



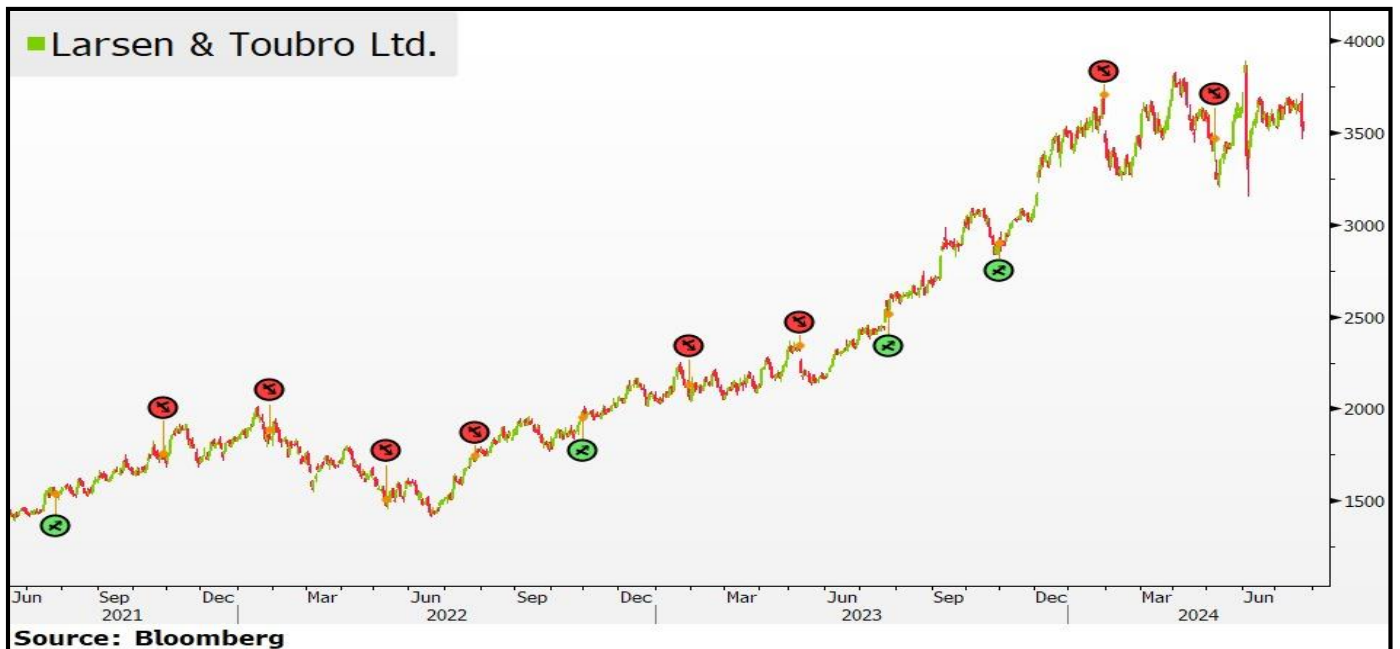
Options Result Edge

LARSEN & TOUBRO(LT)

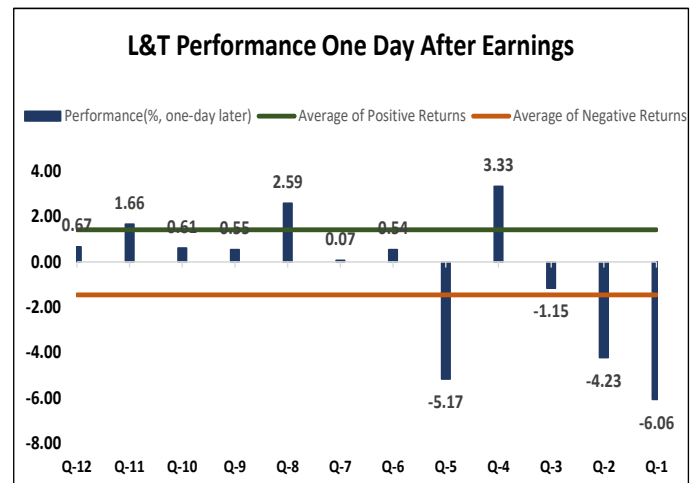
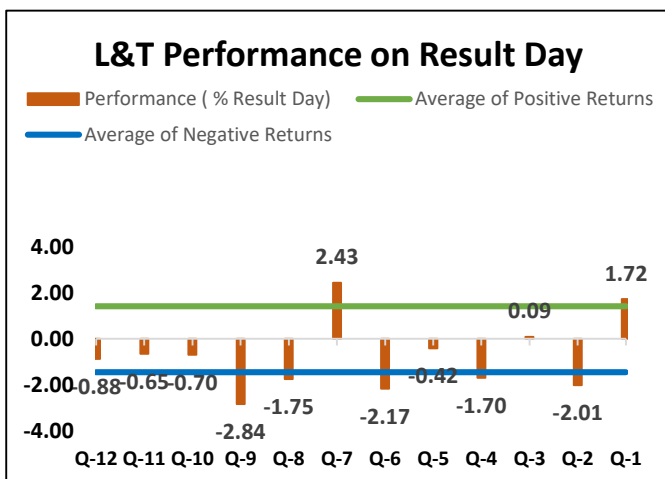
Larsen(LT) closed on a negative note with a price cut of 1.9% for the June expiration cycle with a rollover of 97% v/s a 3-month average of 94%, indicating that short positions had been rolled. However, in the current expiration cycle, the stock has witnessed fresh shorting with prices down 1% and a ~4% increase in open interest.

The 3-month average IV (ATM implied volatility) of L&T has hovered in the 10.3 to 37 range in the last 12 months and 17.2 to 37 over the previous three months. The difference between the 3-month IV and HV is currently at -10.3% (meaning IV is less than HV) compared with an average of -1.8% (based on a year of data) and is at the 10th percentile - this means the spread has been below the current value a mere 10% of the time. For mean-reversion traders, that could mean betting on implied volatility outdoing realized volatility in the future.

The 12-month IV Rank (IVR) for the stock currently stands at 55%. In other words, the current IV rests at 55% of the high-to-low range over the past year. Additionally, the IV percentile is at ~78, which means that 78% of the time in the last year, the IV has been below its current reading of 25.1%. That's not an outlier i.e. extreme, so IV could creep higher from current levels.

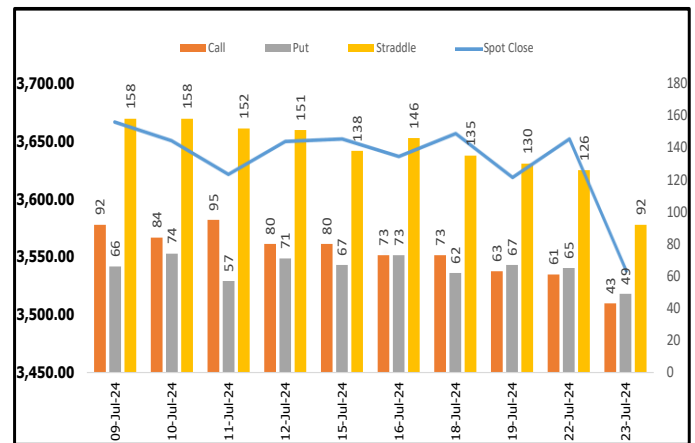
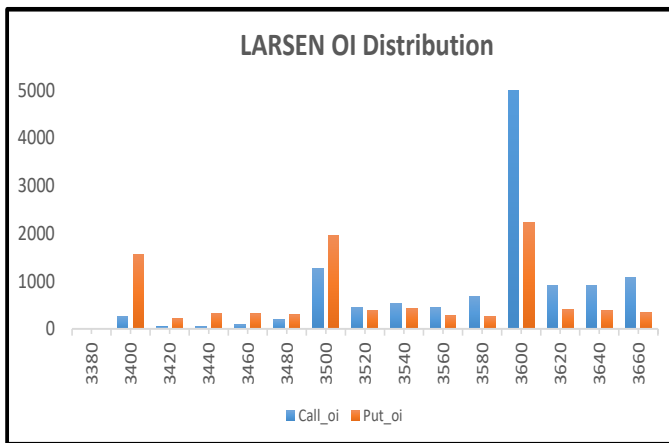


The above chart shows the last 12 quarterly earnings releases for Larsen & Toubro. Notice that 67% of the time, earnings have fallen short of Bloomberg Consensus Estimates (Green = Beat, Red = Miss)



OPTION HIGHLIGHTS

OI	Chng in OI	Volls	Strike	Volls	Chng in OI	OI
#N/A	#N/A	#N/A	3380	#N/A	#N/A	#N/A
40050	-21150	49.37	3400	67.33	-9450	234450
6300	-150	79.94	3420	65.79	-3600	33000
7650	450	47.33	3440	64.69	-450	49350
13800	-450	50.1	3460	63.53	-3600	47400
28800	-1800	50.51	3480	63.12	#VALUE!	43650
190500	1800	50	3500	63.6	3450	293700
68400	14550	51.22	3520	63.17	3900	59100
81000	12000	52.13	3540	63.41	150	63450
66300	2850	51.04	3560	63.56	-6750	40800
102900	11400	50.95	3580	65.32	7950	38700
1399950	1500	50.11	3600	61.45	-7350	333900
136350	1200	54.6	3620	73.16	-8400	61050
136650	-6750	56.89	3640	75.15	-2550	56850
161400	3300	59.93	3660	83.91	#VALUE!	49950



STRATEGY – PUT RATIO SPREAD

View: Bearish

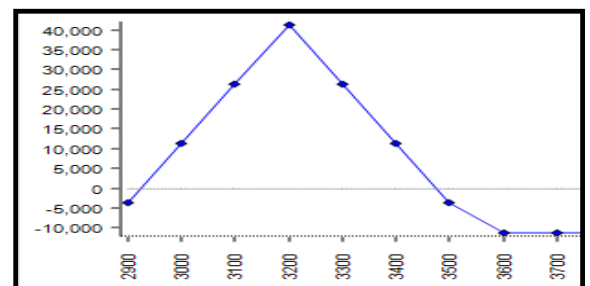
Rationale: In the current week - week 30 - Larsen has fallen 60% of the time with an average loss of 0.14%. The largest drop has been 3.5% (2015), while the biggest gain has been 3.2%, seen in 2018. For August expiration, one week ago, demand for 5% OTM calls was higher than equivalent OTM puts. However, at yesterday's close, the demand for puts had increased significantly relative to that for calls. Additionally, at 10:30 AM today, put & call volatilities had become less expensive compared to yesterday's readings, but the skew continued to remain bearish. Hence, we recommend a Put Ratio Spread Strategy on the stock.

Strategy Legs:

Recommendation	Strike Price	Range
Buy (1 lot)	3550 Put	115-125
Sell (2 lot)	3200 Put	23-25
Break-even	3475	
Max Loss	Rs. 11,250/- (On Expiry)	
Max Gain	Rs. 41,250/- (On Expiry)	
Important Note	Close Strategy Below 3000	
Expiry	29 th August 2024	

Kindly enter & exit all the legs in strategy together and square off the strategy before the session closes.

Strategy Pay-Off



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