

### Our Philosophy

An airplane pilot was once asked in an interview, what's your job?

The pilot answered - my job is to work hard at the time of take off and at the time of landing this little bird called aircraft. Rest of the time its on auto pilot mode.

The interviewer anxiously asked, "whoaaa! But it doesn't seem as simple as you mentioned it. I mean, don't you think that in turbulent times, you must face some challenging or tricky situations?"

The pilot answered, "In such times, I simply sit in my cockpit and wait for the turbulence to pass" The interviewer asked again, "Don't you think that this way your inactions may cost the lives of hundreds of people?"

To which the pilot answered "Sir, that's my job in such times. To be inactive means to sit with patience because my actions would be riskier during a turbulence than non-actions during that time."

This analogy applies to good and sound long term investment portfolios as well. If there is an actionable that helps the portfolio, one needs to act but not resort to compulsive trades

Most investors of the generation that experienced the meltdown in 2008 are sitting tight on their portfolios now. This generation panicked in 2008, booked losses and stayed away from the markets much after the markets recovered, missing the opportunity to buy when others were fearful.

Having experienced the sharp recovery and the grudge of not making most of the opportunity in 2008, this cohort made good use of the bear market during COVID-19. Despite the recent drawdown, this set of people are sitting on handsome profits and are calm.



It takes three months to learn math's but arguably three cycles to get the behavior right. The hope is that many who missed the bus during COVID-19 would make good of the current opportunity. And, of course, those experiencing the bear trend for the first time now would be more prepared for the next one, whenever it happens....

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## The Positives & Negatives



1. Most of the negatives—such as global economic uncertainties, interest rate related scenario, Trump and his tariff decisions are taking a toll on the markets. FPI's selling has been relentless with domestic providing support but the intensity of selling is so high that broader markets are also experiencing collateral damage. The persistent weakness in the market comes amid aggressive selling by foreign institutional investors (FIIs), who have offloaded stocks worth over \$28 billion since October 2024.



2. On the other hand, several positive catalysts of February month including a pro-growth budget, rate cut by RBI, strong liquidity support from the Reserve Bank of India (RBI), winning of Delhi elections by the BJP are being under appreciated. Looking at the budget and looking at the monetary policy, there has been a pivot towards the growth, concerns on inflation has come down, and now there is an effort happening from both the side, like the consumption-led stimulus which we have seen plus monetary policy easing in form of OMO operations plus policy rate cut are all growth supportive. However, the sentiment itself is so negative that even good numbers by companies and decent commentaries have been punished because more profit preservation was done.

**Conclusion:** Valuations and prices are becoming more attractive. The fear-driven selling is largely a function of short-term uncertainty rather than long-term fundamentals. Investors should focus on high-quality businesses across market capitalization with strong earnings visibility rather than getting swayed by negative market sentiment. With fundamentals remaining intact for several high-growth sectors and companies, this may be an opportune moment for investors to look beyond short-term market jitters and build a resilient portfolio for the future with a market cap and sector agnostic approach.



**Focus on controllable, if earnings of underlying business and commentary is good, you probably are in good shape**

# Portfolio Businesses



Here's how some of our top portfolio businesses performed in the quarter gone by.

Dear Investors,

We are delighted to report another quarter of robust growth and market-beating performance for our carefully selected portfolio companies. Q3FY25 saw us achieve an impressive net profit growth of 23.31% and revenue growth of 16.23% year-over-year, significantly exceeding Nifty 500\* trends of average revenue growth of 4.6%% and average net profit growth of 11.1%. These results are a testament to our rigorous investment strategy, focusing on high-potential businesses with strong fundamentals and exceptional management teams. We are confident that our disciplined approach will continue to deliver superior returns. The following individual company updates provide further detail on the key drivers of this success.

## Hitachi Energy

Hitachi Energy India Limited delivered an exceptional Q3 FY25 performance, marked by its highest-ever quarterly order intake (₹11,594.3 crores, up 838% YoY), robust revenue growth (₹1,672 crores, up 31% YoY), and a four-fold increase in profit before tax (₹184 crores YoY). The company achieved a record order backlog (₹18,994.4 crores) and became debt-free. Key highlights include a major HVDC order for the Khavda-Nagpur project, plans for a new service business unit, and a focus on sustainability, evidenced by a Green Leader certification and various environmental initiatives. Despite some project award delays, management remains confident about future growth, driven by India's energy transition, significant investments in renewables, and the company's strategic initiatives in HVDC, transformers, and high-voltage businesses, supported by a planned ₹4,200 crore fundraising.

## Pitti Engineering

Pitti Engineering delivered record volumes in machine components and commenced commercial supplies for hydrogen electrolyzers in Q3 FY25, achieving a 37.46% YoY revenue increase to ₹414.98 crores and a 30.05% YoY EBITDA growth to ₹66.95 crores (16.13% margin). While the sheet metal business experienced a QoQ decline due to emission norms and market volatility, the company maintains its full-year volume guidance of 62,000 tons and projects ₹450 crores in Q4 revenue, targeting ₹1,750 crores for FY25. Despite challenges like LV motor market fluctuations and a railway segment slowdown, Pitti is optimistic about future growth, driven by its product development pipeline, including machining from Dakshin Foundry, market normalization, and a newly commissioned coating line. Exports contribute roughly 35% to revenue, with North America being a key market. New clients include Tata Auto Components, Dana, and Varroc. The company is focused on integrating Dakshin Foundry, managing working capital efficiently, and utilizing existing capex before considering further expansion.

## Tega Industries

Tega Industries reported ₹1,139 crores in revenue for the nine months ending December 31, 2024, with a 20% EBITDA margin (₹230 crores), representing 13% YoY revenue growth. Q3 FY25 revenue increased 21% YoY with a 25% EBITDA margin. The order book stands at ₹1,258 crores, with ₹758 crores executable within one year. Consumable revenue grew 15% YoY to ₹970 crores, while equipment revenue decreased 8% to ₹136 crores due to project delays, though Q3 saw consumable revenue up 24% and equipment revenue slightly down. Strong demand for gold and copper, driven by macroeconomic factors, is benefiting Tega, as is the increasing need for its products due to declining ore grades. Despite ongoing supply chain and logistical challenges, which Tega is actively managing, and a slight delay in the Chile project (now expected to commence in FY26), management maintains its 15% CAGR growth outlook. They are optimistic about future growth, driven by service and maintenance income, ongoing equipment segment discussions, and product innovation like DynaPrime and sensor-based monitoring systems. Tega's diversified manufacturing locations provide supply chain flexibility, and the company is actively pursuing new projects.

## Gufic Biosciences

Gufic Biosciences, focusing on innovative pharmaceutical solutions across various therapeutic areas, reported Q3 FY25 revenue of ₹207.8 Cr (vs. ₹201.8 Cr in Q3 FY24), EBITDA of ₹35.8 Cr (17.23% margin vs. 18.29% last year), PBT of ₹26.3 Cr (12.66% margin vs. 14.67%), and PAT of ₹19.4 Cr (9.34% margin vs. 11.05%). Key highlights include continued growth in the Feticare division with new products like Guficin Alpha and Supergraf, ongoing product development in Stellar and Spark divisions, and the integration of Ayurveda in the Healthcare division. The newly commissioned Indore plant generated ₹6 Cr in Q3 revenue and is expected to reach 25-30% capacity utilization in FY26 and 50-60% in FY27, contributing ₹150 Cr in FY26 revenue and achieving breakeven in Q4 FY26. While acknowledging stable financial performance, management is cautiously optimistic about future growth driven by new product launches, market expansion, particularly in Critical Care and Feticare, and the Indore facility ramp-up, which is also expected to improve margins. Debt levels are considered peak, with plans for reduction as Indore cash flow increases.

## Inox India

INOX India reported a strong Q3 FY25 performance with ₹349 crores in revenue (up 18.2% YoY), ₹83 crores in EBITDA (up 17% YoY), and ₹57 crores in PAT (up 17.4% YoY). Nine-month FY25 results show ₹971 crores in total income (up 10.7% YoY), ₹235 crores in EBITDA (up 8.6% YoY), and ₹158 crores in PAT (up 4.3% YoY). The company boasts a healthy net free cash position of ₹293 crores and a robust order book of ₹1,341 crores (₹493 crores inflow in Q3), diversified across Industrial Gas (45%), LNG (36%), and Cryo-Scientific (19%) segments. Key wins include a major contract with Highview Power UK in Industrial Gas, the largest-ever LNG order for mini-terminals in The Bahamas, and continued traction in the Cryo-Scientific division with orders from ITER France and others. Despite macroeconomic headwinds and competition, management is confident in achieving 18%-20% YoY growth, projecting Q4 revenue exceeding ₹400 crores. They are particularly bullish on the LNG segment's growth potential and are focused on expanding their presence and capacity to meet rising demand.

## **Tata Communication**

Tata Communications reported continued digital revenue growth and improved profitability in Q3 FY25, with consolidated revenues of ₹5,798 crore (up 2.9% YoY, 0.5% QoQ), EBITDA margins of 20.4% (up 100 bps QoQ), and PAT of ₹256.6 crore (up 12.9% QoQ). Free cash flow saw a significant improvement to ₹841 crore. Data revenues reached ₹4,903 crore (up 6.2% YoY, 1.4% QoQ), with core connectivity at ₹2,590 crore (up 2.8% YoY, down 0.9% QoQ) and digital portfolio revenues at ₹2,313 crore (up 10.2% YoY, 4.1% QoQ). The company secured a 50% YoY increase in large deal funnel additions and healthy double-digit year-to-date order book growth. While facing challenges like international cable cuts (now resolved), a declining core connectivity market, and geopolitical headwinds, management remains optimistic about digital data growth and margin expansion, targeting a 23-25% EBITDA margin through continued investments and focus on the digital portfolio. Strategic initiatives include the sale of TCPSL and exploration of external capital infusion for Netfoundry.

## **JSW Infrastructure**

JSW Infrastructure reported strong nine-month FY25 performance with 85.7 million tonnes of cargo handled (11% YoY growth), ₹3,457 crores in revenue (22% YoY growth), ₹1,885 crores in EBITDA (22% YoY growth), and ₹1,006 crores in net profit (21% YoY growth). Q3 FY25 cargo volume increased 5% YoY to 29.4 million tonnes, with third-party cargo up 31% YoY, representing 49% of total volume. Q3 operational revenue reached ₹1,063 crores (up 13% YoY), and EBITDA grew 19% YoY to ₹570 crores. Consolidated Q3 revenue was ₹1,265 crores, and EBITDA was ₹670 crores, up 24% and 20% YoY, respectively. The company is pursuing three key priorities: expanding port capacity to 400 million tonnes by FY30, scaling the logistics business to ₹8,000 crores in revenue with a 25% EBITDA margin, and pursuing value-accretive inorganic opportunities. Capacity expansions at various ports contributed to a total capacity of 174 million tonnes. A ₹9,000 crore capex is planned for logistics expansion, including the Navkar acquisition, GCT terminal development, and other facilities, targeting a pan-India network. While iron ore volumes have been impacted by price fluctuations, management anticipates recovery and expects continued volume growth, targeting 10% for FY25 and double-digit growth, thereafter, driven by third-party business and new terminal operations.

## **Ingersoll- Rand India**

Ingersoll-Rand India delivered a robust Q3 FY25 performance, with revenue up 17% YoY driven by likely execution ramp-up, and EBITDA margin expanding significantly by 484 bps YoY to 27.6% due to improved gross margins and operating leverage. The company is poised for future growth, supported by a ₹170 crore greenfield capacity expansion in Gujarat, expected to be operational by Q2 FY26, which will add 5000 air compressors (a 50% increase) to its existing capacity, fully funded through internal accruals. As a market leader in air compressors (18% share) and centrifugal compressors (48% share), Ingersoll-Rand benefits from strong demand generation, an optimized distribution network, and Make in India initiatives. Leveraging its parent company's technology, it has launched ~50 new products in four years, strengthening its market position. Group procurement enhances supply chain stability and margins, while its entry into hydrogen compression provides further growth potential.

## **LTTS**

L&T Technology Services (LTTS) reported 3.1% constant currency revenue growth in Q3 FY25, driven by its Tech (11.1%) and Sustainability (4.0%) segments, with EBIT margin improving 110 bps to 16.2% (excluding M&A expenses). The company achieved its highest-ever large deal bookings, including one \$50M deal and several others in the \$10-50M range, and completed the acquisition of Intelliswift to bolster its AI and digital capabilities. While Mobility faced a 5.2% decline due to OEM project pauses, growth is expected in Q4. Sustainability performed strongly with large deals in the pipeline, and Tech rebounded significantly. LTTS added 54 patents and inaugurated an AI Experience Zone. Despite Automotive sector headwinds and uncertainties in other sectors, the company maintains near 10% revenue growth guidance for FY25 (8% organic) and aims for near 16% EBIT margins. LTTS's strategic focus includes building three \$1B segments and achieving \$2B in revenue with 17-18% EBIT margins in the medium term.

## **Varun Beverages Ltd**

Varun Beverages (VBL) delivered strong Q4 CY24 results, with consolidated revenue up 24.7% to ₹200,076.5 million and sales volume increasing 23.2% to 1,124.4 million cases, driven by 11.4% organic growth in India and 6.3% internationally. EBITDA grew 30.5% to ₹47,110 million (23.5% margin), and PAT increased 25.3% to ₹26,342.8 million. VBL expanded geographically into South Africa and initiated Greenfield operations in DRC, with pending acquisitions in Tanzania and Ghana. The company is focusing on general trade distribution, increasing visi-cooler placements, and backward integration in South Africa. Product innovations include entry into the snack foods segment with PepsiCo in select markets and the launch of low/no-sugar beverages, which now represent 53% of sales. Following a successful ₹75 billion QIP, net capex for CY24 was ₹45 billion, with ₹31 billion planned for CY25. VBL recommended a ₹0.50 dividend. Despite competition, management is confident in double-digit growth, citing the soft drink industry's rapid expansion and VBL's focus on expanding its reach to more outlets. Operational efficiencies improved working capital days to 31, and the company became net debt-free.

With the illustrative examples of few of our top holdings, let us assure you that most of our businesses are doing well and are we remain confident about doing well in the times to come. The only thing that should matter in such situation is whether this company - the actual business - can plausibly compound earnings on a diluted basis by a high enough number, over the next three to five years.

For that one will have to understand the enterprise in depth but also the sector, theme and size of the opportunity. While past is not prologue, there are a lot of listed businesses in India today which have had EPS compounding over the last 5 years north of 20 to 25% CAGR and are expected to grow at the same pace with ROE's above 15 percent, market cap between 1000 Cr to 1 lakh Cr. Not that these are cutoffs which are hard and fast - but just to get a sense.

**Such an approach, what we call PIPE investing, or public investing albeit private equity style - cuts out a lot of the undue noise.**

**As they say "Avoid the Noise & Keep the Poise"**