

# Weekly Equity Spotlight

22<sup>nd</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.

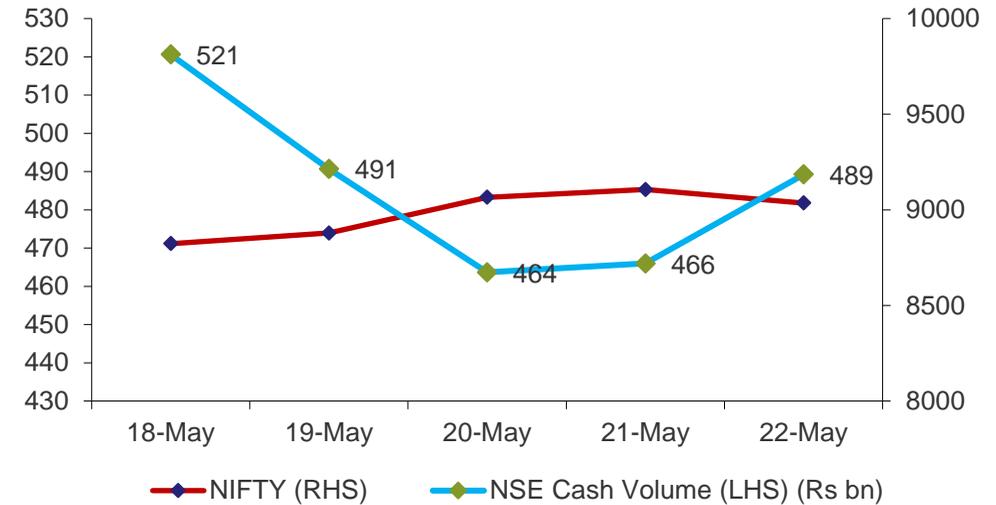
**c). Frequency:** After weekly closing.

# Weekly Equity Spotlight

## NIFTY Outlook (9039.25) – Weekly Chart



## NSE Turnover - Equities



It was a volatile trading week and Friday's surprise rate cut by RBI failed to lift the market sentiments last week. On monthly NIFTY options front, the options data indicates the trading range for the current month series at 8800 and 9300 levels. NIFTY has failed to hold above its opening price of 9158.30 and formed hammer candlestick pattern on weekly chart suggesting market is attempting to determine the bottom and breakout of 9158/9281 levels on weekly closing basis would see the potential price reversal to the upside. If NIFTY is able to give a sustained close above this level then we would see NIFTY testing 9350 and 9470/9535 levels in the short term. However, the immediate support will be placed at 8968 and 8875 levels. NIFTY has been forming a lower top, and lower bottom formation in the last two weeks and 8800 is acting as a key support level for the NIFTY and breakout of 8800 on weekly closing basis would invite next round of selling pressure. Technically market is likely to remain consolidation zone with negative bias and we advise traders/investors to maintain caution on the long side due to F&O market expiry on 28<sup>th</sup> May 2020. Strict stop loss level of 8800 needs to be adhered to for the overall trend to reverse.

## ULTRACEMCO (Large cap)- Buy

**CMP ₹3638.95**

## Technical Perspective

**Target ₹3970**

UltraTech Cement is India's largest exporter of cement reaching out to meet the demand in countries around the Indian Ocean and the Middle East. Net profit of UltraTech Cement rose 199.13% to Rs 3242.77 crore in the quarter ended March 2020 as against Rs 1084.05 crore during Q4FY19. Sales declined 13.14% to Rs 10745.62 crore in the quarter ended March 2020 as against Rs 12370.61 crore during Q4FY19. For the full year, the company had successfully reduced its net debt/EBITDA ratio to 1.7 times from 2.83 times as on March 31, 2019. Tracking the impact of COVID-19 on the business, construction activity across the country was halted, which is normally at its peak in March, leading to an adverse impact on the its operations during Q4FY20 and we expect Covid-19 connected interruptions may progressively recover during H1FY2021. Century cement's realisations improved by Rs160/t with shift to Ultratech brand. Management expects Century cement's margins to increase to Rs800- 900/t from current Rs575/t with targeted 85% shift of volumes to Ultratech brand and lower operational costs. We maintain positive bias on ULTRACEMCO due to trade sales increased by 2% YoY, maintained rural sales volume, well diversified regional presence, Improved clinker to cement conversion ratio by 100 bps YoY, reduction in variable cost by 6% are the few key performance drivers which will lead to better performance in the medium term to long term horizon.



After making a decent run up from lows of 2910, the stock has been consolidating in the tight range of 3231-3674 levels without interrupting its short-term uptrend. After consolidation, the stock is ready for an up move. In fact, the last couple of weekly trading sessions it represents a high-level bullish congestion area between 3660-3680. Such a consolidation with rising volumes is to be viewed as a positive signal and it paves way for smart up move ranging from 6-9%. MACD is also showing rising trend at bottom level indicating accumulation can be witnessed on buyer surface. We believe that the current bullish consolidation lead to a potential upside up to the levels of 3970/4070 and above. On the downs side, the stock has found the support at 3480 and 3355 levels. A convincing break below 3231 should be an indicator for shorting the stock. We recommend traders/investors to buy ULTRACEMCO for short term to medium term gains.

# Weekly Equity Spotlight

**HCLTECH (Large cap) – Buy**

**CMP ₹530.40**

**Technical Perspective**

**Target ₹565**

The IT firm reported a 22.80 per cent year-on-year (YoY) and a 3.80 per cent quarter-on-quarter (QoQ) growth in net profit at Rs 3,154 crore. Revenue of the company increased 16.30 per cent YoY and 2.50 per cent QoQ to Rs 18,590 in Q4FY20. Revenue in dollar terms increased 11.7 per cent YoY at \$2,543 million. However, it remained unchanged on QoQ basis. The EBIT margin increased to 25.40 per cent over 22.60 per cent on YoY basis. FY20 has been a landmark year, wherein HCL has grown at 16.7% in constant currency, by far the fastest growing IT company. Investments in HCL Software have started bearing the desired fruit in last 2 quarters contributing handsomely to the profitability as well as cash generation capacity of the company. HCL signed 53 transformative deals this year and it expects growth to come in H2 as ramp up of deals (14 transformational deals win in Q4) will begin only in Q2FY20. HCL Tech came into the crisis on strong note and there will be a quarter or two of uncertainty, but looking ahead the company is confident that its capabilities, its balanced portfolio, strong client relationships and its financial strength will help it to navigate this crisis and emerge stronger. Based on the overall fundamental observations, we recommend HCLTECH to Buy/ACCUMULATE for medium term to long term gains.



The stock has been making a very good rounding bottom pattern on the daily as well as weekly charts over the past thirteen weeks and indicating bullish reversal with upside momentum and breakout of 565 would take the stock at next technical top-level of 582/608 levels. It has also managed to hold above the short term as well the medium- and long-term moving averages thus indicating strength in the stock. Also the stock is forming bullish flag pattern on the daily chart and indicates buyers will continue to hold the breadth on the upside. We expect positive trend in the counter to continue with immediate target placed at 565/582. Technically break out of 540 levels would invite strong buying and then the stock may face the upside targets of 565 and 582/608 levels. On the lower side, the support lies at 502 and 492/473 levels. Traders/Investors are advised to Buy/Accumulate HCLTECH for the return of 6-9%

## SSL Research Centre

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

### Disclaimer

This is solely for information of clients of SHCIL Services Ltd. and does not construe to be an investment advice. It is also not intended as an offer or solicitation for the purchase and sale of any financial instruments. Any action taken by you on the basis of the information contained herein is your responsibility alone. SHCIL Services Ltd., its associate companies, and employees will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained in this recommendation. SHCIL Services Ltd., its associate companies, and 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 this recommendation or any action taken on basis of this information.

Disclosures: SSL is registered as Research Analyst with SEBI bearing registration number INH000001121 as per SEBI (Research Analysts) Regulations, 2014. SSL is primarily engaged in the business of providing broking services. SHCIL Services Limited is a SEBI registered Stock Broker providing services to institutional and retail clients. SEBI registration no: INZ000199936 Details of associates of SSL are as under: 1. Stock Holding Corporation of India Limited (SHCIL) : SHCIL is primarily engaged in the business of providing custodial services, post trading services, Sub-broking services in association with SHCIL Services Limited and depository related services. SHCIL is also registered as Research Analyst with SEBI bearing registration number INH000001303 as per SEBI (Research Analysts) Regulations, 2014. 2. StockHolding Document Management Services Limited: Stockholding DMS Limited is in the business of providing End to End Document Management Solutions and Information Technology Enabled Services. 3. StockHolding Securities IFSC Limited (SSIL): SSIL offers a comprehensive bouquet of service solutions to all eligible investors at IFSC, Gift City, Gandhinagar.

SSL or its Research Analyst or relatives or its associates do not have any financial interest in the company(ies). SSL, the Research Analyst or relatives or its associates collectively do not hold more than 1% of the securities of the company(ies) referred to in this document as of the end of the month immediately preceding the date of this document. SSL or its Research Analyst or relatives or its associates may from time to time have positions in, purchase or sell, or be interested in any of the securities mentioned herein. SSL, the Research Analyst or relatives or its associates do not have any other material conflict of interest in the above company. SSL, the Research Analyst or relatives or its associates have not received compensation or other benefits of any kind from the company(ies) referred to in this document or from any third party, in the past twelve months. SSL, the Research Analyst or relatives or its associates have not managed or co-managed in the previous twelve months, any offering of securities for the company(ies) referred to in this document. SSL, the Research Analyst or relatives or its associates have not served as an Officer, Director or employee of the company(ies) referred to in this document. SSL, the Research Analyst or relatives or its associates have not been engaged in market making activity for the company(ies) referred to in this document.

### 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)**