

India

India Strategy

High-conviction stock ideas for Sep 2024

InCred Sector rating

Overweight	Neutral	Underweight
Aluminium	Automobile	Agribusiness
Cement	Auto Ancillary	Aviation
Capital Goods	Building Materials	Chemicals
Electronic Manf services	Consumer staples	Metals & Mining
Financial Services	Information Technology	Ports & Logistics
Oil and Gas	Infrastructure	
	Pharma	

- Rainfall progress and tax buoyancy provide comfort. Consumer demand recovery in the festive season & assembly election results will be monitored.
- Retain constructive stance with a Nifty index target of 26,736. Big performers in Aug 2024 list were Aditya Birla AMC & Ajanta Pharma, with an ADD rating.
- In high-conviction list, we introduce large-caps TCS, Bajaj Finance, Lupin & Hero MotoCorp. Ajanta Pharma, Ashok Leyland, Aurobindo & TechM are out.

Looking forward to festive season demand

The southwest monsoon covered the entire Indian subcontinent by 2 Jul 2024. The index of eight core industries grew by 6.1% yoy in Jul 2024. The strong growth was anchored by electricity generation, steel and refinery production. With above-average monsoon rains, all eyes are on festive demand recovery.

We remain constructive on markets and maintain our blended Nifty-50 target of 26,736, with a bull-case probability of 30%, factoring in the favourable macroeconomic tailwinds. Our preference for large-caps stays intact.

Synopsis of high-conviction stock ideas: [Detail stock-wise PPT link](#)

Recent performance (since the start of the series in Sep 2022):

Big outperformers to Nifty: Aditya Birla Sunlife AMC (ADD), InterGlobe Aviation or Indigo (REDUCE) and Ajanta Pharma (ADD).

Underperformers to Nifty: Exide Industries (REDUCE), Clean Science and Technology (REDUCE) and BCL Industries (ADD).

Addition to the list:

Bajaj Finance (ADD) – The company will be at the forefront to take advantage of revival in the rural economy. Favourable risk-reward ratio on relative sector valuation.

Hero MotoCorp (ADD) – Festive season and rural demand uptick beneficiary. Launch of new models in the electric vehicle space and mass premium bikes to aid market share recovery.

Lupin (ADD) - One of the large pharmaceutical companies with good visibility on earnings, profitability and products. Earnings growth to sustain in FY27F as well.

Tata Consultancy Services – Better ability to win new contracts, with least impact on profitability.

Deletion from the list:

Ajanta Pharma (ADD) – Met our bull-case target price and due to its steep valuation above +2SD P/E.

Ashok Leyland (ADD) – Truck demand recovery has been patchy. P/BV valuation at +2SD makes the risk-reward ratio unfavourable.

Aurobindo Pharma (ADD) – Rich valuation at +2SD P/E and the recent USFDA warning letter highlighting data integrity concerns.

Tech Mahindra (ADD) – Spike in stock price has narrowed its valuation gap vs. tier-I peers. **Technical trend favourable ideas:** Concor and Globus Spirits.

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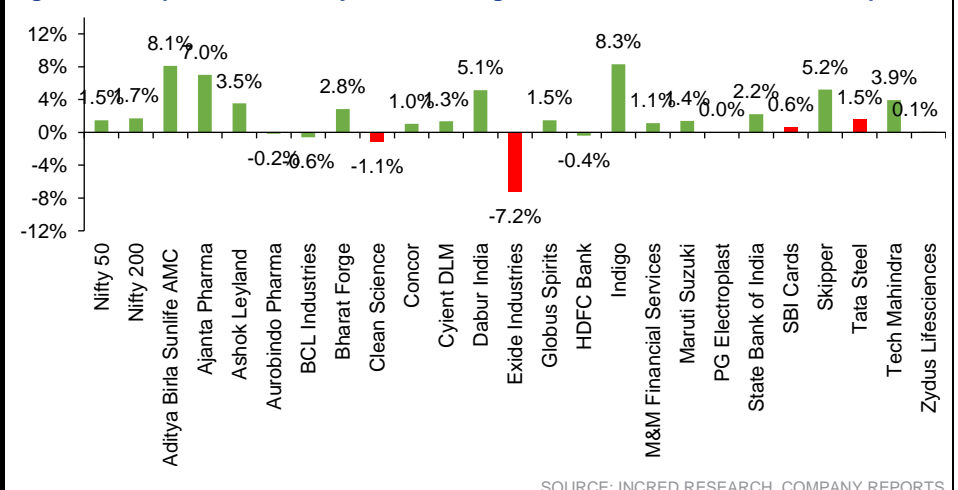
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Figure 1: Compounded monthly returns of high-conviction stock ideas since Sep 2022



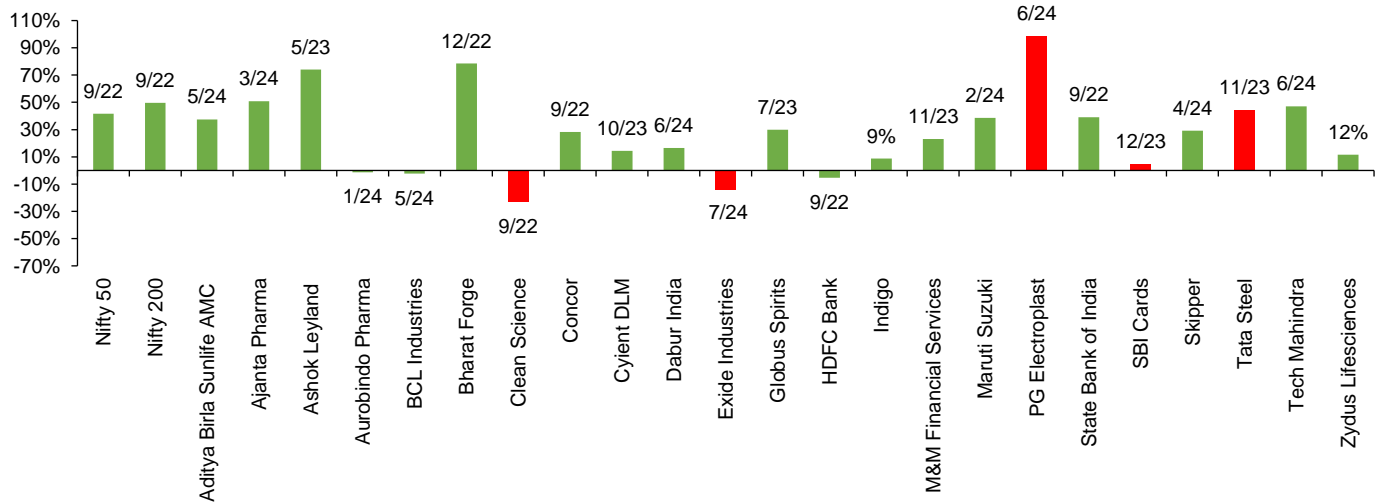
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Stock ideas by market-cap category

Large-Cap Ideas						
Name	Stock Rating	Market Cap (Rs m)	Target Price	Upside/Downside	Analyst Name	
HDFC Bank	ADD	1,42,17,603	2,000	22.9%	Jignesh SHIAL	
Tata Consultancy Services	ADD	1,87,65,237	4,915	9.8%	Abhishek SHINDADKAR	
State Bank of India	ADD	84,12,290	1,100	33.8%	Jignesh SHIAL	
Bajaj Finance	ADD	52,80,586	9,000	21.0%	Jignesh SHIAL	
Maruti Suzuki	ADD	44,81,002	15,541	25.1%	Pramod AMTHE	
Tata Steel	REDUCE	21,90,527	82	-46.4%	Satish KUMAR	
InterGlobe Aviation	REDUCE	21,23,895	2,400	-49.9%	Rajarshi MAITRA	
Dabur India	ADD	12,90,995	725	13.9%	Rohan KALLE	
Zydus Lifesciences	ADD	12,82,666	1,434	29.0%	Praful BOHRA	
Hero MotoCorp	ADD	12,82,666	5,812	4.2%	Pramod AMTHE	
Lupin	ADD	11,66,060	2,329	4.3%	Praful BOHRA	
Mid-Cap Ideas						
Name	Stock Rating	Market Cap (Rs m)	Target Price	Upside/Downside	Analyst Name	
Bharat Forge	ADD	8,32,900	1,831	17.2%	Pramod AMTHE	
SBI Cards	REDUCE	8,16,242	500	-32.8%	Jignesh SHIAL	
Container Corporation of India	ADD	6,74,649	1,083	12.6%	Rajarshi MAITRA	
Exide Industries	REDUCE	4,74,753	412	-16.0%	Pramod AMTHE	
Mahindra & Mahindra Finance	ADD	4,58,095	370	14.8%	Jignesh SHIAL	
Aditya Birla Sunlife AMC	ADD	2,49,870	950	27.5%	Jignesh SHIAL	
Clean Science and Technology	REDUCE	1,83,238	665	-54.8%	Satish KUMAR	
PG Electroplast	REDUCE	1,49,922	185	-64.1%	Vipraw SRIVASTAVA	
Small-Cap Ideas						
Name	Stock Rating	Market Cap (Rs m)	Target Price	Upside/Downside	Analyst Name	
Cyient DLM	ADD	66,632	1,049	43.2%	Vipraw SRIVASTAVA	
Skipper	ADD	49,974	500	21.4%	Arafat SAIYED	
Globus Spirits	ADD	33,316	1,588	44.4%	Nitin AWASTHI	
BCL Industries	ADD	16,658	98	71.7%	Nitin AWASTHI	

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Absolute returns from our high-conviction stock ideas (for the holding period)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.