

maximizing value  
in each



## maximizing value in each square foot

In our business of developing and constructing real estate space, a square foot is the basic unit for measurement and comparison across the industry. Sobha's constant endeavor is to maximize value to its key stakeholders for each square foot of real estate space delivered. Towards this goal, we follow a unique multifaceted delivery model that focuses on different aspects of execution that doggedly puts defined principles into practice and helps the organization achieve the best results in an integrated manner. Over the years, Sobha has been able to garner significant value for its stakeholders. Maximizing value in each square foot!

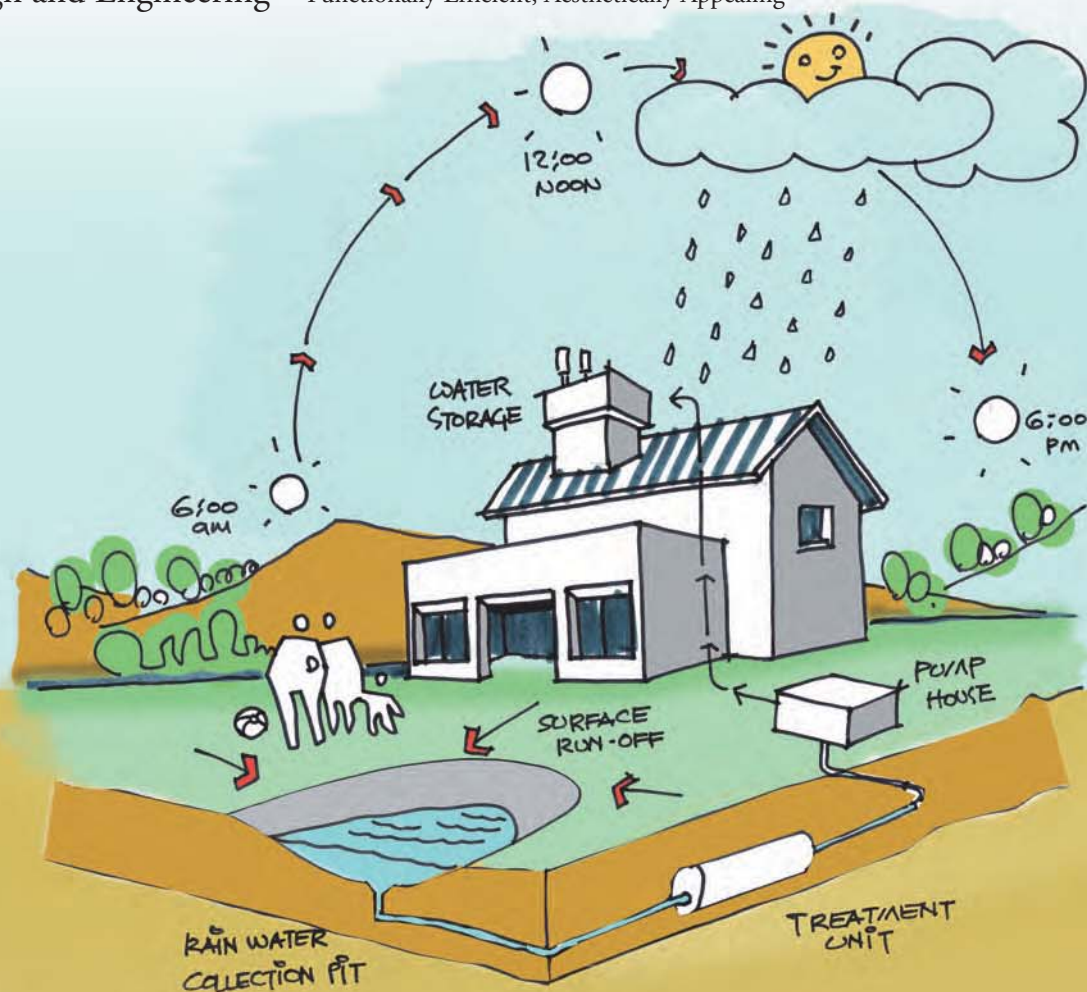
The outcome of this unique concerted effort is a happy *customer*, a satisfied *employee*, an assured long term *investor* and a hopeful *community* – all sharing a common feeling of pride of association with the organization.

Sobha was established with a clear vision to “transform the way people perceive quality” in the realty sector in India. This has remained our cornerstone principle and a key differentiator in all our operations.

In the past 14 years since its inception, Sobha has completed 47 residential projects, 13 commercial projects and 166 contractual projects covering over 36 million sq. ft. of area in 18 cities across India. We currently have 21 ongoing residential projects aggregating to 8.5 million sq. ft. while 4.2 million sq. ft. of contractual projects are under various stages of construction. In the current year, which will be our 15<sup>th</sup> year of establishment, we are inching towards execution of the 50<sup>th</sup> million sq. ft., which will be a landmark in the industry.

Sobha's strive for maximizing value for all its stakeholders is the end result of an interwoven approach involving sustainable business strategy executed by a unique backward integration model, efficient design and engineering, best in class technology, process driven systems, customer care with a personal touch, continuous training and skill development, and uplifting the rural community. It is a symphony of multifarious activities that rise to a crescendo of excellence!

## Design and Engineering — Functionally Efficient, Aesthetically Appealing



Architectural design expertise at Sobha revolves around developing structures that are functionally efficient, aesthetically appealing and inline with high engineering standards. It is the thoughtful integration of architecture with electrical, mechanical and structural engineering – maximizing value for our customers and community as a whole.

Attention to detail, exquisite proportions, designer landscaping, exciting spatial solutions, better ventilation, natural lighting systems and high level of finishing is evident in all our projects, be it Residential, Commercial, IT Campuses, Integrated Townships, and Hotels. Our designs also focus on reducing energy usage and saving our scarce environmental resources.

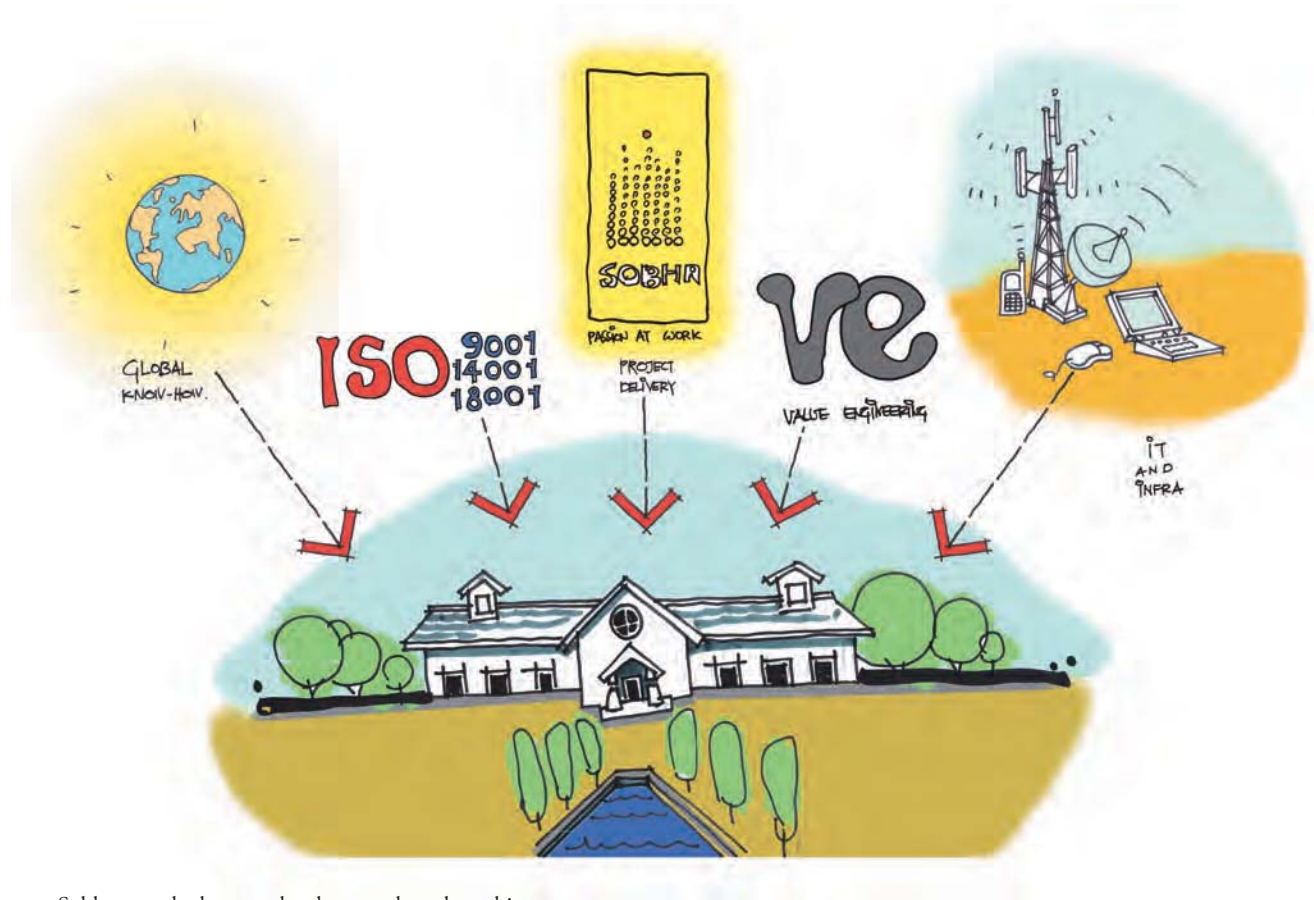
In all Sobha projects, emphasis on good natural light and ventilation is reflected in the size and position of fenestration. Our stress on open spaces at the ground level is evident in the fact that in most of the projects, open spaces exceed 60 % and in some, even above 75 %. The efficiency of the floor plate, wherein the philosophy of maximizing the value of design per square foot is very clearly established, is the ratio of built-up-area to the common area.

The projects developed by us are highly efficient and the ratio is 84 % to 87%. We follow international standards in terms of the size of car parks, number of lifts and staircases, driveway width and curves, lighting in open and common areas, and even display boards and signage amongst others.

At Sobha, our constant endeavor is to engage in sustainable design, which are durable and in synergy with the environment. Extensive landscaping has been done in some of our projects creating virtual forests and large water bodies. At our iconic project Sobha Lifestyle in Bangalore, 85% of the open area comprises dense landscape and a large water harvesting tank. In Sobha City, an integrated township project at Thrissur in Kerala, a large man-made lake is spread out over an area of 6.0 acres. As a conscious step, in sync with the international initiative, our future township projects will be designed for accreditation with the Indian Green Building Council.

A healthy eco friendly environment reiterated by water harvesting, extensive plantation and effective utilization of non-conventional sources of energy is always integrated into the design philosophy at Sobha. Customers derive maximum efficiency while obtaining the intended benefits!

## Technology and Processes – Bringing in Global Know-How



Sobha uses the latest technology, tools and machinery to execute projects with seamless construction quality. We employ technologically advanced tools sourced from international markets like Germany, United Kingdom, and follow processes for ensuring and monitoring quality at each stage of construction including a systematic procedure to oversee onsite construction activities. Our manufacturing plants are fully automated and are imported from the best manufacturers across the world. The focus on technology and processes is aimed at reducing project timelines and cost and thus maximizing value for our key stakeholders.

We have our own tower cranes and batching plants, which not only help us in monitoring quality but also save time and dependence on third party agencies. Another integrated feature is the centralized Maintenance and Repair Workshop manned by specialized staff to immediately attend to any maintenance and repair of machinery across construction sites.

Sobha is a process driven organization where each activity is extensively detailed. We were one of the first companies in the industry to obtain the ISO 9001 certification. We have also received the OHSAS 18001:2007 and ISO 14001:2004 certifications for our Environmental Health and Safety Management System.

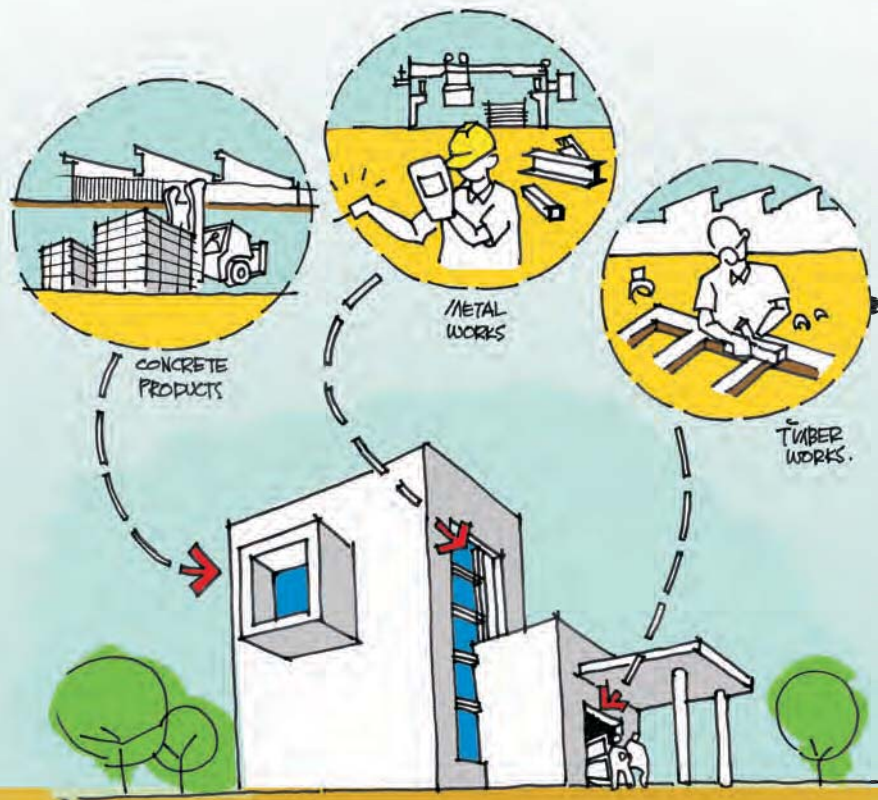
The Company's value engineering program has been helpful in identifying and eliminating unnecessary costs in design, construction, maintenance, procedures and practices in order to achieve cost-effectiveness along various project parameters.

Comprehending the need of the hour and keeping pace with information technology, we have invested extensively in the same. We have a strong IT network and infrastructure covering all Sobha offices and project sites throughout India. We have implemented Enterprise Resource Planning (ERP) for all our business functions and support functions.

Our focus has always been on implementing the best practices or technologies that help enhance efficiency in cost, quality, time and safety. We constantly strive to review and ensure that our tools, skills, applications and processes are updated to meet the current and future needs. Technology being the core support function of Sobha's business is seen as a value center rather than a cost center!



## Backward Integration – Forward Thrust to Quality



The backward integration model is one of the key competitive strengths of Sobha. This literally means that the Company clearly has all the key competencies and in-house resources to deliver a project from conceptualization to completion. Backward integration includes an interiors division with one of India's largest woodworking factories, a metal works and glazing factory, and a concrete products factory.

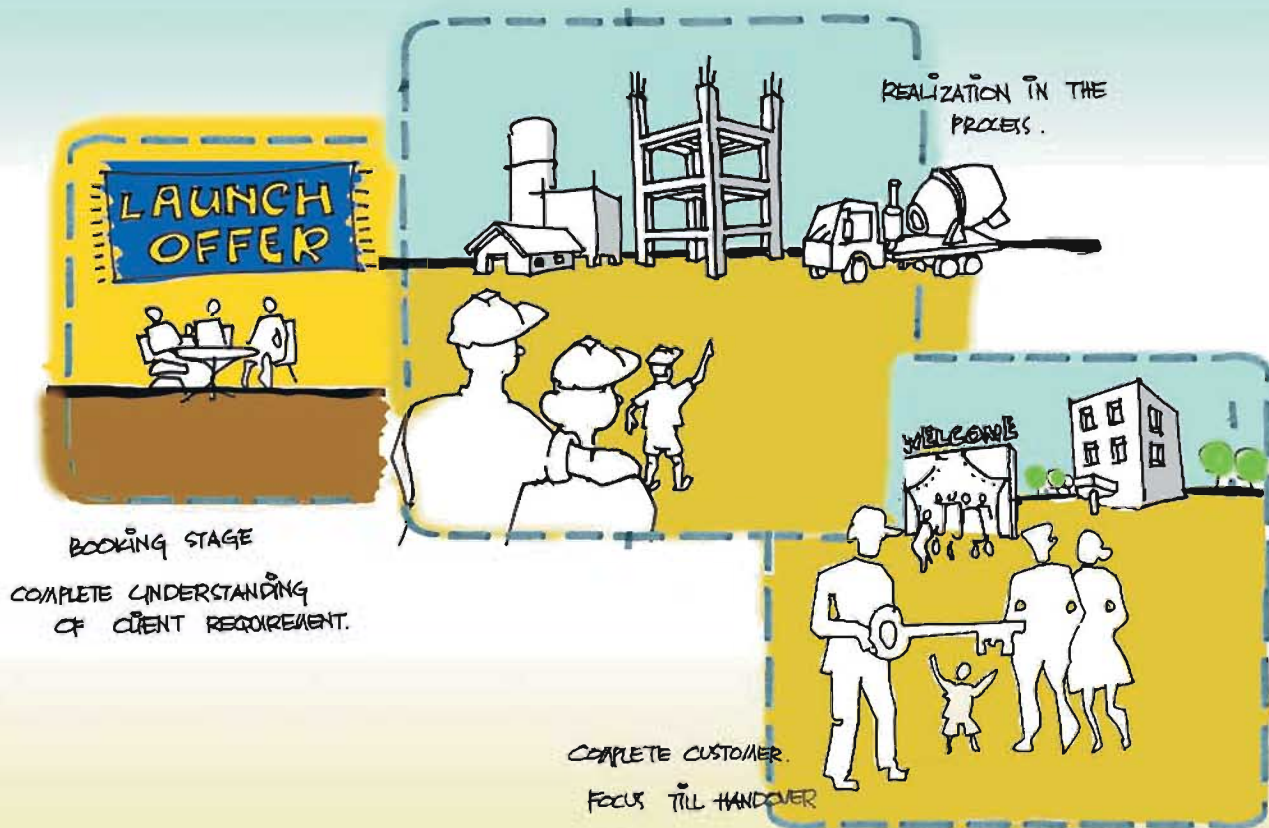
The Interiors Division is engaged in wood work and manufacturing wood or wood based products of international quality, superlative finish and incredible durability including doors and windows, wooden floorings, ceilings, panels, pillars and staircases, and custom built furniture for commercial and residential use. In addition, this division also includes an in-house wood working design studio and a dedicated design team that provides interior design schemes and production specific drawings.

The Glazing & Metal Works Division carries out metal fabrication work such as aluminum windows and doors, structural, and architectural glazing. The fabrication activities are carried out at the factory premises, whereas assembly and the installation are carried out at the project sites.

The Concrete Block Making Division manufactures concrete blocks, pavers, kerbs, water drainage channels, paving slabs and related landscape products.

All our factories are state-of-the art and have a built up area of over 600,000 sq. ft. comparable to the best in the world. Leveraging our expertise in manufacturing capabilities, this in-house initiative brings to the table, a formidable resource that embodies performance parameters that are world class. Sobha is one of those rare companies practicing backward integration, which takes us ahead in maximizing value for our stakeholders!

## Customer Relationship Management – Surpassing Expectations



At Sobha, the real estate business is not just about selling; it is about nurturing a relationship with our customers, right from the enquiry stage to handing over the deliverable. We have pioneered the concept of an exclusive Customer Relationship Management (CRM) department in the real estate industry, which ensures a satisfied customer throughout the process. The customer relationship executive acts as a single point of interface between the customer and the Company and follows a process-driven approach to offer quality support and assistance at every stage of the purchase and possession process. In addition, we address the issues of customers post handover through the Customer Care Cell.

Our focus on relationship management has yielded significant results over the years, in the form of satisfied customers, higher levels of transparency to customers and improvement of internal processes to deliver better customer experience. The inputs from customers are taken constructively and we strive to incorporate the same through a structured process, thus improving the delivery mechanism and all associated processes.

Sobha has always set a benchmark for the level of transparency for its customers in the real estate industry. We have implemented highly customer friendly initiatives, which have increased the trust in the Sobha brand and built a loyal set of customers. Not resting on our laurels, we continuously strive to improve the standards set in transparency for our customers.

Overall, the CRM model allows us to have personal touch with customers, adding value to their purchase. At Sobha it is not about meeting customer expectations but surpassing them!

## Training and Employee Engagement – Making it Happen



We recognize the importance and role of our people in maximizing value for our key stakeholders and hence place special efforts in creating value for them through continuous training and constant engagement in various activities.

People are our strength, necessitating continuous training of human resources across the organization. We employ systematic training programs for our employees in order to equip them with the latest knowledge and skill sets. The Sobha Academy set up at Bangalore, is a unique center for learning that offers workplace skill development programs. For every recruit joining Sobha, a comprehensive orientation program is conducted. Additionally, each department organizes its own specialized training sessions for their employees.

In order to infuse the requisite proficiency in our employees, the Technical Training Department at Sobha designs and coordinates modules related to various facets of technical operations. All engineers and supervisors of civil, planning, safety and quality departments are put through a preliminary training program during the induction phase. These training sessions aim at providing all round training on the processes followed at Sobha sites with specific emphasis upon critical activities and detailed procedures.

The Sobha Academy conducts courses for tradesmen, who are the key resource at every project site. Fresh recruits, mainly from underdeveloped regions of the country, are given intense training to make them adept in particular trades like tiling, granite masonry, gypsum works, water-proofing, electrical and plumbing works.

The Technician Supervisor Model for on-the-job training at the sites stresses on the importance of hands-on-experience to get the required quality in less time using the adequate resources.

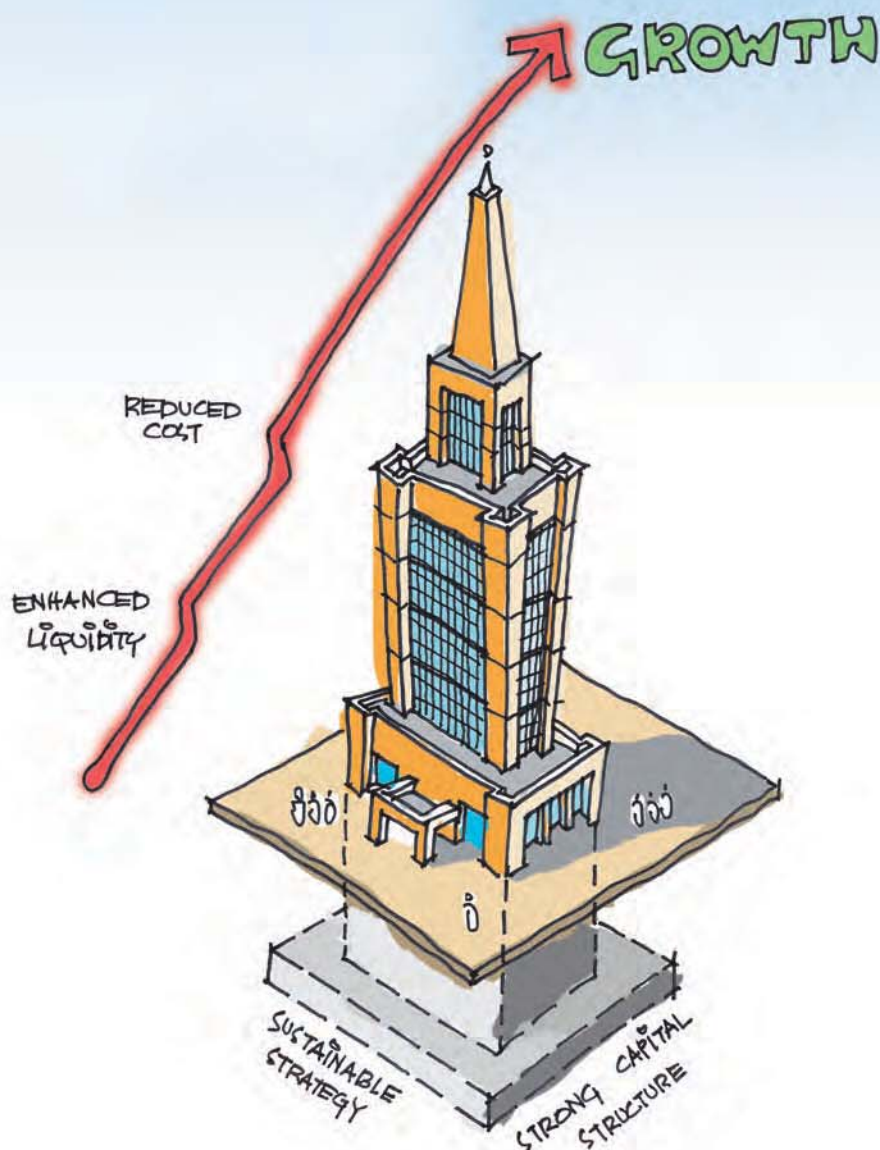
The comprehensive in-house construction handbook on building construction activities communicates the best construction practices to the execution team across the organization hierarchy and at all the project sites. Additionally, a knowledge management system also offers learning opportunities for our employees.

Training at Sobha is driven by technology and enhanced by innovation. Due to the attention paid to workforce training, the employees have shown exemplary project delivery. This constant focus on staff contribution has been a major driving force of our success in providing customers with utmost value for every square foot of work delivered.

Employees at Sobha are actively engaged and in constant know of their peers through multiple channels of internal communication, despite working at multiple offices and construction sites located across the country. In addition, the creative juices of employees are put to work in regular fun activities by the creative club and music club. Value is maximized for people at Sobha!



## Sustainable Business Strategy – On A Firm Footing



We have developed a sustainable business strategy to realize the vision of the Company. As part of our strategy to achieve a comfortable capital structure, in the FY 2009-10 we have reduced debt by way of Qualified Institutional Placement (QIP) and land monetization. We also continued to focus on cost reduction in all areas and maintained positive operational cash flows.

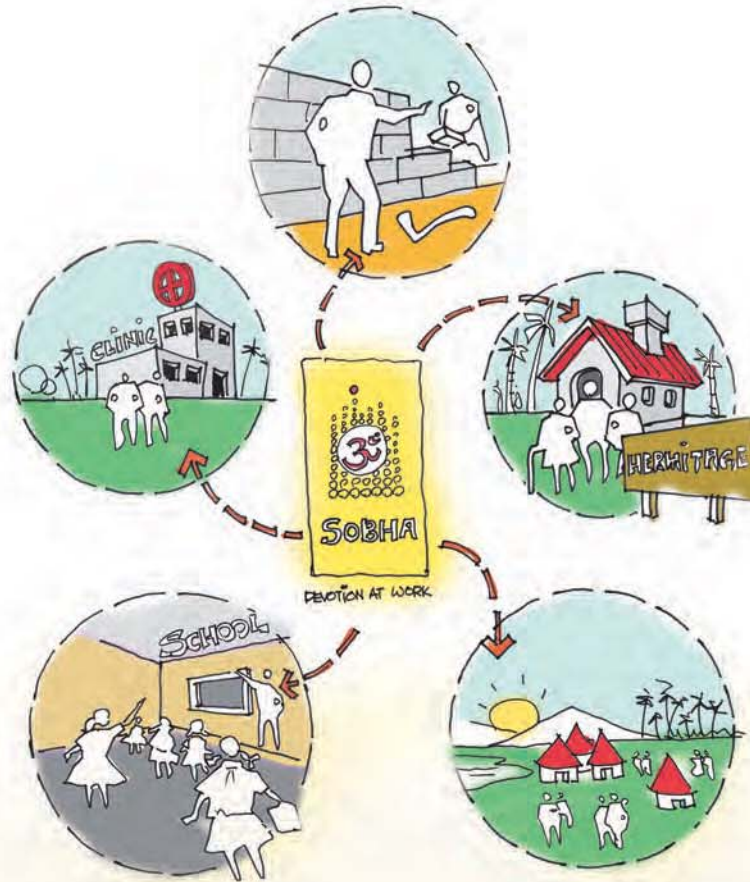
Sobha successfully raised capital through QIP at a time when there was acute difficulty in raising funds and bankers were reluctant to extend credit to developers. In another measure to improve cash flows, we raised equity capital at the project level and reduced fixed costs to bring about operational efficiency.

We are constantly striving to reduce our Debt/ Equity ratio and have been able to successfully reduce it to manageable levels. The aim is to consistently maintain a strong balance sheet and manage risks effectively.

In addition to achieving a comfortable capital structure, there is a clear focus on revenue growth across our business divisions, achieving leadership in delivery, developing a strong brand and achieving a sustainable land security – maximizing value for all stakeholders in the process of execution of the same!



## Corporate Social Responsibility – Devotion at Work



Corporate Social Responsibility (CSR) takes on a whole new meaning at Sobha. Far from being regarded as a mere brand image booster, CSR for us is a sincere devotion that stems out of genuine concern and the drive to provide comprehensive and sustainable social development in rural India.

It is in this context that Sobha launched *Graamasobha*, a unique social developmental initiative for Vadakkenchery and Kizhakkenchery, two gramapanchayats in the Palakkad district of Kerala in the year 2006. The entire BPL population of the two panchayats, comprising about 2,500 families, has been adopted through an in-depth scientific poverty mapping called the Social Empowerment Mapping Exercise (SEME). The aim of this action plan is to achieve comprehensive and sustainable social empowerment of these families. The program covers key human development verticals like education, health, employment, water, sanitation and housing besides various social empowerment measures. We have also established various institutions for the development of the rural poor.

The Sobha Academy has been created to empower the rural poor to break away from the vicious circle of poverty, ignorance, deprivation and exclusion by providing their children high quality education comparable to the best anywhere in the world

The Sobha Health Care Center has redefined the limits of a primary healthcare institution run anywhere in the country.

Sobha's Hermitage is the epitome of humanity, tendering love, care and support to the neglected segments of society - senior citizens as well as young widows and their children.

Sobha Vocational Training Center (SVTC) with its advanced resources and facilities aims at providing functional vocational training and paid apprenticeship in carpentry and other trades.

The Sobha Community Center's core purpose lies in organizing social functions and feeding the poor, several of whom are fed free every single day.

In the history of Indian villages, our initiatives are perhaps the first of their kind, undertaken with so much investment in designing, developing and delivering state-of-the-art infrastructure to the poorest of the poor without any discrimination. *Graamasobha* stands as a successful model for others to follow to usher development at the village level.

We strive to maximize value in all our activities and functions, be it strategy, execution, technology, processes, customer care, human resources, or community development. The endeavor is to deliver nothing but the best to all our stakeholders. Maximizing value in each square foot of space!

Letter to the shareholder	10
Financials at a Glance	11
Awards	14
Managing Director and Chief Financial Officer Certification	17
Directors' Report	18
Management Discussion and Analysis	25
Auditors' Report	34
Balance Sheet	38
Profit and Loss Account	39
Schedules to the Accounts	40
Cash Flow Statement	50
Balance Sheet Abstract and the Company's General Business Profile	71
Consolidated Financial Statements	72
Report on Corporate Governance	103
Additional information	
<i>Human Resource Management</i>	117
<i>Environment, Health and Safety</i>	118
<i>Corporate Social Responsibility</i>	119
<i>Sobha Offices</i>	121
Notice	122