

MOST Market Outlook

1st February 2017

Nifty Chart



Trading Idea - Cash & Future

Scrip	Reco	CMP	SL	Target
HERO MOTO	BUY	3172	3140	3240

Corporate Action:

GMM	Interim Dividend - INR - 0.70
HCLTECH	Interim Dividend - INR - 6.00
RBL	Interim Dividend - INR - 6.00

Security in Ban period:

IBREALEST, JINDALSTEL

Nifty Outlook

Nifty Fut.	R1	R2	S1	S2
8584	8560	8500	8640	8740

'The move post the Spinning Top formation along with the reversion of the RSI from the overbought zone warrants towards the termination of momentum. The immediate resistance ahead of the event stands around 8740 (78.6% retracement of the previous weekly wave) while a breach below its previous daily swing low around 8500 could distort the bullish sequence. Hence we expect the index to remain within the range in the coming sessions ahead.

Currency (USDINR) Outlook

USDINR	S1	S2	R1	R2
68.06	67.70	67.40	68.00	68.35

The pair is likely to trade in a lower range between intraday resistance at 68.00 and supports at 67.70-67.40 zone.

Sectoral Outlook

Sector	Outlook
ENERGY	POSITIVE
AUTO	NEUTRAL

Trading Idea - Derivatives

STRATEGY : Nifty Long Strangle

Instrument	B/S	Lot	Reco	CMP
30 MAR 8700 CE	Buy	1	149	149
30 MAR 8500 PE	Buy	1	150	150

Target Profit: Rs.5000 SL: Rs.2500

Market Drivers

- ✓ Indian markets saw marginal correction ahead of the budget. The large part of correction was on back of declines in software stocks on concern over implications on H1B Visa policy changes. Results continue to be mixed. Economic survey called for a bold and reform oriented budget. The general expectation is of a budget which would boost consumption and investment, counter the negative effects of demonetization, and reduce taxation. Other expectations are on strategic disinvestment, oil cess, and fertilizer sector. Overall Nifty is expected to see supports around 8500/8540 levels. The broad bias continues to be positive.

Highest Call OI

Instrument	Strike	OI	Chg in OI
Nifty 23-Feb	9000	5576250	1055325
Bank Nifty 23-Feb	20000	569640	54040
Bank Nifty 02-Feb	20000	542960	72360

Highest Put OI

Instrument	Strike	OI	Chg in OI
Nifty 23-Feb	8400	4871025	972675
Bank Nifty 23-Feb	19500	468520	-2120
Bank Nifty 02-Feb	19000	438280	128240

Trading Calls

HERO MOTO

CMP INR 3172

Buy

Target INR 3240



- ✓ 'The pattern on the daily scale resembles a 'Rising Three' formation & provides a favourable reward to risk opportunity for trading longs for the day
- ✓ Trading longs could be initiated with a stop below 3140 for an upside upto 3240

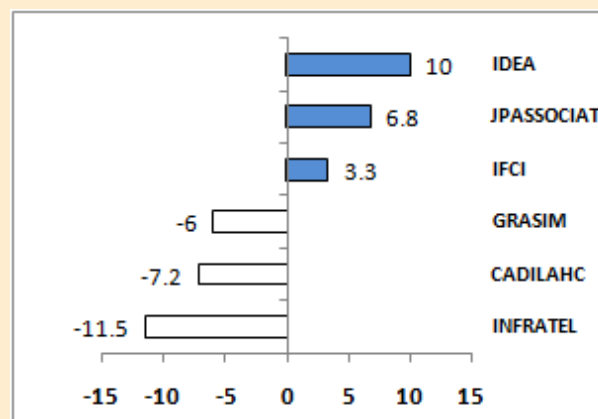
FII & DII Activity (Rs. in Cr)

Cat.	Amt	MTD	YTD
FII	-533	-1465	-12047
DII	237	5222	40585

FII F&O

Institution	Net B/S	OI
Index Future	-320	Unwinding
Index Options	500	Put long
Stock Futures	-996	Long

Major Price % Change



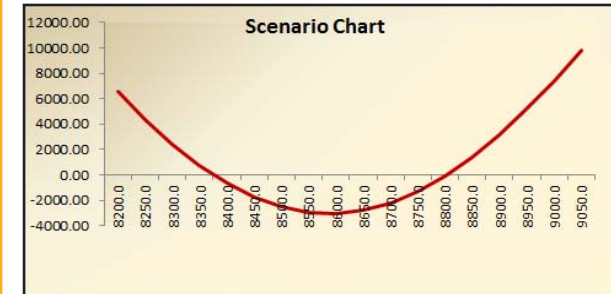
Derivatives Idea

Nifty

Buy 1 Lot 8700 CE

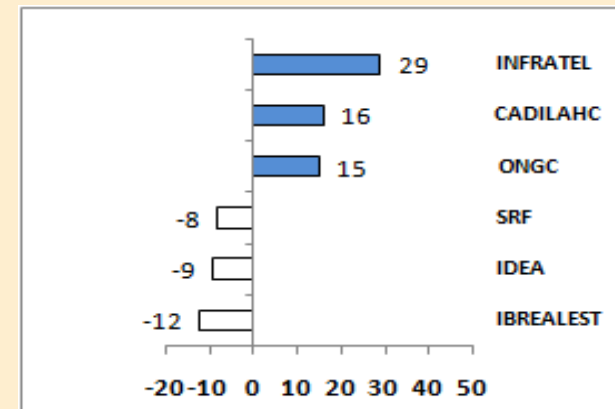
Buy 1 Lot 8500 PE

Long Strangle



- ✓ Nifty is in Long- Long unwinding Cycle
- ✓ Considering expected rise in volatility on budget day, Long strangle for march series is recommended

Major OI % Change



Morning Meet Notes

Research Notes

INDIA IT: BILL INTRODUCED - PROBABLE MEDIAN WAGE MAY RISE TO 130k USD!!

- ✓ Coping with it - [1] hiring of fresh and senior local talent at the cost of onsite utilization and [2] attempting to move more work offshore.
- ✓ Yet just a bill; if however made into a law - would result in significant cut in earnings

Company	Sales	% Y/Y	EBITDA	% Y/Y	PAT	% Y/Y	Rationale	Comments
Bajaj Auto	50.7	-8.7	10.4	-10.9	9.2	-4.7	BUY/3432/I	1. 10.5% vol decline YoY, EBITDA margin surprise as RM cost pressures offset by price increases 2. Motorcycle, 3W to remain flat in near future, exports headwinds to persist, FY17 vol at 3.8m vs 4.5m earlier (17% cut) 3. Industry expects commodity price increase of INR 350-400/motorcycle going forward, cut FY17E/FY18E EPS est by 3/4%, valuation rich at the moment, 21% upside
Dabur	18.5	-6.1	3.3	-12.0	2.9	-7.5	Neutral/160/B	1. 5% vol decline, consumer seg -10% YoY, Int: -5.2% YoY, Ebitda margin down 120bp YoY to 17.8% 2. New launches in Ayurveda space, recovery post demoni key triggers, cut EPS est for FY18E/FY19E by 2% due to delay in earnings growth, valuation rich at 33x FY18E EPS
Cadila	23.1	-4.8	4.0	-30.1	2.8	-27.8	BUY/425/B	1. Pricing pressure in US, 4% miss on EBITDA margin, weak sales in US, High R&D cost, 30ANDAs filled in 3Q 2. 8-9 ANDA approval in near term, domestic business to recover, Moraiya remediation to start in Feb 2017 3. Resolution of warning letter at Moraiya key trigger, cut our FY17E/FY18E EPS by ~10%, 20% upside
SCUF	7.6	17.7	4.7	19.5	1.6	-9.5	BUY/2500/I	1. AUM +19% YoY, MSME fin subdued, repayment rate dipped to 19% from 21-25%, GNPL at 4.4%, asset quality pressure in MSME & 2W 2. Niche play in the retail NBFC space with a focus on MSME lending, expect RoA/RoE of 3.8%/17.6% in FY19, 31% upside
ICICI Bank	53.6	-1.6	55.2	-15.8	24.4	-19.1	BUY/345/A	1. Stronger-than expected core PPOP performance, stable margins at 3.1%, pick up in fee income growth at 10% YoY 2. Abs GNPL +17% QoQ, corp loans +15% YoY, retail at 18% YoY, 3. Movement from watch list and OSRL to actual balance sheet recognition, and increasing pace of resolution are reducing uncertainty over balance sheet health, 28% upside
KEC	19.1	-7.2	1.8	8.8	0.6	139.0	BUY/175/B	1. Ancillary suppliers impacted due to demoni, orders got converted at end of 3Q, execution delays 2. FY17 growth guidance cut to 5% from 10%, EBITDA margins improved 139bp due to contri from SAE towers 3. KEC is well positioned to capitalize on increased domestic spending in Power T&D, Railways and Water 4. Increase est for FY17E/FY18E by 4/1%, value at 13x FY19E, 19% upside
Kitex	1.4	20.5	0.5	16.5	0.3	31.9	BUY/551/I	1. Garment growth 19% YoY, fabrics +31% YoY, margins contracted 120bps, capex guided 30-35m for FY18 & FY19 2. Kitex guided for revenue of USD20m (~INR1.3b) from La maze and Little Star in FY18, value at 15x FY19E EPS, 30% upside
IOC	926.3	12.4	74.6	47.2	39.9	52.3	BUY/458/I	1. Paradip ramp-up to 100% over next few weeks would improve IOCL's overall GRM. Valuations are attractive with FY18E P/E of 8.8x and implied dividend yield of 3-4%.

Currency Ideas

USDINR



- ✓ NSE USDINR (Feb. contract) traded in a small range between support near 68 (38.2% retracement support) and intraday resistance near 68.15 in yesterday's session before closing at 68.06
- ✓ However, the pair later broke the broad range of 68-68.40 on the downside in DGCX to fall towards the next best support close to 67.70 (50% retracement support)
- ✓ The pair is now expected to trade lower facing resistance near 68 and a fall towards the 8th December low near 67.40 level looks likely.
- ✓ Selling on rallies is thus advised as long as below 68

EURINR



- ✓ NSE EURINR (Feb. contract) traded in an extremely tight range between 72.80-73 before closing flat near 72.96, forming a 'Doji' in the process.
- ✓ The pair is now expected to open slightly higher and continue its recent upward trend.
- ✓ Short-term supports are seen at 72.50-72.20 and any dip towards the same would provide a buying opportunity.
- ✓ Higher resistances are seen at 73.25-73.50 levels

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Dharmesh Kant (Head - Retail Research)
Dharmesh.Kant@motilaloswal.com

Sacchitanand Uttekar (Technical Analyst)
Sacchitanand.Uttekar@motilaloswal.com

Tina Gadodia (Derivatives Analyst)
Tina.Gadodia@motilaloswal.com

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Motilal Oswal Securities Ltd

Motilal Oswal Tower, Level 6, Sayani Road, Prabhadevi, Mumbai 400 025
Phone: (91-22) 30894200 Fax: (91-22) 22885038. E-mail: info@motilaloswal.com