

15th February 2023

CMP – ₹3,124.7/-

View – BUY

COMPANY BACKGROUND

Siemens Ltd (SIEM) offers products integrated solutions for industrial applications for manufacturing industries; drives for process industries; buildings efficient and intelligent infrastructure; clean power generation from fossil fuels and oil & gas applications; transmission and distribution of electrical energy for passenger and freight transportation including rail vehicles; rail automation and rail electrification systems. It also focuses on the areas of electrification automation and digitization. **It operates mainly in five key segments including Revenue Mix – SY22 (Oct'21-Sep'22) – Energy/Gas & Power – 33%, Smart Infrastructure (37%), Digital Industries (22%), Mobility (~9%).** It is one of the leading producers of technologies for combined cycle turbines for power generation; power transmission and distribution solutions; infrastructure solutions for Smart Cities and transportation; automation and software solutions for industry and also supplier of healthcare equipment. It has nearly 21 factories located across India and a nation-wide sales and service network. **On 6th April 2016**, Siemens announced that it started dispatch of the largest-ever '**Made in India**' single-phase Generator Step-Up (GSU) Transformer of rating 315 MVA 23.5kV/420kV for installation at NTPC's Kudgi Thermal Power Station in Bijapur Karnataka. This transformer was an essential component of the Power Station which once operational will boost the high-capacity power generation for the southern states of Karnataka, Andhra Pradesh, Tamil Nadu and Kerala. NTPC has ordered 10 units of these GSU transformers on Siemens. **On 22nd June 2016** Siemens Ltd. announced that it won an order worth approximately ₹830mn from Indian Railways' Diesel Locomotive Works (DLW) Varanasi. The order was to design supply and install 40 Alternating Current (AC) Traction Systems for dual-cab high horsepower diesel engine locomotives. **On 27th June 2016** Siemens Ltd. announced that it won an order worth approximately ₹5.7bn to **supply Static Synchronous Compensator (STATCOM) solutions to Power Grid Corporation of India Ltd. (PGCIL)**. The scope of the order included design engineering supply civil installation testing and commissioning of STATCOMs at four substation locations of PGCIL: Ranchi Rourkela, Kishanganj and Jaypore across the states of Bihar, Jharkhand and Odisha. Cutting-edge technology from Siemens will result in the installation of one of the world's largest **STATCOM projects** at 400 kV level with a dynamic swing range of 2000MVA and 1250MVA mechanically switched components. **On 24th January 2017** Siemens Ltd. announced that it won an order worth approximately ₹3.66bn from Oil and Natural Gas Corporation Limited (ONGC). The order included supply of material for overhauling of 18 Power Turbines through Zero Hour Overhaul and Time Continued Overhaul. The Zero Hour Overhauling will be first of its kind in India and involves the overhaul of Power Turbines to zero hour status. Under the new concept of Zero Hour Overhaul the Power Turbine will perform almost as new - capable of a safe run of another 100000 hours before the next overhaul. This will help in reducing down-time and increase in productivity because of elimination of at-least one intermediate overhaul. **On 10th February 2017** Siemens Ltd. announced that it won an order worth approximately ₹1.01bn from Delhi Transco Ltd. (DTL). The order included installing 220/66/33kV Gas Insulated Switchgear (GIS) substation at R.K. Puram New Delhi. The Board of Directors of Siemens at its meeting held on **21st February 2018** agreed in-principle to sell its Mobility Division and Rail Traction Drives business (included in Process Industries and Drives Division which provides products and services to Mobility Division) as also its wholly owned subsidiary Siemens Rail Automation Private Limited to the parent company Siemens AG Germany (SAG) or its subsidiary. The Mobility Division accounted for 10.46% of the turnover and 2.82% of the capital employed of the company for the year ended 30 September 2017. The Board also agreed in-principle to sell its Mechanical Drives business (included in Process Industries and Drives Division) to SAG or its subsidiary. The Board of Directors of the Company at its Meeting held on 26 August 2020 approved the **sale and transfer of the Company's Mechanical Drives ('MD')**

Important Statistics

MCAP (₹ bn)	₹1,112.77
52 Week H/L (₹)	3180/2151
NSE Code	SIEMENS
BSE Code	500550

Shareholding Pattern Dec'22 (%)

Promoters	75.0
DIIs	8.8
FIIIs	6.7
Public	9.5

FINANCIALS

(₹ mn)				
Particulars	SY19	SY20	SY21	SY22
Revenue	137,672	99,465	131,985	161,378
EBITDA	14,903	10,036	14,880	17,573
EBITDA Margin (%)	10.8	10.1	11.3	10.9
Net Profit	10,994	7,686	10,877	15,429
EPS (₹)	30.9	21.6	30.6	43.3
RoE (%)	12.1	8.1	10.5	13.3
RoCE (%)	8.3	4.7	6.6	7.2
P/E (x)	101.2	144.7	102.3	72.1
EV/EBITDA (x)	71.6	105.7	71.9	60.2
P/BV (x)	12.3	11.7	10.7	9.6

Particulars	SY23E	SY24E
Revenue	195,577	231,946
EBITDA	23,387	28,698
EBITDA Margin (%)	12.0	12.4
Net Profit	17,129	20,984
EPS (₹)	48.1	58.9
RoE (%)	13.9	15.8
RoCE (%)	11.4	15.3
P/E (x)	64.9	53.0
EV/EBITDA (x)	50.4	41.1
P/BV (x)	8.7	7.8

Source – Company, Way2Wealth

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Business to Flender Drives Private Limited a subsidiary of Flender GmbH which in turn is a subsidiary of Siemens AG as a going concern on a slump sale basis with effect from 1st January 2021. On 01st January 2021 the Company divested its Mechanical Drives (MD) business as a going concern on a slump sale basis to Flender Drives Private Limited for a final consideration of ₹3759mn. In SY21 the Company commissioned India's first high-voltage direct current link featuring voltage-sourced converter (VSC) technology for Power Grid Corporation of India Limited (POWERGRID). It partnered with POWERGRID to commission Static Synchronous Compensator (STATCOM) solutions at POWERGRID's substations at Bikaner, Fatehgarh and Bhadla. It signed a MoU with Switch Mobility Automotive Limited to execute e-mobility projects. It announced deployment of over 200k Smart Meters in North Delhi together with Tata Power Delhi Distribution Limited. In mobility space it provided automated train technology systems at improving capacity punctuality reliability and provide enhanced safety for passengers of Bengaluru Metro. It strengthened manufacturing footprint with opening of a medium voltage switchgear factory in Goa. It executed a Power Purchase Agreement and entered into an Agreement **on 22nd October 2021** for subscription of 26% of the paid-up equity share capital of **Sunsole Renewables Private Limited**.

Key Triggers for the company –

- Strong focus on technology leadership in digitisation and automation products to further strengthen its market share.
- Strategically positioned to harness the boom in demand for digitalisation and sustainable solutions. The company, having undergone a decade of consolidation, is now in a phase of expedited expansion
- Strong demand for short cycle products with clear traction from steel, cement, chemical, pharma, fertiliser industries to drive strong growth and margin expansion in smart infrastructure and digital industries segments.
- Expect Revenue and EBITDA in near to medium term owing to strong traction in short cycle products and services.
- Well placed to gain from the overall energy market transformation from electrification to automation and digitisation along with planned central government capex outlay of ₹10tn in FY24.
- Overall, further penetration of automation & digitisation products and services across segments to drive long term growth.
- Mobility division seeing resurgence due to rail capex with new 9000HP locomotive order a feather in its cap; C&S Electric turns a corner primarily aimed at tapping the market for low-voltage products in India and overseas, is gaining momentum.
- Balance sheet robust with net cash of ₹55bn.

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Investment Rationale

Focus on order book growth on the back of continued investments by public and private players

SIEM's comprehensive range of solutions is geared toward high-growth sectors and includes digital twin technology, predictive maintenance, cybersecurity, closed loop simulation, transport planning systems, power plant flexibilisation, intralogistics, E-Mobility and waste heat recovery. The management witnesses increased demand for digital solutions, railways, digital grid, and power transmission and distribution, as well as higher interest from customers in e-mobility, decarbonisation, waste heat recovery, and energy storage. Siemens India management emphasizes on growth in order book on the back of continued investments by public and private players. **Capex in the public sector continues to remain focused on infrastructure investments, while private sector investments are happening under PLI scheme particularly in semiconductors, data centres and EVs.**

The company is poised to benefit from macro tailwinds and accordingly articulated key growth area which were as follows:

- investment in **energy segment** is largely driven by renewable energy capacity addition, which will drive demand for products like **Flexible AC transmission systems (FACTS) and static synchronous compensator (SATCOMs)** coupled with emphasis on decarbonisation to drive demand for WHR/biomass,
- Smart Infrastructure growth** will be driven by electrification and digital solutions in multiple segments, recently **data centers** are witnessing a boom as global players are setting up capacity in India,
- Focus on **increased efficiency** in segments like sugar, petrochem, steel, water, F&B and chemicals will drive growth in digital segment and
- Mobility segment** ordering pipeline for the segment remains exceptionally strong as the company **booked several large value orders in SY22** and the outlook for SY23 remains strong as well.
- Vande Bharat project:** the company already has propulsion technology on which company is bidding orders.
- Electrification and signaling:** As most of the work is completed, it is looking forward to participate in new project "Kavach" (train protection system)

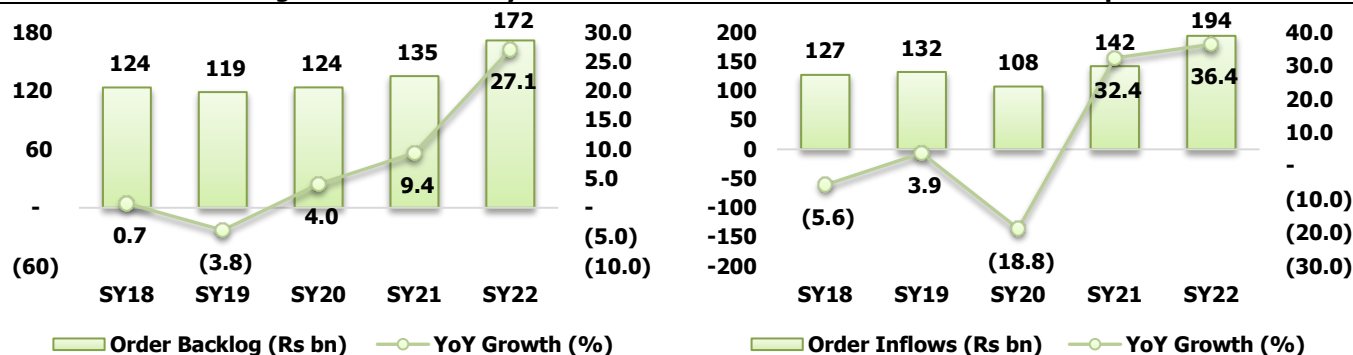
SIEM witnessed robust order inflow growth over the past four quarters with an average run-rate of ₹49bn against the average run-rate of ₹32bn over the 20 quarters (SY17-21). This has been mainly on the back of pick-up in public and private capex led by improving utilization across industries. **SY22 order inflow grew by a strong 36.4% YoY to ₹194bn.** Besides, capex related to digitalisation, decarbonation, T&D, PLI scheme and building automation is likely to see strong traction.

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Strong Order inflow likely to continue both from Private & Public sector capex



Source – Company, Way2Wealth

ENERGY segment to be driven by RE capacity addition and emphasis on decarbonisation

Management envisages that growth in energy segment will be driven by **a) renewable energy capacity addition**, which will drive demand for products like FACTs and SATCOMs as it will necessitate faster ramp up and ramp down of grid capacity, **b) emphasis on decarbonisation** will continue to drive demand for WHR/biomass, as industrial customers continue to focus on higher captive generation from waste heat/process steam, in order to reduce energy costs and increase captive power generation. A recent paper has been issued by CEA, outlining additional requirements of transmission infrastructure to meet increased renewable energy capacity to 500GW by 2030. However, visibility of HVDC orders has been low in last couple of years and the techno-commercial viability of these projects and ordering timelines continue to remain uncertain. New offerings for hydrogen energy (currently not manufactured in India) and modernisation of older plants will present additional growth levers for the company.

Domestic power transmission capex to pick up in SY24 to be led by- i) significant delays in the tendering in the last couple of years, ii) softening of commodity prices, and iii) gradual resolving of the GIB issue. The management expects HVDC tendering (Leh-Ladakh) worth ₹240bn to see progress over the next 12-15 months. Growth in the power generation sub-segment (industrial steam turbine business accounts for ~30% of the overall Energy segment) should be driven by traction in exports, led by large capex drive in renewable energy. Domestic market should see strong growth on the back of decarbonization-led capex in several core industries. Also, margins have been on an improving trend due to higher share of exports and after-sales service (largely domestic). **Order inflow grew 22% in SY22 to ₹62.3bn**, led by: i) growth in transmission network capacity mainly from private sector spends; ii) increasing demand for industrial decarbonization solutions like waste heat recovery, biomass, modernization and upgradation of systems. Mid-sized industries – such as distilleries, sugar, cement and fertilizer plants – are looking at ways to recycle the heat, driving demand for waste heat recovery solutions. **Sales grew ~14% YoY to ₹53.7bn, EBIT margin came in at 10.5% (-199 bps YoY) for the year.**

DIGITAL INDUSTRIES – Increasing adoption to drive growth

The automation / digitalisation industry has been witnessing strong growth with increasing demand for cost-optimisation, remote monitoring, cyber security, etc. The industry has seen >10% CAGR over the past few years and we expect it to continue to grow in double digits. SIEM, with its strong domain expertise and diverse end-market experience, is benefiting from this strong growth. The company unveiled “**Xcelerator**”, a new open digital business platform that complements its existing “**MindSphere**”. Aimed at supporting small & medium enterprises, **Xcelerator** looks to accelerate digital transformation by providing scalability, design flexibility and integration capabilities. In SY22 successful implementation of a Digital Twin solution during the year, which was executed with the aim of **optimising the paint processes at MG Motor**. Furthermore, the company’s digital industries business was instrumental in automating the **inaugural indigenous greenfield Covid-19 vaccine production facility, as well as providing automation for cranes within a steel production facility**. Going forward, management expects India’s self-reliance initiatives, including Make in India, Production-Linked Incentive schemes and investments by the private sector, to drive the adoption of cutting-edge technologies across the country. Small and medium enterprises, in particular, are expected to embrace digitalisation to stay competitive. As per SIEM, the future looks bright for technologies such as artificial intelligence, edge computing, 5G, the industrial internet of things (IIoT), and cybersecurity solutions. **Orders for this segment were up 53% YoY in SY22 to ₹45.9bn**, largely driven by orders from sugar, petrochem, steel, water, F&B and chemicals. Growing interest in digitalisation in segments like steel, intra-logistics, in order to drive efficiency, is pushing order book upwards. **Sales grew ~19% YoY to ₹36bn, EBIT margin came in at 10% (+299 bps YoY) for the year.**

SMART INFRASTRUCTURE (SI) segment demand from Grid Infra, Industrials & Urban Infra

Smart Infrastructure segment comprises largely low-voltage (LV) and medium-voltage (MV) products and control panels, which cater to a wide variety of end-markets including state electricity boards, rural electrification, industries and commercial buildings. With increasing spend by center & states, recovery in industrial demand from a low base, traction in commercial buildings space, replacement demand should drive overall growth and the acquisition of C&S Electric (in Aug’20 for ₹21bn) which has been well integrated and is likely to drive LV switchgear exports is likely to auger well for the company. **Smart Infrastructure (SI)** business witnessed a surge in demand for its solutions across sectors in SY22, **such as**

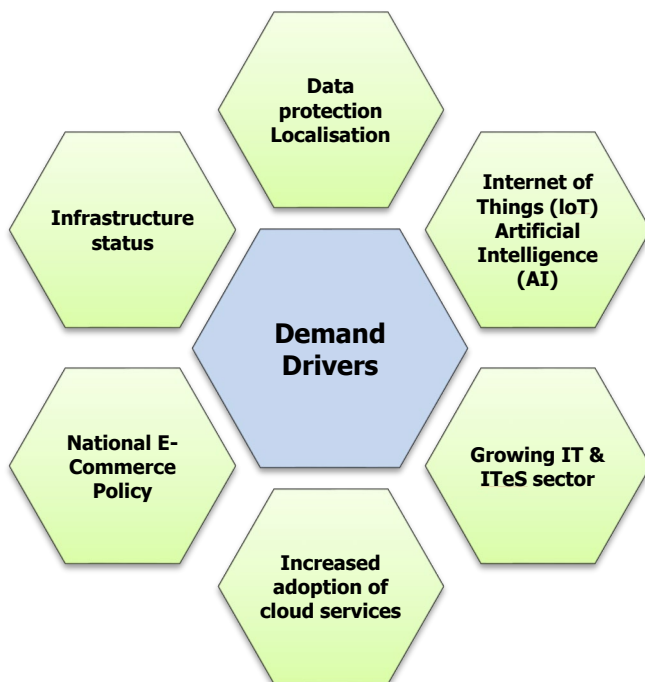
- (i) **Grid infrastructure** – including **smart grids and smart metering projects** driven by utilities modernising their networks and e-mobility projects;
- (ii) **Industrial infrastructure** – with industries such as metals and cement increasing demand for electrification equipment; and
- (iii) **Urban infrastructure** – driven by **data centres, transportation, and the need for sustainable buildings.**

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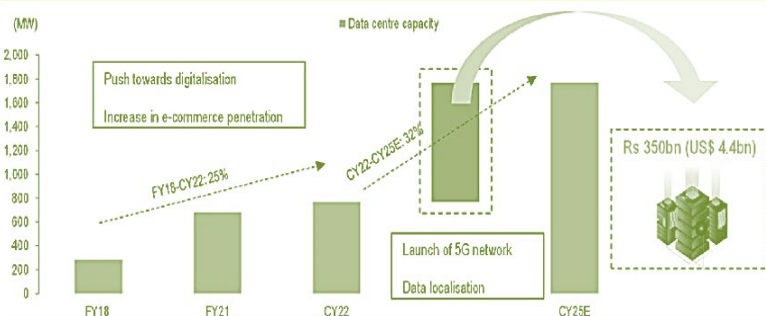
View – **BUY**

DRIVERS OF DATA CENTRE BOOM

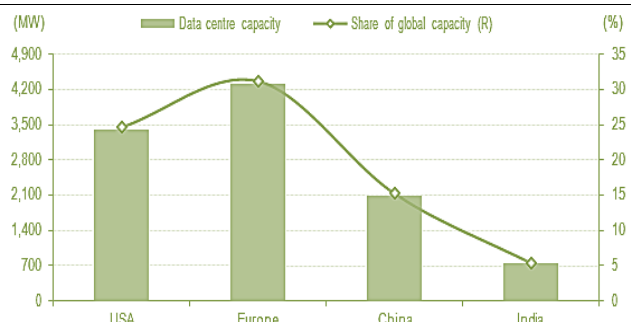


Source: Colliers, Crisil, Way2Wealth

India's data center capacity is currently at 770MW as of Nov'22 Colliers report and expected to rise to 1.8GW by CY25. This implies the addition of ~350MW per year. Setting up 1MW of capacity requires an investment of ~₹350mn, implying high capital intensity and translating to an enormous potential market cumulatively worth ₹350bn (US\$ 4.4bn) over the next two -three years. A massive surge in data consumption and storage alongside requirements for lower latency has resulted in soaring demand for data centres the world over. The Covid-19 pandemic, in particular, accelerated demand growth due to multilocation working coupled with greater cloud adoption, as well as traction in high-definition video applications requiring round-the-clock data processing. Post pandemic, companies continue to run hybrid operating models, which will ensure sustained demand. In India, the data centre industry, which accounts for 6% of the global pie, looks poised for takeoff in coming years, fuelled by rapid digitalisation and the lowest data tariffs in the world.



Source: Colliers, Crisil, Way2Wealth

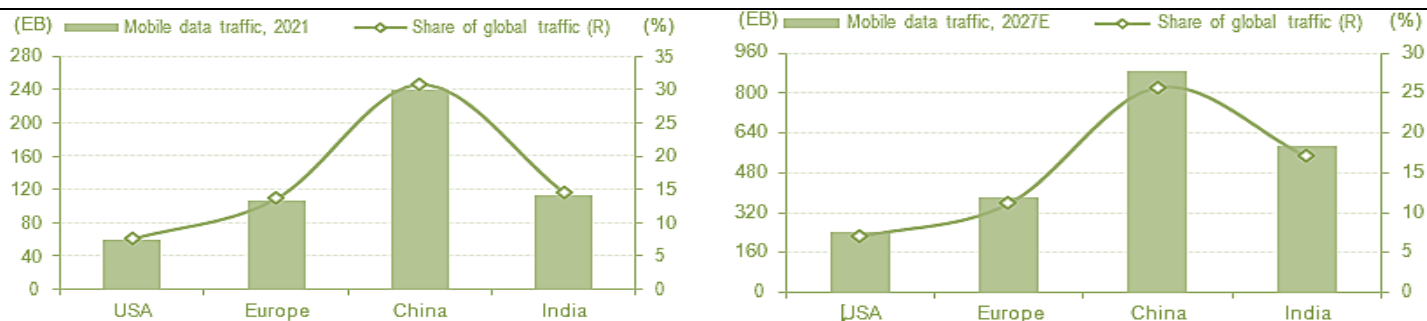


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Among the key end users of data centres are high-growth industries such as IT services, telecom and BFSI, where demand has been driven by swift digitalisation, financial inclusion and greater proliferation of E-Commerce. Going forward, India's data consumption is expected to reach 25GB/month in three years, up from the current 18GB (vs. the global average of 15GB). This will see most Big Tech players invest in local data storage. While growing internet penetration (15% of global mobile traffic, expected to rise to 17% by FY25) has resulted in a steady rise in data consumption over the years, we expect the upcoming Data Protection Bill to catalyse a step-change in demand in the near term given that it mandates data localisation. Further, 5G rollout in India, the RBI's new digital currency, and digitalisation of healthcare should bump up data consumption. Proposed infrastructure status for data centers would lend a further fillip to the industry



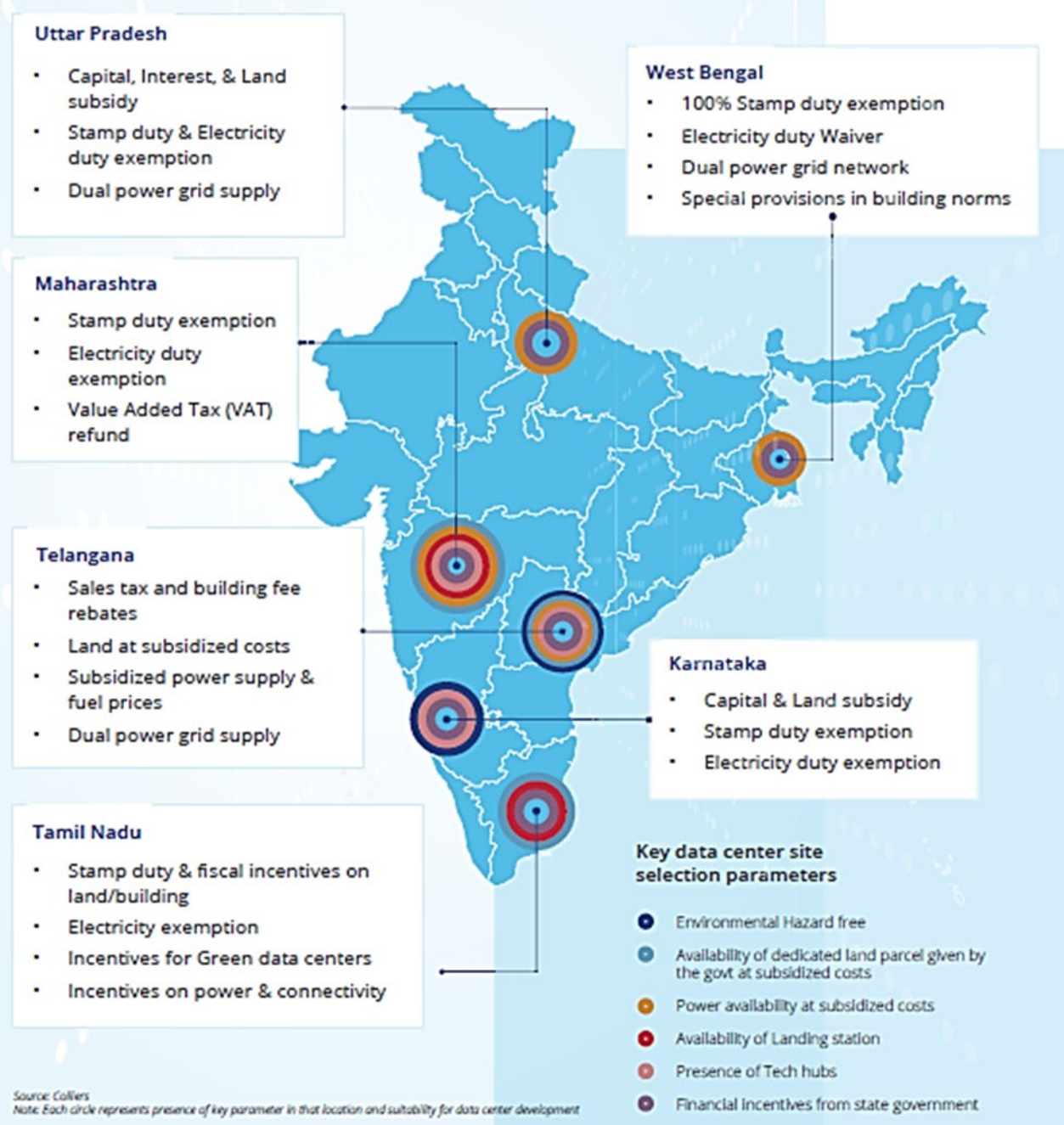
Source: Anarock, Ericson monthly report, Way2Wealth | 1EB (Exabyte) = 10⁹GB (Gigabyte)

State incentives and opportunities for setting up data centers – While multiple regulatory bodies at the central level are providing a framework for data centers in India, state incentives are becoming a game changer. Several states have come up with incentives such as stamp duty exemption, land and tax exemption, for data centers. This is opening multiple avenues for data center occupiers across the country.

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Source: Colliers. Way2Wealth

In India, the city of Mumbai has seen concentrated capacity addition, accounting for 49% of the country's installed data centers capacity. Mumbai benefits from reliable power supply, undersea fibre connectivity and its status as the financial capital of India. **Mumbai and Chennai have the highest undersea cabling.** Bengaluru and Hyderabad are the least vulnerable to environmental hazards such as high seismic zones and flood-prone areas, while also harbouring large clusters of technology companies

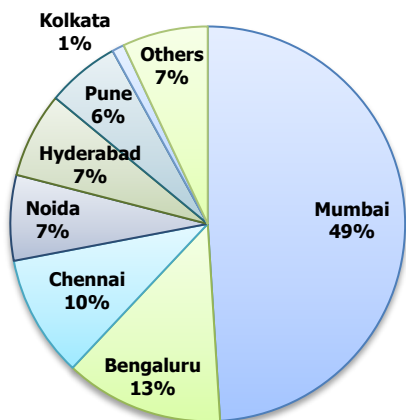
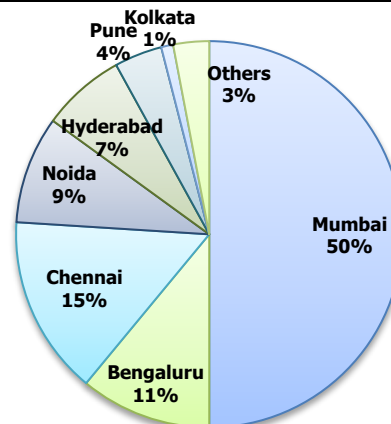
City	Cable Landing
Mumbai	12
Chennai	8
Cochin	3
Puducherry	1
Tuticorin	1
TOTAL	25

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Current data centers capacity in Mar'22


Future capacity est. in Dec'25 –
Mumbai to witness majority of addition


Source: Anarock. Way2Wealth

Potential Stock and Sector plays – Demand will largely come from the power equipment, cooling and ancillary segment. **Data Center Cost breakup – Power: Cooling: Others: Land – 33%:20%:27%:20%**Power equipment accounts for 33% of data centre capex, totaling an estimated ₹120bn over two years. The major cost components include (i) **switchgears (high/medium voltage): 14%**, (ii) **power gensets: 10%**, (iii) **critical power distribution: 5%**, and (iv) **UPS (uninterrupted power supply): 4%**.

SIEMENS stands to benefit the most given its ability to cater to demand across the critical power distribution (LV), switchgear (HV/MV), UPS, and building automation segments, which together offer an addressable market of ₹84bn. **Hitachi Energy (POWERIND)** and **GE T&D** follow, each with an addressable market size of ₹51bn catering to the switchgear (MV/HV) segment. **Cummins (KKC)** is the largest player in power generation, with an estimated opportunity size of ₹36bn

Product	Siemens	Hitachi Energy (PowerInd)	ABB	GE T&D	Cummins (KKC)
UPS	✓	X	X	X	X
GenSet	X	X	X	X	✓
Switchgears (MV/HV)	✓	✓	X	✓	X
Low Voltage (LV)	✓	X	✓	X	X

Source: Schneider Electric dashboard, Way2Wealth

COMPANY	Segments	Addressable Market (%)	Opportunity in 3Y (₹ bn) (30% win rate)	% of TTM revenue
Siemens	MV/HV + LV+UPS	23	25	5
PowerInd	MV/HV	10	11	8
GET&D	MV/HV	10	11	12
KKC	GenSet	10	11	5
ABB	LV	5	11	2

Source: Schneider Electric dashboard, Way2Wealth

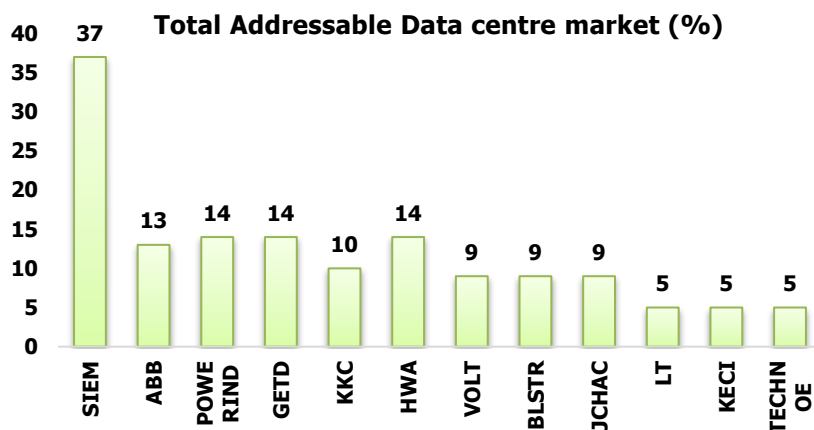
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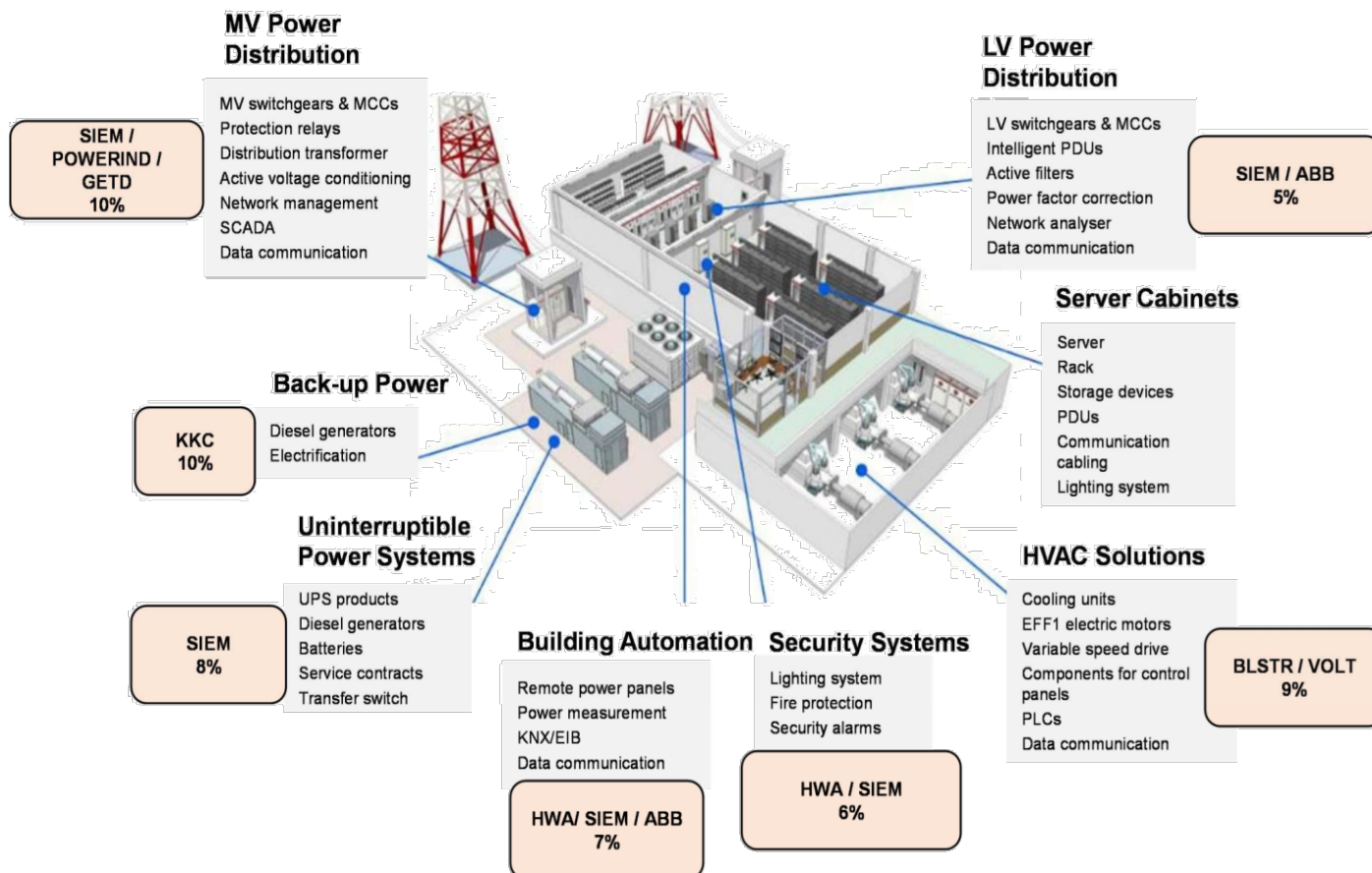
View – **BUY**

SIEMENS well placed amongst listed players in the Data Center play

Company		Power		Cooling		Others		Addressable Market (%)	
	LV	MV/HV	Genset	UPS	Chillers	Building Automation	Safety & Security	EPC	
SIEM	✓	✓		✓		✓	✓		37
ABB	✓					✓			13
POWERIND		✓		✓					14
GETD		✓		✓					14
KKC			✓						10
HWA						✓	✓		14
VOLT					✓				9
BLSTR					✓				9
JCHAC					✓				9
LT								✓	5
KECI								✓	5
TECHNOE								✓	5



Source: Company, Way2Wealth



Source: Greendata.com, Way2Wealth | MCC: Motor Control Centers; SCADA: Supervisory Control and Data Acquisition; KNX/EIB: European Installation Bus; PDU: Power distribution unit; PLC: Programmable Logic Controller

Highlights for the SI business in SY22 include receipt of orders for the electrification of a data centre, a meter data management system for an advanced metering infrastructure solution for a state electricity distributor, a turnkey 33kV switchyard at a deep all weather port, and a large networking and infrastructure automation package order for a metro rail project. Additionally, the company entered into a MoU with Tata Power Delhi Distribution to jointly provide training for the latter's power distribution workforce. The SI business also continues to execute e-mobility projects to meet the growing demand for electric charging infrastructure. Going forward, reforms and modernisation of power utilities and distribution companies, rising e-charging infrastructure requirements and the growth in urban infrastructure represent large opportunities for the SI business. The company expects the business to be the biggest beneficiary of digitalisation, where decisions based on data and analytics can help make energy systems and processes in buildings and industries more efficient and sustainable. **Order inflow grew 30% in SY22 to ₹52.6bn**, largely driven by high growth in data centres, smart meters, railways, metro, airports and privatisation in discoms. Further, MV/LV products, smart meters, integrated building management system, fire safety to grow through these investments. **Revenue grew 29% to ₹59.5bn**, **EBIT margin came in at 6.5% (+101 bps YoY)** for the year.

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MOBILITY on a strong footing supporting the Indian Railways

SIEM received an order for 1,200 electric locomotives of 9000-HP worth ₹260bn, in Jan'23 from Indian Railways, marking the single largest locomotive order in the history of SIEM's Mobility and the single largest order in the history of SIEM in India. The order covers design, manufacture, commissioning and testing the locomotives. Deliveries are planned over an 11-year period (starting from SY24), and the contract includes 35 years of full-service maintenance.

Increased electrification of the railway network (including the locomotives) and higher spend on metro rail projects should lead to healthy growth going ahead. Company is already present in the electrification and signalling business and is looking at expanding its portfolio to further localize the offering. Company has increased its bogey manufacturing capacity at the Aurangabad factory and component manufacturing capacity at its Nashik factory Other robust order opportunities are for 12,000HP locomotives and 'Vande Bharat' trainsets (₹580bn) in the near term.

On electric vehicle segment, the company has partnered with OHM Switch Mobility to provide services like charging hardware, depot management, consulting, charge point management, fleet charging management, service training, grid integration PV & storage and energy management. As of now, this arrangement has achieved over 10 mn km e-Maas (electric mobility as a service) and is present across major cities (Mumbai, Bihar, Chandigarh, Bangalore)

Revenue grew 54.4% to ₹14.3bn, EBIT margin came in at 8.6% (-349 bps YoY) for SY22 while order inflow grew 30% to ₹33.4bn, which includes Pune Hinjewadi order won worth ₹9.5bn order in consortium with Tata Group. Also secured another order as part of a consortium with Siemens Mobility GmbH from Rail Vikas Nigam for signalling and telecommunications of the Kavi Subhash- Biman Bandar Corridor and Joka-Esplanade Metro Corridor (16km) of Kolkata Metro Line 3 & 6. Additionally, it won an order for providing train control management systems and electrics for nine Vande Bharat Express trainsets and installing electronic interlocking. Going forward, SIEM, in collaboration with Indian Railways and Metro operators, aims to optimize rail network throughput and asset availability. With the National Rail Plan 2030 laying the groundwork for a future-ready rail system, investments in infrastructure and products are expected to accelerate. Innovation in research, design, manufacturing, and digitalization will continue to be critical drivers of Indian Railways' transformation. While the company's mobility business participates in many of these opportunities, the timing of their tendering has a large impact on its order position.

Q4SY22 Revenue/ EBITDA/ Adjus. PAT grew ~12%/16%/~21% YoY driven by Smart Infrastructure (+9.1% YoY), Digital Industries (+ 20.5% YoY) and Mobility (+41.8% YoY). Energy (Gas & Power), Smart infrastructure, Digital industries, Mobility segments contributed ~35%, ~36%, 20%, 9%, respectively . Order inflow wins were decent at ₹40.09bn, +25% YoY led by all business segments. EBITDA came in at ₹5.16bn with EBITDA margin of 11.1% (v/s 10.4% in Q4SY21). Gross margins expanded 256 bps to 53.6% on a YoY basis and +458 bps on QoQ basis. Energy reported EBIT margin of 9.5%, contracting 369 bps YoY, Digital industries and smart infrastructure reported EBIT margins at 11.8% (vs. 6.7% in Q4SY21) and 7.7% (vs. 4.8% in Q4SY21) respectively. Mobility segment EBIT margin came in at 8.6% (v/s 11.7% in Q4SY21). **Reported PAT came in at ₹6.52bn, +102.8% YoY.**

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Margins to stabilise going forward – Management highlighted that margins for the company were impacted in SY22 on account of a) supply chain challenges especially in semi-conductors, b) inflation in key raw material and c) higher freight cost. Margins for the company stood at 11.1% in Q4SY22, similar to last year and if we remove volatility in margins due to forex and commodity, operating margins would have been higher by 260bps. RM and transportation cost increases are being passed to customer through price variation clauses. Currently, discretionary spends are low but will slowly increase in areas like travel.

KEY RISKS

- (i) Any slowdown in capex across infrastructure, transportation etc,
- (ii) Any slowdown in R&D spending towards automation and digitisation,
- (iii) Increase in Royalty to SIEMENS AG from ₹296mn in SY20 to ₹818mn in SY22.
- (iv) Management views that high inflation in some the key raw materials will continue to exist, thus lowering volumes for the company while semi conductor issues to be moderate.

View

Siemens (SIEM) management remains upbeat on automation and digitalisation (25% of the total business) drive. The company remains confident of achieving healthy revenue growth, given robust order book of ₹171.8bn (+27.1% YoY, 1.1x book to bill ratio). The management views reallocation opportunities to India as off now not exciting and will continue to analyse shift in supply chain in energy space, but do not expect closing of capacities globally now. In green hydrogen space, the company currently does not see big opportunities given lack of electrolyzers in India, but it is available in global supply chain and looking at techno commercial viability and size of market at this point in time. The company is a structurally important player in infra space from a long-term perspective due to it being a strong play on the industrial capex cycle; well integration of C&S operations (which further strengthens its positioning in the global LV & MV switchgear market); Mobility on a strong footing due to increased visibility with a new electric loco order win; market leadership in the automation space with strong presence in both process and discrete automation, and capex pick-up driven by government focus on increasing transmission capacity for renewable energy. **Hence, we view it as a BUY stock trading at P/E 53.0x SY24E EPS of ₹58.9 (Target Range – ₹3480-3500).**

15th February 2023

CMP – ₹3,124.7/-

View – BUY

FINANCIAL PERFORMANCE

Particulars (₹ mn)	Q1SY23	Q1SY22	YoY (%)	Q4SY22	QoQ (%)	SY22	SY21	YoY (%)
Revenue	40,151	34,213	17.4	46,571	(13.8)	161,378	131,985	22.3
Cost of Matl	10,157	7,419	36.9	10,054	1.0	36,707	28,890	27.1
Stock Purchases	14,034	11,551	21.5	10,316	36.0	44,490	36,726	21.1
Inventory Changes	(3,469)	(1,467)	136.5	1,219	(384.6)	(1,706)	(3,016)	(43.4)
RM Cost	20,722	17,503	18.4	21,589	(4.0)	79,491	62,600	27.0
Employee Costs	4,963	4,526	9.7	4,781	3.8	18,057	16,392	10.2
Project bought outs & other direct costs	5,980	5,893	1.5	9,672	(38.2)	29,772	27,241	9.3
Other Exps	2,494	2,694	(7.4)	5,370	(53.6)	16,485	10,872	51.6
EBITDA	5,992	3,597	66.6	5,159	16.1	17,573	14,880	18.1
EBITDA Margin (%)	14.9	10.5	44.1	11.1	38.5	10.9	11.3	(3.8)
Other Income	1,017	596	70.6	1,028	(1.1)	3,078	2,264	36.0
Finance Cost	37	60	(38.3)	132	(72.0)	363	243	49.4
Depreciation	761	799	(4.8)	798	(4.6)	3,171	2,974	6.6
Tax Exp	1,584	857	84.8	1,440	10.0	4,498	3,639	23.6
Profit/ (Loss) from Discontinued Operations	-	23	(100.0)	2,706	(100.0)	2,811	590	376.4
Minority Exps	-	1	(100.0)	-	-	1	1	-
Net Profit	4,627	2,499	85.2	6,523	(29.1)	15,429	10,877	41.8
EPS (₹)	13.0	7.0	85.2	18.3	(29.1)	43.3	30.6	41.8
Adjus Net Profit	4,627	2,476	86.9	3,817	21.2	12,618	10,287	22.7
Adjus. EPS (₹)	13.0	7.0	86.9	10.7	21.2	35.4	28.9	22.7

Source: Company, Way2Wealth

As % to Sales	Q1SY23	Q1SY22	YoY(BPS)	Q4SY22	QoQ(BPS)	SY22	SY21	YoY(BPS)
Raw Matl Cost	51.6	51.2	45	46.4	525	49.3	47.4	183
Gross Margin	48.4	48.8	(45)	53.6	(525)	50.7	52.6	(183)
Employee Costs	12.4	13.2	(87)	10.3	209	11.2	12.4	(123)
Other Exps	21.1	25.1	(399)	32.3	(1,119)	28.7	28.9	(21)

Segmental Revenues (₹ mn)	Q1SY23	Q1SY22	YoY (%)	Q4SY22	QoQ (%)	SY22	SY21	YoY (%)
Energy	11,601	10,892	6.5	16,316	(28.9)	53,710	47,341	13.5
Smart Infra	15,197	12,875	18.0	16,658	(8.8)	59,488	46,308	28.5
Mobility	3,838	3,007	27.6	4,418	(13.1)	14,286	9,250	54.4
Digital Inds	10,193	7,910	28.9	9,444	7.9	36,055	30,293	19.0
Others	233	162	43.8	402	(42.0)	1,040	1,033	0.7
Inter Segment	911	633	43.9	667	36.6	3,201	2,240	42.9
TOTAL	40,151	34,213	17.4	46,571	(13.8)	161,378	131,985	22.3

Segmental EBIT (₹ mn)	Q1SY23	Q1SY22	YoY (%)	Q4SY22	QoQ (%)	SY22	SY21	YoY (%)
Energy	1,331	1,232	8.0	1,550	(14.1)	5,648	5,918	(4.6)
Smart Infra	1,328	588	125.9	1,283	3.5	3,842	2,524	52.2
Mobility	135	304	(55.6)	378	(64.3)	1,231	1,120	9.9
Digital Inds	2,427	666	264.4	1,114	117.9	3,600	2,330	54.5
Others	10	8	25.0	36	(72.2)	81	14	478.6

15th February 2023

CMP – ₹3,124.7/-

View – BUY

Segmental EBIT Margin (%)	Q1SY23	Q1SY22	YoY (BPS)	Q4SY22	QoQ (BPS)	SY22	SY21	YoY (BPS)
Energy	11.5	11.3	16	9.5	197	10.5	12.5	(199)
Smart Infra	8.7	4.6	417	7.7	104	6.5	5.5	101
Mobility	3.5	10.1	(659)	8.6	(504)	8.6	12.1	(349)
Digital Inds	23.8	8.4	1,539	11.8	1,201	10.0	7.7	229
Others	4.3	4.9	(65)	9.0	(466)	7.8	1.4	643

Segmental Revenue Mix (%)	Q1SY23	Q1SY22	YoY (BPS)	Q4SY22	QoQ (BPS)	SY22	SY21	YoY (BPS)
Energy	28.9	31.8	(294)	35.0	(614)	33.3	35.9	(259)
Smart Infra	37.8	37.6	22	35.8	208	36.9	35.1	178
Mobility	9.6	8.8	77	9.5	7	8.9	7.0	184
Digital Inds	25.4	23.1	227	20.3	511	22.3	23.0	(61)
Others	0.6	0.5	11	0.9	(28)	0.6	0.8	(14)

Source: Company, Way2Wealth

Particulars(₹ mn)	Q4SY22	Q4SY21	YoY (%)	Q3SY22	QoQ (%)	SY22	SY21	YoY (%)
Revenue	46,571	41,736	11.6	42,583	9.4	1,61,378	1,31,985	22.3
Cost of Matl	10,054	10,634	-5.5	8,440	19.1	36,707	28,890	27.1
Stock Purchases	10,316	8,214	25.6	12,619	-18.3	44,490	36,726	21.1
Inventory Changes	1,219	1,569	-22.3	632	92.9	-1,706	-3,016	-43.4
RM Cost	21,589	20,417	5.7	21,691	-0.5	79,491	62,600	27
Employee Costs	4,781	4,550	5.1	4,454	7.3	18,057	16,392	10.2
Project bought outs & other direct costs	9,672	8,535	13.3	7,186	34.6	29,772	27,241	9.3
Other Exps	5,370	3,785	41.9	5,130	4.7	16,485	10,872	51.6
EBITDA	5,159	4,449	16	4,122	25.2	17,573	14,880	18.1
EBITDA Margin (%)	11.1	10.7	42	9.7	140	10.9	11.3	(38)
Other Income	1,028	622	65.3	787	30.6	3,078	2,264	36
Finance Cost	132	70	88.6	44	200	363	243	49.4
Depreciation	798	849	-6	787	1.4	3,171	2,974	6.6
Tax Exp	1,440	990	45.5	1,053	36.8	4,498	3,639	23.6
Profit/ (Loss) from Discontinued Operations	2,706	38	7,021.10	-18	-15,133.30	2,811	590	376.4
Minority Exps	-	-	-	-	-	1	1	-
Net Profit	6,523	3,200	103.8	3,007	116.9	15,429	10,877	41.8
EPS (₹)	18.3	9	103.8	8.4	116.9	43.3	30.6	41.8
Adjus Net Profit	3,817	3,162	20.7	3,025	26.2	12,618	10,287	22.7
Adjus. EPS (₹)	10.7	8.9	20.7	8.5	26.2	35.4	28.9	22.7

As % to Sales	Q4SY22	Q4SY21	YoY(BPS)	Q3SY22	QoQ(BPS)	SY22	SY21	YoY(BPS)
Raw Matl Cost	46.4	48.9	-256	50.9	-458	49.3	47.4	183
Gross Margin	53.6	51.1	256	49.1	458	50.7	52.6	-183
Employee Costs	10.3	10.9	-64	10.5	-19	11.2	12.4	-123
Other Exps	32.3	29.5	278	28.9	338	28.7	28.9	-21

15th February 2023

CMP – ₹3,124.7/-

 View – **BUY**

Segmental Revenues (₹ mn)	Q4SY22	Q4SY21	YoY (%)	Q3SY22	QoQ (%)	SY22	SY21	YoY (%)
Energy	16,316	15,710	3.9	14,544	12.2	53,710	47,341	13.5
Smart Infra	16,658	15,268	9.1	15,060	10.6	59,488	46,308	28.5
Mobility	4,418	3,116	41.8	3,911	13	14,286	9,250	54.4
Digital Inds	9,444	7,839	20.5	9,962	-5.2	36,055	30,293	19
Others	402	340	18.2	184	118.5	1,040	1,033	0.7
Inter Segment	667	537	24.2	1,078	-38.1	3,201	2,240	42.9
TOTAL	46,571	41,736	11.6	42,583	9.4	1,61,378	1,31,985	22.3

Segmental EBIT (₹ mn)	Q4SY22	Q4SY21	YoY (%)	Q3SY22	QoQ (%)	SY22	SY21	YoY (%)
Energy	1,550	2,072	-25.2	1,243	24.7	5,648	5,918	-4.6
Smart Infra	1,283	705	82	1,072	19.7	3,842	2,524	52.2
Mobility	378	364	3.8	183	106.6	1,231	1,120	9.9
Digital Inds	1,114	527	111.4	828	34.5	3,600	2,330	54.5
Others	36	-68	-152.9	9	300	81	14	478.6

Segmental EBIT Margin (%)	Q4SY22	Q4SY21	YoY (BPS)	Q3SY22	QoQ (BPS)	SY22	SY21	YoY (BPS)
Energy	9.5	13.2	(369)	8.5	95	10.5	12.5	(199)
Smart Infra	7.7	4.6	308	7.1	58	6.5	5.5	101
Mobility	8.6	11.7	(313)	4.7	388	8.6	12.1	(349)
Digital Inds	11.8	6.7	507	8.3	348	10.0	7.7	229
Others	9.0	(20.0)	2,896	4.9	406	7.8	1.4	643

Source: Company, Way2Wealth

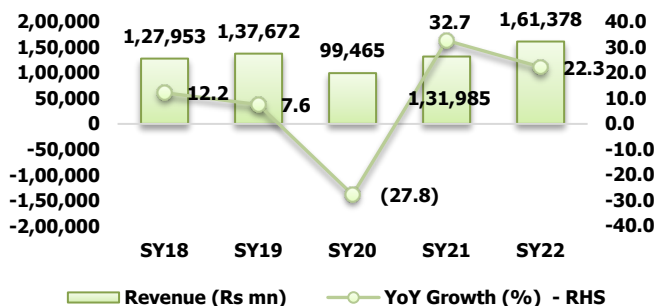
15th February 2023

CMP – ₹3,124.7/-

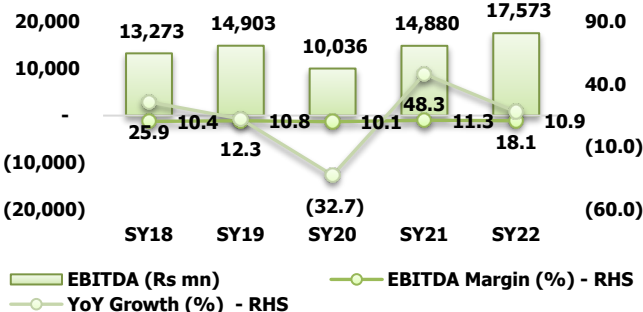
View – **BUY**

PERFORMANCE TREND

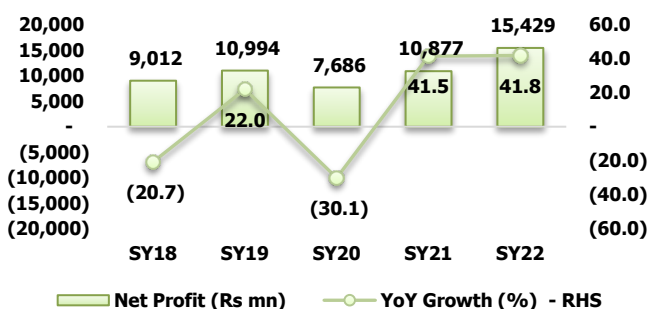
Revenue 6% CAGR SY18-22



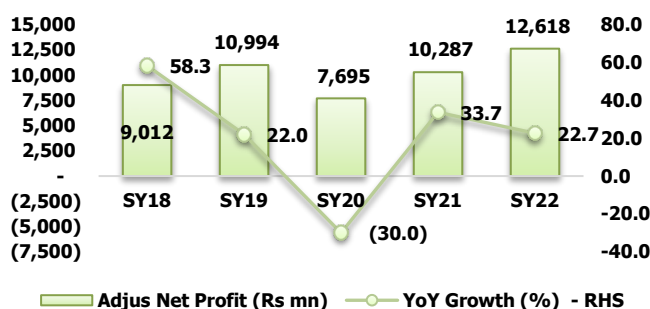
EBITDA 7.3% CAGR SY18-22



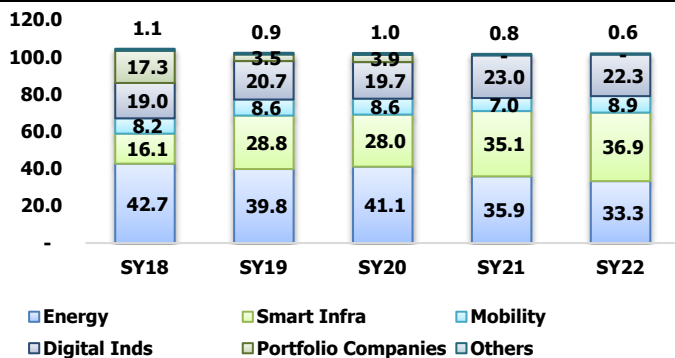
PAT 14.4% CAGR SY18-22



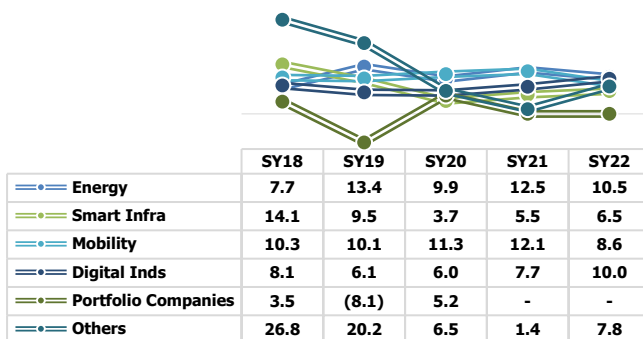
Adjus PAT 8.8% CAGR SY18-22



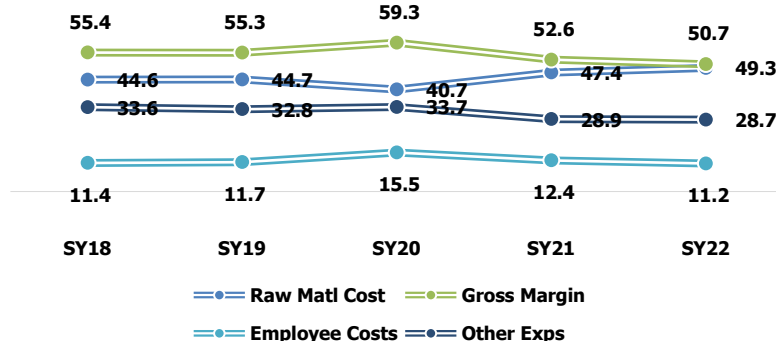
Segmental Revenue Mix (%) with Smart Infra/ Mobility/ Digital CAGR 30.3%/8%/10.3% SY18-22



Segmental EBIT Margin Mix (%)



Costs as % to sales has stabilised

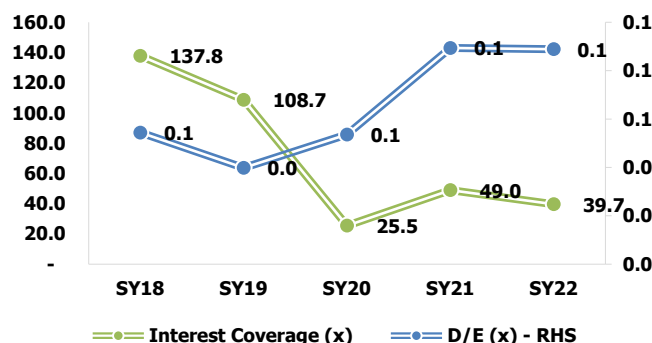
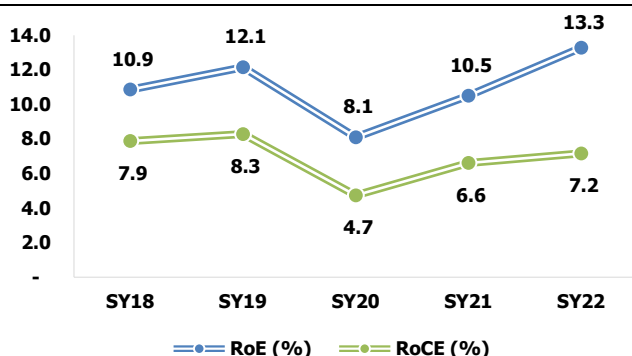
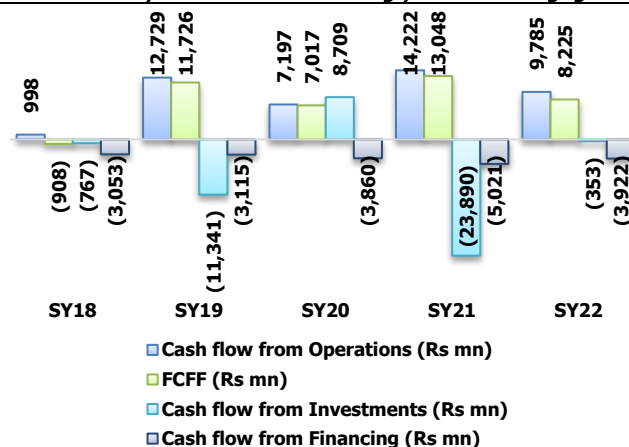
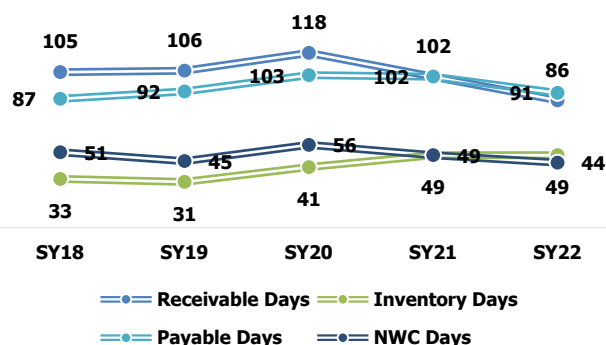


15th February 2023

CMP – ₹3,124.7/-

View – **BUY**

Efficient W.C management enabling strong cash flows and return ratios which is likely to continue in coming years with negligible debt



Source: Company, Way2Wealth Research

15th February 2023

CMP – ₹3,124.7/-

View – **BUY**

FINANCIALS & VALUATIONS

(₹ mn)

Particulars	SY18	SY19	SY20	SY21	SY22	SY23E	SY24E
Order Backlog	123,528	118,795	123,596	135,198	171,830	201,836	239,369
Order Inflow	127,404	132,377	107,517	142,344	194,221	208,102	246,800
Revenue	127,953	137,672	99,465	131,985	161,378	195,577	231,946
EBITDA	13,273	14,903	10,036	14,880	17,573	23,387	28,698
EBITDA Margin (%)	10.4	10.8	10.1	11.3	10.9	12.0	12.4
Net Profit	9,012	10,994	7,686	10,877	15,429	17,129	20,984
EPS (₹)	25.3	30.9	21.6	30.6	43.3	48.1	58.9
DPS (₹)	7.0	7.0	7.0	8.0	10.0	11.0	12.0
RoE (%)	10.9	12.1	8.1	10.5	13.3	13.9	15.8
RoCE (%)	7.9	8.3	4.7	6.6	7.2	11.4	15.3
Cash Balances	36,916	50,019	57,096	51,591	65,391	71,542	83,067
FCF	(908)	11,726	7,017	13,048	8,225	11,314	21,863
Receivable Days	105	106	118	102	86	90	87
Inventory Days	33	31	41	49	49	50	48
Payable Days	87	92	103	102	91	91	90
Net Debt/ Equity (x)	(0.4)	(0.5)	(0.5)	(0.4)	(0.5)	(0.4)	(0.4)
P/E (x)	123.4	101.2	144.7	102.3	72.1	64.9	53.0
EV/EBITDA (x)	81.4	71.6	105.7	71.9	60.2	50.4	41.1
P/BV (x)	13.4	12.3	11.7	10.7	9.6	8.7	7.8

Source: Company, Way2Wealth Research

15th February 2023

CMP – ₹3,124.7/-

View – BUY

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Disclosure of Interest Statement SIEMENS LTD. as on 15th February 2023

Name of the Security	SIEMENS LTD
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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