

16th May 2024

CMP – ₹7,238.3/-

 View – **ACCUMULATE**
Q2SY24 Result Highlights

➤ **Strong Revenue growth of 18% YoY even as there were order deferrals** – SIEMENS Revenue in Q2SY24 grew 18.4% YoY (+19.2% QoQ) to ₹57.5bn supported by strong execution across Mobility (₹7.6bn; +56% YoY), Smart infra segment (₹21.7bn; +26% YoY), and Digital Industries segment (₹10.4bn; +16% YoY). The energy segment witnessed a moderate execution during the quarter (₹16.4bn; +5.3% YoY) with EBIT margin at 13.7% (+234 bps YoY and +278 bps QoQ). Overall EBITDA margin grew by 249bps YoY and 292bps QoQ to 15.3% with the gross margin at 52.8%, +193 bps YoY as raw material cost % to sales declined from 49.1% to 47.2% YoY. EBIT margin in the Smart infra segment, Digital industries and Mobility segment stood at 14.3% (+301bps YoY), 16.5% (+573 bps YoY) and 9.2% (+52 bps YoY) respectively. Other income grew 3x YoY and 2x QoQ to ₹3.2bn due to dividend income and sale of properties. PAT grew 70.2% YoY (+58.8% QoQ) to ₹8.03bn. The order book stood at ₹462bn (+3% YoY) with order inflows at ₹51.8bn (not comparable to last year order worth ₹254bn. Excluding loco order, the order inflow last year was at ₹56.2bn). The company witnessed slowdown in ordering of industrial automation products on account of channel partner destocking inventory at their end and deferring of large ticket size government projects. The company is witnessing traction from short cycle as well as long cycle orders with uptick in private as well as government capex.

➤ **Board approves demerge of Energy business with listing likely in 2025** – The Board of Directors of Siemens Ltd. approved the proposal to demerge its Energy business into a separate legal entity—Siemens Energy India Ltd. As per the scheme of arrangement, shareholders of Siemens Ltd. will receive one share of Siemens Energy India Ltd. for every one share of Siemens Ltd. Siemens Energy India Ltd. will be subsequently listed separately on exchanges upon receipt of requisite approvals. It is done in order to unlock value and align the corporate structure with the parent entity. In SY23, the energy segment contributed 31% to the company's revenue and 32% at the EBIT level. Siemens Energy India Ltd. will house the grid technology business (high voltage GIS, AIS, Transformers, sub-station business), Project business (generation transmission and industrial business), Gas services (gas turbines services and its modification and upgradation), transformation of industry business (industrial steam turbines, electrification, automation, and digitalization solutions). Siemens expects the demerger and listing process in CY25. The management is bullish on opportunities in the transmission sector, which is the key driver in the segment. It has placed bids for many orders; however, the finalization rests with customers. For Q2SY24, order inflows grew 12% YoY to ₹19.6bn, led by Grid Technologies and Gas Services.

➤ **Incremental Capex to increase capacities so as to cater domestic and export opportunities** – The management has decided on capex of ₹10bn (largest ever) to expand its capacities to meet the incremental domestic and export opportunities that it expects to play out in the medium to long term. Key projects announced for the capex are investments of ₹3.3bn to set up a GIS factory in Goa where Siemens will expand capacities of Ring main units by 22,000 feeders (18,000 feeders currently) and MV GIS capacity addition of 1,500 panel (1,000 panel capacity currently). The facility is expected to be ready by FY27. This facility will also manufacture Blue GIS mainly for exports. ₹1.9bn to set up a metro train manufacturing facility at Aurangabad and Bogie factory in Aurangabad catering to domestic as well as the export markets of Australia, Middle-East and Asia (becoming an export hub for turnkey projects). ₹4.2bn investments to expand capacity of power transformers, vacuum interrupters for medium voltage switchgears to meet demand from power T&D segment.

Important Statistics

Nifty	22,196
Sensex	72,965
MCAP (₹ bn)	₹2,577.7
52 Week H/L (₹)	7,249/3,248
NSE Code	SIEMENS
BSE Code	500550
Bloomberg Code	SIEM:IN

Shareholding Pattern Mar'24 (%)

Promoters	75.0
DIIs	7.4
FIIIs	8.3
Public	9.3

FINANCIALS

Particulars	₹ mn		
	SY21	SY22	SY23
Revenue	131,985	161,378	195,538
EBITDA	14,880	17,573	24,872
EBITDA Margin (%)	11.3	10.9	12.7
Net Profit	10,877	15,429	19,609
EPS (₹)	30.6	43.3	55.1
RoE (%)	10.5	13.3	15.0
RoCE (%)	10.6	11.9	15.8
P/E (x)	236.9	167.0	131.4
EV/EBITDA (x)	170.4	143.6	100.9
P/BV (x)	24.9	22.2	19.7

Particulars	SY24E	SY25E	SY26E
	Revenue	233,854	279,194
EBITDA	29,864	33,997	46,739
EBITDA Margin (%)	12.8	12.2	13.9
Net Profit	26,384	31,221	36,124
EPS (₹)	74.1	87.7	101.5
RoE (%)	18.5	19.3	21.2
RoCE (%)	18.2	19.1	20.8
P/E (x)	97.7	82.5	71.3
EV/EBITDA (x)	72.6	57.2	45.2
P/BV (x)	17.1	15.3	13.1

Source: Company, Way2Wealth

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
SIEMENS	87.4	254.2	552.4
Nifty 50	21.4	48.7	97.2
Sensex	17.8	47.2	95.1

Source: Company, Way2Wealth

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- **Siemens remains confident of the business opportunities that exists across business verticals and expects ordering activity to pick up.** Data centers, metros & railways are witnessing traction. The overall enquiry pipeline is strong, particularly in areas such as transmission, EV, electrification, data centers, pharma, chemicals, electronics, battery storage, etc. While the government has done most of the heavy lifting, private capex too is expected to contribute meaningfully going ahead.
- The management views long term growth story for metros, trainsets, bogies, propulsion systems, locomotives, etc. 1HSY24 **Mobility** revenue grew by 62.8% YoY to ₹14.2bn as the recognition of the 9000HP locomotives order has commenced on Percentage of Completion (PoC) basis. Margin too expanded 198bps to 8.4%. Going ahead, there would be some hit on margins as the company scales up its investment in the bogies facility. T&D segment is the major driver for future growth and meet sustainable goals. The company is open to bid for HVDC and prospects pipeline is very good & bidding for it.
- **Digital Industries** segment to benefit from PLI schemes on the back of Industry 4.0 and digitalisation adoption. 1HSY24 revenue grew 24% YoY to ₹20.8bn with EBIT margin at 14.6% (-366 bps YoY) . No further localisation plans in this segment.
- **Smart Infra** 1HSY24 revenue grew 24% YoY to ₹40.2bn with health visibility from Data centers, commercial buildings, Industrial Infra, metals, cement, Oil & gas, EV etc. Order inflow moderated 6% YoY as some of it was deferred to Q3SY24.

View

SIEMENS had a strong Q2SY24 performance boosted by profitability in the new age technology segments which is likely to continue its growth trajectory in coming quarters especially in digitalisation adoption by various Indian industries. The capex investments announced should auger well for catering the incremental opportunities available both in India and abroad especially in T&D, HVDC and rail projects where the company is in an apt position to further increase their market pie. The company is witnessing substantial on-ground interest from private companies and some of these orders have started to get converted into tenders. The base business remains strong and enjoys a robust outlook as diverse customer segments enable it to play the capex cycle. The management sounds confident to reap the benefits of both Government and private capex cycle which will deliver strong growth both at the topline and bottomline in coming years. Hence, we view it as a **ACCUMULATE** stock trading at **P/E 71.3x SY26E EPS of ₹101.5.**

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 View – **ACCUMULATE**
FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q2SY24	Q2SY23	YoY (%)	Q1SY24	QoQ(%)	1HSY24	1HSY23	YoY (%)
Revenue	57,499	48,578	18.4	48,252	19.2	105,751	88,729	19.2
Cost of Matl	10,269	11,290	(9.0)	13,258	(22.5)	23,527	21,447	9.7
Stock Purchases	13,205	13,407	(1.5)	14,389	(8.2)	27,594	27,441	0.6
Inventory Changes	3,644	(850)	528.7	(4,904)	174.3	(1,260)	(4,319)	(70.8)
RM Cost	27,118	23,847	13.7	22,743	19.2	49,861	44,569	11.9
Employee Costs	4,899	5,077	(3.5)	5,635	(13.1)	10,534	10,040	4.9
Project bought outs & other direct costs	11,720	9,407	24.6	10,001	17.2	21,721	15,387	41.2
Other Exps	4,980	4,035	23.4	3,912	27.3	8,892	6,529	36.2
EBITDA	8,782	6,212	41.4	5,961	47.3	14,743	12,204	20.8
EBITDA Margin (%)	15.3	12.8	249	12.4	292	13.9	13.8	19
Other Income	3,210	1,166	175.3	1,641	95.6	4,851	2,183	122.2
Finance Cost	313	99	216.2	34	820.6	347	136	155.1
Depreciation	800	785	1.9	785	1.9	1,585	1,546	2.5
Profit/ (Loss) Associates	1	-	-	-	-	1	-	-
Tax Exp	2,851	1,776	60.5	1,726	65.2	4,577	3,360	36.2
Profit/ (Loss) from Discontinued Operations	-	-	-	-	-	-	-	-
Minority Exps	4	4	-	3	33.3	7	4	75.0
Net Profit	8,025	4,714	70.2	5,054	58.8	13,079	9,341	40.0
EPS (₹)	22.5	13.2	70.2	14.2	58.8	36.7	26.2	40.0
Adjus Net Profit	8,025	4,714	70.2	5,054	58.8	13,079	9,341	40.0
Adjus. EPS (₹)	22.5	13.2	70.2	14.2	58.8	36.7	26.2	40.0

Source: Company, Way2Wealth

As % to Sales	Q2SY24	Q2SY23	YoY(BPS)	Q1SY24	QoQ(BPS)	1HSY24	1HSY23	YoY(BPS)
Raw Matl Cost	47.2	49.1	(193)	47.1	3	47.1	50.2	(308)
Gross Margin	52.8	50.9	193	52.9	(3)	52.9	49.8	308
Employee Costs	8.5	10.5	(193)	11.7	(316)	10.0	11.3	(135)
Other Exps	29.0	27.7	137	28.8	21	28.9	24.7	425

Segmental Revenues (₹ mn)	Q2SY24	Q2SY23	YoY (%)	Q1SY24	QoQ(%)	1HSY24	1HSY23	YoY (%)
Energy	16,375	15,554	5.3	11,454	43.0	27,829	27,155	2.5
Smart Infra	21,655	17,249	25.5	18,523	16.9	40,178	32,446	23.8
Mobility	7,573	4,864	55.7	6,597	14.8	14,170	8,702	62.8
Digital Inds	10,419	8,982	16.0	10,379	0.4	20,798	16,771	24.0
Others	2,171	2,425	(10.5)	2,219	(2.2)	4,390	4,829	(9.1)
Portfolio Companies	275	337	(18.4)	161	70.8	436	570	(23.5)
Inter Segment	969	833	16.3	1,081	(10.4)	2,050	1,744	17.5
TOTAL	57,499	48,578	18.4	48,252	19.2	105,751	88,729	19.2

Segmental EBIT (₹ mn)	Q2SY24	Q2SY23	YoY (%)	Q1SY24	QoQ(%)	1HSY24	1HSY23	YoY (%)
Energy	2,243	1,766	27.0	1,251	79.3	3,494	3,097	12.8
Smart Infra	3,097	1,947	59.1	1,964	57.7	5,061	3,275	54.5
Mobility	698	423	65.0	491	42.2	1,189	558	113.1
Digital Inds	1,721	969	77.6	1,313	31.1	3,034	3,061	(0.9)
Portfolio Companies	214	308	(30.5)	142	50.7	356	643	(44.6)
Others	10	14	(28.6)	14	(28.6)	24	24	-

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Segmental EBIT Margin (%)	Q2SY24	Q2SY23	YoY(BPS)	Q1SY24	QoQ(BPS)	1HSY24	1HSY23	YoY(BPS)
Energy	13.7	11.4	234	10.9	278	12.6	11.4	115
Smart Infra	14.3	11.3	301	10.6	370	12.6	10.1	250
Mobility	9.2	8.7	52	7.4	177	8.4	6.4	198
Digital Inds	16.5	10.8	573	12.7	387	14.6	18.3	(366)
Portfolio Companies	9.9	12.7	(284)	6.4	346	8.1	13.3	(521)
Others	3.6	4.2	(52)	8.7	(506)	5.5	4.2	129

Segmental Revenue Mix (%)	Q2SY24	Q2SY23	YoY(BPS)	Q1SY24	QoQ(BPS)	1HSY24	1HSY23	YoY(BPS)
Energy	28.5	32.0	(354)	23.7	474	26.3	30.6	(429)
Smart Infra	37.7	35.5	215	38.4	(73)	38.0	36.6	143
Mobility	13.2	10.0	316	13.7	(50)	13.4	9.8	359
Digital Inds	18.1	18.5	(37)	21.5	(339)	19.7	18.9	77
Portfolio Companies	3.8	5.0	(122)	4.6	(82)	4.2	5.4	(129)
Others	0.5	0.7	(22)	0.3	14	0.4	0.6	(23)

Source: Company, Way2Wealth

FINANCIALS & VALUATIONS

(₹ mn)

Particulars	SY19	SY20	SY21	SY22	SY23	SY24E	SY25E	SY26E
Order Backlog	118,795	123,596	135,198	171,830	455,227	483,119	406,784	438,341
Order Inflow	132,377	107,517	142,344	194,221	463,829	228,623	234,728	313,100
Revenue	137,672	99,465	131,985	161,378	195,538	233,854	279,194	337,185
EBITDA	14,903	10,036	14,880	17,573	24,872	29,864	33,997	46,739
EBITDA Margin (%)	10.8	10.1	11.3	10.9	12.7	12.8	12.2	13.9
Net Profit	10,994	7,686	10,877	15,429	19,609	26,384	31,221	36,124
EPS (₹)	30.9	21.6	30.6	43.3	55.1	74.1	87.7	101.5
DPS (₹)	7.0	7.0	8.0	10.0	10.0	11.0	13.0	15.0
RoE (%)	12.1	8.1	10.5	13.3	15.0	18.5	19.3	21.2
RoCE (%)	13.6	7.5	10.6	11.9	15.8	18.2	19.1	20.8
Cash Balances	50,019	57,096	51,591	65,391	65,391	81,785	96,539	117,326
FCF	11,726	7,017	13,048	8,225	11,980	11,362	19,905	24,926
Receivable Days	101	115	102	86	88	89	87	85
Inventory Days	66	101	105	99	95	97	95	94
Payable Days	196	251	214	186	91	93	92	90
Net Debt/ Equity (x)	(0.5)	(0.5)	(0.4)	(0.5)	(0.4)	(0.5)	(0.4)	(0.4)
P/E (x)	234.4	335.3	236.9	167.0	131.4	97.7	82.5	71.3
EV/EBITDA (x)	169.8	251.7	170.4	143.6	100.9	72.6	57.2	45.2
P/BV (x)	28.5	27.1	24.9	22.2	19.7	17.1	15.3	13.1

Source: Company, Way2Wealth

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Disclosure of Interest Statement: Siemens Ltd. as on 16 May 2024

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
Way2Wealth ownership of any stock related to the information contained	NIL
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