

**RESEARCH****TATA CONSULTANCY SERVICES | TARGET: Rs 4,027 | -0% | HOLD**

'25 may be better than '24 but not by much. Macro a challenge

**SOM DISTILLERIES & BREWERIES | NOT RATED**

Distribution gains and local supply driving growth

**SUMMARY****TATA CONSULTANCY SERVICES**

- 3QFY25 broadly in line. International growth weaker than expected. 4Q TCV must be a bumper one for FY25 to match FY24
- BSNL backfilling risk lower than expected. Discretionary pick-up macro driven. Current 'higher for longer interest rates' not a good backdrop
- New INR/USD est. drives modest EPS upgrade. Underperformance in last 6 months and reduced BSNL risk could be near term stock driver

[Click here](#) for the full report.

**SOM DISTILLERIES & BREWERIES**

- Som distilleries and breweries holds a ~12% market share of the 190m case strong beer segment in the markets where it operates
- The company expects to grow sales 25%-30% over a period of 3Yrs driven by share gains in core and new territories
- Som is looking to grow its market share further by setting up new plants, buying new beer facilities, or using contract manufacturing

[Click here](#) for the full report.



**HOLD**  
 TP: Rs 4,027 | ▼ 0%

**TATA CONSULTANCY SERVICES**

| IT Services

| 10 January 2025

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**Broadly in line:** Revenue falls a tad short, but margins are a tad better. Seasonality comes into play. Flattish CC QoQ growth is India driven (non BSNL work). USD QoQ revenue decline of 1.7% was impacted by 2.7% international revenue decline (~90% of revenue) and 8.2% India revenue increase. International revenue was down due to seasonality. But India strength and international weakness has been greater than expected.

**Discretionary spend pick up expectation is macro driven and is therefore iffy:** TCS sounded more positive on discretionary spend (sees 'early signs' of a broader pick up beyond BFSI) but this seems to be dependent on a soft-landing scenario with inflation and interest rates coming off. It is also based on its conversations with clients. This is not reflected in 3Q numbers yet. As we state in our recent reinitiation report (**Slow is the (new/old) normal**) the macro has changed materially since Sept 2024. And may adversely impact demand.

**TCV pick up is good but 4Q must be a bumper one for FY25 to equal FY24:** 9MFYTD TCV is down 8% and 4Q number must be ~US\$16bn (FY25 quarterly average is US\$9bn) for FY25 TCV to equal that of FY24. Lack of mega deals has been an issue in FY25. The bumper TCV in FY24 has not helped much as customers postponed execution and focused on ROI.

**Decision cycle time has reduced:** Compared to previous quarters decision cycles are lower by a few weeks and clients are talking about shift towards discretionary spending, The conversion to revenue may happen faster if there is more discretionary spending.

**Better outlook for 2025 is based on growth pickup in international markets:** TCS expects a broader pick up across sectors except Healthcare and Life sciences. Manufacturing is expected to recover with a lag. BFSI and retail seem to be firing.

**Key changes**

Target	Rating
▲	◀ ▶

Ticker/Price	TCS IN/Rs 4,039
Market cap	US\$ 170.2bn
Free float	28%
3M ADV	US\$ 107.1mn
52wk high/low	Rs 4,592/Rs 3,592
Promoter/FPI/DII	72%/13%/11%

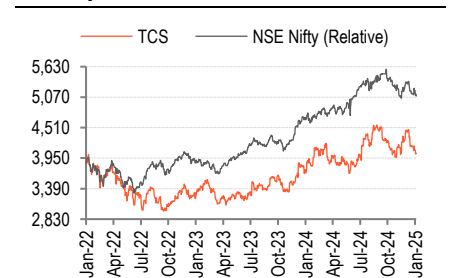
Source: NSE | Price as of 9 Jan 2025

**Key financials**

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	24,08,930	25,60,046	27,89,302
EBITDA (Rs mn)	6,42,950	6,86,553	7,54,145
Adj. net profit (Rs mn)	4,65,850	4,97,021	5,51,353
Adj. EPS (Rs)	128.8	137.4	152.4
Consensus EPS (Rs)	128.8	137.9	154.5
Adj. ROAE (%)	51.0	51.4	52.0
Adj. P/E (x)	31.4	29.4	26.5
EV/EBITDA (x)	22.5	21.1	19.2
Adj. EPS growth (%)	11.8	6.7	10.9

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**



Source: NSE



**NOT RATED****SOM DISTILLERIES & BREWERIES**

| Alcoholic beverages

| 09 January 2025

**Distribution gains and local supply driving growth**

- Som distilleries and breweries holds a ~12% market share of the 190m case strong beer segment in the markets where it operates
- The company expects to grow sales 25%-30% over a period of 3Yrs driven by share gains in core and new territories
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**The Indian beer opportunity and Som's exposure:** Som estimates the FY24 Indian beer market at 370m cases. Of this, 75%-80% is strong beer – a key area of strength for Som. The company is present in 18 states with industry volume at 250m (Strong beer 190m). In terms of portfolio, Som has offerings across price points with key brands Hunter, Black Fort, and Power Cool selling 1m+ cases pa.

**Market share gains driving sales growth for Som:** In FY24, Som derived 93% of sales (96% of volumes) from beer and the rest from IMFL. Beer volumes have grown at a 3Yr CAGR of 63%. The brewer has rapidly gained market share in its local manufacturing states of MP, Karnataka, and Odisha. The company expects to drive future growth (1) via share gains in core markets, and (2) by replicating the success in Karnataka and Odisha by setting up local supply.

**Potential of new territories:** Outside of Som's brewery states; Andhra, Telangana, UP, Tamil Nadu, Maharashtra, West Bengal and Rajasthan are the other major markets. Som has still not established its presence in volume states of Telangana, Tamil Nadu, Andhra and Maharashtra. UP and Rajasthan are currently supplied from the Bhopal brewery. Broadly, in terms of supply, Som's markets in South are from Karnataka; East from Odisha and West / North from MP.

**Cost savings on local manufacturing:** Som expects a gross margin accretion of 350-400bps with a move to local supply. Savings from export and import tax along with reduced freight/breakage are the main drivers. These savings provide headroom for competitive pricing, enabling a firm base for share gains.

**Earnings outlook:** The company reiterated FY25 guidance at Rs15-16bn (+17-25% YoY) sales with EBITDA +30% YoY on 12%-13% margins. Over 3Yrs, Som expects 25-30% sales CAGR on 12-13% EBITDA margins. The company is focused on topline growth even though market penetration requires higher cost new bottles which account for ~60% of the ingredient COGS.

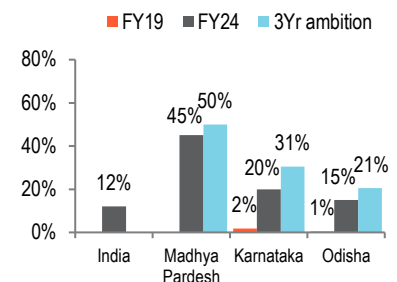
Ticker/Price	SDBL/Rs 116
Market cap	Rs 22,693mn
Free float	64%
52wk high/low	Rs 149/Rs 85
Promoter/FPI/DII	35.3%/0.56%/0.01%

Source: NSE | Price as of 8 Jan 2025

**Key financials**

Y/E 31 Mar	FY22A	FY23A	FY24A
Total revenue (Rs mn)	3,628	8,067	12,807
EBITDA (Rs mn)	169	1,021	1,495
Adj. net profit (Rs mn)	(98)	603	853
Adj. EPS (Rs)	(1)	8	11
Adj. EPS growth (%)	-	n/m	32

Source: Company, Bloomberg, BOBCAPS Research

**3Yr outlook for core territories (90+% of company sales)**

Sources: Company reports, BOBCAPS Research



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