

<b>Current Reco</b>	: HOLD
<b>Previous Reco</b>	: SELL
<b>CMP</b>	: INR731
<b>Target Price</b>	: INR700
<b>Potential Return</b>	: 4%

1QFY12 RESULTS REVIEW

# Siemens Limited

## Consecutive quarters of disappointing results

### Results highlights

#### Muted revenue growth

Siemens reported revenues of INR23.9bn, posting a de-growth of 7% on YoY basis against our estimates of INR26.6bn. We have revised our estimates for FY12e revenues from INR151bn to INR129bn, which is still a growth of 6%. To achieve our revenue estimates for FY12e, it would mean a quarterly run-rate of INR35bn order booking for next three quarters, which we believe is difficult to achieve in current macroeconomic environment.

#### EBITDA margins drop to 5%

EBITDA margins for the quarter stood at 5.1% against our estimates of 8%, the lowest in the last 12 quarters. Lower EBITDA led to a 70% decline in net profits to INR707m. Margins for the last two quarters has been tad disappointing at 8% and 5.1% compared to 13.8% in FY10 and 11.1% in FY11. We are estimating margins of 10.5% and 10.6% for FY12e and FY13e respectively.

#### Order book and Book to Bill Ratio

As on December 2011, order book stands at INR143.6bn, implying a coverage ratio of 1.2x. The order inflow for the quarter stood at INR28.3bn, a decline of ~30% YoY. The ratio has been on a declining trend since last year and has fell from 1.5x over the last three quarters.

#### Valuation and outlook

We have downward revised our EPS estimates and our current EPS for FY12e and FY13e stands at INR25.5 and INR30.2. We are assigning a PE of 25x (in line with its historical average) and our target price now stands at INR700/share (earlier target price of INR818) which presents a 4% downside from the current price levels. Hence, we are upgrading our recommendation to HOLD from SELL.

#### Quarterly financials

INRm	1QFY12	1QFY11	Chg (%)	4QFY11	Chg (%)
Revenue	23,969	25,804	(7)	36,085	(34)
Expense	22,737	22,116	3	33,190	(31)
EBITDA	1,231	3,688	(67)	2,895	(57)
Other income	-	-	-	-	-
Interest expense	(249)	(258)	(3)	(223)	12
Depreciation	431	345	25	410	5
PBT	1,049	3,601	(71)	2,708	(61)
Tax	342	1,220	(72)	927	(63)
Reported PAT	707	2,381	(70)	1,781	(60)

Source: Company, Antique

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#### Market data

Sector	:	Industrials
Market Cap (INRbn)	:	249
Market Cap (USDbn)	:	5
O/S Shares	:	340
Free Float (m)	:	70
52-wk HI/LO (INR)	:	951/627
Avg Daily Vol ('000)	:	451
Bloomberg	:	SIEM IN

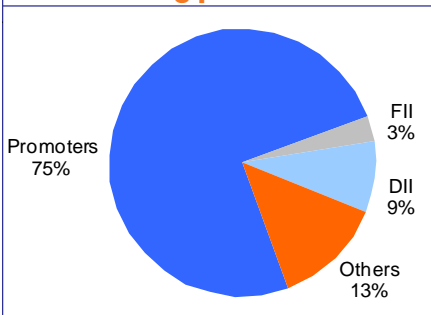
Source: Bloomberg

#### Returns (%)

	1m	3m	6m	12m
Absolute	14	(13)	(20)	(14)
Relative	2	(12)	(16)	(10)

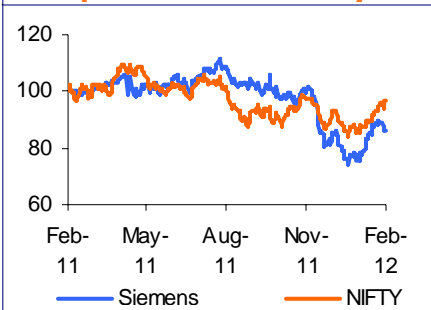
Source: Bloomberg

#### Shareholding pattern



Source: BSE

#### Price performance vs Nifty

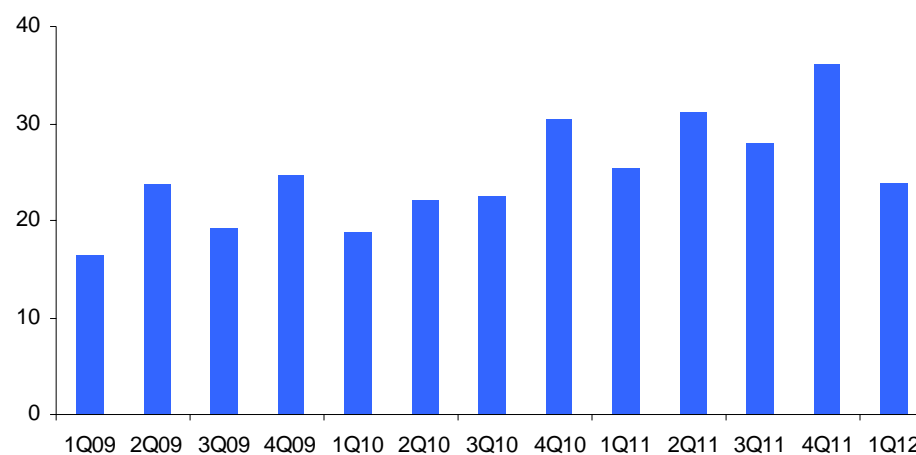


Source: Bloomberg

### Muted revenue growth

Siemens reported revenues of INR23.9bn, posting a de-growth of 7% on YoY basis against our estimates of INR26.6bn. The chart below highlights the trend in quarterly revenues.

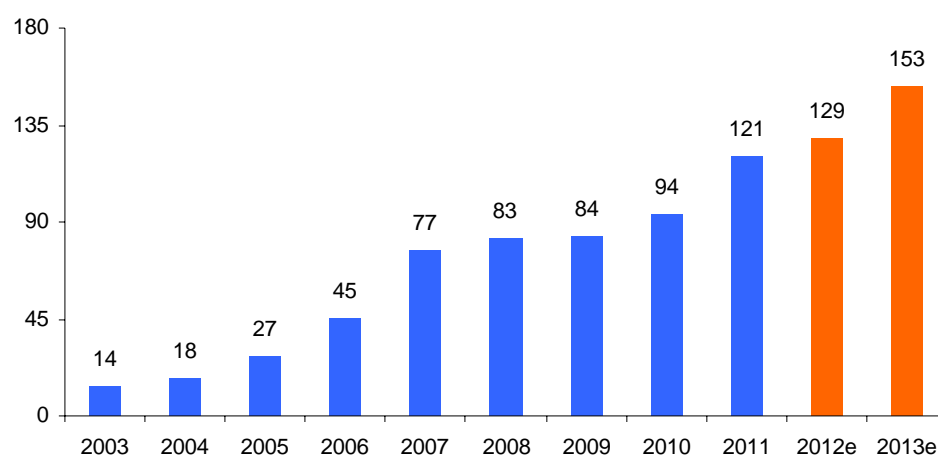
#### Siemens Ltd: Quarterly Revenue Trend (INRbn)



Source: Company, Antique

We are cutting our estimates for FY12 revenues from INR151bn to INR129bn, a growth of 6% YoY.

#### Siemens Ltd: Annual revenue trend (INRbn)



Source: Company, Antique

### Reclassification of Business Segment

During the quarter, the company has reclassified its business segments from Industry, Energy, Healthcare and Real estate to Industry, Energy, Healthcare and Infrastructure & Cities with certain sub-segments being transferred from Energy and Industry to Infrastructure & Cities. The table overleaf shows the effect of above mentioned change on segmental revenues.

**Latest classification of segmental revenues**

Revenue (INR m)	1QFY12	FY11	4QFY11	1QFY11
Industry	7,352	35,398	9,701	7,776
Energy	9,706	53,428	15,751	10,763
Healthcare	2,020	10,479	3,560	1,844
Infrastructure & Cities	6,325	28,319	8,775	7,012
<b>Total</b>	<b>25,403</b>	<b>127,624</b>	<b>37,787</b>	<b>27,396</b>

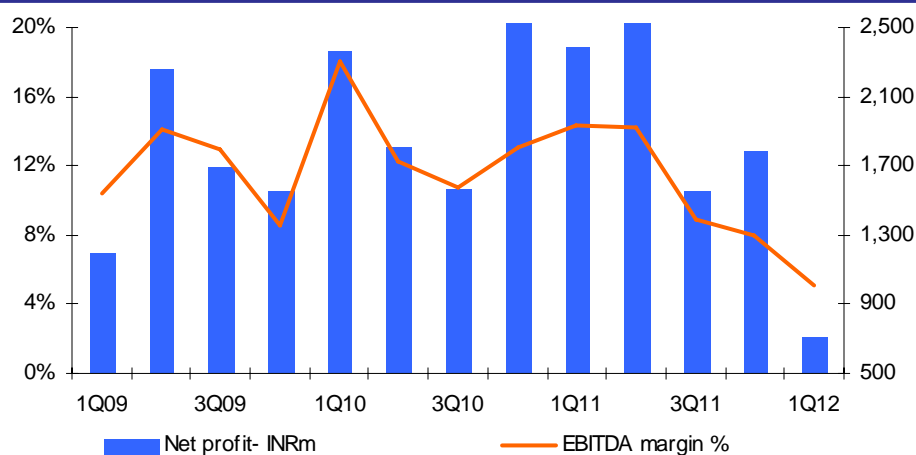
Source: Company, Antique

**Old classification of segmental revenues**

	FY11	1QFY11
Industry	53,212	12,171
Energy	65,124	13,503
Healthcare	10,479	1,438
Real Estate	605	125
<b>Total</b>	<b>129,420</b>	<b>27,236</b>

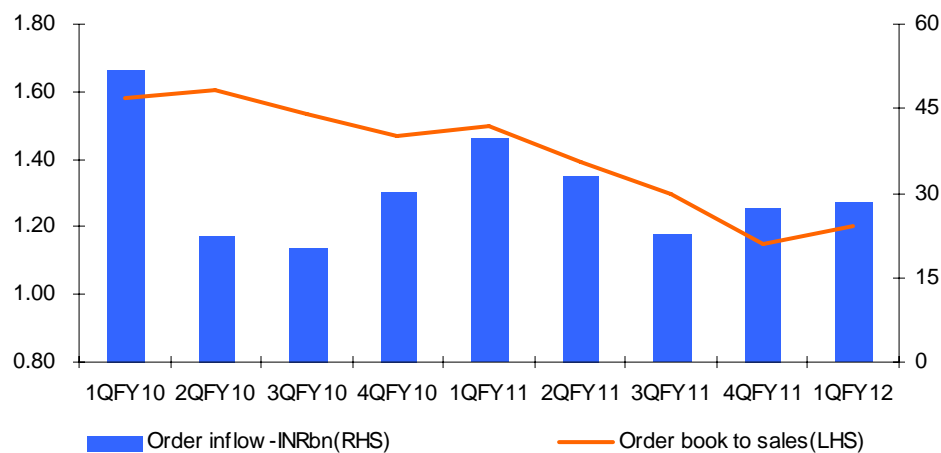
Source: Company, Antique

**Quarterly trend in net profit and EBITDA margins**



Source: Company, Antique

**Quarterly trend in order inflow and coverage ratios**



Source: Company, Antique

## Valuation and outlook

We have downward revised our EPS estimates and our current EPS for FY12e and FY13e stands at INR25.5 and INR30.2. We are assigning a PE of 25x (in line with its historical average) and our target price now stands at INR700/share (earlier target price of INR818) which presents a 4% downside from the current price levels. Hence, we are upgrading our recommendation to HOLD from SELL.

### Valuations

	<b>INR</b>
FY12e EPS	25.5
FY13e EPS	30.2
Weighted avg EPS	28.0
PE (x)	25
<b>Target price</b>	<b>700</b>

Source: Antiqua

## Financials

### Profit and loss account (INRm)

Year ended 30th Sep	2009	2010	2011e	2012e	2013e
Net revenues	84,585	94,001	121,064	129,131	152,757
Total Expense	74,353	81,069	107,568	115,615	136,502
<b>EBITDA</b>	<b>10,232</b>	<b>12,932</b>	<b>13,496</b>	<b>13,516</b>	<b>16,256</b>
Depreciation & amortisation	778	1,015	1,522	1,674	1,842
EBIT	9,454	11,917	11,974	11,842	14,414
Other income	4,401	-	21	23	25
Financial expense	(523)	(776)	(883)	(1,105)	(928)
<b>PBT</b>	<b>14,377</b>	<b>12,693</b>	<b>12,877</b>	<b>12,970</b>	<b>15,367</b>
Current tax	3,870	4,315	4,295	4,369	5,177
<b>PAT</b>	<b>10,507</b>	<b>8,378</b>	<b>8,582</b>	<b>8,600</b>	<b>10,190</b>
<b>Basic EPS (INR)</b>	<b>31.2</b>	<b>24.8</b>	<b>25.5</b>	<b>25.5</b>	<b>30.2</b>

### Balance sheet (INRm)

Year ended 30th Sep	2009	2010	2011e	2012e	2013e
Equity share capital	674	674	674	674	674
Reserves & surplus	28,492	34,103	40,549	47,105	54,874
<b>Shareholder's funds</b>	<b>29,166</b>	<b>34,778</b>	<b>41,223</b>	<b>47,780</b>	<b>55,548</b>
Debt	6	2	2	2	2
Deferred tax liability / (asset)	(1,119)	(1,313)	(1,313)	(1,313)	(1,313)
<b>Capital employed</b>	<b>28,053</b>	<b>33,467</b>	<b>39,912</b>	<b>46,469</b>	<b>54,237</b>
Gross fixed assets	11,348	13,549	17,158	21,158	25,158
Less: Accumulated depreciation	5,053	6,209	7,731	9,405	11,247
<b>Net fixed assets</b>	<b>6,295</b>	<b>7,340</b>	<b>9,427</b>	<b>11,753</b>	<b>13,911</b>
Capital work in progress	1,057	2,465	1,865	1,465	1,065
Investments	4,770	3,885	3,885	3,885	3,885
Inventory	9,722	15,335	20,346	21,842	25,787
Debtors	34,583	33,023	42,335	45,156	53,418
Cash & cash equivalent	14,449	18,534	18,062	15,128	18,584
Loans & advances and others	10,458	12,449	15,971	17,035	20,152
<b>Current assets, loans &amp; advances</b>	<b>69,212</b>	<b>79,342</b>	<b>96,714</b>	<b>99,162</b>	<b>117,942</b>
Creditors	39,656	43,892	71,979	69,795	82,565
Other liabilities & provisions	13,625	15,672	-	-	-
<b>Current liabilities &amp; provisions</b>	<b>53,281</b>	<b>59,565</b>	<b>71,979</b>	<b>69,795</b>	<b>82,565</b>
<b>Net current assets</b>	<b>15,931</b>	<b>19,777</b>	<b>24,736</b>	<b>29,366</b>	<b>35,376</b>
<b>Application of funds</b>	<b>28,053</b>	<b>33,467</b>	<b>39,912</b>	<b>46,469</b>	<b>54,237</b>

### Per share data

Year ended 30th Sep	2009	2010	2011e	2012e	2013e
No. of shares (m)	337.2	337.2	337.2	337.2	337.2
BVPS (INR)	86.5	103.1	122.3	141.7	164.8
CEPS (INR)	33.5	27.9	30.0	30.5	35.7
DPS (INR)	2.4	3.0	5.8	5.8	6.0

### Margins (%)

Year ended 30th Sep	2009	2010	2011e	2012e	2013e
Gross margin	24.4	27.2	25.4	26.3	25.8
EBITDA	12.1	13.8	11.1	10.5	10.6
EBIT	11.2	12.7	9.9	9.2	9.4
PAT	12.4	8.9	7.1	6.7	6.7

Source: Company, Antique

### Key Assumptions

Year ended 30th Sep	2009	2010	2011e	2012e	2013e
Order intake (INRm)	87,960	124,300	130,515	137,041	157,597
Order backlog (INRm)	102,411	132,711	144,873	155,052	162,578
Raw material (% of sales)	76.3	73.5	74.3	74.8	75.3
Staff cost (% of sales)	6.6	6.8	6.8	6.8	6.8
Other expense (% of sales)	5.8	6.7	8.2	8.2	8.2

### Cash flow statement (INRm)

Year ended 30th Sep	2009	2010	2011e	2012e	2013e
<b>PBT</b>	<b>14,377</b>	<b>12,693</b>	<b>12,877</b>	<b>12,970</b>	<b>15,367</b>
Depreciation & amortisation	778	1,015	1,522	1,674	1,842
Interest expense	(523)	(776)	(883)	(1,105)	(928)
Interest / Dividend Recd	(4,401)	-	(21)	(23)	(25)
Other Adjustments	(1,432)	(1,949)	(164)	(78)	(412)
(Inc)/Dec in working capital	(2,500)	239	(5,430)	(7,565)	(2,555)
Tax paid	(3,870)	(4,315)	(4,295)	(4,369)	(5,177)
<b>CF from operating activities</b>	<b>2,429</b>	<b>6,907</b>	<b>3,606</b>	<b>1,504</b>	<b>8,111</b>
Capital expenditure	(1,688)	(3,468)	(3,009)	(3,600)	(3,600)
Net Investments	467	885	-	-	-
Income from investments	4,401	-	21	23	25
Other items	-	-	-	-	-
<b>CF from investing activities</b>	<b>3,179</b>	<b>(2,583)</b>	<b>(2,989)</b>	<b>(3,577)</b>	<b>(3,575)</b>
Inc/(Dec) in equity share capital	-	-	-	-	-
Inc/(Dec) in preference share capital	-	-	-	-	-
Inc/(Dec) in debt	(5)	(3)	-	-	-
Other items	-	-	-	-	-
Dividends & Interest paid	(286)	(235)	(1,090)	(860)	(1,081)
<b>CF from financing activities</b>	<b>(291)</b>	<b>(238)</b>	<b>(1,090)</b>	<b>(860)</b>	<b>(1,081)</b>
<b>Net cash flow</b>	<b>5,318</b>	<b>4,085</b>	<b>(472)</b>	<b>(2,934)</b>	<b>3,456</b>
Opening balance	9,131	14,449	18,534	18,062	15,128
<b>Closing balance</b>	<b>14,449</b>	<b>18,534</b>	<b>18,062</b>	<b>15,128</b>	<b>18,584</b>

### Growth indicators (%)

Year ended 30th Sep	2009	2010	2011e	2012e	2013e
Revenue	1.2	11.1	28.8	6.7	18.3
EBITDA	31.3	26.4	4.4	0.2	20.3
PAT	8.3	9.2	6.1	4.4	18.5
EPS	8.3	9.2	6.1	4.4	18.5

### Valuation (x)

Year ended 30th Sep	2009	2010	2011e	2012e	2013e
PE	23.1	29.0	28.3	28.3	23.9
P/BV	8.3	7.0	5.9	5.1	4.4
EV/EBITDA	22.0	17.4	16.7	16.7	13.8
EV/Sales	2.7	2.4	1.9	1.7	1.5
Dividend Yield (%)	0.3	0.4	0.8	0.8	0.8

### Financial ratios

Year ended 30th Sep	2009	2010	2011e	2012e	2013e
RoE (%)	36.0	24.1	20.8	18.0	18.3
RoCE (%)	33.7	35.6	30.0	25.5	26.6
Net Debt/Equity (x)	(0.5)	(0.5)	(0.4)	(0.3)	(0.3)
EBIT/Interest (x)	(18.1)	(15.4)	(13.6)	(10.7)	(15.5)

Source: Company Antique

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