

October 1, 2020

Quant Pick – Bharti Airtel

Quant Pick

Stock	Action	Initiation Range	Target	Stop loss	Time Frame
Bharti Airtel	Buy	426-436	515	392	3 Months

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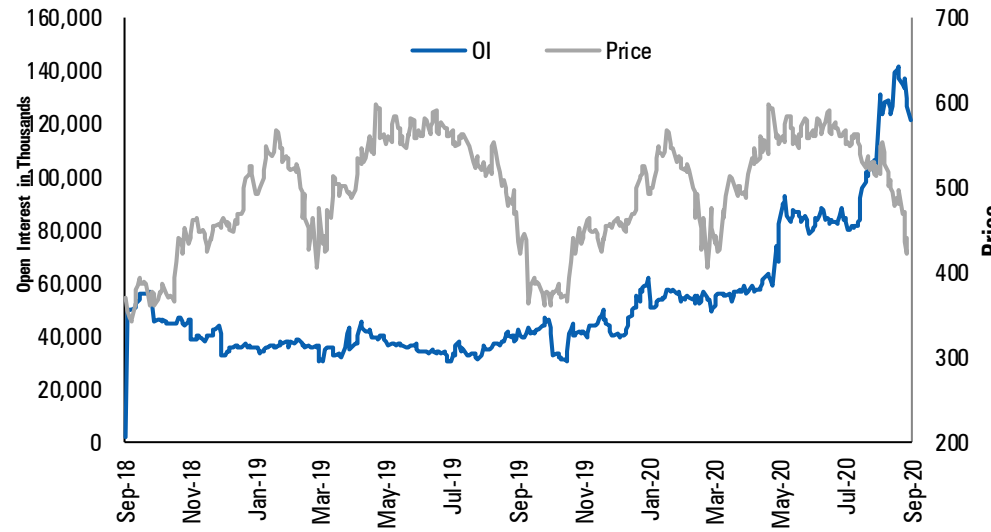
Buy Bharti Airtel in range of ₹ 426-436, Target: ₹ 515; Stop Loss: ₹ 392; Time frame: Three months

Snapshot

Spot Price	430.00
Beta	0.74
12M Avg Price (₹)	500.0
3M Avg Roll (%)	96.0%
HV 30 Day (% Annualised)	53.00

Price vs. open interest pattern

Short covering likely to take stock higher



Source: NSE, Seediff, ICICI Direct Research

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- In the past three months, Bharti Airtel has underperformed the Nifty by falling 30%, compared to 9% upside in the Nifty. The fall in Bharti Airtel was due to negative news flows. Reduced weightage in MSCI and FTSE also added pressure and has dragged the stock lower
- Recently, the Nifty witnessed long liquidation. Due to that, the October series of Nifty open interest (OI) is one of the lowest seen in the last 10 years. At the same time, most of the stock futures have started the October series with significantly low open interest. In contrast, the OI in Bharti has remained prominent while the current OI in the stock is the highest seen in the last 10 year. We believe the recent short positions in the stock are still intact. This is expected to get covered near the support zone of ₹ 400-420 levels
- On the options front, the stock has the highest option Put base at the 400 strike while the Call base is at the 500 strike. In spite of significant volatility in recent days, the stock has maintained its trading range of ₹ 420-450 making it a strong support
- In the last multiple instance, noteworthy delivery volumes were witnessed in the stock at ₹ 400 levels. We expect levels around ₹ 400 and ₹ 420 to act as important supports for the stock in the short-term. The initial part of the bull rally in November 2019 was seen from these levels. We expect the stock to consolidate above ₹ 400 levels and stage a pullback towards its Call base
- The stock saw multiple hurdles in the range of ₹ 385-400 in the past few years. However, a sustainable move above this was seen in 2019 after which the stock managed to move towards ₹ 600. The recent correction in the stock near ₹ 400 levels is a buying opportunity. We believe the stock is well placed to witness short covering from the support levels of ₹ 400
- **Note:** Call has been initiated on iClick2Gain on September 30, 2020

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Source: Bloomberg, ICICI Direct Research

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