

June 13, 2022

Analyst Meet 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)	1,76,960	2,03,859	1,76,628	2,03,253
% Chng.	0.2	0.3		
EBITDA (Rs. m)	22,014	26,175	21,973	25,996
% Chng.	0.2	0.7		
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	1,55,773	1,76,960	2,03,859
EBITDA (Rs. m)	15,185	17,697	22,014	26,175
Margin (%)	11.1	11.4	12.4	12.8
PAT (Rs. m)	10,501	12,503	16,257	19,364
EPS (Rs.)	29.5	35.1	45.7	54.4
Gr. (%)	36.5	19.1	30.0	19.1
DPS (Rs.)	8.0	7.7	10.0	12.0
Yield (%)	0.3	0.3	0.4	0.5
RoE (%)	10.6	11.5	13.6	14.5
RoCE (%)	12.3	13.4	15.6	17.0
EV/Sales (x)	5.8	5.1	4.5	3.9
EV/EBITDA (x)	52.2	44.8	35.9	30.1
PE (x)	80.4	67.5	51.9	43.6
P/BV (x)	8.2	7.5	6.7	6.0

Key Data

SIEM.BO | SIEM IN

52-W High / Low	Rs.2,577 / Rs.1,920
Sensex / Nifty	54,303 / 16,202
Market Cap	Rs.845bn/ \$ 10,850m
Shares Outstanding	356m
3M Avg. Daily Value	Rs.675.86m

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	5.4	(3.0)	13.4
Relative	5.5	5.0	9.2

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Demand scenario continues to remain healthy

We recently attended analyst meet of Siemens India, hosted by Mr. Sunil Mathur- MD & CEO and Mr. Daniel Spindler- CFO & Executive Director. Management highlighted that the current demand scenario continues to remain healthy led by continued traction in short cycle orders, large projects (from government as well as private players) witnessing an uptick and green field capex picking up in segments like data center, intralogistics (warehouse automation), batteries etc. Order inflows for H1SY22 came in at ~Rs106bn, up 63.3% YoY, driven by short and medium cycle orders. Despite challenging environment (higher commodity cost, increasing interest rate etc.) management indicated that the demand will likely continue for next 2-3 quarters. Traction continues from industries like Cement, Chemicals, Pharma, F&B, Steel, etc. Furthermore, segments such as data center, e-commerce, waste heat recovery, smart infra, digitalization, automation, TBCB, intralogistics, charging infrastructure, decarbonisation, smart metering, smart grids etc. would be key growth driver going ahead.

Despite near term challenges from supply chain disruption (semiconductor shortage), higher commodity price and freight cost, we remain positive on SIEM from a long-term perspective given its 1) strong and diversified presence across industries, 2) focus on product localization, 3) solid balance sheet and 4) high cash flow. Considering their healthy demand outlook, focus on cost control and pickup in mobility segment we expect revenue/PAT CAGR of 14%/23% from SY21-SY24. At CMP stock trades at 67.5x/51.9x/43.6x SY22/23/24E. We maintain 'Accumulate' rating on stock with TP of Rs2,602 (same as earlier) (PE of 52x annualized Mar'24E EPS).

Momentum continues from short cycle orders, uptick seen in large projects orders: Order inflows for H1FY22 came in at ~Rs106bn, up 63.3% YoY, translating to order book of Rs171.7bn (1.3x TTM revenue). Order inflows was driven by healthy traction in short cycle orders and large projects orders kicking in. Company has bagged large Pune-Hinjewadi metro project in H1FY22. Though in large order it will be cautious while selecting order and will focus on profitability.

Overall demand scenario continues to remain healthy: Demand scenario continues to remain strong from sectors such as Railways, Metro, Infrastructure, Pharma, Data Center, F&B, Intralogistics, Transmission etc. Despite near term challenges, management remains optimistic on growth momentum continuing for next couple of quarters. Traction continues from segments such as decarbonization, waste heat recovery E-mobility, charging infrastructure, data center, metros, TBCB, Intralogistics, biomass, power plant upgradation etc.

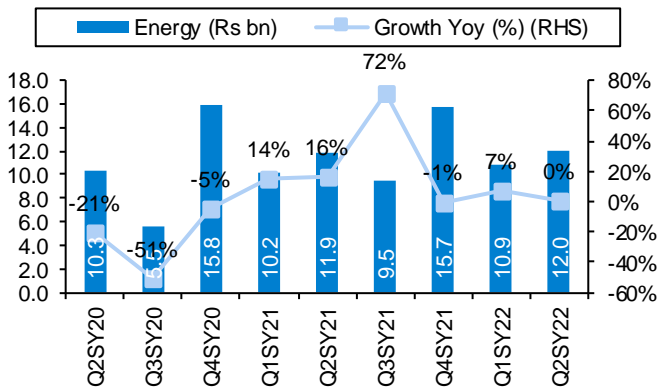
Witnessing green field capex from new edge segments: Brown field capacity expansion continues from sectors such as Cement, Metal, Pharma, F&B etc. While green field capex is witnessed from new edge segments such as Data center, intralogistics, batteries, E-mobility, etc and will likely continue going forward.

Segmental Update

Energy Segment

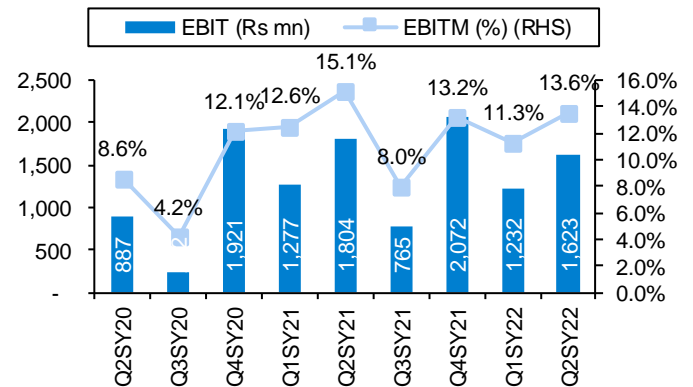
Order inflow grew 28% YoY to Rs29.6bn in H1FY22. Revenue grew ~4% YoY to ~Rs23bn, impacted due to shift in projects offtake in H1FY22. Opportunity level stands healthy from segment such as decarbonisation solutions, waste heat recovery, biomass and upgradation of power plant. Sectors like Sugar, Cement, Steel, Oil & Gas witnessed a healthy growth.

Exhibit 1: Revenue impacted due to shift in project offtake



Source: Company, PL

Exhibit 2: Lower margins on high base

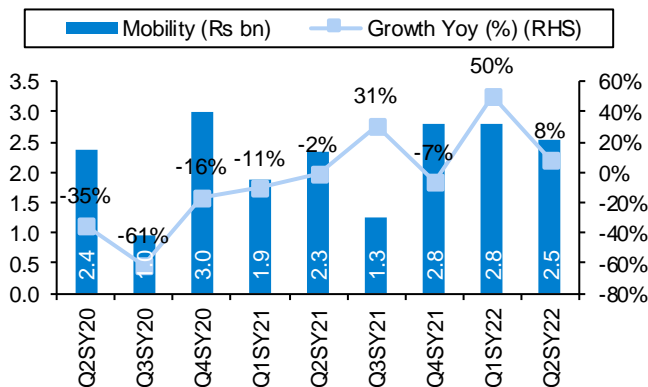


Source: Company, PL

Mobility

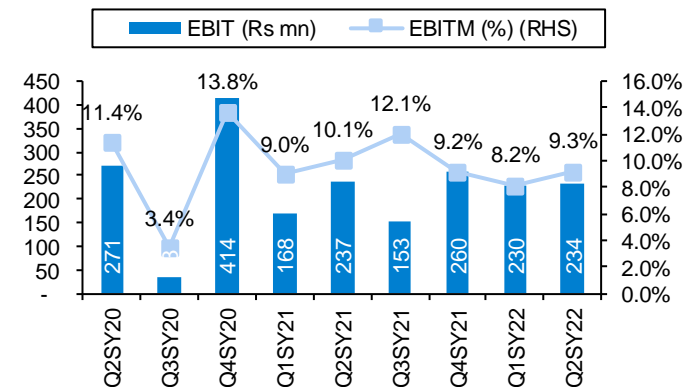
Order inflow grew 391% YoY to Rs20.3bn in H1FY22 owing to large order from Pune-Hinjewadi metro project. Revenue grew ~26% YoY to Rs5.3bn in H1FY22. Going forward, Mobility segment is likely to be key growth driver. Traction continues from electrification and signaling modernization in mainline as well as metros (Metro opportunity stands healthy from Tier 1 and Tier 2 cities.). For Vande Bharat train, Siemens will be bidding for propulsion systems and will be also participating in new KAVACH system of Indian Railways.

Exhibit 3: Mobility revenue grew 8% YoY



Source: Company, PL

Exhibit 4: Margins impacted due to supply chain constrain

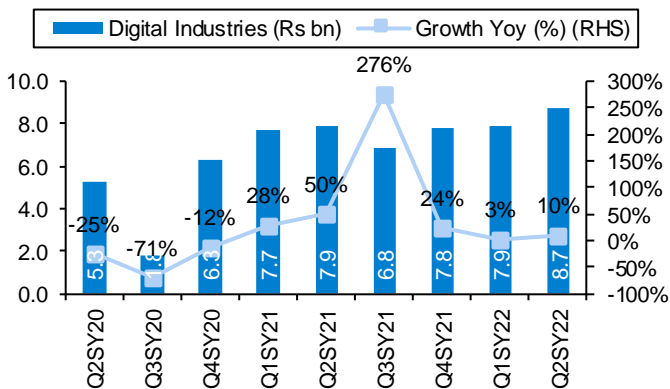


Source: Company, PL

Digital Industries

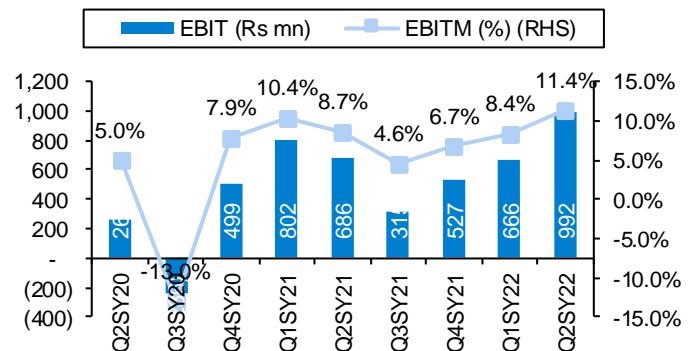
Advance ordering witnessed, due to higher lead times. Order inflow grew 78% YoY to Rs27.4bn in H1FY22. Revenue grew ~7% YoY to ~Rs16.6bn. Corporate has been focusing on digitalization and automation, thereby providing healthy visibility going forward. Healthy traction is being witnessed from sectors such as Pharma, F&B, Metro, Metals, Cements, Intralogistics, Aerospace, Tunnel Automation etc. Margins expanded due to product localization, increase in software solution contribution, cost control measures, improved productivity and price pass through.

Exhibit 5: Revenue grew 10% YoY, owing to healthy demand



Source: Company, PL

Exhibit 6: Price pass through supported margin expansion

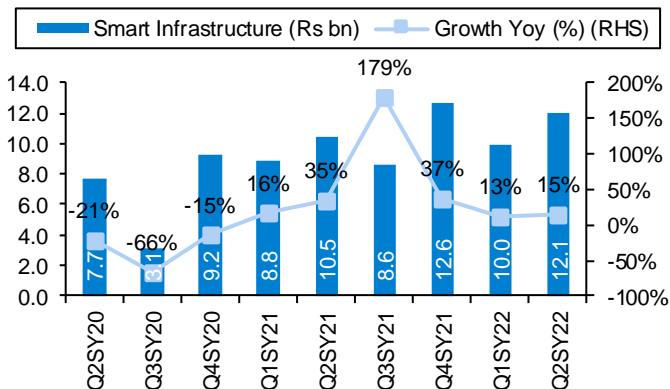


Source: Company, PL

Smart Infrastructure

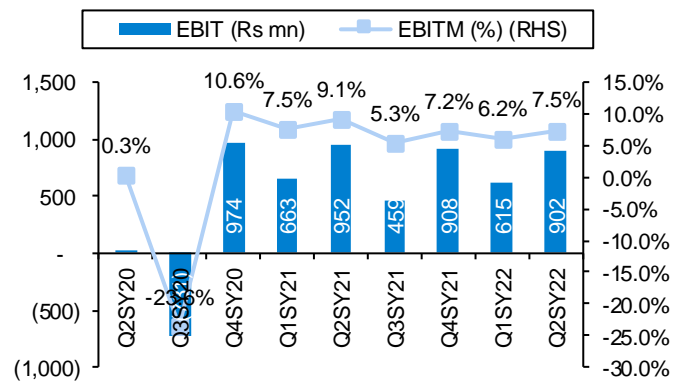
Order inflow came in at Rs26.9bn, up 37% YoY in H1SY22. Revenue came in at ~Rs22bn (up ~14% YoY) in H1SY22. Traction is seeing from data center, transportation (Metro, Railway) and private discoms revamping network, while state discom continues to be muted.

Exhibit 7: Healthy revenue growth of 15% YoY in Q2SY22



Source: Company, PL

Exhibit 8: Supply chain disruption impacted margins



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Sep	FY21	FY22E	FY23E	FY24E
Net Revenues	1,36,392	1,55,773	1,76,960	2,03,859
YoY gr. (%)	37.1	14.2	13.6	15.2
Cost of Goods Sold	93,117	1,03,121	1,13,272	1,31,000
Gross Profit	43,275	52,651	63,688	72,859
Margin (%)	31.7	33.8	36.0	35.7
Employee Cost	16,917	19,472	23,005	26,298
Other Expenses	4,695	7,321	8,848	9,479
EBITDA	15,185	17,697	22,014	26,175
YoY gr. (%)	51.3	16.5	24.4	18.9
Margin (%)	11.1	11.4	12.4	12.8
Depreciation and Amortization	3,005	3,214	3,301	3,429
EBIT	12,180	14,483	18,712	22,747
Margin (%)	8.9	9.3	10.6	11.2
Net Interest	246	366	380	393
Other Income	2,265	2,555	3,345	3,466
Profit Before Tax	14,199	16,671	21,677	25,819
Margin (%)	10.4	10.7	12.2	12.7
Total Tax	3,698	4,168	5,419	6,455
Effective tax rate (%)	26.0	25.0	25.0	25.0
Profit after tax	10,501	12,503	16,257	19,364
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	10,501	12,503	16,257	19,364
YoY gr. (%)	36.5	19.1	30.0	19.1
Margin (%)	7.7	8.0	9.2	9.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	10,501	12,503	16,257	19,364
YoY gr. (%)	36.5	19.1	30.0	19.1
Margin (%)	7.7	8.0	9.2	9.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,501	12,503	16,257	19,364
Equity Shares O/s (m)	356	356	356	356
EPS (Rs)	29.5	35.1	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	14,020	17,321	20,750
Tangibles	10,806	14,020	17,321	20,750
Intangibles	-	-	-	-
Net fixed assets	13,039	12,325	12,024	11,595
Tangibles	13,039	12,325	12,024	11,595
Intangibles	-	-	-	-
Capital Work In Progress	18,387	18,387	18,387	18,387
Goodwill	-	-	-	-
Non-Current Investments	5,666	2,804	3,185	4,077
Net Deferred tax assets	473	473	473	473
Other Non-Current Assets	10,489	15,577	19,466	22,934
Current Assets				
Investments	-	-	-	-
Inventories	17,969	17,071	19,393	22,341
Trade receivables	36,830	42,677	47,997	54,176
Cash & Bank Balance	51,591	52,316	54,829	55,839
Other Current Assets	16,995	18,693	19,466	22,934
Total Assets	1,79,103	1,89,975	2,08,018	2,27,573
Equity				
Equity Share Capital	712	712	712	712
Other Equity	1,02,778	1,12,531	1,25,211	1,40,316
Total Network	1,03,490	1,13,243	1,25,923	1,41,028
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	32,008	35,392	39,096
Other current liabilities	38,877	45,172	47,150	47,897
Total Equity & Liabilities	1,79,103	1,89,975	2,08,018	2,27,573

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Sep	FY21	FY22E	FY23E	FY24E
PBT	15,058	16,671	21,677	25,819
Add. Depreciation	3,005	3,214	3,301	3,429
Add. Interest	246	366	380	393
Less Financial Other Income	2,265	2,555	3,345	3,466
Add. Other	(2,692)	-	-	-
Op. profit before WC changes	15,617	20,251	25,358	29,641
Net Changes-WC	2,339	(10,633)	(10,469)	(14,523)
Direct tax	(3,735)	(4,168)	(5,419)	(6,455)
Net cash from Op. activities	14,221	5,450	9,470	8,664
Capital expenditures	(1,074)	(2,500)	(3,000)	(3,000)
Interest / Dividend Income	2,095	-	-	-
Others	(24,914)	972	-	-
Net Cash from Inv. activities	(23,893)	(1,528)	(3,000)	(3,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,695)	-	-	-
Dividend paid	(2,493)	(2,751)	(3,577)	(4,260)
Interest paid	(140)	(366)	(380)	(393)
Others	(690)	(81)	-	-
Net cash from Fin. activities	(5,018)	(3,198)	(3,957)	(4,654)
Net change in cash	(14,690)	725	2,513	1,010
Free Cash Flow	13,044	2,950	6,470	5,664

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	35.1	45.7	54.4
CEPS	37.9	44.2	54.9	64.0
BVPS	290.7	318.1	353.7	396.1
FCF	36.6	8.3	18.2	15.9
DPS	8.0	7.7	10.0	12.0
Return Ratio(%)				
RoCE	12.3	13.4	15.6	17.0
ROIC	18.9	19.4	21.7	22.0
RoE	10.6	11.5	13.6	14.5
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.5)	(0.4)	(0.4)
Net Working Capital (Days)	47	65	66	67
Valuation(x)				
PER	80.4	67.5	51.9	43.6
P/B	8.2	7.5	6.7	6.0
P/CEPS	62.5	53.7	43.2	37.0
EV/EBITDA	52.2	44.8	35.9	30.1
EV/Sales	5.8	5.1	4.5	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	13-May-22	Accumulate	2,602	2,301
2	08-Apr-22	Accumulate	2,602	2,470
3	07-Feb-22	Accumulate	2,602	2,423
4	11-Jan-22	Accumulate	2,310	2,321
5	05-Oct-21	Accumulate	2,310	2,248
6	12-Aug-21	Accumulate	2,310	2,192
7	06-Jul-21	Accumulate	2,101	2,029

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	855	691
3	Bharat Electronics	BUY	265	232
4	BHEL	Sell	36	53
5	Cummins India	Accumulate	1,087	1,015
6	Engineers India	BUY	89	69
7	GE T&D India	Hold	102	100
8	Kalpataru Power Transmission	BUY	421	342
9	KEC International	Accumulate	451	367
10	Larsen & Toubro	BUY	2,091	1,526
11	Siemens	Accumulate	2,602	2,301
12	Thermax	Accumulate	2,181	2,025
13	Triveni Turbine	BUY	240	174
14	Voltamp Transformers	Accumulate	2,220	1,997

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

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