

NIRMAL BANG RETAIL RESEARCH

MONTHLY REPORT

Dec'24 SERIES

Market Outlook

FUNDAMENTAL STOCKS	BUY/SELL	CMP	Target	Upside (%)
Axis Bank	Buy	1136	1400	23%
Elecon Engineering	Buy	585	815	39%

Technical Outlook

TECHNICAL STOCK PICKS	BUY/SELL	CMP	TARGET	STOP LOSS
NAVINFLUORIN	Buy	3510	4200	3150
BEL	Buy	309	375	275

Derivatives Outlook

DERIVATIVE STRATEGIES	PREMIUM	TARGET	STOP LOSS
Long Strangle on NIFTY (CMP 24400) Buy NIFTY 12DEC 24400CE at 140 (weekly expiry) Buy NIFTY 12DEC 24000PE at 160 (weekly expiry)	300	600	170
Bull Call Spread on LTIM (CMP 6200) Buy LTIM 26DEC 6200CE at 180 Sell LTIM 26DEC 6800CE at 20	160	440	100

- ❖ As expected in the last report the market had seen volatility in November within the range of 23300-24400. In fact Indian market had declined along with most of the emerging markets in last month. The key reason for decline in emerging markets was strengthening Dollar Index. In last 2 month we had seen Dollar Index moving up from low of around 100 to 108, first in expectation of Trump winning election in US in Oct month and then Post winning in November month. Strengthening dollar has led to withdrawal of money by FII from emerging markets resulting in the correction. Now we are seeing some reversal of the trend.
- ❖ We had seen 2 consecutive quarters of below expected results leading to downgrade of earnings. This was led by lower government spending, consumption demand on account of higher inflation, disruption on account of election and extreme climate. Also in last 6 months we had seen lot of withdrawal of money from Equity market in the form of IPO, OFS, QIP, Promoter selling, PE fund selling etc. These along with FII selling reduced the strength of domestic liquidity to support the market.
- ❖ Oct month being festive season has seen good demand whereas November month has seen softness in demand which generally happens in post festive month. Also recent month has seen higher inflation on account of food and vegetable which has impacted purchasing power. Going forward we expect inflation to cool off and demand to pick up in coming months led by higher Khari harvesting. Government Expenditure is also likely to increase substantially to cover up the lower spend in initial 5 months and meet yearly target. RBI has also changed its stand to neutral and may indicate direction for interest rate cut in next meeting.
- ❖ Considering lower selling by FII and improvement in economy, we expect market to turn around and can see up move in December month. We expect Nifty range for December month series to be 23750-25000.

- Axis Bank is among India's top-3 private banks with advances at Rs. 10 Lac Cr, strong liability franchise, large distribution network and an array of product offerings. With top management revamped in 2019 and having already achieved their initial target of 18% ROE since H2FY23, Axis is now in a good position to harvest further gains.
- Axis has managed to improve its NIMs from ~3.5% levels prior to FY23 to ~4% levels today which is in line with HDFC/ICICI. However Axis Bank's cost to income has remained elevated since many years at around 47% compared to HDFC/ICICI at ~40%.
- Axis Bank's ROA at 1.8% lags HDFC (1.9%)/ICICI (2.4%) primarily due to higher cost to income.
- Asset quality is in line with its peers with GNPA/NNPA at (1.4%/0.3%) compared to HDFC and ICICI at (1.4%/0.4%) and (2.0%/0.4%) respectively.
- Axis Bank's deposits have grown steadily in CY2024, delivering 200 bps higher growth vs. the industry during Q2FY25. CASA ratio continues to be the best amongst peer private banks at 41% during Q2FY25.

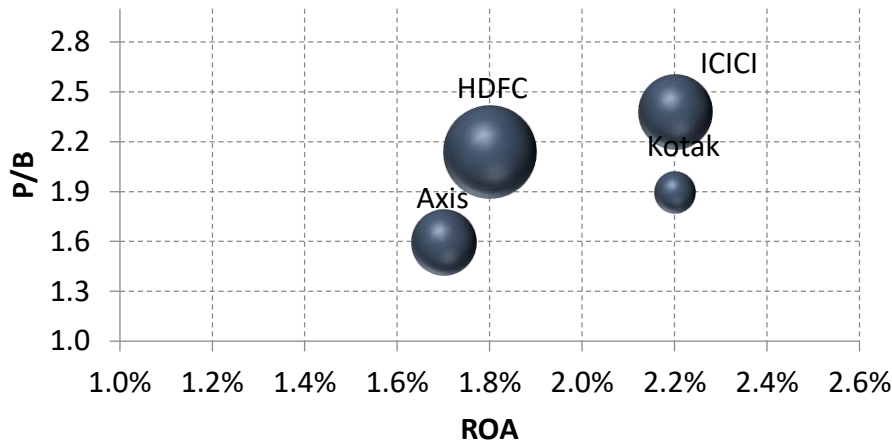
With Citi acquisition almost over, we believe cost/income has peaked out and is headed lower. Opex intensity has slowed down with a 10% YoY growth in H1FY25. We estimate this moderation in opex growth to continue over FY26 & 27 at 10% CAGR whereas advances and NII are expected to grow at 14% CAGR, leading to a decline in cost/income by 200 bps over FY25-27E from 48.0% to 46.0%.

We recommend to buy; valuing the standalone bank at 1.8x Sep 2026E BV at Rs. 1300 plus Rs. 100 as the value for its subsidiaries (MF, Broking, IB and Others) leading to a target of Rs. 1400.

Figures in Rs Cr

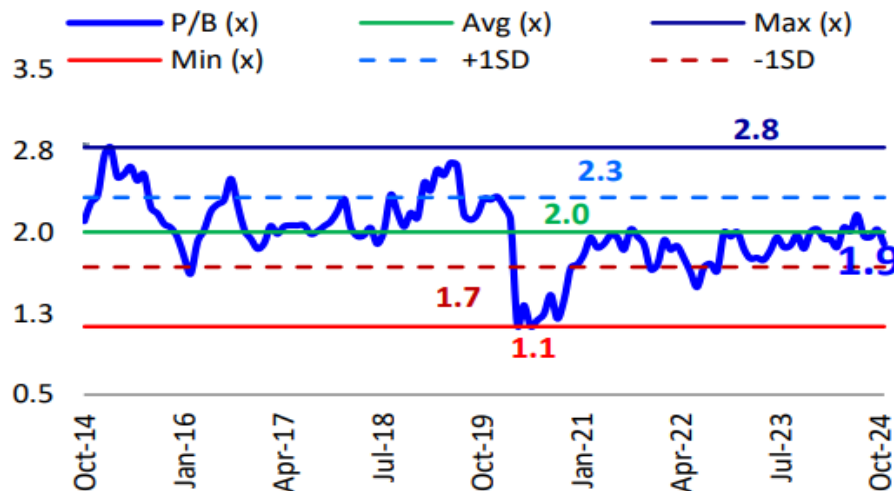
Year	NII	Growth	PAT	Growth	EPS	PE	BVPS	P/BV	RoA	RoE
FY24	51,368	20%	24,861	129%	22.4	46.3	487	2.1	1.8%	16.8%
FY25E	55,433	8%	26,491	7%	85.3	12.1	569	1.8	1.7%	16.2%
FY26E	62,181	12%	29,673	12%	95.8	10.8	657	1.6	1.7%	16.0%
FY27E	71,869	16%	34,355	16%	110.7	9.4	765	1.4	1.7%	16.1%

ROA vs P/B (FY26)



- Axis Bank has ROA of 1.7% while HDFC Bank is at 1.8%, a difference of mere 10 bps while Axis trades at much cheaper valuations at P/B of 1.6x FY26E compared to HDFC Bank's 2.2x FY26E.

One Year Forward P/B



- Banking is one of the few sectors where the valuations are still available at the past 10 year average levels.
- Axis Bank is also available at close to its 10 year average valuations, providing decent scope for appreciation in the long term.

- Elecon is a manufacturer of industrial gears (~80% mix) & material handling equipment (MHE) (~20% mix). It is a proxy on industrial capex across cement, steel, mining, power, oil & gas and other sectors.
- Elecon is the leader in industrial gears with a market share of 35% in India.
- Elecon witnessed a temporary slowdown in its gear business during H1FY25 owing to elections which delayed ordering activity during Q1FY25 (inflows down 11% YoY). Order inflows have recovered in Q2FY25 (+15% YoY) and shall gain further momentum and translate to strong execution from Q3FY25.
- After a decade of juggling issues related to legacy EPC projects, the MHE segment has completely turned around from losses in FY22 to reaching segmental margins of ~26% in H1FY25. Unlike before, it no longer participates in EPC projects and all new orders are for products or after-market sales. Order book in MHE has increased by 176% YoY to Rs. 339 Cr in Q2FY25 which provides strong growth visibility.
- We believe Elecon witnessed an election led temporary slowdown during H1FY25 and shall stage a strong comeback from Q3FY25 onwards. We expect a CAGR of 18%/22% in revenue/profits, over FY25-27E along with stable ROCE of 26%. We assign a TP of Rs. 815, valuing the company at 35x Sep 2026E EPS (in line with the avg. of top tier Capital Goods cos).

Figures in Rs Cr

Year	Revenue	Growth	EBITDA	Margin	PAT	Growth	EPS	PE	EV/EBITDA	ROCE
FY24	1937	27%	474	24.5%	356	50%	15.8	36.9	26.6	28%
FY25E	2201	14%	510	23.2%	385	8%	17.2	34.1	24.7	25%
FY26E	2597	18%	615	23.7%	474	23%	21.1	27.7	20.5	26%
FY27E	3045	17%	729	23.9%	572	21%	25.5	22.9	17.3	26%

- Nifty has shed over 3,000 points in just seven weeks of trading sessions. In this period it recorded its steepest correction since the Covid-led fall of March '20, driven by a disappointing Q2 earnings season and the highest-ever selling by FIIs.
- Technically, Nifty is facing a strong resistance of 50-100 DMA i.e. 24670-24,700 range. As long as Nifty trades below the mentioned range we are not likely to witness up move in near term.
- Nifty has a strong support at 200- DMA i.e. 23,650 mark. Any breakdown of 200- DMA may triggered major selling pressure which may dragged the Nifty towards previous swing low of 23,260.
- Looking towards the technical setup we believe Nifty is likely to trade in range bound session. Breakout on either side will decide the trend. The market is increasingly becoming a stock picker's market.
- BANKNIFTY** :-Technically, the Bank Nifty faces immediate resistance at 53,000. A close above this level could extend the upward rally towards 53,600/54,000. On the flip side, support is positioned at 51,750/50,500.



NAVINFLUOR BUY- CMP Rs 3510

- ✔ Stock is well placed above all the important moving averages on closing basis & Stock is continuously taking support of 100 DMA & 50 DMA.
- ✔ Technically, Weekly chart suggest that stock is on the verge of giving the breakout of downward sloping channel with decent volume
- ✔ Momentum Indicator such as RSI is showing strength.
- ✔ BUY NAVINFLUORIN above 3510, ADD on dips at 3350 for a Target of Rs 4200 with a strict stop loss of Rs 3150

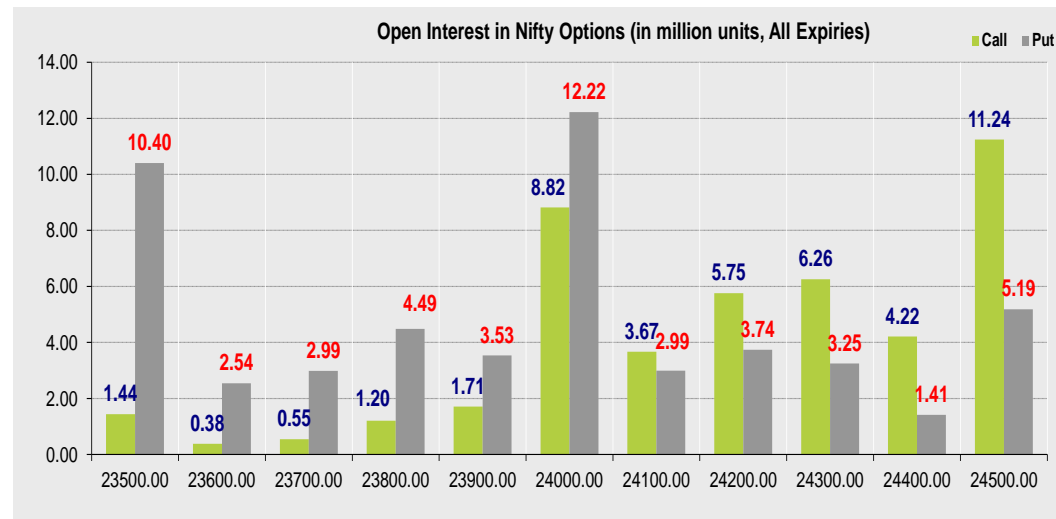


BEL BUY - CMP Rs 308

- ✦ Weekly chart indicates that stock has given the breakout of downward sloping trend line with decent volumes.
- ✦ After the correction stock manages to form a rounding bottom indicates formation of good support.
- ✦ Momentum Indicator RSI showing a positive cross over in daily chart indicates strength.
- ✦ The chart indicates stock is well placed above short term moving averages suggesting strength.
- ✦ BEL BUY above 308 ADD on dips at 290 for a Target of Rs 375 with a strict stop loss of Rs 275



- ✦ The Nifty Nov rollover of 79.34% is higher than its Three months average of 78.53% and its six months average of 74.47%.
- ✦ The market wide rollover of 93.67% is higher than its three months average of 91.04% and its six months average of 91.11%.
- ✦ Nifty is opening the series with average open interest indicating that the index is likely to witness continuation of consolidation.
- ✦ The Index options OI for Dec series is indicating that index is likely to witness consolidation in the first part of the month.
- ✦ The PCR is at par while VIX has moved up indicating mixed bias for the Dec series.
- ✦ **View:** The index is likely to remain range-bound in the Dec series and might witness support buying near supports placed at 23500-23000 levels and resistance placed at 24500-25000 levels.



- ✦ Stocks likely to remain positive through the month; based on Rollovers analysis are as follows:

BERGEPAIN, HAL, IOC, UPL, TECHM, VEDL.

- ✦ Stocks likely to remain negative through the month; based on Rollovers analysis are as follows:

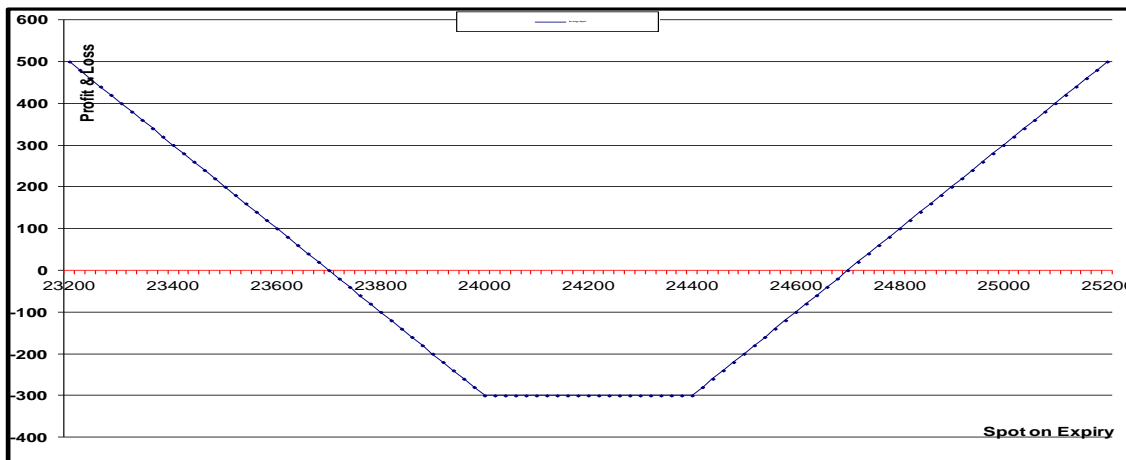
TATACONSUM, AXISBANK, SBILIFE, BHARTIARTL.

Long Strangle on NIFTY (CMP 24000)

Buy NIFTY 12 DEC 24400CE at 140 (weekly expiry)

Buy NIFTY 12 DEC 24000PE at 160 (weekly expiry)

- ◆ Total Premium Outflow & Max Loss: 300 pts, Target: 600 pts, Max Gain : Unlimited, SL:170, Lot size: 25.
- ◆ The Vix which is trading above its important average levels, till the time Vix is not going below 13 till that point of time we will witness heavy volatility in market .The strong support for Nifty is at 23800 and resistance is at 24500 . Any major move on the either side will help the strategy to gain profits.



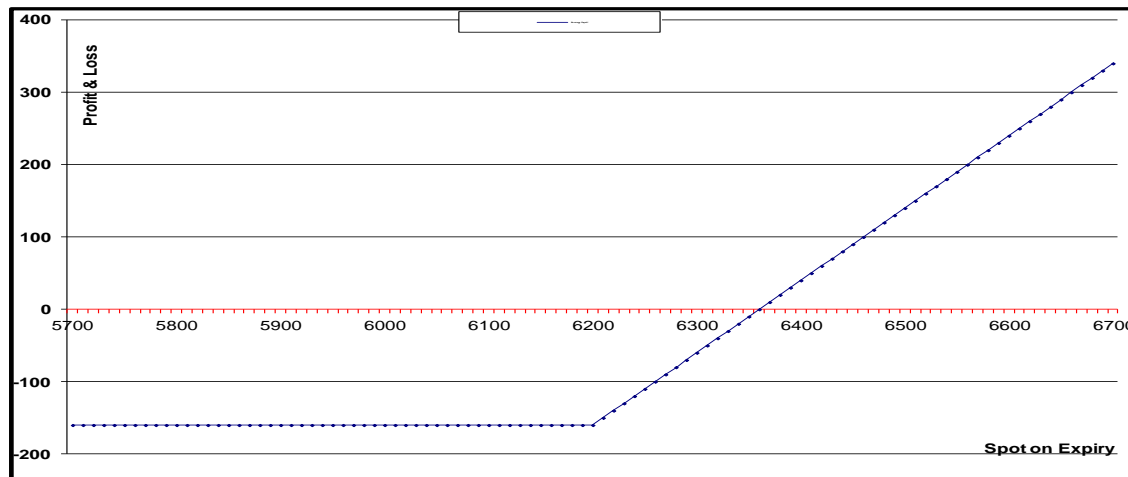
Profit/Loss at different prices	
NIFTY	Profit/Loss
22800	22500
23100	15000
23400	7500
23700	0
24000	-7500
24300	-7500
24600	-2500
24900	5000
25200	12500
25500	20000

Bull Call Spread on LTIM (CMP 6200)

Buy LTIM 26DEC 6200CE at 180

Sell LTIM 26DEC 6800CE at 20

- ◆ Total Premium Outflow & Max Loss: 160 pts, Target & Max Gain : 440 pts, SL :100, Lot size:150.
- ◆ The Stock has witnessed below the average OI positions due to which there is not much of downside for stock, while from last couple of quarters stock has been trading in range where consolidation took place strongly and the breakout has been witnessed. With positive rollover for Dec series indicating positive bias in stock .



Profit/Loss at different prices	
LTIM	Profit/Loss
5600	-24000
5750	-24000
5900	-24000
6050	-24000
6200	-24000
6350	-1500
6500	21000
6650	43500
6800	66000
6950	66000

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