

Q3SY24 Result Highlights

- **Revenue growth of ~7% YoY as all segments, except Energy, witness execution pick up** – SIEMENS Revenue in Q3SY24 grew 6.8% YoY (+9.5% QoQ) to ₹52.03bn supported by strong execution across Smart infra segment (₹19.7bn; +14.5% YoY), Mobility (₹6.2bn; +6.8% YoY) and Digital Industries segment (₹9.64bn; +7.7% YoY). The energy segment witnessed slowdown in execution during the quarter (₹14.9bn; -2.1% YoY & -9.2% QoQ) with EBIT margin at 12.8% (+236 bps YoY and -90 bps QoQ). Overall EBITDA margin grew by 166bps YoY (-198 bps QoQ) to 13.3% with the gross margin at 53.6%, +175 bps YoY as raw material cost % to sales declined from 48.1% to 46.4% YoY. EBIT margin in the Smart infra segment, Digital industries and Mobility segment stood at 14.1% (+398 bps YoY), 9.4% (+40 bps YoY) and 9.2% (-381bps YoY) respectively. Other income grew 18.4% YoY while 51.2% QoQ to ₹1.6bn. Employee cost to sales grew from 10.2% to 11.3% even as the management had stated that it will be decrease in the preceding quarter resulting in the uptick in margin. PAT grew 26.8% YoY (-28% QoQ) to ₹5.78bn. The order book stood at ₹471.4bn with order inflows at ₹62.45bn (+18% YoY) driven by a strong print in Smart Infrastructure, Mobility and Energy segments and sustained weakness in the Digital Industries segment. Excluding the locomotive order to be executed for next 35 yrs the order inflow was up 7 % YoY.
- The management has decided on capex of ₹10bn (largest ever) to expand its capacities to meet the incremental domestic and export opportunities that it expects to play out in the medium to long term. Key projects announced for the capex are investments of ₹3.3bn to set up a GIS factory in Goa where Siemens will expand capacities of Ring main units by 22,000 feeders (18,000 feeders currently) and MV GIS capacity addition of 1,500 panel (1,000 panel capacity currently). The facility is expected to be ready by FY27. This facility will also manufacture Blue GIS mainly for exports. ₹1.9bn to set up a metro train manufacturing facility at Aurangabad and Bogie factory in Aurangabad catering to domestic as well as the export markets of Australia, Middle-East and Asia (becoming an export hub for turnkey projects). ₹4.2bn investments to expand capacity of power transformers, vacuum interrupters for medium voltage switchgears to meet demand from power T&D segment.
- Siemens remains confident as the business opportunities exists across business verticals and expects ordering activity to pick up. Data centers, metros & railways are witnessing traction. The overall enquiry pipeline is strong, particularly in areas such as transmission, EV, electrification, data centers, pharma, chemicals, electronics, battery storage, etc. While the government has done most of the heavy lifting, private capex too is expected to contribute meaningfully going ahead.
- In our view the growth is likely to be lower YoY and is likely to improve once the delivery of the locomotive order begins.

Important Statistics

Nifty	24,139
Sensex	78,956
MCAP (₹ bn)	₹2,481.3
52 Week H/L (₹)	7,969/3,246
NSE Code	SIEMENS
BSE Code	500550
Bloomberg Code	SIEM:IN

Shareholding Pattern Jun'24 (%)

Promoters	75.0
DIIs	7.0
FIIIs	8.6
Public	9.4

FINANCIALS

Particulars	SY21	SY22	SY23
Revenue	131,985	161,378	195,538
EBITDA	14,880	17,573	24,872
EBITDA Margin (%)	11.3	10.9	12.7
Net Profit	10,877	15,429	19,609
EPS (₹)	30.6	43.3	55.1
RoE (%)	10.5	13.3	15.0
RoCE (%)	10.6	11.9	15.8
P/E (x)	228.0	160.8	126.5
EV/EBITDA (x)	163.9	138.1	97.0
P/BV (x)	24.0	21.4	18.9

Particulars	SY24E	SY25E	SY26E
Revenue	221,219	262,491	314,204
EBITDA	29,987	36,101	44,273
EBITDA Margin (%)	13.6	13.8	14.1
Net Profit	26,391	28,757	35,177
EPS (₹)	74.1	80.8	98.8
RoE (%)	18.6	19.1	20.1
RoCE (%)	18.3	18.8	19.4
P/E (x)	94.0	86.3	70.5
EV/EBITDA (x)	77.8	66.4	56.4
P/BV (x)	16.5	14.4	12.6

Source: Company, Way2Wealth

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
SIEMENS	93.9	217.1	515.1
Nifty 50	24.2	45.7	118.9
Sensex	20.7	42.1	111.6

Source: Company, Way2Wealth

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View

SIEMENS had a good Q3SY24 performance boosted by profitability in the new age technology segments which is likely to continue its growth trajectory in coming quarters especially in digitalisation adoption by various Indian industries. The capex investments announced should auger well for catering the incremental opportunities available both in India and abroad especially in T&D, HVDC and rail projects where the company is in an apt position to further increase their market pie. The base business remains strong with order backlog of ₹471bn enjoys a robust outlook as diverse customer segments enable it to play the capex cycle. The company is most likely to reap the benefits of both Government and private capex cycle which will deliver strong growth both at the topline and bottomline in coming years. Hence, we view it as a **ACCUMULATE** stock trading at **P/E 70.5x SY26E EPS of ₹98.8.**

14th August 2024

CMP – ₹6,969.0/-

 View – **ACCUMULATE**
FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q3SY24	Q3SY23	YoY (%)	Q2SY24	QoQ(%)	9MSY24	9MSY23	YoY (%)
Revenue	52,035	48,732	6.8	57,499	(9.5)	157,786	137,461	14.8
Cost of Matl	12,808	11,084	15.6	10,269	24.7	36,336	32,531	11.7
Stock Purchases	11,965	14,394	(16.9)	13,205	(9.4)	39,559	41,835	(5.4)
Inventory Changes	(654)	(2,035)	(67.9)	3,644	117.9	(1,914)	(6,354)	69.9
RM Cost	24,119	23,443	2.9	27,118	(11.1)	73,981	68,012	8.8
Employee Costs	5,898	4,949	19.2	4,899	20.4	16,432	14,989	9.6
Project bought outs & other direct costs	10,523	9,400	11.9	11,720	(10.2)	32,244	24,787	30.1
Other Exps	4,580	5,274	(13.2)	4,980	(8.0)	13,472	11,803	14.1
EBITDA	6,915	5,666	22.0	8,782	(21.3)	21,657	17,870	21.2
EBITDA Margin (%)	13.3	11.6	166	15.3	(198)	13.7	13.0	73
Other Income	1,568	1,324	18.4	3,210	(51.2)	6,420	3,507	83.1
Finance Cost	53	43	23.3	313	(83.1)	400	179	123.5
Depreciation	855	876	(2.4)	800	6.9	2,440	2,422	0.7
Profit/ (Loss) Associates	-	-	-	1	(100.0)	2	-	-
Tax Exp	1,794	1,513	18.6	2,851	(37.1)	6,370	4,873	30.7
Profit/ (Loss) from Discontinued Operations	-	-	-	-	-	-	-	-
Minority Exps	4	3	33.3	4	-	11	7	57.1
Net Profit	5,777	4,555	26.8	8,025	(28.0)	18,858	13,896	35.7
EPS (₹)	16.2	12.8	26.8	22.5	(28.0)	53.0	39.0	35.7
Adjus Net Profit	5,777	4,555	26.8	8,025	(28.0)	18,858	13,896	35.7
Adjus. EPS (₹)	16.2	12.8	26.8	22.5	(28.0)	53.0	39.0	35.7

Source: Company, Way2Wealth

As % to Sales	Q3SY24	Q3SY23	YoY(BPS)	Q2SY24	QoQ(BPS)	9MSY24	9MSY23	YoY(BPS)
Raw Matl Cost	46.4	48.1	(175)	47.2	(81)	46.9	49.5	(259)
Gross Margin	53.6	51.9	175	52.8	81	53.1	50.5	259
Employee Costs	11.3	10.2	118	8.5	281	10.4	10.9	(49)
Other Exps	29.0	30.1	(109)	29.0	(2)	29.0	26.6	235

Segmental Revenues	Q3SY24	Q3SY23	YoY (%)	Q2SY24	QoQ(%)	9MSY24	9MSY23	YoY (%)
Energy	14,865	15,181	(2.1)	16,375	(9.2)	42,694	42,336	0.8
Smart Infra	19,700	17,206	14.5	21,655	(9.0)	59,878	49,652	20.6
Mobility	6,168	5,776	6.8	7,573	(18.6)	20,338	14,478	40.5
Digital Inds	9,644	8,953	7.7	10,419	(7.4)	30,442	25,724	18.3
Others	2,370	2,320	2.2	2,171	9.2	6,760	7,149	(5.4)
Portfolio Companies	215	270	(20.4)	275	(21.8)	651	840	(22.5)
Inter Segment	927	974	(4.8)	969	(4.3)	2,977	2,718	9.5
TOTAL	52,035	48,732	6.8	57,499	(9.5)	157,786	137,461	14.8

Segmental EBIT	Q3SY24	Q3SY23	YoY (%)	Q2SY24	QoQ(%)	9MSY24	9MSY23	YoY (%)
Energy	1,903	1,585	20.1	2,243	(15.2)	5,397	4,682	15.3
Smart Infra	2,772	1,737	59.6	3,097	(10.5)	7,833	5,012	56.3
Mobility	161	371	(56.6)	698	(76.9)	1,350	929	45.3
Digital Inds	908	807	12.5	1,721	(47.2)	3,942	3,868	1.9
Portfolio Companies	278	274	1.5	214	29.9	634	917	(30.9)
Others	38	16	137.5	10	280.0	62	40	55.0

Source: Company, Way2Wealth

14th August 2024

CMP – ₹6,969.0/-

 View – **ACCUMULATE**

Segmental EBIT Margin (%)	Q3SY24	Q3SY23	YoY(BPS)	Q2SY24	QoQ(BPS)	9MSY24	9MSY23	YoY(BPS)
Energy	12.8	10.4	236	13.7	(90)	12.6	11.1	158
Smart Infra	14.1	10.1	398	14.3	(23)	13.1	10.1	299
Mobility	2.6	6.4	(381)	9.2	(661)	6.6	6.4	22
Digital Inds	9.4	9.0	40	16.5	(710)	12.9	15.0	(209)
Portfolio Companies	11.7	11.8	(8)	9.9	187	9.4	12.8	(345)
Others	17.7	5.9	1,175	3.6	1,404	9.5	4.8	476

Segmental Revenue Mix (%)	Q3SY24	Q3SY23	YoY(BPS)	Q2SY24	QoQ(BPS)	9MSY24	9MSY23	YoY(BPS)
Energy	28.6	31.2	1,020	28.5	9	27.1	30.8	(374)
Smart Infra	37.9	35.3	3,310	37.7	20	37.9	36.1	183
Mobility	11.9	11.9	1,130	13.2	(132)	12.9	10.5	236
Digital Inds	18.5	18.4	1,853	18.1	41	19.3	18.7	58
Portfolio Companies	4.6	4.8	(2,854)	3.8	78	4.3	5.2	(92)
Others	0.4	0.6	(3,585)	0.5	(7)	0.4	0.6	(20)

Source: Company, Way2Wealth

14th August 2024

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 View – **ACCUMULATE**
FINANCIALS & VALUATIONS

(₹ mn)

Particulars	SY19	SY20	SY21	SY22	SY23	SY24E	SY25E	SY26E
<i>Order Backlog</i>	118,795	123,596	135,198	171,830	455,227	481,008	413,671	408,465
<i>Order Inflow</i>	132,377	107,517	142,344	194,221	463,829	226,250	234,728	291,761
Revenue	137,672	99,465	131,985	161,378	195,538	221,219	262,491	314,204
EBITDA	14,903	10,036	14,880	17,573	24,872	29,987	36,101	44,273
<i>EBITDA Margin (%)</i>	10.8	10.1	11.3	10.9	12.7	13.6	13.8	14.1
Net Profit	10,994	7,686	10,877	15,429	19,609	26,391	28,757	35,177
EPS (₹)	30.9	21.6	30.6	43.3	55.1	74.1	80.8	98.8
DPS (₹)	7.0	7.0	8.0	10.0	10.0	11.0	13.0	15.0
RoE (%)	12.1	8.1	10.5	13.3	15.0	18.6	19.1	20.1
RoCE (%)	13.6	7.5	10.6	11.9	15.8	18.3	18.8	19.4
Cash Balances	50,019	57,096	51,591	65,391	65,391	79,431	85,326	101,164
FCF	11,726	7,017	13,048	8,225	11,980	10,083	15,493	18,772
Receivable Days	101	115	102	86	88	90	88	86
Inventory Days	66	101	105	99	95	98	96	96
Payable Days	196	251	214	186	91	92	91	90
Net Debt/ Equity (x)	(0.5)	(0.5)	(0.4)	(0.5)	(0.4)	(0.5)	(0.4)	(0.4)
P/E (x)	225.6	322.7	228.0	160.8	126.5	94.0	86.3	70.5
EV/EBITDA (x)	163.4	242.1	163.9	138.1	97.0	77.8	66.4	56.4
P/BV (x)	27.4	26.1	24.0	21.4	18.9	16.5	14.4	12.6
PEG	10.3	(10.7)	5.5	3.8	4.7	2.7	9.6	3.2

Source: Company, Way2Wealth

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Name of the Security	Siemens Ltd.
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	
Financial Interest	No
Analyst :	No
Analyst's Relative : Yes / No	No
Date of buying	
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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