**RED HERRING PROSPECTUS**
**Dated May 10, 2006**
Please read section 60B of the Companies Act, 1956
(The Red Herring Prospectus will be updated upon filing with the ROC)
**100% Book Built Issue**

# Unity Infraprojects Limited

(Our Company was originally incorporated as Unity Builders Limited on April 9, 1997. We subsequently changed the name of our Company to Unity Infraprojects Limited pursuant to a special resolution of the shareholders passed at an extraordinary general meeting on January 14, 2000. The fresh certificate of incorporation consequent on change of name was granted to our Company on February 7, 2000 by the Registrar of Companies, Maharashtra at Mumbai. See "History and Corporate Structure" on page 66 of this Red Herring Prospectus for further details)

Registered Office and Corporate Office: 1252 Pushpanjali Apartments, Old Prabhadevi Road, Prabhadevi, Mumbai 400 025, India
Tel: (91 22) 6666 5500; Fax: (91 22) 6666 5599; Email: investors@unityinfra.com; Website: http://www.unityinfra.com

(Our registered office was shifted from B 101, Vaibhav Apartments, Old Prabhadevi Road, Prabhadevi, Mumbai 400 025, India to the current address by a resolution of our Board dated October 22, 1999.) Company Secretary and Compliance Officer: Sushant Karpe

**PUBLIC ISSUE OF 3,443,000 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE AGGREGATING RS. [●] MILLION COMPRISING A FRESH ISSUE OF 2,768,000 EQUITY SHARES OF RS. 10 EACH BY THE COMPANY ("FRESH ISSUE") AND AN OFFER FOR SALE BY KISHORE K. AVARSEKAR, ABHIJIT K. AVARSEKAR, ASHISH K. AVARSEKAR AND PUSHPA K. AVARSEKAR OF 675,000 EQUITY SHARES OF RS. 10 EACH (THE "OFFER FOR SALE"). THE FRESH ISSUE AND THE OFFER FOR SALE ARE JOINTLY REFERRED TO AS THE "ISSUE".**

**THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF UP TO 3,343,000 EQUITY SHARES OF RS. 10 EACH (THE "NET ISSUE") AND A RESERVATION OF UP TO 100,000 EQUITY SHARES OF RS. 10 EACH, FOR THE PERMANENT EMPLOYEES OF THE COMPANY ("EMPLOYEE RESERVATION PORTION").**

**THE ISSUE WOULD CONSTITUTE 25.76% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.**

**PRICE BAND: RS. 651 TO RS. 732 PER EQUITY SHARE OF FACE VALUE OF RS. 10 EACH.**

In case of revision in the Price Band, the Bidding Period will be extended for three additional days after revision of the Price Band subject to the Bidding Period/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding Period, if applicable, will be widely disseminated by notification to the National Stock Exchange of India Limited ("NSE") and the Bombay Stock Exchange Limited ("BSE"), by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Manager and at the terminals of the Syndicate.

The Issue is being made through the 100% book building process wherein upto 50% of the Net Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, at least 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

## RISK IN RELATION TO THE FIRST ISSUE

This being the first public issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs.10 per Equity Share and the Issue Price is [●] times of the face value. The Issue Price (as determined by the Company, and the Selling Shareholders in consultation with the Book Running Lead Manager on the basis of assessment of market demand for the Equity Shares offered by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

## GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" on page x of this Red Herring Prospectus.

## COMPANY'S / SELLING SHAREHOLDER'S ABSOLUTE RESPONSIBILITY

The Company and the Selling Shareholders having made all reasonable inquiries, accept responsibility for and confirm that this Red Herring Prospectus contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

## LISTING ARRANGEMENT

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the NSE and the BSE. We have received inprinciple approval from NSE and BSE for the listing of our Equity Shares pursuant to letters dated April 13, 2006 and April 13, 2006, respectively. For purposes of this Issue, the Designated Stock Exchange is BSE.

| BOOK RUNNING LEAD MANAGER | REGISTRAR TO THE ISSUE |
|---|---|
| **DSP MERRILL LYNCH LIMITED**<br>Mafatlal Centre, 10th Floor<br>Nariman Point, Mumbai 400 021, India<br>Tel: (91 22) 2262 1071<br>Fax: (91 22) 2262 1187<br>Email: unityinfra_ipo@ml.com<br>Website: www.dspml.com<br>Contact Person: N.S. Shekhar | **KARVY COMPUTERSHARE PRIVATE LIMITED**<br>Karvy House, 21, Avenue 4, Street No. 1,<br>Banjara Hills, Hyderabad-500 034, India<br>Tel: (91 40) 2331 2454<br>Fax: (91 40) 2331 1968<br>Email: unity@karvy.com<br>Website: www.karvy.com<br>Contact Person: Murali Krishna |

| BID/ISSUE PROGRAM | |
|---|---|
| **BID/ISSUE OPENS ON : FRIDAY, MAY 19, 2006** | **BID/ISSUE CLOSES ON : WEDNESDAY, MAY 24, 2006** |

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# SECTION I – GENERAL

## DEFINITIONS AND ABBREVIATIONS

| Term | Description |
|---|---|
| "We", "us", "our", "Issuer", "the Company", "our Company", "UIL" and "Unity" | Unless the context otherwise indicates or implies, refers to Unity Infraprojects Limited |

### Company Related Terms

| Term | Description |
|---|---|
| Articles | Articles of Association of our Company |
| Auditors | The statutory auditors of our Company, C.B. Chhajed and Company, Chartered Accountants |
| Board/ Board of Directors | Board of Directors of our Company |
| Directors | Directors of our Company, unless otherwise specified |
| Memorandum | Memorandum of Association of our Company |
| Registered Office of the Company | 1252 Pushpanjali, Old Prabhadevi Road, Prabhadevi, Mumbai 400 025, India |

### Issue Related Terms

| Term | Description |
|---|---|
| Allotment | Unless the context otherwise requires, the issue or transfer of Equity Shares, pursuant to the Issue to the successful Bidders |
| Allottee | The successful Bidder to whom the Equity Shares are/ have been issued or transferred |
| Banker(s) to the Issue/ the Escrow Collection Bank(s) | The banks which are clearing members and registered with SEBI as Bankers to Issue with whom the Escrow Account will be opened and in this case being ICICI Bank Limited, HDFC Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Standard Chartered Bank and Deutsche Bank AG |
| Bid | An indication to make an offer during the Bidding Period by a prospective investor to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto |
| Bid / Issue Closing Date | The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation |
| Bid / Issue Opening Date | The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation |
| Bid Amount | The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue |
| Bid Price | The highest price at which the optional Bids have been made as indicated in the Bid cum Application Form |
| Bid cum Application Form | The form in terms of which the Bidder shall make an offer to purchase Equity Shares of our Company in terms of the Red Herring Prospectus and the Bid cum Application Form |

| Term | Description |
|---|---|
| Bidder | Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form |
| Bidding / Issue Period | The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids |
| Book Building Process/ Method | Book building route as provided in Chapter XI of the SEBI DIP Guidelines, in terms of which this Issue is being made |
| BRLM | Book Running Lead Manager to the Issue in this case being DSPML |
| CAN/ Confirmation of Allocation Note | Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process |
| Cap Price | The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted |
| Cut-off Price | The Issue Price finalised by our Company and the Selling Shareholders in consultation with the BRLM |
| DSPML | DSP Merrill Lynch Limited, having its registered office at Mafatlal Centre, 10th Floor, Nariman Point, Mumbai 400 021, India |
| Designated Date | The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the ROC, following which the Board of Directors shall allot Equity Shares to successful Bidders |
| Designated Stock Exchange | BSE |
| Draft Red Herring Prospectus | The Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which did not contain complete particulars on the price at which the Equity Shares are offered and the size (in terms of value) of the Issue |
| Employee | A permanent employee or a Director (whole-time Director, part-time Director or otherwise) of the Company, who is an Indian National and is based in India, excluding any Promoter or member of the Promoter group. The permanent employees should be on the payroll of the Company as of April 30, 2006 and the Directors should be Directors on the date of the Red Herring Prospectus. The Employee(s) may also be referred to as “Bidder(s) in the Employee Reservation Portion” in this Prospectus |
| Employee Reservation Portion | The portion of the Issue being 100,000 Equity Shares available for allocation to Employees described above |
| Equity Shares | Equity shares of our Company having a face value of Rs. 10 each unless otherwise specified in the context thereof |
| Escrow Account | Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid |
| Escrow Agreement | Agreement to be entered into by our Company, the Selling Shareholders, the Registrar, BRLM, the Syndicate Member and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable, refunds of the amounts collected to the Bidders on the terms and conditions thereof |

| Term | Description |
|---|---|
| First Bidder | The Bidder whose name appears first in the Bid cum Application Form or Revision Form |
| Floor Price | The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted |
| Fresh Issue | A fresh issue of 2,768,000 Equity Shares |
| Issue | The fresh issue of 2,768,000 Equity Shares and the offer for sale of 675,000 Equity Shares, aggregating 3,443,000 Equity Shares, at a price of Rs. [•] each for cash, aggregating Rs. [•] by the Company under the Red Herring Prospectus and the Prospectus |
| Issue Price | The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus or the Prospectus. The Issue Price will be decided by the Company and the Selling Shareholders in consultation with the BRLM on the Pricing Date |
| Issue Size | 3,443,000 Equity Shares to be issued to the Investors at the Issue Price |
| Margin Amount | The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount |
| Mutual Funds | A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996 |
| Mutual Fund Portion | 5% of the QIB Portion or 83,575 Equity Shares (assuming the QIB Portion is for 50% of the Net Issue) available for allocation to Mutual Funds only |
| Net Issue | Issue Size less reservation for Eligible Employees being 3,343,000 Equity Shares which shall be issued at the Issue Price |
| Non Institutional Bidders | All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000 |
| Non Institutional Portion | The portion of the Net Issue being 501,450 Equity Shares available for allocation to Non Institutional Bidders |
| Offer for Sale | An offer for sale by Kishore K. Avarsekar, Abhijit K. Avarsekar, Ashish K. Avarsekar and Pushpa K. Avarsekar, aggregating 675,000 Equity Shares |
| Pay-in Date | Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable |
| Pay-in-Period | (a) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date; and extending until the Bid/ Issue Closing Date; and<br>(b) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the closure of the Pay-in Date |
| Price Band | Price band of a minimum price (Floor Price) of Rs. 651 and the maximum price (Cap Price) of Rs. 732 and includes revisions thereof |
| Pricing Date | The date on which our Company and the Selling Shareholders in consultation with the BRLM finalizes the Issue Price |

| Term | Description |
|---|---|
| Promoter | Kishore K. Avarsekar, Abhijit K. Avarsekar, Ashish K. Avarsekar, Pushpa K. Avarsekar and Avarsekar and Sons Private Limited |
| Promoter Directors | Kishore K. Avarsekar, Abhijit K. Avarsekar, Ashish K. Avarsekar and Pushpa K. Avarsekar |
| Promoter Group | Unless the context otherwise requires, refers to those companies/entities mentioned in the section titled "Our Promoters and Promoter Group" on page 85 of this Red Herring Prospectus |
| Prospectus | The Prospectus to be filed with the ROC in terms of Section 60 of the Companies Act, containing, *inter alia*, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information |
| Public Issue Account | Account opened with the Bankers to the Issue to receive monies from the Escrow Account on the Designated Date |
| QIB Margin Amount | An amount representing at least 10% of the Bid Amount |
| QIB Portion | The portion of the Net Issue being 1,671,500 Equity Shares to be allotted to QIBs |
| Qualified Institutional Buyers or QIBs | Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million |
| Registrar to the Issue | Registrar to the Issue, in this case being Karvy Computershare Private Limited, having its registered office as indicated on the cover page |
| Retail Individual Bidder(s) | Individual Bidders (including HUFs and NRIs) who have not Bid for Equity Shares for an amount more than or equal to Rs. 100,000 in any of the bidding options in the Issue |
| Retail Portion | The portion of the Issue being 1,170,050 Equity Shares available for allocation to Retail Bidder(s) |
| Revision Form | The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s) |
| RHP or Red Herring Prospectus | The Red Herring Prospectus which will be filed with ROC in terms of Section 60B of the Companies Act, at least 3 days before the Bid/ Issue Opening Date |
| Selling Shareholders | Shareholders offering Equity Shares in the Offer for Sale, consisting of Kishore K. Avarsekar, Abhijit K. Avarsekar, Ashish K. Avarsekar and Pushpa K. Avarsekar as mentioned in the section titled "Capital Structure" on page 15 of this Red Herring Prospectus |
| Stock Exchanges | BSE and NSE |
| Syndicate | The BRLM and the Syndicate Member |
| Syndicate Agreement | Agreement between the Syndicate, the Company and the Selling Shareholders in relation to the collection of Bids in this Issue |

| Term | Description |
|---|---|
| Syndicate Member | DSPML |
| TRS/ Transaction Registration Slip | The slip or document issued by the Syndicate to the Bidder as proof of registration of the Bid |
| Underwriters | The BRLM and the Syndicate Member |
| Underwriting Agreement | The Agreement between the members of the Syndicate, our Company and the Selling Shareholders to be entered into on or after the Pricing Date |

## Conventional and General Terms

| Term | Description |
|---|---|
| Act or Companies Act | Companies Act, 1956 and amendments thereto |
| Depositories Act | Depositories Act, 1996 as amended from time to time |
| DP/ Depository Participant | A depository participant as defined under the Depositories Act, 1996 |
| FII(s) | Foreign Institutional Investors (as defined under the Foreign Exchange Management (Transfer or Offer of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India |
| Indian GAAP | Generally Accepted Accounting Principles in India |
| NAV | Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit and Loss account, divided by number of issued equity shares |
| NRI | Non Resident Indian, is a person resident outside India, as defined under FEMA and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 |
| OCB | Means and includes an entity defined in Clause (xi) of Regulation 2 of the Foreign Exchange Management (Deposit) Regulations, 2000 and which was in existence on the date of commencement of the Withdrawal of General Permission to Overseas Body Corporate Regulations, 2003 and immediately prior to such commencement was eligible to undertake transactions pursuant to the general permission granted under the Foreign Exchange Management (Deposit) Regulations, 2000 |
| SIA | Secretariat for Industrial Assistance |
| Stock Exchange(s) | BSE and/ or NSE as the context may refer to |

## Technical and Industry Terms

| Term | Description |
|---|---|
| BOQ | Bill of Quantities |
| BOT | Build, Operate and Transfer |
| CFS | Container Freight Station |
| CIDCO | City and Industrial Development Corporation of Maharashtra Limited. |

| Term | Description |
|---|---|
| DDA | Delhi Development Authority |
| DJB | Delhi Jal Board |
| GSEB | Gujarat State Electricity Board |
| GSIDC | Goa State Infrastructure Development Corporation |
| MCGM | Municipal Corporation of Greater Mumbai |
| MHADA | Mumbai Housing and Area Development Authority |
| MKVDC | Maharashtra Krishna Valley Development Corporation |
| NABARD | National Bank for Agriculture & Rural Development |
| NHAI | National Highways Authority of India |
| NHDP | National Highways Development Project |
| NSCI | National Sports Club of India |
| O & M | Operations and Maintenance |
| PPP | Public-Private-Partnership |
| PWD | Public Works Department |
| SEZ | Special Economic Zone |
| SPVs | Special Purpose Vehicles |

**Abbreviations**

| Term | Description |
|---|---|
| A/c | Account |
| AGM | Annual General Meeting |
| AS | Accounting Standards issued by the Institute of Chartered Accountants of India |
| AY | Assessment Year |
| BSE | Bombay Stock Exchange Limited |
| CAGR | Compounded Annual Growth Rate |
| CDSL | Central Depository Services (India) Limited |
| EBITDA | Earnings Before Interest, Tax, Depreciation and Amortisation |
| ECS | Electronic Clearing System |
| EGM | Extraordinary General Meeting |
| FEMA | Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto |
| FII(s) | Foreign Institutional Investors |
| Financial Year/ Fiscal/ FY | Period of twelve months ended March 31 of that particular year |
| FIPB | Foreign Investment Promotion Board |
| GDP | Gross Domestic Product |
| GoI/Government | Government of India |

| Term | Description |
|---|---|
| HNI | High Networth Individual |
| HUF | Hindu Undivided Family |
| IFSC | Indian Financial System Code |
| I.T. Act | The Income Tax Act, 1961, as amended from time to time |
| Indian GAAP | Generally Accepted Accounting Principles in India |
| IPO | Initial Public Offering |
| Mn/mn | Million |
| MICR | Magnetic Ink Character Recognition |
| NA | Not Applicable |
| NEFT | National Electronic Fund Transfer |
| NOC | No Objection Certificate |
| NR | Non-resident |
| NRE Account | Non Resident External Account |
| NRO Account | Non Resident Ordinary Account |
| NSDL | National Securities Depository Limited |
| NSE | The National Stock Exchange of India Limited |
| P/E Ratio | Price/Earnings Ratio |
| PAN | Permanent Account Number allotted under the Income Tax Act, 1961 |
| PIO | Persons of Indian Origin |
| RBI | The Reserve Bank of India |
| ROC | Registrar of Companies |
| RONW | Return on Net Worth |
| Rs. | Indian Rupees |
| RTGS | Real Time Gross Settlement |
| SCRA | Securities Contracts (Regulation) Act, 1956, as amended from time to time |
| SCRR | Securities Contracts (Regulation) Rules, 1957, as amended from time to time |
| SEBI | The Securities and Exchange Board of India constituted under the SEBI Act |
| SEBI Act | Securities and Exchange Board of India Act, 1992, as amended from time to time |
| SEBI Guidelines | SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time |
| Sec. | Section |
| Stock Exchange(s) | BSE and/ or NSE as the context may refer to |
| UCC | Unity Construction Company |
| US / USA | United States of America |
| USD or $ or US $ | United States Dollar |

# CERTAIN CONVENTIONS; USE OF INDUSTRY AND MARKET DATA

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our restated financial statements prepared in accordance with the SEBI Guidelines included in this Red Herring Prospectus or our audited financial statements. Our fiscal year commences on April 1 and ends on March 31 of the next year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding.

Defined terms and the respective definitions are set forth in the section titled "Definitions and Abbreviations" on page i of this Red Herring Prospectus. In the section titled "Main Provisions of Articles of Association of Unity Infraprojects Limited", defined terms have the meaning given to such terms in the Articles of Association of the Company.

Market and industry data used in this Red Herring Prospectus has been obtained or derived from industry publications and sources. These publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured and accordingly, no investment decisions should be made based on such information. Although we believe industry data used in this Red Herring Prospectus is reliable, it has not been verified. Similarly, internal Company reports, while believed by us to be reliable, have not been verified by any independent sources.

Further, the extent to which the market and industry data presented in this Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business, and methodologies and assumptions may vary widely among different industry sources.

# FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain “forward-looking statements”. These forward looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “objective”, “plan”, “project”, “shall”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- General economic and business conditions in India;
- Our ability to successfully implement our strategy;
- Changes in the value of the Rupee and other currency changes;
- Changes in Indian and international interest rates;
- Allocations of funds by the government towards infrastructure projects;
- Changes in laws and regulations that apply to our clients, suppliers, and the infrastructure and construction industry;
- Increasing competition and the conditions of our clients, suppliers and the infrastructure and construction industry; and
- Changes in political conditions in India.

For further discussion of factors that could cause our actual results to differ, see the sections titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” on pages x and 147 of this Red Herring Prospectus respectively. Neither our Company, nor the BRLM, nor any member of the Syndicate nor any of their respective affiliates has any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company, the BRLM will ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.

# SECTION II: RISK FACTORS

*An investment in Equity Shares involves a high degree of risk. You should carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks actually occur, our business, results of operations and financial condition could suffer and the price of our Equity Shares and the value of your investment in our Equity Shares could decline.*

*Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.*

## Internal Risk Factors

***There are outstanding litigations against the Company, our Directors, our Promoters and our Promoter Group entities.***

We are defendants in certain legal proceedings incidental to our business and operations. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Additionally, there are certain instances of regulatory non-compliance by us. In the event of rulings against us by courts or tribunals in these proceedings or levy of penalties by statutory authorities, we may need to make payments to others or book provisions against probable future payments, which could increase our expenses and our current liabilities.

There are certain claims pending in various courts and authorities at different levels of adjudication against our Directors and our Promoter Group entities.

For further details of outstanding litigations against the Company, our Directors, our Promoters and our Promoter Group, please see the section titled "Outstanding Litigations and Material Developments" on page 165 of this Red Herring Prospectus.

***We have entered into transactions with related parties.***

We have entered into certain transactions with related parties, including our Promoter Group, Directors and our employees. For detailed information on our related party transactions, see the section titled "Related Party Transactions" on page 107 of this Red Herring Prospectus.

***A significant part of our business transactions are with governmental or government-funded entities or agencies and any change in government policies or focus may affect our business and results of operations.***

Our business is dependent on infrastructure projects undertaken by governmental authorities and other entities funded by governments or international and multilateral development finance institutions. Contracts awarded by central, state and local governmental authorities accounted for approximately 70% of our Order Book as of December 31, 2005. For a breakdown of our recent historical revenues by our leading clients, see the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 147 of this Red Herring Prospectus. Government focus on and sustained increase in budgetary allocation for investments in the infrastructure sector, and the development of a structured and comprehensive infrastructure policy that encourages greater private sector participation as well as increased funding by international and multilateral development financial institutions in infrastructure projects in India, have resulted in or are expected to result in the commencement of several large infrastructure projects in India. If there is any change in the government or in governmental policies, practices or focus that results in a slowdown in infrastructure projects, our business and results of operations may be adversely affected. In addition, for projects of value less than Rs.1,000 million, government agencies in India may grant "purchase preference" to public sector construction companies whose bid for the project is within 10% of the lowest bidder, and give such public sector enterprises an option to match the lowest bid.

***Our profitability and results of operations may be adversely affected in the event of increases in the price of raw materials, fuel costs, labour or other inputs.***

The cost of raw materials, fuel, labour and other inputs constitutes a significant part of our operating expenses. Our construction operations require various construction raw materials including steel and cement. Fuel costs for operating our construction and other equipment also constitute a significant part of our operating expenses, especially in the case of our infrastructure projects. Our ability to pass on increases in the purchase price of raw materials, fuel and other inputs may be limited in the case of fixed-price contracts or contracts with limited price escalation provisions. Under the terms and conditions of fixed-price contracts, we generally agree to provide services for the part of the project contracted to us for a fixed price, subject to contract variations pursuant to changes in the client's project requirements. Many of our projects have been performed under fixed-price contracts that contain limited or no price escalation clauses covering increases in the cost of raw materials. We derived approximately 29% and 40% of our contract revenue in the year ended March 31, 2005 and in the nine months ended December 31, 2005, respectively, from such fixed-price contracts. Fixed-price contracts accounted for approximately 6% of our Order Book as of December 31, 2005. Our actual expense in executing a fixed-price contract may vary substantially from the assumptions underlying our bid for several reasons, including:

- unanticipated increases in the cost of raw materials, fuel, labour or other inputs;
- unforeseen construction conditions, including the inability of the client to obtain requisite environmental and other approvals, resulting in delays and increased costs;
- delays caused by local weather conditions; and
- suppliers' or subcontractors' failures to perform.

Unanticipated increases in the price of raw materials, fuel costs, labour or other inputs not taken into account in our bid can also have compounding effects by increasing costs of performing other parts of the contract. These variations and other risks generally inherent to the construction industry may result in our profits on a project being less than as originally estimated or may result in our experiencing losses. Depending on the size of a project, these variations from estimated contract performance could have a significant effect on our results of operations.

***Our construction contracts are dependent on adequate and timely supply of key raw materials such as steel and cement at commercially acceptable prices.***

Timely and cost effective execution of our projects is dependant on the adequate and timely supply of key raw materials. We have not entered into any long-term supply contracts with our suppliers. Additionally, we typically use third-party transportation providers for the supply of most of our raw materials. Transportation strikes by, for example, members of various Indian truckers' unions and various legal or regulatory restrictions placed on transportation providers have had in the past, and could have in the future, an adverse effect on our receipt of supplies. Further, transportation costs have been steadily increasing, and the prices of raw materials themselves can fluctuate. If we are unable to procure the requisite quantities of raw materials in time and at commercially acceptable prices, the performance of our business and results of operations may be adversely affected.

***We have high working capital requirements. If we experience insufficient cash flows to allow us to make required payments on our debt or fund working capital requirements, there may be an adverse effect on our results of operations.***

Our business requires a great deal of working capital. In many cases, significant amounts of working capital are required to finance the purchase of materials, the hiring of equipment and the performance of engineering, construction and other work on projects before payments are received from clients. In certain cases, we are contractually obligated to our clients to fund the working capital requirements of our projects.

Our working capital requirements may increase if, under certain contracts, payment terms do not include advance payments or such contracts have payment schedules that shift payments toward the end of a project or otherwise increase our working capital burdens. In addition, our working capital requirements have increased in recent years because we have undertaken a growing number of projects within a similar timeframe and due to the growth of the Company's business generally. All of these factors may result, or have resulted, in increases in our working capital needs.

It is customary in the industry in which we operate to provide bank guarantees or performance bonds in favour of clients to secure obligations under contracts. In addition, letters of credit are often required to satisfy payment obligations to suppliers and sub-contractors. If we are unable to provide sufficient collateral to secure the letters of credit, bank guarantees or performance bonds, our ability to enter into new contracts or obtain adequate supplies could be limited. Providing security to obtain letters of credit, bank guarantees and performance bonds increases our working capital needs. We may not be able to continue obtaining new letters of credit, bank guarantees, and performance bonds in sufficient quantities to match our business requirements.

***Our expansion plans require significant expenditure and if we are unable to obtain the necessary funds for expansion, our business may be adversely affected.***

We will need significant additional working capital to finance our future business plans and, in particular, our plan for expansion as referred to in "Objects of the Issue" on page 22 of this Red Herring Prospectus. Due to various factors, including certain extraneous factors such as changes in tariff regulations, interest rates, insurance and other costs or borrowing and lending restrictions, if any, we may not be able to finance our working capital needs, or secure other financing when needed, on acceptable commercial terms. Any such situation would adversely affect our business and growth prospects.

***Delays associated with the collection of receivables from our clients may adversely affect our business and results of our operations.***

There may be delays associated with the collection of receivables from our clients, including government owned, controlled or funded entities and related parties. As of December 31, 2005, Rs. 372.10 million, or 28.47%, of our accounts receivable were outstanding for a period of more than one year. Of the total debtors outstanding as on December 31, 2005, Rs. 456.05 million or 34.89% was owed to us by related parties. Our operations involve significant working capital requirements and delayed collection of receivables could adversely affect our liquidity and results of operations. In addition, we may be subject to additional regulatory or other scrutiny associated with commercial transactions with government owned, controlled or funded entities.

We expect to engage in annuity projects in the future. Such projects will involve our taking on the long-term risk that the client may default on its annuity payments to us. There can be no assurance that any such development would not adversely affect our business.

***We have a high proportion of sundry debtors.***

As of December 31, 2005, 44.1% of our assets consisted of sundry debtors. As per industry practices, prior to certifying a bill our clients jointly measure the work done by us on our projects, with our representative. It typically takes 90 to120 days to complete the certification and subsequent realisation of bills. Further, as part of certain of our contractual obligations, a portion of our receivables is retained by the client towards a security deposit and/ or retention money for period ranging from 12 to 60 months from the date of the completion of the project. The security deposit or retention money is released to us at the end of such period less any amounts required to satisfy our indemnification obligations. The high proportion of sundry debtors and any delay, payment postponement or payment default in regard of sundry debtors could adversely affect our liquidity and results of operations.

***Our business is subject to a significant number of tax regimes and changes in legislation governing the rules implementing them or the regulator enforcing them in any one of those jurisdictions could negatively and adversely affect our results of operations*.**

We currently have operations and staff spread across many states of India. Consequently, we are subject to the jurisdiction of a number of tax authorities and regimes. The revenues recorded and income earned in these various jurisdictions are taxed on differing bases, including net income actually earned, net income deemed earned and revenue-based tax withholding. The final determination of our tax liabilities involves the interpretation of local tax laws and related authorities in each jurisdiction as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred. Changes in the operating environment, including changes in tax law, could impact the determination of our tax liabilities for any given tax year.

Taxes and other levies imposed by the central or state governments in India that affect our industry include customs duties, excise duties, VAT, income tax, service tax and other taxes, duties or surcharges introduced from time to time. The central and state tax scheme in India is extensive and subject to change from time to time. Any adverse changes in any of the taxes levied by the central or state governments may adversely affect our competitive position and profitability. Currently we have claimed certain tax credits under Section 80 IA and Section 80 IB of the I. T. Act, relating to infrastructure development projects which decrease the effective tax rates compared to the statutory tax rates. There can be no assurance that these tax incentives will continue in the future or that such tax credits shall be held to be available to us. The non-availability of these tax incentives could adversely affect our financial condition and results of operations. The Government has recently introduced a fringe benefit tax payable in connection with certain expenditures incurred by us, which is likely to increase our tax liability.

***Projects included in our Order Book may be delayed, cancelled or not fully paid for by our clients, which could materially harm our cash flow position, revenues and earnings.***

Our Order Book does not necessarily indicate future earnings related to the performance of that work. Order Book projects represent business that is considered firm, but cancellations or scope or schedule adjustments may occur. We may also encounter problems executing the project as ordered, or executing it on a timely basis. Moreover, factors beyond our control or the control of our clients may postpone a project or cause its cancellation, including delays or failures to obtain necessary permits, authorizations, permissions, right-of-way, and other types of difficulties or obstructions. Due to the possibility of cancellations or changes in project scope and schedule, as a result of exercises of our clients' discretion, problems we encounter in project execution, or reasons outside our control or the control of our clients, we cannot predict with certainty when, if or to what extent an Order Book project will be performed. Delays in the completion of a project can lead to clients delaying or refusing to make payment to us of some or all of the amounts we expect to be paid in respect of the project. Even relatively short delays or surmountable difficulties in the execution of a project could result in our failure to receive, on a timely basis or at all, the final payments due to us on a project. These payments often represent an important portion of the margin we expect to earn on the project. In addition, even where a project proceeds as scheduled, it is possible that the contracting parties may default or otherwise fail to pay amounts owed. Any delay, reduction in scope, cancellation, execution difficulty, payment postponement or payment default in regard to Order Book projects or any other uncompleted projects, or disputes with clients in respect of any of the foregoing, could materially harm our cash flow position, revenues and earnings.

***An inability to manage our growth could disrupt our business and reduce our profitability.***

We have experienced high growth in recent years and expect our construction and infrastructure business to continue to grow as we gain greater access to financial resources. We expect this growth to place significant demands on us and require us to continuously evolve and improve our operational, financial and internal controls across our organization. In particular, continued expansion increases the challenges involved in:

- preserving a uniform culture, values and work environment across our projects;
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications, internal control and other internal systems;
- recruiting, training and retaining sufficient skilled management, technical and marketing personnel;
- maintaining high levels of client satisfaction; and
- adhering to health, safety, and environmental standards.

Any inability to manage our growth may have an adverse effect on our business and results of operations.

***Any inability to attract, recruit and retain skilled personnel could adversely affect our business and results of operations.***

Our ability to meet future business challenges depends on our ability to attract, recruit and retain talented and skilled personnel. We are highly dependent on our senior management, our Directors and other key personnel, including skilled project management personnel. A significant number of our employees are skilled engineers and we face strong competition to recruit and retain skilled and professionally qualified staff. Due to the limited pool of available skilled personnel, competition for senior management and skilled engineers in our industry is intense. We may experience difficulties in attracting, recruiting and retaining an appropriate number of managers and engineers for our business needs. We may also need to increase our pay structures to attract and retain such personnel. Our future performance will depend upon the continued services of these persons. The loss of any of the members of our senior management, our Directors or other key personnel or an inability to manage the attrition levels in different employee categories may materially and adversely impact our business and results of operations.

***Contracts awarded to us by governments or government-backed entities may be unilaterally terminated for convenience.***

One of the standard conditions in contracts typically awarded by governments or government-backed entities is that the government or entity, as the client, has the right to terminate the contract for convenience, without any reason, at any time after providing us with notice that may vary from a period of 30 to 90 days. In the event that a contract is so terminated, our results of operations may be adversely affected.

***We face significant competition in our business from other engineering construction companies.***

We operate in a competitive environment. Our competition varies depending on the size, nature and complexity of the project and on the geographical region in which the project is to be executed. We compete against various engineering and construction companies. For more information concerning our competitors in specific industry and project segments, please see "Our Business" beginning on page 43 of this Red Herring Prospectus. While many factors affect the client decisions, price is a key deciding factor in most of the tender awards.

We may be unable to compete with larger engineering construction companies for complex, high-value contracts as well as projects that are of comparatively lesser value, many of whom may have greater financial resources, economies of scale and operating efficiencies. If we are unable to bid for and win engineering construction projects, both large and small, or compete with larger competitors, we could fail to increase, or maintain, our volume of order intake and our results of operations may be materially adversely affected. There can be no assurance that we can continue to effectively compete with our competitors in the future, and failure to compete effectively may have an adverse effect on our business, financial condition and results of operations.

***Our inability to qualify for and win large engineering construction contracts and compete with other engineering construction companies could adversely affect our margins and results of operations.***

Substantially all our contracts are obtained through a competitive bidding process. Pre-qualification is key to our winning major projects. In selecting contractors for such projects, clients generally limit the tender to contractors they have pre-qualified based on several criteria, including experience, technical ability, past performance, reputation for quality, safety record, financial strength and the size of previous contracts in similar projects, although the price competitiveness of the bid is usually the most important selection criterion. We are currently qualified to bid for projects up to certain values, depending on the client, and therefore may not be able to compete with other construction companies for larger, higher-value projects. Our ability to bid for and win major projects is dependent on our ability to show experience working on such large engineering, procurement and construction contracts and develop strong engineering capabilities and credentials to execute more technically complex projects.

***We depend on forming successful joint ventures to qualify for the bidding process for certain projects.***

In order to be able to bid for some larger scale projects, we enter into memoranda of understanding or joint venture agreements with various other companies to meet capital adequacy, technical or other requirements that may be required as part of the pre-qualification for bidding or execution of the contract. In cases where we are unable to forge an alliance with appropriate companies to meet such requirements, we may lose out on opportunities to bid.

Where we have formed a joint venture, our Company can claim benefits flowing to the joint venture to the extent of its share in the joint venture as agreed among the joint venture partners. However, the liability of joint venture partners is joint and several. Therefore, we would be liable for completion of the entire project if our joint venture partner were to default on its duty to perform, which could have an adverse effect on our business and results of operations.

***Our portfolio is relatively concentrated in certain large-scale projects.***

There are various risks associated with the execution of large-scale integrated projects. Large contracts may take up a large part of our portfolio, increasing the potential volatility of our results through increased exposure to individual contract risks. Managing large-scale integrated projects may also increase the potential relative size of cost overruns and negatively affect our operating margins. Large-scale integrated projects may cause us to assume portions of the project that have potentially lower profit margins. In addition, we often execute large-scale integrated projects as joint ventures with other companies. Should the other members of our joint ventures default on their duties to perform, we would remain liable for the completion of the project. Our ten largest contracts in terms of outstanding value represented approximately 60% of our Order Book as of December 31, 2005. For a breakdown of our recent historical revenues by our leading clients, see the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 147 of this Red Herring Prospectus. We believe that our contract portfolio will continue to be concentrated to a similar degree in the future. If we do not achieve our expected margins or suffer losses on one or more of these large contracts, this could have an adverse effect on our results of operations.

***Our portfolio is relatively concentrated in projects in and around Mumbai.***

Our project portfolio has historically been concentrated in projects in and around Mumbai. As of December 31, 2005, approximately 46% of our Order Book was comprised of projects in Mumbai. Should there be a regional slowdown in construction or infrastructure projects that affects Mumbai and the area surrounding Mumbai, or should there be other developments which make projects in the Mumbai area less economically beneficial, then our business, financial condition and results of operations could suffer.

***Our Promoters will continue to retain majority control in the Company after the Issue, which will enable them to influence the outcome of matters submitted to shareholders for approval.***

Upon completion of the Issue, the Promoters will beneficially own 69.48% of our post-Issue equity share capital. As a result, the Promoters will have the ability to control our business including matters relating to any sale of all or substantially all of our assets, the timing and distribution of dividends and the election or termination of appointment of our officers and Directors. This control could delay, defer or prevent a change in control of the Company, impede a merger, consolidation, takeover or other business combination involving the Company, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company even if it is in the Company's best interest.

In addition, for so long as the Promoters continue to exercise significant control over the Company, they may influence the material policies of the Company in a manner that could conflict with the interests of our other shareholders. The Promoters may have interests that are adverse to the interests of our other shareholders and may take positions with which we or our other shareholders do not agree.

***We plan to bid for Build, Operate and Transfer (BOT) projects.***

As part of our strategy to focus on large infrastructure construction projects, we plan to selectively bid for BOT projects in the future. In addition, we expect that the overall proportion of projects that are offered on a BOT basis will increase over time due to the government's increasing reliance on private participation in infrastructure investment. The risks associated with undertaking BOT projects can be substantial, including the risk of incorrect forecasts at the bid stage concerning revenues to be derived from the use of the constructed facility and the risk of extended exposure to fluctuating economic conditions. Reduced profitability or losses from BOT projects that do not perform as forecast could have a material adverse effect on our results of operations. Additionally, growth in BOT infrastructure projects may require increasing private sector participation. Investment by the private sector in such projects is dependent on the potential returns from such projects and is therefore linked to government policies relating to public-private participation and the sharing of risks and returns from such projects. Any changes in government policies that may lead to a reduction in capital investment in the infrastructure sector by the private sector could have a material adverse impact on our business and our results of operations. Moreover, we have not yet undertaken any BOT projects on our own. Any inability to execute or handle BOT projects may adversely affect our business.

***Our insurance coverage may not adequately protect us against all material hazards.***

Our Company has covered itself against certain risks. Our significant insurance policies consist of coverage for risks relating to physical loss or damage as well as business interruption loss. In addition, we have obtained separate insurance coverage for personnel related risks, motor vehicle risks and loss of movable assets risks. Under certain of our contracts and sub-contracts, we are required to obtain insurance for the project undertaken by us, which, in some cases, we have not obtained or we permitted such insurance policies to lapse prior to the completion of the project. While we believe that the insurance coverage we maintain would reasonably be adequate to cover all normal risks associated with the operation of our business, there can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time, nor that we have taken out sufficient insurance to cover all material losses. Further, we may not have obtained insurance cover for some of our projects that do not require us to maintain insurance. To the extent that we suffer loss or damage for which we did not obtain or maintain insurance, that is not covered by insurance or exceeds our insurance coverage, the loss would have to be borne by us and our results of operations and financial performance could be adversely affected.

***Timely and successful completion of our projects is dependent upon our performance and, in the case of many projects, the cooperation of our joint venture partners and sub-contractors.***

Typically, construction contracts are subject to specific completion schedule requirements with liquidated damages chargeable in the event that a project falls behind schedule. We often enter into joint ventures to take on a project or sub-contract part of the work in a project to various sub-contractors. In those instances, the completion of the contract for our client depends in part on the performance of our joint venture partners and sub-contractors. Delay or failure on the part of a joint venture partner or sub-contractor to complete its work on a project on time, for any reason, could result in delayed payment to us or termination of the contract, which in turn may affect our cash flow and results of operations. Furthermore, failure to adhere to contractually agreed timelines for any reason could cause damage to our reputation and client base, result in our being required to pay liquidated damages or lead to forfeiture of security deposits or invocation of performance guarantees. Damage to our reputation could adversely affect our ability to pre-qualify for projects, which in turn may adversely affect our business and results of operations.

Additionally, joint venture partners or sub-contractors may not have adequate financial resources to meet their indemnity obligations to us. Losses may derive from risks not addressed in our indemnity agreements or insurance policies, or it may no longer be possible to obtain adequate insurance against some risks on commercially reasonable terms. Failure to effectively cover ourselves against risks for any of these reasons could expose us to substantial costs and potentially lead to material losses. The occurrence of any of these possibilities may also adversely affect industry perception of our operations and the perception of our suppliers, clients and employees, leading to an adverse effect on our business, results of operations and financial condition.

***We do not have in-house design capability and usually outsource our design work to third-party consultants. Any delay or other shortcoming in the performance of consultants may have an adverse effect on our business and results of operations.***

A significant proportion of our revenue is derived from design-build projects, which require us to design some portion or all of the overall projects. We do not have an in-house design capability and usually outsource design work to third-party consultants. If there is any delay or other shortcoming in the performance of such third-party consultants or if we are unable to retain appropriately skilled consultants, there may be an adverse effect on our ability to successfully and profitably complete the related projects and, therefore, on our business and results of operations. Additionally, we are liable for any damages that may result from design defects or other defects caused by our consultants.

***Our indebtedness and the conditions and restrictions imposed on us by our financing agreements could adversely affect our ability to conduct our business.***

As of December 31, 2005, we had total secured and unsecured loans of Rs. 756.96 million. We may incur additional indebtedness in the future. Our indebtedness could have several important consequences, including but not limited to the following:

- a portion of our cash flow will be used towards repayment of our existing debt, which will reduce the availability of cash to fund working capital needs, capital expenditures, acquisitions and other general corporate requirements;
- our ability to obtain additional financing in the future at reasonable terms may be restricted;
- fluctuations in market interest rates may affect the cost of our borrowings, as some of our loans are at variable interest rates; and
- we may be more vulnerable to economic downturns, may be limited in our ability to withstand competitive pressures and may have reduced flexibility in responding to changing business, regulatory and economic conditions.

Most of our financing arrangements are secured by our movable assets and by certain immovable assets of our Promoter Group entities. Our accounts receivable and inventories are subject to charges created in favour of specific secured lenders. Many of our financing agreements also include various conditions and covenants that require us to obtain lender consents prior to carrying out certain activities and entering into certain transactions. Failure to meet these conditions or obtain these consents could have significant consequences for our business. Specifically, we must seek, and may be unable to obtain, lender consents to amend our Memorandum and Articles of Association, incur additional debt, issue new securities (debt or equity), change our capital structure, increase or modify our capital expenditure plans, provide additional guarantees, change our management structure, declare dividends, create additional charges on or further encumber our assets, create a subsidiary, remove personnel with substantial management powers or merge with or acquire other companies, whether or not there is any failure by us to comply with the other terms of such agreements. Under certain of these agreements, we are also required to obtain the consent of the relevant lender to appoint a Director to the Company's Board.

We believe that our relationships with our lenders are good. Compliance with the various terms of our loans is, however, subject to interpretation and we cannot assure you that we have requested or received all consents from our lenders that would be advisable under our financing documents. As a result, it is possible that a lender could assert that we have not complied with all the terms under our financing documents. Any failure to service our indebtedness, comply with a requirement to obtain a consent or perform any condition or covenant could lead to a termination of one or more of our credit facilities, acceleration of amounts due under such facilities and cross-defaults under certain of our other financing agreements, any of which may adversely affect our ability to conduct our business and have a material adverse effect on our financial condition and results of operations.

***Our operations are subject to physical hazards and similar risks that could expose us to material liabilities, loss in revenues and increased expenses.***

While construction companies, including us, conduct various scientific and site studies during the course of bidding for projects, there are always anticipated or unforeseen risks that may come up due to adverse weather conditions, geological conditions, specification changes and other reasons. Additionally, our operations are subject to hazards inherent in providing engineering and construction services, such as risk of equipment failure, work accidents, fire or explosion, including hazards that may cause injury and loss of life, severe damage to and destruction of property and equipment, and environmental damage.

We may also be subject to claims resulting from defects arising from engineering, procurement and/or construction services provided by us within the warranty periods stipulated in our contracts, which typically range from 12 to 60 months from the date of commissioning. Actual or claimed defects in equipment procured and/or construction quality could give rise to claims, liabilities, costs and expenses, relating to loss of life, personal injury, damage to property, damage to equipment and facilities, pollution, inefficient operating processes, loss of production or suspension of operations. Our policy of covering these risks through contractual limitations of liability, indemnities and insurance may not always be effective. In some of the jurisdictions in which we operate, environmental and workers' compensation liability may be assigned to us as a matter of law. As per AS 7 of the Indian Accounting Standards, construction companies are required to recognize, in the respective accounting period, potential losses that may be incurred in the foreseeable future. These liabilities and costs could have a material adverse effect on our business, results of operations and financial condition.

***We could be adversely affected if we fail to keep pace with technical and technological developments in the construction industry.***

Our recent experience indicates that clients are increasingly developing larger, more technically complex projects in the civil construction and infrastructure sector. To meet our clients' needs, we must regularly update existing technology and acquire or develop new technology for our engineering construction services. In addition, rapid and frequent technology and market demand changes can often render existing technologies and equipment obsolete, requiring substantial new capital expenditures and/or write-downs of assets. Our failure to anticipate or to respond adequately to changing technical, market demands and/or client requirements could adversely affect our business and financial results.

***Our business is subject to a variety of environmental laws and regulations. Any failure on our part to comply with applicable environmental laws and regulations could have an adverse effect on our business.***

Our operations are subject to numerous environmental protection laws and regulations, which are complex and stringent. We regularly perform work in and around sensitive environmental areas such as rivers, lakes, coastlines and forests. The client may not be able to obtain and handover possession of the site due to problems related to displacement and rehabilitation of the project affected people. Significant fines and penalties may be imposed for non-compliance with environmental laws and regulations and certain environmental laws provide for strict liability for remediation of releases of hazardous substances, rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. Furthermore, we incur significant expenditure relating to operating methodologies and standards in order to comply with applicable environmental laws and regulations.

Our clients are generally responsible for obtaining environmental permits required to proceed with the project. Any failure or inability by our clients to retain the requisite permits may have an adverse effect on our business and results of operations.

Such laws and regulations may expose us to liability arising out of the conduct of operations or conditions caused by others, or for our own acts including those that were in compliance with all applicable laws at the time such acts were performed. Sanctions for failure to comply with these laws, rules and regulations, many of which may be applied retroactively, may include administrative, civil and criminal penalties, revocation of permits and corrective action orders.

***Our inability to obtain, renew or maintain the statutory and regulatory permits and approvals required to operate our business could have a material adverse effect on our business.***

We require certain statutory and regulatory permits and approvals for our business. There can be no assurance that the relevant authorities will issue such permits or approvals in the timeframe anticipated by us or at all. Failure by us to renew, maintain or obtain the required permits or approvals may result in the interruption of our operations and may have a material adverse effect on our business, financial condition and results of operations. We have applied for but are yet to receive certain labour related licenses as disclosed in the section titled "Government Approvals" on page 169 of this Red Herring Prospectus. If we are unable to obtain the requisite licenses in a timely manner, or at all, our operations may be affected.

***Claims made by us against our clients for payment have increased over the last few years and failure by us to recover adequately on future claims could have a material adverse effect on our financial condition, results of operations and cash flows.***

Our project claims have increased in recent years. Project claims are claims brought by us against our clients for additional work and costs incurred in excess of the contract price or amounts not included in the contract price. These claims typically arise from changes in the initial scope of work or from delays caused by the client. These claims are often subject to lengthy arbitration, litigation or other dispute resolution proceedings. The costs associated with these changes or client caused delays include additional direct costs, such as labour and material costs associated with the performance of the additional work, as well as indirect costs that may arise due to delays in the completion of the project, such as increased labour costs resulting from changes in labour markets. We have used significant additional working capital in projects with cost overruns pending the resolution of the relevant project claims. Project claims may continue in the future. For further information, please refer to the section titled "Outstanding Litigation and Material Developments" on page 165 of this Red Herring Prospectus.

Failure to recover amounts under these claims could have a material adverse impact on our liquidity, financial condition and results of operations.

***We have certain contingent liabilities that may adversely affect our financial condition.***

Clients of construction companies usually demand performance guarantees from construction companies as a safety net against potential defaults by the construction companies. Additionally, construction companies are usually required to have letters of credit issued by their lenders in favour of their suppliers and other vendors. Hence, construction companies often carry substantial contingent liabilities for the projects they undertake.

As of December 31, 2005, contingent liabilities appearing in our financial statements aggregated to Rs. 1,634.18 million. The contingent liabilities consist principally of performance guarantees and open letters of credit. If we are unable to complete a project on schedule, the client may invoke such performance guarantees. If we are unable to pay or otherwise default on our obligations, our lenders may be required pursuant to the relevant letters of credit or guarantees to cover the full or remaining balance of our obligations. In the event that any of these contingent liabilities materialize, our financial condition may be adversely affected. For further information, please see Annexure 15 of the section titled "Financial Statements" beginning on page106 of this Red Herring Prospectus.

***Our results of operations could be adversely affected by disputes with our employees.***

As of January 31, 2006, we employed approximately 703 full-time employees. In addition, as of such date, we contracted for approximately 1,057 temporary contract labourers on our project sites.

While we believe that we maintain good relationships with our employees and contract labour, there can be no assurance that we will not experience future disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations. The number of contract labourers varies from time to time based on the nature and extent of work contracted to sub-contractors. We enter into contracts with sub-contractors to complete specified assignments. We may however be still liable for any non-compliance or violations by our sub-contractors. Further, any upward revision of wages required by the government to be paid to contract labourers, or offer of permanent employment or the unavailability of the required number of contract labourers, may adversely affect our business and results of our operations.

***Some of our Promoter Group entities have incurred losses.***

Some of our Promoter Group entities have, in recent years, incurred losses or have negative net worth, as set forth in the table below:

| **Name of Promoter Group entity** | **Fiscal 2005** | **Fiscal 2004** | **Fiscal 2003** |
|---|---|---|---|
| | **Profits / (Losses) in Rs. Million** | | |
| Debashish Construction Company Private Limited | 0.36 | (0.09) | 0.20 |
| Krishnangi Fabrics Private Limited | (0.01) | (0.65) | 0.08 |
| Tirupati Resorts Private Limited | 0.47 | (0.24) | (0.41) |
| Unity Asian (W) Construction Company | 0.16 | (4.42) | 0.38 |
| L.P. Builders | 0.51 | (0.01) | (0.04) |
| Mahalsa Enterprise | 0.06 | (0.10) | 0.22 |

Entities in the Promoter Group that had a negative net worth in the past three years:

| Name of Promoter Group entity | Fiscal 2005 | Fiscal 2004 | Fiscal 2003 |
|---|---|---|---|
| | Net Worth in Rs. Million | | |
| Krishnangi Fabrics Private Limited | (0.27) | (0.27) | 0.38 |
| Tirupati Resorts Private Limited | (0.83) | (1.30) | (1.06) |
| Aquarius Farms Private Limited | (0.20) | (0.20) | (0.20) |

For a detailed description of our Promoter Group entities, please see the section titled "Our Promoters and Promoter Group" on page 85 of this Red Herring Prospectus.

***The financial statements of certain of our Promoter Group entities are unaudited.***

The financial statements of certain partnership firms and proprietorship firms forming part of our Promoter Group are unaudited. These financial statements have not been audited because there is no requirement under the relevant statutes under which these entities are organised to have financial statements audited. For further details, please see the section titled "Our Promoters and Promoter Group" on page 85 of this Red Herring Prospectus.

***We have in the last 12 months issued Equity Shares at a price that could be lower than the Issue Price.***

We have in the last 12 months made the following issuances of Equity Shares at a price that could be lower than the Issue Price. We have issued 600,000 Equity Shares to institutional investors on March 24, 2006 at Rs. 490 per Equity Share (including a premium of Rs. 480 per Equity Share). For further details regarding such issuances of Equity Shares, please see the section titled "Capital Structure" beginning on page 15 of this Red Herring Prospectus.

***We have not entered into any definitive agreements to use a substantial portion of the net proceeds of the Fresh Issue.***

We intend to use the net proceeds of the Fresh Issue for the repayment of debt, investment in capital equipment, investment in infrastructure projects and general corporate purposes. See "Objects of the Issue" on page 22 of this Red Herring Prospectus. We have not entered into any definitive agreements to utilize the net proceeds of the Fresh Issue. The purposes for which the net proceeds of the Issue are to be utilized have not been appraised by an independent entity and are based on our estimates and on third-party quotations. In addition, our capital expenditure plans are subject to a number of variables, including possible cost overruns and changes in management's views of the desirability of current plans, among others. We have not formed any special purpose vehicles or joint ventures in which we will invest and there can be no assurance of any future dividends from any such special purpose vehicles or joint ventures. There can be no assurance that we will be able to identify special purpose vehicles or joint ventures in which we wish to or are able to invest. There can be no assurance that we will be able to conclude definitive agreements for investments in capital equipment or for investments in any special purpose vehicles or joint venture or otherwise on commercially acceptable terms.

Pending utilization of the proceeds out of the Fresh Issue for the purposes described in this Red Herring Prospectus, we intend to temporarily invest the funds in high quality interest bearing liquid instruments, including deposits with banks, or temporarily deploy the funds in working capital loan accounts. Such investments would be in accordance with the investment policies or investment limits approved by our Board from time to time.

***We may undertake strategic acquisitions or investments, which may prove to be difficult to integrate and manage or may not be successful.***

In the future, we may consider making strategic acquisitions of other engineering construction companies whose resources, capabilities and strategies are complementary to and likely to enhance our business operations in the different geographical regions in which we operate. It is possible that we may not identify suitable acquisition or investment candidates, or if we do identify suitable candidates, that we may not complete those transactions on terms commercially acceptable to us or at all. The inability to identify suitable acquisition targets or investments or the inability to complete such transactions may adversely affect our competitiveness or our growth prospects.

If we acquire another company we could face difficulties integrating the acquired operations. In addition, the key personnel of the acquired company could decide not to work for us. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses. There can be no assurance that we will be able to achieve the strategic purpose of such an acquisition or operational integration or our targeted or any acceptable return on such an investment.

***Any further issuance of Equity Shares by the Company or sales of Equity Shares by any significant shareholders may adversely affect the trading price of the Equity Shares.***

Any future issuance of our Equity Shares by the Company could dilute your shareholding. Any such future issuance of our Equity Shares or sales of our Equity Shares by any of our significant shareholders may also adversely affect the trading price of our Equity Shares, and could impact our ability to raise capital through an offering of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares. Upon completion of the Issue, the entire post-Issue paid-up capital held by our Promoters will be locked up for a period of one year and 20% of our post-Issue paid-up capital held by certain of our Promoters will be locked up for a period of three years from the date of allotment of Equity Shares in the Issue. For further information relating to such Equity Shares that will be locked up, please see Notes to the Capital Structure in the section "Capital Structure" beginning on page 15 of this Red Herring Prospectus.

***Our Promoter Directors and certain Promoter Group entities are engaged in business activities similar to ours.***

Our Promoter Directors and certain Promoter Group entities are engaged in business activities similar to those undertaken by our Company such as construction and civil engineering and this could be a potential source of conflict of interest. We have however entered into a non-compete agreement with our Promoter Directors and Promoter Group entities whereby these entities have agreed that they shall not undertake the development or execution of any new civil construction or infrastructure projects, excluding any civil construction or infrastructure projects that are currently in the development or execution stage or for which they have made bids, received orders or been awarded contracts. In addition, all permitted future construction activity of the Promoter Directors or the Promoters Group entities (including future entities created by the Promoter Directors or Promoter Group entities) shall be undertaken by us. For further details regarding this agreement, please refer to the section titled "Our Promoters and Promoter Group" on page 85 of this Red Herring Prospectus.

***We have licensed our trademark to other Promoter Group entities at no cost***

We have licensed the 'Unity' Trademark to other Promoter Group entities at no cost for use by them in carrying on their business activities. Any adverse conditions suffered by these entities may adversely affect the value of and goodwill associated with the Trademark and accordingly, our reputation.

## External Risk Factors

***Demand for our construction services depends principally on activity and expenditure levels in the building and infrastructure sectors.***

Demand for our construction services is principally dependent on sustained economic development in the regions in which we operate. In addition, demand for our infrastructure services is largely dependent on government policies relating to infrastructure development and budgetary allocations made by governments for such development, as well as funding provided by international and multilateral development financial institutions for infrastructure projects. Investment by the private sector in infrastructure projects is dependent on the potential returns from such projects and is therefore linked to government policies relating to private sector participation and the sharing of risks and returns from such projects. A reduction of capital investment in the building or infrastructure sectors for any reason could have a material adverse effect on our business, results of operations and financial condition.

***Our operations are sensitive to weather conditions.***

We have business activities that could be materially and adversely affected by severe weather. Severe weather conditions may require us to evacuate personnel or curtail services and may result in damage to a portion of our fleet of equipment or to our facilities, resulting in the suspension of operations, and may further prevent us from delivering materials to our project sites in accordance with contract schedules or generally reduce our productivity. Our operations are also adversely affected by difficult working conditions and extremely high temperatures during summer months and during monsoon, which restrict our ability to carry on construction activities and fully utilize our resources.

We record contract revenues for those stages of a project that we complete, after we receive certification from the client that such stage has been successfully completed. Since revenues are not recognized until we make progress on a contract and receive such certification from our clients, revenues recorded in the first half of our financial year between April and September are traditionally substantially lower compared to revenues recorded during the second half of our financial year. During periods of curtailed activity due to adverse weather conditions, we may continue to incur operating expenses, but our revenues from operations may be delayed or reduced.

***Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.***

India has experienced natural calamities such as earthquakes, a tsunami, floods and drought in the past few years. Natural calamities could have a negative impact on the Indian economy and may cause suspension, delays or damage to our current projects and operations, which may adversely affect our business and our results of operations.

***We are subject to risks arising from interest rate fluctuations, which could adversely affect our business, financial condition and results of operations.***

Changes in interest rates could significantly affect our financial condition and results of operations. As of December 31, 2005, Rs. 445.0 million of our borrowings were at floating rates of interest. If the interest rates for our existing or future borrowings increase significantly, our cost of servicing such debt will increase. This may adversely impact our results of operations, planned capital expenditures and cash flows.

***The price of our Equity Shares may be volatile, or an active trading market for our Equity Shares may not develop.***

Prior to this Issue, there has been no public market for our Equity Shares. The trading price of our Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, volatility in the Indian and global securities markets, the performance of the Indian and global economy, significant developments in India's fiscal regime and other factors. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the price at which our Equity Shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue.

**NOTES TO RISK FACTORS:**

1. Public issue of 3,443,000 Equity Shares for cash at a price of Rs. [•] per Equity Share including a share premium of Rs. [•] per Equity Share, aggregating Rs. [•] million comprising a Fresh Issue of 2,768,000 Equity Shares by the Company and an Offer for Sale by the Selling Shareholders of 675,000 Equity Shares. The Issue would constitute 25.76% of the fully diluted post issue paid-up capital of the Company.
2. The average cost of acquisition of Equity Shares by our Promoters has been calculated by taking the average amount paid by them to acquire our Equity Shares. For details, please see section titled "Capital Structure" on page 15 of this Red Herring Prospectus.
3. Our net worth before the Issue (as of December 31, 2005) was Rs. 606.55 million and the book value per Equity Share as of December 31, 2005 was Rs. 60.66 per Equity Share.
4. The Company has placed a deposit of Rs. 150 million with its Promoter Group Company, Avarsekar and Sons Private Limited, as security deposit for which it has obtained exclusive construction rights totalling approximately Rs. 1,570 million. In addition, the Promoters and Promoter Group companies have pledged properties of their own, worth Rs. 465.3 million, to help secure loans and working capital facilities worth Rs. 445 million and bank guarantees and other forms of credit support totalling approximately Rs. 2,100 million from Banks and Financial Institutions in favour of the Company. Refer to our financial statements relating to related party transactions in the section titled "Related Party Transactions" on page 107 of this Red Herring Prospectus.
5. For details of the interests of our Directors and Key Managerial Personnel, please refer to the section titled "Our Management" on page 72 of this Red Herring Prospectus. For details of the interests of our Promoters and Promoter Group, please refer to the section titled "Our Promoters and Promoter Group" on page 85 of this Red Herring Prospectus.
6. Investors may contact the BRLM for any complaints, information or clarification pertaining to the Issue. The BRLM is obliged to provide the same to investors.
7. Before making an investment decision in respect of this Issue, Investors are advised to refer to the section titled "Basis for Issue Price" on page 29 of this Red Herring Prospectus.

We and the BRLM are obliged to keep this Red Herring Prospectus updated and inform the public of any material change / development until the listing and trading of the Equity Shares offered under the Issue commences.

# SECTION III : INTRODUCTION

## SUMMARY OF OUR BUSINESS, STRENGTHS AND STRATEGY

*Any references to 'we', 'us', 'our' in this section wherever relating to past history or activities, refers to the history of or activities carried out by Unity Construction Company till August 28, 2000 and thereafter to Unity Infraprojects Limited.*

### Overview

We are one of India's leading engineering and construction companies. We have a fast growing business that provides integrated engineering, procurement and construction services for civil construction and infrastructure sector projects. A highlight of our business is that we execute many projects on a turnkey basis and, in doing so, provide a range of specialized construction and operational services, including electrical, fire prevention and control, plumbing and air conditioning.

### Our project expertise includes:

- Civil construction projects, which include structures such as commercial and residential buildings, mass housing projects and townships, industrial structures, information technology parks, corporate offices, transportation terminals including airports and railway stations, stadiums and sports complexes, hotels, hospitals and universities and educational campuses;
- Transportation engineering projects, including roads, bridges, flyovers and subways; and
- Irrigation and water supply projects, including dams, tunnels, lift irrigation projects and sewerage schemes.

We are headquartered in Mumbai and our operations in India reach across eight states.

Some of our major clients include:

- Airports Authority of India;
- The National Sports Club of India;
- Northeast Frontier Railway;
- Department of Irrigation, Government of Andhra Pradesh;
- Public Works Department, Government of Assam;
- Municipal Corporation of Greater Mumbai; and
- Delhi Development Authority.

Since our Promoters started our business over two decades ago, we have acquired significant expertise in civil construction, having executed a diverse portfolio of urban and rural civil construction projects in various regions in India. In 1997, we began diversifying into infrastructure with irrigation projects. In addition to irrigation projects, we have developed expertise in executing other types of infrastructure projects, such as transportation and water supply projects.

Among the civil construction and infrastructure projects that we are currently executing are:

- Expansion and Modification of Terminal I-B of the Chhatrapati Shivaji International Airport for the Airports Authority of India, Mumbai, Maharashtra;
- Re-construction of the Sardar Vallabhbhai Patel Indoor Stadium for the National Sports Club of India, Mumbai, Maharashtra;
- Construction of single line broad gauge tunnel for the Northeast Frontier Railway, Ambassa, Tripura;
- Construction of Tadipudi Lift irrigation scheme – 2$^{nd}$ lift for the Government of Andhra Pradesh, District Warangal, Andhra Pradesh;
- Construction of new secretariat complex for the Government of Assam, Dispur, Assam;
- Strengthening of the Tansa Dam for the Municipal Corporation of Greater Mumbai, Shahpur, Maharashtra;
- Construction of Low Income Group housing projects on a turnkey basis for the Delhi Development Authority, Bakkarwala and Narela, Delhi; and
- Construction of new transformer factory for Siemens Limited, Navi Mumbai, Maharashtra.

As of January 31, 2006, our work force consisted of 703 full-time employees and approximately 1,057 temporary contract employees. We have a large fleet of sophisticated construction equipment, including a slipform concrete paver, a truck-mounted concrete boom placer and high capacity concrete batching plants, all of which we own directly or through our joint ventures. We believe that our employee resources and fleet of equipment, along with our engineering skills and capabilities, enable us to successfully implement a wide variety of construction projects that involve varying degrees of complexity. We enjoy various accreditations, such as the ISO 9001:2000 certification for the quality management system we apply to the design and construction of civil engineering projects, and have received accolades for some of our projects, such as the construction of the P.L. Deshpande Kala Academy and Ravindra Natya Mandir at Prabhadevi, Mumbai, the mass housing project at Majaswadi, Mumbai and the Khodadad Circle Flyover at Dadar, Mumbai.

We enter into contracts primarily through a competitive bidding process. We solely execute most of our projects as the contractor. When a client requires us to meet specific eligibility requirements for certain larger projects, including requirements relating to particular types of experience and financial resources, we may enter into project-specific joint ventures with other construction companies. Out of the 51 contracts that we had outstanding as of December 31, 2005, ten were being executed by joint ventures in which we are members.

In the years ended March 31, 2003, 2004 and 2005, our total income was Rs. 925.72 million, Rs. 2,046.38 million and Rs. 2,706.08 million, respectively. For the nine months ended December 31, 2004 and 2005, our total income was Rs. 1,996.84 million and Rs. 2,249.44 million, respectively. In the years ended March 31, 2003, 2004 and 2005, we earned profit after tax of Rs. 27.92 million, Rs. 67.87 million and Rs. 118.66 million, respectively. Our profit after tax for the nine months ended December 31, 2004 and 2005 was Rs. 85.46 million and Rs. 163.26 million, respectively. Our order book, which includes uncommenced projects and the unfinished and uncertified portions of our commenced projects, was Rs. 11,718.50 million as of December 31, 2005 compared to Rs. 7,445.20 million as of March 31, 2005. We have added contracts worth Rs. 2,193.88 million to our order book during the period from January 1, 2006 through May 8, 2006.

## Corporate History and Structure

We were originally incorporated as Unity Builders Limited in April 1997 to purchase and continue the construction business of Unity Construction Company, a partnership among several persons to which our Chairman and Managing Director Kishore K. Avarsekar was admitted in 1983. Unity Builders Limited was subsequently renamed Unity Infraprojects Limited on February 7, 2000. The business of Unity Construction Company was transferred to Unity Infraprojects Limited on August 28, 2000.

We do not have any subsidiaries.

## Our Strengths

***Significant experience and strong track record***

With over two decades of experience that we and our Promoters have gained in the construction industry, we have become one of the significant players in the Indian construction industry with, we believe, a reputation for high quality work and timely construction. We have received ISO 9001:2000 certification for the quality management system that we apply to the design and construction of civil engineering projects.

Our portfolio of completed and ongoing civil construction projects includes commercial and residential buildings, mass housing projects and townships, industrial structures, an information technology park, corporate offices, transportation terminals including an airport and a railway station, stadiums and sports complexes, hotels, hospitals and universities and educational campuses. In the infrastructure portion of our business, our projects fall broadly into the following categories: transportation engineering, and irrigation & water supply. In the transportation engineering category, we have constructed roads, bridges, flyovers and pedestrian subways. In the irrigation & water supply category, we have built dams and tunnels and executed lift irrigation projects and water supply and sewerage projects.

The breadth and depth of our experience, among other factors, enables us to pre-qualify for a greater number of potentially higher-margin projects.

***Operations in diverse segments and geographies***

We provide engineering construction services for various types of civil construction and infrastructure projects. This variety of project types enables us to keep our business diversified and reduces our dependence on any one segment or nature of project. In addition, we have operations reaching across eight states and the ability to execute a project in any region of India.

***Ability to execute complex projects in a timely manner***

We have in the past executed projects on time or prior to the scheduled completion date. For example, we completed the Pedestrian Subway at Chhatrapati Shivaji Terminus (formerly Victoria Terminus) in Mumbai within 10 months as opposed to the 24 months stipulated in the tender document. Similarly, we completed the Flyover at Khodadad Circle in Dadar, Mumbai in 16 months as opposed to the 24 months stipulated in the tender document. There have been zero instances where our performance guarantees have been invoked by our clients.

In addition, we have worked on projects where we believe that the timeframe requirements of our clients were more aggressive than is customary for similar types of projects. Nevertheless, we have been able to deliver on such expectations. For example, we successfully completed the refurbishment of the Kala Academy in Goa on a turnkey basis within the scheduled period of 110 days. Our demonstrated ability to execute projects in a timely manner is a competitive advantage that factors into our ability to pre-qualify for projects.

***Ability to undertake projects both on turnkey and design-build bases***

In addition to routine construction projects, we undertake projects on a turnkey basis, in which we provide a range of specialized construction and operational services including electrical, fire prevention and control, plumbing and air conditioning. We also provide design-build services to clients in various segments. In design-build projects, we typically design or oversee the design by third-party service providers of the project according to the client's requirements. When such projects require capabilities that we do not have in-house, we outsource such functions to third-party service providers. Our experience in executing turnkey and design-build projects demonstrates our ability to provide a variety of services to clients and, accordingly, enables us to pre-qualify for projects in which clients seek contractors who can provide turnkey or design-build solutions. For example, we were pre-qualified for, and later awarded, the expansion and modification of Terminal I-B of the CSI Airport project in Mumbai based in part on the strength of our experience in performing turnkey and design-build projects.

***Highly qualified and experienced employee base and proven management team***

We believe that a well-trained, motivated and satisfied employee base is key to our competitive advantage. As of January 31, 2006, we employed 703 full-time employees, of which 521, or 74%, were engineers, including three of our Promoters, and of which 507, or 72%, were employed at our various project sites, while the remainder were employed at our corporate offices. The skill sets of our employees give us the flexibility to adapt to the needs of our clients and the technical requirements of the various projects that we undertake. We are committed to the development of the expertise and know-how of our employees through regular technical seminars and training sessions organized or sponsored by the Company.

Our management team is well qualified and experienced in the construction industry and has been in many ways responsible for the growth of our operations. In particular, Kishore K. Avarsekar, our Chairman and Managing Director, is a civil engineer who has over 35 years of construction industry experience and has driven our growth since the inception of our business. We believe the strength and quality of our management have been instrumental in implementing the Company's business strategies. We have recently expanded our Board by appointing four independent members who we believe will bring significant business experience to the Company.

***Large fleet of sophisticated construction equipment***

We have a large and sophisticated fleet of construction equipment assets, including a slipform concrete paver, transit mixers, a truck-mounted concrete boom placer, stationary concrete pumps, tower cranes, high-capacity batching plants, vibratory rollers and plate compactors, hydraulic excavators, tractors, dumpers and trucks. We recently established a ready-mix concrete plant and an interlocking paver unit in Mumbai to cater to our captive requirements for projects in and around Mumbai. We believe that having such an asset base is essential for us to serve the technically challenging and diverse nature of the construction projects in which we are engaged. Also, our equipment is managed, maintained and operated by trained personnel at our comprehensive maintenance and repair facility in Taloja, Navi Mumbai. We believe that owning and managing a large proportion of the equipment we typically use on projects enables us to achieve higher operating margins.

***Profitability and Growth***

We have experienced continued growth in profitability and revenues in recent years. In the years ended March 31, 2003, 2004 and 2005, our total income was Rs. 925.72 million, Rs. 2,046.38 million and Rs. 2,706.08 million, respectively. For the nine months ended December 31, 2004 and 2005, our total income was Rs. 1,996.84 million and Rs. 2,249.44 million, respectively. In the years ended March 31, 2003, 2004 and 2005, we earned profit after tax of Rs. 27.92 million, Rs. 67.87 million and Rs. 118.66 million, respectively. Our profit after tax for the nine months ended December 31, 2004 and 2005 was Rs. 85.46 million and Rs. 163.26 million, respectively.

## Our Strategy

Our strategic objective is to continue to improve on and consolidate our position as a leading engineering and construction company in India. We intend to achieve this by implementing the following aims:

***Consolidate position in infrastructure space***

We believe that infrastructure will be a major driver for growth in the Indian construction industry in the foreseeable future due to increased levels of government and private industry investment in infrastructure. Additionally, the government has taken steps to encourage additional investments in infrastructure, such as formulating plans to create SEZs in various areas of India and providing economic benefits to private sector participants for projects executed on a BOT or annuity basis. Thus, there will be numerous opportunities for infrastructure creation. In anticipation of the trend toward increased infrastructure investment, we have developed skill sets across a diverse portfolio of infrastructure projects in recent years, including roads, bridges and flyovers, lift irrigation schemes, water supply projects, tunnels and dams. Our wide ranging experience in the infrastructure segment has given us an ability to bid for, pre-qualify and execute diverse infrastructure projects. We intend to bid for and secure more complex and profitable infrastructure projects, as well as continue to focus on those types of infrastructure projects that are within our core competence. We also intend to expand our operations to other types of infrastructure projects, such as hydropower and port projects including Container Freight Stations (CFS). We have in the past constructed a CFS for Gateway Distriparks Limited.

***Bid for, win and operate BOT and annuity projects***

The government has planned for a number of projects across various sectors, such as roads, water supply, power and real estate, to be completed on a BOT or annuity basis. For further details on BOT or annuity projects, please refer to paragraph titled "Type of Contracts" in the section titled "Our Business" on page 43 of this Red Herring Prospectus. We believe that such projects will become increasingly more prevalent in the coming years because of the government's reliance on the public-private-partnership (PPP) model. BOT or annuity projects may provide better operating margins because of the added overall control of project costs that can be exerted by the contractor. Additionally, BOT projects offer the possibility of higher revenues to the contractor by virtue of better than anticipated use of the asset. We intend to increase our focus on BOT and annuity projects by leveraging our technical and financial credentials, which we believe will be improved by the strengthened balance sheet that we expect to have following the Issue. Such a balance sheet should allow us to take on more projects, including BOT and annuity projects on our own. It will also increase our ability to partner or form strategic alliances with corporate developers and financial institutions, which we intend to do more of on a project-by-project basis in order to enhance our opportunities to bid for and execute such projects. We have already submitted bids for BOT projects with certain financial institutions, which are currently pending.

***Continue to target specific high-potential project segments***

We intend to concentrate on projects and prospects in areas where we can be most competitive, including turnkey and design-build projects. Turnkey and design-build projects typically offer greater profit margins because of the added control of project costs that can be exerted by the contractor. We also intend to target specific project and geographic segments where we believe there is high potential for growth and the potential for robust profit margins. For example, we intend to tap into the growing demand for larger scale infrastructure projects by leveraging, among other things, our prior experience in infrastructure projects and our equipment base. While working on higher value projects may have associated risks, such projects also enable us to benefit from potentially higher margins. We also intend to continue to seek strategic alliances and form project-specific joint ventures with Indian or foreign engineering and construction companies to target larger scale infrastructure projects.

We enter into contracts primarily through a competitive bidding process. In selecting contractors for major projects, clients often pre-qualify contractors based on certain pre-qualification parameters including past experience in the execution of similar projects, technical ability and performance, reputation for quality, safety standards, financial strength and the price competitiveness of the bid. We intend to leverage our existing experience as well as our financial position to enhance our chances at the pre-qualification stage and win bids on contracts for larger scale projects.

***Consolidate position in the civil construction sector***

We believe we are one of the leading players in the Indian civil construction business, having demonstrated an ability to undertake a wide range of construction project types, including high-end residential projects, mass housing projects, airports, stadiums, auditoriums, hospitals and corporate offices. We intend to continue to target opportunities and pursue more technically complex projects in this area, including turnkey and design-build projects, to maintain and build on our dominant position. We also intend to expand our clientele base for civil construction projects by bidding for and acquiring more projects sponsored by private sector entities around the various regions of India.

***Focus on performance and project execution***

We believe that we have developed a reputation for undertaking challenging construction projects. We intend to continue to focus on performance and project execution in order to seek to maximize client satisfaction. We also intend to continue to control operating and overhead costs to seek to maximize our operating margins. To facilitate efficient and cost-effective decision-making, we intend to continue to strengthen our internal systems. We also intend to continue to further enhance our strong engineering capabilities to enable us to provide value-added engineering services for, and win larger and more technically complex, turnkey and design-build projects.

***Develop and maintain strong relationships with our clients and strategic partners***

Our services are significantly dependent on winning construction projects undertaken by large government agencies and companies, and infrastructure projects undertaken by governmental authorities and others and funded by governments. Our business is also dependent on developing and maintaining strategic alliances with other contractors with whom we may want to enter into project-specific joint ventures or sub-contracting relationships for specific purposes. We will continue to develop and maintain these relationships and alliances. We intend to establish strategic alliances and share risks with companies whose resources, skills and strategies are complementary to our business and are likely to enhance our opportunities.

## SUMMARY FINANCIAL INFORMATION

The following table sets forth summary financial information derived from our restated financial statements as of and for the fiscal years ended March 31, 2001, 2002, 2003, 2004 and 2005 and as of and for the nine months ended December 31, 2005 and December 31, 2004, which are included in this Red Herring Prospectus under the section titled "Financial Statements" on page 113 of this Red Herring Prospectus. The restated financial statements have been prepared in accordance with the SEBI Guidelines and have been restated as described in the auditors' report attached thereto. The summary financial information presented below should be read in conjunction with the financial statements included in this Red Herring Prospectus, the notes thereto and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 147 of this Red Herring Prospectus.

**(Rs. in million)**

| | Particulars | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March 31, | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | 2005 | 2004 | 2003 | 2002 | 2001 |
| A. | **FIXED ASSETS** | | | | | | | |
| | Gross Block | 301.99 | 135.57 | 145.65 | 100.63 | 58.27 | 44.94 | 26.09 |
| | Less :- Depreciation | 67.21 | 36.52 | 41.56 | 24.76 | 14.41 | 8.02 | 2.83 |
| | Net Block | 234.78 | 99.06 | 104.09 | 75.87 | 43.86 | 36.92 | 23.27 |
| | | **234.78** | **99.06** | **104.09** | **75.87** | **43.86** | **36.92** | **23.27** |
| B. | **CURRENT ASSETS, LOANS AND ADVANCES** | | | | | | | |
| | Inventories | 117.01 | 79.16 | 115.83 | 66.50 | 67.26 | 19.93 | 17.94 |
| | Sundry Debtors | 1,306.95 | 669.80 | 942.04 | 802.72 | 578.14 | 565.46 | 308.94 |
| | Cash and Bank Balances | 578.99 | 304.00 | 391.74 | 350.69 | 284.04 | 229.67 | 246.69 |
| | Loans and Advances | 655.20 | 272.71 | 488.27 | 395.97 | 351.96 | 329.41 | 95.15 |
| | Investments | 69.14 | 53.03 | 62.39 | 36.04 | 22.75 | 4.18 | 3.05 |
| | | **2,727.29** | **1,378.70** | **2,000.27** | **1,651.91** | **1,304.14** | **1,148.64** | **671.77** |
| C. | **LIABILITIES AND PROVISIONS** | | | | | | | |
| | Secured Loans | 739.31 | 473.76 | 581.01 | 519.66 | 441.05 | 318.08 | 267.58 |
| | Unsecured Loans | 17.65 | 17.66 | 13.59 | 12.71 | 11.38 | 5.72 | 3.71 |
| | Current Liabilities and Provisions | 1,593.96 | 555.46 | 1,059.53 | 851.57 | 605.40 | 599.66 | 361.96 |
| | | **2,350.92** | **1,046.88** | **1,654.13** | **1,383.94** | **1,057.83** | **923.46** | **633.25** |
| D. | **DEFERRED TAX LIABILITY** | **4.61** | **5.82** | **6.33** | **4.29** | **1.42** | **0.00** | **0.00** |
| E. | **NET WORTH** | **606.55** | **425.05** | **443.90** | **339.55** | **288.74** | **262.10** | **61.78** |
| | Represented by | | | | | | | |
| | Share Capital | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 56.51 |
| | Reserves and Surplus | 507.09 | 325.27 | 344.11 | 239.81 | 189.04 | 162.44 | 5.66 |
| | Miscellaneous Expenditure (to the extent not written off or adjusted) | -0.54 | -0.21 | -0.21 | -0.26 | -0.30 | -0.34 | -0.38 |
| | **NET WORTH** | **606.55** | **425.05** | **443.90** | **339.55** | **288.74** | **262.10** | **61.78** |

(Rs. in million)

| Particulars | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March 31, 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|
| **INCOME** | | | | | | | |
| **Operating Income** | | | | | | | |
| Contract Revenue | 2,224.75 | 1,959.73 | 2,652.97 | 2,009.18 | 891.76 | 771.50 | 477.83 |
| Share of Profit from Joint Venture | 10.03 | 17.23 | 26.51 | 13.06 | 8.64 | 0.46 | 0.00 |
| **Total Operating Income** | **2,234.78** | **1,976.96** | **2,679.48** | **2,022.24** | **900.39** | **771.95** | **477.83** |
| Other Income | 14.66 | 19.88 | 26.60 | 24.14 | 25.33 | 22.58 | 16.60 |
| **Total Income (A)** | **2,249.44** | **1,996.84** | **2,706.08** | **2,046.38** | **925.72** | **794.53** | **494.44** |
| **EXPENDITURE** | | | | | | | |
| Raw Material Consumed | 644.03 | 511.85 | 699.68 | 348.82 | 281.08 | 142.64 | 98.20 |
| Sub Contract Charges | 869.28 | 834.71 | 1,136.75 | 1,278.92 | 403.80 | 469.28 | 296.34 |
| Labour Charges | 95.74 | 219.68 | 297.39 | 2.97 | 3.70 | 4.64 | 4.22 |
| Administrative Expenses | 327.62 | 247.09 | 340.58 | 204.71 | 149.98 | 87.44 | 57.64 |
| **Sub Total** | **1,936.67** | **1,813.32** | **2,474.39** | **1,835.41** | **838.56** | **704.00** | **456.40** |
| Add: Decrease/(Increase) in WIP | (4.63) | (4.23) | (29.51) | 1.86 | (42.66) | (2.41) | (14.43) |
| **TOTAL (B)** | **1,932.04** | **1,809.09** | **2,444.88** | **1,837.27** | **795.90** | **701.59** | **441.97** |
| **EBIDTA (A) - (B)** | **317.39** | **187.75** | **261.19** | **209.12** | **129.82** | **92.95** | **52.47** |
| Depreciation | 25.65 | 11.76 | 16.81 | 10.83 | 8.03 | 5.25 | 2.83 |
| Finance Charges | 85.19 | 49.42 | 68.64 | 76.34 | 66.76 | 49.60 | 25.35 |
| Preliminary expenses written off | 0.03 | 0.03 | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 |
| **PROFIT BEFORE TAX** | **206.53** | **126.54** | **175.71** | **121.91** | **54.98** | **38.06** | **24.25** |
| Restated Provision for tax | 43.27 | 41.08 | 57.05 | 54.04 | 27.06 | 16.35 | 9.06 |
| **RESTATED PROFIT AFTER TAX** | **163.26** | **85.46** | **118.66** | **67.87** | **27.92** | **21.71** | **15.19** |
| **Profit and Loss account, beginning of the year** | **164.09** | **70.08** | **72.39** | **28.94** | **1.02** | **0.84** | **0.00** |
| **Balance available for appropriations, as restated** | **327.35** | **155.54** | **191.05** | **96.81** | **28.94** | **22.55** | **15.19** |
| **APPROPRIATIONS:** | | | | | | | |
| Transfer to General reserve | - | - | (10.00) | (7.50) | - | (5.00) | (5.00) |
| Dividend | - | - | (15.00) | (15.00) | - | (15.00) | (8.48) |
| Tax on dividend | - | - | (1.96) | (1.92) | - | (1.53) | (0.87) |
| **Balance carried forward, as restated** | 327.35 | 155.54 | 164.09 | 72.39 | 28.94 | 1.02 | 0.84 |

## THE ISSUE

| | |
|---|---|
| **Equity Shares offered:** | |
| Fresh Issue by the Company | 2,768,000 Equity Shares |
| Offer for Sale by the Selling Shareholders | 675,000 Equity Shares |
| **Total** | 3,443,000 Equity Shares |
| **Employee Reservation Portion** | 100,000 Equity Shares |
| *Therefore* | |
| **Net Issue to the Public** | 3,343,000 Equity Shares |
| *Of which* | |
| **A) Qualified Institutional Buyers (QIB) portion** | Upto 1,671,500 Equity Shares |
| *Of which* | |
| Available for allocation to Mutual Funds only | 83,575 Equity Shares |
| Balance for all QIBs including Mutual Funds | 1,587,925 Equity Shares |
| **B) Non-Institutional Portion** | At least 501,450 Equity Shares |
| **C) Retail Portion** | At least 1,170,050 Equity Shares |
| **Equity Shares outstanding prior to the Issue** | 10,600,000 Equity Shares |
| **Equity Shares outstanding after the Issue** | 13,368,000 Equity Shares |
| **Use of Proceeds by the Company** | See the section titled "Objects of the Issue" on page 22 of this Red Herring Prospectus. |

# GENERAL INFORMATION

Our Company was originally incorporated as Unity Builders Limited on April 9, 1997. We subsequently changed the name of our Company to Unity Infraprojects Limited pursuant to a special resolution of the shareholders passed at an extraordinary general meeting on January 14, 2000. The fresh certificate of incorporation consequent on change of name was granted to our Company on February 7, 2000 by the Registrar of Companies, Maharashtra at Mumbai.

## Registered Office

**Unity Infraprojects Limited**
1252 Pushpanjali Apartments
Old Prabhadevi Road
Prabhadevi
Mumbai 400 025, India
Tel: (91 22) 6666 5500; Fax: (91 22) 6666 5599
Registration Number: 11-107153

Our registered office was shifted from B 101, Vaibhav Apartments, Old Prabhadevi Road, Prabhadevi, Mumbai 400 025, India to the current address by a resolution of our Board dated October 22, 1999.

## Address of Registrar of Companies

100, Everest, Marine Drive, Mumbai 400 002, India

## Board of Directors of the Issuer

**Name and Designation:**

**Kishore K. Avarsekar**
Chairman and Managing Director

**Abhijit K. Avarsekar**
Vice Chairman and Managing Director

**Ashish K. Avarsekar**
Wholetime Director

**Pushpa K. Avarsekar**
Wholetime Director

**Vijay Kumar J. Rane**
Independent Director

**Anil G. Joshi**
Independent Director

**Chaitanya Joshi**
Independent Director

**Suresh Iyer**
Independent Director

For further details of our Directors, see the section titled “Our Management” on page 72 of this Red Herring Prospectus.

## Company Secretary and Compliance Officer

***Sushant Karpe***
1252 Pushpanjali Apartments
Old Prabhadevi Road
Prabhadevi
Mumbai 400 025, India
Tel: (91 22) 6666 5500; Fax: (91 22) 6666 5599
Email: investors@unityinfraprojects.com
Website: www.unityinfra.com

Investors can contact the Compliance Officer or the Registrar in case of any pre-issue or post-issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account and refund orders.

## Book Running Lead Manager

***DSP Merrill Lynch Limited***
Mafatlal Centre, 10th Floor
Nariman Point
Mumbai 400 021
India
Tel: (91 22) 2262 1071
Fax: (91 22) 2262 1187
Email: unityinfra_ipo@ml.com
Website: www.dspml.com
Contact Person: N.S. Shekhar

## Syndicate Member

***DSP Merrill Lynch Limited***
Mafatlal Centre, 10th Floor
Nariman Point
Mumbai 400 021
India
Tel: (91 22) 2262 1071
Fax: (91 22) 2262 1187
Email: unityinfra_ipo@ml.com
Website: www.dspml.com
Contact Person: N.S. Shekhar

## Domestic legal advisors to the BRLM

***Amarchand & Mangaldas & Suresh A. Shroff & Co.***
5th Floor, Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg, Lower Parel
Mumbai 400 013, India
Tel: (91 22) 2496 4455
Fax: (91 22) 2496 3666

## International Legal Advisors to the BRLM

***Dorsey and Whitney LLP***
21 Wilson Street
London, England EC2M 2TD
Tel: (44 20) 7588 0800
Fax: (44 20) 7588 0555

## Domestic Legal Advisors to the Company

***J. Sagar Associates***
Vakils House, 18, Sprott Road
Ballard Estate
Mumbai 400 001, India
Tel: (91 22) 6656 1500
Fax: (91 22) 6656 1515/6
Email: mumbai@jsalaw.com

## Monitoring Agent

[•]

## Registrar to the Issue

***Karvy Computershare Private Limited***
Karvy House, 21, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad - 500 034
Tel: (91 40) 2331 2454
Fax: (91 40) 2331 1968
Email: unity@karvy.com
Contact Person: Murali Krishna

## Bankers to the Issue and Escrow Collection Banks

***ICICI Bank Limited***
Capital Markets Division,
13, Mumbai Samachar Marg,
Mumbai 400 001
Tel: (91 22) 2265 5285
Fax: (91 22) 2261 1138
Email: sidhartha.routray@icicibank.com
Contact Person: Sidhartha Routray

***HDFC Bank Limited***
HDFC Bank House
Senapati Bapat Marg,
Lower Parel, Mumbai - 400 013
Tel: (91 22) 2856 9009
Fax: (91 22) 2856-9256
Email: viral.kothari@hdfcbank.com
Contact Person: Viral Kothari

***Standard Chartered Bank***
270, D. N. Road,
Fort, Mumbai – 400 001
Tel: (91 22) 2209 2213
Fax: (91 22) 2209 6069
E-mail: banhid.bhattacharya@in.standardchartered.com
Contact Person: Mr. Banhid Bhattacharya

***The Hongkong and Shanghai Banking Corporation Limited***
52/60, Mahatma Gandhi Road,
Mumbai 400 001
Tel: (91 22) 2268 1673
Fax: (91 22) 2273 4388
Email: dhirajbajaj@hsbc.co.in
Contact Person: Dhiraj Bajaj

***Deutsche Bank AG***
Kodak House, 222, Dr. D.N. Road,
Fort, Mumbai 400 001
Tel: (91 22) 6658 4045
Fax: (91 22) 2207 6553
Email: shyamal.malhotra@db.com
Contact Person: Shyamal Malhotra

## Bankers to the Company

***Abhyudaya Co-operative Bank Limited***
Shram Safalya,
G. D. Ambekar Marg, Parel,
Mumbai – 400 012.

***Bank of India***
88 – C, Old Prabhadevi Road,
Prabhadevi,
Mumbai - 400 025.

***Dena Bank***
Plot No. C-10, G-Block,
Bandra Kurla Complex,
Bandra (East)
Mumbai – 400 051.

***ICICI Bank Limited***
ICICI Bank Towers
Bandra Kurla Complex,
Bandra,
Mumbai – 400 050.

***State Bank of Indore.***
Gyan Sagar, S. K. Bole Road
Dadar West,
Mumbai – 400 028.

***State Bank of India***
Industrial Finance Branch
Shiv Sagar Estate
Worli, Mumbai – 400 018.

***The United Western Bank Limited***
19-A, 'Rajaram Estate',
MMGS Marg, Dadar – East,
Mumbai – 400 014.

***UCO Bank***
Mafatlal Centre,
Nariman Point
Mumbai – 400 021.

## Auditors

***C.B. Chhajed and Co.***
Chartered Accountants
13, Manik Apartment
Bhavani Shankar Road
Dadar
Mumbai - 400 028
Tel : (91 22) 24226830

## Credit Rating

As this is an offer of Equity Shares there is no credit rating for this Issue.

## Trustees

As this is an issue of Equity Shares, the appointment of Trustees is not required.

## Book Building Process

Book building, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is finalised after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

1. The Company and the Selling Shareholders;
2. BRLM;

3. Syndicate Member who is an intermediary registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Syndicate Member is appointed by the BRLM; and
4. Registrar to the Issue.

The Issue is being made through the 100% book building process wherein upto 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, at least 15% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

**QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date.** In addition, as per recent amendments to the SEBI Guidelines, QIBs are required to pay 10% Margin Amount upon submission of their Bid and allocation to QIBs will be on a proportionate basis. Please refer to the section titled “The Issue” on page 8 of this Red Herring Prospectus for more details.

We will comply with the SEBI Guidelines and any other ancillary directions issued by SEBI for this Issue. In this regard, we have appointed the BRLM to manage the Issue and procure subscriptions to the Issue.

**While the process of Book Building under the SEBI Guidelines is not new, investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.**

**Illustration of Book Building and Price Discovery Process** *(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)*

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the issuer company at various prices and is collated from bids received from various investors.

| Bid Quantity | Bid Price (Rs.) | Cumulative Quantity | Subscription |
|---|---|---|---|
| 500 | 24 | 500 | 16.67% |
| 1,000 | 23 | 1,500 | 50.00% |
| 1,500 | 22 | 3,000 | 100.00% |
| 2,000 | 21 | 5,000 | 166.67% |
| 2,500 | 20 | 7,500 | 250.00% |

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The Issuer and the Selling Shareholders, in consultation with the BRLM, will finalise the issue price at or below such cut -off price, i.e., at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

## Steps to be taken by the Bidders for bidding:

- Check eligibility for making a Bid, see section titled “Issue Procedure” on page 189 of this Red Herring Prospectus;
- Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
- If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form, see the section titled “Issue Procedure” on page 189 of this Red Herring Prospectus; and
- Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

## Withdrawal of the Issue

Our Company and the Selling Shareholders, in consultation with the BRLM, reserves the right not to proceed with the Issue any time after the Bid/Issue Opening Date without assigning any reason therefore.

## Bid/Issue Programme

### *Bidding Period/Issue Period*

| | | | |
|---|---|---|---|
| **BID/ISSUE OPENS ON** | : | **FRIDAY,** | **MAY 19, 2006** |
| **BID/ISSUE CLOSES ON** | : | **WEDNESDAY,** | **MAY 24, 2006** |

Bids and any revision in Bids shall be accepted only **between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form on all days and uploaded until such time as permitted by the BSE and the NSE on the Bid /Issue Closing Date.

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of the Price Band, subject to the Bidding Period/Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding Period/ Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate.

## Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares but prior to the filing of the Prospectus with ROC, we will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Member does not fulfill its underwriting obligations. The Underwriting Agreement is dated [•].

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

*(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the ROC)*

| Name and Address of the Underwriters | Indicated Number of Equity Shares to be Underwritten | Amount Underwritten (In Rs. Million) |
|---|---|---|
| **DSP Merrill Lynch Limited**<br>Mafatlal Centre, 10th Floor<br>Nariman Point<br>Mumbai 400 021<br>India | [•] | [•] |

The above mentioned is indicative underwriting and this would be finalized after the pricing and actual allocation.

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s).

Notwithstanding the above table, the BRLM, and the Syndicate Member shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the underwriting agreement, will also be required to procure/subscribe to Equity Shares to the extent of the defaulted amount.

# CAPITAL STRUCTURE

Our Equity Share capital before the Issue and after giving effect to the Issue, as at the date of filing of this Red Herring Prospectus with SEBI, is set forth below:

**(Rs. in million)**

| | | | Aggregate Value at Face Value | Aggregate Value at Issue Price |
|---|---|---|---|---|
| **A.** | **Authorised Equity Capital** | | | |
| | 15,000,000 | Equity Shares of | 150.00 | - |
| **B.** | **Issued, Subscribed and Paid-up Equity Capital before the Issue** | | | |
| | 10,600,000 | Equity Shares fully paid-up before the Issue | 106.00 | [•] |
| **C.** | **Present Issue in terms of this Red Herring Prospectus** | | | |
| | 3,443,000 | Equity Shares of Rs. 10 each* | 34.43 | [•] |
| | *Of which* | | | |
| | ***Fresh Issue by the Company*** | | | |
| | 2,768,000 | Equity Shares of Rs. 10 each | 27.68 | [•] |
| | ***Offer for sale by the Selling Shareholders*** | | | |
| | 675,000 | Equity Shares of Rs. 10 each | 6.75 | [•] |
| **D.** | **Equity Capital after the Issue** | | | |
| | 13,368,000 | Equity Shares of Rs. 10 each | 133.68 | [•] |
| **E.** | **Securities Premium Account** | | | |
| | Before the Issue | | 440.23 | |
| | After the Issue | | [•] | |

* The present Issue has been authorised by the Board of Directors in their meeting on March 23, 2006, and by the shareholders of our Company at an EGM held on March 23, 2006, and by the Selling Shareholders by their letters dated March 25, 2006.

a) The initial authorized capital of Rs. 10,000,000 comprising of 1,000,000 Equity Shares was increased to Rs. 40,000,000 comprising of 4,000,000 Equity Shares pursuant to a resolution of the shareholders at an EGM held on March 30, 1999.

b) The authorized capital of Rs. 40,000,000 comprising of 4,000,000 Equity Shares was increased to Rs. 60,000,000 comprising of 6,000,000 Equity Shares pursuant to a resolution of the shareholders at an EGM held on January 14, 2000.

c) The authorized capital of Rs. 60,000,000 comprising of 6,000,000 Equity Shares was increased to Rs. 100,000,000 comprising of 10,000,000 Equity Shares each pursuant to a resolution of the shareholders at an EGM held on June 30, 2000.

d) The authorized capital of Rs. 100,000,000 comprising of 10,000,000 Equity Shares was increased to Rs. 150,000,000 comprising of 15,000,000 Equity Shares pursuant to a resolution of the shareholders at an EGM held on July 25, 2005.

The details of the Equity Shares being offered in the Offer for Sale by each of the Selling Shareholder are as follows:

| Sr. No. | Names of Selling Shareholders | No. of Equity Shares |
|---|---|---|
| 1. | Kishore K. Avarsekar | 335,000 |
| 2. | Abhijit K. Avarsekar | 75,000 |
| 3. | Ashish K. Avarsekar | 75,000 |
| 4. | Pushpa K. Avarsekar | 190,000 |
| | **Total** | **675,000** |

## Notes to Capital Structure

1. ***Share Capital History of our Company***

| Date of Allotment | No. of Equity Shares | Face Value (Rs.) | Issue Price (Rs.) | Nature of Conside-ration | Reasons for Allotment | Cumulative No. of Equity Shares | Cumulative Paid-up Share Capital (Rs.) | Cumulative Share Premium (Rs.) |
|---|---|---|---|---|---|---|---|---|
| April 25, 1997 | 700 | 10 | 10 | Cash | Subscription to the Memorandum | 700 | 7,000 | - |
| October 17, 2000 | 10,000 | 10 | 10 | Other than Cash | Consideration paid for the transfer of the business of Unity Construction Company, to the Company[1] | 10,700 | 107,000 | - |
| November 15, 2000 | 4,640,000 | 10 | 10 | Cash | Preferential Allotment[2] | 4,650,700 | 46,507,000 | - |
| December 29, 2000 | 1,000,000 | 10 | 10 | Cash | Preferential Allotment to third party individual investors[3] | 5,650,700 | 56,507,000 | - |
| August 7, 2001 | 4,349,300 | 10 | 45 | Cash | Preferential Allotment to Avarsekar and Sons Private Limited | 10,000,000 | 100,000,000 | 152,225,500 |
| March 24, 2006 | 600,000 | 10 | 490 | Cash | Preferential Allotment to Prudential ICICI & Aeneas Evolution | 10,600,000 | 106,000,000 | 440,225,500 |
| **Total** | **10,600,000** | | | | | | | |

1 For more details see the section titled "History and Corporate Structure" on page 66 of this Red Herring Prospectus.

2 Preferential allotment to Pushpa K. Avarsekar, Ashish K. Avarsekar, Kishore K. Avarsekar and. Abhijit K. Avarsekar.

3 Subsequently transferred to Pushpa K. Avarsekar, Ashish K. Avarsekar, Kishore K. Avarsekar and Abhijit K. Avarsekar on February 28, 2001.

**2.** ***Promoter Contribution and Lock-in***

All Equity Shares which are being locked in are eligible for computation of Promoter's contribution and lock- in under clause 4.6 of the SEBI Guidelines.

| Name of Promoter | Date on which Equity Shares were allotted/ transferred | Nature of transaction | Nature of payment of consideration | Nature of Equity Shares | Price (in Rs.) | Lock-in Period* |
|---|---|---|---|---|---|---|
| Kishore K. Avarsekar | April 25, 1997 | Allotment | Cash | 100 | 10.00 | |
| | October 17, 2000 | Allotment | Consideration other than cash | 6,000 | - | |
| | November 15, 2000 | Allotment | Cash | 3,100,000 | 10.00 | |
| | February 28, 2001 | Purchase | Cash | 199,000 | 4.00 | |
| | March 24, 2006 | Gift | Consideration other than cash | (1,301,419) | - | |
| | March 24, 2006 | Sale | Cash | (36,000)*** | 10.00 | |
| **Sub Total** | | | | **1,967,681** | **9.64#** | 1 year |
| Abhijit K. Avarsekar | April 25, 1997 | Allotment | Cash | 100 | 10.00 | |
| | October 17, 2000 | Allotment | Consideration other than cash | 500 | - | |
| | November 15, 2000 | Allotment | Cash | 400,000 | 10.00 | |
| | February 28, 2001 | Purchase | Cash | 108,000 | 4.00 | |
| | March 24, 2006 | Gift | Consideration other than cash | 2,015,073 | - | |
| **Sub Total** | | | | **2,523,673** | **8.72#** | 1 year |
| Ashish K. Avarsekar | October 17, 2000 | Allotment | Consideration other than cash | 500 | - | |
| | November 15, 2000 | Allotment | Cash | 180,000 | 10.00 | |
| | February 28, 2001 | Purchase | Cash | 240,000 | 4.00 | |
| | March 24, 2006 | Gift | Consideration other than cash | 335,784 | - | |
| **Sub Total** | | | | **756,284** | **6.57#** | 1 year |
| Pushpa K. Avarsekar | April 25, 1997 | Allotment | Cash | 100 | 10.00 | |
| | October 17, 2000 | Allotment | Consideration other than cash | 3,000 | - | |
| | November 15, 2000 | Allotment | Cash | 960,000 | 10.00 | |
| | February 28, 2001 | Purchase | Cash | 453,000 | 4.00 | |
| | March 24, 2006 | Gift | Consideration other than cash | (1,049,438) | - | |
| **Sub Total** | | | | **366,662** | **8.08#** | 1 year |
| Avarsekar and Sons Private Limited | August 7, 2001 | Allotment | Cash | 2,673,600 | 45.00 | 3 years |
| | August 7, 2001 | Allotment | Cash | 1,675,700 | 45.00 | 1 year |
| **Sub Total** | | | | **4,349,300** | **45.00** | |
| **TOTAL** | | | | **9,963,600** | | |

* Commencing from the date of the Allotment of the Equity Shares in the Issue.

*** Transfer to Yogen Lal, Anil Avarsekar, Rajiv Shah, Iftekhar Ahmed and K'Roll Impex Private Limited.

\# In calculating the average cost of acquisition, shares acquired for consideration other than cash have not been considered.

A total of 2,673,600 Equity Shares forming 20% of the post Issue paid up capital of our company shall be locked in by Avarsekar and Sons Private Limited for a period of three years as minimum Promoters contribution. The lock-in shall start from the date of allotment in the proposed Issue and the last date of the lock-in shall be reckoned as three years from the date of allotment in the public issue. The entire pre-Issue capital other than: (a) locked in as minimum Promoters' contribution and (b) offered as part of the Offer for Sale, shall be locked in for a period of one year from the date of Allotment under this Issue.

Further the Promoters have given an undertaking that securities forming part of the minimum Promoters' contribution subject to lock-in, will not be disposed /sold /transferred by the Promoters during the period starting from the date of filing the draft prospectus with SEBI until the date of commencement of lock-in period as stated above.

The locked in Equity Shares held by the Promoters, can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided that the pledge of the equity shares is one of the terms of the sanction of the loan.

In terms of Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoter may be transferred to and amongst the Promoter Group or to new Promoters or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In terms of Clause 4.16.1 (a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoter prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In addition, the Equity Shares subject to lock-in will be transferable subject to compliance with the SEBI Guidelines, as amended from time to time.

3. The list of shareholders of our Company and the number of Equity Shares held by them is as follows:

(a) Our top ten shareholders and the number of Equity Shares held by them as of the date of filing this Red Herring Prospectus with SEBI and as of ten days prior to filing with SEBI are as follows:

| S. No. | Name of the Shareholder | No. of Equity Shares | Percentage Shareholding |
|---|---|---|---|
| 1. | Avarsekar and Sons Private Limited | 4,349,300 | 41.03 |
| 2. | Abhijit K. Avarsekar | 2,523,673 | 23.81 |
| 3. | Kishore K. Avarsekar | 1,967,681 | 18.56 |
| 4. | Ashish K. Avarsekar | 756,284 | 7.13 |
| 5. | Aeneas Evolution Portfolio Limited | 450,000 | 4.25 |
| 6. | Pushpa K. Avarsekar | 366,662 | 3.46 |
| 7. | Prudential ICICI Trust Life- Prudential ICICI Fusion Fund | 150,000 | 1.42 |
| 8. | K'Roll Impex Private Limited | 21,000 | 0.20 |
| 9. | Yogen Lal | 5,000 | 0.05 |
| 10. | Anil K. Avarsekar | 4,100 | 0.04 |
| | **TOTAL** | **10,593,700** | **99.96** |

(b) Details of all our shareholders and the number of Equity Shares held by them two years prior to filing of this Red Herring Prospectus are as follows:

| S. No. | Name of the Shareholder | No. of Equity Shares | Percentage Shareholding |
|---|---|---|---|
| 1. | Avarsekar and Sons Private Limited | 4,349,300 | 43.49 |
| 2. | Kishore K. Avarsekar | 3,305,100 | 33.05 |
| 3. | Pushpa K. Avarsekar | 1,416,100 | 14.16 |
| 4. | Abhijit K. Avarsekar | 508,600 | 5.08 |
| 5. | Ashish K. Avarsekar | 420,500 | 4.20 |
| 6. | Shweta A. Avarsekar | 100 | 0.001 |
| 7. | Apoorva A. Avarsekar | 100 | 0.001 |
| 8. | Anil K. Avarsekar | 100 | 0.001 |
| 9. | Kirit D. Pandya | 100 | 0.001 |
| | **TOTAL** | **10,000,000** | **100** |

4. Shareholding pattern of our Company before and after the Issue is as follows:

The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue.

| Shareholder Category | Equity Shares owned before the Issue | | Equity Shares owned after the Issue | |
|---|---|---|---|---|
| | No. of shares | % | No. of shares | % |
| **Promoters** | | | | |
| Avarsekar and Sons Private Limited | 4,349,300 | 41.03 | 4,349,300 | 32.54 |
| Abhijit K. Avarsekar | 2,523,673 | 23.81 | 2,448,673 | 18.32 |
| Kishore K. Avarsekar | 1,967,681 | 18.56 | 1,632,681 | 12.21 |
| Ashish K. Avarsekar | 756,284 | 7.13 | 681,284 | 5.10 |
| Pushpa K. Avarsekar | 366,662 | 3.46 | 176,662 | 1.32 |
| **Sub Total (A)** | **9,963,600** | **94.00** | **9,288,600** | **69.48** |
| **Promoter Group** | | | | |
| *Relatives and other individuals* | | | | |
| Shweta A. Avarsekar | 100 | 0.00 | 100 | 0.00 |
| Apoorva A. Avarsekar | 100 | 0.00 | 100 | 0.00 |
| Anil K. Avarsekar | 4,100 | 0.04 | 4,100 | 0.03 |
| **Sub Total (B)** | **4,300** | **0.04** | **4,300** | **0.03** |
| **Others (C)** | **632,100** | **5.96** | **632,100** | **4.73** |
| **Public (D)** | **-** | **-** | **3,443,000** | **25.76** |
| **Total share capital (A+B+C+D)** | **10,600,000** | **100.00** | **13,368,000** | **100.00** |

5. None of our Directors or Key Managerial Personnel hold Equity Shares in the Company, other than as follows:

| S.No. | Name of the Shareholder | No. of Equity Shares | Pre-Issue Percentage Shareholding | No. of Equity Shares Post Issue | Post-Issue Percentage Shareholding |
|---|---|---|---|---|---|
| 1. | Abhijit K. Avarsekar | 2,523,673 | 23.81 | 2,448,673 | 18.32 |
| 2. | Kishore K. Avarsekar | 1,967,681 | 18.56 | 1,632,681 | 12.21 |
| 3. | Ashish K. Avarsekar | 756,284 | 7.13 | 681,284 | 5.10 |
| 4. | Pushpa K. Avarsekar | 366,662 | 3.46 | 176,662 | 1.32 |
| 5. | Yogen Lal | 5,000 | 0.05 | 5,000 | 0.04 |
| 6. | Iftekhar Ahmed | 3,000 | 0.03 | 3,000 | 0.02 |
| 7. | Rajiv Shah | 3,000 | 0.03 | 3,000 | 0.02 |

6. Our Company, our Promoters and the BRLM have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares of our Company from any person, other than as disclosed in this Red Herring Prospectus.

7. On October 17, 2000, the Promoters were allotted 10,000 Equity Shares as consideration for the transfer of the business of Unity Construction Company to the Company. Other than this, the Company has not issued Equity Shares for consideration other than cash.

8. There has been no sale or purchase of Equity Shares by the Promoters or the Promoter Group in the last six months except for the sale of 36,000 Equity Shares at par for cash by Kishore K. Avarsekar to some of our employees and others including his relative, Anil K. Avarsekar.

9. Details of transactions by the Promoters in the last six months are as follows:

| S.No. | Transferor | Transferee | Date | No. of shares | Consideration | Price (Rs.) |
|---|---|---|---|---|---|---|
| 1. | Kishore K. Avarsekar | Abhijit K. Avarsekar | March 24, 2006 | 1,301,419 | Gift | - |
| | | K'Roll Impex Private Limited | March 24, 2006 | 21,000 | Sale | 10 |
| | | Yogen Lal | March 24, 2006 | 5,000 | Sale | 10 |
| | | Anil K. Avarsekar | March 24, 2006 | 4,000 | Sale | 10 |
| | | Rajiv Shah | March 24, 2006 | 3,000 | Sale | 10 |
| | | Iftekhar Ahmed | March 24, 2006 | 3,000 | Sale | 10 |
| 2 | Pushpa K. Avarsekar | Abhijit K. Avarsekar | March 24, 2006 | 713,654 | Gift | - |
| | | Ashish K. Avarsekar | March 24, 2006 | 335,784 | Gift | - |

10. Upto 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. At least 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under subscription in the Employee Reservation Portion shall be allowed to be met through oversubscription in the Retail Portion and the Non-Institutional Portion at the discretion of the Company, Selling Shareholders and the BRLM. Under-subscription, if any, in any other category, would be met with spill over from other categories at the discretion of the Company and the Selling Shareholders in consultation with the BRLM.

11. A total of upto 100,000 Equity Shares has been reserved for allocation to the Eligible Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price. Only Employees as on April 30, 2006 would be eligible to apply in this Issue under the Employee Reservation Portion. Under subscription in the Employee Reservation Portion shall be allowed to be met through oversubscription in the Retail Portion and the Non-Institutional Portion at the discretion of the Company, Selling Shareholders and the BRLM. Employees may bid in the Net Issue to the public portion as well and such Bids shall not be treated as multiple Bids. In case of undersubscription in the Net Issue to the public, spill-over to the extent of the under-subscription shall be permitted from the Employee Reservation Portion. See "Issue Procedure" on page 189 of this Red Herring Prospectus.
12. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares.
13. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.
14. We have not raised any bridge loan against the proceeds of the Issue.
15. An oversubscription to the extent of 10% of the Issue can be retained for the purposes of rounding off to the nearest multiple of one (1) Equity Share subject to minimum Allotment of 9 Equity Shares while finalising the Basis of Allotment.
16. Except as disclosed herein, there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus to SEBI until the Equity Shares issued/ to be issued pursuant to the Issue have been listed.
17. We presently do not intend or propose to alter our capital structure for six months from the date of opening of the Issue, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise. However, during such period or at a later date, we may issue Equity Shares or securities linked to Equity Shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in the interest of the Company.
18. We have not issued any Equity Shares out of revaluation reserves.
19. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
20. Details of issue of Equity Shares in the last one year by the Company are as follows:

| Date | Name | Number of Equity Shares issued | Nature of transaction | Consideration | Price |
|---|---|---|---|---|---|
| March 24, 2006 | Aeneas Evolution Portfolio Limited | 450,000 | Preferential Allotment | Cash | Rs. 490 |
| March 24, 2006 | Prudential ICICI Trust Life- Prudential ICICI Fusion Fund | 150,000 | Preferential Allotment | Cash | Rs. 490 |

21. As of the date of filing this Red Herring Prospectus, the total number of holders of Equity Shares is 15.

# OBJECTS OF THE ISSUE

The objects of the Issue are to achieve the benefits of listing on the Stock Exchanges and to raise capital. We believe that listing will enhance the Company's brand name and provide liquidity to the Company's existing shareholders. Listing will also provide a public market for the Equity Shares in India.

The Issue comprises the Fresh Issue and the Offer for Sale. The object of the Offer for Sale is to carry out the disinvestment of 675,000 Equity Shares by the Selling Shareholders. The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholders.

Other than the listing fees which will be paid by the Company, all expenses with respect to the Issue will be shared between us and the Selling Shareholders on a proportionate basis in the ratio of Equity Shares issued by us in the Fresh Issue and the Equity Shares sold by the Selling Shareholders in the Offer for Sale. The net proceeds of the Fresh Issue after deducting all Issue related expenses on a proportionate basis are estimated to be approximately Rs. [l] million. The Company intends to use the net proceeds of the Fresh Issue to purchase capital equipment, towards prepayment of debt, for investment in BOT projects, funding working capital margin requirements and for general corporate purposes.

The fund requirement below is based on our current business plan. In view of the dynamic nature of our industry, we may have to revise our business plan from time to time and consequently our fund requirements may also change. This may include rescheduling of our capital expenditure programmes and /or reducing or increasing the amount of prepayment/repayment of debt.

## Means of Finance

The objects of the Issue are proposed to be financed entirely through the proceeds of the Fresh Issue less the Issue expenses. Shortfall, if any, shall be financed through internal accruals.

## Proposed use of net proceeds from the Fresh Issue

The following table summarizes the use of net proceeds from the Fresh Issue:

**(in Rs. Million)**

| S.No. | Particulars | FY 2007 | FY 2008 | Total |
|---|---|---|---|---|
| 1. | Investment in capital equipment | 250 | 200 | 450 |
| 2. | Prepayment/repayment of debt | 450 | - | 450 |
| 3. | Investment in BOT projects | 150 | 150 | 300 |
| 4. | Funding working capital margin requirements | - | 200 | 200 |
| 5. | General corporate purposes and other expenses | [•] | [•] | [•] |
| | **Total** | **[•]** | **[•]** | **[•]** |

Whilst the Company intends to utilize the net proceeds of the Fresh Issue in the manner provided above, in the event of a surplus, the Company will use such surplus towards general corporate purposes. The Company may also choose to further prepay or repay debt in the event of any surplus funds available to it. In the event of any shortfall in using the net proceeds of the Fresh Issue as described in the Objects of the Issue, the Company will reduce the amount of prepayment/repayment of high cost debt.

The main objects clause and the objects incidental or ancillary to the main objects clause of the Memorandum of Association enable the Company to undertake its existing activities and the activities for which funds are being raised by the Company in the Fresh Issue.

## Details of Use of Proceeds

### 1. Investment in Capital Equipment

The Company needs to make investments in capital equipment on a recurring basis. The Company intends to use Rs. 450 million from the net proceeds of the Fresh Issue for purchase of capital equipment to meet the requirements of its various projects.

The Company has projected a capital expenditure plan of Rs. 450 million based on its Order Book as of December 31, 2005 and future requirements as estimated by the management. The details of the equipment the Company intends to purchase and their estimated costs, including the estimated costs of associated spares, attachments and other accessories, are specified in the following capital expenditure plan:

| S. No. | Equipment | Qty. | Amount (In Rs. Million) | Name of supplier from whom quotation received | Date of Quotation |
|---|---|---|---|---|---|
| 1 | Tower Crane | 10 | 112.60 | Bhai Sundar Dass & Sons Co. Pvt. Ltd. | December 15, 2005 |
| 2 | Concrete Batching Plant - 30 cum / hr | 8 | 39.12 | Schwing Stetter (India) Pvt. Ltd. | December 28, 2005 |
| 3 | Concrete Pumps | 6 | 13.08 | Greaves Cotton Ltd. | December 16, 2005 |
| 4 | High Capacity Concrete Pumps | 7 | 49.35 | Aquarius Engineers Pvt. Ltd. | December 15, 2005 |
| 5 | Transit Mixer - 6 cum capacity | 15 | 19.05 | Schwing Stetter (India) Pvt. Ltd. | December 28, 2005 |
| 6 | Truck Chassis | 15 | 19.05 | Ashok Leyland Ltd. | February 15, 2006 |
| 7 | Tipper - 8 cum | 30 | 32.10 | Bafna Motors | December 22, 2005 |
| 8 | Tipper - 14 cum | 20 | 31.80 | Bafna Motors | December 22, 2005 |
| 9 | Hydraulic Excavator | 12 | 54.00 | Larsen & Toubro Ltd. | December 9, 2005 |
| 10 | Aggregate Crushing Plant | 1 | 58.00 | Metso Minerals (New Delhi) Pvt. Ltd. | February 15, 2006 |
| 11 | Wheel Tractor Loader cum Backhoe | 8 | 21.44 | JCB India Ltd. | December 30, 2005 |
| | **TOTAL** | | **449.59** | | |

For the above estimates most of the equipment or machinery is yet to be ordered and the Company has relied upon quotations received by it over the past six months and its past experience. The Company has not yet made a decision to finalize the suppliers for the above equipment.

The figures in the Company's capital expenditure plans are based on management estimates and have not been appraised by an independent organization. In addition, the Company's capital expenditure plans are subject to a number of variables, including possible cost overruns, construction delays or defects and changes in the management's views of the desirability of current plans, among others.

**2. Prepayment of Debt**

The Company has entered into various financing arrangements with a number of banks/ financial institutions and other lenders. These arrangements include fund based facilities from banks/ financial institutions and other lenders aggregating Rs. 1,103.85 million as on March 31, 2006. As on March 31, 2006, the amount outstanding from the Company under these facilities was Rs. 856.03 million. Details of the amounts outstanding have been provided in the table below:

**(In Rs. Million)**

| S. No. | Bank/Financial Institution/Lender | Total Amount Sanctioned Under Fund Based Facilities | Amount Outstanding as on March 31, 2006 |
|---|---|---|---|
| **A.** | **Secured Loans** | | |
| 1. | SICOM Limited | 30.00 | 6.50 |
| 2. | SICOM Limited | 120.00 | 120.00 |
| 3. | ICICI Bank Limited | 76.52 | 56.50 |
| 4. | HDFC Bank Limited | 54.13 | 29.56 |
| 5. | ABN AMRO Bank | 6.87 | 4.93 |
| 6. | GE Capital | 4.23 | 1.75 |
| 7. | Kotak Mahindra Bank Limited | 5.22 | 2.11 |
| 8. | GMAC-TCFC | 1.99 | 0.68 |
| 9. | SREI Infrastructure Finance Limited | 25.39 | 23.10 |
| 10 | North Eastern Development Finance | 80.00 | 80.00 |
| | | **404.35** | **325.14** |
| **B.** | **Working Capital Limits** | | |
| 1. | United Western Bank Limited | 187.00 | 180.76 |
| 2. | Abhyudaya Co-operative Bank Limited | 26.00 | 24.95 |
| 3. | Bank of India | 31.50 | 31.41 |
| 4. | UCO Bank | 50.00 | (1.97) |
| 5. | State Bank of Indore | 150.00 | 145.26 |
| 6. | State Bank of India | 175.00 | 70.48 |
| 7. | SICOM Limited | 80.00 | 80.00 |
| | **Total Working Capital Loans** | **699.50** | **530.90** |
| | **Aggregate (A+B)** | **1,103.85** | **856.03** |

As of March 31, 2006, the Company has certain interest bearing mobilisation advances outstanding in relation to its ongoing projects as provided below:

**(In Rs. Million)**

| S. No. | Name of Project | Outstanding Amount |
|---|---|---|
| 1. | Construction of single line Broad Gauge tunnel in between the Sindhu Kumar Para and Ambassa stations | 29.23 |
| 2. | Concreting of Missing Links and improvement of footpath of Dr. Babasaheb Ambedkar Road from Byculla Bridge to M.M.G.S. Marg (Work Code C 229) | 17.65 |
| 3. | Concreting of roads in "A" Ward (Work Code No. : C-226) | 16.95 |
| 4. | Concreting & improvement of Side strips of the Roads in "S" Ward(a) (Work Code No.: E 183) | 7.79 |
| 5. | Concreting & improvement of Side strips of the Roads in "T" Ward (Work Code:E-185) | 6.79 |
| 6. | Concreting & improvement of Side strips of the Roads in "M/E" Ward. (Work Code: E-179) | 6.67 |
| 7. | Concreting & improvement of Side strips of the Roads in "L" Ward (Work Code E – 178) | 8.34 |
| 8. | Concreting of Road Works in Vegetable Market Complex, Vashi | 12.66 |
| 9. | Design & construction of tunnel for Indira Sagar Project (Package - 65) on EPC Turn Key System. | 3.46 |
| 10. | Construction of Lift Irrigation Schemes at Tadipudi (Package - 60), District Warangal, Andhra Pradesh | 31.50 |
| 11. | Re-construction of various buildings and other infrastructure works at Onion Potato Market, Turbhe, Navi Mumbai | 51.86 |
| 12. | Concreting of Road Works in Fruit Market Complex, Vashi | 1.99 |
| | **TOTAL** | **194.89** |

The Company intends to utilize the proceeds of the Fresh Issue towards prepayment/repayment of some of its above fund-based facilities and mobilisation advances. The Company will give preference to repaying high cost debts/advances in order to reduce the interest burden. The Company will approach the banks/financial institutions/lenders or clients after the completion of this Issue for pre-payment of some of the above high-cost loans/advances. Some of the loan documents provide for payment of pre-payment penalties and the Company may have to pay such excess amounts. The Company will take these provisions into consideration in prepaying/repaying its debt/advances from the proceeds of the Fresh Issue. In view of the dynamic nature of our industry, the Company may have to revise its business plan from time to time and consequently our fund requirement may also change. Thus, the Company may reduce or increase the amount of prepayment or repayment of debt/advances.

**3. Equity Investments in BOT Projects**

The Company intends to bid for various projects on a BOT/annuity basis. Such projects require private sector investment in the form of capital infusion with the autonomy to operate and generate revenue. To be able to undertake such projects, the Company may be required to form special purpose vehicles ("SPVs") to facilitate the execution of such projects. Typically, these projects involve contracts with concession periods ranging between 20 and 30 years. The Company intends to use up to Rs. 300 million from the proceeds of the Fresh Issue for equity investments in SPVs, wholly-owned subsidiaries and joint ventures over FY 2007 and FY 2008 which shall be set up for such projects. The Company believes that it will derive benefits from its investment in such SPVs, wholly-owned subsidiaries and joint ventures by being in a better position to bid for various projects on a BOT/annuity basis. Except as described below, the Company has not identified any SPVs, wholly-owned subsidiaries or joint ventures in which it will invest and is not assured any future dividends from such SPVs, wholly-owned subsidiaries and joint ventures. It cannot be assured that the Company will be able to identify SPVs, wholly-owned subsidiaries and joint ventures in which it wishes or is able to invest. The management, in accordance with the policies established by the Board, will have flexibility in applying the portion of the net proceeds allocated for equity investments in SPVs, wholly-owned subsidiaries and joint ventures for general corporate purposes.

The Company has submitted a joint bid with Pratibha Industries Limited for a tender floated by the Ulhasnagar Municipal Corporation for development of independent water source, augmentation of existing water supply scheme up to and including service reservoirs, and operation and maintenance of the same on BOT basis. In the event that the joint bid is successful, a SPV shall be formed with Pratibha Industries Limited on 50:50 basis. The Company would be required to invest about Rs. 150 million in the proposed SPV. In the event the joint bid is not successful, the funds shall be utilized for other BOT/annuity projects for which it shall be bidding in the near future.

There is no assurance that the Company shall realize any returns or that the Company shall not incur any losses from its investments in SPVs, wholly-owned subsidiaries and joint ventures.

**4. Funding working capital**

Our existing working capital requirements and the funding for the same is as follows:

**(In Rs. Million)**

| **Particulars as on December 31, 2005** | | |
|---|---|---|
| **Current Assets:** | | |
| Inventories | 117.01 | |
| Debtors | 1,306.95 | |
| Cash and bank balances | 578.99 | |
| Loans and advances | 655.20 | **2,658.14** |
| **Current Liabilities and Provisions** | | |
| Sundry Creditors – Contractors | 499.89 | |
| Sundry Creditors – Materials | 327.83 | |
| Sundry Creditors – Expenses | 17.12 | |
| Sundry Advances | 649.12 | |
| Provision for Tax | 100.00 | **1,593.96** |
| Total Working Capital Requirements | | **1,064.17** |
| **Funding Pattern** | | |
| Working Capital facilities | | |
| Abhyudaya Co-operative Bank Limited | 25.06 | |
| Bank of India | 20.98 | |
| SICOM Limited | 208.00 | |
| State Bank of India | 100.05 | |
| UCO Bank | 51.53 | |
| United Western Bank Limited | 117.59 | |
| State Bank of Indore | 96.39 | **619.60** |
| Own funds | | **444.57** |
| **Total** | | **1,064.17** |

Our expected working capital requirements are as follows:

**(In Rs. Million)**

| **Particulars as on March 31, 2008** | | |
|---|---|---|
| **Current Assets:** | | |
| Inventories | 465.00 | |
| Debtors | 3,600.00 | |
| Cash and bank balance | 470.00 | |
| Other current assets | 1,725.00 | **6,260.00** |
| **Current Liabilities:** | | **3,500.00** |
| Total Working Capital Requirements | | **2,760.00** |
| **Proposed Funding Pattern** | | |
| Working Capital funding from banks | | **1,932.00** |
| Part Proceeds of the Issue | | 200.00 |
| Own funds | | 628.00 |
| **Total** | | **2,760.00** |

**Assumptions for Working Capital Requirements**

| **Particulars** | **Number of days outstanding** |
|---|---|
| Sundry Debtors | 145 |
| Inventories | 30 |
| Other Current Assets | 70 |
| Current Liabilities | 160 |

5. **General Corporate Purposes**

Any excess amounts collected from the Fresh Issue will be deployed for general corporate purposes.

## Appraisal

The funds requirement and funding plans are the Company's own estimates, and have not been appraised by any bank / financial institution.

## Issue Related Expenses

Other than the listing fees which will be paid by the Company, all expenses with respect to the Issue will be shared between us and the Selling Shareholders who have offered their shares for sale on a pro-rata basis, in the ratio of the Equity Shares issued by the Company in the Fresh Issue and the Equity Shares being sold by the Selling Shareholders in the Offer for Sale.

The Issue related expenses consist of underwriting fees, selling commission, fees payable to BRLM to the Issue, legal counsels, Bankers to the Issue, Escrow Bankers and Registrars to the Issue, printing and stationery expenses, advertising and marketing expenses and all other incidental and miscellaneous expenses for listing the Equity Shares on the Stock Exchanges. We intend to use about Rs.[•] million towards these expenses for the Fresh Issue. All expenses with respect to the Fresh Issue will be borne out of Fresh Issue proceeds.

## Interim Use of Proceeds

The Company's management, in accordance with the policies established by the Board, will have flexibility in deploying the proceeds received from the Fresh Issue. Pending utilization of the proceeds out of the Fresh Issue for the purposes described above, we intend to temporarily invest the funds in high quality interest bearing liquid instruments including money market mutual funds, deposits with banks or temporarily deploy the funds in working capital loan accounts and other investment grade interest bearing securities as may be approved by the Board. Such investments would be in accordance with the investment policies approved by the Board from time to time. Further, we would not employ proceeds of the Fresh Issue in equity capital markets.

## Monitoring of Utilization of Funds

The Board shall monitor the utilization of the proceeds of the Fresh Issue. The Company will disclose the utilization of the proceeds of the Fresh Issue under a separate head in the Company's balance sheet for Fiscal 2007 and 2008 clearly specifying the purpose for which such proceeds have been utilized. The Company will also, in the Company's balance sheet for Fiscal 2007 and 2008, provide details, if any, in relation to all such proceeds of the Fresh Issue that have not been utilized and also indicating investments, if any, of such unutilized proceeds of the Fresh Issue.

Additionally, we undertake to appoint a Monitoring Agent prior to the Issue Opening Date to monitor the proceeds of the Fresh Issue.

No part of the Fresh Issue proceeds will be paid by the Company as consideration to the Promoters, the Directors, the Company's key management personnel or companies promoted by the Promoters except in the usual course of business.

# BASIS FOR ISSUE PRICE

The Price Band for the Issue shall be decided prior to the filing of the Red Herring Prospectus with the ROC. The Issue Price will be determined by the Company and the Selling Shareholders in consultation with the BRLM on the basis of the assessment of market demand for the offered Equity Shares by the book building process. The face value of the Equity Shares of the Company is Rs. 10 each and the Issue Price is [•] times of the face value.

## Qualitative Factors

***Factors External to the Company***

- The growth in the economy has led to a boom in demand for housing and other civil construction facilities such as offices and shopping malls;
- The government is focussed on building infrastructure such as roads, power plants, ports and facilities for irrigation.

***Factors Internal to the Company***

- Operations in diverse segments and geographies.
- Ability to execute complex projects in a timely manner.
- Ability to undertake projects both on turnkey and design-build basis.
- Highly qualified and experienced employee base and a proven management team.
- Large fleet of sophisticated construction equipment.

For a detailed discussion of these factors, see section titled "Our Business" beginning on page 43 of this Red Herring Prospectus.

## Quantitative Factors

***1) Adjusted Earnings Per Share***

| Period Ended | EPS(1) | Weight |
|---|---|---|
| 12 months ended Mar 31, 2005 | 11.87 | 3 |
| 12 months ended Mar 31, 2004 | 6.79 | 2 |
| 12 months ended Mar 31, 2003 | 2.79 | 1 |
| **Weighted Average EPS** | **8.66** | |

*(1) Basic and Diluted Earnings per Share has been calculated as per the following formula:*

*(Net profit as restated, attributable to equity shareholders)/ (Weighted average number of equity shares outstanding during the year or period)*

***2) Price to Earnings Ratio (P/E) in Relation to Issue Price of Rs.*** [•]

I) Based on the EPS of Rs. 11.87 for fiscal 2005, the P/E ratio is [•]

II) Based on weighted average EPS of Rs. 8.66 above, the P/E ratio is [•]

III) Industry P/E#

a) Highest : 83.8

b) Lowest : 55.4

c) Average : 65.2

*# Source: Capital Market Vol XXI/04, dated Apr 24 – May 07, 2006 and BSE Website – May 5, 2006*

***3) Return on Net Worth***

| Period | Net Worth | Net Profit | RoNW (%) | Weight |
|---|---|---|---|---|
| 12 month ended March 31, 2005 | 443.90 | 118.66 | 26.73 | 3 |
| 12 month ended March 31, 2004 | 339.55 | 67.87 | 19.99 | 2 |
| 12 month ended March 31, 2003 | 288.74 | 27.92 | 9.67 | 1 |
| **Weighted Average RoNW** | | | **21.64** | |

*(I) Net worth is defined as share capital + reserves and surplus – miscellaneous expenses. RoNW has been calculated as per the following formula: (Net profit after tax as restated/Net worth at the end of the year / period).*

Minimum Return on total Net Worth after the Issue required to maintain pre-Issue EPS of Rs. 11.87 is [•]%.

***4) Net Asset Value (NAV) per Equity Share***

I) As of December 31, 2005: Rs. 60.66

II) After the Issue: Rs. [•] (based on NAV as on [•])

NAV has been calculated as per the following formula:

*(Net Assets at the end of the year or period/Total Number of equity shares outstanding at the end of the year or period)*

***5) Comparison with Industry Peers :*** The comparison of its accounting ratios with comparable competitors in India is given below:

| Companies | Price per share (Rs.) # | EPS (FY '05) ## | P/E (times)## | RONW (%)## FY '05 |
|---|---|---|---|---|
| Larsen & Toubro Limited | 2731.7 | 46.7 | 58.5 | 22.7 |
| Nagarjuna Construction Company Limited | 382.95 | 5.4 | 70.9 | 23.5 |
| IVRCL Infrastructures and Projects Limited | 315 | 5.2 | 60.6 | 29.3 |
| Gammon India Limited | 544.15 | 8.6 | 63.3 | 24.0 |
| Hindustan Construction Company Limited | 166.1 | 3.0 | 55.4 | 28.6 |
| Patel Engineering Limited | 493.8 | 7.7 | 64.1 | 34.6 |
| Madhucon Projects Limited | 376.9 | 4.5 | 83.8 | 18.4 |
| **Average** | | | **65.2** | |

*# Source: BSE website (May 5, 2006)*

*## Capital Market Vol XXI/04, dated Apr 24 – May 07, 2006*

We believe that the nature of activities of the Company is similar to that of the companies mentioned in the table above. We have competed with these companies in the past while bidding for various projects in the course of our business.

# STATEMENT OF TAX BENEFITS

*For Statement of Possible Tax Benefits, please refer to Annexure 20 of the Auditors Report as part of the "Financial Statements" on page 113 of this Red Herring Prospectus.*

# SECTION IV: ABOUT THE COMPANY

## INDUSTRY

India, the world's largest democracy with an estimated population of 1,080 million people, had a GDP on a purchasing power parity basis of approximately US$3,678 billion in 2005, according to the United States Central Intelligence Agency (CIA) Factbook. This made the Indian economy the fourth largest in the world after the United States of America, China and Japan.

Over the past ten years, the Indian economy has also been one of the fastest growing economies in the world, experiencing average annual growth of over 6% per year. The following chart presents a comparison of India's annual GDP growth rate with the GDP growth rates of certain other countries from 1994 to 2004.

GDP Growth CAGR 1994-2004


*Source Bloomberg*

### Opportunities in the Civil Construction Sector

The growth in the Indian economy is also leading to growth in per-capita income levels, which in turn is fuelling increased levels of demand for housing, transportation, water supply, sanitation and commercial facilities, such as shopping malls and hotels. The following table shows the shift in Indian demographics over the last decade and the anticipated trend through 2010.

| Classes<br>Annual income (Rs.) at 2001-02 prices | 1995-96 | 2001-02<br>Households<br>('000s) | 2009-10E |
|---|---|---|---|
| Super Rich (>10 million) | 5 | 20 | 141 |
| Sheer Rich (5-10 million) | 11 | 40 | 255 |
| Clear Rich (2-5 million) | 63 | 201 | 1,037 |
| Near Rich (1-2 million) | 189 | 546 | 2,373 |
| Strivers (0.5-1 million) | 651 | 1,712 | 6,173 |
| Seekers (200-500 thousand) | 3,881 | 9,034 | 22,268 |
| Aspirers (90-200 thousand) | 28,901 | 41,262 | 75,304 |
| Deprived (<90 thousand) | 131,176 | 135,378 | 114,394 |
| **Total** | **164,876** | **188,192** | **221,945** |

*Source: NCAER's report: "The Great Indian Market", 2005, as posted on the Federation of Automobile Dealers Association website, www.fadaweb.com, on Mar. 7, 2006.*

The shifting Indian demographic pattern is leading to growth in demand for housing construction as housing becomes more affordable for a growing portion of the population. Furthermore, in the last few years, easier access to capital due to decline in housing loan interest rates and the availability of tax benefits on housing loans have added to the demand for housing. Currently, under sections 24(b) and 80C of the I.T. Act, income tax deductions are available on the interest component (up to Rs. 150,000 per year) payable on housing loans and on principal repayments (up to Rs. 100,000 per year).

The table below shows recent growth in housing loan disbursements in India.

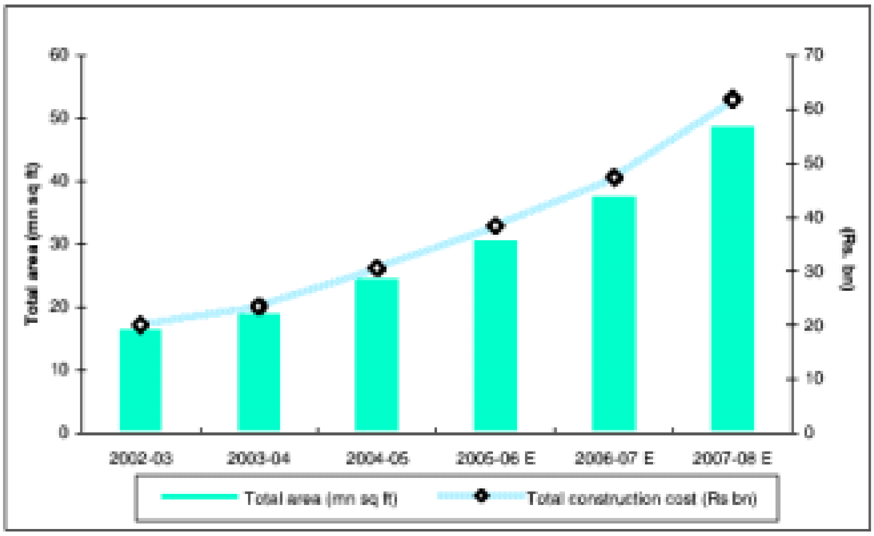
| Year | Housing Loan Disbursements (In Rs. million) | Rate of growth (%) |
|---|---|---|
| 2000-01 | 190,586.8 | – |
| 2001-02 | 238,584.3 | 25.18% |
| 2002-03 | 420,268.6 | 76.15% |
| 2003-04 | 543,017.0 | 29.21% |

*Source: Report on trend and progress of Housing in India, June 2004, National Housing Bank (NHB), P. 76.*

India's success in the Information Technology / Information Technology Enabled Services (IT / ITES) sector has provided a boost to the construction industry. While the IT sector has continued to grow at a healthy rate, according to CRISINFAC, the ITES sector has grown at a faster rate with expected export revenues of US$7 billion in Fiscal 2006 compared with US$1.4 billion in export revenues in Fiscal 2002, representing a CAGR of 50%. Going forward, export revenues from the ITES sector are expected to grow at a CAGR of 30% and reach US$19.8 billion in Fiscal 2010. In addition, the IT service industry is expected to reach an annual revenue level of US$28.5 billion by Fiscal 2009, growing at a CAGR of 26%.

The growth in the IT / ITES sector is expected to translate into substantially higher demand for office space, adding to the overall investment in construction activities. CRISINFAC estimates that the growth in the IT / ITES sector is likely to translate into construction investments of Rs. 148 billion (i.e., 118 million sq. ft.) by Fiscal 2008, as compared with the aggregate investment of Rs. 74 billion made over the past three fiscal years from 2003 through 2005.

**Office Space Construction by IT / ITES**




*Source: CRISINFAC.*

A boom in the retailing industry will act as another growth driver for the construction industry. A young populace, increasing per-capita income levels, rising aspiration levels and changing spending patterns have led to a boom in retailing. This boom is expected to result in construction investments of over Rs. 112 billion over the next five years, including investments in the construction of shopping malls.

## Mall Construction: Investments

| | Units | 2005P | 2010P |
|---|---|---|---|
| Organised retail industry revenues | Rs. Billion | 350 | 1,095 |
| Increase in revenue | Rs. Billion | | 745 |
| Revenue per sq. ft. | Rs. Per sq. ft. | | 10,000 |
| Additional space required by 2010 | Million sq. ft. | | 75 |
| Cost of construction | Rs. Per sq. ft. | | 1,500 |
| **Total Construction Activity** | **Rs. Billion** | | **112** |

*Source: CRISINFAC.*

More generally, the pace of residential and commercial development and redevelopment is high. For example, in the city of Mumbai, textile mill lands are being redeveloped into residential and commercial spaces. The Supreme Court of India has upheld the legality of the development of the textile mill properties owned by the National Textile Corporation (NTC), as well as those private mill lands that already possess commencement certificates issued by the Municipal Corporation of Greater Mumbai (MCGM). Additionally, NTC is required to hand over a portion of its properties to government agencies for the purpose of developing open spaces, recreational grounds and mass housing for lower income groups.

## Opportunities in the Infrastructure Sector

Although India has made rapid economic strides over the last decade, it has lagged behind many other developing and developed nations in terms of infrastructure development. According to the Economic Survey 2005-06 published by the Government, "infrastructural inadequacies continued to constrain the full potential for industrial resurgence, pick up in investment and buoyant exports".

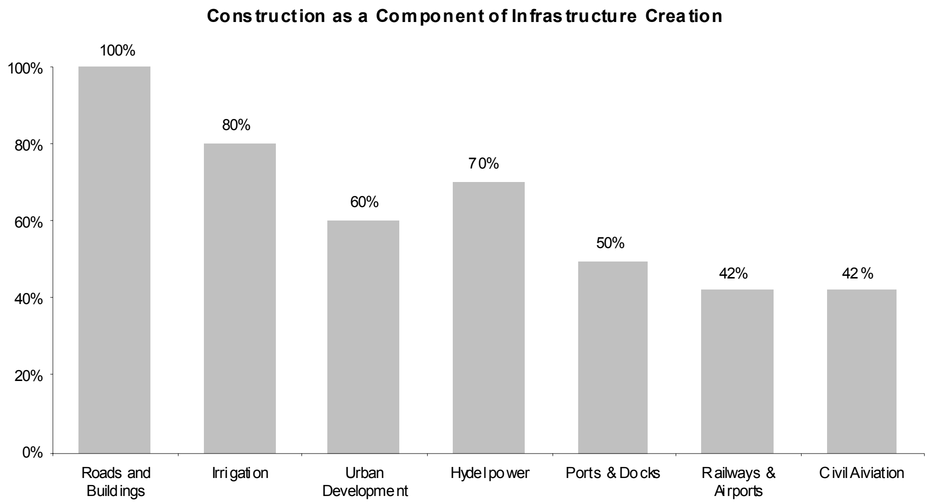
As per Asia Development Outlook 2005, India's investment in infrastructure for FY 2005 was 3.5% of its GDP, as compared to a projected rate of 8% made by the Expert Group on commercialisation of infrastructure projects set up by the Asian Development Bank. Thus India will require a significant boost in infrastructure investment in order to sustain its current pace of growth. Set forth below is the expected level of investment in the infrastructure industry over the next two fiscal years.

**(Rs. in billion)**

| | Infrastructure Investments | | | | |
|---|---|---|---|---|---|
| | Fiscal 2003 | Fiscal 2004 | Fiscal 2005 | Fiscal 2006E | Fiscal 2007E |
| Airports | 20 | 15 | 15 | 24 | 25 |
| Irrigation | 151 | 139 | 208 | 222 | 252 |
| Ports | 7 | 5 | 5 | 10 | 20 |
| Power | 232 | 312 | 340 | 350 | 346 |
| Thermal | 136 | 204 | 224 | 226 | 210 |
| Hydro | 90 | 96 | 98 | 98 | 105 |
| Nuclear | 6 | 13 | 18 | 26 | 31 |
| Railways | 121 | 135 | 153 | 146 | 140 |
| Roads | 206 | 190 | 199 | 212 | 213 |
| Telecom | 133 | 126 | 89 | 116 | 116 |
| Tourism | 2 | 4 | 5 | 7 | 8 |
| Urban infrastructure | 162 | 174 | 184 | 220 | 250 |
| **Total** | **1,034** | **1,101** | **1,197** | **1,307** | **1,370** |

*Source: CRISINFAC Construction Update – October 2005, p3.*

The following graph shows in percentage terms the portion of various segments of infrastructure creation that is comprised of construction activity.




*Source: CRISINFAC.*

The following table details the anticipated growth in amounts that will be spent on construction that is related to infrastructure projects.

**(Rs. in billion)**

| | Amounts Spent on Construction Related to Infrastructure Projects | | | |
|---|---|---|---|---|
| | **Fiscal 2004** | **Fiscal 2005** | **Fiscal 2006E** | **Fiscal 2007E** |
| Airports | 6 | 6 | 10 | 11 |
| Irrigation | 112 | 167 | 177 | 201 |
| Ports | 3 | 2 | 5 | 10 |
| Power | 112 | 119 | 121 | 125 |
| Thermal | 41 | 45 | 45 | 42 |
| Hydro | 67 | 68 | 69 | 73 |
| Nuclear | 4 | 6 | 8 | 9 |
| Railways | 57 | 64 | 61 | 59 |
| Roads | 190 | 199 | 212 | 213 |
| Telecom | 13 | 9 | 12 | 12 |
| Tourism | 2 | 2 | 4 | 4 |
| Urban infrastructure | 104 | 110 | 132 | 150 |
| **Total** | **598** | **679** | **735** | **784** |

*Source: CRISINFAC Construction Update – October 2005.*

## Key Segments of the Infrastructure Sector

Some key segments of the infrastructure sector are described below:

***Roads***

The Economic Survey 2005-06 of the Government of India states that India has the largest road network in the world. The following table depicts the breakdown among the various categories of roads in India and the entities responsible for creating and maintaining them.

| Road Category | Authorities Responsible for Construction & Maintenance | Approximate Network Length (km) |
|---|---|---|
| National Highways | Central Government (through Ministry of Shipping, Road Transport and Highways) | 65,569 |
| State Highways | State Governments (Public Works Departments or PWDs) | 131,899 |
| Major District Roads | State Governments / State Government Entities | 467,763 |
| Village and Other Roads | Rural Engineering Organisations, Local Authorities such as Panchayats and Municipalities | 2,650,000 |
| | **Total** | **3,300,000 km (Approximately)** |

*Source: NHAI website, as of Feb. 22, 2006.*

According to the National Highways Authority of India (NHAI), Indian roads currently carry 85% of India's overland passenger traffic and 70% of its freight traffic.

The strong economic growth witnessed by India over the last decade has been accompanied by a substantial increase in the production and sale of motor vehicles. According to CRISINFAC, the demand for passenger cars will increase at a CAGR of 12% from Fiscal 2005 to Fiscal 2010, which will dramatically increase the demand for road usage. Another factor that is expected to increase the demand for road transport is increased tourism. The government has taken initiatives to increase tourism in India, which, if successful, will increase the traffic on the country's roads.

The NHAI, which was constituted by an act of the Parliament, is entrusted with the implementation of the National Highways Development Project (NHDP) through a variety of funding options. The primary focus of the NHDP, which was launched in 1999, is the development of international-standard roads with facilities for the uninterrupted flow of traffic with enhanced safety features, better riding surfaces and improved traffic management. The following gives an update on the status of various NHDP phases:

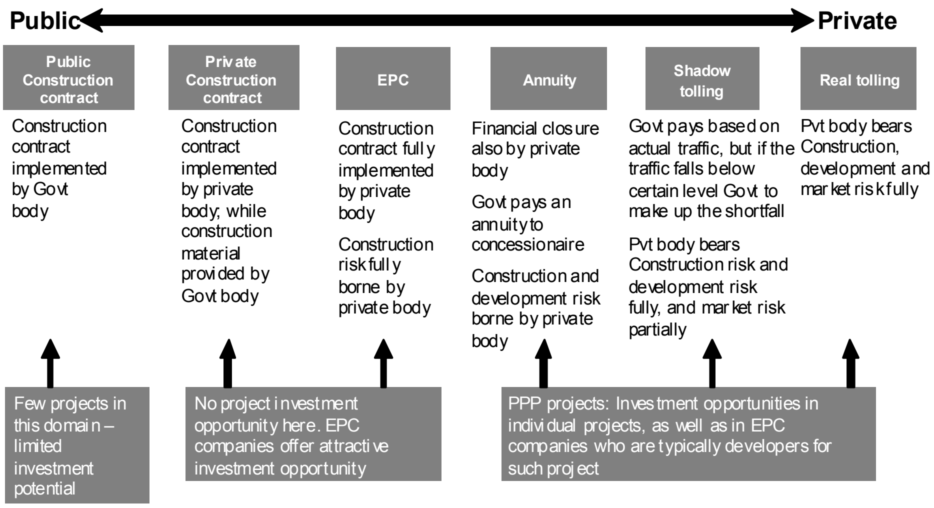
| Phase | Description | Length | Current Status |
|---|---|---|---|
| Phase I | Golden Quadrilateral project connecting four metro cities Port Connectivity Projects | 5,846 | Expected completion by Dec 2006 |
| Phase II | North-South and East-West corridors for connecting four extreme points of the country | 7,300 | Expected completion by Dec 2007 |
| Phase III | Upgrading of segments of national highways on a BOT basis | 10,000 | Phase IIIA, which aims at connecting state capitals and places of economic and tourist importance to Phase I and II, has been accorded approval by Cabinet. |
| Phase IV | Conversion of existing single lane highways into two lanes with paved shoulders | 41,000 | Under conceptualization / Contracts to be awarded |

| Phase | Description | Length | Current Status |
|---|---|---|---|
| Phase V | Upgrading of four-lane highways into six lanes | 5,000 | Under conceptualization / Contracts to be awarded |
| Phase VI | Constructing expressways to connect major commercial and industrial townships | NA | The Finance Minister announced, in Union Budget 2006-07, six stretches totalling 1,000 km to be built as expressways. Once approved by Parliament, these may get taken up before other Phases (IIIB to V, VII) |
| Phase VII | Improvements to city road networks by adding ring roads | NA | Under conceptualization / Contracts to be awarded |

*Sources: Economic Survey 2004-05, Government of India and NHAI, CRISINFAC March 2006.*

*Project Implementation Structures*

Various project structures, including road projects, have been envisaged by the government and will require varying degrees of private participation to implement.




The government has been taking steps to encourage private participation, including providing a favourable policy framework. Some of the key initiatives are:

- Declaration of the road sector as an industry;
- Provision of capital grants subsidies up to 40% of project cost to enhance viability of the projects on case-to-case basis;
- Duty-free import of certain identified high quality construction machinery;
- 100% tax exemption in any consecutive ten years out of a 20-year period for BOT operators;
- Foreign direct investment up to 100% in the road sector;
- Easier external commercial borrowing norms; and
- Higher concession period for BOT operators (e.g., up to 30 years with the right to collect and retain tolls).

***Hydropower***

According to the Ministry of Power, as of January 31, 2006, the total installed capacity for power generation in India is close to 123.9 GW. Of the total installed capacity, 82.3 GW is thermal power-based capacity and 32.1 GW is hydropower-based capacity. The share of hydropower has decreased over the years. The average power deficit in India from April 2005 to January 2006 was ~8.0%, with the peak power deficit at ~11.6%. The Government has set a target of providing "Power for All" during the Tenth and Eleventh Plans, which would provide a greater portion of the population of India with access to power. Based on the 16th Electricity Power Survey prepared by the Central Electricity Authority, India (CEA), the country would require additional capacity creation of nearly 100,000 MW by 2012 to achieve this goal.

The table below describes the planned power sector capacity additions across various government agencies.

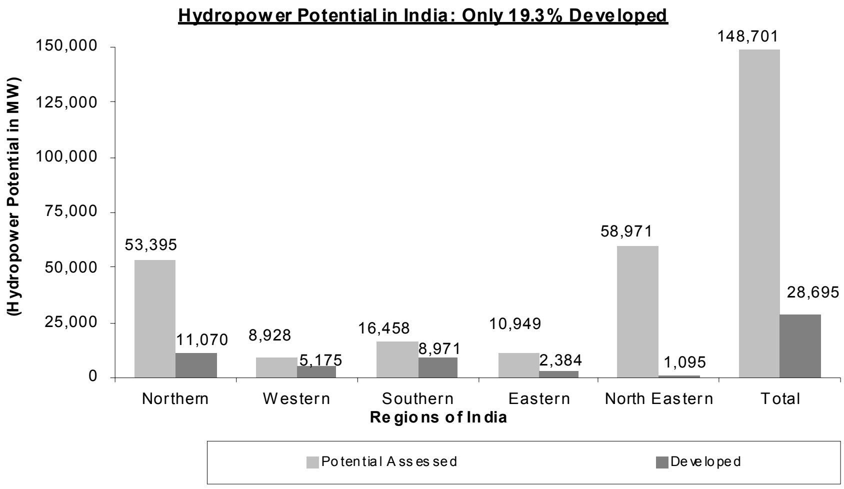
| All Figures in MW | 10th Plan 2002-2007 | 11th Plan 2007-2012 | Total |
|---|---|---|---|
| **Central Government** | | | |
| Ministry of Power | 23,000 | 23,500 | 46,500 |
| Ministry of Coal | 210 | 1,500 | 1,710 |
| Department of Atomic Energy | 1,220 | 5,160 | 6,380 |
| Ministry of Non Conventional Energy Sources | 4,055 | 6,625 | 10,680 |
| **Total Central Government** | **28,485** | **36,785** | **65,270** |
| Total State Government | 8,300 | 10,600 | 18,900 |
| Total Private Sector | 9,400 | 13,500 | 22,900 |
| **Overall Capacity Addition (approx.)** | **46,000** | **61,000** | **107,000** |

*Source: Ministry of Power, Government of India website as of March 13, 2006.*

Hydropower offers many benefits over more traditional sources of power, such as oil and coal:

- It is environmentally friendly;
- It is useful for meeting peak load requirements; and
- There is no fuel cost during the life of the project.

There is a large underutilized potential for hydropower generation in India of approximately 120,000 MW, according to the following chart.




**Source:** *Central Electricity Authority (CEA) website, data as on 31st January 2006*

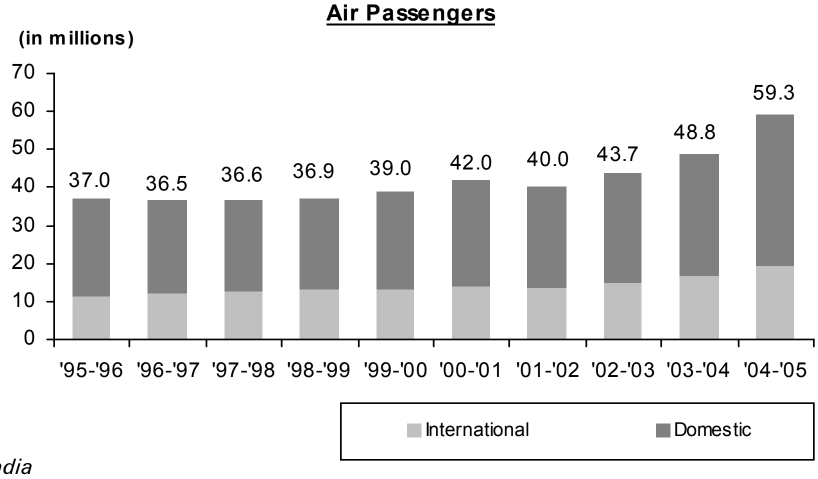
The Ministry of Power has taken several steps to accelerate capacity addition from hydropower projects, including:

- Increased budgetary allocation for the hydropower sector;
- Investment approvals of new hydroelectric projects;
- Preparation of pre-feasibility reports of 162 schemes with aggregate capacity of 47,930 MW;
- Identification of new projects by the government for advanced action;
- Promotion of State Government projects that were languishing or delayed due to inter-State disputes;
- Improving tariffs for hydropower projects (including approval of premiums on tariff rates charged during peak periods);
- Promotion of a national power trading market to help enable profitable contracting, especially to service peak load requirements;
- Simplification of procedure for government clearances; and
- Levy of 5% development surcharge approved by the Central Electricity Regulatory Commission to supplement resources for hydropower projects by the National Hydroelectric Power Corporation.

***Civil Aviation***

India is witnessing a boom in civil aviation. Air passenger traffic in India has been growing at a rapid pace, especially over the last three years. The following graph illustrates the growth in air passengers over the last decade.

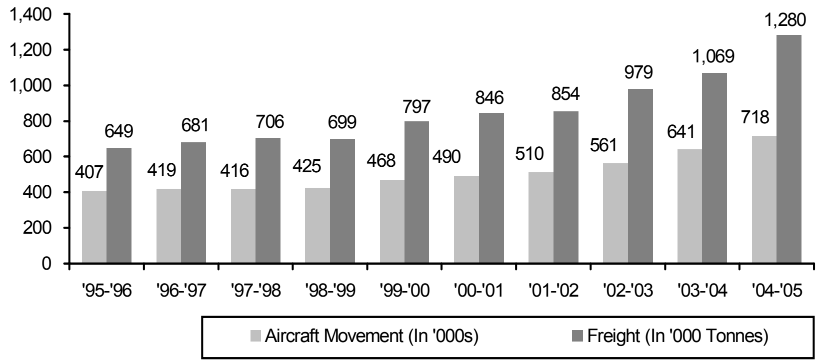
**Air Passengers**




*Source: Airports Authority of India*

The entry of several low-budget airlines has helped to reduce airfares generally and encourage upper middle-class persons who traditionally travelled by railway to switch to air travel. As a result of this factor and other factors, the number of air passengers has increased from 40 million in Fiscal 2002 to 59.3 million in Fiscal 2005, representing a CAGR of 14.0%.

**Aircraft & Freight Movement**




*Source: Airports Authority of India*

As seen from the above graph, aircraft movements across the country have increased from 641,000 in Fiscal 2004 to 718,000 in Fiscal 2005, while freight movements have increased to 1,280 thousand tonnes from 1,069 thousand tonnes over the same period. Due to the increases in these activities and the overall growth in air passenger traffic, India's airport infrastructure is straining to meet demand. Limited parking and terminal capacity, delay in passenger clearances, the bunching up of flights and limited ground-handling capabilities have led to congestion at many airports.

The Government has identified the need to upgrade the country's airports and has proceeded with privatising the Mumbai and Delhi airports. To cater to demand, greenfield airports are currently under construction in Hyderabad and Bangalore. There are also proposals in place to build airports in Greater Noida, Nagpur, Navi Mumbai, Pune and Goa. In addition, expansion plans are in place for existing airports in various cities, including Kullu, Amritsar, Udaipur, Ahmedabad, Kolkata, Dabolim, Mangalore, Jaipur, Trichy, Chennai and Cochin.

Although the revamping of existing airports and construction of greenfield airports entails a large portion of current and planned airport engineering and construction activity, related plans to build other amenities at airports to bring them up to par with international standards may also contribute to growth in engineering and construction activity.

***Special Economic Zones (SEZ)***

A Special Economic Zone (SEZ) is an exclusive duty-free, license-free, entrepreneur-friendly and environmentally conducive enclave that is dedicated to foreign trade. The Special Economic Zone Act, 2005 was enacted to permit the setting up of SEZs in various parts of the country with a view to providing an internationally competitive and easy-to-manage environment for exports. Units may be set up in SEZs for the manufacture of goods and the rendering of services.

There are 14 functional SEZs in India. A number of private sector entities have indicated their interest in setting up SEZs across the country. Recently, the Government has granted approvals to 148 proposals to set up SEZs across various regions of India.

***Irrigation and Water Supply***

We expect that irrigation and water supply investments will be a major contributor to total infrastructure investment in the next three years. These projects are expected to be funded principally by State Government allocations. The key states leading in this industry sub-segment are Andhra Pradesh, Gujarat, Maharashtra, Karnataka and Uttar Pradesh. The State of Andhra Pradesh alone is expected to spend Rs. 460 billion over the next five years. (*Source*:*www.aponline.gov.in*). CRISINFAC expects that there will be substantial business opportunities in irrigation infrastructure in these states.

Water supply projects are primarily city specific, with the end-users being industrial and residential entities. According to the Economic Survey 2004-05, 89% and 63% of the urban population of India is reported to have access to water supply facilities and sewage and sanitation facilities, respectively. The Government's Tenth Plan emphasizes the need to provide for the creation of more of these infrastructure facilities and to increase coverage of the urban population with access to water supply facilities and sewage and sanitation facilities to 100% and 75%, respectively, by the end of the Tenth Plan period (i.e., March 2007). The funds required for this purpose are estimated to be over Rs. 530 billion. In addition, the increasing urbanization of India will lead to increased demand for water supply and sewage services in the urban areas, creating ongoing opportunities for construction companies in this segment.

***Ports***

Ports play a crucial role in India's foreign trade. The Ministry of Shipping, Road Transport & Highways, Government of India, estimates that about 95% (by volume) and 70% (by value) of the country's international trade is carried through maritime transport. According to the Indian Ports Association, the 12 major Indian ports grew 11.3% year-on-year to a level of 383.6 million metric tonnes (MT) of cargo handled in 2004-05. However, despite the robust growth displayed, there are infrastructural bottlenecks that prevent Indian ports from competing with larger ports internationally. For example, Jawaharlal Nehru Port Trust (JNPT) and Ennore have grown at growth rates of 5.6% and 2.3% year-on-year, respectively, from their 2003-04 levels. The Indian Ports Association believes that growth levels would have been higher but a lack of capacity rather than a lack of demand limited growth opportunities.

The National Maritime Development Programme (NMDP) was released by the Government in December 2005. The key goals of the NMDP are to encourage private investment in the ports, improve service quality and promote competitiveness of the Indian ports. According to the Ministry of Shipping, Road Transport and Highways, the projects envisioned under the NMDP entail an investment of Rs. 558 billion through 2011-2012.

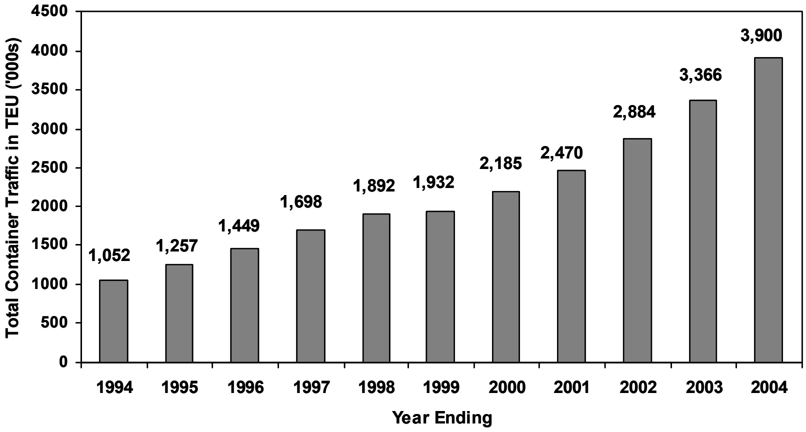
In addition to the 12 major ports, India's minor ports, including Pipavav and Dhamra, are also gaining significance and being further developed with private sector involvement.

***Container Freight Stations***

Containerisation is the method of packing goods in reusable containers of uniform shape and size for transportation. The trend towards containerisation has increased in India in the last decade. Improvements in port infrastructure and increased private participation in port infrastructure has led to the development of modern container handling port terminals at JNPT, Mundra, Pipavav, Chennai and Vishakapatnam.

With increasing amounts being spent on port infrastructure, facilities supplemental to ports will also need to be developed. One key example of such off-dock facilities are Container Freight Stations (CFS) that are located near gateway ports and set up for the purpose of in-transit container handling, examination and assessment of both import and export cargo with respect to regulatory clearances. These facilities form an integral part of the supply chain with respect to containerised cargo. As seen below, container traffic in India has increased substantially in the 10 year period 1994-2004, with a CAGR of 14%. (i.e. over 2 times the average GDP growth).

**Growth in Containerisation**
**(CAGR 1994-2004 - 14%)**




*Note: Traffic at the top 12 Indian ports; TEUs = Twenty Foot Equivalent Units*

*Source: Indian Ports Association*

The opportunity to provide CFS services has attracted a number of players who have indicated interest and are setting up or are considering setting up greenfield projects around various ports. The increased activity in this area is expected to result in significant engineering and construction work for construction companies.

## Bharat Nirman

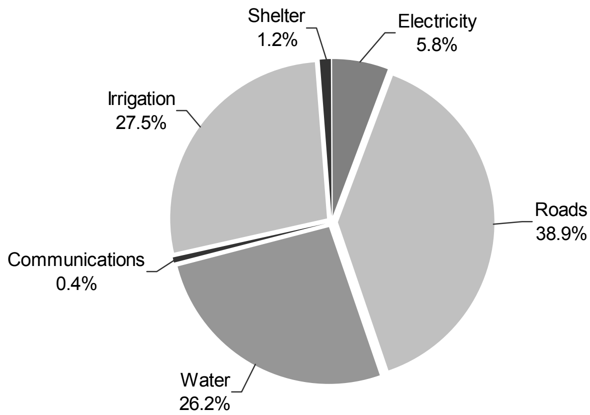
> *"Bharat Nirman will be a time-bound business plan for action in rural infrastructure for the next four years. Under Bharat Nirman, action is proposed in the areas of irrigation, road, rural housing, rural water supply, rural electrification and rural telecommunication connectivity. We have set specific targets to be achieved under each of these goals so that there is accountability in the progress of this initiative."*
>
> - Dr. Manmohan Singh, Prime Minister, India, quoted in the Bharat Nirman literature.

The key goals of this initiative are to provide electricity to 125,000 villages and 23 million households, to construct 146,185 kilometres of all-weather roads, to provide access to safe drinking water to 55,067 habitats, to connect 66,822 villages by telephone, to increase irrigational capacity by 10 million hectares and to construct 6 million dwellings for the rural poor.

*Source: www.bharatnirman.gov.in*

The following graph shows the estimated split of investments across various goals of the Bharat Nirman initiative.

**Bharat Nirman - Split of Investment across sectors***




*Source: www.bharatnirman.gov.in*

## Jawaharlal Nehru National Urban Renewal Mission (JU-NURM)

India's urban centres are home to approximately 30% of the country's population, but contribute 55% of the country's GDP. The JU-NURM aims to encourage cities to initiate steps to bring about improvements in public service levels in a financially sustainable manner. The key objectives of the NURM are:

- Integrated development of urban infrastructure services;
- Acceleration of the flow of investments into urban infrastructure services;
- Planned development of cities, including the peri-urban areas, outgrowths and urban corridors;
- Renewal and redevelopment of inner city areas;
- Universalisation of urban services so as to ensure their availability to urban poor; and
- Securing of linkages between asset creation and maintenance for long-run project sustainability.

According to the Economic Survey 2005-06, the Government has agreed to provide Rs. 500 billion as Central Assistance for JU-NURM for a period of seven years beginning in Fiscal 2006.

## Interlinking of Rivers

The national river-linking project proposes to link 14 Himalayan rivers in the north to the 16 peninsular rivers in the south through 30 links. The project is expected to create 34 million hectares of irrigable land and potable water for rural and urban areas and industries. Additional benefits include inland navigation, ecological upgrades due to minimum flow guarantee in rivers, sizeable employment generation, flood and drought mitigation, increased tree farming and many other indirect benefits.

So far, Uttar Pradesh, Madhya Pradesh and the Government have signed a memorandum of understanding relating to the linking of the waters of the Ken and Betwa rivers. This project envisages diverting excess water from the Ken River to the Betwa basin through the construction of the Dandhan dam and a 231 kilometre-long link canal at a cost of around Rs. 40 billion. Additionally, the Andhra Pradesh government is implementing a project to link up the Godavari and Krishna rivers by undertaking the Indira Sagar and Rajiv Sagar projects.

# OUR BUSINESS

*Any references to 'we', 'us', 'our' in this section wherever relating to past history or activities, refers to the history of or activities carried out by Unity Construction Company till August 28, 2000 and thereafter to Unity Infraprojects Limited.*

## Overview

We are one of India's leading engineering and construction companies. We have a fast growing business that provides integrated engineering, procurement and construction services for civil construction and infrastructure sector projects. A highlight of our business is that we execute many projects on a turnkey basis, and in doing so, provide a range of specialized construction and operational services, including electrical, fire prevention and control, plumbing and air conditioning.

Our project expertise includes:

- Civil construction projects, which include structures such as commercial and residential buildings, mass housing projects and townships, industrial structures, information technology parks, corporate offices, transportation terminals including airports and railway stations, stadiums and sports complexes, hotels, hospitals and universities and educational campuses;
- Transportation engineering projects, including roads, bridges, flyovers and subways; and
- Irrigation and water supply projects, including dams, tunnels, lift irrigation projects and sewerage schemes.

We are headquartered in Mumbai and our operations in India reach across eight states.

Some of our major clients include:

- Airports Authority of India;
- The National Sports Club of India;
- Northeast Frontier Railway;
- Department of Irrigation, Government of Andhra Pradesh;
- Public Works Department, Government of Assam;
- Municipal Corporation of Greater Mumbai; and
- Delhi Development Authority.

Since our Promoters started our business over two decades ago, we have acquired significant expertise in civil construction, having executed a diverse portfolio of urban and rural civil construction projects in various regions in India. In 1997, we began diversifying into infrastructure with irrigation projects. In addition to irrigation projects, we have developed expertise in executing other types of infrastructure projects, such as transportation and water supply projects.

Among the civil construction and infrastructure projects that we are currently executing are:

- Expansion and Modification of Terminal I-B of the Chhatrapati Shivaji International Airport for the Airports Authority of India, Mumbai, Maharashtra;
- Re-construction of the Sardar Vallabhbhai Patel Indoor Stadium for the National Sports Club of India, Mumbai, Maharashtra;
- Construction of single line broad gauge tunnel for the Northeast Frontier Railway, Ambassa, Tripura;
- Construction of Tadipudi Lift irrigation scheme – 2$^{nd}$ lift for the Government of Andhra Pradesh, District Warangal, Andhra Pradesh;
- Construction of new secretariat complex for the Government of Assam, Dispur, Assam;
- Strengthening of the Tansa Dam for the Municipal Corporation of Greater Mumbai, Shahpur, Maharashtra;
- Construction of Low Income Group housing projects on a turnkey basis for the Delhi Development Authority, Bakkarwala and Narela, Delhi; and
- Construction of new transformer factory for Siemens Limited, Navi Mumbai, Maharashtra.

As of January 31, 2006, our work force consisted of 703 full-time employees and approximately 1,057 temporary contract employees. We have a large fleet of sophisticated construction equipment, including a slipform concrete paver, a truck-mounted concrete boom placer and high capacity concrete batching plants, all of which we own directly or through our joint ventures. We believe that our employee resources and fleet of equipment, along with our engineering skills and capabilities, enable us to successfully implement a wide variety of construction projects that involve varying degrees of complexity. We enjoy various accreditations, such as the ISO 9001:2000 certification for the quality management system we apply to the design and construction of civil engineering projects, and have received accolades for some of our projects, such as the construction of the P.L. Deshpande Kala Academy and Ravindra Natya Mandir at Prabhadevi, Mumbai, the mass housing project at Majaswadi, Mumbai and the Khodadad Circle Flyover at Dadar, Mumbai.

We enter into contracts primarily through a competitive bidding process. We solely execute most of our projects as the contractor. When a client requires us to meet specific eligibility requirements for certain larger projects, including requirements relating to particular types of experience and financial resources, we may enter into project-specific joint ventures with other construction companies. Out of the 51 contracts that we had outstanding as of December 31, 2005, ten were being executed by joint ventures in which we are members.

In the years ended March 31, 2003, 2004 and 2005, our total income was Rs. 925.72 million, Rs. 2,046.38 million and Rs. 2,706.08 million, respectively. For the nine months ended December 31, 2004 and 2005, our total income was Rs. 1,996.84 million and Rs. 2,249.44 million, respectively. In the years ended March 31, 2003, 2004 and 2005, we earned profit after tax of Rs. 27.92 million, Rs. 67.87 million and Rs. 118.66 million, respectively. Our profit after tax for the nine months ended December 31, 2004 and 2005 was Rs. 85.46 million and Rs. 163.26 million, respectively. Our order book, which includes uncommenced projects and the unfinished and uncertified portions of our commenced projects, was Rs. 11,718.50 million as of December 31, 2005 compared to Rs. 7,445.20 million as of March 31, 2005. We have added contracts worth Rs. 2,193.88 million to our order book during the period from January 1, 2006 through May 8, 2006.

## Corporate History and Structure

We were originally incorporated as Unity Builders Limited on April 9, 1997 to purchase and continue the construction business of Unity Construction Company, a partnership among several persons to whom our Chairman and Managing Director, Kishore K. Avarsekar was admitted in 1983. Unity Builders Limited was subsequently renamed Unity Infraprojects Limited on February 7, 2000. The business of Unity Construction Company was transferred to Unity Infraprojects Limited on August 28, 2000.

We do not have any subsidiaries.

## Our Strengths

***Significant experience and strong track record***

With over two decades of experience that we and our Promoters have gained in the construction industry, we have become one of the significant players in the Indian construction industry with, we believe, a reputation for high quality work and timely construction. We have received ISO 9001:2000 certification for the quality management system that we apply to the design and construction of civil engineering projects.

Our portfolio of completed and ongoing civil construction projects includes commercial and residential buildings, mass housing projects and townships, industrial structures, an information technology park, corporate offices, transportation terminals including an airport and a railway station, stadiums and sports complexes, hotels, hospitals and universities and educational campuses. In the infrastructure portion of our business, our projects fall broadly into the following categories: transportation engineering, and irrigation & water supply. In the transportation engineering category, we have constructed roads, bridges, flyovers and pedestrian subways. In the irrigation & water supply category, we have built dams and tunnels and executed lift irrigation projects and water supply and sewerage projects.

The breadth and depth of our experience, among other factors, enables us to pre-qualify for a greater number of potentially higher-margin projects.

***Operations in diverse segments and geographies***

We provide engineering construction services for various types of civil construction and infrastructure projects. This variety of project types enables us to keep our business diversified and reduces our dependence on any one segment or nature of project. In addition, we have operations reaching across eight states and the ability to execute a project in any region of India.

***Ability to execute complex projects in a timely manner***

We have in the past executed projects on time or prior to the scheduled completion date. For example, we completed the Pedestrian Subway at Chhatrapati Shivaji Terminus (formerly Victoria Terminus) in Mumbai within ten months as opposed to the 24 months stipulated in the tender document. Similarly, we completed the Flyover at Khodadad Circle in Dadar, Mumbai in 16 months as opposed to the 24 months stipulated in the tender document. There have been zero instances where our performance guarantees have been invoked by our clients.

In addition, we have worked on projects where we believe that the timeframe requirements of our clients were more aggressive than is customary for similar types of projects. Nevertheless, we have been able to deliver on such expectations. For example, we successfully completed the refurbishment of the Kala Academy in Goa on a turnkey basis within the scheduled period of 110 days. Our demonstrated ability to execute projects in a timely manner is a competitive advantage that factors into our ability to pre-qualify for projects.

***Ability to undertake projects both on turnkey and design-build bases***

In addition to routine construction projects, we undertake projects on a turnkey basis, in which we provide a range of specialized construction and operational services including electrical, fire prevention and control, plumbing and air conditioning. We also provide design-build services to clients in various segments. In design-build projects, we typically design or oversee the design by third-party service providers of the project according to the client's requirements. When such projects require capabilities that we do not have in-house, we outsource such functions to third-party service providers. Our experience in executing turnkey and design-build projects demonstrates our ability to provide a variety of services to clients and, accordingly, enables us to pre-qualify for projects in which clients seek contractors who can provide turnkey or design-build solutions. For example, we were pre-qualified for, and later awarded, the expansion and modification of Terminal I-B of the CSI Airport project in Mumbai based in part on the strength of our experience in performing turnkey and design-build projects.

***Highly qualified and experienced employee base and proven management team***

We believe that a well-trained, motivated and satisfied employee base is key to our competitive advantage. As of January 31, 2006, we employed 703 full-time employees, of which 521, or 74%, were engineers, including three of our Promoters, and of which 507, or 72%, were employed at our various project sites, while the remainder were employed at our corporate offices. The skill sets of our employees give us the flexibility to adapt to the needs of our clients and the technical requirements of the various projects that we undertake. We are committed to the development of the expertise and know-how of our employees through regular technical seminars and training sessions organized or sponsored by the Company.

Our management team is well qualified and experienced in the construction industry and has been in many ways responsible for the growth of our operations. In particular, Kishore K. Avarsekar, our Chairman and Managing Director, is a civil engineer who has over 35 years of construction industry experience and has driven our growth since the inception of our business. We believe the strength and quality of our management have been instrumental in implementing the Company's business strategies. We have recently expanded our Board by appointing four independent members who we believe will bring significant business experience to the Company.

***Large fleet of sophisticated construction equipment***

We have a large and sophisticated fleet of construction equipment assets, including a slipform concrete paver, transit mixers, a truck-mounted concrete boom placer, stationary concrete pumps, tower cranes, high-capacity batching plants, vibratory rollers and plate compactors, hydraulic excavators, tractors, dumpers and trucks. We recently established a ready-mix concrete plant and an interlocking paver unit in Mumbai to cater to our captive requirements for projects in and around Mumbai. We believe that having such an asset base is essential for us to serve the technically challenging and diverse nature of the construction projects in which we are engaged. Also, our equipment is managed, maintained and operated by trained personnel at our comprehensive maintenance and repair facility in Taloja, Navi Mumbai. We believe that owning and managing a large proportion of the equipment we typically use on projects enables us to achieve higher operating margins.

***Profitability and Growth***

We have experienced continued growth in profitability and revenues in recent years. In the years ended March 31, 2003, 2004 and 2005, our total income was Rs. 925.72 million, Rs. 2,046.38 million and Rs. 2,706.08 million, respectively. For the nine months ended December 31, 2004 and 2005, our total income was Rs. 1,996.84 million and Rs. 2,249.44 million, respectively. In the years ended March 31, 2003, 2004 and 2005, we earned profit after tax of Rs. 27.92 million, Rs. 67.87 million and Rs. 118.66 million, respectively. Our profit after tax for the nine months ended December 31, 2004 and 2005 was Rs. 85.46 million and Rs. 163.26 million, respectively.

## Our Strategy

Our strategic objective is to continue to improve on and consolidate our position as a leading engineering and construction company in India. We intend to achieve this by implementing the following aims:

***Consolidate position in infrastructure space***

We believe that infrastructure will be a major driver for growth in the Indian construction industry in the foreseeable future due to increased levels of government and private industry investment in infrastructure. Additionally, the government has taken steps to encourage additional investments in infrastructure, such as formulating plans to create SEZs in various areas of India and providing economic benefits to private sector participants for projects executed on a BOT or annuity basis. Thus, there will be numerous opportunities for infrastructure creation. In anticipation of the trend toward increased infrastructure investment, we have developed skill sets across a diverse portfolio of infrastructure projects in recent years, including roads, bridges and flyovers, lift irrigation schemes, water supply projects, tunnels and dams. Our wide ranging experience in the infrastructure segment has given us an ability to bid for, pre-qualify and execute diverse infrastructure projects. We intend to bid for and secure more complex and profitable infrastructure projects, as well as continue to focus on those types of infrastructure projects that are within our core competence.

We also intend to expand our operations to other types of infrastructure projects, such as hydropower and port projects including Container Freight Stations (CFS). We have in the past constructed a CFS for Gateway Distriparks Limited.

***Bid for, win and operate BOT and annuity projects***

The government has planned for a number of projects across various sectors, such as roads, water supply, power and real estate, to be completed on a BOT or annuity basis. For further details on BOT or annuity projects, please refer to paragraph titled "Type of Contracts" in the section titled "Our Business" on page 43 of this Red Herring Prospectus. We believe that such projects will become increasingly more prevalent in the coming years because of the government's reliance on the public-private-partnership (PPP) model. BOT or annuity projects generally provide better operating margins because of the added overall control of project costs that can be exerted by the contractor. Additionally BOT projects offer the possibility of higher revenues to the contractor by virtue of better than anticipated use of the asset. We intend to increase our focus on BOT and annuity projects by leveraging our technical and financial credentials, which we believe will be improved by the strengthened balance sheet that we expect to have following the Issue. Such a balance sheet should allow us to take on more projects, including BOT and annuity projects on our own. It will also increase our ability to partner or form strategic alliances with corporate developers and financial institutions, which we intend to do more of on a project-by-project basis in order to enhance our opportunities to bid for and execute such projects. We have already bid for BOT projects with certain financial institutions.

***Continue to target specific high-potential project segments***

We intend to concentrate on projects and prospects in areas where we can be most competitive, including turnkey and design-build projects. Turnkey and design-build projects typically offer greater profit margins because of the added control of project costs that can be exerted by the contractor. We also intend to target specific project and geographic segments where we believe there is high potential for growth and the potential for robust profit margins. For example, we intend to tap into the growing demand for larger scale infrastructure projects by leveraging, among other things, our prior experience in infrastructure projects and our equipment base. While working on higher value projects may have associated risks, such projects also enable us to benefit from potentially higher margins. We also intend to continue to seek strategic alliances and form project-specific joint ventures with Indian or foreign engineering and construction companies to target larger scale infrastructure projects.

We enter into contracts primarily through a competitive bidding process. In selecting contractors for major projects, clients often pre-qualify contractors based on certain pre-qualification parameters including past experience in the execution of similar projects, technical ability and performance, reputation for quality, safety standards, financial strength and the price competitiveness of the bid. We intend to leverage our existing experience as well as our financial position to enhance our chances at the pre-qualification stage and win bids on contracts for larger scale projects.

***Consolidate position in the civil construction sector***

We believe we are one of the leading players in the Indian civil construction business, having demonstrated an ability to undertake a wide range of construction project types, including high-end residential projects, mass housing projects, airports, stadiums, auditoriums, hospitals and corporate offices. We intend to continue to target opportunities and pursue more technically complex projects in this area, including turnkey and design-build projects, to maintain and build on our dominant position. We also intend to expand our clientele base for civil construction projects by bidding for and acquiring more projects sponsored by private sector entities around the various regions of India.

***Focus on performance and project execution***

We believe that we have developed a reputation for undertaking challenging construction projects. We intend to continue to focus on performance and project execution in order to seek to maximize client satisfaction. We also intend to continue to control operating and overhead costs to seek to maximize our operating margins. To facilitate efficient and cost-effective decision-making, we intend to continue to strengthen our internal systems. We also intend to continue to further enhance our strong engineering capabilities to enable us to provide value-added engineering services for, and win larger and more technically complex, turnkey and design-build projects.

***Develop and maintain strong relationships with our clients and strategic partners***

Our services are significantly dependent on winning construction projects undertaken by large government agencies and companies, and infrastructure projects undertaken by governmental authorities and others and funded by governments. Our business is also dependent on developing and maintaining strategic alliances with other contractors with whom we may want to enter into project-specific joint ventures or sub-contracting relationships for specific purposes. We will continue to develop and maintain these relationships and alliances. We intend to establish strategic alliances and share risks with companies whose resources, skills and strategies are complementary to our business and are likely to enhance our opportunities.

## Our Services

We provide integrated engineering, procurement and construction services for civil construction and infrastructure projects.

***Civil Construction Services***

Our Promoters began and we continue the business of providing mainly engineering and construction services for civil construction projects, especially the construction of buildings. The portfolio of civil construction projects that we have successfully executed and are executing includes mass housing projects and townships, industrial structures, an information technology park, corporate offices, transportation terminals including an airport and a railway station, stadiums and sports complexes, hotels, hospitals and universities and educational campuses.

The following table describes some of the significant civil construction projects that we have undertaken and completed.

| Name of Project | Client | Location | Contract Value (In Rs. Million) | Completion Date |
|---|---|---|---|---|
| Planning, Designing & Construction of an Infotech Park "Millennium Business Park" at Mahape | Maharashtra Industrial Development Corporation (MIDC) | Navi Mumbai, Maharashtra | 752.60 | June 2001 |
| Construction of Corporate Head Office Building at Bandra Kurla Complex | National Bank for Agriculture & Rural Development (NABARD) | Mumbai, Maharashtra | 464.60 | March 2000 |
| Construction of NRI Housing Project at Nerul | City & Industrial Development Corporation (CIDCO) of Maharashtra Ltd. | Navi Mumbai, Maharashtra | 429.50 | February 1997 |
| Design & Construction of Mass Housing Project for High Income Group at Oshiwara | Mumbai Housing & Area Development Board | Mumbai, Maharashtra | 236.90 | December 1996 |
| Design & Construction of Mass Housing Project at Majaswadi, Jogeshwari (E) | Mumbai Housing & Area Development Board | Mumbai, Maharashtra | 228.10 | July 1993 |
| Construction of Wholesale Fruits & Vegetables Market at Turbhe | Bombay Agricultural Produce Market Committee | Navi Mumbai, Maharashtra | 206.40 | July 1992 |
| Construction of Auditorium, Hostel Block II, Indoor Stadium, Nursing College, Lakes & Landscaping, Roads & Services | North Eastern Indira Gandhi, Regional Institute of Health & Medical Sciences through the Hospitals Services Consultancy Corporation. | Shillong, Meghalaya | 346.20 | December 2005 |

The following table describes some of the civil construction projects that we were in the process of executing as of December 31, 2005.

| Name of Project | Client | Location | Estimated Contract Value (In Rs .Million) | Scheduled Completion Date |
|---|---|---|---|---|
| Construction of New Transformer Factory of Siemens Ltd. at Kalwa, Thane Belapur Road | Siemens Ltd. | Mumbai, Maharashtra | 298.70 | May 2006 |
| Construction of New Secretariat Complex | Public Works Department, Government of Assam | Dispur, Assam | 837.90 | May 2006 |
| Expansion and Modification to Terminal Building I-B at Chhatrapati Shivaji International Airport | Airports Authority of India | Mumbai, Maharashtra | 1,070.00 | May 2006 |
| Construction of LIG Houses on Turnkey Basis at Narela, Sector B-2, Pocket A,B,C & D (Group I) | Delhi Development Authority | Delhi | 379.28 | June 2006 |

| Name of Project | Client | Location | Estimated Contract Value (In Rs .Million) | Scheduled Completion Date |
|---|---|---|---|---|
| Construction of LIG Houses on Turnkey Basis at Narela, Sector B-2, Pocket E, F, G & H (Group II) | Delhi Development Authority | Delhi | 349.43 | June 2006 |
| Construction of LIG Houses on Turnkey Basis at Bakkarwala, Pocket D | Delhi Development Authority | Delhi | 301.98 | June 2006 |
| Construction of LIG Houses on Turnkey Basis at Bakkarwala, Pocket B-2 | Delhi Development Authority | Delhi | 271.78 | June 2006 |
| Reconstruction of Sardar Vallabhbhai Patel Indoor Stadium (in connection with the Unity-Patel Joint Venture) | National Sports Club of India | Mumbai, Maharashtra | 1,300.00 | July 2006 |
| Construction of Orchid Tower 'A' & 'B' wing | Neelkamal Realtors & Erectors India Private Limited | Mumbai, Maharashtra | 152.17 | December 2006 |
| Construction of Orchid Enclave 'A' & 'B' wing | Neelkamal Realtors & Builders Private Limited | Mumbai, Maharashtra | 599.9 | May 2007 |
| Construction of District Hospital at Mapusa | Goa State Infrastructure Development Corporation Limited | Panaji, Goa | 222.15 | July 2007 |
| Construction of Common Facility Building for research centre at Trombay, Mumbai | Government of India | Mumbai, Maharashtra | 371.32 | November 2007 |
| Re-Construction of various buildings and other infrastructure works at Onion Potato Market, Turbhe, Navi Mumbai | Mumbai Agricultural Produce Market Committee, Mumbai | Mumbai, Maharashtra | 518.62 | December 2007 |
| Construction of Rabale Railway Station Platform, Navi Mumbai | City and Industrial Development Corporation of Maharashtra Limited | Mumbai, Maharashtra | 206.70 | May 2006 |

## Infrastructure Projects

We began executing infrastructure projects in 1997. Infrastructure development has seen tremendous growth in India, especially in recent years. Increased investment in infrastructure has led to a surge in the activities of the construction industry. Infrastructure projects have emerged as, and we believe that they will continue to be, a significant business driver for us. We have developed skill sets in providing engineering and construction services for a diverse range of infrastructure projects, including transportation engineering projects and irrigation & water supply projects.

We have successfully completed and are currently engaged in a number of transportation engineering projects, including roads, highways, bridges, flyovers and pedestrian subways, and irrigation & water supply projects, including the building of dams, tunnels, lift irrigation schemes and water transmission mains.

The following table provides a brief summary of some of the notable transportation engineering and irrigation & water supply projects that we have undertaken and completed.

| Name of Project | Client | Location | Contract Value (in Rs. millions) | Completion Date |
|---|---|---|---|---|
| ***Transportation Engineering Projects*** | | | | |
| Development of Road connectivity to Jawaharlal Nehru Port MH(JNP) - Package I (in connection with the Thakur-Mhatre-Unity Joint Venture) | National Highways Authority of India (NHAI) | Raigad, Maharashtra | 1,427.20 | August 2005 |
| Design & Construction of Flyover at Khodadad Circle, Dadar T.T. | Municipal Corporation of Greater Mumbai | Mumbai, Maharashtra | 247.20 | July 2000 |
| Design & Construction of Pedestrian Subway at CST (Formerly Victoria Terminus) | Municipal Corporation of Greater Mumbai | Mumbai, Maharashtra | 132.50 | August 1999 |
| ***Irrigation & Water Supply Projects*** | | | | |
| Design and build of clear water transmission mains for filling storage reservoirs in South Delhi (in connection with the Unity-Pratibha-Multi Media Joint Venture) | Delhi Jal Board (DJB) | Delhi | 449.90 | March 2006 |
| Construction of Arphal Tunnel (in connection with a joint venture with Skanska Cementation) | Maharashtra Krishna Valley Development Corporation | Satara, Maharashtra | 1,035.30 | June 2002 |

The following table describes some of the notable transportation engineering and irrigation & water supply projects that we were in the process of executing as of December 31, 2005.

| Name of Project | Client | Location | Estimated Contract Value (in Rs. million) | Scheduled Completion Date |
|---|---|---|---|---|
| ***Transportation Engineering Projects*** | | | | |
| Concreting of Road Works in Vegetable Market Complex, Vashi | Mumbai Agricultural Produce Market Committee, Mumbai | Navi Mumbai, Maharashtra | 82.90 | April 2006 |

| Name of Project | Client | Location | Estimated Contract Value (in Rs. million) | Scheduled Completion Date |
|---|---|---|---|---|
| Concreting of Road Works in Fruit Market Complex, Vashi | Mumbai Agricultural Produce Market Committee, Mumbai | Mumbai, Maharashtra | 104.50 | April 2006 |
| Design & Construction of Road Over Bridge (ROB) near Mankapur (in connection with the Unity-Chopra Joint Venture) | Maharashtra State Road Development Corporation | Nagpur, Maharashtra | 105.40 | June 2006 |
| Design & Construction of Road Over Bridge (ROB) on Nagpur-Kalumna Section of S.E.Railway (in connection with the Unity-Chopra Joint Venture) | Maharashtra State Road Development Corporation | Nagpur, Maharashtra | 105.50 | June 2006 |
| Concreting & improvement of Side strips of the Roads in "L" Ward (Work Code E – 178) | Municipal Corporation of Greater Mumbai | Mumbai, Maharashtra | 108.30 | September 2006 |
| Concreting & improvement of Side strips of the Roads in "M/E" Ward. (Work Code: E-179) | Municipal Corporation of Greater Mumbai | Mumbai, Maharashtra | 111.80 | September 2006 |
| Concreting & improvement of Side strips of the Roads in "S" Ward(a) (Work Code No.: E 183) | Municipal Corporation of Greater Mumbai | Mumbai, Maharashtra | 123.50 | September 2006 |
| Concreting & improvement of Side strips of the Roads in "T" Ward (Work Code:E-185) | Municipal Corporation of Greater Mumbai | Mumbai, Maharashtra | 113.10 | September 2006 |
| Concreting of roads in "A" Ward (Work Code No. : C-226) | Municipal Corporation of Greater Mumbai | Mumbai, Maharashtra | 222.50 | September 2006 |
| Concreting of Missing Links and improvement of footpath of Dr. Babasaheb Ambedkar Road from Byculla Bridge to M.M.G.S. Marg (Work Code C 229) | Municipal Corporation of Greater Mumbai | Mumbai, Maharashtra | 236.28 | September 2006 |
| Construction of single line Broad Gauge tunnel in between the Sindhu Kumar Para and Ambassa stations | Northeast Frontier Railways, Maligaon | Agartala, Tripura | 424.40 | February 2007 |

| Name of Project | Client | Location | Estimated Contract Value (in Rs. million) | Scheduled Completion Date |
|---|---|---|---|---|
| Strengthening of the Jogeshwari Vikhroli Link Road - Section II | Mumbai Metropolitan Regional Development Authority | Mumbai, Maharashtra | 531.30 | March 2007 |
| ***Irrigation & Water Supply Projects*** | | | | |
| Strengthening of Tansa Dam (in connection with the Backbone-Unity Joint Venture) | Municipal Corporation of Greater Mumbai | Shahpur, Maharashtra | 851.70 | April 2006 |
| Construction of Wang Medium Irrigation Project at Marathwadi | Maharashtra Krishna Valley Development Corporation | Patan, Maharashtra | 885.10 | NA* |
| Design & Construction of Junone Dam & Lift Irrigation Scheme (in connection with the joint venture with IVRCL Infrastructures and Projects Limited) | Tapi Irrigation Development Corporation | Jalgaon, Maharashtra | 2,994.30 | January 2007 |
| Design & construction of tunnel for Indira Sagar Project (Package - 65) on EPC Turn Key System | Government of Andhra Pradesh, Irrigation & Command Area Development Department. | Polavaram, Andhra Pradesh | 909.90 | March 2007 |
| Construction of Lift Irrigation Schemes (2nd lift) at Tadipudi (Package - 60) | Government of Andhra Pradesh, Irrigation & Command Area Development Department. | District Warangal, Andhra Pradesh | 630.00 | September 2007 |
| Design & Construction of Wasana Lift Irrigation Scheme (in connection with the Unity-SMC Joint Venture) | Maharashtra Krishna Valley Development Corporation | Satara, Maharashtra | 726.95 | April 2009 |

* *The Company was awarded this contract in 1997. While the Company has performed part of the contract, work on the contract has been stalled due to issues arising out of displacement and rehabilitation of project affected people. We expect the work to commence soon.*

## Project Lifecycle

***Business Development***

We enter into contracts primarily through a competitive bidding process. Government and other clients typically advertise potential projects in leading national newspapers or on their websites. Our tendering department regularly scans newspapers and websites to identify projects that could be of interest to us. The head of the tendering department evaluates bid opportunities and decides whether we should pursue a particular project based on various factors, including the client's reputation and financial strength, the geographic location of the project and the degree of difficulty in executing the project in such location, our current and projected workload, the likelihood of additional work, the project's cost and profitability estimates and our competitive advantage relative to other likely bidders. Once we have identified projects that meet our criteria, we submit an application to the client according to the procedures set forth in the advertisement.

***Tendering***

The Company has a centralized tender department that is responsible for applying for all pre-qualifications and tenders. The tender department evaluates the credentials of the Company vis-à-vis the stipulated eligibility criteria. We endeavour to qualify on our own for projects in which we propose to bid. In the event that we do not qualify for a project in which we are interested due to eligibility requirements relating to the size of the project or other reasons, we may seek to form strategic alliances or project-specific joint ventures with other relevant experienced and qualified contractors, using the combined credentials of the cooperating companies to strengthen our chances of pre-qualifying and winning the bid for the project.

A notice inviting bids may either involve pre-qualification, or shortlisting of contractors, or a post-qualification process. In a pre-qualification or shortlisting process, the client stipulates technical and financial eligibility criteria to be met by the potential applicants. Pre-qualification applications generally require us to submit details about our organizational set-up, financial parameters (such as turnover, net worth and profit and loss history), employee information, plant and equipment owned, portfolio of executed and ongoing projects and details in respect of litigations and arbitrations in which we are involved. In selecting contractors for major projects, clients generally limit the issue of tender to contractors they have pre-qualified based on several criteria, including experience, technical ability and performance, reputation for quality, safety record, financial strength, bonding capacity and size of previous contracts in similar projects, although the price competitiveness of the bid is usually a significant selection criterion. Pre-qualification is key to our winning major projects and we continue to develop our pre-qualification status by executing a diverse range of projects and building our financial strength.

If we pre-qualify for a project, the next step is to submit a financial bid. Prior to submitting a financial bid, the Company carries out a detailed study of the proposed project, including performing a detailed study of the technical and commercial conditions and requirements of the tender followed by a site visit. Our tendering department determines the bidding strategy depending upon the type of contract. For example, in the event of bid for a design-build project, we would appoint a competent consultant to design the project and provide us with drawings to enable further analysis of the various aspects of the project. This allows us to make a more informed bid. Similarly, a lump sum tender would entail quantity take-offs from the drawings supplied by the clients.

A site visit enables us to determine the site conditions by studying the terrain and access to the site. Thereafter, a local market survey is conducted to assess the availability, rates and prices of key construction materials and the availability of labour and specialist sub-contractors in that particular region. Sources of key natural construction materials, such as quarries for aggregates, are also visited to assess the availability, leads and quality of such material. The site visit also allows us to determine the incidence and rates of local taxes and levies, such as sales tax or value added tax, octroi and cess.

Our representatives attend the pre-bid meetings convened by the clients, during which we raise any queries or requests for amendments to certain conditions of the proposed contract. Any ambiguities or inconsistencies in the document issued by the client are brought to the attention of the client for further clarification.

The tendering department invites quotations from vendors, sub-contractors and specialist agencies for various items or activities in respect of the tender. This data supplements the data gathered by the market survey. The gathered information is then analysed to arrive at the cost of items included in the BOQ. The estimated cost of items is then marked up to arrive at the selling price to the client. The basis of determination of the mark-up is based in part on the evaluation of the conditions of the contract.

Alternatively, the client may choose to invite bids through a post-qualification process wherein the contractor is required to submit the financial bid along with the information mentioned above in two separate envelopes. In such a situation, the client typically evaluates the technical bid or pre-qualification application initially and then opens the financial bids only to those contractors who meet the stipulated criteria.

***Engineering & Design***

We provide detailed engineering services, if required by the client, for the projects that we undertake. Typically, for design-build projects, the client supplies conceptual information pertaining to the project and spells out the project requirements and specifications. We are required to prepare detailed architectural and /or structural designs based on the conceptual requirements of the client and also conform to various statutory and code requirements.

For those particular segments in which we do not have in-house design capabilities, we outsource design services from experienced consultants who specialise in the particular segment. Prior to bidding for the project, our tendering department and senior management review the preliminary design prepared by these consultants. Over the years, we have through a combination of experience and technical ability developed expertise in assessing the preliminary pre-tender designs prepared by our consultants, vis-à-vis the requirements of the client. After our initial review of the preliminary designs, we continue to confer with our consultants to arrive at the final solution for the project. Once the project is awarded to us, our consultants prepare detailed designs pursuant to the project requirements.

***Procurement***

Because material procurement plays such a critical part in the success of any project, we maintain experienced staff in our purchase department, which is headed by our Chief Procurement Officer, to carry out material, services and equipment procurement for all project sites. Procurement is a centralized function performed at our headquarters. Only in certain cases is procurement done from project sites.

Upon award of a contract, the purchase department is provided with the project details along with the budgeted rates for material, services and equipment. The material, services and equipment required for projects are estimated by the engineering personnel from the individual project sites and then passed on to the purchase department along with the schedule of requirements.

The Company has over the years developed relationships with a number of vendors for key materials, services and equipment. The Company has also developed an extensive vendor database for various materials and services. Over and above the quotations received at the time of bidding, the purchase department invites quotations from additional vendors, if required. Vendors are invited to negotiate before finalizing the terms and prices. The materials ordered are provided to the sites from time to time as per their scheduled requirements. We maintain material procurement, tracking and control systems, which enable monitoring of our purchases.

Procurement of material, services and equipment from external suppliers typically comprises a significant part of a project's cost. The ability to cost-effectively procure material, services and equipment, and meeting quality specifications for our projects is essential for the successful execution of such projects. We continually evaluate our existing vendors and also attempt to develop additional sources of supply for most of the materials, services and equipment needed for our projects.

***Construction***

The issuance of a letter of acceptance or letter of intent by the client signifies that we have been awarded the contract. Upon receipt of the letter, we typically commence pre-construction activities promptly, such as mobilising manpower and equipment resources and setting up site offices, stores and other ancillary facilities.

We execute projects across the various sectors of civil construction, transportation engineering & irrigation and water supply. The methodology of construction depends upon the nature of the project (e.g., the construction methodology would be different for a road project than for a building project).

Construction activity typically commences once the client approves working designs and issues drawings. The project team immediately identifies and works with the purchase department to procure the key construction materials and services required to commence construction. Based on the contract documents, a detailed schedule of construction activities is prepared. This schedule identifies interim milestones, if any, stipulated in the contract with corresponding time schedules for achieving these milestones.

The sequence of construction activities largely follows the construction schedule that was prepared initially, subject to changes in scope requested by the client. Projects generally commence with excavation and earthmoving activities. Other major components of a typical construction project include concreting and reinforcement. Heavy earthmoving equipment, such as excavators, dumpers, loaders, dozers, graders and rock drilling tools, are used for excavation, whereas batching plants, transit mixers, tower cranes and concrete pumps, among other equipment, are used for concreting.

The key construction activities involved in a project depend on the nature and scope of the project. For a typical water supply project, we engage in the fabrication, lowering, laying, jointing and testing of the pipelines. For an earthen dam project, we perform excavation and earthwork. Similarly, a bridge project involves concreting and reinforcement activities.

We have a project management system that helps us track the physical and financial progress of work vis-à-vis the project schedule. Daily progress reports are prepared by the major sites and sent to the project monitoring cell in the head office for collation. Project personnel hold periodic review meetings with the client at sites and also with key head office personnel in our headquarters to discuss the progress being made on the project. The project managers also hold periodic review meetings with our vendors and sub-contractors to review progress and assess future needs.

Each project site has a billing department that is responsible for preparing and dispatching periodic invoices to the clients. Joint measurements with the client's representative are taken on a periodic basis and interim invoices prepared on the basis of such measurements are sent to the client for certification and release of interim payments. The billing department is also responsible for certifying the bills prepared by our vendors and sub-contractors for particular projects and forwarding the same to our head office for further processing.

We are an ISO 9001:2000 certified company with a defined and documented Quality System Manual. The quality assurance cells at our various project sites help to ensure implementation of the procedures set forth in our Quality System Manual in order to help enable us to comply with the quality parameters stipulated in the contract by the client.

We consider a project to be "virtually complete" when it is ready to be handed over to the client. We then jointly inspect the project with the client to begin the process of handing over the project to the client. Once satisfied, the client prepares a "virtual completion certificate", which signifies the commencement of the defects liability period or the maintenance period (i.e., the period during which we are contractually bound to rectify any defects arising out of construction, which can last up to 60 months). On completion of the defects liability period, we request the client to release any performance bonds or retention monies that may be outstanding.

## Types of Contracts

Our contracts types fall into the following categories:

- Lump Sum contracts – Lump Sum contracts provide for a single price for the total amount of work, subject to variations pursuant to changes in the client's project requirements. In Lump Sum contracts, the client supplies all the information relating to the project, such as designs and drawings. Based on such information, we are required to estimate the quantities of various items, such as raw materials, and the amount of work that would be needed to complete the project, and then prepare our own bill of quantities ("BOQ") to arrive at the price to be quoted. We are responsible for the execution of the project based on the information provided and technical stipulations laid down by the client at our quoted price.
- Design and Build contracts – Design and Build contracts provide for a single price for the total amount of work, subject to variations pursuant to changes in the client's project requirements. In Design and Build contracts, the client supplies conceptual information pertaining to the project and spells out the project requirements and specifications. We are required to (i) appoint consultants to design the proposed structure, (ii) estimate the quantities of various items that would be needed to complete the project based on the designs and drawings prepared by our consultants and (iii) prepare our own BOQ to arrive at the price to be quoted. We are responsible for the execution of all aspects of the project based on the above at our quoted price.
- Item rate contracts – Item rate contracts are contracts where we need to quote the price of each item presented in a BOQ furnished by the client. In item rate contracts the client supplies all the information such as design, drawings and BOQ. We

are responsible for the execution of the project based on the information provided and technical stipulations laid down by the client at our quoted rates for each respective item.

- Percentage rate contracts – Percentage rate contracts require us to quote a percentage above, below or at par with the estimated cost furnished by the client. In percentage rate contracts, the client supplies all the information such as design, drawings and BOQ with the estimated rates for each item of the BOQ. We are responsible for the execution of the project based on the information provided and technical stipulations laid down by the client at our quoted rates, which are arrived at by adding or subtracting the percentage quoted by us above or below the estimated cost furnished by the client.

Depending on the nature of the project and the project requirements, contracts may also contain a combination of aspects of any of the contract types discussed above. For example, the contract for the refurbishment and expansion of Terminal I-B of the Chhatrapati Shivaji International Airport in Mumbai combines elements of a Lump Sum contract and an item rate contract.

- Build Operate and Transfer (BOT) contracts – BOT contracts are a relatively recent phenomenon developed to attract private sector investments in the development of projects in various sectors such as water supply, roads, bridges and power. Typically, BOT contracts involve the construction of an asset as required by the client, with partial or total financing arrangements provided by the bidders/contractors. BOT contracts require the successful bidder to construct, operate and maintain the asset over a pre-defined period (known as the "Concession Period") at its own expense. In return, the bidder is granted a right to collect revenues from the end users of the asset during the Concession Period through a pre-defined mechanism. For example, for road projects executed on a BOT basis, the bidder is permitted to collect and keep tolls received from vehicles that use that road during the Concession Period. The bidder is required to transfer ownership of the asset back to the client at the end of the Concession Period. BOT contracts may provide for a "Take or Pay Clause" (i.e., even if the client does not utilize the constructed facility during the period of operation and maintenance, a pre-determined amount of revenue is paid to the contractor by the client).
- Annuity contracts – Annuity contracts typically provide for the facility to be constructed, maintained and financed by the bidder. The client agrees to pay the successful bidder annuity payments in pre-determined amounts at pre-defined intervals over the course of the Concession Period. However, the client retains ownership of the asset and collects revenues, if applicable, during the entire life of the project.

Contracts, irrespective of their type (*i.e.*, Lump Sum, item rate, percentage, rate design-build), typically contain price variation or escalation clauses that provide for either reimbursement by the client in the event of a variation in the prices of key raw materials (*e.g.*, steel and cement) or a formula that splits the contract into pre-defined components for materials, labour and fuel and links the escalation in amounts payable by the client to pre-defined price indices published periodically by the RBI or the Government. Some contracts do not include such price variation or escalation clauses. Thus, in those instances, we face the risk that the price of key raw materials and other inputs will increase during the project execution period and are unable to pass on the increases in such costs to the client.

For additional information regarding our current contract types, please refer to the section entitled "Order Book" in the section "Our Business" on page 43.

## Order Book

Our order book comprises the unfinished and uncertified portion of projects that we have undertaken and includes the value of sub-contracting agreements that we enter into with our joint ventures for work to be performed by us. In our industry, the order book is considered an indicator of potential future performance since it represents a significant portion of the likely future revenue stream. Our strategy is not focused solely on adding contracts to the order book but instead is focused on capturing quality contracts with potentially high margins. Our order book as of December 31, 2005, was Rs. 11,718.50 million. The orders in our order book are subject to cancellation and modification provisions contained in the various contracts and other relevant documentation.

The following table sets forth the value of our order book as of March 31, 2005 and 2004, and as of December 31, 2005:

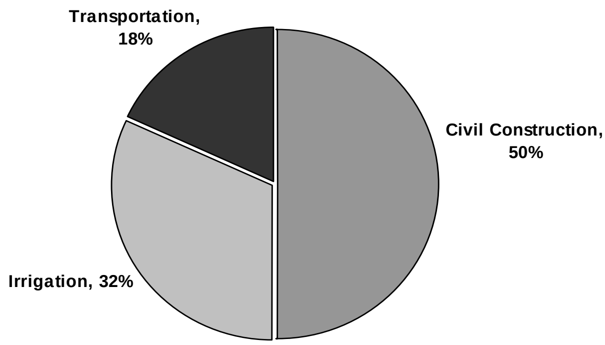
**(Rs. in millions)**

| | As of December 31, 2005 | As of March 31, 2005 | As of March 31, 2004 |
|---|---|---|---|
| Civil Construction | 5,820.80 | 2,394.30 | 3,154.50 |
| Transportation Engineering | 2,161.40 | 1,178.00 | 787.50 |
| Irrigation & Water Supply | 3,736.30 | 3,872.90 | 2,345.90 |
| **TOTAL** | **11,718.50** | **7,445.20** | **6,287.90** |

***Segment Composition of Order Book***

Approximately 50% of our order book as of December 31, 2005 related to projects in the civil construction segment, 18% related to projects in the transportation engineering segment and 32% related to projects in the irrigation & water supply segment. We expect to complete approximately 70% of our existing order book in the next two years. We have added additional contracts of Rs. 2,193.88 million during the period from January 1, 2006 through May 8, 2006.

**Order Book by Segment**
**(as on December 31, 2005)**

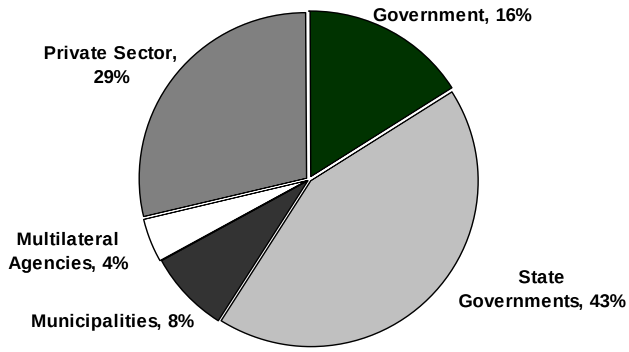



**Total Order Book – Rs. 11,718.50 million**

***Client Composition of Order Book***

As shown in the graph below, a higher proportion of our contracts are entered into with governmental agencies. Approximately 67% of our order book as of December 31, 2005 related to projects sponsored by government or governmental agency clients, including the Central Government, State Governments and municipalities, 29% related to projects sponsored by private sector clients and 4% related to projects sponsored by multilateral agencies.

**Order Book by Client Type**
**(as on December 31, 2005)**

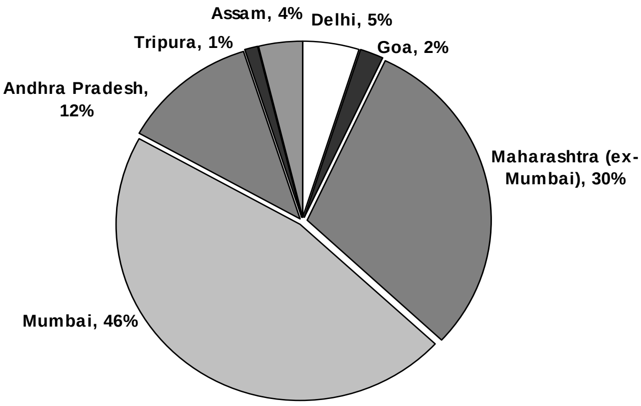



**Total Order Book – Rs. 11,718.50 million**

***Geographical Spread of Order Book***

The geographical spread of our order book as on December 31, 2005 is shown in the table below:

**Order Book by Geographic Region (as on December 31, 2005)**




**Total Order Book – Rs. 11,718.50 million**

***Some Details of our Order Book***

The following table sets forth certain information concerning the top 15 contracts in our order book by outstanding value as on December 31, 2005. These orders represented more than 75% of our order book as on December 31, 2005, based on the outstanding values as on December 31, 2005.

**(Rs. in millions)**

| No. | Name of Project | Total Contract Value | Amount Outstanding as of December 31, 2005 |
|---|---|---|---|
| | ***Civil Construction Projects*** | | |
| 1 | Expansion & Modification of Terminal I-B at Chhatrapati Shivaji International Airport, Mumbai, Maharashtra | 1,070.00 | 502.50 |
| 2 | Re-construction of Sardar Vallabhbhai Patel Stadium, Mumbai, Maharashtra (in connection with the Unity-Patel Joint Venture) | 1,300.00 | 524.10 |
| 3 | Construction of Common Facility Building, Trombay, Maharashtra | 371.30 | 299.00 |
| 4 | Construction of Multi-Storeyed Buildings Orchid Enclave, Mumbai, Maharashtra | 599.90 | 516.90 |
| 5 | Redevelopment of properties bearing CTS Nos. 189 & 197 at Parel, Mumbai Maharashtra | 1,132.00 | 1,132.00 |
| 6 | Proposed redevelopment of property at Mahim, Mumbai, Maharashtra | 300.00 | 300.00 |
| 7 | Construction of various buildings and other infrastructure works at Onion-Potato Market, Navi-Mumbai, Maharashtra | 514.30 | 514.30 |

(Rs. in millions)

| No. | Name of Project | Total Contract Value | Amount Outstanding as of December 31, 2005 |
|---|---|---|---|
| | ***Infrastructure – Transportation Engineering Projects*** | | |
| 1 | Strengthening of the Jogeshwari Vikhroli Link Road - Section II, Mumbai, Maharashtra | 550.00 | 493.50 |
| 2 | Gauge Conversion of Meter Gauge railway line to Broad Gauge line from Delhi Sarai Rohilla to Rewari, Delhi (in connection with the joint venture with Kalindee Rail Nirman Limited) | 350.00 | 350.00 |
| | ***Infrastructure – Irrigation and Water Supply*** | | |
| 1 | Construction of Wang Medium Irrigation Project at Marathwadi in District Satara, Maharashtra | 884.90 | 418.30 |
| 2 | Construction of single line Broad Gauge tunnel in between station Sindhu Kumar Para and Ambassa, Tripura | 540.30 | 455.30 |
| 3 | Design & Construction of Junone Dam & Lift Irrigation Scheme in District Jalgaon, Maharashtra (in connection with the joint venture with IVRCL Infrastructures & Projects Limited) | 1,137.80 | 1,109.20 |
| 4 | Design & Construction of Wasana Lift Irrigation Scheme in District Satara, Maharashtra (in connection with the Unity-SMC Joint Venture) | 726.90 | 726.90 |
| 5 | Design & construction of tunnel for Indira Sagar Project (Package - 65) on EPC Turn Key System, Polavaram, Andhra Pradesh | 909.90 | 813.00 |
| 6 | Construction of Lift Irrigation Schemes at Tadipudi (Package - 60), District Warangal, Andhra Pradesh | 630.00 | 611.50 |

## Project-Specific Joint Ventures and Strategic Alliances

Generally, we bid for projects as the sole contractor of the project with full responsibility for the entire project, including, if required, the overall responsibility and sole discretion to select and supervise sub-contractors. From time to time, on certain larger projects that require resources beyond those we may have available, such as financial strength, equipment, manpower or local content resources, or when we wish to share the risk on a particularly large project, we seek to make alliances through the formation of special purpose vehicles (SPVs) or project-specific joint ventures with other contracting, engineering and construction companies.

In a project-specific joint venture, each member of the joint venture shares the risks and revenues of the project according to a predetermined agreement. The agreements specifically assign the work to be performed by each party and the responsibilities of each party with respect to the joint venture, including how the joint venture will be managed and the equipment, personnel or other assets that each party will contribute or make available to the joint venture. The profits and losses of the joint venture are shared among the members according to a predetermined ratio. The fixed assets that are acquired by the joint venture are generally transferred to the respective joint venture members upon completion of the joint venture project. The agreements also set forth the manner in which any disputes among the members will be resolved. The construction contracts that the joint ventures enter into, or the joint ventures themselves, typically impose joint and several liability on the members. Thus, should the other member(s) of our joint ventures default on its or their duties to perform, we would remain liable for the completion of the project. The SPV or project-specific joint venture typically terminates at the completion of the defect liability period, at which point the SPV or project-specific joint venture liquidates and dissolves.

As of March 31, 2005, we had invested Rs. 47.72 million in six project-specific joint ventures, and we had entered into the memoranda of understanding, joint venture agreements and consortium agreements described in the table below.

| Joint Venture | Other Party/Parties | Type of Arrangement | Project |
|---|---|---|---|
| Thakur - Mhatre - Unity JV | - J.M. Mhatre<br>- S.C. Thakur & Brothers | Memorandum of understanding | Development of Road connectivity to Jawaharlal Nehru Port MH(JNP) - Package I, Raigad, Maharashtra |
| Unity - Patel JV | - Patel Engineering Ltd. | Joint venture agreement | Reconstruction of Sardar Vallabhbhai Patel Indoor Stadium, in Mumbai, Maharashtra |
| Unity-Chopra JV | - D.P. Chopra | Joint venture agreement | Design and construction of Road Over Bridge (ROB) near Mankapur, Nagpur, Maharashtra<br>Design and construction of Road Over Bridge (ROB) on Nagpur- Kalumna Section of S.E. Railway, Nagpur, Maharashtra |
| Backbone-Unity JV | - Backbone Projects Ltd. | Joint venture agreement | Strengthening of Tansa Dam, Shahpur, Maharashtra |
| Unity – Pratibha - Multi Media JV | - Pratibha Industries Limited<br>- Multi Media Consultants Private Limited | Joint venture agreement | Design and build clear water transmission mains for filling storage reservoirs in South Delhi, Delhi |
| SMC – Unity JV | - SMC Infrastructures Limited | Memorandum of understanding | Design and construction of transmission system in Central, Northern and Eastern Zones of Thane City, Thane, Maharashtra |

## Competition

We operate in a competitive environment. Our competition depends on whether the project is in the civil construction sector or the infrastructure sector. It also depends on a host of other factors, such as the type of project, contract value and potential margins, the complexity and location of the project, the reputation of the client and the risks relating to revenue generation. While service quality, technical ability, performance record, experience, health and safety records and the availability of skilled personnel are key factors in client decisions among competitors, price is often the deciding factor in most tender awards. We mainly compete with domestic Indian entities in the different segments in which we operate. Some of our key competitors are Larsen and Toubro, Nagarjuna Construction Company, Shapoorji Pallonji, Patel Engineering Limited, Gammon India Limited and IVRCL Infrastructures and Projects Limited. Some of our competitors may have significantly greater resources than those available to us.

## Insurance

Our operations are subject to hazards inherent in providing engineering and construction services, such as risk of equipment failure, work accidents, fire, earthquake, flood and other *force majeure* events, acts of terrorism and explosions including hazards that may cause injury and loss of life, severe damage to and the destruction of property and equipment and environmental damage. We may also be subject to claims resulting from defects arising from engineering, procurement or construction services provided by us within the warranty periods extended by us, which can range from 12 to 60 months from the date of commissioning.

We obtain specialized insurance for construction risks and third party liabilities for most projects for the duration of the project and the defect liability period. We generally maintain insurance covering our assets and operations at levels that we believe to be appropriate. Risks of loss or damage to project works and materials are often insured jointly with our clients.

Our significant insurance policies consist of coverage for risks relating to physical loss or damage as well as business interruption loss. Loss or damage to our materials and property, including contract works, whether permanent or temporary, and materials or equipment supplied by us or supplied to us, are generally covered by "contractors' all risks" insurance. Under the all risks insurance policy we are also provided cover for price escalation, debris removal and surrounding properties. Under our general public liability insurance policy, we are indemnified against legal liability to pay damages for third party civil claims arising out of bodily injury or property damage caused by an accident during the project in the course of business.

Under certain of our contracts and sub-contracts, we are required to obtain insurance for the project. In some such cases, we have either not obtained insurance or we have obtained insurance but permitted the insurance policy to lapse prior to the completion of the project. For some projects that do not require us to maintain insurance, we have not taken insurance cover.

We also maintain automobile policies and workmen's compensation policies as well as hospitalization and group personnel accident policies for our permanent employees.

## Guarantees

We are often required to provide financial and performance guarantees guaranteeing our performance and financial obligations in relation to a project. The amount of guarantee facilities available to us depends upon our financial condition and the availability of adequate security for the banks and financial institutions that provide us with such facilities. There have been zero instances where our performance guarantees have been invoked by our clients.

## Our Employees

We believe that a well-trained, motivated and satisfied employee base is key to our competitive advantage. As of January 31, 2006, we employed 703 full-time employees, of which 74% were engineers. Additionally, as of January 31, 2006, we employed 1,057 temporary contract labourers on our project sites. Of the total full-time employee base of 703 as of January 31, 2006, 507 employees, or 72%, were employed at our various project sites, while the remainder were employed at our corporate offices.

We are committed to the development of the expertise and know-how of our employees through regular technical seminars and training sessions organised or sponsored by the Company. Our personnel policies are aimed towards recruiting the talent that we need, facilitating the integration of our employees into the Company and encouraging the development of skills in order to support our performance and the growth of our operations.

The following table sets forth certain information in respect of our full-time and temporary labour contractors as of January 31, 2006:

| Category | Number of Full-Time Employees | Number of Temporary Employees | Total |
|---|---|---|---|
| Technical Staff | 521 | 0 | 521 |
| Commercial Staff | 182 | 74 | 256 |
| Workers | 0 | 983 | 983 |
| **Total** | **703** | **1,057** | **1,760** |

None of our employees are in a union. We have not lost a day to industrial action in our history of operations. As such, we consider our relations with our employees to be good.

## Health, Safety and Environment

We are committed to complying with applicable Health, Safety and Environmental (HSE) regulations and other requirements in our operations and have a documented policy in place. Our Company is also a Corporate Member of the National Safety Council, Mumbai.

To help ensure effective implementation of our practices, at the beginning of every project we seek to identify all potential material hazards, evaluate all material risks and institute, implement and monitor appropriate controls. We believe that accidents and occupational health hazards can be significantly reduced through the systematic analysis and control of risks and by providing appropriate training to management, employees and sub-contractors. We seek to work proactively towards minimizing or eliminating the impact of hazards to people and the environment. At large project sites, we employ safety personnel dedicated to helping ensure the implementation of our HSE policies at such sites. Project managers are principally responsible for ensuring safety standards are met at small sites. Additionally, safety personnel are sent from the head office or other project sites to monitor such sites.

## Our Equipment

We believe that our strategic investment in equipment and fixed assets is an advantage that enables us to rapidly mobilize our equipment to project sites as needs arise. We have a large fleet of construction equipment assets, including a slipform concrete paver, transit mixers, a truck-mounted boom placer, stationary concrete pumps, tower cranes, concrete batching plants, vibratory rollers and plate compactors, wheel tractor cum backhoes, hydraulic excavators, tractors, dumpers and trucks. Having such an asset base is in our view an important advantage in serving the technically challenging and diverse nature of the construction projects in which we are engaged. Our equipment is managed, maintained and operated by our personnel at our maintenance and repair facility in Taloja, Navi Mumbai.

The following table provides a list of some of our more substantial equipment as of December 31, 2005:

| S. No. | Name of Equipment | Number of Units | S. No. | Name of Equipment | Number of Units |
|---|---|---|---|---|---|
| 1 | Concrete Slip Form Paver | 1 | 13 | Trolley Mounted Diesel Generating Sets | 2 |
| 2 | Concrete pump | 6 | 14 | Diesel Generating Sets | 30 |
| 3 | Truck Mounted Concrete Pump | 1 | 15 | Hydraulic Excavator | 7 |
| 4 | Concrete Batching Plant | 5 | 16 | Wheel Tractor Loader Cum Backhoe | 9 |
| 5 | Transit Mixer | 29 | 17 | Kerb Casting Machine | 1 |
| 6 | Tower Crane | 2 | 18 | Static Roller | 3 |
| 7 | Mobile Tower Crane | 1 | 19 | Vibratory Tandem Road Roller | 5 |
| 8 | Hydra Crane | 1 | 20 | Dumpers 14 Cu.m. | 43 |
| 9 | Stone Crusher | 1 | 21 | Trucks | 5 |
| 10 | Compressor | 8 | 22 | Tankers | 7 |
| 11 | Crawler Drills | 10 | 23 | Tractors | 3 |
| 12 | Generators | 5 | 24 | Loader | 3 |

## Our Properties

The Company's registered office and corporate headquarters are located at 1252, Pushpanjali, Old Prabhadevi Road, Prabhadevi, Mumbai 400 025, India. The Company occupies these premises pursuant to a license agreement dated April 1, 2005 with Avarsekar and Sons Private Limited. The term of the license is 33 months, after which the licensor has the option to renew the license for an additional period of 33 months on mutually agreeable terms and conditions. Under the terms of the license agreement, the Company has paid a security deposit of Rs. 60 million, but does not have any monthly rental obligations. The Company is responsible for all taxes, cesses and levies relating to the use of the property during the term of the license. We also occupy several other premises on ownership or leasehold bases for residential use by our staff.

## Our Intellectual Property

The "Unity" trademark (Trademark) was created and designed by one of our Promoters, Kishore K. Avarsekar. Pursuant to a trademark assignment agreement dated April 20, 2005, Kishore K. Avarsekar assigned and transferred all his rights, title and interest in the unregistered Trademark to us for a nominal consideration and permitted us to file applications with the relevant governmental agencies and authorities for the registration of the Trademark.

We have applied for two registrations of the Trademark under Class 37 (constructor of buildings and structures, contractors etc.), one in a combination of colours and another without limitation as to colour. These trademark applications are pending.

We have also licensed the Trademark to other Promoter Group entities at no cost for use by them in carrying on their business activities.

# REGULATIONS AND POLICIES

*The following description is a summary of the relevant regulations and policies as prescribed by the Government of India. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below are not exhaustive, and is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional legal advice.*

There are no specific regulations in India governing the construction industry. Set forth below are certain significant legislations and regulations that generally govern this industry in India:

## General

The Company is engaged in the business of providing integrated engineering, procurement and, construction services for residential, commercial and infrastructure sector projects. Contracts are executed in pursuance of tenders issued by the government, government agencies, government companies, private companies, public companies and multinational companies or by orders placed by them. For the purpose of executing the work undertaken by the Company, we may be required to obtain licenses and approvals depending upon the prevailing laws and regulations applicable in the relevant state, and depending on the project. For details of such approvals please see "Government Approvals" on page 169 of this Red Herring Prospectus.

***Foreign Ownership***

Under the Industrial Policy and FEMA, FDI up to 100% is permitted in construction and related engineering services. Further, the Industrial Policy now also permits foreign direct investment under the automatic route in projects for construction and maintenance of roads, highways, vehicular bridges, toll roads, vehicular bridges and ports and harbours.

Subject to certain conditions and guidelines, the Industrial Policy and FEMA further permit up to 100% FDI in townships, housing, built-up infrastructure and construction development projects which include, but are not restricted to, housing, commercial, premises, hotels, resorts, hospitals, educational institutions, recreational facilities and city and regional level infrastructure.

In respect of the companies in infrastructure/ service sector, where there is a prescribed cap for foreign investment, only the direct investment is considered for the prescribed cap and foreign investment in an investing company may not be set off against this cap provided the foreign direct investment in such investing company does not exceed 49% and the management of the investing company is with the Indian owners.

The RBI by its A.P. (DIR Series) circular No. 16 dated October 4, 2004 granted general permission for the transfer of shares of an Indian company by Non-Residents to residents and residents to Non-Residents, subject to the terms and conditions, including pricing guidelines, specified in such circular. No approvals of the FIPB or the RBI are required for such Allotment of Equity Shares under this Issue. The Company will be required to make certain filings with the RBI after the completion of the Issue.

***Investment by Foreign Institutional Investors***

Foreign Institutional Investors (FIIs) including institutions such as pension funds, investment trusts, asset management companies, nominee companies and incorporated, institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under FEMA. FIIs must also comply with the provisions of the SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time. The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely securities issued by Indian companies, to realise capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

***Ownership restrictions of FIIs***

Under the portfolio investment scheme, the overall issue of equity shares to FIIs on a repatriation basis should not exceed 24% of post-issue paid-up capital of a company. However, the limit of 24% can be raised up to the permitted sectoral cap for that company after approval of the Board of Directors and shareholders of the company. The total holding of a single FII should not exceed 10% of the post-issue paid-up capital of the Company or 5% of the total paid-up capital in case such sub-account is a foreign corporate or an individual. In respect of an FII investing in equity shares of a company on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued capital of that company.

***Environmental and Labour Regulations***

Depending upon the nature of the projects undertaken by the Company, applicable environmental and labour laws and regulations include the following:

- Contract Labour (Regulation and Abolition) Act, 1970;
- Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996;
- Industrial Disputes Act, 1947;
- Inter State Migrant Workers Act, 1979;
- Factories Act, 1948;
- Payment of Wages Act, 1936;
- Payment of Bonus Act, 1965;
- Employees' State Insurance Act, 1948;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Payment of Gratuity Act, 1972;
- Shops and Commercial Establishments Acts, where applicable;
- Environment Protection Act, 1986;
- Water (Prevention and Control of Pollution) Act, 1974;
- Air (Prevention and Control of Pollution) Act, 1981;
- Minimum Wages Act,1948;
- Hazardous Waste (Management and Handling) Rules, 1989; and
- Hazardous Chemicals Rules, 1989.

# HISTORY AND CORPORATE STRUCTURE

## Our History

Our Company was originally incorporated as Unity Builders Limited on April 9, 1997. We subsequently changed the name of our Company to Unity Infraprojects Limited pursuant to a special resolution of the shareholders passed at an extraordinary general meeting on January 14, 2000. The fresh certificate of incorporation consequent on change of name was granted by the ROC to our Company on February 7, 2000. Our registered office was shifted from B 101, Vaibhav Apartments, Old Prabhadevi Road, Prabhadevi, Mumbai 400 025, India to the current address by a resolution of our Board dated October 22, 1999.

Prior to incorporating our Company, our Promoter Directors were engaged in the business of providing integrated design, engineering, procurement and construction services for commercial and infrastructure sector projects through Unity Construction Company, a partnership firm, which has been in existence since 1979. In 1983, Kishore K. Avarsekar was admitted as a partner in this firm. Abhijit K. Avarsekar and Ashish K. Avarsekar, who were minors at the time, were admitted into the firm for the purpose of sharing the profits with an option to continue with the firm on attaining the age of majority. Subsequently, Pushpa K. Avarsekar also became a partner in the firm.

By a deed of assignment (Deed) dated August 28, 2000, Unity Construction Company assigned its business to Unity Infraprojects Limited on an "*as is where is*" basis together with the right, title, interest, assets and liabilities and goodwill of the firm as a going concern. The Deed provides that the Company shall grant the partners 10,000 fully paid up Equity Shares. The Deed further provides that the partners may, individually or jointly, carry on similar business as is carried out by Unity Construction Company. Further to this deed, the Company and UCC have entered into an undertaking dated March 25, 2006. Under the terms of this agreement, UCC shall be liable for all losses, liabilities, claims, demands, actions, causes of action, suits, litigation, damages, costs and expenses, including reasonable legal fees and disbursements, in connection with claims asserted against, or incurred or suffered by, the Company which arise out of, result from or may be payable by virtue of any breach of any representation, warranty, covenant or agreement made or obligation required to be performed by UCC. Further, UCC has agreed that any consequences in relation to the arbitration proceedings filed by it against the National Bank for Agriculture & Rural Development shall be to the account of the Company, including the receipt of any arbitration award and expenses and UCC shall not raise any claim against the Company in relation to any award received by the Company pursuant to such arbitration proceedings.

Some of the key milestones of our predecessor firm and us include:

| Year | Project |
|---|---|
| 1983 | Construction of Abhyudaya Co-operative Bank Building at Vashi, Navi Mumbai |
| 1984 | Construction of Standard Design Factory at Mumbai for Maharashtra Industrial Development Corporation (MIDC) |
| 1985 | Construction of the Vainganga skyscraper at Worli, Mumbai |
| 1989 | Construction of Wholesale Fruit and Vegetable Market for the Bombay Agriculture Produce Marketing Committee (BAPMC) |
| 1991 | Entered the field of turnkey execution by bagging the order for Design and Construction of Mass Housing Project for MHADA at Majaswadi, Andheri (E), Mumbai |
| 1993 | Construction of NRI Housing Project (Seawoods Estate) for CIDCO at Nerul, Navi Mumbai |
| 1995 | Construction of NABARD's corporate office building at Bandra Kurla Complex, Mumbai |
| 1996 | UCC diversified into the field of infrastructure development |
| 1997 – 2000 | UCC consolidated its presence in the field of buildings and infrastructure by bagging and successfully executing prestigious projects all over Maharashtra |
| 2000 | Commenced operations in August 2000 as Unity Infraprojects Limited.<br>Obtained ISO certification. Got first project out of Maharashtra in Goa. |

| Year | Project |
|---|---|
| 2002 | Commenced projects in Delhi by bagging a Rs. 1,300 million order from the DDA.<br>Secured major orders from the MCGM for Tansa Dam and from NHAI for concrete road at JNPT. |
| 2003 | Ventured in the North East by commencing operations in Shillong.<br>Consolidated presence in the North East by bagging the Assam Secretariat in November and Tunnel for the Indian Railways in December.<br>Operations spread to the states of Goa, Gujarat, Delhi, Meghalaya, Assam and Tripura. |
| 2004 | Secured jobs in Mumbai viz. Sardar Patel Indoor Stadium for the National Sports Club of India and Refurbishment of Terminal I B of the Chhatrapati Shivaji International Airport.<br>Successfully completed refurbishment of the Kala Academy Goa in 110 days to ensure timely and successful hosting of the International Film Festival of India (IFFI 2004). |
| 2005 | Secured irrigation projects in Andhra Pradesh thereby making it the eighth state of operations.<br>Ventured into industrial construction by securing a prestigious order from Siemens Limited.<br>Secured road projects in Mumbai. RMC plant and paver block plant set up in Mumbai for captive consumption. |
| 2006 | Secured gauge conversion of meter gauge railway line to broad gauge railway line of Villupuram Maylladuturai on Southern Railway for Rail Vikas Nigam Limited.<br>Secured the contract for the design and construction of flyovers and slip roads in Navi Mumbai for the Navi Mumbai Municipal Corporation |

We are an ISO 9001-2000 company, with accreditation from the American Standards Institute and Orion Registrar Inc. for design and construction of civil engineering works.

We are also the flagship company of the KK Group, a conglomerate with interests in contracting, real estate development, concrete block production and hotels. We have our registered and corporate office in Mumbai.

## Main Objects

(a) To carry on the business of builders, contractors, erectors, constructions of building, houses, apartments, structures or residential offices, industrial, institutional or commercial or developers of co-operative Housing Societies, developers of housing schemes, townships, holiday resorts hotels, motels and in particular preparing of building sites, constructing, reconstructing, erecting, altering, improving, enlarging, developing, decorating, furnishing and maintaining of structures, flats, houses, factories, shops, offices, garages, warehouses, buildings, works, workshops, hospitals, nursing homes, clinics, godown and the commercial educational purposes for and convenience to purchase for development, investment or for resale of lands, houses, buildings, structures and other properties of any tenure and any interest therein.

(b) To carry on in India or elsewhere, singly or in joint venture or association or collaboration or arrangement with one or more individuals / corporate / non-corporate bodies / government / semi-government local authorities, the business of construction, building, erection, conversion, improvement, design, dismantle, generally develop, survey, examine, operate, reconstruct, modify and to act as civil / architectural / mechanical / electronic engineer, consultant, advisor, administrator, contractor /sub-contractor / turnkey contractor, manager for all types of construction and infrastructure developmental / maintenance / upgradation / renovation / strengthening works such as roadways, railways, bridges, pre-stressed / other R C C works, flyovers, all kinds /types of dams, canals, wharves, harbors, docks, ports, jetties airports, runways, irrigation works, warehouses, factories, buildings / structures, drainage / sewage works, tunnels, water distribution / filtration systems, hotels entertainment parks, power houses / stations, stadiums, drilling and for the purpose to acquire, purchase, sell, own, develop or otherwise deal in buildings, materials, plants, equipment, machinery, tools, fittings, accessories or otherwise deal in buildings, material, plants, equipment, machinery, tools, fittings, accessories of whatsoever nature and to do all acts or things as may be necessary for attainment of the forgoing objects.

## Amendments to our Memorandum of Association

| Date | Nature of Amendment |
|---|---|
| March 30, 1999 | The initial authorized capital of Rs. 10,000,000 comprising of 1,000,000 Equity Shares was increased to Rs. 40,000,000 comprising of 4,000,000 Equity Shares |
| November 15, 1999 | Insertion of Object No. 4A: "*To carry on in India or elsewhere, singly or in joint venture or association or collaboration or arrangement with one or more individuals / corporate / non-corporate bodies / government / semi-government local authorities, the business of construction, building, erection, conversion, improvement, design, dismantle, generally develop, survey, examine, operate, reconstruct, modify and to act as civil / architectural / mechanical / electronic engineer, consultant, advisor, administrator, contractor /sub-contractor / turnkey contractor, manager for all types of construction and infrastructure developmental / maintenance / upgradation / renovation / strengthening works such as roadways, railways, bridges, pre-stressed / other R C C works, flyovers, all kinds /types of dams, canals, wharves, harbours, docks, ports, jetties airports, runways, irrigation works, warehouses, factories, buildings / structures, drainage / sewage works, tunnels, water distribution / filtration systems, hotels entertainment parks, power houses / stations, stadiums, drilling and for the purpose acquire, purchase, sell, own, develop or otherwise deal in buildings, materials, plants, equipment, machinery, tools, fittings, accessories or otherwise deal in buildings, material, plants, equipment, machinery, tools, fittings, accessories of whatsoever nature and to do all acts or things as may be necessary for attainment of the forgoing objects*." |
| January 14, 2000 | The authorized capital of Rs. 40,000,000 comprising of 4,000,000 Equity Shares was increased to Rs. 60,000,000 comprising of 6,000,000 Equity Shares |
| June 30, 2000 | The authorized capital of Rs. 60,000,000 comprising of 6,000,000 Equity Shares was increased to Rs. 100,000,000 comprising of 10,000,000 Equity Shares |
| July 25, 2005 | The authorized capital of Rs. 100,000,000 comprising of 10,000,000 Equity Shares was increased to Rs. 150,000,000 comprising of 15,000,000 Equity Shares |

## Our Joint Ventures

A. *Memorandum of Understanding and Partnership Deed with Backbone Projects Limited*

The Company has entered into a memorandum of understanding (MoU) with Backbone Projects Limited (BPL) on August 3, 2000 to bid for the strengthening of the Tansa Dam in the Thane district (Maharashtra) as part of the Mumbai Water Supply Project. The MoU provides that the parties have joint and several responsibility for the completion of the project. The parties provided a performance security under this MoU. The MoU provides that it shall be treated as an integral part of the contract awarded to the parties and shall be in force until the contract is discharged by the client.

In furtherance of the MoU, the parties have signed a partnership deed dated September 19, 2000 which provides that both parties are jointly and severally liable for successful performance of the contract and fully responsible for execution and completion of the project in accordance with the specifications. BPL is designated the Lead Member and the profit sharing ratio is 51:49 in favour of BPL and the Company respectively. The partnership deed provides that the parties shall indemnify the firm for any loss caused to the firm by a party's wilful negligence or fraud in conduct of the business. Further, the MoU provides that the partnership firm shall not be dissolved until completion of the project and liquidation of the liabilities stipulated in the contract with the client.

By a supplementary deed of partnership dated November 27, 2001, the parties have decided to share net profit/loss in the ratio 50:50 with effect from November 14, 2001. This supplemental deed provides that each partner shall bring in 50% of total capital required by the firm for executing the contract and if any party brings in additional capital, it shall be entitled to charge interest at 18% per annum or market rate, whichever is higher.

B. *Memorandum of Understanding with M/s. S.C. Thakur Brothers and J.M. Mhatre*

The Company has entered into a memorandum of understanding (MoU) dated March 1, 2001 with M/s. S.C. Thakur & Brothers and J.M. Mhatre. The joint venture (JV) is called the Thakur Mhatre Unity JV. The MoU is in relation to the widening of four lanes and strengthening of the existing two lane carriageway of National Highways and other roads related to the Jawaharlal Nehru Port. The MoU provides that M/s. S.C. Thakur & Brothers shall be the lead firm and that the parties shall be jointly and severally liable to the client, the National Highways Association of India for all acts and deeds pertaining to the contracts. The profit or loss sharing ratio is as below:

i) SC Thakur – 40%

ii) J.M. Mhatre – 30%

iii) Unity– 30%

The MoU provides that loans and advances shall also be shared in the ratio 40:30:30 among the above parties. The JV shall not be dissolved until completion of the defect liability period as stipulated in the tender documents conditions of the works, and until all the liabilities are liquidated.

The parties have entered into a supplementary MoU on January 12, 2002 which provides that if any party breaches the contract with the client, the other parties shall be fully responsible and carry out all obligations as per the requirements of the contract. All expenses incurred in fulfilling the obligations shall be debited to the accounts of the defaulting party / parties as the case may be with additional overheads of 15% extra efforts required to meet the obligation. Further, interest at 18% per annum shall be debited for additional capital that is brought in for meeting the obligations.

It is provided that the JV shall be irrevocable and form an integral part of the contract, and shall continue to be enforceable until the client releases the JV from any and all of its liabilities and also until the time all monies, things, etc. due to the JV by the client, or sub-contractors or the State Government or local bodies or authorized bodies or from any person have been received / recovered by the JV, settled and also until the time monies owed from various debtors are recovered and various deposits / guarantees made by the JV are collected back / received. Further, the MoU shall continue to be in force until all statutory liabilities payable by the JV have been paid and settled and only thereafter may the JV be dissolved / terminated.

C. *Joint Venture Agreement with Patel Engineering Limited*

The Company has entered into a joint venture agreement (JVA) dated November 7, 2003 with Patel Engineering Limited (Patel) which is called the Unity Patel Joint Venture. The JVA is in relation to the reconstruction of the existing Sardar Vallabhai Patel Stadium for the National Sports Club of India. The JVA provides that the Company shall be the lead partner of the JVA and shall have authority to incur liabilities, receive instructions and payments, sign and execute the documents etc. The profit /loss sharing shall be in the ratio of 50:50. Each party is required to bring in a proportionate share in working capital and other financial requirements.

By a Supplementary Agreement dated August 2, 2004, it was decided that the Company shall execute that part of the contract that was previously earmarked for Patel. Further, Patel shall only partly oversee the working of the contract. Thus, the execution of the contract is now completely the responsibility of the Company who shall act as the sub-contractor of the Unity Patel JV. Profit / loss sharing between the Company and Patel shall be in the ratios provided below:

i) FY 2004 – 50:50

ii) FY 2005 – 90:10

iii) FY 2006 – 99:01

D. *Joint Venture Agreement with D. P. Chopra (a partnership firm)*

The Company has entered into a joint venture agreement (JVA) dated May 22, 2003 with D.P. Chopra (a partnership firm) to form the Unity Chopra JV in relation to the design and construction of road over bridge in near Mankapur on the Nagpur – Itarsi Section of the Central Railways. The Company is the lead partner and it is solely responsible for the execution, implementation and successful completion of the project. Additionally, the Company is solely responsible for any statutory and contractual obligations and liabilities occurring and arising out of the appointment, employment and engagement in contract work.

While D. P. Chopra shall be paid a fixed amount for several services such as survey and investigation, the JVA provides that all profits / losses will be entirely to the account of the Company.

E. *Joint Venture Agreement with D. P. Chopra (a partnership firm)*

The Company has entered into a joint venture agreement (JVA) dated May 23, 2003 with D.P. Chopra (a partnership firm) to form the Unity Chopra JV in relation to the design and construction of a road over bridge the Nagpur – Kalumna section of the South Eastern Railway. The JVA provides that the Company as the lead partner shall be solely responsible for execution and implementation and successful completion of the project. Additionally, the Company is solely responsible for any statutory and contractual obligations and liabilities occurring and arising out of the appointment, employment and engagement in contract work.

While D. P. Chopra shall be paid a fixed amount for several services such as survey and investigation, the JVA provides that all profits / losses will be entirely to the account of the Company.

F. *Joint Venture Agreement with SMC Infrastructures Private Limited*

The Company has entered into a deed of partnership/joint venture agreement (JVA) dated January 18, 2001 with SMC Infrastructures Private Limited called the Unity SMC JV for the construction of part of the Wasana Lift Irrigation system under the Krishna Project Stage II on a turnkey basis. The JVA provides for profit sharing in the following ratio:

i) Unity – 40%

ii) SMC – 60%

By a supplementary agreement dated August 3, 2001, the Company has assumed complete responsibility for the execution of the entire project work as a subcontractor to the Unity SMC JV and SMC will only partly oversee the working of the contract that is done by the Company.

G. *Memorandum of Understanding with Kalindee Rail Nirman (Engineers) Limited*

The Company has entered into a Memorandum of Understanding (MoU) dated May 25, 2005 with Kalindee Rail Nirman (Engineers) Limited (Kalindee) for the conversion of meter gauge single line to broad gauge railway line between Delhi Sarai Rohilla to Rewari. The MoU provides that Kalindee shall be the lead member and that each party shall indemnify the other party against its respective parts in case of breach / default of the respective party of the contract works of any liabilities sustained by the joint venture. The MoU provides that it shall remain in force until any of the following:

i) Bid submitted by joint venture is declared unsuccessful;

ii) Cancellation or shelving of project by the client for any reasons prior to award of work; or

iii) Parties execute an agreement for the project setting out detailed terms after the award of the project by the client.

H. *Memorandum of Understanding and Joint Venture Agreement with IVRCL Infrastructure and Projects Limited and Backbone Projects Limited*

By a Memorandum of Understanding (MoU) dated June 6, 1999 by and among the Company, IVRCL Infrastructure and Projects Limited (IVRCL) and Backbone Projects Limited (Backbone), the parties had agreed to co-operate in respect of the Junone Dam project.

The Company subsequently entered into a MoU dated January 12, 2001 with IVRCL and Backbone. By virtue of this MoU, the Company and IVRCL released Backbone from the MoU between the parties dated June 6, 1999 in respect of the Junone Dam project.

By a deed of partnership /joint venture agreement (JVA) dated February 24, 2001, the Company and IVRCL have decided to carry on the work of the project themselves in the name of the IVRCL Unity JV. This JVA provides that IVRCL shall be the lead partner and responsible for all acts relating to the execution of the project and any issues arising therefrom. The project shall be executed in two parts and each party shall be entitled to the profit resulting from the work executed by it.

Further, each party shall indemnify the JV for any loss caused to it by its wilful negligence or fraud in conduct of the business.

I. *Other arrangements*

In addition to the above, for the purposes of undertaking its business and bidding for projects, the Company enters into various arrangements with joint venture partners. Such contracts typically provide for details of the profit sharing ratios and equity participation ratios between the Company and its joint venture partner. The contracts generally also provide for joint and several liability of the joint venture partners towards the client. The joint venture arrangements generally provide that they shall not be dissolved until the completion of the defects liability period as stipulated in the tender document and until all the liabilities under such arrangements are liquidated.

## Share Subscription Agreement

The Company has entered into a Share Subscription Agreements (SSAs) with Aeneas Evolution Portfolio Limited (Aeneas) and Prudential ICICI Asset Management Company Limited (Prudential and together with Aeneas, the Investors) on March 23, 2006 and March 24, 2006, respectively. Pursuant to these SSAs, the Company has allotted Aeneas 450,000 Equity Shares and Prudential 150,000 Equity Shares at Rs. 490 per Equity Share which includes a premium of Rs. 480 per Equity Share. The SSAs provide that the Company shall take commercially reasonable measures to complete the initial public offering on or before June 30, 2006. Further, under the terms of the SSAs, the Investors have agreed that they shall not, directly or indirectly, sell, assign, dispose of, exchange, pledge, encumber, hypothecate or otherwise transfer the Equity Shares held by them or any economic participation or interest therein until the latest to occur of (a) one year from the allotment of Equity Shares under the initial public offering; or (b) the completion of such other term as may be specified by SEBI from time to time.

The SSAs also provide that no rights, liabilities or obligations under the SSAs shall be assigned by either party without the prior written consent of the other party. However, notwithstanding this provision, the Investors may assign all or any of their rights together with its Equity Shares to any of their respective affiliates, with the consent of the Company.

# OUR MANAGEMENT

## Board of Directors

Under our Articles of Association we are required to have no less than three and no more than twelve Directors. We currently have eight Directors on our Board.

The following table sets forth details regarding our Board of Directors as on the date of this Red Herring Prospectus:

| Name, Father's/Spouse's Name, Address, Designation, Occupation and Term | Nationality | Age | Other Directorships/Partnerships |
|---|---|---|---|
| **Kishore K. Avarsekar**<br>S/o Krishnarao Avarsekar<br><br>1252 Pushpanjali Apartments<br>Old Prabhadevi Road<br>Prabhadevi<br>Mumbai 400 025, India<br><br>Chairman and Managing Director<br>*Business*<br><br>Not liable to retire by Rotation | Indian | 61 | a. Avarsekar and Sons Private Limited<br>b. Avarsekar and Kejriwal Constructions Private Limited<br>c. Pathare Constructions and Investments Private Limited<br>d. Ved PMC Private Limited<br>e. Aquarius Farms Limited<br>f. Debashish Construction Company Private Limited<br>g. Keystones Exports Private Limited<br>h. Aishwarya Projects Limited<br>i. Unity Concept India Private Limited<br>j. Krishnangi Fabrics Private Limited<br>k. Avarsekar Developers (Partner)<br>l. Unity Construction Company (Partner)<br>m. Unity Asian (W) Construction Company (Partner) |
| **Abhijit K. Avarsekar**<br>S/o Kishore K. Avarsekar<br><br>1252 Pushpanjali Apartments<br>Old Prabhadevi Road<br>Prabhadevi<br>Mumbai 400 025, India<br><br>Vice Chairman and Managing Director<br>*Business*<br><br>Not liable to retire by Rotation | Indian | 32 | a. Avarsekar and Sons Private Limited<br>b. Avarsekar and Kejriwal Constructions Private Limited<br>c. Pathare Constructions and Investments Private Limited<br>d. Ved PMC Private Limited<br>e. Aquarius Farms Limited<br>f. Keystones Exports Private Limited<br>g. Aishwarya Projects Limited<br>h. Krishnangi Fabrics Private Limited<br>i. Kairavi Agencies Private Limited<br>j. Unity Concept India Private Limited<br>k. Unity Construction Company (Partner)<br>l. Unity Asian (W) Construction Company (Partner)<br>m. L.P. Builders (Partner) |

| Name, Father's/Spouse's Name, Address, Designation, Occupation and Term | Nationality | Age | Other Directorships/Partnerships |
|---|---|---|---|
| **Ashish Avarsekar**<br>S/o Kishore K. Avarsekar<br><br>1252 Pushpanjali Apartments<br>Old Prabhadevi Road<br>Prabhadevi<br>Mumbai 400 025, India<br><br>Wholetime Director<br>*Business*<br><br>Liable to retire by Rotation | Indian | 35 | a. Avarsekar and Sons Private Limited<br>b. Avarsekar and Kejriwal Constructions Private Limited<br>c. Pathare Constructions and Investments Private Limited<br>d. Ved PMC Private Limited<br>e. Aquarius Farms Limited<br>f. Keystones Exports Private Limited<br>g. Aishwarya Projects Limited<br>h. Krishnangi Fabrics Private Limited.<br>i. Kairavi Agencies Private Limited.<br>j. Unity Construction Company (Partner)<br>k. Unity Asian (W) Construction Co. (Partner)<br>l. L.P. Builders (Partner) |
| **Pushpa K. Avarsekar**<br>w/o Kishore K. Avarsekar<br><br>1252 Pushpanjali Apartments<br>Old Prabhadevi Road<br>Prabhadevi<br>Mumbai 400 025, India<br><br>Wholetime Director<br>*Business*<br><br>Liable to retire by Rotation | Indian | 62 | a. Avarsekar and Sons Private Limited<br>b. Avarsekar and Kejriwal Constructions Private Limited<br>c. Pathare Constructions and Investments Private Limited<br>d. Ved PMC Private Limited<br>e. Aquarius Farms Limited.<br>f. Keystones Exports Private Limited<br>g. Aishwarya Projects Limited.<br>h. Krishnangi Fabrics Private Limited.<br>i. Kairavi Agencies Private Limited<br>j. Debashish Construction Private Limited.<br>k. Avarsekar Developers (Partner)<br>l. Unity Construction Company (Partner)<br>m. Unity Asian (W) Construction Co. (Partner)<br>n. L.P. Builders (Partner) |
| **Vijay Kumar J. Rane**<br>S/o Late Janardhan Rane<br>Flat No. 5, 2nd Floor, 48/49,<br>Grafikon Paradise,<br>NIBM Road,<br>Kondhwa Khurd,<br>Pune - 411 048<br><br>*Technocrat*<br>Independent Director<br><br>Liable to retire by Rotation | Indian | 76 | a. Rane Technical and Management Services - Proprietor<br>b. LGNC Limited |

| Name, Father's/Spouse's Name, Address, Designation, Occupation and Term | Nationality | Age | Other Directorships/Partnerships |
|---|---|---|---|
| **Anil G. Joshi**<br>S/o Gopal Joshi<br><br>Flat No. 404, Deshpande Durg,<br>Near ICS Colony,<br>Bhosale Nagar,<br>Off University Road,<br>Pune - 411 007<br><br>*Banker*<br>Independent Director<br><br>Liable to retire by Rotation | Indian | 63 | a. Sahil Resorts, Agrifields and Farms Private Limited<br>b. Praj Industries Limited<br>c. AP Lab Limited |
| **Chaitanya Joshi**<br>S/o Suresh Joshi<br><br>5B, Himgiri,<br>1277 Hatiskar Marg,<br>Mumbai - 400 025<br><br>*Business*<br>Independent Director<br><br>Liable to retire by Rotation | Indian | 36 | a. Ishanee Chemicals Private Limited<br>b. C Tech Europe SARL<br>c. C Tech Corporation (Proprietor) |
| **Suresh Iyer**<br>S/o Ramachandra Iyer<br><br>401/402, Evershine Jewel,<br>15th Road, Khar (West),<br>Mumbai - 400 052.<br><br>*Consultant*<br>Independent Director<br><br>Liable to retire by Rotation | Indian | 50 | - |

## Brief Biographies of our Directors

**Kishore K. Avarsekar** holds a degree in engineering from the University of Mumbai. He has over 35 years of experience and has worked previously with the Hindustan Construction Company, the Public Works Department of the Government of Maharashtra and the Municipal Corporation of Greater Mumbai. He is a Chartered Engineer and is also a Fellow of the Institute of Engineers. In 1983, he became a partner in Unity Construction Company, a partnership firm, which was primarily engaged in the engineering and construction business. In 1997, he helped incorporate our Company and has been our Promoter Director since inception. The subsequent transfer of the business of Unity Construction Company to our Company in 2000 was undertaken under his leadership. He is currently the Chairman and Managing Director. He has also promoted a number of other ventures related to the construction industry, which provide synergies to our business, and has also diversified into businesses like hoteliering.

**Abhijit K. Avarsekar** holds a diploma in civil engineering. He has over 10 years of experience in the construction industry. He is involved in various departments of the Company including project execution, business development and administration. He is the Vice Chairman and Managing Director of the Company.

**Ashish K. Avarsekar** holds a degree in engineering from the M.H. Saboo Siddik College of Engineering, Mumbai. He is currently the Wholetime Director of the Company. He is involved in the procurement of fixed assets and equipment for the Company's various projects.

**Pushpa K. Avarsekar** holds a degree in science from the University of Mumbai. She has over 30 years of experience and is a Wholetime Director of the Company. She is involved in marketing as well as corporate communications. She has previously worked with the RBI.

**Vijay Kumar J. Rane** holds a degree in civil engineering from the University of Mumbai. He was previously the Managing Director of the Indian Railway Construction Company and has also acted as the advisor to Konkan Railway Corporation. He has more than 50 years of experience in various civil engineering projects such as railways, roads, bridges and water supply. In 1990 he was honoured with the Sir Mohan Malviya Award by the Institution of Engineers of India and in 2004, he was awarded the "Vishveshvaraiya Construction Excellence Award-Lifetime Achievement" for his contribution to civil engineering.

**Anil G. Joshi** holds a postgraduate degree in Physics (electronics) from the Mumbai University and is a member of the Indian Institute of Bankers. He has over 30 years of experience and has worked with the Bank of Maharashtra. He was an Executive Director with the Indian Bank and retired as the Chairman and Managing Director of Dena Bank.

**Chaitanya Joshi** holds a degree in science and is a gold medallist from the Mumbai University and a degree in engineering from University Department of Chemical Technology, Mumbai. He is a member of the SEZ Task Force and has acted in the capacity of advisor to Aversion Technologies, USA.

**Suresh Iyer** has worked with the Indian Revenue Services (Customs and Excise) for over 17 years. He has also acted as advisor to various companies on indirect taxes such as customs, excise and service tax.

## Borrowing powers of the Board

Our Articles, subject to the provisions of the Act, authorise our Board, at its discretion, to generally raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. Our members have, pursuant to a resolution dated July 25, 2005 authorised our Board to borrow monies together with moneys already borrowed by us, in excess of the aggregate of the paid-up capital of the Company and its free reserves, not exceeding Rs. 4,000 million at any time.

## Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares with the Stock Exchanges. We are in compliance with the Corporate Governance Code in accordance to Clause 49 (as applicable) of the Listing Agreement to be entered into with the Stock Exchanges prior to the filing of the Red Herring Prospectus with the ROC and prior to the listing of our Equity Shares.

The Board has eight Directors, of which the Chairman of the Board is an executive Director. In compliance with the requirements of Clause 49 of the Listing Agreement, we have four executive Directors and four independent Directors on our Board.

***Audit Committee***

The Audit Committee was constituted by our Directors at their Board meeting held on March 24, 2006. The purpose of the audit committee is to ensure the objectivity, credibility and correctness of the Company's financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters. The audit committee consists of Vijay Kumar J. Rane (Chairman), Chaitanya Joshi and Abhijit K. Avarsekar.

The terms of reference of the audit committee are in accordance with the requirements under Clause 49 of the Listing Agreement.

***Remuneration Committee***

The Remuneration Committee was constituted by our Directors at their Board meeting held on March 24, 2006. The Committee's goal is to ensure that the Company attracts and retains highly qualified employees in accordance with its business plans, that the Company fulfils its ethical and legal responsibilities to its employees, and that management compensation is appropriate. The Remuneration Committee consists of Anil G. Joshi (Chairman), Abhijit K. Avarsekar and Kishore K. Avarsekar.

The terms of reference of the Remuneration Committee include the following:

- To determine the remuneration, review performance and decide on variable pay of executive Directors;
- Establishment and administration of employee compensation and benefit plans.

***Investor Grievance Committee***

The Investor Grievance Committee was constituted by our Directors at their Board meeting held on March 24, 2006. This Committee is responsible for the redressal of shareholder grievance. The Investor Grievances Committee consists of Suresh Iyer (Chairman), Pushpa K. Avarsekar and Ashish K. Avarsekar.

The terms of reference of the Investor Grievance Committee are as follows:

- Investor relations and redressal of shareholders grievances in general and relating to non receipt of dividends, interest and non receipt of annual report, including the balance sheet.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

## Shareholding of our Directors in the Company

Our Articles of Association do not require our Directors to hold any qualification Equity Shares in our Company. The following table details the shareholding of our Directors in their personal capacity and either as sole or first holder, as of the date of this Red Herring Prospectus.

| S.No. | Name of the Shareholder | No. of Equity Shares | Pre-Issue Percentage Shareholding | No. of Equity Shares Post Issue | Post-Issue Percentage Shareholding |
|---|---|---|---|---|---|
| 1. | Abhijit K. Avarsekar | 2,523,673 | 23.81 | 2,448,673 | 18.32 |
| 2. | Kishore Avarsekar | 1,967,681 | 18.56 | 1,632,681 | 12.21 |
| 3. | Ashish K. Avarsekar | 756,284 | 7.13 | 681,284 | 5.10 |
| 4. | Pushpa K. Avarsekar | 366,662 | 3.46 | 176,662 | 1.32 |

## Interests of Directors

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or by the companies/firms/ventures promoted by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as Directors, members, partners, trustees and Promoters, pursuant to this Issue. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Our executive Directors receive remuneration from us. For further details see the section titled "Our Management" on page 72 of this Red Herring Prospectus.

Certain of our Promoter Directors have provided an interest free loan to the Company of Rs. 17.65 million, as of December 31, 2005.

Additionally, the Company has, by an agreement dated April 1, 2005, leased its registered office, corporate offices and residential properties for its Promoter Directors from Avarsekar and Sons Private Limited. According to the terms of the agreement, the Company has paid a security deposit of Rs. 60,000,000 (Rupees Sixty Million) and is not required to pay any additional monthly license fee.

Except as stated in the section titled "Related Party Transactions" on page 107 of this Red Herring Prospectus, and to the extent of shareholding in our Company, our Directors do not have any other interest in our business.

Our Directors have no interest in any property acquired by our Company within two years of the date of this Red Herring Prospectus.

Our Articles provide that our Directors and officers shall be indemnified by our Company against loss in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer receives judgement in his favour or is acquitted in such proceeding. We currently do not have any Directors' and officers' insurance policy.

Our Articles provide that where our Directors become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security cover affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors any loss in respect of such liability.

## Remuneration of our Executive Directors

*Kishore K. Avarsekar, Chairman and Managing Director*

Kishore K. Avarsekar was appointed as our Chairman and Managing Director pursuant to the provisions of the Companies Act for a period of five years with effect from August 1, 2004, a resolution of our Board on July 30, 2004 and a resolution of our shareholders at the EGM held on August 26, 2004 and under an agreement dated August 26, 2004 executed between us and Kishore K. Avarsekar. The significant employment terms are as follows:

| **Particulars** | **Remuneration** |
|---|---|
| Salary | Rs. 400,000 per month |
| Salary grade | Rs. 300,000 to Rs. 500,000 per month. |
| Gross salary for fiscal 2006 | Rs. 4,500,000 |
| Perquisites | • Perquisites for furnished accommodation or house rent allowance, house maintenance allowance. The abovesaid perquisite will arise only as and when Kishore K. Avarsekar specifically informs the Board of Directors of his desire for availing the same.<br>• In addition to the above, he is also entitled to the perquisites like medical reimbursement for self and family and leave travel concession for self and family, club fees subject to a maximum of two clubs but excluding admission and life membership fees; medical insurance etc. in accordance with the rules of our Company.<br>• Thirty five days leave with full salary for every 12 months of service or part thereof.<br>• He is also entitled to remuneration by way of performance linked incentive based on the specific goals mutually set and approved by the Board of Directors, or any Committee of Directors, from time to time.<br>• He is also entitled to remuneration by way of commission, as may be decided by the Board of Directors or Committee of Directors, from time to time. The amount of commission, based on the Net Profits of the Company in a particular year, shall be subject to the overall ceiling laid down in Sections 198 and 309 of the Companies Act. |

| Particulars | Remuneration |
|---|---|
| | • The total remuneration, perquisites and contribution towards Provident Fund and Superannuation Fund if any, payable to the Managing Director shall not exceed 5% where there is only one Managing / Wholetime Director and 10% where there is more than one Managing / Wholetime Directors, of the profits calculated in accordance with Section 198 and Section 309 of the Companies Act and other applicable Sections, if any. |
| Minimum Remuneration | If the Company has no profits or its profits are inadequate, the Company will pay the aforesaid remuneration to him, subject to the approval of the Central Government, if required. |
| Reimbursement of Expenses | Entertainment, travelling expenses, boarding and lodging, and all other incidental expenses, incurred in connection with and for the business of Company in India or abroad will be allowed, and will not be deemed / treated as a perquisite. |
| Sitting Fees | No sitting fees shall be paid to Kishore K. Avarsekar for attending the meeting of the Board of Directors or any Committee thereof, during his tenure as Managing Director of the Company. |
| Compensation for Loss of Office | Compensation for loss of office in case of termination before expiry of the terms of office would be payable to Kishore K. Avarsekar, Managing Director as per the provisions of the Companies Act. A minimum notice period of three months from either side would be essential to terminate the agreement. |

*Abhijit K. Avarsekar, Vice Chairman and Managing Director*

Abhijit K. Avarsekar was appointed as our Joint Managing Director pursuant to the provisions of the Companies Act for a period of five years with effect from August 1, 2004, a resolution of our Board on July 30, 2004 and a resolution of our shareholders at the EGM held on August 26, 2004. By a Board resolution dated July 5, 2005, he has been redesignated the Vice Chairman and Managing Director. The significant terms of his employment under the agreement with the Company dated September 1, 2005 are as follows:

| Particulars | Remuneration |
|---|---|
| Salary | Rs. 150,000 per month |
| Salary grade | Rs. 100,000 to Rs. 300,000 per month. |
| Gross salary for fiscal 2006 | Rs. 1,200,000 |
| Perquisites | • Perquisites for furnished accommodation or house rent allowance, house maintenance allowance. This abovesaid perquisite will arise only as and when Abhijit K. Avarsekar specifically informs the Board of Directors of his desire for availing the same.<br>• In addition to the above, he is also entitled to the perquisites like medical reimbursement for self and family and leave travel concession for self and family, club fees subject to a maximum of two clubs but excluding admission and life membership fees; medical insurance etc. in accordance with the rules of our Company.<br>• Thirty five days leave with full salary for every 12 months of service or part thereof.<br>• He is also entitled to remuneration by way of performance linked incentive based on the specific goals mutually set and approved by the Board of Directors, or any Committee of Directors, from time to time. |

| | |
|---|---|
| | • He is also entitled to remuneration by way of commission, as may be decided by the Board of Directors or Committee of Directors, from time to time. The amount of commission, based on the Net Profits of the Company in a particular year, shall be subject to the overall ceiling laid down in Sections 198 and 309 of the Companies Act.<br>• The total remuneration, perquisites and contribution towards Provident Fund and Superannuation Fund if any, payable to the Managing Director shall not exceed 5% where there is only one Managing / Wholetime Director and 10% where there is more than one Managing / Wholetime Directors, of the profits calculated in accordance with Section 198 and Section 309 of the Companies Act and other applicable sections, if any |
| Minimum Remuneration | If the Company has no profits or its profits are inadequate, the Company will pay the aforesaid remuneration to him, subject to the approval of the Central Government, if required. |
| Reimbursement of Expenses | Entertainment, travelling expenses, boarding and lodging, and all other incidental expenses, incurred in connection with and for the business of Company in India or abroad will be allowed, and will not be deemed / treated as a perquisite. |
| Sitting Fees | No sitting fees shall be paid to Abhijit K. Avarsekar for attending the meeting of the Board of Directors or any Committee thereof, during his tenure as Managing Director of the Company. |
| Compensation for Loss of Office | Compensation for loss of office in case of termination before expiry of the terms of office would be payable to Abhijit K. Avarsekar, as per the provisions of the Companies Act. A minimum notice period of three months from either side would be essential to terminate the agreement. |

*Ashish K. Avarsekar, Wholetime Director*

Ashish K. Avarsekar was appointed as a Wholetime Director pursuant to the provisions of the Companies Act for a period of five years with effect from August 1, 2004, a resolution of our Board on July 30, 2004 and a resolution of our shareholders at the EGM held on August 26, 2004. The significant employment terms are as follows:

| **Particulars** | **Remuneration** |
|---|---|
| Salary | Rs. 100,000 per month |
| Salary grade | Rs. 100,000 to Rs. 300,000 per month. |
| Gross salary for fiscal 2006 | Rs. 900,000 |
| Perquisites | • Perquisites for furnished accommodation or house rent allowance, house maintenance allowance. This abovesaid perquisite will arise only as and when Ashish K. Avarsekar specifically informs the Board of Directors of his desire for availing the same.<br>• In addition to the above, he is also entitled to the perquisites like medical reimbursement for self and family and leave travel concession for self and family, club fees subject to a maximum of two clubs but excluding admission and life membership fees; medical insurance etc. in accordance with the rules of our Company.<br>• Thirty five days leave with full salary for every 12 months of service or part thereof. |

| | |
|---|---|
| | • He is also entitled to remuneration by way of performance linked incentive based on the specific goals mutually set and approved by the Board of Directors, or any Committee of Directors, from time to time.<br>• He is also entitled to remuneration by way of commission, as may be decided by the Board of Directors or Committee of Directors, from time to time. The amount of commission, based on the net profits of the Company in a particular year, shall be subject to the overall ceiling laid down in Sections 198 and 309 of the Companies Act.<br>• The total remuneration, perquisites and contribution towards Provident Fund and Superannuation Fund if any, payable to the Managing Director shall not exceed 5% where there is only one Managing / Wholetime Director and 10 % where there is more than one Managing / Wholetime Director, of the profits calculated in accordance with Section 198 and Section 309 of the Companies Act and other applicable sections, if any. |
| Minimum Remuneration | If the company has no profits or its profits are inadequate, the Company will pay the aforesaid remuneration to him, subject to the approval of the Central Government, if required. |
| Reimbursement of Expenses | Entertainment, travelling expenses, boarding and lodging, and all other incidental expenses, incurred in connection with and for the business of Company in India or abroad will be allowed, and will not be deemed / treated as a perquisite. |
| Sitting Fees | No sitting fees shall be paid to Ashish K. Avarsekar for attending the meeting of the Board of Directors or any Committee thereof, during his tenure as Managing Director of the Company. |
| Compensation for Loss of Office | Compensation for loss of office in case of termination before expiry of the terms of office would be payable to Ashish K. Avarsekar, as per the provisions of the Companies Act. A minimum notice period of three months from either side would be essential to terminate the agreement. |

*Pushpa K. Avarsekar, Wholetime Director*

Pushpa K. Avarsekar was appointed as a Wholetime Director pursuant to applicable provisions of the Companies Act for a period of five years with effect from April 2, 2001, a resolution of our Board on June 15, 2001 and a resolution of our shareholders at the EGM held on July 18, 2001. The terms of her employment were revised pursuant to a resolution of our Board on July 18, 2003, a resolution of our shareholders at the EGM held on August 27, 2003 and under an agreement dated August 27, 2003. At the shareholder meeting held on March 24, 2006, she was re-appointed as a Wholetime Director on the same employment terms. The salient employment terms are as follows:

| Particulars | Remuneration |
|---|---|
| Salary | Rs. 150,000 per month |
| Salary grade | Rs. 100,000 to Rs. 150,000 per month. |
| Gross salary for fiscal 2006 | Rs. 1,500,000 |
| Perquisites | • In addition to the above, she is also entitled to the perquisites like medical reimbursement for self and family and leave travel concession for self and family, club fees subject to a maximum of two clubs but excluding admission and life membership fees; medical insurance etc. in accordance with the rules of our Company. |

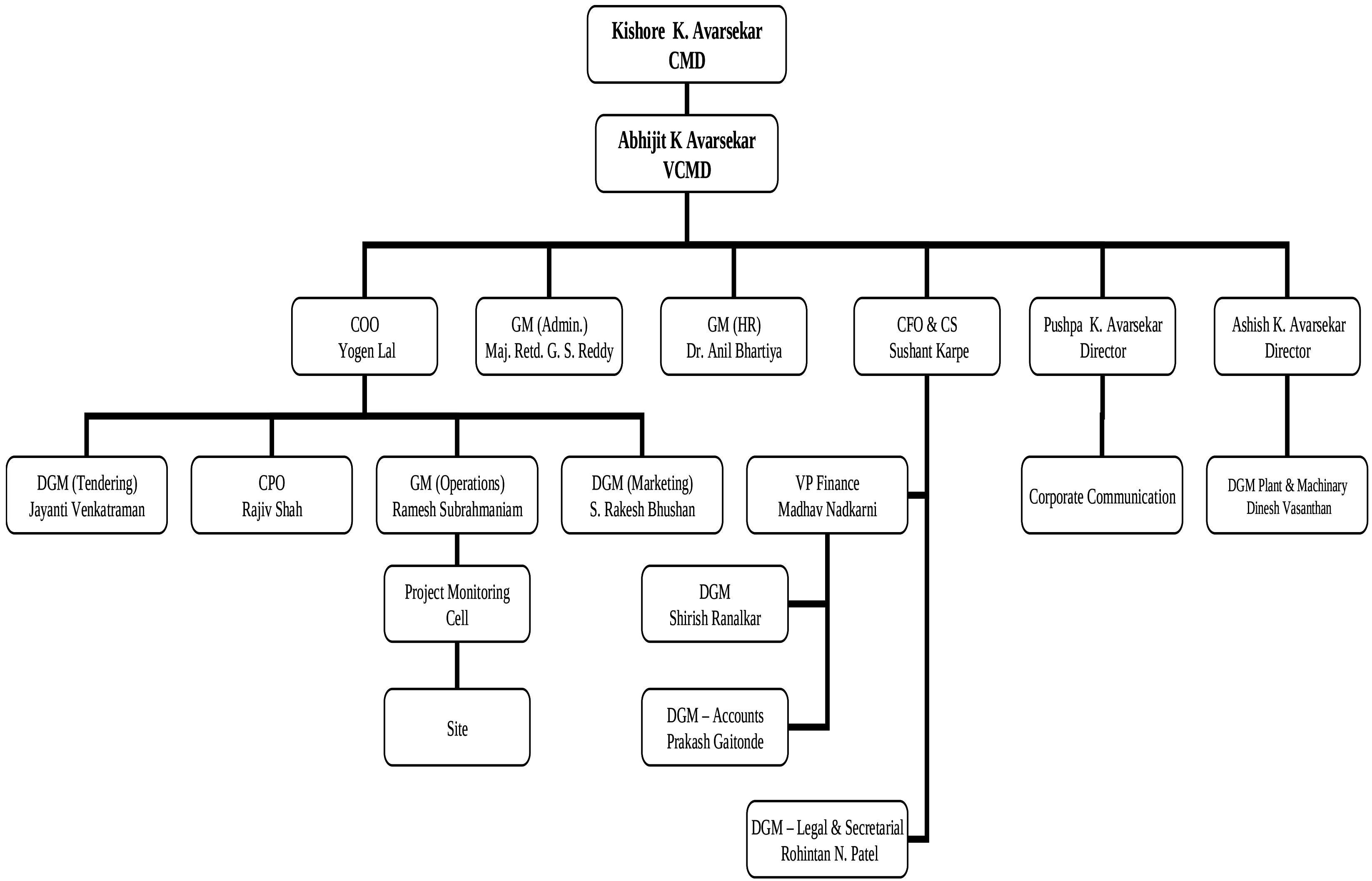
| | |
|---|---|
| | • Thirty five days leave with full salary for every 12 months of service or part thereof.<br>• The total remuneration, perquisites and contribution towards Provident Fund and Superannuation Fund if any, payable to the Managing Director shall not exceed 5% where there is only one Managing / Wholetime Director and 10% where there are more than one Managing / Wholetime Directors, of the profits calculated in accordance with Section 198 and Section 309 of the Companies Act and other applicable Sections, if any. |
| Reimbursement of Expenses | Entertainment, travelling expenses, boarding and lodging, and all other incidental expenses, incurred in connection with and for the business of Company in India or abroad will be allowed, and will not be deemed / treated as a perquisite. |
| Sitting Fees | No sitting fees shall be paid to Pushpa K. Avarsekar for attending the meeting of the Board of Directors or any Committee thereof, during her tenure as Director of the Company. |
| Compensation for Loss of Office | Compensation for loss of office in case of termination before expiry of the terms of office would be payable to Pushpa K. Avarsekar as per the provisions of the Companies Act. A minimum notice period of three months from either side would be essential to terminate the agreement. |

### Changes in Our Board of Directors during the last three years

The following are the changes in the Board of Directors during the last three years:

| Name | Date of Appointment | Date of Cessation | Reason |
|---|---|---|---|
| **Vijay Kumar J. Rane** | March 24, 2006 | - | Appointed as Additional Director |
| **Anil G. Joshi** | March 24, 2006 | - | Appointed as Additional Director |
| **Chaitanya Joshi** | March 24, 2006 | - | Appointed as Additional Director |
| **Suresh Iyer** | March 24, 2006 | - | Appointed as Additional Director |

## Managerial Organizational Structure



## Key Managerial Personnel

Other than Kishore K. Avarsekar, Abhijit K. Avarsekar, Ashish K. Avarsekar and Pushpa K. Avarsekar our Key Managerial Personnel are as follows:

**Yogen Lal,** 38 years, is a civil engineer from the Victoria Jubilee Technical Institute, Mumbai with 17 years of experience. He joined UCC in 1989 and joined the Company pursuant to the Deed dated August 28, 2000 by which the business of UCC was assigned to the Company. He has worked in the tender department of the Company and is the Chief Operating Officer of the Company. He has been involved in the execution of various projects such as the construction of the Fruits and Vegetables Market for the Mumbai Agricultural Produce Market Committee and several other projects undertaken by the Company such as the NRI Housing Project, the corporate office for NABARD, the Khodadad Circle Flyover and the Sardar Vallabhbhai Patel Stadium. During the FY 2006, he was paid a gross compensation of Rs. 634,000.

**Sushant J. Karpe,** 35 years, has a graduate degree in Commerce and a postgraduate degree in finance from the Mumbai University. He is a qualified Chartered Accountant, Company Secretary and Chief Financial Officer of the Company. He has previously worked with S. B. Billimoria and Co, Pricewaterhouse Coopers, Sterlite Industries Limited, and Reliance Communications Limited and was an Associate Director with Indian Corporate Financial Services Limited. He joined us in September 2005 and during the FY 2006 he has been paid a gross salary of Rs. 696,774.

**Iftekhar Ahmed,** 45 years, is a civil engineer with over 20 years of experience and is the Vice President of the Company. He joined UCC in 1987 and joined the Company pursuant to the Deed dated August 28, 2000 by which the business of UCC was assigned to the Company. He has been with the Company since its inception. He has been involved in the execution of numerous projects including the development of the Millennium Business Park at Navi Mumbai as well as the development of road connectivity to the Jawaharlal Nehru Port for the National Highways Authority of India and the construction of the Fruits and Vegetables Market for the Mumbai Agricultural Produce Market Committee. He currently heads our operations in Navi Mumbai. During the FY 2006 he was paid a gross compensation of Rs. 532,848.

**Rajiv Shah,** 42 years, is a civil engineer with nearly 20 years of experience. He joined UCC in 1987 and joined the Company pursuant to the Deed dated August 28, 2000 by which the business of UCC was assigned to the Company. He has been with the Company since inception and has worked in various departments such as tenders and estimation. He is the Chief Procurement Officer of the Company and is responsible for procurement of material, services and equipment for the Company. He has been involved with various key functions such as tendering and estimation before heading the purchase department of the Company. During the FY 2006 he was paid a gross compensation of Rs. 554,000.

All our key managerial personnel are permanent employees of our Company.

## Shareholding of the Key Managerial Personnel

The following are the details of Equity Shares held by our Key Managerial Personnel as of March 28, 2006

| S. No. | Name | Position | Number of Equity Shares held |
|---|---|---|---|
| 1. | Yogen Lal | Chief Operating Officer | 5,000 |
| 2. | Rajiv Shah | Chief Procurement Officer | 3,000 |
| 3. | Iftekhar Ahmed | Vice President | 3,000 |

## Bonus or profit sharing plan of the Key Managerial Personnel

The Company has in the past paid bonuses to its employees. There is no profit sharing plan for our Key Managerial Employees.

## Interest of Key Managerial Personnel

The Key Managerial Personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of Equity Shares held by them in the Company.

## Changes in the Key Managerial Personnel

The changes in our Key Managerial Personnel during the last three years are as follows:

| Name | Date of Appointment | Date of Cessation | Reason |
|---|---|---|---|
| Sushant Karpe | September 1, 2005 | - | Appointment |
| Anil K. Avarsekar | - | February 1, 2006 | Resignation |

# OUR PROMOTERS AND PROMOTER GROUP

## Our Promoters

Currently, our Promoters are Kishore K. Avarsekar, Abhijit K. Avarsekar, Ashish K. Avarsekar, Pushpa K. Avarsekar and Avarsekar and Sons Private Limited.

**Kishore K. Avarsekar**, 61 years, (passport number: F5612313, permanent account number: AACPA6883F, voter identity number: MT/06/032/063614 and driving license number: 79/C/39958), is the Chairman and Managing Director of the Company.

**Abhijit K. Avarsekar,** 32 years, (passport number: B0440214, permanent account number: AAAPA5573E, voter identity number: MT/06/032/63631 and driving license number: MH-01-91-13564) is the Vice-Chairman and Managing Director of the Company.

**Ashish K. Avarsekar,** 34 years (passport number: B3142866, permanent account number: AAAPA6084A, voter identity number: MT/06/032/063630 and driving license number: MH-01-91-23225) is a Wholetime Director of the Company.

**Pushpa K. Avarsekar,** 62 years, (passport number: B1442954, permanent account number: AACPA1273F, voter identity number: MT/06/032/063629 and driving license number: not available), is a Wholetime Director of the Company.

For details of the terms of appointment of Kishore K. Avarsekar, Abhijit K. Avarsekar, Ashish K. Avarsekar and Pushpa K. Avarsekar as our Directors, see the section titled "Our Management" beginning on page 72 of this Red Herring Prospectus.

## Avarsekar and Sons Private Limited

Avarsekar and Sons Private Limited was incorporated on December 4, 1990. The main business of Avarsekar and Sons Private Limited is to carry on business as builders, contractors, transporters, civil engineers, supervisors, road contractors, and dealers of rock, marble, sand, cement or any other materials required in civil construction.

*Equity Shareholding Pattern*

The equity shares of Avarsekar and Sons Private Limited are not listed on any stock exchange. The shareholding pattern of the company, as on March 1, 2006, is as given below:

| Name of Shareholder | Number of Equity Shares | % of Issued Equity Share Capital |
|---|---:|---:|
| Kishore K. Avarsekar | 302,300 | 46.51 |
| Pushpa K. Avarsekar | 260,200 | 40.03 |
| Ashish K. Avarsekar | 37,000 | 5.69 |
| Abhijit K. Avarsekar | 50,500 | 7.77 |
| | **650,000** | **100.00** |

*Board of Directors*

The Board of Directors of Avarsekar and Sons Private Limited as on March 1, 2006 comprises Kishore K. Avarsekar, Abhijit K. Avarsekar, Ashish K. Avarsekar and Pushpa K. Avarsekar.

*Financial Performance*

The audited financial results of Avarsekar and Sons Private Limited for the last three financial years are as follows:

***(Rs. in million)***

| | Year Ending March 31, 2005 | Year Ending March 31, 2004 | Year Ending March 31, 2003 |
|---|---:|---:|---:|
| Total Income | 53.83 | 49.72 | 2.12 |
| Profit/(Loss) after tax | 8.37 | 3.15 | 0.52 |
| Equity share capital (paid up) | 6.50 | 6.50 | 6.50 |
| Reserves and Surplus (excluding revaluation reserves) and debit balance of Profit/Loss Account | 20.41 | 12.15 | 9.01 |
| Earnings/(Loss) per share (diluted) (Rs.) | 12.88 | 4.85 | 0.80 |
| Net Asset Value (Rs./share) | 41.40 | 28.69 | 23.86 |

(hereinafter individually referred to as **"Promoter"** and collectively referred to as **"Promoters")**

## Interest in promotion of our Company

Our Company was incorporated to take over and run the infrastructure and construction business of Unity Construction Company, a partnership firm, of which Kishore K. Avarsekar, Abhijit K. Avarsekar, Ashish K. Avarsekar and Pushpa K. Avarsekar were partners. For this purpose, Kishore K. Avarsekar, Abhijit K. Avarsekar, Ashish K. Avarsekar and Pushpa K. Avarsekar had subscribed to our Memorandum of Association and had subscribed to the initial issue of our equity shares.

## Payment of benefits to our Promoters during the last two years

Except as stated in the section titled "Related Party Transactions" beginning on page 107 of this Red Herring Prospectus, there has been no payment of benefits to our Promoters during the last two years from the date of filing of this Red Herring Prospectus.

## Other Confirmations

We confirm that the details of the permanent account numbers, bank account numbers and passport numbers of our Promoters, namely, Kishore K. Avarsekar, Abhijit K. Avarsekar, Ashish K. Avarsekar and Pushpa K. Avarsekar have been submitted to the Stock Exchanges at the time of filing this Red Herring Prospectus with the Stock Exchanges.

Further, we confirm that the Permanent Account Numbers, Bank Account Numbers, the Company Registration Numbers and the address of the ROC where Avarsekar and Sons Private Limited is registered have been submitted to the Stock Exchanges on which our securities are proposed to be listed.

Further, our Promoters have confirmed that they have not been detained as wilful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past or are pending against them.

## Promoter Group Companies and Entities

In addition to our Promoters, as specified above, the following individuals (being the immediate relatives of our Promoters and some of whom hold Equity Shares), companies and entities are part of our Promoter Group:

**Individuals**

1. Shweta Abhijit Avarsekar
2. Apoorva Ashish Avarsekar
3. Anil Krishnarao Avarsekar

**Corporates**

1. Avarsekar and Kejriwal Construction Private Limited
2. Ved PMC Limited
3. Debashish Construction Company Private Limited
4. Kairavi Agencies Private Limited
5. Krishnangi Fabrics Private Limited
6. Pathare Construction and Investments Private Limited
7. Aishwarya Projects Limited
8. Invents Media and Communication Private Limited
9. Krystal Tradecom Private Limited
10. Keystone Exports Private Limited
11. Tirupati Resorts Private Limited
12. Aquarius Farms Private Limited

**Partnership Firms**

1. Unity Asian (W) Construction Company
2. Unity Construction Company
3. Avarsekar Developers
4. L.P. Builders

5. Mahalasa Enterprise
6. Tirupati Hotels
7. Ackurate Couriers
8. Krish Interiors Developers
9. Krystal Modular System

**Proprietorship Concern and HUF**

1. Kairavi Commercial Company (proprietorship firm)
2. Kishore K. Avarsekar HUF

Our Promoter Directors and several of our Promoter Group entities are engaged in business activities such as construction, infrastructure development and civil engineering which are similar to activities undertaken by our Company. By an agreement dated March 25, 2006, these entities have agreed that they shall not undertake the development or execution of any new civil construction or infrastructure projects excluding any civil construction or infrastructure projects that are currently in the development or execution stage or which they have made bids, received orders or been awarded contracts. The Promoter Group entities may, however, continue to deal in real estate and in the development of real estate. All permitted future construction activity of the Promoter Directors or the Promoters Group entities (including future entities created by the Promoter Directors or Promoter Group entities) shall be undertaken by us. In addition, the Company may, however, from time to time, sub-contract certain activities undertaken by it to the Promoter Group entities and the amounts paid by the Company for such activities being sub-contracted in any financial year shall not in any event, individually or in the aggregate, exceed 1.5% of the revenues for the Company calculated on the basis of the previous audited financial statement of the Company.

The details of our Promoter Group companies and entities are as below:

## Promoter Group: Corporates

***1. Avarsekar and Kejriwal Construction Private Limited***

Avarsekar and Kejriwal Construction Private Limited was incorporated on May 28, 1993. The main business of Avarsekar and Kejriwal Construction Private Limited is to carry on business of builders, contractors, and erectors, constructions of buildings, houses, structures or residential offices.

*Equity Shareholding Pattern*

The equity shares of Avarsekar and Kejriwal Construction Private Limited are not listed on any stock exchange. The shareholding pattern of the company, as on March 1, 2006, is as given below:

| Name of Shareholder | Number of Equity Shares | % of Issued Equity Share Capital |
|---|---:|---:|
| Kishore K. Avarsekar | 155,200 | 50.65 |
| Abhijit K. Avarsekar | 10,000 | 3.27 |
| Ashish K. Avarsekar | 10,000 | 3.27 |
| Pushpa K. Avarsekar | 131,200 | 42.81 |
| | **306,400** | **100.00** |

*Board of Directors*

The Board of Directors of Avarsekar and Kejriwal Construction Private Limited as on March 1, 2006 comprises Kishore K. Avarsekar, Abhijit K. Avarsekar, Ashish K. Avarsekar and Pushpa K. Avarsekar.

*Financial Performance*

The audited financial results of Avarsekar and Kejriwal Construction Private Limited for the last three financial years are as follows:

***(Rs. in million)***

| | **Year Ending March 31, 2005** | **Year Ending March 31, 2004** | **Year Ending March 31, 2003** |
|---|---|---|---|
| Total Income | 179.69 | 0.45 | 0.61 |
| Profit/(Loss) after tax | 4.66 | 0.24 | 0.23 |
| Equity share capital (paid up) | 3.06 | 3.06 | 3.06 |
| Reserves and Surplus (excluding revaluation reserves) and debit balance of Profit/Loss Account | 7.08 | 2.42 | 2.18 |
| Earnings/(Loss) per share (diluted) (Rs.) | 15.21 | 0.78 | 0.75 |
| Net Asset Value (Rs./share) | 33.09 | 17.89 | 17.08 |

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

***2. Ved PMC Private Limited***

Ved PMC Private Limited was incorporated on January 6, 1989. The main business of Ved PMC Private Limited is to carry on business of manufacturing of concrete blocks.

*Equity Shareholding Pattern*

The equity shares of Ved PMC Private Limited are not listed on any stock exchange. The shareholding pattern of the company, as on March 1, 2006, is as given below:

| **Name of Shareholder** | **Number of Equity Shares** | **% of Issued Equity Share Capital** |
|---|---|---|
| Kishore K. Avarsekar | 200,100 | 49.94 |
| Pushpa K. Avarsekar | 200,100 | 49.94 |
| Others | 500 | 0.12 |
| | **400,700** | **100.00** |

*Board of Directors*

The Board of Directors of Ved PMC Private Limited as on March 1, 2006 comprises Kishore K. Avarsekar, Abhijit K. Avarsekar, Ashish K. Avarsekar and Pushpa K. Avarsekar.

*Financial Performance*

The audited financial results of Ved PMC Private Limited for the last three financial years are as follows:

***(Rs. in million)***

| | Year Ending March 31, 2005 | Year Ending March 31, 2004 | Year Ending March 31, 2003 |
|---|---|---|---|
| Total Income | 29.53 | 20.43 | 18.99 |
| Profit/(Loss) after tax | 1.58 | 0.63 | 0.34 |
| Equity share capital (paid up) | 4.01 | 4.01 | 4.01 |
| Reserves and Surplus (excluding revaluation reserves) and debit balance of Profit/Loss Account | 2.76 | 1.19 | 0.59 |
| Earnings/(Loss) per share (diluted) (Rs.) | 3.94 | 1.57 | 0.85 |
| Net Asset Value (Rs./share) | 16.90 | 12.98 | 11.48 |

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

***3. Debashish Construction Company Private Limited***

Debashish Construction Company Private Limited was incorporated on February 21, 1986. The main business of Debashish Construction Company Private Limited is to act as a real estate developer and contractor.

*Equity Shareholding Pattern*

The equity shares of Debashish Construction Company Private Limited are not listed on any stock exchange. The shareholding pattern of the company, as on March 1, 2006, is as given below:

| Name of Shareholder | Number of Equity Shares | % of Issued Equity Share Capital |
|---|---|---|
| Kishore K. Avarsekar | 471 | 46.91 |
| Kurvey C. Vasantan | 51 | 5.08 |
| Pushpa K. Avarsekar | 471 | 46.91 |
| Others | 11 | 1.10 |
| | **1,004** | **100.00** |

*Board of Directors*

The Board of Directors of Debashish Construction Company Private Limited as on March 1, 2006 comprises Kishore K. Avarsekar, Abhijit K. Avarsekar, Ashish K. Avarsekar and Pushpa K. Avarsekar.

*Financial Performance*

The audited financial results of Debashish Construction Company Private Limited for the last three financial years are as follows:

***(Rs. in million)***

| | **Year Ending March 31, 2005** | **Year Ending March 31, 2004** | **Year Ending March 31, 2003** |
|---|---|---|---|
| Total Income | 0.36 | (0.09) | 0.20 |
| Profit/(Loss) after tax | 0.36 | (0.09) | 0.20 |
| Equity share capital (paid up) | 0.10 | 0.10 | 0.10 |
| Reserves and Surplus (excluding revaluation reserves) and debit balance of Profit/Loss Account | 1.74 | 1.38 | 1.48 |
| Earnings/(Loss) per share (diluted) (Rs.) | 360.65 | (92.59) | 201.1 |
| Net Asset Value (Rs./share) | 1,838.77 | 1,478.12 | 1,570.72 |

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

***4. Kairavi Agencies Private Limited***

Kairavi Agencies Private Limited was incorporated on June 15, 1995. The main business of Kairavi Agencies Private Limited is to act as building contractors, developers, investors in real estate and to act as estate commission, agents, brokers, dealers and civil engineers.

*Equity Shareholding Pattern*

The equity shares of Kairavi Agencies Private Limited are not listed on any stock exchange. The shareholding pattern of the company, as on March 1, 2006, is as given below:

| **Name of Shareholder** | **Number of Equity Shares** | **% of Issued Equity Share Capital** |
|---|---|---|
| Abhijit K. Avarsekar | 7,600 | 20.16 |
| Ashish K. Avarsekar | 10,100 | 26.79 |
| Pushpa K. Avarsekar | 20,000 | 53.05 |
| | **37,700** | **100.00** |

*Board of Directors*

The Board of Directors of Kairavi Agencies Private Limited as on March 1, 2006 comprises Pushpa K. Avarsekar, Ashish K. Avarsekar and Abhijit K. Avarsekar.

*Financial Performance*

The audited financial results of Kairavi Agencies Private Limited for the last three financial years are as follows:

***(Rs. in million)***

| | **Year Ending March 31, 2005** | **Year Ending March 31, 2004** | **Year Ending March 31, 2003** |
|---|---|---|---|
| Total Income | 10.72 | 7.79 | 7.50 |
| Profit/(Loss) after tax | 1.06 | 0.64 | 0.89 |
| Equity share capital (paid up) | 0.38 | 0.38 | 0.38 |
| Reserves and Surplus (excluding revaluation reserves) and debit balance of Profit/Loss Account | 3.02 | 1.97 | 1.32 |
| Earnings/(Loss) per share (diluted) (Rs.) | 28.05 | 17.12 | 23.67 |
| Net Asset Value (Rs./share) | 90.20 | 62.15 | 45.03 |

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

***5. Krishnangi Fabrics Private Limited***

Krishnangi Fabrics Private Limited was incorporated on March 15, 1999. The main business of Krishnangi Fabrics Private Limited is to carry on the business of manufacture, import, export, dealing in wholesale and retail trading of clothing and wearing apparel.

*Equity Shareholding Pattern*

The equity shares of Krishnangi Fabrics Private Limited are not listed on any stock exchange. The shareholding pattern of the company, as on March 1, 2006, is as given below:

| **Name of Shareholder** | **Number of Equity Shares** | **% of Issued Equity Share Capital** |
|---|---|---|
| Pushpa K. Avarsekar | 10,010 | 99.70 |
| Ashish K. Avarsekar | 10 | 0.10 |
| Abhijit K. Avarsekar | 10 | 0.10 |
| Shweta A. Avarsekar | 10 | 0.10 |
| | **10,040** | **100.00** |

*Board of Directors*

The Board of Directors of Krishnangi Fabrics Private Limited as on March 1, 2006 comprises Pushpa K. Avarsekar, Ashish K. Avarsekar, Abhijit K. Avarsekar and Shweta A. Avarsekar.

*Financial Performance*

The audited financial results of Krishnangi Fabrics Private Limited for the last three financial years are as follows:

***(Rs. in million)***

| | Year Ending March 31, 2005 | Year Ending March 31, 2004 | Year Ending March 31, 2003 |
|---|---|---|---|
| Total Income | 0.00 | 1.15 | 8.60 |
| Profit/(Loss) after tax | (0.01) | (0.65) | 0.08 |
| Equity share capital (paid up) | 0.10 | 0.10 | 0.10 |
| Reserves and Surplus (excluding revaluation reserves) and debit balance of Profit/Loss Account | (0.37) | (0.37) | 0.28 |
| Earnings/(Loss) per share (diluted) (Rs.) | (0.82) | (64.35) | 8.07 |
| Net Asset Value (Rs./share) | (27.33) | (26.52) | 37.83 |

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

***6. Pathare Construction and Investments Private Limited***

Pathare Construction and Investments Private Limited was incorporated on June 25, 1993. The main business of Pathare Construction and Investments Private Limited is to acquire, buy, develop, maintain, sell, hire, or let on hire, lease or otherwise, deal in land, estates, properties, apartments, dwelling, houses, markets and other constructions.

*Equity Shareholding Pattern*

The equity shares of Pathare Construction and Investments Private Limited are not listed on any stock exchange. The shareholding pattern of the company, as on March 1, 2006, is as given below:

| Name of Shareholder | Number of Equity Shares | % of Issued Equity Share Capital |
|---|---|---|
| Kishore K. Avarsekar | 10,600 | 25.00 |
| Abhijit K. Avarsekar | 11,800 | 27.83 |
| Ashish K. Avarsekar | 10,000 | 23.58 |
| Pushpa K. Avarsekar | 10,000 | 23.58 |
| | **42,400** | **100.00** |

The Board of Directors of Pathare Construction and Investments Private Limited as on March 1, 2006 comprises Kishore K. Avarsekar, Abhijit K. Avarsekar, Ashish K. Avarsekar and Pushpa K. Avarsekar.

*Financial Performance*

The audited financial results of Pathare Construction and Investments Private Limited for the last three financial years are as follows:

*(Rs. in million)*

| | Year Ending March 31, 2005 | Year Ending March 31, 2004 | Year Ending March 31, 2003 |
|---|---|---|---|
| Total Income | 0.00 | 0.00 | 0.00 |
| Profit/(Loss) after tax | 0.00 | 0.00 | 0.00 |
| Equity share capital (paid up) | 0.42 | 0.42 | 0.42 |
| Reserves and Surplus (excluding revaluation reserves) and debit balance of Profit/Loss Account | 0.07 | 0.08 | 0.09 |
| Earnings/(Loss) per share (diluted) (Rs.) | 0.00 | 0.00 | 0.00 |
| Net Asset Value (Rs./share) | 8.23 | 7.96 | 7.70 |

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

***7. Aishwarya Projects Limited***

Aishwarya Projects Limited was incorporated on October 5, 1995. The main business of Aishwarya Projects Limited is to carry on the business of promoting and developing of projects and to provide finance or to make investments in all types of properties, plants etc.

*Equity Shareholding Pattern*

The equity shares of Aishwarya Projects Limited are not listed on any stock exchange. The shareholding pattern of the company, as on March 1, 2006, is as given below:

| Name of Shareholder | Number of Equity Shares | % of Issued Equity Share Capital |
|---|---|---|
| Kishore K. Avarsekar | 275,030 | 30.56 |
| Pushpa K. Avarsekar | 275,030 | 30.56 |
| Sunil Shah | 350,010 | 38.89 |
| | **900,070** | **100.00** |

*Board of Directors*

The Board of Directors of Aishwarya Projects Limited as on March 1, 2006 comprises Kishore K. Avarsekar, Abhijit K. Avarsekar, Ashish K. Avarsekar and Pushpa K. Avarsekar.

*Financial Performance*

The audited financial results of Aishwarya Projects Limited for the last three financial years are as follows:

***(Rs. in million)***

| | Year Ending March 31, 2005 | Year Ending March 31, 2004 | Year Ending March 31, 2003 |
|---|---|---|---|
| Total Income | 0.00 | 0.00 | 0.00 |
| Profit/(Loss) after tax | 0.00 | 0.00 | 0.00 |
| Equity share capital (paid up) | 9.00 | 9.00 | 9.00 |
| Reserves and Surplus (excluding revaluation reserves) and debit balance of Profit/Loss Account | (0.11) | (0.11) | (0.07) |
| Earnings/(Loss) per share (diluted) (Rs.) | 0.00 | 0.00 | 0.00 |
| Net Asset Value (Rs./share) | 9.87 | 9.88 | 9.92 |

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

***8. Invents Media and Communication Private Limited***

Invents Media and Communication Private Limited was incorporated on June 5, 2004. The main business of Invents Media and Communication Private Limited is event management.

*Equity Shareholding Pattern*

The equity shares of Invents Media and Communication Private Limited are not listed on any stock exchange. The shareholding pattern of the company, as on March 1, 2006, is as given below:

| Name of Shareholder | Number of Equity Shares | % of Issued Equity Share Capital |
|---|---|---|
| Abhijit K. Avarsekar | 2,500 | 25.00 |
| Prasad Lad | 2,500 | 25.00 |
| Girish Kulkarni | 2,500 | 25.00 |
| Manda Vasudev Kulkarni | 2,500 | 25.00 |
| | **10,000** | **100.00** |

*Board of Directors*

The Board of Directors of Invents Media and Communication Private Limited as on March 1, 2006 comprises Abhijit K. Avarsekar and Prasad Lad.

*Financial Performance*

The audited financial results of Invents Media and Communication Private Limited for the last financial year are as follows:

***(Rs. in million)***

| | **Year Ending March 31, 2005** |
|---|---|
| Total Income | 13.15 |
| Profit/(Loss) after tax | 0.27 |
| Equity share capital (paid up) | 0.10 |
| Reserves and Surplus (excluding revaluation reserves) and debit balance of Profit/Loss Account | 0.25 |
| Earnings/(Loss) per share (diluted) (Rs.) | 27.18 |
| Net Asset Value (Rs./share) | 35.40 |

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

***9. Krystal Tradecom Private Limited***

Krystal Tradecom Private Limited was incorporated on December 1, 2000. The main business of Krystal Tradecom Private Limited is business process outsourcing and providing security and labour contract services.

*Equity Shareholding Pattern*

The equity shares of Krystal Tradecom Private Limited are not listed on any stock exchange. The shareholding pattern of the company, as on March 1, 2006, is as given below:

| Name of Shareholder | Number of Equity Shares | % of Issued Equity Share Capital |
|---|---|---|
| Abhijit K. Avarsekar | 100 | 0.20 |
| Prasad Lad | 100 | 0.20 |
| Shweta A. Avarsekar | 11,500 | 23.85 |
| Neeta Lad | 11,500 | 23.85 |
| Chetan Desai | 25,000 | 51.87 |
| | **48,200** | **100.00** |

*Board of Directors*

The Board of Directors of Krystal Tradecom Private Limited as on March 1, 2006 comprises Abhijit K. Avarsekar, Shweta A. Avarsekar, Prasad Lad and Neeta Lad.

*Financial Performance*

The audited financial results of Krystal Tradecom Private Limited for the last three financial years are as follows:

***(Rs. in million)***

| | Year Ending March 31, 2005 | Year Ending March 31, 2004 | Year Ending March 31, 2003 |
|---|---|---|---|
| Total Income | 53.98 | 19.40 | 3.76 |
| Profit/(Loss) after tax | 2.16 | 0.95 | 0.14 |
| Equity share capital (paid up) | 0.48 | 0.48 | 0.48 |
| Reserves and Surplus (excluding revaluation reserves) and debit balance of Profit/Loss Account | 3.86 | 1.70 | 0.26 |
| Earnings/(Loss) per share (diluted) (Rs.) | 44.71 | 19.71 | 2.84 |
| Net Asset Value (Rs./share) | 90.17 | 45.35 | 15.33 |

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

***10. Keystone Exports Private Limited***

Keystone Exports Private Limited was incorporated on November 16, 1992. The main business of Keystone Exports Private Limited is to act as dealers of various commodities.

*Equity Shareholding Pattern*

The equity shares of Keystone Exports Private Limited are not listed on any stock exchange. The shareholding pattern of the company, as on March 1, 2006, is as given below:

| Name of Shareholder | Number of Equity Shares | % of Issued Equity Share Capital |
|---|---|---|
| Kishore K. Avarsekar | 5,200 | 50 |
| Pushpa K. Avarsekar | 5,200 | 50 |
| | **10,400** | **100** |

*Board of Directors*

The Board of Directors of Keystone Exports Private Limited as on March 1, 2006 comprises Kishore K. Avarsekar and Pushpa K. Avarsekar.

*Financial Performance*

The audited financial results of Keystone Exports Private Limited for the last three financial years are as follows:

*(Rs. in million)*

| | Year Ending March 31, 2005 | Year Ending March 31, 2004 | Year Ending March 31, 2003 |
|---|---|---|---|
| Total Income | 0.00 | 0.00 | 0.00 |
| Profit/(Loss) after tax | 0.00 | 0.00 | 0.00 |
| Equity share capital (paid up) | 0.10 | 0.10 | 0.10 |
| Reserves and Surplus (excluding revaluation reserves) and debit balance of Profit/Loss Account | (0.06) | (0.06) | (0.06) |
| Earnings/(Loss) per share (diluted) (Rs.) | 0.00 | 0.00 | 0.00 |
| Net Asset Value (Rs./share) | 3.99 | 3.99 | 3.99 |

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

***11. Tirupati Resorts Private Limited***

Tirupati Resorts Private Limited was incorporated on August 11, 1989. Tirupati Resorts Private Limited is engaged in the hotel business.

*Equity Shareholding Pattern*

The equity shares of Tirupati Resorts Private Limited are not listed on any stock exchange. The shareholding pattern of the company, as on March 1, 2006, is as given below:

| Name of Shareholder | Number of Equity Shares | % of Issued Equity Share Capital |
|---|---|---|
| Kishore K. Avarsekar | 1,800 | 7.20 |
| Abhijit K. Avarsekar | 100 | 0.40 |
| Ashish K. Avarsekar | 100 | 0.40 |
| Pushpa K. Avarsekar | 10,500 | 42.00 |
| Vinay Kumar Shetty | 3,000 | 12.00 |
| Vijay Kumar Shetty | 3,250 | 13.00 |
| Sulochana Shetty | 3,250 | 13.00 |
| Sarika Shetty | 3,000 | 12.00 |
| | **25,000** | **100.00** |

*Board of Directors*

The Board of Directors of Tirupati Resorts Private Limited as on March 1, 2006 comprises Kishore K. Avarsekar, Pushpa K. Avarsekar, Vijay Kumar Shetty and Sulochana Shetty.

*Financial Performance*

The audited financial results of Tirupati Resorts Private Limited for the last three financial years are as follows:

*(Rs. in million)*

| | Year Ending March 31, 2005 | Year Ending March 31, 2004 | Year Ending March 31, 2003 |
|---|---|---|---|
| Total Income | 8.73 | 8.40 | 7.94 |
| Profit/(Loss) after tax | 0.47 | (0.24) | (0.41) |
| Equity share capital (paid up) | 2.50 | 2.50 | 2.50 |
| Reserves and Surplus (excluding revaluation reserves) and debit balance of Profit/Loss Account | (3.33) | (3.80) | (3.56) |
| Earnings/(Loss) per share (diluted) (Rs.) | 18.63 | (9.54) | (16.57) |
| Net Asset Value (Rs./share) | (33.38) | (52.15) | (42.75) |

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

***12. Aquarius Farms Private Limited***

Aquarius Farms Private Limited was incorporated on November 6, 1992. The main business of Aquarius Farms Private Limited is to carry on through farming, cultivation, manufacturing, harvesting or by any other means, the hatching, growing, producing, harvesting, processing of crustacean, mallusca, aves and mammalian. This company was a subsidiary of the Company. In 2005, our Promoters acquired the shares of Aquarius Farms Private Limited from us.

*Equity Shareholding Pattern*

The equity shares of Aquarius Farms Private Limited are not listed on any stock exchange. The shareholding pattern of the company, as on March 1, 2006, is as given below:

| Name of Shareholder | Number of Equity Shares | % of Issued Equity Share Capital |
|---|---|---|
| Kishore K. Avarsekar | 6,010 | 49.83 |
| Abhijit K. Avarsekar | 10 | 0.08 |
| Ashish K. Avarsekar | 30 | 0.26 |
| Pushpa K. Avarsekar | 6,010 | 49.83 |
| | **12,060** | **100.00** |

*Board of Directors*

The Board of Directors of Aquarius Farms Private Limited as on March 1, 2006 comprises Kishore K. Avarsekar and Pushpa K. Avarsekar.

*Financial Performance*

The audited financial results of Aquarius Farms Private Limited for the last three financial years are as follows:

***(Rs. in million)***

| | Year Ending March 31, 2005 | Year Ending March 31, 2004 | Year Ending March 31, 2003 |
|---|---|---|---|
| Total Income | 0.00 | 0.00 | 0.00 |
| Profit/(Loss) after tax | 0.00 | 0.00 | 0.00 |
| Equity share capital (paid up) | 0.12 | 0.12 | 0.12 |
| Reserves and Surplus (excluding revaluation reserves) and debit balance of Profit/Loss Account | (0.32) | (0.32) | (0.32) |
| Earnings/(Loss) per share (diluted) (Rs.) | 0.00 | 0.00 | 0.00 |
| Net Asset Value (Rs./share) | (16.33) | (16.29) | (16.29) |

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

## Promoter Group: Partnership Firms

### *1. Unity Asian (W) Construction Company*

Unity Asian (W) Construction Company is a partnership firm and was formed pursuant to a Deed of Partnership dated September 12, 1996. The main business of Unity Asian (W) Construction Company is the construction of the Earthern Dam at Marathwadi across the river Wang, Taluka Patan, District Satara.

*Profit and Loss Sharing Ratios*

The ratio for sharing of profits and losses in the firm is as provided below:

| Name of Partner | Profit / Loss Sharing Percentage |
|---|---|
| Kishore K. Avarsekar | 20.00 |
| Abhijit K. Avarsekar | 5.00 |
| Ashish K. Avarsekar | 5.00 |
| Pushpa K. Avarsekar | 10.00 |
| Sayed Abdur Rasheed | 30.00 |
| Sayed Zubair Rasheed | 15.00 |
| Sayed Umair Rasheed | 15.00 |
| | **100.00** |

*Financial Performance*

The unaudited financial results of Unity Asian (W) Construction Company for the last three financial years are as follows:

***(Rs. in million)***

| | Year Ending March 31, 2005 | Year Ending March 31, 2004 | Year Ending March 31, 2003 |
|---|---|---|---|
| Total Income | 0.16 | 21.18 | 0.42 |
| Profit/(Loss) after tax | 0.16 | (4.42) | 0.38 |
| Capital | 7.05 | 7.42 | 11.85 |

***2. Unity Construction Company***

Unity Construction Company is a partnership firm and has been in existence since 1979. The main business of Unity Construction Company is to act as contractors and engineers.

*Profit and Loss Sharing Ratios*

The ratio for sharing of profits and losses in the firm is as provided below:

| Name of Partner | Profit / Loss Sharing Percentage |
|---|---|
| Kishore K. Avarsekar | 60.00 |
| Pushpa K. Avarsekar | 30.00 |
| Ashish K. Avarsekar | 5.00 |
| Abhijit K. Avarsekar | 5.00 |
| | **100.00** |

*Financial Performance*

The unaudited financial results of Unity Construction Company for the last three financial years are as follows:

***(Rs. in million)***

| | Year Ending March 31, 2005 | Year Ending March 31, 2004 | Year Ending March 31, 2003 |
|---|---|---|---|
| Total Income | 0.00 | 0.00 | 0.00 |
| Profit/(Loss) after tax | 0.00 | 0.00 | 0.00 |
| Capital | 7.52 | 7.52 | 9.12 |

***3. Avarsekar Developers***

Avarsekar Developers is a partnership firm and was formed pursuant to a Deed of Partnership dated September 25, 1995. The main business of Avarsekar Developers is to act as builders, building contractors and developers.

*Profit and Loss Sharing Ratios*

The ratio for sharing of profits and losses in the firm is as provided below:

| Name of Partner | Profit / Loss Sharing Percentage |
|---|---|
| Kishore K. Avarsekar | 50 |
| Pushpa K. Avarsekar | 50 |
| | **100** |

*Financial Performance*

The financial results of Avarsekar Developers for the last three financial years are not available as it has not undertaken any transactions in the last three audited financial years.

***4. L.P. Builders***

L.P. Builders is a partnership firm and was formed pursuant to a Deed of Partnership dated March 17, 1984. The main business of L.P. Builders is to act as builders, building contractors and developers.

*Profit and Loss Sharing Ratios*

The ratio for sharing of profits and losses in the firm is as provided below:

| Name of Partner | Profit / Loss Sharing Percentage |
|---|---|
| Pushpa K. Avarsekar | 60 |
| Ashish K. Avarsekar | 20 |
| Abhijit K. Avarsekar | 20 |
| | **100** |

*Financial Performance*

The unaudited financial results of L.P. Builders for the last three financial years are as follows:

**(Rs. in million)**

| | Year Ending March 31, 2005 | Year Ending March 31, 2004 | Year Ending March 31, 2003 |
|---|---|---|---|
| Total Income | 1.58 | (0.01) | 0.06 |
| Profit/(Loss) after tax | 0.51 | (0.01) | (0.04) |
| Capital | 0.86 | 0.19 | 0.20 |

***5. Mahalsa Enterprise***

Mahalsa Enterprise is a partnership firm and was formed pursuant to a Deed of Partnership dated October 21, 1986. The main business of Mahalsa Enterprise is construction and development.

*Profit and Loss Sharing Ratios*

The ratio for sharing of profits and losses in the firm is as provided below:

| Name of Partner | Profit / Loss Sharing Percentage |
|---|---|
| Debashish Construction Private Limited | 90 |
| L.P. Builders | 10 |
| | **100** |

*Financial Performance*

The unaudited financial results of Mahalsa Enterprise for the last three financial years are as follows:

***(Rs. in million)***

| | Year Ending March 31, 2005 | Year Ending March 31, 2004 | Year Ending March 31, 2003 |
|---|---|---|---|
| Total Income | 1.20 | 0.00 | 1.90 |
| Profit/(Loss) after tax | 0.06 | (0.1) | 0.22 |
| Capital | 1.12 | 1.07 | 1.16 |

***6. Tirupati Hotels***

Tirupati Hotels is a partnership firm and was formed pursuant to a Deed of Partnership dated February 5, 1998. The firm is engaged in the hotel business.

*Profit and Loss Sharing Ratios*

The ratio for sharing of profits and losses in the firm is as provided below:

| Name of Partner | Profit / Loss Sharing Percentage |
|---|---|
| Sulochana V. Shetty | 16.66 |
| Pushpa K. Avarsekar | 16.66 |
| Sarika V. Shetty | 16.66 |
| Vinay Kumar V. Shetty | 16.66 |
| Ashish K. Avarsekar | 16.66 |
| Abhijit K. Avarsekar | 16.66 |
| | **100.00** |

*Financial Performance*

The partnership firm has not been in operation since 2001 and thus the financials are not available.

### *7. Ackurate Couriers*

Ackurate Couriers is a partnership firm and was formed pursuant to a Deed of Partnership dated December 15, 2002. The main business of Ackurate Couriers is providing courier services.

*Profit and Loss Sharing Ratios*

The ratio for sharing of profits and losses in the firm is as provided below:

| Name of Partner | Profit / Loss Sharing Percentage |
|---|---|
| Shweta A. Avarsekar | 50 |
| Neeta Lad | 50 |
| | **100** |

*Financial Performance*

The unaudited financial results of Ackurate Couriers for the last three financial years are as follows:

***(Rs. in million)***

| | Year Ending March 31, 2005 | Year Ending March 31, 2004 |
|---|---|---|
| Total Income | 1.52 | 1.31 |
| Profit/(Loss) after tax | 0.18 | 0.10 |
| Capital | 0.29 | 0.20 |

### *8. Krish Interiors Developers*

Krish Interiors Developers is a partnership firm and was formed pursuant to a Deed of Partnership dated November 27, 2001. The main business of Krish Interiors Developers is construction related to interior furnishing and decoration.

*Profit and Loss Sharing Ratios*

The ratio for sharing of profits and losses in the firm is as provided below:

| Name of Partner | Profit / Loss Sharing Percentage |
|---|---|
| Ashish K. Avarsekar | 60 |
| Swapnil Redkar | 40 |
| | **100** |

*Financial Performance*

The audited financial results of Krish Interiors Developers for the last three financial years are as follows:

***(Rs. in million)***

| | Year Ending March 31, 2005 | Year Ending March 31, 2004 | Year Ending March 31, 2003 |
|---|---|---|---|
| Total Income | 17.03 | 8.63 | 2.96 |
| Profit/(Loss) after tax | 0.49 | 0.19 | 0.02 |
| Capital | 0.70 | 0.43 | 0.17 |

***9. Krystal Modular System***

Krystal Modular System is a partnership firm and was formed pursuant to a Deed of Partnership dated December 23, 2003. Krystal Modular System is engaged in the business of supplying furniture.

*Profit and Loss Sharing Ratios*

The ratio for sharing of profits and losses in the firm is as provided below:

| Name of Partner | Profit / Loss Sharing Percentage |
|---|---|
| Shweta Avarsekar | 50 |
| Prasad Lad | 50 |
| | **100** |

*Financial Performance*

The audited financial results of Krystal Modular System for the last three financial years are as follows:

***(Rs. in million)***

| | Year Ending March 31, 2005 | Year Ending March 31, 2004 | Year Ending March 31, 2003 |
|---|---|---|---|
| Total Income | 7.17 | 2.06 | 0.00 |
| Profit/(Loss) after tax | 0.05 | 0.06 | 0.00 |
| Capital | 0.23 | 0.15 | 0.00 |

## Promoter Group: Proprietorship Firms / HUF

***10. Kairavi Commercial Company***

Kairavi Commercial Company is a proprietorship firm and was formed on May 17, 2003. Shweta A. Avarsekar is the proprietor of the firm. The main business of Kairavi Commercial Company is to act as general traders.

*Financial Performance*

The audited financial results of Kairavi Commercial Company for the last three financial years are as follows:

***(Rs. in million)***

| | Year Ending March 31, 2005 | Year Ending March 31, 2004 |
|---|---|---|
| Total Income | 7.81 | 5.99 |
| Profit/(Loss) after tax | 0.28 | 0.07 |
| Capital | 0.96 | 0.67 |

***11. Kishore K. Avarsekar HUF***

Kishore K. Avarsekar HUF is a Hindu-undivided Family and was formed on April 1, 1980. Kishore K. Avarsekar is the Karta of the HUF.

*Financial Performance*

The unaudited financial results of the HUF for the last three financial years are as follows:

***(Rs. in million)***

| | Year Ending March 31, 2005 | Year Ending March 31, 2004 | Year Ending March 31, 2003 |
|---|---|---|---|
| Total Income | 0.08 | 0.07 | 0.10 |
| Capital | 4.67 | 4.60 | 4.52 |

None of the Promoters or persons in control of the companies that form part of our Promoter group have been restrained from accessing the capital markets by SEBI or any other governmental authority.

## Companies with which the Promoters / Promoter Group have disassociated in the last three years.

The Promoters and the Promoter Group companies have not disassociated with any company in the last three years.

# RELATED PARTY TRANSACTIONS

**Disclosure of Transactions with Related Parties as required by the Accounting Standard- 18**

(Rs. in million)

| Name of related party and Nature of relationship | Nature of transaction | As at December 31, 2005 | As at December 31, 2004 | Year ended March 31, | | | |
|---|---|---|---|---|---|---|---|
| | | | | 2005 | 2004 | 2003 | 2002 |
| **Associates & Group Companies :** | | | | | | | |
| **Ved PMC Ltd** | Purchase-Concrete Blocks by UIL | 2.45 | 0.02 | 0.40 | 0.70 | 3.27 | 3.02 |
| **Kairavi Agencies Pvt. Ltd.** | Transport Charges paid by UIL | 1.31 | 0.01 | 0.19 | 0.22 | 0.99 | 0.52 |
| **Avarsekar & Sons Pvt. Ltd.** | Rent paid by UIL | - | - | 0.60 | 0.60 | 0.60 | 0.60 |
| | Receipts against work done by UIL | - | - | 1.89 | 5.00 | 18.42 | - |
| | Labour Charges paid by UIL | 42.88 | - | 25.61 | - | - | - |
| | Purchase-Raw Material by UIL | 6.38 | - | 9.80 | - | - | - |
| | Dividend paid by UIL | 6.52 | 6.52 | 6.52 | - | - | 6.52 |
| | Property Development paid by UIL | - | - | - | - | - | 200.00 |
| **Avarsekar & Kejriwal Const. Pvt. Ltd.** | Contract received by UIL | 4.49 | - | 38.41 | 60.00 | 10.64 | 30.13 |
| **Pathare Construction & Invt. Pvt. Ltd.** | Contract received by UIL | 45.94 | - | 71.17 | 15.00 | 7.92 | 39.58 |
| **Debashish Construction Pvt. Ltd.** | Advance paid by UIL | - | - | - | - | - | - |
| **Krishnangi Fabrics Pvt. Ltd.** | Adv Refund to UIL | 0.14 | - | - | - | - | - |
| **Aishwarya Projects Pvt. Ltd.** | Advance paid by UIL | 0.01 | - | - | - | - | - |
| **Unity Concepts India Pvt. Ltd.** | Advance paid by UIL | 0.01 | - | - | - | - | - |
| **Unity Construction Co.** | Advance received by UIL | - | - | 0.87 | - | - | - |
| | Purchase-Raw Material by UIL | 17.29 | - | - | - | - | - |
| | Labour Charges paid by UIL | 6.29 | - | - | - | - | - |
| **L.P. Builders** | Contract received by UIL | 0.04 | - | - | - | - | - |
| **Unity Asian (W) Construction Co.** | Advance paid by UIL | 0.71 | - | - | - | - | 41.88 |
| **Avarsekar Developers** | Adv Refund to UIL | 1.09 | - | - | - | - | 30.32 |

(Rs. in million)

| Name of related party and Nature of relationship | Nature of transaction | As at December 31, 2005 | As at December 31, 2004 | Year ended March 31, 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|---|
| **Joint Ventures** | | | | | | | |
| **Unity-Patel Joint Venture** | Contract received by UIL | 292.22 | 305.36 | 478.37 | 144.91 | - | - |
| | Expense Recovery by UIL | - | - | 82.38 | 31.44 | - | - |
| | Share of Profit received by UIL | 6.68 | - | 13.66 | 2.31 | - | - |
| **Unity-Chopra Joint Venture** | Contract received by UIL | 48.86 | 99.45 | 125.60 | 42.16 | - | - |
| | Expense Recovery by UIL | - | - | 3.89 | 12.66 | - | - |
| | Current a/c | 0.05 | - | - | - | - | - |
| | Share of Profit received by UIL | 1.47 | - | 4.38 | 0.88 | - | - |
| **Backbone Unity Joint Venture** | Contract received by UIL | 43.08 | - | 65.30 | 143.00 | 16.66 | - |
| | Hiring Receipts by UIL | - | - | 0.45 | 0.60 | 0.80 | - |
| | Share of Profit received by UIL | 1.19 | - | 1.67 | 5.08 | - | - |
| **Thakur-Mhatre Unity Joint Venture** | Contract received by UIL | 6.77 | 97.17 | 186.86 | 152.82 | 136.82 | 91.51 |
| | Hiring Receipts by UIL | 0.07 | - | 0.54 | 0.54 | 0.41 | - |
| | Share of Profit received by UIL | - | - | 5.69 | 3.71 | - | 0.46 |
| **SMC-Unity Joint Venture** | Share of Profit received by UIL | - | - | 0.16 | 0.24 | - | - |
| **Unity Pratibha Multimedia Joint Venture** | Share of Profit received by UIL | - | - | 0.94 | 0.85 | - | - |
| **Key Management Personnel & Relatives :** | | | | | | | |
| **Mr.Kishore K.Avarsekar - Chairman Managing Director** | Remuneration paid by UIL | 3.30 | 1.95 | 3.23 | 0.60 | 0.60 | 0.60 |
| | Loan Received by UIL | 4.94 | 4.48 | 4.48 | 0.70 | 1.69 | - |
| | Dividend paid by UIL | 4.96 | 4.96 | 4.96 | - | - | 9.92 |

**(Rs. in million)**

| Name of related party and Nature of relationship | Nature of transaction | As at December 31, 2005 | As at December 31, 2004 | Year ended March 31, | | | |
|---|---|---|---|---|---|---|---|
| | | | | 2005 | 2004 | 2003 | 2002 |
| **Mr. Ashish K.Avarsekar - Director** | Remuneration paid by UIL | 0.60 | 0.29 | 0.48 | 0.12 | 0.12 | 0.12 |
| | Loan received by UIL | 0.63 | 0.17 | 0.73 | - | 2.83 | - |
| | Rent paid by UIL | 0.05 | - | 0.06 | 0.06 | 0.06 | 0.06 |
| | Dividend paid by UIL | 0.63 | 0.63 | 0.63 | - | - | 1.26 |
| **Mr.Abhijit K.Avarsekar - Vice Chairman & Managing Director** | Remuneration paid by UIL | 0.75 | 0.29 | 0.48 | 0.12 | 0.12 | 0.12 |
| | Loan received by UIL | 0.76 | 0.77 | 0.77 | 0.20 | 1.67 | - |
| | Rent paid by UIL | 0.05 | - | 0.06 | 0.06 | 0.06 | 0.06 |
| | Dividend paid by UIL | 0.76 | 0.76 | 0.76 | - | - | 1.53 |
| **Mrs. Pushpa K.Avarsekar - Director** | Remuneration paid by UIL | 1.05 | 0.90 | 1.20 | 1.20 | 0.36 | 0.36 |
| | Loan received by UIL | 2.10 | - | 0.48 | 0.45 | - | - |
| | Dividend paid by UIL | 2.12 | 2.12 | 2.12 | - | - | 4.25 |
| **Mr.Anil K.Avarsekar** | Salary paid by UIL | 0.31 | 0.23 | 0.30 | 0.30 | 0.30 | 0.19 |
| **Mrs.Suvarna A.Avarsekar** | Salary paid by UIL | 0.02 | 0.02 | 0.03 | 0.03 | 0.03 | 0.03 |
| **Ackurate Couriers** | Courier Charges paid by UIL | 0.07 | 0.03 | 0.05 | - | - | - |
| **Invents Media and Communication Pvt. Ltd.** | | - | - | 0.54 | - | - | - |
| **Krystal Tradecom Pvt. Ltd.** | Labour Supply / Security Charges paid by UIL | 62.57 | 15.74 | 27.18 | 8.46 | 3.87 | - |
| **Krish Interiors Developers** | Labour Charges paid by UIL | 17.14 | 5.14 | 11.13 | - | - | - |
| **Krystal Modular Systems** | Labour Charges paid by UIL | 0.27 | - | - | 1.98 | - | - |
| | Purchase of Fixed Assets by UIL | 5.75 | 0.05 | 4.93 | 0.16 | - | - |

The Company has placed a deposit of Rs.150 million with its Promoter Group Company, Avarsekar and Sons Private Limited as security deposit for which it has obtained exclusive construction rights totalling approximately Rs.1,570 million. In addition, the Promoters and Promoter Group companies have pledged properties of their own, worth Rs.465.3 million, to help secure loans and working capital facilities worth Rs. 445 million and bank guarantees and other forms of credit support totalling approximately Rs. 2,100 million from banks and financial institutions in favour of the Company. The Company believes that clients other than Promoter Group entities generally are not willing to pledge their own properties in favour of the Company.

**Given below are the details of all Related Party Debtors on December 31, 2005**

(Rs. in Million)

| As on 31st December, 2005 | Days Outstanding | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Client Name | Total Outstanding | 0 To 30 | 31 To 90 | 91 To 180 | 181 To 365 | 366 To 455 | 456 To 547 | 548 To 637 | 638 To 730 | 731 To 821 | 822 To 911 | 912 To 1002 | 1003 To 1094 | 1095 And Above | Reason |
| **GROUP COMPANIES** | | | | | | | | | | | | | | | |
| Avarsekar & Kejriwal Construction Pvt. Ltd. | 43.35 | - | | 18.79 | 5.91 | 1.37 | - | - | 12.67 | 2.29 | 2.32 | - | | | Delay in Payment |
| Avarsekar and Sons Pvt. Ltd. | 107.16 | (0.23) | (0.23) | | 37.55 | 16.49 | 15.33 | 7.60 | - | 13.26 | 9.79 | 7.59 | - | | Delay in Payment |
| Pathare Construction & Investment Pvt. Ltd. | 186.44 | 0.50 | 1.30 | 48.95 | 95.09 | 17.63 | 12.96 | 10.02 | - | - | - | - | - | | Delay in Payment |
| **Sub-Total** | **336.95** | **0.27** | **1.07** | **48.95** | **151.43** | **40.03** | **29.66** | **17.62** | **-** | **25.93** | **12.08** | **9.91** | **-** | **-** | |
| **JOINT VENTURE COMPANIES** | | | | | | | | | | | | | | | |
| I V R C L - Unity J V | 30.21 | | | | | 11.26 | 7.29 | 6.73 | 2.96 | 1.97 | - | - | - | | Project Stalled |
| Thakur - Mhatre - Unity ( J V ) | 16.91 | - | - | 5.68 | 32.98 | (21.75) | - | - | - | - | - | - | - | - | Ad - Hoc payment |
| Unity Chopra JV. | 42.89 | (3.00) | | 48.64 | (37.12) | 16.34 | 13.36 | 11.27 | 9.76 | (16.36) | - | - | - | | Retention Money |
| Unity-Patel JV. | 29.09 | 16.20 | 6.55 | 5.43 | | - | - | - | - | 0.92 | - | - | - | | Retention Money |
| **Sub-Total** | **119.10** | **13.20** | **6.55** | **59.75** | **(4.14)** | **5.85** | **20.65** | **18.00** | **12.72** | **(13.47)** | **-** | **-** | **-** | **-** | |
| **Grand Total :** | **456.05** | **13.47** | **7.62** | **108.69** | **147.29** | **45.88** | **50.31** | **35.62** | **12.72** | **12.46** | **12.08** | **9.91** | **-** | **-** | |

Of the total debtors outstanding as on December 31, 2005, Rs. 456.05 million was owed to us by related parties, which included Rs. 336.95 million from group companies and Rs. 119.10 million from Joint Ventures. Of the total debtors outstanding from group companies, as on December 31, 2005, the Promoters have undertaken to reduce the outstanding debtors from group companies by atleast Rs. 150 million by June 30, 2006.

# EXCHANGE RATES

The following table sets forth, for each period indicated, information concerning the number of Rupees for which one US dollar could be exchanged. The row titled 'average' in the table below is the average of the daily rate for each day in the period.

| Fiscal Year | Period End | Period Average |
|---|---|---|
| 2001 | 43.62 | 45.70 |
| 2002 | 48.80 | 47.69 |
| 2003 | 47.50 | 48.41 |
| 2004 | 43.39 | 45.92 |
| 2005 | 43.75 | 44.95 |

| Month | Month End | Month Average |
|---|---|---|
| April 2005 | 43.65 | 43.74 |
| May 2005 | 43.69 | 43.49 |
| June 2005 | 43.51 | 43.59 |
| July 2005 | 43.49 | 43.54 |
| August 2005 | 44.04 | 43.63 |
| September 2005 | 43.99 | 43.92 |
| October 2005 | 45.11 | 44.82 |
| November 2005 | 45.94 | 45.73 |
| December 2005 | 45.07 | 45.65 |
| January 2006 | 44.07 | 44.40 |
| February 2006 | 44.44 | 44.31 |
| March 2006 | 44.61 | 44.48 |
| April 2006 | 44.97 | 44.95 |

*Source: www.rbi.org.in*

## DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The Board may also from time to time pay interim dividends. All dividend payments are made in cash to the shareholders of the Company. The dividends declared by our Company during the last five fiscal years have been presented below:

| | Year ended March 31, 2005 | Year ended March 31, 2004 | Year ended March 31, 2003 | Year ended March 31, 2002 | Year ended March 31, 2001 |
|---|---|---|---|---|---|
| Face Value of Equity Share (Rs. per share) | 10 | 10 | 10 | 10 | 10 |
| Interim Dividend on Equity Shares (In Rs. million) | NIL | NIL | NIL | 15 | NIL |
| Final Dividend on Equity Shares (In Rs. million) | 15 | 15 | NIL | NIL | 8.48 |
| Dividend Rate (%) | 15 | 15 | NIL | 15 | 15 |
| Dividend Distribution Tax (In Rs. million) | 1.96 | 1.92 | NIL | 1.53 | 0.8 |

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

# SECTION V: FINANCIAL STATEMENTS

## SUMMARY STATEMENTS OF ASSETS AND LIABILITIES AS AT AND PROFITS AND LOSSES FOR THE NINE MONTHS ENDED DECEMBER 31, 2005, AND DECEMBER 31, 2004 AND FOR THE YEARS ENDED MARCH 31, 2005, 2004, 2003, 2002 AND 2001 AND CASH FLOWS FOR THE NINE MONTHS ENDED DECEMBER 31, 2005 AND DECEMBER 31, 2004 AND FOR THE YEARS ENDED MARCH 31, 2005, 2004 AND 2003, AS RESTATED, OF UNITY INFRAPROJECTS LIMITED

### Auditors' report as required by Part II of Schedule II to the Companies Act, 1956

February 28, 2006

To
The Board of Directors,
Unity Infraprojects Ltd.
1252, Pushpanjali Apartments, Old Prabhadevi Road,
Prabhadevi, Mumbai – 400 025

Dear Sirs,

We have examined the financial information of Unity Infraprojects Ltd. annexed to this report, for the purposes of inclusion in the Red Herring Prospectus ('the RHP'), which has been prepared in accordance with the requirements of:

a. paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') issued by the Securities and Exchange Board of India ('SEBI') on January 19, 2000, as amended from time to time, in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992; and

c. the terms of reference received from the Company, requesting us to carry out work, proposed to be included in the RHP of the Company in connection with its proposed Public Issue.

The Public Issue will be for a fresh issue by the Company of 2,768,000 equity shares of Rs. 10 each, and an offer for sale of 657,000 equity shares of Rs 10 each at such premium, by way of book building process, as may be decided by the Board of Directors (referred to as 'the Issue). The Offer is being made through the 100 percent book-building scheme.

Financial information as per the audited financial statements

- We have examined the attached restated summary statement of assets and liabilities of the Company as at December 31st , 2005, December 31, 2004, March 31, 2005, 2004, 2003, 2002 and 2001, the attached restated summary statement of profits and losses for each of the period/years ended on those dates and the attached restated summary statement of cash flows for the nine months ended December 31, 2005 and December 31, 2004 and the years ended March 31, 2005, 2004 and 2003 ('summary statements') (see Annexures 1, 2 and 3) as prepared by the Company and approved by the Board of Directors. These profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes appearing in Annexure 4 to this report. The summary statements as at and for the nine months ended December 31st , 2005, and as at and for the years ended March 31, 2005, 2004, 2003, 2002 and 2001,are based on the financial statements for those period/years, which have been solely audited and reported upon by us as their statutory auditors. We have done a limited review as of and for nine months ended December 31st 2004. Based on our examination of these summary statements, we confirm that
- the impacts of changes in accounting policies adopted by the Company as at and for the nine months ended December 31st , 2005 have been adjusted with retrospective effect in the attached summary statements;
- the prior period items have been adjusted in the summary statements in the period/years to which they relate;
- there are no extraordinary items, which need to be disclosed separately in the summary statements and
- there are no qualifications in the auditors' reports, which require any adjustments to the summary statements.

2. The summary of significant accounting policies adopted by the Company pertaining to the audited financial statements as at and for the nine months ended December 31st, 2005 are enclosed as Annexure 5 to this report.

**Other financial information**

3. We have examined the following financial information of the Company proposed to be included in the RHP as approved by you and annexed to this report:
   i. Details of rates of dividend as enclosed in Annexure 6;
   ii. Accounting ratios based on the restated profits relating to earnings per share (basic and diluted), net asset value and return on net worth as enclosed in Annexure 7;
   iii. Details of other income, as appearing in Annexure 8;
   iv. Details of unsecured loans, as appearing in Annexure 9;
   v. Details of sundry debtors, as appearing in Annexure 10;
   vi. Details of secured loans, as appearing in Annexure 11;
   vii. Details of investments, as appearing in Annexure 12;
   viii. Details of loans and advances, as appearing in Annexure 13;
   ix. Details of current liabilities and provisions, as appearing in Annexure 14;
   x. Details of contingent liabilities, as appearing in Annexure 15;
   xi. Capitalisation statement as at nine months December 31st, 2005 as enclosed in Annexure 16;
   xii. Details of related party transactions, as appearing in Annexure 17;
   xiii. Segmental reporting, as appearing in Annexure 18;
   xiv. Statement of tax shelters as enclosed in Annexure 19; and
   xv. Statement of possible tax benefits available to the Company and its shareholders as enclosed in Annexure 20.
4. In our view, the 'Financial information as per the audited financial statements' and 'other financial information' mentioned above has been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.
5. This report should not be in any way construed as a reassurance or redrafting of any of the previous audit reports issued by us nor should this report be construed as a new opinion on any of the financial statements referred to herein.
6. This report is intended solely for your information and for inclusion in the RHP in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For C.B. CHHAJED & CO.**
*Chartered Accountants*

C.B. CHHAJED
Partner
Membership No. 9447

Place: Mumbai

Dated 28th February 2006.

## Annexure 1: Summary Statement of Assets and Liabilities, as restated

(Rs. in Millions)

| Particulars | | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March 31, | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | 2005 | 2004 | 2003 | 2002 | 2001 |
| **A** | **FIXED ASSETS** | | | | | | | |
| | Gross Block | 301.99 | 135.57 | 145.65 | 100.63 | 58.27 | 44.94 | 26.09 |
| | Less :- Depreciation | 67.21 | 36.52 | 41.56 | 24.76 | 14.41 | 8.02 | 2.83 |
| | Net Block | 234.78 | 99.06 | 104.09 | 75.87 | 43.86 | 36.92 | 23.27 |
| | | **234.78** | **99.06** | **104.09** | **75.87** | **43.86** | **36.92** | **23.27** |
| **B** | **CURRENT ASSETS, LOANS AND ADVANCES AND INVESTMENTS** | | | | | | | |
| | Inventories | 117.01 | 79.16 | 115.83 | 66.50 | 67.26 | 19.93 | 17.94 |
| | Sundry Debtors | 1,306.95 | 669.80 | 942.04 | 802.72 | 578.14 | 565.46 | 308.94 |
| | Cash and Bank Balances | 578.99 | 304.00 | 391.74 | 350.69 | 284.04 | 229.67 | 246.69 |
| | Loans and Advances | 655.20 | 272.71 | 488.27 | 395.97 | 351.96 | 329.41 | 95.15 |
| | Investments | 69.14 | 53.03 | 62.39 | 36.04 | 22.75 | 4.18 | 3.05 |
| | | **2,727.29** | **1,378.70** | **2,000.27** | **1,651.91** | **1,304.14** | **1,148.64** | **671.77** |
| **C** | **LIABILITIES AND PROVISIONS** | | | | | | | |
| | Secured Loans | 739.31 | 473.76 | 581.01 | 519.66 | 441.05 | 318.08 | 267.58 |
| | Unsecured Loans | 17.65 | 17.66 | 13.59 | 12.71 | 11.38 | 5.72 | 3.71 |
| | Current Liabilities and Provisions | 1,593.96 | 555.46 | 1,059.53 | 851.57 | 605.40 | 599.66 | 361.96 |
| | | **2,350.92** | **1,046.88** | **1,654.13** | **1,383.94** | **1,057.83** | **923.46** | **633.25** |
| **D** | **DEFERRED TAX LIABILITY** | **4.61** | **5.82** | **6.33** | **4.29** | **1.42** | **0.00** | **0.00** |
| **E** | **NET WORTH** | **606.55** | **425.05** | **443.90** | **339.55** | **288.74** | **262.10** | **61.78** |
| | **Represented by** | | | | | | | |
| | Share Capital | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 56.51 |
| | Reserves and Surplus | 507.09 | 325.27 | 344.11 | 239.81 | 189.04 | 162.44 | 5.66 |
| | Miscellaneous Expenditure (to the extent not written off or adjusted) | -0.54 | -0.21 | -0.21 | -0.26 | -0.30 | -0.34 | -0.38 |
| | **NET WORTH** | **606.55** | **425.05** | **443.90** | **339.55** | **288.74** | **262.10** | **61.78** |

**Note:**

The above statement should be read with the significant accounting policies appearing in Annexure-5 and Notes on adjustments for restated financial statements appearing in Annexure-4

As per our report of even date.

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

## Annexure 2: Summary Statement of Profits and Losses, as restated

(Rs. in Millions)

| Particulars | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March31, | | | | |
|---|---|---|---|---|---|---|---|
| | | | 2005 | 2004 | 2003 | 2002 | 2001 |
| **INCOME** | | | | | | | |
| **Operating Income** | | | | | | | |
| Contract Revenue | 2,224.75 | 1,959.73 | 2,652.97 | 2,009.18 | 891.76 | 771.50 | 477.83 |
| Share of Profit from joint Venture | 10.03 | 17.23 | 26.51 | 13.06 | 8.64 | 0.46 | 0.00 |
| **Total Operating Income** | **2,234.78** | **1,976.96** | **2,679.48** | **2,022.24** | **900.39** | **771.95** | **477.83** |
| Other Income | 14.66 | 19.88 | 26.60 | 24.14 | 25.33 | 22.58 | 16.60 |
| **Total Income (A)** | **2,249.44** | **1,996.84** | **2,706.08** | **2,046.38** | **925.72** | **794.53** | **494.44** |
| **EXPENDITURE** | | | | | | | |
| Raw Material Consumed | 644.03 | 511.85 | 699.68 | 348.82 | 281.08 | 142.64 | 98.20 |
| Sub contract charges | 869.28 | 834.71 | 1136.75 | 1278.92 | 403.80 | 469.28 | 296.34 |
| Labour Charges | 95.74 | 219.68 | 297.39 | 2.97 | 3.70 | 4.64 | 4.22 |
| Administrative Expenses | 327.62 | 247.09 | 340.58 | 204.71 | 149.98 | 87.44 | 57.64 |
| **Sub Total** | **1,936.67** | **1,813.32** | **2,474.39** | **1,835.41** | **838.56** | **704.00** | **456.40** |
| Add: Decrease/(Increase ) in WIP | (4.63) | (4.23) | (29.51) | 1.86 | (42.66) | (2.41) | (14.43) |
| **TOTAL (B)** | **1,932.04** | **1,809.09** | **2,444.88** | **1,837.27** | **795.90** | **701.59** | **441.97** |
| **EBIDTA (A) - (B)** | 317.39 | 187.75 | 261.19 | 209.12 | 129.82 | 92.95 | 52.47 |
| Depreciation | 25.65 | 11.76 | 16.81 | 10.83 | 8.03 | 5.25 | 2.83 |
| Finance Charges | 85.19 | 49.42 | 68.64 | 76.34 | 66.76 | 49.60 | 25.35 |
| Preliminary expenses written off | 0.03 | 0.03 | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 |
| **PROFIT BEFORE TAX** | **206.53** | **126.54** | **175.71** | **121.91** | **54.98** | **38.06** | **24.25** |
| Restated Provision for tax | 43.27 | 41.08 | 57.05 | 54.04 | 27.06 | 16.35 | 9.06 |
| **RESTATED PROFIT AFTER TAX** | 163.26 | 85.46 | 118.66 | 67.87 | 27.92 | 21.71 | 15.19 |
| **Profit and Loss account, beginning of the year** | 164.09 | 70.08 | 72.39 | 28.94 | 1.02 | 0.84 | 0.00 |
| **Balance available for appropriations, as restated** | **327.35** | **155.54** | **191.05** | **96.81** | **28.94** | **22.55** | **15.19** |
| **APPROPRIATIONS:** | | | | | | | |
| Transfer to General reserve | - | - | (10.00) | (7.50) | - | (5.00) | (5.00) |
| Dividend | - | - | (15.00) | (15.00) | - | (15.00) | (8.48) |
| Tax on dividend | - | - | (1.96) | (1.92) | - | (1.53) | (0.87) |
| **Balance carried forward, as restated** | **327.35** | **155.54** | **164.09** | **72.39** | **28.94** | **1.02** | **0.84** |

## Annexure 2 : Summary Statement of Profits and Losses, as restated (Contd.)

**(Rs. in Millions)**

| Particulars | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March31, | | | | |
|---|---|---|---|---|---|---|---|
| | | | 2005 | 2004 | 2003 | 2002 | 2001 |
| **Adjustments** | | | | | | | |
| | | | | | 1.60 | | |
| **Taxes of earlier years** | 0.28 | - | (2.59) | 0.18 | (0.28) | 0.62 | 0.19 |
| **Total of adjustments after tax impact** | 0.28 | - | (2.59) | 0.18 | 1.32 | 0.62 | 0.19 |

**Notes:**

The above statement should be read with the significant accounting policies appearing in Annexure 5 and Notes on adjustments for restated financial statements appearing in Annexure-4.

As per our report of even date

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

## Annexure 3: Summary Statement of Cash Flows, as restated

**(Rs. in Millions)**

| **Particulars** | **Nine months ended December 31, 2005** | **Nine months ended December 31, 2004** | **Years ended March 31,** | | |
|---|---|---|---|---|---|
| | | | **2005** | **2004** | **2003** |
| **Cash Flows From Operating Activities** | | | | | |
| **Net profit before taxation, and extraordinary items** | **206.53** | **126.54** | **175.71** | **121.91** | **54.98** |
| Adjustment for: | | | | | |
| Depreciation | 25.65 | 11.76 | 16.81 | 10.83 | 8.03 |
| Preliminary expenses written off | 0.03 | 0.04 | 0.04 | 0.04 | 0.04 |
| Foreign exchange loss | | | - | - | - |
| Interest income | (11.46) | (17.20) | (23.03) | (22.68) | (22.91) |
| Dividend income | | | - | - | - |
| Other income | (3.20) | (2.67) | (3.57) | (1.46) | (2.42) |
| Income tax | - | | 2.60 | 12.85 | 10.96 |
| Interest expenses | 85.19 | 49.42 | 68.64 | 76.34 | 66.76 |
| **Operating profit before working capital changes** | **302.74** | **167.88** | **237.20** | **197.83** | **115.45** |
| (Increase)/Decrease in Sundry debtors | (364.91) | 132.92 | (139.32) | (224.58) | (12.68) |
| (Increase)/Decrease in Inventories | (1.18) | (12.66) | (49.33) | 0.76 | (47.33) |
| (Increase)/Decrease in Other current assets | 0.54 | (25.06) | (38.06) | (12.22) | 21.86 |
| (Increase)/Decrease in Loans and advances | (115.62) | (98.20) | (54.24) | (31.79) | (44.42) |
| Increase/(Decrease) in Current liabilities | 506.39 | (318.74) | 207.42 | 212.95 | (10.26) |
| **Cash generated from operations** | **327.96** | **92.67** | **163.66** | **142.94** | **22.62** |
| Income tax paid | (54.10) | (1.92) | (56.42) | (38.57) | (23.89) |
| **Net Cash from operating activities (A)** | **273.86** | **90.75** | **107.24** | **104.37** | **(1.27)** |
| **Cash Flow From Investing Activities** | | | | | |
| Purchase of Fixed assets | (156.34) | (34.94) | (45.02) | (38.07) | (17.29) |
| Sale of Fixed assets | - | - | | 0.89 | 4.29 |
| Increase in investments | (6.75) | (16.99) | (26.35) | (13.29) | (18.58) |
| Increase in Miscellaneous expenditure | (0.36) | - | | | |
| Interest received | 11.46 | 17.20 | 23.03 | 22.68 | 22.91 |
| Dividend received | | | - | - | - |
| Other income | 3.20 | 2.67 | 3.57 | 1.46 | 2.42 |
| **Net cash from investing activities (B)** | **(148.79)** | **(32.05)** | **(44.78)** | **(26.33)** | **(6.25)** |

(Rs. in Millions)

| Particulars | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March 31, | | |
|---|---|---|---|---|---|
| | | | 2005 | 2004 | 2003 |
| Net increase in Long term borrowings | 162.37 | (40.95) | 62.23 | 79.94 | 128.64 |
| Interest paid | (85.19) | (49.42) | (68.64) | (76.34) | (66.76) |
| Dividend paid | (15.00) | (15.00) | (15.00) | (15.00) | - |
| **Net cash used in financial activities (C)** | **62.18** | **(105.37)** | **(21.41)** | **(11.40)** | **61.88** |
| **Cash Flow From Financing Activities** | | | | | |
| Proceeds from issuance of Share capital | | | - | - | - |
| **Net increase in cash and cash equivalents** | **187.25** | **(46.67)** | **41.05** | **66.65** | **54.36** |
| **Cash and cash equivalents at beginning of period** | **391.74** | **350.68** | **350.68** | **284.04** | **229.68** |
| **Cash and cash equivalents at the end of period** | **578.99** | **304.00** | **391.74** | **350.68** | **284.04** |

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

# Annexure 4: Notes on adjustments for restated financial statements

## A. Adjustments resulting from changes in the Accounting policies

**1. Deferred Taxes**

The Company has adopted Accounting Standard (AS) – 22, "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India ('the ICAI') for the first time in preparation of the financial statements for the year ended March 31, 2003. Accordingly, for the purpose of this statement, the deferred tax asset/liability has been recognized in the respective years of origination with a corresponding effect to the summary statement of profits and losses, as restated, with a corresponding adjustment to general reserve as at March 31, 2003. Further opening balance in General Reserve account as at April 1, 2000 has been adjusted for the effect of prior years.

**2. Gratuity**

During the 9 months ended December 31, 2005, the Company has adopted its accounting policy to accrue gratuity liability on Management Certification basis in accordance with Accounting Standard – 15 "Accounting for Retirement Benefits in the Financial Statements of Employers" , since the Gratuity liability accrued , as the eligible employees completed a minimum criteria of five years , during the aforesaid period.

## B. Other adjustments

**3. Taxes of earlier years**

During the financial years ended 31st March 2001 to 2005, as well during the 9 months period ended 31st December, 2005 Company has accounted for the Short Provision for Taxation of earlier years, on the basis of completion of the same and the same are correspondingly reflected in the respective profits as restated.

**4.** The company has not identified any small scale undertaking in the list of creditors.

**Notes:**

The above statement should be read with the significant accounting policies appearing in Annexure 5.

As per our report of even date

| | |
|---|---|
| **For C. B. CHHAJED & CO.**<br>Chartered Accountants | **For Unity Infraprojects Limited** |
| C. B. Chhajed<br>Partner<br>Membership No. 9447<br>Place: Mumbai<br>Date: February 28, 2006 | Chairman & Managing Director<br><br><br>Place: Mumbai<br>Date: February 28, 2006 |

## Annexure 5: Significant Accounting Policies

***1) BASIS OF ACCOUNTING :***

The Company follows the mercantile system of accounting and recognised income and expenditure on an accrual basis.

The financial statements have been prepared under the historical cost convention and on the basis of going concern.

The share of profit in the joint venture is recognized as income.

***2) RECOGNITION OF REVENUE AND EXPENDITURE:***

a) Incomes from construction contract are recognized on the basis of work certified.

b) All other income and expenditure are recognized and accounted on accrual basis.

c) Insurance claims are accounted for on cash basis.

d) Bonus to employees is accounted for on cash basis.

***3) EMPLOYEE BENEFITS:***

Provision for gratuity liability to eligible employees is as certified by the management and accounted for during, the accounting period in which the same accrues. The Company's contribution to the Recognized Employees Provident Fund is charged to Profit and Loss Account on accrual basis.

***4) FIXED ASSETS:***

All Fixed Assets are stated at cost of acquisition or construction less depreciation and the depreciation has been provided on Written down Value at the rates mentioned in Schedule XIV of the Companies Act, 1956.

***5) DEPRECIATION:***

Depreciation is provided for all assets at the rates specified in Schedule XIV of the Companies Act, 1956.

***6) INVESTMENTS:***

Investments are stated at cost.

***7) INVENTORY:***

Construction Materials are valued at lower of cost or net realizable value. Work-in-Progress on construction contracts reflects value of material inputs and expenses including appropriate overheads incurred on such contracts.

***8) TAXES ON INCOME :***

Current tax is determined on the amount of tax payable in respect of taxable income for the period. The deferred tax charge or credit is recognized using current tax rates. Where there is unabsorbed depreciation or carry forward losses, deferred tax assets are recognized only if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised only to the extent there is reasonable certainty of realisation in future.

**Notes:**

1. The figures disclosed above are based on the restated financial statements of Unity Infraprojects Limited.

As per our report of even date

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

## Annexure 6: Details of rates of dividend

(Rs. in Millions)

| Particulars | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March 31, | | | | |
|---|---|---|---|---|---|---|---|
| | | | 2005 | 2004 | 2003 | 2002 | 2001 |
| **Equity Share Capital** | 100 | 100 | 100 | 100 | 100 | 100 | 56.50 |
| **Interim Dividend Amount** | - | - | - | - | - | 15 | - |
| **Final Dividend Amount** | - | - | 15 | 15 | - | - | 8.47 |
| **Dividend (%)** | - | - | 15 | 15 | - | 15 | 15 |

**Notes:**

1. The figures disclosed above are based on the restated financial statements of Unity Infraprojects Limited.

As per our report of even date

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

## Annexure 7: Accounting Ratios

**(Rs. in Millions)**

| Particulars | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March 31, 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|
| Basic Earnings per share (Rs.) | 16.33 | 8.55 | 11.87 | 6.79 | 2.79 | 2.17 | 2.69 |
| Return on Net Worth (%) | 26.92 | 19.87 | 26.73 | 19.99 | 9.67 | 8.28 | 24.59 |
| Net asset value per equity share (Rs.) | 60.66 | 42.50 | 44.39 | 33.96 | 28.87 | 26.21 | 10.93 |
| Total number of equity shares outstanding at the end of each period | 10 | 10 | 10 | 10 | 10 | 10 | 5.65 |

**Notes:**

1. The ratios have been computed as under:

$$\text{Basic Earnings per share (Rs.)} = \frac{\text{Net profit after tax, as restated, attributable to equity shareholder}}{\text{Weighted average number of equity shares outstanding during the period}}$$

$$\text{Return on Net Worth (\%)} = \frac{\text{Net profit after tax, as restated}}{\text{Net worth, as restated, at the end of the period}}$$

$$\text{Net asset value per equity share (Rs.)} = \frac{\text{Net worth, as restated, at the end of the period}}{\text{Number of equity shares outstanding at the end of the period}}$$

As per our report of even date

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

## Annexure: 8 Details of Other Income

(Rs. in Millions)

| Particulars | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March 31, 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|
| Other income as restated | 14.66 | 19.87 | 26.60 | 24.14 | 25.35 | 22.58 | 16.60 |
| Profit before tax, as restated | 206.53 | 126.54 | 175.7 | 121.9 | 54.98 | 38.06 | 24.25 |
| Percentage of Profit | 7.10% | 15.70% | 15.14% | 19.80% | 46.11% | 59.33% | 68.45% |

(Rs. in Millions)

| Particulars | Nature | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March 31, 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|---|
| **Other income:** | | | | | | | | |
| Interest Income on bank deposits | Recurring | 11.46 | 17.20 | 23.03 | 22.68 | 22.91 | 20.36 | 16.60 |
| Miscellaneous Income | Non-recurring | 3.20 | 2.67 | 3.57 | 1.46 | 2.42 | 2.22 | - |
| **Total** | | **14.66** | **19.87** | **26.60** | **24.14** | **25.33** | **22.58** | **16.60** |

**Notes:**

1. Profit before tax has been computed based on the audited profit before tax for the respective periods, increased / (decreased) for the impact of total adjustments.
2. The figures disclosed above are based on the restated financial statements of Unity Infraprojects Ltd.

As per our report of even date

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

## Annexure 9: Details of Unsecured Loans

**(Rs. in Millions)**

| Particulars | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March 31, | | | | |
|---|---|---|---|---|---|---|---|
| | | | 2005 | 2004 | 2003 | 2002 | 2001 |
| **Loans from directors** | | | | | | | |
| Kishore K. Avarsekar | 11.93 | 9.25 | 8.64 | 4.78 | 4.08 | 2.57 | 0.18 |
| Pushpa K. Avarsekar | 0.45 | 0.02 | 0.01 | 0.47 | 0.04 | 0.16 | 1.92 |
| Abhijit K. Avarsekar | 2.43 | 3.30 | 2.19 | 2.54 | 2.34 | 0.63 | - |
| Ashish K. Avarsekar | 2.84 | 3.48 | 2.75 | 3.32 | 3.32 | 0.76 | - |
| Loan from others | 0 | 1.60 | 0 | 1.60 | 1.60 | 1.60 | 1.60 |
| **Total** | **17.65** | **17.66** | **13.59** | **12.71** | **11.38** | **5.72** | **3.70** |

**Notes:**

1. The figures disclosed above are based on the restated financial statements of Unity Infraprojects Ltd.
2. Loan from directors & others are interest free loans & are payable on demand.

As per our report of even date

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

## Annexure 10: Details of Sundry Debtors

(Rs. in Millions)

| Particulars | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March 31, 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|
| **a)** Debts outstanding for a period exceeding six months | | | | | | | |
| Unsecured , considered good | 637.88 | 396.82 | 298.31 | 361.91 | 272.4 | 213.81 | 135.87 |
| **b)** Other Debts | | | | | | | |
| Unsecured , considered good | 669.07 | 272.98 | 643.73 | 440.81 | 305.74 | 351.65 | 173.07 |
| **Total** | **1,306.95** | **669.80** | **942.04** | **802.72** | **578.14** | **565.46** | **308.94** |

### Group Company Trade Debtors

(Rs. in Millions)

| Particulars | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March 31, 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|
| Avarsekar & Kejriwal Construction Pvt. Ltd. | 43.35 | 24.56 | 47.84 | 67.55 | 56.78 | 74.16 | 48.58 |
| Avarsekar & Sons Pvt Ltd. | 107.16 | 70.06 | 107.65 | 13.58 | 16.24 | 31.11 | 33.07 |
| Avarsekar Developers. | - | 33.34 | 33.34 | 33.29 | 33.08 | 32.43 | 2.50 |
| Pathare Construction & Investment Pvt. Ltd. | 186.54 | 93.61 | 132.19 | 111.98 | 69.76 | 71.02 | 31.43 |
| Tirupati Resorts Pvt Ltd. | - | - | - | 4.28 | 4.28 | 4.28 | - |
| Unity Asian (W) Construction Co. | - | - | - | 29.13 | 45.16 | 44.11 | - |
| Mahalsa Enterprises | - | - | - | 13.07 | 12.94 | 19.74 | - |
| **TOTAL** | **337.05** | **221.57** | **321.02** | **272.88** | **238.24** | **276.85** | **115.58** |

**Notes:**

1. The figures disclosed above are based on the restated financial statements of Unity Infraprojects Ltd.

As per our report of even date

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

## Annexure 11: Details of secured loans

**(Rs. in Millions)**

| Particulars | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March 31, 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|
| Term Loan | 208.00 | 18.00 | 12.50 | 71.00 | 146.00 | - | - |
| Vehicle Loan | 11.90 | 6.26 | 7.57 | 11.07 | 4.87 | 4.52 | 2.38 |
| Equipment Loan | 107.99 | 26.70 | 26.68 | 17.84 | 6.14 | 9.50 | - |
| Working Capital Loan | 411.42 | 422.80 | 534.26 | 419.75 | 284.04 | 304.06 | 265.20 |
| **Total** | **739.31** | **473.76** | **581.01** | **519.66** | **441.05** | **318.08** | **267.58** |

**Notes:**

1. The figures disclosed above are based on the restated financial statements of Unity Infraprojects Limited

As per our report of even date

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

## Annexure 12: Details of Investments

(Rs. in Millions)

| Particulars | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March 31, 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|
| ***Quoted (At Cost)*** | | | | | | | |
| *Shares of United Western Bank Ltd. of Rs 10 each* (No. of Equity Shares : 62,500) | - | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 | 2.50 |
| *Shares of UCO Bank of Rs 10 each* (No. of Equity Shares : 1,900) | 0.02 | 0.02 | 0.02 | 0.02 | 0.00 | 0.00 | 0.00 |
| ***Unquoted*** | | | | | | | |
| *Shares of Abhyudaya Co-operative Bank Ltd of Rs 10 each* (No. of Equity Shares) | 0.55 (54,945) | 0.55 (54,945) | 0.55 (54,945) | 0.55 (9,925) | 0.10 (9,925) | 0.10 (9,925) | 0.05 (4,945) |
| Shares of Naka Footwear Ltd. of Rs 10 each (No. of Equity Shares) | - | 0.50 (50,000) | 0.50 (50,000) | 0.50 (50,000) | 0.50 (50,000) | 0.50 (50,000) | 0.50 (50,000) |
| *Shares of Aquarius Farms Ltd. of Rs 10 each* (No. of Equity Shares) | - | 0.12 (12,000) | 0.12 (12,000) | 0.12 (12,000) | 0.12 (12,000) | - | - |
| *Kisan Vikas Patra* | - | - | - | - | - | 0.50 | 0.00 |
| *National Saving Certificate* | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | - | - |
| *Interest Accrued on NSC* | 0.23 | 0.14 | 0.23 | 0.14 | 0.07 | - | - |
| *NCB Bond of United Western Bank Ltd.* | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | - | - |
| *Capital Account in Joint Venture* | 57.59 | 38.45 | 47.72 | 21.47 | 8.71 | 0.58 | - |
| ***Total*** | **69.14** | **53.03** | **62.39** | **36.05** | **22.75** | **4.18** | **3.05** |

**Notes:**

1. The figures disclosed above are based on the restated financial statements of Unity Infraprojects Limited.

The aggregate market value of the quoted investments as on May 5, 2006 is Rs. 0.05 million. (This statement is not a part of the Auditors' Report. However, it has been separately certified by the Auditors).

As per our report of even date

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

## Annexure 13: Details of loans and advances

(Rs. in Millions)

| Particulars | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March 31, 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|
| Advances to Contractors, Suppliers & Staff | 243.65 | 35.11 | 152.46 | 93.95 | 64.42 | 27.06 | 20.45 |
| Advances tax and tax deducted at sources | 127.94 | 20.90 | 51.65 | 55.92 | 53.66 | 46.60 | 35.07 |
| **Total** | **371.58** | **56.01** | **204.12** | **149.87** | **118.08** | **73.66** | **55.52** |
| **Deposits** | 283.61 | 216.70 | 284.15 | 246.09 | 233.87 | 255.74 | 39.62 |

### Advances to Group Companies

(Rs. in Millions)

| Particulars | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March 31, 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|
| Aishwarya Projects Limited | 0.06 | 0.05 | 0.05 | 0.05 | 0.02 | - | - |
| Krishnangi Fabrics Pvt Ltd | 0.13 | 0.28 | 0.28 | 0.27 | 0.02 | 0.52 | 0.52 |
| Debashish Construction Pvt. Ltd | 0.01 | 0.01 | 0.01 | - | - | - | - |
| Tirupati Hotel | - | - | - | 0.50 | 0.50 | 0.50 | 0.50 |
| Ved PMC Limited | 2.53 | 2.50 | 2.50 | 1.53 | - | - | - |
| Unity Construction Company | - | - | 1.21 | 2.08 | 2.08 | 2.08 | 1.60 |
| **Total** | **2.73** | **2.84** | **4.05** | **4.43** | **2.62** | **3.10** | **2.62** |

### Deposits With Group Company

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Avarsekar and Sons Pvt. Ltd. | 212.00 | 212.00 | 212.00 | 216.00 | 216.00 | 216.00 | 16.00 |

**Notes:**

1. The figures disclosed above are based on the restated financial statements of Unity Infraprojects Limited.

As per our report of even date

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

## Annexure 14: Details of current liabilities and provisions:

(Rs. in Millions)

| Particulars | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March 31, | | | | |
|---|---|---|---|---|---|---|---|
| | | | 2005 | 2004 | 2003 | 2002 | 2001 |
| **Current Liabilities** | | | | | | | |
| Sundry Creditors - Materials | 273.45 | 69.57 | 148.91 | 86.49 | 76.69 | 59.33 | 34.45 |
| Sundry Creditors - Contractors | 499.89 | 140.69 | 298.17 | 267.76 | 236.57 | 342.51 | 231.18 |
| Sundry Creditors - Sundry Suppliers | 54.38 | 21.59 | 51.85 | 21.61 | 8.74 | 5.17 | 2.54 |
| Sundry Creditors - Expenses | 17.12 | 8.93 | 29.31 | 13.38 | 7.59 | 8.19 | 4.28 |
| Sundry Advances | 649.12 | 220.64 | 459.32 | 390.91 | 237.61 | 162.27 | 70.97 |
| **Provisions** | | | | | | | |
| Proposed Dividend | - | - | 15.00 | 15.00 | - | - | 8.48 |
| Corporate Dividend Tax | - | - | 1.96 | 1.92 | - | - | 0.86 |
| Provision for Tax | 100.00 | 94.05 | 55.00 | 54.50 | 38.20 | 22.20 | 9.20 |
| **Total** | **1,593.96** | **555.46** | **1,059.53** | **851.57** | **605.40** | **599.67** | **361.96** |

### Sundry Creditors - Group Companies

(Rs. in Millions)

| Particulars | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March 31, | | | | |
|---|---|---|---|---|---|---|---|
| | | | 2005 | 2004 | 2003 | 2002 | 2001 |
| Avarsekar and Sons Pvt. Ltd. | 6.38 | - | 7.35 | - | - | - | - |
| Kairavi Agencies Pvt Limited | 3.12 | 1.66 | 1.84 | 1.65 | 1.18 | 1.00 | - |
| Unity Construction Company | 1.24 | 2.08 | - | - | - | - | - |
| Ved PMC Limited | 3.52 | 0.72 | 1.10 | - | 2.18 | 1.10 | 0.57 |
| **Total** | **14.26** | **4.46** | **10.29** | **1.65** | **3.36** | **2.10** | **0.57** |

**Notes:**

1. The figures disclosed above are based on the restated financial statements of Unity Infraprojects Limited.

As per our report of even date

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

## Annexure 15: Details of Contingent Liabilities

The contingent liabilities includes the guarantee given by the companies bankers which were outstanding as on respective dates and letter of credit issued by bank in favour of various parties

**(Rs. in Millions)**

| Particulars | Nine months ended December 31, 2005 | Nine months ended December 31, 2004 | Years ended March 31, | | | | |
|---|---|---|---|---|---|---|---|
| | | | 2005 | 2004 | 2003 | 2002 | 2001 |
| Bank Guarantees and Letters of Credit Issued | 1,634.18 | 970.88 | 1,138.09 | 766.95 | 567.06 | 475.50 | 230.60 |
| **Total** | **1,634.18** | **970.88** | **1,138.09** | **766.95** | **567.06** | **475.50** | **230.60** |

**Notes:**

1. The figures disclosed above are based on the restated financial statements of Unity Infraprojects Limited.

As per our report of even date

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

## Annexure 16: Capitalisation statement as at December 31, 2005

**(Rs. in Millions)**

| Borrowings | Pre Issue | Post Issue |
|---|---|---|
| Long term debts | 171.23 | [•] |
| Short term debts | **585.73** | [•] |
| **Total debts** | **756.96** | [•] |
| **Shareholders' funds** | | |
| - Share Capital | 100.00 | [•] |
| - Reserves and surplus | 507.09 | [•] |
| Preliminary Expenses not written off | (0.54) | [•] |
| **Total Shareholders' funds** | **606.55** | [•] |
| **Total capitalization** | 1,363.51 | [•] |
| Long term debt/equity ratio | 0.28 : 1 | [•] |

* Share capital and reserves and surplus post issue can be calculated only on the conclusion of the book building process.

**Notes:**

1. Long term debts include current portion of long term debt repayable over the next twelve months.
2. The figures disclosed above are based on the restated financial statements of Unity Infraprojects Limited.

As per our report of even date

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

# Annexure 17: Details of related party transactions

## Disclosure of Transactions with Related Parties as required by the Accounting Standard- 18

(Rs. in million)

| Name of related party and Nature of relationship | Nature of transaction | As at December 31, 2005 | As at December 31, 2004 | Year ended March 31, 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|---|---|
| Associates & Group Companies : | | | | | | | |
| **Ved PMC Ltd** | Purchase-Concrete Blocks by UIL | 2.45 | 0.02 | 0.40 | 0.70 | 3.27 | 3.02 |
| **Kairavi Agencies Pvt. Ltd.** | Transport Charges paid by UIL | 1.31 | 0.01 | 0.19 | 0.22 | 0.99 | 0.52 |
| **Avarsekar & Sons Pvt. Ltd.** | Rent paid by UIL | - | - | 0.60 | 0.60 | 0.60 | 0.60 |
| | Receipts against work done by UIL | - | - | 1.89 | 5.00 | 18.42 | - |
| | Labour Charges paid by UIL | 42.88 | - | 25.61 | - | - | - |
| | Purchase-Raw Material by UIL | 6.38 | - | 9.80 | - | - | - |
| | Dividend paid by UIL | 6.52 | 6.52 | 6.52 | - | - | 6.52 |
| | Property Development paid by UIL | - | - | - | - | - | 200.00 |
| **Avarsekar & Kejriwal Const. Pvt. Ltd.** | Contract received by UIL | 4.49 | - | 38.41 | 60.00 | 10.64 | 30.13 |
| **Pathare Construction & Invt. Pvt. Ltd.** | Contract received by UIL | 45.94 | - | 71.17 | 15.00 | 7.92 | 39.58 |
| **Debashish Construction Pvt. Ltd.** | Advance paid by UIL | - | - | - | - | - | - |
| **Krishnangi Fabrics Pvt. Ltd.** | Adv Refund to UIL | 0.14 | - | - | - | - | - |
| **Aishwarya Projects Pvt. Ltd.** | Advance paid by UIL | 0.01 | - | - | - | - | - |
| **Unity Concepts India Pvt. Ltd.** | Advance paid by UIL | 0.01 | - | - | - | - | - |
| **Unity Construction Co.** | Advance received by UIL | - | - | 0.87 | - | - | - |
| | Purchase-Raw Material by UIL | 17.29 | - | - | - | - | - |
| | Labour Charges paid by UIL | 6.29 | - | - | - | - | - |
| **L.P. Builders** | Contract received by UIL | 0.04 | - | - | - | - | - |
| **Unity Asian (W) Construction Co.** | Advance paid by UIL | 0.71 | - | - | - | - | 41.88 |
| **Avarsekar Developers** | Adv Refund to UIL | 1.09 | - | - | - | - | 30.32 |

(Rs. in million)

| Name of related party and Nature of relationship | Nature of transaction | As at December 31, 2005 | As at December 31, 2004 | Year ended March 31, | | | |
|---|---|---|---|---|---|---|---|
| | | | | 2005 | 2004 | 2003 | 2002 |
| **Joint Ventures** | | | | | | | |
| **Unity-Patel Joint Venture** | Contract received by UIL | 292.22 | 305.36 | 478.37 | 144.91 | - | - |
| | Expense Recovery by UIL | - | - | 82.38 | 31.44 | - | - |
| | Share of Profit received by UIL | 6.68 | - | 13.66 | 2.31 | | |
| **Unity-Chopra Joint Venture** | Contract received by UIL | 48.86 | 99.45 | 125.60 | 42.16 | - | - |
| | Expense Recovery by UIL | - | - | 3.89 | 12.66 | - | - |
| | Current a/c | 0.05 | - | - | - | - | - |
| | Share of Profit received by UIL | 1.47 | - | 4.38 | 0.88 | - | - |
| **Backbone Unity Joint Venture** | Contract received by UIL | 43.08 | - | 65.30 | 143.00 | 16.66 | - |
| | Hiring Receipts by UIL | - | - | 0.45 | 0.60 | 0.80 | - |
| | Share of Profit received by UIL | 1.19 | - | 1.67 | 5.08 | - | - |
| **Thakur-Mhatre Unity Joint Venture** | Contract received by UIL | 6.77 | 97.17 | 186.86 | 152.82 | 136.82 | 91.51 |
| | Hiring Receipts by UIL | 0.07 | - | 0.54 | 0.54 | 0.41 | - |
| | Share of Profit received by UIL | - | - | 5.69 | 3.71 | - | 0.46 |
| **SMC-Unity Joint Venture** | Share of Profit received by UIL | - | - | 0.16 | 0.24 | - | - |
| **Unity Pratibha Multimedia Joint Venture** | Share of Profit received by UIL | - | - | 0.94 | 0.85 | - | - |
| **Key Management Personnel & Relatives :** | | | | | | | |
| **Mr.Kishore K.Avarsekar - Chairman Managing Director** | Remuneration paid by UIL | 3.30 | 1.95 | 3.23 | 0.60 | 0.60 | 0.60 |
| | Loan Received by UIL | 4.94 | 4.48 | 4.48 | 0.70 | 1.69 | - |
| | Dividend paid by UIL | 4.96 | 4.96 | 4.96 | - | - | 9.92 |

(Rs. in million)

| Name of related party and Nature of relationship | Nature of transaction | As at December 31, 2005 | As at December 31, 2004 | Year ended March 31, | | | |
|---|---|---|---|---|---|---|---|
| | | | | 2005 | 2004 | 2003 | 2002 |
| **Mr.Ashish K. Avarsekar - Director** | Remuneration paid by UIL | 0.60 | 0.29 | 0.48 | 0.12 | 0.12 | 0.12 |
| | Loan received by UIL | 0.63 | 0.17 | 0.73 | - | 2.83 | - |
| | Rent paid by UIL | 0.05 | - | 0.06 | 0.06 | 0.06 | 0.06 |
| | Dividend paid by UIL | 0.63 | 0.63 | 0.63 | - | - | 1.26 |
| **Mr.Abhijit K. Avarsekar - Vice Chairman & Managing Director** | Remuneration paid by UIL | 0.75 | 0.29 | 0.48 | 0.12 | 0.12 | 0.12 |
| | Loan received by UIL | 0.76 | 0.77 | 0.77 | 0.20 | 1.67 | - |
| | Rent paid by UIL | 0.05 | - | 0.06 | 0.06 | 0.06 | 0.06 |
| | Dividend paid by UIL | 0.76 | 0.76 | 0.76 | - | - | 1.53 |
| **Mrs. Pushpa K. Avarsekar - Director** | Remuneration paid by UIL | 1.05 | 0.90 | 1.20 | 1.20 | 0.36 | 0.36 |
| | Loan received by UIL | 2.10 | - | 0.48 | 0.45 | - | - |
| | Dividend paid by UIL | 2.12 | 2.12 | 2.12 | - | - | 4.25 |
| **Mr.Anil K. Avarsekar** | Salary paid by UIL | 0.31 | 0.23 | 0.30 | 0.30 | 0.30 | 0.19 |
| **Mrs.Suvarna A. Avarsekar** | Salary paid by UIL | 0.02 | 0.02 | 0.03 | 0.03 | 0.03 | 0.03 |
| **Ackurate Couriers** | Courier Charges paid by UIL | 0.07 | 0.03 | 0.05 | - | - | - |
| **Invents Media and Communication Pvt. Ltd.** | | - | - | 0.54 | - | - | - |
| **Krystal Tradecom Pvt. Ltd.** | Labour Supply / Security Charges paid by UIL | 62.57 | 15.74 | 27.18 | 8.46 | 3.87 | - |
| **Krish Interiors Developers** | Labour Charges paid by UIL | 17.14 | 5.14 | 11.13 | - | - | - |
| **Krystal Modular Systems** | Labour Charges paid by UIL | 0.27 | - | - | 1.98 | - | - |
| | Purchase of Fixed Assets by UIL | 5.75 | 0.05 | 4.93 | 0.16 | - | - |

As per our report of even date

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

# Annexure 18 – Segmental Reporting

## Segment Information

Segmental information is required to be disclosed as per the Accounting Standard (AS) 17 – "Segment Reporting" issued by the Institute of Chartered Accountants of India. AS 17 is applicable to the Company effective from the year ended March 31, 2005. Accordingly, the disclosures as prescribed by AS 17 have been made prospectively from the year ended March 31, 2005.

Based on the analysis of the Company's internal organization and management structure the management of the Company has classified its business activities as "construction income" segment. No separate financial information is provided since the Company has only one reportable segment.

As per our report of even date

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

## Annexure 19 - Statement of Tax Shelters

**(Rs. in Millions)**

| Particulars | | Years ended March 31, | | | | |
|---|---|---|---|---|---|---|
| | | 2005 | 2004 | 2003 | 2002 | 2001 |
| **Profit before Tax as per audited Accounts** | **(A)** | **175.71** | **121.91** | **54.98** | **38.06** | **24.25** |
| Tax Rate | | 36.60% | 35.88% | 36.75% | 35.70% | 39.55% |
| Tax on actual rate on profits | | 64.31 | 43.74 | 20.21 | 13.59 | 9.59 |
| **Permanent differences** | | | | | | |
| (Profit) / Loss on Sale of Assets (Different treatment in tax) | | (0.03) | (0.41) | 0.06 | 0.08 | 0.00 |
| Other Adjustments | | 9.65 | 5.94 | 3.44 | 0.49 | 0.41 |
| **Tax Burden / (Saving) thereon** | **(B)** | **9.62** | **5.53** | **3.50** | **0.57** | **0.41** |
| **Tax as per Income Tax return** | | **54.69** | **38.21** | **16.71** | **13.02** | **9.18** |

**Notes:**

1. The aforesaid Statement of Tax Shelters has been prepared as per the Summary statement of Profits and Losses, as restated, of Unity Infraprojects Limited.

As per our report of even date

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

## Annexure 20- Statement of Possible Tax Benefits available to the Company and its Shareholders.

### STATEMENT OF POSSIBLE TAX BENEFITS

We hereby confirm that the information provided below states the possible tax benefits available to Unity Infraprojects Ltd. and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Company may or may not choose to. The benefits discussed below are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

Our confirmation is based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of the current tax laws. We do not express any opinion or provide any assurance as to whether: The Company or its shareholders will continue to obtain these benefits in future; or the conditions prescribed for availing the benefits, where applicable have been/ would be met.

As per our report of even date

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

# STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

## (A) Benefits to the Company Under Income-Tax Act, 1961 ('the Act'):

1. Under section 10(23G) of the Act, the Company will be eligible to claim exemption on any income by way of dividends (other than dividends exempt under section 10(34) of the Act), interest or long-term capital gains from investments made by way of shares in specified power companies referred to in sub-section (4) of section 80IA of the Act and This satisfies the prescribed conditions.
2. Under section 10(34) of the Act, any income by way of dividends referred to in section 115 O (i.e. dividends declared, distributed or paid on or after April 1st, 2003 by domestic companies) received on the shares of any company is exempt from tax.
3. Under section 10(35) of the Act, any income received from units of a Mutual Fund specified under section 10(23D) of the Act, is exempt from tax.
4. Under section 10(38) of the Act, any long-term capital gains arising to a shareholder from transfer of long-term capital asset, being equity shares in a company or a unit of an equity oriented fund (i.e. if the shares or units are held for more than twelve months) would not be liable to tax in the hands of the shareholder, if the following conditions are satisfied:
   a) The transaction of sale of such equity share or unit is entered into on or after 1st October, 2004:
   b) The transaction is chargeable to securities transaction tax.
5. Under section 48 of the Act, if the investments in shares are sold after being held for not less than twelve months, the gains, if any, will be treated as long-term capital gains and the gains will be calculated by deducting from the gross consideration, the indexed cost of acquisition. The indexed cost of acquisition / improvement adjusts the cost of acquisition/ improvement by the cost inflation index, as prescribed from time to time.
6. Under section 54EC of the Act, and subject to the conditions and to the extent specified therein, long-term capital gains arising on the transfer of a long-term capital asset will be exempt from capital gains tax if the capital gains are invested in certain notified bonds within a period of six months after the date of such transfer. However, if the company transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred or converted into money. The bonds specified for this section are bonds issued by the National Bank for Agriculture and Rural Development (NABARD), National Highways Authority of India (NHAI), National Housing Bank (NHB), Rural Electrification Corporation Limited (RECL) and Small Industries Development Bank of India (SIDBI).
7. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long-term capital gains on the transfer of listed securities or units will be exempt from capital gains tax if the capital gains are invested in shares of an Indian Company forming part of an eligible public issue, within a period of six months after the date of such transfer and held for a period of at least twelve months. Eligible public issue means issue of equity shares which satisfies the following conditions, namely –
   a) The issue is made by a public company formed and registered in India;
   b) The shares forming part of the issue are offered for subscription to the public.
8. Under section 111A of the Act, short-term capital gains (i.e., if the shares are held for a period not exceeding twelve months), arising on sale of listed equity shares are taxed at the rate of 10% (plus applicable surcharge and education cess) in cases where securities transaction tax has been levied.
9. Under section 112 of the Act, long-term capital gains, are subject to tax at a rate of 20% (plus applicable surcharge and cess) after indexation, as provided in the second proviso to section 48 of the Act. However, in case of listed securities or units, the amount of such tax could be limited to 10% (plus applicable surcharge and cess), without indexation benefit, at the option of the Company in cases where securities transaction tax is not levied.

10. Under section 115JAA(1A) of the Act, credit is allowed in respect of any Minimum Alternate Tax ('MAT') paid under section 115JB of the Act for any Assessment Year commencing on or after April 1st, 2006 .Tax credit eligible to be carried forward will be the difference between MAT paid and the tax computed as per the normal provisions of the Act for that assessment year. Such MAT credit is allowed to be carried forward for set off purposes for up to 5 years succeeding the year in which the MAT credit is allowed.
11. Certain Infrastructure projects are and /or likely to be awarded by Central / State Government and / or government Corporation / Body and /or Local Authority, to the Company which fall under the provisions of Sec 80 IA of The Income Tax Act 1961. Accordingly the deductions under this Section are and / or shall be available to the Company in tax computation, which will reduce the Tax Burden, accordingly.

## (B) Benefits to the Shareholders of the Company under the Income-Tax Act, 1961:

**Resident Shareholders**

12. Under section 10 (34) of the Act, any income by way of dividends referred to in section 115 O (i.e. dividends declared, distributed or paid on or after 1st April 2003) received on the shares of the Company is exempt from tax.
13. Under section 10 (38) of the Act, any long term capital gains arising to a shareholder from transfer of long term capital asset being an equity share in a company will not be liable to tax in the hands of the shareholder if the following conditions are satisfied:
    a) The transaction of sale of such equity share is entered into on or after 1st October 2004;
    b) The transaction is chargeable to such securities transaction tax.
14. Under section 88E of the Act, securities transaction tax paid by a shareholder in respect of the taxable securities transactions entered into in the course of his business, would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction in respect of amount paid on account of securities transaction tax will be allowed in computing the income chargeable to tax as capital gains.
15. Under section 48 of the Act, if the Company's shares are sold after being held for not less than twelve months, the gains (in cases not covered under section 10(36) and section 10(38) of the Act), if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the gross consideration, the indexed cost of acquisition. The indexed cost of acquisition / improvement adjusts the cost of acquisition / improvement by the cost inflation index, as prescribed from time to time.
16. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains arising on the transfer of a long term capital asset will be exempt from capital gains tax if the capital gains are invested in certain notified bonds within a period of six months after the date of such transfer. However, if the Company transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred or converted into money. The bonds specified for this section are bonds issued by the National Bank for Agriculture and Rural Development (NABARD), National Highways Authority of India (NHAI), National Housing Bank (NHB), Rural Electrification Corporation Limited (RECL) and Small Industries Development Bank of India (SIDBI).
17. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long-term capital gains on the transfer of listed securities or units will be exempt from capital gains tax if the capital gains are invested in shares of an Indian Company forming part of an eligible public issue, within a period of six months after the date of such transfer and held for a period of at least twelve months. Eligible public issue means issue of equity shares which satisfies the following conditions, namely
    a) the issue is made by a public company formed and registered in India;
    b) the shares forming part of the issue are offered for subscription to the public.

18. Under section 54F of the Act, long-term capital gains (in cases not covered under section 10(36) and section 10(38) of the Act) arising to an individual or Hindu Undivided Family ('HUF') on transfer of shares of the company will be exempt from tax, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
19. Under section 111A of the Act, short-term capital gains (i.e. if shares are held for a period not exceeding twelve months), arising on transfer of an equity share, are taxed at the rate of 10% (plus applicable surcharge & cess) in cases where securities transaction tax has been levied.
20. Under section 112 of the Act, long-term capital gains are subject to tax at a rate of 20% (plus applicable surcharge and cess) after indexation as provided in the second proviso to section 48. However, in case of listed securities or units the amount of such tax could be limited to 10% (plus applicable surcharge and cess) without indexation benefit, at the option of the shareholder, in cases where securities transaction tax is not levied.

**Non-Resident Indians / Non Residents Shareholders (Other than FIIs and Foreign venture capital investors)**

21. Under section 10(34) of the Act, any income by way of dividends referred to in section 115 O (i.e. dividends declared, distributed or paid on or after April 1st, 2003) received by a non-resident Indian shareholder (i.e. an individual being a citizen of India or person of Indian origin who is not a 'resident') on the shares of the company is exempt from tax.
22. Under section 10(38) of the Act, any long term capital gains arising to a shareholder from transfer of long term capital asset being an equity share in a company or a unit of an equity oriented fund would not be liable to tax in the hands of the shareholder if the following conditions are satisfied:
    a) the transaction of sale of such equity share is entered into on or after 1st October 2004;
    b) the transaction is chargeable to securities transaction tax.
23. Under section 88E of the Act, the securities transaction tax paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. As such, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of securities transaction tax.
24. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains arising on the transfer of a long term capital asset will be exempt from capital gains tax if the capital gains are invested in certain notified bonds within a period of six months after the date of such transfer. However, if the company transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred or converted into money. The bonds specified for this section are bonds issued by the NABARD, NHAI, NHB, RECL and SIDBI.
25. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long-term capital gains on the transfer of listed securities or units will be exempt from capital gains tax if the capital gains are invested in shares of an Indian company forming part of an eligible public issue, within a period of six months after the date of such transfer and held for a period of at least twelve months. Eligible public issue means issue of equity shares which satisfies the following conditions, namely
    a) the issue is made by a public company formed and registered in India;
    b) the shares forming part of the issue are offered for subscription to the public.
26. Under section 54F of the Act, long-term capital gains arising to an individual or HUF on transfer of shares of the company will be exempt from tax, if the net consideration from such shares is used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

27. Under section 111A of the Act, short-term capital gains (i.e. if the shares are held for a period not exceeding twelve months), arising on sale of listed equity shares are taxed at the rate of 10% (plus applicable surcharge and cess) in cases where securities transaction tax has been levied.
28. Under section 112 of the Act, long-term capital gains (i.e. if shares are held for a period exceeding twelve months), arising on transfer of shares in the company, shall be taxed at a rate of 20% (plus applicable surcharge and cess). However, in case of listed securities or units, the amount of such tax could be limited to 10% (plus applicable surcharge and cess), without indexation benefit, at the option of the shareholder, in cases where securities transaction tax is not levied.
29. Under section 115 I of the Act, non-resident Indian shareholder (as defined therein) has an option to be governed by the provisions of Chapter XIIA of the Act, viz. "Special Provisions Relating to Certain Incomes of Non-Residents" which are as follows: -
    a) Under provisions of section 115F of the Act, long-term capital gains arising to a Non-Resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange shall be exempt from Income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.
    b) Under provisions of section 115G of the Act, Non-Resident Indians are not required to file a return of income under section 139(1) of the Act, if their only income is income from foreign exchange asset investments or long term capital gains in respect of those assets or both, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.
    c) Under section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XIIA shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.
30. Under section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the double tax avoidance agreement ('tax treaty') entered between India and the country of fiscal domicile of the non-resident, if any, to the extent they are more beneficial to the non-resident. Thus, a non-resident (including NRIs) can opt to be governed by the provisions of the Act or the applicable tax treaty, whichever is more beneficial.

**Foreign Institutional Investors (FIIs)**

31. In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115O (i.e. dividends declared, distributed or paid on or after 1st April 2003) received on the shares of the company is exempt from tax.
32. In terms of section 10(38) of the Act, any long term capital gains arising to an investor from transfer of long-term capital asset being an equity share in a company or a unit of an equity oriented fund would not be liable to tax in the hands of the investor if the following conditions are satisfied:
    a) The transaction of sale of such equity share is entered into on or after 1st October, 2004;
    b) The transaction is chargeable to securities transaction tax as explained below.
33. In terms of section 88E of the Act, the securities transaction tax paid by the shareholder in respect of taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from such taxable securities transactions. As such, no deduction in respect of amount paid on account of securities transaction tax will be allowed in computing the income chargeable to tax as capital gains,
34. The income by way of short-term capital gains / long-term capital gains realized by FIIs on sale of shares in the company would be taxed at 30% / 10% respectively, as per section 115AD of the Act. (However, in respect of short term capital gains referred to in section 111A the tax rate applicable will be 10%). The benefit of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not applicable to a FII.

35. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gain (in cases not covered under section 10(36) and section 10(38) of the Act) arising on the transfer of investment in shares will be exempt from capital gains tax if the capital gains are invested in certain notified bonds within a period of six months after the date of such transfer for a period of at least three years. However, if the assesses transfers or converts the notified bonds into money (as stipulated therein) within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the bonds are transferred or converted into money. The bonds specified for this section are bonds issued by NABARD, NHAI, NHB, RECL and SIDBI.

36. Under section 54ED of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under section 10(36) and section 10(38) of the Act) on the transfer of listed shares of the Company will be exempt from capital gains tax if the capital gains are invested in shares forming part of an eligible public issue of an Indian company within a period of 6 months after the date of such transfer and such are held for a period of at least one year. Eligible public issue means issue of equity shares which satisfies the following conditions, namely

    a) the issue is made by a public company formed and registered in India;

    b) the shares forming part of the issue are offered for subscription to the public;

    There is a legal uncertainty over whether the benefit under this section can be extended to shares forming part of the offer for sale by the selling shareholders. It may be relevant to note that the CBDT has clarified vide its Circular no. 7/ 2003 dated September 5, 2003, that the term 'public issue' in the context of section 10(36) of the Act shall include the offer of equity shares in a company to the public through a prospectus, whether by the company or by the existing shareholders of the company.

37. Under section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident. Thus, a non-resident can opt to be governed by the provisions of the Act or the applicable tax treaty, whichever is more beneficial.

**Venture Capital Companies/Funds**

38. Under section 10(23FB) of the Act, all venture capital companies/funds registered with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including dividend from and income from sale of shares of the company.

**Mutual funds**

39. Under section 10(23D) of the Act, any income of Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or regulations made there under or Mutual Funds authorised by the Reserve Bank of India, subject to the conditions specified, would be exempt from income tax.

## (D) Benefits to shareholders of the company under the Wealth Tax Act, 1957

40. Shares of the company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957. Hence, shares are not liable to wealth tax.

## (E) Benefits to shareholders of the company under the Gift Tax Act, 1958.

41. Gift made after 1st October 1998 is not liable for any gift tax, and hence, gift of shares of the Company would not be liable for any gift tax.

**Notes:**

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2005.
2. The above Statement of possible tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or list of all potential tax consequences.
3. The stated benefits will be available only to the sole/first named holder in case the share is held by joint holders.
4. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.
5. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the scheme.

As per our report of even date

**For C. B. CHHAJED & CO.**
Chartered Accountants

C. B. Chhajed
Partner
Membership No. 9447
Place: Mumbai
Date: February 28, 2006

**For Unity Infraprojects Limited**

Chairman & Managing Director

Place: Mumbai
Date: February 28, 2006

# INDEBTEDNESS

## Details of Secured Borrowings

Our secured borrowings as of December 31, 2005 are as follows:

| S. No. | Nature of borrowing/ debt | Amount Sanctioned | Repayment and Interest | Security |
|---|---|---|---|---|
| 1. | The United Western Bank Limited | a. Cash credit of Rs. 70 million<br>b. Over draft limit of Rs. 117 million | a. Prime Lending Rate + 0.5% pa (7.50% pa)<br>b. 2% over the interest rate of deposit (8.50% pa )* | a. Charge over stock and receivables<br>b. Charge over fixed deposit of Rs. 130 million and legal mortgage over property |
| 2. | Abhyudaya Co-operative Bank Limited | Rs. 26 million | 7.50% pa | Against the fixed deposit of Rs. 29 million |
| 3. | Bank of India | Rs. 27 million | 8.50% pa | Legal mortgage of property, joint and several guarantees from the Promoter Directors of the Company |
| 4. | UCO Bank | Cash Credit of Rs. 50 million | Prime Lending Rate + 2.5% pa (11% pa) | Mortgage of property, corporate guarantees from Avarsekar and Kejriwal Construction Private Limited and Avarsekar and Sons Private Limited |
| 5. | State Bank of Indore | Cash Credit of Rs. 150 million | 2.50% below Bank Prime Lending Rate (8.25% pa) | Hypothecation of goods, hypothecation of debts and assets, personal guarantees of the Promoter Directors and legal mortgage of property |
| 6. | State Bank of India | Rs. 175 million | 1% below State Bank Advance Rate (9.25% pa) | All present and future goods, book debt and other movable assets, outstanding monies, receivables |
| 7. | SICOM Limited | Rs. 50 million | 4% above the extant SICOM reference rate (14% pa) | Mortgage of property, floating charge on assets of the Company, hypothecation of plant and machinery and all movables at head office |
| 8. | SICOM Limited (project specific assistance) | Rs. 200 million | 3.5% below SICOM's reference rate (9% pa) | 1. Hypothecation of receivables of MCGM Road Project<br>2. Mortgage of property, floating charge on assets of the Company, hypothecation of plant and machinery and all movables at head office |
| 9. | North Eastern Finance Development Corporation (project specific assistance) | Rs. 100 million | Prime Lending Rate - 1.75% ( 8.25% pa) | Personal guarantees of the Promoter Directors, receivables from the project |
| 10. | Loans against hypothecation of equipment and machinery** | Loan of Rs. 199.89 million*** | | |

* *Figures in bracket indicate present interest rate.*

** *For further details, please see Point No. 6 below.*

*** *Total amount availed.*

The loan agreements and sanction letters provide for certain negative and restrictive covenants that must be observed by the Company during the currency of the loans. These are summarised below:

(1) It is provided that the Company cannot alter its capital structure or withdraw or allow to be withdrawn moneys brought in by the Promoters or relatives and friends of the Promoters or Directors of the Company without the consent of the lender.

(2) It is provided that the Company cannot permit any change in the ownership or control or effect any material change in the management of the business without the prior consent of the lender. Further, the Company is also prohibited from making any change in its Memorandum or Articles without the prior consent of the lender.

(3) It is provided that the Company cannot issue any debentures, raise any loans, accept deposits from public or issue equity or preference capital or change its capital structure without the consent of the lender. The lender has a right to appoint nominee a Director on the Board of the Company.

(4) It is provided under some loan agreements that the Company cannot effect any change in its capital structure or make any corporate investments or investment by way of share capital or debentures or lend or advance funds to or place deposits with, any other concern without the approval of the lenders except in ordinary course of business.

(5) Additionally, in respect of a number of the loans, the Directors of the Company have provided personal guarantees. Further, the Company has, at times, provided corporate guarantees as well.

(6) As of December 31, 2005, the Company had availed of a total amount of Rs. 199.89 million from different lenders against equipment and machinery as collateral security as provided below:

| S. No. | Nature of borrowing/debt | Amount | Interest |
|---|---|---|---|
| 1. | HDFC Bank Limited | Rs. 33.52 million | 7.50% |
| 2. | ICICI Bank Limited | Rs. 51.19 million | 7% |
| 3. | SREI Infrastructure Finance Limited | Rs. 24.22 million | 7% |
| 4. | ABN AMRO Bank Limited | Rs. 5.50 million | 7.25% |
| 5. | GE Capital TFS Limited | Rs.2.11 million | 7% |
| 6. | Kotak Mahindra Bank Limited | Rs. 1.98 million | 6.80% |
| 7. | GMAC TCFC Finance Limited | Rs. 0.80 million | 8% |
| 8. | Kotak Mahindra Primus Limited | Rs. 0.58 million | 7.50% |

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Red Herring Prospectus. You should also read the section titled "Risk Factors" beginning on page x of this Red Herring Prospectus, which discusses a number of factors and contingencies that could impact our financial condition, results of operations and cash flows. The following discussion relates to our Company and is based on our restated financial statements, which have been prepared in accordance with Indian GAAP, the accounting standards referred to in Section 211(3C) of the Companies Act and the other applicable legal provisions. The following discussion is also based on internally prepared statistical information and on publicly available information.*

*Our Fiscal year ends on March 31, so all references to a particular Fiscal year are to the twelve-month period ended March 31.*

*Certain industry, technical and financial terms used in this discussion shall have the meanings ascribed to them in the section entitled "Definitions and Abbreviations" beginning on page i of this Red Herring Prospectus.*

## Overview

We are one of India's leading engineering and construction companies. We have a fast growing business that provides integrated engineering, procurement and construction services for civil construction and infrastructure projects. A highlight of our business is that we execute many projects on a turnkey basis, and in doing so, provide a range of specialised construction and operational services, including electrical, fire prevention and control, plumbing and air conditioning.

Our project expertise includes:

- Civil construction projects, which include structures such as commercial and residential buildings, mass housing projects and townships, industrial structures, information technology parks, corporate offices, transportation terminals including airports and railway stations, stadiums and sports complexes, hotels, hospitals and universities and educational campuses;
- Transportation engineering projects, including roads, bridges, flyovers and subways; and
- Irrigation and water supply projects, including dams, tunnels, lift irrigation projects and sewerage schemes.

We are headquartered in Mumbai and our operations in India reach across eight states.

We have experienced high growth in our business and operations, especially in recent years. Since our Promoters started our business over two decades ago, we have acquired significant expertise in civil construction, having executed a diverse portfolio of urban and rural civil construction projects in various regions throughout India. In 1997, we began diversifying into infrastructure with irrigation projects. In addition to irrigation projects, we have developed expertise in executing other types of infrastructure projects, such as transportation and water supply projects.

As of January 31, 2006, our work force consisted of 703 full-time employees and approximately 1,057 temporary contract employees. We have a large fleet of sophisticated construction equipment, including a slipform concrete paver, a truck-mounted concrete boom placer and high capacity concrete batching plants, all of which we own directly or through our joint ventures. We believe that our employee resources and fleet of equipment, along with our engineering skills and capabilities, enable us to successfully implement a wide variety of construction projects with varying degrees of complexity. We enjoy various accreditations, such as the ISO 9001:2000 certification for the quality management system we apply to the design and construction of civil engineering projects, and have received accolades for some of our projects, such as the construction of the P.L. Deshpande Kala Academy and Ravindra Natya Mandir at Prabhadevi, Mumbai, the mass housing project at Majaswadi, Mumbai and the Khodadad Circle Flyover at Dadar, Mumbai.

In the years ended March 31, 2003, 2004 and 2005, our total income was Rs. 925.72 million, Rs. 2,046.38 million and Rs. 2,706.08 million, respectively. For the nine months ended December 31, 2004 and 2005, our total income was Rs. 1,996.84 million and Rs. 2,249.44 million, respectively. In the years ended March 31, 2003, 2004 and 2005, we earned profit after tax of Rs. 27.92 million, Rs. 67.87 million and Rs. 118.66 million, respectively. Our profit after tax for the nine-month periods ended December 31, 2004 and 2005 was Rs. 85.46 million and Rs. 163.26 million, respectively. Our order book, which includes the unfinished and uncertified portion of our projects, was Rs. 11,718.50 million as of December 31, 2005 compared to Rs. 7,445.20 million as of March 31, 2005. We have added contracts worth Rs. 2,193.88 million to our order book during the period from January 1, 2006 through May 8, 2006.

## Factors affecting our results of operations

Our financial condition and results of operations are affected by numerous factors and the following are of particular importance:

***Performance of the civil construction and infrastructure sectors***. The Company focuses principally on projects in civil construction and infrastructure. The government's focus on and sustained increase in budgetary allocation for infrastructure and the development of a structured and comprehensive infrastructure policy that encourages greater private sector participation as well as increased funding by international and multilateral development financial institutions in infrastructure projects in India have resulted in, and are expected to result in several further, large infrastructure projects in India. Our ability to benefit from the considerable investments proposed in civil construction and infrastructure in the medium and long term and to avoid any downturns in the sectors will be key to our results of operations.

***Competition***. We compete against various engineering and construction companies. Our competition varies depending on the size, nature and complexity of the project and on the geographical region in which the project is to be executed. In selecting contractors for major projects, clients generally limit the tender to contractors they have pre-qualified based on several criteria, including experience, technical ability, performance, reputation for quality, safety record, financial strength and bonding capacity and the size of previous contracts executed in similar projects, although the price competitiveness of the bid is usually the most important selection criterion. Pre-qualification is key to our winning major projects. We are currently qualified to bid for projects up to certain contract values depending on the project sponsor. To bid for some higher value contracts, we sometimes seek to form strategic alliances or joint ventures with other experienced and qualified companies.

***Cost of raw materials, labour and other inputs***. The cost of raw materials, fuel, labour and other inputs constitutes a significant part of our operating expenses. Our construction operations require various construction raw materials including steel and cement. Fuel costs for operating our construction and other equipment also constitute a significant part of our operating expenses, especially in the case of our infrastructure projects. Our ability to pass on increases in the purchase price of raw materials, fuel and other inputs may be limited in the case of fixed-price contracts or contracts with limited price escalation provisions. Under the terms and conditions of fixed-price contracts, we generally agree to provide services for the part of the project contracted to us for a fixed price, subject to contract variations pursuant to changes in the client's project requirements. Many of our projects are performed under fixed-price contracts that contain limited or no price escalation clauses covering increases in the cost of raw materials. Our actual expense in executing a fixed-price contract may vary substantially from the assumptions underlying our bid for several reasons, including unanticipated increases in the cost of raw materials, fuel, labour and other inputs, unforeseen construction conditions, including inability of the client to obtain requisite environmental and other approvals, delays caused by local weather conditions and suppliers' or subcontractors' failures to perform. Unanticipated increases in the price of raw materials, fuel costs, labour or other inputs not taken into account in our bid and delays in performing parts of the contract can have compounding effects by increasing the costs of performing other parts of the contract. These variations and the risks generally inherent to the construction industry may result in our profits being different from those originally estimated and may result in our experiencing reduced profitability or losses on projects.

***Collection of receivables from our clients***. There may be delays associated with the collection of receivables from our clients, including government owned, controlled or funded entities. Our operations involve significant working capital requirements and delayed collection of receivables could adversely affect our liquidity and results of operations. In addition, we may be subject to additional regulatory or other scrutiny associated with commercial transactions with government owned, controlled or funded entities. We expect to engage in annuity projects in the future. Such projects will involve our taking on the long-term risk that the client may default on its annuity payments to us. There can be no assurance that any such development would not adversely affect our business.

***Ability to attract, recruit and retain skilled personnel***. A significant number of our employees are skilled engineers and we face strong competition to attract, recruit and retain these and other skilled and professionally qualified staff. The loss of any of the members of our senior management, our Directors or other key personnel or an inability to manage the attrition levels in different employee categories may materially and adversely impact our business and results of operations.

***Seasonality and weather conditions***. Our business operations may be materially and adversely affected by severe weather, which may require us to evacuate personnel or curtail services and may result in damage to a portion of our fleet of equipment or facilities, resulting in the suspension of operations. In addition, such weather may prevent us from delivering materials to our project sites in accordance with contract schedules or generally reduce our productivity. Our operations are also adversely affected by difficult working conditions and extremely high temperatures during summer months and during monsoon, which restrict our ability to carry on construction activities and fully utilize our resources. We record revenues for those stages of a project that we complete, after we receive certification from the client that such stage has been successfully completed. Since revenues are not recognized until we make progress on a contract and receive such certification from our clients, revenues recorded during the first half of our financial year between April and September are traditionally substantially lower compared to revenues recorded during the second half of our financial year. During periods of curtailed activity due to adverse weather conditions, we may continue to incur operating expenses, but our revenues from operations may be delayed or reduced.

***Variability of payment terms***. Our revenues are dependent on the payment terms involved in a project. Our contracts typically stipulate payment terms on the basis of achievement of specified milestones and schedules for the project. In some contracts, however, the payment terms may not include advance payments or the contract may have payment schedules that shift payments toward the end of a project or otherwise increase our working capital burdens.

***Changes in tax laws and regimes***. We currently have operations and staff spread across many Indian states. Consequently, we are subject to the jurisdiction of a number of tax authorities and regimes. The revenues recorded and income earned in these various jurisdictions are taxed on differing bases, including net income actually earned, net income deemed earned and revenue-based tax withholding. The final determination of our tax liabilities involves the interpretation of local tax laws and related authorities in each jurisdiction as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred. Changes in our operating environment, including adverse changes in any of the taxes levied by the central or state governments, could impact the determination of our tax liabilities for any given tax year.

## Critical Accounting Policies

The Company maintains its accounts on an accrual basis and in accordance with the accounting standards referred to in Section 211(3c) and other provisions of the Companies Act. The Company seeks to apply its accounting policies consistently from period to period.

*Revenue recognition*. We recognize revenue as follows:

- Revenue from our construction contracts is recognized when the client or its nominee certifies the completion of corresponding work.
- Income from construction contracts executed by the Company as a sub-contractor hired by a joint venture to which the Company is a party is recognized as revenue of the Company on the same basis as is revenue from construction contracts independently executed by the Company. Income received from joint ventures to which the Company is a party under the profit-sharing arrangements established as part of the terms of the joint venture is recognized to the extent of the Company's share in such joint ventures and reflects the gross revenues of the joint venture minus its costs. Such income is shown in the Share of Profit from Joint Ventures line item in the Company's statements of profits and losses.
- All other income is accounted for on an accrual basis, except that insurance claims are accounted for on a cash basis.

*Expense recognition*. All expenses are recognized on an accrual basis, except that bonuses to employees are accounted for on a cash basis.

*Fixed Assets*. Fixed asset values are stated at cost of acquisition or construction less accumulated depreciation.

*Depreciation*. Depreciation of fixed assets is charged on a written-down value basis, at the rates specified in Schedule XIV of the Companies Act, which are based on the useful lives of the assets.

*Investments*. Investments are carried at cost.

*Valuation of Inventories*. Stocks of raw materials, stores, spares and consumables are valued at the lower of cost and net realizable value. Work in progress related to projects is valued at cost of material inputs and expenses including appropriate overhead.

*Taxes on Income*. Tax expense / (Tax saving) is the aggregate of current year tax and deferred tax charged (or credited) to the profit and loss account for the year:

- Current tax is the provision made for income tax liability on the profits for the year in accordance with applicable Indian tax laws.
- Where there is unabsorbed depreciation or carry-forward losses, deferred tax assets are recognized only to the extent that there is virtual certainty of realization of such assets and, in other cases, to the extent that there is reasonable certainty of their realization in the future.
- Deferred tax charges and credits are measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

## Revenues

Our revenues, referred to in our financial statements as total income, consist principally of (i) operating income and (ii) other income.

Our operating income consists of contract revenue from engineering, procurement and construction services provided to our clients and our share of profits from our joint ventures. Included in contract revenue are amounts received by us pursuant to sub-contracts that we have entered into with joint ventures to which we are a party. Included in our share of profits from joint ventures are only those amounts that we receive as a part participant in the net profits of our joint ventures. Hence, our share of profits from joint ventures does not necessarily indicate the quantum of work undertaken by us in joint venture. For the nine months ended, December 31, 2005, 17.57% of our contract revenue was from projects we undertook as sub-contractors to joint ventures to which we were a party.

We have other additional sources of income, such as (i) interest on fixed deposits, (ii) dividends from long term investments, (iii) profits on the sale of investments and (iv) miscellaneous income such as the sale of scrap and hiring charges. Our total income has increased from Rs. 794.54 million in Fiscal 2002 to Rs. 2,706.08 million in Fiscal 2005, primarily due to increased contract revenue.

The table below provides a breakdown of our total income in the nine-month periods ended December 31, 2005 and 2004 and in Fiscal years 2005, 2004, 2003 and 2002.

**(Rs. in millions)**

| | **Nine months ended December 31,** | | **Twelve months ended March 31,** | | | |
|---|---|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** | **2003** | **2002** |
| **INCOME:** | | | | | | |
| **Operating Income** | | | | | | |
| Contract revenue | 2,224.75 | 1,959.73 | 2,652.97 | 2,009.18 | 891.76 | 771.50 |
| *Contract revenue as a % of Total Income* | 98.90% | 98.14% | 98.04% | 98.18% | 96.33% | 97.10% |
| Share of profit from joint ventures | 10.03 | 17.23 | 26.51 | 13.06 | 8.63 | 0.46 |
| *Share of profit from joint ventures as a % of Total Income* | 0.45% | 0.86% | 0.98% | 0.64% | 0.93% | 0.06% |
| **Total Operating Income** | **2,234.78** | **1,976.96** | **2,679.48** | **2,022.24** | **900.39** | **771.96** |
| **Other Income** | 14.66 | 19.88 | 26.60 | 24.14 | 25.33 | 22.58 |
| *Other income as a % of Total Income* | 0.65% | 1.0% | 0.98% | 1.18% | 2.74% | 2.84% |
| **Total Income** | **2,249.44** | **1,996.84** | **2,706.08** | **2,046.38** | **925.72** | **794.54** |

The table below provides a breakdown of our contract revenue from different project segments during the years ended March 31, 2005, 2004, 2003 and 2002 and in the nine-month periods ended December 31, 2005 and 2004.

(Rs. in millions)

| Types of Projects | Nine months ended December 31, | | Twelve months ended March 31, | | | |
|---|---|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 | 2003 | 2002 |
| Civil Construction | 1,691.14 | 1,617.85 | 2,185.30 | 1,641.14 | 702.11 | 492.87 |
| Transportation Engineering | 375.08 | 279.51 | 402.36 | 196.50 | 152.69 | 104.11 |
| Irrigation and Water Supply | 158.52 | 62.37 | 65.29 | 171.53 | 36.94 | 174.52 |
| **Total Contract Revenue** | **2,224.75** | **1,959.73** | **2,652.97** | **2,009.18** | **891.76** | **771.50** |

The table below provides a breakdown of our contract revenue by geographic region in the years ended March 31, 2005, 2004, 2003 and 2002 and in the nine-month periods ended December 31, 2005 and 2004.

(Rs. in millions)

| Region | Nine months ended December 31, | | Twelve months ended March 31, | | | |
|---|---|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 | 2003 | 2002 |
| Mumbai | 1,569.54 | 920.87 | 1,216.54 | 749.44 | 578.63 | 470.33 |
| Maharashtra (other than Mumbai) | 131.60 | 143.88 | 196.02 | 213.69 | 36.94 | 174.52 |
| Goa | 16.95 | 154.18 | 242.24 | 83.31 | 19.66 | 26.63 |
| Delhi | 60.10 | 206.40 | 276.95 | 618.26 | 190.46 | NIL |
| Assam | 200.01 | 326.03 | 441.62 | 162.49 | NIL | NIL |
| Meghalaya | 33.40 | 122.57 | 168.85 | 140.70 | 15.13 | NIL |
| Gujarat | 41.45 | 64.16 | 82.04 | 41.29 | NIL | NIL |
| Tripura | 56.34 | 21.64 | 28.71 | NIL | NIL | NIL |
| Andhra Pradesh | 115.44 | NIL | NIL | NIL | 50.93 | 100.02 |
| **Total Contract Revenue** | **2,224.75** | **1,959.73** | **2,652.97** | **2,009.18** | **891.76** | **771.50** |

The table below provides the percentage breakdown of our contract revenue derived from our top 10 clients in the years ended March 31, 2005, 2004, 2003 and in the nine-month periods ended December 31, 2005.

| 9 months ended December 31, 2005 | | Twelve months ended March 31, 2005 | | Twelve months ended March 31, 2004 | | Twelve months ended March 31, 2003 | |
|---|---|---|---|---|---|---|---|
| Clients | % of contract revenue | Clients | % of contract revenue | Clients | % of contract revenue | Clients | % of contract revenue |
| Airports Authority of India | 21.0% | National Sports Club of India | 18.0% | Delhi Development Authority | 31.0% | Delhi Development Authority | 21.0% |
| National Sports Club of India | 12.0% | PWD, Government of Assam | 15.0% | PWD, Government of Assam | 8.0% | Government of Maharashtra | 21.0% |
| Neelkamal Realtors & Builders | 7.0% | Delhi Development Authority | 10.0% | NHAI | 8.0% | NHAI | 15.0% |

| 9 months ended December 31, 2005 | | Twelve months ended March 31, 2005 | | Twelve months ended March 31, 2004 | | Twelve months ended March 31, 2003 | |
|---|---|---|---|---|---|---|---|
| **Clients** | **% of contract revenue** | **Clients** | **% of contract revenue** | **Clients** | **% of contract revenue** | **Clients** | **% of contract revenue** |
| PWD, Government of Assam | 7.0% | GSIDC | 9.0% | National Sports Club of India | 7.0% | Terna Public Charitable Trust | 9.0% |
| MMRDA | 6.0% | NHAI | 7.0% | Municipal Corporation of Greater Mumbai | 7.0% | IRCON International | 9.0% |
| Municipal Corporation of Greater Mumbai | 6.0% | Hospitals Services Consultancy Corporation | 6.0% | Hospitals Services Consultancy Corporation | 7.0% | IVRCL | 6.0% |
| Bombay Agricultural Produce Market Committee | 6.0% | Maharashtra State Road Development Corporation | 5.0% | Terna Public Charitable Trust | 5.0% | Municipal Corporation of Greater Mumbai | 2.0% |
| Irrigation Department Government of Andhra Pradesh | 5.0% | MMRDA | 4.0% | Goa State Co-operative Bank | 4.0% | Tapi Irrigation Development Corporation | 2.0% |
| CIDCO | 5.0% | Airports Authority of India | 4.0% | Government of Maharashtra | 4.0% | Goa State Co-operative Bank | 2.0% |
| Research Centre at Trombay, Mumbai | 3.0% | Gujarat Electricity Board | 3.0% | IRCON International | 4.0% | Avarsekar and Sons Private Limited | 2.0% |
| **Top 10** | **78.0%** | **Top 10** | **82.0%** | **Top 10** | **84.0%** | **Top 10** | **89.0%** |

## Expenditure

**Our total expenditures consist principally of our operating expenses, administrative expenses and other expenses.**

Operating expenses consist of (i) raw materials consumed, (ii) labour charges and (iii) sub-contracting charges. Raw materials consumed include construction materials used in our projects such as steel, cement, plumbing materials, aluminium, electrical items and other materials, net of adjustments of opening and closing stock of raw materials. Labour charges include amounts paid for the provision of contract labour. Sub-contracting charges include charges paid to sub-contractors to whom we have contracted a part of our project responsibilities, including the materials and the labour elements associated with the sub-contracted portion of the project.

Administrative expenses consist of personnel expenses (including salaries, wages and bonus payments to employees on our payroll, Directors' remuneration, contributions made to provident funds and employees' state insurance and expenses relating to personnel and staff welfare) and general administrative expenses (including site expenses incurred for the execution of projects, diesel and fuel costs, repair and maintenance costs of our equipment and facilities, freight and cartage costs, rent paid for facilities, hire charges paid for the hire of equipment from third parties, insurance charges, travelling and conveyance charges, fees and taxes paid, consultancy and professional charges paid, auditor's remuneration and other miscellaneous administrative expenses). Other expenses include depreciation, finance charges and preliminary expenditure written off.

Depreciation on our fixed assets is charged on a written-down value basis, at the rates specified in Schedule XIV of the Companies Act, which are based on the useful lives of the assets. Finance charges include (i) interest payable on term loans and working capital loans and interest payable on vehicle and equipment financing by banks and financial institutions, (ii) interest payable on mobilization advances and other advances received from clients and (iii) charges payable on letters of credit and bank guarantees and other miscellaneous bank charges. We also provide for any loss arising out of foreign exchange fluctuations under this item. Preliminary expenditure written off includes expenses incurred by the Company at the time of formation, which are being written off in equal yearly amounts over a period of ten years.

The table below provides selected line items from our statement of profits and losses, as restated, for the nine month periods ended December 31, 2005 and 2004 and Fiscal years 2005, 2004, 2003 and 2002. We have included a line "Total Operating Expense" that consists of raw materials consumed, sub-contracting charges and labour charges. We group these three items together because sub-contracting charges consist substantially of sub-contracted raw materials consumed and sub-contracted labour charges and, therefore, variations from period to period in total raw materials consumed and labour costs can usefully be shown by examining all three line items in the aggregate.

**(Rs. in millions)**

| | **Nine months ended December 31,** | | **Twelve months ended March 31,** | | | |
|---|---|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** | **2003** | **2002** |
| **Total Operating Income** | **2,234.78** | **1,976.96** | **2,679.48** | **2,022.24** | **900.39** | **771.96** |
| **Total Income** | **2,249.44** | **1,996.84** | **2,706.08** | **2,046.38** | **925.72** | **794.54** |
| Raw Materials Consumed | 644.03 | 511.85 | 699.68 | 348.82 | 281.08 | 142.64 |
| Sub-contract Expenses | 869.28 | 834.71 | 1,136.75 | 1,278.92 | 403.80 | 469.28 |
| Labour Expenses | 95.74 | 219.68 | 297.39 | 2.97 | 3.70 | 4.64 |
| **Total Operating Expense** | **1,609.05** | **1,566.24** | **2,133.82** | **1,630.71** | **688.58** | **616.56** |
| *Total operating expense as a % of Total Operating Income* | 72.00% | 79.22% | 79.63% | 80.64% | 76.48% | 79.87% |
| Administrative Expenses | 327.62 | 247.09 | 340.58 | 204.71 | 149.99 | 87.45 |
| *Administrative expenses as a % of Total Income* | *14.56%* | *12.37%* | *12.58%* | *10.00%* | *16.20%* | *11.00%* |
| **Add:** Decrease /(Increase) in Work in Progress | 4.63 | 4.23 | 29.51 | (1.86) | 42.66 | 2.41 |
| **EBITDA** | **317.39** | **187.75** | **261.19** | **209.12** | **129.82** | **92.95** |
| *EBITDA as a % of Total Income* | *14.11%* | *9.40%* | *9.65%* | *10.22%* | *14.02%* | *11.70%* |
| Depreciation | 25.65 | 11.76 | 16.81 | 10.83 | 8.03 | 5.25 |
| *Depreciation as a % of Total Income* | *1.14%* | *0.58%* | *0.62%* | *0.52%* | *0. 86%* | *0.66%* |
| Finance Charges | 85.19 | 49.42 | 68.64 | 76.34 | 66.76 | 49.60 |
| *Finance charges as a % of Total Income* | *3.79%* | *2.47%* | *2.53%* | *3.73%* | *7.21%* | *6.24%* |
| Preliminary Expenditure Written Off | 0.03 | 0.03 | 0.04 | 0.04 | 0.04 | 0.04 |
| **Profit before Tax (PBT)** | **206.53** | **126.54** | **175.71** | **121.91** | **54.98** | **38.06** |
| *PBT as a % of Total Income* | *9.18%* | *6.33%* | *6.49%* | *5.96%* | *5.93%* | *4.79%* |
| Provision for Tax | 43.27 | 41.08 | 57.05 | 54.04 | 27.06 | 16.35 |
| **Profit After Tax (PAT)** | **163.26** | **85.46** | **118.66** | **67.87** | **27.92** | **21.71** |
| *PAT as a % of Total Income* | *7.25%* | *4.27%* | *4.38%* | *3.31%* | *3.01%* | *2.73%* |

Our total expenditures for the nine-month periods ended December 31, 2005 and 2004 and the years ended March 31, 2005, 2004 and 2003 were Rs. 2,042.91 million, Rs. 1,870.30 million, Rs. 2,530.37 million, Rs. 1,924.47 million and Rs. 870.74 million, respectively. As a percentage of our total income, these costs for such periods were 90.82%, 93.66%, 93.51%, 94.04% and 94.06%, respectively.

***Increase / (Decrease) in Work in Progress***

Work in progress represents the value of work done but not yet certified as completed by the client. Work in progress is valued at cost, *i.e.*, it includes the cost of raw materials, labour and other inputs.

For the nine-month periods ended December 31, 2005 and 2004 and the years ended March 31, 2005, 2004, 2003 and 2002, the increase/(decrease) in work in progress accounted for 0.21%, 0.21%, 1.09%, (0.1)%, 4.61% and 0.30% of our income, respectively.

**(Rs. in millions)**

| | **Nine months ended December 31,** | | **Twelve months ended March 31,** | | | |
|---|---|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** | **2003** | **2002** |
| Increase/(Decrease) in Work in Progress | 4.63 | 4.23 | 29.51 | (1.86) | 42.66 | 2.41 |

## Results of Operations

Due to the nature of projects undertaken by us, their completion schedules, the nature of expenditure involved in a particular project, the specific terms of the contract, including payment terms, and the other factors that affect our income and expenditures on specific projects, our results of operations may vary from period to period.

***Nine months ended December 31, 2005 compared with nine months ended December 31, 2004***

During the nine months ended December 31, 2005, we were engaged in and commenced work on many significant projects, including:

- the construction of the common facility building for a research centre at Trombay, Mumbai;
- the construction of two multi-story buildings at Mumbai Central;
- the construction of concrete road projects at various locations in Mumbai under the authority of the Municipal Corporation of Greater Mumbai;
- the construction of a new transformer factory for Siemens at Kalwa, Navi Mumbai; and
- the air conditioning and elevator contracts for the National Sports Club of India in respect of the reconstruction of the Sardar Vallabhbhai Patel Indoor Stadium in Mumbai.

In addition, we commissioned a ready-mix concrete plant with a total installed capacity of $150m^3$/hr and an interlocking concrete paver block plant at Wadala, Mumbai in the second half of FY 2006. We also performed substantial work on a part of Terminal I-B of the Chhatrapati Shivaji International Airport, Mumbai for the Airports Authority of India.

During the nine months ending December 31, 2005, we also more than doubled our fixed asset base by procuring specialized equipment such as tower cranes, transit mixers and concrete pumps.

*Income*. Total income increased by Rs. 252.60 million, or 12.65%, from Rs.1,996.84 million in the nine months ended December 31, 2004 to Rs. 2,249.44 million in the nine months ended December 31, 2005. This was primarily due to increased construction activities, which accounted for an additional Rs. 265.02 million of contract revenue in the nine months ended December 31, 2005.

*Contract revenue*. Our contract revenue from the provision of engineering, procurement and construction services on our projects increased by Rs. 265.02 million, or 13.52%, from Rs. 1,959.73 million in the nine months ended December 31, 2004 to Rs. 2,224.75 million in the nine months ended December 31, 2005. This was due to a mix of acquisitions of new projects and the certification of completed work on those projects and existing projects.

*Other Income*. Our other income decreased by Rs. 5.22 million, or 26.26%, from Rs. 19.88 million in the nine months ended December 31, 2004 to Rs. 14.66 million in the nine months ended December 31, 2005. This was due to the fact that we were utilizing our own equipment for construction projects and this equipment was not rented out to third parties. Interest on fixed deposits decreased by Rs. 5.74 million, or 33.37%, from Rs. 17.20 million in the nine months ended December 31, 2004 to Rs. 11.46 million in the nine months ended December 31, 2005.

*Expenditure*. Our expenditure increased by Rs. 172.60 million, or 9.23%, from Rs. 1,870.31 million in the nine months ended December 31, 2004 to Rs. 2,042.91 million in the nine months ended December 31, 2005.

*Total operating expenses.* Our total operating expenses increased marginally by 2.73%, from Rs. 1,566.24 million for the nine months ended December 31, 2004 to Rs. 1,609.05 million for the nine months ended December 31, 2005. As a percentage of our operating income, our operating expenses declined from 79.22% to 72.00% during the same period. This was achieved through:

- cost savings due to the commissioning in October 2005, of our ready mix concrete and interlocking paver plants;
- increases in our scope of work on existing projects leading to better realizations; and
- declines in steel prices during this period.

*Administrative expenses*. Administrative expenses increased by Rs. 80.53 million, or 32.59%, from Rs. 247.09 million in the nine months ended December 31, 2004 to Rs. 327.62 million in the nine months ended December 31, 2005. The cost incurred reflects the increase in personnel costs due to the hiring of additional employees in anticipation of increased construction activity and the growth of our business. Fuel costs also increased during the nine months ended December 31, 2005 compared to the nine months ended December 31, 2004, due to the rise in global oil prices, which affected local prices. There was also an increase in the cost of tendering fees, communication costs, hiring charges and rent, rates and taxes due to increased levels of business activity.

*Other expenses*. Depreciation charges increased by Rs. 13.89 million, or 118.11%, from Rs. 11.76 million in the nine months ended December 31, 2004 to Rs. 25.65 million in the nine months ended December 31, 2005. This was primarily due to a substantial addition to our fixed assets. In the nine months ended December 31, 2005, we incurred expenditure on account of finance charges of Rs. 85.19 million, compared to Rs. 49.42 million in the nine months ended December 31, 2004. This was due to an increase in interest paid on secured loans, which was partially offset by a decrease in interest and charge rates. The amount of our secured loans increased from Rs. 473.76 million as of December 31, 2004 to Rs. 739.31 million as of December 31, 2005.

*Profit before tax*. For the reasons discussed above, profit before tax increased by Rs. 79.99 million, or 63.21%, from Rs. 126.54 million in the nine months ended December 31, 2004 to Rs. 206.53 million in the nine months ended December 31, 2005.

*Provision for taxes*. Provision for taxes increased by Rs. 2.19 million, or 5.33%, from Rs. 41.08 million in the nine months ended December 31, 2004 to Rs. 43.27 million in the nine months ended December 31, 2005. The provision increase was made after considering the likely tax benefits for some of our projects available under section 80 IA of the Income Tax Act. As a result, the provision for tax as a percentage of profit before tax decreased from 32.46% in the nine months ended December 31, 2004 to 20.95% in nine months ended December 31, 2005.

*Profit after tax*. For the reasons discussed above, our profit after tax increased by Rs. 77.80 million, or 91.04%, from Rs. 85.46 million in the nine months ended December 31, 2004 to Rs. 163.26 million in the nine months ended December 31, 2005.

## Fiscal year ended March 31, 2005 compared with Fiscal year ended March 31, 2004

During the twelve-month period ended March 31, 2005, we were engaged in and commenced work on several significant projects, including:

- the expansion and modification of Terminal I-B of the CSI Airport in Mumbai;
- the design and construction of a tunnel for the Indira Sagar Project;
- the construction of lift irrigation schemes for the main canal of Tadipudi; and
- the construction and strengthening of the Jogeshwari Vikhroli Link Road.

In addition, we were engaged to construct two irrigation projects in the state of Andhra Pradesh, thereby extending our area of operations to eight states in India.

*Income*. Total income increased by Rs. 659.70 million, or 32.24%, from Rs. 2,046.38 million in the Fiscal year ended March 31, 2004 to Rs. 2,706.08 million in the Fiscal year ended March 31, 2005. This was primarily due to increased construction activities, which accounted for an additional Rs. 643.79 million of contract revenue in the Fiscal year ended March 31, 2005.

*Contract revenue*. Our contract revenue increased by Rs. 643.79 million, or 32.04%, from Rs. 2,009.18 million in Fiscal 2004 to Rs. 2,652.97 million in Fiscal 2005. This was due to a mix of acquisitions of new projects and the passage of milestones on those projects and existing projects.

*Other Income*. Our other income increased by Rs. 2.46 million, or 10.19%, from Rs. 24.14 million in Fiscal 2004 to Rs. 26.60 million in Fiscal 2005.

*Expenditure*. Our expenditure increased by Rs. 605.90 million, or 31.48%, from Rs. 1,924.47 million in Fiscal 2004 to Rs. 2,530.37 million in Fiscal 2005.

*Total operating expenses.* Our total operating expenses increased by Rs. 503.11 million, or 30.85%, from Rs. 1,630.71 million in the Fiscal year ended March 31, 2004 to Rs. 2,133.82 million in the Fiscal year ended March 31, 2005. As a percentage of our operating income, our operating expenses marginally declined from 80.64% in Fiscal 2004 to 79.64% in Fiscal 2005.

*Administrative expenses*. Our administrative expenses increased by Rs. 135.87 million, or 66.37%, from Rs. 204.71 million in Fiscal 2004 to Rs. 340.58 million in Fiscal 2005. This was due to an increase in the number of our employees from 258 as of March 31, 2004 to 347 as of March 31, 2005, coupled with an increase in personnel pay rates during the period.

*Other expenses*. Depreciation charges increased by Rs. 5.98 million, or 55.22%, from Rs. 10.83 million in Fiscal 2004 to Rs. 16.81 million in Fiscal 2005. This was due to substantial additions to our fixed assets. Expenditure on account of finance charges decreased by Rs. 7.70 million, or 10.09%, from Rs. 76.34 million in Fiscal 2004 to Rs. 68.64 million in Fiscal 2005. This was primarily due to a reduction in interest rates.

*Profit before tax*. For the reasons discussed above, profit before tax increased by Rs. 53.80 million, or 44.13%, from Rs. 121.91 million in Fiscal 2004 to Rs. 175.71 million in Fiscal 2005.

*Provision for taxes*. Provision for taxes includes current tax liabilities. Provision for taxes increased by Rs. 3.01 million, or 5.57%, from Rs. 54.04 million in Fiscal 2004 to Rs. 57.05 million in Fiscal 2005.

*Profit after tax*. For the reasons discussed above, our profit after tax increased by Rs. 50.79 million, or 74.83%, from Rs. 67.87 million in Fiscal 2004 to Rs. 118.66 million in Fiscal 2005.

### Fiscal year ended March 31, 2004 compared with Fiscal year ended March 31, 2003

During the twelve-month period ended March 31, 2004, we were engaged in and commenced work on a number of significant projects, including:

- the re-construction of the Sardar Vallabhbhai Patel Indoor Stadium at the National Sports Club of India in Worli, Mumbai;
- the construction of a single line broad gauge tunnel between the Sindhu Kumar Para and Ambassa stations in connection with the Kumarghat-Agartala new railway line project;
- the construction of the New Secretariat Complex at Dispur, Guwahati, Assam for the Government of Assam; and
- the construction of Permanent Residential Households for Project Affected Persons as part of the Metropolitan Urban Transport Project.

We consolidated our operations in the northeastern region of India by commencing operations in the states of Assam and Tripura. We also commenced operations in the state of Gujarat.

The Thakur-Mhatre Unity Joint Venture imported a new concrete slipform paver from Germany for its port connectivity road project.

*Income*. Total income increased by Rs. 1,120.66 million, or 121.06%, from Rs. 925.72 million in the Fiscal year ended March 31, 2003 to Rs. 2,046.38 million in the Fiscal year ended March 31, 2004. This was primarily due to increased construction activities such as those described above, which accounted for an additional Rs. 1,117.42 million of contract revenue in the Fiscal year ended March 31, 2004.

*Contract revenue*. Our contract revenue increased by Rs. 1,117.42 million, or 125.31%, from Rs. 891.76 million in Fiscal 2003 to Rs. 2,009.18 million in Fiscal 2004. This was primarily due to continued implementation of our order book, which increased substantially during the second half of Fiscal 2003 and the first half of Fiscal 2004.

*Other Income*. Our other income decreased by Rs. 1.19 million, or 4.7%, from Rs. 25.33 million in Fiscal 2003 to Rs. 24.14 million in Fiscal 2004.

*Expenditure*. Our expenditure increased by Rs. 1,053.73 million, or 121.02%, from Rs. 870.74 million in Fiscal 2003 to Rs. 1,924.47 million in Fiscal 2004.

*Total operating expenses.* Our total operating expenses increased by Rs. 942.13 million, or 136.82%, from Rs. 688.58 million for the Fiscal year ended March 31, 2003 to Rs. 1,630.71 million for the Fiscal year ended March 31, 2004. As a percentage of our operating income, our operating expenses increased from 76.48% to 80.64% during the same period. This was primarily due to increases in steel prices from Fiscal 2003 to Fiscal 2004.

*Administrative expenses*. Our administrative expenses increased by Rs. 54.72 million, or 36.48%, from Rs. 149.99 million in Fiscal 2003 to Rs. 204.71 million in Fiscal 2004. As a percentage of total income, administrative expenses decreased from 16.20% to 10.00% over the same period. This is because we were able to achieve economies of scale in servicing our expanded revenue base.

*Other expenses*. Depreciation charges increased by Rs. 2.80 million, or 34.87%, from Rs. 8.03 million in Fiscal 2003 to Rs. 10.83 million in Fiscal 2004. The increase was primarily due to higher fixed assets on account of increased business activity. Finance charges increased by Rs. 9.58 million, or 14.35%, from Rs. 66.76 million in Fiscal 2003 to Rs. 76.34 million in Fiscal 2004.

*Profit before tax*. Profit before tax increased by Rs. 66.93 million, or 121.74%, from Rs. 54.98 million in Fiscal 2003 to Rs. 121.91 million in Fiscal 2004.

*Provision for taxes*. Provision for taxes includes current tax liabilities. Provision for taxes increased by Rs. 26.98 million, or 99.70%, from Rs. 27.06 million in Fiscal 2003 to Rs. 54.04 million in Fiscal 2004.

*Profit after tax*. For the reasons discussed above, our profit after tax increased by Rs. 39.95 million, or 143.09%, from Rs. 27.92 million in Fiscal 2003 to Rs. 67.87 million in Fiscal 2004.

## Fiscal year ended March 31, 2003 compared with Fiscal year ended March 31, 2002

During the twelve-month period ended March 31, 2003, we were engaged in and commenced work on a number of significant projects, including:

- the Wasana Lift Irrigation Scheme for Maharashtra Krishna Valley Development Corporation;
- the strengthening of Tansa Dam at Shahpur in District Thane, Maharashtra for the Municipal Corporation of Brihanmumbai;
- the development of road connectivity to Jawahar Lal Nehru Port Trust for NHAI; and
- the construction of Low Income Group housing projects on a turnkey basis for the Delhi Development Authority, in New Delhi, India.

*Income*. Total income increased by Rs. 131.18 million, or 16.51%, from Rs. 794.54 million in the Fiscal year ended March 31, 2002 to Rs. 925.72 million in the Fiscal year ended March 31, 2003. This was primarily due to increased construction activities, which accounted for an additional Rs. 120.26 million of contract revenue in the Fiscal year ended March 31, 2003.

*Contract revenue*. Our contract revenue increased by Rs. 120.26 million, or 15.59%, from Rs. 771.5 million in Fiscal 2002 to Rs. 891.76 million in Fiscal 2003. This was primarily due to the continued implementation of our growing order book.

*Other Income*. Our other income increased by Rs. 2.75 million, or 12.18%, from Rs. 22.58 million in Fiscal 2002 to Rs. 25.33 million in Fiscal 2003.

*Expenditure*. Our expenditure increased by Rs. 114.26 million, or 15.10%, from Rs. 756.48 million in Fiscal 2002 to Rs. 870.74 million in Fiscal 2003. This was principally due to a 71.52% increase in administrative expenses from Fiscal 2002 to Fiscal 2003.

*Total operating expenses.* Our total operating expenses increased by 11.68%, from Rs. 616.56 million for the Fiscal year ended March 31, 2002 to Rs. 688.58 million for the Fiscal year ended March 31, 2003. As a percentage of our operating income, our operating expenses decreased slightly from 79.87% to 76.48%.

*Administrative expenses*. Our administrative expenses increased by Rs. 62.54 million, or 71.52%, from Rs. 87.45 million in Fiscal 2002 to Rs. 149.99 million in Fiscal 2003. As percentage of total income, administrative expenses increased from 11.01% to 16.20%. This was due to an increase in the number of employees, hired as part of the growth of our business.

*Other expenses*. Depreciation charges increased by Rs. 2.78 million, or 52.95%, from Rs. 5.25 million in Fiscal 2002 to Rs. 8.03 million in Fiscal 2003. This was primarily due to increases in our fixed asset base to handle an increasing number of projects. Expenditure on account of finance charges increased by Rs. 17.16 million, or 34.6%, from Rs. 49.60 million in Fiscal 2002 to Rs. 66.76 million in Fiscal 2003. This was principally due to the incurrence of additional charges relating to an increased number of performance guarantees given on our behalf and increased interest payments on additional financing for our working capital needs.

*Profit before tax*. Profit before tax increased by Rs. 16.92 million, or 44.45%, from Rs. 38.06 million in Fiscal 2002 to Rs. 54.98 million in Fiscal 2003.

*Provision for taxes*. Provision for taxes includes current tax liabilities. Provision for taxes increased by Rs. 10.71 million, or 65.50%, from Rs. 16.35 million in Fiscal 2002 to Rs. 27.06 million in Fiscal 2003.

*Profit after tax*. For the reasons discussed above, our profit after tax increased by Rs. 6.21 million, or 28.60%, from Rs. 21.71 million in Fiscal 2002 to Rs. 27.92 million in Fiscal 2003.

## Liquidity and Capital Resources

Historically, our principal liquidity requirements have been to finance our working capital needs and our capital expenditures. Our business requires a significant amount of working capital to finance the purchase of materials and the performance of engineering, construction and other work on projects before payment is received from clients. To fund these costs, we have relied on short-term and other borrowings, including working capital financing, and on cash flows from operating activities.

***Cash Flows***

The table below sets forth our cash flows for the periods indicated:

**(Rs. in millions)**

| | **Nine months ended December 31, 2005** | **Nine months ended December 31, 2004** | **Fiscal 2005** | **Fiscal 2004** | **Fiscal 2003** |
|---|---|---|---|---|---|
| Cash Flow from Operating Activities | 273.86 | 90.75 | 107.24 | 104.37 | (1.27) |
| Cash Flow from Investment Activities | (148.79) | (32.05) | (44.78) | (26.33) | (6.25) |
| Cash Flow from Financing Activities | 62.18 | (105.37) | (21.41) | (11.40) | 61.88 |
| Net Changes in Cash and Cash Equivalents | 187.25 | (46.67) | 41.05 | 66.65 | 54.36 |

***Cash Flows from Operating Activities***

Our net cash from operating activities in the nine months ended December 31, 2005 was Rs. 273.86 million, although our profit before taxes for such period was Rs. 206.53 million. The difference was attributable to an increase in sundry debtors of Rs. 364.91 million and an increase in loans and advances of Rs. 115.62 million. These were partially offset by an increase in current liabilities of Rs. 506.39 million.

Our net cash from operating activities in the Fiscal year ended March 31, 2005 was Rs. 107.24 million, although our profit before taxes for such period was Rs. 175.71 million. The difference was attributable to an increase in sundry debtors of Rs. 139.32 million, an increase in loans and advances of Rs. 54.24 million, and an increase in inventory of Rs. 49.33 million. These were partially offset by an increase in current liabilities of Rs. 207.42 million and an increase in other current assets of Rs. 38.06 million.

Our net cash from operating activities in the Fiscal year ended March 31, 2004 was Rs. 104.37 million, although our profit before taxes for such period was Rs. 121.91 million. The difference was attributable to an increase in sundry debtors of Rs. 224.58 million and an increase in loans and advances of Rs. 31.79 million. These were partially offset by an increase in current liabilities of Rs. 212.95 million and an increase in other current assets of Rs. 12.22 million.

Our net cash from operating activities in the Fiscal year ended March 31, 2003 was Rs. (1.27) million, although our profit before taxes for such period was Rs. 54.98 million. The difference was attributable to an increase in sundry debtors of Rs. 12.68 million, an increase in loans and advances of Rs. 44.42 million and an increase in inventory of Rs. 47.33 million. These were partially offset by a decrease in current liabilities of Rs. 10.26 million and a decrease in other current assets of Rs. 21.86 million.

***Cash Flows from Investment Activities***

Our net cash flow from investing activities was Rs. (6.25) million and Rs. (26.33) million in Fiscal 2003 and 2004, respectively. Our net cash from investing activities was Rs. (44.78) million in Fiscal 2005. Net cash flow from investing activities was Rs. (148.79) million for the nine months ended December 31, 2005.

Our net cash used in investing activities reflects investments consisting of the purchase of fixed assets comprising plant and equipment used in our construction business, partially offset in each Fiscal year by minor disposals of fixed assets and other charges.

***Cash Flows from Financing Activities***

Our net cash from financing activities was Rs. 61.88 million, (11.40) million and Rs. (21.41) million, in Fiscal 2003, 2004 and 2005, respectively, and Rs. 62.18 million for the nine months ended December 31, 2005. The net cash provided by financing activities in the nine months ended December 31, 2005 comprised of a Rs. 162.37 million increase in borrowing, which was partially offset by a Rs. 85.19 million decrease in interest paid and a Rs. 15.00 million decrease in payment of dividend.

The net cash provided by financing activities in Fiscal year 2005 comprised of a Rs. 62.23 million increase in borrowing, which was partially offset by a Rs. 68.64 million decrease in payment of interest and Rs. 15 million decrease in payment of dividend.

The net cash provided by financing activities in Fiscal year 2004 comprised of a Rs. 79.94 million increase in borrowing, which was partially offset by a Rs. 76.34 million decrease in payment of interest and a Rs. 15 million decrease in payment of dividend.

The net cash provided by financing activities in Fiscal year 2003 comprised of a Rs. 128.64 million increase in borrowing, which was partially offset by a Rs. 66.76 million decrease in payment of interest.

***Capital Expenditures***

We need to make investments in capital equipment on a recurring basis. In Fiscal 2005, we invested Rs. 45.02 million in fixed assets, including Rs. 30.09 million for plant and machinery. We intend to use Rs. 450 million from the net proceeds of the Issue for the purchase of capital equipment. To meet the requirements of our various projects, we have projected a capital expenditure plan on capital equipment of Rs. 250 million and Rs. 200 million in Fiscal 2007 and 2008, respectively. The Company proposes to finance these expenditures through debt, the net proceeds of the Issue and internal accruals, or any combination thereof.

***Indebtedness***

As of December 31, 2005, we had outstanding secured loans of Rs. 327.89 million, which consisted of Rs. 208.00 million in term loans, Rs. 11.90 million in vehicle loans and Rs. 107.99 million in equipment loans.

The following table sets forth our repayment obligations under the terms of our secured and unsecured indebtedness as of December 31, 2005.

**(in Rs. Million)**

| | **Payment due during the year ending March 31,** | | | | |
|---|---|---|---|---|---|
| **Indebtedness** | **2006** | **2007** | **2008** | **2009** | **After 2009** |
| **Secured** | 15.69 | 188.81 | 86.38 | 30.62 | 8.24 |
| **Unsecured** | 0 | 17.65 | 0 | 0 | 0 |

Most of our financing arrangements are secured by certain of our movable assets and by certain immovable assets of our Promoter Group entities. Our accounts receivable and inventories are subject to charges created in favour of specific secured lenders.

Many of our financing agreements also include numerous conditions and covenants that require us to obtain lender consents prior to carrying out certain activities and entering into certain transactions. Failure to meet these conditions or obtain these consents could have significant consequences on our business. Specifically, we must seek, and may be unable to obtain, lender consents to amend our Memorandum and Articles of Association, incur additional debt, issue new securities (debt or equity), change our capital structure, increase or modify our capital expenditure plans, undertake any expansion, undertake new projects, provide additional guarantees, change our management structure, declare dividends, create additional charges on or further encumber our assets, open a bank account with a bank other than the lender, create a subsidiary, remove personnel with substantial management powers or merge with or acquire other companies, whether or not there is any failure by us to comply with the other terms of such agreements. Under certain of these agreements, we are also required to obtain the consent of the relevant lender to appoint a Director to the Company's Board.

We believe that our relationships with our lenders are good. Compliance with the various terms of our loans is, however, subject to interpretation, and we cannot assure you that we have requested or received all consents from our lenders that are required by our financing documents. As a result, it is possible that a lender could assert that we have not complied with all the terms under our existing financing documents. Any failure to service our indebtedness, comply with a requirement to obtain a consent or perform any condition or covenant could lead to a termination of one or more of our credit facilities, acceleration of all amounts due under such facilities and cross-defaults under certain of our other financing agreements, any of which may adversely affect our ability to conduct our business and have a material adverse effect on our financial condition and results of operations.

***Contingent Liabilities***

Our contingent liabilities consist of bank guarantees in support of our bids and ongoing projects and letters of credit issued by our lenders in favour of certain of our creditors. As of December 31, 2005, an aggregate amount of Rs. 1,634.18 million of bank guarantees and letters of credit was outstanding.

***Sundry Debtors***

The following table presents the details of our sundry debtors.

**(Rs. in millions)**

| | **As at nine months ended December 31,** | | **As at 12 months ended March 31,** | | |
|---|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** | **2003** |
| Contract revenue (for the period then ending) | 2,224.75 | 1,959.73 | 2,652.97 | 2,009.18 | 891.76 |
| Outstanding Debtors at the end of each Period | 1,306.95 | 669.80 | 942.04 | 802.72 | 578.14 |
| Debtors outstanding for less than 180 days | 669.06 | 396.82 | 643.73 | 440.81 | 305.74 |
| Debtors outstanding for more than 180 days but less than 1 year | 265.79 | 70.56 | 132.5 | 81.32 | 115.26 |
| Debtors outstanding for more than 1 year but less than 2 years | 250.35 | 97.26 | 72.16 | 122.00 | 64.34 |
| Debtors outstanding for more than 2 years but less than 3 years | 121.75 | 105.16 | 93.65 | 158.59 | 92.80 |
| Provision for doubtful debts | 0 | 0 | 0 | 0 | 0 |
| Debtors outstanding – Number of days | 161* | 94* | 130 | 146 | 237 |
| Related party debtors outstanding – amount | 456.05 | 460.24 | 439.32 | 424.38 | 320.06 |

* *on annualized turnover*

As per industry practices, prior to certifying a bill our clients jointly measure the work done by us with our representative. It typically takes a period of 90-120 days for certification and subsequent realisation of bills.

Given below are details of Debtors Greater than One Year as on December 31, 2005.

**Details of Debtors Greater than One Year**

| As on 31st December, 2005 (Rs. Mn) | Days Outstanding | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Client Name** | **Total Out-standing Above 1 Year** | **366 To 455** | **456 To 547** | **548 To 637** | **638 To 730** | **731 To 821** | **822 To 911** | **912 To 1002** | **1003 To 1094** | **1095 & Above** | **Reason** |
| Mumbai Agriculture Produce Market Committee | 11.02 | - | - | - | - | 1.15 | 3.12 | 5.32 | 1.43 | | Retention Money |
| PWD, Government of Assam | 33.91 | 7.32 | 6.93 | 16.75 | 2.91 | - | - | - | - | | Retention & Delay in Payment |
| Bank of India | (2.47) | (3.93) | - | - | - | 0.82 | 0.64 | - | - | | Part - Payment released |
| Cultural Secretary, Government of Maharashtra | 54.23 | 14.49 | 5.53 | 2.74 | 1.87 | 23.67 | 2.63 | 0.86 | 2.44 | | Retention & Delay in Payment |
| Delhi Development Authority | 58.95 | 21.38 | 3.85 | 3.63 | - | 24.04 | 4.84 | 1.21 | - | | Retention & Delay in Payment |
| Gem & Jewellery Council | 2.10 | 2.11 | 0.14 | - | - | (0.15) | - | - | - | | Retention Money |
| Goa State Co- Op Bank Ltd. | (8.43) | (8.43) | - | - | - | - | - | - | - | | Ad - hoc payment |
| Goa State Infrastructure Development Corporation | 23.99 | 14.33 | 6.12 | 3.54 | - | - | - | - | - | | Retention Money |
| Gujarat Electricity Board | 3.19 | 2.83 | 0.36 | - | - | - | - | - | - | | Retention Money |
| Hexaware Technologies Ltd. | (0.20) | (0.20) | - | - | - | - | - | - | - | | Ad - hoc payment |
| HSCC (India) Limited | 3.21 | (7.54) | - | - | - | 7.35 | 1.77 | 1.63 | - | | Retention Money |
| MCGM | 0.64 | 0.64 | - | - | - | - | - | - | - | | Retention Money |
| National Buildings Construction Corporation Ltd. | (12.60) | (10.61) | - | - | - | (1.99) | - | - | - | | Ad - hoc payment |
| Northeast Frontier Railway | 2.07 | 2.07 | - | - | - | - | - | - | - | | Retention Money |
| P. J. Hindu Gymkhana | 0.46 | 0.36 | - | - | - | 0.10 | - | - | - | | Retention Money |
| Pratibha Industries | 0.83 | - | - | - | - | 0.83 | - | - | - | | Delay in Payment |
| Sheth & Sura Eng. Ltd. | (0.02) | (0.02) | - | - | - | - | - | - | - | | Ad - Hoc payment |
| Terana Public Charitable Trust | 23.58 | 8.40 | 4.03 | 0.42 | - | 7.03 | 0.85 | 2.76 | 0.09 | | Retention & Delay in Payment |
| Textiles Committee, Government of India | (1.30) | 2.74 | 1.08 | - | - | (5.12) | - | - | - | | Ad - Hoc payment |
| **Sub-Total** | **193.16** | **45.94** | **28.04** | **27.08** | **4.78** | **57.73** | **13.85** | **11.78** | **3.96** | | |

| As on 31st December, 2005 (Rs. Mn) Client Name | Days Outstanding | | | | | | | | | | Reason |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total Out-standing Above 1 Year | 366 To 455 | 456 To 547 | 548 To 637 | 638 To 730 | 731 To 821 | 822 To 911 | 912 To 1002 | 1003 To 1094 | 1095 & Above | |
| **GROUP COMPANIES** | | | | | | | | | | | |
| Avarsekar & Kejriwal Construction Pvt. Ltd. | 24.56 | 5.91 | 1.37 | - | - | 12.67 | 2.29 | 2.32 | - | | Delay in Payment |
| Avarsekar & Sons Pvt. Ltd. | 70.06 | 16.49 | 15.33 | 7.60 | - | 13.26 | 9.79 | 7.59 | - | | Delay in Payment |
| Pathare Construction & Investment Pvt. Ltd. | 40.61 | 17.63 | 12.96 | 10.02 | - | - | - | - | - | | Delay in Payment |
| **Sub-Total** | **135.23** | **40.03** | **29.66** | **17.62** | **-** | **25.93** | **12.08** | **9.91** | **-** | | |
| **JOINT VENTURE COMPANIES** | | | | | | | | | | | |
| I V R C L - Unity J V | 30.21 | 11.26 | 7.29 | 6.73 | 2.96 | 1.97 | - | - | - | | Project Stalled |
| Thakur - Mhatre - Unity ( J V ) | (21.75) | (21.75) | - | - | - | - | - | - | - | | Ad - Hoc payment |
| Unity Chopra JV. | 34.37 | 16.34 | 13.36 | 11.27 | 9.76 | (16.36) | - | - | - | | Retention Money |
| Unity-Patel JV. | 0.92 | - | - | - | - | 0.92 | - | - | - | | Retention Money |
| **Sub-Total** | **43.75** | **5.85** | **20.65** | **18.00** | **12.72** | **(13.47)** | **-** | **-** | **-** | | |
| **Grand Total** | **372.14** | **91.82** | **78.35** | **62.70** | **17.50** | **70.19** | **25.93** | **21.69** | **3.96** | | |

***Foreign currency risk***

To the extent that our income and expenditure are not denominated in the same currency, exchange rate fluctuations could cause some of our costs to increase more than our revenues on a given contract. Our future capital expenditures, including for imported equipment and machinery, may be denominated in currencies other than Indian rupees. Therefore, declines in the value of the rupee against such other currencies could increase the rupee cost of making such purchases.

***Equity price risk***

Equity price risk arises when we are exposed to changes in the fair value of any traded equity instruments that we may hold due to changes in the equity markets. Our exposure to changes in equity prices is not material to our financial condition or results of operations.

## Inflation

In recent years, although India has experienced fluctuations in inflation rates, inflation has not had material impact on our business and results of operations. According to the Office of the Economic Advisor, Department of Industrial Policy and Promotion, the inflation rate in India was approximately 3.6%, 3.4%, 5.5% and 6.9% in the Fiscal years 2002, 2003, 2004 and 2005 (for the period April to December 2004), respectively.

## Unusual or Infrequent Events or Transactions

Except as described in this Red Herring Prospectus, there have been no other events or transactions that, to our knowledge, may be described as “unusual” or “infrequent”.

## Known Trends or Uncertainties

Except as described in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Red Herring Prospectus, to our knowledge, there are no known trends or uncertainties that are expected to have a material adverse impact on our revenues or income from continuing operations.

## Future Relationship between Cost and Income

Except as described in “Risk Factors”, “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, to our knowledge there are no known factors that will have a material adverse impact on our operations and finances.

## Seasonality of Business

Our business operations may be materially and adversely affected by severe weather, which may require us to evacuate personnel or curtail services and may result in damage to a portion of our fleet of equipment or facilities resulting in the suspension of operations and, may further prevent us from delivering materials to our project sites in accordance with contract schedules or generally reduce our productivity. Our operations are also adversely affected by difficult working conditions and extremely high temperatures during summer months and during monsoon, which restrict our ability to carry on construction activities and fully utilize our resources. We record revenues for those stages of a project that we complete, after we receive certification from the client that such stage has been successfully completed. Revenues recorded during the first half of our financial year, between April and September, are traditionally substantially lower compared to revenues recorded during the second half of our financial year, due to the peak summer and monsoon seasons falling in the April to September period. During periods of curtailed activity due to adverse weather conditions, we may continue to incur operating expenses, but our revenues from operations may be delayed or reduced.

## Competitive Conditions

Refer to the sections entitled “Our Business”, “Industry” and “Risk Factors” regarding competition on pages 43, 32 and x of this Red Herring Prospectus.

## Significant Developments after December 31, 2005

Except as stated elsewhere in this Red Herring Prospectus, to our knowledge no circumstances have arisen since December 31, 2005, which is the date of the most recent financial statements included in this Red Herring Prospectus, which materially and adversely affect or are likely to affect our profitability, our financial condition or our ability to pay our material liabilities within the next 12 months.

Except as stated elsewhere in this Red Herring Prospectus, there are no subsequent developments after the date of the Auditor's report dated February 28, 2006, that we believe are expected to have material impact on our reserves, profits, earnings per share or book value.

In addition, we have received following letters of acceptance of our bids

- For the construction of the Tata clinic and faculty block at Tata Memorial Center, Parel, Mumbai. The contract value of the project is Rs. 300.85 million. As per the letter, the project is required to be completed in 24 months.
- For the construction of the "Runwal Gold" shopping mall for Runwal Erectors Private Limited in Pune, Maharashtra. The contract value of the project is Rs. 176.04 million.
- For construction of residential buildings at property situated at Tokersey Jivraj Marg, Sewree, Mumbai. The contract value of the project is Rs. 490.00 million. As per the letter, the project is required to be completed in 700 days.
- For gauge conversion of meter gauge railway line to broad gauge railway line of Villupuram Maylladuturai on Southern Railway for Rail Vikas Nigam Limited. The contract value of this project is Rs. 1822.26 million. This project is in joint venture with Tata Projects Limited and Kalindee Rail Nirman Limited. As per the letter, the project is required to be completed in 21 months.
- For design and construction of flyovers and slip roads in Navi Mumbai for the Navi Mumbai Municipal Corporation. The contract value of the project is Rs. 420.35 million. As per the letter, the project is required to be completed in 15 months.
- For construction of proposed Pratikshalaya and Bhakta Niwas at Prabhadevi for Shree Siddhivinayak Ganpati Mandir Trust. The contract value of the project is Rs. 206.64 million. As per the letter, the project is required to be completed in 15 months.

# SECTION VI: LEGAL AND OTHER INFORMATION

## OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, and there are no defaults, non payment of statutory dues, over-dues to banks/financial institutions/small scale undertaking(s), defaults against banks/financial institutions/small scale undertaking(s), defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issued by the Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Promoter or Directors.

**A. Unity Infraprojects Limited**

***Contingent Liabilities as of December 31, 2005***

- Guarantees given by the Company: Rs. 1,210,441,904;
- Letters of Credit: Rs. 423,737,336.

***Cases against the Company***

**Regulatory Issues**

The Company had employed Anil K. Avarsekar, the brother of one of our Promoters, Kishore K. Avarsekar, with effect from March 1, 2002 on a monthly remuneration of Rs. 15,000 after having obtained shareholder approval on February 20, 2002. During the period April 1, 2002 to January 31, 2003 he was paid a monthly remuneration of Rs. 25,000, which exceeded the permissible monthly remuneration as stipulated by the Central Government by an amount of Rs. 5,000 per month. Additionally during the period December 1, 2005 to January 31, 2006, he was paid a monthly remuneration of Rs. 80,000, which exceeded the then applicable monthly remuneration stipulated by the Central Government by an amount of Rs. 30,000 per month. Thus the maximum permitted limit under Section 314 of the Companies Act was breached by the Company without having obtained prior approval of the Central Government as required under the Companies Act. Anil K. Avarsekar has resigned with effect from February 1, 2006 and the Company has made an application on March 16, 2006 to the Ministry of Law, Justice and Company Affairs praying that the violation, which carries a penalty of Rs. 500 per day during the period when the offence is committed, be condoned and that requirement under the Companies Act of refunding payment received by the employee be waived. A decision is awaited.

**Civil Cases**

The Overseas Waterproofing Corporation has filed a civil suit bearing no. 265 of 2003 against the Company in the High Court at Mumbai claiming a sum of Rs. 73,989 along with interest thereon towards a security deposit that was allegedly illegally retained by the Company despite the completion of work. The court has yet to commence hearings on the case.

**Miscellaneous Cases**

Irappa Satwa Sonkamble has filed a case bearing no. 68/2004 before the Labour Court at Latur in his capacity as the legal heir of Ramchandra Irappa Sonkamble, a driver of the Company who died in an accident involving a Company vehicle. An amount of Rs. 120,000 has been claimed from the Company and the insurance company as compensation under the Workmen's Compensation Act. The matter is pending.

***Cases against Joint Ventures of the Company***

**Income Tax Cases**

1. The Company's joint venture with Backbone (the Backbone Unity Joint Venture) for strengthening Tansa Dam filed its Return of Income on December 1, 2003 for the assessment year 2003-2004. The Income Tax department issued a statutory notice under Section 143(2) of the IT Act opening the assessment for scrutiny. The Assistant Commissioner of Income Tax, Mumbai has passed an order dated March 31, 2006 against the joint venture and the joint venture has received a Notice of Demand dated March 31, 2006 under Section 156 of the I.T.Act in respect of the assessment year 2003-2004 for an amount of Rs. 56,161,355. The Backbone Unity Joint Venture has sixty days to prefer an appeal to the Income–Tax Appellate Tribunal. A notice was issued under Sections 271 and 274 of the I. T. Act whereby Backbone

Unity Joint Venture was asked to appear before the Assistant Commissioner of Income Tax on April 17, 2006 to show cause why an order imposing the penalty of said amount should not be passed against them. The Company has applied to the Income Tax department requesting that the said proceedings under section 271 be kept in abeyance and has instead preferred an appeal dated April 18, 2006 against the said order.

2. The Company's joint venture with Thakur Mhatre (the Thakur Mhatre Unity Joint Venture) for the execution of work of construction of roads to Jawaharlal Nehru Port Terminal filed its Return of Income on November 28, 2003 for the assessment year 2003-2004. The Income Tax department issued a statutory notice under Section 143(2) of the IT Act opening the assessment for scrutiny. The Assistant Commissioner of Income Tax, Mumbai has passed an order dated March 30, 2006 and the Company has received a notice under Section 274 and 271 of the I.T. Act in respect of the assessment year 2003-2004 for an amount of Rs. 75,166,700. Thakur Mhatre Unity Joint Venture was asked to appear before the Additional Commissioner of Income Tax on April 17, 2006 to show cause as to why an order imposing the penalty of said amount should not be passed against them. The Company has applied to the Income Tax department requesting that the said proceedings under section 271 be kept in abeyance and has instead preferred an appeal dated April 18, 2006 against the said order.

***Notices against the Company***

Balaji Industrial & Agricultural Castings (Balaji) informed SEBI vide letters dated April 18, 2006 and April 29, 2006 alleging that the Company did not refund an amount that Balaji had paid to the Company as an advance in relation to Balaji proposing to work as a sub-contractor with the Company on the Wasana Lift Irrigation Scheme. The Company has replied to these allegations. The said letters from Balaji and the replies to the same from the Company are available for inspection. See the section titled "Material Contracts and Documents for Inspection" on page 222 of this Red Herring Prospectus.

***Cases against the Directors***

**Kishore K. Avarsekar**

1. Nathuram Krishna Surve has filed case, Special Civil Suit No 106/1996 in the Court of the Third Joint Civil Judge, Senior Division, Thane asking the court to direct the defendants to pay the money due to the plaintiff on completion of work amounting to Rs. 322,515. The court has passed an order allowing the plaintiff to recover Rs. 164,752 along with interest at the rate of 8% thereon. The defendants have filed an appeal against the order. Hearing of the appeal has not begun.

2. The Office of the Labour Commissioner has issued summons vide No. 126 of 2005 dated June 28, 2005 to Kishore K. Avarsekar as the Chairman of the Company to appear before the authority under the Minimum Wages Act, 1948 to answer material questions relating to an application for the payment of difference between wages due according to the minimum rates of wages fixed by the Government of India and for compensation of Rs. 61,514. The Company has already submitted the difference of minimum wages amounting to Rs. 3,590 to the Labour Enforcement Officer and has requested for a personal hearing. The matter is currently pending.

3. The ROC has initiated proceedings against Kishore K. Avarsekar as an "officer in default" in his then capacity as a Director on the Board of Suyog Granites and Marbles Limited, in relation to the non-filing of annual returns by the company for the financial years ended March 31, 1996 to March 31, 2000. He has filed an application dated March 7, 2006 with the Company Law Board (CLB) under the Companies Act praying that a minimum fee be imposed on him in relation to the violation as he was an "officer in default" only for financial years ended March 31, 1996 and March 31, 1997. A decision from the CLB is awaited.

***Cases filed by the Company***

**Arbitration Claims**

1. UCC has filed a Statement of Claim before a sole arbitrator, Subhash Govind Pingale against NABARD in respect of the contract for the construction of an office complex for NABARD. UCC has claimed a sum of Rs. 255,172,241.80 in relation to the alleged breach of conditions of the contract by UCC and non- payment to UCC under the contract. The arbitrator, by his award dated August 1, 2005, has awarded a sum of Rs. 77,918,462.68 in favour of the Company as compensation along with future interest from the date of publishing of the award until the date of payment of the award amount as per the relevant law. NABARD has filed an Arbitration Petition (Lodging No 665 of 2005) before the High Court at Mumbai in appeal against the said award.

2. The Company had initiated arbitration proceedings in relation to payment for the refurbishment of the Kala Academy, Goa. An arbitral award was passed in the favour of the Company, wherein the award did not specify the amount awarded to the Company. Pursuant to the same, the Company received a payment of Rs. 2,851,333 as opposed to a claim of Rs. 29,057,241 and the retention money. The Company intends to file an application under section 34 of the Arbitration and Conciliation Act, 1996 challenging the said award.

   In addition, the Company has also filed a writ petition (no. 159 of 2006) dated April 11, 2006 before the Goa bench of the High Court of Bombay in relation to the above matter. Fresh tenders were invited in relation to the work which was pending after the said dispute and the tender was awarded to the second lowest bidder inspite of the Company being the lowest bidder. The Company has challenged the same in the said writ petition.

Additionally, the Company has filed several claims/ arbitration proceedings in relation to the following projects:

(a) Construction of roads at Kanjur Marg, Hariyali Village;

(b) Strengthening of Tansa Dam;

(c) Jawaharlal Nehru Port Trust Road Project;

(d) Construction at the Rabale Railway Station;

(e) Gujarat Electricity Board Package II at Kutch;

(f) Construction at the Textiles Laboratory at Prabhadevi, Mumbai; and

(g) Refurbishment of the Kala Academy, Goa.

The claims filed by the Company are for various grounds including additional work done by the Company, price escalation, interest on delayed payments and interest on retention money overdue.

**B. Promoters**

***Contingent Liabilities***

Avarsekar and Sons Private Limited had contingent liabilities as of December 31, 2005 in relation to corporate guarantees amounting to Rs. 1,470 million.

***Cases against the Promoters***

Apart from as disclosed above, there is no pending litigation involving the Promoters of the Company.

Avarsekar & Sons Private Limited had sent a legal notice dated January 14, 2006 to certain individuals with whom it had entered into purchase agreements for a property known as 'Gowalia Chawl', bearing CTS No. 442, Lower Parel, Mumbai seeking to restrain the said individuals from entering into an arrangement with a third party in relation to the said property. They have received replies through letters dated February 6, 2006 and April 27, 2006 in response to the legal notice.

**C. Promoter Group**

***Contingent Liabilities***

Avarsekar and Kejriwal Construction Private Limited had contingent liabilities as of December 31, 2005 in relation to corporate guarantees amounting to Rs. 200 million.

***Cases against the Promoter Group***

**Avarsekar and Kejriwal Constructions Private Limited**

Shakuntala M. Kelaskar has filed Civil Suit No. 119 of 1996 and Deepashree S. Jadhav has filed Civil Suit No. 120 of 1996 in the High Court at Mumbai against Avarsekar and Kejriwal Constructions Private Limited and others (Defendants) claiming their share in the suit property and for permanent injunction restraining the Defendants from putting up any further construction on the suit property. The parties to the suits have agreed to refer the suits to the Arbitral Tribunal of the Honourable Judge (Retired) S. R. Shah. The arbitration proceedings are in progress and the next hearing before the arbitral tribunal in both suits is scheduled for June 9, 2006.

**Unity Construction Company (UCC)**

1. Alumilite Architecturals Private Limited has filed a Summary Suit No. 2534 of 2004 in the High Court at Mumbai claiming a sum of Rs. 375,273 as balance due from UCC under an invoice dated March 31, 2001 together with interest from the date of certification of the invoice until the date of the complaint. UCC has paid Rs. 200,000 to the plaintiff in this behalf. The parties are currently discussing the terms of settlement.
2. The Income Tax authorities have asked UCC to pay certain taxes as block assessment for the period April 1, 1989 to November 29, 1999. The Assistant Commissioner of Income Tax has, based on an assessment of a total undisclosed income of Rs. 100 million for the block period of 10 years, passed an order on January 30, 2006 levying a penalty of Rs. 83,109,840 as the tax leviable in respect of the undisclosed income. UCC has preferred an appeal before the appellate authority. The Commissioner of Income Tax (Appeals) has in its order dated March 29, 2006 held that the penalty of Rs. 83,109,840 levied on UCC is invalid and incorrect and allowed the appeal in favour of UCC. The Department of Income Tax has filed an appeal before the High Court, Bombay challenging the said order of Commissioner of Income Tax (Appeals) dated March 29, 2006.

***Notices received by Promoter Group Companies***

**Pathare Construction and Investments Private Limited**

1. Brij Mohan Gupta (H.U.F.) sent a letter dated April 28, 2006 to SEBI and DSPML alleging that the said company was not willing to prepare an agreement of the flat booked by him and hand over possession of the same. Pathare Construction and Investments Private Limited, by way of its letter dated May 1, 2006 to the Company denied the allegations made in the said letter. This letter from Pathare Construction and Investments Private Limited was forwarded by the Company to SEBI and Brij Mohan Gupta (H.U.F.) by way of its letters dated May 1, 2006.
2. Pathare Construction and Investments Private Limited received a letter dated March 23, 2006 from one Vimal Ratnakar Mhatre and others alleging that the construction of the building situated at CTS No. 822, Annie Besant Road, Worli is not being carried out in accordance with law and is causing hardships to them. Pathare Construction and Investments Private Limited, by way of their letter dated April 24, 2006, has replied to the said letter denying all allegations made therein.

# GOVERNMENTAL APPROVALS

We have received the necessary consents, licenses, permissions and approvals from the government and various governmental agencies required for our present business and except as mentioned below, no further approvals are required for carrying on our present business.

***Approvals for the Issue***

1. In-principle approval from the National Stock Exchange dated April 13, 2006.
2. In-principle approval from the Bombay Stock Exchange dated April 13, 2006.

***Approvals to carry on our Business***

| Name of License/ Registration/Authority | Number and Date of License / Registration | Validity period | | Purpose | Granting authority |
|---|---|---|---|---|---|
| Registration Certificate Under Bombay Shops and Establishment Act 1948 | GS - II/009500 13/08/2001 | September 13, 2001 | December 31, 2006 | Office of Construction and Developers | Inspector of Shops and Establishment |
| The Central Sales Tax, Certificate of Registration under Central Sales Tax (Registration and Turnover) Rules 1957 | 400025/C/2187 Date – 16/09/2000 | August 1, 2000 | Until Cancelled | Sales Tax | Sales Tax Officer, Mumbai Division |
| Profession Tax Registration Certificate under Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 | 1/1/27/16669 16/09/2000 | September 16, 2000 | Until Cancelled | Sales Tax on Professions, Trades, Callings and Employment Act | Sales Tax Officer (7), Registration Branch, Mumbai. |
| Certificate of Registration for Execution of Work Contract under Maharashtra Sales Tax on Transfer of Property in Goods Act, 1985 | 400025/W-C/1224 14/09/2000 | September 8, 2000 | Until Cancelled | Execution of Work Contracts | Sales Tax Officer (7), Registration Branch, Mumbai. |
| Sales Tax Registration Certificate, Under Section 22/22A of Bombay Sales Tax Act, 1959 | 400025/S/2517 16/9/2000 | August 1, 2000 | Until Cancelled | Reseller in Building Material, construction , cement etc | Sales Tax Officer(c-415), Worli Division, Bombay. |
| Registration Certificate under The Assam General Sales Tax Rules 1998 | GAU(D) / AGST - 2947 25/5/04 | October 30, 2003 | Until cancelled | Sales Tax | Superintendent of Taxes, Guwahati |
| Registration Certificate under The Meghalaya Value Added Tax Rules 2005 | 17040408071 | May 1, 2005 | Until cancelled | Value Added Tax | Superintendent of Taxes Shillong, Meghalaya |

| Name of License/ Registration/Authority | Number and Date of License / Registration | Validity period | | Purpose | Granting authority |
|---|---|---|---|---|---|
| Registration Certificate under The Tripura Sales Tax Act, 1976 | KLS/ST/523/2004 29/4/04 | March 1, 2004 | Until cancelled | Sales Tax | Superintendent of Taxes Govt. of Tripura |
| Certificate of Registration under Delhi Sales Tax Act 1999 | WC/4/862009279/ 0801 | October 29, 2003 | Until cancelled | Sales Tax | Superintendent of Taxes, Delhi |
| Registration Certificate Under the Municipal Corporation of Greater Mumbai with Bombay Municipal Corporation | 24430/07/1993 | July 30, 1993 | December 12, 2007. | Registration of Contractors | Executive Engineer Monitoring and Registration Cell, MCGM Mumbai |
| Karnataka Contractors Pass Book | 39418 15/09/2000 | September 15, 2000 | March 31, 2010 | Registration of Contractors | Chief Engineer PWD - Bangalore |
| Nagpur Improvement Trust Registration of Contractors | 8417/01/2005 | January 1, 2005 | January 1, 2008 | Registration of Contractors | Asst. Engineer PAT Section, Nagpur |
| Karnataka Power Corporation Limited. Registration (KPCL) Certificate under Rules for Registration of Contractors of KPCL | KPCL/RGN/I/216/R/ 2001 16/07/2001 | July 16, 2001 | July 15, 2006 | Registration/ Renewal of Contractors in KPCL | Chief Engineer (civil designs), Bangalore |
| Urban Water Supply and Drainage Board, Raipur | 13126 17/07/2002 | July 25, 2002 | July 25, 2007 | Registration of Contractors | Chief Engineer, KUWS and Drainage Board, Raipur |
| Nagpur Municipal Corporation Nagpur | 16/427167 and 17/ 477244 | June 12, 2003 | June 11, 2006 | Registration of Contractors | The City Engineer Nagpur |
| Vidharbha Irrigation Development Department, Nagpur | 108101/10/2003 | October 1, 2003 | September 30, 2006 | Registration of Contractors | The City Engineer of Irrigation Development Dept., Nagpur |
| Housing Development Authority Department, Raipur | 209309/07/2004 | September 7, 2004 | Until Cancelled | Registration of Contractors | Deputy Commissioner of Housing Development Authority Department, Raipur |
| Registration, Public Works Department of Maharashtra | 1201311/10/2002 | December 11, 2002 | December 10, 2007 | Registration of Contractors | Chief Engineer PWD, Mumbai |

| Name of License/ Registration/Authority | Number and Date of License / Registration | Validity period | | Purpose | Granting authority |
|---|---|---|---|---|---|
| Regional Office Maharashtra, Employees State Insurance Corporation. Registration under Employees State Insurance Corporation Act 1948 | RL – 1817(31-43688-101) | November 19, 2002 | Until cancelled | Registration of ESIC | ESIC, Regional Director, Mumbai |
| Certificate of Registration under Central Sales Tax (Registration and Turnover) Rules1957 | 312/KLS/ Rev(Central)/2004 | March 1, 2004 | Until cancelled | Sales Tax | Superintendent of taxes Government of Tripura |
| Certificate of Registration under Delhi Sales Tax Act | LC/056/ 07920267696/1002 | October 29, 2003 | Until cancelled | Sales Tax | Sales Tax Authority |
| Certificate of Registration under Central Sales Tax (Registration and Turnover) Rules 1957 | PJI/10/1/2774/ 2004-05 | September 1, 2004 | Until cancelled | Registration as dealer under sec 7(1)and(2) of Central Act 1956 | Assistant Commercial Tax Officer, Hyderabad |
| Assignment of Account Number, Nagpur Improvement Trust | A/c No 200501151 | January 1, 2005 | January 1, 2008 | Assignment of account numbers to all Registered Contractors | Assistant Engineer (Technical), Nagpur Improvement Trust |
| Registration under Employees Provident Fund and Miscellaneous Provision Act 1952. Office of The Regional Provident Fund Commissioner | MH / PE/APP/ 39401 / Zone - v / 05-A / 1185 19/3/ 93 | November 1, 1991 | Until Cancelled | Provident Fund and Miscellaneous Provision Act | Regional Provident Fund Commissioner Maharashtra and Goa |
| Registration Certificate Gujarat Sales Tax Act 1969 | 1005004797 | July 2, 2003 | Until Cancelled | Sales Tax | Sales Tax Officer(1) Jamnagar |
| Labour Licenses of Siemens Limited Project Construction of Transformer Factory at Kalwa Work, Airoli | DC/THN/CLA/32/35 | September 26, 2005 | December 31, 2006 | Labour Licenses under Section 12(2) of Contract Labour (Regulation and Abolition) Act 1970 for 450 Workmen (No. of Workmen increased from 250 to 450 by App dated 11-Nov-05) | Licensing Officer (Regulation and Abolition), Mumbai |

| Name of License/ Registration/Authority | Number and Date of License / Registration | Validity period | | Purpose | Granting authority |
|---|---|---|---|---|---|
| Labour Licenses of GSIDC Project Construction of District Level Hospital at Mapusa, Goa under Sec8(1) of Inter State Migrant Workers Act 1979 | CLE/ISMW/ (GOA-225) /2004 | November 16, 2004 | November 15, 2006 | Labour Licenses under Section 8(1) of Inter State Migrant Workers (Regulation for employment and conditions of service)Act 1979 for 75 workmen | Office of The Commissioner, Labour and Employment, Government of Goa |
| Labour Licenses of CIDCO Project Construction of Rabale Railway Station, Navi Mumbai | B-ALC-I/46(76)/ 2004-L | April 23, 2004 | April 22, 2006 | Labour Licenses under Section 12(1) of Contract Labour (Regulation and Abolition) Act 1970 for 100 Workmen | Assistant Labour Commissioner (Central) II Mumbai |
| Labour Licenses of A.A.I. Project Expansion and Modification of Terminal 1-B at CSI Airport, Mumbai | B-ALC-I/46(264)/ 2004-L | December 31, 2004 | December 30, 2006 | Labour licenses under Section 12(1) of Contract Labour (Regulation and Abolition) Act 1970 for 200 Workmen | Assistant Labour Commissioner (Central) I Mumbai |
| Labour Licenses for the construction of Common Facility Building for research centre at Trombay, Mumbai | B-ALC-I/46(171)/ 2005-L | June 14, 2005 | June 13, 2006 | Labour Licenses under Section 12(1) of Contract Labour (Regulation and Abolition) Act 1970 for 150 workmen | Assistant Labour Commissioner (Central) I Mumbai |
| Labour licenses of MMRDA project construction of permanent residential tenements at Kanjur Marg | 42 | August 12, 2004 | December 31, 2006 | Labour licenses under Section 12(2) of Contract Labour (Regulation and Abolition) Act 1970 for 400 Workmen | Licensing officer (Regulation and Abolition) |
| Labour licenses of JVLR MMRDA project construction of road network strengthening | 46 | March 7, 2005 | December 31, 2006 | Labour licenses under sec 12(2) of Contract Labour (Regulation and Abolition) Act 1970 for 200 workmen | Licensing officer (Regulation and Abolition) |

| Name of License/ Registration/Authority | Number and Date of License / Registration | Validity period | | Purpose | Granting authority |
|---|---|---|---|---|---|
| Labour Licenses of c/o LIG Houses on Turnkey Basis at Sector 82, Group 1, New Delhi in The Establishment of Executive Engineer Northern Div. No.4, DDA, Narela, New Delhi. | ALC - HQ/ 46(88)/ 2003 16/09/2003 | September 15, 2005 | September 15, 2006 | Labour licence under sec 12(1) of Contract Labour (Regulation and Abolition) Act 1970 | Licensing Officer and Assistant Labour Commissioner (C) - Hq., New Delhi |
| Labour Licenses of c/o LIG Houses on Turnkey Basis at Sector 82, Group 2, New Delhi in The Establishment of Executive Engineer Northern Div. No.4, DDA, Narela, New Delhi. | ALC - HQ/ 46(92)/ 2003 16/09/2003 | September 15, 2005 | September 15, 2006 | Labour licence under Section 12(1) of Contract Labour (Regulation and Abolition) Act 1970 | Licensing Officer and Assistant Labour Commissioner (C) - Hq., New Delhi |
| Labour Licenses of Single Line B.G. Tunnel No.1 Between Km.31/875 in Connection with Kumarghat - Agartala New Railway Line Project. | SIL/05/2005/LIC/ MIGRANT 01/12/ 2005 | December 1, 2005 | November 30, 2006 | Labour Licence for 10 migrant workmen under Inter-State Migrant Workmen Act 1979 | Assistant Labour Commissioner (Central) - Silchar |
| Certificate of Registration May 26, 2004 | Central Sales Tax Rules 1957 | October 30, 2003 | Until Cancelled | | Superintendent of Taxes |
| Certificate of Registration under sec 12(1), 12(2) of Andhra Pradesh General Sales Tax Act 1957 | PJI/10/1/3647/ 2004-05 | January 9, 2004 | Until Cancelled | Dealer Registration | Assistant Commercial Tax Officer, Jubilee Hills, Hyderabad |
| Registration under Godavari Marathwada Irrigation development corporation | 05c01009 | November 30, 2005 | October 12, 2007 | Registration of Contractors | Superintendent Engineer Aurangabad Irrigation Corporation |
| Labour License for construction of district level hospital under sec 12(2) of Contract Labour Regulation Act 1970 | CL/GOA-1677 | January 27, 2005 | December 31, 2006 | Labour License under Section12(2) of Contract Labour Regulation Act 1970 for 175 workmen | Licensing Officer , Goa |
| Labour Licenses of Single Line B.G. Tunnel No.1 Between Km.31/875 in Connection with Kumarghat - Agartala New Railway Line Project. | Registration Certificate | December 1, 2005 | December 31, 2006 | Certificate of Registration under Section 7(3) of Building and other Construction Workers ( Regulation of employment and conditions of service)Act and Rules for 50 workers | Registration Officer and Assistant Labour Commissioner |

| Name of License/ Registration/Authority | Number and Date of License / Registration | Validity period | | Purpose | Granting authority |
|---|---|---|---|---|---|
| Labour Licenses of Single Line B.G. Tunnel No.1 Between Km.31/875 in Connection with Kumarghat - Agartala New Railway Line Project. | SIL/132/2005 | December 1, 2005 | November 30, 2006 | Labour License for 50 workers under sec 12(1) of Contract Labour (Regulation and Abolition) Act 1970 | Licensing Officer |
| Labour License for excavation on RCC work concreting and other ancillary construction works of Sardar Vallabhbhai Patel Stadium, Worli, Mumbai | 219 | January 17, 2004 | December 31, 2006 | Labour License under Section 12(2) of Contract Labour (Regulation and Abolition) Act 1970 for 400 Workers(Renewal Application for 250 workers) | Licensing Officer (Regulation and Abolition) |
| Labour License for construction of building for PWD Govt Assam | 1449 | November 20, 2003 | November 19, 2006 | Labour License under Section 12(1) of Contract Labour (Regulation and Abolition) Act 1970 | Licensing Officer (Regulation and Abolition) |
| Labour License for construction and development of sports Complex at Nagpur | 123/D-3/2005 | February 24, 2005 | December 31, 2006 | Labour License under Section 12(2) of Contract Labour (Regulation and Abolition) Act 1970 | Licensing Officer (Regulation and Abolition) |
| Labour License for construction of Income Tax Building at Guwahati | GH.46/91/2005-L | October 25, 2005 | October 24, 2006 | Labour License for 50 Workers under Section 12(1) of Contract Labour (Regulation and Abolition) Act 1970 | Licensing Officer (Regulation and Abolition) |
| Labour License for Construction of Railway over bridge (ROB) near Mankapur on Nagpur - Itarsi section of Central Railway | 98/D-3/2004 | December 31, 2006 | | Labour License under Section 12(2) of Contract Labour (Regulation and Abolition) Act 1970 for 50 workers | Licensing Officer (Regulation and Abolition) |
| Labour License for design and construction of railway overbridge (ROB) of Nagpur Kalumna section of SE Railway | 108/D-3/2004 | January 23, 2004 | December 31, 2006 | Labour License under Section 12(2) of Contract Labour (Regulation and Abolition) Act 1970 | Licensing Officer (Regulation and Abolition) |

| Name of License/ Registration/Authority | Number and Date of License / Registration | Validity period | | Purpose | Granting authority |
|---|---|---|---|---|---|
| Labour License for Tadipudi Lift Irrigation Scheme | 770/ACURJY | January 2, 2006 | December 31, 2006 | Labour License under Section 12(1) of Contract Labour (Regulation and Abolition) Act 1970 | Licensing Officer (Regulation and Abolition) and Assistant Commissioner of Labour, Rajahmundry |
| Labour License for construction of shops and offices in vegetable market complex in Vashi, Mumbai | DC/THN/CLA/37/36 | February 28, 2006 | December 31, 2006 | Labour License under Section 12(1) of Contract Labour (Regulation and Abolition) Act 1970 | Licensing Officer, Thane |
| Labour License for the strengthening of Tansa Dam | ACL/KYN/CLA/ RE395/06 | February 2, 2006 | December 31, 2006 | Labour License under Section 12(1) of Contract Labour (Regulation and Abolition) Act 1970 | Licensing Officer, Kalyan |
| Labour Licenses of BMC Project Construction and Improvement of Side Strips of The Roads in "M/ E" Ward. | 52 | June 3, 2005 | December 31, 2006 | Labour Licenses under sec 12(2) of Contract Labour (Regulation and Abolition) Act 1970 for 50 workmen | Licensing Officer (Regulation and Abolition), Mumbai |
| Labour Licenses of BMC Project Concreting and Improvement of Side Strips of The Roads in "T" ward. | 37 | June 3, 2005 | December 31, 2006 | Labour Licenses for 50 workmen | Licensing Officer (Regulation and Abolition), Mumbai |
| Labour Licenses of BMC Project Concreting and Improvement of Side Strips of The Roads in "L" Ward. | 87 | June 3, 2005 | December 31, 2006 | Labour Licenses under Section 12(2) of Contract Labour (Regulation and Abolition) Act 1970 for 50 workmen | Licensing officer (Regulation and Abolition), Mumbai |
| Labour Licenses of BMC Project Concreting and Improvement of Side Strips of the Roads in "S" ward. | 36 | June 3, 2005 | December 31, 2006 | Labour Licenses under sec 12(2) of Contract Labour (Regulation and Abolition) Act 1970 for 50 workmen | Licensing Officer (Regulation and Abolition), Mumbai |
| Labour Licenses for construction of Tata Clinic and Faculty Block at Tata Memorial Centre, Parel, Mumbai | B-ALC.III/46(28)/ 2006-L | April 10, 2006 | April 9, 2007 | Labour Licenses under sec 12(2) of Contract Labour (Regulation and Abolition) Act 1970 for 100 workmen | Licensing Officer (Regulation and Abolition), Mumbai |

## Licenses Applied for and Pending Approval

1. An application has been made for renewal of Labour License for concreting of missing link and improvement of footpath of Dr. B. A. Road from Byculla Bridge to MMGS Marg for 50 workers.
2. An application has been made for labour license for construction of residential buildings for M/s Swan Mills Limited at Sewri, Mumbai.
3. An application has been made to the Chief Controller Explosives, State of Tripura, for the renewal of the License to Possess Explosives under the provisions of Explosives Act, 1884 and Rules made thereunder.

# OTHER REGULATORY AND STATUTORY DISCLOSURES

## Authority for the Issue

The present Issue has been authorized by the Board of Directors in their meeting on March 23, 2006, and by the shareholders of our Company at an EGM held on March 23, 2006, and by the Selling Shareholders by their letters dated March 25, 2006.

## Prohibition by SEBI, RBI or governmental authorities

Our Company, our Directors, our Promoters, our Promoter Group companies, associates of our group companies and other companies promoted by our Promoters and companies with which our Company's Directors are associated as Directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Neither we nor our Directors, associates, Promoters, Promoter Group companies or relatives of our Promoters have been detained as wilful defaulters by the RBI or government authorities. There are no violations of securities laws committed by any of them in the past or pending against them.

## Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Clause 2.2.1 of the SEBI Guidelines as explained under the eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- Our Company has net tangible assets of at least Rs. 30 million in each of the preceding three full years of which not more than 50% is held in monetary assets and is compliant with Clause 2.2.1(a) of the SEBI Guidelines;
- Our Company has a track record of distributable profits in accordance with Section 205 of the Companies Act, for at least three of the immediately preceding five years and is compliant with Clause 2.2.1(b) of the SEBI Guidelines;
- Our Company has a net worth of at least Rs. 10 million in each of the three preceding full years and is compliant with Clause 2.2.1(c) of the SEBI Guidelines; and
- The aggregate of the proposed Issue size and all previous issues made in the same financial year is not expected to exceed five times the pre-Issue net worth of our Company and is compliant with Clause 2.2.1(e) of the SEBI Guidelines.

The Company's net profit, dividend, net worth, net tangible assets and monetary assets derived from the Auditor's Report included in this Red Herring Prospectus under the section "Financial Statements ", as at, and for the last five years ended FY 2005 are set forth below:

**(In Rs. millions)**

| | FY 2005 | FY 2004 | FY 2003 | FY 2002 | FY 2001 |
|---|---|---|---|---|---|
| Net Tangible Assets (1) | 1,044.83 | 876.21 | 742.59 | 585.89 | 333.08 |
| Monetary Assets (2) | 391.74 | 350.69 | 284.04 | 229.67 | 246.69 |
| Net profits, as restated | 116.07 | 67.69 | 26.60 | 21.09 | 15.00 |
| Net worth, as restated | 443.90 | 339.55 | 288.74 | 262.10 | 61.78 |

(1) Net tangible assets is defined as the sum of fixed assets (including capital work in progress and excluding revaluation reserves), current assets (excluding deferred tax assets) less current liabilities (excluding deferred tax liabilities and long term liabilities).

(2) Monetary assets include cash on hand and bank. Detailed figures are given in the section titled "Financial Statements" on page 113 of this Red Herring Prospectus.

(3) The distributable profits of the Company as per section 205 of the Companies Act have been calculated from the audited financial statements of the respective years/period before making adjustments for restatement of Financial Statements.

## Disclaimer Clause

**AS REQUIRED, A COPY OF THE RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER DSP MERRILL LYNCH LIMITED, HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER, DSP MERRILL LYNCH LIMITED, IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE BOOK RUNNING LEAD MANAGER, HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MAY 10, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:**

**(i) "WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**

**(ii) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,**

**WE CONFIRM THAT:**

**(A) THE RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

**(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**

**(C) THE DISCLOSURES MADE IN THE RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;**

**(iii) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND**

**(iv) WE CONFIRM THAT WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

**THE FILING OF THE RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND/OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS."**

**WE CERTIFY THAT WRITTEN CONSENT FROM OUR PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE RED HERRING PROSPECTUS.**

**ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED**

**HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, MAHARASHTRA AT MUMBAI, IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.**

## Caution

Our Company, the Selling Shareholders, our Directors and the BRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web site www.unityinfra.com, would be doing so at his or her own risk.

The BRLM accepts no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLM, the Selling Shareholders and us, and the Underwriting Agreement to be entered into between the Underwriters, the Selling Shareholders and us.

All information shall be made available by us, the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

## Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are majors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorized under their constitution to hold and invest in shares, Public financial institutions as specified in Section 4A of the Companies Act, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, and to permitted non-residents including FIIs registered with SEBI, and eligible NRIs, multilateral and bilateral development financial institutions, foreign venture capital investors registered with SEBI, and eligible foreign investors, provided that they are eligible under all applicable laws and regulations to hold Equity Shares of the Company. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Mumbai, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been submitted to SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

**The Equity Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.**

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

## Disclaimer Clause of BSE

As required, a copy of this Red Herring Prospectus has been submitted to BSE. BSE has given vide its letter dated April 13, 2006, permission to the Company to use BSE's name in this Red Herring Prospectus as one of the stock exchanges on which our securities are proposed to be listed. BSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. BSE does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of Draft Red Herring Prospectus; or
2. Warrant that this Company's securities will be listed or will continue to be listed on BSE; or
3. Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that this Red Herring Prospectus has been cleared or approved by BSE. Every Person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

## Disclaimer Clause of the NSE

As required, a copy of this Red Herring Prospectus has been submitted to NSE.

NSE has given in its letter dated April 13, 2006, permission to us to use NSE's name in this Red Herring Prospectus as one of the stock exchanges on which our securities are proposed to be listed, subject to the Company fulfilling the various criteria for listing including the one related to paid up capital and market capitalization (i.e., the paid up capital shall not be less than Rs. 100 million and the market capitalization shall not be less than Rs. 250 million at the time of listing). The NSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that this Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every Person who desires to apply for or otherwise acquires any of our securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

## Filing

A copy of this Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 021.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the ROC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with ROC at the Office of the Registrar of Companies 100, Everest, Marine Drive, Mumbai 400 002, India.

## Listing

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Shares. BSE will be the Designated Stock Exchange with which the Basis of Allotment will be finalized.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within 8 days after our Company becomes liable to repay it, i.e. from the date of refusal or within 15 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalization of the Basis of Allotment for the Issue.

## Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to the Issue; and (b) Book Running Lead Manager to the Issue and Syndicate Member, Escrow Collection Bankers, Registrar to the Issue and Legal Advisors to the Underwriters, to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the ROC, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the ROC.

C.B. Chhajed and Co., Chartered Accountants have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the ROC.

C.B. Chhajed and Co., Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Red Herring Prospectus for registration with the ROC.

## Expert Opinion

Except as stated elsewhere in this Red Herring Prospectus, we have not obtained any expert opinions.

## Expenses of the Issue

The total expenses of the Issue are estimated to be approximately Rs. [●] million. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. Other than the listing fees which will be paid by the Company, all expenses with respect to the Issue will be shared between us and the Selling Shareholders on a proportionate basis in the ratio of Equity Shares issued by us in the Fresh Issue and the Equity Shares sold by the Selling Shareholders in the Offer for Sale.

The estimated Issue expenses are as under:

| **Activity** | **Expenses*** | | |
|---|---|---|---|
| | **(in Rs. Million)** | **(Percentage of total Issue expenses)** | **(Percentage of total Issue size)** |
| Lead management, underwriting commission | [●] | [●] | [●] |
| Advertising and Marketing expenses | [●] | [●] | [●] |
| Printing and stationery | [●] | [●] | [●] |
| Registrars fee, legal fee, etc. | [●] | [●] | [●] |
| Others | [●] | [●] | [●] |
| Total estimated Issue expenses | [●] | [●] | [●] |

* Will be finalized after the Issue Price is determined

## Fees Payable to the BRLM and the Syndicate Member

The total fees payable to the Book Running Lead Manager and the Syndicate Member will be as per the letter of appointment dated February 20, 2006 with the BRLM issued by our Company, a copy of which is available for inspection at our registered office.

### Fees Payable to the Registrar to the Issue

The fees payable by us to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as the per the memorandum of understanding between us and the Registrar to the Issue dated March 25, 2006.

The Registrar to the Issue will be reimbursed for all out of pocket expenses including cost of stationery, postage, stamp duty, and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

### Underwriting commission, brokerage and selling commission on previous issues

Since this is the initial public offer of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

### Previous Rights and Public issues

Our Company has not made any previous rights and public issues in India or abroad in the five years preceding the date of this Red Herring Prospectus.

### Previous issues of shares otherwise than for cash

Other than as disclosed in the section titled "Capital Structure" on page 15 of this Red Herring Prospectus, our Company has not made any previous issues of shares for consideration otherwise than for cash.

### Companies under the Same Management

Except as stated in "Our Promoters and Promoter Group" on page 85 of this Red Herring Prospectus, there are no companies under the same management.

### Promise v/s performance

Our Company, any Group or associate companies has not made any previous rights and public issues.

### Outstanding Debentures or Bond Issues or Preference Shares

Our Company has no outstanding debentures or bonds or redeemable preference shares as of the date of this Red Herring Prospectus.

### Stock Market Data for our Equity Shares

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

### Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to the Issue and us will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of despatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

### Disposal of Investor Grievances by the Company

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have also appointed Sushant Karpe, our Company Secretary as the Compliance Officer for this Issue. He may be contacted in case of any pre-Issue or post Issue related problems, at the following address:

***Sushant Karpe***
1252 Pushpanjali Apartments
Old Prabhadevi Road
Prabhadevi
Mumbai 400 025, India
Tel: (91 22) 6666 5500; Fax: (91 22) 6666 5599
Email: investors@unityinfraprojects.com
Website: www.unityinfra.com

## Change in Auditors

There have been no changes of the auditors in the last three years.

## Capitalization of Reserves or Profits

Our Company has not capitalized our reserves or profits during the last five years, except as stated in the section titled "Capital Structure" on page 15 of this Red Herring Prospectus.

## Revaluation of Assets

We have not revalued our assets in the last five years.

## Payment or benefit to our officers

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation.

Other than as disclosed in the section titled "Financial Statements" on page 113 of this Red Herring Prospectus, none of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.

# SECTION VII: ISSUE INFORMATION

## TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, the Government of India, Stock Exchanges, Registrar of Companies, RBI, FIPB and/or other authorities, as in force on the date of the Issue and to the extent applicable.

### Authority for the Issue

***From the Company***

The Issue has been authorized by a resolution of our Board dated March 23, 2006 and by a special resolution adopted pursuant to Section 81(1A) of the Companies Act, at a general meeting of the shareholders of our Company held on March 23, 2006.

***Authority from the Selling Shareholders***

The Selling Shareholders, Kishore K. Avarsekar, Abhijit K. Avarsekar, Ashish K. Avarsekar and Pushpa K. Avarsekar by their letters dated March 25, 2006 have authorised the offer of their Equity Shares as part of the Offer for Sale.

Based on the letters provided by the Selling Shareholders, we understand that they have not been prohibited from dealing in the securities market and the Equity Shares offered by them are free from any encumbrance.

### Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank pari-passu with the existing Equity Shares of our Company including rights in respect of dividend. The Allottees in receipt of allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of allotment.

### Mode of Payment of Dividend

We shall pay dividends to our shareholders as per the provisions of the Companies Act.

### Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price is Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

### Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

### Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreement executed with the Stock Exchanges, and our Company's Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please refer to the section titled "Main Provisions of Our Articles of Association" on page 213 of this Red Herring Prospectus.

## Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the SEBI Guidelines, the trading of our Equity Shares shall only be in dematerialised form. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of 1 Equity Share subject to a minimum allotment of 9 Equity Shares.

## Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Mumbai, Maharashtra, India.

## Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

## Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue, including devolvement of underwriters within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act.

Further in terms of Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1,000.

**The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.**

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

# ISSUE STRUCTURE

The present Issue of 3,443,000 Equity Shares, at a price of Rs. [●] for cash aggregating Rs. [●] million is being made through the 100% Book Building Process.

| | QIBs | Non-Institutional Bidders | Retail Individual Bidders | Employee Reservation Portion |
|---|---|---|---|---|
| Number of Equity Shares* | Upto 1,671,500 Equity Shares | Minimum of 501,450 Equity Shares or Issue Size less allocation to QIB Bidders and Retail Individual Bidders. | Minimum of 1,170,050 Equity Shares or Issue Size less allocation to QIB Bidders and Non-Institutional Bidders. | Upto 100,000 Equity Shares. |
| Percentage of Issue Size available for allotment/allocation | Upto 50% of Net Issue Size being allocated.<br>However, up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only. | Minimum of 15% of Net Issue or the Net Issue less allocation to QIB Bidders and Retail Individual Bidders. | Minimum of 35% of Net Issue or the Net Issue less allocation to QIB Bidders and Non-Institutional Bidders. | Upto 100,000 Equity Shares. |
| Basis of Allotment/ Allocation if respective category is oversubscribed | Proportionate as follows:<br>(a) 83,575 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and<br>(b) 1,587,925 Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above. | Proportionate | Proportionate | Proportionate |
| Minimum Bid | Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000. | Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000. | 9 Equity Shares. | 9 Equity Shares. |
| Maximum Bid | Such number of Equity Shares not exceeding the Issue, subject to applicable limits. | Such number of Equity Shares not exceeding the Issue subject to applicable limits. | Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000. | There is no restriction on the maximum Bid Amount. |
| Mode of Allotment | Compulsorily in dematerialised form. | Compulsorily in dematerialised form. | Compulsorily in dematerialised form. | Compulsorily in dematerialised form. |
| Bid Lot | 9 Equity Shares & in multiples of 9 Equity Shares | 9 Equity Shares & in multiples of 9 Equity Shares | 9 Equity Shares & in multiples of 9 Equity Shares | 9 Equity Shares & in multiples of 9 Equity Shares |

| | QIBs | Non-Institutional Bidders | Retail Individual Bidders | Employee Reservation Portion |
|---|---|---|---|---|
| Trading Lot | One Equity Share | One Equity Share | One Equity Share | One Equity Share |
| Who can Apply ** | Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law. | NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts. | Individuals (including HUFs, NRIs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value. | Eligible Employees as on April 30, 2006 |
| Terms of Payment | QIB Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member. | Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member. | Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member. | Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member. |
| Margin Amount | At least 10% of Bid Amount | Full Bid Amount on bidding | Full Bid Amount on bidding | Full Bid Amount on bidding |

* The Issue is being made through the 100% book building process wherein upto 50% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. At least 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and at least 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Under subscription in the Employee Reservation Portion shall be allowed to be met through over-subscription in the Retail Portion and the Non-Institutional Portion at the discretion of the Company, Selling Shareholders and the BRLM. Under-subscription, if any, in any other category, would be met with spill over from other categories at the discretion of the Company and the Selling Shareholders in consultation with the BRLM. See “Issue Procedure” on page 189 of this Red Herring Prospectus.

** In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

## Withdrawal of the Issue

The Company in consultation with the BRLM, reserves the right not to proceed with the Issue at any time including after the Bid Closing Date, without assigning any reason thereof.

## Bidding/Issue Programme

| | | |
|---|---|---|
| **BID/ISSUE OPENS ON** | **:** | **May 19, 2006** |
| **BID/ISSUE CLOSES ON** | **:** | **May 24, 2006** |

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid /Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) and uploaded until such time as permitted by the BSE and the NSE on the Bid /Issue Closing Date.

The Company reserves the right to revise the Price Band during the Bidding/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

**In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding Period/Issue Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLM and at the terminals of the Syndicate.**

# ISSUE PROCEDURE

*The Red Herring Prospectus reflects the changes made to the SEBI Guidelines in relation to the refunds to the applicants by way of NEFT/ECS/RTGS pursuant to the SEBI Circular SEBI/CFD/DIL/DIP/18/2006/20/1 dated January 20, 2006. However, we may make certain other changes in the relevant sections of the Red Herring Prospectus to reflect the position arising out of the amendments brought in to the SEBI Guidelines by the terms of the SEBI circular dated January 20, 2006, pursuant to further internal consultations with Stock Exchanges, the Registrar and other intermediaries.*

## Book Building Procedure

The Issue is being made through the 100% book building process wherein upto 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be submitted only through Syndicate Member. In case of QIB Bidders, the Company and the Selling Shareholders in consultation with the BRLM may reject Bids at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders and Employee Reservation Portion, our Company and the Selling Shareholders would have a right to reject the Bids only on technical grounds.

**Investors should note that allotment of Equity Shares to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.**

## Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the ROC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the ROC and as would be required by ROC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

| Category | Colour of Bid cum Application Form |
|---|---|
| Indian public, NRIs applying on a non repatriation basis | White |
| Non-Residents, Eligible NRIs, FVCIs, FIIs etc applying on a repatriation basis | Blue |
| Eligible Employees | Pink |

## Who can Bid?

- Indian nationals resident in India who are majors in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;

- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the equity shares;
- Mutual Funds;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations), as applicable;
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- FIIs registered with SEBI, on a repatriation basis;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- As permitted by the applicable laws, Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares; and
- Multilateral and Bilateral Development Financial Institutions.

As per existing regulations, OCBs are prohibited from investing in this Issue.

**Note**: The BRLM and Syndicate Member shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLM, and Syndicate Member may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.**

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 83,575 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

*As per the current regulations, the following restrictions are applicable for investments by mutual funds:*

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company’s paid-up share capital carrying voting rights.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

## Bids by NRIs

1. Bid cum application forms have been made available for NRIs at our registered /corporate office, members of the Syndicate and the Registrar to the Issue.

2. NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

## Application by FIIs

*As per the current regulations, the following restrictions are applicable for investments by FIIs:*

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital, i.e. 1,336,800 Equity Shares. In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, in accordance with the foreign investment limits applicable to us, the total FII investment cannot exceed 24% of our total paid up capital.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

## Application by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

*As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:*

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding in the Company by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund/ foreign venture capital investor.

**The above information is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.**

## Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 9 Equity Shares and in multiples of 9 Equity Shares thereafter, so as to ensure that the Bid Price payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Price does not exceed Rs. 100,000. In case the Bid Price is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 9 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws.

(c) **For Employee Reservation Portion:** The Bid must be for a minimum of 9 Equity Shares and in multiples of 9 Equity Shares thereafter. There is no restriction on the maximum Bid Amount for this category.

**Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin upon submission of Bid.**

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders, QIBs and Bidders in the Employee Reservation Portion bidding for more than Rs. 100,000 are not allowed to Bid at 'Cut-off'.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.**

### Information for the Bidders:

(a) Our Company will file the Red Herring Prospectus with the ROC at least 3 (three) days before the Bid/Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.

(d) Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLM or Syndicate Member or their authorized agent(s) to register their Bids.

(e) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

### Method and Process of Bidding

(a) Our Company and the BRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with ROC and also publish the same in three widely circulated newspapers (one each in English, Hindi and Marathi). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI DIP Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.

(b) The Bidding Period shall be for a minimum of three days and not exceeding seven days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in three national newspapers (one each in English and Hindi) and one Marathi newspaper and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 days.

(c) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the section titled "Issue Procedure" on page 189 of this Red Herring Prospectus) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(d) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Issue Procedure" on page 189 of this Red Herring Prospectus.

(e) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(f) During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.

(g) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the section titled "Issue Procedure" on page 189 of this Red Herring Prospectus.

**Bids at Different Price Levels**

(a) The Price Band has been fixed at Rs. 651 to Rs. 732 per Equity Share, Rs. 651 being the lower end of the Price Band and Rs. 732 being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Re. 1 (Rupee One).

(b) Our Company and the Selling Shareholders in consultation with the BRLM, reserve the right to revise the Price Band, during the Bidding Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in this Red Herring Prospectus.

(c) In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 (ten) days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in three widely circulated newspapers (one each in English and Hindi) and one Marathi newspaper, and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate Member.

(d) Our Company and the Selling Shareholders, in consultation with the BRLM, can finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.

(f) Retail Individual Bidders and Bidders in the Employee Reservation Portion who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Bidders in the Employee Reservation Portion bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders and the Bidders in the Employee Reservation Portion, who bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders and Bidders in the Employee Reservation Portion, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.

(g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Bidders in the Employee Reservation Portion who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 100,000 for Retail Individual Bidders, if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(h) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Bidders in the Employee Reservation Portion who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 9 Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

## Escrow Mechanism

Our Company, the Selling Shareholders and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Price from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Issue Account as per the terms of the Escrow Agreement. Payments of refund to the Bidders shall also be made from the Refund Account are per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

## Terms of Payment and Payment into the Escrow Accounts

Each Bidder, shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form by drawing a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the section titled "Issue Procedure" on page 189 of this Red Herring Prospectus) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold such monies for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. No later than 15 (fifteen) days from the Bid/Issue Closing Date, the Escrow Collection Bank(s) shall dispatch all refund amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the section titled "Issue Structure" on page 186 of this Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of two (2) days from the date of communication of the allocation list to the members of the Syndicate by the BRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated/allotted lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation/allotment, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

## Electronic Registration of Bids

(a) The Members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Member can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.

(c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor.
- Investor Category – Individual, Corporate, NRI, FII, or Mutual Fund etc.
- Numbers of Equity Shares bid for.
- Bid price.
- Bid cum Application Form number.
- Whether Margin Amount has been paid upon submission of Bid cum Application Form.
- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/allotment either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of QIB Bidders, members of the Syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees who Bid in the Employee Reservation Portion, Bids would not be rejected except on the technical grounds listed in the section titled "Issue Procedure" on page 189 of this Red Herring Prospectus.

(h) The permission given by BSE and NSE to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoter, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

## Build Up of the Book and Revision of Bids

(a) Bids registered by various Bidders through the Members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLM on a regular basis.

(c) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.

(f) Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(g) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(h) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

(i) Only Bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLM based on the physical records of Bid Application Forms shall be final and binding on all concerned.

## Price Discovery and Allocation

(a) After the Bid/Issue Closing Date, the BRLM will analyse the demand generated at various price levels.

(b) The Company and the Selling Shareholders in consultation with the BRLM shall finalise the "Issue Price".

(c) The allocation to QIBs will be upto 50% of the Net Issue and allocation to Non-Institutional and Retail Individual Bidders will be at least 15% and 35% of the Net Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and the Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.

(d) Under-subscription, if in any category would be met with spill over from any other category at the discretion of our Company, the Selling Shareholders in consultation with the BRLM. However, if the aggregate demand by Mutual Funds is less than 83,575 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders. Under-subscription in the Employee Reservation Portion shall be allowed to be met through over-subscription in the Retail Portion and the Non-Institutional Portion at the discretion of the Company, Selling Shareholders and the BRLM. In case of under-subscription in the Net Issue to the public, spill-over to the extent of the under-subscription shall be permitted from the Employee Reservation Portion.

(e) Allocation to Eligible NRIs, FIIs and foreign venture capital funds registered with SEBI applying on repatriation basis will be subject to applicable law, rules, regulations, guidelines and approvals.

(f) The BRLM, in consultation with us and the Selling Shareholders, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Price has not been collected from the Bidders.

(g) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date without assigning any reasons whatsoever. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/ Issue Closing Date.

## Notice to QIBs: Allotment Reconciliation

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

## Issuance of CAN

(a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLM, or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that the Company shall ensure that the date of allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLM or members of the Syndicate would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated/allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

(d) The Issuance of CAN is subject to "Notice to QIBs: Allotment Reconciliation" as set forth under the chapter "Issue Procedure" of this Red Herring Prospectus.

## Signing of Underwriting Agreement and ROC Filing

(a) The Company, the Selling Shareholders, the BRLM and the Syndicate Member shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s) /allotment to the Bidders.

(b) After signing the Underwriting Agreement, the Company would update and file the updated Red Herring Prospectus with ROC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

## Filing of the Prospectus with the ROC

We will file a copy of the Prospectus with the ROC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

## Announcement of pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall after receiving final observations, if any, on this Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI DIP Guidelines in an English national daily with wide circulation, one national newspaper and a regional language newspaper.

## Advertisement regarding Issue Price and Prospectus

We will issue a statutory advertisement after the filing of the Prospectus with the ROC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

### Designated Date and allotment of Equity Shares

(a) Our Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, our Company would ensure the credit to the successful Bidders depository account allotment of the Equity Shares to the allottees shall be within 15 days from the Bid/Issue Closing Date.

(b) In accordance with the SEBI Guidelines, Equity Shares will be issued, transferred and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/allotted to them pursuant to this Issue.**

## GENERAL INSTRUCTIONS

### Do's:

(a) Check if you are eligible to apply;

(b) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour) or Employee Reservation Portion Bid cum Application Form (pink in colour) as the case may be;

(c) Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;

(d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

(e) Ensure that you have been given a TRS for all your Bid options;

(f) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

(g) Where Bid(s) is/ are for Rs. 50,000 or more, each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the IT Act. The copies of the PAN Card or PAN allotment letter should be submitted with the Bid cum Application form. If you have mentioned "Applied for" or "Not Applicable", in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof;

(h) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects; and

(i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

### Don'ts:

(a) Do not bid for lower than the minimum Bid size;

(b) Do not bid/ revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;

(c) Do not bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid Price in cash, by money order or by postal order or by stockinvest;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not bid at Cut Off Price (for QIB Bidders, Non-Institutional Bidders and such Bidders in the Employee Reservation Portion whose maximum Bid exceeds Rs. 100,000);

(g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(h) **Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

## Instructions for Completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and / or Revision Forms from the members of the Syndicate.

### Bids and Revisions of Bids

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white or blue or pink).

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(c) For Retail Individual Bidders, the Bid must be for a minimum of 9 Equity Shares and in multiples of 9 thereafter subject to a maximum Bid Amount of Rs. 100,000.

(d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Price exceeds or equals to Rs. 100,000 and in multiples of 9 Equity Shares thereafter. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) For Employee Reservation Category, the Bid must be for a minimum of 9 Equity Shares and in multiples of 9 thereafter.

(f) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(g) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

### Bids by Eligible Employees

For the purpose of the Employee Reservation Portion, Eligible Employee means permanent employees of the Company who are Indian Nationals on the payroll of the Company on April 30, 2006 are based in India and are physically present in India on the date of submitting their bids.

Bids under Employee Reservation Portion by Eligible Employees shall be:

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour form).
- Eligible Employees, as defined above, should mention the following at the relevant place in the Bid cum Application Form
- Employee Number
- The sole/ first bidder should be Eligible Employees as defined above.
- Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion.
- Bids by Eligible Employees will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- Eligible Employees who apply or bid for securities of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off. This facility is not available to other Eligible Employees whose minimum Bid Amount exceeds Rs. 100,000.
- Bid/ Application by Eligible Employees can be made also in the “Net Issue to the Public” and such Bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 100,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.

- Under subscription in the Employee Reservation Portion shall be allowed to be met through oversubscription in the Retail Portion and the Non-Institutional Portion at the discretion of the Company, Selling Shareholders and the BRLM. Under-subscription, if any, in any other category, would be met with spill over from other categories at the sole discretion of the Company and the Selling Shareholders in consultation with the BRLM.
- If the aggregate demand in this category is greater than 100,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, refer to section titled "Issue Procedure" on page 189 of this Red Herring Prospectus.
- This is not an issue for sale within the United States of any equity shares or any other security of the Company. Securities of the Company, including any offering of its equity shares, may not be offered or sold in the United States in the absence of registration under U.S. securities laws or unless exempt from registration under such laws.

## Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the Bidders bank account details. These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the Company shall have any responsibility and undertake any liability for the same.

## Bidder's Depository Account Details

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.**

**Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders and occupation (hereinafter referred to as 'Demographic Details'). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.**

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/Allocation Advice and printing of Bank particulars on the refund order and the Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

**Refund Orders/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same, once sent to the address obtained from the Depositories, are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, Escrow Collection Bank(s) nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.**

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Company and the Selling Shareholders, in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/ CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

## Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to Bids must be made in the following manner:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation;
4. By other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of 9 thereafter that the Bid Price exceeds Rs. 100,000. For further details, please refer to the section titled 'Issue Structure' on page 186 of this Red Herring Prospectus.
5. In the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

**Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into U.S. Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.**

**There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.**

## Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

Our Company and the Selling Shareholders in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company and the BRLM may deem fit.

## PAYMENT INSTRUCTIONS

The Company shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation/allotment in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/allotment as per the following terms:

### Payment into Escrow Account

1. The Bidders for whom the applicable Margin Amount is equal to 100%, shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
   - In case of QIB Bidders: "Escrow Account– UIL Public Issue – QIB – R"
   - In case of Non-resident QIB Bidders: "Escrow Account- UIL Public Issue – QIB– NR"
   - In case of Resident Bidders: "Escrow Account – UIL Public Issue - R"
   - In case of Non Resident Bidders: "Escrow Account – UIL Public Issue – NR"
   - In case of Eligible Employees: "Escrow Account – UIL Public Issue – Employees"
4. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account. In case of Bids by Eligible NRIs applying on non-repatriation basis, the payments must be made out of NRO account.
5. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.
6. Where a Bidder has been allocated/allotment a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated\ will be refunded to the Bidder from the Refund Account.
7. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
8. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.
9. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/allotment to the Bidders.

10. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/ Money Orders/ Postal Orders will not be accepted.

### Payment by Stockinvest

In terms of RBI Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

## SUBMISSION OF BID CUM APPLICATION FORM

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

## OTHER INSTRUCTIONS

### Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

### Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In this regard, illustrations of certain procedures which may be followed by the Registrar to the Issue to detect multiple applications are provided below:

1. All applications with the same name and age will be accumulated and taken to a separate process file as probable multiple master.
2. In this master, a check will be carried out for the same PAN/GIR numbers. In cases where the PAN/GIR numbers are different, the same will be deleted from this master.
3. Then the addresses of all these applications from the address master will be strung. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names.
4. The applications will be scanned for similar DP ID and Client ID numbers. In case applications bear the same numbers, these will be treated as multiple applications.
5. After consolidation of all the masters as described above, a print out of the same will be taken and the applications physically verified to tally signatures as also father's/husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Funds and such Bids in respect of more than one scheme of the Mutual Funds will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

## Permanent Account Number or PAN

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form**. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground**. In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/ or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.**

## Unique Identification Number - MAPIN

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs. 100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

## Our Right to Reject Bids

In case of QIB Bidders, the Company in consultation with the BRLM and the Selling Shareholders may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, our Company has a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

## Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of First Bidder not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
4. Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
5. PAN photocopy/PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
6. GIR number furnished instead of PAN;

7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut Off Price by Non-Institutional, QIB Bidders and such Bidders in the Employee Reservation Portion whose maximum Bid exceeds Rs. 100,000;
11. Bids for number of Equity Shares which are not in multiples of 9;
12. Category not ticked;
13. Multiple Bids as defined in this Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by Stockinvest/money order/postal order/cash;
16. Signature of sole and / or joint Bidders missing;
17. Bid cum Application Forms does not have the stamp of the BRLM, or Syndicate Member;
18. Bid cum Application Forms does not have Bidder's depository account details;
19. Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;
20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
22. Bids by QIBs not submitted through members of the Syndicate;
23. Bids by OCBs;
24. Bids by employees the Company who are not Indian nationals and are not in India on the date of submission of the Bid cum Application form in the Issue;
25. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act or other than in reliance on Regulation S under the Securities Act; and
26. Bids by any persons outside India if not in compliance with applicable foreign and Indian laws.

## Equity Shares in dematerialised form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares in this Issue shall be only in a dematerialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

(a) Agreement dated March 20, 2006 with NSDL, the Company and the Registrar to the Issue.

(b) Agreement dated April 20, 2006 with CDSL, the Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

(a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participant's of either NSDL or CDSL prior to making the Bid.

(b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

(c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

(d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

(e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

(f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

(g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

(h) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

## Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc.

## Disposal of Applications and Application Moneys and Interest in Case of Delay

The Company and the Selling Shareholders shall ensure dispatch of Allotment advice, refunds and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within 15 days from the Bid/Issue Closing Date.

Refunds shall be made in the manner described in the section titled "Issue Procedure" on page 189 of this Red Herring Prospectus.

For this purpose, the details of bank accounts of applicants would be taken directly from the depositories' database. The registrar will send the electronic files with the refund data to the bankers to the issue and the bankers to the issue shall send the refund files to the RBI system within 15 days from the Bid/ Issue Closing date. A suitable communication shall be sent to the bidders receiving refund through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Selling Shareholders and the Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of finalization of the basis of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Refunds will be done within 15 days from the Bid/Issue Closing Date at the sole or First Bidder's sole risk; and
- We shall pay interest @15% per annum if the allotment letters/ refund orders have not been despatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from Bid/Issue Closing Date.

We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received except where the refund or portion thereof is made in electronic manner as described above. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

## Impersonation

**Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:**

**"Any person who:**

**(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**

**(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,**

**shall be punishable with imprisonment for a term which may extend to five years."**

## Basis of Allotment

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue size less allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 1,170,050 Equity Shares at or above the Issue Price, full allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than 1,170,050 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of 9 Equity Shares. For the method of proportionate basis of allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue size less allotment to QIBs and Retail Portion shall be available for allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 501,450 Equity Shares at or above the Issue Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 501,450 Equity Shares at or above the Issue Price, allotment shall be made on a proportionate basis up to a minimum of 9 Equity Shares. For the method of proportionate basis of allotment refer below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allotment to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
    - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.
    - (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid Bids received above the Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, and not allocated to Mutual Funds shall be available for allotment to all QIB Bidders as set out in (b) below;
  - (b) In the second instance allotment to all QIBs shall be determined as follows:
    - (i) The number of Equity Shares available for this category shall be the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.
    - (ii) The subscription level for this category shall be determined based on the overall subscription in the QIB Portion less allocation only to Mutual Funds as calculated in (a) above.
    - (iii) Based on the above, the level of the subscription shall be determined and proportionate allocation to all QIBs including Mutual Funds in this category shall be made.
- The aggregate allotment to QIB Bidders shall be upto 1,671,500 Equity Shares.

D. For Employee Reservation Portion

- Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Employees will be made at the Issue Price.
- If the aggregate demand in this category is less than or equal to 100,000 Equity Shares at or above the Issue Price, full allocation shall be made to the Employees to the extent of their demand.
- If the aggregate demand in this category is greater than 100,000 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 9 Equity Shares. For the method of proportionate allocation, refer below.
- Only Eligible Employees may apply for Equity Shares under the Employee Reservation Portion.

## Method of Proportionate Basis of Allotment in the Issue

In the event of the Issue being over-subscribed, the Company and the Selling Shareholders shall finalize the basis of allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM, and the Registrar to the Issue shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

(a) Bidders will be categorized according to the number of Equity Shares applied for.

(b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

(c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

(d) In all Bids where the proportionate allotment is less than 9 Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be allotted a minimum of 9 Equity Shares; and
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

(e) If the proportionate Allotment to a Bidder is a number that is more than 9 but is not a multiple of one (which is the market lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all Bidders in such categories would be arrived at after such rounding off.

(f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

## Letters of Allotment or Refund Orders

We shall give credit of Equity Share allotted to the beneficiary account with Depository Participants within 15 working days of the Bid Closing Date / Issue Closing Date. We shall ensure refunds as per the modes of refund discussed in the paragraph given below.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- **Dispatch of refund orders**

  Refunds will be done within 15 days from the Bid/Issue Closing Date at the sole or First Bidder's sole risk. We will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue; and
- **Interest in case of delay in dispatch of allotment letters/refund orders**

  We shall pay interest @15% per annum if the allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from Bid/Issue Closing Date.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received except where the refund or portion thereof is made in electronic manner as described above. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

## Modes of Refund

The payment of refund, if any, shall be undertaken in the following order of preference:

1. **NEFT**

   Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR) , if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.

2. **ECS**

   Payment of refund shall be undertaken through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. One of the methods for payment of refund is through ECS for applicants having a bank account at any of the abovementioned fifteen centres.

3. **Direct Credit**

For applicants applying through the web/internet and whose service providers have provided an option to have the refund amounts sent to such applicants by way of direct disbursement (such disbursements being made by the service provider through their internal networks), the refund amounts payable to such applicants will be directly handled by the service providers and credited to bank account particulars as registered by the applicant in the demat account being maintained with the service provider. The service provider, based on the information provided by the Registrar, shall carry out the disbursement of the refund amounts to the applicants.

4. **RTGS**

Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by such applicant opting for RTGS as a mode of refund. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

**Note**: We expect that all payments including where refund amounts exceed Rs. 1,000,000 (Rupees One Million) shall be made through NEFT, however in some exceptional circumstances where refund amounts exceed Rs. 1,000,000 (Rupees One Million), refunds may be made through RTGS.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders shall be dispatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the BSE and NSE, by issuing a press release, and by indicating the change on the web site of the BRLM and at the terminals of the Syndicate.

## UNDERTAKINGS BY OUR COMPANY

We undertake the following:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the funds required for dispatch of refund orders /allotment letters to unsuccessful applicants as per the modes disclosed shall be made available to the Registrar to the Issue by us;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of Bid/ Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund; and
- that no further issue of Equity Shares shall be made till the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

The Selling Shareholders undertake that:

- the Equity Shares being sold pursuant to the Offer for Sale to the public, have been held by them for a period of more than one year and the Equity Shares are free and clear of any liens or encumbrances, and shall be transferred to the eligible investors within the specified time;
- the funds required for despatch of refund orders or Allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by the Company;

- that the Complaints received in respect of this Issue shall be attended to by the Selling Shareholders expeditiously and satisfactorily. The Selling Shareholders have authorized the Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors; and
- that the refund orders or Allotment advice to the successful Bidders shall be dispatched within specified time.

## Utilisation of Issue proceeds

Our Board of Directors certify that:

- all monies received out of the Fresh Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of Fresh Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Fresh Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested; and
- our Company shall not have recourse to the Fresh Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

The Selling Shareholders shall not have recourse to the Offer for Sale proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

The Company shall transfer to the Selling Shareholders, the proceeds from the Offer for Sale, on the same being permitted to be released in accordance with applicable laws.

# RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of GoI and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment in the construction and engineering sector is permitted under the automatic route.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

Transfers of equity shares previously required the prior approval of the FIPB. However, vide a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the foreign direct investment (FDI) Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

## Subscription by foreign investors (NRIs/FIIs)

There is no reservation for Non Residents, NRIs, FIIs, foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor. All Non Residents, NRIs, FIIs and foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor applicants will be treated on the same basis with other categories for the purpose of allocation.

As per existing regulations, OCBs cannot participate in the Issue.

**The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the Securities Act) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.**

**The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.**

**The above information is given for the benefit of the Bidders. The Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.**

# SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company

The regulations contained in Table 'A' of Schedule I to the Companies Act shall apply only in so far as the same are not provided for or are not inconsistent with these Articles and the regulations for the management of the Company and for observance of the members thereof and their representatives shall, subject to any exercise of the statutory powers of the Company with reference to repeal or alteration of or addition to, its regulations by Special Resolution, as prescribed by the Companies Act, be such as are contained in these Articles.

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of the Company are detailed below:

## CAPITAL AND INCREASE AND REDUCTION OF CAPITAL

*Amount of Capital*

Article 4 provides that: "The Authorised Share Capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crores) only divided into 1,50,00,000 (One Crore and Fifty Lakhs) Equity Shares of Rs. 10/- (Rupees Ten) each."

*Increase of Capital by the Company and how carried into effect*

Article 5 provides that: "The Company in General Meeting may, from time to time, by Special Resolution increase the capital by the creation of new shares. Such increase to be such aggregate amount and to be divided into share of such respective amount as the resolution shall prescribe. Subject to the provision of the Act, any shares of the original or increased capital shall be issued upon such terms and conditions and with such rights and privileges annexed thereto, as the General Meeting resolving upon the Creation thereof shall direct, and if no direction be given, as the Director shall determine and in particular such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company in conformity with Sections 87 and 88 of the Act. Whenever the capital of the Company has been increased under the provision of this Article the Company shall comply with the provisions of Section 97 of the Act."

*Reduction of Capital*

Article 8 provides that: "The Company may (subject to the provisions of Sections 78, 80 & 100 to 105 both inclusive, of the Act) from time to time, by Special Resolution, reduce its capital and apply any Capital Redemption Reserve Account or any Share Premium Account in any manner for the time being authorised by law, and in particular, capital may be paid off on the footing that it may be called upon again or otherwise. This Article is not to derogate from any power the Company would have if it were omitted."

*Sub-division consolidation and cancellation of Shares*

Article 9 provides that: "Subject to the provisions of Section 94 of the Act, the Company in General Meeting may from time to time, by Special Resolution, sub-divide or consolidate its shares, or any of them, and the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of such shares shall have some preference or special advantage as regards dividend or otherwise over or as compared with the other or other, subject as aforesaid, the Company in General Meeting may also cancel shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled."

*Modification of Rights*

Article 10 provides that: "Whenever the capital, by reason of the issue of Preference Shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to each class may subject to the provisions of Sections 106 and 107 of the Act be modified, commuted, affected or abrogated, or dealt with by agreement between the Company and any person purporting to contract on behalf of that class, provided such agreement is ratified in writing by holders of at least three-fourth in nominal value of the issue shares of that class or is confirmed by a Special Resolution passed at a separate General Meeting of the holders of shares of that class."

## UNDERWRITING AND BROKERAGE

*Commission may be paid*

Article 30 provides that: "Subject to the provisions of Section 76 of the Act the Company may at any time pay a Commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares or debentures in the Company, or procuring, or agreeing to procure subscriptions (whether absolute or conditional) for any shares or debentures in the Company, but so that the commission shall not exceed in the case of shares, five percent of the price at which the shares are issued and in the case of debentures, two and half percent of the price at which the debentures, are issued. Such commission may be satisfied by payment of cash or by allotment of fully or partly paid shares or partly in one way and partly in the other."

*Brokerage*

Article 31 provides that: "The Company may also on any issue of shares, debentures pay such brokerage as may be lawful."

*Board may make calls*

Article 33 provides that: "The Board of Directors may from time to time, (by a Resolution passed at a meeting of the Board and not by circular Resolution) but subject to the conditions hereinafter mentioned, make such calls as they think fit upon the members in respect of all monies unpaid on the shares held by them respectively (whether on account of the capital value of the shares or by way of premium) and which are not, by the conditions of the allotment, made payable at fixed times and each member shall pay the amount of every call so made on him to the persons and at the times appointed by the Directors. A call may be made payable in instalments."

*Call may be revoked or postponed*

Article 35 provides that: "A call may be revoked or postponed at the discretion of the Board."

*Amount payable at fixed time or by instalments as calls*

Article 37 provides that: "If by the terms of issue of any shares, any amounts are made payable at any fixed time or by instalments at fixed times (whether on account of the nominal amount of the share or by way of premium) every such amount or instalment shall be payable as if it were a call duly made by the Directors and of which due notice has been given and all the provisions herein contained in respect of calls shall relate to such amount or instalment accordingly."

*When interest on call or instalment payable*

Article 39 provides that: "If the sum payable in respect of any call or instalment be not paid on or before the day appointed for payment thereof, the holder for the time being or allottee of the share(s) in respect of which a call shall have been made or the instalment shall be due, shall pay interest on the same at such rate as the Directors shall fix from the day appointed for the payment thereof to the time of actual payment. But the Directors may waive payment of such interest wholly or partly at their own absolute discretion".

*Payment in anticipation of calls may carry interest*

Article 42 provides that: "The Directors may, if they think fit, subject to the provisions thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advances has been made, the Company may pay interest on such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividends. The Directors may at any time repay the amount so advanced.

Any amount paid up in advance of calls on any share may carry interest but shall not in respect thereof confer a right to dividend or to participate in profits or any other rights whatsoever."

## FORFEITURE, SURRENDER AND LIEN

*Shares to be forfeited in default of payment*

Article 45 provides that: "If the requirements of any such notice as aforesaid shall not be complied with, any of the shares in respect of which such notice has been given may, at any time thereafter but before payment of all calls or instalments, interest and expenses and other moneys due in respect thereof be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture."

*Forfeited shares to be property of the Company and may be sold etc.*

Article 47 provides that: "Any share so forfeited shall be deemed to be the property of the Company and may be sold, reallotted or otherwise disposed of either to the original holder thereof, or to any other person upon such terms and in such manner as the Board shall think fit."

*Directors may annul forfeiture*

Article 48 provides that: "The Directors may, at any time before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as they think fit."

*Company's lien on Shares / Debentures*

Article 50 provides that: "The Company shall have a first and paramount lien upon all shares / debentures (other than fully-paid up shares / debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys called or payable at a fixed time in respect of such shares and whether held solely or jointly with any other person, and whether the period for the payment, fulfilment or discharge thereof shall have actually arrived or not, and no equitable interest in any share / debenture shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares / debentures. Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any on such shares / Debentures. The Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. "

*Enforcement of lien by sale*

Article 51 provides that: "For the purpose of enforcing such lien, the Board of Directors may sell the shares subject thereto in such manner as they shall think fit, but no sale shall be made unless the sum in respect of which the lien exists is presently payable and until notice in writing of the intention to sell shall have been served on such member, his executors or administrators or his committee, or other legal representatives as the case may be and default shall have been made by him or them in the payment of the sum payable as aforesaid for seven days after the date of such notice. To give effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof and the purchaser shall be registered as the holder of the shares comprised in any such transfer. Upon any such sale as aforesaid, the certificates in respect of the shares sold shall stand cancelled and become null & void and of no effect and the Directors shall be entitled to issue a new certificate or certificates in lieu thereof to the purchaser or purchasers concerned."

## TRANSFER AND TRANSMISSION OF SHARES

*Transfer not to be registered except on production of instrument of transfer*

Article 63 provides that: "The Company shall not register a transfer of shares in the Company unless a proper instruments of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to the Company alongwith the certificate relating to the shares, or if no such share certificate is in existence, alongwith the letter of allotment of the shares, provided that where, on an application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, it is proved to the satisfaction of the Board of Directors that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the transfer on such terms of indemnity as the Board may think fit, provided further that nothing in this Article shall prejudice any power of the Company to register as shareholder, any person to whom the right to any share in the Company has been transmitted by operation of law."

*Directors May Refuse to Register Transfer*

Article 64 provides that: "Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares / debentures whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares. Transfer of shares / debentures in whatever lot shall not be refused.

Provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever."

*Registration of persons entitled to shares otherwise than by transfer (transmission clause)*

Article 70 provides that: "Subject to the provisions of the Act and these Articles, any person becoming entitled to any share in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by transfer in accordance with these presents may with the consent of the Directors (which they shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title as the Directors shall think sufficient, be registered as a member in respect of such shares or elect to have some person nominated by him and approved by the Directors registered as a member in respect of such shares provided nevertheless that if such person shall elect to have his nominee registered he shall testify his election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so he shall not be freed from any liability in respect of such shares."

*Board may require evidence of transmission*

Article 72 provides that: "Every transmission of share shall be verified in such manner as the Directors may require and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Directors to accept any indemnity."

## BORROWING POWERS

*Power to Borrow*

Article 77 provides that: "Subject to the provisions of the Act and these Articles and without prejudice to the other powers conferred by these Articles, the Directors shall have the power, from time to time at their discretion by a resolution passed at a meeting of the Board and not by circular resolution, to accept deposits from Members, either in advance of calls or otherwise, and generally raise or borrow or secure the payment of any sum or sums of moneys in any manner whatsoever for the purposes of the Company provided that the total amount borrowed by the Company (apart from temporary loans contained from the Company's bankers in the ordinary course of business) shall not, without the consent of the members in General Meeting, exceed the aggregate of the aggregate of the paid-up Capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose. Such consent shall be obtained by an ordinary resolution which shall provide for the amount upto which moneys may be borrowed by the Board.The expression "temporary loans" in this Article means loans repayable on demand or within six months from the date of the loan, such as short term loans, cash credit arrangements discounting of bills and the issue of other short term loans of seasonal character but does not include loans raised for the purpose of financing expenditure of a capital nature."

## CONVERSION OF SHARES INTO STOCK AND RECONVERSION

*Shares may be converted into stock*

Article 86 provides that: "The Company in General Meeting may by a special resolution convert paid-up shares into stock; and when any shares shall have been so converted into stock, the several holders of such stock may henceforth transfer their respective interest therein, or any part of such interest, in the same manner and subject to the same regulations under which shares from which the stock arose might have been transferred, if no such conversion had taken place, or as near thereto as circumstances will admit. The Company may at any time reconvert any stock into paid-up shares of any denomination."

## GENERAL MEETINGS

*Annual General Meeting*

Article 89 provides that: "The Company shall, in addition to any other meetings which are hereinafter referred to as "Extraordinary General Meetings", hold a General Meeting which shall be styled as Annual General Meeting at the intervals and in accordance with the provisions hereinafter mentioned."

*Calling of Extraordinary General Meeting on requisition*

Article 90(1) provides that: "The Board of the Company, shall on the requisition of such number of members of the Company as is specified in sub-clause (4) forthwith, proceed duly to call an Extraordinary General Meeting of the Company."

*Business which may not be transacted at the meeting*

Article 96 provides that: "No General Meeting Annual or Extraordinary, shall be competent to enter upon, discuss or transact any business a statement of which has not been specified in the notice convening the meeting, except as provided in the said Act."

*Postal Ballot*

Article 96A provides that: "Subject to the provisions of Section 192A of the Act, the Company may pass a resolution by means of postal ballot instead of transacting business in a General Meeting."

## PROCEEDINGS AT GENERAL MEETING.

*Presence of Quorum*

Article 97 provides that: "Quorum for General Meeting shall be 5 members entitled to vote and present"

*Voting to be by show of hands*

Article 104(1) provides that: "At any General Meeting, a resolution put to vote at the meeting shall, unless a poll is demanded under Article 99 be decided on a show of hands."

*Casting vote of Chairman*

Article 106 provides that: "In case of an equality of votes the Chairman of any meeting shall both on the show of hands and at a poll (if any) held pursuant to a Demand made at such meeting shall not have a casting vote in addition to the vote or votes to which he may be entitled to as a member."

## VOTES OF MEMBERS

*Indebted members not to vote*

Article 109 provides that: "No member shall be entitled to exercise any voting right on any question either personally or by proxy or upon poll in respect of any share registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has or has exercised any right of lien."

*No voting by proxy on show of hands*

Article 113(b) provides that: "No Member not personally present shall be entitled to vote on a show of hands unless such member is a body corporate present by proxy or by a representative duly authorized under Section 187 of the Act in which case such proxy or representative may vote on a show proxy or representative may vote on a show of hands as if he were a member of the Company."

*Instrument of proxy to be in Writing*

Article 117 provides that: "The instruments appointing a proxy shall be in writing and shall be signed by the appointer or his attorney duly authorised in writing. If the appointer is body corporate, such instrument shall be under its seal or be signed by an officer or an attorney duly authorised by it, or person authorized to act as the representative of such body corporate under Article 106. Any instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or join in the demand for a poll on behalf of the appointer."

*Instrument of proxy to be deposited at the Registered Office*

Article 120 provides that: "The instrument appointing a proxy whether for a special meeting or otherwise may be in either of the form set out in Schedule IX to the said Act or the following from or as near thereto as circumstances admit."

*Chairman sole judge of the validity of a vote*

Article 123 provides that: "The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting and the chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll."

## DIRECTORS

*Appointment of Nominee Director*

Article 146 provides that: "The Directors may agree with any financial institution, mutual funds or any Authority or person or state that in consideration of any loan or financial assistance of any kind whatsoever which may be rendered by it to the Company it shall till such time as the loan or financial assistance is Subsisting, have power to nominate one or more directors on the Board of Directors of the Company. The Director so appointed shall not be required to hold qualification shares nor shall be liable to retire by rotation. As and when such nominee Director vacates office by removal, death, and resignation or otherwise the financial institution or any authority or person or state appointing such Director may appoint any other Director in his place."

*Appointment of Alternate Director*

Article 147 provides that: "The Board shall appoint an Alternate Director to act for a Director (hereinafter called 'The Original Director') during his absence for a period of not less than three months from the state in which the meetings of the Board are ordinarily held. The person to be appointed as an Alternate Director shall be one recommended for such appointment by the Original Director and such appointment shall be made by the Board at its meeting held immediately after receipt of recommendation in this behalf (whether by telex or other writing) from the Original Director. An Alternate Director appointed under this Article shall not hold office for a period longer than that permissible to the Original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns to the State. If the term of office of the Original Directors is determined before he so returns to that State, any provisions in the Act or in these Articles for the Automatic re-appointment of retiring Director in default of another appointment shall apply to the Original Director and not to the Alternate Director."

*Debenture Director*

Article 130 provides that: "Any Trust Deed of securing debentures or debentures stock may, if so arranged, provide for the appointment, from time to time, by the Trustees thereof or by the holders of debentures or debenture-stock of some person to be a Director of the Company and may empower such Trustees or holders of debentures or debenture-stock, from time to time, to remove or re-appoint any Director so appointed. The Director appointed under this Article is herein referred to as "Debenture Director" and the term "Debenture Director" means the Director for the time being in office under this Article. The Debenture Director shall not be bound to hold any qualification shares and shall not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provisions shall have effect notwithstanding any of the other provisions herein contained."

*Special Director*

Article 131 provides that: "In connection with any collaboration arrangement with any Company or corporation or any firm or person for supply of technical know-how and/or machinery or technical advice the Directors may authorise such Company, corporation, firm or person (hereinafter in this clause referred to as "collaborator") to appointment, from time to time, any person as a Director of the Company (hereinafter referred to as 'Special Director') and may agree that such special Director shall not be liable to retire by rotation and need not possess any qualification shares to qualify him for the office of such Director, so however that such Special Director shall hold office so long as such collaboration arrangement remains in force, unless otherwise agreed upon between the Company and such Collaborator under the collaboration arrangement or at any time thereafter."

*Remuneration of Directors*

Article 133(1) provides that: "Subject to the provisions of the Act, a Managing Director or a Director, who is in the whole time employment of the Company may be paid remuneration either by way of a monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other."

*Retirement and rotation of Directors*

Article 138 provides that: "At every Annual General Meeting of the Company, one third of such of the Directors for the time being as are liable to retire by rotation or if their number is not three or a multiple of three, the number nearest to one-third shall retire from office. The non-retiring Directors and Debenture Directors, if any, shall not be subject to retirement under this clause and shall not be taken into account in determining the retirement by rotation or the number of Directors to retire."

*Managing Director*

Article 146 provides that: "The Board of Directors may appoint one of its body as Managing Director of the Company who shall be a non-retiring Director. Subject to the superintendence, control and direction of the Board the day to day management will vest in the hands of Managing Director. The remuneration of the Managing Director may be by way of monthly payment, fee for each meeting or participation in profits or by any or all these modes or any other mode not expressly prohibited by the Act."

*Quorum*

Article 150 provides that: "Subject to Section 287 of the Act, the quorum for a meeting of the Board shall be one-third of its total strength excluding Directors, if any, whose places may be vacant at the time and any fraction contained in that one-third being rounded off as one, or two Directors, whichever is higher, provided that where at any time the number of interested Directors exceeds or is equal to two-third of the total strength, the number of the remaining Directors, that is to say, the number of Directors who are not interested present at the meeting being not less than two, shall be the quorum during such time."

*Powers of Board Meeting*

Article 153 provides that: "A meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions which by or under the act or the Articles of the Company are for the time being vested in or exercisable by the Board generally."

*Resolution by circulation*

Article 156 provides that: "No Resolution shall be deemed to have been duly passed by the Board or by a committee thereof by circulation, unless the Resolution has been circulated in draft, together, with the necessary papers, if any, to all Directors, or to all the members of the committee, (not being less in number than the quorum fixed for a meeting of the Board or Committee, as the case may be, and to all other Directors or members of the committee, at their usual address and has been approved by such number of Directors as are required under the Act and these Articles (including the provisions with regard to affirmative vote) for passage of Resolution at a Board Meeting. "

## DIVIDENDS AND CAPITALISATION

*The Company in General Meeting may declare a dividend*

Article 164 provides that: "The Company in General Meeting may subject to the provisions of Section 205 of the Act declare a dividend to be paid to the members according to their respective rights and interest in the profits and may fix the time for the payment thereof."

*Equal rights of shareholders*

Article 165 provides that: "Any shareholders whose name is entered in the Register of Members of the Company shall enjoy the rights and be subject to the same liabilities as all other shareholders of the same class."

*Dividends out of profits only, and not to carry interest what to be deemed profits*

Article 168 provides that: "No dividends shall be payable except out of profits of the Company of the year or any other undistributed profits or otherwise than in accordance with the provisions of Sections 205, 206 and 207 of the Act and no dividend shall carry interest against the Company. The declaration of the Directors as to the amount of net profits of the Company shall be conclusive."

*Ad-interim dividend*

Article 169 provides that: "The Directors may, from time to time, declare and pay to the members, such interim dividend, as in their judgment the position of the Company justifies."

*No member to receive dividends while indebted to the Company*

Article 170 provides that: "No member shall be entitled to receive payment of any dividend in respect of any share or shares on which the Company has a lien, or whilst any amount due or owing from time to time to the Company, either alone or jointly with any other person or persons, in respect of such share or shares or on any other whatsoever, remains unpaid and the Directors may retain, apply and adjust such dividends in or towards satisfaction of all debts liabilities or engagements in respect of which the lien exists and of all such money due as aforesaid."

*Capitalisation*

Article 178 provides that: "A General Meeting may by special resolution on the recommendation of the Board, direct capitalization of the whole or any part of the whole of the Reserve Fund or other funds of the Company including the moneys in the Share Premium Account and the Capital Redemption Reserve Fund or the premiums received on the issue of any shares, debentures or debentures-stock of the Company and that such sum be accordingly set free for the purpose, (1) by the issue and distribution, among the holders of the shares of the Company or any of them, in accordance with their respective rights and interests and in proportion to the amounts paid or credited as paid up thereon, of paid-up shares, debentures, debentures-stocks, bonds or other obligations of the Company or (2) by crediting any shares of the Company which may have been issued and are not fully paid-up, in proportion to the amounts paid or credited as paid up thereon, respectively, with the whole or any part of the same. The Directors shall give effect to such resolution and apply such portion of the profits or Reserve Fund or premiums or other funds as may be required for the purpose of making payment in full at par for the shares, debentures, debenture-stock bonds or other obligations of the Company so distributed as the case may be for the purpose of paying. In whole or in part the amount remaining unpaid on the equity shares which may have been issued and are not fully paid up, provided that no such distribution or issued and are not fully paid up, provided that no such distribution or repayment shall be made unless recommended by the Board, provided, however, that the moneys in the Share Premium Account and the Capital Reserve Fund or the premiums received on the issue of any shares, debentures or debentures-stock of the Company shall only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus share. For purposes aforesaid the Board shall make all appropriations and applications of the moneys resolved to be capitalized as aforesaid and allotments and issues of fully paid shares or debentures, if any. Where any difficulty arises in respects of such distribution or payment, the Board may settle the same as they think expedient and in particular they may issue fractional certificates and generally may make such arrangements for the acceptance, allotment and sale of such shares, debentures, debentures-stock, bonds or other obligations and fractional certificates or otherwise as they may think fit, and they may make cash payments to any holders of shares on the footing of the value so fixed in order to adjust rights and may vest any shares, debentures, debentures-stocks, bonds or other obligations in trustees upon such trust for adjusting such rights as may seem expedient to the Board. In case where some of the shares of the Company are fully paid and others are partly paid only, such capitalisation may be effected by the distributions of further shares in respect of fully paid shares and by crediting the partly paid shares with the whole or part of liability thereon, but so that as between the holders of the fully paid shares the sums so applied in the payment of such further shares and in the extinguishments or domination of the liability of the partly paid shares shall be so applied pro-rata in proportion to the amounts then already paid or credited as paid on the existing fully paid shares respectively, when deemed requisites, a proper contract shall be filed in accordance with Section 75 of the said Act, and the Board may appoint any person to sign such contract on behalf of the holders of the shares of the Company which shall have been issued prior to such appointment shall be effective."

## WINDING UP

*Liquidator may divide assets in specie*

Article 201 provides that: "The Liquidator on any winding-up (whether voluntary, under or compulsory) may, with the sanction of a Special Resolution, but subject to the rights attached to any preference share capital, divide among the contributories in specie any part of the assets of the Company and may with the like sanction, vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction shall think fit."

## INDEMNITY AND RESPONSIBILITY

*Directors and others right of indemnity*

Article 202 provides that: "Every Director, Officer or Agent for the time being of the Company shall be indemnified only out of the assets of the Company against all liabilities incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or discharged or in connection with any application under Section 633 of the Act in which relief is granted to him by the Court."

## SECRECY CLAUSE

*Secrecy Clause*

Article 203(1) provides that: "Every Director, Manager, Auditor, Treasurer, Trustee, Member of a Committee, Officer, Servant, Agent, Accountant or other person employed in the business of the Company shall, if so required by the Directors, before entering upon his duties, sign a declaration pledging himself to observe strict secrecy respecting all transactions and affairs of the Company with the customers and the state of the accounts with individuals and in matters relating thereto, and shall given such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Directors or by law or by the persons to whom such matters relate and except so far as may be necessary in order to comply with any of the provisions in these presents contained."

# SECTION IX: OTHER INFORMATION

## MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the ROC, Maharashtra at Mumbai for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office/corporate office of our Company from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

### Material Contracts to the Issue

1. Letter of appointment dated February 20, 2006 to the BRLM from our Company appointing them as the BRLM.
2. Memorandum of Understanding amongst our Company, the Selling Shareholders and the BRLM dated March 25, 2006.
3. Memorandum of Understanding between our Company and Registrar to the Issue, dated March 25, 2006.
4. Escrow Agreement dated [●], 2006 between the Company, the Selling Shareholders, BRLM, the Escrow Banks, and the Registrar to the Issue.
5. Syndicate Agreement dated [●], 2006 between the Company, the Selling Shareholders, the BRLM, and the Syndicate Member.
6. Underwriting Agreement dated [●], 2006 between the Company, the Selling Shareholders, the BRLM and the Syndicate Member.

### Material Documents

1. Our Memorandum and Articles of Association as amended from time to time.
2. Our certification of incorporation.
3. Our certificate of commencement of business.
4. Our certificates in relation to change of name.
5. Deed of assignment dated August 28, 2000 between UCC and the Company.
6. Undertaking dated March 25, 2006 between UCC and the Company.
7. Non-compete Agreement dated March 25, 2006 between the Company and certain Promoter Group entities.
8. Share Subscription Agreement dated March 24, 2006 between the Company and Prudential ICICI.
9. Share Subscription Agreement dated March 23, 2006 between the Company and Aeneas Evolution.
10. Board resolutions in relation to the Issue and other related matters.
11. Shareholders' resolutions in relation to this Issue and other related matters.
12. Consent Letters from the Selling Shareholders dated March 25, 2006 in relation to this Issue.
13. Power of Attorneys executed by the Directors of the Issuer Company in favour of specific person(s) for signing and making necessary changes to the Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus and other Issue related documents.
14. Power of Attorneys by the Selling Shareholder to specified person(s) for signing the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus for carrying out necessary changes in the above document as may be required and for fixation of the Price Band, the Issue Price and for deciding on any other matter related to the Offer for Sale
15. Present terms of employment between our Company and our Directors as approved by our Board and our Shareholders.
    a. Board and Shareholders resolutions dated July 30, 2004 and August 26, 2004 respectively in relation to the appointment of Kishore K. Avarsekar as the Chairman and Managing Director;

b. Board and Shareholders resolution dated July 25, 2005 and August 23, 2005 respectively in relation to the appointment of Abhijit K. Avarsekar as the Vice Chairman and Managing Director;

c. Board and Shareholders resolution dated July 30, 2004 and August 26, 2004 respectively in relation to the appointment of Ashish K. Avarsekar as a Wholetime Director;

d. Board and Shareholders resolution dated July 18, 2003 and March 24, 2006 respectively in relation to the appointment of Pushpa K. Avarsekar as a Wholetime Director.

16. Restated Financial Statements prepared by Company under the SEBI Guidelines and the report from C. B. Chhajed and Co. on such restated financial statements, dated February 28, 2006 and mentioned in the Red Herring Prospectus.
17. Audited financial statements for the nine months ended December 31, 2005 audited by C.B. Chhajed and Co. and their audit report on the same dated February 28, 2006.
18. Copies of annual reports of our Company for the financial years ended March 31, 2001, 2002, 2003, 2004 and 2005.
19. Consent of C. B. Chhajed and Co., our Auditors for inclusion of their reports on restated financial statements and auditors report on audited financial statements as at and for the nine month period December 31, 2005 in the form and context in which they appear in the Red Herring Prospectus.
20. Letters dated May 6, 2006 from Pathare Constructions and Investments Private Limited and Avarsekar and Sons Private Limited to the Company in relation to their outstanding dues towards the Company.
21. Consents of Bankers to the Company, BRLM, Syndicate Member, Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue, Domestic and International Legal Counsel to the Underwriters, Domestic Legal Counsel to the Company, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
22. Initial listing applications dated March 28, 2006 and March 28, 2006 filed with BSE and NSE respectively.
23. In-principle listing approval dated April 13, 2006 and April 13, 2006 from BSE and NSE respectively.
24. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated March 20, 2006.
25. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated April 20, 2006.
26. Due diligence certificates dated March 28, 2006 and May 10, 2006 to SEBI from the BRLM.
27. SEBI observation letter No. CFD/DIL/ Issues/ SR/66255/2006 dated May 4, 2006.
28. Letters dated April 18, 2006 and April 29, 2006 from Balaji Industrial and Agricultural Castings and letters dated April 21, 2006 and May 4, 2006 from the Company replying to the same.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

## DECLARATION

We, the Directors of the Company, certify that all relevant provisions of the Companies Act and the guidelines issued by the GoI or the guidelines issued by Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be, and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. We further certify that all the statements in this Red Herring Prospectus are true and correct.

### Signed by the Directors of our Company

Sd/-
Kishore K. Avarsekar

Sd/-
Abhijit K. Avarsekar

Sd/-
Ashish K. Avarsekar

Sd/-
Pushpa K. Avarsekar

Sd/-
Vijay Kumar J. Rane

Sd/-
Anil G. Joshi

Sd/-
Chaitanya Joshi

Sd/-
Suresh Iyer

### Signed by the Chief Financial Officer

Sd/-
Sushant Karpe

### Signed by the Selling Shareholders

Sd/-
Kishore K. Avarsekar

Sd/-
Abhijit K. Avarsekar

Sd/-
Ashish K. Avarsekar

Sd/-
Pushpa K. Avarsekar

Date: May 10, 2006.

Place: Mumbai