

India

**HOLD** (no change)

Consensus ratings\*: Buy 14 Hold 8 Sell 7

Current price:	Rs2,186
Target price:	Rs2,200
Previous target:	Rs1,850
Up/downside:	0.6%
EIP Research / Consensus:	-1.2%
Reuters:	SIEM.NS
Bloomberg:	SIEM IN
Market cap:	US\$10,356m Rs778,425m
Average daily turnover:	US\$11.6m Rs875.3m
Current shares o/s:	356.1m
Free float:	25.0%

\*Source: Bloomberg

**Key changes in this note**

- FY22F-23F EBITDA raised by 5-6%
- FY23F PAT raised by 1%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(5.4)	(3.6)	42.5
Relative (%)	(1.5)	(2.6)	11.3

Major shareholders	% held
Promoter	75.0
Life Insurance Corporation	6.5
	0.0

**Analyst(s)**



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# Siemens Ltd

## Positives likely priced in

- Siemens' 4QFY21 EBITDA missed on higher input & logistic costs, but expects the trend to improve with pricing actions and higher share of short cycle orders.
- Government's continued thrust on infrastructure and uptick in the private sector should drive growth, but valuations likely factor in the positives, in our view.
- We reiterate our Hold rating, with a higher TP of Rs2,200.

### Execution cycle and EBITDA trend to improve

Siemens' 4QFY21 revenue (+14% yoy) was 2% above our estimate, led by a 17% beat in Smart Infrastructure (SI) sales (+37% yoy). Management expects shorter execution cycle timelines due to the increased share of short cycle products. The EBITDA margin at 10.7% (-215bp yoy) was lower than we estimated largely led by higher commodity and logistics costs and lower export incentives. It expects the margin trend to improve with pricing actions, increased share of products, digital & automation, software, services and private sector share in overall revenues. 4Q core PAT (-3% yoy) was 14% lower than our estimate.

### Uptick in private capex has been a positive sign

FY21 order inflows growth (+32% yoy) was led by the SI, Digital (DI) and Mobility segments. According to management, the economy is showing resilience with the central government's capex remaining strong and private sector capex picking up, though state governments' capex have slowed. Capacity utilisation levels still stood at ~70% and, hence, the company expects capex will take some time, but not too long, before fresh capex kicks in. Production-linked incentives would be a key growth driver for private capex, while government-led infrastructure investment would continue to be a key growth driver.

### Strengthening portfolio with scalable digital offerings

The digital adoption momentum has accelerated across sectors post pandemic and Siemens provides several scalable solutions. Siemens India has access to know-how from its parent's multiple acquisitions, aiding the strengthening of its portfolio for a higher growth trajectory. Royalty payments remain below 0.5% of sales and is unlikely to change unless there is a regulatory requirement. C&S Electric's underlying EBITDA margin was stable, but integration costs have impacted margins, likely continuing for another year. Exports would be a key growth driver for revenue and margins for C&S going forward.

### Reiterate Hold as potential capex uptick is priced in

The uptick in private capex and increased digital penetration should support SI/DI growth going forward. However, we reiterate our Hold rating due to higher valuations (45x FY23F P/E) post factoring in strong PAT CAGR of 24% over FY21-24F and medium-term growth concerns for its energy segment (contributing 48% to FY21 EBIT). We tweak our earnings and roll forward earnings to Mar 2024F and raise our TP to Rs2,200 (42x vs 40x earlier). Delays in industrial pick-up and margin pressure are downside risks, while better-than-estimated pick-up in order inflows (OI) is an upside risk.

Financial Summary	Sep-20A	Sep-21A	Sep-22F	Sep-23F	Sep-24F
Revenue (Rsm)	96,606	134,226	164,291	188,519	212,403
Operating EBITDA (Rsm)	10,295	15,185	20,828	24,396	27,694
Net Profit (Rsm)	7,954	10,501	14,435	17,274	20,044
Core EPS (Rs)	22.3	29.5	40.5	48.5	56.3
Core EPS Growth	(30.0%)	32.0%	37.5%	19.7%	16.0%
FD Core P/E (x)	97.83	74.10	53.91	45.05	38.82
DPS (Rs)	7.0	8.0	10.0	12.0	14.0
Dividend Yield	0.32%	0.37%	0.46%	0.55%	0.64%
EV/EBITDA (x)	70.04	47.85	34.68	29.11	25.14
P/FCFE (x)	49.76	129.13	97.14	47.64	41.09
Net Gearing	(60.2%)	(49.8%)	(49.0%)	(53.4%)	(57.6%)
P/BV (x)	8.20	7.52	6.80	6.11	5.46
ROE	8.6%	10.6%	13.3%	14.3%	14.9%
% Change In Core EPS Estimates			(0.88%)	0.52%	
InCred Research/Consensus EPS (x)			1.03	1.03	0.98

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS. PRICED AS AT 3 DEC 2021

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## Positives likely priced in

### 4QFY21 results overview

#### Conference call highlights ►

- **On government/ private investments:** According to management, the economy is showing resilience with most high frequency indicators at pre Covid levels. In terms of investments, a) central government capex remains strong, b) state government capex has slowed, c) private capex started picking up mainly in 2H. As per industrial verticals, pharma, food & beverages, steel & cement, power T&D, railway and metros have seen upticks while the auto and building segments have been laggards.
- **On capex outlook:** Capacity utilisation levels still stood at ~70% and, hence, management expects capex to take some time, but not too long, before fresh capex kicks in. Production-linked incentives would be a key growth driver for private capex, while government-led infrastructure investment would continue to be a growth driver.
  - **Energy segment:** a) **Generation** – With the economy shifting from coal to renewables energy, more companies are looking for captive power and waste heat recovery energy (WHRE) solutions. b) **T&D:** The increase in the renewable energy share in energy generation would increase opportunities for Statcom, flexible AC transmission system (FACTS) solutions, for the stability of the grid. Distribution would see an increase in the requirement of smart grids for last mile connectivity through decentralised solutions.
  - **Smart Infrastructure:** Demand remains strong from data centres, e-commerce and hospitals for low- and medium-voltage electricals, as well for building management systems, cyber security, etc. The company sees opportunity in electrical vehicle (EV) charging.
  - **Industrial:** Increased PLI scheme-led investments, capacity expansion and good demand for digitalisation and automation solutions in pharma, chemicals, food and beverages would be growth drivers.
  - **Mobility:** Traction continues in electrification and signaling, and metro rail projects, which are going to fuel growth in the segment.
- **On margins:** Higher commodity and logistics costs had impacted margins, though not much by supply chain issues. The company expects pricing actions to offset raw material price impact. The company does not expect any dilution in margins and expects the EBITDA margin trend to improve with the increase in the share of products, digital & automation, software, services as well as private sector share in overall revenues. The company does not expect any major change in localisation for new-age products.
- **On Digitalisation**
  - The pandemic accelerated the implementation of digitalisation by a year or two. In digitalisation there has been substantial interest in cyber security, industry 4.0, energy efficiency, analytics for predictive maintenance allowing for a lot of scalable solutions with execution cycle times of below one year.
  - The company aims to combine the real world with the digital world and the parent undertook various acquisitions for higher segmental growth trajectory. Siemens India is looking to either partner with digital companies, or acquire one or more technologies, or make consortium arrangements.
  - The digital space is a combination of operational technology (OT) and IT, with the company having robust OT knowledge and partnering other IT companies to provide digital solutions going forward.

- **On SaaS model:** The company's digitalisation level is not high currently as many digital solutions are linked to automation and electrification. Hence the company does not see major implementation of an annual recurring revenue (ARR) model in the near future as the Indian market is still consolidating in terms of digitalisation requirements, but could see it as a medium- to long-term opportunity. Although the company has started working on some SAAS models, this is not material.
- **Localisation strategy for new-age businesses:** According to management, the company could either opt to manufacture locally for its new-age businesses or use Siemens' manufacturing network globally. Siemens already has 6,000 engineers in the country and can use some of them for local solutions in digital business. As the company grows in the digital space, it would have access to the parent's digital space know how. Localisation strategy would be largely product specific and depend on customer requirements, pricing of the products, competition, scalability of the business.
- **C&S Electric acquisition:** The company has steady underlying profitability, but integration costs have impacted overall margins which would continue for another year. Profitability would further improve, with the increase in the level of export business. The company has made further inroads into new domestic markets, while exports would form a large part of the C&S growth story. C&S has started exporting to South-East Asia markets.
- **Royalty:** Total royalty fees was below 0.5% of sales in FY21 and will remain stable unless specifically related to legality or tax purposes.
- **On mobility and e-charging:** The company expects electrification and signaling in the metro railways segment to be strong growth drivers. Almost 3m charging stations are expected to be set up by 2030, whereby the company would focus on creating grid to socket charging infrastructure. The company is in discussions with both state governments and private players who want to enter India's charging infrastructure market.
- **Segmental performance in FY21**
  - **Energy:** Growth in order inflow (+19% yoy) was aided by waste heat recovery, captive power, Statcom orders (large order of renewable energy integration at Rajasthan), and turbine modernisation and upgrade orders. The segment's profitability was aided by solid operational execution and forex gains offsetting lower export incentives.
  - **Smart Infra:** Segment order inflow (+24% yoy) led by projects in solar, tunnel space and increasing opportunities in data centres and energy efficiency products demand in commercial complexes. Profitability improvement was led by higher capacity utilisation and cost control measures which offset lower export incentives.
  - **Digital Industries:** Robust order inflow growth (+52% yoy) due to high demand from electronics, pharma, F&B, steel, cement and intralogistics (new growth arear). Profitability grew as a result of cost control measures and productivity gains out of strong growth momentum and higher pricing levels offsetting higher input cost and forex losses.
  - **Mobility:** Order inflow growth (+63% yoy) was led by large eastern Dedicated Freight Corridor orders, apart from electrification and annual maintenance contract (AMC) orders. Revenue declined due to lower demand in passenger locomotive components and lower order backlog. Profitability was affected by unfavourable revenue mix and lower sales.
- **On capital allocation:** The company plans to allocate capital into a) annual normal capex of Rs2bn/year in upgrading capacities, localisation of products, b) investing in new-age technologies for short-, medium- and long-term opportunities, c) investing in inorganic growth, and d) payouts through dividends.

## Results highlights ►

- In 4QFY21, SIEM reported standalone revenue at Rs40bn (+14% yoy), **2% above our estimate of Rs39.1bn (1% below Bloomberg consensus estimate)**.
- Sales growth was 17% above our estimate for the Smart Infra segment (+37% yoy) which was offset by 14% lower-than-estimated sales for Mobility (-7% yoy) and marginally lower-than-estimated sales for the Digital Industries (+24% yoy) and Energy (-1% yoy) segments.
- EBITDA of Rs4.3bn (-5% yoy) was 16% below our estimate of Rs5.1bn (12% below Bloomberg consensus).
- EBITDA margin stood at 10.7% (-215bp yoy, +229bp qoq), below our estimate of 13% and Bloomberg consensus estimate of 12.1% led by lower gross margin (-160bp yoy) and higher-than-estimated other expense (+24% yoy, +39% qoq) as well as employee (+11.4% yoy, +8% qoq). However, Siemens has a history of volatile quarterly margin performance.
- EBIT margins were below our estimates across the Energy/ Digital Industries/ Smart Infrastructure/ Mobility segments at 13.2%/6.7%/7.2%/9.2 respectively vs our estimate of 13.5%/9.8%/9.5%/10.2%.
- Other income of Rs616m (flat yoy) came in 14% above our estimate.
- The tax rate stood at 25% vs our estimate of 25.3%.
- Core PAT at Rs3.23bn (-3% yoy, +100% qoq) was 14% below our and Bloomberg consensus estimates largely led by the miss in margins.
- C&S Electric sales were at Rs2.9bn (+31% qoq) with an EBITDA margin of 6.2% (-158bp qoq) impacted by a 12% points qoq decline in gross margin for 4QFY21.
- Siemens' FY21 standalone sales stood at Rs129.6bn (+31% yoy), EBITDA margin at 11.3% (+122bp yoy) and PAT at Rs10.6bn (+40% yoy).

## Order inflow and order backlog ►

- 4QFY21 order inflows were at Rs33.8bn (+5% yoy, -22% qoq), marginally below our estimate. The company believes private sector orders will pick up in the coming months as the government continues its investments in infrastructure and capacity utilisation levels increase.
- FY21 order inflows on a comparable basis increased by 28% yoy to Rs142.3bn.
- The order backlog as at the end of 4QFY21 was Rs135.2bn (+9% yoy, -5% qoq).

## Balance sheet and cash flow ►

- Net working capital (ex-cash) on days of sales improved to 55 days in FY21 vs 68 in FY20 and 62 in 1HFY21, led by the improvement in debtor days and other current assets on days of sales.
- Net cash from operations stood at Rs13.3bn in FY21 vs Rs6.7bn in FY20 led by the improvement in profitability and decline in working capital.
- Net cash stood at Rs48.5bn in FY21 vs Rs55.5bn in FY20 due to the investment in C&S Electric to the tune of Rs19.6bn, while it booked gains of Rs3.7bn through sales of the mechanical drive business.

**Figure 1: Quarterly financials**

Rs m	4QFY21	4QFY20	YoY (%)	3QFY21	QoQ (%)	FY21	FY20	YoY (%)	4QFY21F	variation
<b>Total Revenues</b>	<b>39,997</b>	<b>35190</b>	<b>13.7</b>	<b>27,080</b>	<b>47.7</b>	<b>1,29,631</b>	<b>98,694</b>	<b>31.3</b>	<b>39,140</b>	<b>2%</b>
Raw material cost	-27,768	(23,869)	16.3	(18,178)	52.8	(88,756)	(63,207)	40.4	(26,580)	
Employee expenses	-4,353	(3,908)	11.4	(4,039)	7.8	(16,041)	(15,404)	4.1	(4,116)	
Other Expenses	-3,589	(2,884)	24.4	(2,580)	39.1	(10,240)	(10,180)	0.6	(3,352)	
<b>EBITDA</b>	<b>4,287</b>	<b>4,529</b>	<b>(5.3)</b>	<b>2,283</b>	<b>87.8</b>	<b>14,594</b>	<b>9,903</b>	<b>47.4</b>	<b>5,093</b>	<b>-16%</b>
Other income	616	614	0.3	463	33.0	2,190	3,099	(29.3)	541	14%
<b>EBIT</b>	<b>4,363</b>	<b>4,513</b>	<b>(3.3)</b>	<b>2,201</b>	<b>98.2</b>	<b>14,502</b>	<b>10,498</b>	<b>38.1</b>	<b>5,075</b>	<b>-14%</b>
Interest income/(expenses)	(59)	(58)	1.7	(56)	5.4	(196)	(292)	(32.9)	(62)	
Depreciation	-540	(630)	(14.3)	(545)	(0.9)	(2,282)	(2,504)	(8.9)	(559)	-3%
<b>PBT</b>	<b>4,304</b>	<b>4,455</b>	<b>(3.4)</b>	<b>2,145</b>	<b>100.7</b>	<b>14,306</b>	<b>10,206</b>	<b>40.2</b>	<b>5,013</b>	<b>-14%</b>
Tax	-1,074	(1,124)	(4.4)	(530)	102.6	(3,679)	(2,632)	39.8	(1,266)	
<b>Reported PAT</b>	<b>3,230</b>	<b>3,331</b>	<b>(3.0)</b>	<b>1,615</b>	<b>100.0</b>	<b>10,627</b>	<b>7,574</b>	<b>40.3</b>	<b>3,747</b>	<b>-14%</b>
Extraordinary items	-	-	-	-	-	-	-	-	-	
<b>Adjusted PAT</b>	<b>3,230</b>	<b>3,331</b>	<b>(3.0)</b>	<b>1,615</b>	<b>100.0</b>	<b>10,627</b>	<b>7,574</b>	<b>40.3</b>	<b>3,747</b>	<b>-14%</b>
<b>Key ratios (%)</b>										
Raw material / Sales	69.4	67.8	160bp	67.1	230bp	68.5	64.0	442bp	67.9	
Employee expenses / Sales	10.9	11.1	-22bp	14.9	-403bp	12.4	15.6	-323bp	10.5	
Other expenses / Sales	9.0	8.2	78bp	9.5	-55bp	7.9	10.3	-242bp	8.6	
<b>EBITDA Margin (%)</b>	<b>10.7</b>	<b>12.9</b>	<b>-215bp</b>	<b>8.4</b>	<b>229bp</b>	<b>11.3</b>	<b>10.0</b>	<b>122bp</b>	<b>13.0</b>	
PBT Margin	10.9	13.0	-210bp	8.1	285bp	11.2	10.7	56bp	0.0	
Tax rate	25.0	25.2	-28bp	24.7	24bp	25.7	25.8	-7bp	25.3	
PAT margin	8.2	9.7	-154bp	6.1	212bp	8.3	7.9	43bp	9.8	
<b>Core EPS (Rs)</b>	<b>9.1</b>	<b>9.4</b>		<b>4.5</b>		<b>29.9</b>	<b>21.3</b>		<b>10.5</b>	
<b>Order details (Rs m)</b>										
Booking	33,780	32,200	4.9	43,410	(22.2)	1,42,340	1,11,437	27.7	34,521	-2%
Backlog	1,35,200	1,23,596	9.4	1,42,670	(5.2)	1,35,200	1,23,596	9.4		

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 2: Segmental financials**

Revenues (Rs m)	4QFY21	4QFY20	YoY (%)	3QFY21	QoQ (%)	FY21	FY20	YoY (%)	4QFY21F	variation
Energy	15,710	15,830	(0.8)	9,549	64.5	47,341	40,529	16.8	16,193	-3%
Smart Infrastructure	12,609	9,208	36.9	8,630	46.1	40,515	27,635	46.6	10,783	17%
Digital Industries	7,839	6,328	23.9	6,838	14.6	30,293	19,415	56.0	8,028	-2%
Portfolio Companies	1,233	1,276	(3.4)	963	28.0	4,437	3,843	15.5	1,484	-17%
Mobility	2,812	3,010	(6.6)	1,266	122.1	8,283	8,443	(1.9)	3,282	-14%
Others	339	297	14.1	216	56.9	1,032	966	6.8	273	
<b>Total segment revenue</b>	<b>40,542</b>	<b>35,949</b>	<b>12.8</b>	<b>27,462</b>	<b>47.6</b>	<b>1,31,901</b>	<b>1,00,831</b>	<b>30.8</b>	<b>40,044</b>	<b>1%</b>
less: intersegment revenue	545	759	(28.2)	382	42.7	2,270	2,137	6.2	903	-40%
<b>Net Sales</b>	<b>39,997</b>	<b>35,190</b>	<b>13.7</b>	<b>27,080</b>	<b>47.7</b>	<b>1,29,631</b>	<b>98,694</b>	<b>31.3</b>	<b>39,140</b>	
<b>EBIT (Rs m)</b>										
Energy	2,072	1,921	7.9	765	170.8	5,918	4,014	47.4	2,180	-5%
Smart Infrastructure	908	974	(6.8)	459	97.8	2,982	1,013	194.4	1,021	-11%
Digital Industries	527	499	5.6	315	67.3	2,330	1,156	101.6	788	-33%
Portfolio Companies	49	109	(55.0)	27	81.5	251	200	25.5	126	-61%
Mobility	260	414	(37.2)	153	69.9	889	953	(6.7)	334	-22%
Others	-69	-18	283.3	19	(463.2)	14	63	(77.8)	14	
<b>Total</b>	<b>3,747</b>	<b>3,899</b>	<b>(3.9)</b>	<b>1,738</b>	<b>115.6</b>	<b>12,384</b>	<b>7,399</b>	<b>67.4</b>	<b>4,463</b>	<b>-16%</b>
<b>Segment EBIT margin (%)</b>										
Energy	13.2%	12.1%	105bp	8.0%	518bp	12.5%	9.9%	260bp	13.5%	-27bp
Smart Infrastructure	7.2%	10.6%	-338bp	5.3%	188bp	7.4%	3.7%	369bp	9.5%	-227bp
Digital Industries	6.7%	7.9%	-116bp	4.6%	212bp	7.7%	6.0%	174bp	9.8%	-309bp
Portfolio Companies	4.0%	8.5%	-457bp	2.8%	117bp	5.7%	5.2%	45bp	8.5%	-453bp
Mobility	9.2%	13.8%	-451bp	12.1%	-284bp	10.7%	11.3%	-55bp	10.2%	-93bp
Others	-20.4%	-6.1%	-1429bp	8.8%	-2915bp	1.4%	6.5%	-517bp	5.0%	-2534bp
<b>Total EBIT margin</b>	<b>9.2%</b>	<b>10.8%</b>	<b>-160bp</b>	<b>6.3%</b>	<b>291bp</b>	<b>9.4%</b>	<b>7.3%</b>	<b>205bp</b>	<b>11.1%</b>	<b>-190bp</b>

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 3: Net working capital (in days)**

On days of sales	FY17	1HFY18	FY18	1HFY19	FY19	1HFY20	FY20	1HFY21	FY21
<b>Current Assets</b>									
Inventory Days	35	39	34	42	32	47	42	52	45
Debtor Days	116	108	111	107	112	109	122	131	101
Loans & advances/other current assets	97	105	119	108	110	112	139	119	111
<b>Current Liabilities</b>									
Creditor Days	90	87	90	85	95	82	106	121	99
Other current liabilities	59	49	54	49	49	62	85	81	66
Provisions days	35	33	33	33	34	38	46	39	36
<b>NWC days (excl cash)</b>	<b>63</b>	<b>84</b>	<b>87</b>	<b>90</b>	<b>75</b>	<b>86</b>	<b>68</b>	<b>62</b>	<b>55</b>

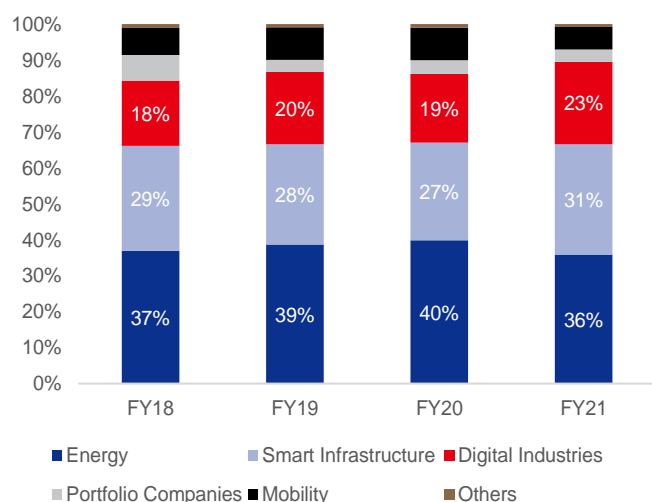
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Cash flow statement**

(Rs m)	FY18	1HFY19	FY19	1HFY20	FY20	1HFY21	FY21
<b>Cashflow from operating activity</b>							
Profit before tax	13,912	7,743	16,416	5,855	10,193	8,715	15,165
<b>Adjustments for:</b>							
Finance cost	82	26	112	188	292	82	196
Bad debts	101	52	75	25	148	10	58
Provisions for bad debts	256	1	384	32	324	-189	-246
Depreciation	1,967	1,103	1,980	1,319	2,504	1,197	2,282
P/L on sale of asset	-10	4	-505	2	-2	-500	-508
Liabilities written back	-136	-44	-86	-39	-135	-24	-125
Other Provisions	108	0	0	0	0	0	0
Unrealised exchange loss / (gain)	1,110	-1,700	-1,197	869	724	246	140
Interest income	-2,773	-1,677	-3,375	-1,625	-2,915	-1,076	-1,993
<b>Operating profit before working capital changes</b>	<b>14,617</b>	<b>5,508</b>	<b>13,804</b>	<b>6,626</b>	<b>11,133</b>	<b>8,461</b>	<b>14,969</b>
<b>Working capital adjustments</b>							
(Inc)/ Dec in inventories	-1,224	-3,640	438	-4,797	-114	-4,323	-4,869
(Inc)/ Dec in trade and other receivables	-11,021	2,786	-701	3,590	994	-2,453	-1,455
Inc/(Dec) in trade payables and other liabilities	3,029	484	4,648	-4,689	-2,150	8,183	7,242
Inc/(Dec) in Provisions	855	372	57	355	-156	-464	901
Net change in working capital	-8,361	2	4,442	-5,541	-1,426	943	1,819
<b>Cash generated from operations</b>	<b>6,256</b>	<b>5,510</b>	<b>18,246</b>	<b>1,085</b>	<b>9,707</b>	<b>9,404</b>	<b>16,788</b>
Direct taxes	-5,834	-3,536	-6,130	-1,514	-2,942	-2,087	-3,450
<b>Net cash from operating activities</b>	<b>422</b>	<b>1,974</b>	<b>12,116</b>	<b>-429</b>	<b>6,765</b>	<b>7,317</b>	<b>13,338</b>
<b>Cash flow from investing activities</b>							
Purchase of PPE and invt prop	-1,903	-913	-1,002	-1,153	-172	-573	-1,097
Proceeds from sale of PPE and invt prop							
Proceeds from sale of business division							
Investment in subsidiary company							
Capital advances	115	0	861	0	74	0	0
Interest recd	2,691	1,755	3,333	1,637	3,057	1,195	2,043
ICDs	-11,082	-5,808	-9,427	-7,022	-7,752	-1,380	-4,720
Refund of ICDs	8,547	5,198	9,662	6,042	8,482	2,240	4,340
Deposits (with original maturity of more than 3 months)	60	-4,172	-13,751	3,407	4,600	-6,501	-9,911
<b>Net cash from investing activities</b>	<b>-1,572</b>	<b>-3,937</b>	<b>-10,324</b>	<b>2,911</b>	<b>8,289</b>	<b>-20,185</b>	<b>-25,071</b>
<b>Cash flow from financing activities</b>							
Interest paid	-54	-18	-107	-83	-128	-29	-98
Repayment of lease liability	0	0	0	-288	-714	-316	-614
Dividend paid (including Tax thereon)	-3,000	-3,005	-3,005	-3,005	-3,005	-2,493	-2,493
<b>Net cash used in financing activities</b>	<b>-3,054</b>	<b>-3,023</b>	<b>-3,112</b>	<b>-3,376</b>	<b>-3,847</b>	<b>-2,838</b>	<b>-3,205</b>
<b>Net inc/(dec) in Cash &amp; CE</b>	<b>-4,204</b>	<b>-4,986</b>	<b>-1,320</b>	<b>-894</b>	<b>11,207</b>	<b>-15,706</b>	<b>-14,938</b>
At beginning of the year	12,628	25,132	8,432	7,101	7,101	18,311	18,311
Exchange loss or gain	8	2	-11	-13	3	-2	-1
<b>CCE at end of the year</b>	<b>8,432</b>	<b>20,148</b>	<b>7,101</b>	<b>6,194</b>	<b>18,311</b>	<b>2,603</b>	<b>3,372</b>

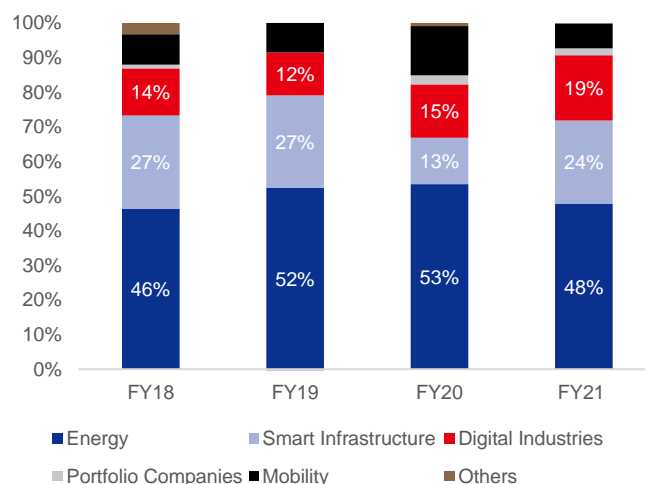
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Segment-wise revenue share**



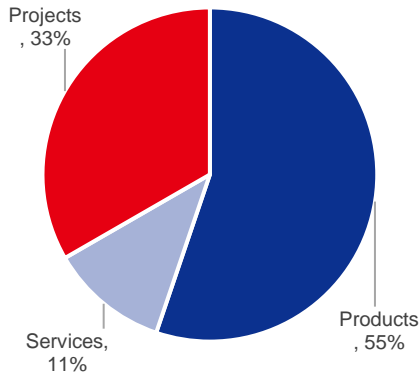
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 6: Segment-wise EBIT share**



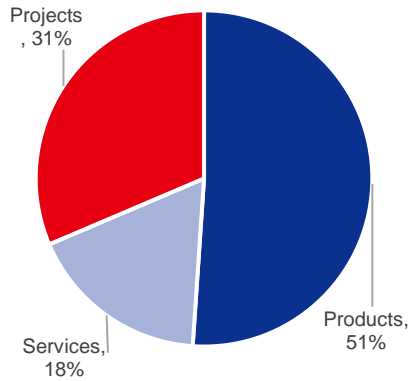
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 7: Revenue split in FY19**



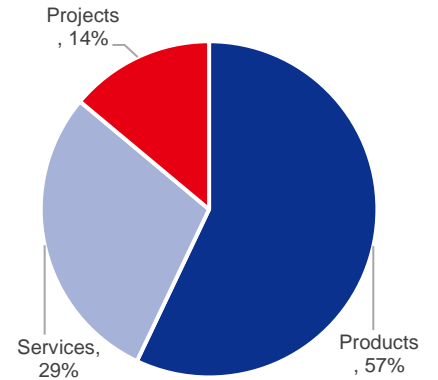
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 8: Revenue split in FY20**



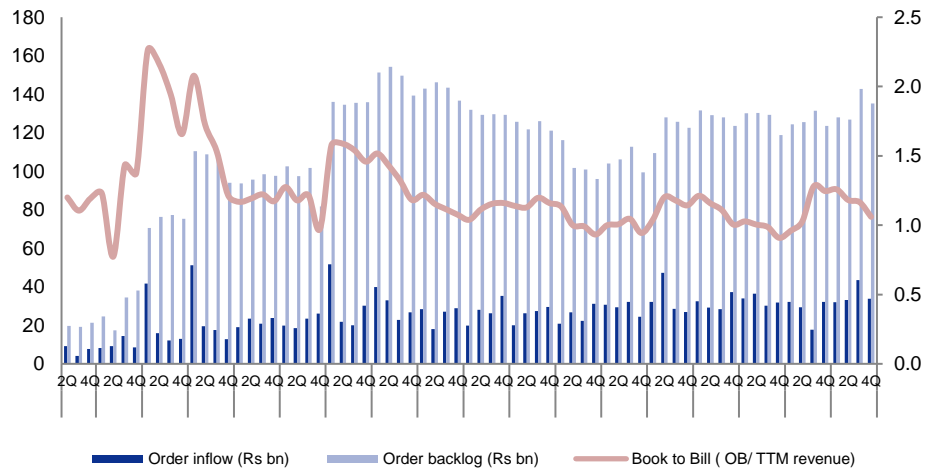
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 9: Revenue split in FY21**



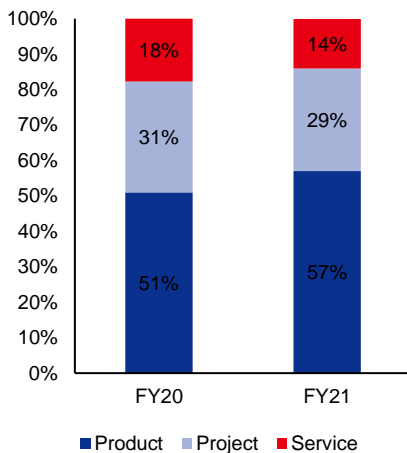
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 10: Order backlog was Rs135bn (1.1x trailing 12 months sales) at end-FY21**



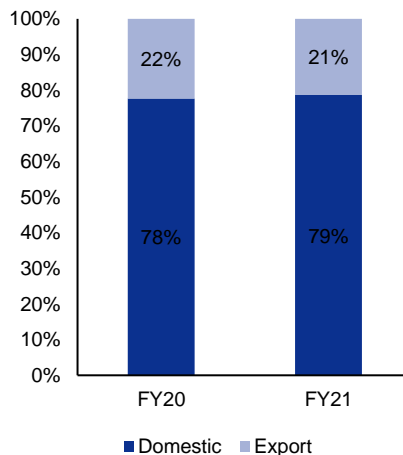
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 11: Revenue from Products, Projects and Services**



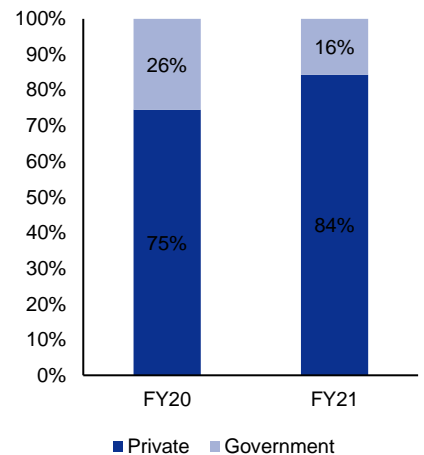
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 12: Revenue from domestic and export segments**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 13: Revenue from private and government**



SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 14: Earnings revision summary**

(Rs m)	Old estimates		New estimates		Change (%)	
	2022F	2023F	2022F	2023F	2022F	2023F
Revenue	1,50,404	1,71,303	1,66,692	1,91,016	10.8%	11.5%
EBITDA	19,746	22,950	20,828	24,396	5.5%	6.3%
Core PAT	14,563	17,186	14,435	17,274	-0.9%	0.5%

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 15: One year forward P/E**



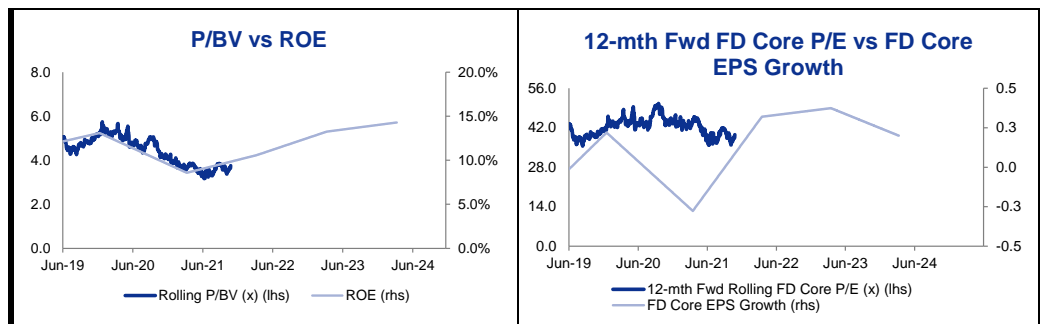
SOURCES: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

**Figure 16: Peer comparison**

Company	Bloomberg Ticker	Recom.	Price Rs	TP Rs	Mkt cap (US\$ m)	P/E (x)			P/BV (x)			EV/EBITDA (x)			Dividend Yield (%)		
						FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
ABB India	ABB IN	Reduce	2,023	1,620	5,707	101	76	62	11.0	9.9	8.7	69	53	42	0.3	0.3	0.3
Bharat Heavy Electricals	BHEL IN	Reduce	60	38	2,790	-42	57	28	0.8	0.8	0.8	-53	26	15	0.0	0.9	1.8
Cummins India	KKC IN	Add	895	1,000	3,386	32	27	23	5.3	4.8	4.4	29	23	20	1.8	2.0	2.1
Larsen & Toubro	LT IN	Add	1,780	2,160	33,484	29	24	20	3.2	2.9	2.6	20	17	15	2.0	1.2	1.2
Siemens India	SIEM IN	Hold	2,186	2,200	10,182	74	54	45	7.5	6.8	6.1	48	35	29	0.4	0.5	0.5
Thermax	TMX IN	Hold	1,763	1,610	2,744	56	39	35	5.6	5.1	4.6	37	26	23	0.5	0.6	0.7
Voltas	VOLT IN	Hold	1,247	1,265	5,399	59	42	34	7.5	6.6	5.7	48	34	27	0.4	0.6	0.6
KEC International	KECI IN	Add	431	520	1,467	19	14	11	2.7	2.3	2.0	11	8	7	0.9	1.4	1.7
Bharat Electronics	BHE IN	Add	207	235	6,694	21	19	17	4.1	3.7	3.3	15	14	12	2.2	2.4	2.6
Bharat Dynamics	BDL IN	Hold	430	325	1,008	18	12	10	2.7	2.4	2.0	10	7	6	2.2	3.4	4.2
Hindustan Aeronautics	HNAL IN	Add	1,304	1,530	5,841	12	11	10	2.4	2.1	1.9	6	6	5	2.6	2.7	3.1

SOURCES: INCRED RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG. PRICED AS AT 3 DEC 2021



**BY THE NUMBERS**

**Profit & Loss**

(Rs mn)	Sep-20A	Sep-21A	Sep-22F	Sep-23F	Sep-24F
<b>Total Net Revenues</b>	<b>99,724</b>	<b>136,392</b>	<b>166,692</b>	<b>191,016</b>	<b>215,000</b>
<b>Gross Profit</b>	<b>36,100</b>	<b>43,275</b>	<b>53,675</b>	<b>62,653</b>	<b>70,520</b>
<b>Operating EBITDA</b>	<b>10,295</b>	<b>15,185</b>	<b>20,828</b>	<b>24,396</b>	<b>27,694</b>
Depreciation And Amortisation	(2,521)	(3,005)	(3,428)	(3,532)	(3,629)
<b>Operating EBIT</b>	<b>7,774</b>	<b>12,180</b>	<b>17,399</b>	<b>20,865</b>	<b>24,065</b>
Financial Income/(Expense)	(295)	(246)	(246)	(226)	(206)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	3,149	2,265	2,365	2,719	3,243
<b>Profit Before Tax (pre-EI)</b>	<b>10,628</b>	<b>14,199</b>	<b>19,518</b>	<b>23,358</b>	<b>27,102</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>10,628</b>	<b>14,199</b>	<b>19,518</b>	<b>23,358</b>	<b>27,102</b>
Taxation	(2,674)	(3,698)	(5,083)	(6,083)	(7,058)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>7,954</b>	<b>10,501</b>	<b>14,435</b>	<b>17,274</b>	<b>20,044</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>7,954</b>	<b>10,501</b>	<b>14,435</b>	<b>17,274</b>	<b>20,044</b>
Recurring Net Profit	7,954	10,501	14,435	17,274	20,044
<b>Fully Diluted Recurring Net Profit</b>	<b>7,954</b>	<b>10,501</b>	<b>14,435</b>	<b>17,274</b>	<b>20,044</b>

**Cash Flow**

(Rs mn)	Sep-20A	Sep-21A	Sep-22F	Sep-23F	Sep-24F
<b>EBITDA</b>	<b>10,295</b>	<b>15,185</b>	<b>20,828</b>	<b>24,396</b>	<b>27,694</b>
Cash Flow from Invt. & Assoc.	88	(986)	(1,310)	(1,039)	(592)
Change In Working Capital	(1,095)	(688)	(8,134)	(2,971)	(3,235)
(Incr)/Decr in Total Provisions	354				
Other Non-Cash (Income)/Expense	2,521	3,005	3,428	3,532	3,629
Other Operating Cashflow	(1,935)	(2,019)	(2,119)	(2,493)	(3,037)
Net Interest (Paid)/Received	(295)	(246)	(246)	(226)	(206)
Tax Paid	(3,004)	(3,698)	(5,083)	(6,083)	(7,058)
<b>Cashflow From Operations</b>	<b>6,929</b>	<b>10,553</b>	<b>7,364</b>	<b>15,116</b>	<b>17,195</b>
Capex	(180)	(6,792)	(1,718)	(1,500)	(1,500)
Disposals Of FAs/subsidiaries	78				
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	8,811	2,265	2,365	2,719	3,243
<b>Cash Flow From Investing</b>	<b>8,709</b>	<b>(4,527)</b>	<b>647</b>	<b>1,219</b>	<b>1,743</b>
Debt Raised/(repaid)					
Proceeds From Issue Of Shares		998			
Shares Repurchased					
Dividends Paid	(3,005)	(2,848)	(3,560)	(4,272)	(4,984)
Preferred Dividends					
Other Financing Cashflow	(305)	(246)	(246)	(226)	(206)
<b>Cash Flow From Financing</b>	<b>(3,310)</b>	<b>(2,096)</b>	<b>(3,806)</b>	<b>(4,498)</b>	<b>(5,190)</b>
Total Cash Generated	12,328	3,930	4,205	11,837	13,748
<b>Free Cashflow To Equity</b>	<b>15,638</b>	<b>6,026</b>	<b>8,011</b>	<b>16,335</b>	<b>18,938</b>
<b>Free Cashflow To Firm</b>	<b>15,933</b>	<b>6,272</b>	<b>8,257</b>	<b>16,561</b>	<b>19,144</b>

SOURCES: EIP RESEARCH, COMPANY REPORTS

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

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Sep-20A</b>	<b>Sep-21A</b>	<b>Sep-22F</b>	<b>Sep-23F</b>	<b>Sep-24F</b>
Total Cash And Equivalents	57,096	51,591	56,046	68,110	82,066
Total Debtors	32,226	37,738	47,262	54,231	61,102
Inventories	11,152	17,969	20,255	23,242	26,187
Total Other Current Assets	38,725	39,407	42,851	48,124	53,627
<b>Total Current Assets</b>	<b>139,199</b>	<b>146,705</b>	<b>166,414</b>	<b>193,707</b>	<b>222,981</b>
Fixed Assets	16,879	20,666	18,956	16,924	14,796
Total Investments					
Intangible Assets		11,732	11,732	11,732	11,732
Total Other Non-Current Assets	2,524	473	473	473	473
<b>Total Non-current Assets</b>	<b>19,403</b>	<b>32,871</b>	<b>31,161</b>	<b>29,129</b>	<b>27,001</b>
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	51,670	62,924	67,517	77,473	87,289
Other Current Liabilities	12,012	13,081	15,608	17,909	20,178
<b>Total Current Liabilities</b>	<b>63,682</b>	<b>76,005</b>	<b>83,125</b>	<b>95,383</b>	<b>107,467</b>
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>					
Total Provisions					
<b>Total Liabilities</b>	<b>63,682</b>	<b>76,005</b>	<b>83,125</b>	<b>95,383</b>	<b>107,467</b>
Shareholders Equity	94,920	103,490	114,365	127,367	142,426
Minority Interests		81	81	81	81
<b>Total Equity</b>	<b>94,920</b>	<b>103,571</b>	<b>114,446</b>	<b>127,448</b>	<b>142,507</b>

<b>Key Ratios</b>					
	<b>Sep-20A</b>	<b>Sep-21A</b>	<b>Sep-22F</b>	<b>Sep-23F</b>	<b>Sep-24F</b>
Revenue Growth	(24.1%)	38.9%	22.4%	14.7%	12.7%
Operating EBITDA Growth	(32.5%)	47.5%	37.2%	17.1%	13.5%
Operating EBITDA Margin	10.7%	11.3%	12.7%	12.9%	13.0%
Net Cash Per Share (Rs)	160.38	144.92	157.43	191.32	230.52
BVPS (Rs)	266.63	290.70	321.25	357.77	400.07
Gross Interest Cover	26.35	49.51	70.73	92.32	116.82
Effective Tax Rate	25.2%	26.0%	26.0%	26.0%	26.0%
Net Dividend Payout Ratio	31.3%	27.1%	24.7%	24.7%	24.9%
Accounts Receivables Days	130.06	93.62	93.06	96.97	97.90
Inventory Days	64.11	57.07	61.72	61.84	62.44
Accounts Payables Days	295.37	224.59	210.64	206.14	208.12
ROIC (%)	14.3%	23.9%	24.9%	26.5%	29.8%
ROCE (%)	8.4%	12.3%	16.0%	17.3%	17.8%
Return On Average Assets	5.2%	6.3%	7.8%	8.3%	8.5%

<b>Key Drivers</b>					
	<b>Sep-20A</b>	<b>Sep-21A</b>	<b>Sep-22F</b>	<b>Sep-23F</b>	<b>Sep-24F</b>
Revenues	99,465	129,631	155,203	177,856	199,925
yoy growth (%)	(24)	30	20	15	12
EBIT	7,399	12,312	16,761	19,897	22,821
EBIT margins (%)	7	9	11	11	11
Order inflow	107,518	142,340	164,860	187,678	211,099
yoy growth (%)	(19)	32	16	14	12
Order backlog	123,596	135,200	144,857	154,679	165,853
yoy growth (%)	4	9	7	7	7

SOURCES: EIP RESEARCH, COMPANY REPORTS

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**Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021**

**ADVANC** – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CGET** – n/a, n/a, **CENDEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** – Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, n/a, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** – Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

- Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 5, 2021) are categorised into: companies that have declared their intention to join CAC, and companies certified by CAC.

**Recommendation Framework**

**Stock Ratings**

Definition:

<b>Add</b>	The stock's total return is expected to exceed 10% over the next 12 months.
<b>Hold</b>	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
<b>Reduce</b>	The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

<b>Overweight</b>	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
<b>Neutral</b>	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
<b>Underweight</b>	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

<b>Overweight</b>	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
<b>Neutral</b>	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
<b>Underweight</b>	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.