

FIRST LIGHT

RESEARCH

BOB ECONOMICS RESEARCH | CAPEX TRENDS

How has state capex performed in Q1FY24?

SIEMENS INDIA | TARGET: Rs 3,900 | +3% | HOLD

All-round growth; clarity awaited on LV motors hive-off

ACC | TARGET: Rs 1,964 | -1% | HOLD

Synergies with Ambuja propel volumes

SUMMARY

INDIA ECONOMICS: CAPEX TRENDS

Capital expenditure by the government continues to remain the key driver of economic growth in the last few years. The Central government has progressively increased its capital expenditure as it aims to spur investment and growth. In the Union Budget this year, the capex allotment by the Centre was increased to Rs 10 lakh crores or 3.3% of GDP. The move was aimed at kick starting a virtuous cycle of investment in the economy, nudging private investment in the process. In Q1FY24, Centre's capex spending has been robust at Rs 2.78 lakh crores which is 27.8% of FY24BE. This is higher than 23.4% in the same period last year. On a YoY basis, Centre's capex spending increased by 59.1% in Q1FY24.

[Click here for the full report.](#)

SIEMENS INDIA

- Strong execution-led revenue growth of 14% YoY together with 190bps EBITDA margin expansion in Q3
- Shareholders reject transfer of LV motors business to parent; we see two options: a higher sale price or termination of transfer
- FY24/FY25 EPS raised 3% each and TP revised to Rs 3,900 (vs. Rs 3,700) on rollover; clarity on hive-off awaited – retain HOLD

[Click here for the full report.](#)

Daily macro indicators

Ticker	07-Aug	08-Aug	Chg (%)
US 10Y yield (%)	4.09	4.02	(7bps)
India 10Y yield (%)	7.20	7.16	(4bps)
USD/INR	82.75	82.83	(0.1)
Brent Crude (US\$/bbl)	85.3	86.2	1.0
Dow	35,473	35,314	(0.4)
Hang Seng	19,538	19,184	(1.8)
Sensex	65,953	65,847	(0.2)
India FII (US\$ mn)	04-Aug	07-Aug	Chg (\$ mn)
FII-D	34.9	(7.0)	(41.9)
FII-E	8.0	272.2	264.1

Source: Bank of Baroda Economics Research



ACC

- Robust volume-led performance in Q1 spurred by the MSA agreement between ACC and parent ACEM
- Opex fell 12% YoY to Rs 4,715/t aided by operating leverage, realignment of expenses and softer fuel cost
- Maintain HOLD with a TP of Rs 1,964 (unchanged)

[Click here](#) for the full report.

CAPEX TRENDS

09 August 2023

How has state capex performed in Q1FY24?

Capital expenditure by the government continues to remain the key driver of economic growth in the last few years. The Central government has progressively increased its capital expenditure as it aims to spur investment and growth. In the Union Budget this year, the capex allotment by the Centre was increased to Rs 10 lakh crores or 3.3% of GDP. The move was aimed at kick starting a virtuous cycle of investment in the economy, nudging private investment in the process. In Q1FY24, Centre's capex spending has been robust at Rs 2.78 lakh crores which is 27.8% of FY24BE. This is higher than 23.4% in the same period last year. On a YoY basis, Centre's capex spending increased by 59.1% in Q1FY24.

Aditi Gupta
Economist

Table 1: Budgeted and actual capex of the centre and states in Q1FY24 (Rs crore)

	FY24BE (Rs. Crores)	Q1FY24 Actual (Rs. crores)	Achievement %	% YoY
Centre	10,00,373	2,78,480	27.8	59.1
States	7,97,862	1,06,363	13.3	73.9

Source: CAG, Bank of Baroda Research

Another important aspect of the overall investment in the economy is states' spending on capex. The picture remains quite somber. Based on data available for a total of 23 states, out of a budgeted capital expenditure of Rs 7.98 lakh crores, actual capex is only Rs 1.06 lakh crores, which is just 13.3% of the Budgeted amount. However, when compared with the same period last year, states' capex spending has improved. In Q1FY23, state capex stood at Rs 61,222 crore or just 9% of FY23BE. On a YoY basis, states' capex has increased by a sharp 73.9% in Q1FY24.

As can be seen from Table 2, out of a total of 23 states, a majority showed an improvement in capex spending this year, when compared with the same period last year. In fact, only 5 states, namely, Chhattisgarh, Gujarat, Himachal Pradesh, Karnataka and Maharashtra has capex spending lower than last year.

In terms of state wise performance, the following observations can be made:

1. Andhra Pradesh has been at the forefront of capex spending, achieving 40.8% of its total budgeted capex spending in Q1FY24 itself. This is much higher than the corresponding figure in Q1FY23 which stood at 7%. It must be noted that Andhra Pradesh had been lagging in terms of capex spending in FY23, and achieved only 23.1% of its total target.
2. There are four states which have achieved more than 20% of their budgeted capex in Q1FY24. These are: Telangana, Madhya Pradesh, Kerala and Nagaland. For each of these, capex spending has been higher this year, compared with last year.
3. The next 3 states, Rajasthan, Gujarat and Haryana have achieved more than 15% of their target, which is also higher than the corresponding period last year.



HOLD
 TP: Rs 3,900 | ▲ 3%

SIEMENS INDIA

| Capital Goods

| 09 August 2023

All-round growth; clarity awaited on LV motors hive-off

- Strong execution-led revenue growth of 14% YoY together with 190bps EBITDA margin expansion in Q3
- Shareholders reject transfer of LV motors business to parent; we see two options: a higher sale price or termination of transfer
- FY24/FY25 EPS raised 3% each and TP revised to Rs 3,900 (vs. Rs 3,700) on rollover; clarity on hive-off awaited – retain HOLD

Vinod Chari | Swati Jhunjunwala
 research@bobcaps.in

Robust execution across segments: SIEM posted all-round growth in Q3FY23 (Sep Y/E) with a 14% YoY rise in revenue to Rs 48.7bn. EBITDA margin expanded 190bps YoY to 11.6% led by the smart infrastructure and mobility segments which saw respective margins rise 300bps and 170bps YoY.

Order book strong: Order inflows for the quarter clocked in at Rs 52.9bn, a subdued increase of 6% YoY on account of advance short-cycle product orders in the previous period. Base orders have risen 11% YoY. The company’s total book as of Jun’23 remains strong at Rs 453.2bn.

Sale of LV motors business stalled...: SIEM had planned to sell its low-voltage (LV) and geared motors business to parent Siemens AG for a consideration of Rs 22bn. The business was valued at Rs 20.7bn-21.65bn by an independent valuer, implying multiples of 2.1x FY22 revenue, 15.5x EV/EBITDA and ~17x P/E (vs. ~84x for the blended business). However, this transaction has been rejected by minority shareholders.

...leaving two possible options: SIEM now has two options, in our view. It could revise the sale consideration upwards from the current offer of Rs 22bn to obtain minority shareholder approval. Alternatively, it could halt the transfer and continue to run the business as is. The outcome would largely depend on the parent’s global strategy of carving out the motors business.

Focus on emerging areas: The company is also training its focus on new and emerging areas such as fuel cells, semiconductor battery technology and solar products, where it can leverage the parent’s expertise. Mobility is doing well with more rail orders expected while the acquisition of Mass-Tech Controls’ electric vehicle division should help the company make inroads in charging infrastructure.

Maintain HOLD: We await further developments on the LV motors sale and hence retain our HOLD rating. Our TP rises to Rs 3,900 (from Rs 3,700) as we raise our FY23/FY24 EPS estimates by 3% each to bake in the Q3 print and roll valuations to Jun’25E. We continue to value the stock at a P/E of 52x, in line with the 5Y average.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	SIEM IN/Rs 3,779
Market cap	US\$ 16.4bn
Free float	25%
3M ADV	US\$ 22.5mn
52wk high/low	Rs 4,069/Rs 2,672
Promoter/FPI/DII	75%/5%/10%

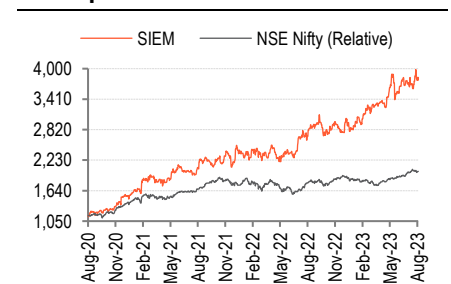
Source: NSE | Price as of 8 Aug 2023

Key financials

Y/E 30 Sep	FY22A	FY23E	FY24E
Total revenue (Rs mn)	1,61,378	1,92,754	2,28,441
EBITDA (Rs mn)	17,573	24,085	30,236
Adj. net profit (Rs mn)	12,619	17,740	22,803
Adj. EPS (Rs)	35.4	49.8	64.1
Consensus EPS (Rs)	35.4	53.0	63.4
Adj. ROAE (%)	11.5	14.4	16.5
Adj. P/E (x)	106.6	75.8	59.0
EV/EBITDA (x)	79.5	58.6	46.9
Adj. EPS growth (%)	22.5	40.6	28.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



HOLD
 TP: Rs 1,964 | ▼ 1%

ACC

| Cement

| 09 August 2023

Synergies with Ambuja propel volumes

- Robust volume-led performance in Q1 spurred by the MSA agreement between ACC and parent ACEM
- Opex fell 12% YoY to Rs 4,715/t aided by operating leverage, realignment of expenses and softer fuel cost
- Maintain HOLD with a TP of Rs 1,964 (unchanged)

Milind Raginwar

research@bobcaps.in

Synergies with ACEM drive volumes and revenue: ACC reported an 18% YoY (+9% QoQ) increase in Q1FY24 revenue to Rs 52bn led by volume growth of 24% YoY (+11% QoQ) to 9.4mn tonnes. Volumes also include supply to parent ACEM under a master supply agreement (MSA). However, the quantum of dispatches under the MSA remains undisclosed due to the complexities of the agreement. Realisations fell 5% YoY and 1.5% QoQ to Rs 5,189/t amid the volume push.

Cost benefits emerge due to MSA: Operating cost softened 12% YoY and 7% QoQ to Rs 4,715/t, which management attributed to the supply agreement with ACEM. Additionally, ACC had earlier realigned staff and other expenses and hence both showed a decline. Energy cost adjusted for raw material cost fell 5% YoY due to lower fuel expense. EBITDA/t increased at a healthy pace to Rs 818 (vs. Rs 563 in Q1FY23) and ACC's operating margin climbed to 14.8% (vs. 9.5%).

Capacity expansion on track: Capacity expansion at Ametha (Uttar Pradesh) is due to become operational from Q2FY24, adding 3.3mt (environmental clearance for 2.75mt) of clinker and 1mt of cement capacity. Clinker will be fully utilised by the split grinding units in Uttar Pradesh. ACC has further plans to double capacity from 70mt to 140mn by FY28.

Maintain HOLD: We acknowledge ACC's strong first-quarter performance but await clarity on MSA synergies and the quantum of external sale volumes. Consequently, we maintain our estimates at this juncture. We continue to value ACC at 10x FY25E EV/EBITDA for an unchanged TP of Rs 1,964 and retain our HOLD rating. Our TP implies a replacement cost of Rs 7.8bn/mt – compared to the industry average of Rs 7bn/mt.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	ACC IN/Rs 1,987
Market cap	US\$ 4.5bn
Free float	43%
3M ADV	US\$ 15.0mn
52wk high/low	Rs 2,785/Rs 1,592
Promoter/FPI/DII	57%/12%/19%

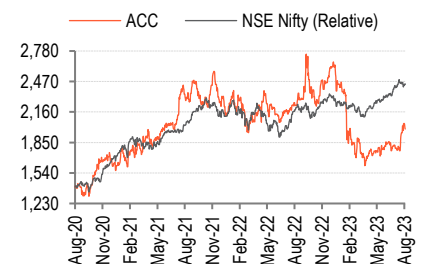
Source: NSE | Price as of 9 Aug 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
Total revenue (Rs mn)	2,17,883	1,96,593	2,18,812
EBITDA (Rs mn)	19,400	20,771	28,538
Adj. net profit (Rs mn)	10,926	11,715	16,763
Adj. EPS (Rs)	46.5	62.3	89.2
Consensus EPS (Rs)	46.5	93.0	114.0
Adj. ROAE (%)	7.9	8.1	11.2
Adj. P/E (x)	42.7	31.9	22.3
EV/EBITDA (x)	19.1	15.6	10.4
Adj. EPS growth (%)	(54.3)	34.0	43.1

Source: Company, Bloomberg, BOBCAPS Research | FY23 is for 15 months due to a change in year-end from December to March

Stock performance



Source: NSE



NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA (“US”) OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

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**

Logo: 

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
 Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

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.

Analyst certification

Each of the analysts mentioned in this research report certify, with respect to the sections of the report for which they are responsible, that (1) all of the views expressed in this report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

Important disclosures

This product is a compilation of previously published research notes. To view the complete report along with the associated Analyst certifications and Company-specific disclosures, please click on the hyperlink accompanying each excerpt.

General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

Other disclosures

BOBCAPS does not have any financial interest in the subject company. BOBCAPS does not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS is not engaged in any market making activities for the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an "as is" basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the "Losses") which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom ("UK"):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd ("MSL") who is authorised and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom (MSL and its affiliates are collectively referred to as "MAYBANK"). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the "Order"), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as "relevant persons").

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.