

Siemens Limited.

COMPANY SNAPSHOT					
CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs1198	Rs1128	Rs1500	25%	BUY	Rs426.6

About the Company:

Siemens Limited is an integrated technology providing hub in the domain of electrification, automation and digitalization, where Siemens Aktiengesellschaft (SAG) holds 75% of the capital. SAG, the parent company has a spread across 190 countries with approximately 285 production and manufacturing facilities. Siemens Limited has 22 factories located across India along with a work force of nearly 16,000 employees, 8 centers of competence and 11 R&D Centers. Innovation has always been the key to success of Siemens which is driven by a dedicated team of researchers. The factories in India mainly aim at manufacturing steam turbines, motors, switchgears, generators, transformers, railway bogies, relay and smart grid systems etc. The strategic business unit in India can be divided into divisions namely: Power and Gas, Energy Management, Building Technologies, Mobility, Digital Factory, Process Industries and Drives. Siemens has its associations with the Indian Railways for more than six decades and has been a preferred technology and customized solution provider since then.

Results Declared:

- Net sales for the quarter stood at Rs31,418mn as against Rs30,906mn in the same quarter last year, growth of 1.7%. The revenues were down in the quarter which was impacted by transitional effects of GST and excise duty.
- For the full year ending September 2017, Net sales stood at Rs1,10,148mn as against Rs95,386mn last year, growth of 15%
- The Ebitda margins for the quarter ending September 2017 came in 10.10% as against 8.93% in the comparative quarter last year.
- For the full year ending September 2017, Ebitda margins stood at 9.5% as compared to 9.7% last year.
- The net profit before exceptional for the quarter ending September 2017 stood at Rs3,278mn as compared to Rs2,965mn in the corresponding quarter last year.
- The net profit before exceptional for the year ending September 2017 stood at Rs11,016mn as compared to Rs9,026mn in 2016. The profit before exceptional items and tax from continuing operations increased by 22%
- EPS before exceptional items from continuing operations stood at Rs19.80 in the year ending September 2017 as compared to Rs16.61 for year ending September 2016
- The Board of Directors of the company have recommended a dividend of Rs7 per equity share of face value of Rs2 (350%).
- As per management, the growth in new orders is up by 10.4% i.e. at Rs27,040mn in Q42017 as compared to Rs24,500mn in the corresponding period last year.
- The company has a robust order backlog near of Rs122.63bn. For financial year 2017, the company has reported 26.4% increase in new orders from continuing operations at Rs1,35,010mn as compared to Rs1,06,770mn in FY2016.

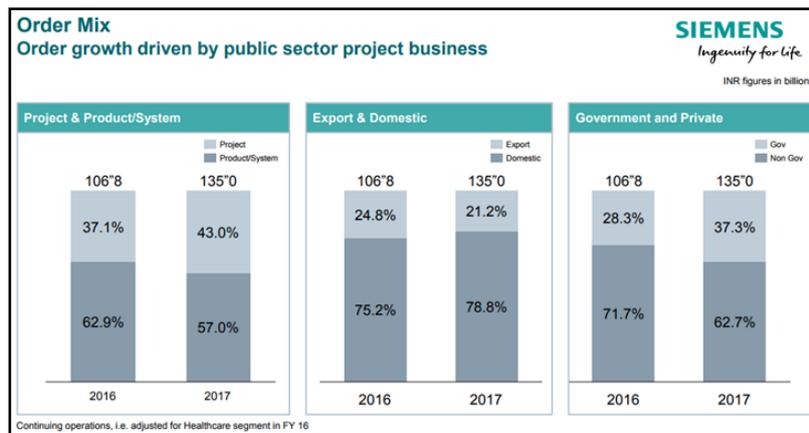
Financials (Standalone):

Result Update (Sept 2017)									
Sept 2017 Result (Rs mn)	Sep-17	Sep-16	y-o-y	June-16	q-o-q	CY16	CY17	y-o-y	CY18E
Total Income	31,418	30,906	1.7%	26,508	18.5%	95,386	1,10,148	15.5%	1,20,893
EBITDA	3,172	2,761	14.9%	2,265	40.0%	9,401	10,512	11.8%	11,182
Other Income	630	687	-8.3%	731	-13.8%	1,643	2,547	55.1%	2,547
Interest	22	21	4.8%	25	-12.0%	89	77	-13.8%	80
Depreciation	502	462	8.7%	480	4.6%	1928	1967	2.0%	1,967
Net Profit Before Exceptional item and Tax	3,278	2,965	10.6%	2,491	31.6%	9,026	11,016	22.0%	11,682
Exceptional Items	5,603	29,923	0	0	0	29,923	5,675	-81.0%	0
Tax	2,642	7,922	-66.6%	863	206.1%	10,085	5,355	-46.9%	3,505
Net Profit After Exceptional Items	6,239	24,966	-75.0%	1,628	283.2%	28,864	11,336	-60.7%	8,177

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Analyst Meet Takeaway:

- Since last 2-3 years, the company has been focussing on profitable growth; they continue to focus on the same. This also clearly indicates there would be no cut in the selling price from Siemens. Management has delivered growth as they had projected. There is 26% increase in new orders, 14% growth in revenues and 14% growth in profit from operations.
- Slowdown in global economy as well as pricing pressure in exports has resulted in sluggish growth. Exports were nearly 19% of revenue in FY17 for Siemens.
- Management is expecting the demand for cyber security to grow significantly. The company is doing its first project with CLP India.
- Some of the key projects for the company were:
 - (a) ONGC project- Rs3,660mn with zero hour overhauling and predictive maintenance,
 - (b) TSPL and BALCO power plant of the Vedanta project where Siemens is providing solutions to increase the efficiency of plants and performance monitoring.
- The company has set-up first digital factory in Kalwa (global benchmarked). Without any Capex, the company has successfully set-up the production line with a capability to scale up from 48 to 180 products. The management has declared its intention on increasing digital offering to its clients. There are many SME's in the region of Kalwa which will benefit the business in this region
- The company has launched a product called, SIRIUS which is developed for the India markets and later for exports.
- Management has indicated the intent to grow digital business by increasing their offerings.
- The company continues to concentrate on growing the base business and win one or two large orders per year.
- Management believes capex in the private sector is slow; however, the capex from the government is driving growth and shall continue to do so. Capex via GOI is seen in few segments of T&D, road and state driven distribution.
- Management also indicated capex from private capex is sporadic rather than systematic hence growth from this sector may be considered mute currently. Management is not hopeful for the change in situation for at least next four quarters.
- In the segment for T&D orders from PGCIL have slowed down. The management is anticipating capex from the state to pick-up in times to come, however, they may not completely compensate for decline in orders from PGCIL.
- In the segment of Power Generation smaller cement and fertiliser companies have started spending on turbines. In addition to this, improvement is also seen in the industrial processes side as well.
- On the process industries, segments like Pharma, F&B, packaging etc are driving base business.
- In the Wind segment, Siemens supplies electrical/ electrical parts to wind turbine players. Wind business has slowed down due to pricing pressure. Moreover, there is a shift from feed-in to tariff based structure.
- The company is hopeful of good developments for Kanchrapara factory order by railways. The bidding for the tender will open in Jan18.
- The company has ample of cash in their books and is continuously looking for any opportunities which will either be a product or technology addition or which may help them provide market access to certain geographies.



Outlook and Recommendations:

Siemens continues to focus on the areas of electrification, automation and digitalization. The company has delivered a strong performance. The growth path continues which is via all the divisions of the company. As per the management, the company continues to focus on winning projects from the GOI where the push on spending is high. The stock remains as a candidate to SIP into on a monthly basis. We had initiated a BUY on the stock with a target price of Rs1500 and we maintain the same.

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