elgi Equipment (ELGEQU)	263	260	Buy	8349	3.2	3.9	6.2	81.5	67.8	42.8	11.7	12.7	18.1	11.8	13.8	18.7
Bharat Electronics (BHAELE)	212	250	Buy	51753	8.5	9.6	11.3	25.1	22.0	18.8	27.2	27.0	28.7	19.1	19.9	21.4
Cochin Shipyard (COCSHI)	357	500	Buy	4848	46.4	44.0	55.6	7.7	8.1	6.4	14.4	15.2	16.0	15.3	13.0	14.7
SKF (SKFIND)	3787	3,960	Buy	20071	67.6	78.1	98.9	56.0	48.5	38.3	27.0	26.5	27.9	21.4	20.6	21.6
Timken India (TIMIND)	1925	2,240	Hold	12320	19.0	30.8	40.0	101.1	62.5	48.1	13.7	19.4	25.1	10.7	15.1	19.6
NRB Bearing (NRBBEA)	169	175	Buy	1642	5.6	8.0	9.8	30.2	21.2	17.3	11.8	15.8	17.2	10.4	13.1	14.1
Action Construction (ACTCON)	227	320	Buy	2565	7.1	9.7	13.9	32.0	23.4	16.3	26.9	22.3	26.2	15.3	14.9	17.9

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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