

India

InCred Sector rating

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

India Strategy

High volatility prevails from policy uncertainty

- Recent GoI and RBI policies are aimed at improving GDP growth momentum, while tensions from global trade and geopolitics limit the short-term benefits.
- Despite a seasonally strong quarter, 4Q earnings consensus EPS growth expectations are just 8% yoy. No respite seen in EPS downgrade trend yet.
- The quick index bounce-back from Mar 2025 lows brings mid-/small-caps to premium valuations again. Maintain cautious stance with a downward bias.

GoI and RBI efforts focus on reviving GDP growth momentum

Despite a seasonally strong March quarter, a mixed trend in macro variables sustained as improvement in rural demand, electricity demand & easing inflation was overshadowed by slow automobile & housing sales, easing Index of Industrial Production (IIP) growth, and weakness in credit disbursal as well as government capex. In this context, Government of India or GoI's initiative to cut income-tax rates and Reserve Bank of India's efforts to improve liquidity and take two successive repo rate cuts in the last three months, are targeted to revive the growth momentum. Rising trade protectionism, currency war threat, geopolitical tensions with a neighbour, and volatile oil prices may exert downward pressure.

No respite on EPS reduction trend as slow growth prevails in 4Q

For the Mar 2025 quarter, Bloomberg consensus estimates expect Nifty-50 companies' EPS to grow by around 8% yoy and 2% qoq. Sector-wise, higher double-digit PAT growth is expected in telecom, materials, healthcare and utility sectors. The laggard sectors are likely to be consumer discretionary, energy and information technology (IT). With headwinds for two large sectors, viz. IT and banking, the EPS cut trend sustained with Nifty-50 Bloomberg consensus FY26F EPS recording around 2% cut.

Cautious stance with downward bias will remain in coming months

The 10% spike in Nifty-50 index since Mar 2025 lows is impressive as global trade tensions eased a bit, the domestic currency stabilized and FII buying resumed. The Nifty-50 forward P/E trading below the 10-year mean level provides comfort. We roll forward our Nifty-50 target to FY27F EPS and raise the bull-case probability to 25% to reflect the benefit of better-than-expected rainfall and easing crude oil prices, leading to a 4% upgrade in our blended target to 24,280. After adding mid-caps in a big way in our Mar 2025 high-conviction list, we turn cautious now, as a quick jump in mid-cap & small-cap indices leading to their premium valuation (20-35%) to Nifty-50 is a cause of concern. With policy uncertainty likely to persist in the coming months, volatility in equity markets will remain at an elevated level.

Selective upgrades continue because of valuation comfort

We upgrade the construction sector to a Neutral rating as it has sharply underperformed in FY25 and valuation comfort has improved while the earnings trigger is awaited. We upgraded Axis Bank, Dilip Buildcon, and Sonata Software to an ADD rating; NCC, IRB Infrastructure, and KNR Constructions to HOLD, while we downgraded Wipro and HCL Technologies recently.

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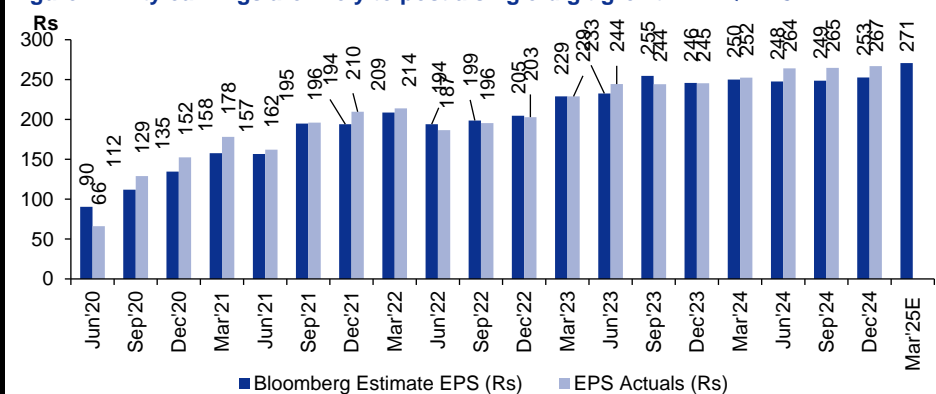
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Figure 1: Nifty earnings are likely to post a single-digit growth in 4QFY25F



SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our high-conviction stock ideas

Company	BLOOMBERG TICKER	Reco.	Market Cap.	Market Cap.	CMP	Target Price	Up/down	EPS		2-yr EPS CAGR (FY24A- FY26F)	P/E (x)		P/BV (x)		EV/ EBITDA (x)	Dividend Yield (%)	ROE %
			(Rsbn)	(US\$bn)	(Rs)	(Rs)	(%)	FY25F	FY26F		FY25F	FY26F	FY25F	FY26F			
Adani Ports & Special Economic Zone	ADSEZ IN	ADD	2,617	31.3	1,239	1,457	18%	45.9	59.6	22.5%	26.2	20.8	4.3	3.7	16.8	0.5%	21.1
Ajanta Pharma	AJP IN	ADD	328	3.9	2,689	3,220	20%	72.7	87.4	17.1%	37.0	30.8	9.7	8.5	26.4	1.9%	26.1
Axis Bank	AXSB IN	ADD	3,655	43.8	1,207	1,285	6%	41.9	42.8	3.1%	28.8	28.2	4.2	3.7	4.2	0.2%	15.7
Bajaj Auto	BJAUT IN	ADD	2,256	27.0	8,262	10,590	28%	303.9	362.8	16.4%	27.2	22.8	8.3	7.4	20.1	2.4%	32.2
Bajaj Finance	BAF IN	ADD	5,664	67.8	9,323	9,750	5%	271.7	361.4	24.4%	34.3	25.8	6.4	5.3	6.4	0.5%	20.1
Birla Corporation	BCORP IN	ADD	83	1.0	1,103	1,455	32%	22.0	47.3	-6.1%	50.2	23.3	1.2	1.2	10.7	0.4%	2.5
Cipla	CIPLA IN	ADD	1,211	14.5	1,534	1,640	7%	61.7	66.4	11.9%	24.9	23.1	4.0	3.4	16.1	0.4%	17.2
Clean Science and Technology	CLEAN IN	REDUCE	126	1.5	1,217	683	-44%	24.3	27.1	8.6%	50.1	44.9	8.9	7.4	32.2	0.0%	19.4
Container Corp. of India	CCRI IN	ADD	425	5.1	713	1,133	59%	22.1	28.0	16.8%	32.3	25.4	3.3	3.0	19.1	0.0%	10.8
Cummins India	KKC IN	ADD	804	9.6	2,966	3,909	32%	72.1	82.9	18.2%	41.1	35.8	10.8	8.7	37.0	0.6%	29.0
Deepak Fertilisers & Petrochemicals Corp.	DFPC IN	ADD	158	1.9	1,283	2,051	60%	80.2	92.6	59.9%	16.0	13.9	2.6	2.3	10.3	0.0%	17.5
Ethos	ETHOSLTD IN	ADD	65	0.8	2,719	3,400	25%	37.4	49.4	20.5%	72.6	55.1	6.8	6.1	32.8	0.0%	13.4
Globus Spirits	GBSL IN	ADD	31	0.4	1,084	1,584	46%	44.6	105.6	77.5%	24.3	10.3	2.8	2.2	12.5	0.2%	12.4
HDFC Bank	HDFCB IN	ADD	14,394	172.3	1,924	2,200	14%	88.0	94.1	8.4%	21.9	20.5	2.9	2.6	2.9	1.1%	14.3
InterGlobe Aviation	INDIGO IN	REDUCE	2,100	25.1	5,559	3,030	-45%	121.1	83.0	-30.7%	35.9	67.0	27.1	19.3	15.5	0.0%	100.0
Lupin	LPC IN	ADD	933	11.2	2,090	2,329	11%	73.2	87.3	56.1%	28.5	23.9	5.5	4.6	17.9	0.4%	21.1
Marico	MRCO IN	ADD	908	10.9	717	750	5%	12.0	13.5	14.2%	59.9	53.0	18.5	16.3	42.3	1.0%	34.9
Maruti Suzuki	MSIL IN	ADD	3,660	43.8	11,907	14,261	20%	482.4	543.3	13.5%	26.1	21.9	3.5	3.2	16.2	1.3%	16.0
Petronet LNG	PLNG IN	ADD	463	5.5	315	519	64%	28.8	40.5	36.6%	11.0	7.8	2.6	2.1	8.1	3.5%	24.1
Pidilite Industries	PIDI IN	ADD	1,525	18.3	3,067	3,470	13%	42.3	50.6	20.2%	72.5	60.6	16.1	13.9	48.4	0.6%	23.8
SBI Cards	SBICARD IN	REDUCE	852	10.2	916	550	-40%	20.1	25.0	-0.7%	45.6	36.7	6.4	5.5	6.4	0.3%	14.8
Skipper	SKIPPER IN	ADD	52	0.6	457	695	52%	15.5	19.2	57.1%	29.5	23.9	4.6	3.8	11.6	0.1%	16.7
Shriram Finance	SHFL IN	ADD	1,294	15.5	704	800	14%	214.7	263.0	17.2%	3.3	2.7	0.5	0.4	0.5	2.1%	15.2
Tata Steel	TATA IN	REDUCE	1,723	20.6	141	82	-42%	5.4	5.4	-0.7%	26.0	26.1	1.5	1.5	9.2	1.4%	6.1
TCPL Packaging	TCPL IN	ADD	35	0.4	3,983	4,380	10%	139.3	160.2	19.9%	28.6	24.9	5.8	4.9	14.3	0.7%	22.0
Tata Consultancy Services	TCS IN	ADD	12,073	144.6	3,413	3,589	5%	134.2	142.0	5.1%	25.4	24.0	13.2	12.5	17.7	3.9%	52.7
UltraTech Cement	UTCEM IN	ADD	3,443	41.2	11,949	12,900	8%	213.7	292.6	9.1%	55.9	40.8	5.3	4.9	28.4	0.4%	9.9
UPL	UPLL IN	ADD	499	6.0	680	1,289	90%	22.3	41.5	NA	41.8	16.4	1.6	1.5	9.3	0.6%	6.8

SOURCE: INCRED RESEARCH, COMPANY REPORTS

High volatility prevails from policy uncertainty

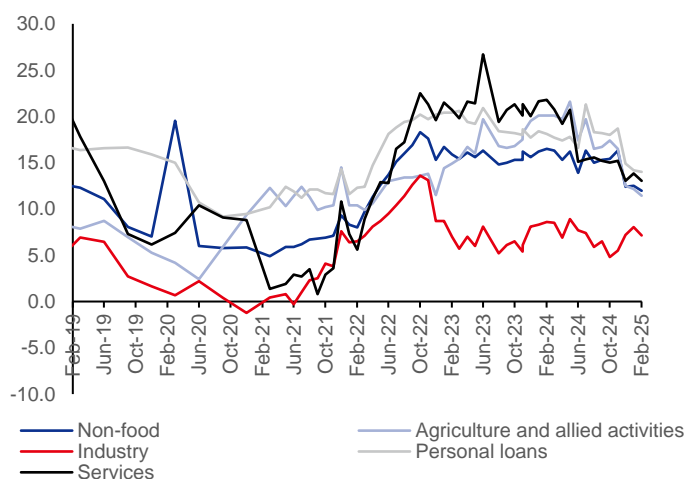
Economy section

Nascent macro recovery may be at risk from external shocks ➤

The high-frequency data improvement seen till Feb 2025 seems to be easing, especially in housing sales, automobile sales, government capex and credit growth. The longer-than-expected continuation of peak interest rates seems to be impacting gross domestic product or GDP growth. With a change in RBI governor, the focus seems to be on growth now vs. inflation control in CY24. Improving system liquidity, coupled with a repo rate cut, should help ease interest rates. Similarly, all hopes lie on lower income-tax benefits leading to a revival in consumer spending in the coming months.

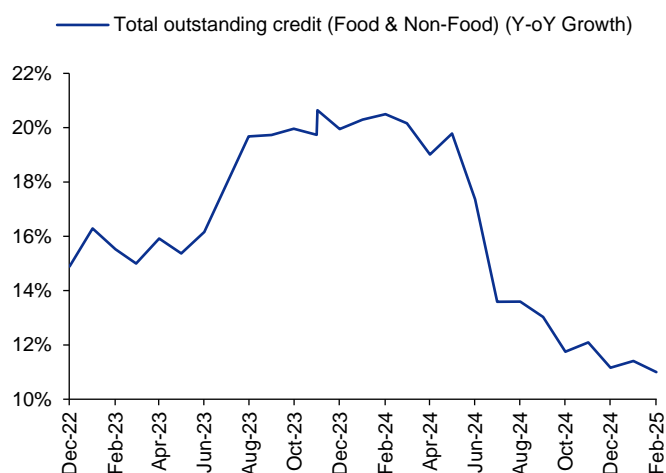
However, external shocks like trade barriers or geopolitical tensions, may derail/delay the recovery. If the Indian rupee or INR depreciates by 5% over the baseline, inflation could rise by around 35bp while GDP growth could benefit by around 25 bp through the trade channel in the short term. Similarly, trade barriers can impact world trade by 100bp and impact India's exports and GDP growth.

Figure 3: Loan growth eases across sectors but improves for Industry



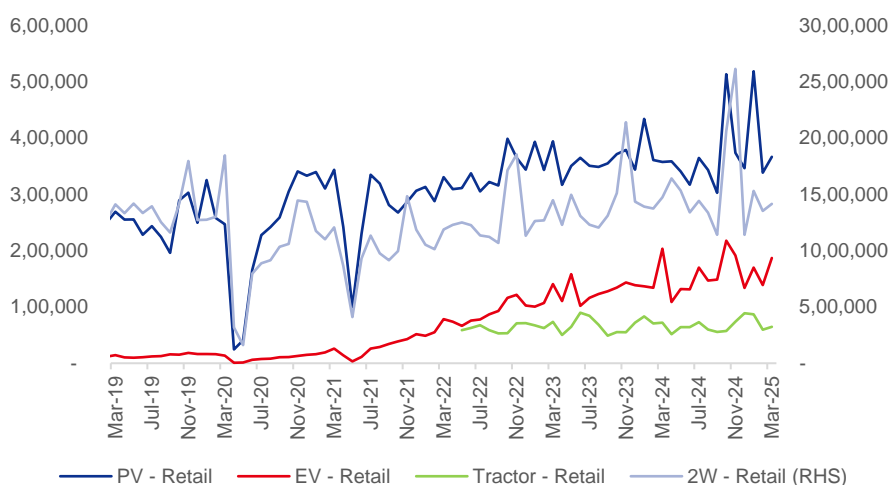
SOURCE: RBI, INCRED RESEARCH

Figure 4: Non-food credit growth continues to ease



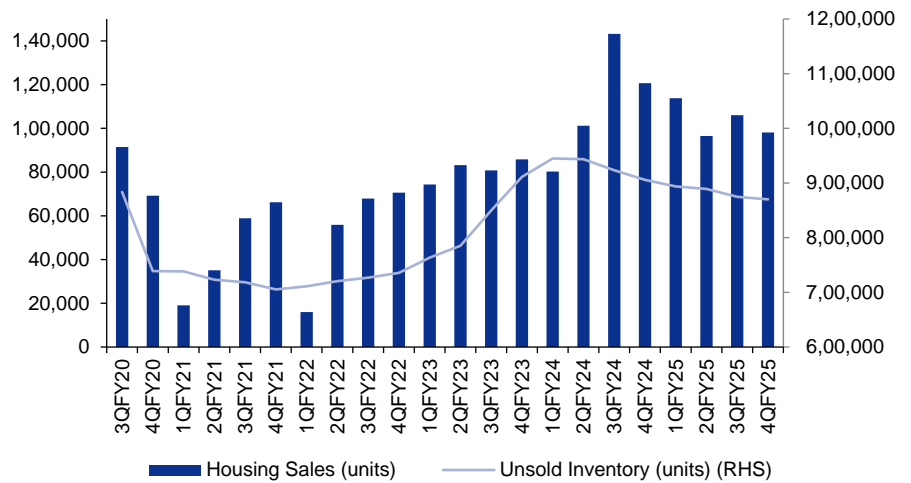
SOURCE: RBI, INCRED RESEARCH

Figure 5: Automobile sector's monthly retail volume trend remains weak



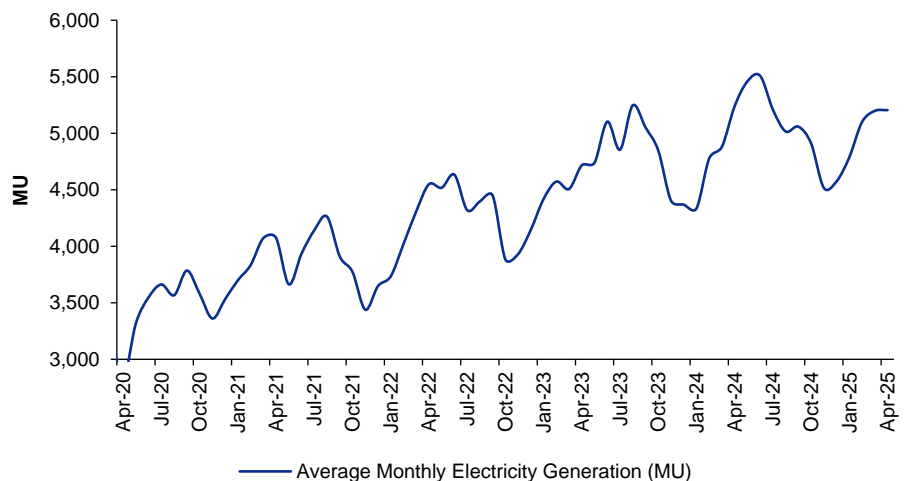
SOURCE: VAHAN.COM, INCRED RESEARCH, COMPANY REPORTS

Figure 6: Housing sales (units) continue to dip yoy, but unsold inventory under control



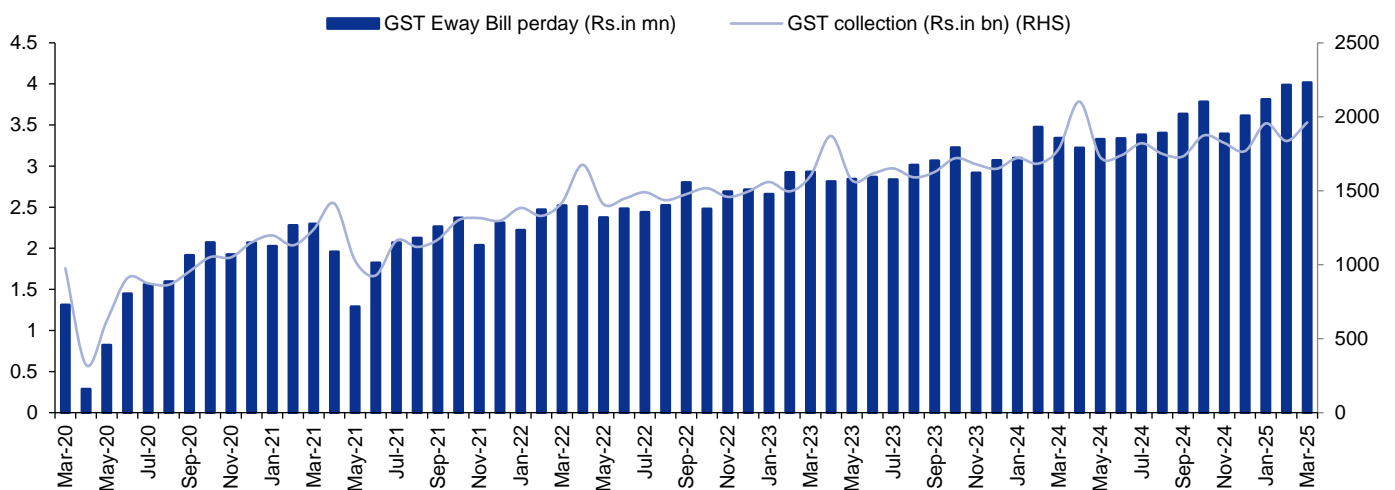
SOURCE: PROPTIGER, INCRED RESEARCH

Figure 7: Electricity generation improves from its recent lows



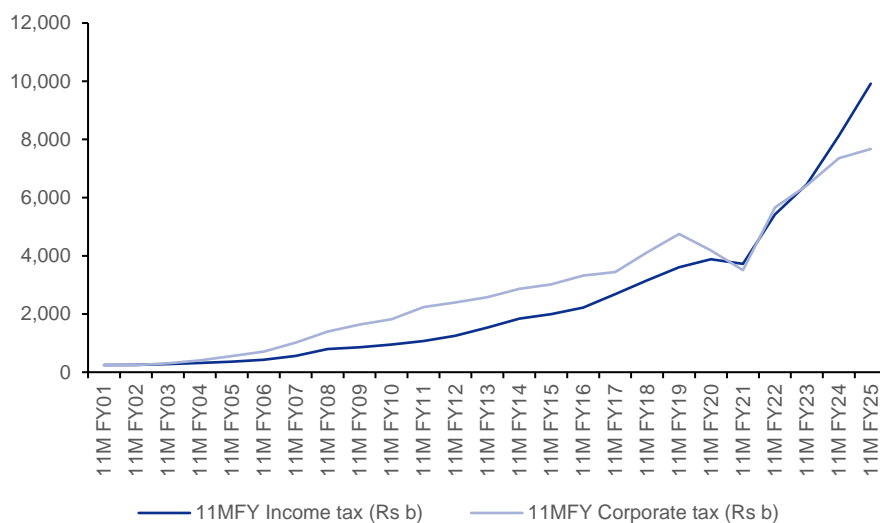
SOURCE: POWER SYSTEM OPERATION CORPORATION, INCRED RESEARCH

Figure 8: Growth in GST collections and E-way bills eases



NOTE: GST IS GOODS AND SERVICES TAX
SOURCE: GST COUNCIL, GOODS AND SERVICES TAX NETWORK (GSTN), INCRED RESEARCH

Figure 9: Income-tax collection is impressive, but corporate tax mop-up disappoints (Rs m)



SOURCE: THE CENTRE FOR MONITORING INDIAN ECONOMY (CMIE), INCRED RESEARCH

The Central government managed to keep its finances under control during FY25. The Centre's gross fiscal deficit (GFD) amounted to Rs13.5tr during Apr-Feb 2024-25. This was 85.8% of the GFD of Rs15.7tr for the fiscal year, as per revised estimate.

The Centre's capital expenditure is likely to fall short of its revised estimate for FY25. Government capex increased by a mere 0.8% yoy during Apr-Feb 2024-25. This was way below the 10.2% growth pegged for FY25, as per the revised estimate. Capex amounted to Rs8.2tr during the first 11 months of 2024-25 against the revised estimate of Rs10.1tr for the full fiscal.

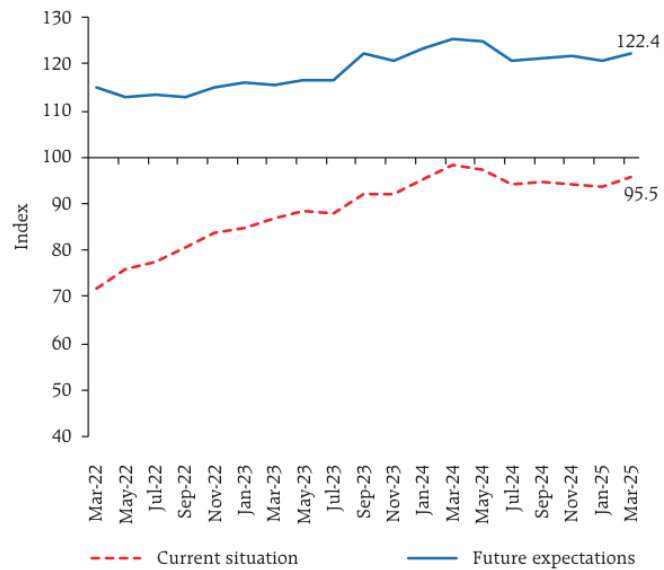
Consumer sentiment on a gradual uptick ➤

Consumer confidence (the current situation index) improved from the pessimistic territory in Mar 2025 vis-à-vis the previous round, driven by improved sentiment across all survey parameters. Consumers' optimism for the year ahead, as measured by the future expectations index, strengthened further and maintained its resilience in the optimistic territory.

The Reserve Bank of India or RBI's industrial outlook survey results reveal that business optimism in the manufacturing sector in 1QFY26F moderated marginally, which is partly seasonal. Services and infrastructure companies, on the other hand, remained optimistic about the overall business situation.

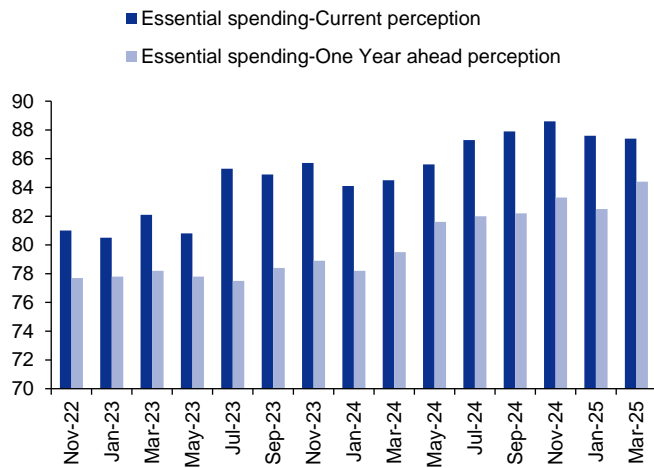
Global crude oil prices have displayed a declining trend, with Brent crude oil prices falling from a high of US\$82/bbl in early Oct 2024 to an average of US\$73/bbl in Mar 2025. Weak global demand conditions, sustained supply increase from OPEC+ and non-OPEC countries and orderly resolution of geopolitical conflicts will have a potential dampening impact on crude oil prices. In this scenario, if crude oil prices drop by 10% relative to the baseline, and in case of its full pass-through to domestic product prices, inflation could be lower by around 30bp with a boost of 15bp to India's real GDP growth.

Figure 10: Consumer sentiment trend



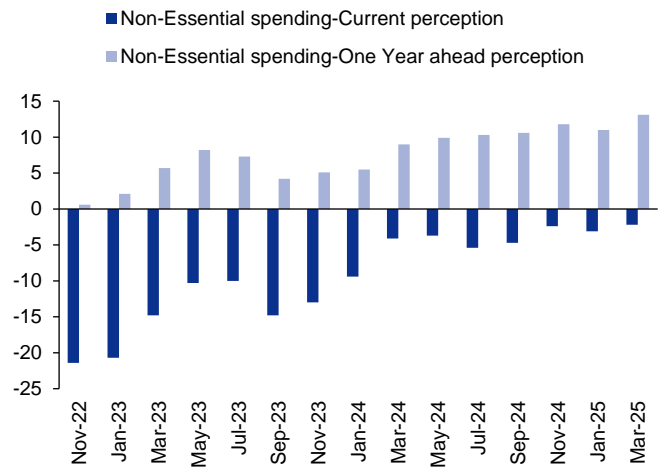
SOURCE: RESERVE BANK OF INDIA (RBI), INCRED RESEARCH

Figure 11: Consumer perception on essential spending for the current year and a year forward



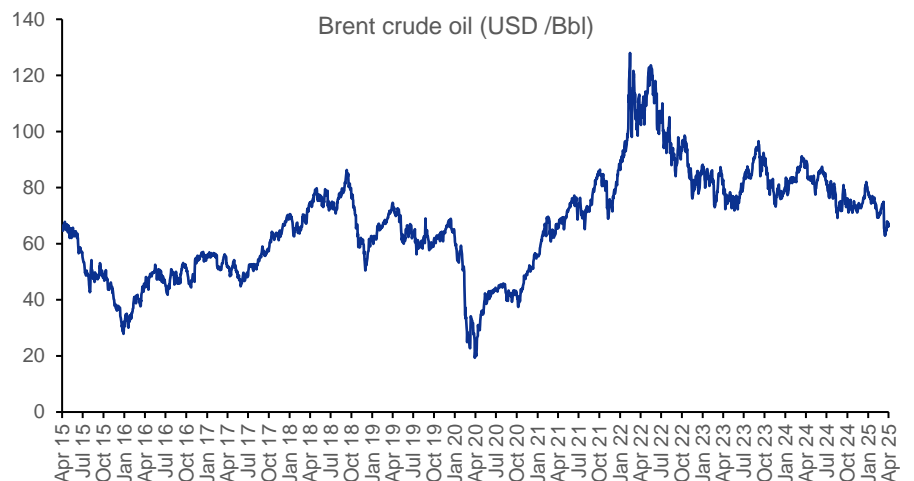
SOURCE: CMIE, INCRED RESEARCH, RBI.

Figure 12: Consumer perception on non-essential spending for the current year and a year forward shows improvement



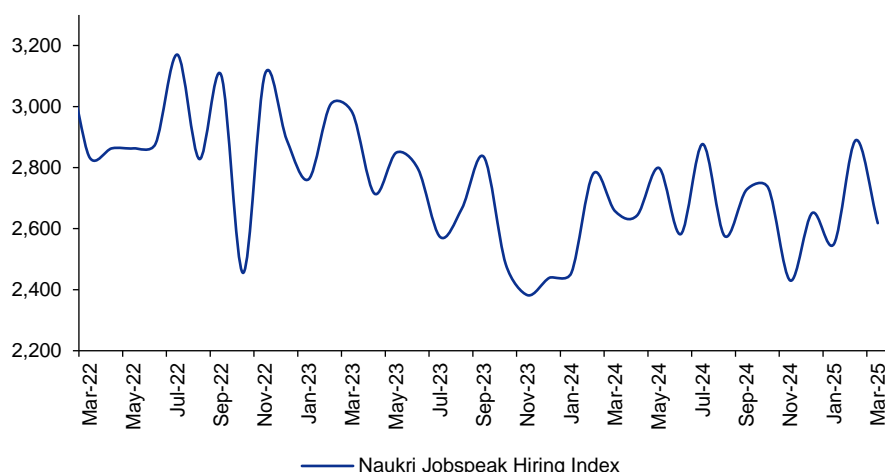
SOURCE: CMIE, INCRED RESEARCH, RBI.

Figure 13: Global crude oil prices declined recently (US\$/bbl)



SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 14: Naukri Jobspeak hiring Index eases



SOURCE: INCRED RESEARCH, NAUKRI JOBSPEAK REPORT

GDP growth estimate cuts prolong ➤

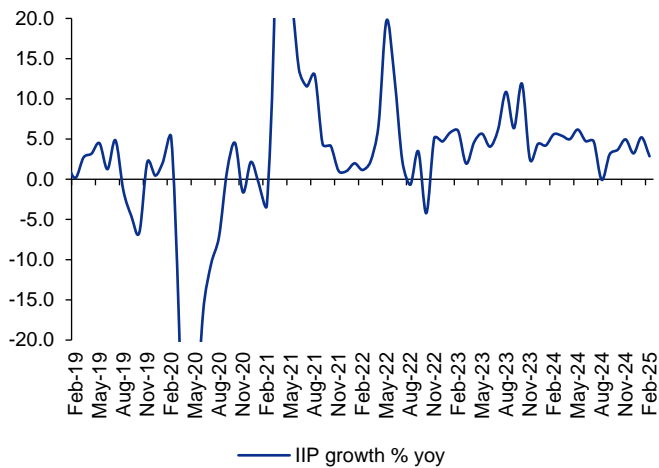
Domestic economic activity picked up in 2HFY25, after slackening in 2Q. Private consumption remained robust, driven by strong rural demand and improving urban demand, and government final consumption expenditure picked up in 2H. Investment activity moderated vis-a-vis the highs of the previous years. Net external demand remained buoyant, supported by resilient services exports. On the supply side, while the agriculture sector posted strong growth and the services sector remained resilient, industrial growth was muted because of deceleration in manufacturing activity.

The imposition of reciprocal tariffs by US President Donald Trump and the resultant trade war between the US and China led to fears of a global economic slowdown. On 16 Apr 2025, the US imposed a super-high tariff of 245% on imports from China. China had earlier countered it with a 125% tariff on imports from the US with effect from 12 Apr 2025. President Trump paused the reciprocal tariffs on individual countries, except for China, for 90 days, beginning 9 Apr 2025. But this could only be a temporary reprieve. The developments are still unfolding and, hence, it is difficult to gauge the full impact of the recent developments.

Against this background, the Monetary Policy Committee of the Reserve Bank of India (RBI) and some international agencies have started downward revisions of their growth projections for India.

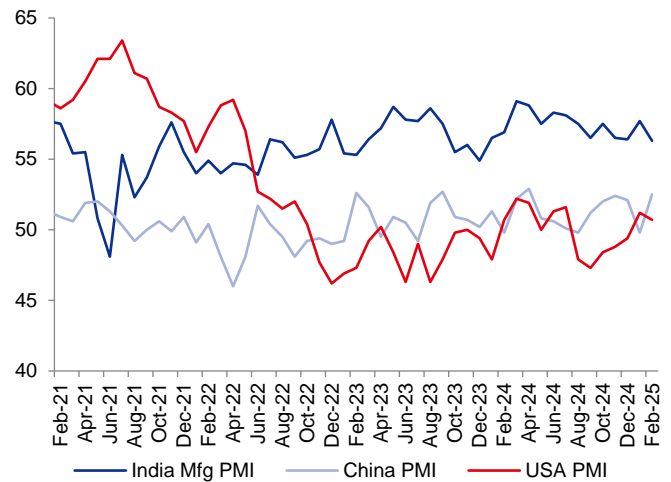
At its meeting which concluded on 9 Apr 2025, the Monetary Policy Committee (MPC) of the RBI reduced its GDP growth projection for FY26F by 20bp to 6.5%. It attributed this 20bp reduction to the impact of global trade and policy uncertainties. It is of the view that these uncertainties would dampen growth by affecting investment and spending decision of businesses and households. The expected slowdown in global growth would impede domestic growth. Higher tariffs would have a negative impact on net exports. Most economists have downgraded India's GDP growth rate to near 6-6.5% level for FY26F.

Figure 15: India's Index of Industrial Production growth stable



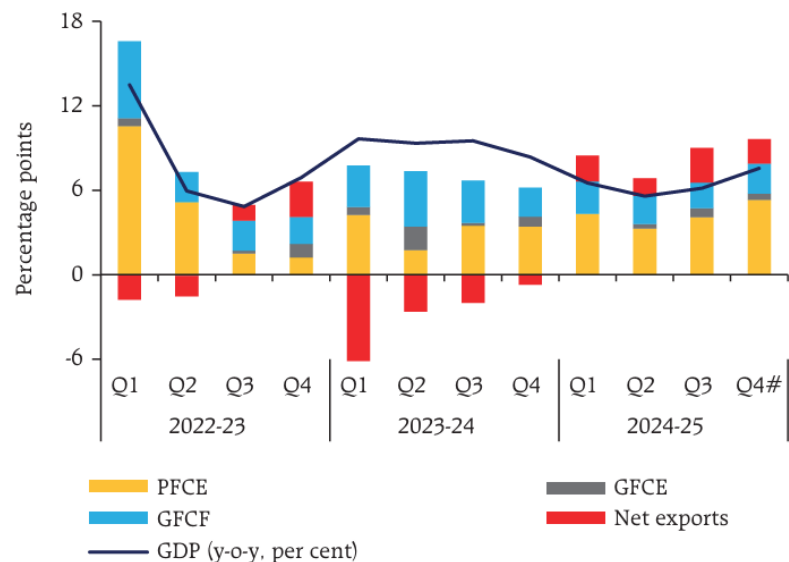
SOURCE: NATIONAL STATISTICS OFFICE (NSO), INDEX OF INDUSTRIAL PRODUCTION (IIP), INCRED RESEARCH,

Figure 16: Manufacturing Purchasing Managers' Index or PMI of India, China and the US improves



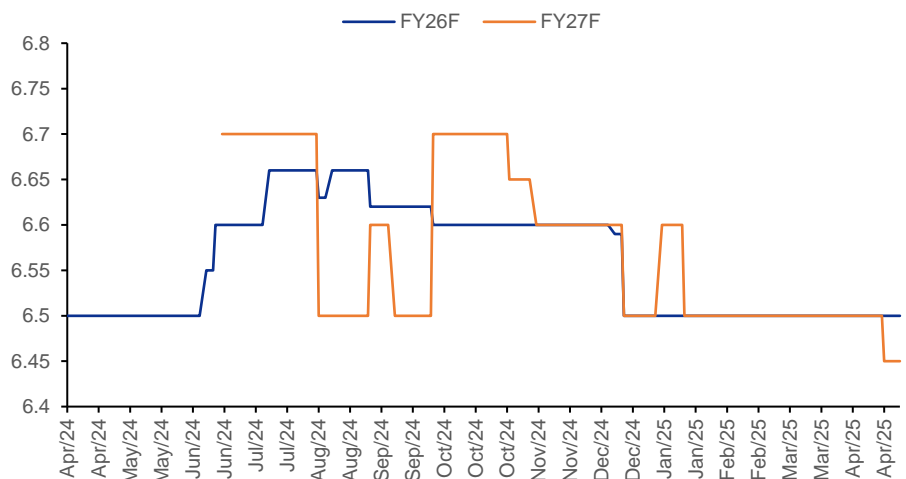
SOURCE: IHS MARKIT, PURCHASING MANAGERS' INDEX (PMI), INCRED RESEARCH

Figure 17: Weighted contribution of the components to GDP growth



IMPLICIT; SAAR – SEASONALLY ADJUSTED ANNUALISED RATE.
SOURCE: NSO, RBI, INCRED RESEARCH

Figure 18: India GDP growth - marginal cut in Bloomberg consensus estimate



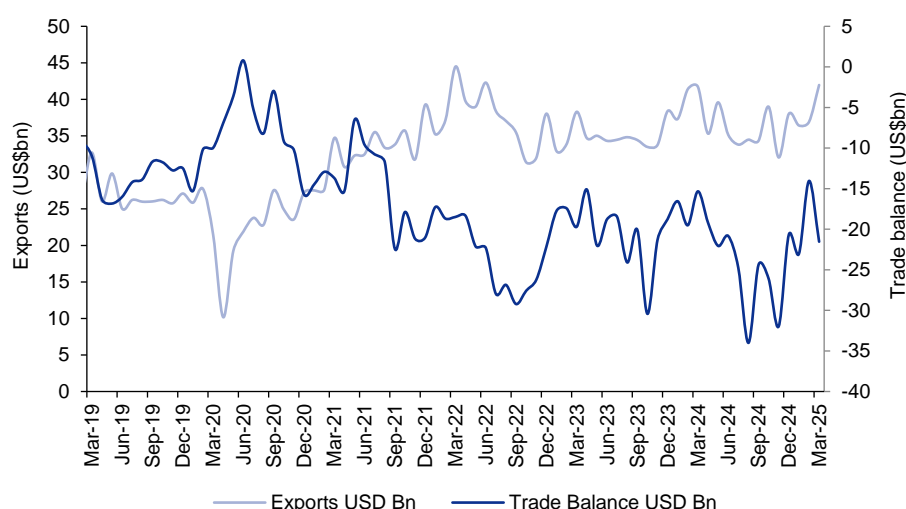
SOURCE: BLOOMBERG, INCRED RESEARCH

INR stabilizes despite recent global trade challenges ➤

The Indian rupee (INR) depreciated vis-à-vis the US dollar during Oct 2024-Mar 2025, primarily reflecting the uncertainties due to disruption in global trade, strengthening of the US dollar and capital outflows reflecting 'flight to safety'. Going ahead, restrictive monetary policy by the US Federal Reserve than what has been currently factored in by the financial markets, could further lower the attractiveness of emerging market assets. Rising trade protectionism, currency war threat, and higher international crude oil prices are also some of the factors that may exert downward pressure on the INR. In this scenario, if INR depreciates by 5% over the baseline, inflation could rise by around 35bp while GDP growth could benefit by around 25bp through the trade channel in the short term.

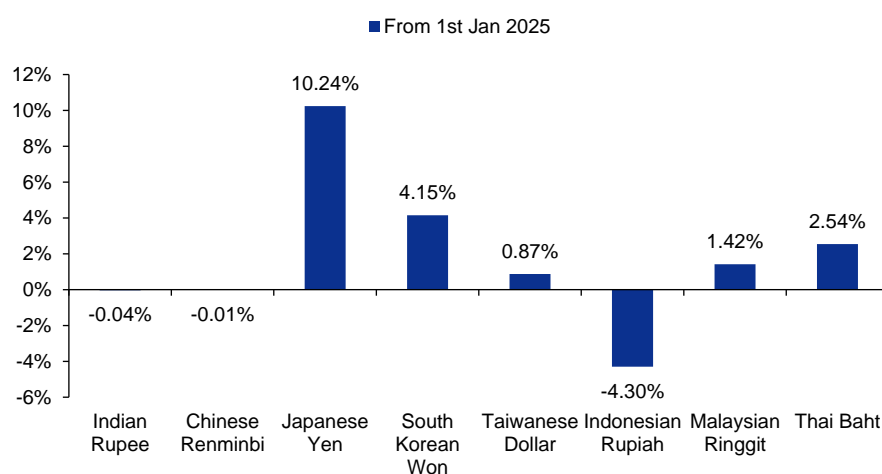
Merchandise trade deficit rose to US\$21.5bn in Mar 2025. It had eased to a 42-month low of US\$14.1bn in Feb 2025. In Mar 2025, merchandise exports grew by 0.7% yoy to US\$42bn. Imports grew at a faster rate of 11.4% to US\$63.5bn, leading to a high trade deficit.

Figure 19: India's trade deficit trend



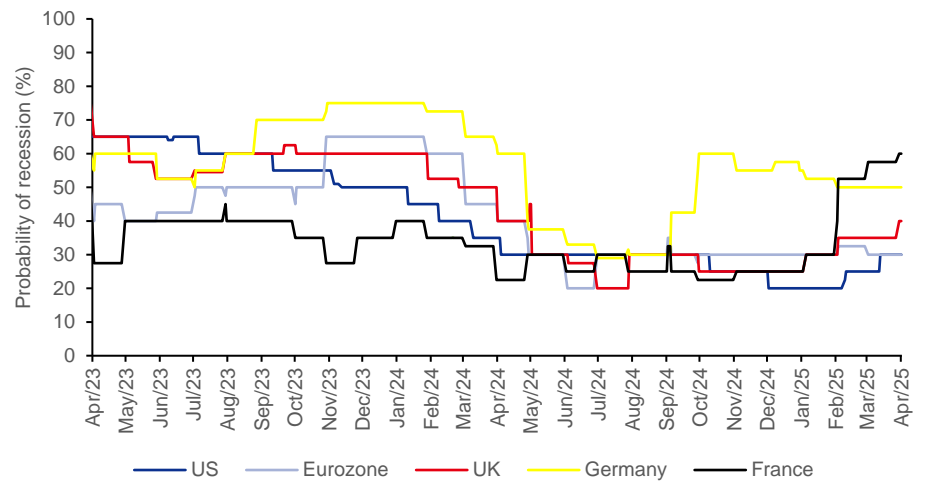
SOURCE: MINISTRY OF COMMERCE AND INDUSTRY, INCRED RESEARCH

Figure 20: USD-INR's performance against Asian peers



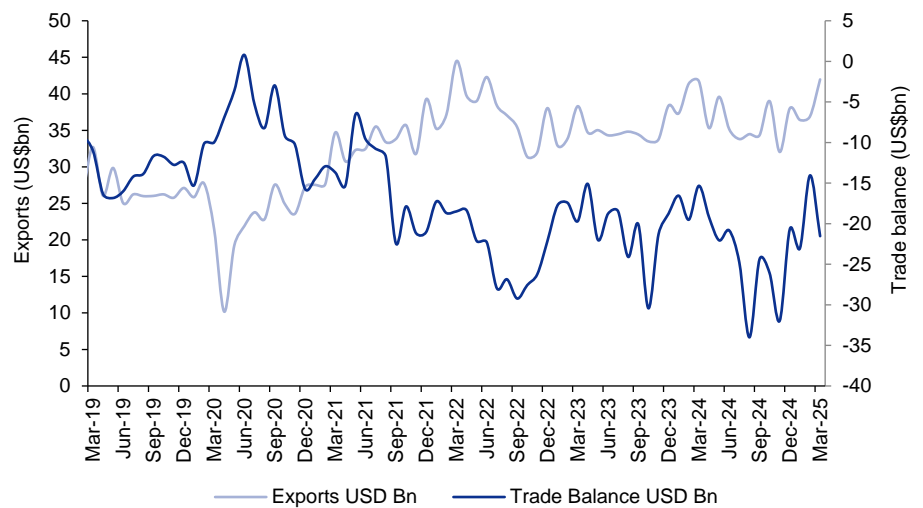
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 21: Recession probability (%) in developed countries on the rise since Feb 2025



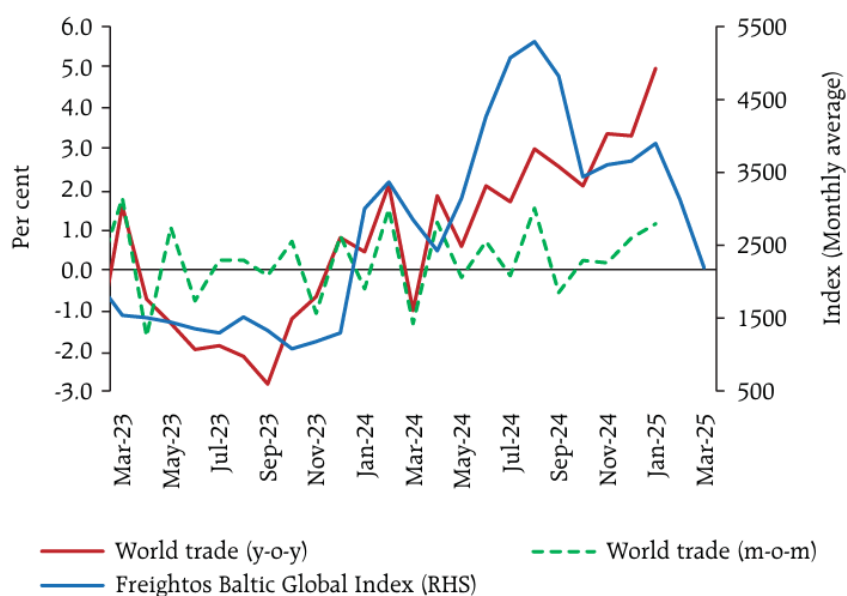
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 22: India's trade deficit eases from its recent peak



SOURCE: RBI, ACE EQUITY, INCRED RESEARCH

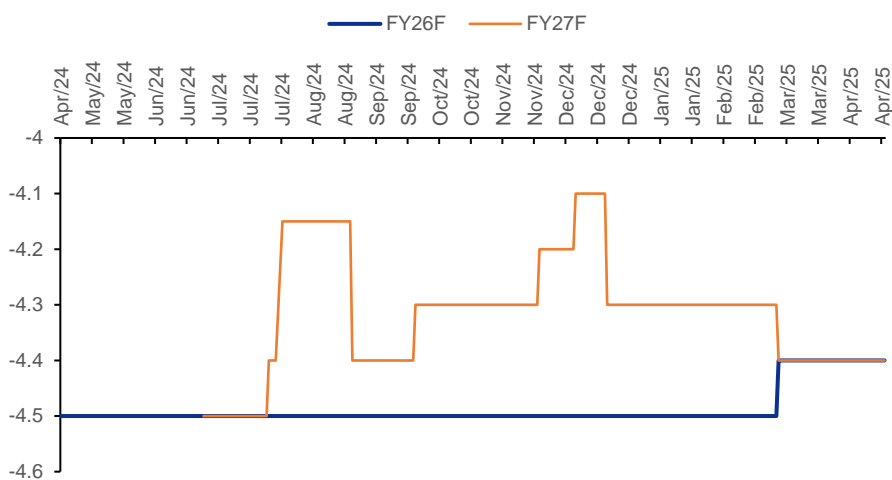
Figure 23: World trade volume and Baltic Global Index trend



SOURCE: RBI, CPB NETHERLANDS; REFINITIV EIKON; INCRED RESEARCH

Advanced economies (AE) in world trade growth increased significantly. The Freightos Baltic Global Index - the global ocean freight container pricing index that measures 40-foot container prices – contracted sharply by 23.1% yoy in Mar 2025, driven by slowdown in demand from China and an increase in vessel capacity amidst new alliances in the shipping industry. The latest World Trade Organization or WTO's Goods Trade Barometer (Mar 2025) indicates that global merchandise trade volume expanded at a steady pace through 4Q:2024 and is poised to continue growing in the first few months of 2025. According to the IMF's WEO update of Jan 2025, global trade volume is expected to grow by 3.2% in CY25F and 3.3% in CY26F. Nevertheless, the recent wave of tariffs announced by the US and varied trade responses of countries will shape the evolving global trade dynamics going ahead. The initial estimates of WTO indicate that global merchandise trade volume would contract by ~1% in CY25F.

Figure 24: India's fiscal deficit is expected to ease, as per Bloomberg consensus estimates



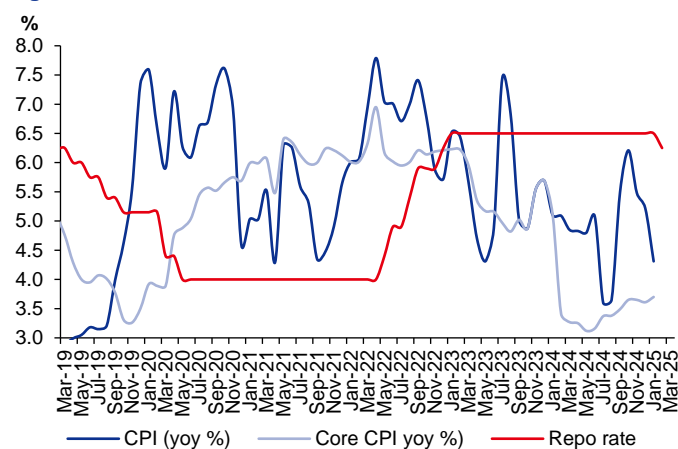
SOURCE: BLOOMBERG, INCRED RESEARCH

Inflation's volatile journey prevails ➤

Retail inflation, as measured by the Consumer Price Index (CPI) fell to a five-and-a-half-year low of 3.34% in Mar 2025. Surprisingly, inflation in urban India rose to 3.43%, while in rural India it fell to 3.25%, the lowest since Feb 2021. March was the second month in a row that inflation remained below the government's target of 4%. It was the low inflation in food that brought down headline inflation. However, core inflation continued to rise gradually. Core inflation excludes the volatile groups of food and fuel, leading to its marginal rise to 4.1% in Mar 2025.

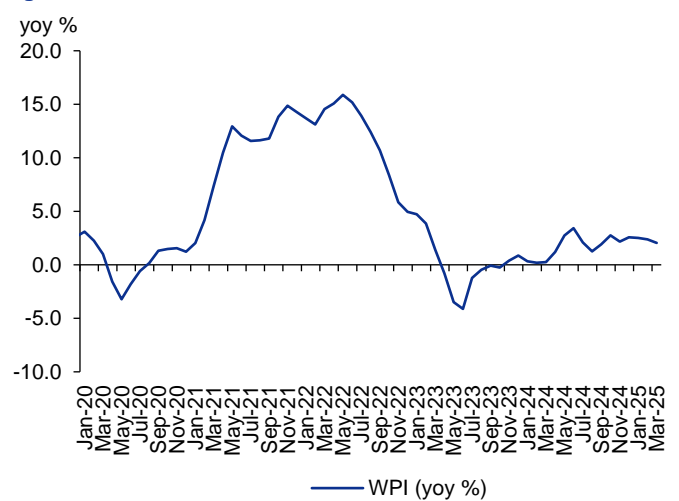
The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) cut the policy repo rate by 25bp to 6% on 6 Apr 2025. The MPC commenced its rate cut journey from the last policy meeting on 7 Feb 2025, when the repo rate was cut by 25bp from its peak of 6.5%. The transmission from the repo rate cut has been gradual due to the tight liquidity situation. With liquidity in the banking system improving, which was brought about by the RBI in recent weeks, its transmission in the form of lending rate cuts has started to reflect in recent days.

Figure 25: Core Consumer Price Index or CPI inflation trend



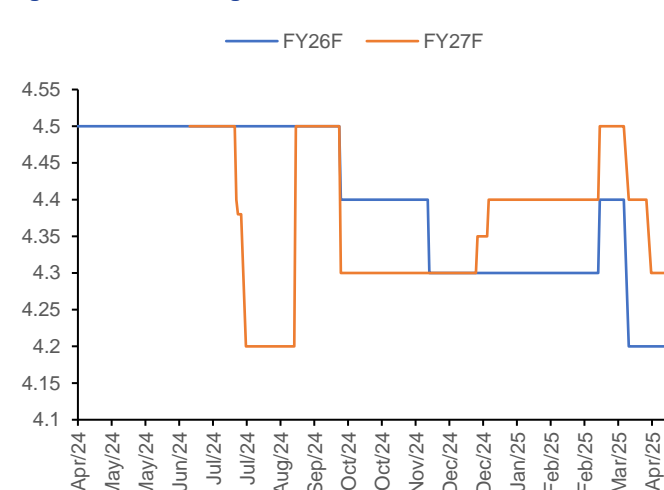
NOTE: CPI IS CONSUMER PRICE INDEX
SOURCE: RBI, CENTRAL STATISTICS OFFICE, INCRED RESEARCH

Figure 26: Wholesale Price Index or WPI inflation stabilizes



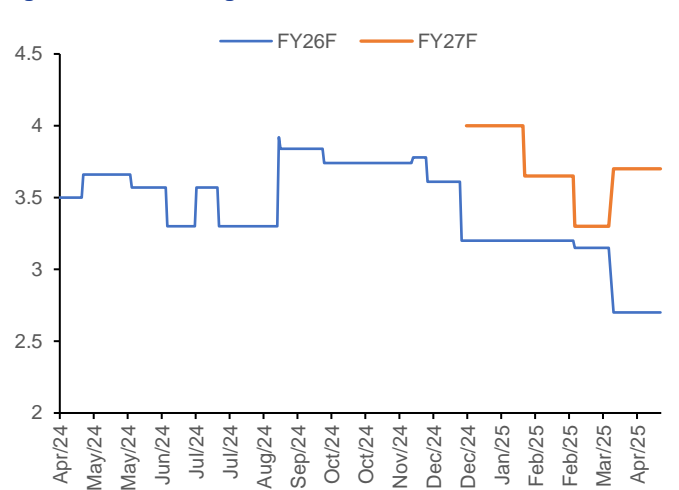
NOTE: WPI IS WHOLESALE PRICE INDEX
SOURCE: RBI, INCRED RESEARCH

Figure 27: Bloomberg CPI inflation consensus estimate



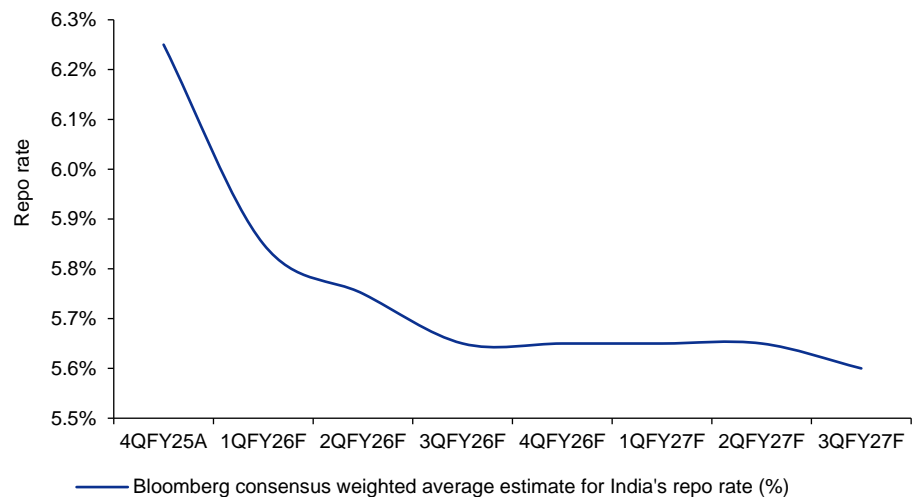
NOTE: CPI IS CONSUMER PRICE INDEX
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 28: Bloomberg WPI inflation consensus estimate



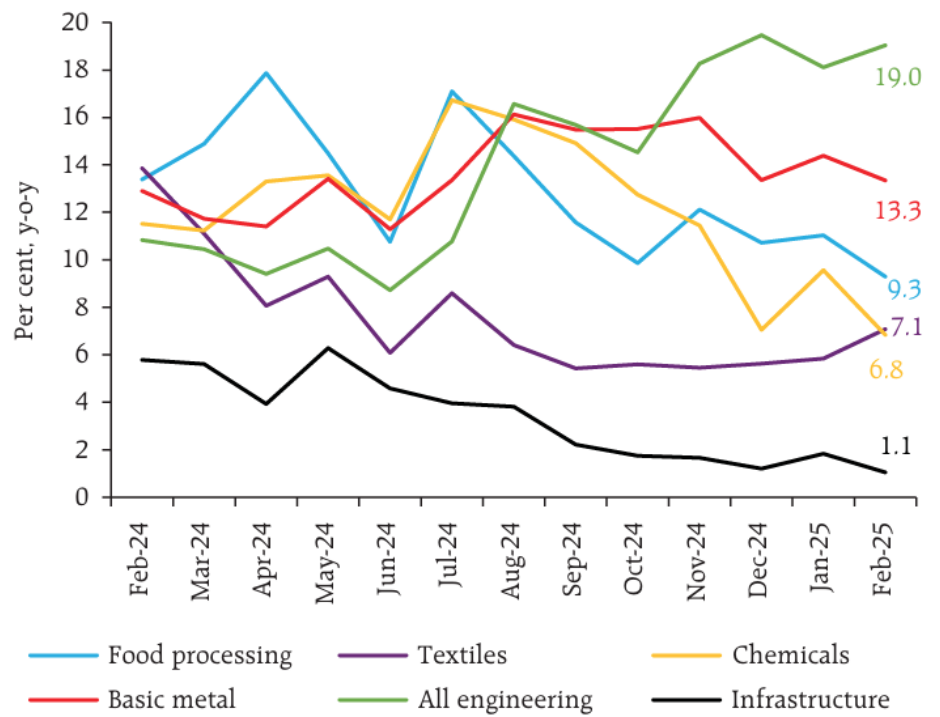
NOTE: WPI IS WHOLESALE PRICE INDEX
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 29: India's repo rate - Bloomberg consensus expects it to decline in CY25F



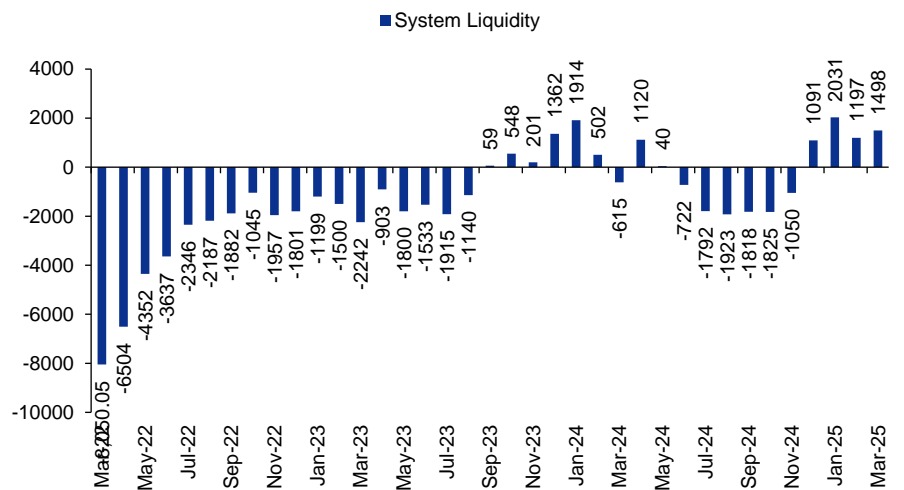
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 30: Credit growth in major sub-sectors of industry – improves only in engineering and textile sectors



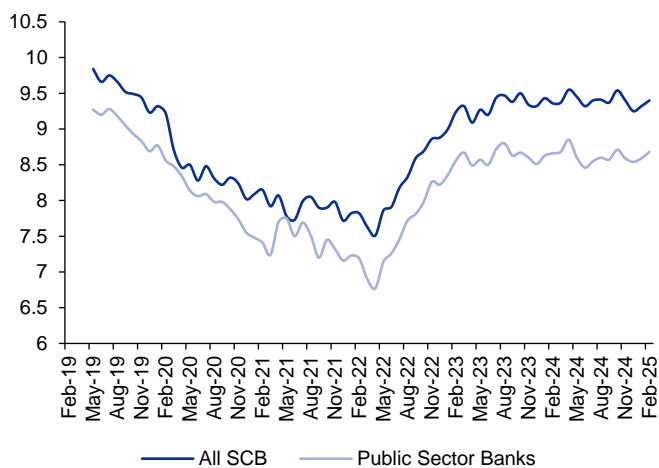
SOURCE: RBI, INCRED RESEARCH

Figure 31: System liquidity improves in recent months



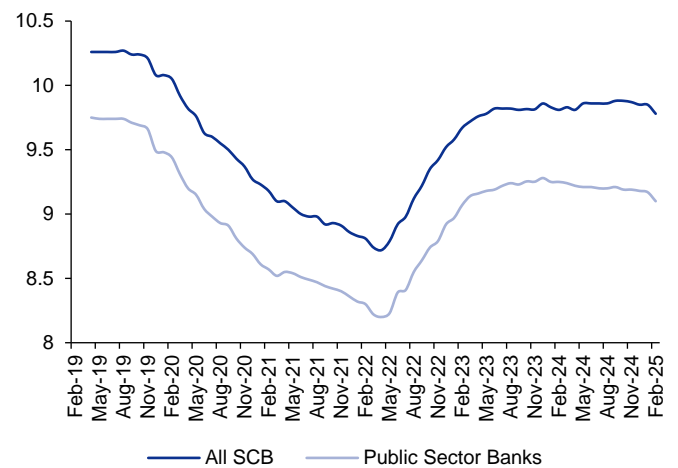
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 32: Weighted average lending rate (fresh INR loans)



SOURCE: RBI, INCRED RESEARCH

Figure 33: Weighted average lending rate (outstanding INR loans) starts to ease from its peak



SOURCE: RBI, INCRED RESEARCH

Our high-conviction stocks' performance and recent changes

The recent performance of our high-conviction stocks, since the start of the series in Sep 2022, is given below:

• **Big outperformers to Nifty:** Birla Corporation (ADD), UltraTech Cement (ADD), and Cummins India (ADD).

• **Underperformers to Nifty:** Bajaj Auto (ADD), Deepak Fertilisers and Petrochemicals (ADD), and Tata Consultancy Services (ADD).

• **Recent month's performance - big absolute returns:** Lupin (ADD) and Bajaj Finance (ADD).

• Addition to the list:

Axis Bank (ADD) – Will be a key beneficiary of the Reserve Bank of India's efforts to improve system liquidity and credit growth.

UPL (ADD) – Beneficiary of the global agrochemicals sector showing signs of a recovery, with the industry moving past the destocking phase and entering the restocking period.

• Deletion from the list:

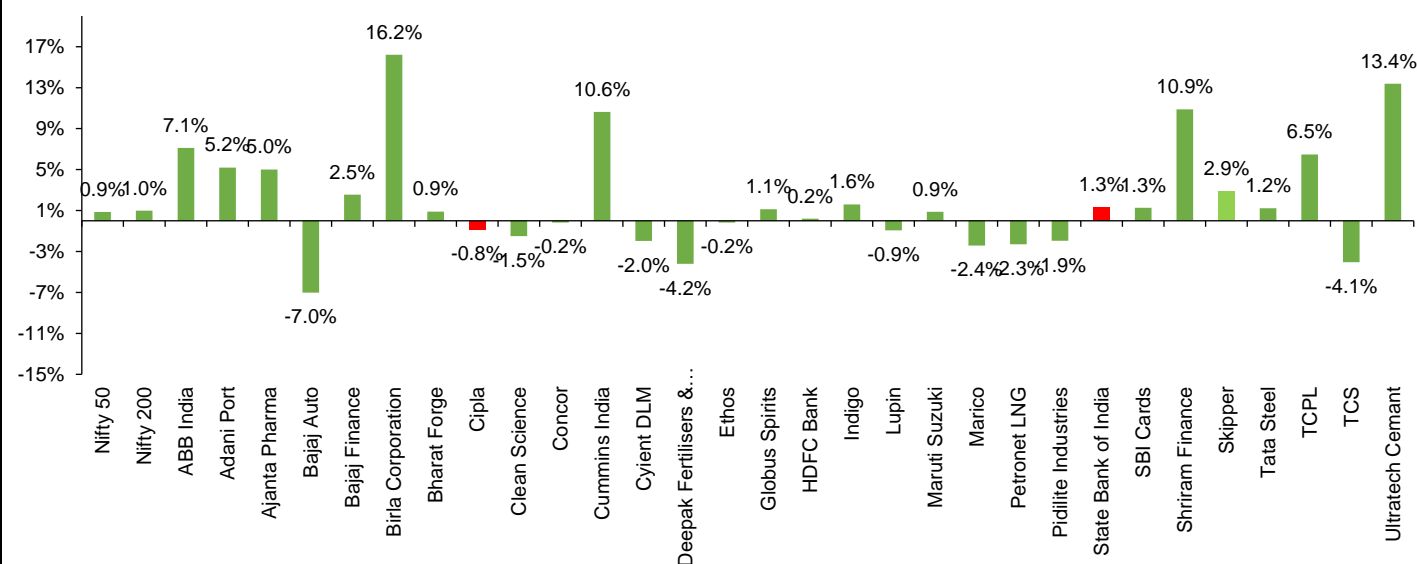
ABB India (ADD) – Slow execution and order book challenges are areas of concern.

Bharat Forge (ADD) – Tariff wars impacting US economic activity, as the company derives 25% of its consolidated revenue from the US & 75% from other global markets.

Cyient DLM (ADD) - Lower order inflow & EBITDA margin may prevail in the global gross domestic product growth outlook weakening from tariff wars.

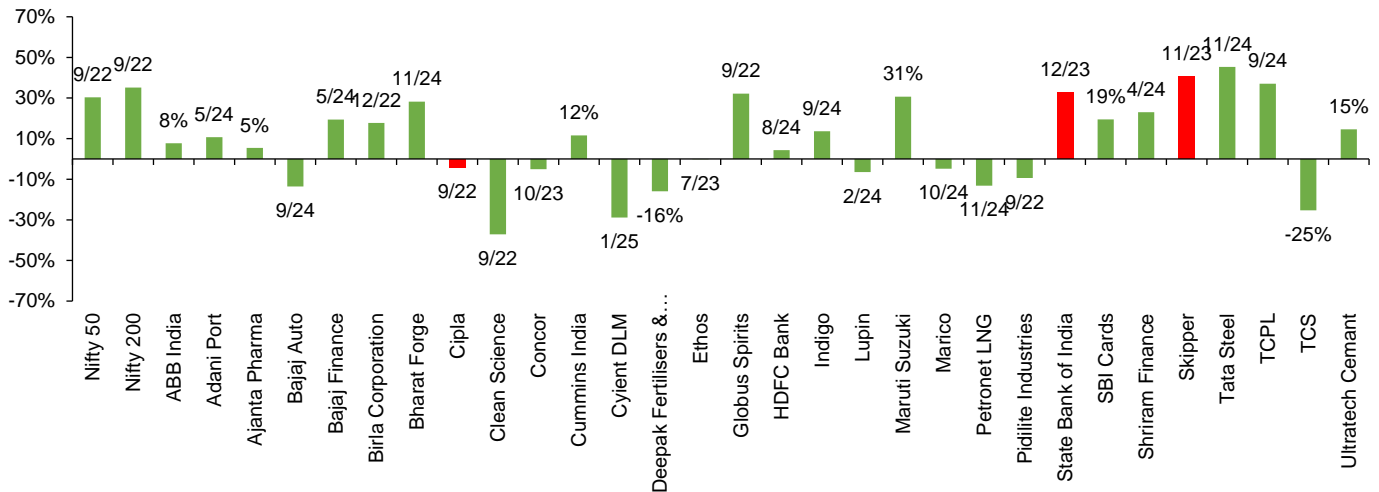
• **Technical trend favourable ideas:** Bajaj Finance (ADD), Marico (ADD), and Shriram Finance (ADD).

Figure 34: Our high-conviction stocks' price performance since their introduction on 10 Sep 2022



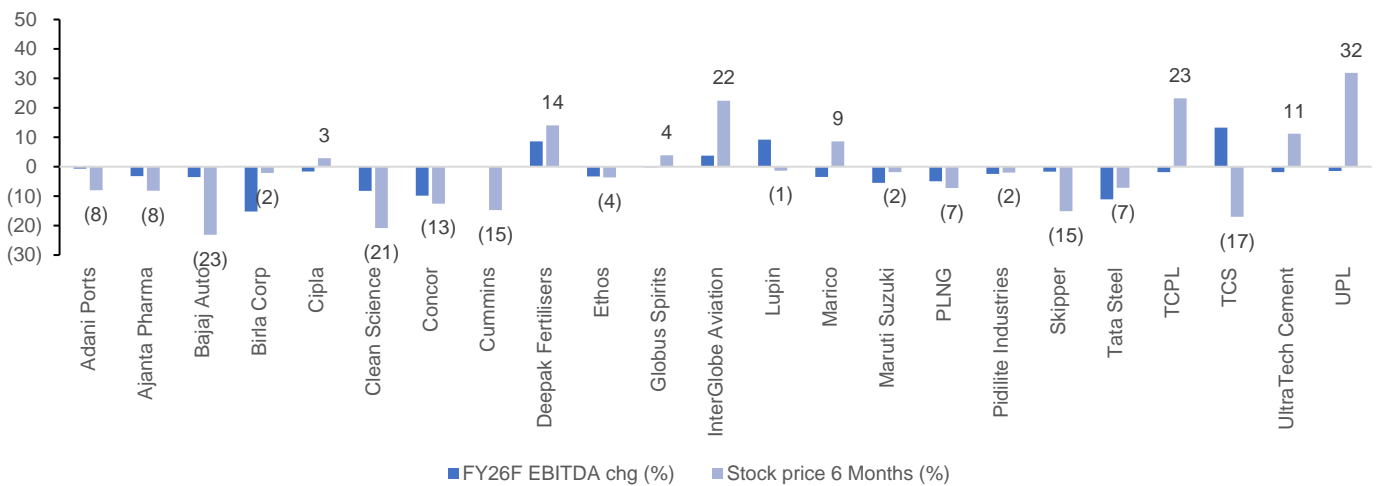
NOTE: PERFORMANCE IS BASED ON COMPOUNDED MONTHLY GROWTH RATE, FROM THE DAY THE STOCK WAS ADDED TO THE PORTFOLIO
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 35: High-conviction stocks' price absolute performance since their introduction on 10 Sep 2022



NOTE: (INTRODUCTION MONTH MARKED ON BAR OF THE STOCK)
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 36: Last six months' EBITDA consensus change for FY26F vs. six months' stock price performance



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Earnings outlook

Single-digit EPS growth prevails in seasonally strong 4Q

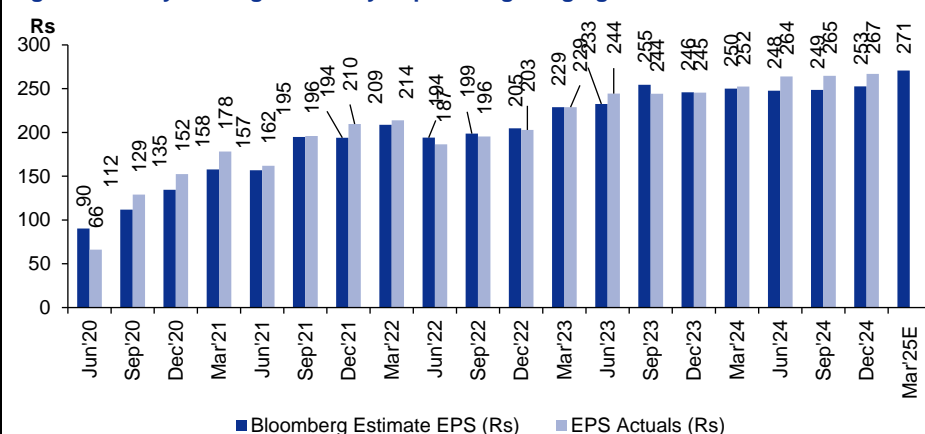
For the Mar 2025 quarter, Bloomberg consensus estimates expect Nifty-50 companies' EPS to grow by around 8% yoy and 2% qoq. In terms of sectors, higher double-digit PAT growth is expected in telecom, materials, healthcare and utility sectors. The laggard sectors are likely to be consumer discretionary, energy and IT.

The seasonally strong March quarter also fails to impress on sales momentum, as urban demand recovery has been gradual, while rural momentum sustains. Raw material cost pressure to dent the EBITDA margin by 40bp yoy. Double-digit EBITDA yoy growth is expected in telecom, healthcare and material sectors, while a decline is expected in consumer discretionary and energy sectors.

Initial corporate results have been disappointing. As regards the 73 companies which have announced their Mar 2025 quarter results till date, (2% of all listed companies' universe), sales growth yoy was just 5%. The growth in expenses lags sales growth for the second successive quarter, leading to a PAT growth of 12% yoy.

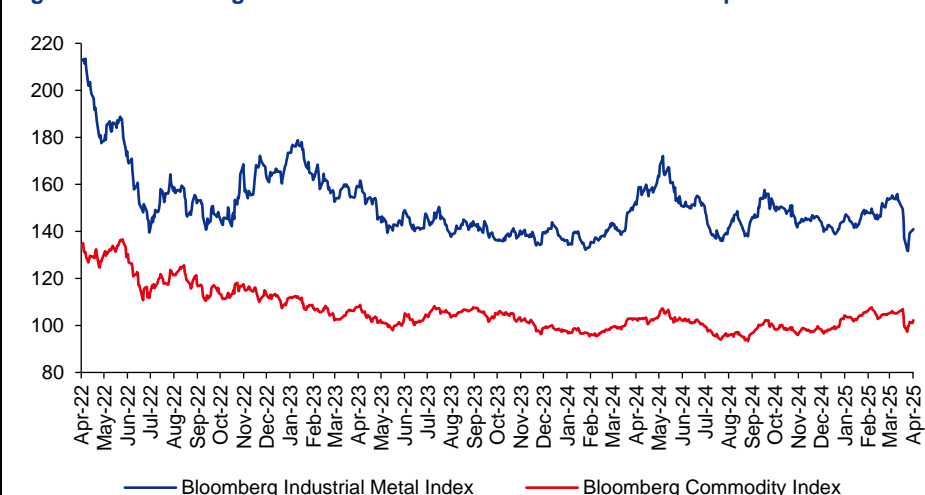
In recent months (1-3), Nifty-50 Bloomberg consensus FY26F EPS has seen around 2% cut, while for the broader Nifty-200 index, the cut is limited to less than 1%. Major reduction in EPS for the last six months has been in sectors such as consumer staples, energy, and utilities, while the upgrade was only in the consumer discretionary sector.

Figure 37: Nifty earnings are likely to post single-digit growth in 4QFY25F



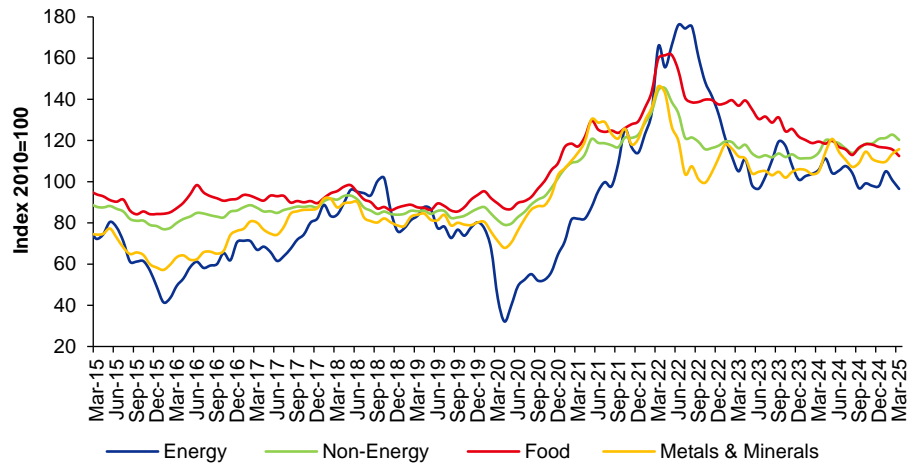
SOURCE: BLOOMBERG, INCRED RESEARCH, COMPANY REPORTS

Figure 38: Bloomberg industrial metal index eases from its recent peak



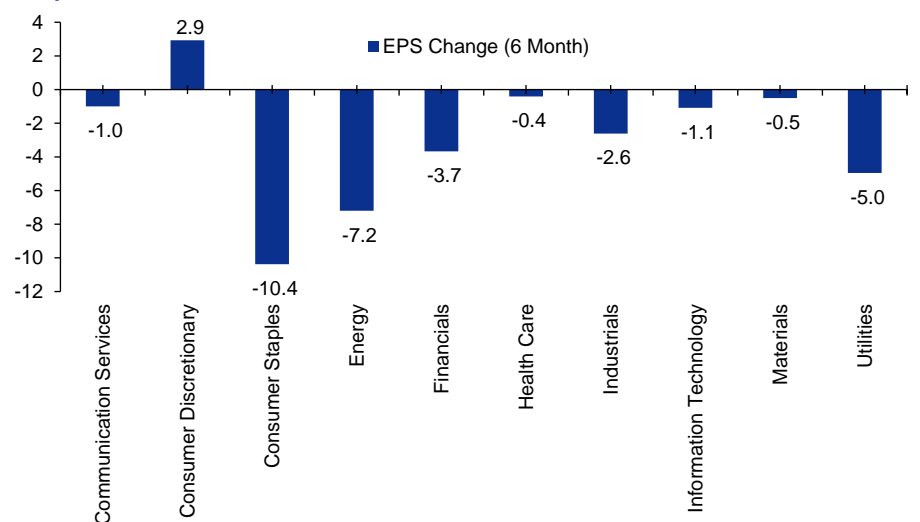
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 39: Global commodity index continues to be stable, except for metals



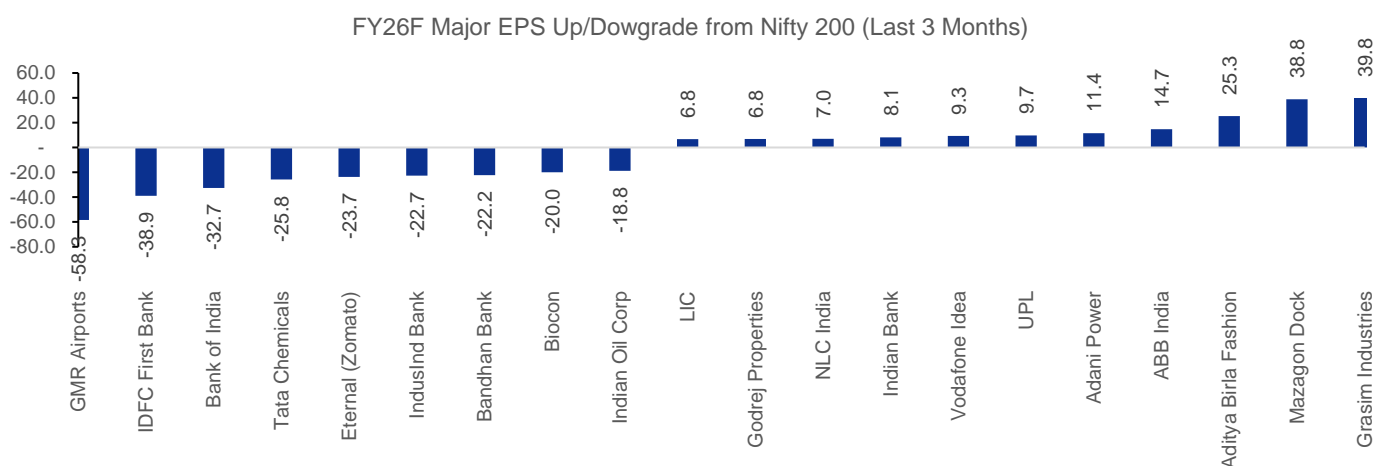
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 40: Sector-wise FY26F EPS changes in the last six months for Nifty-100 companies



SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 41: Nifty-200 companies' EPS upgrade/downgrade (from Dec 2024)



SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 42: Recent Bloomberg consensus EPS change trend for Nifty-50 and Nifty-200 companies					
Nifty-50 EPS			Nifty-200 EPS		
	FY26F	FY27F		FY26F	FY27F
15 days	-1.21%	1.42%	15 days	-0.75%	1.88%
30 days	-2.28%	0.66%	30 days	-0.71%	2.38%
60 days	-2.55%	1.71%	60 days	-0.68%	2.85%
UPDATED TILL 23 APR 2025					
SOURCE: BLOOMBERG, INCRED RESEARCH					

Nifty valuation and outlook

Index valuation eases below the log-term mean P/E level ►

Despite the Nifty-50 Index's sharp recovery in recent weeks, the forward P/E valuation is languishing below 10-year and 15-year mean levels.

The trade dispute of US-China seems to be turning FII flows back to India, which is also seen in MSCI India's P/E valuation to Asia emerging markets rising from the 10-year mean level to +1SD now.

We roll forward our Nifty-50 Index target by 4% to 24,280 to account for EPS roll-forward to next year (FY27-end), economic benefit from above-normal rainfall outlook and easing crude oil prices. We raise our bull-case probability to 25% from 5% earlier and, similarly, cut our bear-case probability to 25% from 45% earlier. Escalation of the recent terrorism event into a bigger arms conflict with a neighbouring country can increase our bear-case probability, where we peg the index target at 21,288.

Figure 43: Nifty-50 index forward P/E valuation slips below the 10-year mean level



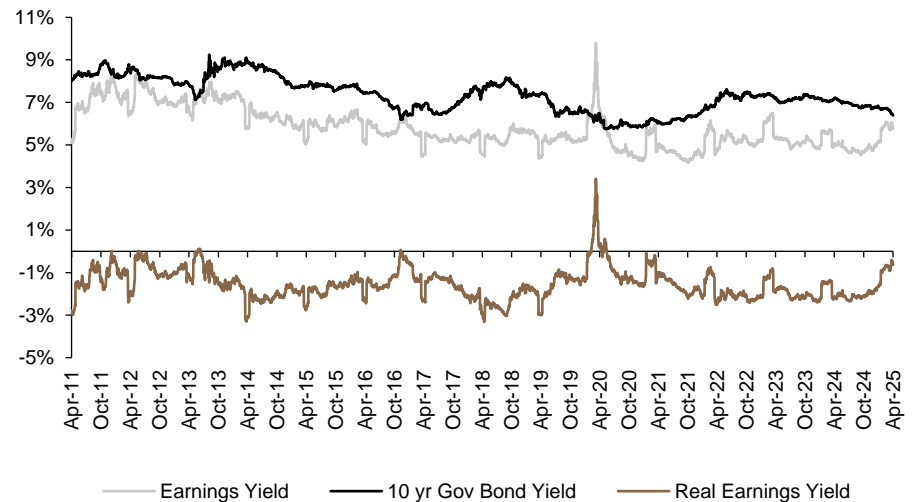
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 44: Nifty-50 companies' forward P/E valuation is nearing the 15-year mean level



SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 45: Real earnings yield trend for Nifty-50 companies improves to near zero



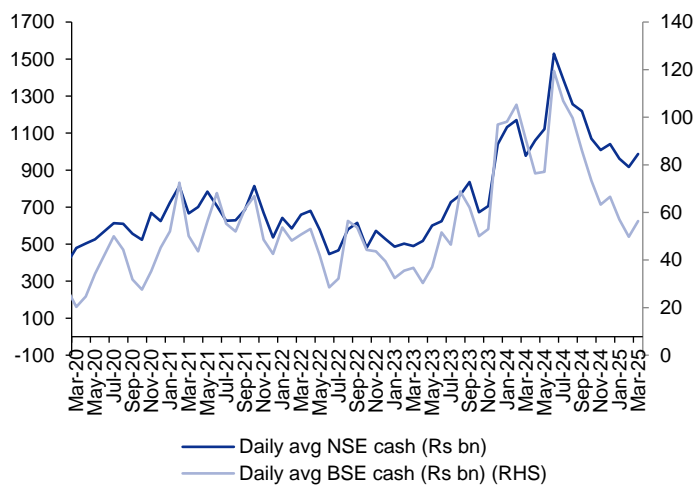
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 46: Nifty index target based on economic scenarios

Economic variables for FY26F	GDP growth >7%, stable coalition government, Brent crude oil price <US\$90/bbl, inflation rate <4%, repo rate drops >100bp, above-normal monsoons, INR at Rs85		GDP growth >6.5%, government, geopolitical tensions, Brent crude oil price <US\$100/bbl, inflation rate <5%, repo rate drops >50bp, normal monsoon, and INR at Rs86		GDP growth <6%, wobbly coalition government, geopolitical tensions, Brent crude oil price >US\$100/bbl, inflation rate >6%, repo rate drops <50bp, poor distribution of rainfall, tariff barriers for exports, and INR at Rs89	
	25%	50%	25%	50%	25%	50%
Probability of event	25%	50%	25%	50%	25%	50%
One-year forward EPS (Rs.)	1,330.5	1,330.5	1,330.5	1,330.5	1,330.5	1,330.5
Target P/E (x)	20.0	18.5	18.5	16.0	16.0	16.0
Target index	26,610	24,614	24,614	21,288	21,288	21,288
Nifty-50 now	24,329	24,329	24,329	24,329	24,329	24,329
Up/downside	9.4%	1.2%	1.2%	-12.5%	-12.5%	-12.5%
Blended index target	24,280					

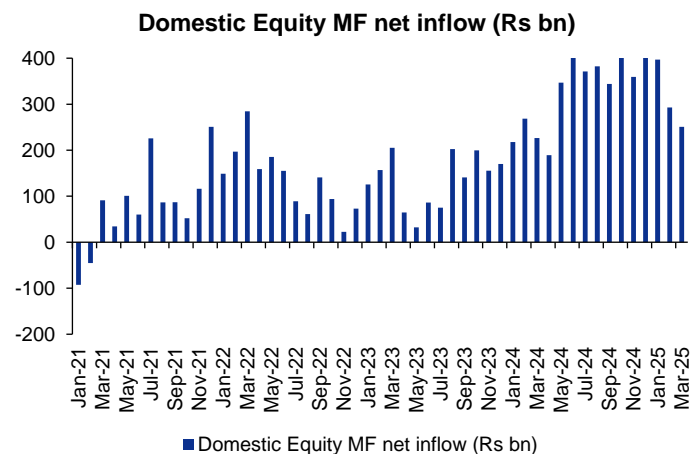
NOTE: EPS IS OF BLOOMBERG CONSENSUS
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 47: Stock market trade volume slides



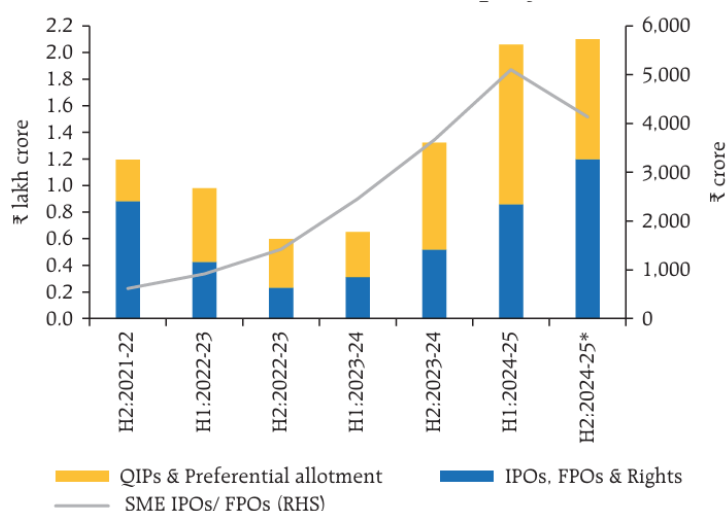
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 48: Domestic mutual fund inflow shows a steady trend



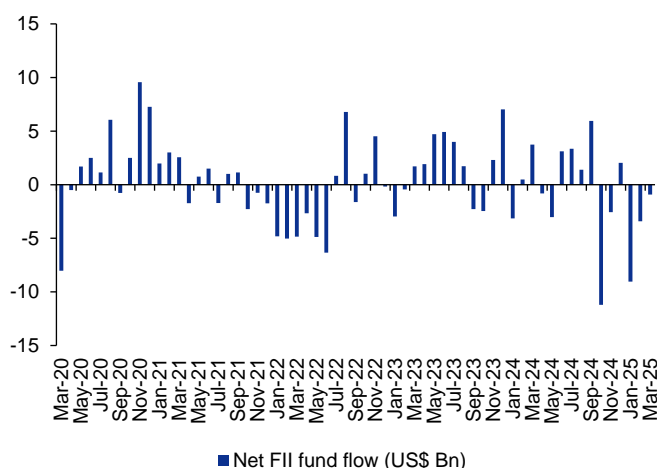
SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 49: Resource mobilization in Indian equity markets



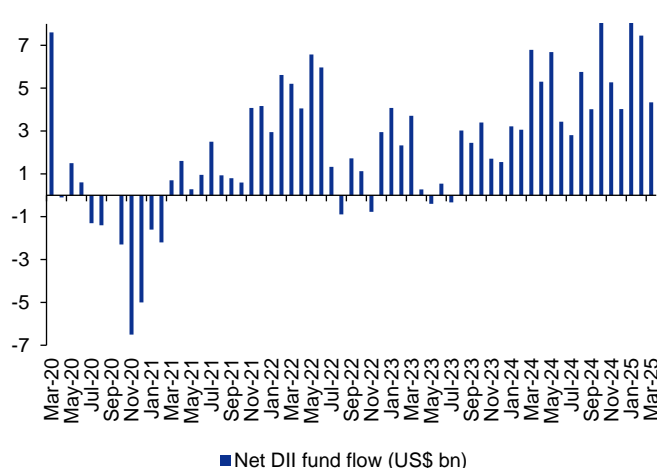
NOTE: *: UP TO FEB 2025
SOURCE: NSDL, SEBI, INCRED RESEARCH

Figure 50: Volatile FII flow trend



SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 51: DII fund flow has eased from its recent peak



SOURCE: BLOOMBERG, INCRED RESEARCH

Sector ratings and stock ideas ➤

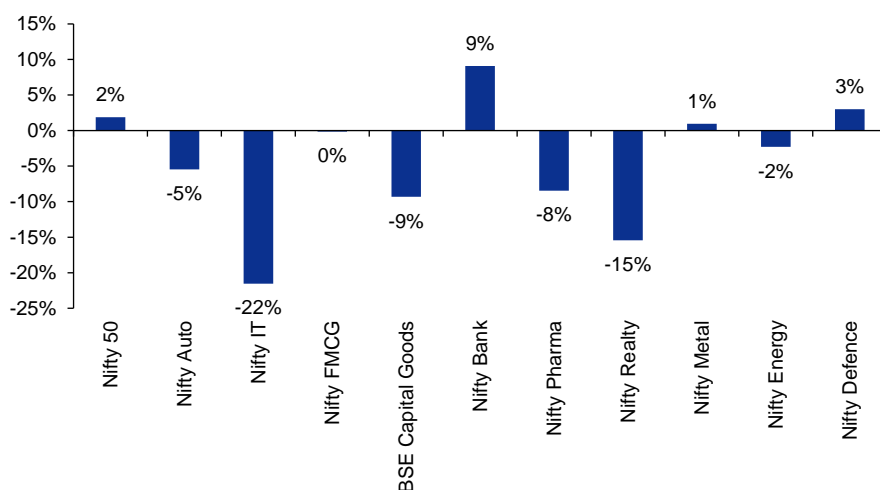
The Nifty-50 index's bounce-back of 10% from its lows in Mar 2025 is impressive. The recovery was led by small-caps (16%) and mid-caps (15%) in the last eight weeks. While the Nifty-50 index's forward P/E valuation continues to ease to provide comfort, the relatively rich valuation of 20-35% for Nifty Midcap-100 and Nifty-50 indices are a cause of concern, especially in context of macroeconomic challenges from global macroeconomic and geopolitical tensions.

The sharp underperforming sectors in the recent months have been commodity, IT and pharmaceutical sectors. The outperforming sectors are BFSI and FMCG.

We initiated coverage on public sector banks – Bank of Baroda, Punjab National Bank, Canara Bank, and Bank of India. We upgraded the construction sector to a Neutral rating, as it sharply underperformed in FY25 and its valuation comfort has improved now while earnings triggers are awaited. We upgraded Axis Bank, Dilip Buildcon, and Sonata Software to an ADD rating; NCC, IRB Infrastructure, and KNR Constructions to HOLD, while downgrading Wipro and HCL Technologies in recent weeks.

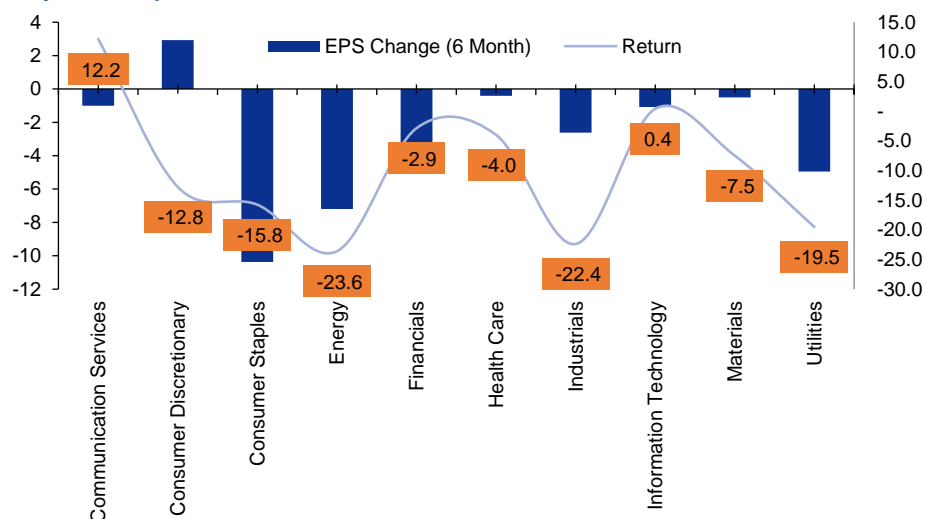
The last six-month sector's performance against the earnings change trend indicates excessive valuation correction for consumer discretionary, energy, and industrial sectors.

Figure 52: Sectoral index performance vs. Nifty-50 (YTDCY25)



SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 53: Last six months' correlation between EPS change and sectoral returns of Nifty-100 companies

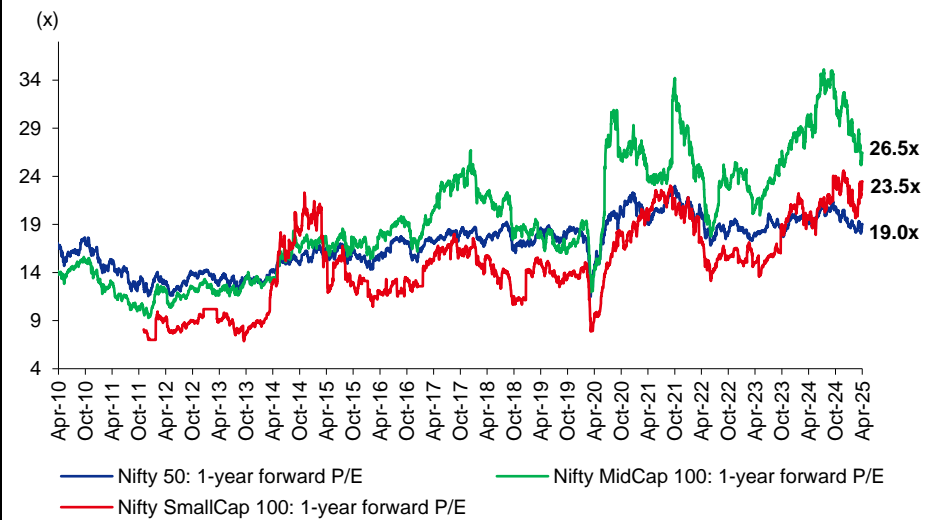


SOURCE: BLOOMBERG, INCRED RESEARCH

Figure 54: Our sector-wise ratings

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

SOURCE: INCRED RESEARCH

Figure 55: Nifty-50 companies' forward P/E valuation is relatively cheaper than that of mid-caps and small-caps

SOURCE: INCRED RESEARCH, BLOOMBERG

Figure 56: High dividend yield stocks for value investing outperformance

Company Name	Bloomberg Ticker	Reco.	CMP	Target Price	Market Cap.	Market Cap.	EPS (Rs)			P/E (x)		P/BV (x)	EV/EBITDA (x)	Dividend Yield (%)	Upside/Downside	ROE (%)
			Rs	Rs	(Rs bn)	(US\$ bn)	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	FY25F	FY25F	(%)	FY24F
Shriram Finance	SHFL IN	ADD	704	800	1,322	15.5	214.7	263.0	3.3	2.7	0.5	0.4	0.5	2.1	13.7	15.2
Hero MotoCorp	HMCL IN	ADD	3,941	5,525	787	9.2	236.9	270.2	16.6	14.6	4.0	3.7	10.9	4.1	40.2	25.2
Oil & Natural Gas Corp.	ONGC IN	ADD	252	221	3,169	37.1	38.6	na	6.5	na	1.0	na	2.9	4.0	(12.4)	15.0
	GAIL India	ADD	194	261	1,271	14.9	14.7	17.0	11.5	10.2	1.5	1.4	9.1	3.5	34.7	11.6
Petronet LNG	PLNG IN	ADD	315	519	473	5.5	28.8	40.5	11.0	7.8	2.6	2.1	8.1	3.5	64.5	24.1
HCL Technologies	HCLT IN	HOLD	1,594	1,585	4,321	50.6	64.2	67.6	24.8	23.6	6.2	6.1	16.0	3.8	(0.6)	25.2
UTI AMC	UTIAM IN	ADD	1,135	1,350	145	1.7	66.4	85.1	17.1	13.3	3.0	2.6	3.0	3.1	18.9	18.2
Dr Reddy's Laboratories	DRRD IN	HOLD	1,186	1,300	989	11.6	67.4	64.4	17.6	18.4	3.3	3.1	11.1	3.4	9.6	19.2
Mahindra & Mahindra Finance	MMFS IN	ADD	270	370	333	3.9	19.0	20.8	14.2	12.9	1.7	1.6	1.7	2.4	37.1	12.4

SOURCE: INCRED RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

PRICES AS ON 20 JAN 2024

Figure 57: Non-consensus stocks

Company Name	Bloomberg Ticker	Reco.	CMP	Target Price	Market Cap.	Market Cap.	EPS (Rs)		P/E (x)		P/BV (x)		EV/EBITDA (x)	Dividend Yield (%)	Upside/Downside	ROE (%)
			Rs	Rs	(Rs bn)	(US\$ bn)	FY25 F	FY26 F	FY25 F	FY26 F	FY25 F	FY26 F	FY25F	FY25F	(%)	FY24 F
Apollo Tyres	APTY IN	REDUCE	460	353	292	3	21.8	24.3	21.9	18.9	2.0	1.8	8.0	1.3	-23%	9.6
Astral	ASTRA IN	REDUCE	1,408	1,344	378	4	20.5	24.0	68.6	58.8	10.4	9.1	38.2	-	-5%	16.2
Avanti Feeds	BRCM IN	REDUCE	590	261	119	1	14.1	26.1	41.9	22.6	3.2	2.8	21.6	0.1	-56%	11.0
Balrampur Chini Mills	BRCM IN	REDUCE	590	261	119	1	14.1	26.1	41.9	22.6	3.2	2.8	21.6	0.1	-56%	11.0
Bharat Forge	BHFC IN	ADD	1,136	1,407	542	6	24.7	31.9	50.3	35.5	4.5	4.0	18.5	1.0	24%	12.8
Bosch Ltd	BOS IN	REDUCE	28,415	26,379	837	10	648.5	722.2	43.8	39.3	6.6	6.3	31.9	1.6	2%	15.5
Clean Science & Tech.	CLEAN IN	REDUCE	1,217	683	129	2	24.3	27.1	50.1	44.9	8.9	7.4	32.2	-	-44%	19.4
Coal India	COAL IN	REDUCE	399	209	2,456	29	27.4	24.9	14.6	16.0	3.1	2.8	7.9	3.1	-48%	22.5
Coforge	COFORGE IN	REDUCE	7,392	7,748	494	6	126.3	205.0	58.5	36.1	12.4	11.4	25.0	1.0	5%	25.8
Delhivery	DELHIVER IN	REDUCE	303	263	226	3	(13.4)	na	(22.6)	na	3.2	na	(60.6)	-	-13%	(13.1)
Divi's Laboratories	DIVI IN	ADD	5,925	6,560	1,571	18	79.4	102.0	74.6	58.1	10.6	9.2	53.3	-	11%	14.8
FSN Ecommerce	NYKAA IN	REDUCE	193	103	551	6	0.2	0.2	822.5	845.0	41.5	39.5	124.7	-	-46%	5.2
Gujarat Gas	GUJGA IN	ADD	451	642	310	4	21.9	34.9	20.6	12.9	3.5	2.9	12.0	1.3	42%	18.2
InterGlobe Aviation	INDIGO IN	REDUCE	5,559	3,030	2,146	25	121.1	83.0	35.9	67.0	27.1	19.3	15.5	-	-45%	100.0
JSW Steel	JSTL IN	REDUCE	1,039	470	2,539	30	25.9	25.9	33.7	28.3	4.0	3.6	14.7	0.6	-55%	12.5
Kaveri Seed Co.	KSCL IN	ADD	1,480	639	76	1	na	na	na	na	na	na	na	NA	-57%	na
PG Electroplast	PGEL IN	REDUCE	956	760	270	3	9.1	12.0	105.3	79.6	19.5	15.7	59.9	-	-21%	20.4
Tata Motors	TTMT IN	REDUCE	660	661	2,427	28	55.5	73.0	11.9	9.0	2.4	1.9	4.4	0.9	0%	21.7
Tata Steel	TATA IN	REDUCE	141	82	1,760	21	5.4	5.4	26.0	26.1	1.5	1.5	9.2	1.4	-42%	6.1
TVS Motor Co.	TVSL IN	REDUCE	2,807	1,901	1,332	16	52.3	55.1	53.2	50.9	16.9	13.3	32.0	0.3	-32%	31.7

SOURCE: INCRED RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

PRICES AS ON 20 JAN 2024

Figure 58: Our key mid-cap and small-cap stock recommendations

Company Name	Bloomberg Ticker	Reco.	CMP	Target Price	Market Cap.	Market Cap.	EPS (Rs)		P/E (x)		P/BV (x)		EV/EBITDA (x)	Dividend Yield (%)	Upside/Downside	ROE (%)
			Rs	Rs	(Rs bn)	(US\$ bn)	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F	FY25F	FY25F	(%)	FY24F
Alkem Laboratories	ALKEM IN	ADD	5,233	6,150	625	7	187	215	28.0	24.3	5.2	4.4	23.0	0.7	18%	20.0
Amber Enterprises	AMBER IN	ADD	6,606	8,055	223	3	94	140	70.3	47.2	9.3	7.8	28.2	-	22%	14.3
Atul	ATLP IN	ADD	6,213	6,727	183	2	163	203	38.2	30.7	3.3	3.1	18.7	0.3	8%	9.1
Balkrishna Industries	BIL IN	ADD	2,577	3,517	498	6	86	100	30.0	25.7	4.9	4.3	19.3	0.7	36%	17.4
FSN Ecommerce	NYKAA IN	REDUCE	193	103	551	6	0	0	822.5	845	41.5	39.5	124.7	-	-46%	5.2
Endurance Technologies	ENDU IN	ADD	1,956	2,498	275	3	59	80	33.3	24.5	4.9	4.2	17.5	0.7	28%	15.6
Ethos	ETHOSLTD IN	ADD	2,719	3,400	66	1	37	49	72.6	55.1	6.8	6.1	32.8	-	25%	13.4
Globus Spirits	GBSL IN	ADD	1,084	1,584	31	0	45	106	24.3	10.3	2.8	2.2	12.5	0.2	46%	12.4
Ipca Laboratories	IPCA IN	ADD	1,471	1,720	373	4	35	45	41.7	32.9	5.3	4.7	22.5	0.3	17%	13.4
Jyothy Labs	JYL IN	ADD	391	460	143	2	11	13	36.4	31.3	7.0	6.0	28.0	1.2	18%	20.5
Kalpataru Projects International	KPIL IN	ADD	989	1,461	169	2	42	61	23.8	16.2	2.5	2.2	11.6	0.8	48%	11.2
KEI Industries	KEII IN	ADD	3,019	4,855	288	3	70	89	43.3	33.9	5.0	4.4	28.0	0.1	61%	20.0
Lloyds Metals & Energy	LLOYDSME IN	ADD	1,318	1,476	689	8	40	119	32.7	11.0	9.9	4.6	23.8	-	12%	42.6
Metropolis Healthcare	METROHL IN	ADD	1,750	2,250	90	1	33	41	53.4	42.8	6.6	5.9	25.6	0.2	29%	18.3
Navin Fluorine International	NFIL IN	ADD	4,311	4,080	214	3	69	82	62.4	52.8	7.9	6.9	35.1	0.2	-5%	13.4
NCC	NJCC IN	HOLD	220	223	138	2	14	16	16.2	13.9	1.9	1.6	8.4	0.4	1%	16.3
PI Industries	PI IN	REDUCE	3,657	3,067	554	6	119	121	30.8	30.2	5.3	4.5	21.1	0.1	-16%	18.8
Skipper	SKIPPER IN	ADD	457	695	53	1	15	19	29.5	23.9	4.6	3.8	11.6	0.1	52%	16.7
Sonata Software	SSOF IN	ADD	328	399	92	1	16	19	20.8	17.2	5.4	4.7	11.9	1.5	22%	28.2
TCPL Packaging	TCPL IN	ADD	3,983	4,380	36	0	139	160	28.6	24.9	5.8	4.9	14.3	0.7	10%	22.0
UPL	UPLL IN	ADD	680	1,289	510	6	22	41	41.8	16.4	1.6	1.5	9.3	0.6	90%	6.8
Voltas	VOLT IN	ADD	1,299	1,845	429	5	27	34	48.5	38.6	6.6	5.8	35.8	0.4	42%	14.4
VRL Logistics	VRLL IN	ADD	482	650	42	0	18	19	27.1	24.8	4.0	3.6	9.4	1.2	35%	15.6
Zydus Lifesciences	ZYDUSLIF IN	ADD	868	1,150	872	10	46	47	18.7	18.6	3.7	3.2	12.4	0.8	32%	21.5

SOURCE: INCRED RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

PRICES AS ON 20 JAN 2024

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Recommendation Framework

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.

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.