



Supreme Infrastructure India Limited
Annual Report 2020-21

Right place. Right space.

Supreme Infrastructure is attractively placed to contribute to the dynamic India infrastructure growth story



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Cautionary statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward looking statements, whether as a result of new information, future events or otherwise.

Right place. Right space.

India is set to recover its position among the fastest growing economies in the world.

India's rapid recovery is being catalysed by an unprecedented investment in its infrastructure sector.

Virtually every segment of India's infrastructure sector – roads, bridges, ports, airports and railways, among others – is expected to grow rapidly across the decade.

Supreme Infrastructure is attractively placed to contribute to this dynamic national growth story.

The company has restructured its Balance Sheet, sectorial spread and operating discipline to capitalise on the unfolding reality.

This is expected to translate into sustainable growth in terms of order book, revenue and profits, enhancing shareholder value.

Corporate snapshot

Supreme Infrastructure India Limited.

The company possesses a focus of returning its business to sustainable growth and prosperity.

Of regaining its position of stature across diverse infrastructure segments.

Of enhancing its respect for timely and credible construction delivery.

Of enhancing its exposure across the fastest growing infrastructure segments in India.

Of rejuvenating its reinvestment cycle, enhancing trust and sustainability.

Vision

Leading by the philosophy of pursuing excellence, Supreme Group envisions being an innovative player in infrastructure development in India today; with the hunger to grow and the attitude to compete globally tomorrow.

Mission

- To develop strengths and be amongst the leading construction and contracting company in India
- To provide end to end Construction Solutions
- To increase presence across various Infrastructure sectors
- To be the most preferred contractor
- To proliferate and become a global player

Values

- Excellence
- Expansion
- Expediency
- Economy

Background

The Company is focused on addressing growing opportunities in some of the fastest growing sections of India's infrastructure sector (roads, buildings, bridges, water infrastructure and mining). The Company enjoys an infrastructure building presence across 13 States of India.

Respect

The Company was among the fastest growing infrastructure construction companies across the country until the early part of the last decade. The Company continues to inspire respect and goodwill among large clients for its dependable commitment to deliver on time and within cost.

Cientele

The company has undertaken large and challenging projects for clients across India's public and private sector. These clients comprise marquee names like Airports Authority of India (AAI), Bhabha Atomic Research Centre (BARC), Brihanmumbai Municipal Corporation (BMC) and Public Works Department (PWD), among others.

Employees

The Company's employee base stood at 81 as on March 31st, 2021, possessing diverse competencies relevant for a growing infrastructure company. The Company provides growth opportunities to employees; 100% of its employees are either graduates or diploma engineers.

Footprint

The Company is headquartered in Mumbai (Maharashtra) with operations in Maharashtra, Himachal Pradesh, Haryana, Uttar Pradesh, Delhi & NCR, Jharkhand, West Bengal, Assam, Orissa, Bihar and Karnataka. The Company possesses a rich experience of successfully executing infrastructure projects across 13 Indian States in the last few years.

Listing and market capitalisation

The equity shares of the company are listed on the Bombay and National Stock Exchanges with the promoters holding a 34.68 % stake in the equity share capital. The Company's free float market capitalisation stood at ₹36.62 crore as on March 31st, 2021.

Our awards and recognitions

- Fastest Growing Construction Company (mid-size category to first rank) at the 10th Construction World Annual Awards 2012.
- Industry Honour for Outstanding Contribution in Specialised Construction (EPC category) at the 3rd EPC World Awards 2012
- Fastest Growing Construction Company (small size category to 2nd rank) at the 9th Construction World Annual Awards 2011.
- Fastest Growing Construction Company (small size category to 2nd rank) at the 8th Construction World Annual Awards 2010.
- Young Entrepreneur of the Year 2010 to Mr. Vikram Sharma, Managing Director by EPC World Awards, 2010.
- Certificate of Recognition from Essar Steel's Infrastructure Excellence Awards 2010.
- Most Admired Corporate in Infrastructure Development in 2010 from Infrastructure Excellence Awards 2010.
- Udyog Ratna Award to Mr. Bhawanishankar Sharma, Executive Chairman, by Institute of Economic Studies.

Board of Directors

Mr. B. H. Sharma
Non-Executive Chairman

Mr. Vikram Sharma
Managing Director

Mr. V. P. Singh
Independent Director

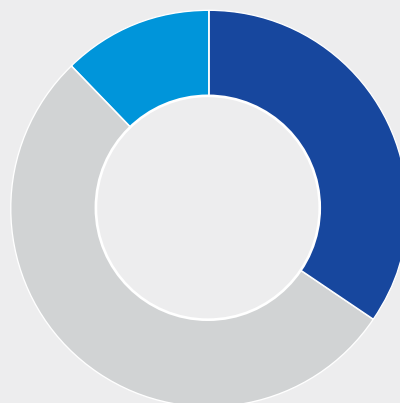
Mr. Vinod Agarwal
Independent Director

Mr. S.K. Mishra
Independent Director

Mrs. Payal Agarwal
Independent Director

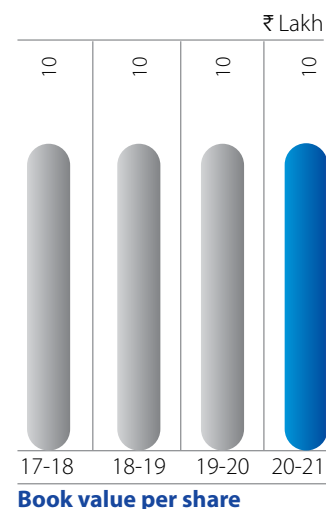
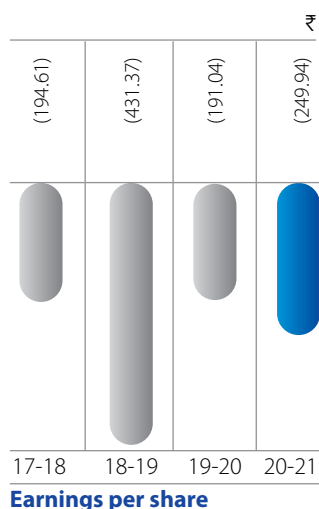
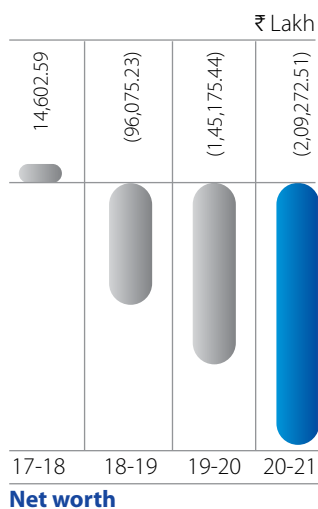
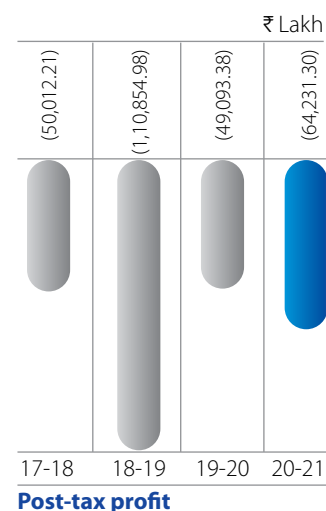
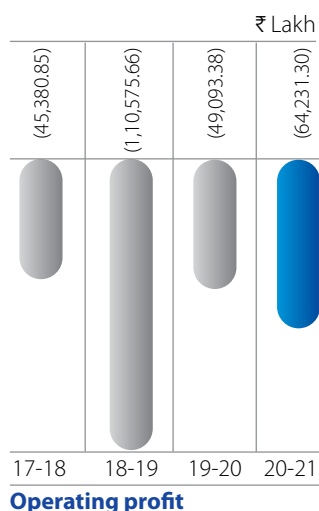
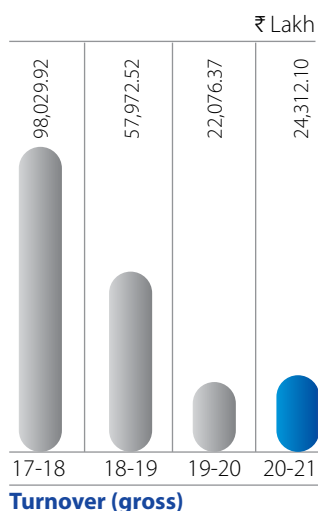
Mr. Dakshendra Agarwal
Independent Director

Our shareholding pattern



■ Promoters: 34.68%
■ Public: 53.26%
■ Institutional: 12.06%
*As on March 31st, 2021

Our financial highlights





2.78

USD trillion, India's GDP, FY 2021-22

5

USD trillion, India's
estimated GDP, FY 2026-27
(Source: CRISIL)



Chairman's overview

Right place. Right space.

Overview

There are two principal messages I wish to communicate in my overview.

These messages comprise the gist of our capacity to recover and ride the India growth story.

The first message is the India story itself.

India comprises one of the most exciting opportunities in the global infrastructure sector.

It is estimated that India will invest an unprecedented ₹111 Lakh crore its infrastructure sector by FY 2024-25, the

largest investment in this sector across any five-year period by the country.

While this investment will be made across a range of infrastructure sub-sectors, a majority of the spending will be made in India's roads sector.

International perspective

We are placed in a period of time when the subject of roads is not just national; it has acquired an international geo-political dimension. The One Belt, One Road proposed by China a few years ago is not just about connecting China with the nearest port; it is about connecting China with much of Asia, Africa and the

European continent. For sheer daring, this could be the largest infrastructure opportunity in the world that could completely redefine global trade and business dynamics, centralising the role of roads in catalysing the global economy. Roads are no longer intra-national in their importance; they are defining Asian power shifts.

India's extensive road network of around 62.16 Lakh kilometers is the second largest in the world after USA. While this would indicate a road building priority, the reality is that India's road building penetration is considerably low compared with its population: USA comprises 21 kilometres of road per 1000 persons, while India has only around 4 kilometres per 1000 persons. Besides, the length of national highways was a meagre 1, 36,440 kilometres - about 2% of the total road length network but carrying 40% of the country's road traffic. Worse, India ranked 74th (out of 140) and 61st (out of 140) in terms of the quality of overall infrastructure and quality of roads respectively as per the World Economic Forum Report for FY 2015-16. The result was that India incurred USD 6.6 billion in annual costs arising out of transportation delays; India's annual additional fuel consumption arising out of the delays was estimated at USD 14.7 billion. The result was a national consensus: to build new roads faster, widen the existing ones, improve road conditions with round-the-year maintenance, increase the length of national highways and access-controlled expressways as a percentage of the total road length network, replace manual toll collection with electronic toll collection and unify the country with a common GST system to enhance logistics efficiency.

The Indian Government has, in the space of a few years, achieved what would normally have taken years to do. The Government has taken perhaps the largest element of India's infrastructure and transformed the picture. The result of the Indian Government's proactive response has got serious global investors to sit up and take notice. I am not sounding dramatic when I say that India's road building sector is showing signs of acquiring the size and scope generally reserved for China's successful infrastructure story today.

Across the board improvement

There has been an across-the-board improvement: from a time when 1000 kilometers of road building contracts would be issued to more than 15000 kilometers of contracts now being awarded per year. From a time (2011-14 average) when 73 kilometers of roads would be built in the country as part of the Pradhan Mantri Gram Sadak Yojana, 36.4 kilometers were built per day in FY 2020-21. From a time when the average highway building pace would be 9 kilometers per day (2012-14), the pace increased to 29.81 kilometers per day in FY 2020-21.

This has had a trickle-down impact. The number of orders has got larger and more frequent; there is a growing recognition that road builders must be provided a conducive environment in which to operate, translating into reinvestments (people, technologies and equipment). We believe that this investment will only accelerate project completion, which will result in infrastructure being handed over to the country's citizens faster than ever, kick starting a virtuous win-win cycle. This has already been articulated by the Minister of Road Transport and Highways, who has indicated what we always felt would happen: the accelerated construction of highways would contribute more than 200 basis points to the country's GDP and create millions of jobs.

The Indian government has transformed from a harsh umpire keen to spell out the rules and enforce the code to one willing to take a realistic win-win view of how to make the road building sector attractive for Indian as well as global infrastructure builders and investors. The government has addressed the various blockers: premium rescheduling, loan restructuring, exit to concessionaires, improving liquidity through InvIT, faster projects clearance etc. I am pleased to say that this sector will now attract the attention of serious long-term global investors.

Paradigm shifts

For years, land acquisition was a continuing problem related to highway construction in India. A number of projects were stalled since National

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Highways Authority of India could not sustain project progress because it could not conclude adequate land acquisition. One of the principal ground-shifts is that the NHAI has proposed that it will not invite any bids for road projects until it has completed land acquisition, shifted utilities and obtained in-principle forest clearances; correspondingly, it will not commence work on structures, flyovers, bridges and rail over-bridges until it enjoys 100% of the land. In view of this, we believe that the delay of several projects on account of land acquisition issues should now become a thing of the past.

These initiatives will graduate the country from one level to another. More roads or larger roads will mean stronger economic growth. However, what is not immediately evident is how this will kick start a rejuvenation of the entire eco-system: Indian construction companies will resume aggressive re-investment based on credible order books and long-term growth prospects; we foresee a greater investment in equipment, a larger quantum of grassroots and rural employment, a larger inflow of support from global pension funds, InVits of Indian companies being listed on the exchanges, a new class of infrastructure-focused investors emerge and a greater respect for Indian infrastructure as a separate asset class that commands global respect. From a position where Indian infrastructure was merely a concept, everyone is now convinced that it will become a reality in future and this process has already been initiated.

It is because of a confidence-enhancing framework that there has been a large increase in project launches and enthusiastic bidding, followed by financial closure. This has resulted in actual construction either being implemented or getting near to the initiation point of the project. This entire sequence represents

a validation of the sectoral turnaround: the confidence of the Government is increasing the confidence of construction companies, bankers, investors – the complete eco-system. The result: India has retained its 43rd place in the World Competitive Index in FY 2020-21 for the third time in a row, which can be majorly ascribed to accelerated infrastructure development.

The Indian government has transformed from a harsh umpire keen to spell out the rules and enforce the code to one willing to take a realistic win-win view of how to make the road building sector attractive for Indian as well as global infrastructure builders and investors.

The Ministry of Road Transport and Highways has undertaken the development of about 34,800 kilometers of national highways under Bharatmala Pariyojana for an estimated ₹5,35,000 crore (USD 76.55 billion) in consultation with State Governments.

NHAI also invited bids for preparing detailed project reports for road development along the borders and coast lines under the Bharat Mala project.

The result is that over the last couple of years, India has emerged as possibly the most exciting road building infrastructure destination in the world. These developments indicate that the opportunity is large enough to keep us growing for years. The emerging priority would be to keep bidding for and winning

contracts, by widening our management bandwidth and growing to the extent that our Balance Sheet permits.

Supreme: Attractively placed

At Supreme Infrastructure, we are attractively placed to capitalise.

The company survived the industry downtrend during the last few years, strengthening its capacity to outperform in an environment when players are relatively fewer.

The fact that the company was cleared on forensic grounds by an independent credit rating agency indicates that the company was cleared on governance grounds, a significant validation of its intent and character.

The company has access to a sustainable pipeline of debt, the company's bankers are aligned with the company's growth strategy, the company continues to win attractive projects, it successfully retained most of its knowledge capital and institutional shareholders during the downturn and it has charted out an operating discipline that should translate into a predictable set of responses to challenges.

At Supreme Infrastructure, we are optimistic that the complement of these realities should start becoming visible from the fourth quarter of the current financial year, leading the company to break-even point in the next financial year and a positive surplus starting FY 2023-24.

These realities indicate that the company is at the right place and the right time to enhance shareholder value in a sustainable way across the foreseeable future.

Bhawanishankar H. Sharma
Chairman