



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!

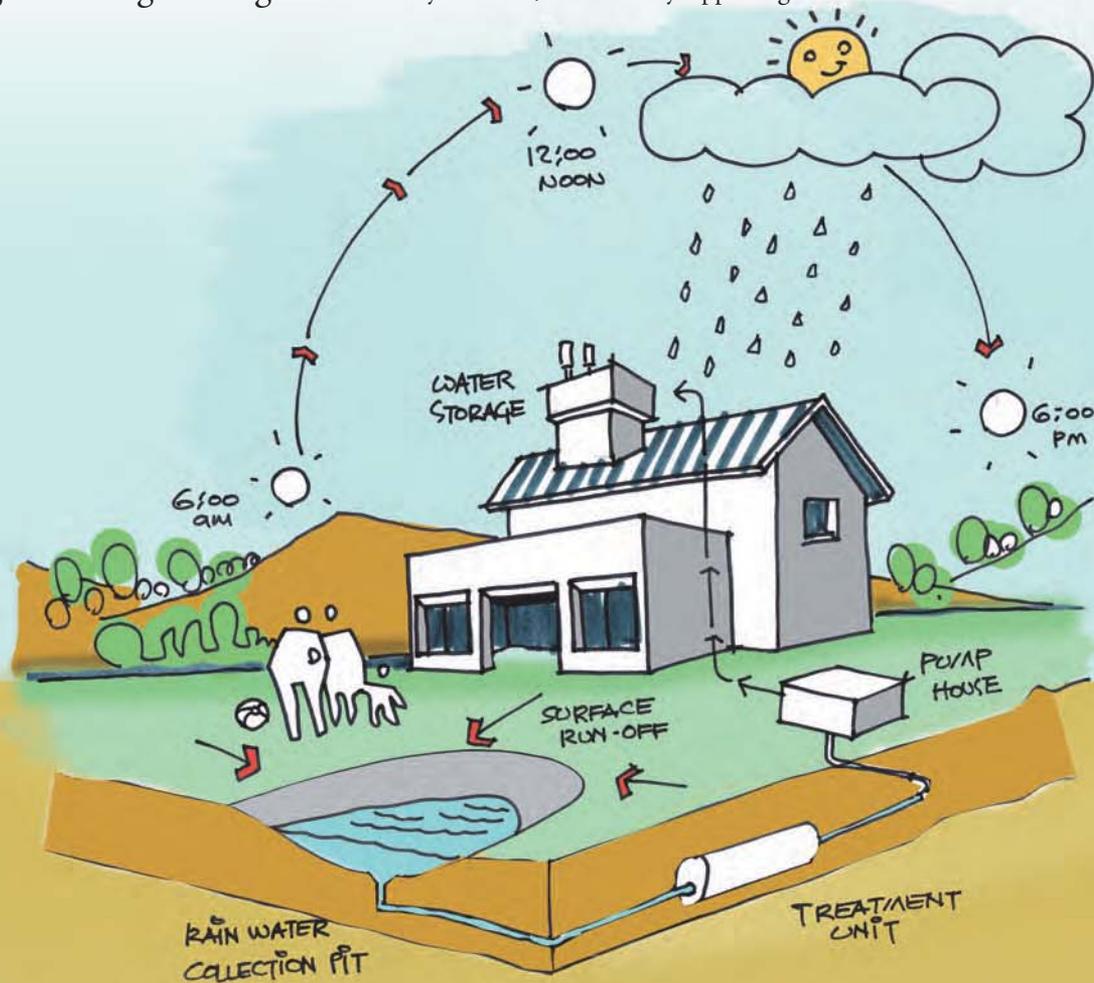
The outcome of this unique concerted effort is a happy *customer*, a satisfied *employee*, an assured long term *investor* and a hopeful *community* – all sharing a common feeling of pride of association with the organization.

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.

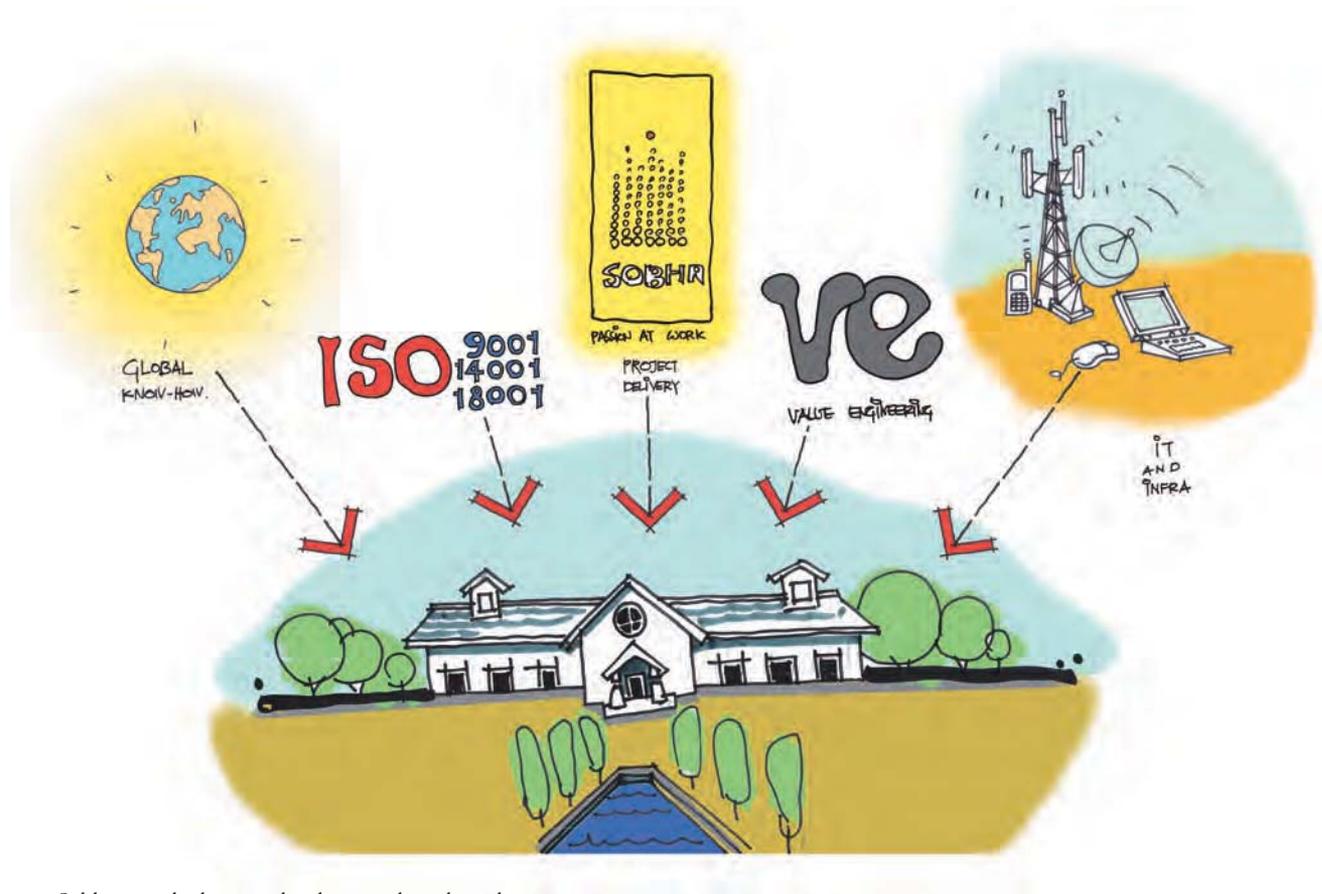
In all Sobha projects, emphasis on good natural light and ventilation is reflected in the size and position of fenestration. Our stress on open spaces at the ground level is evident in the fact that in most of the projects, open spaces exceed 60 % and in some, even above 75 %. The efficiency of the floor 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.

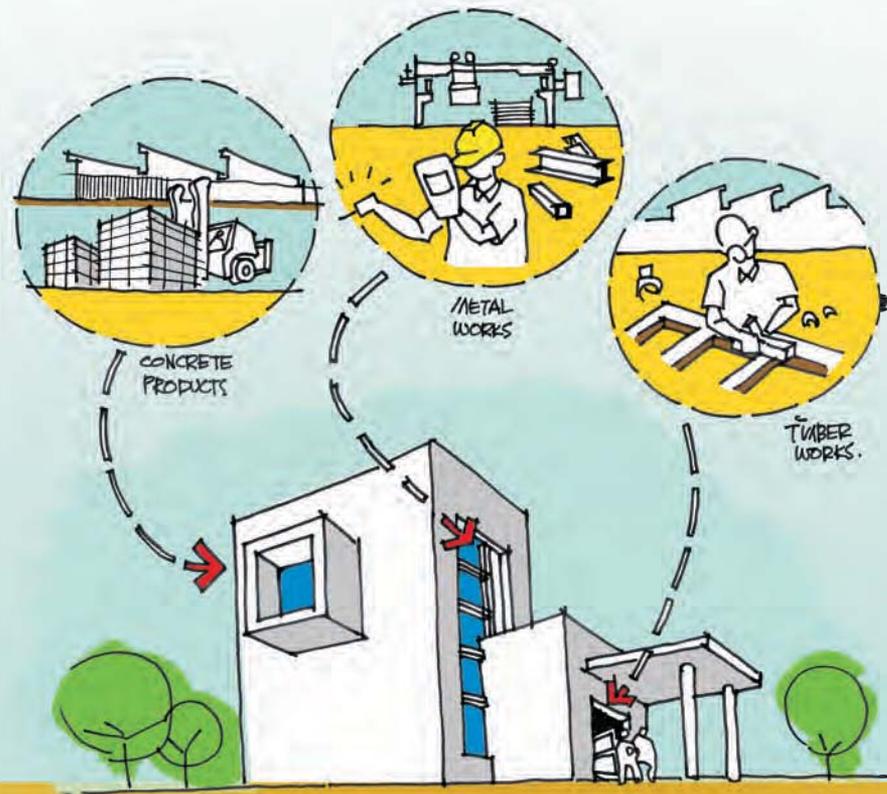
Sobha is a process driven organization where each activity is extensively detailed. We were one of the first companies in the industry to obtain the ISO 9001 certification. We have also received the OHSAS 18001:2007 and ISO 14001:2004 certifications for our Environmental Health and Safety Management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

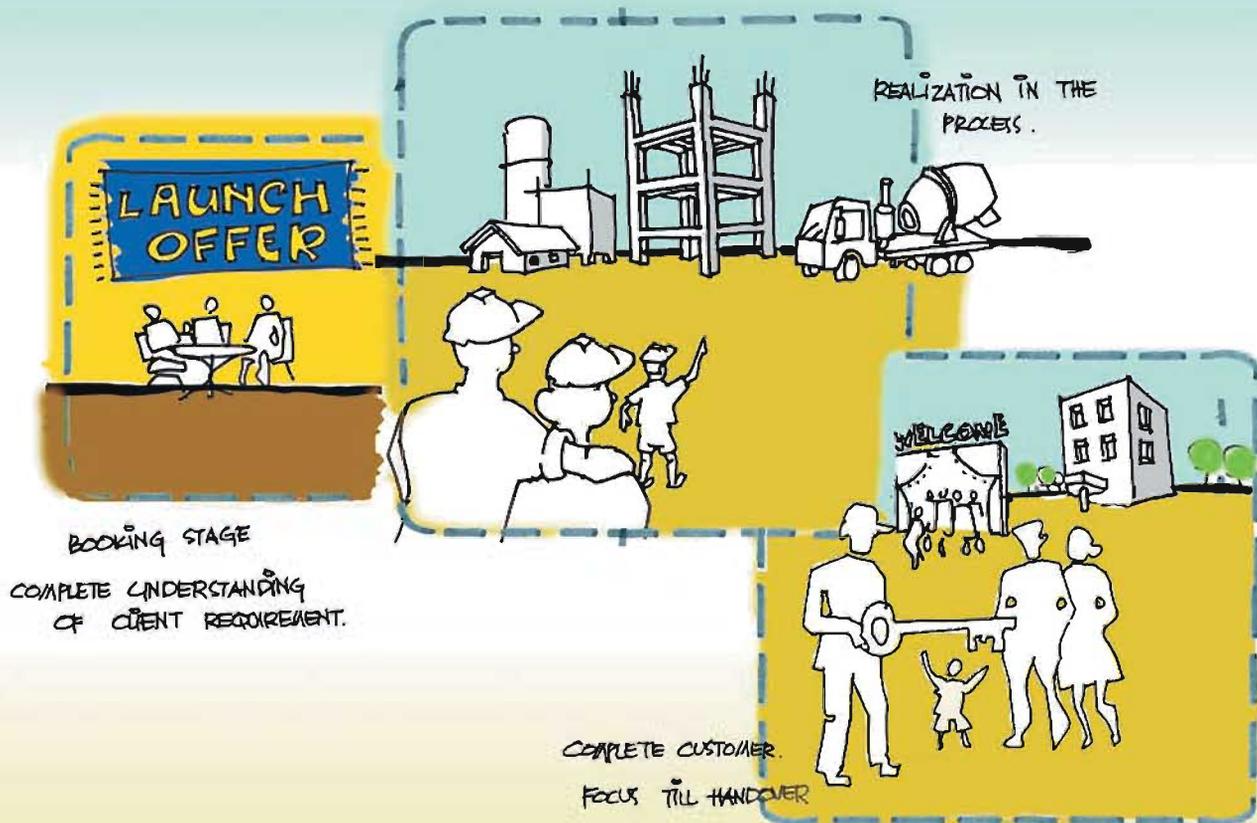
The Interiors Division is engaged in wood work and manufacturing wood or wood based products of international quality, superlative finish and incredible durability including doors and windows, wooden floorings, ceilings, panels, pillars and staircases, and custom built furniture for commercial and residential 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.

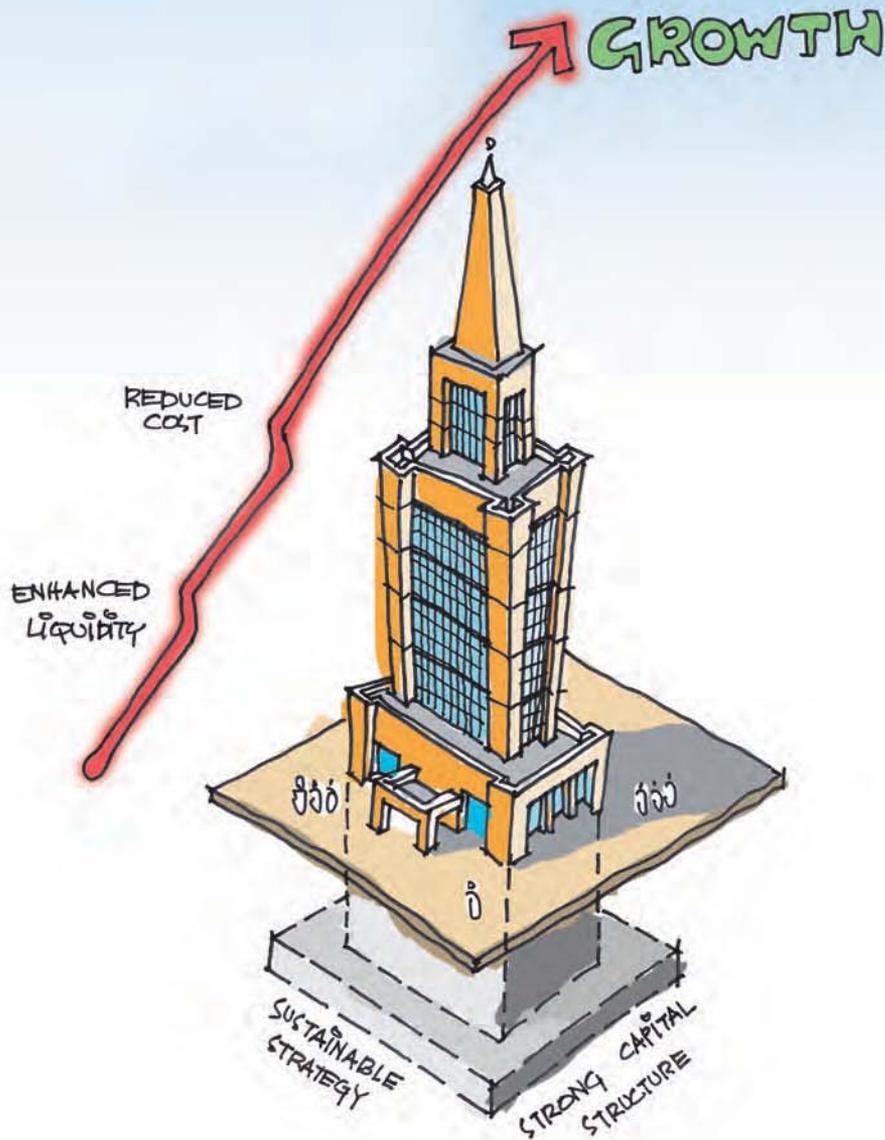
The Technician Supervisor Model for on-the-job training at the sites stresses on the importance of hands-on-experience to get the required quality in less time using the adequate resources.

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



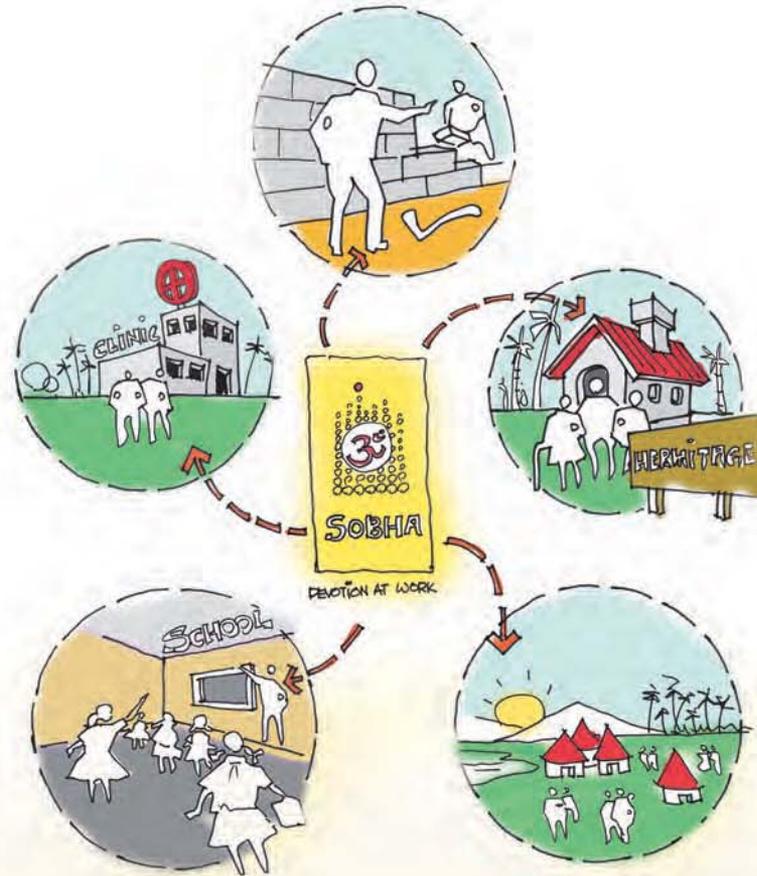
We have developed a sustainable business strategy to realize the vision of the Company. As part of our strategy to achieve a comfortable capital structure, in the FY 2009-10 we have reduced debt by way of Qualified Institutional Placement (QIP) and land monetization. We also continued to focus on cost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

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## Letter to the Shareholder

Dear Shareholder,



I have great pleasure in presenting the 15<sup>th</sup> Annual Report of Sobha Developers Limited for the financial year 2009-10.

This financial year has been a tale of two halves – while the first half saw a sluggish recovery from global recession, the second witnessed a demand revival in the real estate sector with buyer sentiment vastly improved. As such, our strategy to address each half with a different set of proactive measures paid off, and our performance over the entire year reflects it.

The first half still carried the traces of global recession, and Sobha had to take steps to consolidate and build a stronger foundation to address the potential revival of the sector. Firstly, to attain a comfortable capital structure, we raised capital through Qualified Institutional Placement which brought down our debt to manageable levels. In addition, we continued our efforts to de-leverage by monetizing land which paid off subsequently. Our focus on rationalization of costs continued from last year and our productivity levels are now higher than ever before. However, during the course of consolidation, never did we lose sight of our core philosophy - *to offer the best quality products to our customers*. Construction activity in all the projects continued to make rapid progress which paid rich dividends later in the year.

Having consolidated in the first half, our attention in the second half shifted towards tapping the demand revival led by clear signs of economic recovery and return of consumer confidence. Innovative marketing strategies involving the right product mix across locations helped us improve our sales and led to good operational cash flow. On the operations front, we focused on execution with renewed vigor and enhanced the competencies of our technical and managerial staff. Also, a sustainable strategy to achieve growth in the years to come was put in place.

Going forward, I am quite confident that the growth of the industry will turn out to be better than the projected economic growth of the country. Sobha is on the threshold of a major makeover and is confidently working towards sustainable growth and expansion. We have set ambitious short-term and long-term goals and are geared to achieve them.

Sobha has always been benchmarked in the industry for the quality of its products, robust processes, innovativeness, competitive positioning, transparent practices and customer orientation. These differentiators have consistently delivered maximum value to our key stakeholders in each square foot of real estate space that we have developed. This, in turn, has led our Company to being one of the most admired companies in the country's realty sector.

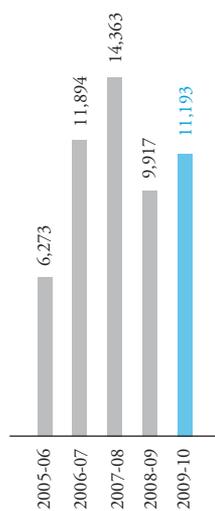
I look forward to your continued support.

**PNC Menon**  
Chairman

## Financials at a Glance

(Rs in Million except Earnings per Share & Debt Equity Ratio)

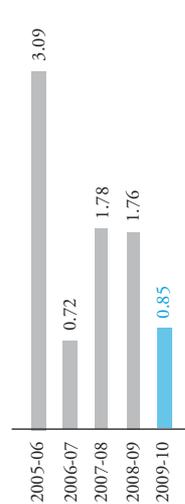
Particulars	2009-10	2008-09	2007-08	2006-07	2005-06
<b>Financial Performance</b>					
Turnover	11,193	9,917	14,363	11,894	6,273
Profit Before Depreciation Interest and Tax (PBDIT)	2,597	2,867	3,674	2,596	1,404
Depreciation	323	360	350	244	128
Profit Before Interest and Tax (PBIT)	2,274	2,507	3,324	2,352	1,276
Interest	671	1,052	615	486	208
Profit Before Tax(PBT)	1,603	1,455	2,709	1,866	1,068
Profit after Tax(PAT)	1,367	1,097	2,283	1,615	885
Earnings per Share	14.91	15.04	31.32	24.26	13.84
<b>Dividend:</b>					
Equity	245	73	474	401	145
Rate of Dividend (%)	25.00	10.00	65.00	55.00	68.50
<b>Financial Position</b>					
Shareholders' Fund	17,085	10,895	9,883	8,155	1,368
Borrowed Funds	14,540	19,122	17,631	5,837	4,231
Total	31,625	30,017	27,514	13,992	5,599
Debt Equity Ratio	0.85	1.76	1.78	0.72	3.09
Net Fixed Assets	2,061	2,248	2,142	1,948	1,020
Investments	429	362	294	527	27
Net Current Assets	29,135	27,407	25,078	11,517	4,552
Total	31,625	30,017	27,514	13,992	5,599



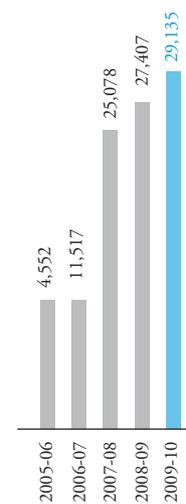
Turnover



Profit After Tax



Debt Equity Ratio



Net Current Assets

## Board of Directors



Standing From Left :

**P. Ramakrishnan**  
Deputy Managing Director

**Ravi Menon**  
Vice Chairman

**M. Damodaran**  
Independent Director

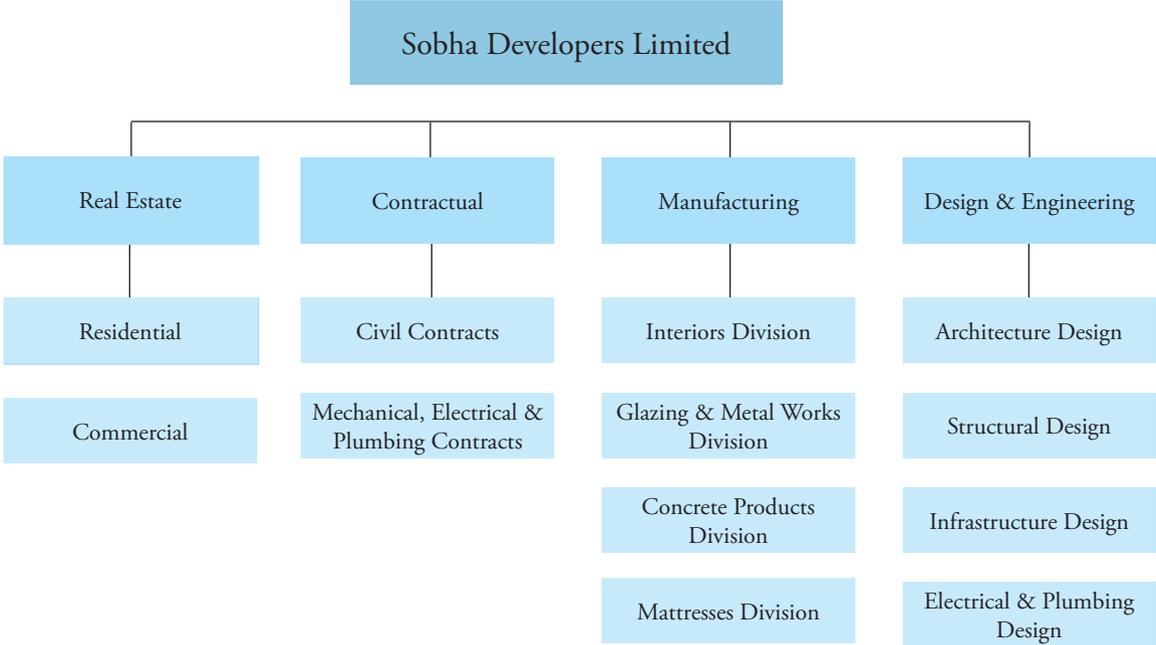
**P. N.C. Menon**  
Chairman

**R.V. S. Rao**  
Independent Director

**Dr. S.K. Gupta**  
Independent Director

**Anup Shah**  
Independent Director

**J.C. Sharma**  
Managing Director



Pan India Locations



Note : Locations are including both real estate and contractual projects

## Awards

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### Company

Sobha Developers has been recognized time and again by different public and private institutions for its quality of work and variety of other initiatives. During 2009-10, Sobha was acknowledged in the areas of value engineering, architecture and design, corporate communications, and safety practices.

Our Company was awarded the Prof. Vasanth Rao Trophy in recognition of being the second best company practicing Value Engineering in India by the Indian Value Engineering Society for the financial year 2008–2009. The award is presented to an organization which demonstrates that it has realized the importance of Value Engineering and Management as an organized corporate activity and has excelled in successfully deploying this technique to improve the total value of its operations at all levels within the organization.

Sobha received a Special Mention for its project 'The Terminal Building - Bangalore Infosys Food Court' in the Recreational Architecture category of Architecture + Design & Spectrum Foundation Architecture Awards 2009. This award-winning steel structure stands out in the Infosys campus due to its simplicity of form, intricate detail, modern design elements and materials - like the usage of imported roofing material, stainless steel, colorful vinyl flooring, and glazing.

Public Relations Council of India (PRCI) is one of the premier bodies of Corporate Communications Professionals in India. Every year it organizes Annual Awards in various categories in the field of Corporate Communications. We have been awarded by PRCI for three different awards for the year 2009. These include - Gold Award for its Newsletter "Innerv", Silver Award for its Annual Report "Building Resilience", and Bronze Award for Corporate Brochure for its Photo Book "A Masterpiece of Modern India".

The Eco Commercial building for Bayer Technology Services is a prestigious project executed by us and is one of the first LEED platinum-rated buildings in India. Bayer Technology selected Sobha as "The Best Contractor, working with safe practices at the site". The Eco Commercial building site is a zero accident site and the Sobha team has put in their best efforts to maintain the record till date.

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### Employees

Employee Recognition is an important feature of our Human Resource Policy. Every year we recognize people for their association with and contribution to the growth of the organization. In the financial year 2009-10, Association Awards were given to the employees who had completed 5 years and 10 years of service with the organization. Innovation awards were given to those employees who had given valuable ideas towards increasing efficiency of operations resulting in substantial cost saving for the organization.

#### Association awards - 5 Years

Ajith Lal P.G.  
Anand S.  
Anoopanand M.K.  
Arun Kumar  
Ashok Kumar  
Ashok Savanur  
Avvari Venkata Koteswara Durga Prasad  
Baiju Anapparakkal  
Balamurugan K.  
Bharamanagouda M. Patil  
Binu K. C.  
Binu Thomas  
Chandrakumar B.  
Chandrasekaran S.  
Cheriyann Mathew  
Deepak Dinesh P.  
Dhanapaul R.  
Dileep Kumar B.  
Dinesh B.  
Ganesh Moorthy A.J.  
Ganesh Sharadrao Pingalkar  
Gayathri P.R.  
Geetha Menon  
Gnanasekaran G.

Gobinath S.  
Gururaj S.E.  
Harahari Rao Maney  
Roeger Xavier Julious J.  
Jagadamma Vijayan  
Jayaprakash K.M.  
Jyothi R.N.  
Kailash Kumawath  
Karthikeyan S.  
Kavitha P.S.  
Kedar C. Chakrader  
Lakshminarayan M.  
Lingaraj B.  
Madan Lal Jangir  
Madan Lal  
Madhu B.S.  
Madhu N.  
Madhusudhanan R.  
Mallikarjuna Prasad J.M.  
Manjunatha D. N.  
Manjunathaiah H.M.  
Manoj Lazer  
Manoj T.D.  
Mariappan G.  
Meera Krishnankutty

Mohan Kumar M.  
Mohankumar R.  
Muralidhara C.  
Muralikrishna B.  
Murugesan C.  
Nagaraj G.S.  
Nainu K.K.  
Nandakumar C.S.  
Navaneethan V.  
Navneet Chak  
Nilesh V. Shah  
Nirmal Ganesh M.  
Nizamudheen A.  
Omraj Jangid  
Palani K.  
Pown  
Prabhakara  
Prabhakara  
Prabhuram Jangir  
Prakash H.P.  
Prasad M.R.  
Prasad Nanoo  
Prasanna H.S.  
Prathap Chakravarthi K.  
Praveen N.K.

Praveen D.U.  
Purushothama  
Puttappa S.  
Puttaswamy H.S.  
Radha Krishna R.  
Raghavendra B.T.  
Rahil K.C.  
Rajanbabu R.  
Rajendran Nair T.G.  
Rajesh Kumar Saran  
Rajithkumar P.  
Rajkaphoor V.  
Raju Karunakaran  
Ramesh A.R.  
Ramesh K.  
Ratan Biswas  
Ravi Menon  
Ravindra Kumar D.  
Rega Doss  
Remya V. K.  
Rinku Makhijani  
Robert Singh F.  
Rohith P.K.  
Roopesh Menon  
Sadanand S. Hegde  
Sanjay K. Prasad  
Sanjay S. Kawade  
Santosh Shivanandappa  
Sathishkumar D.  
Senthil J.  
Senthil Nathan P.M.  
Seshagiri Rao K.  
Shailesh Vitthal Gundu  
Shanmugam K.  
Shanmugarasu M.  
Shashirekha R.  
Sheshagiri B.G.  
Shivakumar K.R.  
Shivanand V. Sirsakar  
Shivnandini Rajasekhar Kestur  
Shreedharan K.  
Shubha B. M.  
Shubha P.D.  
Shyamala Girish  
Siddhartha Sen  
Sivadasan A.  
Sivakumar K.  
Sneharaj V.  
Sooraj K.N.  
Sooraj Kunhikkandi  
Sreekala  
Srikant Kulkarni  
Srinath J. M.  
Srinivas D.  
Srinivas Shetty T.  
Srinivas V.  
Srinivasa R.  
Srinivasan R.  
Subash Suku K. P.  
Sukumar Das  
Sundharam S.  
Sunil Kelkar  
Suresh Kumar

Suresh Kumar K.N.  
Swaminathan G.  
Thejus Joseph  
Thiriinban G.  
Tilok Chand Jangir  
Umarani S.  
Umesh V. Unnithan  
Veershetty B. Patil  
Vellat Vinod Kumar  
Venkatesh Pai  
Venkatramani N.  
Vignesh S.  
Vinayak C. Boga  
Vinod  
Vinod C.  
Viswapriya P.  
Vivek S. Prabhu  
Yatheesha B.

Roby Joseph  
Shabu P. Jacob  
Shrinidhi H.  
Sreekumar S.  
Srinivas D.  
Srinivasa R.  
Suresh Kumar M.  
Udaykumar Sukumar Sasture  
Vanitha M.  
Velmurugan B.  
Vijaianand S.

## Value Engineering Award

Dharmalingam V.

## Association awards - 10 Years

Ashok Kumar N.B.  
Jayan Menon  
Jayarajan M.  
Mathappan T. J.  
Mohan B.C.  
Mohana Krishna K. P.  
Prasanna Venkatesh G.  
Prashanth Kumar Anand  
Ram Nivas Jangid  
Ramadurai K.  
Ramesh R.  
Sundaresan P.

## Innovation Awards

Albert S  
Anil M  
Anilkumar S.  
Anilkumar T.R.  
Anita Lukose  
Asish Kumar  
Babu Anthony  
Chandrashekar H.  
Chandrashekar P.S.  
Cheluve Gowda N.G.  
Divya V.K.  
Ganesh Kabara  
Gunasekaran R.  
Jagdish Narula  
Josh S.M.  
Karthik R.  
Kirti Sagar B.S.  
Koterangappa  
Manju M.V.  
Manjula P.  
Meenakshi S.  
Mukundan S.  
Nagesh S.J.  
Pallavi Kulkarni  
Prasad Rayirath  
Ramakrishnan S.

## Corporate Information

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### Board of Directors

Mr. P.N.C.Menon	Chairman
Mr. Ravi Menon	Vice Chairman
Mr. J.C. Sharma	Managing Director
Mr. P Ramakrishnan	Deputy Managing Director
Mr. R.V.S. Rao	Independent Director
Mr. Anup Shah	Independent Director
Dr. S.K. Gupta	Independent Director
Mr. M.Damodaran	Independent Director

### Company Secretary and Compliance Officer

Mr. Kishore Kayarat

### Statutory Auditors

S.R. Batliboi & Associates,  
UB City, 'Canberra Block',  
12<sup>th</sup> & 13<sup>th</sup> Floor,  
No.24, Vittal Mallya Road,  
Bangalore - 560001, India

### Bankers

Andhra Bank  
Axis Bank  
Corporation Bank  
Federal Bank  
IDBI Bank  
Indian Overseas Bank  
Indusind Bank  
Standard Chartered Bank  
State Bank of India  
State Bank of Indore  
State Bank of Travancore  
Syndicate Bank  
United Bank of India

### Legal Advisors

AZB & Partners

### Corporate Office

# 4, Neeladri Plaza, Raja Ram Mohan Roy Road,  
Richmond Circle, Bangalore - 560025, India.  
Tel: +91 80 22104561/ 6  
Fax: +91 80 22104573  
[www.sobha.com](http://www.sobha.com)

### Registered Office

E-106, Sunrise Chambers, 22, Ulsoor Road,  
Bangalore - 560042, India.  
Tel: + 91 80 25597260, 25594139  
Fax: + 91 80 25594138  
[www.sobha.com](http://www.sobha.com)

## Global Education Center II A Masterpiece of Modern India

We have constructed Global Education Center II in Mysore for Infosys, which is the largest monolithic structure in independent India. It is also Asia's largest training center. It can accommodate 12,500 trainees at a time in smart online classrooms. This imposing edifice has an excellent aesthetic combination of Neo-Classical Greeko-Roman architecture. The most prominent and distinguishing aspect of GEC II is its enormous dome that emerges from the center of the structure and overlooks the entire campus. This striking monument has a floor area of 1.05 million sq. ft. and was built in 38 months.





## Managing Director and Chief Financial Officer Certification

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We certify that

1. We have reviewed the financial statements and cash flow statement of Sobha Developers Limited for the year ended 31st March 2010 and to the best of our knowledge and belief;

(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.

(ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

2. To the best of our knowledge and belief, there are, no transactions entered into by the Company during the year, which are fraudulent, illegal or violating the Company's code of conduct.

3. We accept responsibility for establishing and maintaining internal controls over financial reporting and we have evaluated the effectiveness of Internal Control Systems of the Company over financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls over financial reporting, if any, of which we are aware and the steps we have taken, propose to take to rectify these deficiencies. In our opinion, there are adequate internal controls over financial reporting.

4. We have indicated to the auditors and the audit committee that there are:

(i) significant improvement in internal controls over financial reporting during the year.

(ii) significant changes in accounting policies made during the year as have been disclosed in the notes to the financial statements.

(iii) no instances of fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system on financial reporting.



J.C. Sharma  
Managing Director

S. Baaskaran  
Chief Financial Officer

Place : Bangalore

Date : April 27, 2010

## Directors' Report

To  
The Members

We have pleasure in presenting the fifteenth annual report on the business and operations of the Company together with the audited results for the financial year ended March 31, 2010.

### Financial Highlights

(Rs. in Million)

Particulars	2009-10	2008-09
Net sales and other income	11,192.83	9,917.05
Profit before interest, depreciation and tax	2,597.21	2,867.70
Finance charges	671.40	1,052.14
Depreciation	323.10	360.33
Profit before Tax	1,602.71	1,455.23
Provision for Tax - Current	261.00	374.00
- Fringe benefit	-	4.00
- Deferred	(20.83)	(20.00)
- MAT Credit Entitlement	(4.10)	-
<i>Wealth tax</i>	0.02	0.45
<b>Net profit after tax</b>	1,366.62	1,096.78
Add: Balance of profit brought forward	3,259.23	2,418.74
Profit available for appropriations	4,625.85	3,515.52
Appropriations -		
Proposed dividend (Includes tax on dividend)	286.81	85.29
Transfer to General Reserve	140.00	-
Transfer to Debenture Redemption Reserve	-	171.00
Balance carried to Balance Sheet	4,199.04	3,259.23

### Result of Operations

After the unprecedented and dramatic changes in the macro economic environment during the last financial year, there has been significant improvement in the economic situation and general outlook especially during the later part of the financial year under review.

We have successfully overcome the challenges of the economic downturn through a series of measures like further capital infusion, monetization of land parcels, product innovation, aggressive marketing strategy and ensuring better control over costs.

We can see the benefits of the above measures in terms of higher sales, improved cash flows and significant reduction in debt.

During the year under review, our Company has executed and handed over 10 residential projects covering an area of 1.82 million square feet and 26 contractual projects covering an area of 3.75 million square feet resulting in aggregate development of 5.57 million square feet.

### Transfer to Reserves

An amount of Rs. 140.00 million is proposed to be transferred out of the current profit and Rs. 276.35 million from the Debenture Redemption Reserve to the General Reserve aggregating the total transfer to reserves at Rs. 416.35 million.

### Dividend

The Directors propose to recommend dividend at the rate of Rs. 2.50 for every equity share of Rs. 10 each resulting in a dividend rate of 25% for the financial year 2009 – 2010.

### Business

The Company's main operations can be divided into

1. Development and construction of residential and commercial projects
2. Contractual projects

The summary of the projects completed and ongoing as on March 31, 2010 have been detailed in the Management Discussion Analysis Report.

### Qualified Institutional Placement

During the year, the Company has issued 25,162,135 equity shares of Rs. 10 each at a premium of Rs. 199.40 per equity share to Qualified Institutional Buyers in terms of Chapter XIII A of the erstwhile Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000. Consequently, the paid up share capital of the Company has increased from 72,901,733 equity shares of Rs. 10 each to 98,063,868 equity shares of Rs. 10 each.

### Utilization of QIP Proceeds

The Audit Committee and the Board of Directors of the Company have taken on record the following statement of utilization of the proceeds of the amounts raised by the Company consequent to the issue of 25,162,135 equity shares of Rs. 10 each at a premium of Rs. 199.40 per equity share to Qualified Institutional Buyers in terms of Chapter XIII A of the erstwhile Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

(Rs. in Million)

Gross proceeds	5,269
Less: Expenses incurred (gross of service tax)	175
Net proceeds	5,094
Utilization	
Loan repayments	3,995
Working capital	935
Interest payments	144
Refund of share application money	20
Total Utilization	5,094

### Debentures

During the year under review, the Company has not issued any Debentures. The Company has redeemed various series of Non-Convertible Debentures aggregating Rs. 1,630.10 million.

### Deposits

The Company has not accepted any deposits in terms of provisions of Section 58A of the Companies Act, 1956, during the year under review.

### Directors

There are eight directors on the Board of Directors of the Company.

Mr. M Damodaran who was appointed as an Additional Director effective from January 29, 2010, holds office up to the date of the forthcoming annual general meeting and is eligible for re-appointment.

Mr. P Ramakrishnan who was appointed as an Additional and Wholetime Director effective from January 29, 2010 and designated as Deputy Managing Director from April 01, 2010 holds office up to the date of the forthcoming annual general meeting and is eligible for re-appointment.

In terms of Article 107, 108 and 109 of Articles of Association, Mr. Anup Shah and Mr. R V S Rao, Independent Directors are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The term of office of Mr. P N C Menon, Mr. Ravi Menon and Mr. J C Sharma ceases during the financial year 2010 – 11 and the proposals for re-appointment are included in the notice convening the Annual General Meeting.

The Notice convening the Annual General Meeting includes the proposals for the re-appointment of Directors. Brief resumes of the Directors proposed to be re-appointed, nature of their expertise in specific functional areas and names of the companies in which they hold directorship / membership / chairmanship of the Board Committees, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges have been provided as an annexure to the Notice convening the Annual General Meeting.

### Auditors

M/s S R Batliboi & Associates, Chartered Accountants, statutory auditors retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Board of Directors upon the recommendation of the Audit Committee proposes the re-appointment of M/s S R Batliboi & Associates, Chartered Accountants as the statutory auditors of the Company.

The Auditors had given certain observations in their report and the Board feels it expedient to address the same as follows:

#### 1. Paragraph 4 of the Auditors Report:

The Registrar of Companies, Karnataka during the course of Technical Scrutiny had observed that the Company during the earlier years has undertaken certain transactions without the prior approval of the Central Government required under Section 297 of the Companies Act, 1956. These transactions were done on an arms length basis and in the normal course of business. The Company has filed an application for composition under Section 621A of the Companies Act, 1956 and the outcome of the application is awaited. However the Company has obtained the necessary approvals for such transactions undertaken during the year under review

#### 2. Clause iii(a) and iii(b) of the Annexure referred to in Paragraph 3 of the Audit Report:

The transactions in the nature of loans referred were undertaken by the Company when the status of the Company was a Private Company. These transactions were done within the framework of applicable laws and in the normal course of business. These transactions are not prejudicial to the interests of the Company. The Company has been making adequate disclosures for these transactions at appropriate places.

#### 3. Clause xi of the Annexure referred to in Paragraph 3 of the Audit Report:

Due to slowdown in the market in which the Company is operating, requests were made to the lenders to reschedule or roll over its near term obligations. The Company had made these requests before the due dates of repayment and in accordance with the applicable monetary policies initiated by the Reserve Bank of India. However the said delay was during the first quarter of the financial year under review and prior to the Company raising further capital by way of Qualified Institutional Placement. The Company post issue of equity shares has not delayed the repayments and there is no overdue outstanding in respect of debenture holders and banks as at close of the financial year.

### Subsidiaries

There are no subsidiaries of the Company within the meaning of Section 4 of the Companies Act 1956 except investments as detailed in the financial statements forming part of the Annual Report.

### Human Resources

Sobha Developers aims to align HR practices with business goals, motivate people for higher performance and build a world class

working environment. We continue to develop and retain the best available talent through training and motivational programs. Our Company strives to implement the best of HR practices so as to ensure that talent retention is ensured at all levels. Employee relations continued to be cordial and harmonious at all levels and in all divisions of the Company during the year. A separate section on the Human Resources function is provided in the Annual Report.

### Quality

The Department of Quality, Safety and Technology (QST) holds the responsibility to monitor all quality and safety works in our various projects and to introduce the latest construction technology so as to enable project delivery on par with relevant specifications, norms and standards. The department focuses on construction quality and safety aspects, infrastructure execution, civil maintenance works, geotechnical aspects, drawing detail development and importing / implementing new tools and material for process up gradation.

### Corporate Governance

A detailed report on Corporate Governance and a Certificate from the Practicing Company Secretary regarding compliance with conditions of Corporate Governance has been furnished in the Annual Report.

### Responsibility Statement of the Board of Directors

The Director's Responsibility Statement, setting out compliance with the accounting and financial reporting requirements specified under Section 217(2AA) of the Companies Act, 1956, in respect of the financial statements, is furnished below and on behalf of the Board of Directors, it is hereby confirmed that:

- i. In the preparation of the annual accounts, the applicable accounting standards had been followed along with the proper explanation relating to material departures, if any.
- ii. The directors had selected the accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- iii. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. The Directors had prepared the annual accounts on a "going concern" basis.

### Corporate Social Responsibility

Sobha Developers is a responsible corporate citizen and is committed to Corporate Social Responsibility. A separate section on Corporate Social Responsibility forms part of the Annual Report.

### Awards & Recognitions

We are glad to report the following awards and recognition received during the financial year 2009-10

- i. Prof. Vasanth Rao Trophy in recognition of being the second best company practicing Value Engineering in India by the Indian Value Engineering Society for the year 2008–2009.
- ii. Special Mention for 'The Terminal Building - Bangalore Infosys Food Court' project in the Recreational Architecture category of Architecture + Design & Spectrum Foundation Architecture Awards 2009.
- iii. Bayer Technology has recognized the Company as "The Best Contractor, working with safe practices at the site" for their contractual project being executed by the Company.

### Code of Conduct

Pursuant to Clause 49 of the Listing Agreement, the declaration signed by the Managing Director affirming the compliance of Code of Conduct by the Directors and senior management personnel for the financial year 2009-10 is annexed and forms part of the Directors and Corporate Governance Report.

### Disclosure of Employees

The statement of employees in receipt of remuneration exceeding the limits prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is attached herewith as an annexure to this report.

### Secretarial Audit Report

The Company has appointed Mr. Nagendra D Rao, Practicing Company Secretary to conduct the Secretarial Audit for the financial year ended March 31, 2010. The Secretarial Audit Report confirming compliance with all the applicable provisions of corporate laws and the Listing Agreement is provided separately in the Annual Report.

### Implementation of IFRS

Consequent to the issue of the road map for implementation of International Financial Reporting Standards (IFRS) in India, the Company has constituted a core team to ensure a smooth transition. The Company has also engaged consultants for this purpose and is committed to meeting the time lines for implementation. Training sessions for the members of the Audit Committee were conducted to understand the impact and implications of the new accounting standards.

### Conservation of energy, research and development, technology absorption, foreign exchange earnings and outgo

In terms of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988, the particulars of conservation of energy, technology absorption, foreign exchange earnings and outgo are set out as an annexure to this report.

## Additional information to Shareholders

We provide all the latest information on the Company's projects, matters of interest to the investors like financial information, investor presentations, press releases, etc., on our website [www.sobha.com](http://www.sobha.com)

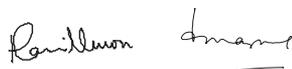
## Management Discussion and Analysis Report

In accordance with the requirements of the Listing Agreement, the Management Discussion and Analysis Report is presented in a separate section forming part of the Annual Report.

## Acknowledgements

The Directors would like to place on record their sincere appreciation to the Company's customers, vendors, and bankers for their continued support to the Company during the year. The Directors also wish to place on record their appreciation to the contribution made by employees at all levels for sustaining the organizational growth especially during the challenging times. We thank the Government of India, state governments and other government agencies for their assistance and cooperation and look forward to their continued support in future. Finally, the Board expresses its gratitude to the members for their continued trust, cooperation and support.

For and on behalf of the Board of Directors



Place: Bangalore      Ravi Menon      J C Sharma  
Date: April 27, 2010      Vice Chairman      Managing Director

## Annexure to Directors' Report

Sobha Developers Limited is primarily engaged in the construction and development of residential and contractual projects and hence the information as required to be provided under the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, to the extent applicable is as follows

### I. Conservation of Energy

The Company has adopted the following energy conservation measures.

1. Use of energy efficient lamps, control gears, balast VFD's highly efficient motors, PV cells, etc.
2. Use of CFLs, flourescent tubes, metal halide, etc., in the common area light fittings in our residential projects.
3. Provision of back- up solar power for lighting in the residential projects.
4. Use of lighting software in the design stage of our projects.
5. Use of day light sensors and occupancy sensors.
6. Use of the best quality wires, cables, switches, low self power loss breakers.
7. Follow standard specifications like color codes, independent neutral and earthing for each circuit and avoid creating joints to curb energy leakage.
8. Use of low- loss electronic balast and also some times dimmable ballast.

9. Selection of high efficiency transformers, DG sets and other equipment.
10. Introduction of auto correction power factor capacitor panels, harmonic filters.

The Company continues to make project level investments for reduction in consumption of energy. The total energy consumption, energy consumption per unit of production and the impact of the measures implemented above for reduction of energy consumption cannot be quantified.

### II. Technology Absorption

The Company uses German tools, waterproofing techniques, and follows European standards in all our construction activity. We use both indigenous and imported technologies for implementation in all our projects. The Company has derived the benefits in the form of cost reduction, fewer customer complaints and better quality of the end products. Import of European technology is a continuous feature and has been fully absorbed.

### III. Research and Development (R&D)

The Company has carried out R&D in the following areas

1. New scaffold anchorage system for easy and effective finishing of external plastering/ painting.
2. Usage of precast polymer drain channels in basements for perfect execution of basement floor drain and concrete flooring.
3. Introduction of concrete skip equipment to easily and effectively transport liquid concrete from the mixer to the place of use through the tower crane.
4. Inspection camera with recording facility for inspecting non- accessible shafts, plumbing pipes, etc., for detecting leakages and cracks.
5. Usage of floor protection sheets for preventing damage to tile/ granite and withstanding wear & tear during finishing.
6. Introduction of steel enamel bathtubs with compatible system and precisely matching supports for fast, safe and stable installation.
7. Use of lightweight screed concrete on terrace floors with lower specific gravity, easy workability and compatibility with thermal insulation.
8. Standardization of waterproofing works using waterproofing calendar to prevent leakages, water ingress and dampness in structural elements.
9. Introduction of unit clearance procedure for systematic apartment clearance and successful handover.
10. Introduction and implementation of new safety bracket system as a safety standard procedure at project sites.

### Benefits derived as a result of the above R&D

The benefits derived from the above ensure that the final product delivered by the Company adhere to world class standards.

### Future plan of action

The success of R & D initiatives in the construction industry depends very much on selecting the right method of construction, type of machines and kind of materials. It also depends on integrating the planning and training process within the Company

and has to be understood as an ongoing process.

#### **Expenditure on R&D**

The R & D activity of the Company forms part of project implementation and cannot be quantified.

#### **IV. Foreign Exchange Earnings and Outgo**

(a) Activities relating to export, initiatives taken to increase exports, development of new export markets for products and services, and export plans:

The Company caters to the domestic market only and has not undertaken any activities relating to export, initiatives to increase exports, development of new export markets for products and services or formulated any export plans.

(b) Total foreign exchange used and earned

Total expenditure in foreign exchange: Rs. 71.26 million

Total income in foreign exchange: Nil

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975

Sl No	Name	Age	Designation	Gross remuneration (Rs.)	Qualification	Total experience in years	Date of commencement of Employment	Previous Employment held
(A) Employed throughout the financial year								
1	Anil Kumar	47	Senior Vice President	2,673,410	BE Mechanical, MS, PGDM	15	November 3, 2008	IBM India Pvt. Ltd
2	Baaskaran Subramanian	41	Chief Financial Officer	2,927,202	B.Com, FCA, AICWA	18	April 1, 2006	Sobha Space Private Limited
3	Devaraj T.H.	42	Vice President	2,681,612	BE	20	February 23, 1998	Veeresh Elecricitals
4	Geetha Nair K.	41	Senior Vice President	2,484,910	B.Arch	18	January 1, 1997	Zachariah Consultants
5	Gopalkrishnan P.	60	Executive Director	3,387,410	B.Sc, ACA	33	April 1, 2003	Hindustan Lever Limited
6	Jochern Vogel	52	German Master Mason	3,608,283	Master Craftsman	27	May 12, 2008	Schotes Baurträger GmbH, Mönchengladbach, Germany
7	Keshav Pandey	47	Executive Director	4,086,814	B.Com., MBA	21	January 1, 2009	ICICI Bank Ltd.
8	Lt. Gen. Mathew Mammen (Retd)	65	Executive Director	2,832,410	BE, M.Sc (Defence)	50	November 30, 2005	Indian Army
9	Manfred Angrick	56	German Master Mason	3,484,934	Master Craftsman	39	March 5, 2008	QFL, Weimar, Germany
10	Mario Dieter Wolfrum	42	German Road Master	3,599,276	Master Craftsman	24	January 21, 2008	Construction Service, Beregovo, Ukraine
11	Menon P.N.C.	62	Chairman	21,745,157	Entrepreneur	34	August 7, 1995	Not Applicable
12	Olaf Wagner	36	Senior Vice President	4,784,728	Master Craftsman	12	July 1, 2007	SAKRET Trockenbaustoffe, Kirchstockach, Germany
13	Raghu Balan	43	CEO, Contracts	2,451,820	B.Tech, MCM	15	January 1, 1997	Service and Trade Company, Muscat, Sultanate of Oman
14	Rajan Nambiar	59	CEO - M & E	8,035,817	DME, AMIE	36	January 1, 1997	Drake & Scull Assarain LLC, Muscat, Sultanate of Oman
15	Raju Balan	39	Senior Vice President	2,756,018	B. Tech	16	April 1, 2006	Self Employed
16	Ramakrishnan P.	47	Deputy Managing Director	3,821,460	BE, MBA	24	March 15, 2007	Enares Infranet Pvt Ltd
17	Ravi Menon	29	Vice Chairman	19,919,157	B.S.C.E	5	June 6, 2004	Not Applicable
18	Roland Hahn	45	German Master Mason	3,435,242	Master Craftsman	24	February 27, 2008	Mohr, Leutershausen, Germany
19	Sanjay Khosla	52	Executive Vice President	5,602,696	BA, PGDBM	28	August 1, 2008	Ozone Group
20	Sanjaya Sarathy T.P.	51	Regional Director	2,598,960	B.Sc, ACA	22	November 10, 2006	Service and Trade Company, Sultanate of Oman
21	Sharma J.C.	52	Managing Director	34,050,791	B.Com, ACA, ACS	26	June 1, 2001	Grasim Industries Ltd
22	Sojan Joseph	47	Senior General Manager	3,018,307	ITI	25	April 1, 2006	Khansabeh Civil Engineering, Dubai, United Arab Emirates
23	Srikanth Srinivasan	37	CEO, Interior Division	3,191,036	BE, PGDE	14	October 23, 2002	Babcock Borsing AG, Oberhausen, Germany
24	Varghese P.V.	47	CEO, Glazing Division	6,504,295	B.Sc. B.Tech	22	April 1, 2006	Sobha Glazing and Metal Works Private Limited
25	Venkatramani N.	48	Executive Director	2,802,719	B.Tech, PGDIE, ACA, ACS	21	December 1, 2004	Sasthen Communication Technologies Limited
26	Vinayak Bhimashankar Joshi	53	Senior Vice President	2,443,860	B.Arch	28	February 1, 2008	Della Technica

Cont'd

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975

Sl No	Name	Age	Designation	Gross remuneration (Rs.)	Qualification	Total experience in years	Date of commencement of Employment	Previous Employment held
(B) Employed for part of the financial year								
1	Jagdish Nangineni	31	General Manager	995,787	B Tech Civil, PGDM	8	November 12, 2009	Highstreet Capital
2	Joerg Meyer	47	German Master Mason	1,551,757	Master Craftsman	19	November 1, 2009	Self Employed
3	Ram Mohan Rao G.	50	Senior Vice President	392,706	B Arch, M Arch	28	February 8, 2010	Salarpuria Group Ltd
4	Sathyanarayanan M.	42	Senior Vice President	1,080,232	Diploma Civil, BE Civil	25	December 11, 2009	Ahmed Mansoor Al-Aali Co, Bahrain
5	Sudhir Madhukar Bapat	47	Divisional Head	630,061	B Tech, PGDM	23	January 18, 2010	Arthant Domestic Appliances Ltd

**Notes:**

1. Gross Remuneration comprises of salary, allowances, company's contribution to provident fund and taxable value of perquisites.
2. An employee would qualify for being included in Category (A) or (B) on the following basis: For (A) if the aggregate remuneration drawn by him during the year was not less than Rs. 24,00,000 per annum. For (B) if the aggregate remuneration drawn by him during the part of the year was not less than Rs. 2,00,000 per month.
3. Apart from Mr. P N C Menon, Chairman and Mr. Ravi Menon, Vice Chairman being relatives in terms of Section 6 of the Companies Act, 1956, none of the other employees mentioned above are relatives of any Director of the Company.
4. All the employees referred above are in full time employment of the Company and there is no employee who is in receipt of remuneration in terms of the provisions of Section 217 (2A) (a) (iii) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975.

**For and on behalf of the Board of Directors**




**Ravi Menon**      **J C Sharma**  
**Vice Chairman**      **Managing Director**

**Place: Bangalore**

**Date: April 27, 2010**

## Management Discussion and Analysis

### A. Economic Scenario

#### Recovery in World Economy

World economy has started showing signs of a gradual recovery from the ill-effects of the worst ever recession the world has seen in recent times. Although the pace of economic growth has slowed down across the world in the last couple of years, we have begun to see modest growth in developed nations and a relatively higher growth amongst the emerging economies including India. This has become possible due to the well coordinated efforts of Governments across the world and the associated agencies. According to IMF, the stimulus packages offered and increased demand from Asia could pull the world out of recession at a faster pace than expected. However, challenges of sustainability of growth in a government aided, credit constrained and high unemployment environment still remain.

#### The Indian Story

Even during these tough times, Indian economy has shown phenomenal resilience and has achieved a growth rate of over 6.5% in 2009 and is expected to continue the high growth performance in the coming years as well. This performance is aided by certain key characteristics of the Indian economy:

1. Strong sustainable domestic demand both from urban and rural economies
2. Conservative fiscal policies followed by the financial regulators and Indian financial institutions
3. Government focus on infrastructure spending
4. Ability to attract capital into the country

#### Real Estate Market

The Indian Real Estate market, particularly the residential asset class, is showing signs of robust recovery in line with the revival of the Indian economy. Our economy is being driven by its strong fundamentals, demographic features and structural robustness including:

1. Young population comprises of over 60% of Indians
2. High growth of Urbanization
3. Nuclearisation of families
4. Rise in house hold disposable income
5. Improved outlook on urban infrastructure development
6. Increased penetration of home financing for end customers

Above factors, along with an enhanced consumer confidence arising from higher jobs, income security and moderation of prices in Tier I cities are expected to drive, the demand up for real estate sector in particular and all market segments in general. As the developed nations' growth path is on a recovery mode, the demand for commercial space catering to exports (IT, ITES etc) is also expected to witness a substantial growth in the coming years.

With the growth momentum back on track, the availability of capital to real estate sector is also on a rise, both for domestic and foreign capital. This will boost the confidence of all stakeholders of the industry and provide the right impetus for developers to cater to the potential end user demand growth

### B. The Company

Our Company is one of the leading real estate development and construction companies in India with a unique business model and delivery mechanism. The Company is built on rock solid values, benchmark quality standards, uncompromising business ethos, focused customer centric approach, robust engineering and in-house research and development, which have all contributed in making it a strong brand in both real estate and contractual segments. Our Company has created an enviable brand in all the segments and regions of its operations and the brand is synonymous with high quality product and transparency in dealing with its customers.

#### The Delivery Experience

Our Company has achieved a phenomenal growth since inception and has had a superlative delivery experience compared to its peers. We are inching towards 50th million square foot of delivery in just under 15 years of our existence. We have so far delivered over 36 million square feet of real estate space across 20 cities in India. Currently over 13 million sq. ft of space is under execution in 16 cities both in real estate and contractual space.

In the real estate space, we are primarily focused on middle to high end residential housing segment in Tier I and Tier II cities. The residential projects primarily comprise a wide range of luxury apartment complexes, lifestyle villas and row houses with world class infrastructure and best-in-class amenities.

In the contracting segment, we are the largest developers of Grade A commercial office space in India through mega scale campuses built for Infosys Technologies Limited, one of the leading IT companies in India. In addition, we have undertaken and completed contractual projects for corporate giants like Hewlett Packard, Dell, Timken, MICO, HCL, Bharat Forge, Bayer India and the Taj Group of Hotels.

#### Recognition and Rewards

We have received numerous awards and accolades for the exceptional quality of our delivery and have been duly recognized by prestigious institutions, some of which are:

- 'Best of the Best' Award for Employee Care Centre (ECC), built for Infosys, Pune
- India's Most Admired Company Award by Construction World - NICMAR
- Best Developer From South India by Real Estate Observer
- Best Executed Project in India Award for our residential project Sobha Malachite at Jakkur, Bangalore jointly by CNBC, ICICI and CRISIL
- Architect and Builder's Award by Construction World, for being among India's top ten builders

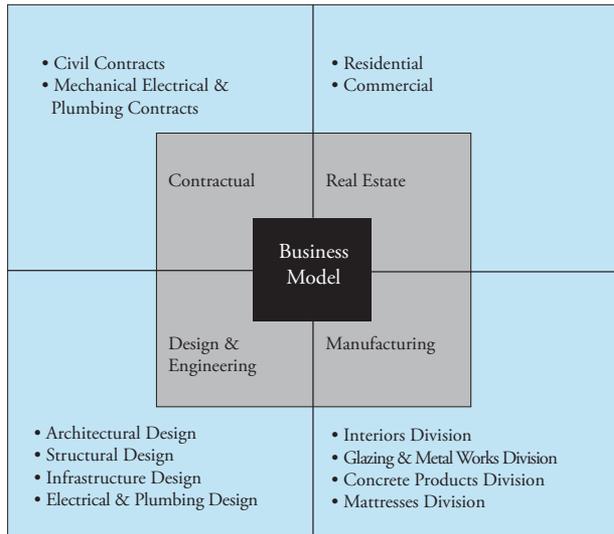
### C. Business Model and Delivery Mechanism

#### Unique Business Model

We have developed a unique business model in the Indian Real Estate and Construction industry. Our company's primary business is development of own real estate spaces. However, we have successfully leveraged our construction expertise to grow into other associated business segments – Contracts, Manufacturing

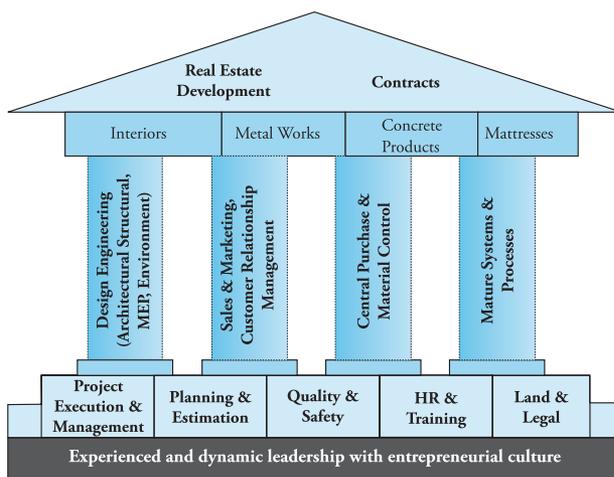
and Design and Engineering catering to third party customers. This unique business model has proved to be very successful and is characterised by the following features:

1. Superior control over the company's delivery quality
2. Continuous enhancement of our construction expertise through adoption of market innovations and best practices
3. Stable source of revenue in tough economic times
4. Flexibility to grow into associated businesses in future



### Integrated Delivery and Support Mechanism

Since its inception, the heart of our Company's philosophy has been to continuously strive towards delivery of high quality end product, understanding of the customers' needs and catering to them in the best possible manner. Over the years, the Company's "Backward Integrated Delivery Model" has evolved to support this philosophy.



We have developed in-house expertise in the entire gamut of construction activity space – including design (through a design studio of architectural, structural and MEP design), planning & estimation, project execution (civil, mechanical, electrical, infrastructure, metal works, interiors) and integrated project management. Additionally, we have set up a separate quality and safety department, headed by German master masons, which

ensures the best quality product for the customers.

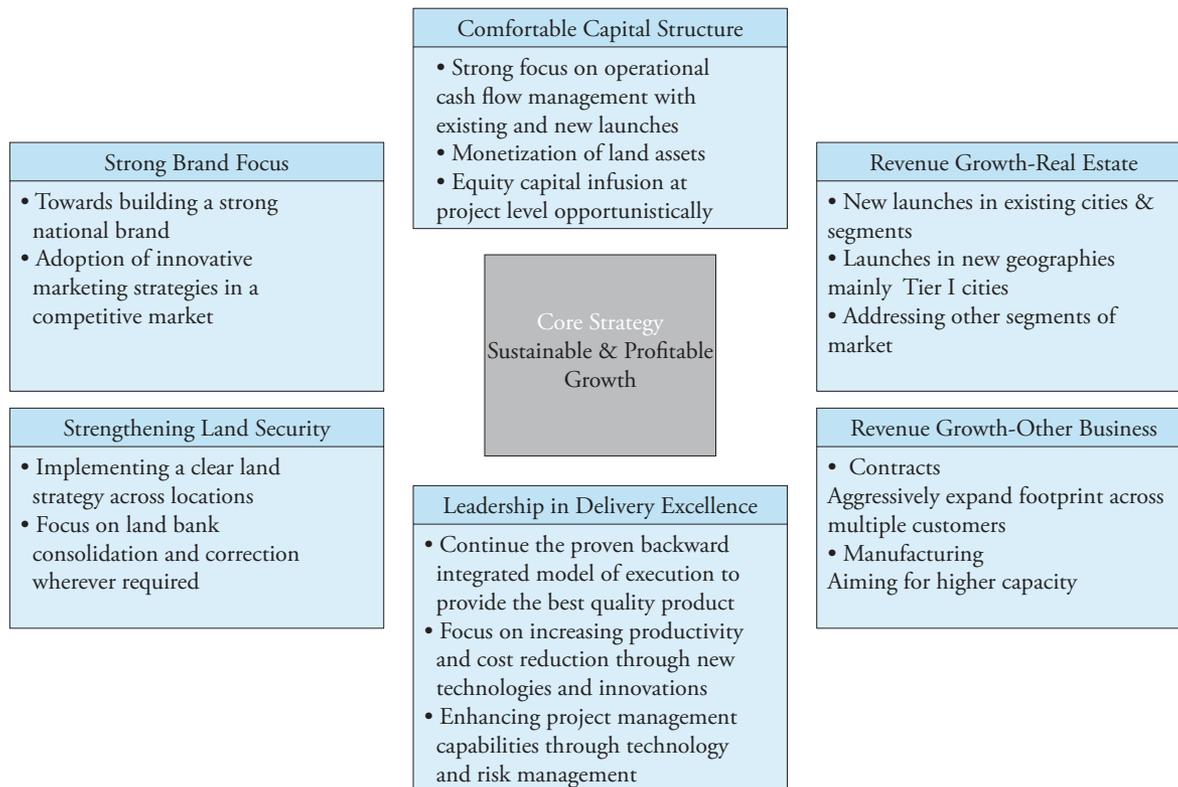
The Training Academy supports the execution team by providing intensive training to our technicians/ tradesmen before start of their work at the construction sites. So far, over 6000 tradesmen have undergone training in the Academy.

We are moving towards developing the best-in-class processes across functions and implementing the same through ERP. The customer relationship management department, first of its kind in Indian real estate industry, assists customers in the purchase and possession process and works towards enhancing the customer satisfaction

Overall, we have set up and implemented a model in which a strong in-house expertise is developed for the entire range of activities in real estate and construction.

### D. Overall Strategy

We have shown great strength and resilience in the last 2 years of extremely challenging business environment. On the basis of learning from the last couple of years and also based on our eagerness to get equipped for the potential growth phase in future, we have developed a tightly integrated strategy to achieve "Sustainable and Profitable Growth" as depicted below.



### E. Key Challenges

As we continue to focus on our strategy execution, there are certain key challenges and risks that need to be actively monitored and mitigation steps to be taken as and when required. These challenges can be summarized as follows:

- i) Material cost increases leading to higher construction costs
- ii) Increase in interest rates with a potential risk of lower demand and higher interest cost for the company
- iii) Increasing labour cost and shortage of skilled and technically qualified manpower
- iv) Land prices still continue to be high due to lack of clear land policy
- v) Lack of desirable progress in development of infrastructure specifically in the areas of roads, water and sewage systems, power, etc.
- vi) Implementation of new Direct Tax Code, newer regulations to control the industry by the Government

### F. Risk Management

Our Company has a risk management policy in place and is continuously working towards improving the same. The risk management process, inter-alia, provides for review of the risk assessment and mitigation procedure, laying down procedure to inform/report to the management and periodical review of the procedures to ensure that identified risks are adequately controlled

through a properly defined frame work.

Our Company has systems and practices to help in identifying potential risks and taking measures to mitigate those risks. The potential risks include:

- Assets Risks
- Consumer Risks
- Competitor Risks
- Human Resource Risk - ability to attract, train, motivate, empower and retain people
- Interest Rate risk - fluctuation in interest rates
- IT Risks - IT resources, disaster recovery, etc
- Land Purchase - risks related to legal titles
- Project execution Risk – project management, time, cost & quality delivery
- Raw material Risks - availability and pricing
- Regulatory Risks -Tax & Tariff Regulation, Environment Regulation etc.
- Statutory approval - legal clearance for building plans and governmental clearances

### G. Internal Control System

Our Company has an appropriate internal control system for the business processes, with regard to the efficiency of operations, financial reporting, compliance with applicable laws and regulations. Clearly defined roles and responsibilities for all the managerial persons have been institutionalized. We

practice quality management system for Design, Planning, and Construction that complies with International standards. All operating parameters are well monitored and controlled. Regular internal audits and checks ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors reviews the effectiveness of internal controls and suggests improvements for strengthening it.

## H. Operational Review

The past financial year has been challenging but gave some key learnings. Given the present economic situation and stakeholders' expectations we have taken certain bold and pragmatic initiatives during the year as follows

### 1. Continued focus on Innovation, Execution, Delivery and timely completion of projects.

We directed all our resources to ensure high quality delivery to our customers and completing all ongoing projects within the planned time. There was no stoppage of work at any of the sites for want of resources.

In addition we have also expedited all our projects which were generating higher cash flow to the company and focused on delivery of such projects.

Projects such as Sobha Garrison were launched in order to meet the latent demand amongst the armed forces. Sobha Celsia was redesigned and relaunched. Both these projects elicited great response from customers.

### 2. Raised Equity through QIP

We had successfully raised Rs 5,268.95 million during the financial year through a QIP which was used mainly in repaying the debts. Maximum focus was given to bring down the debt levels and also reduce the interest rates. Debts were restructured wherever possible and feasible. Our Company's debt equity ratio came down from the high of 1.76 as on March 31, 2009 to 0.85 as on March 31, 2010 and the effective interest cost was also brought down from about 15%p.a. to less than 13%p.a. on borrowings.

### 3. Monetization of Land Bank

Our Company had also ensured monetization of surplus assets by sale of land and plotted development in a most beneficial manner. The monetization resulted in raising Rs.3,368.63 million in the last 2 years. We have been fairly successful in converting otherwise illiquid asset into cash as per the business needs.

### 4. Marketing Strategy

A unique 'Sobha Challenge Scheme' was introduced to give an opportunity to employees to become ambassadors of the company and make an effort to sell the apartment and earn a lucrative reward. Similarly, 'Sobha Privilege Scheme' was launched to promote Sobha products to its customers through the efforts of existing Sobha customers. Aggressive advertisement campaigns in mass media, radio, TV and also through exhibitions gave us a better competitive advantage.

## 5. Rationalization of construction parameters to reduce costs

In line with the company's philosophy to enhance value per square feet of construction, a detailed technological analysis was made on construction materials such as tiles, plumbing materials, wooden items etc. Costing and Planning analyses were undertaken to optimize time and execution of projects. Further emphasis on new manpower structure and stress on the technicians and foreman in execution have also resulted in making our construction cost more efficient.

## Project Details

Summary of the completed and current projects as on March 31, 2010 is as follows:

### (a) Completed Projects

All of our completed residential projects are located in Bangalore and Coimbatore. The completed commercial projects are located solely in Bangalore and the contractual projects are located in eighteen cities across India.

#### i. Residential Projects

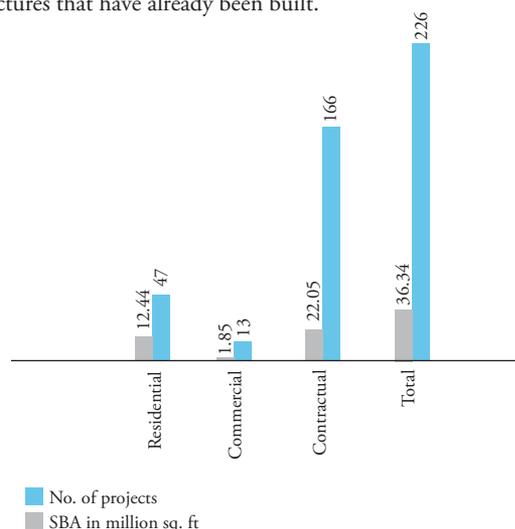
Till date we have developed and constructed 47 residential projects in Bangalore and Coimbatore aggregating 5,544 units and covering 12.44 million sq. ft. of Super Built up area.

#### ii. Commercial Projects

Our Company has till date completed a total of 13 commercial projects measuring 1.85 million sq.ft of Super Built up area

#### iii. Contractual Projects

We have completed construction of 166 projects on a contractual basis in eighteen cities, covering 22.05 million sq. ft. of Super Built up area. Typically, under a contractual assignment, we undertake to perform construction for third parties on pre-agreed terms and conditions. Our scope of work in contractual projects includes designing, civil and finishing works, electrical works, plumbing works, metal and glazing works as well as interior works. In certain cases, we undertake finishing and interiors related work on structures that have already been built.



## b) Current Projects

Currently, we are developing residential projects in four cities, commercial projects in three cities and contractual projects in ten cities across India.

### i. Residential Projects

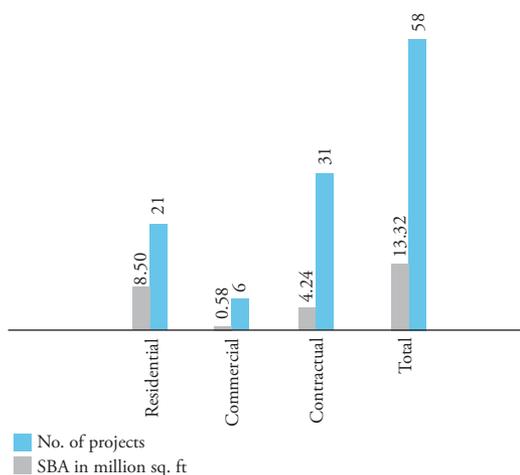
We are presently developing 21 residential projects in Bangalore, Thrissur, Coimbatore and Pune at various stages of construction, aggregating 8.50 million sq. ft. of Super Built up area comprising of 3,797 units.

### ii. Commercial Projects

We are presently developing 6 commercial projects in Bangalore, Thrissur and Coimbatore, which are at various stages of construction, aggregating 0.58 million sq. ft. of Super Built up area.

### iii. Contractual Projects

We are currently executing the construction of 31 contractual projects for various corporate and other entities in various cities such as Bangalore, Mysore, Mangalore, Hyderabad, Pune, Chennai, Trivendrum, Bhubaneshwar and Greater Noida aggregating 4.24 million sq.ft. of Super Built up area.



## I. Financial Results and Overall Business Performance of the Company

The overall performance of our company during the current financial year has been good. During the initial six months of the year, there were elements of uncertainty, but the business started picking up during the last two quarters because of positive sentiments that were prevailing in the whole business environment and the pro-active measures taken by the Company to improve the top line. The Net Sales of the Company stood at Rs. 11,139.92 million for the year ended March 31, 2010 (up 14.29% from Rs.9,747.40 million last year) and net profit before tax is Rs. 1,602.71 million for the year ended March 31, 2010(up 10.14% from Rs.1,455.23 million last year).

The summarized analysis of financial statements, viz. the Profit and Loss account and Balance Sheet is given below

## Profit and Loss Account

### 1. Income

Our Company is one of the leading real estate development and construction companies in India, which focuses on residential and contractual projects. For the purpose of analysis, its revenue can be segregated as follows:

(Rs. in Million)

Income from Operations	Year ended March 31		Growth %
	2010	2009	
Income from property development, sale of land & development rights	8,024.58	5,795.79	38.45
Income from contractual activity	2,098.73	2,299.25	(8.72)
Income from manufacturing	982.79	1,675.44	(41.34)
Share in profits of partnership firm (post tax)	67.73	68.26	-
<b>Total</b>	<b>11,173.83</b>	<b>9,838.74</b>	<b>13.57</b>

The increase in revenue was primarily on account of better sales volume and better realization from the second half of the current financial year and also due to selective monetization of land. We have achieved an overall growth of about 13.57% in the total revenue during the year. The increase in net revenue was primarily on account of improvement in real estate operations.

### 2. Other Income

Other Income has reduced from Rs.169.65 million in the year ended March 31, 2009 to Rs.52.91 million for the year ended March 31, 2010.

### 3. Expenditure

The total expenditure during the year and also the percentage of expenditure with respect to the net revenue of the year is given as follows:

(Rs. in Million)

Particulars	Year ended March 31			
	2010	%	2009	%
Revenue from operations (net)	11,139.92	100.00	9,747.40	100.00
Cost of sales	6,324.63	56.77	4,503.70	46.20
Personnel expenses	768.27	6.90	1,008.64	10.35
Operating and other expenses	1,502.72	13.49	1,537.01	15.77
Depreciation/ amortization	323.10	2.90	360.33	3.70
Financial expenses	671.40	6.03	1,052.14	10.79
<b>Total</b>	<b>9,590.12</b>	<b>86.09</b>	<b>8,461.82</b>	<b>86.81</b>

The detailed analysis of expenditure is given below

(Rs. in Million)

### 3.1 Cost of Sales

(Rs. in Million)

Particulars	Year ended		March 31	
	2010	%	2009	%
Net Revenue	11,139.92	100.00	9,747.40	100.00
<b>Cost of Sales</b>				
Land Cost	1,292.24	11.60	2,453.09	25.17
Construction cost	3,847.24	34.53	3,491.80	35.81
Raw material	665.86	5.98	957.66	9.82
Production expenses	213.15	1.91	297.67	3.06
Decrease/ (increase) in inventories	306.14	2.75	(2,696.52)	(27.66)
<b>Total Cost of Sales</b>	<b>6,324.63</b>	<b>56.77</b>	<b>4,503.70</b>	<b>46.20</b>

#### a Land Cost

Our Company, while obtaining clear and marketable titles free from all encumbrances and transfer of legal title in its name, charge the amount to land cost from loans and advances paid to the seller/ intermediary. When income is not recognized for the undivided share of land, it is transferred to work-in-progress

#### b Construction Cost

Construction cost mainly consists of materials towards civil, electrical and finishing works. Due to more number of projects (real estate) and works carried out during the year, the overall construction cost has increased to Rs. 3,847.24 million in the current year from Rs.3,491.80 million in the previous year. Further, as per our Company's accounting policy, once the materials are purchased for a project, it is charged to that particular project cost. As a result, any cost, associated with un-recognized revenue are transferred to work-in-progress.

#### c Raw Materials

The raw materials costs are reduced to Rs.665.86 million from Rs.957.66 million during the previous year. This cost includes the net materials consumed for Concrete, Interior and Glazing Divisions.

#### d Production Expenses

This expense includes the following heads of expenses for the manufacturing divisions during the year.

Particulars	Concrete Products	Interior	Glazing	Total
Direct wages	4.75	84.24	92.83	181.82
Power and fuel	5.02	9.33	2.68	17.03
Labor charges	0.17	6.83	0.04	7.04
Other direct expenses	0.01	6.24	1.01	7.26
<b>Total</b>	<b>9.95</b>	<b>106.64</b>	<b>96.56</b>	<b>213.15</b>

#### e Decrease/ (increase) in Inventories

Inventory consists of Building materials, work in progress, stock in trade-flats and finished goods at factories.

As explained earlier, the costs associated with un-recognized revenue are transferred to work-in-progress. This includes the construction cost, land cost etc. During the year inventory has decreased by Rs.306.14 million mainly due to increase in real estate sales resulting in lower inventory. The revenue from the work-in-progress will get realized in subsequent years based on the stage of completion and sales of those projects in progress.

#### 3.2 Personnel Expenses

The personnel expenses have reduced to Rs.768.27 million in the current year from Rs.1,008.64 million during last year. These expenses include salaries & bonus, contribution to funds, Gratuity & leave encashment provision, staff welfare and other expenses.

Reduction in personnel expenses was possible mainly due to reduction in manpower, higher attrition rates and improvement in productivity. The total strength has reduced from 2,082 as on March 31, 2009 to 1,852 as on March 31, 2010 resulting in a reduction of 11.04% over previous year. Personnel expenses have come down from 10.35% of the net revenue during the last year to 6.90% of the net revenue in the current year.

#### 3.3 Operating and Other Expenses

The operating expenses have reduced to Rs.1,502.72 million in the current year from Rs.1,537.01 million in the previous year. We had taken several steps to reduce our fixed costs of operation, reduce operational overheads and increase the efficiency. As a result, the operating and other expenses which were about 15.77% of net revenue during last year have come down to 13.49 % of net revenue during the current year.

(Rs. in Million)

Particulars	Year ended March 31			
	2010	%	2009	%
Net Revenue	11,139.92	100.00	9,747.40	100.00
Electricity charges	36.06	0.32	43.36	0.44
Insurance charges	17.49	0.15	21.73	0.23
Sales tax and others	509.74	4.58	419.19	4.30
Freight outwards	28.11	0.25	36.88	0.38
Donation	99.87	0.90	95.09	0.97
Registration expenses - flats	210.20	1.90	250.65	2.59
Rent	112.45	1.01	139.02	1.43
Legal and professional charges	117.21	1.05	80.67	0.83
Repairs and maintenance	25.80	0.23	31.61	0.32
Advertisement and sales promotion expenses	123.13	1.10	157.62	1.62
Travelling and conveyance	59.90	0.54	87.91	0.90
Miscellaneous expenses	162.76	1.46	173.28	1.76
<b>Total</b>	<b>1,502.72</b>	<b>13.49</b>	<b>1,537.01</b>	<b>15.77</b>

#### 4. Operating Profits (Profit before interest, depreciation and tax)

Our Company has earned an operating profit of Rs. 2,597.21 million, representing 23.30% of total revenues as compared to Rs.2,867.70 million, representing 29.42% of total revenues during the previous year. Reduction in operating profit is 9.43% over the previous year.

#### 5. Finance Expenses

Finance expenses include interest on term loans, bank loans etc and the bank charges. We have charged interest and finance charges to profit & loss account to the extent of Rs.671.40 million and Rs.1,052.14 million for the year ended March 31, 2010 and March 31, 2009 respectively. Finance expenses represented about 6.02% of total revenue in the current year as compared to 10.79% in the last year mainly due to reduction in borrowings and interest rates.

#### 6. Depreciation and Amortization

We have provided Rs.323.10 million and Rs.360.33 million towards depreciation and amortization during year ended March 31, 2010 and March 31, 2009 respectively, representing 2.90% and 3.70% of total revenue. The depreciation amount as a percentage of average gross blocks (excluding land) is 11.25 % and 12.58% for the year ended March 31, 2010 and 2009 respectively.

#### 7. Net Profit

The net profit after tax has increased from Rs.1,096.78 million for the year ended March 31, 2009 to Rs.1,366.62 million for the

year ended March 31, 2010 shows a growth rate of 24.60% in net profit over previous year.

(Rs. in Million)

Particulars	Year ended March 31	
	2010	2009
Total Revenue	11,139.92	9,747.40
PBT	1,602.71	1,455.23
PAT	1,366.62	1,096.78
PBT as % of revenue	14.39%	14.93%
PAT as % of revenue	12.27%	11.25%

Our Company has performed well under the trying circumstances and is able to improve its over all net profit rate from 11.25% of total turnover during the previous year ended March 31, 2009 to 12.27% of total turnover during the current year ended March 31, 2010.

#### Balance Sheet

With a net worth of Rs.17,084.68 million and Debt Equity Ratio of 0.85 as on March 31, 2010, our company has considerably improved our financial position and the leverage ratio in the current year. We had met all stakeholders' interests in time during the year including commitments towards repayment of loan, interest servicing to banks, financial institutions and payment of statutory dues. We had raised a significant amount through a Qualified Institutional Placement (QIP) and used its proceeds partially for the effective restructuring of its debts.

The share capital increased to Rs.980.64 million as on March 31, 2010 from Rs.729.02 million as on March 31, 2009 due to additional issue of about 25.16 million shares to Qualified Institutional Buyers (QIB) during the year. The secured loan saw a decrease of Rs.4,317.54 million from Rs. 18,783.39 million as on March 31, 2009 to Rs.14,465.85 million as on March 31, 2010. Unsecured loans were also reduced from Rs. 338.39 million as on March 31, 2009 to Rs. 74.50 million as on March 31, 2010,

Gross Fixed assets grew marginally to Rs.2,942.11 million from Rs. 2,930.22 million mainly on account of small additions in the asset class of plant and machinery, buildings, computers etc. We had adopted a conscious strategy not to incur major capex in the current year.

There were no major change in the trade and non trade investments of the company during the year other than investment in capital of partnership firm.

Deferred tax assets/liability represents timing differences in the financial and tax books primarily arising from depreciation of assets with different rates and expenditure disallowed under section 43 B of the Income Tax Act, 1961, which are allowed in the year of payment. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

Inventories were brought down from Rs.10,491.94 million as on March 31, 2009 to Rs.10,173.94 million as on March 31 2010. A major portion of inventory was attributable to work-in progress

which was reduced from Rs.10,206.96 million as on March 31, 2009 to Rs. 9,882.39 million as on March 31 2010. This has resulted in a reduction of Rs, 324.57 million in work in progress thus making it possible this year to realize the sale of said work in progress of last year.

Sundry Debtors were Rs.4,165.80 million and Rs.3,553.24 million as on March 31,2010 and March 31,2009 respectively. Since the ownership of apartments is transferred to clients upon full settlement of their dues, the company considers the debtors as good and realizable.

Advances were Rs.20,093.23 million as on March 31, 2010 as compared to Rs.18,956.30 million as on March 31, 2009. Advances are primarily towards amount paid in advance for purchase of land or for other value and services to be received in future. We consider the advances/deposits towards land as good since these advances are backed by arrangement/ memorandum of understanding / agreement executed by the company and the company/seller/intermediary in the course of obtaining clear and marketable titles free from all encumbrances.

Efforts were made during the year to reduce Sundry Debtors and advances which were old and unrecoverable. Accordingly, debtors outstanding for more than six months reduced from Rs.785.74 million as on March 31, 2009 to Rs.532.08 million. as on March 31, 2010

Cash and Bank Balances improved from Rs.210.51 million as on March 31, 2009 to Rs. 800.36 million as on March 31,2010 mostly held in current account and deposit accounts maintained at various banks. The deposit account represents deposits for short tenures and margin money towards loan escrow account and other non fund based utilization of limits.

Current Liabilities include sundry creditors for supply of materials and provision of services, bank overdraft, advance from customers and interest accrued but not due and other liabilities. This has increased from Rs.5,555.58 million as on March 31, 2009 to Rs. 5,613.19 million as on March 31, 2010 Advance from customers in current liabilities denote monies received for the delivery of final products on future dates and amount received for this income is yet to be recognized in the books of accounts.

Provisions include proposed dividend, corporate dividend tax, provision for leave encashment and gratuity, provision for taxation etc. Total Provisions were Rs.279.85 million and Rs. 537.09 million as on March 31, 2009 and March 31, 2010 respectively.

Our Company has emerged strong in its financial position during the year showing improvement in all the financial parameters of liquidity, solvency, leverage, profitability and cash flow.

## 1. Liquidity

Our Company broadly defines liquidity as its ability to generate sufficient funds from both internal and external sources to meet its obligations and commitments. Our Company has financed capital requirements primarily through funds generated from its operations, equity/equity related instruments and borrowings. Working capital requirements were met by short term borrowings and internal accruals to keep the smooth running of operations.

## 2. Debt Equity

The debt equity ratio of the Company as on March 31, 2010 is at 0.85 as compared to 1.76 as on March 31, 2009.

## 3. Cash Flow

The table below summarizes the Company's cash flow for the periods indicated:

(Rs. in Million)		
Particulars	2009-10	2008-09
Net cash generated from / (used in) operating activities	3,277.63	1,962.73
Net cash generated from / (used in) investing activities	(124.07)	(396.27)
Net cash generated from / (used in) financing activities	(2,563.71)	(1,481.89)
Net cash increase / (decrease) in cash and cash equivalents	589.85	84.57

### (i) Operating Activities

Net cash generated from operating activities was Rs. 3,277.63 million in Fiscal 2010. Net cash generated from operating activities consisted of profit before tax of Rs. 1,602.71 million as adjusted for interest expenses of Rs. 610.69 million and non-cash items such as depreciation and amortization of Rs. 323.10 million. This amount was partially offset by a decrease in cash generated from working capital movements which was primarily due to increase in debtors amounting to Rs. 612.56 million. Meanwhile, there was also Rs. 396.70 million decrease in inventory, Rs. 523.74 million decrease in loans advances and Rs. 623.57 million increase in current liabilities and provisions.

As against above, Net cash used in operating activities was Rs. 1,962.73 million in Fiscal 2009. The Company had a profit before tax of Rs. 1,455.23 million, which was adjusted for and interest expenses of Rs. 980.94 million and non-cash items such as depreciation and amortization of Rs. 360.33 million. This amount was offset by a decrease in cash generated from working capital movements which was primarily due to an increase in inventories of Rs. 1,748.14 million and an increase in loans and advances of Rs. 945.30 million and a decrease in debtors of Rs. 1,898.37million and increase in current liabilities of Rs.308.07 million.

### (ii) Investing Activities

Net cash used in investing activities was Rs. 124.07 million in Fiscal 2010. We had used Rs. 650.00 million for the purchase of investments and Rs. 139.41 million for the purchase of fixed assets, which was partially offset by Rs. 650.00 million, generated from the sale of investments.

As against above position, Net cash generated from investing activities was Rs. 396.27 million in Fiscal 2009. The company generated Rs. 570.77 million for the purchase of investments, and Rs. 412.47 million for the purchase of fixed assets, which was partially offset by Rs. 571.46 million realized from sale of investments and Rs. 12.40 million received as interest.

### **(iii) Financing Activities**

Net cash used in financing activities was Rs. 2,563.71 million in Fiscal 2010, which primarily included Rs. 6,407.21 million for the repayment of secured loans and interest payment of Rs. 2,447.98 million. There was also an outflow due to refund of share application money amounting to Rs.474.70 million. This amount was partially offset by Rs. 5,094.00 million (net of share issue expenses) coming from proceeds of issue of shares and Rs. 1,838.00 million fresh inflows from secured loans.

Net cash generated from financing activities was Rs. 1,481.89 million in Fiscal 2009, which primarily included Rs. 12,652.59 million generated from proceeds of secured loans and Rs. 614.00 million generated from proceeds of unsecured loans. This amount was partially offset by Rs. 8,262.30 million used for the payment of secured loans, Rs.3,525.23 million used for repayment of unsecured loans and Rs. 2,961.79 million used for interest payments and Rs. 473.86 million used for dividend payments.

Our Company has delivered a healthy performance, particularly viewed in the backdrop of the challenging environment it faced during the year. The outlook appears bright on the back of growth initiative taken by the Government. Infrastructure impetus in Government's spending will undoubtedly encourage the construction industry as a whole through its cascading effect.

### **J. Cautionary Statement**

Statements in the Management Discussion and Analysis describing the company's objectives, projections, estimates, expectations may be "forward looking statements" within the meaning of applicable security laws and regulations. Actual results could differ materially from those expressed or implied. In accordance with the Code of Corporate Governance approved by the Securities and Exchange Board of India, shareholders and readers are cautioned that in the case of data and information external to the company, no representation is made on its accuracy and comprehensiveness though the same are based on sources believed to be reliable. Utmost care has been taken to ensure that the opinions expressed by the management herein contain its perceptions on the material impacts on the company's operations but it is not exhaustive.

## Auditors' Report

To  
The Members of Sobha Developers Limited

1. We have audited the attached balance sheet of Sobha Developers Limited ('the Company') as at March 31, 2010 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Without qualifying our opinion, we draw attention to Note 26 under Schedule 19, regarding the purchase of material and services in the prior years from private limited companies/ firms, covered under section 297 of the Act, which require prior approval of the Central Government. In this regard, the Company has filed an application for composition of the offence and obtaining approval from the Company Law Board under Section 621A of the Act. The Company is confident of obtaining the approvals, and pending obtaining such approvals, no adjustments have been made in the financial statements.

5. Further to our comments in the Annexure referred to above, we report that:

i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

v. On the basis of the written representations received from the directors, as on March 31, 2010, and taken on record by the Board

of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and

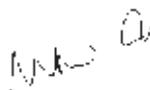
vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2010;

b) in the case of the profit and loss account, of the profit for the year ended on that date; and

c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & ASSOCIATES  
Firm registration number: 101049W  
Chartered Accountants



per Navin Agrawal  
Partner  
Membership No.: 56102

Bengaluru, India  
April 27, 2010

Annexure referred to in paragraph 3 of our report of even date  
Re: Sobha Developers Limited

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were physically verified by the management during the year and we are informed that no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) (a) As informed, the Company has granted loan to one party covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was Rs.88.44 million and the year-end balance was Rs.87.11 million. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such

loan are prima facie not prejudicial to the interest of the Company. According to the information and explanations given to us, there are no specific covenants with regard to the repayment of the loan and the Company has not demanded repayment of the loan or interest during the year, thus, there is no overdue amount and there has been no default on the part of the party to whom the money has been given.

(b) As informed, the Company has taken loan from one party covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was Rs.4.53 million and the year end balance was Rs.4.50 million. In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loan are prima facie not prejudicial to the interest of the Company. According to the information and explanations given to us, there are no specific covenants with regard to the repayment of loan. The loan taken is re-payable on demand and the repayment of the principal amount is as demanded and payment of interest has been regular.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.

(b) In respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rs.0.50 million entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.

(ix) (a) According to the records of the Company, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues towards provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, excise duty, wealth-tax, service tax, customs duty, cess and other material statutory dues applicable to it. Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, wealth-tax, service tax, sales-tax, income-tax, customs duty, excise duty and cess were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Naure of dues	Amount* (Rs. in Million)	Period to which amount relates	Forum where dispute is pending
Andhra Pradesh Sales Tax Act	Basis of charge of sales tax	5.25	2002-04	Sales tax appellate tribunal
Andhra Pradesh Sales Tax Act	Basis of charge of sales tax	1.61	2005-08	Sales Tax Appellate Tribunal
Karnataka Sales Tax Act	Basis of charge of sales tax	-	1997-04	Joint Commissioner of Commercial Taxes
Income Tax Act	Differential tax treatment	3.54	1999-01	High Court
Income Tax Act	Disallowances	27.80	2004-05	Income Tax Appellate Tribunal
Income Tax Act	Disallowances	53.33	2005-06	Commissioner of Income Tax (Appeals)
Income Tax Act	Disallowances	127.76	2006-07	Commissioner of Income Tax (Appeals)
Finance Act,1994 (Service Tax Provisions)	Basis of valuation	95.67	2006-08	Central Excise and Service Tax Appellate Tribunal
Finance Act,1994 (Service Tax Provisions)	CENVAT credit	204.11	2005-08	Central Excise and Service Tax Appellate Tribunal
Finance Act,1994 (Service Tax Provisions)	Disallowances	4.23	2002-07	Commissioner of Central Excise and Service Tax

\* Net of Rs.73.47 million, paid under protest

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, *the Company has either repaid the dues before the year-end or obtained necessary approvals from debenture holders and banks for reschedulement of dues amounting to Rs.110 million and Rs.832 million respectively, the repayment of which was delayed beyond the stipulated dates.* The Company has no overdue outstanding in respect of debenture holders and banks as at year-end. The Company has not defaulted in repayment of dues to a financial institution.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) According to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) Based on information and explanations given to us by the management, term loans (representing loans with a repayment period beyond 36 months) were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) According to the information and explanations given to us, the Company has not issued any debentures during the year. The Company had created security or charge in respect of debentures

issued in prior years, which were outstanding during the current year.

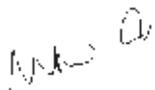
(xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable to the Company.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S.R. BATLIBOI & ASSOCIATES

Firm registration number: 101049W

Chartered Accountants



per Navin Agrawal  
Partner

Membership No.: 56102

Bengaluru, India

April 27, 2010

## Balance Sheet

(Rs. in Million)

	Schedules	Balance as at March 31	
		2010	2009
<b>SOURCES OF FUNDS</b>			
Shareholders' funds			
Share capital	1	980.64	729.02
Reserves and surplus	2	16,104.04	10,165.91
		<b>17,084.68</b>	<b>10,894.93</b>
Loan funds			
Secured loans	3	14,465.85	18,783.39
Unsecured loans	4	74.50	338.39
		<b>14,540.35</b>	<b>19,121.78</b>
		<b>31,625.03</b>	<b>30,016.71</b>
<b>APPLICATION OF FUNDS</b>			
Fixed assets	5		
Gross block		2,942.11	2,930.22
Less: Accumulated depreciation/ amortisation		1,512.97	1,198.02
Net block		1,429.14	1,732.20
Capital work in progress including capital advances		631.97	515.64
		<b>2,061.11</b>	<b>2,247.84</b>
Investments	6	429.35	361.62
Deferred tax asset (net)	19(16)	51.52	30.69
Current assets, loans and advances			
Inventories	7	10,173.94	10,491.94
Sundry debtors	8	4,165.80	3,553.24
Cash and bank balances	9	800.36	210.51
Loans and advances	10	20,093.23	18,956.30
		<b>35,233.33</b>	<b>33,211.99</b>
Less: Current liabilities and provisions			
Current liabilities	11	5,613.19	5,555.58
Provisions	12	537.09	279.85
		<b>6,150.28</b>	<b>5,835.43</b>
Net current assets		<b>29,083.05</b>	<b>27,376.56</b>
		<b>31,625.03</b>	<b>30,016.71</b>
Notes to accounts	19		

The schedules referred to above and notes to accounts form an integral part of the balance sheet.  
As per our report of even date

For S.R. BATLIBOI & ASSOCIATES  
Firm registration number: 101049W  
Chartered Accountants

per Navin Agrawal  
Partner  
Membership No: 56102

Place: Bengaluru, India  
Date: April 27, 2010

For and on behalf of the Board of Directors of Sobha Developers Limited

P.N.C. Menon  
Chairman

Ravi Menon  
Vice Chairman

J.C. Sharma  
Managing Director

S. Baaskaran  
Chief Financial Officer

Kishore Kayarat  
Company Secretary and  
Compliance Officer

Place: Bengaluru, India  
Date: April 27, 2010

## Profit and Loss Account

(Rs. in Million)

	Schedules	Year ended March 31	
		2010	2009
<b>INCOME</b>			
Income from operations	13	11,173.83	9,838.74
Less : Excise duty		33.91	91.34
Income from operations (net)		11,139.92	9,747.40
Other income	14	52.91	169.65
		<b>11,192.83</b>	<b>9,917.05</b>
<b>EXPENDITURE</b>			
Cost of sales	15	6,324.63	4,503.70
Personnel expenses	16	768.27	1,008.64
Operating and other expenses	17	1,502.72	1,537.01
Depreciation/ amortisation	5	323.10	360.33
Financial expenses	18	671.40	1,052.14
		<b>9,590.12</b>	<b>8,461.82</b>
<b>Profit before tax</b>		<b>1,602.71</b>	<b>1,455.23</b>
Provision for tax:			
Current tax		261.00	374.00
Deferred tax credit		(20.83)	(20.00)
Wealth tax		0.02	0.45
Fringe benefits tax		-	4.00
MAT Credit entitlement		(4.10)	-
<b>Profit after tax</b>		<b>1,366.62</b>	<b>1,096.78</b>
<b>Appropriations</b>			
Proposed final dividend		245.16	72.90
Corporate dividend tax - Equity		41.65	12.39
Transfer to debenture redemption reserve		-	171.00
Transfer to general reserve		140.00	
<b>Surplus carried to balance sheet</b>		<b>939.81</b>	<b>840.49</b>
<b>Earnings per share in Rs.</b>			
[Nominal value per equity share Rs.10]			
Basic and Diluted	19(7)	14.91	15.04
Notes to accounts	19		

The schedules referred to above and notes to accounts form an integral part of the profit and loss account.

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES  
Firm registration number: 101049W  
Chartered Accountants

per Navin Agrawal  
Partner  
Membership No: 56102

Place: Bengaluru, India  
Date: April 27, 2010

For and on behalf of the Board of Directors of Sobha Developers Limited

P.N.C. Menon  
Chairman

S. Baaskaran  
Chief Financial Officer

Place: Bengaluru, India  
Date: April 27, 2010

Ravi Menon  
Vice Chairman  
J.C. Sharma  
Managing Director

Kishore Kayarat  
Company Secretary and  
Compliance Officer

## Schedules to the Accounts

(Rs. in Million)

	Balance as at March 31	
	2010	2009
<b>Schedule 1 - Share capital</b>		
<b>Authorised</b>		
150,000,000 (Previous year - 150,000,000) equity shares of Rs.10 each	1,500.00	1,500.00
5,000,000 (Previous year - 5,000,000) 7% redeemable preference shares of Rs.100 each	500.00	500.00
	<b>2000.00</b>	<b>2,000.00</b>
<b>Issued, subscribed and paid-up</b>		
98,063,868 (Previous year - 72,901,733) equity shares of Rs.10 each fully paid up	980.64	729.02
<b>Of the above:</b>		
a) 42,280,960 (Previous year - 42,280,960) equity shares of Rs.10 each, were allotted as fully paid-up bonus shares by capitalisation of reserves		
b) 583,468 (Previous year - 583,468) equity shares of Rs.10 each, were issued as fully paid-up shares by pre initial public offering ['IPO'] placement		
c) 8,896,825 (Previous year - 8,896,825) equity shares of Rs.10 each, were issued as fully paid-up shares by IPO		
d) 25,162,135 (Previous year - Nil) equity shares of Rs.10 each, were issued as fully paid-up shares to qualified institutional buyers ['QIB']		
	<b>980.64</b>	<b>729.02</b>

## Schedules to the Accounts

(Rs. in Million)

	Balance as at March 31	
	2010	2009
<b>Schedule 2 - Reserves and surplus</b>		
Capital redemption reserve		
Balance as per last account	87.29	87.29
	87.29	87.29
Securities premium account		
Balance as per last account	5,638.95	5,638.95
On allotment of 25,162,135 (Previous year - Nil) equity shares to QIB	5,017.33	-
	10,656.28	5,638.95
Less: Share issue expenses	(159.01)	-
	10,497.27	5,638.95
Debenture redemption reserve		
Balance as per last account	480.00	309.00
Add: Transfer from profit and loss account	-	171.00
Less: Transfer to general reserve	(276.35)	-
	203.65	480.00
General reserve		
Balance as per last account	700.44	700.44
Add: Transfer from profit and loss account	140.00	
Add: Transfer from debenture redemption reserve	276.35	-
	1,116.79	700.44
Profit and loss account		
Balance as per last account	3,259.23	2,418.74
Add: Transfer from profit and loss account	939.81	840.49
	4,199.04	3,259.23
	<b>16,104.04</b>	<b>10,165.91</b>

## Schedules to the Accounts

(Rs. in Million)

	Balance as at March 31	
	2010	2009
<b>Schedule 3 - Secured loans</b>		
[Refer note 3 of notes to accounts for securities offered]		
Debentures	1,000.00	2,630.10
Term loans	10,768.60	12,776.63
Loans and advances from banks		
Cash credit and other facilities	2,614.96	3,185.62
Other loans and advances	82.29	178.82
Interest accrued and due	-	12.22
	<b>14,465.85</b>	<b>18,783.39</b>
<b>Schedule 4 - Unsecured loans</b>		
Commercial paper (Short-term)	-	-
[Maximum amount outstanding at anytime during the year Rs.Nil (Previous year - Rs.2,000 million)]		
Other loans and advances		
From banks	-	263.89
[Due within one year Rs.Nil (Previous year - Rs.263.89 million)]		
From others	74.50	74.50
[Due within one year Rs.60 million (Previous year - Rs.30 million)]		
	<b>74.50</b>	<b>338.39</b>

**Schedules to the Accounts**  
**Schedule 5 - Fixed assets**

(Rs. in Million)

Description	Gross block			Depreciation / amortisation				Net block	
	As at April 01, 2009	Additions	Deletions	As at March 31, 2010	As at April 01, 2009	For the year	Deletions	As at March 31, 2010	As at March 31, 2009
<b>A. Tangible assets</b>									
Freehold land	39.87	2.85	-	42.72	-	-	-	42.72	39.87
Leasehold land	26.49	-	-	26.49	-	-	-	26.49	26.49
Factory buildings	340.15	-	-	340.15	77.56	26.26	-	103.82	262.59
Other buildings	88.61	2.31	-	90.92	0.47	4.41	-	4.88	88.14
Plant and machinery	1,158.44	13.23	-	1,171.67	401.42	105.94	-	507.36	757.02
Scaffolding items	932.03	0.13	-	932.16	513.95	137.64	-	651.59	418.08
Furniture and fixtures	40.12	1.07	-	41.19	19.86	3.86	-	23.72	20.26
Vehicles	82.95	0.04	10.22	72.77	46.98	8.73	7.32	48.39	35.97
Computers	114.21	1.92	0.97	115.16	81.26	13.42	0.83	93.85	32.95
Office equipments	43.90	1.02	-	44.92	17.09	3.77	-	20.86	26.81
	<b>2,866.77</b>	<b>22.57</b>	<b>11.19</b>	<b>2,878.15</b>	<b>1,158.59</b>	<b>304.03</b>	<b>8.15</b>	<b>1,454.47</b>	<b>1,708.18</b>
<b>B. Intangible assets</b>									
Capitalised software	63.45	0.51	-	63.96	39.43	19.07	-	58.50	24.02
	<b>63.45</b>	<b>0.51</b>	<b>-</b>	<b>63.96</b>	<b>39.43</b>	<b>19.07</b>	<b>-</b>	<b>58.50</b>	<b>24.02</b>
<b>Total</b>	<b>2,930.22</b>	<b>23.08</b>	<b>11.19</b>	<b>2,942.11</b>	<b>1,198.02</b>	<b>323.10</b>	<b>8.15</b>	<b>1,512.97</b>	<b>1,732.20</b>
Previous year	2,711.28	224.92	5.98	2,930.22	841.78	360.33	4.09	1,198.02	1,732.20

1. On April 13, 2005, Karnataka Industrial Areas Development Board ('KIADB') allotted land to the Company on a lease cum sale basis until December 17, 2010, to be sold to the Company at the end of lease period upon fulfillment of certain conditions. The lease has been registered in favour of the Company. The Company is confident of fulfilling the conditions. Accordingly, the initial and subsequent lease payments in this regard have been capitalised as leasehold land.

2. Amount of borrowing cost aggregating Rs.Nil (Previous year - Rs.55.60 million) incurred during the year, is included under capital work in progress.

## Schedules to the Accounts

(Rs. in Million)

	Balance as at March 31	
	2010	2009
<b>Schedule 6 - Investments</b>		
<b>Long term investments (Unquoted, at cost)</b>		
<b>A. Trade</b>		
<i>Investment in the capital of partnership firm (Subsidiary)</i>		
Sobha City	200.00	200.00
Sobha City - Partner current account	202.37	134.64
<i>Equity shares</i>		
100,000 (Previous year - 100,000) equity shares of Re.1 each fully paid-up in Sobha Developers (Pune) Private Limited	0.10	0.10
<b>B. Other than trade</b>		
<i>Government securities</i>		
National savings certificates	0.08	0.08
<i>Equity shares</i>		
2,680,000 (Previous year - 2,680,000) equity shares of Rs.10 each fully paid-up in Sobha Renaissance Information Technology Private Limited ['SRIT']*	26.80	26.80
	<b>429.35</b>	<b>361.62</b>
Aggregate amount of unquoted investments	429.35	361.62
* The Company holds 19.70 % of the equity share capital in SRIT. There has been an erosion in the networth of SRIT. The management is of the view that the erosion in the networth of SRIT is temporary as SRIT has initiated steps to restructure its operations. The Company is confident that SRIT will achieve profitable operations in future. Further, the Company is in the process of acquiring certain intellectual property rights of software products owned by SRIT and as such considers that no provision for diminution in the value of investments is necessary and that the inter-corporate deposit of Rs. 87.11 million due from SRIT would be recovered as stipulated.		
<b>Schedule 7 - Inventories (At lower of cost and net realisable value)</b>		
Raw materials	159.72	171.58
Building materials	12.96	13.70
Work-in-progress	9,882.39	10,206.96
Stock in trade - Flats	101.22	83.29
Finished goods	17.65	16.41
	<b>10,173.94</b>	<b>10,491.94</b>

## Schedules to the Accounts

(Rs. in Million)

	Balance as at March 31	
	2010	2009
<b>Schedule 8 - Sundry debtors (Unsecured, considered good)</b>		
Debts outstanding for a period exceeding six months	532.08	785.74
Other debts*	3,633.72	2,767.50
	<b>4,165.80</b>	<b>3,553.24</b>
*Includes unbilled revenue (net of advances) for ongoing projects of Rs.2,172.29 million (Previous year - Rs.2,035.84 million)		
<b>Schedule 9 - Cash and bank balances</b>		
Cash on hand	4.23	2.68
Balances with scheduled banks (including cheques on hand)		
On current accounts	430.17	172.23
On deposit accounts	365.96	35.60
	<b>800.36</b>	<b>210.51</b>
[Including Rs.24.49 million (Previous year - Rs.14.95 million) held by banks under margin money deposit and Rs.59.28 million (Previous year - Rs.6.19 million) held towards loan escrow account]		
<b>Schedule 10 - Loans and advances (Unsecured, considered good)</b>		
Advances recoverable in cash or kind or for value to be received		
Land advance*	18,777.00	17,958.43
Others	376.52	272.19
Inter-corporate deposit	87.11	83.26
Deposits - others	796.26	516.69
Advance fringe benefits tax (net of provision)	1.38	0.84
MAT credit asset	4.10	-
Interest accrued but not due	0.01	0.16
Balances with customs, port trusts, sales tax and excise authorities	50.85	124.73
	<b>20,093.23</b>	<b>18,956.30</b>
* Advances/ deposit for land though unsecured, are considered good as the advances have been given based on arrangements/ memorandum of understanding executed by the Company and the Company/ seller/ intermediary is in the course of obtaining clear and marketable title, free from all encumbrances, including for certain properties under litigation.		



## Schedules to the Accounts

(Rs. in Million)

	Year ended March 31	
	2010	2009
<b>Schedule 14 - Other income</b>		
Interest income - Deposits [Tax deducted at source Rs.1.51 million (Previous year - Rs.2.74 million)]	7.89	12.56
Dividend from current investments (other than trade)	0.36	0.78
Foreign exchange fluctuation (net)	0.02	-
Profit on sale of fixed assets (net)	3.90	0.54
Liabilities no longer payable	-	94.79
Miscellaneous income	40.74	60.98
	<b>52.91</b>	<b>169.65</b>
<b>Schedule 15 - Cost of sales</b>		
Land cost	1,292.24	2,453.09
Construction cost		
Civil works	2,833.23	2,443.27
Electrical works	305.67	290.54
Interiors and other miscellaneous works	708.34	757.99
	3,847.24	3,491.80
Raw material		
Opening stock	171.58	254.73
Add: Purchases	654.00	874.51
Less: Closing stock	(159.72)	(171.58)
	665.86	957.66
Production expenses		
Direct wages and labour charges	188.86	252.28
Power and fuel	17.03	19.13
Other direct expenses	7.26	26.26
	213.15	297.67
Decrease/ (increase) in inventories		
Closing inventory		
- Building materials	12.96	13.70
- Work-in-progress	9,882.39	10,206.96
- Stock in trade - flats	101.22	83.29
- Finished goods	17.65	16.41

## Schedules to the Accounts

(Rs. in Million)

	Year ended March 31	
	2010	2009
Opening inventory		
- Building materials	13.70	6.80
- Work-in-progress	10,206.96	7,235.20
- Stock in trade - flats	83.29	356.08
- Finished goods	16.41	25.76
	306.14	(2,696.52)
	<b>6,324.63</b>	<b>4,503.70</b>
<b>Schedule 16 - Personnel expenses</b>		
Salaries and bonus	722.95	889.15
Contribution to provident and other defined contribution funds	28.04	50.82
Gratuity	(1.18)	14.28
Compensated absence	(4.54)	22.53
Staff welfare and other expenses	23.00	31.86
	<b>768.27</b>	<b>1,008.64</b>
<b>Schedule 17 - Operating and other expenses</b>		
Electricity charges	36.06	43.36
Insurance charges	17.49	21.73
Rates and taxes		
Sales tax	506.08	417.15
Others	3.66	2.04
Freight outwards	28.11	36.88
Donation	99.87	95.09
Registration expenses - flats	210.20	250.65
Rent	112.45	139.02
Legal and professional charges	117.21	80.67
Repairs and maintenance		
Plant and machinery	12.25	8.94
Others	13.55	22.67
Advertisement and sales promotion expenses	123.13	157.62
Travelling and conveyance	59.90	87.91
Foreign Exchange fluctuation (net)	-	0.46
Miscellaneous expenses	162.76	172.82
	<b>1,502.72</b>	<b>1,537.01</b>

(Rs. in Million)

	Year ended March 31	
	2010	2009
<b>Schedule 18 - Financial expenses</b>		
Interest*		
- On term loans and debentures	352.04	639.90
- On bank loans	242.73	331.03
- Others	15.92	10.01
Bank charges	60.71	71.20
	<b>671.40</b>	<b>1,052.14</b>
* Net of Rs.1,718.94 million (Previous year - Rs.1,730.81 million) inventorised/ capitalised for qualifying assets and reimbursements.		

## Cash Flow Statement

(Rs. in Million)

	Year ended March 31	
	2010	2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before tax	1,602.71	1,455.23
<i>Adjustments for</i>		
Share in profits of partnership firm	(67.73)	(68.26)
Depreciation/ amortisation	323.10	360.33
(Profit)/loss on sale of fixed assets	(3.90)	(0.54)
Dividend income	(0.36)	(0.78)
Interest income	(7.89)	(12.56)
Interest expense	610.69	980.94
<b>Operating profit before working capital changes</b>	<b>2,456.62</b>	<b>2,714.36</b>
<i>Movements in working capital:</i>		
(Increase)/ decrease in inventories	396.70	(1,748.14)
(Increase)/ decrease in debtors	(612.56)	1,898.37
(Increase)/ decrease in loans and advances	523.74	(945.30)
Increase/ (decrease) in current liabilities and provisions	623.57	308.07
<b>Cash generated from/ (used in) operations</b>	<b>3,388.07</b>	<b>2,227.36</b>
Direct taxes paid (net)	(110.44)	(264.63)
<b>Net cash generated from (used in)/ operating activities - (A)</b>	<b>3,277.63</b>	<b>1,962.73</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(139.41)	(412.47)
Proceeds from sale of fixed assets	6.94	2.43
Purchase of investments	(650.00)	(570.77)
Purchase of investments in associate	-	(0.10)
Sale of investments	650.00	571.46
Interest received	8.04	12.40
Dividends received	0.36	0.78
<b>Net cash (used in)/ from investing activities - (B)</b>	<b>(124.07)</b>	<b>(396.27)</b>

## Cash Flow Statement

(Rs. in Million)

	Year ended March 31	
	2010	2009
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from share application money (pending refund)	-	474.70
Refund of share application money	(474.70)	-
Proceeds from issue of shares (net)	5,094.00	-
Proceeds from secured loans	1,838.00	12,652.59
Repayment of secured loans	(6,407.21)	(8,262.30)
Proceeds from unsecured loans	-	614.00
Repayment of unsecured loans	-	(3,525.23)
Interest paid (gross)	(2,447.98)	(2,961.79)
Dividends paid	(72.43)	(473.86)
Tax on dividend paid	(93.39)	-
<b>Net cash (used in)/ from financing activities - ( C )</b>	<b>(2,563.71)</b>	<b>(1,481.89)</b>
<b>Net increase/ (decrease) in cash or cash equivalents - (A+B+C)</b>	<b>589.85</b>	<b>84.57</b>
Cash and cash equivalents as at beginning of the year	210.51	125.94
<b>Cash and cash equivalents as at the end of the year</b>	<b>800.36</b>	<b>210.51</b>
<b>Components of cash and cash equivalents*</b>		
Cash on hand	4.23	2.68
Balances with scheduled banks		
On current accounts	430.17	172.23
On deposit accounts	365.96	35.60
	<b>800.36</b>	<b>210.51</b>
* Cash and cash equivalents as at March 31, 2010 include restricted cash and bank balances of Rs.83.77 million (Previous year - Rs.21.14 million)		

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES  
Firm registration number: 101049W  
Chartered Accountants

per Navin Agrawal  
Partner  
Membership No: 56102

Place: Bengaluru, India  
Date: April 27, 2010

For and on behalf of the Board of Directors of  
Sobha Developers Limited

P.N.C. Menon  
Chairman

S. Baaskaran  
Chief Financial Officer

Place: Bengaluru, India  
Date: April 27, 2010

Ravi Menon  
Vice Chairman

Kishore Kayarat  
Company Secretary and  
Compliance Officer

J.C. Sharma  
Managing Director

## Schedule 19: Notes to accounts

### 1. Background

Sobha Developers Limited ('Company' or 'SDL') was incorporated on August 7, 1995. SDL is a leading real estate developer engaged in the business of construction, development, sale, management and operation of all or any part of townships, housing projects, commercial premises and other related activities. The Company is also engaged in manufacturing activities related to interiors, glazing and metal works and concrete products which also provides backward integration to SDL's turnkey projects.

### 2. Statement of significant accounting policies

#### a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the accounting standards notified by Companies (Accounting Standards) Rules 2006, (as amended) and the relevant provisions of the Companies Act, 1956 ("the Act"). The financial statements have been prepared under the historical cost convention on an accrual basis in accordance with accounting principles generally accepted in India. The accounting policies have been consistently applied by the Company and are consistent with those used in previous year.

#### b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Significant estimates used by the management in the preparation of these financial statements include computation of percentage completion for projects in progress, project cost, revenue and saleable area estimates, estimates of the economic useful lives of fixed assets, provisions for bad and doubtful debts. Any revision to accounting estimates is recognised prospectively.

#### c) Fixed assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Borrowing costs relating to acquisition of fixed assets which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

#### d) Depreciation/ amortisation

Depreciation on assets is provided using written down value method at the rates prescribed under schedule XIV

of the Companies Act, 1956, which is also estimated by the management to be the estimated useful lives of the assets.

Steel scaffolding items are depreciated using straight line method over a period of 6 years, which is estimated to be the useful life of the asset.

Assets individually costing less than or equal to Rs.5,000 are fully depreciated in the year of purchase.

Leasehold land and leasehold improvements are amortised over the remaining primary period of lease or their estimated useful life, whichever is shorter, on a straight-line basis.

Intangible assets – Expenditure incurred on software is amortised using straight line method over a period of 3 years, which is estimated to be the useful life of the asset.

#### e) Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/ external factors. If any such indication exists, the Company estimates the recoverable amount of the asset. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

#### f) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Other initial direct costs are capitalised.

#### g) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

## **h) Inventories**

### ***Related to contractual and real estate activity***

Direct expenditure relating to construction activity is inventorised. Indirect expenditure (including borrowing costs) during construction period is inventorised to the extent the expenditure is related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is neither related to the construction activity nor is incidental thereto is charged to the profit and loss account. Cost incurred/ items purchased specifically for projects are taken as consumed as and when incurred/ received.

i. Work-in-progress - Contractual: Cost of work yet to be certified/ billed, as it pertains to contract costs that relate to future activity on the contract, are recognised as contract work-in-progress provided it is probable that they will be recovered.

ii. Work-in-progress - Real estate projects: Represents cost incurred in respect of unsold area of the real estate development projects or cost incurred on projects where the revenue is yet to be recognised.

iii. Finished goods - Flats: Valued at lower of cost and net realisable value.

iv. Finished goods - Plots: Valued at lower of cost and net realisable value.

v. Building materials purchased, not identified with any specific project are valued at cost determined on a weighted average basis.

### ***Related to manufacturing activity***

i. Raw materials are valued at lower of cost and net realisable value. Cost is determined based on a weighted average basis.

ii. Work-in-progress and finished goods are valued at lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. However, inventory held for use in production of finished goods is not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

## **i) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Income from operations (gross) is gross of sales tax/ value added tax and net of adjustment on account of cancellation/ returns.

## **i. Recognition of revenue from contractual projects**

Revenue from fixed price contractual projects is recognised on the basis of completion of a physical proportion of the contract work/ based upon the contracts/ agreements entered into by the Company with its customers.

## **ii. Recognition of revenue from real estate projects**

Revenue from real estate projects is recognised when it is reasonably certain that the ultimate collection will be made and that there is buyers' commitment to make the complete payment.

### **a. Recognition of revenue from property development**

#### **Recognition of revenue from construction activity**

Revenue from real estate under development/ sale of developed property is recognised upon transfer of all significant risks and rewards of ownership of such real estate/ property, as per the terms of the contracts entered into with buyers, which generally coincides with the firming of the sales contracts/ agreements, except for contracts where the Company still has obligations to perform substantial acts even after the transfer of all significant risks and rewards. In such cases, the revenue is recognised on percentage of completion method, when the stage of completion of each project reaches a significant level which is estimated to be at least 25% of the total estimated construction cost of the project. Revenue is recognised in proportion that the contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs. Land costs are not included for the purpose of computing the percentage of completion.

#### **Recognition of revenue from sale of undivided share of land [group housing]**

Revenue from sale of undivided share of land [group housing] is recognised upon transfer of all significant risks and rewards of ownership of such real estate/ property, as per the terms of the contracts entered into with buyers, which generally coincides with the firming of the sales contracts/ agreements and/ or minimum level of collection of dues from the customer.

#### **Recognition of revenue from sale of villa plots**

Revenue from sale of villa plots is recognised upon transfer of all significant risks and rewards of ownership of such real estate/ property, as per the terms of the contracts entered into with buyers, which generally coincides with the firming of the sales contracts/ agreements.

Revenue from real estate projects include charges collected from clients towards registration, electricity and water charges, property taxes, khata charges and other charges, which are accounted based upon the contracts/ agreements entered into by the Company with its customers.

**b. Recognition of revenue from sale of land and development rights**

Revenue from sale of land and development rights is recognised upon transfer of all significant risks and rewards of ownership of such real estate/ property, as per the terms of the contracts entered into with buyers, which generally coincides with the firming of the sales contracts/ agreements.

**iii. Recognition of revenue from manufacturing division**

Revenue from sale of materials is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer which coincides with dispatch of goods to the customers. Excise duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arising during the year. Service income is recognised on the basis of completion of a physical proportion of the contract work/ based upon the contracts/ agreements entered into by the Company with its customers.

**iv. Dividend income**

Revenue is recognised when the shareholders' or unitholders' right to receive payment is established by the balance sheet date.

**v. Share in profits of partnership firm investments**

The Company's share in profits from a firm where the Company is a partner, is recognised on the basis of such firm's audited accounts, as per terms of the partnership deed.

**vi. Interest income**

Income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

**j) Foreign currency translation**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Foreign currency monetary items are reported using the closing rate. Exchange differences arising on the settlement of monetary items or on reporting monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

The Company uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. The premium or discount on forward exchange contracts is recognised in the profit and loss account over the period of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored.

**k) Taxes**

Tax expense comprises of current, deferred and fringe benefits tax.

Current income tax and fringe benefits tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits. At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised.

Minimum Alternative tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying

amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

The Company provides for and discloses the fringe benefits tax (FBT) in accordance with the provisions of section 115WC of the Income Tax Act, 1961. The Finance Act, 2009 has withdrawn FBT with effect from April 1, 2009.

#### **l) Retirement and other employee benefits**

Retirement benefits in the form of provident fund is a defined contribution scheme and the contributions are charged to the profit and loss account of the year when the contributions to the provident fund are due. There are no other obligations other than the contribution payable to the government administered provident fund.

The Company makes contributions to Sobha Developers Employees Gratuity Trust ('the trust') to discharge the gratuity liability to employees. Payments to the trust are charged to the profit and loss account in the year of payment. Provision towards gratuity, defined benefit plan, is made for the difference between actuarial valuation by an independent actuary and the fund balance, as at the year-end. The actuarial valuation is performed using the projected unit credit method.

Provision in respect of compensated absences is made based on the extent of leave credit available to the employees as at the year end. Short-term compensated absences are provided for on based on estimates. Long-term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

Actuarial gains/ losses are immediately taken to profit and loss account and are not deferred.

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period for which the services are rendered by the employee.

#### **m) Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

#### **n) Provisions**

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

#### **o) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **p) Borrowing costs**

Borrowing costs relating to acquisition/ construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use/ sale. All other borrowing costs not eligible for inventorisation/ capitalisation are charged to revenue.

#### **q) Land**

Advances paid by the Company to the seller/ intermediary toward outright purchase of land is recognised as land advance under loans and advances during the course of obtaining clear and marketable title, free from all encumbrances and transfer of legal title to the Company, whereupon it is transferred to work-in-progress.

Deposits paid by the Company to the seller towards right for development of land in exchange of constructed area are recognised as land advance under loans and advances, unless they are non-refundable, wherein they are transferred to work-in-progress on the launch of project.

The Company has entered into agreements with land owners/ possessor to develop properties on such land in lieu which, the Company has agreed to transfer certain percentage of constructed area. The development and transfer of constructed area in exchange of such development rights/ land is being settled on a net basis.

### 3. Details of secured loans and securities offered

(Rs. in Million)

Details of securities offered	Year ended March 31	
	2010	2009
<b>Debentures</b>		
Secured by equitable mortgage of certain lands of the Company	1,000.00	2,630.10
<b>Term loans</b>		
Secured by equitable mortgage of land and building, receivables and inventory of specific real estate projects, lease hold rights in respect of the factory land and building and hypothecation of plant and machinery and inventory of specific real estate/ contractual projects.	10,768.60	12,776.63
<b>Other loans</b>		
<b>From banks</b>		
<i>Cash credit and other facilities</i>		
Secured by hypothecation of receivables of specific real estate and contractual projects, equitable mortgage of land and building of specific real estate projects and hypothecation of stock of building materials.	2,614.96	3,185.62
<b>From others</b>		
<i>Vehicle/ equipment loan</i>		
Secured by specific assets / vehicles.	82.29	178.82
	<b>14,465.85</b>	<b>18,771.17</b>

Note: All the above loans except to the extent of Rs.3,025.13 million ( Previous year - Rs.4,999.09 million) have been personally guaranteed by certain directors of the Company.

### 4. Details of collateral securities offered by group companies in respect of loans availed by the Company

(Rs. in Million)

Name of Company	Nature of loan	Nature of security	Year ended March 31	
			2010	2009
Sobha Inncity Technopolis Private Limited	Term loans	Equitable mortgage of land and building	-	516.05
Sobha Inncity Technopolis Private Limited	Cash credit	Equitable mortgage of land and building	483.70	485.33
Sobha Interiors Private Limited	Term loans	Equitable mortgage of lease hold rights in respect of the factory land and building	80.00	125.00
Bikasa Realtors Private Limited	Term loans	Equitable mortgage of land	100.00	500.00
Daram Cyber Properties Private Limited	Term loans	Equitable mortgage of land	-	480.00
Greater Cochin Cyber City Private Limited	Term loans	Equitable mortgage of land	-	480.00
Greater Cochin Developers Private Limited	Term loans	Equitable mortgage of land	-	480.00
Greater Cochin Properties Private Limited	Term loans	Equitable mortgage of land	-	480.00
Perambakkam Builders Private Limited	Term loans	Equitable mortgage of land	100.00	500.00

(Rs. in Million)

Name of Company	Nature of loan	Nature of security	Year ended March 31	
			2010	2009
SBG Housing Private Limited	Term loans	Equitable mortgage of land	500.00	500.00
Sengadu Builders Private Limited	Term loans	Equitable mortgage of land	100.00	500.00
Sengadu Developers Private Limited	Term loans	Equitable mortgage of land	100.00	500.00
Sengadu Properties Private Limited	Term loans	Equitable mortgage of land	100.00	500.00
Sobha Glazing & Metal Works Private Limited	Term loans	Equitable mortgage of leasehold rights in respect of factory, land & building	1,000.00	1,000.00
Vayaloor Properties Private Limited	Term loans	Equitable mortgage of land	2,000.00	2,000.00
Vayaloor Builders Private Limited	Term loans	Equitable mortgage of land	2,000.00	2,000.00
Vayaloor Developers Private Limited	Term loans	Equitable mortgage of land	2,000.00	2,000.00
Vayaloor Real Estate Private Limited	Term loans	Equitable mortgage of land	2,000.00	2,000.00
Valasai Vettikadu Realtors Private Limited	Term loans	Equitable mortgage of land	2,000.00	2,000.00
Megatech Software Private Limited	Debentures	Equitable mortgage of land	-	1,000.00
Mannur Real Estate Private Limited	Debentures	Equitable mortgage of land	-	1,000.00
Kilai Builders Private Limited	Debentures	Equitable mortgage of land	-	1,000.00
Tirur Cyber City Developers Private Limited	Debentures	Equitable mortgage of land	-	1,000.00
Kilai Properties Private Limited	Debentures	Equitable mortgage of land	-	1,000.00
Tirur Cyber Real Estates Private Limited	Debentures	Equitable mortgage of land	-	1,000.00
Kilai Super Developers Private Limited	Debentures	Equitable mortgage of land	-	1,000.00
Thakazhi Realtors Private Limited	Debentures	Equitable mortgage of land	-	1,000.00
Thakazhi Developers Private Limited	Debentures	Equitable mortgage of land	-	1,000.00
Megatech Software Private Limited	Term loans	Equitable mortgage of land	275.00	-
Tirur Cyber City Developers Private Limited	Term loans	Equitable mortgage of land	275.00	-
Thakazhi Developers Private Limited	Term loans	Equitable mortgage of land	275.00	-
Kuthavakkam Developers Private Limited	Term loans	Equitable mortgage of land	250.00	-
Kuthavakkam Properties Private Limited	Term loans	Equitable mortgage of land	250.00	-
Allapuzha Fine Real Estate Private Limited	Cash credit	Equitable mortgage of land	976.00	-
Rusoh Modern Properties Private Limited	Cash credit	Equitable mortgage of land	976.00	-
Mapedu Realtors Private Limited	Cash credit	Equitable mortgage of land	976.00	-
Chikamangaloor Properties Private Limited	Cash credit	Equitable mortgage of land	976.00	-

**5. Redeemable non-convertible debentures amounting to Rs.1,000 million (Previous year - Rs.2,630.10 million) are to be redeemed in cash on the following dates**

(Rs. in Million)

Particulars	Interest rate	Redemption date	Redemption amount March 31, 2010
LIC Mutual Fund 5 certificates of Rs.10 million each	Rate 12.25%	26-Jul-10	50.00
LIC Mutual Fund 5 certificates of Rs.10 million each	Rate 12.25%	26-Aug-10	50.00
LIC Mutual Fund 15 certificates of Rs.10 million each	Rate 12.25%	26-Sep-10	150.00
LIC 25 certificates of Rs.10 million each	Rate 12.00%	11-Jun-10	250.00
LIC 25 certificates of Rs.10 million each	Rate 12.00%	11-Sep-10	250.00
LIC 25 certificates of Rs.10 million each	Rate 12.00%	11-Dec-10	250.00

Particulars	Interest rate	Redemption date	Redemption amount March 31, 2009
DSP Black Rock Mutual Fund 25 certificates of Rs.10 million each	Rate 11.90%	29-May-09	250.00
LIC Mutual Fund 45 certificates of Rs.10 million each	Rate 12.25%	Various dates	450.00
DSP Black Rock Mutual Fund 75 certificates of Rs.10 million each	Rate 11.10%	08-Jan-10	750.00
Kotak Mahindra Asset Management Company Limited 18 certificates of Rs.10 million each	Rate 12.00%	11-Sep-09	180.10
LIC Mutual Fund 100 certificates of Rs.10 million each	Floor rate 10.70% Cap rate 10.80%	11-May-09	1,000.00

**6. Related party disclosure**

**a. List of related parties**

**Subsidiaries**

*Direct Subsidiaries*  
Sobha City

*Subsidiaries of Sobha City*

Vayaloor Properties Private Limited  
Vayaloor Builders Private Limited  
Vayaloor Developers Private Limited  
Vayaloor Real Estate Private Limited  
Vayaloor Realtors Private Limited  
Valasai Vettikadu Realtors Private Limited

**Key management personnel**

Mr. P. N. C. Menon  
Mr. Ravi Menon  
Mr. J. C. Sharma  
Mr. Ramakrishnan P [from January 29, 2010]

Mr. S. Baaskaran

Mr. N. Venkatramani [upto July 29, 2009]

Mr. Kishore Kayarat [from July 29, 2009]

Mr. P. Kanodia [upto June 14, 2008]

Mr. K. Suresh [upto August 2, 2008]

Mr. Sumit Keshan [from July 11, 2008 to  
December 12, 2008]

Mrs. Sobha Menon [upto January 31, 2009]

**Relatives of key management personnel**

Mrs. Sobha Menon

Mr. Shine V. Nair

Mr. P. N. Haridas

Mr. P. N. K. Mani

## Other Related Parties [Enterprise owned or significantly influenced by key management personnel/ the Company]

Allapuzha Fine Real Estate Private Limited	Sobha Renaissance Information Technology Private Limited
Bikasa Properties Private Limited	Sobha Space Private Limited
Bikasa Realtors Private Limited	Sobha Technocity Private Limited
Chauma Properties and Construction Private Limited	Sri Kurumba Trust
Chikamangaloor Properties Private Limited	Sunbeam Projects Private Limited
Cochin Cyber City Private Limited	Technobuild Developers Private Limited
Cochin Cyber Golden Properties Private Limited	Thakazhi Developers Private Limited
Cochin Cyber Value Added Properties Private Limited	Thakazhi Realtors Private Limited
Cochin Super City Developers Private Limited	Tirur Cyber City Developers Private Limited
Daram Cyber Developers Private Limited	Tirur Cyber Real Estates Private Limited
Daram Cyber Properties Private Limited	
Daram Land Real Estate Private Limited	
Furniture Makers Limited Company, LLC	
Greater Cochin Cyber City Private Limited	
Greater Cochin Developers Private Limited	
Greater Cochin Properties Private Limited	
Greater Cochin Realtors Private Limited	
HBR Consultants Private Limited	
Hill and Menon Securities Private Limited	
Indeset Building Materials LLC	
Indeset Trading and Decorations Services LLC	
Kilai Builders Private Limited	
Kilai Properties Private Limited	
Kilai Super Developers Private Limited	
Kuthavakkam Developers Private Limited	
Kuthavakkam Properties Private Limited	
Lotus Manpower Consultants Services Private Limited [upto September 30, 2008]	
Lotus Manpower Services [upto September 30, 2008]	
Mannur Real Estate Private Limited	
Mapedu Realtors Private Limited	
Megatech Software Private Limited	
Moolamcode Traders Private Limited	
Oman Builders Private Limited.	
Padmalochana Enterprises Private Limited	
Pallavur Projects Private Limited	
Perambakkam Builders Private Limited	
Puzhakkal Developers Private Limited	
Red Lotus Facility Services Private Limited [upto September 30, 2008]	
Red Lotus Metal Works Facilities & Services Private Limited [upto September 30, 2008]	
Red Lotus Realtors Private Limited	
Royal Interiors Private Limited	
Rusoh Modern Properties Private Limited	
SBG Housing Private Limited	
Sengadu Builders Private Limited	
Sengadu Developers Private Limited	
Sengadu Properties Private Limited	
Services and Trading Co. LLC	
Sobha Applied DSP Private Limited	
Sobha Contracting LLC (Dubai)	
Sobha Contracting Private Limited [upto September 30, 2008]	
Sobha Developers (Pune) Private Limited [associate w.e.f June 26, 2008 and 19% holding w.e.f December 28, 2008]	
Sobha Electro Mechanical Private Limited	
Sobha Glazing & Metal Works Private Limited	
Sobha Innercity Technopolis Private Limited	
Sobha Interiors Private Limited	
Sobha Jewellery Private Limited	
Sobha Projects & Trade Private Limited	

**b. Transactions with related parties**

(Rs. in Million)

Description of the nature of transaction	Description of relationship	Related party	March 31, 2010	March 31, 2009
Sale of goods and services	Subsidiary	Sobha City	410.20	333.93
	Other related parties	Sri Kurumba Trust	4.51	6.52
		Sobha Projects & Trade Private Limited	-	0.09
		Services and Trading Co. LLC	-	0.54
		Sobha Developers (Pune) Private Limited	-	980.00
Income from property development	Key management personnel	Mr. J. C. Sharma	2.81	2.79
Interest recharge	Other related parties	Technobuild Developers Private Limited	901.38	809.98
Interest received	Other related parties	Sobha Renaissance Information Technology Private Limited	4.45	8.87
Purchase of goods and contractual services and reimbursement of expenses	Other related parties	Sobha Projects & Trade Private Limited	33.33	56.71
		Red Lotus Facility Services Private Limited*	-	53.71
		Red Lotus Metal Works Facilities & Services Private Limited*	-	45.51
		Puzhakkal Developers Private Limited	-	9.54
		Sobha Glazing & Metal Works Private Limited	-	5.51
		Sobha Contracting Private Limited*	-	43.46
		Lotus Manpower Services*	-	185.44
		Lotus Manpower Consultants Services Private Limited*	-	192.78
		Sobha Renaissance Information Technology Private Limited	-	8.45
	Relative of key management personnel	Mr. P.N.K. Mani	-	0.38
Share in profits of partnership firm	Subsidiary	Sobha City	67.73	68.26
Directors' remuneration	Key management personnel	Mr. P.N.C. Menon	21.76	25.81
		Mr. Ravi Menon	19.92	19.47
		Mr. J.C. Sharma	34.01	27.06
		Mr. Ramakrishnan P	0.48	-
Dividend paid	Key management personnel	Mr. P. N. C. Menon	16.49	107.18
		Mr. P. N. C. Menon and Mrs. Sobha Menon (Jointly held shares)	5.49	35.71
		Mr. J. C. Sharma	0.07	0.59
	Relatives of key management personnel	Mrs. Sobha Menon	41.35	268.76

(Rs. in Million)

Description of the nature of transaction	Description of relationship	Related party	March 31, 2010	March 31, 2009
Salary (including perquisites)	Key management personnel	Mr. K. Suresh	-	1.34
		Mr. P. Kanodia	-	1.04
		Mr. Sumit Keshan	-	1.64
		Mr. N.Venkatramani	0.88	3.83
		Mr. Kishore Kayarat	0.65	-
		Mr. S. Baaskaran	2.93	2.84
	Relatives of key management personnel	Mr. P.N. Haridas	0.63	0.65
		Mr. Shine V. Nair	-	2.50
Interest paid	Relatives of Key management personnel	Mrs. Sobha Menon	0.54	0.54
Donation paid	Other related parties	Sri Kurumba Trust	90.40	69.60
Purchase of land	Other related parties	Technobuild Developers Private Limited	260.00	-
Advance paid	Other related parties	Sri Kurumba Trust	-	50.00
		Sobha Space Private Limited	41.98	-
		Sobha Developers (Pune) Private Limited	14.87	-
Advance refund	Other related parties	Sri Kurumba Trust	-	50.00
Rent paid	Other related parties	Sobha Interiors Private Limited	12.14	0.30
		Sri Kurumba Trust	-	0.11
		Sobha Glazing & Metal Works Private Limited	4.76	0.30
	Relatives of key management personnel	Mrs. Sobha Menon	0.67	0.67
Inter-corporate deposit	Other related parties	Sobha Renaissance Information Technology Private Limited	87.11	83.26
Land advance	Other related parties	Technobuild Developers Private Limited	7,789.68	6,963.08
		SBG Housing Private Limited	165.41	165.41
Rent deposit paid	Other related parties	Sobha Glazing & Metal Works Private Limited	105.96	110.00
		Sobha Interiors Private Limited	269.84	280.00

(Rs. in Million)

Description of the nature of transaction	Description of relationship	Related party	March 31, 2010	March 31, 2009
Balance receivable	Subsidiary	Sobha City - Partner current account	202.37	134.64
	Other related parties	Sobha Projects & Trade Private Limited	-	16.83
		Chauma Properties and Construction Private Limited	0.02	8.81
		Puzhakkal Developers Private Limited	2.97	2.97
		Lotus Manpower Consultants Services Private Limited*	-	4.18
		Lotus Manpower Services*	-	18.43
		Sobha Contracting LLC (Dubai)	4.76	4.57
		Services and Trading Co. LLC	-	0.05
		Sri Kurumba Trust	4.54	0.04
		Sobha Space Private Limited	33.97	-
		Sobha Developers (Pune) Private Limited	95.12	80.25
Balance payable	Other related parties	Royal Interiors Private Limited	10.12	10.13
		Sobha Interiors Private Limited	1.34	3.02
		Oman Builders Private Limited	11.46	25.83
		Sobha Glazing & Metal Works Private Limited	10.93	11.97
		Sobha Projects & Trade Private Limited	8.47	-
		Sobha Contracting Private Limited*	-	0.14
		Sobha Inncity Technopolis Private Limited	0.32	2.63
		Sobha Technocity Private Limited	1.02	-
		Sobha Space Private Limited	-	7.36
	Subsidiary	Sobha City	118.48	143.73
	Key management personnel	Mr. P. N. C. Menon	-	133.19
		Mr. J. C. Sharma	21.17	0.10
	Relatives of key management personnel	Mrs. Sobha Menon	7.96	350.18
Mr. P. N. K. Mani		-	0.03	

Also, refer note 3 (Schedule 19) as regards loans personally guaranteed by certain directors of the Company and refer note 4 (Schedule 19) as regards collateral securities offered by group companies in respect of loans availed by the Company.

\* - Transactions upto September 30, 2008

## 7. Earnings per share ['EPS']

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Profit after tax attributable to shareholders	1,366.62	1,096.78
Weighted average number of equity shares of Rs.10 each outstanding during the period used in calculating basic and diluted EPS	91,652,694	72,901,733

During the year ended March 31, 2009, the Company had received an amount of Rs.475 million from the promoters as advance towards share subscription amount with regard to the proposed rights issue. The Company had obtained an approval from the Reserve Bank of India to refund the aforementioned advance by September 30, 2009. As the Company intended to refund the advance share subscription amount, it had been disclosed under Current liabilities and accordingly, diluted EPS had been calculated on the outstanding equity shares, without considering dilutive effect of advance share subscription amount. The amount has been refunded during the year ended March 31, 2010.

## 8. Leases

### a. Assets taken on lease

Operating lease obligations: The Company has taken office, other facilities and other equipments under cancelable and non-cancelable operating leases, which are renewable on a periodic basis with escalation as per agreement.

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Lease payments recognised as an expense in profit and loss account	112.45	139.02

Minimum lease payments outstanding in respect of these lease for non-cancelable period are as follows:-

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Not later than one year	33.57	21.82
Later than one year and not later than five years	81.00	24.47
Later than five years	286.35	-
	<b>400.92</b>	<b>46.29</b>

## 9. Capital commitments

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	25.27	17.45

## 10. Donation to political parties

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Congress (I)	0.01	0.01
Bhartiya Janata Party	5.25	12.50
Communist Party of India (M)	0.27	0.18
Others (Comprising of Communist Party of India, Janatha Dal United, United Democratic Front, Left Democratic Front, Bahujan Samaj Party)	0.22	0.51
	<b>5.75</b>	<b>13.20</b>

## 11. Provisions and contingencies

### a. Provisions

(Rs. in Million)

Class of provisions	Balance as at April 1, 2009	Additions	Amount utilised	Balance as at March 31, 2010
Provision - others	-	-	-	-
(Previous year)	285.20	-	285.20	-

#### Nature of provisions

The Company provides for warranties and expected cost for completed projects, based on technical evaluation and past experience of meeting such obligations.

### b. Contingent liabilities not provided for

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
i. Guarantees and counter guarantees given by the Company	677.09	442.71
ii. Income tax matters in dispute	226.94	99.17
iii. Sales tax matters in dispute	60.51	81.60
iv. Service tax matters in dispute	939.59	741.78
	<b>1,904.13</b>	<b>1,365.26</b>

#### Note:

The Company is also involved in certain litigation for lands acquired by it for construction purposes, either through joint development agreements or through outright purchases. These cases are pending with various courts and are scheduled for hearings. After considering the circumstances and legal advice received, management believes that these cases will not adversely effect its financial statements.

## 12. Employee benefits

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for gratuity benefit

### Profit and loss account

Net employee benefit expense (recognised in personnel cost)

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Current service cost	13.47	13.34
Interest cost on benefit obligation	3.40	2.97
Expected return on plan assets	(1.65)	(1.74)
Net actuarial loss/ (gain) recognised	(16.40)	(0.29)
<b>Net benefit expense</b>	<b>(1.18)</b>	<b>14.28</b>

**Balance sheet**

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Defined benefit obligation	38.21	37.70
Fair value of plan assets	23.07	21.38
<b>Plan (asset)/liability</b>	<b>15.14</b>	<b>16.32</b>
<b>Changes in the present value of the defined benefit obligation</b>		
Opening defined benefit obligation	37.70	25.08
Interest cost	3.40	2.97
Current service cost	13.47	13.34
Benefits paid	(1.61)	(2.70)
Actuarial (gains)/losses on obligation	(14.75)	(0.99)
<b>Closing defined benefit obligation</b>	<b>38.21</b>	<b>37.70</b>
<b>Changes in the fair value of plan assets</b>		
Opening fair value of plan assets	21.38	23.04
Expected return	1.65	1.74
Contributions by employer	-	-
Benefits paid	(1.61)	(2.70)
Actuarial gains / (losses)	1.65	(0.70)
<b>Closing fair value of plan assets</b>	<b>23.07</b>	<b>21.38</b>
<b>Actual return on plan assets</b>		
Expected return on plan assets	1.65	1.74
Actuarial gain/ (loss) on plan assets	1.65	(0.70)
<b>Actual return on plan assets</b>	<b>3.30</b>	<b>1.04</b>
<b>Investment details of plan assets</b>		
Investment with insurer - 100% in debt instruments		
<b>The principal assumptions used in determining gratuity obligation</b>		
Discount rate	7.50%	6.75%
Expected rate of return on assets	8.00%	8.00%
The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.		
Increase in compensation cost	5.00%	10.00%

(Rs. in Million)

Experience adjustment	March 31, 2010	March 31, 2009	March 31, 2008
Defined benefit obligation	38.21	37.70	25.08
Plan asset	23.07	21.38	23.04
Surplus / (deficit)	15.14	16.32	2.04
Experience adjustments on plan liabilities	9.97	(2.13)	(6.98)
Experience adjustments on plan assets	1.65	(0.70)	0.36

**Notes:**

i. The Company expects to contribute Rs.7 million (Previous year - Rs.10 million) to the trust towards gratuity fund in 2010-11.

ii. A limited revision to AS 15 (revised) allows an entity to make disclosures required by paragraph 120(n) of AS 15 (revised) prospectively from the transition date.

iii. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other several factor such as supply and demand factor in the employment market. Employee turnover varies based on various age groups.

**13. Segment reporting**

As the Company operates on a backward integration model and its business activity primarily falls within a single business segment which constitutes real estate development, there are no additional disclosures to be provided under Accounting Standard 17 'Segment Reporting'. The Company operates primarily in India and there is no other significant geographical segment.

**14. Details of utilisation of net proceeds from equity shares of the Company to QIB during the year ended March 31, 2010**

(Rs. in Million)

Particulars	March 31, 2010
Gross proceeds	5,269
Less: Expenses incurred (gross of service tax)	175
Net proceeds	<b>5,094</b>
Utilisation	
Repayment of loans	3,995
Working capital	935
Interest payments	144.00
Refund of share application money	20.00
	<b>5,094.00</b>

**15. Amounts due from companies under the same management as defined in sub-section (1-B) of Section 370 of the Companies Act, 1956, are as under:**

(Rs. in Million)

Particulars	March 31, 2010		March 31, 2009	
	Closing balance	Maximum amount due	Closing balance	Maximum amount due
<b>- Included under loans and advances</b>				
Sobha Projects & Trade Private Limited	-	22.44	16.83	16.83
Sobha Renaissance Information Technology Private Limited	87.11	88.44	83.26	83.26
Hill and Menon Securities Private Limited	-	-	-	0.14
Sobha Electro Mechanical Private Limited	-	-	-	0.14
Sobha Aviation And Engineering Services Private Limited	-	-	-	0.76
Sobha Space Private Limited	33.97	33.97	-	-
Services and Trading Co. LLC	-	0.05	0.05	7.07
Sobha Contracting LLC	4.76	4.76	4.57	4.57
<b>- Included under debtors</b>				
Furniture Makers Limited Company, LLC	-	-	-	0.15

## 16. Deferred tax asset

The break up of net deferred tax asset as at March 31, 2010 is as follows:

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Difference between book depreciation and depreciation under the Income-tax Act, 1961	34.35	11.12
Expenditure under Section 43B of the Income-tax Act, 1961	17.17	19.57
<b>Net deferred tax asset</b>	<b>51.52</b>	<b>30.69</b>

## 17. Supplementary statutory information

### a. Managerial Remuneration

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
<b>Directors' remuneration</b>		
<b>Chairman</b>		
Salary and allowances	18.02	22.80
Perquisites	1.94	1.75
Contribution to provident fund	1.80	1.26
	<b>21.76</b>	<b>25.81</b>
<b>Managing director</b>		
Salary and allowances	5.43	4.85
Contribution to provident fund	0.03	0.21
Commission/Others	28.55	22.00
	<b>34.01</b>	<b>27.06</b>
<b>Whole time directors</b>		
Salary	18.23	18.40
Perquisites	0.30	0.23
Contribution to provident fund	1.87	0.84
	<b>20.40</b>	<b>19.47</b>
<b>Other directors</b>		
Sitting fees	0.21	0.22
Commission/Others	2.25	2.70
	<b>2.46</b>	<b>2.92</b>
<b>Grand total</b>	<b>78.63</b>	<b>75.26</b>

**Note:**

As the future liability for gratuity and compensated absence is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not included above.

**b. Computation of net profit in accordance with section 349 of the Companies Act, 1956 for calculation of commission payable to directors**

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Profit before tax as per profit and loss account	1,602.71	1,455.23
Add:		
Directors' remuneration	78.63	75.26
Depreciation	323.10	360.33
Less:		
Depreciation under section 350 of the Companies Act, 1956	(323.10)	(360.33)
Profit on sale of fixed assets (net)	(3.90)	(0.54)
<b>Net profit as per section 349</b>	<b>1,677.44</b>	<b>1,529.95</b>
Permissible commission to managing director - 2%	33.55	30.60
Commission paid or to be paid to managing director	28.55	22.00
Permissible commission to independent directors - 1%	16.77	15.30
Commission paid or to be paid to managing director	2.25	2.70

**c. Expenditure in foreign currency [on accrual basis]**

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Travelling and conveyance	0.49	0.62
Legal and professional charges	9.16	0.68
Others	3.25	2.10
	<b>12.90</b>	<b>3.40</b>

**d. Value of imports calculated on CIF basis**

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Materials	58.36	77.61
Capital goods	-	7.88
	<b>58.36</b>	<b>85.49</b>

**e. Imported and indigenous raw materials consumption**

(Rs. in Million)

Particulars	March 31, 2010		March 31, 2009	
	%	Amount	%	Amount
Raw Materials				
Imported	5.59	37.21	8.91	85.37
Indigenously obtained	94.41	628.65	91.09	872.29
	<b>100.00</b>	<b>665.86</b>	<b>100.00</b>	<b>957.66</b>

**18. Auditors' remuneration**

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
<b>As auditor</b>		
- Statutory audit	3.00	3.00
- Rights issue/ QIB issue related fees	1.50	2.50
- Other services [includes fees for quarterly reviews]	3.00	3.00
- Out of pocket expenses (excluding service tax)	0.13	0.06
	<b>7.63</b>	<b>8.56</b>

**19. Construction contracts**

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Contract revenue recognised as revenue for the year ended March 31, 2010	7,327.38	5,881.80
Aggregate amount of contract costs incurred and recognised profits (less recognised losses) up to March 31, 2010 for all the contracts in progress.	12,697.12	10,690.54
The amount of customer advances outstanding for contracts in progress as at March 31, 2010	924.32	1,548.83
The amount of retentions due from customers for contracts in progress as at March 31, 2010	232.04	267.51

20. In respect of manufacturing activities of interiors, glazing and block making unit, on account of the nature of the business carried on by the Company, the management is of the view that it is not practicable to give quantitative information.

**21. Derivative instruments and unhedged foreign currency exposure**

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Forward cover for hedging foreign currency denominated bank loan	-	214.00
Foreign currency exposure (net) that are not hedged by derivative instruments or otherwise	8.28	4.20

22. Based on the information available with the Company, there are no suppliers who are registered as micro, small or medium enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006" as at March 31, 2010.

**23. Details of investments made in the capital of M/s Sobha City (a Partnership Firm) as at March 31, 2010, is summarised below:**

(Rs. in Million)

Name of the partner	Partner's Capital	Profit Sharing Ratio [%]
Sobha Developers Limited	200.00	70.00
Tree Hill Estates Private Limited	200.00	30.00
	<b>400.00</b>	<b>100.00</b>

**24. Details of investments purchased and sold during the year**

(Rs. in Million)

Particulars	No. of units (in million)	Face value	Purchase value March 31, 2010	Sale value March 31, 2010
Birla Sun Life Savings Fund	64.93	10	650.00	650.00

(Rs. in Million)

Particulars	No. of units (in million)	Face value	Purchase value March 31, 2009	Sale value March 31, 2009
HDFC Cash Management Fund	14.98	10	150.22	150.22
Reliance Liquidity Fund	7.00	10	70.03	70.03
Tata Liquid Fund	34.93	10	350.52	350.52

25. Excise duty on sales amounting to Rs.33.91 million (Previous year - Rs.91.34 million) has been reduced from Income from operations in profit and loss account and excise duty on increase in inventory of finished goods amounting to Rs.0.15 million (Previous year - Rs.1.53 million) has been accounted in the profit and loss account under the head 'Cost of sales'.

26. The Company has entered into certain transactions for purchase of material and services in the prior years from private limited companies/firms, covered under section 297 of the Act, which require prior approval of the Central Government under proviso to Section 297(1) of the Act. In this regard, the Company has filed an application for composition of the offence and obtaining approval from the Company Law Board under Section 621A of the Act. The Company is confident of obtaining the approvals, and pending obtaining such approvals, no adjustments have been made in the financial statements.

27. The figures of previous year have been regrouped/reclassified, where necessary, to conform with the current year's classification.

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES  
Firm registration number: 101049W  
Chartered Accountants

per Navin Agrawal  
Partner  
Membership No: 56102

Place: Bengaluru, India  
Date: April 27, 2010

For and on behalf of the Board of Directors of  
Sobha Developers Limited

P.N.C. Menon  
Chairman

S. Baaskaran  
Chief Financial Officer

Place: Bengaluru, India  
Date: April 27, 2010

Ravi Menon  
Vice Chairman

Kishore Kayarat  
Company Secretary and  
Compliance Officer

J.C. Sharma  
Managing Director



### Auditors' Report

To  
The Board of Directors of Sobha Developers Limited

1. We have audited the attached consolidated balance sheet of Sobha Developers Limited ('the Company') and its subsidiaries and associate (collectively referred to as 'the Group'), as at March 31, 2010, and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of the subsidiaries, whose financial statements reflect total assets of Rs.1,530.52 million as at March 31, 2010, the total revenues (including other income) of Rs.622.33 million, total expenditure of Rs.486.99 million and net cash inflow amounting to Rs.21.60 million for the year then ended. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of other auditors.

4. We did not audit the financial statements of an associate, whose financial statements reflect total losses of Rs.0.03 million for the year ended March 31, 2010. The financial statements and other financial information have been audited by another auditor whose report has been furnished to us, and our opinion is based solely on the report of the other auditor.

5. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, 'Consolidated financial statements', AS 23, 'Accounting for Investments in Associates in Consolidated Financial Statements' [notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended)].

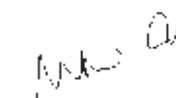
6. Without qualifying our opinion, we draw attention to Note 23 under Schedule 19, regarding the purchase of material and services in the prior years from private limited companies/ firms, covered under section 297 of the Companies Act, 1956 ('the Act'), which require prior approval of the Central Government. In this regard, the Company has filed an application for composition

of the offence and obtaining approval from the Company Law Board under Section 621A of the Act. The Company is confident of obtaining the approvals, and pending obtaining such approvals, no adjustments have been made to the consolidated financial statements.

7. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the consolidated balance sheet, of the state of affairs of the Group as at March 31, 2010;
- (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
- (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & ASSOCIATES  
Firm registration number: 101049W  
Chartered Accountants



per Navin Agrawal  
Partner  
Membership No.: 56102

Bengaluru, India  
April 27, 2010

## Consolidated Balance Sheet

(Rs. in Million)

	Schedules	Balance as at March 31	
		2010	2009
<b>SOURCES OF FUNDS</b>			
Shareholders' funds			
Share capital	1	980.64	729.02
Reserves and surplus	2	16,057.32	10,144.85
Minority interest	19(22)	291.12	248.97
		<b>17,329.08</b>	<b>11,122.84</b>
Loan funds			
Secured loans	3	14,465.85	18,783.39
Unsecured loans	4	274.50	538.39
		<b>14,740.35</b>	<b>19,321.78</b>
		<b>32,069.43</b>	<b>30,444.62</b>
<b>APPLICATION OF FUNDS</b>			
Fixed assets			
Gross block	5	2,942.11	2,930.22
Less: Accumulated depreciation/ amortisation		1,512.97	1,198.02
Net block		1,429.14	1,732.20
Capital work in progress including capital advances		631.97	515.64
		<b>2,061.11</b>	<b>2,247.84</b>
Investments	6	26.96	26.97
Deferred tax asset (net)	19(16)	51.52	30.69
Current assets, loans and advances			
Inventories	7	11,101.36	11,394.35
Sundry debtors	8	4,429.88	3,683.20
Cash and bank balances	9	825.65	214.20
Loans and advances	10	20,102.32	18,964.82
		<b>36,459.21</b>	<b>34,256.57</b>
Less: Current liabilities and provisions			
Current liabilities	11	5,984.32	5,812.88
Provisions	12	545.05	304.57
		<b>6,529.37</b>	<b>6,117.45</b>
Net current assets		<b>29,929.84</b>	<b>28,139.12</b>
		<b>32,069.43</b>	<b>30,444.62</b>
Notes to accounts	19		

The schedules referred to above and notes to accounts form an integral part of the consolidated balance sheet.

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES  
Firm registration number: 101049W  
Chartered Accountants

per Navin Agrawal  
Partner  
Membership No: 56102

Place: Bengaluru, India  
Date: April 27, 2010

For and on behalf of the Board of Directors of  
Sobha Developers Limited

PN.C. Menon  
Chairman

S. Baaskaran  
Chief Financial Officer

Place: Bengaluru, India  
Date: April 27, 2010

Ravi Menon  
Vice Chairman

Kishore Kayarat  
Company Secretary and  
Compliance Officer

J.C. Sharma  
Managing Director

## Consolidated Profit and Loss Account

(Rs. in Million)

	Schedules	Year ended March 31	
		2010	2009
<b>INCOME</b>			
Income from operations	13	11,332.57	9,831.61
Less : Excise duty		33.91	91.34
Income from operations (net)		11,298.66	9,740.27
Other income	14	38.57	148.06
		<b>11,337.23</b>	<b>9,888.33</b>
<b>EXPENDITURE</b>			
Cost of sales	15	6,364.07	4,398.39
Personnel expenses	16	768.27	1,008.64
Operating and other expenses	17	1,530.46	1,545.54
Depreciation/ amortisation	5	323.10	360.33
Financial expenses	18	693.42	1,074.14
		<b>9,679.32</b>	<b>8,387.04</b>
<b>Profit before tax</b>		<b>1,657.91</b>	<b>1,501.29</b>
Provision for tax:			
Current tax		299.69	417.89
Deferred tax credit		(20.83)	(20.00)
Wealth tax		0.02	0.45
Fringe benefits tax		-	4.00
MAT Credit entitlement		(4.10)	-
<b>Profit after tax</b>		<b>1,383.13</b>	<b>1,098.95</b>
Minority interest		42.15	21.23
Share of loss of associate		0.01	0.01
<b>Profit after minority interest and share of loss of associate</b>		<b>1,340.97</b>	<b>1,077.71</b>
<b>Appropriations</b>			
Proposed final dividend		245.16	72.90
Corporate dividend tax - Equity		41.65	12.39
Transfer to debenture redemption reserve		-	171.00
Transfer to capital redemption reserve			-
Transfer to general reserve		140.00	-
<b>Surplus carried to balance sheet</b>		<b>914.16</b>	<b>821.42</b>
<b>Earnings per share in Rs.</b>			
[Nominal value per equity share Rs.10]			
Basic and Diluted	19(7)	14.63	14.78
Notes to accounts	19		

The schedules referred to above and notes to accounts form an integral part of the consolidated profit and loss account.

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES  
Firm registration number: 101049W  
Chartered Accountants

per Navin Agrawal  
Partner  
Membership No: 56102

Place: Bengaluru, India  
Date: April 27, 2010

For and on behalf of the Board of Directors of  
Sobha Developers Limited

P.N.C. Menon  
Chairman

S. Baaskaran  
Chief Financial Officer

Place: Bengaluru, India  
Date: April 27, 2010

Ravi Menon      J.C. Sharma  
Vice Chairman    Managing Director

Kishore Kayarat  
Company Secretary and  
Compliance Officer

## Schedules to the Consolidated Accounts

(Rs. in Million)

	Balance as at March 31	
	2010	2009
<b>Schedule 1 - Share capital</b>		
<b>Authorised</b>		
150,000,000 (Previous year - 150,000,000) equity shares of Rs.10 each	1,500.00	1,500.00
5,000,000 (Previous year - 5,000,000) 7% redeemable preference shares of Rs.100 each	500.00	500.00
	<b>2,000.00</b>	<b>2,000.00</b>
<b>Issued, subscribed and paid-up</b>		
98,063,868 (Previous year - 72,901,733) equity shares of Rs.10 each fully paid up	980.64	729.02
<b>Of the above:</b>		
a) 42,280,960 (Previous year - 42,280,960) equity shares of Rs.10 each, were allotted as fully paid-up bonus shares by capitalisation of reserves		
b) 583,468 (Previous year - 583,468) equity shares of Rs.10 each, were issued as fully paid-up shares by pre initial public offering ['IPO'] placement		
c) 8,896,825 (Previous year - 8,896,825) equity shares of Rs.10 each, were issued as fully paid-up shares by IPO		
d) 25,162,135 (Previous year - Nil) equity shares of Rs.10 each, were issued as fully paid-up shares to qualified institutional buyers ['QIB']		
	<b>980.64</b>	<b>729.02</b>
<b>Schedule 2 - Reserves and surplus</b>		
<b>Capital redemption reserve</b>		
Balance as per last account	87.29	87.29
	87.29	87.29
<b>Securities premium account</b>		
Balance as per last account	5,638.95	5,638.95
On allotment of 25,162,135 (Previous year - Nil) equity shares to QIB	5,017.33	-
	10,656.28	5,638.95
Less: Share issue expenses	(159.01)	-
	10,497.27	5,638.95
<b>Debenture redemption reserve</b>		
Balance as per last account	480.00	309.00
Add: Transfer from profit and loss account	-	171.00
Less: Transfer to general reserve	(276.35)	-
	203.65	480.00
<b>General reserve</b>		
Balance as per last account	700.44	700.44
Add: Transfer from profit and loss account	140.00	-
Add: Transfer from debenture redemption reserve	276.35	-
	1,116.79	700.44

## Schedules to the Consolidated Accounts

(Rs. in Million)

	Balance as at March 31	
	2010	2009
<b>Profit and loss account</b>		
Balance as per last account	3,238.17	2,416.75
Add: Transfer from profit and loss account	914.16	821.42
	4,152.32	3,238.17
	<b>16,057.32</b>	<b>10,144.85</b>
<b>Schedule 3 - Secured loans</b>		
[Refer note 3 of notes to accounts for securities offered]		
Debtentures	1,000.00	2,630.10
Term loans	10,768.60	12,776.63
Loans and advances from banks		
Cash credit and other facilities	2,614.96	3,185.62
Other loans and advances	82.29	178.82
Interest accrued and due	-	12.22
	<b>14,465.85</b>	<b>18,783.39</b>
<b>Schedule 4 - Unsecured loans</b>		
Commercial paper (Short-term)	-	-
[Maximum amount outstanding at any time during the year Rs. Nil (Previous year - Rs.2,000 million)]		
Other loans and advances		
From banks	-	263.89
[Due within one year Rs. Nil (Previous year - Rs.263.89 million)]		
From others	274.50	274.50
[Due within one year Rs.60 million (Previous year - Rs.30 million)]		
	<b>274.50</b>	<b>538.39</b>

## Schedules to the Consolidated Accounts

### Schedule 5 - Fixed assets

(Rs. in Million)

Description	Gross block			Depreciation / amortisation			Net block	
	As at April 01, 2009	Additions	Deletions	As at April 01, 2009	For the year	Deletions	As at March 31, 2010	As at March 31, 2009
<b>A. Tangible assets</b>								
Freehold land	39.87	2.85	-	-	-	-	42.72	39.87
Leasehold land	26.49	-	-	-	-	-	26.49	26.49
Factory buildings	340.15	-	-	77.56	26.26	-	236.33	262.59
Other buildings	88.61	2.31	-	0.47	4.41	-	86.04	88.14
Plant and machinery	1,158.44	13.23	-	401.42	105.94	-	664.31	757.02
Scaffolding items	932.03	0.13	-	513.95	137.64	-	280.57	418.08
Furniture and fixtures	40.12	1.07	-	19.86	3.86	-	17.47	20.26
Vehicles	82.95	0.04	10.22	46.98	8.73	7.32	24.38	35.97
Computers	114.21	1.92	0.97	81.26	13.42	0.83	21.31	32.95
Office equipments	43.90	1.02	-	17.09	3.77	-	24.06	26.81
	<b>2,866.77</b>	<b>22.57</b>	<b>11.19</b>	<b>1,158.59</b>	<b>304.03</b>	<b>8.15</b>	<b>1,423.68</b>	<b>1,708.18</b>
<b>B. Intangible assets</b>								
Capitalised software	63.45	0.51	-	39.43	19.07	-	5.46	24.02
	<b>63.45</b>	<b>0.51</b>	<b>-</b>	<b>39.43</b>	<b>19.07</b>	<b>-</b>	<b>5.46</b>	<b>24.02</b>
<b>Total</b>	<b>2,930.22</b>	<b>23.08</b>	<b>11.19</b>	<b>1,198.02</b>	<b>323.10</b>	<b>8.15</b>	<b>1,429.14</b>	<b>1,732.20</b>
Previous year	2,711.28	224.92	5.98	841.78	360.33	4.09	1,198.02	1,732.20

1. On April 13, 2005, Karnataka Industrial Areas Development Board ('KIADB') allotted land to the Company on a lease cum sale basis until December 17, 2010, to be sold to the Company at the end of lease period upon fulfillment of certain conditions. The lease has been registered in favour of the Company. The Company is confident of fulfilling the conditions. Accordingly, the initial and subsequent lease payments in this regard have been capitalised as leasehold land.

2. Amount of borrowing cost aggregating Rs.Nil (Previous year - Rs.55.60 million) incurred during the year, is included under capital work in progress.

## Schedules to the Consolidated Accounts

(Rs. in Million)

	Balance as at March 31	
	2010	2009
<b>Schedule 6 - Investments</b>		
<b>Long term investments (Unquoted, at cost)</b>		
<b>Trade</b>		
100,000 (Previous year - 100,000) equity shares of Re.1 each fully paid-up in Sobha Developers (Pune) Private Limited (including share of post acquisition loss of Rs.0.02 million (Previous year - Rs.0.01 million), excluding capital reserve arising on consolidation Rs.167.94 million)	0.08	0.09
<b>Other than trade</b>		
<i>Government securities</i>	0.08	0.08
National savings certificates		
<i>Equity shares</i>		
2,680,000 (Previous year - 2,680,000) equity shares of Rs.10 each fully paid-up in Sobha Renaissance and Information Technology Private Limited ['SRIT']*	26.80	26.80
	<b>26.96</b>	<b>26.97</b>
Aggregate amount of unquoted investments	26.96	26.97
* The Company holds 19.70 % of the equity share capital in SRIT. There has been an erosion in the networth of SRIT. The management is of the view that the erosion in the networth of SRIT is temporary as SRIT has initiated steps to restructure its operations. The Company is confident that SRIT will achieve profitable operations in future. Further, the Company is in the process of acquiring certain intellectual property rights of software products owned by SRIT and as such considers that no provision for diminution in the value of investments is necessary and that the inter-corporate deposit of Rs. 87.11 million due from SRIT would be recovered as stipulated.		
<b>Schedule 7 - Inventories (At lower of cost and net realisable value)</b>		
Raw materials	159.72	171.58
Building materials	12.96	13.70
Work-in-progress	10,809.81	11,109.37
Stock in trade - Flats	101.22	83.29
Finished goods	17.65	16.41
	<b>11,101.36</b>	<b>11,394.35</b>
<b>Schedule 8 - Sundry debtors (Unsecured, considered good)</b>		
Debts outstanding for a period exceeding six months	605.92	785.74
Other debts*	3,823.96	2,897.46
	<b>4,429.88</b>	<b>3,683.20</b>
*Includes unbilled revenue (net of advances) for ongoing projects of Rs.2,362.53 million (Previous year - Rs.2,165.80 million)		

## Schedules to the Consolidated Accounts

(Rs. in Million)

	Balance as at March 31	
	2010	2009
<b>Schedule 9 - Cash and bank balances</b>		
Cash on hand	4.23	2.68
Balances with scheduled banks (including cheques on hand)		
On current accounts	455.46	175.92
On deposit accounts	365.96	35.60
	<b>825.65</b>	<b>214.20</b>
[Including Rs.24.49 million (Previous year - Rs.14.95 million) held by banks under margin money deposit and Rs.59.28 million (Previous year - Rs.6.19 million) held towards loan escrow account]		
<b>Schedule 10 - Loans and advances (Unsecured, considered good)</b>		
Advances recoverable in cash or kind or for value to be received		
Land advance*	18,777.00	17,958.43
Others	385.56	280.66
Inter-corporate deposit	87.11	83.26
Deposits - others	796.31	516.74
Advance fringe benefits tax (net of provision)	1.38	0.84
MAT credit asset	4.10	-
Interest accrued but not due	0.01	0.16
Balances with customs, port trusts, sales tax and excise authorities	50.85	124.73
	<b>20,102.32</b>	<b>18,964.82</b>
* Advances/ deposit for land though unsecured, are considered good as the advances have been given based on arrangements/ memorandum of understanding executed by the Group and the Group/ seller/ intermediary is in the course of obtaining clear and marketable title, free from all encumbrances, including for certain properties under litigation.		
<b>Schedule 11 - Current liabilities</b>		
Sundry creditors for goods, services and expenses		
Due to micro and small enterprises	-	-
Others	869.08	808.24
Share application money (pending refund)	-	474.70
[Refer note 7 of notes to accounts]		
Book overdraft from scheduled banks	148.78	223.97
Advance from customers	2,041.74	1,604.73
Interest accrued but not due on loans	65.13	171.26
Investor protection & education fund shall be credited for unclaimed dividends when due	1.01	0.54
Other liabilities	2,858.58	2,529.44
	<b>5,984.32</b>	<b>5,812.88</b>

## Schedules to the Consolidated Accounts

(Rs. in Million)

	Balance as at March 31	
	2010	2009
<b>Schedule 12 - Provisions</b>		
Proposed dividend	245.16	72.90
Corporate dividend tax	41.65	93.39
Provision for compensated absences	50.51	63.73
Provision for gratuity	15.14	16.32
Provision for taxation (net of advance tax payments)	191.88	57.50
Provision for wealth tax (net of advance tax payments)	0.71	0.73
	<b>545.05</b>	<b>304.57</b>
	Year ended March 31	
	2010	2009
<b>Schedule 13 - Income from operations</b>		
Income from property development	6,730.15	4,477.72
Income from sale of land and development rights	1,916.74	1,689.24
Income from contractual activity	1,702.89	1,989.21
Income from manufacturing	982.79	1,675.44
	<b>11,332.57</b>	<b>9,831.61</b>
<b>Schedule 14 - Other income</b>		
Interest income - Deposits [Tax deducted at source Rs.1.51 million (Previous year - Rs.2.74 million)]	7.91	12.56
Dividend from current investments (other than trade)	0.36	0.78
Foreign exchange fluctuation (net)	0.02	-
Profit on sale of fixed assets (net)	3.90	0.54
Liabilities no longer payable	-	94.79
Miscellaneous income	26.38	39.39
	<b>38.57</b>	<b>148.06</b>
<b>Schedule 15 - Cost of sales</b>		
Land cost	1,355.36	2,710.25
Construction cost		
Civil works	2,834.55	2,468.54
Electrical works	305.67	290.54
Interiors and other miscellaneous works	708.34	757.99
	<b>3,848.56</b>	<b>3,517.07</b>
Raw material		
Opening stock	171.58	254.73
Add: Purchases	654.00	874.51
Less: Closing stock	(159.72)	(171.58)
	<b>665.86</b>	<b>957.66</b>

## Schedules to the Consolidated Accounts

(Rs. in Million)

	Year ended March 31	
	2010	2009
<b>Production expenses</b>		
Direct wages and labour charges	188.86	252.28
Power and fuel	17.03	19.13
Other direct expenses	7.26	26.26
	<b>213.15</b>	<b>297.67</b>
<b>Decrease/ (increase) in inventories</b>		
Closing inventory		
- Building materials	12.96	13.70
- Work-in-progress	10,809.81	11,109.37
- Stock in trade - Flats	101.22	83.29
- Finished goods	17.65	16.41
Opening inventory		
- Building materials	13.70	6.80
- Work-in-progress	11,109.38	7,749.87
- Stock in trade - Flats	83.29	356.08
- Finished goods	16.41	25.76
	<b>281.14</b>	<b>(3,084.26)</b>
	<b>6,364.07</b>	<b>4,398.38</b>
<b>Schedule 16 - Personnel expenses</b>		
Salaries and bonus	722.95	889.15
Contribution to provident and other defined contribution funds	28.04	50.82
Gratuity	(1.18)	14.28
Compensated absence	(4.54)	22.53
Staff welfare and other expenses	23.00	31.86
	<b>768.27</b>	<b>1,008.64</b>

## Schedules to the Consolidated Accounts

(Rs. in Million)

	Year ended March 31	
	2010	2009
<b>Schedule 17 - Operating and other expenses</b>		
Electricity charges	36.06	43.36
Insurance charges	17.49	21.73
Rates and taxes		
Sales tax	506.20	419.68
Others	3.66	2.04
Freight outwards	28.11	36.88
Donation	99.87	95.09
Registration expenses - flats	210.20	250.65
Rent	112.45	139.02
Legal and professional charges	144.58	86.67
Repairs and maintenance		
Plant and machinery	12.25	8.94
Others	13.55	22.67
Advertisement and sales promotion expenses	123.13	157.62
Travelling and conveyance	59.90	87.91
Foreign Exchange fluctuation (net)	-	0.46
Miscellaneous expenses	163.01	172.82
	<b>1,530.46</b>	<b>1,545.54</b>
<b>Schedule 18 - Financial expenses</b>		
Interest*		
- On term loans and debentures	352.04	639.90
- On bank loans	242.73	331.03
- Others	37.92	32.01
Bank charges	60.73	71.20
	<b>693.42</b>	<b>1,074.14</b>
* Net of Rs.1,718.94 million (Previous year - Rs.1,730.81 million) inventorised/ capitalised for qualifying assets and reimbursements.		

## Consolidated Cash Flow Statement

(Rs. in Million)

	Year ended March 31	
	2010	2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	1,657.91	1,501.29
<i>Adjustments for</i>		
Depreciation/ amortisation	323.10	360.33
(Profit)/loss on sale of fixed assets	(3.90)	(0.54)
Dividend income	(0.36)	(0.78)
Interest income	(7.91)	(12.56)
Interest expense	632.69	1,002.94
<b>Operating profit before working capital changes</b>	<b>2,601.53</b>	<b>2,850.68</b>
<i>Movements in working capital:</i>		
(Increase)/ decrease in inventories	371.69	(2,135.88)
(Increase)/ decrease in debtors	(746.68)	1,864.90
(Increase)/ decrease in loans and advances	519.07	(945.73)
Increase/ (decrease) in current liabilities and provisions	737.40	490.17
<b>Cash (used in)/ generated from operations</b>	<b>3,483.01</b>	<b>2,124.14</b>
Direct taxes paid (net)	(161.79)	(296.41)
<b>Net cash generated from/ (used in) operating activities - (A)</b>	<b>3,321.21</b>	<b>1,827.73</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(139.41)	(412.47)
Proceeds from sale of fixed assets	6.94	2.43
Purchase of investments	(650.00)	(570.77)
Purchase of investments in associate	-	(0.10)
Sale of investments	650.00	571.46
Interest received	8.06	12.40
Dividends received	0.36	0.78
<b>Net cash (used in)/ from investing activities - (B)</b>	<b>(124.05)</b>	<b>(396.27)</b>

## Consolidated Cash Flow Statement

(Rs. in Million)

	Year ended March 31	
	2010	2009
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from share application (pending refund)	-	474.70
Refund of share application money	(474.70)	-
Proceeds from issue of shares	5,094.00	
Proceeds from secured loans	1,838.00	12,652.59
Repayment of secured loans	(6,407.21)	(8,262.30)
Proceeds from unsecured loans	-	614.00
Repayment of unsecured loans	-	(3,525.23)
Interest paid (gross)	(2,469.98)	(2,983.79)
Dividends paid	(72.43)	(473.86)
Tax on dividend paid	(93.39)	-
<b>Net cash from/ (used in) financing activities - (C)</b>	<b>(2,585.71)</b>	<b>(1,503.89)</b>
<b>Net increase/ (decrease) in cash or cash equivalents - (A+B+C)</b>	<b>611.45</b>	<b>(72.43)</b>
Cash and cash equivalents as at beginning of the year	214.20	286.63
<b>Cash and cash equivalents as at the end of the year</b>	<b>825.65</b>	<b>214.20</b>
<b>Components of cash and cash equivalents*</b>		
Cash on hand	4.23	2.68
Balances with scheduled banks		
On current accounts	455.46	175.92
On deposit accounts	365.96	35.60
	<b>825.65</b>	<b>214.20</b>
* Cash and cash equivalents as at March 31, 2010 include restricted cash and bank balances of Rs.83.77 million (Previous year - Rs.21.14 million)		

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES  
Firm registration number: 101049W  
Chartered Accountants

per Navin Agrawal  
Partner  
Membership No: 56102

Place: Bengaluru, India  
Date: April 27, 2010

For and on behalf of the Board of Directors of  
Sobha Developers Limited

P.N.C. Menon  
Chairman

S. Baaskaran  
Chief Financial Officer

Place: Bengaluru, India  
Date: April 27, 2010

Ravi Menon  
Vice Chairman

Kishore Kayarat  
Company Secretary and  
Compliance Officer

J.C. Sharma  
Managing Director

## Schedules to the Consolidated Accounts

### Schedule 19: Notes to accounts

#### 1 Background

Sobha Developers Limited ('Company' or 'SDL') was incorporated on August 7, 1995. SDL together with its subsidiaries and associate (herein after collectively referred to as 'the Group') are leading real estate developers engaged in the business of construction, development, sale, management and operation of all or any part of townships, housing projects, commercial premises and other related activities. The Group is also engaged in manufacturing activities related to interiors, glazing and metal works and concrete products which also provides backward integration to its turnkey projects.

The Company had entered into partnership with Tree Hill Estates Private Limited effective May 16, 2007, to set up M/s Sobha City, for development of certain real estate projects.

#### 2 Statement of significant accounting policies

##### a) Basis of preparation

The accompanying consolidated financial statements include the accounts of SDL, its subsidiaries and associate. All the subsidiaries and associate have been incorporated in India. The details of subsidiaries and associate are as follows:

Name of subsidiary	Percentage of holding
Sobha City ['Partnership firm']	70% [Profit sharing ratio]
<b>Subsidiaries of Sobha City</b>	
Vayaloor Properties Private Limited	99.99%
Vayaloor Builders Private Limited	99.99%
Vayaloor Developers Private Limited	99.99%
Vayaloor Real Estate Private Limited	99.99%
Vayaloor Realtors Private Limited	99.99%
Valasai Vettikadu Realtors Private Limited	99.99%
<b>Name of associate</b>	
Sobha Developers (Pune) Private Limited	19% [w.e.f December 28, 2008]

The consolidated financial statements have been prepared under the historical cost convention on an accrual basis. The consolidated financial statements have been prepared to comply in all material respects with Accounting Standard (AS) 21 - 'Consolidated Financial Statements', AS 23 - 'Accounting for Investments in Associates in Consolidated Financial Statements' and other applicable accounting standards as applicable, notified by the Companies Accounting Standards Rules, 2006 (as amended) to reflect the financial position and the results of operations of the Group.

The financial statements of the subsidiary are drawn upto the same reporting date as that of the Company i.e March 31, 2010. The consolidated financial statements of the Group have been prepared based on line-by-line consolidation of the balance sheet, statement of profit and loss and cash flows of the Company and its subsidiaries. Inter-company balances and intra-company transactions and resulting unrealised profits have been eliminated on consolidation.

In case of an associate, they are accounted for using equity method. The Group accounts for its share in the change in the net assets of the associate, post acquisition, after eliminating unrealised profits and losses resulting from transactions between the Company and its associate to the extent of its share.

The accounting policies have been consistently applied by the Group and are consistent with those used in previous year.

##### b) Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Significant estimates used by the management in the preparation of these consolidated financial statements include computation of percentage completion for projects in progress, project cost, revenue and saleable area estimates, estimates of the economic useful lives of fixed assets, provisions for bad and doubtful debts. Any revision to accounting estimates is recognised prospectively.

c) **Fixed assets**

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Borrowing costs relating to acquisition of fixed assets which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

d) **Depreciation/ amortisation**

Depreciation on assets is provided using written down value method at the rates prescribed under schedule XIV of the Companies Act, 1956 ('the Act'), which is also estimated by the management to be the estimated useful lives of the assets.

Steel scaffolding items are depreciated using straight line method over a period of 6 years, which is estimated to be the useful life of the asset.

Assets individually costing less than or equal to Rs.5,000 are fully depreciated in the period of purchase.

Leasehold land and leasehold improvements are amortised over the remaining primary period of lease or their estimated useful life, whichever is shorter, on a straight-line basis.

Intangible assets – Expenditure incurred on software is amortised using straight line method over a period of 3 years, which is estimated to be the useful life of the asset.

e) **Impairment**

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired based on internal/ external factors. If any such indication exists, the Group estimates the recoverable amount of the asset. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

f) **Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental

to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Other initial direct costs are capitalised.

g) **Investments**

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

h) **Inventories**

*Related to contractual and real estate activity*

Direct expenditure relating to construction activity is inventorised. Indirect expenditure (including borrowing costs) during construction period is inventorised to the extent the expenditure is related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is neither related to the construction activity nor is incidental thereto is charged to the profit and loss account. Cost incurred/ items purchased specifically for projects are taken as consumed as and when incurred/ received.

**i.** Work-in-progress - Contractual: Cost of work yet to be certified/ billed, as it pertains to contract costs that relate to future activity on the contract, are recognised as contract work-in-progress provided it is probable that they will be recovered.

**ii.** Work-in-progress-Real estate projects: Represents cost incurred in respect of unsold area of the real estate development projects or cost incurred on projects where the revenue is yet to be recognised.

**iii.** Finished goods - Flats: Valued at lower of cost and net realisable value.

**iv.** Finished goods - Plots: Valued at lower of cost and net realisable value.

**v.** Building materials purchased, not identified with any specific project are valued at cost determined on a weighted average basis.

*Related to manufacturing activity*

i. Raw materials are valued at lower of cost and net realisable value. Cost is determined based on a weighted average basis.

ii. Work-in-progress and finished goods are valued at lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. However, inventory held for use in production of finished goods is not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

**i) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Income from operations (gross) is gross of sales tax/ value added tax and net of adjustment on account of cancellation/ returns.

**i. Recognition of revenue from contractual projects**

Revenue from fixed price contractual projects is recognised on the basis of completion of a physical proportion of the contract work/ based upon the contracts/ agreements entered into by the Group with its customers.

**ii. Recognition of revenue from real estate projects**

Revenue from real estate projects is recognised when it is reasonably certain that the ultimate collection will be made and that there is buyers' commitment to make the complete payment.

**a. Recognition of revenue from property development**

**Recognition of revenue from construction activity**

Revenue from real estate under development/ sale of developed property is recognised upon transfer of all significant risks and rewards of ownership of such real estate/ property, as per the terms of the contracts entered into with buyers, which generally coincides with the firming of the sales contracts/ agreements, except for contracts where the Group still has obligations to perform substantial acts even after the transfer of all significant risks and rewards. In such cases, the revenue is recognised on percentage of completion method, when the stage of completion of each project reaches a significant level which is estimated to be at least

25% of the total estimated construction cost of the project. Revenue is recognised in proportion that the contract costs incurred for work performed up to the reporting date bear to the estimated total contract costs. Land costs are not included for the purpose of computing the percentage of completion.

**Recognition of revenue from sale of undivided share of land [group housing]**

Revenue from sale of undivided share of land [group housing] is recognised upon transfer of all significant risks and rewards of ownership of such real estate/ property, as per the terms of the contracts entered into with buyers, which generally coincides with the firming of the sales contracts/ agreements and/ or minimum level of collection of dues from the customer.

**Recognition of revenue from sale of villa plots**

Revenue from sale of villa plots is recognised upon transfer of all significant risks and rewards of ownership of such real estate/ property, as per the terms of the contracts entered into with buyers, which generally coincides with the firming of the sales contracts/ agreements.

Revenue from real estate projects include charges collected from clients towards registration, electricity and water charges, property taxes, khata charges and other charges, which are accounted based upon the contracts/ agreements entered into by the Group with its customers.

**b. Recognition of revenue from sale of land and development rights**

Revenue from sale of land and development rights is recognised upon transfer of all significant risks and rewards of ownership of such real estate/ property, as per the terms of the contracts entered into with buyers, which generally coincides with the firming of the sales contracts/ agreements.

**iii. Recognition of revenue from manufacturing division**

Revenue from sale of materials is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer which coincides with dispatch of goods to the customers. Excise duty deducted from turnover (gross) is the amount that is included in the amount of turnover (gross) and not the entire amount of liability arising during the year. Service income is recognised on the basis of completion of a physical proportion of the contract work/ based upon the contracts/ agreements entered into by the Group with its customers.

#### **iv. Dividend income**

Revenue is recognised when the shareholders' or unitholders' right to receive payment is established.

#### **v. Interest income**

Income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

#### **j) Foreign currency translation**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Foreign currency monetary items are reported using the closing rate. Exchange differences arising on the settlement of monetary items or on reporting monetary items of the Group at rates different from those at which they were initially recorded during the year, or reported in previous consolidated financial statements, are recognised as income or as expenses in the year in which they arise.

The Group uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. The premium or discount on forward exchange contracts is recognised in the profit and loss account over the period of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. As per the ICAI Announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis, and the net loss after considering the offsetting effect on the underlying hedge item is charged to the income statement. Net gains are ignored.

#### **k) Taxes**

Tax expense comprises of current, deferred and fringe benefits tax. Current income tax and fringe benefits tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits. At each

balance sheet date the Group re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised.

Minimum Alternative tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Group will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Group reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Group will pay normal Income Tax during the specified period.

The Group provides for and discloses the fringe benefits tax (FBT) in accordance with the provisions of section 115WC of the Income Tax Act, 1961. The Finance Act, 2009 has withdrawn FBT with effect from April 1, 2009.

#### **l) Retirement and other employee benefits**

Retirement benefits in the form of provident fund is a defined contribution scheme and the contributions are charged to the profit and loss account of the year when the contributions to the provident fund are due. There are no other obligations other than the contribution payable to the government administered provident fund.

The Group makes contributions to Sobha Developers Employees Gratuity Trust ('the trust') to discharge the gratuity liability to employees. Payments to the trust are charged to the profit and loss account in the year of payment. Provision towards gratuity, defined benefit plan, is made for the difference between actuarial valuation by an independent actuary and the fund balance, as at the year-end. The actuarial valuation is performed using the projected unit credit method.

Provision in respect of compensated absence is made based on the extent of leave credit available to the employees as at the year end. Short-term compensated absences are provided for on based on estimates. Long-term compensated absences are provided for based on

actuarial valuation. The actuarial valuation is done as per projected unit credit method.

Actuarial gains/ losses are immediately taken to profit and loss account and are not deferred.

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the year for which the services are rendered by the employee.

**m) Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

**n) Provisions**

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**o) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**p) Borrowing costs**

Borrowing costs relating to acquisition/ construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get

ready for its intended use/ sale. All other borrowing costs not eligible for inventorisation/ capitalisation are charged to revenue.

**q) Land**

Advances paid by the Group to the seller/ intermediary toward outright purchase of land is recognised as land advance under loans and advances during the course of obtaining clear and marketable title, free from all encumbrances and transfer of legal title to the Group, whereupon it is transferred to work-in-progress.

Deposits paid by the Group to the seller towards right for development of land in exchange of constructed area are recognised as land advance under loans and advances, unless they are non-refundable, wherein they are transferred to work-in-progress on the launch of project.

The Group has entered into agreements with land owners/ possessor to develop properties on such land in lieu which, the Group has agreed to transfer certain percentage of constructed area. The development and transfer of constructed area in exchange of such development rights/ land is being accounted on a net basis.

### 3. Details of secured loans and securities offered

(Rs. in Million)

Details of securities offered	Year ended March 31	
	2010	2009
<b>Debentures</b>		
Secured by equitable mortgage of certain lands of the Group	1,000.00	2,630.10
<b>Term loans</b>		
Secured by equitable mortgage of land and building, receivables and inventory of specific real estate projects, lease hold rights in respect of the factory land and building and hypothecation of plant and machinery and inventory of specific real estate/ contractual projects.	10,768.60	12,776.63
<b>Other loans</b>		
<b>From banks</b>		
<i>Cash credit and other facilities</i>		
Secured by hypothecation of receivables of specific real estate and contractual projects, equitable mortgage of land and building of specific real estate projects and hypothecation of stock of building materials.	2,614.96	3,185.62
<b>From others</b>		
<i>Vehicle/ equipment loan</i>		
Secured by specific assets / vehicles.	82.29	178.82
	<b>14,465.85</b>	<b>18,771.17</b>

Note: All the above loans except to the extent of Rs.3,025.13 million ( Previous year - Rs.4,999.09 million) have been personally guaranteed by certain directors of the Company.

### 4. Details of collateral securities offered by group companies in respect of loans availed by the Group

(Rs. in Million)

Name of Company	Nature of loan	Nature of security	Year ended March 31	
			2010	2009
Sobha Innercity Technopolis	Term loans	Equitable mortgage of land and building	-	516.05
Sobha Innercity Technopolis Private Limited	Cash credit	Equitable mortgage of land and building	483.70	485.33
Sobha Interiors Private Limited	Term loans	Equitable mortgage of lease hold rights in respect of the factory land and building	80.00	125.00
Bikasa Realtors Private Limited	Term loans	Equitable mortgage of land	100.00	500.00
Daram Cyber Properties Private Limited	Term loans	Equitable mortgage of land	-	480.00
Greater Cochin Cyber City Private Limited	Term loans	Equitable mortgage of land	-	480.00
Greater Cochin Developers Private Limited	Term loans	Equitable mortgage of land	-	480.00
Greater Cochin Properties Private Limited	Term loans	Equitable mortgage of land	-	480.00
Perambakkam Builders Private Limited	Term loans	Equitable mortgage of land	100.00	500.00

(Rs. in Million)

Name of Company	Nature of loan	Nature of security	Year ended March 31	
			2010	2009
SBG Housing Private Limited	Term loans	Equitable mortgage of land	500.00	500.00
Sengadu Builders Private Limited	Term loans	Equitable mortgage of land	100.00	500.00
Sengadu Developers Private Limited	Term loans	Equitable mortgage of land	100.00	500.00
Sengadu Properties Private Limited	Term loans	Equitable mortgage of land	100.00	500.00
Sobha Glazing & Metal Works Private Limited	Term loans	Equitable mortgage of leasehold rights in respect of factory, land & building	1,000.00	1,000.00
Megatech Software Private Limited	Debentures	Equitable mortgage of land	-	1,000.00
Mannur Real Estate Private Limited	Debentures	Equitable mortgage of land	-	1,000.00
Kilai Builders Private Limited	Debentures	Equitable mortgage of land	-	1,000.00
Tirur Cyber City Developers Private Limited	Debentures	Equitable mortgage of land	-	1,000.00
Kilai Properties Private Limited	Debentures	Equitable mortgage of land	-	1,000.00
Tirur Cyber Real Estates Private Limited	Debentures	Equitable mortgage of land	-	1,000.00
Kilai Super Developers Private Limited	Debentures	Equitable mortgage of land	-	1,000.00
Thakazhi Realtors Private Limited	Debentures	Equitable mortgage of land	-	1,000.00
Thakazhi Developers Private Limited	Debentures	Equitable mortgage of land	-	1,000.00
Megatech Software Private Limited	Term loans	Equitable mortgage of land	275.00	-
Tirur Cyber City Developers Private Limited	Term loans	Equitable mortgage of land	275.00	-
Thakazhi Developers Private Limited	Term loans	Equitable mortgage of land	275.00	-
Kuthavakkam Developers Private Limited	Term loans	Equitable mortgage of land	250.00	-
Kuthavakkam Properties Private Limited	Term loans	Equitable mortgage of land	250.00	-
Allapuzha Fine Real Estate Private Limited	Cash credit	Equitable mortgage of land	976.00	-
Rusoh Modern Properties Private Limited	Cash credit	Equitable mortgage of land	976.00	-
Mapedu Realtors Private Limited	Cash credit	Equitable mortgage of land	976.00	-
Chikamangaloor Properties Private Limited	Cash credit	Equitable mortgage of land	976.00	-

**5. Redeemable non-convertible debentures amounting to Rs.1,000 million (Previous year - Rs.2,630.10 million) are to be redeemed in cash on the following dates**

(Rs. in Million)

Particulars	Interest rate	Redemption date	Redemption amount March 31, 2010
LIC Mutual Fund 5 certificates of Rs.10 million each	Rate 12.25%	26-Jul-10	50.00
LIC Mutual Fund 5 certificates of Rs.10 million each	Rate 12.25%	26-Aug-10	50.00
LIC Mutual Fund 15 certificates of Rs.10 million each	Rate 12.25%	26-Sep-10	150.00
LIC 25 certificates of Rs.10 million each	Rate 12.00%	11-Jun-10	250.00
LIC 25 certificates of Rs.10 million each	Rate 12.00%	11-Sep-10	250.00
LIC 25 certificates of Rs.10 million each	Rate 12.00%	11-Dec-10	250.00

Particulars	Interest rate	Redemption date	Redemption amount March 31, 2009
DSP Black Rock Mutual Fund 25 certificates of Rs.10 million each	Rate 11.90%	29-May-09	250.00
LIC Mutual Fund 45 certificates of Rs.10 million each	Rate 12.25%	Various dates	450.00
DSP Black Rock Mutual Fund 75 certificates of Rs.10 million each	Rate 11.10%	08-Jan-10	750.00
Kotak Mahindra Asset Management Company Limited 18 certificates of Rs.10 million each	Rate 12.00%	11-Sep-09	180.10
LIC Mutual Fund 100 certificates of Rs.10 million each	Floor rate 10.70% Cap rate 10.80%	11-May-09	1,000.00

**6. Related party disclosure**

**a. List of related parties**

**Key management personnel**

Mr. P. N. C. Menon  
 Mr. Ravi Menon  
 Mr. J. C. Sharma  
 Mr. Ramakrishnan P [from January 29, 2010]  
 Mr. S. Baaskaran  
 Mr. N. Venkatramani [upto July 29, 2009]  
 Mr. Kishore Kayarat [from July 29, 2009]  
 Mr. P. Kanodia [upto June 14, 2008]  
 Mr. K. Suresh [upto August 2, 2008]  
 Mr. Sumit Keshan [from July 11, 2008 to  
 December 12, 2008]  
 Mrs. Sobha Menon [upto January 31, 2009]

**Relatives of key management personnel**

Mrs. Sobha Menon  
 Mr. Shine V. Nair  
 Mr. P. N. Haridas  
 Mr. P. N. K. Mani

**Other Related Parties [Enterprise owned or significantly influenced by key management personnel/ the Group]**

Allapuzha Fine Real Estate Private Limited  
 Bikasa Properties Private Limited  
 Bikasa Realtors Private Limited  
 Chauma Properties and Construction Private Limited  
 Chikamangaloor Properties Private Limited  
 Cochin Cyber City Private Limited  
 Cochin Cyber Golden Properties Private Limited  
 Cochin Cyber Value Added Properties Private Limited  
 Cochin Super City Developers Private Limited  
 Daram Cyber Developers Private Limited  
 Daram Cyber Properties Private Limited  
 Daram Land Real Estate Private Limited  
 Furniture Makers Limited Company, LLC  
 Greater Cochin Cyber City Private Limited  
 Greater Cochin Developers Private Limited  
 Greater Cochin Properties Private Limited  
 Greater Cochin Realtors Private Limited  
 HBR Consultants Private Limited  
 Hill and Menon Securities Private Limited  
 Indeset Building Materials LLC  
 Indeset Trading and Decorations Services LLC

Kilai Builders Private Limited  
Kilai Properties Private Limited  
Kilai Super Developers Private Limited  
Kuthavakkam Developers Private Limited  
Kuthavakkam Properties Private Limited  
Lotus Manpower Consultants Services Private Limited  
[upto September 30, 2008]  
Lotus Manpower Services [upto September 30, 2008]  
Mannur Real Estate Private Limited  
Mapedu Realtors Private Limited  
Megatech Software Private Limited  
Moolamcode Traders Private Limited  
Oman Builders Private Limited.  
Padmalochana Enterprises Private Limited  
Pallavur Projects Private Limited  
Perambakkam Builders Private Limited  
Puzhakkal Developers Private Limited  
Red Lotus Facility Services Private Limited [upto Sep-  
tember 30, 2008]  
Red Lotus Metal Works Facilities & Services Private  
Limited [upto September 30, 2008]  
Red Lotus Realtors Private Limited  
Royal Interiors Private Limited  
Rusoh Modern Properties Private Limited  
SBG Housing Private Limited  
Sengadu Builders Private Limited  
Sengadu Developers Private Limited  
Sengadu Properties Private Limited  
Services and Trading Co. LLC  
Sobha Applied DSP Private Limited  
Sobha Contracting LLC (Dubai)  
Sobha Contracting Private Limited [upto September 30,  
2008]  
Sobha Developers (Pune) Private Limited [associate w.e.f  
June 26, 2008 and 19% holding w.e.f December 28,  
2008]  
Sobha Electro Mechanical Private Limited  
Sobha Glazing & Metal Works Private Limited  
Sobha Innercity Technopolis Private Limited  
Sobha Interiors Private Limited  
Sobha Jewellery Private Limited  
Sobha Projects & Trade Private Limited  
Sobha Renaissance Information Technology Private  
Limited  
Sobha Space Private Limited  
Sobha Technocity Private Limited  
Sri Kurumba Trust  
Sunbeam Projects Private Limited  
Technobuild Developers Private Limited  
Thakazhi Developers Private Limited  
Thakazhi Realtors Private Limited  
Tirur Cyber City Developers Private Limited  
Tirur Cyber Real Estates Private Limited

**b. Transactions with related parties**

(Rs. in Million)

Description of the nature of transaction	Description of relationship	Related party	March 31, 2010	March 31, 2009
Sale of goods and services	Other related parties	Sri Kurumba Trust	4.51	6.52
		Sobha Projects & Trade Private Limited	-	0.09
		Sobha Developers (Pune) Private Limited	-	980.00
		Services and Trading Co. LLC	-	0.54
Income from property development	Key management personnel	Mr. J. C. Sharma	2.81	2.79
		Mr. Ramakrishnan P	2.54	-
Interest recharge	Other related parties	Technobuild Developers Private Limited	901.38	809.98
Interest received	Other related parties	Sobha Renaissance Information Technology Private Limited	4.45	8.87
Purchase of goods, contractual services and reimbursement of expenses	Other related parties	Sobha Projects & Trade Private Limited	33.33	56.71
		Red Lotus Facility Services Private Limited*	-	53.71
		Red Lotus Metal Works Facilities & Services Private Limited*	-	45.51
		Puzhakkal Developers Private Limited	-	9.54
		Sobha Glazing & Metal Works Private Limited	-	5.51
		Sobha Contracting Private Limited*	-	43.46
		Lotus Manpower Services*	-	185.44
		Lotus Manpower Consultants Services Private Limited*	-	192.78
	Sobha Renaissance Information Technology Private Limited	-	8.45	
	Relative of key management personnel	Mr. P.N.K. Mani	-	0.38
Directors' remuneration	Key management personnel	Mr. P.N.C. Menon	21.76	25.82
		Mr. Ravi Menon	19.92	19.48
		Mr. J.C. Sharma	34.01	27.06
		Mr. Ramakrishnan P	0.48	-
Dividend paid	Key management personnel	Mr. P. N. C. Menon	16.49	107.18
		Mr. P. N. C. Menon and Mrs. Sobha Menon (Jointly held shares)	5.49	35.71
		Mr. J. C. Sharma	0.07	0.59
	Relatives of key management personnel	Mrs. Sobha Menon	41.35	268.76

(Rs. in Million)

Description of the nature of transaction	Description of relationship	Related party	March 31, 2010	March 31, 2009
Salary (including perquisites)	Key management personnel	Mr. K. Suresh	-	1.34
		Mr. P. Kanodia	-	1.04
		Mr. Sumit Keshan	-	1.64
		Mr. N.Venkatramani	0.88	3.83
		Mr. Kishore Kayarat	0.65	-
		Mr. S. Baaskaran	2.93	2.84
	Relatives of key management personnel	Mr. P.N. Haridas	0.63	0.65
		Mr. Shine V. Nair	-	2.50
Interest paid	Relatives of key management personnel	Mrs. Sobha Menon	0.54	0.54
Purchase of land	Other related parties	Technobuild Developers Private Limited	260.00	-
Donation paid	Other related parties	Sri Kurumba Trust	90.40	69.60
Advance paid	Other related parties	Sri Kurumba Trust	-	50.00
		Sobha Space Private Limited	41.98	-
		Sobha Developers (Pune) Private Limited	14.87	-
Advance refund	Other related parties	Sri Kurumba Trust	-	50.00
Rent paid	Other related parties	Sobha Interiors Private Limited	12.14	0.30
		Sri Kurumba Trust	-	0.11
		Sobha Glazing & Metal Works Private Limited	4.76	0.30
	Relatives of key management personnel	Mrs. Sobha Menon	0.67	0.67
Inter-corporate deposit	Other related parties	Sobha Renaissance Information Technology Private Limited	87.11	83.26
Land advance	Other related parties	Technobuild Developers Private Limited	7,789.68	6,963.08
		SBG Housing Private Limited	165.41	165.41
Rent deposit paid	Other related parties	Sobha Glazing & Metal Works Private Limited	105.96	110.00
		Sobha Interiors Private Limited	269.84	280.00

(Rs. in Million)

Description of the nature of transaction	Description of relationship	Related party	March 31, 2010	March 31, 2009
Balance receivable	Other related parties	Sobha Projects & Trade Private Limited	-	16.83
		Chauma Properties and Construction Private Limited	0.02	8.81
		Puzhakkal Developers Private Limited	2.97	2.97
		Lotus Manpower Consultants Services Private Limited*	-	4.18
		Lotus Manpower Services*	-	18.43
		Sobha Contracting LLC (Dubai)	4.76	4.57
		Services and Trading Co. LLC	-	0.05
		Sri Kurumba Trust	4.54	0.04
		Sobha Space Private Limited	33.97	-
		Sobha Developers (Pune) Private Limited	95.12	80.25
Balance payable	Other related parties	Royal Interiors Private Limited	10.12	10.13
		Sobha Interiors Private Limited	1.34	3.02
		Oman Builders Private Limited	11.46	25.83
		Sobha Glazing & Metal Works Private Limited	10.93	11.97
		Sobha Projects & Trade Private Limited	8.47	-
		Sobha Contracting Private Limited	-	0.14
		Sobha Innercity Technopolis Private Limited	0.32	2.63
		Sobha Technocity Private Limited	1.02	-
		Sobha Space Private Limited	-	7.36
	Key management personnel	Mr. P. N. C. Menon	-	133.19
		Mr. Ramakrishnan P	5.26	-
		Mr. J. C. Sharma	21.17	0.10
		Relatives of key management personnel	Mrs. Sobha Menon	7.96
Mr. P. N. K. Mani	-		0.03	

Also, refer note 3 (Schedule 19) as regards loans personally guaranteed by certain directors of the Company and refer note 4 (Schedule 19) as regards collateral securities offered by group companies in respect of loans availed by the Group.

\* - Transactions upto September 30, 2008

## 7. Earnings per share ['EPS']

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Profit after tax and minority interest attributable to shareholders	1,340.97	1,077.71
Weighted average number of equity shares of Rs.10 each outstanding during the year used in calculating basic and diluted EPS	91,652,694	72,901,733

During the year ended March 31, 2009, the Company had received an amount of Rs.475 million from the promoters as advance towards share subscription amount with regard to the proposed rights issue. The Company had obtained an approval from the Reserve Bank of India to refund the aforementioned advance by September 30, 2009. As the Company intended to refund the advance share subscription amount, it had been disclosed under Current liabilities and accordingly, diluted EPS had been calculated on the outstanding equity shares, without considering dilutive effect of advance share subscription amount. The amount has been refunded during the year ended March 31, 2010.

## 8. Leases

### a. Assets taken on lease

Operating lease obligations: The Group has taken office, other facilities and other equipments under cancelable and non-cancelable operating leases, which are renewable on a periodic basis with escalation as per agreement.

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Lease payments recognised as an expense in profit and loss account	112.45	139.02

Minimum lease payments outstanding in respect of these lease for non-cancelable period are as follows:

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Not later than one year	33.57	21.82
Later than one year and not later than five years	81.00	24.47
Later than five years	286.35	-
	<b>400.92</b>	<b>46.29</b>

## 9. Capital commitments

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	25.27	17.45

## 10. Donation to political parties

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Congress (I)	0.01	0.01
Bhartiya Janata Party	5.25	12.50
Communist Party of India (M)	0.27	0.18
Others (Comprising of Communist Party of India, Janatha Dal United, United Democratic Front, Left Democratic Front, Bahujan Samaj Party)	0.22	0.51
	<b>5.75</b>	<b>13.20</b>

## 11. Provisions and contingencies

### a. Provisions

(Rs. in Million)

Class of provisions	Balance as at April 1, 2009	Additions	Amount utilised	Balance as at March 31, 2010
Provision - others	-	-	-	-
(Previous Year)	285.20	-	285.20	-

Nature of provisions

The Group provides for warranties and expected cost for completed projects, based on technical evaluation and past experience of meeting such obligations.

### b. Contingent liabilities not provided for

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
i. Guarantees and counter guarantees given by the Group	677.09	442.71
ii. Income tax matters in dispute	226.94	99.17
iii. Sales tax matters in dispute	60.51	81.60
iv. Service tax matters in dispute	939.59	741.78
	<b>1,904.13</b>	<b>1,365.26</b>

#### Note:

The Group is also involved in certain litigation for lands acquired by it for construction purposes, either through joint development agreements or through outright purchases. These cases are pending with various courts and are scheduled for hearings. After considering the circumstances and legal advice received, management believes that these cases will not adversely effect its financial statements.

## 12. Employee benefits

The following tables summarise the components of net benefit expense recognised in the consolidated profit and loss account and the funded status and amounts recognised in the balance sheet for gratuity benefit

### Consolidated profit and loss account

Net employee benefit expense (recognised in personnel cost)

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Current service cost	13.47	13.34
Interest cost on benefit obligation	3.40	2.97
Expected return on plan assets	(1.65)	(1.74)
Net actuarial loss/ (gain) recognised	(16.40)	(0.29)
<b>Net benefit expense</b>	<b>(1.18)</b>	<b>14.28</b>

**Consolidated balance sheet**

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Defined benefit obligation	38.21	37.70
Fair value of plan assets	23.07	21.38
<b>Plan (asset)/liability</b>	<b>15.14</b>	<b>16.32</b>
<b>Changes in the present value of the defined benefit obligation</b>		
Opening defined benefit obligation	37.70	25.08
Interest cost	3.40	2.97
Current service cost	13.47	13.34
Benefits paid	(1.61)	(2.70)
Actuarial (gains)/losses on obligation	(14.75)	(0.99)
<b>Closing defined benefit obligation</b>	<b>38.21</b>	<b>37.70</b>
<b>Changes in the fair value of plan assets</b>		
Opening fair value of plan assets	21.38	23.04
Expected return	1.65	1.74
Contributions by employer	-	-
Benefits paid	(1.61)	(2.70)
Actuarial gains / (losses)	1.65	(0.70)
<b>Closing fair value of plan assets</b>	<b>23.07</b>	<b>21.38</b>
<b>Actual return on plan assets</b>		
Expected return on plan assets	1.65	1.74
Actuarial gain/ (loss) on plan assets	1.65	(0.70)
<b>Actual return on plan assets</b>	<b>3.30</b>	<b>1.04</b>
<b>Investment details of plan assets</b>		
Investment with insurer - 100% in debt instruments		
<b>The principal assumptions used in determining gratuity obligation</b>		
Discount rate	7.50%	6.75%
Expected rate of return on assets	8.00%	8.00%
The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.		
Increase in compensation cost	5.00%	10.00%

(Rs. in Million)

Experience adjustment	March 31, 2010	March 31, 2009	March 31, 2008
Defined benefit obligation	38.21	37.70	25.08
Plan asset	23.07	21.38	23.04
Surplus / (deficit)	15.14	16.32	2.04
Experience adjustments on plan liabilities	9.97	(2.13)	(6.98)
Experience adjustments on plan assets	1.65	(0.70)	0.36

**Notes:**

i. The Group expects to contribute Rs.7 million (Previous year - Rs.10 million) to the trust towards gratuity fund in 2010-11.

ii. A limited revision to AS 15 (revised) allows an entity to make disclosures required by paragraph 120(n) of AS 15 (revised) prospectively from the transition date.

iii. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other several factor such as supply and demand factor in the employment market. Employee turnover varies based on various age groups.

**13. Segment reporting**

As the Group operates on a backward integration model and its business activity primarily falls within a single business segment which constitutes real estate development, there are no additional disclosures to be provided under Accounting Standard 17 'Segment Reporting'. The Group operates primarily in India and there is no other significant geographical segment.

**14. Details of utilisation of net proceeds from equity shares of the Company to QIB during the year ended March 31, 2010**

		(Rs. in Million)
Particulars		March 31, 2010
Gross proceeds		5,269
Less: Expenses incurred (gross of service tax)		175
Net proceeds		<b>5,094</b>
Utilisation		
Repayment of loans		3,995
Working capital		935
Interest payments		144
Refund of share application money		20
		<b>5,094</b>

**15. Amounts due from companies under the same management as defined in sub-section (1-B) of Section 370 of the Companies Act, 1956, are as under:**

(Rs. in Million)

Particulars	March 31, 2010		March 31, 2009	
	Closing balance	Maximum amount due	Closing balance	Maximum amount due
<b>- Included under loans and advances</b>				
Sobha Projects & Trade Private Limited	-	22.44	16.83	16.83
Sobha Renaissance Information Technology Private Limited	87.11	88.44	83.26	83.26
Hill and Menon Securities Private Limited	-	-	-	0.14
Sobha Electro Mechanical Private Limited	-	-	-	0.14
Sobha Aviation And Engineering Services Private Limited	-	-	-	0.76
Sobha Space Private Limited	33.97	33.97	-	-
Services and Trading Co. LLC	-	0.05	0.05	7.07
Sobha Contracting LLC (Dubai)	4.76	4.76	4.57	4.57
<b>- Included under debtors</b>				
Furniture Makers Limited Company, LLC	-	-	-	0.15

**16. Deferred tax asset**

The break up of net deferred tax asset as at March 31, 2010 is as follows:

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Difference between book depreciation and depreciation under the Income-tax Act, 1961	34.35	11.12
Expenditure under Section 43B of the Income-tax Act, 1961	17.17	19.57
<b>Net deferred tax asset</b>	<b>51.52</b>	<b>30.69</b>

**17. Construction contracts**

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Contract revenue recognised as revenue for the year ended March 31, 2010	7,268.83	5,655.63
Aggregate amount of contract costs incurred and recognised profits (less recognised losses) up to March 31, 2010 for all the contracts in progress.	12,363.07	10,380.15
The amount of customer advances outstanding for contracts in progress as at March 31, 2010	1,257.93	1,676.52
The amount of retentions due from customers for contracts in progress as at March 31, 2010	232.04	267.51

**18. Derivative instruments and unhedged foreign currency exposure**

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Forward cover for hedging foreign currency denominated bank loan	-	214.00
Foreign currency exposure (net) that are not hedged by derivative instruments or otherwise	8.28	4.20

19. Based on the information available with the Group, there are no suppliers who are registered as micro, small or medium enterprises under “The Micro, Small and Medium Enterprises Development Act, 2006” as at March 31, 2010.

**20. Details of investments purchased and sold during the year**

(Rs. in Million)

Particulars	No. of units (in million)	Face value	Purchase value March 31, 2010	Sale value March 31, 2010
Birla Sun Life Savings Fund	64.93	10	650.00	650.00

(Rs. in Million)

Particulars	No. of units (in million)	Face value	Purchase value March 31, 2009	Sale value March 31, 2009
HDFC Cash Management Fund	14.98	10	150.22	150.22
Reliance Liquidity Fund	7.00	10	70.03	70.03
Tata Liquid Fund	34.93	10	350.52	350.52

21. Excise duty on sales amounting to Rs. 33.91 million (Previous year - Rs.91.34 million) has been reduced from Income from operations in consolidated profit and loss account and excise duty on increase in inventory of finished goods amounting to Rs.0.15 million (Previous Year - Rs.1.53 million) has been accounted in the consolidated profit and loss account under the head ‘Cost of sales’.

22. Minority interest represents that part of net results of operations and of the net assets of Sobha City, which are directly attributable to interest which are not owned, directly or indirectly by the Company

(Rs. in Million)

Particulars	March 31, 2010	March 31, 2009
Opening	248.97	227.74
Profit after tax	42.15	21.23
	<b>291.12</b>	<b>248.97</b>

23. The Company has entered into certain transactions for purchase of material and services in the prior years from private limited companies/firms, covered under section 297 of the Act, which require prior approval of the Central Government under proviso to Section 297(1) of the Act. In this regard, the Company has filed an application for composition of the offence and obtaining approval from the Company Law Board under Section 621A of the Act. The Company is confident of obtaining the approvals, and pending obtaining such approvals, no adjustments have been made to the consolidated financial statements.

24. The figures of previous year have been regrouped/reclassified, where necessary, to conform with the current year’s classification.

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES  
Firm registration number: 101049W  
Chartered Accountants

per Navin Agrawal  
Partner  
Membership No: 56102

Place: Bengaluru, India  
Date: April 27, 2010

For and on behalf of the Board of Directors of  
Sobha Developers Limited

P.N.C. Menon  
Chairman  
  
S. Baaskaran  
Chief Financial Officer

Place: Bengaluru, India  
Date: April 27, 2010

Ravi Menon  
Vice Chairman  
  
Kishore Kayarat  
Company Secretary and  
Compliance Officer

J.C. Sharma  
Managing Director

## Report on Corporate Governance

### Corporate Governance Philosophy

Corporate Governance encompasses adhering effectively to the governing laws, procedures, practices, and the implicit rule that determines a management's ability to take sound decisions in the best interest of all its stakeholders, viz. shareholders, customers, employees, creditors, the state, etc. Corporate Governance is primarily based on the principles of integrity, transparency, fairness, accountability, full disclosure, independent monitoring of the state of affairs.

Our Company is in compliance with the guidelines on Corporate Governance as stipulated under various clauses of the Listing Agreement with stock exchanges and in this regard, we submit a report on the matters mentioned in the said clauses and practices followed by the Company.

### Board of Directors

As on date, the Board of Directors comprise eight directors of which four are Independent Directors. The composition of the Board of Directors is in compliance with the requirements of Clause 49 of the Listing Agreement.

During the year, the Board of Directors has co-opted Mr. M. Damodaran as Additional and Non- Executive Independent Director and Mr. P. Ramakrishnan as Additional and Whole time Director effective from January 29, 2010.

As per the declarations received by the Company, none of the Directors are disqualified under Section 274(1) (g) of the Companies Act, 1956 read with Companies (Disqualification of Directors under Section 274(1) (g) of the Companies Act, 1956) Rules, 2003.

Necessary disclosures have been made by the Directors stating that they do not hold membership in more than 10 Committees or act as a Chairman in more than 5 Committees in terms of Clause 49 of the Listing Agreement.

The composition of the Board of Directors as on April 27, 2010 is as follows:

Name	Category	Relationship with other directors	Number of directorships and committee memberships and chairmanships			No: of Board Meetings attended	Whether attended last AGM
			Directorships*	Committee**			
				Memberships	Chairmanships		
Mr. P.N.C.Menon	Chairman	Father of Mr. Ravi Menon	14	None	None	5	Yes
Mr. Ravi Menon	Vice Chairman	Son of Mr. P.N.C. Menon	8	1	None	5	Yes
Mr. J.C.Sharma	Managing Director	None	9	2	None	5	Yes
Mr. P. Ramakrishnan***	Deputy Managing Director	None	1	None	None	NA	NA
Mr. R.V.S.Rao	Independent Director	None	6	1	2	4	No
Mr. Anup Shah	Independent Director	None	4	2	None	5	Yes
Mr. M. Damodaran****	Additional Director	None	8	2	2	NA	NA
Dr. S.K.Gupta	Independent Director	None	8	6	3	4	No

\* Directorship in both public (listed and unlisted) and private limited companies have been considered

\*\* In accordance with clause 49, Memberships/ Chairmanships of only Audit Committees and Investors Grievance Committee of all Public Limited Companies have been considered.

\*\*\* Mr. P. Ramakrishnan was inducted on the Board as an Additional and Wholetime Director from January 29, 2010.

\*\*\*\*Mr. M. Damodaran was inducted on the Board as Additional Director from January 29, 2010.

## Board Meetings

Being the apex body constituted by the shareholders for overseeing the overall functioning of the Company, the Board evaluates the proposals involving strategic decisions on a collective consensus basis amongst the Directors. Most Board meetings are held at the Company's Corporate Office: # 4, Neeladri Plaza, Raja Ram Mohan Roy Road, Richmond Road Circle, Bangalore – 560 025. The Company Secretary in consultation with Managing Director and Chairman drafts the Agenda for each Board meeting along with explanatory notes and distributes these in advance to the Directors.

We have a well-defined process in place for placing vital and sufficient information before the Board. Any matters requiring discussion or decision or approval of the Board or Committee are communicated to the Company Secretary well in advance, so that the same could be included in the Agenda of the respective meetings. All items mentioned under Clause 49 of the Listing Agreement are covered to the fullest extent and presentations covering the Sales, Delivery, Finance, Compliance, Human Resource and Risk Management practices are made to the Board. The Board meets at least once in a quarter and the maximum time gap between any two meetings is not more than four months.

During the financial year 2009-10, five meetings of the Board of Directors were held on May 04, 2009, May 18, 2009, July 29, 2009, October 29, 2009 and January 29, 2010.

The Minutes of the Meetings of all the Committees of the Board of Directors and the Management Committees, namely, Audit Committee, Investors Grievance Committee, Share Transfer Committee, Executive Selection and Remuneration Committee, Investments and Borrowings Committee, Executive Committee, etc., are placed before the Board of Directors.

## Resolutions passed by circulation

During the financial year 2009 -2010, the Board of Directors has passed resolutions by way of circulation on May 22, 2009, June 24, 2009 and July 03, 2009.

## Board Compensation

The Board is responsible for the appointment of new directors and the same is approved by the shareholders at the Annual General

Meeting. The compensation to the Board of Directors is approved by the shareholders and disclosed separately in Notes to Accounts. Compensation to the Managing Director / Wholtime Director(s) consists of fixed salary and /or performance incentive. The Executive Selection and Remuneration Committee of Board of Directors reviews and recommends to the Board of Directors, remuneration payable to the Managing Director and the Wholtime Directors. The Executive Directors of the Company are not entitled to sitting fees for attending the Board meetings or the Committee meetings.

## Independent Directors

Independent Directors are directors who apart from receiving Director's remuneration do not have any material pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries, which in the judgment of the Board may affect their independence of judgment. Our Independent Directors with their relevant expertise and experience in various areas of knowledge contribute to the development of strategies and also review the performance of the management. As per Clause 49, since the Chairman of the Company is an Executive Director, half of the Board comprises Independent Directors.

## Independent Directors Remuneration

Section 309 of the Companies Act, 1956 provides that a Director who is neither in the wholtime employment of the Company nor a Managing Director may be paid remuneration by way of commission, if the Company by special resolution, authorizes such payment. Members of the Company at their Annual General Meeting held on September 13, 2006, have approved the payment of remuneration by way of commission to Non-Executive Directors, at a rate not exceeding 1% per annum of the net profits of the Company for a period of five years commencing from April 01, 2006.

As per the resolution of the Board dated September 20, 2006, Independent Directors who attend the Board meetings are entitled to Rs.10,000/- per meeting as sitting fees. Also Independent Directors who are members of the Audit Committee, Investors Grievance Committee and Executive Selection and Remuneration Committee are entitled to Rs.5000/- per meeting as sitting fees.

The following is the Cash Compensation paid to the Directors for the year 2009-10

(Rs. in Million)

Sl No.	Name	Salary	Perquisites	Contribution to provident fund	Commission /incentive	Sitting fees	Total
1	Mr. P.N.C. Menon	18.02	1.94	1.80	-	-	<b>21.76</b>
2	Mr. Ravi Menon	17.76	0.30	1.86	-	-	<b>19.92</b>
3	Mr. J.C. Sharma	5.43	-	0.03	28.55	-	<b>34.01</b>
4	Mr. P. Ramakrishnan	0.47	-	0.01	-	-	<b>0.48</b>
5	Dr. S.K. Gupta	-	-	-	0.70	0.08	<b>0.78</b>
6	Mr. R.V.S. Rao	-	-	-	0.70	0.06	<b>0.76</b>
7	Mr. Anup Shah	-	-	-	0.70	0.07	<b>0.77</b>
8	Mr. M. Damodaran	-	-	-	0.15	-	<b>0.15</b>
	<b>Total</b>						<b>78.63</b>

## Shareholding of Directors in the Company as on March 31, 2010

Sl No.	Name of the Shareholder	No. of Shares	%
1	Mr. P.N.C. Menon	12,488,522	12.74
2	Mr. P.N.C. Menon jointly with Mrs. Sobha Menon	5,494,407	5.60
3	Mr. Ravi Menon *	30	0.00
4	Mr. J.C. Sharma	64971	0.07
5	Mr. P. Ramakrishnan	-	-
6	Mr. Anup Shah #*	4300	0.00
7	Mr. R V S Rao #	15000	0.01
8	Dr. S K Gupta #	-	-
9	Mr. M. Damodaran #	-	-
<b>TOTAL</b>		<b>18,067,230</b>	<b>18.42</b>

\* Shareholding less than 0.01%

# Non- Executive Independent Director

### Appointment and Re-appointment of Directors

According to the Articles of Association, one-third of the Directors retire by rotation and, if eligible, offer themselves for re-appointment at the Annual General Meeting of shareholders. By the terms of Article 107, 108 and 109 of Articles of Association, Mr. R. V. S. Rao and Mr. Anup Shah, Independent Directors retire at the ensuing Annual General Meeting. The Board has recommended the re-appointment of all the retiring Directors.

The Board of Directors upon the recommendation of the Executive Selection and Remuneration Committee has proposed to the members, the appointment of Mr. P. Ramakrishnan as Deputy Managing Director and the re-appointments of Mr. P.N.C. Menon, Mr. Ravi Menon and Mr. J. C. Sharma as Chairman, Vice Chairman and Managing Director respectively since their tenure of appointment ceases on December 31, 2010 unless reappointed by the Members in the ensuing Annual General Meeting.

The Board has proposed the appointment of Mr. M. Damodaran as a Non- Executive Independent Director liable to retire by rotation. The detailed resumes of all these Directors are provided in the Notice of the Annual General Meeting.

### Committees of the Board

The Board of Directors of the Company has constituted the following Committees namely (i) Audit Committee, (ii) Investors Grievance Committee, (iii) Executive Selection and Remuneration Committee, (iv) Executive Committee and (v) Share Transfer Committee. The Committees of the Board usually meet the same day in advance before the Board meeting or as and when required.

#### Audit Committee

The Audit Committee of the Company was constituted on June 28, 2006 in accordance with the provisions of Clause 49 of the Listing Agreement.

The purpose of the Audit Committee is to ensure the objectivity, credibility and correctness of the Company's financial reporting and disclosure processes, internal controls, risk management policies

and processes, tax policies, compliance and legal requirements and associated matters.

The composition, powers, role and terms of reference of the Committee are in consonance with the requirements mandated under Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

The role of the Audit Committee includes

- Regular review of accounts, accounting policies, disclosures, etc.
- Review of the major accounting entries, based on exercise of judgment by management and review of significant adjustments arising out of audit.
- Review of qualifications in the draft audit report and suggesting action points.
- Establishing and reviewing the scope of the independent audit including the observations of the auditors and review of the quarterly, half-yearly and annual financial statements before submission to the Board.
- The Committee shall have post audit discussions with the independent auditors to ascertain any area of concern.
- Establishing the scope and frequency of internal audit, reviewing the findings of the internal auditors and ensuring the adequacy of internal control systems.
- To look into reasons for substantial defaults in payment to depositors, debenture holders, shareholders and creditors.
- To look into matters pertaining to the Director's Responsibility Statement with respect to compliance with accounting standards and accounting policies.
- Compliance with stock exchange legal requirements concerning financial statements, to the extent applicable.
- The Committee shall look into any related party transactions, i.e., transactions of the Company of a material nature, with promoters or management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of the Company at large.
- Appointment and remuneration of statutory and internal auditors.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Audit Committee.

The powers of the Audit Committee include to:

- Investigate any activity within its terms of reference
- Seek information from any employees
- Obtain outside legal or other professional advice
- Secure attendance of outsiders with relevant expertise, if it considers necessary

The quorum of the Committee is two independent members present or one third of the total members of the Committee, whichever is higher.

The Audit Committee met 4 times during the financial year 2009 – 2010 on the following dates: May 18, 2009, July 29, 2009, October 29, 2009 and January 29, 2010.

The composition and attendance of the members of the Audit Committee as on March 31, 2010 is as follows:

Name	Category	Number of Meetings	
		Held	Attended
Mr. R.V.S. Rao (Chairman)	Non Executive, Independent	4	3
Mr. Anup Shah (Member)	Non Executive, Independent	4	3
Dr. S K Gupta (Member)	Non Executive, Independent	4	3
Mr. J.C. Sharma (Member)	Managing Director	4	4

The Chief Financial Officer and the Head of the Internal Audit Function along with the Statutory Auditors have attended all the Audit Committee meetings in the capacity of invitees held so far by the Company. The Chairman and Vice Chairman of the Board are also invited to attend the Committee meeting. The Company Secretary and Compliance Officer of the Company acted as the Secretary to the Committee.

Mr. R.V.S. Rao, Chairman of the Audit Committee could not attend the Annual General Meeting held during the year under review. The Board of Directors had passed a circular resolution to appoint Mr. Anup Shah, Independent Director and a member of the Audit Committee as Chairman of the Audit Committee as an interim measure in view of the absence of Mr. R.V.S.Rao in compliance with Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

#### Investors Grievance Committee

The Investors Grievance Committee of the Company was constituted on June 28, 2006 in accordance with the provisions of Clause 49 of the Listing Agreement.

This Committee is specifically responsible for the redressal of shareholders'/ investors' grievances related to non-receipt of Annual Report, non-receipt of declared dividend, non-credit of shares or refund in the IPO, etc. The Committee also oversees the performance of the Registrar and Transfer Agents of the

Company relating to investors services and recommend measures for improvement.

The terms of reference of the Investors Grievance Committee, inter alia, include the following:

- Investor relations and redressal of shareholders' grievances in general and relating to non- receipt of dividends, interest, non-receipt of Annual Report, etc., in particular.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such a Committee.

The quorum for the Committee is any two members present at the meeting.

The Investors Grievance Committee met four times on May 18, 2009, July 25, 2009, October 29, 2009 and January 29, 2010 during the financial year 2009 – 2010.

The composition and attendance of the members of the Investors Grievance Committee is as follows:

Name	Category	Number of Meetings	
		Held	Attended
Dr. S.K. Gupta (Chairman)	Non Executive, Independent	4	4
Mr. Ravi Menon (Member)	Executive, Vice Chairman	4	4
Mr. J.C. Sharma (Member)	Managing Director	4	4

The Chairman of the Board was also invited to attend the Committee meeting. The Company Secretary and Compliance Officer of the Company acted as the Secretary to the Committee.

## Redressal of Investor Grievances

The details of investor grievances received from April 1, 2009 to March 31, 2010 are as follows:

Nature of Complaint	Balance as on April 01, 2009	Received during the year	Resolved during the year	Balance as on March 31, 2010
Non-credit of shares	0	1	1	0
Non-receipt of refund	0	8	8	0
Correction in refund orders	0	0	0	0
Consumer Forum Cases	0	1	0	1
Others	0	0	0	0
<b>Total</b>	<b>0</b>	<b>10</b>	<b>9</b>	<b>1</b>

## Executive Selection and Remuneration Committee

The Executive Selection and Remuneration Committee of the Company was constituted on May 14, 2007.

The Executive Selection and Remuneration Committee has been constituted to recommend and review compensation plans of the Managing Director, Wholetime Directors and the senior management, based on their performance, defined assessment criteria and job responsibilities.

The following are the terms of reference of the Executive Selection and Remuneration Committee:

- To review and approve / recommend the remuneration for the Wholetime Directors of the Company and senior management personnel of the Company.
- To review and recommend to the Board the remuneration policy of the Company.
- To review the Key Result Areas for Executive Directors and management council members and senior management personnel;
- To review the remuneration package offered by the Company to different grades of its employees;
- Produce an annual report on executive compensation for inclusion in the Company's Annual Report, in accordance with applicable rules and regulations;
- Take all necessary steps for the administration of the Employee Stock Option Scheme or the Employee Stock Purchase Scheme.
- To perform such functions as may be detailed in the Remuneration Committee under Schedule XIII of the

Companies Act, 1956

h) To perform such functions as may be performed by the Selection Committee under the provisions of Directors Relatives (Office or Place of Profit) Rules 2003 read with Section 314 of the Companies Act, 1956.

i) To approve grant of stock options to the employees and / or Directors of the Company and its subsidiaries.

j) To discharge such other functions or exercise such powers as may be delegated to the Committee by the Board from time to time.

The quorum for the meeting shall be any two members present at the meeting.

One meeting of the Executive Selection and Remuneration Committee was held on March 31, 2010 during the year under review.

The composition and attendance of the members of the Executive Selection and Remuneration Committee is as follows:

Name	Category	Number of Meetings	
		Held	Attended
Mr. Anup Shah (Chairman)	Non Executive, Independent	1	1
Mr. R V S Rao (Member)	Non Executive, Independent	1	1
Mr. J.C. Sharma (Member)	Managing Director	1	1

## Share Transfer Committee

The Share Transfer Committee of the Company was constituted on December 12, 2006.

The Share Transfer Committee is specifically responsible for the redressal of issues related to transfer, split, consolidation and re-materialization of shares.

The important terms of reference of the Share Transfer Committee are:

- To look into requests of transfer and transmission of shares.
- To look into requests for the re-materialization of shares.
- To issue Duplicate Share Certificate in lieu of the Original Share Certificate.
- To issue Split Share Certificate as requested by the member.
- To take all such steps as may be necessary in connection with the transfer, transmission, splitting and issue of Duplicate Share Certificate in lieu of the Original Share Certificate.

The quorum for the meeting shall be any two members present at the meeting.

The Share Transfer Committee met four times on May 18, 2009, July 25, 2009, October 29, 2009 and January 29, 2010 during the

financial year 2009 – 2010.

The composition and attendance of the members of the Share Transfer Committee is as follows:

Name	Category	Number of Meetings	
		Held	Attended
Mr. J.C. Sharma (Chairman)	Managing Director	4	4
Mr. P N C Menon (Member)	Executive, Chairman	4	4
Mr. Ravi Menon (Member)	Executive, Vice Chairman	4	4

#### Means of Communication

The quarterly, half yearly and annual results are published in the Business Standard and Vijaya Karnataka (regional language newspaper where the registered office of the Company is situated). The above information can also be viewed at the common portal platform [www.corpfiling.in](http://www.corpfiling.in) maintained by both NSE and BSE.

The above results along with the investor presentation are also displayed in the website of the Company – [www.sobha.com](http://www.sobha.com)

Press releases and presentations made to institutional investors or to analysts by the Company from time to time are informed to the stock exchange(s) and are also uploaded in the website of the Company.

The Directors Report, Management Discussion and Analysis Report, Chairman's Message and the Corporate Governance Report form part of the Company's Annual Report.

The Company has designated a separate e-mail id [investors@sobha.com](mailto:investors@sobha.com) for investor servicing.

#### General Body Meetings

##### Annual General Meeting

Details of Annual General Meetings held during the last three years are as follows:

Financial Year ended	Date	Time	Venue
March 31, 2009	June 24, 2009	10.00 a.m	Sobha Academy, Sobha Suburbia, 107/108, Behind Jakkur Flying Club, Jakkur Village, Bangalore – 560 064
March 31, 2008	July 24, 2008	02.00 p.m	NIMHANS Convention Centre, Hosur Road, Bangalore – 560 029.
March 31, 2007	August 13, 2007	02.30 p.m	NIMHANS Convention Centre, Hosur Road, Bangalore – 560 029.

##### Special Resolutions

###### 14th Annual General Meeting held on June 24, 2009

Ratification of utilization of proceeds of Initial Public Offer of the Company

###### 13th Annual General Meeting held on July 24, 2008

None

###### 12th Annual General Meeting held on August 13, 2007

- i. Increase in the Authorized Share Capital of the Company
- ii. Revision of remuneration of Mr. J.C. Sharma, Managing Director
- iii. Appointment of Mr. P.N. Haridas under Section 314 of the Companies Act, 1956
- iv. Appointment of Mr. Shine V. Nair under Section 314 of the Companies Act, 1956

##### Extraordinary General Meeting

Details of Extraordinary General Meetings held during the last three years are as follows:

Financial Year	Date	Time	Venue
2009 – 2010	June 17, 2009	10.00 a.m	Sobha Academy, Sobha Suburbia, 107 / 108, Behind Jakkur Flying Club, Jakkur Village, Bangalore 560 064
2008 – 2009	September 22, 2008	11.30 a.m	Sobha Academy, Sobha Suburbia, 107 / 108, Behind Jakkur Flying Club, Jakkur Village, Bangalore 560 064
2007 – 2008			None

## Special Resolutions

### Extraordinary General Meeting held on June 17, 2009

- i. Approval under Section 81 and 81(1A) of the Companies Act, 1956 for the issue of securities to qualified institutional buyers.
- ii. Approval for increase in limits of investment by foreign institutional investors in the equity shares of the Company from 24% up to 100% of the paid up share capital

### Extraordinary General Meeting held on September 22, 2008

- i. Reclassification of the Authorized Share Capital of the Company
- ii. Approval for the Rights Issue

## Postal Ballot

There are no ordinary or special resolutions that need to be passed by the shareholders through a postal ballot for the year ended March 31, 2010.

## Disclosures

- a. There are no materially significant related party transactions, which have potential conflict with the interests of the Company at large.
- b. By the terms of Clause 49 of the Listing Agreement, the Company had adopted a Code of Conduct for the Board of Directors and senior management personnel of the Company. The same has been placed in the website of the Company. The code has been circulated to all the members of the Board and senior management personnel and the compliance of the same is affirmed by them on an annual basis.

### Confirmation of the Code of Conduct by Managing Director

This is to confirm that the Company has adopted a Code of Conduct for its Board members and the senior management personnel and the same is available on the Company's website.

I confirm that the Company has, in respect of financial year ended March 31, 2010, received from the senior management personnel of the Company and the members of the Board, a declaration of compliance with the Code of Conduct as applicable to them.



Place: Bangalore  
Date: April 27, 2010

J.C. Sharma  
Managing Director

- c. The Company has adopted the Employee Share Dealing Code in terms of the SEBI (Prohibition of Insider Trading) Regulations 1992. This code is applicable to all Directors and designated employees. The code ensures prevention of dealing in shares by persons having access to unpublished price sensitive information. The Company regularly monitors the

transactions in terms of the Employee Share Dealing Code undertaken by the employees of the Company. The Company also informs the stock exchange(s) periodically about the transaction(s) undertaken by the designated employees and their share holdings as per the regulations.

- d. There has been no occurrence of non-compliance of any legal requirements nor has there been any restriction imposed by any stock exchange, SEBI, on any matters relating to the capital market.

- e. The Company has complied with the requirements of the stock exchanges / SEBI / any other statutory authority on all matters related to capital markets. There are no penalties or strictures imposed on the Company by the stock exchanges / SEBI / any other statutory authority relating to the above.

- f. The Company has established the whistle-blower process to promote ethical behavior in all its business activities and put in place a mechanism for employees to report any illegal, unethical behavior, suspected fraud or violation of laws, rules and regulation or conduct of their immediate supervisor, etc. The Policy also provides for adequate protection to the whistle-blower against victimization or discriminatory practices. The Company further confirms that no personnel have been denied access to the Audit Committee.

- g. The Corporate Governance Certificate in terms of Clause 49 of the Listing Agreement issued by the Practicing Company Secretary forms part of the Annual Report.

- h. The Chief Executive Officer (CEO) / Chief Financial Officer (CFO) certification in terms of Clause 49 of the Listing Agreement forms part of the Annual Report.

- i. Fees paid to Statutory Auditors

During the financial year 2009 – 2010, the fees paid to the Statutory Auditors of the Company.

(Rs. in Million)

Audit Fees	3.00
QIB issue related fees	1.50
Other services [includes fees for quarterly reviews]	3.00
Out of pocket expenses (excluding service tax)	0.13
Total	7.63

- j. Clause 49 of the Listing Agreement states that the non-mandatory requirements may be implemented as per the Company's discretion. However, the disclosures on compliance with mandatory requirements and adoption (and compliance) / non-adoption of the non-mandatory requirements shall be made in the Corporate Governance Report of the Annual Report. The status of compliance of the non-mandatory requirements is as follows:

- The Company has established a mechanism for employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The said policy provides adequate safeguards against victimization

of employees who avail of the mechanism and also provides direct access to the Chairman of the Audit committee and the existence of this mechanism has been appropriately communicated within the organization.

- The Company has formed an Executive Selection and Remuneration Committee. A detailed note on this Committee is provided elsewhere in the report.
- The information on financial and business performance is being updated in the investors section of the website of the Company: www.sobha.com on a quarterly basis.

## GENERAL SHAREHOLDER INFORMATION

### Registered and Corporate Office

The registered office of the Company is situated at E – 106, Sunrise Chambers, 22 Ulsoor Road, Bangalore – 560 042

The Corporate office of the Company is situated at #4, Neeladri Plaza, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore – 560 025

### Date and Venue of the Annual General Meeting (AGM)

Date: June 11, 2010

Venue: Sobha Academy, Sobha Suburbia, 107/108, Behind Jakkur Flying Club, Jakkur Village, Bangalore – 560 064

Time: 10.00 a.m.

### Financial Year

The financial year of the Company starts from 01st April of every year and ends on 31st March of the succeeding year.

### Date of Book Closure

The date of Book Closure for payment of dividend is June 05, 2010.

### Recommendation of Dividend and Dividend Payment Date

The Board of Directors has recommended a dividend of Rs. 2.50 for each equity share of Rs. 10/- each aggregating to a 25 % dividend to be paid for the financial year 2009 – 2010. The proposed Dividend, if approved at the ensuing Annual General Meeting, will be paid to the members as per the beneficiary positions and Register of members as on June 05, 2010.

The dividend amount shall be deposited in a separate bank account within 5 days from the date of Annual General Meeting, i.e., June 16, 2010.

### Calendar of Board Meetings for the Financial Year (Tentative and Subject to Change)

For quarter ending June 30, 2010 – last week of July 2010

For quarter ending September 30, 2010 – last week of October 2010

For quarter ending December 31, 2010 – last week of January 2011

For the year ending March 31, 2011 – last week of April 2011

## Listing on Stock Exchanges

The equity shares of the Company are listed on the National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) since December 19, 2006.

Listing Fees have been paid to all the above stock exchanges for 2010-11.

### Stock Code

Stock Exchange	
The National Stock Exchange of India Limited	SOBHA
The Bombay Stock Exchange Limited	532784
Bloomberg	SOBHA:IN
Reuters	SOBH.NS (NSE) / SOBH.BO (BSE)

The International Securities Identification Number (ISIN) for the Company's shares in dematerialized form is INE671H01015.

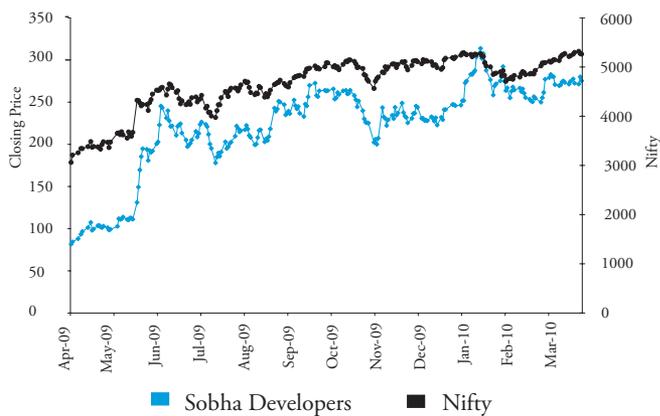
### Custodial Fee

The Company has paid custodial fees for the year 2010-11 to NSDL and CDSL on the basis of the number of beneficial accounts maintained by them as on March 31, 2010.

## Stock Price Data

Month	National Stock Exchange (NSE)				Bombay Stock Exchange (BSE)			
	High	Low	Average	Volume	High	Low	Average	Volume
	Rs.	Rs.	Rs.	No.	Rs.	Rs.	Rs.	No.
April-09	115.00	78.55	98.67	5,017,225	114.90	79.00	98.81	2,280,708
May-09	203.00	101.75	144.97	7,588,967	202.10	101.00	144.62	3,470,798
June-09	257.70	191.00	218.16	6,547,162	259.50	191.00	218.46	3,049,272
July-09	246.00	176.00	206.22	7,630,530	244.90	176.55	206.15	3,801,412
August-09	265.70	195.00	222.19	9,128,412	265.90	195.00	222.15	4,311,894
September-09	284.00	225.00	251.80	7,653,441	282.50	230.00	251.73	31,21,144
October-09	307.70	210.35	253.75	7,333,331	302.00	215.10	253.87	3,463,936
November-09	255.80	196.15	228.62	7,629,086	258.00	197.00	228.72	3,416,236
December-09	251.65	220.65	235.71	5,301,859	251.80	220.50	236.15	2,336,946
January-10	320.10	244.50	281.06	9,253,901	319.70	245.00	281.27	3,061,032
February-10	314.70	218.00	264.93	8,278,598	293.95	245.15	265.17	1,689,890
March-10	295.00	244.60	273.63	2,542,659	295.00	245.00	273.67	771,116

Share Price Movement Vs Nifty

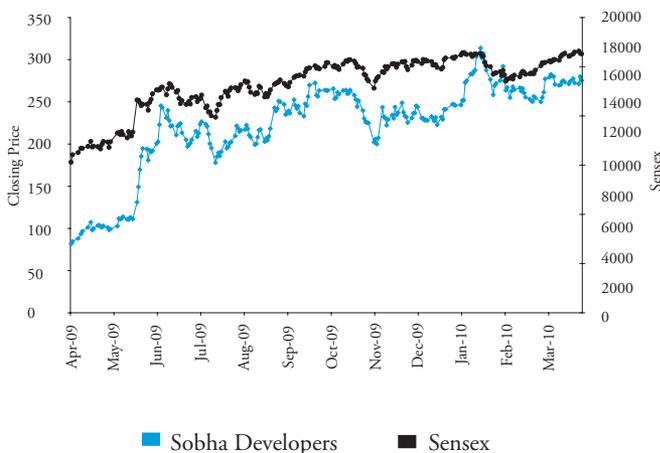


## Shareholding Pattern

### Distribution of Shareholding as on March 31, 2010

Range of equity shares held	No. of shareholders	%	No. of shares	%
1 – 5000	73,147	98.76	2,020,140	2.06
5001 – 10000	469	0.63	353,526	0.36
10001 – 20000	196	0.26	297,244	0.30
20001 – 30000	49	0.07	120,749	0.12
30001 – 40000	21	0.03	75,470	0.08
40001 – 50000	22	0.03	99,927	0.10
50001 – 100000	33	0.04	235,544	0.24
100001 and above	130	0.18	94,861,268	96.74
<b>Total</b>	<b>74,067</b>	<b>100</b>	<b>98,063,868</b>	<b>100</b>

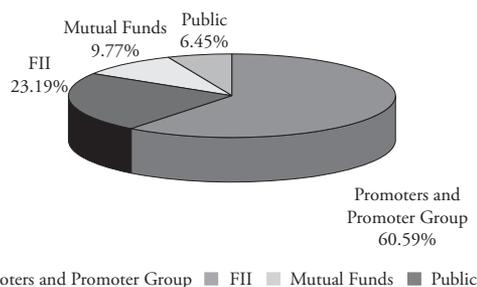
Share Price Movement Vs Sensex



## Categories of Shareholders as on March 31, 2010

Category	Shares	Percent
Clearing member	121,033	0.12
Other bodies corporate	1,899,822	1.94
Corporate financial institutions	543,869	0.55
Foreign institutional investors	22,737,369	23.18
Mutual Funds	9,579,458	9.77
Nationalized banks	10,850	0.01
Non nationalized banks	7,500	0.01
NRI	465,084	0.47
Non resident (Non repatriable)	54,630	0.06
Office bearers	48,200	0.05
Overseas corporate bodies	11	0.00
Public	3,097,694	3.16
Promoters	59,331,350	60.50
Relatives of director	90,030	0.10
Other directors	69,271	0.07
Trusts	3,938	0.00
GIC & its subsidiaries	1,759	0.00
Foreign venture capital	2,000	0.00
<b>Total</b>	<b>98,063,868</b>	<b>100</b>

## Distribution of Shareholding



## R&T Agents

Link Intime (India) Private Limited (formerly Intime Spectrum Registry Limited)  
 C-13, Pannalal Silk Mills Compound,  
 LBS Marg, Bhandup (West)  
 Mumbai 400 078  
 Email: rnt.helpdesk@linkintime.co.in  
 Tel: (91 22) 2594 6970  
 Fax: (91 22) 2596 0329

## Share Transfer System

Share transfers would be registered and returned within a period of 20 days from the date of receipt, if the documents are clear in all respects. The Company holds Share Transfer Committee Meetings up to three times a month, as may be required, for approving the transfers / transmissions of equity shares. Share transfers and other communication regarding share certificates and change of address, etc., may be addressed to the R&T Agents as mentioned above.

## Shares Held in Physical and Dematerialized Form

As on March 31, 2010, 99.99 % of the Company's shares were held in dematerialized form and the rest in physical form.

## Procedure for Claiming Unpaid Dividend

In terms of Section 205A (5) of the Companies Act, 1956, monies transferred to the Unpaid Dividend Account of the Company, which remain unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Investor Education and Protection Fund established by the Central Government.

Given below is a table providing the dates of declaration of dividend after the shares were listed and the corresponding date when unclaimed dividends are due to be transferred to the Central Government :

Financial year	Date of declaration of dividend	Last date for claiming unpaid dividend	Unclaimed amount (Rs.)	Due date for transfer to Investor Education and Protection Fund
2006-07	August 13, 2007	August 12, 2014	167,585	September 11, 2014
2007-08	July 24, 2008	July 23, 2015	313,976	August 22, 2015
2008-09	June 24, 2009	June 23, 2016	708,045	July 22, 2016

Members can claim the unpaid dividend from the Company before transfer to the Investors Education and Protection Fund. It may be noted that after the unpaid dividend is transferred to the said Fund, the same cannot be claimed. Members who have so far not encashed the dividend warrant(s) are requested to make their claim to the Secretarial Department at the Corporate Office of the Company situated at # 4, Neeladri Plaza, Raja Ram Mohan Roy Road, Richmond Road Circle, Bangalore – 560 025.

## Outstanding GDRs / ADRs / Warrants / Convertible Instruments and Their Impact on Equity

As on March 31, 2010, the Company does not have any outstanding GDRs / ADRs / Warrants / Convertible Instruments.

## Plant Locations

### Glazing Division

Plot No.10, JBLR Industrial Area, Hennagara (Post), Anekal Taluk, Bommasandra, Bangalore – 562 106

### Interiors Division

Plot No.9, JBLR Industrial Area, Hennagara (Post), Anekal Taluk, Bommasandra, Bangalore – 562 106

## Concrete Products Division

Plot No.329, JBLR Industrial Area, Hennagara (Post), Anekal Taluk, Bommasandra, Bangalore – 562 106

## Legal Proceedings

There are no legal proceedings against the Company which are of material nature.

## Nomination

Pursuant to the provisions of Section 109A of the Companies Act, 1956, members may file nomination in respect of their shareholdings. Any member willing to avail this facility may submit to the Company the prescribed Form 2B (in duplicate), if not already filed. Form 2B can be obtained with the help of the R&T Agents. Members holding shares in electronic form are requested to give the nomination request to their respective Depository Participants directly.

## Address for Correspondence

### For any queries, please write to

Mr. Kishore Kayarat  
Company Secretary & Compliance Officer  
Sobha Developers Limited  
E – 106, Sunrise Chambers, 22 Ulsoor Road, Bangalore – 560 042  
Telephone: 91 80 2559 4139  
Fax: 91 80 2559 4138  
Email: kishore.kayarat@sobha.com  
investors@sobha.com

For queries relating to financial statements, please write to

Mr. S Baaskaran  
Chief Financial Officer  
Sobha Developers Limited  
E – 106, Sunrise Chambers, 22 Ulsoor Road, Bangalore – 560 042  
Telephone: 91 80 2559 4139  
Fax: 91 80 2559 4138  
Email: baaskaran.s@sobha.com  
investors@sobha.com

## Website

The Company's website [www.sobha.com](http://www.sobha.com) contains comprehensive information about the Company, current and forthcoming projects, press releases and investor relations. It serves to inform the shareholders by providing key information like Board of Directors and the committees, financial results, shareholding pattern, dividends, investor presentations etc.

## Secretarial Audit Report for the year ended march 31, 2010

To,  
The Board of Directors,  
Sobha Developers Limited,  
Bangalore – 560 042.

I have examined the records, registers and documents of Sobha Developers Limited (hereinafter referred to as ["the Company"]) for the financial year ended on March 31, 2010, required to be maintained under the provisions of -

i) The Companies Act, 1956, hereinafter referred to as ("the Act"), rules made there under and also the provisions contained in the Memorandum of Association and Articles of Association of the Company;

ii) The Equity Listing Agreements with Bombay Stock Exchange Limited and National Stock Exchange of India Limited (Designated Stock Exchange).

iii) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act');

a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997;

b. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 erstwhile The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

Based on my examination and verification of the registers, records and documents produced to me and according to the information and explanations given to me by the Company, I report that the Company, has in my opinion, complied with

i) The provisions of the Companies Act, 1956 ('the Act') and the Rules made there under the Act and the Memorandum and Articles of Association of the Company, with specific reference to

1. The Company has kept and maintained the requisite registers and other records required under the Act and the Rules made there under.

2. The Company has filed required forms, returns, documents, and resolutions required to be filed with the Registrar of Companies, Ministry of Corporate Affairs.

3. The Company closed its Register of Members and Share Transfer Books from June 15th, 2009 to June 19th, 2009 (both days inclusive) and necessary compliance of Section 154 of the Act has been made.

4. The Board of Directors of the Company is duly constituted in accordance with the Act.

5. The Board of Directors of the Company met 5 times, during the financial year, viz., May 4, 2009, May 18, 2009, July 29, 2009, October 29, 2009 and January 29, 2010 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the Minutes book.

6. During the financial year, the Board of Directors has passed three Circular Resolutions dated May 22, 2009, June 24, 2009 and July 03, 2009.

7. As per the declarations received by the Company, the Directors have disclosed their interest in other firms/companies to the Board of the Directors pursuant to the Provisions of Section 299 of the Act.
8. As per the declarations received by the Company, none of the Directors are disqualified under section 274(1) (g) of the Act read with the Companies (Disqualification of Directors under section 274(1) (g) of the Companies Act, 1956) Rules, 2003.
9. The Audit Committee constituted as per the requirement of Section 292A of the Act and listing agreement duly met 4 times during the financial year, viz., May 18, 2009, July 29, 2009, October 29, 2009 and January 29, 2010 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the Minutes book.
10. The meetings of the other Committees of the Board were duly and properly convened and minutes of such meetings have been properly recorded and signed in the Minutes book maintained for the said purpose.
11. The Annual General Meeting for the financial year ended on 31st March 2009 was held on June 24th, 2009 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes book maintained for the purpose.
12. During the Financial Year, 1 (One) Extraordinary General Meeting of the Company was held on 17th June, 2009 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes book maintained for the purpose.
13. The Company has obtained approvals of the Members of the Company, the Board of Directors, and the Committees of Directors, wherever required.
14. The appointment and remuneration of Managing Director, Wholetime Director, and other Directors of the Company have been made in accordance with the Articles of Association of the Company and with the relevant provisions of the Act.
15. During the year under review, the Company has co-opted two additional Directors in the Board of Directors of the Company, viz, Mr. M. Damodaran and Mr. P. Ramakrishnan. Mr. M. Damodaran is an Independent Director and Mr. P. Ramakrishnan is an Executive Director (Wholetime Director) designated as Deputy Managing Director.
16. The Company has re-appointed M/s. S. R. Batliboi & Associates, Chartered Accountants, as Statutory Auditors of the Company in accordance with the Act. The remuneration paid to them is with prior approval of members of the Company.
17. The Company has deposited the amount of dividend declared at the Annual General Meeting held on June 24th, 2009, in a separate bank account on June 27th, 2009, with State Bank of India, Overseas Branch, Bangalore within 5 days from the date of declaration of such dividend in accordance with the provisions of Section 205 of the Act.
18. The Company is not required to effect any transfer of the amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund as there were no cases.
19. The Company has issued 25,162,135 Equity Shares of Rs. 10 each at a premium of Rs. 199.40 per share during the financial year under scrutiny and requisite E-form 2 has been filed with the Ministry of Corporate Affairs.
20. The Company has not issued any Redeemable Non-Convertible Debentures / Commercial Paper during the financial year.
21. The Company has not issued any redeemable preference shares and as such there was no redemption of preference shares during the financial year.
22. The Company has redeemed various series of Redeemable Non-Convertible Debentures aggregating Rs. 1,630.10 Million (Rupees One Thousand Six Hundred Thirty point Ten Million) only during the year under report.
23. The Company has not bought back any shares during the financial year.
24. The Company has not altered the provisions of the memorandum with respect to situation of the Company's registered office from one state to another during the year under scrutiny.
25. The Company has not altered the provisions of the memorandum with respect to the objects of the Company during the year under scrutiny.
26. The Company has not altered the provisions of the memorandum with respect to name of the Company during the year under scrutiny.
27. The Company has not altered the provisions of the memorandum with respect to the Share Capital of the Company during the year under scrutiny.
28. The Company has not altered its Articles of Association during the financial year under report.
29. Consequent to the preliminary observations made during the Technical scrutiny and Inspection under section 209A of the Companies Act, 1956, the Company has filed an application for compounding of offence in pursuance to Section 621A of the Companies Act 1956, for not taking prior approval of the Central Government with regard to certain contracts entered by the Company in terms of Section 297 of the Companies Act, 1956.
30. During the year under review, the Company has obtained the previous approval of the Central Government vide Letter no. 2/B-10525/09 dated July 8, 2009, in pursuance to Section 297 of the Companies Act, 1956 for purchase of goods from Sobha Projects and Trade Private Limited for a period of five years with effect from July 08, 2009 to July 07, 2014, up to a

maximum limit of Rs. 30 Crores per annum.

I further report that

ii) The Company is a listed Company with Bombay Stock Exchange Limited bearing Stock Code no. 532784 and National Stock Exchange of India Limited, bearing Stock Symbol "SOBHA" and has complied with the requirements under the Equity Listing Agreements entered into with the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited as to the following matters:-

1. The Constitution of Board of Directors has been in the terms of the Clause 49 of the listing agreement entered by the Company with the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) (collectively referred as "the Stock Exchanges").

2. The Constitution of Audit Committee has been in terms of clause 49 of the listing agreement.

3. The Constitution of Investors Grievance Committee has been in terms of clause 49 of the listing agreement and the committee has duly met 4 times during the financial year, viz., May 18, 2009, July 25, 2009, October 29, 2009 and January 29, 2010 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the Minutes book.

4. The Company has filed the Quarterly Corporate Governance Report and Shareholding pattern with the Stock Exchanges in terms of Clause 49 and 35 respectively, of the listing agreements.

5. The Company has filed the half yearly Compliance Certificate with the Stock Exchanges in terms of Clause 47(c) of the listing agreements.

6. The Company has filed the quarterly Secretarial Audit Report with the Stock Exchanges in compliance with the provisions of Regulation 55A of the SEBI (Depositories and Participants) Regulations, 1996.

7. The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the code of Business Conduct & Ethics for Directors and Management Personnel;

8. The Company has obtained in principle approval from the Stock Exchanges for the issue and allotment of Equity Shares to the Qualified Institutional Buyers under the provisions of Chapter XIII A of the erstwhile Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000.

I further report that the Company,

iii) has complied with the requirements under the following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act');

a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 with regard to:

1. The Continual Disclosure in terms of the Regulation 8 (3).

b. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 erstwhile The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 with regard to:

1. The Company has issued and allotted 25,162,135 Equity Shares under the provisions of Chapter XIII A of the erstwhile The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 to the Qualified Institutional Buyers.



**Place: Bangalore**  
**Date: April 27, 2010**

**Nagendra D. Rao**  
**Practicing Company Secretary**  
**Certificate of Practice No.: 7731**

## **Certificate on Corporate Governance**

To the Members of Sobha Developers Limited,

I have examined the compliance of conditions of Corporate Governance by Sobha Developers Limited (the Company), for the year ended at March 31, 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. This certificate is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned listing agreement.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**Place: Bangalore**  
**Date: April 27, 2010**



**Nagendra D. Rao**  
**Practising Company Secretary**  
**Certificate of Practice No.: 7731**

## Additional Information

### Human Resource Management

In order to maximize value for our stakeholders in today's dynamic environment, we have focused on anticipating the unknown, evolving new strategies by thinking out of the box, motivating people, developing their skills, promoting synergies and creating a cordial environment at the work place. We strive to achieve this by:

- Ensuring employees have a fair understanding of the essential business needs
- Providing them the skills, expertise, and knowledge needed to fulfill these needs
- Removing areas of ambiguity with respect to policy issues and expected outcomes
- Developing effective teams with good capabilities
- Encouraging employees to eliminate unnecessary costs and to seek innovative solutions

HR Department has played a key role in accomplishing the organization-wide business plan. Our focus has been on retaining talent, recognizing and rewarding high performers and investing in employee development which will serve us in the long run.

#### Employee Satisfaction

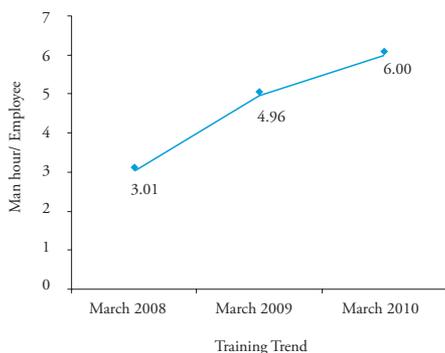
Leadership is the key for organizational development. It is therefore necessary to assess the satisfaction and motivational levels of Managers in the organization. An internal online satisfaction survey was conducted and the analysis and feedback of the results was discussed at the Leadership Development Program Workshops conducted for Managers posted across all locations in India. These sessions which dealt with real-life day to day challenges faced by managers were conducted by the senior management staff. These programs with customized case studies and assessments were mandatory for all managers to attend.

#### Recruitment

Online assessments tests and IQ tests were developed for strengthening our recruitment process for selecting high quality candidates.

Workshops on recruitment and selection were conducted exclusively for the recruitment team to upgrade and understand the latest tools and trends in recruitment.

#### Training



In addition to the regular behavioral training programs, need-based programs in the following areas were organized to enable incumbents face the new challenges in their respective functions.

**Sales Training Workshop** was conducted for the entire Sales team to provide them with the tools and knowledge to face the new challenges arising in the market place. The training material and methodology were formulated after a Customer Validation Study and direct interaction with all the Sales team members.

**Customer Service Foundation Course** was conducted for the Customer Relationship Executive team to enable them to interface better with clients. This program provided a unique set of skills along with practical implementation techniques which can be used in any form of client interface for continual improvement.

**Negotiation Skills Workshop** was conducted for the Purchase team to become skilled negotiators. The session enhanced their skills and knowledge about strategies and methods required to negotiate successfully in any business situation. It enabled employees to craft, negotiate, and reach agreements while enhancing the business relationship as well as protecting the targeted opportunity.

**Lean Implementation** through experiential training was conducted for factory staff to understand the importance of identifying and eliminating wasteful processes. After the session, a list of 76 items was compiled that covered about 40 areas of wasteful processes in the factory. This indicates the involvement of the participants in making Lean Implementation successful. The factory teams are now gearing up to start pilot projects for 5S implementation at the shop floor.

**Workshop for Enhancing Effectiveness of Secretaries** was designed to build up various skills of the secretaries to ensure their effectiveness, pride of belongingness and above all to be true ambassadors when they interact with a cross section of the people who come into contact with the Company.

We have encouraged and promoted employees initiatives that promote team work in the organization. Many self-help teams have been initiated to build a positive culture within the organization.

Our employees' **Creative Club** takes an active role in building a positive and encouraging work environment for employees to share their ideas and get recognized. This club aims at keeping the morale of the employees high and inculcates the importance of team work through various creative team-building activities. The club actively conducts awareness campaigns like Earth Day, Bus Day, Earth Hour, Environment Day, etc., to sensitize Sobhaites about the importance of such issues through their participation. The club regularly organizes cultural programs on Independence Day, New Year's Day, etc., and commemorates all festivals to keep traditions intact as well as keep Sobhaites rejuvenated.

Our Sobha **Fine Arts Group** formed for employees to showcase their talent in music, theater and dance has been named "Rhythm – Soul of Life" on account of our employees' outstanding performance at the New Year celebrations.

Our Sobha **Toastmasters Club** affiliated to Toastmaster International USA is a learn-by-doing workshop in which participants hone their speaking and leadership skills in a friendly

atmosphere. A typical group has 20 to 40 members who meet weekly to practice communication and leadership techniques. The Sobha Toastmasters Club takes the lead to enhance employees' communication and leadership skills in a fun-filled environment.

## Environment, Health and Safety

We at Sobha Developers Ltd have formulated an Environment, Health and Safety Policy which acts as our guiding force in creating value for an eco-friendly environment and accident-free workplace.

### Energy Conservation

We are focused on energy conservation and provide energy-efficient solutions to our customers thereby reducing carbon emission. Some of the best practices followed are

- Continuous focus on highly energy-efficient lighting system design for all projects and usage of CFL/FTL/metal halide fittings
- In lighting design, we have achieved 0.55W/SFT, which is remarkable. We were able to achieve this by exploiting lighting software and using highly efficient lamps like T5 tubes and LEDs. Lighting software has helped us in designing an energy-efficient lighting system. This software is used in designing street lighting systems which utilize energy optimally and thus contribute to energy conservation. Timers, sensors and automatic switching methods are provided to save energy and reduce running costs
- Some innovative devices such as daylight sensors and occupancy sensors have been introduced in software development blocks to save energy and reduce running costs
- Use of solar lighting in all common areas in residential apartments and deployment of solar heating thereby reducing the use of conventional energy
- Internal and external electrification is designed keeping in mind the need to reduce energy loss and running costs
- Installation of highly efficient transformers, DG sets and other equipment. An effective, preventive and predictive maintenance system is in place to protect all energy-intensive equipments – like DG sets, cranes, hoists and other heavy equipment
- Automatic power factor control panels are installed at supply level of individual projects for achieving energy efficiency

### Water Conservation

Water is a precious resource and to ensure its judicious use and conservation the following best practices are followed:

- Sewage Treatment Plants (STP) are installed in all projects to achieve the ultimate goal of zero discharge. Usage of STP-treated water for flushing and gardening
- Rain Water Harvesting – Rain water-harvesting system is mandatory for all projects. Rain water is collected in tanks and used for domestic purposes after treatment. During the monsoons, this saves 50% to 60% of the water consumed
- Ground water is recharged by diverting the run-off water from hard-paved areas of the building to rain water percolation pits through external drains thereby recharging the water table

### Waste Management

Waste is an unavoidable outcome of any process but effective management practices help in minimizing waste generation and controlling the pollution caused by its disposal.

Waste management practices are based on the Reduce, Reuse and Recycle principle. Some of the waste management practices followed are

- Segregation of waste at the source which helps in identifying the right waste management option.
- Salvaging or recycling useful packaging and/or surplus building materials wherever it is practical. Wooden pallets, plywood, runners, cardboard boxes, cement bags, jute bags, aluminum cut pieces, steel cut pieces, PVC pipes (electrical and plumbing), etc. are amongst the items recycled. Scrap vendors have been identified near project locations.
- Disposal of hazardous waste through authorized recyclers.
- Organic waste converters are installed at projects to convert organic waste into manure which is eventually used for landscaping. Thus the burden and costs associated with disposal of such waste are totally avoided.

Tree plantation is an important activity which Sobha Developers undertakes at all its projects. While designing a project, it is ensured that at least 40% of the total project area is set aside for gardening and green belt development. It absorbs CO2 emissions arising from anthropogenic activities.

### Ensuring Health and Safety

The health and safety of our people is of paramount importance to us. At Sobha Developers, our most precious resource is our human resource and we strive to ensure that we create a great workplace for our people. We sponsor health, safety and wellness programs to actively manage healthcare in pursuit of our goal of zero on-the-job injuries. Plus, our emergency preparedness and response program helps in protecting our employees and workforce and help them cope with emergency situations.

### Initiatives/ Safeguards to control accidents on sites

- Special focus is laid on creating awareness about safety in our own employees and contracted employees. Regular tool box talks / safety talks form an important feature of our project execution.
- A Safety Room is erected at each site where safety promotion activities are carried out by the Safety Department; videos on safety and related aspects are regularly shown at each site.
- Work permit system is designed and implemented at every site.
- A team of safety auditors is deployed to cater to day-to-day safety requirements at every site.
- An effective safety evaluation system is in place to evaluate site safety conditions.
- Safety net installation standards have been evolved and implemented at every site. Safety nets are installed at vertical intervals of 6 meters to avert any casualty due to fall.
- Job Safety Analysis is carried out on regular basis in case of critical activities and as and when required for non-critical activities.

### Health Initiatives

- A well-equipped clinic is mandatory on every site to treat cases of minor accidents and illness.
- Occupational health-related medical evaluation is undertaken at regular intervals through medical camps for all our site laborers and their families.
- Day Care Centers are provided at labor camps to take care of the children of laborers; elementary education is imparted to these

children and food is provided at such centers.

- Superior sanitation practices are followed and instilled into our laborers. Regular pest control activities are undertaken to prevent occurrence of any serious illness in labor camps.
- These programs help us in ensuring the welfare of our most valuable resource, namely, our people, by enabling them to lead a balanced, rewarding and productive life

### Training

The details of training programs conducted during the financial year on Environment, Health and Safety are presented below

Training Details	Number of Programs	Number of Employees & Workers who participated	Remark
First Aid Training Program	18	407	
Fire Fighting Training Program	88	2317	Conducted with the help of in-house resources.
Environment, Health and Safety Awareness	18	540	
Evacuation Drills Conducted	13	95%	Average participation during each drill
Medical Camps Conducted	37	8714	

## Corporate Social Responsibility

Sobha Developers Limited, through its Sri Kurumba Trust, has set a new benchmark in corporate social responsibility by adopting two underdeveloped gram panchayats, Vadakkanchery and Kizhakkanchery, part of Palakkad District in the state of Kerala. Sri Kurumba Trust, registered in June 1994, functions as the social responsibility arm of our company. The Trust operates to improve various core areas of socio-economic development like education, health, employment, water, sanitation and housing for people living below the poverty line in these two grama panchayats.

Of the six verticals identified for social development, we have decided that education, health and employment will be our core areas and immediate priority will be accorded to education.

Several important initiatives were taken during the financial year 2009-10 in our three key institutions set up by the Trust.

### Sobha Academy

At Sobha Academy, a new LKG batch comprising 90 children of BPL families has been added, in line with the existing rules. Seven children of widows from the BPL category have been admitted directly as an empowerment measure. The admission process adopted by the Academy has been widely acclaimed as just and transparent by the public.

Phase-II of Sobha Academy in Panniyankara has been completed. 12 class rooms and facilities for allied activities, including a refectory with a 320-seat dining hall, arts, science, maths and

computer labs, etc, are in place. With this, the super built up area of the Academy has increased to 76,700 sq. ft. approximately. The Academy will admit students up to 7th standard. The Sobha Senior School, a boarding school of international quality proposed to be set up at Mangalam, will cater to students from 8th to 12th standard. The design of this school is at an advanced stage and is scheduled to open in June 2014.

The year also witnessed the Trust implementing a high strategic Social Empowerment Education Program (SEEP). Under this we impart continuous and systematic life-skills education to parents of Sobha Academy students to prevent any parent-child divide which may arise in the future. The need is to constructively empower parents with appropriate knowledge, skills and attitude to carry them along with the development of their children. The program has been greatly appreciated by parents and others.

The Trust also organized programs in career guidance, graphic designing and music training for people from poor sections of the society.

### Sobha Health Care

In the administration of health care, two major policy initiatives have been announced: First, all BPL card holders and first level staff have been made eligible for free diagnosis, including tests, treatment and medicines. Second, it has been decided to establish a gynecology and pediatric ward to add value to the services being provided to women and children belonging to the target group.

To provide services to the most needy, Health Outreach Programs were launched in far-flung areas. A School Health Program has also been launched, and children from at least five schools of the region have been fully diagnosed and provided preventive care. Besides, a program for comprehensive medical screening of parents of the Sobha Academy students was initiated this year.

### Sobha Hermitage

There are now 28 senior citizens, 15 young widows (referred as young mothers) and their 24 children in the Hermitage. Of these, 4 young mothers and their 6 children were added during the year. Two more services have been added to empower women staff residing in the Hermitage: Yoga and English communication classes.

The Trust has also unveiled a program for the comprehensive rehabilitation of young mothers in the Hermitage. Accordingly, everyone has to graduate at the earliest for which the Trust will provide support. Once graduated, they will be provided suitable placement in the Trust institutions. Simultaneously, exclusive apartments will be built adjacent to the Hermitage which they can move into as the children grow older.

In addition, special marriage assistance of Rs. 60,000 each was provided during the financial year to 12 girls working and living in the Hermitage. 33 girls have been assisted so far in this manner.

### Other Initiatives

In order to maximize value for every beneficiary, Unique Individual Photo Identity Cards (UIC) are being issued to each member of the BPL families by the Social Empowerment Department of

the Trust. This will make it easier to access the Trust's resources, services and facilities. Our effort towards UIC has made social governance transparent and simple.

The staff recruitment policy of the Trust has also been revised and enforced this year. Accordingly, the final selection of candidates to all posts, excluding teachers for the Sobha Academy, would be made from the BPL families only.

Some specific guidelines on environmental preservation have been laid down during the year. These include greening of the campus by planting more trees wherever possible. The objective is to transform it into a truly green campus within a couple of years. Another important thing has been the construction of two rain water harvesting plants, with a capacity of 100,000 liters, in the campus. The existing STP system has been further strengthened.

As a part of our efforts to empower girls from the poorest families, 40 girls were married at the annual Social Wedding program in December 2009. 251 girls have been so far married under this program.

We have also decided to plant 100,000 trees in the adopted Panchayats before 2013.

We, at Sobha, believe in bringing about a change in society by serving the poorest of the poor from the villages by providing them the best of the services.

## Sobha Offices

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### Registered Office

E-106, Sunrise Chambers,  
22, Ulsoor Road,  
Bangalore - 560 042, India  
Tel: +91 80 25597260/ 25594139/ 25550696  
Fax: +91 80 25594138  
www.sobha.com

### Corporate Office

# 4, Neeladri Plaza,  
Raja Ram Mohan Roy Road,  
Richmond Circle,  
Bangalore - 560 025, India.  
Tel: +91 80 22104561/2/3/4/5/6  
Fax: +91 80 22104570

### Marketing Office

# 368, 7<sup>th</sup> Cross, Wilson Garden,  
Bangalore - 560027, India.  
Tel: +91 80 22295936/7/8  
Fax: +91 80 22120852  
marketing@sobha.com

### Finance & Audit Office

43, 2<sup>nd</sup> floor, Dickenson Road,  
Bangalore - 560042, India.  
Tel: +91 80 25564980/1, 25307244  
Fax: +91 80 25304278

### Branches

#### Chennai

#115, 1<sup>st</sup> floor, Kothari Building,  
Mahatma Gandhi Salai,  
Nungambakkam, Chennai - 6000034, India.  
Tel: +91 442833 1901  
Fax: +91 442833 1906  
sales.chennai@sobha.com

#### Gurgaon

O-III-47, Block-C1  
Third Floor, Palam Vyapar Kendra,  
Palam Vihar  
Gurgaon -122017, Haryana, India.

#### Pune

3<sup>rd</sup> Floor, Gera Sterling, Behind Mocha Coffee Shop,  
North Main Road,  
Koregaon Park, Pune - 411001, India.  
Tel: +91 20 /26054107/26053689/26055729.  
Fax: +91 20 26128256.  
punesales@sobha.com

#### Thrissur

Sobha City, Puzhakkal,  
Thrissur - 680 553, India.  
Tel: +91 487 2389770/1  
Fax: +91 487 2389773  
sls.sobhacity@sobha.com

### Coimbatore

Harishree Gardens,  
Thondamuthur Main Road,  
Vedappatti,  
Coimbatore - 641007, India.  
Tel: +91 422 2617905/6  
sales.coimbatore@sobha.com

### Manufacturing Units

#### Interiors Division

Plot No.9, JBLR Industrial Area,  
Hennagara Post,  
Anekal Taluk, Bangalore - 560105, India.  
Tel: +91 80 27839012/3/4/5/22631700  
Fax: +91 80 27839017  
sobha.interiors@sobha.com

#### Glazing & Metal Works Division

Plot No:10, Bommasandra Ind.Area,  
Bommasandra Jigani Link Road,  
Anekal Taluk, Hennagara Post,  
Bommasandra , Bangalore - 560105, India.  
Tel: +91 80 27839018/19/20  
Fax: +91 80 27839021

#### Concrete Products Division

Plot No: 329, Bommasandra Jigani Link Road,  
Industrial Area Jigani. Anekal Taluk,  
Bangalore - 560105, India.  
Tel: +91 80 7825177 / 7825220  
Fax: +91 80 7825777

**SOBHA DEVELOPERS LIMITED**  
Registered Office: E-106 Sunrise Chambers, 22 Ulsoor Road  
BANGALORE – 560 042

**Notice**

**NOTICE** is hereby given that the Fifteenth Annual General Meeting of the Members of the Company will be held on Friday, the 11th day of June 2010 at Sobha Academy, Sobha Suburbia, 107 / 108, Behind Jakkur Flying Club, Jakkur Village, Bangalore 560 064 at 10.00 a.m. to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010, the Profit and Loss Account for the financial period ended as on that date, the Directors Report and the Auditors Report thereon.
2. To declare Dividend on equity shares.
3. To appoint a Director in place of Mr. R V S Rao, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Anup Shah, who retires by rotation and, being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modification, the following resolution as an *Ordinary Resolution*

**“RESOLVED THAT** M/s S.R. Batliboi & Associates, Chartered Accountants, Statutory Auditors of the Company be and are hereby re-appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, at a remuneration to be fixed by the Board of Directors in consultation with the Statutory Auditors.”

**SPECIAL BUSINESS**

**6. Appointment of Mr. M Damodaran as Director**

To consider and, if thought fit, to pass with or without modification, the following resolution as an *Ordinary Resolution*

**“RESOLVED THAT** in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Mr. M Damodaran who was appointed as an Additional Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

**7. Appointment of Mr. P Ramakrishnan as Director**

To consider and, if thought fit, to pass with or without modification, the following resolution as an *Ordinary Resolution*

**“RESOLVED THAT** in accordance with the provisions of Section 257 and all other applicable provisions, if any, of the

Companies Act, 1956, Mr. P Ramakrishnan who was appointed as an Additional and Wholetime Director and who ceases to hold office as per the provisions of Section 260 of the Companies Act, 1956 at this Annual General Meeting and in respect of whom the Company has received a notice from a Member in writing proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

**8. Appointment of Mr. P Ramakrishnan as a Wholetime Director designated as Deputy Managing Director of the Company**

To consider and, if thought fit, to pass with or without modification, the following resolution as a *Special Resolution*

**“RESOLVED THAT** pursuant to Sections 198, 268, 269, 309, 310, 311 read with Schedule XIII to the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956, and other applicable enactments, as amended from time to time, approval of the members of the Company be and is hereby accorded for the appointment of Mr. P Ramakrishnan as Wholetime Director of the Company for a period of five years from the date of his appointment as an Additional Director on the Board of Directors of the Company, i.e., January 29, 2010 and redesignated as Deputy Managing Director with effect from April 01, 2010, on the terms and conditions as mentioned hereunder:

A. Basic salary: Rs. 1,00,000 (Rupees One Lakh) per month up to March 31, 2010. Rs. 2,00,000 (Rupees Two Lakhs) per month with effect from April 01, 2010 with authority to the Board of Directors to revise the basic salary from time to time taking into account the performance of the Company, subject however to a ceiling of Rs. 3,30,000 (Rupees Three Lakhs Thirty Thousand) per month.

B. Accommodation: Rent-free furnished accommodation or up to 40% of the basic salary as House Rent Allowance in lieu of accommodation.

C. Other Allowances: Up to 60% of the basic salary and as determined by the Board from time to time.

D. Performance Incentives: Performance incentives as determined by the Board of Directors, which shall not exceed Rs.50,00,000 (Rupees Fifty Lakhs) per annum up to March 31, 2010 and up to Rs. 2,00,00,000 (Rupees Two Crores) per annum with effect from April 01, 2010.

E. Perquisites: He shall be entitled to perquisites, allowances, benefits, facilities and amenities (collectively called Perquisites) such as medical reimbursement, leave travel assistance and any other perquisites as per the policy of the Company in force or as may be approved by the Board from time to time.

F. In addition to the above, he shall be entitled to the allowance

and benefits as per the policy of the Company in force, such as

- a. Company maintained car with driver
- b. Telephone at residence
- c. Company's contribution to Provident Fund
- d. Payment of gratuity and other retirement benefits
- e. Encashment of leave
- f. Personal Accident and Mediciam Insurance

**RESOLVED FURTHER THAT** any one Director of the Board or the Company Secretary and Compliance Officer of the Company be and is hereby authorized to do all such acts, deeds, matters, and to execute all such documents as may be required in this connection to give effect to this Resolution."

#### **9. Reappointment of Mr. P N C Menon as a Wholetime Director designated as Chairman of the Company**

To consider and, if thought fit, to pass with or without modification, the following resolution as a *Special Resolution*

**"RESOLVED THAT** pursuant to Sections 198, 268, 269, 309, 310, 311 read with Schedule XIII to the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956, and other applicable enactments, as amended from time to time, consent and approval of members of the Company be and is hereby accorded for the reappointment of Mr. P N C Menon as a Wholetime Director of the Company, designated as Chairman with effect from April 01, 2010 for a further period of five years on the terms and conditions as mentioned hereunder:

A. Basic salary: Rs. 15,00,000 (Rupees Fifteen Lakhs) per month with authority to the Board of Directors to revise the basic salary from time to time taking into account the performance of the Company, subject however to a ceiling of Rs. 25,00,000 (Rupees Twenty Five Lakhs) per month.

B. Other Allowances: Up to 60% of the basic salary and as determined by the Board from time to time.

C. Accommodation: Rent-free fully furnished accommodation shall be provided by the Company.

D. Perquisites: He shall be entitled to perquisites, allowances, benefits, facilities and amenities (collectively called Perquisites) such as medical reimbursement, leave travel assistance and any other perquisites as per the policy of the Company in force or as may be approved by the Board from time to time.

E. In addition to the above, he shall be entitled to the allowance and benefits as per the policy of the Company in force, such as:

- a. Company maintained car with driver
- b. Telephone at residence
- c. Company's contribution to Provident Fund
- d. Payment of gratuity and other retirement benefits
- e. Encashment of leave
- f. Personal Accident and Mediciam Insurance

**RESOLVED FURTHER THAT** any one Director of the Board or the Company Secretary and Compliance Officer of the Company be and is hereby authorized to do all such acts, deeds, matters, and to execute all such documents as may be required in this connection to give effect to this Resolution."

#### **10. Reappointment of Mr. Ravi Menon as a Wholetime Director designated as Vice Chairman of the Company**

To consider and, if thought fit, to pass with or without modification, the following resolution as a *Special Resolution*

**"RESOLVED THAT** pursuant to Sections 198, 268, 269, 309, 310, 311 read with Schedule XIII to the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956, and other applicable enactments, as amended from time to time, consent and approval of the members of the Company be and is hereby accorded for the reappointment of Mr. Ravi Menon as a Wholetime Director of the Company, designated as Vice Chairman with effect from April 01, 2010 for a further period of five years on the terms and conditions as mentioned hereunder:

A. Basic salary: Rs. 15,00,000 (Rupees Fifteen Lakhs) per month with authority to the Board of Directors to revise the basic salary from time to time taking into account the performance of the Company, subject however to a ceiling of Rs. 25,00,000 (Rupees Twenty Five Lakhs) per month.

B. Other Allowances: Up to 60% of the basic salary and as determined by the Board from time to time.

C. Accommodation: Rent-free fully furnished accommodation shall be provided by the Company.

D. Perquisites: He shall be entitled to perquisites, allowances, benefits, facilities and amenities (collectively called Perquisites) such as medical reimbursement, leave travel assistance and any other perquisites as per the policy of the Company in force or as may be approved by the Board from time to time.

E. In addition to the above, he shall be entitled to the allowance and benefits as per the policy of the Company in force, such as

- a. Company maintained car with driver
- b. Telephone at residence
- c. Company's contribution to Provident Fund
- d. Payment of gratuity and other retirement benefits
- e. Encashment of leave
- f. Personal Accident and Mediciam Insurance

**RESOLVED FURTHER THAT** any one Director of the Board or the Company Secretary and Compliance Officer of the Company be and is hereby authorized to do all such acts, deeds, matters, and to execute all such documents as may be required in this connection to give effect to this Resolution."

#### **11. Reappointment of Mr. J C Sharma as Managing Director of the Company**

To consider and, if thought fit, to pass with or without modification, the following resolution as a *Special Resolution*

**"RESOLVED THAT** pursuant to Sections 198, 268, 269, 309, 310, 311 read with Schedule XIII to the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956, and other applicable enactments, as amended from time to time, consent and approval of members of the Company be and is hereby accorded for the reappointment of Mr. J C Sharma as Managing Director of the Company with effect from April 01,

2010 for a further period of five years on the terms and conditions as mentioned hereunder

A. Basic salary: Rs. 3,12,500 (Rupees Three Lakhs Twelve Thousand Five Hundred) per month with authority to the Board of Directors to revise the basic salary from time to time taking into account the performance of the Company, subject however to a ceiling of Rs. 5,10,000 (Rupees Five Lakhs Ten Thousand) per month.

B. Accommodation: Rent-free furnished accommodation or up to 40% of the basic salary as House Rent Allowance in lieu of accommodation.

C. Other Allowances: Up to 60% of the basic salary and as determined by the Board from time to time.

D. Commission: Commission as determined by the Board of Directors, which shall not exceed 2% of the Net Profits of the Company as determined in terms of Section 349 and Section 350 of the Companies Act, 1956.

E. Perquisites: He shall be entitled to perquisites, allowances, benefits, facilities and amenities (collectively called Perquisites) such as medical reimbursement, leave travel assistance and any other perquisites as per the policy of the Company in force or as may be approved by the Board from time to time.

F. In addition to the above, he shall be entitled to the allowance and benefits as per the policy of the Company in force, such as:

- a. Company maintained car with driver
- b. Telephone at residence
- c. Company's contribution to Provident Fund
- d. Payment of gratuity and other retirement benefits
- e. Encashment of leave
- f. Personal Accident and Mediclaim Insurance

**RESOLVED FURTHER THAT** any one Director of the Board or the Company Secretary and Compliance Officer of the Company be and is hereby authorized to do all such acts, deeds, matters, and to execute all such documents as may be required in this connection to give effect to this Resolution.”

**By Order of the Board  
For Sobha Developers Limited**

**Place: Bangalore  
Date: April 27, 2010**

**Kishore Kayarat  
Company Secretary &  
Compliance Officer**

Notes:

**1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE, ON A POLL, INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM, IN ORDER TO BE**

**EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE THE TIME FIXED FOR THE MEETING. A PROXY FORM IS ENCLOSED FOR THIS PURPOSE.**

2. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed herewith.

3. The additional information on directors recommended for appointment at the annual general meeting is contained in the explanatory statement and provided separately for directors liable to retire by rotation and seeking reelection.

4. The Register of Members and the Share Transfer Books of the Company will remain closed on June 05, 2010 for the purpose of payment of Dividend.

5. Members who have not yet encashed their dividend warrants for the earlier years are requested to write to the Secretarial Department at the Corporate Office of the Company situated at # 4, Neeladri Plaza, Raja Ram Mohan Roy Road, Richmond Road Circle, Bangalore – 560 025 or send an email to: [investors@sobha.com](mailto:investors@sobha.com) to claim the dividend.

6. Members / Proxy Holders are requested to bring the Admission Slip duly completed and signed along with their copy of Annual Report to the meeting.

7. Corporate members intending to send their authorized representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Meeting.

8. Pursuant to the amended clause of the Listing Agreements, additional information on Directors seeking appointment / re-appointment at the Annual General Meeting is appended to this Notice.

9. The members are requested to lodge / notify all the Investor Queries / Complaints / Grievances, transfer deeds, communication for change of address, bank details, ECS details, wherever applicable, mandates (if any), for shares held in the Physical Mode with M/s Link Intime (India) Private Limited (formerly Intime Spectrum Registry Limited), the Registrars and Share Transfer Agents of the Company, having their office at C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078.

The Shareholders holding shares in electronic form are requested to lodge the above details to their Depository Participants and not to the Company or to the Registrars and Share Transfer Agents of the Company as the Company is bound to use only the data provided by the Depositories while making the payment of Dividend.

10. All the Investor's Queries / Complaints / Grievances may be addressed to [investors@sobha.com](mailto:investors@sobha.com)

11. The Route Map of the venue forms part of this Notice and is published elsewhere in the Annual Report of the Company. Necessary transport facilities have been arranged from the Corporate Office of the Company located at Neeladri Plaza, # 4, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore 560

025. Members desirous of availing the transport facility may send an email to investors@sobha.com in before 48 hours of the date of Annual General Meeting and be present at the Corporate Office before 08.15 a.m. of June 11, 2010.

**Explanatory Statement as required under Section 173 (2) of the Companies Act, 1956 in respect to the Special Business**

**Item No. 6**

Mr. M Damodaran, 62 years, was appointed as an additional director on the Board of the Company with effect from January 29, 2010. Pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 100 of the Articles of Association of the Company, Mr. M Damodaran holds office up to this fifteenth annual general meeting. The Company has received notice under Section 257 of the Companies Act, 1956 from a member proposing the candidature of Mr. M Damodaran as a director of the Company, liable to retire by rotation along with the prescribed deposit of Rs. 500/-.

Mr. M Damodaran holds degrees in Economics and Law from the Universities of Madras and Delhi. He has over 30 years of experience in financial services and public sector enterprises. He is the former Chairman of the Securities and Exchange Board of India (SEBI), the country's financial regulator, before which he had headed the IDBI Bank and helped in its innovative restructuring. Mr. M Damodaran was instrumental in turning around Unit Trust of India. He was officer on special duty with the Reserve Bank of India dealing primarily with the restructuring of 3 identified weak public sector banks. He was elected Chairman IOSCO and has won several awards for Leadership, Governance, and Public Service. He was awarded the 'ET Policy Change Agent of the Year' Award and Rotary Award for professional excellence.

The Board of Directors considers that continuance of Mr. M Damodaran on the Board will be beneficial to the Company. Mr. M Damodaran will act in the capacity of a Non-executive & Independent Director, if appointed by the members of the Company.

He is presently holding the membership of the Board of the following public companies:

Sl No.	Name of the Company	Nature of office	Committee Memberships
1	ING Vysya Bank Limited	Director	-
2	Tech Mahindra Limited	Director	Audit Committee – Chairman
3	Hero Honda Motors Limited	Director	Shareholder Grievance Committee – Member Audit Committee – Member
4	Satyam Computer Services Limited	Director	Audit Committee – Chairman
5	SREI Sahaj E Village Limited	Chairman	-

Mr. M Damodaran does not hold any equity shares of the Company and is not related to any other Directors of the Company.

None of the Directors except Mr. M Damodaran is concerned or interested in the resolution.

The Board recommends the appointment of Mr. M Damodaran as Director liable to retire by rotation as set out in Item No. 6 for approval by the members.

**Item No. 7**

Mr. P Ramakrishnan, 47 years, was appointed as an Additional and Wholetime Director on the Board of the Company with effect from January 29, 2010. Pursuant to the provisions of Section 260 of the Companies Act, 1956 read with Article 100 of the Articles of Association of the Company, Mr. P Ramakrishnan holds office up to this fifteenth annual general meeting. The Company has received notice under Section 257 of the Companies Act, 1956 from a member proposing the candidature of Mr. P Ramakrishnan as a Director of the Company, liable to retire by rotation along with the prescribed deposit of Rs. 500/-.

Apart from Mr. P Ramakrishnan, being the appointee, none of the Directors of the Company are interested or concerned in the passing of the said Ordinary Resolution.

The Board recommends the Ordinary Resolution set out at Item No. 7 for approval by the members.

**Item No. 8**

Mr. P Ramakrishnan was appointed as an Additional and Wholetime Director on the Board of the Company with effect from January 29, 2010, subject to the approval of Members of the Company. In terms of Section 269 of the Companies Act, 1956, any appointment or reappointment in accordance with Schedule XIII of the Companies Act, 1956 requires approval of the Members of the Company.

Mr. P Ramakrishnan holds a bachelors degree in Technology (electrical and electronics engineering) from Bharathiyar University in 1986. In addition, he holds a masters degree in Business Administration from Madurai Kamaraj University. He has over 27 years of experience in techno-commercial skill development, system design, project execution, corporate planning, and supply chain management. He was associated with organizations of repute in various capacities and has worked extensively in the Middle East in the field of construction and infrastructure development. His current responsibilities in our Company include amongst others to oversee the Kerala operations, contractual projects and the manufacturing facilities of our Company with a team of experienced and dedicated professionals. He is also working in creating newer opportunities and additional business verticals for the Company in the present role.

Mr. P Ramakrishnan has played a pivotal role in the substantial increase in sales of Sobha City project while he was a Regional Director of the Company overseeing the Kerala operations. He has also been instrumental in getting various clearances and doing other background work related to the Company's projects in Kerala.

In order to bestow higher responsibilities, Mr. P Ramakrishnan was appointed as an Additional and Wholetime Director on January 29, 2010. He was designated as the Deputy Managing Director of the Company with effect from April 01, 2010.

Mr. P Ramakrishnan does not hold any equity shares in the Company and is not related to any other Directors of the Company. Further he does not hold membership in the Boards of any other Public Companies or Committees.

Apart from Mr. P Ramakrishnan, being the appointee, none of the Directors of the Company are interested or concerned in the passing of the said Special Resolution.

The above may also be treated as an abstract of the terms of contract of re-appointment of Mr. P Ramakrishnan as Wholetime Director designated as Deputy Managing Director of the Company and a memorandum as to the nature of concern and interest of the Directors in the said re-appointment, as required under Section 302 of the Act.

The Board based on the recommendations of the Executive Selection and Remuneration Committee recommends the Special Resolution set out at Item No.8 for approval by the Members.

#### **Item No. 9**

Mr. P.N.C. Menon, 62 years, is the founder and Chairman of the Company. He began his professional career as an entrepreneur at a very young age by establishing an interior decoration firm in the Sultanate of Oman. He has subsequently incorporated several companies in the Sultanate of Oman, United Arab Emirates and Qatar and is engaged in the construction, realty and allied sectors.

In addition to his business interests in the Middle East, Mr. P N C Menon established Sobha Developers Limited in the year 1995 to cherish his dream of bringing the best of quality standards in the field of construction and development of properties to India. In the short span of 15 years, Sobha Developers has become a benchmark in the industry in terms of quality and delivery capabilities.

He has been able to make Sobha Developers a unique real estate company with a fully backward integrated business model wherein the required structure and processes have been put in place so that the project design to final delivery can be done in house and with limited external dependencies. This unique structure has helped the Company to deliver over 36 million sq ft since inception. With his vision, Sobha Developers has the capacity to execute 10 million sq ft of projects on an annual basis and employs close to 2000 people.

He has been awarded the 'Life Time Achievement' award by Society Interiors magazine for his contribution to the real estate and construction industry. Mr. P N C Menon was awarded the prestigious Pravasi Bharatiya Samman Puraskar by the Hon'ble President of India, Ms. Prathiba Patil on the occasion of Pravasi Bharatiya Divas 2009. He was also nominated to the Prime Minister's Advisory Council of Overseas Indians.

The Company is in its second stage of growth, and in order to attain the same growth levels and to scale new peaks in terms of existing businesses and proposed business initiatives, Mr. P N C Menon's able guidance and vision is definitely required.

Mr. P N C Menon's tenure will cease on December 31, 2010 unless re-appointed by the members of the Company in its ensuing General Meeting. Since his tenure ceases in the middle of

a financial year and as a matter of prudence, Mr. P N C Menon is proposed to be re-appointed as the Chairman of the Company for a further period of five years commencing from April 01, 2010 on remuneration as set out in the resolution.

He is presently holding the membership of the Board of Al Barakah Financial Services Limited and does not hold any other Directorships in Public Companies or membership in Committees of other Public Companies.

Mr. P N C Menon holds 12,488,522 equity shares of Rs. 10 each and 54,94,407 equity shares of Rs. 10 each jointly with Mrs. Sobha Menon of the Company and is related to Mr. Ravi Menon.

Apart from Mr. P N C Menon, being the appointee, none of the Directors of the Company, except Mr. Ravi Menon, being his relative, are interested or concerned in the passing of the said resolution.

The above may also be treated as an abstract of the terms of contract of re-appointment of Mr. P N C Menon as Chairman of the Company and a memorandum as to the nature of concern and interest of the Directors in the said re-appointment, as required under Section 302 of the Act.

The Board based on the recommendations of the Executive Selection and Remuneration Committee recommends the Special Resolution set out at Item No.9 for approval by the Members.

#### **Item No. 10**

Mr. Ravi Menon, 29 years, graduated with distinction as Bachelor of Science in Civil Engineering from Purdue University, USA. He manages various functions within the organization with special emphasis on the core function of product delivery. His major emphasis is in the areas of technology, quality control, processes & information technology, new product launches, customer satisfaction and project execution. He joined our Company in 2004. He has six years experience in the field of construction and real estate development.

Mr. Ravi Menon has helped the Company move from the total delivery levels of 6 million sq ft in the financial year 2004 - 2005 when he joined the Company to over 36 million sq ft as on close of the financial year 2009 - 2010. The Company during his tenure has set benchmarks in delivering prestigious products of world class quality. Apart from taking direct responsibility in attaining the delivery targets of the Company, Mr. Ravi Menon has taken initiatives in the areas of ERP implementation, Value Engineering, Process Documentation, Environment Health and Safety measures thereby ensuring a strong base to achieve the growth targets of the Company. He is also instrumental in the Company attaining high standards of quality, new product launches and customer relationship management.

Mr. Ravi Menon was appointed as a member of the Board of Directors on June 08, 2004 and was appointed as the Vice Chairman effective from January 01, 2006. The Company has on June 28, 2006 reappointed Mr. Ravi Menon as Vice Chairman for a period of 5 years commencing from January 01, 2006. Mr. Ravi Menon's tenure will cease on December 31, 2010 unless re-appointed by the members of the Company in its ensuing General Meeting. Since his tenure ceases in the middle of a financial year

and as a matter of prudence, Mr. Ravi Menon is proposed to be re-appointed as the Wholetime Director, designated as Vice Chairman of the Company for a further period of five years commencing from April 01, 2010 on remuneration as set out in the resolution.

Mr. Ravi Menon holds 30 equity shares of Rs. 10 each in the Company and is related to Mr. P N C Menon. Further he does not hold membership on the Boards of any other Public Companies or Committees.

Apart from Mr. Ravi Menon, being the appointee, none of the Directors of the Company, except Mr. P N C Menon, being his relative, are interested or concerned in the passing of the said resolution.

The above may also be treated as an abstract of the terms of contract of re-appointment of Mr. Ravi Menon as Vice Chairman of the Company and a memorandum as to the nature of concern and interest of the Directors in the said re-appointment, as required under Section 302 of the Act.

The Board based on the recommendations of the Executive Selection and Remuneration Committee recommends the Special Resolution set out at Item No.10 for approval by the Members.

#### **Item No. 11**

Mr. J. C. Sharma, 52 years, graduated with a Bachelor of Commerce (Honours) degree from St Xavier's College, Calcutta in 1976. He is a qualified Chartered Accountant and Company Secretary and has over 26 years of experience in diversified industries such as automobiles, textiles, steel and real estate in the areas of finance and management. He has previously served in various capacities in organizations of repute. He has been associated with the Company since June 2001 and currently bears overall responsibility for managing the affairs of the Company with a team of professionals.

He has extensively worked in the areas of general management in the organization specializing in land purchase, material procurement, corporate finance and secretarial functions.

With more than two decades of experience in general management and in-depth knowledge of business, tax, accounting and regulatory issues, he has successfully concluded complex commercial transactions on behalf of the Company, thereby leading the Company to attain the desired scale, size and profitability. In the capacity of a Managing Director, Mr. J C Sharma is entrusted with substantial powers of management and is responsible for meeting the growth targets of the Company. Mr. J C Sharma was instrumental in spearheading the growth mantle of the Company from a turnover of Rs. 1,369 million during the financial year 2001 - 2002 to Rs. 11,894 million during the financial year 2006 – 2007 paving way for a highly successful Initial Public Offer of the Company in December 2006.

The last two financial years have witnessed the worst ever economic recession globally which also impacted Indian industry in terms of job losses, reduction in spending, deferment of capex by companies, etc. The Company was also no exception to this impact of the financial meltdown. However, the Company has shown resilience and was able to tide over the financial crisis in

the best possible manner. In the midst of the recession, Mr. J C Sharma was instrumental in raising much needed funds and ensuring adequate liquidity in terms of further capital infusion by way of Qualified Institutional Placement, monetization of land parcels, restructuring the debt and implementing cost reduction measures ensuring a healthy recovery.

Mr. J C Sharma was appointed as a member of the Board of Directors on July 09, 2001 and was appointed as the Managing Director effective from April 01, 2003. The Company has on June 28, 2006 re-appointed Mr. J C Sharma as a Managing Director for a period of 5 years commencing from April 01, 2006. With effect from April 01, 2007, the Company has revised the remuneration of Mr. J C Sharma for the remaining tenure of his office. Mr. J C Sharma's tenure will cease on December 31, 2010 unless re-appointed by the members of the Company in its ensuing General Meeting. Since the tenure ceases in the middle of a financial year and as a matter of prudence, Mr. J C Sharma is proposed to be re-appointed as Managing Director of the Company for a further period of five years commencing from April 01, 2010 on remuneration as set out in the resolution.

Mr. J C Sharma holds 64,971 equity shares of Rs. 10 each in the Company and is not related to any other Directors of the Company. Further, he does not hold membership in the Boards of any other Public Companies or Committees.

Apart from Mr. J C Sharma, being the appointee, none of the Directors of the Company are interested or concerned in the passing of the said Special Resolution.

The above may also be treated as an abstract of the terms of contract of re-appointment of Mr. J C Sharma as Managing Director of the Company and a memorandum as to the nature of concern and interest of the Directors in the said re-appointment, as required under Section 302 of the Act.

The Board based on the recommendations of the Executive Selection and Remuneration Committee recommends the Special Resolution set out at Item No.11 for approval by the Members.

**By Order of the Board  
For Sobha Developers Limited**

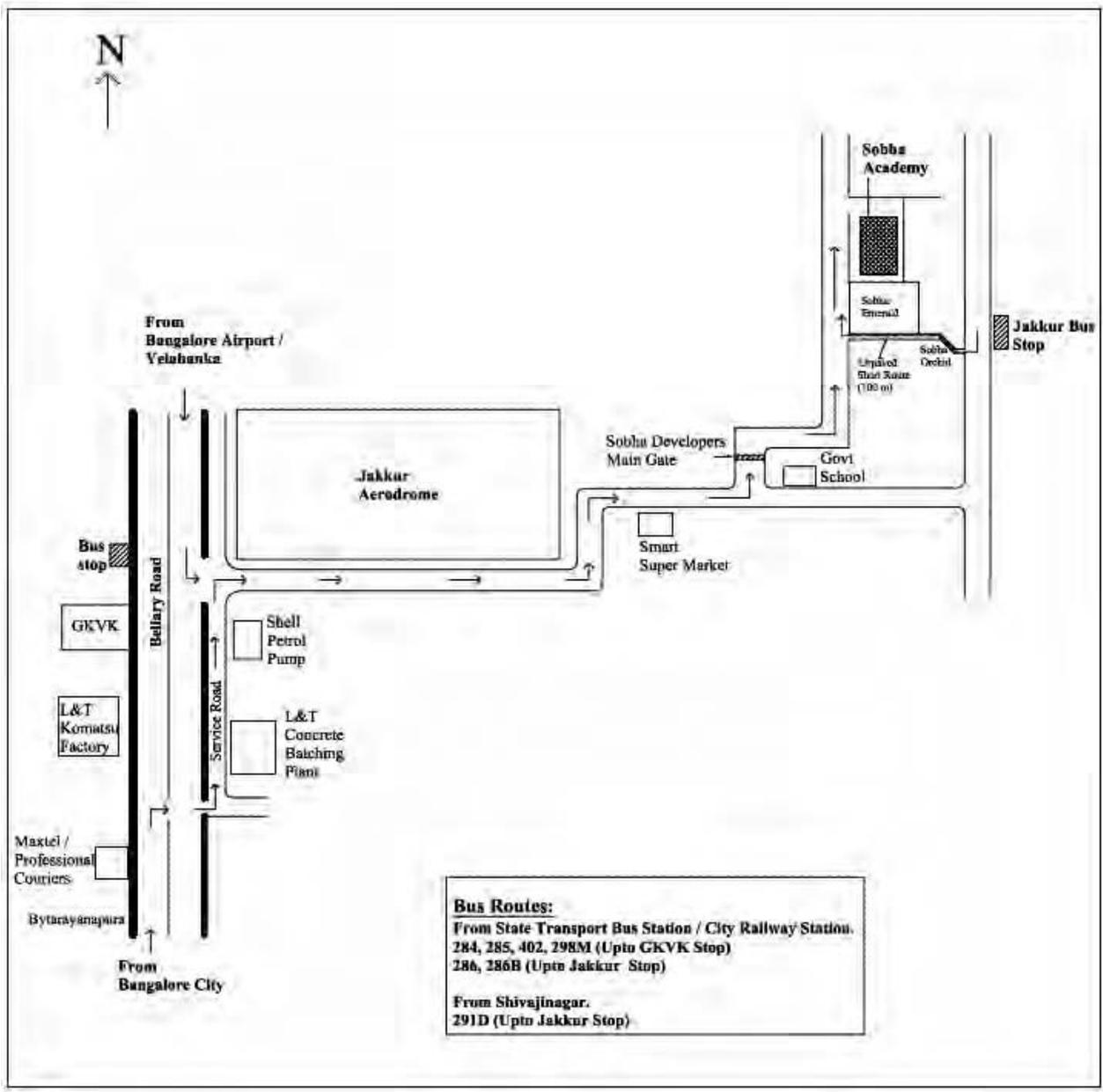
**Place: Bangalore  
Date: April 27, 2010**

**Kishore Kayarat  
Company Secretary &  
Compliance Officer**

**ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT OR SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING**

Name of Director	Mr. Anup Shah	Mr. R V S Rao
Age	52 Years	66 Years
Date of appointment	June 28, 2006	June 28, 2006
Qualifications	B.Com, LLB.	B.Com, LLB, Fellow Member of Indian Institute of Banking and Finance.
Expertise in specific functional areas	He has over 26 years of experience in the field of law, specifically real estate law and is currently a partner of AZB & Partners, Advocates and Solicitors. He specialises in commercial and property documentation, corporate and commercial litigation, property related issues, land laws and arbitration and alternative dispute resolutions. He also answers reader's queries through "Legal Eagle", a weekly article in The Times of India, Bangalore.	He has over 38 years of experience in the areas of banking and finance and was a member of the board of directors of Housing Development Finance Corporation Limited. As a United States Agency for International Development (USAID) Consultant, he was the team leader that reviewed operation and made recommendations for Housing Finance Company, Ghana, Africa. He was also the team leader of the consultancy team, which advised the National Development Bank of Sri Lanka in establishing its mortgage finance business.
<b>Directorships held in other companies</b>	Puravankara Projects Limited	Royal Orchid Hotels Limited Puravankara Projects Limited
<b>Committee positions held in other companies</b>	Puravankara Projects Limited (Audit Committee)	Royal Orchid Hotels Limited (Audit Committee and Remuneration Committee) Puravankara Projects Limited (Audit Committee and Compensation Committee)
<b>Relationship with other Directors</b>	None	None
<b>Number of shares held</b>	4,300 Equity Shares of Rs. 10/- each	15,000 Equity Shares of Rs. 10/- each

Route Map to Sobha Academy, Jakkur, Bangalore  
 Venue of Annual General Meeting



SOBHA DEVELOPERS LIMITED  
Registered Office : E-106, Sunrise Chambers,  
22, Ulsoor Road, BANGALORE-560 042.  
ATTENDANCE SLIP

Fifteenth Annual General Meeting – June 11, 2010

Regd. Folio No / DP Client ID

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No. of Shares held

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For Physical Shareholders Only

Name & Address of the Shareholder	Regd. Folio no.	No. of shares held

I hereby record my presence at the Fifteenth Annual General Meeting of the Company at Sobha Academy, Sobha Suburbia, 107 / 108, Behind Jakkur Flying Club, Jakkur Village, Bangalore 560 064 on Friday, the 11th day of June 2010 at 10.00 a.m.

If Shareholder, please sign here	If Proxy, please sign here
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Members are requested to fill up the attendance slip and hand it over at the venue. Members are requested to bring their copy of Annual Report to the meeting as no copies will be distributed at the venue.

