

November 29, 2023

Q4SY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	4,241		4,241	
Sales (Rs.m)	2,08,996	2,40,047	2,08,681	2,40,108
% Chng.	0.2	(0.0)		
EBITDA (Rs.m)	27,671	32,262	27,629	32,271
% Chng.	0.2	(0.0)		
EPS (Rs.)	59.7	70.7	59.6	70.7
% Chng.	0.2	(0.0)		

Key Financials - Consolidated

Y/e Sep	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	1,61,378	1,95,538	2,08,996	2,40,047
EBITDA (Rs. m)	17,573	24,872	27,671	32,262
Margin (%)	10.9	12.7	13.2	13.4
PAT (Rs. m)	12,619	19,620	21,246	25,158
EPS (Rs.)	35.4	55.1	59.7	70.7
Gr. (%)	22.5	55.5	8.3	18.4
DPS (Rs.)	10.0	15.4	62.9	24.7
Yield (%)	0.3	0.4	1.7	0.7
RoE (%)	11.5	15.9	15.3	16.2
RoCE (%)	13.1	17.5	17.3	18.2
EV/Sales (x)	7.6	6.3	5.8	5.1
EV/EBITDA (x)	70.1	49.2	44.1	37.6
PE (x)	102.9	66.2	61.1	51.6
P/BV (x)	11.2	9.9	8.9	8.0

Key Data

SIEM.BO | SIEM IN

52-W High / Low	Rs.4,069 / Rs.2,726
Sensex / Nifty	66,174 / 19,890
Market Cap	Rs.1,299bn / \$ 15,582m
Shares Outstanding	356m
3M Avg. Daily Value	Rs.1174.09m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	7.93
Domestic Institution	7.63
Public & Others	9.43
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	6.4	3.6	31.9
Relative	2.6	(2.1)	24.2

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Siemens (SIEM IN)

Rating: ACCUMULATE | CMP: Rs3,647 | TP: Rs4,241

Healthy Q4; planned Capex amid strong demand

Quick Pointers:

- Relatively lower operating expenses aid EBITDA margin expansion of 100bps despite gross margin contraction.
- Order inflow came in at Rs45bn (up 12.2% YoY).

Siemens (SIEM) reported healthy quarterly performance with consolidated revenue up ~24.7% YoY. EBITDA margin expanded 100bps YoY to 12.1%, owing to lower other expenses despite gross margin contraction. 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. Siemens announced capex of ~Rs4.2bn toward capacity expansion of power transformers (from 15000MVA to 30000MVA by Dec2025 with capex worth Rs3.6bn) and Vacuum Interrupters (from 40000 VI tubes to 70000 VI tubes by H22026 with capex of Rs560mn) to meet the growing demand in India and globally. Current capacity utilization of power transformer/ vacuum interrupter stand at ~100%/95%, respectively owing to strong demand.

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 61.1x/51.6x SY24/25E. We maintain Accumulate rating on stock with TP of Rs4,241 (same as earlier), valuing it at PE of 60x SY25E, factoring in strong outlook and focus on high growth areas such as digitalization, Automation & energy efficiency product offerings.

Strong growth witnessed across major segments: Consolidated revenue grew 24.7% YoY to Rs58.1bn (PLe ~Rs56.6bn and consensus estimate of Rs50.8bn), driven by growth across Smart Infra, Mobility, Digital Industries. On segmental front, Energy grew 13.2% YoY to Rs18.5bn, Smart Infrastructure grew 26.6% YoY to Rs21.1bn, Mobility grew 61.2% YoY to Rs7.1bn and Digital Industries grew 26% YoY to Rs11.9bn. EBITDA grew 35.7% YoY to Rs7.0bn, (PLe Rs7.6bn and consensus estimate of Rs6.5bn), with EBITDA margin expanding by 100bps YoY to 12.1% (Vs. PLe ~13.5%), mainly due to lower other expenses (declined by 8.6% YoY). despite lower gross margins (29.4% vs 32.9% in Q4FY22). PAT came in at ~Rs5.7bn up 49.8% YoY (PLe ~Rs5.4bn and consensus estimate of Rs5bn), aided by higher other income (up 41.5% YoY to Rs1.45bn).

Order inflows came in at Rs45bn: Order inflows for Q4SY23 grew 12.2% YoY to Rs45bn while on full year basis, order intake came in 209.2bn, up 6.5% on YoY. Order book (calculated) stands at ~Rs188bn (1.0x TTM revenue). SIEM continues to witness traction from railways, and public/private capex on infrastructure, steel, cement, data centers, intralogistics and e-vehicles which augurs well for SIEM's long term business prospects.

Exhibit 1: Lower other expenses drives EBITDA margins

Y/e March (Rs mn)	Q4SY22	Q1SY23	Q2SY23	Q3SY23	Q4SY23	YoY gr. (%)	QoQ gr. (%)	SY23	SY22	YoY gr. (%)
Revenue	46,571	40,151	48,578	48,732	58,077	24.7	19.2	1,95,538	1,61,378	21.2
Total Revenues	46,571	40,151	48,578	48,732	58,077	24.7	19.2	1,95,538	1,61,378	21.2
Expenditure	41,412	34,159	42,366	43,066	51,075	23.3	18.6	1,70,666	1,43,805	18.7
<i>as % of sales</i>	88.9	85.1	87.2	88.4	87.9			87.3	89.1	
Consumption of RM	31,261	26,702	33,254	32,843	41,027	31.2	24.9	1,33,826	1,09,263	22.5
<i>as % of sales</i>	67.1	66.5	68.5	67.4	70.6			68.4	67.7	
Employee Cost	4,781	4,963	5,077	4,949	5,141	7.5	3.9	20,130	18,057	11.5
<i>as % of sales</i>	10.3	12.4	10.5	10.2	8.9			10.3	11.2	
Other expenditure	5,370	2,494	4,035	5,274	4,907	(8.6)	(7.0)	16,710	16,485	1.4
<i>as % of sales</i>	11.5	6.2	8.3	10.8	8.4			8.5	10.2	
EBITDA	5,159	5,992	6,212	5,666	7,002	35.7	23.6	24,872	17,573	41.5
Depreciation	798	761	785	876	786	(1.5)	(10.3)	3,208	3,171	1.2
EBIT	4,361	5,231	5,427	4,790	6,216	42.5	29.8	21,664	14,402	50.4
Other Income	1,028	1,017	1,166	1,324	1,455	41.5	9.9	4,962	3,078	61.2
Interest	132	37	99	43	49	(62.9)	14.0	228	363	(37.2)
PBT	5,257	6,211	6,494	6,071	7,622	45.0	25.5	26,398	17,117	54.2
Total Tax	1,440	1,584	1,776	1,513	1,905	32.3	25.9	6,778	4,498	50.7
Reported PAT	3,817	4,627	4,718	4,558	5,717	49.8	25.4	19,620	12,619	55.5
Adjusted PAT	3,817	4,627	4,718	4,558	5,717	49.8	25.4	19,620	12,619	55.5
Adjusted EPS	10.7	13.0	13.3	12.8	16.1	49.8	25.4	55.1	35.4	55.5
Margins (%)	Q4SY22	Q1SY23	Q2SY23	Q3SY23	Q4SY23	bps	bps	SY23	SY22	bps
EBIDTA	11.1	14.9	12.8	11.6	12.1	98	43	12.7	10.9	183
EBIT	9.4	13.0	11.2	9.8	10.7	134	87	11.1	8.9	215
EBT	11.3	15.5	13.4	12.5	13.1	184	67	13.5	10.6	289
PAT	8.2	11.5	9.7	9.4	9.8	165	49	10.0	7.8	221
Effective Tax rate	27.4	25.5	27.3	24.9	25.0	(240)	7	25.7	26.3	(60)

Source: Company, PL

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

Y/e March (Rs mn)	Q4SY22	Q1SY23	Q2SY23	Q3SY23	Q4SY23	YoY gr. (%)	QoQ gr. (%)	SY23	SY22	YoY gr. (%)
Revenue										
Energy	16,316	11,601	15,554	15,181	18,467	13.2	21.6	60,803	53,710	13.2
Smart Infrastructure	16,658	15,197	17,249	17,206	21,092	26.6	22.6	70,744	59,488	18.9
Mobility	4,418	3,838	4,864	5,776	7,124	61.2	23.3	21,602	14,286	51.2
Digital Industries	9,444	10,193	11,407	11,273	11,903	26.0	5.6	44,776	36,055	24.2
Others	402	233	337	270	332	(17.4)	23.0	1,172	1,040	12.7
Less: Intersegment revenue	(667)	(911)	(833)	(974)	(841)	26.1	(13.7)	(3,559)	(3,201)	11.2
Total	46,571	40,151	48,578	48,732	58,077	24.7	19.2	1,95,538	1,61,378	21.2
EBIT										
Energy	1,550	1,331	1,766	1,585	2,191	41.4	38.2	6,873	5,648	21.7
<i>EBIT margin (%)</i>	9.5	11.5	11.4	10.4	11.9			11.3	10.5	
Smart Infrastructure	1,283	1,328	1,947	1,737	2,439	90.1	40.4	7,450	3,842	93.9
<i>EBIT margin (%)</i>	7.7	8.7	11.3	10.1	11.6			10.5	6.5	
Mobility	378	135	423	371	236	(37.6)	(36.4)	1,166	1,231	-5.3
<i>EBIT margin (%)</i>	8.6	3.5	8.7	6.4	3.3			5.4	8.6	
Digital Industries	1,114	2,427	1,277	1,081	1,347	20.9	24.6	6,132	3,600	70.3
<i>EBIT margin (%)</i>	11.8	23.8	11.2	9.6	11.3			13.7	10.0	
Others	36	10	14	16	2	(94.4)	(87.5)	42	81	-48.1
<i>EBIT margin (%)</i>	9.0	4.3	4.2	5.9	0.6			3.6	7.8	

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Sep	FY22	FY23	FY24E	FY25E
Net Revenues	1,61,378	1,95,538	2,08,996	2,40,047
YoY gr. (%)	22.3	21.2	6.9	14.9
Cost of Goods Sold	1,09,263	1,33,826	1,38,062	1,58,095
Gross Profit	52,115	61,712	70,933	81,952
Margin (%)	32.3	31.6	33.9	34.1
Employee Cost	18,057	20,130	21,736	24,725
Other Expenses	9,647	6,542	10,450	12,002
EBITDA	17,573	24,872	27,671	32,262
YoY gr. (%)	18.1	41.5	11.3	16.6
Margin (%)	10.9	12.7	13.2	13.4
Depreciation and Amortization	3,171	3,208	3,670	4,090
EBIT	14,402	21,664	24,001	28,172
Margin (%)	8.9	11.1	11.5	11.7
Net Interest	363	228	403	420
Other Income	3,078	4,962	4,807	5,881
Profit Before Tax	17,117	26,398	45,344	33,633
Margin (%)	10.6	13.5	21.7	14.0
Total Tax	4,498	6,778	7,158	8,476
Effective tax rate (%)	26.3	25.7	15.8	25.2
Profit after tax	12,619	19,620	38,186	25,158
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	12,619	19,620	21,246	25,158
YoY gr. (%)	22.5	55.5	8.3	18.4
Margin (%)	7.8	10.0	10.2	10.5
Extra Ord. Income / (Exp)	-	-	16,940	-
Reported PAT	12,619	19,620	38,186	25,158
YoY gr. (%)	22.5	55.5	94.6	(34.1)
Margin (%)	7.8	10.0	18.3	10.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	12,619	19,620	38,186	25,158
Equity Shares O/s (m)	356	356	356	356
EPS (Rs)	35.4	55.1	59.7	70.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Sep	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	24,526	28,196	32,196	36,196
Tangibles	24,526	28,196	32,196	36,196
Intangibles	-	-	-	-
Acc: Dep / Amortization	11,453	14,661	18,331	22,421
Tangibles	11,453	14,661	18,331	22,421
Intangibles	-	-	-	-
Net fixed assets	13,073	13,535	13,865	13,775
Tangibles	13,073	13,535	13,865	13,775
Intangibles	-	-	-	-
Capital Work In Progress	18,513	18,234	18,234	19,234
Goodwill	-	-	-	-
Non-Current Investments	3,961	5,818	5,238	5,054
Net Deferred tax assets	975	975	975	975
Other Non-Current Assets	9,833	10,428	15,048	16,803
Current Assets				
Investments	-	-	-	-
Inventories	21,650	25,052	24,621	26,307
Trade receivables	39,194	48,047	50,094	55,598
Cash & Bank Balance	65,841	74,613	78,875	85,245
Other Current Assets	21,512	20,030	25,079	28,086
Total Assets	2,00,115	2,20,012	2,45,788	2,68,224
Equity				
Equity Share Capital	712	712	712	712
Other Equity	1,15,390	1,30,159	1,45,951	1,62,304
Total Network	1,16,102	1,30,871	1,46,663	1,63,016
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	-	-	-	-
Trade payables	40,428	42,380	49,815	54,586
Other current liabilities	44,484	47,650	50,199	51,511
Total Equity & Liabilities	2,00,115	2,20,012	2,45,788	2,68,224

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Sep	FY22	FY23	FY24E	FY25E
PBT	20,817	26,397	28,404	33,633
Add. Depreciation	3,171	3,208	3,670	4,090
Add. Interest	363	228	403	420
Less Financial Other Income	3,078	4,962	4,807	5,881
Add. Other	(5,732)	-	-	-
Op. profit before WC changes	18,619	29,833	32,478	38,144
Net Changes-WC	(3,619)	(5,825)	(11,201)	(9,073)
Direct tax	(5,215)	(6,778)	(7,158)	(8,476)
Net cash from Op. activities	9,785	17,230	14,120	20,595
Capital expenditures	(1,313)	(3,391)	(4,000)	(5,000)
Interest / Dividend Income	2,255	-	-	-
Others	(1,295)	1	-	-
Net Cash from Inv. activities	(353)	(3,390)	(4,000)	(5,000)
Issue of share cap. / premium	-	-	-	-
Debt changes	(25)	-	-	-
Dividend paid	(2,849)	(5,493)	(22,394)	(8,805)
Interest paid	(248)	(228)	(403)	(420)
Others	(800)	-	16,940	-
Net cash from Fin. activities	(3,922)	(5,721)	(5,857)	(9,225)
Net change in cash	5,510	8,118	4,262	6,370
Free Cash Flow	8,225	13,839	10,120	15,595

Source: Company Data, PL Research

Key Financial Metrics

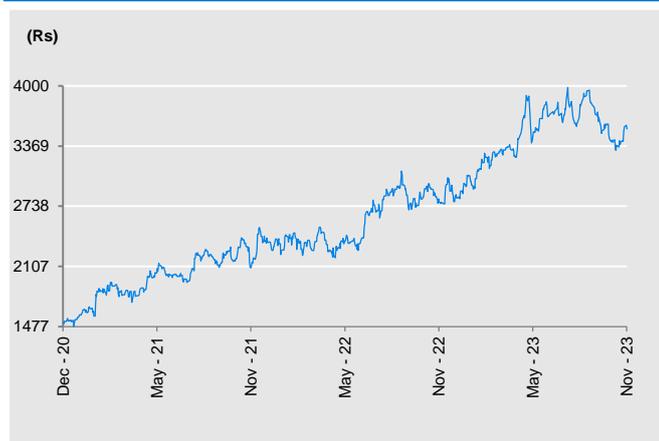
Y/e Sep	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	35.4	55.1	59.7	70.7
CEPS	44.4	64.1	70.0	82.2
BVPS	326.1	367.6	412.0	457.9
FCF	23.1	38.9	28.4	43.8
DPS	10.0	15.4	62.9	24.7
Return Ratio(%)				
RoCE	13.1	17.5	17.3	18.2
ROIC	24.2	32.9	33.7	30.3
RoE	11.5	15.9	15.3	16.2
Balance Sheet				
Net Debt : Equity (x)	(0.6)	(0.6)	(0.5)	(0.5)
Net Working Capital (Days)	46	57	43	42
Valuation(x)				
PER	102.9	66.2	61.1	51.6
P/B	11.2	9.9	8.9	8.0
P/CEPS	82.2	56.9	52.1	44.4
EV/EBITDA	70.1	49.2	44.1	37.6
EV/Sales	7.6	6.3	5.8	5.1
Dividend Yield (%)	0.3	0.4	1.7	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Sep	Q1SY23	Q2SY23	Q3SY23	Q4SY23
Net Revenue	40,151	48,578	48,732	58,077
YoY gr. (%)	17.4	27.8	14.4	24.7
Raw Material Expenses	26,702	33,254	32,843	41,027
Gross Profit	13,449	15,324	15,889	17,050
Margin (%)	33.5	31.5	32.6	29.4
EBITDA	5,992	6,212	5,666	7,002
YoY gr. (%)	66.6	32.3	37.5	35.7
Margin (%)	14.9	12.8	11.6	12.1
Depreciation / Depletion	761	785	876	786
EBIT	5,231	5,427	4,790	6,216
Margin (%)	13.0	11.2	9.8	10.7
Net Interest	37	99	43	49
Other Income	1,017	1,166	1,324	1,455
Profit before Tax	6,211	6,494	6,071	7,622
Margin (%)	15.5	13.4	12.5	13.1
Total Tax	1,584	1,776	1,513	1,905
Effective tax rate (%)	25.5	27.3	24.9	25.0
Profit after Tax	4,627	4,718	4,558	5,717
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	4,627	4,718	4,558	5,717
YoY gr. (%)	86.8	43.1	50.7	49.8
Margin (%)	11.5	9.7	9.4	9.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	4,627	4,718	4,558	5,717
YoY gr. (%)	86.8	43.1	50.7	49.8
Margin (%)	11.5	9.7	9.4	9.8
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,627	4,718	4,558	5,717
Avg. Shares O/s (m)	356	356	356	356
EPS (Rs)	13.0	13.3	12.8	16.1

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	12-Oct-23	Accumulate	4,241	3,559
2	05-Oct-23	Accumulate	4,241	3,520
3	09-Aug-23	Accumulate	4,241	3,779
4	06-Jul-23	Accumulate	4,018	3,731
5	20-May-23	Accumulate	4,018	3,723
6	12-May-23	Accumulate	4,254	3,898
7	11-Apr-23	Accumulate	3,351	3,384
8	14-Feb-23	Accumulate	3,351	3,124
9	04-Jan-23	Accumulate	3,290	2,837
10	09-Dec-22	Accumulate	3,290	2,967

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	4,950	4,311
2	Apar Industries	Accumulate	5,630	5,165
3	Bharat Electronics	Accumulate	143	133
4	BHEL	Reduce	67	127
5	Carborundum Universal	BUY	1,408	1,076
6	Cummins India	Hold	1,811	1,767
7	Engineers India	BUY	166	145
8	GE T&D India	Hold	367	386
9	Grindwell Norton	BUY	2,604	2,159
10	Harsha Engineers International	Accumulate	415	393
11	Hindustan Aeronautics	BUY	2,266	2,059
12	Kalpataru Projects International	BUY	740	636
13	KEC International	Hold	645	615
14	Larsen & Toubro	BUY	3,437	2,929
15	Praj Industries	Accumulate	611	534
16	Siemens	Accumulate	4,241	3,559
17	Thermax	Hold	2,771	2,895
18	Triveni Turbine	Accumulate	450	392
19	Voltamp Transformers	Hold	5,079	4,989

PL's Recommendation Nomenclature (Absolute Performance)

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

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