

June 8, 2020

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## Quant Pick – Tata Chemicals

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Quant Pick					
Stock	Action	Initiation Range	Target	Stop loss	Time Frame
Tata Chemicals	Buy	305-320	385	274	3 Months

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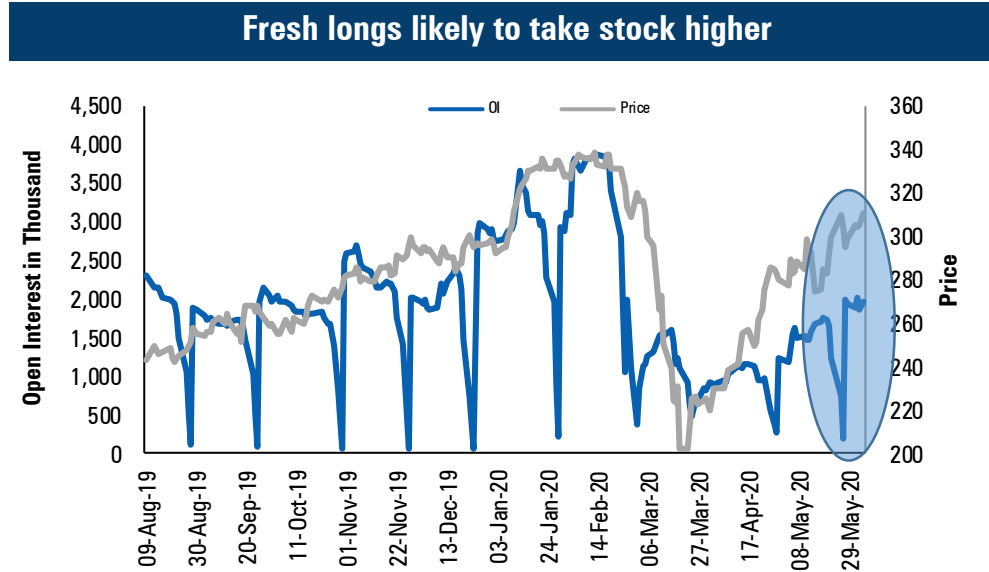
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Buy Tata Chemicals in the range of ₹ 305-320, Target: ₹ 385;  
 Stop Loss: ₹ 274; Time frame: Three months

**Snapshot**

Spot Price	320.00
Beta	0.89
12M Avg Price (₹)	245
3M Avg Roll (%)	82.00%
HV 60 Day (% Annualised)	29.53

**Price vs. open interest pattern**



Source: NSE, Seediff, ICICI Direct Research

- Certain market segments have been witnessing strong buying interest in the recent market move. The move is primarily seen in the underperforming space. However, stocks like Tata Chemical have been outperforming broader markets considerably. Tata Chemicals saw a sustained up move since March 16 when the Nifty made a bottom near 7500 on the back of strong delivery buying. We expect the stock to resume its uptrend after a brief consolidation
- The open interest in the F&O segment declined substantially in February and March with Tata Chemicals no exception. The OI in the stock has declined from more than 3.5 million shares to just 1 million shares in the March series. Since then, considering the continued outperformance in the stock, fresh build-up was seen in the May and June series, which should be positive for the stock
- Tata Chemical has the highest Call base placed at ATM 320 strike followed by 350 Call for June series. As the stock is already trading above its highest Call base, further momentum is expected in the near term. The major Put base placed at 300 strike is likely to act as an immediate support for the stock
- On the delivery front, the stock witnessed noteworthy high delivery based activity in the first half of April around ₹ 280 level. The stock has been moving up gradually since then and surpassed the March breakdown level of ₹ 310. We believe positive bias would continue in the stock. It is likely to make fresh life-time highs in coming weeks
- Historically, mean levels for the stock have acted as trend reversal levels. It witnessed a reversal on multiple occasions since 2008. Even during recent declines, the stock saw a sharp decline towards ₹ 200 levels after breaching these levels. Since the stock has moved above its mean levels placed around ₹ 280, we expect the positive bias to continue while long positions can be formed with stop loss placed around ₹ 275
- The HV of the stock has declined below 30%, which is significantly lower compared to the prevailing market conditions. We believe ongoing accumulation has prompted the HV levels lower for the stock

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*Source: Bloomberg, ICICI Direct Research*

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