

Structural growth story intact

- Siemens reported a strong set of numbers. Revenue increased by 18.2% YoY to Rs33.5bn while EBITDA was up by 85.9% YoY at Rs4.4bn with margin expansion of 479bps YoY to 13.2%. Adj. PAT grew by 79.7% to Rs3.2bn.
- Siemens is expected to benefit from automation capex by industries. The company has a strong business model backed by structural tailwinds and product offerings in digital & automation solutions along with core infra products. Besides, there is also scope for margin expansion from the short cycle demand that would help sustain recovery.
- We raise our FY21e EPS estimates by 8.1% to factor in the robust Q2 performance, though retain our FY22e/FY23e estimates. We retain BUY with the target price of Rs2300 based on 55x Mar'23E EPS.

Beat on all front

Siemens revenue increased by 18.2% YoY (+6% vs our estimates). EBITDAM improved by 479bps YoY with improvement in margins across all segments led by mix, cost measures and efficiency. EBITDA grew by 85.9% YoY to Rs4.4bn (+40% vs our estimates). Adj. PAT increased by 79.7% to Rs3.2bn (+38% vs our estimates). OCF stood at Rs7.3bn vs (Rs0.5bn) in FY20.

Recovery witnessed across the segments

Siemens reported strong order inflows of Rs33 billion (up 16.9% YoY), with orders seen across all businesses. The order backlog stood at Rs127bn. Management indicated a steady revival from the public as well as the private sector with increased demand seen from power transmission, digital grid, and distribution systems businesses. Digital industries gained traction led by demand from machine tools and process automation businesses. We believe, cloud-based open IoT platform "Mindsphere" is expected to gain momentum under the digitalization theme leading to new orders over the medium term.

Q2FY21 Result (Rs Mn)

Particulars	Q2FY21	Q2FY20	YoY (%)	Q1FY21	QoQ (%)
Revenue	33,543	28,379	18.2	29,011	15.6
Total Expense	29,129	26,004	12.0	25,400	14.7
EBITDA	4,414	2,375	85.9	3,611	22.2
Depreciation	581	713	(18.5)	616	(5.7)
EBIT	3,833	1,662	130.6	2,995	28.0
Other Income	540	820	(34.1)	570	(5.3)
Interest	47	112	(58.0)	35	34.3
EBT	4,326	2,370	82.5	3,530	22.5
Tax	1,168	613	90.5	908	28.6
RPAT	3,158	1,757	79.7	2,622	20.4
APAT	3,158	1,757	79.7	2,622	20.4
			(bps)		(bps)
Gross Margin (%)	31.4	37.5	(608)	31.7	(33)
EBITDA Margin (%)	13.2	8.4	479	12.4	71
NPM (%)	9.4	6.2	322	9.0	38
Tax Rate (%)	27.0	25.9	113	25.7	128
EBIT Margin (%)	11.4	5.9	557	10.3	110

CMP	Rs 1,949
Target / Upside	Rs 2,300 / 18%
NIFTY	14,851

Scrip Details

Equity / FV	Rs 712mn / Rs 2
Market Cap	Rs 694bn
	USD 9bn
52-week High/Low	Rs 1,968/ 1,718
Avg. Volume (no)	366,293
Bloom Code	SIEM IN

Price Performance	1M	3M	12M
Absolute (%)	5		
Rel to NIFTY (%)	5		

Shareholding Pattern

	Sep'20	Dec'20	Mar'21
Promoters	75.0	75.0	75.0
MF/Banks/FIs	10.4	10.6	10.4
FIs	4.1	4.2	4.4
Public / Others	10.5	10.2	10.1

Valuation (x)

	FY21E	FY22E	FY23E
P/E	59.0	51.5	44.4
EV/EBITDA	41.4	36.4	30.9
ROE (%)	11.9	12.5	13.2
RoACE (%)	11.4	11.9	12.6

Estimates (Rs mn)

	FY21E	FY22E	FY23E
Revenue	124,105	146,224	164,410
EBITDA	15,408	17,502	20,459
PAT	11,763	13,466	15,623
EPS (Rs.)	33.0	37.8	43.9

VP - Research: Umesh Raut

Tel: +91 22 40969753

E-mail: umeshr@dolatcapital.com

Associate: Tanay Rasal

Tel: +91 22 40969700

E-mail: tanayr@dolatcapital.com

Exhibit 1: Actual V/s Estimates

Particulars	Actual	DART Estimates	Variance (%)	Comments
Revenue (Rs mn)	33,543	31,643	6.0	Led by recovery across all the businesses
EBITDA (Rs mn)	4,414	3,155	39.9	
EBITDAM (%)	13.2	10.0	318.7	EBITDAM improved due to improvement in margins across all segments led by mix, cost measures and efficiency
Adj. PAT (Rs mn)	3,158	2,285	38.2	Higher EBITDA leading to Higher PAT

Source: DART, Company

Exhibit 2: Change in estimates

Particulars (Rs mn)	New Estimates			% Change			Old Estimates		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Sales	1,24,105	1,46,224	1,64,410	1.6	0.0	0.0	1,22,121	1,46,224	1,64,410
EBITDA	15,408	17,502	20,459	8.2	0.0	0.0	14,235	17,502	20,459
PAT	11,763	13,466	15,623	8.1	0.0	0.0	10,886	13,466	15,623
EPS	33.0	37.8	43.9	8.1	0.0	0.0	30.6	37.8	43.9
EBITDAM (%)	12.4	12.0	12.4	75.9 bps	0.0 bps	0.0 bps	11.7	12.0	12.4

Source: DART, Company

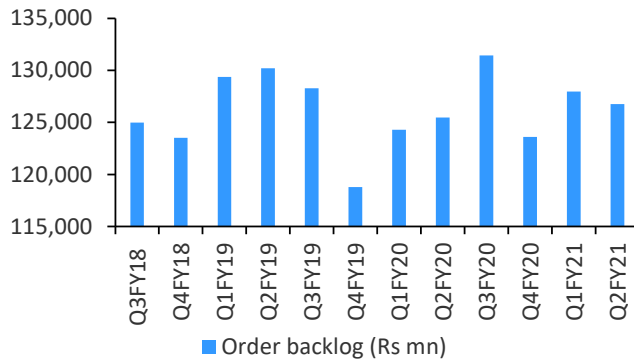
Exhibit 3: Segment Details

Particulars	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21
Revenue (Rs mn)										
Power & Gas	10,336	12,967	11,314	16,698	8,886	10,267	5,546	15,830	10,169	11,913
Growth YoY (%)	246.6	250.6	(1.1)	14.5	(14.0)	(20.8)	(51.0)	(5.2)	14.4	16.0
Smart Infrastructure	7,778	9,796	9,218	10,808	7,590	7,745	3,092	9,208	8,821	10,455
Growth YoY (%)	-	-	1.2	(10.8)	(2.4)	(20.9)	(66.5)	(14.8)	16.2	35.0
Mobility	1,745	3,380	2,667	3,588	2,085	2,556	970	3,010	1,864	2,341
Growth YoY (%)	(14.9)	62.6	25.1	1.0	19.5	(24.4)	(63.6)	(16.1)	(10.6)	(8.4)
Digital Industries	6,398	7,009	6,278	7,189	6,001	5,267	1,819	6,328	7,699	7,917
Growth YoY (%)	3.1	18.2	(9.3)	12.4	(14.4)	(16.1)	(74.7)	5.4	46.2	335.2
Portfolio of Companies	2,142	2,787	2,951	1,226	2,484	2,910	631	1,276	936	1,305
Growth YoY (%)	-	-	29.7	(63.4)	16.0	4.4	(78.6)	4.1	(62.3)	(55.2)
EBIT (Rs mn)										
Power & Gas	2,000	1,603	1,543	1,786	974	887	232	1,921	1,277	1,804
Margin (%)	19.3	12.4	13.6	10.7	11.0	8.6	4.2	12.1	12.6	15.1
Smart Infrastructure	771	1,012	717	1,022	744	26	(731)	974	663	952
Margin (%)	9.9	10.3	7.8	9.5	9.8	0.3	(23.6)	10.6	7.5	9.1
Mobility	(158)	610	313	377	236	305	33	414	168	237
Margin (%)	(9.1)	18.0	11.7	10.5	11.3	11.9	3.4	13.8	9.0	10.1
Digital Industries	161	505	421	561	630	263	(236)	499	802	686
Margin (%)	2.5	7.2	6.7	7.8	10.5	5.0	(13.0)	7.9	10.4	8.7
Portfolio of Companies	(236)	(215)	(173)	17	132	174	(7)	109	50	125
Margin (%)	(11.0)	(7.7)	(5.9)	1.4	5.3	6.0	(1.1)	8.5	5.3	9.6

Source: DART, Company

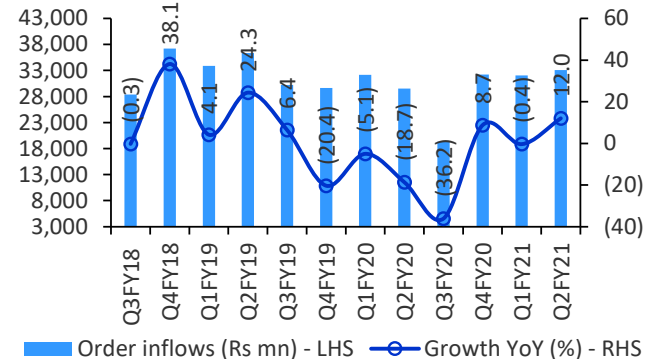
Story in charts

Exhibit 4: Order backlog at Rs127bn



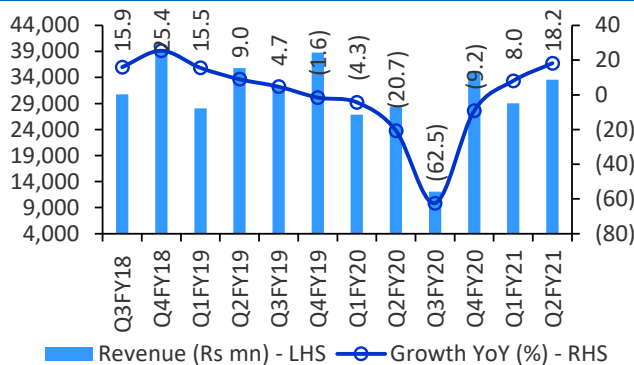
Source: DART, Company

Exhibit 5: .. led by robust Order inflows at Rs33bn



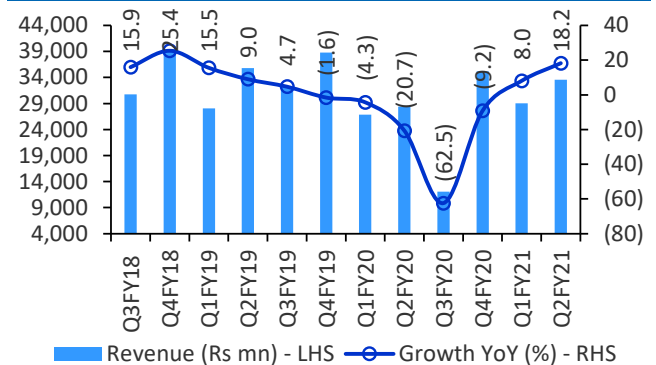
Source: DART, Company

Exhibit 6: Revenue growth reported at 18.2%YoY



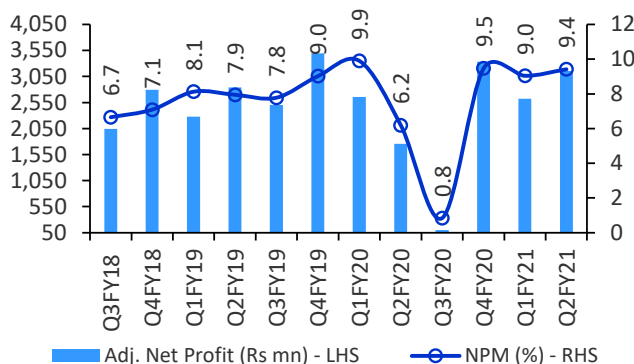
Source: DART, Company

Exhibit 7: EBITDA margin at 13.2%



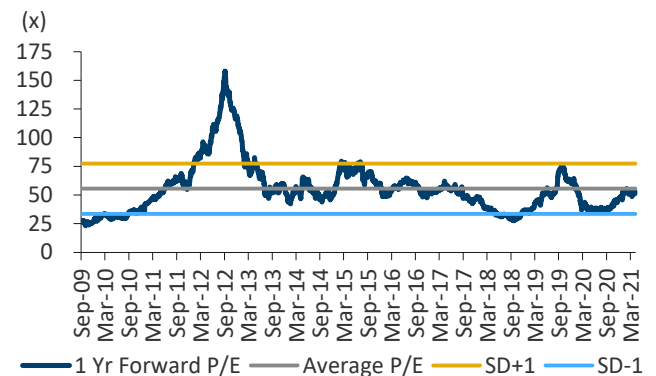
Source: DART, Company

Exhibit 8: Adj. Net profit grew by 79.7% YoY



Source: DART, Company

Exhibit 9: Trading at 1-Yr forward PE of 54x



Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Revenue	99,465	124,105	146,224	164,410
Total Expense	89,429	108,697	128,722	143,951
COGS	63,624	80,358	96,508	108,511
Employees Cost	15,465	15,929	17,592	18,999
Other expenses	10,340	12,410	14,622	16,441
EBIDTA	10,036	15,408	17,502	20,459
Depreciation	2,521	2,572	2,620	2,692
EBIT	7,515	12,836	14,882	17,767
Interest	295	150	160	160
Other Income	3,149	3,040	3,280	3,280
Exc. / E.O. items	0	0	0	0
EBT	10,369	15,726	18,002	20,887
Tax	2,674	3,963	4,537	5,263
RPAT	7,695	11,763	13,466	15,623
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	7,695	11,763	13,466	15,623

Balance Sheet

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
Sources of Funds				
Equity Capital	712	712	712	712
Minority Interest	0	0	0	0
Reserves & Surplus	94,208	102,442	111,868	122,804
Net Worth	94,920	103,154	112,580	123,516
Total Debt	0	0	0	0
Net Deferred Tax Liability	4,937	6,160	7,258	8,161
Total Capital Employed	99,857	109,314	119,838	131,677

Applications of Funds

Net Block	11,961	11,389	10,770	10,077
CWIP	880	900	1,000	1,000
Investments	23,702	29,574	34,844	39,178
Current Assets, Loans & Advances	122,059	130,354	145,334	160,248
Inventories	11,152	11,900	14,021	15,765
Receivables	32,226	37,401	44,068	49,548
Cash and Bank Balances	57,096	55,551	57,199	61,152
Loans and Advances	2,722	5,100	6,009	6,757
Other Current Assets	18,863	20,401	24,037	27,026
Less: Current Liabilities & Provisions	58,745	62,902	72,110	78,827
Payables	28,028	32,301	36,055	38,287
Other Current Liabilities	30,717	30,601	36,055	40,540
<i>sub total</i>				
Net Current Assets	63,314	67,451	73,224	81,421
Total Assets	99,857	109,314	119,838	131,677

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	36.0	35.3	34.0	34.0
EBIDTA Margin	10.1	12.4	12.0	12.4
EBIT Margin	7.6	10.3	10.2	10.8
Tax rate	25.8	25.2	25.2	25.2
Net Profit Margin	7.7	9.5	9.2	9.5
(B) As Percentage of Net Sales (%)				
COGS	64.0	64.8	66.0	66.0
Employee	15.5	12.8	12.0	11.6
Other	10.4	10.0	10.0	10.0
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	25.5	85.6	93.0	111.0
Inventory days	41	35	35	35
Debtors days	118	110	110	110
Average Cost of Debt				
Payable days	103	95	90	85
Working Capital days	232	198	183	181
FA T/O	8.3	10.9	13.6	16.3
(D) Measures of Investment				
AEPS (Rs)	21.6	33.0	37.8	43.9
CEPS (Rs)	28.7	40.3	45.2	51.4
DPS (Rs)	8.4	9.9	11.3	13.2
Dividend Payout (%)	39.1	30.0	30.0	30.0
BVPS (Rs)	266.6	289.8	316.2	347.0
RoANW (%)	8.3	11.9	12.5	13.2
RoACE (%)	8.3	11.4	11.9	12.6
RoAIC (%)	17.4	26.6	25.6	26.7
(E) Valuation Ratios				
CMP (Rs)	1949	1949	1949	1949
P/E	90.2	59.0	51.5	44.4
Mcap (Rs Mn)	693,719	693,719	693,719	693,719
MCap/ Sales	7.0	5.6	4.7	4.2
EV	636,623	638,169	636,520	632,568
EV/Sales	6.4	5.1	4.4	3.8
EV/EBITDA	63.4	41.4	36.4	30.9
P/BV	7.3	6.7	6.2	5.6
Dividend Yield (%)	0.4	0.5	0.6	0.7
(F) Growth Rate (%)				
Revenue	(24.0)	24.8	17.8	12.4
EBITDA	(34.2)	53.5	13.6	16.9
EBIT	(43.4)	70.8	15.9	19.4
PBT	(39.5)	51.7	14.5	16.0
APAT	(32.2)	52.9	14.5	16.0
EPS	(32.2)	52.9	14.5	16.0

Cash Flow

(Rs Mn)	FY20A	FY21E	FY22E	FY23E
CFO	7,197	8,652	11,961	14,071
CFI	8,709	(6,669)	(6,273)	(5,431)
CFF	(3,860)	(3,529)	(4,040)	(4,687)
FCFF	16,125	2,096	5,808	8,759
Opening Cash	50,019	57,096	55,551	57,199
Closing Cash	57,096	55,551	57,199	61,152

E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
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Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
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CONTACT DETAILS

Equity Sales	Designation	E-mail	Direct Lines
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	Designation	E-mail	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

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Registered office: Office No. 141, Centre Point, Somnath, Daman – 396 210, Daman & Diu

Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com
