



PASSION AT WORK



ACCELERATING **GROWTH**

ANNUAL REPORT 2018

OUR COMPANY AT A GLANCE

SOBHA

It has been a remarkable journey for SOBHA since 1995. From establishing itself as one of the top brands in the Indian housing sector to setting up manufacturing units to become foremost backward integrated real estate Company in India, SOBHA is now ready for the next leap.

Headquartered in Bengaluru, today SOBHA is a Rs. 28 billion company with real estate presence in 9 cities, viz. Bengaluru, Gurugram, Chennai, Pune, Coimbatore, Thrissur, Calicut, Cochin, and Mysore. Overall, SOBHA has footprint in 26 cities and 13 states across India. SOBHA's existence of over two-decade has been marked by many firsts. One of the most prominent being the initial public offering in 2006, which was oversubscribed 126 times.

SOBHA's unique and highly-efficient backward integration model is the key USP of the brand. It is the only Company in the Indian realty sector to have a full-fledged backward integrated model of operations, ensuring timely completion and delivery of quality products at the right price. Additionally, SOBHA has adopted state-of-the-art precast technology. It allows us to bring down the construction cost and time with better control over quality.

At SOBHA, employees are integral to the overall growth of the Company. With approximately 3000 people employed directly, the Company places a lot of emphasis on in-house training both for their personal growth and for achieving organisational goals. SOBHA is equally committed towards working for the underprivileged. To this end, the Company undertakes CSR activities through its public charitable trust, Sri Kurumba Educational and Charitable Trust. SOBHA's CSR activities encompasses areas of education, healthcare, livelihood and women empowerment in three grama panchayats of Vadakkenchery, Kizhakkenchery and Kannambra in Palakkad, Kerala.



SOBHA Real Estate

SOBHA's residential projects include presidential apartments, villas, row houses, luxury and super luxury apartments, plotted development and aspirational homes. .

As of 31st March 2018, SOBHA Real Estate had completed 44.02 million square feet of area. The Company currently has ongoing real estate projects aggregating to 41.90 million square feet of developable area and 28.13 million square feet of saleable area.

All these projects come with SOBHA's hallmark of superior quality with world-class amenities. While focusing on quality of construction, SOBHA is equally committed to protecting the environment by incorporating sustainability measures such as rainwater harvesting, sewage treatment plant among others.

Honed over decades of experience, SOBHA's products follow the best engineering standards, architectural finesse, aesthetics and innovative designs. Thanks to the ingenuity of the in-house designers, architects and structural, mechanical, electrical, plumbing and environmental professionals, SOBHA score over its competitors in achieving the desired results. This, combined with transparent business practices, makes SOBHA a pioneer in the real estate sector.



SOBHA LIMITED

SOBHA Contractual

In line with expanding the areas of work, SOBHA started its Contractual vertical in 1999. This marked Company's efforts to provide end-to-end solutions – from conceptualisation to final satisfactory completion of projects.

SOBHA's Contractual division is focused on developing facilities for corporate entities like offices, convention centres, software development blocks, multiplex theatres, hostel facilities, hotels, guest houses, food courts, restaurants, research centres, club houses and factory buildings. Like SOBHA's other verticals, SOBHA Contractual is also committed to offering top-notch quality of construction. This, along with the passion for perfection, has helped the division won several projects from prestigious institutions across India.

As of 31st March 2018, SOBHA Contractual's had completed 47.51 million Square feet area. The ongoing projects aggregate to 6.35 million square feet under various stages of construction.

SOBHA Contractual provides a bouquet of services that include civil, mechanical, electrical, plumbing, interiors, glazing, metal works and landscaping. The work undertaken by SOBHA Contractual is executed by a team of experts trained at the Company's in-house training facility. This underscores the fact that the products are world-class and to the satisfaction of the customers.

SOBHA Manufacturing

SOBHA Manufacturing enjoys the unique position of being the Company's backbone, offering best in quality products that reflect the superior workmanship.

SOBHA Manufacturing provides superior quality raw materials required for the Company's projects across verticals. The Manufacturing vertical comprises three divisions – Interiors, Glazing and Metal works and Concrete Products. Each of these divisions uses state-of-the-art equipment that have been especially imported from different parts of the world. All these facilities are spread over a 600,000 square feet area and are comparable to the best in the world.

The team of SOBHA Manufacturing is trained in the latest technology and best-in-class equipment for manufacturing of quality raw materials used for SOBHA's construction activities. This is also SOBHA's way of make sure that it has control over the quality of the materials that it uses, providing the best products to its customers.

Further, SOBHA Manufacturing has also ventured into the retail space to add to its offering for the quality conscious customers through ergonomic spring mattresses sold under the brand name SOBHA Restoplus.

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Implementation of the transformative reforms in the real estate have brought about the much needed transparency, accountability and professionalism, shaping its course for the future. SOBHA, with its process-driven approach, exceptional product quality and commitment to deliver on time, has been able to embrace these changes seamlessly. It has also taken some major steps to foray into newer markets and has thus provided the right momentum for accelerating growth. The Company is well established as the true market leader with its ethical business practices, strong product portfolio and sterling consumer connect and confidence in its brand. It is now time to scale up further, chalk out the next steps and establish new benchmarks. And that's exactly what SOBHA is working on. From diversifying our product categories to entering new geographies in the country, strengthening our current businesses, to automating our product delivery and bringing more efficiency in its mechanism, we are well on our way to grow rapidly over the next five years and play our role in driving the economic growth of the country.



Accelerating growth

The Journey

When Mr. PNC Menon founded SOBHA in 1995 as a small real estate business in Bengaluru, he knew that India would provide immense scope for growth. As one of the pioneers in the sector, he was aware that he would have to chart his own course by offering international quality products at competitive prices. More importantly, these had to be delivered to meet and surpass, consumer expectations following transparent and ethical business practices.

With this clear understanding, SOBHA began its journey of becoming one of the most respected and trusted real estate brands in India. During the course, the Company diversified its operations to establish different verticals - Contractual and Manufacturing and expanded its footprint in 26 cities in 13 states. Today, SOBHA's residential projects span across presidential apartments, villas, row houses, luxury and super luxury apartments, plotted development and aspirational homes replete with world-class amenities. Besides this, the Contracts vertical provides end-to-end solutions for different projects. These essentially include corporate offices, convention centres, software development blocks, multiplex theatres, hostel facilities, guest houses, food courts, restaurants, research centres and club houses among others.

In a sector that was largely unorganised and unregulated, SOBHA championed integrity, transparency and professionalism and became synonymous with it.

On the path of growth

Today, SOBHA as a brand is synonymous with transparency, top-notch quality products and timely delivery at right price point. We believe these are our hallmarks that keep us ahead of the competition in the market and prepares us for the next big leap. Currently, we have a wide range of products in our

Some of SOBHA's prestigious corporate clients include Infosys, Biocon, LuLu Group and others.

portfolio, ranging in size from a 650 sq. feet unit to the Presidential Villas with about 12000 sq. feet. Each segment of our product is uniquely placed to cater to our target base. On the Contracts side, we have constructed a wide variety of structures for corporates including office complex, convention centres, software development blocks, multiplex theatres, hostel facilities, guest houses, food courts, restaurants, research centres and club houses. Some of SOBHA's prestigious corporate clients include Infosys, Taj Group, Dell, Biocon, Bosch, LuLu Group, Manipal Group and others. Our intent is to understand the changing demands and requirements of our customers and make concerted efforts to meet them.

A Rs. 28 billion Company, SOBHA aims to grow its business by two-and-a-half times more over a period of next five years. To achieve this, the Company is aggressively looking to expand its product portfolios across segments. In the residential space, we are aggressively focusing on the affordable housing segment and plan to launch

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new projects under this segment in Bengaluru and other cities in India. Further, the Company plans to diversify its commercial product offering with shopping malls and office spaces over the next few years, making significant inroads in this market as well.

Need to accelerate

In today's fast paced world, market dynamics are changing even faster and impacting the Indian realty sector as well. We are aware that urban population is rising, more so in India; there is massive shortfall in infrastructure and urban housing. Moreover, due to climatic change and rising environmental concerns, more resilient buildings which are environment friendly will be required. There is also a perceptible change in the way people live, work and play. People are living longer, households are getting smaller, there is increased mobility and of course technology is transforming the way people think, demand the kind of homes they want and carry on with their lifestyle.

Besides, real estate sector in India had been largely unorganised and unregulated, affecting the credibility of the sector. This called for radical and transformational reforms to create a level playing field for organised developers. In this direction, the year 2017 saw many landmark reforms that has altered the entire landscape of the sector.

Changing real estate scenario in India

The financial year 2017-18 began amidst hope, expectations and uncertainties. The Government's intent to change the very landscape of realty sector became clear with a number of far-reaching reforms.

The first step in this direction was demonetisation, which was announced in the third quarter of FY 16-17. This was followed by the Credit Linked Subsidy Scheme (CLSS) under the "Pradhan Mantri Awas Yojana (PMAY)-Housing for All" scheme, making home loans easily available to consumers. Additionally, the much-awaited sectoral reform of Real Estate (Regulation and Development) Act, 2016 (RERA) came into effect from May, 2017 and was followed by Goods and Services Tax (GST) in July, 2017. All these big ticket policy initiatives were implemented in quick succession, which were much needed.

While the sector needed to change its functioning by focusing on delivery of quality products on time to remain relevant, SOBHA was already following these, making it ready for the next leap.



SOBHA Gardenia, Chennai

Seamless transition to RERA and GST Era

Implementation of RERA and GST were the most historic steps for the Indian real estate sector and economy as a whole. However, as with any new policy roll-out, there have been certain short-term transitional challenges posed by these big ticket reforms. Despite this, SOBHA was able to migrate to post RERA and GST regime seamlessly.

Our policies and transparent business practices have ensured that we were always future-ready, reflecting the innate strength of the Company. All projects of SOBHA were registered with RERA well within the specified timelines.

Till 31st March, 2018, 44 of SOBHA's ongoing projects measuring a total saleable area of 10.57 million sq. ft. applicable under RERA have been registered and approved.

Providing housing for all

The Government's 'Housing for All' or PMAY scheme aims to address the housing shortage in India by building affordable houses in select cities of the country. The scheme also offers interest subsidies on home loans under the CLSS. In the recent past, there have been several policy initiatives such as granting of infrastructure status, rationalisation of GST to 8% for affordable houses purchased using CLSS and creation of a separate affordable housing fund with National Housing bank. These steps have given the right push to affordable housing, making an opportune time for SOBHA to step up its focus on the segment and accelerate growth. SOBHA has already launched its compact luxury homes SOBHA Dream Acres under its new segment - SOBHA Dream Series in 2015 at Balagere, Bengaluru. Ranging from 650 sq. ft. to 1,200 sq. ft., SOBHA Dream Acres is aimed to help the aspirational home buyers convert their dreams of owning a house into reality.

Now is the time

Business as usual

While the sector struggled to transition into the post RERA and GST regime, it was business as usual at SOBHA. The Company had welcomed these policy changes whole heartedly and transitioned effortlessly. In fact, SOBHA has been improving its performance with each quarter. Proof of this has been SOBHA's steady growth in the residential space across all the product categories along with a strong growth in the Contractual and Manufacturing verticals. Additionally, the margins have improved despite operating in a challenging environment. The momentum as reflected in the FY17-18 should continue going forward, creating a conducive environment for augmenting our growth.

Numbers tell the story

During the last quarter of the FY 2017-18, SOBHA achieved new sales volumes of 1.02 million sq. feet, valued at Rs. 8.12 billion at an average price realisation of Rs. 7,993 per square feet. The sales volume and value both went up by 40% and 31% respectively as compared to the corresponding quarter of last year. Overall, at the close of the FY 2017-18, the Company registered new sales volume of 3.63 million square feet valued at Rs. 28.61 billion with an average price realisation of Rs. 7,892 per square feet. The annual sales volume and value were up by 21% and 42% respectively with robust cash flows.

Further, the Company has completed real estate projects and contractual projects with a total area of 5.8 million sq. feet during the year. In addition, 2.68 million sq. feet of real estate projects were also completed during the year.

More importantly, SOBHA's Contractual and Manufacturing verticals have given the best performance so far in FY 2017-18. The total revenue of the two verticals went up by 4% on a quarter-on-quarter basis and 19% on a year-on-year basis. Contractual business contributed Rs 4.53 billion and the Manufacturing business contributed Rs 3.33 billion. These numbers reflect the growth trajectory of SOBHA as well as the confidence that customers have in the brand.

Reaching out

Customer-centricity is at the core of our functioning. The organisation as a whole is geared up to do that well. At SOBHA, we make sure that the entire journey of our customers is hassle free. Responding to their queries proactively based on

Company completed real estate projects and contractual projects with a total area of 5.8 million sq. feet during the year.

past experiences ensure higher level of customer satisfaction and transparency, which helps us in building a strong trusted brand. Customer grievances if any, are lodged with the respective CRE on issues pertaining to the unit/project upon commencement of the warranty period. With an establishment of escalation matrix, all queries are registered to ensure timely response. The customer portal enables our customers to provide their feedback which is looked into immediately. Additionally, in an attempt to reach out to customers and showcase pan-India projects under one roof, SOBHA had organised two editions of 'The Now or Never Sale' - a two-day property expo.