

August 9, 2023

## Q3SY23 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	4,241		4,018	
Sales (Rs. m)	2,08,681	2,40,108	2,08,384	2,40,098
% Chng.	0.1	-		
EBITDA (Rs. m)	27,629	32,271	27,590	32,269
% Chng.	0.1	-		
EPS (Rs.)	59.6	70.7	59.4	70.5
% Chng.	0.3	0.3		

### Key Financials - Consolidated

Y/e Sep	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	1,61,378	1,94,084	2,08,681	2,40,108
EBITDA (Rs. m)	17,573	25,503	27,629	32,271
Margin (%)	10.9	13.1	13.2	13.4
PAT (Rs. m)	12,619	19,303	21,210	25,165
EPS (Rs.)	35.4	54.2	59.6	70.7
Gr. (%)	22.5	53.0	9.9	18.6
DPS (Rs.)	10.0	15.2	62.9	24.7
Yield (%)	0.3	0.4	1.7	0.7
RoE (%)	11.5	15.7	15.4	16.3
RoCE (%)	13.1	18.0	17.4	18.3
EV/Sales (x)	7.9	6.6	6.1	5.3
EV/EBITDA (x)	72.8	50.1	45.9	39.1
PE (x)	106.6	69.7	63.4	53.5
P/BV (x)	11.6	10.3	9.2	8.3

### Key Data

SIEM.BO | SIEM IN

52-W High / Low	Rs.4,069 / Rs.2,670
Sensex / Nifty	65,847 / 19,571
Market Cap	Rs.1,346bn/ \$ 16,248m
Shares Outstanding	356m
3M Avg. Daily Value	Rs.1895.37m

### Shareholding Pattern (%)

Promoter's	75.00
Foreign	7.59
Domestic Institution	8.01
Public & Others	9.40
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	2.4	21.1	34.6
Relative	1.5	11.6	20.3

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## Strong quarterly performance

### Quick Pointers:

- Relatively lower operating expenses aid EBITDA margin expansion of 195bps.
- Order inflow came in at Rs52.9bn (up 5.9% YoY).

**Siemens (SIEM) reported strong quarterly performance with consolidated revenue up ~14.4% YoY. EBITDA margin expanded 195bps YoY to 11.6%, 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, T&D etc. Order inflows grew 5.9% YoY to Rs52.9bn, driven by base business (up 10.9% YoY) despite some impact on advance ordering in short cycle products.**

**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 and 5) focus on cost efficiencies. The stock is currently trading at PE of 69.7x/63.4x/53.5x SY23/24/25E. We maintain Accumulate rating on stock with TP of Rs4,241 (Rs4018 earlier), valuing it at PE of 60x SY25E (57x earlier), factoring in strong outlook and focus on high growth areas such as digitalization, Automation & energy efficiency product offerings.**

**Growth across segment drive revenues:** Consolidated revenue grew 14.4% YoY to Rs48.7bn (PLe ~Rs47.3bn), driven by growth across segment. On segmental front, Energy grew 4.4% YoY to Rs15.2bn, Smart Infrastructure grew 14.2% YoY to Rs17.2bn, Mobility grew 47.7% YoY to Rs5.8bn and Digital Industries grew 13.2% YoY to Rs11.3bn. EBITDA grew 37.5% YoY to Rs5.7bn, (PLe Rs5.4bn), with EBITDA margin expanding by 195bps YoY to 11.6% (PLe ~11.5%), mainly due to lower other expenses as % of sales (10.8% vs 12% in Q1FY23). PAT came in at ~Rs4.6bn up 50.7% YoY (PLe ~Rs4.1bn), aided by higher other income (up 68.2% YoY to Rs1.3bn).

**Order inflows came in at Rs52.9bn:** Q3FY23 order inflows grew 5.9% YoY to Rs52.9bn, owing to base business orders (up 10.9% YoY). Order book (calculated) stands at ~Rs200bn (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: Lower other expenses drives EBITDA margins**

Y/e March (Rs mn)	Q3SY22	Q4SY22	Q1SY23	Q2SY23	Q3SY23	YoY gr. (%)	QoQ gr. (%)	9MSY23	9MSY22	YoY gr. (%)
Revenue	42,583	46,571	40,151	48,578	48,732	14.4	0.3	137,461	114,807	19.7
<b>Total Revenues</b>	<b>42,583</b>	<b>46,571</b>	<b>40,151</b>	<b>48,578</b>	<b>48,732</b>	<b>14.4</b>	<b>0.3</b>	<b>137,461</b>	<b>114,807</b>	<b>19.7</b>
Expenditure	38,461	41,412	34,159	42,366	43,066	12.0	1.7	119,591	102,394	16.8
<i>as % of sales</i>	90.3	88.9	85.1	87.2	88.4			87.0	89.2	
Consumption of RM	28,877	31,261	26,702	33,254	32,843	13.7	(1.2)	92,799	78,002	19.0
<i>as % of sales</i>	67.8	67.1	66.5	68.5	67.4			67.5	67.9	
Employee Cost	4,454	4,781	4,963	5,077	4,949	11.1	(2.5)	14,989	13,277	12.9
<i>as % of sales</i>	10.5	10.3	12.4	10.5	10.2			10.9	11.6	
Other expenditure	5,130	5,370	2,494	4,035	5,274	2.8	30.7	11,803	11,115	6.2
<i>as % of sales</i>	12.0	11.5	6.2	8.3	10.8			8.6	9.7	
<b>EBITDA</b>	<b>4,122</b>	<b>5,159</b>	<b>5,992</b>	<b>6,212</b>	<b>5,666</b>	<b>37.5</b>	<b>(8.8)</b>	<b>17,870</b>	<b>12,413</b>	<b>44.0</b>
Depreciation	787	798	761	785	876	11.3	11.6	2,422	2,374	2.0
<b>EBIT</b>	<b>3,335</b>	<b>4,361</b>	<b>5,231</b>	<b>5,427</b>	<b>4,790</b>	<b>43.6</b>	<b>(11.7)</b>	<b>15,448</b>	<b>10,039</b>	<b>53.9</b>
Other Income	787	1,028	1,017	1,166	1,324	68.2	13.6	3,507	2,051	71.0
Interest	44	132	37	99	43	(2.3)	(56.6)	179	232	(22.8)
<b>PBT</b>	<b>4,078</b>	<b>5,257</b>	<b>6,211</b>	<b>6,494</b>	<b>6,071</b>	<b>48.9</b>	<b>(6.5)</b>	<b>18,776</b>	<b>11,858</b>	<b>58.3</b>
Total Tax	1,053	1,440	1,584	1,776	1,513	43.7	(14.8)	4,873	3,058	59.4
<b>Reported PAT</b>	<b>3,025</b>	<b>3,817</b>	<b>4,627</b>	<b>4,718</b>	<b>4,558</b>	<b>50.7</b>	<b>(3.4)</b>	<b>13,903</b>	<b>8,800</b>	<b>58.0</b>
<b>Adjusted PAT</b>	<b>3,025</b>	<b>3,817</b>	<b>4,627</b>	<b>4,718</b>	<b>4,558</b>	<b>50.7</b>	<b>(3.4)</b>	<b>13,903</b>	<b>8,800</b>	<b>58.0</b>
<b>Adjusted EPS</b>	<b>8.5</b>	<b>10.7</b>	<b>13.0</b>	<b>13.3</b>	<b>12.8</b>	<b>50.7</b>	<b>(3.4)</b>	<b>35.4</b>	<b>29.1</b>	<b>21.7</b>
<b>Margins (%)</b>	<b>Q3SY22</b>	<b>Q4SY22</b>	<b>Q1SY23</b>	<b>Q2SY23</b>	<b>Q3SY23</b>	<b>bps</b>	<b>bps</b>	<b>9MSY23</b>	<b>9MSY22</b>	<b>bps</b>
EBIDTA	9.7	11.1	14.9	12.8	11.6	195	(116)	13.0	10.8	219
EBIT	7.8	9.4	13.0	11.2	9.8	200	(134)	11.2	8.7	249
EBT	9.6	11.3	15.5	13.4	12.5	288	(91)	13.7	10.3	333
PAT	7.1	8.2	11.5	9.7	9.4	225	(36)	10.1	7.7	245
Effective Tax rate	25.8	27.4	25.5	27.3	24.9	(90)	(243)	26.0	25.8	16

Source: Company, PL

**Exhibit 2: Growth across segment drives revenue growth of 14.4% YoY**

Y/e March (Rs mn)	Q3SY22	Q4SY22	Q1SY23	Q2SY23	Q3SY23	YoY gr. (%)	QoQ gr. (%)	9MSY23	9MSY22	YoY gr. (%)
<b>Revenue</b>										
Energy	14,544	16,316	11,601	15,554	15,181	4.4	(2.4)	42,336	37,394	13.2
Smart Infrastructure	15,060	16,658	15,197	17,249	17,206	14.2	(0.2)	49,652	42,830	15.9
Mobility	3,911	4,418	3,838	4,864	5,776	47.7	18.8	14,478	9,869	46.7
Digital Industries	9,962	9,444	10,193	11,407	11,273	13.2	(1.2)	32,873	26,611	23.5
Others	184	402	233	337	270	46.7	(19.9)	840	638	31.7
Less: Intersegment revenue	(1,078)	(667)	(911)	(833)	(974)	(9.6)	16.9	(2,718)	(2,535)	7.2
<b>Total</b>	<b>42,583</b>	<b>46,571</b>	<b>40,151</b>	<b>48,578</b>	<b>48,732</b>	<b>14.4</b>	<b>0.3</b>	<b>137,461</b>	<b>114,807</b>	<b>19.7</b>
<b>EBIT</b>										
Energy	1,243	1,550	1,331	1,766	1,585	27.5	(10.2)	4,682	4,098	14.3
<i>EBIT margin (%)</i>	8.5	9.5	11.5	11.4	10.4			11.1	11.0	
Smart Infrastructure	1,072	1,283	1,328	1,947	1,737	62.0	(10.8)	5,012	2,559	95.9
<i>EBIT margin (%)</i>	7.1	7.7	8.7	11.3	10.1			10.1	6.0	
Mobility	183	378	135	423	371	102.7	(12.3)	929	853	8.9
<i>EBIT margin (%)</i>	4.7	8.6	3.5	8.7	6.4			6.4	8.6	
Digital Industries	828	1,114	2,427	1,277	1,081	30.6	(15.3)	4,785	2,486	92.5
<i>EBIT margin (%)</i>	8.3	11.8	23.8	11.2	9.6			14.6	9.3	
Others	9	36	10	14	16	77.8	14.3	40	43	-7.0
<i>EBIT margin (%)</i>	4.9	9.0	4.3	4.2	5.9			4.8	6.7	

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Sep	FY22	FY23E	FY24E	FY25E
<b>Net Revenues</b>	<b>1,61,378</b>	<b>1,94,084</b>	<b>2,08,681</b>	<b>2,40,108</b>
YoY gr. (%)	22.3	20.3	7.5	15.1
Cost of Goods Sold	1,09,263	1,29,085	1,37,855	1,58,135
Gross Profit	52,115	64,999	70,826	81,973
Margin (%)	32.3	33.5	33.9	34.1
Employee Cost	18,057	20,767	21,703	24,731
Other Expenses	9,647	8,637	10,434	12,005
<b>EBITDA</b>	<b>17,573</b>	<b>25,503</b>	<b>27,629</b>	<b>32,271</b>
YoY gr. (%)	18.1	45.1	8.3	16.8
Margin (%)	10.9	13.1	13.2	13.4
Depreciation and Amortization	3,171	3,299	3,670	4,090
<b>EBIT</b>	<b>14,402</b>	<b>22,204</b>	<b>23,959</b>	<b>28,180</b>
Margin (%)	8.9	11.4	11.5	11.7
Net Interest	363	388	403	420
Other Income	3,078	4,270	4,800	5,883
<b>Profit Before Tax</b>	<b>17,117</b>	<b>26,085</b>	<b>45,296</b>	<b>33,643</b>
Margin (%)	10.6	13.4	21.7	14.0
Total Tax	4,498	6,782	7,146	8,478
Effective tax rate (%)	26.3	26.0	15.8	25.2
<b>Profit after tax</b>	<b>12,619</b>	<b>19,303</b>	<b>38,150</b>	<b>25,165</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>12,619</b>	<b>19,303</b>	<b>21,210</b>	<b>25,165</b>
YoY gr. (%)	22.5	53.0	9.9	18.6
Margin (%)	7.8	9.9	10.2	10.5
Extra Ord. Income / (Exp)	-	-	16,940	-
<b>Reported PAT</b>	<b>12,619</b>	<b>19,303</b>	<b>38,150</b>	<b>25,165</b>
YoY gr. (%)	22.5	53.0	97.6	(34.0)
Margin (%)	7.8	9.9	18.3	10.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,619	19,303	38,150	25,165
<b>Equity Shares O/s (m)</b>	<b>356</b>	<b>356</b>	<b>356</b>	<b>356</b>
<b>EPS (Rs)</b>	<b>35.4</b>	<b>54.2</b>	<b>59.6</b>	<b>70.7</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Sep	FY22	FY23E	FY24E	FY25E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>24,526</b>	<b>28,196</b>	<b>32,196</b>	<b>36,196</b>
Tangibles	24,526	28,196	32,196	36,196
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>11,453</b>	<b>14,752</b>	<b>18,422</b>	<b>22,512</b>
Tangibles	11,453	14,752	18,422	22,512
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>13,073</b>	<b>13,444</b>	<b>13,774</b>	<b>13,684</b>
Tangibles	13,073	13,444	13,774	13,684
Intangibles	-	-	-	-
Capital Work In Progress	18,513	18,513	18,513	19,513
Goodwill	-	-	-	-
Non-Current Investments	3,961	3,896	5,231	5,056
Net Deferred tax assets	975	975	975	975
Other Non-Current Assets	9,833	12,615	15,025	16,808
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	21,650	22,865	24,584	26,313
Trade receivables	39,194	46,520	50,019	55,612
Cash & Bank Balance	65,841	68,967	77,665	83,936
Other Current Assets	21,512	22,708	25,042	28,093
<b>Total Assets</b>	<b>2,00,115</b>	<b>2,23,211</b>	<b>2,44,564</b>	<b>2,67,142</b>
<b>Equity</b>				
Equity Share Capital	712	712	712	712
Other Equity	1,15,390	1,29,288	1,45,055	1,61,413
<b>Total Network</b>	<b>1,16,102</b>	<b>1,30,000</b>	<b>1,45,767</b>	<b>1,62,125</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	40,428	46,793	49,740	54,600
Other current liabilities	44,484	47,317	49,956	51,317
<b>Total Equity &amp; Liabilities</b>	<b>2,00,115</b>	<b>2,23,211</b>	<b>2,44,564</b>	<b>2,67,142</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Sep	FY22	FY23E	FY24E	FY25E
PBT	20,817	26,085	28,356	33,643
Add. Depreciation	3,171	3,299	3,670	4,090
Add. Interest	363	388	403	420
Less Financial Other Income	3,078	4,270	4,800	5,883
Add. Other	(5,732)	-	-	-
Op. profit before WC changes	18,619	29,772	32,429	38,153
Net Changes-WC	(3,619)	(10,401)	(6,740)	(9,176)
Direct tax	(5,215)	(6,782)	(7,146)	(8,478)
<b>Net cash from Op. activities</b>	<b>9,785</b>	<b>12,589</b>	<b>18,543</b>	<b>20,499</b>
Capital expenditures	(1,313)	(3,670)	(4,000)	(5,000)
Interest / Dividend Income	2,255	-	-	-
Others	(1,295)	-	-	-
<b>Net Cash from Inv. activities</b>	<b>(353)</b>	<b>(3,670)</b>	<b>(4,000)</b>	<b>(5,000)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	(25)	-	-	-
Dividend paid	(2,849)	(5,405)	(22,383)	(8,808)
Interest paid	(248)	(388)	(403)	(420)
Others	(800)	-	16,940	-
<b>Net cash from Fin. activities</b>	<b>(3,922)</b>	<b>(5,793)</b>	<b>(5,846)</b>	<b>(9,228)</b>
<b>Net change in cash</b>	<b>5,510</b>	<b>3,126</b>	<b>8,697</b>	<b>6,271</b>
Free Cash Flow	8,225	8,919	14,543	15,499

Source: Company Data, PL Research

**Key Financial Metrics**

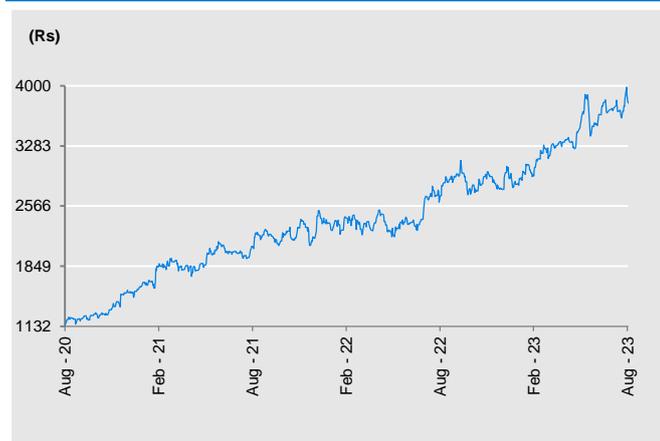
Y/e Sep	FY22	FY23E	FY24E	FY25E
<b>Per Share(Rs)</b>				
EPS	35.4	54.2	59.6	70.7
CEPS	44.4	63.5	69.9	82.2
BVPS	326.1	365.2	409.5	455.4
FCF	23.1	25.1	40.9	43.5
DPS	10.0	15.2	62.9	24.7
<b>Return Ratio(%)</b>				
RoCE	13.1	18.0	17.4	18.3
ROIC	24.2	30.4	33.5	30.1
RoE	11.5	15.7	15.4	16.3
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.6)	(0.5)	(0.5)	(0.5)
Net Working Capital (Days)	46	42	43	42
<b>Valuation(x)</b>				
PER	106.6	69.7	63.4	53.5
P/B	11.6	10.3	9.2	8.3
P/CEPS	85.2	59.5	54.1	46.0
EV/EBITDA	72.8	50.1	45.9	39.1
EV/Sales	7.9	6.6	6.1	5.3
Dividend Yield (%)	0.3	0.4	1.7	0.7

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Sep	Q4SY22	Q1SY23	Q2SY23	Q3SY23
<b>Net Revenue</b>	<b>46,571</b>	<b>40,151</b>	<b>48,578</b>	<b>48,732</b>
YoY gr. (%)	11.6	17.4	27.8	14.4
Raw Material Expenses	31,261	26,702	33,254	32,843
Gross Profit	15,310	13,449	15,324	15,889
Margin (%)	32.9	33.5	31.5	32.6
<b>EBITDA</b>	<b>5,159</b>	<b>5,992</b>	<b>6,212</b>	<b>5,666</b>
YoY gr. (%)	16.0	66.6	32.3	37.5
Margin (%)	11.1	14.9	12.8	11.6
Depreciation / Depletion	798	761	785	876
<b>EBIT</b>	<b>4,361</b>	<b>5,231</b>	<b>5,427</b>	<b>4,790</b>
Margin (%)	9.4	13.0	11.2	9.8
Net Interest	132	37	99	43
Other Income	1,028	1,017	1,166	1,324
<b>Profit before Tax</b>	<b>5,257</b>	<b>6,211</b>	<b>6,494</b>	<b>6,071</b>
Margin (%)	11.3	15.5	13.4	12.5
Total Tax	1,440	1,584	1,776	1,513
Effective tax rate (%)	27.4	25.5	27.3	24.9
<b>Profit after Tax</b>	<b>3,817</b>	<b>4,627</b>	<b>4,718</b>	<b>4,558</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>3,817</b>	<b>4,627</b>	<b>4,718</b>	<b>4,558</b>
YoY gr. (%)	20.7	86.8	43.1	50.7
Margin (%)	8.2	11.5	9.7	9.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>3,817</b>	<b>4,627</b>	<b>4,718</b>	<b>4,558</b>
YoY gr. (%)	20.7	86.8	43.1	50.7
Margin (%)	8.2	11.5	9.7	9.4
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>3,817</b>	<b>4,627</b>	<b>4,718</b>	<b>4,558</b>
Avg. Shares O/s (m)	356	356	356	356
<b>EPS (Rs)</b>	<b>10.7</b>	<b>13.0</b>	<b>13.3</b>	<b>12.8</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	Accumulate	4,018	3,731
2	20-May-23	Accumulate	4,018	3,723
3	12-May-23	Accumulate	4,254	3,898
4	11-Apr-23	Accumulate	3,351	3,384
5	14-Feb-23	Accumulate	3,351	3,124
6	04-Jan-23	Accumulate	3,290	2,837
7	09-Dec-22	Accumulate	3,290	2,967
8	23-Nov-22	Accumulate	3,116	2,770
9	04-Oct-22	Accumulate	3,116	2,750

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	4,119	4,400
2	Apar Industries	Accumulate	4,100	3,782
3	Bharat Electronics	Accumulate	140	130
4	BHEL	Reduce	67	93
5	Carborundum Universal	BUY	1,482	1,259
6	Cummins India	Hold	1,788	1,796
7	Engineers India	Accumulate	116	120
8	GE T&D India	Hold	184	216
9	Grindwell Norton	BUY	2,604	2,191
10	Harsha Engineers International	Accumulate	474	432
11	Kalpataru Projects International	BUY	625	555
12	KEC International	Hold	645	658
13	Larsen & Toubro	BUY	2,955	2,560
14	Praj Industries	BUY	475	416
15	Siemens	Accumulate	4,018	3,731
16	Thermax	Hold	2,613	2,602
17	Triveni Turbine	Accumulate	419	398
18	Voltamp Transformers	Hold	3,961	4,069

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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