

9th
Annual Report
2005-06



Board of Directors & Corporate Management
(As on March 31, 2006)
Chairman & Managing Director

Kishore Avarsekar

Executive Directors

Mrs. Pushpa Avarsekar

Vice Chairman & Managing Director

Abhijit Avarsekar

Ashish Avarsekar

Directors

Vijaykumar K. Rane

Chief Operating Officer

Yogen Lal

Anil G. Joshi

Chaitanya Joshi

Chief Financial Officer and Company Secretary

Suresh Iyer

Sushant Karpe

Senior Vice-President

Iftekar Ahmed

Chief Procurement Officer

Rajiv Shah

Vice President – Accounts and MIS

Madhav Nadkarni

Registered Office :

 Pushpanjali Apartments, Old Prabhadevi Road,
 Prabhadevi, Mumbai 400 025.

Telephone: 022-5666 5500

Fax: 022-5666 5599

 Website: www.unityinfra.com
Registrars & Share Transfer Agents
Karvy Computershare Private Limited

Karvy House, 21, Avenue 4,

Street No. 1, Banjara Hills,

Hyderabad-500 034, India

Tel: (91 40) 2331 2454

Fax: (91 40) 2331 1968

 Email: unity@karvy.com

 Website: www.karvy.com
Bankers

1. State Bank of India
2. State Bank of Indore
3. ICICI Bank
4. United Western Bank
5. Abhyudaya Co-op Bank
6. Dena Bank
7. UCO Bank
8. Bank of India

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Auditors

C. B. Chajjed & Co.

Solicitors

Mulla & Mulla & Craigie Blunt & Caroe

Amarchand & Mangaldas & Suresh A. Shroff & Co.

Unity Infraprojects Limited

9th Annual Report 2005-06

Chairman's Letter :

Dear Shareowners,

At the commencement of a new year, it gives me great pleasure to apprise you of the progress your company has made. With our vision and your support, we hope to sustain the strong growth that we have witnessed so far.

Strong, lasting relationships are the pillars of Unity's success and its future. Every day, we nurture existing relationships, and gain new ones, so that Unity is stronger than the day before. For more than two decades, an experienced management team and a workforce that includes the most skilled personnel in the industry have been striving hard to create a company that will endure as an eminent leader in construction and infrastructure.

Unity is built to last, thanks to strong enduring relationships that we enjoy with our clientele, vendors, alliance partners and community at large. Unity's employees used their expertise, to make the best of market conditions. An important source of encouragement during the year was continuous growth by increase in the number of projects bagged by Unity.

The construction industry in India is probably the largest employer in the country after the agriculture sector, employing almost 18 million people. Moreover this sector is witnessing high growth as a result of large investments being made in roads and other infrastructure areas. The construction industry is beginning to play an important role in India's development. It is widely acknowledged that for India to sustain a compounded Annual Growth Rate at a rate of 8 per cent over the next decade will depend on its ability to create assets in physical infrastructure. The greatest challenge for the country is to create and develop projects which are profitable for all stakeholders. This will require speed, innovation and flexibility from both governments and private sector infrastructure players.

I am confident about the growth in the Indian economy and excited about the opportunities; this growth will provide to the construction sector. If the governments focus on infrastructure stays, then the importance of this industry is likely to increase further in the future.

We have always focused on *Building a Better World* by giving importance to our long-term and stable relationships with all our clients and will continue to do so. Through our commitment to marketing on a national scale, we have positioned Unity favorably in the minds of the prospective clients, which we are confident, will lead to an increase in the order book value as the economy continues to improve. By creating demand and reaping its rewards, we intend to secure bigger projects and venture into newer sectors.

We continue to strive to uphold Unity's name as an icon for quality, dependability and trust, reckoned for adding value to modern infrastructure and changing urban landscape in India.

Allow me to take you through a brief review of your Company's performance and future plans.

A. Performance in Numbers

The turnover achieved by your company was Rs. 328.74 crores for the year ended March 31, 2006, and has shown an increase of 23.92% from Rs. 265.3 crores in the previous year. The net profit after tax was at Rs. 24.59 crores from Rs. 11.86 crores last year. With the excellent results seen, your directors recommended an increased dividend of Rs. 2 per equity share for the year, up from Rs. 1.5 per equity share last year.

B. Encouraging Response to IPO

The book building initial public offer and subsequent listing your company in June received a very encouraging response from investors, even when the stock market was in turmoil. The public issue of 3,443,000 equity shares of Rs.10/- each in a price band of Rs. 651 to Rs. 732, saw shares finally issued at Rs. 675 per share. The issue constituted 25.76% of the fully diluted post issue paid up capital of your company.

C. Sustainable Growth Trajectory

The good times look eminently sustainable. This fiscal year, your company added orders close to Rs. 630 crores to the order book, which now stands at early Rs. 1637 crores. The month of July alone saw your company bag orders to the tune of Rs. 442 crores.

The bulk of the current order book, i.e. Rs.1000 crores comes from civil construction projects, while irrigation and water supply contributes Rs. 348.7 crores, and transportation Rs. 288.34 cores. Most of these orders will be executed over the next 24-30 months. In terms of contracts, 36% are from the Central Government, 28% from State Governments, 26% from private clients, while the rest is spread out between World Bank and Municipal Corporation projects.

D. Business Strategy

A sustainable growth trajectory depends on key business strategies that your company will steadfastly follow.

- **Diversification - Focus on Infrastructure**

In the next few months, your company will be bidding for mega projects in roads and irrigation sectors. Power sector will also be a target area. We will continue to focus on concrete road projects and municipal road projects and consciously avoid the cut throat competition prevailing in the sector.

- **Diversification – not just Mumbai**

When your company started out, most of the projects handled were Mumbai-based. There has been a concerted effort to venture into other territories, and Mumbai accounts for only 33% now. Maharashtra ex-Mumbai consists of 25%, Andaman and Nicobar 15.2%, Andhra Pradesh 7.7%, Delhi 6.4%, Tamil Nadu 3.67%, Nepal 3.09%, and the North-East 2.84%. Your company plans to focus on Calcutta as a growth centre in the East.

- **Focus on turnkey and Build-Operate-Transfer projects** to maximize margins

- **Conservative but Sure Bidding**

Your company has traditionally opted to bid conservatively, but we focus only on those projects where the site margins are high, around 18-20%. That also contributes to the high EBITDA levels of around 13%.

- **Minimizing Raw Material costs**

Even though the cost of cement has increased in the past six months, your company has been relatively secure, as we are ACC's largest consumer in Mumbai and get better prices than the market. By focusing on turnkey projects, rather than run-of-the-mill projects also, your company has managed to minimize costs and maximize margins.

- **Backward Integration**

This is especially apparent in the roads segment, as your company bids only for concrete road projects, so that we benefit from our backward integration in concrete production.

- **Safeguard against External Factors**

Up to 89.1% of the contracts undertaken by your company are covered by escalation clauses, thus minimizing the effect of rising oil prices and inflation rates.

- **Lower reliance on Joint Ventures ahead**

Your company had gone in for JV's to acquire skill sets for a particular sector and then bid for projects on its own, in the future. Most of the key joint ventures like Thakur - Mhatre Joint Venture and with Backbone Projects Limited have come to an end.

E. Drivers Ahead

Your company is confident that margins will not slow down in the year ahead. Going by the performance so far there are no signs visible of a slowdown. Since December 2005, the order book has grown by close to Rs. 500 crores, and this is only in the first four months of the current fiscal.

With the Balance Sheet close to around Rs. 270 crores, your company is confident enough to attempt projects around three to four times that size. Today, we are attempting projects in the range of Rs.100 crores and above.

Some of the special projects we are looking forward to :

- Tsunami Relief Housing Project in the Andaman and Nicobar Islands, valued at Rs. 250 crores.
- Turnkey Hospital Project for the Ministry of External Affairs in Kathmandu, Nepal, aggregating Rs.50 crores.
- Airport Terminal Projects, in line with the Mumbai terminal, for which your company is engaged in discussions with the concerned developers.
- Slum Rehabilitation Project which is awaiting approval. There is also the Dharavi Redevelopment Scheme, likely to be floated soon by the Maharashtra Government.
- Ulhasnagar BOT Project is still awaiting approvals from the relevant authorities, and this is expected to give us some handsome returns.
- Special Economic Zone Projects, for which your company is in talks with various developers, especially in Mumbai and Navi Mumbai.

Dear Shareowners, all this that I have outlined, has been possible because of your firm support and faith in the management of your company. I am confident that with this ensured, Unity Infraprojects Limited will emerge as one of the prime Indian Construction and Infrastructure Companies.

I thank you once again.

Kishore Avarsekar,

Chairman and Managing Director

Unity Infraprojects Limited**9th Annual Report 2005-06**

MANAGEMENT DISCUSSION & ANALYSIS**Overview**

Unity Infraprojects Limited is one of India's leading engineering and construction companies. The company provides integrated engineering, procurement and construction services for civil construction and infrastructure sector projects. Unity's project expertise includes: civil construction, transportation engineering, irrigation and water supply projects.

Industry Structure and Developments

The company operates in construction industry which has a mix of big, mid sized, small and very small players. Due to the current growth in the construction activity there is very healthy growth in the order book positions and turnovers of almost all construction companies.

Infrastructure being vital for economic development of a country activities related to infrastructure have gathered momentum in the last few years. Significant measures are being initiated by both State and Central Governments with several projects being planned in sectors like road and highways, ports, airports, railways, and water supply, to name a few.

Strong growth rates were achieved in electricity generation, telecom, railways, roads, ports and civil aviation. Though the initiatives taken in the number of sectors like railways, roads, etc. have started yielding results, the government has identified that infrastructure inadequacy constrains economic growth. The government has recognized that ports need to have adequate policy framework to promote inter-port and intra-port competition. Also in the civil aviation sector, there is an immediate need to improve regulation and to build better airports.

To sustain its current pace of growth, India will require a significant boost in infrastructure investment, from its current level of 3.5% of GDP to about 8%, according to think tanks at the Asian Development Bank. In the roads sector, the government has been encouraging private participation, via measures like duty-free import of machinery, tax exemption, FDI up to 100% high concession period for BOT operators and easier borrowing norms. The government has adopted a similar sharp focus in the power sector, envisaging massive expansion, allowing measures like increased Budgetary spending, promotion of languishing state government projects, easier procedures, improving tariff structures and identification of new projects.

Some other crucial areas where both construction and infrastructure come into play are Special Economic Zones, civil aviation and airport modernization, irrigation projects and port development, where the amount of investment expected is huge.

The growth in the Indian economy has led to a growth in per capita income levels, which has fueled an increasing demand for housing, transportation and commercial facilities. Easier access to capital due to easy availability of housing loans, tax benefits from the government and India's success in the IT/ ITES sector has provided a boost to the construction industry. It is estimated that the growth in the IT/ ITES sector will mean construction investments of Rs. 148 billion by F.Y.2008, compared to the aggregate investment of Rs. 74 billion over F.Y. 03-05. The boom in the retailing industry is expected to a further construction investment of Rs. 112 billion over the next five years.

Opportunities and Outlook

When Unity started out, most of the projects the company handled were in and around Mumbai. There has been a concerted effort to venture into other territories, and now Mumbai accounts for only 33% Maharashtra ex-Mumbai consists of 25%, Andaman and Nicobar 15.2%, Andhra Pradesh 7.7%, Delhi 6.4%, Tamil Nadu 3.67%, Nepal 3.09%, and the North-East 2.84%. There are plans to focus on Kolkata as a growth centre in the East.

In the next few months, the company will be bidding for mega projects in transportation and irrigation and water supply sectors. Power sector will also be a target area, though it is too soon for any concrete plans.

With the Balance Sheet close to around Rs. 270 crores, the company is confident enough to attempt projects around three to four times that size. Today, Unity is attempting projects with greater contract values.

The Company's decision to concentrate on **Turnkey and Build-Operate-Transfer projects** is designed to maximize margins. The Company has traditionally followed the route of conservative bidding, only for projects where the margins are above average. Going by our performance in the first quarter, we expect to maintain our growth rate in the current financial year as well.

Unity has also decided to venture into projects where the company used joint ventures earlier. The thinking that drove the earlier JV's was to first acquire the necessary skill sets for a particular sector from the partner, and then bid independently.

Company Financial Performance

Particulars	March 31, 2006 (Rs. in 000's)	March 31, 2005 (Rs. in 000's)
INCOME		
Turnover	3,287,428.16	2,652,970.09
Share of profit - Joint ventures	16,584.83	26,508.94
Other income	27,724.42	26,595.77
	3,331,737.41	2,706,074.80
EXPENDITURE		
Construction expenses	2,614,574.81	2,248,179.80
Employees remuneration and welfare expenses	90,225.66	45,207.57
Office and establishment expenses	153,569.91	151,535.47
Finance charges	128,679.22	68,638.18
Depreciation	38,224.85	16,805.48
	3,025,274.45	2,530,366.50
PROFIT BEFORE TAX	306,462.96	175,708.30
Provision for tax	60,533.90	57,045.25
PROFIT AFTER TAX	245,929.06	118,663.05
(Short)/Excess provision for Tax of earlier years	(281.89)	2,599.34
NET PROFIT FOR THE YEAR	245,647.17	121,262.39

This fiscal year, the company added orders close to Rs. 611.12 crores to the order book, which now stands at about Rs. 1637 crores. The bulk of the current order book, up to Rs. 1000 crores comes from civil sector projects, while Irrigation and Watersupply contributes Rs. 348.7 crores, and Transportation Rs. 288.34 cores. Most of these orders will be executed over the next 24-30 months. In terms of contracts, 36% are from the Central Government, 28% from State Governments, 26% from private clients, while the rest is spread out between World Bank and Municipal Corporation Projects.

Risks and Concerns

There are certain inherent risks associated with the construction and infrastructure business, a few of which can be listed here. A significant part of the company's business transactions are with governmental agencies and any change in government policies may affect our business. Our profitability will also be affected adversely in the event of increases in the price of raw materials and fuel costs. Delays associated with the collection of receivables from our clients may adversely affect the company's operations. The company's insurance coverage may also not adequately protect it against all material hazards.

However, the company has also adopted certain strategies to ensure high returns: backward integration of concrete production reduces the cost involved in our road projects; and ensuring that up to 89.1% of our projects are covered by an escalation clause minimizes the effects of rising oil prices and inflation rates.

Internal Control Systems and their Adequacy

The company has a proper and adequate system of internal control to ensure that all assets are safeguarded and protected against any loss from the unauthorized use or disposition, and that all transactions are authorized, recorded and reported correctly. The company's internal control systems are supported by an adequate programme of internal audit conducted by an external firm of Chartered Accountants and external Auditors, periodically reviewed by the management together with the Audit Committee of the board. The management also regularly reviews the operational efficiencies, utilization of fiscal resources, and compliance with laws so as to ensure the optimum utilization of resources and achieve better efficiencies.

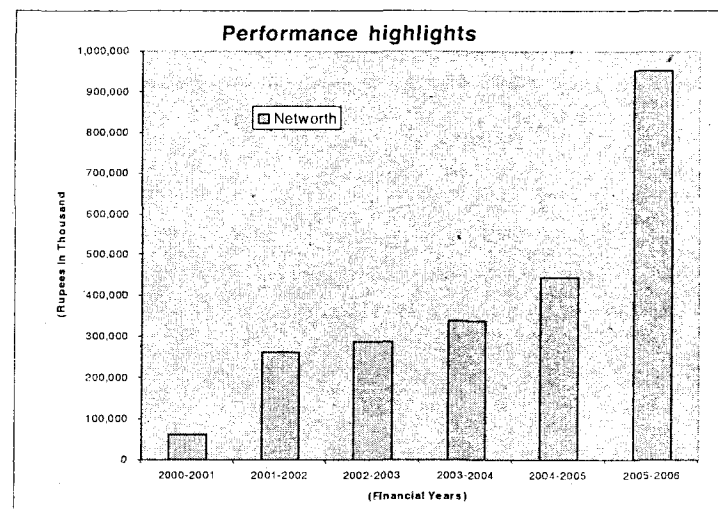
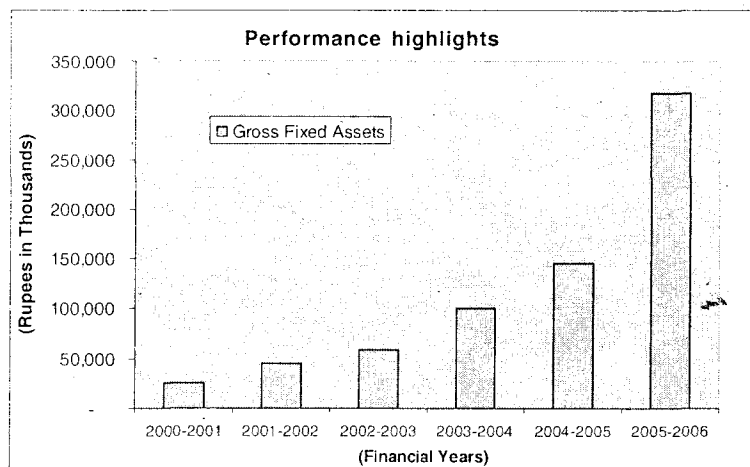
Human Resource Developments

The company places a high emphasis on the well being of its employees. Training and development activities are identified, organized and progress monitored as part of human resources development activities. We are aggressively focusing on attracting and retaining the best manpower available. Adequate welfare measures are in place and the company will continue to improve the same on an ongoing basis.

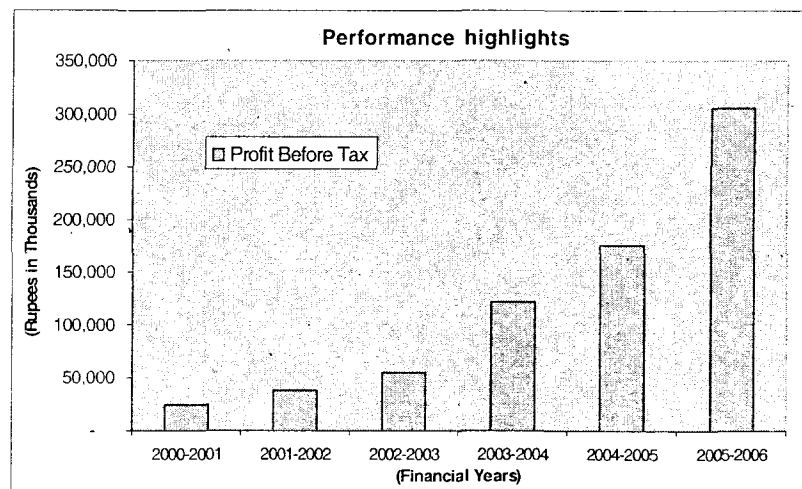
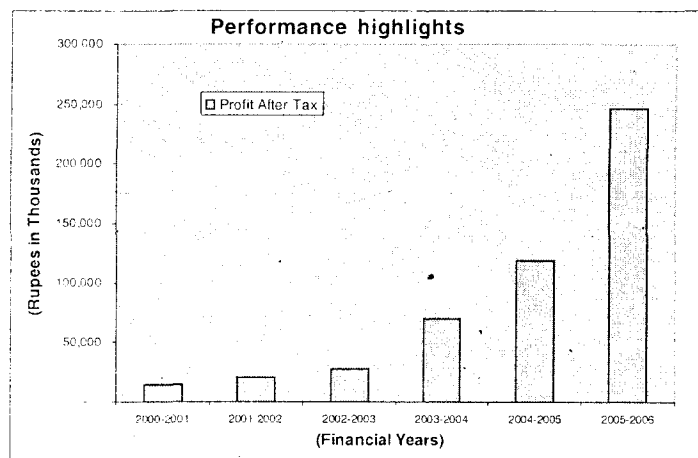
Cautionary Statement

This discussion contains certain forward looking statements within the meaning of applicable securities laws. Readers are cautioned not to place undue reliance on these statements, which reflect the management's analysis describing the company's objectives and expectations based on certain information and assumptions. The company's operations are dependent on various internal and external factors within and outside the control of the management of the company.

The company assumes no responsibility in respect of forward looking statements herein which may undergo changes in the future, on the basis of subsequent developments, information or events.



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Six Years of financial highlights

(Rs. in '000s)						
Particulars	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
A. FINANCIAL POSITION :						
Share capital	56,507.00	100,000.00	100,000.00	100,000.00	100,000.00	106,000.00
Reserve & Surplus	5,659.67	162,441.15	189,039.71	239,808.37	344,110.46	847,271.91
Revaluation Reserves	-	-	-	-	-	-
SHAREHOLDERS FUNDS	62,166.67	262,441.15	289,039.71	339,808.37	444,110.46	953,271.91
Loan Funds	271,292.08	323,792.70	452,431.14	532,369.71	594,598.39	745,659.66
Deferred Tax Liability	-	-	1,420.05	4,288.78	6,334.03	4,243.03
TOTAL CAPITAL EMPLOYED	333,458.75	586,233.85	742,890.90	876,466.86	1,045,042.88	1,703,174.60
ASSETS						
Fixed Assets (Net)	23,266.91	36,917.39	43,855.63	75,872.85	104,091.40	237,825.60
Total Net Fixed Assets	23,266.91	36,917.39	43,855.63	75,872.85	104,091.40	237,825.60
Current Assets (Net)	306,759.82	544,801.11	675,985.88	764,297.04	878,347.31	1,388,589.55
Investments	3,049.45	4,175.28	22,751.83	36,041.93	62,391.63	75,699.45
TOTAL ASSETS	333,076.18	585,893.78	742,593.35	876,211.82	1,044,830.34	1,702,114.60
B. OPERATING RESULTS:						
Turnover	477,832.50	771,496.50	891,754.61	2,009,184.48	2,652,970.09	3,287,428.16
Other Income	31,032.04	39,882.97	93,465.98	94,843.98	140,257.76	44,309.25
TOTAL INCOME	508,864.54	811,379.47	985,220.59	2,104,028.46	2,793,227.85	3,331,737.41
Profit After Tax	15,000.28	21,085.97	28,018.62	70,559.27	118,663.05	245,929.06
Dividend Distributed	8,476.05	15,000.00	-	15,000.00	15,000.00	26,736.00
Tax on Dividend	864.56	1,530.00	-	1,921.88	1,960.30	3,749.72
Cash Profit	17,868.13	26,377.64	36,089.07	81,433.32	135,511.04	284,295.30
C. EQUITY SHARE DATA:						
Earning Per Share (Rs.) (Basic & Diluted)	2.65	2.11	2.80	7.06	11.87	23.20
D. IMPORTANT RATIOS:						
Debt Equity Ratios	4.36	1.23	1.57	1.57	1.34	0.78
Sales/Average of Net Fixed Assets (Number of Times)	20.54	20.90	20.33	26.48	25.49	13.82
Sales/Average of Net Working Capital (Number of Times)	1.77	1.56	1.50	2.93	3.56	4.32
Book Value of Share	11.00	26.24	28.90	33.98	44.41	89.93

Unity Infraprojects Limited
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Directors' Report

The Directors' have pleasure in submitting their Report for the year ended 31st March 2006.

1. Results & Dividend for the year ended 31st March 2006

Particulars	Year ended March 31 2006 Rs. (in 000's)	Year ended March 31 2005 Rs. (in 000's)
CONSTRUCTION INCOME	3,287,428.16	2,652,970.09
Add: Share of profit from Joint ventures and other Income	44,309.25	53,104.71
GROSS INCOME	3,331,737.41	2,706,074.80
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS	306,462.96	175,708.30
Less: Provision for Taxation	60,533.90	57,045.25
PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS	245,929.06	118,663.05
Exceptional Items (Net of Tax)	(281.89)	2,599.34
NET PROFIT AFTER TAX	245,647.17	121,262.39
Add: Balance brought forward from the previous year	164,384.96	70,082.87
Amount available for appropriation	410,032.13	191,345.26
APPROPRIATIONS :		
General Reserve	25,000.00	10,000.00
Equity Dividend (proposed)	26,736.00	15,000.00
Distribution Tax on Dividend	3,749.72	1,960.30
Balance carried forward	354,546.41	164,384.96

2. Dividend

The Directors are pleased to recommend an increased dividend of Rs.2/- per equity share for the year (previous year Rs.1.50 per Equity Share). If approved by the Shareholders at the Annual General Meeting, the dividend will absorb Rs.267.36 lacs. The Dividend Distribution Tax borne by the Company will amount to Rs.37.50 lacs.

3. Issue of shares during the year by the Company

Your Company issued 600,000 equity shares of face value Rs.10/- each for a premium of Rs.480/- per share on a preferential basis on March 24, 2006. Consequently, the promoter shareholding had decreased from 99.99% to 93.99%.

4. Operations

The turnover achieved by the Company was at Rs.3,287,428.16 thousands and has shown an increase of 23.92% as compared to Rs.2,652,970.09 thousands in the previous year. The Profit Before Tax was Rs.306,462.96 thousands as compared to Rs.175,708.30 thousands in the previous year.

Your Directors' are pleased to inform that during the year under report, the total balance value of work on hand as on March 31, 2006 is Rs.111,415 thousands. Your company is confident enough to attempt projects around three to four times of its Balance Sheet size. Today, we are attempting projects in the range of Rs.7,500-10,000 thousands and your Company is confident of securing a sizable share of new projects.



The bulk of the current order book, up to Rs.55,400 thousands comes from Civil sector projects, while Water supply and Irrigation contributes Rs.35,000 thousands, and Transportation Rs.21,015 thousands. Most of these orders will be executed over the next 24-30 months. In terms of contracts, 17% are from the Central Government, 42% from State Governments, 28% from private clients, while the rest is spread out between World Bank and Municipal Corporation Projects.

5. Directors

As per the provisions of the Companies Act, 1956 read with Articles of Association of the Company, Shri. Anil Joshi, Shri. Chaitanya Joshi, Shri. Suresh Iyer and Shri. Vijaykumar Rane have been appointed as Additional Directors of the Company during the year. Mr. Ashish Avarsekar is liable to retire by rotation and Mrs. Pushpa Avarsekar whose terms of office have expired are all eligible for re-appointment as per terms set out in the Notice of the 9th Annual General Meeting and being eligible all of the directors mentioned herein offer themselves for re-appointment.

6. Director's Responsibility Statement

In accordance with the provisions of Section 217(2AA) of the Companies Act, 1956, with regard to the Directors' Responsibility Statement, the Board of Directors confirms:

- that in the preparation of the Annual Accounts, the applicable Accounting standards have been followed;
- that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March 2006 and of the profit of the Company for that year;
- that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the directors have prepared the Annual Accounts on a going concern basis.

7. Corporate Governance

Your Company conforms to norms of Corporate Governance. As a Listed Company, necessary measures are taken to comply with the Listing Agreements with the Stock Exchanges. A report on Corporate Governance, along with a certificate of compliance from the Auditors and Chief Executive Officer/Chief Financial Officer, is given by way of Annexure, which forms a part of this Report.

8. Fixed Deposits

Your Company has not accepted any deposits from the Public under Section 58A of the Companies Act, 1956.

9. Auditors

Members are requested to re-appoint M/s. C. B. Chajjed & Co., Chartered Accountants, as the Auditors of the Company and authorise the Audit Committee to fix their remuneration.

10. General

The particulars relating to conservation of energy, technology, absorption and foreign exchange earnings and outgo is given by way of Annexure, which forms a part of this Report. The particulars of employees required to be furnished under Section 217(2A) of the Companies Act, 1956, read with the rules there under, forms part of this report.

11. Employees

The Directors express their appreciation for the contribution made by the employees to the significant improvement in the operations of the Company.

Registered Office:

1252, Pushpanjali Apartments,
Old Prabhadevi Road,
Prabhadevi,
Mumbai – 400025.

Place : Mumbai

Dated : June 21, 2006

For and on behalf of the Board of Directors

Kishore Avarsekar
Chairman & Managing Director