

# Indbankonline

MARKETS FOR YOU

Private Circulation only

March - 2014

Issue - 82

## From the President's Desk

"Greatest of the great plans fail, if not executed properly" goes a famous saying. The most important aspect of any plan is the execution part, and it's also the most difficult one to do. Notwithstanding the importance of planning, while we all plan, we seldom put efforts to execute those plans. A great example is "Resolutions". Every new year we take new resolutions, however how many do we actually achieve? Most of us, take up the same resolution year on year, which indicates the lack of resolve to execute what we plan.

The most important aspects to look into a stock while making investment is Performance, Price, Prospects and Promoters. There is a famous saying "History will always repeat itself". This is truer in stock market parlance, where we can easily identify trends and the pattern gets repeated too. Hence the past performance of the stock or the asset class is a good indicator to its future potential. The next is the Price. It's always advisable to buy a companies with moderate valuations, rather than companies which are already overpriced. The high valuations were one of the main reasons, for the lack of the Initial Public Offers in recent times. The third factor is the Prospects. It is imperative that one analyzes the future prospects of the company. "Change is the only constant factor" and companies who adapt themselves to changes perform over the long run. There are innumerable examples of companies who have perished, due to their inability to adapt to changing environments. The last but not the least is the Promoters. The Satyam Saga is the best example, of what bad decisions can do to a company. Hence the track record of the promoters is as important as the company itself. A comparative analysis of these factors helps in making investment decisions.

We have continued our series on Options Strategies in our "Beginners Corner" and we trust you find the strategies listed out useful. The most important trait an investor should possess is to know his threshold. It's of paramount importance to limit our losses and exit at the opportune time. Summarizing, avoid "Emotional Investing". Plan your investments and execute the plans to perfections. Make investments only after you are convinced about its viability.

**Till next issue, HAPPY INVESTING!!!**



**Mr. BANABIHARI PANDA**  
President & Whole time Director  
Indbank Merchant Banking Services Ltd

03/03/2014

**Banabihari Panda**  
President and Whole Time Director  
Indbank Merchant Banking Services Ltd



**Our website : [www.indbankonline.com](http://www.indbankonline.com)**

## IMPORTANT HAPPENINGS

### 1. Highlights of Interim Finance Budget:

- Fiscal Deficit contained at 4.6%.
- 10% hike in Defence allocation. Implementation of "One Rank – One Pension" Scheme.
- Rs. 11300 Cr. capital infusion in Public Sector Banks.
- Interest waiver for educational loans taken up to 31.03.2009 and outstanding as on 31.12.2013.
- Revamp of ADR/GDR Scheme. Creation of one record for all financial assets of individual.
- Proposal to amend the Forward Contracts (Regulation) Act.
- Reduction in excise duties for Small Cars, Motorcycles, Scooters, Commercial Vehicles, SUV's, Large & Mid segment cars and Mobile handsets.
- Reduction in Central Exercise Tariff to 10% from 12%.

### 2. Highlights of the Interim Railway Budget:

- Passenger fares and freight rates remain unchanged.
  - For the year 2014-15, envisages investment of Rs. 64305 Cr and gross traffic receipts of Rs. 160775 Cr.
  - To meet the additional financial expenditure of 6th Pay Commission in full, from its own earnings.
  - Connectivity to North-East.
  - Construction of 1100 Km of Railway Corridors.
  - 17 new premium trains, 38 express trains and 10 passenger trains
  - Indian Railway Finance Corporation (IRFC) to raise Rs. 12800 Cr. from the market.
- The SEBI, has cleared new Corporate Governance norms that require companies to justify CEO salaries, put in place whistle-blower policies and have orderly succession plans.
  - The Pension Fund Regulatory and Development Authority has tweaked investment rules to let fund managers raise exposure in debt mutual funds, infrastructure debt funds, asset backed securities to ensure higher returns for Government Staff.
  - The Labour Ministry has asked the Employee Provident Fund Organization, to provide Permanent Provident Fund Account numbers.
  - SEBI has allowed filing of Shelf Prospectus even for issuance & listing of debt securities.
  - SEBI has dismissed a senior officer from service after he was found guilty of "gross misconduct".
  - The Finance Ministry has proposed to treat shares issued by unlisted Indian Companies on overseas exchanges at par with American Depository Receipts and Global Depository Receipt Schemes.
  - Capital Adequacy i.e. minimum networth of Asset Management Companies increased to Rs. 50 Crores.
  - SEBI has asked all listed companies to prepare an Annual Information Memorandum in addition to annual reports for enabling investors to take better investment decisions.
  - SEBI plans to issue guidelines in which Indian Companies will be able to tweet their earnings on Twitter or update their status on Facebook provided they supply any market sensitive information to the stock exchanges first.
  - The Insurance Regulatory Authority of India has said that the insurers can tie-up with referral companies for 3 years and it can be later renewed for another 3 years after its approval.

## Snap Shots

Inflation (%)	5.05 (Jan. 2014)	5.05 (Jan. 2014)	6.16 (Dec. 2013)	7.52 (Nov. 2013)
Particulars	21 <sup>st</sup> Feb. 2014	14 <sup>th</sup> Feb. 2014	7 <sup>th</sup> Feb. 2014	31 <sup>st</sup> Jan. 2014
91-Day Cut-off (%)	9.1066	9.1066	8.9807	8.8969
10-yr G-Sec yield (%)	9.0745	9.1189	8.9786	9.0640
1-10 yr spread (bps)	42	29	15	19
USD/INR(Rs)	62.1618	62.2770	62.3155	62.4768
USD 6m LIBOR	0.33	0.33	0.33	0.34
10 Y US Treasury	2.73	2.75	2.67	2.67
USD/Euro Spot	0.728616	0.730417	0.734649	0.740612

## Global Indices

Indices	Country	Index as on 27 <sup>th</sup> Jan. 2014	Index as on 27 <sup>th</sup> Feb. 2014	Variation (%) (Inc/ Dec)
NASDAQ	United States	4,083.61	4,318.93	5.76
DJIA	United States	15,837.88	16,272.65	2.75
S&P 500	United States	1,781.56	1,854.29	4.08
Hang Seng	Hong Kong	21,976.10	22,828.18	3.88
Nikkei 225	Japan	15,005.73	14,923.11	(0.55)
Shanghai Composite	China	2,033.30	2,047.35	0.69
Straits Times	Singapore	3,042.43	3,096.74	1.79
FTSE 100	United Kingdom	6,550.70	6,810.30	3.96
CAC 40	France	4,144.56	4,396.39	6.08
DAX	Germany	9,349.22	9,588.33	2.56
SENSEX	India	20,707.45	NA	---
NIFTY	India	6,135.85	NA	--

## Institutional Investments

Category	Debt / Equity	Gross Purchases (Rs Crores)	Gross Sales (Rs Crores)	Net Investment (Rs Crores)	
FII Investments (in Feb. up to 28.02.14)	Equity	48428.50	47024.20	1404.30	
	Debt	27657.00	16320.10	11337.00	
Mutual Fund (in Feb. up to 24.02.14)	Equity	6896.80	8104.20	(1207.50)	
	Debt	88675.20	44585.80	44089.40	
FII Derivative Trades (in Feb. up to 28.02.14)	INDEX FUTURES	INDEX OPTIONS	STOCK FUTURES	STOCK OPTIONS	
	- Buy	33460.82	240828.56	61484.81	21941.74
	- Sell	31978.81	233414.55	61514.21	22369.00

## Editorial Team

**Banabihari Panda**  
President and Whole-time Director

**S. Rajalakshmi**  
SSO

# IPO and NFO Review

## IPO NEWS

- SEBI has found that KARVY Stock Broking indulged in irregularities with respect to Initial Public Offerings of various companies including Suzlon and IDFC in 2005. Citing that the depository participant has already undergone prohibition for 18 months & 26 days, SEBI has decided not to impose any further penalty.
- Renowned investment banker Mr. Uday Kotak has stated that "Given the slowdown in economic activity and regulatory issues, India's IPO market can get a boost only after the upcoming general elections.
- Lotte Shopping, an affiliate of Lotte Group has got approval from the Singapore Exchange for an initial public offering of its shopping malls in a deal that could raise upto US\$ 1 billion.
- Neptune Technologies & Bioresources Inc. a technology company engaged primarily in the development, manufacture and commercialization of marine-derived omega 3 polyunsaturated fatty acids, announced that it has commenced an underwriting public offering of its common shares.

## CORPORATE ACTIONS

### FORTH COMING CORPORATE ACTIONS

Company Name	Symbol	Ex Date	Record Date	Purpose
Zee Entertainment Enterprises Limited	ZEEL	03-Mar-14	04-Mar-14	Bonus Preference Shares 21:1
Power Grid Corporation of India Limited	POWERGRID	04-Mar-14	05-Mar-14	Interim Dividend Rs.1.27 Per Share(Purpose Revised)
National Aluminium Company Limited	NATIONALUM	05-Mar-14	06-Mar-14	Interim Dividend - Rs 1.10/- Per Share (Purpose Revised)
C. Mahendra Exports Limited	CMAHENDRA	05-Mar-14	06-Mar-14	Interim Dividend Re 0.10/- Per Share
Vesuvius India Limited	VESUVIUS	06-Mar-14	08-Mar-14	Anniversary Special Dividend Re.1/- Per Share
Standard Chartered PLC	STAN	13-Mar-14	14-Mar-14	Final Dividend
Dwarikesh Sugar Industries Limited	DWARKESH	06-Mar-14	-	Annual General Meeting
Merck Limited	MERCK	10-Mar-14	-	Annual General Meeting/Dividend - Rs 8.50/- Per Share
CRISIL Limited	CRISIL	11-Mar-14	-	Annual General Meeting/Final Dividend Rs 4/- Per Share + Special Dividend Rs 6/- Per Share
Eicher Motors Limited	EICHERMOT	12-Mar-14	-	Annual General Meeting/Dividend Rs 30/- Per Share
KSB Pumps Limited	KSBPUMPS	20-Mar-14	-	Annual General Meeting/Dividend Rs.4.50/- Per Share
BF Utilities Limited	BFUTILITIE	20-Mar-14	-	Annual General Meeting
ACC Limited	ACC	24-Mar-14	-	Annual General Meeting / Final Dividend - Rs 19/- Per Share
Kemrock Industries and Exports Limited	KEMROCK	27-Mar-14	-	Annual General Meeting

### NEW LISTINGS

Company Name	Offer Price (Rs.)	Exchange	Listing Date	List Price (Rs.)	Latest Traded Price	% Change to List Price (Rs.)
Chemtech Industrial Valves Ltd.	15.00	BSE – SME	31.01.2014	14.70	14.95	1.70
Agrimony Commodities Ltd.	10.00	BSE – SME	18.02.2014	15.00	11.80	(21.33)
Polymac Thermoformers Ltd.	35.00	BSE – SME	26.02.2014	34.75	37.00	6.47

### FORTHCOMING ISSUES

Company Name	Offer Price (Rs.)	Exchange	Issue Type	Issue Opening Date	Issue Closing Date
Anisha Impex Ltd.	10.00	BSE – SME	Public Issue	03.03.2014	05.03.2014

### NEW FUND OFFERS

Scheme	Type	Class	Open Date	Close Date	Offer Price	Min. Inv. Amount
DWS FMP S51	Close	Debt-FMP	24-02-14	04-03-14	10	5000
Reliance FHF XXVS26	Close	Debt-FMP	28-02-14	04-03-14	10	5000
Axis FTP S57	Close	Debt-FMP	26-02-14	04-03-14	10	5000
L&T FMP - S X M	Close	Debt-FMP	26-02-14	04-03-14	10	10000
BirlaSL FTP S KJ	Close	Debt-FMP	25-02-14	04-03-14	10	5000
Sundaram FTP FC	Close	Debt-FMP	24-02-14	04-03-14	10	5000
JM FMF S XXIV Plan C	Close	Debt-FMP	20-02-14	04-03-14	10	5000
BirlaSL FTP S KL	Close	Debt-FMP	28-02-14	04-03-14	10	5000
IDFC FTP S77	Close	Debt-FMP	26-02-14	04-03-14	10	10000
ICICIPruFMP573 366B	Close	Debt-FMP	28-02-14	04-03-14	10	5000
Tata FMP S46 Scheme N	Close	Debt-FMP	26-02-14	05-03-14	10	5000
Sundaram FTP FD	Close	Debt-FMP	25-02-14	05-03-14	10	5000
Sundaram SelMCap IV	Close	Equity – Diversified	19-02-14	05-03-14	10	5000
IDBIFMPSIV542D FebF	Close	Debt-FMP	25-02-14	05-03-14	10	5000
Axis FTP S58	Close	Debt-FMP	26-02-14	06-03-14	10	5000
DSPBR FTP S38	Close	Debt-FMP	21-02-14	06-03-14	10	5000
Axis YIF S3	Interval	Debt - Income	28-02-14	06-03-14	10	5000
UTI FTIFXVII Plan XVII	Close	Debt-FMP	28-02-14	06-03-14	10	5000
BOI AXA EqDebtRebal	Open	Equity - Balanced	21-02-14	07-03-14	10	5000
Reliance DualITF VC	Close	Debt - Income	24-02-14	10-03-14	10	5000
HDFC DebtCancCure 14	Close	Debt - Income	25-02-14	11-03-14	10	50000
Kotak Medium Term	Open	Debt - Income	28-02-14	13-03-14	10	5000
BirlaSL FocEQ S2	Close	Equity – Diversified	26-02-14	14-03-14	10	5000
ICICI Pru Value S3	Close	Equity – Diversified	28-02-14	14-03-14	10	5000
LIC Nomura RGESS S2	Close	Equity – Diversified	28-02-14	14-03-14	10	5000
SBI Tax Adv SIII	Close	Equity - ELSS	28-12-13	27-03-14	10	500
JPMorganFMP533	Close	Debt-FMP	03-03-14	04-03-14	10	5000
HDFC FMP370D Mar14 1	Close	Debt-FMP	03-03-14	04-03-14	10	5000
ReligareInvFMP S220	Close	Debt-FMP	03-03-14	04-03-14	10	5000

## ITC LTD

ITC Limited is one of the leading conglomerates with business interests in cigarettes, tobacco, packaging, agri-business, food, hotels, lifestyle retailing, personal care, paper & stationery and branded apparels. In the cigarette segment the company enjoys more than 80% market share by value in India. The company operates with over 2million retailers across India managing one of the largest distribution networks in the country.

### Investment Rationale

- ↗ Continues to hold leadership position in the cigarette business due to the breadth of its powerful cigarette brands, enjoying more than 80% market share by value.
- ↗ Maintaining healthy return ratios consistently over the years.
- ↗ Growth of non-cigarette FMCG business by 26% YoY in FY13.
- ↗ Diverse product portfolio directly related to lifestyle.
- ↗ Increase in disposable income of consumers in India.
- ↗ Stronger Pricing power due to dominant market share.
- ↗ New Product launches and brand extensions to boost margins.
- ↗ Positive outlook for Indian FMCG and hotel industry.
  - EPS: 9.60.
  - PE Ratio: 33.50.
  - Book Value: Rs. 29.30.

## BUY – Long Term

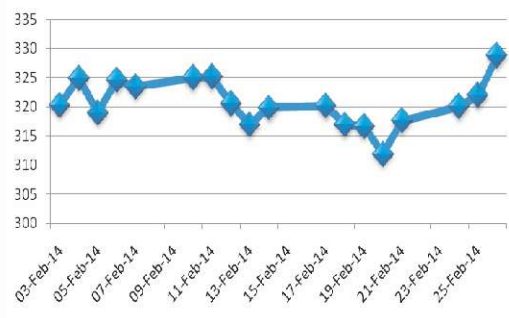
CMP :Rs. 328.40\*

Target :Rs. 380.00

52W H/L:Rs. 380/281

Potential Upside – 17.60%

## ITC LIMITED



BSE Code: 500875

NSE Code: ITC

## AHLUWALIA CONTRACTS (INDIA) LIMITED

Ahluwalia Contracts (India) Limited is an Engineering Procurement, Construction (EPC) company engaged in the civil construction business, which includes retail malls, residential complexes, offices, hotels, IT parks and hospitals. The company has a long history of more than four decades in civil construction and undertakes Government and Private Contracts. ACIL has presence across the country, especially in North India and particularly in the Delhi and NCR region. ACIL has posted turnover of over Rs. 13.38 billion in FY13.

### Investment Rationale

- ↗ Robust order inflows and new orders.
- ↗ Approaching General elections, expectations are rife that the Government will take steps to boost investment in infrastructure projects.
- ↗ Company's foray into Build – Operate – Transfer (BOT) segment and power sectors.
- ↗ Focus on operational executions, which will enable the company to register better performance.
- ↗ Stable outlook for Indian Construction sector.
- ↗ Diversified Business Portfolio.

### KEY RISK:

- High interest costs and rise in input costs.
- Slow project execution.
- Order book is primarily inclined towards private sector. Any further slowdown will impact order flows.
- Uncertainties regarding Government policies.
- Volatility in price of critical raw materials.
- EPS: (11.40).
- PE Ratio: (2.10).
- Book Value: Rs. 32.60.

## BUY – Long Term

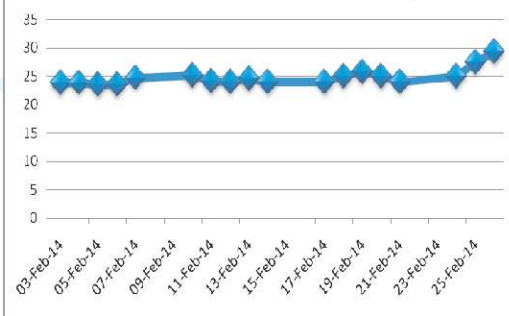
CMP :Rs. 28.95\*

Target :Rs. 35.00

52W H/L:Rs. 42/15.15

Potential Upside – 25%

## AHLUWALIA CONTRACTS (INDIA) LTD



BSE Code: 532811

NSE Code: AHLUCONT

# OUR PICKS FOR MEDIUM TERM BUYING

## TATA ELXSI LIMITED

A design company that blends technology, creativity and engineering to help customers transform ideas into world class products and solutions.

### Stock Return

- 3 Months – 93.80
- 6 Months – 127.00
- 1 Year – 89.50
- ↖ Beta: 0.41
- ↖ Market Cap: Rs. 12.64 Billion
- ↖ Book Value: Rs. 62.68

BSE Code : 500408

NSE Code : TATAELXSI

CMP : Rs. 523.00\*

Target : Rs. 600.00

Stop Loss : Rs. 365.00

52W H/L : Rs. 524/157

## INFO EDGE (INDIA) LIMITED

India's premier on-line classifieds company in recruitment, matrimony, real estate, education and related services. Has website's like naukri.com, jeevansathi.com, 99acres.com and shiksha.com.

### Stock Return

- 3 Months – 1.00
- 6 Months – 5.30
- 1 Year – 2.50
- ↖ Beta: 0.77
- ↖ Market Cap: Rs. 59.60 Billion
- ↖ Book Value: Rs. 55.73

BSE Code : 532777

NSE Code : NAUKRI

CMP : Rs. 635.30\*

Target : Rs. 650.00

Stop Loss : Rs. 495.00

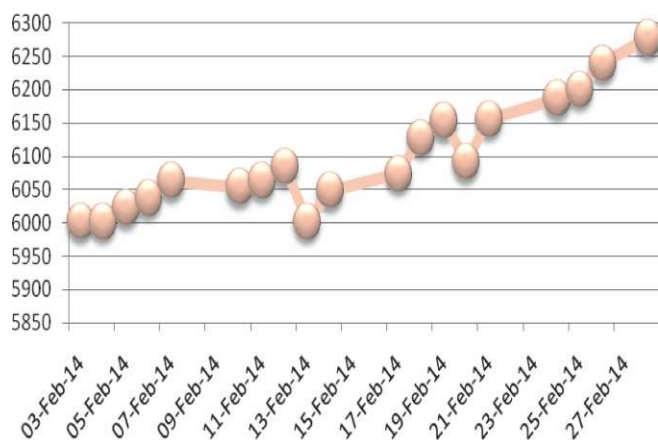
52W H/L : Rs. 708/276

For detailed analyst reports, please visit: [www.indbankonline.com](http://www.indbankonline.com) ➡ Reports & Downloads ➡ Equity Research

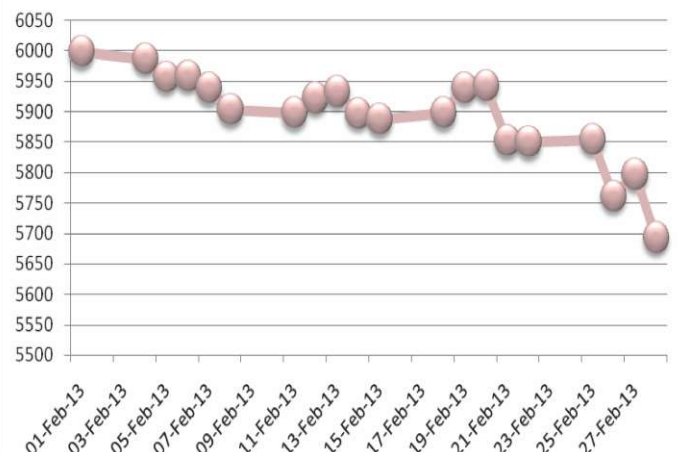
\* Closing price as on 26.02.2014 on NSE

## MARKET COMPARISON

### FEBRUARY 2014



### FEBRUARY 2013



## Mutual Fund Corner

### Scheme of the Month

### CANARA ROBECO EQUITY TAX SAVER - GROWTH (ELSS)

**LEVEL OF RISK: BROWN (HIGH RISK)**

**Fund Manager: Mr. Krishna Sanghvi**

**Investment Objective :** The scheme seeks to achieve long term capital appreciation by predominantly investing in equities. It also offers tax benefits under Section 80C.

Current Statistics & Profile	
Latest NAV	30.52 (26.02.2014)
52-Week Range	25.96 – 31.28
52-Week High	31.28 (22.01.2014)
52-Week Low	25.96 (28.08.2013)
Fund Category	Equity – Tax Planning
Type	Open End
Launch Date	March 31 1993
Net Assets (Cr)	Rs. 606 (31.12.2013)
Benchmark	S&P BSE 100

### Trailing Returns

As on 26.02.2014	Fund Return	S & P BSE 100 Return	Category Return
Year to Date	(2.22)	(2.07)	(0.95)
1-Month	(0.83)	(0.77)	0.62
3-Month	3.30	2.17	4.84
<b>1-Year</b>	<b>7.24</b>	<b>7.11</b>	<b>11.09</b>
<b>3-Year</b>	<b>7.99</b>	<b>5.05</b>	<b>7.02</b>
5-Year	24.53	18.67	19.64
10-Year	18.93	14.03	15.54
<b>Return Since Launch 14.30</b>			

**Note:** Return up to 1 year are absolute and over 1 year are annualized

### Top Sector Weightings – As on 31/01/2014

Sector	% Net Assets
Financial	21.12
Technology	16.53
Automobile	11.41
FMCG	9.62
Healthcare	7.97

Asset Allocation	
As on 31/1/2014	% Net Assets
Equity	97.71
Debt	3.23

Investment Details	
Minimum Investment Amount	Rs. 500
Additional Investment	In multiples of Rs. 500
SIP	Yes; Min Rs. 500; Min Months: 30
Options	Dividend
Expense Ratio (%)	2.65 (Regular); 0.00 (Direct)
Exit Load	Nil

Fund Style	Portfolio Characteristic - As on 31.1.2014												
<b>Investment Style</b> <table border="1"> <tr> <td>Growth</td> <td>Blend</td> <td>Value</td> </tr> <tr> <td style="background-color: #0070C0;"></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> </table>	Growth	Blend	Value										<b>Capitalisation</b> Large Medium Small Avg. Mkt. Cap – 44427.24 Cr <b>Market Capitalization</b> Giant – 49.46% Large – 24.09% Mid – 19.70% Small – 5.85% Portfolio P/B Ratio: 4.30 Portfolio P/E Ratio: 36.33
Growth	Blend	Value											

### PORTFOLIO – Top 10 Holdings as on 31/01/2014

Sl. No.	Name of Holding	Instrument	% Net Assets
1.	Tata Consultancy Services	Equity	5.60
2.	Infosys	Equity	5.38
3.	HDFC Bank	Equity	5.33
4.	ICICI Bank	Equity	5.17
5.	Reliance Industries	Equity	4.14
6.	ITC	Equity	4.09
7.	Bharti Airtel	Equity	2.99
8.	ONGC	Equity	2.51
9.	Wipro	Equity	2.44
10.	Hero Motocorp	Equity	2.30

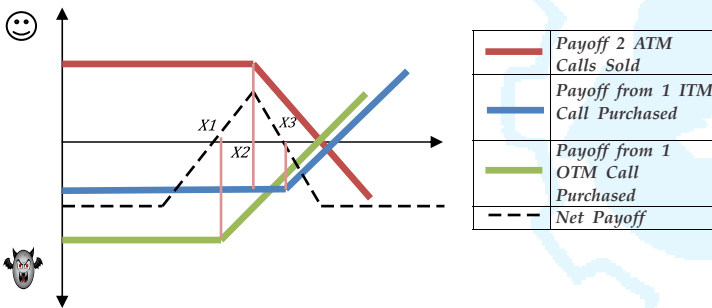
## DERIVATIVES –PART 4 – OPTION STRATEGIES – III

In our series on Derivatives, we have progressed to discuss the Strategies for trading in options. In the February 2014 issue, we detailed Straddle, Strangle Option Strategies. In this issue, we discuss some more advanced option strategies like Butterfly, Collar, Strips & Straps and Cylinder Options. If you have missed our earlier issues, please visit our website [www.indbankonline.com](http://www.indbankonline.com) → Research & Downloads → Newsletter and go through the required month's issue.

**A. BUTTERFLY SPREAD STRATEGY** – Butterfly spread can be created in many ways. One way is to take position in 4 call option contracts – 2 Long Calls (Buying Options) and 2 Short Calls (Selling Options) with 3 different strike prices but same expiration dates.

**I. LONG BUTTERFLY** – It is created by buying 1 call at low strike price (X1 in the diagram below, which is In The Money), selling 2 call options at strike price (X2 which is At The Money) and buy 1 more call option with strike price (X3 which is Out of The Money) where  $X1 < X2 < X3$  and  $X3 - X2 = X2 - X1$ . The lower and higher strike price should be equidistant.

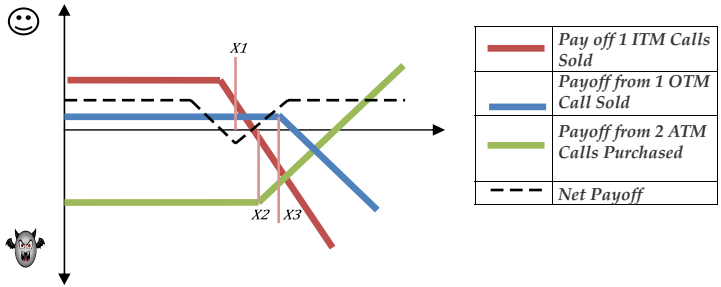
- Market Outlook – Neutral and bearish on Volatility
- In this strategy the risk and the reward is limited. This is also the ideal strategy when the market is range bound and large price movements are unlikely. The risk is limited to the net premium paid and the reward is limited to difference between adjacent strikes minus net premium debit.
- Profit is booked when ITM Call is exercised and other options are not exercised, while maximum loss is when all options are exercised or when they are not exercised.
- The Pay off diagram for this strategy is given below:



The double sell option position in the middle is called the Body which creates a spike, while the two other buy option positions are called the wings and time erosion helps the position values. As X1 and X3 becomes closer together, the spike becomes smaller. By judiciously combining together a large number of very small spikes, any pay off function can be approximated.

**II. SHORT BUTTERFLY** - It is created by selling 1 call at low strike price (i.e. X1 in the diagram below which is In The Money), then buying 2 call options at strike price X2 and again selling 1 more call options with strike price X3 where  $X1 < X2 < X3$  and  $X3 - X2 = X2 - X1$ . The lower and higher strike price should be equidistant.

- Market Outlook – Neutral and bullish on Volatility with likely large price movements.
- In this strategy the risk and the reward is limited. The risk is limited to the difference between adjacent strikes minus net premium paid and the reward is limited to net premium received.
- Profit is booked when all the options are exercised or not exercised while maximum loss is when ITM calls are exercised and other options are not exercised.
- The Pay off diagram for this strategy is given below

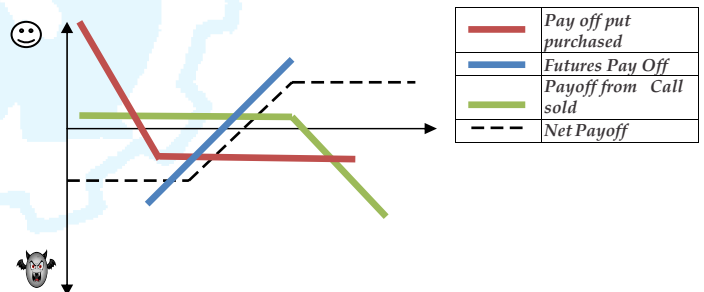


In both the above positions, there is potential for limited gain and limited loss. These strategies are normally opted by speculators who are risk averse. The choice between a long call or a short call butterfly will depend upon the expectation of the speculator about the future Spot Price.

**III. BUTTERFLY SPREAD WITH PUT OPTIONS** - In long butterfly Put Strategy one buys 1 put at Strike Price X1, sells 2 puts at strike price X2 and again buys 1 put option at strike price X3. Similarly Short Butterfly Put Strategy, 1 sells 1 put at strike price X1; buys 2 puts at strike price X2 and again sells 1 put option at strike price X3. Profit pattern is same as that of Butterfly Spread using Call Options.

### B. COLLAR

- Market Outlook – Conservatively Bullish
- Buy Futures, Buy Put to insure downside. Sell Call Option to partly finance put
- In this the risk and the reward is limited.
- Maximum Profit is booked when the prices go up and the call option is exercised. Loss is booked when the prices go down and the put option is exercised.
- The Pay off diagram for this strategy is given below



**C. STRIP AND STRAP OPTIONS** – A Strip option strategy consist of a long position in (buying) in 1 call and 2 puts with the same strike price and same expiration date. A Strap option strategy consists of a long position in (buying) 2 calls and 1 put option with same strike price and same expiration date. In a strip strategy, the investor is betting that there will be a big stock price movement and considers a decrease in the stock price to be more likely than an increase. In a Strap strategy the investor is betting that there will be a big stock price movement where an increase in stock price is more likely than a decrease.

**D. CYLINDER OPTIONS or TUNNEL OPTIONS** - These are also called Range Forwards. Under this strategy, there is simultaneous purchase of a Call with sale of a Put or vice versa at different strike prices so chosen to cancel the Premium cost.

This concludes our series on Option Strategies. We hope that you have started implementing our strategies and opting for good investment decisions.

**HAPPY AND DILIGENT INVESTING!!!**

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