

**Trading Calls**

**MCDOWELL** Long/Buy 26th September 2018

1. Completion of Bullish AB=CD Harmonic pattern suggest up move
2. Formation of Morning star along with Hammer creating positive sentiment
3. RSI reversing from oversold territory
4. If pattern unfolds, one can expect good move in coming session.

**RELIANCE** Long/Buy 25th September 2018

The broader trend of Reliance Industries is up. After making top of 1329 on 29 Aug 2018 stock is in correction and falling in corrective pattern. Which attracts buyers on every decline. Either price or time both wise it is falling corrective in nature. So setup wise it looks decent at current level. It has taken support at exact 50 SMA of 1182 and also retraced 38.2% of rally between 940 to 1329. Momentum oscillator Stochastic is also supporting the setup. Therefore we advise our client to buy stocks at 1234 for the price target of 1298 and 1320 with 1170 as Stop Loss.

**ITC** Long/Buy 25th September 2018

Selling seems to be absorbed by buyers after giving 50% correction from the peak of 323 marks. Stock is bottomed out near 50% Fibonacci retracement of the entire upward swing from 259 to 323 levels which is supportive for the Bulls. Emergence of Tweezer bottom near the same suggest reversal in the coming sessions. Strong support is seen near 280-285 zone where 61.8% Fibonacci retracement is located of the same upward swing. Positive divergence in RSI and declining Histogram in MACD also indicate buying. Long ITC @ 291-295 and towards 280-284 with SL of 275 for the target of 320 and 335 mark.

**AUROPHARMA** Long/Buy 25th September 2018

Auropharma rebounded as it seemed bottomed out from broadening wedge falling trendline that boded well for bulls and they take the charge once again. There is multiple confluence of support at 725-735 levels coupled with RSI which has been sustaining above 50 mark showing a positive move on upside. Formation of Broadening wedge price pattern on hourly chart and inverted H&S suggest it has a potential to move on northward side in coming sessions. Breakout came with decent volume which imply bullishness in the scrip. One can take entry with the stop loss of 580 for the target of 750 and 800 marks.

**IGL** Long/Buy 19th September 2018

Indraprastha Gas Ltd. has come near its trendline support areas. Positive divergences were also witnessing both in MACD and stochastic. These all the indicators are giving indication of strong pullback rally from the current level. Therefore we recommend initiating fresh long position in IGL near 256 by keeping a stop loss at 247 and the upside targets are 280 and then 294.

**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.

Market	Value	% Change
SGX Nifty	11130.00	0.24%

**Nifty Key Levels**

<b>Support</b>	S1 : 11000	S2 : 10959
<b>Resistance</b>	R1 : 11100	R2 : 11200

**Market Outlook**

Nifty gave a zigzag move throughout yesterday and closed the day after losing 0.2%. Currently short term crucial support of Nifty lies in 10760 (200 SMA)-10866 (recent low) band and the index is likely to give a good respect on that zone. Traders should hold their long positions by keeping a stop loss at 10760 (closing basis).

**Institutional Turnover**

FII	Buy(cr.)	Sell(cr.)	Net(cr.)
26-Sep-18	5,868	6,677	(810)
Sep-18	97,581	105,902	(8,321)
DII	Buy(cr.)	Sell(cr.)	Net(cr.)
26-Sep-18	4,983	3,428	1,555
Sep-18	68,407	58,972	9,434

**Sectoral Performance (%)**

	1 Day	1 Week	1 Month	1 Year
Auto Components	(0.05)	(4.38)	(7.20)	(0.66)
Automobiles	(1.35)	(5.84)	(9.13)	(7.77)
Chemicals	0.02	(3.14)	(5.60)	5.79
Construction & Engineering	0.59	(4.15)	(6.61)	(2.01)
Construction Materials	0.86	(0.89)	(6.56)	(8.20)
Diversified Financial Services	0.02	(8.02)	(13.77)	(5.53)
Electrical Equipment	0.76	(4.08)	(7.50)	(3.98)
Energy	1.02	2.44	(0.91)	15.74
Financials	0.04	(6.03)	(11.44)	(1.77)
Health Care	0.39	(2.94)	(0.25)	14.10
Household Durables	(0.71)	(6.59)	(12.81)	(0.51)
Household & Personal Products	(0.88)	(4.52)	(9.60)	23.96
Information Technology	(1.76)	0.50	3.94	52.17
Metals/Mining/Minerals	0.96	0.05	2.71	3.98
Telecom	(0.04)	(3.98)	(5.96)	(19.00)
Utilities	(0.18)	(4.19)	(3.14)	(8.20)

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

	Long Position			
	DII	FII	Pro	Other
Future Index	35916	160002	18582	179231
Future Stock	25493	762527	185161	937210
Option Index Call	30593	277512	171482	705650
Option Index Put	91756	465511	146089	479621
Option Stock Call	471	36605	73763	388693
Option Stock Put	0	27732	72047	113965

	Short Position			
	DII	FII	Pro	Other
Future Index	44726	169925	42856	136224
Future Stock	970313	546816	114870	278392
Option Index Call	0	216081	347966	621190
Option Index Put	0	174444	237447	771086
Option Stock Call	0	55152	180607	263773
Option Stock Put	0	20511	67187	126046

## High ES & High PS Stock Maintaining Strength

BSE Code	NSE CODE	1 Month Return %
524735	HIKAL	27.4
500228	JSWSTEEL	20.2
523367	DCMSHRIRAM	19.4
505890	WIDIA	13.4
500440	HINDALCO	11.9
524804	AUROPHARMA	11.2
507685	WIPRO	10.5
500002	ABB	8.6
524348	AARTIDRUGS	7.8
500027	ATUL	7.8

## High ES & Low PS Stock Showing Strength

BSE Code	NSE CODE	1 Month Return %
531500	RAJESHEXPO	17.7
532805	REDINGTON	10.2
530001	GUJALKALI	9.9
500038	BALRAMCHIN	9.8
532670	RENUKA	9.4
532343	TVSMOTOR	7.3
524742	CAPPL	7.0
534139	SCHNEIDER	5.4
532268	ACCELYA	4.1
500125	EIDPARRY	4.0

## Low ES & Low PS Stock Maintaining Weakness

BSE Code	NSE CODE	1 Month Return %
532712	RCOM	(31.56)
511389	VIDEOIND	(31.51)
532915	RELIGARE	(24.77)
530943	SABTN	(24.02)
500106	IFCI	(23.96)
532430	BFUTILITIE	(21.85)
532800	TV18BRDCST	(21.64)
523204	ABAN	(21.57)
532822	IDEA	(21.42)
538562	SKIPPER	(21.18)

## Low ES & High PS Stock Showing Weakness

BSE Code	NSE CODE	1 Month Return %
532885	CENTRALBK	(36.24)
512599	ADANIENT	(35.15)
533096	ADANIPOWER	(23.74)
507880	VIPIND	(21.73)
500266	MAHSCOOTER	(21.00)
533150	GODREJPROP	(18.88)
532839	DISHTV	(18.19)
500116	IDBI	(18.09)
532483	CANBK	(17.86)
526521	SANGHIIND	(17.12)

\* 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 27-Sep-2018 (17)

### R25 (4)

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

### STDC (13)

No	Date	Type	Buy/Sell	Stock	Entry1	Entry2	SL	Tgt 1	Tgt 2
1	26-Sep-18	STDC	BUY	MCDOWELL	530	512.5	495	570	599
2	25-Sep-18	STDC	BUY	RELIANCE	1234	-	1170	1298	1320
3	25-Sep-18	STDC	BUY	ITC	293	282	275	320	335
4	25-Sep-18	STDC	BUY	AUROPHARMA	755	730	695	850	900
5	19-Sep-18	STDC	BUY	IGL	258		247	280	294
6	29-Aug-18	STDC	BUY	TATASTEEL	597.5	577.5	540	700	750
7	24-Aug-18	STDC	BUY	FEDERALBNK	81	76	70	99	109
8	23-Aug-18	STDC	BUY	TVSMOTOR	537.5	517.5	495	610	650
9	21-Aug-18	STDC	BUY	INDIACEM	118	111	96	155	170
10	20-Aug-18	STDC	BUY	HINDALCO	223.5	210.5	190	275	300
11	12-Jul-18	STDC	BUY	JINDALSTEL	212.5	202.5	170	265	280
12	19-Jun-18	STDC	BUY	POWERGRID	197	188	173	225	235
13	16-May-18	STDC	Buy	BHARTIARTL	371	360	337	435	489

### VIEW

Domestic market showed horror show on Friday as Bears completely vanquished out the Bulls in the jiffy on the back of weak domestic news. Nifty and Sensex were dragged down due to heavy selling that was witnessed in the NBFC sector as credit risk emerged post IL&FS CP's (Commercial Paper) sale and concern over its interest repayment. Yes bank added salt to this injury as RBI trimmed the CEO's terms while pointing to its loan book quality and NPA discrepancies. Indices moved against all our expectations and broke below all our key supports which led to change in the Bull trend for a while. A negative close now will add fuel to fire which can result into further weakness. Bulls can only take sigh of relief until they give decisive close above its previous swing high.

#### NIFTY-

- a) Nifty tanked the biggest loss of a day since January as it retraced around 50% (Fibonacci retracement) of the move from 9950 to 11760 marks.
- b) Sell off is seen as major stop losses were being triggered at lower levels but it recovered sharply and settled at 11143 levels.
- c) A breakdown is seen on the daily scale which looks similar to Head and Shoulder price pattern
- d) The zone of 11300-11350 will act as an inflection point and also a key resistance from where Bulls will be able to grab the ball from the hand of Bears.
- e) Intermediate support lies at 11090 level which is a 50% Fibonacci retracement level of earlier advance from 10417 to 11760.20 followed by 10950 marks.

### CHART ANALYSIS



### SUPPORT & RESISTANCE LEVELS

RESISTANCE/SUPPORT	NIFTY LEVEL	JUSTIFICATION
Resistance 2	11350	Near 5 DMA
Resistance 1	11300	Neckline of H&S
Close	11143	
Support 1	11090	50% Fibonacci retracement
Support 2	10950	50% Fibonacci retracement

VIEW

Banknifty has witnessed a sharp selling pressure throughout last week and after opening with a red session the index continuously fell to make a weekly low of 25053.35. At last Banknifty ended the week with a net loss of 5.77%.

**OBSERVATIONS:**

- 1) Banknifty has breached 50 DMA, 100 DMA and 200 DMA and closed below these levels. These DMAs act as short term and medium term crucial supports of the index and a breach of these levels are giving indication of reversal of its current uptrend.
  - 2) The leading indicators (like RSI & Stochastic) have reached at their oversold zone. Therefore some relief rally is likely to push the index higher from the current level in extreme short term.
- According to the above observations we conclude that the short term and medium term trend of Banknifty has been reversed to downward. However due to the oversold position of RSI & Stochastic some relief rally up to 26125 is likely to come in next few days.

CHART ANALYSIS



SUPPORT & RESISTANCE LEVELS

RESISTANCE/SUPPORT	BANKNIFTY LEVEL
Resistance 2	26125
Resistance 1	25850
Close	25597
Support 1	25370
Support 2	25010

VIEW

Despite all effort done by an Indian Govt for soaring Indian currency, It continuing to erode its value in steeper fashion. The rupee ended at 72.21 to a dollar, against a record-low close of 72.99 The session marked rupee's largest single-day gain since May 25. The Indian rupee posted its largest single-session gain in almost four months against the dollar, boosted by expectations that the federal government may announce measures to stem further depreciation in the currency.

**TECHNICAL FACTORS-**

- a) Pair touched our first target of 72.50 after breakout above 69.20 levels and cooled off from there
- b) It continues to form higher troughs and higher crests on weekly chart showing further strength
- c) Support is located at 71.50 followed by 71.30- 71.20 zone and as long as it sustains above these levels, the pair us positive
- d) A break down below 71.20 can see it drag down further till 70.80 levels where next support lies.
- e) On a decisive close above 73 levels, Pair will continue its northward journey and can move towards 75 levels.

CHART



## STDC : Long / BUY

26-Sep-18

BSE Code	532852
NSE Symbol	MCDOWELL
52wk Range H/L	801/468
Mkt Capital (Rs Cr)	235,094.00
Av.Cash Volume(,000)	1194600
Open Interest	

Buy Price	525
Stop Loss	495
Target Price1	570
Target Price2	599
Upside in Tgt1	9%
Upside in Tgt2	14%

### Technical Chart



STDC- BUY MCDOWELL @ 525-535 AND ON DIP TOWARDS 510-515 SL- 495 (CLOSING BASIS ) TGT-570, 599

1. Completion of **Bullish AB=CD Harmonic pattern** suggest up move
2. Formation of **Morning star** along with **Hammer** creating positive sentiment
3. **RSI reversing** from oversold territory
4. If pattern unfolds, one can expect good move in coming session.

**STDC : Long / BUY**

**25-Sep-18**

BSE Code	500325
NSE Symbol	RELIANCE
52wk Range H/L	1328.75/780
Mkt Capital (Rs Cr)	783,050.00
Av.Cash Volume(,000)	415016
Open Interest	

Buy Price	1234
Stop Loss	1170
Target Price1	1298
Target Price2	1320
Upside in Tgt1	5%
Upside in Tgt2	7%



**STDC- BUY RELIANCE AT 1234 SL 1170 TGT 1298/1320**

The broader trend of Reliance Industries is up. After making top of 1329 on 29 Aug 2018 stock is in correction and falling in corrective pattern. Which attracts buyers on every decline. Either price or time both wise it is falling corrective in nature. So setup wise it looks decent at current level. It has taken support at exact 50 SMA of 1182 and also retraced 38.2% of rally between 940 to 1329. Momentum oscillator Stochastic is also supporting the setup. Therefore we advise our client to buy stocks at 1234 for the price target of 1298 and 1320 with 1170 as Stop Loss.

## STDC : Long / BUY

25-Sep-18

BSE Code	500875
NSE Symbol	ITC
52wk Range H/L	353/250
Mkt Capital (Rs Cr)	235,094.00
Av.Cash Volume(,000)	8829841
Open Interest	

Buy Price	293
Stop Loss	287
Target Price1	320
Target Price2	335
Upside in Tgt1	9%
Upside in Tgt2	14%

### Technical Chart



### STDC- BUY ITC @ 291-295 AND ON DIP TOWARDS 280-284 SL- 275 (CLOSING BASIS) TGT-320, 335

Selling seems to be absorbed by buyers after giving 50% correction from the peak of 323 marks. Stock is bottomed out near 50% Fibonacci retracement of the entire upward swing from 259 to 323 levels which is supportive for the Bulls. Emergence of Tweezer bottom near the same suggest reversal in the coming sessions. Strong support is seen near 280-285 zone where 61.8% Fibonacci retracement is located of the same upward swing. Positive divergence in RSI and declining Histogram in MACD also indicate buying. Long ITC @ 291-295 and towards 280-284 with SL of 275 for the target of 320 and 335 mark.

**STDC : Long / BUY**

**25-Sep-18**

BSE Code	524804
NSE Symbol	AUROPHARMA
52wk Range H/L	809/527
Mkt Capital (Rs Cr)	17,886.00
Av.Cash Volume(,000)	4422526
Open Interest	

Buy Price	750
Stop Loss	625
Target Price1	850
Target Price2	900
Upside in Tgt1	13%
Upside in Tgt2	20%

### Technical Chart



**STDC- BUY AUROPHARMA @ 750-760 AND ON DIP TOWARDS 725-735 SL-695 (CLOSING BASIS) TGT- 850, 900**

Auropharma rebounded as it seemed bottomed out from broadening wedge falling trendline that boded well for bulls and they take the charge once again. There is multiple confluence of support at 725-735 levels coupled with RSI which has been sustaining above 50 mark showing a positive move on upside. Formation of Broadening wedge price pattern on hourly chart and inverted H&S suggest it has a potential to move on northward side in coming sessions. Breakout came with decent volume which imply bullishness in the scrip. One can take entry with the stop loss of 580 for the target of 750 and 800 marks.

## STDC : Long / BUY

19-Sep-18

BSE Code	532927
NSE Symbol	IGL
52wk Range H/L	344.90/240.95
Mkt Capital (Rs Cr)	18,004.00
Av.Cash Volume(,000)	1098
Open Interest	8769750

Buy Price	256
Stop Loss	247
Target Price1	280
Target Price2	294
Upside in Tgt1	9%
Upside in Tgt2	15%

### Technical Chart



STDC BUY IGL @ 256 SL-247 (CLOSING BASIS) TGT-280,294

Indraprastha Gas Ltd. has come near its trendline support areas. Positive divergences were also witnessing both in MACD and stochastic. These all the indicators are giving indication of strong pullback rally from the current level. Therefore we recommend initiating fresh long position in IGL near 256 by keeping a stop loss at 247 and the upside targets are 280 and then 294.

## 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

16-Aug-18

BSE Code	500112
NSE Symbol	AXIS BANK
52wk Range H/L	635/447
Mkt Capital (Rs Cr)	106,335.00
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)	2,049,752.00
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>
CMP	230
Price Target	286
Previous Target	286
Potential Upside	24%

### 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 offtaking 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

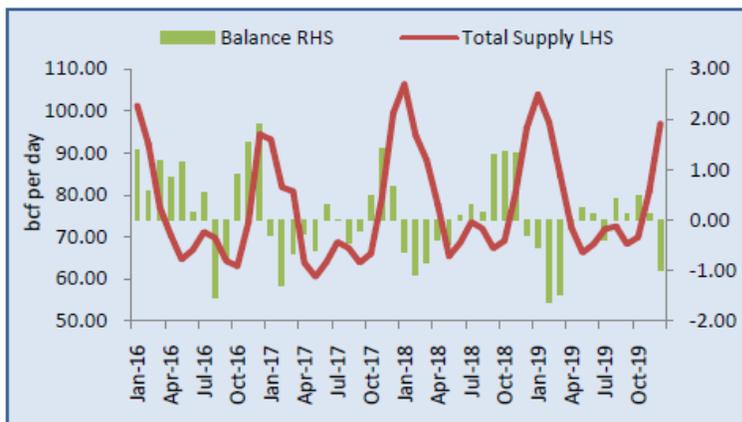
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**Demand Supply Scenario:**



Source: Narnolia Research, U.S. EIA

US Natural gas market normally shifts into deficit during the November to February period i.e. winter season in US. During this high period of demand, natural gas should be well-supplied or else supply tightness worry will emerge and prices will start to rally higher.

**US Dry gas production**

US Dry natural gas production is rising this year and is estimated to be at 82.2 bcf per day in August, up by 0.7 bcf/day in July, almost 7.4 bcf per day higher than last year. In 2018, US Dry gas production has increased by almost 10% on an average as compared to last year. Furthermore, EIA expects the dry natural gas production to keep rising on an average of 84.7 bcf per day in the coming year. Due to significant natural gas production increase in 2018, NYMEX natural gas prices have been unable to breach \$3 per MMBtu for the most of the summer.

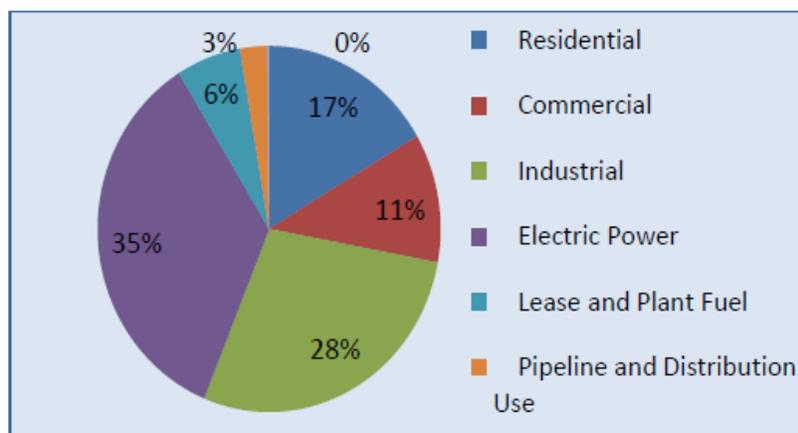
**US Gas consumption**

US Natural gas consumption has increased by 7% this year standing at 79.86 bcf per day. This increase in consumption is due to higher demand from the residential and industrial sector along with higher exports as compared to last year levels. Higher consumption of natural gas has been one of the reason for the lowest storage injection this October since the year 2005.

There are two demand driving season for natural gas – Winter and Summer. During winter, demand is measured by number of heating degree days and during summer, natural gas demand is measured by the number of cooling degree days.

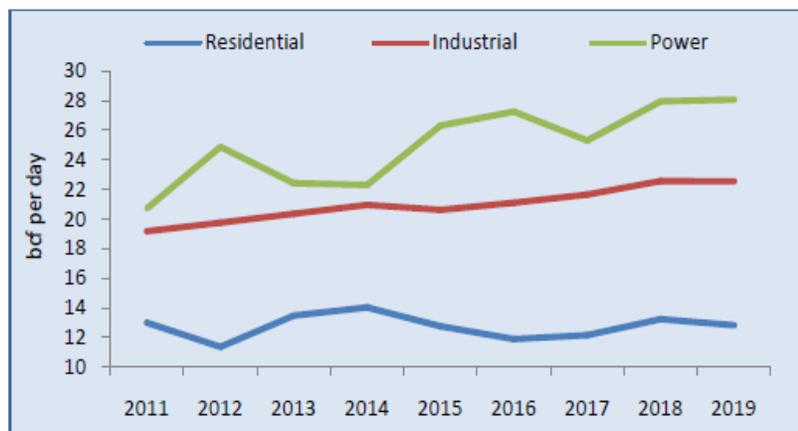
**Cooling degree days (CDD)** reflects the amount of energy required to cool a residence, industrial or a business. In 2018, CDD stood 18% higher than the previous year and averaged 25% above normal on hottest summer leading to strong air conditioning demand in the summer season. Warmer than normal temperatures extended into the month of September and provided further firmness to the natural gas prices.

## Sector wise: Natural Gas Consumption Demand



Source: Narnolia Research, Bloomberg

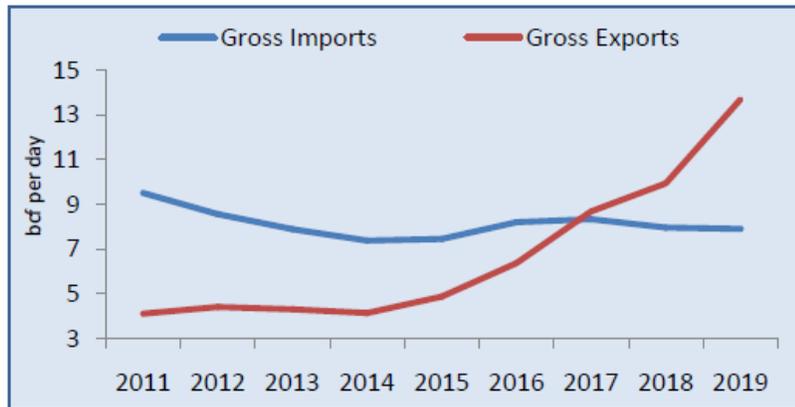
From the above figure, we can conclude that the major consuming sectors of natural gas are Electric Power, Industrial and Residential sector. With Electric power being the major consumer of natural gas comprising 35% of the total natural gas consumption followed by Industrial and Residential sector.



Source: Narnolia Research, Bloomberg

As you can see in the above figure, natural gas demand from largest contributing sector – power and industrial has been rising since the year 2011. Electric Power demand has risen from 20.7 bcf per day in 2011 to 28.07 bcf per day in 2018. Industrial demand of natural gas has increased on a slower rate as compared to electric power however, overall demand from this sector has shown a rising trend.

## US Attention towards Exports

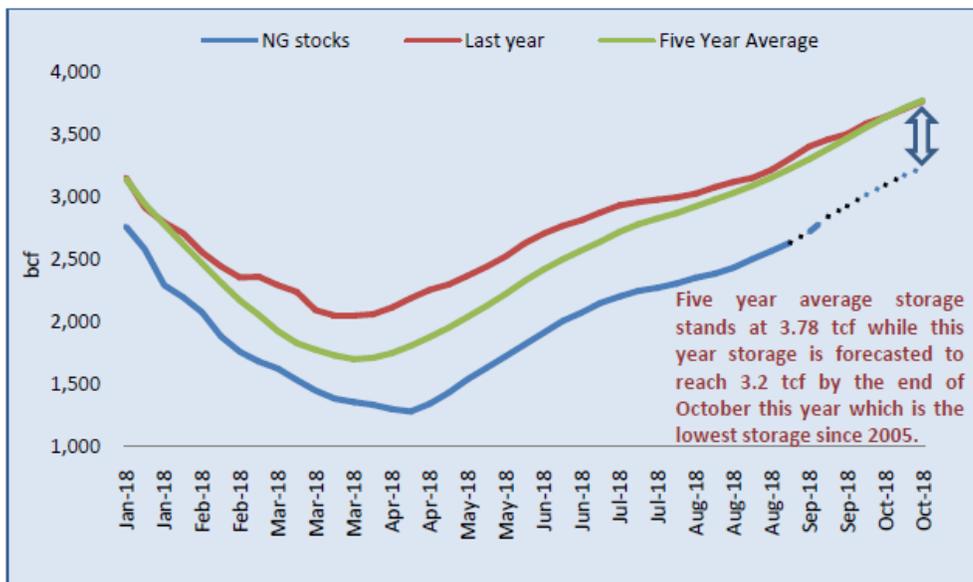


Source: Narnolia Research, EIA Short-Term Energy Outlook

United States had been a net importer while a time ago but after the shale gas revolution in the US, the nation has shifted from net importer to evolving natural gas exporter.

US exports have risen tremendously from 5 bcf per day in 2014 to almost 9 bcf per day in 2018, an increment of 80%. Furthermore, there are expectations of US exports to reach 13 bcf per day in 2019. US Exports accounts for 12% of the total natural gas consumption. US LNG exports have started to rise from last year after the US removed ban on US gas exports. As of now, only few US companies have been allowed to export natural gas to other countries. Moreover, more permission will be granted to other companies to exports this year. We expect US LNG exports to rise by threefold by 2020.

## Storage Levels



Source: Narnolia Research, Bloomberg

As per our calculation, we expect U.S. natural gas inventories will total 3.2 trillion cubic feet (Tcf) at the end of October 2018 which will be way below the five year average of 3.781 tcf. At present, natural gas inventories are at 2.722 tcf, natural gas inventories are 586 bcf or 20% below than the last year level and 672 bcf or 17.5% below the five-year average.

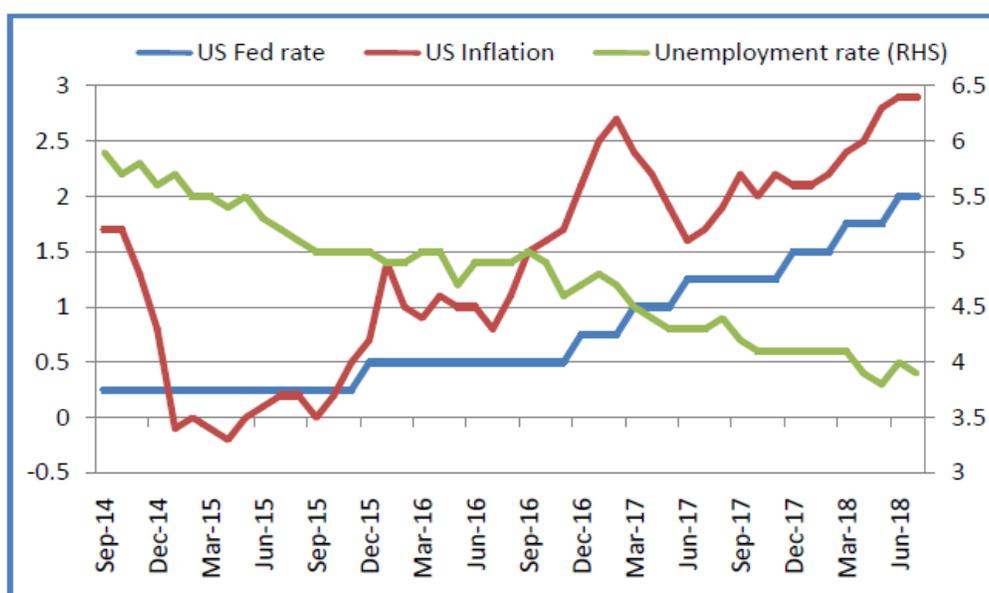
The inventory level is at the lowest level for that time of year since 2005 on high air conditioning demand this summer causing power generators to burn more gas than usual and leaving less gas available to go into storage. U.S. gas inventories will start the winter heating season at the lowest level since 2005, leaving the market vulnerable to winter price spikes.

**Winter season forecast** – Natural gas prices are unlikely to give a steep fall ahead of winter season forecast. If the weather forecast shows a cold winter ahead, prices would immediately get the support on future rise in demand for natural gas.

## Outlook

After taking all the factors into consideration, we expect Natural Gas prices are likely to remain strong this winter season. With low stockpiles heading into the winter demand season, robust domestic consumption and higher natural gas exports from US are propping up prices, which are expected to average \$3.10/MMBtu this year and \$3.25/MMBtu in 2019. The only factor keeping the prices closer towards \$3/MMBtu is the record high production of natural gas in the United States. However, tightness in inventory during the winter season will overshadow the worries of record high production which will drive prices higher. **We expect MCX Natural gas prices to test 245-250 levels** in the coming six months time frame. **Therefore, any downside until the end of October towards Rs 205-210 in MCX should be used as the buying opportunity.**

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.

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