



Prabhudas
Lilladher

Fulfilling investors' needs since 1944

Mukul Jain
91-22-6632 2235

Research Analyst
MukulJain@PLIndia.com

Q2 FY07
Result Update

Siemens

Market Performer

Rs 1,118

April 26, 2007

Margin pressure continues

Company Details		Result Snapshot	
Market Cap:	Rs 188,742m	<p>Siemens reported an 88.4% yoy growth in topline to Rs 21.3bn. Margins continued to be under pressure due to high bought out components for the company. Operating margins were down 280bps to 7.9%. Net Profit for the quarter declined by 8.3% yoy to Rs 1.08bn.</p> <p>New order intake during the quarter increased by 22.4% yoy to Rs 19.5bn as compared to Rs 15.9bn during the same period last year. Total order book for the company stands at Rs 108.8bn, an increase of 43% from last year.</p> <p>At the CMP of Rs 1,118, the stock trades at 32.9x FY07E and 22.9x FY08E earnings consolidated earnings of Rs 34.0 and Rs 48.8 respectively. On an EV/EBIDTA basis, the stock trades at 20.2x and 13.4x FY07 and FY08 estimates. Maintain Market Performer.</p>	
52 Week High/Low:	Rs 1,408 / 741		
Bloomberg Code:	SIEM@IN		
Reuters Code:	SIEM.BO / NS		
Shares O/s:	169m		
Average Volume (3 months):	0.6m		
Price Performance			
(%)	1m	3m	12m
Absolute	2.9	(2.0)	(3.5)
Relative to Sensex	(5.4)	(1.6)	(22.6)

Q2 FY07 Result Overview (Standalone)

(Rs m)

Y/e Sept	Q2FY07	Q2FY06	yoy gr. (%)	Q1FY06	H1FY07	H1FY06	yoy gr. (%)
Net Sales	21,352	11,334	88.4	16,269	37,621	19,935	88.7
Expenditure							
Raw Material	17,152	8,348	105.5	13,265	30,416	14,516	109.5
<i>% of Net Sales</i>	<i>80.3</i>	<i>73.7</i>		<i>81.5</i>	<i>80.8</i>	<i>72.8</i>	
Personnel Cost	987	700	40.9	850	1,837	1,238	48.4
<i>% of Net Sales</i>	<i>4.6</i>	<i>6.2</i>		<i>5.2</i>	<i>4.9</i>	<i>6.2</i>	
Others	1,536	1,073	43.2	984	2,521	2,177	15.8
<i>% of Net Sales</i>	<i>7.2</i>	<i>9.5</i>		<i>6.1</i>	<i>6.7</i>	<i>10.9</i>	
Total Expenditure	19,675	10,121	94.4	15,100	34,774	17,931	93.9
EBITDA	1,677	1,214	38.2	1,170	2,847	2,004	42.0
<i>Margin (%)</i>	<i>7.9</i>	<i>10.7</i>		<i>7.2</i>	<i>7.6</i>	<i>10.1</i>	
Other income	162	497	(67.5)	340	501	561	(10.7)
Depreciation	109	81	34.8	103	212	230	(8.1)
PBT	1,730	1,630	6.1	1,406	3,137	2,335	34.3
Total Taxes	650	452	43.7	426	1,075	667	61.3
<i>ETR (%)</i>	<i>37.5</i>	<i>27.7</i>		<i>30.3</i>	<i>34.3</i>	<i>28.6</i>	
PAT	1,081	1,178	(8.3)	981	2,061	1,668	23.5

(Stock price as on April 25, 2007)



Result Highlights

For H1FY07, Siemens reported an 88.7% topline growth to Rs 37.6bn. However EBIDTA grew only by 42% due to lower margins. The raw material cost more than doubled due to additional cost incurred on bought out components. Net Profit for the quarter witnessed a decline of 8.3% to Rs 1.08bn.

New order intake during the quarter increased by 22.4% yoy to Rs 19.5bn as compared to Rs 15.9bn during the same period last year. For H1FY07, order intake increased by 23% to Rs 70.7bn as compared to Rs 57.5bn in H1FY06. The major contributors were the power, industrial solutions and services and automation and drives businesses.

Margins were under pressure across all divisions of the company, with the industrial solutions and services business witnessing the largest decline of 400bps. The power segment witnessed the highest growth of 150.2% yoy to Rs 11.8bn during the quarter, though margins were much lower at 5.9%, a dip of 260bps from the same period last year.

Segmental Breakup

(Rs m)

Y/e Sept	Q2FY07	Q2FY06	yoy gr. (%)	Q1FY06	H1FY07	H1FY06	yoy gr. (%)	FY06
Revenues								
Building Technology	252	167	50.9	248	500	327	52.9	756
Info and Communication	469	367	27.6	352	820	721	13.8	1,418
Auto and Drives	4,385	3,211	36.5	3,164	7,548	5,474	37.9	12,210
Industrial solution and service	2,713	1,215	123.2	1,638	4,351	2,172	100.4	5,321
Power	11,867	4,743	150.2	9,888	21,754	8,239	164.1	19,782
Transport	796	630	26.3	584	1,380	1,256	9.8	2,483
Health care	1,586	997	59.1	766	2,353	1,758	33.8	4,138
Real Estate	125	102	21.9	113	237	193	23.1	421
Automotive	282	304	(7.4)	289	571	620	(7.9)	1,241
Inter-segment	(1,182)	(589)	-	(772)	(1,954)	(1,099)	-	(2,666)
Total	21,292	11,150	91.0	16,269	37,561	19,661	91.0	45,104
EBIT Margins (%)								
Building Technology	8.2	7.7		4.8	6.5	6.8		5.4
Info and Communication	9.3	12.5		7.1	8.4	11.4		10.3
Auto and Drives	8.3	10.8		4.4	6.7	9.0		8.6
Industrial solution and service	10.7	14.7		11.3	10.9	12.3		11.0
Power	5.9	8.5		7.2	6.5	8.0		6.2
Transport	3.4	11.2		9.5	6.0	11.4		8.3
Health care	2.9	(0.6)		(8.7)	(0.8)	0.2		2.4
Real Estate	68.1	63.1		64.1	66.2	59.9		58.8
Automotive	0.3	6.6		(0.4)	(0.1)	(0.6)		1.4



Automotive division to be hived off

Siemens would hive off its automotive division to a subsidiary of the parent, Siemens AG, Germany. Siemens AG plans to float an IPO of its automotive supply division in which Siemens AG would hold a majority stake.

Capacity Expansion on track

The company is setting up capacities for manufacture of transformers and traction motors at Kalwa and an industrial turbine manufacturing facility at Baroda. These new facilities are expected to generate revenues in the subsequent quarters. This would subsequently help the company to improve its operating margins.

Key Figures (Consolidated)

Y/e Sept	FY05	FY06	FY07E	FY08E
Revenues (Rs m)	36,340	60,080	89,579	126,207
EBITDA (Rs m)	4,278	5,910	8,600	12,747
<i>Margins (%)</i>	<i>11.8</i>	<i>9.8</i>	<i>9.6</i>	<i>10.1</i>
PAT (Rs m)	3,092	3,859	5,733	8,226
EPS (Rs)	18.7	22.9	34.0	48.8
PER (x)	59.9	48.8	32.9	22.9
EV / E (x)	41.7	29.6	20.2	13.4
EV / Sales (x)	4.9	2.9	1.9	1.4
<i>RoCE (%)</i>	<i>31.6</i>	<i>32.6</i>	<i>37.5</i>	<i>39.3</i>
<i>RoE (%)</i>	<i>33.7</i>	<i>31.2</i>	<i>36.2</i>	<i>38.3</i>

This document has been prepared by the Research Division of Prabhudas Lilladher Pvt. Ltd. Mumbai, India (PL) and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security. The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accept any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein. Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor. Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication. We may from time to time solicit or perform investment banking or other services for any company mentioned in this document.