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Chairman, Libord Finance

"MARKET MOMENTUM WILL CONTINUE IN 2010 DUE TO IMPLEMENTATION OF I-T CODE & GST, CHANGES IN FOREIGN INVESTMENTS IN INSURANCE, AND BOOST TO INFRASTRUCTURE, ROAD & POWER PROJECTS. BANKING, IT & FMCG WILL DO WELL."

ABAN OFFSHORE

After witnessing an eventful 2009, what with a huge millstone around its neck in the form of debt arising from the takeover of Sinvest, the Norwegian oil drilling investment company, Aban Offshore seems to have weathered the storm by getting its loan restructured.

The debt burden (around Rs16,000 crore of foreign currency debt) also coincided with a drastic drop in crude oil prices globally from a peak of $147 to around $45, which resulted in its oil drilling rigs remaining idle. This put severe pressure on its cash flows.

Today, Aban Offshore is on a better wicket. With loan restructuring and the recent Rs700 crore QIP issue, the company has considerably improved its liquidity and is now comfortably placed to service its debt obligations. Also, rig utilisation across the globe has been increasing in the past few quarters, what with oil prices stabilising at around $82 levels.

One expects Aban to successfully see full rig utilisation by the third quarter of this year. These developments will address primary Street concerns over the stock, which is currently quoting around Rs1,350 (Rs2 face value) and one can expect a significant upside, going forward.

Share price

Financials

(Rs cr)	Total Income	Net profit	EPS (Rs)
2007	495	100	27
2008	2,021	123	-
2009	3,050	541	135

The Sinvest acquisition expanded Aban Offshore's fleet to 20 drilling rigs and one floating production unit, making it the ninth largest offshore service provider in the world. Analysts expect day rates for oil rigs to remain stable at the current levels of $150,000 per day at least for the next one year. Also, 80 per cent of Aban Offshore's fleet should be deployed in the current financial year.

For the fiscal year to March 2010, Aban Offshore's turnover is expected to be around Rs3,880 crore and net profit around Rs560 crore. The following year, the company is expected to clock a turnover of Rs4,780 crore, a post-tax profit of Rs1,287 crore and earning per share of around Rs290. The market price discounts the forward earnings by less than five times.

RALLIS

Rallis, now a subsidiary of Tata Chemicals, is a significant player in the Rs5,000 crore crop protection industry. It is the second largest player in the domestic pesticide market.

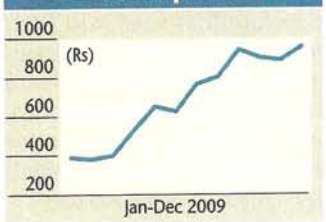
In FY09, it created a record of sorts with profit before tax crossing the Rs100 crore milestone. The company is setting up a new capacity at Dahej in Gujarat, which is likely to go on-stream by June 2010. This is expected to add Rs500 crore to the topline growth.

The company, which has been in existence for over 100 years, having started as a trading company, has set up a good distribution network in the agriculture sector. It is focussing on branded generic products and also using distribution channels to market seeds, fertilisers and other agro inputs.

Rallis has also inked alliances with several multinational firms including DuPont and Bayer, among several others. Going ahead, its contract manufacturing activity is expected to drive the company's next level of growth.

Tata Chemicals is also likely to leverage Rallis' marketing strength and distribution channels for marketing its fertilisers. The earnings per share (EPS) of Rs45 in the first half is more than 75 per cent of the total EPS in FY09.

Share price



Financials

(Rs cr)	Total Income	Net profit	EPS (Rs)
2007	643	58	42
2008	696	125	98
2009	837	72	54

Analysts expect the company's PAT to register a CAGR of 29.6 per cent during the period 2009 to 2012. The return on capital employed (ROCE) and return on equity (ROE) are expected to touch levels of 26.6 per cent and 22.9 per cent, respectively, in the coming year till March 2011.

Thus, on account of improving return ratios and higher net profit growth, the scrip will enjoy a northbound journey. Going ahead, analysts also expect that Rallis could be merged with Tata Chemicals.