



10th Annual Report
2006-2007

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Unity
INFRAPROJECTS LIMITED

Dadar Flyover



Ravindra Natya Mandir



Corporate Information



Board of Directors

Chairman & Managing Director

Kishore Avarsekar

Vice Chairman & Managing Director

Abhijit Avarsekar

Executive Directors

Mrs. Puspa K. Avarsekar

Ashish K. Avarsekar

Director

Vijaykumar J. Rane

Anil G. Joshi

Chaitanya Joshi

Suresh Iyer

Registered Office

1252, Pushpanjali Apartments,

Old Prabhadevi Road,

Prabhadevi, Mumbai-400 025.

Telephone : 022-6666 5500

Fax : 022-6666 5599

Website : www.unityinfra.com

Bankers

1. State Bank of India
2. State Bank of Indore
3. ICICI Bank Limited
4. IDBI Bank Limited
5. Abhyudaya Co-op. Bank Limited
6. Dena Bank
7. UCO Bank
8. Bank of India
9. State Bank Of Patiala

Auditors

C.B. Chhajer & Co.

Corporate Management

Chief Operating Officer

Yogen Lal

Chief Financial Officer

Madhav Nadkarni

Chief Procurement Officer

Rajiv Shah

Company Secretary

Manoj Thakar

Senior Vice-President

Iftekar Ahmed

Registrars & Share Transfer Agents

Intime Spectrum Registry Ltd.

C/13, Pannalal Silk Mills Compound,

L B S Marg, Bhandup (West),

Mumbai-400 078.

Telephone : 91-022-2596 3838

Fax : 91-022-2594 6969

Email : isrl@intimespectrum.com

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Solicitors

Amarchand Mangaldas & Suresh A. Shroff & Co.

Mulla & Mulla & Craigie Blunt & Caroe

Dear Shareowners,

I take great pleasure in presenting the 10th Annual report of the company. We have, over the years, carved a name for the company as a formidable player in the engineering and construction space. The company has immensely contributed to the development of India by pursuing the nation's growth initiatives.

I am delighted to inform you that the company's revenues have crossed Rs.5,000 million mark for the financial year 2006-07. Revenues have increased by 65 % over the previous year, which was in line with our expectations.

The company's Net Profit stands at Rs.423.1 million for the year ended on 31st March, 2007 which is higher by 72 % as compared to the previous financial year.

The company's order book has grown significantly and we were successful in adding orders worth more than Rs.1400 crores in the Financial Year 2006-07 to take the order book to almost Rs.20 billion as on March 31, 2007. The order book grew by a whopping 79 % as compared to the previous financial year.

I am confident that our existing business will continue to deliver a robust operating performance in the years to come and we shall strive to create immense value for our investors. Your faith in the company continually motivates us to aim higher and achieve better results.

The Indian economy continues to flourish with the GDP growth rate pegged at almost 8 -9%. The growth of the economy has resulted in a phenomenal increase in the purchasing power of Indians and has in turn fuelled their aspirations. In order to sustain the growth it is imperative that the investments in the infrastructure sector continue unabated. The government is playing the role of a facilitator and is also providing initiatives in terms of policy liberalization, foreign direct investment and promotion of public private partnerships in the infrastructure space.

The above facts have led us to create two new entities which we feel will help us achieve superior shareholder returns in the years to come. As you may be aware, the Company has set up two wholly owned subsidiaries viz. Unity Realty and Developers Limited (URDL) and Unity Infrastructure Assets Limited (UIAL). URDL as the name suggests, will focus on real estate development while UIAL will be the vehicle for execution of Build Operate and Transfer (BOT) Projects. URDL is currently executing a number of projects in Nagpur, Pune and Goa.

It is the shared vision of all of us at UNITY to transform ourselves from being an EPC player to an entity involved in EPC, real estate development and infrastructure development. In short, the aim is to migrate from being a contractor to a developer. We have set ourselves a target to rapidly scale up each of the subsidiaries and to achieve significant revenue streams from each of the above businesses in a span of 3 to 5 years. I am confident that both the subsidiaries will be the growth engines of the Company in future.

Dear Shareowners, I am thankful to all of you for your firm support and faith in the management of your company. I once again reassure you that UNITY will soon become a name to reckon with not only in the field of EPC but also in the fields of real estate and infrastructure development.

I thank you once again.

Kishore K Avarsekar,
Chairman and Managing Director
UNITY INFRAPROJECTS LTD.

Overview

Unity Infraprojects Ltd 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 roads 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 FY08, compared to the aggregate investment of Rs 74 billion over FY03-05. 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

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 400 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 JVs was to first acquire the necessary skill sets for a particular sector from the partner, and then bid independently.

Management Discussion & Analysis



Company Financial Performance

| Particulars | March 31, 2007 (Rs. in Lacs) | March 31, 2006 (Rs. in Lacs) |
|--|---------------------------------|---------------------------------|
| INCOME | | |
| Turnover | 54,286.25 | 32,874.28 |
| Share of profit - Joint ventures | 66.27 | 165.85 |
| Other income | 1,003.40 | 277.24 |
| | 55,355.91 | 33,317.37 |
| EXPENDITURE | | |
| Construction expenses | 44,741.94 | 26,145.75 |
| Employees remuneration and welfare expenses | 1,547.56 | 902.26 |
| Office and establishment expenses | 1,124.13 | 1,535.70 |
| Finance charges | 1,207.41 | 1,286.79 |
| Depreciation | 545.00 | 382.25 |
| | 49,166.03 | 30,252.74 |
| PROFIT BEFORE TAX | 6,189.88 | 3,064.63 |
| Provision for tax | 1,956.14 | 605.34 |
| PROFIT AFTER TAX | 4,233.73 | 2,459.29 |
| Prior Year's Tax | (404.00) | - |
| (Short)/Excess provision for Tax of earlier years | (2.77) | (2.82) |
| NET PROFIT FOR THE YEAR | 3,826.97 | 2,456.47 |

This fiscal year, the company added orders close to Rs. 1300 crores to the order book, which now stands at about Rs.2000 crores. The bulk of the current order book, up to Rs. 1555 crores comes from civil sector projects, while Irrigation and Water supply contributes Rs. 340 crores, and transportation Rs. 105 crores. Most of these orders will be executed over the next 27-30 months. In terms of contracts, 28% are from the central government, 22% from state governments, 50% 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 90% 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

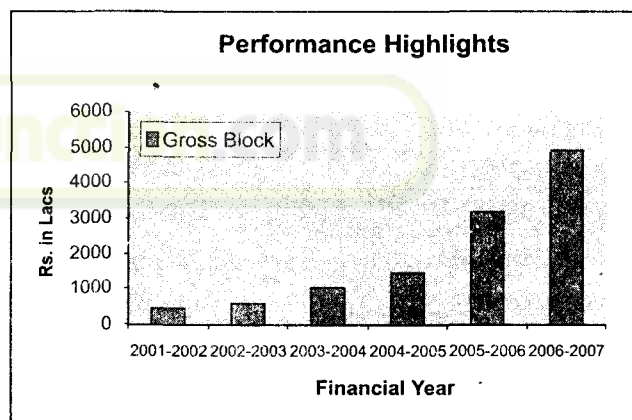
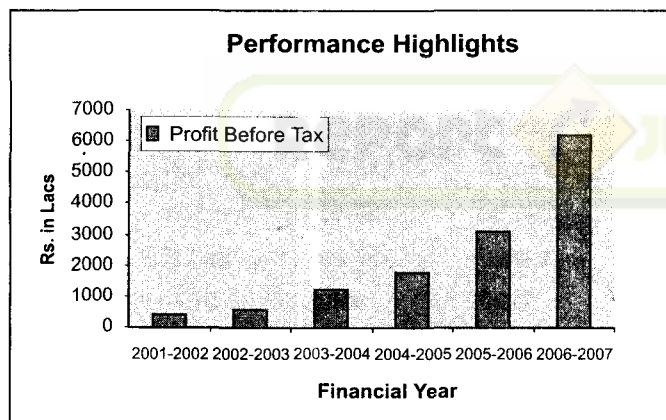
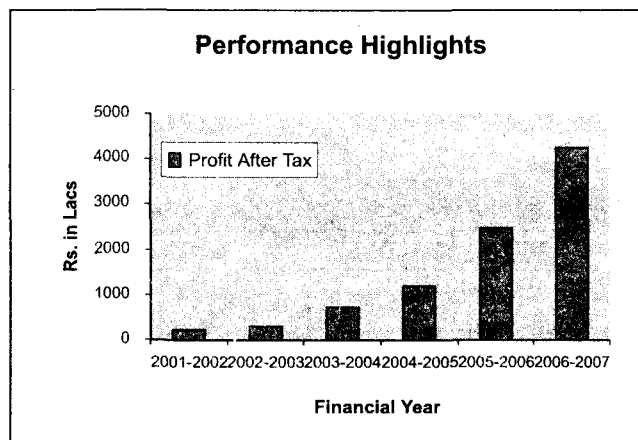
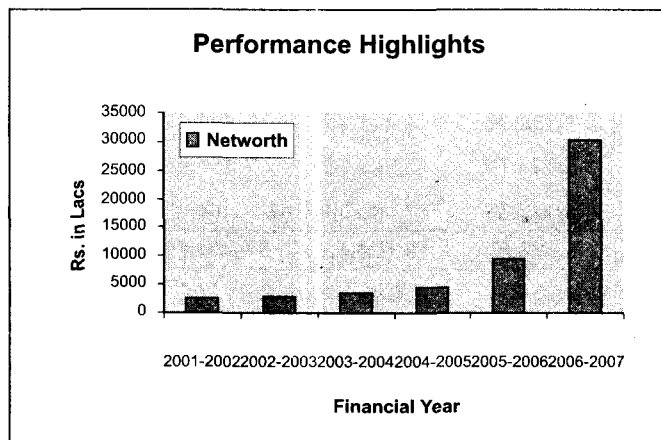
The company has a proper and adequate system of internal control to ensure that all assets are safeguarded and protected against any loss from the unauthorized use or disposition, and that all transactions are authorized, recorded and reported correctly. The company's internal control systems are supported 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,

Management Discussion & Analysis

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.

FINANCIAL HIGHLIGHTS



FINANCIAL HIGHLIGHTS

| | (Rs. In Lacs) | | | | | |
|---|-----------------|-----------------|------------------|------------------|------------------|------------------|
| Particulars | 2001-2002 | 2002-2003 | 2003-2004 | 2004-2005 | 2005-2006 | 2006-2007 |
| A. FINANCIAL POSITION | | | | | | |
| Share Capital | 1,000.00 | 1,000.00 | 1,000.00 | 1,000.00 | 1,060.00 | 1,336.80 |
| Reserve & Surplus | 1,624.41 | 1,890.40 | 2,398.08 | 3,441.10 | 8,472.72 | 28,847.88 |
| SHAREHOLDERS FUNDS | 2,624.41 | 2,890.40 | 3,398.08 | 4,441.10 | 9,532.72 | 30,184.68 |
| Loan Funds | 3,237.93 | 4,524.31 | 5,323.70 | 5,945.98 | 7,456.60 | 9,022.01 |
| Deffered Tax Liability | - | 14.20 | 42.89 | 63.34 | 42.43 | 46.28 |
| TOTAL CAPITAL EMPLOYED | 5,862.34 | 7,428.91 | 8,764.67 | 10,450.42 | 17,031.75 | 39,252.97 |
| ASSETS | | | | | | |
| Fixed Assets (Net) | 369.17 | 438.56 | 758.73 | 1,040.91 | 2,378.26 | 3,564.77 |
| Total Net Fixed Assets | 369.17 | 438.56 | 758.73 | 1,040.91 | 2,378.26 | 3,564.77 |
| Current Assets (Net) | 5,448.01 | 6,759.86 | 7,642.97 | 8,783.47 | 13,885.89 | 29,685.98 |
| Investments | 41.75 | 227.52 | 360.42 | 623.92 | 756.99 | 5,993.04 |
| TOTAL ASSETS | 5,858.93 | 7,425.94 | 8,762.12 | 10,448.30 | 17,021.14 | 39,243.79 |
| B. OPERATING RESULTS | | | | | | |
| Turnover | 7,714.97 | 8,917.55 | 20,091.84 | 26,529.70 | 32,874.28 | 54,286.25 |
| Other Income | 398.83 | 934.57 | 948.44 | 1,402.58 | 443.09 | 1,069.66 |
| TOTAL INCOME | 81,13.79 | 98,52.12 | 21,040.28 | 27,932.28 | 33,317.37 | 55,355.91 |
| Profit After Tax | 210.86 | 280.19 | 705.59 | 1,186.63 | 2,459.29 | 4,233.73 |
| Dividend Distributed | 150.00 | - | 150.00 | 150.00 | 267.36 | 401.04 |
| Tax on Dividend | 15.30 | - | 19.22 | 19.60 | 37.50 | 68.18 |
| Cash Profit | 263.78 | 360.89 | 814.33 | 1,355.11 | 2,842.95 | 4,780.14 |
| C. EQUITY SHARE DATA | | | | | | |
| Earnings Per Share (Rs.)(Basic & Diluted) | 2.11 | 2.80 | 7.06 | 11.87 | 23.20 | 31.67 |
| D. IMPORTANT RATIOS | | | | | | |
| Debt Equity Ratios | 1.23 | 1.57 | 1.57 | 1.34 | 0.78 | 0.30 |
| Sales/Average of Net Fixed Assets | 20.90 | 20.33 | 26.48 | 25.49 | 13.82 | 15.23 |
| (Number of Times) | | | | | | |
| Sales/Average of Net Working Capital | 1.56 | 1.50 | 2.93 | 3.56 | 4.32 | 1.83 |
| (Number of Times) | | | | | | |
| Book Value of Share | 26.24 | 28.90 | 33.98 | 44.41 | 89.93 | 225.80 |

Notice is hereby given that the Tenth Annual General Meeting of the Members of Unity Infraprojects Limited will be held on Thursday, 30th August, 2007 at 3.30 p.m. at Textiles Committee Auditorium, P. Balu Road, Prabhadevi Chowk, Prabhadevi, Mumbai 400025 to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2007, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare Dividend on Equity Shares.
3. To appoint Statutory Auditor and to fix their remuneration and in this regard to consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution** :

"RESOLVED THAT M/s. C. B. Chhajer & Company, Chartered Accountants, be and is hereby appointed as Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and the Chairman and Managing Director or Vice Chairman and Managing Director be and is hereby authorised to fix their remuneration, plus applicable Service tax and reimbursement of out of pocket expenses incurred by them for the purpose of Statutory Audit."

4. To appoint a Director in place of Mr. Kishore K. Avarsekar who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Mr. Abhijit K. Avarsekar who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint a Director in place of Mr. Suresh Iyer who retires by rotation and being eligible offers himself for re-appointment.

Notes:

1. A member entitled to attend and vote at the Annual General Meeting (the Meeting) is entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the Company. The instrument appointing proxy should however be deposited at the Registered Office of the Company not less than Forty-Eight hours before commencement of the Meeting.
2. Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.
3. In terms of Article 138 of the Articles of Association of the Company, Mr. Kishore K. Avarsekar, Mr. Abhijit K. Avarsekar and Mr. Suresh Iyer, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. Brief resume of these Directors, nature of

Notice



their expertise in specific functional areas and names of companies in which they hold Directorships and Memberships/Chairmanships of Board Committees, as stipulated by Listing Agreement with the Stock Exchanges are provided in the Corporate Governance Section of the Annual Report.

The Board of Directors recommends their respective re-appointments.

4. All Members are requested to bring their Attendance Slip along with their copy of Annual Report to the Meeting.
5. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.
6. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. Relevant documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. up to the date of the Meeting.
8. The Register of Members and Transfer Books will remain closed from 23rd August, 2007 to 30th August, 2007 (both days inclusive) in terms of Section 154 of the Companies Act, 1956 for determining the names of Members eligible for receiving dividend on Equity Shares, if declared at the Meeting.
9. In order to provide protection against fraudulent encashment of dividend warrants, Members who hold shares in physical form are requested to intimate to the Company's Registrars and Transfer Agents Intime Spectrum Regisry Ltd. under the signature of the Sole/First joint holder, the following information to be incorporated on dividend warrants :
 - Name of the Sole/First joint holder and the Folio Number,
 - Particulars of Bank Account, viz.:
 - Name of Bank and branch
 - Complete address of the Bank with Pin Code Number
 - Savings Bank Account No. / Current Account No.Company will not be responsible for any want of information from shareholders or any frauds that occur for the same.
10. Members are advised to refer to the Shareholders' Information provided in the Annual Report.

Mumbai
Dated 28th June, 2007.

By order of the Board,
Manoj J. Thakar
Company Secretary