

May 12, 2023

Q2SY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	4,254		3,351	
Sales (Rs. m)	2,20,298	2,52,603	2,14,396	2,44,189
% Chng.	2.8	3.4		
EBITDA (Rs. m)	29,166	33,949	27,314	31,891
% Chng.	6.8	6.5		
EPS (Rs.)	63.2	74.6	56.5	65.4
% Chng.	11.9	14.1		

Key Financials - Consolidated

Y/e Sep	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	1,61,378	1,90,235	2,20,298	2,52,603
EBITDA (Rs. m)	17,573	24,710	29,166	33,949
Margin (%)	10.9	13.0	13.2	13.4
PAT (Rs. m)	12,619	18,660	22,507	26,565
EPS (Rs.)	35.4	52.4	63.2	74.6
Gr. (%)	22.5	47.9	20.6	18.0
DPS (Rs.)	10.0	14.7	22.1	26.1
Yield (%)	0.3	0.4	0.6	0.7
RoE (%)	11.5	15.2	16.4	17.4
RoCE (%)	13.1	17.4	18.6	19.5
EV/Sales (x)	8.2	6.9	6.0	5.2
EV/EBITDA (x)	75.2	53.4	44.9	38.4
PE (x)	110.0	74.4	61.7	52.2
P/BV (x)	12.0	10.7	9.6	8.6

Key Data

SIEM.BO | SIEM IN

52-W High / Low	Rs.3,940 / Rs.2,155
Sensex / Nifty	62,028 / 18,315
Market Cap	Rs.1,388bn/ \$ 16,894m
Shares Outstanding	356m
3M Avg. Daily Value	Rs.1217.76m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	6.74
Domestic Institution	8.80
Public & Others	9.46
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	16.9	33.6	71.3
Relative	13.8	33.1	46.2

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Robust performance; outlook remains strong

Quick Pointers:

- Base order inflow came in strong at Rs57bn, up 6% YoY.
- Relatively lower operating expenses aid EBITDA margin expansion of 44bps.

We revise our SY24E/SY25E EPS estimates upwards by 11.9%/14.1%, owing to a strong outlook on order inflows and benefits of operating leverage. Siemens (SIEM) reported strong quarterly performance with consolidated revenue up ~27.8% YoY. EBITDA margin expanded 44bps YoY, owing to lower other expenses. We believe that strong traction is likely to continue in high growth verticals such as data centers, railways, chemicals & pharma, e-mobility, waste heat recovery, smart infra, intralogistics, building automation, decarbonization etc. Furthermore, the large order win in railways for 1,200 electric locomotives (9000 HP) worth ~Rs255bn (including operations & maintenance) will act as a sustainable long-term revenue contributor.

We remain positive on SIEM from a long-term perspective given 1) its strong and diversified presence across industries through focus on electrification, digitization & automation products, 2) product localization, 3) strong balance sheet, 4) healthy public & private capex, 5) focus on cost efficiencies and 6) recent large order wins in mobility business. We maintain 'Accumulate' rating on the stock with revised TP of Rs4,254 (Rs3,351 earlier), valuing it at 57X Sep'25, (55x Mar'25 earlier), given robust sustained performance.

Revenue up ~28% YoY led by strong growth across segments: Consolidated revenue grew 27.8% YoY to Rs48.6bn (PL estimate of Rs44.3bn), driven by growth across segments. On the segmental front, Energy grew 30.1% YoY to Rs15.6bn, Smart Infrastructure grew 15.8% YoY to Rs17.2bn, Mobility grew 64.8% YoY to Rs4.9bn, and Digital Industries grew 30.5% YoY to Rs11.4bn. EBITDA rose 32.3% YoY to Rs6.2bn, (PL estimate of Rs5.7bn), with EBITDA margin expanding by 44bps YoY to 12.8% (PL estimate of 13%), partly aided by better absorption of fixed overheads. PAT came in at ~Rs4.7bn, up 43.1% YoY (PL estimate ~Rs4.3bn), aided by higher other income (up 74.6% YoY to Rs1.2bn).

Large order win of Rs254.6bn: Order inflows from continued operations came in at Rs311.5bn in Q2SY23, including a large railways order for the 9000HP locomotive project worth Rs254.6bn. Excluding the large locomotive order, inflows came in at ~Rs57bn (up 6.7% YoY). The total order book stands at Rs450.3bn, including core order book of Rs195.7bn (1.1x TTM revenue). SIEM continues to witness traction from railways, and public/private capex on infrastructure, steel, cement, data centers, intralogistics and e-vehicles. Furthermore, customers' focus on energy efficiency and digitalization measures to improve productivity, flexibility and quality, augurs well for SIEM's business prospects.

Exhibit 1: Higher revenue and other incomes drives revenue growth of 43%.

Y/e March (Rs mn)	Q2SY22	Q3SY22	Q4SY22	Q1SY23	Q2SY23	YoY gr. (%)	QoQ gr. (%)	H2SY23	H2SY22	YoY gr. (%)
Revenue	38,011	42,583	46,571	40,151	48,578	27.8	21.0	88,729	72,224	22.9
Total Revenues	38,011	42,583	46,571	40,151	48,578	27.8	21.0	88,729	72,224	22.9
Expenditure	33,317	38,461	41,412	34,159	42,366	27.2	24.0	76,525	63,933	19.7
<i>as % of sales</i>	<i>87.7</i>	<i>90.3</i>	<i>88.9</i>	<i>85.1</i>	<i>87.2</i>			<i>86.2</i>	<i>88.5</i>	
Consumption of RM	25,729	28,877	31,261	26,702	33,254	29.2	24.5	59,956	49,125	22.0
<i>as % of sales</i>	<i>67.7</i>	<i>67.8</i>	<i>67.1</i>	<i>66.5</i>	<i>68.5</i>			<i>67.6</i>	<i>68.0</i>	
Employee Cost	4,297	4,454	4,781	4,963	5,077	18.2	2.3	10,040	8,823	13.8
<i>as % of sales</i>	<i>11.3</i>	<i>10.5</i>	<i>10.3</i>	<i>12.4</i>	<i>10.5</i>			<i>11.3</i>	<i>12.2</i>	
Other expenditure	3,291	5,130	5,370	2,494	4,035	22.6	61.8	6,529	5,985	9.1
<i>as % of sales</i>	<i>8.7</i>	<i>12.0</i>	<i>11.5</i>	<i>6.2</i>	<i>8.3</i>			<i>7.4</i>	<i>8.3</i>	
EBITDA	4,694	4,122	5,159	5,992	6,212	32.3	3.7	12,204	8,291	47.2
Depreciation	788	787	798	761	785	(0.4)	3.2	1,546	1,587	(2.6)
EBIT	3,906	3,335	4,361	5,231	5,427	38.9	3.7	10,658	6,704	59.0
Other Income	668	787	1,028	1,017	1,166	74.6	14.7	2,183	1,264	72.7
Interest	128	44	132	37	99	(22.7)	167.6	136	188	(27.7)
PBT	4,446	4,078	5,257	6,211	6,494	46.1	4.6	12,705	7,780	63.3
Total Tax	1,148	1,053	1,440	1,584	1,776	54.7	12.1	3,360	2,005	67.6
Reported PAT	3,298	3,025	3,817	4,627	4,718	43.1	2.0	9,345	5,775	61.8
Adjusted PAT	3,298	3,025	3,817	4,627	4,718	43.1	2.0	9,345	5,775	61.8
Adjusted EPS	9.3	8.5	10.7	13.0	13.3	43.1	2.0	35.4	28.9	22.5
Margins (%)	Q2SY22	Q3SY22	Q4SY22	Q1SY23	Q2SY23	bps	bps	H2SY23	H2SY22	bps
EBIDTA	12.3	9.7	11.1	14.9	12.8	44	(214)	13.8	11.5	227
EBIT	10.3	7.8	9.4	13.0	11.2	90	(186)	12.0	9.3	273
EBT	11.7	9.6	11.3	15.5	13.4	167	(210)	14.3	10.8	355
PAT	8.7	7.1	8.2	11.5	9.7	104	(181)	10.5	8.0	254
Effective Tax rate	25.8	25.8	27.4	25.5	27.3	153	185	26.4	25.8	68

Source: Company, PL

Exhibit 2: Growth across segment drives revenue growth of 28% YoY

Y/e March (Rs mn)	Q2SY22	Q3SY22	Q4SY22	Q1SY23	Q2SY23	YoY gr. (%)	QoQ gr. (%)	H2SY23	H2SY22	YoY gr. (%)
Revenue										
Energy	11,958	14,544	16,316	11,601	15,554	30.1	34.1	27,155	22,850	18.8
Smart Infrastructure	14,895	15,060	16,658	15,197	17,249	15.8	13.5	32,446	27,770	16.8
Mobility	2,951	3,911	4,418	3,838	4,864	64.8	26.7	8,702	5,958	46.1
Digital Industries	8,739	9,962	9,444	10,193	11,407	30.5	11.9	21,600	16,649	29.7
Others	292	184	402	233	337	15.4	44.6	570	454	25.6
Less: Intersegment revenue	(824)	(1,078)	(667)	(911)	(833)	1.1	(8.6)	(1,744)	(1,457)	19.7
Total	38,011	42,583	46,571	40,151	48,578	27.8	21.0	88,729	72,224	22.9
EBIT										
Energy	1,623	1,243	1,550	1,331	1,766	8.8	32.7	3,097	2,855	8.5
<i>EBIT margin (%)</i>	<i>13.6</i>	<i>8.5</i>	<i>9.5</i>	<i>11.5</i>	<i>11.4</i>			<i>11.4</i>	<i>12.5</i>	
Smart Infrastructure	899	1,072	1,283	1,328	1,947	116.6	46.6	3,275	1,487	120.2
<i>EBIT margin (%)</i>	<i>6.0</i>	<i>7.1</i>	<i>7.7</i>	<i>8.7</i>	<i>11.3</i>			<i>10.1</i>	<i>5.4</i>	
Mobility	366	183	378	135	423	15.6	213.3	558	670	-16.7
<i>EBIT margin (%)</i>	<i>12.4</i>	<i>4.7</i>	<i>8.6</i>	<i>3.5</i>	<i>8.7</i>			<i>6.4</i>	<i>11.2</i>	
Digital Industries	992	828	1,114	2,427	1,277	28.7	(47.4)	3,704	1,658	123.4
<i>EBIT margin (%)</i>	<i>11.4</i>	<i>8.3</i>	<i>11.8</i>	<i>23.8</i>	<i>11.2</i>			<i>17.1</i>	<i>10.0</i>	
Others	26	9	36	10	14	(46.2)	40.0	24	34	-29.4
<i>EBIT margin (%)</i>	<i>8.9</i>	<i>4.9</i>	<i>9.0</i>	<i>4.3</i>	<i>4.2</i>			<i>4.2</i>	<i>7.5</i>	
Segmental Performance										
Revenue										
Energy	10,892	11,958	14,544	16,316	11,601	6.5	(28.9)	53,710	47,341	13.5
Smart Infrastructure	12,875	14,895	15,060	16,658	15,197	18.0	(8.8)	59,488	46,308	28.5
Mobility	3,007	2,951	3,911	4,418	3,838	27.6	(13.1)	14,286	9,250	54.4
Digital Industries	7,910	8,739	9,962	9,444	10,193	28.9	7.9	36,055	30,293	19.0
Others	162	292	184	402	233	43.8	(42.0)	1,040	1,033	0.7
Less: Intersegment revenue	(633)	(824)	(1,078)	(667)	(911)	43.9	36.6	(3,201)	(2,240)	42.9
Total	34,213	38,011	42,583	46,571	40,151	17.4	(13.8)	161,378	131,985	22.3
EBIT										
Energy	1,232	1,623	1,243	1,550	1,331	8.0	(14.1)	5,648	5,918	-4.6
<i>EBIT margin (%)</i>	<i>11.3</i>	<i>13.6</i>	<i>8.5</i>	<i>9.5</i>	<i>11.5</i>			<i>10.5</i>	<i>12.5</i>	
Smart Infrastructure	588	899	1,072	1,283	1,328	125.9	3.5	3,842	2,524	52.2
<i>EBIT margin (%)</i>	<i>4.6</i>	<i>6.0</i>	<i>7.1</i>	<i>7.7</i>	<i>8.7</i>			<i>6.5</i>	<i>5.5</i>	
Mobility	304	366	183	378	135	(55.6)	(64.3)	1,231	1,120	9.9
<i>EBIT margin (%)</i>	<i>10.1</i>	<i>12.4</i>	<i>4.7</i>	<i>8.6</i>	<i>3.5</i>			<i>8.6</i>	<i>12.1</i>	
Digital Industries	666	992	828	1,114	2,427	264.4	117.9	3,600	2,330	54.5
<i>EBIT margin (%)</i>	<i>8.4</i>	<i>11.4</i>	<i>8.3</i>	<i>11.8</i>	<i>23.8</i>			<i>10.0</i>	<i>7.7</i>	
Others	8	26	9	36	10	25.0	(72.2)	81	14	478.6
<i>EBIT margin (%)</i>	<i>4.9</i>	<i>8.9</i>	<i>4.9</i>	<i>9.0</i>	<i>4.3</i>			<i>7.8</i>	<i>1.4</i>	

Source: Company,

Financials

Income Statement (Rs m)

Y/e Sep	FY22	FY23E	FY24E	FY25E
Net Revenues	1,61,378	1,90,235	2,20,298	2,52,603
YoY gr. (%)	22.3	17.9	15.8	14.7
Cost of Goods Sold	1,09,263	1,26,525	1,45,529	1,66,365
Gross Profit	52,115	63,710	74,769	86,239
Margin (%)	32.3	33.5	33.9	34.1
Employee Cost	18,057	20,640	22,911	26,018
Other Expenses	9,647	8,465	11,015	12,630
EBITDA	17,573	24,710	29,166	33,949
YoY gr. (%)	18.1	40.6	18.0	16.4
Margin (%)	10.9	13.0	13.2	13.4
Depreciation and Amortization	3,171	3,299	3,719	4,181
EBIT	14,402	21,411	25,448	29,768
Margin (%)	8.9	11.3	11.6	11.8
Net Interest	363	380	425	442
Other Income	3,078	4,185	5,067	6,189
Profit Before Tax	17,117	25,216	30,089	35,515
Margin (%)	10.6	13.3	13.7	14.1
Total Tax	4,498	6,556	7,583	8,950
Effective tax rate (%)	26.3	26.0	25.2	25.2
Profit after tax	12,619	18,660	22,507	26,565
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	12,619	18,660	22,507	26,565
YoY gr. (%)	22.5	47.9	20.6	18.0
Margin (%)	7.8	9.8	10.2	10.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	12,619	18,660	22,507	26,565
YoY gr. (%)	22.5	47.9	20.6	18.0
Margin (%)	7.8	9.8	10.2	10.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,619	18,660	22,507	26,565
Equity Shares O/s (m)	356	356	356	356
EPS (Rs)	35.4	52.4	63.2	74.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Sep	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	24,526	28,196	32,196	36,196
Tangibles	24,526	28,196	32,196	36,196
Intangibles	-	-	-	-
Acc: Dep / Amortization	11,453	14,752	18,471	22,651
Tangibles	11,453	14,752	18,471	22,651
Intangibles	-	-	-	-
Net fixed assets	13,073	13,444	13,725	13,545
Tangibles	13,073	13,444	13,725	13,545
Intangibles	-	-	-	-
Capital Work In Progress	18,513	18,513	18,513	19,513
Goodwill	-	-	-	-
Non-Current Investments	3,961	3,819	4,640	5,319
Net Deferred tax assets	975	975	975	975
Other Non-Current Assets	9,833	12,365	14,319	15,914
Current Assets				
Investments	-	-	-	-
Inventories	21,650	22,411	24,142	26,298
Trade receivables	39,194	46,386	51,302	58,825
Cash & Bank Balance	65,841	68,799	76,666	85,078
Other Current Assets	21,512	22,257	26,436	29,555
Total Assets	2,00,115	2,21,406	2,45,275	2,72,486
Equity				
Equity Share Capital	712	712	712	712
Other Equity	1,15,390	1,28,826	1,43,456	1,60,724
Total Network	1,16,102	1,29,538	1,44,168	1,61,436
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	40,428	45,865	52,509	56,749
Other current liabilities	44,484	46,903	49,497	55,201
Total Equity & Liabilities	2,00,115	2,21,406	2,45,275	2,72,486

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Sep	FY22	FY23E	FY24E	FY25E
PBT	20,817	25,217	30,090	35,516
Add. Depreciation	3,171	3,299	3,719	4,181
Add. Interest	363	380	425	442
Less Financial Other Income	3,078	4,185	5,067	6,189
Add. Other	(5,732)	-	-	-
Op. profit before WC changes	18,619	28,897	34,234	40,139
Net Changes-WC	(3,619)	(10,107)	(6,482)	(8,037)
Direct tax	(5,215)	(6,556)	(7,583)	(8,950)
Net cash from Op. activities	9,785	12,234	20,170	23,152
Capital expenditures	(1,313)	(3,670)	(4,000)	(5,000)
Interest / Dividend Income	2,255	-	-	-
Others	(1,295)	-	-	-
Net Cash from Inv. activities	(353)	(3,670)	(4,000)	(5,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(25)	-	-	-
Dividend paid	(2,849)	(5,225)	(7,878)	(9,298)
Interest paid	(248)	(380)	(425)	(442)
Others	(800)	-	-	-
Net cash from Fin. activities	(3,922)	(5,605)	(8,303)	(9,740)
Net change in cash	5,510	2,958	7,867	8,411
Free Cash Flow	8,225	8,564	16,170	18,152

Source: Company Data, PL Research

Key Financial Metrics

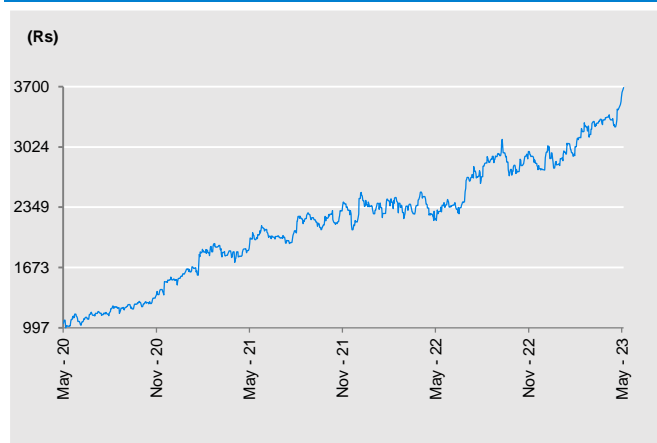
Y/e Sep	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	35.4	52.4	63.2	74.6
CEPS	44.4	61.7	73.7	86.4
BVPS	326.1	363.9	405.0	453.5
FCF	23.1	24.1	45.4	51.0
DPS	10.0	14.7	22.1	26.1
Return Ratio(%)				
RoCE	13.1	17.4	18.6	19.5
ROIC	24.2	29.3	31.6	32.9
RoE	11.5	15.2	16.4	17.4
Balance Sheet				
Net Debt : Equity (x)	(0.6)	(0.5)	(0.5)	(0.5)
Net Working Capital (Days)	46	44	38	41
Valuation(x)				
PER	110.0	74.4	61.7	52.2
P/B	12.0	10.7	9.6	8.6
P/CEPS	87.9	63.2	52.9	45.1
EV/EBITDA	75.2	53.4	44.9	38.4
EV/Sales	8.2	6.9	6.0	5.2
Dividend Yield (%)	0.3	0.4	0.6	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Sep	Q3SY22	Q4SY22	Q1SY23	Q2SY23
Net Revenue	42,583	46,571	40,151	48,578
YoY gr. (%)	45.1	11.6	17.4	27.8
Raw Material Expenses	28,877	31,261	26,702	33,254
Gross Profit	13,706	15,310	13,449	15,324
Margin (%)	32.2	32.9	33.5	31.5
EBITDA	4,122	5,159	5,992	6,212
YoY gr. (%)	67.6	16.0	66.6	32.3
Margin (%)	9.7	11.1	14.9	12.8
Depreciation / Depletion	787	798	761	785
EBIT	3,335	4,361	5,231	5,427
Margin (%)	7.8	9.4	13.0	11.2
Net Interest	44	132	37	99
Other Income	787	1,028	1,017	1,166
Profit before Tax	4,078	5,257	6,211	6,494
Margin (%)	9.6	11.3	15.5	13.4
Total Tax	1,053	1,440	1,584	1,776
Effective tax rate (%)	25.8	27.4	25.5	27.3
Profit after Tax	3,025	3,817	4,627	4,718
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,025	3,817	4,627	4,718
YoY gr. (%)	117.8	20.7	86.8	43.1
Margin (%)	7.1	8.2	11.5	9.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,025	3,817	4,627	4,718
YoY gr. (%)	117.8	20.7	86.8	43.1
Margin (%)	7.1	8.2	11.5	9.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,025	3,817	4,627	4,718
Avg. Shares O/s (m)	356	356	356	356
EPS (Rs)	8.5	10.7	13.0	13.3

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-23	Accumulate	3,351	3,384
2	14-Feb-23	Accumulate	3,351	3,124
3	04-Jan-23	Accumulate	3,290	2,837
4	09-Dec-22	Accumulate	3,290	2,967
5	23-Nov-22	Accumulate	3,116	2,770
6	04-Oct-22	Accumulate	3,116	2,750
7	04-Aug-22	Accumulate	2,815	2,615
8	05-Jul-22	Accumulate	2,602	2,522
9	13-Jun-22	Accumulate	2,602	2,372
10	13-May-22	Accumulate	2,602	2,301

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	4,119	3,719
2	Apar Industries	BUY	3,832	3,056
3	Bharat Electronics	BUY	125	100
4	BHEL	Sell	36	71
5	Cummins India	Accumulate	1,708	1,587
6	Engineers India	BUY	85	74
7	GE T&D India	UR	-	128
8	Harsha Engineers International	BUY	440	414
9	Kalpataru Power Transmission	BUY	625	527
10	KEC International	Accumulate	559	514
11	Larsen & Toubro	BUY	2,615	2,364
12	Praj Industries	BUY	495	343
13	Siemens	Accumulate	3,351	3,384
14	Thermax	BUY	2,608	2,316
15	Triveni Turbine	BUY	340	332
16	Voltamp Transformers	Hold	3,056	2,905

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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