

### Aban Offshore BUY CMP Rs2,295

#### New contract rate above expectations

Venture Drilling AS, a company in which a subsidiary of Aban Offshore Ltd (Aban) has a 50% shareholding, has signed a 18 month contract with Maersk Oil Angola, at an operating day rate of US\$495,000 after withholding tax. The contract is for a semi submersible Deep Venture and commence in July 2009. The day rate is 16.7% higher than our estimates of US\$425,000 per day.

#### Sharp fall in stock prices of global drilling majors

Over the last three months large drilling companies across the world have witnessed steep correction in their stock prices, with Aban leading the pack. The fall was on the back of weakening sentiment for drillers as crude oil prices fell sharply from high of US\$148/bbl to US\$110/bbl. We believe the correction has only made the valuations more attractive to get into these counters as investments in E&P space has not slowed down.

#### Day rates for rigs to remain firm

Although about 100 rigs (jack-ups, semi-submersible and FPSO) are likely to be delivered in the next three years, we believe demand would be strong enough to absorb incremental supply. Apart from demand from rising E&P investments, replacement of rigs older than 25 years (more than 30% of the existing rigs) will boost the demand. Thus demand supply scenario for rigs would remain tight keeping the charter rates above current levels.

#### Relatively undervalued compared to global peers

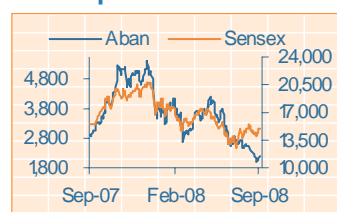
Historically, Aban has clocked the highest operating margins in the industry at a global scale. Further, the growth rate expected for Aban over the next couple of years is higher than most of its peers. The stock is trading at a steep discount of 40-45% compared to its global peers based on FY09E and FY10E P/E multiples. We recommend BUY with a target price of Rs2,560.

#### Financials

March (Rs cr)	FY08	FY09E	FY10E
Revenues	2,021	4,676	5,398
yoy growth (%)	181.2	131.4	15.4
Operating profit	1,242	2,878	3,220
OPM (%)	61.4	61.5	59.7
PAT	123	1,506	1,767
yoy growth (%)	-	1,124.4	17.4
EPS (Rs)	10.0	392.1	460.2
P/E (x)	229.7	5.8	5.0

Source: Company, India Infoline Research

#### Share price chart



Source: Company, India Infoline Research

#### Shareholding pattern

Jun-08	(%)
Promoters	60.9
Foreign & institutions	21.2
Non promoter corp hold	2.6
Others	15.3

### Bajaj Auto SELL CMP Rs607

#### Rising interest rates deterring demand

Following a sustained rise in inflation from 3.1% in October 2007 to 12.34% currently, RBI has significantly tightened its monetary policy. From April 2008 CRR and repo rate were raised by 150bps and 125bps respectively. This has added to the deteriorating lending scenario, resulting in decline in two-wheeler and three-wheeler sales in the domestic market. Further, volume growth for Bajaj Auto Ltd (BAL) has been below the industry levels, indicating a loss in market share. The three-wheeler segment a high margin segment (35% of operating profit) is also reeling under pressure on account of general economic slowdown. Even the BAL management has guided for a poor volume performance in FY09. Additionally, the fuel price hike of 10% in the month of June 2008 would lead to rise in ownership cost especially for BAL's premium segment bikes.

#### Credit availability a major concern

The Indian banking system has been under severe pressure over the last six months on back of strained economic conditions. In order to improve asset quality and address problem of rising delinquencies, major banks (ICICI Bank) have discontinued or slowed down their auto loan business at dealer end. With 65% of two-wheeler sales being financed, this move has seriously impacted industry fortunes.

#### Margins to remain under pressure

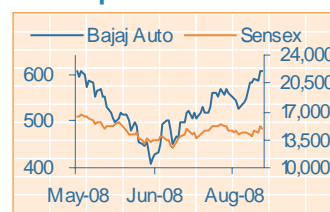
Raw materials prices have gone up significantly due to steep rise in steel prices over the last one year. We expect the company to absorb part of the increase as new product launches over the past two years have revealed a below par performance. Further, to regain its lost market share (decline of 200bps in April-July 2008) the company may need to offer discounts on its products. These factors along with flat volumes would continue to pressurize operating margins. On the back of above-mentioned rationale, we recommend a SELL with a price target of Rs524.

#### Financials

March (Rs cr)	FY08	FY09E	FY10E
Revenues	9,046	9,176	9,400
yoy growth (%)	-	1.4	2.5
Operating profit	1,293	1,204	1,215
OPM (%)	14.3	13.1	12.9
PAT	726	705	698
yoy growth (%)	-	(2.9)	(0.9)
EPS (Rs)	50.2	48.7	48.2
P/E (x)	12.1	12.5	12.6

Source: Company, India Infoline Research

#### Share price chart



Source: Company, India Infoline Research

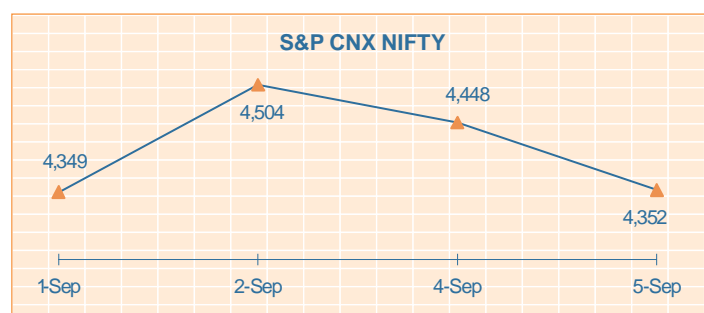
#### Shareholding pattern

Jun-08	(%)
Promoters	50.3
Foreign & institutions	21.0
Non promoter corp hold	9.7
Others	19.0

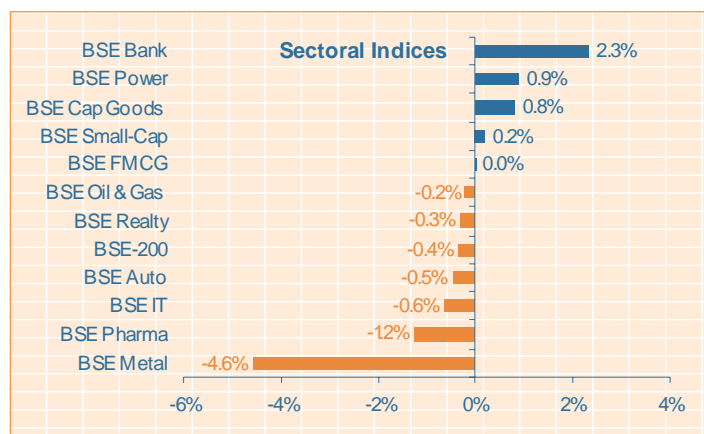
# India Infoline Weekly Wrap

## Market review

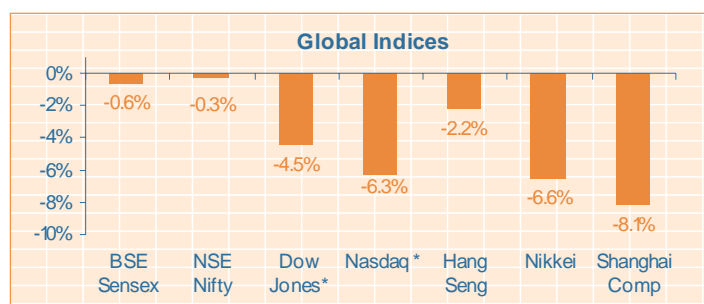
Fall in crude oil prices provided much needed ammunition to the bulls at the start of the week. However, uncertainty over the Indo-US nuclear deal came back to haunt the bulls as reports emerged that nuclear-deal could fall and US will terminate the agreement if India conducts a fresh nuclear test. Though, inflation receded to 12.34%, it failed to enthuse the bulls as it continues to remain above the RBI's tolerance level for the sixth straight month. Finally, the benchmark Sensex closed at 14,484, down by 81 points. NSE Nifty closed flat at 4,352.



Banking stocks were in the thick of action as lower inflation improved near term sentiment for the beaten down sector. Power and capital goods stocks were the other major gainers. Metal stocks under performed as steelmakers like Ispat, Essar, JSW and Uttam Galva are learnt to have slashed metal prices by up to Rs 2,000 per ton in line with sharp fall in metal prices globally. Gujarat-based government companies like GMDC, Gujarat Alkalies, GSFC, GSPL and GNFC had a rough week after state government asked them to set aside 30% of their PBT for social causes.



Weakness was seen across the globe with Dow Jones taking a big hit on Thursday, as mixed retail sales and downbeat reports on the labor market enlarged worries about an economic slowdown. The rub-off effect was seen in rest of the Asian markets with Hang Seng Index being one the biggest loser.



\*As on Thursday

## FII & MF activity

(Rs cr)

Date	FII Net Investment	MF Net Investment
28-Aug	144	(59)
29-Aug	(257)	398
1-Sep	(172)	(81)
2-Sep	1,337	116
Total 2008	(29,858)	10,517

## BSE Sensex & BSE 200 Top Five Gainers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
SBI	1,520	8.3	BPCL	359	18.5
ONGC	1,072	4.8	HPCL	237	17.4
ACC	585	4.0	IOC	446	11.2
Hero Honda	860	3.8	ABAN	2,295	10.1
TCS	838	3.2	Moser Baer	111	9.3

## BSE Sensex & BSE 200 Top Five Losers

BSE Sensex			BSE 200		
Company	CMP (Rs)	% Chg	Company	CMP (Rs)	% Chg
Ranbaxy	451	(13.1)	Guj Alkali	147	(9.7)
Tata Steel	560	(6.7)	Treveni Eng	87	(9.6)
Tata Motors	420	(4.6)	AB Nuvo	1,193	(8.6)
Bharti Airtel	803	(4.1)	JSW Steel	711	(7.0)
Cipla	233	(2.7)	Sterlite Inds	587	(6.4)

## Bulk deals

Date	Institution	Scrip name	B/S	Qty (lacs)	Price
2-Sep	Citigroup	Intense Tech	S	2.0	15
2-Sep	Fidelity	Dynamatic Tech	B	0.4	1,250
3-Sep	Merrill Lynch	Kennametal I	B	0.5	235

## Stocks in No-Delivery period

Company	From	To
Sona Steering	2-Sep-08	9-Sep-08
JM Financial	8-Sep-08	12-Sep-08

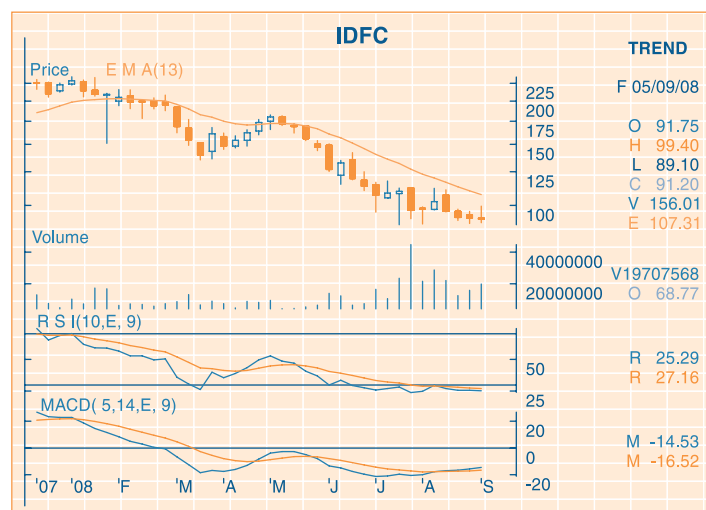
## Insider trades

Company	Name	B/S	Qty ('000)
Ranbaxy Labs	Dr. Brian W. Tempest	S	9.0
Apollo Tyres	Onkar S Kanwar	B	803.4
GE Shipping	Ravi K. Seth	B	25.0
Educomp Sol	Sangeeta Gulati	S	15.5
Aptech	Pramod Khera	S	5.0

# India Infoline Weekly Wrap

## Technical ideas

### IDFC BUY CMP Rs91

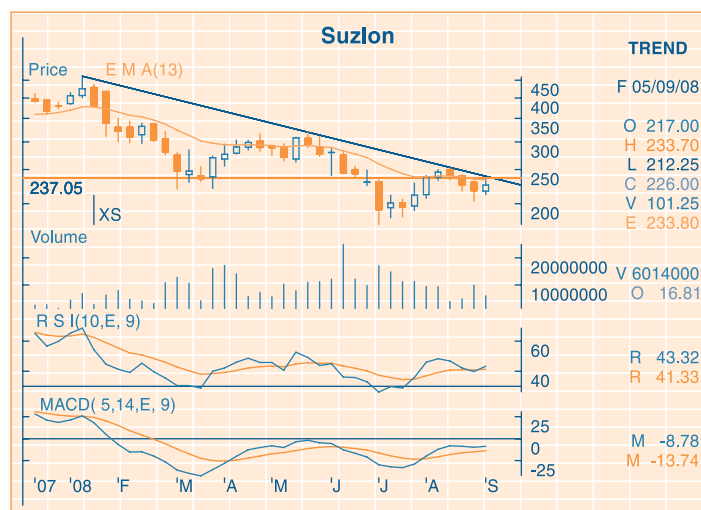


The stock has declined from a high of Rs235 levels in January 2008 to a low of Rs87.8 in mid July 2008. This represents 62% erosion in value.

The adjoining weekly candlestick chart clearly highlights the 8-week range bound trades between the Rs87-112 levels. This signals an attempt an intermediate bottom formation around the Rs87-90 range. The weekly RSI is exhibiting positive divergences which suggest that the selling pressure is easing up at the current levels. The weekly MACD has also generated a crossover buy signal suggesting that momentum is likely to build up in the coming weeks.

The weight of the above mentioned technical evidences suggests that the trend is about to change for the better. We recommend buying the stock at the current levels and on declines to support of Rs87-88 levels. We expect the stock to test minimum target of Rs110 levels in the coming weeks. A stoploss below Rs84.5 is recommended on all long positions.

### Suzlon BUY CMP Rs226



The stock has corrected sharply from its bull market high of Rs460 to a low of Rs174.5 in early July 2008. Thereafter, it staged a smart pullback rally to touch a high of Rs253 in mid August 2008.

The correction from the Rs253 levels has seen the stock touching a low of Rs203 levels. The stock has rallied strongly from the Rs200-205 support range back to the Rs230 levels.

The above price movements appear to suggest a higher bottom formation at the Rs200-205 levels. A move past the Rs255 levels will see the formation of a higher top, which will confirm the basic bullish set up.

The price decline from January 2008 till date has taken strong resistance at the Falling trendline. Investors should look to accumulate the stock on dips to supports of Rs205-214 range with a stop below Rs197 for targets of Rs250-255 levels.

### Technically strong

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (Lacs)	10 days Average Traded Qty (Lacs)
Vijaya Bank	38	37	26.2	6.7
United Phos	335	328	2.0	4.4
Kotak Bank	604	592	2.0	30.2
Glenmark	670	652	2.6	2.9
Voltas	131	126	17.3	9.2

### Technically weak

Company	CMP (Rs)	10 days Moving Average (Rs)	Total Traded Qty (Lacs)	10 days Average Traded Qty (Lacs)
MTNL	97	100	2.4	9.9
Colgate	409	416	0.3	1.0
SRF	133	135	0.7	1.8
Tata Tea	719	715	0.4	1.0
Ultra Tech Cem	588	595	0.5	1.3

### Buzz on the street

**ONGC** may rope in Rosneft Oil Company of Russia as its local partner in Imperial Energy.

**Bharti Airtel** may acquire Foodland Fresh outlets.

**Unitech, Akruti** and **Reliance Infra** likely to bid for Rs4,630cr Bandra East land development project.

Delay likely in **Reliance Industries Ltd** starting production of natural gas from the D-6 block in KG basin.

# India Infoline Weekly Wrap

## Mutual fund round-up

### India Infoline picks

Mutual Funds	Assets	NAV	Absolute return (%) as on September 04, 2008							
	(Rs Cr)	(Rs)	1wk	1mth	3mth	6mth	1yr	2yr	3yr	5yr
DSP ML Equity (G)	1,170	10.8	3.3	1.7	(3.3)	(6.9)	1.0	-	-	-
HDFC Growth (G)	961	60.1	2.1	1.5	(1.9)	(6.8)	2.3	44.1	103.8	352.1
HSBC Equity Fund (G)	1,143	83.6	1.3	(2.3)	(6.9)	(9.5)	4.2	36.9	88.7	386.8
Kotak 30 (G)	697	81.8	2.1	0.8	(4.2)	(10.1)	3.8	38.9	99.4	376.9
Templeton (I) Growth Fund (G)	331	81.4	1.6	(1.2)	(7.9)	(8.0)	7.5	37.8	87.7	295.2

### Fund this week: DSP ML Equity Fund (G)

Fund snapshot		Asset allocation (%)	
Fund manager	Apoorva Shah	Equity	91.3
NAV - September 04, 2008	Rs10.8	Debt	0.0
NAV 52 high/low	Rs15.8/9.5	Cash / call	8.7
AUM - July 31, 2008	Rs1,170cr	Top 10 holdings (%)	
Type	Open-ended	Bharti Airtel	4.6
Class	Equity - diversified	Nifty Futures	4.6
Options	Growth & dividend	HDFC	3.6
Min investment	Rs5,000	Reliance Inds	3.0
Entry load	2.25%<Rs5cr	Infosys Tech	2.9
Exit load	1%<6mths	Hindustan Unilever	2.4
Registrar	CAMS	Bharat Electronics	2.2
Benchmark	S&P Nifty	Cairn India	2.1
No. of stocks	81	Thermax	2.0
Expense ratio	1.9%	Nestle India	2.0

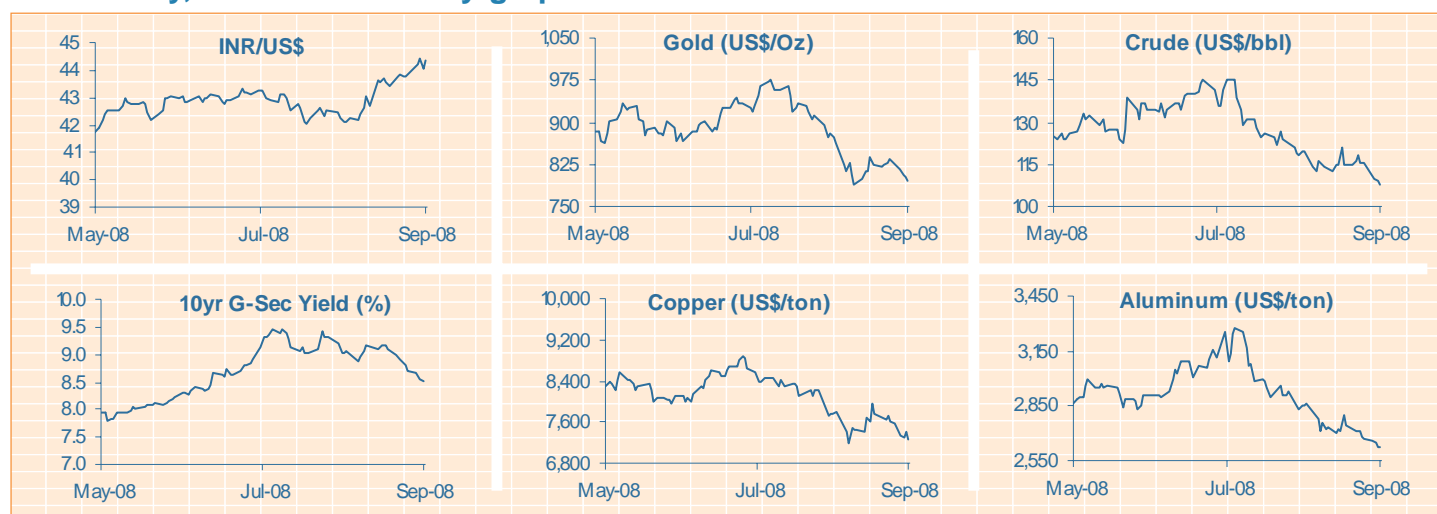
### NFO update

Fund Name	Close	Type	Class
Reliance Fixed Horizon Fund IX-Sr 6	9-Sep	CE	Debt - FMP
Templeton FHF Sr XI - Plan G ñ 19 M	10-Sep	CE	Debt - FMP
IDFC Strategic (50-50) Equity Fund	18-Sep	OE	Eq- Div

### Dividend update

Mutual Fund	Dividend %	Record date	Class
HDFC FMP 90D Jun 08(1)	100.0	8-Sep	Debt - FMP
ICICI Pru 3 M Sr 44 PI C	100.0	8-Sep	Debt - FMP
Kotak FMP 1 M Sr 3	100.0	8-Sep	Debt - FMP

## Commodity, debt and currency graphs



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