

# Siemens India Ltd

Relative to sector: **Neutral**

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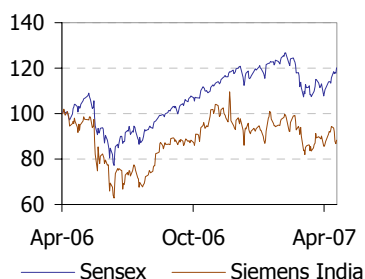
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## Relative Performance



Source: Bloomberg, ENAM Research

## Stock data

No. of shares	: 169mn
Market cap	: Rs 179bn
52 week high/low	: Rs 1,408/ Rs 741
Avg. daily vol. (6mth)	: 973,800 shares
Bloomberg code	: SIEM IN
Reuters code	: SIEM.BO

## Shareholding (%) Mar-07 QoQ chg

Promoters	: 55.2	0.0
FII's	: 8.7	(2.8)
MFs / UTI	: 9.1	1.4
Banks / FIs	: 9.1	2.3
Others	: 18.0	(0.9)

## ONE-TIME ITEMS OVERSHADOW PROFITS

Siemens India's (Siemens) Q2FY07 results were marginally below our expectations due to Rs 100mn worth of one-time cost for gestation of investments and non-receipt of Rs 100mn worth of special export incentives received in Q2FY06. Adjusted for these non-recurring items, Siemens reported revenues at Rs 21.3bn (up 90%) and EBIDTA of Rs 1.7bn (up 60%). Further, adj. PAT at Rs 1.2bn was flat YoY due to lower dividend (Rs 402mn in Q2FY06) from SISL.

## Key highlights

- **Power and industrial solutions segments** (69% of revenues) registered strong 145% YoY growth in revenues driven by execution of the large Qatar and Bangalore airport orders. However, PBIT margins in both declined 400bps YoY and 260bps respectively due to non-receipt of special export incentives received in Q2FY06 and the newly commissioned transformers and industrial turbine factories being in the ramp up phase.
- **Automation division** (20% of revenues) registered 37% topline growth on the back of buoyant demand for windmill generators and motors. While PBIT margins were down 258bps YoY, there was a sharp 390bps improvement QoQ reflecting the turnaround in the recently acquired Elpro (Isolator business).
- **Order intake** at Rs.19.5bn was up 22% YoY taking the order backlog to a robust Rs 109bn (up 43% YoY).
- The company has decided to hive off the SVDO automotive business to the parent. In another transaction, it has acquired 77% stake in iMetrex Technologies, a bldg solutions co with revenues of Rs 1.6bn and employee strength of 620.

## Business Outlook

Given the robust order backlog of Rs 109bn (2.4x FY06 standalone revenues) we expect the strong revenue traction to continue. Further, margins are likely to improve going forward with the increasing utilization of the newly commenced factories. We maintain our estimates and sector **Neutral** rating. At CMP (Rs 1,064) the stock trades at a P/E of 19.4x FY08E EPS of Rs.54.

## Financial summary – (Consolidated)

Y/E Sep	Sales (Rs mn)	PAT (Rs mn)	Consensus EPS* (Rs)	EPS (Rs)	Change YoY (%)	P/E (x)	RoE (%)	RoCE (%)	EV/EBIDTA (x)	DPS (Rs.)
2005	36,378	2,993	-	18.1	106.4	59.4	36.8	51.6	36.0	4.0
2006	60,322	3,893	-	23.1	27.9	46.4	36.2	50.3	27.0	4.2
2007E	86,220	6,658	35.6	39.5	71.0	26.9	44.1	59.8	16.8	4.8
2008E	108,158	9,233	50.2	54.8	38.7	19.4	41.9	57.7	12.0	6.0

Source: \*Consensus broker estimates, Company, ENAM estimates

## Results update

(Rs mn)	Quarter ended (Standalone)					12 months (Consolidated)		
	Mar-07	Mar-06	% Chg	Dec-06	% Chg	Sep-07E	Sep-06	% Chg
<b>Net Sales</b>	<b>21,352</b>	<b>11,234</b>	<b>90.1</b>	<b>16,331</b>	<b>30.7</b>	<b>86,220</b>	<b>60,322</b>	<b>42.9</b>
<b>EBIDTA</b>	<b>1,777</b>	<b>1,114</b>	<b>59.6</b>	<b>1,304</b>	<b>36.3</b>	<b>10,016</b>	<b>6,512</b>	<b>53.8</b>
Other income	162	497	(67.5)	278	(41.8)	841	586	43.6
<b>PBIDT</b>	<b>1,939</b>	<b>1,611</b>	<b>20.4</b>	<b>1,582</b>	<b>22.6</b>	<b>10,857</b>	<b>7,098</b>	<b>53.0</b>
Depreciation	109	81	34.8	103	5.8	1,251	1,199	4.3
Interest	-	-	-	-	-	96	95	1.2
<b>PBT</b>	<b>1,830</b>	<b>1,530</b>	<b>19.6</b>	<b>1,479</b>	<b>23.7</b>	<b>9,511</b>	<b>5,804</b>	<b>63.9</b>
Tax	650	453	43.5	426	52.6	2,853	1,955	45.9
<b>Net Profit</b>	<b>1,181</b>	<b>1,078</b>	<b>9.5</b>	<b>1,054</b>	<b>12.0</b>	<b>6,658</b>	<b>3,849</b>	<b>73.0</b>
Add: Share of profit in associates	-	-	-	-	-	-	40	-
Less: Minority Interest	-	-	-	-	-	-	(4)	-
<b>Adjusted PAT</b>	<b>1,181</b>	<b>1,078</b>	<b>9.5</b>	<b>1,054</b>	<b>12.0</b>	<b>6,658</b>	<b>3,893</b>	<b>71.0</b>
Extra ordinary income/ (exp.)	100	(100)	-	73	37.0	(173)	31	-
<b>Reported PAT</b>	<b>1,081</b>	<b>1,178</b>	<b>(8.3)</b>	<b>981</b>	<b>10.2</b>	<b>6,485</b>	<b>3,924</b>	<b>65.2</b>
No. of shares (mn)	169	169	-	169	-	169	169	-
EBIDTA margins (%)	8.3	9.9	-	8.0	-	11.6	10.8	-
PBIDT margins (%)	9.1	14.3	-	9.7	-	12.6	11.8	-
<b>EPS - annualized (Rs.)</b>	<b>27.9</b>	<b>25.6</b>	<b>9.3</b>	<b>24.9</b>	<b>12.0</b>	<b>39.5</b>	<b>23.1</b>	<b>71.0</b>

Source: Company, ENAM estimates

## Segmental performance

	Revenues (Rs mn)			PBIT margin (%)		
	Mar-07	Mar-06	% Chg	Mar-07	Mar-06	Chg bps
Information & Communicatio	469	367	27.6	9.3	12.5	(326)
Automation & Drives	4,385	3,211	36.5	8.3	10.8	(258)
Industrial Solutions & Ser	2,713	1,215	123.2	10.7	14.7	(400)
Power	11,867	4,743	150.2	5.9	8.5	(259)
Transport	795	630	26.2	3.4	11.2	(777)
Healthcare & Other Service	1,586	997	59.1	2.9	(0.6)	359
Building Technology Servic	252	167	50.9	8.2	7.7	47
Automotive	282	304	(7.4)	0.3	6.6	(630)
Real Estate	125	102	21.9	68.1	63.1	506
<b>Total</b>	<b>22,473</b>	<b>11,739</b>	<b>91.4</b>	<b>7.4</b>	<b>10.1</b>	<b>(274)</b>
<i>Less: intersegment</i>	<i>1,182</i>	<i>589</i>	<i>100.7</i>	-	-	-
<i>Add: Operating income</i>	<i>60</i>	<i>85</i>	<i>(28.9)</i>	-	-	-
<b>Net Sales</b>	<b>21,351</b>	<b>11,234</b>	<b>90.1</b>	-	-	-

Source: Company

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