

February 13, 2024

Q1SY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	4,572		4,359	
Sales (Rs. m)	2,23,217	2,52,845	2,17,674	2,44,992
% Chng.	2.5	3.2		
EBITDA (Rs. m)	29,554	33,982	28,820	32,927
% Chng.	2.5	3.2		
EPS (Rs.)	65.4	76.2	62.8	72.6
% Chng.	4.2	4.9		

Key Financials - Consolidated

Y/e Sep	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	1,61,378	1,95,538	2,23,217	2,52,845
EBITDA (Rs. m)	17,573	24,872	29,554	33,982
Margin (%)	10.9	12.7	13.2	13.4
PAT (Rs. m)	12,619	19,620	23,290	27,125
EPS (Rs.)	35.4	55.1	65.4	76.2
Gr. (%)	22.5	55.5	18.7	16.5
DPS (Rs.)	10.0	15.4	19.6	22.9
Yield (%)	0.2	0.4	0.5	0.5
RoE (%)	11.5	15.9	16.8	17.3
RoCE (%)	13.1	17.5	18.7	19.1
EV/Sales (x)	9.1	7.5	6.5	5.7
EV/EBITDA (x)	83.6	58.7	49.4	42.7
PE (x)	121.7	78.3	65.9	56.6
P/BV (x)	13.2	11.7	10.4	9.2

Key Data

SIEM.BO | SIEM IN

52-W High / Low	Rs.4,500 / Rs.3,078
Sensex / Nifty	71,555 / 21,743
Market Cap	Rs.1,536bn / \$ 18,503m
Shares Outstanding	356m
3M Avg. Daily Value	Rs.1379.54m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	7.89
Domestic Institution	7.71
Public & Others	9.40
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.8	18.1	37.8
Relative	5.3	7.8	16.4

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Siemens (SIEM IN)

Rating: ACCUMULATE | CMP: Rs4,313 | TP: Rs4,572

Healthy quarter; strong long term outlook intact

Quick Pointers:

- Order inflow came in at Rs59.7bn (up 9.6% YoY) led by transmission business in the Energy segment.
- Positive effects of forex & commodities led to gain of Rs1.0bn in Q1SY24.

We revise our SY25/26E EPS estimates by +4.2%/4.9% factoring in strong order intake this quarter. Siemens (SIEM) reported healthy consolidated revenue growth of 20.2% YoY, while EBITDA margin declined by 257bps YoY to 12.4% due to lower gross margin and higher other expenses. Demand outlook in India is robust due to rising capex across verticals, led by huge government spending on infrastructure development (railways, roads & highways, etc.) along with private capex entering an upcycle as capacity utilization approaches >80%. Fresh investments are expected across Pharma, Data Centers, Auto, Electronics, Metals, Intralogistics, Chemicals, Water and Cement. Furthermore, growing power requirement in the country is driving demand in T&D and transformers. Opportunities are also arising out of newer verticals such as semiconductors, batteries, and EVs. Moreover, rising focus on manufacturing productivity and energy & cost efficiencies is driving demand for digitalization, automation and cybersecurity solutions.

We remain positive on SIEM from a long-term perspective given 1) its strong and diversified presence across industries through focus on electrification, digitalization & automation, 2) product localization, 3) strong balance sheet, 4) healthy public & private capex and 5) focus on cost efficiencies. The stock is currently trading at a P/E of 65.9x/56.6x SY24/25E. We maintain our 'Accumulate' rating on the stock with a TP of Rs4,572 (Rs4,359 earlier), valuing it at a P/E of 60x SY25E (same as earlier)

Strong growth witnessed across major segments: Consolidated revenue grew 20.2% YoY to Rs48.3bn (PLe: Rs46.6bn) driven by growth across Smart Infra (+21.9% YoY to Rs18.5bn), Mobility (+71.9% YoY to Rs6.6bn), and Digital Industries (+33.3% YoY to Rs10.4bn). Meanwhile, Energy fell 1.3% YoY to Rs11.5bn. Gross margin contracted by 136bps YoY to 32.1% (PLe: 31.5%). EBITDA dipped 0.5% YoY to Rs6.0bn (PLe: Rs6.2bn) with EBITDA margin declining by 257bps YoY to 12.4% (PLe: 13.3%) mainly due to lower gross margin and higher other expenses (vs a low base in Q1SY23). PAT grew 9.3% YoY to Rs5.1bn (PLe: Rs4.9bn), aided by higher other income (up 61.4% YoY to Rs1.64bn). Q1 result includes a significant gain of Rs1.0bn due to positive effects of foreign exchange and commodities.

Order inflows came in at Rs59.7bn: Order inflow in Q1SY24 grew 9.6% YoY to Rs59.7bn, mainly from Energy segment primarily driven by its transmission business. Meanwhile, Digital Industries' automation business saw a decline in inflows owing to destocking following demand normalization, which should improve from Q3 onwards. Order book (calculated) stands at ~Rs200bn (1.0x TTM revenue). Demand remains healthy across segments led by public infra capex.

Exhibit 1: Lower gross margin and higher other expenses (vs high base) drives decline in EBITDA

Y/e Sep (Rs mn)	Q1SY23	Q2SY23	Q3SY23	Q4SY23	Q1SY24	YoY gr. (%)	QoQ gr. (%)	SY23	SY22	YoY gr. (%)
Revenue	40,151	48,578	48,732	58,077	48,252	20.2	(16.9)	1,95,538	1,61,378	21.2
Total Revenues	40,151	48,578	48,732	58,077	48,252	20.2	(16.9)	1,95,538	1,61,378	21.2
Expenditure	34,159	42,366	43,066	51,075	42,291	23.8	(17.2)	1,70,666	1,43,805	18.7
as % of sales	85.1	87.2	88.4	87.9	87.6			87.3	89.1	
Consumption of RM	26,702	33,254	32,843	41,027	32,744	22.6	(20.2)	1,33,826	1,09,263	22.5
as % of sales	66.5	68.5	67.4	70.6	67.9			68.4	67.7	
Employee Cost	4,963	5,077	4,949	5,141	5,635	13.5	9.6	20,130	18,057	11.5
as % of sales	12.4	10.5	10.2	8.9	11.7			10.3	11.2	
Other expenditure	2,494	4,035	5,274	4,907	3,912	56.9	(20.3)	16,710	16,485	1.4
as % of sales	6.2	8.3	10.8	8.4	8.1			8.5	10.2	
EBITDA	5,992	6,212	5,666	7,002	5,961	(0.5)	(14.9)	24,872	17,573	41.5
Depreciation	761	785	876	786	785	3.2	(0.1)	3,208	3,171	1.2
EBIT	5,231	5,427	4,790	6,216	5,176	(1.1)	(16.7)	21,664	14,402	50.4
Other Income	1,017	1,166	1,324	1,455	1,641	61.4	12.8	4,962	3,078	61.2
Interest	37	99	43	49	34	(8.1)	(30.6)	228	363	(37.2)
PBT	6,211	6,494	6,071	7,622	6,783	9.2	(11.0)	26,398	17,117	54.2
Total Tax	1,584	1,776	1,513	1,905	1,726	9.0	(9.4)	6,778	4,498	50.7
Reported PAT	4,627	4,718	4,558	5,717	5,057	9.3	(11.5)	19,620	12,619	55.5
Adjusted PAT	4,627	4,718	4,558	5,717	5,057	9.3	(11.5)	19,620	12,619	55.5
Adjusted EPS	13.0	13.3	12.8	16.1	14.2	9.3	(11.5)	55.1	35.4	55.5
Margins (%)	Q1SY23	Q2SY23	Q3SY23	Q4SY23	Q1SY24	bps	bps	SY23	SY22	bps
Gross	33.5	31.5	32.6	29.4	32.1	(136)	278	31.6	32.3	(73)
EBITDA	14.9	12.8	11.6	12.1	12.4	(257)	30	12.7	10.9	183
EBIT	13.0	11.2	9.8	10.7	10.7	(230)	2	11.1	8.9	215
EBT	15.5	13.4	12.5	13.1	14.1	(141)	93	13.5	10.6	289
PAT	11.5	9.7	9.4	9.8	10.5	(104)	64	10.0	7.8	221
Effective Tax rate	25.5	27.3	24.9	25.0	25.4	(6)	45	25.7	26.3	(60)

Source: Company, PL

Exhibit 2: Strong growth in Smart Infra, Mobility and Digital Industries drives 20.2% YoY topline growth

Y/e Sep (Rs mn)	Q1SY23	Q2SY23	Q3SY23	Q4SY23	Q1SY24	YoY gr. (%)	QoQ gr. (%)	SY23	SY22	YoY gr. (%)
Revenues										
Energy	11,601	15,554	15,181	18,467	11,454	(1.3)	(38.0)	60,803	53,710	13.2
Smart Infrastructure	15,197	17,249	17,206	21,092	18,523	21.9	(12.2)	70,744	59,488	18.9
Mobility	3,838	4,864	5,776	7,124	6,597	71.9	(7.4)	21,602	14,286	51.2
Digital Industries	7,789	9,058	8,924	9,459	10,379	33.3	9.7	35,229	36,055	(2.3)
Others	233	337	270	332	161	(30.9)	(51.5)	1,172	1,040	12.7
Less: Intersegment revenue	(911)	(833)	(974)	(841)	(1,081)	18.7	28.5	(3,559)	(3,201)	11.2
Total	40,151	48,578	48,732	58,077	48,252	20.2	(16.9)	1,95,538	1,61,378	21.2
EBIT										
Energy	1,331	1,766	1,585	2,191	1,251	(6.0)	(42.9)	6,873	5,648	21.7
EBIT margin (%)	11.5	11.4	10.4	11.9	10.9	(55)	(94)	11.3	10.5	
Smart Infrastructure	1,328	1,947	1,737	2,439	1,964	47.9	(19.5)	7,450	3,842	93.9
EBIT margin (%)	8.7	11.3	10.1	11.6	10.6	186	(96)	10.5	6.5	
Mobility	135	423	371	236	492	264.4	108.5	1,166	1,231	-5.3
EBIT margin (%)	3.5	8.7	6.4	3.3	7.5	394	415	5.4	8.6	
Digital Industries	2,092	1,277	1,081	1,088	1,313	(37.2)	20.7	5,035	3,600	39.9
EBIT margin (%)	26.9	14.1	12.1	11.5	12.7	(1,421)	115	14.3	10.0	
Others	10	14	16	2	10	-	400.0	42	81	-48.1
EBIT margin (%)	4.3	4.2	5.9	0.6	6.2	192	561	3.6	7.8	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Sep	FY22	FY23	FY24E	FY25E
Net Revenues	1,61,378	1,95,538	2,23,217	2,52,845
YoY gr. (%)	22.3	21.2	14.2	13.3
Cost of Goods Sold	1,09,263	1,33,826	1,47,457	1,66,524
Gross Profit	52,115	61,712	75,760	86,321
Margin (%)	32.3	31.6	33.9	34.1
Employee Cost	18,057	20,130	23,215	26,043
Other Expenses	9,647	6,542	11,161	12,642
EBITDA	17,573	24,872	29,554	33,982
YoY gr. (%)	18.1	41.5	18.8	15.0
Margin (%)	10.9	12.7	13.2	13.4
Depreciation and Amortization	3,171	3,208	3,574	3,982
EBIT	14,402	21,664	25,980	30,001
Margin (%)	8.9	11.1	11.6	11.9
Net Interest	363	228	313	336
Other Income	3,078	4,962	5,469	6,599
Profit Before Tax	17,117	26,398	31,137	36,264
Margin (%)	10.6	13.5	13.9	14.3
Total Tax	4,498	6,778	7,846	9,138
Effective tax rate (%)	26.3	25.7	25.2	25.2
Profit after tax	12,619	19,620	23,290	27,125
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	12,619	19,620	23,290	27,125
YoY gr. (%)	22.5	55.5	18.7	16.5
Margin (%)	7.8	10.0	10.4	10.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	12,619	19,620	23,290	27,125
YoY gr. (%)	22.5	55.5	18.7	16.5
Margin (%)	7.8	10.0	10.4	10.7
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,619	19,620	23,290	27,125
Equity Shares O/s (m)	356	356	356	356
EPS (Rs)	35.4	55.1	65.4	76.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Sep	FY22	FY23	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	14,661	18,235	22,216
Tangibles	11,453	14,661	18,235	22,216
Intangibles	-	-	-	-
Net fixed assets	13,073	13,535	13,961	13,980
Tangibles	13,073	13,535	13,961	13,980
Intangibles	-	-	-	-
Capital Work In Progress	18,513	18,234	18,234	19,234
Goodwill	-	-	-	-
Non-Current Investments	3,961	5,818	5,593	5,323
Net Deferred tax assets	975	975	975	975
Other Non-Current Assets	9,833	10,428	15,625	17,699
Current Assets				
Investments	-	-	-	-
Inventories	21,650	25,052	26,297	28,402
Trade receivables	39,194	48,047	53,503	58,562
Cash & Bank Balance	65,841	74,613	75,219	83,945
Other Current Assets	21,512	20,030	26,786	29,583
Total Assets	2,00,115	2,20,012	2,50,955	2,75,817
Equity				
Equity Share Capital	712	712	712	712
Other Equity	1,15,390	1,30,159	1,46,462	1,65,450
Total Network	1,16,102	1,30,871	1,47,174	1,66,162
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	40,428	42,380	53,205	57,496
Other current liabilities	44,484	47,650	51,465	53,048
Total Equity & Liabilities	2,00,115	2,20,012	2,50,955	2,75,817

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Sep	FY22	FY23	FY24E	FY25E
PBT	20,817	26,397	31,137	36,264
Add. Depreciation	3,171	3,208	3,574	3,982
Add. Interest	363	228	313	336
Less Financial Other Income	3,078	4,962	5,469	6,599
Add. Other	(5,732)	-	-	-
Op. profit before WC changes	18,619	29,833	35,023	40,582
Net Changes-WC	(3,619)	(5,825)	(15,271)	(9,243)
Direct tax	(5,215)	(6,778)	(7,846)	(9,138)
Net cash from Op. activities	9,785	17,230	11,906	22,200
Capital expenditures	(1,313)	(3,391)	(4,000)	(5,000)
Interest / Dividend Income	2,255	-	-	-
Others	(1,295)	1	-	-
Net Cash from Invt. activities	(353)	(3,390)	(4,000)	(5,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(25)	-	-	-
Dividend paid	(2,849)	(5,493)	(6,987)	(8,138)
Interest paid	(248)	(228)	(313)	(336)
Others	(800)	-	-	-
Net cash from Fin. activities	(3,922)	(5,721)	(7,300)	(8,474)
Net change in cash	5,510	8,118	606	8,726
Free Cash Flow	8,225	13,839	7,906	17,200

Source: Company Data, PL Research

Key Financial Metrics

Y/e Sep	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	35.4	55.1	65.4	76.2
CEPS	44.4	64.1	75.5	87.4
BVPS	326.1	367.6	413.4	466.7
FCF	23.1	38.9	22.2	48.3
DPS	10.0	15.4	19.6	22.9
Return Ratio(%)				
RoCE	13.1	17.5	18.7	19.1
ROIC	24.2	32.9	30.5	30.9
RoE	11.5	15.9	16.8	17.3
Balance Sheet				
Net Debt : Equity (x)	(0.6)	(0.6)	(0.5)	(0.5)
Net Working Capital (Days)	46	57	43	43
Valuation(x)				
PER	121.7	78.3	65.9	56.6
P/B	13.2	11.7	10.4	9.2
P/CEPS	97.2	67.3	57.2	49.4
EV/EBITDA	83.6	58.7	49.4	42.7
EV/Sales	9.1	7.5	6.5	5.7
Dividend Yield (%)	0.2	0.4	0.5	0.5

Source: Company Data, PL Research

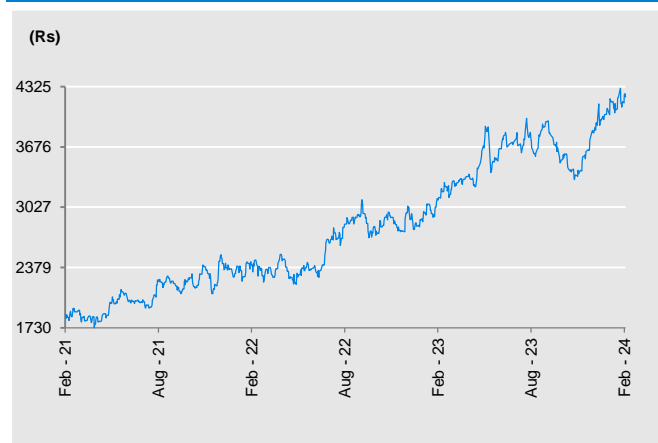
Quarterly Financials (Rs m)

Y/e Sep	Q2SY23	Q3SY23	Q4SY23	Q1SY24
Net Revenue	48,578	48,732	58,077	48,252
YoY gr. (%)	27.8	14.4	24.7	(0.7)
Raw Material Expenses	33,254	32,843	41,027	32,744
Gross Profit	15,324	15,889	17,050	15,508
Margin (%)	31.5	32.6	29.4	32.1
EBITDA	6,212	5,666	7,002	5,961
YoY gr. (%)	32.3	37.5	35.7	(4.0)
Margin (%)	12.8	11.6	12.1	12.4
Depreciation / Depletion	785	876	786	785
EBIT	5,427	4,790	6,216	5,176
Margin (%)	11.2	9.8	10.7	10.7
Net Interest	99	43	49	34
Other Income	1,166	1,324	1,455	1,641
Profit before Tax	6,494	6,071	7,622	6,783
Margin (%)	13.4	12.5	13.1	14.1
Total Tax	1,776	1,513	1,905	1,726
Effective tax rate (%)	27.3	24.9	25.0	25.4
Profit after Tax	4,718	4,558	5,717	5,057
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	4,718	4,558	5,717	5,057
YoY gr. (%)	43.1	50.7	49.8	7.2
Margin (%)	9.7	9.4	9.8	10.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,718	4,558	5,717	5,057
YoY gr. (%)	43.1	50.7	49.8	7.2
Margin (%)	9.7	9.4	9.8	10.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,718	4,558	5,717	5,057
Avg. Shares O/s (m)	356	356	356	356
EPS (Rs)	13.3	12.8	16.1	14.2

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-24	Accumulate	4,359	4,020
2	23-Dec-23	Accumulate	4,359	3,956
3	29-Nov-23	Accumulate	4,241	3,647
4	12-Oct-23	Accumulate	4,241	3,559
5	05-Oct-23	Accumulate	4,241	3,520
6	09-Aug-23	Accumulate	4,241	3,779
7	06-Jul-23	Accumulate	4,018	3,731
8	20-May-23	Accumulate	4,018	3,723
9	12-May-23	Accumulate	4,254	3,898
10	11-Apr-23	Accumulate	3,351	3,384

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	4,984	4,753
2	Apar Industries	Accumulate	6,890	6,069
3	Bharat Electronics	Hold	182	186
4	BHEL	UR	-	195
5	Carborundum Universal	BUY	1,347	1,116
6	Cummins India	Hold	2,480	2,585
7	Engineers India	Hold	257	244
8	GE T&D India	Reduce	631	736
9	Grindwell Norton	Accumulate	2,512	2,243
10	Harsha Engineers International	Accumulate	441	396
11	Hindustan Aeronautics	BUY	2,266	2,996
12	Kalpataru Projects International	BUY	1,025	873
13	KEC International	Hold	686	657
14	Larsen & Toubro	BUY	4,071	3,480
15	Praj Industries	BUY	636	474
16	Siemens	Accumulate	4,359	4,020
17	Thermax	Hold	2,771	3,200
18	Triveni Turbine	BUY	532	425
19	Voltamp Transformers	Hold	7,619	7,910

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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