MARATHON TRENDS ADVISORY

MARATHON TRENDS

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OVERVIEW

Sectorial Allocation:

Focusing on companies in key sectors with robust past earnings and accelerating profits has consistently outperformed the index for us. This strategy capitalizes on strong fundamentals and growth potential, driving higher returns in our portfolio

Sector	Allocation	Reasons
Electrical Equipment	**22.04%**	• Indian Railways Investments: Investment in electrification, signalling, and Vande Bharat rollout. • India's Renewable Energy Plan: Aim to achieve 500 GW of renewable energy by 2030.
IT Mid Cap	**14.14%**	• Demand Acceleration: MIDCAP IT companies in the ERD (Electronics, Research, and Development) space are experiencing a surge in demand, primarily driven by the automotive sector. • Agility: MIDCAP IT companies demonstrate greater agility compared to their larger competitors.
FMCG (Food)	**9.31%**	• Rising disposable income drives higher consumption levels. • Consumption trends shifting towards wants rather than needs.
Pharma	**8.89%**	• CRAMs Potential in Cost-Efficient Economies: Asian economies, notably India, poised for CRAMs growth due to skilled PhD professionals in chemistry and biology. • India's Expertise in Pharma Partnerships: India excels in confidential data management, compliance, and collaborations with global pharmaceutical firms.
NBFC	**8.77%**	• Growth of NBFCs is expected to continue, with a moderate growth of 16-18% in the current fiscal and a healthy 14-17% growth in the next fiscal, driven by strong credit demand across retail loan segments
Banks (Private)	**8.13%**	• Reducing NPAs in commercial banks: Gross NPA at 5.0% and net NPA at 1.3% by Sep-22, improving from 6.9% and 2.3% in Sep-21. • Credit growth for retail consumption and India's capital expenditure projects.
Auto Ancillaries	**4.87%**	• Government's infrastructure focus, Make in India, China+1, and PLI initiatives are propelling growth. • Global metals market experiencing a rebound after a sustained decline.
Engineering	**4.71%**	• Indian Railways investments, renewable energy goals, and Capex cycle revival in focus. • Growth Catalysts: The government's emphasis on infrastructure, PLI, Make in India, Atmanirbhar Bharat, China+1, and energy transition are key growth catalysts.
Metals	**4.13%**	• Government's infrastructure focus, Make in India, China+1, and PLI initiatives are propelling growth. • Global metals market experiencing a rebound after a sustained decline.

MARATHON TRENDS

ACE

About The Company:

Action Construction Equipment (ACE) is a premier player in India's Material Handling and Construction Equipment manufacturing sector. A market leader in both Mobile Cranes and Tower Cranes segments, ACE offers a diverse product portfolio including Mobile/Fixed Tower Cranes, Electric Cranes, Crawler Cranes, Truck Mounted Cranes, and more.

Q3FY24 Performance:

- Quarterly **Revenue**: INR 753 crore, **up 35.4% YoY**.
- Quarterly **EBITDA**: INR 103 crore, **up 66.1% YoY**.
- Quarterly **PAT**: INR 88.3 crore, **up 89.8% YoY**

Future Outlook:

Government's infrastructure push and improved financing from non-banking financial companies (NBFCs) are driving construction equipment demand. ACE's strong market presence positions it to capitalize on this trend.

Narration Amt.Cr.	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Sales	556.33	613.84	651.61	673.24	753.11
QoQ % Ch	13.10%	10.30%	6.20%	3.30%	11.90%
YoY % Ch	27.40%	20.20%	30.90%	36.90%	35.40%
Expenses	494.47	540.55	569.96	584.06	650.37
Expenses %	88.90%	88.10%	87.50%	86.80%	86.40%
Operating Profit	61.9	73.3	81.7	89.2	102.7
QoQ % Ch	37.30%	18.50%	11.40%	9.20%	15.20%
YoY % Ch	57.00%	55.20%	100.50%	98.00%	66.10%
OPM %	11.10%	11.90%	12.50%	13.20%	13.60%
QoQ % Ch	21.40%	7.40%	4.90%	5.70%	3.00%
YoY % Ch	23.20%	29.10%	53.10%	44.60%	22.70%
Other Income	7.68	3.12	16.24	16.97	22.97
Depreciation	4.38	4.99	5.21	5.43	5.89
Interest	3.1	3.4	3.1	3.8	5.5
Profit before tax	62	68	89.5	96.9	114.3
Tax	15.33	20.89	21.97	22.97	26.06
Net profit	46.5	47.7	67.6	73.9	88.3
QoQ % Ch	36.90%	2.50%	41.80%	9.40%	19.40%
YoY % Ch	69.90%	34.50%	55.30%	117.60%	89.80%
PAT Margin %	8.40%	7.80%	10.40%	11.00%	11.70%
QoQ % Ch	21.00%	-7.10%	33.50%	5.90%	6.70%
YoY % Ch	33.30%	11.90%	18.60%	59.00%	40.20%
EPS (Rs.) Qtr.	3.9	4	5.67	6.21	7.41
QoQ % Ch	36.90%	2.50%	41.80%	9.40%	19.40%
YoY % Ch	61.90%	28.20%	55.30%	117.60%	89.80%

SWOT Analysis

Strengths

- **Strong topline growth:** Revenue surged by 35.4% year-on-year, driven by robust performance in cranes and construction equipment segments.
  - **Cranes** revenue, constituting 73% of the total, *grew 45% YoY* on volume basis.
  - **Construction equipment** revenue, comprising 12% of the total, *increased by 34% YoY* on volume basis.
- **Strong market share:** The company already has market share of over 60% in mobile and tower cranes segment in India.
- **Growth expectation:** Management expect overall revenue growth of ~32% in FY24 to ~Rs 2800 crore, led by ~30% growth in cranes segment, ~50% growth in construction equipment, 15-20% growth in material handling and agriculture equipment.
- **Margin improvement:** EBITDA margin has improved during the quarter and nine months of FY24 led by positive operating leverage, new product mix and cost efficiencies.

Opportunities

- **Growing Indian Construction Equipment Market:** The Indian construction equipment market, currently valued at USD 7.9 billion in 2023, is projected to reach USD 12.4 billion by 2029, driven by an 8.9% CAGR.
- **Government Initiatives:** Benefiting from initiatives like the USD 1.3 trillion national master plan, Gati Shakti, Smart Cities, National Infrastructure Pipeline, 'Make in India', and the PLI scheme for infrastructure growth.
- **Growth Ahead:** Company targets to reach expects revenue of Rs 4400 crore by FY26 and *Rs. 5500-5600 crore by FY27*.
- **Defense Segment:** In Defense segment, company has been supplying many products (like cranes, forklifts, tractors) to armed forces. Company targets defense revenue share at 5% in the next 2-3 years.
- **Market Penetration Strategy:** The company aims to enhance its presence in larger cranes while sustaining dominance in the pick & carry crane sector.

Weaknesses

- **Decline in Agri-equipment segment:** Agri equipment revenue (8% of total) declined 2.3% YoY

Threats

- **Economic Slowdown Impact:** A potential economic slowdown could impede ACE's growth trajectory, affecting demand for its products and services.
- **Project Management Risks:** Inadequate project management in the construction sector can lead to financial, legal, and workforce challenges, affecting ACE's project outcomes.
- **Raw Material Price Volatility:** Unpredictable raw material price fluctuations could pressure margins and impact profitability.
- **Financing and Non-Performing Assets:** Constraints in bank lending, reluctance to invest in infrastructure, and increasing non-performing assets could limit funding for ACE's projects and expansion initiatives.

APAR INDUSTRIES

About The Company:

Apar Industries Limited, is engaged in the manufacturing of conductors. It provides diverse fields of electrical and metallurgical engineering offering value-added products and services in Power Transmission Conductors, Petroleum Specialty Oils and Power and Telecom Cables. It caters to varied industries including Power Transmission & Distribution (T&D) and Renewable Energy sectors, Railways, Defense, Automotive and Telecom.

Q3FY24 Performance:

- Quarterly **Revenue** at Rs. 4013 cr, **up 1.9% YoY**.
- Quarterly **EBITDA** at Rs. 405 cr, **up 18% YoY**.
- **EBITDA** margin at 10.1%, **up 140 bps YoY**.
- Quarterly **PAT** at Rs. 217.6 cr, **up 25.7% YoY**.

Future Outlook:

Apar's strong global positioning in conductors as well as the specialty oil business and robust growth in earnings of the cables business leads us to have a positive outlook on the stock.

Narration Amt.Cr.	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Sales	3938.92	4088.58	3773.01	3925.46	4013.16
QoQ % Ch	21.80%	3.80%	-7.70%	4.00%	2.20%
YoY % Ch	76.70%	35.70%	22.00%	21.30%	1.90%
Expenses	3595.7	3664.69	3426.89	3576.2	3608.2
Expenses %	91.30%	89.60%	90.80%	91.10%	89.90%
Operating Profit	343.2	423.9	346.1	349.3	405
QoQ % Ch	51.90%	23.50%	-18.30%	0.90%	15.90%
YoY % Ch	193.20%	144.20%	45.80%	54.60%	18.00%
OPM %	8.70%	10.40%	9.20%	8.90%	10.10%
QoQ % Ch	24.80%	19.00%	-11.50%	-3.00%	13.40%
YoY % Ch	65.90%	80.00%	19.50%	27.40%	15.80%
Other Income	6.63	10.68	13.86	18.76	21
Depreciation	26.08	27.28	27.23	28.17	28.84
Interest	94	79.1	69.6	103.1	112.8
Profit before tax	229.8	328.2	263.2	236.8	284.3
Tax	59.91	85.47	65.72	62.89	66.73
Net profit	169.9	242.7	197.4	173.9	217.6
QoQ % Ch	65.50%	42.90%	-18.70%	-11.90%	25.10%
YoY % Ch	209.10%	193.80%	61.20%	69.40%	28.10%
PAT Margin %	4.30%	5.90%	5.20%	4.40%	5.40%
QoQ % Ch	36.00%	37.60%	-11.90%	-15.30%	22.40%
YoY % Ch	74.90%	116.50%	32.20%	39.60%	25.70%
EPS (Rs.) Qtr.	44.4	63.43	51.59	45.44	56.85
QoQ % Ch	65.50%	42.90%	-18.70%	-11.90%	25.10%
YoY % Ch	209.10%	193.80%	61.20%	69.40%	28.10%

SWOT Analysis

Strengths

- **Conductors Segment:** Revenue up 4% YoY; volume up 14% v/s last year. *Global sales ex-US grew by 28.3%.* Domestic deliveries of aluminum & HTLS conductors, Rods was in good demand.
- **Lubricants Segment:** Revenue is up by 18% in Q3 FY24 vs Q3 FY23.

Opportunities

- **Enquiry Pipeline Strength:** Strong enquiry pipeline observed for both Conductors and Cables segments, indicating potential future growth opportunities.
- **FY24 Capital Expenditure (Capex) Plan:** Envisaged overall capex for FY24 stands at approximately ~Rs350 Cr, reflecting strategic investment plans for the fiscal year.

Weaknesses

- **Cables Segment:** Revenue is flattish on YoY due to high base of US sales in last year. Global sales ex- US up 24.1%.
- **Muted Speciality Oil Segment Performance:** Flattish YoY revenue growth. Volume is up 8% YoY.

Threats

- **Global Economic Slowdown:** Potential risks lie in a slowdown in the US and European economies, which could impact the company's export performance.
- **Raw Material Price Volatility:** The input material cost volatility can adversely affect the profitability of the company.

CHOLAMANDALAM

About The Company:

Cholamandalam Investment & Finance Company Ltd, was established in 1978 as the financial services division of the Murugappa Group, Cholamandalam Investment and Finance Company Limited (Chola) began its journey as an equipment financing entity. Over time, it has evolved into a comprehensive financial services provider, presenting a wide array of offerings such as vehicle finance, home loans, loan against property, SME loans, secured business personal loans (SBPL), consumer & small enterprises loans (CSEL), and various other financial solutions to its clientele. With a vast presence spanning 1204 branches throughout India, Chola manages assets exceeding Rs 1,33,794 Crores.

Future Outlook:

Anticipating the continuation of CIFC's growth trajectory, we foresee strong support primarily stemming from its non-vehicle financing sectors. Company will continue to grow due to strong tailwinds emerging from the consumption growth in India.

Narration Amt.Cr.	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Sales	3356.13	3741.11	4082.06	4622.58	5007.42
QoQ % Ch	11.20%	11.50%	9.10%	13.20%	8.30%
YoY % Ch	31.20%	43.60%	47.40%	53.20%	49.20%
Expenses	911.88	902.31	1173.64	1390.79	1411.59
Expenses %	27.20%	24.10%	28.80%	30.10%	28.20%
Operating Profit	2444.3	2838.8	2908.4	3231.8	3595.8
QoQ % Ch	17.70%	16.10%	2.50%	11.10%	11.30%
YoY % Ch	38.70%	43.80%	53.80%	55.60%	47.10%
OPM %	72.80%	75.90%	71.20%	69.90%	71.80%
QoQ % Ch	5.80%	4.20%	-6.10%	-1.90%	2.70%
YoY % Ch	5.70%	0.10%	4.40%	1.60%	-1.40%
Other Income	51.96	93.47	88.73	72.58	47.34
Depreciation	30.03	35.5	38.58	38.51	45.79
Interest	1543.3	1734.2	2006.2	2204.2	2441
Profit before tax	922.8	1162.6	952.4	1061.7	1156.4
Tax	238.02	307.37	242.43	288.83	284.37
Net profit	684.8	855.2	709.9	772.9	872
QoQ % Ch	21.70%	24.90%	-17.00%	8.90%	12.80%
YoY % Ch	29.80%	24.50%	26.30%	37.30%	27.30%
PAT Margin %	20.40%	22.90%	17.40%	16.70%	17.40%
QoQ % Ch	9.40%	12.00%	-23.90%	-3.90%	4.20%
YoY % Ch	-1.10%	-13.30%	-14.30%	-10.40%	-14.70%
EPS (Rs.) Qtr.	8.33	10.41	8.64	9.41	10.61
QoQ % Ch	21.70%	24.90%	-17.00%	8.90%	12.80%
YoY % Ch	29.60%	24.40%	26.30%	37.30%	27.30%

SWOT Analysis

Strengths

- **Profit Growth:** Chola reported a Profit After Tax (PAT) of Rs.872 crore, marking a substantial 28% year-on-year increase in earnings.
- **Asset Growth:** Chola's Assets Under Management (AUMs) experienced a remarkable 40% year-on-year, demonstrating a strong expansion in the company's asset base. AUM growth was driven by;
  - Small commercial vehicle loans (up 9% qoq),
  - Passenger vehicles (up 9% qoq)
  - Loan against property (up 9% qoq)
  - Home loans (up 12% qoq)
  - New businesses Loans (up 14% qoq).
- **Net Interest Income (NII) Surge:** The company's Net Interest Income (NII) showed a significant uptick, rising by 36% year-on-year, indicating robust performance in its interest-related earnings.

Opportunities

- **Demand for LCV:** Increased demand for Light commercial vehicle (LCV) will help them garner higher volumes.
- **Faster growth expected in Chola's New Business Segments:** Chola's new business segments include CSEL (7% of AUM) for personal and business loans, SME (3% of AUM) providing supply-chain financing, and SBPL (1% of AUM) offering secured business loans in southern and western markets.

Weaknesses

- **Chola Net Interest Margin (NIM) Decline:** Chola witnessed a decrease in Net Interest Margin (NIM) by 30 basis points year-on-year, indicating a slight contraction in interest spreads during the period.
- **High Operating expenses:** Operating expenses were up 41% yoy and 12% qoq which led to elevated cost-to-AUM ratio of 3.3%.

Threats

- **Volatility in Vehicle Finance Business:** Vehicle finance business is susceptible to fluctuations due to its cyclical nature.
- **Higher cost of borrowing:** The elevated cost of borrowing may result in reduced Net Interest Margins (NIMs) and consequently impact Chola's profitability.

ICICI BANK

About The Company:

ICICI Bank, India's second-largest private sector bank, boasts an extensive network comprising over 6,300 branches and more than 17,000 ATMs across India. Notably, around 50% of its branches are strategically located in semi-urban and rural areas, showcasing a wide-reaching presence.

Future Outlook:

ICICI Bank is firmly positioned on a trajectory of sustainable growth, marked by robust performance across various key metrics.
The bank has demonstrated strong achievements in Net Interest Income (NII), core operating profits, earnings, advances, and deposits. These impressive growth figures are complemented by healthier asset-quality trends and minimal core credit costs. As a result, the bank's outlook is optimistic and holds promise for continued success.

Narration Amt.Cr.	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Sales	31618.81	34438.91	37105.89	38938.08	40865.23
QoQ % Ch	9.60%	8.90%	7.70%	4.90%	4.90%
YoY % Ch	30.00%	37.80%	41.80%	35.00%	29.20%
Expenses	22946.02	25959.14	21401.71	24560.02	24929.14
Expenses %	72.60%	75.40%	57.70%	63.10%	61.00%
Operating Profit	8672.8	8479.8	15704.2	14378.1	15936.1
QoQ % Ch	33.10%	-2.20%	85.20%	-8.40%	10.80%
YoY % Ch	125.60%	163.00%	95.80%	120.70%	83.70%
OPM %	27.40%	24.60%	42.30%	36.90%	39.00%
QoQ % Ch	21.50%	-10.20%	71.90%	-12.80%	5.60%
YoY % Ch	73.50%	90.90%	38.00%	63.50%	42.20%
Other Income	16470.13	19734.91	15229.15	18689.63	18874.49
Interest	12977.9	14479.5	16367.7	17908	19408.8
Profit before tax	12165	13735.2	14565.7	15159.7	15401.8
Tax	2999.41	3498.92	3551.22	3808.82	3886.67
Net profit	8792.4	9852.7	10636.1	10896.1	11052.6
QoQ % Ch	9.80%	12.10%	8.00%	2.40%	1.40%
YoY % Ch	34.50%	27.60%	44.00%	36.10%	25.70%
PAT Margin %	27.80%	28.60%	28.70%	28.00%	27.00%
QoQ % Ch	0.20%	2.90%	0.20%	-2.40%	-3.30%
YoY % Ch	3.40%	-7.30%	1.50%	0.80%	-2.70%
EPS (Rs.) Qtr.	12.65	14.18	15.31	15.68	15.91
QoQ % Ch	9.80%	12.10%	8.00%	2.40%	1.40%
YoY % Ch	33.90%	27.00%	44.00%	36.10%	25.70%

SWOT Analysis

Strengths

- **ICICI Bank Earnings Growth:** ICICI Bank reported ~25% yoy earnings growth led by ~10% yoy operating profit growth and ~50% yoy decline in provisions.
- **Loan Book Expansion:** The bank's loan book expanded by 18% year-on-year, indicating strong lending activities and increased customer demand for loans. Loan growth was healthy at 18% yoy and broad-based.
- **Improved Asset Quality:** GNPL (Gross non-performing loans) ratio declined ~20 bps qoq to 2.4%, while NNPL (Net non-performing loan) ratio was broadly flat qoq at 0.5%. Asset quality continues to be healthy. Provision coverage ratio for the bank declined a bit qoq to ~81% on GNPA.

Opportunities

- **Strategic Acquisitions:** ICICI Bank's increased stake in ICICI Lombard to above 50%, along with the decision to make ICICI Securities a wholly owned subsidiary, presents synergistic benefits.
- **NIM Expansion:** ICICI Bank can boost its Net Interest Margin (NIM) as the cost of funds is expected to peak in the coming quarters. The ongoing transition to higher-yielding assets further strengthens the bank's positive financial outlook.

Weaknesses

- **Provision towards AIF:** The bank also created a provision of ~Rs630 Cr toward investment in AIFs (Alternative investment fund) as per the recent RBI circular.

Threats

- **Economic Slowdown Impact:** The company is exposed to the potential risk of a slowdown in the overall economy, which could influence its growth trajectory.

KEI INDUSTRIES

About The Company:

KEI Industries Limited is a leading player in India's Wires & Cables industry, serving domestic and global markets in retail, institutional, private, and public sectors. Specializing in power cables, KEI meets cabling requirements for industries including power, oil, railways, automobiles, cement, steel, and real estate. The company strategically positions itself for growth in power utilities, infrastructure, and national projects, leveraging expertise in Extra High Voltage (EHV) cables for the power sector.

Q3FY24 Performance:

- Quarterly Consolidated **Revenue** at Rs. 2062 Cr, up 15.5% YoY
- Quarterly Consolidated **EBITDA** at Rs. 216.9 Cr, up 19.1% YoY.
- Quarterly Consolidated **PAT** at Rs. 150.7 Cr, up 17.2% YoY.

Future Outlook:

KEI Industries Limited charts a solid growth trajectory by effectively serving diverse industries, strengthening its retail focus, enhancing high-margin EHV offerings, and strategically investing in capex to cater to the escalating demand. These proactive measures ensure that KEI is well-poised for sustained growth in the foreseeable future.

Narration Amt.Cr.	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Sales	1784.32	1954.53	1782.57	1946.58	2061.72
QoQ % Ch	11.00%	9.50%	-8.80%	9.20%	5.90%
YoY % Ch	14.10%	9.10%	13.90%	21.10%	15.50%
Expenses	1602.14	1750.71	1604.3	1742.72	1844.81
Expenses %	89.80%	89.60%	90.00%	89.50%	89.50%
Operating Profit	182.2	203.8	178.3	203.9	216.9
QoQ % Ch	13.50%	11.90%	-12.50%	14.40%	6.40%
YoY % Ch	16.20%	18.60%	11.70%	27.00%	19.10%
OPM %	10.20%	10.40%	10.00%	10.50%	10.50%
QoQ % Ch	2.20%	2.10%	-4.10%	4.70%	0.50%
YoY % Ch	1.80%	8.70%	-1.90%	4.90%	3.00%
Other Income	13.77	5.06	8.33	7.66	11.81
Depreciation	14.42	14.32	14.66	15.56	15.37
Interest	7.8	10.1	8.9	7.5	10.9
Profit before tax	173.8	184.5	163	188.4	202.4
Tax	45.15	46.36	41.62	48.22	51.75
Net profit	128.6	138.1	121.4	140.2	150.7
QoQ % Ch	20.30%	7.40%	-12.10%	15.50%	7.50%
YoY % Ch	27.00%	19.20%	17.00%	31.20%	17.20%
PAT Margin %	7.20%	7.10%	6.80%	7.20%	7.30%
QoQ % Ch	8.40%	-2.00%	-3.60%	5.80%	1.50%
YoY % Ch	11.30%	9.30%	2.70%	8.40%	1.40%
EPS (Rs.) Qtr.	14.27	15.33	13.47	15.56	16.72
QoQ % Ch	20.30%	7.40%	-12.10%	15.50%	7.50%
YoY % Ch	26.70%	18.90%	17.00%	31.20%	17.20%

SWOT Analysis

Strengths

- **Strong Volume Growth:** Volumes grew strongly by 13% YoY in 3Q and 22% YoY in 9M. Infrastructure, construction and real-estate sectors continue to drive volume growth.
- **Gain in market share (Wires segment):** KEII consistently secures a growing market share in the wires segment through nationwide network expansion and identifies numerous untapped areas for further growth.
- **Expanding Dealer Network:** The company's dealer count expanded to approximately 1975 from 1800 in Q1FY23, indicating a strong market presence.
- **Robust Pending Order Book:** KEI Industries' pending order book reached INR 3,830 crore in Q3FY24, boding well for the company's future growth prospects.

Opportunities

- **Projected Revenue Growth:** KEII has reaffirmed its projection of a 16-17% revenue growth rate in its cable business for FY24, primarily driven by a volume increase exceeding 20%. Anticipated growth is expected to persist in the upcoming years.
- **Margin Enhancement Potential:** Margins likely to remain stable with possibility of 25 to 50 bps increase in medium term.
- **Capex outlook:** Company plans to incur capex of Rs 450 crore for FY24 and further capex of Rs 500 crores for FY25.

Weaknesses

- **Revenue Decline:** Stainless steel & domestic Institutional cables and wires segment revenue declined by 15% y-o-y & 12% y-o-y, respectively.

Threats

- **Economic Downturn Impact:** An economic downturn can potentially impact the company's growth trajectory, particularly as KEI Industries' exposure to sectors like Infrastructure, Railway, and Real Estate makes it susceptible to their slowdown during economic contractions.
- **Volatility in Raw Material Prices:** Unstable raw material (RM) costs, particularly in copper and aluminum, crucial components in W&C with a composition of approximately 70% of total expenses, may introduce variations in operating margins, presenting a significant risk to our projections.

KPIT

About The Company:

KPIT, is an ER&D (Engineering, Research and Development) company that creates advanced software solutions for cars and transportation. They have over 10,000 experts globally who are really passionate about what they do. These experts specialize in making software that helps cars become self-driving, environmentally friendly, smart, and always connected to the internet. KPIT operates development centers in Europe, USA, Japan, China, Thailand, and India.

Q3FY24 Performance:

- **Revenue** increased by 37.1% YoY.
- **EBITDA** increased by 52.2% YoY.
- **PAT** increased by 54.6% YoY.

Future Outlook:

The investment outlook for KPIT is bullish, driven by growth opportunities in ER&D for automobiles, sustainable operating margins, a strong balance sheet, efficient execution capabilities, and successful new deal wins. These factors position KPIT for long-term growth, making it an attractive investment choice.

Narration Amt.Cr.	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Sales	917.12	1017.37	1097.62	1199.16	1256.96
QoQ % Ch	23.10%	10.90%	7.90%	9.30%	4.80%
YoY % Ch	47.40%	56.10%	60.10%	61.00%	37.10%
Expenses	747.26	835.02	883.74	959.23	998.45
Expenses %	81.50%	82.10%	80.50%	80.00%	79.40%
Operating Profit	169.9	182.4	213.9	239.9	258.5
QoQ % Ch	22.90%	7.40%	17.30%	12.20%	7.70%
YoY % Ch	48.20%	50.20%	60.60%	73.70%	52.20%
OPM %	18.50%	17.90%	19.50%	20.00%	20.60%
QoQ % Ch	-0.20%	-3.20%	8.70%	2.70%	2.80%
YoY % Ch	0.60%	-3.80%	0.30%	7.90%	11.00%
Other Income	18.2	6.72	21.51	9.47	18.79
Depreciation	40.41	42.21	45.04	48.09	49.96
Interest	8.3	10.7	13.7	13.6	15.8
Profit before tax	139.4	136.2	176.6	187.7	211.6
Tax	35.32	24.62	42.2	46.33	54.83
Net profit	100.5	111.6	134	140.9	155.3
QoQ % Ch	20.40%	11.10%	20.10%	5.10%	10.30%
YoY % Ch	43.50%	41.50%	56.90%	68.70%	54.60%
PAT Margin %	11.00%	11.00%	12.20%	11.70%	12.40%
QoQ % Ch	-2.20%	0.10%	11.30%	-3.80%	5.20%
YoY % Ch	-2.60%	-9.40%	-2.00%	4.80%	12.80%
EPS (Rs.) Qtr.	3.72	4.13	4.96	5.22	5.75
QoQ % Ch	20.40%	11.10%	20.10%	5.10%	10.30%
YoY % Ch	43.00%	41.00%	56.90%	68.70%	54.60%

SWOT Analysis

Strengths

- **Strong revenue growth:** KPIT delivered strong sequential growth in its core constant currency (c/c) revenue, showing a robust increase of 4.3% in a quarter when many automotive Embedded and Connected Systems (ERD) peers experienced seasonal challenges and delays in deal ramp-ups.

Opportunities

- **Increased Guidance:** FY24 constant currency (CC) Growth outlook increased to 37%+ from 27% - 30% earlier, EBITDA Outlook increased to 20%+ from 19%-20% earlier.
- **Quarterly Wins:** KPIT closed engagements worth $189M in the quarter, reflecting robust performance and a healthy pipeline across various practices.

Weaknesses

- **Weakness in US Growth:** Architecture and middleware practice experienced a decline of 6.1% in US dollar terms.

Threats

- **Market Competition:** Vehicle platform architecture development nearing an end may pose challenges.
- **Technological Disruptions:** Rapid advancements in technology may render current services obsolete, necessitating significant R&D investments.
- **Global Economic Instability:** Economic downturns, recessions, or geopolitical tensions in key markets could impact client spending.
- **Talent Retention:** Challenges in retaining skilled professionals may impact project delivery and innovation capabilities.
- **Dependency on Key Clients:** Reliance on a few major clients for a significant portion of revenue makes KPIT vulnerable to financial instability.

PERSISTENT SYSTEMS

About The Company:

Persistent Systems Ltd (Persistent), is a software development company specializing in the development and maintenance of software systems and solutions. The company offers a wide range of services, including digital strategy and design, software product engineering, CX transformation, cloud and infrastructure solutions, intelligent automation, enterprise information technology security, data and analytics, as well as enterprise applications and integration services. Persistent serves various industries, including banking and financial services, insurance, healthcare, life sciences, industrial, software, telecom, and media

Q3FY24 Performance:

- **Revenue** increased by 15.2% YoY.
- **EBITDA margins** decreased by 80 bps on YoY basis.
- **PAT** increased by 20.2% YoY.

Future Outlook:

Persistent Systems Ltd has maintained steady growth despite challenges in BFSI and hi-tech sectors. Their strategic emphasis on cost-effective large deals and cross-selling to existing clients, along with expansion efforts in Europe and deepening partnerships, positions the company for continued growth over the coming years.

Narration Amt.Cr.	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Sales	2169.37	2254.47	2321.18	2411.67	2498.22
QoQ % Ch	5.90%	3.90%	3.00%	3.90%	3.60%
YoY % Ch	45.40%	37.60%	23.60%	17.70%	15.20%
Expenses	1767.81	1838.16	1946.85	2006.51	2056.39
Expenses %	81.50%	81.50%	83.90%	83.20%	82.30%
Operating Profit	401.6	416.3	374.3	405.2	441.8
QoQ % Ch	9.10%	3.70%	-10.10%	8.20%	9.10%
YoY % Ch	59.90%	48.10%	12.30%	10.10%	10.00%
OPM %	18.50%	18.50%	16.10%	16.80%	17.70%
QoQ % Ch	3.10%	-0.20%	-12.70%	4.20%	5.30%
YoY % Ch	10.00%	7.60%	-9.10%	-6.50%	-4.50%
Other Income	3.1	8.83	21.65	37.28	38.31
Depreciation	68.35	69.73	76.33	74.4	78.73
Interest	13.5	14.8	12.6	12.3	12.1
Profit before tax	322.8	340.6	307.1	355.8	389.3
Tax	84.83	89.07	78.28	92.5	103.17
Net profit	238	251.5	228.8	263.3	286.1
QoQ % Ch	8.20%	5.70%	-9.00%	15.10%	8.70%
YoY % Ch	34.90%	25.10%	8.10%	19.70%	20.20%
PAT Margin %	11.00%	11.20%	9.90%	10.90%	11.50%
QoQ % Ch	2.10%	1.70%	-11.70%	10.80%	4.90%
YoY % Ch	-7.20%	-9.10%	-12.50%	1.60%	4.40%
EPS (Rs.) Qtr.	31.13	32.91	29.93	34.45	37.44
QoQ % Ch	8.20%	5.70%	-9.00%	15.10%	8.70%
YoY % Ch	34.90%	25.10%	8.10%	19.70%	20.20%

SWOT Analysis

Strengths

- **Healthy revenue growth:** Company reported healthy revenue growth of 3.1% in constant currency terms, driven by the deal ramp-up in healthcare.
- **Decreasing Attrition Rate:** Attrition rate declined by 160 bps qoq to 11.9%.
- **Robust TCV Growth:** Achieved record high TCV of US$521 mn.
- **Margin Expansion:** EBIT margin increased 80 bps qoq to 14.5%, aided by higher utilization, lower travel costs, cost optimization measures, partially offset by impact of furloughs, higher subcontractor costs and higher onsite mix.

Opportunities

- **Business Expansion:** Their strategic emphasis on cost-effective large deals and cross-selling to existing clients, along with expansion efforts in Europe and deepening partnerships, positions the company for continued growth over the next 4-5 years.

Weaknesses

- **Revenue Decline For The Largest Client:** Revenue declined 6.1% qoq in US$ terms due to planned decline in a large program of the largest client for Persistent.

Threats

- **Market Competition:** Intense competition in the IT industry poses a threat, leading to potential price wars and margin pressure.
- **Technological Disruptions:** Rapid advancements in technology might render current services obsolete, requiring significant investments in research and development to stay competitive.
- **Global Economic Instability:** Economic downturns, recessions, or geopolitical tensions in key markets could affect client spending, impacting Persistent Systems' revenue and growth.
- **Talent Retention:** The IT sector faces challenges in retaining skilled professionals; losing key talent could impact project delivery and innovation capabilities.
- **Dependency on Key Clients:** Reliance on a few major clients for a significant portion of revenue makes Persistent Systems vulnerable to financial instability if these clients reduce or terminate contracts.

SIEMENS

About The Company:

Siemens Ltd, benefits from strong parentage under Siemens Germany. The company offers a comprehensive range of products and integrated solutions tailored for diverse industrial applications, encompassing manufacturing, process industries, and oil & gas. With a focus on intelligent infrastructure, Siemens Ltd. facilitates efficient power generation from fossil fuels, while also excelling in transmission and distribution for transportation sectors such as rail vehicles. Its expertise in rail automation and electrification systems further solidifies its position as a key player in driving innovation and sustainability across multiple sectors.

Q3FY24 Performance:

- **Revenue** increased by 21.7% YoY.
- **EBITDA** margins decreased by 330 bps YoY.
- **PAT** increased by 5.5% YoY.

Future Outlook:

Siemens stands poised to capitalize on robust growth in the domestic market, buoyed by expansive opportunities in semiconductors, batteries, and electric vehicles (EVs). With a strategic focus on transmission, HVDC, renewables, and railway projects, the company is primed to be a significant beneficiary of increased spending in these sectors, underscoring our bullish outlook on its future prospects.

Narration Amt.Cr.	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Sales	3645.3	4465.2	4473.1	5381.5	4435.8
QoQ % Ch	-15.80%	22.50%	0.20%	20.30%	-17.60%
YoY % Ch	17.20%	28.50%	14.30%	24.20%	21.70%
Expenses	3096.1	3910.3	3968.2	4750.3	3912.8
Expenses %	84.90%	87.60%	88.70%	88.30%	88.20%
Operating Profit	549.2	554.9	504.9	631.2	523
QoQ % Ch	17.00%	1.00%	-9.00%	25.00%	-17.10%
YoY % Ch	67.30%	29.00%	33.20%	34.40%	-4.80%
OPM %	15.10%	12.40%	11.30%	11.70%	11.80%
QoQ % Ch	39.00%	-17.50%	-9.20%	3.90%	0.50%
YoY % Ch	42.80%	0.40%	16.60%	8.20%	-21.70%
Other Income	94.9	188	126.5	139.3	155.7
Depreciation	51.5	53.8	63.9	54.3	54.1
Interest	5	7.4	3.4	4.5	2.9
Profit before tax	587.6	681.7	564.1	711.7	621.7
Tax	150	165.7	140.4	177.7	158.3
Net profit	437.6	516	423.7	534	463.4
QoQ % Ch	-34.00%	17.90%	-17.90%	26.00%	-13.20%
YoY % Ch	78.40%	56.90%	44.30%	-19.40%	5.90%
PAT Margin %	12.00%	11.60%	9.50%	9.90%	10.40%
QoQ % Ch	-21.60%	-3.70%	-18.00%	4.80%	5.30%
YoY % Ch	52.20%	22.10%	26.30%	-35.20%	-13.00%
EPS (Rs.) Qtr.	12.29	14.49	11.9	14.99	13.01
QoQ % Ch	-34.00%	17.90%	-17.90%	26.00%	-13.20%
YoY % Ch	78.40%	56.90%	44.30%	-19.40%	5.90%

SWOT Analysis

Strengths

- **Robust Revenue Growth:** Siemens saw robust revenue growth of 21.7% YoY, driven by strong execution in mobility, smart infrastructure, and digital industry segments.
- **Smart Infra Segment:** The revenue growth in the Smart Infrastructure segment was 22% YoY, accompanied by a 190-basis point margin improvement.
- **Mobility segment Growth:** The Mobility segment achieved a remarkable 72% YoY growth in revenue, attributed to a low base from the previous year, along with a 390-basis point margin expansion. The lower margin in the mobility segment, relative to other segments, was primarily due to initial ramp-up costs associated with a substantial locomotive order.

Opportunities

- **Order Inflows:** Overall order inflows surged 10% YoY to INR5970 Cr for the quarter. Energy segment drove the increase in order inflows.
- **Future Outlook:** The company foresees growth opportunities from higher government infrastructure spending (rail, roads, energy) and increased investments across diverse private sectors including pharma, data centers, automotive, electronics, metals, intra-logistics, chemicals, water, and cement

Weaknesses

- **Gross Margin Contraction:** The gross margin contracted by 140 basis points YoY, attributed to increased costs in the mobility segment.
- **Digital Industry Segment:** Order inflows from the digital industry segment were impacted by de-stocking.

Threats

- **Slowdown in Government-Focused Segments:** Order inflows from key government-focused segments like transmission and railways have slowed down due to the election schedule.
- **Aggressive Bidding Impact:** Aggression in bids to secure large-sized projects is expected to negatively affect margins.
- **Related-Party Transactions Concern:** Related-party transactions with parent group entities at lower-than-market valuations are anticipated to exert downward pressure on stock performance.

SUN PHARMA

About The Company:

Sun Pharmaceutical Industries Ltd, is the world's fourth-largest specialty generic pharmaceutical company, with global revenues exceeding US$ 5.1 billion. Its product portfolio includes generics, branded generics, specialty, difficult-to-make technology-intensive products, over-the-counter (OTC) medications, anti-retrovirals (ARVs), Active Pharmaceutical Ingredients (APIs), and intermediates.
With a network of over 40 manufacturing facilities, it provides high-quality, affordable medicines to over 100 countries worldwide. Some well-known Sun Pharma brands include Volini, Revital, and Pearls

Q3FY24 Performance:

- Quarterly **Revenue** of Rs 12380 Cr, **up 10.1% YoY**.
- **EBITDA** of Rs 3477 Cr, **up 15.8% YoY.**
- **PAT** of Rs 2524 Cr, **up 16.5% YoY.**

Future Outlook:

We maintain a positive outlook for the company for several reasons:

- Increasing revenue in the branded/specialty business segment within the US.
- Ongoing expansion of the India business.
- The possibility for strategic acquisitions, leveraging our robust balance sheet. for strategic acquisitions, leveraging our robust balance sheet.
- The company continues to exhibit superior growth in the branded generics markets, further bolstering our confidence in its prospects.

Narration Amt.Cr.	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Sales	11240.97	10930.67	11940.84	12192.41	12380.7
QoQ % Ch	2.60%	-2.80%	9.20%	2.10%	1.50%
YoY % Ch	14.00%	15.70%	11.00%	11.30%	10.10%
Expenses	8237.25	8128.54	8609.07	9013.03	8903.87
Expenses %	73.30%	74.40%	72.10%	73.90%	71.90%
Operating Profit	3003.7	2802.1	3331.8	3179.4	3476.8
QoQ % Ch	1.60%	-6.70%	18.90%	-4.60%	9.40%
YoY % Ch	15.20%	19.70%	15.50%	7.50%	15.80%
OPM %	26.70%	25.60%	27.90%	26.10%	28.10%
QoQ % Ch	-1.00%	-4.10%	8.80%	-6.50%	7.70%
YoY % Ch	1.10%	3.50%	4.10%	-3.40%	5.10%
Other Income	173.88	201.83	-118.43	293.61	180.39
Depreciation	659.95	671.53	651.32	632.82	622.14
Interest	46.2	92.7	80.9	49.3	34.7
Profit before tax	2471.5	2239.7	2481.1	2790.9	3000.4
Tax	283.43	222.91	468.1	390.1	432.32
Net profit	2166	1984.5	2022.5	2375.5	2523.8
QoQ % Ch	-4.30%	-8.40%	1.90%	17.50%	6.20%
YoY % Ch	5.20%	187.10%	-1.90%	5.00%	16.50%
PAT Margin %	19.30%	18.20%	16.90%	19.50%	20.40%
QoQ % Ch	-6.70%	-5.80%	-6.70%	15.00%	4.60%
YoY % Ch	-7.70%	175.30%	-11.60%	-5.70%	5.80%
EPS (Rs.) Qtr.	9.03	8.27	8.43	9.9	10.52
QoQ % Ch	-4.30%	-8.40%	1.90%	17.50%	6.20%
YoY % Ch	5.20%	187.10%	-1.90%	5.00%	16.50%

SWOT Analysis

Strengths

- **Domestic Secondary Sales Growth:** Achieved a 10% year-on-year (YoY) increase, surpassing IPM (Indian Pharmaceutical Market) by 170 basis points.
- **US Product Launches:** SUNP (Sun Pharma) introduced three generic products in the United States during Q3FY24, excluding Taro.
- **Ilumya's Prescription Volumes:** According to secondary data, Ilumya's prescription volumes demonstrated steady growth.
- **US Growth Strategy:** New launches and specialty products to propel growth in the United States.

Opportunities

- **Growth Drivers:** New product launches and the focus on specialty medications are expected to drive further growth in the US market. The existing specialty portfolio is nearing breakeven, and as sales continue to scale up, it is poised for further profitability.

Weaknesses

- **Incremental Increase in tax rate:** SUNP's tax rate is expected to continue inching up, indicating a gradual upward trend in the company's tax expenses.

Threats

- **Regulatory Changes:** Adverse government regulations can impact the company's profitability.
- **US FDA Observations:** Any observations from the US FDA can have a negative impact on the company.

VARUN BEVERAGES

About The Company:

Varun Beverages Ltd (VBL), operates franchisee of PepsiCo. It produces and distributes a range of carbonated soft drinks with brands like Pepsi, Diet Pepsi, Seven Up, Mirinda, Mountain Dew, and Gatorade as well as a selection of non-carbonated beverages like Tropicana, Nimbooz, and packaged drinking water under the brand Aquafina.

Q3FY24 Performance:

- Quarterly Consolidated **Revenue** at Rs. 2668 cr, **up 20.5% YoY**
- Quarterly Consolidated **EBITDA** at Rs. 418 cr, **up 36% YoY.**
- Quarterly Consolidated **PAT** at Rs. 132 cr, **up 76.5% YoY.**

Future Outlook:

Varun Beverages Ltd (VBL) is poised to sustain its earnings momentum through nationwide expansion, innovative product launches, market diversification, capacity scaling, and market share gains.

Narration Amt.Cr.	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Sales	2214.24	3892.98	5611.4	3870.52	2667.69
QoQ % Ch	-30.30%	75.80%	44.10%	-31.00%	-31.10%
YoY % Ch	27.70%	37.70%	13.30%	21.80%	20.50%
Expenses	1906.75	3094.97	4100.62	2988.8	2249.4
Expenses %	86.10%	79.50%	73.10%	77.20%	84.30%
Operating Profit	307.5	798	1510.8	881.7	418.3
QoQ % Ch	-56.00%	159.50%	89.30%	-41.60%	-52.60%
YoY % Ch	48.10%	50.30%	20.80%	26.10%	36.00%
OPM %	13.90%	20.50%	26.90%	22.80%	15.70%
QoQ % Ch	-36.90%	47.60%	31.30%	-15.40%	-31.20%
YoY % Ch	16.00%	9.20%	6.70%	3.50%	12.90%
Other Income	9.25	10.14	41.6	18.51	9.32
Depreciation	179.66	172.2	171.93	170.81	165.97
Interest	47.5	62.6	69.4	62.5	73.7
Profit before tax	89.6	573.4	1311.1	666.9	188
Tax	8.08	134.8	305.66	152.86	44.22
Net profit	74.8	429.1	993.8	501.1	132
QoQ % Ch	-80.40%	474.00%	131.60%	-49.60%	-73.70%
YoY % Ch	353.30%	68.80%	26.20%	31.50%	76.50%
PAT Margin %	3.40%	11.00%	17.70%	12.90%	4.90%
QoQ % Ch	-71.90%	226.50%	60.70%	-26.90%	-61.80%
YoY % Ch	255.10%	22.60%	11.40%	7.90%	46.50%
EPS (Rs.) Qtr.	1.15	6.61	15.3	7.71	2.03
QoQ % Ch	-80.40%	474.00%	131.60%	-49.60%	-73.70%
YoY % Ch	202.20%	12.50%	26.20%	31.50%	76.50%

SWOT Analysis

Strengths

- **Volume Growth:** 21% year-on-year revenue growth. 18% year-on-year growth in volumes, driven by both domestic and international markets. Diversified product mix with CSD, juice, and water contributing to volumes.
- **Geographical Expansion:** International volumes grew by 16% year-on-year.
- **Realization Improvement:** Better SKU mix in India and improved realizations overseas contributed to realization growth.
- **Gross Margin Expansion:** Gross margins expanded by 35/130 basis points year-on-year/quarter-on-quarter to 56.6%. This was primarily led by softening of PET chip prices.

Opportunities

- **South Africa Acquisition Update:** The company has secured approvals from Botswana and anticipates receiving approvals from Namibia and South Africa by the end of February 2024. In South Africa, PepsiCo holds a 1.5% market share, while BevCo boasts a 14% market share**.**
- **Capex:** Capex outgo in CY2023 reached Rs3200 Cr, surpassing the earlier Rs2800-2900 Cr guidance. MH plant commissioning expedited to January 2024, contributing to higher capex. UP plant, initially planned for Feb-24, may be commissioned in Mar/Apr-24. Odisha unit expected to be ready in 1-2 months.

Weaknesses

- **Margin Outlook:** Despite achieving a 22.5% EBITDA margin in CY2023, the management maintains a guidance range of 21-22%. This cautious approach is in response to potential risks from geopolitics, escalating freight rates, and fluctuating sugar prices.

Threats

- **Intensifying Competition:** The market's steep rise in competitive rivalry poses a notable threat to VBL's market position.
- **Inflation Impact:** Elevated inflation rates could negatively impact the company's earnings potential.
- **Product Launch Risks:** The company faces risks related to potential delays or failures in the launch of new products.

MARATHON TRENDS

About Us

Marathon Trends Advisory Private Limited is a SEBI-approved portfolio management services (PMS) led by Atul Suri, who has over 30 years of experience in the Indian equity markets.
Our lead PMS product, Trend Following, has been developed as a result of over three decades of experience in investing in India's Equity markets. We deliver a solution which is a unique combination of long-term trends followed by an overlay of fundamental analysis, to give an investor superior returns with better risk management.

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