

**REPORT ADOPTED BY THE AUDIT COMMITTEE OF SUPREME INFRASTRUCTURE INDIA LIMITED ("THE COMPANY") RECOMMENDING THE DRAFT COMPOSITE SCHEME OF COMPROMISE AND ARRANGEMENT AMONGST THE COMPANY AND THE FINANCIAL CREDITORS OF THE COMPANY**

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**1 Background**

- 1.1 The Company initiated a Composite Scheme of Compromise and arrangement with its Financial Creditors under section 230 of the Companies Act, 2013 and related rules ("**the Scheme**"), as proposed *via* Board Resolution on June 3, 2022, subject to regulatory approval. An application was subsequently filed before the Hon'ble NCLT, Mumbai ("**the Tribunal**") under sections 230 to 232 of the Companies Act, 2013. The Tribunal directed the convening of a meeting of financial creditors. However, some creditors attempted to derail the Company's revival efforts by filing petitions under section 7 of the IBC, 2016 with the Hon'ble NCLT to initiate the CIRP process. In response, the Company sought relief from the Hon'ble NCLT to initiate the CIRP process. In response, the Company sought relief from the Hon'ble Bombay High Court through writ jurisdiction to halt these petitions. The Bombay High Court, noting that 81% of Financial Creditors had approved the Scheme, granted a stay on the proceedings. Voting on the Scheme concluded on May 13, 2024, with results declared and the Chairman's report filed. Upon reviewing the voting results, the Hon'ble Bombay High Court confirmed the approval of the Scheme.
- 1.2 In continuation of the earlier resolution dated June 3, 2022, a meeting of the Company's Audit Committee was convened on June 25, 2025, to endorse, confirm, approve, and recommend to the Board of Directors the Scheme under Section 230 and other relevant provisions of the Companies Act, 2013, including applicable regulations and laws. This includes provisions under the Securities and Exchange Board of India's Master Circular No. SEBI/HO/CFD/POD-2/P/CIR/2023/93 dated June 20, 2023 (as amended), or any other SEBI circulars applicable to schemes of arrangement. This Scheme shall henceforth be referred to as the "**Scheme**."
- 1.3 The Company is a listed public limited company incorporated under the provisions of the Companies Act, 1956. The equity shares of the Company are listed on BSE Limited ("**BSE**"), National Stock Exchange of India Limited ("**NSE**") (BSE and NSE are collectively referred to as the "**Stock Exchanges**").
- 1.4 Over time, the Company utilized credit facilities from several institutions, including banks and financial entities such as State Bank of India, Punjab National Bank, Canara Bank, Union Bank of India, Bank of India, Central Bank of India, ICICI Bank, JM Financial Asset Reconstruction Company Limited, SREI Equipment Finance Ltd, SREI Infrastructure Finance Ltd, HDFC Bank Limited, Indian Overseas Bank, L & T Finance Limited, and Axis Bank Limited (referred to collectively as "**the Financial Creditors**").
- 1.5 The company consistently met its obligations to Financial Creditors until the Financial Year 2014-15. However, due to a combination of regulatory challenges, liquidity constraints, a widening working capital deficit, reduced operating margins, and other factors beyond its control, the company encountered significant stress and financial distress. Multiple banking arrangements exacerbated the situation, leading to defaults in repayment of substantial loans owed to Financial Creditors. Consequently, the company's business operations faced considerable difficulties, impacting its overall performance. The erosion of working capital and capital hindered the company's ability to meet its principal and interest obligations, resulting in its financial decline. Currently, Financial Creditors are undertaking measures in accordance with the prudential norms outlined by the Reserve Bank of India ("**RBI**") *vide*

Circular bearing reference no RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 dated. June 07, 2019 (“the RBI Circular”), aimed at resolving stressed assets and facilitating the company's revival.

- 1.6 Under the RBI Circular, the Financial Creditors have engaged in an Inter Creditor Agreement dated June 28, 2019, with the Company to facilitate debt restructuring. Through this arrangement, the Company aims to settle its financial obligations and debts with the Financial Creditors.
- 1.7 In terms of the SEBI Scheme Circular, a report from the Audit Committee recommending the draft Scheme is required, commenting on the need for the Scheme, rationale of the Scheme, synergies of business of the entities involved in the Scheme, impact of the Scheme on the shareholders and cost benefit analysis of the Scheme. This report of the Audit Committee is made in compliance with the requirements of the SEBI Scheme Circular read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR Regulations”).

## 2 Salient features of the Scheme

### 2.1 *Inter alia* the following are proposed under the Scheme

- (a) To achieve a settlement with the Financial Creditors, the Company plans to monetize its assets and those of its Promoters. This will be supplemented by raising equity from existing or new investors and Promoters. The aim is to settle the debt, ensuring the Company's continuity as a going concern. This approach seeks to safeguard the Company's current operations, future prospects, and the interests of all stakeholders involved, and to sustain its operations, including the completion of nationally significant infrastructure projects, and enhance the overall viability of its business, both current and future.
- (b) The Scheme provides for settlement of the Financial Debt with the Financial Creditors in the following manner:

Sr. No	Particulars	Amount in RsCrores
AA	Total Principal Outstanding Financial Debt dues to the Financial Creditors (other than that of the Group Companies and excluding interest and charges) ##. Financial Debt break up of each Financial Creditor is mentioned in more detail in Column A of Table 1 mentioned at Clause 6 of Part B of the Scheme.	2200.36
AA-1	Total Settlement Amount to be paid to the Financial Creditors for exit of Financial Creditors from the Company with no continuing exposure or new exposure, against the outstanding Financial Debt as stated in Sr. No. AA above. - (AA1)	464.00
–	Total of AA1 above shall be discharged / paid by Company / Promoters as mentioned below:	

AA 2	Amounts to be paid to Financial Creditors by way of monetization of assets of the Company and Promoters Assets (Consortium Charge). Amount payable to each Financial Creditor is mentioned in more detail in Column B of Table 1 mentioned at Clause 6 of Part B of the Scheme.	183.29
AA - 3	Amount to be paid by way of raising equity from the existing / new Investor and also Promoters to finance the amount payable to the Financial Creditors. Amount payable to each Financial Creditor is mentioned in more details in Column C of Table 1 mentioned at Clause 6 of Part B of the Scheme read with Table 2 of Clause 6 of Part B of the Scheme.	147.23
AA - 4	Amounts to be paid to Financial Creditors by way of monetization of assets of Company and Promoters, exclusively charged to specific Financial Creditors who would be paid for release of charges. Amount payable to each Financial Creditor is mentioned in more detail in Column D of Table 3 mentioned at Clause 6 of Part B of the Scheme.	133.48

(c) Various other matters consequential or otherwise integrally connected therewith.

2.2 The Company shall pay the dues owed by it to the Financial Creditors in the manner set out under Clause 6 of Part B of the Scheme.

2.3 All the mortgages / charge documents / lien documents shall release upon payment of the Settlement Amount, in the manner provided under clause 6 of Part B of the Scheme.

2.4 Upon payment of full and final Settlement Amount, the Financial Creditors shall:

(a) Release all securities as mentioned in the Schedule C of the Scheme in favour of Security Providers including the shares which have been invoked but not transferred to any third party or sold by the relevant security trustee. Release shares of the Company pledged by Promoters/their family members and other shareholders, which are directly in connection with or in relation to the loans/facilities advanced by the Financial Creditors to the Company and are being settled by way of the Scheme, in favour of the Company and the potential Investor or their nominee. It is hereby clarified that no other securities/charges, other than as specified hereunder would be released by the Financial Creditors.

(b) Issue No Dues Certificate to the Company within 5 working days;

(c) Release all personal guarantees and corporate guarantees issued till date in favour of Financial Creditors, which are directly in connection with or in relation to the loans/facilities advanced by the Financial Creditors to the Company and are being settled by way of the Scheme and issue discharge certificate in favour of all the guarantors within 5 working days;

(d) Further Company shall be entitled to raise additional capital / Right of first step in with respect to the contingent liability

## **SUPREME INFRASTRUCTURE INDIA LIMITED**

- (e) Intimate RBI/CIBIL regarding settlement of dues for withdrawal of pending suits and deletion of names of Directors from the list of defaulters and suit filed cases, if any
- (f) Withdrawal of all pending legal cases including civil/ Criminal cases initiated under the Negotiable Instrument Act, against the Company/directors/ex-directors//ex-employees/guarantors/KMPs, which are directly in connection with or in relation to the loans/facilities advanced by the Financial Creditors to the Company which are being settled by way of this Scheme, if any.
- (g) Upon receipt of the Settlement Amount by the Financial Creditors, the Financial Creditors shall release all assets as mentioned in Schedule C of the Scheme including the charges mentioned at Clause 7.4 of the Scheme.
- (h) Upon payment of full and final Settlement Amount under the Scheme, and based on the approval of Financial Creditors, interest, penal interest, bank charges which are directly in connection with or in relation to the Financial Debt shall stand waived.

2.5 That the Scheme is and shall be conditional upon and subject to:

- (a) The sanction or approval under any law or of the central government or any other agency, department or authorities concerned being obtained and granted in respect of any of the matters in respect of which sanction or approval is required.
- (b) The approval by the requisite majority of the Operational Creditors if directed by the NCLT under Section 230 of the Companies Act, 2013.
- (c) The sanctioning/ approval of the Scheme by the Stock Exchanges, SEBI and the Hon'ble NCLT under section 230 to 232 of the Companies Act, 2013, whether with any modifications or amendments as the Hon'ble NCLT may deem fit or otherwise.
- (d) Certified copy of the order of the Hon'ble NCLT sanctioning the Scheme being filed with the Registrar of Companies, Mumbai as may be applicable.
- (e) All other sanctions and orders as are mandatorily required under law for approval of the Scheme.
- (f) If any part of this Scheme is found to be unworkable or if implementation of this Scheme is delayed for any reason whatsoever, the same shall not affect the validity or implementation of the other parts and /or provisions of this Scheme. The Company shall implement such part(s) which may be deemed effective and operational.

2.6 Impact of the scheme on the shareholders:

The scheme aims to enhance shareholder value by fostering long-term growth and maximizing returns through operational efficiencies. To fund payments to Financial Creditors, both existing and new investors, as well as promoters, will inject capital into the Company via equity shares. This issuance will lead to dilution of current shareholders' stakes. Shareholders stand to benefit from: a) anticipated synergies, b) establishment of efficient management and administration structures conducive to future growth, and c) focused alignment of the Company's business verticals.

2.7 Need for the arrangement:

The objective is to settle the debt of the Company while securing the Company's ongoing viability. This strategy is designed to protect current operations, future potential, and the interests of all stakeholders. It aims to sustain operations, encompassing the completion of

**SUPREME INFRASTRUCTURE INDIA LIMITED**

Supreme House, Plot No. 94/C, Pratap Gad, Opp. I.I.T Main Gate, Powai, Mumbai- 400076.  
CIN: L74999MH1983PLC029752; Tel: + 91 22 6128 9700 Fax: + 91 22 6128 9711  
Website: [www.supremeinfra.com](http://www.supremeinfra.com)



crucial national infrastructure projects, and to improve the overall long-term viability and resilience of the business.

## 2.8 Cost benefit analysis of the Scheme:

A cost-benefit analysis of the scheme involves evaluating the anticipated costs and advantages associated with restructuring the company's debt. The scheme is expected to enhance economic value for the Company and stakeholders, driven by anticipated cost synergies such as immediate financial outlay, short-term disruptions, potential equity dilution, interest and finance costs, and regulatory compliance expenses. The advantage of the Scheme will be reduction in the overall debt burden, potentially lower interest payments, and enhanced financial flexibility, while also facilitating manageable debt repayment schedules and easing cash flow constraints. Moreover, the scheme seeks to improve credit ratings, reduce future borrowing costs, ensure operational continuity, complete critical projects, maintain market confidence, and sustain trust among stakeholders, including investors, creditors, and employees. These advantages position the company for long-term success and greater flexibility in pursuing future investments and growth initiatives. Despite transaction costs associated with implementation, the scheme's potential benefits outweigh these expenses, aiming to establish a sustainable financial structure that supports the company's strategic objectives and enhances shareholder value.

## 2.9 Synergies of business of the entity involved in the Scheme

The Scheme offers a pathway to significantly reduce overall debt burden, potentially lower interest payments, and increase financial flexibility. It also aims to establish manageable debt repayment schedules and alleviate cash flow constraints. Additionally, the Scheme seeks to enhance credit ratings, lower future borrowing costs, ensure operational continuity, complete critical projects, maintain market confidence, and foster trust among stakeholders such as investors, creditors, and employees. These collective benefits strategically position the company for long-term success and provide greater flexibility to pursue future investments and growth initiatives. Despite initial implementation costs, the Scheme's anticipated advantages outweigh these expenses, aiming to establish a sustainable financial structure that supports the company's strategic objectives and enhances shareholder value.

## 3 **Rationale of the Scheme**

3.1 The Company, a respected civil contractor, specializes in a diverse portfolio of infrastructure projects spanning government, public, and private sectors. Its expertise includes constructing roads (national and state highways), bridges, flyovers, buildings, BOT projects, and various other infrastructure developments. The Company is optimistic about its future, driven by the Indian government's long-term infrastructure vision. The present management exhibits a proactive business approach, underscored by an impressive order book currently valued at approximately INR 2705 crores. Anticipated cash flows from ongoing and forthcoming projects, coupled with the realization of outstanding receivables, are expected to stabilize the Company's operations going forward. However, the Company foresees challenges in navigating its current financial landscape, which it aims to address through the implementation of the Scheme. This strategic initiative is crucial to maintaining the Company's status as a going concern and ensuring sustained operational viability.

3.2 Therefore, in view of the above, the proposed scheme would be in the best interest of the Company and their Shareholders, Employees, Creditors and other stakeholders as the implementation of the Scheme is expected, inter alia, to result in financial relief, improved

operational agility, enhanced creditworthiness, and strengthened stakeholder relationships, positioning the Company for sustainable growth and resilience in its industry.

#### 4 Documents placed before the Audit Committee

- (a) Draft Scheme, duly initialled by the Chairman of the Company, for the purpose of identification;
- (b) Auditor's Certificate dated. June 25, 2024 issued by M/s. Borkar & Muzumdar and M/s. Ramanand & Associates Chartered Accountants (Firm Regn. No. 101569W & 117776W), the Statutory Auditors of the Company, as required under the SEBI Scheme Circular to the effect that the accounting treatment contained in the scheme is in compliance with all the Accounting Standards specified by the Central Government under Section 133 of the Companies Act, 2013 read with the rules framed thereunder or the Accounting Standards issued by ICAI, as applicable, and other generally accepted accounting principles.
- (c) Other presentations, reports, documents and information made to/ furnished before the Audit Committee pertaining to the draft Scheme.

#### 5 Recommendation of the Audit Committee

Taking in to consideration the draft Scheme, need for the Scheme, Rationale for the Scheme, Synergies of the business of the entity involved in the Scheme, impact of the Scheme on the Shareholders, Cost benefit analysis of the Scheme, and other relevant documents, as placed, the Audit Committee comprising of Mr. Vikram Sharma, Mr. Dakshendra Agrawal & Mr. Sushil Kumar Mishra recommends the draft Scheme for favourable consideration and approval by the Board of Directors of the Company, Stock Exchanges, SEBI and other appropriate authorities.



Dakshendra Agrawal  
Chairperson  
Audit Committee  
DIN: 01010363

Date: June 25, 2024