



LUPIN

Buy Lupin Ltd @ 720-770 Target 980-1,234 SL 640**Brijesh Bhatia**

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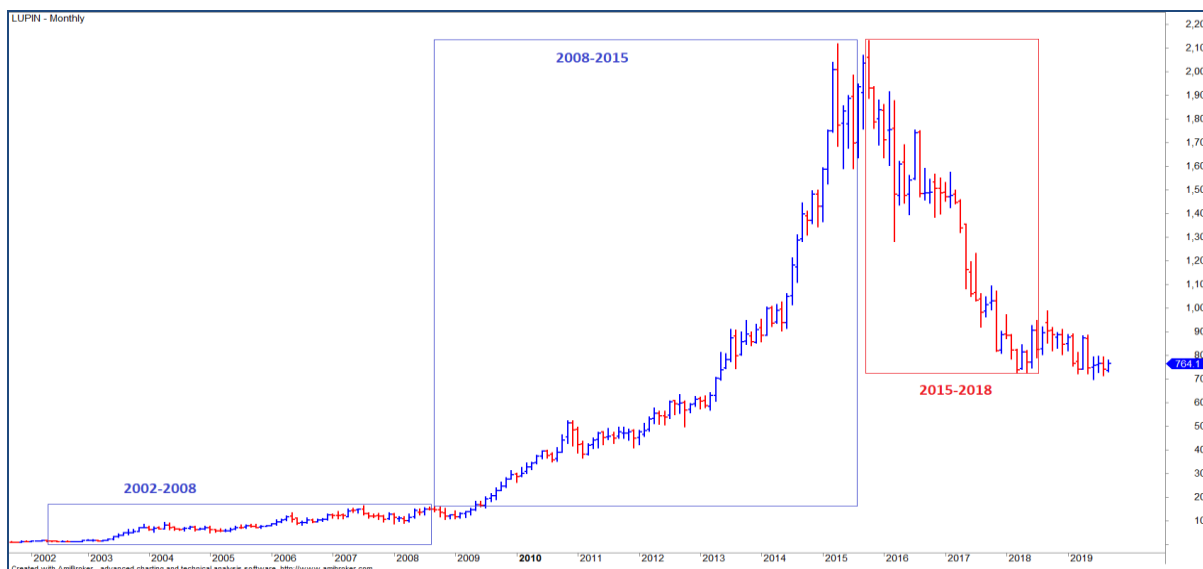
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Pharma sector might get its charm back after being away from the spotlight for quite some years. We are confident enough that Lupin holds that hope to multiple investors' wealth in years to come. Pharma has proven to be one of the best performing sectors since 2000 or I would say post Dot Com bubble. The drugs have boosted financial health of investors. There was a tremendous fire in the sector back then where small cap turned to midcap, midcap to large caps and also some small caps moved in large cap categories and every couple of years, investors had new blue-chip stocks from pharma sector. The buy and hold strategy worked best for pharma even in the recession of 2008. As said on Dalal Street in old days- "If recession is bringing you fear, it will hurt your health and prone to get affected by hyper tension which is an advantage for pharma players as their sales increase." Sometimes such logic makes you laugh but stands true. It's been recorded from the past years that pharma had been a star performer when markets were in its down cycle. Pharma stocks had increased the immunity for investors and helped them regain the lost confidence during bad phase of 2008-2009. The rally post 2009 where you buy any pharma stock, you are making money. This trend prolonged till 2014-2015 when US FDA started sending notices to all companies and by the time investors realized in 2016-2017 that problem is so big, stocks were beaten down to 30-40-50% from their highs and we witnessed rotation of money from pharma to other sectors.

In this rally of a defensive play, Lupin was one of the blue-chip stocks which rallied Rs.11 in 2002 to Rs.145 in 2008, return of 14X in 6 years and post 2008 where stock from Rs.145 rallied to Rs.2129 in 2015, return of 15 times in just 7 years. The beginning of an end started in Q4CY2015 and stock fell from Rs.2129 to Rs.727 in 2018, fall of ~65% from highs.

16th September 2019



The fall halted in March 2018 when stock made a low of Rs.727.10 and stock consolidated in the range 20-25%. The fresh 52-week low was hit in June 2019 of Rs.697 right after 13 months and 13 being the Fibonacci number plays a key reversal cycle. We have been waiting for a confirmation of reversal and so far, we are in the month of September (3rd month post low) and haven't breached the low yet. Is this the only reason we are expecting the reversal? Read what the technical setup signals.

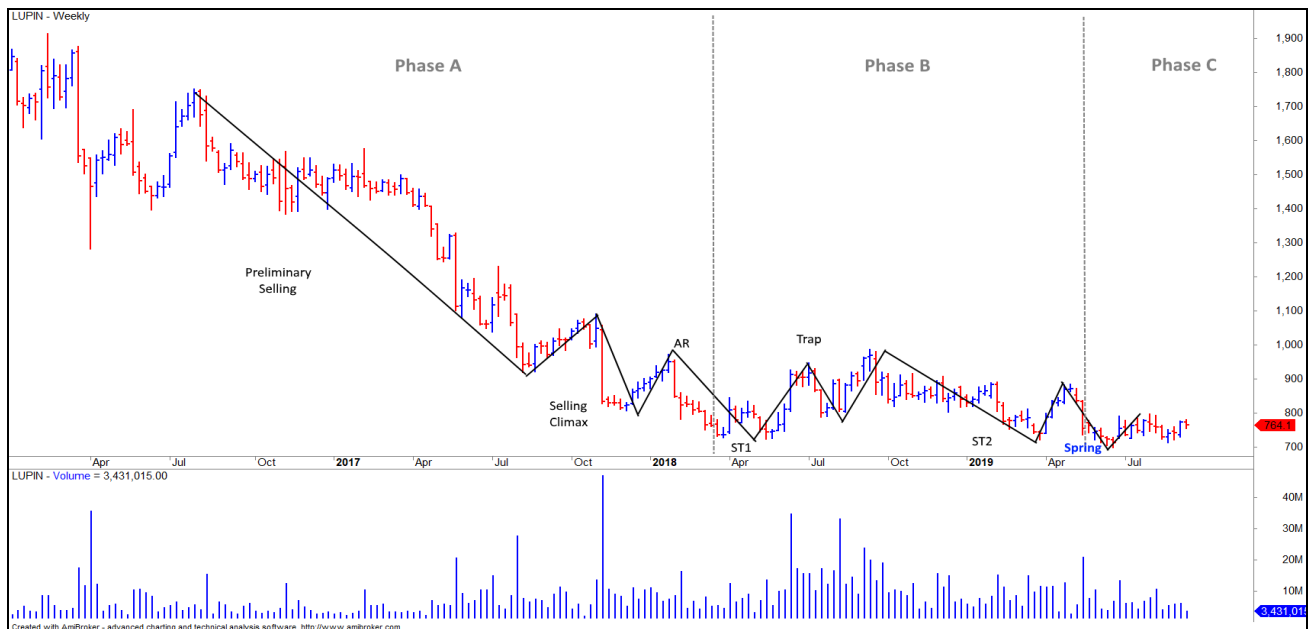
Technical Setup – The Wyckoff Pattern

The weekly chart below is from April 2017 to September 2019 and we have analyzed the price with volume as per Wyckoff Theory. This theory was introduced by Mr. Richard Wyckoff in early 1900s based on accumulation and distribution. Analyzing the price action and volume in last 13 months, we are witnessing the signs of accumulation. We expect the price is trading in Phase C of accumulation zone and before coming on to conclusion, let's go deep into why we feel the price is into Phase C.

- Phase A** of accumulation theory is where price fall and form a climax. It starts with preliminary selling which we expect it to be started from April 2017 and ended September 2017. The bounce was witnessed and the selling emerged with one of the strongest volumes which is known as Selling Climax (SC). SC leg is one of the highest selling volume fall its end marks an end of selling movement. Though it doesn't mark a reversal of trend but a pause to bearish momentum. The following leg is marked by Automatic Reaction (AR) where short covering is witnessed.
- Phase B** is consolidation zone of Wyckoff Theory. The stock consolidates for weeks or months and similar setup we witnessed on Lupin chart. Since the low of March 2018 where we hit the low of Rs.727 marking the ST (Secondary Test). The stock consolidated for 13 months and before making the low of Rs.697, it rallied to Rs.986 in June 2018. The

volumes during that tenure where good marking the first sign of accumulation. In this consolidating of 13 months, we have seen slow and steady accumulation.

- **Phase C** marks a key reversal in the form of Spring or Shakeout as per Wyckoff theory. In spring, the price hits the lowest level of Wyckoff setup and weak hands are taken out. The Composite Man theory of Wyckoff analysis indicates that he buys the maximum stocks when weak hands are out and we are witnessing exactly the same in Lupin.



The Wyckoff theory indicates the stock price of Lupin has formed major bottom from long term perspective. We suggest investors to accumulate the stock in the range of Rs.720-770 for the target of Rs.980-1,234 in 16-24 months. The view negates on a close below Rs.640.

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