



Looking at our business as closely as
you are **looking at this now**



Unity Infraprojects Limited | Annual report, 2010-11

Disclaimer

In this annual report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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Key financial highlights

New projects bagged

Rs. **1,208.8** cr
During 2010-11

Order value executed

Rs. **1,024** cr
During 2010-11

Order book value

Rs. **3,501.1** cr
As on 31 March 2011

Team strength

Over **1,014**
As on 31 March 2011

Revenue (net)

Rs. **1,701.5** cr
For 2010-11

Post-tax profit

Rs. **94** cr
For 2010-11

Dividend per share (Proposed)

Re. **1** (Rs. 2 face value)
For 2010-11



RESTRUCTURING.



The structure of India's infrastructure sector is undergoing a fundamental shift.

Projects are becoming larger. Greater stakeholder coordination is becoming imperative. More contracts are becoming turnkey. Outlays are becoming larger; an estimated USD 1 trillion is expected to be invested in India's infrastructure in the Twelfth Plan.

At Unity Infraprojects Limited, we restructured our enterprise into strategic business verticals with the objective to fast-track our turnover to a projected USD 1 billion in just three years.

Unity Infraprojects Limited is among India's fastest-growing integrated infrastructure institutions.

Portfolio

Building

Commercial and residential buildings, mass housing projects and townships, industrial structures, airports, infotech parks, hotels and hospitals, educational institutes, stadiums and railway stations

Water

Dams, tunnels, lift irrigation, water supply, sewerage and micro-tunnelling

Transport

Roads, bridges, flyovers, subways and tunnels

Certifications

- Accredited with ISO 9001: 2008, ISO 14001:2004 and OHSAS 18001:2007
- Only Indian construction company to feature in Forbes Asia's 200 Best under a Billion Dollar list from Asia-Pacific
- Honoured by CW-NICMAR for three consecutive years as the fastest-growing construction company in India
- Rated by CIDC for two consecutive years as the 'best professionally managed company'
- Awarded Best Infrastructure Corporate for two consecutive years (2009 and 2010) by Infra Summit 2011.

Customers

Public sector

- Central Public Works Department (CPWD) • HSCC India Limited Municipal • Corporation of Greater Mumbai (MCGM) • Mumbai Metropolitan Region Development Authority (MMRDA) • City and Industrial Development Corporation of Maharashtra Limited (CIDCO) • Delhi Development Authority (DDA) • Airports Authority of India (AAI) • Haryana State Road Development Corporation (HSRDC) • Ministry of External Affairs (MEA)

Private sector

- Indiabulls Group • Siemens • Magarpatta City • High Street Phoenix • Paranjape Schemes Construction • ETA Engineering • Peninsula Land

Speed

Unity reported a turnover and net profit CAGR of 25.67% and 17.39% respectively over the five years leading to 2010-11, one of the fastest in its industry

Philosophy

To be a leader in the infrastructure domain, creating benchmarks and inspiring people, thereby contributing to the development of the nation

Credibility

Incorporated in 1982 by first generation entrepreneur Mr. Kishore K. Avarsekar; the Company possesses over three decades of rich nation-building experience

Focus

Evolved from an EPC contractor to an integrated infrastructure institution with expertise in building, water and transport verticals

Presence

Headquartered in Mumbai with regional offices in Delhi, Kolkata and Pune

Listing

Listed on the Bombay and National stock exchanges; market capitalisation of Rs. 650.9 cr as on 31st March 2011

From the CMD's desk

"At Unity, restructuring and rewiring the organisation will enable us to accelerate momentum and emerge as a USD 1 bn enterprise in three years."

Dear Shareholders,

My work takes me to different parts of the globe and wherever I go, the general comment is that India will be a country to watch out for when investments catch up with its infrastructural deficit.

They wonder that if the economy can continue to grow at the second-fastest rate in the world (8.5% in 2010-11) in an environment of policy paralysis, then the projected Twelfth Plan infrastructure outlay of USD 1 trillion will make the sector an excellent proxy for global growth.

Infrastructure – a proxy of India's economic prowess

India's infrastructure (social and economic) is critical to its competitive edge. The country's GDP growth rate declined from 9.4% in 2005-06 to 8.5% in 2010-11, partly on account of an inability to respond to growing needs. The result is in the numbers:



Kishore K. Avarsekar
Chairman and Managing Director

- Despite India emerging as a trillion dollar economy way back in 2007, the country still suffers from a peak power deficit of more than 10%, prompting production slowdowns.

- Despite India having the second-largest road network in the world, only 0.5% of this network is four-laned, affecting fuel efficiency and just-in-time delivery.

- Despite three of the ten biggest cities in the world being located in India, they also happen to be among the most polluted.

- Despite rural India accounting for 60% of the national population, it accounts for only 18% of the national GDP due to a large infrastructural skew.

- Despite India being the world's second-fastest growing economy, exports account for a mere 1.5% of global trade compared with China's 7.7%.

China is leagues ahead: The country possesses among the world's largest pipelines, the largest mono-rail network, the largest sea bridge and one of the largest power plants. India's need to catch up underscores optimism for its construction sector and frontline

companies like Unity.

Catalysing infrastructural growth through restructuring

India's infrastructure requires assets that will cater to the requirements of the day and scalable to service the growing needs of tomorrow. This scalability needs to be woven around optimal capex so that the asset remains affordable for users. For this to happen, a mindset shift is required: Construction companies need to extend beyond the role of mere contractors and engage in the complete asset lifecycle (design, finance, construction, operation and ownership). This integration will ensure long-term asset usability and margins-accretion on account of complex higher ticket engagement.

At Unity, we responded with business restructuring comprising the following features:

- One, provide focused resources for each business vertical comprising building and industrial construction, transportation as well as irrigation and water supply
- Two, treat each business as a separate corporate entity with targets

and budgets

- Three, foster a spirit of healthy internal competition to strengthen overall efficiency
- Four, enhance management bandwidth to capture value in synergic vertical opportunities
- Five, unleash the value embedded in each vertical

With this restructuring in place, we are already in the L1 stage for orders of nearly Rs. 1,800 cr in the first quarter of 2011-12, and are confident of achieving our targeted fresh order accretion of Rs. 4,000-5,000 cr in 2011-12.

Leveraging our three-decade sectoral experience, we strengthened our execution capabilities through state-of-the-art construction assets and strong people competencies. This will result in faster site-level turnarounds and order book liquidation, resulting in a projected Unity topline of USD 1 bn in three years.

Sincerely,

Kishore K. Avarsekar
Chairman and Managing Director

On-time record

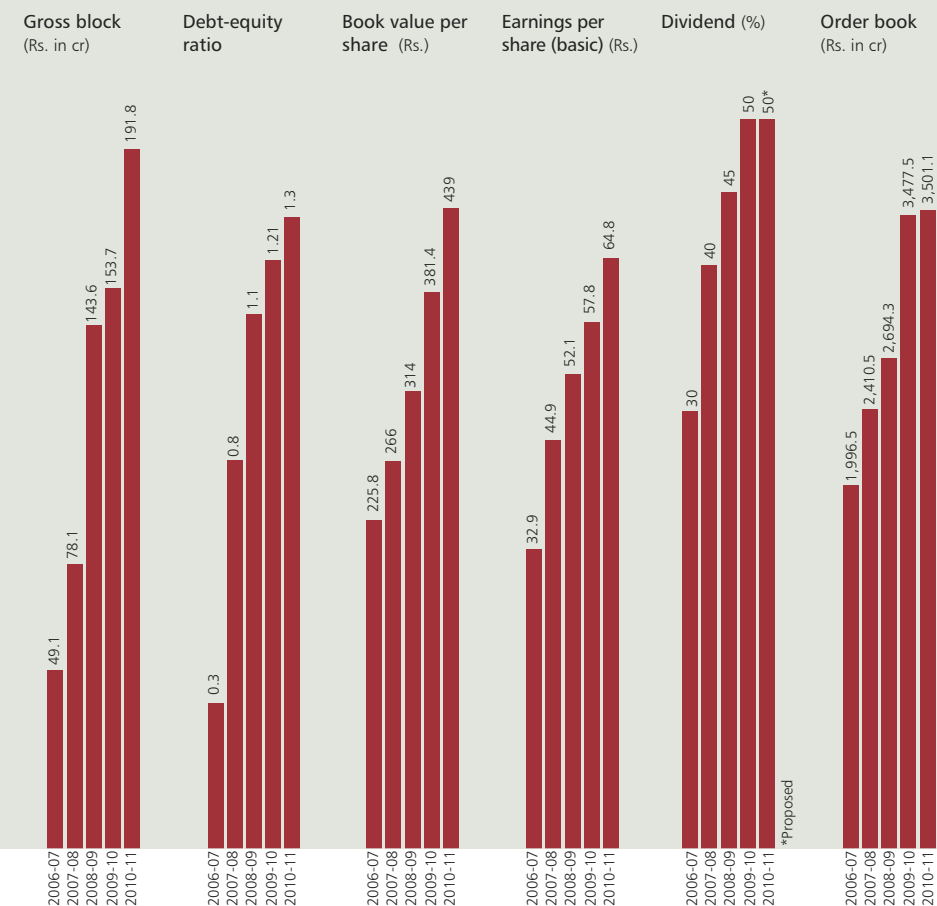
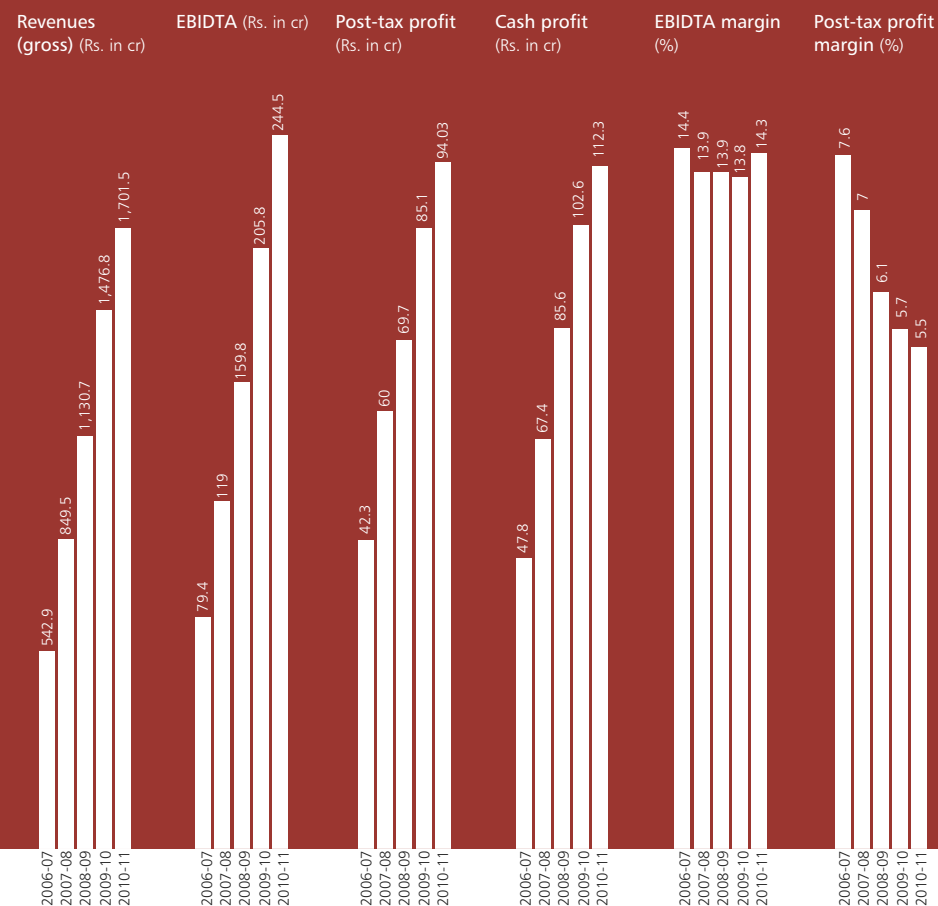
At Unity, we completed complex projects on time through robust execution capabilities.

- Pedestrian subway at Chatrapati Shivaji Terminus in Mumbai within 10 months compared with the stipulated 24 months
- Flyover at Khodabad Circle in Mumbai

in 16 months compared with the stipulated 24 months

- Turnkey refurbishment of the Kala Academy in Goa within the scheduled 110 days
- A 411-room hotel project at Balewadi (Maharashtra) in a record 15 months, one of India's fastest hotel project turnarounds

Restructuring for recharging growth



(Rs. in cr)

Segment	Order book
Building	1,871.6
Water	1,158.8
Transport	470.7
Total	3,501.1

RESTRUCTURING. TO STRENGTHEN OUR PRESENCE IN THE RIGHT PLACE AND SPACE.

At Unity, our entrenched on-site presence provides us with direct customer contact, leading to insights in standards and requirements. This has resulted in timely project solutions, strengthening relationships and repeat engagement.

At Unity, we grew our presence in adjacent business spaces of building, water and transport, effectively utilising our equipment and manpower resources.

Our ability to create alliances with partners possessing service and technological capabilities grew our presence in key markets and verticals with speed.

Our combination of construction technology, wide service offerings, close relationships and focused vertical presence enabled us to address attractive emerging opportunities with comprehensive competence.

The results of restructuring are already evident: For the first time, we bagged a prestigious road BOT project (Rs. 198 cr) in Rajasthan in June 2011, the successful completion of which will not only strengthen our pre-qualification capability to bag other such projects but also enhance our bottomline.

25.67%

CAGR growth in topline over the five years leading to 2010-11

RESTRUCTURING.
BY LEVERAGING
NEW
TECHNOLOGIES
TO MAKE OUR
**CUSTOMERS
MORE
PROFITABLE.**

At Unity, our experience and resourcefulness over a wide construction bandwidth enables us to solve problems creatively.

We continuously invested in technology to extend construction benefits to new and existing customers, enhancing their confidence in our ability.

Our restructuring enabled us to create dedicated business verticals with focused teams (including estimation) and resources. This will enable each division to strengthen its project understanding and selectively bid for projects and align these estimations with prevailing and emerging realities to maximise project profitability.

Following the restructuring, we bagged orders worth a significant Rs. 531 cr and emerged as L1 (lowest bidder) for another Rs. 1,870.3 cr worth of projects during the first quarter of 2011-12.

These developments strengthened our resolve to bag Rs. 4,000-5,000 cr worth of fresh orders in 2011-12.

17.39%

CAGR growth in post-tax profit over the five years leading to 2010-11

Strategic review by the Vice-Chairman and Managing Director

“Restructuring strengthened our resolve to bag Rs. 4,000-5,000 cr worth of orders in 2010-11.”



Abhijit Avarsekar



Q. Why was this the right time to engage in organisational restructuring?

A. The Twelfth Plan approach paper has pegged infrastructural investments at a gigantic USD 1 trillion. This indicates that projects will become larger and more complex, requiring specialised attention. To capitalise commensurately, we restructured the organisation into strategic business verticals (building, water and transport), headed by experienced CEOs and supported by their respective teams and resources (including estimation). Following this, each vertical will be responsive enough to seize opportunities on the one hand and enable us to venture into complementary industry segments on the other.

Q. How has the restructuring been received?

A. Whatever scepticism was there disappeared following two post-balance sheet developments. One, we bagged our first-ever road BOT

project in June 2011, which will not only strengthen our pre-qualification capability but will also enable us to emerge as asset owners with value-accretive monetisation. Two, during the first quarter of 2011-12, we reported a moderate quarterly order intake of Rs. 531 cr and emerged as L1 across nearly Rs. 1,870.3 cr worth of orders. These benefits were a result of our restructuring.

Q. Projects are becoming larger and more complex. Does this indicate an industry consolidation?

A. Yes. The government recognises that projects need to be larger to address prevailing and prospective growth. These growing projects typically require large investments beyond government budgets, making it imperative for the government to engage with private sector players with superior pre-qualification standards and the ability to finance, design, construct,

develop and own assets during the concession period. As a result, construction giants are acquiring smaller companies to plug competency gaps, resulting in industry-level consolidation. Besides, project delivery now begins from the design stage, making it imperative for companies to acquire these competencies.

Q. What were the highlights of the Company's working in 2010-11?

A. The year under report was a challenging one as the government's attention was

respectively in 2010-11. I am particularly excited about a Rs. 87.55 cr micro-tunnelling project - akin to a key-hole minimal invasive surgery in congested urban environments - that we received in December 2010. We invested Rs. 53 cr in a tunnel boring machine to enhance our capability.

Q. How do you expect to strengthen the business verticals?

A. With a view to prepare ourselves for upcoming infrastructure growth, we expect to invest Rs. 150-200 cr in the

531 cr worth of orders in the first quarter of the current fiscal and are at L1 stage for Rs. 1,870.3 cr of projects. We are addressing growing opportunities in the power generation, oil and gas and telecom tower spaces, supported by the recruitment of specialised manpower.

Q. What can shareholders look forward to in 2011-12 and beyond?

A. I want to highlight four points:

- One, we have an entrenched capability in managing large complex projects, evident in an increase in our average project ticket size from Rs. 65 cr five years ago to Rs. 572 cr today. This trend should sustain
- Two, we enjoy a growing pan-India presence reflected in 15.42% of our 2010-11 revenues derived from outside Maharashtra, indicating that we are nationally-present
- Three, we reported industry-leading EBIDTA margins at 12-15% and through restructuring, we expect to grow these margins further
- Four, we share our success with shareholders, reflected in Unity proposing a 50% dividend (Re 1) for 2010-11

By the virtue of being a growing proxy of an underserved sector in an over-crowded geography, we are confident of accelerating our momentum and providing attractive reasons for shareholders to remain invested in us.

We have an entrenched capability in managing large complex projects, evident in an increase in our average project ticket size from Rs. 65 cr five years ago to Rs. 572 cr today

diverted to scandals and other issues. Land acquisition and right-of-way issues delayed project award, resulting in overall sluggishness. What is heartening is that these challenges notwithstanding, we bagged Rs. 1,208.8 cr worth of projects in 2010-11; our speedy implementation discipline coupled with judicious equipment utilisation resulted in a 15.2% topline growth to Rs. 1,701.5 cr. Besides, tight project controls and completion within schedule/extended schedule enabled us to maintain our EBIDTA and net margins at 14.4% and 5.5%

acquisition of state-of-the-art equipment. We will rotate these across divisions to accelerate project execution. We expect to climb the value chain based on robust civil engineering competencies. We will emerge as a turnkey EPC (engineering-procurement-construction) and DBFOT player to grow our margins.

Q. What are the priorities for 2011-12?

A. Through stronger vertical focus, we intend to bid for and bag Rs. 4,000-5,000 cr worth of orders in 2011-12. This optimism is derived from the fact that we received Rs.

BUSINESS ENABLERS

Unity's order book backlog grew at a CAGR of 11.89% over the last five years ending 2010-11, reflecting growing brand equity and translating into growing work volumes

Diversified verticals

Unity leveraged its building construction expertise to foray into other verticals comprising water and transportation, thereby de-risking our presence from sectoral risks and diversifying revenues.

Order book backlog

Unity's order book backlog grew at a CAGR of 11.89% over the last five years ending 2010-11, reflecting growing brand equity and translating into growing work volumes. The Company's order book stood at Rs. 3,501.1 cr as on 31st March 2011, providing 30 months of revenue visibility.

Focus on EPC turnkey projects

Unity is one of India's largest civil construction companies with a track record of successfully completing and handing over a

number of projects on time. The Company bids as a consortium partner for providing integrated engineering-procurement-construction (EPC) services, providing customers with one-stop convenience and timely project completion.

Cost escalation clauses

Unity's business interests are protected with 90% of its contracts possessing cost escalation clauses, an adequate hedge amidst fluctuating raw material costs. Besides, over 78% of the order book comprised projects awarded by government-backed agencies, ensuring timely receivables.

Geographical spread

Unity initiated operations as a Mumbai-based company and gradually emerged with a pan-India presence. The Company's geographic spread is reflected in

project execution across 13 Indian states (Maharashtra, Karnataka, Goa, Andhra Pradesh, Orissa, West Bengal, Meghalaya, Assam, Uttar Pradesh, Haryana, Punjab, Madhya Pradesh and Rajasthan, Nepal and Bangladesh. As on 31 March 2011, the Company's order book was spread across four corners of India – 60.5% share in the west, 26.9% in the north, 6.4% in the south, 4.3% in the east, and 1.9% overseas.

Net worth

Unity's net worth increased at a CAGR of 16.61% over the last five years ending 2010-11, indicating growing profit plough back. The Company's net worth stood at Rs. 650.9 cr as on 31 March 2011, reflecting strong pre-qualification criteria in bidding for and bagging larger ticket projects.

Robust quality practices

Unity is an ISO 9001:2008-

certified company, meeting international quality benchmarks. The Company adopts stringent steps across the entire process value chain to ensure a tight control on quality standards.

Deployment of high-quality, state-of-the-art assets and technology

Unity owns a fleet of construction equipment comprising heavy earthmoving machines (hydraulic excavators, loaders, dozers and earth compacters), concrete plants (batching plants, concrete mixers, transit mixers and concrete pavers), road equipment (vibratory tandem rollers, electric paver finishers, mechanical paver finishers, hot mix plants, static rollers, truck mounted pressure bitumen sprayer and integrated stone crushing plants), quarry equipment (wagon drills, jack hammers and air compressors),

transportation equipment (cars and jeeps, tippers, tractors, water tankers and trailers) and fabrication and erection plants (welding generators, gas cutting sets, workshop equipment, cranes, generators), among others.

Deadline-oriented

At Unity, we delivered 38 projects executed so far as per original deadlines/extended deadlines.

Intellectual capital

Unity is spearheaded by a senior management group, enjoying a collective experience of 40 person-years in the construction sector. As on 31 March 2010, the Company's staff strength stood at 1,014, comprising 62% engineers, 16% MBAs and CAs and 22% diploma and post-graduate students, among others.