

India

InCred Sector rating

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

# India Strategy

## High conviction and doubler stock ideas

- A combination of global & local factors driving the recent correction in Nifty to test our bear-case scenario, while India govt policy actions improve slightly.
- Making use of stock price dip, we introduce the largest number of ideas (5) to our high-conviction list vs. just 2 exits. Also, doubler ideas for a 3-year period.
- We continue to prefer large-caps over mid/small-cap stocks for better earnings visibility, balance sheet quality and relative valuation comfort.

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

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

- Outperformers to Nifty: Shriram Finance, TCPL Packaging, and Bajaj Finance.
- Underperformers to Nifty: Marico, Bajaj Auto, and Deepak Fertilisers.

### Addition to the list - longest list in recent months

- **ABB India (ADD)** - Leadership in automation and rising demand across data centre, transportation & electric vehicle sectors position it for strong growth.
- **Ajanta Pharma (ADD)** - Good entry point for a play on branded generics.
- **Birla Corporation (ADD)** - Concerns over incremental supply in Central India seems to be priced in at a valuation of ~US\$50/t.
- **Cummins India (ADD)** - High growth opportunities in the powergen segment, which has transitioned to new emission-compliant products.
- **Ultratech Cement (ADD)** – Concerns over diversification into cable & wire business and profitability (due to rising costs) likely priced in. The company is well-placed to benefit from cement demand/price recovery in the medium term.

### Deletion from the list:

- **Hero MotoCorp (ADD)** – Disappointment over the sudden change in top management, which may have a bearing on its performance in the short term.
- **State Bank of India (ADD)** - Profitability to moderate from pressure on net interest margin and treasury income.

**Technical trend favourable ideas** - Shriram Finance (ADD), Bajaj Finance (ADD), and ABB India (ADD).

### Doubler stock ideas over a period of three years:

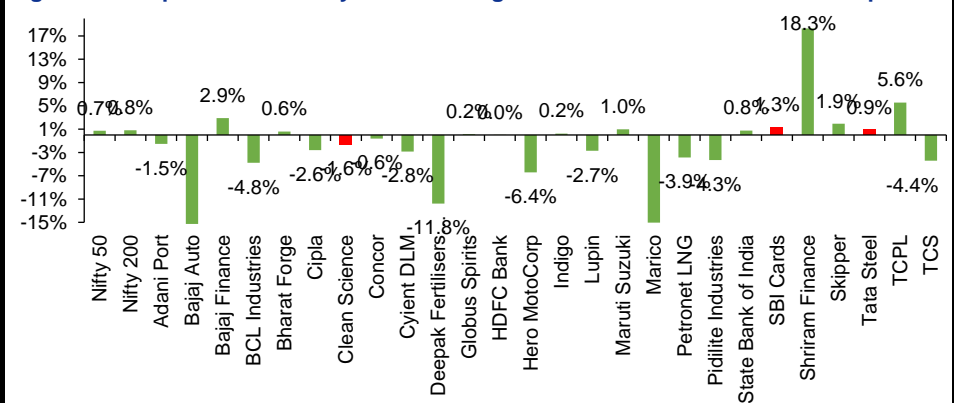
- The sharp correction in the stock market, in the backdrop of a global trade war risk and India corporate earning cuts, has been in line with our bear-case Nifty-50 target of 21,029. We feel the price correction may be close to the bottom, as the one-year forward P/E valuation eases to below the mean level. There is the risk of time correction, which is difficult to predict, as triggers awaited.
- We make use of the sharp stock price correction to introduce our three-year doubler ideas, filtered from our high-conviction list only, with superior visibility of sales/earnings growth-driven valuation momentum. They are: Adani Ports and Special Economic Zone, Ajanta Pharma, Bajaj Auto, Cummins India, Deepak Fertilisers, Ethos, Globus Spirits, Shriram Finance, and TCPL Packaging.

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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-cap category and analyst coverage details

Large-Cap Ideas	Stock Rating	Market Cap (Rs m)	Target Price	Upside/Downside	Analyst Name
HDFC Bank	ADD	1,30,16,640	2,150	26.4%	Meghna LUTHRA
TCS	ADD	1,26,40,992	3,925	12.4%	Abhishek SHINDADKAR
Bajaj Finance Ltd	ADD	53,46,432	9,750	13.0%	Bhavik Shah
Maruti Suzuki	ADD	37,04,064	14,261	21.1%	Pramod AMTHE
UltraTech Cement Ltd	ADD	29,87,712	12,900	24.8%	Nishant BAGRECHA
Adani Ports & Special Economic Zone Ltd	ADD	22,71,360	1,457	38.4%	Rajarshi MAITRA
Bajaj Auto	ADD	21,57,792	10,590	37.3%	Pramod AMTHE
Tata Steel	REDUCE	17,29,728	82	-40.8%	Satish KUMAR
Pidilite Industries Limited	ADD	13,62,816	3,470	29.4%	Rohan KALLE
InterGlobe Aviation Ltd	REDUCE	17,20,992	3,030	-32.1%	Rajarshi MAITRA
Shriram Finance Limited	ADD	11,91,265	800	26.4%	Meghna LUTHRA
Cipla Ltd	ADD	11,35,680	1,640	16.5%	Yogesh SONI
ABB India Ltd	ADD	10,74,528	7,627	49.9%	Arafat SAIYED
Mid-Cap Ideas	Stock Rating	Market Cap (Rs m)	Target Price	Upside/Downside	Analyst Name
Lupin Ltd	ADD	8,91,072	2,329	19.3%	Yogesh SONI
SBI Cards	REDUCE	7,86,240	550	-33.6%	Meghna LUTHRA
Cummins India Ltd	ADD	7,86,240	3,909	38.4%	Arafat SAIYED
Marico Ltd	ADD	7,68,768	750	26.2%	Rohan KALLE
Hero MotoCorp	ADD	7,25,088	5,525	52.2%	Pramod AMTHE
Bharat Forge	ADD	4,89,216	1,407	36.6%	Pramod AMTHE
Petronet LNG	ADD	4,19,328	519	85.1%	Pratyush KAMAL
Container Corp of India Ltd	ADD	3,84,384	1,133	80.2%	Rajarshi MAITRA
Small-Cap Ideas	Stock Rating	Market Cap (Rs m)	Target Price	Upside/Downside	Analyst Name
Ajanta Pharma Ltd	ADD	3,05,760	3,220	31.8%	Yogesh SONI
Clean Science and Technology	REDUCE	1,22,304	683	-40.3%	Satish KUMAR
Deepak Fertilisers & Petrochemicals Corp. Ltd.	ADD	1,13,568	2,051	121.1%	Pratyush KAMAL
Birla Corporation Ltd	ADD	69,888	1,455	55.8%	Nishant BAGRECHA
Ethos Limited	ADD	61,152	3,400	33.2%	Rohan KALLE
Cyient DLM Ltd	ADD	34,944	818	108.2%	Arafat SAIYED
Skipper Limited	ADD	43,680	695	85.5%	Arafat SAIYED
TCPL Packaging Ltd	ADD	34,944	4,380	7.3%	Nishant BAGRECHA
Globus Spirits Ltd	ADD	26,208	1,584	79.2%	Nitin AWASTHI

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Doublers stocks for next 3-year time frame

Co Name	Adani Ports	Ajanta Pharma	Bajaj Auto	Cummins	Deepak Fertilisers	Ethos	Globus Spirits	Shriram Finance	TCPL Packaging
<b>2-year EPS CAGR (FY25F-FY27F)</b>	27%	17%	15%	16%	31%	35%	76%	21%	19%
<b>Business drivers</b>	Steady port volume growth of ~8% p.a.	Branded generics play - steady compounding story.	The structural EV shift turning in favour of incumbents like Bajaj Auto to address white spaces like scooters & E-rickshaw with a minimal impact on EBITDA.	New emission norms of CPCB IV+ transition handled well, better placed to gain market share.	Plans to increase technical ammonium nitrate capacity to 1mtpa by FY26F. It is best placed to benefit from rising prices. Favourable demand from coal production process and reduced Russia dumping risks.	Resilient demand from customers at the luxury end. Further expansion across formats, including new additions in the lifestyle segment.	Expansion in IMFL & IMIL segments, with raw material cost reduction from abnormal levels to drive earnings growth.	Beneficiary of used vehicles, where cost arbitrage from new emission norm vehicles is good. Aid from MSMEs the diversification.	Benefits from continued momentum in exports (36% of sales) and a gradual domestic recovery. Improving utilization level of subsidiary COPPL (better realization vs core folding cartons) should drive the EBITDA margin expansion.
<b>Retracement from historic high</b>	-32%	-27%	-42%	-31%	-29%	-26%	-50%	-12%	Close to historical high.
<b>Target valuation and justification</b>	14x one-year forward EV/EBITDA, in line with the recent five-year mean level,	35x one-year forward EPS at +1SD above the 10-year mean level.	25x one-year forward EPS at +1SD above the 10-year mean level.	40x one-year forward EPS at +1SD above the 10-year mean level.	14.8x FY27F EPS at a 10-year mean level.	55x one-year forward EPS.	20x one-year forward EPS, above the 5-year mean level.	2.4x one-year forward BV at +1SD above the five-year mean level.	30x one-year forward EPS for strong EPS growth.

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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- 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.*

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- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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