

Disclaimer

The following presentation is for educational purpose only, to understand the concept of technical analysis and other studies. We don't intend anyone to trade or invest based on this educational presentation, nor we are liable for any losses of any decision taken based on this presentation.



Technical Analysis

How to find the winning trades

Top Down Analysis

- Monthly
- Weekly
- Daily

Identify Market Structure

- Patterns
- Support & Resistance
- Long term Trendline
- Volume and Delivery activity

To Add:

- Pattern within Pattern
- Fibonacci retracements
- Averages
- Indicators

- Bullish Patterns: Rounding bottom, Multi year breakout, Double Bottom, Inverted Head & Shoulders Pattern, Pole and Flag, etc
- Fibonacci retracement ratios
- Pickup in volumes and delivery %
- Institutional & HNI activity - Increase in Bulk & Block deal
- Comparative strength vs Peers vs Sectors vs Benchmark
- Liquidity, Index inclusion, Portfolio Concentration
- Buy Value stocks only once momentum sets in otherwise stuck in consolidation
- Stop loss either on time or particular % correction whichever is earlier depending on market cap
- Small Cap - Art of Exit

Top Down Analysis

Monthly

1-Info Edge (India) Limited - 09/10/20



Top Down Analysis

Weekly

1-Info Edge (India) Limited - 09/10/20
Avg(CloseLine:S:50)



Top Down Analysis

Daily

1-Info Edge (India) Limited - 09/10/20



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Patterns

Rounding Bottom

1-Dabur India Ltd. - 31/07/19

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Double Bottom

1-Tata Motors Limited - 29/07/19

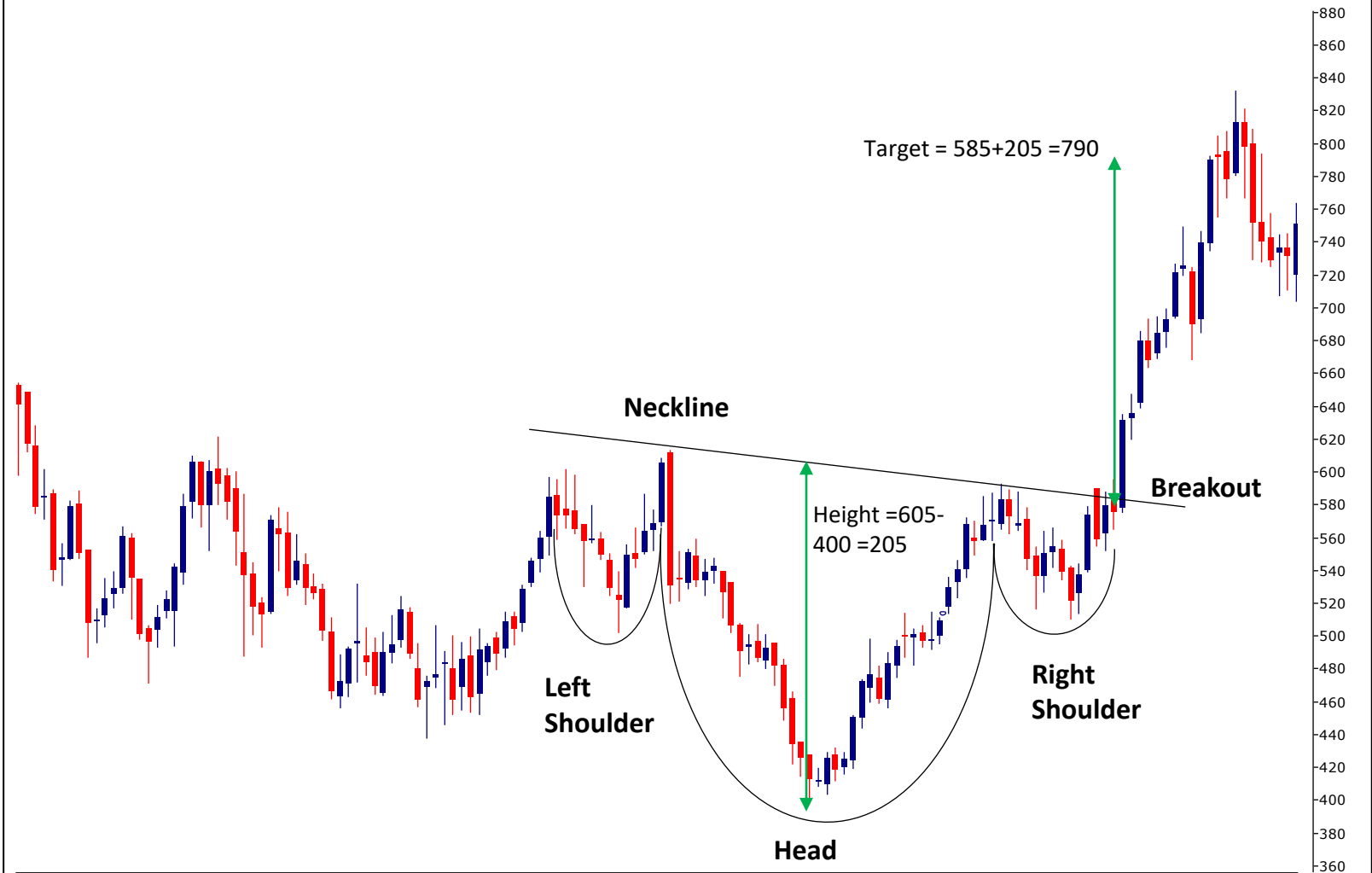
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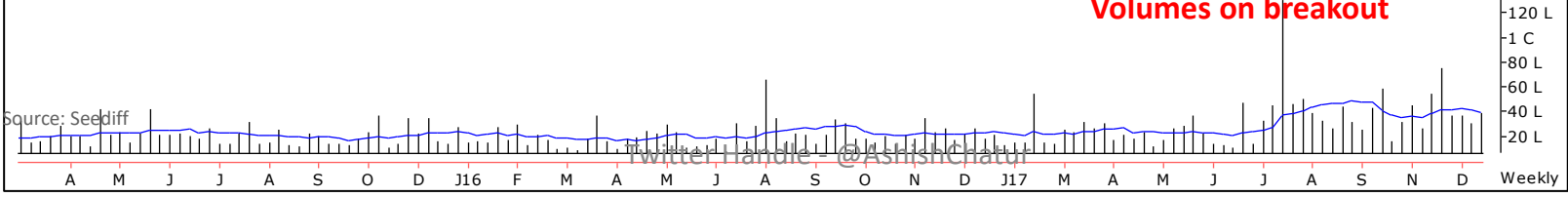
Bullish/Inverted Head and Shoulders

1-BATA INDIA LTD. - 26/07/19

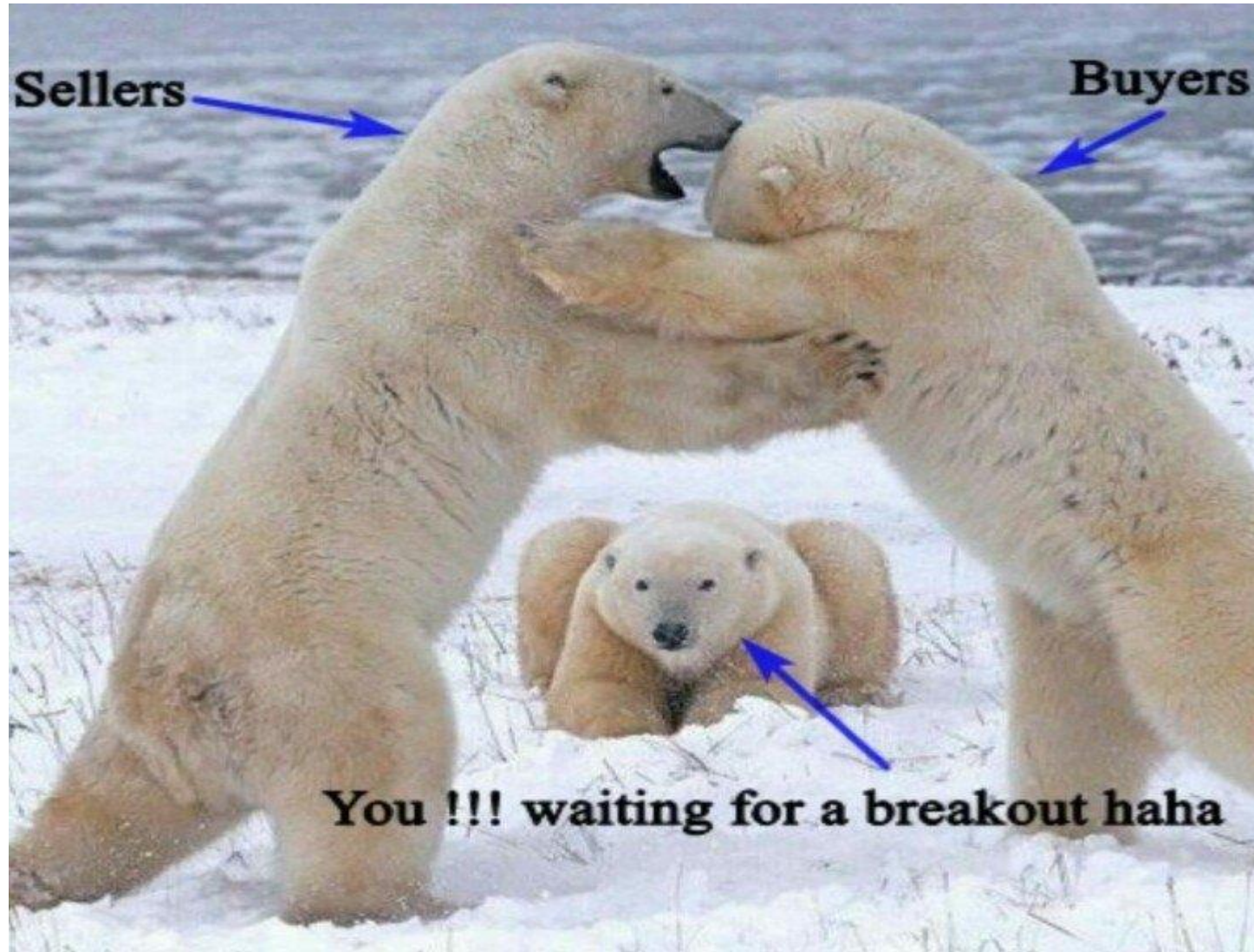
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QtyLine, Avg(QtyLine:S:10)



Be opportunistic



Higher the consolidation, the better..

1-V-MART RETAIL LIMITED - 24/11/17

F7Net



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Multi year high breakout

1-KEC International Limited - 24/11/17





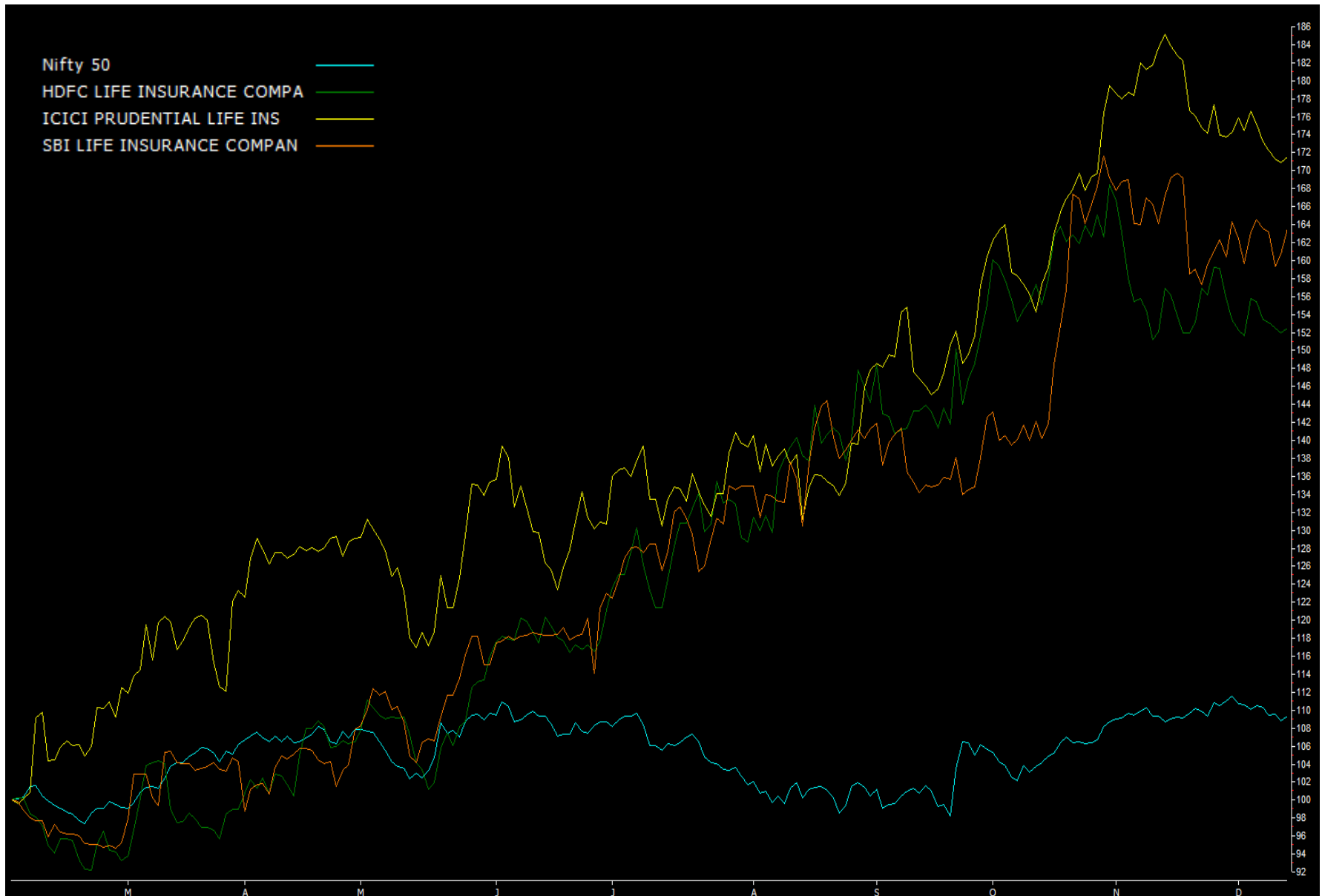
VOLUMES

1-SHAKTI PUMPS (INDIA) LIM1 - 31/07/19



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Comparative Strength vs Peers vs Sectors vs Benchmark



Mapping Fundamentals with Technical

Fundamental Analysis	Technical Analysis
1. Concentrates on the financial drivers of the economy itself	1. Focuses solely on charts and past price behaviors
2. Re-Rating Criteria Earnings, Earnings and Earnings	2. Re-Rating Criteria Buyers become aggressive than sellers
3. Focus on factors like ROCE,ROE,PE etc.	3. Focus on factors like Moving Averages, Breakouts etc.
4. Strategy It is used to find the intrinsic value of the company to evaluate whether the stock is overprices or underpriced	4. Strategy It is used to find the right entry and exit point of a stock.
5. Examples ITC Limited is a strong company with huge amount of cash on books and having a high dividend yield.	5. Examples ITC Limited is a great company but not having significant buyer interest thereby indicating that, sellers are more aggressive than buyers

Define your company

Good Business Good Cycle – Buy on dips, Buy on Rallies

eg HDFC Bank, Nestle India, Infosys, Asian Paints, Bajaj Finance

Good Business Bad Cycle – Be Opportunistic

eg Tata Steel, L&T

Bad Business Good Cycle – Buy on every breakout, Sell on first significant reversal

eg HEG, Rain Industries,

Bad Business Bad Cycle– Don't touch

eg JP Associates, RCOM, HCC,etc

Covid-19 Leading to a Structural Change in Business

- Post Break-out of Covid-19 globally, businesses had come to a standstill impacting each Industry in the worst possible manner. The breakout of Covid-19, impacted health taking several lives unlike the 2008 financial crisis.
- Outbreak of Covid-19, forced people to change the way of doing business i.e. work from home, maintaining social distancing, Promoting Online Sales, etc.
- Currently, the focus of every company is to operate with maximum utilization of resources and minimum health impact.
- As said that there is always brightness after dark night, two sectors have witnessed structural change in their business model which are as under –Information Technology & Pharmaceuticals

Information Technology

Every dimension of Tech Industry will see a structural shift as relevance and value of technology to the client has never been higher

- *Rajesh Gopinathan, MD & CEO, TCS*

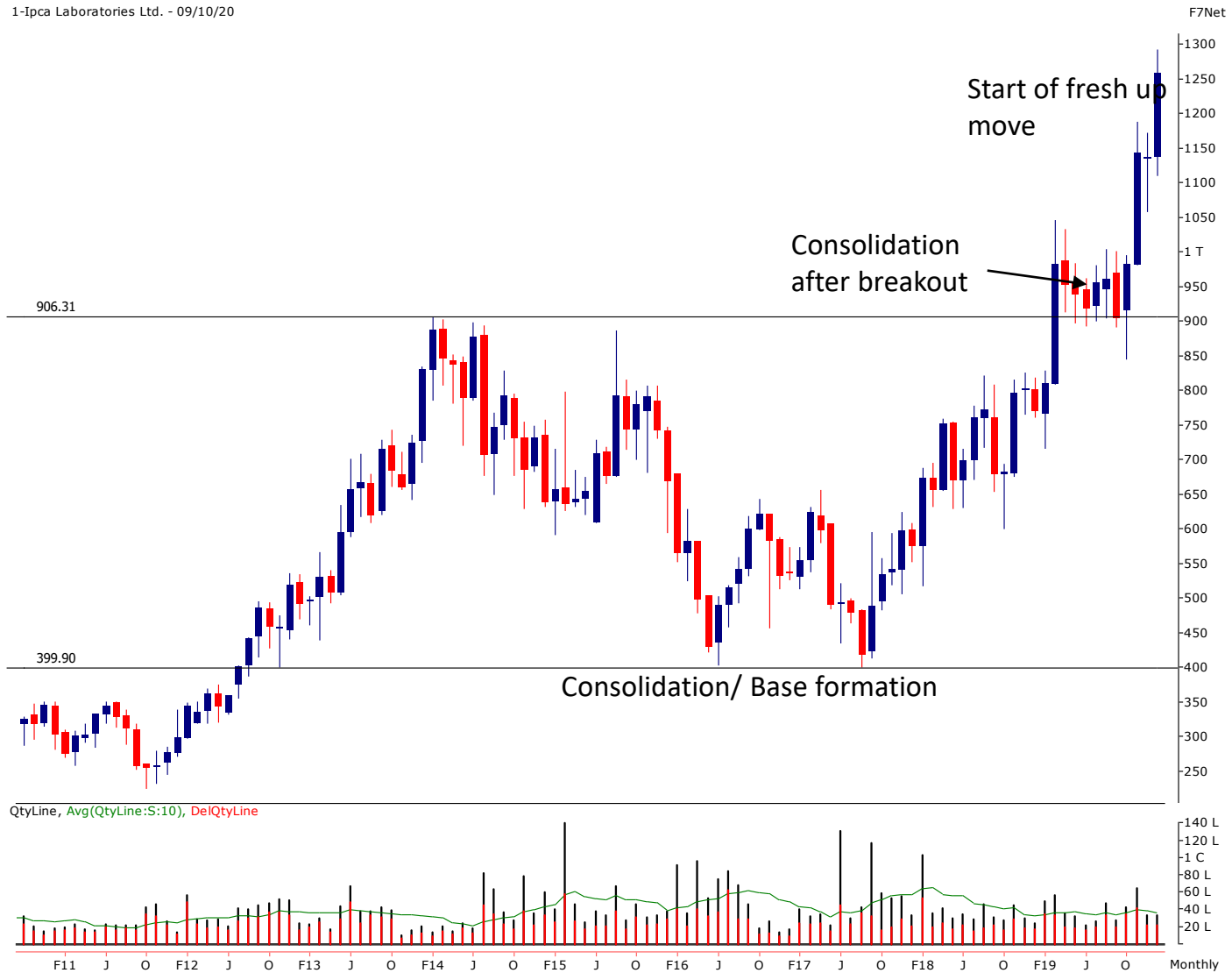
- Tech Industry is at the cusp of a significant growth phase as last 6 months have accelerated the acceptance of Digital tech in business across industries and geographies.
- Remote and collaborative models are in focus as clients try to merge Work from Home with Work From Office
- Companies are moving workload to cloud and cloud is the new ERP, but true business value will be unlocked when digital core is transformed
- Growth will be in phases where Phase 1 will be to improve resilience of infrastructure and shift the core of the organization to a Digital core. Phase 2 will involve companies using the Digital Core in phase 1 as a stage to transform the organization at an application and business processes level
- Currently the Clients look for quality and understand the value of stability in vendors during current times, hence companies with strong balance sheets with cash on books followed by its global presence. Example – TCS has cash on books of INR 53,000 crores (~5% of Market Cap)

Healthcare & Pharmaceuticals

This pandemic has made the entire world realize the need to reimagine supply chains

- Charu Sehgal, Partner & Leader Lifesciences & Healthcare, Deloitte

- Globally Pharmaceuticals as a sector, has been in limelight since a while mainly due to events relating to Drug and vaccine discovery for Covid-19.
- However it is pertinent to not that, India has been a major player in the Generic medicine world in terms of cost, quality, manufacturing size and scale.
- A pharmaceutical industry is broadly divided in API and formulations. Under the API segment, high dependence China was a worry where Indian companies are gradually making there space. In fact, most companies have a dependence of between as low as 20 per cent but as high as 80 per cent.
- The recent Govt of India has announcement in April 2020, of INR 10000 crore of investments to incentivize production of APIs in India, is a first sign of things changing in India



1-Ipca Laboratories Ltd. - 09/10/20



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Fundamentals

- Good Business – Pricing power & Competition, Sectoral Tailwind, Entry Barrier, Brand, Reputation Government Dependency, Industry Size, Innovation, Strategic Assets
- Good Management – High Corporate Governance, Strong Parentage, Promoter Holding, Focus of Management (Z,E), Pledge
- Political Connection
- Capital Intensity and Capital Efficiency of Industry
- Debt Levels – Avoid highly leveraged B/S, Low interest coverage ratio
- Increasing working capital cycle is concern, Cash conversion cycle
- Operating profit to convert into Cash Flow from Operations (50%)
- Consistency in Revenue, EBITDA and PAT growth
- Good **reasonable** ROC and ROCE
- ROCE (10 year G-Sec Yield + Long term Equity Premium) > 15%
- Ten year cycle – Upcycle Downcycle
- Sector tailwind
- Revenue growth 10% for a decade, nominal GDP growth 14.5%.
- ROCE – EBIT/Capital Employed (ROCE > WACC)
- CAGR in Auditor remuneration vs CAGR in consolidated Revenue



Recent Case Studies

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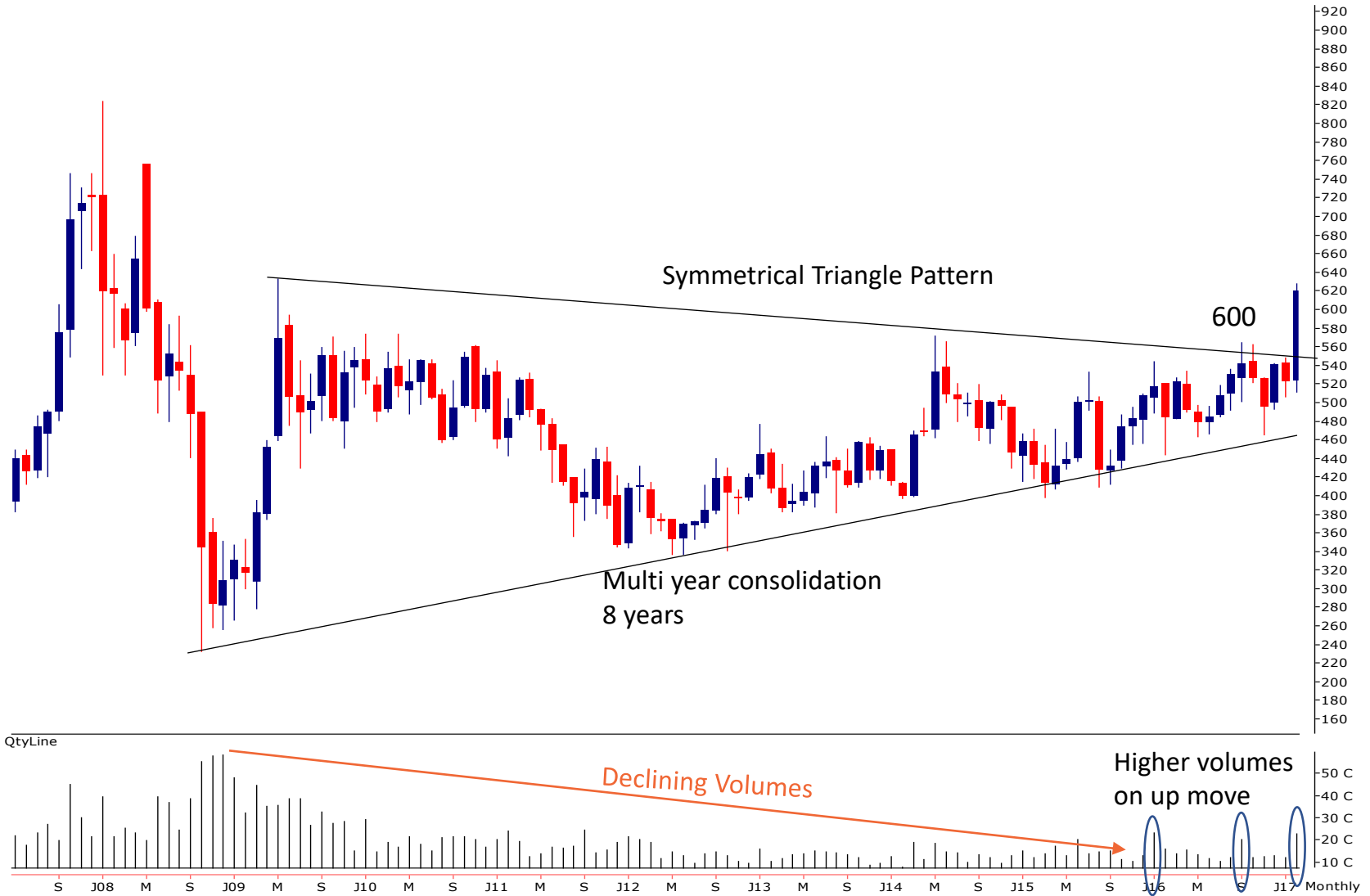
Reliance Industries

- Cash cow businesses Refining and Petchem remain strong
- Petchem capex nearing completion
- New businesses Retail and Telecom to drive growth
- Retail business in place
- Jio in free trial period and crosses 100 million subscribers, soon to start billing

Reliance Industries

1-Reliance Industries Ltd - 12/12/19

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Reliance Industries

1-Reliance Industries Ltd - 12/12/19



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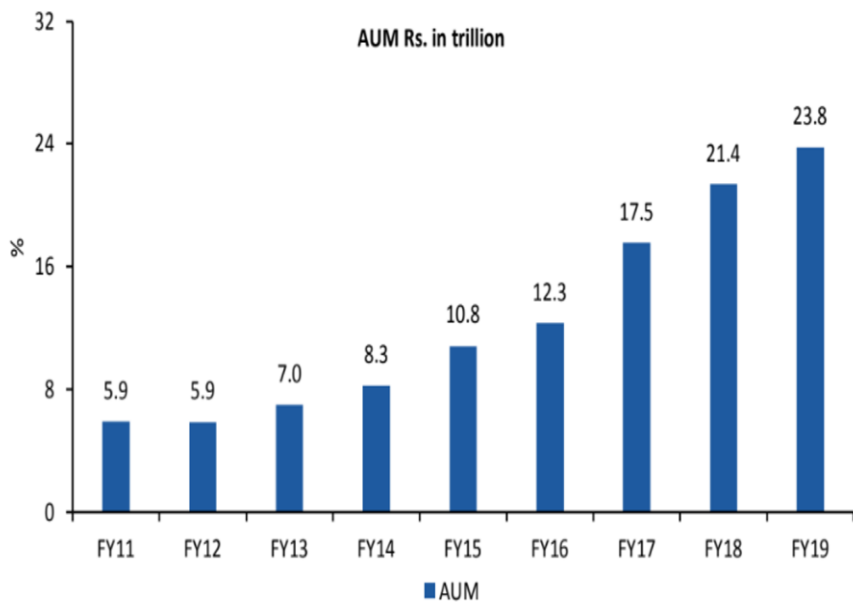
Mutual Fund Industry

- Indian MF AUM as a share of GDP (11%) remains significantly lower than the world average of 62%
- Indian Mutual Fund has grown at CAGR of 17.4% over last 10 years, which is only second to China and twice of Global AUM. India is 7th largest economy in the world, yet ranks 17th in terms of Mutual Fund AUM.
- Indian household savings as a percentage of GDP have declined over the recent past, RBI data indicate that households are moving higher shares of their savings to financial assets
- Within financial assets, the share of non-bank deposit instruments like mutual funds and insurance are on the rise. Traditional physical savings avenues real estate and Gold have given stagnating or falling returns as opposed to higher returns in equity and debt.
- Fixed income returns trended down since FY12, hence from Retirement planning perspective MF imperative.
- Top 10 funds contributed ~82% to Industry AUM in FY19, showing that scale is crucial for thriving in the industry. While the industry has seen an increase in the number of mutual fund players, it has also undergone consolidation, especially the mid-sized and smaller AMCs.

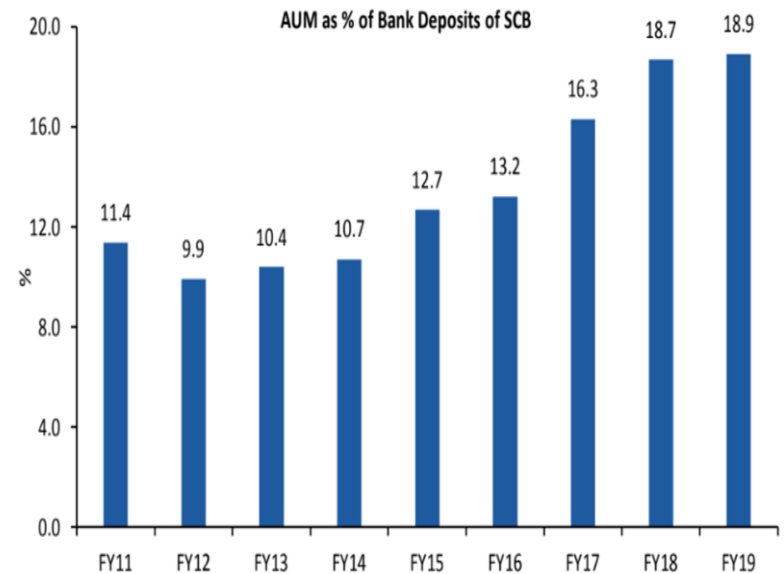
Mutual Fund Industry

MF industry has witnessed healthy growth with AUM of ~Rs. 25.6 trillion as of end-September 2019; implying ~17% CAGR for nearly two decades. From a more recent starting point (FY11) also, overall MF AUM growth has shown a strong performance with through-the-cycle overall MF AUM CAGR (FY11 - FY19) of 19%.

Mutual Fund Industry AUM Growth



MF AUM to total deposits of Scheduled Commercial Banks



HDFC AMC

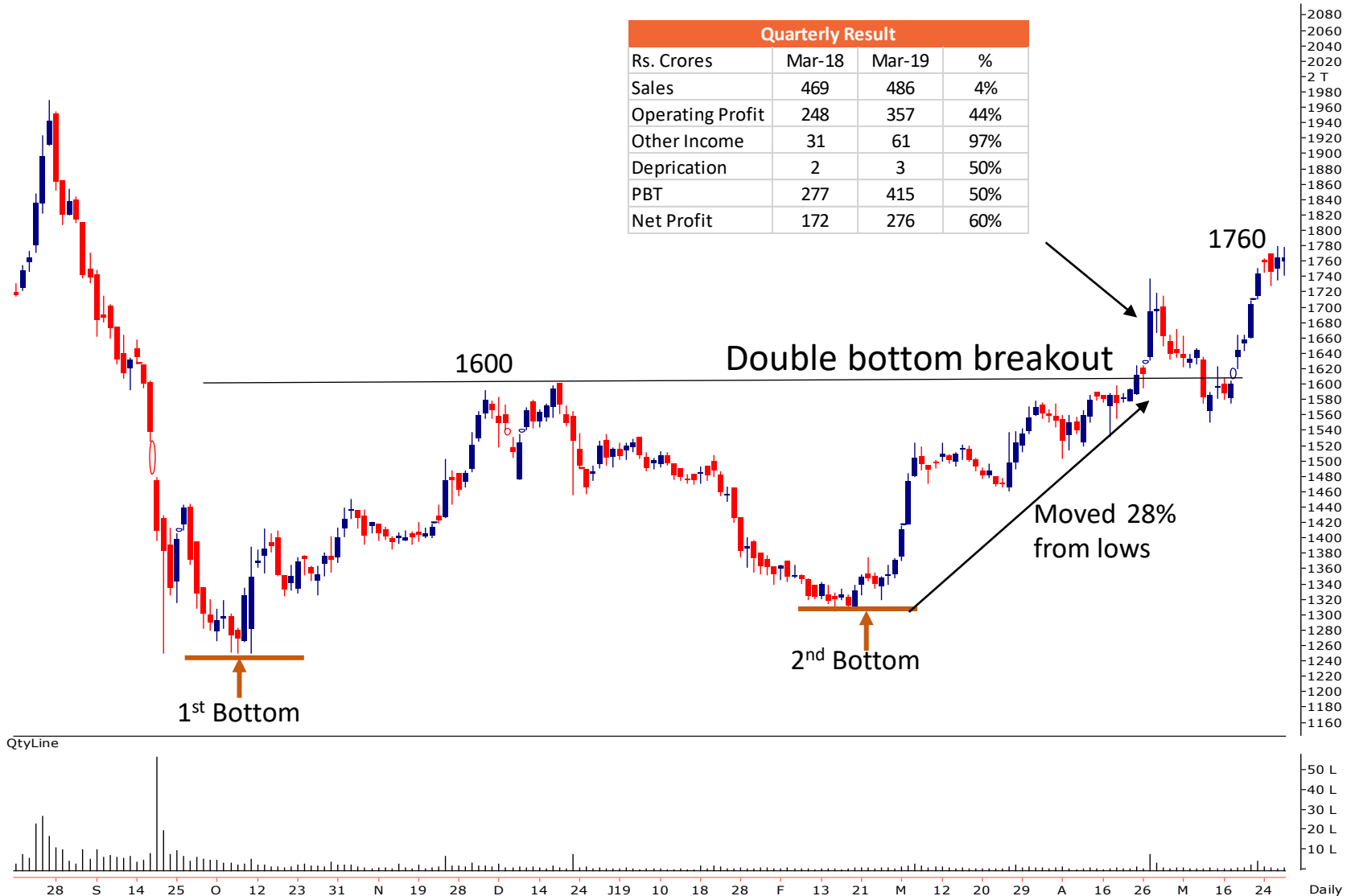
- Operates as an investment management firm. Offers portfolio management and advisory services to individuals, institutions, trusts, private funds, charitable organizations, and investment companies. HDFC Asset Management serves customers in India.
- HDFC AMC is largest AMC with market share of 14% and AUM of Rs 3.43 lakh cr. Formidable size achieved due to benefits Parentage/Trusted brand name, strong pan-India distribution network, operational efficiency, focus on the higher-yield equity segment, and consistent fund performance over the past, led to healthy AUM growth at highly profitable levels.
- India's under penetration of mutual funds relative to the world vs. competing areas of bank deposits/insurance additionally lends credence to longer-cycle growth from the "financialization" of savings. Company's business model checks most of the investment criteria of a growing and high-ROE business, positive free cash flow and high dividend payouts.
- HDFCAMC's business is well positioned longer term, benefiting from its leadership position in the industry (and especially equity) and its status as the most profitable AMC in the industry since 2011.
- The superior product mix helps company generate higher yield on AUM. The equity mix of AUM, at 47.7%, continues to be higher than industry levels of 43.3%
- The AMC has been a net beneficiary of a ban on upfront commissions that has resulted in margins moving structurally up. Further, it has been able to largely pass on all total expense ratio reductions to its distributors

HDFC AMC

1-HDFC ASSET MANAGEMENT COM - 13/12/19

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Quarterly Result			
Rs. Crores	Mar-18	Mar-19	%
Sales	469	486	4%
Operating Profit	248	357	44%
Other Income	31	61	97%
Deprication	2	3	50%
PBT	277	415	50%
Net Profit	172	276	60%



1600

Double bottom breakout

1760

Moved 28%
from lows

1st Bottom

2nd Bottom

QtyLine

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Daily

HDFC AMC

1-HDFC ASSET MANAGEMENT COM - 10/12/19



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AFFLE

- Affle India Ltd is an ad tech company that helps advertisers drive user acquisition, improve engagement and increase the frequency of transactions through mobile advertising using its proprietary consumer platform.
- The share of digital ads in media budgets across industries is increasing. Players with scalable end-to-end offerings across the ad-tech value chain, such as Affle, should be a beneficiary of the internet wave and digital expansion.
- Affle provides end-to-end automated mobile advertising consumer platform, coupled with a cost per converted user (CPCU) model, drives ROI and ensures high client retention and strong network effects.
- Filed 14 patents in Singapore and the USA to fortify AI-driven intelligence & automation for conversion-driven marketing with key focus on conversational, vernacular and voice based intelligence.

Profit & Loss

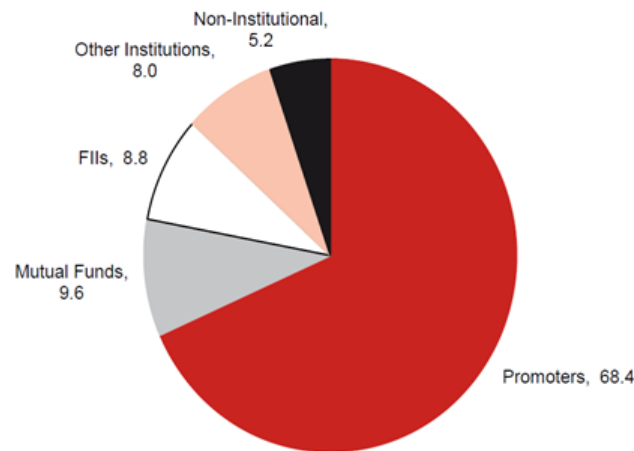
Rs cr	FY18	FY19	%
Revenue	167.2	249.4	49%
EBITDA	45.5	70.3	55%
EBIT	37.2	60.2	62%
Profit	27.8	48.8	76%

AFFLE

Key Investors in parent company



Shareholding Pattern



as of Sep 2019

Public shareholding >1%

Shareholders	% holding
Malabar India Fund Limited	6.3
Reliance Capital Trustee Co. Ltd	5.2
Franklin Templeton Investment Funds	2.4
L&T Mutual Fund Trustee Ltd	1.6
Aberdeen Asian Smaller Cos Investment	1.4
Aditya Birla Sunlife Trustee Pvt Ltd	1.2
Malabar Value Fund	1.1
Kuwait Investment Authority Fund 225	1.0
Eastspring Investments India Consumer	1.0

as of Sep 2019

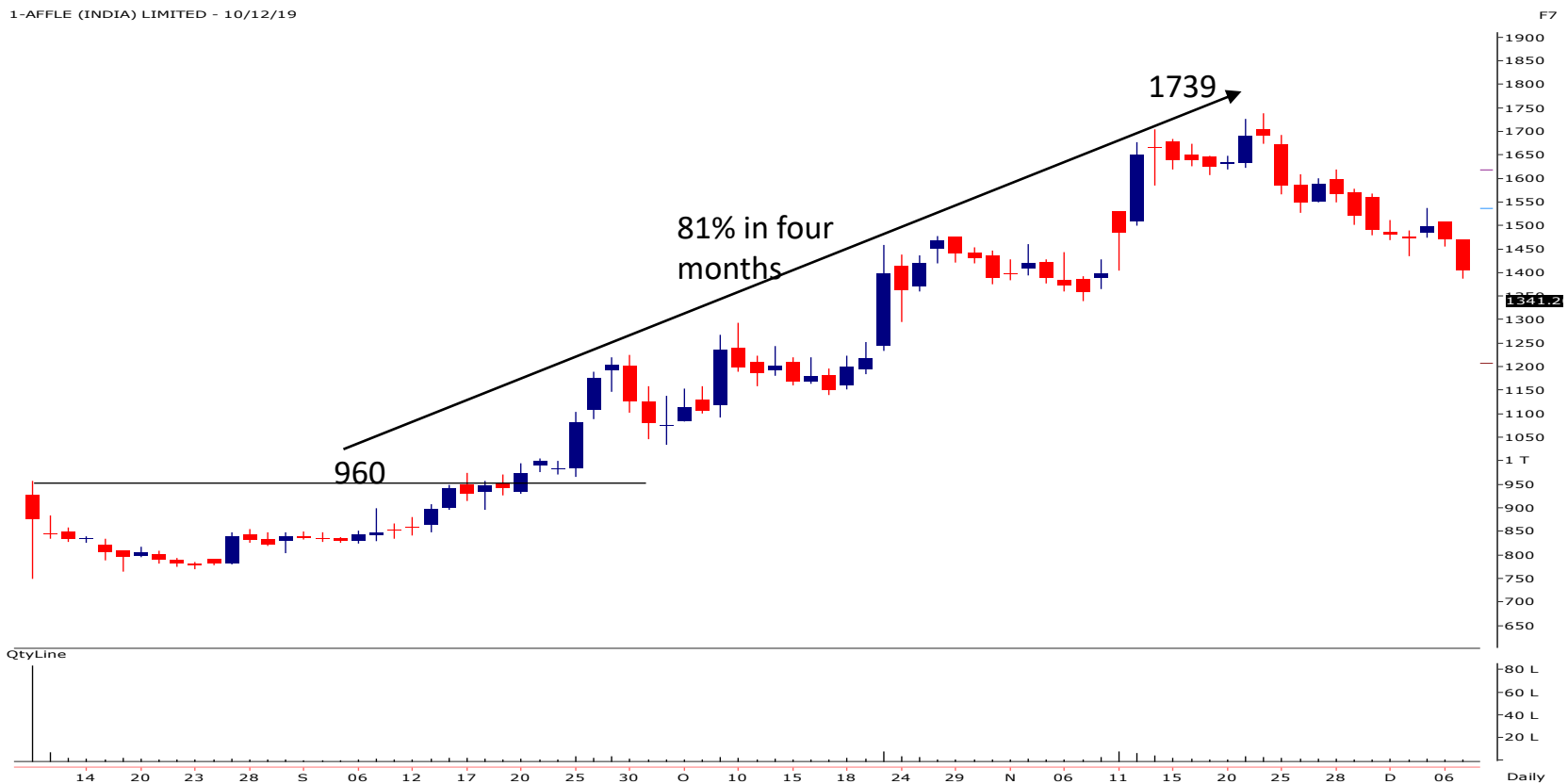
AFFLE

1-AFFLE (INDIA) LIMITED - 10/12/19



AFFLE

1-AFFLE (INDIA) LIMITED - 10/12/19



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SRF Ltd

- A clampdown on chemical manufacturing, tighter pollution control norms and the threat of US tariffs in China caused disruption
- Indian specialty chemicals were the beneficiary
- Turnaround in specialty chemicals
- Dominant position in the market with largest market share
- Market leadership position in Nylon Tyre Cord Fabrics
- The company doubled its Hydrofluorocarbon capacity to 50,000MT with an investment of INR3,800m

SRF Ltd

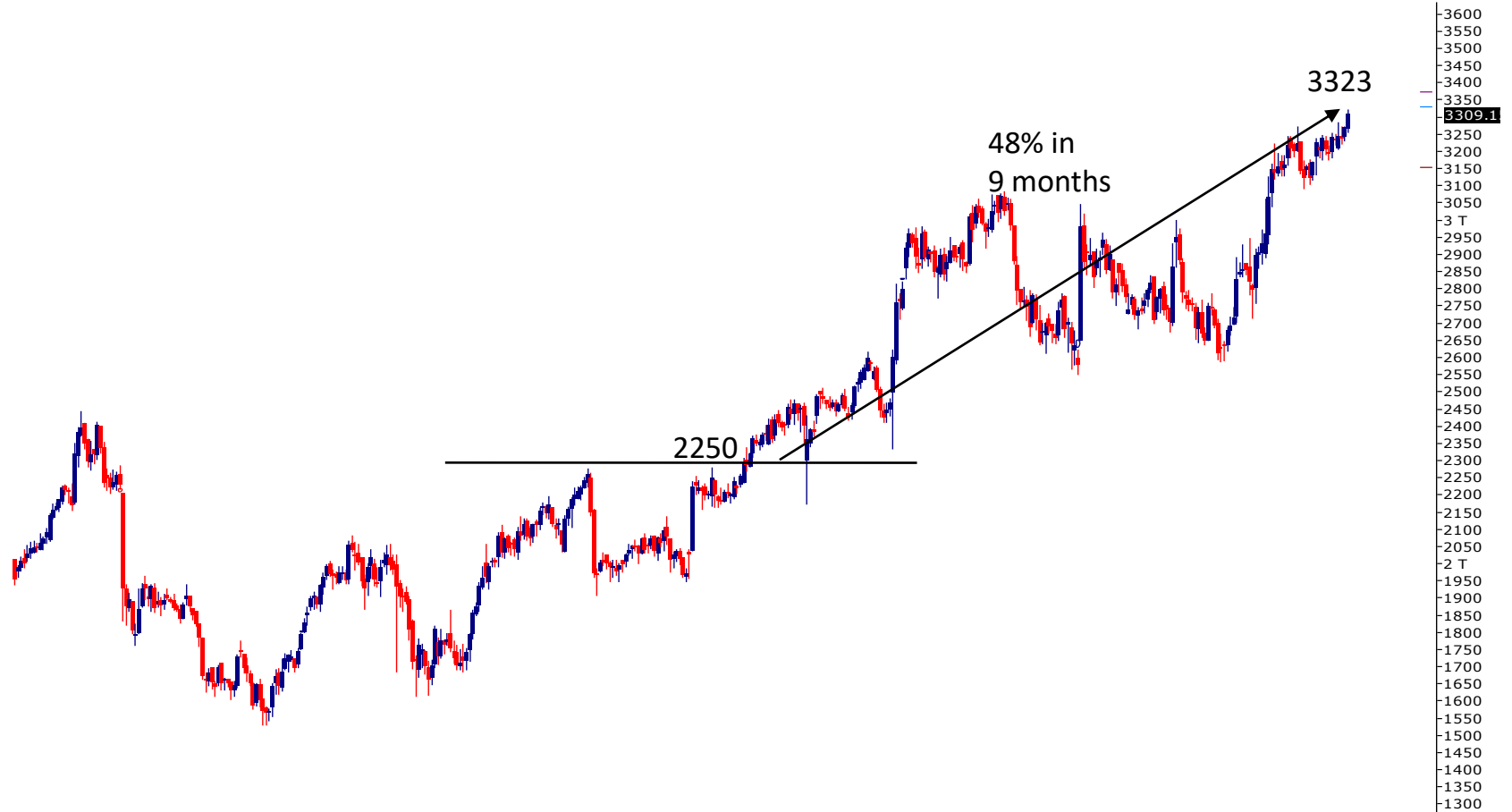
1-SRF Ltd. - 12/12/19



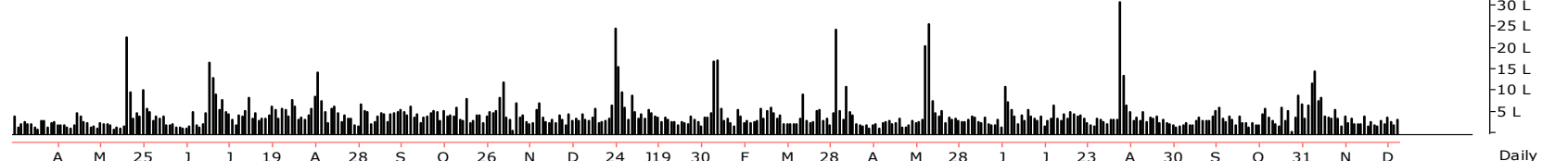
SRF Ltd

1-SRF Ltd. - 12/12/19

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QtyLine



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Daily

“When do you want get diagnosed?”

Maruti Suzuki

1-Maruti Suzuki India Ltd - 13/12/19

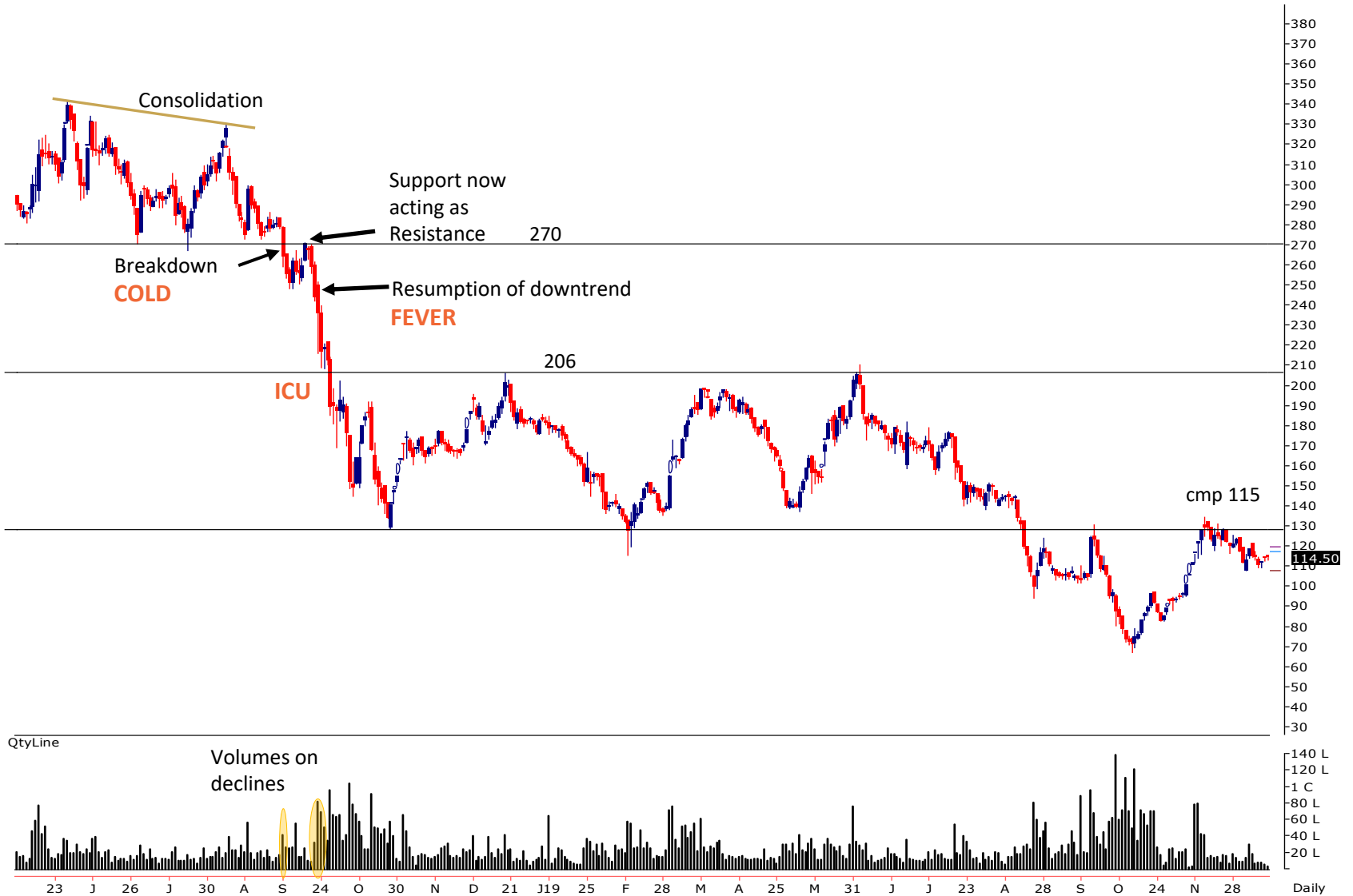
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Edelweiss Financial Services

1-Edelweiss Financial Servi - 13/12/19

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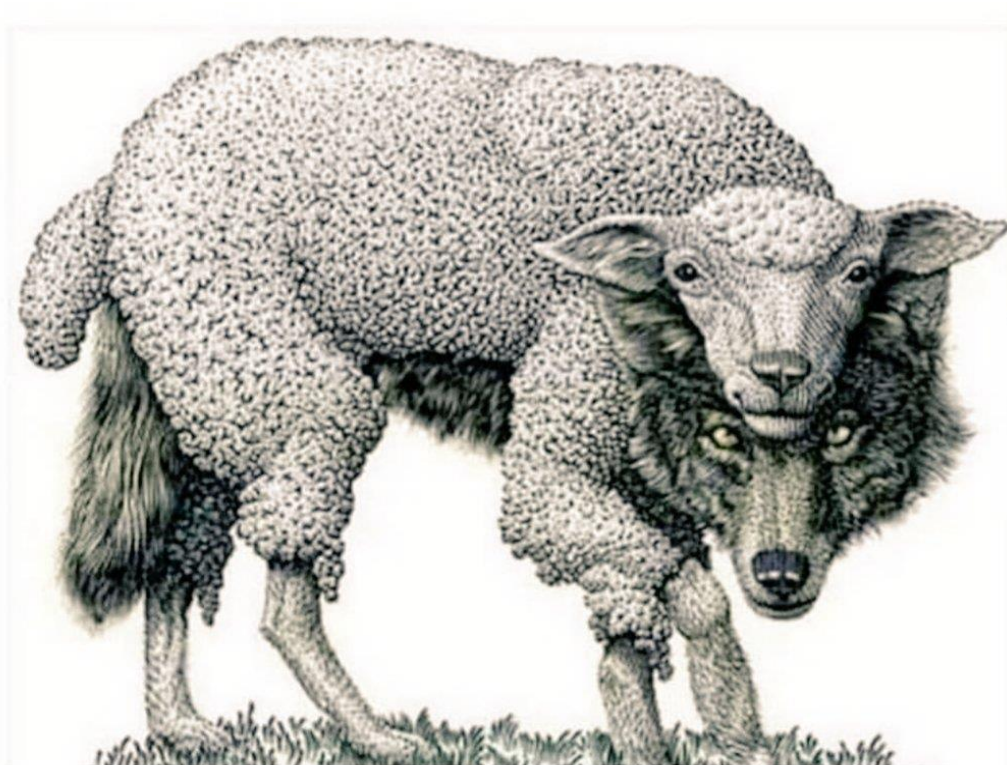
Technical Analysis = Brahmastra

Art of exiting :

Arjun vs Abhimanyu

In Smallcap/high beta/fancy names/ new flavours/top newsmakers you have to be Arjun not Abhimanyu

Who am I?



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Vakrangee

2-VAKRANGEE LIMITED - 21/06/19



PC Jeweller

2-PC JEWELLER LIMITED - 21/06/19



Infibeam Avenues

2-INFIBEAM AVENUES LIMITED - 21/06/19



“Avoid falling knives”

Stockholm syndrome

“is when kidnapped falls in love with kidnapper. Holding to dicey stocks where promoter ethics is hazy is exactly the same thing. Averaging it when it crashes is one step ahead – actually marrying the kidnapper”

DHFL

1-DEWAN HOUSING FINANCE - 21/06/19



Yes Bank



Unsung Heroes

Less Pattern Great Return

Pfizer – Strong Parentage/Trusted Brand

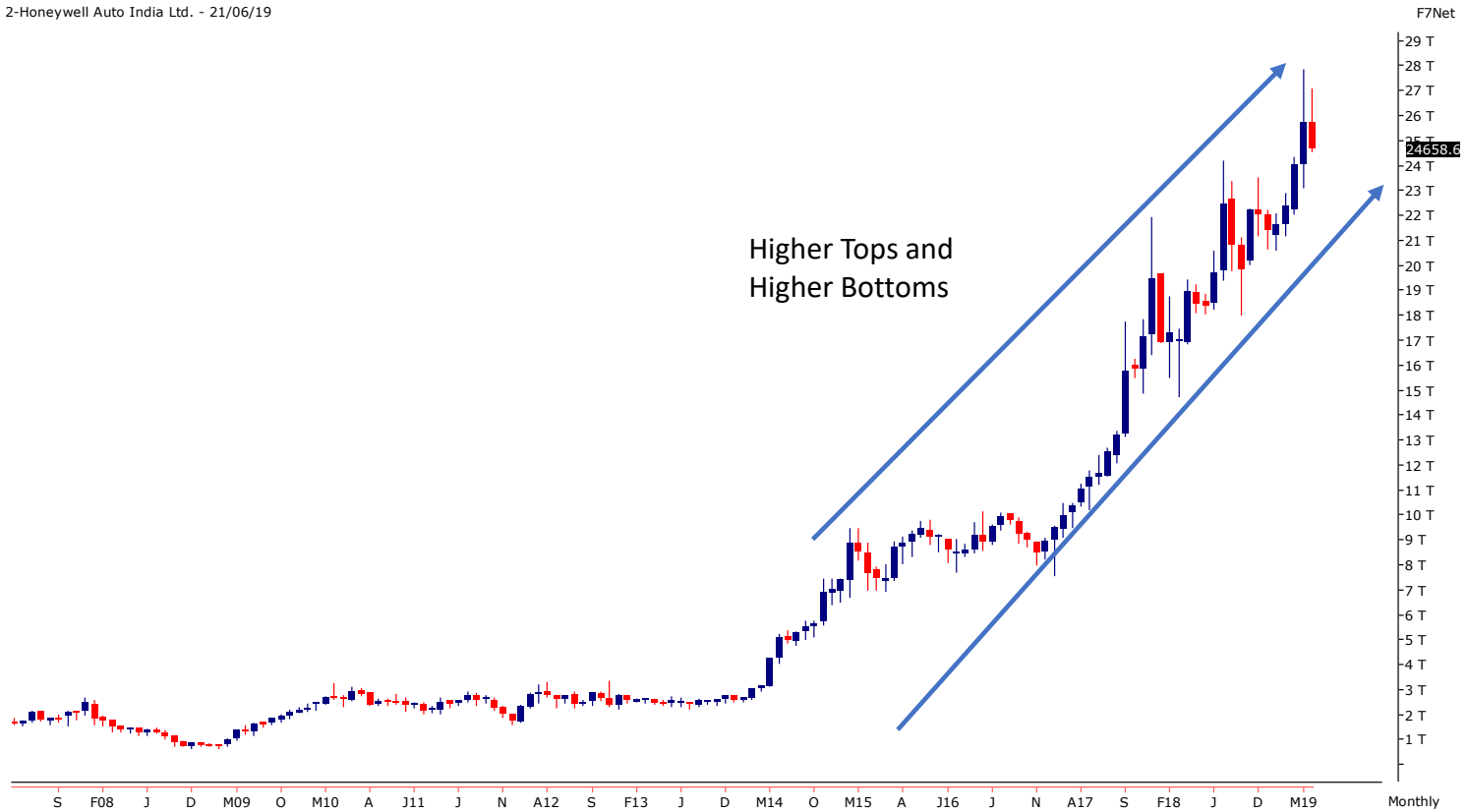
2-Pfizer Ltd. - 21/06/19



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Honeywell Automation - Strong Parentage/Trusted Brand

2-Honeywell Auto India Ltd. - 21/06/19



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Gillette India – Strong Parentage/Trusted Brand

2-Gillette India Ltd. - 21/06/19



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HDFC Bank

2-HDFC Bank Ltd. - 21/06/19

Compounded Revenue Growth	
10 Years:	19.74%
5 Years:	19.20%
3 Years:	18.01%
TTM:	23.34%

Compounded Profit Growth	
10 Years:	25.12%
5 Years:	19.98%
3 Years:	19.68%
TTM:	20.54%

Return on Equity	
10 Years:	18.08%
5 Years:	17.72%
3 Years:	17.32%
Last Year:	16.50%

Higher Tops and Higher Bottoms



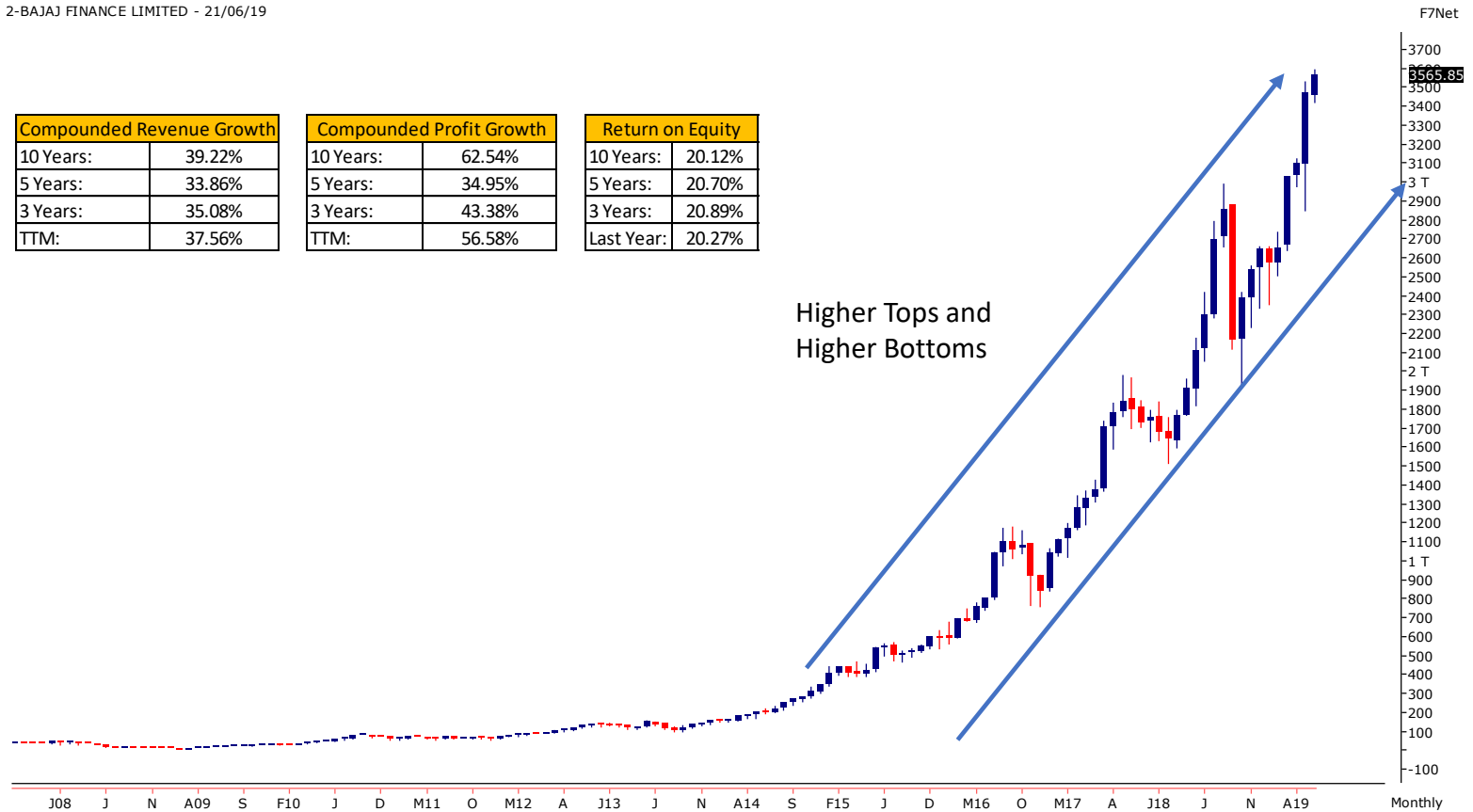
Bajaj Finance

2-BAJAJ FINANCE LIMITED - 21/06/19

Compounded Revenue Growth	
10 Years:	39.22%
5 Years:	33.86%
3 Years:	35.08%
TTM:	37.56%

Compounded Profit Growth	
10 Years:	62.54%
5 Years:	34.95%
3 Years:	43.38%
TTM:	56.58%

Return on Equity	
10 Years:	20.12%
5 Years:	20.70%
3 Years:	20.89%
Last Year:	20.27%



Lower Price + Higher Attraction
or
Higher Price + Lower Attraction

RCOM, JP Associates, Suzlon, South Indian Bank
Or
Aarti Industries, 3M India, Godrej Properties



Past Heroes, not necessarily current heroes....

Reliance Infra

2-Reliance Infrastructu Ltd - 21/06/19

High 2641
Jan, 2008



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Unitech

2-UNITECH LTD - 21/06/19



Dating vs Marriage

Let's Date...

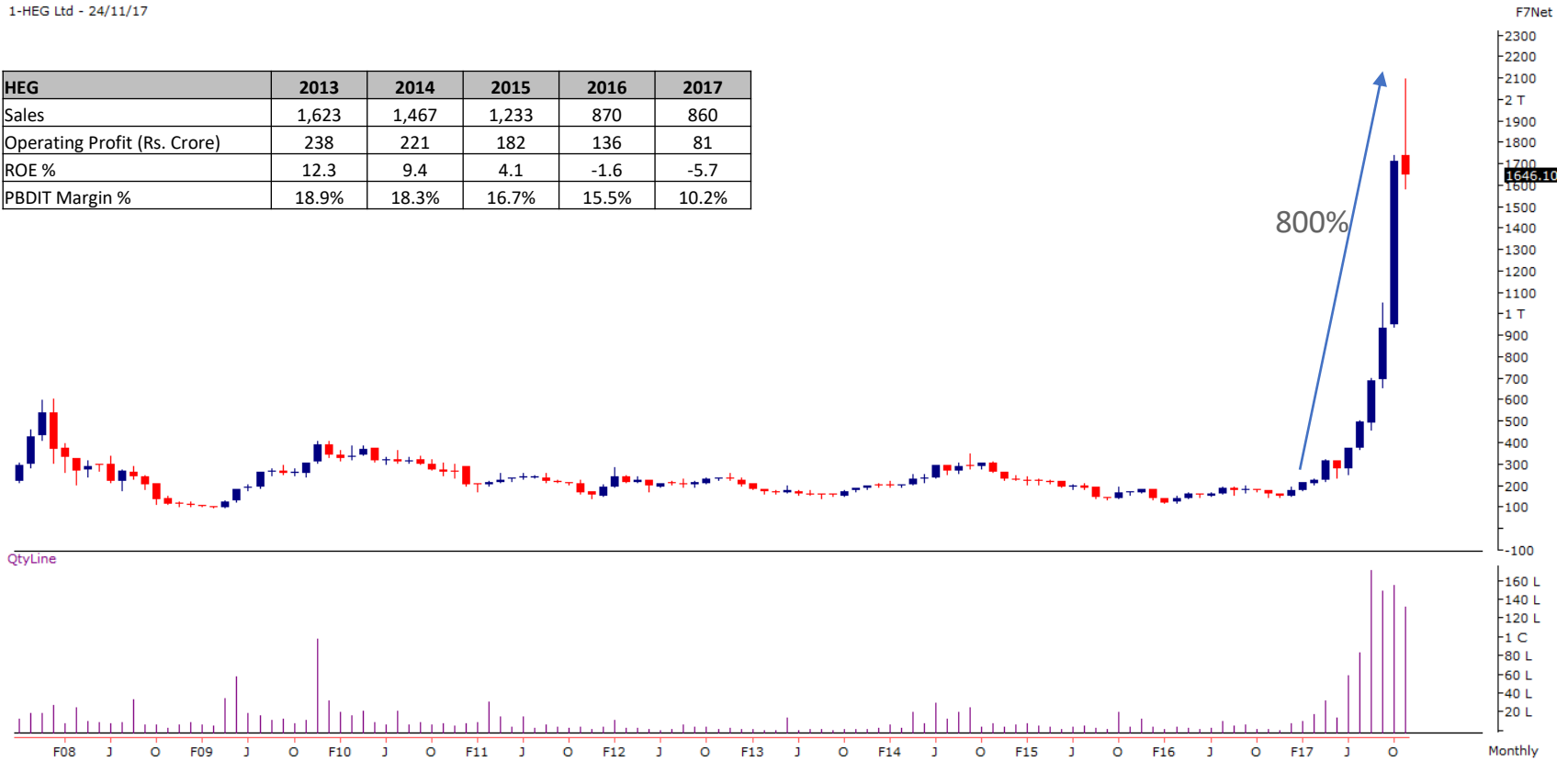
1-HEG Ltd - 24/11/17



Twitter Handle - @AshishChatur

1-HEG Ltd - 24/11/17

HEG	2013	2014	2015	2016	2017
Sales	1,623	1,467	1,233	870	860
Operating Profit (Rs. Crore)	238	221	182	136	81
ROE %	12.3	9.4	4.1	-1.6	-5.7
PBDIT Margin %	18.9%	18.3%	16.7%	15.5%	10.2%



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Let's Date...

1-Escorts India Ltd. - 24/11/17



No more date... I'm serious!

1-Escorts India Ltd. - 24/11/17

ESCORTS	2012	2014	2015	2016	2017
Sales	3,894	6,292	3,986	3,367	4,094
Operating Profit (Rs. Crore)	182	385	41	147	272
ROE %	4.4	13.6	4.2	4.9	8.1
PBDIT Margin %	5.9%	7.4%	5.6%	6.3%	9.0%



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You are the best!!

1-Page Industries Limited - 24/11/17



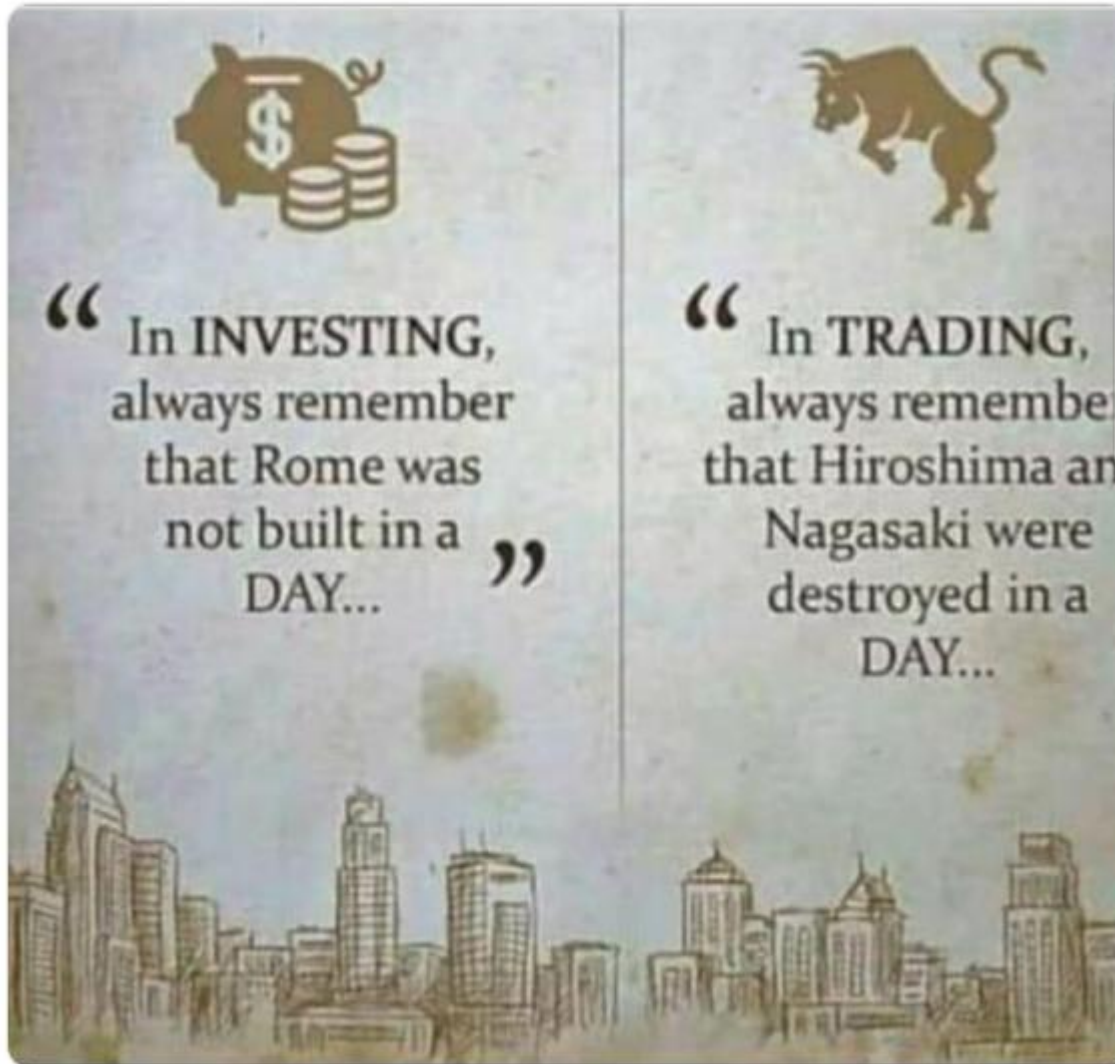
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No stock which is getting fundamentally weak can escape for long time from the eyes of Technicals ...

No stock which is trying to be technically strong can continue its upward journey without strong fundamentals

Where is the conflict ?



Ashish Chaturmohta

@AshishChatur

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On the other side of the river there is Gold treasureu don't have any boat,first 25 meters it's 4 feet ,then for just 5 meters its 20 feet and then balance is again 5 feet...will u get treasure...lucky if ur good swimmer .

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Thank You