

# MOST Market Outlook

17th February 2017

## Nifty Chart



## Trading Idea - Cash & Future

Scrip	Reco	MBP	SL	Target
ARVIND	BUY	372	366	396

## Corporate Action:

**Interim Dividend** - DISHMAN INR- 1.20, EDELWEISS INR- 1.00, GOLDIAM INR- 2.00, MGL INR- 8.00, NATFIT INR- 2.00, RANEHOLDIN INR- 3.50, SRF INR- 6.00, SUNTV INR- 5.00, TUBEINVEST INR- 1.25, WHEELS INR- 5.00, BALKRISIND INR- 2.00

**Stock Split** DWITIYA From Rs.10/- to Rs.2/-

**Right Issue of Equity Shares** - CANBK

**Bonus issue 1:2** - NBCC

## Security in Ban period:

HDIL, IBREALEST, IFCI, JETAIRWAYS, JINDALSTEL, TV18BRDCST, UNIONBANK

## Nifty Outlook

Nifty Fut.	R1	R2	S1	S2
8785	8820	8888	8720	8650

'Nifty managed to hold 8720 and witnessed a recovery towards 8783 levels. It formed a Bullish Harami pattern on daily chart as it traded inside the trading range of previous session. However it has multiple hurdles near 8820 and above that only bulls will get comfort in the market to extend this move towards 8888 and 8968. Overall index has been consolidating in between 8720 to 8820 zones and requires a decisive range breakout to start the fresh leg of rally.

## Currency (USDINR) Outlook

USDINR	S1	S2	R1	R2
67.11	66.95	66.75	67.20	67.40

The pair is likely to trade in a relatively higher range between 66.95-67.20. Breach above 67.20 could extend the pullback towards 67.40.

## Sectoral Outlook

Sector	Outlook
MIDCAP	POSITIVE
ENERGY	POSITIVE

## Trading Idea - Derivatives

**STRATEGY : Petronet Bull Call Ladder**

Instrument	B/S	Lot	Reco	CMP
23 FEB 390 CE	Buy	1	6.5	6.5
23 FEB 400 CE	Sell	1	3.25	3.25
23 FEB 410 CE	Sell	1	1.9	1.9

Target Profit: Rs.12000 SL Rs.2000 Hedge: Above 415

## Market Drivers

- ✓ Domestic markets staged a smart recovery yesterday led by pharma and software. Buyback by TCS influenced moves in other software stocks. Cadila Healthcare Moraiya Unit did not receive any observations. The stock was one of the biggest gainers in trade. Also other pharma stocks rallied. Given the underperformance in this space, investor interest seems to be coming back. Sun Pharma, Aurobindo, Lupin could continue to see interest apart from Cadila. HDFC bank will be in focus as FIIs can now buy into the same though the window is unlikely to be large. Also Index changes were announced. IOC and Indiabulls Housing will be part of Nifty while BHEL and Idea will move out. Overall Nifty has remained in a range with supports placed around 8720 levels and resistance around the 8820-8850 levels from a short term perspective. Sectors like pharma, defense and infra related plays could continue to see interest.

## Highest Call OI

Instrument	Strike	OI	Chg in OI
Nifty 23-Feb	9000	7151925	-704625
Bank Nifty 23-Feb	21000	853080	92760

## Highest Put OI

Instrument	Strike	OI	Chg in OI
Nifty 23-Feb	8500	5786025	-139275
Bank Nifty 23-Feb	20000	765320	158240

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## Trading Calls

**ARVIND**

**Buy**

MBP INR 372

Target INR 396



- ✓ It has rebounded from its multiple support of 366 and witnessed a smart recovery
- ✓ Stock has seen buying interest at every small decline and also trading above its 50 DMA
- ✓ Thus recommending to buy on a decline near to 372 for the target of 396 with the stop loss of 366 levels

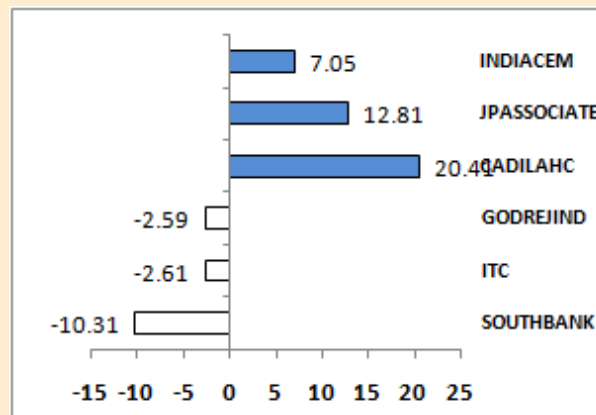
## FII & DII Activity (Rs. in Cr)

Cat.	Amt	MTD	YTD
FII	-216	1397	3269
DII	846	3199	30190

## FII F&O

Institution	Net B/S	OI
Index Future	103	Long
Index Options	641	Long
Stock Futures	56	Long

## Major Price % Change



## Derivatives Idea

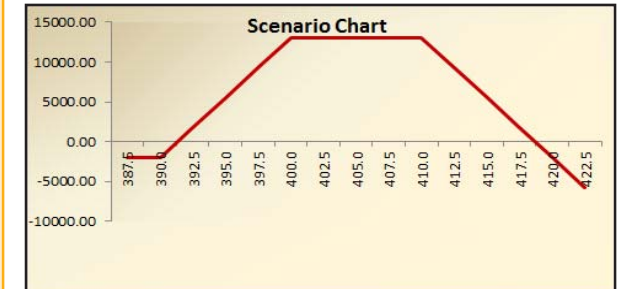
**Petronet**

**Bull Call Ladder**

Buy 1 Lot 390 CE

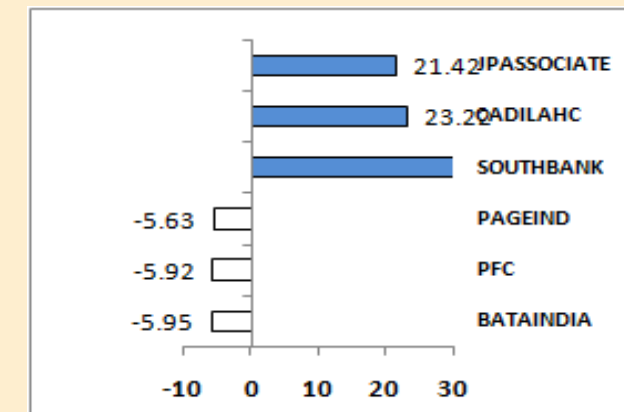
Sell 1 Lot 400 CE

Sell 1 Lot 410 CE



- ✓ Petronet is in long- long unwinding cycle
- ✓ Positive sector outlook along with unwinding in 390 CE could lead option trigger for move towards 400
- ✓ Put accumulation at 380 could act as strong support.
- ✓ Considering faster theta decay , Bull Call Ladder is recommended

## Major OI % Change



## Morning Meet Notes

### Research Notes

**Vodafone-Idea deal** : Big positive but high risk of delay; synergies from SG&A/employee cost (17% of Idea revenue) could come sooner (12 months), but from network (30% of revenues) are likely to come much later (over 24 months)

**Bharti Infratel** : The Vodafone-Idea merger could lead to an overlap at ~40-60% sites. However, there may be a limited impact from a 2-3 years perspective, a long-drawn process, termination clause, low impact on Indus Towers (given Vodafone and Idea's holding in this JV)

### CEAT IC (CMP 1086, TP: INR 1406, 29% upside)

- ✓ RPG group co, 4th largest tyre maker (12% market share), 6 manufacturing facilities, 95k tyres/day, pan india
- ✓ Strategic capital allocation: low margin T&B segment which formed 60% in FY11, high margin PV/2W formed just 14% now forms 38% of total busines; mk sh in 2W increased from 8% to 27%, PV up from 4% to 9%
- ✓ margins improved from 4% in FY11 to 13% FY16
- ✓ Focus on the consumer-facing 2W/PV - market share to improve in 2W/PV (where the threat of Chinese competition is relatively low) from 27%/9% currently
- ✓ To double capacity in currently capacity-constrained PV seg over FY16-18. OTH foray likely to help drive the dwindling exports business
- ✓ Revenue contribution of 2W/PV expected to increase from 38% to 49% over FY16-19E, partly insulate RM fluctuation
- ✓ Expect 11%/25% Rev/PAT CAGR with a 150bp margin improvement over FY17-19E
- ✓ Value the stock at 10x FY19E EPS, 29% upside

### Cadila: Moraiya re-inspection over with no 483s

- ✓ ~60-70 pending ANDAs from the Moraiya facility, expect US sales to increase to ~USD950m in FY19 from ~USD550m in FY17, led by 70+ approvals
- ✓ Raise FY18E/19E EPS by ~5%, factoring in faster product approvals and better margins. New TP INR510, at 22x FY19E, 19% upside

### Voltas (Rev -7% YoY, EBITDA 58% YoY, PAT 48% YoY)

- ✓ Valuations remain rich at 18x FY19E EPS, maintain neutral, 6% upside

## Currency Ideas

### USDINR



- ✓ NSE USDINR (Feb. contract) eventually rallied from support to close yesterday's session higher near 67.11.
- ✓ The pair continued to hold higher in overnight trade in DGCX and is currently close to immediate resistance near 67.20 levels.
- ✓ Sustained breach of this resistance could now extend the rally towards next major resistance at 67.40 levels.
- ✓ Intraday bias is likely to remain positive as long as above 66.95 levels.

### EURINR



- ✓ NSE EURINR (Feb. contract) has reversed sharply from short-term support near 70.60-70.50 zone, closing yesterday's session higher near 71.35
- ✓ Yesterday's low near 71.05 is now likely to provide support to the pair and the current rally could extend towards resistance area at 71.70-71.80.
- ✓ Intraday buying is thus advised as long as above this support

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