

June 1, 2021

Analyst Meet Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	2,101		1,856	
Sales (Rs. m)	153,005	178,204	152,810	177,973
% Chng.	0.1	0.1		
EBITDA (Rs. m)	17,128	20,483	17,115	19,933
% Chng.	0.1	2.8		
EPS (Rs.)	38.1	45.9	37.9	44.6
% Chng.	0.6	3.0		

Key Financials - Consolidated

Y/e Sep	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	99,465	131,047	153,005	178,204
EBITDA (Rs. m)	10,036	14,670	17,128	20,483
Margin (%)	10.1	11.2	11.2	11.5
PAT (Rs. m)	7,695	11,485	13,570	16,351
EPS (Rs.)	21.6	32.3	38.1	45.9
Gr. (%)	(30.0)	49.3	18.1	20.5
DPS (Rs.)	7.0	7.1	8.4	10.1
Yield (%)	0.3	0.3	0.4	0.5
RoE (%)	8.3	11.6	12.4	13.5
RoCE (%)	8.1	12.1	13.1	14.4
EV/Sales (x)	6.8	5.2	4.4	3.8
EV/EBITDA (x)	67.5	46.5	39.5	32.8
PE (x)	95.5	64.0	54.1	44.9
P/BV (x)	7.7	7.1	6.4	5.8

Key Data

SIEM.BO | SIEM IN

52-W High / Low	Rs.2,144 / Rs.1,019
Sensex / Nifty	51,935 / 15,575
Market Cap	Rs.735bn/ \$ 10,083m
Shares Outstanding	356m
3M Avg. Daily Value	Rs.1730.65m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	4.37
Domestic Institution	10.58
Public & Others	10.05
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	9.7	36.0	83.4
Relative	3.0	16.9	17.6

Viral Shah

viralshah@plindia.com | 91-22-66322250

Nilesh Soni

nileshsoni@plindia.com |

Robust tender pipeline

We recently attended analyst meet of Siemens India hosted by Mr. Sunil Mathur– MD & CEO to gain insights on various business verticals and impact of second wave of the pandemic. Management indicated that the demand environment was vibrant across sectors led by sharp recovery in economic activity and some pickup witnessed in private capex cycle. Export markets saw good ordering traction from developed western markets such as Europe and American regions, while Domestic markets saw decent traction in industries such as Cement, Chemicals, Pharma, F&B, Steel, etc. Further sectors such as data centre, e-commerce, waste heat recovery, smart infra, digitalisation, automation, TBCB, hospitals, sub-station, etc. would help drive growth going ahead.

We remain positive on SIEM from a long-term perspective given 1) its strong and diversified presence across industries, 2) focus on digitization and localization, 3) creating smart infrastructure and 4) increasing customers by leveraging strong balance sheet & offering innovative financing. The stock is currently trading at 64.0x/54.1x/44.9x SY21E/22E/23E earnings. We maintain 'Accumulate' rating on the stock with revised TP of Rs2,101 (earlier TP of Rs1,856) valuing at 50x (10-year average is 40x). Assumption of a high multiple is done, as we believe SIEM to be one of the beneficiaries from recovery in economy activity and government's thrust on infrastructure development.

Demand outlook continues to remain robust: Management indicated the demand environment is vibrant across sectors primarily led by pick up in private capex cycle, short cycle orders and sharp recovery in economic activity. However, owing to localised lockdown on account of second wave of pandemic, the company is witnessing some supply side disruption.

Short cycle order continues to drive ordering activity: Ordering momentum continues to gain traction in the month of April-May'21, primarily led by short cycle orders. Further, management indicated that the tender pipeline for both short & long cycle orders continues to remain robust with some deferment in order finalisation expected. In terms of export, management is witnessing good traction in orders from developed western markets such as Europe and America across key segment such as Energy, Mobility, Smart Infra and Digitalisation.

Domestic market ordering remains strong: For domestic markets, demand scenario is healthy across segments such as data centre, e-commerce, waste heat recovery, smart infra, digitalisation and automation. In terms of industries, management is witnessing good traction in capex from Cement, Chemicals, Pharma, F&B, Steel, etc.

Initiative to strengthen its market position: With a drive to offers innovative and customaries solution to its customer through new age technologies, SIEMS have entered into various agreements such as a) partnership with OLA electric to build world's largest E-Vehicle facility (based on Industry 4.0 concepts, capacity - 2-5mn units/year), b) MoU with Switch Mobility for delivering cost effective E-mobility solution with enhanced energy efficiency, c) Vacuum Interrupter for cost benefit and increase its competitiveness in various industries such as Pharma, F&B,etc.

Cost rationalisation measures to continue thereby improving margins: During last few quarters SIEM has taken several cost control initiatives such as reduction in discretionary spend, lower employee cost and decrease in travel cost to mitigate impact of the pandemic which has resulted in EBITDAM reaching 13.2% in Q2SY21 compared to 8.3% in Q2SY20. Further, recent steep rise in raw material cost has been offset by hike in realisation which helped SIEMS to maintain its gross margins. Going ahead, management expects margins to be maintained between 11-12% levels, as most of the cost control measures are sustainable.

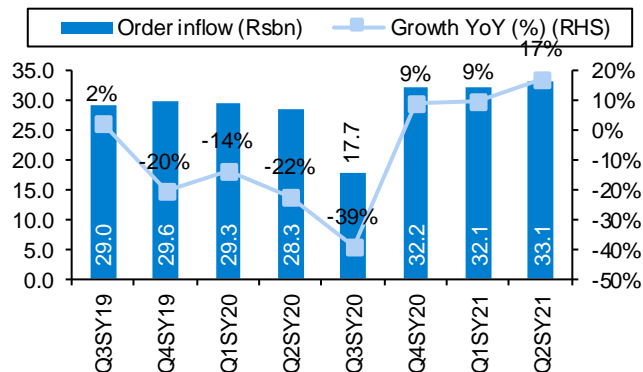
Segmental update

Energy: Energy segment secured order worth Rs23.1bn (up 8% YoY) in H1SY21 largely driven by order wins from generation and service businesses. Management is witnessing strong traction in order inflows in waste to heat recovery segment from cement, steel, pharma, chemical and fertiliser industries. Further, ordering pipeline continues to remain robust from discoms, however delay in order finalisation is expected in the short run.

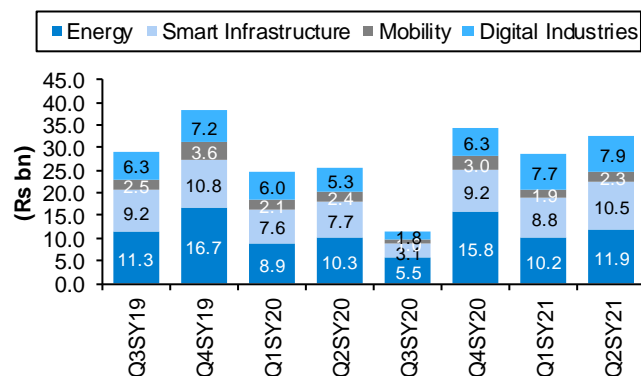
Smart Infra: This segment reported 30% YoY revenue growth in H1SY21 led by strong growth in digital grid, distribution system and electrical product. Data centre continues to remain key growth of driver for this segment.

Digital Industries: Management is witnessing strong growth in digitalisation across sectors such as F&B, pharma, intralogistics and machine tools for digitalisation and automation. This resulted in strong execution of 38% YoY in H1SY21. Further, scheme such as PLI scheme, scrappage policy, etc. would be key growth driver for Automotive sector.

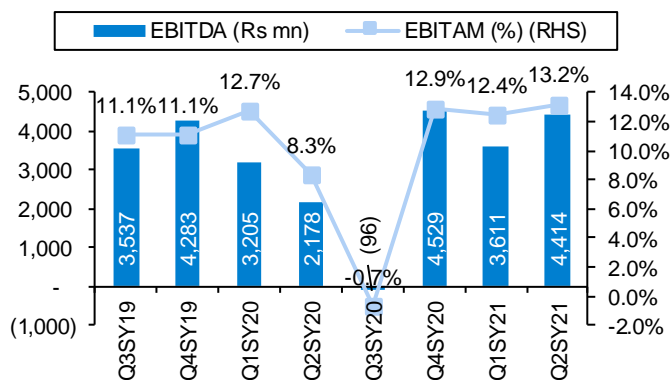
Mobility: Mobility segment reported 6% decline in revenues in H1SY21 owing to lower passenger locomotive component. Ordering activity was deferred on account of pandemic. Management indicated the demand environment continues to remain strong given government thrust on 100% railways electrification, railway signalling, expansion of DFC corridor and increasing spending on metro rail projects.

Exhibit 1: Order inflow was mainly led by short cycle orders


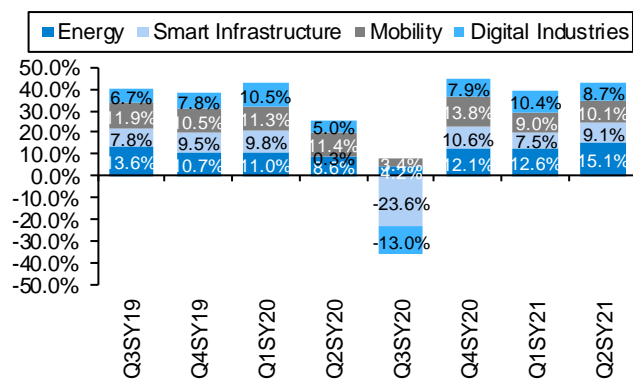
Source: Company, PL

Exhibit 2: Strong revenue growth across segment except Mobility in Q2SY21


Source: Company, PL

Exhibit 3: Cost rationalization measures boost EBITDAM in Q2SY21


Source: Company, PL

Exhibit 4: Margin expansion across segment except Mobility in Q2SY21


Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Sep	FY20	FY21E	FY22E	FY23E
Net Revenues	99,465	131,047	153,005	178,204
YoY gr. (%)	(27.8)	31.8	16.8	16.5
Cost of Goods Sold	40,453	56,350	65,792	76,628
Gross Profit	59,012	74,697	87,213	101,576
Margin (%)	59.3	57.0	57.0	57.0
Employee Cost	15,465	17,036	19,891	23,167
Other Expenses	5,288	6,159	7,191	8,376
EBITDA	10,036	14,670	17,128	20,483
YoY gr. (%)	(32.7)	46.2	16.8	19.6
Margin (%)	10.1	11.2	11.2	11.5
Depreciation and Amortization	2,521	2,604	2,827	3,097
EBIT	7,515	12,066	14,301	17,386
Margin (%)	7.6	9.2	9.3	9.8
Net Interest	295	393	459	535
Other Income	3,149	3,682	4,299	5,008
Profit Before Tax	10,369	15,355	18,141	21,859
Margin (%)	10.4	11.7	11.9	12.3
Total Tax	2,674	3,869	4,572	5,509
Effective tax rate (%)	25.8	25.2	25.2	25.2
Profit after tax	7,695	11,485	13,570	16,351
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	7,695	11,485	13,570	16,351
YoY gr. (%)	(30.0)	49.3	18.1	20.5
Margin (%)	7.7	8.8	8.9	9.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	7,695	11,485	13,570	16,351
YoY gr. (%)	(30.0)	49.3	18.1	20.5
Margin (%)	7.7	8.8	8.9	9.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	7,695	11,485	13,570	16,351
Equity Shares O/s (m)	356	356	356	356
EPS (Rs)	21.6	32.3	38.1	45.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Sep	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	21,175	23,675	26,175	28,675
Tangibles	21,175	23,675	26,175	28,675
Intangibles	-	-	-	-
Acc: Dep / Amortization	9,504	12,108	14,935	18,032
Tangibles	9,504	12,108	14,935	18,032
Intangibles	-	-	-	-
Net fixed assets	11,671	11,567	11,240	10,643
Tangibles	11,671	11,567	11,240	10,643
Intangibles	-	-	-	-
Capital Work In Progress	1,169	1,169	1,169	1,169
Goodwill	-	-	-	-
Non-Current Investments	5,518	2,359	2,754	3,208
Net Deferred tax assets	2,524	2,524	2,524	2,524
Other Non-Current Assets	10,560	14,415	16,831	19,602
Current Assets				
Investments	-	-	-	-
Inventories	11,152	14,361	16,768	19,529
Trade receivables	31,402	41,289	48,207	56,147
Cash & Bank Balance	57,096	52,390	57,607	62,349
Other Current Assets	22,037	20,968	22,951	26,731
Total Assets	156,078	170,968	191,297	215,415
Equity				
Equity Share Capital	712	712	712	712
Other Equity	94,208	103,167	113,751	126,505
Total Network	94,920	103,879	114,463	127,217
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	27,871	28,723	33,535	39,058
Other current liabilities	35,811	40,890	45,822	51,664
Total Equity & Liabilities	156,078	170,968	191,297	215,415

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Sep	FY20	FY21E	FY22E	FY23E
PBT	10,356	15,355	18,141	21,859
Add. Depreciation	2,521	2,604	2,827	3,097
Add. Interest	295	393	459	535
Less Financial Other Income	3,149	3,682	4,299	5,008
Add. Other	(1,876)	-	-	-
Op. profit before WC changes	11,296	18,352	21,427	25,491
Net Changes-WC	(1,095)	(13,769)	(5,695)	(8,609)
Direct tax	(3,004)	(3,869)	(4,572)	(5,509)
Net cash from Op. activities	7,197	713	11,161	11,373
Capital expenditures	(102)	(2,500)	(2,500)	(2,500)
Interest / Dividend Income	3,114	-	-	-
Others	5,697	1	-	-
Net Cash from Invt. activities	8,709	(2,499)	(2,500)	(2,500)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(3,005)	(2,527)	(2,985)	(3,597)
Interest paid	(130)	(393)	(459)	(535)
Others	(725)	-	-	-
Net cash from Fin. activities	(3,860)	(2,920)	(3,444)	(4,132)
Net change in cash	12,046	(4,706)	5,217	4,741
Free Cash Flow	7,017	(1,787)	8,661	8,873

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Sep	Q3SY20	Q4SY20	Q1SY21	Q2SY21
Net Revenue	13,195	35,190	29,011	33,543
YoY gr. (%)	(58.7)	(9.2)	15.1	27.9
Raw Material Expenses	5,530	14,888	14,182	15,334
Gross Profit	7,665	20,302	14,829	18,209
Margin (%)	58.1	57.7	51.1	54.3
EBITDA	(96)	4,529	3,611	4,414
YoY gr. (%)	(102.7)	5.7	12.7	102.7
Margin (%)	(0.7)	12.9	12.4	13.2
Depreciation / Depletion	722	630	616	581
EBIT	(818)	3,899	2,995	3,833
Margin (%)	(6.2)	11.1	10.3	11.4
Net Interest	49	58	35	47
Other Income	822	614	570	540
Profit before Tax	(45)	4,455	3,530	4,326
Margin (%)	(0.3)	12.7	12.2	12.9
Total Tax	1	1,124	908	1,168
Effective tax rate (%)	(2.2)	25.2	25.7	27.0
Profit after Tax	(46)	3,331	2,622	3,158
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(46)	3,331	2,622	3,158
YoY gr. (%)	(101.9)	(4.7)	2.9	91.7
Margin (%)	(0.3)	9.5	9.0	9.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(46)	3,331	2,622	3,158
YoY gr. (%)	(101.9)	(4.7)	2.9	91.7
Margin (%)	(0.3)	9.5	9.0	9.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(46)	3,331	2,622	3,158
Avg. Shares O/s (m)	356	356	356	356
EPS (Rs)	(0.1)	9.4	7.4	8.9

Source: Company Data, PL Research

Key Financial Metrics

Y/e Sep	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	21.6	32.3	38.1	45.9
CEPS	28.7	39.6	46.1	54.6
BVPS	266.6	291.8	321.5	357.4
FCF	19.7	(5.0)	24.3	24.9
DPS	7.0	7.1	8.4	10.1
Return Ratio(%)				
RoCE	8.1	12.1	13.1	14.4
ROIC	15.7	19.2	20.7	22.2
RoE	8.3	11.6	12.4	13.5
Balance Sheet				
Net Debt : Equity (x)	(0.6)	(0.5)	(0.5)	(0.5)
Net Working Capital (Days)	54	75	75	75
Valuation(x)				
PER	95.5	64.0	54.1	44.9
P/B	7.7	7.1	6.4	5.8
P/CEPS	71.9	52.2	44.8	37.8
EV/EBITDA	67.5	46.5	39.5	32.8
EV/Sales	6.8	5.2	4.4	3.8
Dividend Yield (%)	0.3	0.3	0.4	0.5

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Apr-21	Accumulate	1,856	1,786
2	15-Feb-21	Accumulate	1,856	1,875
3	08-Jan-21	Accumulate	1,516	1,633
4	27-Nov-20	Accumulate	1,516	1,513
5	08-Oct-20	BUY	1,402	1,275
6	11-Aug-20	BUY	1,402	1,159
7	08-Jul-20	BUY	1,402	1,157

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Hold	1,337	1,388
2	Ahluwalia Contracts (India)	BUY	384	293
3	Apar Industries	BUY	543	373
4	Ashoka Buildcon	BUY	160	96
5	Bharat Electronics	Accumulate	110	131
6	BHEL	Hold	34	49
7	Capacite's Infraprojects	BUY	270	199
8	Container Corporation of India	Hold	607	634
9	Cummins India	Hold	796	772
10	Engineers India	BUY	115	76
11	GE T&D India	Hold	122	119
12	H.G. Infra Engineering	BUY	476	333
13	IRB Infrastructure Developers	BUY	179	106
14	ITD Cementation India	BUY	97	76
15	J.Kumar Infraprojects	BUY	272	177
16	Kalpataru Power Transmission	BUY	448	382
17	KEC International	Accumulate	420	383
18	KNR Constructions	Accumulate	253	227
19	Larsen & Toubro	BUY	1,604	1,416
20	NCC	BUY	111	83
21	PNC Infratech	BUY	295	256
22	Power Grid Corporation of India	BUY	205	170
23	Sadbhav Engineering	BUY	115	63
24	Siemens	Accumulate	1,856	1,786
25	Thermax	Accumulate	1,559	1,455
26	Triveni Turbine	BUY	98	102
27	Voltamp Transformers	BUY	1,466	1,058

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Viral Shah- BE Chemical Engineering, MBA Finance, Mr. Nilesh Soni- BCom, MBA (Finance) Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is in the process of applying for certificate of registration as Research Analyst under Securities and Exchange Board of India (Research Analysts) Regulations, 2014

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Viral Shah- BE Chemical Engineering, MBA Finance, Mr. Nilesh Soni- BCom, MBA (Finance) Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com