

October 5, 2020

Quant Pick – Bharat Forge

Quant Pick

Stock	Action	Initiation Range	Target	Stop loss	Time Frame
Bharat Forge	Buy	455-465	545	414	3 Months

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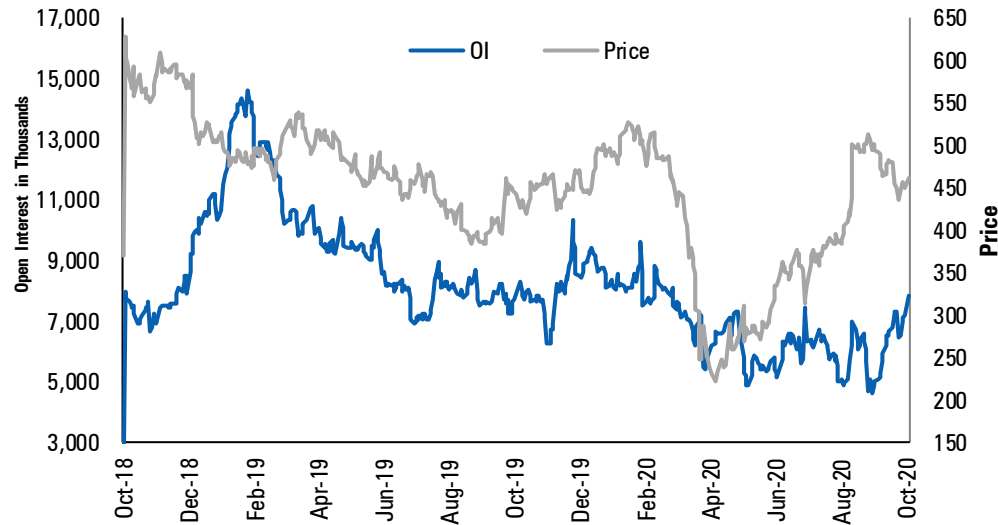
Buy Bharat Forge in range of ₹ 455-465, Target: ₹ 545; Stop Loss: ₹ 414; Time frame: Three months

Snapshot

Spot Price	460.00
Beta	1.08
12M Avg Price (₹)	414.0
3M Avg Roll (%)	91.0%
HV 30 Day (% Annualised)	53.00

Price vs. open interest pattern

Long positions remain intact despite intermediate correction



Source: NSE, Seediff, ICICI Direct Research

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- Broader markets have been witnessing volatility after sharp declines were seen in the last expiry week. However, a couple of midcap stocks have shown significant resilience in the recent market volatility and seen sharp pullbacks. We believe Bharat Forge is one such stock that is likely to outperform in the coming days
- The open interest in Bharat Forge has been gradually increasing in the last couple of months as the stock exceeded its major hurdle of ₹ 400 in August. Since then, long additions have propelled the stock towards ₹ 520. Current OI in the October series is almost at a six month's high. We believe these are fresh long additions. It is well placed to move above ₹ 520
- From the options space, the stock has the highest Call option base placed at the 500 strike followed by 470 strike. As the stock has been seeing momentum, closure of positions was seen in near OTM Call strikes. These positions are shifting to higher OTM strikes. At the same time, Put open interest base is strengthening at the 450 Put strike, which is the midpoint of the current broader trading range of 400 and 500. Thus, we believe current levels provide a good entry opportunity from a risk-reward perspective
- In the last couple of months, noteworthy delivery volumes increased in the stock between ₹ 400 and ₹ 420 levels. We expect levels around ₹ 420 to act as crucial support for the stock in the short-term. In the initial part of the current series, it has already recovered from these levels. After short-term consolidation around these levels, fresh momentum was observed. We expect the positive bias to remain intact above the said support levels
- In August, the stock witnessed an impulsive up move towards ₹ 520. Since then, it has remained largely range bound with time based correction. This recent decline towards ₹ 420 has given another opportunity to go long in the stock for fresh upsides

Source: NSE, Seediff, ICICI Direct Research

- **Note:** Call has been initiated on iClick2Gain on October 05, 2020

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Source: Bloomberg, ICICI Direct Research

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