

India

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	Infrastructure	Ports & Logistics
Information Technology	Pharma	
Oil and Gas		

India Strategy

High-conviction stock ideas for Oct 2024

- Economic activity signals remain mixed, as the buoyancy in rainfall and private capex is overshadowed by slow Goods and Services Tax (GST) growth & PMI.
- In high-conviction stocks list, we introduce Petronet LNG (ADD) as capacity expansion and better input connectivity to drive volume-driven EPS growth.
- With the recent rally lifting the Nifty-50 index close to our target (4% upside), we turn cautious on markets as the risk-reward ratio looks unfavourable.

With Nifty close to our target, we turn cautious

- Weakness in GST growth to lower single digit and subdued Purchasing Managers' Index or PMI are the areas of concern while surplus rainfall and improvement in private capex in Sep 2024 provide comfort. Initial cues on festive demand show a mixed trend.
- After the recent rally, the Nifty-50 index is close to our target of 26,736, with just a 4% upside. We turn cautious amid geopolitical tensions, gradual recovery in India's economic activity, political volatility arising with the upcoming assembly elections in some states and relatively rich valuation of India vs. peers. With the Nifty mid-cap 100 index's forward P/E at +2SD above the 10-year mean level, we prefer large-caps over mid-caps & small-caps.

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:** Bajaj Finance (ADD), Skipper (ADD), and Aditya Birla Sunlife AMC (ADD).
- **Underperformers to Nifty:** Tata Consultancy Services (ADD), Exide Industries (REDUCE) and Lupin (ADD).
- **Addition to the list:** Petronet LNG (ADD) – capacity expansion and connectivity to GAIL will drive volume expansion and profitability.
- **Deletion from the list:** None.
- **Technical trend favourable ideas:** Maruti Suzuki (ADD) and Container Corporation of India (ADD).

Research Analyst(s)



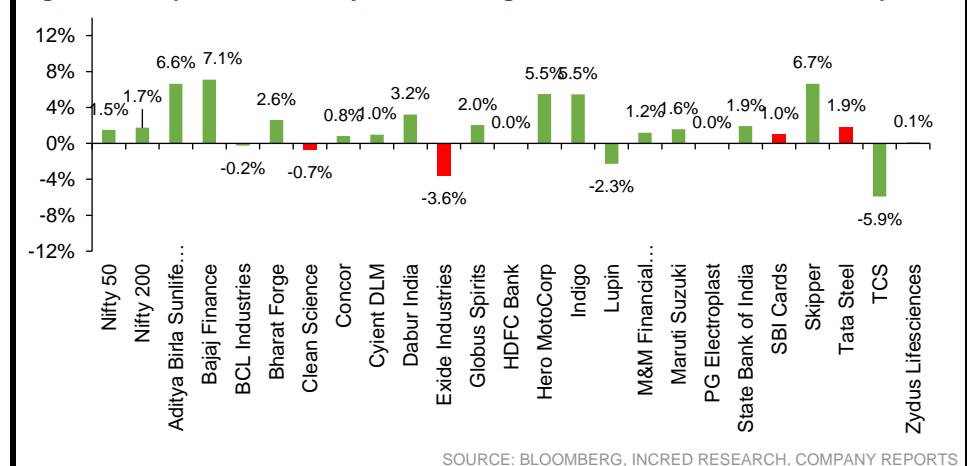
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Figure 1: Compounded monthly returns of high-conviction stock ideas since Sep 2022



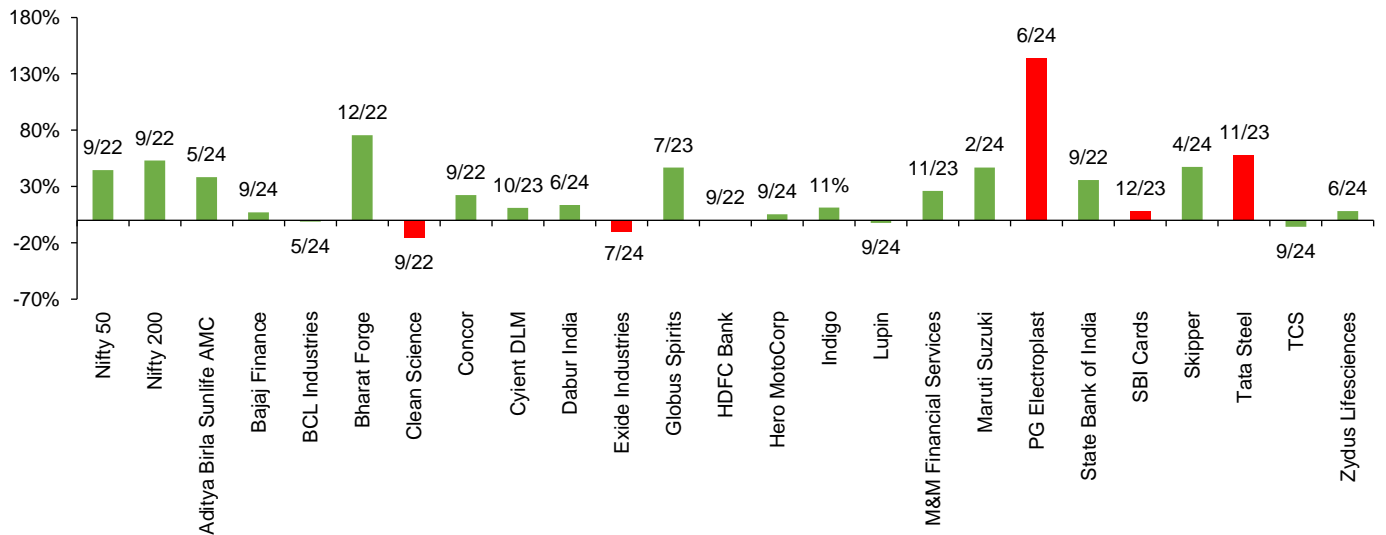
SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 2: Table showing absolute returns from our high-conviction stock ideas (for the holding period)

Large-cap Ideas						
Name	Stock Rating	Market-cap (Rs m)	Target Price	Upside/Downside	Analyst Name	
HDFC Bank	ADD	1,52,09,634	2,150	24.6%	Jignesh SHIAL	
Tata Consultancy Services	ADD	1,79,18,597	4,915	14.6%	Abhishek SHINDADKAR	
State Bank of India	ADD	82,14,871	1,100	38.0%	Jignesh SHIAL	
Bajaj Finance	ADD	55,07,167	9,000	16.8%	Jignesh SHIAL	
Maruti Suzuki	ADD	47,81,017	15,541	18.0%	Pramod AMTHE	
Tata Steel	REDUCE	24,08,400	82	-50.9%	Satish KUMAR	
InterGlobe Aviation	REDUCE	21,88,379	2,400	-51.1%	Rajarshi MAITRA	
Dabur India	ADD	12,67,100	725	17.1%	Rohan KALLE	
Zydus Lifesciences	ADD	12,55,578	1,330	23.1%	Praful BOHRA	
Hero MotoCorp	ADD	13,28,136	5,812	1.1%	Pramod AMTHE	
Lupin	ADD	11,56,105	2,329	6.1%	Praful BOHRA	
Mid-cap Ideas						
Name	Stock Rating	Market-cap (Rs m)	Target Price	Upside/Downside	Analyst Name	
Bharat Forge	ADD	8,22,869	1,831	19.7%	Pramod AMTHE	
SBI Cards	REDUCE	8,46,226	500	-35.1%	Jignesh SHIAL	
Container Corporation of India	ADD	6,48,630	1,083	17.5%	Rajarshi MAITRA	
Petronet LNG	ADD	5,96,151	519	50.8%	Satish KUMAR	
Exide Industries	REDUCE	5,02,212	412	-19.5%	Pramod AMTHE	
Mahindra & Mahindra Finance	ADD	4,71,063	370	12.1%	Jignesh SHIAL	
Aditya Birla Sunlife AMC	ADD	2,49,703	950	26.7%	Jignesh SHIAL	
Clean Science and Technology	REDUCE	1,99,677	665	-59.1%	Satish KUMAR	
PG Electroplast	REDUCE	1,90,997	185	-70.8%	Vipraw SRIVASTAVA	
Small-cap Ideas						
Name	Stock Rating	Market Cap (Rs m)	Target Price	Upside/Downside	Analyst Name	
Cyient DLM	ADD	65,081	1,049	47.6%	Vipraw SRIVASTAVA	
Skipper	ADD	58,627	500	7.8%	Arafat SAIYED	
Globus Spirits	ADD	40,735	1,588	30.0%	Nitin AWASTHI	
BCL Industries	ADD	19,851	98	68.6%	Nitin AWASTHI	

SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

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



SOURCE: BLOOMBERG, 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.