## TCS

### Superior Execution; Demand Shaping Up

**Recommendation: HOLD | Reco Price: 4228 | TP: 4590 | Upside: 9%**

**Est. Vs. Actual for Q2FY25: Revenue – Inline ; EBIT Margin – Miss; PAT – Miss**

**Change in Estimates post Q2FY25 (Abs.)**

**FY25E/FY26E: Revenue** 1%/ 2%; **EBITDA** 1%/ 2%; **PAT** 1%/ 2%

**Recommendation Rationale**

- **Execution prowess:** TCS has demonstrated commendable execution even during challenging times by increasing client engagement. This has helped the company report encouraging margin expansion.
- **Demand slowly picking up:** BFSI and Retail verticals reported moderated growth. However, there are some green shoots visible alongside increased client engagement. The management also indicated increased visibility over automation spends in these sectors. The Telecom vertical also reported a better recovery in demand.
- **Healthy medium to long-term outlook:** The management remains confident of the medium to long-term outlook and expects it to remain healthy going forward. Furthermore, it has indicated that FY25 is likely to be better than FY24.

**Sector Outlook:** Cautiously positive

**Company Outlook & Guidance:** The supply-side constraints are easing up, which will help the company achieve some margin expansion in the near term. The industry's and the company's long-term outlook remain constructive.

**Current Valuation: 28x FY26E P/E; Earlier Valuation: 26x FY25E**

**Current TP: 4,590/share (Earlier TP: Rs 4,250/share)**

**Recommendation:** With a strong deal pipeline and increasing demand for newer technologies, we believe TCS will demonstrate quicker recovery in H2FY25. Thus, we **maintain** our **HOLD** rating on the stock.

## Avenue Supermarts Ltd

### Inline Numbers, Expensive Valuation; Maintain HOLD

**Recommendation: HOLD | Reco Price: 4572 | TP: 4200 | Upside: -8%**

**Est. Vs. Actual for Q2FY25: Revenue –INLINE; EBITDA Margin – INLINE; PAT – MISS**

**Changes in Estimates post Q2FY25**

**FY25E/FY26E: Revenue:** -2%/-3%; **EBITDA:** -4%/-6%; **PAT: -6**%/-9%

**Recommendation Rationale**

- Revenue for Q2FY25 slowed down to 14% vs. +18% over the last several quarters. It added 6 stores in Q2FY25. The company's LFL growth stood at 5.5%. Management reiterated that it is seeing increased competition from online players which affected large metro Dmart stores.
- Gross margins improved 24 bps YoY to 14.9% on account of a marginal increase in the contribution of General Merchandise & Apparel sales. However, EBITDA margins declined 39bps YoY to 7.6% on account of higher opex.
- Though there are initial signs of improvement, we believe D-mart is likely to take time to improve its overall store matrix in the near term as – a) Demand environment continues to remain weak in the discretionary category and is expected to recover meaningfully only in H2FY25 and onwards, b) Larger and newer stores have higher gestation periods, thus impacting the overall profitability in the near term, c) Increasing competition from organised players (Reliance, Star Bazzar, Zudio) and online players (Zepto, Blinkit, Instamart) as they penetrate in smaller towns.

**Sector Outlook:** Cautious

**Company Outlook & Guidance:** We recommend a wait-and-watch approach as we look for more sustained improvement in the store matrix and demand recovery triggers. Hence **we maintain a HOLD rating on the stock.**

**Current Valuation: 65xMar-26 EPS (No change)**

**Current TP: Rs 4,200/share (Earlier – Rs 4,550/Share)**

**Recommendation:** With an 8% downside from the CMP, we **maintain our HOLD rating on the stock.**