

Reasonable performance...

About the stock: Siemens Ltd (Siemens) is a leader in technology solutions for smart, intelligent, building technologies, mobility, digital industries and power T&D.

- It operates mainly in five key segments including energy/gas & power (34%), smart infrastructure (33%), digital industries (22%), mobility (7%)
- Well placed to gain from the overall energy market transformation from electrification to automation and digitisation

Q3FY22 Results: Siemens reported reasonable Q3FY22* results.

- Consolidated revenue was at ₹ 4198 crore, up 50.5% YoY
- EBITDA came in at ₹ 412.2 crore with margins of 9.7%, supported by stable gross margins
- Consequently, PAT came in at ₹ 300.7 crore, up 112.1%
- Order inflow for Q3FY22 was decent at ~₹ 4992 crore, up 20% YoY

What should investors do? Overall, further penetration of automation & digitisation products and services across segments to drive long term growth.

- We remain long term positive and retain our **BUY** rating on the stock

Target Price and Valuation: We value Siemens at ₹ 3040 on an SoTP basis.

Key triggers for future price performance:

- Strong focus on technology leadership in digitisation and automation products to further strengthen its market share
- 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, EBITDA to grow at CAGR of ~15.7%, 20.1%, respectively, in FY21-23E owing to strong traction in short cycle products and services

Alternate Stock Idea: We also like L&T in our coverage.

- Focus on asset monetisation to further strengthen the balance sheet and improve return ratios. Strong b/s, controlled working capital and strong cash generation
- BUY with target price of ₹ 2175



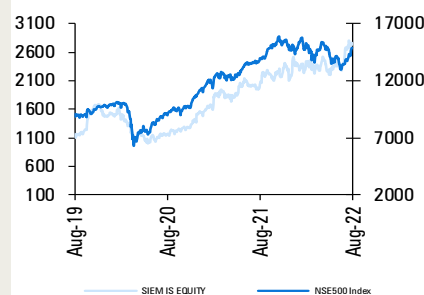
Particulars

Particular	Amount
Market Capitalization	₹ 94372 Crore
Total Debt (FY21)	₹ 3 Crore
Cash and Inv (FY21)	₹ 5159 Crore
EV (FY21)	₹ 89215 Crore
52 week H/L (₹)	2815 / 1947
Equity capital	₹ 71.2 Crore
Face value (₹)	2.0

Shareholding pattern

(in %)	Sep-21	Dec-21	Mar-22	Jun-22
Promoter	75.0	75.0	75.0	75.0
FII	5.2	5.4	5.5	5.4
DII	9.9	9.7	9.5	9.6
Others	9.9	9.9	10.0	9.9

Price Performance



Recent events & Key risks

- **Key risk:** (i) Any slowdown in capex across infrastructure, transportation etc, (ii) Any slowdown in R&D spending towards automation and digitisation

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Key Financial Summary

(₹ Crore)*	FY19	FY20	FY21	5 Year	FY22E	FY23E	2 year CAGR
Revenue (₹ crore)	13,083.9	9,946.5	13,639.2	4.7%	15,651.5	18,247.8	15.7%
EBITDA (₹ crore)	1,526.1	1,003.6	1,518.5	8.3%	1,721.7	2,189.7	20.1%
EBITDA margin (%)	11.7	10.1	11.1		11.0	12.0	
Net Profit (₹ crore)	1,135.6	769.5	1,050.1	8.5%	1,308.0	1,728.7	28.3%
EPS (₹)	31.9	21.6	29.5		36.7	48.5	
P/E (x)	81.9	120.9	88.6		71.1	53.8	
Price / Book (x)	10.3	9.8	9.0		8.2	7.4	
EV/EBITDA (x)	57.7	87.0	57.9		50.7	39.5	
RoCE (%)	19.1	11.2	13.9		15.7	18.6	
RoE (%)	12.5	8.1	10.1		11.6	13.7	

Source: Company, ICICI Direct Research, * September year end

Key takeaways of recent quarter & conference call highlights

Q3FY22 Results: Reasonable quarter

- Siemens reported consolidated revenue at ₹ 4198 crore, up 50.5% on a YoY basis. Gas & power (energy) segment grew 52.3% to ₹ 1454.4 crore; smart infrastructure segment grew 40.5% to ₹ 1506 crore, mobility segment revenue grew 171.4% YoY to ₹ 391.1 crore and digital industries segment revenue grew 45.7% to ₹ 996.2 crore. Gas & power, smart infrastructure, digital industries, mobility segments contributed ~32%, ~33%, 22%, 9% respectively
- Order inflows wins were decent at ₹ 4992 crore, registering growth of 20% on a YoY basis led by all business segments. This resulted in order backlog at ₹ 17856 crore, which indicates a clear upswing in both public and private capex spending
- EBITDA came in at ₹ 412.2 crore with EBITDA margin of 9.7% (vs. 8.4% in Q3FY21). Gross margins de-grew 150 bps to 32.2% on a YoY basis and was flat on a QoQ basis. Gas & power reported EBIT margin of 8.5%, which marginally improved 50 bps YoY, digital industries and smart infrastructure reported EBIT margins at 8.3% (vs. 4.6% in Q3FY21) and 7.1% (vs. 1.5% in Q3FY21), respectively. Mobility segment EBIT margin came in at 4.7% (vs. 11.7% in Q3FY21)
- Reported PAT came in at ₹ 300.7 crore, up 112.1% YoY
- Board of Directors approved the sale and transfer of the holding company's large drives applications (LDA) business (portfolio companies segment) to Siemens Large Drives India Pvt Ltd (a subsidiary of Siemens Large Drives GmbH, which, in turn, is a subsidiary of Siemens AG), as a going concern on a slump sale basis, with effect from July 1, 2022, for a cash consideration of ₹ 4,40 crore. The said transaction is subject to receipt of requisite statutory and regulatory approvals, as applicable. Subsequently, the LDA business has been sold and transferred by the holding company to Siemens Large Drives India Pvt Ltd on July 1, 2022
- Outlook: Short cycle business is witnessing strong demand with clear traction from steel, cement, chemical, pharma, fertiliser for short cycle projects/ products. While on long cycle projects, transmission projects from government, utilities are getting deferred due to pandemic though longer term pipeline remains intact with visible demand for GIS substations. On the generation side, waste heat recovery (WHR) plants largely from steel, cement, chemical, fertiliser players are seeing lot of demand and conversions. In smart infrastructure segment, lot of traction is seen in data centres, hospitals, building management systems, low voltage products with fairly visible opportunity pipeline. A 20% growth in order book with order backlog at an all-time high at ₹ 17856 crore is seen improving growth visibility, going ahead. However, global headwinds may impact demand, which could result in a slowdown in capex spending

Exhibit 1: Variance analysis

Year	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	Comments
Income from Operation	4258.3	2839.0	50.0	3801.1	12.0	Strong execution seen by Gas & Power/Energy and mobility segment
Other Income	78.7	50.0	57.4	66.8	17.8	
Cost of materials consumed	2105.9	1607.7	31.0	2079.7	1.3	
Changes in inventories of finished goods & WIP	63.2	(243.3)	(126.0)	(209.0)	(130.2)	
Employee cost	445.4	427.1	4.3	429.7	3.7	
Other expenses	513.0	290.8	76.4	329.1	55.9	
EBITDA	412.2	238.1	73.1	469.4	(12.2)	
EBITDA Margin (%)	9.7	8.4	129 bps	12.3	-267 bps	QoQ margin declined
Depreciation	78.7	83.9	(6.2)	78.8	(0.1)	
Interest	4.4	8.0	(45.0)	12.8		
PBT	407.8	196.2	107.8	444.6	(8.3)	
Taxes	105.3	56.4	86.7	114.8	(8.3)	
PAT	300.7	141.8	112.1	340.0	(11.6)	
Segment Revenue	Q3FY22	Q3FY21	YoY (%)	Q2FY22	QoQ (%)	
Gas & Power/ Energy	1454.4	954.9	52.3	1195.8	21.6	
% Contribution	32%	32%		30%		
Smart Infrastrucutre	1506.0	1071.7	40.5	1489.5	1.1	
% Contribution	33%	36%		37%		
Mobility	391.1	144.1	171.4	295.1	32.5	Sharpest decline in segment margin despite growing its topline the most
% Contribution	9%	5%		7%		
Digital Industries	996.2	683.8	45.7	873.9	14.0	
% Contribution	22%	23%		22%		
Portfolio of Companies	141.1	96.3	46.5	153.6	(8.1)	
% Contribution	3%	3%		4%		

Source: Company, ICICI Direct Research, *September Year End.

Exhibit 2: Change in estimates

(₹ Crore)	FY19	FY20	FY21	FY22E			FY23E		
	Actual	Actual	Actual	Old	New	% Change	Old	New	% Change
Revenue	13,084	9,947	13,639	15,622	15651	0.2	18,125	18248	0.7
EBITDA	1,526	1,004	1,519	1,718	1,722	0.2	2,175	2,190	0.7
EBITDA Margin (%)	11.7	10.1	11.1	11.0	11.0	0 bps	12.0	12.0	0 bps
PAT	1,136	769	1,050	1,305	1,308	0.2	1,715	1,729	0.8
EPS (₹)	31.9	21.6	29.5	36.6	36.7	0.4	48.2	48.5	0.7

Source: Company, ICICI Direct Research

Valuation Summary

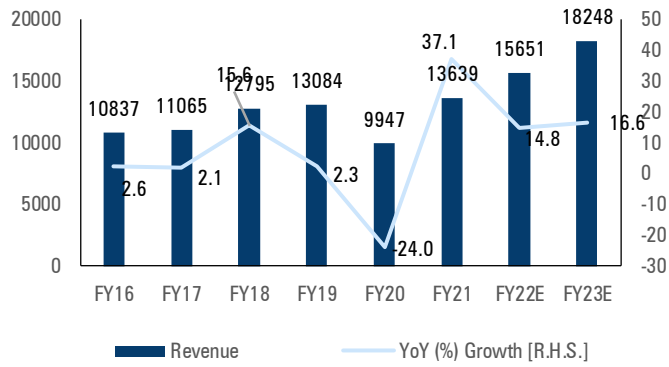
Exhibit 3: SoTP Valuation

Particulars	Multiple	FY23E Valuation (₹ crore)	Value per share
Siemens P/E (x)	60.0	103723	2913
C&S Acquisition P/Sales (X)	2.1	4423	124
Total	-	108145	3037

Source: Company, ICICI Direct Research

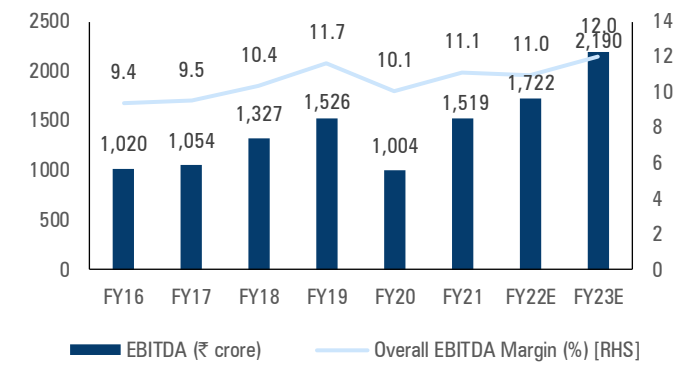
Financial story in charts:

Exhibit 4: Revenue trend...



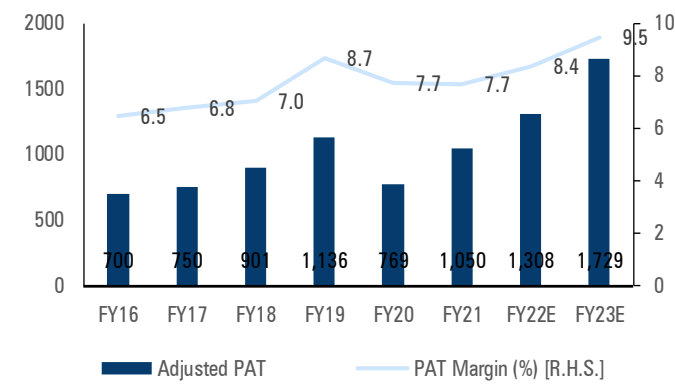
Source: ICICI Direct Research, Company

Exhibit 5: EBITDA and EBITDA margin trend



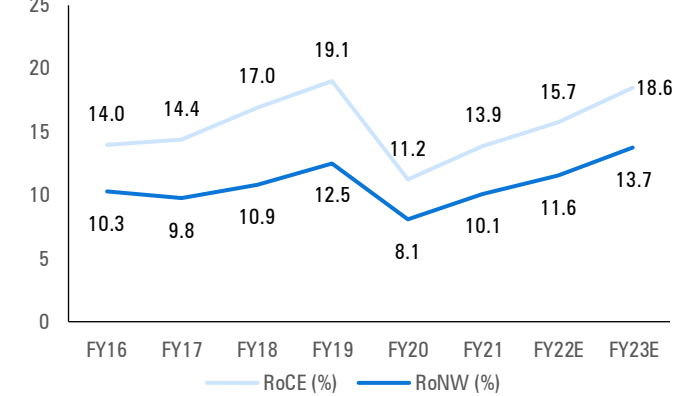
Source: ICICI Direct Research, Company

Exhibit 6: PAT and PAT margin (%) trend...



Source: Company, ICICI Direct Research

Exhibit 7: RoE, RoCE (%) trend...



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 8: Profit and loss statement				
	₹ crore			
(₹ Crore)	FY20	FY21	FY22E	FY23E
Net Sales	9,946.5	13,639.2	15,651.5	18,247.8
Other Operating Inco	-	-	-	-
Total Operating In	9,946.5	13,639.2	15,651.5	18,247.8
% Growth	(24.0)	37.1	14.8	16.6
Other Income	314.9	226.5	375.6	487.2
Total Revenue	10,261.4	13,865.7	16,027.1	18,735.0
Cost of materials con	1,776.2	2,887.4	3,286.8	3,832.0
Purchase of stock-in-	2,163.7	3,911.4	4,225.9	4,926.9
Other Expenses	1,034.0	1,117.3	1,252.1	1,459.8
Total expenditure	8,942.9	12,120.7	13,929.8	16,058.0
EBITDA	1,003.6	1,518.5	1,721.7	2,189.7
% Growth	(34.2)	51.3	13.4	27.2
Interest	29.5	24.6	18.8	14.6
Depreciation	252.1	300.5	322.8	341.9
PBT	1,036.9	1,419.9	1,755.7	2,320.4
Tax	267.4	369.8	447.7	591.7
PAT	769.5	1,050.1	1,308.0	1,728.7
% Growth	(32.2)	36.5	24.6	32.2
EPS	21.6	29.5	36.7	48.5

Source: Company, ICICI Direct Research, * September Year End

Exhibit 9: Cash flow statement				
	₹ crore			
(₹ Crore)	FY20	FY21	FY22E	FY23E
Profit after Tax	768.6	1,050.1	1,308.0	1,728.7
Depreciation	252.1	300.5	322.8	341.9
Interest	29.5	24.6	18.8	14.6
Other income	(314.9)	(226.5)	(375.6)	(487.2)
Prov for Taxation	267.4	369.8	447.7	591.7
Cash Flow before WC changes	1,002.7	1,518.5	1,721.7	2,189.7
Change in Working Capital	421.0	(63.5)	(253.1)	(442.8)
Taxes Paid	(267.4)	(369.8)	(447.7)	(591.7)
Cashflow from Operating A	1,156.3	1,085.2	1,020.8	1,155.2
(Purchase)/Sale of Fixed Asset	(258.8)	(2,159.0)	(354.2)	(388.0)
(Purchase)/Sale of Investments	-	(97.1)	(10.0)	(15.0)
Other Income	-	-	-	-
Cashflow from Investing A	(258.8)	(2,256.1)	(364.2)	(403.0)
Issue/(Repayment of Debt)	-	2.5	(2.5)	-
Changes in Minority Interest	-	-	-	-
Changes in Networth	(326.9)	(185.0)	(385.9)	(428.8)
Interest	(29.5)	(24.6)	(18.8)	(14.6)
Others	(436.6)	-	-	-
Cashflow from Financing A	(793.0)	(207.1)	(407.2)	(443.4)
Changes in Cash	707.7	(550.5)	625.1	796.1
Opening Cash/Cash Equivalent	5,001.9	5,709.6	5,159.1	5,784.2
Closing Cash/ Cash Equivalent	5,709.6	5,159.1	5,784.2	6,580.3

Source: Company, ICICI Direct Research

Exhibit 10: Balance sheet				
	₹ crore			
(₹ Crore)	FY20	FY21	FY22E	FY23E
Share Capital	71.2	71.2	71.2	71.2
Reserves & Surplus	9,420.8	10,285.9	11,208.0	12,507.9
Networth	9,492.0	10,357.1	11,279.2	12,579.1
Total Debt	-	2.5	-	-
Deferred tax liability	-	-	-	-
Total Liabilities	10,001.4	11,175.6	12,218.7	13,717.7
Gross Block	1,855.5	2,242.7	2,582.7	2,947.7
Acc: Depreciation	877.1	1,127.6	1,442.4	1,776.4
Net Block	1,167.1	1,303.9	1,329.0	1,360.1
Capital WIP	88.0	33.8	40.0	55.0
Investments	-	-	-	-
Inventory	1,115.2	1,796.9	1,929.6	2,049.7
Sundry debtors	3,140.2	3,683.0	4,210.2	4,799.2
Cash and bank balan	5,709.6	5,159.1	5,784.2	6,580.3
Loans and advances	272.2	606.0	516.5	602.2
Other Current Assets	873.7	367.2	453.9	711.7
Total current Assets	12,716.0	13,152.2	14,663.1	16,786.8
CL& Prov.	3,660.6	4,638.4	4,954.8	5,416.4
Net Current Assets	6,857.2	6,370.2	7,248.5	8,487.3
Total Assets	10,001.3	11,175.6	12,251.1	13,782.0

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
EPS	21.6	29.5	36.7	48.5
Cash EPS	28.7	37.9	45.8	58.1
BV	266.5	290.8	316.7	353.2
DPS	7.0	7.0	9.0	10.0
Cash Per Share	24.6	31.7	40.5	49.9
EBITDA Margin	10.1	11.1	11.0	12.0
PBT / Net Sales	7.6	8.9	8.9	10.1
PAT Margin	7.7	7.7	8.4	9.5
Inventory days	40.9	48.1	45.0	41.0
Debtor days	115.2	98.6	98.2	96.0
Creditor days	102.3	98.3	93.0	89.0
RoE	8.1	10.1	11.6	13.7
RoCE	11.2	13.9	15.7	18.6
RoIC	27.6	40.2	41.1	45.7
P/E	122.6	89.9	72.2	54.6
EV / EBITDA	88.3	58.8	51.5	40.1
EV / Net Sales	8.9	6.5	5.7	4.8
Market Cap / Sales	9.5	6.9	6.0	5.2
Price to Book Value	9.9	9.1	8.4	7.5
Debt/EBITDA	0.0	0.0	0.0	0.0
Net Debt / Equity	-0.6	-0.5	-0.5	-0.5
Current Ratio	1.5	1.4	1.4	1.5
Quick Ratio	1.2	1.0	1.0	1.1

Source: Company, ICICI Direct Research

Exhibit 12: ICICI Direct coverage universe (Capital Goods)

Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
L&T (LARTOU)	1,780	2,175	Buy	249770	56.8	65.0	76.7	31.3	27.4	23.2	8.9	10.2	11.6	12.1	12.7	13.6
Siemens Ltd	2,654	3,040	Buy	94514	29.5	36.7	48.5	90.0	72.3	54.7	13.9	15.7	18.6	10.1	11.6	13.7
AIA Engineering (AIAENG)	2,437	2,570	Buy	22986	64.6	79.6	85.7	37.7	30.6	28.4	16.5	17.8	17.0	13.2	14.2	13.6
Thermax (THERMA)	2,075	2,405	Buy	24725	26.2	38.7	53.4	79.2	53.6	38.8	11.3	15.4	18.7	8.9	12.0	14.6
KEC International (KECIN)	445	474	Hold	11441	12.9	15.5	29.6	34.5	28.7	15.0	11.9	13.5	19.3	10.6	10.8	17.6
Greaves Cotton (GREAVE)	163	179	Buy	3766	0.7	2.6	3.3	230.1	61.8	49.4	2.5	8.9	10.2	1.3	6.3	7.3
Elgi Equipment (ELGEQU)	421	390	Buy	13342	5.7	6.6	8.7	73.7	63.8	48.4	18.9	17.8	20.2	18.7	18.5	20.3
Bharat Electronics (BHAELE)	284	315	Buy	69199	9.6	11.3	12.6	29.5	25.2	22.6	26.2	28.5	28.6	19.6	21.3	21.4
Cochin Shipyard (COCSHI)	332	340	Hold	4367	42.9	38.6	42.3	7.7	8.6	7.8	10.9	12.5	12.7	12.7	10.8	11.1
SKF (SKFIND)	4,318	4,920	Buy	21347	77.0	104.8	122.9	56.1	41.2	35.1	26.0	29.8	30.1	20.6	22.7	22.4
Timken India (TIMIND)	2,996	2,810	Buy	22536	43.5	54.8	62.5	99.3	78.8	69.1	25.3	32.3	36.8	19.7	24.9	28.4
NRB Bearing (NRBBEA)	145	220	Buy	1402	7.8	9.2	12.1	20.6	17.3	17.3	15.0	15.3	19.2	12.6	12.6	14.8
Action Construction (ACTCON)	221	230	Buy	2637	9.8	11.5	13.6	22.6	19.3	16.3	22.5	20.9	21.3	15.1	14.5	14.7
Data Patterns (DATPAT)	801	900	Buy	4158	18.1	21.7	28.0	44.3	36.9	28.6	23.8	24.4	26.4	16.4	18.1	19.6
HAL (HINAER)	2,000	2,200	Buy	66865	151.9	123.6	137.4	13.2	16.2	14.6	27.4	29.7	30.5	26.3	22.5	23.2

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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