

# Weekly Equity Spotlight

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09<sup>th</sup> May 2020

SSL Research Centre



**a). Weekly Equity Picks** - A short-term POSITIONAL bet for Investor-Trader / Trader-Investor

**b). Strategy Objective:**

- Take advantage of the technical selling in the market and identify scrip which are mispriced; capitalise on the directional as well as the consolidating market; Capture the sectoral rotation in the market.
- While selecting the stocks, emphasis is given on fundamentals, and prospective event flow in the market. This is supported and endorsed by technical indicators and derivative data.
- While the stock fundamentals are sound, stop loss is recommended for the leveraged traders based on the individual's risk appetite at the support level indicated in the technical view. The trade should be closed once the target is achieved or eight weeks, whichever happens earlier.
- The product carries weekly equity market outlook and two-to-three trading/investment ideas with a time horizon ranging from one to eight weeks targeting a potential return of 4-5% for the large caps and 6-8% for the mid-cap/small-cap during the given timeframe.

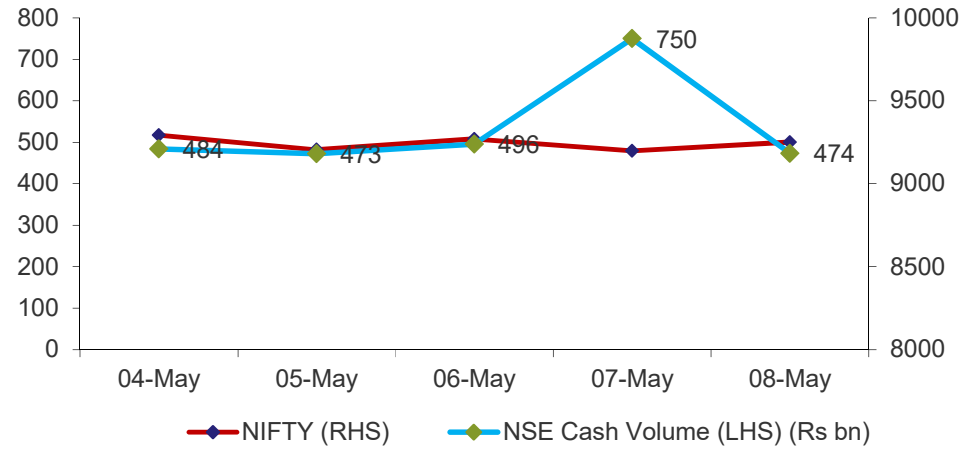
**c). Frequency:** After weekly closing.

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## NIFTY Outlook (9251.50) – Weekly Chart



## NSE Turnover - Equities



Index heavy weight RELIANCE has been holding the benchmark Index NIFTY over the past two weeks as the company succeeded in another round of fundraising. Going forward, the market trend is likely to remain uncertain and volatility will continue and turning point can develop only if Nifty moves/trades above 9350 or below 9115 levels in the forthcoming trading sessions. On the downside, breakout of 9115 levels would invite further selling pressure and then we could see NIFTY testing at 9026/8940/8910 levels. 8820 is acting as a short-term key support level for the NIFTY. However, on the higher side the resistance for the NIFTY is seen at 9380/9450 levels. A sustained trading above 9535/9600 will open up the possibility of bigger retracement of the up move to 9895/1060 levels. Technically we have seen the NIFTY recover in a straight line after a sharp decline in the recent low of 7511.10 and one of the biggest technical changes in the NIFTY is a greater tendency toward V-shaped bounces. This is suggesting that breakout of 9895/10160 levels would signal the uptrend bias on NIFTY. US-China trade talks over COVID19 crisis, worries about global economy, weak corporate earnings, fears about jump in Covid-19 cases in India & further extension in lock down, and announcement delay in the much-awaited stimulus package from the government will continue to weigh on the domestic market sentiments.

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**MARICO (Large cap) - Buy**

**CMP ₹300.25**

## Weekly Chart - Technical View

Marico Limited is engaged in the business of branded consumer products and services. MARICO Q4FY20 results exhibited impact of COVID-19 led lockdown headwinds and India business reported 3% volume de-growth while overall volume de-growth was 4%. Parachute and value added hair oils (VAHO) reported volume and value decline due to significant drop in sales in second half of March. Saffola continues to outperform with 25% value/volume growth. Consolidated revenue declined 7.0 % YoY to ₹15.0bn, while volume slipped 4% on a YoY basis. EBITDA decreased by 4.1% YoY to Rs. 2.8bn. However, operating margin of domestic business improved to 22.80% over 21.5% YoY. Turnover from domestic business declined 8% YoY to ₹1,146 crore due to lockdowns enforced in the month March. We believe strong growth in Saffola and non-essential products like Parachute, VAHO and personal care will recover fast and impact of lockdown will be visible in International Business (IBD) for first half of the FY21. Considering the present scenario and significant upside we initiate the stock to BUY recommendation.



The stock has fell by more than 42% to log its first biggest fall after testing an all time of ₹404 (September 2019). With medium term price pattern resembling to an inverted head and shoulder structure, it paves way for sharp upside of ₹327/340 from current levels. The stock has seen the support at ₹277/272 in near term. Volumes so far has started to pick on last week as prices opened significantly lower and then entered into consolidation zone. Another positive indication supports our buying argument is bullish crossover in MACD above the reference line which could ignite buying momentum in near term. As amplitude of such structure opens scope for 7-8% upside from current levels and being defensive bet, it is likely to attract significant buying interest.

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**NIITTECH (Small cap) – Buy**

**CMP ₹1402.55**

**Weekly Chart -Technical View**

IT solutions organization NIITTECH reported a 11.4% rise in consolidated net profit to ₹113.6 crore for the Q4FY20. The company's revenue during the quarter rose 19% YoY to ₹1,109 crore. EBIT margin remained flat at 14%. Operating margins of 17.8% during the quarter, down 31 bps QoQ but up 22 bps YoY. Due to continued deal momentum, the order book executable over the next 12 months has also increased to USD 468 million, representing a growth of 20% YoY. Digital revenues stood at 38% YoY of the total revenues, growing 47% YoY. Constant currency revenue growth despite COVID crisis. Among verticals, insurance grew 5.8% sequentially, contributing 31% of overall revenues in the fourth quarter, while banking and financial services (BFS) contracted marginally, contributing to 15% of revenue. Travel and transport segment was down 2.1% quarter-on-quarter and contributed 27% of the quarter's revenue. The firm recorded one of its best annual performances ever in FY'20, which has come on the back of a similarly strong performance delivered in the preceding year. We recommend NIIT Tech to Buy on account of strong tech capabilities and better deal wins despite COVID crisis.



At CMP of ₹1402.55 NIITTECH as closed right at an important resistance zone through convergence of 50% Fibonacci retracement levels and this convergence move has registered between the recent low of ₹ 735 and an all time of high of ₹2059.50. The successful reversal occurred with a bullish candlestick pattern on high volumes last week and suggesting that it is quite strong to topping near the 61.80% retracement levels with calculated target of ₹1554. The important moving averages 20 days WEMA (₹ 1224) & 50 days WEMA (₹ 1313) has provided good support to the stock on every decline. It now faces a resistance at ₹1554/1667 levels and should have a minimum upside till that level. Based on above evidences and a positive crossover in other momentum oscillators, we recommend traders/investors to buy NIITTECH for the return of 8-10%.

## SSL Research Centre

S. Devarajan	Head – Research (Technical & Derivatives)	s.devarajan@shcilservices.com	022-61778621
Prachi Shah	Research Analyst	prachi.shah@shcilservices.com	022-61778620

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### SHCIL Services Limited

**CIN NO: U65990MH1995GOI085602.**

**Plot No. P-51, T.T.C. Industrial Area, MIDC Mahape, Navi Mumbai – 400 710**

**[www.shcilservices.com](http://www.shcilservices.com)**