



SUPREME INFRASTRUCTURE INDIA LTD.

ANNUAL REPORT 2017-2018



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. B. H. Sharma

Executive Chairman

Mr. Vikram Sharma

Managing Director

Mr. Vikas Sharma

Director

Mr. V. P. Singh

Independent Director

Mr. Vinod Agarwala

Independent Director

Mr. S.K.Mishra

Independent Director

Mrs. Nilima Mansukhani

Independent Director

Mr. Dakshendra Agarwal

Non-Executive Director

CHIEF FINANCIAL OFFICER

Mr. Sandeep Khandelwal

COMPANY SECRETARY

Mr. Vijay Joshi

STATUTORY AUDITORS

Walker Chandiok & Co LLP

Chartered Accountants

Ramanand & Associates

Chartered Accountants

BANKERS & INSTITUTIONS

State Bank of India

Union Bank of India

Punjab National Bank

Bank of India

Central Bank of India

Canara Bank

Syndicate Bank

ICICI Bank Ltd.

Axis Bank Ltd.

SREI Infrastructure Finance Ltd.

REGISTERED OFFICE

Supreme House,

Plot No. 94/C Pratap Gad,

Opp. I.I.T Main Gate, Powai,

Mumbai – 400 076

Tel: +91 22 6128 9700

Fax: +91 22 6128 9711

CIN No.: L74999MH1983PLC029752

REGISTRAR AND TRANSFER AGENTS

BIG SHARE SERVICES PVT. LTD.

1st Floor, Bharat Tin Works Building,

Opp. Vasant Oasis Apartments,

MaroL, Maroshi Road, Andheri East,

Mumbai 400059

Tel: +91 22 6263 8200

OUR OPERATIONAL BOT ASSETS



- MANOR WADA BHIWANDI, Maharashtra
- 5,540 Million Project Cost
- 49% Supreme Stake
- ₹ 4,132 Million Sanctioned Debt
- 70.9 Kms Road Length



- KOTKAPURA MUKTSAR, Punjab
- ₹ 1,170 Million Project Cost
- 99% Supreme Stake
- 30 Kms Road Length



- KOPARGAON AHMEDNAGAR TOLLWAYS PVT. LTD
- 2,340 Million Project Cost
- 51% Supreme Stake
- ₹ 1,490 Million Sanctioned Debt
- 55 Kms Road Length



- KOPARGAON AHMEDNAGAR Phase 1, Maharashtra
- 2,880 Million Project Cost
- 100% Supreme Stake
- 23 Kms Road Length
- 42 Kms Road Widening



- PATIALA NABHA MALERKOTLA, Punjab
- 930 Million Project Cost
- 100% Supreme Stake
- ₹ 650 Million Sanctioned Debt
- 55.7 Kms Road Length



- VASAI BHIWANDI, Maharashtra
- 2,140 Million Project Cost
- 100% Supreme Stake
- ₹ 1,890 Million Sanctioned Debt
- 26 Kms Road length

Toll operations commenced during the year



MANAGEMENT DISCUSSION & ANALYSIS

GLOBAL ECONOMY OVERVIEW

The acceleration in global activity that started in 2016 gathered steam in 2017, reflecting firmer domestic demand growth in advanced economies and improved performance in other large emerging market economies. Global growth is expected to sustain for the next couple of years and has also accelerated mainly in the emerging markets and developing economies due to the commodity exporters. Global growth is set to be just over 3.5% in this calendar year 2018, the fastest for seven years, with improved outcomes in both advanced economies and the Emerging Market Economies. The US taxation policy has stimulated the growth in the country primarily driven by increase in investments in USA due to favourable corporate tax rate. Although the global economy has grown at a seven year high in the near term it is expected that the economy will see a sharp turn over the long term horizon and is subjected to substantial downside risk mainly due to increased protectionist policies, possibility of financial stress and rising geo political tensions.

Confidence measures and levels of new orders for businesses have remained strong. This long awaited lift to global growth, supported by policy stimulus, is being accompanied by solid employment gains, a moderate upturn in investment and a pick-up in trade growth. The continued expansion depends on robust global growth and governments' support for right trade policies. However, there are signs that escalating trade tensions may already be affecting business confidence and investment decisions, which could compromise the current outlook.

INDIAN ECONOMY OVERVIEW

Indian economic growth is giving a positive signal for the current and future scenario. It is projected to strengthen to above 7%, gradually recovering from the transitory adverse impact of rolling out the Goods and Services Tax (GST) and measures to choke off the black economy, including demonetization. India's GDP grew 7.2% in the third quarter of FY 2018, surpassing expectations and wresting back the mantle

of fastest growing economy from China on the back of a rebound in industrial activity, especially manufacturing and construction, and an expansion in agriculture. Reserve Bank of India has estimated GDP growth in a range from 7.4% to 7.9% for the Financial Year 2019-2020.

The biggest challenges for 2018 are as to how the economy can maintain its recovery in the face of increasing inflationary pressures, coupled with a higher fiscal deficit as well as an increasing debt burden. The key to this conundrum lies in the revival of consumer demand and private investment.

Fiscal deficit for 2017-18 is revised to INR 5.95 lakh Cr at 3.5% of the GDP, which is approximately the same as 2016-17 in spite of transformation in the economy. In addition to initiatives like; 'Make in India', 'Housing for All', 'Digital India' government has also introduced 'Sagarmala' and 'Bharat Mala' initiatives, which is expected to boost the domestic growth of the country.

INDIA'S INFRASTRUCTURE SECTOR OVERVIEW

The Government of India has taken major steps to empower the economic accreditations of the country and make it one of the powerful economies in the world. It is striving to move steadily to reduce structural and political bottlenecks, attract higher investment and improve the overall economic performance.

Infrastructure is the backbone of our economy and society at large, ranging from the roads, rails to electricity that lights or heats our homes to the water we drink by investing in core infrastructure businesses that deliver essential services throughout the economic cycle. The Government of India is extremely keen on developing the infrastructure sector in the country. This is clearly evident through several initiatives announced for this sector as part of the Budget 2018-19. Infrastructure has become the priority segment in the Union Budget.

1. Roads & Transportation Sector

India has the second largest road network in the world, constituting over a total of 5.6 million km in length. Over 65% of all goods in the country are transported via roads, while 90% of the total passenger traffic uses road network to commute on a day to day basis.

The government's ambitious infrastructure development plan aims to provide significant opportunities for investors and market players to help change the sector and partner India's socio-economic progress.

India has surpassed its own capacities by extending its capabilities beyond the national boundaries via road connectivity. The transportation sector has been highly responsible for propelling India's overall development. The Government of India has intensified its focus on this sector by initiating policies that would ensure time-bound creation of world class infrastructure in the country at a breakneck pace.

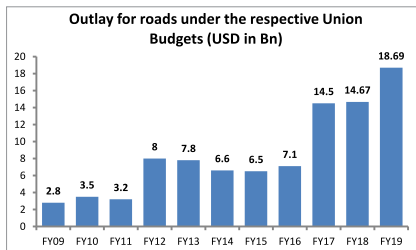
India's total road length includes National Highways (NHs), Expressways, State Highways (SHs), district roads, PWD roads, and project roads.

The network can be sub-divided into three categories for a total length of 5,600,000 km:

- State Highways: They form 3% of the total roads in India totalling a length of 176,166 km.
- National Highways: They form merely 2% of the total roads in India envisaging a total length of 115,530 km.
- District and Rural Roads: They form 95% of the total roads in India envisaging a total length of 5,326,166 km.

Roadways has been the key focus area for budget allocations over the years. As per Union Budget 2018-19, the government provided an outlay of INR 1.21 lakh crore (US\$ 18.69 billion) for the road sector. The graph provided below provides a clear idea of the trend of outlay for roads under the respective Union Budgets.

MANAGEMENT DISCUSSION & ANALYSIS



There were also several policy proposals made in the Budget Speech by the Finance Minister which can be seen as follows below:

Road and infrastructure cess: The existing Road Cess (cess on motor spirit and high speed diesel) has been converted to the Road and Infrastructure Cess. This cess on petrol and high-speed diesel has been increased by INR 2 per litre, while the excise and customs duty have been reduced by the same amount.

Under the Bharatmala Pariyojana, about 35,000 km of roads will be developed in Phase-I at an estimated cost of INR 5,35,000 cr. The Government is planning to introduce toll system on 'pay as you use' basis.

The two key authorities in the road development segment of the country are NHAI and MORTH. In the year 2017, NHAI and MORTH have been awarded 16,000 km of road projects – the highest in the sector's history. The pace of construction of highways also reached 28km/day from 14km/day in 2014.

2. Building Sector

Under the "Housing-For-All by 2022" programme, the government envisages

pucca houses with water connections, toilet facilities, and 24x7 electricity.

Pradhan Mantri Awaas Yojana (PMAY): The government intends to construct 22mn affordable houses by spending INR 3 trillion by 2022. Under this ambitious plan, 12mn units are proposed to be built in urban entailing a cost of INR 1.86 trillion and 10mn units are proposed to be built in rural entailing a cost of INR 1.27 trillion.

3. Rural housing

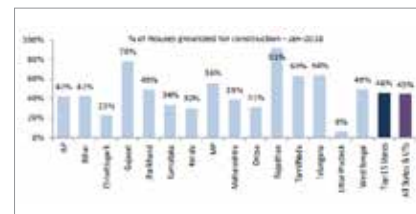
The government plans to spend INR 3.5 trillion to build 30mn houses under the National Gramin Awaas Mission (NGAM) for the homeless by 2022 in rural areas.

4. Urban housing

The central government has a plan to roll out the following schemes for development:

- This involves redevelopment of slums with the participation of private helped by a central grant of INR 100,000 per beneficiary. State governments can use this grant as viability gap funding for any slum redevelopment scheme.
- An interest subsidy of 6.5% on housing loans up to tenure of 15 years to EWS and LIG beneficiaries will be provided for loan amounts up to INR 600,000.
- Central assistance of INR 150k per beneficiary, to promote housing stock for urban poor with the involvement of private/public sectors – 35% of proposed units to be earmarked for the EWS category.
- Subsidy for beneficiary-led individual construction or enhancement: Central assistance of INR 150,000 each to eligible urban poor beneficiaries to help them build own houses or

undertake improvements to existing ones.



Smart Cities Project

Smart Cities Mission referred to as Smart City Mission is an urban renewal and retrofitting program by the Government of India with the mission to develop 100 cities across the country making them citizen friendly and sustainable.

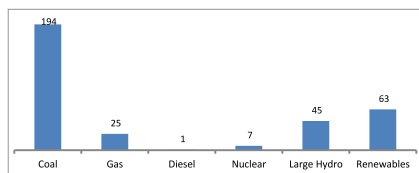
Smart Cities Mission envisions developing an area within 100 cities in the country as model areas based on an area development plan, which is expected to have a spill-over effect on other parts of the city and nearby cities and towns. Cities will be selected based on the Smart Cities challenge, where cities will compete in a countrywide competition to obtain the benefits from this mission. As of January 2018, 99 cities have been selected to be upgraded as part of the Smart Cities Mission after they defeated other cities in the challenges.

5. Power Sector

India's power sector is one of the most diversified sectors in the world. Sources of power generation is notably distinguished between conventional sources such as coal, lignite, natural gas, oil, hydro and nuclear power to viable non-conventional



MANAGEMENT DISCUSSION & ANALYSIS



sources such as wind, solar, and agricultural and domestic waste. In order to meet the increasing demand of electricity in the country, massive addition is needed to the installed generating capacity. In order to address the lack of adequate electricity supply to the people in the country by March 2019, the Government of India has launched a scheme called 'Power for All'. This scheme will ensure continuous and uninterrupted electricity supply to all households, industries and commercial establishments by creating and improving necessary infrastructure. It's a joint collaboration of the Government of India with states to share funding and create overall economic growth. The country's total installed capacity of power plants as on 31st March, 2018 stood at 3,40,527 Mega Watts (MW).

Sector	STATUS	% of total
State Sector	84,517	24.8%
Central Sector	1,03,968	30.5%
Private Sector	1,52,402	44.6%
Total	3,40,527	

WATER INFRASTRUCTURE SEGMENT

India occupies 2 percent of the world's land area, represents 16 percent of the world population and 15 percent of livestock, whereas it has only 4 percent of the water resources of the world. Water demand in next few years till 2025 is expected to grow by over 20 percent, fuelled primarily by the industrial requirements which have been projected to double from 23.2 trillion litres at present, to 47 trillion litres. Domestic demand is expected to grow by 40 percent from 41 to 55 trillion litres, while irrigation will require 14 percent more to 592 trillion litres up from 517 trillion litres being used currently. The standing subcommittee of Ministry of Water Resources has estimated that the water demand will escalate from

813 billion cubic meters (bcm) in 2010 to 1,093 bcm in 2025 to further 1,447 bcm by the year 2050.

Smart Cities Mission and the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) focus on reducing NRW. Metering, instrumentation, equipment supply has a business potential of around \$32 billion in India. More than 80% of available water resources in India is being currently utilised for irrigation purposes where, the average water use efficiency of irrigation projects is assessed to be only of the order of 30-35%. India receives an average annual rainfall of 1170 mm, but stores only 6% of rainwater. India's total water and sanitation sector is worth \$420 million, with an annual growth rate of 18%. Several initiatives have been undertaken by the government to deal with the water and sanitation crisis looming ahead of India.

Major water projects being undertaken by the Government are:

Five-year Namami Gange Programme focuses on cleaning the Ganga

Atal Mission for Rejuvenation and Urban Transformation (AMRUT)

National Water Quality Sub Mission on Arsenic and Fluoride to provide safe drinking water to about 28,000 affected habitations in the country by March 2021 with an outlay of INR250 billion.

'Har Ghar Jal' (water in every household) was another scheme with a mission to provide piped drinking water supply to all households by 2030.

RAILWAY SEGMENT

In the year ending March 2018, Indian Railways were projected to carry 8.26 Bn passengers and transport INR 1.16 Bn tons of freight. In the fiscal year 2017-18, Indian Railway were projected to have earnings of INR 1.874 Trillion (USD 28 Bn), consisting of INR 1.175 Trillion (USD 18 Bn) in freight revenue and INR 501.25 Bn (USD 7.5 Bn) in passenger revenue, with an operating ratio of 96.0 percent.

The initiatives taken by Indian Railways are as follows:

- INR 1.48 lakh Cr has been allocated for Indian Railways. Most of this capex will be dedicated to capacity creation.

- 12,000 wagons, 5160 coaches and 700 locomotives are on the way. A major programme has also been initiated by the government to strengthen infrastructure at the Goods sheds and fast track commissioning of private sidings.
- Government plans to create world-class modern train sets including Train 18 and Train 20. Train 18 and Train 20 will be manufactured at Integral Coach Factory, Chennai, announced in Union Budget 2018.
- Track infrastructure is necessary and for that the government has targeted over 3,600 km for track renewal.
- 600 major stations to be redeveloped by Indian Railway Station Development and escalators will be introduced to railway stations with more than 25,000 footfalls.
- In addition, 150 kilometres of suburban network is being planned at a cost of over INR 40,000 cr, which will include elevated corridors on some sections.

BUSINESS OVERVIEW

Supreme Infrastructure India Limited (SIIL) is a public limited company with its head office near IIT Powai, Mumbai. Being promoted by Mr. Bhawanishankar Sharma, SIIL has gradually attained its trademark of being a diversified infrastructure EPC player with an imminent presence across numerous industries. The company undertakes high-scale projects across roads, bridges, railways, power, buildings, irrigation and sewerage.

The company has a sturdy presence in the roads BOT segment, where it has undertaken 11 projects, out of which 6 projects are operational.

Presently, Supreme Infrastructure India Limited (SIIL) has become an infrastructure conglomerate, providing services across 13 states in India.

Financial Overview - Standalone

- Total Revenues from Operations decreased by 14% to INR 9,040 Mn. on a

MANAGEMENT DISCUSSION & ANALYSIS

YoY basis as compared to INR 10,501 Mn in FY2017.

- EBITDA decreased by 12% to INR 1,889 Mn on a YoY basis as compared to INR 2,150 Mn in FY 2017. (Including Other Income).
- Loss increased to INR 5,001 Mn from INR 2,035 Mn in FY2017.

Opportunities

- India boasts of having one of the largest road networks in the world, spanning over a total of 5.6 million km. The country uses roadways to transport 64.5 per cent of goods and 90 per cent of the total passenger traffic prefers to use road networks for commuting.
- For FY18-19, the Government of India allocated INR 71,000 cr (US\$ 10.97 billion) for the development of national highways across the country, signifying a rising budget allocation for the road sector.
- The value of the total roads and bridges infrastructure in India is estimated to expand at a CAGR of 13.6 per cent over FY09–17 to US\$ 19.2 billion.
- The Government has given a massive boost to infrastructure by allocating INR 5.97 lakh crore (US\$ 92.2 billion) for infrastructure in the Union Budget 2018-19.
- There is a growing participation of the private sector through Public-Private Partnership (PPP).
- The Government of India plans to invest INR 1.45 lakh cr (US\$ 22.40 billion) towards road infrastructure in North-East region between 2018 and 2020.
- The total amount of investments as of December 2017 by Public-Private Partnership (PPP) was INR 73,845 cr (US\$ 11.46 billion).
- There is a 100 per cent FDI sanctioned under automatic route which is subject to applicable laws and regulations.
- As per the Union Budget 2018-19, the Government granted an outlay of INR 1.21 lakh cr (US\$ 18.69 billion) for the road sector.
- Between FY09 and FY19, the budget outlay for road transport and highways increased at a robust CAGR of 20.91 per cent.
- The Ministry of Road Transport and Highways, has set a target of 20,000 km for 2018-19, which is 25 per cent

more than 17,055 km awarded in 2017-18.

- In FY18, construction of national highways attained a record of 26.93 km per day. The Government of India plans to increase the length of national highways from the current record of 122,432 km to 200,000 km.
- In FY17-18, national highways of 9,829 km in length were constructed with 20 per cent growth from 8,231 in FY16-17.
- The Central Government has set a target to complete 300 highways projects by March 2019.

Concerns

- Credit availability: The private sector is reliant on commercial banks in a bid to raise debts for Public Private Participation (PPP) projects. But with commercial banks constrained by sectoral exposure limits and leveraging for large Indian infrastructure companies, it has become difficult to finance the PPP projects. It is seen in the recent years that credit availability has become one of the most significant threats. The sector has witnessed a curbed financing from banks and other institutions. Mostly, the banks have exhausted their lending limit to companies and in some cases, the parent companies as well. Therefore, attempting to find viable funds has become increasingly difficult. In order to tame the situation, Hybrid Annuity Model (HAM) was introduced with a vision to revitalise and bring order to the sector. But even this method shows a bleak remedy as most of the awarded HAM projects are currently battling for funding and financial closure.
- Business environment changes: Domestically, the business environment remained unfavourable for PPP players. The Government has transferred the mode of delivery from PPP to EPC projects. As per this move, the Company has also ventured into the EPC sector. Since the introduction of GST, the regulation is closely monitored and adhered to as it can have both an ascending and descending consequences for the sector. Other policies put in place, such as, strict control on mining activities and a ban placed on the use of river

sand in many states has the possibility to affect the design of Company's existing projects. Such regulations are expected to be followed by others which might affect the company.

- Market competition: With the Government enthusiastic on promoting EPC contracts, such markets pose a bigger threat to the Company's business. The Company has ventured into the EPC sector and is setting a target to bid for large & complex EPC projects. It is also looking to develop an in-house enterprise such as a construction contractor in a mid-size segment.

The Company is also on the lookout for BOT Toll and Annuity projects bid out by the Government. However, market players have become more cautious due to financial limitations, which have led to more reasonable bids. Many projects that were put out for bids on HAM/BOT Toll & Annuity has failed to attract bidders since most of them were in the form of re-bidding. This was due to non-receipt of bids tendered in the prior bidding process or on the account of termination of concessions granted.

- Dispute resolution and claims settlement: Recently, a minor improvement is witnessed in the claims settlement. However, the pace continues to be slow and tedious. Closure of arbitration and accrual of claims is significant in restoring concessionaire trust and ensuring timely completion. The pathway is set to initiate an independent regulator for the road sector so that this issue is addressed comprehensively.

Risk Management

The Company identifies that evaluation and effective management of their risks is crucial for keeping its performance steady and delivering adequate value to its shareholders. The Company keeps assessing risks at regular intervals and takes measures to mitigate the same.

Internal Controls:

The Company has sufficient and commensurate internal control systems to match the size and the sector it is in. The

MANAGEMENT DISCUSSION & ANALYSIS

Company has well-defined and clearly laid out policies, processes and systems. These are strictly and regularly monitored by the top management and any digression or discrepancy is immediately flagged off and corrected. All requisite regulations, rules and laws of the land are strictly followed. The Company has a sound system for financial reporting and well-defined management reporting systems. These are supported by Management Information System (MIS) that regularly checks, monitors and controls all operational expenditure against budgeted allocations. The Company also has a regular internal audit process that is monitored and reviewed by the Audit Committee.

Human Resources:

The Company believes that satisfied, highly-motivated and loyal employees are

the base of any competitive and growing organization. Therefore, it strives to build a highly skilled and qualified workforce, supported by a safe and healthy work atmosphere. The Company has built a work culture based on sincerity, hard work and a pursuit for perfection. It holds regular training sessions to upgrade the skills and the knowledge base of its employees. Moreover, the company ensures that it recognizes and rewards exceptional performance by its employees' time and again. As on 31st March 2018, the Company had over 483 employees.

Cautionary Statement:

This document contains statements about expected future events, financial and

operating results of Supreme Infrastructure India Limited, which are forward-looking. By their nature, forward looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of the Supreme Infrastructure India Limited Annual Report, 2017-18.