INSTITUTIONAL RESEARCH

Siemens

Bottoming out; capex recovery

We attended Siemens India's (SIL) analyst day, where management highlighted a possible pick-up in the private sector capex as private consumption increases on the back of recent income tax and GST rate cuts. The impact of tariff on exports continues to be an overhang and conclusion of the trade deal with the US will improve sentiment for incurring capex. Further, the government capex continues to drive growth as visible in new order inflow (OI) for Smart Infrastructure (SI) and Mobility (MO) witnessing growth of 21% and 34% (5-year CAGR; FY21-25) and revenue growth of 20% and 38% (5-year CAGR; FY21-25). We expect an uptick in government capex on the back of low spending/base of FY25 and private capex is expected to pick up pace from Q3FY27. SIL's SI and MO business stands to benefit from this. SIL is on track for a total INR 6bn of capex (SI/MO – INR 4/2bn over next 2yrs) to fortify its local and export demand. It is shifting focus toward introducing more technology on the hardware stack and derive value for customers. Digital Industries (DI) is now in a recovery mode, post the prebuy during COVID as inventories have normalized. Since this segment revenue is largely imported products from parent at transfer pricing, the EBIT margins are lower at 6-8%. SIL's segments are exposed to government capex, which is likely to grow 10% YoY, while private capex recovery is contingent on pick-up in consumption. Given a robust order book, export opportunities, and a strong product portfolio, we maintain BUY on SIL with a TP of INR 3,690/sh (55x Sep-27E EPS). The bid pipeline remains strong and new awards are expected to pick up pace in the next few quarters.

- **Capex pick-up key for further re-rating:** Policy measures have laid the foundation for a conducive capex recovery. Measures like PLI, personal income tax rate cuts, and GST rate cuts have had a positive impact on consumption recovery. With elevated capacity utilization of 75-80%, the sentiment needs to improve toward decisive capacity expansion. We believe the conclusion of US-India trade deal will be one of the key drivers of sentiment improvement and capex recovery.
- **Strong order backlog to support growth:** SIL's robust order intake of INR 200.4bn until 12MFY25 has led to a record order backlog of INR 422.5bn (+20.5% YoY; 2.73x FY25 revenue), providing multi-year revenue visibility. DI order growth is driven by chemical, pharma, and metals; while that of SI is driven by power utilities, semiconductors, battery and EVs; and MO is led by signalling, propulsion, and telecommunication systems.
- **Post-demerger and sale of LVM business, SIL is reliant on capex recovery:** SIL stands as a direct structural beneficiary of India's capex output. It expects large ordering in Locos (6000/9000/12000HP), Vande Bharat Train sets, signalling, metros, etc. to recover in the near term. Digital industries growth is expected to pick up from Apr-Jun'26 on the back of recent policy changes now that the de-stocking phase is over. Despite 75-80% capacity utilization, private sector participants are hesitant on expansion and as they decide to expand, there will be demand for factory automation including the supply chain of private sector. Smart infrastructure is doing well on the back of LV/MV products and building automation. Exports is adding to overall growth.

Consolidated Financial Summary (INR mn)

Particulars (Y/E Sep)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	160,817	173,642	188,037	215,421	247,745
EBITDA	21,202	20,070	22,970	26,869	31,575
APAT	20,204	16,888	20,225	23,891	27,672
Diluted EPS (INR)	56.7	47.4	56.8	67.1	77.7
P/E (x)	55.4	66.3	55.4	46.9	40.5
EV / EBITDA (x)	48.3	52.5	45.4	38.4	32.2
RoE (%)	19.2	14.7	14.4	15.0	15.3

Source: Company, HSIE Research

BUY

CMP (as on 12 Dec 2025)	INR 3,145
Target Price	INR 3,690
NIFTY	26,047

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 3,736	INR 3,690
EPS Change %	FY26E	FY27E
	-	-

KEY STOCK DATA	
Bloomberg code	SIEM IN
No. of Shares (mn)	356
MCap (INR bn) / ($ mn)	1,120/12,385
6m avg traded value (INR mn)	1,461
52 Week high / low	INR3,995/2,270

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(1.8)	(3.8)	(20.1)
Relative (%)	(5.9)	(8.1)	(25.0)

SHAREHOLDING PATTERN (%)

	Jun-25	Sept-25
Promoters	75.00	75.00
FIs & Local MFs	7.24	8.04
FPIs	7.66	7.00
Public & Others	10.09	9.96
Pledged Shares	-	-

Source: BSE

Pledge shares as a % of total shares

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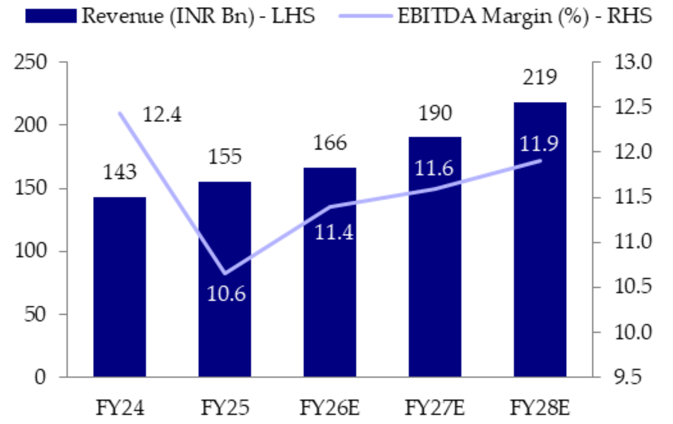
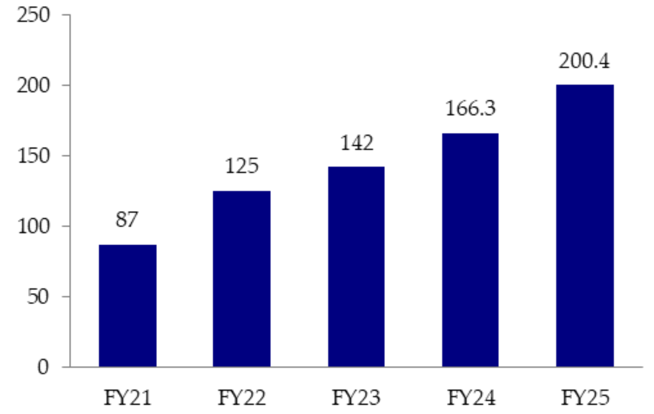
Revenue and margin outlook



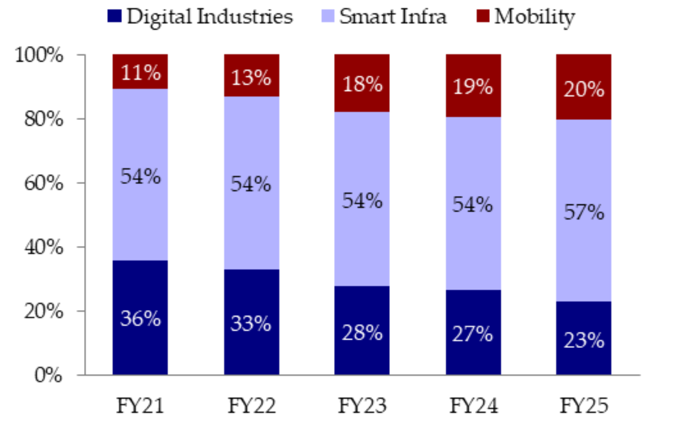
Source: Company, HSIE Research, Note: Y/E Sept till FY24; March from FY26)

Annual new order wins (INR bn)



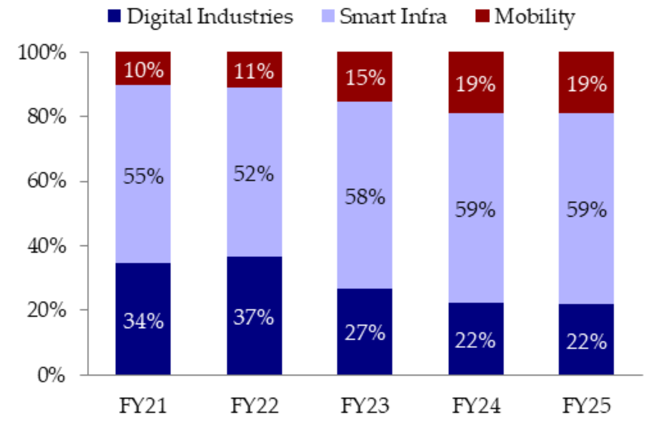
Source: Company, HSIE Research, Note: Y/E Sept, FY25 - YTD

Revenue mix



Source: Company, HSIE Research, Note: Y/E Sept, FY25 – YTD

Order inflow mix



Source: Company, HSIE Research, Note: Y/E Sept, FY25 - YTD

Key Takeaways: Analyst Meet

Consumption boost, trade deal to help drive capex from H2FY27

SIL expects government ordering to continue and grow over FY25-30, albeit the tendering process has been slow. The private sector capital expenditure is expected to pick up by Apr-Jun'26 as the impact of tax policy changes toward income tax and GST is with a lag of 6-8 months. Private capex has primarily focused on new age/upcoming industries such as renewable energy, electric vehicles and battery storage systems, semiconductors, manufacturing automation, and motion control systems, to name a few, while capex in traditional sectors continues to lag, despite capacity utilization at 75-85% in the industry. Investments in metal, cement, and steel industry is an outlier, which has been led by focus on increasing in efficiency as the cost of production continues to increase. Sectors such as pharmaceuticals and energy continue to outperform. The US-India trade deal will help improve the sentiment and drive corporates to incur capex.

Smart infrastructure

The revenue and OI growth in the smart infrastructure segment (FY 25 – Book to bill at 1.12x) is supported by demand from Data Centre Infrastructure providers, Semiconductors, Battery Storage, Commercial buildings, EVs, and power utilities. The focus on electrification by the government and policy support provided toward EV Charging infrastructure has historically supported this segment. The widening of products/solutions basket to serve applications such as power T&D (MV & LV), substation automation (T&D), smart grids (distribution), HVAC systems, building energy management, fire safety systems along with the upcoming renewal cycle for aging grid infrastructure (incl. MV switchgears) will drive future growth. The India market that has grown historically at a CAGR of >10/10/8% for Power T&D/Data Centres/commercial buildings respectively for the FY21-25 period is expected to continue at the same pace over FY25-30. SIL plans to focus on vertical markets (T&D, data centres, commercial buildings, ports, etc.) along with localization & capacity expansion in factories (MV GIS & Components, Vacuum interrupters), and possible strategic partnerships (including M&A) to strengthen the portfolio.

Mobility segment – delay in large ordering

The revenue growth and OI in the mobility segment (FY25 – book to bill at 1.49x) is on the back of ongoing execution of Bangalore Metro electrification, Strong Budgetary allocation: Average 5-year annual capex: INR 2.6 trn, OI of auto signalling and Kavach systems, ongoing execution of 9000 Horsepower freight locomotives from Indian railways, Metro Rail (new cities + extensions in old), and ongoing execution of Mumbai-Ahmedabad HSR. With revenues majorly being project based and revenues recognized on percentage completion basis; providing turnkey solutions (e.g. - Pune metro delivered fully, including construction, signalling and rolling stock) and product sales and services also form part of revenue base. Revenue growth relies considerably on government capex in this segment while SIL does face strong competition and pricing competitive pressure from local players in the India market. With pick-up in tenders, SIL order book is expected to return on high growth trajectory. Margins in this segment are impacted by investments currently being made in this segment, and as commercial production starts and volumes increase, profitability will improve. With the deliveries of locos, the service component will also add to better margins.

Digital Industries

The Digital Industries segment has witnessed subdued growth when compared to SI and MO, with OI and revenue both witnessing +6% growth (5-year CAGR; FY21-25) due to muted OI until Q3FY25 and muted private capex. Q4FY25 has been a positive surprise witnessing 34% OI growth QoQ on the back of recent tax policy changes by GOI, the current book to bill being 1.02x (FY25). EBIT margin in DI segment is expected to be at 6-8% annually. Growth in DI is expected to be supported by metals and automotive sub-segments, considering the India sectoral growth of both sub-segments has been 0-5% (5-year CAGR; FY21-25), which is expected to improve to >8% (5-year CAGR; FY25-30) for metals and 5-8% (5-year CAGR; FY25-30) for automotive. The FY25 OI growth is driven by Chemical, Pharma, and Metals sector; with profit margin normalized in FY25, margins are driven by transfer pricing and hence capped as the segment is largely traded goods from parent, with limited localization. As services for the current installation picks pace, the margins may improve. Focus on increasing the efficiency of factories by corporates can support this segment growth on the back of COMOS product offered by SIL, since average productivity at Indian factories is 75% vs Germany at 99%) as elaborated by the management.

Summary

Management believes the uptick in private capex can be observed by Apr-Jun'26, while government capex in segments operated by SIL continues. Profitability expansion and increase in volumes continue to be the management's focus. Benefits accrued from increase in revenue growth are aiding profitability though party negated on account of increasing costs toward additional headcounts, forex, and commodity losses. Execution in the smart infra and mobility segments remains solid on the back of significant order wins witnessed in previous years.

INCOME STATEMENT (INR mn)

Year ending September	FY24	FY25	FY26E	FY27E	FY28E
Net Revenue	**160,817**	**173,642**	**188,037**	**215,421**	**247,745**
Growth (%)	*31.4*	*8.0*	*8.3*	*14.6*	*15.0*
Material Expenses	112,891	120,694	129,780	148,534	170,148
Employee Expenses	14,557	16,924	18,147	20,380	23,435
Other Operating Expenses	12,167	15,954	17,139	19,639	22,588
EBIDTA	**21,202**	**20,070**	**22,970**	**26,869**	**31,575**
EBIDTA (%)	*13.2*	*11.6*	*12.2*	*12.5*	*12.7*
EBIDTA Growth (%)	*(160.9)*	*(5.3)*	*14.5*	*17.0*	*17.5*
Depreciation	2,556	2,803	2,855	3,235	3,691
EBIT	**18,646**	**17,267**	**20,116**	**23,634**	**27,884**
Other Income (Incl. EO Items)	8,771	5,703	7,040	8,436	9,256
Interest	440	151	136	153	173
PBT	**26,977**	**22,819**	**27,020**	**31,916**	**36,967**
Tax	6,773	5,931	6,794	8,025	9,295
RPAT	**20,204**	**16,888**	**20,225**	**23,891**	**27,672**
EO items (net of tax)	-	-	-	-	-
PAT from discontinued Operations	6,977	4,171	-	-	-
APAT	**27,181**	**21,059**	**20,225**	**23,891**	**27,672**
APAT Growth (%)	*NA*	*(16.4)*	*19.8*	*18.1*	*15.8*
EPS	56.7	47.4	56.8	67.1	77.7
EPS Growth (%)	*(153.0)*	*(16.4)*	*19.8*	*18.1*	*15.8*

Source: Company, HSIE Research

BALANCE SHEET (INR mn)

Year ending March	FY24	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS					
Share Capital	712	712	712	712	712
Reserves	152,855	131,564	148,228	168,558	192,669
Total Shareholders' Funds	**153,567**	**132,276**	**148,940**	**169,270**	**193,381**
Minority Interest	94	105	-	-	-
Total Debt	**-**	**-**	**-**	**-**	**-**
Other Non-Current Liabilities	11,301	7,189	7,477	7,776	8,087
Deferred Taxes	(3,866)	(2,490)	(2,490)	(2,490)	(2,490)
TOTAL SOURCES OF FUNDS	**161,096**	**137,080**	**153,927**	**174,556**	**198,978**
APPLICATION OF FUNDS					
Net Block	9,885	6,931	7,033	6,677	5,898
CWIP	1,033	2,058	2,058	2,058	2,058
Investments	653	636	636	636	636
Other Non-Current Assets	37,075	34,330	37,763	41,539	45,693
Total Non-current Assets	**48,646**	**43,955**	**47,490**	**50,911**	**54,285**
Inventories	26,305	19,964	20,519	23,469	26,959
Debtors	44,098	29,823	32,830	37,550	43,135
Cash & bank balances	95,679	66,746	76,380	87,460	102,068
Other Current Assets	34,201	36,914	36,062	41,314	47,513
Total Current Assets	**200,283**	**153,447**	**165,790**	**189,793**	**219,675**
Creditors	47,004	37,347	41,037	46,937	53,919
Other Current Liabilities & Provisions	40,829	22,975	19,282	21,249	24,175
Total Current Liabilities	**87,833**	**60,322**	**60,320**	**68,186**	**78,094**
Net Current Assets	**112,450**	**93,125**	**105,471**	**121,607**	**141,581**
Misc Expenses & Others/Held for Sale	-	-	967	2,039	3,111
TOTAL APPLICATION OF FUNDS	**161,096**	**137,080**	**153,927**	**174,556**	**198,978**

Source: Company, HSIE Research

Cash Flow Statement (INR mn)

Year ending March	FY24	FY25	FY26E	FY27E	FY28E
PBT	36,392	28,404	27,020	31,916	36,967
Non-operating & EO items	(8,578)	(4,063)	(7,040)	(8,436)	(9,256)
Interest expenses	605	212	136	153	173
Depreciation	3,296	2,950	2,855	3,235	3,691
Working Capital Change	(6,716)	(14,636)	(5,857)	(8,532)	(9,210)
Tax paid	(8,452)	(9,120)	(6,794)	(8,025)	(9,295)
OPERATING CASH FLOW (a)	**16,547**	**3,747**	**10,319**	**10,311**	**13,069**
Capex	(1,022)	(3,727)	(2,956)	(2,880)	(2,912)
Free cash flow (FCF)	**15,525**	**20**	**7,362**	**7,431**	**10,157**
Investments and others	(4,030)	34,932	7,040	8,436	9,256
INVESTING CASH FLOW (b)	**(5,052)**	**31,205**	**4,084**	**5,556**	**6,344**
Share based payment	(500)	(1,028)	-	-	-
Dividend payment	(3,568)	(4,278)	(3,561)	(3,561)	(3,561)
Debt Issuance/Lease liabilities paid	(1,017)	(1,072)	(1,072)	(1,072)	(1,072)
Interest expenses/Cash distributed	-	(25,478)	(136)	(153)	(173)
FINANCING CASH FLOW (c)	**(5,085)**	**(31,856)**	**(4,769)**	**(4,786)**	**(4,806)**
NET CASH FLOW (a+b+c)	**6,410**	**3,096**	**9,634**	**11,081**	**14,607**
Opening Cash & Equivalents	11,917	18,359	66,746	76,380	87,460
Adjustments	32	49	-	-	-
Closing Cash & Equivalents	**18,359**	**21,504**	**76,380**	**87,460**	**102,068**

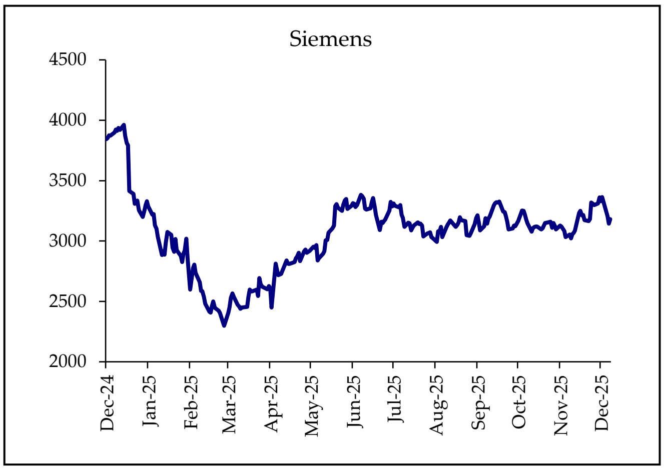
Source: Company, HSIE Research

KEY RATIOS

Particulars	FY24	FY25	FY26E	FY27E	FY28E
PROFITABILITY (%)					
GPM	29.8	30.5	31.0	31.0	31.3
EBITDA Margin	13.2	11.6	12.2	12.5	12.7
EBIT Margin	11.6	9.9	10.7	11.0	11.3
APAT Margin	16.9	12.1	10.8	11.1	11.2
RoE	19.2	14.7	14.4	15.0	15.3
Core RoCE	32.3	22.0	22.8	23.9	25.0
RoCE	19.4	14.8	14.5	15.1	15.3
EFFICIENCY					
Tax Rate (%)	25.1	26.0	25.1	25.1	25.1
Asset Turnover (x)	3.6	3.7	3.7	4.1	4.5
Inventory (days)	60	42	40	40	40
Debtors (days)	100	63	64	64	64
Payables (days)	107	79	80	80	79
Cash Conversion (days)	53	26	24	24	24
Other Current Assets (days)	78	78	70	70	70
Other Current Liabilities (days)	93	48	37	36	36
Net Working Capital Cycle (Days)	38	55	56	58	58
Debt/EBITDA (x)	0.0	0.0	0.0	0.0	0.0
Net D/E	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)
Interest Coverage	42.4	114.4	148.5	154.2	161.1
PER SHARE DATA					
EPS (INR/sh)	56.7	47.4	56.8	67.1	77.7
CEPS (INR/sh)	83.5	67.0	64.8	76.2	88.1
DPS (INR/sh)	10.0	12.0	10.0	10.0	10.0
BV (INR/sh)	431	371	418	475	543
VALUATION					
P/E	55.4	66.3	55.4	46.9	40.5
P/BV	7.3	8.5	7.5	6.6	5.8
EV/EBITDA	48.3	52.5	45.4	38.4	32.2
OCF/EV (%)	1.6	0.4	1.0	1.0	1.3
FCF/EV (%)	1.5	0.0	0.7	0.7	1.0
FCFE/Market Cap (%)	1.3	(2.4)	0.5	0.6	0.8
Dividend Yield (%)	0.3	0.4	0.3	0.3	0.3

Source: Company, HSIE Research

Price history



Rating Criteria

BUY:	>+15% return potential
ADD:	+5% to +15% return potential
REDUCE:	-10% to +5% return potential
SELL:	>10% Downside return potential

Disclosure:
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