

April 12, 2017

## Derivatives Strategy: Positional Option

Buy ACC April 1500 Call for target of ₹ 58...

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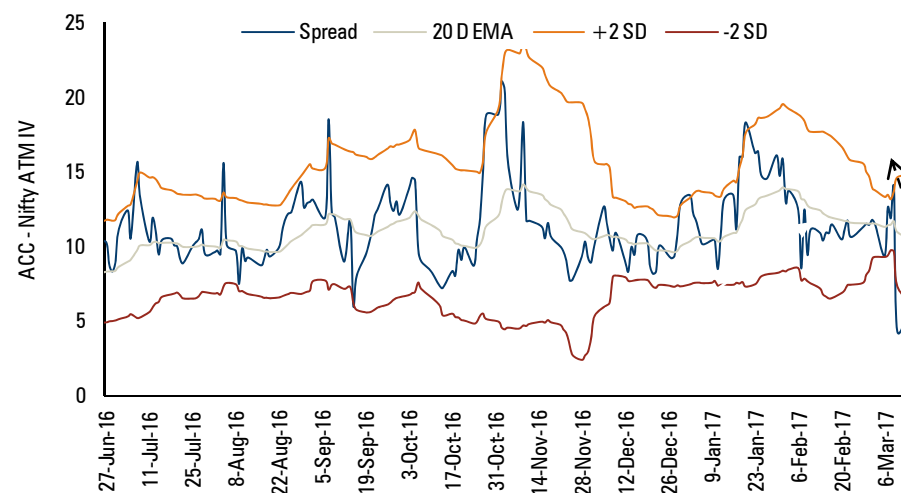
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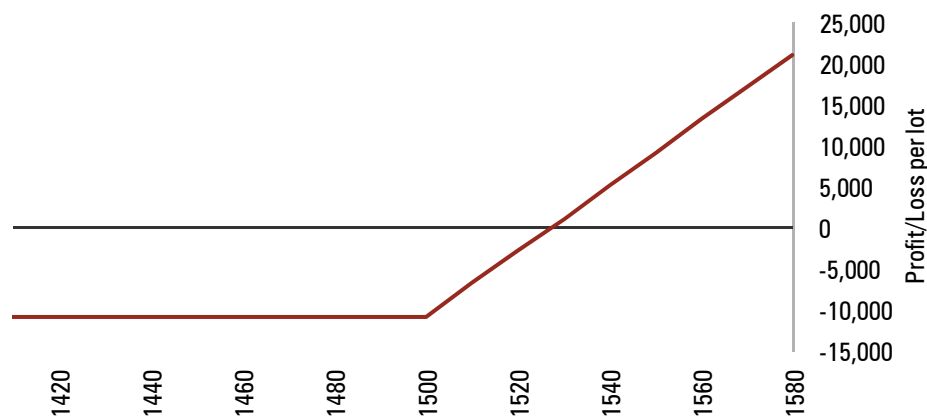
## Positional Option: Buy ACC April 1500 Call at ₹ 26-28, Target: 58, Stop loss: ₹ 14. Time frame: Till April expiry

- ACC and Ambuja Cement have remained laggards compared to other cement stocks. We have seen a sign of recovery in these stocks, which had remained sideways for sometime now
- ACC has seen addition of quite high long additions at lower levels of ₹ 1400-1450. The stock seems to have formed a good base at these levels. Total 70% of long addition was seen in the stock in the last series. The majority of these positions have been rolled into the April series
- The stock has seen a pick-up in delivery volumes on multiple occasions in the last couple of months every time the stock dipped towards ₹ 1380. This suggests it is likely to see limited profit decline trend
- In the options space, ATM Call options are seeing constant buying activity since the start of the April series
- The IV spread (ACC–Nifty) has reverted from Mean-2\*Sigma levels on account of Call buying. The delta of the given Call option is 0.50. We feel gradual upsides can be seen in the stock on the back of continuous Call buying
- **Fundamental Trigger:** Revival in cement demand coupled with capacity expansion of 5 MT & cost control initiatives is expected to drive ACC's revenues and margins. Further, ACC is trading at an EV/tonne of \$120, which is far below the replacement cost of \$150. Hence, we have a positive view on the company.
- **Note:** Recommendation initiated on iclick-2-gain on April 12, 2017

### (ACC-Nifty) IV spread: Likely to move higher

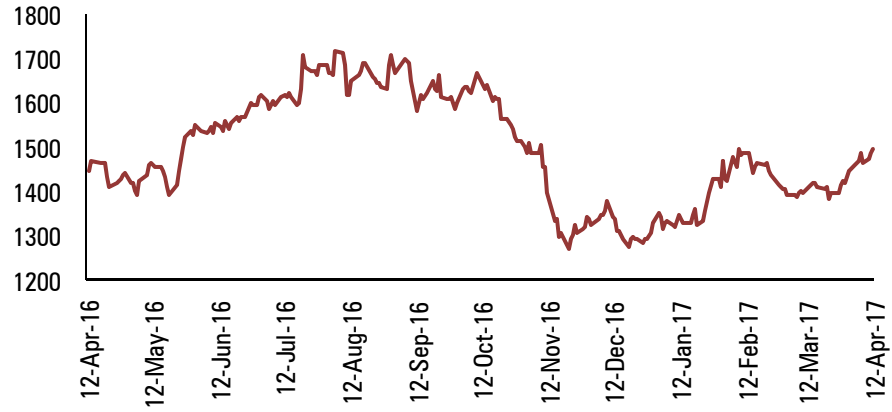


### ACC April 1500 Call Pay-off



## Price Performance in trailing 12 months...

ACC : Price Performance



## Portfolio allocation in Derivatives Products...

- It is recommended to spread out the trading corpus in a proportionate manner between the various derivatives research products
- Please avoid allocating the entire trading corpus to a single stock or a single product segment
- Within each product segment, it is advisable to allocate equal amount to each recommendation.
- For example: The 'Daily Derivatives' product carries two intraday recommendations. It is advisable to allocate equal amount to each recommendation
- Quant Picks recommendations should be considered in cash segment and stop loss on closing basis. Time frame for these recommendations is 3 month.

Products	Allocation		Number of Calls	Return Objective		
	Product wise allocation	Max allocation per stock		Frontline Stocks	Mid-cap stocks	Duration
Daily Derivatives	5%	2-3%	2 Stocks	1%	2-3%	Intraday
Weekly Derivatives	10%	3-5%	2 Stocks	3-5%	5-7%	1 Week
Monthly Derivatives	15%	3-5%	4-7 Stocks	7-10%	10-15%	1 Month
Global Derivatives	5%	2-3%	4-5 stocks	-	-	1 Month
Quant Picks	15%	2-3%	6-8 stocks	7-10%	10-15%	3 Months
Alpha Trader	10%	2-3%	2-3 strategy	5%	-	1-2 Month
Volatility Insights	10%	2-3%	3-4 Strategy	8-10%	10-15%	1-2 Month
Arbitrage Opportunity	5%	2-3%	2-3 Stocks	> 2.5%	>2.5%	Event Based
Short term Futures	5%	2-3%	8-12 Stocks	1-3%	2-5%	1-2 days
Positional Index Strategy	5%	3-4%	2-4 Index calls	-	-	1-14 days
Stock option strategy	5%	3-4%	2-8 Stocks	-	3-5%	1-2 days
Daily Currency Future	5%	3-4%	3-5 Calls	-	-	1-2 days
Monthly Currency Futures	5%	3-4%	2-3 Calls	-	-	1 Month



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