

July 6, 2020

Quant Pick – Petronet LNG

Quant Pick					
Stock	Action	Initiation Range	Target	Stop loss	Time Frame
Petronet LNG	Buy	264-271	316	244	3 Months



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Research Analysts

Amit Gupta

amit.gup@icicisecurities.com

Nandish Patel

nandish.patel@icicisecurities.com

Raj Deepak Singh

rajdeepak.singh@icicisecurities.com

Dipesh Dedhia

dinesh.dedhia@icicisecurities.com

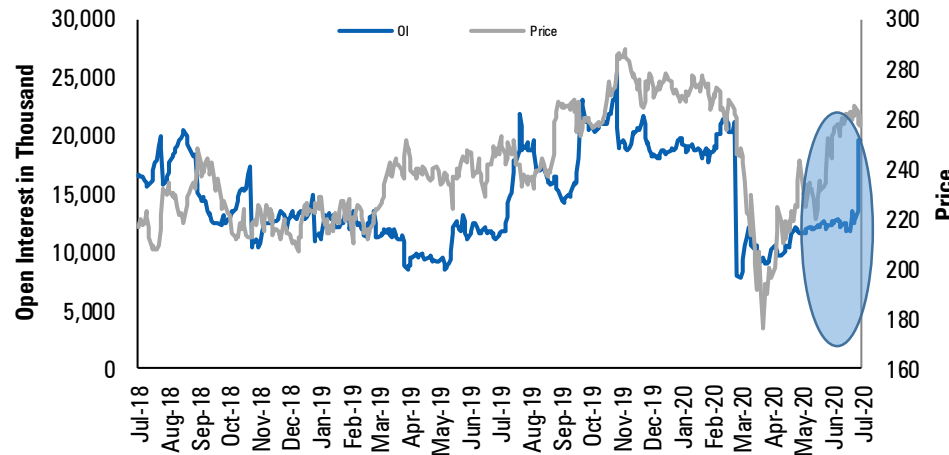
Buy Petronet LNG in the range of ₹ 264-271, Target: ₹ 316;
Stop Loss: ₹ 244; Time frame: Three months

Snapshot

Spot Price	275.00
Beta	0.80
12M Avg Price (₹)	252
3M Avg Roll (%)	85.00%
HV 30 Day (% Annualised)	47.75

Price vs. open interest pattern

Intact long positions likely to continue momentum



Source: NSE, Seediff, ICICI Direct Research

- Select stocks from the gas space exhibited significant resilience in recent times and strongly participated in the market up move. Intermediate declines in these stocks were used as a buying opportunity by market participants. Along with stocks like Indraprastha Gas, Mahanagar Gas, Petronet LNG has also seen a sharp recovery in the last couple of months. Considering significant short build up in Petronet, we believe another round of upside to be seen in the stock
- The open interest in Petronet has seen a gradual build up in the last three months along with the up move. However, post quarterly results, significant OI addition was seen in the stock. It has reached near its February levels of almost 17 million shares. We believe short positions are formed in the stock as it was struggling around ₹ 260 levels. With the recent upsides, these short positions are likely to be closed. This may trigger further upsides
- In the options space, the stock had the highest Call OI base at the 280 strike followed by ATM 270 strike since the inception of the series. As the stock has moved above ₹ 270 levels at the start of the series itself, short covering is likely to be seen. Put base at 250 and 260 strikes is likely to provide immediate support
- After making highs near ₹ 260 in 2017, the stock remained largely below these levels and finally moved above it in August 2019. After the recent market decline, the stock moved back to these levels. We expect it test its life-time highs in the coming weeks
- Historically, mean+1*sigma levels for the stock have acted as trend changer. Beyond these levels, significant directional moves were seen. Currently, mean+1*sigma for the stock is placed near ₹ 260. As the stock has moved above these levels after a consolidation of more than a month, further upsides are likely

Note: Call has been initiated on iClick2Gain on July 03 2020

Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road no.7, MIDC
Andheri (East)
Mumbai – 400 093
research@icicidirect.com



Source: Bloomberg, ICICI Direct Research

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