

## Decent performance...

**About the stock:** Siemens Ltd (Siemens) is a leader in technology solutions for smart, intelligent, building technologies, mobility, digital industries and power T&D.

- It operates mainly in five key segments including energy/gas & power (34%), smart infrastructure (33%), digital industries (22%), mobility (7%)
- Well placed to gain from the overall energy market transformation from electrification to automation and digitisation

**Q4FY22 Results:** Siemens reported a decent set of Q4FY22\* numbers.

- Consolidated revenue was at ₹ 4657.1 crore, up 8.4% YoY
- EBITDA came in at ₹ 516 crore with margins of 11.1%, supported by stable gross margins
- Consequently, PAT came in at ₹ 652.3 crore, up 102.8%
- Order inflow for Q4FY22 was decent at ~₹ 4009 crore, up 25% YoY

**What should investors do?** Overall, further penetration of automation & digitisation products and services across segments to drive long term growth.

- We remain long term positive and retain our **BUY** rating on the stock

**Target Price and Valuation:** We value Siemens at ₹ 3630 on an SoTP basis.

### Key triggers for future price performance:

- Strong focus on technology leadership in digitisation and automation products to further strengthen its market share
- Strong demand for short cycle products with clear traction from steel, cement, chemical, pharma, fertiliser industries to drive strong growth and margin expansion in smart infrastructure and digital industries segments
- Expect revenue, EBITDA to grow at a CAGR of ~18%, 18.6%, respectively, in FY22-24E owing to strong traction in short cycle products and services

**Alternate Stock Idea:** We also like ABB in our coverage.

- ABB continues to see a recovery in certain segments and industries like data centre, renewables, electronics, food & beverages and pharma. It continues to focus on order win and seamless execution across projects
- BUY with a target price of ₹ 3635



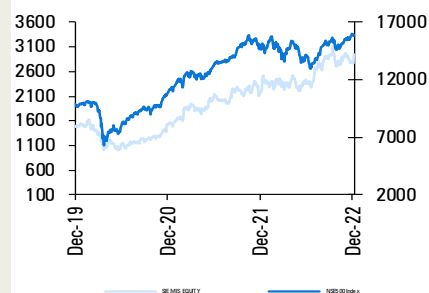
### Particulars

Particular	Amount
Market Capitalization	₹ 106907 Crore
Total Debt (FY22)	₹ 0 Crore
Cash and Inv (FY22)	₹ 6487 Crore
EV (FY22)	₹ 100420 Crore
52 week H/L (₹)	3139 / 2150
Equity capital	₹ 71.2 Crore
Face value (₹)	2.0

### Shareholding pattern

(in %)	Dec-21	Mar-22	Jun-22	Sep-22
Promoter	75.0	75.0	75.0	75.0
FII	5.4	5.5	5.4	6.0
DII	9.7	9.5	9.6	9.5
Others	9.9	10.0	9.9	9.4

### Price Performance



### Recent events & Key risks

- Key risk:** (i) Any slowdown in capex across infrastructure, transportation etc, (ii) Any slowdown in R&D spending towards automation and digitisation

### Research Analyst

Chirag Shah  
shah.chirag@icicisecurities.com

Ameya Mahurkar  
ameya.mahurkar@icicisecurities.com

### Key Financial Summary

(₹ Crore)*	FY20	FY21	FY22	5 Year	FY23E	FY24E	2 year CAGR
Revenue (₹ crore)	9,946.5	13,639.2	16,137.8	7.8%	19,469.5	22,480.8	18.0%
EBITDA (₹ crore)	1,003.6	1,518.5	1,757.3	10.8%	2,141.6	2,472.9	18.6%
EBITDA margin (%)	10.1	11.1	10.9		11.0	11.0	
Net Profit (₹ crore)	769.5	1,050.1	1,261.9	11.0%	1,651.6	1,914.9	23.2%
EPS (₹)	21.6	29.5	35.4		46.4	53.8	
P/E (x)	138.9	101.8	84.7		64.7	55.8	
Price / Book (x)	11.3	10.3	9.6		8.7	7.8	
EV/EBITDA (x)	100.8	67.0	57.1		46.6	40.0	
RoCE (%)	11.2	13.9	15.6		18.2	19.1	
RoE (%)	8.1	10.1	11.3		13.4	14.0	

Source: Company, ICICI Direct Research, \* September year end

## Key takeaways of recent quarter & conference call highlights

### Q4FY22 Results: Decent Numbers

- Siemens reported consolidated revenue at ₹ 4657.1 crore, up 8.4% YoY. Gas & power (energy) segment grew 3.9% to ₹ 1631.6 crore. Smart infrastructure segment grew 9.1% to ₹ 1665.8 crore, Mobility segment revenue grew 41.7% YoY to ₹ 441.8 crore and digital industries segment revenue grew 20.5% to ₹ 944.4 crore. Gas & power, smart infrastructure, digital industries, mobility segments contributed ~35%, ~35%, 20%, 9%, respectively
- Order inflow wins were decent at ₹ 4009 crore, up 25% YoY led by all business segments. This has resulted in an order backlog at ₹ 17183 crore, which indicates a clear upswing in both public and private capex spending
- EBITDA came in at ₹ 516 crore with EBITDA margin of 11.1% (vs. ₹ 10.4% in Q4FY21). Gross margins expanded 240 bps to 32.9% on a YoY basis and 70 bps on QoQ basis. Gas & power reported EBIT margin of 9.5%, contracting 370 bps YoY, Digital industries and smart infrastructure reported EBIT margins at 11.8% (vs. 6.7% in Q4FY21) and 7.7% (vs. 4.8% in Q4FY21) respectively. Mobility segment EBIT margin came in at 8.6% (vs. 11.7% in Q4FY21)
- Reported PAT came in at ₹ 652.3 crore, up 102.8% YoY

### Q4FY22 Earnings Conference Call highlights

- The order opportunity pipeline stayed healthy as Siemens continue to see an increased pace of tendering for capex by both public and private sectors. Government spending on infrastructure capex to drive further growth in roads, renewables, railways. Private capex was largely driven by PLI schemes. It will continue in critical verticals like semiconductors, data centres, EV, etc
- FY22 revenues were slightly impacted by supply chain challenges, semiconductor shortage, logistic delay, shipments delays
- Energy segment:** FY22 order inflows in energy business grew 22%. It mainly came in from transmission segment primary from private customers but there was a slowdown in conversion of TBCB projects as they got pushed out to the next financial year due to land acquisition. There is an increasing demand for industrial decarbonisation solutions particularly in waste heat recovery and biomass
- Smart infra project:** High growth in data centres, 'smart' metering projects, e-mobility and digital buildings. Also, government focus is on infrastructure, particularly in railways, airports, metros and discom privatisation. Import of components from other factories of Siemens across the globe led to increased costs and logistical delays, particularly in GIS and automation-related products. The management expects these issues to ease to some extent but continue in FY23
- Digital industries:** Orders grew 53% in FY22 to ₹ 4600 crore. Digital industries are benefiting from large orders from sugar, petrochemical, steel, water, F&B and intralogistics. There is increasing interest in digitisation, e.g. intralogistics in a steel plant
- Mobility:** Mobility segment order grew 136% in FY22 to ₹ 3340 crore. Mobility will remain a key focus area with more large-sized projects expected from Vande Bharat, apart from the inflows received in the year from metros, 9000 HP locomotive order and electrification and signalling order from railways

- During the year, Siemens also launched its Xclerator programme, which is a comprehensive, curated portfolio that includes digital and IoT-enabled offerings. The company is working on evolving a marketplace that enables education, exploration, exchange & transaction within a community of customers, partners and experts
- Global headwinds, including geopolitical tensions, high inflation, rising interest rates and supply chain constraints continue to remain a key risks, going forward

Exhibit 1: Variance analysis

Year	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	Comments
Income from Operation	4657.1	4296.1	8.4	4258.3	9.4	Slightly impacted by supply chain challenges, semiconductor shortage, logistic delay, shipments delays
Other Income	102.8	62.2	65.3	78.7	30.6	
Cost of materials consumed	2037.0	1910.0	6.6	2105.9	(3.3)	
Changes in inventories of finished goods & WIP	121.9	158.9	(23.3)	63.2	92.9	
Employee cost	478.1	472.1	1.3	445.4	7.3	
Other expenses	537.0	390.0	37.7	513.0	4.7	
EBITDA	515.9	447.2	15.4	412.2	25.2	
EBITDA Margin (%)	11.1	10.4	67 bps	9.7	140 bps	
Depreciation	79.8	80.0	(0.3)	78.7	1.4	
Interest	13.2	7.2	83.3	4.4		
PBT	525.7	422.2	24.5	407.8	28.9	
Taxes	144.0	100.6	43.1	105.3	36.8	
PAT	652.3	321.6	102.8	300.7	116.9	
Segment Revenue	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)	
Gas & Power/ Energy	1631.6	1571.0	3.9	1454.4	12.2	
% Contribution	35%	36%		32%		
Smart Infrastrucutre	1665.8	1526.8	9.1	1506.0	10.6	
% Contribution	35%	35%		33%		
Mobility	441.8	311.7	41.7	391.1	13.0	Strong performance by Mobility segment
% Contribution	9%	7%		9%		
Digital Industries	944.4	783.9	20.5	996.2	(5.2)	
% Contribution	20%	18%		22%		
Portfolio of Companies	0.0	123.3	(100.0)	141.1	(100.0)	
% Contribution	0%	3%		3%		

Source: Company, ICICI Direct Research, \*September Year End.

Exhibit 2: Change in estimates

(₹ Crore)	FY20	FY21	FY22	FY23E			FY24E		
	Actual	Actual	Actual	Old	New	% Change	Old	New	% Change
Revenue	9,947	13,639	16,138	18,890	19470	3.1	-	22481	-
EBITDA	1,004	1,519	1,757	2,267	2,142	(5.5)	-	2,473	-
EBITDA Margin (%)	10.1	11.1	10.9	12.0	11.0	-100 bps	-	11.0	-
PAT	769	1,050	1,262	1,799	1,652	(8.2)	-	1,915	-
EPS (₹)	21.6	29.5	35.4	50.5	46.4	(8.2)	-	53.8	-

Source: Company, ICICI Direct Research

Valuation Summary

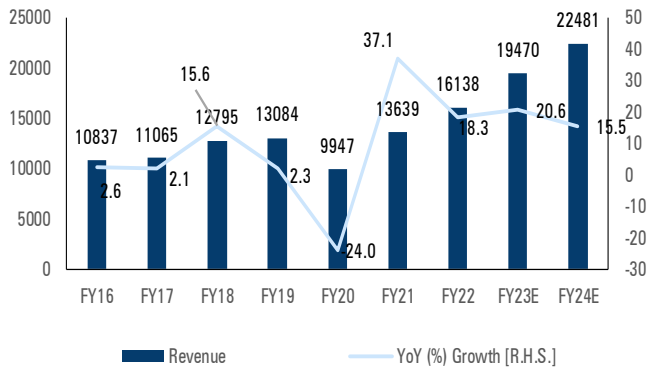
Exhibit 3: SoTP Valuation

Particulars	Multiple	FY24E Valuation (₹ crore)	Value per share
Siemens	P/E (x)	65.0	124468
C&S Acquisition	P/Sales (X)	2.0	4717
<b>Total</b>	-	<b>129186</b>	<b>3628</b>

Source: Company, ICICI Direct Research

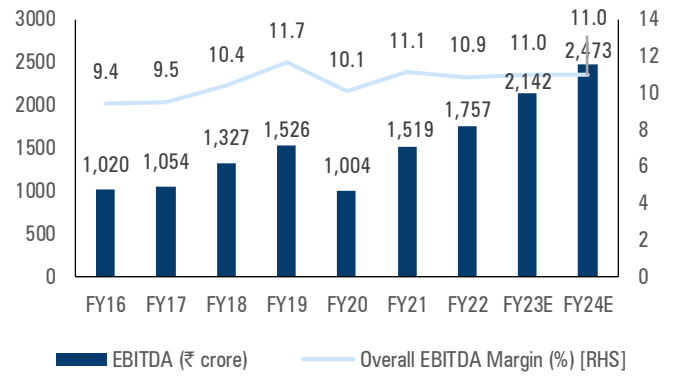
Financial story in charts

Exhibit 4: Revenue trend...



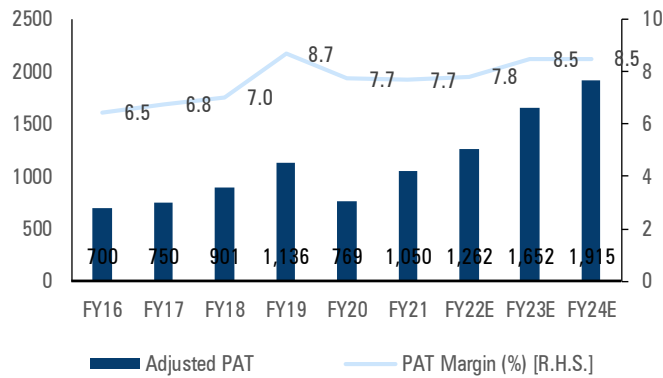
Source: ICICI Direct Research, Company

Exhibit 5: EBITDA and EBITDA margin trend



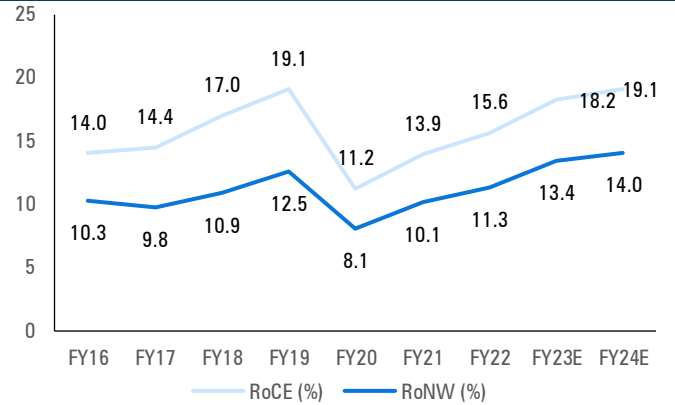
Source: ICICI Direct Research, Company

Exhibit 6: PAT and PAT margin (%) trend....



Source: Company, ICICI Direct Research

Exhibit 7: RoE, RoCE (%) trend...



Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 8: Profit and loss statement				
₹ crore				
(₹ Crore)	FY21	FY22	FY23E	FY24E
Net Sales	13,639.2	16,137.8	19,469.5	22,480.8
Other Operating Inco	-	-	-	-
<b>Total Operating In</b>	<b>13,639.2</b>	<b>16,137.8</b>	<b>19,469.5</b>	<b>22,480.8</b>
% Growth	37.1	18.3	20.6	15.5
Other Income	226.5	307.8	447.8	517.1
Total Revenue	13,865.7	16,445.6	19,917.3	22,997.9
Cost of materials con	2,887.4	3,670.7	4,088.6	4,721.0
Purchase of stock-in-	3,911.4	4,449.0	5,256.8	6,069.8
Other Expenses	1,117.3	1,648.5	1,752.3	2,023.3
Total expenditure	12,120.7	14,380.5	17,327.9	20,008.0
<b>EBITDA</b>	<b>1,518.5</b>	<b>1,757.3</b>	<b>2,141.6</b>	<b>2,472.9</b>
% Growth	51.3	15.7	21.9	15.5
Interest	24.6	36.3	15.6	18.0
Depreciation	300.5	317.1	341.9	384.3
PBT	1,419.9	1,711.7	2,231.9	2,587.7
Tax	369.8	449.8	580.3	672.8
<b>PAT</b>	<b>1,050.1</b>	<b>1,261.9</b>	<b>1,651.6</b>	<b>1,914.9</b>
% Growth	36.5	20.2	30.9	15.9
EPS	29.5	35.4	46.4	53.8

Source: Company, ICICI Direct Research, \* September Year End

Exhibit 9: Cash flow statement				
₹ crore				
(₹ Crore)	FY21	FY22	FY23E	FY24E
Profit after Tax	1,050.1	1,261.9	1,651.6	1,914.9
Depreciation	300.5	317.1	341.9	384.3
Interest	24.6	36.3	15.6	18.0
Other income	(226.5)	(307.8)	(447.8)	(517.1)
Prov for Taxation	369.8	449.8	580.3	672.8
Cash Flow before WC changes	1,518.5	1,757.3	2,141.6	2,472.9
Change in Working Capital	(63.5)	519.4	(455.7)	(44.2)
Taxes Paid	(369.8)	(449.8)	(580.3)	(672.8)
<b>Cashflow from Operating A</b>	<b>1,085.2</b>	<b>1,826.9</b>	<b>1,105.6</b>	<b>1,755.9</b>
(Purchase)/Sale of Fixed Asset	(2,159.0)	(360.6)	(377.0)	(757.3)
(Purchase)/Sale of Investment	(97.1)	21.8	(15.0)	90.4
Other Income	-	-	-	-
<b>Cashflow from Investing A</b>	<b>(2,256.1)</b>	<b>(338.8)</b>	<b>(392.0)</b>	<b>(666.9)</b>
Issue/(Repayment of Debt)	2.5	(2.5)	-	-
Changes in Minority Interest	-	-	-	-
Changes in Networth	(185.0)	(428.8)	(514.5)	(600.3)
Interest	(24.6)	(36.3)	(15.6)	(18.0)
Others	-	-	-	-
<b>Cashflow from Financing A</b>	<b>(207.1)</b>	<b>(467.6)</b>	<b>(530.1)</b>	<b>(618.3)</b>
Changes in Cash	(550.5)	1,328.3	631.3	987.8
Opening Cash/Cash Equivalent	5,709.6	5,159.1	6,487.5	7,118.8
Closing Cash/ Cash Equivalent	5,159.1	6,487.5	7,118.8	8,106.6

Source: Company, ICICI Direct Research

Exhibit 10: Balance sheet				
₹ crore				
(₹ Crore)	FY21	FY22	FY23E	FY24E
Share Capital	71.2	71.2	71.2	71.2
Reserves & Surplus	10,285.9	11,119.0	12,256.1	13,570.7
<b>Networth</b>	<b>10,357.1</b>	<b>11,190.2</b>	<b>12,327.3</b>	<b>13,641.9</b>
Total Debt	2.5	-	-	-
Deferred tax liability	-	-	-	-
<b>Total Liabilities</b>	<b>11,175.6</b>	<b>11,691.5</b>	<b>13,106.1</b>	<b>14,541.2</b>
Gross Block	2,242.7	2,582.7	2,947.7	3,312.7
Acc: Depreciation	1,127.6	1,436.7	1,770.6	1,762.6
Net Block	1,303.9	1,334.8	1,365.8	1,738.8
Capital WIP	33.8	51.0	55.0	55.0
Investments	-	-	-	-
Inventory	1,796.9	2,165.0	2,400.4	2,771.6
Sundry debtors	3,683.0	3,786.0	4,672.7	5,170.6
Cash and bank balan	5,159.1	6,487.5	7,118.8	8,106.6
Loans and advances	606.0	328.0	395.7	456.9
Other Current Assets	367.2	397.0	584.1	674.4
Total current Assets	13,152.2	15,169.1	17,313.3	19,653.1
CL& Prov.	4,638.4	5,030.0	5,737.3	6,533.1
Net Current Assets	6,370.2	7,179.2	8,266.2	9,298.2
<b>Total Assets</b>	<b>11,175.5</b>	<b>12,104.6</b>	<b>13,524.6</b>	<b>15,245.8</b>

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios				
₹ crore				
(Year-end March)	FY21	FY22	FY23E	FY24E
EPS	29.5	35.4	46.4	53.8
Cash EPS	37.9	44.3	56.0	64.6
BV	290.8	314.2	346.2	383.1
DPS	7.0	10.0	12.0	14.0
Cash Per Share	31.7	40.3	49.7	49.5
<b>EBITDA Margin</b>	<b>11.1</b>	<b>10.9</b>	<b>11.0</b>	<b>11.0</b>
PBT / Net Sales	8.9	8.9	9.2	9.3
PAT Margin	7.7	7.8	8.5	8.5
Inventory days	48.1	49.0	45.0	45.0
Debtor days	98.6	85.6	87.6	84.0
Creditor days	98.3	91.4	89.0	90.0
RoE	10.1	11.3	13.4	14.0
<b>RoCE</b>	<b>13.9</b>	<b>15.6</b>	<b>18.2</b>	<b>19.1</b>
RoIC	40.2	50.2	50.2	49.8
<b>P/E</b>	<b>101.8</b>	<b>84.7</b>	<b>64.7</b>	<b>55.8</b>
EV / EBITDA	67.0	57.1	46.6	40.0
EV / Net Sales	7.5	6.2	5.1	4.4
Market Cap / Sales	7.8	6.6	5.5	4.8
Price to Book Value	10.3	9.6	8.7	7.8
Debt/EBITDA	0.0	0.0	0.0	0.0
<b>Net Debt / Equity</b>	<b>-0.5</b>	<b>-0.6</b>	<b>-0.6</b>	<b>-0.6</b>
Current Ratio	1.4	1.3	1.4	1.4
Quick Ratio	1.0	0.9	1.0	1.0

Source: Company, ICICI Direct Research

**Exhibit 12: ICICI Direct coverage universe (Capital Goods)**

Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
L&T (LARTOU)	2,172	2,355	Buy	304782	56.8	66.1	76.7	38.2	32.8	28.3	8.9	9.3	11.6	12.1	12.9	13.6
Siemens Ltd	2,990	3,630	Buy	106485	35.4	46.4	53.8	84.4	64.5	55.6	15.6	18.2	19.1	11.3	13.4	14.0
AIA Engineering (AIAENG)	2,753	3,239	Buy	25965	64.6	89.8	92.5	42.6	30.7	29.7	16.5	19.9	17.9	13.2	15.8	14.3
Thermax (THERMA)	2,034	2,536	Hold	24239	36.5	51.7	61.0	55.7	39.4	33.3	14.6	18.3	18.7	11.4	14.3	14.4
KEC International (KECIN)	489	515	Buy	12571	12.9	15.4	30.3	37.9	31.7	16.1	11.9	13.8	20.5	10.6	10.7	17.9
Greaves Cotton (GREAVE)	138	209	Buy	3186	0.7	3.9	3.6	194.7	35.5	38.6	2.5	10.4	10.6	1.3	7.5	7.7
Elgi Equipment (ELGEQU)	521	520	Hold	16524	7.2	9.4	11.4	72.8	55.6	45.7	19.0	21.4	22.0	19.8	21.3	21.1
Bharat Electronics (BHAELE)	105	135	Buy	76899	3.2	3.8	4.5	32.9	27.7	23.4	26.1	28.4	30.0	19.5	21.2	22.4
Cochin Shipyard (COCSHI)	631	745	Buy	8300	42.9	38.6	42.8	14.7	16.3	14.7	10.9	10.5	10.6	12.7	11.0	11.3
SKF (SKFIND)	4,723	5,215	Buy	23350	77.0	108.7	130.3	61.3	43.5	36.2	26.0	30.7	31.3	20.6	23.3	23.4
Timken India (TIMIND)	3,424	3,561	Buy	25755	43.5	61.3	71.2	78.7	55.9	48.1	25.3	36.2	42.0	19.7	27.9	32.2
NRB Bearing (NRBBEA)	148	220	Buy	1434	7.8	9.2	12.1	19.0	16.1	12.2	15.0	15.3	19.2	12.6	12.6	14.8
Action Construction (ACTCON)	323	365	Buy	3842	8.8	15.1	19.2	36.7	21.4	16.8	23.0	25.6	26.7	13.9	18.3	18.9
Data Patterns (DATPAT)	1270	1,555	Buy	6590	18.1	22.0	30.4	70.1	57.8	41.8	23.8	24.9	28.4	16.4	18.2	21.0
HAL (HINAER)	2,707	3,300	Buy	90531	151.9	132.7	145.0	17.8	20.4	18.7	27.4	30.5	30.1	26.3	23.1	22.8
ABB (ABB)	2,994	3,275	Buy	63444	25.5	40.5	37.2	117.6	73.9	80.4	45.0	49.2	57.3	11.2	12.9	15.1
Ador Welding (ADOWEL)	850	1,014	Buy	1156	33.2	34.1	48.3	25.6	24.9	17.6	19.9	21.6	26.5	13.6	15.7	19.3
Bharat Dynamics (BHADYN)	937	1,200	Buy	17173	27.3	33.0	42.7	34.4	28.4	22.0	24.6	24.7	27.9	17.3	17.7	20.0
Mazagon Dock (MAZDOC)	888	562	Buy	17905	30.3	31.2	40.1	29.3	28.5	22.1	20.0	18.1	20.9	16.1	14.6	16.6
Solar Industries India (SOLIN)	4,042	4,701	Buy	36576	48.8	76.6	99.7	82.9	52.8	40.5	22.5	32.5	34.6	23.9	29.0	28.8
Anup Engineering (THEANU)	861	1,085	Buy	852	62.7	49.5	72.3	13.7	17.4	11.9	15.3	16.6	19.4	12.2	12.5	14.5
Control Prints (CONTROLPR)	422	520	Buy	689	24.7	28.7	34.6	17.1	14.7	12.2	17.9	21.4	23.4	13.8	15.4	16.3
KSB Ltd. (KSBPUM)	1,944	2,180	Buy	6765	43.7	50.0	62.2	44.5	38.9	31.3	15.7	16.0	18.3	14.7	14.9	15.9

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICI Direct Research Desk,  
ICICI Securities Limited,  
1st Floor, Akruiti Trade Centre,  
Road No 7, MIDC,  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)



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