



PASSION AT WORK

Differentiate | Diversify | Develop

ANNUAL REPORT 2016

Our Company at a glance in 2016

SOBHA

Founded in 1995, headquartered in Bangalore, SOBHA today has a net worth of ₹ 25 billion with a presence in 25 cities across 13 states in the country.

One of the most well-respected brands in the real estate sector, SOBHA has many distinctions to its credit, mainly its impeccable execution and on-time delivery track record. As on March 31, 2016, the Company has completed 389 projects in both real estate and contracts verticals with a total developed area of 81.64 million square feet.

SOBHA is renowned for its world-class products. The Company conforms to the ISO 9001, ISO 14001 and OHSAS 18001 certifications for its quality, safety and environment management systems.

SOBHA's unique backward integrated model ensures that it has control not only over the supply but more importantly over the quality of the materials it uses in construction activities.

SOBHA employs around 2,800 people directly. It places a lot of emphasis on human resource development of which skill enhancement and advancement are given paramount importance. At SOBHA, training is an on-going process for all employees which ensures that they are abreast of the latest and newest developments in their domain of expertise.

As a responsible corporate citizen, SOBHA's CSR activities encompass the areas of education and vocational training, providing healthcare facilities and helping the aged, single mothers, children and others in need of financial and other assistance. The CSR activities are primarily undertaken through a public charitable trust, the Sri Kurumba Educational and Charitable Trust.



SOBHA Real Estate

SOBHA is known for its superior quality products. Its residential projects include luxury and super luxury apartments, villas, row houses, plotted development and aspirational homes. All these projects provide world-class amenities and standards.

SOBHA has completed and handed over 111 real estate projects with a total developed area of 39.23 million square feet and super built-up area of 30.37 million square feet in 7 cities as on March 31, 2016.

SOBHA is considered a pioneer in the real estate and construction sector in the country focussing on delivery of products which conform to the international specifications. All our products come with the best engineering standards, architectural finesse, aesthetics and innovative designs.

SOBHA also has its own designers, architects, structural, mechanical, electrical, plumbing and environmental professionals who bring in ingenuity to its in-house processes. This combined with transparency in its functioning followed by backward integrated processes ensures that the Company has full control over the materials used.

Following its commitment to transforming the way real estate business is done in the country, SOBHA believes in constantly striving towards enhancing customer value by delivering high-quality products at competitive prices.



SOBHA LIMITED

SOBHA Contracting

SOBHA Contracting provides end-to-end solutions starting from the conceptualisation of a project to its final satisfactory completion. SOBHA's Contracting division has developed numerous facilities for corporate entities including offices, convention centres, software development blocks, multiplex theatres, hostel facilities, hotels, guest houses, food courts, restaurants, research centres, club houses and factory buildings. Its emphasis on world-class quality and passion for perfection has attracted contractual orders from various prestigious institutions across India.

SOBHA Contracting's bouquet of services include civil, mechanical, electrical, plumbing, interiors, glazing, metal works and landscaping. The emphasis in every aspect of the work is on providing world-class products which are delivered to the utmost satisfaction of our customers.

As on March 31, 2016, SOBHA Contracting has completed 278 projects covering a total area of 42.41 million square feet in 24 cities.

SOBHA Manufacturing

SOBHA Manufacturing serves as the feeder to the core businesses of the construction and development of residential and commercial projects. It enables the Company to strengthen its value chain towards conformance to quality specifications and achievement of cost effectiveness.

SOBHA Manufacturing comprises of Interiors Division, Glazing and Metal Works Division and Concrete Products Division spread over a 600,000 square feet area. Each of these divisions have evolved into profit centres and their products are used as captive consumption as well as sold to third parties. The Interiors Division also manufactures spring mattresses which are sold under the brand name SOBHA Restoplus.

SOBHA Precast plant set-up at the project site of 'Sobha Dream Acres' allows modular structures to be built and assembled with ease by means of mechanisation. The Company has made a capital investment ₹ 1,092 million in the precast plant.

The differentiated business model has enabled the Company to diversify into a pan-India player and develop into a successful and sustainable company in the real estate and construction domain.

Contents



Information for our Shareholders

Letter from the Chairman	18
Awards	22
Share Price Performance	24
Board of Directors	26
Board Committees	29
Corporation Information	29
Directors' Report	30



Corporate Responsibility

Corporate Governance Report	61
-----------------------------------	----



Management Report

Markets and Operating Environment.....	89
Projects and Work Done.....	95
Environment, Health & Safety	99
Corporate Social Responsibility	101
Research and Development.....	105
Employees.....	107
Risk Management Report	109
Operational & Financial Analysis.....	115



Financial Statements - Standalone

CEO & CFO Certification.....	125
Independent Auditors' Report.....	126
Standalone Financial Statement.....	134
Notes to the Standalone Financial Statements..	138



Financial Statements - Consolidated

Independent Auditors' Report.....	181
Consolidated Financial Statements	186
Notes to Consolidated Financial Statements.....	196
Statement Relating to Subsidiary Companies ..	233



Annual General Meeting

Notice of the Annual General Meeting.....	234
Route Map	244
Proxy Form.....	245
Attendance Slip	247



Additional Information

Glossary	249
Fiscal 2016 Highlights.....	251
5 Years Financial Highlights	252
Publication Details and Credits	253
Financial Calendar	253

With quality and commitment as our hallmarks, we at SOBHA realise the need to move into newer territories and segments to include more satisfied customers in our fold. We have been steadfast in achieving our goal. We attribute our success to our overall strategy of differentiating, diversifying and developing. What differentiates us from others is the unique backward integration model that enables us to have total quality control throughout the project construction lifecycle. We have been successful in diversifying our business into commercial space and expanding our national footprint. Our product spectrum now ranges from 1BHK to presidential villas. Differentiating and diversifying has led us towards developing international quality products with delivery excellence on time. We are making serious efforts towards deepening our customer relationship and creating urban living spaces. This goes a long way towards nation building and meeting the demand for homes. Our thirst for perfection makes us aspire consistently for customer satisfaction, be transparent in our conduct and build trust.

Differentiate, Diversify & Develop

The genesis of SOBHA lies in differentiation. Mr. P N C Menon, Chairman Emeritus, drawing on his rich experience of nearly two decades in the contracting and interior designing space in the Middle East which included majestic structures such as the Sultan Qaboos Grand Mosque and interiors of palaces, established SOBHA as a real estate developer in the year 1995 with a singular focus: transform the way people perceive quality. This far-reaching vision has emerged as the key core competency of the Company and continues to drive its growth.



Differentiate

Differentiate - make or become different in the process of growth or development

Quality Products

What sets SOBHA apart? First and foremost, it is our products which conform to international standards of quality. Beginning with the Company's first project in Bangalore, a new benchmark was set. The early emphasis on quality embedded itself into the ethos of the organisation and has translated into delivering value to the customers. Over the years, the residential and contractual projects of the Company have been bestowed numerous recognitions at various prestigious fora which is indicative of the quality and superiority of our construction. The Sobha Lifestyle, Bangalore; International City, NCR-Gurgaon and The Global Education Centre at Infosys, Mysore are some of our stand-out projects. SOBHA, itself, has been honoured as the Preferred Developer of the Year.

SOBHA was once again adjudged top ranks according to Track2Realty's 'Brand X Report 2015-16'. This was the second consecutive year that SOBHA was the winner across several categories—Top National Brand; Top South Indian Brand; Top Residential Brand; Top Super Luxury Brand. More importantly, SOBHA was voted as The Most Trusted Brand by Consumers in a survey conducted by Track2Realty.

SOBHA is one of the first companies in India to have received the first ISO 9001 (1994 series) certification in India. We have also received the ISO 9001 (2000 series), ISO 14001 and OHSAS 18001 Certifications for adherence to global standards in quality and safety. Today, the 'SOBHA' brand is synonymous with world-class construction, finishes and amenities.

Backward Integration

Another key differentiator has been our backward integration model of business. This model enables us to have end-to-end capabilities which in turn leads to greater control over the quality of our deliverables. The Company has invested substantially in developing internal expertise and competencies encompassing the critical activities involved in construction.

The design of a project plays a central role in all of the Company's real estate projects. They are designed in-house by an expert Design & Architecture team. The designs are functionally efficient and aesthetically appealing. The buildings are designed to be sustainable, durable and environmentally friendly. SOBHA also provides in-house expertise in landscaping. From the drafting of technical drawings, photographic simulations and perspective sketches to the final execution of design, SOBHA's Landscaping team consists of accomplished landscaping professionals.

Unlike most developers, the construction activity is not outsourced to a contractor. The Company has steadily assembled a team of highly skilled and trained engineers, technicians and workforce who meticulously and methodically turn abstract designs into concrete reality.

The Company has a dedicated Environmental & Engineering department which focuses on value engineering and environmental factors in the development of a project. Additionally, even the MEP (mechanical, electrical and plumbing) works are executed in-house. The MEP division has expertise in mechanical, electrical, plumbing, HVAC and related ancillary building services. With a dedicated team of professionals, SOBHA provides turnkey solutions across all MEP requirements, specialized plumbing and electrical consulting services.

The Company's backward integration model was further strengthened with the setting-up of manufacturing facilities, viz. Concrete Products Division, Glazing & Metal Works Division and Interiors Division.



The Concrete Products Division manufactures concrete blocks, pavers, kerbs, water drainage channels, paving slabs and related landscape products of international quality in large scale volumes. The salient features of the division include a hi-tech full-fledged manufacturing facility spread over 8 acres.

The design of a project plays a central role in all of the Company's real estate projects.

The Glazing & Metal Works Division manufactures aluminium doors, windows, structural glazing, aluminium composite panel and stainless steel



cladding, architectural metal works etc. This 25,000 square feet state-of-the-art manufacturing unit of SOBHA has successfully executed a plethora of projects for various reputed organisations.

The Interiors division is engaged in wood work and manufacturing wood based products of highest quality, best 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 Interiors division also launched its Spring Mattress 'Restoplus' in 2007 and today has 423 franchises across the country. The manufacturing process comprising of imported machinery and quality materials ensure that the mattresses are durable and comfortable. It also has one of its kind, world class experience center at Sobha City mall, Thrissur.

SOBHA was arguably the first construction company in India to use indigenously manufactured ready-mix concrete, blocks, kerbs and pavers. Emphasis was also placed on the production of doors, windows and interiors products with superior finish, which has added immensely to the customer experience of a 'SOBHA' project.

The Interiors division also launched its Spring Mattress 'Restoplus' in 2007 and today has 423 franchises across the country.

‘Sobha Precast’ plant will allow modular structures to be built and assembled with ease by means of mechanisation and thus help reduce delivery timelines and ensuring a superior finish.



In another first, the Company has set-up The ‘Sobha Precast’ plant at the project site of ‘Sobha Dream Acres’, probably one of the largest and most modern set ups catering to large scale construction with unmatched quality and speed. The ‘Sobha Precast’ plant will allow modular structures to be built and assembled with ease by means of mechanisation and thus help reduce delivery timelines and ensuring a superior finish. The technology is time tested, safer and environmental friendly and drastically reduces the number of processes involved in the construction methodology vis-à-vis conventional methods.

Besides making SOBHA one of the few backward integrated real estate developers in India, this attempt at differentiating itself has also helped the Company in scaling up and mechanising its operations, thereby enabling it to deliver superior quality products.

Skilled Manpower

SOBHA has a technology manual which gives details of all procedures followed at the project sites for different functions involved in the construction business. SOBHA also has an in-depth training and development module which is upgraded regularly on the basis of technological developments and new practices and methods that come up. The training is both on-site and off-site and is meant to hone the skills of employees so that they can meet the set quality standards effectively. Employees are given activity-specific training so that they can become familiar with the direction of the project’s execution, reduce complexities and assure delivery on time by following international standards.



The Company also has international talent on board, primarily specialised technicians and master craftsmen from Germany. This helps lend an international perspective and expertise to the quality and standards of our end products.

Technology Matters

The technological landscape has undergone a complete transformation in the two decades of SOBHA's operations. The Company has always strived to stay abreast of technological changes and induct the best possible systems and processes to support and facilitate its operations. The Company has developed its own ERP system, giving it the advantage of customisation and adaptability. From booking applications to sale deeds, the indigenously developed ERP system has helped to automate most of the Company's processes. Similarly, the projects sites of the Company have also been linked to the ERP, which facilitates smooth operations.

Sustainable Operations

Adopting sustainable business practices and creating a sustainable mind-set has been a continuous

endeavour at SOBHA. Achieving the highest standards of performance in each of the three pillars of sustainability being the economic, environmental and social aspects is what we as a responsible organisation aspire for.

Clear cut strategy, sound financial and operational policies and practices have been responsible for the stable and consistent financial performance of the Company. Our buildings are designed to be energy efficient. In fact, our default building design qualifies for an IGBC 'Green Building' Gold rating. Apart from its contribution to community development, the social responsibility of a company encompasses its contribution towards the safety and well-being of all its employees and workforce. At SOBHA, the occupational health, safety and welfare of workers is accorded prime importance.

As a corporate with a strong presence in the real estate domain, we have been environmentally and socially proactive and are conscious so as to ensure that sustainable development is achieved.