Diwali Stock Picks 2020

06th November 2020
SSL Research Centre

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Sr No	Symbol	Sector	Market Cap	CMP (₹) as on 06th Nov 2020	Target (₹)	Return Potential (%)
1	COLPAL	Personal Care	Large Cap	1507.20	1740.00	15.50
2	SHREECEM	Cement	Large Cap	22053.05	25800.00	17.00
3	ICICIBANK	Banks	Large Cap	442.80	520.00	17.40
4	TCS	Computers - Software	Large Cap	2707.45	3050.00	12.70
5	SUNPHARMA	Pharmaceuticals	Large Cap	509.15	610.00	19.80
6	COFORGE	Computers - Software	Mid Cap	2218.05	2814.00	26.90
7	MARICO	Personal Care	Mid Cap	380.50	470.00	23.50
8	ESCORTS	Tractors	Mid Cap	1285.45	1540.00	19.80
9	LAURUSLABS	Pharmaceuticals	Small Cap	276.80	355.00	28.25
10	SUPRAJIT	Auto Ancillaries	Small Cap	186.95	249.00	33.00

Colgate Palmolive (India) Limited

CMP: ₹ 1507.20 **Buy** **Target: ₹ 1740** **Upside: 15.50%**

Fundamental Observations

Personal care giant Colgate-Palmolive has reported a net sales rise for the third quarter of 2020 due to better visibility, despite continuing challenges related to COVID-19. The Colgate Palmolive reported 12.5 percent increase in its net profit at Rs. 274.2 crores against Rs. 244.1 crores in subsequent quarter last year. Company's revenues for the quarter ended on September stood at Rs. 1,286 crores which is increased by 5.2 percent against Rs. 1,222 crores in the year ago period. Earnings before interest, tax, depreciation and amortization (EBITDA) jumped 26.7 percent to Rs. 409 crores from Rs. 323 crores and margins were up by 540 basis points at 31.8 percent against 26.4 percent the same period last year. Management states that continue to see elevate demand in personal care and home care related to the virus, premium innovation is also driving growth across all of our product categories. Company's resilience and disciplined approach for managing all the revenues and cost drivers, helped company to improve its financial numbers. Considering the present scenario and significant upside, we initiate the stock to BUY recommendation.

Technical View

COLPAL has been trading in upward sloping channel with formation of bullish flag pattern mode since May 2016 and also above its 200 days WEMA. This indicates the medium term to long term trend is likely to remain bullish and uptrend will continue. The stock has given an upside breakout from consolidation level of 1486 with good volumes suggesting the stock can move towards 1640 in short term. On the higher side the stock has immediate resistance at 1640 levels. If the stock is able to give a sustained close above this level then we would see the stock testing 1700/1750 levels in medium term to long term scenario. The stock is expected to find good support at 1370 and 1320 levels.

SHCIL Services Ltd.

Shree Cement Limited

CMP: ₹ 22053.05 Buy Target: ₹ 25800 Upside: 17%

Fundamental Observations

Shree Cements Limited - key Products/Revenue Segments include Cement which contributed Rs 10856.26 Crore to Sales Value (91.19 % of Total Sales), Power which contributed Rs 515.59 Crore to Sales Value (4.33 % of Total Sales), Clinker which contributed Rs 267.31 Crore to Sales Value (2.24 % of Total Sales), Other Operating Revenue which contributed Rs 241.12 Crore to Sales Value (2.02 % of Total Sales) and Scrap which contributed Rs 23.72 Crore to Sales Value (0.19 % of Total Sales)for the year ending 31st March 2020. The company has reported quarterly profit of Rs. 329.60 crores in June 2020, which declined by 13.19 percent from Rs. 379.67 crores in June 2019. Net sales of company were Rs. 2480.14 crores in June 2020 down 24.91 percent from Rs. 3,302.79 crores. Promoters held 62.6 per cent stake in the company as of June 30, 2020, while FIIs held 13.2 per cent, DIIs 9.9 per cent and public and others 14.3 per cent. The cement sector has observed significant demand in the September 2020. The demand increased 10 percent Year-on-Year. We expect the cement industry to witness positive growth in the second half (October-March) of the current fiscal (H2FY21) led by strong demand from the sustainable rural trade segment.

Technical View

The stock has been moving upward sloping channel on the monthly chart and rallying sharply from 10549 to 25355. As of now, the stock is trading above its 200-Days WEMA, which earmarks inherent strength in the counter. Stochastics signaled a positive crossover with heavy volumes, confirming the breakout from the level of 23330 on the upside. A move above 23330 would lead to a breakout from the inverse head and shoulder pattern. If the stock holds up above the levels of 23330, it can post huge upside in the coming trading sessions and 25355/25800 is possible. The support for the stock is seen at 20000 and 18180/18000 levels. Based on above technical observations, we recommend investors to buy SHREECEM for medium term to long term gains.

ICICI Bank Limited

CMP: ₹ 442.80 **Buy** **Target: ₹ 520** **Upside: 17.40%**

Fundamental Observations

The ICICI Bank has reported Rs. 4251.33crore net profit for the quarter ended on September 2020, almost six-fold-jump from Rs. 655 crores during same quarter previous financial year. Domestic loans grew by 10% while retail loans grew 13% and performing corporate loan book grew by 7% over last year. Operating profit of the bank stood at Rs. 8,261.09 crores in September 2020 which is 20.18 percent up from Rs. 6,874.10 crores in same period last year. The company announced that collection efficiencies have returned to pre-Covid levels while credit costs would normalize next fiscal year. Asset quality parameters improved over last year. The gross non-performing asset ratio at the end of the September quarter stood at 5.17% versus 6.37% a year ago. It's net NPA stood at 1% against 1.6% same period last year. Strong commentary by the management on asset quality and positive surprise on core pre-provision operating profit would lead to better performance in short to medium term.

Technical View

The ICICIBANK has given a bullish breakout from the upper trading range of 422 on weekly chart suggests strong buying momentum in the short run. The stock has closed above its all short, medium- and long-term moving averages with good volumes indicates the stock may continue to trade its rising upward trend. Daily RSI has also given a breakout from the falling resistance line which substantiates positive trend in the stock. The bullish candlestick pattern on the weekly chart indicates the stock can move toward the 475/520 levels in short to medium run. If the stock moves above 520 levels, then it could post the breakout of high in March 2020 which gives an immediate target of 550. On the lower side, the support would be at 410 and 378 levels.

Tata Consultancy Services Limited

CMP: ₹ 2707.45 **Buy** **Target: ₹ 3050** **Upside: 12.70%**

Fundamental Observations

TCS reported net sales of Rs. 40,135 crores for the quarter ended on September 2020 which is 2.97 percent up from Rs. 38,977 crores in September 2019. Quarterly net profit of the company is at Rs. 7,475 crores that is 7.05 percent down from Rs. 8,042 crores in September 2019. Profit was impacted as the company set aside Rs 1,218 crore as an exceptional item for damages paid in a U.S. litigation. The company has announced a Rs 16,000 crore buyback to reward shareholders—its third such exercise in the last four years. TCS' revenue and margin outperformance came on the back of strong deal wins. The company reported deal wins of $8.6 billion during the quarter. This includes the $2.5 billion contract with U.K.-based Phoenix Group which was announced earlier but executed between July-September. Besides, Covid-19 is expected to accelerate the growth of digital services as global and Indian clients ramp up their spending on cloud computing, artificial intelligence and internet of things and would initiate the buy recommendation for upside return of 13%.

Technical View

The stock has seen a fresh breakout from the key resistance level of 2285 and this suggesting uptrend could continue in short term to medium term scenario. This uptrend could get damaged if the stock closes below 2285 levels on monthly basis. After the stock gave an upside breakout on Fridays session as the price broke through the top of a trading range. Moreover, the daily chart structure is positive as the stock is well placed above its 200 day exponentially moving averages. The daily RSI is already in strong buy mode. A move past 2885 could take the stock towards the levels of 2980 and 3050. Keeping in mind the above-mentioned evidences, we recommend traders to buy TCS for long term gains.

SHCIL Services Ltd.

Sun Pharmaceutical Industrial Limited

CMP: ₹ 509.15 Buy Target: ₹ 610 Upside: 19.80%

Fundamental Observations

India's largest drug maker Sun Pharmaceutical Industries Ltd.'s september 2020 quarterly profit rose on the back of lower operating expenses and higher other income. Net profit rose 70% year-on-year to Rs 1,813 crore in the three months ended September. Sales and gross profit of Taro Pharmaceutical Industries Ltd., its U.S. subsidiary, dropped 25.7% and 16.3% year-on-year to $142.8 million and $81.6 million, respectively, in the quarter ended September, according to a separate statement. The earnings and sales of Taro, however, improved over the preceding three months. The U.S. business accounts for more than 30% of Sun pharma's overall consolidated sales. Taro Pharma contributes nearly half of the parent's total U.S. formulation sales. The management specified that it continues to monitor the impact of Covid-19 on its business, including its impact on customers, supply-chain, employees and logistics Pharmaceutical exports from the country crossed $ 23 billion almost 15 percent YoY. India is likely to maintain growth in pharmaceutical exports during second half also. Based on the overall fundamental observations, we recommend SUNPHARMA to Buy/Accumulate for medium term to long term gains.

Technical View

SUNPHARMA has given a breakout from the downward sloping resistance line on the weekly chart after it closed above its 20-DMA with periodically high volumes on last week. The stock has a strong support at its 100-DEMA (493), from where it has bounced back this week. Also, the stock has given a breakout from the consolidation level of 484 on weekly chart. Such back to back confirmation on short term and medium-term chart supports our buying argument at current levels and provides better risk-reward ratio. The stock has seen steady volume expansion after taking support from March 2020 low of 315 and sustainable move past 565 can extend rally in the counter towards 610 or even 680 levels. The support will be seen at 434/421 levels.

Coforge Limited

CMP: ₹ 2218.05 **Buy** Target: ₹ 2814 Upside: 26.90%

Fundamental Observations

IT firm Coforge Ltd (formerly NIIT Technologies) has reported a marginal rise in consolidated net profit to Rs 120.7 crore for Q2FY20. The company's consolidated gross revenue rose 11.1 per cent to Rs 1,153.7 crore in the quarter under review from Rs 1,038.5 crore in the year-ago period. Among geographies, Americas grew by 11.9 per cent sequentially, contributing 48 per cent to the revenue mix, EMEA grew by 7.3 per cent (contributing 36 per cent) and rest of the world grew by 5.6 per cent (contributing 16 per cent). A total of 12 new clients were added during the quarter. The management states that, on the back of this continued deal signing momentum, the order book executable over the next twelve months increased to USD 489 million, representing a growth of 21 per cent y-o-y. The sharp sequential increase in EBITDA (earnings before interest, taxes, depreciation, and amortization), in order intake and order executable, is a testament to the tenacity of and the consistent execution delivered by Team Coforge despite the pandemic-induced headwinds. Accordingly, we initiate the COFORGE to BUY recommendation for medium term to long term gains.

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Technical View

There has been a fresh break out above the 2059.50 levels with rising volumes The stock surged with good volumes to overcome the breakout level of 2059.50, which confirms that medium term outlook on COFORGE is likely to remain uptrend. The stock is currently trading above its short term as well as medium term moving averages suggesting buy signal. The momentum indicators viz. RSI and MACD are showing strength. We expect, the stock may continue to witness further upside in the coming trading sessions and the resistance for the stock is seen at 2635/2814 levels. Above 2814 levels it could test at 2950. On the downside the support will be at 2070/1890 levels. We recommend to buy COFORGE for medium term to long term gains.

Marico Limited

CMP: ₹ 380.50 **Buy** **Target: ₹ 470** **Upside: 23.50%**

Fundamental Observations

India's leading consumer goods company Marico Ltd on reported an 8% jump in September quarter net profit, with its cooking oil and packaged foods portfolio registering double-digit growth as a result of sustained in-home consumption of food. On a like-to-like basis, PAT (profit after tax) grew 15% during the quarter. Reported PAT was up 7% after accounting for a one-time exceptional expense i.e. a post-tax impact of Rs21 crores. Domestic volumes grew 11% and the company reported 7% constant currency growth in international business. Consolidated revenue from operations grew 8.75% from the year earlier to ₹1,989 crore, the maker of Saffola cooking oil and Parachute hair oil. The company mentioned that though there were inflationary trends, the impact was contained through aggressive cost saving initiatives, enabling an improvement of EBITDA margins to 19.6%. Reported profit was up 7% after accounting for a one-time exceptional item. After a challenging April, the business has reached near-normal levels and expects to deliver growth in the rest of the year. Based on the above fundamental observations, we recommend to buy/Accumulate MARICO at every declines.

Technical View

After testing the March 2020 low of 234, MARICO has signaling a breakout from " V shape recovery" on the weekly chart as well as monthly chart and the stock has trading near its resistance line of 400. On weekly chart, the stock has been trading well above its major exponential moving averages (100 days – 342 & 200 days – 321) suggesting long term trend on MARICO continues to remain bullish. On the momentum indicators front, RSI is signaling positive as trading above 60. The stock has seen steady volume expansion after taking support from March 2020 low of 234 and sustainable move past 400 can extend rally in the counter towards 450 and 470 levels. Investors are advised to buy and accumulate MARICO at every declines for long term gains.

Escorts Limited

CMP: ₹ 1285.45 **Buy** **Target: ₹ 1540** **Upside: 19.80%**

Fundamental Observations

Escorts Limited reported a sharp jump in net profit for the September quarter, lifted by a strong jump in revenues. The tractor and agro-machinery maker reported net profit of ₹ 229.9 crore in quarter ended September 30, 2020, which is more than doubled against a profit of ₹ 104.6 crore in the corresponding period last year. Operating margin expanded by 878 bps to 18.3%. During the quarter, tractor sales volumes were up by 23.8% at 24,441 units. Segmental revenue went up by 32.8% at ₹1,322.2 crore in quarter ended September 2020 as against ₹995.6 crore in corresponding period last fiscal. Revenue from operations at ₹ 1,639.7 crore in quarter ended September 2020 went up by 23.9% as against ₹ 1,323.9 crore in the corresponding period last year. The management noted that the agri sector has been on an unprecedented boom. Maintaining highest safety measures and working closely with our partners to work around supply chain challenges, the demand for our tractors has so far outpaced our supplies. We think the momentum in agri sector will continue supported by positive macro-economic factors. Accordingly we would initiate BUY recommendation for short term to medium term gains.

Technical View

The stock has given a clear break out from inverse head and shoulder pattern (Level 1017.70) with steady volumes on the monthly chart which is a bullish continuation pattern. Escorts has been trading above its long term 100 days & 200 days WEMAs since April 2020 and this suggesting stock will continue its uptrend for long term. Moreover, the swift movement in the stock over the past five months trading sessions is backed by high volumes. Technically the stock is likely to remain uptrend and has found the key resistance level of 1343. Break out of 1343 levels would invite further buying and then the stock may face the upside targets of 1450/1540 levels. On the lower side, the support lies at 1145 and 1078 levels.

SHCIL Services Ltd.

Laurus Labs Limited

CMP: ₹ 276.80 **Buy** **Target: ₹ 355** **Upside: 28.25%**

Fundamental Observations

The small size drug maker LAURUS LABS Limited reported a robust set of July-September quarter (Q2FY21) numbers. The company's profit after tax was up 328 per cent year-on-year (YoY) at Rs 242 crore for the quarter on back of strong operational performance. It had posted profit of Rs 57 crore in a year ago quarter. EBITDA (earnings before interest, taxes, depreciation, and amortization) margins improved 1349 basis points to 32.8 per cent due to better product mix and improved operating leverage. The management stated that the company's formulations business showcased a growth of over 180 per cent for the quarter, mainly led by higher LMIC business and new launches in various markets, the division now contributed 40 per cent to overall revenues. The generic API division also recorded a healthy growth of 22 per cent for the quarter, led by higher growth in ARV API business owing to higher volumes. Custom Synthesis continues to maintain its growth trajectory with a healthy pipeline and with good visibility. Continuous improvement in financial performance, improving margin profile and strong order book, we would recommend to Buy LAURUSLABS form medium term to long term gains.

Technical View

The stock has surged from the MARCH 2020 low of 59 with strong volumes and tested an all-time high of 344.90 in September 2020. This could mean that the uptrend will continue in medium term to long term scenario. The daily as well as weekly chart structure looks positive and it has immediate resistance at 320/344. With good volume support seen, a break above 344 levels will signify a continuing strength amongst the bulls and we could see the stock testing 355/380 and 420 levels in medium to long term. The support level for the stock can be seen at 251 and 232 levels. We recommend to buy & accumulate LAURUSLABS at every decline for long term gains.

Suprajit Engineering Limited

CMP: ₹ 186.95 **Buy** **Target: ₹ 249** **Upside: 33%**

Fundamental Observations

Suprajit Engineering Ltd., incorporated in the year 1985, is a Small Cap company, operating in Auto Ancillaries sector. For the quarter ended 30-06-2020, the company reported a Consolidated sales Rs 177.47 Crore, down 54.38 % from last quarter Sales of Rs 389.00 Crore and down -51.16 % from last year same quarter Sales of Rs 363.37 Crore. The company has reported net loss for the quarter ended on June 2020 of Rs. 14.5 crores mainly impacted by coronavirus induced lockdowns. whereas for the march quarter company had registered net profit of Rs. 2.9 crores. Promoters held 44.6 per cent stake in the company as of June 30, 2020, while FIIs held 2.9 per cent, DIIs 13.1 per cent and public and others 39.4 per cent. The company will be announced the September 2020 quarterly results on 12th November 2020. The strong franchise in Auto Ancillaries sector is the key performance driver which will lead to better performance in the medium term to long term gains.

Technical View

The stock has given a clear bullish signal on the weekly chart as the stock has given a breakout from the key resistance levels of 198/200. Moreover, the action formed “V shape recovery” with steady volumes. This suggests that buying momentum can be expected to gain in short term to medium term. Additionally, this was supported with good volumes indicating that lower level buying was seen in SUPRAJIT, which augurs well for the near run. On weekly chart the bullish support line continues to remain strong which suggests buying pressure in the stock during dips. we continue to remain positive on SUPRAJIT and suggest maintaining long positions on SUPRAJIT with resistance of 249/280 levels. The support levels placed at 146 and 137.

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