beyond
Powered by
NIRMAL BANG
a relationship beyond broking

29th Sep, 2023

NIRMAL BANG
RETAIL RESEARCH

MONTHLY REPORT
Oct’23 SERIES

RECOMMENDATION

Monthly Report - Oct'23

29th Sep, 2023

Market Outlook

FUNDAMENTAL STOCKS	BUY/SELL	CMP	Target	Upside (%)
Archean Chemical Industries	Buy	589	792	34%
Vishnu Prakash R Punglia	Buy	172	262	51%

Technical Outlook

TECHNICAL STOCK PICKS	BUY/SELL	CMP	TARGET	STOP LOSS
METROPOLIS	Buy	1460	1620	1380
GRANULES	Buy	354	410	320

Derivatives Outlook

DERIVATIVE STRATEGIES	PREMIUM	TARGET	STPOP LOSS
Long Strangle on NIFTY (CMP 19640) Buy NIFTY 12OCT 19750CE at 100 (weekly expiry) Buy NIFTY 12OCT 19600PE at 105 (weekly expiry)	205	320	160
Bull Call Spread on ONGC (CMP 191.5) Buy ONGC 26 OCT 192 CE at 4.5 Sell ONGC 26 OCT 202 CE at 1.7	2.8	7.2	0.5

MARKET OUTLOOK

- Last month Nifty had outperformed global equity markets and in fact we saw a new high over 20,000 on Nifty, that too when most of the market were correcting. US market saw around 5% decline in September month driven by FED indication of one more interest rate increase which can happen in coming months and higher FED interest rate will continue for longer period. We saw US 10 year bond yield moving to multiyear high and dollar index moving up sharply indicating risk off situation in the US market. The run up in small cap in Indian market was also stretched in September month before seeing some correction in later half of the month.

- Though broader economic data continues to remain strong in India but we are seeing some initial risk factors emerging in the economy. Crude Oil is moving towards $100 mark and if it sustains at these level then it will have an impact on current account deficit & fiscal deficit as government might have to compensate OMCs for lower recovery, cost of production moving up for various companies and currency depreciating. This year rainfall is also below normal and unevenly distributed which will have impact on purchasing power in Rural India. The consistent higher interest rate in US and other developed market will ultimately slow down these economies and will have impact on export demand.

- In near term the market will be driven by Q2 results and management commentary thereafter. In that we had seen Accenture result already giving indication of softer result of Indian IT companies. Large Banks will see some more decline in NIM and that may be the bottom and we may see NIM stabilizing thereafter. We have already seen correction in some of the Banking large cap shares and they can present an opportunity. Steel and Cement companies should report better numbers with improvement in margin. Consumer related companies will see YoY lower growth on account of one month delay in festival season. Capital Goods companies will continue to do well. So in all the Q2 result will be mix bag with some positive and some negative.

- Overall we expect Nifty to remain range bound in October month with range of 19400-20000. Also one needs to be cautious in small cap stocks where valuations has moved up to very high levels.

Archean Chemical Industries Ltd.

CMP: Rs.589| TP: Rs.792 | Upside: 34%

29th Sept, 2023

- Archean Specialty Chemicals Ltd (ACIL) is a leading specialty marine chemical manufacturer in India. It manufactures three major product categories such as bromine (Br), industrial salts (NaCl) and sulphate of potash (SOP). It has a strong clientele of 29 global and 37 domestic customers.

- **Leading player with limited competition:** It is one of the India's largest exporters of both bromine and industrial salts (Q1FY24: exported 48% of Br/ 100% of NaCl production) with one of the lowest cost of production across the globe.

  - The **demand for bromine and bromine derivatives performance products** is expected to grow on account of rise in demand for flame retardants, increase in consumption of oil well chemicals and use of hydrogen bromide in flow batteries. Also, China's bromine production is declining steadily on account of stricter environmental regulations and less land available for bromine production.
  - While the growth in food and beverage industry, chlor-alkali sector in the chemical industry, water treatment, agriculture and de-icing to **drive the demand for industrial salts**.
  - Low Potassium levels have been linked to cancer and certain cardiovascular diseases, thus, **SOP market** is expected to grow with its use in fertilizers mainly for horticulture and medical uses.
  - There is a limited availability of raw materials with limited number of locations having a suitable climate and access to reserves. Also, it requires a high degree of technical skill and specialized expertise to handle these chemicals, as bromine and certain raw materials are hazardous chemicals in nature. All these aspects acts as an entry barrier in this industry.

Investment in CAPEX driving the growth:

- **Downstream expansion with bromine derivative performance products:** Ongoing greenfield expansion for a downstream project (through Subsidiary Acume Chemicals Pvt Ltd) commissioning will be done in a phased manner where 1st phase of Brominated Clear Brine Fluids (13,000 TPA) and Bromine Catalysts (PTA Synthesis – 5,000 TPA) plant to be commissioned in Q4FY24 and 2nd phase of High-end Flame Retardant (10,000 TPA) to be commissioned in Q1FY25. It expects 100% utilization in bromine derivatives by FY25. It has received good response for Phase 1, as it has started groundwork on the marketing side.

- **Brownfield expansion in bromine and industrial salt capacities:** In FY21, it has expanded its Bromine capacity from 10,000 MTPA to 28,500 MTPA. Further, it has added incremental 14,500 MTPA in FY23 (Total Bromine Capacity: 43,000 MTPA). This incremental capacity will be captively used for derivatives downstream products. Also, it intends to expand the manufacturing capacities for Industrial Salt production by adding one additional washery of 250 tons/hour.

Cost Efficient model: The production cost for Industrial salt from sea water brine is about US$12-15 per MT, while ACIL's costs are in the range of US$5.5-6 per MT. Further its Grade 1 quality of salt is in demand by chlor-alkali producers. This has enabled it to be a competitive salt exporter to South East Asian markets and West Asia. In bromine production, India is among the top five cost competitive producers globally with China and Japan being more expensive and the US (Arkansas), Israel and Jordan less expensive than India.

Archean Chemical Industries Ltd.

Valuation: During Q1FY24, overall de-stocking scenario in chemical industry led to downward pricing pressure on bromine. However, demand remained strong and many customers has liquidated large part of their inventory. Thus, one can expect a good quarter with demand revival in the medium-term. In Industrial salts, demand was primarily driven by Chlorine in Asian markets where many players expanded their production that led to uptick in chlorine usage and downstream product capacity; hence, demand continues to remain robust. The nature of long term contracts business limits the impact of pricing volatility in spot for industrial salt. In SOP, it has observed traction from few clients where it expects volumes to pick up in FY24. ACIL has delivered revenue / EBITDA growth of 39.5% / 55.5% between FY21-23. It has improved EBITDA margin from 35% in FY21 to 44% in FY23. The management expects EBITDA margin to be in the range of 37%-42% in the medium term. We expect ACIL to witness topline growth of ~20% between FY23-25E led by its existing segments as well as upcoming bromine derivative products' capacity. **We assign a PE valuation of 13x to FY25E EPS to arrive at a target of Rs. 792/share.**

Figures in Rs Cr

Year	Revenues	Growth	EBITDA	Margin	PAT	Growth	EPS	PE	EV/EBITDA	ROE
FY22	1,130	52.6%	467	41.3%	189	183.2%	19.58	29.9x	15.5x	113.1%
FY23	1,441	27.5%	634	44.0%	383	102.8%	31.09	18.8x	11.4x	44.5%
FY24E	1,743	21.0%	683	39.2%	492	28.6%	51.07	11.5x	10.6x	28.9%
FY25E	2,064	18.4%	801	38.8%	587	19.2%	60.90	9.6x	9.0x	26.2%

Vishnu Prakash R Punglia

CMP: Rs. 172 | TP: Rs. 262 | Upside 51%

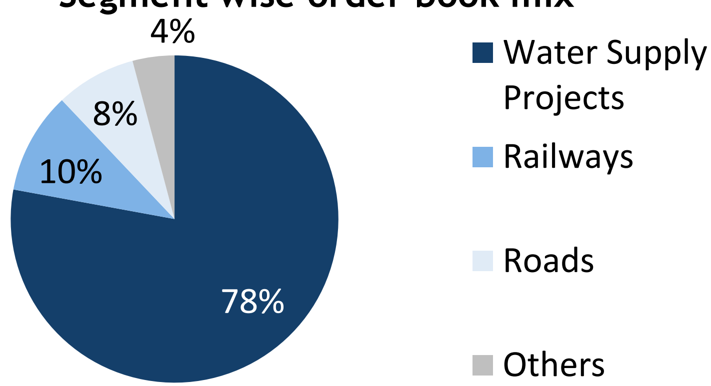
29th Sept, 2023

- VPRP is an EPC company focused player in Water Supply Projects along with Railways & Roads.
- Rajasthan constitutes the largest share in its order book at 62%.
- Order book & revenue have grown at a CAGR of ~50% over FY21-23 while PAT has grown at over 100%
- Order book stands at ~ Rs. 4,390 Cr (3.7x FY23 revenue).
- Small fish in a big pond: With revenue of just above Rs. 1k Cr, the TAM (Total Addressable Market) stands at > Rs. 6 Lac Cr

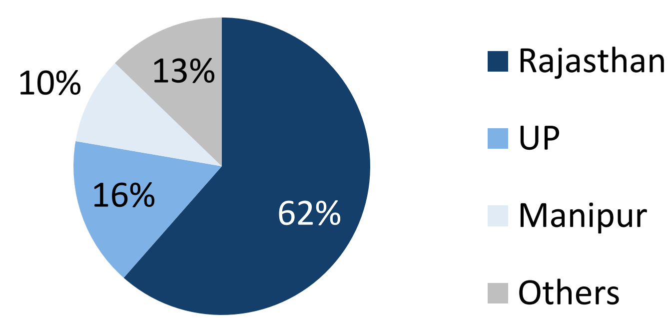
Strong industry tailwind / Segment wise Budget Allocation for FY24 –

- *Jal Jeevan Mission: Rs. 70k Cr (+27% YoY)*
- *Railways: Rs. 2.9 Lac Cr (+15% YoY)*
- *Roads: Rs. 2.5 Lac Cr (+25% YoY*

Segment wise order book mix



State wise order book mix



Vishnu Prakash R Punglia

Peer Comparison

- We expect VPRP to continue to deliver faster growth than peers on the back of its lower base.
- Strong return ratios are encouraging.
- Fresh fund infusion of Rs. 309 Cr via IPO should provide good fillip for future growth prospects.

FY23 Figures	PNC	NCC	ITD	KNR	Avg	VPRP
Order Book Mix						
Water & allied	43%	9%	30%	23%	26%	78%
Roads/Railways/Airports	42%	20%	54%	77%	48%	18%
Others (Bldg, Mining, etc)	15%	71%	16%	0%	26%	4%
Revenue	7,061	13,351	5,091	3,744	7,312	1,168
CAGR (FY23-25E)	13%	16%	26%	10%	16%	40%
EBITDA Margin	13.5%	10.9%	8.2%	19.3%	13.0%	13.4%
Asset Turns (x)	1.6	1.9	2.5	1.4	1.8	2.1
ROCE	21%	20%	17%	27%	21%	27%
Cash Conversion Cycle	127	125	22	149	106	112
P/E FY25	12.6	11.3	13.5	13.8	12.8	11.1

Vishnu Prakash R Punglia

High growth business with a long runway, available at reasonable valuations

- VPRP's niche focus on Water Supply Projects, low revenue base and demonstrated track record of high growth with margin expansion makes the company attractive compared to listed peers.

- With strong industry tailwinds likely to persist in water related projects, railways and roads, we believe VPRP is the best proxy play among listed companies in the infrastructure industry offering high growth with good ROCE metrics.

- We recommend 'BUY' with a target of Rs. 262 based on 15x Sep 2025E EPS (10% premium to our target multiple for listed peers).

Figures in Rs Cr

Year	Revenue	Growth	EBITDA	Margin	PAT	Growth	EPS	P/E	EV/EBITDA	ROCE
FY22	786	62%	87	11.1%	45	136%	3.6	48.4	26.5	25%
FY23	1168	49%	157	13.4%	91	102%	7.3	24.0	14.7	27%
FY24E	1694	45%	229	13.5%	142	56%	11.4	15.3	10.1	23%
FY25E	2287	35%	309	13.5%	195	38%	15.7	11.1	7.5	25%

NIFTY TECHNICAL OUTLOOK

- The Nifty experienced a roller-coaster ride in September, hitting an all-time high of 20,222.45, after profit-booking brought it down to the 19,550 level.
- The Nifty is currently facing strong resistance between 19,720 and 19,840 on a closing basis. As long as the Nifty struggles to move higher, positive momentum may not be sustained. Looking at the technical set up, the immediate support lies at 19,540. If it fails to hold this support, i.e. 19,370 on a closing basis, then we may see further sell-off, potentially taking the Nifty towards 19,100/18,800.
- Any move above the 19,840 mark would likely signal a positive rally towards 20,100/20,300 levels.
- The daily momentum indicator is showing negative crossover, indicating a potential correction or consolidation in the index. Traders should consider taking profits during rallies and look for opportunities to buy on dips. Any dip towards 19,370 will contribute to strengthening the Nifty.

.**BANKNIFTY :-**

- Technically, the Bank Nifty has immediate support at 44,400. A close below 44,400 may extend the decline towards 43,800/43,200. On the flip side, resistance is positioned at 45,200 levels. Beyond that, the Bank Nifty may witness a positive move towards 45,700-46,200 levels.

TECHNICAL STOCK PICK

GRANULES

GRANULES BUY- CMP Rs 354

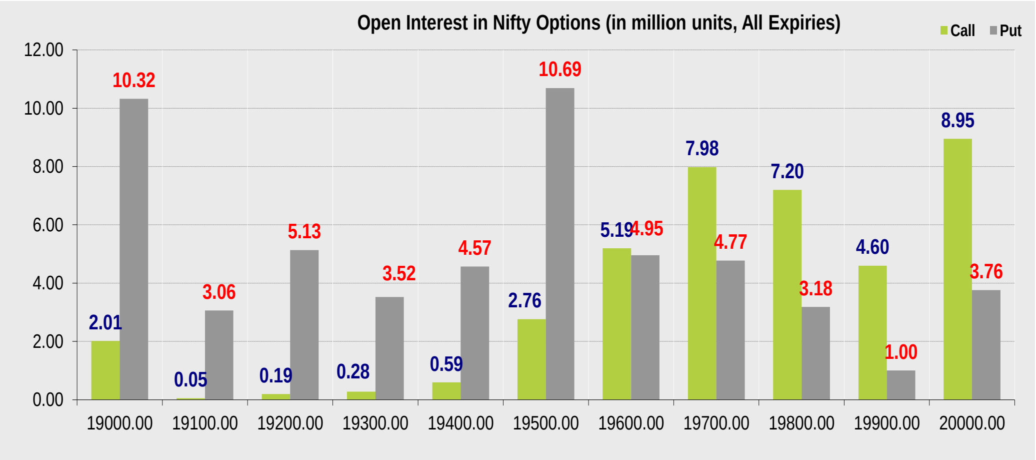
- Technically, Monthly chart suggest that after a correction phase from 440 to 230 stock has given the breakout of downward sloping trend line on closing basis.
- Daily chart indicates that stock is trading above it's major important moving averages and a potential up move is expected in the coming sessions.
- Momentum indicator ,RSI shows positive crossover in its Weekly charts.
- BUY GRANULES above 354, ADD on dips at 335 for a Target of Rs 410 with a strict stop loss of Rs 320

METROPOLIS BUY – CMP Rs 1460

- Weekly chart suggests that stock has formed a cup & handle formation and has given a breakout. Stock has retested it's trend line support and now has started moving upward.
- Momentum indicator, RSI is showing positive crossover.
- METROPOLIS has taken a support of its 20 DMA and is well placed above all it's important moving averages.
- Stock was in consolidation from quite a time and now on it's monthly charts stock has started its upward trend.
- METROPOLIS BUY above 1460, ADD on dips at 1415 for a Target of Rs 1620 with a strict stop loss of Rs 1380.

DERIVATIVES OUTLOOK

- The Nifty Sep rollover of 76% is lower than its Three months average of 79.33% and higher than its six months average of 74.45%.
- The Banknifty Sep rollover of 85.53% is higher than its Three months average of 77.86% and its six months average of 81.13%.
- The market wide rollover of 92.56% is higher than its three months average of 90.84% and its six months average of 91.73%.
- Nifty is opening the series with average open interest which means that the index is likely consolidate further and witness buying in the second half of the month.
- The Index options OI for Oct series is indicating that index is likely to remain range-bound for the first part of the series.
- The PCR and VIX are both starting with low numbers indicating positive bias.
- **View: The index is likely to remain range-bound in the first half of Oct series with important supports placed at 19500-19000 levels and resistance at 19700-20000 levels.**



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

ONGC, HDFCLIFE, TATASTEEL, HCLTECH, INFY.

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

RELIANCE, AARTIIND, ADANIPORTS, VEDL,COLPAL.

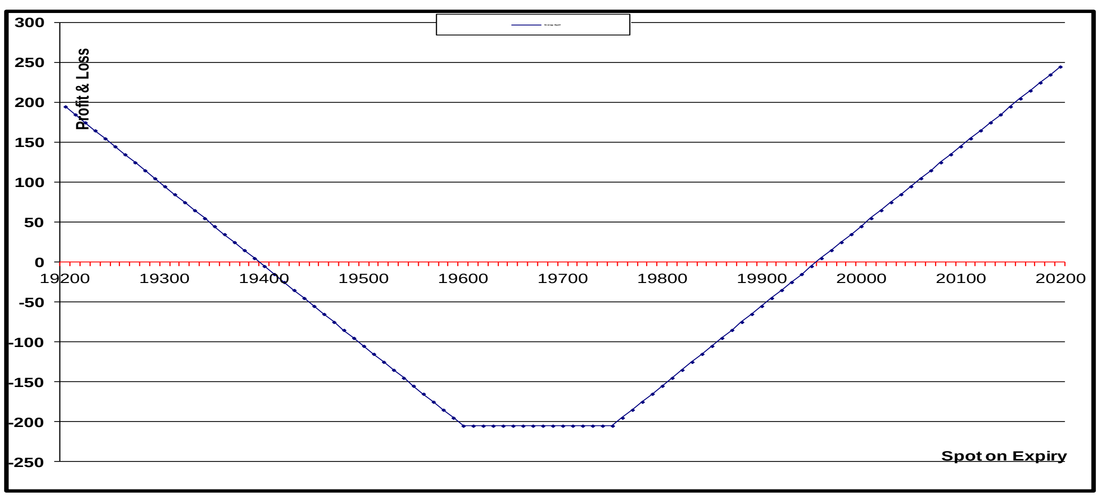
Long Strangle on NIFTY (CMP 19640)

Buy NIFTY 12OCT 19750CE at 100 (weekly expiry)

Buy NIFTY 12OCT 19600PE at 105 (weekly expiry)

- Total Premium Outflow & Max Loss: 205 pts, Target: 320 pts, Max Gain : Unlimited, SL:160, Lot size: 50.

- Nifty has been trading in the range of 19500-19800 , while india vix a volatility index is still trading below the resistance of 13.5 if the resistance is broken then the volatility is likely to increase which will create a decent profits in the strategy. A 250 point move in either direction will help the index gain profits.



Profit/Loss at different prices	
NIFTY	**Profit/Loss**
18900	24750
19100	14750
19300	4750
19500	-5250
19700	-10250
19900	-2750
20100	7250
20300	17250
20500	27250
20700	37250

beyond Powered by NIRMAL BANG a relationship beyond broking

DERIVATIVES STRATEGY

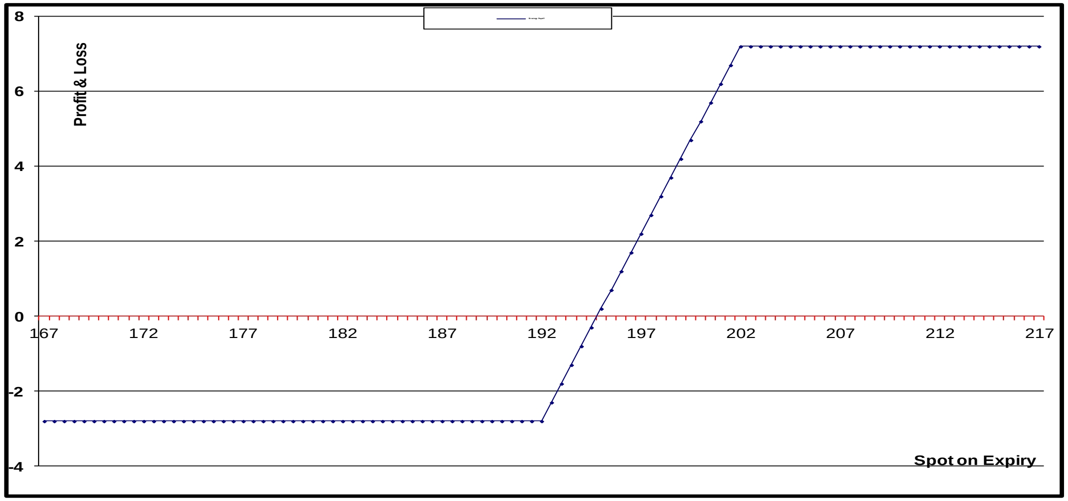
ONGC

Bull Call Spread on ONGC (CMP 191.5)

Buy ONGC 26 OCT 192 CE at 4.5

Sell ONGC 26 OCT 202 CE at 1.7

- Total Premium Outflow & Max Loss: 2.8 pts, Target & Max Gain : 7.2 pts, SL :0.5, Lot size:3850.
- The Stock has witnessed addition of long positions which have been rolled over to current month. There has been continuous addition of OI positions near ATM strikes with strong range of Iv’s additions on call buyers front against put buyers till the range of 202-205 indicating positive outlook for the stock. The stock is likely to witness good buying in the current month leading to good profits in the strategy.



Profit/Loss at different prices	
ONGC	Profit/Loss
176	-10780
180	-10780
184	-10780
188	-10780
192	-10780
196	4620
200	20020
204	27720
208	27720
212	27720

RESEARCH TEAM

FUNDAMENTAL TEAM			
Name	**Sectors**	**E-mail**	**Numbers**
Sunil Jain	Head Equity Research – Retail	sunil.jain@nirmalbang.com	6273 8195/96
Jehan Bhadha	Banks & NBFC, Auto, Capital Goods	jehankersi.bhadha@nirmalbang.com	6273 8174
Akansha Jain	IT, Logistics, Media	akansha.jain@nirmalbang.com	6273 8034
Priyanka Baliga	Chemicals, FMCG	priyanka.baliga@nirmalbang.com	6273 8177
Archi Jain	Associate	archi.jain@nirmalbang.com	6273 8149
Palak Jain	Management Trainee	palak.jain@nirmalbang.com	6273 8171
Shivani Walam	Database Management	Shivani.walam@nirmalbang.com	6273 8091
Saurav Motivaras	Database Management	Saurav.Motivaras@nirmalbang.com	6273 8054
Darxit Jain	Database Management	darxit.jain@nirmalbang.com	6273 8054

TECHNICAL AND DERIVATIVES TEAM			
Vikas Salunkhe	Sr. AVP-Technical Analyst	vikas.salunkhe@nirmalbang.com	6273 8254
Swati Hotkar	AVP - Technical Analyst	swati.hotkar@nirmalbang.com	6273 8255
Nirav Chheda	AVP- Derivatives & Technical Analyst	nirav.chheda@nirmalbang.com	6273 8199
Amit Bhuptani	Derivatives & Technical Analyst	amit.bhuptani@nirmalbang.com	6273 8242
Ayush Mehta	Technical Analyst	ayush.mehta@nirmalbang.com	6273 8061

DISCLOSURE

Research Reports that are published by Nirmal Bang Securities Private Limited (hereinafter referred to as "NBSPL") are for private circulation only. NBSPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001766. NBSPL is also a registered Stock Broker with National Stock Exchange of India Limited, BSE Limited, Metropolitan Stock Exchange of India Limited, Multi Commodity Exchange of India Limited and , National Commodity and Derivative Exchange Limited in Capital Market , Equity and Commodities derivatives segments and Currency Derivatives Segment .

NBSPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBSPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market since last 20 years. NBSPL, its associates or analyst or his relatives do not hold any financial interest (Except Investment) in the subject company. NBSPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBSPL or its associates or Analyst or his relatives may or may not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBSPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBSPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company. NBSPL / analyst has not been engaged in market making activity of the subject company.

Analyst Certification: The research analysts and authors of these reports, hereby certify that the views expressed in this research report accurately reflects my/our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s) principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

DISCLAIMER

The Research Report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice. NBSPL is not soliciting any action based upon it. Nothing in the research report shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing the research report, we did not take into account the investment objectives, financial situation and particular needs of the reader.

The research report has been prepared for the general use of the clients of NBSPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in the research report in any way. Though disseminated to all the customers simultaneously, not all customers may receive the research report at the same time. NBSPL will not treat recipients as customers by virtue of their receiving the research report. The research report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBSPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBSPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in the research report. NBSPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of the research report should rely on their own investigations.

This information is subject to change without any prior notice. NBSPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBSPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

DISCLAIMER

MONTHLY REPORT

Before making an investment decision on the basis of research report, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBSPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of the research report and/or further communication in relation to the research report. Here it may be noted that neither NBSPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in the research report.

Our reports are also available on our website *www.nirmalbang.com*

Registration granted by SEBI and certification from NISM in no way guarantee performance of NBSPL or provide any assurance of returns to investors.

Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)
B-2, 301/302, Marathon Innova,
Opp. Peninsula Corporate Park
Off. Ganpatrao Kadam Marg
Lower Parel (W), Mumbai-400013
Board No. : 91 22 6723 8000/8001
Fax. : 022 6723 8010