

BUY
 TP: Rs 4,900 | ▲ 16%

SIEMENS INDIA

| Capital Goods

| 13 February 2024

Strong topline, margins waver

- Robust December quarter order flows and revenue, though margins contracted due to weakness in digital industries segment
- Order book remains strong at Rs 467bn and management reiterated its positive outlook on the capex cycle
- FY24/FY25 EPS raised by 5% each, leading to a new TP of Rs 4,900 (from Rs 4,600) – maintain BUY

Vinod Chari | Arshia Khosla
 Swati Jhunjhunwala
 research@bobcaps.in

Topline shines: SIEM reported strong Q1FY24 (Y/E Sep) topline growth of 20% YoY to Rs 48.2bn backed by a broad-based performance across segments, barring energy, with smart infrastructure up 22%, mobility 72% and digital industries 24%. The company received order inflows of Rs 59.7bn during the quarter led by the energy segment and closed Q1 at ~Rs 467bn. The digital industries segment saw fewer orders, which management expects will revive in the June quarter.

Margins contract: Gross/EBITDA margins declined by 140bps/260bps YoY to 32.1%/12.4% as the digital industries and energy segments saw EBIT margins contracting by 12ppt and 60bps YoY respectively, offsetting gains in smart infrastructure (190bps) and mobility (400bps). Adj. PAT for the quarter grew 9% to Rs 5.1bn.

Positive outlook on capex cycle: SIEM remains positive on the capex cycle. As outlined in its FY23 annual report, the company believes India has made progress towards becoming a global manufacturing hub and stands to gain as a stable destination for manufacturing and business. It believes elections in 2024 may cause a momentary pause in tendering for large projects but will not disrupt the long-term growth trajectory.

Hive-off proposals key to watch: SIEM's plan to sell its low-voltage (LV) motors business for Rs 22bn has been rejected by minority shareholders, leaving it with two options – revise the sale consideration or continue to run the business as is. Another proposal that will be closely monitored by investors is the planned demerger of the energy business by FY25. These two actions remain key for the stock.

Maintain BUY: SIEM's base business remains strong and enjoys a robust outlook as diverse customer segments enable the company to play the capex cycle. We raise our FY24/FY25 EPS estimates by 5% each to bake in the quarterly print, leading to a higher TP of Rs 4,900 (from Rs 4,600). We maintain our BUY rating and continue to value the stock at 52x Dec'25E P/E, in line with the 5Y mean.

Key changes

| Target | Rating |
|--------|--------|
| ▲ | ◀ ▶ |

| | |
|------------------|-------------------|
| Ticker/Price | SIEM IN/Rs 4,218 |
| Market cap | US\$ 18.3bn |
| Free float | 25% |
| 3M ADV | US\$ 16.4mm |
| 52wk high/low | Rs 4,359/Rs 3,078 |
| Promoter/FPI/DII | 75%/5%/10% |

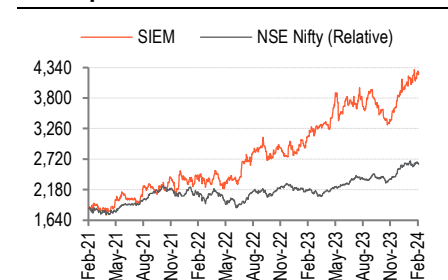
Source: NSE | Price as of 12 Feb 2024

Key financials

| Y/E 30 Sep | FY23A | FY24E | FY25E |
|-------------------------|----------|----------|----------|
| Total revenue (Rs mn) | 1,95,538 | 2,32,804 | 2,81,775 |
| EBITDA (Rs mn) | 24,872 | 31,635 | 39,042 |
| Adj. net profit (Rs mn) | 19,619 | 25,598 | 31,484 |
| Adj. EPS (Rs) | 55.1 | 71.9 | 88.4 |
| Consensus EPS (Rs) | 55.1 | 63.4 | 77.0 |
| Adj. ROAE (%) | 15.9 | 18.1 | 19.1 |
| Adj. P/E (x) | 76.5 | 58.7 | 47.7 |
| EV/EBITDA (x) | 63.0 | 49.9 | 40.7 |
| Adj. EPS growth (%) | 55.5 | 30.5 | 23.0 |

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

| Particulars (Rs mn) | Q1FY24 | Q1FY23 | YoY (%) | Q4FY23 | QoQ (%) |
|---------------------|--------|--------|----------|--------|---------|
| Revenue | 48,252 | 40,151 | 20.2 | 58,077 | (16.9) |
| EBITDA | 5,961 | 5,992 | (0.5) | 7,002 | (14.9) |
| EBITDA margin (%) | 12.4 | 14.9 | (260bps) | 12.1 | 30bps |
| Depreciation | 785 | 761 | 3.2 | 786 | (0.1) |
| Interest | 34 | 37 | (8.1) | 49 | (30.6) |
| Other Income | 1,641 | 1,017 | 61.4 | 1,455 | 12.8 |
| PBT | 6,783 | 6,211 | 9.2 | 7,622 | (11.0) |
| Tax | 1,726 | 1,584 | 9.0 | 1,905 | (9.4) |
| Adjusted PAT | 5,054 | 4,627 | 9.2 | 5,716 | (11.6) |
| Reported PAT | 5,054 | 4,627 | 9.2 | 5,716 | (11.6) |
| Adj. PAT margin (%) | 10.5 | 11.5 | (100bps) | 9.8 | 60bps |
| EPS (Rs) | 14.2 | 13.0 | 9.3 | 16.1 | (11.5) |

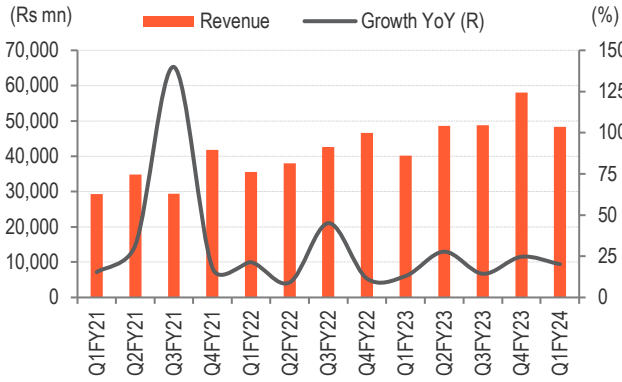
Source: Company, BOBCAPS Research

Fig 2 – Segment-wise performance

| Particulars | Q1FY21 | Q2FY21 | Q3FY21 | Q4FY21 | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 | Q1FY23 | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 |
|------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenue (Rs mn) | | | | | | | | | | | | | |
| Energy | 10,169 | 11,913 | 9,549 | 15,710 | 10,892 | 11,958 | 14,544 | 16,316 | 11,601 | 15,554 | 15,181 | 18,467 | 11,454 |
| Growth YoY (%) | 14.4 | 16.0 | 72.2 | (0.8) | 7.1 | 0.4 | 52.3 | 3.9 | 6.5 | 30.1 | 4.4 | 13.2 | (1.3) |
| Smart Infrastructure | 8,821 | 11,501 | 10,717 | 15,268 | 12,870 | 14,895 | 15,060 | 16,658 | 15,197 | 17,249 | 17,206 | 21,092 | 18,523 |
| Growth YoY (%) | 16.2 | 48.5 | 246.6 | 65.8 | 45.9 | 29.5 | 40.5 | 9.1 | 18.1 | 15.8 | 14.2 | 26.6 | 21.9 |
| Mobility | 2,105 | 2,589 | 1,441 | 3,117 | 3,007 | 2,951 | 3,911 | 4,418 | 3,838 | 4,864 | 5,776 | 7,124 | 6,597 |
| Growth YoY (%) | 1.0 | 1.3 | 28.5 | (5.2) | 42.9 | 14.0 | 171.4 | 41.7 | 27.6 | 64.8 | 47.7 | 61.2 | 71.9 |
| Digital Industries | 7,699 | 7,917 | 6,838 | 7,839 | 7,910 | 8,739 | 9,962 | 9,444 | 10,193 | 11,407 | 11,273 | 11,903 | 12,598 |
| Growth YoY (%) | 28.3 | 50.3 | 275.9 | 23.9 | 2.7 | 10.4 | 45.7 | 20.5 | 28.9 | 30.5 | 13.2 | 26.0 | 23.6 |
| EBIT (Rs mn) | | | | | | | | | | | | | |
| Energy | 1,277 | 1,804 | 765 | 2,072 | 1,232 | 1,623 | 1,243 | 1,550 | 1,331 | 1,766 | 1,585 | 2,191 | 1,251 |
| Margin (%) | 12.6 | 15.1 | 8.0 | 13.2 | 11.3 | 13.6 | 8.5 | 9.5 | 11.5 | 11.4 | 10.4 | 11.9 | 10.9 |
| Smart Infrastructure | 663 | 988 | 166 | 729 | 600 | 899 | 1,072 | 1,283 | 1,328 | 1,947 | 1,737 | 2,439 | 1,964 |
| Margin (%) | 7.5 | 8.6 | 1.5 | 4.8 | 4.7 | 6.0 | 7.1 | 7.7 | 8.7 | 11.3 | 10.1 | 11.6 | 10.6 |
| Mobility | 230 | 290 | 238 | 364 | 304 | 366 | 183 | 378 | 135 | 423 | 371 | 236 | 492 |
| Margin (%) | 10.9 | 11.2 | 16.5 | 11.7 | 10.1 | 12.4 | 4.7 | 8.6 | 3.5 | 8.7 | 6.4 | 3.3 | 7.5 |
| Digital Industries | 802 | 686 | 315 | 527 | 666 | 992 | 828 | 1,114 | 2,427 | 1,277 | 1,081 | 1,347 | 1,455 |
| Margin (%) | 10.4 | 8.7 | 4.6 | 6.7 | 8.4 | 11.4 | 8.3 | 11.8 | 23.8 | 11.2 | 9.6 | 11.3 | 11.5 |

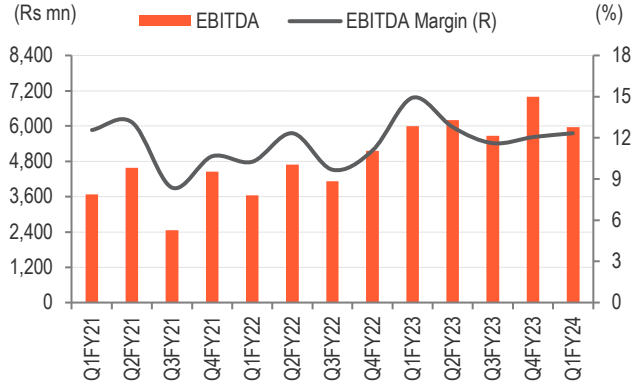
Source: Company, BOBCAPS Research

Fig 3 – Revenue growth



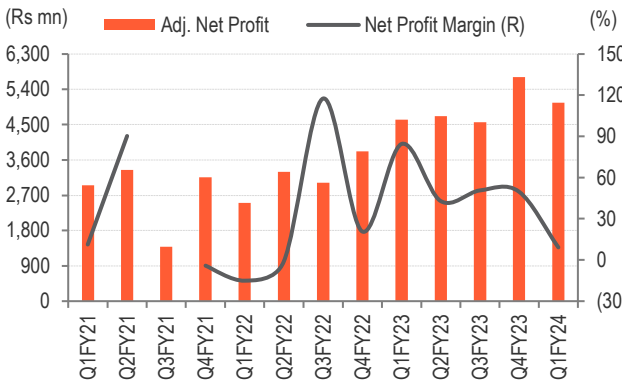
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth



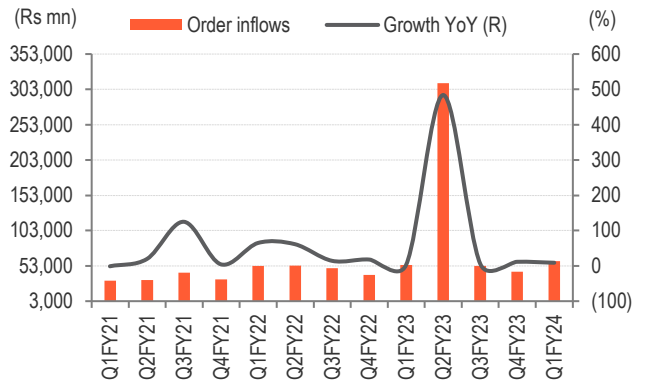
Source: Company, BOBCAPS Research

Fig 5 – Adj. PAT growth



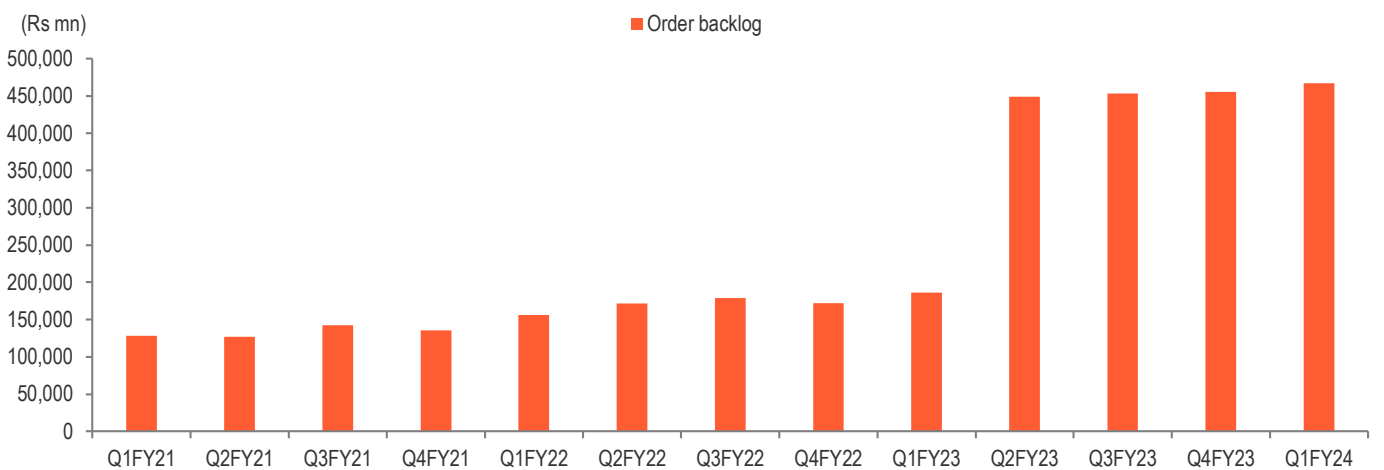
Source: Company, BOBCAPS Research

Fig 6 – Order inflows



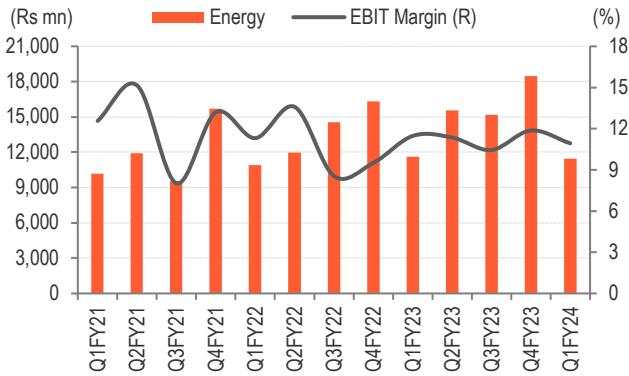
Source: Company, BOBCAPS Research

Fig 7 – Order backlog



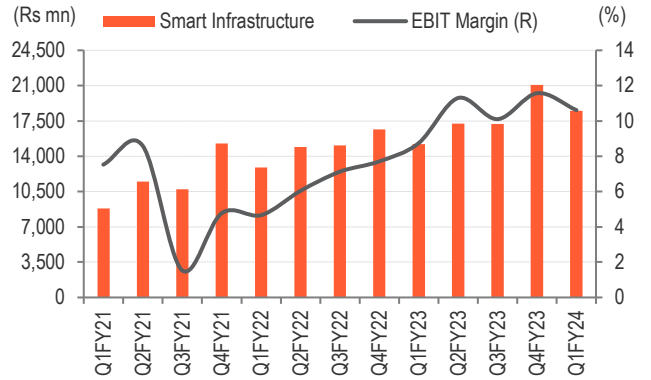
Source: Company, BOBCAPS Research

Fig 8 – Energy segment performance



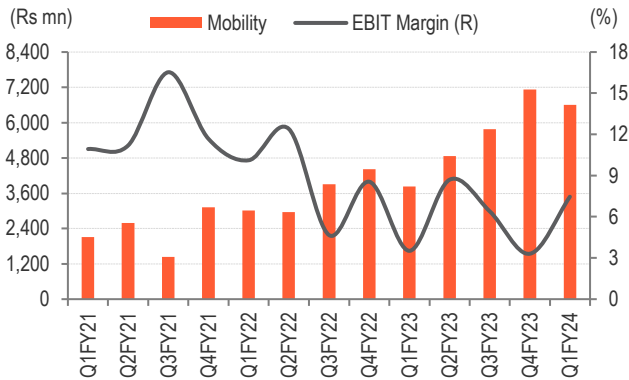
Source: Company, BOBCAPS Research

Fig 9 – Smart infrastructure segment performance



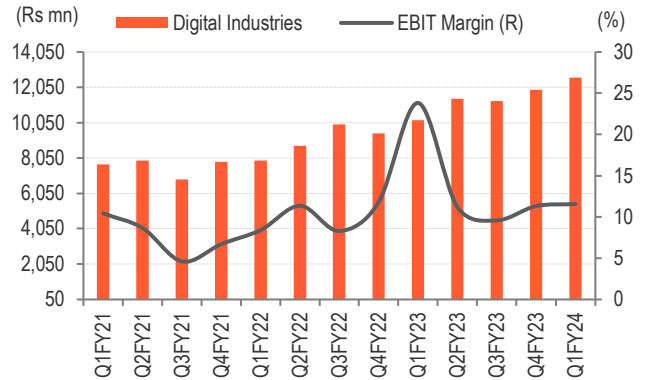
Source: Company, BOBCAPS Research

Fig 10 – Mobility segment performance



Source: Company, BOBCAPS Research

Fig 11 – Digital industries segment performance



Source: Company, BOBCAPS Research

Valuation methodology

SIEM's base business remains strong and enjoys a robust outlook as diverse customer segments enable the company to play the capex cycle. We raise our FY24/FY25 EPS estimates by 5% each to bake in the December quarter print, leading to a higher TP of Rs 4,900 (from Rs 4,600). We maintain our BUY rating and continue to value the stock at 52x Dec'25E P/E, in line with the five-year mean.

Fig 12 – Revised estimates

| Particulars (Rs mn) | New | | Old | | Change (%) | |
|---------------------|----------|----------|----------|----------|------------|-------|
| | FY24E | FY25E | FY24E | FY25E | FY24E | FY25E |
| Sales | 2,32,804 | 2,81,775 | 2,30,779 | 2,78,689 | 0.9 | 1.1 |
| EBITDA | 31,635 | 39,042 | 31,167 | 38,343 | 1.5 | 1.8 |
| PAT | 25,598 | 31,484 | 24,357 | 29,968 | 5.1 | 5.1 |
| EPS (Rs) | 71.9 | 88.4 | 68.4 | 84.2 | 5.1 | 5.1 |
| EBITDA Margin (%) | 13.6 | 13.9 | 13.5 | 13.8 | 8bps | 10bps |

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our estimates are:

- slowdown in capex,
- delay in execution leading to lower margins, and
- lower profitability in the tender-based business.

Sector recommendation snapshot

| Company | Ticker | Market Cap (US\$ bn) | Price (Rs) | Target (Rs) | Rating |
|-------------------|-------------|----------------------|------------|-------------|--------|
| ABB India | ABB IN | 11.4 | 4,428 | 4,700 | HOLD |
| AIA Engineering | AIAE IN | 4.5 | 3,933 | 4,000 | HOLD |
| Cummins India | KKC IN | 8.7 | 2,568 | 2,900 | BUY |
| Hitachi Energy | POWERIND IN | 3.1 | 6,008 | 4,200 | SELL |
| KEC International | KECI IN | 2.0 | 655 | 700 | HOLD |
| Larsen & Toubro | LT IN | 56.4 | 3,300 | 4,200 | BUY |
| Siemens India | SIEM IN | 18.3 | 4,218 | 4,900 | BUY |
| Thermax | TMX IN | 4.8 | 3,312 | 3,300 | HOLD |

Source: BOBCAPS Research, NSE | Price as of 12 Feb 2024

Financials

Income Statement

| Y/E 30 Sep (Rs mn) | FY21A | FY22A | FY23A | FY24E | FY25E |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Total revenue | 1,31,985 | 1,61,378 | 1,95,538 | 2,32,804 | 2,81,775 |
| EBITDA | 14,880 | 17,573 | 24,872 | 31,635 | 39,042 |
| Depreciation | 2,974 | 3,171 | 3,208 | 3,146 | 3,536 |
| EBIT | 11,906 | 14,402 | 21,664 | 28,489 | 35,507 |
| Net interest inc./(exp.) | 243 | 363 | 228 | 130 | 150 |
| Other inc./(exp.) | 2,264 | 3,078 | 4,962 | 5,954 | 6,848 |
| Exceptional items | 0 | 0 | 0 | 0 | 0 |
| EBT | 13,927 | 17,117 | 26,398 | 34,314 | 42,204 |
| Income taxes | 3,629 | 4,498 | 6,778 | 8,716 | 10,720 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Min. int./Inc. from assoc. | 0 | 0 | 0 | 0 | 0 |
| Reported net profit | 10,298 | 12,619 | 19,619 | 25,598 | 31,484 |
| Adjustments | 0 | 0 | 0 | 0 | 0 |
| Adjusted net profit | 10,298 | 12,619 | 19,619 | 25,598 | 31,484 |

Balance Sheet

| Y/E 30 Sep (Rs mn) | FY21A | FY22A | FY23A | FY24E | FY25E |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Accounts payables | 36,715 | 40,401 | 42,368 | 57,404 | 69,479 |
| Other current liabilities | 31,702 | 39,498 | 42,216 | 56,128 | 67,935 |
| Provisions | 0 | 0 | 0 | 0 | 0 |
| Debt funds | 25 | 0 | 0 | 0 | 0 |
| Other liabilities | 8,160 | 5,013 | 6,228 | 7,415 | 8,975 |
| Equity capital | 712 | 712 | 712 | 712 | 712 |
| Reserves & surplus | 1,02,838 | 1,15,466 | 1,30,245 | 1,51,235 | 1,77,053 |
| Shareholders' fund | 1,03,550 | 1,16,178 | 1,30,957 | 1,51,947 | 1,77,765 |
| Total liab. and equities | 1,80,152 | 2,01,090 | 2,21,769 | 2,72,894 | 3,24,153 |
| Cash and cash eq. | 51,625 | 65,841 | 76,507 | 89,164 | 1,04,196 |
| Accounts receivables | 36,827 | 37,860 | 47,072 | 57,404 | 69,479 |
| Inventories | 17,867 | 21,650 | 25,052 | 31,891 | 38,599 |
| Other current assets | 25,132 | 27,307 | 27,060 | 41,458 | 50,179 |
| Investments | 0 | 14 | 13 | 15 | 19 |
| Net fixed assets | 10,184 | 9,846 | 9,622 | 9,476 | 8,941 |
| CWIP | 338 | 510 | 496 | 591 | 715 |
| Intangible assets | 0 | 0 | 0 | 0 | 0 |
| Deferred tax assets, net | 0 | 0 | 0 | 0 | 0 |
| Other assets | 38,179 | 37,870 | 36,457 | 43,405 | 52,535 |
| Total assets | 1,80,152 | 2,01,090 | 2,21,769 | 2,72,894 | 3,24,153 |

Cash Flows

| Y/E 30 Sep (Rs mn) | FY21A | FY22A | FY23A | FY24E | FY25E |
|------------------------------------|-----------------|----------------|----------------|----------------|-----------------|
| Cash flow from operations | 14,222 | 9,875 | 14,000 | 26,122 | 31,398 |
| Capital expenditures | (1,071) | (1,313) | (1,919) | (3,000) | (3,000) |
| Change in investments | (13,623) | 4,419 | 881 | (97) | (127) |
| Other investing cash flows | (9,196) | (3,459) | (6,550) | (5,761) | (7,571) |
| Cash flow from investing | (23,890) | (353) | (7,588) | (8,858) | (10,698) |
| Equities issued/Others | 0 | 0 | 0 | 0 | 0 |
| Debt raised/repaid | 0 | 0 | 0 | 0 | 0 |
| Interest expenses | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | 0 | 0 | 0 | 0 | 0 |
| Other financing cash flows | (5,021) | (3,922) | (4,499) | (4,608) | (5,667) |
| Cash flow from financing | (5,021) | (3,922) | (4,499) | (4,608) | (5,667) |
| Chg in cash & cash eq. | (14,689) | 5,600 | 1,913 | 12,657 | 15,032 |
| Closing cash & cash eq. | 51,625 | 65,841 | 76,507 | 89,164 | 1,04,196 |

Per Share

| Y/E 30 Sep (Rs) | FY21A | FY22A | FY23A | FY24E | FY25E |
|----------------------|-------|-------|-------|-------|-------|
| Reported EPS | 28.9 | 35.4 | 55.1 | 71.9 | 88.4 |
| Adjusted EPS | 28.9 | 35.4 | 55.1 | 71.9 | 88.4 |
| Dividend per share | 8.0 | 10.0 | 10.0 | 12.9 | 15.9 |
| Book value per share | 290.7 | 326.1 | 367.6 | 426.6 | 499.1 |

Valuations Ratios

| Y/E 30 Sep (x) | FY21A | FY22A | FY23A | FY24E | FY25E |
|----------------|-------|-------|-------|-------|-------|
| EV/Sales | 11.8 | 9.6 | 8.0 | 6.8 | 5.6 |
| EV/EBITDA | 104.8 | 88.4 | 63.0 | 49.9 | 40.7 |
| Adjusted P/E | 145.8 | 119.0 | 76.5 | 58.7 | 47.7 |
| P/BV | 14.5 | 12.9 | 11.5 | 9.9 | 8.5 |

DuPont Analysis

| Y/E 30 Sep (%) | FY21A | FY22A | FY23A | FY24E | FY25E |
|------------------------------|-------|-------|-------|-------|-------|
| Tax burden (Net profit/PBT) | 73.9 | 73.7 | 74.3 | 74.6 | 74.6 |
| Interest burden (PBT/EBIT) | 117.0 | 118.9 | 121.9 | 120.4 | 118.9 |
| EBIT margin (EBIT/Revenue) | 9.0 | 8.9 | 11.1 | 12.2 | 12.6 |
| Asset turnover (Rev./Avg TA) | 77.9 | 84.7 | 92.3 | 93.8 | 94.1 |
| Leverage (Avg TA/Avg Equity) | 1.7 | 1.7 | 1.7 | 1.8 | 1.8 |
| Adjusted ROAE | 10.4 | 11.5 | 15.9 | 18.1 | 19.1 |

Ratio Analysis

| Y/E 30 Sep | FY21A | FY22A | FY23A | FY24E | FY25E |
|--|-------|-------|-------|-------|-------|
| YoY growth (%) | | | | | |
| Revenue | 32.7 | 22.3 | 21.2 | 19.1 | 21.0 |
| EBITDA | 48.3 | 18.1 | 41.5 | 27.2 | 23.4 |
| Adjusted EPS | 33.8 | 22.5 | 55.5 | 30.5 | 23.0 |
| Profitability & Return ratios (%) | | | | | |
| EBITDA margin | 11.3 | 10.9 | 12.7 | 13.6 | 13.9 |
| EBIT margin | 9.0 | 8.9 | 11.1 | 12.2 | 12.6 |
| Adjusted profit margin | 7.8 | 7.8 | 10.0 | 11.0 | 11.2 |
| Adjusted ROAE | 10.4 | 11.5 | 15.9 | 18.1 | 19.1 |
| ROCE | 10.7 | 11.9 | 15.7 | 17.8 | 18.9 |
| Working capital days (days) | | | | | |
| Receivables | 102 | 86 | 88 | 90 | 90 |
| Inventory | 49 | 49 | 47 | 50 | 50 |
| Payables | 102 | 91 | 79 | 90 | 90 |
| Ratios (x) | | | | | |
| Gross asset turnover | 6.8 | 7.8 | 8.6 | 9.1 | 9.8 |
| Current ratio | 1.9 | 1.9 | 2.1 | 1.9 | 1.9 |
| Net interest coverage ratio | 49.0 | 39.7 | 95.0 | 219.1 | 236.7 |
| Adjusted debt/equity | (0.3) | (0.3) | (0.3) | (0.3) | (0.3) |

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

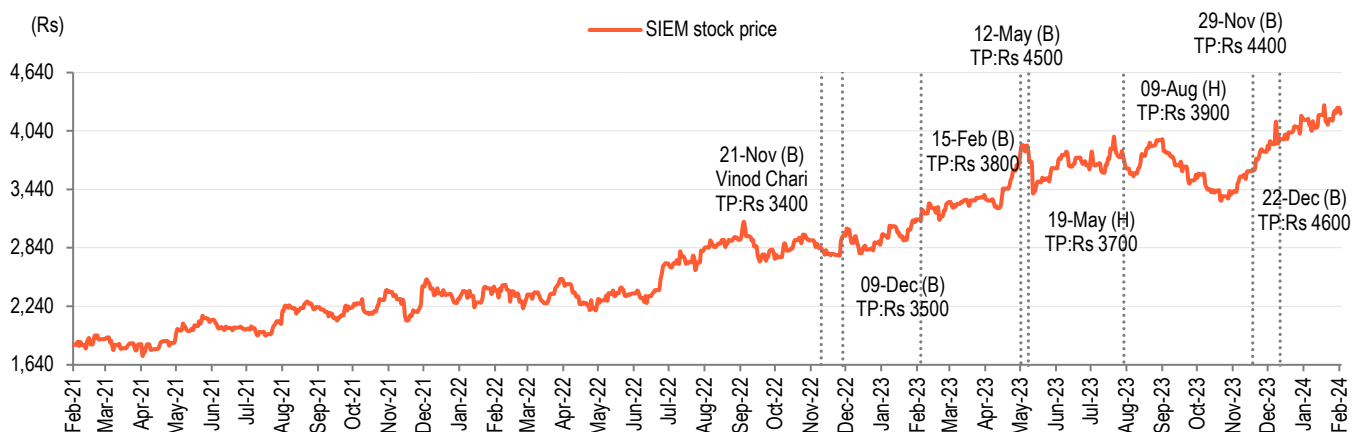
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): SIEMENS INDIA (SIEM IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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