

EQUITY RESEARCH

Infrastructure sector

CMP: Rs.329.65
(As on 10-02- 2010)

10-02-2010

INDIA

Market Cap
Rs. 5500.21mn

BUY

Target Price: Rs.395.00



Pratibha Industries Ltd (PIL)

- The company has maintained its order book position over Rs.21000 million and execution period of these orders ranges from one year to four years.
- The Company wishes to diversify and embark upon lucrative and complex highway construction projects of NHAI, Hydra projects and hydro carbon projects in near future.
- Pratibha Industries has bagged a contract worth Rs 1042.0 million from Municipal Corporation of Delhi.
- PIL has secured the contract of circulating water and make-up water system civil works package for Mauda super thermal power project (2 X 500mw) from NTPC. The total value of the contract is Rs 588.5 million.
- Pratibha Industries has secured a prestigious contract for supply of API grade pipes from GAIL (India). The value of the contract is Rs 247.2 million.
- The company to raise funds up to Rs 2 billion via issue of further issue of securities.
- The top line and Bottom line of the company are expected to grow at a CAGR of 30% & 22% over 2008 to 2011E.

One-year comparative graph with BSE



B.Harikrishna
Analyst
Equity Research Desk

V.S.R Sastry
Vice president
Equity Research Desk
91-22-25276077
vsrsastry@firstcallindiaequity.com

Dr. V.V.L.N. Sastry Ph.D.
Chief Research Officer
drsastri@firstcallindia.com

Key Financials	Key Data					
	FY08	FY09	FY10E	FY11E		
Net Sales					Face Value	Rs.10.00
(Rs.mn)	5650.51	8073.43	9830.90	12288.62	Shares	16.69mn
EBIDTA					Outstanding	16.69mn
(Rs.mn)	662.75	966.14	1333.74	1599.55	Exchange	BSE
Margin %	11.73%	11.97%	13.57%	13.02%	52 wk. High/Low(Rs.)	374.40/55.00
Net Profit					2 wk avg. volume	71000
(Rs.mn)	342.61	447.26	488.04	622.63	BSE Code	532718
Margin %	6.06%	5.54%	4.96%	5.07%		

Table of Contents	Page No
1. Peer Group	3
2. Company updates	3
3. Company Profile	7
4. Company Services	9
5. Financials	10
6. Charts	12
7. Valuation	14
8. Sector Overview	15

Peer Group comparison

Name of the Company	52week High/Low(Rs)	C.M.P(Rs)*	EPS(Rs)	P/E(x)
Pratibha Industries	374.40/55.00	329.65	28.61	11.52
Jaiprakash Associates	180.00/41.00	128.20	8.80	14.57
GMR Infrastructure	92.00/34.00	55.10	0.07	787.14
Unitech Ltd	118.00/25.00	72.15	1.69	42.69

* As on 10/02/10

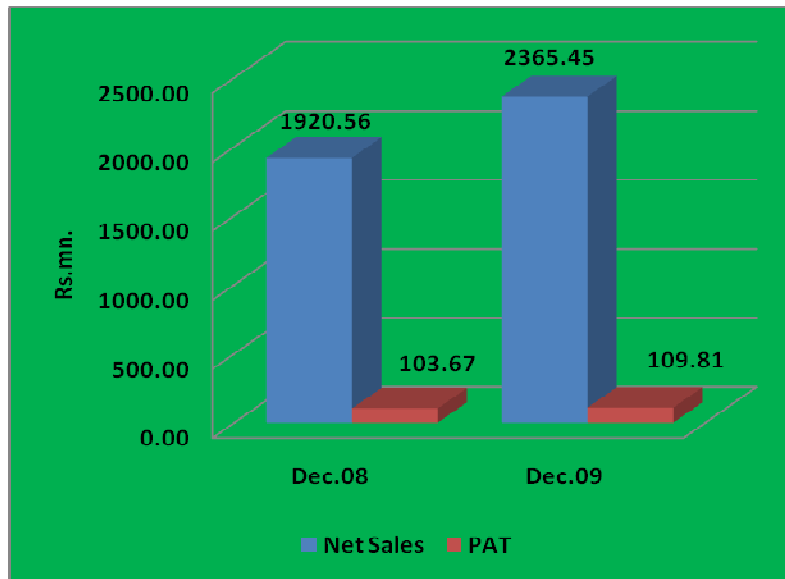
Company Updates

Q3 FY10 Results Update

Pratibha Industries disclosed a small rise in consolidated net profit for the quarter ended December 2009. During the quarter, the profit of the company rose 5.92% to Rs 109.81 million from Rs 103.67 million in the same quarter last year. Net sales for the quarter for the quarter rose 23.16% to Rs 2,365.45 million, while total income for the quarter rose 22.35% to Rs 2,365.82 million, when compared with the prior year period. It posted earnings of Rs 6.58 a share during the quarter, registering 5.92% growth over prior year period.

Quarterly Results - Consolidated (Rs in mn)			
As at	Dec - 09	Dec - 08	%Change
Net Sales	2365.45	1920.56	23.16
Net Profit	109.81	103.67	5.92
Basic EPS	6.58	6.21	5.92

Net Sales & PAT Growth



EPS Growth



Pratibha Industries to raise funds up to Rs 2 bn

The board of the company has approved to raise funds up to Rs 2 billion via issue of further issue of securities. The board has also approved raising of FIIs total holding limit from 24% to 30% of the paid up share capital of the company.

Pratibha Industries bags contract worth Rs 129.89 crore

Pratibha Industries has bagged a contract worth Rs 129.89 crore from Haryana Urban Development Authority for comprehensive water supply scheme at Chandu Budhera village located in Gurgaon district. The new project of the company is in joint venture with privately owned SMS Paryavaran. The contract, which is to be completed within 24 months time, has various components such as designing and construction of raw water collection system, 22 MGD capacity water treatment plant; clear water collection and transmission system which includes 13 km of 1000 mm dia transmission main and electrical, scada and telemetry system. The company will also undertake operation and maintenance for 6 years.

Pratibha Industries bags order worth Rs 104.20 crore

Pratibha Industries, the flagship company of the Pratibha Group has bagged a contract worth Rs 104.20 crore from Municipal Corporation of Delhi. The project involves construction of 3 conventional underground multi-level car parking at new friend's colony, jangpura and kalkaji. The project is to be completed in 15 months.

Gammon India and Pratibha Industries Wins Project from Vajarahalli

The consortium of the Gammon India Ltd. and Pratibha Industries Ltd. has been awarded a project for 'Procurement, Fabrication and Laying of clear water main from Vajarahalli to HBR on the east of Bangalore' from the Bangalore Water Supply and Sewerage Board. The total project cost is Rs.3,094.6 million.

The project has various components, namely 1) MS trunk mains of diameter from 1800 mm to 700 mm of total length of 45 km, 2) DI trunk main of diameter 500 mm of 5 km, 3) external /internal coating and epoxy painting of the pipes, 4) fabrication, laying, jointing, erection and construction of pipe specials, valves, saddle supports, thrust blocks and anchor blocks and 5) interconnection with existing water supply system. The project to be executed in 26 months is funded by Japan Bank for International Cooperation (JBIC).

Citigroup Global Markets Mauritius buys 0.78% stake

Citigroup Global Markets Mauritius bought 0.78% stake in construction and infrastructure development company, Pratibha Industries for an aggregate amount of Rs 40.06 million. It bought 130,000 shares of the company at Rs 304.18 a share at the National Stock Exchange (NSE).

Pratibha Industries bags Rs 303.7 mn order

Pratibha Industries engaged in the business of integrated infrastructure solutions and manufacture of SAW pipes, has secured a contract for comprehensive water supply scheme to Guledgudda town and enroute villages of Bagaikot district with Almatti reservoir as source, from Karnataka Urban water supply and drainage board. The total value of the contract is Rs.303.7 million.

The project has various components namely MS pipelines of various diameter of total length of 47-10 km, construction of 8 lakhs litres capacity RCC ground level storage. reservoir (GLSR) and pump house at Kamatagi village, construction of 10 lakhs litres capacity RCC overhead tank

(out) and 15 lakhs litres capacity RCC ground level storage reservoir (GLSR) in Guledgudda town and design, construction of 13.84 mld capacity water treatment plant (WTP) at Kamatagi. The project is to be executed in 20 months.

Kotak Mahindra (UK) divests 0.60% stake

Kotak Mahindra (UK) has sold 0.60% stake in Pratibha Industries for an aggregate amount of Rs 24.66 million. It sold 100,000 shares of the company at Rs 246.55 a share at the National Stock Exchange (NSE). The company bought shares via its account Premier Investment Fund.

Pratibha Industries bags order worth Rs 588.5 mn from NTPC

Pratibha Industries has secured the contract of circulating water and make-up water system civil works package for Mauda super thermal power project (2 X 500mw) from NTPC. The total value of the contract is Rs 588.5 million. This excludes the cost of raw material to execute the project. The project has various components namely, intake well in river Kanhan, intake water pump house over the intake well, circulating water pump house, circulating water ducts from pump house to cooling tower, RCC CW channel, raw water pump house, laying of make water pipeline and effluent disposal pipeline etc. The project is to be executed in 21 months.

The company is engaged in the business of integrated Infrastructure solutions and manufacture of SAW pipes. As the company moves ahead and have laid increased emphasis on devising its business strategy on aggressive top line growth, a de-risked business model and increased operational efficiencies.

Pratibha Industries bags Rs 2.94 bn project from UP Jal Nigam

Pratibha Industries has secured the contract of Meerut water supply project from UP Jal Nigam, Meerut. The total value of the contract is Rs 2.94 billion. The project has various components, which include 100 mld water treatment plant with PLC / SCADA, laying of 1500 mm to 500 mm dia PSC pipe feeder main, RCC overhead tank, laying and commissioning of distribution system and rising mains, tube wells, pump houses etc including operation and maintenance for five years. The project is to be executed in 24 months including four months trial run.

Pratibha Industries bags order worth Rs 1.5 bn

Pratibha Industries, the flagship company of the Pratibha Group has secured a build, operate and transfer (BOT) project for construction of multi-level parking with commercial development at New Delhi railway station-cum-airport terminal of Airport Express Line from Delhi Metro Rail Corporation.

The cost of construction is estimated to be about Rs 1.5 billion. The project involves construction of four levels of car park two levels of commercial space above proposed New Delhi railway station-cum-airport terminal of Airport Express Line. The project has a construction period of 30 years. The cost of the project is to be covered through collection of parking charges and lease rentals of commercial property.

Pratibha Industries bags contract worth Rs 247.2 mn from GAIL

Pratibha Industries has secured a prestigious contract for supply of API grade pipes from GAIL (India). The value of the contract is Rs 247.2 million. The contract involves manufacture and supply of 50 km. of line pipe of 24 inch diameter as per specification - API 5L, Gr X-70, PSL-2 for its Bawana Nangal Pipeline Project.

Pratibha Industries secures contract worth Rs 1.44 bn

Pratibha Industries has secured a contract for supply, installation and maintenance of automatic meter reading water meters from Municipal Corporation of Greater Mumbai. The total value of the contract is Rs 1.44 billion. The project involves supply, installation and maintenance of 45068 nos automatic meter reading water meters of various sizes as per specification in various city wards. The installation is to be completed in 12 months and the meters are to be maintained for a period of 60 months thereafter.

Pratibha Industries bags contract worth Rs 4.06 bn

Pratibha Industries has secured a contract for replacement of Tansa main pipeline (Section I) from Municipal Corporation of Greater Mumbai. The total value of the contract is Rs 4.06 billion. The project involves replacement of two nos. 1,800 mm diameter existing riveted Tansa mains pipe line by one no. 2,750 mm diameter mild steel welded pipe line (Section I - from Tansa Dam to Jamboli). Approximate length of the pipe line is 13.85 km. The project is to be executed in 45 months.

Pratibha Industries bags Rs 523cr construction contract

Pratibha Industries has bagged a construction contract worth Rs 523.40 crore from National Buildings Construction Corporation for construction of ESIC Medical College at Bihta, Patna. The scope of the project involves construction of ESIC Medical College comprising of hospital building, medical college, hostels, and residential complex including allied services. The project is scheduled to be completed within 24 months time.

Company Profile

Pratibha Industries Ltd (PIL), the flagship company of the Pratibha Group is dedicated and committed to providing the society at large with quality infrastructure in its field of expertise which currently include design, engineering and execution/construction of complex & integrated water transmission & distribution projects, water treatment plants, elevated and underground reservoirs, mass housing projects, commercial complexes, pre-cast design & construction, road construction and real estate.

The company which started with pre-cast products in just over two decades has created a technical niche for itself graduating into a multifunctional construction and infrastructure development company of repute with annual turnover of INR 8060 million. Company's rapid and consistent growth over the years bear testimony to its focus on dedication, quality of production and services through continuously evolving technologies along with timely execution of projects which has won it accolades

and repeated business from their clientele. The Company is having a wholly owned subsidiary Company i.e. Pratibha Infrastructure Private Limited (PIPL).

In 2009, the company has set up its PPP Division (Public Private Partnership). The Public-Private Partnership (PPP) Project would be a project based on contract or concession agreement between a Government or statutory entity on the one side and a private sector company on the other side, for delivering an infrastructure service on payment of user charges.

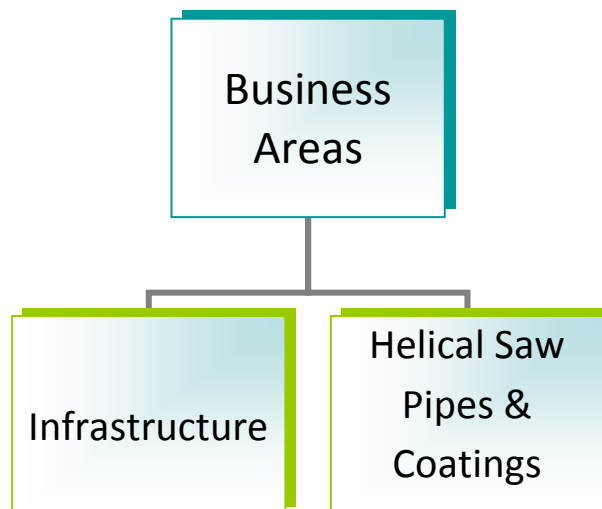
Future Plans

The company over the next few years [2010-2011] on standalone basis or through Joint Ventures, strategic alliances & acquisitions [if a suitable opportunity arises] proposes to have strong presence in road, retail, urban, oil and gas transmission and power segments of the infrastructure sector, apart from water supply segment. It also proposes to be global player in pipe segment and market spill over capacities after accounting for in-house consumption. The said projects will be executed on both, EPC & PPP basis.

Achievements/ recognition:

- Quality Accreditations-ISO 9001.

Business area of the company includes:



1. Infrastructure

- Water supply and Environmental engineering
- Surface Transport
- Special Projects

- Buildings
- Airports
- Railway stations
- Retail Infra
- Hydro Carbon.

2. Helical Saw Pipes & Coatings

Pratibha Industries Ltd - SAW Pipes division, is a part of the USD 185 million Pratibha Group. Its foray into the Helical (Spiral) Saw pipes & Coating Plant is an extension of its vision owing to its technical capabilities and core competency areas of manufacturing of large diameter SAW pipes, custom built structural steel sections and execution of integrated water supply projects amongst others.

In the era of globalization and thriving economies, the energy requirements to meet higher productivity are ever increasing. Conventional methods of transportation are proving expensive and in-efficient day-by-day thereby the need arising for cost efficient, safe, environment friendly and pilfer proof transmission system of OIL & GAS through well developed pipe networks. Besides OIL & GAS, Helical SAW pipes are having a huge potential for town / city water supply and sewerage transportation & structural requirements. The SAW pipes division envisaging a surge in demand in the coming years and to meet the growing global requirements decided.

Company Services

The company engages in the design, engineering, procurement, operation, and maintenance of water supply projects, including supply and erection, testing, and commissioning of steel pipes; supply and erection of pipes of other construction; master balancing reservoirs; water treatment plants; re-cyclenation plants; and elevated storage reservoirs. The company also constructs road, highways, and bridges; urban infrastructure, such as airports, malls and retail infrastructure, high rise and specialty buildings, mass rapid transit systems, car parks, tunneling projects, and railway stations; thermal power plants; and hydrocarbons projects. In addition, the company manufactures saw pipes. It has strategic alliances / special purpose vehicle with Unity Infra-projects Limited, Petron Civil Engineering Limited, and Soma Projects Limited.

Financials Results Update

12 Month Ended Profit & Loss Accounts (Consolidated):

Value(Rs.in.mn)	FY08	FY09	FY10E	FY11E
Description	12m	12m	12m	12m
Net Sales	5650.51	8073.43	9830.90	12288.62
Other Income	0.56	34.35	1.07	2.03
Total Income	5651.07	8107.78	9831.96	12290.65
Expenditure	-4988.32	-7141.64	-8498.22	-10691.10
Operating Profit	662.75	966.14	1333.74	1599.55
Interest	-225.05	-340.51	-534.56	-588.02
Gross profit	437.70	625.63	799.18	1011.53
Deprecation	-35.99	-71.26	-141.78	-170.13
Profit Before Tax	401.71	554.37	657.40	841.40
Tax	-59.10	-107.11	-169.37	-218.76
Net Profit	342.61	447.26	488.04	622.63
Equity capital	166.85	166.85	166.85	166.85
Reserves	1672.12	2080.35	2568.39	3191.02
Face value	10.00	10.00	10.00	10.00
Total No. of Shares	16.69	16.69	16.69	16.69
EPS	20.53	26.81	29.25	37.32

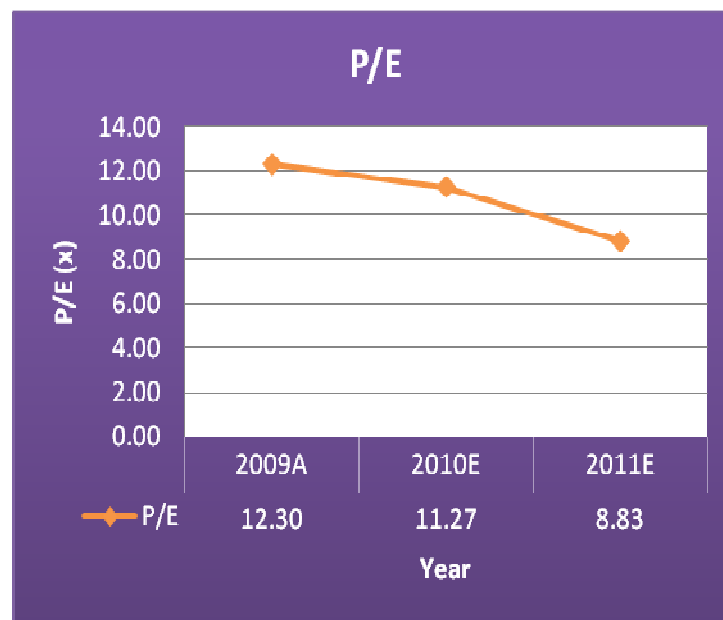
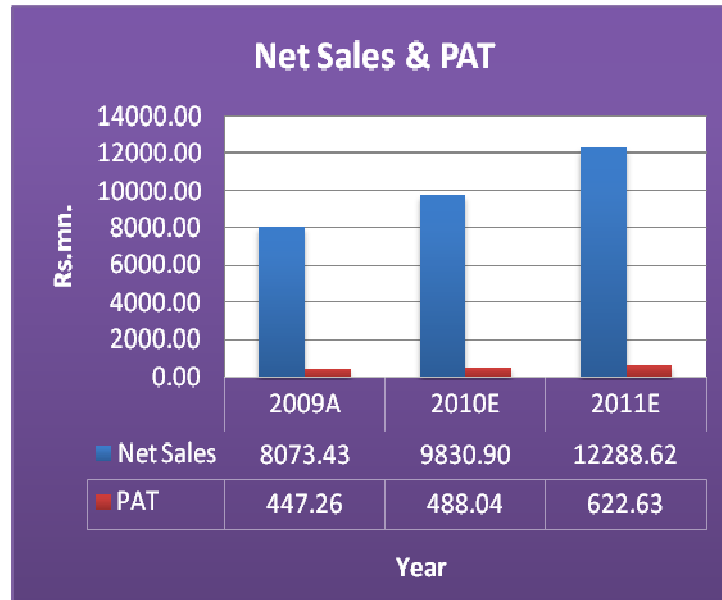
Quarterly Ended Profit & Loss Account (Consolidated):

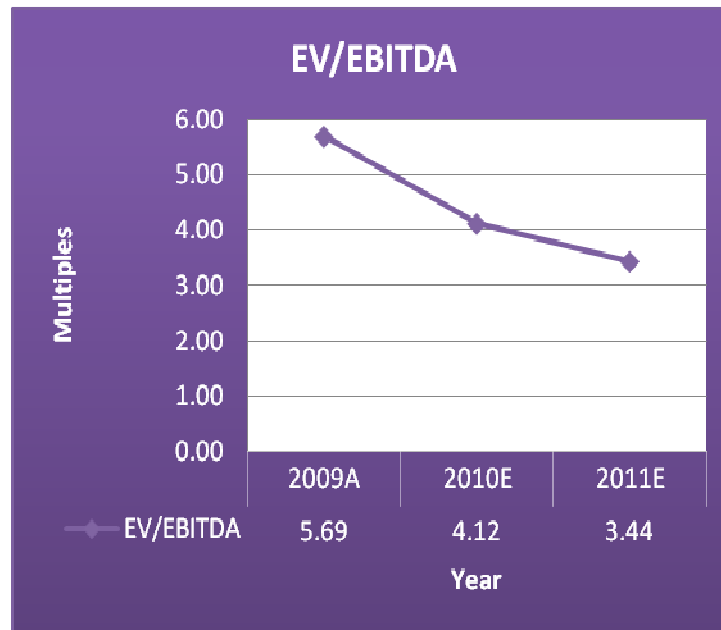
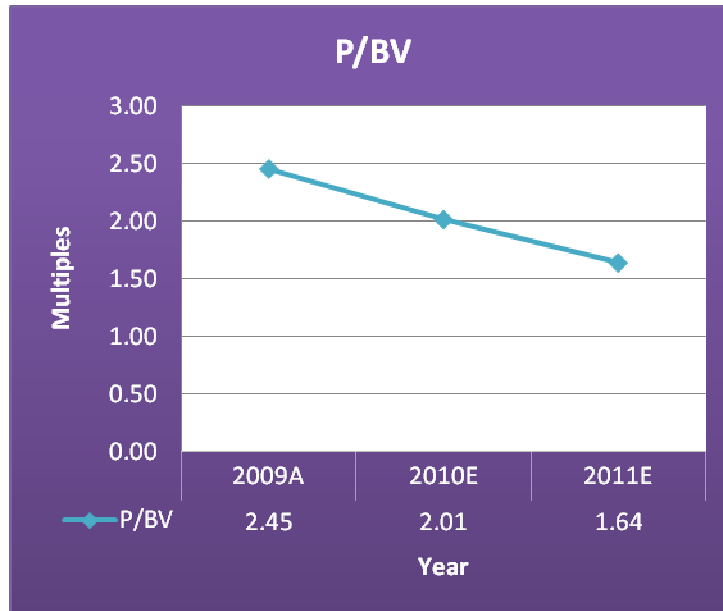
Value(Rs.in.mn)	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10(E)
Description	3m	3m	3m	3m
Net sales	2639.31	2105.87	2365.45	2720.27
Other income	0.29	0.00	0.37	0.41
Total Income	2639.60	2105.87	2365.82	2720.67
Expenditure	-2326.39	-1819.45	-2012.95	-2339.43
Operating profit	313.21	286.42	352.87	381.24
Interest	-99.98	-98.17	-177.06	-159.35
Gross profit	213.23	188.25	175.81	221.89
Deprecation	-22.13	-40.68	-38.52	-40.45
Profit Before Tax	191.10	147.57	137.29	181.44
Tax	-53.54	-41.17	-27.48	-47.18
Net Profit	137.56	106.40	109.81	134.27
Equity capital	166.85	166.85	166.85	166.85
Face value	10.00	10.00	10.00	10.00
Total No. of Shares	16.69	16.69	16.69	16.69
EPS	8.24	6.38	6.58	8.05

Key Ratios:

Particulars	FY08	FY09	FY10E	FY11E
EBITDA Margin (%)	11.73%	11.97%	13.57%	13.02%
Net Profit Margin (%)	6.06%	5.54%	4.96%	5.07%
P/E Ratio (x)	16.05	12.30	11.27	8.83
ROE (%)	18.63%	19.90%	17.84%	18.54%
ROCE (%)	19.85%	19.45%	22.39%	23.03%
EV/EBITDA (x)	8.30	5.69	4.12	3.44
Debt-Equity Ratio	0.72	1.05	0.95	0.85
Book Value (Rs.)	110.22	134.68	163.93	201.25
P/BV	2.99	2.45	2.01	1.64

Charts





Valuation

- ✚ At the current market price of Rs.329.65, the stock is trading at 11.27 x FY10E and 8.83 x FY11E respectively.
- ✚ Price to Book Value of the stock is expected to be at 2.01 x and 1.64 x respectively for FY10E and FY11E.
- ✚ Earning per share (EPS) of the company for the earnings for FY10E and FY11E is seen at Rs.29.25 and Rs.37.32 respectively.
- ✚ Net sales & Operating Profit of the company are expected to grow at a CAGR of 30% and 34% over 2008 to 2011E.
- ✚ On the basis of EV/EBITDA, the stock trades at 4.12 x for FY10E and 3.44 x for FY11E.
- ✚ Pratibha Industries has bagged a contract worth Rs 1042.0 million from Municipal Corporation of Delhi.
- ✚ The consortium of the Gammon India Ltd. and Pratibha Industries Ltd. has been awarded a project for 'Procurement, Fabrication and Laying of clear water main from Vajarahalli to HBR on the east of Bangalore' from the Bangalore Water Supply and Sewerage Board.
- ✚ PIL has secured the contract of circulating water and make-up water system civil works package for Mauda super thermal power project (2 X 500mw) from NTPC. The total value of the contract is Rs 588.5 million.
- ✚ Pratibha Industries has secured a build, operate and transfer (BOT) project for construction of multi-level parking with commercial development at New Delhi railway station-cum-airport terminal of Airport Express Line from Delhi Metro Rail Corporation.
- ✚ Pratibha Industries has secured a prestigious contract for supply of API grade pipes from GAIL (India). The value of the contract is Rs 247.2 million.
- ✚ The order book position stood at around Rs3,345 crore as of Q3FY2010, which is 4.2x its FY2010E revenues. Of the current order book, 63% of the orders come from water supply related works, 32% are from urban infrastructure and the remaining is from road-related works.
- ✚ We recommend '**BUY**' in this particular scrip with a target price of **Rs.395.00** for Medium to Long term investment.

Industry Overview

The Infrastructure sector is currently going through tough phase due to the global slow down. As the sector's dependency on other sectors are much more, any slow down in other sectors will affect the performance of this sector. Decline in the price of commodity and easing interest rates will help the companies to come out from the troubles created by the slowdown. But we expect that the effects of these factors will be seen only from the last quarter of the current fiscal. Slow execution of orders is the main concern for the companies in the sector. Even some companies in the sector are facing order cancellation also.

As a positive indication towards this, the country has witnessed a rapid increase in private investment in infrastructure over the last five years. The estimated investment in infrastructure has now been pegged at USD 500 billion by the end of the Eleventh Five Year Plan. This is both a challenge and an opportunity for the Government as well as for the private sector

The General Index for the month of November grew by 2.4% as compared to the level in the month of November 2007. The cumulative growth for the period April-November 2008-09 stands at 3.9% over the corresponding period of the pervious year.

Hit by the global financial meltdown, the key infrastructure sector industries showed poor performance during December, registering a dismal growth of 2.3 per cent, a trend which economists feel is likely to continue during the remaining part of the fiscal year. With steel and crude oil showing negative growth during the month, six infrastructure industries in December recorded the second-lowest growth during

2008-09, marginally up from 1.8 per cent in November. For the nine-month period of April-December, the growth of the infrastructure sector - crude oil, petroleum refinery products, coal, electricity, cement and finished steel -dropped to 3.5 per cent from 5.9 per cent in the same period of 2007-08.

However, now that the infrastructure sector is struggling with liquidity problem, high interest rates and financing constraints. On the positive side, the government's investment in infrastructure sectors can receive a boost from the fiscal stimulus announced as part of the package to boost economic growth. Despite strong estimated revenue growth of about 25-30 per cent in Q4, net profit growth in the construction sector will only be about 8-10 per cent. This is primarily on the back of higher cost of funds of about 13-14.5 per cent compared to 11-12 per cent earlier.

Meanwhile, there is enough visibility in the infrastructure sector given the order book of 3-3.5 times FY08 revenue. Also, as interest rates are on a downtrend and liquidity is improving, the funding and visibility of the projects could improve. Lastly, the lag effect of lower commodity prices should reduce the pressure on the margins in the coming quarters.

The Indian construction industry

Construction activity is an integral part of a country's infrastructure and industrial development. It includes hospitals, schools, townships, offices, houses and other buildings; urban infrastructure (including water supply, sewerage, drainage); highways, roads, ports, railways, airports; power systems; irrigation and agriculture systems; telecommunications etc. Covering as it does such a wide spectrum, construction becomes the basic input for socio-economic development. Besides, the construction industry generates substantial employment and provides a growth impetus to other sectors through backward and forward linkages. It is, essential therefore, that, this vital activity is nurtured for the healthy growth of the economy.

With the present emphasis on creating physical infrastructure, massive investment is planned during the eleventh Plan. The construction industry would play a crucial role in this regard and has to gear itself to meet the challenges. In order to meet the intended investment targets in time, the current capacity of the domestic construction industry would need considerable strengthening.

In India, construction is the second largest economic activity after agriculture. Investment in construction accounts for nearly 11 per cent of India's Gross Domestic Product (GDP) and nearly 50 per cent of its Gross Fixed Capital Formation (GFCF). Fund injection into the sector could go up to US\$ 124.65 billion by FY2010. Construction accounts for nearly 65 per cent of the total investment in infrastructure and is expected to be the biggest beneficiary of the surge in infrastructure investment over the next five years.

The Indian construction industry recorded a consistent double-digit year-on-year growth (12%) during 2000-2005, and is expected to grow at 25-30% during 2005-2010. The key drivers of this growth are government investment in infrastructure creation and real estate demand in the residential and industrial sectors.

The industry is experiencing increasing polarization between large and small players. These players are increasing their market share through large-scale contracts, joint ventures, and foreign operations. Though an increasing number of small players are also entering the market, most of them do not have the resources to bid for big contracts.

The construction segment constitutes a significant part of infrastructure development in the economy. The following table shows the construction investments figures in the various areas of infrastructure development:

(Rs. in billion)

Particulars	FY02-FY06	FY07-FY11
Roads	1167	2306
Urban infrastructure	536	1150
Power	578	861
Irrigation	514	744
Railways	225	639
Others	193	429
Total	3213	6129

Demand for construction has resulted in the following macro trends:

The increasing spend in the infrastructure sector has resulted in an increased order book for construction companies thereby easing the supply – demand competitive pressure.

Margins of construction companies were adversely impacted by increase in prices of inputs in the past especially steel, aggregate and now cement. Whilst commodity prices continue to exhibit volatility, price escalation clauses are being used to allow for some protection. Whilst partly mitigated, this remains an area of concern.

Construction companies are moving towards public-private partnership, raising funds from the market to finance these projects. Whilst some participants, especially the smaller ones, have adopted a fragmented approach to the market, bidding aggressively, the more established players who have financial strength, experience and access to technology and an appetite to undertake large contracts are adopting a selective approach in their order mix and client selection, leading up to risk management on margins. To accelerate and increase public private partnerships in infrastructure, two major initiatives have been taken by the GoI provision of viability gap funding and Establishment of India Infrastructure Finance Company Limited.

These initiatives are designed to implement public projects to make them financially feasible and involve either a one-time grant or a deferred grant of funds to aid in the respective project. The Indian construction industry is facing the challenges of outdated land and property ownership regulations, infrastructural bottlenecks, and a shortage of civil engineers.

The construction sector has major linkages with the building material industry since construction material accounts for sizeable share of the construction costs. These include cement, steel, bricks/tiles, sand/aggregates, fixtures/fittings, paints and chemicals, construction equipment, petro-products, timber, mineral products, aluminum, glass and plastics.

Power

As the Indian economy continues to surge ahead, its power sector has been expanding concurrently to support the growth rate. The demand for power is growing exponentially and the scope of growth of this sector is immense.

India's total installed capacity of electricity generation has expanded from 105,045.96 MW at the end of 2001–02 to 150,323.41 MW at the end of June 2009. In fact, India ranks sixth globally in terms of total electricity generation.

Source-wise, thermal power plants account for an overwhelming 63.9 per cent of the total installed capacity, producing 96,044.24 MW. Hydel power plants come next with an installed capacity of 36,916.76 MW, accounting for 24.6 per cent of the total installed electricity generation capacity.

Besides thermal and hydel power, renewable energy sources contribute 8.8 per cent to the total power generation in the country producing 13,242.41 MW. Nuclear energy makes up the balance 2.7 per cent contributing 4,120 MW.

Growth Potential

According to a report by KPMG and CII, India's energy sector will require an investment of around US\$ 120 billion-US\$ 150 billion over the next five years.

The government has revised its target of power capacity addition to 90,000 MW in the 11th Five-Year-Plan (2007-12), up by 11,423 MW from the earlier estimate of 78,577 MW to sustain the growth momentum of the economy.

Further, according to the Planning Commission estimates, renewable energy (RE) projects worth US\$ 16.50 billion, for the generation of 15,000 MW power, would come up in the 11th Plan.

Moreover, the government has earmarked a total capital subsidy of US\$ 6.88 billion for providing electricity connections and for the distribution of infrastructure to rural households.

The Indian Real Estate Industry

Size

- Real Estate and Construction is a US\$50 billion (2008) industry in India
- Rapid growth in the industry in the past few years
- FDI it is expected that the sector would witness inflows to the tune of US\$ 8-10 billion by FY 2010
- High demand growth has led to prices doubling over 3 years in many cities.

Outlook

- The Real Estate market is projected to grow to US\$60 billion by 2010 at a CAGR of 40%
- Real Estate companies have been successfully tapping the country's booming capital markets for funds
- Companies have also raised equity internationally at the AIM in London
- Tier 2 cities (non metros) likely to experience faster growth in the future.

Opportunity

- Commercial and office complexes mushrooming in major Indian metros
- Over 20 million new housing units required in 5 years.

Potential

- Several factors are expected to contribute to the rapid growth in Real Estate
- Large demand-supply gap in affordable housing, with demand being fuelled by tax incentives and a growing middle class with higher savings.

- Increasing demand for commercial and office space especially from the rapidly growing Retail, IT/ ITeS and Hospitality sectors.
- The recently announced JNNURM expected to provide further impetus
- Investment opportunities exist in almost every segment of the business
- Housing: About 20 million new units expected to be built in five years
- Office space for IT/ITeS: Five-fold increase in office space requirement over the next 3 year
- Commercial space for organized retailing: 200 million sq. ft. by 2010
- Hotels & Hospitality: Over 40,000 new rooms in the next 5 years.
- Investment opportunity of over US\$75 billion in the next five years.

Disclaimer:

This document prepared by our research analysts does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable but we do not represent that it is accurate or complete and it should not be relied on as such. Firstcall India Equity Advisors Pvt.Ltd. or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision.



Firstcall Research

(KPO Division Of Firstobject Technologies Ltd.)

Firstcall India Equity Research: Email – info@firstcallindia.com	
B. Harikrishna	Banking
B. Prathap	IT
A. Rajesh Babu	FMCG
C.V.S.L.Kameswari	Pharma
U. Janaki Rao	Capital Goods
E. Swethalatha	Oil & Gas
D. Ashakirankumar	Auto
Rachna Twari	Diversified
Kavita Singh	Diversified
Nimesh Gada	Diversified
Priya Shetty	Diversified
Tarang Pawar	Diversified
Neelam Dubey	Diversified

Firstcall India also provides

Firstcall India Equity Advisors Pvt.Ltd focuses on, IPO's, QIP's, F.P.O's,Takeover Offers, Offer for Sale and Buy Back Offerings.

Corporate Finance Offerings include Foreign Currency Loan Syndications, Placement of Equity / Debt with multilateral organizations, Short Term Funds Management Debt & Equity, Working Capital Limits, Equity & Debt Syndications and Structured Deals.

Corporate Advisory Offerings include Mergers & Acquisitions(domestic and cross-border), divestitures, spin-offs, valuation of business, corporate restructuring-Capital and Debt, Turnkey Corporate Revival – Planning & Execution, Project Financing, Venture capital, Private Equity and Financial Joint Ventures

Firstcall India also provides Financial Advisory services with respect to raising of capital through FCCBs, GDRs, ADRs and listing of the same on International Stock Exchanges namely AIMs, Luxembourg, Singapore Stock Exchanges and other international stock exchanges.

For Further Details Contact:

3rd Floor,Sankalp,The Bureau,Dr.R.C.Marg,Chembur,Mumbai 400 071

Tel. : 022-2527 2510/2527 6077/25276089 Telefax : 022-25276089

E-mail: info@firstcallindiaequity.com

www.firstcallindiaequity.com



Firstcall Research

(KPO Division Of Firstobject Technologies Ltd.)