SECTOR: INFRASTRUCTURE

Pratibha Industries

STOCK INFO.	BLOOMBERG
BSE Sensex: 12,462	PRIL IN
	REUTERS CODE
S&P CNX: 3,693	N.A.

Equity Shares (m)	14.3
52-Week H/L (Rs)	390/135
1,6,12 Rel. Perf. (%)	n.a.
M.Cap. (Rs b)	5.1
Avg. Daily Vol. ('000)	413.5

08 May 2006

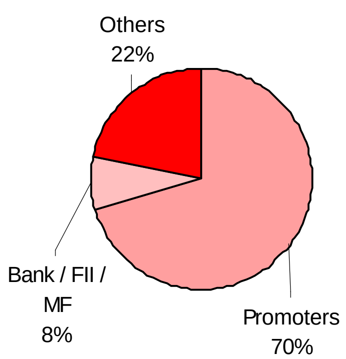
Buy

Rs358

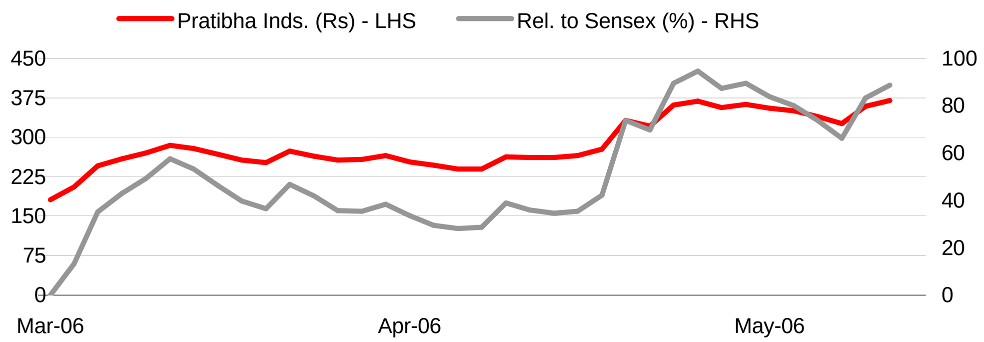
YEAR END	NET SALES (Rs M)	PAT (Rs M)	EPS (RS)	EPS GROWTH (%)	P/E (x)	P/BV (x)	RoE (%)	RoCE (%)	EV/ SALES (x)	EV/ EBITDA (x)
3/06E	1,750	122	8.6	-78.9	41.9	6.2	14.9	18.2	3.1	23.9
3/07E	3,250	220	15.4	80.5	23.2	4.9	21.2	17.7	1.9	14.9
3/08E	5,500	386	27.0	75.0	13.3	3.6	27.0	24.0	1.2	9.1

- **Huge business opportunity :** According to industry estimates, India's infrastructure spend will rise from ~3.5% of GDP to 8% of GDP by 2010. This will result in Rs4,500b worth of contracts per annum. Pratibha Industries Ltd (PIL), a fast-growing construction company, would be a major beneficiary of this huge business opportunity.
- **Diversifying into various construction activities :** Currently, PIL specialises in water-related projects. It is now enlarging its operations and getting into new verticals such as tunneling, oil & gas pipelines, hydro power, real estate and retail infrastructure. Its new spiral pipe mill under group company Pratibha Infrastructure Pvt Ltd will help save costs and expand margins. (We have not factored in any upside from this.)
- **Strong order book position :** Pratibha is sitting on a huge order book of Rs.6.50b, 3.7x FY06E sales. This clearly ensures growth for the next two years at least. Almost 80% of these orders are water-related, a segment which is likely to see huge investments going forward. Unlike many other smaller construction companies, PIL is already present in BOT projects, a channel through which most government orders will materialise in the future.
- **Valuations :** At CMP the stock trades at a PE of 23x FY07E EPS of Rs15.4 and 13x FY08E EPS of Rs27. We recommend a **BUY** with a 2-year price target of Rs550 (20x FY08E), and an annualised return of 25%.

SHAREHOLDING PATTERN



STOCK PERFORMANCE (1 YEAR)



Alok Agarwal (Alok@MotilalOswal.com) + 91 22 39825419 • Amit Purohit (Amitpurohit@MotilalOswal.com) +91 22 39825418

Investment Argument

We are initiating coverage of Pratibha Industries Ltd (PIL) with a Buy at Rs358. Our 2-year target price is Rs550, which gives an annualised return of 25%.

Sitting on huge business opportunity

According to industry estimates, India's infrastructure spend will rise from ~3.5% of GDP to 8% of GDP by 2010. This will result in Rs4,500b worth of contracts per annum. Pratibha Industries Ltd (PIL), a fast-growing construction company, would be a major beneficiary of this huge business opportunity. For details see *Annexure 2 - Business Opportunity for Pratibha* (page 7).

New construction verticals

So far, PIL was focused on water and related infrastructure. It is now getting into new verticals including -

- Complex water supply projects
- Micro/macro tunneling
- Oil & gas pipelines
- Hydro power projects
- Retail infrastructure.

It is also de-risking geographically, and has recently won a project in Jammu & Kashmir.

NEW CONSTRUCTION VERTICALS - AT A GLANCE

Vertical	Remarks
Complex Water Supply Projects	• Pratibha plans to undertake designing & construction of reservoirs, elevated reservoirs, pump houses, water pipelines, etc • It will not only lay the pipelines but also guarantee quantity of water that would get supplied through them • L&T, IVRCL, NCC, Gammon and HCC among others already present here.
Micro/macro tunneling	• Huge opportunity - Rs.20b worth of projects in the next 5 years in Mumbai alone • All hydel power projects will require macro tunneling. PAT margins of 9.5%+ • Pratibha has formed a 50:50 JV with Osto Statan of Austria to tap this opportunity • HCC, Patel Engineering, etc already present here.
Oil & Gas Pipelines & Structurals Pvt Ltd	• Since 1996, Pratibha has been laying LSAW pipes made by group company Pratibha Pipes • Plans to make HSAW pipes under 92% subsidiary Pratibha Infrastructure Pvt Ltd (balance 8% held by Pay Ah Heng Contractor Pte Limited, Singapore) • HSAW pipes extensively used in oil & gas transportation, sewerage, structural formations, thermal power projects and piling pipes for construction of jetties & ports • Planned installed capacity of 45,000 tpa at Wada in Maharashtra; to be commissioned by March 2007 • Rs270m project being funded through Rs120m debt and Rs150m equity/unsecured loans from promoters.
Hydro power projects	• Pratibha in the process of forging alliances/partnerships/collaborations • It plans to bid for 2-3 orders in the next few months including an MIDC tender of 5MW plant.
Retail Infrastructure	• High-growth segment • Pratibha plans to construct malls, petrol pumps, etc.
Real Estate Development	• Pratibha has been executing housing projects for corporates • Plans to build further and undertake independent housing & other projects • Projects worth Rs120m under implementation. We have not taken profits from this activity in our financial estimates.

BOT - Getting there

Unlike many other small/midsized construction companies PIL is already into BOT /quasi BOT segmnet. It has recently bagged Rs2b Kalamboli-Diva pipeline project - a 42 km pipeline to be designed, built & maintained for Navi Mumbai Municipal Corporation which will ensure 24-hour water supply for the region. The project debt-equity is 1:2. It is a deferred payment project with payments being made over 31 months from the date of commencement of project (May 2006) Here the risk is minimized as there is an escrow account guarantee.

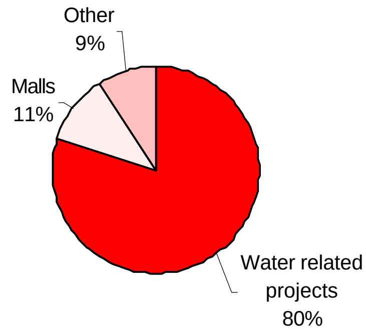
Further it has emerged as the lowest (L1) bidder for a Rs.2.30b (NPV) BOOT project, which involves making a water pipeline for Ulhasnagar Municipal Corporation designed to supply 100 million litres of water daily. The basic cost of the project is estimated at around Rs.940m to be financed through debt:equity ratio of 1:2. This is a thirty year project in 50:50 partnership with Unity Infrastructure carrying an IRR of 14%. The project has 95% offtake guarantee.

Pratibha is also looking at getting into BOT road projects, including NHAI's recently announced 12 new road projects worth about Rs.80b.

Robust order book

PIL has a strong order book of Rs6.50b which is 5.3x FY05 revenues and 3.7x FY06E revenues. This ensures a clear topline visibility for the next 2-3 years. The average gestation period is 1.5 to 2 years. About 80% of the orders are water-based. Rest are from roads, commercial structures and mass housing

ORDER BOOK BREAK-UP



Source: Motilal Oswal Securities / Company

PRATIBHA - MAJOR ORDERS

Order	Value (Rs m)	Scope of activity
Kalamboli-Diva pipeline	2,000	42 km pipeline to be designed, built and maintained for Navi Mumbai Municipal Corporation which will ensure 24-hour water supply for the region
MGL2 water pipeline	980	Laying of a 6km water pipeline between Amar Mahal, Chembur and Vikhroli (both places in Mumbai)
Nirmal Lifestyles Mulund West, Mumbai	700	Construction of 6,50,000 sq.ft. built up area for shopping mall and foundations for a large hotel project. The project is to be completed in 12 months and involves free supply of steel, which means that PIL is not taking a risk on steel prices.
Rangil water supply scheme (order received from J&K Economic Re-Construction Agency)	272	Providing, laying, jointing, testing and commissioning of 50km ductile iron (DI) pipeline for transmission & distribution of water to Srinagar city from Rangil water treatment plant. The project is funded by Asian Development Bank.
Others	2,548	20 small projects, mostly water-related
TOTAL	**6,500**	**Total order book is 3.7x FY06E revenue**

Financials & Projections

The financials of Pratibha Industries have been consolidated with its two JV projects which have been executed in partnership with Petron Civil Engineering Pvt Ltd and Unity Infraprojects Ltd & Multi Media Consultants Pvt. Ltd. The first JV has executed a Rs305m project for Pune Muncipal Corporation, and the second a Rs450m project for Delhi Jal Board. Both the projects have been completed and accounted for in FY06.

For the 9MFY06 Pratibha posted net sales of Rs10.5b, EBITDA of Rs138m (margin of 13.12% against 11.7% in FY05) and PAT of Rs.69.9m.

For FY06E, we expect the company to post revenue of Rs1.75b and PAT of Rs122m.

Going forward, the robust order book and huge potential will result in strong topline and bottomline growth. FY06 through FY08, we expect the company to post a CAGR of 77% in revenues and 78% in PAT.

Valuation & Recommendation

At CMP the stock trades at a PE of 23x FY07E EPS of Rs15.4 and 13x FY08E EPS of Rs27. We recommend a **BUY** with a 2-year price target of Rs550 (20x FY08E), and an annualised return of 25%.

Investment concerns

Increase in raw material price : Increase in cement/ steel price, major raw materials for infrastructure projects, could impact operating margins. However, most of the projects have an escalation clause which enables companies to pass on this cost push.

Equity dilution : As the company grows from a small sized entity to a mid sized one, it may need to increase its net worth, resulting in further issue of shares. However, we believe that incremental order inflow on back of increased net worth would not adversely impact return on equity and earnings.

INCOME STATEMENT (Rs M)

Y/E MARCH	2004	2005	2006E	2007E	2008E
Net sales	**818**	**1,214**	**1,750**	**3,250**	**5,500**
Change (%)	*92.2*	*48.4*	*44.2*	*85.7*	*69.2*
EBITDA	**70**	**143**	**227**	**423**	**712**
Change (%)	*108.3*	*103.0*	*58.9*	*86.4*	*68.6*
Depreciation	4	5	7	10	13
EBIT	**67**	**138**	**220**	**413**	**699**
Interest	30	52	70	140	220
Other income	0	0	3	3	3
PBT	**38**	**87**	**153**	**276**	**482**
Tax	1	5	31	55	96
Rate (%)	*2.1*	*6.2*	*20.0*	*20.0*	*20.0*
REPORTED PAT	**37**	**81**	**122**	**220**	**386**
Adjusted PAT	**36**	**81**	**122**	**220**	**386**
Change (%)	*91.7*	*122.1*	*50.6*	*80.5*	*75.0*
EBITDA margin (%)	*8.6*	*11.7*	*13.0*	*13.0*	*13.0*
PAT margin (%)	*4.5*	*6.7*	*7.0*	*6.8*	*7.0*

RATIOS

Y/E MARCH	2004	2005	2006E	2007E	2008E
Basic (Rs)					
EPS	**18.2**	**40.5**	**8.6**	**15.4**	**27.0**
Growth (%)	*91.7*	*122.1*	*-78.9*	*80.5*	*75.0*
Cash EPS	10.0	42.9	9.0	16.1	27.9
Book value	60.7	92.7	57.4	72.9	100.0
DPS	0.0	0.0	0.0	0.0	0.0
Payout (incl. Div. Tax.) (%)	0.0	0.0	0.0	0.0	0.0
Valuation (x)					
P/E			41.9	23.2	13.3
Cash P/E			39.6	22.2	12.8
Price/Book value			6.2	4.9	3.6
EV/Sales			3.1	1.9	1.2
EV/EBITDA			23.9	14.9	9.1
Dividend yield (%)			0.0	0.0	0.0
Profitability ratios (%)					
RoE	30.1	43.7	14.9	21.2	27.0
RoCE	19.4	24.7	18.2	17.7	24.0
Turnover ratios					
Debtors (days)	100	129	104	168	119
Inventory (days)	71	83	86	80	81
Creditor (days)	46	51	32	34	32
Asset turnover (x)	2.4	2.2	1.4	1.4	1.9
Leverage ratio					
Debt/Equity (x)	1.8	2.0	0.5	1.2	1.1

BALANCE SHEET (Rs M)

Y/E MARCH	2004	2005	2006E	2007E	2008E
Equity share capital	20	20	143	143	143
Preference Capital	0	0	0	0	0
Reserves	101	165	678	899	1,285
Networth	**121**	**185**	**821**	**1,042**	**1,427**
Loans	224	375	400	1,300	1,500
Net deffered tax liability	1	1	2	3	4
Capital employed	**346**	**561**	**1,223**	**2,345**	**2,931**
Gross fixed assets	87	99	160	210	300
Less: Depreciation	12	15	22	32	45
Net fixed assets	**75**	**83**	**138**	**178**	**255**
Capital WIP	0	0	0	0	0
Investments	5	5	7	7	5
Curr. assets	**557**	**980**	**1,432**	**2,764**	**3,576**
Inventory	160	277	410	714	1,220
Debtors	224	429	500	1,500	1,800
Cash & bank balance	11	12	92	100	106
Loans & advances	162	262	430	450	450
Current liab. & prov.	**291**	**507**	**355**	**605**	**905**
Creditors	88	140	125	250	400
Other Liabilities	202	362	225	350	500
Provisions	1	5	5	5	5
Net current assets	**266**	**473**	**1,077**	**2,159**	**2,671**
Misc. exp. (not written off)	0	0	1	0	0
Application of funds	**346**	**561**	**1,223**	**2,344**	**2,931**

E: Estimates

CASH FLOW STATEMENT (Rs M)

Y/E MARCH	2004	2005	2006E	2007E	2008E
PBT before EO items	**37**	**86**	**153**	**276**	**482**
Add : Depreciation	4	5	7	10	13
Interest	30	52	70	140	220
Less : Direct taxes paid	1	5	31	55	96
(Inc)/Dec in WC	-180	-206	-524	-1,074	-506
CF from operations	**-110**	**-68**	**-325**	**-704**	**113**
EO, misc. & other items	0	0	0	0	0
CF from oper. incl. EO item	**-110**	**-68**	**-325**	**-704**	**113**
(Inc)/Dec in FA	-38	-13	-61	-50	-90
(Pur)/Sale of investments	-3	0	-2	0	2
CF from investments	**-41**	**-13**	**-64**	**-50**	**-88**
Inc/(Dec) in networth	8	-17	514	2	1
Inc/(Dec) in debt	183	150	25	900	200
Less : Interest paid	-30	-52	-70	-140	-220
Dividend paid	0	0	0	0	0
CF from fin. activity	**162**	**82**	**469**	**762**	**-19**
Inc/Dec in cash	**11**	**1**	**80**	**8**	**6**
Add: Beginning balance	1	11	12	92	100
Closing balance	**11**	**12**	**92**	**100**	**106**

ANNEXURE 1:

Company background

Promoted by Ajit B Kulkarni, PIL began operations as a partnership firm making pre-cast products. It became a corporate entity in 1995. Today, PIL is in the business of infrastructure development with focus on water supply, sewerage, road construction, mass housing, commercial public utilities like railway stations complexes, EPC contracts for oil & gas transmission and pre-cast design & construction. The company has been awarded more than 50 contracts in last 7 years from various authorities, some of which are listed below.

IMPRESSIVE CLIENT LIST

BMC	MIDC / CIDCO
Delhi Jal Board	NTPC
Army Housing Welfare Corp.	PWD
Indian Railway Welfare Org.	Govt. of Maharashtra
Urban Water Supply and Drainage Board	MSRDC
Gujarat Water Supply and Sewerage Board	MMRDA

Business segment overview

Water supply and distribution system

This is the main business of the company as is evident from its 80% share in the total order book. The activities include laying water pipelines, water treatment plants, water storage system, water reservoirs, etc. At present, the company has on hand 21 projects worth Rs5.2b, of which one is a joint venture.

Road construction

Pratibha has recently entered into road construction activities like building concrete roads, bridges and flyovers. The company recently completed concrete road construction projects for Akola and Pune Municipal Corporations. It has received contracts from MSRDC worth Rs66m for designing of a high level bridge at Pune.

Housing & real estate

Pratibha has presence in both mass housing and real estate development. The company has earned a reputation for mass housing projects with various housing authorities such as Indian Railway Welfare Organization (IRWO) - 312 flats, Army Welfare Housing Organization (AWHO) - 246 flats and CIDCO. In real estate, the company has constructed housing projects and commercial complexes.

Environment engineering

Most of the projects in this space are on lumpsum contract basis with BOT model slowly making its way. Pratibha, which is presently executing government contracts on lumpsum basis would eventually cash in on the privatisation process.

Pre-cast design and construction

Pratibha is involved in design and manufacture of pre-cast concrete structures like slabs, columns, beams, lintels used in large-scale construction activities, specially for mass housing projects which need to be completed in shortest possible time. The company has developed requisite expertise in this field and has executed number of projects successfully in the past.

IPO details

In February 2006, Pratibha Industries made an IPO for 4,285,000 equity shares of Rs10 each with a price band of Rs100-Rs120. The net proceeds of the issue were earmarked for BOT/BOOT projects, investment in Pratibha Infrastructure Pvt Ltd (a spiral welded pipe project), long-term working capital margin, and part repayment of existing debt/loan.

Total requirement of funds

Particulars	Rs Million
Investment in BOT/BOOT projects	150
Investment in Pratibha Infrastructure Pvt. Ltd	140
Long term working capital margin	120
Repayment of debt/loan	10

ANNEXURE 2:

Business Opportunity for Pratibha

Infrastructure - A prerequisite for growth

It's a foregone conclusion that if India is to sustain an 8% plus GDP growth going forward then adequate infrastructure is a prerequisite. Recognising this, various Indian governments, since the beginning of this century, have been putting adequate efforts to put in place this vital link. The golden quadrilateral project (5,846 km of road network), now nearing completion, is a fine example of this. Beginning with roads, government's passion for infrastructure has spread to other segments as well such as power, urban infrastructure, pipelines, seaports, airports, railways, water, et al.

Recognising its financial limitations government is promoting PPP or public-private partnership (BOT) for large infrastructure projects. In fact a major trend that has emerged in the country is infrastructure development through private initiative. Viability gap funding emerged as a viable alternative as per guidelines issued by the government in August 04. Government provides as much as 40% of the project cost as viability funding in selected projects. Major beneficiaries of BOT projects would be projects related to roads, ports, airports and rail corridors. Industry estimates point towards projects of about Rs.600b in road BoT projects under NHDP alone in the next 5 years.

Infrastructure spend woefully inadequate

India's infrastructure spend so far has been woefully inadequate. In FY03 it was $21b, just about 3.5% of GDP as compared to $150b for China or 10.6% of GDP. In FY05, this figure increased to $24b but still low at 3.5% of GDP. However all this is posed for change.

Based on the current trend, by 2010, the government is expected to increase infrastructure spend to $100b/ annum or about 8% of GDP to help India achieve and sustain 8-9% GDP growth. This would mean infrastructure spending will achieve 18% CAGR growth and within this water supply 10%, roads 29%, and airports 30%. Construction industry and companies will be major beneficiaries of all this, as construction component is normally about 65% of total infra spend.

International opportunity

Even as domestic opportunity is huge, the international scenario too offers excellent growth prospects for Indian construction companies. Global construction business size is estimated at about Rs.176 trillion and India's share in this is a minuscule Rs22b.

Segment Analysis

Water - Supply & Distribution/Pipelines

Pratibha is rightly focused on building water related infrastructure as this is one segment where the future lies.

Water, not an infinite resource, has to be harnessed and managed as an economic asset. More so for India because we have16% of world population but only 4% of world's fresh water resources. The annual average precipitation of rain water in the country is estimated at about 4,000 bcm (billion cubic meters) of which only about 690 bcm is put to profitable use. The rest is lost in filtration, evaporation, topographical and other constraints.

Water shortage has become a way of life in most Indian cities, with supplies of 4-5 hours a day compared to Asia-Pacific average of 19 hours. Water table has steadily declined. In order to satiate cities' demand for water, long distance pipelines have to be laid connecting the source and the user. According to a study conducted by CPHEEO (Central Public Health and Environment Engineering Organisation) for documenting the 10th five year plan an investment of Rs.537b will be required for providing various scheme aimed at covering the entire urban population of India. This comprises Rs.282.4b towards water supply, Rs.231.57b towards sanitation and Rs.23.23b for solid waste management.

Rainwater harvesting, pumping in water from distant sources and desalination are the various methods being looked into to alleviate tight water supply situation.

All this clearly indicates that water related infrastructure will form a major portion of infrastructure/construction companies going forward.

Spirally Welded Pipe Business

Major end uses of pipes & tubes are water supply & distribution, housing, irrigation, industrial application & transportation of petroleum products. One of the largest consumers of spirally welded pipes is the oil & gas industry for its pipeline infrastructure. Pipelines are the most cost-effective way of transporting petroleum products (crude, petroleum & diesel) and gas. According to industry sources it costs barely Rs.1.30/km to move a ton of oil products by pipelines while railway costs Rs.2.20/km and road Rs.3.02/km. Oil & gas pipeline infrastructure in India so far has been minuscule at about 15,000 km in comparison to France 1,70,000 km and US 3,29,000 km. Only 25% of oil products are moved by pipelines in India compared to 59% in USA.

Moreover as against a demand of 117 million metric standard cubic meters/day supply of gas in India is only 70 mmscmd. The demand is likely to increase to 166 mmscmd by the end of FY07. Moreover, unlike oil & water, gas cannot but be transported by pipes.

HSAW or spirally welded pipes have recently found acceptance as a reliable medium for onshore transportation of gas following Gail awarding orders to PSL Ltd (largest manufacturer of HSAW pipes in the country) for its DUPL pipeline. Even Reliance is actively considering PSL as a major supplier for its Kakinada to Jamnagar pipeline project.

Roads

At about 33 lakh km, Indian road network is the second largest in the world, carrying almost 85% of passenger and 70% of freight traffic. Of this, though highways make up only 2% of the overall road network, they account for almost 40% of the surface traffic. Condition of Indian roads has been historically pathetic leading to an inefficient transport system and high cost economy.

In the last few years a series of initiatives have been taken to address this situation and improve in road conditions -

- NHDP (National Highway Development Project by National Highway Authority of India)
- PMBJP (Pradhan Mantri Bharat Jodo Pariyojana) and
- PMGSY (Pradhan Mantri Gram Sadak Yojna).

Giving it the due importance it deserves, roads are likely to account for Rs.859b or 24% of Tenth 5-year Plan's construction spending. Most of the projects now being undertaken are through the BOT mode being financed through public-private partnership. NHDP comprising seven phases is estimated to cost $38b scheduled to be completed by 2012. NHDP III spanning about 10,000 km is being launched. In his last budget the FM has enhanced budgetary support for NHDP from Rs.93.2b to Rs.99.45b in FY07. He has also announced an accelerated road development program for the NE region at an estimated cost of Rs.46.18b. The government has also decided to develop 1,000 kms of access-controlled expressways on the DBFO model (Design, Build, Finance and Operate). The sectors identified are Vadodra-Mumbai, Delhi-Chandigarh, Delhi-Jaipur, Delhi-Meerut, Delhi-Agra, Bangalore-Chennai and Kolkatta-Dhanbad.

Mass Housing, Real Estate Development, Urban/ Industrial Infrastructure

This segment includes mass housing projects, real estate, industrial buildings, commercial buildings, IT parks, shopping malls, sports complexes, hospitals, petrol pumps among others.

Construction spending on urban infrastructure in the Tenth Plan itself is expected to be around Rs.827b on the back of expected growth in Indian industry & economy, increasing urbanisation and household growth. Volume of business in real estate is estimated at Rs.528b. Almost 80% of real estate development in India is residential space. Total number of houses required in India during the Tenth Plan has been assessed at 22.4m.

In the FY06-07 Union Budget, government has extended till FY09 tax exemption under Section 80I on profits from construction of industrial parks. Similar tax exemption for profits from construction of residential buildings under section 80I is already in place till FY08.

The National Urban Renewal Mission (NURM) plans to cover 60 cities for development of urban infrastructure and spend about Rs.500b in the next 5 years. In the last budget the government has provided a grant of Rs.46b to NURM. Projects which are under active consideration are Mumbai and Bangalore metro rail projects apart from other projects in MP, Maharashtra & Gujarat.

Power Projects

India's power supply needs to grow 12% to keep pace with its GDP growth. In FY06 power generation grew just 4.7%. FY05 through FY12, India is likely to add 68,000 MW of power generation capacity, generating an estimated capex of Rs3-4,000b of which Rs100b is likely to be for civil works.

Construction segment in hydro power sector is expected to be 57% of the total investment of Rs.526b in the power sector in the Tenth 5-year Plan. Government has set itself a target of adding 20,000 MW of power in the Eleventh 5-year Plan (FY07 to FY12). Ministry of power has recently invited bids for 5 ultra mega power projects of 4,000 MW each of which two will be pithead in Chattisgarh and MP and three will be coastal in Gujarat, Karnataka and Maharashtra.

Marine Works

India's seaports are clogged as their capacity is woefully inadequate to handle country's foreign trade. Investments in this sector are likely to touch $1.9b. Moreover things are going to brighten up with the government's approval of National Maritime Development Program. The port sector alone will require about Rs558b. In the recent budget, the plan allocation for the Department of Shipping has been enhanced to Rs7.35b, up 37%. The government is also planning to set up a deep draft port in West Bengal.

Airports

Driven by the rise in the tourism and emergence of low cost carriers, passenger traffic at the airports is expected to show a strong growth of 20% over the next two years. However, the airport infrastructure is inadequate and has not been able to keep pace with rising traffic. Also, there is lack of connectivity between the airports with most of the airports unable to carry international traffic owing to absence of long runways. More than 65% of the total passenger and cargo traffic is being handled by only two airports namely, Mumbai and Delhi. All this clearly indicates a need for improving the existing airport infrastructure and opening of new airports at the major cities.

Over the past two years, the government has recognized this and laid down legal framework for operational flexibility to private operators and 74% private player participation in airports with a cap of 49% on foreign shareholding. The total investment over the next 5-6 years is expected to be ~$4-5bn.

For more copies or other information, please contact
Institutional: Navin Agarwal. **Retail:** Relationship Manager (RM) or MOSt Franchisee
Phone: (91-22) 39825500 / 56575200 Fax: (91-22) 22816161. E-mail: inquire@motilaloswal.com

Disclosure of Interest Statement	**Pratibha Industries**
1. Analyst ownership of the stock	Yes
2. Group/Directors ownership of the stock	No
3. Broking relationship with company covered	No

MOSt is not engaged in providing investment-banking services.