

February 7, 2022

## Q1SY22 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

### Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY22E	FY23E
<b>Rating</b>	<b>ACCUMULATE</b>		<b>ACCUMULATE</b>	
<b>Target Price</b>	<b>2,602</b>		<b>2,310</b>	
Sales (Rs. m)	176,040	202,844	153,005	178,204
% Chng.	15.1	13.8		
EBITDA (Rs. m)	21,829	25,863	18,964	22,622
% Chng.	15.1	14.3		
EPS (Rs.)	45.7	54.4	42.0	50.4
% Chng.	8.9	7.9		

### Key Financials - Consolidated

Y/e Sep	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	136,392	153,081	176,040	202,844
EBITDA (Rs. m)	15,185	18,003	21,829	25,863
Margin (%)	11.1	11.8	12.4	12.8
PAT (Rs. m)	10,501	13,275	16,266	19,366
EPS (Rs.)	29.5	37.3	45.7	54.4
Gr. (%)	36.5	26.4	22.5	19.1
DPS (Rs.)	8.0	8.2	10.1	12.0
Yield (%)	0.3	0.3	0.4	0.5
RoE (%)	10.6	12.2	13.5	14.4
RoCE (%)	12.3	13.7	15.4	16.7
EV/Sales (x)	5.9	5.3	4.6	3.9
EV/EBITDA (x)	53.4	44.8	36.8	30.8
PE (x)	82.1	65.0	53.0	44.5
P/BV (x)	8.3	7.6	6.8	6.1

### Key Data

SIEM.BO | SIEM IN

52-W High / Low	Rs.2,577 / Rs.1,718
Sensex / Nifty	58,645 / 17,516
Market Cap	Rs.863bn/ \$ 11,551m
Shares Outstanding	356m
3M Avg. Daily Value	Rs.1188.33m

### 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	2.8	18.6	31.0
Relative	4.9	9.9	13.1

**Amit Anwani**

amitanwani@plindia.com |

**Nilesh Soni**

nileshsoni@plindia.com | 91-22-66322232

## Siemens (SIEM IN)

**Rating: ACCUMULATE | CMP: Rs2,423 | TP: Rs2,602**

### Robust order inflow

#### Quick Pointers:

- SIEM reported strong order inflow growth of 65.3% YoY to Rs53bn, including orders worth Rs9bn from Pune Metro line 3.
- Profitability during the quarter was impacted due to higher commodity price and lower forex gain.

**Siemens Ltd (SIEM) reported healthy revenue growth, while profitability was impacted due to higher commodity price and lower forex gain (compared to last year) in Q1SY22. Ordering activity continued to be robust and reported a 65% YoY growth at Rs53bn. OB stands strong at Rs155.6bn (1.2x TTM revenue) providing revenue visibility, going forward. We expect ordering momentum to continue from industries such as Cement, Chemicals, Pharma, F&B, Steel, Railways, Metro etc. while segment such as data center, e-commerce, waste heat recovery, smart infra, digitalization, automation, TBCB, hospitals, sub-station, etc. would be key growth drivers, in our view. Order inflow is likely to be driven by central government and private capex, while state government capex is expected to remain muted in near term.**

**We remain positive on SIEM from a long-term perspective given its 1) strong and diversified presence across industries, 2) focused digitization, 3) product localization, 4) solid balance sheet and 5) high cash flow. Given the strong order book and enquiry pipeline we expect SIEM to report revenue/PAT CAGR of 14%/23% between SY21-SY24E. The stock is currently trading at 65x/53x/44.5x SY22E/23/24E earnings. We roll over our TP to Mar'24E EPS with TP of Rs2,602 (earlier Rs2,310) valuing it at 52x Mar'24E and maintain 'Accumulate' rating on stock.**

#### Higher commodity price and lower forex gain impacted profitability:

Standalone revenue grew 11.7% YoY to ~Rs32.4bn (PLe Rs33.7bn), led by strong growth across all segment, Mobility (up 50.5% YoY), Portfolio of companies (up 39% YoY), Smart Infra (up 13% YoY), Energy (up 7.1% YoY) and Digital Industries (up 2.7% YoY). Management commented revenue was marginally impacted due to delay in offtake by customer and supply shortage of semiconductors. Gross margin declined by 113bps YoY to 50.0% in Q1SY22. EBITDA declined 8.1% YoY to Rs3.3bn (PLe ~Rs4.1bn) with EBITDA contracting 220bps YoY to 10.2% and higher other expenses (up 18.4% YoY). PBT declined 6.6% YoY to Rs4.3bn. Depreciation declined 12.7% YoY. Adj.PAT declined 6.4% YoY to Rs2.6bn (PLe ~Rs3.1bn).

**Strong order inflow in Q1SY22:** Order inflow during the quarter came in at Rs53bn (up 65.3% YoY), led by pickup in economic activity and order finalization. During the quarter SIEM bagged a order from Pune Metro line 3 worth Rs9bn. OB stands strong at Rs155.8bn (1.2x TTM revenue).

**Exhibit 1 : Revenue growth witnessed across segments**

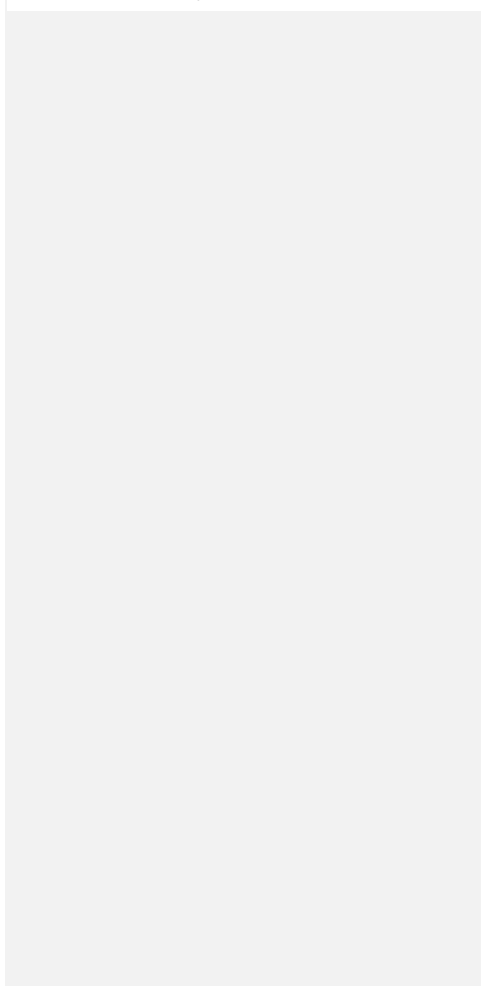
Y/e Sep (Rs mn)	Q1SY21	Q2SY21	Q3SY21	Q4SY21	Q1SY22	YoY gr. (%)	QoQ gr. (%)	SY21	SY20	YoY gr. (%)
Revenue	29,011	33,543	27,080	39,997	32,399	11.7	(19.0)	129,631	98,694	31.3
Total Revenues	29,011	33,543	27,080	39,997	32,399	11.7	(19.0)	129,631	98,694	31.3
Expenditure	25,400	29,129	24,797	35,710	29,080	14.5	(18.6)	115,037	88,791	29.6
as % of sales	87.6	86.8	91.6	89.3	89.8			88.7	90.0	
Consumption of RM	14,182	15,334	12,870	18,971	16,204	14.3	(14.6)	61,357	40,453	51.7
as % of sales	48.9	45.7	47.5	47.4	50.0			47.3	41.0	
Employee Cost	3,968	3,681	4,039	4,353	4,311	8.6	(1.0)	16,041	15,404	4.1
as % of sales	13.7	11.0	14.9	10.9	13.3			12.4	15.6	
Other expenditure	7,250	10,114	7,888	12,386	8,565	18.1	(30.8)	37,639	32,934	14.3
as % of sales	25.0	30.2	29.1	31.0	26.4			29.0	33.4	
EBITDA	3,611	4,414	2,283	4,287	3,319	(8.1)	(22.6)	14,594	9,903	47.4
Depreciation	616	581	545	540	538	(12.7)	(0.4)	2,282	2,504	(8.9)
EBIT	2,995	3,833	1,738	3,747	2,781	(7.1)	(25.8)	12,312	7,399	66.4
Other Income	570	540	463	616	571	0.2	(7.3)	2,190	3,099	(29.3)
Interest	35	47	56	59	54	54.3	(8.5)	196	292	(32.9)
PBT	3,530	4,326	2,145	4,304	3,298	(6.6)	(23.4)	14,306	10,206	40.2
Total Tax	908	1,168	530	1,074	845	(6.9)	(21.3)	3,679	2,632	39.8
Reported PAT	2,622	3,158	1,615	3,230	2,453	(6.4)	(24.1)	10,627	7,574	40.3
Adjusted PAT	2,622	3,158	1,615	3,230	2,453	(6.4)	(24.1)	10,627	7,574	40.3
Adjusted EPS	7.4	8.9	4.5	9.1	6.9	(6.4)	(24.1)	29.9	21.3	40.3
<b>Margins (%)</b>	<b>Q1SY21</b>	<b>Q2SY21</b>	<b>Q3SY21</b>	<b>Q4SY21</b>	<b>Q1SY22</b>	<b>bps</b>	<b>bps</b>	<b>SY21</b>	<b>SY20</b>	<b>bps</b>
EBIDTA	12.4	13.2	8.4	10.7	10.2	(220)	(47)	11.3	10.0	122
EBIT	10.3	11.4	6.4	9.4	8.6	(174)	(78)	9.5	7.5	200
EBT	12.2	12.9	7.9	10.8	10.2	(199)	(58)	11.0	10.3	69
PAT	9.0	9.4	6.0	8.1	7.6	(147)	(50)	8.2	7.7	52
Effective Tax rate	25.7	27.0	24.7	25.0	25.6	(10)	67	25.7	25.8	(7)

Source: Company, PL

## Exhibit 2: Segmental performance

Segmental Performance	Q1SY21	Q2SY21	Q3SY21	Q4SY21	Q1SY22	YoY gr. (%)	QoQ gr. (%)	SY21	SY20	YoY gr. (%)
<b>Revenue (Rs mn)</b>										
Energy	10,169	11,913	9,549	15,710	10,892	7.1	(30.7)	47,341	40,529	16.8
Smart Infrastructure	8,821	10,455	8,630	12,609	9,967	13.0	(21.0)	40,515	27,635	46.6
Mobility	1,864	2,341	1,266	2,812	2,805	50.5	(0.2)	8,282	8,443	(1.9)
Digital Industries	7,699	7,917	6,838	7,839	7,910	2.7	0.9	30,293	19,415	56.0
Portfolio Companies	936	1,305	963	1,233	1,301	39.0	5.5	4,437	3,843	15.5
Others	184	293	216	339	162	(12.0)	(52.2)	1,033	966	6.9
Less: Intersegment revenue	(662)	(681)	(382)	(545)	(638)	(3.6)	17.1	(2,270)	(2,137)	6.2
<b>Total</b>	<b>29,011</b>	<b>33,543</b>	<b>27,080</b>	<b>39,997</b>	<b>32,399</b>	<b>11.7</b>	<b>(19.0)</b>	<b>129,631</b>	<b>98,694</b>	<b>31.3</b>
<b>EBIT (Rs mn)</b>										
Gas & Power	1,277	1,804	765	2,072	1,232	(3.5)	(40.5)	5,918	4,014	47.4
EBIT margin (%)	12.6	15.1	8.0	13.2	11.3			12.5	9.9	
Smart Infrastructure	663	952	459	908	615	(7.2)	(32.3)	2,982	1,013	194.4
EBIT margin (%)	7.5	9.1	5.3	7.2	6.2			7.4	3.7	
Mobility	168	237	153	260	230	36.9	(11.5)	817	953	-14.3
EBIT margin (%)	9.0	10.1	12.1	9.2	8.2			9.9	11.3	
Digital Industries	802	686	315	527	666	(17.0)	26.4	2,330	1,156	101.6
EBIT margin (%)	10.4	8.7	4.6	6.7	8.4			7.7	6.0	
Portfolio Companies	50	125	27	49	30	(40.0)	(38.8)	251	200	25.5
EBIT margin (%)	5.3	9.6	2.8	4.0	2.3			5.7	5.2	
Others	35	29	19	(69)	8	(77.1)	(111.6)	14	63	-77.8
EBIT margin (%)	19.0	9.9	8.8	(20.4)	4.9			1.4	6.5	

Source: Company, PL



## Financials

### Income Statement (Rs m)

Y/e Sep	FY21	FY22E	FY23E	FY24E
<b>Net Revenues</b>	<b>136,392</b>	<b>153,081</b>	<b>176,040</b>	<b>202,844</b>
YoY gr. (%)	37.1	12.2	15.0	15.2
Cost of Goods Sold	64,963	68,580	75,345	87,832
Gross Profit	71,429	84,501	100,695	115,013
Margin (%)	52.4	55.2	57.2	56.7
Employee Cost	16,917	19,135	22,885	26,167
Other Expenses	4,695	7,195	8,802	9,534
<b>EBITDA</b>	<b>15,185</b>	<b>18,003</b>	<b>21,829</b>	<b>25,863</b>
YoY gr. (%)	51.3	18.6	21.3	18.5
Margin (%)	11.1	11.8	12.4	12.8
Depreciation and Amortization	3,005	3,135	3,257	3,429
<b>EBIT</b>	<b>12,180</b>	<b>14,868</b>	<b>18,572</b>	<b>22,434</b>
Margin (%)	8.9	9.7	10.5	11.1
Net Interest	246	230	229	264
Other Income	2,265	3,062	3,345	3,651
<b>Profit Before Tax</b>	<b>14,199</b>	<b>17,700</b>	<b>21,688</b>	<b>25,822</b>
Margin (%)	10.4	11.6	12.3	12.7
Total Tax	3,698	4,425	5,422	6,455
Effective tax rate (%)	26.0	25.0	25.0	25.0
<b>Profit after tax</b>	<b>10,501</b>	<b>13,275</b>	<b>16,266</b>	<b>19,366</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>10,501</b>	<b>13,275</b>	<b>16,266</b>	<b>19,366</b>
YoY gr. (%)	36.5	26.4	22.5	19.1
Margin (%)	7.7	8.7	9.2	9.5
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>10,501</b>	<b>13,275</b>	<b>16,266</b>	<b>19,366</b>
YoY gr. (%)	36.5	26.4	22.5	19.1
Margin (%)	7.7	8.7	9.2	9.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,501	13,275	16,266	19,366
<b>Equity Shares O/s (m)</b>	<b>356</b>	<b>356</b>	<b>356</b>	<b>356</b>
<b>EPS (Rs)</b>	<b>29.5</b>	<b>37.3</b>	<b>45.7</b>	<b>54.4</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Sep	FY21	FY22E	FY23E	FY24E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>23,845</b>	<b>26,345</b>	<b>29,345</b>	<b>32,345</b>
Tangibles	23,845	26,345	29,345	32,345
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>10,806</b>	<b>13,941</b>	<b>17,198</b>	<b>20,627</b>
Tangibles	10,806	13,941	17,198	20,627
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>13,039</b>	<b>12,404</b>	<b>12,147</b>	<b>11,718</b>
Tangibles	13,039	12,404	12,147	11,718
Intangibles	-	-	-	-
Capital Work In Progress	18,387	18,387	18,387	18,387
Goodwill	-	-	-	-
Non-Current Investments	5,666	2,755	3,169	3,651
Net Deferred tax assets	473	473	473	473
Other Non-Current Assets	10,489	15,308	17,604	20,284
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	17,969	16,776	19,292	22,230
Trade receivables	36,830	44,037	50,642	58,353
Cash & Bank Balance	51,591	55,426	59,477	66,263
Other Current Assets	16,995	15,308	21,125	24,341
<b>Total Assets</b>	<b>179,103</b>	<b>191,117</b>	<b>214,165</b>	<b>241,454</b>
<b>Equity</b>				
Equity Share Capital	712	712	712	712
Other Equity	102,778	113,133	125,820	140,925
<b>Total Network</b>	<b>103,490</b>	<b>113,845</b>	<b>126,532</b>	<b>141,637</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	25	25	25	25
Trade payables	37,103	31,455	36,173	41,680
Other current liabilities	38,877	46,265	51,908	58,584
<b>Total Equity &amp; Liabilities</b>	<b>179,103</b>	<b>191,117</b>	<b>214,165</b>	<b>241,454</b>

Source: Company Data, PL Research

### Cash Flow (Rs m)

Y/e Sep	FY21	FY22E	FY23E	FY24E
PBT	15,058	17,700	21,688	25,822
Add. Depreciation	3,005	3,135	3,257	3,429
Add. Interest	246	230	229	264
Less Financial Other Income	2,265	3,062	3,345	3,651
Add. Other	(2,692)	-	-	-
Op. profit before WC changes	15,617	21,065	25,174	29,514
Net Changes-WC	2,339	(8,046)	(8,893)	(8,749)
Direct tax	(3,735)	(4,425)	(5,422)	(6,455)
<b>Net cash from Op. activities</b>	<b>14,221</b>	<b>8,594</b>	<b>10,859</b>	<b>14,310</b>
Capital expenditures	(1,074)	(2,500)	(3,000)	(3,000)
Interest / Dividend Income	2,095	-	-	-
Others	(24,914)	972	-	-
<b>Net Cash from Invt. activities</b>	<b>(23,893)</b>	<b>(1,528)</b>	<b>(3,000)</b>	<b>(3,000)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,695)	-	-	-
Dividend paid	(2,493)	(2,921)	(3,578)	(4,261)
Interest paid	(140)	(230)	(229)	(264)
Others	(690)	(81)	-	-
<b>Net cash from Fin. activities</b>	<b>(5,018)</b>	<b>(3,231)</b>	<b>(3,807)</b>	<b>(4,524)</b>
<b>Net change in cash</b>	<b>(14,690)</b>	<b>3,835</b>	<b>4,051</b>	<b>6,785</b>
Free Cash Flow	13,044	6,094	7,859	11,310

Source: Company Data, PL Research

### Quarterly Financials (Rs m)

Y/e Sep	Q2SY21	Q3SY21	Q4SY21	Q1SY22
<b>Net Revenue</b>	<b>33,543</b>	<b>27,080</b>	<b>39,997</b>	<b>32,399</b>
YoY gr. (%)	27.9	124.3	13.7	11.7
Raw Material Expenses	15,334	12,870	18,971	16,204
Gross Profit	18,209	14,210	21,026	16,195
Margin (%)	54.3	52.5	52.6	50.0
<b>EBITDA</b>	<b>4,414</b>	<b>2,283</b>	<b>4,287</b>	<b>3,319</b>
YoY gr. (%)	102.7	(25,466.7)	(5.3)	(8.1)
Margin (%)	13.2	8.4	10.7	10.2
Depreciation / Depletion	581	545	540	538
<b>EBIT</b>	<b>3,833</b>	<b>1,738</b>	<b>3,747</b>	<b>2,781</b>
Margin (%)	11.4	6.4	9.4	8.6
Net Interest	47	56	59	54
Other Income	540	463	616	571
<b>Profit before Tax</b>	<b>4,326</b>	<b>2,145</b>	<b>4,304</b>	<b>3,298</b>
Margin (%)	12.9	7.9	10.8	10.2
Total Tax	1,168	530	1,074	845
Effective tax rate (%)	27.0	24.7	25.0	25.6
<b>Profit after Tax</b>	<b>3,158</b>	<b>1,615</b>	<b>3,230</b>	<b>2,453</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>3,158</b>	<b>1,615</b>	<b>3,230</b>	<b>2,453</b>
YoY gr. (%)	91.7	1,499.0	(3.0)	(6.4)
Margin (%)	9.4	6.0	8.1	7.6
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>3,158</b>	<b>1,615</b>	<b>3,230</b>	<b>2,453</b>
YoY gr. (%)	91.7	1,499.0	(3.0)	(6.4)
Margin (%)	9.4	6.0	8.1	7.6
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>3,158</b>	<b>1,615</b>	<b>3,230</b>	<b>2,453</b>
Av g. Shares O/s (m)	356	356	356	356
<b>EPS (Rs)</b>	<b>8.9</b>	<b>4.5</b>	<b>9.1</b>	<b>6.9</b>

Source: Company Data, PL Research

### Key Financial Metrics

Y/e Sep	FY21	FY22E	FY23E	FY24E
<b>Per Share(Rs)</b>				
EPS	29.5	37.3	45.7	54.4
CEPS	37.9	46.1	54.8	64.0
BVPS	290.7	319.8	355.4	397.9
FCF	36.6	17.1	22.1	31.8
DPS	8.0	8.2	10.1	12.0
<b>Return Ratio(%)</b>				
RoCE	12.3	13.7	15.4	16.7
ROIC	18.9	20.9	22.9	24.8
RoE	10.6	12.2	13.5	14.4
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.5)	(0.5)	(0.5)	(0.5)
Net Working Capital (Days)	47	70	70	70
<b>Valuation(x)</b>				
PER	82.1	65.0	53.0	44.5
P/B	8.3	7.6	6.8	6.1
P/CEPS	63.9	52.6	44.2	37.8
EV/EBITDA	53.4	44.8	36.8	30.8
EV/Sales	5.9	5.3	4.6	3.9
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	11-Jan-22	Accumulate	2,310	2,321
2	5-Oct-21	Accumulate	2,310	2,248
3	12-Aug-21	Accumulate	2,310	2,192
4	6-Jul-21	Accumulate	2,101	2,029
5	2-Jun-21	Accumulate	2,101	2,064
6	7-Apr-21	Accumulate	1,856	1,786
7	15-Feb-21	Accumulate	1,856	1,875

## Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	UR	-	2,288
2	Apar Industries	BUY	790	780
3	Bharat Electronics	BUY	265	210
4	BHEL	Sell	34	63
5	Cummins India	Accumulate	1,051	952
6	Engineers India	BUY	129	71
7	GE T&D India	Hold	139	132
8	Kalpataru Power Transmission	BUY	508	381
9	KEC International	Accumulate	572	517
10	Larsen & Toubro	BUY	2,382	1,898
11	Siemens	Accumulate	2,310	2,321
12	Thermax	Accumulate	1,633	1,922
13	Triveni Turbine	BUY	243	206
14	Voltamp Transformers	Accumulate	1,825	2,021

## 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

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

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