

India

**ADD** (no change)

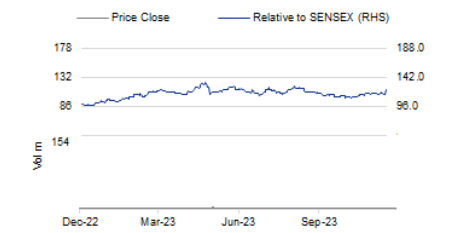
Consensus ratings\*: Buy 15 Hold 3 Sell 6

Current price:	Rs3,967
Target price: ▲	Rs4,400
Previous target:	Rs4,255
Up/downside:	10.9%
InCred Research / Consensus:	9.8%
Reuters:	SIEM.NS
Bloomberg:	SIEM IN
Market cap:	US\$16,964m
	Rs1,412,711m
Average daily turnover:	US\$16.0m
	Rs1328.3m
Current shares o/s:	356.1m
Free float:	25.0%

\*Source: Bloomberg

**Key changes in this note**

- Raise revenue estimates by 2.1%/2.8% for FY24F/25F, respectively.
- Raise EPS estimates by 2.4%/3.4% for FY24F/25F, respectively.



Price performance	1M	3M	12M
Absolute (%)	11.8	7.5	38.7
Relative (%)	4.1	0.2	19.0

Major shareholders	% held
Promoter	75.0
Life Insurance Corporation	3.1
	0.0

**Research Analyst(s)**



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# Siemens Ltd

## Sustained investments to drive growth

- Siemens is the key beneficiary of capex upcycle in railways, T&D, decarbonization initiatives, data centres, automation and digitalization.
- Siemens AG is set to acquire an 18% stake from Siemens Energy in Siemens India. The demerger of the energy business is likely to be completed by FY25F.
- We maintain our ADD rating on the stock with a target price of Rs4, 400 (from Rs4,255 earlier), valuing it at 60x Sep 2025F EPS.

### Well-placed in India's capex upcycle

Siemens is the most diversified industrial play in India which is set to benefit because of the exposure to a wide range of sectors. During FY18-23, the company's order inflow clocked a strong 28% CAGR led by the mobility segment, which is on a solid footing and has gained visibility by winning a new order for electric locomotives. We expect the momentum to continue in digital and factories & building technologies, which will boost growth and operating margin, given the high growth potential and value addition by Siemens. It is the key beneficiary of the capex upcycle in railway, power T&D, decarbonization initiatives, data centres, automation and digitalization. The integration of C&S Electric further strengthens the company's position in the global LV & MV switchgear market.

### Large orders to drive revenue growth`

Siemens has received a 9,000HP electric locomotive order worth Rs260bn for supplying 1,200 such units over the next 11 years. The project delivery is spread over 11 years, and the O&M (operation and maintenance) for 24 years provides sustainable revenue visibility and also qualifies the company for other such bids which are likely to flow in the coming years. Management stated that the overall order, including the maintenance, provides sufficient cushion to make double-digit margins. The locomotives will be assembled in Indian Railways' factory in Gujarat & maintenance will be done at Indian Railways' depots.

### Demerger of energy business likely by FY25F

Siemens AG is set to acquire an 18% stake from Siemens Energy in Siemens India for EUR 2.1bn. The promoters of the company have also proposed a demerger of its energy arm, and the deal is expected to close by FY25F.

### Retain ADD rating on the stock with a higher target price of Rs4,400

The order win momentum in the mobility segment led to strong growth in overall order inflow and provides revenue visibility over the long run. Factoring in the strong visibility in capex and order inflow led by digital penetration coupled with government capex in railway and power T&D, we have raised our revenue estimates by 2.1%2.8% and earnings estimates by 2.4%/3.4% for FY24F/25F, respectively. We retain our ADD rating on the stock with a target price of Rs4,400 (from Rs4,255 earlier), valuing it at 60x Sep 2025F EPS. Any slowdown in the order inflow momentum is a downside risk.

Financial Summary	Sep-21A	Sep-22A	Sep-23A	Sep-24F	Sep-25F
Revenue (Rsm)	134,226	158,738	192,794	225,969	256,315
Operating EBITDA (Rsm)	15,173	17,573	24,874	30,618	34,494
Net Profit (Rsm)	10,489	15,325	19,622	22,843	26,106
Core EPS (Rs)	29.5	35.4	55.1	64.2	73.3
Core EPS Growth	32.3%	20.3%	55.5%	16.4%	14.3%
FD Core P/E (x)	131.70	90.14	70.40	60.47	52.91
DPS (Rs)	7.0	10.0	12.0	14.0	14.0
Dividend Yield	0.18%	0.26%	0.31%	0.36%	0.36%
EV/EBITDA (x)	87.65	74.87	52.46	41.93	36.72
P/FCFE (x)	(121.53)	87.71	82.61	60.29	55.56
Net Gearing	(49.8%)	(56.7%)	(58.4%)	(65.7%)	(67.6%)
P/BV (x)	13.35	11.90	10.56	9.29	8.13
ROE	10.6%	11.5%	15.9%	16.3%	16.4%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Analyst meet highlights

- **Capex uptick to continue in India:** Siemens India is at the fourth spot in terms of Siemens' global volume. Management stated that interest rates are stabilizing, and a lot of growth is being witnessed in public infrastructure. With over 70-80% of the outlay on infrastructure by the government, it is at a much higher level compared to the previous years. Private capex is also witnessing an uptick, at a 70-80% capacity utilization level. This is much higher than a few years ago when the capacity utilization level was around 52%.
- **Automation to be a growth driver:** The company's main strategy is to move from being an electrical products-driven company to an automation and technology-driven company & combine the real and digital worlds.
  - **Digital industries** - This segment is likely to witness strong growth across factory automation, process automation, motion control and customer services. The need for cyber security is going to increase as more and more automation is done.
  - **Smart infrastructure** - This segment witnessed growth in electrification and automation and electrical products, among others, with applications across various sectors like transmission and distribution or T&D, metro rail, buildings, etc.
  - **Mobility** - This segment will drive the company's growth in the coming years with products across railway infrastructure, rolling stock and turnkey solutions.
  - **Energy** – This segment witnessed increased traction in grid technologies and industrial steam turbines.
- **Strong growth delivery:** In FY23, the company posted strong numbers in order inflow, revenue, EBITDA and PAT which grew by ~126%, 21%, 42% and 55% respectively. It witnessed multiple large orders in the mobility, smart infrastructure and energy segments. Normalization in advance order placements because of supply chain easing augurs well for the company.
- **Outlook:**
  - The geopolitical and economic environment is volatile. However, India's economy is resilient. Emerging verticals like semiconductors, batteries and electric vehicles or EVs to augur well for the company. Siemens will continue to focus on localization, digitalization and capacity building. Management stated that Siemens has 9,000HP motors in the mobility segment and competitors have the technology for 12,000HP motors. No company can have both together, as per management. Siemens is confident of posting higher margins in the order bagged for 9,000HP motors.
  - For digital industries, India does not have the manufacturing capability. For mobility and energy segments, the company is on the localization mode. The mobility business is capex-heavy, and the company will continue to invest. Siemens is not present in the rolling stock business prominently and it plans to grow this business.
  - T&D business is growing very strong in India and overseas. Overall, the transmission business will see growth. As regards the C&S subsidiary, it is very strong in the infrastructure segment while Siemens is strong in the industrial segment. Siemens has started penetrating Asia Pacific and Africa markets.

**Figure 1: Our revised earnings estimates**

(Rs m)	Old Estimates		New Estimates		Changes	
	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F
Revenue	2,21,313	2,49,280	2,25,969	2,56,315	2.1%	2.8%
EBITDA	29,888	33,493	30,618	34,494	2.4%	3.0%
PAT	22,300	25,246	22,843	26,106	2.4%	3.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Products in digital industries segment

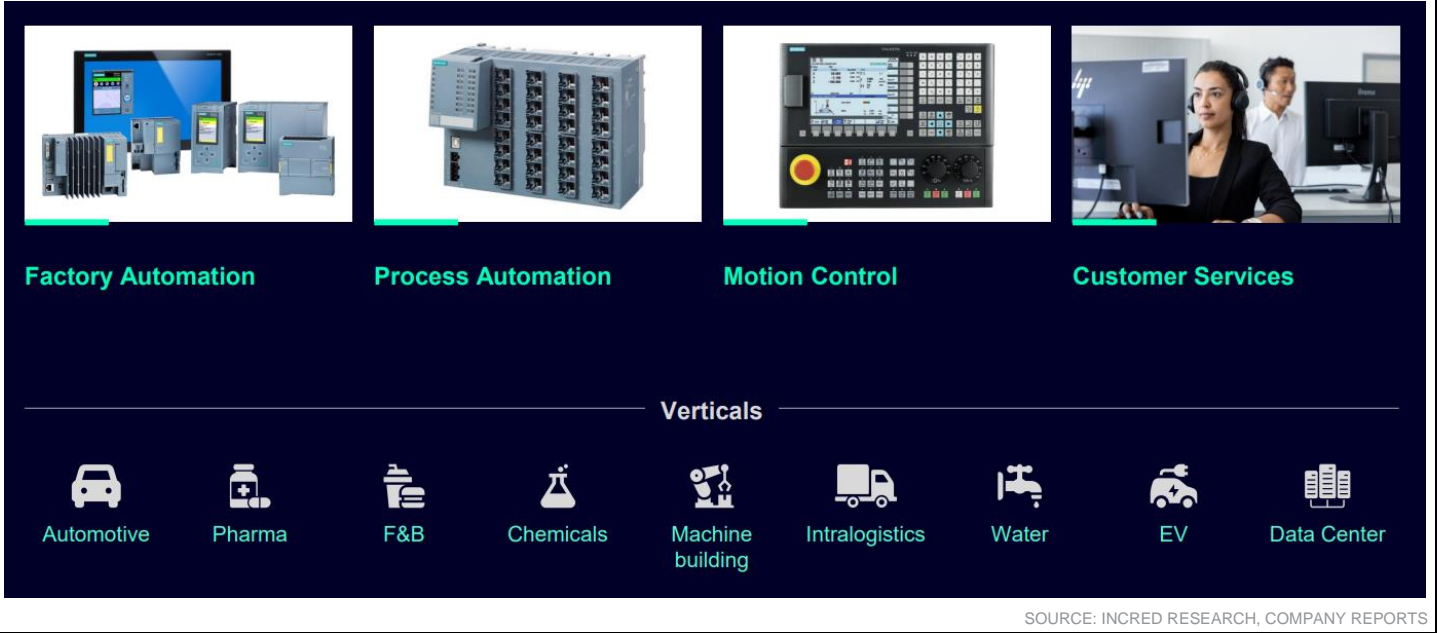


Figure 3: Products in smart Infrastructure segment

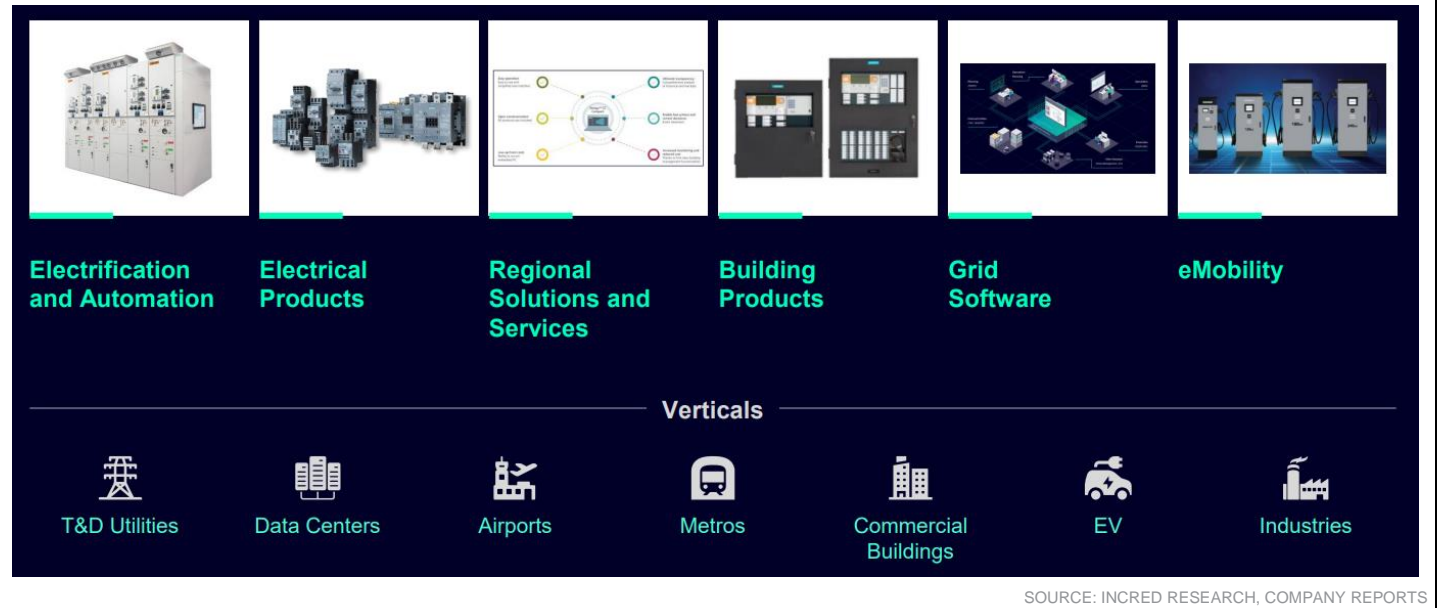


Figure 4: Products in mobility segment

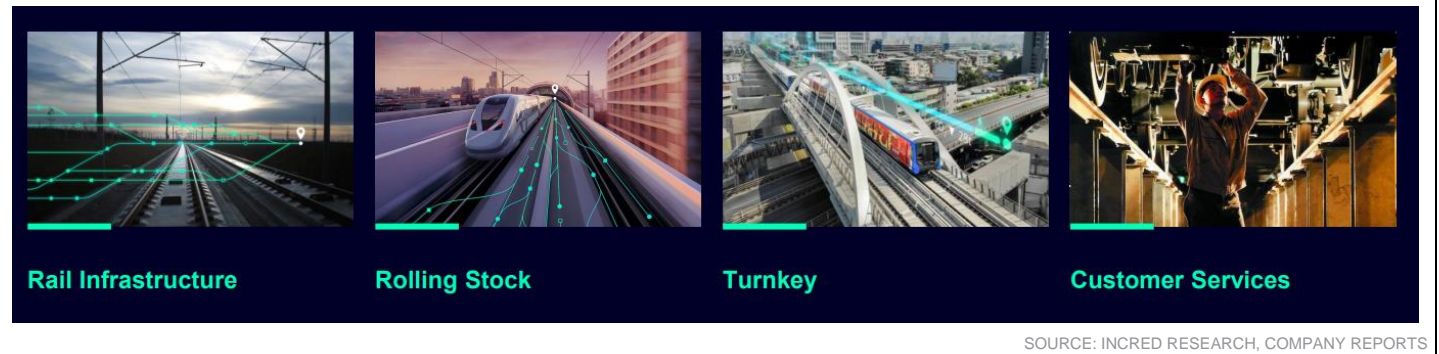
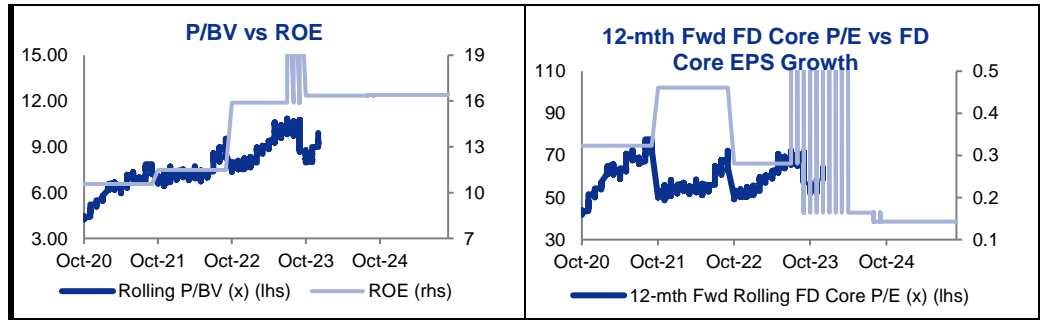


Figure 5: Comprehensive energy segment portfolio



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Sep-21A	Sep-22A	Sep-23A	Sep-24F	Sep-25F
<b>Total Net Revenues</b>	<b>136,380</b>	<b>161,378</b>	<b>195,540</b>	<b>225,969</b>	<b>256,315</b>
<b>Gross Profit</b>	<b>43,263</b>	<b>52,115</b>	<b>61,715</b>	<b>74,570</b>	<b>84,584</b>
<b>Operating EBITDA</b>	<b>15,173</b>	<b>17,573</b>	<b>24,874</b>	<b>30,618</b>	<b>34,494</b>
Depreciation And Amortisation	(3,005)	(3,171)	(3,208)	(3,427)	(3,615)
<b>Operating EBIT</b>	<b>12,168</b>	<b>14,402</b>	<b>21,666</b>	<b>27,191</b>	<b>30,878</b>
Financial Income/(Expense)	(246)	(363)	(228)	(343)	(343)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	2,265	3,078	4,962	3,610	4,273
<b>Profit Before Tax (pre-EI)</b>	<b>14,187</b>	<b>17,117</b>	<b>26,400</b>	<b>30,458</b>	<b>34,808</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>14,187</b>	<b>17,117</b>	<b>26,400</b>	<b>30,458</b>	<b>34,808</b>
Taxation	(3,698)	(4,498)	(6,778)	(7,614)	(8,702)
Exceptional Income - post-tax		2,706			
<b>Profit After Tax</b>	<b>10,489</b>	<b>15,325</b>	<b>19,622</b>	<b>22,843</b>	<b>26,106</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>10,489</b>	<b>15,325</b>	<b>19,622</b>	<b>22,843</b>	<b>26,106</b>
Recurring Net Profit	10,489	12,619	19,622	22,843	26,106
<b>Fully Diluted Recurring Net Profit</b>	<b>10,489</b>	<b>12,619</b>	<b>19,622</b>	<b>22,843</b>	<b>26,106</b>

Cash Flow

(Rs mn)	Sep-21A	Sep-22A	Sep-23A	Sep-24F	Sep-25F
<b>EBITDA</b>	<b>15,173</b>	<b>17,573</b>	<b>24,874</b>	<b>30,618</b>	<b>34,494</b>
Cash Flow from Invt. & Assoc.	(115)	(456)	1,526	(161)	315
Change In Working Capital	2,339	1,372	(4,162)	(1,720)	(3,201)
(Incr)/Decr in Total Provisions	(184)				
Other Non-Cash (Income)/Expense	3,005	3,171	3,208	3,427	3,615
Other Operating Cashflow	(2,262)	(2,715)	(4,734)	(3,267)	(3,930)
Net Interest (Paid)/Received					
Tax Paid	(3,735)	(4,498)	(6,778)	(7,614)	(8,702)
<b>Cashflow From Operations</b>	<b>14,221</b>	<b>14,447</b>	<b>13,934</b>	<b>21,284</b>	<b>22,590</b>
Capex	(1,177)	(1,751)	(2,175)	(1,980)	(2,000)
Disposals Of FAs/subsidiaries	3,862				
Acq. Of Subsidiaries/investments	(17,382)				
Other Investing Cashflow	(9,196)	3,078	4,962	3,610	4,273
<b>Cash Flow From Investing</b>	<b>(23,893)</b>	<b>1,327</b>	<b>2,787</b>	<b>1,630</b>	<b>2,273</b>
Debt Raised/(repaid)	(1,695)	(25)			
Proceeds From Issue Of Shares		842	(571)		
Shares Repurchased					
Dividends Paid	(2,493)	(3,560)	(4,272)	(4,984)	(4,984)
Preferred Dividends					
Other Financing Cashflow	(830)	(363)	(228)	(343)	(343)
<b>Cash Flow From Financing</b>	<b>(5,018)</b>	<b>(3,106)</b>	<b>(5,071)</b>	<b>(5,327)</b>	<b>(5,327)</b>
Total Cash Generated	(14,690)	12,668	11,650	17,587	19,536
<b>Free Cashflow To Equity</b>	<b>(11,367)</b>	<b>15,749</b>	<b>16,721</b>	<b>22,914</b>	<b>24,863</b>
<b>Free Cashflow To Firm</b>	<b>(9,672)</b>	<b>15,774</b>	<b>16,721</b>	<b>22,914</b>	<b>24,863</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Sep-21A</b>	<b>Sep-22A</b>	<b>Sep-23A</b>	<b>Sep-24F</b>	<b>Sep-25F</b>
Total Cash And Equivalents	51,591	65,841	76,507	97,793	114,932
Total Debtors	37,738	39,194	48,047	55,661	63,198
Inventories	17,969	21,650	25,052	29,022	32,952
Total Other Current Assets	39,407	41,830	40,518	47,675	54,130
<b>Total Current Assets</b>	<b>146,705</b>	<b>168,515</b>	<b>190,124</b>	<b>230,151</b>	<b>265,212</b>
Fixed Assets	20,666	19,246	18,213	16,766	15,150
Total Investments					
Intangible Assets	11,732	12,354	12,686	12,686	12,686
Total Other Non-Current Assets	473	975	1,627	1,627	1,627
<b>Total Non-current Assets</b>	<b>32,871</b>	<b>32,575</b>	<b>32,526</b>	<b>31,079</b>	<b>29,463</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	62,899	71,782	75,527	87,496	99,343
Other Current Liabilities	13,081	13,130	16,166	21,218	24,091
<b>Total Current Liabilities</b>	<b>75,980</b>	<b>84,912</b>	<b>91,693</b>	<b>108,714</b>	<b>123,434</b>
Total Long-term Debt	25				
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>25</b>				
Total Provisions					
<b>Total Liabilities</b>	<b>76,005</b>	<b>84,912</b>	<b>91,693</b>	<b>108,714</b>	<b>123,434</b>
Shareholders Equity	103,490	116,102	130,871	148,730	169,852
Minority Interests	81	76	86	86	86
<b>Total Equity</b>	<b>103,571</b>	<b>116,178</b>	<b>130,957</b>	<b>148,816</b>	<b>169,938</b>

<b>Key Ratios</b>					
	<b>Sep-21A</b>	<b>Sep-22A</b>	<b>Sep-23A</b>	<b>Sep-24F</b>	<b>Sep-25F</b>
Revenue Growth	38.9%	18.3%	21.5%	17.2%	13.4%
Operating EBITDA Growth	47.8%	15.8%	41.5%	23.1%	12.7%
Operating EBITDA Margin	11.3%	11.1%	12.9%	13.7%	13.6%
Net Cash Per Share (Rs)	144.85	184.95	214.91	274.70	322.84
BVPS (Rs)	290.70	326.13	367.62	417.78	477.11
Gross Interest Cover	49.46	39.67	95.03	79.27	90.02
Effective Tax Rate	26.1%	26.3%	25.7%	25.0%	25.0%
Net Dividend Payout Ratio	23.8%	28.2%	21.8%	21.8%	19.1%
Accounts Receivables Days	93.62	87.00	81.42	83.76	84.63
Inventory Days	57.07	66.17	63.69	65.18	65.86
Accounts Payables Days	220.65	224.96	200.89	196.51	198.56
ROIC (%)	27.2%	20.6%	32.0%	36.7%	41.5%
ROCE (%)	12.3%	13.1%	17.5%	19.4%	19.4%
Return On Average Assets	6.4%	6.8%	9.3%	9.5%	9.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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