

Indian Markets	CMP	% chg 1d	% chg 3m	% chg 6m	% chg ytd
Nifty	10,350	(1.0)	3.7	11.1	26.4
Sensex	33,371	(1.1)	4.2	11.5	25.3
BSE Small Cap	17,668	(1.4)	11.1	14.3	46.7
Midcap	16,543	(1.5)	7.3	11.8	37.5
INR/USD	65.03	(0.5)	1.9	1.1	4.4
Developed/Emerging markets					
Dow Jones	23,557	0.0	6.7	12.1	19.2
S&P 500	2,591	0.0	4.7	8.0	15.7
Nasdaq	6,321	0.1	6.7	11.7	30.0
Nikkei	22,886	(0.2)	14.5	15.0	19.7
Hang Seng	28,967	(0.1)	4.0	17.9	31.7
Bovespa	72,415	(2.6)	6.7	10.5	20.2
DAX	13,379	(0.7)	8.8	5.4	16.5
FTSE	7,513	(0.7)	(0.4)	2.9	5.2
SGX Nifty	10,415	0.0	4.1	11.4	27.3

Top gainers			Top losers		
Underlying Security	CMP	% chg	Underlying security	CMP	% chg
MMTC	96	10.8	Lupin	860	(16.9)
NBCC	286	8.2	Just Dial	438	(8.5)
Hexaware	335	4.8	Cipla	608	(7.2)
Ipca Labs	549	4.3	PC Jewel.	351	(6.4)
Info Edge	1,226	4.0	SAIL	79	(6.2)

Recent eco. data	Actual	Cons.	Upcoming eco. data	Cons.	Previous
India Eight Core	5.2	2.6	China CPI	1.7	1.6
US Unemploy Rate	4.1	4.2	UK Industrial Production	0.3	0.2
Canada Employ Change	35.3K	15.3K	UK Mfg Production	0.3	0.4
India Services PMI	51.7	50.7	US Unemploy Claims	231K	229K
UK Services PMI	55.6	53.3	UK Construction Output	(0.6)	0.6

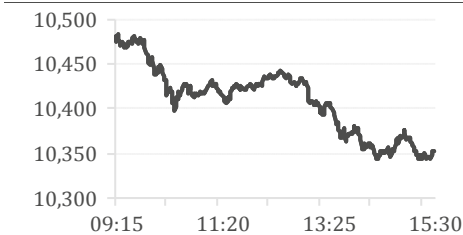
FIIs & DIIs cash activity (Rs cr)			
	Previous day	MTD	YTD
FII Equity	461	3,711	42,219
DII Equity	(2,046)	(138)	95,273
FII Debt	(550)	1,322	147,034
DII Debt	2,657	2,657	328,970

## Subdued sentiment!

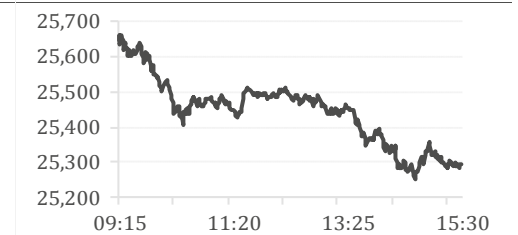
*I have come to realize that all my trouble with living has come from fear and smallness within me. - Angela Wozniak*

It's been a year since demonetisation was announced by the government to reign in black money. A push to a more formal economy has seen more money move into financial assets, a rise in digital transactions and a crackdown by tax authorities to unearth unaccounted wealth. After a fall on Tuesday, the outlook is a subdued start today. The IPO of HDFC Standard Life Insurance Company saw 46 pc subscription on Tuesday. Results for the day include Ashok Leyland, Bharat Forge, Petronet LNG and Voltas. US indices closed flat though at record highs and Asian markets are on a quiet mode. President Trump will head to China, after a speech in Seoul where North Korea will be a hot topic of discussion. The latest Asia-Pacific Wealth Report by Capgemini, shows India stood at fourth position in HNWI population growth in Asia Pacific region.

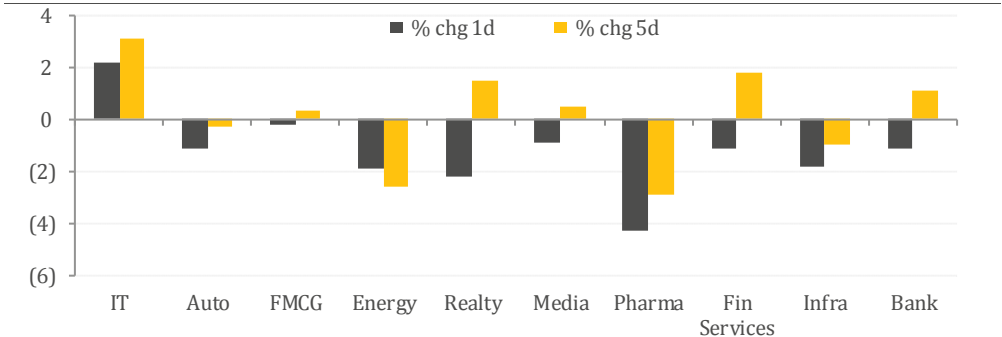
Nifty intra-day movement



Banknifty intra-day movement



Sectoral movement



### Corporate News

- **Sun Pharmaceutical's** subsidiary Taro Pharma reported a strong performance during the previous quarter
- **Axis Bank** board to meet on Nov. 10 to consider raising funds
- Three Pillars PTE to sell up to 19.99 crore shares of **Bharti Airtel** in the range of Rs 473-480 per share
- **Adlabs** to sell Novotel Imagica Khopoli Hotel for Rs. 213cr to Bright Star. It will also sell Walkwater stake to Blue Haven for Rs. 150cr
- **Indoco Remedies** to resume manufacturing of ophthalmic products at Goa unit II
- **Akzo Nobel** to divest India's specialty chemical business, likely to garner for Rs. 320cr.
- **JSW Energy** got an order to supply 200 MW power to Karnataka from November 8 - May 31
- **DCM Shriram** to invest around Rs. 500cr in sugar business to increase overall capacity
- **NMDC** mulls bidding for US \$9bn mine

### Economy News

- India's engineering exports grow on impressive demand pick-up in US, Europe: EEPC
- MAG probing the Panama Papers leak will look into the Paradise Papers
- Indian logistics industry likely to grow at 9-10% annually: ICRA
- Digitisation can help India leapfrog over developed countries: RBI Deputy Governor

- Private participation in Bharatmala project may be challenging: Ind-Ra

### Results table

Rs mn	Revenue	YoY %	PAT	YoY %
Alembic Pharmaceuticals Ltd.	7,893	(10.2)	1,242	0.6
Balrampur Chini Mills Ltd.	12,368	32.0	824	(22.3)
Bayer CropScience Ltd.	12,320	6.2	1,906	19.8
Bharat Heavy Electricals Ltd.	62,971	(5.5)	1,154	5.9
Castrol India Ltd.	8,614	(1.9)	1,782	27.5
Cipla Ltd.	40,824	8.8	4,361	17.3
Dalmia Bharat Ltd.	18,337	(5.4)	1,230	165.9
DCM Shriram Ltd.	16,047	11.0	1,720	88.2
Essel Propack Ltd.	6,397	7.3	526	(25.5)
Finolex Cables Ltd.	6,880	12.0	997	(4.9)
Future Retail Ltd.	45,063	7.5	1,532	108.0
Glaxosmithkline Consumer Healthcare Ltd.	11,153	(6.5)	1,924	4.7
Himachal Futuristic Communications Ltd.	6,637	53.6	252	4.1
Himatsingka Seide Ltd.	5,785	10.0	506	9.7
Indian Overseas Bank	15,204	18.2	(12,225)	(59.8)
Indoco Remedies Ltd.	2,848	1.1	198	(10.7)
Jindal Saw Ltd.	13,210	(5.8)	601	27.0
Johnson Controls - Hitachi Air Conditioning India Ltd.	3,174	2.5	(2)	96.9
Jyothy Laboratories Ltd.	4,299	(0.5)	457	47.0
L&T Technology Services Ltd.	9,006	9.5	1,230	9.9
Manappuram Finance Ltd.	8,300	(1.5)	1,595	(17.6)
OCL India Ltd.	6,988	(2.8)	788	(8.0)
Prestige Estate Projects Ltd.	10,981	(4.7)	861	(0.1)
Prism Cement Ltd.	11,652	(8.1)	(239)	(12.2)
Tata Coffee Ltd.	3,822	4.0	351	(21.4)

News source: ACE Equity, Bloomberg Quint.

Tata Investment Corporation Ltd.	1,443	(7.7)	1,157	(11.0)
Vinati Organics Ltd.	1,607	8.5	291	(5.0)
VIP Industries Ltd.	3,092	8.6	238	27.4
Wabco India Ltd.	6,098	20.8	776	61.3

### Upcoming Events

- Nov 08: US Consumer Credit, China Trade Balance, Japan Leading Indicators, French Trade Balance, Canada Housing Starts, Canada Building Permits, US Crude Oil Inventories
- Nov 09: Japan Bank Lending, Japan Core Machinery Orders, Japan Current Account, Australia Home Loans, China CPI, China PPI, France Unemployment Rate, German Trade Balance, China M2 Money Supply, China New Loans, UK NIESR GDP Estimate, Canada NHPI, US Unemployment Claims, US Final Wholesale Inventories
- Nov 10: Japan M2 Money Stock, French Industrial Production, French Prelim Private Payrolls, Italian Industrial Production, UK Manufacturing Production, UK Goods Trade Balance, UK Construction Output, UK Industrial Production, US Prelim UoM Consumer Sentiment, US Prelim UoM Inflation Expectations

# Alembic Pharma - Accumulate

## Steady Q; growth back ended

### Strong India rebound; US weak as price erosion hurts

Alembic Pharma clocked a strong rebound in Q2 as India sales surged 63% from GST-led destocking in Q1. However, US continued to be a pain point as gAbilify contribution recedes further and price erosion impact key products. Strong India performance and tepid R&D costs led to margin jump of ~700bps qoq while improved gross margin and lower R&D, promotional expenses offset YoY revenue decline of 10%. Management expects H2 margin to decline from Q2 level to end FY18 at ~20%.

### Q2 call: 'expect 20-25% RoE on ongoing capex + R&D'

Key highlights of Q2 call 1) Orit adds ANDAs and soft gelatin capabilities in US and is accretive in year 1 2) projects: oncology oral facility is ready while onco injectables failings still 6 months away; derma facility under Aleor JV is also ready and started taking batches. General oral and injectables facility to be commissioned next year 3) On target for 8 launches in FY18 4) New launches gain traction in US market 5) 20% margin and Rs4.5bn R&D spend guidance for FY18 6) Picked up market share in new launches in US 7) Rs25-30bn total capex + R&D aimed at US market which should fetch 20-25% RoE in 3 years 8) Algerian facility had caught fire and team working to bring it on stream though impact is insignificant. 10) Partial recovery in trade channel restocking in Q2; post GST, revenues are lower to the tune of excise duty; like to like growth of 13% yoy vs. reported 6%.

### Keep the faith as earnings recovery to lag investments

Although we remain cautious on US generics, our sense is small base of US\$150mn and very intensive capex/R&D program aimed at US market should deliver returns beyond FY19E; hence, though near term earnings would be muted, we keep the faith and retain Accumulate rating with 1-year PT of Rs550.

Analyst: Bhavesh Gandhi



CMP (Rs) 511	12-mts Target (Rs) 550	Upside 7.6%
Stock data (As on November 07, 2017)		Sector: Pharmaceuticals
Sensex:	33,371	<b>Stock performance</b> 
52 Week h/l (Rs):	709/470	
Market cap (Rs mn) :	96,332	
Enterprise value (Rs mn):	98,429	
6m Avg t/o (Rs mn):	188	
FV (Rs):	2	
Div yield (%):	0.8	
Bloomberg code:	ALPM IN	
BSE code:	533753	
NSE code:	APLLTD	
		<b>Shareholding pattern (%)</b>
		Promoter 72.7
		FII+DII 14.1
		Others 13.2

Figure 1: Result table

(Rs mn)	Q2 FY18	Q1 FY18	% qoq	Q2 FY17	% yoy
Net sales	7,893	6,482	21.8	8,794	(10.2)
RM & packing	(2,029)	(937)	116.4	(1,970)	3.0
Purchase of traded goods	(105)	(883)	(88.1)	(592)	(82.3)
Staff	(1,595)	(1,585)	0.6	(1,375)	16.0
R&D	(981)	(940)	4.3	(1,117)	(12.2)
Other expenditure	(1,433)	(1,122)	27.7	(1,963)	(27.0)
OPM (%)	22.7	15.6	705 bps	20.2	248 bps
Depreciation	(257)	(218)	17.4	(206)	24.4
Interest	(4)	(9)	(60.7)	(11)	(67.9)
PBT	1,608	789	103.9	1,567	2.6
Tax	(366)	(155)	136.2	(332)	10.3
Effective tax rate (%)	22.7	19.6	311 bps	21.2	158 bps
PAT	1,216	667	82.4	1,198	1.5

Source: Company, IIFL Research

**Figure 2: Revenue mix**

Rs mn	Q2 FY18	Q1 FY18	% qoq	Q2 FY17	% yoy
<b>Formulation</b>					
India	3,850	2,360	63.1	3,630	6.1
US	1,900	2,110	(10.0)	2,690	(29.4)
ROW	720	710	1.4	830	(13.3)
<b>API</b>	1,420	1,300	9.2	1,640	(13.4)
<b>Total</b>	7,890	6,480	21.8	8,790	(10.2)

Source: Company, IIFL Research

**Figure 3: Financial summary**

Y/e 31 Mar (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
Revenues	20,561	31,660	31,346	30,030	33,045
yoy growth (%)	10.4	54.0	(1.0)	(4.2)	10.0
Operating profit	4,030	10,115	6,147	5,710	6,240
OPM (%)	19.6	31.9	19.6	19.0	18.9
Reported PAT	2,829	7,236	4,032	3,450	3,936
yoy growth (%)	20.1	155.7	(44.3)	(14.4)	14.1
EPS (Rs)	15.0	38.4	21.4	18.3	20.9
P/E (x)	34.0	13.3	23.9	27.9	24.5
P/BV (x)	10.9	6.0	5.1	4.5	3.9
EV/EBITDA (x)	24.5	9.1	15.5	17.2	15.5
Debt/Equity (x)	0.3	0.0	0.0	0.1	0.0
ROE (%)	36.2	58.3	23.3	17.0	17.0
ROCE (%)	31.1	57.7	27.1	19.3	20.4

Source: Company, IIFL Research

## BHEL - Reduce

### Order inflow remains weak, but Yedadri has taken off

BHEL's Q2 FY18 performance was marred by provisioning for wage revision & contractual obligations and weaker execution in industrials segment. Revenue was lower by 3.3% yoy largely due to 27% yoy decline in industrials segment. The company reported an operating loss of Rs.954mn due to jump in provisioning. However, gross margins continued to improve for the second consecutive order. Forex gain of Rs.1.9bn and higher other income supported the company to stay in black. Order inflow was quite weak at Rs.18.7bn as there was no major power orders received and this led to order book shrinking by 5.7% yoy to Rs.971bn. However, share of executable orders of overall order book continues to improve. Executable order book at the end of October stood at Rs.770bn, up from Rs.500bn at the end of FY17. This was largely due to clearance of Yedadri project (Rs24bn) and the company's focus to convert non-executable orders. We believe earnings would remain under pressure due to high competitive intensity and weak opportunities. Maintain our reduce rating on the stock with a revised target price of Rs.90.

### Conversion of L1 orders hold the key for healthy growth post Yedadri

Order inflow during H1 has been quite weak as order finalizations was delayed by customers' end due to environmental clearance issues and private sector capex absent. The management mentioned that it is actively engaged with 3 customers to convert it to executable. The company was L1 in projects worth 5GW (250bn) and expects most of the projects to be ordered in FY18. The management is quite optimistic on converting this orders in H2 FY19. Order pipeline as per the management is quite strong at ~6GW in H2 FY19 in addition to the huge opportunity in FGD orders. The management indicated that there could be slippage in its MOU target of Rs.315bn of revenue on account of slower execution in H1 and delay in conversion of L1 orders. It also mentioned that the focus is on profitability and conversion of non-executable orders over the next six months.

Analyst: Tarang Bhanushali, Rahul Jain



CMP (Rs) 93	12-mts Target (Rs) 90	Downside 3.4%
<b>Stock data</b> (As on November 11, 2017)		<b>Sector: Capital Goods</b>
Sensex:	33,371	<b>Stock performance</b> 
52 Week h/l (Rs):	122 / 77	
Market cap (Rs mn) :	341,991	
Enterprise value (Rs mn):	128,774	
6m Avg t/o (Rs mn):	91.1	
FV (Rs):	2	
Div yield (%):	1.7	
Bloomberg code:	BHEL IB	
BSE code:	500103	
NSE code:	BHEL	
<b>Shareholding pattern (%)</b>		
Promoter	63.1	
FII+DII	31.5	
Others	5.4	

Figure 1: Result table

(Rs mn)	Q2 FY18	Q2 FY17	% yoy	Q1 FY18	% qoq
<b>Net sales</b>	<b>63,849</b>	<b>66,012</b>	<b>(3.3)</b>	<b>55,056</b>	<b>16.0</b>
Material costs	(38,252)	(42,901)	(10.8)	(32,954)	16.1
Personnel costs	(13,988)	(14,644)	(4.5)	(14,088)	(0.7)
Other overheads	(12,564)	(6,916)	81.7	(8,897)	41.2
<b>Operating profit</b>	<b>(954)</b>	<b>1,551</b>	<b>(161.5)</b>	<b>(883)</b>	<b>8.1</b>
<b>OPM (%)</b>	<b>(1.5)</b>	<b>2.4</b>	<b>-384 bps</b>	<b>(1.6)</b>	<b>11 bps</b>
Depreciation	(1,872)	(2,080)	(10.0)	(2,001)	(6.5)
Interest	(552)	(50)	995.6	(657)	(16.0)
Other income	4,850	196	2,373.6	4,622	4.9
<b>PBT</b>	<b>1,472</b>	<b>(383)</b>	<b>(484.2)</b>	<b>1,080</b>	<b>36.3</b>
Tax	(318)	(292)	9.2	(272)	17.0
<b>Reported PAT</b>	<b>1,154</b>	<b>(675)</b>	<b>(271.1)</b>	<b>808</b>	<b>42.8</b>

Source: Company, IIFL Research

**Conference call highlights**

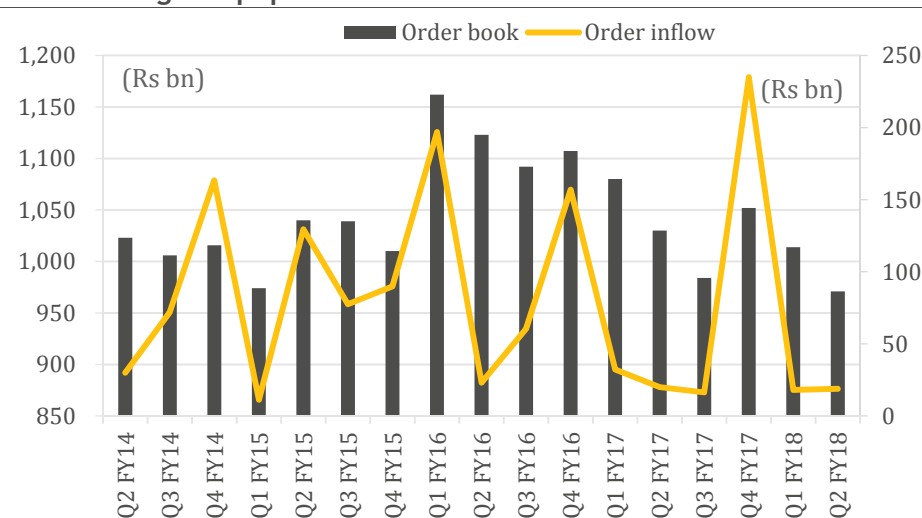
- Revenue was impacted by delayed launch of Yedadri project, which got stuck due to environmental clearances and delay in conversion of Bhusawal and Panki project.
- Other expenses during the quarter increased by 81.7% yoy to Rs.12.6bn. This was largely on account of Rs.5.5bn of provisioning, of which Rs.2.5bn was for wage revision and Rs.3bn was for contractual provisioning.
- Other income also grew to Rs.4.9bn in Q2 FY18 against Rs.196mn in Q2 FY17. This was largely due to forex gain of Rs.1.9bn.
- Order book as of September' 2017 stood at Rs.970.9bn, of which majority of the order book comprised of power segment at Rs.758.3bn and rest was international order book of Rs.137.1bn and Rs.75.6bn of industry segment orders.
  - Out of the total order book of Rs.970.9bn (excl. Yedadri), it has executable book of Rs.770bn orders (Oct '17). Two orders viz., Ratan India (Rs.54bn) and Visa Power (Rs.24bn) are under litigation which forms major part of non-executable book.
  - BHEL has managed to start 4,000MW Yedadri order, which will lead to healthy revenue recognition post Q3 FY18. This order is targeted to be completed in 36 months' time. Value of this order has been increased to Rs.24bn due to change in scope of work (SOx & NOx works included and civil work excluded)
  - The company received significant orders amounting to Rs.22.7bn in H1 in industry segment. One of the major order includes 30 locomotive engines from Indian railway. In this segment, BHEL is also targeting solar space aggressively, which would reflect in order booking in the coming quarters.
- Receivables increased sequentially due to amendment of purchase orders (on account of GST)

**Figure 2: Operating performance matrix**

	Q2 FY18	Q2 FY17	% yoy	Q1 FY18	% qoq
<b>Sales (Rs m)</b>					
Power	50,647	52,541	(3.6)	43,356	16.8
Industry	11,037	15,260	(27.7)	12,714	(13.2)
<b>Total</b>	<b>61,684</b>	<b>67,800</b>	<b>(9.0)</b>	<b>56,070</b>	<b>10.0</b>
<b>EBIT (Rs m)</b>					
Power	6,691	5,052	32.4	4,386	52.6
Industry	18	91	(80.5)	802	(97.8)
<b>Total</b>	<b>6,708</b>	<b>5,144</b>	<b>30.4</b>	<b>5,187</b>	<b>29.3</b>
<b>EBIT margins (%) in bps</b>					
Power	13.2	9.6	359	10.1	310
Industry	0.2	0.6	(44)	6.3	(615)
<b>Total</b>	<b>10.9</b>	<b>7.6</b>	<b>329</b>	<b>9.3</b>	<b>162</b>

Source: Company, IIFL Research

**Figure 3: Order inflow of Rs.18.7bn was quite weak and led to order book declining 4% qoq**



Source: Company, IIFL Research

Figure 4: Cost analysis

As a % of net sales	Q2 FY18	Q2 FY17	bps yoy	Q1 FY18	bps qoq
Material costs	59.9	65.0	(508)	59.9	5
Personnel Costs	21.9	22.2	(28)	25.6	(368)
Other overheads	19.7	10.5	920	16.2	352
Total costs	101.5	97.6	384	101.6	(11)

Source: Company, IIFL Research

Figure 5: Financial summary

Y/e 31 Mar (Rs m)	FY15	FY16	FY17	FY18E	FY19E
Revenues	301,830	255,204	282,522	302,308	354,663
yoy growth (%)	(22.8)	(15.4)	10.7	7.0	17.3
Operating profit	20,610	(13,569)	10,966	8,961	23,796
OPM (%)	6.8	(5.3)	3.9	3.0	6.7
Pre-exceptional PAT	13,918	(13,074)	4,787	6,604	16,247
Reported PAT	13,918	(12,915)	5,023	6,604	16,247
yoy growth (%)	(58.7)	-	-	31.5	146.0
EPS (Rs)	5.7	(5.3)	2.0	1.8	4.4
P/E (x)	16.4	(17.4)	47.6	51.8	21.0
Price/Book (x)	0.7	0.7	0.7	1.0	1.0
EV/EBITDA (x)	6.3	(9.5)	11.7	26.9	10.0
Debt/Equity (x)	0.0	0.0	0.0	0.0	0.0
RoE (%)	4.1	(3.9)	1.4	2.0	4.7
RoCE (%)	6.3	(2.4)	2.9	3.6	7.4



The bullish grit and gumption of the past four sessions atop 10,400 came to a screeching halt as index tumbled by 102 points, erasing ensuing gains as failure to go past 10,500 caused profit taking. A bearish candle, with 36 of Nifty constituents settling lower, implies overhead resistance near the 10,500 mark.

Post the historic peak of 10,490 in Monday's trade, Nifty lost momentum as selling pressure dragged it towards 10,340 in Tuesday's session. A 180 degree move from the peak of 10,490 provides a move towards 10,286, which coincides with second line of defense as per the gann rule of 8 placed around 10,290 (from the base of the rally that began on 28th September 2017). So point of confluence could extend from the current levels.

### Fund action

- Morgan Stanley Mauritius sold 0.2mn shares of Greenlam Inds at Rs998.

Leaders				Laggards			
Company	CMP (Rs)	52-wk high	Deviation %	Company	CMP (Rs)	52-wk Low	Deviation %
P&G	8,831	8,866	(0.4)	Star	786	783	(0.4)
Motherson Sumi	368	374	(1.5)	Apollo Hosp	1,003	986	(1.7)
Redington	180	183	(1.6)	Amara Raj	681	665	(2.4)
Vakrangee	558	567	(1.7)	RCOM	16	15	(4.4)
NBCC	286	291	(1.8)	Videocon	16	15	(5.3)

\* Based on deviation from 52-week high/low

Proximity to 20-DMA				Proximity to 50-DMA			
Company	CMP (Rs)	20-DMA	Deviation %	Company	CMP (Rs)	50-DMA	Deviation %
MMTC	96	66	45.5	MMTC	96	62	54.8
Hind Copper	99	71	39.4	UBL	1,148	865	32.7
Indian Bank	362	301	20.3	BOI	195	153	27.5
BOI	195	165	18.2	PNB	191	150	27.3
Adani Ent	148	129	14.7	NBCC	286	228	25.4

\* Based on deviation from moving averages

### High delivery stocks

Company	% Delivery	CMP (Rs)	% chg	Company	% Delivery	CMP (Rs)	% chg
AIA	89.0	1,390	0.4	BOI	9.0	195	(5.1)
Mphasis	88.0	706	2.0	Jet Airways	10.0	600	(3.7)
Indian Hotels	81.0	112	(1.9)	Hexaware	13.0	335	4.8
Colpal	78.0	1,034	(1.0)	Torrent Power	14.0	274	0.8
Syngene	76.0	503	0.2	Synd. Bank	15.0	86	(3.9)

### Low delivery stocks

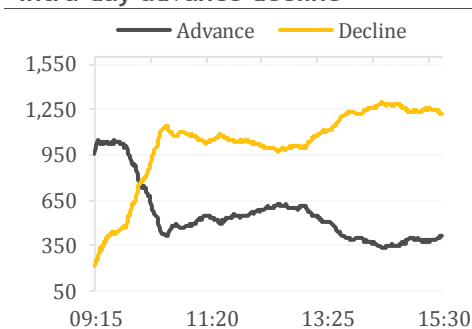
### Spurt in volumes

Company (mn)	Day's Vol.	2-week Avg. Vol	10-DMA	CMP (Rs)	% chg
Yes Bank	30	25	319	312	(2.5)
BHEL	39	20	97	93	(5.9)
Hind Copper	32	18	79	99	(4.1)
MMTC	33	12	72	96	10.8
ONGC	21	11	188	194	(2.7)

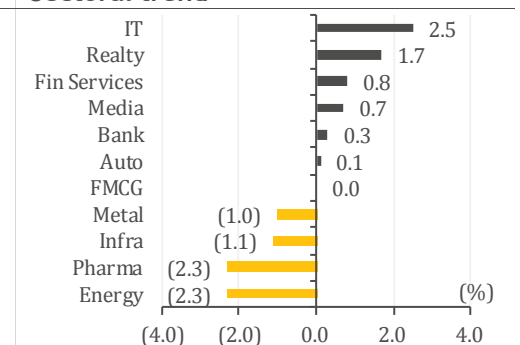
### Index Pivot

Index	Last close	Support	Pivot	Resistance
Nifty	10,350	10,298	10,392	10,443
Sensex	33,371	33,186	33,526	33,710
Nifty Bank	25,301	25,134	25,415	25,581
Nifty IT	11,172	10,991	11,117	11,299

### Intra-day advance decline



### Sectoral trend



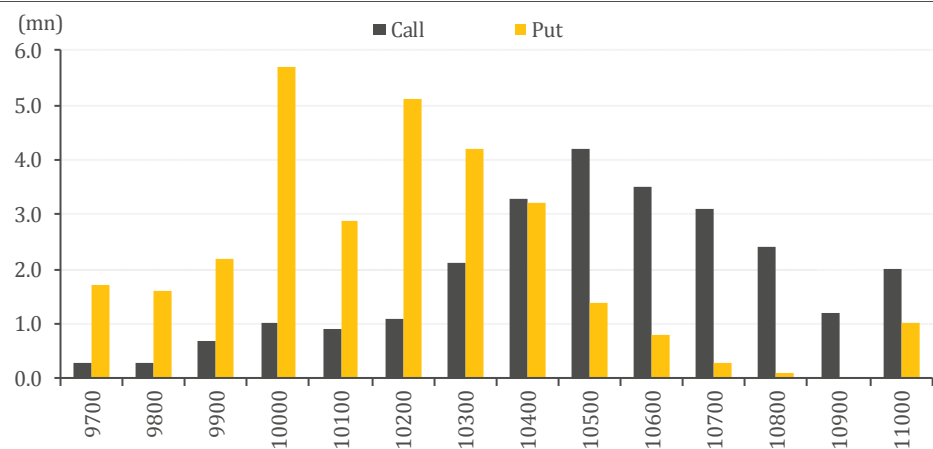
\* Calculations based on 10-DMA

### Index snapshot

	Futures	% Chg	Spot	Basis	Next Month	OI in shs	OI % Chg	PCR OI	PCR Vol	ATM IV's	Rollovers	Max call build-up	Max put build-up
Nifty	10,410	(0.8)	10,350	60.00	10,453	329,596	(5.7)	1.40	1.00	11.5	5.0%	10,500	10,000
Bank Nifty	25,397	(0.9)	25,301	96.00	25,476	56,216	(1.5)	1.06	1.02	16.1	3.7%	26,000	25,000

- Sharp reversal from upside along with rising VIX, Indian markets exhibiting supply pressure at higher levels. SGX Nifty indicates flat start for the day.
- Nifty strikes 10500 added significant OI to tune of ~9 lacs shares while put options saw unwinding across the board.
- Volatility index moving higher as traders looking to buy protection.
- FII's index futures long/short ratio at 1.47x vs 1.59x with addition of ~10k contracts on net short index futures positions.

### Nifty open interest distribution



**Securities in ban period:** Dhfl, Hdil, Ibrealest, Indiacem, Infibeam, Jswenergy, Rcom, Wockpharma

### Futures open interest gainers

Scrip	OI (lacs)	% OI Chg	CMP (Rs)	% Chg	Action
Lupin	111	37.0	865	(16.9)	Short Build up
Ofss	1	34.3	3,663	3.1	Long Build up
Arvind	88	15.7	458	3.6	Long Build up
Ioc	165	11.1	403	(2.4)	Short Build up
Indiacem	342	7.9	176	(3.8)	Short Build up
Srf	9	6.9	1,678	(0.1)	Short Build up
Concor	13	6.2	1,338	(4.5)	Short Build up

### Futures open interest losers

Scrip	OI (lacs)	% OI Chg	CMP (Rs)	% Chg	Action
Wockpharma	30	(21.2)	695	(4.7)	Long Unwinding
Castrolind	155	(11.4)	413	(2.4)	Long Unwinding
Infratel	74	(9.7)	429	0.9	Short Covering
Justdial	40	(8.9)	440	(8.3)	Long Unwinding
Havells	58	(8.8)	504	0.6	Short Covering
Zeel	70	(8.7)	540	1.1	Short Covering
Bankindia	126	(8.1)	196	(4.9)	Long Unwinding

### FIIs derivative activity

Trading turnover	Index Fut*	Stock Fut*	Index Calls*	Index Puts*
FIIs	(10,819)	(15,131)	(7,085)	27,566
DIIs	301	(2,490)	(740)	2539
Prop	11,779	(7,808)	(68,133)	46,658
HNI Clients	(1,261)	25,429	75,958	(76,763)

\* No of contracts

### Commodities

**Gold** prices were deprived of further impetus, as US President Trump's visit to South Korea was rather uneventful, while Saudi anticorruption campaign has not triggered any backlash despite the fierce clampdown on various princes and businessmen. In terms of North Korea situation, Trump's stance on Pyongyang has softened, with the President now urging the North Koreans to move towards some kind of rapprochement. Trump also noted there is some progress in the situation between the two countries. Moreover, Trump's visit to South Korea did not prompt any aggression or missile launch (as expected by South Korean intelligence) from Pyongyang.

In **base metals** space, we witnessed broad based retracement in prices, quite expected given the persistent strength in metal prices over the past few weeks. However, we sense that correction in the pack will be limited given the steep production curtailments in China during winter. Meanwhile, ILZSG projected that global zinc markets will witness a deficit of 398,000 tons in 2017 and 223,000 tons next year. Global Lead markets will register a supply shortfall of 125,000 tons this year and 45,000 tons in 2018.

In **Oil** markets, IEA latest forecasts state US domestic crude oil production in 2018 rising by 720,000bpd to 9.95mbpd, up by about 40,000 barrels from the agency's previous estimate.

### FX

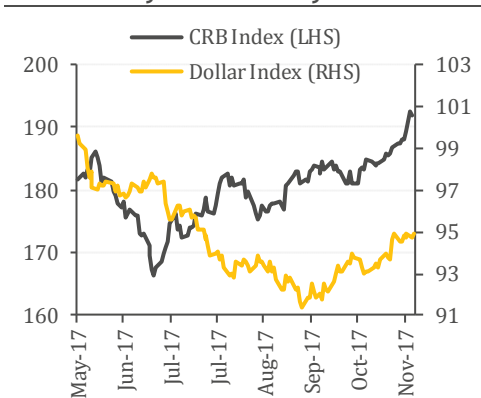
**Euro** has lost momentum, with values retracing below 1.16 mark post ECB policy decision on October 26<sup>th</sup>. Despite the move to taper bond purchases, there is a strong perception that the central bank will not move on the interest rates until 2019 given the low inflation. In the latest macroeconomic numbers, Euro zone retail sales for September expanded by a strong 0.7% on mom and 3.7% on yoy basis. Conversely, German industrial production for September contracted by 1.6% (mom) after rising 2.6% in the month prior.

Commodities (US\$ terms)	Last Price	% chg 1d	% chg ytd
Gold (troy oz)	1,277	0.2	11.3
Silver (troy oz)	17.0	0.4	6.8
Copper (MT)	6,845	0.3	23.7
Aluminium (MT)	2,139	0.3	26.3
Zinc (MT)	3,175	0.3	23.3
Lead (MT)	2,492	(0.2)	23.6
Nickel (MT)	12,670	0.1	26.5
WTI Crude (bbl)	57.1	(0.2)	6.3
Br. Crude (bbl)	63.7	0.0	12.1
NG (mmBtu)	3.10	(0.2)	(15.5)

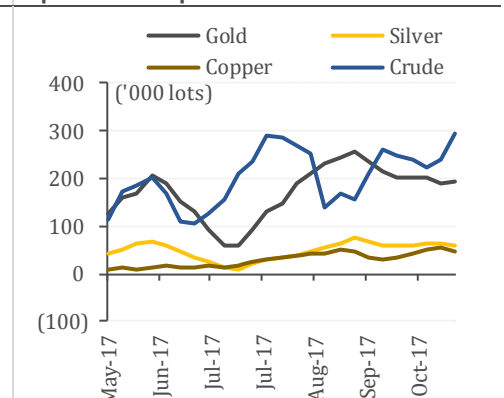
Currencies	Last price	% chg 1d	% chg ytd
USD/INR	65.00	(1.0)	4.5
EUR/INR	75.20	0.0	(4.7)
GBP/INR	85.50	(1.0)	(2.3)
JPY/INR	0.57	(0.5)	2.0
EUR/USD	1.16	0.0	10.3
GBP/USD	1.32	0.0	6.7
USD/JPY	113.80	0.0	2.8
USD/CNY	6.64	0.0	4.6
USD/Real	3.27	(1.0)	(0.5)
USD Index	94.80	0.0	(7.2)

Commodity Dynamics	Latest	Week ago	1m ago	6m ago	1yr ago
SPDR Gold ETF (tonnes)	844	851	854	853	950
iShares Silver ETF (mn oz)	319	319	326	335	358
LME Cu Stocks ('000 MT)	268	275	293	355	298
LME Al Stocks ('000 MT)	1,177	1,189	1,247	1,600	2,126
LME Zn Stocks ('000 MT)	244	257	251	340	449
LME Pb Stocks ('000 MT)	147	149	155	174	188
LME Ni Stocks ('000 MT)	382	382	387	381	363
US Crude stocks (mn bbl)	455	457	471	529	468
US Oil Rig Count	729	737	750	697	441

Commodity v/s Currency



Speculative positions on CME



### Asset Allocation

Model Portfolios	Conservative (%)		Balanced (%)		Aggressive (%)	
	SAA	TAA	SAA	TAA	SAA	TAA
Asset Allocations	SAA	TAA	SAA	TAA	SAA	TAA
Equity	14	14	49	49	76	76
Fixed Income	76	76	40	46	8	20
Real Estate	0	0	5	0	10	0
Alternatives	5	0	5	0	5	0
Liquid Assets	5	10	1	5	1	4
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

SAA – Strategic Asset Allocation; TAA – Tactical Asset Allocation

Source: IIFL Research

### Strategic and Tactical Asset Allocations across Model Portfolios

Strategic Asset Allocation (SAA) is the long term asset allocation strategy for a client that is arrived at on the basis of risk assessment and investment objectives. There are five model portfolios that have asset allocations to suit different risk profiles. The model portfolios have been optimized using historical risk and returns across asset classes. Every month the IIFLW investment Committee formalizes monthly tactical views on the markets and their impact on various asset classes.

Tactical views on each asset are with a one year time horizon and Tactical Asset Allocation (TAA) is a +/- 5%-10% change to a Client's broader Strategic Asset Allocation.

### Asset Class View

Asset Class	Tactical View
Fixed Income	Neutral
Equity	Overweight
Real Estate	Neutral
US Dollar	Neutral
Gold	Underweight
Liquid Assets	Underweight

### Sector View for listed equities

Sector	Weight
Agriculture	Overweight
Auto Components	Neutral
Automobile - 4Ws	Overweight
Automobile - 2Ws	Neutral
Capital Goods - BTG	Underweight
Capital Goods – T&D	Overweight
Cement	Underweight
Consumer Discretionary	Overweight
Housing finance	Overweight
MFI's	Neutral
Private Bank	Overweight
PSU Bank	Neutral
FMCG	Neutral
Infrastructure	Overweight
IT	Neutral
Metals & Mining	Neutral
Oil & Gas E&P	Overweight
Oil Marketing	Neutral
Gas Utilities	Neutral
Pharma	Underweight
Telecom	Overweight
Power Utilities	Neutral

## IIFL Wealth Research bags 2 Best Analyst Awards

IIFL Wealth Research has bagged two prestigious awards at the *Zee Business Market Excellence Awards 2016*.

**Prayesh Jain** was conferred the Best Analyst Award for Auto sector and **Bhavesh Gandhi** bagged the Best Analyst Award for Pharma sector.

Besides the twin awards, IIFL Wealth Research was also nominated in the categories of Oil/Gas, Banking and Industrials.

*IIFL Wealth Research, as you know, has always prided itself on its unique value proposition in a swarming market space of cut-throat competition, among other things, on our wealth of actionable ideas, tailored portfolio approach and thorough research in line with client needs and priorities, distinctive practice of following up with Call Success post recommendations and a vast coverage universe of as many as 300 companies (comprising 70% of India's equity mcap).*

In the past, the research team has won Zee Biz Awards under different categories; Bloomberg has rated our research as the most accurate, while we have twice been winners of Business Standard Smart Portfolios, having received awards at the hands of luminaries including President Pranab Mukherjee, Prime Minister Narendra Modi and Minister of State Piyush Goyal.

### Recommendation parameters for fundamental reports:

**Buy** = >15%+

**Accumulate** = 5% to 15%

**Reduce** = -10% to 5%

**Sell** = >-10%

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