

Technical Result Preview Q2  
2022-2023

DR. REDDY'S  
LABORATORIES



  
**Bonanza**  
make money. not mistakes.

DATE – 20 OCT 2022

**DR. REDDY'S LABORATORIES LIMITED**

Closing 4349. Result date: 28-10-2022.

**Strategy:**

Given that there are higher chances of sideways pattern even after the result release but one need to be hedge for protection against results surprises if any.

Strategy	Recommendation	Levels	REMARK
1	BUY 2 STRANGLE ATM+500 AND SELL 1 STRADDLE	-1 lot 4300 CE @ 143 -1 lot 4300 PE @ 130 +2 lots 4800 CE @ 18 +2 lots 3800 PE @ 25	The charts setup is sideways. If there is any surprise the straddle will work a stronger hedge

- Note: The aforementioned strategies will stay in effect until their expiration in Nov 2022. The cash market prices were taken into consideration when determining the stop losses and objective

**Payoff Matrix**



## DRREDDY Weekly Chart



Five weekly ranges are identified in the preceding chart by the color sky blue. These are the weeks that the organization, under consideration releases its quarterly results. For calculation purposes, those results declared from Friday to Thursday have been taken into consideration with the calendar weekly range. If results comes after that, next week's ranges are taken under consideration. As observed, these results ranges usually acts as support and resistance in the future. Table 1 contains information about the same in detail. Additionally, there are significant moving averages like the 20, 50, 100, and 200 on the price, as well as the momentum indicator RSI (14,9) at the bottom. Table 2 contains information about the same in detail.

**Table1: Ranges for the last four quarters' results and their observations**

No.	Results	Range High	Range Low	Momentum till the date
1	Q1: 20-21	4560.00	3962.95	Following the results, the stock penetrated the range on the higher end, converting it into support that was tested a couple of times throughout the consolidation period.
2	Q2: 21-22	4834.95	4526.05	Post result, the upper and lower ends of the range became resistance and support for the stock, which were also tested, but the stock ultimately broke the support soon before the announcement of Q3 results.
3	Q3: 21-22	4436.95	4240.05	As results were announced, the stock failed to stay inside the range and had choppy movement throughout the consolidation, with the upper end of the Q3 range acting as resistance.
4	Q4: 21-22	4299.10	3829.05	Upon the release of the results, the stock breached the top end of the range and encountered resistance at the upper end of the Q1: 20-21 range, resulting in sell-offs.
5	Q1: 22-23	4390.85	4055.60	This was the range with the most overlapping, with Q1: 20-21, Q3: 21-22, and Q4: 21-22 overlapping it. Post results, the stock was unable to breach on either end and had persistent sideways movement, confirming solid support and resistance.

## Current Technical setup:

Table 2: Technical indicators reading on the weekly chart as attached above.

No.	Indicator	Time frame	Value	Slope	Interpretation
1	20 EMA	Very short Term-EMA	4270.98	Downhill Flattish	Bullish
2	50 EMA	Short-term-EMA	4356.09	Downhill Flattish	Bearish
3	100 EMA	Mid-Term-EMA	4351.36	Uphill Flattish	Bearish
4	200 EMA	Long-Term-EMA	4045.41	Uphill Flattish	Bullish
5	RSI (14)		51.96	Sideways	Bullish
6	9 EMA RSI		49.84	Sideways	Bearish

The table above shows that the DRREDDY is above the 20 and 100 EMAs but below the 50 and 200 with all EMAs flat. The chart is sideways and depicts consolidation, with substantial support and resistance around. The RSI is close to 50 and also inside the Bull trend support and Bear trend support, indicating that the movement will be difficult on either end. A systematic triangle formation has also been identified in the stock, implying more consolidation as the breakout from the same might take 5-7 weeks.

## Conclusion:

All of the primary indicators point to a sideways trend, with Q1: 21-22 serving as strong support and resistance as the range overlaps with Q1: 20-21, Q3: 21-22, and Q4: 21-22. The stock is likely to be in the Q1:22-23 area, wherein any momentum can be identified by the direction in which the stock breaks out.

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