Disappoints again. FY2016 earnings were below estimate led by lower-than-expected margin (disappoints across several segments). Order inflow has been strong through this year and provides good revenue visibility for the next year. The company is well-placed to capture the recovery on alignment of its business interests with the government's vision (energy management, rail and smart city solutions) and higher localization-led improvement in competitive positioning. All these positives and much more are factored in the CMP. Risks to our estimates are on the downside. Maintain Sell.

Siemens' Q4 FY16 sales at Rs 31 billion (up 11% y-o-y when adjusted for sale of Healthcare and Metals Technologies) were marginally below estimate. Good y-o-y growth in the Building Technologies, Process Industries and Drives and Digital Factory were negated by weakness in other segments. Reported Ebitda margin at 7.8% (versus 8.9% q-o-q and 8.5% y-o-y) was below our estimate by over 200 bps. Segmental analysis reveals sharp volatility in margin across segments qoq and yoy, a hallmark of Siemens, and indicates the likelihood of higher cost provisions. Lower-than-expected Ebitda led to PBT at Rs 2.6 billion, 24% below estimate. Full-year FY2016 numbers paint a restraint picture with segmental margins down y-o-y in several key segments and/or remaining subdued. This provides low confidence in margin recovery trajectory as projected by us/consensus.