

CMP:Rs 499
Accumulate

BSE Code	500550
NSE Code	SIEMENS

Key Data

Sensex	14104
52 week H/L (Rs.)	1125/363
June H/L (Rs.)	376/568
Market Cap (Rs cr)	16827.27
Avg. daily volume (6m)	153546
Face Value	2

Source: Capitaline

Shareholding Pattern (%)

Promoters	55.18
Institution	18.34
Foreign holding	5.93
Non-promoter corporate holding	3.77
Public & Others	16.79

Source: Capitaline

One-Year Performance (Rel. to Sensex)



Source: Capitaline

Background and Business

Siemens India is a 55.2% subsidiary of the German giant Siemens AG (US\$113bn group), one of the largest and diversified business group in the world. Siemens India is one of the largest Engineering companies and operates in many areas like Industrial Solution, Power automation, health care services, equipments etc.

Siemens India is also into railway automation, trains, locomotives technology & real estate. During the past five years, company's revenues have grown between 35-40%. Majority of revenues comes from power & automation division. SIL has 19 legal entities in India.

Result Highlights:

During the third Quarter ended FY08 (Sept ending), Siemens reported revenues of 1809 crore (up 2% YOY), operating profit of Rs 254 (up 207% YOY) and net profit of around Rs. 169 crore (up 107%YOY). New Orders stood at Rs. 2078 crore, registering a growth of 18% over corresponding period.

Rs. Crore	Q3FY08	Q3FY08	YoY (%)	Q3FY08	QoQ (%)
Net Sales	1,809.7	1,782.3	2%	2,142.4	-16%
Total Expenditure	1,555.0	1,699.2	-8%	2,139.4	-27%
Operating Profit	254.6	83.1	207%	3.0	
Other Income	12.4	37.4	-67%	13.7	-9%
Interest	-11.1	-12.3		-5.4	
Depreciation	16.1	12.1	34%	14.9	8%
Tax	92.6	38.9	138%	5.5	
PAT	169.4	81.8	107%	1.7	
Extraordinary Items	0.0	17.6		0.0	
ARPAT	169.4	64.2	164%	1.7	107%
Equity	67.4	67.4		67.4	
EPS	5.0	1.9	164%		0.05
Margins (%)					
OPM	14.1	4.7		0.1	
NPM	9.4	3.6		0.1	

Robust PAT, But Sales marginally up

Siemens PAT rose by 107%, to Rs. 169 crore, on back of lower raw material cost & other expenses. Sales grew marginally by 1.7% on back of lower execution of orders. Its OPM improved by 940 bps and NPM by 576bps.

Break up (Total Expenditure)

Rs. (in Cr)	Q3FY08	Q2FY08	% Chg
Raw Material	1229.48	1595.56	-23%
Stock Adj.	-133.87	-175.64	
Purchase of F. Goods	252.41	0	
Employee exp	119.57	98.71	21%
Other Exp	87.45	180.57	-52%
Total	1555.04	1699.2	

As on 30 June 2008, company's unexecuted order book stands at Rs. 9846 Crore

Order book

Siemens reported decent growth in orders intake during the third quarter of fiscal with the inflow of new orders of Rs2078 Cr. registering 18% YOY growth.

Risk Concern

Appreciating currency impacting the revenues as significant portion of revenues is generated through exports.

Rising Raw material prices is likely to exert greater pressure on the company

Slowdown of investment in power sector and downturn in industrial capex cycle may hamper the growth.

Order execution problem will hamper the sales.

Management plans to double sales in next 3 years

Management Comment

According to the management, they have recorded satisfactory growth in the third quarter with a strong profitability and a healthy order book. All businesses verticals are well on track and they are confident of achieving consistent growth in the 4th quarter. Siemens plans for expanding capacities with increased thrust on localization is well on the way and in the current fiscal.

Out Look:-

Siemens India (SIL) has announced capex of 100 million euro over next one year. SIL has made this move to bring all the facilities (design, technical assistance, R&D facility) closer to the market as per the needs of the consumer. According to the management major growth drivers are automation, Industrial solution and services business.

SIL is banking on huge investment in Infrastructure sector especially in Power which is expected to increased traction till FY2012, both generation & transmission, Investment in manufacturing, metals etc.

At CMP, stock trades at 22.95x FY08E, 15.2X FY09E, 12.5XFY10E earnings, with an EPS of Rs. 21.7, Rs. 32.8, Rs. 39.9 respectively. We recommend "**Accumulate**" rating on the stock.

Consolidated Annual performance

Rs. Crore	FY05	FY06	FY07	FY08E	FY09E	FY10E
Net Sales	3,637.9	6,032.3	9,378.6	12,286.0	15,480.3	18,576.4
Total Expenditure	3,207.0	5,416.9	8,433.8	11,052.5	13,823.9	16,560.8
Operating Profit	430.9	615.3	944.8	1,233.5	1,656.4	2,015.5
Other Income	63.1	59.3	136.1	122.9	154.8	185.8
Interest	-26.5	-38.9	-54.2	0.0	0.0	0.0
Depreciation	68.4	126.0	140.3	184.3	232.2	278.6
Tax	142.8	195.5	300.7	351.6	473.7	576.8
RPAT	309.3	392.1	694.0	820.5	1,105.3	1,345.9
Extraordinary Items	1.6	6.4	55.9	87.7	0.0	0.0
ARPAT	307.7	385.7	638.1	732.8	1,105.3	1,345.9
Equity	67.4	67.4	67.4	67.4	67.4	67.4
EPS	9.1	11.4	18.9	21.7	32.8	39.9
Margins (%)						
OPM	11.8	10.2	10.1	10.0	10.7	10.9
NPM	8.5	6.4	6.8	6.0	7.1	7.2

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RATING INTERPRETATION

Buy Expected to appreciate more than 20% over a 12-month period

Accumulate Expected to appreciate up to 20% over a 12-month period

Hold Expected to remain in a narrow range

Avoid Expected to depreciate up to 10% over a 12-month period

Exit Expected to depreciate more than 10% over a 12-month period