



8<sup>th</sup> March 2018

**Multibagger stock recommendation:**

**L&T Infotech CMP: 1390**

**Buy Price – 1390**

**Time Horizon – 6 months**

**Investment – 5% of capital**

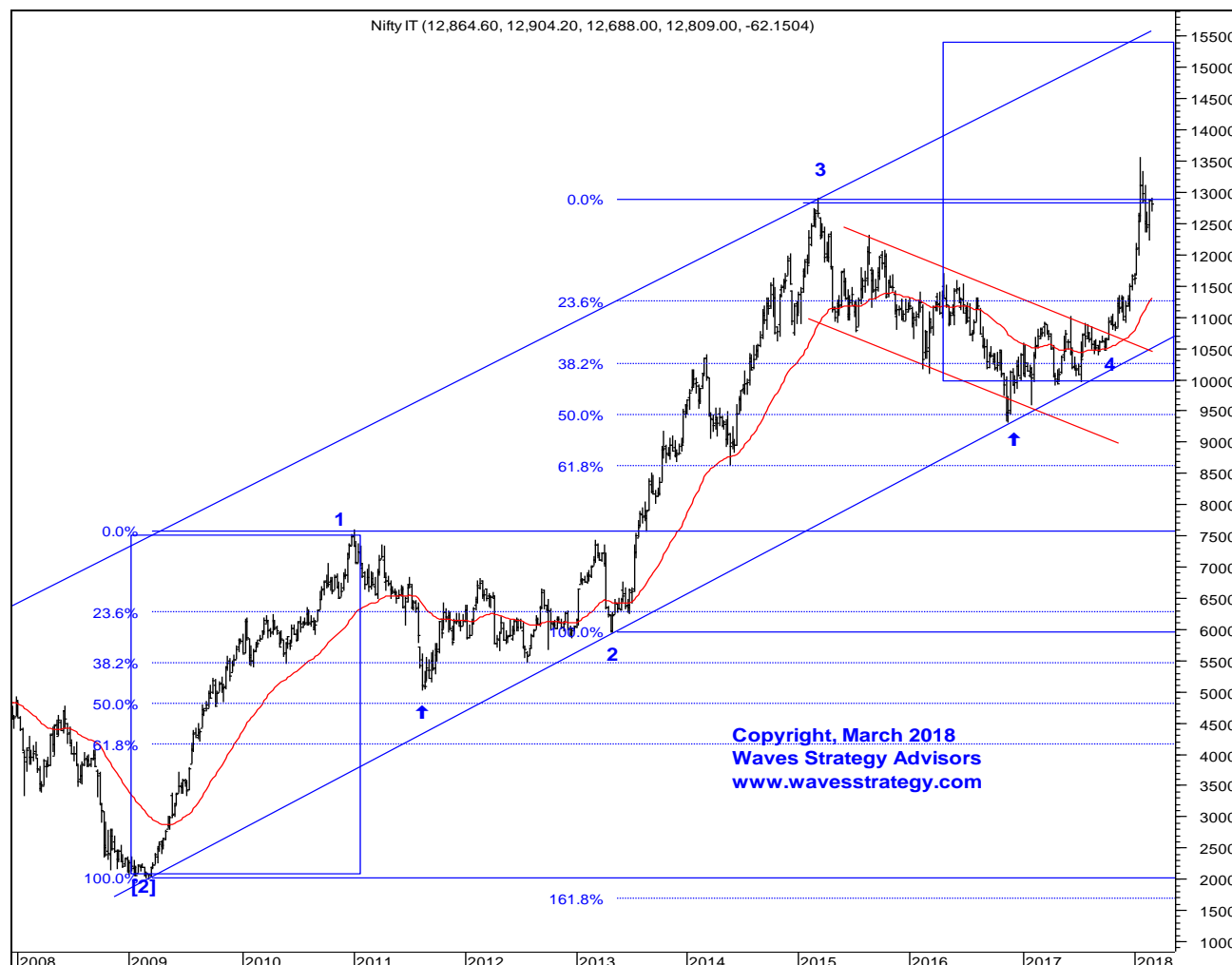
**Target price – 1750 followed by 1900 levels**

**Stoploss - 1190**

**Industry analysis – IT sector**

Refer detailed research below

## Nifty IT index weekly chart:



**In the month of January 2017 we mentioned the following for Nifty IT Index:** *"We would like to take a contrarian stand in this index. Majority are bearish in this index but looking at the impulsive rise and the time correction that has already been 2 years old we might start seeing base formation before the next uptrend starts."* **BANG ON!**

Nifty IT has been moving upward since November 2017. After making a low of 9320 in 2016 it has managed to protect that low by moving sideways. This particular sector was major laggard in 2015-2017 however it has managed to give 17% returns since November 2017. Also index managed to retrace the downfall in faster time and made an all time high of 13554 levels.

It is interesting to see that despite of the outperformance shown by IT index it is still not in limelight. Majority are focusing on the scams and Banking index and not on outperforming sectors like IT. Despite of this, IT index has managed to strongly move above the earlier highs.

This index has been moving within the blue channel since 2008. We can observe that the rise witnessed in wave 1 and wave 3 has taken little over 2 years so we can expect this rise to continue for atleast 2 years i.e. till October 2019 in form of wave 5.

We have added Fibonacci retracement technique which predicts that fall retraces nearly 50% of the rise. Both the times in form of wave 2 and wave 4 the fall seen on downside had been arrested near 50% of the rise.

Ideally, in an impulse pattern where wave 3 is extended we see wave 5 tending towards equality with wave 1. This equality target comes near 15000 – 15500 on upside. So there is still lot of room on upside and any dips is only going to provide buying opportunity in IT stocks.

We can see how well the channel technique works as prices bounced back from its support trendline. The upside projection as per equality target is also the channel resistance level shown on the weekly chart.

**In a nutshell**, it is ideal time to start accumulating IT stocks. Our long term pick is therefore from IT sector as the same looks to be reversing on upside when the majority of the market is in doldrums!

**Long term stock pick:** L&T Infotech

L&T Infotech daily chart



The above research about Nifty IT warranted us to look for buying opportunity in this sector and L&T Infotech looks to be providing very good opportunity to ride the next wave on upside.

**Neo wave pattern** - It has shown an impulsive rise from 600-level since November, 2016. It completed primary wave (3) near 1400 levels and seems to be forming a double-correction pattern in form of wave (4). This is a running correction which suggests that wave (5) when it opens on upside can be sharp and fast. Any move above 1550 level will confirm the start of wave (5). Prices may drive to 1750-level in medium term which is obtained by projecting wave x on upside. From long term perspective there is possibility that we might see much higher levels over

next two years which will be in sync with Nifty IT index outlook mentioned above. Due to lack of past historical data long term projections is little difficult but one can invest for next few years perspective given that IT index has been near 52 weeks high and should rally for atleast two more years.

**25-period Simple Moving Average** - has been providing a strong support to the rally of L&T Infotech which started in September, 2017. The stock has been touching this moving average and bouncing back multiple times and has witnessed heavy buying whenever it has touched this average. A positive cross-over of 30-period moving average and 50-period moving average which is an indication of taking long position was seen on 28th September, 2017. Since then the stock has never shown a negative cross-over, i.e the short-term moving average has never breached the long-term moving average. So as long as this setup remains intact the trend will be positive.

**Ratio analysis** - L&T Infotech / Nifty IT Index is a ratio that compares the company's share price with the overall industry index. As shown in the above figure, the ratio has remained positive which shows the outperformance of the company as compared with the industry index. L&T Infotech has been outperforming the Nifty IT index and has drastically moved northwards from November and has been making new highs since then. This clearly suggests as long as the overall IT index remains buoyant this stock can provide multi-month rally.

**Path ahead** - As mentioned earlier the pattern target for this stock comes to around 1750 followed by 1900 on the upside. The rise has been impulsive in nature. In a nutshell the trend for L&T Infotech is positive as long as 1190 levels remain intact on downside. Buying can be done in staggered fashion in this stock!

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