

May 13, 2022

Q2SY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	2,602		2,602	
Sales (Rs. m)	1,76,628	2,03,253	1,76,040	2,02,844
% Chng.	0.3	0.2		
EBITDA (Rs. m)	21,973	25,996	21,829	25,863
% Chng.	0.7	0.5		
EPS (Rs.)	45.7	54.4	45.7	54.4
% Chng.	-	-		

Key Financials - Consolidated

Y/e Sep	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	1,36,392	1,55,758	1,76,628	2,03,253
EBITDA (Rs. m)	15,185	17,695	21,973	25,996
Margin (%)	11.1	11.4	12.4	12.8
PAT (Rs. m)	10,501	12,598	16,265	19,365
EPS (Rs.)	29.5	35.4	45.7	54.4
Gr. (%)	36.5	20.0	29.1	19.1
DPS (Rs.)	8.0	7.8	10.1	12.0
Yield (%)	0.3	0.3	0.4	0.5
RoE (%)	10.6	11.6	13.6	14.5
RoCE (%)	12.3	13.4	15.6	16.9
EV/Sales (x)	5.6	4.9	4.3	3.7
EV/EBITDA (x)	50.5	43.2	34.6	29.0
PE (x)	78.0	65.0	50.4	42.3
P/BV (x)	7.9	7.2	6.5	5.8

Key Data

SIEM.BO | SIEM IN

52-W High / Low	Rs.2,577 / Rs.1,920
Sensex / Nifty	52,794 / 15,782
Market Cap	Rs.819bn/ \$ 10,578m
Shares Outstanding	356m
3M Avg. Daily Value	Rs.699.8m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	5.51
Domestic Institution	9.44
Public & Others	10.00
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(6.7)	(3.5)	14.8
Relative	3.0	10.9	5.9

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Robust order inflow

Quick Pointers:

- Order inflow reported a strong growth of 61% YoY to Rs53bn, translating to order book of Rs172bn.
- Revenue and margins were impacted due to supply chain disruption causing delay in deliveries & higher commodity and logistics costs.

Siemens Ltd (SIEM) reported revenue growth of 8.2% YoY led by growth across all segments. During the quarter, revenue and margins were impacted due to supply chain disruption, delay in deliveries & higher commodity and logistics cost. Order inflow during the quarter stood at Rs53bn (up 61% YoY), led by strong growth across all business verticals, reflecting upswing in private as well as public capex. Order book stands strong at Rs172bn (1.3x TTM revenue), providing revenue visibility for coming quarters. We expect segment such as data center, e-commerce, waste heat recovery, smart infra, digitalization, automation, TBCB, hospitals, sub-station, etc. to be key growth drivers. 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. With 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 PE of 65x/50.4x/42.3x SY22E/23E/24E earnings. We maintain 'Accumulate' rating on stock with TP of Rs2,602 (same as earlier).

Revenue growth witnessed across all segment: Standalones revenue grew 8.2% YoY to ~Rs36.3bn (PLe Rs35.9bn), led by decent growth across key segments, Smart Infra (up 15.3% YoY), Portfolio of companies (up 17.7% YoY), Mobility (up 8% YoY), Digital Industries (up 10.4% YoY) and Energy (up 0.4% YoY). Gross margin declined by 328bps YoY to 51.0% in Q2SY22. EBITDA marginally grew by 0.9% YoY to Rs4.46bn (PLe ~Rs3.6bn) while EBITDA margin contracted by ~90bps YoY to 12.3%, mainly due to gross margin contraction. PBT grew by 2.8% YoY to Rs4.3bn. Depreciation declined 7.9% YoY. Adj. PAT grew by 4.1% YoY to Rs3.3bn (PLe ~Rs2.7bn).

Strong order inflow in Q2SY22: Order inflow came in at Rs53bn in Q2SY22, up 61% YoY, driven by high value order booked in mobility segment. Strong order inflow was witnessed across all business verticals during the quarter. Order book as on Q2SY22 stands strong at Rs172bn up 35% YoY (1.3x TTM revenue), providing revenue visibility for coming quarters.

Exhibit 1: Higher commodity cost impact margins

Y/e Sep (Rs mn)	Q2SY21	Q3SY21	Q4SY21	Q1SY22	Q2SY22	YoY gr. (%)	QoQ gr. (%)	H1SY22	H1SY21	YoY gr. (%)
Revenue	33,543	27,080	39,997	32,399	36,285	8.2	12.0	68,684	62,554	9.8
Total Revenues	33,543	27,080	39,997	32,399	36,285	8.2	12.0	68,684	62,554	9.8
Total Expenditure	29,129	24,797	35,710	29,080	31,831	9.3	9.5	60,911	54,529	11.7
<i>as % of sales</i>	<i>86.8</i>	<i>91.6</i>	<i>89.3</i>	<i>89.8</i>	<i>87.7</i>			<i>88.7</i>	<i>87.2</i>	
Consumption of RM	15,334	12,870	18,971	16,204	17,778	15.9	9.7	33,982	29,516	15.1
<i>as % of sales</i>	<i>45.7</i>	<i>47.5</i>	<i>47.4</i>	<i>50.0</i>	<i>49.0</i>			<i>49.5</i>	<i>47.2</i>	
Employee Cost	3,681	4,039	4,353	4,311	4,094	11.2	(5.0)	8,405	7,649	9.9
<i>as % of sales</i>	<i>11.0</i>	<i>14.9</i>	<i>10.9</i>	<i>13.3</i>	<i>11.3</i>			<i>12.2</i>	<i>12.2</i>	
Other expenditure	10,114	7,888	12,386	8,565	9,959	(1.5)	16.3	18,524	17,364	6.7
<i>as % of sales</i>	<i>30.2</i>	<i>29.1</i>	<i>31.0</i>	<i>26.4</i>	<i>27.4</i>			<i>27.0</i>	<i>27.8</i>	
EBITDA	4,414	2,283	4,287	3,319	4,454	0.9	34.2	7,773	8,025	(3.1)
Depreciation	581	545	540	538	535	(7.9)	(0.6)	1,073	1,197	(10.4)
EBIT	3,833	1,738	3,747	2,781	3,919	2.2	40.9	6,700	6,828	(1.9)
Other Income	540	463	616	571	638	18.1	11.7	1,209	1,110	8.9
Interest	47	56	59	54	109	131.9	101.9	163	82	98.8
PBT	4,326	2,145	4,304	3,298	4,448	2.8	34.9	7,746	7,856	(1.4)
Total Tax	1,168	530	1,074	845	1,159	(0.8)	37.2	2,004	2,076	(3.5)
Reported PAT	3,158	1,615	3,230	2,453	3,289	4.1	34.1	5,742	5,780	(0.7)
Adjusted PAT	3,158	1,615	3,230	2,453	3,289	4.1	34.1	5,742	5,780	(0.7)
Adjusted EPS	8.9	4.5	9.1	6.9	9.2	4.1	34.1	16.1	16.2	(0.7)
Margins (%)	Q2SY21	Q3SY21	Q4SY21	Q1SY22	Q2SY22	bps	bps	H1SY22	H1SY21	bps
EBIDTA	13.2	8.4	10.7	10.2	12.3	(88)	203	11.3	12.8	(151)
EBIT	11.4	6.4	9.4	8.6	10.8	(63)	222	9.8	10.9	(116)
EBT	12.9	7.9	10.8	10.2	12.3	(64)	208	11.3	12.6	(128)
PAT	9.4	6.0	8.1	7.6	9.1	(35)	149	8.4	9.2	(88)
Effective Tax rate	27.0	24.7	25.0	25.6	26.1	(94)	44	25.9	26.4	(55)

Source: Company, PL

Exhibit 2: Segmental performance

Y/e Sep (Rs mn)	Q2SY21	Q3SY21	Q4SY21	Q1SY22	Q2SY22	YoY gr. (%)	QoQ gr. (%)	H1SY22	H1SY21	YoY gr. (%)
Revenue										
Energy (Gas & Power)	11,913	9,549	15,710	10,892	11,958	0.4	9.8	22,850	22,082	3.5
Smart Infrastructure	10,455	8,630	12,609	9,967	12,055	15.3	20.9	22,022	19,276	14.2
Mobility	2,341	1,266	2,812	2,805	2,529	8.0	(9.8)	5,334	4,205	26.8
Digital Industries	7,917	6,838	7,839	7,910	8,739	10.4	10.5	16,649	15,616	6.6
Portfolio Companies	1,305	963	1,233	1,301	1,536	17.7	18.1	2,837	2,241	26.6
Others	293	216	339	162	292	(0.3)	80.2	454	477	(4.8)
Less: Intersegment revenue	(681)	(382)	(545)	(638)	(824)	21.0	29.2	(1,462)	(1,343)	8.9
Total	33,543	27,080	39,997	32,399	36,285	8.2	12.0	68,684	62,554	9.8
EBIT										
Energy (Gas & Power)	1,804	765	2,072	1,232	1,623	(10.0)	31.7	2,855	3,081	-7.3
<i>EBIT margin (%)</i>	<i>15.1</i>	<i>8.0</i>	<i>13.2</i>	<i>11.3</i>	<i>13.6</i>			<i>12.5</i>	<i>14.0</i>	
Smart Infrastructure	952	459	908	615	902	(5.3)	46.7	1,517	1,615	-6.1
<i>EBIT margin (%)</i>	<i>9.1</i>	<i>5.3</i>	<i>7.2</i>	<i>6.2</i>	<i>7.5</i>			<i>6.9</i>	<i>8.4</i>	
Mobility	237	153	260	230	234	(1.3)	1.7	464	405	14.6
<i>EBIT margin (%)</i>	<i>10.1</i>	<i>12.1</i>	<i>9.2</i>	<i>8.2</i>	<i>9.3</i>			<i>8.7</i>	<i>9.6</i>	
Digital Industries	686	315	527	666	992	44.6	48.9	1,658	1,488	11.4
<i>EBIT margin (%)</i>	<i>8.7</i>	<i>4.6</i>	<i>6.7</i>	<i>8.4</i>	<i>11.4</i>			<i>10.0</i>	<i>9.5</i>	
Portfolio Companies	125	27	49	30	142	13.6	373.3	172	175	-1.7
<i>EBIT margin (%)</i>	<i>9.6</i>	<i>2.8</i>	<i>4.0</i>	<i>2.3</i>	<i>9.2</i>			<i>6.1</i>	<i>7.8</i>	
Others	29	19	(69)	8	26	(10.3)	225.0	34	64	-46.9
<i>EBIT margin (%)</i>	<i>9.9</i>	<i>8.8</i>	<i>(20.4)</i>	<i>4.9</i>	<i>8.9</i>			<i>7.5</i>	<i>13.4</i>	

Source: PL, Company, PL

Financials

Income Statement (Rs m)

Y/e Sep	FY21	FY22E	FY23E	FY24E
Net Revenues	1,36,392	1,55,758	1,76,628	2,03,253
YoY gr. (%)	37.1	14.2	13.4	15.1
Cost of Goods Sold	64,963	70,403	75,597	88,008
Gross Profit	71,429	85,356	1,01,031	1,15,244
Margin (%)	52.4	54.8	57.2	56.7
Employee Cost	16,917	19,470	22,962	26,220
Other Expenses	4,695	7,321	8,831	9,553
EBITDA	15,185	17,695	21,973	25,996
YoY gr. (%)	51.3	16.5	24.2	18.3
Margin (%)	11.1	11.4	12.4	12.8
Depreciation and Amortization	3,005	3,148	3,257	3,429
EBIT	12,180	14,547	18,715	22,567
Margin (%)	8.9	9.3	10.6	11.1
Net Interest	246	366	385	407
Other Income	2,265	2,617	3,356	3,659
Profit Before Tax	14,199	16,798	21,686	25,820
Margin (%)	10.4	10.8	12.3	12.7
Total Tax	3,698	4,199	5,422	6,455
Effective tax rate (%)	26.0	25.0	25.0	25.0
Profit after tax	10,501	12,598	16,265	19,365
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	10,501	12,598	16,265	19,365
YoY gr. (%)	36.5	20.0	29.1	19.1
Margin (%)	7.7	8.1	9.2	9.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	10,501	12,598	16,265	19,365
YoY gr. (%)	36.5	20.0	29.1	19.1
Margin (%)	7.7	8.1	9.2	9.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,501	12,598	16,265	19,365
Equity Shares O/s (m)	356	356	356	356
EPS (Rs)	29.5	35.4	45.7	54.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Sep	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	23,845	26,345	29,345	32,345
Tangibles	23,845	26,345	29,345	32,345
Intangibles	-	-	-	-
Acc: Dep / Amortization	10,806	13,954	17,212	20,640
Tangibles	10,806	13,954	17,212	20,640
Intangibles	-	-	-	-
Net fixed assets	13,039	12,391	12,133	11,705
Tangibles	13,039	12,391	12,133	11,705
Intangibles	-	-	-	-
Capital Work In Progress	18,387	18,387	18,387	18,387
Goodwill	-	-	-	-
Non-Current Investments	5,666	2,804	3,179	3,659
Net Deferred tax assets	473	473	473	473
Other Non-Current Assets	10,489	15,576	17,663	20,325
Current Assets				
Investments	-	-	-	-
Inventories	17,969	17,069	19,357	22,274
Trade receivables	36,830	44,807	50,811	58,470
Cash & Bank Balance	51,591	54,461	58,556	65,411
Other Current Assets	16,995	15,576	21,195	24,390
Total Assets	1,79,103	1,91,195	2,13,645	2,40,882
Equity				
Equity Share Capital	712	712	712	712
Other Equity	1,02,778	1,12,605	1,25,291	1,40,395
Total Network	1,03,490	1,13,317	1,26,003	1,41,107
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	25	25	25	25
Trade payables	37,103	32,005	36,293	41,764
Other current liabilities	38,877	46,321	51,797	58,458
Total Equity & Liabilities	1,79,103	1,91,195	2,13,645	2,40,882

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Sep	FY21	FY22E	FY23E	FY24E
PBT	15,058	16,798	21,686	25,820
Add. Depreciation	3,005	3,148	3,257	3,429
Add. Interest	246	366	385	407
Less Financial Other Income	2,265	2,617	3,356	3,659
Add. Other	(2,692)	-	-	-
Op. profit before WC changes	15,617	20,312	25,328	29,655
Net Changes-WC	2,339	(8,496)	(8,849)	(8,678)
Direct tax	(3,735)	(4,199)	(5,422)	(6,455)
Net cash from Op. activities	14,221	7,617	11,058	14,522
Capital expenditures	(1,074)	(2,500)	(3,000)	(3,000)
Interest / Dividend Income	2,095	-	-	-
Others	(24,914)	972	-	-
Net Cash from Invt. activities	(23,893)	(1,528)	(3,000)	(3,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,695)	-	-	-
Dividend paid	(2,493)	(2,772)	(3,578)	(4,260)
Interest paid	(140)	(366)	(385)	(407)
Others	(690)	(81)	-	-
Net cash from Fin. activities	(5,018)	(3,219)	(3,963)	(4,667)
Net change in cash	(14,690)	2,870	4,095	6,855
Free Cash Flow	13,044	5,117	8,058	11,522

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Sep	Q3SY21	Q4SY21	Q1SY22	Q2SY22
Net Revenue	27,080	39,997	32,399	36,285
YoY gr. (%)	124.3	13.7	11.7	8.2
Raw Material Expenses	12,870	18,971	16,204	17,778
Gross Profit	14,210	21,026	16,195	18,507
Margin (%)	52.5	52.6	50.0	51.0
EBITDA	2,283	4,287	3,319	4,454
YoY gr. (%)	(25,466.7)	(5.3)	(8.1)	0.9
Margin (%)	8.4	10.7	10.2	12.3
Depreciation / Depletion	545	540	538	535
EBIT	1,738	3,747	2,781	3,919
Margin (%)	6.4	9.4	8.6	10.8
Net Interest	56	59	54	109
Other Income	463	616	571	638
Profit before Tax	2,145	4,304	3,298	4,448
Margin (%)	7.9	10.8	10.2	12.3
Total Tax	530	1,074	845	1,159
Effective tax rate (%)	24.7	25.0	25.6	26.1
Profit after Tax	1,615	3,230	2,453	3,289
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	1,615	3,230	2,453	3,289
YoY gr. (%)	1,499.0	(3.0)	(6.4)	4.1
Margin (%)	6.0	8.1	7.6	9.1
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,615	3,230	2,453	3,289
YoY gr. (%)	1,499.0	(3.0)	(6.4)	4.1
Margin (%)	6.0	8.1	7.6	9.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,615	3,230	2,453	3,289
Avg. Shares O/s (m)	356	356	356	356
EPS (Rs)	4.5	9.1	6.9	9.2

Source: Company Data, PL Research

Key Financial Metrics

Y/e Sep	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	29.5	35.4	45.7	54.4
CEPS	37.9	44.2	54.8	64.0
BVPS	290.7	318.3	353.9	396.4
FCF	36.6	14.4	22.6	32.4
DPS	8.0	7.8	10.1	12.0
Return Ratio(%)				
RoCE	12.3	13.4	15.6	16.9
ROIC	18.9	20.2	23.0	24.8
RoE	10.6	11.6	13.6	14.5
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.5)	(0.5)	(0.5)
Net Working Capital (Days)	47	70	70	70
Valuation(x)				
PER	78.0	65.0	50.4	42.3
P/B	7.9	7.2	6.5	5.8
P/CEPS	60.6	52.0	42.0	35.9
EV/EBITDA	50.5	43.2	34.6	29.0
EV/Sales	5.6	4.9	4.3	3.7
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	08-Apr-22	Accumulate	2,602	2,470
2	07-Feb-22	Accumulate	2,602	2,423
3	11-Jan-22	Accumulate	2,310	2,321
4	05-Oct-21	Accumulate	2,310	2,248
5	12-Aug-21	Accumulate	2,310	2,192
6	06-Jul-21	Accumulate	2,101	2,029
7	02-Jun-21	Accumulate	2,101	2,064

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Hold	2,293	2,221
2	Apar Industries	BUY	830	666
3	Bharat Electronics	BUY	258	234
4	BHEL	Sell	34	57
5	Cummins India	Accumulate	1,032	1,113
6	Engineers India	BUY	89	69
7	GE T&D India	Hold	102	105
8	Kalpataru Power Transmission	BUY	467	394
9	KEC International	Accumulate	451	367
10	Larsen & Toubro	BUY	2,357	1,826
11	Siemens	Accumulate	2,602	2,470
12	Thermax	Accumulate	2,158	1,970
13	Triveni Turbine	BUY	244	202
14	Voltamp Transformers	Accumulate	2,215	2,075

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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