MARATHON TRENDS ADVISORY

PORTFOLIO OVERVIEW

August 2024

SEBI Registration Number: INP000005722

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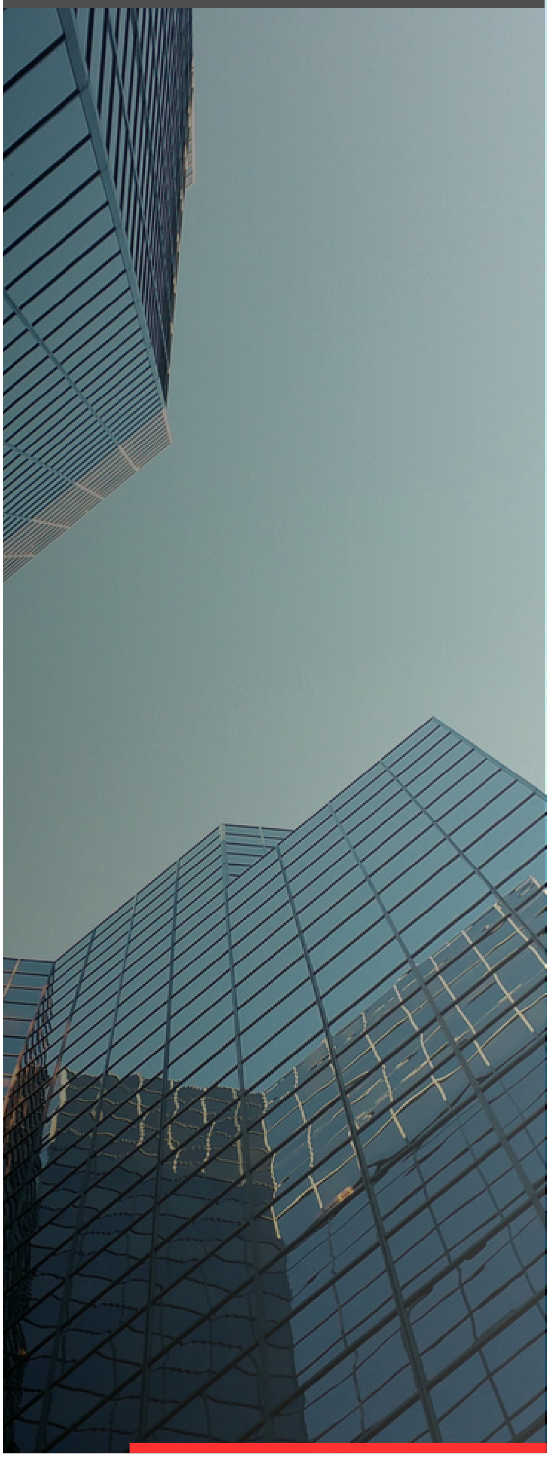
COMBINING LONG TERM TREND FOLLOWING WITH AN OVERLAY OF FUNDAMENTAL ANALYSIS



Investment Approach

At Marathon Trends, our core philosophy revolves around "BUYING STRENGTH and SELLING WEAKNESS." Trend Following PMS aims to provide investors with superior returns by actively navigating India's dynamic equity markets. Our approach is a harmonious blend of fundamental and technical analysis, enabling us to discern and capitalize on evolving market dynamics. With the Trend Following PMS, we offer clients a dynamic investment approach that blends the art of trend interpretation with the science of risk management, aiming to secure and maximize returns in an ever-changing market landscape.

Investment Strategy

Our investment strategy is a carefully crafted three-step process that aims to capture and capitalize on market trends, providing our investors with optimal risk-adjusted returns.

- **Trending Earnings:** It involves deploying robust fundamental analysis to identify stocks with strong earnings and growth potential with good corporate governance for informed decision-making.

- **Trending Price:** The strategy prioritizes stocks for sustained upward momentum and actively seeks those outperforming the broader market, aiming for significant returns.

- **Exit Strategy:** We take into account the rate of change in both earnings and prices, ensuring a comprehensive evaluation of our holdings. Thereby, selling weakness in stocks.

Holding Strategy

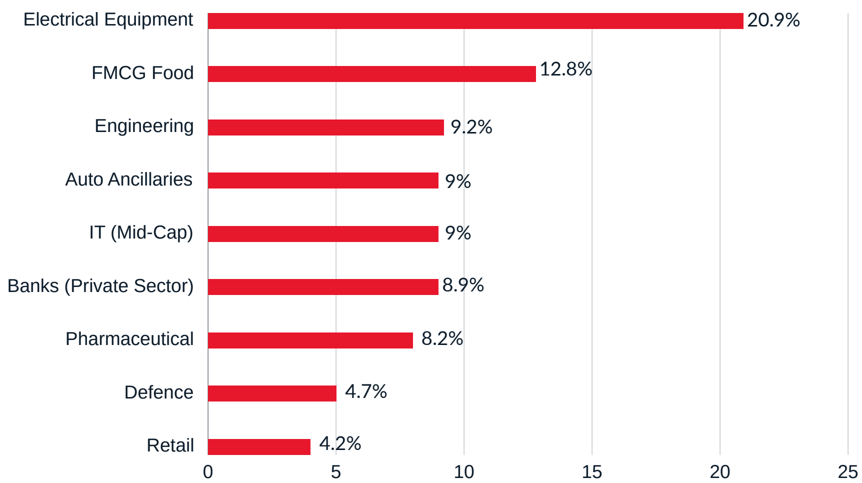
- Scheme Inception: Launched in 2023, our "Trend Following PMS" is designed to hold a curated selection of approximately 20 stocks, ensuring a diversified yet focused approach.
- Diversification: We remain sector-agnostic to spread risk and potential for reward, ensuring that investments are aligned with the market's movements

Porfolio Allocation

Top Holdings:

1. ABB India
2. BEL
3. Cholamandalam
4. Federal Bank
5. ITC
6. KEI
7. KPIT
8. REC
9. SUN Pharmaceuticals
10. Varun Beverages (VBL)

Top Sectors:



ABB

About | ABB

ABB India is a part of ABB group. With a rich history of 130+ years, ABB has 105,000+ skilled employees in 100+ countries. ABB has been in India for over a century and manufacturing for over 70 years. The company has a presence in four areas:

1. Electrification: ABB makes electricity safe, smart, and eco-friendly, from power stations to sockets.
2. Motion: ABB deals with electric movement (like motors), mechanical systems, and digital solutions for smoother operations.
3. Process Automation: ABB helps industries run better using tech for efficient processes, measurement, and analysis.
4. Robotics & Automation: ABB creates smart machines (robots) and automation for factories, making things work without as much human help.

Quarterly Performance:

- **Revenue** increased by 12.8% YoY.
- **EBITDA** margins increased by 530 bps YoY.
- **PAT** increased by 50% YoY.

Future Outlook:

We hold a bullish stance on ABB, driven by its enhanced geographical penetration, steadfast commitment to execution excellence, and robust profit margins, all bolstered by a consistent and sustainable influx of orders.

Narration Amt.Cr.	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Sales	2508.63	2769.19	2757.49	3080.36	2830.86
QoQ % Ch	4.00%	10.40%	-0.40%	11.70%	-8.10%
YoY % Ch	22.20%	30.60%	13.60%	27.80%	12.80%
Expenses	2159.91	2330.66	2340.27	2515.18	2288.37
Expenses %	86.10%	84.20%	84.90%	81.70%	80.80%
Operating Profit	348.7	438.5	417.2	565.2	542.5
QoQ % Ch	22.20%	25.80%	-4.90%	35.50%	-4.00%
YoY % Ch	75.40%	107.90%	14.50%	98.10%	55.60%
OPM %	13.90%	15.80%	15.10%	18.30%	19.20%
QoQ % Ch	17.50%	13.90%	-4.50%	21.30%	4.40%
YoY % Ch	43.50%	59.10%	0.80%	55.10%	37.90%
Other Income	74.85	77.69	71.05	86.83	87.61
Depreciation	29.23	30.29	32.92	31.42	30.97
Interest	1.4	0.9	8.2	3.8	4.5
Profit before tax	393	485.1	447.2	616.8	594.6
Tax	97.32	122.18	108.53	157.49	151.13
Net profit	295.6	362.9	338.7	459.3	443.5
QoQ % Ch	20.70%	22.70%	-6.70%	35.60%	-3.40%
YoY % Ch	110.70%	83.70%	10.90%	87.50%	50.00%
PAT Margin %	11.80%	13.10%	12.30%	14.90%	15.70%
QoQ % Ch	16.00%	11.20%	-6.30%	21.40%	5.10%
YoY % Ch	72.40%	40.60%	-2.40%	46.80%	32.90%
EPS (Rs.) Qtr.	13.95	17.12	15.98	21.67	20.93
QoQ % Ch	20.70%	22.70%	-6.70%	35.60%	-3.40%
YoY % Ch	110.70%	83.70%	10.90%	87.50%	50.00%

SWOT Analysis

Strengths

- **Revenue and Profit Performance:** Revenue grew by 13% YoY, driven by growth in Robotics & Motion (+23% YoY), Electrification (+23% YoY), and Process Automation (+16% YoY). PAT grew by 50% on a YoY increase. Revenues could have been higher by nearly INR 200 Cr, but growth was tempered by the postponement of deliveries to align with customer schedules.
- **Margin Performance:** Gross margin expanded significantly by 630 basis points YoY and 260 basis points QoQ, due to a favourable product mix and better margin orders.

Weaknesses

- **Flat YoY base orders:** Flat year-over-year base orders are due to delays across sectors, including those caused by elections, a decline in construction activity, and execution delays in the distribution segment, stemming from a lack of government funding for EPC contractors.

Opportunities

- **Order Book:** Order Inflows and Book Order inflows reached INR 3430 Cr, up 13% YoY, with the order book growing to INR 9510 Cr, a 23% YoY increase.

Threats

- **Dependence on Capex Cycle:** ABB's growth in traditional segments relies on the capex cycle. Slowdown in the capex cycle could impact growth.
- **Inflationary Pressures:** Inflationary pressures in raw materials can impact the company's profitability.
- **Macro Factors:** In the global geopolitical and macro landscape, persistently high crude prices, supply chain challenges, shifts in global trade dynamics, currency fluctuations, and escalating inflation, particularly core inflation, will remain critical factors to monitor closely.

Bharat Electronics (BEL)

About | BEL

Bharat Electronics Limited (BEL), a Navratna PSU under the Ministry of Defence, Government of India, is a distinguished manufacturer of cutting-edge electronic products and systems for the Army, Navy, and the Air Force. Beyond its military contributions, BEL has ventured into diverse sectors like homeland security, smart cities, e-governance solutions, space electronics, energy storage products, solar technology, network & cyber security, and more.

Q1FY25 Performance:

- Quarterly **Revenue** at Rs 4243 Cr, **up 20.1% YoY.**
- Quarterly **EBIDTA** at Rs 948 Cr, **up 41% YoY.**
- Quarterly **PAT** at Rs 791 Cr, **up 46.9% YoY.**

Future Outlook:

Bharat Electronics Limited (BEL) excels in advanced electronic systems for the Armed Forces and has successfully diversified into thriving sectors including homeland security, smart cities, space electronics, energy storage, cyber security, railways, airports, and beyond. This promising expansion trajectory is poised to drive significant growth for the company. Additionally, BEL's substantial order book adds to our keen interest in the company.

Narration Amt.Cr.	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Sales	3532.94	4009.06	4162.16	8564.08	4243.57
QoQ % Ch	-45.50%	13.50%	3.80%	105.80%	-50.40%
YoY % Ch	12.50%	1.20%	0.20%	32.20%	20.10%
Expenses	2860.43	2994.89	3089.66	6276.85	3295.37
Expenses %	81.00%	74.70%	74.20%	73.30%	77.70%
Operating Profit	672.5	1014.2	1072.5	2287.2	948.2
QoQ % Ch	-63.30%	50.80%	5.80%	113.30%	-58.50%
YoY % Ch	28.70%	16.80%	24.20%	24.90%	41.00%
OPM %	19.00%	25.30%	25.80%	26.70%	22.30%
QoQ % Ch	-32.70%	32.90%	1.90%	3.60%	-16.30%
YoY % Ch	14.40%	15.40%	23.90%	-5.50%	17.40%
Other Income	140.23	137.06	167.42	225.43	203.58
Depreciation	108.94	108.26	107.46	118.54	107.68
Interest	1.1	1.5	0.5	4.1	1.2
Profit before tax	702.7	1041.5	1132	2390.1	1042.9
Tax	174.13	260.73	283.83	604.41	261.93
Net profit	538.5	789.4	859.6	1797.1	791
QoQ % Ch	-61.00%	46.60%	8.90%	109.10%	-56.00%
YoY % Ch	47.30%	26.60%	40.20%	30.00%	46.90%
PAT Margin %	15.20%	19.70%	20.70%	21.00%	18.60%
QoQ % Ch	-28.50%	29.20%	4.90%	1.60%	-11.20%
YoY % Ch	30.90%	25.10%	39.90%	-1.60%	22.30%
EPS (Rs.) Qtr.	0.74	1.08	1.18	2.46	1.08
QoQ % Ch	-61.00%	46.60%	8.90%	109.10%	-56.00%
YoY % Ch	-50.90%	-57.80%	40.20%	30.00%	46.90%

SWOT Analysis

Strengths

- **Strong Revenue Growth:** Revenue grew 20% year-on-year (YoY) to INR 4,200 crores, driven by strong execution of the order book.
- **Gross Margin Expansion:** The gross margin increased by approximately 190 basis points (bp) YoY to 45.4%

Weaknesses

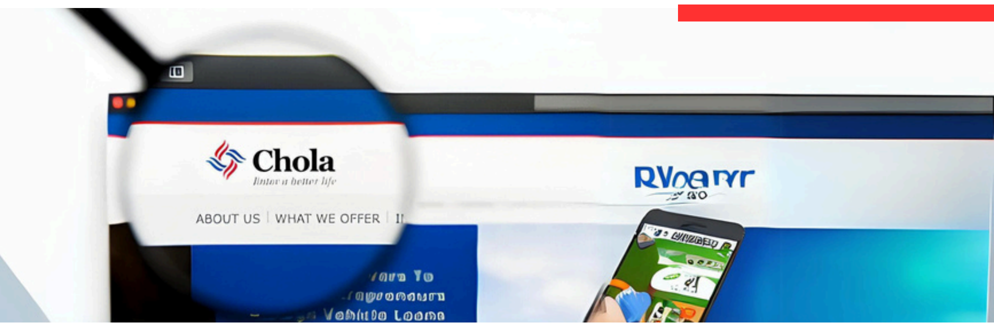
- **Decline in Order inflows:** Order inflows were INR 4,960 crores, showing a decline compared to the previous year.

Opportunities

- **Robust Order Book and Pipeline:** The order book stood at INR 76,700 crores, representing a 17% year-on-year (YoY) increase. Order inflows were INR 4,960 crores, showing a decline compared to the previous year. These inflows were diversified across various projects, including the BMP 2 upgrade, T/R module, MPR radar, Akash AMC, CMS system, and spares for ships.
- **Guidance Maintained:** The company has maintained its guidance of 15% growth in revenue, with EBITDA margins expected to be in the range of 22-23% for FY25. It has also kept its order inflow guidance at INR 25,000 crores each for FY25 and FY26, excluding the QRSAM project.
- **Strengthening Market share:** The share of indigenization in the Indian defense sector has been steadily increasing, and Bharat Electronics Limited (BHE) is expected to maintain a high revenue market share of around 12-13%. The company is actively taking initiatives to boost its share of exports and non-defense revenues.

Threats

- **Defence Budget Cuts Impact:** Any cuts could negatively impact the company's revenue growth.
- **Execution Delays:** Potential delays in executing the order book, affecting project timelines and revenue recognition.
- **Delay in Payments**: Delays in payments from Ministry of Defense (MoD)



Cholamandalam

About | Cholamandalam

Cholamandalam, 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.	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Sales	4099.72	4622.58	5007.42	5427.56	5812.31
QoQ % Ch	9.6%	12.8%	8.3%	8.4%	7.1%
YoY % Ch	48.0%	53.2%	49.2%	45.1%	41.8%
Expenses	1173.64	1390.79	1411.59	1416.62	1726.90
Expenses %	28.6%	30.1%	28.2%	26.1%	29.7%
Operating Profit	2926.1	3231.8	3595.8	4010.9	4085.4
QoQ % Ch	3.1%	10.4%	11.3%	11.5%	1.9%
YoY % Ch	54.8%	55.6%	47.1%	41.3%	39.6%
OPM %	71.4%	69.9%	71.8%	73.9%	70.3%
QoQ % Ch	-5.9%	-2.0%	2.7%	2.9%	-4.9%
YoY % Ch	4.6%	1.6%	-1.4%	-2.6%	-1.5%
Other Income	71.07	72.58	47.34	87.81	44.97
Depreciation	38.58	38.51	45.79	75.18	58.96
Interest	2006.2	2204.2	2441.0	2579.4	2796.4
Profit before tax	952.4	1061.7	1156.4	1444.2	1275.1
Tax	242.43	288.83	284.37	378.94	327.91
Net profit	709.9	772.9	872.0	1065.2	947.2
QoQ % Ch	-17.0%	8.9%	12.8%	22.2%	-11.1%
YoY % Ch	26.3%	37.3%	27.3%	24.6%	33.4%
PAT Margin %	17.3%	16.7%	17.4%	19.6%	16.3%
QoQ % Ch	-24.2%	-3.4%	4.2%	12.7%	-17.0%
YoY % Ch	-14.6%	-10.4%	-14.7%	-14.1%	-5.9%
EPS (Rs.) Qtr.	8.63	9.39	10.60	12.95	11.51
QoQ % Ch	-17.0%	8.9%	12.8%	22.2%	-11.1%
YoY % Ch	26.2%	37.2%	27.3%	24.6%	33.4%

SWOT Analysis

Strengths

- **Strong NII growth:** NII (Net Interest Income) growth was strong at 40% year-over-year (YoY), driven by a 35% YoY increase in loan growth and a 13-basis points YoY expansion in net interest margin (NIM).
- **Healthy Disbursements:** Disbursements rose by 22% YoY, fuelled by a robust 89% growth in new businesses and a 45% increase in loans against property (LAP). Home loans also showed strong disbursement growth of 22% YoY.

Weaknesses

- **Weakness in Vehicle Disbursements:** Vehicle disbursements were up only 13% YoY, which slightly pulled down the overall disbursement figures
- **Opex Grew at a Higher Rate:** Operating expenses grew at a faster rate than assets under management (AUM), increasing by 50% year-over-year (YoY). This led to an elevated cost-to-AAUM ratio of 3.1%, compared to 2.8% in 1QFY24

Opportunities

- **Management Guidance:** Disbursement growth target of approximately 20-25%. Asset Under Management (AUM) growth goal of around 25-30%. The company aims to enhance its Return on Assets (RoA) to approximately 3%, supported by improvements in operating expenses (opex) and Net Interest Margin (NIM) over the next two years.
- **Faster Growth Expected in Chola's New Business Segments:** Chola's new business segments include CSEL for personal and business loans, SME providing supply-chain financing, and SBPL offering secured business loans in southern and western markets.
- **AUM Profile Going Forward:** The company aims to maintain an Asset Under Management (AUM) mix of approximately 50% in Vehicle Finance (VF), around 35% in Home Loans (HL) and Loan Against Property (LAP), and about 15% in new business ventures. The unsecured portfolio will be kept at approximately 8%.

Threats

- **Volatility in Vehicle Finance Business:** 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.
- **Higher Delinquencies:** Higher delinquencies and credit costs in new businesses, particularly CSEL (Partnerships).

Federal Bank

About | Federal Bank

The Federal Bank Limited, originally incorporated in 1931 as Travancore Federal Bank Limited, offers a range of services including retail and corporate banking, para-banking activities such as debit cards and third-party product distribution, as well as treasury and foreign exchange operations. It is the second-largest bank and the largest private sector bank in Kerala. Federal Bank has a network of Over 1,500+ banking outlet and 2,000+ ATMs across India with 1.8 Cr+ customers.

Future Outlook:

We are anticipating outperformance in the medium term, Federal Bank is our top pick among mid-tier banks, driven by strategic investments, enhanced operating ratios, and a focus on higher return ratios.

Narration Amt.Cr.	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Sales	**5349.77**	**5791.28**	**6085.2**	**6339.22**	**6727.6**
QoQ % Ch	6.70%	8.30%	5.10%	4.20%	6.10%
YoY % Ch	39.20%	36.00%	29.50%	26.50%	25.80%
Expenses	1634.13	1661.35	1814.06	1916.74	2047.78
Expenses %	30.50%	28.70%	29.80%	30.20%	30.40%
Operating Profit	**3715.6**	**4129.9**	**4271.1**	**4422.5**	**4679.8**
QoQ % Ch	8.10%	11.10%	3.40%	3.50%	5.80%
YoY % Ch	49.10%	51.90%	35.40%	28.60%	25.90%
OPM %	**69.50%**	**71.30%**	**70.20%**	**69.80%**	**69.60%**
QoQ % Ch	1.30%	2.70%	-1.60%	-0.60%	-0.30%
YoY % Ch	7.10%	11.70%	4.50%	1.70%	0.20%
Other Income	741.31	756.92	908.35	809.9	936.05
Interest	3254.5	3544.1	3759.7	3936.3	4211.5
Profit before tax	**1202.4**	**1342.7**	**1419.8**	**1296**	**1404.3**
Tax	310.7	342.55	356.57	323.65	364.32
Net profit	**880.1**	**994.1**	**1035.4**	**970.8**	**1027.5**
QoQ % Ch	-7.70%	13.00%	4.20%	-6.20%	5.80%
YoY % Ch	38.80%	35.60%	22.80%	1.80%	16.70%
PAT Margin %	**16.50%**	**17.20%**	**17.00%**	**15.30%**	**15.30%**
QoQ % Ch	-13.60%	4.30%	-0.90%	-10.00%	-0.30%
YoY % Ch	-0.30%	-0.30%	-5.20%	-19.50%	-7.20%
EPS (Rs.)Qtr.	**4.16**	**4.7**	**4.89**	**4.59**	**4.86**
QoQ % Ch	-7.70%	13.00%	4.20%	-6.20%	5.80%
YoY % Ch	37.90%	34.70%	22.80%	1.80%	16.70%

SWOT Analysis

Strengths

- **NIM expansion:** Federal Bank is one of the few banks experiencing robust net interest income (NII) growth, with an increase of approximately 20% year-over-year (YoY). This strong performance is largely due to the timing difference in the movement of the bank's cost of funds compared to the broader industry.
- **Strong Loan Growth:** Federal Bank reported a year-over-year (YoY) loan growth of approximately 19%. This growth was broad-based, with the retail and business banking portfolios each growing by 20% YoY, while the commercial banking business expanded by 24% YoY. The agricultural portfolio saw a 14% YoY increase, and the corporate book grew by 12% YoY.

Weaknesses

- **CASA Decline:** The CASA (Current Account Savings Account) ratio has declined by approximately 700 basis points, falling to around 29% from a peak of approximately 36% as of March 2022.

Opportunities

- **Branch Expansion:** The bank aims for 5-7% growth in branch expansion, with branches reaching breakeven at an accelerated rate. It targets to add 100 branches in FY25.
- **Higher Return Ratio:** The bank is aspiring for a higher return ratio, led by a combination of loan mix and improved pricing, while retaining its strength in better underwriting.

Threats

- **Economic Downturn and Market Volatility**: Vulnerability to economic fluctuations affecting borrower repayments and asset valuations.
- **Regulatory Changes and Compliance Challenges:** Risks associated with evolving regulations leading to increased compliance costs and penalties.
- **Intense Competition and Margin Pressure:** Pressure on margins due to competitive lending rates, impacting profitability and market share.
- **Credit and Default Risks:** Challenges in assessing and mitigating credit risks, impacting asset quality and loan portfolios.

About | ITC

ITC is a diversified conglomerate in India with interests in FMCG, Agri, Paperboards & Packaging, IT, and Hotels. The company owns popular brands such as Sunfeast, Bingo, Aashirwad, Sunrise, and Fiama, among others, showcasing its wide-ranging consumer presence.

Quarterly Performance:

- **Revenue** increased by 7.4% YoY.
- **EBITDA** margins decreased by 250 bps YoY.
- **PAT** increased by 0.3% YoY.

Future Outlook:

We express a bullish outlook on ITC, driven by its robust portfolio of strong consumer brands spanning diverse categories. The favorable factor lies in India's consumption-led economy, where increasing consumer demands are anticipated. This economic trend is expected to significantly boost the demand for ITC's products, making it an attractive investment opportunity.

Narration Amt.Cr.	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Sales	**15828.2**	**16550.07**	**16483.25**	**16579.29**	**17000.09**
QoQ % Ch	-3.50%	4.60%	-0.40%	0.60%	2.50%
YoY % Ch	-8.50%	2.60%	1.60%	1.10%	7.40%
Expenses	9578.14	10508.45	10458.96	10416.65	10704.62
Expenses %	60.50%	63.50%	63.50%	62.80%	63.00%
Operating Profit	**6250.1**	**6041.6**	**6024.3**	**6162.6**	**6295.5**
QoQ % Ch	0.70%	-3.30%	-0.30%	2.30%	2.20%
YoY % Ch	10.70%	3.00%	-3.20%	-0.80%	0.70%
OPM %	**39.50%**	**36.50%**	**36.50%**	**37.20%**	**37.00%**
QoQ % Ch	4.30%	-7.60%	0.10%	1.70%	-0.40%
YoY % Ch	20.90%	0.40%	-4.70%	-1.80%	-6.20%
Other Income	708.74	895.61	1129.82	796.54	698.23
Depreciation	402.49	413.22	416.75	415.36	430.86
Interest	**10.7**	**10.5**	**12.4**	**12.1**	**11.1**
Profit before tax	6545.6	6513.5	6725	6531.7	6551.7
Tax	**1642.85**	**1586.54**	**1152.91**	**1511.5**	**1634.25**
Net profit	4902.7	4927	5572.1	5020.2	4917.5
QoQ % Ch	-3.60%	0.50%	13.10%	-9.90%	-2.00%
YoY % Ch	**17.60%**	**10.30%**	**10.80%**	**-1.30%**	**0.30%**
PAT Margin %	31.00%	29.80%	33.80%	30.30%	28.90%
QoQ % Ch	-0.20%	-3.90%	13.60%	-10.40%	-4.50%
YoY % Ch	28.40%	7.50%	9.00%	-2.40%	-6.60%
EPS (Rs.) Qtr.	**3.94**	**3.96**	**4.48**	**4.04**	**3.96**
QoQ % Ch	-3.60%	0.50%	13.10%	-9.90%	-2.00%
YoY % Ch	16.60%	9.40%	10.80%	-1.30%	0.30%

SWOT Analysis

Strengths

- **Cigarette Segment:** Gross cigarette revenue grew 6% year-over-year, driven by approximately 3% volume growth, mix improvement, and price hikes. The premium cigarette segment continued to outperform, while the value segment experienced sustained weakness.
- **FMCG Segment:** The FMCG segments delivered 6% revenue growth, despite being adversely impacted by severe heat waves and slow growth in packaged foods. Margins were slightly affected by rising competitive pressure from local and regional players, increased commodity prices, and weak demand.
- **Strong Hotels Segment Performance:** The Hotels business sales grew 14% YoY.

Weaknesses

- **Paperboard Revenues:** The paperboards business continued to contract, reporting a 7% year-over-year decline in revenue. The paper business faced challenges from demand issues, competition from China, lower pulp prices, and higher input costs, leading to weak revenue and margins.
- **Hotels Business Margin:** EBIT margin contracted 440bp YoY to 17.1%.

Opportunities

- **Expansion in FMCG:** ITC can further expand its Fast-Moving Consumer Goods (FMCG) segment by introducing innovative products and capturing new markets.
- **Rural Market Penetration:** Leveraging its Agri business, ITC can focus on rural market penetration, tapping into the vast agricultural sector in India.
- **Improvements in Paper Board and Hotel Business:** In the paperboard business, improvement is anticipated as wood costs decrease with the harvesting of new crops, which is expected to lead to approximately 20% margins. The hotel business added 32 properties to its portfolio in the last 24 months (July 2022 to June 2024) and plans to add 28 managed hotels in the next 24 months (July 2024 to June 2026).

Threats

- **Intense Competition:** The FMCG sector in India is highly competitive, with both domestic and international players. ITC faces constant challenges from rivals in maintaining market share.
- **Regulatory Changes:** Shifts in government policies, tax regulations, or trade laws, especially in the cigarette segment.
- **Changing Consumer Preferences:** Rapid changes in consumer preferences and demand patterns can necessitate constant adaptation, posing a challenge for product development and marketing strategies.

KEI

About | KEI

KKEI Industries Limited is a prominent player within India's Wires & Cables industry, catering to both domestic and international markets across various sectors including retail, institutional, private, and public segments. With a specialization in power cables, KEI effectively fulfils cabling needs for diverse industries like power, oil refineries, railways, automobiles, cement, steel, and real estate. The company strategically positions itself to capitalize on opportunities in power utilities, core infrastructure, and national construction projects, leveraging its expertise in Extra High Voltage (EHV) cables for the power sector.

Quarterly Performance:

- Quarterly Consolidated **Revenue** at Rs. 2060 Cr, up 15.6% YoY
- Quarterly Consolidated **EBITDA** at Rs. 214.6 Cr, up 20.4% YoY.
- Quarterly Consolidated **PAT** at Rs. 150 Cr, up 23.8% 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.	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Sales	1782.57	1946.58	2059.37	2319.28	2060.5
QoQ % Ch	-8.70%	9.20%	5.80%	12.60%	-11.20%
YoY % Ch	13.90%	21.10%	15.40%	18.80%	15.60%
Expenses	1604.3	1742.72	1844.81	2074.72	1845.94
Expenses %	90.00%	89.50%	89.60%	89.50%	89.60%
Operating Profit	178.3	203.9	214.6	244.6	214.6
QoQ % Ch	-11.80%	14.40%	5.20%	14.00%	-12.30%
YoY % Ch	11.70%	27.00%	17.80%	20.90%	20.40%
OPM %	10.00%	10.50%	10.40%	10.50%	10.40%
QoQ % Ch	-3.40%	4.70%	-0.50%	1.20%	-1.20%
YoY % Ch	-1.90%	4.90%	2.00%	1.80%	4.10%
Other Income	8.33	7.66	14.16	15.16	17.85
Depreciation	14.66	15.56	15.37	15.76	15.5
Interest	8.9	7.5	10.9	16.5	14.2
Profit before tax	163	188.4	202.4	227.4	202.8
Tax	41.62	48.22	51.75	58.65	52.5
Net profit	121.4	140.2	150.7	168.8	150.3
QoQ % Ch	-12.10%	15.50%	7.50%	12.00%	-11.00%
YoY % Ch	17.00%	31.20%	17.20%	22.20%	23.80%
PAT Margin %	6.80%	7.20%	7.30%	7.30%	7.30%
QoQ % Ch	-3.70%	5.80%	1.60%	-0.50%	0.20%
YoY % Ch	2.70%	8.40%	1.50%	2.90%	7.10%
EPS (Rs.) Qtr.	13.46	15.55	16.71	18.71	16.66
QoQ % Ch	-12.10%	15.50%	7.50%	12.00%	-11.00%
YoY % Ch	16.90%	31.00%	17.20%	22.20%	23.80%

SWOT Analysis

Strengths

- **Strong Revenue Growth:** Revenue grew 16% year-on-year (YoY) to INR 2,060 crores, driven by 16% growth in the Cables & Wires segment and 22% growth in the EPC segment.
- **Cables and Wires:** Revenue increased by 16% year-on-year (YoY) to INR 1,880 crores, while EBIT rose 46% YoY to INR 210 crores. The EBIT margin expanded by 2.3 percentage points (pp) YoY to 11% in spite of increase in raw material price.
- **EPC Business:** Revenue grew 22% YoY to INR 230 crores, with EBIT increasing 16% YoY to INR 29.8 crores. The EBIT margin declined by 70 basis points (bp) YoY to 13.2%.

Weaknesses

- **Revenue Decline:** Stainless steel wires segment revenue declined by 70 bp YoY.

Opportunities

- **Capex Outlook:** Capex of Rs 900-1000 Cr is planned for greenfield expansion in Gujarat in FY25. It will further spend INR500-600 Cr capex in FY26, which help maintain a CAGR of 15-16% in the coming three to four years.
- **Market Size and Growth:** The cables & wires market size is currently INR 75,000 Cr. It is expected to exhibit a Compound Annual Growth Rate (CAGR) of approximately 15% over the next few years. It is poised for substantial growth, driven by a confluence of factors such as solar power initiatives, power distribution projects, government reforms, robust capex in power T&D, and sustained demand from the real estate sector.

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 aluminium, 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 | KPIT

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.

Quarterly Performance:

- **Revenue** increased by 24.3% YoY.
- **EBITDA** increased by 34.4% YoY.
- **PAT** increased by 52.4% 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.	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Sales	1097.62	1199.16	1256.96	1317.8	1364.63
QoQ % Ch	7.90%	9.30%	4.80%	4.80%	3.60%
YoY % Ch	60.10%	61.00%	37.10%	29.50%	24.30%
Expenses	883.74	959.23	998.45	1045.45	1077.13
Expenses %	80.50%	80.00%	79.40%	79.30%	78.90%
Operating Profit	213.9	239.9	258.5	272.4	287.5
QoQ % Ch	17.30%	12.20%	7.70%	5.40%	5.60%
YoY % Ch	60.60%	73.70%	52.20%	49.40%	34.40%
OPM %	19.50%	20.00%	20.60%	20.70%	21.10%
QoQ % Ch	8.70%	2.70%	2.80%	0.50%	1.90%
YoY % Ch	0.30%	7.90%	11.00%	15.30%	8.10%
Other Income	21.51	9.47	18.79	16.63	54.44
Depreciation	45.04	48.09	49.96	52.7	52.51
Interest	13.7	13.6	15.8	11.8	12.7
Profit before tax	176.6	187.7	211.6	224.5	276.7
Tax	42.2	46.33	54.83	58.56	72.54
Net profit	134	140.9	155.3	164.4	204.2
QoQ % Ch	20.10%	5.10%	10.30%	5.80%	24.20%
YoY % Ch	56.90%	68.70%	54.60%	47.30%	52.40%
PAT Margin %	12.20%	11.70%	12.40%	12.50%	15.00%
QoQ % Ch	11.30%	-3.80%	5.20%	0.90%	20.00%
YoY % Ch	-2.00%	4.80%	12.80%	13.70%	22.50%
EPS (Rs.) Qtr.	4.96	5.21	5.75	6.08	7.55
QoQ % Ch	20.10%	5.10%	10.30%	5.80%	24.20%
YoY % Ch	56.70%	68.50%	54.60%	47.30%	52.40%

SWOT Analysis

Strengths

- **Growth Across Segments:** Reported $ Revenue growth of 23.1% Y-o-Y Growth led by Middleware, Powertrain and Japan.
- **Margins Improved:** EBITDA margins improved to 21.1% post two months of ESOP cost and quarterly promotions, mainly due to fixed cost leverage.

Weaknesses

- **Weakness in Commercial Vehicles Segment:** Commercial vehicle segment de-grew by 3.2% YoY in USD terms.

Opportunities

- **Positive Outlook by management:** The growth outlook for KPIT remains positive, with revenue growth largely driven by 15 key clients within the top 25 over the past few quarters. KPIT is actively engaging with the remaining clients on their transformation initiatives and exploring new opportunities in adjacent areas, such as off-highway sectors, where there are early discussions on technology transformation.
- **Guidance:** FY25 Outlook - revenue growth of 18% - 22%, EBITDA margin at 20.5%+
- **Quarterly Wins:** KPIT closed engagements worth $202M in the quarter, reflecting robust performance and a healthy pipeline across various practices.

Threats

- **Market Competition:** Headwinds could emerge as vehicle platform architecture development nears an end.
- **Challenges identified by management:**
  - The Chinese market is becoming saturated for local OEMs
  - European OEMs are facing competition from Chinese peers both in China and in their own markets
  - US OEMs are transitioning from electrification to a hybrid approach.
- **Technological Disruptions:** Rapid advancements require significant investments in research and development to stay competitive.

REC

About | REC

REC, a Central Public Sector Undertaking under the Ministry of Power, specializes in financing projects across the power sector value chain, from generation to distribution. REC is a leading non-banking financial company (NBFC) categorized as Infrastructure Finance Company (IFC) by the RBI, servicing the financing needs of entire power sector value chain.
With services ranging from loans for conventional and renewable generation projects to transmission and distribution initiatives, REC plays a pivotal role in bolstering India's energy infrastructure. Additionally, as a nodal agency for key Government of India schemes like DDUGJY and SAUBHAGYA, REC enjoys sovereign support, enabling it to raise funds competitively and expand its offerings in the infrastructure sector.

Future Outlook:

We are bullish on REC due to its critical role as a leading Infrastructure Finance Company (IFC) in financing projects across India's power sector value chain. With a wide range of services covering both conventional and renewable energy projects, along with its position as a nodal agency for key government schemes like DDUGJY and SAUBHAGYA, REC benefits from sovereign support, positioning it well for sustained growth and expansion in the infrastructure sector.

Narration Amt.Cr.	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Sales	11103.93	11688.24	12051.77	12677.18	13078.66
QoQ % Ch	8.40%	5.30%	3.10%	5.20%	3.20%
YoY % Ch	16.90%	17.40%	23.20%	23.80%	17.80%
Expenses	332.48	-492.26	240.26	-424.55	717.04
Expenses %	3.00%	-4.20%	2.00%	-3.30%	5.50%
Operating Profit	10771.5	12180.5	11811.5	13101.7	12361.6
QoQ % Ch	3.60%	13.10%	-3.00%	10.90%	-5.60%
YoY % Ch	29.40%	32.90%	21.30%	26.10%	14.80%
OPM %	97.00%	104.20%	98.00%	103.30%	94.50%
QoQ % Ch	-4.40%	7.40%	-6.00%	5.50%	-8.50%
YoY % Ch	10.70%	13.20%	-1.50%	1.90%	-2.60%
Other Income	4.21	13.02	19.77	29.48	13.78
Depreciation	5.83	6.14	6	6.02	5.92
Interest	7048.7	7349.8	7653.6	7895.7	8020.3
Profit before tax	3721.2	4837.6	4171.7	5229.5	4349.2
Tax	753.11	1047.71	863.27	1150.39	889.04
Net profit	2968.1	3789.9	3308.4	4079.1	3460.2
QoQ % Ch	-3.20%	27.70%	-12.70%	23.30%	-15.20%
YoY % Ch	20.90%	38.70%	13.50%	33.10%	16.60%
PAT Margin %	26.70%	32.40%	27.50%	32.20%	26.50%
QoQ % Ch	-10.70%	21.30%	-15.30%	17.20%	-17.80%
YoY % Ch	3.40%	18.20%	-7.90%	7.50%	-1.00%
EPS (Rs.) Qtr.	11.27	14.39	12.56	15.49	13.14
QoQ % Ch	-3.20%	27.70%	-12.70%	23.30%	-15.20%
YoY % Ch	-9.30%	4.00%	13.50%	33.10%	16.60%

SWOT Analysis

Strengths

- **Strong NII growth:** Net Interest Income stands at ₹ 4,713 crores vs ₹ 3,612 crores (30% YoY).
- **Highest rating:** Highest Domestic Rating of "AAA"; International Ratings of "Baa3" & "BBB-" from Moody's & Fitch respectively at par with Sovereign rating.
- **Improved Yield on Loans:** The yield on loans has improved in Q1 FY 25 vs Q1 FY 24 to 9.99% from 9.82% due to realignment of interest rates amongst borrowers.
- **Improving Asset Quality:** No New NPAs during last 10 quarters. Also, the net credit impaired assets at 0.82% in this quarter as compared to 0.97% in Q1FY24.

Weaknesses

- **Decreased Provision Coverage Ratio (PCR):** Decreased Provision Coverage Ratio (PCR) from 70.46% in Q1FY24 to 68.48% in this quarter.

Opportunities

- **Infrastructure Expansion:** With a foray into lending to infrastructure and logistics sectors, REC can capitalize on opportunities arising from the growing demand for infrastructure development in India.
- **AUM Expansion:** The company is targeting an asset under management (AUM) of Rs 10 lakh crore by 2030.
- **Rooftop Solar Program:** Targeting one crore households by December 2024, aggressive stance on the program.

Threats

- **Regulatory Risks:** REC Ltd. may encounter threats from regulatory changes impacting the power sector or government policies affecting its operations and profitability.
- **Vulnerability to Economic Conditions:** REC Ltd. may face challenges in adverse economic conditions affecting the power sector, potentially impacting its financial performance.

Sun Pharma

About | Sun Pharma

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

Quarterly Performance:

- Quarterly **Revenue** of Rs 12,653 Cr up 6% YoY.
- **EBITDA** of Rs 3608 Cr up 8.3% YoY.
- **PAT** of Rs 2836 Cr, up 40.2% YoY.

Future Outlook:

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

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

Narration Amt.Cr.	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Sales	11940.84	12192.41	12380.7	11982.9	12652.75
QoQ % Ch	9.20%	2.10%	1.50%	-3.20%	5.60%
YoY % Ch	11.00%	11.30%	10.10%	9.60%	6.00%
Expenses	8609.07	9013.03	8903.87	8947.75	9045.13
Expenses %	72.10%	73.90%	71.90%	74.70%	71.50%
Operating Profit	3331.8	3179.4	3476.8	3035.2	3607.6
QoQ % Ch	18.90%	-4.60%	9.40%	-12.70%	18.90%
YoY % Ch	15.50%	7.50%	15.80%	8.30%	8.30%
OPM %	27.90%	26.10%	28.10%	25.30%	28.50%
QoQ % Ch	8.80%	-6.50%	7.70%	-9.80%	12.60%
YoY % Ch	4.10%	-3.40%	5.10%	-1.20%	2.20%
Other Income	-118.43	293.61	180.39	504.3	532.55
Depreciation	651.32	632.82	622.14	650.36	655.13
Interest	80.9	49.3	34.7	73.6	61.5
Profit before tax	2481.1	2790.9	3000.4	2815.5	3423.5
Tax	468.1	390.1	432.32	148.93	552.25
Net profit	2022.5	2375.5	2523.8	2654.6	2835.6
QoQ % Ch	1.90%	17.50%	6.20%	5.20%	6.80%
YoY % Ch	-1.90%	5.00%	16.50%	33.80%	40.20%
PAT Margin %	16.90%	19.50%	20.40%	22.20%	22.40%
QoQ % Ch	-6.70%	15.00%	4.60%	8.70%	1.20%
YoY % Ch	-11.60%	-5.70%	5.80%	22.00%	32.30%
EPS (Rs.) Qtr.	8.43	9.9	10.52	11.06	11.82
QoQ % Ch	1.90%	17.50%	6.20%	5.20%	6.80%
YoY % Ch	-1.90%	5.00%	16.50%	33.80%	40.20%

SWOT Analysis

Strengths

- **Earnings Growth:** Sun Pharma (SUNP) delivered better-than-expected earnings for the first quarter of fiscal year 2025, driven by an improved segmental mix and lower raw material costs. Domestic Formulations (DF) sales increased by 16.4% YoY, representing 33% of total sales. Emerging Markets (EM) sales grew 10% YoY, comprising 19% of sales.
- **Gross Margins:** The gross margin expanded by 200 basis points year-over-year to 78.6% for the quarter. Lower-than-expected R&D spending led to margin improvement in the quarter. Employee expenses decreased by 80 basis points as a percentage of sales.

Weaknesses

- **Muted Sales in US & RoW:** Rest of the World (ROW) sales declined 1% YoY to INR 1580 Cr, making up 13% of sales. U.S. sales remained flat YoY, down 1% in constant currency terms), accounting for 31% of sales.

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.
- **Guidance:** Management guided for high single-digit sales growth in FY25E; R&D at 8-10% of sales.

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 | Varun Beverages

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.

Q1FY25 Performance:

- Quarterly Consolidated **Revenue** at Rs. 7197 cr, up 28.3% YoY
- Quarterly Consolidated **EBITDA** at Rs. 1991 cr, up 31.8% YoY.
- Quarterly Consolidated **PAT** at Rs. 1253 cr, up 26% YoY.

Future Outlook:

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

Narration Amt.Cr.	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Sales	5611.4	3870.52	2667.69	4317.31	7196.86
QoQ % Ch	44.10%	-31.00%	-31.10%	61.80%	66.70%
YoY % Ch	13.30%	21.80%	20.50%	10.90%	28.30%
Expenses	4100.62	2988.8	2249.4	3328.7	5206.18
Expenses %	73.10%	77.20%	84.30%	77.10%	72.30%
Operating Profit	1510.8	881.7	418.3	988.6	1990.7
QoQ % Ch	89.30%	-41.60%	-52.60%	136.30%	101.40%
YoY % Ch	20.80%	26.10%	36.00%	23.90%	31.80%
OPM %	26.90%	22.80%	15.70%	22.90%	27.70%
QoQ % Ch	31.30%	-15.40%	-31.20%	46.00%	20.80%
YoY % Ch	6.70%	3.50%	12.90%	11.70%	2.70%
Other Income	41.6	18.51	9.32	8.35	44.03
Depreciation	171.93	170.81	165.97	187.52	242.48
Interest	69.4	62.5	73.7	93.7	129.2
Profit before tax	1311.1	666.9	188	715.8	1663.1
Tax	305.66	152.86	44.22	167.77	401.24
Net profit	993.8	501.1	132	537.3	1252.6
QoQ % Ch	131.60%	-49.60%	-73.70%	307.10%	133.10%
YoY % Ch	26.20%	31.50%	76.50%	25.20%	26.00%
PAT Margin %	17.70%	12.90%	4.90%	12.40%	17.40%
QoQ % Ch	60.70%	-26.90%	-61.80%	151.60%	39.90%
YoY % Ch	11.40%	7.90%	46.50%	12.90%	-1.70%
EPS (Rs.) Qtr.	15.3	7.71	2.03	8.27	19.28
QoQ % Ch	131.60%	-49.60%	-73.70%	307.10%	133.10%
YoY % Ch	-15.90%	-12.30%	76.50%	25.20%	26.00%

SWOT Analysis

Strengths

- **Robust Domestic Volume Growth:** Robust domestic volume growth of 22.9% was driven primarily by a strong summer season, increased capacities, and an enhanced distribution network.
- **Gross Margin Expansion:** Gross margin expanded by 220 basis points YoY due to tactical buying of PET chips, lower sugar content, lightweight packaging, and increased captive manufacturing of preforms.

Weaknesses

- **Acquisition Consolidation Impacting Margins:** During a seasonally weak quarter for Africa, upfront costs for new plants and the consolidation of BevCo impacted margins.
- **Average Realization Remained Flat:** Average realization remained flat year-over-year at Rs 179 due to the lower average selling price (ASP) of BevCo's own brands.

Opportunities

- **International Expansion:** Entered into an exclusive agreement to manufacture and package Cheetos in Morocco, while also incorporating Varun Foods (Zimbabwe) to operate the food products business in Zimbabwe.
- **South Africa Expansion:** Management indicated that South Africa is performing better than initially expected, & are targeting US$100 million in revenue from foods, aiming for 2-3% salience within a few years.
- **Growth expectation in FY25:** Management anticipates a robust peak season and a strong Q1FY25, given the intense heat waves across India, and is making all arrangements to meet demand and avoid stockouts. VBL is operating at near-100% capacity utilization and can potentially deliver 30% domestic volume growth in Q1FY25.

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.

About Marathon Trends

Marathon Trends Advisory Private Limited is a SEBI-approved portfolio management services (PMS) firm, led by market veteran Atul Suri.
With over 30 years of deep-rooted experience in Indian equities, Marathon Trends specializes in the “TREND FOLLOWING” approach. This strategy underscores the integration of long-term market trends with thorough fundamental analysis, ensuring optimized returns while emphasizing risk management.
The company's expertise is further highlighted by its consistent performance across market cycles. Marathon's philosophy revolves around recognizing Mega Trends and adhering to the adage, "Ride your winners, Cut your losers," ensuring wealth maximization for its clientele.

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