



23<sup>rd</sup> May, 2023

National Stock Exchange of India Limited  
BSE Limited

**Scrip Code –**

National Stock Exchange of India Limited: SIEMENS EQ  
BSE Limited: 500550

**Information pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”)**

Dear Sir / Madam,

Pursuant to Regulation 30, 46 and other applicable regulations of the Listing Regulations, please find enclosed the transcript of the Company’s Analysts / Institutional Investors call held on 19<sup>th</sup> May, 2023.

The said transcript is also available on the website of the Company at: <https://new.siemens.com/in/en/company/investor-relations/analyst-meet.html>.

Kindly take the above information on record.

Yours faithfully,

For **Siemens Limited**

**Ketan Thaker**  
Company Secretary

Encl.: as above

**Siemens Limited**  
Management: Sunil Mathur  
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## **Siemens Limited**

### **Analyst Call**

**19<sup>th</sup> May, 2023**

#### **Management:**

- Mr. Sunil Mathur – Managing Director and Chief Executive Officer, Siemens Limited
- Dr. Daniel Spindler – Executive Director and Chief Financial Officer, Siemens Limited
- Ms. Ramya Rajagopalan – Head, Communications, Siemens Limited
- Mr. S. Venkatesh – Head, Investor Relations, Siemens Limited

- **Mr. Venkatesh S – Head of Investor Relations, Siemens Limited:**

- Good afternoon and welcome to the Siemens Limited Analyst Call. This is Venkatesh, Head of investor relations, Siemens Limited. I trust all of you and your loved ones are safe and in good health. This conference will be in listen-only mode and there will be an opportunity for you to ask questions after the conclusion of the speech. A few instructions before I start the safe harbour statement. Your camera and mic will be disabled. You would need to raise your hand by clicking on the raise hand button in order to ask questions. We will unmute the mic at our end when your turn comes to speak. We request you also to unmute your mic before you ask your question.
- On the call we have Mr. Sunil Mathur – Managing Director and Chief Executive Officer and Dr. Daniel Spindler – Executive Director and Chief Financial Officer of Siemens Limited. Now, before I hand it over to Mr. Mathur, let me begin with the safe harbour statement. Siemens Limited given cannot give assurance to the correctness of such information and statements. These forward looking information and statements are generally identified by the fact that they do not relate only to historical or current facts. Forward looking statements sometimes use terminology such as targets, believes, expects, aims, assumes, intents, plans, seeks, will, may, anticipates, would, could, continues, estimate, milestone, or other words of similar meaning and similar expressions, or the negatives thereof. By their nature, forward looking information and statements involve both known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements that may be expressed or implied by the forward looking information and statements. Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove to be incorrect, the Company's actual financial condition or results of the operations could differ materially from that or those described herein as anticipated, believed, estimated or expected.
- Given the aforementioned uncertainties, the prospective or present investors are cautioned not to place undue reliance on any of these forward looking statements. No part of this call, nor the fact of its distribution should form the basis of or be relied on in connection with any contract or commitment or investment decision whatsoever. Investor/prospective investors must seek advice on specific situation from well informed legal, investment, tax, financial and management professionals. The transcript and its contents must not be distributed, published or reproduced. This transcript does not constitute a recommendation regarding the securities of the Company. This call is being recorded and the audio recording and transcript will be submitted to the stock exchanges and also hosted on our website.
- I now invite Mr. Mathur to begin his speech.
- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**
- Thank you, Venkatesh, and very good evening, ladies and gentlemen. Apologies for this short notice for the call, but due to regulatory reasons, we couldn't give you too much of advanced notice on that. I would like to today give you an update on two transactions that the Board of Directors today has approved. Let me start first with

the first approved matter by the Board. The Board of Directors of the Company, based on the recommendations of the Committee of Directors and the Audit Committee, has today approved the sale and transfer of the Company's low voltage motors and geared motors businesses, including the respective customer service business, forming part of the Company's Digital Industries business to Siemens Large Drives India Private Limited, which is a subsidiary of Innomotics GmbH, which in turn is a subsidiary of Siemens AG. As a going concern on a slump sale basis with effect from 1<sup>st</sup> October 2023, the consideration for the proposed transaction is Rs. 2,200 crore, subject to adjustment for the change in net current assets subsequent to 31<sup>st</sup> March 2023 and up to the date of actual transfer of the business. The consideration for the proposed transaction, as recommended by the Committee of Directors and Audit Committee is based on valuation done by Grant Thornton Bharat LLP. ICICI Securities Limited Category I merchant banker has given a fairness opinion certifying that the valuation of the business done by the valuer is fair. The proposed transaction is subject to fulfilment of conditions precedent agreed between the parties, including receipt of requisite shareholders, regulatory and statutory approvals, as applicable.

- Now, let me share the rationale for this decision with you. Siemens AG intends to carve out the low voltage motors and geared motors business, among others globally, into a legally separate company. This is based on Siemens AG's decision to form Innomotics, an integrated provider of motors in large drives. Effective 1<sup>st</sup> of July 2023, the carve out in Germany will be completed and Innomotics GmbH will operate as a legally separate and independent company within the Siemens group. In a second step, Siemens AG has informed us of their intent to diligently review options regarding the best future ownership of Innomotics. Such options include a public listing as well as a combination with a strategic partner or long-term oriented financial investor. As the intellectual property rights for these products are with Siemens AG and in view of the future plans of Siemens AG for this business, the Board of Siemens Limited has taken the decision to approve the sale and transfer of this business.
- Now, let me provide a brief overview about the business proposed to be sold and transferred. The business forms part of the Company's Digital Industries business. The low voltage motors business predominantly comprises motors of 0.12 kilo watts to 1.25 megawatts. With frames ranging from 71 to 450, with an IE 2, IE 3 and IE 4 motors type. The remaining market being explosion proof motors and special purpose motors are largely imported products. The Company has very insignificant presence in this area of the business. The application of such products is primarily in machine building, metals, food and beverages, chemicals, power, minerals and others. The business is short cycled in nature and has an asset light model. The Company follows an outsourced manufacturing model for the low voltage motors with Siemens Designs and its stringent quality controls across the supply chain and manufacturing.
- For the financial year 2022, that is, September 2022, the business recorded a revenue from operations of Rs. 1,061 crore and profit from operations of Rs. 132 crore, which is equivalent to around 12½% of revenue. This represents around 7% of the Company's revenue from operations and about 9% of the Company's profit from operations. For the half year ended March 31, 2023, the business represents around 6% of the Company's revenue from operations and around 9% of the Company's profit from operations. For the financial year 2022, the net capital employed of the business was a negative Rs. 88 crore, and for the half year ended March 31, 2023, the net capital employed was a negative Rs. 92 crore.

- Low voltage motors market growth in units was a low single digit over the period 2018 to 2023. Siemens revenue and profitability numbers increased substantially due to pent up demand from the pandemic, high commodity prices, and increased competitiveness resulting from a shift to an outsourcing business model. Going forward however, we see a declining trend in commodity prices, and the business is expected to stay in line with the market growth.
- Moving to the valuation rationale, the valuer has applied the following methodologies:
  - o discounted cash flow method assuming a weighted average cost of capital of 12.4%,
  - o and the market multiple method wherein they've considered the median enterprise value to trailing twelve months earnings before interest, taxes, depreciation and amortization of selected comparable companies.
- In the absence of closely comparable public listed companies, the valuer has considered multiples of Indian listed companies operating in broadly similar industry and engaged in economic activities partially similar to the business. The valuer has assigned equal weights to the values derived under DCF method and market multiple method. The valuer GT has recommended a valuation in the range of Rs. 2,070 crore to Rs. 2,165 crore. The Board decided to take the higher end of their recommended valuation and further increased it to Rs. 2,200 crore. Based on the Financial Year 22 financials, this translates to a revenue multiple of 2.1 and an EBITDA multiple of 15.5 of the business.
- In addition, the Board of Directors has also decided to consider the distribution of 100% of the sale consideration as reduced by applicable capital gains tax and any other applicable taxes, if any, on the transaction as a special dividend at the first Board meeting after completion of the proposed transaction.
- Siemens Limited is focused on further strengthening its position as a leading technology company. The Company will continue to consolidate its business along high growth areas that have synergies with the rest of the businesses. This will enable the Company to optimize its portfolio as a strategic lever creating value and cash for the Company.
- Let me now talk about the second proposal. Encouraged by the FAME II policy of the Government of India and electric vehicles policies notified by the various state governments, the electric vehicle market in India is in the midst of a transformation, witnessing rapid growth.
- With an aim to address fast growing demand for electric vehicle charging infrastructure in India, Siemens Limited today signed an agreement to acquire the electric vehicle division of Mumbai based Mass-Tech Controls Private Limited. The EV Division of Mass-Tech Controls is engaged in design, engineering and manufacturing of a wide range of AC and 30 – 300kW capacity DC chargers for various end applications.
- As per the unaudited financial statements as of 31<sup>st</sup> March 2023, the EV business of Mass-Tech reported a revenue of Rs. 16.7 crore. The purchase consideration is Rs. 38 crore on a cash free, debt free basis and subject to other adjustments that are mutually agreed between the parties to the transaction.

- Closing of the acquisition is subject to fulfilment of conditions precedent as agreed between the parties and receipt of requisite regulatory, statutory and other approvals and consents. Post the acquisition, the EV Division of Mass-Tech Controls will be fully integrated into the e-Mobility Business unit, which is a part of the Smart Infrastructure business of Siemens Limited.
- The acquisition will strengthen Siemens's capability to provide homologated EV charging infrastructure in the Indian market, while Siemens is active globally in the e-mobility infrastructure space for over a decade, the addition of this portfolio will complete Siemens India's portfolio of e-mobility solutions and will address the needs of the Indian market. This will help us to accelerate our growth plans in the fast growing e-mobility business segment.
- So with this ladies and gentlemen, we are open now for Q&A. Ramya over to you. Please moderate the session.
- **Ms. Ramya Rajagopalan – Moderator:**
- Thank you Mr. Mathur. I'll request each one of you as I take your names, to unmute yourself, state your name and the organization that you belong to, and ask your question, please. I would request each one of you to limit your questions to maximum two questions to allow your other fellow colleagues to ask questions as well. May I request Mohit Kumar to unmute himself and ask your question, please?
- **Mr. Mohit Kumar – ICICI Securities:**
- Good evening, sir and congratulations on a very good quarter. Sir, my first question is on - you divested the motors business in this quarter last year. I think we sold large drives. My question is, is there something else which can be divested because SAG has an interest? And what was the market share in the motors market and what was the growth in FY22 and FY23 in the low voltage motors?
- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**
- Ok Mohit, just to answer that. Yes, you are correct. Last year we were asked to carve out the large drives business, which included medium voltage motors. This is above 1.2, or roughly 1 megawatt range, which is what we carved out last year. This was negligible. As you recall, it was about Rs. 440 crore last year and covered roughly 3% of Siemens business at that time. The low voltage business is below 1 megawatt, covers 6% roughly of the business volume, 6½% of the business volumes. And together, this is what will cover an integrated motor company, which is what Siemens AG has announced they will do. Now, as with previous carve outs, and as you are aware, we are governed in India very largely, or we are dependent very largely on the global product portfolio that Siemens has and the global strategy that Siemens has. Now, Siemens announced earlier in the year and last year as well, that they would like to carve out the motors business primarily because they do not see this as being a strategic fit to the overall growth plans of Siemens, which is moving up the value chain from electrification to automation to digitalization. And that is why they first announced the large drives and later, earlier this year, the Board took the decision, the global Board took the decision to carve out the low voltage motors as well.
- Now, what can happen in the future, I cannot tell. A lot of it will depend on the global strategy of the parent. As with everything, we will look at it on a case-to-case basis.

The reality for us, however, is that the IPR rights for these motors is with the parent company, and as the parent company outlined in the beginning, they intend post the carve out on 1<sup>st</sup> of October to potentially look for various options to subsequently carve the business out either through IPO or through various other means. Now, that would mean there is a risk of the IP also being transferred, and therefore it did make sense for us to also transfer this business at this point in time.

- **Mr. Mohit Kumar – ICICI Securities:**

- What is the market share in the motors market in FY23 and what are the growth in FY22 and FY23 for the low voltage motors?

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- I don't want to go specifically to market share, but let me just talk about the three or four large companies and I think the market is broadly divided between three or four large companies - Crompton Greaves, ABB, Bharat Bijlee ourselves, and a couple of others as well. So it is a mixture. The market is also built up, as with most markets, into premium markets, mid segment markets and low markets. We do not play in the medium and low-price segments of the market. We are only active in the premium segments of the market. So therefore the markets are varied and it's difficult to say specifically case by case which competitor is active in which segment of the market.

- **Mr. Mohit Kumar – ICICI Securities:**

- My second question on the e-mobility segment. If I can ask on the 9000 HP, what is our margin expectation and the value addition you expect to be done by Siemens India? If you can detail it out, it will be very helpful. And the status of the contract and whether we have started the work?

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- Are you talking about the locomotive project?

- **Mr. Mohit Kumar – ICICI Securities:**

- Yeah, locomotive.

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- Which is different from what I've just announced right now? Is that something else?

- **Mr. Mohit Kumar – ICICI Securities:**

- No.

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- It is not related to the call that we've done just now. Are you looking for the locomotive project or are you looking on the...?

- **Mr. Mohit Kumar – ICICI Securities:**

- Yes on the locomotive project I'm asking.

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**
- Okay. So, on the locomotive project, there is almost close to over 90-95% local value addition here in the country.
- **Mr. Mohit Kumar – ICICI Securities:**
- And sir the margin expectation on this?
- **Mr. Sunil Mathur - MD & CEO, Siemens Limited:**
- So the margin expectation will be mid segment margins in line that we are today.
- **Mr. Mohit Kumar – ICICI Securities:**
- Understood, sir. Thank you and all the best sir.
- **Ms. Ramya Rajagopalan – Moderator:**
- Thank you Mohit. Parikshit, would you like to unmute yourself and state the organization you're from and ask your question, please?
- **Mr. Parikshit Kandpal – HDFC Securities:**
- Mr. Mathur, I'm Parikshit from HDFC Securities. So, my first question is on locomotives business. So, in the last call you said that once you get the order, you will give more details. Last time I asked this question that there was a big difference between your bid and the Alstom bid, almost 100% difference. But despite that, what gives you so much of confidence that you'll be able to make current margins in this project?
- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**
- So, look, we cannot comment on the price levels of the competition. We are very confident that our price is the right price. We are very confident that, as I said, and answered to the previous question, that the margins are at a level that meet our hurdle rates. I cannot comment on the pricing strategy of the competition.
- **Mr. Parikshit Kandpal – HDFC Securities:**
- Okay. In your results highlights, you've highlighted the railway as a big segment emerging as a big ordering segment. So potentially beyond this 9000 HP, there was this 12,000 HP tenders. So any sense when it is happening and other opportunities also in railways which you can highlight?
- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**
- So on the 12,000 HP, I think the current expected date or the date for the tender is some time in August. But there is a whole pipeline of other possibilities out there which Vande Bharat is there, of course the 12,000 HP is there. So there are a whole range, there's a lot of electrification happening, there's a lot of railway signalling projects coming up. So yes, the opportunities on the railways are quite substantial.



- **Mr. Parikshit Kandpal – HDFC Securities:**
- And sir the last thing on the power grid business. On the high voltage side, if you can help us understand what is your local sense on that segment of the business?
- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**
- On which business? Sorry?
- **Mr. Parikshit Kandpal – HDFC Securities:**
- Power grids.
- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**
- So, on the power grid so TBCB projects are of course doing well. Transmission, they have begun to pick up. Now, sporadically we should say, but they are definitely picking up. In terms of distribution, of course, there's an issue. But we do see a spurt in TBCB substations, high voltage substations, statcoms, a couple of inquiries on statcoms and facts coming out as well. So the transmission business is doing fairly well. The inquiries are substantial. There could be one or two HVDCs on the horizon as well. But we are not really sure how many of them will actually materialize or be tendered. But with the grid volatility increasing due to increase in renewables, we do believe statcoms and high voltage substations, the demand for it will pick up.
- **Mr. Parikshit Kandpal – HDFC Securities:**
- Okay. Thank you, sir.
- **Ms. Ramya Rajagopalan – Moderator:**
- Thank you. Parikshit. Umesh Raut, would you like to please unmute yourself and go ahead with your question, please?
- **Mr. Umesh Raut – PhillipCapital:**
- This is Umesh Raut here. I'm from PhillipCapital. First of all, congratulations for the quarter gone by. My question first pertains to the restructuring exercise we have done in last 15 years. There are almost 17 restructuring exercises that we have done. I just wanted to understand now, looking forward, what could be our idea in terms of establishing business overall, in terms of automation, as well as some of these traditional economies, industries like energy as well as mobility business. So whether what we are looking forward to in terms of new acquisitions, whether those will be on a similar lines, or we will be kind of looking for anything which is more over and additional about this?
- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**
- So look, over the last 15 years, portfolio has been readjusted both globally as well as in the country. Our volumes continue to increase, as you have seen. Our profit margins continue to improve. Strategically Siemens Global and us here in the country, are directionally moving from electrification to automation, to digitalization. The advantage that we have here as a Company is that we are present in over 20 market verticals, from food and beverage, to power, to railways, to pharmaceutical,

steel, cement and so on. And this gives us a great base in terms of electrification and automation, where we already have the base understanding of processes, have the detailed knowledge of the customer needs. This is where our digital technology then kicks in. With the introduction and with the growth in our digital business, we believe that we are able to build on the electrification and automation base that we currently already have.

- Moving forward, mobility is very clearly a core business for us. Transmission, distribution, energy, etc. continues. As we move forward however, we cannot say how the market will develop, what the decisions of the parent will be, we are not privy to them. But all we can say right now is all our businesses are doing well. Our growth strategy is intact. I've just outlined it to you. Our focus continues on profitable growth. We have demonstrated that we are growing well. We are selective about the orders that we have. We are growing in rank with infrastructure and industrial growth in the country and we will continue on this track.

- **Mr. Umesh Raut – PhillipCapital:**

- Okay, thank you so much. My second question is on Mobility Business. So how we are looking pipeline shaping for metro projects? And secondly, also the potential ordering which can start from the high-speed rail project between Mumbai and Ahmedabad.

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- So firstly, we are not active in the Mumbai-Ahmedabad high speed rail. This is a Japanese project. It is being handled separately. We do not have significant content in that project. In terms of the market overall, we do see substantial ordering, tendering activities happening from the Indian railways. I just mentioned earlier, we are seeing a whole lot of train sets, a whole lot of Vande Bharat trains, a whole lot of locomotives that have been tendered, there is an announcement of the 12,000 HP tender that is in place, a lot of electrification and signalling projects happening and being tendered by the railways.
- You talked about metros. There are some metros on the horizon. Of course, we've got to distinguish between which of them are PPP under the PPP level and which of them are being carried out directly by the government. We will address the metro market on a case-to-case basis. We have expanded capacities. As you know, we have reopened our bogie factory in Aurangabad and are servicing a lot of projects out there. We have started with export project and bogies in our Aurangabad factory. So we are very-very committed to the mobility market in India and do believe this has a huge potential for growth, particularly in the last two or three years where we have seen substantial ordering actually taking place.

- **Mr. Umesh Raut – PhillipCapital:**

- Thank you so much.

- **Ms. Ramya Rajagopalan – Moderator:**

- Thank you. Let's go on to the next question from Harshit Patel. Harshit, if you could unmute yourself and go ahead with the question, please?

- **Mr. Harshit Patel – Equirus Securities:**

- Hi sir, this is Harshit Patel from Equirus Securities. Thank you very much for the opportunity. Sir my first question is on our Digital Industries business. One of our core strength was that we were able to provide an integrated automation solution, including motors, drives, electrification products and on top of that digitalization layer. Now that we will have to procure motors and drives from outside, from a company, I mean, we won't be having any IP rights, as you have mentioned. How do you think our key strength will be compromised?

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- I do not believe there will be any impact in approaching the market and this is exactly the reason why Siemens AG has done that as well. The synergy level is not substantial. Now, when we look at our Digital Industries business, the know-how of the plants, the manufacturing processes, the automation etc. is what the real meat of the business is. We believe motors can be outsourced and it doesn't matter whether we manufacture them ourselves or whether we outsource them. The key driver in the Digital Industries' business is the automation and digitalization content. And this is, the automation, we are the global leader in automation and with that, that is the base and the foundation on which we build our digital know-how. The rest of it below that can actually be bought out from anywhere. So, our strength in the Digital Industries will really be in answering customers problems. For example, how do you reduce wastage in a plant, how can you increase productivity, how can you increase throughput time, how do you reduce or improve the purity in a pharma drug, etc. Those will be the issues that we will be addressing in the future based on the digital know-how, based on the automation know-how that we have.

- **Mr. Harshit Patel – Equirus Securities:**

- Understood sir. My second question is you have previously mentioned that we don't have any immediate plans to manufacture PLCs DCS - the core automation products in the country. At what market size you would be willing to localize these products in India? At what market size it will become somewhat economically viable for us to do that?

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- So frankly, look, we are a part of the global supply chain, right? We have currently in the country 32 factories that are part of a global supply chain of Siemens. We sell to Siemens companies in other parts of the world. Similarly, we buy from a whole lot of other Siemens factories around the world as well. Whenever we look at buying versus making, it's always a question of price and cost; can I do it here cheaper than where I can get it from? And unless there is a compelling reason to invest and do a buy decision, if I can get the price levels and continue to gain market share by buying these PLCs from my parent companies or my sister factories around the world, then I take that option. But this is something that we do on a continuous basis. For example, vacuum circuit breakers we originally used to import and then we decided it made more sense for us to actually manufacture them here in the country because we were not getting them at the price levels from our sister companies or sister factories around the world. And that's why we set up a vacuum circuit breaker factory in Goa. This is a continuous decision that we do throughout our businesses. It's the same thing on low voltage. We've started exporting some of our C&S, large number of our C&S products into other markets abroad because we find that it makes more

sense from a global perspective to source them out of India rather than manufacture them in some other parts of the world over there. So this is a continuous discussion that we have in terms of make or buy. If I'm getting it at the right cost and price from one of my sister companies around the world, I don't need to make it myself.

- **Mr. Harshit Patel – Equirus Securities:**

- Understood, sir. That answers my question. Thank you very much and all the best for the future.

- **Ms. Ramya Rajagopalan – Moderator:**

- Thank you. Renu, would you like to go next please? Request you to please unmute yourself and ask the question, please.

- **Ms. Renu Baid – IIFL Institutional Equities:**

- Yeah, thank you for the opportunity. Sir my first question here is how does the minority shareholders in India get an opportunity to actually participate in the value unlocking process of various portfolios that we have seen have got divested and sold on slump sale basis to the group? We've seen it with the healthcare portfolio and now large drives in LV portfolio. So any way out for minority holders in India to make a material value creation opportunity or it would just be a one-time special dividend payout?

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- I think it's a good question Renu, and this is something that we also debate with every transaction in the Board. The reality look is, why are we doing a carve out? And if you look, you mentioned the healthcare carve out, at a global level the healthcare has been IPOed globally there. It doesn't make sense for us to be part of that over here or the minority shareholders to be involved over here. The real question is where is the real value for the minority shareholders? At some point in time, motors will probably become a commodity, and that is really the question.; is there really value unlocking in being part of a motors business or can they get actually greater value by moving up the value chain with automation and digitalization solutions that Siemens Limited is going to move into? As you know, Siemens AG globally is in the top ten software companies in the world. That is the direction that Siemens is moving to, is being really a technology leader where we can combine the real with the digital, and that is exactly the strength. There is probably...I don't know of too many companies or any company that in the industrial space can really combine the real with the digital across 20-25 market verticals the way Siemens can. That is really the focus that we are having here. We can continue to kind of broadband and keep a whole lot of products in the products and solutions in the Company or we can turn around and say we have a clear strategy of being a technology company with a focus on combining the real with the digital and that is what will help us create value for our customers, which in turn will create value for our shareholders. That is really the focus that we are wanting to move towards.

- **Ms. Renu Baid – IIFL Institutional Equities:**

- Sir on this I totally agree and accept that globally Siemens AG has been focusing on digitalization and focuses all on software, and we have been hearing it for the last two to three years from the group as well. But the question in point was for the

outgoing businesses, which don't seem to be a continuing part of the core future strategy for Siemens. Is a slumps sale the best way out for the minority holders to get the price discovery? Or do you think for some businesses independently those businesses could be valued at much better valuations in the domestic market if they're listed out separately? You have seen some of your other MNC peers who have gone through restructuring and carve outs. They have listed entities and the value creation has been much more for the outgoing non-core portfolios. So, any thoughts on that?

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- I'm not too sure I would agree there Renu, because if you look at the businesses, the intent of the business is not to of global and also of us, therefore is not to keep the portfolio within the overall house of Siemens. The intent is eventually to sell that business and get it globally even and therefore here out of Siemens. And if you look at some of the businesses, or if you look at the metals, not the metal, the Flender business that we took out, eventually that has been sold to a third party, right? And that is the question at that point in time, is there real value for a minority shareholder in India who doesn't know what the future of a particular business is going to be, but only knows that it's not going to be with Siemens for too long? That is the reality. At that point in time, the uncertainty for a minority shareholder is substantial when you don't know what the future of the business is going to be. One thing is clear, it will not continue with Siemens. If it is not continuing with Siemens, will it be IPOed further out somewhere or will it go to private equity or what is going to happen and that is really the consideration. How long does a minority shareholder want to be tied down to a business which is not the core focus of Siemens at all?

- **Ms. Renu Baid – IIFL Institutional Equities:**

- And lastly, just one comment which I would like to make. Typically, Siemens does, as in management holds analysts meet twice a year annually and semi-annually. Off late, while there are no physical meets, even the virtual calls have been significantly delayed. This call has been primarily around the deals and announcements, but no detailed discussions and presentations, which you typically do on the core business. So we'll appreciate at least twice a year if the Company can maintain the presentations and the detailed discussion on business, which has been a practice for multiple years now. Thank you.

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- Completely agree with you, Renu. We will do it.

- **Ms. Ramya Rajagopalan — Moderator:**

- Thank you, Renu. Subhadip, would you like to go next, please? Please unmute yourself and ask a question.

- **Mr. Subhadip Mitra – Nuvama**

- Good afternoon and thank you for the opportunity. This is Subhadip Mitra from Nuvama. So, my question pertains to the LV Motor sale. As you pointed out that this seems to be more at the group level, a strategy to move away from motors and drives which are probably going to get commoditized over a period of time. So just for our understanding, this particular business as you mentioned, is roughly 9% of your

overall PAT as of today. Would you be seeing this particular business not really growing at the same rate as the rest of the business and hence maybe two or three years down the line, this would have been a significantly lower proportion of PAT and hence the thought of moving away?

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- So, two answers to that question. The first answer is, strategically as you mentioned, this doesn't tie in there and we don't see synergies with this business, with the rest of our existing businesses; point number one. Point number two, you're absolutely right. I mean, you just look at the Rs. 26,000 crore locomotive order that we have received, look at the electrification and signalling jobs that we are working on, look at the ramp up focus that we have on e-vehicles, look at the focus that we are having on Smart Infrastructure and on the distribution network in the country, and on digitalization moving forward. These are the areas that we will focus on and these are the areas where the volumes will increase. So practically, it is absolutely right what you say. The proportion of this business moving forward will substantially reduce because the market share or the market growth is not moving over here A, at the size, I mean, how many motors will I have to sell equivalent to one locomotive, or to one electrification job or to one metro? So I think, it is absolutely right what you say. The proportion of this business will slowly decrease over time or would slowly decrease over time.

- **Mr. Subhadip Mitra – Nuvama**

- Perfect! Thank you. That answers my question. My second question would be moving on to the key strategic areas where you're actually looking at growth coming in, be it on the mobility front, whether it's railways or metros, or on the distribution side, or even on the transmission side of things, would you be able to give us a sense of what is the total addressable size of the market that you're looking at or at what rate is the market size growing?

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- Yeah. Look, it practically doesn't make sense because the rate at which low voltage switch gear is growing is different at the rate at which the locomotive business or the railway business is growing is different at which medium voltage switch gear is growing. So, giving you an average market growth rate does not make sense. But I think I understand where you're coming from. If I take each of our businesses, I outlined earlier in the call, how I see the transmission business growing right now. I do believe the transmission business will increase as the TBCBs go up, as the increase in renewables takes place. I do see the consequent impact of that on medium voltage as the discom start having to gear up. There will be SCADA systems coming in, there will be medium voltage and low voltage switch gear coming in there. We do see real estate growing, commercial real estate growing over time. There will be a requirement for energy efficiency solutions in there. Medium voltage, low voltage, fire safety, security all of this we are doing. As you know, in the new parliament, we have done the entire security system, the entire fire safety, the entire medium and low voltage electrical activity and there are many more of these coming. Station redevelopment has a huge opportunity there. So the Smart Infrastructure business has a huge potential there. We've discussed the Mobility business and the potential there. The Smart Infrastructure also has the e-vehicle business, and we do hope with this, we had a gap in the portfolio which was really charging stations with designs made in India to the Indian requirement, and this acquisition that we have

here is a very significant acquisition because we do believe with this acquisition we will be able to get into the charging infrastructure business here and do everything from grid to socket effectively. The market for that is tremendous. So that covers the Smart Infrastructure business.

- If I move to my Digital Industries business, I outlined over there as well, efficiencies are coming in, there are new factories coming up, semiconductors, battery manufacturing, fuel cells, solar, all of these require actually a very close knowledge of the manufacturing processes and really will benefit hugely by first creating these entire manufacturing processes in the digital world before we start manufacturing them in the real world. So we see there a huge potential for growth as well. We are already market leaders in automation and the digitalization layer comes very clearly on top of that. We benefit with the global digitalization solutions and we will increase our digitalization offerings here and move not only to sales, but also move to a SaaS model eventually, as I mentioned in earlier calls. So overall, the market we see right now is we are best positioned really to address it. We've got everything in the Company, from R&D to engineering, to manufacturing, to software development, and we have got an NBFC, Siemens financial services, outside the Company to be able to pool everything together and offer a complete suite of products that Siemens AG has globally. We are probably one of the few countries in the Siemens world that has got this entire suite of offerings that Siemens AG has here in the country.

- **Mr. Subhadip Mitra – Nuvama**

- Thank you for such a comprehensive answer.

- **Ms. Ramya Rajagopalan – Moderator:**

- Thank you, Subhadip. Rahul Gajare, would you like to go next, please? Please unmute yourself.

- **Mr. Rahul Gajare – Haitong International Securities:**

- Thanks for the opportunity. I have two specific questions. With respect to the sale of LV Motor, can you talk about the remaining HT motor business, which will remain in the Company in terms of revenue, operating profit, market share? And could you also highlight why HT motor does not move to Innometrics, given that Innometrics would focus on motors from low to high voltage along with the drives business? So that's my first question.

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- Okay. So we don't really have what you call HT motors. We have the medium voltage motors, which is the next higher range. We qualify them as above 1 megawatt and this is what was carved out last year. It was a part of the large drive business. It was carved out last year. The business that we did was Rs. 440 crore, which amounted to roughly 3% of Siemens at the point in time, and this is really what Siemens globally also carved out. That's why the medium voltage, what we call the above 1 megawatt was done last year. The below megawatt is what we plan to do right now as part of the low voltage motors, and both of these go into Innometrics. And then, as I mentioned in my speech, the options that the parent have in a second stage is really to go in terms of public listing or a combination with a strategic partner or a long term oriented financial investor.

- **Mr. Rahul Gajare – Haitong International Securities:**
- Okay. So my second question is coming to the value of the business. The large drive business which was divested last year, was valued at closer to about 17½ odd times based on the previous year's operating profit whereas the LV motor business, which is being divested right now, is getting probably valued even lower. Here, I'm not even comparing the healthcare business divested way back in 2016, which they had lower profitability, but were divested at a much higher value. Sir, I would appreciate your comments on this and connected with this question does this transaction need minority shareholders' approval to go through? That will be my question. Thank you.
- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**
- So if you look at the evaluation, the large drives business was negligible. In profitability, it was actually making low single digit profitability. When we carved it out, we did not have any technologies here in the country to grow that business and therefore, it was carved out. Primarily, it's not comparable with the low voltage motor business that we are carving out right now. Now, if you look at the current business, and I mentioned in my comments right in the beginning, the multiples are a revenue multiple of 2.1 and an EBITDA multiple of 15.5. If you look at the DCF value there and you look at the revenue multiples there, reality is there is no other competitor which is pure play with us on the low voltage motors business. The multiples and even if you kind of question the DCF numbers the question is, look at the market multiples. There is no other pure play company that has low voltage motors as 100%, right? Some of the competitors have got varying ranges from 10 to 40-50% of their total volumes and therefore, looking at those multiples also doesn't make sense. Having said that, the valuation company did take that into account, broadened the sample size, and took into account companies that were not only low voltage motors, but were in other small, let's say, similar size industrial goods. With that, the multiple that they took, that is the basis that they took for the market multiple numbers. So I believe the valuation company has exercised their due diligence. It has been then reviewed by an investment banker, fairness opinion has been given to us over there and we rely on the opinions of both of them. The Board, as you will recall, has gone beyond the upper end of the spectrum there and is paying beyond that amount.
- **Mr. Rahul Gajare – Haitong International Securities:**
- Sure. Appreciate it. Thank you very much.
- **Ms. Ramya Rajagopalan – Moderator:**
- Thank you, Rahul. I will invite Bhavin to ask his next question because I think Bhavin got dropped out of the meeting and he's come back and he was in queue before. Bhavin, you can unmute yourself and ask the question, please.
- **Mr. Bhavin Vithlani – SBI Funds Management:**
- Sir first a request. If you could make the valuation report public, please. It can help us analyse the projections that you would have done on the DCF and the companies you would have taken for the comparative. The second is, if one looks at the comparative multiples of some of the other listed players, like Siemens itself, is trading at some 65 times on trailing, ABB where 40% of the business is comparable, is trading at 75 times, CG Power, where almost 75% of the EBITDA comes from the



industrial motors business, it's trading at 55 times EBITDA. So actually, I'm really struggling how does this 15 times EBITDA on a comparable multiple comes in?

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- So answer question number one. The valuation report of Grant Thornton along with the fairness opinion will be put on the website. I believe it has already been uploaded onto the website along with the complete disclosure that has gone to SEBI. So, you can already review that on the website as we speak. Regarding the multiples, I believe, as I mentioned of the volumes of Siemens India and the multiples that Siemens India has is not coming out of this kind of a business. It's coming out of the growth areas that we have outlined earlier on, as well as looking at the digital scenario, as well as looking at the growth in the markets that we are now focusing on. So I believe it would not be fair to consider for 6% of the business the Siemens multiple. Linked to that, the same thing goes for the other companies that you mentioned. The multiples that are there, the volume of the low voltage motors business as a percentage of their total volumes are also subcritical. Therefore, I think it would be unfair to consider those as well. Having said that, Grant Thornton has done their valuation considering comparable market multiples and have also considered certain discount factors to take into account exactly these inputs. And that is the range that they have put in to the market multiple range over there.

- **Mr. Bhavin Vithlani – SBI Funds Management:**

- Sure. Just the last part from my side is, previous instance when globally there was a restructuring of the energy vertical. But at that time, Siemens in India and your management decided to keep it as a part of the business, but some part of the ownership was transferred within the parent. Just wondering why not this time?

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- Because I outlined the strategic direction that we in India are taking as well, right? We do not believe that at some point in time that this business will add to the synergies that we want to have here within the Company in the medium, long term, for exactly the reasons that we mentioned. As we move into our Digital Industries, Smart Infrastructure, Mobility business focus there, these volumes will become substantially more and the proportion of this business will become less critical and therefore the focus on this business will decrease. Our focus is on moving up the value chain and not staying where we are today.

- **Mr. Bhavin Vithlani – SBI Funds Management:**

- Appreciate your answers. Thank you so much for taking my questions.

- **Ms. Ramya Rajagopalan – Moderator:**

- Thank you Bhavin. Jonas Bhutta, would you like to unmute yourself and please ask your question, please?

- **Mr. Jonas Bhutta – Aditya Birla Sun Life Mutual Fund:**

- Hi, Mr. Mathur. Jonas here from Birla Mutual Fund. Two questions. Firstly sir, as we can see that this outgoing business already has a margin profile which is higher than that of the reported DI margin and the DI margin itself has seen a smart uptick in the

last few years from a 6 to 7% band to a more 10 to 11% band, which I would presume would have come from this business itself because as you mentioned, the PLCs and the other things continue to be remain imported. So with this business going out, if you can give us a trajectory of how you believe you can maintain, if not expand the DI business segment margins, given that we already are at a huge gap to the parents, which operates at more in the 18% to 20% band, which I know that they have the IP, and that will always remain, but the gap was reducing. With this business going out, it seems that the gap will increase again. So that's my first question.

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- So it's a good question, Jonas. Our intent is that there should not be a dilution in the medium long term of the DI business or profitability. Again, I said we are moving away from selling bits and bytes and products to actually resolving customer problems in the industrial business, which means we move up the value chain in terms of digitalization. The margins on digitalization are higher and will continue to be higher. As we bring in solutions on cyber security, on intra logistics, on warehousing, etc. and as we bring in the SaaS models, this is what will drive the Digital Industries' profitability in the medium long term, and that is really our focus. This business, we believe that the margins are up in the last two or three years, as I mentioned in my comments, partially due to commodity prices etc. But at some point in time, commodity prices have already started cooling down and that is going to have an impact because the price levels will start falling in line with the commodity prices. So can we sustain this level of margins over a period of time? I'm not sure. On the low voltage motors business, are we focused on driving up the margins of the rest of our digital business and growing our Digital Industries business? Absolutely! And that is really what we will be doing.

- **Dr. Daniel Spindler – ED & CFO, Siemens Limited:**

- And Jonas, if I can add one thing, because this topic around global margin in Digital Industries versus our margins here in India, there's a gap. And due to the fact that in the past it was very much Transfer price driven because there was not much of a value add here in the country. Now we want to move away from that model as Sunil just described going more SaaS Model and more solutions provided here in the country so that we also have more headroom towards our margin expansion in our Digital Industries business here in India.

- **Mr. Jonas Bhutta – Aditya Birla Sun Life Mutual Fund:**

- Understood. My second question, and picking up from Bhavin's earlier question was, sir, at one point in time, our parent was also looking to separate out Mobility and given that we are seeing such major opportunities in India, as minority shareholders, any confidence that we could build that this is a business that is going to remain within the folds of the listed entity. We managed to do that with Siemens Energy, but in the future, mobility is where we are seeing a bulk of our opportunities coming in, and any clarifications around that will be helpful. Thank you.

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- I think all I can say at this point in time is there is no plan to do anything with Mobility except grow the business. Our focus is grow, grow, grow the business. The more we

grow it, the greater will be the value generation that we are able to create within Siemens Limited.

- **Mr. Jonas Bhutta – Aditya Birla Sun Life Mutual Fund:**

- Thank you, sir, and all the very best.

- **Ms. Ramya Rajagopalan – Moderator:**

- We have the last question coming in from Priyankar.

- **Mr. Priyankar Biswas – Nomura:**

- Thanks for the opportunity. Firstly, I wanted to just clarify a participant had asked before. So would minority approval be required for this deal? And if you can also add like, what tax are we expecting?

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- So minority approval will be required for the deal and we will go to the shareholders for this in due course. On the taxation, Daniel would you like to clarify?

- **Dr. Daniel Spindler – ED & CFO, Siemens Limited:**

- On the taxation, we expect capital gain taxes in the area of 23%.

- **Mr. Priyankar Biswas – Nomura:**

- Pardon? Capital gains tax of?

- **Dr. Daniel Spindler – ED & CFO, Siemens Limited:**

- In the area of 23%. So somewhere between 20-25%.

- **Mr. Priyankar Biswas – Nomura:**

- Okay, understood. Based on your commentary earlier, you were highlighting that probably the motors business is kind of commoditized. So they may not have, let's say, a pricing power, is what I understand. But if that be the case, based on your understanding of the segment like, why is this industry so concentrated within just three, four odd players if it is so commoditized?

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- To be honest, I can't answer that question. I don't know the answer to it, right? I can speculate why it is concentrated. I don't think I would say it, it is wrong to say it is concentrated. I think the predominant players are three or four players in the country. And my guess is approximately 50% to 70% of the market is probably dominated by three or four players. The rest of it, there are multiple players in the market. And the question really is, for us it is not our core business so the other players may choose to continue in that market because they see a value and a connection to them in it. As I mentioned, our connection is to move up the value chain. This does not tie in with our strategic global vision and strategy of moving towards becoming a

technology company and therefore here in the country as well. It doesn't tie in with that.

- **Mr. Priyankar Biswas – Nomura:**

- Sir again, just harping on that a little bit. So since, you can say you had derived a DCF valuation also close to like Rs. 2,100 crore is what I understand for this business that is at the lower end. So what growth expectations were you building for this industry? What I'm essentially trying to understand is like, today, Siemens has a high multiple, so probably the growth expectations for the rest of the other businesses versus this how would it probably compare?

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- So I mentioned in my opening comments that in the past, between 2018 and 2023, the growth of this business was in the low single digit, right? We are expecting what we have taken in the DCF is a little bit higher than that because that is the rate at which we expect it to be in the next couple of years.

- **Mr. Priyankar Biswas – Nomura:**

- So maybe a high single digit probably is what your estimate would probably be, is what I understand.

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- Mid segment growth.

- **Mr. Priyankar Biswas – Nomura:**

- Okay sir, that was broadly from my side on this.

- **Mr. Venkatesh S – Head of Investor Relations, Siemens Limited:**

- Thank you, Mr. Mathur and thank you, Dr. Spindler. So, ladies and gentlemen, on behalf of Siemens Limited, this concludes the conference call. Thank you for joining the call, and you may all disconnect your lines.

- **Mr. Sunil Mathur – MD & CEO, Siemens Limited:**

- Thank you very much. Have a nice weekend.

- **Dr. Daniel Spindler – ED & CFO, Siemens Limited:**

- Thank you. Nice weekend.

End of Transcript