



Powering Execution

Annual Report 2007-08

POWERING EXECUTION

Successful enterprises are marked by exemplary resourcefulness in turning great strategies into greater performance. The successful conversion of an idea into action is execution. Powerful ideas do not necessarily get converted into concrete action. It demands a perfect blend of several ingredients - the right technology, superior processes, a committed talent pool and inspiring leadership - to achieve superlative performance. Right from the inception Sobha's approach has been marked by a burning desire to do things differently. Backward integration is one such example.

We have been at the forefront of adopting appropriate technology to suit local conditions. Our processes have evolved from the best proven practices internationally. We pick up the best talent, nurture them, train them, power them and make them feel passionate about their work. Our management pool is the right blend of youth and experience and is highly motivated and empowered to execute our strategies into action. All these culminate into a finished product, which can compete with the best globally. We are at the forefront of delivering excellence through powering execution with limitless passion.

SYSTEMS AND PROCESSES – Clear-Cut and Innovative



Our well established systems and processes ensure optimized performance at every level. Concurrently, our unrelenting effort to be continuously innovative augments operational excellence.

QUALITY AND TECHNOLOGY – Global Know-How

We bring in world class cutting-edge technology and expertise to complement our strict and undiluted adherence to quality standards. The passion with which we operate adds impetus to our pursuit for perfection.





PLANNING – Meticulous and Integrated

Every activity throughout the project lifecycle is carefully scheduled, defining actions and timelines. Micro level integrated planning is adopted at each stage to ensure that we operate with clarity cohesion and coordination.



BACKWARD INTEGRATION – Inimitable Structure

In an industry where outsourcing is the norm, we stand out as the only fully integrated Real Estate and Construction Company in India. Backward Integration gives us complete control over the entire spectrum of our activities.





TRAINING – Empowering Minds

We have internalized the philosophy of continuous training to fine-tune the skills of our manpower resources. Our hands-on training initiatives are designed to create a pool of talent capable of delivering excellence in execution.



Contents

Annual Report 2007-08

Letter to the shareholder	9
The year at a glance	10
Awards	15
CEO and CFO Certification	17
Directors' Report	18
Management's Discussion and Analysis	27
Auditors' Report	36
Balance sheet	39
Profit and loss account	40
Schedules to the accounts	41
Cash flow statement	64
Balance Sheet Abstract and the Company's General Business Profile	65
Consolidated financial statements	67
Report on Corporate Governance	92
Additional information	
Human Resource Management	109
Sobha Academy	111
Environment, Health and Safety	112
Corporate Social Responsibility	114
Sobha Offices	115
Annual General Meeting Notice	

" POWERING EXECUTION IS ESSENTIAL TO CREATE A TRULY GLOBAL INDIAN COMPANY "

P.N.C. Menon
Chairman

Letter to the shareholder



Dear Shareholder,


It is my pleasure to present to you the Annual Report of Sobha Developers Limited for the financial year 2007-08. This is the 13th Annual Report of our Company since its incorporation in 1995. I am very pleased to announce that for this fiscal our total revenue amounted to Rs.14.3 Billion and our net profit was Rs.2.3 Billion. We have registered a growth of 21% in revenues and 41% in net profits. This makes us the largest real estate company in South India and one of the leading players in real estate and construction industry nationwide.

India now is on the fast track for economic development maintaining a high growth rate of around 8% for the past few years, notwithstanding the recent slowdown. The Indian real estate industry has witnessed a revolution, driven by a flourishing economy, increased purchasing power, burgeoning middle class, favorable demographics and a liberalized foreign direct investment (FDI) regime. With the tremendous growth in business and trade, the demand for commercial space has also increased many-fold. There is considerable increase in the number of middle class families with increasing buying power. Rise in the number of young nuclear families with disposable income and easy access to finance has increased the demand for residential space. People are aspiring for quality homes.

Sobha has been providing world class homes and office space, with aesthetics and functionality as its hallmark, for the last 13 years. We have achieved unprecedented growth during this period. We have successfully executed residential and contractual projects of about 25 Million SFT in 16 cities across India. We are currently executing a total built up area of more than 18 Million SFT, pan-India. Having established the Sobha Brand in Bangalore as synonymous with quality, we have placed ourselves firmly in cities like Thrissur, Coimbatore and Pune. We are all set to enter Mysore, Chennai and Gurgaon markets shortly. We have also entered the retail sector through the launch of Sobha Restoplus spring mattresses. Also on the anvil are plans to introduce Modular Home and Office Furniture range, a chain of retail stores as well as the launch of Sobha's luxury hotels.

Constant improvement of execution capability is our priority. To execute projects with precision, timeliness and the highest quality standards, we have 38 departments functioning relentlessly upholding the Sobha Mission - No Short Cuts to Quality. Opportunities are massive and we are conscious of the enormity of our task and the challenges that we have to face while aiming to be the provider of the finest executed buildings and infrastructure in India. We are confident about the steps initiated towards achieving this goal. We have put in place a proactive review model ensuring faster growth for the Company and high end quality product for our customers. Sobha stands out by consciously adopting a backward integration model in building construction, bringing all our activities under a single umbrella. We have also set up a construction academy, providing specialized project management programs as well as hands-on training in various trades related to building construction. The academy is based on the principle of continuous education for all our employees. Over the years we have internalized the construction process and are learning from our experience. We are continuously striving to deliver despite critical challenges posed by the market. Rising input costs and interest rates have adversely affected the construction industry in India. Yet for us growth remains unhindered. As our theme suggests impeccable execution is our strength. Powering execution is what we see as our path towards excellence.

Bangalore
May 30, 2008


P.N.C. Menon
Chairman