




Estimate change 
TP change 
Rating change 

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Bloomberg	SIEM IN
Equity Shares (m)	356
M.Cap.(INRb)/(USD\$)	780.7 / 10.5
52-Week Range (INR)	2218 / 1127
1, 6, 12 Rel. Per (%)	5/13/47
12M Avg Val (INR M)	933

Financials & Valuations (INR b)

Y/E Sep	2020	2021E	2022E
Sales	98.7	130.9	150.7
EBITDA	9.9	15.4	18.3
PAT	7.6	11.3	13.5
EBITDA (%)	10.0	11.7	12.1
EPS (INR)	21.3	31.7	38.0
EPS Gr. (%)	-32.6	49.0	19.9
BV/Sh. (INR)	266.1	291.4	320.2

Ratios

Net D/E	-0.6	-0.4	-0.5
RoE (%)	8.0	10.9	11.9
RoCE (%)	8.4	11.4	12.3
Payout (%)	20.0	20.0	20.0

Valuations

P/E (x)	96.8	65.0	54.2
P/BV (x)	7.7	7.1	6.4
EV/EBITDA (x)	68.4	44.8	37.2
Div Yield (%)	0.3	0.3	0.4
FCF Yield (%)	1.3	1.8	1.7

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	75.0	75.0	75.0
DII	10.4	10.6	10.1
FII	4.6	4.4	4.2
Others	10.1	10.1	10.7

FII Includes depository receipts

CMP: INR2,192 **TP: INR2,050 (-6%)** **Neutral**

Margin led earnings miss; order inflows jump sharply

Rich valuations fail to recognize the increasing dependency on strong orders

- SIEM's 3QFY21 revenue more than doubled to INR27b (like-for like two-year CAGR at -4%) and was 8% above our expectation. EBITDA margin was weaker at 8.4% v/s our estimate of 10.3%, driving earnings miss of 16% v/s our expectation.
- Key positives include strong revenue growth in key segments of Smart Infrastructure and Digital Industries. Order inflows were quite strong at INR43b, driving order book to a record high of INR143b.
- SIEM has the most diversified portfolio, with offerings across various end-markets, which enables it to capture wider growth opportunities. However, underlying margin (adjusted for one-off cost control measures) has weakened across various segments. The stock has sharply re-rated in anticipation of a capex recovery, but fails to account for margin pressure in the business. The company needs to consistently surprise on order intake to meet revenue growth expectations. We broadly maintain our estimates and remain Neutral with a TP of INR2,050/share as we roll forward to Sep'23E EPS.

Strong growth in order book

- **3QFY21 highlights:** Revenue rose 124% YoY to INR27b and was 8% ahead of our estimate. EBITDA stood at INR2.3b and was 12% below our expectation. EBITDA margin stood at 8.4% v/s our estimate of 10.3%. Adjusted PAT came in at INR1.6b and was 16% below our expectation. Order inflows were very strong at INR43.4b, leading to a strong growth in order book at INR143b (record high).
- **Segmental highlights – a) Energy:** Revenue increased by 72% YoY to INR9.5b and was 7% ahead of our expectation. PBIT margin came in at 8% v/s our expectation of 10%. **b) Smart Infrastructure:** Revenue increased by 179% YoY to INR8.6b and was 10% ahead of our expectation. PBIT margin came in at 5.3% v/s our expectation of 7%. **c) Mobility:** Revenue increased by 31% YoY to INR1.3b and was 28% below our expectation. PBIT margin came in at 12.1% v/s our expectation of 9%. **d) Digital industries:** Revenue increased multifold to INR6.8b and was 15% below our expectation. PBIT margin came in at 4.6% v/s our expectation of 6%. **e) Portfolio of companies:** Revenue grew 53% YoY to INR1b. The EBIT margin stood at 2.8%.

Valuation and view

- We like SIEM's product portfolio and diverse end-market exposure. The company is poised to benefit over the long term, led by the niche Industrial Automation and Digitalization businesses. However, re-rating of the stock has been quite steep and fails to acknowledge the rising dependency on strong order inflows as well as margin risks in the business. We broadly maintain our estimates and remain Neutral with a TP of INR2,050/share as we roll forward to Sep'23E EPS. We prefer ABB over SIEM at current valuations to play the niche theme of Industrial Automation and L&T to play the capex cycle recovery.

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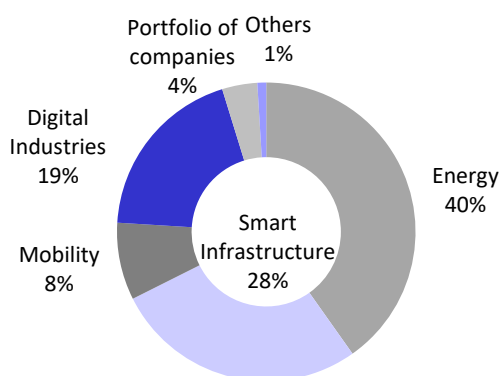
Quarterly performance

(INR b)

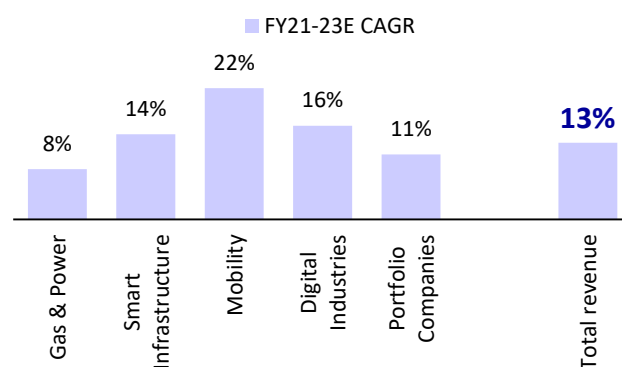
Y/E September	FY20				FY21E				FY20	FY21E	MOSL 3QE	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Total Revenue	25.2	26.2	12.1	35.2	29.0	33.5	27.1	41.3	98.7	130.9	25.2	8%
Change (%)	-10.2	-26.1	-62.2	-9.2	15.1	27.9	124.3	17.3	-24.1	32.7	108.3	
EBITDA	3.2	2.2	0.0	4.5	3.6	4.4	2.3	5.1	9.9	15.4	2.6	-12%
Change (%)	4.6	-48.8	-100.3	5.7	12.7	102.7	NA	12.1	-34.5	55.3	NA	
As a percentage of Revenue	12.7	8.3	-0.1	12.9	12.4	13.2	8.4	12.3	10.0	11.7	10.3	
Depreciation	0.6	0.7	0.7	0.6	0.6	0.6	0.5	0.6	2.5	2.3	0.6	
Interest	0.1	0.1	0.0	0.1	0.0	0.0	0.1	0.0	0.3	0.2	0.1	
Other Income	0.9	0.8	0.8	0.6	0.6	0.5	0.5	0.6	3.1	2.2	0.6	
Extra-ordinary Items	0.1	0.1	-0.1	0.0	0.3	0.1	0.0	0.0	0.0	0.4	0.0	
PBT	3.4	2.2	0.1	4.5	3.5	4.3	2.1	5.1	10.2	15.1	2.6	-16%
Tax	0.9	0.6	0.0	1.2	0.9	1.2	0.5	1.2	2.6	3.8	0.6	
Effective Tax Rate (%)	25.6	25.8	-1.0	26.5	25.7	27.0	24.7	23.4	25.8	25.2	25.2	
Reported PAT	2.6	1.7	0.0	3.3	2.9	3.3	1.6	3.9	7.6	11.7	1.9	-16%
Adjusted PAT	2.5	1.6	0.1	3.3	2.6	3.2	1.6	3.9	7.6	11.3	1.9	-16%
Change (%)	11.8	-44.4	-95.9	-6.3	2.9	91.7	NA	18.8	-32.6	49.0	NA	

Exhibit 1: Segmental snapshot according to the new classification

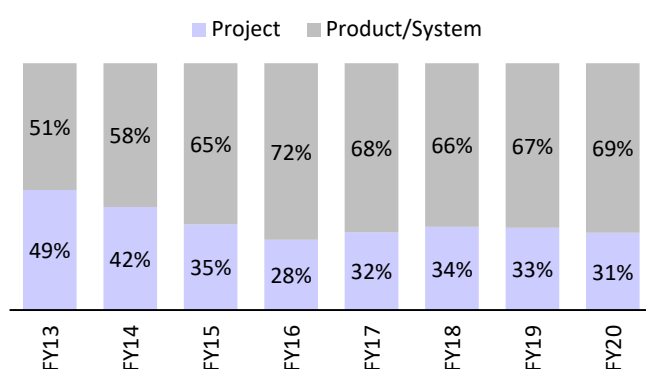
Revenue (INR m)	3QFY20	2QFY21	3QFY21	YoY (%)
Energy	5,546	11,913	9,549	72%
Smart Infrastructure	3,092	10,455	8,630	179%
Mobility	970	2,341	1,266	31%
Digital Industries	1,819	7,917	6,838	276%
Portfolio of Companies	631	1,305	963	53%
Others	270	293	216	-20%
Gross Sales	12,328	34,224	27,462	123%
Elimination	254	681	382	
Net Sales	12,074	33,543	27,080	124%
EBIT (INR m)				
Energy	232	1,804	765	230%
Smart Infrastructure	-731	952	459	NA
Mobility	33	237	153	364%
Digital Industries	-236	686	315	NA
Portfolio of Companies	-7	125	27	NA
Others	35	29	19	-46%
Total EBIT	-674	3,833	1,738	NA
EBIT Margin (%)				
Energy	4.2	15.1	8.0	
Smart Infrastructure	(23.6)	9.1	5.3	
Mobility	3.4	10.1	12.1	
Digital Industries	(13.0)	8.7	4.6	
Portfolio of Companies	(1.1)	9.6	2.8	
Others	13.0	9.9	8.8	
Total EBIT	(5.6)	11.4	6.4	

Exhibit 2: Revenue breakdown (FY20)

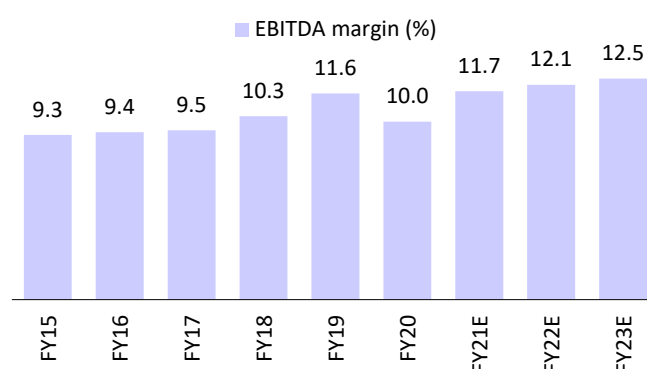
Source: MOFSL, Company

Exhibit 3: Expect 13% revenue CAGR over FY21-23E

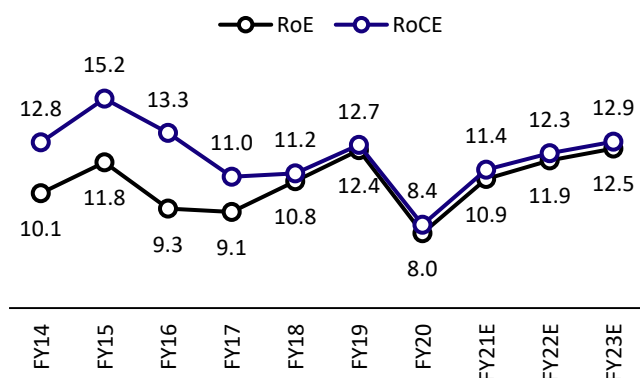
Source: MOFSL, Company

Exhibit 4: Share of product business on an uptrend

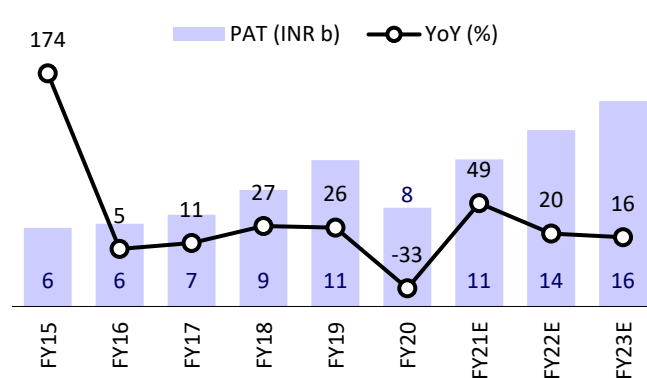
Source: MOFSL, Company

Exhibit 5: EBITDA margin trend

Source: MOFSL, Company

Exhibit 6: Uptrend in RoE/RoCE to continue from FY21E

Source: MOFSL, Company

Exhibit 7: Expect ~15% PAT CAGR over FY21-23E

Source: MOFSL, Company

Exhibit 8: Our target price stands at INR2,050/share

Valuation	Basis	Multiple (x)	Sep'23E EPS	Value/share
Core business	Sep'23E P/E	45	44.3	1,992
Acquisition of C&S	Transaction value			60
Total			44.3	2,050

Source: MOFSL, Company

Valuation and view

- **Beneficiary of Digitalization and Automation trends:** While the recovery in capex continues to be elusive, we are seeing a strong trend in Digitalization and Automation – as industries aim to improve their operational efficiencies. SIEM and ABB are seeing a robust momentum in their respective segments, along with margin expansion.
- **A rising share of Products and Services businesses augurs well for margin:** With an expansion in the Products and Services businesses, margin is expected to increase. The rise in EBIT is primarily attributable to: a) expansion in the Products and Services businesses, and b) the completion of early loss-making/low-margin projects and execution of high-margin business.
- **Maintain Neutral:** We broadly maintain our earnings estimates. We like SIEM's product portfolio and diverse end-market exposure. The company is poised to benefit over the long term, led by the niche Industrial Automation and Digitalization businesses. The pace of recovery is very gradual, while the re-rating of the stock has been quite steep. We maintain our Neutral rating with a TP of INR2,050 per share (45x Sep'23E EPS). We prefer ABB over SIEM at current valuations to play the niche theme of Industrial Automation and L&T to play the capex cycle recovery.

Financials and valuations

Income Statement						(INR b)
Y/E September	FY18	FY19	FY20	FY21E	FY22E	FY23E
Total Revenue	127.3	130.0	98.7	130.9	150.7	167.1
Change (%)	15.5	2.2	-24.1	32.7	15.1	10.9
EBITDA	13.2	15.1	9.9	15.4	18.3	20.8
% Change	25.2	14.8	(34.5)	55.3	18.7	14.1
% of Total Revenue	10.3	11.6	10.0	11.7	12.1	12.5
Depreciation	2.0	2.0	2.5	2.3	2.5	2.6
Interest	0.1	0.1	0.3	0.2	0.2	0.2
Other income	2.8	3.9	3.1	2.2	2.5	3.0
Exceptional items	0.0	-0.4	0.0	0.4	0.0	0.0
PBT	13.9	16.6	10.2	15.5	18.1	21.1
Tax	5.0	5.7	2.6	3.8	4.6	5.3
Rate (%)	35.7	34.5	25.8	24.5	25.2	25.2
Reported PAT	8.9	10.9	7.6	11.7	13.5	15.8
Adjusted PAT	8.9	11.2	7.6	11.3	13.5	15.8
Change (%)	27.1	25.6	(32.6)	49.0	19.9	16.4

Balance Sheet						(INR b)
Y/E September	FY18	FY19	FY20	FY21E	FY22E	FY23E
Share Capital	0.7	0.7	0.7	0.7	0.7	0.7
Reserves	82.3	89.7	94.0	103.0	113.3	125.3
Net Worth	83.1	90.4	94.7	103.7	114.0	126.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Net Deferred Tax Liability	-2.7	-2.4	-2.5	-2.5	-2.5	-2.5
Capital Employed	80.4	88.0	92.3	101.2	111.5	123.5
Gross Fixed Assets	19.6	19.7	20.4	21.4	22.4	23.4
Less: Depreciation	6.1	7.8	8.7	11.1	13.5	16.1
Net Fixed Assets	13.5	11.9	11.7	10.3	8.9	7.3
Capital WIP	0.6	0.6	0.9	0.9	0.9	0.9
Investments	0.6	0.6	0.6	21.8	21.8	21.8
Curr. Assets	125.1	136.7	141.1	147.8	171.6	195.0
Inventory	11.4	11.0	11.1	14.7	16.9	18.7
Debtors	37.3	38.8	32.1	42.5	49.0	54.3
Cash and Bank Balance	36.5	48.9	55.5	44.7	54.0	65.6
Loans and Advances	8.7	8.5	7.8	7.8	7.8	7.8
Other Assets	31.3	29.5	34.7	38.1	43.9	48.7
Current Liab. and Prov.	59.4	61.7	61.9	79.5	91.5	101.5
Creditors	30.3	32.9	27.9	37.0	42.6	47.2
Other Liabilities	18.1	17.0	22.1	26.6	30.7	34.0
Provisions	11.0	11.7	12.0	15.9	18.3	20.2
Net Current Assets	65.7	75.0	79.2	68.3	80.0	93.6
Application of Funds	80.4	88.0	92.3	101.2	111.5	123.5

Financials and valuations

Ratios

Y/E September	FY18	FY19	FY20	FY21E	FY22E	FY23E
Basic (INR)						
Adjusted EPS	25.1	31.5	21.3	31.7	38.0	44.3
Cash EPS	30.6	37.1	28.3	38.3	44.9	51.5
Book Value	233.3	254.0	266.1	291.4	320.2	353.9
DPS	7.0	7.0	7.0	6.3	7.6	8.9
Payout (incl. Div. Tax.)	20.0	20.0	20.0	20.0	20.0	20.0
Valuation (x)						
P/E	82.0	65.3	96.8	65.0	54.2	46.5
Cash P/E	67.2	55.5	72.8	53.8	45.9	40.0
EV/EBITDA	52.9	45.3	68.4	44.8	37.2	32.1
EV/Sales	5.5	5.3	6.9	5.3	4.5	4.0
Price/Book Value	8.8	8.1	7.7	7.1	6.4	5.8
Dividend Yield (%)	0.3	0.3	0.3	0.3	0.4	0.4
Return Ratios (%)						
RoE	10.8	12.4	8.0	10.9	11.9	12.5
RoCE	11.2	12.7	8.4	11.4	12.3	12.9
RoIC	20.8	28.6	19.3	36.4	42.3	48.1
Turnover Ratios						
Debtors (Days)	107	109	119	119	119	119
Inventory (Days)	33	31	41	41	41	41
Creditors (Days)	87	92	103	103	103	103
Asset Turnover (x)	1.6	1.5	1.1	1.3	1.4	1.4
Leverage Ratio						
Net Debt/Equity (x)	(0.4)	(0.5)	(0.6)	(0.4)	(0.5)	(0.5)

Cash Flow Statement

(INR b)

Y/E March	FY18	FY19	FY20	FY21E	FY22E	FY23E
PBT before EO Items	13.9	17.0	10.2	15.1	18.1	21.1
Depreciation	2.0	2.0	2.5	2.3	2.5	2.6
Interest and other	0.0	0.1	0.3	0.2	0.2	0.2
Direct Taxes Paid	5.0	-6.1	-2.9	-3.8	-4.6	-5.3
(Inc.)/Dec. in WC	-10.7	4.4	-1.4	0.0	-2.4	-2.0
Others	0.0	-1.9	1.2	0.4	0.0	0.0
CF from Operations	0.2	15.5	9.8	14.2	13.8	16.5
(Inc.)/Dec. in FA	-1.6	-0.1	-0.1	-1.0	-1.0	-1.0
Free Cash Flow	-1.3	15.3	9.7	13.2	12.8	15.5
(Pur.)/Sale of Investments	0.0	0.2	0.7	-21.2	0.0	0.0
CF from Investments	-1.6	0.1	0.6	-22.2	-1.0	-1.0
(Inc.)/Dec. in Net worth	0.1	0.0	0.0	0.0	0.0	0.0
Interest Paid	0.1	0.1	0.8	0.2	0.2	0.2
Dividend Paid	3.0	3.0	3.0	2.7	3.2	3.8
CF from Fin. Activity	-3.0	-3.1	-3.8	-2.9	-3.4	-4.0
Inc./Dec. in Cash	-4.3	12.5	6.6	-10.8	9.3	11.6
Add: Beginning Balance	40.7	36.5	48.9	55.5	44.7	54.0
Closing Balance	36.5	48.9	55.5	44.7	54.0	65.6

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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