

Siemens Energy

Well energized for transition

We attended Siemens Energy India (SEL) analyst day, where management articulated a strategy that capitalizes on its unique position at the confluence of India's energy growth and the global energy transition. SEL is strategically positioned in the high-growth power transmission (T&D) business and stable power generation & services. Exports (23% of FY25 revenue) are largely driven by T&D products like transformers whilst services (~26% of FY25 revenue) is driven by Gas/Steam turbines installation in India. SEL power generation manufacturing is driven by domestic industrial steam turbines demand of average 25MW size. Larger steam turbines are imported whilst gas turbines spares are also sourced from parent to service current installed base in India. Power transmission has largely been localised except for HVDC IGBT components/semiconductors which are imported. HVDC pipeline looks robust with LCC based HVDC awarding expected at 1-2 projects/year whilst one VSC project is expect every two years. SEL will bid for VSC projects only which implies it needs to focus more on base business wins and rely on higher exports mandate from parent. Other technologies /products like PEM electrolyzers, synchronous condensers and storage solutions will be imported for now. SEL sees big opportunity on the nuclear power side where it expects to supply steam turbines. SEL remains at the forefront of delivering essential technologies for grid stability, power generation and clean energy. Given the strong cash flows, robust order book, export opportunities and limited competitive intensity, we maintain BUY rating on SEL with a TP of INR 3,482/sh (60x Sep-27E EPS). Bid pipeline remains strong and new awards are expected to pick pace in next few quarters.

- **HVDC is a core global growth vector:** Management emphasized the immense global HVDC market, driven by renewable integration in Europe and the US. The technology focus is shifting from traditional LCC to the more modern and feature rich VSC technology. While core semiconductors (IGBTs) are currently imported, SEL is aligning with the global strategy to advance high-power VSC solutions and has localization plans timed with market evolution. For emerging verticals like electrolyzers and synchronous condensers, SEL's strategy is not immediate full-scale manufacturing. It will begin with assembly, packaging, and SKD operations in India, partnering for core technology and importing key components (e.g., from Germany). Full localization will be pursued only upon the crystallization of sufficient, sustained demand.
- **Strong order backlog:** SEL's robust order intake of INR 131.1bn in FY25 has led to a record order backlog of INR 162bn (+47% YoY), providing multi-year revenue visibility. While Q4FY25 margins were diluted by mix, this is a transient phase. The core power transmission segment continues to see sustained traction, supported by domestic grid expansion (notably 765kV lines) and export opportunities. The bid pipeline remains strong, with new awards expected to accelerate in coming quarters.
- **Post-demerger, SEL is well-positioned to support India's energy transition:** SEL stands as a direct structural beneficiary of India's enduring energy transition. The company's growth is powered by multi-decade tailwinds: 1) the nation's long-term electrification and grid expansion cycle, the imperative for renewable integration and grid stabilisation, 2) the rising demand driven by industrial decarbonisation and energy efficiency mandates, 3) further amplifying this is the strategic trend of increasing localisation and exports of high-value power equipment. Supported by its established technology leadership, a comprehensive portfolio of solutions, and proven execution capabilities, SEL is favorably positioned to compound earnings consistently over the medium term.

BUY

CMP (as on 10 Dec 2025)	INR 2,996
Target Price	INR 3,482
NIFTY	25,758

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 3,482	INR 3,482
EPS Change %	FY26E	FY27E
	-	-

KEY STOCK DATA

Bloomberg code	ENRIN IN
No. of Shares (mn)	356
MCap (INR bn) / (\$ mn)	1,067/11,859
6m avg traded value (INR mn)	-
52 Week high / low	INR3,625/2,509

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(11.4)	-	-
Relative (%)	(15.1)	-	-

SHAREHOLDING PATTERN (%)

	Jun-25	Sept-25
Promoters	75.00	75.00
FIs & Local MFs	4.79	6.16
FPIs	9.12	8.05
Public & Others	11.07	10.79
Pledged Shares	-	-

Source: BSE

Pledge share as a % of total shares

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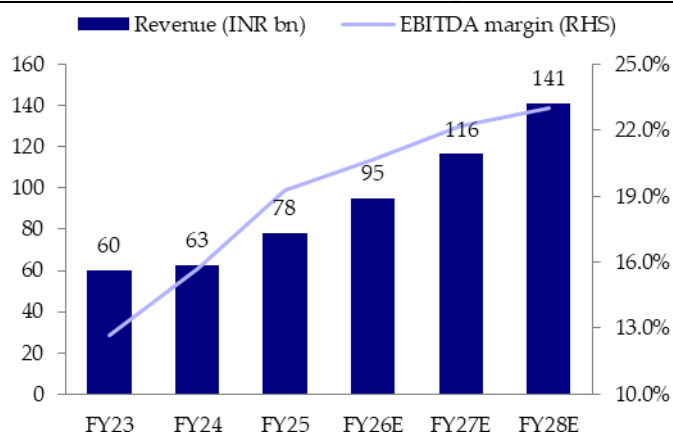
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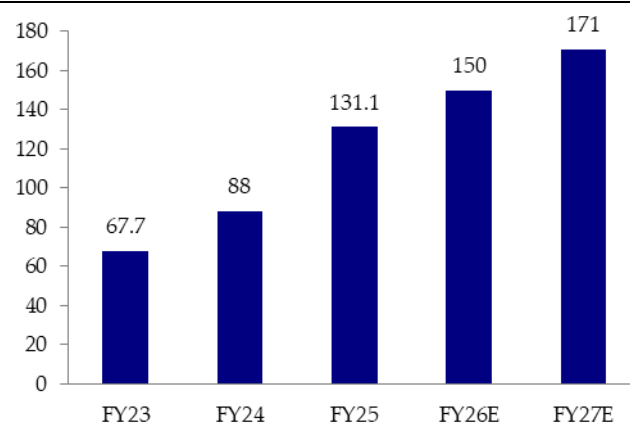
Financial Summary

YE Sep (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	47,596	78,267	95,094	1,16,443	1,41,408
EBITDA	8,684	15,134	19,685	25,850	32,524
APAT	6,000	11,001	15,650	20,667	25,933
Diluted EPS (INR)	16.8	30.9	43.9	58.0	72.8
P/E (x)	187.5	102.3	71.9	54.4	43.4
EV / EBITDA (x)	122.8	68.2	52.2	39.3	30.8
RoE (%)	7.4	29.0	30.9	31.4	30.3

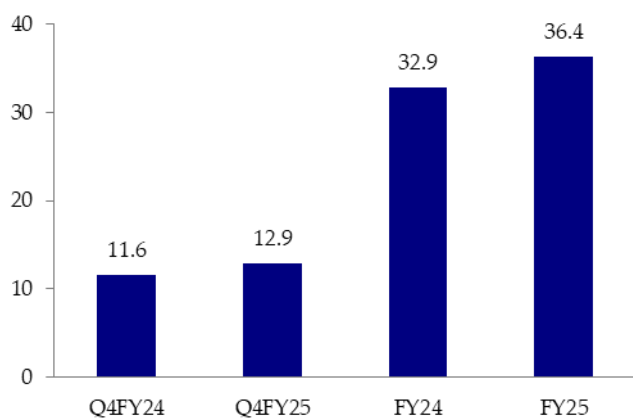
Source: Company, HSIE Research, Note: Y/E Sept

Revenue and margins outlook (Y/E Sep)

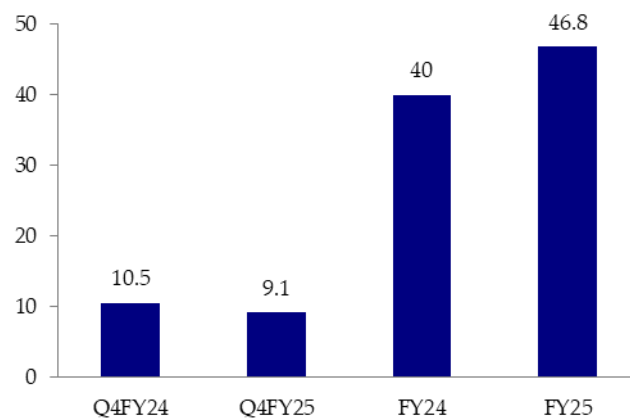
Source: Company, HSIE Research, Note: Y/E Sept

Annual new order wins (INR bn)

Source: Company, HSIE Research, Note: Y/E Sept

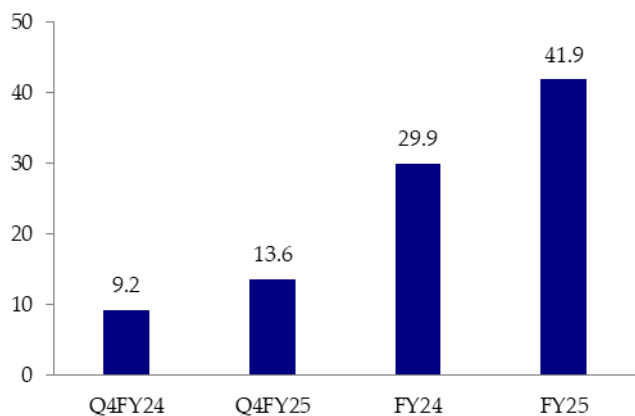
Power Generation revenue (INR bn)

Source: Company, HSIE Research, Note: Y/E Sept

Power Generation order inflow (INR bn)

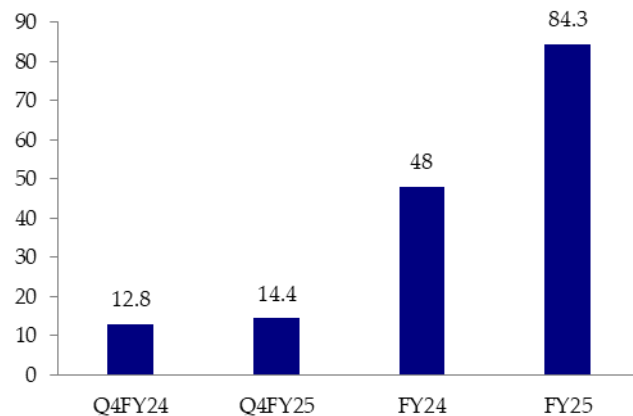
Source: Company, HSIE Research, Note: Y/E Sept

Power Transmission revenue (INR bn)



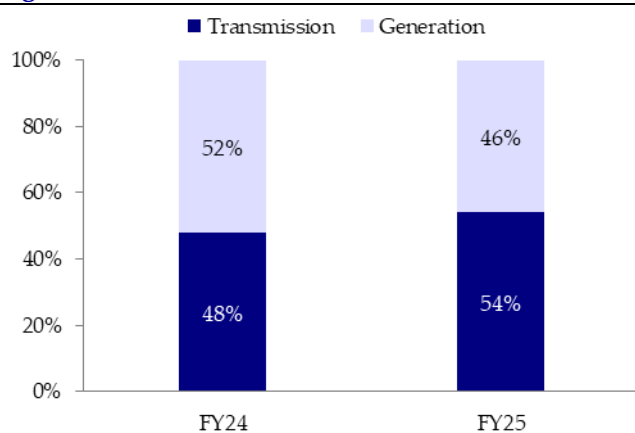
Source: Company, HSIE Research, Note: Y/E Sept

Power Transmission order inflow (INR bn)



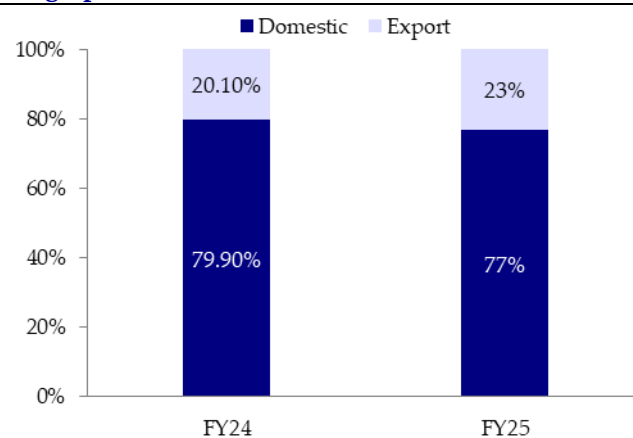
Source: Company, HSIE Research, Note: Y/E Sept

Segment Mix



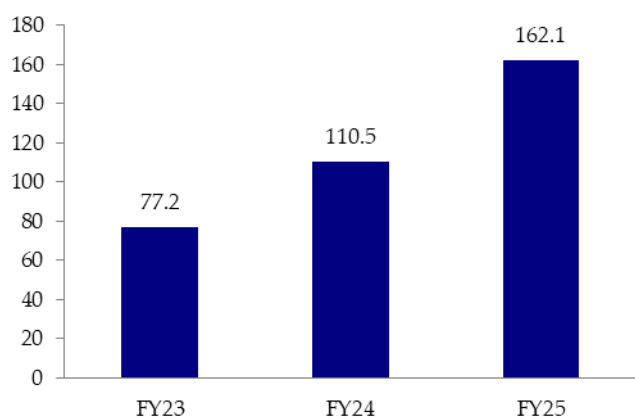
Source: Company, HSIE Research, Note: Y/E Sept

Geographic Mix



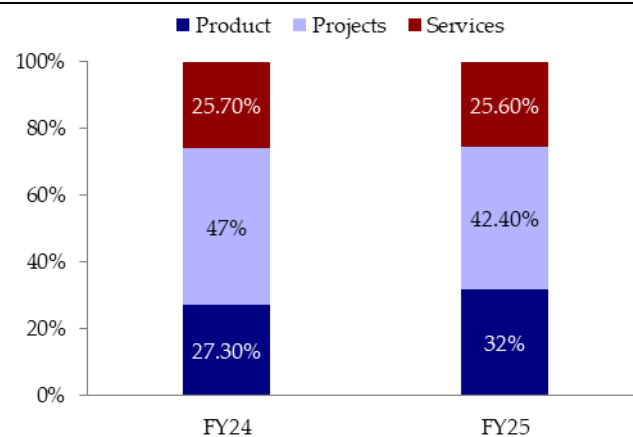
Source: Company, HSIE Research, Note: Y/E Sept

Order Backlog (INR bn)



Source: Company, HSIE Research, Note: Y/E Sept

Business Mix



Source: Company, HSIE Research, Note: Y/E Sept

Key Takeaways: Analyst Meet

LCC vs. VSC – will keep participating in VSC

- SEL will continue participating in the Voltage Source Converter (VSC) segment. The global HVDC market is expanding rapidly, driven by renewable energy integration in regions like Europe and the US, where VSC technology is becoming the preferred choice. VSC is a modern, power electronics-based solution offering advanced features such as black start capability and reactive power support, which Line Commutated Converter (LCC) systems cannot provide. While LCC remains suitable for ultra-long-distance, high-power transmission, SEL is aligning with the global strategy by pursuing high-power VSC projects to support grid flexibility.

On HVDC Localisation

- HVDC systems rely on critical components like IGBTs and micro semiconductors, which SEL currently imports such as microprocessors from Germany while most other elements are localized in India. Although localization plans are in place, high-end electronics will continue to be sourced internationally for now, ensuring its HVDC infrastructure meets global standards.

Steam turbine market

- SEL does not manufacture large steam turbines in India and is not active in the core market for new utility-scale turbine production. However, it continues to provide service support for legacy turbines, including supplying spare parts imported from Germany. Looking ahead, the company is exploring opportunities in the nuclear power segment strictly for steam turbines, not reactors. Its Vadodara steam turbine facility has started exporting, expanding its global footprint. The distributed power generation business for industrial steam turbines remains stable, driven by expansion in Cement and Steel, with additional demand from WHRS, Pulp & Paper, Sugar, and Ethanol sectors

Services business

- A large part of SEL's services revenue (approx. INR 20bn) is domestic, predominantly in power generation, with a smaller share from transmission. Export of services remains limited. This business focuses on the installed base and upgrades of aged fleets in India. For Gas Turbine spares and larger steam turbines, components are imported, while mid-capacity steam turbine parts are sourced from its factories. Global competency services operate on a transfer pricing model with good margins and currently utilize a manpower of about 1,500

Statcom

- According to NEP, there is a requirement for 75 Statcom units. Of the 10 units awarded in FY25, SEL secured approximately 5. Another 8-10 units are expected to be awarded in FY26, and the company aims to maintain its market share.

Margins, competition, operating leverage, HVDC competitiveness, export demand

- SEL expects pricing to remain at current levels due to strong global and local demand. The company anticipates sustaining current gross margins. With growth accelerating, employee costs are expected to grow slower than revenue, resulting in operating leverage. It considers itself well-placed versus peers on localisation and pricing. In HVDC, SEL expects 1-2 LCC-based projects to be awarded each year, while VSC-based HVDC projects are expected at a rate of 1 project every 2 years. For exports in SAARC countries, all orders are routed through the parent company for optimal supply chain management. While SEL cannot take direct orders, it maintains its margins when quoting. Exports accounted for 23% (INR ~18bn) of FY25 revenue, largely from power transmission products, with a smaller contribution from power generation products and services.

On PEM electrolyzers, battery storage, Gas turbines for India

- For PEM electrolyzers, SEL is looking to partner with local players for assembling and packaging imported cores, with potential future localization contingent on proven demand. In nuclear, it is initially considering importing large steam turbines, with localization a possibility later. There are currently no plans for Gas Turbine manufacturing in India. The data centre opportunity in India is currently limited to substations, with larger Gas Turbine-fired data centre opportunities being pursued overseas. For synchronous condensers, SEL is initially importing but may explore localization. There are currently no plans for battery storage manufacturing.

Financials

Consolidated Income Statement

Year ending Sep (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Net Revenues	47,596	78,267	95,094	1,16,443	1,41,408
<i>Growth (%)</i>	(20.5)	64.4	21.5	22.5	21.4
Material Expenses	29,270	45,621	55,345	68,119	83,431
Employee Expenses	5,428	9,854	11,126	12,227	13,434
Other Operating Expenses	4,214	7,658	8,939	10,247	12,020
EBIDTA	8,684	15,134	19,685	25,850	32,524
<i>EBIDTA (%)</i>	18.2	19.3	20.7	22.2	23.0
<i>EBIDTA Growth (%)</i>	14.3	74.3	30.1	1,513.8	1,838.3
Depreciation	460	1,030	1,236	1,397	1,697
EBIT	8,224	14,104	18,448	24,453	30,827
Other Income (Incl. EO Items)	22	1,053	2,948	3,726	4,525
Interest	184	282	190	175	212
PBT	8,062	14,875	21,206	28,005	35,140
Tax	2,062	3,874	5,556	7,337	9,207
RPAT	6,000	11,001	15,650	20,667	25,933
EO items (net of tax)	-	-	-	-	-
PAT from discontinued Operations	-	-	-	-	-
APAT	6,000	11,001	15,650	20,667	25,933
<i>APAT Growth (%)</i>	NA	83.4	42.3	32.1	25.5
EPS	16.8	30.9	43.9	58.0	72.8
<i>EPS Growth (%)</i>	15.4	83.4	42.3	32.1	25.5

Source: Company, HSIE Research

Consolidated Balance Sheet

As at Sep (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
SOURCES OF FUNDS					
Share Capital	712	712	712	712	712
Reserves	31,456	43,101	56,636	73,742	96,115
Total Shareholders Funds	32,168	43,813	57,348	74,454	96,827
Total Debt	-	-	-	-	-
Other Non Current Liabilities	5,674	8,048	5,370	5,585	5,808
Deferred Taxes	(1,597)	(2,104)	(1,624)	(1,624)	(1,624)
TOTAL SOURCES OF FUNDS	36,245	49,757	61,094	78,415	1,01,011
APPLICATION OF FUNDS					
Net Block	4,290	5,356	4,902	8,004	10,808
CWIP	521	759	2,110	2,110	2,110
Investments	-	-	-	-	-
Other Non Current Assets	1,275	1,456	1,168	1,168	1,168
Total Non-current Assets	6,086	7,571	8,180	11,282	14,086
Inventories	7,736	7,603	10,421	12,761	15,497
Debtors	18,775	19,205	24,751	30,307	36,805
Cash & bank balances	-	34,620	38,467	49,594	66,202
Dermerger related Assets/other assets	36,283	24,349	14,760	16,974	19,520
Total Current Assets	62,794	85,777	88,399	1,09,636	1,38,024
Creditors	32,338	42,554	23,448	28,712	34,868
Other Current Liabilities & Provns	297	1,037	12,037	13,792	16,231
Total Current Liabilities	32,635	43,591	35,485	42,504	51,099
Net Current Assets	30,159	42,186	52,914	67,133	86,925
Misc Expenses & Others/Held for Sale	-	-	-	-	-
TOTAL APPLICATION OF FUNDS	36,245	49,757	61,094	78,415	1,01,011

Source: Company, HSIE Research

Consolidated Cash Flow

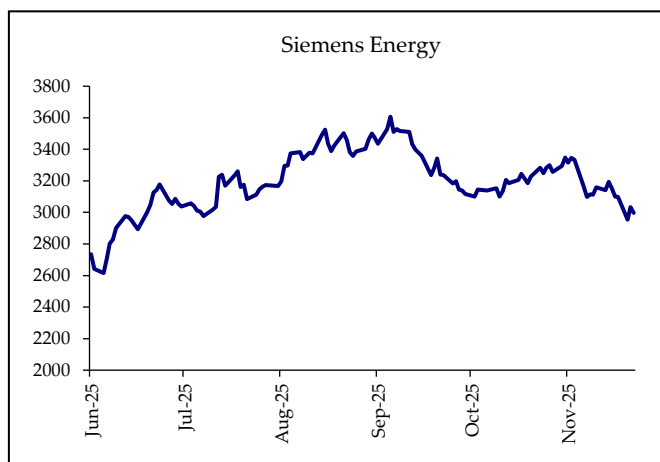
Year ending Sep (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT	8,062	14,875	21,206	28,005	35,140
Non-operating & EO items	300	(650)			
Interest expenses	184	282	190	175	212
Depreciation	460	1,030	1,236	1,397	1,697
Working Capital Change	(7,533)	23,444	(3,058)	(3,091)	(3,185)
Tax paid	-	(2,280)	(5,556)	(7,337)	(9,207)
OPERATING CASH FLOW (a)	1,473	36,701	14,018	19,148	24,658
Capex	(1,285)	(2,160)	(3,000)	(4,500)	(4,500)
Free cash flow (FCF)	188	34,541	11,018	1	1
Investments	-	(33,298)	-	-	-
Non operating income	10	632	-	-	-
INVESTING CASH FLOW (b)	-1,275	-34,826	-3,000	-4,500	-4,500
Share capital Issuance	-	-	-	-	-
Dividend payment	-		(3,561)	(3,561)	(3,561)
Debt Issuance/Lease liabilities paid	(198)	(553)	207	215	223
Interest expenses			(190)	(175)	(212)
FINANCING CASH FLOW (c)	-198	-553	-3,545	-3,521	-3,550
NET CASH FLOW (a+b+c)	0	1,322	7,474	11,127	16,608
Opening Cash & Equivalents	0	33,298	34,620	38,467	49,594
Others - Margin & IPO deposits (cl. Bal)	-		(3,627)		
Closing Cash & Equivalents	0	34,620	38,467	49,594	66,202

Key Ratios

	FY24	FY25	FY26E	FY27E	FY28E
PROFITABILITY (%)					
GPM	38.5	41.7	41.8	41.5	41.0
EBITDA Margin	18.2	19.3	20.7	22.2	23.0
EBIT Margin	17.3	18.0	19.4	21.0	21.8
APAT Margin	12.6	14.1	16.5	17.7	18.3
RoE	7.4	29.0	30.9	31.4	30.3
Core RoCE	19.2	55.4	111.8	89.1	87.1
RoCE	7.6	29.5	31.2	31.6	30.5
EFFICIENCY					
Tax Rate (%)	25.6	26.0	26.2	26.2	26.2
Asset Turnover (x)	5.9	8.6	7.8	7.0	6.7
Inventory (days)	59	35	40	40	40
Debtors (days)	144	90	95	95	95
Payables (days)	248	198	90	90	90
<i>Cash Conversion (days)</i>	-45	-73	45	45	45
Other Current Assets (days)	278	114	57	53	50
Other Current Liab (days)	2	5	46	43	42
Net Working Capital Cycle (Days)	231	35	55	55	53
Debt/EBITDA (x)	0.0	0.0	0.0	0.0	0.0
Net D/E	0.0	(0.8)	(0.7)	(0.7)	(0.7)
Interest Coverage	44.7	50.0	97.0	140.0	145.3
PER SHARE DATA					
EPS (Rs/sh)	16.8	30.9	43.9	58.0	72.8
CEPS (Rs/sh)	18.1	33.8	47.4	62.0	77.6
DPS (Rs/sh)	-	-	10.0	10.0	10.0
BV (Rs/sh)	90	123	161	209	272
VALUATION					
P/E	177.8	96.9	68.1	51.6	41.1
P/BV	33.2	24.3	18.6	14.3	11.0
EV/EBITDA	122.8	68.2	52.2	39.3	30.8
OCF/EV (%)	0.1	3.6	1.4	1.9	2.5
FCF/EV (%)	0.0	3.3	1.1	0.0	0.0
FCFE/Market Cap (%)	(0.0)	3.2	1.0	0.0	0.0
Dividend Yield (%)	0.0	0.0	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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