

# Siemens Ltd



## Key Stock Indicators

NSE Ticker :	SIEMENS	CMP (as on 23 Dec 2010—Rs/share):	777.9	Shares outstanding (mn) :	337.2
Bloomberg Ticker :	SIEM:IN	52-week range up to 23 Dec 2010 (Rs)(H/L):	840.60/578.75	Free Float (%) :	45.0
Face value / Share:	2.0	Market Cap as on 23 Dec 2010 (Rs mn):	262,260	Average daily volumes (12 months) :	412,283
Div. Yield (%):	0.6	Enterprise Value as on 23 Dec 2010 (Rs mn):	247,521	Beta (2 year) :	1.2

Incorporated in 1957 as a private limited company, formerly known as Siemens Engineering and Manufacturing Company India Pvt Ltd, it was converted into a public limited company in 1961. Siemens' operations are divided into three major segments: Industry, Energy and Healthcare & Cross sector businesses.

## KEY HIGHLIGHTS

### Diversified revenue stream

Siemens diversified its business in major three segments Industry, Energy and Healthcare. Around 42% of its revenues come from Industry (industry solutions, mobility and industry automation), Energy (Power generation, transmission and distribution) contributes around 44% whereas Healthcare & Cross sector businesses contribute the rest. This diversity in revenues helps the company counter the impact of any slowdown in one particular segment.

### Acquisitions drive company's growth, increase its product range

The company has been on an acquisition spree over the last few years. During the year 2008-09, Siemens acquired further 50% stake in Flender Ltd. for a consideration of Rs. 910 million and acquired the remaining 20.68% stake in Siemens Building Technologies Pvt. Ltd. (SBTPL) with a consideration of Rs.1,493 million. With these, Flender and SBTPL became 100% subsidiaries of the company. This helps Siemens in providing a range of products and services comprising of building automation systems, fire safety solutions, security solutions, manufactured gear boxes, coupling and spares.

## KEY RISKS

- Foreign currency fluctuations
- Increase in raw material cost
- Execution of large projects

## Stock Performances vis-à-vis market

	Returns (%)			
	YTD	1-m	3-m	12-m
SIEMENS	39	-1	-1	36
NIFTY	18	1	0	16

### Note:

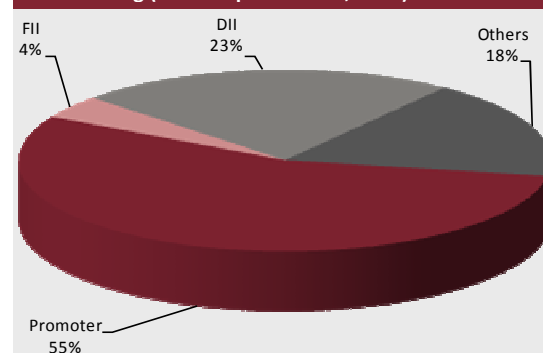
- 1) YTD returns are since April 1, 2010 to Dec 23, 2010.
- 2) 1-m, 3-m and 12-m returns are up to Dec 23, 2010.

## Key Financial Indicators

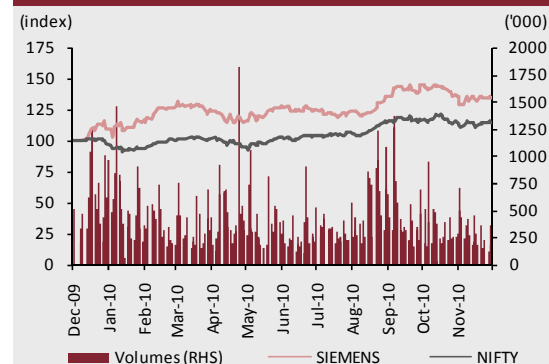
	Sep-07	Sep-08	Sep-09
Revenue (Rs mn)	94,036.8	97,035.5	93,358.7
EBITDA margins (%)	8.8	7.6	11.3
PAT (Rs mn)	6,940.0	6,054.5	7,005.0
PAT margins(%)	7.4	6.2	7.5
Gearing (x)	-	-	-
EPS (Rs/share)	41.2	18.0	20.8
PE (x)	26.5	34.3	37.4
P/BV (x)	11.2	9.7	10.3
RoCE (%)	63.7	44.9	50.6
RoE (%)	50.1	32.0	29.8
EV/EBITDA (x)	21.3	26.4	23.4

n.m. : Not meaningful

## Shareholding (As on September 30, 2010)



## Indexed price chart



# Siemens Ltd

## BACKGROUND

Set up in March 1957, Siemens (formerly, Siemens Engineering and Manufacturing Company India Pvt Ltd) was converted to a public limited company in 1961. Siemens AG holds a stake of 55.2% in Siemens. Siemens' operations are divided into three verticals: industry, energy and healthcare. The group is placed as complete solutions provider to clients engaged in power generation, transmission and distribution, transportation, healthcare and diagnostics sectors.

The company has eight manufacturing plants- four in Maharashtra, one each in Goa, Gujarat, Andhra Pradesh and Karnataka. Siemens is a technology giant with a strong global presence in more than 190 countries.

## COMPETITIVE POSITION

### Peer Comparison

	Siemens Ltd. Sep-09	ABB Dec-09	Crompton Greaves Ltd. Mar-10	Honeywell Automation India Ltd. Dec-09
Revenue (Rs mn)	93,358.7	62,904.8	93,382.2	11,734.1
EBITDA margins (%)	11.3	10.4	13.8	16.7
PAT (Rs mn)	7,005.0	3,546.4	8,592.7	1,327.9
PAT margins (%)	7.5	5.6	9.2	11.3
Gearing (x)	-	-	0.3	0.0
EPS (Rs/share)	20.8	16.7	9.8	127.2
PE (x)	37.4	46.3	31.5	18.8
P/BV (x)	10.3	6.9	9.9	4.1
RoCE (%)	50.6	27.8	46.7	43.0
RoE (%)	29.8	15.8	43.2	31.3
EV/EBITDA (x)	23.4	24.2	15.2	10.3

n.m.: Not meaningful

## FINANCIAL PROFILE

### Decline in revenue in FY09; operating margins and PAT expands

Siemens revenue declined marginally from Rs.97 billion in FY08 to Rs.93 billion in FY09, a drop of around 4%. Revenues declined on account of company discontinuing its operations of Information Technology Services and Business Process Outsourcing. Better control on overall operating cost enhanced operating margins to 11.3% in FY09 as compared to 7.6% in FY08.

PAT has shown a growth around 16% in FY09, this increase was primarily on account of a substantial one time increase in Financing & Investment income resulting from the company's sale of Siemens Information Systems Ltd. (SISL) and Siemens Information Processing Services Pvt. Ltd. (SIPS).

## INDUSTRY PROFILE

### Electric equipments

The electrical equipment industry comprises several products such as transformers, switchgears, motors and control equipment. In 2009-10, the size of the electrical equipment industry stood at Rs 525 billion. The electrical equipment industry grew at 11.3 per cent during 2009-10. The main buyers of electrical equipment are power utilities. A typical electric equipment component has a life of 20-25 years; hence, replacement demand would incrementally add to the growth opportunities. The raw material cost of electrical equipment manufacturers is estimated at 50-60 per cent of sales. Primary raw materials include copper, aluminium and steel. A few large players dominate the electrical equipment industry. However, several other small and medium-sized players too specialise in specific product lines. In addition, there has been substantial competition from Chinese equipments manufacturers especially in the high voltage category. The electrical equipment industry is highly working-capital intensive as it takes 4-5 months to recover payments from SEBs, which are their major clients.

### Engineering

The demand for heavy engineering equipment is derived from user industries such as power, construction, cement, steel, chemicals, petrochemicals and refining. In addition, significant investments in power generation, and transmission and distribution (T&D) have driven growth of the engineering goods sector. Capital goods in the index of industrial production have seen a 34 per cent growth in the period April to June 2010 over the corresponding period in the previous year. An analysis of the various components of the capital goods sector suggests that the growth is no longer led by just a few segments such as commercial vehicles. It now extends to segments like diesel engines, industrial machinery, protection systems, ship building and repair, agriculture implements, power cables, electric motors, power-driven pumps and material handling equipment. A sharp spurt in the growth of the capital goods sector is an indicator of strong investment activity.

### Key Financial Indicators

	Units	Sep-07	Sep-08	Sep-09
Revenue	Rs million	94,036.8	97,035.5	93,358.7
EBITDA margins	Per cent	8.8	7.6	11.3
PAT	Rs million	6,940.0	6,054.5	7,005.0
PAT margins	Per cent	7.4	6.2	7.5
Revenue growth	Per cent	55.0	3.2	-3.8
EBITDA growth	Per cent	24.4	-10.6	43.6
PAT growth	Per cent	77.0	-12.8	15.7
Gearing	Times	0.0	0.0	0.0
RoCE	Per cent	63.7	44.9	50.6
RoE	Per cent	50.1	32.0	29.8

## ANNUAL RESULTS

### Income Statement

(Rs million)	Sep-07	Sep-08	Sep-09
Net Sales	93,224.7	96,336.4	92,336.3
<b>Operating Income</b>	<b>94,036.8</b>	<b>97,035.5</b>	<b>93,358.7</b>
<b>EBITDA</b>	<b>8,250.9</b>	<b>7,376.3</b>	<b>10,594.7</b>
<b>EBITDA Margin</b>	<b>8.8</b>	<b>7.6</b>	<b>11.3</b>
Depreciation	1,403.4	1,616.9	1,732.7
Interest	-1,402.4	-1,420.6	285.7
Other Income	899.2	1,081.8	887.5
PBT	9,947.4	9,537.3	10,964.8
<b>PAT</b>	<b>6,940.0</b>	<b>6,054.5</b>	<b>7,005.0</b>
<b>PAT Margin</b>	<b>7.4</b>	<b>6.2</b>	<b>7.5</b>
No. of shares (Mn No.)	168.6	337.2	337.2
Earnings per share (EPS)	41.2	18.0	20.8

### Cash flow

(Rs million)	Sep-07	Sep-08	Sep-09
Pre-tax profit	9,149.1	8,261.9	9,463.8
Total tax paid	-3,153.6	-4,169.3	-3,694.3
Depreciation	1,403.4	1,616.9	1,732.7
Change in working capital	-7,352.5	1,880.4	-4,165.1
<b>Cash flow from operating activities</b>	<b>46.4</b>	<b>7,589.9</b>	<b>3,337.1</b>
Capital Expenditure	-3,375.8	-1,985.2	-3,602.0
Investments and others	194.6	-507.2	2,450.2
<b>Cash flow from investing activities</b>	<b>-3,181.2</b>	<b>-2,492.4</b>	<b>-1,151.8</b>
Equity raised/(repaid)	0.0	0.0	0.0
Debt raised/(repaid)	277.0	-204.7	-105.9
Dividend (incl. tax)	-1,015.9	-1,581.4	-1,972.3
Others (incl extraordinary)	822.7	1,343.7	1,417.0
<b>Cash flow from financing activities</b>	<b>83.8</b>	<b>-442.4</b>	<b>-661.2</b>
Change in cash position	-3,051.0	4,655.1	1,524.1
Opening cash	11,617.7	8,569.7	13,221.8
<b>Closing cash</b>	<b>8,569.7</b>	<b>13,221.8</b>	<b>14,745.8</b>

n.m : Not meaningful;

### Balance sheet

(Rs million)	Sep-07	Sep-08	Sep-09
Equity share capital	337.2	674.3	674.3
Reserves and surplus	16,065.9	20,784.2	24,878.5
<b>Tangible net worth</b>	<b>16,403.0</b>	<b>21,458.5</b>	<b>25,552.8</b>
Deferred tax liability: asset	-775.3	-1,461.9	-1,196.4
Long-term debt	62.4	44.2	6.1
Short-term-debt	254.7	68.2	0.4
<b>Total debt</b>	<b>317.1</b>	<b>112.4</b>	<b>6.4</b>
Current liabilities	34,677.3	47,280.5	42,048.5
Total provisions	5,502.9	7,928.9	12,766.7
<b>Total liabilities</b>	<b>56,125.0</b>	<b>75,318.4</b>	<b>79,178.0</b>
Gross block	11,310.1	12,813.9	11,787.6
Net fixed assets	6,670.9	7,553.2	8,568.2
<b>Investments</b>	<b>1,943.1</b>	<b>2,450.3</b>	<b>0.1</b>
<b>Current assets</b>	<b>47,513.9</b>	<b>65,314.8</b>	<b>70,609.8</b>
Receivables	25,951.0	37,714.2	36,134.2
Inventories	7,898.3	8,107.2	10,554.8
Cash	8,569.7	13,221.8	14,745.8
<b>Total assets</b>	<b>56,127.9</b>	<b>75,318.3</b>	<b>79,178.1</b>

### Ratio

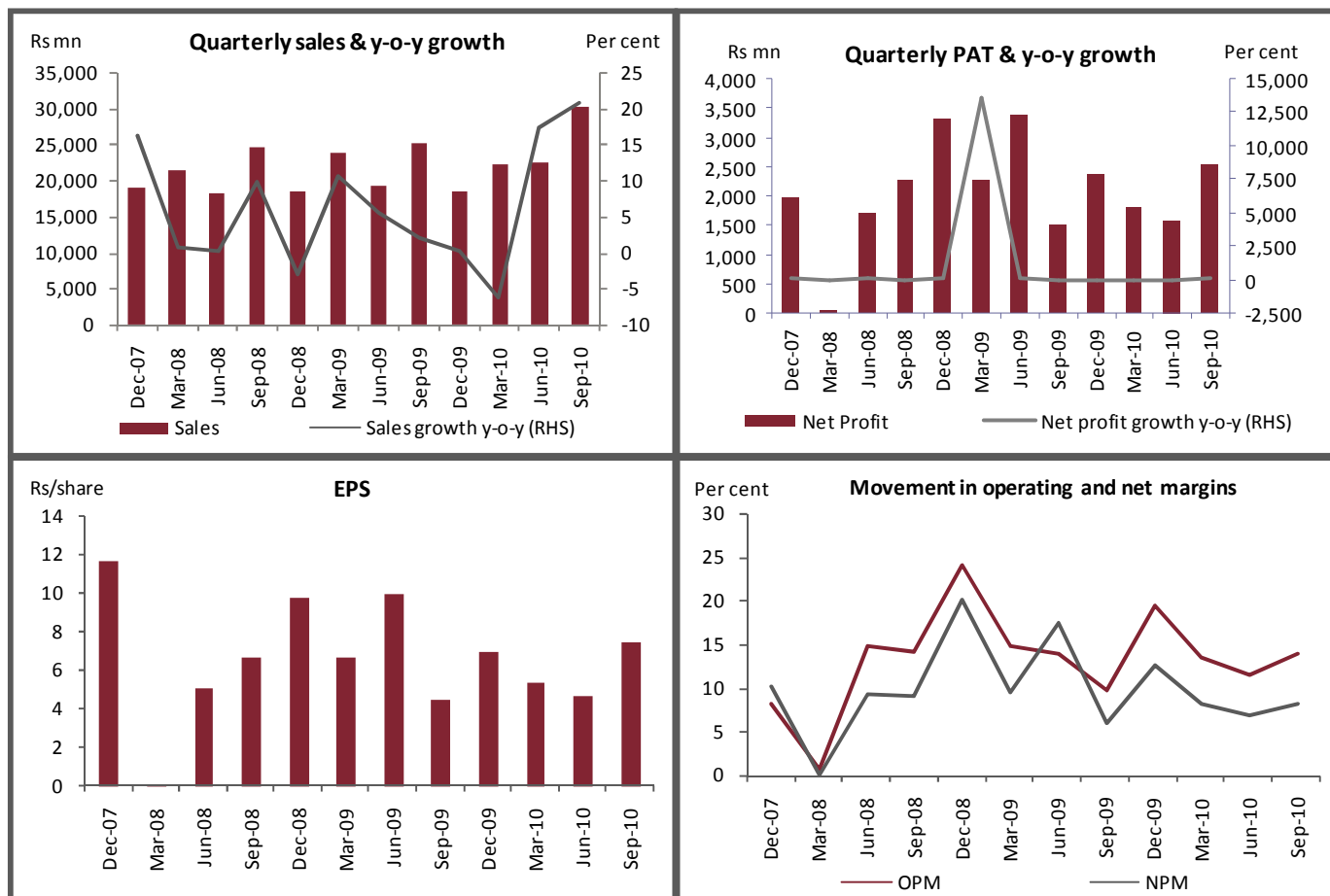
	Sep-07	Sep-08	Sep-09
Revenue growth (%)	55.0	3.2	-3.8
EBITDA growth(%)	24.4	-10.6	43.6
PAT growth(%)	77.0	-12.8	15.7
EBITDA margins(%)	8.8	7.6	11.3
Tax rate (%)	33.2	43.9	38.4
PAT margins (%)	7.4	6.2	7.5
Dividend payout (%)	11.7	16.7	24.1
Return on Equity (%)	50.1	32.0	29.8
Return on capital employed (%)	63.7	44.9	50.6
Gearing (x)	0.0	0.0	0.0
Interest coverage (x)	0.0	0.0	37.1
Debt/EBITDA (x)	0.0	0.0	0.0
Asset turnover (x)	9.1	8.0	7.6
Current ratio (x)	1.2	1.2	1.3
Gross current assets (days)	181	240	261

## QUARTERLY RESULTS

### Profit and loss account

(Rs million)	Sep-10	% of Rev	Sep-09	% of Rev	Jun-10	% of Rev
No of Months	3		3		3	
<b>Revenue</b>	<b>30,467.2</b>	<b>100.0</b>	<b>25,180.1</b>	<b>100.0</b>	<b>22,644.7</b>	<b>100.0</b>
<b>EBITDA</b>	<b>4,186.7</b>	<b>13.7</b>	<b>2,469.9</b>	<b>9.8</b>	<b>2,600.4</b>	<b>11.5</b>
Interest	-	-	(86.7)	(0.3)	-	-
Depreciation	300.8	1.0	213.3	0.8	249.5	1.1
PBT	3,885.9	12.8	2,296.7	9.1	2,350.9	10.4
<b>PAT</b>	<b>2,514.7</b>	<b>8.3</b>	<b>1,517.4</b>	<b>6.0</b>	<b>1,561.2</b>	<b>6.9</b>

## FOCUS CHARTS & TABLES



### Shareholding Pattern (Per cent)

	Dec 2009	Mar 2010	Jun 2010	Sep 2010
Promoter	55.2	55.2	55.2	55.2
FII	3.6	3.6	3.6	4.1
DII	22.7	23.2	23.4	23.1
Others	18.6	18.1	17.8	17.6

### Board of Directors

Director Name	Designation
Deepak Shantilal Parekh (Mr.)	Non-Executive Chairman
Armin Hans Wolfgang Bruck (Dr.)	Managing Director
Keki Bomi Dadiseth (Mr.)	Non-Executive Director
Wolfgang Josef Guenter Dehen (Mr.)	Non-Executive Director
Narendra Jamnadas Jhaveri (Mr.)	Non-Executive Director
Joe Kaeser (Mr.)	Non-Executive Director
Yezdi Hirji Malegam (Mr.)	Non-Executive Director
Sunil Dass Mathur (Mr.)	Director
Pradip Vasant Nayak (Mr.)	Non-Executive Director
Vijay Vaman Paranjape (Mr.)	Wholetime Director
Darius Cavasji Shroff (Mr.)	Non-Executive Director
Otmar Schmitt (Dr.)	Alternate Director To Mr. Joe
Stephan Schneider (Mr.)	Alternate Director To Mr. Wolfgang Dehen, Non-Executive Director

### Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

### Disclaimer

This report is based on data publicly available or from sources considered reliable. CRISIL Ltd. (CRISIL) does not represent that it is accurate or complete and hence, it should not be relied upon as such. The data / report is subject to change without any prior notice. Opinions expressed herein are our current opinions as on the date of this report. Nothing in this report constitutes investment, legal, accounting or tax advice or any solicitation, whatsoever. The subscriber / user assume the entire risk of any use made of this data / report. CRISIL especially states that, it has no financial liability whatsoever, to the subscribers / users of this report. This report is for the personal information only of the authorised recipient in India only. This report should not be reproduced or redistributed or communicated directly or indirectly in any form to any other person – especially outside India or published or copied in whole or in part, for any purpose.

CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of this report. For information please contact 'Client Servicing' at +91-22-33423561, or via e-mail: clientservicing@crisil.com.