

# MOST Market Outlook

6th February 2017

## Nifty Chart



## Nifty Outlook

Nifty Fut.	R1	R2	S1	S2
8754	8760	8800	8725	8700

'Post breaking out from the continuation pattern Nifty has maintained its bullish stance. The pattern indicates the up move could extend further towards 8860. The Trend Strength Indicator (ADX) is quoting above 25 which augurs well for further stimulus to be witnessed in the coming sessions. 8530 becomes the key support level for the existing up move. A breach below the same shall be considered as a sign of loss in bullish momentum & remains a trail stop.

## Currency (USDINR) Outlook

USDINR	S1	S2	R1	R2
67.47	67.20	67.05	67.70	68.00

The pair is likely to trade in a lower range between resistance at 67.70 and intraday support at 67.20 level.

## Market Drivers

- ✓ Global markets especially US did well. Even European markets ended higher. Dollar has slipped below \$ 100 levels. Crude prices were firm. On the domestic front, expect domestic market to react positively to global cues. Also there is likely to be some anticipation from the RBI policy slated for Wednesday. Expectation is of a 25 bps rate cut which could come through as govt has maintained fiscal prudence. Results continue to be mixed. Reddys was ahead of expectation on operational front while Torrent was slightly lower. The result for our coverage companies has been marginally below expectations. Overall Nifty could continue with the positive bias.

## Trading Idea - Cash & Future

Scrip	Reco	MBP	SL	Target
INDIAN BANK	BUY	291	279	313

## Corporate Action:

CHOLAINV	Interim Dividend - INR - 3.50
GODREJCP	Interim Dividend - INR - 1.00
SHREECEM	Special Dividend - INR - 100.00

## Security in Ban period:

CENTURYTEX, IBREALEST, JINDALSTEL, JPASSOCIAT, ORIENTBANK

## Sectoral Outlook

Sector	Outlook
ENERGY	POSITIVE
BANKS	NEUTRAL

## Trading Idea - Derivatives

### STRATEGY : Banknifty Ratio Call Spread

Instrument	B/S	Lot	Reco	CMP
23 FEB 20500 CE	Buy	1	191	191
23 FEB 21000 CE	Sell	2	54	54

Target Profit: Rs.15000 around 21000 Initial Outflow: Rs.3500  
Hedge above : Rs. 21375

## Highest Call OI

Instrument	Strike	OI	Chg in OI
Nifty 23-Feb	9000	6186750	10800
Bank Nifty 23-Feb	20000	715960	-7480
Bank Nifty 09-Feb	20500	351600	37880

## Highest Put OI

Instrument	Strike	OI	Chg in OI
Nifty 23-Feb	8500	5305275	161700
Bank Nifty 23-Feb	19500	663320	26760
Bank Nifty 09-Feb	19500	313960	119520

## Trading Calls

### INDIAN BANK

MBP INR 291

**Buy**

Target INR 313



- ✓ 'Breakout from the 'Pennant' formation on the daily scale augurs well for momentum to remain intact
- ✓ Trading longs can be considered with a stop below 279 & for an immediate upmove till 301 followed by the pattern target upto 313

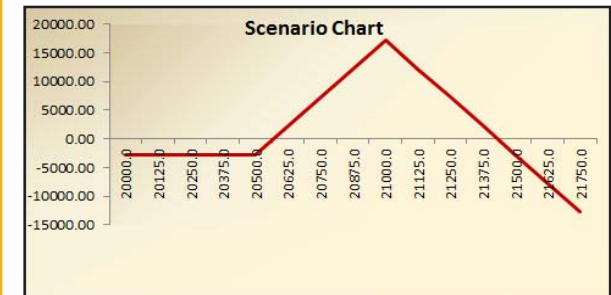
## Derivatives Idea

### Banknifty

Buy 1 Lot 20500 CE

**Ratio Call Spread**

Sell 2 Lot 21000 CE



- ✓ Banknifty is in long-long Unwinding Cycle
- ✓ Option data shows highest put concentration at 19500/19000 indicating support zone
- ✓ Any unwinding in 20000 CE could lead to option trigger thereby fuelling the momentum towards 20500-21000
- ✓ Considering falling volatility, Ratio Call Spread is recommended

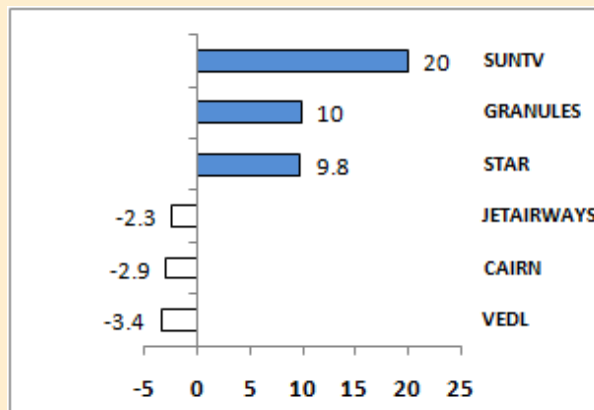
## FII & DII Activity (Rs. in Cr)

Cat.	Amt	MTD	YTD
FII	354	555	2428
DII	-43	980	27972

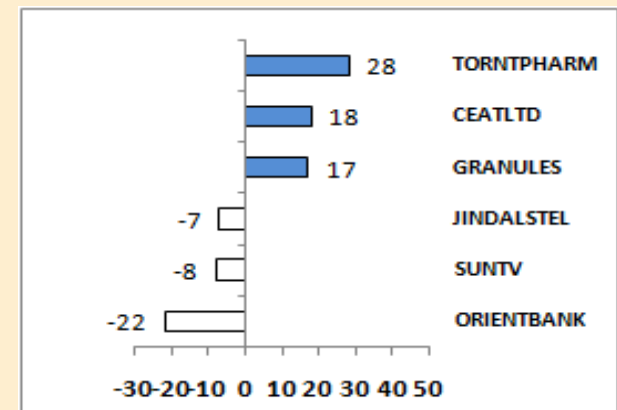
## FII F&O

Institution	Net B/S	OI
Index Future	-275	Short
Index Options	-1321	Put Writing
Stock Futures	-59	Short

## Major Price % Change



## Major OI % Change



## Morning Meet Notes

### Research Notes

#### **Glenmark Pharma: (CMP - 947, TP 990, Recom. Neutral)**

- ✓ Net sales grew ~43% YoY (+13% QoQ) to ~INR24.6b (est. of ~INR23.4b). EBITDA grew 105% YoY (+74% QoQ) to ~INR6.9b (est. of INR5.4b). EBITDA margin expanded ~850bp YoY (+980bp QoQ) to 28.1% (est. of 23%)
- ✓ Strong operating performance led to PAT growth of ~181% YoY to ~INR4.7b (est. of ~INR3.1b).
- ✓ Maintain Neutral with a TP of INR990 @ 18x 1HFY19E EPS

#### **Torrent Pharmaceuticals: (CMP - 1310, TP 1700, Recom. BUY)**

- ✓ Sales of INR14.1b (-8% YoY, ~4% below est.), EBITDA of INR3.1b (est. of ~INR3.6b) and PAT of INR2.3b (-34% YoY; est. of INR2.25b). EBITDA margins down 90 bps to 22.4%
- ✓ Reiterate Buy with a TP of INR1,700 @20x 1HFY19E PER

#### **Pidilite Industries: (CMP - 673, TP 720, Recom. Neutral)**

- ✓ Net sales flat (-0.3% YoY v/s est. of +1%). Volumes declined 1.5%. EBITDA was down marginally by 0.8% YoY (est. of - 4%) to INR2.91b. Adjusted PAT rose 3.6% YoY (est. of -3.7%) to INR2.06b. EBITDA margin contracted 10bp YoY (est. -100bp YoY) to 21.8%
- ✓ Valuations are fair at 33.5x Dec'2018 EPS. Downgrade rating from Buy to Neutral

#### **Marico: (CMP - 256, TP 300, Recom. BUY)**

- ✓ Consol. net sales was down 7.5% YoY (est. of -5%) at INR14.1b in 3QFY17. Domestic volumes declined 4% YoY (est. flat), Overall volumes was down 3%. Dom. revenues declined 9% YoY and inter. revenues grew 2% YoY CC
- ✓ EBITDA margin expanded 20bp YoY (est. of -50bp) to 19.1% and EBITDA declined 6.8% YoY (est. of -7.5%) to INR2.7b. Adj. PAT fell 6.8% YoY (est. of -8.0%) to INR1.9b.
- ✓ Maintain BUY with TP of INR300, valuing it at 37x Dec-2018 EPS.

#### **PVR: (CMP - 1303, TP 1533, Recom. BUY)**

- ✓ Revenue increased 7.4% to INR5.4b (est. of INR5.5b). EBITDA margin at 16.5% YoY in 3QFY17. EBITDA stood at INR890m (est. of INR881m), Adjusted PAT declined to INR239m (est. INR254m) from INR312m in 3QFY16.
- ✓ Expect revenue/PAT CAGR of 21%/29% over FY16-19E. We value the stock at 12x EV/EBITDA and maintain Buy with a TP of INR1,533

## Currency Ideas

### USDINR



- ✓ NSE USDINR (Feb. contract) fell sharply last week after breaching through key supports at 68 and 67.70 levels.
- ✓ The pair closed near 67.47, down by than a percent for the period.
- ✓ It is now likely to continue trading negatively as long as below 67.70 and a test of lower support near 67.05 levels looks possible.
- ✓ Selling on rallies is thus advised.

### GBPINR



- ✓ NSE GBPINR (Feb. contract) closed the last week lower by about 1.5% after failing to breach stiff resistance at 85.85-86 zones.
- ✓ The pair is now on the verge of breaching support near 84.25 (50% retracement support).
- ✓ Sustained trade below the same is likely to extend the decline towards 83.55 levels (61% retracement support).
- ✓ Selling on rallies is thus advised.

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