

June 18, 2020

## Quant Pick – Biocon

Quant Pick					
Stock	Action	Initiation Range	Target	Stop loss	Time Frame
Biocon	Buy	385-400	474	348	3 Months



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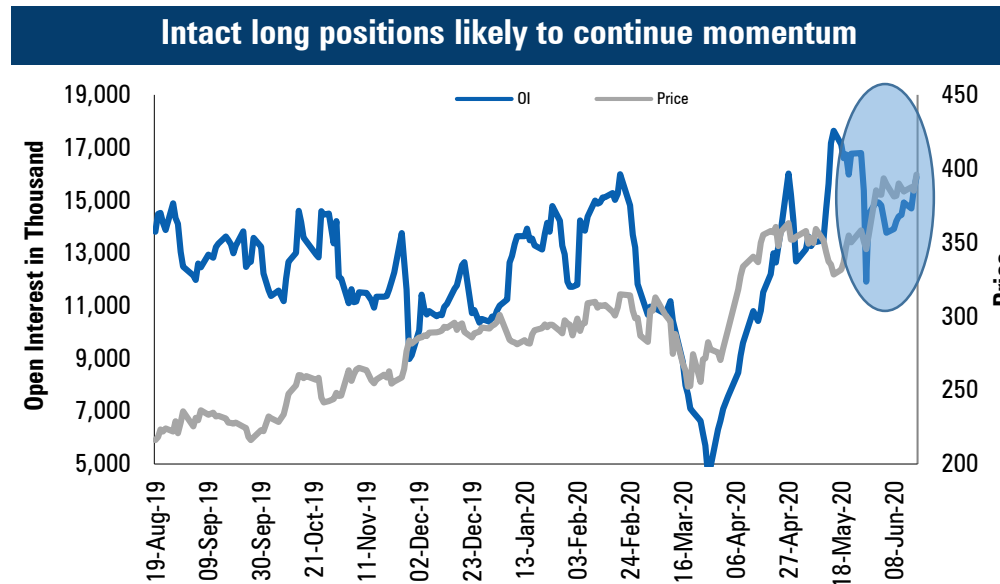
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Buy Biocon in the range of ₹ 385-400, Target: ₹ 474; Stop Loss: ₹ 348; Time frame: Three months

## Snapshot

Spot Price	398.00
Beta	0.67
12M Avg Price (₹)	292
3M Avg Roll (%)	87.00%
HV 30 Day (% Annualised)	76.00

## Price vs. open interest pattern



Source: NSE, Seediff, ICICI Direct Research

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# Derivatives and Quantitative Outlook...

- The pharma space has shown significant resilience in the last couple of weeks amid broader market volatility. The NSE pharma index has been consolidating above its April 2019 breakdown levels of 9500 and is likely to move towards 2018 highs of 10700. Biocon has moved to its lifetime highs in current market volatility, indicating ongoing positive bias in the stock. We expect it to continue its upward momentum in the near term
- Like most stocks, open interest in Biocon has also reduced sharply during the profit booking seen in March. The OI has come down from 15 million shares to just over 5 million shares in March. However, since then, the stock has seen significant OI build-up and current OI is multi month high, despite intermediate profit booking, OI in the stock has largely remained intact suggesting long bias in the stock is still intact
- On the options front, the stock has the highest Call option base at the 400 strike, which has acted as immediate resistance in the last couple of weeks. As the stock has started moving above these levels, a round of covering can be expected due to closure of these positions. At the same time, Put writing is visible at ATM and OTM strikes suggesting limited downsides
- Biocon has made highs around ₹ 360 in 2018. It took it almost two years to move above these levels. The move in the stock was backed by almost 2.5 year high delivery based activity. We do not expect these levels to be tested again in the near term. Hence, any decline in the stock remains a buying opportunity
- Historically, the stock has shown the tendency of finding resistance around its mean+2\*sigma levels and witnessed some pullback. However, this time, the stock moved above these levels around ₹ 370 levels. We expect the momentum to continue towards mean+3\*sigma levels in the near term before any profit booking sets in

**Note:** Call has been initiated on iClick2Gain on June 18 2020

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*Source: Bloomberg, ICICI Direct Research*

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