

MARATHON TRENDS ADVISORY

PORTFOLIO OVERVIEW

MARATHON  TRENDS

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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

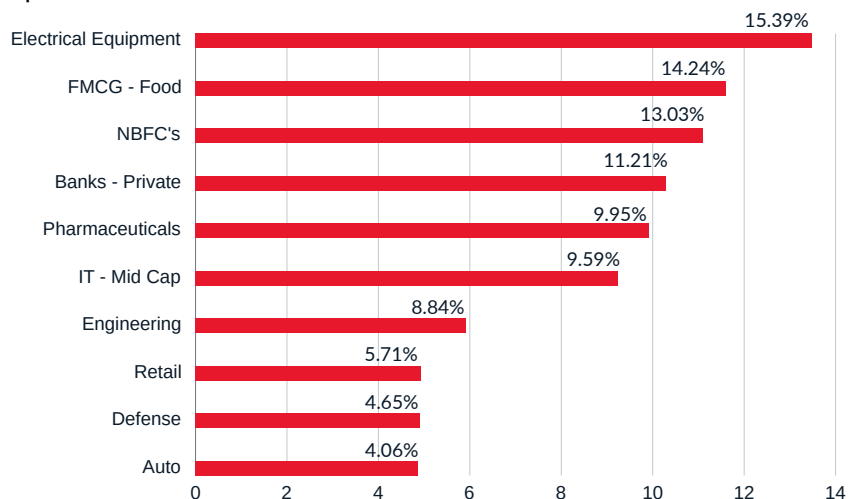
- **Scheme Inception:** Launched in 2023, our "Trend Following PMS" is designed to hold a curated selection of approximately 20 stocks, ensuring a diversified yet focused approach.
- **Diversification:** We remain sector-agnostic to spread risk and potential for reward, ensuring that investments are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

Portfolio Allocation

Top Holdings:

- | | |
|-----------------------|---------------------------|
| 1. Trent LTD | 6. Cummins India |
| 2. Persistent Systems | 7. REC |
| 3. Apar Industries | 8. Federal Bank |
| 4. BEL | 9. SUN Pharmaceuticals |
| 5. Cholamandalam | 10. Varun Beverages (VBL) |

Top Sectors:





Apar Industries

About:

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, Defence, Automotive and Telecom.

Quarterly Performance:

- Quarterly Revenue at Rs. 4644.5 cr, **up 18.3%** YoY.
- Quarterly EBITDA at Rs. 357 cr, **up 2.1%** YoY.
- Quarterly PAT at Rs. 193 cr, **up 11.2%** YoY.

Future Outlook:

Apar Industries is expected to maintain robust growth in the domestic market, supported by sustained capex in transmission infrastructure and demand for cables in sectors like defense, renewable energy, and energy extraction projects in the U.S. The company's strategic focus on high-growth areas, including premium conductors, specialty oils, and elastomeric cables, positions it favorably for the next growth phase. However, challenges in export markets, particularly due to intense Chinese competition, may continue to impact margins and volume growth outside India and the U.S. Nevertheless, Apar's strong domestic foundation and diversified product portfolio offer resilience against export headwinds, and an improving demand outlook in the U.S. could offset some of these pressures in the near term.

Narration Amt.Cr.	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	3925.46	4008.53	4455.11	4010.52	4644.51
QoQ % Ch	4.20%	2.10%	11.10%	-10.00%	15.80%
YoY % Ch	21.30%	1.80%	9.10%	6.50%	18.30%
Expenses	3576.2	3603.56	4028.4	3634.89	4287.97
Expenses %	91.10%	89.90%	90.40%	90.60%	92.30%
Operating Profit	349.3	405	426.7	375.6	356.5
QoQ % Ch	0.90%	16.00%	5.40%	-12.00%	-5.10%
YoY % Ch	54.60%	18.00%	0.70%	8.50%	2.10%
OPM %	8.90%	10.10%	9.60%	9.40%	7.70%
QoQ % Ch	-3.20%	13.50%	-5.20%	-2.20%	-18.00%
YoY % Ch	27.40%	15.90%	-7.70%	1.90%	-13.70%
Other Income	18.76	21	27.46	16.22	32.81
Depreciation	28.17	28.84	31.47	31.11	32.06
Interest	103.1	112.8	101.1	90.4	100.6
Profit before tax	236.8	284.3	321.6	270.4	256.7
Tax	62.89	66.73	85.4	67.85	63.35
Net profit	173.9	217.6	236.2	202.5	193.4
QoQ % Ch	-11.90%	25.10%	8.60%	-14.30%	-4.50%
YoY % Ch	69.40%	28.10%	-2.70%	2.60%	11.20%
PAT Margin %	4.40%	5.40%	5.30%	5.10%	4.20%
QoQ % Ch	-15.50%	22.50%	-2.30%	-4.80%	-17.60%
YoY % Ch	39.60%	25.80%	-10.80%	-3.60%	-6.00%
EPS (Rs.) Qtr.	45.44	56.86	61.73	52.93	50.53
QoQ % Ch	-11.90%	25.10%	8.60%	-14.30%	-4.50%
YoY % Ch	69.40%	28.10%	-2.70%	2.60%	11.20%

SWOT Analysis

Strengths

- **Robust Domestic Demand:** Domestic revenue grew 61.1% YoY, shifting the domestic/export mix to 70/30% from 52/48% in Q2FY24. Strong domestic demand ensures a stable revenue base amid export challenges.
- **Diverse Product Portfolio:** Revenue mix: Conductors (47%), Specialty Oils (27%), Cables (25%). Diversification offers stability across market cycles.
- **High Growth in Specialty Oils and Cables:** Specialty Oils revenue increased 12.1% YoY, driven by automotive oils (+21%) and global transformer oils (+25%). Cables revenue grew 39% YoY, mainly from renewable energy and defense demand.
- **Order Book Strength:** Conductors order book: INR 66.2 billion, with 42% premium products. Cables order book: INR 17.8 billion, indicating sustained demand for premium products.

Weaknesses

- **Export Pressure Due to Chinese Competition:** Export volumes for Conductors and Cables faced significant pressure due to intense competition from Chinese players, with Conductor exports down 54% YoY.
- **Decline in Margins:** EBITDA margin fell by 118 basis points YoY to 7.7%, with gross margins contracting by 214 basis points to 19.5% due to intense pricing pressure and supply chain issues.
- **High Dependence on Indian and U.S. Markets:** While benefiting from import barriers for Chinese players in India and the U.S., heavy reliance on these regions limits market flexibility and poses risks if domestic demand weakens.

Opportunities

- **U.S. Market Growth Potential:** Apar sees rising order activity in the U.S., particularly for Cables used in energy extraction projects, and expects continued growth in H2FY25. The company is adding infrastructure and manpower to meet this increasing demand.
- **Growth in High-Growth Sectors:** Apar's focus on high-demand sectors such as data centers, High Voltage Direct Current (HVDC), and renewable energy aligns with the global energy transition, offering significant growth potential.
- **Domestic Transmission and Defense Capex:** With continued capital expenditure in India's transmission infrastructure and accelerated execution in defense and railways, Apar is well-positioned to capture demand growth, especially with high-growth elastomeric cables in the domestic market.

Threats

- **Persistent Chinese Competition in Exports:** Chinese competitors are aggressively pricing in international markets, making it challenging for Apar to maintain export volumes without compromising on margins.
- **Supply Chain Disruptions:** Ongoing global supply chain challenges have impacted export volumes and could affect Apar's ability to fulfill orders, especially in overseas markets.
- **Potential Saturation in the U.S. Conductor Market:** The U.S. conductor market is increasingly operating on higher-efficiency conductors, potentially slowing the demand for reconductoring, which may limit growth opportunities in this segment.



Bharat Electronics

About:

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.

Quarterly Performance:

- Quarterly Revenue at Rs 4605 Cr, **up 14.9%** YoY.
- Quarterly EBIDTA at Rs 1400 Cr, **up 38%** YoY.
- Quarterly PAT at Rs 1093 Cr, **up 38.4%** 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.	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	4009.06	4162.16	8564.08	4243.57	4604.9
QoQ % Ch	13.50%	3.80%	105.80%	-50.40%	8.50%
YoY % Ch	1.20%	0.20%	32.20%	20.10%	14.90%
Expenses	2994.89	3089.66	6276.85	3295.37	3204.95
Expenses %	74.70%	74.20%	73.30%	77.70%	69.60%
Operating Profit	1014.2	1072.5	2287.2	948.2	1400
QoQ % Ch	50.80%	5.80%	113.30%	-58.50%	47.60%
YoY % Ch	16.80%	24.20%	24.90%	41.00%	38.00%
OPM %	25.30%	25.80%	26.70%	22.30%	30.40%
QoQ % Ch	32.90%	1.90%	3.60%	-16.30%	36.10%
YoY % Ch	15.40%	23.90%	-5.50%	17.40%	20.20%
Other Income	137.06	167.42	225.43	203.58	157.76
Depreciation	108.26	107.46	118.54	107.68	111.19
Interest	1.5	0.5	4.1	1.2	1.3
Profit before tax	1041.5	1132	2390.1	1042.9	1445.2
Tax	260.73	283.83	604.41	261.93	361.32
Net profit	789.4	859.6	1797.1	791	1092.5
QoQ % Ch	46.60%	8.90%	109.10%	-56.00%	38.10%
YoY % Ch	26.60%	40.20%	30.00%	46.90%	38.40%
PAT Margin %	19.70%	20.70%	21.00%	18.60%	23.70%
QoQ % Ch	29.20%	4.90%	1.60%	-11.20%	27.30%
YoY % Ch	25.10%	39.90%	-1.60%	22.30%	20.50%
EPS (Rs.) Qtr.	1.08	1.18	2.46	1.08	1.49
QoQ % Ch	46.60%	8.90%	109.10%	-56.00%	38.10%
YoY % Ch	-57.80%	-53.30%	30.00%	46.90%	38.40%

SWOT Analysis

Strengths

- **Strong Order Book:** Robust order book of INR74600 Cr, providing a solid revenue pipeline.
- **High EBITDA and Gross Margins:** Strong margins due to an improved product mix, with EBITDA margins reaching 30.3% in Q2FY25.
- **Leadership in Defense Electronics:** Market leader with significant expertise in defense systems like radars, electronic warfare (EW) systems, and fire control systems, enhancing its reputation and market share.
- **Cash-Rich Balance Sheet:** Cash surplus of INR 11,000 Cr provides BEL with the financial flexibility for capacity expansion and R&D investments.

Weaknesses

- **Dependence on Government Contracts:** Heavy reliance on government orders, making the company susceptible to changes in defense budgeting and procurement delays.
- **High Working Capital Requirement:** Cash flow constraints due to a build-up in working capital, potentially affecting operational liquidity.
- **Limited Diversification:** While expanding into non-defense sectors like smart cities and metros, BEL's revenue is still predominantly defense-oriented.

Opportunities

- **Growth in Defense Orders:** Expected orders from radar systems, electronic warfare, and major platforms like QRSAM and MRSAM are likely to bolster revenues in the coming quarters.
- **Expansion into Export Markets:** Focus on export opportunities with a goal of securing around USD 200 million in international orders from regions like Asia, Egypt, and Brazil.
- **Non-Defense Market Penetration:** Increasing involvement in projects outside the defense sector, such as airport systems and metro infrastructure, could provide a diversified revenue stream.

Threats

- **Defence Budget Cuts Impact:** Any reduction in the defence budget could negatively impact the company's revenue growth.
- **Execution Delays:** Potential threats lie in potential delays in executing the order book, affecting project timelines and revenue recognition.
- **Delay in payments:** Delays in payments from Ministry of Defense (MoD) can adversely impact revenues, margins and cash flows.



Cholamandalam

About:

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 1200+ branches throughout India, Chola manages assets exceeding Rs 1,34,000 Crores.

Future Outlook:

Cholamandalam Finance is positioned to navigate near-term headwinds, primarily due to its diversified product suite and strategic geographic expansion. Despite challenges in vehicle finance and elevated credit costs, the company's well-rounded business model and prudent management approach provide resilience. With anticipated improvements in credit quality and efficiency, the medium-term growth outlook remains strong. The company is expected to maintain 25%+ growth in loans and earnings, with stable NIMs and improved profitability as new segments mature.

Narration Amt.Cr.	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	4622.58	5007.42	5427.56	5812.31	6255.12
QoQ % Ch	12.80%	8.30%	8.40%	7.10%	7.60%
YoY % Ch	53.20%	49.20%	45.10%	41.80%	35.30%
Expenses	1390.79	1411.59	1416.62	1726.9	1896.93
Expenses %	30.10%	28.20%	26.10%	29.70%	30.30%
Operating Profit	3231.8	3595.8	4010.9	4085.4	4358.2
QoQ % Ch	10.40%	11.30%	11.50%	1.90%	6.70%
YoY % Ch	55.60%	47.10%	41.30%	39.60%	34.90%
OPM %	69.90%	71.80%	73.90%	70.30%	69.70%
QoQ % Ch	-2.00%	2.70%	2.90%	-4.90%	-0.90%
YoY % Ch	1.60%	-1.40%	-2.60%	-1.50%	-0.30%
Other Income	72.58	47.34	87.81	44.97	67.89
Interest	2204.2	2441	2579.4	2796.4	3058.6
Profit before tax	1061.7	1156.4	1444.2	1275.1	1304.9
Tax	288.83	284.37	378.94	327.91	337.08
Net profit	772.9	872	1065.2	947.2	967.8
QoQ % Ch	8.90%	12.80%	22.20%	-11.10%	2.20%
YoY % Ch	37.30%	27.30%	24.60%	33.40%	25.20%
PAT Margin %	16.70%	17.40%	19.60%	16.30%	15.50%
QoQ % Ch	-3.40%	4.20%	12.70%	-17.00%	-5.10%
YoY % Ch	-10.40%	-14.70%	-14.10%	-5.90%	-7.50%
EPS (Rs.) Qtr.	9.39	10.6	12.95	11.51	11.76
QoQ % Ch	8.90%	12.80%	22.20%	-11.10%	2.20%
YoY % Ch	37.20%	27.20%	24.60%	33.40%	25.20%

SWOT Analysis

Strengths

- Diverse Product Portfolio:** Offers a multi-product model, including vehicle finance, LAP, home loans, and new business segments like SBPL and CSEL, ensuring a balanced growth trajectory.
- Strong profitability:** Chola's PAT was up 25% yoy on the back of 35% NII growth (33% yoy AUM and almost stable NIM).
- Stable Net Interest Margins (NIM):** Maintains almost stable NIM, with a high fixed-rate book (63%), providing resilience against rising borrowing costs.
- Efficient Cost Control Measures:** Focus on reducing cost-to-AAUM ratio over the medium term as new business lines scale up.
- Dynamic Management:** Management leverages diversification and strategic expansion, mitigating risks from weak segments.

Weaknesses

- Rising Credit Costs:** Incremental increase in credit costs due to higher delinquencies, particularly in new businesses and vehicle finance.
- Elevated Operating Expenses:** Cost-to-AAUM ratio rose to 3.2% due to investment in new business segments and collections manpower in vehicle finance.
- Dependency on Vehicle Finance:** High exposure to vehicle finance segment, which is facing a slowdown, impacting overall growth.
- Stressed Loan Ratios:** Rise in stressed loans (Stage-2 and Stage-3) across segments, signaling challenges in credit quality management.

Opportunities

- Expansion into New Geographies:** Growth potential in non-South India markets for home loans and LAP.
- Rising Demand in Mortgage and New Business Segments:** Strong growth expected in mortgages and newly introduced financial products like CSEL and SBPL.
- Favourable Rate Environment:** Potential rate cuts could benefit the fixed-rate loan portfolio, improving profitability.
- Increased Urbanization and Financial Inclusion:** Expanding MSME and small-scale financing needs provide avenues for portfolio diversification.

Threats

- Weakening Vehicle Finance Sector:** Slowdown in vehicle sales and rural demand impacting the growth of this segment.
- Macroeconomic Risks:** Economic uncertainties, particularly in rural demand, may affect collections and overall loan performance.
- Regulatory Challenges:** Tightening norms and heightened scrutiny could lead to higher compliance costs.
- Volatile Borrowing Costs:** Significant exposure to EBLR and MCLR-linked borrowings may lead to fluctuations in borrowing costs, affecting NIMs.



Cummins India

About:

Cummins, a subsidiary of Cummins Inc., USA, is a global manufacturer of engines and power-generation products. The company operates three businesses: Engine, Power Systems, and Distribution. It has eight manufacturing facilities in Maharashtra and Gujarat, producing a range of diesel engines and gensets from 15kVA to 2,000kVA for various applications. Cummins also manufactures alternators, digital controls, and transfer switches. As a market leader with a 40% share in the diesel engines/gensets industry, Cummins has a strong presence in high-value, high-margin HHP gensets. The company's domestic business, encompassing power generation, industrial, and distribution segments, contributes 80% to its sales, while exports to over 40 countries, primarily in the Middle East and Africa, make up the remaining 20%.

Quarterly Performance:

- Revenue increased by **31.2%** YoY.
- EBITDA margins increased by **150 bps** YoY.
- PAT increased by **37.2%** YoY.

Future Outlook:

We are bullish on Cummins as the largest standby genset player in India, holding a leading market share in medium and large gensets. The company's strong track record in technology and innovation, supported by its parent company, ensures it remains ahead of peers amidst evolving emission norms. Cummins' diversified business presence across power generation, industrial, exports, and distribution segments contributes significantly to its long-term growth prospects, supported by a healthy return and cash flow profile.

SWOT Analysis

Strengths

- **Strong Market Positioning Across Segments:** Cummins India maintains a solid foothold in multiple segments, including power generation (powergen), industrial, and distribution, allowing it to capture growth across various markets.
- **Revenue Growth Exceeding Expectations:** Cummins achieved significant YoY growth of 31% in revenue, 42% in EBITDA, and 37% in PAT for 2QFY25, supported by strong demand and effective pricing strategies.
- **Improved Margins:** EBITDA margin expanded to 19.3%, reflecting Cummins' ability to manage costs effectively and pass on price hikes to customers.
- **Increased Distribution Penetration:** The distribution segment saw 20% YoY growth, driven by increased demand for spares, warranties, and enhanced product penetration.
- **Leadership in Technologically Advanced Products:** With CPCB 4+ compliant products, Cummins is well-positioned to meet emission standards both in India and other regions as regulations tighten.

Weaknesses

- **Export Dependence and Weak Performance:** Export revenues decreased by 13% YoY, although sequential improvement (+13%) was noted. Demand remains uneven across geographies, with growth primarily in Europe and Latin America while APAC, Africa, and the Middle East lag.
- **Commodity Price Vulnerability:** Rising commodity prices pose a risk to sustaining profitability, as the company may face pressure to absorb additional costs or pass them on to customers.

Narration Amt.Cr.	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	1899.68	2534.06	2316.15	2304.19	2492.31
QoQ % Ch	-14.00%	33.40%	-8.60%	-0.50%	8.20%
YoY % Ch	-2.60%	16.20%	20.30%	4.30%	31.20%
Expenses	1561.08	1996.13	1771.88	1836.86	2011.27
Expenses %	82.20%	78.80%	76.50%	79.70%	80.70%
Operating Profit	338.6	537.9	544.3	467.3	481
QoQ % Ch	-0.60%	58.90%	1.20%	-14.10%	2.90%
YoY % Ch	16.50%	30.50%	66.90%	37.20%	42.10%
OPM %	17.80%	21.20%	23.50%	20.30%	19.30%
QoQ % Ch	15.60%	19.10%	10.70%	-13.70%	-4.80%
YoY % Ch	19.70%	12.30%	38.80%	31.50%	8.30%
Other Income	132.23	111.91	204.47	132.22	161.11
Depreciation	37.89	41.9	42.03	43.88	45.21
Interest	6.7	6.3	6.2	4.8	2.6
Profit before tax	426.3	601.7	700.6	550.9	594.4
Tax	97.78	146.73	139.03	131.11	143.77
Net profit	328.5	454.9	561.5	419.8	450.6
QoQ % Ch	4.10%	38.50%	23.40%	-25.20%	7.30%
YoY % Ch	30.20%	26.30%	76.30%	33.00%	37.20%
PAT Margin %	17.30%	18.00%	24.20%	18.20%	18.10%
QoQ % Ch	21.00%	3.80%	35.00%	-24.90%	-0.80%
YoY % Ch	33.70%	8.70%	46.60%	27.50%	4.60%
EPS (Rs.) Qtr.	11.85	16.41	20.26	15.14	16.26
QoQ % Ch	4.10%	38.50%	23.40%	-25.20%	7.30%
YoY % Ch	30.20%	26.30%	76.30%	33.00%	37.20%

Opportunities

- **Pre-Buying Demand Due to Emission Norm Changes:** Emission standards (CEV-V regulations) for construction engines will be enforced in 4QFY25, creating pre-buying opportunities in 3QFY25, which could drive additional demand in the industrial segment.
- **Growing Data Center Market:** Cummins is well-positioned to benefit from the rapidly expanding data center market, which requires consistent and reliable power solutions.
- **Increased Indigenization:** Greater focus on indigenization in manufacturing offers an opportunity to reduce costs and increase supply chain resilience, supporting revenue and margin growth over the medium to long term.

Threats

- **Potential Decline in Demand:** Cummins faces the risk of lower-than-expected demand in key segments, which could impact growth projections.
- **Competitive Pressure:** Rising competition, especially in the powergen market, could lead to pricing pressures and affect Cummins' market share.
- **Uncertain Export Recovery:** While exports showed sequential improvement, the outlook for full recovery remains uncertain, with risks stemming from demand volatility in key overseas markets.



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:

Federal Bank has delivered a steady quarter with a slight earnings beat, strong credit growth, and stable asset quality. Under the new CEO, the bank is expected to introduce a refreshed growth strategy, likely focused on enhancing NIMs, reducing the cost-to-income ratio, and expanding product offerings. The bank's asset quality remains robust, supported by a solid PCR and controlled slippages, while challenges in NIM and deposit growth require focused management. Overall, FB is well-positioned within the mid-sized private bank segment for sustainable earnings growth.

Narration Amt.Cr.	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	5791.28	6085.2	6339.22	6727.6	7005.66
QoQ % Ch	8.30%	5.10%	4.20%	6.10%	4.10%
YoY % Ch	36.00%	29.50%	26.50%	25.80%	21.00%
Expenses	1661.35	1814.06	1916.74	2047.78	2148.79
Expenses %	28.70%	29.80%	30.20%	30.40%	30.70%
Operating Profit	4129.9	4271.1	4422.5	4679.8	4856.9
QoQ % Ch	11.10%	3.40%	3.50%	5.80%	3.80%
YoY % Ch	51.90%	35.40%	28.60%	25.90%	17.60%
OPM %	71.30%	70.20%	69.80%	69.60%	69.30%
QoQ % Ch	2.70%	-1.60%	-0.60%	-0.30%	-0.30%
YoY % Ch	11.70%	4.50%	1.70%	0.20%	-2.80%
Other Income	756.92	908.35	809.9	936.05	1009.63
Interest	3544.1	3759.7	3936.3	4211.5	4393.5
Profit before tax	1342.7	1419.8	1296	1404.3	1473.1
Tax	342.55	356.57	323.65	364.32	368.59
Net profit	994.1	1035.4	970.8	1027.5	1096.3
QoQ % Ch	13.00%	4.20%	-6.20%	5.80%	6.70%
YoY % Ch	35.60%	22.80%	1.80%	16.70%	10.30%
PAT Margin %	17.20%	17.00%	15.30%	15.30%	15.60%
QoQ % Ch	4.30%	-0.90%	-10.00%	-0.30%	2.50%
YoY % Ch	-0.30%	-5.20%	-19.50%	-7.20%	-8.80%
EPS (Rs.)Qtr.	4.7	4.89	4.59	4.86	5.18
QoQ % Ch	13.00%	4.20%	-6.20%	5.80%	6.70%
YoY % Ch	34.70%	22.00%	1.80%	16.70%	10.30%

SWOT Analysis

Strengths

- **Robust Asset Quality:** GNPA/NNPA ratios decreased to 2.09%/0.57%, reflecting strong asset quality with a high Provision Coverage Ratio (PCR) of 71.8%.
- **Healthy Advances Growth:** Advances grew by 19.4% YoY, driven by balanced growth across retail, SME, and corporate segments.
- **Improved CASA Ratio:** CASA mix rose to 30.1%, boosting the bank's deposit profile and reducing dependency on high-cost funds.
- **Other Income Growth:** A 32% YoY increase in other income, supported by core fee income and treasury gains, strengthens revenue sources beyond interest income.

Weaknesses

- **NIM Contraction:** NIM declined by 4bp to 3.12%, impacted by the reclassification of penal charges; the NIM trend is an area of focus under new leadership.
- **High Cost-to-Income Ratio:** At 53%, the C/I ratio remains elevated, indicating room for efficiency improvements as FB aims to bring it down to 50%.
- **Modest Deposit Growth:** Deposits grew at a slower pace of 15.6% YoY, which may limit funding flexibility in comparison to advances growth.

Opportunities

- **Revised Strategy under New Leadership:** Federal Bank is set to unveil a new business strategy under its new CEO, focusing on sustained growth and enhanced profitability.
- **Increasing CD Ratio:** The Credit-to-Deposit (CD) ratio improved to 85.6%, providing potential for more efficient capital deployment.
- **Potential NIM Expansion:** Excluding the impact of penal charge adjustments, NIM would have been 3.19%, showing potential for future margin improvement.

Threats

- **Regulatory Risks:** Suspension of co-branded cards by RBI presents a risk to FB's retail product expansion; though efforts are in place for compliance.
- **Competitive Pressure on Deposits:** Maintaining a stable deposit cost while avoiding high-cost deposits is challenging, especially as competition intensifies in select tenors.
- **Macroeconomic and Credit Cycle Risks:** Economic shifts could pressure asset quality, especially if slippages continue to increase slightly, as observed in the recent quarter.



Persistent Systems

About:

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.

Quarterly Performance:

- Revenue increased by **20.1%** YoY.
- EBITDA margins increased by **18.1%** YoY.
- PAT increased by **24.3%** YoY.

Future Outlook:

Persistent Systems is well-positioned for continued growth, driven by its focus on high-growth verticals like healthcare and BFSI, as well as the recovery in the hi-tech segment. Its platform-driven strategy, leveraging AI, and strong deal pipeline provide significant opportunities for revenue expansion. Margin management remains commendable, with operational levers such as pricing, utilization, and subcontracting cost control. However, seasonal furloughs and rising wage costs pose short-term challenges. Overall, PSYS's growth trajectory and diversified portfolio make it a strong contender for sustained performance in the coming years.

Narration Amt.Cr.	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	2411.67	2498.22	2590.53	2737.17	2897.15
QoQ % Ch	3.90%	3.60%	3.70%	5.70%	5.80%
YoY % Ch	17.70%	15.20%	14.90%	17.90%	20.10%
Expenses	2006.51	2056.39	2136.16	2281.96	2416.42
Expenses %	83.20%	82.30%	82.50%	83.40%	83.40%
Operating Profit	405.2	441.8	454.4	455.2	480.7
QoQ % Ch	8.20%	9.10%	2.80%	0.20%	5.60%
YoY % Ch	10.10%	10.00%	9.10%	21.60%	18.70%
OPM %	16.80%	17.70%	17.50%	16.60%	16.60%
QoQ % Ch	4.20%	5.30%	-0.80%	-5.20%	-0.20%
YoY % Ch	-6.50%	-4.50%	-5.00%	3.10%	-1.20%
Other Income	37.28	38.31	30.78	30.64	46.52
Depreciation	74.4	78.73	79.92	71.2	74.5
Interest	12.3	12.1	9.7	14.1	18.2
Profit before tax	355.8	389.3	395.5	400.5	434.5
Tax	92.5	103.17	80.17	94.13	109.52
Net profit	263.3	286.1	315.3	306.4	325
QoQ % Ch	15.10%	8.70%	10.20%	-2.80%	6.10%
YoY % Ch	19.70%	20.20%	25.40%	33.90%	23.40%
PAT Margin %	10.90%	11.50%	12.20%	11.20%	11.20%
QoQ % Ch	10.80%	4.90%	6.30%	-8.00%	0.20%
YoY % Ch	1.60%	4.40%	9.10%	13.60%	2.80%
EPS (Rs.) Qtr.	17.22	18.72	20.63	20.05	21.26
QoQ % Ch	15.10%	8.70%	10.20%	-2.80%	6.10%
YoY % Ch	-40.20%	-39.90%	25.40%	33.90%	23.40%

SWOT Analysis

Strengths

- **Strong Revenue Growth:** Persistent Systems (PSYS) reported 5.3% QoQ USD revenue growth in Q2FY25, outperforming market expectations.
- **High-Growth Verticals:** Significant contributions from healthcare and BFSI, both high-growth sectors.
- **Resilient Margin Management:** Despite headwinds like wage hikes and ESOP costs, PSYS managed to maintain an EBIT margin of 14%, leveraging pricing, utilization, and reduced subcontracting. Utilization improvements, subcontracting cost reductions, and pricing gains have supported profitability.

Weaknesses

- **Client Dependence:** Top 5 clients grew at a faster pace (7.7% QoQ) than the rest, indicating some revenue concentration risk.
- **Seasonality Impact:** The 3rd quarter may face headwinds from seasonal furloughs, especially in BFSI and Hi-tech clients.
- **Subdued Growth in Hi-tech:** Hi-tech segment growth was flat QoQ, underperforming other verticals.
- **Attrition and Headcount Reduction:** Net headcount declined by 1.2% QoQ, with flat TTM attrition at 12%, which could affect future project ramp-ups.

Opportunities

- **Secular Growth in Verticals:** Healthcare, BFSI, and Hi-tech verticals are expected to see continued growth, especially with healthcare being a non-discretionary spend vertical. The anticipated recovery in the hi-tech vertical could offer additional growth tailwinds.
- **Platform-driven Strategy:** The company's pivot towards AI-driven platforms creates new revenue avenues and strengthens its competitive position.
- **Expansion in Key Accounts:** PSYS has enough headroom to expand wallet share in USD75m+ clients, which could fuel future growth.
- **Offshoring and New Deal Wins:** Increased offshoring and a healthy pipeline of new deals in the US market could boost revenues further.
- **Robust Deal Pipeline:** TTM TCV stood at USD529 million, reflecting strong deal momentum and a growing book-to-bill ratio.

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.
- **Talent Retention:** 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.



REC

About:

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.	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	11688.24	12051.77	12677.18	13078.66	13682.43
QoQ % Ch	5.30%	3.10%	5.20%	3.20%	4.60%
YoY % Ch	17.40%	23.20%	23.80%	17.80%	17.10%
Expenses	-492.26	240.26	-424.55	717.04	97.33
Expenses %	-4.20%	2.00%	-3.30%	5.50%	0.70%
Operating Profit	12180.5	11811.5	13101.7	12361.6	13585.1
QoQ % Ch	13.10%	-3.00%	10.90%	-5.60%	9.90%
YoY % Ch	32.90%	21.30%	26.10%	14.80%	11.50%
OPM %	104.20%	98.00%	103.30%	94.50%	99.30%
QoQ % Ch	7.40%	-6.00%	5.50%	-8.50%	5.00%
YoY % Ch	13.20%	-1.50%	1.90%	-2.60%	-4.70%
Other Income	13.02	19.77	29.48	13.78	23.88
Depreciation	6.14	6	6.02	5.92	5.98
Interest	7349.8	7653.6	7895.7	8020.3	8505.6
Profit before tax	4837.6	4171.7	5229.5	4349.2	5097.4
Tax	1047.71	863.27	1150.39	889.04	1059.67
Net profit	3789.9	3308.4	4079.1	3460.2	4037.7
QoQ % Ch	27.70%	-12.70%	23.30%	-15.20%	16.70%
YoY % Ch	38.70%	13.50%	33.10%	16.60%	6.50%
PAT Margin %	32.40%	27.50%	32.20%	26.50%	29.50%
QoQ % Ch	21.30%	-15.30%	17.20%	-17.80%	11.50%
YoY % Ch	18.20%	-7.90%	7.50%	-1.00%	-9.00%
EPS (Rs.) Qtr.	14.39	12.56	15.49	13.14	15.33
QoQ % Ch	27.70%	-12.70%	23.30%	-15.20%	16.70%
YoY % Ch	4.00%	-14.90%	33.10%	16.60%	6.50%

SWOT Analysis

Strengths

- Strong AUM Growth:** REC achieved ~15% YoY AUM growth, demonstrating solid loan book expansion.
- Low Cost-Income Ratio:** The cost-to-income ratio remains low at ~3.1%, contributing to higher profitability.
- Resilient Asset Quality:** Improvement in GS3 to ~2.5% and low annualized credit costs at -3bp, with robust provision coverage on Stage 3 assets (~65%).

Weaknesses

- Exposure to NPA Projects:** ~17 projects classified as NPAs, with resolution being pursued for ~13 under NCLT.
- Higher Credit Risk in Power Projects:** Increased lending to high-risk power projects without PPAs, which can elevate asset quality risks.

Opportunities

- Renewable Energy Expansion:** Aiming to grow its renewable energy loan book to ~INR3 trillion by FY30, capturing demand in green energy finance.
- High Potential for Margin Expansion:** Management guidance indicates NIMs around 3.5-3.6%, supported by higher yields from thermal power projects.
- Focus on Core Sectors:** REC maintains a strategic focus on power transmission, conventional, and renewable generation, avoiding riskier sectors like telecom.

Threats

- Competition and Margin Compression:** Increasing competition in infrastructure finance could pressure margins.
- Private Infrastructure Exposure:** Growing exposure to private infrastructure projects poses a risk, as it deviates from REC's traditional focus on power sector lending.
- Regulatory and Policy Risks:** Dependency on government policies and funding for power and renewable projects exposes REC to regulatory uncertainties.



Sun Pharma

About:

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 Revenues of Rs 13291 Cr **up 9% YoY**.
- EBITDA of Rs 3939 Cr **up 23.9% YoY**.
- PAT of Rs 3040 Cr, **up 28% YoY**.

Future Outlook:

Sun Pharma's near-term growth is expected to be driven by its robust US portfolio, efficient cost management, and a strong domestic performance. While challenges exist in ROW markets and R&D delays could impact product development, the company's strategic focus on sustainable growth, specialty portfolio expansion, and cost-efficient operations support its medium-term outlook.

Narration Amt.Cr.	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	12192.41	12380.7	11982.9	12652.75	13291.39
QoQ % Ch	2.10%	1.50%	-3.20%	5.60%	5.00%
YoY % Ch	11.30%	10.10%	9.60%	6.00%	9.00%
Expenses	9013.03	8903.87	8947.75	9045.13	9352.43
Expenses %	73.90%	71.90%	74.70%	71.50%	70.40%
Operating Profit	3179.4	3476.8	3035.2	3607.6	3939
QoQ % Ch	-4.60%	9.40%	-12.70%	18.90%	9.20%
YoY % Ch	7.50%	15.80%	8.30%	8.30%	23.90%
OPM %	26.10%	28.10%	25.30%	28.50%	29.60%
QoQ % Ch	-6.50%	7.70%	-9.80%	12.60%	3.90%
YoY % Ch	-3.40%	5.10%	-1.20%	2.20%	13.60%
Other Income	293.61	180.39	504.3	532.55	354
Depreciation	632.82	622.14	650.36	655.13	625.91
Interest	49.3	34.7	73.6	61.5	69.2
Profit before tax	2790.9	3000.4	2815.5	3423.5	3597.9
Tax	390.1	432.32	148.93	552.25	567.21
Net profit	2375.5	2523.8	2654.6	2835.6	3040.2
QoQ % Ch	17.50%	6.20%	5.20%	6.80%	7.20%
YoY % Ch	5.00%	16.50%	33.80%	40.20%	28.00%
PAT Margin %	19.50%	20.40%	22.20%	22.40%	22.90%
QoQ % Ch	15.00%	4.60%	8.70%	1.20%	2.10%
YoY % Ch	-5.70%	5.80%	22.00%	32.30%	17.40%
EPS (Rs.) Qtr.	9.9	10.52	11.06	11.82	12.67
QoQ % Ch	17.50%	6.20%	5.20%	6.80%	7.20%
YoY % Ch	5.00%	16.50%	33.80%	40.20%	28.00%

SWOT Analysis

Strengths

- **Strong US Market Presence:** Significant revenue from the US market with strong specialty portfolio, including gRevlimid, driving sales growth.
- **Robust Domestic Formulation Sales:** Consistent growth in the domestic market, which contributes a substantial portion of overall sales.
- **High Gross and EBITDA Margins:** Improved margins due to a favourable segment mix, reduced R&D expenses, and efficient cost management.
- **Diversified Product Portfolio:** A range of branded generics and specialty medicines provides stability across various markets and therapeutic segments.

Weaknesses

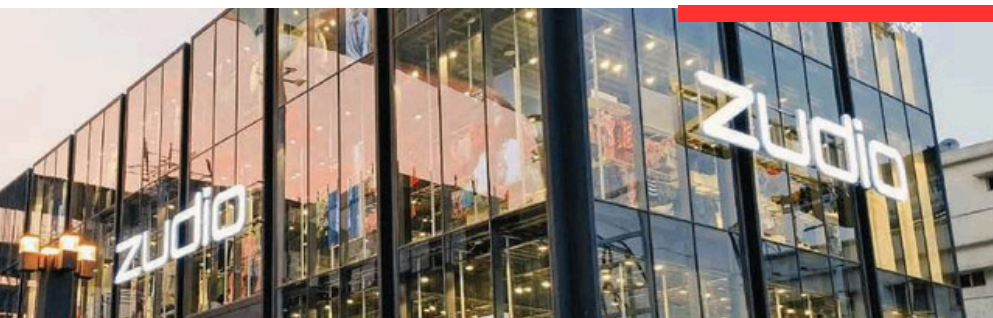
- **High Dependence on US Market:** A significant portion of revenue is concentrated in the US, making Sun Pharma vulnerable to regulatory risks and pricing pressures.
- **R&D Delays and Reduced Spend:** Lower guidance for R&D spend due to clinical trial delays could impact innovation and future growth.
- **Increasing Operating Expenses:** Higher selling and distribution expenses related to new product launches like Leqselvi put pressure on overall profitability.

Opportunities

- **Expansion in Emerging Markets (EM):** Potential to capitalize on branded generics in emerging markets, supporting revenue diversification.
- **Pipeline of Specialty Products:** Clinical development of differentiated products and new launches in the specialty portfolio create a competitive edge.
- **Focus on Sustainable Growth Levers:** Strategic initiatives to improve prescriptions, product introductions, and volume growth could enhance the company's long-term stability.

Threats

- **Regulatory and Patent Risks:** Legal challenges, such as the patent infringement suit by Incyte Corp, and regulatory risks in the US market pose significant challenges.
- **Pricing Pressure in Key Markets:** Price cuts in Japan and other ROW markets could impact revenue growth and margins in these regions.
- **Competitive Landscape:** High competition in both generics and specialty segments, particularly in developed markets like the US, may pressure Sun Pharma's market share.



Trent Ltd

About:

Trent, a prominent entity within the Tata Group, manages a diverse array of retail concepts with compelling customer propositions. This includes Westside, a leading chain of fashion retail stores present in over 90 cities with spacious footprints of 20,000-30,000 sq. ft. Additionally, Zudio, a value fashion format, operates stores spanning 7,000-10,000 sq. ft., offering great fashion at exceptional value. Trent's supermarket concept, Star, under the Star banner, provides a thoughtfully curated range of products encompassing FMCG, staples, and a comprehensive fresh offering. Furthermore, Trent has established separate 49% associations with the Inditex Group of Spain to manage Zara and Massimo Dutti stores in India through Inditex Trent Retail India Private Limited

Quarterly Performance:

- Quarterly Consolidated Revenue up 39.4% YoY
- Quarterly Consolidated EBITDA up 40.8% YoY.
- Quarterly Consolidated PAT up 44.3% YoY.

Future Outlook:

TRENT's robust store productivity, combined with its expansion in underpenetrated markets and a clear focus on omnichannel growth, should provide a solid runway for long-term growth. However, challenges related to consumer sentiment, store consolidations, and competitive pressures remain potential risks that TRENT will need to navigate to maintain its growth momentum.

Narration Amt.Cr.	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	2982.42	3466.62	3297.7	4104.44	4156.67
QoQ % Ch	13.50%	16.20%	-4.90%	24.50%	1.30%
YoY % Ch	52.70%	50.50%	51.10%	56.20%	39.40%
Expenses	2525.85	2838.1	2828.06	3491.74	3513.66
Expenses %	84.70%	81.90%	85.80%	85.10%	84.50%
Operating Profit	456.6	628.5	469.6	612.7	643
QoQ % Ch	24.30%	37.70%	-25.30%	30.50%	4.90%
YoY % Ch	78.50%	94.50%	131.30%	66.80%	40.80%
OPM %	15.30%	18.10%	14.20%	14.90%	15.50%
QoQ % Ch	9.50%	18.40%	-21.50%	4.80%	3.60%
YoY % Ch	16.90%	29.20%	53.10%	6.80%	1.00%
Other Income	105.42	110.01	694.87	101.56	53.75
Depreciation	152.22	164.53	212.94	181.32	196.95
Interest	95.5	98.8	32.5	31.6	33
Profit before tax	314.3	475.2	919	501.4	466.8
Tax	86.26	104.55	206.94	110.18	131.75
Net profit	234.7	374.4	704.2	392.6	338.8
QoQ % Ch	35.30%	59.50%	88.10%	-44.30%	-13.70%
YoY % Ch	152.30%	124.20%	1201.70%	126.30%	44.30%
PAT Margin %	7.90%	10.80%	21.40%	9.60%	8.10%
QoQ % Ch	19.20%	37.20%	97.80%	-55.20%	-14.80%
YoY % Ch	65.20%	48.90%	761.60%	44.90%	3.50%
EPS (Rs.) Qtr.	6.6	10.53	19.81	11.04	9.53
QoQ % Ch	35.30%	59.50%	88.10%	-44.30%	-13.70%
YoY % Ch	152.30%	124.20%	1201.70%	126.30%	44.30%

SWOT Analysis

Strengths

- **Strong Revenue and PAT Growth:** TRENT achieved ~40% revenue growth and 46% increase in PAT in 2Q, showing resilience despite weak consumer sentiment.
- **Robust Same-Store Sales Growth (SSSG):** The Star business saw ~27% YoY revenue growth, with 14% like-for-like (LFL) growth, indicating strong demand.
- **High Contribution of Own Brands:** Star's own brands account for over 73% of revenue, boosting profitability and setting TRENT apart
- **Emerging Categories and Online Sales Growth:** Beauty, personal care, innerwear, and footwear make up over 20% of standalone revenues. Online sales, over 5% of Westside revenue, continue to grow profitably.
- **Industry-Leading Store Productivity:** Star stores generate INR 31.2k revenue per sq ft and INR 492m revenue per store, surpassing peers like DMart, reflecting effective management and customer engagement.

Weaknesses

- **Underperformance Relative to Estimates:** Revenue and EBITDA for 2QFY25 were 6-8% below estimates, partly due to significant store consolidations, which limited top-line growth.
- **Modest Net Store Additions:** While Zudio added 18 net stores, fashion concepts as a whole saw only 8 net additions, with 33 consolidations, indicating slower expansion and possible logistical challenges.
- **High Dependency on Domestic Consumer Sentiment:** TRENT's growth is heavily tied to discretionary spending in India.

Opportunities

- **Expansion of Store Footprint and Formats:** With continued store additions in Zudio and Star, including the UAE, TRENT is well-positioned to capture new market share and reach new cities. Zudio's entry into 20 additional cities in 2Q alone demonstrates its potential for rapid expansion.
- **Growth in Emerging Product Categories:** Categories like beauty, personal care, and lab-grown diamonds, which contribute significantly to standalone revenues, offer considerable growth potential as they are scaled up across stores.
- **Increasing Grocery Segment Penetration through Star:** With a focus on Star's Fresh and own-brand products, TRENT can further tap into the grocery segment, which offers recurring revenue potential and increased customer loyalty.
- **Digital and Omnichannel Growth:** The successful growth of Westside.com and other Tata platforms provides a pathway for expanding TRENT's reach, catering to online shoppers and improving customer engagement across channels.

Threats

- **Weak Discretionary Demand:** TRENT may face headwinds due to weak consumer demand in the broader market, impacting segments like FMCG, which saw moderated growth in 2Q.
- **Impact of Store Consolidations on Growth:** The ongoing consolidation of stores (e.g., net 33 closures across formats) could limit TRENT's growth potential if new stores do not adequately compensate for closures.



Varun Beverages

About:

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.

Quarterly Performance:

- Quarterly Consolidated Revenue at Rs. 4805 cr, **up 24%** YoY
- Quarterly Consolidated EBITDA at Rs. 1151 cr, **up 30.5%** YoY.
- Quarterly Consolidated PAT at Rs. 620 cr, **up 23.7%** 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.	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	3870.52	2667.69	4317.31	7196.86	4804.68
QoQ % Ch	-31.00%	-31.10%	61.80%	66.70%	-33.20%
YoY % Ch	21.80%	20.50%	10.90%	28.30%	24.10%
Expenses	2988.8	2249.4	3328.7	5206.18	3653.65
Expenses %	77.20%	84.30%	77.10%	72.30%	76.00%
Operating Profit	881.7	418.3	988.6	1990.7	1151
QoQ % Ch	-41.60%	-52.60%	136.30%	101.40%	-42.20%
YoY % Ch	26.10%	36.00%	23.90%	31.80%	30.50%
OPM %	22.80%	15.70%	22.90%	27.70%	24.00%
QoQ % Ch	-15.40%	-31.20%	46.00%	20.80%	-13.40%
YoY % Ch	3.50%	12.90%	11.70%	2.70%	5.20%
Other Income	18.51	9.32	8.35	44.03	24.25
Depreciation	170.81	165.97	187.52	242.48	256.61
Interest	62.5	73.7	93.7	129.2	118.5
Profit before tax	666.9	188	715.8	1663.1	800.1
Tax	152.86	44.22	167.77	401.24	171.3
Net profit	501.1	132	537.3	1252.6	619.6
QoQ % Ch	-49.60%	-73.70%	307.10%	133.10%	-50.50%
YoY % Ch	31.50%	76.50%	25.20%	26.00%	23.70%
PAT Margin %	12.90%	4.90%	12.40%	17.40%	12.90%
QoQ % Ch	-26.90%	-61.80%	151.60%	39.90%	-25.90%
YoY % Ch	7.90%	46.50%	12.90%	-1.70%	-0.40%
EPS (Rs.) Qtr.	7.71	2.03	8.27	19.28	9.54
QoQ % Ch	-49.60%	-73.70%	307.10%	133.10%	-50.50%
YoY % Ch	-12.30%	17.70%	25.20%	26.00%	23.70%

SWOT Analysis

Strengths

- **Strong Volume Growth:** Reported 22% volume growth YoY with solid performance in both India and international markets.
- **Operational Efficiency:** EBITDA growth of 30.5% YoY, driven by cost efficiencies and margin improvements.
- **International Expansion:** Robust growth in the African market, particularly in South Africa and DRC, with capacity expansion plans in place.
- **Market Leadership:** Increased market share in the carbonated beverage space by ~300 bps over the past five years in India.
- **Strong Distribution Network:** Consistently expanding retail presence with 300-400K new touchpoints annually.

Weaknesses

- **Domestic Volume Growth:** Domestic volume growth was impacted by heavy rains, showing some sensitivity to weather conditions.
- **High Debt:** Net debt stood at Rs60 bn as of September 2024, increasing from Rs47.3 bn in December 2023, with potential to rise further for acquisitions.

Opportunities

- **African Market Expansion:** Significant growth potential in Africa, with planned capacity expansions and snack manufacturing plants across several countries.
- **Snacks Business Expansion:** Upcoming snack manufacturing plants in Zimbabwe, Zambia, and Morocco offer high RoCE potential with expected topline contribution of US\$100 mn.
- **New Product Launches:** Potential for introducing new products like Jeera soda, leveraging market trends.
- **Capacity Expansion in India:** Planned domestic capacity expansions in key states like MP, UP, Bihar, and Meghalaya to cater to growing demand.

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.

Contact Details:

-  www.marathontrends.com
-  +91-9136909479/+91-8169871990
-  contact@marathontrends.com
-  Marathon Trends Advisory Private Limited
701-A, Ramee Emeralds, Linking Road,
Street 29, Santacruz West, Mumbai-400054.

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