

Weekly Equity Spotlight

19th June 2020

SSL Research Centre



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

b). Strategy Objective:

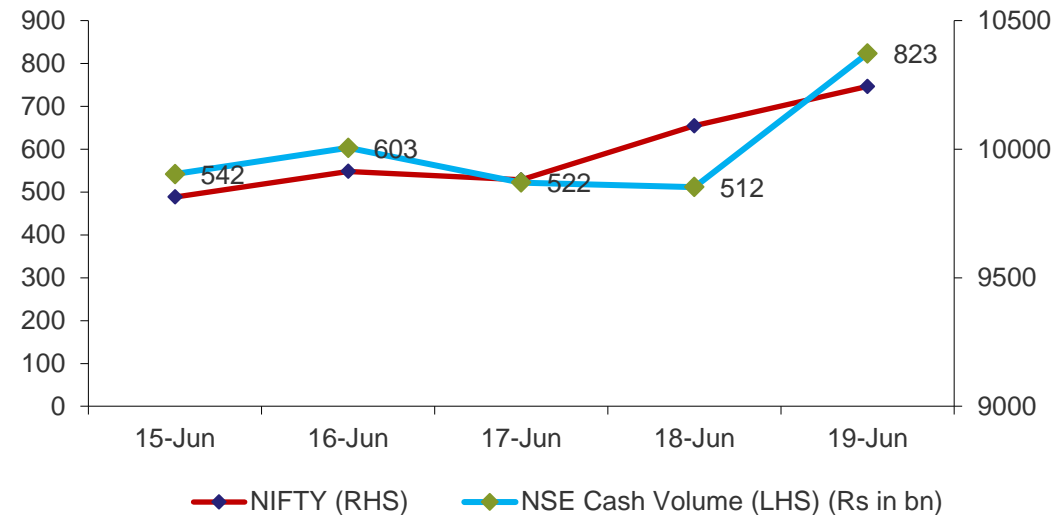
- Take advantage of the technical selling in the market and identify scrip which are mispriced; capitalise on the directional as well as the consolidating market; Capture the sectoral rotation in the market.
- While selecting the stocks, emphasis is given on fundamentals, and prospective event flow in 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.

NIFTY Outlook (10244.40) – Weekly Chart



NSE Turnover - Equities



Liquidity continued to pursue equities amid a risk-on setup and Indian equities gained along with the buoyant global markets last week. Overall, Nifty will continue to show signs of wearing the momentum of the current up-move in the coming trading sessions and will continue to take cues from global markets. The Relative Strength Index on the daily chart stood at 64.32. It has marked a fresh divergence against price, which is a bullish signal. The MACD remains bullish, as it trades above the signal line. The chart pattern analysis showed Nifty has moved past its 50-DMA and remains in a rising channel and the immediate resistance will be at 10330 levels. The potential resistance point in the current pattern setup stands the 200-DMA, which now stands at 10,526, is likely to act as a major short-term resistance for the NIFTY on a closing basis. However, on the downside the support lies at 10050/9920/9770 levels. Traders are advised to watch out for geopolitical tensions between India and China and rising coronavirus cases which will keep the market in highly volatile mode.

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RAMCOCEM (Mid cap)- Buy

CMP ₹644.75

The Ramco Cements reported 13.17 per cent decline in consolidated net profit at Rs 142.90 crore for the fourth quarter ended on March 31, 2020, mainly impacted by coronavirus-induced lockdown. The company had posted a net profit of Rs 164.58 crore during the January-March quarter of 2018-19. Total revenue of the company was down 9.17 per cent to Rs 1,403.90 crore during the quarter under review as against Rs 1,545.77 crore in the corresponding period of previous fiscal. In view of the lockdown declared across the country by the central/state governments due to COVID-19 pandemic during the second half of March 2020, the company's operations at all locations were adversely impacted. Total expenses stood at Rs 1,218.69 crore in fourth quarter of 2019-20, down 6.38 per cent, as against Rs 1,301.85 crore in year-ago period. During the quarter, cement sale volume was down 10.98 per cent to 29.32 lakh tonnes as against 32.94 lakh tonnes in the year-ago quarter. However, for the fiscal 2019-20, The Ramco Cements' net profit was up 18.43 per cent to Rs 605.70 crore. It was Rs 511.43 crore in financial year 2018-19. Total revenue in FY20 was Rs 5,422.80 crore, up 4.53 per cent. It was Rs 5,187.30 crore in FY19. We expect strong distribution, healthy revenue and gradual improvement in the cement industry outlook in the near future and would initiate the BUY recommendation for upside return of 8-9%.

Technical Perspective

Target ₹721



On the daily chart, RAMCOCEM has broken out from a trading range which it followed for the past eleven trading sessions. At the same time, the stock has been trading in bullish flag pattern over the fourteen trading sessions with good volumes. This means the stock is in accumulation mode. The stock has seen strong momentum on the weekly chart accompanied with strong volumes. In addition, the stock has also managed to close above the upper resistance line. Volume is also picking up with price momentum on the weekly chart showing strength in the trend. RAMCOCEM has continued its uptrend. With good volume support seen, a break above 659/667 levels will signify a continuing strength amongst the bulls. If stock sustains above 667, then we could see 706 and 721 levels in near term. The support level for the stock can be seen at 604 & 595 levels. Traders/Investors are advised to Buy/Accumulate RAMCOCEM for short term to medium term gains.

KNRCON (Small cap) – Buy

CMP ₹221.75

Technical Perspective

Target ₹245/258

KNR Constructions Limited faced few disruptions during lockdown, it has maintained strong order book. It has honoured all the financial commitments till now and is currently having a comfortable liquidity position to meet its future financial commitments. KNR Constructions Ltd. announced its quarterly results on June 11, 2020. Net sales of KNR Constructions Ltd. in Q4FY20 stood at Rs730.14cr, which declined by 4.6% yoy from Rs765.35cr in Q4FY19. The EBITDA stood at Rs187.44cr in Q4FY20 that increased by 3.8% yoy. For Q4FY19 it posted EBITDA of Rs180.57cr. The EBITDA margin as of Q4FY20 was at 25.67% that increased by 208bps for the similar quarter previous year. The consolidated net profit in Q4FY20 came in at Rs74.65cr that declined by 27.85% compared to Q4FY19 when it reported Rs103.467cr. The net profit margin in Q4FY20 is 10.22% with contraction of 330bps. The net profit margin for Q4FY19 was 13.52%. We believe strong orderbook of Rs 78.8bn (including Rs 23.1bn orders won in 1QFY21) could help recover execution in 2HFY21. Due to Strong balance sheet supports growth even in subdued environment and better than expected on execution and margins continued even during the Covid-impacted Q4, we initiate the KNRCONSTRUCTION to BUY recommendation for medium term gains.



KNR CONSTRUCTION has been forming bulling flag pattern since second week of April 2020 with steady volumes on the weekly chart suggests fresh buying can be witnessed at current levels. On the weekly chart, the stock has given a clear upside break out from the consolidation range of 215 with good volumes indicates strong buy signal in the stock. The daily RSI is already in strong buy mode, indicating that the prices are set to rally from the current levels. The stock has closed above its respective short-term exponential moving averages 3 & 9 DEMA. This indicates the stock might be expected to test 258/271 on the upside. The daily momentum suggests that the stock has immediate resistance at 245/258. If the stock sustains above 271 levels with good volumes, it can move towards the next technical top level of 312. On the downs side, the stock has found the support at 191 and 180 levels. Based on above evidences, we recommend traders/investors to buy KNR CONSTRUCTION for the return of 8-10%.

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