

India

India Strategy

InCred Sector rating

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

High-conviction stock ideas for Jan 2025

- Recent weeks' high frequency data points highlight macroeconomic challenges like GST collection growth, automobile sales & currency volatility.
- In our high-conviction list, we introduce Deepak Fertilisers (ADD) for cost-cut benefits but drop Exide Industries (REDUCE) & BCL Industries (ADD).
- We expect the Nifty-50 index's consolidation to persist as risks to GDP growth and EPS growth prolong.

Macroeconomic challenges persist; all hopes on Feb Union budget

- For FY24F, real gross domestic product or GDP growth, as per Bloomberg consensus estimates, continue to slip due to underwhelming capital expenditure, peaking trade deficit and slow gross Goods and Services Tax or GST collection trend (rises just 7.3% yoy in Dec 2024 & by 9.1% in 9MFY25).
- Looking at FY26F, fresh global uncertainties have emerged and global trade growth is looking more uncertain than before. The strength of the US dollar and a rethink on the path of policy rates in the US have put emerging markets' currencies under pressure. The Indian rupee (INR) depreciated by 0.7% in Dec 2024 alone. It weakened very rapidly in the last 10 days of the month. With Donald Trump set to take charge as US president later this month and the US economy seems poised to grow robustly, the US dollar may continue to gain strength and accelerate INR's depreciation in the Mar 2025F quarter than just a 1.4% depreciation witnessed in 9MFY25. Our overweight sectors - IT and pharma - will benefit from it.
- Considering the macroeconomic challenges, all hopes are on the Union budget in Feb 2025 as to whether income-tax rates will be cut to revive personal consumption and enhance government capex.

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:** Skipper (ADD), Aditya Birla Sunlife AMC (ADD) and Bharat Forge (ADD).
- Underperformers to Nifty:** Hero MotoCorp (ADD), Exide Industries (REDUCE) and Pidilite Industries (ADD).
- Recent month's performance - big absolute returns:** Lupin (ADD) and Bajaj Finance (ADD).
- Addition to the list:** Deepak Fertilisers and Petrochemicals Corporation (ADD) - Cost benefit from ammonia expansion and gas contract to drive profitability.
- Deletion from the list:** Exide Industries - Correction in stock price has played out as per our expectation and is close to our target price. BCL Industries - review of its business for foray into the biogas segment.
- Technical trend favourable ideas:** Hero MotoCorp, Lupin, Maruti Suzuki and Bajaj Finance (all with ADD ratings).

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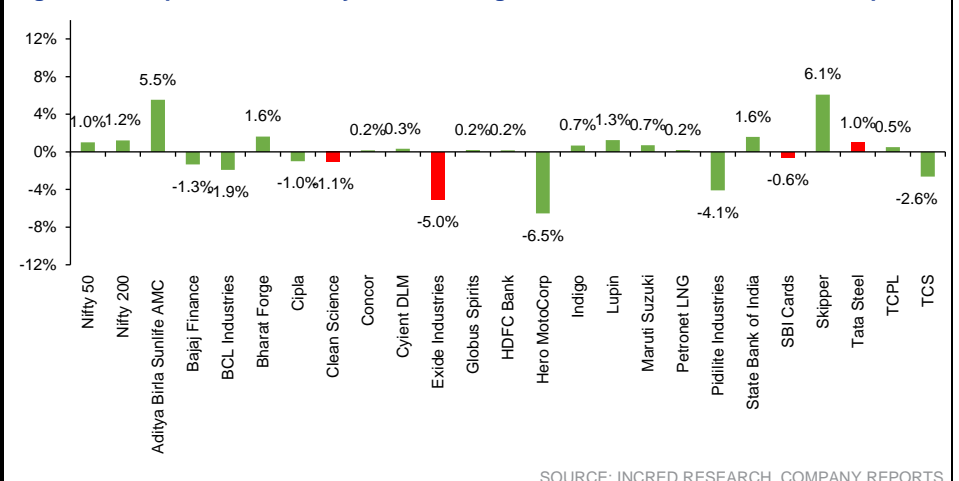
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Figure 1: Compounded monthly returns of high-conviction stock ideas since Sep 2022



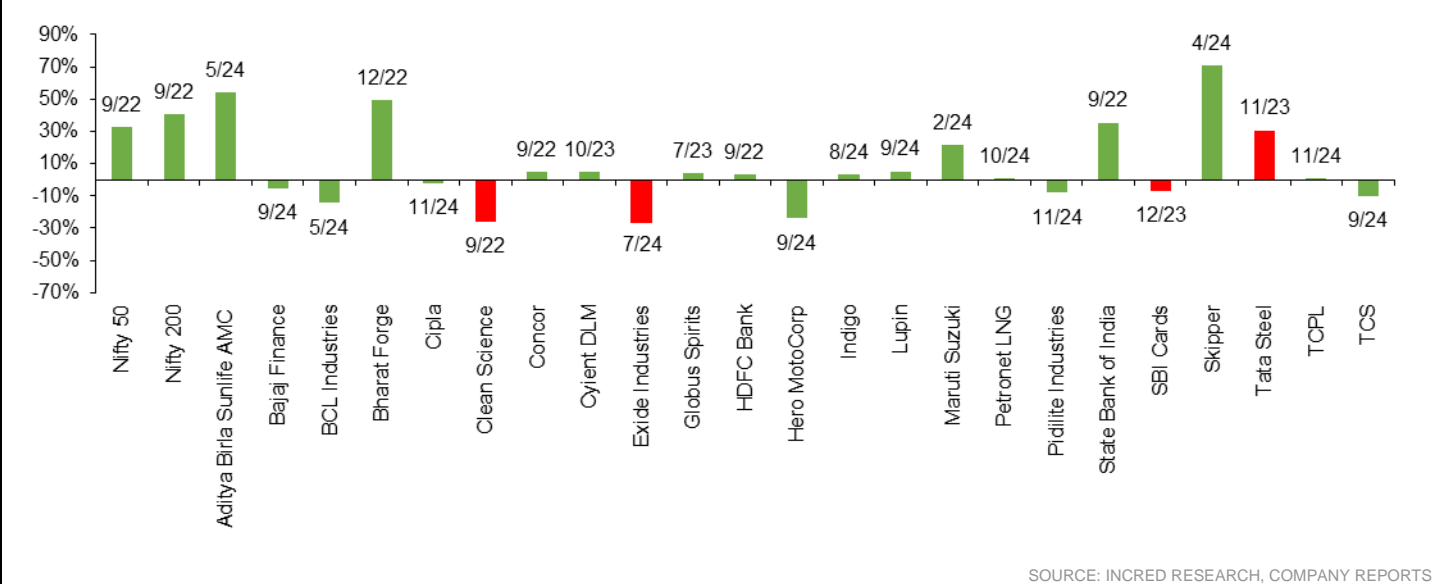
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: High-conviction stock ideas based on market-capitalization category and analyst coverage details

Large-Cap Ideas					
Name	Stock Rating	Market Cap (Rs m)	Target Price	Upside/Downside	Analyst Name
HDFC Bank	ADD	1,34,17,603	2,150	19.9%	Jignesh SHIAL
TCS	ADD	1,47,76,131	4,915	17.7%	Abhishek SHINDADKAR
State Bank of India	ADD	69,93,231	1,100	37.3%	Jignesh SHIAL
Bajaj Finance	ADD	44,73,348	9,000	21.8%	Jignesh SHIAL
Maruti Suzuki	ADD	36,41,100	14,593	23.2%	Pramod AMTHE
Tata Steel	REDUCE	16,87,133	82	-40.7%	Satish KUMAR
Pidilite Industries	ADD	14,55,907	3,470	18.6%	Nishant BAGRECHA
InterGlobe Aviation	REDUCE	17,14,802	2,400	-47.1%	Rajarshi MAITRA
Cipla	ADD	12,14,728	1,640	6.6%	Praful BOHRA
Lupin	ADD	10,69,154	2,329	-2.8%	Praful BOHRA
Hero MotoCorp	ADD	8,43,344	5,810	34.8%	Pramod AMTHE
Mid-Cap Ideas					
Name	Stock Rating	Market Cap (Rs m)	Target Price	Upside/Downside	Analyst Name
Bharat Forge	ADD	6,15,195	1,622	23.3%	Pramod AMTHE
SBI Cards	REDUCE	6,53,821	500	-28.8%	Jignesh SHIAL
Container Corporation of India	ADD	4,70,583	1,083	37.1%	Rajarshi MAITRA
Petronet LNG	ADD	4,80,819	519	58.3%	Satish KUMAR
Small-Cap Ideas					
Name	Stock Rating	Market Cap (Rs m)	Target Price	Upside/Downside	Analyst Name
Aditya Birla Sunlife AMC	ADD	2,34,092	1,000	20.5%	Jignesh SHIAL
Clean Science and Technology	REDUCE	1,57,351	665	-56.1%	Satish KUMAR
Deepak Fertilisers	ADD	1,50,403	2,051	68.4%	Pratyush KAMAL
Cyient DLM	ADD	52,010	1,000	49.1%	Arafat SAIYED
Skipper Limited	ADD	57,534	615	10.0%	Arafat SAIYED
Globus Spirits Ltd	ADD	25,247	1,584	77.2%	Nitin AWASTHI
TCPL Packaging Ltd	ADD	28,393	4,250	33.2%	Nishant BAGRECHA
BCL Industries Ltd	ADD	14,604	98	94.1%	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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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.

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.

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.