

February 13, 2025

Q1SY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	5,902		7,716	
Sales (Rs. m)	2,50,591	2,90,959	2,66,001	3,16,841
% Chng.	(5.8)	(8.2)		
EBITDA (Rs. m)	34,431	40,851	38,145	46,227
% Chng.	(9.7)	(11.6)		
EPS (Rs.)	77.6	93.7	87.0	105.7
% Chng.	(10.8)	(11.4)		

Key Financials - Consolidated

Y/e Sep	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	1,95,538	2,22,397	2,50,591	2,90,959
EBITDA (Rs. m)	24,872	31,040	34,431	40,851
Margin (%)	12.7	14.0	13.7	14.0
PAT (Rs. m)	19,428	24,271	27,617	33,365
EPS (Rs.)	54.6	68.2	77.6	93.7
Gr. (%)	54.0	24.9	13.8	20.8
DPS (Rs.)	10.0	12.0	15.5	18.7
Yield (%)	0.2	0.2	0.3	0.4
RoE (%)	15.7	17.1	16.7	17.5
RoCE (%)	17.3	19.2	18.5	19.2
EV/Sales (x)	9.1	7.9	7.0	6.0
EV/EBITDA (x)	71.4	56.6	50.8	42.6
PE (x)	95.3	76.3	67.0	55.5
P/BV (x)	14.1	12.1	10.5	9.0

Key Data

SIEM.BO | SIEM IN

52-W High / Low	Rs.8,130 / Rs.4,118
Sensex / Nifty	76,171 / 23,045
Market Cap	Rs.1,852bn / \$ 21,309m
Shares Outstanding	356m
3M Avg. Daily Value	Rs.2924.03m

Shareholding Pattern (%)

Promoter's	75.00
Foreign	8.77
Domestic Institution	6.78
Public & Others	9.45
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(14.8)	(24.9)	23.3
Relative	(13.5)	(21.4)	15.0

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Mixed Q1; outperformance in energy business

Quick Pointers:

- Order inflow (ex. Energy Business) rose 20% YoY to Rs42.6bn.
- The company reclassified its Energy Business as discontinued operations while it renamed its Portfolio Companies segment to Low Voltage Motors.

We revise our SY25/26 eps estimates by -10.8%/-11.4% factoring in continued demand normalization in Digital Industries. Siemens (SIEM), including energy business, reported modest revenue growth of 4.0% YoY, while its PBT margin expanded by 230 basis points to 16.4% YoY. During the quarter, the company reclassified its Energy business as discontinued operations. Excluding the Energy business, the company's overall performance was underwhelming, driven by a slowdown in short-cycle private sector capital expenditures. Additionally, its Digital Industries segment continued to face headwinds from demand normalization. Capital expenditures announced in recent Union Budget is expected to support the growth in India's commercial real estate along with grid stability and energy efficiency benefitting Siemen' Smart Infra segment. Meanwhile, substantial investments in the country's rail infrastructure—such as metros and signaling—are expected to drive improvements in Siemens' Mobility segment.

Despite short term cautious stance on private/ industrial capex, we believe SIEM to sustain long-term growth given 1) continued traction in public capex in areas like T&D, Metro, railways, utilities etc 2) its strong and diversified presence across industries through focus on electrification, digitalization & automation, 3) product localization, 4) strong balance sheet, and 5) value-unlocking from demerger for Energy business. The stock is currently trading at a PE of 67.1x/55.5x on SY25/26E. We maintain 'Accumulate' rating with a revised TP of Rs5,092 (Rs7,716 earlier), valuing the stock at a PE of 63x Sep-26E (73x Sep-26E earlier) due to slowdown in private capex hampering the order intake visibility.

Robust Energy business performance drives consolidated growth: Revenue increased by 4.0% YoY to Rs50.2bn (Ple: Rs55.3bn). Adj. PBT increased by 21.7% YoY to Rs8.3bn (Ple: Rs8.0bn). PBT margin improved by 230bps YoY to 16.4% primarily driven by exceptional EBIT margins in Energy business (22.7% vs 11.4% in Q1SY24). Adj. PAT increased by 26.3% YoY to Rs6.1bn (Ple: Rs6.0bn).

Siemens' performance (ex. Energy business): Consolidated revenue declined 3.3% YoY due to continued weakness in Digital Industries (-23.9% YoY to Rs7.9bn) and lower Mobility revenue (-3.5% YoY to Rs6.4bn). Gross margin rose by 333bps YoY to 32.5%. EBITDA declined 11.5% YoY to Rs4.0bn with EBITDA margin declining by 104bps YoY to 11.2% due gross margin expansion was offset by higher employee costs (+7.7% YoY to Rs4.1bn) and higher other expenses (+42.3% YoY to Rs3.6bn). Smart Infra margin increased to 12.0% (vs 10.6% YoY); Mobility margin improved to 8.1% (vs 7.5% YoY) while Digital Industries margin dropped by 652bps YoY to 6.1%. Adj. PAT declined 5.2% YoY to Rs3.7bn driven by weaker operating performance and partially offset by higher other income (+26.5% YoY to Rs1.7bn). Order inflows for Q1SY25 rose 20% YoY to Rs42.6bn.

Exhibit 1: Higher employee costs (+7.7% YoY) and higher other expenses (+42.3% YoY) weigh down EBITDA margin (-104bps YoY)

Y/e March (Rs mn)	Q1SY25	Q1SY24	YoY gr.	Q4SY24	QoQ gr.
Revenue	35,872	37,095	-3.3%	44,570	-19.5%
Gross Profit	11,663	10,825	7.7%	13,301	-12.3%
Margin (%)	32.5	29.2	333	29.8	267
Employee Cost	4,053	3,764	7.7%	4,068	-0.4%
as % of sales	11.3	10.1	115	9.1	217
Other expenditure	3,601	2,531	42.3%	3,785	-4.9%
as % of sales	10.0	6.8	322	8.5	155
EBITDA	4,009	4,530	-11.5%	5,448	-26.4%
Margin (%)	11.2	12.2	(104)	12.2	(105)
Depreciation	689	605	13.9%	624	10.4%
EBIT	3,320	3,925	-15.4%	4,824	-31.2%
Margin (%)	9.3	10.6	(133)	10.8	(157)
Other Income	1,723	1,362	26.5%	1,667	3.4%
Interest	34	28	21.4%	178	-80.9%
PBT (ex. Extra-ordinaries)	5,009	5,259	-4.8%	6,313	-20.7%
Margin (%)	14.0	14.2	(21)	14.2	(20)
Extraordinary Items	-	256		688	-
PBT	5,009	5,515	-9.2%	7,001	-28.5%
Total Tax	1,288	1,399	-7.9%	1,776	-27.5%
Effective Tax Rate (%)	25.7	25.4	-	25.4	-
Reported PAT	3,718	4,113	-9.6%	5,220	-28.8%
Adj. PAT	3,718	3,922	-5.2%	4,707	-21.0%
Margin (%)	10.4	10.6	(21)	10.6	(20)
Adj. EPS	10.4	11.0	-5.2%	13.2	-21.0%

Source: Company, PL

Exhibit 2: Inc. Energy Business, PBT margins expand 230bps YoY to 16.4%.

Inc. Energy Business (Rs mn)	Q1SY25	Q1SY24	YoY gr.	Q4SY24	QoQ gr.
Revenue	50,180	48,252	4.0%	64,611	-22.3%
Other Income	1,738	1,385	25.5%	2,145	-19.0%
PBT (inc other income)	8,254	6,783	21.7%	10,465	-21.1%
PBT (ex other income)	6,516	5,398	20.7%	8,320	-21.7%
PBT margin (inc. OI)	16.4%	14.1%	230	12.9%	352
Tax	2,111	1,920	9.9%	2,324	-9.2%
PAT (inc other income)	6,143	4,863	26.3%	8,141	-24.5%
PAT (ex other income)	4,405	3,478	26.7%	3,349	31.5%

Source: Company, PL

Exhibit 3: Strong growth in Energy while Digital industries continue to suffer

Y/e Sep (Rs mn)	Q1SY25	Q1SY24	YoY gr.	Q4SY24	QoQ gr.
Revenue					
Energy	14,308	11,157	28.2%	20,041	-28.6%
Smart Infrastructure	19,549	18,523	5.5%	22,700	-13.9%
Mobility	6,364	6,597	-3.5%	8,824	-27.9%
Digital Industries	7,901	10,379	-23.9%	10,519	-24.9%
LV Motors (Portfolio Companies)	2,290	2,219	3.2%	2,606	-12.1%
Others	239	161	48.4%	383	-37.6%
Less: Intersegment revenue	(471)	(784)	-39.9%	(462)	1.9%
Total	50,180	48,252	4.0%	64,611	-22.3%

EBIT					
Energy*	3,245	1,268	155.9%	4,152	-21.8%
Smart Infrastructure	2,351	1,964	19.7%	3,045	-22.8%
Mobility	513	492	4.3%	723	-29.0%
Digital Industries	484	1,313	-63.1%	988	-51.0%
LV Motors (Portfolio Companies)	109	142	-23.2%	151	-27.8%
Others	11	14	-21.4%	27	-59.3%

EBIT Margin (%)					
Energy	22.7%	11.4%	1,131	20.7%	196
Smart Infrastructure	12.0%	10.6%	142	13.4%	(139)
Mobility	8.1%	7.5%	60	8.2%	(13)
Digital Industries	6.1%	12.7%	(652)	9.4%	(327)
LV Motors (Portfolio Companies)	4.8%	6.4%	(164)	5.8%	(103)
Others	4.6%	8.7%	(409)	7.0%	(245)

Source: Company, PL

*Due to absence of EBIT of Energy segment, EBT is used.

Financials

Income Statement (Rs m)

Y/e Sep	FY23	FY24	FY25E	FY26E
Net Revenues	1,95,538	2,22,397	2,50,591	2,90,959
YoY gr. (%)	21.2	13.7	12.7	16.1
Cost of Goods Sold	1,33,826	1,49,926	1,69,049	1,94,245
Gross Profit	61,712	72,471	81,542	96,715
Margin (%)	31.6	32.6	32.5	33.2
Employee Cost	20,130	22,840	24,307	28,223
Other Expenses	8,284	9,192	10,274	13,093
EBITDA	24,872	31,040	34,431	40,851
YoY gr. (%)	41.5	24.8	10.9	18.6
Margin (%)	12.7	14.0	13.7	14.0
Depreciation and Amortization	3,208	3,296	3,399	3,665
EBIT	21,664	27,744	31,032	37,186
Margin (%)	11.1	12.5	12.4	12.8
Net Interest	228	605	251	291
Other Income	4,719	6,358	6,139	7,710
Profit Before Tax	26,398	36,392	36,921	44,605
Margin (%)	13.5	16.4	14.7	15.3
Total Tax	6,778	9,211	9,304	11,241
Effective tax rate (%)	25.7	25.3	25.2	25.2
Profit after tax	19,620	27,181	27,617	33,365
Minority interest	10	15	-	-
Share Profit from Associate	(1)	-	-	-
Adjusted PAT	19,428	24,271	27,617	33,365
YoY gr. (%)	54.0	24.9	13.8	20.8
Margin (%)	9.9	10.9	11.0	11.5
Extra Ord. Income / (Exp)	181	2,895	-	-
Reported PAT	19,609	27,166	27,617	33,365
YoY gr. (%)	55.4	38.5	1.7	20.8
Margin (%)	10.0	12.2	11.0	11.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	19,609	27,166	27,617	33,365
Equity Shares O/s (m)	356	356	356	356
EPS (Rs)	54.6	68.2	77.6	93.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Sep	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	24,902	27,751	32,964	38,177
Tangibles	24,902	27,751	32,964	38,177
Intangibles	-	-	-	-
Acc: Dep / Amortization	12,250	13,719	17,118	20,783
Tangibles	12,250	13,719	17,118	20,783
Intangibles	-	-	-	-
Net fixed assets	12,652	14,032	15,846	17,394
Tangibles	12,652	14,032	15,846	17,394
Intangibles	-	-	-	-
Capital Work In Progress	18,229	18,127	19,127	20,127
Goodwill	-	-	-	-
Non-Current Investments	5,819	5,409	6,153	7,724
Net Deferred tax assets	(1,236)	(1,090)	(1,090)	(1,090)
Other Non-Current Assets	15,377	19,176	21,300	25,313
Current Assets				
Investments	-	-	-	-
Inventories	25,046	26,305	32,954	38,263
Trade receivables	38,002	44,484	58,357	69,352
Cash & Bank Balance	76,507	95,679	1,03,560	1,14,827
Other Current Assets	21,799	28,771	28,818	32,006
Total Assets	2,17,696	2,54,083	2,92,631	3,33,444
Equity				
Equity Share Capital	712	712	712	712
Other Equity	1,30,159	1,52,855	1,76,199	2,04,040
Total Networkth	1,30,871	1,53,567	1,76,911	2,04,752
Non-Current Liabilities				
Long Term borrowings	1,016	1,566	1,566	1,566
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	736	1,228	1,228	1,228
Trade payables	40,054	47,045	53,208	61,779
Other current liabilities	43,697	49,493	58,535	62,935
Total Equity & Liabilities	2,17,696	2,54,083	2,92,631	3,33,444

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Sep	FY23	FY24	FY25E	FY26E
PBT	26,397	36,392	36,921	44,605
Add. Depreciation	3,208	3,296	3,399	3,665
Add. Interest	228	605	251	291
Less Financial Other Income	4,719	6,358	6,139	7,710
Add. Other	(2,657)	(8,578)	-	-
Op. profit before WC changes	27,176	31,715	40,571	48,561
Net Changes-WC	(5,143)	(6,706)	(12,649)	(14,026)
Direct tax	(8,033)	(8,314)	(9,304)	(11,241)
Net cash from Op. activities	14,000	16,695	18,618	23,294
Capital expenditures	(664)	(1,022)	(6,213)	(6,213)
Interest / Dividend Income	4,169	6,083	-	-
Others	(11,093)	(10,113)	-	-
Net Cash from Invt. activities	(7,588)	(5,052)	(6,213)	(6,213)
Issue of share cap. / premium	-	-	-	-
Debt changes	-	-	-	-
Dividend paid	(3,561)	(3,568)	(4,273)	(5,523)
Interest paid	(45)	(148)	(251)	(291)
Others	(893)	(1,517)	-	-
Net cash from Fin. activities	(4,499)	(5,233)	(4,524)	(5,814)
Net change in cash	1,913	6,410	7,881	11,267
Free Cash Flow	11,980	13,272	12,405	17,081

Source: Company Data, PL Research

Key Financial Metrics

Y/e Sep	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	54.6	68.2	77.6	93.7
CEPS	63.6	77.4	87.1	104.0
BVPS	367.6	431.4	496.9	575.1
FCF	33.7	37.3	34.8	48.0
DPS	10.0	12.0	15.5	18.7
Return Ratio(%)				
RoCE	17.3	19.2	18.5	19.2
ROIC	33.0	42.5	36.0	35.3
RoE	15.7	17.1	16.7	17.5
Balance Sheet				
Net Debt : Equity (x)	(0.6)	(0.6)	(0.6)	(0.5)
Net Working Capital (Days)	43	39	56	58
Valuation(x)				
PER	95.3	76.3	67.0	55.5
P/B	14.1	12.1	10.5	9.0
P/CEPS	81.8	67.1	59.7	50.0
EV/EBITDA	71.4	56.6	50.8	42.6
EV/Sales	9.1	7.9	7.0	6.0
Dividend Yield (%)	0.2	0.2	0.3	0.4

Source: Company Data, PL Research

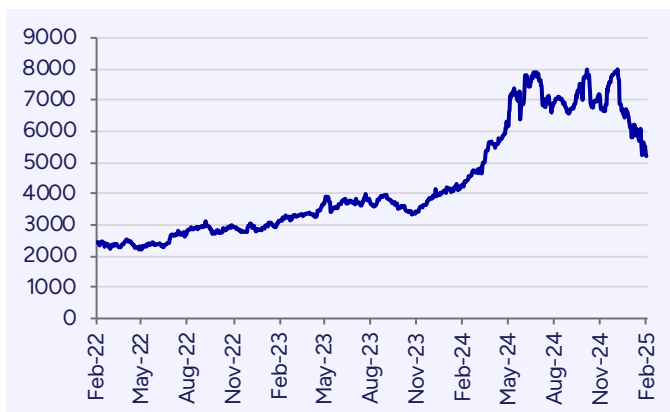
Quarterly Financials (Rs m)

Y/e Sep	Q2SY24	Q3SY24	Q4SY24	Q1SY25
Net Revenue	57,499	52,035	44,570	35,872
YoY gr. (%)	18.0	(10.4)	20.2	(37.6)
Raw Material Expenses	38,838	34,642	31,269	24,209
Gross Profit	18,661	17,393	13,301	11,663
Margin (%)	32.5	33.4	29.8	32.5
EBITDA	8,782	6,915	5,448	4,009
YoY gr. (%)	55.0	(1.2)	20.3	(54.3)
Margin (%)	15.3	13.3	12.2	11.2
Depreciation / Depletion	800	855	624	689
EBIT	7,982	6,060	4,824	3,320
Margin (%)	13.9	11.6	10.8	9.3
Net Interest	313	53	178	34
Other Income	1,287	1,540	1,667	1,723
Profit before Tax	10,879	7,575	7,001	5,009
Margin (%)	18.9	14.6	15.7	14.0
Total Tax	2,851	1,794	1,776	1,288
Effective tax rate (%)	26.2	23.7	25.4	25.7
Profit after Tax	8,028	5,781	5,225	3,721
Minority interest	4	4	5	3
Share Profit from Associates	1	-	-	-
Adjusted PAT	6,606	5,756	4,707	3,718
YoY gr. (%)	49.5	0.7	20.0	(43.7)
Margin (%)	11.5	11.1	10.6	10.4
Extra Ord. Income / (Exp)	1,419	21	513	-
Reported PAT	8,025	5,777	5,220	3,718
YoY gr. (%)	76.2	1.1	26.9	(53.7)
Margin (%)	14.0	11.1	11.7	10.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	8,025	5,777	5,220	3,718
Avg. Shares O/s (m)	356	356	356	356
EPS (Rs)	18.5	16.2	13.2	10.4

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	Accumulate	7,716	6,297
2	27-Nov-24	Accumulate	7,716	7,243
3	07-Oct-24	Accumulate	7,374	7,247
4	12-Aug-24	Accumulate	7,362	6,890
5	08-Jul-24	Accumulate	7,030	7,884
6	15-May-24	Accumulate	7,030	6,660
7	12-Apr-24	Accumulate	4,617	5,570

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	Accumulate	8,133	6,657
2	Apar Industries	Accumulate	8,219	7,179
3	BEML	Accumulate	3,561	3,132
4	Bharat Electronics	BUY	340	279
5	BHEL	Accumulate	226	200
6	Carborundum Universal	Accumulate	1,583	1,245
7	Cummins India	BUY	3,723	2,870
8	Elgi Equipments	Accumulate	608	539
9	Engineers India	BUY	242	170
10	GE Vernova T&D India	Accumulate	1,950	1,710
11	Grindwell Norton	BUY	2,511	1,850
12	Harsha Engineers International	Accumulate	561	493
13	Hindustan Aeronautics	Accumulate	4,692	4,110
14	Ingersoll-Rand (India)	BUY	4,467	3,800
15	Kalpataru Projects International	Accumulate	1,306	1,245
16	KEC International	Accumulate	930	813
17	Kirloskar Pneumatic Company	BUY	1,564	1,013
18	Larsen & Toubro	BUY	4,025	3,421
19	Praj Industries	BUY	751	632
20	Siemens	Accumulate	7,716	6,297
21	Thermax	Accumulate	3,857	3,385
22	Triveni Turbine	BUY	800	634
23	Voltamp Transformers	BUY	11,437	8,358

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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