

## All segments perform well...

**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

**Q1FY23 Results:** Siemens reported a strong set of Q1FY23\* numbers.

- Consolidated revenue was at ₹ 4015.1 crore, up 13.1% YoY
- EBITDA came in at ₹ 599.2 crore with strong margins of 14.9% on account of strong volumes, price hikes, lower input costs and forex gain
- Consequently, PAT came in at ₹ 462.7 crore, up 84.5%
- Order inflow for Q1FY23 was at ~₹ 5446 crore, up 6% 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 ₹ 3725 i.e. 60x P/E on FY24E

### 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 a CAGR of ~19.1%, 20.9%, respectively, in FY22-24E owing to strong traction in short cycle products and services

**Alternate Stock Idea:** We also like ABB in our coverage.

- ABB continues to see a recovery in certain segments and industries like data centre, renewables, electronics, food & beverages and pharma. It continues to focus on order win and seamless execution across projects
- BUY with a target price of ₹ 3735

### Key Financial Summary

(₹Crore)*	FY20	FY21	FY22	FY23E	FY24E	CAGR FY22-24E
Revenue (₹crore)	9,946.5	13,639.2	16,137.8	19,524.7	22,887.4	19.1%
EBITDA (₹crore)	1,003.6	1,518.5	1,757.3	2,343.0	2,860.9	20.9%
EBITDA margin (%)	10.1	11.1	10.9	12.0	12.5	
Net Profit (₹crore)	769.5	1,050.1	1,261.9	1,801.5	2,208.7	25.9%
EPS (₹)	21.6	29.5	35.4	50.6	62.0	
P/E (x)	149.3	109.4	90.8	63.8	52.0	
Price / Book (x)	12.1	11.1	10.2	9.3	8.3	
EV/EBITDA (x)	108.8	72.1	61.5	50.1	41.5	
RoCE (%)	11.2	13.9	15.6	18.3	19.8	
RoE (%)	8.1	10.1	11.3	13.4	14.6	

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

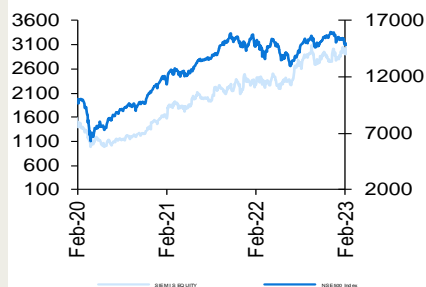
### Particulars

Particular	Amount
Market Capitalization	₹114920 Crore
Total Debt (FY22)	₹0 Crore
Cash and Inv (FY22)	₹6487 Crore
EV (FY22)	₹108148 Crore
52 week H/L (₹)	3248 / 2150
Equity capital	₹71.2 Crore
Face value (₹)	2.0

### Shareholding pattern

(in %)	Mar-22	Jun-22	Sep-22	Dec-22
Promotr	75.0	75.0	75.0	75.0
FII	5.5	5.4	6.0	6.7
DII	9.5	9.6	9.5	8.8
Others	10.0	9.9	9.4	9.5

### 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 takeaways of recent quarter & conference call highlights

### Q1FY23 Results: All segments perform well...

- Siemens reported consolidated revenue at ₹ 4015.1 crore, up 13.1% YoY. Gas & power (energy) segment grew 6.5% to ₹ 1160.1 crore; smart infrastructure segment grew 18.1% to ₹ 1519.7 crore, mobility segment revenue grew 27.6% YoY to ₹ 383.8 crore and digital industries segment revenue grew 28.9% to ₹ 1019.3 crore. Gas & power, smart infrastructure, digital industries, mobility segments contributed ~28%, ~37%, 25%, 9%, respectively
- Order inflow wins were decent at ₹ 5446 crore, registering growth of 6% YoY led by all business segments. On a like to like basis, inflows have grown 28% YoY. In Q1FY22, the company had one large order to the tune of ₹ 900 crore)
- EBITDA came in at ₹ 599.2 crore with EBITDA margin of 14.9% (vs. 10.3% in Q1FY22). Gross margins expanded 220 bps to 33.5% on a YoY basis and 60 bps QoQ. Gas & power reported EBIT margin of 11.5%, expanding by 20 bps YoY basis. Digital industries and smart infrastructure reported EBIT margins at 23.8% (vs. 8.4% in Q1FY22) and 8.7% (vs. 4.7% in Q1FY22), respectively. While mobility segment EBIT margin came in at 3.5% (vs. 10.1% in Q1FY22). The key reason for EBITDA beat was on account of strong volumes, price hikes, lower input costs and forex gain
- Reported PAT came in at ₹ 462.7 crore, up 84.5% YoY

Exhibit 1: Variance analysis

Year	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	Comments
Income from Operation	4015.1	3550.4	13.1	4657.1	(13.8)	
Other Income	101.7	59.6	70.6	102.8	(1.1)	
Cost of materials consumed	2419.1	1965.1	23.1	2037.0	18.8	
Changes in inventories of finished goods & WIP	(346.9)	(151.3)	129.3	121.9	(384.6)	
Employee cost	496.3	467.5	6.2	478.1	3.8	
Other expenses	249.4	280.0	(10.9)	537.0	(53.6)	
EBITDA	599.2	364.6	64.3	515.9	16.1	On account of strong volumes, price hikes, lower input costs and forex gain
EBITDA Margin (%)	14.9	10.3	465 bps	11.1	385 bps	
Depreciation	76.1	80.6	(5.6)	79.8	(4.6)	
Interest	3.7	6.1	(39.3)	13.2		
PBT	621.1	337.5	84.0	525.7	18.1	
Taxes	158.4	86.7	82.7	144.0	10.0	
PAT	462.7	250.8	84.5	652.3	(29.1)	
Segment Revenue	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	
Gas & Power/ Energy	1160.1	1089.2	6.5	1631.6	(28.9)	
% Contribution	28%	30%		35%		
Smart Infrastructure	1519.7	1287.0	18.1	1665.8	(8.8)	
% Contribution	37%	36%		35%		
Mobility	383.8	300.7	27.6	441.8	(13.1)	
% Contribution	9%	8%		9%		
Digital Industries	1019.3	791.0	28.9	944.4	7.9	Strong performance by Digital segment with strong margins
% Contribution	25%	22%		20%		
Others	23.3	16.2	43.8	40.2	(42.0)	
% Contribution	0.0%	4%		0%		

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

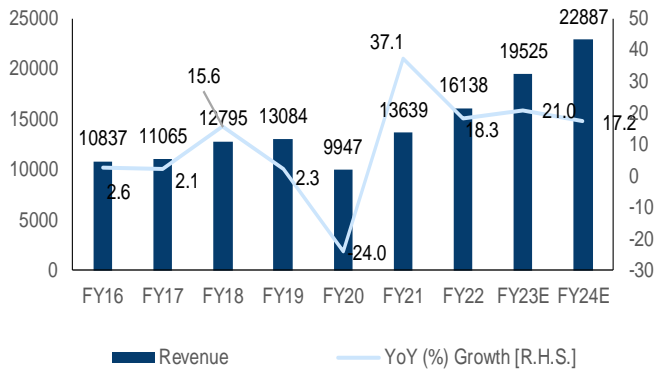
Exhibit 2: Change in estimates

	FY20	FY21	FY22	FY23E			FY24E		
(₹C ore)	Actual	Actual	Actual	Old	New	% Change	Old	New	% Change
Revenue	9,947	13,639	16,138	19,470	19,525	0.3	22,481	22,887	1.8
EBITDA	1,004	1,519	1,757	2,142	2,343	9.4	2,473	2,861	15.7
EBITDA Margin (%)	10.1	11.1	10.9	11.0	12.0	100 bps	11.0	12.5	150 bps
PAT	769	1,050	1,262	1,652	1,802	9.1	1,915	2,209	15.3
EPS (₹)	21.6	29.5	35.4	46.4	50.6	9.0	53.8	62.0	15.3

Source: Company, ICICI Direct Research

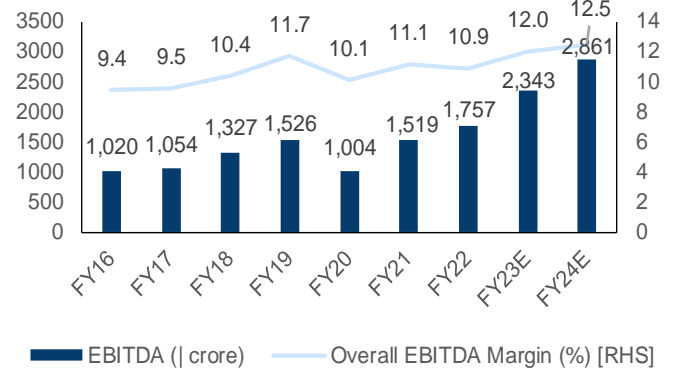
Financial story in charts

Exhibit 4: Revenue trend...



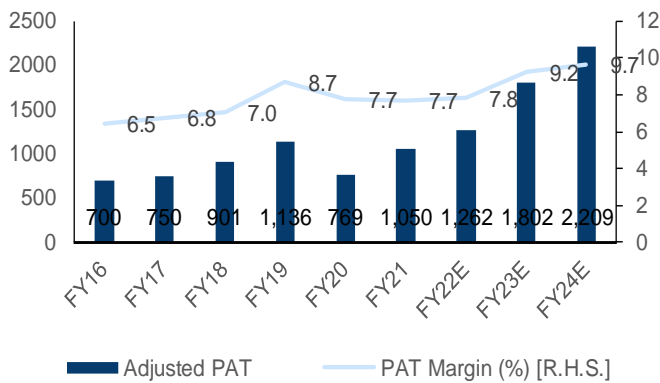
Source: ICICI Direct Research, Company

Exhibit 5: EBITDA and EBITDA margin trend



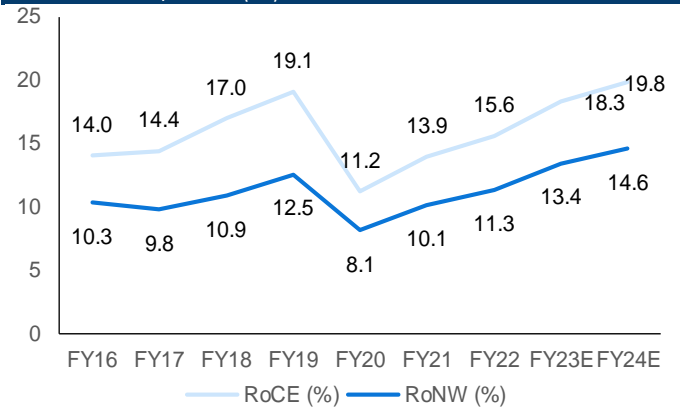
Source: ICICI Direct Research, Company

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				
(₹Cr crore)	FY21	FY22	FY23E	FY24E
Net Sales	13,639.2	16,137.8	19,524.7	22,887.4
Other Operating In	-	-	-	-
<b>Total Operating I</b>	<b>13,639.2</b>	<b>16,137.8</b>	<b>19,524.7</b>	<b>22,887.4</b>
% Growth	37.1	18.3	21.0	17.2
Other Income	226.5	307.8	449.1	526.4
Total Revenue	13,865.7	16,445.6	19,973.8	23,413.8
Cost of materials c	2,887.4	3,670.7	4,295.4	4,920.8
Purchase of stock-	3,911.4	4,449.0	5,271.7	6,179.6
Other Expenses	1,117.3	1,648.5	1,952.5	2,288.7
Total expenditure	12,120.7	14,380.5	17,181.8	20,026.5
<b>EBITDA</b>	<b>1,518.5</b>	<b>1,757.3</b>	<b>2,343.0</b>	<b>2,860.9</b>
% Growth	51.3	15.7	22.2	22.1
Interest	24.6	36.3	15.6	18.3
Depreciation	300.5	317.1	341.9	384.3
PBT	1,419.9	1,711.7	2,434.5	2,984.8
Tax	369.8	449.8	633.0	776.0
<b>PAT</b>	<b>1,050.1</b>	<b>1,261.9</b>	<b>1,801.5</b>	<b>2,208.7</b>
% Growth	36.5	20.2	31.3	22.6
EPS	29.5	35.4	50.6	62.0

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

Exhibit 9: Cash flow statement				
₹ crore				
(₹Cr crore)	FY21	FY22	FY23E	FY24E
Profit after Tax	1,050.1	1,261.9	1,801.5	2,208.7
Depreciation	300.5	317.1	341.9	384.3
Interest	24.6	36.3	15.6	18.3
Other income	(226.5)	(307.8)	(449.1)	(526.4)
Prov for Taxation	369.8	449.8	633.0	776.0
Cash Flow before WC cha	1,518.5	1,757.3	2,343.0	2,860.9
Change in Working Capita	(63.5)	519.4	(461.8)	(77.6)
Taxes Paid	(369.8)	(449.8)	(633.0)	(776.0)
<b>Cashflow from Operatin</b>	<b>1,085.2</b>	<b>1,826.9</b>	<b>1,248.2</b>	<b>2,007.3</b>
(Purchase)/Sale of Fixed A	(2,159.0)	(360.6)	(377.0)	(757.3)
(Purchase)/Sale of Investm	(97.1)	21.8	(15.0)	90.4
Other Income	-	-	-	-
<b>Cashflow from Investing</b>	<b>(2,256.1)</b>	<b>(338.8)</b>	<b>(392.0)</b>	<b>(666.9)</b>
Issue/(Repayment of Debt)	2.5	(2.5)	-	-
Changes in Minority Interes	-	-	-	-
Changes in Network	(185.0)	(428.8)	(514.5)	(600.3)
Interest	(24.6)	(36.3)	(15.6)	(18.3)
Others	-	-	-	-
<b>Cashflow from Financin</b>	<b>(207.1)</b>	<b>(467.6)</b>	<b>(530.1)</b>	<b>(619.0)</b>
Changes in Cash	(550.5)	1,328.3	630.7	994.6
Opening Cash/Cash Equiv	5,709.6	5,159.1	6,487.5	7,118.1
Closing Cash/Cash Equiv:	5,159.1	6,487.5	7,118.1	8,112.7

Source: Company, ICICI Direct Research

Exhibit 10: Balance sheet				
₹ crore				
(₹Cr crore)	FY21	FY22	FY23E	FY24E
Share Capital	71.2	71.2	71.2	71.2
Reserves & Surplu	10,285.9	11,119.0	12,261.5	13,662.3
<b>Networth</b>	<b>10,357.1</b>	<b>11,190.2</b>	<b>12,332.7</b>	<b>13,733.5</b>
Total Debt	2.5	-	-	-
Deferred tax liabili	-	-	-	-
<b>Total Liabilities</b>	<b>11,175.6</b>	<b>11,691.5</b>	<b>13,113.7</b>	<b>14,667.9</b>
Gross Block	2,242.7	2,582.7	2,947.7	3,312.7
Acc: Depreciation	1,127.6	1,436.7	1,770.6	1,762.6
Net Block	1,303.9	1,334.8	1,365.8	1,738.8
Capital WIP	33.8	51.0	55.0	55.0
Investments	-	-	-	-
Inventory	1,796.9	2,165.0	2,407.2	2,821.7
Sundry debtors	3,683.0	3,786.0	4,685.9	5,264.1
Cash and bank ba	5,159.1	6,487.5	7,118.1	8,112.7
Loans and advanc	606.0	328.0	396.8	465.2
Other Current Assse	367.2	397.0	585.7	686.6
Total current Asset	13,152.2	15,169.1	17,341.5	20,111.4
CL& Prov.	4,638.4	5,030.0	5,750.7	6,633.4
Net Current Assets	6,370.2	7,179.2	8,271.6	9,389.8
<b>Total Assets</b>	<b>11,175.5</b>	<b>12,104.6</b>	<b>13,535.5</b>	<b>15,425.4</b>

Source: Company, ICICI Direct Research

Exhibit 11: Key ratios				
₹				
(Year-end March)	FY21	FY22	FY23E	FY24E
EPS	29.5	35.4	50.6	62.0
Cash EPS	37.9	44.3	60.2	72.8
BV	290.8	314.2	346.3	385.6
DPS	7.0	10.0	12.0	14.0
Cash Per Share	31.7	40.3	49.7	49.5
<b>EBITDA Margin</b>	<b>11.1</b>	<b>10.9</b>	<b>12.0</b>	<b>12.5</b>
PBT / Net Sales	8.9	8.9	10.2	10.8
PAT Margin	7.7	7.8	9.2	9.7
Inventory days	48.1	49.0	45.0	45.0
Debtor days	98.6	85.6	87.6	84.0
Creditor days	98.3	91.4	89.0	90.0
RoE	10.1	11.3	13.4	14.6
<b>RoCE</b>	<b>13.9</b>	<b>15.6</b>	<b>18.3</b>	<b>19.8</b>
RoIC	40.2	50.2	50.3	50.4
<b>P/E</b>	<b>109.4</b>	<b>90.8</b>	<b>63.8</b>	<b>52.0</b>
EV / EBITDA	72.1	61.5	50.1	41.5
EV / Net Sales	8.0	6.7	5.5	4.6
Market Cap / Sales	8.4	7.1	5.9	5.0
Price to Book Value	11.1	10.2	9.3	8.3
Debt/EBITDA	0.0	0.0	0.0	0.0
<b>Net Debt / Equity</b>	<b>-0.5</b>	<b>-0.6</b>	<b>-0.6</b>	<b>-0.6</b>
Current Ratio	1.4	1.3	1.4	1.4
Quick Ratio	1.0	0.9	1.0	1.0

Source: Company, ICICI Direct Research

Exhibit 12: ICICI Direct coverage universe (Capital Goods)

Company	CMP			M Cap			EPS (₹)			P/E (x)			RoCE (%)			RoE (%)		
	(₹)	TP (₹)	Rating	(₹Cr)	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E		
L&T (LARTOU)	2,175	2,795	Buy	305203	59.8	74.5	90.1	36.4	29.2	24.1	8.7	10.7	12.1	11.8	13.4	14.6		
Siemens Ltd	3,229	3,630	Buy	115005	35.4	46.4	53.8	91.1	69.6	60.1	15.6	18.2	19.1	11.3	13.4	14.0		
AIA Engineering (AIAENG)	2,818	3,230	Buy	26582	107.3	97.9	107.0	26.3	28.8	26.3	23.5	18.6	18.2	18.5	14.9	14.3		
Thermax (THERMA)	2,112	2,372	Hold	25167	37.0	50.8	59.3	57.0	41.6	35.6	14.7	18.0	18.3	11.5	14.1	14.1		
KEC International (KECIN)	479	545	Buy	12313	6.6	24.4	36.3	72.5	19.7	13.2	9.6	18.4	21.8	4.9	15.6	19.4		
Greaves Cotton (GREAVE)	134	194	Buy	3106	4.8	4.7	5.5	28.1	28.4	24.3	12.9	13.4	14.0	9.4	9.7	10.2		
Elgi Equipment (ELGEQU)	442	500	Buy	14001	7.5	10.2	11.9	59.2	43.2	37.2	21.2	25.9	24.8	20.4	22.6	21.3		
Bharat Electronics (BHAELE)	95	135	Buy	69187	3.2	3.8	4.5	29.6	24.9	21.0	26.1	28.4	30.0	19.5	21.2	22.4		
Cochin Shipyard (COCSHI)	493	745	Buy	6484	42.9	38.6	42.8	11.5	12.8	11.5	10.9	10.5	10.6	12.7	11.0	11.3		
SKF (SKFIND)	4,333	5,215	Buy	21421	77.0	108.7	130.3	56.3	39.9	33.3	26.0	30.7	31.3	20.6	23.3	23.4		
Timken India (TIMIND)	3,024	3,560	Buy	22745	43.5	61.3	71.2	69.5	49.3	42.5	25.3	36.2	42.0	19.7	27.9	32.2		
NRB Bearing (NRBBEA)	146	220	Buy	1414	7.8	9.2	12.1	18.7	15.9	12.1	15.0	15.3	19.2	12.6	12.6	14.8		
Action Construction (ACTCON)	376	385	Buy	4475	8.8	15.1	19.2	42.7	24.9	19.6	23.0	25.6	26.7	13.9	18.3	18.9		
Data Patterns (DATPAT)	1396	1,555	Buy	7241	18.1	22.0	30.4	77.1	63.5	46.0	23.8	24.9	28.4	16.4	18.2	21.0		
HAL (HINAER)	2,483	3,300	Buy	83014	151.9	132.7	145.0	16.3	18.7	17.1	27.4	30.5	30.1	26.3	23.1	22.8		
ABB (ABB)	3,150	3,275	Buy	66743	25.5	40.5	37.2	123.7	77.8	84.6	45.0	49.2	57.3	11.2	12.9	15.1		
Ador Welding (ADOWEL)	846	1,054	Buy	1150	33.2	34.2	49.3	25.5	24.7	17.2	19.9	21.6	26.7	13.6	15.8	19.6		
Bharat Dynamics (BHADYN)	800	1,200	Buy	14664	27.3	33.0	42.7	29.3	24.3	18.8	24.6	24.7	27.9	17.3	17.7	20.0		
Mazagon Dock (MAZDOC)	730	1,025	Hold	14722	30.3	39.8	46.6	24.1	18.3	15.7	20.0	22.9	23.5	16.1	18.2	18.5		
Solar Industries India (SOLIN)	3,665	4,700	Buy	33161	48.8	76.6	99.7	75.1	47.9	36.7	22.5	32.5	34.6	23.9	29.0	28.8		
Anup Engineering (THEANU)	1,153	1,080	Buy	1141	62.7	49.5	72.3	18.4	23.3	15.9	15.3	16.6	19.4	12.2	12.5	14.5		
Control Prints (CONTROLPR)	453	555	Buy	739	24.7	28.7	34.6	18.3	15.8	13.1	17.9	21.4	23.4	13.8	15.4	16.3		
KSB Ltd. (KSBPUM)	1,848	2,180	Buy	6430	43.7	50.0	62.2	42.3	37.0	29.7	15.7	16.0	18.3	14.7	14.9	15.9		

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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## ANALYST CERTIFICATION

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