

June 19, 2017

## Derivatives Strategy - Positional Option

Buy Castrol India June 420 Call at ₹ 5.0-5.5 for target of ₹ 11...

### Research Analysts

Amit Gupta      amit.gup@icicisecurities.com  
Azeem Ahmad    azeem.ahmad@icicisecurities.com

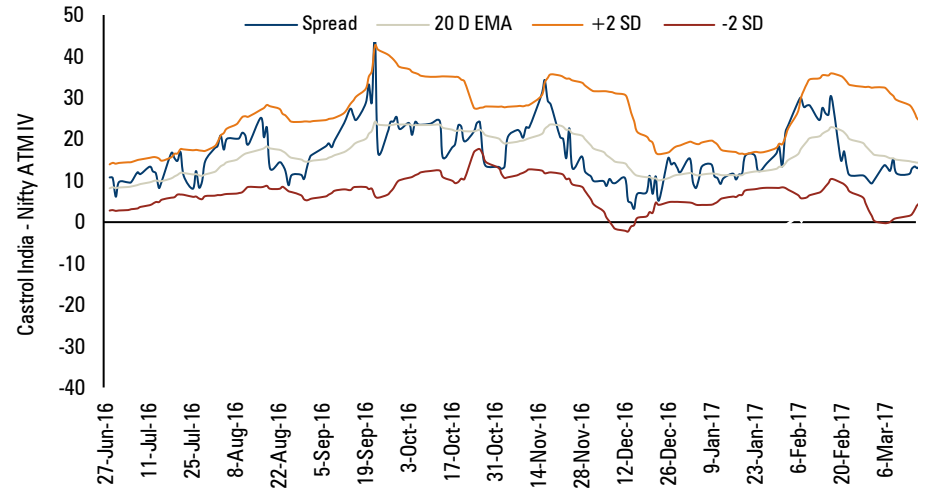
Raj Deepak Singh      rajdeepak.singh@icicisecurities.com  
Nandish Patel          nandish.patel@icicisecurities.com

# Positional Option: Buy Castrol India June 420 Call at ₹ 5.0-5.5. Target: ₹ 11. Stop Loss: ₹ 2.0.

## Time frame: Till June expiry

- Post the quarterly results, Castrol India has remained under pressure and fell near ₹ 400. However looking at the consolidation in 2017, the stock has found continuous support at ₹ 400 levels. This is the reason we believe eventually some short covering can be seen in the stock towards expiry
- The stock saw good delivery based buying on June 15, when it moved from ₹ 396 to ₹ 410 levels indicating a change of bias
- As the stock moved upwards, the highest Put base has shifted to 400 strike. Additions were seen in 420 strike Call options, which is the highest Call base. As the IV spread has approached mean levels, we feel on the back of OTM Call buying, the spread is likely to move towards mean+ 2 Sigma levels, which will provide further steam to the stock

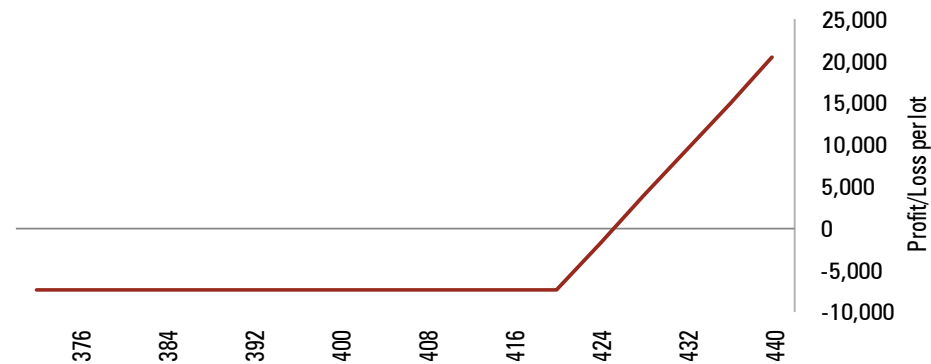
### (Castrol India - Nifty) IV spread to revert from mean levels



### Option Dashboard

Strike Delta	0.47
Strike Vega	0.28
Strike Theta	0.39
Strike Gamma	0.97
Highest Call Base	420
Highest Put Base	400

### Buy Castrol India June 420 Call Payoff

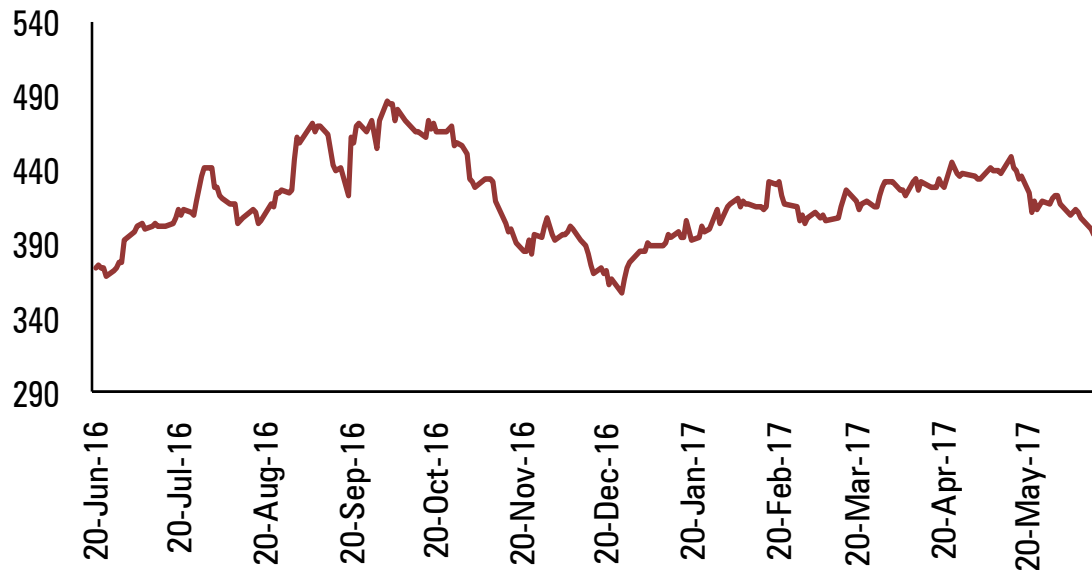


Note: Recommendation initiated on iclick-2-gain on June 19, 2017

Source: Bloomberg

# Price Performance in trailing 12 months...

Castrol India : 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			Return Objective		
	Product wise allocation	Max allocation per stock	Number of Calls	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



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

ICICIdirect.com Research Desk,  
ICICI Securities Limited,  
1<sup>st</sup> Floor, Akruti Trade Centre,  
Road no.7, MIDC  
Andheri (East)  
Mumbai – 400 093  
[research@icicidirect.com](mailto:research@icicidirect.com)

# Disclaimer

## ANALYST CERTIFICATION

We /I, Amit Gupta B.E, MBA (Finance), Azeem Ahmad MBA (Fin), CS, Raj Deepak Singh BE, MBA (Finance) and Nandish Patel, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities is a wholly-owned subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this section have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

The research recommendations are based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. These research recommendations and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. ICICI Securities will not treat recipients as customers by virtue of their receiving these recommendations. Nothing in this section constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed herein may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of these recommendations. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned herein during the period preceding twelve months from the date of these recommendations for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned herein in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its Analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

It is confirmed that Research Analysts giving these recommendations have not received any compensation from the companies mentioned herein in the preceding twelve months.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the company/companies mentioned herein as of the last day of the month preceding the publication of these research recommendations.

Since Associates (ICICI group companies) of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned herein.

It is confirmed that Research Analysts do not serve as an officer, director or employee or advisory board member of the companies mentioned herein.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented herein.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned herein.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report or recommendations are not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.