



How to Select Stocks for Investment?

Tuesday, 31st March 2020

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ITC LTD CASE STUDY 1

CMP 159.20

After the fall of more than 33% on indices now the big question before the investors is that where to invest & for what time horizon. Here we are discussing the way of stocks selection for long term investment in this falling market.

We are taking the case study of ITC LTD just to illustrate the stock selection criteria.

ITC LTD is closed at 159.20 as on 30-3-2020 some of the investment rationale are mentioned below:

- 1 - Stock is trying to form the double bottom formation on daily charts (see page no 3) with heavy volume a perfect case of accumulation, smart investors are accumulating the stocks for long term investment around 3 to 5 years. Break out level for double bottom is close above 178.
- 2 - ITC LTD is a high dividend yield stock of around 3.6 %.
- 3 - ITC LTD is having past record of regularly issuing bonus shares.
- 4 - ITC LTD is having high PEG ratio of 1.65.
- 5 - ITC LTD belongs to FMCG sector which is expected to perform well in future.

So, on technical front we have to see is there any heavy volume in the stock with some bottom formation patterns like double bottom, inverted head & shoulder or rounded bottom pattern.

On fundamental side we have to analyze the PEG ratio, dividend yield, bonus history, management integrity, pledged shares position, company debt position & product line (sector).

So here in the above example of ITC LTD we can say that one can accumulate this stock in range of 165 to 135 & add more position once the stock is trading above 178 for the time horizon of around 3-5 years.

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