

August 4, 2022

Q1FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	2,815		2,602	
Sales (Rs. m)	1,76,545	2,03,489	1,76,960	2,03,859
% Chng.	(0.2)	(0.2)		
EBITDA (Rs. m)	21,962	26,128	22,014	26,176
% Chng.	(0.2)	(0.2)		
EPS (Rs.)	45.4	54.1	45.7	54.4
% Chng.	(0.5)	(0.5)		

Key Financials - Consolidated

Y/e Sep	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	1,31,985	1,56,559	1,76,545	2,03,489
EBITDA (Rs. m)	14,880	17,513	21,962	26,128
Margin (%)	11.3	11.2	12.4	12.8
PAT (Rs. m)	10,298	12,399	16,170	19,273
EPS (Rs.)	28.9	34.8	45.4	54.1
Gr. (%)	33.8	20.4	30.4	19.2
DPS (Rs.)	8.0	7.7	11.4	16.2
Yield (%)	0.3	0.3	0.4	0.6
RoE (%)	10.4	11.4	13.6	14.6
RoCE (%)	12.0	13.2	15.6	17.2
EV/Sales (x)	6.7	5.6	4.9	4.2
EV/EBITDA (x)	59.1	49.8	39.4	33.0
PE (x)	90.4	75.1	57.6	48.3
P/BV (x)	9.0	8.2	7.4	6.7

Key Data

[SIEM.BO](#) | [SIEM IN](#)

52-W High / Low	Rs.2,815 / Rs.1,970
Sensex / Nifty	58,351 / 17,388
Market Cap	Rs.931bn/ \$ 11,762m
Shares Outstanding	356m
3M Avg. Daily Value	Rs.886.11m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	5.42
Domestic Institution	9.65
Public & Others	9.93
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	8.6	7.2	28.9
Relative	(1.5)	8.0	18.9

Amit Anwani

amitanwani@plindia.com | 91-22-66322250

Nilesh Soni

nileshsoni@plindia.com | 91-22-66322214

Siemens (SIEM IN)

Rating: ACCUMULATE | CMP: Rs2,615 | TP: Rs2,815

Strong order inflows momentum continues

Quick Pointers

- Order inflows from continued operation grew 20% YoY to Rs49.9bn in Q3SY22 (September year-end), driven by significant order win in mobility segment.
- Higher other expenses (up 83.9% YoY), substantially impacted EBITDA margins.

Siemens (SIEM) reported revenue growth of 49.8% YoY, driven by strong growth across key segments such as Mobility (up 185.5% YoY), Energy (up 52.3% YoY), Smart Infra (up 38.1% YoY) and Digital Industries (up 45.7% YoY). Except for mobility all other segments reported margin expansion. Other expenses grew 83.9% YoY to Rs4.6bn in Q3SY22, thereby impacting EBITDA margin during the quarter. Order inflows momentum continued during the quarter and came in at Rs49.9bn, translating to strong order book of Rs178.6bn. Management indicated no slowdown in public and private capex, though they are concerned about global headwinds impacting demand, which could result in a slowdown in capex spending. We believe segments such as data center, e-commerce, waste heat recovery, smart infra, digitalization, automation, intralogistics, EV charging infrastructure, decarbonisation, smart metering, smart grids etc. would be key growth driver going ahead.

We remain positive on SIEM from a long-term perspective given its 1) strong and diversified presence across industries, 2) focus on digitization and automation products, 3) product localization, 4) healthy balance sheet and 5) high cash flow. With strong order book and enquiry pipeline, we expect SIEM to report revenue/PAT CAGR of 15.5%/23.2% between SY21-SY24E. The stock is currently trading at PE of 75.1x/57.6x/48.3x SY22E/23E/24E earnings. We roll forward our TP to SY24E EPS and revise it to Rs2,815 (Rs2,602 earlier) valuing it at 52x SY24E EPS. Maintain 'Accumulate' rating.

Healthy revenue growth across segment: Standalone revenue came in at Rs39.1bn, up 49.8% YoY (PLe Rs35.5bn). Gross margin declined 121bps YoY to 32% in Q1FY23, due to higher commodity prices and lag in price pass through. EBITDA came in at Rs3.8bn, up 68.7% YoY (PLe ~Rs4bn), while EBITDA margin came in at 9.7% in Q1FY23 vs 8.6% in Q3SY22 (low base), partly impacted by higher other expenses (up 84% YoY). Adj. PAT came in at ~Rs3bn up 85.3% YoY (PLe ~Rs2.9bn), aided by better revenue and higher other income (up 61% YoY).

Strong order inflows growth: Order inflows from continued operation grew 20% YoY to Rs49.9bn in Q3SY22, driven by significant order win in mobility segment. Order book stands at Rs178.6bn 1.2x TTM revenue, providing revenue visibility for next couple of quarters.

Exhibit 1: Higher commodity cost impact margins

Y/e Sep (Rs mn)	Q3SY21	Q4SY21	Q1SY22	Q2SY22	Q3SY22	YoY gr. (%)	QoQ gr. (%)	9MSY22	9MSY21	YoY gr. (%)
Revenue	26,128	39,997	32,399	34,749	39,148	49.8	12.7	106,296	88,682	19.9
Total Revenues	26,128	39,997	32,399	34,749	39,148	49.8	12.7	106,296	88,682	19.9
Total Expenditure	23,882	35,710	29,080	30,449	35,358	48.1	16.1	94,887	78,411	21.0
as % of sales	91.4	89.3	89.8	87.6	90.3			89.3	88.4	
Consumption of RM	17,459	27,768	22,220	23,585	26,631	52.5	12.9	52,854	41,889	26.2
as % of sales	66.8	69.4	68.6	67.9	68.0			49.7	47.2	
Employee Cost	3,906	4,353	4,311	3,953	4,098	4.9	3.7	12,362	11,555	7.0
as % of sales	14.9	10.9	13.3	11.4	10.5			11.6	13.0	
Other expenditure	2,517	3,589	2,549	2,911	4,629	83.9	59.0	29,671	24,967	18.8
as % of sales	9.6	9.0	7.9	8.4	11.8			27.9	28.2	
EBITDA	2,246	4,287	3,319	4,300	3,790	68.7	(11.9)	11,409	10,271	11.1
Depreciation	535	540	538	523	519	(3.0)	(0.8)	1,580	1,732	(8.8)
EBIT	1,711	3,747	2,781	3,777	3,271	91.2	(13.4)	9,829	8,539	15.1
Other Income	463	616	571	638	746	61.1	16.9	1,955	1,573	24.3
Interest	56	59	54	103	37	(33.9)	(64.1)	194	138	40.6
PBT	2,118	4,304	3,298	4,312	3,980	87.9	(7.7)	11,590	9,974	16.2
Total Tax	523	1,074	845	1,125	1,025	96.0	(8.9)	2,995	2,609	14.8
Reported PAT	1,595	3,230	2,453	3,187	2,955	85.3	(7.3)	8,595	7,365	16.7
Adjusted PAT	1,595	3,230	2,453	3,187	2,955	85.3	(7.3)	8,595	7,365	16.7
Adjusted EPS	4.5	9.1	6.9	9.0	8.3	85.3	(7.3)	24.1	20.7	16.5
Margins (%)	Q3SY21	Q4SY21	Q1SY22	Q2SY22	Q3SY22	bps	bps	9MSY22	9MSY21	bps
EBIDTA	8.6	10.7	10.2	12.4	9.7	109	(269)	10.7	11.6	(85)
EBIT	6.5	9.4	8.6	10.9	8.4	181	(251)	9.2	9.6	(38)
EBT	8.1	10.8	10.2	12.4	10.2	206	(224)	10.9	11.2	(34)
PAT	6.1	8.1	7.6	9.2	7.5	144	(162)	8.1	8.3	(22)
Effective Tax rate	24.7	25.0	25.6	26.1	25.8	106	(34)	25.8	26.2	(32)

Source: Company, PL

Exhibit 2: Segmental performance

Y/e Sep (Rs mn)	Q3SY21	Q4SY21	Q1SY22	Q2SY22	Q3SY22	YoY gr. (%)	QoQ gr. (%)	9MSY22	9MSY21	YoY gr. (%)
Revenue										
Energy (Gas & Power)	9,549	15,710	10,892	11,958	14,544	52.3	21.6	37,394	31,631	18.2
Smart Infrastructure	8,630	12,609	9,967	12,055	11,922	38.1	(1.1)	33,944	27,906	21.6
Mobility	1,266	2,812	2,805	2,529	3,614	185.5	42.9	8,948	5,471	63.6
Digital Industries	6,838	7,839	7,910	8,739	9,962	45.7	14.0	26,611	22,454	18.5
Portfolio Companies	-	-	-	-	-	-	-	-	-	-
Others	216	339	162	292	184	(14.8)	(37.0)	638	693	(7.9)
Less: Intersegment revenue	(382)	(545)	(638)	(824)	(1,078)	182.2	30.8	(2,540)	(1,725)	47.2
Total	26,117	38,764	31,098	34,749	39,148	49.9	12.7	104,995	86,430	21.5
EBIT										
Energy (Gas & Power)	765	2,072	1,232	1,623	1,243	62.5	(23.4)	4,098	3,846	6.6
EBIT margin (%)	8.0	13.2	11.3	13.6	8.5			11.0	12.2	
Smart Infrastructure	459	908	615	902	1,118	143.6	23.9	2,635	2,074	27.0
EBIT margin (%)	5.3	7.2	6.2	7.5	9.4			7.8	7.4	
Mobility	153	260	230	234	73	(52.3)	(68.8)	537	558	-3.8
EBIT margin (%)	12.1	9.2	8.2	9.3	2.0			6.0	10.2	
Digital Industries	315	527	666	992	828	162.9	(16.5)	2,486	1,803	37.9
EBIT margin (%)	4.6	6.7	8.4	11.4	8.3			9.3	8.0	
Portfolio Companies	19	(69)	8	26	9	(52.6)	(65.4)	43	83	-48.2
EBIT margin (%)	8.8	(20.4)	4.9	8.9	4.9			6.7	12.0	
Others	9,549	15,710	10,892	11,958	14,544	52.3	21.6	37,394	31,631	18.2
EBIT margin (%)	8,630	12,609	9,967	12,055	11,922	38.1	(1.1)	33,944	27,906	21.6

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Sep	FY21	FY22E	FY23E	FY24E
Net Revenues	1,31,985	1,56,559	1,76,545	2,03,489
YoY gr. (%)	32.7	18.6	12.8	15.3
Cost of Goods Sold	89,841	1,04,065	1,13,006	1,30,762
Gross Profit	42,144	52,494	63,539	72,727
Margin (%)	31.9	33.5	36.0	35.7
Employee Cost	16,411	19,257	22,951	26,250
Other Expenses	10,853	7,437	8,827	9,462
EBITDA	14,880	17,513	21,962	26,128
YoY gr. (%)	48.3	17.7	25.4	19.0
Margin (%)	11.3	11.2	12.4	12.8
Depreciation and Amortization	2,974	3,214	3,301	3,429
EBIT	11,906	14,298	18,661	22,699
Margin (%)	9.0	9.1	10.6	11.2
Net Interest	243	368	380	393
Other Income	2,264	2,646	3,337	3,459
Profit Before Tax	13,927	16,576	21,618	25,766
Margin (%)	10.6	10.6	12.2	12.7
Total Tax	3,629	4,177	5,448	6,493
Effective tax rate (%)	26.1	25.2	25.2	25.2
Profit after tax	10,298	12,399	16,170	19,273
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	10,298	12,399	16,170	19,273
YoY gr. (%)	33.8	20.4	30.4	19.2
Margin (%)	7.8	7.9	9.2	9.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	10,298	12,399	16,170	19,273
YoY gr. (%)	33.8	20.4	30.4	19.2
Margin (%)	7.8	7.9	9.2	9.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	10,298	12,399	16,170	19,273
Equity Shares O/s (m)	356	356	356	356
EPS (Rs)	28.9	34.8	45.4	54.1

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	19,387
Goodwill	-	-	-	-
Non-Current Investments	5,666	3,790	4,150	5,042
Net Deferred tax assets	473	473	473	473
Other Non-Current Assets	10,489	10,959	11,475	12,209
Current Assets				
Investments	-	-	-	-
Inventories	17,969	17,157	18,864	20,628
Trade receivables	36,830	41,177	45,950	47,945
Cash & Bank Balance	51,591	58,223	64,443	68,558
Other Current Assets	16,995	18,787	19,420	22,384
Total Assets	1,79,103	1,90,982	2,07,159	2,21,992
Equity				
Equity Share Capital	712	712	712	712
Other Equity	1,02,778	1,12,449	1,24,577	1,38,068
Total Network	1,03,490	1,13,161	1,25,289	1,38,780
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	32,170	34,825	36,238
Other current liabilities	38,877	46,018	47,411	47,342
Total Equity & Liabilities	1,79,103	1,90,901	2,07,078	2,21,911

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Sep	FY21	FY22E	FY23E	FY24E
PBT	15,058	16,576	21,618	25,766
Add. Depreciation	3,005	3,214	3,301	3,429
Add. Interest	246	368	380	393
Less Financial Other Income	2,264	2,646	3,337	3,459
Add. Other	(2,692)	-	-	-
Op. profit before WC changes	15,617	20,158	25,299	29,587
Net Changes-WC	2,339	(3,754)	(6,209)	(8,804)
Direct tax	(3,735)	(4,177)	(5,448)	(6,493)
Net cash from Op. activities	14,221	12,228	13,642	14,290
Capital expenditures	(1,074)	(2,500)	(3,000)	(4,000)
Interest / Dividend Income	2,095	-	-	-
Others	(24,914)	-	-	-
Net Cash from Invt. activities	(23,893)	(2,500)	(3,000)	(4,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(1,695)	-	-	-
Dividend paid	(2,493)	(2,728)	(4,043)	(5,782)
Interest paid	(140)	(368)	(380)	(393)
Others	(690)	-	-	-
Net cash from Fin. activities	(5,018)	(3,096)	(4,422)	(6,175)
Net change in cash	(14,690)	6,632	6,220	4,116
Free Cash Flow	13,044	9,728	10,642	10,290

Source: Company Data, PL Research

Key Financial Metrics

Y/e Sep	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	28.9	34.8	45.4	54.1
CEPS	37.3	43.9	54.7	63.8
BVPS	290.7	317.9	351.9	389.8
FCF	36.6	27.3	29.9	28.9
DPS	8.0	7.7	11.4	16.2
Return Ratio(%)				
RoCE	12.0	13.2	15.6	17.2
ROIC	18.5	21.3	25.5	26.7
RoE	10.4	11.4	13.6	14.6
Balance Sheet				
Net Debt : Equity (x)	(0.5)	(0.5)	(0.5)	(0.5)
Net Working Capital (Days)	49	61	62	58
Valuation(x)				
PER	90.4	75.1	57.6	48.3
P/B	9.0	8.2	7.4	6.7
P/CEPS	70.1	59.6	47.8	41.0
EV/EBITDA	59.1	49.8	39.4	33.0
EV/Sales	6.7	5.6	4.9	4.2
Dividend Yield (%)	0.3	0.3	0.4	0.6

Source: Company Data, PL Research

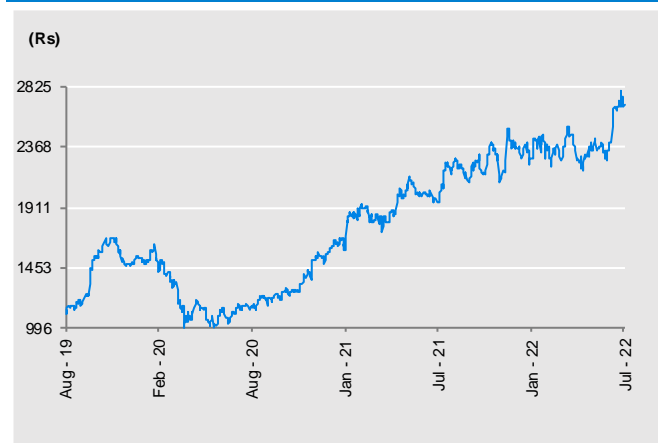
Quarterly Financials (Rs m)

Y/e Sep	Q4SY21	Q1SY22	Q2SY22	Q3SY22
Net Revenue	39,997	32,399	34,749	39,148
YoY gr. (%)	13.7	11.7	3.6	49.8
Raw Material Expenses	18,971	16,204	16,940	19,710
Gross Profit	21,026	16,195	17,809	19,438
Margin (%)	52.6	50.0	51.3	49.7
EBITDA	4,287	3,319	4,300	3,790
YoY gr. (%)	(5.3)	(8.1)	(2.6)	68.7
Margin (%)	10.7	10.2	12.4	9.7
Depreciation / Depletion	540	538	523	519
EBIT	3,747	2,781	3,777	3,271
Margin (%)	9.4	8.6	10.9	8.4
Net Interest	59	54	103	37
Other Income	616	571	638	746
Profit before Tax	4,304	3,298	4,312	3,980
Margin (%)	10.8	10.2	12.4	10.2
Total Tax	1,074	845	1,125	1,025
Effective tax rate (%)	25.0	25.6	26.1	25.8
Profit after Tax	3,230	2,453	3,187	2,955
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,230	2,453	3,187	2,955
YoY gr. (%)	(3.0)	(6.4)	0.9	85.3
Margin (%)	8.1	7.6	9.2	7.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,230	2,453	3,187	2,955
YoY gr. (%)	(3.0)	(6.4)	0.9	85.3
Margin (%)	8.1	7.6	9.2	7.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,230	2,453	3,187	2,955
Avg. Shares O/s (m)	356	356	356	356
EPS (Rs)	9.1	6.9	9.0	8.3

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jul-22	Accumulate	2,602	2,522
2	13-Jun-22	Accumulate	2,602	2,372
3	13-May-22	Accumulate	2,602	2,301
4	08-Apr-22	Accumulate	2,602	2,470
5	07-Feb-22	Accumulate	2,602	2,423
6	11-Jan-22	Accumulate	2,310	2,321
7	05-Oct-21	Accumulate	2,310	2,248
8	12-Aug-21	Accumulate	2,310	2,192

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Hold	2,293	2,362
2	Apar Industries	Accumulate	1,194	1,124
3	Bharat Electronics	BUY	295	269
4	BHEL	Sell	36	46
5	Cummins India	Accumulate	1,087	1,052
6	Engineers India	BUY	89	60
7	GE T&D India	Hold	102	101
8	Kalpataru Power Transmission	BUY	421	357
9	KEC International	Accumulate	451	397
10	Larsen & Toubro	BUY	2,030	1,751
11	Siemens	Accumulate	2,602	2,522
12	Thermax	Accumulate	2,181	2,049
13	Triveni Turbine	BUY	240	192
14	Voltamp Transformers	UR	-	2,972

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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