

September 18, 2020

Quant Pick – UltraTech Cement

Quant Pick

Stock	Action	Initiation Range	Target	Stop loss	Time Frame
UltraTech Cement	Buy	3910-3970	4550	3645	3 Months

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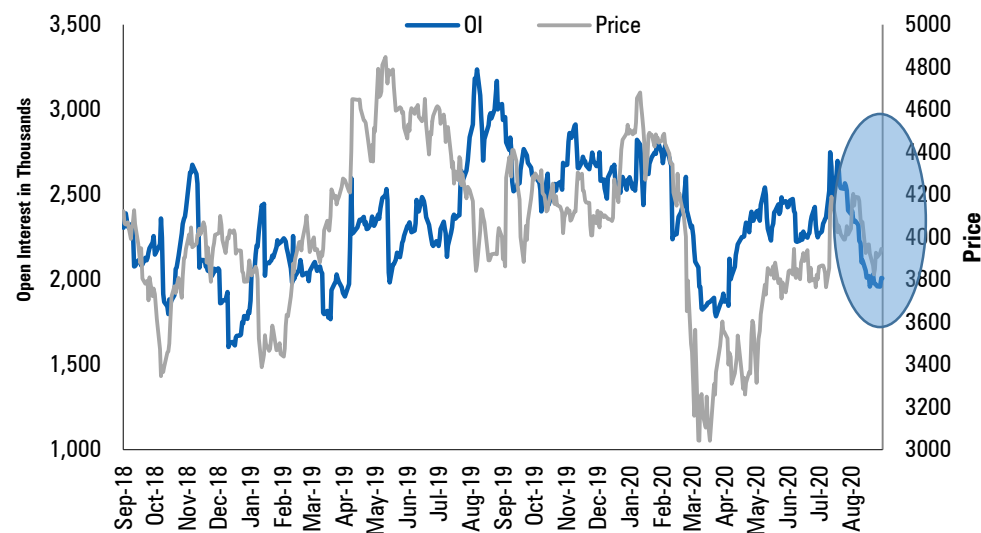
Buy UltraTech Cement in range of ₹ 3910-3970, Target: ₹ 4550; Stop Loss: ₹ 3645; Time frame: Three months

Snapshot

Spot Price	3968.00
Beta	0.95
12M Avg Price (₹)	3926.0
3M Avg Roll (%)	94.0%
HV 30 Day (% Annualised)	55.00

Price vs. open interest pattern

Fresh longs seen at lower levels



Source: NSE, Seediff, ICICI Direct Research

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- Broader markets have started outperforming along with the Nifty. Select stocks from the infrastructure sector may witness renewed momentum amid a sustained broader market recovery. Cement stocks like UltraTech Cement are likely to perform better in the coming trading sessions along with the ongoing recovery seen in sectoral peers like Ramco Cement and ACC
- Since 2017, UltraTech has taken support near ₹ 3800 levels on multiple instances. Also, looking at the significant delivery volume activity in March 2020 and then in mid-May 2020, these levels seem very crucial. In such a scenario, the positive bias may continue in the stock till these levels are held
- The open interest in the stock has been on a declining trend since February 2020 as it remained under pressure as indicated by long liquidation. However, significant addition was seen in the stock in the middle of the current series at lower levels indicating fresh long additions
- On the options front, the stock has the highest Call option base at the 4100 strike followed by 4000 strike. Near the money Call strike of 4000 in UltraTech Cement has started to witness closure, which could offer much-needed momentum towards the current expiry itself. At the same time, the Put open interest base is firming up at 3800 and 3900 Put strike from where the stock has seen a sharp reversal recently and is likely to act as strong support in the near term
- UltraTech Cement has been trading in a broader range of ₹ 3200 and ₹ 4600 for the last four years with the mid price of ₹ 3800, which remains a crucial support for the stock. The stock is finally attempting to recover. With the monsoon season nearly getting over, we can expect some recovery in cement stocks
- The delivery Z-Score has again started to move into the positive territory since June as the stock is witnessing fresh accumulation in the delivery segment

Note: Call has been initiated on iClick2Gain on September 17, 2020

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Source: Bloomberg, ICICI Direct Research

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