Yearly Technical Outlook 2023

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Nifty's Decade: CY30 Target @50000

ICICI direct Research

Technical Outlook: Nifty CMP - 18420

CY30 Target @ 50000

❑ India's decade, ride with conviction

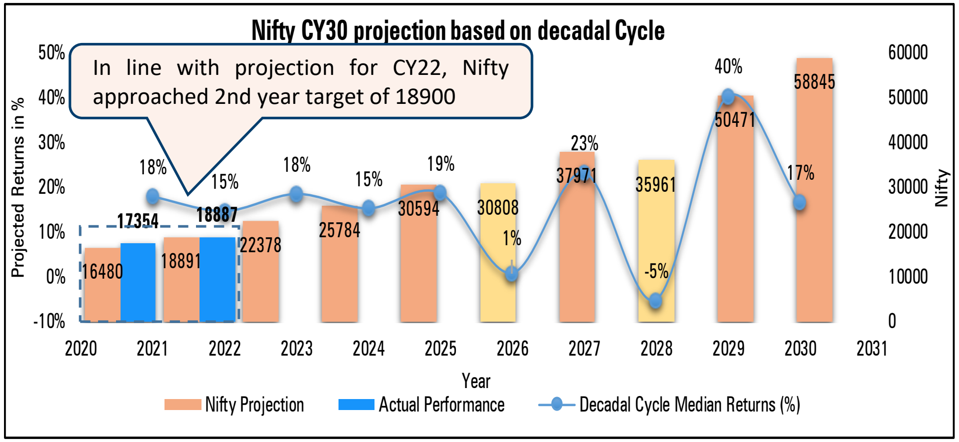
History does not repeat but it rhymes: Indian equities are likely to display the same rhythm that the US and Nikkei did in 1990-2000 and 1980-1990, respectively, i.e. delivering a decadal move of 5x on headline indices. Our prognosis of various Technical studies leads us to the conclusion that the Nifty is poised to reach **towards 50000 by CY30. More so, the performance of 2021 and 2022 further adds strength to our argument given the Nifty is mimicking our forecast trajectory. What is more exciting is that we are entering 2023, which, as per decadal studies, has turned out to be a strong year**

Such long term trends often have to navigate through bouts of volatility. For an instance, in our CY18 strategy report we projected Nifty @ 19000 by 2022. Nifty achieved our target despite Covid related volatility

i) Decadal cycle: Since inception in 1979, the Sensex gained average 4x in each decade. From CY20 close of 13981 (Nifty) similar projection leads to ~56,000

ii) Relative ratio breakout against MSCI world: In each of the three earlier instances, ratio breakout was followed by the index gaining at least 3x post breakout (current breakout in May 2022 at 16585, projects 50,000 for the Nifty in the current decade)

Globally, across the US, Europe and Asian markets, similar ratio breakouts over past four decades, were followed by minimum 3x returns over the years



Source: Bloomberg, ICICI Direct Research

CY23 Target @ 21400

❑ Prognosis for CY23

The Nifty target for CY23 is placed at 21400 while strong support is placed at 16200 levels. Our prognosis is well supported by:

a) Seasonality: Over the past four decades, third year returns of each decade have been positive with median of 18%. CY22 projection based on this cycle of 18900 has been achieved, adding credence to the cycle study. Similar target from a CMP of 18420 projects target of 21720. Additionally, 70% of the times a pre-election year has generated positive returns

b) Conventional chart work: Breakout from 13 month range (18300-15200) projecting 21400

c) Long term breadth thrust: Over the past two decades, on eight out of 10 occasions, 60% of Nifty 500 constituents, rising above 200 day moving average (DMA) has triggered average 25% returns in the Nifty in subsequent 12 months

❑ Mid/small caps to outperform large caps

Relative outperformance of midcap universe is in mid-cycle of a multi year bull phase. We expect this outperformance to get further amplified over the next couple of years, and gain around 20% in CY23.

Sectors in focus: BFSI, Auto, PSU, Capital Goods & Infra, Telecom while IT provides favourable risk reward

***CY22 Performance - Recommendations: 9 Strike rate: 89% Average gain: 22%**

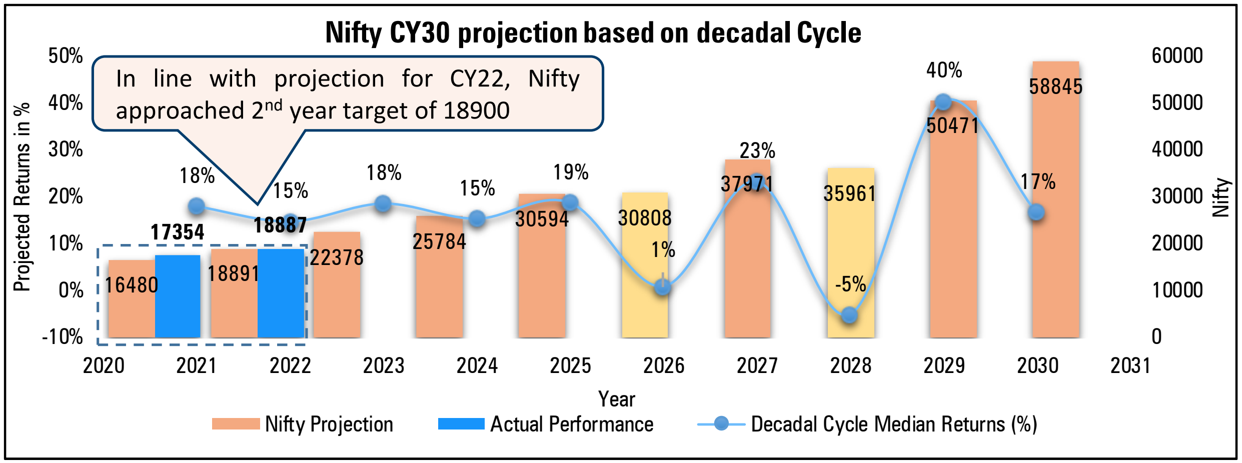
Techno-Funda Top Picks — **Time Frame: 12 Months**

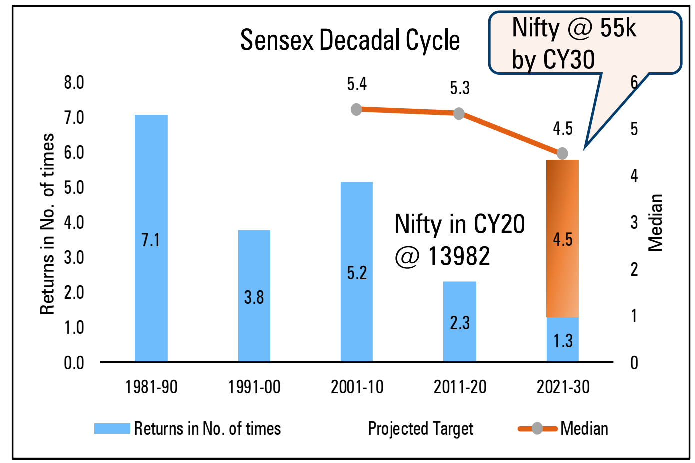
Scrip	I-Direct Code	Market Cap	Buying Range	Target	Upside (in %)
Larsen & Toubro	LARTOU	3,07,072	2110-2185	2,520	16
Ambuja Cements	AMBCE	1,12,169	545-572	660	17
Bosch	BOSLIM	51,696	16800-17800	22,000	26
Federal Bank	FEDBAN	28,936	132-140	168	23
Sundaram Finance	SUNFIN	26,735	2290-2420	2,890	21
Bajaj Electricals	BAJELE	13,075	1110-1160	1,440	26
KEC International	KECIN	12,270	460-490	598	25
Mishra Dhatu Nigam	MISDHA	4,215	215-230	295	31
Techno Electric & Eng	TECEEC	3,502	305-320	410	30

* Market cap as per BSE as on 19th December 2022

Deciphering decadal cycle of Indian equities

- Since inception in 1979, the Sensex returns for each of the four decades has been 4x (median value). The study helps investors to form a larger perspective and stay the course during times of turbulence. As can be seen in the below chart, despite a host of negativity around geopolitical worries along with higher inflation and interest rates, the Nifty stayed the course by achieving its projected target of 18900 for CY22
- Projection for current decade (CY21-30) on the basis of CY20 close (Nifty:13982) works out to around 55,000
- Empirically, third and fourth year of the decade has always been positive with acceleration in returns to higher teens (median values)
- It is worth noting that such returns do not come in a linear fashion and corrections of around 20% along the way have always been a buying opportunity



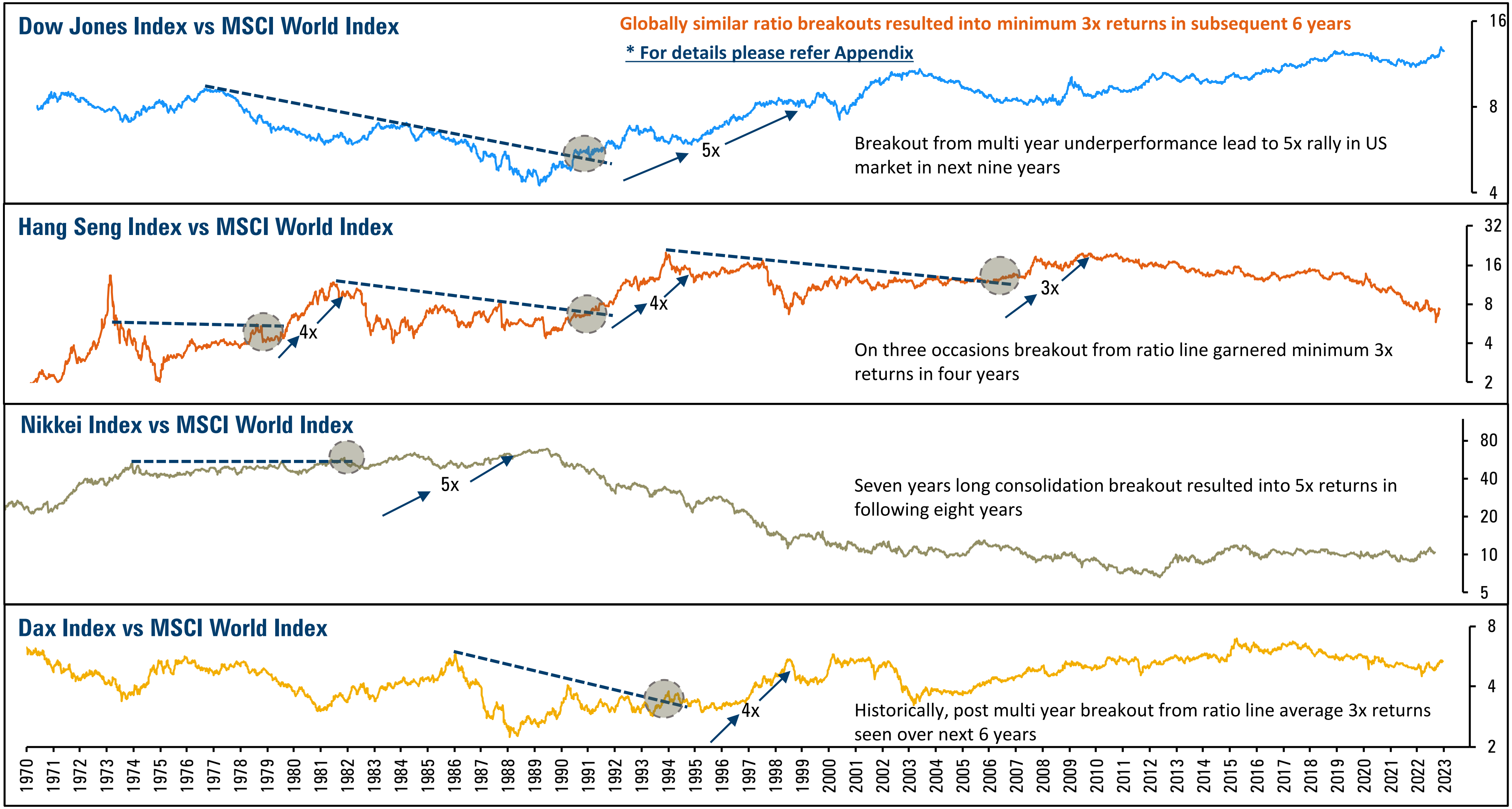


Decade / Year	1	2	3	4	5	6	7	8	9	10
1981-1990	54%	4%	7%	7%	94%	-1%	-16%	51%	17%	35%
1991-2000	82%	37%	28%	17%	-21%	-1%	19%	-16%	64%	-21%
2001-2010	-18%	4%	73%	13%	42%	47%	47%	-52%	81%	17%
2011-2020	-25%	26%	9%	30%	-5%	2%	28%	6%	14%	16%
Positive Instances	50%	100%	100%	100%	50%	50%	75%	50%	100%	75%
2021-2030	2021	2022								
Returns	22%	7%								
Average	23%	17%	29%	17%	28%	12%	19%	-3%	44%	12%
Median	18%	15%	18%	15%	19%	1%	23%	-5%	40%	17%

Historically, in all decades second, third, fourth, ninth year have posted positive returns of 15%, 18%, 15%, 40%, respectively (median values)

Source: Bloomberg, ICICI Direct Research

History of global mega bull trends



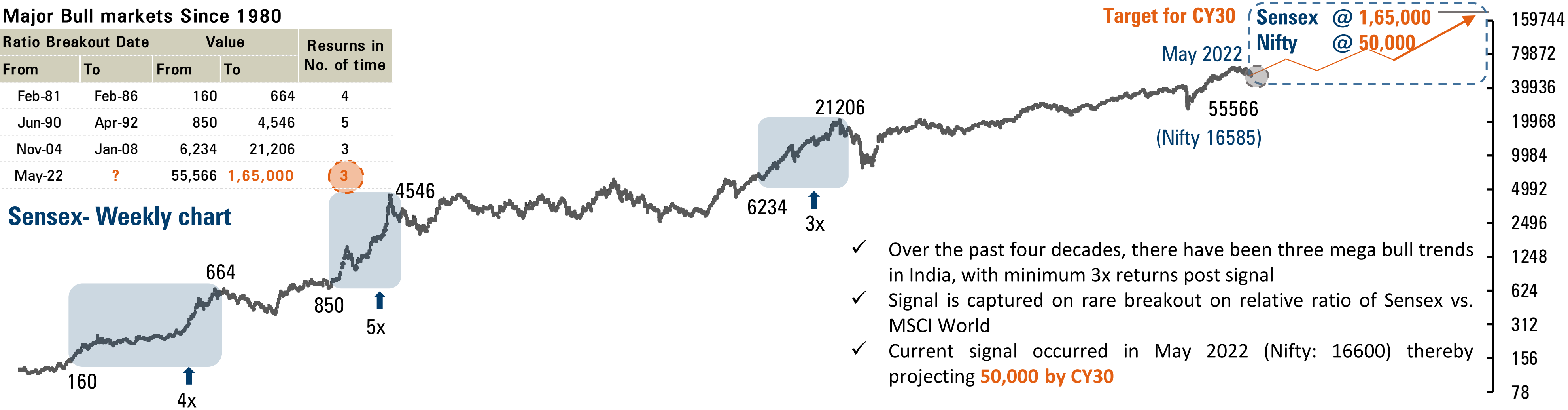
Source: Bloomberg, ICICI Direct Research

History of mega bull trends and projection for CY30

Major Bull markets Since 1980

Ratio Breakout Date		Value		Resurns in No. of time
From	To	From	To	
Feb-81	Feb-86	160	664	4
Jun-90	Apr-92	850	4,546	5
Nov-04	Jan-08	6,234	21,206	3
May-22	?	55,566	1,65,000	3

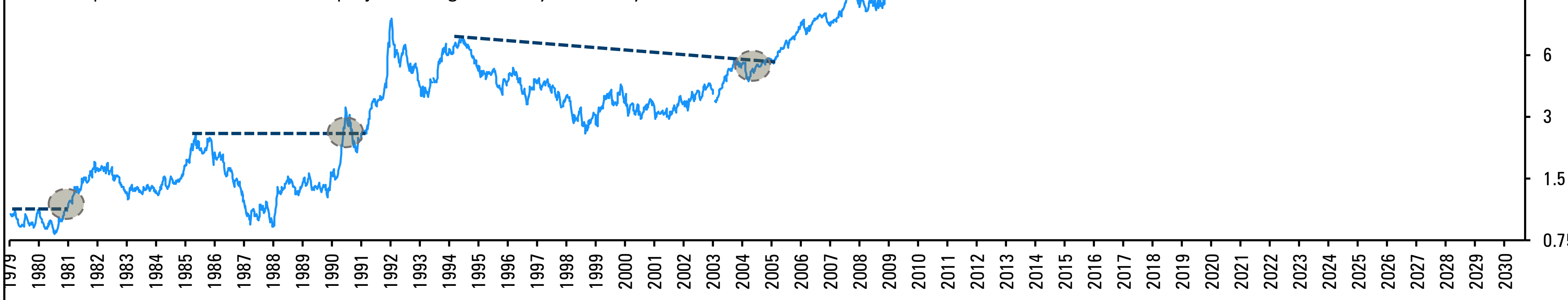
Sensex- Weekly chart



- ✓ Over the past four decades, there have been three mega bull trends in India, with minimum 3x returns post signal
- ✓ Signal is captured on rare breakout on relative ratio of Sensex vs. MSCI World
- ✓ Current signal occurred in May 2022 (Nifty: 16600) thereby projecting **50,000 by CY30**

Sensex vs MSCI World Index

Current breakout suggesting that the Indian market is in an early stage of multi year outperformance with minimum projected target on Nifty ~50000 by CY30



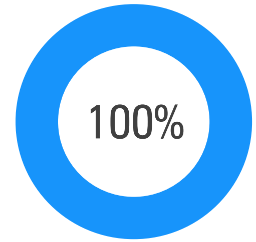
Source: Bloomberg, ICICI Direct Research

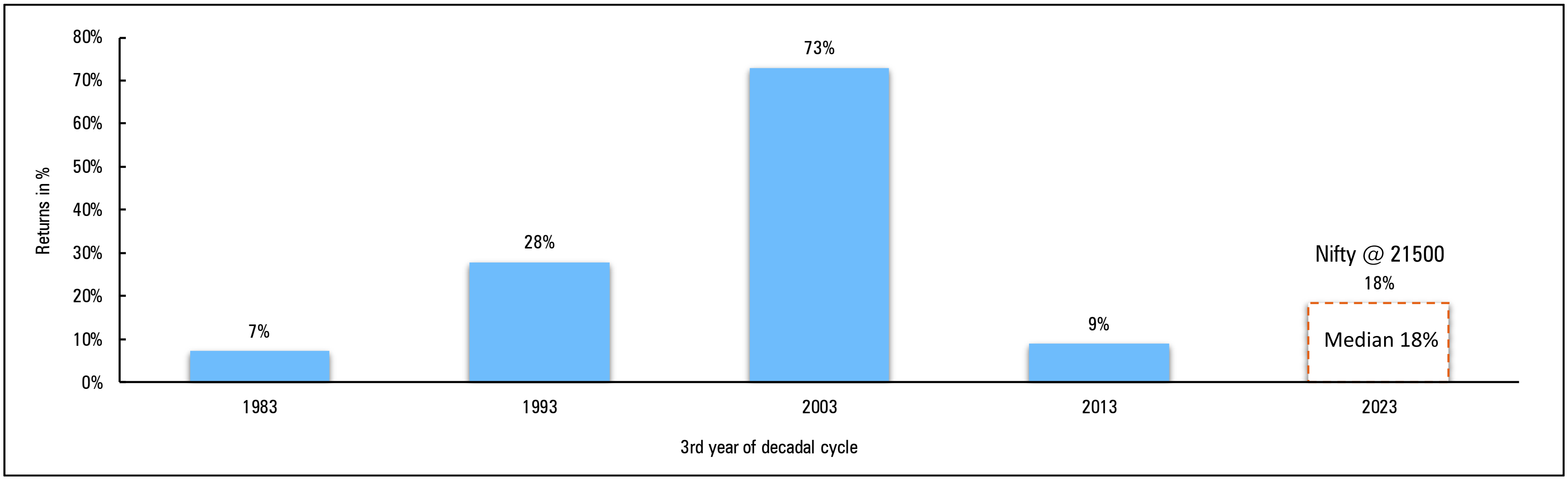
Zeroing down on CY23

Seasonality favours bulls in CY23…

Third year of decadal cycle

- We have highlighted the Decadal cycle earlier in the report
- The projection for the first two years of the decade has panned out in line with the decadal cycle study
- As we enter 2023, the third year have always produced positive returns with a median of 18%, highlighting bulls are in charge in the third year of the decadal cycle

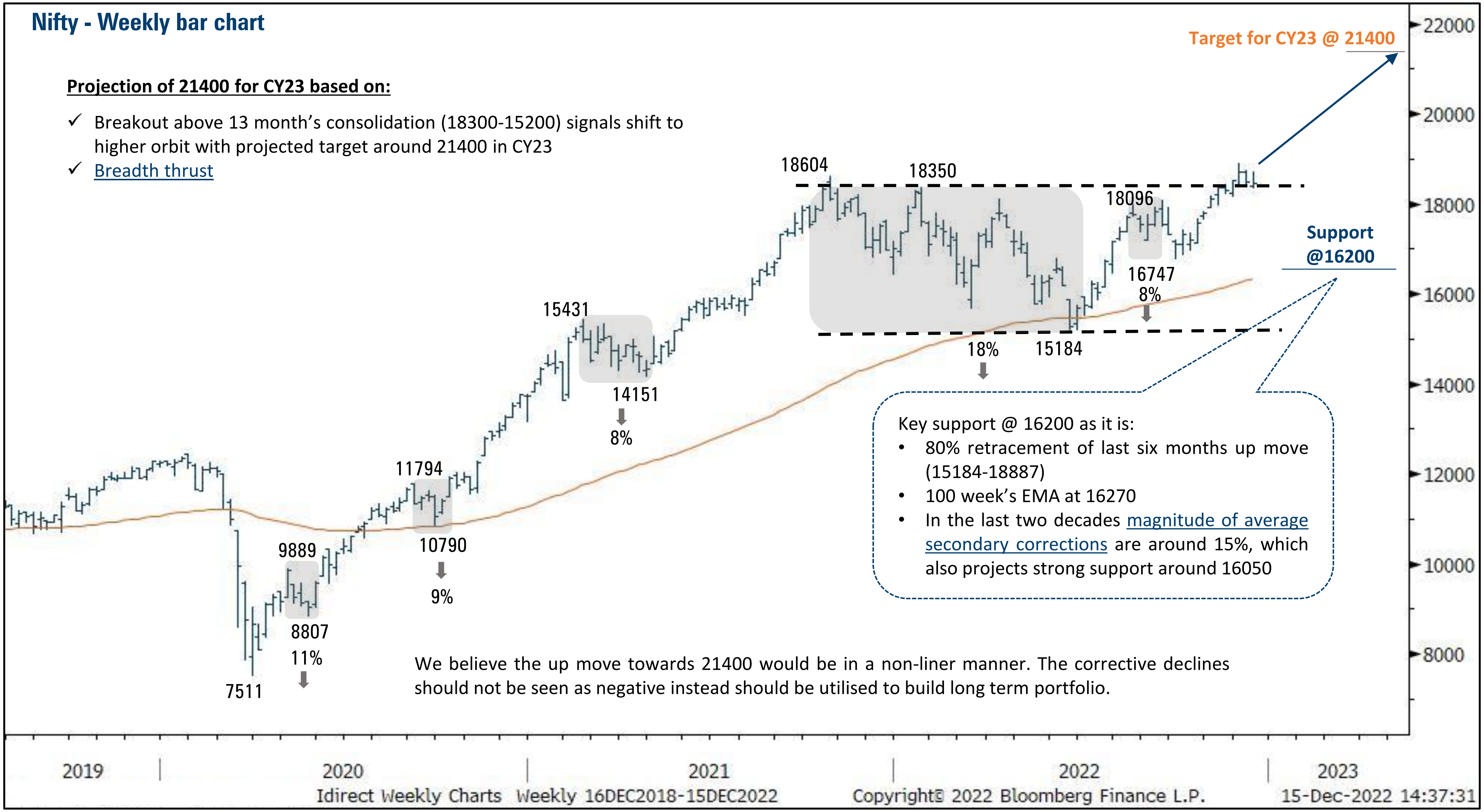




Source: Bloomberg, ICICI Direct Research

Nifty @ 21400 in CY23 as per conventional methods….

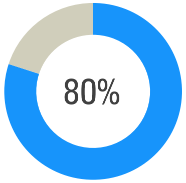
ICICI direct Research



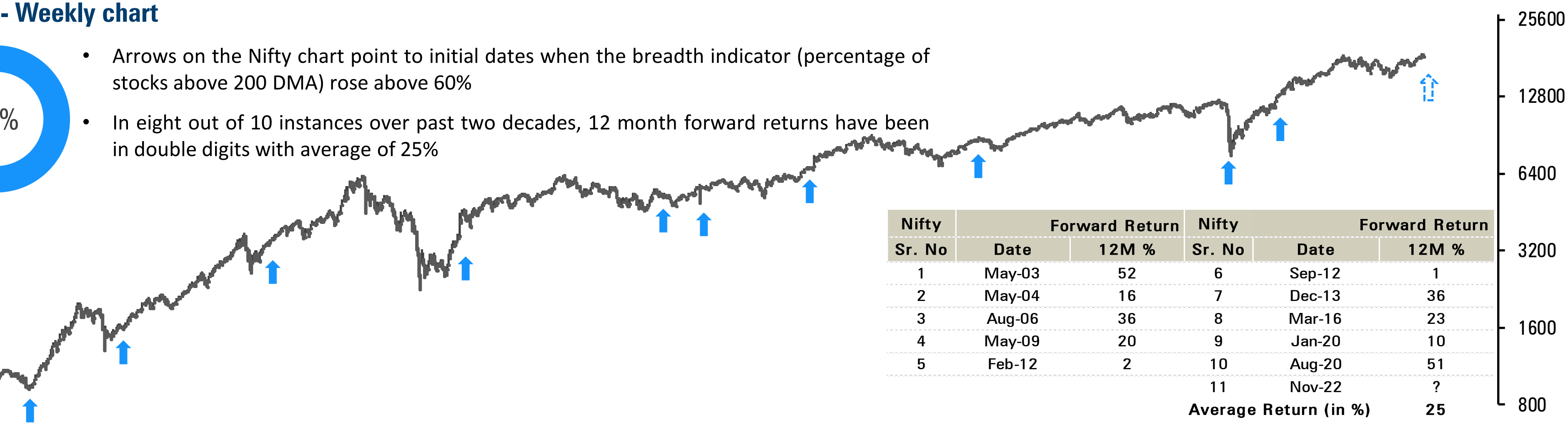
Source: Bloomberg, ICICI Direct Research

Validated by breadth thrust

Nifty - Weekly chart



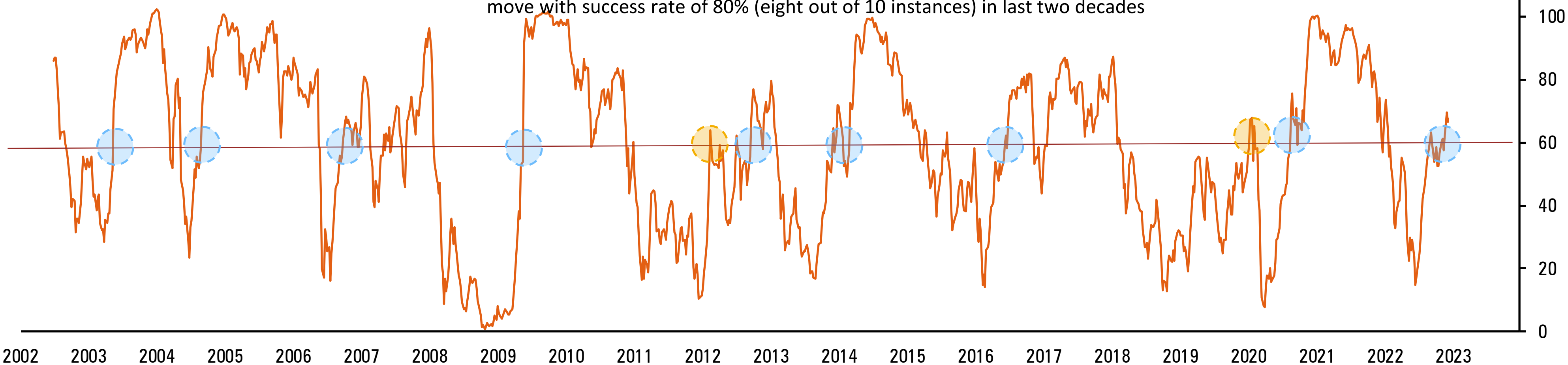
- Arrows on the Nifty chart point to initial dates when the breadth indicator (percentage of stocks above 200 DMA) rose above 60%
- In eight out of 10 instances over past two decades, 12 month forward returns have been in double digits with average of 25%



Nifty	Forward Return		Nifty	Forward Return	
Sr. No	Date	12M %	Sr. No	Date	12M %
1	May-03	52	6	Sep-12	1
2	May-04	16	7	Dec-13	36
3	Aug-06	36	8	Mar-16	23
4	May-09	20	9	Jan-20	10
5	Feb-12	2	10	Aug-20	51
			11	Nov-22	?
			Average Return (in %)		25

Nifty 500 % of stocks above 200 DMA

In Nifty 500 percentage of stocks above 200 DMA is sustaining above 60. Historically, it has led to acceleration of up move with success rate of 80% (eight out of 10 instances) in last two decades



Source: Bloomberg, ICICI Direct Research

Benchmark to perform well in Pre-Election year…

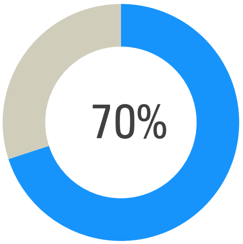
Union election cycle

Election cycle is a major phenomena in the equity markets. It is divided into four parts - election year, post- election year, midterm years and pre-election year.

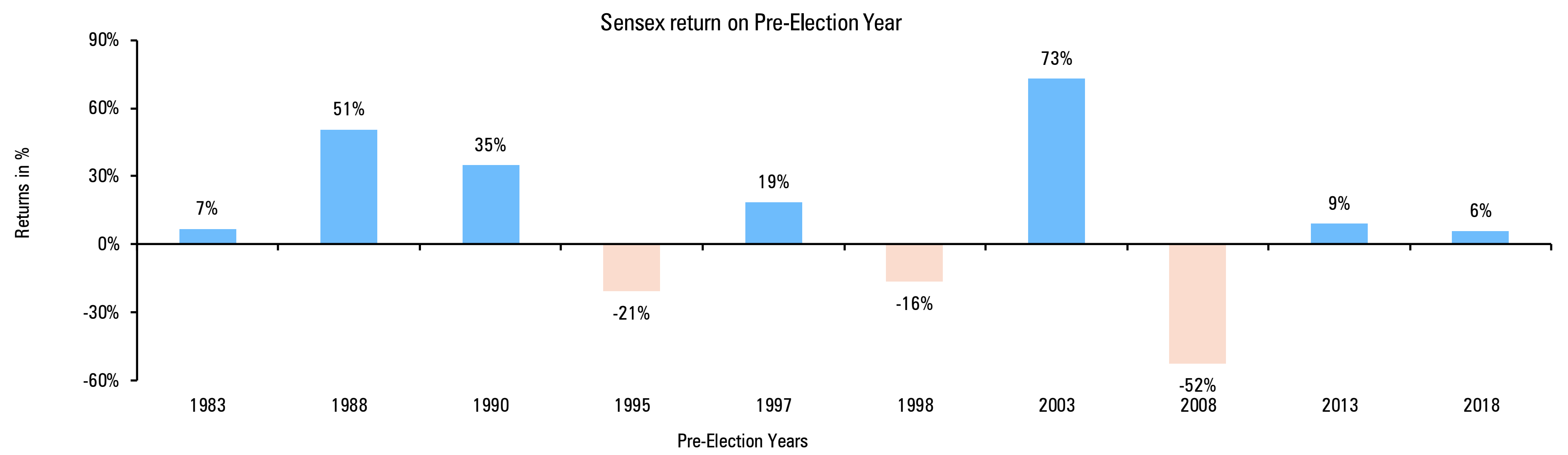
Indian equity markets have also highlighted certain characteristics depending upon the election cycle that is currently prevalent.

CY23 being a pre-election year will have a significant bearing on sentiments in equity markets. It has been observed that benchmark indices have performed relatively well in pre-election year.

The index has generated positive return in seven out of the 10 instances. Out of the three negative return instances, two were during 1995 and 1998 when there was an unstable political scenario in India while the other one was during the Global Financial crises of 2008

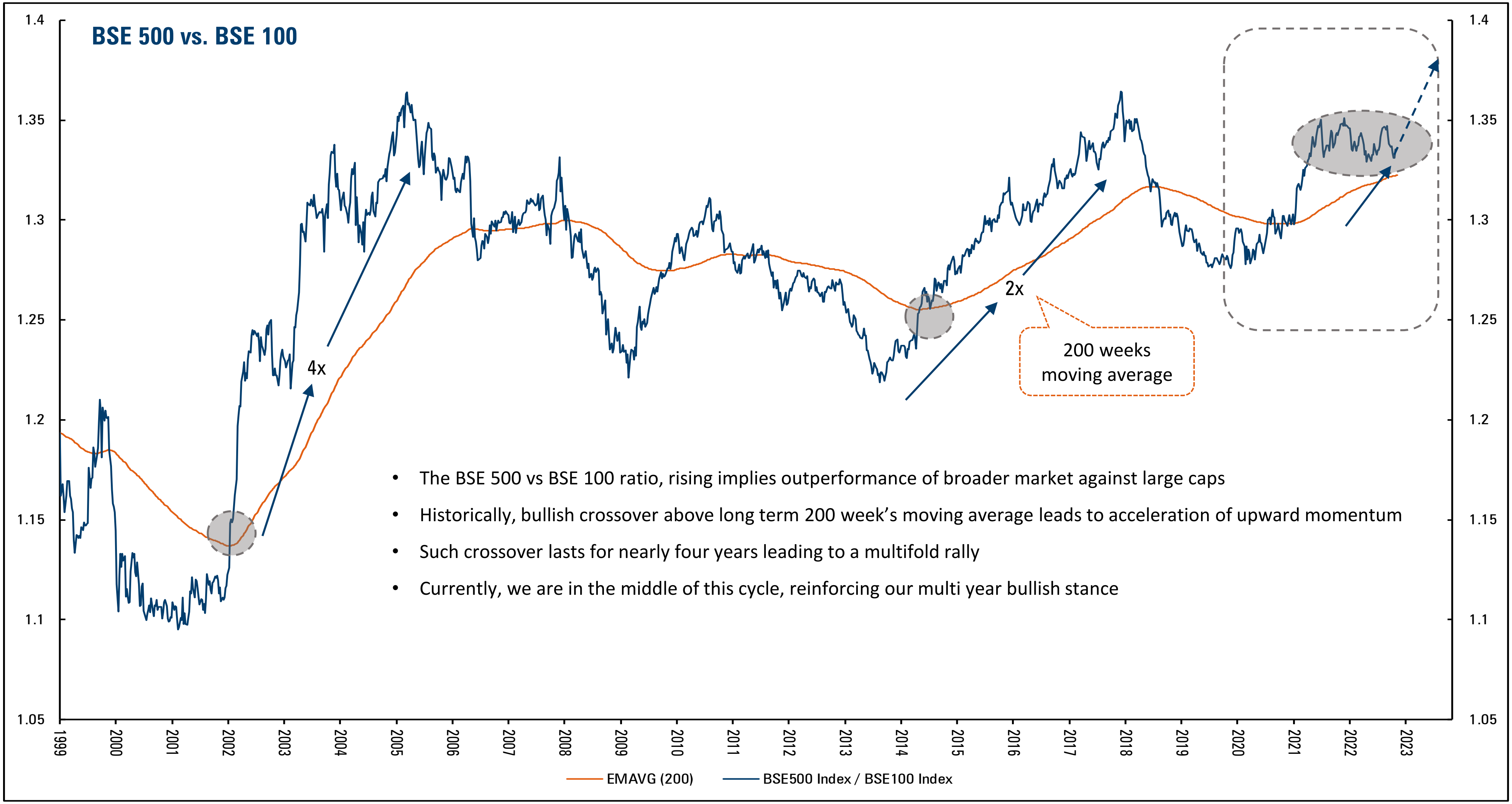


Over the past four decades, 70% of the time the index posted positive returns in pre-election year



Source: Bloomberg, ICICI Direct Research

Midcap/small cap to outperform large caps



- The BSE 500 vs BSE 100 ratio, rising implies outperformance of broader market against large caps
- Historically, bullish crossover above long term 200 week's moving average leads to acceleration of upward momentum
- Such crossover lasts for nearly four years leading to a multifold rally
- Currently, we are in the middle of this cycle, reinforcing our multi year bullish stance

Source: Bloomberg, ICICI Direct Research

Top Picks for CY23

Stock selection: Based on categorisation…

High Relative strength

- Stocks with high relative strength that are expected to outperform the benchmark
- Strong uptrends on longer degree charts

Sectors

BFSI, Capital goods, Defence, Telecom

Multi-Year Breakout

- Under owned stocks and sectors, which remained out of favour over several years with now prices breaking out of multi year highs with significant volumes

Sectors

PSU, Auto & Auto ancillaries, Hospitality

Bargain Buy

- Stocks placed around major support and currently out of favour
- Oversold on medium term charts and provides good risk/reward set up
- Primary structural trend is up

Sectors

Pharma& Chemicals, IT, Consumer Discretionary, Chemicals, Insurance, Oil & Gas, Infra

Market Performer

- Stocks, which are expected to perform in line with overall market movement
- Primary trend is up but lag on relative strength score

Sectors

Retail, Consumer Staples, Metals

Top Picks for CY23

- ✓ **Larsen & Toubro**
- ✓ **Ambuja Cements**
- ✓ **Bosch**
- ✓ **Federal Bank**
- ✓ **Sundaram Finance**
- ✓ **Bajaj Electricals**
- ✓ **KEC International**
- ✓ **Mishra Dhatu Nigam**
- ✓ **Techno Electric & Engineering**

- We have sliced the NSE universe of stocks into four categories based on time tested technical parameters covering classic patterns, relative strength ranking, Fibonacci price projection techniques, moving averages and oscillators
- We believe that top two buckets of high relative strength and multi year breakouts provide highest potential of outperformance

Click here for Stock details…

Source: ICICI Direct Research

Stock selection: Based on categorisation…

High Relative strength

Auto and Auto Ancillary : Escorts , M&M, Maruti, Gabriel
BFSI : Axis Bank , SBIN, Indian Bank
Capital Goods : ABB, ACE, Kabra Extrusion, **L&T**, Siemens, Timken
Consumption : Britannia Industries, Trent
Defence : BEL, BDL, HAL, Mazagon Dock
Infra & Logistics : **Ambuja Cements**, JK Lakshmi Cement, Adani Ports
Metal : JSW Steel, JSL, Ratnamani Metals
Pharma & Chemicals : Sun Pharma, Torrent Pharma, Aster DM, Vinati Organics,
Real Estate : Phoenix Mills, Prestige Estates
Technology : KPIT Technologies, Affle, Redington
Telecom : Bharti Airtel
Hospitality : Indian Hotel
Others : Adani Enterprises, Shoppers Stop, KKCL

Multi-Year Breakout

Auto and Auto Ancillary : Apollo Tyres , **Bosch**, Bharat Forge, Eicher Motors, Mahindra CIE , Rico Auto
BFSI : Bank of Baroda, **Federal Bank** , CUB, M&M Finance
Capital Goods : HBL Power, **KEC**, Sanghvi Movers, TWL, **Techno Electric & Eng**
Consumption : ITC
Defence : Cochin Shipyard, **Midhani**
Metal : VSSL
PSU : RCF, Concor, RVNL, REC, IRCON
Real Estate : DLF
Telecom : Tejas Network
Hospitality : EIH Ltd, VIP, LemonTree

Bargain Buy

Auto and Auto Ancillary : _Balkrishna Industries
BFSI : IndusInd Bank, **Sundaram Finance**
Consumption : Havells, **Bajaj Electricals ,** Voltas
Infra & Logistics : KNR Construction, NCC
Oil & Gas : ONGC, IOC
Metal : Hindalco, Tata Steel, HEG
Pharma & Chemicals : Indoco remedies, Caplin Point, SRF
Technology : Persistent, Coforge
Telecom : Sterlite Technologies
Others : Rallies, Zee, Tata Power, Triveni Engineering

Market Performer

Auto and Auto Ancillary : Tata Motors
BFSI : HDFC Bank , HDFC Life
Consumption : Asian Paints, Titan, United Spirits, Radico Khaitan, Supreme Industries, Polycab
Infra & Logistics : UltraTech Cements, JK Cement
Real Estate : Brigade, Oberoi Realty
Technology : Infosys, TCS
Telecom : Reliance, Tata Communications
Others : Thermax, Sumitomo Chemical, Tata Chemical

*** Stocks highlighted in Orange Colour with Bold are our CY23 recommendations. Stocks are listed in Sector and Alphabetical order**
Note: The list of stocks listed above is selected on the basis of certain statistical and technical models. This report recommends only 9 stocks and other stocks mentioned are only of analysis purpose.

Source: Bloomberg, ICICI Direct Research

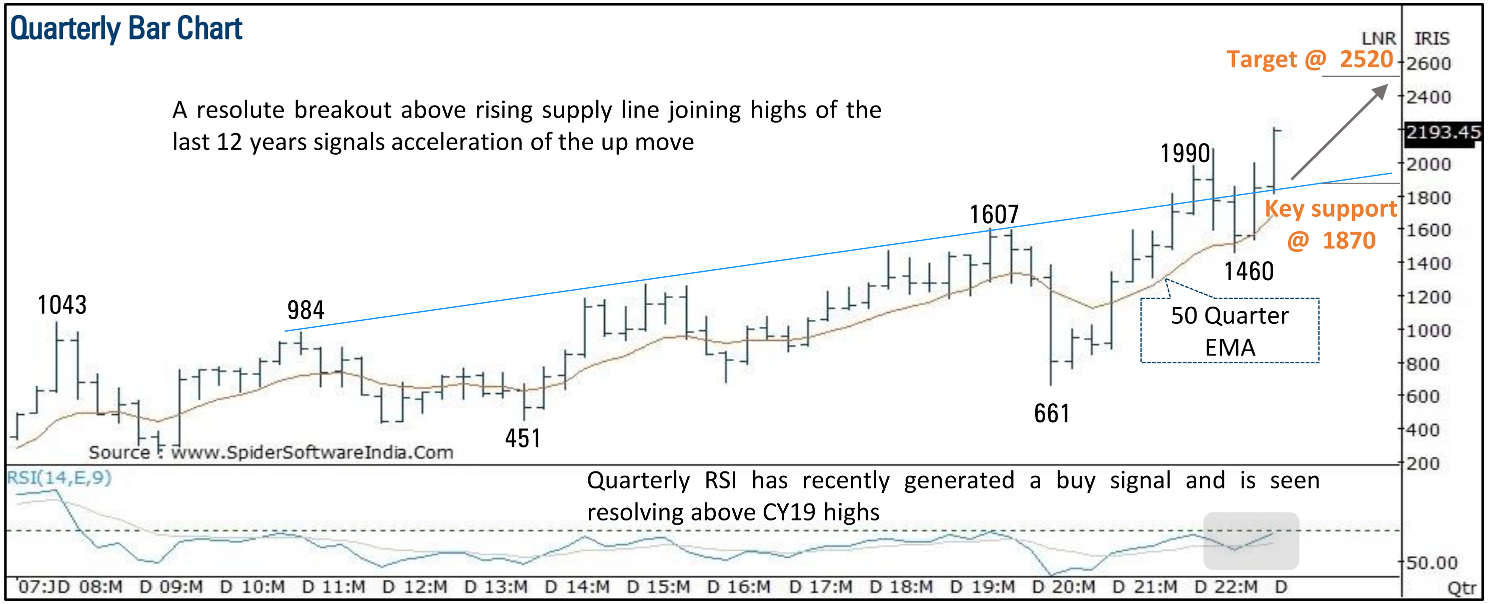
Click here to go to top

Larsen & Toubro (LARTOU): Secular uptrend to get bolstered

Technical Outlook

- The BSE capital good index extended its uptrend after coming out of 13 years of hibernation in CY21 exhibiting strength. Our preferred pick within the large cap capital goods space is Larsen & Toubro as it has logged a resolute breakout above 12 year's long rising supply line joining highs since CY10 (₹ 1043) highlighting acceleration of up move
- Post breakout the uptrend is well defined by stronger rallies and shallow retracements, key ingredient of structural bull phase
- We expect the stock price to head towards ₹ 2520 levels as it is the measuring implication of the recent broad range (₹ 1990-1460)

Rec. Price	2110.00-2185.00	Target	2520.00	Upside	16%



Recommendation initiated on i-click to gain at 14:29 on December 19, 2022

Time Frame: 12 Months

Fundamental Outlook

- Larsen & Toubro (L&T) is India's largest engineering & construction (E&C) company, with interest in EPC projects, hi-tech manufacturing and services. The company primarily operates in infrastructure, heavy engineering, defence engineering, power, hydrocarbon, services business segments
- With a pick-up in capex cycle and diversified segmental exposure, we believe L&T is best capex play in the large cap capital goods segment. The company is optimistic about meeting its 15% growth guidance for revenue and order inflow in FY23. L&T has targeted revenues and order inflow growth at a CAGR of 15% and 14%, respectively, over FY21-26 with a consolidated RoE of 18%
- Focus on asset monetisation to further strengthen the balance sheet and improve return ratios. L&T has strong b/s, controlled working capital and strong cash generation. In the medium term, with order backlog of ₹ 370000 crore coupled with improving margin profile and literally net debt free standalone balance sheet, we expect strong earnings CAGR of 16.2% over FY22-24E. The key concern on L&T metro projects is also in the resolution stage, which will further lighten up the balance sheet and lead to a rerating, going ahead. We value L&T at ₹ 2355 on an SoTP basis

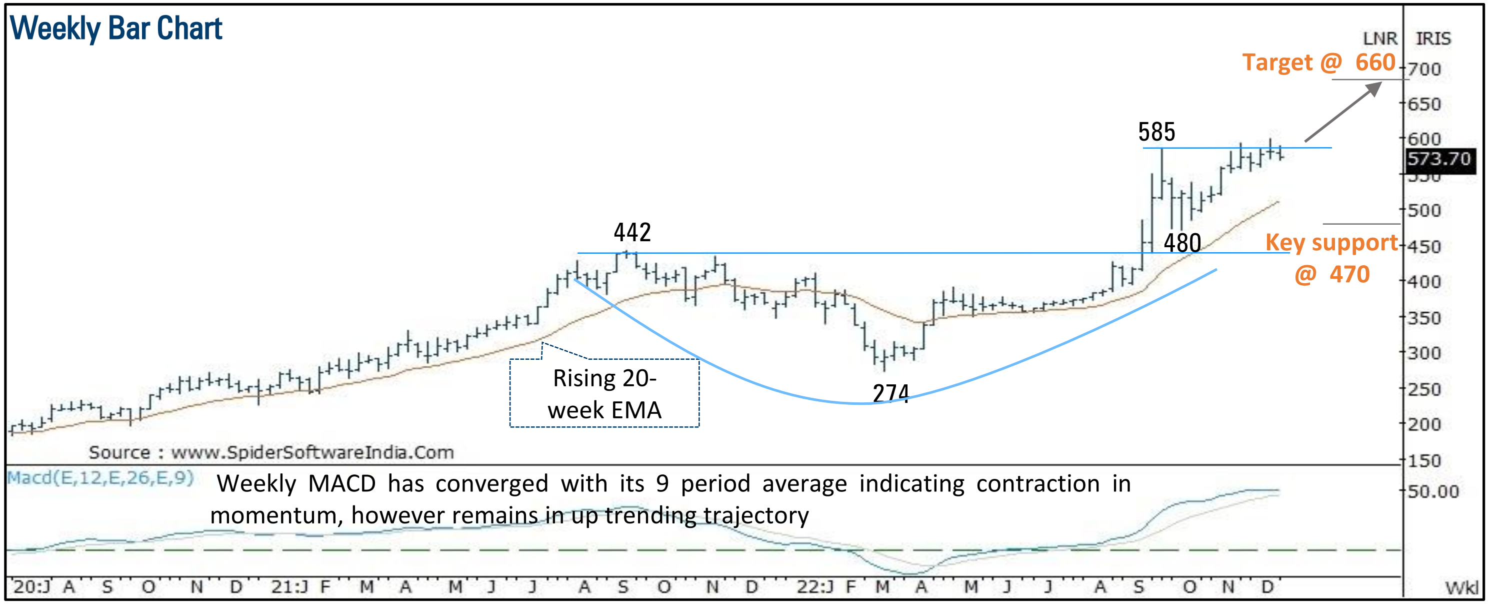
Source: Spider Software, ICICI Direct Research

Ambuja Cements (AMBCE): On cusp of consolidation breakout

Technical Outlook

- Nifty Infra index hit the new high last month after 13 month's consolidation and Ambuja has been key outperformer, with high relative strength
- Key observation has been that stock has given strong breakout in September from large rounding bottom and now placed on the cusp of past two month's consolidation signalling inherent strength and provides entry opportunity
- We expect the stock price to extend its bull trend and head towards ₹ 660 in a gradual manner as projected based on past 10 week's trading range (585-480)

Rec. Price	545.00-572.00	Target	660.00	Upside	17%



Recommendation initiated on i-click to gain at 14:32 on December 19, 2022

Time Frame: 12 Months

Fundamental Outlook

- Ambuja Cement (now Adani group conglomerate) is a large cement player with capacity of 31.5 MT spread across North (35%), South (24%), West (~20%), East (~21%) in India. It has a large marketing set-up & pan-India presence. The new management plans to increase consolidated capacity to ~140 MT in the next five years (i.e. at 16% CAGR). Keeping this in mind, the new board has approved fund infusion of ₹ 20,000 crore by issuing warrants to promoter entity on a preferential basis
- The company is currently investing ₹ 3,500 crore for expansion of 7.0 MT GUs across their existing units at Sankrail and Farakka and at a greenfield location at Barh, in Bihar, supported by a 3.2 MT brownfield clinker expansion at existing integrated plant in Bhatapara, Chhattisgarh. This will enhance its cement capacity by ~8.5 MT to 40 MT by Q4CY24. It has a strong balance sheet. Also, the group's exposure into energy and logistics will help them to improve cost dynamics and gain supply chain efficiencies
- The termination of agreement with Holcim for payment of technology and know-how fees would lead to instant cost savings of 1% of revenues from Q4CY22 onwards

Source: Spider Software, ICICI Direct Research

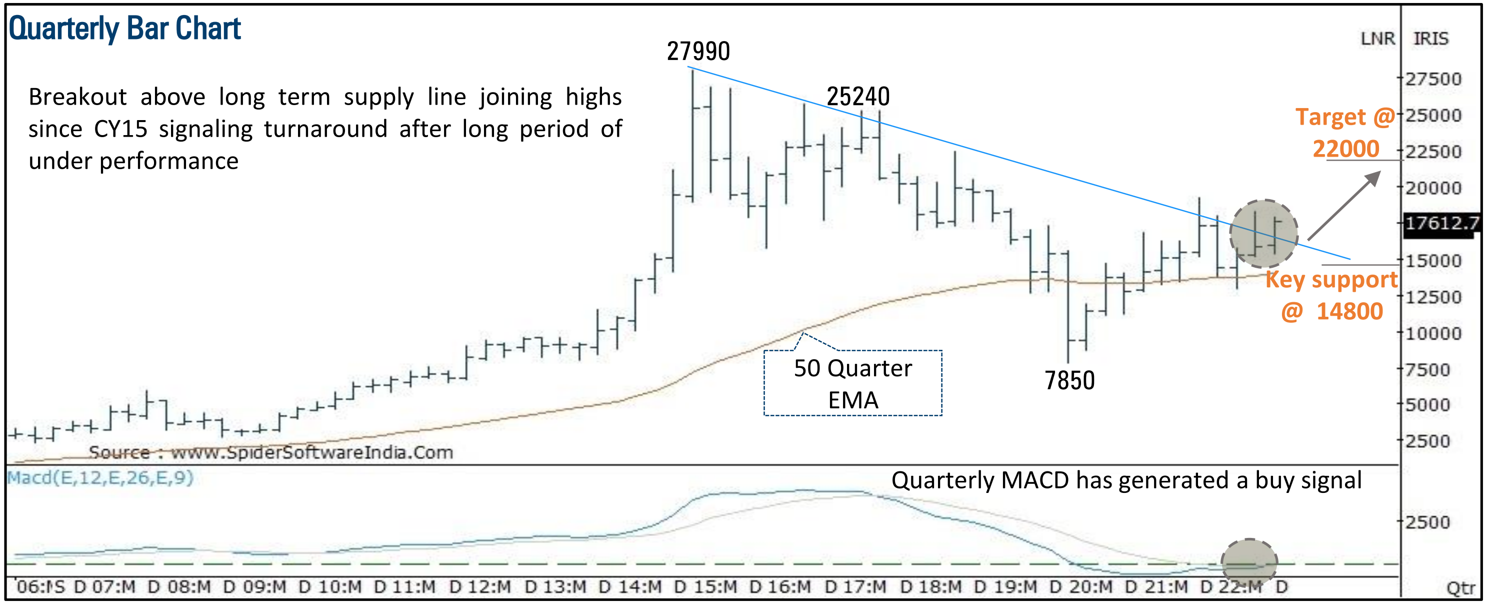
Bosch (BOSLIM): Turnaround after multiyear underperformance…

ICICI direct Research

Technical Outlook

- The auto ancillary space continued its primary up trend. Technically, we are constructive on Bosch, which we expect to outperform as it has generated a breakout above long term supply line joining highs since CY15 (₹ 27990) signalling turnaround after a long period of underperformance
- The stock, during CY22, has consolidated and formed a higher base above 13500 that is 50% retracement of the previous major up move (₹ 7850-19250)
- We expect the stock to head higher towards ₹ 22000 in coming quarters as it is the 80% retracement of CY17-20 decline (25240-7850)

Rec. Price	16800-17800	Target	22000.00	Upside	26%



Recommendation initiated on i-click to gain at 14:59 on December 19, 2022

Time Frame: 12 Months

Fundamental Outlook

- Bosch Ltd (Bosch) is a technology leader providing solutions in automotive, industrial technology, consumer goods, energy & building technology. Mobility solutions (automotive products) comprised ~85% of FY22 sales with share of Business Beyond Mobility pegged at ~15%. Within mobility, it has a large presence in diesel-dependent vehicles (SUVs, CVs) & tractors
- We like Bosch given its leadership positioning in powertrain technology with parent supported ready solutions for Flex Fuel, BS VI phase II transition, EVs and hybrids. The company is poised to benefit from industry tailwinds in the form of healthy volume growth, diesel powertrain gaining traction domestically and incremental role to play amid more stringent emission control norms (BS-VI phase 2 and beyond)
- Amid strong focus on increasing domestic sales with underlying focus on exports (~9-12% of sales), we build in 18.2% sales CAGR over FY22-24E. Operating leverage gains and localisation push is seen aiding margin improvement to 14.5% by FY24E with consequent PAT growth pegged at 23.1% over FY22-24E. With cash positive b/s and capital efficient business model, we have a positive view on the company

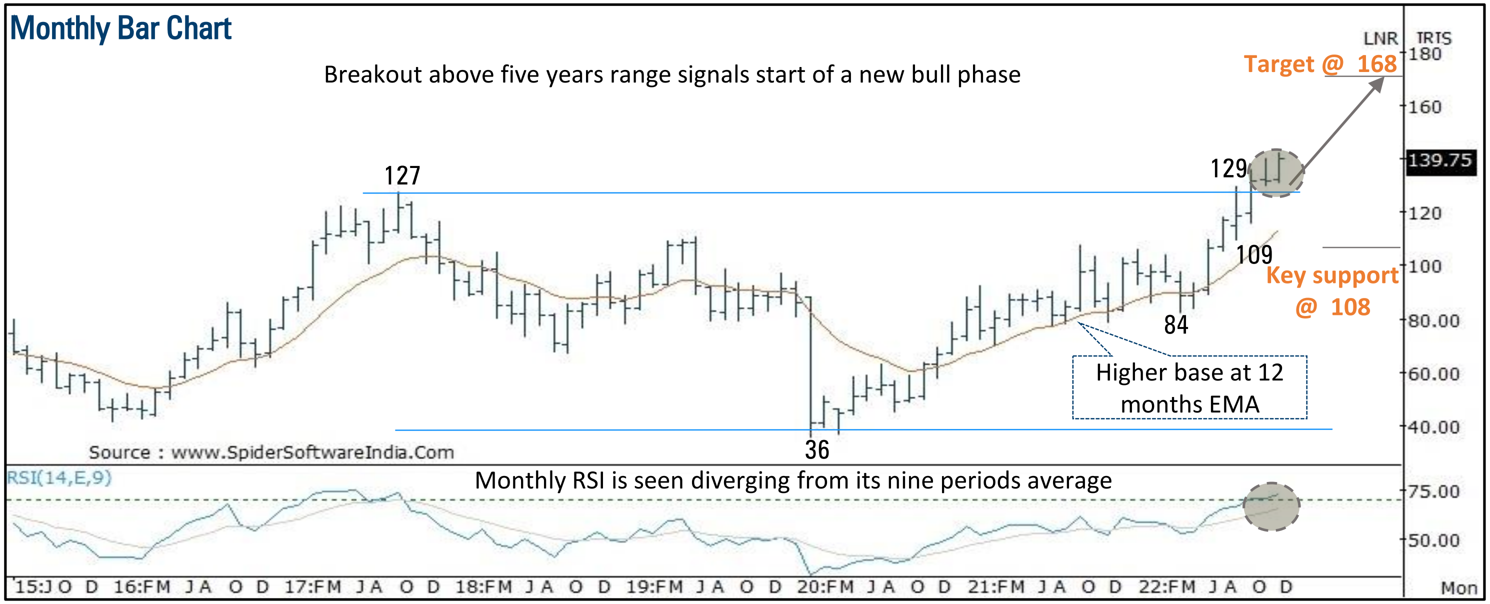
Source: Spider Software, ICICI Direct Research

Federal Bank (FEDBAN): Changing orbit...

ICICI direct Research

Technical Outlook	Rec. Price	132.00-140.00	Target	168.00	Upside	23%

- The banking sector has been spearheading the ongoing bull run, we expect it to continue its outperformance as the Bank Nifty has recently generated a breakout above its 14 months range. Federal Bank is our top pick among midcap banking stocks
- The stock has recently generated a resolute breakout above its last five years range (₹ 127-36) as it resolved above CY17 highs (₹ 127) signalling a start of a new bull phase
- We expect thrust from the recent breakout to lead the share price to ₹ 168 in coming quarters as it is the price parity with the previous up move (₹ 84-129) as projected from September 2022 low of ₹ 109



Recommendation initiated on i-click to gain at 14:34 on December 19, 2022

Time Frame: 12 Months

Fundamental Outlook

- Federal Bank is an old private sector bank based out of Kerala with 1305 branches and 1876 ATM across various states. Federal bank has 1.24% market share in advances with balanced loan mix between retail: wholesale of 54:46
- Robust credit growth in high teens (15-17% CAGR in FY23-24E) and deposits growth in early teens to aid business momentum. Partnerships with fintechs to strengthen liabilities base
- Effective transmission of rate hikes, lower incremental slippages and focus on high yielding products (CV/CE, micro, credit cards & personal loans) to aid margins expected at 3.2-3.3% in FY23-24E
- Sustainable business growth, steady margins and credit cost at <1% to enable healthy RoA of ~1.25% in FY23-24E. Hence, we remain positive on the stock

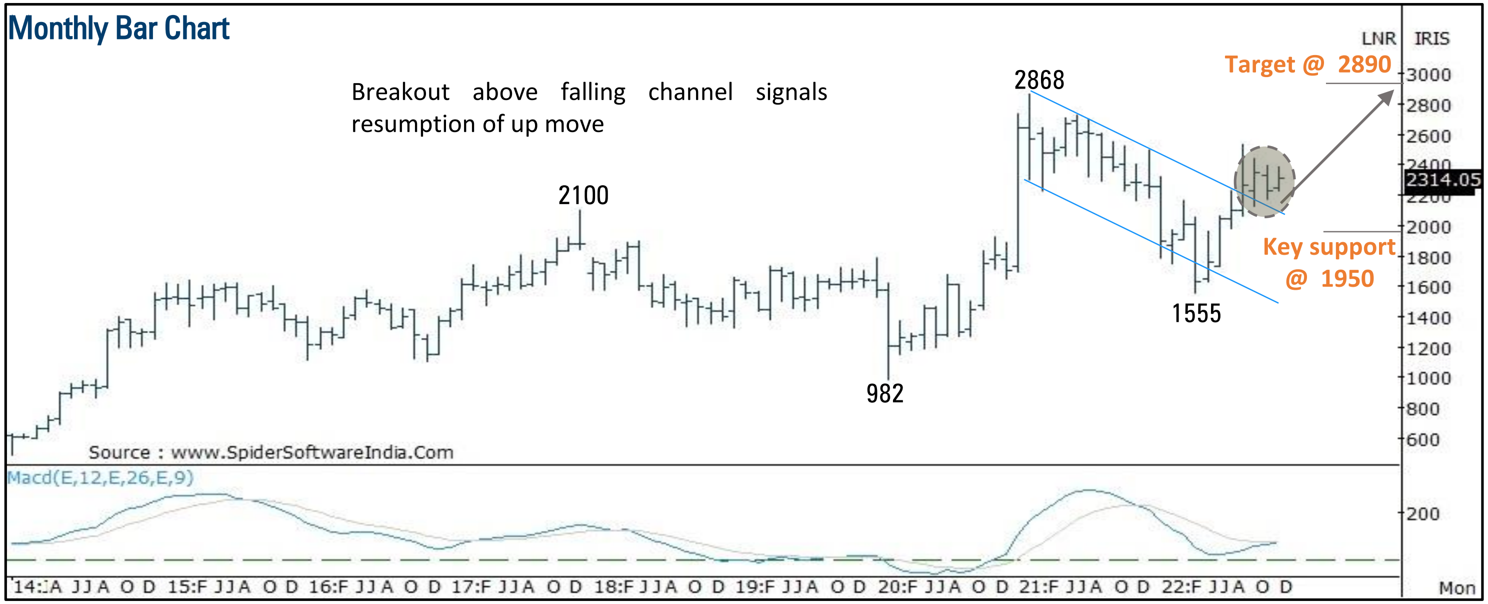
Source: Spider Software, ICICI Direct Research

Sundaram Finance (SUNFIN): Falling channel breakout indicates resumption of uptrend…

Technical Outlook

- The BFSI space has outperformed in CY22 while NBFCs are now catching up amid signs of interest rates nearing its peak. Sundaram Finance's share price has given a falling channel breakout signalling end of its 15 month corrective phase and resumption of uptrend
- From a structural point of view, the share price has retraced its 2020-21 rally (982-2868) by 61.8% over 15 months indicating slower retracement that augurs well for long term price structure
- We expect the share price to gradually head towards ₹ 2890 which is its CY21 high and remains good proxy for CV financing space

Rec. Price	2290.00-2420.00	Target	2890.00	Upside	21%



Recommendation initiated on i-click to gain at 14:47 on December 19, 2022

Time Frame: 12 Months

Fundamental Outlook

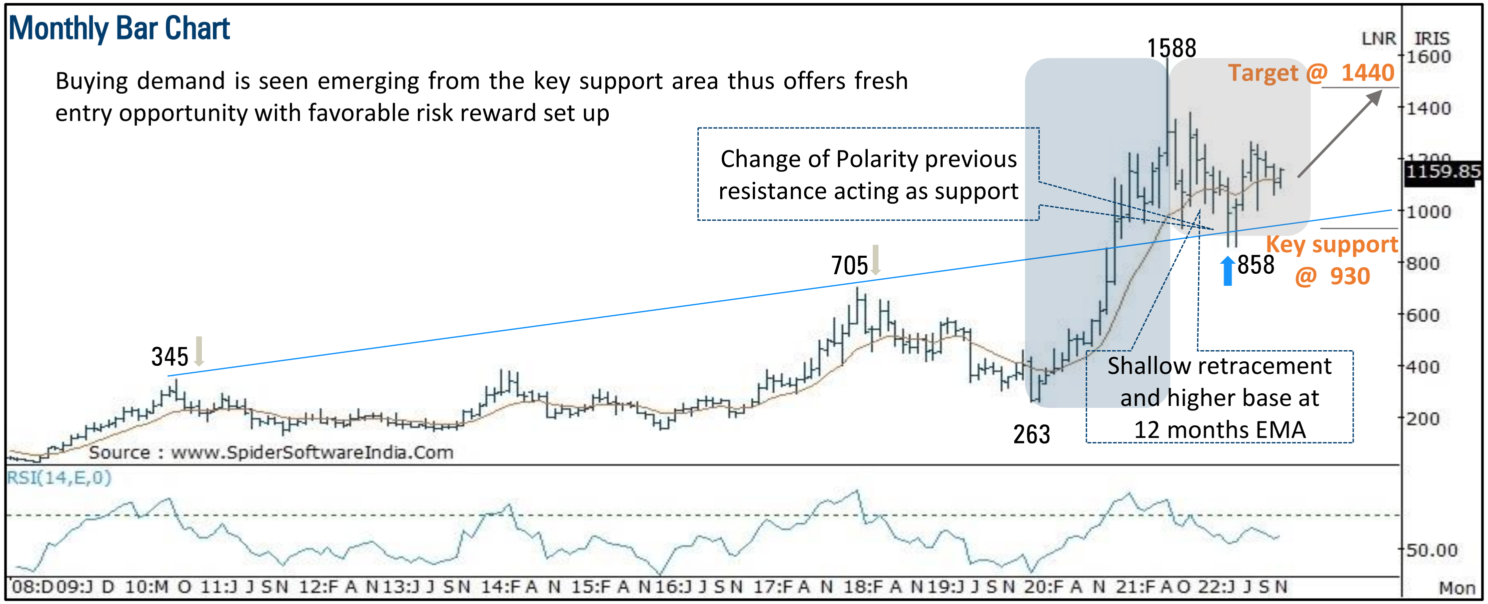
- Sundaram Finance (SFL) is a Chennai-based financial group with a presence in auto finance, home finance, asset management and general insurance. Major value is derived from its vehicle financing business with AUM of ₹ 30,552 crore as of June 2022, though non-auto business are profitable and with optimistic outlook
- Improving industry outlook coupled with focus on gaining market share to aid business growth. Further, expanding geographic footprint in non-southern regions and growing new areas of focus – lending to MSMEs, small NBFCs and leasing business will propel disbursements ahead
- Margins could remain volatile in near term. However, improvement in operating leverage and lower credit cost is seen aiding RoA ahead of 2.5% in FY23-24E. Sustained business growth in subsidiaries to further aid valuations. Thus, we remain positive on the stock

Source: Spider Software, ICICI Direct Research

Bajaj Electricals (BAJELE): Risk reward favourable at key support…

Technical Outlook	Rec. Price	1110.00-1160.00	Target	1440.00	Upside	26%

- The BSE Consumer durables index has been consolidating in CY22 after strong rally of CY20-21, thus forming a higher base. Within the space, we like Bajaj Electricals with favourable risk-reward
- The stock is currently placed near the key support area of ₹ 1000-1100 as it is the confluence of rising 12 months EMA (currently at ₹ 1125) and 50% retracement CY20-21 rally (₹ 263-1588)
- We expect the stock to resume up move and head higher towards ₹ 1440 in coming quarters as it is the 80% retracement of entire previous decline (₹ 1588-858)



Recommendation initiated on i-click to gain at 14:57 on December 19, 2022

Time Frame: 12 Months

Fundamental Outlook

- Bajaj Electricals (BEL) is a leading player in the consumer durables space with its product portfolio spanning across electrical appliances, fans & lightings. It is among the top three players in the lighting segment and has a leadership position in mixer grinders, water heaters and electric irons category
- Despite pandemic led challenges and supply concerns, BEL's consumer products (CP) segment has grown at a CAGR of 11.1% over FY19-22 led by new product launches and dealer expansion into new geographies. Going forward, we believe BEL's CP revenue to grow at a CAGR of 14% over FY22-24E led by new product launches (into lightings and appliances segments), expansion of its sales & distribution channel and market share gains in its key product segments. On the margin front, we build in EBITDA margin expansion of ~330 bps over FY22-24E led by improving sales mix and easing raw material prices
- In order to streamline its business structure, BEL plans to demerge its low margin engineering & project business by the end of FY23E. We believe strong growth in the consumer product segment, robust balance sheet condition and restructuring of business profile will benefit the company in the long run

Source: Spider Software, ICICI Direct Research

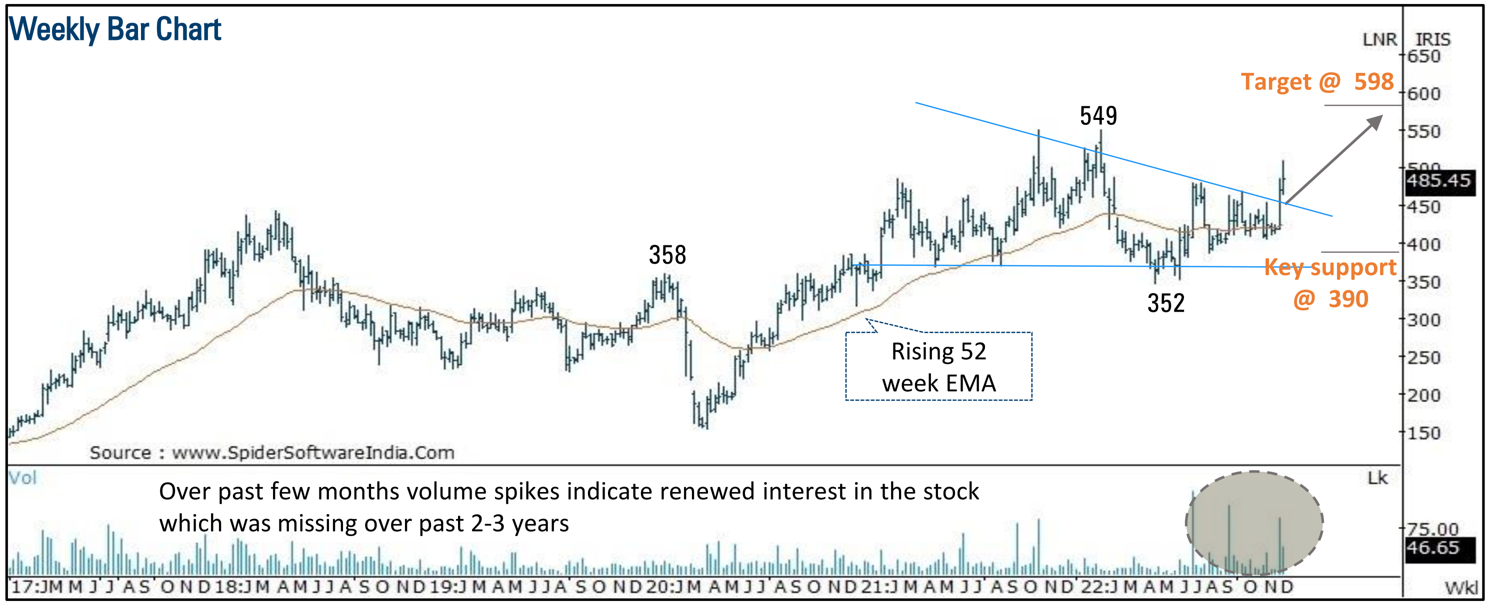
KEC International (KECIN): Triangular consolidation breakout…

ICICI direct Research

Technical Outlook

- Nifty Infra index hit a new high after previous year's multi year breakout indicating structural uptrend. In the power infra space, one of our top recommendations is KEC, which is resolving out of a triangular consolidation pattern of past two years indicating resumption of uptrend
- Structurally, share price has formed a strong base around 350-370 zone, which was earlier breakout level and rising 52-week average
- We expect the stock price to extend its up trend towards ₹ 598, which is 123.6% external retracement of CY22 decline that coincides with triangle breakout implication

Rec. Price	460.00-490.00	Target	598.00	Upside	25%



Recommendation initiated on i-click to gain at 14:38 on December 19, 2022

Time Frame: 12 Months

Fundamental Outlook

- KEC International (KEC) is one of the EPC majors in key infrastructure sectors such as power T&D, railways, civil, urban infrastructure, solar, smart infrastructure, oil & gas pipelines and cables. A strategic shift in portfolio from T&D to non-T&D (13% contribution in FY16 increased to 50% in FY22). T&D diversified across countries with entry in ~20 countries in last five years
- KEC's SAE business' legacy EPC projects will get executed by Q3FY23, which will arrest losses and help to improve margin. Also, execution of new orders with good margins will come into play in H2FY23
- KEC over the past years has significantly de-risked its business from a core T&D player to an all-round infra player with sizeable scalability happening in the railways and the civil segment. Non T&D business is now almost 50% of the overall revenue pie. With strong backlog of ₹ 27569 crore with L1 orders worth ~₹ 6500 crore and execution low margins orders behind us, we believe KEC is entering a strong growth trajectory. With PAT CAGR of 53.2% over FY22-24E and reducing interest cost intensity, we expect rerating to happen for the stock. We value KEC at ₹ 515 i.e. 17x P/E on FY24E EPS

Source: Spider Software, ICICI Direct Research

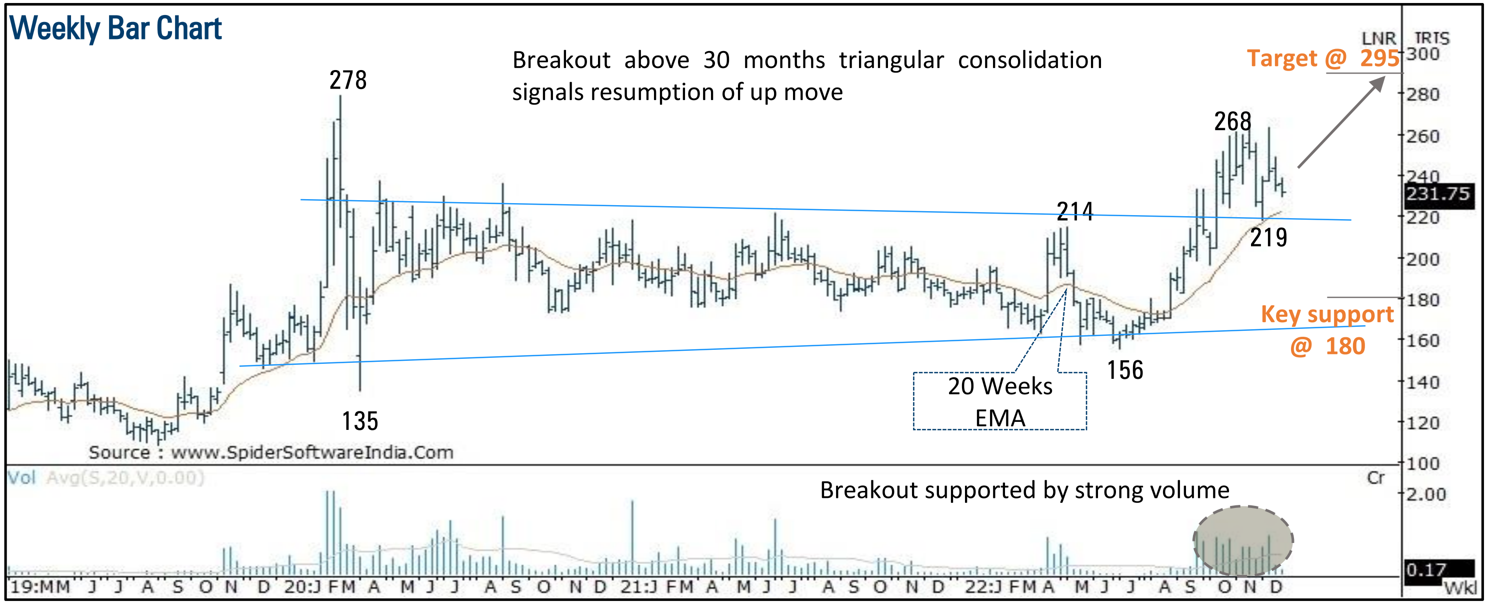
Mishra Dhatu Nigam (MISDHA): Rising from three year hibernation…

Rec. Price	215.00-230.00	Target	295.00	Upside	31%

Technical Outlook

- The share price of Mishra Dhatu Nigam has recently generated a resolute breakout above 30 months triangular consolidation with strong volume of more than double of its 10 months average volume of 0.2 crore share per week signalling resumption of up move
- The stock has retraced its 28 month's corrective decline (₹ 278-156) in just six months signalling faster retracement indicating structural turnaround
- Last six week's breather towards the major breakout area provides fresh entry opportunity for target of ₹ 295 as it is the range implication of two year range (225-155)

Weekly Bar Chart



Recommendation initiated on i-click to gain at 14:43 on December 19, 2022

Time Frame: 12 Months

Fundamental Outlook

- Mishra Dhatu Nigam (Midhani) is a leading manufacturer of special steel, super alloys and titanium alloys catering to niche end-user segments like space, defence, etc. Midhani's product range includes super alloys, titanium and titanium alloys, special purpose steels and other special alloys
- As on October 1, 2022, Midhani's order book was at ₹ 1501 crore compared to ₹ 1359 crore as on July 1, 2022. In terms of order book break-up, ~55% is from the defence segment, ~35% is from the space segment while balance ~10% is from others
- The wide plate mill of Midhani is currently under trial runs. Once the wide plate mill is fully ramped up it is expected to generate revenue to the tune of ~₹ 500 crore. The ₹ 500 crore annual revenue run rate from the wide plate mill is expected reached in FY24E, once the entire product range is established
- Going forward, as the facilities ramp up production, additional revenue is expected is likely to flow from wide plate mill as well as the Rohtak plant, thereby providing healthy revenue visibility for the company

Source: Spider Software, ICICI Direct Research

Techno Electric (TECEEC): Multiyear breakout in the offing…

ICICI direct Research

Rec. Price	305.00-320.00	Target	410.00	Upside	30%

Technical Outlook

- The BSE power index gave a breakout above 2008 highs after decade long consolidation. Within power infra segment, Techno Electric is on the cusp of breakout from four year's consolidation indicating structural turnaround
- The stock has witnessed renewed buying momentum over past few months and forming higher high-low indicating steady uptrend. We expect rallies to further accelerate above 320 which acted as hurdle on numerous occasions
- The target of ₹ 410 is projected based on 123.6% external retracement of 2021 decline (362-224)

Recommendation initiated on i-click to gain at 14:49 on December 19, 2022

Time Frame: 12 Months

Fundamental Outlook

- Techno Electric Engineering Company (TEEC) is one of the leading power-infrastructure companies engaged in three primary business segments; EPC (construction), renewable power generation (wind power) and public-private partnership (PPP) projects in transmission & distribution (T&D)
- EPC Business: Contributed ~92% to FY22 revenue, generated excellent RoCE of 50-75% over the past five years. PPP projects business: It is present in BOOT/BOOM transmission projects in PPP mode. Wind Power: TEEC owns ~130 MW of wind power generation capacity
- Entry into data centre, smart meters and FGD market and becoming significant EPC player that improves revenue visibility over the next few years. The company has a healthy balance sheet and cash balance of ₹ 1200 crore
- During Q2FY23, the company booked orders worth ₹ 400 crore against ₹ 500 crore in Q2FY22 and ₹ 1900 crore in Q1FY23. Current order book was at ₹ 3600 crore. For FY23, the management has maintained its order inflow guidance of ₹ 3000 crore across from FGD, T&D, smart metering and data centres

Source: Spider Software, ICICI Direct Research

Performance Scorecard

CY22 Performance

Rec. Date	Stock Recommended	Rec Price (₹)	Target (₹)	% Profit/Loss	Comment
28-Dec-21	Indian Hotel	178	238	34.0%	Target Achieved
28-Dec-21	Gabriel India	132	175	33.0%	Target Achieved
28-Dec-21	SKF India	3640	4700	30.0%	Target Achieved
28-Dec-21	ABB	2190	2750	23.0%	Target Achieved
28-Dec-21	ABFRL	275	360	15.0%	Booked profit at 315
28-Dec-21	JSL	191	240	15.0%	Booked profit at 219
28-Dec-21	TCI	730	950	15.0%	Booked profit at 837
28-Dec-21	United spirit	880	1080	7.00%	Booked profit at 945
28-Dec-21	HCL TECH	1258	1485	-17.00%	Square off at 1044

Yearly Technical Performance Since 2013										
Year	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Avg return on positive calls (in %)	22	25	3	18	26	28	25	33	27	23
Strike Rate	89%	100%	14%	71%	57%	100%	50%	100%	100%	64%
No of Calls	9	7	7	7	8	8	8	9	9	12

*Average Strike rate over past 10 years is 75%

Click here to go to top

Source: ICICI Direct Research

Appendix

Globally, ratio breakouts lead to multifold gains in subsequent years

Index	Ratio Breakout Date		Value		Resurns in No. of time	Months
	From	To	From	To		
DJIA	Oct-90	Jan-00	2,354	11,750	5	111
Hang Seng	Apr-78	Apr-81	434	1,810	4	39
	Jan-91	Jan-94	3,243	12,599	4	36
	Aug-03	Jan-08	10,908	31,958	3	50
Nikkei	Jan-82	Dec-89	7,918	38,957	5	95
Dax	Oct-93	Mar-00	2,069	8,136	4	78

Source: Bloomberg, ICICI Direct Research

Magnitude of average secondary corrections over past two decades is -15%

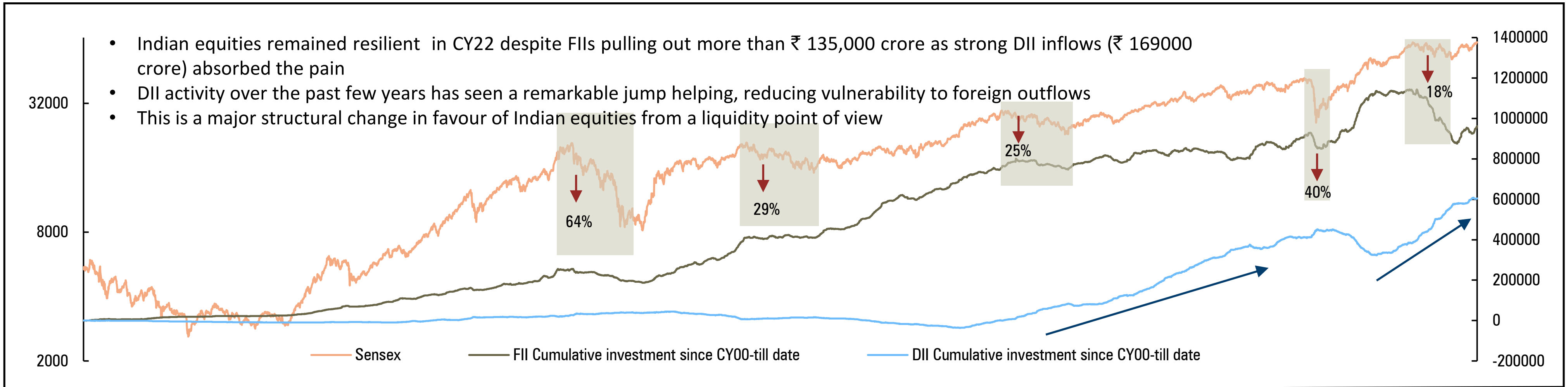
Nifty Index: Magnitude of secondary Corrections over past two decades

Time		No. of Months	Price		Correction (%)	Time		No. of Months	Price		Correction (%)
From	To		From	To		From	To		From	To	
Sep-03	Sep-03	1	1431	1285	-10	Nov-09	Nov-09	2	5181	4538	-12
Jan-04	May-04	4	2015	1292	-36	Jan-10	May-10	5	5310	4675	-12
Jan-05	Jan-05	1	2120	1894	-11	Feb-12	May-12	4	5629	4770	-15
Mar-05	Apr-05	2	2183	1896	-13	Oct-12	Oct-12	1	5815	4888	-16
Oct-05	Oct-05	1	2669	2307	-14	Feb-13	Apr-13	2	6112	5477	-10
May-06	Jun-06	2	3774	2596	-31	May-13	Aug-13	4	6229	5118	-18
Jul-06	Jul-06	1	3209	2878	-10	Mar-15	Feb-16	12	9119	6825	-25
Dec-06	Dec-06	1	4047	3658	-10	Sep-16	Dec-16	4	8968	7893	-12
Feb-07	Mar-07	1	4245	3554	-16	Jan-18	Mar-18	3	11171	9952	-11
Jul-07	Aug-07	1	4648	4002	-14	Sep-18	Oct-18	1	11760	10005	-15
Oct-07	Oct-07	1	5737	5070	-12	Jun-19	Aug-19	2	12103	10637	-12
Nov-07	Nov-07	1	6012	5394	-10	Apr-20	May-20	1	9889	8807	-11
Jan-09	Mar-09	2	3147	2539	-19	Apr-20	Apr-20	1	9889	8807	-11
Jun-09	Jul-09	2	4693	3918	-17	Oct-21	Jun-22	9	18604	15184	-18
									Average Correction		-15

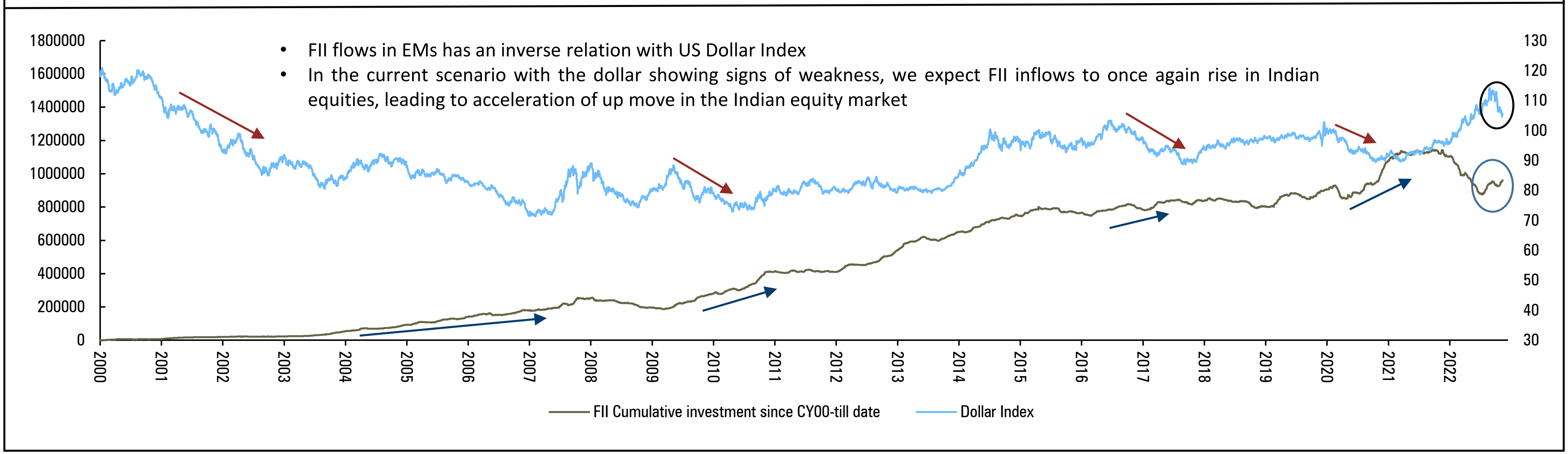
Source: Bloomberg, ICICI Direct Research

FII inflows to return as dollar peaks with DII flows plentiful

- Indian equities remained resilient in CY22 despite FIIs pulling out more than ₹ 135,000 crore as strong DII inflows (₹ 169000 crore) absorbed the pain
- DII activity over the past few years has seen a remarkable jump helping, reducing vulnerability to foreign outflows
- This is a major structural change in favour of Indian equities from a liquidity point of view

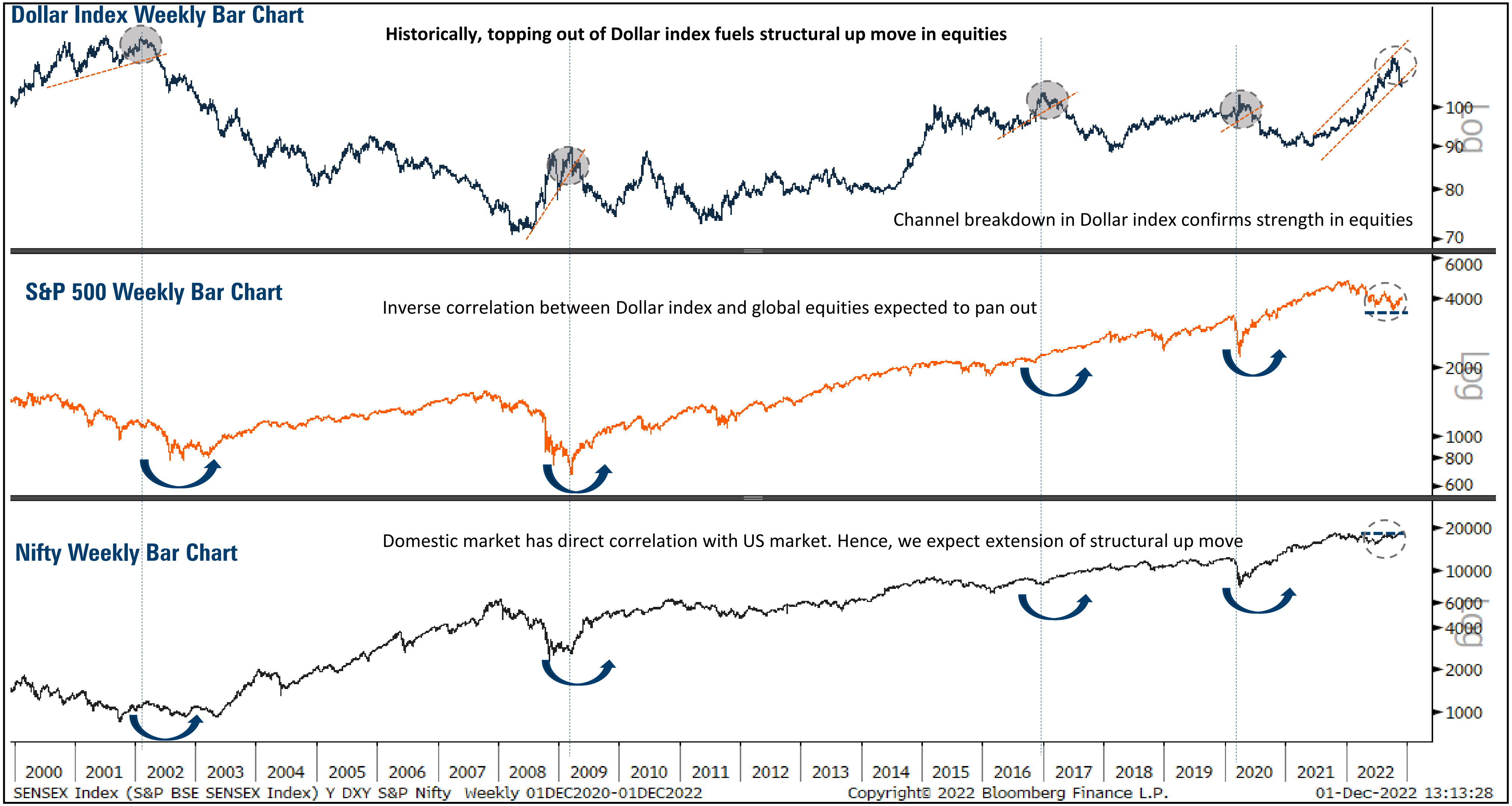


- FII flows in EMs has an inverse relation with US Dollar Index
- In the current scenario with the dollar showing signs of weakness, we expect FII inflows to once again rise in Indian equities, leading to acceleration of up move in the Indian equity market



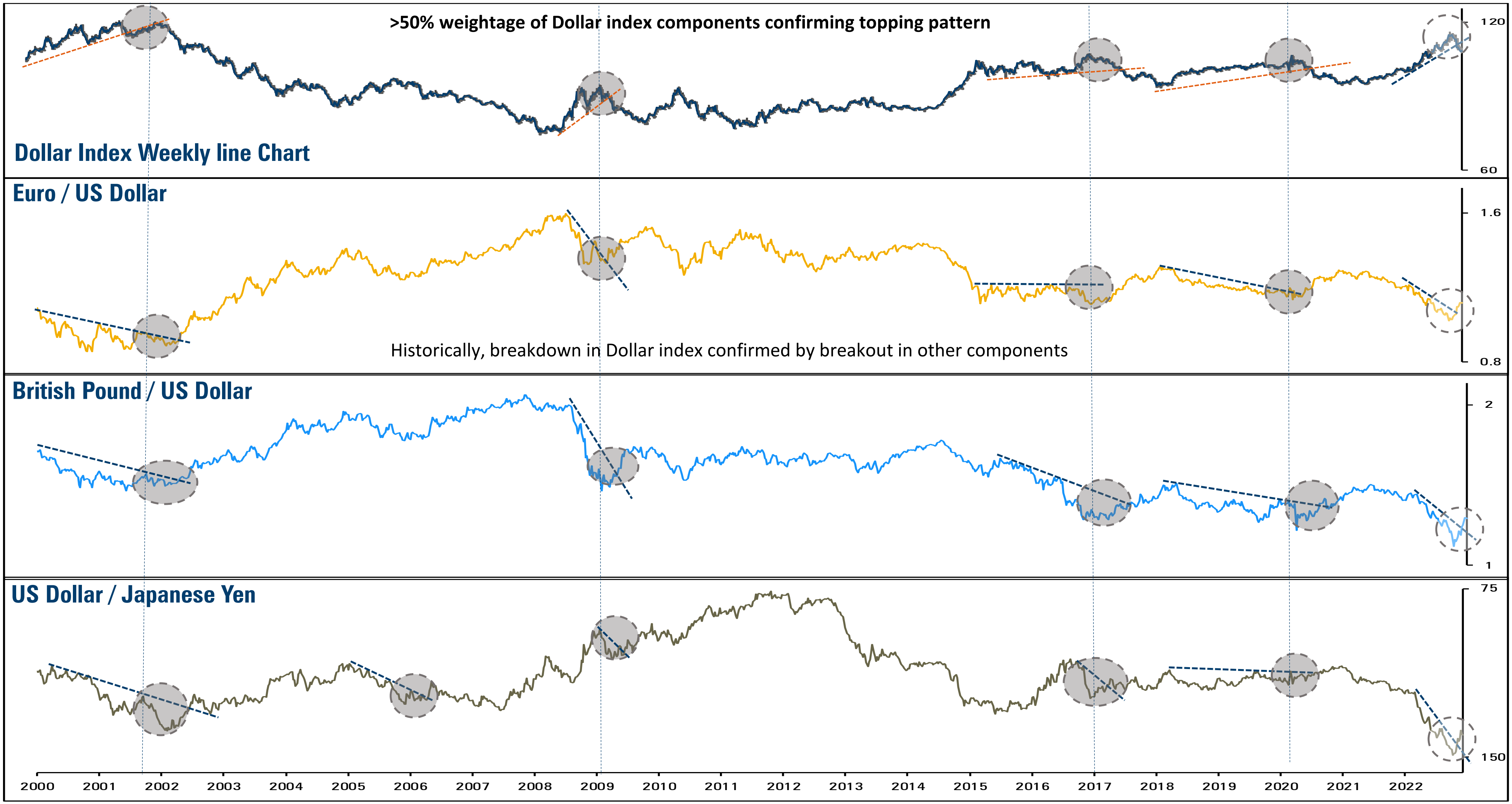
Source: Bloomberg, ICICI Direct Research

Dollar index topping out, boon for equities…



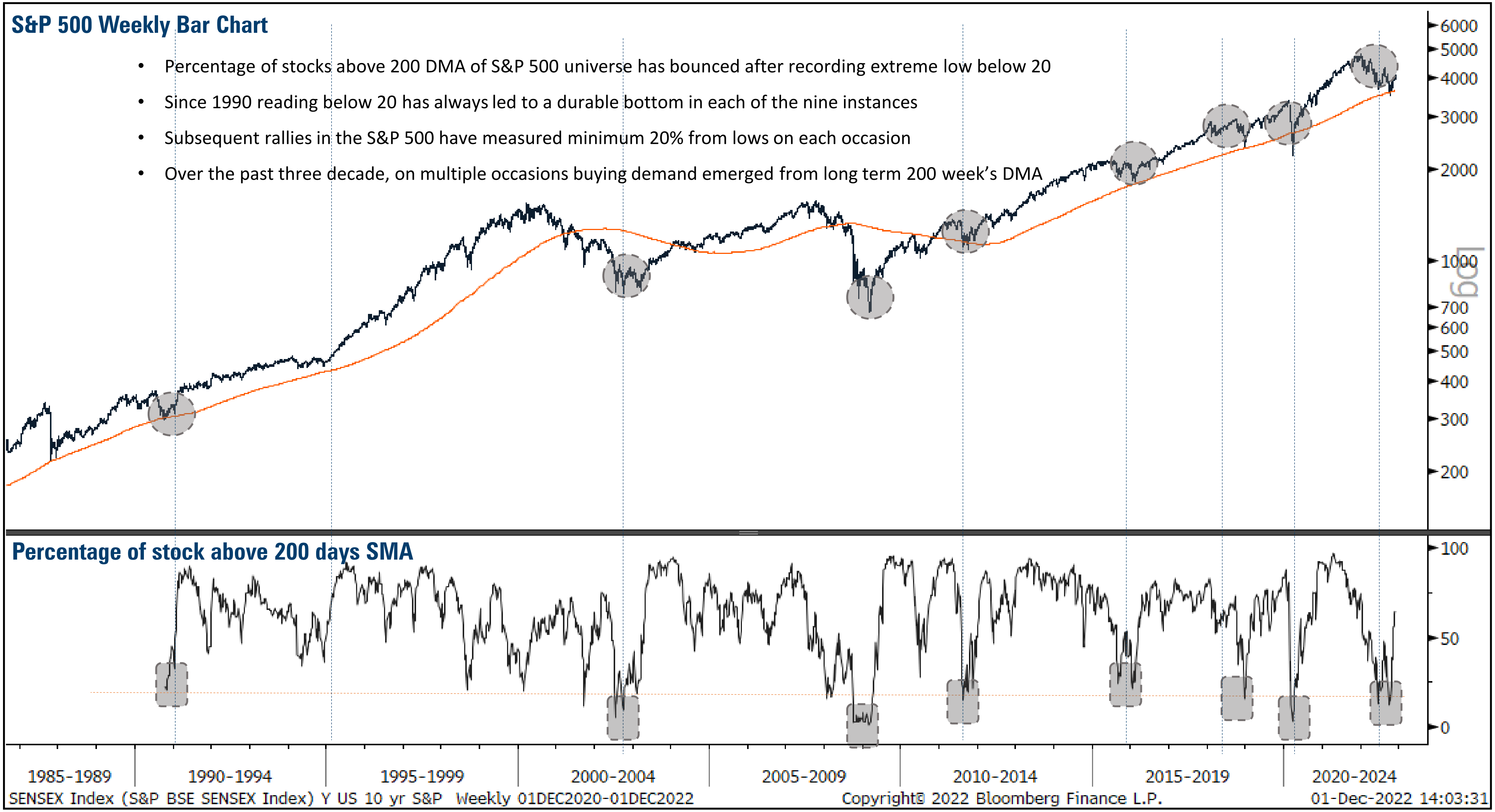
Source: Bloomberg, ICICI Direct Research

Confirmed by Dollar Index components..



Source: Bloomberg, ICICI Direct Research

US markets, worst priced in?

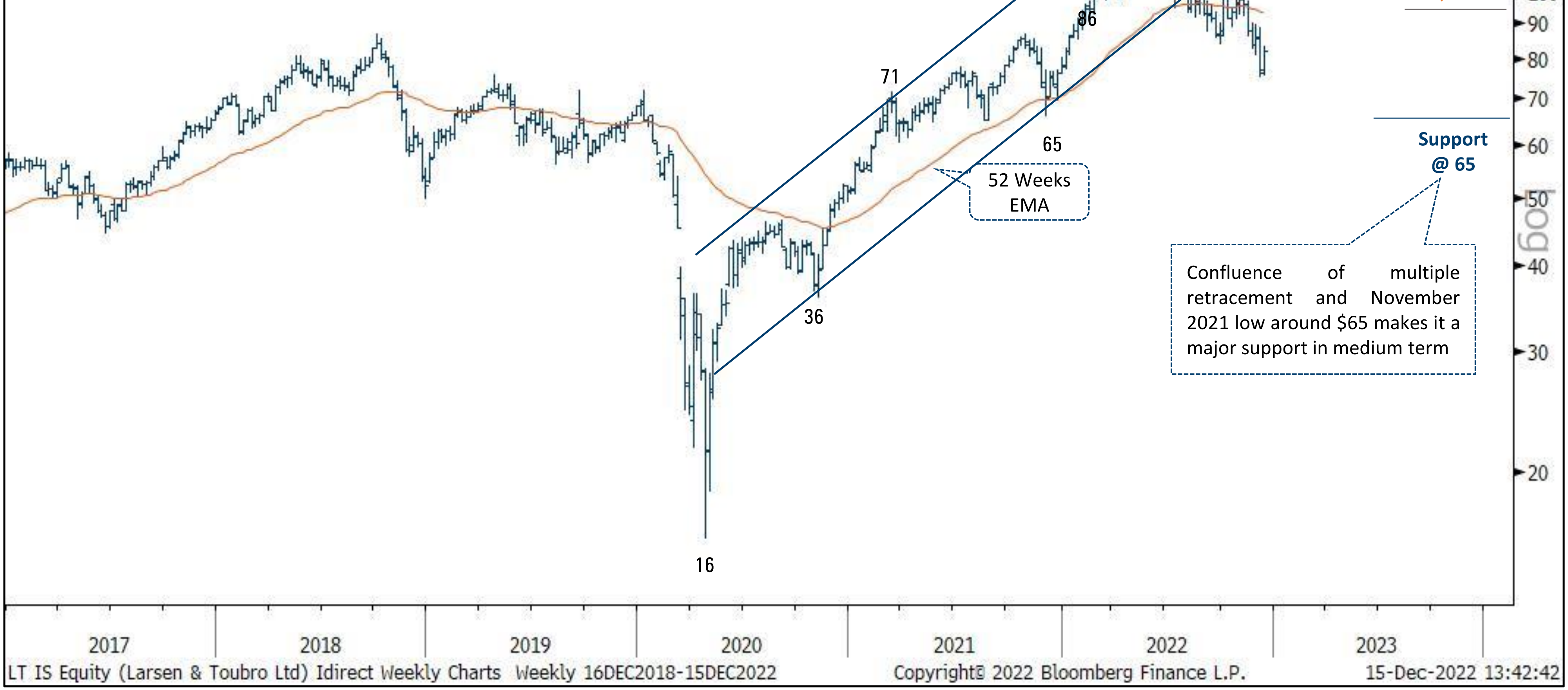


Source: Bloomberg, ICICI Direct Research

Brent Futures ($87): Consolidation likely. Upside capped at $95

Brent - Weekly bar chart

- Breakdown below last two year rising channel highlights end of up trend. It is expected to undergo price/time consolidation in the broad range of $ 70-95.
- Upside are capped at $ 95 being the value of 52-week ema
- Key support placed in $ 65-70 band



Source: Bloomberg, ICICI Direct Research

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