

20 November 2009

## India Morning Bell



All the latest research and data

Sensex: 16786

Nifty: 4989

- **Aban Offshore - Re-rating imminent; raising target to Rs2,200; Buy.** With an improved balance sheet and stronger earnings outlook (EPS CAGR of 60% over FY10-12e driven by 100% rig utilization), we expect Aban to be re-rated. We raise our one-year forward target PE multiple to 10x (earlier 7x) in line with international peer average and raise our target price to Rs2,200. Reiterate Buy. ►
- **Derivatives view.** Expect support within the 4900-40 zone. On pullbacks expect fresh supply around the 5050 mark. ►

## Markets

	20 Nov 09	1 Day	YTD
Sensex	16786	-1.3%	74.0%
Nifty	4989	-1.3%	68.6%
Dow Jones	10332	-0.9%	17.7%
S & P 500	1095	-1.3%	21.2%
FTSE	5268	-1.4%	18.8%
Nikkei*	9430	-1.3%	6.4%
Hang Seng*	22411	-1.1%	55.8%

## Volumes (US\$m)

	20 Nov 09	1 Day	Avg '09
Cash BSE	1,091	-4.3%	1,101
Cash NSE	3,451	0.0%	3,295
Derivatives (NSE)	16,929	17.4%	28,634

## Flows (US\$m)

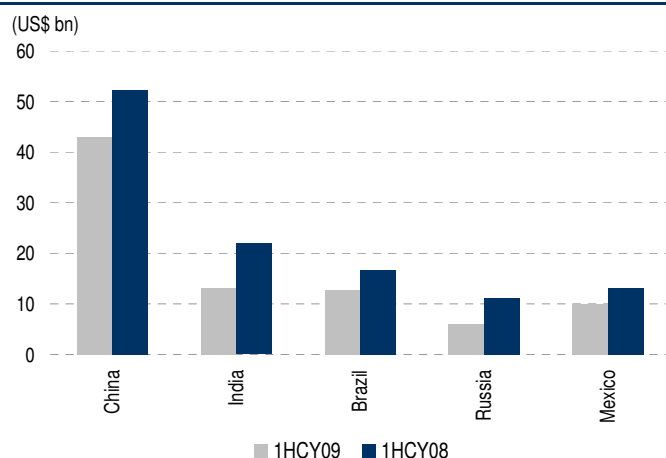
	20 Nov 09**	MTD	YTD
<b>FII – Cash</b>			
Buy	440	6,801	115,865
Sell	539	5,650	100,487
Net	-98	1,151	15,364
<b>FII - Derivatives</b>			
Buy	1,567	18,520	260,519
Sell	1,674	17,405	257,323
Net	-107	1,222	2,742
<b>DII – Cash</b>			
Buy	265	1,848	32,877
Sell	240	1,882	34,145
Net	25	-34	-1,266

## Others

	20 Nov 09	1 Day	YTD
Oil Brent (US\$/bbl)*	77.9	0.3%	27.8%
Gold (US\$/oz)*	1,141.2	-0.3%	29.4%
Steel (US\$/MT)	465.0	-4.1%	-9.7%
Rs/US\$	46.69	0.0%	4.5%
US\$/Euro*	1.49	0.3%	-6.2%
Yen/US\$*	88.88	0.1%	2.0%
Call Rate	3.35%	5bps	85.0bps
10-year G-Secs	7.26%	-1bps	200bps
EMBI spreads	312bps	7bps	-378bps

\*@7:30am \*\*Provisional

## FDI in emerging markets



Source: Anand Rath Research

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# Market Data

## Large Caps (>US\$1bn)

### Price Performance

#### Top 5 Gainers

Company Name	CMP	1 W %	1 Mth%
JSW STEEL LTD	959	16.0	4.5
POWER FINANCE	254	13.6	7.1
SHREE GLOBAL TRA	442	12.5	16.3
RELIANCE CAPITAL	892	10.5	-5.3
SESA GOA LTD	369	9.3	4.0

#### Top 5 Losers

Company Name	CMP	1 W %	1 Mth%
SATYAM COMPUTER	101	(13.8)	(12.2)
CANARA BANK	356	(7.6)	(6.1)
HINDUSTAN COPPER	273	(7.1)	31.5
TECH MAHINDRA LT	974	(7.1)	2.5
INDIABULLS REAL	224	(6.4)	(23.2)

### Volume

#### Volume Spurts

Company Name	CMP	1 W Avg	1 / 4 W%
JSW STEEL LTD	959	7,453,667	85.5
EXIDE INDUS LTD	107	2,939,158	85.5
SATYAM COMPUTER	101	38,217,632	63.1
POWER FINANCE	254	1,630,165	59.4
NMDC LIMITED	420	1,762,425	44.8

### Technicals

#### Above 200 DMA

Company Name	CMP	200D Avg	%
SESA GOA LTD	369	189	95.1
MPHASIS LIMITED	717	397	80.6
TATA MOTORS LTD	637	358	78.1
TORRENT POWER LT	313	177	77.0
JSW STEEL LTD	959	543	76.5

#### Below 200 DMA

Company Name	CMP	200D Avg	%
RELIANCE COMMUNI	173	239	(27.7)
TATA COMMUNICATI	359	479	(25.1)
IDEA CELLULAR	50	65	(22.1)
BHARTI AIRTEL	293	367	(20.1)
SUZLON ENERGY LT	75	78	(4.0)

## Mid Caps (US\$250m-1bn)

### Price Performance

#### Top 5 Gainers

Company Name	CMP	1 W %	1 Mth%
GEEKAY FINANCE	59	20.4	53.4
AMARA RAJA BATT	179	17.4	16.4
BAYER CROPSCIENC	503	16.6	15.6
KWALITY DAIRY	1,246	15.1	52.2
AMTEK AUTO LTD	197	12.7	-7.9

#### Top 5 Losers

Company Name	CMP	1 W %	1 Mth%
KGN INDS LTD	172	(16.3)	(37.9)
FERT & CHEM TRAV	40	(10.7)	1.7
KANSAI NEROLAC P	1,156	(9.3)	40.1
CORE PROJECTS &	165	(8.6)	(15.5)
HINDUSTAN OIL EX	290	(7.8)	(17.7)

### Volume

#### Volume Spurts

Company Name	CMP	1 W Avg	1 / 4 W%
MAHARASHTRA SEAM	349	503,430	177.2
BOC INDIA LTD	173	177,481	175.5
REDINGTON INDIA	302	654,850	145.6
ESSAR SHIPPING	68	1,364,408	130.9
ICI INDIA LTD	573	7,566	128.6

### Technicals

#### Above 200 DMA

Company Name	CMP	200D Avg	%
KWALITY DAIRY	1,246	346	260.0
GEEKAY FINANCE	59	24	147.8
JINDAL SOUTH WES	1,970	820	140.4
MVL LIMITED	64	27	135.7
ORBIT CORP LTD	322	150	114.2

#### Below 200 DMA

Company Name	CMP	200D Avg	%
STERLING BIOTECH	93	125	(26.0)
STERLING INT ENT	107	140	(23.7)
REI AGRO LTD	46	57	(20.7)
INDIA CEMENTS	100	125	(19.7)
ACKRUTI CITY LTD	534	643	(16.9)

## Small Caps (US\$100m-250m)

### Price Performance

#### Top 5 Gainers

Company Name	CMP	1 W %	1 Mth%
MAHINDRA FORGING	104	32.9	32.9
SANWARIA AGRO	57	23.6	1.2
KALYANI STEELS	159	21.5	21.1
GULF OIL CORP	107	20.8	31.8
RAMCO INDS LTD	58	18.0	7.6

#### Top 5 Losers

Company Name	CMP	1 W %	1 Mth%
MAYTAS INFRA LTD	162.10001	(8.1)	11.9
APTECH LTD	174.5	(7.8)	(37.7)
ALLIED DIGITAL	231.60001	(7.4)	(5.2)
LAKSHMI VILAS B	76.300003	(7.0)	(11.3)
GLODYNE TECHNO	355	(6.6)	(5.8)

### Volume

#### Volume Spurts

Company Name	CMP	1 W Avg	1 / 4 W%
MAHINDRA FORGING	104	586,082	227.3
GOKALDAS EXPORTS	156	42,239	226.9
ADVANTA INDIA LT	598	1,074,329	219.4
SANWARIA AGRO	57	27,516	187.1
GULF OIL CORP	107	3,052,590	182.9

### Technicals

#### Above 200 DMA

Company Name	CMP	200D Avg	%
PRRANETA INDUSTR	24	9	156.7
GKW LTD	314	146	121.2
BANCO PRODUCTS	73	34	115.6
WELSPUN INDIA	84	40	112.4
FEDERAL-MOGUL GO	136	65	111.5

#### Below 200 DMA

Company Name	CMP	200D Avg	%
KSL REALTY	58	81	(28.7)
SHRISTI INFRA DE	275	348	(21.0)
NETWORK 18 MED	77	95	(19.6)
CENTRUM CAP LTD	1,360	1,585	(14.2)
KOUTONS RETAIL	359	402	(10.7)

19 November 2009

## Aban Offshore

*Re-rating imminent; raising target to Rs2,200; Buy*Rating: **Buy**

Target Price: Rs2,200

Share Price: Rs1,369

- **Strong re-rating on the cards.** With an improved balance sheet and stronger earnings outlook (EPS CAGR of 60% over FY10-12e driven by 100% rig utilization), we expect Aban to be re-rated. We raise our one-year forward target PE multiple to 10x (earlier 7x) in line with international peer average and raise our target price to Rs2,200. Reiterate Buy.
- **Debt restructuring, QIP ease concerns over balance sheet.** Loan re-structuring and the recent Rs7bn QIP have eased concerns over liquidity. Though equity diluting, the QIP would help repay the similar-sized NOK bond maturing at end-'09. Furthermore, we expect free cashflows in FY11-12 to be around US\$700-800m, comfortable enough to meet debt obligations, and the debt-equity ratio to drop to 2-3x over the next two years.
- **Rig utilization close to 100% by Mar '10.** Rig utilization across the globe has been increasing in the past few quarters. We expect Aban to successfully deploy three idle rigs (DD1, 6 and Aban VII) in FY10 itself and see full utilization in FY11.
- **Discount valuations unjustified.** We expect an EPS CAGR of 60% in FY10-12, and a strong RoE of 30-40% over same period. Aban has under-performed the Sensex by 41% in the past year, and trades at 4.6x (1-yr fwd PE), a huge 50% discount to peer average. We do not think Aban warrants such a discount as leverage and deployment fears have subsided.

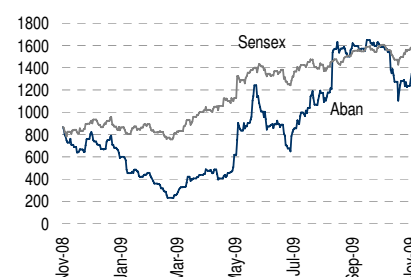
Key data	ABAN IN/ABAN.BO
52-week high/low	Rs1,682/Rs221
Sensex/Nifty	16999/5055
3-m average volume	US\$99m
Market cap	Rs52bn/US\$1.1bn
Shares outstanding	37.8m
Free float	39.2%
Promoters	60.8%
FII	7.0%
DII	6.5%
Public	25.7%

### Key financials

Year ending 31 Mar	FY08	FY09	FY10e	FY11e	FY12e
Sales (Rsm)	20,470	30,501	38,929	52,594	53,153
Net profit (Rsm)	1,230	5,407	6,427	13,330	16,364
Growth (%)	NM	339.5	18.9	107.4	22.8
EPS (Rs)	32.5	140.7	145.4	301.0	368.6
PE (x)	42.1	9.7	9.4	4.6	3.7
PBV (x)	6.4	3.0	2.2	1.5	1.1
RoE (%)	18.7	46.1	30.2	40.9	34.8
RoCE (%)	6.7	9.5	9.7	13.2	13.9
Dividend yield (%)	0.3	0.3	0.3	0.3	0.3
Net gearing (%)	15.3	9.2	6.9	4.2	2.5

Source: Company, Anand Rath Research \* EPS estimates adjusted for dilution of 15%

### Relative price performance



Source: Anand Rath Research

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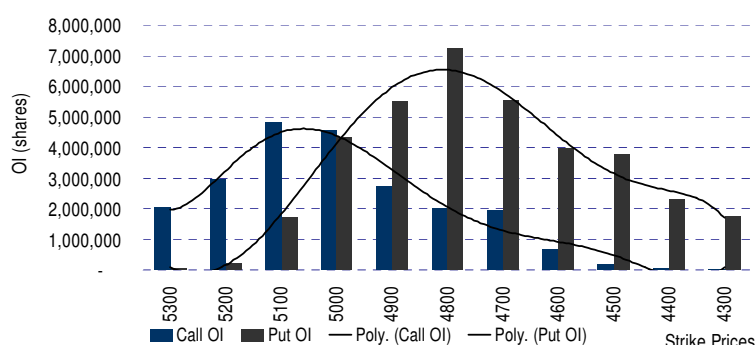
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## Derivatives

### Spot ends below 5K

- **Index.** Spot sold off subsequent to two sessions of indecisive movement (*dojis*). Market volume (*Rs1,003bn*) was up 13% primarily on account of an expansion in trading activity, due to the breach of a three-session low.
- **Index Futures.** Activity was largely driven by rolls (20%/15%) with no incremental change to the overnight OI. Roll costs have come off significantly to 6pts (11pts) primarily on account of the premium compression in the MMF.
- **Index Options.** Short closures were seen in puts; 5000PE (-1.2m shares), 4900PE (-0.6m shares) and the 5100PE (-0.4m shares). Fresh call additions were seen in the 5000-5100CE (+0.5m shares a piece) and the 4900CE (+0.3m shares). Maximum OI in the vicinity now stands at the 4900PE (5.5m shares) and the 5100CE (4.8m shares).
- **Institutional Activity.** FIIs were net sellers (-Rs4.6bn) for only the second time within the month. DIIs turned net buyers (+Rs1.2bn) after being net sellers for five successive sessions. FIIs were net sellers (-1.4m shares) in index futures, which was on account of fresh shorts (-1m shares) and long closures (-0.4m shares).
- **Index View.** Expect support within the 4900-40 zone. On pullbacks expect fresh supply around the 5050 mark.

### Nifty Option O.I. Distribution



Source: Anand Rath Research

Futures Open Interest

Rs474bn

### Index Highlights

Nifty	19 Nov 09	18 Nov 09
Spot	4989.0	5054.7
Near Fut.	4986.6	5055.1
Mid Fut.	4992.5	5066.2
Near Basis	-2.4	0.4
Mid Basis	3.5	11.5
Near OI (m sh)	23.9	25.3
Mid OI (m sh)	5.8	4.4

### FII F&O Net Activity (Rs bn)

Symbol	19 Nov 09	18 Nov 09
Ind. Futures	-7.4	3.8
Ind. Options	4.1	8.5
Stk. Futures	-1.7	1.0
Stk. Options	-	0.4
Net (Rs bn)	-5.0	13.7

### Sentiment Indicators

Particulars	19 Nov 09	18 Nov 09
PCR OI	1.5	1.5
PCR Vol.	1.3	1.5
Historical Volt.	28.1	28.2
IV Call	23.4	21.4
IV Put	26.0	26.1

### Nifty Open Interest Gainers

Symbol	Price (%)	Fut OI (%)
ACC	0.6	17.9
Suzlon	2.5	8.4
Rel Capital	-1.8	5.9
DLF	-3.7	5.8
JP Ass	-4.6	4.5

### Nifty Open Interest Losers

Symbol	Price (%)	Fut OI (%)
HCL Tech	-3.4	11.5
Hindalco	-3.4	10.1
IDFC	-3.4	9.8
Tata Steel	-1.9	9.5
BPCL	-1.4	5.0

### Top Cash Deliveries (5-day avg.)

Symbol	Price (%)	Delv (Rsbn)
Reliance	-0.8	2.1
Tata Steel	-1.9	2.1
SBIN	-2.0	1.4
JP Ass	-4.6	1.3
Suzlon	2.5	1.3

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## Appendix 1

### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report.

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### Anand Rathi Ratings Definitions

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps (>US\$1bn) and Mid/Small Caps (<US\$1bn) as described in the Ratings Table below.

#### Ratings Guide

	Buy	Hold	Sell
Large Caps (>US\$1bn)	>20%	5-20%	<5%
Mid/Small Caps (<US\$1bn)	>30%	10-30%	<10%

#### Anand Rathi Research Ratings Distribution (as of 2 Nov 09)

	Buy	Hold	Sell
Anand Rathi Research stock coverage (98)	53%	12%	35%
% who are investment banking clients	8%	0%	0%

### Other Disclosures

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