

# Siemens Energy

## Play on decarbonization

Siemens Energy India Ltd (SEL) captures the maximum value among its peers as it has products/solutions covering a larger market size, viz., decarbonization, power generation, power evacuation, grid automation, EPC services, and clean energy like green hydrogen and battery storage. Over the years, this has been a highly profitable business for Siemens India which has clocked 22.6% EBITDA margin during H1FY25 (5 months). With the demerger, SEL becomes a power pureplay with exclusive rights for some South Asia countries (Bhutan, Nepal, Sri Lanka, and Maldives). New business lines viz. PEM electrolyzer, hydrogen blend fired gas turbines, and battery storage solutions will aid long-term growth as parent company has developed these technologies. SEL's robust order backlog of INR 150bn (2.1x FY25E revenue) lends strong growth visibility; we model 30% FY25-27E PAT CAGR. Given the strong cash flows, robust order book, limited competitive intensity, and export opportunities, we rate SEL as a BUY with a TP of INR 3,000/sh (60x Sep-27E EPS, P/E in line with our Hitachi Energy multiple).

- **Demerged entity to help decarbonize energy:** SEL benefits from India's decarbonization story as, post de-merger, the focus will be to introduce new products and services under the parent Siemens Energy's umbrella. Some of the use cases or proof of concepts may be too early to adopt to large-scale manufacturing or localization; still, SEL has access to global technology, viz., battery storage, proton membrane exchange (PEM) electrolyser for green hydrogen production at scale, hydrogen blend fired gas turbines, etc.
- **T&D play to remain dominant in the near to mid-term:** Indian T&D investments have significantly picked up over the last two years, which has benefited sectoral incumbents. This has largely been driven by big renewable push and investment in capacities for renewable power evacuation. India requires about INR 1.2trn in HVDC equipment investment, of which only INR 250bn has been awarded until now and won by consortium of Hitachi-BHEL. We have a pipeline of INR 0.9trn yet to be awarded. SEL's total addressable market in this may be INR 0.3trn under the VSC-based (voltage source converter technology) HVDC technology as it doesn't bid under LCC (line commutated converter) based HVDC technology, which is balance INR 0.6trn.
- **T&D high voltage market has grown 2.5x vs. pre-Covid:** Base T&D equipment, the total addressable market used to be INR 250bn pre-Covid. With new demand drivers, increase in prices, and under-investment in global and local capacity, the base TAM has increased to INR 300bn/annum. On top of this HVDC may add INR 200bn annually for next five years, with exports of INR 100bn per annum, and with new drivers like data center, large private capex, battery storage, pump hydro, and grid automation, another INR 100bn/annum. This shall take the annual ordering to INR 600-700bn/annum vs. INR 250bn/annum pre-Covid or 2.5x. These investments are coming at the high voltage end where globally the technology resides largely with top MNC players, viz., Hitachi Energy, Siemens Energy and GE Vernova, which creates a big entry barrier for competition.
- **EPC solutions, turbine and services to add to growth:** Under power generation, SEL supplies products like large gas and steam turbines, large generators to customers like power utilities, IPPs, EPC firms, and industrial customers. This is further augmented by O&M services and digitalization solutions. For industries, portfolio includes steam turbines (10KW to 250MW) and waste heat recovery solutions. SEL's key focus is the delivery of integrated industrial decarbonization solutions based on electrification, automation and digitalization, and aiding sustainability through carbon optimized energy solutions and hydrogen generation.

**BUY**
**CMP (as on 7<sup>th</sup> Apr 2025)\*** INR 2,350

**Target Price** INR 3,000

**NIFTY** 24,812

*\* ex date price (discovery price), HSIE est*
**SHAREHOLDING PATTERN (%)**

	Pre-demerger	Post-demerger
Promoters	75	75
Public & Others	25	25
Pledged Shares	-	-

*Source: BSE*

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**Financial Summary**

YE Sep (INR mn)	FY24	FY25E	FY26E	FY27E
Net Sales	61,580	71,622	87,522	1,05,158
EBITDA	9,840	14,969	18,905	22,609
APAT	6,980	11,094	15,378	18,610
Diluted EPS (INR)	19.6	31.2	43.2	52.3
P/E (x)	119.9	75.4	54.4	45.0
EV / EBITDA (x)	85.0	53.9	42.1	34.7
RoE (%)	10.7	48.9	30.0	28.8

Source: Company, HSIE Research

**Product offerings of Top 5 competitors**

	SEL	BHEL	GE Vernova T&d India Ltd	Hitachi Energy India	Crompton Greaves
Industrial Steam Turbines	√	√			
Industrial Generators	√	√			√
Turbine/Generator Service program and Maintenance solution	√	√			√
Digital Control Solutions and Services	√	√	√	√	
Flexible AC transmission systems (FACTS)	√	√	√	√	
High-voltage direct current (HVDC)	√	√	√	√	
High-voltage refurbishment solutions	√	√	√	√	√
High-voltage substations	√	√	√	√	√
Power Transformers & Reactors	√	√	√	√	√
Traction Transformers	√	√	√	√	√
Gas Insulated Switchgear (GIS)	√	√	√	√	√
Air Insulated Switchgear (AIS)	√	√	√	√	√
Instrument Transformers	√	√	√	√	√
Grid Services	√	√	√	√	√
Decarbonisation & Energy Efficiency Solutions	√	√	√	√	√

Source: Company Websites

**SEL products and solutions**

SEL has a comprehensive portfolio of products, solutions, and services designed to support customers along the entire energy value chain and help them go through the energy transition and achieve their decarbonization and net zero targets. The company has exclusive business rights in South Asia (India, Bhutan, Nepal, Sri Lanka and Maldives) for Siemens Energy products, solutions and services portfolio (except Wind Power and Compressors), covering the entire value chain from sales, engineering, manufacturing, installation, commissioning to after services. Further, SEL also undertakes exports of products and solutions to Siemens Energy Group customers through Siemens Energy sales channels across the world.

## SEL portfolio is divided into the following segments

### Power Transmission

**Products:** Air Insulated Switchgears AIS (up to 800 kV) and Gas Insulated Switchgears GIS (up to 420 kV), Bushings, Instrument Transformers and Coils, Power Transformers (up to 765 kV, 500 MVA), Reactors (up to 765 kV), and Traction Transformers (up to 33 kV, 10 MVA).

**Solutions:** EPC and Turnkey projects for high and extra high voltage AIS and GIS Substation projects, Grid Stabilization with Flexible Alternating Current Transmission System (FACTS) - Synchronous Condensers (SYNCONs) and Static Synchronous Compensators (STATCOMs), Voltage-Source Converter High Voltage Direct Current transmission systems (HVDC VSC).

**Services:** Extensive range of services for the complete lifecycle of the High Voltage/ Extra High Voltage asset and projects including bay extension, substation modernization, product retrofitting and overhauling, emergency services, breakdown services, Long-Term Service Agreements (LTSA), maintenance contracts, O&M contracts and spares. SEL main Power Transmission customers are power utilities, data centres, infrastructure, and industry customers.

### Power Generation

**Central Gas fired Power Generation:** Large Gas Turbines and Steam Turbines for power generation utilities and IPPs. SEL offers a wide range of services and solutions including operation and maintenance services, modernization and upgradation, plant flexibilization, control and digitalization solutions (digital control systems, field instruments and equipment) and professional consulting.

**Distributed Gas Fired Power Generation:** Industrial Gas Turbines and Steam Turbines for industries, oil & gas, data centres, medium-sized power generation utilities and IPPs. SEL offers a wide range of services and solutions including operation and maintenance services, modernization and upgradation, plant flexibilization, control and digitalization solutions (digital control systems, field instruments and equipment) and professional consulting.

**Transformation of the industry:** Industrial Steam Turbines (ranging from 10 KW to 250 MW). SEL offers solutions for energy efficiency as Waste Heat Recovery (WHR), and a wide range of services and solutions including operation and maintenance services, modernization and upgradation, control and digitalization solutions (digital control systems, field instruments and equipment) and professional consulting. It also focuses on providing solutions for the Electrification, Digitalization and Automation of the process industry (oil and gas, chemicals, petrochemicals, paper & pulp, sugar & ethanol, etc.), marine industry (electrical traction systems for e-ferry, e-vessels) and defence industry (electrical traction systems for submarine and other vessels).

## Financials

### Consolidated Income Statement

Year ending March (INR mn)	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>61,580</b>	<b>71,622</b>	<b>87,522</b>	<b>1,05,158</b>
<i>Growth (%)</i>	2.8	16.3	22.2	20.2
Material Expenses	37,035	40,896	51,201	62,569
Employee Expenses	8,283	8,595	9,715	10,516
Other Operating Expenses	6,422	7,162	7,702	9,464
<b>EBIDTA</b>	<b>9,840</b>	<b>14,969</b>	<b>18,905</b>	<b>22,609</b>
<i>EBIDTA (%)</i>	16.0	20.9	21.6	21.5
<i>EBIDTA Growth (%)</i>	29.5	52.1	26.3	19.6
Depreciation	739	788	893	946
<b>EBIT</b>	<b>9,101</b>	<b>14,181</b>	<b>18,012</b>	<b>21,663</b>
Other Income (Incl. EO Items)	482	859	2,713	3,365
Interest	165	215	175	158
<b>PBT</b>	<b>9,418</b>	<b>14,826</b>	<b>20,550</b>	<b>24,870</b>
Tax	2,438	3,732	5,173	6,260
<b>RPAT</b>	<b>6,980</b>	<b>11,094</b>	<b>15,378</b>	<b>18,610</b>
EO items (net of tax)	-	-	-	-
PAT from discontinued Operations	-	-	-	-
<b>APAT</b>	<b>6,980</b>	<b>11,094</b>	<b>15,378</b>	<b>18,610</b>
<i>APAT Growth (%)</i>	NA	58.9	38.6	21.0
EPS	19.6	31.2	43.2	52.3
<i>EPS Growth (%)</i>	34.2	58.9	38.6	21.0

Source: Company, HSIE Research

### Consolidated Balance Sheet

As at March (INR mn)	FY25E	FY26E	FY27E
<b>SOURCES OF FUNDS</b>			
Share Capital	712	712	712
Reserves	44,640	56,457	71,506
<b>Total Shareholders Funds</b>	<b>45,352</b>	<b>57,169</b>	<b>72,218</b>
<b>Total Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Non Current Liabilities	5,164	5,370	5,585
Deferred Taxes	(1,624)	(1,624)	(1,624)
<b>TOTAL SOURCES OF FUNDS</b>	<b>48,892</b>	<b>60,915</b>	<b>76,179</b>
<b>APPLICATION OF FUNDS</b>			
Net Block	3,380	3,487	4,041
CWIP	2,110	2,110	2,110
Investments	-	-	-
Other Non Current Assets	1,168	1,168	1,168
<b>Total Non-current Assets</b>	<b>6,658</b>	<b>6,765</b>	<b>7,319</b>
Inventories	7,849	9,592	11,524
Debtors	19,929	22,780	27,370
Cash & bank balances	29,388	40,013	51,785
Dermerger related Assets/other assets	12,835	14,760	16,974
<b>Total Current Assets</b>	<b>70,001</b>	<b>87,145</b>	<b>1,07,653</b>
Creditors	17,660	21,581	25,929
Other Current Liabilities & Provns	10,108	11,415	12,864
<b>Total Current Liabilities</b>	<b>27,768</b>	<b>32,996</b>	<b>38,794</b>
<b>Net Current Assets</b>	<b>42,233</b>	<b>54,149</b>	<b>68,860</b>
Misc Expenses & Others/Held for Sale	-	-	-
<b>TOTAL APPLICATION OF FUNDS</b>	<b>48,892</b>	<b>60,915</b>	<b>76,179</b>

Source: Company, HSIE Research

**Consolidated Cash Flow**

Year ending March (INR mn)	FY25E	FY26E	FY27E
PBT	14,826	20,550	24,870
Non-operating & EO items			
Interest expenses	215	175	158
Depreciation	788	893	946
Working Capital Change	(6,063)	(1,291)	(2,939)
Tax paid	(3,732)	(5,173)	(6,260)
<b>OPERATING CASH FLOW ( a )</b>	<b>6,033</b>	<b>15,155</b>	<b>16,776</b>
Capex	(1,365)	(1,000)	(1,500)
Free cash flow (FCF)	<b>4,668</b>	<b>14,155</b>	<b>15,276</b>
Investments	(365)	-	-
Non operating income	-	-	-
<b>INVESTING CASH FLOW ( b )</b>	<b>(1,730)</b>	<b>(1,000)</b>	<b>(1,500)</b>
Share capital Issuance	-	-	-
Dividend payment	(3,561)	(3,561)	(3,561)
Debt Issuance/Lease liabilities paid	510	207	215
Interest expenses	(215)	(175)	(158)
<b>FINANCING CASH FLOW ( c )</b>	<b>(3,265)</b>	<b>(3,530)</b>	<b>(3,504)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>1,038</b>	<b>10,625</b>	<b>11,772</b>
Opening Cash & Equivalents	23,172	29,388	40,013
Others - Margin & IPO deposits (cl. Bal)	5,178		
Closing Cash & Equivalents	<b>29,388</b>	<b>40,013</b>	<b>51,785</b>

**Key Ratios**

	FY25E	FY26E	FY27E
<b>PROFITABILITY (%)</b>			
GPM	42.9	41.5	40.5
EBITDA Margin	20.9	21.6	21.5
EBIT Margin	19.8	20.6	20.6
APAT Margin	15.5	17.6	17.7
RoE	48.9	30.0	28.8
Core RoCE	148.0	90.2	94.4
RoCE	49.6	30.3	28.9
<b>EFFICIENCY</b>			
Tax Rate (%)	25.2	25.2	25.2
Asset Turnover (x)	7.9	8.6	9.0
Inventory (days)	40	40	40
Debtors (days)	102	95	95
Payables (days)	90	90	90
<i>Cash Conversion (days)</i>	<b>52</b>	<b>45</b>	<b>45</b>
Other Current Assets (days)	65	62	59
Other Current Liab (days)	52	48	45
<b>Net Working Capital Cycle (Days)</b>	<b>65</b>	<b>59</b>	<b>59</b>
Debt/EBITDA (x)	0.0	0.0	0.0
Net D/E	(0.6)	(0.7)	(0.7)
Interest Coverage	66.0	102.9	137.3
<b>PER SHARE DATA</b>			
EPS (Rs/sh)	31.2	43.2	52.3
CEPS (Rs/sh)	33.4	45.7	54.9
DPS (Rs/sh)	10.0	10.0	10.0
BV (Rs/sh)	127	161	203
<b>VALUATION</b>			
P/E	75.4	54.4	45.0
P/BV	18.5	14.6	11.6
EV/EBITDA	53.9	42.1	34.7
OCF/EV (%)	0.7	1.9	2.1
FCF/EV (%)	0.6	1.8	1.9
FCFE/Market Cap (%)	0.6	1.7	1.8
Dividend Yield (%)	0.4	0.4	0.4

Source: Company, HSIE Research

### 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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