

**Q4FY23 Result Highlights**

➤ **Strong growth across all segments with energy and Digital being the drivers** – SIEMENS Revenue grew ~28% YoY and 21% QoQ to Rs48.5bn with Energy/ Smart Infra/ Mobility/ Digital Inds segments growing by 30%/ 16%/ 65%/ 31% YoY respectively. EBITDA stood at Rs6.2bn, up by 32.3% YoY. EBITDA margin stood at 12.8%, up by 44bps YoY. Gross margin came in at 50.9%, +12bpsYoY. C&S Electric reported revenues of ~3.5bn with EBIT margin of 7.6%. EBIT margin for Energy/ Smart Infra/ Mobility/ Digital Factory segments stood at 11.4% (-222bps YoY)/ 11.3% (+525bps YoY)/ 8.7% (-371bps YoY )/ 11.2% (-16bps YoY) respectively. PAT stood at Rs4.7bn, +39% YoY. Order intake stood at Rs311,515bn (+483% YoY) in Q2FY23, which included an order of Rs255bn for the 9000 HP locomotive project. Order book stood at Rs457,833mn (+167% YoY) Net working capital (excluding cash) was under control at 58 days (16% of sales), flat YoY.

As per the management, Siemens' global sees India as the top market for growth over the next five years, with all businesses in India driving growth. Industrial and smart infrastructure segments are set for growth due to the introduction of complex products and the emergence of data centers, energy system electrification, and building automation. The mobility segment is also gaining momentum, while Siemens plans to assertively pursue rolling stock opportunities in railways. Siemens has invested over a billion euros in India in the past seven years and intends to continue investing as the market continues to grow. Siemens plans to use more than 30 manufacturing sites in India for global exports, with a focus on the Middle East for electrical equipment currently, and a vision to establish India as a global hub for metro cars in the future. India is benefiting from the global trend towards supply chain diversification. Apple's decision to manufacture phones in India serves as evidence of this trend.

➤ **Transmission capex recovery to benefit Energy segment** – Energy segment has experienced almost flat growth rate during SY18-22 due to reduced domestic transmission spend by PGCIL. India has set an ambitious target to integrate 500 GW of renewable capacity, necessitating significant transmission infrastructure investments. According to CEA, an estimated ₹2.4tn of capex is required for the integration of high and medium voltage range at the ISTS level by 2030. The tentative cost of integrating 10 GW of offshore wind capacity into the ISTS is ₹281bn, and the tentative cost for other wind and solar capacity integration is ₹2.16tn. Additionally, several HVDC orders (worth close to ₹990bn) are expected to be tendered out in the next 3-4 years.

➤ **Siemens launched its first industry-ready 5G routers in India** – Siemens' introduction of an industrial 5G router is a significant move towards the digitalization of the manufacturing industry. The new router is an essential component that facilitates real-time monitoring and control of industrial systems, enabling enhanced productivity and efficiency. Siemens can capitalize on private industrial 5G applications such as autonomous machines, industrial edge, remote diagnostics, and augmented reality to provide value-added services to their customers. This positions Siemens as a pioneer in the digitalization of the manufacturing industry, allowing them to offer cutting-edge solutions and generate growth for their business. (Siemens' Scalance MUM856-1 offers impressive bandwidths of up to 1000 Mbps for the downlink and 500 Mbps for the uplink, making it ideal for data-intensive applications like remote firmware updates. The router also supports modern communication networks and can be used to monitor data traffic and prevent unauthorized access.

**Important Statistics**

<b>MCAP (₹ bn)</b>	₹1,368.0
<b>52 Week H/L (₹)</b>	3940/2156
<b>NSE Code</b>	SIEMENS
<b>BSE Code</b>	500550

Shareholding Pattern	Mar'23 (%)
<b>Promoters</b>	75.0
<b>DIIs</b>	8.5
<b>FIIIs</b>	7.0
<b>Public</b>	9.5

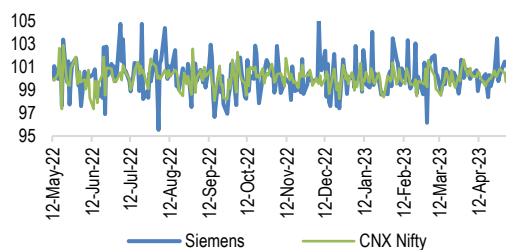
**Financials**

Particulars	₹ mn			
	SY19	SY20	SY21	SY22
<b>Revenue</b>	137,672	99,465	131,985	161,378
<b>EBITDA</b>	14,903	10,036	14,880	17,573
<b>EBITDA Margin(%)</b>	10.8	10.1	11.3	10.9
<b>Net Profit</b>	10,994	7,686	10,877	15,429
<b>EPS (₹)</b>	30.9	21.6	30.6	43.3
<b>RoE (%)</b>	12.1	8.1	10.5	13.3
<b>RoCE (%)</b>	8.3	4.7	6.6	7.2
<b>P/E (x)</b>	124.4	177.9	125.7	88.6
<b>EV/EBITDA (x)</b>	88.7	131.1	89.1	74.7
<b>P/BV (x)</b>	15.1	14.4	13.2	11.8

Particulars	SY23E	SY24E	SY25E
<b>Revenue</b>	194,711	232,463	275,689
<b>EBITDA</b>	26,683	32,918	37,538
<b>EBITDA Margin (%)</b>	13.7	14.2	13.6
<b>Net Profit</b>	19,287	24,984	31,515
<b>EPS (₹)</b>	54.2	70.2	88.5
<b>RoE (%)</b>	15.3	17.1	19.3
<b>RoCE (%)</b>	13.3	15.8	18.5
<b>P/E (x)</b>	70.9	54.7	43.4
<b>EV/EBITDA (x)</b>	51.9	43.3	35.7
<b>P/BV (x)</b>	10.4	9.1	7.9

Source: Company, Way2Wealth

**Relative Performance**



Source: Company, Way2Wealth

**View**

SIEMENS had strong Q2SY23 performance with growth across all segments lead by robust execution and healthy profitability recovery in Smart Infra division, further aided by higher EBIT margin of 7.6% in C&S Electric. Order inflows (excluding 9000HP Locomotive order worth ₹255bn) also remained strong at ₹57bn (3 year-CAGR of 28%). 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. Demand for smart infra products has remained robust driven by data centers, integrated building management systems, energy optimization, smart grid, e-mobility & sustainability services in tune with new infrastructure creation and modernization of existing infrastructure. **Hence, we view continue to view it as a BUY stock trading at P/E 43.4x SY25E EPS of ₹88.5.**

**FINANCIAL PERFORMANCE**

									(₹mn)
Particulars	Q2SY23	Q2SY22	YoY (%)	Q1SY23	QoQ(%)	1HSY23	1HSY22	YoY (%)	
<b>Revenue</b>	<b>48,578</b>	<b>38,011</b>	<b>27.8</b>	<b>40,151</b>	<b>21.0</b>	<b>88,729</b>	<b>72,224</b>	<b>22.9</b>	
Cost of Matl	11,290	10,732	5.2	10,157	11.2	21,447	18,151	18.2	
Stock Purchases	13,407	10,065	33.2	14,034	(4.5)	27,441	21,616	26.9	
Inventory Changes	(850)	(2,090)	(59.3)	(3,469)	(75.5)	(4,319)	(3,557)	21.4	
RM Cost	23,847	18,707	27.5	20,722	15.1	44,569	36,210	23.1	
Employee Costs	5,077	4,297	18.2	4,963	2.3	10,040	8,823	13.8	
Project bought outs & other direct costs	9,407	7,022	34.0	5,980	57.3	15,387	12,915	19.1	
Other Exps	4,035	3,291	22.6	2,494	61.8	6,529	5,985	9.1	
<b>EBITDA</b>	<b>6,212</b>	<b>4,694</b>	<b>32.3</b>	<b>5,992</b>	<b>3.7</b>	<b>12,204</b>	<b>8,291</b>	<b>47.2</b>	
<b>EBITDA Margin (%)</b>	<b>12.8</b>	<b>12.3</b>	<b>44</b>	<b>14.9</b>	<b>(214)</b>	<b>13.8</b>	<b>11.5</b>	<b>227</b>	
Other Income	1,166	668	74.6	1,017	14.7	2,183	1,264	72.7	
Finance Cost	99	128	(22.7)	37	167.6	136	188	(27.7)	
Depreciation	785	788	(0.4)	761	3.2	1,546	1,587	(2.6)	
Tax Exp	1,776	1,148	54.7	1,584	12.1	3,360	2,005	67.6	
Profit/ (Loss) from Discontinued Operations	-	102	(100.0)	-	NM	-	125	(100.0)	
Minority Exps	4	-	NM	-	NM	4	1	300.0	
<b>Net Profit</b>	<b>4,714</b>	<b>3,400</b>	<b>38.6</b>	<b>4,627</b>	<b>1.9</b>	<b>9,341</b>	<b>5,899</b>	<b>58.3</b>	
EPS (₹)	13.2	9.6	38.6	13.0	1.9	26.2	16.6	58.3	
<b>Adjus Net Profit</b>	<b>4,714</b>	<b>3,298</b>	<b>42.9</b>	<b>4,627</b>	<b>1.9</b>	<b>9,341</b>	<b>5,774</b>	<b>61.8</b>	
Adjus. EPS (₹)	13.2	9.3	42.9	13.0	1.9	26.2	16.2	61.8	

Source: Company, Way2Wealth

As % to Sales	Q2SY23	Q2SY22	YoY(BPS)	Q1SY23	QoQ(BPS)	1HSY23	1HSY22	YoY(BPS)
<b>Raw Matl Cost</b>	49.1	49.2	(12)	51.6	(252)	50.2	50.1	9
<b>Gross Margin</b>	50.9	50.8	12	48.4	252	49.8	49.9	(9)
<b>Employee Costs</b>	10.5	11.3	(85)	12.4	(191)	11.3	12.2	(90)
<b>Other Exps</b>	21.1	25.1	(399)	32.3	(1,119)	28.7	28.9	(21)

Segmental Revenues (₹ mn)	Q2SY23	Q2SY22	YoY(%)	Q1SY23	QoQ(%)	1HSY23	1HSY22	YoY (%)
Energy	15,554	11,958	30.1	11,601	34.1	27,155	22,850	18.8
Smart Infra	17,249	14,895	15.8	15,197	13.5	32,446	27,770	16.8
Mobility	4,864	2,951	64.8	3,838	26.7	8,702	5,958	46.1
Digital Inds	11,407	8,739	30.5	10,193	11.9	21,600	16,649	29.7
Others	337	292	15.4	233	44.6	570	454	25.6
Inter Segment	833	824	1.1	911	(8.6)	1,744	1,457	19.7
<b>TOTAL</b>	<b>48,578</b>	<b>38,011</b>	<b>27.8</b>	<b>40,151</b>	<b>21.0</b>	<b>88,729</b>	<b>72,224</b>	<b>22.9</b>

Segmental EBIT (₹ mn)	Q2SY23	Q2SY22	YoY (%)	Q1SY23	QoQ(%)	1HSY23	1HSY22	YoY (%)
Energy	1,766	1,623	8.8	1,331	32.7	3,097	2,855	8.5
Smart Infra	1,947	899	116.6	1,328	46.6	3,275	1,487	120.2
Mobility	423	366	15.6	135	213.3	558	670	(16.7)
Digital Inds	1,277	992	28.7	2,427	(47.4)	3,704	1,658	123.4
Others	14	26	(46.2)	10	40.0	24	34	(29.4)

15<sup>th</sup> May 2023

CMP – ₹3841.5/-

View – BUY

Segmental EBIT Margin (%)	Q2SY23	Q2SY22	YoY(BPS)	Q1SY23	QoQ(BPS)	1HSY23	1HSY22	YoY(BPS)
Energy	11.4	13.6	(222)	11.5	(12)	11.4	12.5	(109)
Smart Infra	11.3	6.0	525	8.7	255	10.1	5.4	474
Mobility	8.7	12.4	(371)	3.5	518	6.4	11.2	(483)
Digital Inds	11.2	11.4	(16)	23.8	(1,262)	17.1	10.0	719
Others	4.2	8.9	(475)	4.3	(14)	4.2	7.5	(328)

Segmental Revenue Mix (%)	Q2SY23	Q2SY22	YoY(BPS)	Q1SY23	QoQ(BPS)	1HSY23	1HSY22	YoY(BPS)
Energy	32.0	31.5	56	28.9	313	30.6	31.6	(103)
Smart Infra	35.5	39.2	(368)	37.8	(234)	36.6	38.4	(188)
Mobility	10.0	7.8	225	9.6	45	9.8	8.2	156
Digital Inds	23.5	23.0	49	25.4	(190)	24.3	23.1	129
Others	0.7	0.8	(7)	0.6	11	0.6	0.6	1

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	401,889	396,992	388,118
Order Inflow	127,404	132,377	107,517	142,344	194,221	339,089	296,818	288,134
Revenue	<b>127,953</b>	<b>137,672</b>	<b>99,465</b>	<b>131,985</b>	<b>161,378</b>	<b>194,711</b>	<b>232,463</b>	<b>275,689</b>
EBITDA	<b>13,273</b>	<b>14,903</b>	<b>10,036</b>	<b>14,880</b>	<b>17,573</b>	<b>26,683</b>	<b>32,918</b>	<b>37,538</b>
EBITDA Margin (%)	10.4	10.8	10.1	11.3	10.9	13.7	14.2	13.6
Net Profit	<b>9,012</b>	<b>10,994</b>	<b>7,686</b>	<b>10,877</b>	<b>15,429</b>	<b>19,287</b>	<b>24,984</b>	<b>31,515</b>
EPS (₹)	25.3	30.9	21.6	30.6	43.3	54.2	70.2	88.5
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	15.3	17.1	19.3
RoCE (%)	7.9	8.3	4.7	6.6	7.2	13.3	15.8	18.5
Cash Balances	36,916	50,019	57,096	51,591	65,391	81,863	93,702	97,253
FCF	(908)	11,726	7,017	13,048	8,225	15,418	19,426	20,041
Receivable Days	105	106	118	102	86	84	85	88
Inventory Days	33	31	41	49	49	46	47	49
Payable Days	87	92	103	102	91	90	88	89
Net Debt/ Equity (x)	(0.4)	(0.5)	(0.5)	(0.4)	(0.5)	(0.6)	(0.6)	(0.5)
P/E (x)	151.8	124.4	177.9	125.7	88.6	70.9	54.7	43.4
EV/EBITDA (x)	100.6	88.7	131.1	89.1	74.7	51.9	43.3	35.7
P/BV (x)	16.5	15.1	14.4	13.2	11.8	10.4	9.1	7.9

Source: Company, Way2Wealth

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**Disclosure of Interest Statement Siemens Ltd. as on 15<sup>th</sup> May 2023**

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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