

August 12, 2024

Q3SY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	7,362		7,030	
Sales (Rs.m)	2,25,925	2,70,219	2,29,992	2,70,093
% Chng.	(1.8)	0.0		
EBITDA (Rs.m)	31,042	38,209	31,601	38,191
% Chng.	(1.8)	0.0		
EPS (Rs.)	69.3	87.3	70.9	87.3
% Chng.	(2.2)	0.1		

Key Financials - Consolidated

Y/e Sep	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	1,95,538	2,25,925	2,70,219	3,16,802
EBITDA (Rs. m)	24,872	31,042	38,209	46,063
Margin (%)	12.7	13.7	14.1	14.5
PAT (Rs. m)	19,428	24,675	31,091	37,520
EPS (Rs.)	54.6	69.3	87.3	105.4
Gr. (%)	54.0	27.0	26.0	20.7
DPS (Rs.)	10.0	24.3	30.6	36.9
Yield (%)	0.1	0.4	0.4	0.5
RoE (%)	15.7	17.3	18.8	19.8
RoCE (%)	17.3	19.3	20.8	22.1
EV/Sales (x)	12.2	10.5	8.7	7.4
EV/EBITDA (x)	95.6	76.4	61.8	50.9
PE (x)	126.2	99.4	78.9	65.4
P/BV (x)	18.7	15.9	13.9	12.1

Key Data

SIEM.BO | SIEM.IN

52-W High / Low	Rs.7,974 / Rs.3,246
Sensex / Nifty	79,706 / 24,368
Market Cap	Rs.2,453bn / \$ 29,224m
Shares Outstanding	356m
3M Avg. Daily Value	Rs.3834.17m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	8.59
Domestic Institution	7.03
Public & Others	9.38
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(11.3)	61.1	84.6
Relative	(10.5)	44.7	52.8

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Siemens (SIEM IN)

Rating: ACCUMULATE | CMP: Rs6,890 | TP: Rs7,362

Muted execution; strong inflows aid visibility

Quick Pointers:

- Order inflow rose 18% YoY to Rs62.5bn driven by Smart Infra, Energy, and Mobility, while order intake in Digital Industries remains weak.
- Q3SY24 revenue mix of Energy/Smart Infra/Mobility/Digital Industries/Portfolio Companies stood at 28/37/12/18/5% vs (31/35/12/18/5% in Q3SY23).

We revise our SY24E EPS estimate by -2.2% factoring in slightly lower execution during the year. Siemens (SIEM) reported muted revenue growth of 6.8% YoY and EBITDA margin expansion of 166bps YoY. Despite continued weakness in Digital Industries order intake, total order inflows remain healthy driven by the Smart Infra, Energy, and Mobility segments. Demand is expected to sustain on the back of the government's focus on infrastructure capex along with an uptick in private capex. In order to cater to the growing demand, the company has announced over Rs10bn capex this year to expand capacities in power transformers, vacuum interrupters, gas insulated switchgears, and metro train manufacturing.

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) value-unlocking from demerger for Energy business. The stock is currently trading at a P/E of 99.4x/78.9x/65.4x SY24/25/26E. We roll forward to Jun-26E and maintain our 'Accumulate' rating with a revised TP of Rs7,362 (Rs7,030 earlier), valuing it at a P/E of 73x Jun-26E (73x Mar-26E earlier).

Miss on revenue; normalized other expenses aid margin improvement:

Consolidated revenue grew 6.8% YoY to Rs52.0bn (PL: Rs57.1bn) driven by growth in Smart Infra (+14.5% YoY to Rs19.7bn), Digital Industries (+7.7% YoY to Rs9.6bn) and Mobility (+6.8% YoY to Rs6.2bn). Meanwhile, Energy revenue fell 2.1% YoY to Rs14.9bn. Gross margin rose by 82bps YoY to 33.4% (PL: 32.6%). EBITDA grew 22.0% YoY to Rs6.9bn (PL: Rs8.5bn) with EBITDA margin expanding by 166bps YoY to 13.3% (PL: 14.9%) aided by a fall in other expenses (-13.2% YoY to Rs4.6bn vs a high base in Q3SY23). Energy EBIT margin rose to 12.8% (vs 10.4% in Q3SY23); Smart Infra margin increased to 14.1% (vs 10.1%); Mobility margin dropped to 2.6% (vs 6.4%); and Digital Industries margin stood at 9.4% (vs 9.0%). Adj. PAT grew 30.2% YoY to Rs5.8bn (PL: Rs6.7bn) driven by an improved operating performance, higher other income (ex. gain on sale of property) at Rs1.5bn (+34.9% YoY) and a lower effective tax rate (23.7% vs 24.9% in Q3SY23).

YTD order inflows stand at ~Rs174bn: Order inflows for Q3SY24 rose 18% YoY to Rs62.5bn driven by Smart Infra, Mobility and Energy, while order intake in Digital Industries continues to remain weak. Order book (calculated) stands at ~Rs217bn (1.0x TTM revenue) excluding the ~Rs263bn locomotive order.

Exhibit 1: Q3SY24 execution comes in lower than expected; other expenses normalize YoY, thereby aiding margins

Y/e Sep (Rs mn)	Q3SY23	Q4SY23	Q1SY24	Q2SY24	Q3SY24	YoY gr. (%)	QoQ gr. (%)	9MSY24	9MSY23	YoY gr. (%)
Revenue	48,732	58,077	48,252	57,499	52,035	6.8	(9.5)	1,57,786	1,37,461	14.8
Total Revenues	48,732	58,077	48,252	57,499	52,035	6.8	(9.5)	1,57,786	1,37,461	14.8
Expenditure	43,066	51,075	42,291	48,717	45,120	4.8	(7.4)	1,36,128	1,19,591	13.8
<i>as % of sales</i>	<i>88.4</i>	<i>87.9</i>	<i>87.6</i>	<i>84.7</i>	<i>86.7</i>			<i>86.3</i>	<i>87.0</i>	
Consumption of RM	32,843	41,027	32,744	38,838	34,642	5.5	(10.8)	1,06,224	92,799	14.5
<i>as % of sales</i>	<i>67.4</i>	<i>70.6</i>	<i>67.9</i>	<i>67.5</i>	<i>66.6</i>			<i>67.3</i>	<i>67.5</i>	
Employee Cost	4,949	5,141	5,635	4,899	5,898	19.2	20.4	16,432	14,989	9.6
<i>as % of sales</i>	<i>10.2</i>	<i>8.9</i>	<i>11.7</i>	<i>8.5</i>	<i>11.3</i>			<i>10.4</i>	<i>10.9</i>	
Other expenditure	5,274	4,907	3,912	4,980	4,580	(13.2)	(8.0)	13,472	11,803	14.1
<i>as % of sales</i>	<i>10.8</i>	<i>8.4</i>	<i>8.1</i>	<i>8.7</i>	<i>8.8</i>			<i>8.5</i>	<i>8.6</i>	
EBITDA	5,666	7,002	5,961	8,782	6,915	22.0	(21.3)	21,658	17,870	21.2
Depreciation	876	786	785	800	855	(2.4)	6.9	2,440	2,422	0.7
EBIT	4,790	6,216	5,176	7,982	6,060	26.5	(24.1)	19,218	15,448	24.4
Other Income	1,143	1,455	1,385	1,287	1,540	34.7	19.7	4,212	3,264	29.0
Interest	43	49	34	313	53	23.3	(83.1)	400	179	123.5
Extraordinary Items	181	-	256	1,923	28			2,207	243	
PBT	6,071	7,622	6,783	10,879	7,575	24.8	(30.4)	25,237	18,776	34.4
Total Tax	1,513	1,905	1,726	2,851	1,794	18.6	(37.1)	6,371	4,873	30.7
Reported PAT	4,558	5,717	5,057	8,028	5,781	26.8	(28.0)	18,866	13,903	35.7
Adjusted PAT	4,422	5,717	4,866	6,609	5,760	30.2	(12.9)	17,235	13,722	25.6
Adjusted EPS	12.4	16.0	13.7	18.6	16.2	30.2	(12.9)	48.4	38.5	25.6
Margins (%)	Q3SY23	Q4SY23	Q1SY24	Q2SY24	Q3SY24	bps	bps	9MSY24	9MSY23	bps
Gross	32.6	29.4	32.1	32.5	33.4	82	97	32.7	32.5	19
EBITDA	11.6	12.1	12.4	15.3	13.3	166	(198)	13.7	13.0	73
EBIT	9.8	10.7	10.7	13.9	11.6	182	(224)	12.2	11.2	94
EBT	12.5	13.1	14.1	18.9	14.6	210	(436)	16.0	13.7	234
PAT	9.1	9.8	10.1	11.5	11.1	199	(43)	10.9	10.0	94
Effective Tax rate	24.9	25.0	25.4	26.2	23.7	(124)	(252)	25.2	26.0	(71)

Source: Company, PL

Exhibit 2: Energy and Smart Infra segments see healthy margin improvement; Mobility margin falls sharply

Y/e Sep (Rs mn)	Q3SY23	Q4SY23	Q1SY24	Q2SY24	Q3SY24	YoY gr. (%)	QoQ gr. (%)	9MSY24	9MSY23	YoY gr. (%)
Revenues										
Energy	15,181	18,467	11,454	16,375	14,865	(2.1)	(9.2)	42,694	42,336	0.8
Smart Infrastructure	17,206	21,092	18,523	21,655	19,700	14.5	(9.0)	59,878	49,652	20.6
Mobility	5,776	7,124	6,597	7,573	6,168	6.8	(18.6)	20,338	14,478	40.5
Digital Industries	8,953	9,548	10,379	10,419	9,644	7.7	(7.4)	30,442	25,681	18.5
Portfolio Companies	2,320	2,355	2,219	2,171	2,370	2.2	9.2	6,760	7,192	(6.0)
Others	270	332	161	275	215	(20.4)	(21.8)	651	840	(22.5)
Less: Intersegment revenue	(974)	(841)	(1,081)	(969)	(927)	(4.8)	(4.3)	(2,977)	(2,718)	9.5
Total	48,732	58,077	48,252	57,499	52,035	6.8	(9.5)	1,57,786	1,37,461	14.8
EBIT										
Energy	1,585	2,191	1,251	2,243	1,903	20.1	(15.2)	5,397	4,682	15.3
Smart Infrastructure	1,737	2,439	1,964	3,097	2,772	59.6	(10.5)	7,833	5,012	56.3
Mobility	371	236	492	698	161	(56.6)	(76.9)	1,351	929	45.4
Digital Industries	807	1,167	1,313	1,721	908	12.5	(47.2)	3,942	3,868	1.9
Portfolio Companies	274	180	142	214	278	1.5	29.9	634	917	(30.9)
Others	16	2	14	10	38	137.5	280.0	62	40	55.0
EBIT Margins										
						bps	bps			bps
Energy	10.4	11.9	10.9	13.7	12.8	236	(90)	12.6	11.1	14
Smart Infrastructure	10.1	11.6	10.6	14.3	14.1	398	(23)	13.1	10.1	30
Mobility	6.4	3.3	7.5	9.2	2.6	(381)	(661)	6.6	6.4	4
Digital Industries	9.0	12.2	12.7	16.5	9.4	40	(710)	12.9	15.1	(14)
Portfolio Companies	11.8	7.6	6.4	9.9	11.7	(8)	187	9.4	12.8	(26)
Others	5.9	0.6	8.7	3.6	17.7	1,175	1,404	9.5	4.8	100

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Sep	FY23	FY24E	FY25E	FY26E
Net Revenues	1,95,538	2,25,925	2,70,219	3,16,802
YoY gr. (%)	21.2	15.5	19.6	17.2
Cost of Goods Sold	1,33,826	1,51,279	1,79,588	2,08,963
Gross Profit	61,712	74,646	90,631	1,07,840
Margin (%)	31.6	33.0	33.5	34.0
Employee Cost	20,130	22,367	27,022	31,363
Other Expenses	8,284	9,941	11,619	14,256
EBITDA	24,872	31,042	38,209	46,063
YoY gr. (%)	41.5	24.8	23.1	20.6
Margin (%)	12.7	13.7	14.1	14.5
Depreciation and Amortization	3,208	3,228	3,399	3,665
EBIT	21,664	27,814	34,810	42,398
Margin (%)	11.1	12.3	12.9	13.4
Net Interest	228	407	270	317
Other Income	4,719	5,580	7,026	8,078
Profit Before Tax	26,398	35,167	41,565	50,160
Margin (%)	13.5	15.6	15.4	15.8
Total Tax	6,778	8,313	10,474	12,640
Effective tax rate (%)	25.7	23.6	25.2	25.2
Profit after tax	19,620	26,854	31,091	37,520
Minority interest	10	-	-	-
Share Profit from Associate	(1)	-	-	-
Adjusted PAT	19,428	24,675	31,091	37,520
YoY gr. (%)	54.0	27.0	26.0	20.7
Margin (%)	9.9	10.9	11.5	11.8
Extra Ord. Income / (Exp)	181	2,179	-	-
Reported PAT	19,609	26,854	31,091	37,520
YoY gr. (%)	55.4	36.9	15.8	20.7
Margin (%)	10.0	11.9	11.5	11.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	19,609	26,854	31,091	37,520
Equity Shares O/s (m)	356	356	356	356
EPS (Rs)	54.6	69.3	87.3	105.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Sep	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	24,902	28,902	32,902	36,902
Tangibles	24,902	28,902	32,902	36,902
Intangibles	-	-	-	-
Acc: Dep / Amortization	12,250	15,478	18,877	22,542
Tangibles	12,250	15,478	18,877	22,542
Intangibles	-	-	-	-
Net fixed assets	12,652	13,424	14,025	14,360
Tangibles	12,652	13,424	14,025	14,360
Intangibles	-	-	-	-
Capital Work In Progress	18,234	18,234	19,234	20,234
Goodwill	-	-	-	-
Non-Current Investments	5,818	6,339	7,444	8,567
Net Deferred tax assets	1,627	1,627	1,627	1,627
Other Non-Current Assets	10,428	12,426	14,322	16,157
Current Assets				
Investments	-	-	-	-
Inventories	25,052	29,092	34,425	39,926
Trade receivables	48,047	55,089	65,519	76,380
Cash & Bank Balance	76,507	84,333	94,753	1,10,742
Other Current Assets	20,030	27,111	31,075	34,848
Total Assets	2,21,023	2,53,050	2,89,173	3,31,034
Equity				
Equity Share Capital	712	712	712	712
Other Equity	1,30,159	1,53,451	1,75,906	2,02,544
Total Network	1,30,871	1,54,163	1,76,618	2,03,256
Non-Current Liabilities				
Long Term borrowings	1,016	1,016	1,016	1,016
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	736	736	736	736
Trade payables	42,380	48,899	57,375	65,964
Other current liabilities	47,561	49,777	54,969	61,602
Total Equity & Liabilities	2,21,023	2,53,050	2,89,173	3,31,034

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Sep	FY23	FY24E	FY25E	FY26E
PBT	26,397	35,167	41,565	50,160
Add. Depreciation	3,208	3,228	3,399	3,665
Add. Interest	228	407	270	317
Less Financial Other Income	4,719	5,580	7,026	8,078
Add. Other	(3,429)	-	-	-
Op. profit before WC changes	26,404	38,801	45,235	54,142
Net Changes-WC	(4,371)	(14,695)	(10,434)	(9,314)
Direct tax	(8,033)	(8,313)	(10,474)	(12,640)
Net cash from Op. activities	14,000	15,794	24,326	32,187
Capital expenditures	(664)	(4,000)	(5,000)	(5,000)
Interest / Dividend Income	4,169	-	-	-
Others	(11,093)	-	-	-
Net Cash from Invt. activities	(7,588)	(4,000)	(5,000)	(5,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(3,561)	(3,561)	(8,636)	(10,882)
Interest paid	(45)	(407)	(270)	(317)
Others	(893)	-	-	-
Net cash from Fin. activities	(4,499)	(3,968)	(8,906)	(11,199)
Net change in cash	1,913	7,826	10,420	15,989
Free Cash Flow	11,980	11,794	19,326	27,187

Source: Company Data, PL Research

Key Financial Metrics

Y/e Sep	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	54.6	69.3	87.3	105.4
CEPS	63.6	78.4	96.9	115.7
BVPS	367.6	433.0	496.1	570.9
FCF	33.7	33.1	54.3	76.4
DPS	10.0	24.3	30.6	36.9
Return Ratio(%)				
RoCE	17.3	19.3	20.8	22.1
ROIC	33.0	35.4	36.0	39.2
RoE	15.7	17.3	18.8	19.8
Balance Sheet				
Net Debt : Equity (x)	(0.6)	(0.5)	(0.5)	(0.5)
Net Working Capital (Days)	57	57	58	58
Valuation(x)				
PER	126.2	99.4	78.9	65.4
P/B	18.7	15.9	13.9	12.1
P/CEPS	108.4	87.9	71.1	59.6
EV/EBITDA	95.6	76.4	61.8	50.9
EV/Sales	12.2	10.5	8.7	7.4
Dividend Yield (%)	0.1	0.4	0.4	0.5

Source: Company Data, PL Research

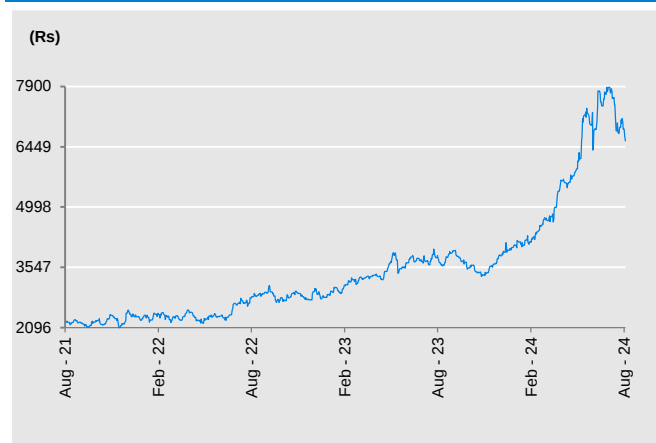
Quarterly Financials (Rs m)

Y/e Sep	Q4SY23	Q1SY24	Q2SY24	Q3SY24
Net Revenue	58,077	48,252	57,499	52,035
YoY gr. (%)	24.7	(0.7)	18.0	(10.4)
Raw Material Expenses	41,027	32,744	38,838	34,642
Gross Profit	17,050	15,508	18,661	17,393
Margin (%)	29.4	32.1	32.5	33.4
EBITDA	7,002	5,961	8,782	6,915
YoY gr. (%)	35.7	(4.0)	55.0	(1.2)
Margin (%)	12.1	12.4	15.3	13.3
Depreciation / Depletion	786	785	800	855
EBIT	6,216	5,176	7,982	6,060
Margin (%)	10.7	10.7	13.9	11.6
Net Interest	49	34	313	53
Other Income	1,455	1,385	1,287	1,540
Profit before Tax	7,622	6,783	10,879	7,575
Margin (%)	13.1	14.1	18.9	14.6
Total Tax	1,905	1,726	2,851	1,794
Effective tax rate (%)	25.0	25.4	26.2	23.7
Profit after Tax	5,717	5,057	8,028	5,781
Minority interest	3	3	4	4
Share Profit from Associates	(1)	-	1	-
Adjusted PAT	5,713	4,863	6,606	5,756
YoY gr. (%)	49.7	4.2	49.5	0.7
Margin (%)	9.8	10.1	11.5	11.1
Extra Ord. Income / (Exp)	-	191	1,419	21
Reported PAT	5,713	5,054	8,025	5,777
YoY gr. (%)	49.7	7.2	76.2	1.1
Margin (%)	9.8	10.5	14.0	11.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,713	5,054	8,025	5,777
Av g. Shares O/s (m)	356	356	356	356
EPS (Rs)	16.0	13.7	18.5	16.2

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-24	Accumulate	7,030	7,884
2	15-May-24	Accumulate	7,030	6,660
3	12-Apr-24	Accumulate	4,617	5,570
4	13-Feb-24	Accumulate	4,572	4,313
5	09-Jan-24	Accumulate	4,359	4,020
6	23-Dec-23	Accumulate	4,359	3,956
7	29-Nov-23	Accumulate	4,241	3,647
8	12-Oct-23	Accumulate	4,241	3,559
9	05-Oct-23	Accumulate	4,241	3,520

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,400	8,679
2	Apar Industries	Accumulate	10,399	9,110
3	BEML	Accumulate	4,484	3,914
4	Bharat Electronics	Accumulate	341	321
5	BHEL	Reduce	264	309
6	Carborundum Universal	Hold	1,650	1,719
7	Cummins India	Hold	3,719	4,134
8	Engineers India	Hold	264	268
9	GE T&D India	Hold	1,601	1,585
10	Grindwell Norton	Accumulate	2,749	2,650
11	Harsha Engineers International	Hold	436	572
12	Hindustan Aeronautics	Hold	4,515	5,552
13	Kalpataru Projects International	Accumulate	1,413	1,327
14	KEC International	Hold	880	874
15	Larsen & Toubro	BUY	4,130	3,519
16	Praj Industries	BUY	804	700
17	Siemens	Accumulate	7,030	7,884
18	Thermax	Reduce	4,237	4,984
19	Triveni Turbine	BUY	719	619
20	Voltamp Transformers	Accumulate	14,922	14,174

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

(Indian Clients)

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