

Siemens

Capex recovery to drive growth

Siemens India's (SIL) standalone results Q4FY24 recap—revenue/EBITDA/APAT of INR 59.74/8.5/7.7bn beat our estimates by 0.1/2.7/11.5%. SIL highlighted Government capex recovery in H1FY25 and private capex from H2FY25 (this is a two-quarter delay vs. expectations). Demerger of energy business is expected during the latter half of CY25. Ex of energy business, the growth is now premised on capex recovery. New capacity expansion will result in automation orders and a higher share of technology component in the mix. This shall drive margins higher. We believe the sharp uptick in Government capex on the back of low spending/base of FY25. SIL mobility business stands to benefit from this. Whilst order headwinds ex-energy remain in near term, SIL is undertaking INR 11bn of capex (Energy/SI/Mobility – INR 4.6/4/2bn over next 3yrs) to fortify its local and export demand. Given the long-term strength in underlying demand and stable order backlog, we maintain a BUY rating, with unchanged TP of INR 8,114 (65x Dec-26 EPS).

- Recap of Q4FY24 financial performance:** Revenue came in at INR 59.8bn (+11.1%/+25.4% YoY/QoQ, in line with our estimate), driven largely by smart infra (SI) and energy (EN). Segmental revenue for energy (EN)/SI/MO/DI/POC/others stood at INR 20.8/18.3/8.4/10.5/2.6/0.3bn, which is a YoY growth of 12/6/25/11/7/16% respectively. The gross margin was 32.1% (+181.4bps/-119.6bps YoY/QoQ). EBITDA was INR 8.5bn (+34.1/39.1% YoY/QoQ, a beat of 2.7%). EBITDA margin was 14.2% (+243.3bps/+139.3bps YoY/QoQ) vs. our estimate of 13.8%. Consequently, RPAT/APAT came in at 7.7bn (+45.1%/+46% YoY/QoQ, a beat of 11.5%), aided by higher other income of INR 2.7bn (+96%/+82% YoY/QoQ).
- Energy business demerger:** SIL expects to conclude the demerger of the Siemens Energy business during the latter part of CY25. For FY24, Energy business contributed new orders/order book/revenue/EBITDA/PAT of INR 88/100.5/62.8/9.8/7.1bn with EBITDA and net margins at 15.7/11.3%. We arrive at INR 500bn fair valuation for the Energy Business. SIL highlighted that they are not bidding for the LCC based HVDC orders and will look at VSC based HVDC orders, as the technology is more efficient. Large part of HVDC ordering is expected on LCC in India and hence SIL will have relatively lower TAM for this segment.
- Business ex of Energy to be driven by capex recovery:** SIL expects large ordering in Locos (6000/12000HP), Vande Bharat Train sets, signaling, Metro etc. to recover in the near term. Digital industries growth is expected to pick up as de-stocking happens in next two quarters. Despite 75-80% capacity utilisation, the private sector participants are hesitant on expansion and as they decide to expand, there will be demand for factory automation including the supply chain of private sector. Smart infrastructure is doing well on the back of LV/MV products and building automation. Exports is adding to overall growth.

Standalone financial summary (INR mn)

Y/E Sep	4QFY24	4QFY23	YoY (%)	3QFY24	QoQ (%)	FY24	FY25E	FY26E	FY27E
Net Revenues	59,785	53,815	11.1	47,685	25.4	204,966	252,936	305,116	353,521
EBITDA	8,467	6,312	34.1	6,089	39.1	27,671	35,639	44,484	51,541
APAT	7,747	5,340	45.1	5,306	46.0	26,651	31,264	38,743	45,031
EPS (INR)	21.8	15.0	45.1	14.9	46.0	74.8	87.8	108.8	126.5
P/E (x)						91.8	78.2	63.1	54.3
EV/EBITDA (x)						85.4	65.8	52.1	44.3
RoE (%)						18.9	18.9	19.8	19.4

Source: Company, HSIE Research

BUY

CMP (as on 20 Dec 2024)	INR 6,869
Target Price	INR 8,114
NIFTY	23,588

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 8,114	INR 8,114
EPS Change %	FY25E	FY26E
	-	-

KEY STOCK DATA

Bloomberg code	SIEM IN
No. of Shares (mn)	356
MCap (INR bn) / (\$ mn)	2,446/28,771
6m avg traded value (INR mn)	2,708
52 Week high / low	INR 8,130/3,809

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	0.5	(8.7)	75.7
Relative (%)	8.2	(9.4)	65.0

SHAREHOLDING PATTERN (%)

	Jun-24	Sep-24
Promoters	75.00	75.00
FIs & Local MFs	7.03	6.90
FPIs	8.59	8.69
Public & Others	9.39	9.42
Pledged Shares	-	-

Source: BSE

Pledge share as a % of total shares

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Management Commentary

Sector Update

Siemens expects government ordering pick-up from H1FY25, considering tendering process has been slow. The private sector capital expenditure has primarily been focused on new age/upcoming industries such as Renewable Energy, Electric vehicles and battery storage systems, semiconductors, Manufacturing Automation, Motion Control Systems to name a few, while capex in traditional sectors continues to lag, despite capacity utilization at 75-85% in the industry. Investments in metal's industry is an outlier which has been driven by focus on increasing in efficiency as cost of production continues to increase. Sectors such as Pharmaceuticals and Energy continues to outperform.

Smart Infra

The revenue growth and OI in the smart Infra segment is supported by demand from Data Centre Infrastructure providers, Commercial buildings and power utilities, focus on electrification by the government and policy support provided under the RDSS Scheme and EV Charging infrastructure.

Mobility segment – delay in large ordering

The revenue growth and OI in the mobility segment is on the back of order received for Bangalore Metro electrification, There has been delay in tendering of 6,000/12,000 Horsepower locomotives from Indian railways. Tenders for more than 2,000 Vande Bharat locos is expected going forward. With pickup in tenders, SIL order book is expected to return on high growth trajectory. Margins in this segment impacted by investments currently being made in this segment, as commercial production starts and volumes increase, profitability will improve.

Energy segment

The revenue growth and OI in the energy infrastructure segment is supported by increased demand for transmission and generation infrastructure witnessed as power demand continues to increase. The T&D business segment continues to boom on the back of growth drivers of increasing transmission lines and associated infrastructure, focus on grid stability and adoption of HVDC (High Voltage Direct Current) lines to ensure efficient transportation of energy generated. Key projects in this segment include STATCOM solution with a Transmission Utility for grid stability for RE integration and a transformer commissioning for a Major TBCB player. Growth in this segment is also driven by exports for Transformers and switch gear, which has been the primary reason for the new manufacturing line which is under construction. Going forward SIL is not bidding for LCC based HVDC projects and will participate in VSC technology based HVDC orders, as it believes this is superior technology. This shall reduce overall TAM for SIL.

Digital Industries

Digital Industries segment continues to face headwinds, it has witnessed lower OI on a YOY basis as demand continues to normalize/cool (on back of destocking) which had gone into overdrive mode post covid period. Pricing pressures, unfavourable margin mix, increase in forex and commodity losses continues to affect the business segment. Albeit, the revenue continues to be on a positive trajectory on a YOY basis and on QOQ basis. OB under digital industries segment continues to focus energy saving and increase in efficiency of manufacturing process. DI segment OI is expected to pick-up by Q3FY25.

Summary

Management believes the slowdown in demand is more of cyclical in nature than structural. Profitability expansion and increase in volumes continues to be management's focus. Benefits accrued from increase in revenue growth is aiding profitability while partly negated on account of increasing costs towards additional headcounts, forex and commodity losses. Execution in the Smart Infra and Mobility segment continues to be solid on the back of significant order wins witnessed in previous years. SIL is incurring capex of INR 11bn over the next 2-3 years with export mandates for mobility and energy verticals, besides catering to local and global demands across product lines. Export business continues to be stable in the range of 15.4% to 15.6%

INCOME STATEMENT (Rs mn)

Year ending September	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	98,694	127,413	148,315	179,651	204,966	252,936	305,116	353,521
<i>Growth (%)</i>	(24.1)	29.1	16.4	21.1	14.1	23.4	20.6	15.9
Material Expenses	63,207	85,453	100,601	123,497	138,950	172,254	208,685	241,792
Employee Expenses	15,404	15,516	16,582	18,536	21,206	22,274	24,481	28,365
Other Operating Expenses	10,180	9,944	15,062	15,216	17,139	22,769	27,466	31,824
EBIDTA	9,903	16,500	16,070	22,402	27,671	35,639	44,484	51,541
<i>EBIDTA (%)</i>	10.0	13.0	10.8	12.5	13.5	14.1	14.6	14.6
<i>EBIDTA Growth (%)</i>	(34.5)	66.6	(2.6)	39.4	23.5	28.8	24.8	15.9
Depreciation	2,504	2,250	2,096	2,235	2,301	2,537	2,723	2,935
EBIT	7,399	14,250	13,974	20,167	25,370	33,101	41,761	48,606
Other Income (Incl. EO Items)	3,090	2,190	3,161	5,487	10,389	8,395	9,570	11,006
Interest	292	196	333	203	582	575	621	670
PBT	10,197	16,244	16,802	25,451	35,177	40,922	50,710	58,941
Tax	2,632	3,615	4,305	6,338	8,526	9,658	11,968	13,910
RPAT	7,565	12,629	12,497	19,113	26,651	31,264	38,743	45,031
EO items (net of tax)	9	-	-	-	-	-	-	-
APAT	7,574	12,629	12,497	19,113	26,651	31,264	38,743	45,031
<i>APAT Growth (%)</i>	(32.6)	66.7	(1.0)	52.9	39.4	17.3	23.9	16.2
EPS	21.3	35.5	35.1	53.7	74.8	87.8	108.8	126.5
<i>EPS Growth (%)</i>	(32.6)	66.7	(1.0)	52.9	39.4	17.3	23.9	16.2

Source: Company, HSIE Research

BALANCE SHEET (Rs mn)

Year ending March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS								
Share Capital	712	712	712	712	712	712	712	712
Reserves	94,028	102,725	115,247	129,533	151,758	178,037	211,794	251,840
Total Shareholders Funds	94,740	103,437	115,959	130,245	152,470	178,749	212,506	252,552
Total Debt	-	-	-	-	-	-	-	-
Other Non Current Liabilities	5,070	7,701	4,495	5,748	9,720	10,109	10,513	10,934
Deferred Taxes	(2,481)	(2,059)	(2,392)	(2,826)	(3,812)	(3,812)	(3,812)	(3,812)
TOTAL SOURCES OF FUNDS	97,329	109,079	118,062	133,167	158,378	185,046	219,207	259,674
APPLICATION OF FUNDS								
Net Block	11,651	10,145	9,479	9,219	10,669	11,480	12,257	13,322
CWIP	880	304	493	476	988	988	988	988
Investments	550	22,120	22,201	22,201	22,840	22,840	22,840	22,840
Other Non Current Assets	15,963	15,940	16,116	14,773	16,509	18,160	19,976	21,973
Total Non-current Assets	29,044	48,509	48,289	46,669	51,006	53,468	56,061	59,124
Inventories	11,064	15,847	19,238	22,611	23,695	28,316	34,304	39,747
Debtors	31,239	34,352	35,462	43,845	39,970	55,601	67,071	77,712
Cash & bank balances	55,517	48,488	62,763	72,179	82,160	99,925	126,990	160,435
Other Current Assets	21,386	24,567	26,789	26,536	34,994	36,393	38,940	41,666
Total Current Assets	119,206	123,254	144,252	165,171	180,819	220,234	267,305	319,560
Creditors	28,594	35,237	39,470	40,964	53,183	58,991	71,467	82,805
Other Current Liabilities & Provns	26,265	27,447	35,201	37,199	28,432	38,547	42,288	46,514
Total Current Liabilities	54,859	62,684	74,671	78,163	81,615	97,538	113,755	129,320
Net Current Assets	64,347	60,570	69,581	87,008	99,204	122,695	153,550	190,240
Misc Expenses & Others/Held for Sale	3,938	-	192	(510)	8,168	8,882	9,596	10,310
TOTAL APPLICATION OF FUNDS	97,329	109,079	118,062	133,167	158,378	185,046	219,207	259,674

Source: Company, HSIE Research

Cash Flow Statement (Rs mn)

Year ending March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT	10,193	16,244	16,802	25,451	35,177	40,922	50,710	58,941
Non-operating & EO items	(1,856)	(2,190)	(3,161)	(5,487)	(10,389)	(8,395)	(9,570)	(11,006)
Interest expenses	292	196	333	203	582	575	621	670
Depreciation	2,504	2,250	2,096	2,235	2,301	2,537	2,723	2,935
Working Capital Change	(1,426)	(176)	1,549	(5,849)	(965)	(6,989)	(5,201)	(4,821)
Tax paid	(2,942)	(3,615)	(4,305)	(6,338)	(8,526)	(9,658)	(11,968)	(13,910)
OPERATING CASH FLOW (a)	6,765	12,709	13,314	10,215	18,180	18,992	27,315	32,810
Capex	(98)	(168)	(1,619)	(1,958)	(4,263)	(3,349)	(3,500)	(4,000)
Free cash flow (FCF)	6,667	12,541	11,695	8,257	13,917	15,644	23,815	28,810
Investments	5,330	(24,077)	1,183	(6,150)	(3,184)	-	-	-
Non operating income	3,057	2,190	3,161	5,487	10,389	8,395	9,570	11,006
INVESTING CASH FLOW (b)	8,289	(22,055)	2,725	(2,621)	2,942	5,047	6,070	7,006
Share capital Issuance	-	-	-	-	(500)	-	-	-
Dividend payment	(3,005)	(2,493)	(2,849)	(3,561)	(3,561)	(4,985)	(4,985)	(4,985)
Debt Issuance/Lease liabilities paid	(714)	(639)	(714)	(798)	(910)	(910)	(910)	(910)
Interest expenses	(128)	(196)	(333)	(203)	(582)	(575)	(621)	(670)
FINANCING CASH FLOW (c)	(3,847)	(3,328)	(3,896)	(4,562)	(5,553)	(6,470)	(6,516)	(6,566)
NET CASH FLOW (a+b+c)	11,207	(12,674)	12,143	3,032	15,569	17,569	26,869	33,250
Opening Cash & Equivalents	48,913	55,517	48,488	62,763	72,179	82,160	99,925	126,990
Closing Cash & Equivalents	55,517	48,488	62,763	72,179	82,160	99,925	126,990	160,435

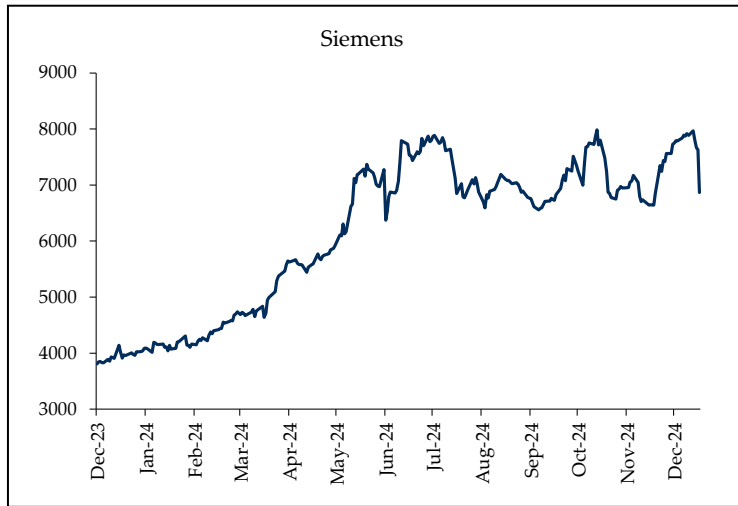
Source: Company, HSIE Research

Key Ratios (Rs mn)

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PROFITABILITY (%)								
GPM	36.0	32.9	32.2	31.3	32.2	31.9	31.6	31.6
EBITDA Margin	10.0	13.0	10.8	12.5	13.5	14.1	14.6	14.6
EBIT Margin	7.5	11.2	9.4	11.2	12.4	13.1	13.7	13.7
APAT Margin	7.7	9.9	8.4	10.6	13.0	12.4	12.7	12.7
RoE	8.2	12.7	11.4	15.5	18.9	18.9	19.8	19.4
Core RoCE	14.7	33.1	35.0	49.1	50.1	52.8	57.5	59.7
RoCE	8.4	12.9	11.6	15.6	19.2	19.1	20.0	19.6
EFFICIENCY								
Tax Rate (%)	25.8	22.3	25.6	24.9	24.2	23.6	23.6	23.6
Asset Turnover (x)	2.7	3.3	3.7	4.2	4.6	5.3	5.9	6.4
Inventory (days)	41	45	47	46	42	41	41	41
Debtors (days)	116	98	87	89	71	80	80	80
Payables (days)	106	101	97	83	95	85	85	85
<i>Cash Conversion (days)</i>	51	43	37	52	19	36	36	36
Other Current Assets (days)	79	70	66	54	62	53	47	43
Other Current Liab (days)	97	79	87	76	51	56	51	48
Net Working Capital Cycle (Days)	33	35	17	30	30	33	32	31
Debt/EBITDA (x)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net D/E	(0.6)	(0.5)	(0.5)	(0.6)	(0.5)	(0.6)	(0.6)	(0.6)
Interest Coverage	25.3	72.7	42.0	99.3	43.6	57.6	67.3	72.5
PER SHARE DATA								
EPS (Rs/sh)	21.3	35.5	35.1	53.7	74.8	87.8	108.8	126.5
CEPS (Rs/sh)	28.3	41.8	41.0	59.9	81.3	94.9	116.4	134.7
DPS (Rs/sh)	8.4	7.0	8.0	10.0	10.0	14.0	14.0	14.0
BV (Rs/sh)	266	290	326	366	428	502	597	709
VALUATION								
P/E	322.9	204.3	195.7	127.9	91.8	78.2	63.1	54.3
P/BV	25.8	23.6	21.1	18.8	16.0	13.7	11.5	9.7
EV/EBITDA	241.3	153.4	148.3	105.9	85.4	65.8	52.1	44.3
OCF/EV (%)	0.3	0.5	0.6	0.4	0.8	0.8	1.2	1.4
FCF/EV (%)	0.3	0.5	0.5	0.3	0.6	0.7	1.0	1.3
FCFE/Market Cap (%)	0.2	0.5	0.4	0.3	0.5	0.6	0.9	1.1
Dividend Yield (%)	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2

Source: Company, HSIE Research

Price history



Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

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