

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 Nov 2024

- Festive season demand revival in select segments is encouraging & eases concerns in respect of high-frequency indicators' weakness in Sep quarter.
- The Sep quarter results season, till date, has been muted (EBITDA dip of 2% yoy), driving Nifty-50 EPS cut of around 8% for FY25F-26F.
- We feel the correction will continue in the short term. In our high-conviction list, we drop Dabur India, MMFSL, PGEL & Zydus Life; introduce Cipla (ADD), Pidilite Industries (ADD) in large-caps and TCPL (ADD) in small-caps.

Weak Sep quarter results, but encouraging festive season trend

- The Sep 2024 quarter results season has been weak till date. The 272 companies that declared results out of the Nifty-500 indicate sales growth easing to 7.5% yoy and a dip of 2.4% yoy in EBITDA and 4.4% in PAT. Excluding the BFSI sector, the performance was much weaker with a dip of 19% yoy in EBITDA and 19% yoy in PAT. High EBITDA growth sectors in 2QFY25 have been consumer durables, capital goods, agri and retailing. Big EBITDA-decline sectors are oil & gas and metals.
- High-frequency data points, which have been weakening till Sep 2024, have marginally improved in the festive season period, as seen in e-commerce sales, and sales of two-wheelers, cars and gold ornaments. We need to see sustenance of this momentum beyond the festive season, especially in the context of tightened lending norms in the case of credit cards, personal loans and microfinance or MFI.
- Considering the big ask rate in 2H to meet the mid-teen Bloomberg consensus EPS growth estimate for Nifty-50 companies, we see an 8% downgrade in FY25F-26F estimates in the results season for Nifty-50 and 2% for Nifty-200 companies.
- We had cut our Nifty-50 target in Oct 2024 by 3% to 25,978 due to weakness in high-frequency indicators and EPS. We expect the market correction phase to sustain in the short term. We prefer large-caps with better earnings growth visibility and valuation comfort over mid-caps and small-caps.

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:** Skipper (ADD), ABSL AMC (ADD), and Bharat Forge (ADD).
- **Underperformers to Nifty:** Tata Consultancy Services (ADD), Hero MotoCorp (ADD) and Exide Industries (REDUCE).
- **Addition to the list:** Cipla (ADD) as the approval for its Goa plant to drive strong US business growth; Pidilite Industries (ADD) for rural recovery and benign raw material cost benefits; and TCPL Packaging (ADD) as its new South India plant to drive volume.
- **Deletion from the list:** Dabur India (ADD) for intense competition and the channel inventory correction phase; Mahindra & Mahindra Financial Services or MMFSL (ADD) for slowdown in vehicle demand; PG Electroplast or PGEL (REDUCE) for improved industry demand tailwind and better execution; Zydus Lifesciences (ADD) for intense competition faced by two of its major products viz. gAsacol HD and Mirabegron.

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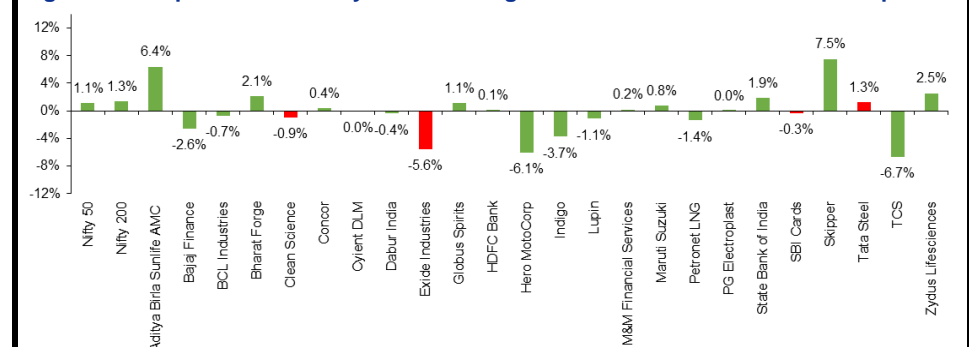
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Figure 1: Compounded monthly returns of high-conviction stock ideas since Sep 2022



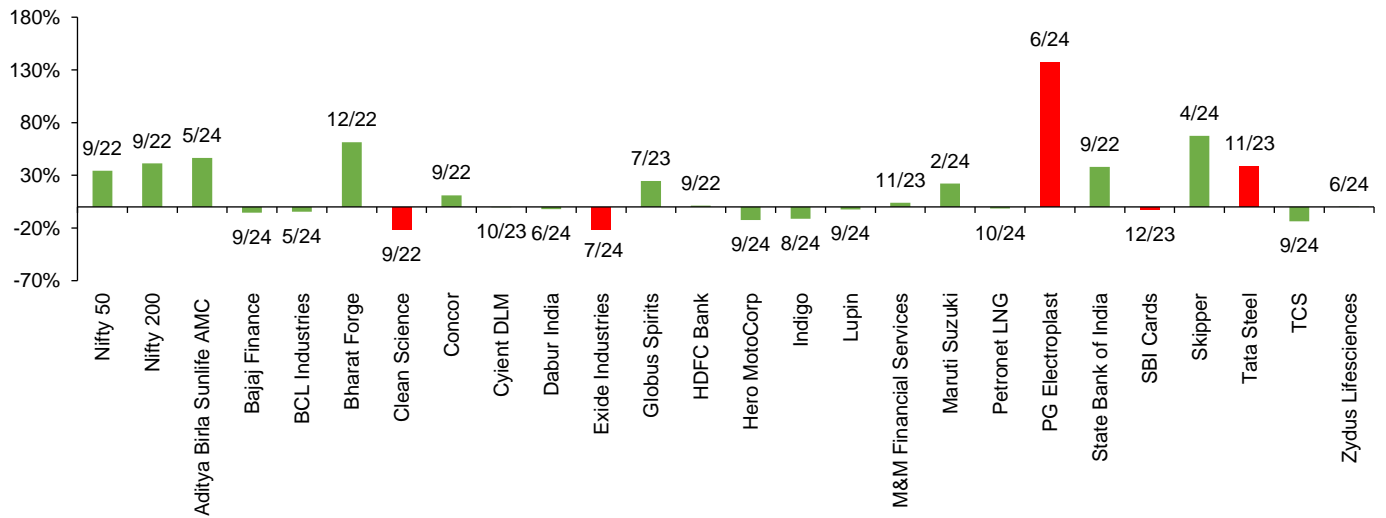
SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

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

Large-Cap Ideas						
Name	Stock Rating	Market Cap (Rs m)	Target Price	Upside/Downside	Analyst Name	
HDFC Bank	ADD	15,107,246	2,150	25.4%	Jignesh SHIAL	
Tata Consultancy Services	ADD	16,565,687	4,915	24.0%	Abhishek SHINDADKAR	
State Bank of India	ADD	8,554,007	1,100	32.6%	Jignesh SHIAL	
Bajaj Finance	ADD	4,892,821	9,000	31.5%	Jignesh SHIAL	
Maruti Suzuki	ADD	4,013,516	14,593	32.0%	Pramod AMTHE	
Tata Steel	REDUCE	2,118,868	82	-44.2%	Satish KUMAR	
Pidilite Industries	ADD	1,833,156	3,470	11.2%	Rohan KALLE	
InterGlobe Aviation	REDUCE	1,768,108	2,400	-39.4%	Rajarshi MAITRA	
Cipla	ADD	1,478,066	1,640	3.5%	Praful BOHRA	
Lupin	ADD	1,153,048	2,329	6.4%	Praful BOHRA	
Hero MotoCorp	ADD	1,110,083	5,812	20.9%	Pramod AMTHE	
Mid-Cap Ideas						
Name	Stock Rating	Market Cap (Rs m)	Target Price	Upside/Downside	Analyst Name	
Bharat Forge	ADD	765,168	1,831	28.7%	Pramod AMTHE	
SBI Cards	REDUCE	756,436	500	-27.4%	Jignesh SHIAL	
Container Corporation of India	ADD	589,904	1,083	29.2%	Rajarshi MAITRA	
Petronet LNG	ADD	577,180	519	55.7%	Satish KUMAR	
Exide Industries	REDUCE	436,926	412	-7.4%	Pramod AMTHE	
Aditya Birla Sunlife AMC	ADD	262,942	1,000	26.7%	Jignesh SHIAL	
Clean Science and Technology	REDUCE	184,421	665	-55.7%	Satish KUMAR	
Small-Cap Ideas						
Name	Stock Rating	Market Cap (Rs m)	Target Price	Upside/Downside	Analyst Name	
Cyient DLM	ADD	57,977	1,000	58.0%	Arafat SAIYED	
Skipper	ADD	69,706	615	15.0%	Arafat SAIYED	
Globus Spirits	ADD	34,741	1,588	52.4%	Nitin AWASTHI	
TCPL Packaging	ADD	33,958	4,250	31.5%	Nishant BAGRECHA	
BCL Industries	ADD	19,054	98	75.7%	Nitin AWASTHI	

SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 3: 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.