



PASSION AT WORK

2012

Sobha Meritta  
21.01.2012  
Sobha Serene  
11.02.2012

Sobha Garden  
21.05.2011



Chennai



Mysore



Thrissur



Bangalore

International City  
Rowhouses  
13.07.2011

International City Villas  
13.07.2011



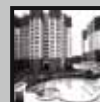
Gurgaon

## Embracing New Markets

Annual Report 2012



Pune



Coimbatore

## Corporate Structure



### Real Estate

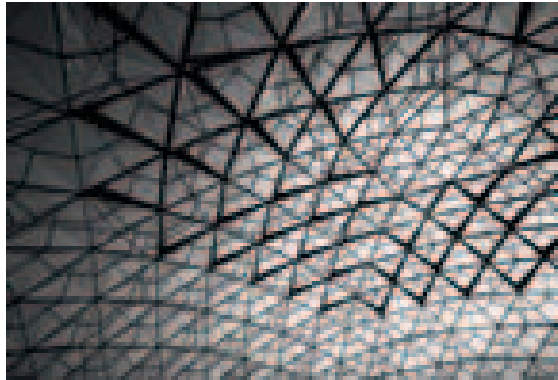
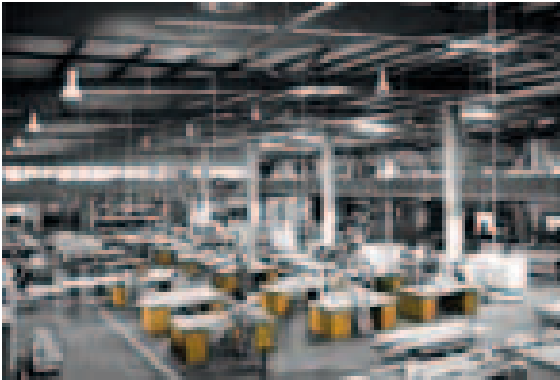
The Company has emerged as one of the most respected and trusted Real Estate brands in India. Sobha's residential projects include presidential apartments, villas, row houses, super luxury apartments, luxury apartments and plotted development. The projects are replete with world-class amenities and have a strong emphasis on environmental management.

Sobha's philosophy is to constantly strive towards enhancing customer value by delivering high-quality products at the best prices.

### Contractual

Sobha's Contracts division has developed numerous state-of-the-art facilities for corporates including offices, convention centres, software development blocks, multiplex theatres, hostel facilities, hotels, guest houses, food courts, restaurants, research centres and club houses.

MEP is a strategic business unit of contracts. It has in house capability of Design and Build of Electrical, Plumbing, HVAC, fire fighting and low voltage services of Residential, Commercial, Office and Industrial Projects.



### Manufacturing

The backward integration model of the Company includes an interiors division with one of India's largest woodworking factories, a metal works, and glazing factory and a concrete product factory. All our factories are state-of-the art and have a built-up area of over 600,000 Square Feet.

### Design & Engineering

Architectural design expertise at Sobha revolves around developing structures that are functionally efficient, aesthetically appealing and in line with high engineering standards. It is a thoughtful integration of architecture with electrical, mechanical, and structural functions.

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# Embracing New Markets

The Real Estate sector is at the cusp of a new dawn. An increase in the pace of urbanisation, rising disposable income, and greater customer sensitivity to the quality of products being consumed is spurring the demand for high quality residential housing in India. While the opportunities in the metros and Tier I cities are indisputable, Tier II and III cities have also begin to develop as inviting markets with their changing dynamics. The success of Real Estate players lies in their ability to embrace new markets, showcase qualitative scale, and in turn, cement a strong foundation for the nation's progress.

Sobha's business philosophy is founded on delivering world-class quality Real Estate spaces, and today, over 50 million square feet stands as testament to this commitment across the country. Our ability to reach out and win in new markets can be attributed to some of our key inherent strengths, and business strategies that are well-honed with experience. We believe our success in embracing new markets lies in our impeccable execution focus, financial discipline, strong land bank portfolio, and a trained

and motivated team geared to deliver more value to customers.

This fiscal year we have stepped into three new markets, viz.: Gurgaon, Chennai and Mysore. These cities offer us a long-term potential and provide us with an opportunity to serve a wider base of customers with varied requirements. Our expansion allows us to realise better economies of scale, and reduces risk with diversified markets. It provides our employees with opportunities to grow and expand their career. Organisational learning is enhanced and our brand is further harnessed for better customer reach.

The challenges that the industry and our company face during such a growth phase are manifold, but our approach and commitment to our core values stands resolute. We are confident to further grow and mature in the markets we have entered. And, as the nation building progresses, we shall surely continue to embrace and win more markets.



# The Indian Real Estate sector

FISCAL 2012 **6.9%** GDP GROWTH

Despite the economic hurdles following the global slowdown, the Indian Economy has exhibited some resilience to counter the adverse environment.

**\$1.73<sup>tn</sup>**  
gross domestic product

**\$974<sup>bn</sup>**

SERVICES SECTOR **56.3%** OF GDP

The services sector has been a vital driving force for the Indian economy. This sector has grown at 9.4% during the last fiscal, and has emerged as a front-runner on a cross-country comparison.



## Real Estate sector

The Real Estate housing sector forms an integral part of the services sector and contributes 5% to the overall GDP. It is estimated that ₹0.78 is added to the GDP for every ₹1 that is invested in housing and construction. Hence, the investment in the housing sector is seen as a barometer of growth for the overall economy. In addition, there are an estimated 300 sectors that are linked directly or indirectly to the real estate sector, making it an epicenter of India's growth story.

Key drivers of growth - Real Estate  
Urbanisation; rising disposable income, and upgrading to high-quality homes; growth of IT/ITES industry, financial services, and telecom; favourable demographics

Changing dynamics of Tier II and Tier III cities  
Government initiatives like the Mass Rapid Transport system for cities with 2.0 mn population; freight corridors in railways and construction of airports; development of urban infrastructure

# Our Strengths

Sobha has executed over 51 million square feet of developed area since inception. Our aim is to develop and construct aesthetically designed and functionally efficient residential and commercial developments in several emerging geographies in India. As we step into new markets, we continue to leverage our core strengths which give us the distinctive edge to succeed.

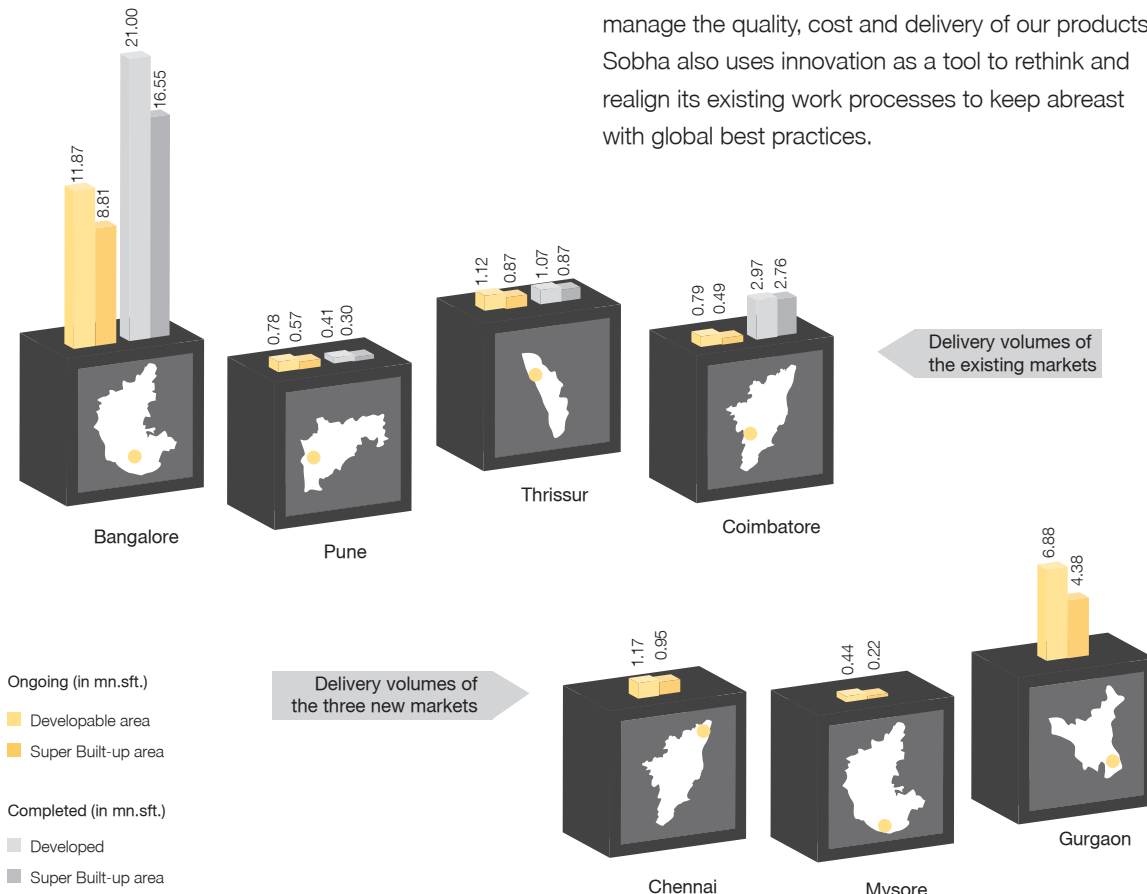
Four key strengths that have enabled us to scale include:

- Execution Capability
- Financial Stability
- Strategic Land Bank
- Empowered Employees

## Execution Capability

Sobha's superior execution capability is its hallmark. We have an annual sustainable run rate of 6 million square feet per annum over the last five completed financial years. We have an in-house expertise in a gamut of work processes - including design (through a design studio for Architectural, Structural and MEP functions), Planning & Estimation, Project Execution (Civil, Mechanical, Electrical, Infrastructure, Metal Works, and Interiors) and Integrated Project Management. These resources aid in delivering efficient and user-friendly functions which are in synergy with the environment.

The backward integration model, which is our key competitive strength, has helped us to proficiently manage the quality, cost and delivery of our products. Sobha also uses innovation as a tool to rethink and realign its existing work processes to keep abreast with global best practices.



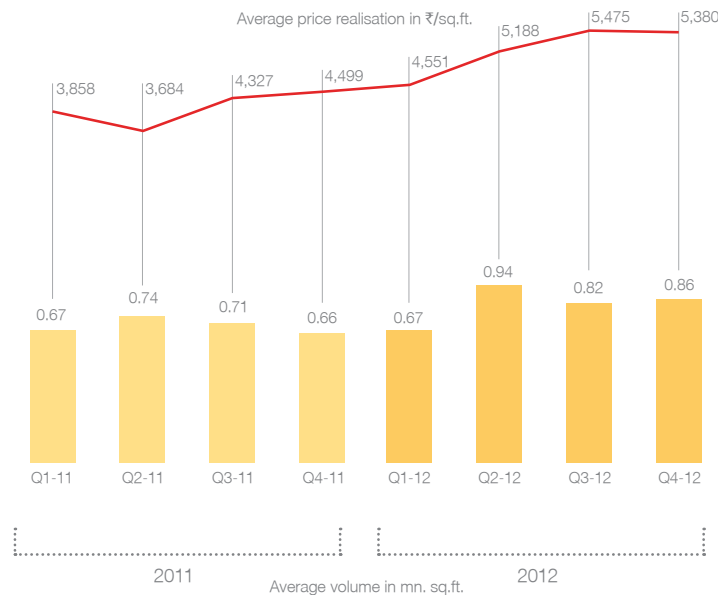
## Financial Stability

Sobha's commitment to delivery, high focus on core operations and strong financial discipline has helped in generating positive operating cash flows over the last few years. We have been successful in bringing down our debt levels consistently, which has laid a strong foundation for capturing growth opportunities. The net D/E ratio has been reduced to 0.53 in FY 2012 from 0.64 in the last financial year.

Also, we expect to generate an operating cash surplus of ₹36 billion for all our ongoing Real Estate

projects, measuring 16.28 million square feet of sold and unsold space, after meeting the construction costs.

Our foray into the three markets - Gurgaon, Chennai and Mysore - has further strengthened our growth momentum, despite a challenging environment. These cities contributed 0.5 million square feet of new sales this fiscal year. Going forward, we would continue to focus on generating high cash flows and tap new investment opportunities, which are in line with our growth philosophy.

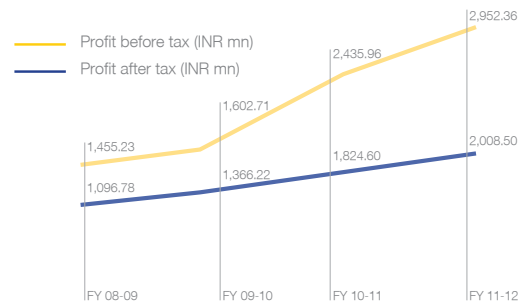
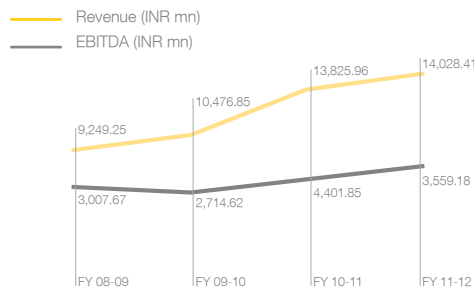


**₹5,181/sft**  
Avg price  
realisation  
2012

**₹4,082/sft**  
Avg price  
realisation  
2011

**0.82 mn.sft**  
Avg volume  
2012

**0.69 mn.sft**  
Avg volume  
2011



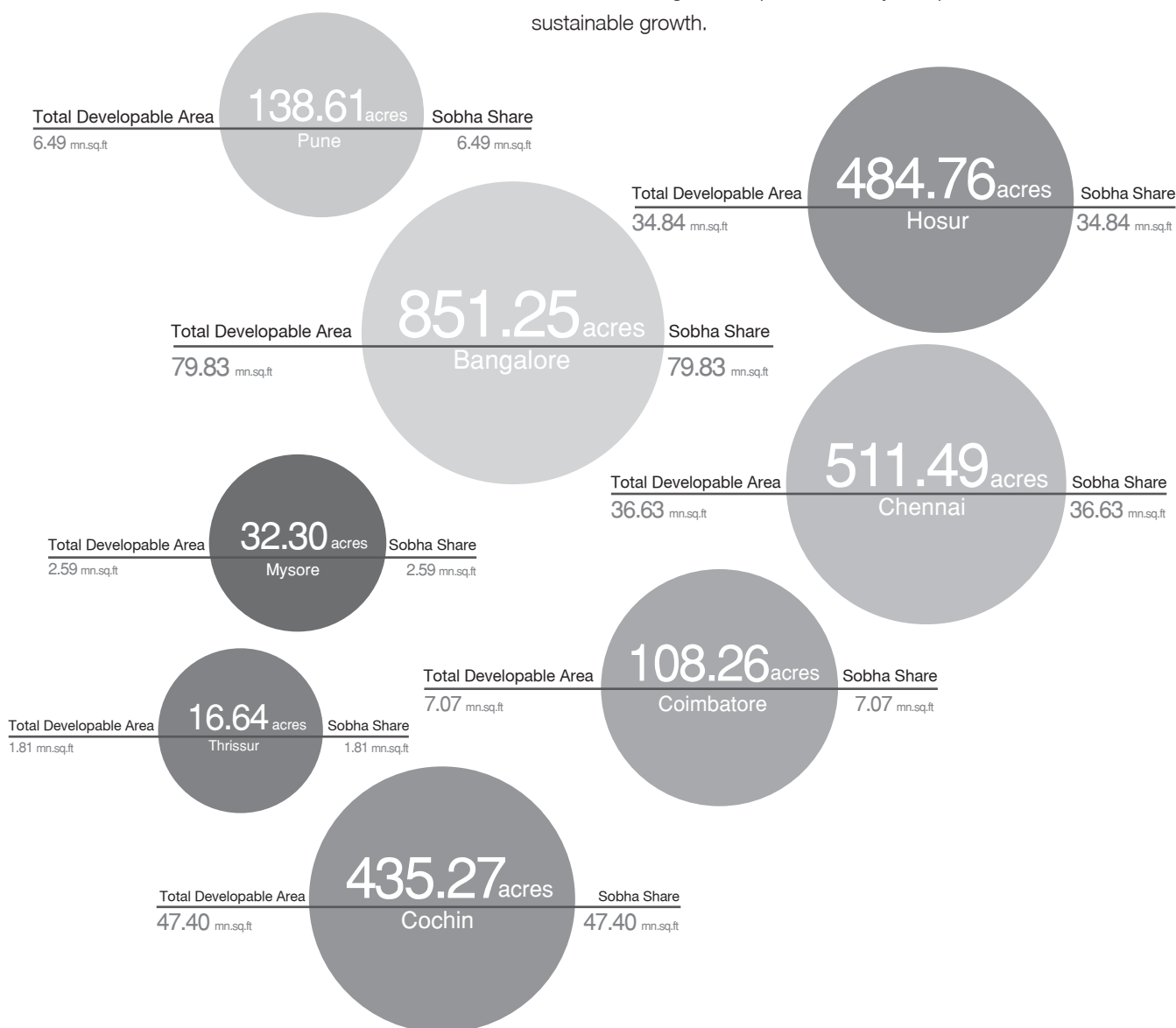


## Strategic Land Bank

Over the years, we have carefully developed a land bank of over 2,500 acres across multiple cities that promise a long-term growth potential. Some of these strategic locations include Bangalore, Chennai, Pune, Kochi, and Coimbatore.

The future development of this land bank will facilitate in operationalising our strategy of maturing in these markets. The average cost of acquisition of this land is probably industry lowest at ₹173 per square feet. And, our land bank's development potential is 216.66 million square feet.

We plan on sustaining our focus on investments which have a high development visibility and pursue sustainable growth.



### Empowered Employees

Our employees are pillars of the organisation, and are the key drivers of Sobha's success. Their goals are aligned with the vision and philosophy of the Company, which is to deliver world-class quality products. The principles of integrity, meritocracy, transparency, fairness, leadership by example, and commitment to excellence form an integral part of our Company's culture. Our team follows stringent processes that stem from an outside-in approach

to ensure we offer the highest value proposition continually to our customers.

The success of establishing a strong presence in a new market depends highly on the ability of our team to scale up, assume additional responsibilities, and expand their knowledge base. In Sobha, employees are nurtured and empowered to grow as strong leaders in the industry, enabling us to win markets.

