



SUPREME INFRASTRUCTURE INDIA LTD.

Annual Report 2010-11



THE POWER OF EXCELLENCE

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THE POWER OF EXCELLENCE

We strive for excellence. We believe that the pursuit to excel yields better results and makes the company stronger and better. At Supreme, we believe in the power of excellence. It is through this excellence that we will create strong visible growth and even stronger shareholder value.

At Supreme, there is more behind the numbers.

At heart, we are an infrastructure company. And yet, our soul is different. Excellence is in our DNA, and it is this

that enables us to deliver excellence even in tough times.

Consider this:

- We started as an aggregate supplier company to the road builders and therefore, even today, being backward integrated is our biggest strength.
- We have invested in the gross block much ahead of execution to ensure that execution is always in time. We have never been penalised ever for delay in execution of projects.
- We have an order book

that is balanced and de-risked. We won't be much affected even if one segment we serve goes through a lean phase.

- We have a team of over 200 engineers that micro manage every site and ensure timely execution.
- We have diversified our geographical exposure and are today executing in West, North and East.
- We have generated cash and used that cash to build a strong BOT asset book, providing strong annuity income in years to come.

The power of excellence

can be measured in the way we have conducted our business. Over the last few years, our EBIDTA margins have been amongst the highest in the industry, ranging from 17% to 21%.

We delivered a ROCE and ROE of 19 % and 29% in 2010-11. We have enough visibility to deliver substantially higher revenue CAGR in the next 24 months. And all this because we strive to excel.

All this, because we believe in the power of excellence.

Excellence In Pedigree





The Supreme pedigree to strive for excellence is part of its culture

Supreme is not just any other infrastructure player that started business because it saw India spending heavily on infrastructure. Supreme has been supporting the Indian infrastructure needs much before many even started.

Our history and pedigree are part of our culture that makes us strive to be excellent in whatever we do. We have been in the industry ever since even a ₹ 25 lac contract was considered very big. Our founder, Mr. B.S.Sharma spotted an opportunity to own assets that supplied the 'aggregates' for the road

builders. Supreme recognised the importance of having the consistent supply of all inputs and it's pricing.

In the infrastructure business, three principles are of paramount importance:

One, being competitive so that you get the order.

Two, since our margins are fixed, it is our ability to manage aggregate and personnel cost that determine profitability.

Three, executing in time and within costs.

The strive for excellence in all these three principles started since 1983.

After being an aggregate supplier for two decades, the second generation at Supreme - Mr. Vikram Sharma (B.Tech Civil), the Managing Director and Mr. Vikas Sharma (MBA), the Whole Time Director, took the company forward from aggregate supplier to infrastructure builders.

Supreme began with small contracts worth ₹ 50 lacs and graduated to much larger ones as the infrastructure space and the country was evolving. One thing didn't change though : the Supreme pedigree to strive for excellence and ensure that the three principles

of being competitive, having inputs under control and execution never got compromised.

Supreme today has come far. Supreme today has executed single contract worth ₹ 200 crores.

We believe that our pedigree of being in this business since 1983 has helped us where we are. It has helped us always recognise and respect the principles on which this business was run efficiently and effectively. And we remain committed to driving this excellence further and leave a pedigree for generations to follow.

Business Model Excellence



We like to control our destiny. Our resource integrated business model has been built to satisfy customers and delight investors.

Our resource integrated business model has been built on strong foundations of our pedigree and principles outlined earlier. The business model that was chosen has set the company into a virtuous cycle of growth through excellence.

Let us explain: Supreme is today an infrastructure company that builds roads, bridges, buildings and power distribution platforms. This is what you see. The deliverables. The business model that we have used to deliver the infrastructure is a minimal out-sourcing model with all inputs supplied internally. Besides, we have a concentrated and a cluster approach to lead. Once a cluster is identified, and project commences, we acquire input assets and integrate resources.

We keep acquiring new projects in the same cluster and ensure that the fixed costs get apportioned over a larger base. This helps us get more competitive and deliver better margins.

We like to control our destiny.

For this, it is essential that we invest in our input assets. Supreme has invested in its assets to ensure that it has quarrying assets that supply aggregates, ready mix concrete (RMC) plants and crushers. Supreme has one of the higher gross block to sales ratio in the industry. We have control over input costs. We also have uninterrupted supply of raw materials that shortens our project

execution cycle. We believe that none of our projects have ever got delayed is a testimony to our business model. Besides, we have not compromised on our margins. We have one of the highest EBIDTA margins too in the industry.

We invested over ₹ 60 crores for plant and land at Padga where we have setup our In-House Quarrying, RMC, Asphalt and Crusher plants. We have a quarrying license till 2017 at the Padga plant which not only ensures the resource availability, but also insulates the company from any price fluctuations of aggregate

supplies which are on the rise. Besides, it has made us one of most competitive players in the Maharashtra infrastructure cluster. Our order from this cluster stands at ₹ 2,372 crores now.

As we were in the investment phase to build our resource integration assets, our gross block surged and our ROIC showed a declining curve. This was temporary. As we move ahead and execute the current order book without any substantial investment in gross block, we see ROIC increasing.



Excellence In Order Book



Our order book is a reflection of not just what we will deliver, but also of what we have achieved thus far.

We look at our order book differently.

At Supreme, order book is not just a number. Looking at an order book just like a number doesn't reflect everything. Our order book is a reflection of our competitiveness, our competence, our capabilities and our capacity to execute.

Our order book is across segments.

Over the years, we have learnt, built expertise and executed orders across different segments of the

infrastructure space. Though we principally started as road executors, we enhanced our capabilities by executing more complex road projects that have difficult terrain, route and have multiple bridges. Our EPC road margins are amongst the highest in the industry. We are replicating this in the real estate, irrigation, railway and power distribution segments. We see power distribution as another growth segment and we have outstanding orders worth ₹ 241 crores

Our order book includes BOT projects and private sector projects

BOT projects have now become the new order for growing the order book. The importance of having BOT projects pipeline is that projects can commence after financial closure, and therefore, advances are faster and delays are much lesser. This enhances our competitiveness. Our BOT order book currently stands at ₹ 1,063 crores.

Private sector is fast emerging as an important

supplier of orders for the segments Supreme represents. The order book from government stands at ₹ 2,021 crores and balance is from private sector projects. The margins are generally higher in private sector.

Our current order book of about ₹ 3117 crores is spread across 7 verticals and 5 states. Our Order Book to Sales ratio is at 3.4x FY11 revenues and thus provides visibility for the next two years as the current execution cycle is around 24-30 months.

Order Book Snapshot

Category	Total Order Book (₹ crores)	% of Order Book
Roads	1215	39.0%
Bridges	110	3.5%
Railways	23	0.8%
Buildings	1482	47.5%
Irrigation	16	0.5%
Power	241	7.7%
Sewerage	2	0.1%
Others	28	0.9%
Total	3117	

BOT vs Non BOT Projects

Region	% Order Book
BOT	34.2%
Non BOT	65.8%

Govt vs Non-Govt Orders

Region	% Order Book
Govt Orders	64.8%
Non-Govt Orders	35.2%

Excellence In De-Risking

