

**Trading Calls**

**DLF** Long/Buy 7th September 2018

Prices of DLF has seen a sharp rebound after hitting a low of 168 where its key support is seen. Emergence of Hammer on weekly chart giving the possibility of pullback at higher side in coming sessions. Moreover, Prices are sustaining above its Falling wedge pattern on longer time frame of chart and currently it is testing its downward trendline through shadow of Hammer. RSI also gave trendline breakout after bottoming out near oversold zone and weekly MACD in uptrend along with declining histogram in negative territory thus supports bullish bias in the stock.

**PHILPCARB** Long/Buy 6th September 2018

After giving a bullish breakout above Rs 235 on 27th July, 2018, Philip Carbon gave a good up move to Rs 287. Currently it is consolidating near its breakout point. A positive divergence is witnessing in Stochastic and MACD is also reaching at the oversold zone. So some pullback rally is expected from the current level. Therefore we advise traders to initiate long position in the stock near Rs 243 with a stop loss of Rs 227. The upside targets are Rs 258 and Rs 274.

**TATAGLOBAL** Long/Buy 3rd September 2018

Formation of multi bullish candle near downward sloping trend line showing that demand is going to generate from bulls side. Positive divergence in RSI showing upside momentum. Both daily and weekly strength indicator RSI along with the momentum indicator Stochastic are in bullish territory and sustaining above their reference lines which signal strength and upward momentum in price. Thus, taking consideration the above factors, maximum upside can be expected to 265 and 280 marks.

**R-25 BANKBARODA** Long/Buy 31st August 2018

On the daily chart, scrip is in the process to form an Inverse Head and Shoulder formation as being a mother pattern with neckline value coming at 155-158 levels. This mother pattern also engulf Cup & Handle pattern along with Pole & flag pattern on daily time frame of charts with the same neck line which is coinciding with the mother pattern neck line. Formation of spring pattern in RSI indicates support to all these price action of the scrips. Hence any sustainable upmove above the neckline will cause further upside momentum towards our target of 179 and 199 marks.

**TATASTEEL** Long/Buy 29th August 2018

Formation of multi bullish candle above rising trend line showing that demand is going to generate from bulls side. Golden crossover is seen on daily chart where 50 DMA has crossed 100 DMA while going on upside. Both daily and weekly strength indicator RSI along with the momentum indicator Stochastic are in bullish territory and sustaining above their reference lines which signal strength and upward momentum in price. Thus, taking consideration the above factors, maximum upside can be expected to 700 and 750 marks.

**CENTURYTEX** Long/Buy 29th August 2018

Price action is looking somewhat encouraging as the scrip closed and it has given breakout from its broad consolidation, which was acting as stiff resistance since long. Scrip has been seeing interest on declines and support are gradually shifting higher. Appearance of CUP and HANDLE on daily chart also showing bullish sentiment with strong support of 880 on lower side. Moreover, MACD is trading around "Zero" level. We are expecting to take a move on north side till it sustains above 880. Accumulate Centurytex around 950-955 and on dip towards 925-935 zone with stop loss of 878 on closing basis for target of 1100 and 1180 levels.

Market	Value	% Change
<b>SGX Nifty</b>	<b>11584.50</b>	<b>-0.43%</b>

**Nifty Key Levels**

<b>Support</b>	S1 : 11500	S2 : 11480
<b>Resistance</b>	R1 : 11600	R2 : 11640

**Market Outlook**

On crossing above 11620 level, Nifty can extend up to 11730-11760 zone followed by 11800 levels. As long as it sustains above 11390 levels followed by 11340 levels, bias will remain positive and every decline is considered as a buying opportunity.

**Institutional Turnover**

	FII	Buy(cr.)	Sell(cr.)	Net(cr.)
07-Sep-18		4,817	4,779	38
Sep-18		24,623	25,413	(790)
	DII	Buy(cr.)	Sell(cr.)	Net(cr.)
07-Sep-18		4,623	3,681	942
Sep-18		21,757	20,589	1,168

**Sectoral Performance (%)**

	1 Day	1 Week	1 Month	1 Year
Auto Components	1.24	(2.30)	0.43	8.28
Automobiles	1.89	0.24	1.01	1.50
Chemicals	0.75	(1.35)	(0.15)	8.66
Construction & Engineering	(0.32)	(2.25)	1.10	5.23
Construction Materials	0.97	(4.00)	0.44	(8.45)
Diversified Financial Services	0.37	(2.04)	(2.96)	2.94
Electrical Equipment	(0.08)	(2.69)	0.83	3.98
Energy	0.80	0.57	2.76	14.64
Financials	0.10	(2.26)	(2.24)	6.35
Health Care	0.67	2.14	12.02	23.42
Household Durables	(0.58)	(5.23)	(3.59)	9.71
Household & Personal Products	1.64	(5.75)	(2.22)	29.39
Information Technology	0.38	1.41	7.88	53.29
Metals/Mining/Minerals	1.46	0.81	5.81	2.78
Telecom	3.76	(0.20)	(0.56)	(13.82)
Utilities	0.12	(2.44)	4.72	(3.37)

## Participant wise Open Interest In Equities Derivative (no. of contracts)

	Long Position			
	DII	FII	Pro	Other
Future Index	35562	135485	12769	249864
Future Stock	25336	692614	152160	1014187
Option Index Call	30578	228007	147014	419575
Option Index Put	104888	363371	165096	509100
Option Stock Call	84	27721	47591	304437
Option Stock Put	0	25336	54713	103643

	Short Position			
	DII	FII	Pro	Other
Future Index	84630	146006	45241	157803
Future Stock	940465	467344	88593	387895
Option Index Call	0	110862	215977	498335
Option Index Put	0	181399	246324	714732
Option Stock Call	0	36152	121747	221934
Option Stock Put	0	19808	43146	120738

## High ES & High PS Stock Maintaining Strength

BSE Code	NSE CODE	1 Month Return %
502330	IPAPPM	37.1
524735	HIKAL	35.6
500680	PFIZER	33.0
505890	WIDIA	32.4
524804	AUROPHARMA	28.3
509966	VSTIND	25.2
500126	MERCK	22.4
500228	JSWSTEEL	20.6
507685	WIPRO	17.1
531335	ZYDUSWELL	15.7

## High ES & Low PS Stock Showing Strength

BSE Code	NSE CODE	1 Month Return %
512529	SEQUENT	32.0
514034	JBFIND	28.6
532798	NETWORK18	26.7
532531	STAR	26.6
508869	APOLLOHOSP	18.1
500210	INGERRAND	16.2
534139	SCHNEIDER	15.8
524742	CAPPL	13.9
532689	PVR	13.5
503806	SRF	12.3

## Low ES & Low PS Stock Maintaining Weakness

BSE Code	NSE CODE	1 Month Return %
511389	VIDEOIND	(35.05)
531737	GREENCREST	(18.83)
538562	SKIPPER	(17.10)
532822	IDEA	(14.48)
532418	ANDHRABANK	(13.87)
532276	SYNDIBANK	(13.61)
532800	TV18BRDCST	(12.38)
532370	RAMCOSYS	(12.26)
532480	ALBK	(12.03)
523598	SCI	(11.51)

## Low ES & High PS Stock Showing Weakness

BSE Code	NSE CODE	1 Month Return %
530073	SANGHVIMOV	(34.09)
512599	ADANIENIT	(20.60)
500411	THERMAX	(14.28)
500104	HINDPETRO	(13.92)
500031	BAJAJELEC	(13.41)
533552	RUPA	(11.45)
532700	ENIL	(10.98)
531795	ATULAUTO	(10.54)
538268	WONDERLA	(10.36)
526521	SANGHIIND	(10.05)

\* ES- Earning Score is average of EM (Earning Momentum defined as relative performance in terms of operating profit growth) and EQ (Earning Quality defined as relative balance sheet strength in terms of debt and working capital)

\* PS- Price Score is of a company is relative price performance in multiple time-frame

# Analysis shown here is only for companies with market cap more than Rs 1,000 Cr.

## STDC / R25 Open Calls for 07-Sep-2018 (28)

### R25 (5)

No	Date	Type	Buy/Sell	Stock	Entry1	Entry2	SL	Tgt 1	Tgt 2
1	31-Aug-18	R25	BUY	BANKBARODA	146.5	136.5	126	179	199
2	16-Aug-18	R25	BUY	SBIN	292.5	272.5	255	340	380
3	16-Aug-18	R25	BUY	AXISBANK	617.5	587.5	554	720	780
4	08-Aug-18	R25	BUY	VEDL	222.5	207.5	179	260	275
5	15-May-18	R25	Buy	PETRONET	210	190	173	238	270

### STDC (23)

No	Date	Type	Buy/Sell	Stock	Entry1	Entry2	SL	Tgt 1	Tgt 2
1	07-Sep-18	STDC	BUY	DLF	203	187.5	178	240	255
2	06-Sep-18	STDC	BUY	PHILIPCARB	244	---	234	258	274
3	03-Sep-18	STDC	BUY	TATAGLOBAL	241	230	220	265	280
4	29-Aug-18	STDC	BUY	CENTURYTEX	952.5	930	878	110	1180
5	29-Aug-18	STDC	BUY	TATASTEEL	597.5	577.5	540	700	750
6	27-Aug-18	STDC	BUY	ORIENTBANK	80.5	75.5	69	95	105
7	24-Aug-18	STDC	BUY	GODREJAGRO	595	570	530	690	740
8	24-Aug-18	STDC	BUY	FEDERALBNK	81	76	70	99	109
9	23-Aug-18	STDC	BUY	TVSMOTOR	537.5	517.5	495	610	650
10	21-Aug-18	STDC	BUY	INDIACEM	118	111	96	155	170
11	20-Aug-18	STDC	BUY	MOTHERSUMI	311	296	279	335	350
12	20-Aug-18	STDC	BUY	RELCAPITAL	440.5	419	398	500	520
13	20-Aug-18	STDC	BUY	HINDALCO	223.5	210.5	190	275	300
14	17-Aug-18	STDC	BUY	TITAN	925	885	850	1030	1060
15	17-Aug-18	STDC	BUY	PNB	82	76.5	73	100	110
16	17-Aug-18	STDC	BUY	L&TFH	180	173	160	200	220
17	09-Aug-18	STDC	BUY	RECLTD	113.5	109	102	130	136
18	03-Aug-18	STDC	BUY	COLPAL	1120	990	950	1200	1240
19	12-Jul-18	STDC	BUY	JINDALSTEL	212.5	202.5	170	265	280
20	26-Jun-18	STDC	BUY	TATAMOTORS	286	266	249	335	377
21	19-Jun-18	STDC	BUY	POWERGRID	197	188	173	225	235
22	16-May-18	STDC	Buy	BHARTIARTL	371	360	337	435	489
23	11-May-18	STDC	Buy	NIITLTD	108	100	83.9	127	149

10-09-2018

Narnolia Financial Advisors Ltd | Market Strategy Desk

### VIEW

Market corrected in a narrow range, It showed muted and compressed range bound behavior despite geopolitical tension prevailed. Bulls rebounded after Bears were exhausted at lower levels. Overall market sentiment remains vulnerable due to global trade war, volatility in emerging market currencies and rising oil prices . However, we continue to maintain a positive outlook for long term until it breaches previous swing low.

#### NIFTY-

- a) Big global sell-off that engulfed the previous week's candlesticks and pushed down Nifty to a two-week low
- b) It made a classical three bar reversal pattern where it fell for first half of the week forming three black crows.
- c) In last two sessions, Nifty rebounded from lower levels and gave a classical pullback
- d) It has been **forming higher lows** which augur well for Bulls but follow thru buying is still required
- e) Friday's close also confirms the bullish structure
- f) If It manages to close above 61.8% Fibonacci retracement of the fall from 11760 to 11393 low which comes at 11620 mark which is also an immediate resistance then upside rally will resume
- g) On crossing above 11620 level, it can extend up to 11730-11760 zone followed by 11800 levels
- h) As long as it sustains above 11390 levels followed by 11340 levels, bias will remain positive and every decline is considered as a buying opportunity.

### CHART ANALYSIS



### SUPPORT & RESISTANCE LEVELS

RESISTANCE/SUPPORT	NIFTY LEVEL	JUSTIFICATION
Resistance 2	11800	Psychological level
Resistance 1	11620	Immediate Resistance
Close	11589	
Support 1	11390	Current Week Low
Support 2	11340	Point of polarity

Banknifty Weekly

10-Sep-18

After starting with a red session, Banknifty continuously fell to make a weekly low of 27136 on Wednesday and thereafter some pullback was witnessed from that level. At the end of the week the index closed with a net loss of 2.07%.

**OBSERVATIONS:**

- 1) Banknifty has breached its **trend line support** of 27730. So some weakness is expected in the index in short term.
- 2) A **Bearish Engulfing** pattern was formed on weekly candlestick chart. This pattern usually indicates a slowdown in the index.
- 3) A **hammer** pattern is formed on the daily candlestick chart. This pattern indicate some relief rally from the current level.
- 4) The index was unable to close below **50 DMA** though is has breached this level since last three successive trading days.

According to our observations it can be said that in the extreme short term some relief rally is expected in Banknifty from the current level. However if Banknifty is able to close below 50 DMA (currently is at 27409) some more selling is expected in the near future. Therefore we advised traders to maintain a strict stop loss of the long positions at 50 DMA (closing basis)

CHART ANALYSIS



SUPPORT & RESISTANCE LEVELS

RESISTANCE/SUPPORT	BANKNIFTY LEVEL
Resistance 2	28201
Resistance 1	27875
Close	27481
Support 1	27120
Support 2	26655

After nine consecutive days of depreciation, Rupee showed little bit appreciation on Friday's due to intervention of RBI. The Indian Rupee slumped and went beyond 72 mark to a fresh record low for the first time ever, chiefly due to strength in the dollar globally. Volatility of the Rupee was confined in the range of 72.10 to 71.66 mark for the whole week gone by. Overall, volatility will continue to remain high as trade war concerns keep most market participant on the edge.

**TECHNICAL FACTORS-**

- a) We highlighted, "Formation of **Pole and Flag breakout** above 69.20 level can lead to spurt on upside in the medium term which can be to the tune of 71 and 72.50 levels", it hit 72.10 marks and as of now it will move to touch 72.50 mark
- b) Overbought RSI suggest some halt near 72.50 mark where next key resistance is seen
- c) Support is shifted higher. As of now, it comes at 71.60 marks followed by 71.35 marks.
- d) However, if it crosses 72.50 then it can extend weakness till 73 marks.

**CHART**



## STDC : Long / BUY

7-Sep-18

BSE Code	532178
NSE Symbol	DLF
52wk Range H/L	273/153
Mkt Capital (Rs Cr)	8184.51
Av.Cash Volume(,000)	63,91,615.00
Open Interest	

Buy Price	205
Stop Loss	178
Target Price1	240
Target Price2	255
Upside in Tgt1	17%
Upside in Tgt2	24%

### Technical Chart



### STDC- BUY DLF @ 201-205 AND ON DIP TOWARDS 185-190 SL-178 (CLOSING BASIS) TGT-240, 255

Prices of DLF has seen a sharp rebound after hitting a low of 168 where its key support is seen. Emergence of Hammer on weekly chart giving the possibility of pullback at higher side in coming sessions. Moreover, Prices are sustaining above its Falling wedge pattern on longer time frame of chart and currently it is testing its downward trendline through shadow of Hammer. RSI also gave trendline breakout after bottoming out near oversold zone and weekly MACD in uptrend along with declining histogram in negative territory thus supports bullish bias in the stock.

**Rating : Long / Buy**

**7-Sep-18**

BSE Code	506590
NSE Symbol	PHILIPCARB
52wk Range H/L	365.70/194.10
Mkt Capital (Rs Cr)	4205.04
Av.Cash Volume(,000)	670
Open Interest	NA

Buy Price	243
Stop Loss	227
Target Price1	258
Target Price2	274
Upside in Tgt1	6%
Upside in Tgt2	13%

### Technical Chart



**BUY PHILIPCARB AT 244 SL 234 TGT 258, 274**

After giving a bullish breakout above Rs 235 on 27th July, 2018, Philip Carbon gave a good up move to Rs 287. Currently it is consolidating near its breakout point. A positive divergence is witnessing in Stochastic and MACD is also reaching at the oversold zone. So some pullback rally is expected from the current level.

Therefore we advise traders to initiate long position in the stock near Rs 243 with a stop loss of Rs 227. The upside targets are Rs 258 and Rs 274.

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## STDC : Long / BUY

3-Sep-18

BSE Code	500800
NSE Symbol	TATAGLOBAL
52wk Range H/L	328/190
Mkt Capital (Rs Cr)	9,759.00
Av.Cash Volume(,000)	5242069
Open Interest	

Buy Price	235.5
Stop Loss	220
Target Price1	265
Target Price2	280
Upside in Tgt1	13%
Upside in Tgt2	19%

### Technical Chart



### STDC BUY TATAGLOBAL @ 239-243 AND ON DIP TOWARDS 228-232 SL-220 (CLOSING BASIS) TGT-265, 280

Formation of multi bullish candle near downward sloping trend line showing that demand is going to generate from bulls side. Positive divergence in RSI showing upside momentum. Both daily and weekly strength indicator RSI along with the momentum indicator Stochastic are in bullish territory and sustaining above their reference lines which signal strength and upward momentum in price. Thus, taking consideration the above factors, maximum upside can be expected to 265 and 280 marks.

## STDC : Long / BUY

29-Aug-18

BSE Code	500040
NSE Symbol	CENTURYTEX
52wk Range H/L	1471/843
Mkt Capital (Rs Cr)	10,777.00
Av.Cash Volume(,000)	1900482
Open Interest	

Buy Price	950
Stop Loss	878
Target Price1	1100
Target Price2	1180
Upside in Tgt1	16%
Upside in Tgt2	24%

### Technical Chart



### STDC BUY CENTURUTEX @ 950-955 AND ON DIP TOWARDS 925-935 SL- 878 TGT- 1100, 1180

Price action is looking somewhat encouraging as the scrip closed and it has given breakout from its broad consolidation, which was acting as stiff resistance since long. Scrip has been seeing interest on declines and support are gradually shifting higher. Appearance of CUP and HANDLE on daily chart also showing bullish sentiment with strong support of 880 on lower side. Moreover, MACD is trading around "Zero" level. We are expecting to take a move on north side till it sustains above 880. Accumulate Centurytex around 950-955 and on dip towards 925-935 zone with stop loss of 878 on closing basis for target of 1100 and 1180 levels.

## STDC : Long / BUY

29-Aug-18

BSE Code	500470
NSE Symbol	TATASTEEL
52wk Range H/L	747/493
Mkt Capital (Rs Cr)	66,918.00
Av.Cash Volume(,000)	988532
Open Interest	

Buy Price	587.5
Stop Loss	540
Target Price1	700
Target Price2	750
Upside in Tgt1	19%
Upside in Tgt2	28%

### Technical Chart



### STDC- BUY TATASTEEL @ 595-600 AND ON DIP TOWARDS 575-580 SL-540 TGT- 700, 750

Formation of multi bullish candle above rising trend line showing that demand is going to generate from bulls side. Golden crossover is seen on daily chart where 50 DMA has crossed 100 DMA while going on upside. Both daily and weekly strength indicator RSI along with the momentum indicator Stochastic are in bullish territory and sustaining above their reference lines which signal strength and upward momentum in price. Thus, taking consideration the above factors, maximum upside can be expected to 700 and 750 marks.

## R-25 : Long / BUY

31-Aug-18

BSE Code	532134
NSE Symbol	BANKBARODA
52wk Range H/L	206/109
Mkt Capital (Rs Cr)	39,365.00
Av.Cash Volume(,000)	9089901
Open Interest	

Buy Price	141.5
Stop Loss	126
Target Price1	179
Target Price2	199
Upside in Tgt1	27%
Upside in Tgt2	41%

### Technical Chart



### R25 BUY BANK BARODA @ 145-148 AND ON DIP TOWARDS 135-138 SL-126 (CLOSING BASIS) TGT-179,199

On the daily chart, scrip is in the process to form an Inverse Head and Shoulder formation as being a mother pattern with neckline value coming at 155-158 levels. This mother pattern also engulf Cup & Handle pattern along with Pole & flag pattern on daily time frame of charts with the same neck line which is coinciding with the mother pattern neck line. Formation of spring pattern in RSI indicates support to all these price action of the scrips. Hence any sustainable upmove above the neckline will cause further upside momentum towards our target of 179 and 199 marks.

## R-25 : Long / BUY

16-Aug-18

BSE Code	500112
NSE Symbol	AXIS BANK
52wk Range H/L	635/447
Mkt Capital (Rs Cr)	1,06,335.00
Av.Cash Volume(,000)	18777302
Open Interest	

Buy Price	615
Stop Loss	554
Target Price1	720
Target Price2	780
Upside in Tgt1	17%
Upside in Tgt2	27%

### Technical Chart



### R-25:BUY AXIS BANK AROUND 615-620 AND AROUND 585-590 SL- 554 (CLOSING BASIS) TGT- 720, 780

Since long, Axis bank has been forming Ascending triangle pattern which suggest an upside movement. On weekly char it has already given Double bottom breakout and on daily chart it gave Flag breakout which indicate bullish momentum in the counter. Currently, stock is trading above its all significant moving averages which shows positive trend in the scrip. Monthly RSI gave trend line breakout which is also conducive for the price pattern. Based on the above technical structure, we are expecting an upside momentum in the stock in coming sessions.

## R-25 : Long / BUY

16-Aug-18

BSE Code	500112
NSE Symbol	SBIN
52wk Range H/L	351/230
Mkt Capital (Rs Cr)	20,49,752.00
Av.Cash Volume(,000)	113967
Open Interest	

Buy Price	290
Stop Loss	255
Target Price1	340
Target Price2	380
Upside in Tgt1	17%
Upside in Tgt2	31%

### Technical Chart



### R-25:BUY SBIN AROUND 290-295 AND AROUND 270-275 SL- 255 (CLOSING BASIS) TGT- 340, 380

Stock bottomed out near the levels of 230-235 and has been forming cup and handle as being mother pattern on weekly chart. Emergence of Bullish engulfing showing upswing move towards channel resistance line from where stock can give breakout on upside . Scrip has respected the up trendline and prices has started running in the channel. Sustainability above 61.8% Fibonacci retracement of the fall from 351 to 230 marks also creating positive rhythm in the scrip. Declining MACD histogram and sustainability of RSI above 50 adds the conviction of going long for the target of 340 and 380 with SL of 255 marks.

## R-25 : Long / BUY

8-Aug-18

BSE Code	500295
NSE Symbol	VEDL
52wk Range H/L	355/270
Mkt Capital (Rs Cr)	40,721.89
Av.Cash Volume(,000)	10712428
Open Interest	

Buy Price	211.5
Stop Loss	179
Target Price1	260
Target Price2	275
Upside in Tgt1	23%
Upside in Tgt2	30%

### Technical Chart



R-25:BUY VEDL AROUND 220-225 AND AROUND 205-210 SL- 179 (CLOSING BASIS) TGT- 260, 275

Scrip has witnessed a decent correction from the peak of 355 to show signs of bottoming out at around 215-220 levels and currently It gave falling channel breakout on weekly chart to show strength and is poised for an upward move in coming days with bias improving and turning out to positive. Back to back white candles above falling channel breakout also giving cues for going north in the stock. RSI seems to be bottoming out near oversold zone and Positive crossover in MACD also conducive for its upmove. With decent volume participation , we recommend buy in this stock.

VIEW

15-May-18

BSE Code	532522
NSE Symbol	PETRONET
52wk Range H/L	275.65
Mkt Capital (Rs Cr)	198.2
Av.Cash Volume(,000)	1690759
Open Interest	NA

Buy Price	205
Stop Loss	173
Target Price1	238
Target Price2	270
Upside in Tgt1	16%
Upside in Tgt2	32%

Technical Chart



**BUY PETRONET @ 205-210 SL-173 TGT-238, 270**

After hitting high of 275 , scrip has seen correction till 61.8% Fibonacci retracement of the up move from 163 to 275 level which indicate halt in this fall.

Polarity due to falling red trendline suggest a support for the scrip

Demand zone is created due to its previous resistance which becomes its support at current juncture

Point of

## PETRONET LNG LTD.

Industry Oil And Gas  
 Bloomberg PLNG IN  
 BSE Code 532522  
 NSE Code PETRONET

30 July 2018

<b>RATING</b>	<b>BUY</b>
<b>CMP</b>	<b>230</b>
<b>Price Target</b>	<b>286</b>
<b>Previous Target</b>	<b>286</b>
<b>Potential Upside</b>	<b>24%</b>

### Stock Info

52wk Range H/L	275/198
Mkt Capital (Rs Cr)	34,762
Free float (%)	50%
Avg. Vol 1M (,000)	3318
No. of Shares (Crore)	150
Promoters Pledged %	0%

## Volume growth outlook remains robust

### Key Highlights

- Higher demand from power and fertilizer plant led volume growth of 16% YoY coupled with improved margins put PLNG into sweet pot.
- BPCL Kochi refinery has now stabilized, and is currently started offtaking gas of around 2 MMSCMD. The management has guided for sequential improvement in utilization and current volume offtake trend will continue in accordance with the BPCL off taking volumes.
- Ministry has allowed use of LNG gas in heavy transport vehicles. Company is now planning to open 20 new natural gas stations in our country and is trying to partner with OMC's to market natural gas to heavy vehicles in coming 2-3 years of timeframe.
- Company has taken 5% hike in realization in Jan 2018. Hike in realization has now reflected in the books by improved margins in the last quarter.
- Dahej capacity expansion to 17.5MMT is on track and is expected to come on stream in the month of March 2019.

### 1Q FY19 Result:

Petronet LNG has posted strong set of numbers with sales and PAT growth of 42% to Rs. 9169 Cr and 34% to Rs. 587 Cr. respectively in Q1 FY19. Higher volumes, improved realizations and better cost efficiencies techniques have helped PLNG to clock robust growth in the last quarter. Capacity utilization at Dahej terminal stands at 112% and Kochi at 10%. Capacity utilization at Kochi terminal remain subdued in last quarter due to no offtake from one client which was partially offset by the BPCL's Kochi refinery which is now stabilized and is taking around 2 MMSCMD gas from Petronet Kochi terminal.

### View and Valuation

Considering volume growth to remain in the range of 9-11% in FY19 and improved margins at both terminals for next couple of years. We remain optimistic on this stock and expect revenue and PAT grow at 8% and 9% CAGR over FY18-20 respectively.

**We value PETRONET at 16x FY20e EPS and maintain our previous target price of Rs.286 and recommend BUY.**

### Key Risks to our rating and target

- ◆ Weakness of rupee against dollar will make import of LNG costlier for the company
- ◆ Decline in the prices of the alternate fuel
- ◆ Any delay in supply of Gorgon Volume will lead to lower capacity utilization

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19E	FY20E
Net Sales	27133	24616	30599	34209	35708
EBITDA	1586	2592	3312	3609	3776
EBIT	1265	2223	2901	3247	3408
PAT	913	1706	2078	2371	2560
EPS (Rs)	6	11	14	16	17
EPS growth (%)	1%	87%	22%	14%	8%
ROE (%)	14%	21%	21%	21%	19%
ROCE (%)	14%	23%	28%	27%	24%
BV	44	54	65	76	89
P/B (X)	3	4	4	3	2
P/E (x)	21	18	18	14	13

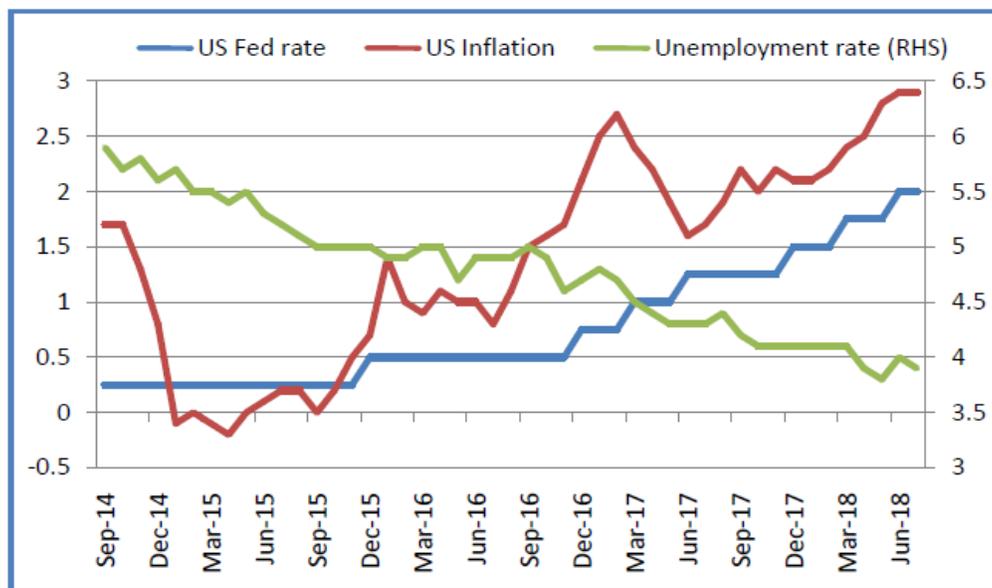
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The US Fed Chairman Powell emphasized the central bank's push to raise interest rates despite President Donald Trump's recent criticism of higher interest rates. The topic of Fed Powell speech at the symposium was "Monetary Policy in Changing Economy". US have gradually raised its interest rates from 0.25% at crisis level towards the new normal rate of 2.0% at present. Fed sees the current path of slowing raising rates to be the new normal policy as the unemployment rate has declined steadily, currently near 3.9% which is at a 20 year low while inflation has recently moved up near 2 percent suggest that there is no sign that the economy is overheating.



Source: Bloomberg, Narnolia Research

According to the Fed, US economy faces three of the real long term structural challenges – slow growth in real wages, decline in economic mobility, meeting the budget deficit and a decade long low productivity path. Fed reversed its monetary policy and increased rates seven times by 25 bps since December 2015 with no looking back on its course of action expressing confidence in the economy and further gives assurance that it can keep the inflation well under control. Fed said with strong economic outlook, inflation close to its targeted level and job market running satisfactorily well, my team of analyst are monitoring the economic data and setting up that the appropriate policy which could benefit the growth, strong labour market and keep inflation at appropriate levels. At the same time, Powell said that in case the economy faces any financial crisis or inflation rises beyond controllable level, "We will do whatever it takes."

With the US economy on a verge of new normalization, US Fed doesn't seem comfortable in viewing the changes in inflation as a single barometer to decide on future course of action over interest rate hikes as other

economic areas are performing strong with solid household, business and consumer confidence, continuous increase in job creation, slow and steady rise in income and employment.

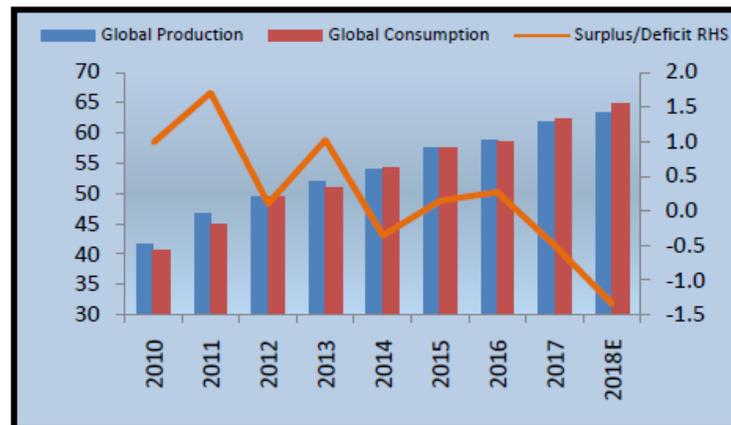
Fed Powell's measured tone about the economy and the message he gave appeared to have reached the investors quite clearly with the stock markets closing in green and Dollar index reversing its uptrend. Fed Powell is on track for at least several more increases in the Fed's benchmark short-term interest rate which means September rate hike appears to be right on table. As of 2018, there have been two rate hikes and two more rate hikes are coming, one on next month and other in December.

**Aluminium Prices Set to Rebound on Winter Curbs** **10-August-18**

LME Aluminium Prices have sunk by almost a fifth from their peak due to escalating trade tensions between the U.S. and China that threaten global growth. Easing sanctions on Rusal by the U.S. have erased supply concerns after it extended the deadline for winding down operations until October. All this news together made the aluminium prices to wipe out its previous quarter gains; providing an opportunity to initiate buy at the support levels.

**Global Aluminium Demand Supply**

Global aluminium market is expected to be in deficit of 1.5-1.2 million tonnes this year. Supply constraints in China during winter will keep the supply situation tight even as the new supply comes in. From the demand side, stable growth in China, strong infrastructure demand and rising demand from automobile sector and fiscal policies in China will keep prices supported and push the global aluminium market in deficit.



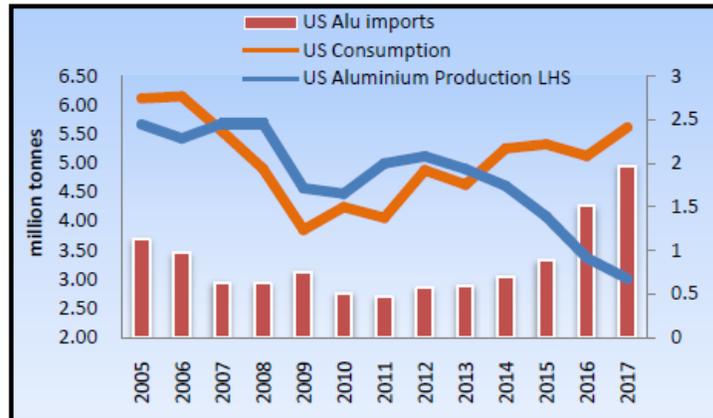
Source: Bloomberg, Narnolia Research

**China Winter Curbs**

Winter Curbs in China are aimed at reducing pollution levels in the country and worldwide as a whole. China’s output curbs in winter starts from October this year and ends in March-19. During this period, the aluminium producers have to comply with 30 percent cut in output to maintain targeted level of pollution. Beijing has taken these steps to limit the use of coal for power generation as it leads to pollution. Aluminium smelters require large amount of electricity which is mostly generated from coal. Therefore, we expect a number of capacity closures in China during this period.

China Aluminium output has increased by just 0.2% on year on year basis in July while the output reduced by 2.2% during the first seven month of 2018 as compared to the same period last year. The fall in output has been due to delay in the start of new capacity as the old capacity shuts down. Higher aluminium exports from China in July are 519,000 tonnes, which is up by 18 percent as compared to last year. This rise has been ahead of US tariffs imposition on steel and aluminium products.

## United States Scenario



The U.S. imports started to rise since 2013 from 2.89 million tonnes to 4.9 million tonnes in 2017 to fill the demand-supply gap due to the nation's drastic fall in production. Around 60% of aluminium is imported from Canada and rest from other countries like Russia, China, UAE etc. Strong US growth prospects will lead to increase in demand for aluminium as the nation will be unable to swiftly increase its production.

### Demand Side

Aluminium demand is expected to remain in upward trajectory on strong pick-up in demand from world-wide. Global aluminium consumption growth is currently running at 4-5% every year. Aluminium consumption pattern in China will shift from infrastructure and power to automobiles and packaging on Chinese government policies following a consumer-driven growth approach. US demand is also on the rise for the next few years as the housing market recovers, car sales continue to show improvement and aluminium demand benefits from its new applications, particularly in the automotive sector.

Automakers are more and more turning to aluminium as they seek to reduce vehicle weights to meet stricter fuel-efficiency standards and thereby increasing the usage of aluminium in the automobile sector. Stringent regulation has been followed by the United States and Europe which is now being followed by China as well, encouraging the producers to use light-weighted aluminium in auto production.

### Supply Curtailment to Support Prices

**China** – China's policy to cut its aluminium output by 30% during the winter period will limit the supply from the world's largest producer of aluminium. China accounts for more than 55% of global aluminium production. Therefore, any decline in output will affect the prices significantly.

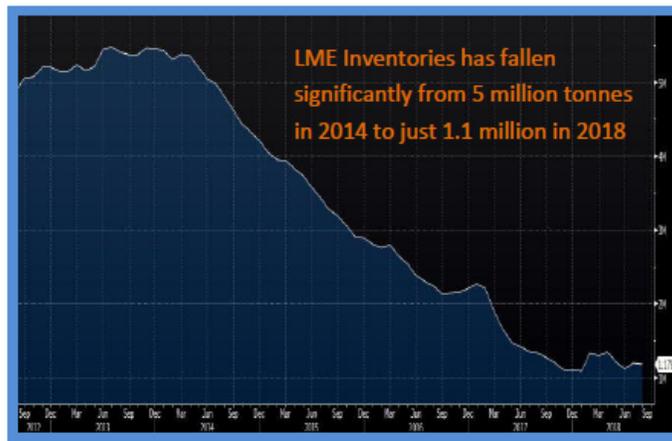
**Rusal** – Rusal, the world's largest aluminium producer says if the US sanctions are not lifted, some of the production will be halted in September. Under the terms of the sanctions, U.S. customers are compelled to stop business with Rusal by Oct. 23. The company also planned to idle the Nadvoitsy aluminium smelter which produces 12000 tons of output in 2017.

**Brazil Alumina Smelter** – Supply disruption in Brazil’s alumina plant have inflated alumina prices (a raw material of aluminium) has increased the cost of production of aluminium. Brazil’s Alunorte smelter, the world’s largest alumina refinery has declared force majeure due to environmental concerns. Due to this, 50% of the Albras aluminium smelter in Brazil has planned to reduce its capacity by half on account of limited alumina supply. The smelter produces 460,000 tons of output annually.

**Alcoa’s Alumina in Australia** - An indefinite Strike at Alcoa's Australia Alumina refinery has taken place over an enterprise agreement dispute. It accounts for around 9.3 million tonnes of capacity or some 8 percent of the world's alumina supply. This further adds tightness to the ongoing supply concerns in alumina market. Since, alumina comprises of 40% of aluminium cost, therefore any spike in alumina prices will put upward pressure in aluminium prices.

## Tight Inventories

LME aluminium stocks have fallen by 50 percent in 2017 and continue to remain near lows in 2018. Cancelled warrants have started to rise this month and currently stand at 28%. LME inventories have been trading lower since 2014 with just 1.7 million tonnes remaining, providing support to the prices. However, Shanghai aluminium stocks have rose to the record high standing at 900,000 tonnes till date.



Source: Bloomberg, Narnolia Research

## Outlook

We believe prices will remain firm on stable demand for aluminium, rising costs of raw materials like alumina and power which will increase the cost of production, lower inventories at LME, smelter hits in Brazil and Australia and capacity curbs in China are supporting factors and will contribute towards price increase. The only reason likely to discourage prices will be US-China tariff conflict which will negatively impact overall economic demand. We expect Aluminium prices to remain positive and test the levels of Rs 153-157 per kg on MCX in the coming quarter of 2018.

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