



May 24, 2011

## Tata Steel Ltd.

LTP: ₹ 559.40

## Company Details

Exchange	NSE
Scrip Code	TATASTEEL - EQ
52-Week High	₹ 737
52-Week Low	₹ 449.10

## Strategy Summary

**Entry Rate:** ₹550 & ₹525**Target:** ₹605, ₹685, ₹750**Support:** ₹499, ₹449

## Technical Indications

**Stochastic Oscillator:** Bullish**MACD:** Negative, but picking up momentum**RSI:** Supportive (though not confirmed yet)**Elliott Wave:** Moving to Medium-term bottom

The share price of Tata Steel Ltd. had been in a downtrend since quite some time, along with the general market. While evaluating the bigger picture of the scrip, it is understood that the current sell-off is moving towards a longer-term bottom, and a major recovery will possibly emerge in the immediate future.



## Rationale for Recommendation

Even though a recovery is expected in Tata Steel, any major signal as per this is yet to be produced. However, taking a longer term view of the counter, the share price will possibly bottom out in the time ahead and the next medium/long term cycle is expected to start in the immediate future.

The technical indicators are showing a mixed trend, with more orientation for a possible recovery. MACD, though is continuing the weakness, the recovering momentum is a relief for optimists. Stochastic Oscillator is on a pullback from the oversold region and that too with a 'bullish divergence', which is an indication that a trend reversal is at the door steps. RSI is also in the recovery phase. The volume of trade is deteriorating – if this picks up with a price recovery, it will add strength to the above mentioned views. In addition, the broader view of the daily chart suggests that Tata Steel is in the initial stages of the third leg of bull-trend as per the Elliott Wave outlook. Investments with longer term view can be suggested in the scrip in stages.

We recommend a Buy in Tata Steel in two stages at Rs. 550 and Rs.525. The immediate target expected is Rs.605, followed by Rs. 685 and Rs. 750. Even though the scope of stop loss is not seen in this counter, we recommend to exit the position if **closes below** Rs.499 to avoid huge risk if the view goes wrong. Further, the downside is not expected to fall below the 52-week low of Rs. 449 – before that the next cycle of bull trend will probably emerge.

Further more, once the recovery evolves, the counter is expected to break the 52-week high and the all-time high by the year ahead (most probably), but it is beyond the scope of this report.

## Team Research:

**Binu Joseph**

**Assistant Vice President**

(binujoseph@jrg.co.in)

### **Fundamental Analysis:**

**Girish Kumar (Manager)**

(girish@jrg.co.in)

**Tapan Trivedi (Sr. Analyst)**

(tapan.trivedi@jrg.co.in)

### **Technical Analysis:**

**A.A. Afzal Hussain (Asst. Manager)**

(afzal@jrg.co.in)

**Praveen K.C. (Sr. Analyst)**

(praveen.kc@jrg.co.in)

### **Assisted by:**

**Thabassum Nazeer (Officer - HNI Relations)**

(thabassum.nazeer@jrg.co.in)

### ***Prepared By:***

***A.A. Afzal Hussain***  
***JRG Equity Research***

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JRG House, Ashoka Road, Kaloor, Kochi Kerala – 682017

Phone: 0484 27963211 Fax: 0484 2409922

Website: [www.inditrade.com](http://www.inditrade.com)

Email: [jrg.research@jrg.co.in](mailto:jrg.research@jrg.co.in)

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