

Weekly Equity Spotlight

05th June 2020

SSL Research Centre



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

b). Strategy Objective:

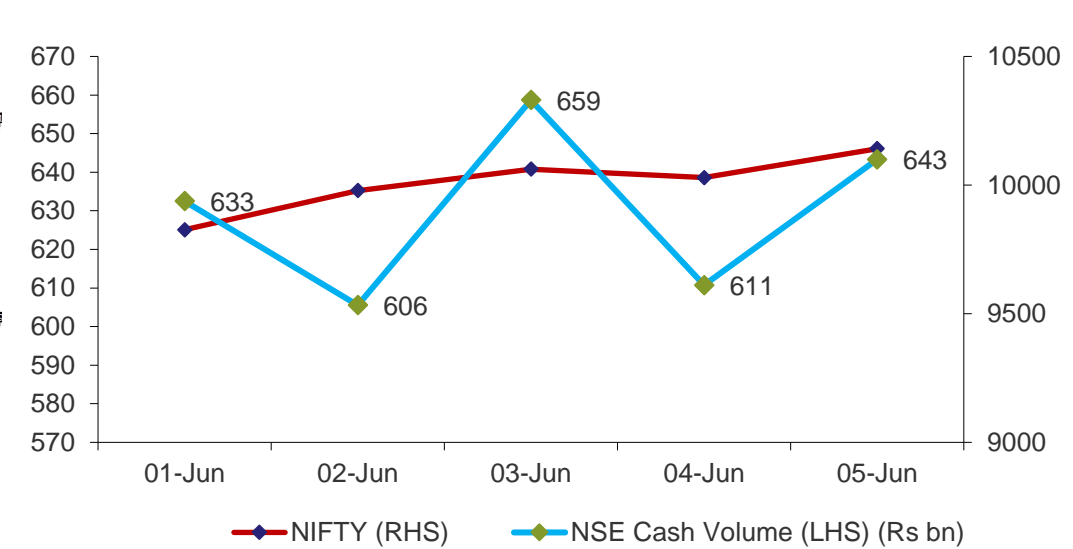
- Take advantage of the technical selling in the market and identify scrip which are mispriced; capitalise on the directional as well as the consolidating market; Capture the sectoral rotation in the market.
- While selecting the stocks, emphasis is given on fundamentals, and prospective event flow in 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 (10142.15) – Weekly Chart



NSE Turnover - Equities



Due to strong rally in global markets, the domestic markets gained more than 5.86% and continued its momentum last week. After breaking out on 100- DEMA (10037) with impressive volumes, the NIFTY index sustained and closed above its critical moving average on daily chart last week. The technical oscillators are positive, and the up move may extend to the next technical top levels of 10295/10334 as the NIFTY index has given an upside break out from the bullish candlestick pattern with steady volumes on the weekly chart. We continue to remain positive with cautious approach on NIFTY from technical perspective as there is a short selling setup between 10490-10535 levels. A sustained trading below 9944/9889 will open up the possibility of bigger retracement of down move to the bottom of 9752/9566 levels. IT, PHARMA, REALTY and METAL stocks are signalling positive momentum in technicals. Whereas BANKING and FMCG stocks are showing consolidation with positive bias on a technical front.

JUBLIANT (Mid cap)- Buy

CMP ₹572.55

Drug firm Jubilant Life Sciences reported a consolidated net profit of Rs 260.49 crore for the quarter ended on March 31, 2020, driven by robust sales in pharmaceuticals segment. Consolidated revenue from operations stood at Rs 2,391.41 crore for the quarter under consideration as against Rs 2,385.58 crore for the same period year ago. EBITDA grew 58% to Rs 556 crore in Q4 FY20 from Q4 FY19. EBITDA margin improved to 23.3% in Q4 FY20 as against 14.7% in Q4 FY19. The company's revenue from operations stood at Rs 9,154.41 crore for the fiscal year ended March 2020. It was Rs 9,110.82 crore for the previous fiscal. Despite the COVID-19 led challenges, the company continues to experience strong demand across most of its businesses. During the year, the company reduced its net debt by Rs 514 crore and is focused on further deleveraging by generating healthy levels of cash flows. During the quarter, capital expenditure (Capex) in Q4 FY20 stood at Rs 89 crore. The company signed Licensing Agreement with Gilead Sciences to register, manufacture and sell Gilead's investigational drug, remdesivir, a potential therapy for coronavirus in 127 countries including India, and is working towards launching the drug in July 2020. Significant net debt reduction, moderating capex, and margin expansion across all the business segments, strong performance in Q4FY20 and consistency and visibility in all the three segments- specialty, CDMO and generics are signalling growth momentum in near term to medium term scenario. Accordingly, we initiate the JUBLIANT to BUY recommendation for short term to medium term gains.

Technical Perspective

Target ₹626/640



JUBLIANT tested the low of 234.35 in the first week of April 2020 and from a technical perspective, the stock has designed with “v-shaped recovery” in the absence of significant horizontal support and resistance levels during the decline and subsequent recovery. This pattern serves as a reminder of the power of momentum and power and profitability of directional trading. Quite frankly, there has been no better signal over the last month then the break of intra and multi-day support and resistance levels. Additionally, this was supported with good volumes indicating that lower level buying, and accumulation was seen in JUBLIANT, which augurs well for the near run. Going forward, we would remain positive on JUBLIANT and the stock now faces a resistance at 626 and 640 levels and should have a minimum upside till that level. Break out of 640 levels would invite further buying and then the stock may face the upside targets of 696 and 747 levels in the medium-term scenario. The support will be at 523/507 levels. Considering the significant upside, traders and investors are advised to buy JUBLIANT for the return of 9-10%.

AMARAJABAT (Mid cap) – Buy

CMP ₹670.80

Amara Raja Batteries has posted 15% growth in net profit to Rs. 137.30 crore on the back of 1% jump in sales revenue to Rs 1,581.39 crore for the fourth quarter ended March 2020. Operating profit margin (OPM) of the company was flat at 15.42%, thus, Operating Profit grew 1% to Rs 243.80 crore. Industrial Battery Business has improved its performance in FY20 despite the adverse impact of COVID-19 on the year-end sales and demand compression in telecom sector during the year. Export sales in Industrial battery division sustained momentum registering strong growth in Middle east and Africa while South East Asia sales have been subdued. Amara Raja's volumes in market for two- and four-wheeler parts to end-users grew by 18% and 9%, respectively, during the fourth quarter. This helped the company offset the decline in sales of automakers. For FY20, the overall two-wheeler and four-wheeler battery volumes grew by 13% and 3%, respectively, primarily supported by replacement volume growth of 18% and 10%. Overall, Amara Raja's earnings before interest, tax, depreciation, and amortisation (EBITDA) margin declined marginally year-on-year to 15.4%. This is even though raw material costs as a percentage of revenues declined by 154 basis points. We expect a quicker recovery in the battery segment over the next 1-2 years, driven by an improvement in the removal of post lockdowns and the stability of earnings and scope for margin sustainability may support the stock movement in the medium term. Considering all above factors, we maintain Buy recommendation on AMARAJABAT for short term to medium term gains.

Technical Perspective

Target ₹728/744



AMARAJABAT closed above its key resistance level of 667 with strong volumes. The Amara Raja stock has seen a stunning recovery of almost 94% from its lows in March 2020 on the NSE. The gain in the stock price from a March low of 348.55 has been on the back of increasing volumes, indicating strong buying at lower levels. On the Weekly chart, the stock has been trading in “V-Shaped recovery” mode since February 2020. This indicates the short-term to medium term trend on AMARAJABAT will continue the buyer's region. On the momentum indicators front, MACH and RSI are in buy signal on the weekly chart. The bullish candle on the weekly chart indicates a move past the level of 704/728 could take the stock towards the levels of 772 and 795 levels in the short-term. The short term to medium term support for the stock is seen at 638/580 levels. Based on above evidences and a positive crossover in other momentum oscillators, we recommend traders/investors to buy AMARAJABAT for the return of 8-10%.

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