

**Q3SY23 Result Highlights**

- **Strong growth across all segments with Smart Infra and Mobility being the main drivers supports by strong execution across segments** – SIEMENS Revenue grew 14.3% YoY and 0.3% QoQ to ₹48.7bn with Energy/ Smart Infra/ Mobility/ Digital Inds segments growing by 4.4%/ 14.2%/ 47.7%/ 13.2% YoY respectively. EBITDA stood at ₹5.67bn, up by 37.5% YoY. EBITDA margin stood at 11.6%, up by 195bps YoY. Gross margin came in at 51.9%, +283bps YoY. EBIT margin for Energy/ Smart Infra/ Mobility/ Digital Factory segments stood at 10.4% (+189bps YoY)/ 10.1% (+298bps YoY)/ 6.4% (+174bps YoY) / 9.6% (+128bps YoY) respectively. PAT stood at ₹4.56bn, +51.5% YoY.
- **Order inflows came in at ₹52.9bn** – Q3FY23 order inflows grew 5.9% YoY to ₹52.9bn, owing to base business orders (+10.9% YoY). Order book (calculated) stands at ~₹460bn (2.6x TTM revenue) despite a short execution cycle based business model. The company 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 digitalisation measures to improve productivity, flexibility and quality which augurs well for business prospects. There was 13% YoY growth in order backlog (standalone) adjusted for recent large railway order win. Order inflows (standalone) appear reasonable at ~1.2x corresponding revenues but were up a modest 11%/6% YoY on overall/base order basis.
- **Low investment intensity potentially reflects in underperformance** – Siemens' capex for 1HSY23, at ₹725mn, was half of depreciation (aligned with trends seen over the past few quarters). Depreciation in Q3SY23 has inched up (+11.3% YoY) after declining for several factors though still lower than the revenue growth (+14% YoY). 9MSY23 depreciation is almost flat YoY and employee cost up 13% YoY versus 20% YoY growth in revenues. Purchase of stock-in trade in 9SFY23 accounted for ~44% of RM cost versus similar 44% in FY22 and 27% in FY17. Lower investment intensity is one of the reasons for Siemens reporting lower growth in revenues and margin over the past few quarters.
- The Board had decided to divest the motor business to a subsidiary of the parent company at a valuation of 122bn. However, the decision has not been approved by the shareholders. As a result, outlook on the next step for the motor business is not clear.

**Important Statistics**

<b>MCAP (₹ bn)</b>	₹1,319.6
<b>52 Week H/L (₹)</b>	4066/2670
<b>NSE Code</b>	SIEMENS
<b>BSE Code</b>	500550

Shareholding Pattern	Jun'23 (%)
<b>Promoters</b>	75.0
<b>DIIs</b>	8.0
<b>FIIIs</b>	7.6
<b>Public</b>	9.4

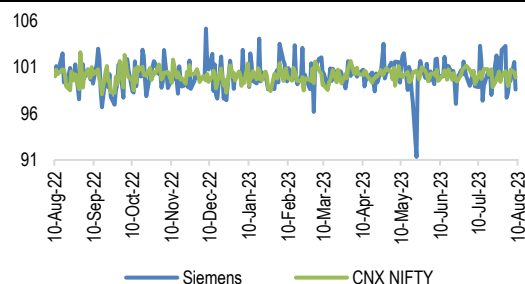
**FINANCIALS**

Particulars	₹ mn		
	SY20	SY21	SY22
<b>Revenue</b>	99,465	131,985	161,378
<b>EBITDA</b>	10,036	14,880	17,573
<b>EBITDA Margin (%)</b>	10.1	11.3	10.9
<b>Net Profit</b>	7,686	10,877	15,429
<b>EPS (₹)</b>	21.6	30.6	43.3
<b>RoE (%)</b>	8.1	10.5	13.3
<b>RoCE (%)</b>	4.7	6.6	7.2
<b>P/E (x)</b>	171.6	121.3	85.5
<b>EV/EBITDA (x)</b>	126.3	85.8	72.0
<b>P/BV (x)</b>	13.9	12.7	11.4

Particulars	₹ mn		
	SY23E	SY24E	SY25E
<b>Revenue</b>	191,718	226,439	266,316
<b>EBITDA</b>	25,071	28,913	34,169
<b>EBITDA Margin (%)</b>	13.1	12.8	12.8
<b>Net Profit</b>	19,301	22,194	26,718
<b>EPS (₹)</b>	54.2	62.3	75.1
<b>RoE (%)</b>	15.8	16.1	16.7
<b>RoCE (%)</b>	15.7	15.8	16.5
<b>P/E (x)</b>	68.3	59.4	49.4
<b>EV/EBITDA (x)</b>	43.4	36.4	32.7
<b>P/BV (x)</b>	10.0	8.8	7.5

Source: Company, Way2Wealth

**Relative Performance**



Source: Company, Way2Wealth

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**View**

SIEMENS had Q3SY23 performance was on the back of strong execution across mobility, smart infra, and digital industries segments. Base order grew ~11% YoY, driving a modest low-teens growth in order backlog. The one positive from the results was depreciation (capex trends) growing after declining for the past several quarters. Private capital expenditure is evident in the Steel, Cement, Intra-logistics, and E-Vehicles market segments. It's recent launch of an industrial 5G router is a significant move towards the digitalisation of the manufacturing industry. Govt. of India has planned to integrate ~500GW of renewable capacity by 2030, so the company is anticipating a lot of interest in areas like cybersecurity, FACTs, STATCOM, HVDC systems, GIS substation, additive manufacturing, energy efficiency, machine safety, industrial safety, virtual commissioning, and remote monitoring/control. Over the years the company has reinvented its business model by staying agile and transitioning itself from a core industrial products company to a technology one, with a focus on the investment needs of industry, infrastructure, and transportation sectors. The company is well prepared to reap the benefits of the upcoming capex cycle and deliver strong revenue. **Hence, we view it as a ACCUMULATE stock trading at P/E 49.4x SY25E EPS of ₹75.1.**

**FINANCIAL PERFORMANCE**

(₹ mn)								
Particulars	Q3SY23	Q3SY22	YoY (%)	Q2SY23	QoQ(%)	9MSY23	9MSY22	YoY (%)
<b>Revenue</b>	<b>48,732</b>	<b>42,583</b>	<b>14.4</b>	<b>48,578</b>	<b>0.3</b>	<b>137,461</b>	<b>114,807</b>	<b>19.7</b>
Cost of Matl	11,084	8,440	31.3	11,290	(1.8)	32,531	26,591	22.3
Stock Purchases	14,394	12,619	14.1	13,407	7.4	41,835	34,235	22.2
Inventory Changes	(2,035)	632	(422.0)	(850)	139.4	(6,354)	(2,925)	117.2
RM Cost	23,443	21,691	8.1	23,847	(1.7)	68,012	57,901	17.5
Employee Costs	4,949	4,454	11.1	5,077	(2.5)	14,989	13,277	12.9
Project bought outs & other direct costs	9,400	7,186	30.8	9,407	(0.1)	24,787	20,101	23.3
Other Exps	5,274	5,130	2.8	4,035	30.7	11,803	11,115	6.2
<b>EBITDA</b>	<b>5,666</b>	<b>4,122</b>	<b>37.5</b>	<b>6,212</b>	<b>(8.8)</b>	<b>17,870</b>	<b>12,413</b>	<b>44.0</b>
<b>EBITDA Margin (%)</b>	<b>11.6</b>	<b>9.7</b>	<b>195</b>	<b>12.8</b>	<b>(116)</b>	<b>13.0</b>	<b>10.8</b>	<b>219</b>
Other Income	1,324	787	68.2	1,166	13.6	3,507	2,051	71.0
Finance Cost	43	44	(2.3)	99	(56.6)	179	232	(22.8)
Depreciation	876	787	11.3	785	11.6	2,422	2,374	2.0
Tax Exp	1,513	1,053	43.7	1,776	(14.8)	4,873	3,058	59.4
Profit/ (Loss) from Discontinued Operations	-	(18)	(100.0)	-	-	-	107	(100.0)
Minority Exps	3	-	NM	4	(25.0)	7	1	600.0
<b>Net Profit</b>	<b>4,555</b>	<b>3,007</b>	<b>51.5</b>	<b>4,714</b>	<b>(3.4)</b>	<b>13,896</b>	<b>8,906</b>	<b>56.0</b>
EPS (₹)	12.8	8.4	51.5	13.2	(3.4)	39.0	25.0	56.0
<b>Adjus Net Profit</b>	<b>4,555</b>	<b>3,025</b>	<b>50.6</b>	<b>4,714</b>	<b>(3.4)</b>	<b>13,896</b>	<b>8,799</b>	<b>57.9</b>
Adjus. EPS (₹)	12.8	8.5	50.6	13.2	(3.4)	39.0	24.7	57.9

Source: Company, Way2Wealth

As % to Sales	Q3SY23	Q3SY22	YoY(BPS)	Q2SY23	QoQ(BPS)	9MSY23	9MSY22	YoY(BPS)
<b>Raw Matl Cost</b>	48.1	50.9	(283)	49.1	(98)	49.5	50.4	(96)
<b>Gross Margin</b>	51.9	49.1	283	50.9	98	50.5	49.6	96
<b>Employee Costs</b>	10.2	10.5	(30)	10.5	(30)	10.9	11.6	(66)
<b>Other Exps</b>	30.1	28.9	119	27.7	244	26.6	27.2	(57)

Segmental Revenues (₹ mn)	Q3SY23	Q3SY22	YoY(%)	Q2SY23	QoQ(%)	9MSY23	9MSY22	YoY (%)
Energy	15,181	14,544	4.4	15,554	(2.4)	42,336	37,394	13.2
Smart Infra	17,206	15,060	14.2	17,249	(0.2)	49,652	42,830	15.9
Mobility	5,776	3,911	47.7	4,864	18.8	14,478	9,869	46.7
Digital Inds	11,273	9,962	13.2	11,407	(1.2)	32,873	26,611	23.5
Others	270	184	46.7	337	(19.9)	840	638	31.7
Inter Segment	974	1,078	(9.6)	833	16.9	2,718	2,535	7.2
<b>TOTAL</b>	<b>48,732</b>	<b>42,583</b>	<b>14.4</b>	<b>48,578</b>	<b>0.3</b>	<b>137,461</b>	<b>114,807</b>	<b>19.7</b>

Segmental EBIT (₹ mn)	Q3SY23	Q3SY22	YoY (%)	Q2SY23	QoQ(%)	9MSY23	9MSY22	YoY (%)
Energy	1,585	1,243	27.5	1,766	(10.2)	4,682	4,098	14.3
Smart Infra	1,737	1,072	62.0	1,947	(10.8)	5,012	2,559	95.9
Mobility	371	183	102.7	423	(12.3)	929	853	8.9
Digital Inds	1,081	828	30.6	1,277	(15.3)	4,785	2,486	92.5
Others	16	9	77.8	14	14.3	40	43	(7.0)

10<sup>th</sup> August 2023

CMP – ₹3705.5/-

 View – **ACCUMULATE**

Segmental EBIT Margin (%)	Q3SY23	Q3SY22	YoY(BPS)	Q2SY23	QoQ(BPS)	9MSY23	9MSY22	YoY(BPS)
Energy	10.4	8.5	189	11.4	(91)	11.1	11.0	10
Smart Infra	10.1	7.1	298	11.3	(119)	10.1	6.0	412
Mobility	6.4	4.7	174	8.7	(227)	6.4	8.6	(223)
Digital Inds	9.6	8.3	128	11.2	(161)	14.6	9.3	521
Others	5.9	4.9	103	4.2	177	4.8	6.7	(198)

Segmental Revenue Mix (%)	Q3SY23	Q3SY22	YoY(BPS)	Q2SY23	QoQ(BPS)	9MSY23	9MSY22	YoY(BPS)
Energy	31.2	34.2	(300)	32.0	(87)	30.8	32.6	(177)
Smart Infra	35.3	35.4	(6)	35.5	(20)	36.1	37.3	(119)
Mobility	11.9	9.2	267	10.0	184	10.5	8.6	194
Digital Inds	23.1	23.4	(26)	23.5	(35)	23.9	23.2	74
Others	0.6	0.4	12	0.7	(14)	0.6	0.6	6

Source: Company, Way2Wealth

**FINANCIALS & VALUATIONS**

Particulars (₹ mn)	SY18	SY19	SY20	SY21	SY22	SY23E	SY24E	SY25E
Order Backlog	123,528	118,795	123,596	135,198	171,830	470,831	393,861	381,062
Order Inflow	127,404	132,377	107,517	142,344	194,221	368,832	296,813	290,461
Revenue	<b>127,953</b>	<b>137,672</b>	<b>99,465</b>	<b>131,985</b>	<b>161,378</b>	<b>191,718</b>	<b>226,439</b>	<b>266,316</b>
EBITDA	<b>13,273</b>	<b>14,903</b>	<b>10,036</b>	<b>14,880</b>	<b>17,573</b>	<b>25,071</b>	<b>28,913</b>	<b>34,169</b>
EBITDA Margin (%)	10.4	10.8	10.1	11.3	10.9	13.1	12.8	12.8
Net Profit	<b>9,012</b>	<b>10,994</b>	<b>7,686</b>	<b>10,877</b>	<b>15,429</b>	<b>19,301</b>	<b>22,194</b>	<b>26,718</b>
EPS (₹)	25.3	30.9	21.6	30.6	43.3	54.2	62.3	75.1
DPS (₹)	7.0	7.0	7.0	8.0	10.0	11.0	12.0	13.0
RoE (%)	10.9	12.1	8.1	10.5	13.3	15.8	16.1	16.7
RoCE (%)	7.9	8.3	4.7	6.6	7.2	15.7	15.8	16.5
Cash Balances	36,916	50,019	57,096	51,591	65,391	62,189	73,659	84,187
FCF	(908)	11,726	7,017	13,048	8,225	9,811	10,118	15,144
Receivable Days	105	106	118	102	86	85	85	87
Inventory Days	33	31	41	49	49	47	48	49
Payable Days	87	92	103	102	91	91	89	90
Net Debt/ Equity (x)	(0.4)	(0.5)	(0.5)	(0.4)	(0.5)	(0.6)	(0.6)	(0.5)
P/E (x)	146.4	120.0	171.6	121.3	85.5	68.3	59.4	49.4
EV/EBITDA (x)	97.0	85.4	126.3	85.8	72.0	43.4	36.4	32.7
P/BV (x)	15.9	14.6	13.9	12.7	11.4	10.0	8.8	7.5

Source: Company, Way2Wealth

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Name of the Security	Siemens Ltd
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	
Financial Interest	No
Analyst :	No
Analyst's Relative : Yes / No	No
Date of buying	
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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