

BUY

TP: Rs 7,700 | ▲ 16%

SIEMENS INDIA

| Capital Goods

| 15 May 2024

Robust quarter, fresh capex announced

- **Topline growth strong at 18.4% in Q2, with gross margin expanding 100bps and EBITDAM 250bps YoY**
- **Company announced more capex of Rs 5.2bn after the Rs 5bn capex announced in Nov; energy business to be demerged**
- **We increase FY24E/FY25E EPS by 10% each to bake in a strong quarter; raise SIEM's valuation to 73x Mar'26E P/E and TP to Rs 7,700**

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Robust quarter: SIEM had a very healthy quarter with topline growth of 18.4% to Rs 57.5bn in Q2. Gross margin rose 100bps YoY to 32.5% and EBITDA margin 250bps YoY to 15.3%. Adjusted PAT was strong at Rs 8bn, up 70% YoY. The company secured orders worth Rs 51.8bn, with a closing order book of ~Rs 462bn at the end of Q2. SIEM performed well across all segments, with topline growth and EBIT margin expansion across all its segments.

Rs 10bn capex in pipeline: SIEM announced two new capacity expansions, largely to cater to export demand for blue gas insulator systems (GIS) and for turnkey metro solutions. These expansions will be commissioned in phases over the next four years, and entail a requirement of Rs 5.2bn capex, to be funded through internal accruals. This is in addition to the Rs 5bn capex SIEM announced in Nov'23, to augment its transformers and vacuum interrupters capacities.

Energy business to be demerged: The company's board has approved the demerger of SIEM's Energy business into a new entity called Siemens Energy India (SEIL), which is expected to be listed after due process. This is expected to be complete by Dec'25, after all approvals are received. Post the conclusion of the demerger, the parent companies will have an identical shareholding in SIEM and SEIL. Siemens India's shareholders will receive 1 share of SEIL per SIEM share held. The energy business grew 5.3% on topline during the quarter, with an EBIT margin of 13.7%, a 230bps expansion YoY. The business had a healthy order book of Rs 97bn at the end of Q2FY24.

Maintain BUY: SIEM is benefiting from structural tailwinds in its digitalisation and automation businesses, as well as the traction mobility segment. The company is also well positioned to harness opportunities from the green energy transition. 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 10% each to bake in the quarterly print, leading to a higher TP of Rs 7,700 (from Rs 4,900). We maintain our BUY rating and value the stock at 73x Mar'26E P/E (52x earlier), a 20% premium to the 3Y mean.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	SIEM IN/Rs 6,660
Market cap	US\$ 28.9bn
Free float	25%
3M ADV	US\$ 21.1mn
52wk high/low	Rs 6,702/Rs 3,246
Promoter/FPI/DII	75%/5%/10%

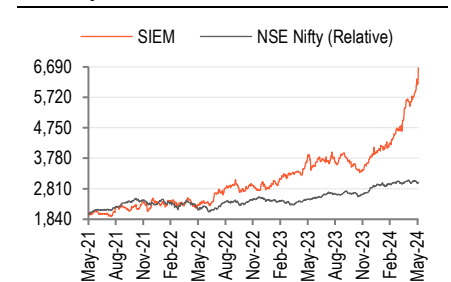
Source: NSE | Price as of 14 May 2024

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	34,428	42,262
Adj. net profit (Rs mn)	19,619	28,146	34,626
Adj. EPS (Rs)	55.1	79.1	97.3
Consensus EPS (Rs)	55.1	65.2	77.4
Adj. ROAE (%)	15.9	19.8	20.6
Adj. P/E (x)	120.9	84.2	68.5
EV/EBITDA (x)	98.0	71.1	58.3
Adj. EPS growth (%)	55.5	43.5	23.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Fig 1 – Quarterly performance

Particulars (Rs mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	H1FY24	H1FY23	YoY (%)
Revenue	57,499	48,578	18.4	48,252	19.2	1,05,751	88,729	19.2
EBITDA	8,782	6,212	41.4	5,961	47.3	14,743	12,204	20.8
EBITDA margin (%)	15.3	12.8	250bps	12.4	290bps	13.9	13.8	20bps
Depreciation	800	785	1.9	785	1.9	1,585	1,546	2.5
Interest	313	99	216.2	34	820.6	347	136	155.1
Other Income	3,210	1,166	175.3	1,641	95.6	4,851	2,183	122.2
PBT	10,879	6,494	67.5	6,783	60.4	17,662	12,705	39.0
Tax	2,851	1,776	60.5	1,726	65.2	4,577	3,360	36.2
Adjusted PAT	8,024	4,718	70.1	5,054	58.8	13,078	9,345	39.9
Exceptional item								
Reported PAT	8,024	4,718	70.1	5,054	58.8	13,078	9,345	39.9
Adj. PAT margin (%)	14.0	9.7	420bps	10.5	350bps	12.4	10.5	180bps
EPS (Rs)	22.6	13.3	70.2	14.2	58.8	36.8	26.3	40.0

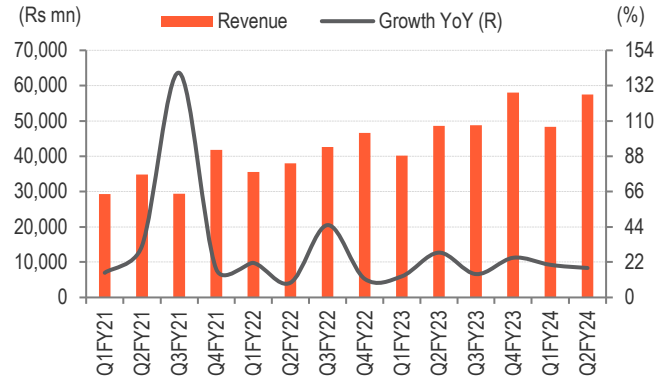
Source: Company, BOBCAPS Research

Fig 2 – Segment-wise performance

Particulars	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Revenue (Rs mn)										
Energy	10,892	11,958	14,544	16,316	11,601	15,554	15,181	18,467	11,454	16,375
Growth YoY (%)	7.1	0.4	52.3	3.9	6.5	30.1	4.4	13.2	(1.3)	5.3
Smart Infrastructure	12,870	14,895	15,060	16,658	15,197	17,249	17,206	21,092	18,523	21,655
Growth YoY (%)	45.9	29.5	40.5	9.1	18.1	15.8	14.2	26.6	21.9	25.5
Mobility	3,007	2,951	3,911	4,418	3,838	4,864	5,776	7,124	6,597	7,573
Growth YoY (%)	42.9	14.0	171.4	41.7	27.6	64.8	47.7	61.2	71.9	55.7
Digital Industries	7,910	8,739	9,962	9,444	10,193	11,407	11,273	11,903	12,598	12,590
Growth YoY (%)	2.7	10.4	45.7	20.5	28.9	30.5	13.2	26.0	23.6	10.4
EBIT (Rs mn)										
Energy	1,232	1,623	1,243	1,550	1,331	1,766	1,585	2,191	1,251	2,243
Margin (%)	11.3	13.6	8.5	9.5	11.5	11.4	10.4	11.9	10.9	13.7
Smart Infrastructure	600	899	1,072	1,283	1,328	1,947	1,737	2,439	1,964	3,097
Margin (%)	4.7	6.0	7.1	7.7	8.7	11.3	10.1	11.6	10.6	14.3
Mobility	304	366	183	378	135	423	371	236	492	698
Margin (%)	10.1	12.4	4.7	8.6	3.5	8.7	6.4	3.3	7.5	9.2
Digital Industries	666	992	828	1,114	2,427	1,277	1,081	1,347	1,455	1,935
Margin (%)	8.4	11.4	8.3	11.8	23.8	11.2	9.6	11.3	11.5	15.4

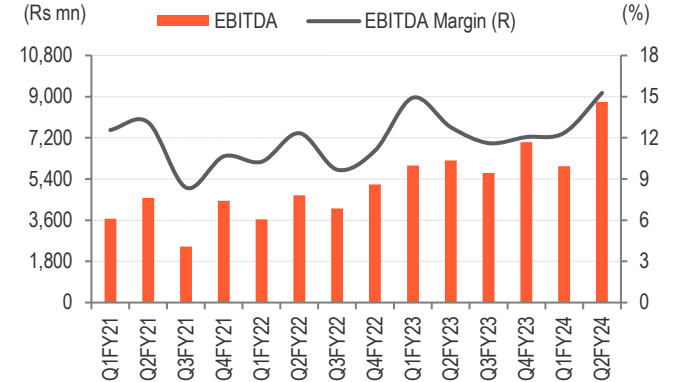
Source: Company, BOBCAPS Research

Fig 3 – Revenue growth



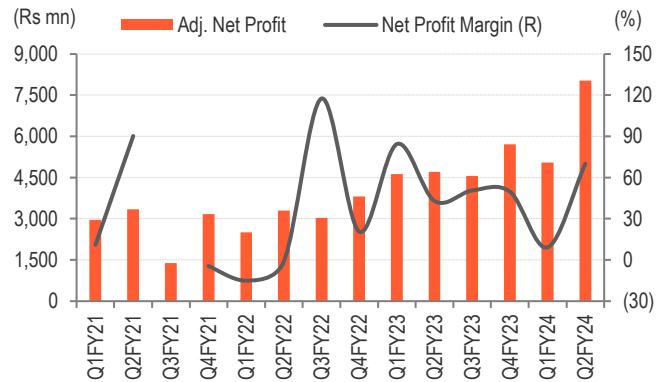
Source: Company, BOBCAPS Research

Fig 4 – EBITDA growth



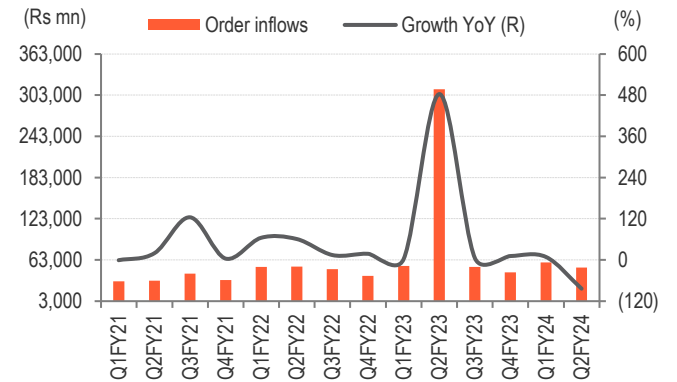
Source: Company, BOBCAPS Research

Fig 5 – Adj. PAT growth



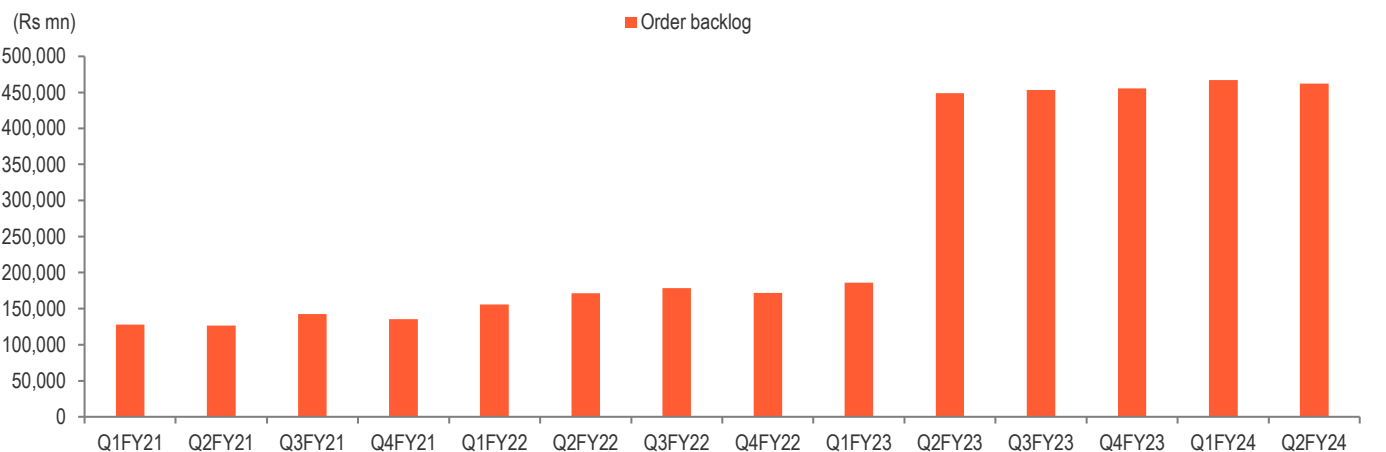
Source: Company, BOBCAPS Research

Fig 6 – Order inflows



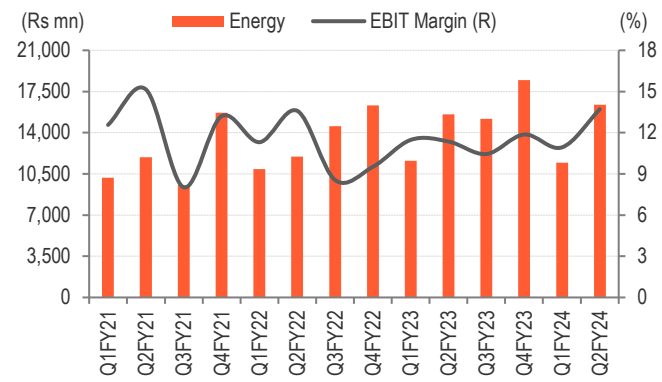
Source: Company, BOBCAPS Research

Fig 7 – Order backlog



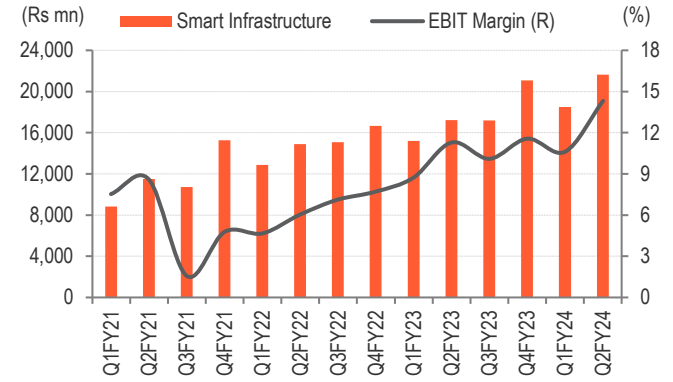
Source: Company, BOBCAPS Research

Fig 8 – Energy segment performance



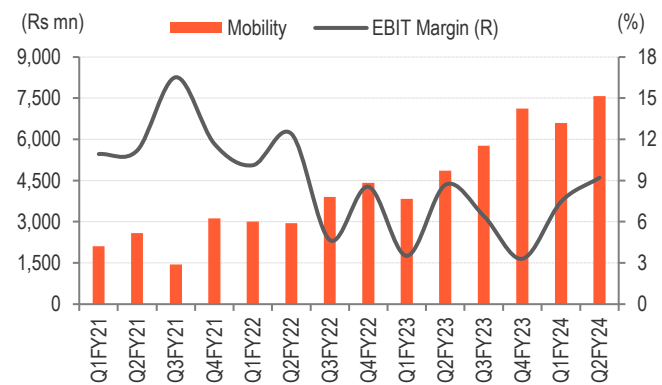
Source: Company, BOBCAPS Research

Fig 9 – Smart infrastructure segment performance



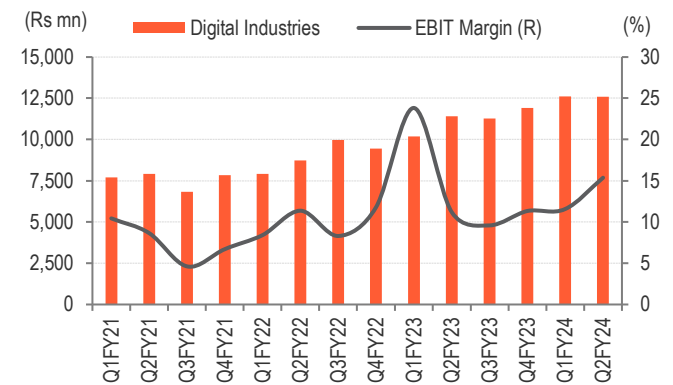
Source: Company, BOBCAPS Research

Fig 10 – Mobility segment performance



Source: Company, BOBCAPS Research

Fig 11 – Digital industries segment performance



Source: Company, BOBCAPS Research

Fig 12 – Proposed capacity additions

Facility	Existing capacity	Capacity addition	Capex requirement	Estimated commissioning by
Gas Insulated Switchgear (GIS) factory, Goa	18,000 Ring Main Unit (RMU) feeders	22,000 Ring Main Unit (RMU) feeders	Rs 3.33bn	September 2027
	1,000 Medium voltage (GIS) panels	1,500 Medium voltage (GIS) panels		
Metro train manufacturing facility, Aurangabad	Nil	Green-field metro-car assembly set up for Metro Rail Systems	Rs 1.86bn	September 2028
Transformer factory, Kalwa	15,000MVA transformers	15,000MVA transformers	Rs 3.6bn	December 2025
Vacuum Interrupter factory, Goa	40,000 VI tubes	30,000 VI Tubes	Rs 560mn	September 2026

Source: Company, BOBCAPS Research

Valuation methodology

SIEM is benefiting from structural tailwinds in its digitalisation and automation businesses, as well as the traction mobility segment. The company is also well positioned to harness opportunities from the transition to green energy. SIEM's base business remains strong and enjoys a robust outlook as diverse customer segments enable the company to play the capex cycle. The additional capex announced, coupled with the demerger of the energy business, will grow topline and increase cost efficiencies across the two companies, in our view.

We raise our FY24/FY25 EPS estimates by 10% each to bake in the quarterly print, leading to a higher TP of Rs 7,700 (from Rs 4,900). We maintain our BUY rating and value the stock at 73x Mar'26E P/E (52x earlier), a 20% premium to the 3Y mean.

Fig 13 – Revised estimates

Particulars (Rs mn)	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Sales	2,32,804	2,81,775	2,32,804	2,81,775	0.0	0.0
EBITDA	34,428	42,262	31,635	39,042	8.8	8.2
PAT	28,146	34,626	25,598	31,484	10.0	10.0
EPS (Rs)	79.1	97.3	71.9	88.4	10.0	10.0
EBITDAM (%)	14.8	15.0	13.6	13.9	120bps	114bps

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	20.8	8,081	7,600	HOLD
AIA Engineering	AIAE IN	4.3	3,775	4,000	HOLD
Hitachi Energy	POWERIND IN	5.0	9,787	4,200	SELL
KEC International	KECI IN	2.3	720	860	BUY
Larsen & Toubro	LT IN	57.8	3,379	4,200	BUY
Siemens India	SIEM IN	28.9	6,660	7,700	BUY

Source: BOBCAPS Research, NSE | Price as of 14 May 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	34,428	42,262
Depreciation	2,974	3,171	3,208	3,146	3,536
EBIT	11,906	14,402	21,664	31,283	38,727
Net interest inc./(exp.)	243	363	228	500	300
Other inc./(exp.)	2,264	3,078	4,962	6,947	7,989
Exceptional items	0	0	0	0	0
EBT	13,927	17,117	26,398	37,730	46,415
Income taxes	3,629	4,498	6,778	9,583	11,790
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	28,146	34,626
Adjustments	0	0	0	0	0
Adjusted net profit	10,298	12,619	19,619	28,146	34,626

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	1,53,325	1,81,718
Shareholders' fund	1,03,550	1,16,178	1,30,957	1,54,037	1,82,430
Total liab. and equities	1,80,152	2,01,090	2,21,769	2,74,984	3,28,818
Cash and cash eq.	51,625	65,841	76,507	91,253	1,08,862
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	2,74,984	3,28,818

Cash Flows

Y/E 30 Sep (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash flow from operations	14,222	9,875	14,000	28,671	34,539
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)	(5,066)	(6,233)
Cash flow from financing	(5,021)	(3,922)	(4,499)	(5,066)	(6,233)
Chg in cash & cash eq.	(14,689)	5,600	1,913	14,746	17,608
Closing cash & cash eq.	51,625	65,841	76,507	91,253	1,08,862

Per Share

Y/E 30 Sep (Rs)	FY21A	FY22A	FY23A	FY24E	FY25E
Reported EPS	28.9	35.4	55.1	79.1	97.3
Adjusted EPS	28.9	35.4	55.1	79.1	97.3
Dividend per share	8.0	10.0	10.0	14.2	17.5
Book value per share	290.7	326.1	367.6	432.4	512.2

Valuations Ratios

Y/E 30 Sep (x)	FY21A	FY22A	FY23A	FY24E	FY25E
EV/Sales	18.4	15.0	12.5	10.5	8.7
EV/EBITDA	163.2	137.9	98.0	71.1	58.3
Adjusted P/E	230.3	187.9	120.9	84.2	68.5
P/BV	22.9	20.4	18.1	15.4	13.0

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	120.6	119.9
EBIT margin (EBIT/Revenue)	9.0	8.9	11.1	13.4	13.7
Asset turnover (Rev./Avg TA)	77.9	84.7	92.3	93.4	93.1
Leverage (Avg TA/Avg Equity)	1.7	1.7	1.7	1.8	1.8
Adjusted ROAE	10.4	11.5	15.9	19.8	20.6

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	38.4	22.8
Adjusted EPS	33.8	22.5	55.5	43.5	23.0
Profitability & Return ratios (%)					
EBITDA margin	11.3	10.9	12.7	14.8	15.0
EBIT margin	9.0	8.9	11.1	13.4	13.7
Adjusted profit margin	7.8	7.8	10.0	12.1	12.3
Adjusted ROAE	10.4	11.5	15.9	19.8	20.6
ROCE	10.7	11.9	15.7	19.3	20.1
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	2.0	1.9
Net interest coverage ratio	49.0	39.7	95.0	62.6	129.1
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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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

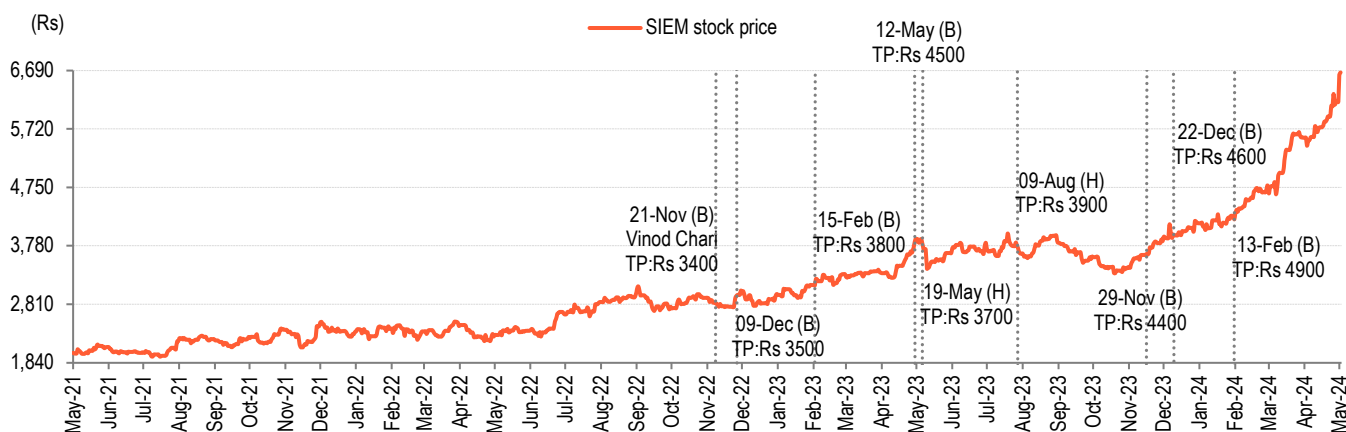
HOLD – Expected return from -6% to +15%

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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