

Estimate changes



TP change



Rating change



**CMP: INR4,313**

**TP: INR4,950 (+15%)**

**Buy**

## Well-placed to capitalize on the opportunities

Siemens' 1QFY24 result was ahead of our estimates on better-than-expected revenue growth and strong margins, which led to a beat on PAT. The company reported a revenue/PAT growth of 20%/9% YoY for 1QFY24. Order inflows, which were weak until FY23, improved 10% YoY to INR59.7b, mainly driven by the transmission sector. Management is optimistic about the growth prospects in the domestic market across government and private sectors, as well as about new opportunities such as semiconductors, batteries, and EVs. We expect Siemens to be a key beneficiary of the incremental spending on transmission, HVDC, renewables, and railway projects. We raise our estimates and roll forward our valuation to Mar'26. We reiterate our BUY rating with a revised TP of INR4,950, based on 55x Mar'26E P/E.

## Result was strong vs. our estimates

For 1QFY24, Siemens reported 20%/9% YoY growth in revenue/PAT with flattish EBITDA, driven by strong execution from the mobility, smart infrastructure, and digital industry segments. Energy segment revenue growth was flat during the quarter. Gross margin contracted 140bp YoY due to higher costs in the mobility segment. EBITDA margin came in at 12.4% in 1QFY24 vs. 14.9% in 1QFY23, as last year the company had favorable forex gains worth INR1b. Overall order inflows for the quarter jumped 10% YoY to INR59.7b, driven mainly by the energy segment, while inflows from the digital industry segment were hit by de-stocking. The company's order book at 1QFY24-end stood at INR467b. The company is optimistic about the growth prospects from higher spending by the government on infrastructure (rail, roads, and energy) and by private players from several sectors, such as pharma, data center, automotive, electronics, metals, intra-logistics, chemicals, water, and cement.

## Healthy growth across smart infrastructure, mobility, and digital industry segments

Within segments, the Energy segment posted a 1% YoY decline in revenue and 60bp YoY margin contraction. The Energy segment is witnessing tailwinds from the pipeline in renewable energy integration, transmission network expansion, modernization of ageing turbines, adoption of WHRS in cement plants, et al. The company is also incurring a capex of INR4.16b for capacity expansions in Power Transformers and Vacuum Interrupters, where demand is robust. The Smart Infrastructure segment clocked a 22% YoY revenue growth and 190bp margin improvement. We expect the incremental synergies from C&S electric to play out in the coming quarters. The Mobility segment posted 72% YoY growth in revenue on a low base of last year and 390bp margin expansion. Lower margin in the mobility segment as compared to other segments was due to the initial ramp-up costs related to a large locomotive order. The government's continued focus on modernization, e-locos, propulsion systems, trainsets, metros, bogies, etc. augurs well for this segment going forward. The Digital Industry segment clocked a 24% YoY growth in revenue. Margin contracted in this segment due to forex gains of INR1b during 1QFY23.

	SIEM IN
Bloomberg	
Equity Shares (m)	356
M.Cap.(INRb)/(USD\$b)	1536 / 18.5
52-Week Range (INR)	4500 / 3078
1, 6, 12 Rel. Per (%)	5/6/15
12M Avg Val (INR M)	1420

### Financials Snapshot (INR b)

Y/E SEP	FY24E	FY25E	FY26E
Net Sales	230.6	269.3	317.5
EBITDA	29.8	35.4	44.7
PAT	24.2	28.9	36.7
EPS (INR)	68.0	81.2	95.5
GR. (%)	23.5	19.4	17.6
BV/Sh (INR)	417.8	477.8	548.3

### Ratios

ROE (%)	17.3	18.1	18.6
RoCE (%)	17.4	18.2	18.7

### Valuations

P/E (X)	62.9	52.7	44.8
P/BV (X)	10.2	8.9	7.8
EV/EBITDA (X)	48.2	40.1	33.3
Div Yield (%)	0.0	0.0	0.0

### Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	75.0	75.0	75.0
DII	7.7	7.6	8.8
FII	7.9	7.9	6.7
Others	9.4	9.4	9.5

FII Includes depository receipts

**Benefitting from the expanding addressable market**

The addressable market for Siemens is expanding quite fast, and the company is ideally positioned with its products across segments to benefit from the same. We expect PLI-led spending of ~INR4t over the next 4-5 years, data center market opportunity of INR400-500b over the next 2-3 years, rail segment opportunity of INR10-11t and transmission-led spending of INR2.4t by FY30 to expand the addressable market for Siemens across segments.

**Financial outlook**

We tweak our estimates to bake in slightly better execution and margins. We expect a revenue/EBITDA/PAT CAGR of 17%/19%/20% over FY23-26. We believe that the company's increased dependence on traded goods for the digital industry segment will limit sharp improvements in gross and EBITDA margins.

**Valuation and view**

The stock is currently trading at a P/E of 52.7x/44.8x on FY25E/FY26E. We remain positive on Siemens, as the company is a direct play on the transmission and HVDC-related spending over the next few years. It is also rightly positioned to capture the railway-related opportunities. We continue to value the stock at 55x P/E on two-year forward earnings basis and maintain our **BUY rating** with a TP of INR4,950.

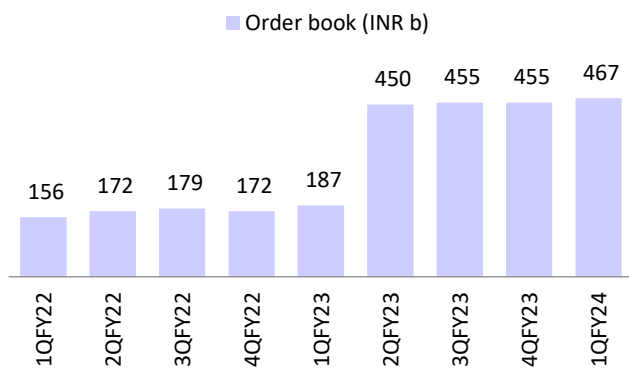
**Consolidated - Quarterly Earnings Model**

Y/E September	(INR m)											
	FY23				FY24E				FY23	FY24E	FY24E	Est
INR m	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE	Var (%)	
<b>Gross Sales</b>	<b>40,151</b>	<b>48,578</b>	<b>48,732</b>	<b>58,077</b>	<b>48,252</b>	<b>57,165</b>	<b>58,698</b>	<b>68,743</b>	<b>1,95,538</b>	<b>2,30,639</b>	<b>45,313</b>	<b>6</b>
YoY Change (%)	17.4	22.8	14.4	24.7	20.2	17.7	20.4	18.4	21.2	18.0	12.9	
Total Expenditure	34,159	42,366	43,067	51,075	42,291	49,894	51,179	59,678	1,70,667	2,00,823	39,732	
<b>EBITDA</b>	<b>5,992</b>	<b>6,212</b>	<b>5,665</b>	<b>7,002</b>	<b>5,961</b>	<b>7,271</b>	<b>7,519</b>	<b>9,065</b>	<b>24,871</b>	<b>29,816</b>	<b>5,582</b>	<b>7</b>
Margins (%)	14.9	12.8	11.6	12.1	12.4	12.7	12.8	13.2	12.7	12.9	12.3	
Depreciation	761	785	876	786	785	851	851	851	3,208	3,338	834	-6
Interest	37	99	43	49	34	65	65	65	228	228	57	-40
Other Income	1,017	1,166	1,324	1,455	1,641	1,568	1,568	1,568	4,962	6,344	1,358	21
<b>PBT before EO expense</b>	<b>6,211</b>	<b>6,494</b>	<b>6,070</b>	<b>7,622</b>	<b>6,783</b>	<b>7,923</b>	<b>8,171</b>	<b>9,717</b>	<b>26,397</b>	<b>32,593</b>	<b>6,048</b>	<b>12</b>
Extra-Ord expense	0	0	0	0	0	0	0	0	-1	0	0	
<b>PBT</b>	<b>6,211</b>	<b>6,494</b>	<b>6,070</b>	<b>7,622</b>	<b>6,783</b>	<b>7,923</b>	<b>8,171</b>	<b>9,717</b>	<b>26,398</b>	<b>32,593</b>	<b>6,048</b>	<b>12</b>
Tax	1,584	1,776	1,513	1,905	1,726	2,036	2,100	2,507	6,778	8,369	1,554	
Rate (%)	25.5	27.3	24.9	25.0	25.4	25.7	25.7	25.8	25.7	25.7	25.7	
<b>Reported PAT</b>	<b>4,627</b>	<b>4,718</b>	<b>4,557</b>	<b>5,717</b>	<b>5,057</b>	<b>5,887</b>	<b>6,071</b>	<b>7,210</b>	<b>19,620</b>	<b>24,224</b>	<b>4,494</b>	<b>13</b>
<b>Adj PAT</b>	<b>4,627</b>	<b>4,718</b>	<b>4,557</b>	<b>5,717</b>	<b>5,057</b>	<b>5,887</b>	<b>6,071</b>	<b>7,210</b>	<b>19,619</b>	<b>24,224</b>	<b>4,494</b>	<b>13</b>
YoY Change (%)	86.8	38.8	50.6	49.8	9.3	24.8	33.2	26.1	55.5	23.5	-2.9	
Margins (%)	11.5	9.7	9.4	9.8	10.5	10.3	10.3	10.5	10.0	10.5	9.9	

INR m	FY23				FY24E				FY23	FY24E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
<b>Segmental revenue</b>										
Energy	11,601	15,554	15,181	18,467	11,454	17,887	18,217	21,149	60,803	68,707
Smart infrastructure	15,197	17,249	17,206	21,092	18,523	19,836	20,647	22,349	70,744	81,356
Mobility	3,838	4,864	5,776	7,124	6,597	6,566	7,220	7,699	21,602	28,083
Digital industry	7,789	11,407	11,273	9,459	10,379	13,688	13,528	18,375	44,776	55,970
Portfolio Companies	2,404			2,444	2,219					
<b>Total</b>	<b>41,062</b>	<b>49,411</b>	<b>49,706</b>	<b>58,918</b>	<b>49,333</b>	<b>58,332</b>	<b>59,896</b>	<b>70,005</b>	<b>1,99,097</b>	<b>2,35,346</b>
Less: Inter-segmental	-911	-833	-974	-841	-1,081	-1,167	-1,198	-1,261	-3,559	-4,707
<b>Total revenues</b>	<b>40,151</b>	<b>48,578</b>	<b>48,732</b>	<b>58,077</b>	<b>48,252</b>	<b>57,165</b>	<b>58,698</b>	<b>68,743</b>	<b>1,95,538</b>	<b>2,30,639</b>
<b>Segmental EBIT</b>										
Energy	1,331	1,766	1,585	2,191	1,251	2,093	2,131	2,566	6,873	8,041
Margin (%)	11.5	11.4	10.4	11.9	10.9	11.7	11.7	12.1	11.3	11.7
Smart infrastructure	1,328	1,947	1,737	2,439	1,964	2,083	2,209	2,449	7,451	8,705
Margin (%)	8.7	11.3	10.1	11.6	10.6	10.5	10.7	11.0	10.5	10.7
Mobility	135	423	371	236	492	328	433	712	1,165	1,966
Margin (%)	3.5	8.7	6.4	3.3	7.5	5.0	6.0	9.3	5.4	7.0
Digital industry	2,092	1,277	1,081	1,088	1,313	1,916	1,894	2,542	6,132	7,665
Margin (%)	26.9	11.2	9.6	11.5	12.7	14.0	14.0	13.8	13.7	13.7
<b>Total</b>	<b>4,896</b>	<b>5,427</b>	<b>4,790</b>	<b>5,956</b>	<b>5,034</b>	<b>6,420</b>	<b>6,668</b>	<b>8,370</b>	<b>21,663</b>	<b>26,478</b>

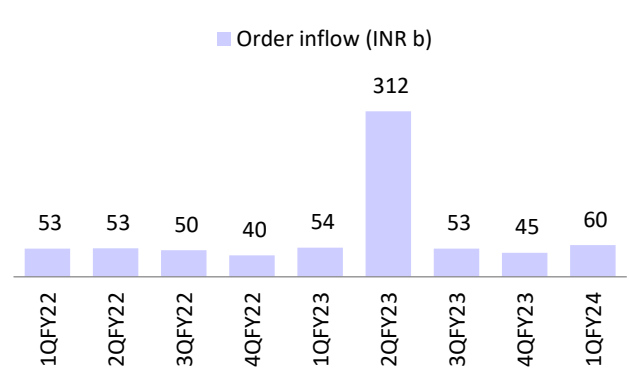
**Key Exhibits**

**Exhibit 1: Order book remained at an all-time high (INR b)**



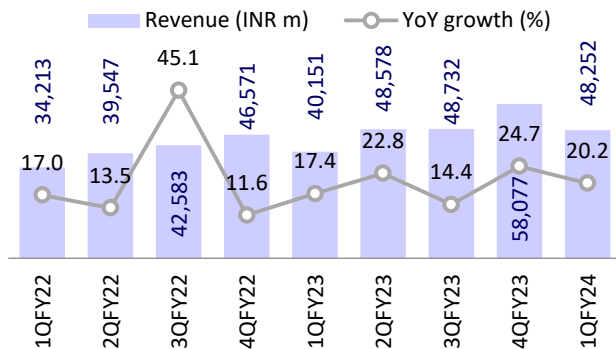
Source: Company, MOFSL

**Exhibit 2: 1QFY24 order inflows saw healthy growth (INR b)**



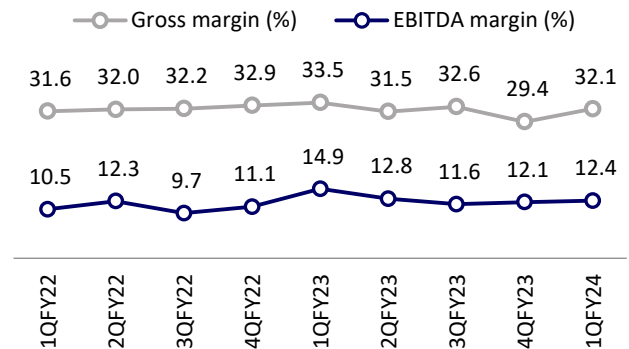
Source: Company, MOFSL

**Exhibit 3: 1QFY24 revenue grew 20% YoY (INR m)**



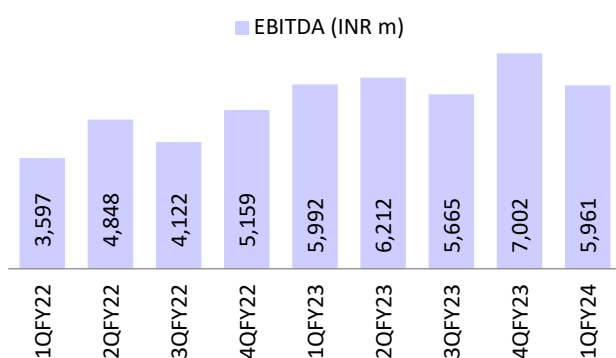
Source: Company, MOFSL

**Exhibit 4: Margin came in better than expected (%)**



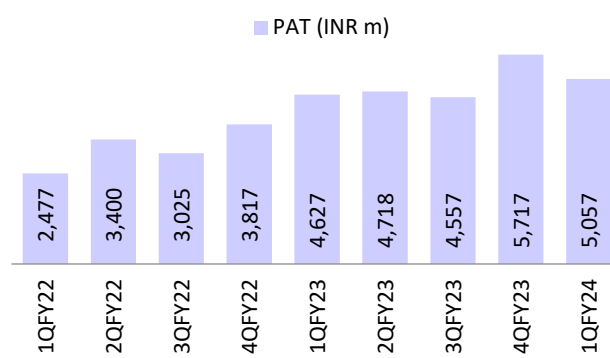
Source: Company, MOFSL

Exhibit 5: EBITDA flattish on YoY basis (INR m)



Source: Company, MOFSL

Exhibit 6: 1QFY24 PAT grew 9% YoY (INR m)



Source: Company, MOFSL

Exhibit 7: We slightly raise our estimates to bake in the 1QFY24 performance

(INR M)	FY24E			FY25E			FY26E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	2,30,639	2,26,328	1.9	2,69,263	2,62,713	2.5	3,14,735	3,05,156	3.1
EBITDA	29,816	29,258	1.9	35,407	34,599	2.3	41,921	40,959	2.3
EBITDA (%)	12.9	12.9	0 bps	13.1	13.2	-2 bps	13.3	13.4	-10 bps
Adj. PAT	24,224	23,132	4.7	28,913	27,605	4.7	33,994	32,913	3.3
EPS (INR)	68.0	65.0	4.7	81.2	77.5	4.7	95.5	92.4	3.3

Source: MOFSL

### Valuation and view

The stock is currently trading at a P/E of 52.7x/44.8x on FY25E/FY26E. We remain positive on Siemens, as the company is a direct play on the transmission and HVDC-related spending over the next few years. It is also rightly positioned to capture the railway-related opportunities. We continue to value the stock at 55x P/E on two-year forward earnings basis and **reiterate our BUY rating** with a TP of INR4,950.

### Key risks and concerns

- Slowdown in order inflows from key government-focused segments such as transmission and railways owing to the election schedule.
- Aggression in bids to procure large-sized projects would adversely impact margins.
- Related-party transactions with parent group entities at lower-than-market valuations to weigh on the stock performance.

## Financials and Valuation

Income Statement							(INR m)
Y/E SEP	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Net Sales</b>	<b>98,694</b>	<b>1,36,392</b>	<b>1,61,378</b>	<b>1,95,538</b>	<b>2,30,639</b>	<b>2,69,263</b>	<b>3,14,735</b>
change%	(24.1)	38.2	18.3	21.2	18.0	16.7	16.9
<b>Gross Profit</b>	<b>35,487</b>	<b>43,275</b>	<b>52,115</b>	<b>61,711</b>	<b>74,482</b>	<b>86,955</b>	<b>1,01,640</b>
Gross margin%	36.0	31.7	32.3	31.6	32.3	32.3	32.3
Total Expense	88,791	1,21,207	1,43,805	1,70,667	2,00,823	2,33,856	2,72,814
<b>EBITDA</b>	<b>9,903</b>	<b>15,185</b>	<b>17,573</b>	<b>24,871</b>	<b>29,816</b>	<b>35,407</b>	<b>41,921</b>
EBITDA Margin%	10.0	11.1	10.9	12.7	12.9	13.1	13.3
Depreciation	2,504	3,005	3,171	3,208	3,338	3,571	3,844
EBIT	7,399	12,180	14,402	21,663	26,478	31,835	38,077
Interest and finance charge	292	246	363	228	228	228	228
other income	3,099	2,265	3,078	4,962	6,344	7,295	7,889
<b>PBT Before EO</b>	<b>10,206</b>	<b>14,199</b>	<b>17,117</b>	<b>26,397</b>	<b>32,593</b>	<b>38,903</b>	<b>45,738</b>
<b>PBT after EO</b>	<b>10,206</b>	<b>14,199</b>	<b>17,117</b>	<b>26,397</b>	<b>32,593</b>	<b>38,903</b>	<b>45,738</b>
Total Tax	2,632	3,698	4,498	6,778	8,369	9,989	11,744
Tax Rate%	25.8	26.0	26.3	25.7	25.7	25.7	25.7
Minority Interest	-	-	-	-	-	-	-
<b>Reported PAT</b>	<b>7,574</b>	<b>10,501</b>	<b>12,619</b>	<b>19,619</b>	<b>24,224</b>	<b>28,913</b>	<b>33,994</b>
<b>Adjusted PAT</b>	<b>7,574</b>	<b>10,501</b>	<b>12,619</b>	<b>19,619</b>	<b>24,224</b>	<b>28,913</b>	<b>33,994</b>
change%	(32.6)	38.6	20.2	55.5	23.5	19.4	17.6
margin%	7.7	7.7	7.8	10.0	10.5	10.7	10.8

E: MOFSL estimates

Balance Sheet							(INR m)
Y/E SEP	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	712	712	712	712	712	712	712
Total Reserves	94,028	1,02,778	1,15,390	1,30,159	1,48,061	1,69,428	1,94,549
<b>Networth</b>	<b>94,740</b>	<b>1,03,490</b>	<b>1,16,102</b>	<b>1,30,871</b>	<b>1,48,773</b>	<b>1,70,140</b>	<b>1,95,261</b>
Other Liability + Def Tax Liabilities	(2,481)	(473)	(975)	(1,627)	(1,627)	(1,627)	(1,627)
Minority Interest	-	81	76	86	86	86	86
<b>Capital Employed</b>	<b>92,259</b>	<b>1,03,123</b>	<b>1,15,203</b>	<b>1,29,330</b>	<b>1,47,232</b>	<b>1,68,599</b>	<b>1,93,720</b>
Gross Block	20,443	30,118	31,906	34,198	40,684	45,742	51,305
Less: Accum Dep	8,792	10,774	13,945	17,153	20,426	23,997	27,841
<b>Fixed Asset (Net Block)</b>	<b>11,651</b>	<b>19,344</b>	<b>17,961</b>	<b>17,045</b>	<b>20,258</b>	<b>21,745</b>	<b>23,464</b>
CWIP	880	350	517	501	501	501	501
Goodwill	-	11,732	12,354	12,686	12,686	12,686	12,686
<b>Total Investment</b>	<b>550</b>	<b>972</b>	<b>766</b>	<b>667</b>	<b>1,304</b>	<b>1,304</b>	<b>1,304</b>
<b>Curr. Assets Loans &amp; Advances</b>	<b>79,652</b>	<b>95,114</b>	<b>1,02,482</b>	<b>1,13,246</b>	<b>1,48,494</b>	<b>1,73,361</b>	<b>2,02,637</b>
Inventory	11,064	17,969	21,650	25,052	31,594	36,885	43,114
Account Receivables	45,170	51,061	56,544	65,223	82,145	95,902	1,12,097
Cash and Bank	55,517	51,591	65,841	76,507	1,02,252	1,20,500	1,41,863
Loans and Advances	7,782	8,185	7,113	7,288	12,638	14,754	17,246
<b>Current Liab and Provision</b>	<b>59,929</b>	<b>75,980</b>	<b>84,912</b>	<b>90,812</b>	<b>1,37,754</b>	<b>1,60,987</b>	<b>1,88,226</b>
Other current liabilities	47,978	62,899	75,013	74,646	1,01,102	1,18,033	1,37,966
Provision	11,951	13,081	9,899	16,166	36,652	42,954	50,260
<b>Net Current Assets</b>	<b>19,723</b>	<b>19,134</b>	<b>17,570</b>	<b>22,434</b>	<b>10,740</b>	<b>12,373</b>	<b>14,412</b>
<b>Application of Funds</b>	<b>88,321</b>	<b>1,03,123</b>	<b>1,15,009</b>	<b>1,29,840</b>	<b>1,47,742</b>	<b>1,69,109</b>	<b>1,94,230</b>

E: MOFSL estimates

## Financials and Valuation

<b>Ratios</b>							
<b>Y/E SEP</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
<b>Basic (INR)</b>							
<b>EPS</b>	<b>21.3</b>	<b>29.5</b>	<b>35.4</b>	<b>55.1</b>	<b>68.0</b>	<b>81.2</b>	<b>95.5</b>
Cash EPS	28.3	37.9	44.3	64.1	77.4	91.2	106.2
Book Value	266.0	290.6	326.0	367.5	417.8	477.8	548.3
DPS	7.0	8.0	10.0	10.0	17.8	21.2	24.9
Payout (incl. div. text)	0.4	0.3	0.3	0.2	0.3	0.3	0.3
<b>Valuation (X)</b>							
P/E	201.0	145.0	120.7	77.6	62.9	52.7	44.8
Cash P/E	151.1	112.7	96.4	66.7	55.2	46.9	40.2
Price/ Book Value	16.1	14.7	13.1	11.6	10.2	8.9	7.8
EV/Sales	15.0	10.9	9.1	7.5	6.2	5.3	4.4
EV/EBITDA	149.8	98.0	83.8	58.8	48.2	40.1	33.3
Div Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Profitability Ratios (%)</b>							
ROE%	8.2	10.6	11.5	15.9	17.3	18.1	18.6
ROCE%	8.4	10.8	11.7	16.0	17.4	18.2	18.7
<b>Turnover Ratios (%)</b>							
Asset Turnover (x)	1.1	1.3	1.4	1.5	1.6	1.6	1.6
Debtors (No. of days)	167	137	128	122	130	130	130
Inventory (No. of days)	41	48	49	47	50	50	50
Creditors (No. of days)	177	168	170	139	160	160	160
<b>Leverage Ratios (%)</b>							
Net Debt/ Equity (x)	0.5	0.0	0.1	0.1	0.1	0.1	0.0
E: MOFSL estimates							
<b>Cash Flow Statement</b>							
<b>Y/E SEP</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
Adj EBITDA	9,903	15,185	17,573	24,871	29,816	35,407	44,667
Non-Cash Op. Exp (Inc)	2,794	2,878	6,415	4,734	6,116	7,067	4,915
(Inc)/Dec in Wkg Cap	(1,426)	2,339	(3,619)	(4,371)	11,694	(1,633)	(2,038)
Tax Paid	(2,942)	(3,735)	(5,215)	(8,033)	(8,369)	(9,989)	(11,744)
Other Operating Activities	(1,564)	(2,446)	(5,369)	(3,201)	(6,116)	(7,067)	(7,661)
<b>CF. From Op Activity</b>	<b>6,765</b>	<b>14,221</b>	<b>9,785</b>	<b>14,000</b>	<b>33,141</b>	<b>23,784</b>	<b>28,139</b>
(Inc)/Dec in FA & CWIP	(98)	(1,074)	(1,313)	(1,545)	(6,551)	(5,058)	(5,564)
<b>Free Cashflows</b>	<b>6,667</b>	<b>13,147</b>	<b>8,472</b>	<b>12,455</b>	<b>26,589</b>	<b>18,726</b>	<b>22,575</b>
(Pur)/ Sale of inv	(3,938)	(13,623)	4,419	(2,159)	(637)	-	-
others	8,387	(9,196)	(3,459)	(4,765)	6,344	7,295	7,889
<b>CF. From Inv Activity</b>	<b>4,449</b>	<b>(22,819)</b>	<b>960</b>	<b>(6,924)</b>	<b>5,707</b>	<b>7,295</b>	<b>7,889</b>
(Inc)/ Dec in net worth	-	-	-	-	-	-	-
(Inc)/dec in Debt	(714)	(2,385)	(825)	(893)	-	-	-
Interest Paid	(128)	(140)	(248)	(45)	(228)	(228)	(228)
Dividend Paid (Incl. tax)	(3,005)	(2,493)	(2,849)	(3,561)	(6,323)	(7,546)	(8,872)
<b>CF. From Fin Activity</b>	<b>(3,847)</b>	<b>(5,018)</b>	<b>(3,922)</b>	<b>(4,499)</b>	<b>(6,551)</b>	<b>(7,774)</b>	<b>(9,100)</b>
<b>(Inc)/dec in cash</b>	<b>7,269</b>	<b>(14,690)</b>	<b>5,510</b>	<b>1,032</b>	<b>25,745</b>	<b>18,247</b>	<b>21,364</b>
Add: Opening Balance	48,248	66,281	60,331	75,475	76,507	1,02,252	1,20,500
<b>Closing Balance</b>	<b>55,517</b>	<b>51,591</b>	<b>65,841</b>	<b>76,507</b>	<b>1,02,252</b>	<b>1,20,500</b>	<b>1,41,863</b>
E: MOFSL estimates							

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NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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