

MOST Market Outlook

19th January 2017

Nifty Chart



Trading Idea - Cash & Future

| Script | Reco | CMP | SL | Target |
|--------|------|------|------|--------|
| MARUTI | SELL | 5699 | 5745 | 5560 |

Corporate Action:

NHPC- Interim Dividend - INR 1.70; NUTRA -Bonus issue 1:10
ISGEC- Interim Dividend - INR 15.0

Security in Ban period:

CENTURYTEX, HDIL, IBREALEST, JINDALSTEL, JPASSOCIAT, JUSTDIAL, RCOM

Nifty Outlook

| Nifty | R1 | R2 | S1 | S2 |
|-------|------|------|------|------|
| 8429 | 8455 | 8475 | 8395 | 8330 |

'Nifty remains confined within the 'Bearish Marubozu' range with resistance held firm around 8450. The placement of the daily RSI near the overbought zone warrants caution. A breach below 8370 (Low of Marubozu candlestick formation) would activate the pattern & accelerate the downward momentum. The index could witness a corrective wave during the coming week. Hence we recommend reducing leveraged longs & deploying adequate hedge for a while.

Currency (USDINR) Outlook

| USDINR | S1 | S2 | R1 | R2 |
|--------|-------|-------|-------|-------|
| 68.14 | 68.00 | 67.75 | 68.25 | 68.50 |

Short-term bias looks sideways-to-negative as long as 68.50 is capped as strong resistance.

Sectoral Outlook

| Sector | Outlook |
|--------|----------|
| BANKS | NEUTRAL |
| AUTO | NEGATIVE |

Trading Idea - Derivatives

STRATEGY UPDATE : Nifty Modifies Put Butterfly Spread

| Instrument | B/S | Lot | Reco | CMP |
|----------------|------|-----|------|------|
| 25 JAN 8350 PE | Buy | 1 | 40 | 26.5 |
| 25 JAN 8200PE | Sell | 2 | 15 | 7.2 |
| 25 JAN 8100PE | Buy | 1 | 8.5 | 3.5 |

Maximum Profit: Rs. 9800 at 8200 Maximum Loss: Rs.1400
Limited profit: Rs. 2000 below 8000

Market Drivers

- ✓ Indian markets continued to trade in a range. Metals, consumer sector did better. Mid cap index did relatively better. FIIs have been net buyers for the last couple of days. Nifty has resistance around the 8450 levels and some consolidation is being seen around these levels. Among key results today to watch out for will be Yes Bank. With reports indicating that currency circulation has reached pre Nov 8 levels, this could also suggest return of normalcy in trade. Sectors like auto, consumer, cement, and financials could see renewed interest. Results as well as Budget expectations would drive stocks from a short term perspective.

Highest Call OI

| Instrument | Strike | OI | Chg in OI |
|-------------------|--------|---------|-----------|
| Nifty 25-Jan | 8500 | 4918800 | -141525 |
| Bank Nifty 25-Jan | 19000 | 1117880 | 4800 |
| Bank Nifty 19-Jan | 19500 | 980640 | 356320 |

Highest Put OI

| Instrument | Strike | OI | Chg in OI |
|-------------------|--------|---------|-----------|
| Nifty 25-Jan | 8300 | 6274350 | -565200 |
| Bank Nifty 25-Jan | 18500 | -20200 | -34320 |
| Bank Nifty 19-Jan | 19000 | 686320 | 260240 |

Trading Calls

MARUTI

Sell

CMP INR 5699
Target INR 5560



- ✓ 'Occurrence of 'Bearish Engulfing' followed by a Doji formation augurs well for the termination of ongoing upmove & a swift correction
- ✓ RSI reversion from the overbought zone complements the setup & a move towards the short term average could be witnessed soon
- ✓ Short positions could be considered with a stop above 5745 & Target upto 5560

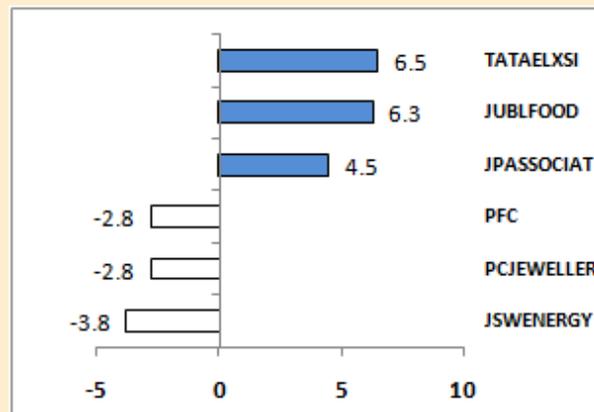
FII & DII Activity (Rs. in Cr)

| Cat. | Amt | MTD | YTD |
|------|-----|-------|--------|
| FII | 319 | -2776 | -13358 |
| DII | 245 | 2822 | 38185 |

FII F&O

| Institution | Net B/S | OI |
|---------------|---------|---------|
| Index Future | -896 | Short |
| Index Options | -708 | Writing |
| Stock Futures | 167 | Long |

Major Price % Change



Derivatives Idea

Nifty

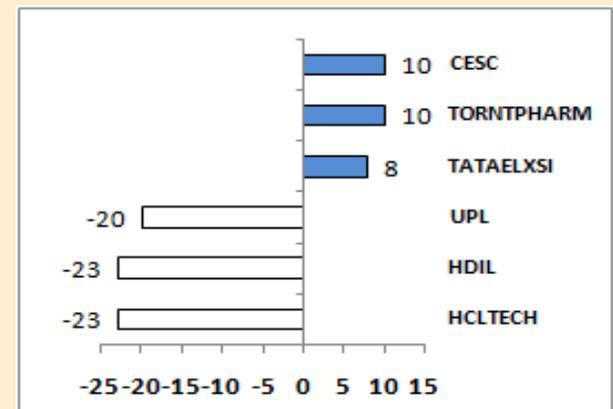
Modifies Put Butterfly Spread

Buy 1 Lot 8350 PE
Sell 2 Lots 8200 PE
Buy 1 Lot 8100 PE



- ✓ Nifty is in Long- Long unwinding cycle
- ✓ It is trading near the vicinity of its highest call congestion at 8400
- ✓ Nifty PCR OI too is quoting at 1.22 near the upper band of 1.20. Considering profit booking could be expected at current level. Low risk Modified Put Butterfly Spread is recommended

Major OI % Change



Morning Meet Notes

Research Notes

IOC (Buy TP: INR 464, 33% upside)

- ✓ Utilization of Paradip refinery more than 80% in December, 4 out of 5 sections of pipeline started filling, expect 3-4mtpa deliveries
- ✓ Capex composition suggests return ratios would improve; 1.7trn capex on brownfield refinery expansions, petrochem segment, marketing and pipeline infrastructure, to improve returns further
- ✓ Recent price hikes debunk concerns about return of regulations; OMC's price hike consistently, de-regulated regime to stay
- ✓ Global peers are trading at 10.7x FY18 EPS and 6.8x FY18 EV/EBITDA.
- ✓ IOCL trading at 8.7x FY18 EPS and 6.1x times FY18 EV/EBITDA
- ✓ Value IOCL using SOTP. Refining and petrochem segments are valued at 5x FY19 EV/EBITDA, and marketing and pipeline segments at 7.5x FY19 EV/EBITDA

Tata Communications (Mcap: INR 19kcr, TP: INR 778, 17% upside)

- ✓ Global telecom company of the Tata group, company's infrastructure includes sub-sea, terrestrial communications networks, data centers and it provides fixed line and wireless services
- ✓ Transformed from a commodity network provider to customized enterprise solutions provider, Data business: 57% of total rev
- ✓ Deep connectivity and array of customized solutions should drive a healthy 10% CAGR in data revenue over FY16-19 in a largely commoditized market
- ✓ Expect 300bps margin exp in traditional network business on op leverage, value added services to inch up margins
- ✓ Recently-announced sale of its African venture, Neotel, and data center should help deleverage TCOM's balance sheet by ~48% to INR60b; Other triggers: 40% capex reduction, higher FCF, RoIC improvement to ~18% by FY19
- ✓ Better placed than consumer telcos: Low capex intensity, low competitive pressures, limited regulatory risk, possible ROIC exp
- ✓ Currently trades at 6x FY19E EV/EBITDA, we value at 7.1x to core FY19E EBITDA, 14% EBITDA CAGR, deleveraging

| Company | Sales | % Y/Y | EBITDA | % Y/Y | PAT | % Y/Y | Rationale | Comments |
|---------|-------|-------|--------|-------|-----|-------|-----------|--|
| Havells | 150.6 | 13 | 1.9 | 4.0 | 1.3 | 12.0 | BUY/440/A | 1. Market share gains across products, WC support, incentives, Cables & Wires +17.4% YoY , Electrical consumer durables +19% YoY, margins contracted due to incentives, WC 30days vs 20 days 2. Raise FY17/FY18E EPS by 19/6%, value at 32x FY19E Eps |

Currency Ideas

USDINR



- ✓ USDINR (Jan. contract) failed to sustain below the critical support of 68.00 and closed the previous session with a positive note at 68.16
- ✓ Overall bias looks sideways-to-negative as long as 68.50 is capped as strong resistance level
- ✓ The pair sustained break below the critical support of 68.00 will signify further weakness towards 67.75 - 67.65 area
- ✓ Immediate resistance is at 68.20-68.25 whereas major resistance remains at 68.50

JPYINR



- ✓ JPYINR (Jan. contract) traded in a sideways range in the previous session closing with a negative note at 68.14
- ✓ Overall, the pair will continue to remain in a pullback mode and dip buying is still advised in short-term
- ✓ Immediate supports remains at 59.90 - 59.75 zone whereas critical support remains at 58.90
- ✓ Dip buying near supports will be advised targeting 60.70 - 60.90 levels

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