

RESEARCH

SIEMENS INDIA | TARGET: Rs 4,600 | +16% | BUY

Positive outlook continues; Maintain BUY

AUTOMOBILES

Auto channel check: steady demand outlook

Daily macro indicators

| Indicator | 20-Dec | 21-Dec | Chg (%) |
|------------------------|--------|--------|-------------|
| US 10Y yield (%) | 3.85 | 3.89 | 4bps |
| India 10Y yield (%) | 7.17 | 7.19 | 2bps |
| USD/INR | 83.18 | 83.28 | (0.1) |
| Brent Crude (US\$/bbl) | 79.7 | 79.4 | (0.4) |
| Dow | 37,082 | 37,404 | 0.9 |
| Hang Seng | 16,614 | 16,621 | 0.0 |
| Sensex | 70,506 | 70,865 | 0.5 |
| India FII (US\$ mn) | 19-Dec | 20-Dec | Chg (\$ mn) |
| FII-D | 150.5 | 18.8 | (131.8) |
| FII-E | 223.6 | 241.4 | 17.8 |

Source: Bank of Baroda Economics Research

SUMMARY

SIEMENS INDIA

- SIEM ended FY23 on a strong note in terms of order inflows, backlog, revenues, profitability, and cash flows
- Apart from public capex, SIEM is receiving substantial enquiries from private sector with some starting to get converted into tenders
- Maintain BUY with a revised TP of Rs4,600(from Rs4,400) on rollover of valuations to Dec'25E

[Click here for the full report.](#)

AUTOMOBILES

- Passenger vehicle demand healthy across segments (UVs and compact cars) and is expected to continue
- Easy financing a key demand driver for CVs, while below-normal monsoons a concern for tractor
- Electric vehicle penetration faster in 2W category followed by passenger vehicles, CV and tractor will take much longer

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BUY
 TP: Rs 4,600 | ▲ 16%

SIEMENS INDIA

| Capital Goods

| 22 December 2023

Positive outlook continues; Maintain BUY

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Strong finish to FY23: SIEM ended its September ending FY23 with record order inflows of Rs464bn, up 139% YoY. This includes Rs263.1bn of 9000HP locomotives orders. Adjusted for this, base orders were still up 20% YoY. For FY23, revenues grew 21% at Rs196bn with double digit profitability margins with EBIDTA margins at 12.7% and PAT margins at 10.8%, and PAT at Rs19.6bn. The company's order backlog swelled 165% YoY to Rs 455.2bn (+14% when adjusted for a one-time rail order) giving it a book to bill of 2.6x (1.13x, ex of 9000HP locomotive orders).

All segments shine barring mobility: Margins expanded YoY across segments for FY23 as the company was able to extract better prices, except for mobility which saw a 280bps YoY decline to 5.4%, due to factory ramp up costs and R&D expenses for the new rail order. C&S Electric saw the end of integration costs and finished FY23 with a PBT margin of 10.9%,

Private capex expected to pick up: Capacity utilization in the private sector has reached 75%- the point at which companies draw up capex plans. SIEM is seeing substantial on-ground interest from private companies and some of these orders have started to get converted into tenders.

Confident of rail order profitability: The 9000HP locomotive orders is for supply of 1,200 coaches over 11 years with a 35-year maintenance contract. SIEM is confident of making good margins on this order.

Hive-offs to happen in next 2 years: SIEM continues to run its low-voltage (LV) motors business. We await more clarity on its sale. Another proposal that will be closely monitored is the demerger of the energy business by 2025.

Maintain BUY: SIEM's base business remains strong and enjoys a robust outlook as diverse customer segments enable it to play the capex cycle. We roll valuations to Dec'25E, leading to a higher TP of Rs 4,600 (from Rs 4,400). We keep our multiple at 52x, in line with the stock's five-year average.

Key changes

| Target | Rating |
|--------|--------|
| ▲ | ◀ ▶ |

| | |
|------------------|-------------------|
| Ticker/Price | SIEM IN/Rs 3,967 |
| Market cap | US\$ 17.2bn |
| Free float | 25% |
| 3M ADV | US\$ 15.6mn |
| 52wk high/low | Rs 4,245/Rs 2,774 |
| Promoter/FPI/DII | 75%/5%/10% |

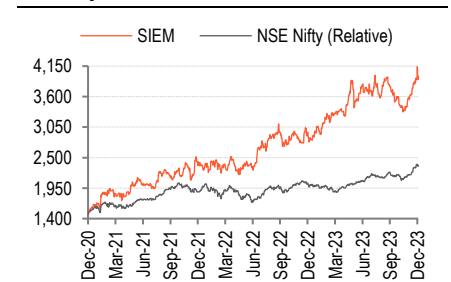
Source: NSE | Price as of 21 Dec 2023

Key financials

| Y/E 30 Sep | FY23P | FY24E | FY25E |
|-------------------------|----------|----------|----------|
| Total revenue (Rs mn) | 1,95,538 | 2,30,779 | 2,78,689 |
| EBITDA (Rs mn) | 24,872 | 31,167 | 38,343 |
| Adj. net profit (Rs mn) | 19,619 | 24,357 | 29,968 |
| Adj. EPS (Rs) | 55.1 | 68.4 | 84.2 |
| Consensus EPS (Rs) | 55.1 | 63.4 | 77.0 |
| Adj. ROAE (%) | 15.9 | 17.3 | 18.4 |
| Adj. P/E (x) | 72.0 | 58.0 | 47.1 |
| EV/EBITDA (x) | 59.4 | 47.8 | 39.2 |
| Adj. EPS growth (%) | 55.5 | 24.1 | 23.0 |

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

Stock performance



Source: NSE



 **AUTOMOBILES**

22 December 2023

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We recently interacted with auto dealers & stockiest in west Maharashtra. Key takeaways are:

Commercial Vehicle (CV) segment marginally positive: The festive season CV/LCV sales were marginally lower Y-o-Y despite clocking ~1.5x of the average monthly sales. This was marginally better than anticipated though. OEMs are now tapering discounts. Bolero pickup (1.7T 9ft) of MM and Tata Multi axle tipper remains the highest selling model. Electrical CVs will require much wider education of relevant target segments for a meaningful pickup in volume.

Passenger Vehicle sales were healthy: Dealers indicated festive season sales were healthy. Consumer preferences are mixed with inter-city movers (with bigger family size) preferring sports utility vehicles (SUVs) while office goers preferring smaller cars. Wait period for the most-highest selling models was ~4 weeks while waiting period for Breeza/Ertiga is about 24-28 weeks.

2-wheeler (2W) segment on expected lines: HMCL remains the market leader in the 75-110cc segment riding on HF Deluxe and Splendor. BJAUT's Chetak E2W has overtaken Ather Energy's E2W in October 2023 to occupy 3rd position as per Vahan E2W registration data. Dealer attributed the repositioning of Chetak to sounder branding and body composition compared to Ather's E2W.

Tractor Segment: Tractor demand is lower in Nasik region due to uneven and below normal rains. Demand during the festive season was a mixed bag with healthy demand during Dussehra but tapering towards Diwali. The Gen-Next farmer community prefers 40-50HP tractors while old timers stick to the lower end. The E-tractor pilot has been launched but demand remains tepid.

Mixed outlook from tyre stockiest: Demand is weak despite start of the busy season, primarily due to liquidity crunch. State elections were dampeners too. Demand was a tad better for PVs. MRF continues to be market leader. Apollo & JK Tyre are price takers. Demand for imported tyres is now much weaker.



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Note: Recommendation structure changed with effect from 21 June 2021

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