

Siemens

Estimate changes



TP change



Rating change



Bloomberg	SIEM IN
Equity Shares (m)	356
M.Cap.(INRb)/(USDb)	1851.5 / 21.3
52-Week Range (INR)	8130 / 4118
1, 6, 12 Rel. Per (%)	-13/-20/17
12M Avg Val (INR M)	2700

Financials Snapshot (INR b)

Y/E SEP	FY25E	FY26E	FY27E
Net Sales	239.1	275.5	317.9
EBITDA	33.5	40.8	48.1
PAT	27.4	33.8	40.2
EPS (INR)	76.9	94.9	112.9
GR. (%)	0.8	23.4	19.0
BV/Sh (INR)	488.1	558.2	641.6

Ratios

ROE (%)	16.7	18.1	18.8
RoCE (%)	17.0	18.4	19.0

Valuations

P/E (X)	67.6	54.8	46.1
P/BV (X)	10.7	9.3	8.1
EV/EBITDA (X)	51.4	41.6	34.7
Div Yield (%)	0.4	0.5	0.6

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	75.0	75.0	75.0
DII	6.8	6.9	7.7
FII	8.8	8.7	7.9
Others	9.5	9.4	9.4

FII Includes depository receipts

CMP: INR5,199
TP: INR5,750 (+11%)
Neutral

Demerger on track

Siemens has reported demerged financials for 1QFY25. For the combined entity, revenue was 9% below estimates and PAT was 3% above estimates. Revenue/PAT grew 4%/22% YoY, largely driven by the energy segment. The non-energy segments were impacted by a slowdown in the short-cycle private sector capex spending and the normalization of demand in digital industries business. The energy segment's demerger is on track. We lower our EPS estimates by 7%/8%/10% for FY25/FY26/FY27 to factor in a slower-than-expected pickup in the smart infrastructure, digital industries and mobility segments and slightly better growth in the energy segment. We will revisit our numbers once we have full-year details of the demerged business; hence, our current estimates are consolidated estimates for Siemens as a combined entity. We maintain Neutral rating on the stock with a revised TP of INR5,750, based on 55x Mar'27 estimates for the combined entity.

Revenue/PAT (combined entity) 9% below/3% ahead of our estimates

Siemens reported financials separately for non-energy business in the quarter. Performance of the company for this quarter was impacted by a slowdown in the short-cycle private sector capex spending and the normalization of demand in Digital Industries business. Revenue for non-energy business was down 3% YoY/20% QoQ, while revenue for the energy business was up 26% YoY. Combined revenues for Siemens were up by 4% YoY at INR50b vs. our estimate of INR55b. Gross margin for the non-energy segment grew by 330bp YoY to 32.5% in the quarter. EBITDA margin for non-energy business stood at 11.2%, down 100bp YoY and QoQ, and net profit was down by 10% YoY/29% QoQ. This was due to weaker-than-expected growth in the smart infrastructure, mobility segment and digital industries segments. All three segments' revenues were lower than our estimates. Digital industries segment continued to face pressure on both revenues and margins, which impacted overall margins for the non-energy business. For energy business, the implied EBITDA margin stood at 21.5% for 1QFY25. Combined entity PAT was 3% ahead of our estimates, mainly driven by energy segment. The company declared a dividend of INR12 for FY24.

Segmental performance

Energy segment financials were reported separately by the company, with revenue growing 26% YoY and implied PBIT margin expanding YoY to 21.5%. The outlook remains strong for India and overseas, emanating from the global shift toward renewables. The demerger is on track to be completed in CY25.

Digital Industries continued to face challenges in the form of customer destocking and supply chain issues. Revenue decreased 24% YoY, while margins halved YoY to 6.1% in 1QFY25 vs. 12.7% in 1QFY24. Order inflows will start picking up once private capex sees a broad-based revival, which is currently tepid. **Mobility** revenue was down 4% YoY, while margins expanded ~60bp YoY to 8.1%, in line with estimates. **Smart Infra** revenue grew 6% YoY, while margins jumped ~140bp YoY to 12.0%.

Outlook across segments

We expect the **energy** segment of Siemens to benefit from continued focus on renewable capacity addition and T&D network. The company is selective across HVDC projects in terms of technology used, and hence, it will limit the large HVDC order inflow for Siemens. However, management remains optimistic on prospects for this segment, with a robust domestic and export opportunity pipeline converging with SIEM's wide range of offerings. **Smart infra** segment is expected to benefit from continued investments seen across data centers, EV charging infra, commercial real estate, and industrial investments. Siemens continues to face challenges in growing **digital industries** at a fast pace due to demand normalization of industrial automation products as supply chain snags eased; hence, growth in near to medium term may remain impacted. For **mobility segment**, as highlighted by the company earlier, the order pipeline is currently weak, as there are no imminent big-ticket railways orders. During the quarter, excl. energy business, order inflows grew by 20% YoY. However, revenue declined due to weak order inflows during FY24.

Financial outlook

We lower our estimates for the combined entity on account of lower growth in all segments, except Energy. We expect the company to clock a revenue/EBITDA/PAT CAGR of 13%/16%/14% over FY24-27E. We will revisit our numbers once we have full-year details of the demerged business; hence, our current estimates are consolidated estimates for Siemens as a combined entity.

Valuation and view

The stock is currently trading at a P/E of 68x/55x/46x on FY25E/FY26E/FY27E EPS. We value the stock at 55x on Mar'27E EPS and maintain our **Neutral** rating with a revised TP of INR5,750 (INR6,300 earlier).

Key risks and concerns

1) Slowdown in order inflows from key government-focused segments such as transmission and railways, 2) aggression in bids to procure large-sized projects would adversely impact margins, 3) related-party transactions with parent group entities at lower-than-market valuations to weigh on the stock performance.

Consolidated - Quarterly Earning Model (non-energy)			(INR m)
Y/E September	1QFY24	4QFY24	1QFY25
Net income from operations	37,095	44,570	35,872
Expenses	-32,565	-39,122	-31,863
Stock	4,099	-1,462	1,051
Raw material	-30,369	-29,807	-25,260
Employee	-3,764	-4,068	-4,053
Other Exp	-2,531	-3,785	-3,601
Operating profit	4,530	5,448	4,009
OPM%	12.2	12.2	11.2
Other income	1,618	2,355	1,723
EBIDT	6,148	7,803	5,732
Interest	-28	-178	-34
Depreciation	-605	-624	-689
PBT	5,515	7,001	5,009
Tax	-1,399	-1,776	-1,288
Net profit	4,116	5,225	3,721
Net profit margin (%)	11.1	11.7	10.4

Quarterly Performance

(INR m)

	FY24				FY25E				FY24	FY25E
INR m	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Segmental revenue										
Energy	11,454	16,375	14,865	20,758	14,378	17,194	18,135	21,994	63,452	71,701
YoY (%)	-1.3	5.3	-2.1	12.4	25.5	5.0	22.0	6.0	4.4	13.0
Smart infrastructure	18,523	21,655	19,700	22,700	19,549	22,738	24,625	25,576	82,578	92,487
YoY (%)	21.9	25.5	14.5	7.6	5.5	5.0	25.0	12.7	16.7	12.0
Mobility	6,597	7,573	6,168	8,824	6,364	8,179	8,327	10,667	29,162	33,536
YoY (%)	71.9	55.7	6.8	23.9	-3.5	8.0	35.0	20.9	35.0	15.0
Digital industry*	10,379	10,419	9,644	10,519	7,901	8,856	8,872	9,187	40,961	34,817
YoY (%)	33.3	16.0	7.7	11.2	-23.9	-15.0	-8.0	-12.7	16.4	-15.0
Portfolio Companies	2,219	2,171	2,370	2,606	2,290	2,214	2,417	3,381	9,366	10,303
Total	49,333	58,468	52,962	65,791	50,721	59,470	62,603	71,137	2,26,554	2,43,931
Less: Intersegmental	-1,081	-969	-927	-1,180	-541	-1,189	-1,252	-1,896	-4,157	-4,879
Total revenues	48,252	57,499	52,035	64,611	50,180	58,280	61,351	69,241	2,22,397	2,39,052
Segmental EBIT (derived, not reported for 1QFY25)										
Energy#	1,251	2,243	1,903	3,701	3,095	2,407	2,630	3,340	9,098	11,472
Margin (%)	10.9	13.7	12.8	17.8	21.5	14.0	14.5	15.2	14.3	16.0
Smart infrastructure	1,964	3,097	2,772	3,045	2,351	2,956	3,324	3,392	10,878	12,023
Margin (%)	10.6	14.3	14.1	13.4	12.0	13.0	13.5	13.3	13.2	13.0
Mobility	492	698	161	723	513	712	749	1,044	2,074	3,018
Margin (%)	7.5	9.2	2.6	8.2	8.1	8.7	9.0	9.8	7.1	9.0
Digital industry	1,313	1,721	908	988	484	620	799	535	4,930	2,437
Margin (%)	12.7	16.5	9.4	9.4	6.1	7.0	9.0	5.8	12.0	7.0
Total	5,034	7,769	5,782	8,484	6,454	6,719	7,521	8,348	27,069	29,042

*Digital industry estimates include digital plus portfolio of companies; #Energy segment margins are implied margins for 1QFY25

Financial outlook

Exhibit 1: FY24 order inflow grew 14%, excluding the large 9,000HP order (INR b)

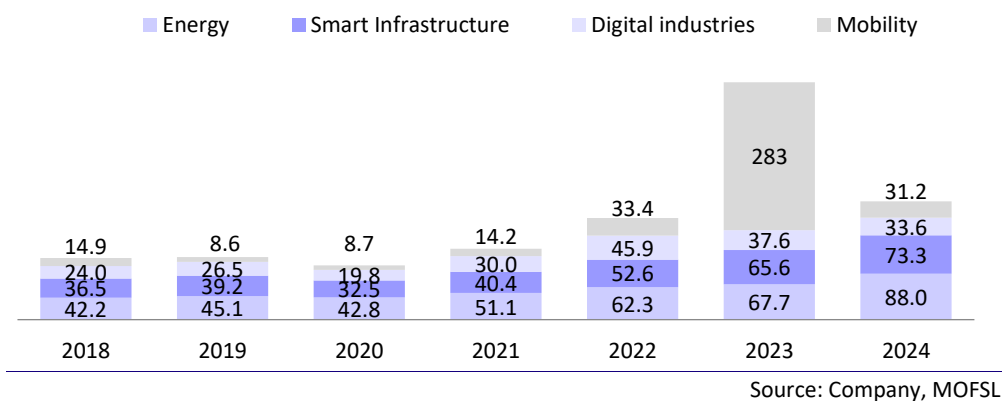


Exhibit 2: Segment-wise revenue breakup (INR b)

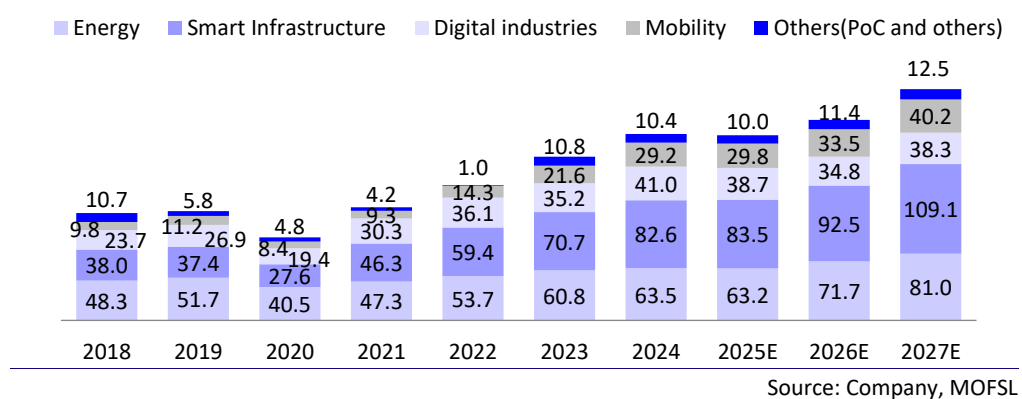


Exhibit 3: We expect revenue CAGR of 13% over FY24-27

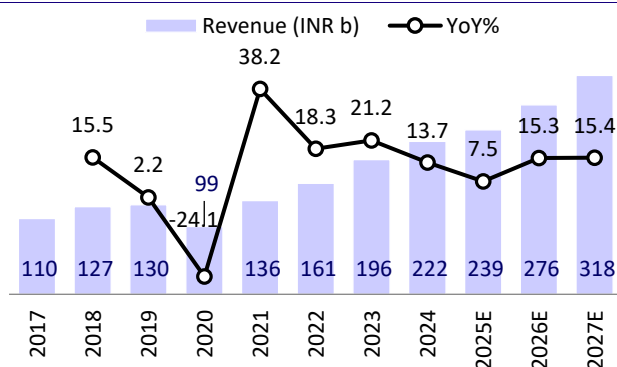


Exhibit 4: We expect EBITDA margin in the 14-15% range

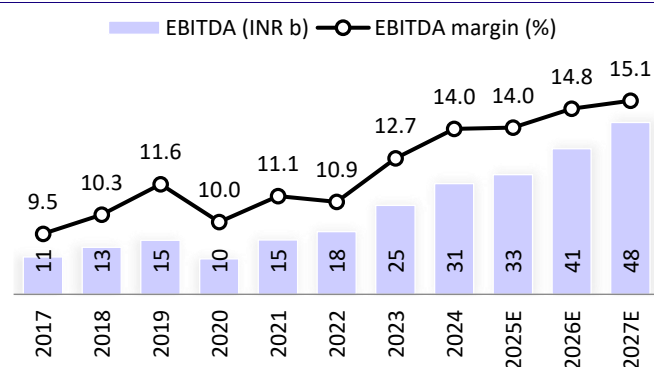
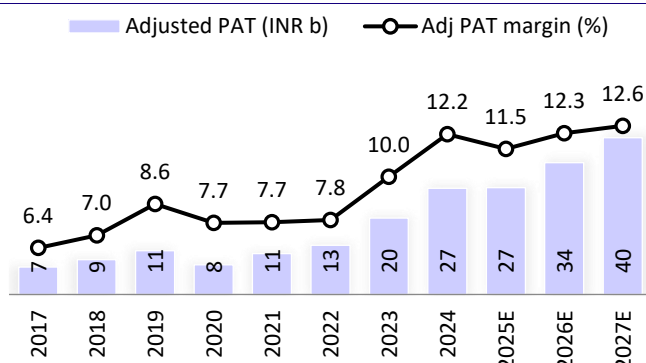
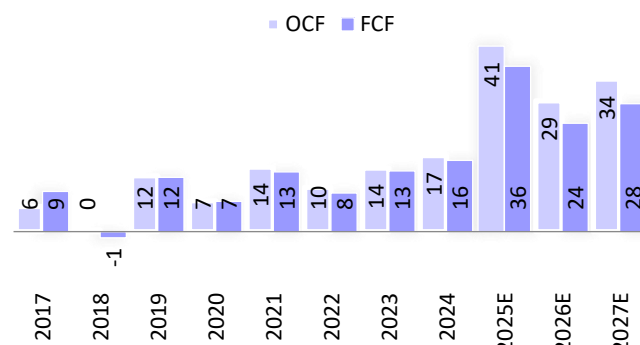
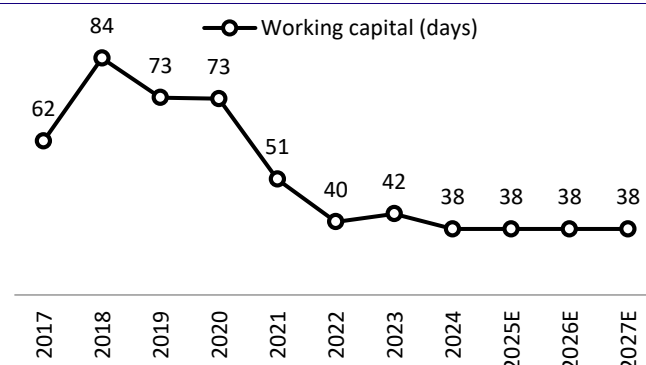


Exhibit 5: We expect PAT to reflect improvement in EBITDA margin

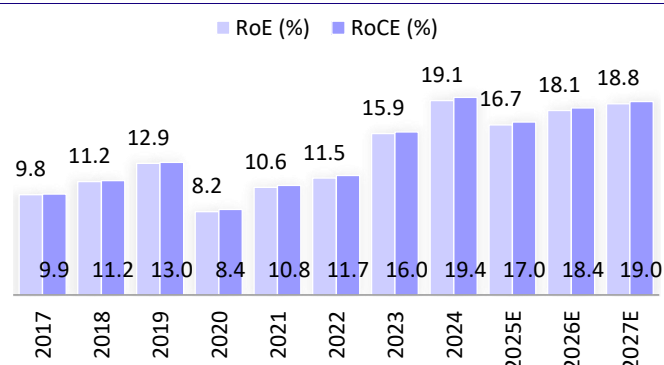
Source: Company, MOFSL

Exhibit 6: We expect OCF & FCF to start improving from FY25 (INR b)

Source: Company, MOFSL

Exhibit 7: We expect higher working capital to bake in project-based nature of projects (days)

Source: Company, MOFSL

Exhibit 8: We expect RoE and RoCE improvement to be led by improved PAT

Source: Company, MOFSL

Exhibit 9: We cut out estimates on account of lower growth in non-energy segments

(INR M)	FY25E			FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	2,39,052	2,57,617	(7.2)	2,75,550	3,00,503	(8.3)	3,17,931	3,51,231	(9.5)
EBITDA	33,482	36,010	(7.0)	40,783	44,379	(8.1)	48,118	53,529	(10.1)
EBITDA (%)	14.0	14.0	3 bps	14.8	14.8	3 bps	15.1	15.2	-11 bps
aaj. PAT	27,391	29,288	(6.5)	33,791	36,542	(7.5)	40,200	44,406	(9.5)
EPS (INR)	76.9	82.2	(6.5)	94.9	102.6	(7.5)	112.9	124.7	(9.5)

Source: MOFSL

Key risks and concerns

- Slowdown in order inflows from key government-focused segments such as transmission and railways owing to the election schedule.
- Aggression in bids to procure large-sized projects would adversely impact margins.
- Related-party transactions with parent group entities at lower-than-market valuations to weigh on the stock performance.

Financials and Valuation

Consolidated - Income Statement							(INR m)
Y/E September	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	1,36,392	1,61,378	1,95,538	2,22,397	2,39,052	2,75,550	3,17,931
Change (%)	38.2	18.3	21.2	13.7	7.5	15.3	15.4
Gross Profit	43,275	52,115	61,626	72,471	77,898	89,791	1,05,192
Total Expenditure	1,21,207	1,43,805	1,70,667	1,91,357	2,05,570	2,34,766	2,69,813
EBITDA	15,185	17,573	24,871	31,040	33,482	40,783	48,118
Margin (%)	11.1	10.9	12.7	14.0	14.0	14.8	15.1
Depreciation	3,005	3,171	3,208	3,296	3,461	3,672	3,926
EBIT	12,180	14,402	21,663	27,744	30,021	37,112	44,192
Int. and Finance Charges	246	363	228	605	605	605	605
Other Income	2,265	3,078	4,962	9,253	7,438	8,959	10,502
PBT bef. EO Exp.	14,199	17,117	26,397	36,392	36,853	45,466	54,089
PBT after EO Exp.	14,199	17,117	26,397	36,392	36,853	45,466	54,089
Total Tax	3,698	4,498	6,778	9,211	9,463	11,674	13,889
Tax Rate (%)	26.0	26.3	25.7	25.3	25.7	25.7	25.7
Reported PAT	10,501	12,619	19,619	27,181	27,391	33,791	40,200
Adjusted PAT	10,501	12,619	19,619	27,181	27,391	33,791	40,200
Change (%)	38.6	20.2	55.5	38.5	0.8	23.4	19.0
Margin (%)	7.7	7.8	10.0	12.2	11.5	12.3	12.6

Consolidated - Balance Sheet							(INR m)
Y/E September	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	712	712	712	712	712	712	712
Total Reserves	1,02,778	1,15,390	1,30,159	1,52,855	1,73,097	1,98,068	2,27,777
Net Worth	1,03,490	1,16,102	1,30,871	1,53,567	1,73,809	1,98,780	2,28,489
Minority Interest	81	76	86	94	94	94	94
Total Loans	25	0	0	0	0	0	0
Deferred Tax Liabilities	-473	-975	-1,627	-2,776	-2,776	-2,776	-2,776
Capital Employed	1,03,123	1,15,203	1,29,330	1,50,885	1,71,127	1,96,098	2,25,807
Gross Block	30,118	31,906	34,303	38,359	42,821	47,728	53,127
Less: Accum. Deprn.	10,774	13,945	17,153	20,449	23,910	27,582	31,508
Net Fixed Assets	19,344	17,961	17,150	17,910	18,910	20,146	21,618
Goodwill on Consolidation	11,732	12,354	12,576	12,576	12,576	12,576	12,576
Capital WIP	350	517	501	1,034	1,034	1,034	1,034
Total Investments	972	766	668	653	1,189	1,189	1,189
Curr. Assets, Loans&Adv.	1,46,705	1,68,323	1,83,567	2,18,044	2,62,689	3,06,130	3,56,981
Inventory	17,969	21,650	25,046	26,305	28,275	32,592	37,605
Account Receivables	51,061	56,544	59,211	75,319	80,960	93,320	1,07,673
Cash and Bank Balance	51,591	65,841	76,507	95,679	1,31,161	1,54,520	1,82,052
Loans and Advances	8,185	7,113	7,288	4,618	4,964	5,722	6,602
Other Current Assets	17,899	17,175	15,515	16,123	17,330	19,976	23,049
Curr. Liability & Prov.	75,980	84,912	84,622	99,332	1,25,272	1,44,977	1,67,592
Other Current Liabilities	62,899	75,013	67,394	80,648	86,688	99,923	1,15,291
Provisions	13,081	9,899	17,228	18,684	38,584	45,054	52,300
Net Current Assets	70,725	83,411	98,945	1,18,712	1,37,417	1,61,153	1,89,389
Misc Expenditure	0	194	-510	0	0	0	0
Appl. of Funds	1,03,123	1,15,203	1,29,330	1,50,885	1,71,127	1,96,098	2,25,807

Financials and Valuation

Ratios

Y/E September	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)							
EPS	29.5	35.4	55.1	76.3	76.9	94.9	112.9
Cash EPS	37.9	44.3	64.1	85.6	86.6	105.2	123.9
BV/Share	290.6	326.0	367.5	431.2	488.1	558.2	641.6
DPS	8.0	10.0	10.0	12.0	20.1	24.8	29.5
Payout (%)	32.7	28.2	18.2	15.7	26.1	26.1	26.1
Valuation (x)							
P/E	176.3	146.7	94.4	68.1	67.6	54.8	46.1
Cash P/E	137.1	117.3	81.1	60.8	60.0	49.4	42.0
P/BV	17.9	15.9	14.1	12.1	10.7	9.3	8.1
EV/Sales	13.2	11.1	9.1	7.9	7.2	6.2	5.2
EV/EBITDA	118.5	101.6	71.3	56.5	51.4	41.6	34.7
Dividend Yield (%)	0.2	0.2	0.2	0.2	0.4	0.5	0.6
Return Ratios (%)							
RoE	10.6	11.5	15.9	19.1	16.7	18.1	18.8
RoCE	10.8	11.7	16.0	19.4	17.0	18.4	19.0
RoIC	21.1	21.6	32.3	39.4	48.9	71.6	81.2
Working Capital Ratios							
Asset Turnover (x)	1.3	1.4	1.5	1.5	1.4	1.4	1.4
Inventory (Days)	48	49	47	43	43	43	43
Debtor (Days)	137	128	111	124	124	124	124
Leverage Ratio (x)							
Current Ratio	1.9	2.0	2.2	2.2	2.1	2.1	2.1
Interest Cover Ratio	49.5	39.7	95.0	45.9	49.6	61.3	73.0
Net Debt/Equity	-0.5	-0.6	-0.6	-0.6	-0.8	-0.8	-0.8

Consolidated - Cash flow Statement

Y/E September	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
(INR m)							
OP/(Loss) before Tax	15,058	20,817	26,397	36,392	36,853	45,466	54,089
Depreciation	3,005	3,171	3,208	3,296	3,461	3,672	3,926
Interest & Finance Charges	246	363	228	605	605	605	605
Direct Taxes Paid	-3,735	-5,215	-8,033	-8,314	-9,463	-11,674	-13,889
(Inc)/Dec in WC	2,339	-3,619	-5,143	-6,706	16,776	-376	-704
CF from Operations	16,913	15,517	16,657	25,273	48,233	37,692	44,028
Others	-2,692	-5,732	-2,657	-8,578	-7,438	-8,959	-10,502
CF from Operating incl EO	14,221	9,785	14,000	16,695	40,796	28,733	33,526
(Inc)/Dec in FA	-1,074	-1,313	-664	-1,022	-4,462	-4,908	-5,399
Free Cash Flow	13,147	8,472	13,336	15,673	36,334	23,825	28,127
(Pur)/Sale of Investments	-13,623	4,419	-2,159	6	-536	0	0
Others	-9,196	-3,459	-4,765	-4,036	7,438	8,959	10,502
CF from Investments	-23,893	-353	-7,588	-5,052	2,440	4,051	5,104
Inc/(Dec) in Debt	-2,385	-825	-893	-1,017	0	0	0
Interest Paid	-140	-248	-45	-148	-605	-605	-605
Dividend Paid	-2,493	-2,849	-3,561	-3,568	-7,149	-8,820	-10,492
CF from Fin. Activity	-5,018	-3,922	-4,499	-4,733	-7,754	-9,425	-11,097
Inc/Dec of Cash	-14,690	5,510	1,913	6,910	35,482	23,360	27,532
Opening Balance	55,517	51,591	65,841	76,507	95,679	1,31,161	1,54,520
Closing Balance	51,591	65,841	76,507	95,679	1,31,161	1,54,520	1,82,052

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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