



PASSION AT WORK

Building Resilience

Annual Report 2008-09



Building Resilience

Bamboo is a great symbol of resilience. Its unique ability to bend in the breeze and flex under extreme pressure makes bamboo a natural survivor.

The global financial and economic downturn blew strong and turbulent winds that hit India's stock markets, financial institutions, and industries and has affected the country's economic progress. Organizations have to cope with the reduced confidence and trust of their stakeholders, an uncertain and cautious consumer, and more costly and limited access to funds. These factors combined have triggered a test of resilience.

Sobha's inherent strengths and single-minded focus on continuous improvement are our key drivers during these testing times. A dynamic strategy, the positive capacity of our human resources, superior product quality and total commitment to timely delivery, a customer-centric approach, and value engineering are some of the fundamental strengths that contribute to our resilience.

Resilience through our Strategy



Sobha Developer's long term strategy comprises of four critical elements:

- To procure the required quantum of land on a timely basis at the right price with the perfect legal requirements of titles, etc.
- To obtain all statutory approvals in time
- To achieve our targeted sales and support the customer through our highly trained and motivated Marketing, Sales and CRM teams
- To produce products/projects having the highest quality standards taking into account the parameters of cost, time and safety.

Though the fundamental tenets of our strategy remain unchanged, the global recession and its impact on the real estate sector as a whole has made it necessary for us to take specific initiatives as follows:

a) Restructuring of short term debts to long term debts so as to reduce the pressure resulting from the liquidity crunch. Also, initiated steps to infuse additional equity which will reduce the debt equity ratio to the desirable level.

b) Revival of Sobha products, which had registered a decline due to the slowdown, with aggressive marketing and innovative offers.

c) Launch of tailor-made projects for groups of customers. Also working on the concept of affordable housing to reap the benefits of its brand image by focusing on middle class clients in prime locations.

d) Successful execution of various contractual projects with reputed clients thus establishing our competency and capability. The gap in income due to the slowdown in real estate to be bridged through contractual income.

e) Sale of plotted development land which has been well received by our customers. Our strong land bank in various strategic locations will assist in quick launching of projects once the economy revives. Also plan to liquidate non-core assets to help improve cash flow.

f) Comprehensive assault on costs through value engineering and innovation. Have been able to attract new clientele by passing on the benefits of cost reduction to our customers.

The above measures have enabled us to manage the crisis efficiently and helped us to refocus on what is critical for the organization.

Positive capacity and resilience of a Sobhaite



Training and development of employees is one of the vital areas that we have focused on as we manage through these tough times. It is by having the right staff with the right attitude and skills that we have been able to successfully weather hard times: our people are our strength to innovate and to transform short-term adversity into long-term opportunity and advantage. Training has a powerful impact on the productivity, performance and commitment levels of our staff. It helps us to re-energize and re-engage the workforce, build employee trust, retain top performers, improve productivity and commitment levels. Training is carried out in a manner that gives employees the knowledge, skills and motivation required to do their job well and achieve their goals. The importance we give to building the capabilities of our people to meet the real needs of the business through training and development gives our organization a strong competitive advantage. The use of competency frameworks is now well embedded in our Performance Management System and there is clear scope for extending their usage as a mechanism for identifying the learning needs of individual employees.

The changing economic scenario has thrown up new challenges to organizations. In our organization we started by identifying the optimum number of employees needed to function efficiently and making sure they have the right resources to be effective. Employees have been given responsibility for a broader set of functions resulting in enrichment of their job design. Replacement positions are being filled through internal transfer of people who are already employed, and process improvements are undertaken

to help reduce costs by more efficiently deploying resources.

Through an innovation platform, we create the opportunity for employees to incorporate what they are passionate about in their day-to-day work. This makes them much more excited about their work and has a positive impact on the quality of their work which in turn benefits the organization. The results can be seen by way of increased efficiency, better customer service and reduced cost.

Optimizing the resources at our disposal is aimed at drawing the best out of our employees. Besides enhancing the capability and resilience of our human resources pool, a close look at effective utilization of machines, especially power tools, was taken up last year. Shortcomings like downtime of machines for want of repairs and inadequate availability of tools have been tackled by recruiting qualified and trained mechanics to provide immediate help. This has had a salutary effect on increasing the overall productivity of our tradesmen.

Our employees have, during the current economic turmoil, shown exemplary resilience in adapting to the new work culture, putting in extra efforts, taking on higher responsibilities and above all, individualizing and displaying the resolve of the organization to succeed against all odds. During this process they have ignored personal losses and inconveniences. By doing this they have once again demonstrated that the organization they work for indeed belongs to them.

Product quality and execution : Building Resilience



At Sobha, our focus has always been on seamless construction quality and excellence in delivery. We have envisioned an open forum that promotes and challenges the quality-driven execution process. We are in a unique position to do this because of our manpower strength and the backward integration of several production facilities, construction machinery and the internally developed online Quality and Safety Evaluation System.

Against the backdrop of the economic turmoil of 2008-09, we have made an all out effort to identify the areas of weakness in the Company's key operations, i.e. design and construction of residential and commercial complexes. Two crucial areas were waterproofing and concrete technology where we focused on developing in house standards with standardized drawings, materials and mix design. The in house quality check procedure for apartments and common areas has been standardized further and enforced.

On our projects, we encourage new ways of combining different resources – human, technological and capital – along with rational and environment friendly construction technologies and design. The interplay between them generates new ranges of lifestyle products which are backed up by and interlocked with our execution and delivery capability, quality consciousness and backward production to give our customers a complete 'quality home'.

All our energy has been focused on achieving our ultimate goal "timely delivery with quality at acceptable cost" and foolproof safety. The challenge, tough at any time, became even tougher due to the global slowdown when we were forced to cut down on our work force as well as tradesmen. We took this challenge as an opportunity, firstly, to retain the most committed work force and, secondly, to introspect and build an organization which is lean yet effective so as to ensure the implementation of our guiding

parameters. The result is the new 'Foreman Model' of delivery. In this, we have exploited the vast hands-on experience, total commitment and eye for detail of our experienced and trained foremen in various trades. The major impact has been in achieving the desired quality even while reducing the overall requirement of staff.

Prioritizing projects, i.e., rescheduling various activities in selected projects, was another area we looked into to make up for the reduction in work force and decreased availability of material. A strict control on our existing inventory and careful allocation to priority projects helped us to not only tide over the difficult situation but also minimize the impact on our delivery schedules. Stacking time of materials has been reduced, thus, reducing inventory and unlocking funds. A central team monitors the stock of important and high value items on a weekly basis and moves materials across projects to ensure minimal inventory cost and to ensure that priorities are met. Some of the measures taken are:

- Changing of specifications without compromising on quality and commitment, to consume excess materials procured, if any.
- Successful implementation of bin card system across stores for better efficiency in the procurement and stacking process.
- Monthly review of the value of stock on a weekly basis at the site and on a monthly basis along with senior managers.

Our delivery team has also risen to the occasion and warded off all the negatives of the recession by maintaining the schedules of delivery and quality, optimally stretching the available resources for cost effective execution, scrupulously cutting down wastages, resorting to innovations. Increased implementation of productivity linked payment to the tradesmen in additional projects is yet another attempt at optimizing available resources and achieving cost reduction. The entire delivery team is totally committed to timely delivery with top class quality, desired cost and safety.

Resilience from Customer Orientation



The real estate business is not just about selling; it is about managing an excellent relationship with customers and giving the best customer service possible. At Sobha, our sales strategy is that the best brand ambassadors are our existing customers. Towards this end, we have focused on Customer Relationship (CRM) as one of our key result areas. We have a separate Customer Relationship Management department, wherein a CRM Executive is assigned to the customer right from the day the apartment is sold till its final handover and registration. Thus, a single window service is provided for all the customer's requirements. After all, as studies have shown, a happy customer is the best salesman.

The CRM department performs the following functions:

- To act as a single point contact with the customer.
- To assist in the preparation of the Sale and Construction Agreements and their execution by the customer.
- To keep the customer posted about the progress of the project and the payment schedules.
- To co-ordinate site visits and respond to all queries raised by the customer.
- To hand over the apartment to the complete satisfaction of the customer.
- To assist the customer in obtaining a home loan.
- To assist the customer in the registration of the apartment and all documentation.
- To hand over documents like Possession Letter, Final Statement

of Accounts, drawings, Handover Certificate and Title Documents of the apartment.

As part of our customer service, we also have the Customer Care Cell which records all complaints and feedback from customers, ensuring continuity of our customer interface. The Cell registers, monitors and audits customer complaints and assists in closing all complaints to the customer's satisfaction. Complaints are allocated to the concerned department - Customer Relationship Management, Quality Maintenance or Facility Maintenance - depending on the nature of the complaint. Regular feedback and timelines are given to the customer at various stages of the complaint redressal. The Quality Maintenance and Facility Maintenance departments provide strong support to the customer and the residents' association during the warranty maintenance period of one year on completion of the project; all the maintenance works are taken care of by these two departments. This whole arrangement forms the backbone to offer strong quality support to each and every customer and aims at achieving high levels of satisfaction for all our customers.

Over the years, it has been our experience that this concept of Customer Relationship Management, where the customer has a single window to attend to all his problems with regard to his home, has paid rich dividends by way of referral sales.

Value Engineering : A tool for resilience



“Value analysis is a system for use when better than normal results are needed” according to Lawrence D. Miles, considered the father of Value Engineering.

Sobha Developers recognizes the need for the prudent use of resources while delivering quality homes. Value engineering (VE) is one of the most effective management techniques known to identify and eliminate unnecessary costs in design, construction, maintenance, procedures and practices in order to achieve improved design, construction, and cost-effectiveness in various project parameters.

During a VE study, a multidisciplinary team suggests alternatives and improvements to the design, construction activity, procedures or process. Periodical review and analysis is also undertaken to ensure that the processes and procedures established are maintained effectively to provide the intended benefits. The successful implementation of the VE program has resulted in savings in the life cycle cost of the project. The additional benefits

derived were constant updating of standards and policies, accelerated incorporation of new materials and construction techniques, increased skills obtained from team participation, and employee enthusiasm from participation in organizational decisions. Ideas that come through our innovation campaign are also taken for VE study and the feasible ones are considered for implementation.

The culture of Value Engineering is being disseminated throughout our organization through various levels of training conducted by both external and internal trainers.

SDL is the only organization from the Indian construction industry associated with the Indian Value Engineering Society (INVEST). A dedicated VE department supported by 4 Associate Value Specialists continues to work proactively to analyze and incorporate appropriate cost-effective changes for designs and project execution.

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Letter to the shareholder



Dear Shareholder,

It is my privilege to present to you the 14th Annual Report of Sobha Developers Limited for the financial year 2008-09.

The year witnessed unprecedented events globally on the economic front. What started as the sub-prime crisis in the US soon engulfed the entire world economy leading to severe recession, worst since the Great Depression of the '30s. India, despite its cautionary economic policies has been no exception. Real Estate industry has been one of the worst affected by the recession. A highly levered sector was caught in a vicious cycle when lenders tightened their purse strings and cost of borrowing increased.

Sobha has had a positive cash flow throughout the year. However with the credit crunch in the market coupled with a gearing of 1.74, liquidity has become critical. This has been further aggravated by a steep reduction in sales as customers started deferring property purchase decisions expecting price corrections.

The extraordinary situation demanded extraordinary measures. Sobha has shown exemplary resilience in adapting to the changed scenario and has initiated aggressive measures such as (a) inviting new investment at entity/ SPV level, (b) rescheduling the debt portfolio, (c) offering non-core land holdings for sale (d) offering innovative and improved products through our highly trained delivery and quality teams, (e) presenting the cost conscious customer 'value for money' products through value engineering and cost optimization, (f) creating a new portfolio of products including affordable homes with undiluted quality, (g) rationalizing manpower resources and motivating them to take on additional responsibilities - the response from the dedicated Sobha team has been marvelous; the ease with which this has been accomplished demonstrates that sincerity of purpose and appropriate communication can draw the best out of people in crisis situations, (h) aggressive sales push through innovative marketing and (i) renewed customer orientation and focus. We have initiated all the above steps while continuing our operations without disruption to the progress of the projects.

The results of the above actions have started bringing in positive changes in the operations. The financial results bear only partial testimony to this. I am confident that in the years to come our actions will translate into better numbers.

I feel that the economic revival is not too far away and 2010 will see a resurgence of the markets. Thanks to the measures initiated by Government of India to boost economic growth, inflation has been brought under control and liquidity improved. The new Government is widely expected to push the economic reforms aggressively leading to economic stability and growth. It is well appreciated that the stability of the realty sector is extremely crucial for general economic growth. The sector's strong capacity to create large number of jobs needs to be underscored.

Sobha, with its cutting edge quality bias, innovative product range, adherence to legal perfection and ability to deliver projects on schedule, will be one of the biggest beneficiaries of an economy on its path to recovery. It will be amongst the foremost real estate players to take full advantage of the impending turnaround.

The global economic crisis has its silver linings too. It has sprung unknown challenges to governments and corporations. Resilience marks the leader from the rest. Resilience is so intrinsically related to the day-to-day ethos of the organization that it can create significant payback in terms of helping to refocus on what is important to the organization and its people. Sobha has demonstrated its resilience now more than ever.

I consider the interests of our shareholders paramount. I look forward to your continued support in our relentless pursuit for excellence.

Place: Bengaluru
Date: May 18, 2009

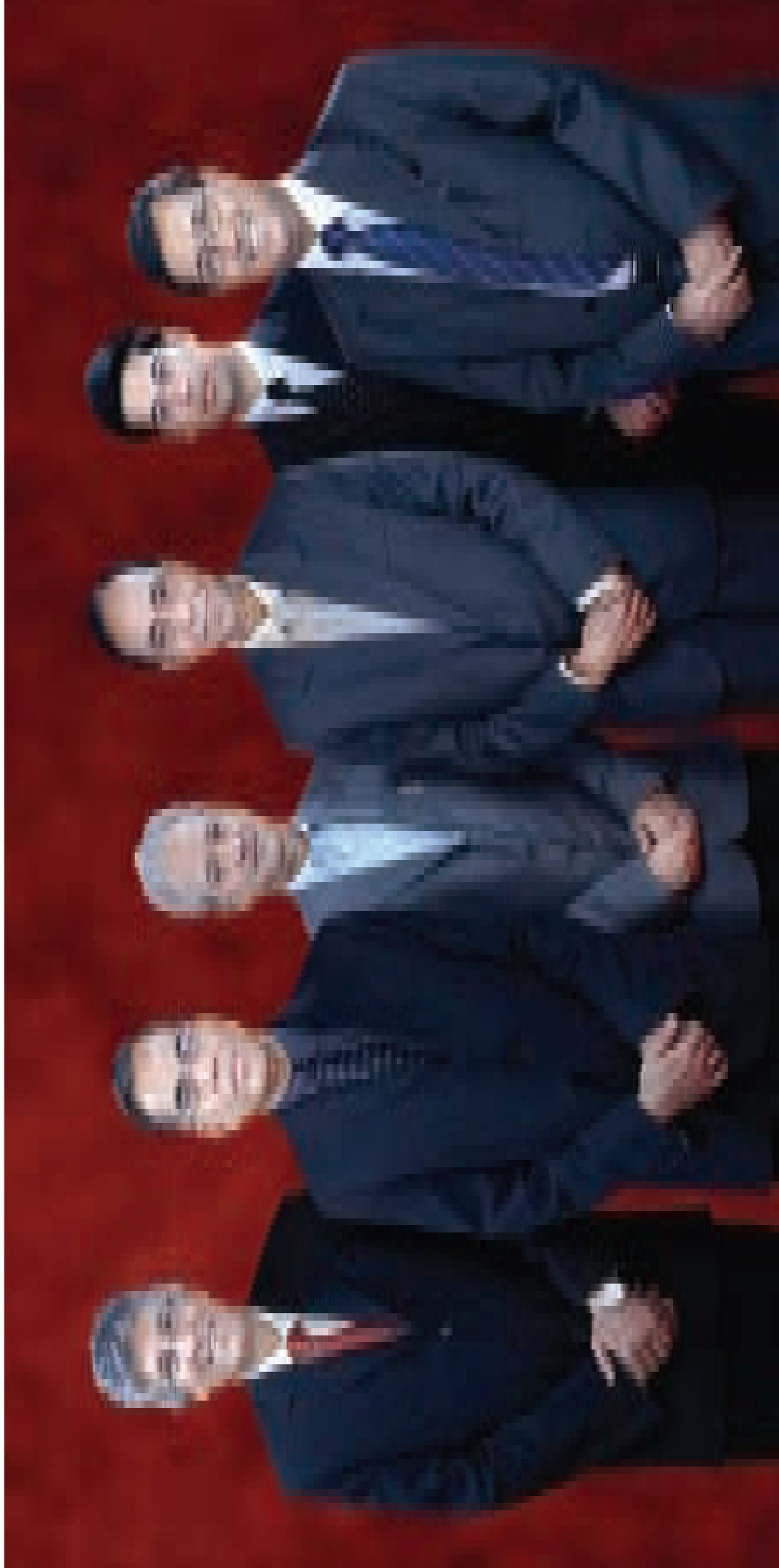

P.N.C. Menon
Chairman

Financials at a Glance

(Rs. in Million except earnings per share)

Particulars	2008-09	2007-08	2006-07	2005-06	2004-05
Financial Performance					
Turnover	9,917	14,363	11,894	6,273	4,652
Profit Before Depreciation, Interest and Tax (PBDIT)	2,867	3,674	2,596	1,404	657
Depreciation	360	350	244	128	63
Profit Before Interest and Tax (PBIT)	2,507	3,324	2,352	1,276	594
Interest	1,052	615	486	208	109
Profit Before Tax (PBT)	1,455	2,709	1,866	1,068	485
Profit After Tax (PAT)	1,097	2,283	1,615	885	347
Earnings per share	15.04	31.32	24.26	13.84	5.48
Dividend					
Equity	73	474	401	145	63
Preference	-	-	5	6	-
Financial Position					
Shareholders' Fund	10,895	9,883	8,155	1,368	655
Borrowed Funds	19,122	17,631	5,837	4,231	2,233
Total	30,017	27,514	13,992	5,599	2,888
Net Fixed Assets	2,248	2,142	1,948	1,020	554
Investments	362	294	527	27	-
Net Current Assets	27,407	25,078	11,517	4,552	2,334
Total	30,017	27,514	13,992	5,599	2,888

Board of Directors



Standing from left

Anup Shah
Independent Director

P.N.C. Menon
Chairman

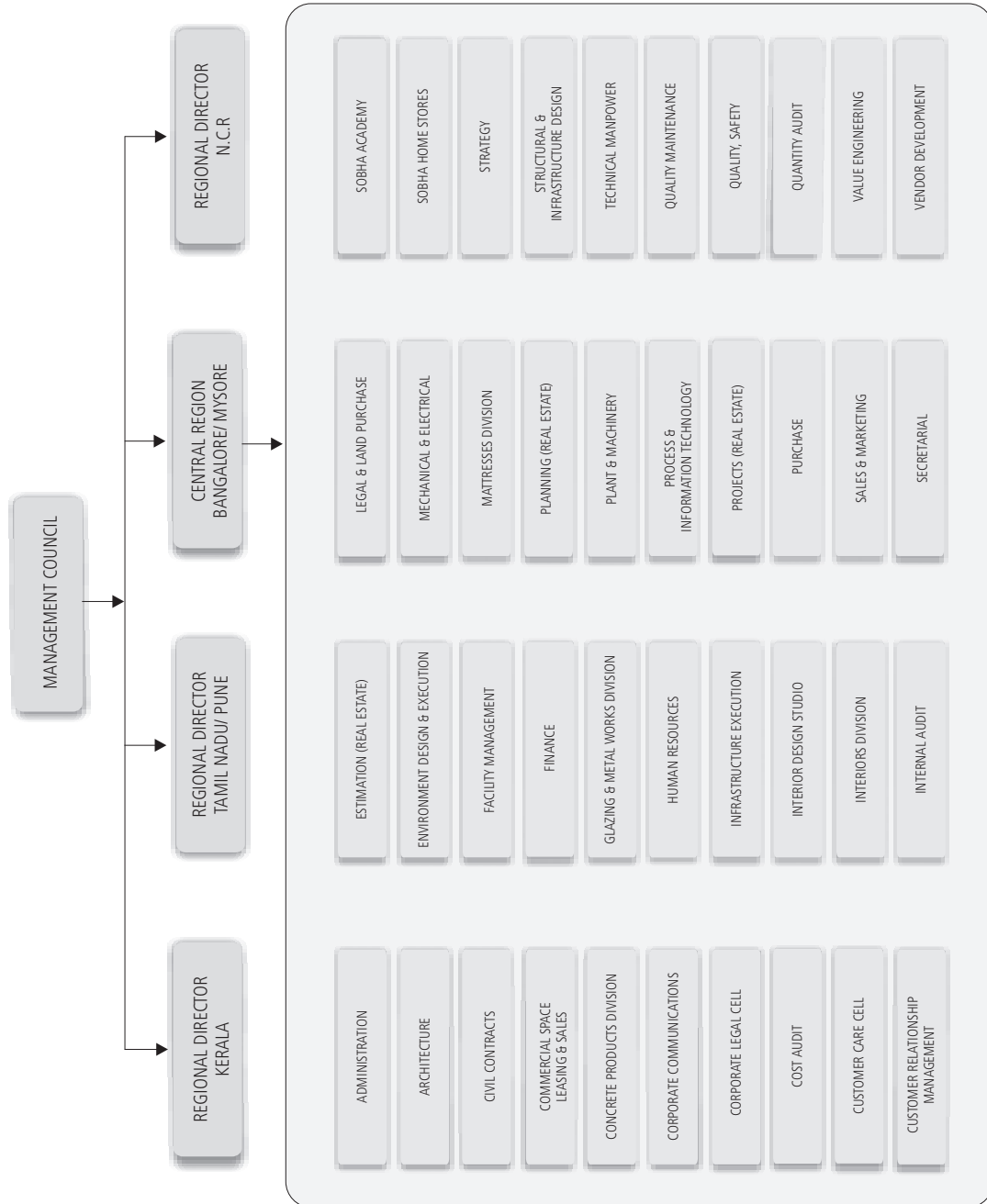
Dr. S.K. Gupta
Independent Director

R.V.S. Rao
Independent Director

Ravi Menon
Vice Chairman

J.C. Sharma
Managing Director

Organisation Chart



Awards



- On the occasion of the Pravasi Bharatiya Divas 2009 on Friday, January 9, 2008 at Chennai, our Chairman, Mr PNC Menon was awarded the prestigious Pravasi Bharatiya Samman Puraskar by the Hon'ble President of India, Smt. Pratibha Patil.

Mr Menon is among the 13 distinguished overseas Indians selected for this year's award. The Pravasi Bharatiya Samman Puraskar is conferred in recognition for their excellence in various fields. Very recently our Chairman was nominated to the Prime Minister's Advisory Council of Overseas Indians.

- Builders Association of India, Pune Centre has awarded the 'Best of the Best' Award for the Employee Care Centre (ECC), Infosys Technologies Limited, Hinjewadi, Pune under the Well Built Structure Competition, 2008.

- Construction World recognized the Company as one of India's 'Top 10 Builders' at Construction World Architect & Builder Awards, 2008 in Mumbai.

Certification received by the Company

- ISO 14001 AND OHSAS 18001

During the year, the Company was certified as compliant towards international standards for Environmental Management system ISO 14001:2004 and Occupational Health and Safety Assessment Series OHSAS 18001:2007 by Bureau Veritas Certification India Private Limited.

Corporate Information

BOARD OF DIRECTORS

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

COMPANY SECRETARY AND COMPLIANCE OFFICER

Mr. N. Venkatramani

STATUTORY AUDITORS

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

BANKERS

Andhra Bank
 Axis Bank
 Corporation Bank
 Dhanalakshmi Bank
 Federal Bank
 HSBC Bank
 IDBI Bank
 Indian Overseas Bank
 IndusInd Bank
 State Bank of Hyderabad
 State Bank of India
 State Bank of Indore
 State Bank of Travancore
 Syndicate Bank

LEGAL ADVISORS

M/s Anup S. Shah, Law Firm
 Aamstel Law Associates

CORPORATE OFFICE

#4, Neeladri Plaza, Raja Ram Mohan Roy Road,
 Richmond Circle, Bangalore-560025 India.
 Tel: +91 80 22104561/2/3/4/5/6
info@sobha.co.in
www.sobhadevelopers.com

REGISTERED OFFICE

E-106, Sunrise Chambers, 22, Ulsoor Road,
 Bangalore-560042, India.
 Tel: +91 80 25597260, 25594139
 Fax: +91 80 25594138
info@sobha.co.in
www.sobhadevelopers.com

CEO and CFO Certification

We, J C Sharma, Managing Director and S. Baaskaran, Chief Financial Officer of Sobha Developers Limited, to the best of our knowledge and belief hereby certify that:

i. We have reviewed financial statements and the cash flow statement for the year ended 31st March 2009 and that to the best of our knowledge and belief:

a) These statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading.

b) 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.

ii. There are to the best of our knowledge and belief; no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's Code of Conduct

iii. We accept responsibility of establishing and maintaining the internal controls for the financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies.

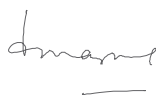
iv. We have disclosed based on our most recent evaluation, wherever applicable, to the companies auditors and the audit committee of the Company's Board of Directors:

a) All deficiencies in the design or operation of internal controls, which could adversely effect the Company's ability to record, process, summarize and report financial data and have identified for the Company's Auditors, any material weaknesses in internal controls over financial reporting including any corrective actions with regards to deficiencies.

b) Significant change in internal controls during the year covered by the report.

c) All significant changes in Accounting Policies during the year, if any, that the same have been disclosed in the notes to the financial statements.

d) Instances of significant fraud of which we are aware, that involves management or other employees who have significant role in the Company's internal control systems.



J. C. Sharma
Managing Director



S. Baaskaran
Chief Financial Officer

Place: Bengaluru
Date: May 18, 2009

Directors' Report

To
The Members

The Directors have pleasure in presenting the fourteenth annual report on the business and operations of the Company together with the audited results for the financial year ended March 31, 2009.

Financial highlights (Rs. in Million)

Particulars	2008-09	2007-08
Net sales and other income	9,917.05	14,362.77
Profit before interest, depreciation and tax	2,867.70	3,674.11
Finance charges	1,052.14	614.92
Depreciation	360.33	350.40
Profit before tax	1,455.23	2,708.79
Provision for tax – current	374.00	453.00
– fringe benefit	4.00	5.50
– deferred	(20.00)	(33.02)
Wealth tax	0.45	0.30
Net profit after tax	1,096.78	2,283.01
Add: Balance of profit brought forward	2,418.74	1,249.73
Profit available for appropriation	3,515.52	3,532.74
Appropriations -		
Proposed dividend	85.29	555.00
(Includes tax on dividend)		
Transfer to General Reserve	-	250.00
Transfer to Debenture Redemption Reserve	171.00	309.00
Balance carried to Balance Sheet	3,259.23	2,418.74

Result of operations

The Financial year 2008-09 has been challenging due to sudden changes in the global and Indian economy resulting in kind of economic downturn where sales decreased along with pressure on the profit margins.

The Company's total income has decreased from Rs. 14,362.77 million to Rs. 9,917.05 million, a decrease of 30.95 % over the last financial year. The profit after tax has come down from Rs 2,283.01 million to Rs. 1,096.78 million resulting in a decrease of 51.95 %.

The decrease in profit has been accentuated by lesser sales coupled with increase in financing cost and reduction in the profit margins.

Dividend

Your Directors have recommended dividend of Re.1 for every equity share of Rs. 10 each resulting in a dividend rate of 10% for the financial year 2008 – 09.

Business

The Company's main operations consist of:

1. Development and construction of residential and commercial projects.

2. Contractual projects

The summary of the projects completed and ongoing as on March 31, 2009 has been detailed in the Management Discussion Analysis Report.

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.

Investments

During the year under review, the Company along with Pan Atlantic Investments Limited has invested in the development of the 100% FDI compliant project in Hosahalli, Bangalore through a Special Purpose Vehicle company, Sobha Developers (Pune) Private Limited. The Company holds 19% of the equity share capital in Sobha Developers (Pune) Private Limited.

Human resources

During the year, the Company has rationalized the workforce consequent to the downturn in the economy. However the Company continues to develop and retain the best available talent. Training and motivational programs are being continuously imparted to all the employees working throughout the organization. The Company strives to implement the best 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.

Quality

The Department of Quality and Safety holds the responsibility to monitor all quality and safety works in the various projects of the Company and to introduce latest construction technology so as to enable the delivery of the Company's projects at par with relevant specifications, norms and standards.

The department focuses on construction quality and safety aspects, infrastructure execution, on civil maintenance works, on geotechnical aspects, drawing detail development and on importing / implementing new tools and material for process upgradation.

Corporate governance

Your Company believes in adhering to the highest standards of Corporate Governance and has been benchmarking its policies with the best corporate practices. 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.

Directors

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

During the year under review, Mr. N.S. Raghavan and Mrs. Sobha Menon have resigned from the Board of Directors effective from January 31, 2009.

The Directors place on record their sincere appreciation to Mr. N.S. Raghavan and Mrs. Sobha Menon for their valuable services and contribution rendered to the Company.

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

Brief resumes of the Directors proposed to be re-appointed, 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.

Reclassification of share capital

During the year under review, the authorized share capital of the Company was reclassified to 150,000,000 (one hundred and fifty million only) Equity Shares of Rs. 10/- (Rupees ten each) and 5,000,000 (Five million only) Preference Shares of Rs. 100/- (Rupees one hundred each). aggregating to Rs. 2,000,000,000/- (Rupees two thousand million only). The approval of the members was obtained in the extraordinary general meeting of the Company held on September 22, 2008.

Rights issue

The Board of Directors at its meeting held on August 19, 2008, had resolved to augment the long term resources of the Company by way of a rights issue. The approval of the members was obtained vide a special resolution passed in the extraordinary general meeting held on September 22, 2008.

The Company received an amount of Rs. 475 million from the promoters of the Company as an advance towards share subscription.

However, due to adverse market conditions, the Company had not proceeded with the same.

The Company had obtained approval from the Reserve Bank of India for extension of time for repatriation of the said money till September 30, 2009.

Debentures and commercial paper

During the year under review, the Company has issued Redeemable Non Convertible Debentures amounting to Rs. 1,950 million and redeemed Redeemable Non Convertible Debentures amounting to Rs. 2,819.90 million. The Company has not issued any Commercial Paper during the financial year. The Company has during the year under report extinguished Commercial Paper amounting to Rs. 2,000 million.

Fixed deposits

During the year under review, your company has not accepted or renewed any fixed Deposit from the public.

Auditors

The Auditors, M/s S.R. Batliboi & Associates, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if reappointed.

The Auditors have made certain observations in their report and the

Board would like to bring your attention as follows:

1. Paragraph 4 of the Auditors Report:

The Company had obtained approvals from the members in the extraordinary general meeting held on September 22, 2008. The promoters had brought in Rs. 475 million as advance share subscription amount. The Company has not proceeded with the Rights Issue due to the adverse market conditions, and intends to repay the amount so received from the promoters within the extended time allowed by the Reserve Bank of India.

2. Paragraph 5 of the Auditors Report:

The Company based on legal opinion from a reputed law firm had entered into certain transaction. However Registrar of Companies has directed that the prior permission of Central Government was required u/s 297 of the Companies Act, 1956. The Company proposes to seek for condonation of delay u/s 621 A of the Companies Act, 1956. These transactions have been done on arms length basis in the normal course of business. The Directors feel the above transaction were not prejudicial to the interest of the Company.

3. 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 above 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.

4. Clause iv of the Annexure referred to in Paragraph 3 of the Audit Report:

The Company is in process of implementing a new ERP Suite which commenced during the year 2008 which covers the entire operations of the Company spread over 10 cities involving projects under implementation aggregating to more than 15 million sq. ft., of construction. The Board of Directors are confident of solving the integration issues and through this process ensuring a proper internal control system commensurate with the size and operations of the business will be achieved.

5. Clause ix (a) and (b) of the Annexure referred to in Paragraph 3 of the Audit Report:

Due to the general downturn in the economy, the Company had to appropriate the available cash flows to the ongoing projects of the Company resulting in delays in the payment of certain statutory dues during the financial year.

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

Due to a slowdown in the market in which your Company is operating the Company had requested its lenders to reschedule or roll over its near term obligations. The Company had made these requests much before the due dates of repayment and in accordance with the applicable monetary policies initiated by the Reserve Bank of India. These rollover has been consented by the lenders.

Corporate social responsibility and community service

Your Company is a responsible corporate citizen and is committed to corporate social responsibility. A separate section titled 'Corporate Social Responsibility Statement' forms the part of the Annual Report.

Awards

Your Directors are glad to report the awards received during the financial year 2008-09 by the Company:

- i. Builders Association of India, Pune Centre has awarded the 'Best of the Best' Award for the Employee Care Centre (ECC), Infosys Technologies Limited, Hinjewadi, Pune under the Well Built Structure Competition, 2008.
- ii. Construction World recognized the Company as one of India's 'Top 10 Builders' at the Construction World Architect & Builder Awards, 2008 in Mumbai.
- iii. Mr P.N.C. Menon, Chairman, received the 'Pravasi Bharatiya Samman Puraskar' from the Government of India.

ISO 14001 and OHSAS 18001

During the year, the Company was certified Environmental Management System ISO 14001:2004 and Occupational Health and Safety Assessment Series OHSAS 18001:2007 compliant by Bureau Veritas Certification India Private Limited.

Code of conduct compliance

Pursuant to Clause 49 of the Listing Agreement entered with the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited, the declaration signed by the Managing Director affirming compliance with the Code of Conduct the by Director's and senior management personnel, for the financial year 2008-09 is annexed and forms part of the Directors and Corporate Governance Report.

Disclosure of employees

As required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other details have been furnished in an Annexure to this Report.

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

By the 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

Your Company provides the latest information on Company projects, matters of interest to investors, financials etc on its website www.sobhadevelopers.com

Cautionary statement

Statements made in the Report, including those stated under the caption "Management Discussion and Analysis" describing the Company's plans, projections and expectations may constitute

"forward looking statement" within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied.

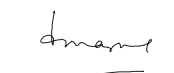
Acknowledgments

Your Directors would like to place on record their sincere thanks to the Company's clients, vendors, investors and bankers for their continued support to the Company during the year. The Directors wish to place on record their appreciation of the contributions made by employees at all levels.

We thank the government of India, state governments and other government agencies for their support and look forward to their continued support in future.

For and on behalf of the Board of Directors


Ravi Menon
Vice Chairman


J.C. Sharma
Managing Director

Place: Bengaluru
Date: May 18, 2009

Annexure to directors report**i. Conservation of energy****(a) Energy conservation measures taken**

1. Energy efficient lighting system in place e.g. CFL / FTL fittings are being used in all offices / sites.
2. Energy efficient lighting system is designed for the residential projects.
3. Parallel operations of lifts is being carried out to achieve energy conservation.
4. VFD's/ VAV and variable load chillers are selected for the new office building.
5. Green energy (Solar energy) utilization for lighting common areas in the residential projects.
6. Effective preventive and predictive maintenance system is in place for maintaining all energy intensive equipments i.e. DG Sets for energy generation, cranes, hoists, loaders, excavators, trucks and other transport vehicles.
7. Fuel metering system is in place to track the consumption of fuel.
8. Designing buildings which use the natural light as the main source of lighting.

(b) Additional investments and proposals, if any, being implemented for reduction in consumption of energy

The Company thrives to construct energy efficient structures which use natural lighting in their residential and contractual projects.

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods

As the Company is primarily engaged in the construction and development of residential and contractual projects, the impact of the measures at (a) and (b) above for reduction of energy consumption cannot be quantified.

Total energy consumption and energy consumption per unit of production

		2008-09	2007-08
1	Electricity		
	Purchased (Units in million)	13.34	11.68
	Total Amount (Rs. in million)	70.61	61.82
	Rate/Unit (Rs.)	5.29	5.29
2	Own Generation through Diesel Genset (Units in million)	1.05	0.56
	Total Amount (Rs. in million)	14.62	7.83
	Rate/Unit (Rs.)	13.92	13.98

ii. Technology absorption

The Company uses German tools, water proofing techniques, European standards for the construction activity of the Company. The Company uses both indigenous and imported technologies for implementation in its projects. The Company has derived the benefits in the form of cost reduction, lesser customer complaints and increased quality of the end products. Import of technology from the European countries is a continuous feature and has been fully absorbed.

iii. Research and development (R & D)**Areas in which R&D has been carried out by the company**

1. Use of Pre fabrication to increase reliability.
2. The organization of the work with the help of scheduling,

structuring of work force in tandem with job description and closing time gaps to ensure efficiency.

3. More in depth planning of construction activities/ procedures which in turn result in stable levels of quality.
4. Standardization of building element and parts introducing rules and regulations based on national & international standards and internal classifications.
5. Self compacting concrete trials and RMC research.
6. Advanced crack treatment using glass fiber mesh.
7. Polyurethane grouting for structural rehabilitation.
8. Piling technology (Design parameters and execution).
9. Dynamic cone penetrometer soil compaction test.
10. PCM (Project Closure and Maintenance) software development.
11. Safety statistics, accident tracking system and categorization as per statutory requirements.

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 adheres to the 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 is understood as an ongoing process.

Expenditure on R&D

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

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:

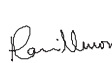
The Company caters to the domestic market only and has not undertaken any activities relating to export; initiatives to increase exports; development of new export markets for products, services or formulated any export plans

(b) Total foreign exchange used and earned.

Total expenditure in foreign exchange: Rs. 3.40 million

Total income in foreign exchange: Nil

For and on behalf of the Board of Directors


Ravi Menon
Vice Chairman


J.C. Sharma
Managing Director

Place: Bengaluru
Date: May 18, 2009

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	Last employment held
(A) Employed throughout the financial year								
1	Mr. P.N.C. Menon	61	Chairman	25,818,341	Entrepreneur	33	August 7, 1995	Not Applicable
2	Mr. Ravi Menon	28	Vice Chairman	19,481,025	B.S.C.E	4	June 6, 2004	Not Applicable
3	Mr. J.C. Sharma	51	Managing Director	27,055,569	B.Com, ACA, ACS	25	June 1, 2001	Grasim Industries Ltd.
4	Mr. Rajan Nambiar	58	CEO - M & E	9,805,053	DME, AMIE	35	January 1, 1997	Drake & Scull Assarain LLC, Muscat
5	Mr. P.V. Varghese	46	CEO, Glazing Division	5,572,900	B.Sc, B.Tech	21	April 1, 2006	Sobha Glazing and Metal Works Pvt. Ltd.
6	Mr. Olaf Wagner	35	Senior Vice President	5,470,399	Master Craftsman	11	July 1, 2007	SAKRET Trockenbaustoffe, Kirchstockach, Germany
7	Mr. P. Gopalkrishnan	59	Executive Director	4,891,383	B.Sc, ACA	32	April 1, 2003	Hindustan Lever Ltd.
8	Mr. N. Venkatramani	47	Executive Director	3,833,900	B.Tech, PGDIE, ACA, ACS	20	December 1, 2004	Sasken Communication Technologies Ltd.
9	Lt. Gen. Mathew Mammen (Retd)	64	Executive Director	3,794,900	BE, M.Sc (Defence)	49	November 30, 2005	Indian Army
10	Mr. Baaskaran Subramanian	40	Chief Financial Officer	3,396,601	B.Com, FCA, AICWA	17	April 1, 2006	Sobha Space Pvt. Ltd.
11	Mr. Sanjaya Sarathy T.P.	50	Regional Director	2,735,900	B.Sc, ACA	21	November 10, 2006	Service and Trade Company, Sultanate of Oman
12	Ms. Geetha K Nair	40	Senior Vice President	2,676,950	B.Arch	17	January 1, 1997	Zachariah Consultants
13	Mr. Raghu Balan	42	Executive Vice President	2,765,562	B.Tech, MCM	14	January 1, 1997	Service and Trade Company, Sultanate of Oman
14	Mr. Srikanth Srinivasan	36	CEO, Interior Division	2,782,552	BE, PGDE	13	October 23, 2002	Babcock Borsing AG, Oberhausen, Germany
15	Mr. Roland Hahn	44	German Master Mason	3,323,391	Master Craftsman	23	February 27, 2008	Mohr, Leutershausen, Germany
16	Mr. Manfred Angrick	55	German Master Mason	3,407,672	Master Craftsman	38	March 5, 2008	QFL, Weimar, Germany
17	Mr. Mario Dieter Wolfrum	41	German Road Master	3,259,997	Master Craftsman	23	January 21, 2008	Construction Service, Beregovo, Ukraine
18	Mr. Ramakrishnan P.	46	Regional Director	4,618,765	BE, MBA	23	March 15, 2007	Enares Infranet Pvt. Ltd.
19	Mr. Arun Kumar	37	Senior Vice President	2,505,300	B.Arch	12	May 26, 2004	Sakhuja Mallik and Associates
20	Mr. Raghav Menon	48	Executive Vice President	2,398,900	B.Com, Dip. in MM	26	August 18, 2006	Union Trading Co. Ltd.
21	Mr. Venkittaraman VV.	63	Senior Vice President	2,544,448	BE	37	October 29, 2007	STUP Consultants Pvt. Ltd.
22	Mr. Vinayak Bhimashankar Joshi	52	Senior Vice President	2,623,900	B.Arch	27	February 1, 2008	Della Technica
23	Mr. Devaraj T.H.	41	Vice President, Electrical	3,835,729	BE	19	February 23, 1998	Veeresh Electricals
24	Mr. Prasanna Venkatesh	36	Vice President, Plumbing	3,083,169	BE	17	December 1, 1999	Adarsh Developers
25	Mr. Kandasamy V.	42	Vice President, Projects	2,663,175	BE	26	September 16, 1997	Public Works Department
26	Mr. Raju Balan	38	Senior Vice President, Projects	2,426,317	BE	15	April 1, 2006	Self Employed
27	Mr. Sojan Joseph	46	Senior General Manager	2,464,151	ITI	24	April 1, 2006	Khansaheb Civil Engineering, Dubai
(B) Employed for part of the financial year								
1	Mr. K Suresh*	43	Company Secretary & Compliance Officer	1,683,128	M.Com, ACA, ACS, AICWA, DHA, PGDFTM	19	January 1, 2003	Ajuba Solutions India Pvt. Ltd.
2	Mr. Pradumna Kanodia*	45	Executive Director	1,041,193	ACA, ACS	19	December 1, 2005	Focus Infosys India Ltd.
3	Mr. Dhananjay Mangesh Gulwadi*	50	Executive Director	4,652,604	BE Civil, PGDCM	29	November 18, 2004	Assarian Group of Companies
4	Mr. Anil Kumar	46	Senior Vice President	1,052,628	BE Mechanical, MS, PGDM	14	November 3, 2008	IBM India Pvt. Ltd.
5	Mr. Sanjay Khosla	51	Executive Vice President	2,839,648	BA, PGDBM	27	August 1, 2008	Ozone Group
6	Mr. Keshav Pandey	46	Executive Director	1,006,264	B.Com., MBA	20	January 1, 2009	ICI Bank Ltd.
7	Mr. Sumit Keshan*	39	Chief Financial Officer	1,638,296	B.Com, AICWA, ACA	15	July 11, 2008	Wipro Limited
8	Mr. Shine V. Nair*	32	President-Hotels and Retail Business	2,500,020	B.Tech	11	April 1, 2007	Sobha Contracting LLC, Dubai
9	Mr. Udo Kunze	41	German Master Mason	895,782	Master Craftsman	18	August 16, 2008	Self Employed
10	Mr. Jochem Vogel	51	German Master Mason	3,117,337	Master Craftsman	26	May 12, 2008	Schotes Bauträger GMBH, Germany.

* Left during the year

Note : Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules , 1975 and forming part of the Directors' Report for the year ended March 31, 2009

1. Gross Remuneration comprises of salary, allowances, Company's contribution to provident fund and taxable value of perquisites.

2. The Employee would qualify for being included in Category (A) or (B) on the following basis :

(A) if the aggregate remuneration drawn by him during the year was not less than Rs.24,00,000 per annum.

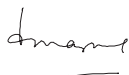
(B) if the aggregate remuneration drawn by him during the part of the year was not less than Rs.2,00,000 per month.

3. None of the employees mentioned above is a relative of any Director of the Company except Mr. Ravi Menon and Mr.Shine V. Nair who is a relative of the Promotor of the Company

For and behalf of Board of Directors of Sobha Developers Limited



Ravi Menon
Vice Chairman



J.C. Sharma
Managing Director

Place: Bengaluru
Date: May 18, 2009

Management Discussion and Analysis

A. Economic scenario

a. Global economy

The world has witnessed the worst ever recession during the year, perhaps worse than the Great Depression of the 30's. It has been reported that in the past five quarters alone 40 percent of the world's wealth has been eroded. According to the Asian Development Bank, the current economic crisis has erased USD 50 trillion in global wealth. Age old banks and financial institutions could not be saved despite mammoth efforts. The fall of the U.S. banking sector, which is reported to have lost USD 1.8 trillion sent shivers down the entire global banking system. Net shortfall after receiving the original federal bailout funds was still a staggering USD 400 million. The economic deceleration has compelled employers to slash salaries as well as resort to widespread retrenchment across industries, shaking the financial security and soundness of families and thereby their confidence. Fiscal deficit of countries has deepened without exception. Some economists feel that the worst is not yet over and the slowdown is likely to take a further toll on world economies while some are positive that a revival is not too far away. Governments of various countries have come out with maximum stimulus packages to cushion the impact of recession and absorb some of the losses. The burning issue is also being addressed collectively through forums like G-20 and IMF.

b. Indian economy

India has been no exception from the adverse effects of the global economic recession. The major fallout of the recession in the developed countries has been its impact on the inflow of capital to emerging nations including India, which started drying up and resulting in net outflow of capital. Industries and services sectors were denied the required funding for not only growth but even for their day-to-day operations. Industrial growth declined sharply and so did foreign trade. The worst hit industries have been real estate and construction, IT/ITES sectors, traditional exports of diamonds, textiles etc. However, Indian banking sector due to the conservative and pragmatic policies of the government of India and the RBI has not been so affected by recession as its counterparts in the developed countries. Positive and timely measures initiated by the government and RBI have resulted in controlling inflation well above expectations. Availability of funds to the cash-strapped sectors has improved with a complimentary decline in interest rates. Installation of a stable government at the center and the continuity of reforms are expected to certainly help the country to face the situation more effectively. It is widely expected that India is in a much better position than many other economies to achieve an early and fast recovery. The international Monetary Fund has recently opined that "the Indian economy, facing slowdown amid global financial slowdown is expected to rebound by end of 2009".

c. Real estate - global

The sub-prime crisis which surfaced in the US early on is considered the forerunner of the economic recession in that country. It soon engulfed the entire global economy. The real estate sector, thus, was the first casualty in the global meltdown. Defaults in payments coupled with a sharp fall in property prices resulted in the crash of the markets. Funding by the banking system into the sector dried up totally. Demand has fallen considerably, and construction activity has come to a standstill in many countries which consequently eroded customer sentiment deeply. It is widely believed that the recovery of global real estate sector will take longer to recover than the global economy.

d. Real estate - India

Indian real estate industry had experienced phenomenal growth just before the global meltdown hit it during the last year. Industry majors had highly leveraged their positions to acquire land banks for expansion of their operations. The recession blocked the inflow of funds so critical for expansion. This was exacerbated by the slowdown of the market where buyers who were lapping up whatever was on offer in the boom time suddenly became wary and sceptical and started avoiding the market. It is important to note that the slowdown in Indian real estate has more to do with the sentiment in tune with the international scene than with fundamentals. India is significantly different from other countries of the world. Genuine demand exists for good quality homes. The government has also been sympathetic to the industry with various stimuli being offered.

Considering the present economic condition, buyers are deferring their decision to acquire property and are more likely to invest once economy recovers and buyer confidence is restored. Judging from the pronouncements made by the government from time to time, we can expect more positive and concrete fiscal steps which will result in providing the required support to this sector for an early recovery.

e. Future outlook

The country is currently excited with the prospect of a stable and aggressively pro-reforms government at the centre. Combating economic downturn and restoration of economic growth are going to be the top priorities for the new government. Inflation, which has been controlled effectively, is expected to be held in check. Interest rates have started its movement southwards and buyers will be attracted to borrow at cheaper rates of interest. In the long term, supply will be moderated to be in line with the demand and the gap currently existing on account of unsold stocks is likely to be bridged. New project launches with innovative products and aggressive marketing will be the new strategy for this sector. Success will depend on the ability of the enterprise to convert its land bank to projects in the shortest possible time span.

B. Company general business profile, strengths and strategy initiatives, future outlook and new business opportunities

The Company has achieved in a short span of time the enviable status of being one of the leading real estate players in India. It is engaged in residential and commercial construction apart from undertaking contracts from major clients, especially from the IT sector. Residential projects include luxury and super luxury residential apartments, villas and row houses. Standard facilities such as a well-equipped club house, swimming pool, gymnasium, game courts and recreation centre are provided in all projects. The projects are spread out in various localities catering to different client profiles. In 2007 it had made its move towards a pan-India presence. The Company is currently undertaking projects in Karnataka, Kerala, Tamil Nadu, Andhra Pradesh, Maharashtra, Orissa, Haryana, Chandigarh and Himachal Pradesh and have plans to enter other states as well.

In the present economic scenario, the Company has been able to hold its head high due to its pre-eminent strengths in quality construction, project execution capabilities, transparent and honest dealings, aggressive marketing strategy and above all a strong customer-centric approach. Customer delight has been the Company's "Mantra", with a dedicated team of professionals

serving the customers' interests from the time the sale is made until after delivery and the conclusion of the mandatory post-delivery warranty period of one year. Cost optimization is a continuous affair in order to pass on the benefits to the customer and value engineering plays a major role towards meaningful cost reduction. Innovation is given the highest priority as also is the implementation of time-tested and well-documented processes and best proven practices. The economic slowdown has not diluted the efforts in this direction and has in fact reinforced the resolve to be more productive and effective in continuing to offer the discerning customer a high value-for-money product.

While the entire real estate industry has been starved of adequate funding for their operations, the Company has managed to restructure its short term debts into long term ones. Efforts are also on to reduce debt by raising equity so as to improve the gearing. The operating cash flow continues to be positive.

The slowdown had impacted the pace of some of the real estate projects initially. Subsequently however, the project progress has picked up momentum with more than 9 million Sft. under construction in various stages. This will ensure continuous stream of inflows for the Company.

Corporate houses like Infosys, Hewlett Packard, Dell, Contel, Taj Group of Hotels, HCL, BOSCH etc. are some of the names that have been engaging the Company's services to build their commercial complexes. The Company has made record delivery of twenty six contractual projects during the year aggregating to 5.91 million Sft. When the turnover from real estate has come down due to the economic slowdown, the contractual income has come to the rescue of the Company. This stream continues to provide the prospect of a steady income flow in the years to come.

The Company's business model is very robust and pragmatic. In-house facility is available for all major construction activity. Stringent quality norms are being followed at every stage of construction activity starting with designs. The Company is perhaps the only fully backward-integrated real estate company with in-house facilities for architectural, structural, infrastructure, electrical, mechanical, plumbing and environmental design, supply of woodwork, glazing and metal works and concrete products such as blocks and pavers. Its manufacturing facilities are spread over 600,000 Sft. and have the most modern plant and equipment to provide high quality inputs required in construction. These manufacturing units have, apart from ensuring quality supply of inputs for captive consumption, branched out to obtain significant shares from outside jobs. While the focus remains on the core business of real estate development and construction, the company has successfully diversified into interior business and manufacturing and marketing of spring mattresses under the brand name of "Sobha Restoplus". The Company is excited with the response received for its products and plans to soon expand its range.

Utmost importance is given to client satisfaction. While the Company markets its products directly to the customers through a dedicated marketing team, it is ably supported in after-sales service by a unique team of Customer Relationship Management (CRM). They are fully qualified and trained to look after the customers' diverse requirements for their complete satisfaction. High levels of ethics and transparency are maintained in dealing with the clients to improve their confidence in the brand and the company. World class building techniques with the aid of modern technology are employed by the Company to ensure delivery of quality products.

To summarize, despite the despondency brought in by the global economic crisis, the Company with its cutting edge technology,

strong bias for undiluted quality of its processes and products, backward-integrated operations, high project capabilities, strict adherence to laws and statutes, transparency in dealings, focussed customer-centric approach and a highly professional management and motivated and dedicated human resources, is in a strong position to tide over the current crisis. With the proactive and progressive policies being practiced by the Government it is hoped that the current scenario will change for the better sooner than later. The Company and its management will leave no stone unturned to achieve this.

Project details of the Company

Summary of projects completed, ongoing and forthcoming as on March 31, 2009 is as under

Residential	
- Completed	:38 projects aggregating 10.73 million Sft.
- Ongoing	: 31 projects aggregating 9.31 million Sft.
Commercial	
- Completed	:12 projects aggregating 1.74 million Sft.
Contractual	
- Completed	:140 projects aggregating 18.30 million Sft.
- Ongoing	: 34 Projects aggregating 5.84 million Sft.

C. Financial condition

The overall performance of the Company during the current financial period was impacted adversely due to the general economic slowdown. The net sales of the Company stood at Rs. 9,747 million and net profit before tax was Rs. 1,455 million. A summary of financial results for the financial period 2008- 09 is presented elsewhere in this report.

Sources of Funds

1.Share capital

The present share capital of the Company consists of equity shares of the face value of Rs. 10/- each and redeemable preference shares of Rs. 100/-.

The Authorised Share Capital is Rs. 2,000 million, divided into 150 million equity shares of Rs. 10/- each and 5 million redeemable preference shares of Rs. 100/- each.

The issued, subscribed and paid up equity share capital as of March 31, 2009 was Rs. 729.02 million, same as in the previous year. The Company did not have any preference shares outstanding as of March 31, 2009.

The equity shares of the Company are currently listed on NSE and BSE in India. The market capitalisation of the Company (based on NSE closing rate) as of March 31, 2009 was Rs. 5,770 million (Previous year Rs. 44,011 million).

2. Reserves and Surplus:

A summary of reserves and surplus is provided in the table below :

	As on March 31,	
	2009	2008
a Capital Redemption Reserve	87	87
b Securities Premium	5,639	5,639
c General Reserve	700	700
d Debenture Redemption Reserve	480	309
e Profit and Loss Account	3,260	2,419
Total	10,166	9,154

a. Capital redemption reserve

This reserve was created for redemption of redeemable preference shares during 2006-07. As of March 31, 2009, this was at Rs. 87 million, same as in the previous year.

b. Securities premium

There was no change in the share premium account of the Company during the year.

c. General reserve

A statement of movement in the General Reserve is given below :
(Rs. in Million)

As on March 31,		
	2009	2008
Balance — beginning of year	700	450
Add : Transfer from P & L Account	-	250
Balance — end of year	700	700

d. Debenture redemption reserve

The Company has created Debenture Redemption Reserve amounting to Rs.171 million during the year, out of the profits of the Company for the year, to provide for redemption of non convertible debentures.

e. Profit and loss account

The balance retained in the profit and loss account as of March 31, 2009 was Rs. 3,260 million after providing the proposed dividend of Rs. 73 million and dividend tax of Rs. 12 million. The book value per share has increased to Rs. 149.45 as of March 31, 2009 from Rs. 135.57 as of March 31, 2008.

3. Secured and unsecured loans:

During the period under review, the Company has increased its borrowings from Rs. 17,631 million to Rs.19,122 million. The details regarding borrowings raised and repaid during the year 2008-09 are given below.

(Rs. in Million)

Year ended March 31		
	2009	2008
Balance as on April 1, 2008	17,631	5,837
Borrowed during the year	13,267	18,616
Repaid during the year	11,788	6,822
Interest accrued & due	12	-
Balance as on March 31, 2009	19,122	17,631

The securities offered for these borrowings are shown in the Notes to Accounts of the Annual Report.

Application of funds**4. Fixed assets**

A statement of movement in fixed assets is given below:

(Rs.in Million)

As on March 31			
	2009	2008	% Change
Land	66.36	66.36	
Buildings	428.76	332.27	2.90
Plant and machinery	2,090.47	1,985.98	5.26
Furniture and fixtures	40.12	35.33	13.55
Vehicles	82.95	84.63	(1.99)
Computers & office equipment	158.11	149.55	5.72
Capitalized software	63.45	57.16	11.00
Gross Block	2,930.22	2,711.28	8.07
Less: Accumulated depreciation	1,198.02	841.78	42.32
Net block	1,732.20	1,869.50	(7.34)
Add: Capital Work-in-progress#	515.64	272.49	89.23
Net fixed assets	2,247.84	2,141.99	4.94
Depreciation			
as % of revenue	3.63	2.44	
as % of average gross block *	13.08	14.27	

The capital work-in-progress as of March 31, 2009 and 2008 represents advances paid toward acquisition of fixed assets and the cost of assets not put to use.

*Excluding land

a. Capital expenditure

The Company incurred an amount of Rs. 468 million (Rs.549 million in the previous year) towards capital expenditure comprising of additions to gross block of Rs. 225 million and Rs.243 million on account of increase in capital work in progress. The capital expenditure was funded out of borrowings and internal accruals.

b. Additions to gross block

During the year, the Company added Rs. 225 million to the Company's gross block comprising of Rs. 105 million for investment in plant & machinery, Rs 96 million in Buildings, Rs 7 million in computer software and the balance of Rs 17 million in computers, office equipments, furniture and fixtures and vehicles etc. During the previous year, the Company added Rs.385 million to the gross block comprising of Rs. 264 million investment in plant and machinery, Rs.46 million in computer software and the balance of Rs. 75 million in other assets.

c. Retirement of assets

During the year, the Company retired / transferred various assets with a gross block of Rs. 6 million and a net book value of Rs. 2 million. During the previous year, the Company retired / transferred various assets with a gross block of Rs. 8 million and a net book value of Rs. 4 million.

d. Capital expenditure commitments

The Company's capital expenditure commitment stood at Rs. 17 million, as of March 31, 2009 as compared to Rs. 41 million as of March 31, 2008.

5. Investments

a. Subsidiary

During the year, there is no change in investment made by the Company to the partnership firm "Sobha city". Details are provided in the notes to accounts (Schedule-19, Point No.22). The consolidated financials for the current year reflects its share of revenue and profits.

b. Other investments

During the year there has been no change in the other non-trade investments except for investment of Rs. 0.1 million in equity shares of Sobha Developers (Pune) Pvt Ltd and sale of 1,006 equity shares of Tata Steel Ltd.

c. Investment in liquid mutual funds

The Company has bought and sold investment in liquid Mutual funds of Rs.571 million during the current year, details are given in the Notes to Accounts. (Schedule 19, Point No.23)

6. Deferred tax assets

The Company recorded deferred tax assets of Rs. 31 million as of March 31, 2009 compared to Rs. 11 million as of March 31, 2008. Deferred tax assets/liability represent timing differences in the financial and tax books arising from depreciation on assets and expenditure under section 43B of Income Tax Act., 1961, which are allowed in the year of payment. The deferred tax assets will be recovered from future taxable income.

7. Inventories

The inventories have gone up from Rs.7,879 million as at March 31, 2008 to Rs.10,492 million as at March 31, 2009. A major portion of inventory is attributed to work-in-progress of Rs.10,207 million in the current year end as compared to Rs.7,235 million in previous year. This is mainly due to the non recognition of sale value related to land and construction portion of unfinished on-going real estate projects and will be recognized in subsequent years of sale.

8. Sundry debtors

Sundry debtors amounted to Rs. 3,553 million (without considering advance of Rs. 1,672 million) as of March 31, 2009 as compared to Rs.5,452 million (without considering advances of Rs.1,068 million) as of March 31, 2008. Since the ownership of apartments is transferred to the clients upon full settlement of their dues, the Company considers these debtors as good and realizable. Further the debtors outstanding more than six months were only Rs.786 million (Rs.415 million in the previous year) out of the total receivables of Rs.3,553 million (Rs. 5,452 million in the previous year). It can thus be seen that the sundry debtors has been brought down considerably.

9. Cash and cash equivalents

The cash balance includes the cash maintained at various branches and imprest cash maintained at various projects for day to day expenses. The bank balance includes the balance in various current accounts maintained with various banks/locations. The deposit account represents deposits for short tenures and margin money towards loan escrow account and other non-fund based utilization of limits. The deposit includes the accrued interest and outstanding (if any) as of the balance sheet date. The Company's investment policy is to invest surpluses with banks and financial institutions for short-term maturities and also with liquid mutual funds. The balance under this head is Rs.211 million as on March 31, 2009 as

compared to Rs. 126 million as on March 2008.

10. Loans and advances

Loans & advances has increased from Rs.17,282 million as on March 31, 2008 to Rs. 18,956 million as on March 31, 2009. This is mainly due to increase in advance towards purchasing land at Rs.17,958 million (as on March 31, 2009) from Rs. 16,248 million (as on March 31, 2008). Advances are primarily towards amount paid in advance for value and services to be received in future. The Company considers the advances/ deposit for land good as the advances have been given based on arrangements/ Memoranda of Understanding executed by the Company and the Company/ seller/ intermediary is in the course of obtaining clear and marketable titles free from all encumbrances.

11. Current liabilities

Sundry creditors include creditors for goods, services and expenses, advance from customers and interest accrued but not due etc. This has increased to Rs.5,556 million as on March 31, 2009 from Rs.4,771 million as on March 31, 2008. Unclaimed dividends represent dividends paid, but not encashed by shareholders, and are represented by a bank balance of the equivalent amount.

Advances received from customers denote monies received for the delivery of the final products at future dates and amount received for which income has yet to be recognized in the books of accounts.

12. Provisions

Proposed dividend represents the final dividend recommended to the shareholders by the Board of Directors of the Company. Upon approval by the shareholders, this will be paid after the Annual General Meeting. Provision for Corporate dividend tax denotes the taxes payable on dividends. Provisions for compensated absences represent an amount equivalent to earned leave standing to the credit of employees' account.

D. Operations review

1. Income

The Company is one of the leading real estate development and construction companies in India, which focuses on residential and contractual projects. Sales have come down during the year as compared to previous year due to economic slowdown and recession which affected most to our construction business. For the purpose of analysis, the revenue can be categorized as follows:

(Rs. in Million)

Income from Operations	Year ended March 31		Change %
	2009	2008	
Income from property development, sale of land and development rights	5,796	8,533	- 32
Income from contractual activity	2,299	3,887	- 41
Income from manufacturing	1,676	1943	- 14
Share in profits of partnership firm (post tax)	68	67	1
Total	9,839	14,430	-32

The Company is following a prudent accounting policy in recognizing revenue.

Revenue in respect of real estate property development is recognized based on the project cost actually incurred as a proportion of total estimated project cost and the proportion of the estimated saleable area in the project in respect of which bookings have been made. However, if the actual project cost incurred is less than 25% of the total estimated project cost, no income is recognized in respect of that project in the relevant fiscal period. Land cost are not included for the purpose of computing percentage of completion. Estimates of saleable area and the related income as well as project costs are reviewed periodically. The effect of any changes in the estimates is recognized in the financial statements for the period in which such changes are determined. The company has so far delivered 50 residential and commercial projects having 12.47 million Sft. There are 31 ongoing projects with 9.31 million Sft. The company has plans to launch 24 more projects aggregating 17.53 million Sft.

Revenue from sale of land and development rights is recognized 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 in respect of contractual projects is recognized on the basis of completion of a physical proportion of the contract work, agreements entered into by the Company with its customers, and based on certification by the clients. The Company has so far delivered 140 contractual projects having 18.30 million Sft.

Revenue from sale of materials from Manufacturing Divisions like Interior, Glazing & Metal Works, Building Materials are recognized 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. Service income is recognized on the basis of completion of a physical proportion of the contract work and based on certification by the client.

The Company's share in profits from a firm where the Company is a partner is recognized on the basis of such firm's audited annual accounts, as per terms of the partnership deed. As per the deed, the Company has invested Rs.200 million towards capital for 70% share in the profits in FY 2007-08 and the other partner Tree Hill Estates Pvt Ltd. has invested Rs.200 million towards capital and Rs.400 million towards loan for 30% share in the profit of the firm. This has been arranged for the projects in Thrissur.

2. Other Income

This has increased from Rs.71 million to Rs.170 million in the current year mainly due to incentive received for pre-payment of loan.

3. Expenditure

The total expenditure with respect to the yearly revenue is given as follows:

(Rs. in Million)

	2009	%	2008	%
Revenue from operations (net)	9,747	100.00	14,291	100.00
Cost of sales	4,504	46.21	7,725	54.05
Personnel expenses	1,009	10.35	1,025	7.17
Operating and other expenses	1,537	15.77	1,939	13.57
Depreciation/ amortization	360	3.69	350	2.44
Financial expenses	1,052	10.79	615	4.30
Total	8,462	86.81	11,654	81.53

3.1 Cost of Sales

(Rs. in Million)

	2009	%	2008	%
Revenue	9,747	100.00	14,291	100.00
Cost of sales				
Land cost	2,453	25.17	3,900	27.29
Construction cost	3,492	35.83	6,370	44.57
Raw material	958	9.82	1,229	8.60
Production expenses	298	3.05	288	2.02
Decrease/ (increase) in inventories	(2,697)	(27.67)	(4,062)	(28.42)
Total Cost of Sales	4,504	46.20	7,725	54.06

Cost of sales has come down to 46.2% in the current year as compared to 54.1% in the previous year due to various efforts made by the company for cost reduction i.e. developing sources for alternate material and alternate suppliers, efficient procurement and usage of material, improving productivity, rationalization of work force and close controlling and monitoring of overheads etc.

a. Land cost

The company while obtaining clear and marketable title 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 lower sales volumes overall cost has reduced to Rs. 3,492 million from 6,370 million in the current year. Further as per the 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 unrecognized revenue is transferred to Work-in-progress.

c. Raw material

For the same reasons discussed hereinabove raw materials cost has reduced to Rs.958 million from Rs.1,229 million in the current 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.

(Rs. in Million)

	Concrete Products	Interior	Glazing	Total
Direct wages	6.86	102.51	127.37	236.74
Power and fuel	4.36	12.59	2.17	19.12
Labour charges	0.36	12.01	3.17	15.54
Other direct expenses	0.00	18.90	7.37	26.27
Total	11.58	146.01	140.08	297.67

e. Decrease/ (increase) in inventories

As explained earlier, the cost associated with un-recognized revenue is transferred to work-in-progress. This includes the construction cost and land cost. During the year the work-in-progress has reduced to Rs. 2,697 million from Rs. 4062 million. The revenue from the work-in-progress will get realized in subsequent years based on the stage of completion and sales of those projects.

3.2 Personnel expenses

The personnel expenses have reduced to Rs.1,009 million from Rs.1,025 million in the current year as compared to last year. This is mainly due to combined effect of revisions in salaries and reduction in Manpower. The total strength has reduced to 2,082 as on March 31, 2009 from 3,308 as on March 31, 2008. The expenses include salaries and bonus, provision towards gratuity and leave encashment, provident fund and staff welfare expenses.

3.3 Operating and other expenses

The operating expenses have reduced to Rs.1,537 million in the current year from Rs.1,939 million of the previous year.

(Rs.in Million)

Particulars	2009	%	2008	%
Revenue	9,747	100.00	14,291	100.00
Electricity charges	43	0.44	56	0.39
Insurance charges	22	0.23	54	0.38
Sales tax and others	419	4.30	767	5.37
Freight outwards	37	0.38	43	0.30
Donation	95	0.97	100	0.70
Registration expenses - flats	251	2.58	241	1.69
Rent	139	1.42	136	0.95
Legal and professional charges	81	0.83	107	0.75
Repairs and maintenance	31	0.32	23	0.16
Advertisement and sales promotion expenses	158	1.62	143	1.00
Travelling and conveyance	88	0.90	97	0.67
Miscellaneous expenses	173	1.77	172	1.20
Total	1,537	15.76	1,939	13.56

4. Operating profits

The Company earned an operating profit (EBIDTA) of Rs. 2,868 million, representing 28.9% of total revenues as compared to Rs. 3,674 million, representing 25.6 % of total revenues during the previous year. The reduction in EBIDTA is around 22% over the previous year.

5. Interest

The Company has charged interest to profit and loss account of Rs.1,052 million and Rs. 615 million for the years ended March 31, 2009 and 2008 respectively. An amount of Rs.1,731 million and Rs. 897 million were inventorised / capitalized for the said period. The increase in interest is due to increase in borrowing cost and quantum of borrowings.

6. Depreciation and amortization

The Company has provided Rs.360 million and Rs.350 million towards depreciation and amortization for the years ended March 31, 2009 and 2008 respectively, representing 3.63% and 2.44% of revenues. The depreciation as a percentage of average gross block (excluding land) was 13.08% and 14.27% for the years ended March 31, 2009 and 2008 respectively.

7. Provision for taxes

The details of provision for taxes are as follows:

(Rs.in Million)

	Year ended March 31	
	2009	2008
Current tax	374.00	453.00
Deferred tax credit	(20.00)	(33.02)
Wealth tax	0.45	0.30
Fringe benefits tax	4.00	5.50
Total Provision	358.45	425.78
% on PBT	24.6%	15.7%
% on Total Revenue	3.6%	3.0%

The Corporate tax provision was lower for the year ended March 31, 2009 compared to the previous year due to low profit before tax. Deferred tax asset created during the year will be recovered from future tax liability.

8. Net profit

The net profit after tax was Rs.1,097 million for the year ended March 31, 2009 as compared to Rs.2,283 million for the year ended March 31, 2008 showing a decline over previous year.

(Rs.in Million)

	Year ended March 31	
	2009	2008
Total Revenue	9,917	14,363
PBT	1,455	2,709
PAT	1,097	2,283
PBT as % of revenue	14.7%	18.9%
PAT as % of revenue	11.1%	15.9%

9. Liquidity

The Company's growth has been financed through cash generated from Operations and debt. The Company's policy is to maintain sufficient cash balance to fund the ongoing projects requirement, the operational expenses and other strategic initiatives like land acquisition.

The Company's investment policy is to invest surpluses with banks and financial institutions for short-term maturities and also with liquid mutual funds. The Company aims to maintain adequate cash balances to meet the strategic objectives while earning adequate returns.

10. Related party transactions

These have been discussed in detail in the notes to the financial statements in this report.

E. Risks and threats to business

The real estate sector has been severely impacted due to the economic slowdown. This sector requires large amount of funds for investment which has further brought the sector under pressure. Slowdown in industry generally and specifically to IT and job losses are having adverse impact on the sector. Difficulty in getting finance at reasonable cost may hamper the business. Due to volatility in economic conditions investors may not be interested to invest in this sector. While these concerns are valid to some extent, the Company believes that large real estate players will be able to control the situation because of their skills, competencies, professional management and demand supply gap.

F. Strategy

Important business strategy of the Company includes the following:

a. Tailor made projects for group of clients

The Company is in touch with a group of clients to serve their requirements with tailor made projects. The project will be conceived, developed designed and constructed in line with the specific requirements of the proposed group of clients. The Company is also working on the concept of affordable housing to reap the benefits of its brand image by focusing on middle class clients in prime locations. The Company is hopeful of getting good response from this new segment of clients.

For quick realization of its inventory various offers are being made by the Company with convenient terms and conditions to attract new customers. Projects are also conceived for sale of plotted land and sale of land bank.

Further, the Company is having a strong land bank in various strategic locations which will be a major strength for the Company once the economy revives.

b. Increased business for contractual projects

The Company has successfully executed various contractual projects with very reputed clients and established its competency and capability. Clients include Infosys, HCL technologies, DELL, Hewlett Packard, Taj group of hotels, MICO, Contel etc. The Company believes that it will be able to use its strength, superior product quality and project execution capabilities for increasing business by adding more corporate houses as its clients.

c. Sale of plotted development land

The Company has planned for sale of plotted development land resulting in quick cash realization, reduction in inventory and improvement in sales revenues.

d. High Standard of quality

The Company has developed its brand image because of its ability to deliver quiz products to the utmost satisfaction of the customers. The Company uses world class building techniques and employs international experts to ensure high level of quality.

e. Cash Flow

The Company has been able to manage its cash flow successfully in the present scenario. During the financial year 2008-09, the operating cash flow remained positive throughout. Most of the loans due for repayment during the financial years 2008-09 and 2009-10 have been rescheduled, giving major relief. Further cash flow is being planned for the next two years to enable the Company to make payment of loans, operational expenses, fixed overheads and financial charges etc.

The Company has taken various initiatives to arrange the required funds for future requirements i.e. sale of land and development rights, attracting investments for specific projects and diluting promoter's stake etc. The Company is confident that the above initiatives taken by it will give desired results in the next six to nine months and adequate cash will be available with the Company to discharge its financial obligations.

G. Human resource management

A strong brand image has been built thanks to the high standard of quality products delivered by the Company. This could not have been possible but for the dedicated professional and experienced manpower resources of the Company. The Company ensures best work environment and equal opportunities with better prospects of career development to all its employees. Best talent is attracted and retained by the Company. It has created a state-of-the-art facility for technical and managerial training of its employees to groom their professional knowledge and managerial abilities. The Company has also established a Training Academy to provide technical training to tradesman and these trained tradesmen are offered preferential employment with the Company. Human Resources department is following best practises to motivate the work force.

H. Information technology

The Company is continuously working and concentrating on IT to get maximum benefit for the organization. The Company has been able to use a good ERP system successfully. All branches and regional offices all across India are well connected ensuring timely and qualitative collection and dissemination of business information. The Company has been able to manage such a large size of business successfully only because of excellent information technology systems and processes.

I. Internal control system and their adequacy

The Company has an in-house internal audit department which examines and ensures adequate internal checks and control procedures. It also ensures proper accounting, records authorisation, control of operations and compliance of law.

The Company has a strong reporting system which evaluates and forewarns the management on issues related to compliance. Further the Company is continuously working to improve and strengthen internal check and control system to align with the expected growth in operations.

J. Risk management

The Company is taking care of its risk management through robust risk management system. Risks are being identified to achieve its strategic business objective; plans are made, implemented and monitored to mitigate such risks.

K. Compliance with local laws

The Company believes strongly in complying with the laws of the land where it operates. The Company has a well-established legal set up for ensuring compliance with all statutes which are applicable periodically to its operations/ ventures. The legal department is responsible for getting various sanctions and approvals pertaining to the projects. Any other approvals or permissions related to specific operations are either handled by corporate legal cell or by the concerned department.

L. Cautionary statement

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 or 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 as they contain forward-looking statements which are extremely dynamic and increasingly fraught with risks and uncertainties. Actual results, performances, achievements or sequence of events may be materially different from the views expressed herein.

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, 2009 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 7 in Schedule 19 to the financial statements pertaining to an amount of Rs.475 million received by the Company from the promoters, as advance towards share subscription amount with regard to the proposed rights issue. During the year, the Company has obtained an approval from the Reserve Bank of India to refund the aforementioned advance by September 30, 2009. As the Company intends to refund the advance share subscription amount, this amount has been recorded under current liabilities and accordingly, diluted EPS has been calculated without considering dilutive effect of advance share subscription.

5. Without qualifying our opinion, we draw attention to Note 25 under Schedule 19, regarding the purchase of material and services in the current and prior years from private limited companies/ firms, covered under section 297 of the Act. In this regard, the Company is in the process of making an application for condonation of delay and obtaining approval from the Company Law Board under Section 637B of the Act. The ultimate outcome of the Company's application in this regard cannot be presently determined. Pending the final outcome, no adjustments have been made in this regard, in the financial statements

6. 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, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and

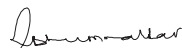
vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2009;

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
Chartered Accountants



per Sunil Bhumralkar
Partner
Membership No. 35141

Bengaluru, India
May 18, 2009

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.83.26 million and the year-end balance was Rs.83.26 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 not prima facie 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 loans 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 repayable 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. *Internal controls pertaining to recording of income from real estate development needs to be further strengthened to make it commensurate with size of the Company and nature of its business.* 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) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, excise duty, wealth-tax, service tax, customs duty, income-tax cess and other material statutory dues applicable to it have generally been regularly deposited with the appropriate authorities *though there have been slight delays in few cases pertaining to tax deducted at source and service tax, and significant delay in case of corporate dividend tax.*

(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, *except undisputed dues in respect of corporate dividend tax which was outstanding, at the year end for a period of more than six months from the date it became payable, as follows:*

Name of the statute	Nature of dues	Amount* (Rs. in Million)	Period to which amount relates	Due Date	Date of Payment
Income Tax Act	Corporate Dividend Tax	81.00	2007-08	August 12, 2008	Not yet paid

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	Nature 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
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	Disallowance	27.80	2004-05	Commissioner of income tax (appeals)
Income Tax Act	Disallowance	53.33	2005-06	Commissioner of income tax (appeals)
Finance Act, 1994 (Service Tax Provisions)	Basis of valuation	648.76	2006-08	Central Excise and Service Tax Appellate Tribunal
Finance Act, 1994 (Service Tax Provisions)	CENVAT credit	94.75	2006-08	Central Excise and Service Tax Appellate Tribunal
Finance Act, 1994 (Service Tax Provisions)	Disallowance	4.23	2002-07	Commissioner of central excise and service tax

*Net of Rs.71.63 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 delayed beyond the stipulated dates, repayment of dues to debenture holders and banks amounting to Rs.820 million and Rs.962 million respectively, for which necessary approvals for rescheduling of repayments were obtained from the lenders before the year-end. In case of repayment of dues amounting to Rs.28 million due to a bank on March 7, 2009, the Company has not yet received permission to reschedule repayment of the said amount.* 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.

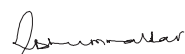
(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) According to the information and explanations given to us, during the period covered by our audit report, the Company had issued 120 debentures, 500 debentures and 2,500 debentures of Rs.10 million, Rs.1 million and Rs.0.10 million each, respectively. The Company has created security or charge in respect of debentures issued.

(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
Chartered Accountants



per Sunil Bhumralkar
Partner
Membership No. 35141

Bengaluru, India
May 18, 2009

Balance Sheet

(Rs. in Million)

	Balance as at March 31		
	Schedules	2009	2008
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	729.02	729.02
Reserves and surplus	2	10,165.91	9,154.42
		10,894.93	9,883.44
Loan funds			
Secured loans	3	18,783.39	14,380.88
Unsecured loans	4	338.39	3,249.62
		19,121.78	17,630.50
		30,016.71	27,513.94
APPLICATION OF FUNDS			
Fixed assets	5		
Gross block		2,930.22	2,711.28
Less: Accumulated depreciation/ amortisation		1,198.02	841.78
Net block		1,732.20	1,869.50
Capital work in progress including capital advances		515.64	272.49
		2,247.84	2,141.99
Investments	6	361.62	293.95
Deferred tax asset (net)	19(15)	30.69	10.69
Current assets, loans and advances			
Inventories	7	10,491.94	7,878.57
Sundry debtors	8	3,553.24	5,451.61
Cash and bank balances	9	210.51	125.94
Loans and advances	10	18,956.30	17,281.58
		33,211.99	30,737.70
Less: Current liabilities and provisions			
Current liabilities	11	5,555.58	4,771.25
Provisions	12	279.85	899.14
		5,835.43	5,670.39
Net current assets		27,376.56	25,067.31
		30,016.71	27,513.94
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
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Bengaluru, India
Date: May 18, 2009

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: May 18, 2009

Ravi Menon
Vice Chairman

N. Venkatramani
Company Secretary and
Compliance Officer

J.C. Sharma
Managing Director

Profit and Loss Account

(Rs. in Million)

	Schedules	Year ended March 31	
		2009	2008
INCOME			
Income from operations	13	9,838.74	14,429.81
Less : Excise duty		91.34	138.37
Income from operations (net)		9,747.40	14,291.44
Other income	14	169.65	71.33
		9,917.05	14,362.77
EXPENDITURE			
Cost of sales	15	4,503.70	7,724.56
Personnel expenses	16	1,008.64	1,024.73
Operating and other expenses	17	1,537.01	1,939.37
Depreciation/ amortisation	5	360.33	350.40
Financial expenses	18	1,052.14	614.92
		8,461.82	11,653.98
Profit before tax		1,455.23	2,708.79
Provision for tax:			
Current tax		374.00	453.00
Deferred tax credit		(20.00)	(33.02)
Wealth tax		0.45	0.30
Fringe benefits tax		4.00	5.50
Profit after tax		1,096.78	2,283.01
Appropriations			
Proposed final dividend		72.90	474.00
Corporate dividend tax - Equity		12.39	81.00
Transfer to debenture redemption reserve		171.00	309.00
Transfer to general reserve		-	250.00
Surplus carried to balance sheet		840.49	1,169.01
Earnings per share in Rs.			
[Nominal value per equity share Rs.10]			
Basic and Diluted	19(7)	15.04	31.32
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
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Bengaluru, India
Date: May 18, 2009

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: May 18, 2009

Ravi Menon
Vice Chairman

N. Venkatramani
Company Secretary and
Compliance Officer

J.C. Sharma
Managing Director

Schedules to the Accounts

(Rs. in Million)

	Balance as at March 31	
	2009	2008
Schedule 1 - Share capital		
Authorised		
150,000,000 (Previous year - 80,000,000) equity shares of Rs.10 each	1,500.00	800.00
5,000,000 (Previous year - 12,000,000) 7% redeemable preference shares of Rs.100 each	500.00	1200.00
	2000.00	2000.00
Issued, Subscribed and Paid-up		
72,901,733 (Previous year - 72,901,733) equity shares of Rs.10 each fully paid up	729.02	729.02
Of the above:		
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		
	729.02	729.02
Schedule 2 - Reserves and surplus		
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
	5,638.95	5,638.95
Debenture redemption reserve		
Balance as per last account	309.00	-
Add: Transfer from profit and loss account	171.00	309.00
	480.00	309.00
General reserve		
Balance as per last account	700.44	450.44
Add: Transfer from profit and loss account	-	250.00
	700.44	700.44
Profit and loss account		
Balance as per last account	2,418.74	1,249.73
Add: Transfer from profit and loss account	840.49	1,169.01
	3,259.23	2,418.74
	10,165.91	9,154.42

Schedules to the Accounts

(Rs. in Million)

	Balance as at March 31	
	2009	2008
Schedule 3 - Secured loans		
[Refer note 3 of notes to accounts for securities offered]		
Debentures	2,630.10	3,500.00
Term loans	12,776.63	8,734.53
Loans and advances from banks		
Cash credit and other facilities	3,185.62	2,076.51
Vehicle/ equipment loan	-	28.66
Other loans and advances	178.82	41.18
Interest accrued and due	12.22	-
	18,783.39	14,380.88
Schedule 4 - Unsecured loans		
Commercial paper (Short-term)		
[Maximum amount outstanding at any time during the year Rs.2,000 million (Previous year - Rs.2000 million)]	-	1,892.49
Other loans and advances		
From banks	263.89	1,000.00
[Due within one year Rs.263.89 million (Previous year - Rs.1,000 million)]		
From others	70.00	352.63
[Due within one year Rs.30 million (Previous year - Rs.60 million)]		
From directors	4.50	4.50
[Due within one year Rs.Nil (Previous year - Rs.Nil)]		
	338.39	3,249.62

Schedules to the Accounts

(Rs. in Million)

Schedule 5 - Fixed assets										
Description	Gross block			Depreciation / amortisation			Net block			
	As at April 01, 2008	Additions	Deletions	As at March 31, 2009	As at April 01, 2008	For the year	Deletions	As at March 31, 2009	As at March 31, 2009	As at March 31, 2008
A. Tangible assets										
Freehold land	39.87	-	-	39.87	-	-	-	-	39.87	39.87
Leasehold land	26.49	-	-	26.49	-	-	-	-	26.49	26.49
Factory buildings	327.02	13.13	-	340.15	49.80	27.76	-	77.56	262.59	277.22
Other buildings	5.25	83.36	-	88.61	0.22	0.25	-	0.47	88.14	5.03
Plant and machinery	1,088.28	71.09	0.93	1,158.44	276.16	125.48	0.22	401.42	757.02	812.12
Scaffolding items	897.70	34.33	-	932.03	368.79	145.16	-	513.95	418.08	528.91
Furniture and fixtures	35.33	4.79	-	40.12	15.37	4.49	-	19.86	20.26	19.96
Vehicles	84.63	1.86	3.54	82.95	37.16	12.42	2.60	46.98	35.97	47.47
Computers	108.69	6.98	1.46	114.21	61.45	21.08	1.27	81.26	32.95	47.24
Office equipments	40.86	3.09	0.05	43.90	12.84	4.25	-	17.09	26.81	28.02
	2,654.12	218.63	5.98	2,866.77	821.79	340.89	4.09	1,158.59	1,708.18	1,832.33
B. Intangible assets										
Capitalised software	57.16	6.29	-	63.45	19.99	19.44	-	39.43	24.02	37.17
	57.16	6.29	-	63.45	19.99	19.44	-	39.43	24.02	37.17
Total	2,711.28	224.92	5.98	2,930.22	841.78	360.33	4.09	1,198.02	1,732.20	1,869.50
Previous year	2,333.72	385.43	7.87	2,711.28	494.83	350.40	3.45	841.78	1,869.50	

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.55.60 million (Previous year - Rs. 7.17million) incurred during the year, is included under capital work in progress.

Schedules to the Accounts

(Rs. in Million)

	Balance as at March 31	
	2009	2008
Schedule 6 - Investments		
Long term investments (Unquoted, at cost)		
A. Trade		
Investment in the capital of partnership firm (subsidiary)		
Sobha City	200.00	200.00
Sobha City - Partner current account	134.64	66.38
<i>Equity shares</i>		
100,000 (Previous year - Nil) equity shares of Re.1 each fully paid-up in Sobha Developers (Pune) Private Limited	0.10	-
B. Other than trade		
<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
Current Investments (At lower of cost and market value)		
Other than trade		
Nil (Previous year - 1,006) equity shares of Rs.10 each fully paid up in Tata Steel Limited	-	0.69
	361.62	293.95
Aggregate amount of quoted investments [Market value Rs. Nill (Previous year - Rs.0.69 million)]	-	0.69
Aggregate amount of unquoted investments	361.62	293.26
* The Company holds 19.70 % equity in SRIT. Based on financial statements of SRIT as at March 31, 2008, there has been an erosion in the network of SRIT. The management is of the view that the erosion in the network of SRIT is temporary. The Company is confident that SRIT will achieve profitable operations in future and hence no provision for diminution in the value of investments has been considered necessary by the management. Further, the inter-corporate deposit of Rs.83.26 million from SRIT would be recovered as stipulated.		
Schedule 7 - Inventories (At lower of cost and net realisable value)		
Raw materials	171.58	254.73
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
	10,491.94	7,878.57
Schedule 8 - Sundry debtors (Unsecured, considered good)		
Debts outstanding for a period exceeding six months	785.74	414.92
Other Debts*	2,767.50	5,036.69
	3,553.24	5,451.61
*Includes unbilled revenue (net of advances) for ongoing projects of Rs.2,035.84 million (Previous year - Rs.2,603.03 million)		

Schedules to the Accounts

(Rs. in Million)

	Balance as at March 31	
	2009	2008
Schedule 9 - Cash and bank balances		
Cash on hand	2.68	5.39
Balances with scheduled banks (including cheques on hand)		
On current accounts	172.23	96.28
On deposit accounts	35.60	24.27
	210.51	125.94
[Including Rs.14.95 million (Previous year - Rs.14.18 million) held by banks under margin money deposit and Rs.6.19 million (Previous year - Rs.18.72 million) held towards loan escrow account]		
Schedule 10 - Loans and advances (Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received		
Land advance*	17,958.43	16,248.00
Others	272.19	312.18
Inter-corporate deposit	83.26	76.19
Deposits - others	516.69	473.23
Advance income tax (net of provision)	-	80.27
Advance fringe benefits tax (net of provision)	0.84	1.29
Interest accrued but not due	0.16	-
Balances with customs, port trusts, sales tax and excise authorities	124.73	90.42
	18,956.30	17,281.58
* 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.		
Schedule 11 - Current liabilities		
Sundry creditors for goods, services and expenses		
Due to micro and small enterprises	-	-
Others	805.33	808.06
Share application money (pending refund)	474.70	-
[Refer note 7 of notes to accounts]		
Book overdraft from scheduled banks	223.97	-
Advance from customers	1,672.35	1,068.48
Interest accrued but not due on loans	171.26	433.52
Investor protection & education fund shall be credited for unclaimed dividends when due	0.54	0.40
Other liabilities	2,207.43	2,460.79
	5,555.58	4,771.25
Schedule 12 - Provisions		
Proposed dividend	72.90	474.00
Corporate dividend tax	93.39	81.00
Provision for compensated absences	63.73	56.49
Provision for gratuity	16.32	2.04
Provision for Taxation (net of advance tax payments)	32.78	-
Provision - others	-	285.20
Provision for wealth tax (net of advance tax payments)	0.73	0.41
	279.85	899.14

Schedules to the Accounts

(Rs. in Million)

	Year ended March 31	
	2009	2008
Schedule 13 - Income from operations		
Income from property development	4,206.55	8,533.11
Income from sale of land and development rights	1,589.24	-
Income from contractual activity	2,299.25	3,886.99
Income from manufacturing	1,675.44	1,943.33
Share in profit of partnership firm (post tax)	68.26	66.38
	9,838.74	14,429.81
Schedule 14 - Other income		
Interest income - Others [Tax deducted at source Rs. 2.74 million (Previous year - Rs. 4.89 million)]	12.56	18.03
Dividend from current investments (other than trade)	0.78	36.09
Foreign exchange fluctuation (net)	-	2.05
Profit on sale of fixed assets (net)	0.54	0.48
Liabilities no longer payable	94.79	-
Miscellaneous income	60.98	14.68
	169.65	71.33
Schedule 15 - Cost of sales		
Land cost	2,453.09	3,900.26
Construction cost		
Civil works	2,443.27	4,361.30
Electrical works	290.54	685.76
Interiors and other miscellaneous works	757.99	1,322.97
	3,491.80	6,370.03
Raw material		
Opening stock	254.73	216.66
Add: Purchases	874.51	1,267.21
Less: Closing stock	(171.58)	(254.73)
	957.66	1,229.14
Production expenses		
Direct wages and labour charges	252.28	237.32
Power and fuel	19.13	26.07
Other direct expenses	26.26	24.29
	297.67	287.68
Decrease/ (increase) in inventories		
Closing 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

Schedules to the Accounts

(Rs. in Million)

	Year ended March 31	
	2009	2008
Opening inventory		
- Building materials	6.80	14.33
- Work-in-progress	7,235.20	3,513.16
- Stock in trade - Flats	356.08	18.74
- Finished goods	25.76	15.06
	(2,696.52)	(4,062.55)
	4,503.70	7,724.56
Schedule 16 - Personnel expenses		
Salaries and bonus	889.15	878.51
Gratuity	14.28	4.94
Compensated absence	22.53	27.32
Contribution to provident and other defined contribution funds	50.82	66.87
Staff welfare and other expenses	31.86	47.09
	1,008.64	1,024.73
Schedule 17 - Operating and other expenses		
Electricity charges	43.36	56.04
Insurance charges	21.73	53.59
Rates and taxes		
Sales tax	417.15	755.53
Others	2.04	11.81
Freight outwards	36.88	43.20
Donation	95.09	99.76
Registration expenses - flats	250.65	240.97
Rent	139.02	135.92
Legal and professional charges	80.67	106.60
Repairs and maintenance		
Plant and machinery	8.94	7.40
Others	22.67	15.73
Advertisement and sales promotion expenses	157.62	143.48
Travelling and conveyance	87.91	97.41
Foreign Exchange fluctuation (net)	0.46	-
Miscellaneous expenses	172.82	171.93
	1,537.01	1,939.37
Schedule 18 - Financial expenses		
Interest*		
- On term loans and debentures	639.90	395.62
- On bank loans	331.03	162.12
- Others	10.01	4.30
Bank charges	71.20	52.88
	1,052.14	614.92
* Net of Rs.1,730.81 million (Previous year - Rs.897.02 million) inventorised/ capitalised for qualifying assets and reimbursements.		

Schedules to the Accounts

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 in respects with the notified accounting standards by Companies Accounting Standards Rules, 2006 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 except for the changes in accounting policy discussed more fully below are consistent with those used in previous year.

(b) Change in accounting policies

With effect from April 1, 2008, the Company has changed its accounting policy for revenue recognition for sale of undivided share of land [group housing] on the basis of certain minimum level of collection of dues from the customer and/ or agreement for sale being executed rather than criteria relating to the project reaching a significant level of completion, to align it with revenue recognition policy for sale of villa plots. As a result revenue and profits before taxes are higher by Rs.59.61 million and Rs.14.84 million respectively for the year ended March 31, 2009.

c) 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 end. 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.

d) 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.

e) 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.

f) 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.

g) 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 and other initial direct costs are capitalised.

h) 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.

i) 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.

j) 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. Dividend from subsidiaries is recognised even if it is declared after the balance sheet date but pertains to the year on or before the date of balance sheet.

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.

k) 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.

l) 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.

m) Retirement and Other Employee Benefit

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 period 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 period 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 period 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.

n) 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.

o) 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.

p) 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.

q) 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 inventurisation/ capitalisation are charged to revenue.

r) 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 security offered	Year ended March 31	
	2009	2008
Debentures		
Secured by equitable mortgage of certain lands of the Company	2,630.10	3,500.00
Term loans		
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.	12,776.63	8,734.53
Other loans		
From banks		
<i>Cash credit and other facilities</i>	3,185.62	2,076.51
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.		
<i>Vehicle/ equipment loan</i>		
Secured by specific assets / vehicles.	-	28.66
From others		
<i>Vehicle/ equipment loan</i>	178.82	41.18
Secured by specific assets / vehicles.		
	18,771.17	14,380.88

Note: All the above loans except to the extent of Rs.4,999.09 million (Previous year - Rs.9,105 million) have been personally guaranteed

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	
			2009	2008
Sobha Innercity Technopolis Private Limited	Term loans	Equitable mortgage of land and building	516.05	250.00
Sobha Innercity Technopolis Private Limited	Cash credit	Equitable mortgage of land and building	485.33	197.91
Sobha Technocity Private Limited	Cash credit	Equitable mortgage of land and building	-	197.91
Sobha Interiors Private Limited	Term loans	Equitable mortgage of lease hold rights in respect of the factory land and building	125.00	170.00
Bikasa Properties Private Limited	Term loans	Equitable mortgage of land	-	500.00
Bikasa Realtors Private Limited	Term loans	Equitable mortgage of land	500.00	500.00
Cochin Cyber City Private Limited	Term loans	Equitable mortgage of land	-	475.00
Cochin Cyber Golden Properties Private Limited	Term loans	Equitable mortgage of land	-	475.00
Cochin Cyber Value Added Properties Private Limited	Term loans	Equitable mortgage of land	-	500.00
Cochin Realtors Private Limited	Term loans	Equitable mortgage of land	-	500.00
Daram Cyber Developers Private Limited	Term loans	Equitable mortgage of land	-	500.00
Daram Cyber Properties Private Limited	Term loans	Equitable mortgage of land	480.00	500.00
Greater Cochin Cyber City Private Limited	Term loans	Equitable mortgage of land	480.00	500.00
Greater Cochin Developers Private Limited	Term loans	Equitable mortgage of land	480.00	500.00
Greater Cochin Properties Private Limited	Term loans	Equitable mortgage of land	480.00	500.00
Greater Cochin Realtors Private Limited	Term loans	Equitable mortgage of land	-	500.00
Padmalochana Enterprises Private Limited	Term loans	Equitable mortgage of land	-	500.00

Cont'd.

(Rs. in Million)

Nature of Company	Nature of loan	Nature of security	Year ended March 31	
			2009	2008
Perambakkam Builders Private Limited	Term loans	Equitable mortgage of land	500.00	500.00
Red Lotus Realtors Private Limited	Term loans	Equitable mortgage of land	-	475.00
SBG Housing Private Limited	Term loans	Equitable mortgage of land	500.00	500.00
Sengadu Builders Private Limited	Term loans	Equitable mortgage of land	500.00	500.00
Sengadu Developers Private Limited	Term loans	Equitable mortgage of land	500.00	500.00
Sengadu Properties Private Limited	Term loans	Equitable mortgage of land	500.00	500.00
Sunbeam Projects Private Limited	Term loans	Equitable mortgage of land	-	475.00
Sobha Glazing & Metal Works Private Limited	Term loans	Equitable mortgage of leasehold rights in respect of factory, land & building	1,000.00	-
Vayaloor Properties Private Limited	Term loans	Equitable mortgage of land	2,000.00	-
Vayaloor Builders Private Limited	Term loans	Equitable mortgage of land	2,000.00	-
Vayaloor Developers Private Limited	Term loans	Equitable mortgage of land	2,000.00	-
Vayaloor Real Estate Private Limited	Term loans	Equitable mortgage of land	2,000.00	-
Valasai Vettikadu Realtors Private Limited	Term loans	Equitable mortgage of land	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	-

5. Redeemable non-convertible debentures amounting to Rs. 2,630.10 million (Previous year - Rs. 3,500 million) are to be redeemed in cash on the following dates

(Rs. in Million)

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%	8-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

Particulars	Interest rate	Redemption date	Redemption amount March 31, 2008
LIC Mutual Fund	Floor rate - 9.9%	26-Aug-08	1,000.00
100 certificates of Rs.10 million each	Cap Rate - 10.00%		
DSP Black Rock Mutual Fund	Rate - 11.90%	29-May-09	250.00
25 certificates of Rs.10 million each			
LIC Mutual Fund	Floor rate - 10.15%	18-Nov-08	250.00
50 certificates of Rs.10 million each	Cap rate - 10.25%	18-Dec-08	250.00
Deutsche Mutual Fund	Rate - 11.55%	14-Oct-08	1,000.00
100 certificates of Rs.10 million each			
DSP Black Rock Mutual Fund	Rate - 11.10%	08-Jan-10	750.00
75 certificates of Rs.10 million each			

6. Related party disclosure

a) List of related parties

Subsidiaries

Direct Subsidiaries

Sobha City
SBG Housing Private Limited [sold pursuant to approval by the Board of Directors on October 29, 2007]

Subsidiaries of Sobha City

Vayaloor Properties Private Limited [from July 1, 2007]
Vayaloor Builders Private Limited [from July 1, 2007]
Vayaloor Developers Private Limited [from July 1, 2007]
Vayaloor Real Estate Private Limited [from July 1, 2007]
Vayaloor Realtors Private Limited [from July 1, 2007]
Valasai Vettikadu Realtors Private Limited [from July 1, 2007]

Key Management Personnel

Mr. P.N.C. Menon
Mr. Ravi Menon
Mr. J.C. Sharma
Mr. S. Baaskaran
Mr. N. Venkatramani
Mr. P. Kanodia [upto June 14, 2008]
Mr. K. Suresh [upto August 2, 2008]
Mr. Sumit Keshan [from July 11, 2008 to Dec 12, 2008]
Mrs. Sobha Menon [upto Jan 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]

Sobha Developers (Pune) Private Limited [associate w.e.f June 26, 2008 and 19% holding w.e.f Dec 28, 2008]
Sobha Projects & Trade Private Limited
Sobha Renaissance Information Technology Private Limited
Sobha Innercity Technopolis Private Limited
Hill and Menon Securities Private Limited
Sobha Electro Mechanical Private Limited
Chauma Properties and Construction Private Limited
Sri Kurumba Trust
Sobha Interiors Private Limited
Puzhakkal Developers Private Limited
Moolamcode Traders Private Limited

Pallavur Projects Private Limited
Sobha Jewellery Private Limited
Lotus Manpower Consultants Services Private Limited
Sobha Contracting Private Limited
Sobha Contracting LLC
Red Lotus Facility Services Private Limited
Red Lotus Metal Works Facilities & Services Private Limited
Greater Cochin Properties Private Limited
Greater Cochin Realtors Private Limited
Greater Cochin Cyber City Private Limited
Greater Cochin Developers Private Limited
Cochin Cyber City Private Limited
Cochin Super City Developers Private Limited
Daram Cyber Properties Private Limited
Daram Land Real Estate Private Limited
Daram Cyber Developers Private Limited
Services and Trading Co. LLC
Technobuild Developers Private Limited
Royal Interiors Private Limited
Oman Builders Private Limited
Sobha Glazing & Metal Works Private Limited
Lotus Manpower Services
Sobha Space Private Limited
Sobha Technocity Private Limited
M/s Indeset Building Materials LLC
M/s Indeset Trading and Decorations Services LLC
Furniture Makers Limited Company, LLC
Bikasa Properties Private Limited
Bikasa Realtors Private Limited
Cochin Cyber Golden Properties Private Limited
Cochin Cyber Value Added Properties Private Limited
Padmalochana Enterprises Private Limited
Perambakkam Builders Private Limited
Red Lotus Realtors Private Limited
Sengadu Builders Private Limited
Sengadu Developers Private Limited
Sengadu Properties Private Limited
Sunbeam Projects Private Limited
Megatech Software Private Limited
Mannur Real Estate Private Limited
Kilai Builders Private Limited
Tirur Cyber City Developers Private Limited
Kilai Properties Private Limited
Tirur Cyber Real Estates Private Limited
Kilai Super Developers Private Limited
Thakazhi Realtors Private Limited
Thakazhi Developers Private Limited

b) Transactions with related parties

(Rs. in Million)

Description of the nature of transaction	Description of relationship	Related party	March 31, 2009	March 31, 2008
Sale of goods and services	Subsidiary	Sobha City	333.93	125.22
	Other related parties	Sri Kurumba Trust	6.52	10.11
		Sobha Projects & Trade Private Limited	0.09	-
		Sobha Glazing & Metal Works Private Limited	-	0.40
		Services and Trading Co. LLC	0.54	-
		Furniture Makers Limited Company, LLC	-	0.15
		Sobha Developers (Pune) Private Limited	980.00	-
	Key management personnel	Mr. P.N.C. Menon	-	0.30
		Mr. J.C. Sharma	-	13.36
	Relative of Key management personnel	Mrs. Sobha Menon	-	19.73
Interest recharge	Other related parties	Technobuild Developers Private Limited	809.98	556.59
Interest received	Other related parties	Sobha Renaissance Information Technology Private Limited	8.87	7.89
Purchase of goods, contractual services and reimbursement of expenses	Other related parties	Sobha Projects & Trade Private Limited	56.71	68.87
		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	540.58
		Lotus Manpower Consultants Services Private Limited	192.78	-
		Sobha Renaissance Information Technology Private Limited	8.45	0.17
	Relative of Key management personnel	Mr. P.N.K. Mani	0.38	0.38
Share in profits of partnership firm	Subsidiary	Sobha City	68.26	66.38
Capital Contribution	Subsidiary	Sobha City	-	200.00
Directors' remuneration	Key management personnel	Mr. J.C. Sharma	27.06	58.41
		Mr. Ravi Menon	19.47	20.87
		Mr. P.N.C. Menon	25.81	32.59
Salary (including perquisites)	Key management personnel	Mr. K. Suresh	1.34	3.61
		Mr. P. Kanodia	1.04	3.36
		Mr. Sumit Keshan	1.64	-
		Mr. N.Venkatramani	3.83	-
		Mr. S. Baaskaran	2.84	-
	Relatives of key management personnel	Mr. P.N. Haridas	0.65	0.69
		Mr. Shine V. Nair	2.50	10.00

Cont'd.

(Rs. in Million)

Description of the nature of transaction	Description of relationship	Related party	March 31, 2009	March 31, 2008
Interest paid	Relatives of Key management personnel	Mrs. Sobha Menon	0.54	0.54
Donation paid	Other related parties	Sri Kurumba Trust	69.60	84.01
Rent deposit paid	Other related parties	Sobha Glazing & Metal Works Private Limited Sobha Interiors Private Limited	110.00 280.00	110.00 280.00
Advance paid	Other related parties	Sri Kurumba Trust	50.00	-
Advance refund	Other related parties	Sri Kurumba Trust	50.00	-
Rent paid	Other related parties	Sobha Interiors Private Limited	0.30	0.30
		Sri Kurumba Trust	0.11	0.06
		Sobha Glazing & Metal Works Private Limited	0.30	0.30
	Relative of Key management personnel	Mrs. Sobha Menon	0.67	0.67
Inter Corporate Deposit	Other related parties	Sobha Renaissance Information Technology Private Limited	83.26	75.25
Land Advance	Other related parties	Technobuild Developers Private Limited	6,963.08	5,416.57
	Erstwhile Subsidiary Company	SBG Housing Private Limited	165.41	165.41
Balance receivable	Subsidiary	Sobha City - Partner Current Account	134.64	66.38
	Other related parties	Sobha Projects & Trade Private Limited	16.83	10.06
		Hill and Menon Securities Private Limited	-	0.14
		Sobha Electro Mechanical Private Limited	-	0.14
		Sobha Aviation And Engineering Services Private Limited	-	0.76
		Chauma Properties and Construction Private Limited	8.81	8.81
		Puzhakkal Developers Private Limited	2.97	11.59
		Pallavur Projects Private Limited	-	47.42
		Sobha Jewellery Private Limited	-	0.42
		Moolamcode Traders Private Limited	-	5.11
		Lotus Manpower Consultants Services Private Limited	4.18	0.06
		Lotus Manpower Services	18.43	39.05
		Sobha Contracting LLC (Dubai)	4.57	-
		Services and Trading Co. LLC	0.05	7.07
		Furniture Makers Limited Company, LLC	-	0.15
		Sri Kurumba Trust	0.04	(0.05)
		Sobha Developers (Pune) Private Limited	80.25	-

Cont'd.

(Rs. in Million)

Description of the nature of transaction	Description of relationship	Related party	March 31, 2009	March 31, 2008
Balance payable	Other related parties	Royal Interiors Private Limited	10.13	10.17
		Sobha Interiors Private Limited	3.02	1.66
		Oman Builders Private Limited	25.83	28.07
		Sobha Glazing & Metal Works Private Limited	11.97	5.67
		Sobha Contracting Private Limited	0.14	(8.09)
		Sobha Innercity Technopolis Private Limited	2.63	2.63
		Sobha Technocity Private Limited	-	0.25
		Sobha Space Private Limited	7.36	4.09
	Subsidiary	Sobha City	143.73	(59.37)
	Key management personnel	Mr. P.N.C. Menon	133.19	0.08
		Mr. J.C. Sharma	0.10	15.38
	Relatives of key management personnel	Mrs. Sobha Menon	350.18	8.68
		Mr. P.N.K. Mani	0.03	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.

7. Earnings per share ['EPS']

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Profit after tax attributable to shareholders	1,096.78	2,283.01
Weighted average number of equity shares of Rs.10 each outstanding during the year used in calculating basic and diluted EPS	72,901,733	72,901,733

During the year, the Company has 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 has obtained an approval from the Reserve Bank of India to refund the aforementioned advance by September 30, 2009. As the Company intends to refund the advance share subscription amount, it has been disclosed under Current liabilities and accordingly, diluted EPS has been calculated on the present outstanding equity shares, without considering dilutive effect of advance share subscription amount.

8. Lease

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.

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Lease payments recognised as an expense in consolidated profit and loss account	139.02	135.92

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

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Not later than one year	21.82	31.38
Later than one year and not later than five years	24.47	44.39
	46.29	75.77

9. Capital Commitments

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	17.45	40.94

10. Donation to political parties

(Rs. in Million)

Name of the party	March 31, 2009	March 31, 2008
Congress (I)	0.01	0.51
Bhartiya Janata Party	12.50	0.51
Communist Party of India	0.51	0.63
Communist Party of India (M)	0.18	1.07
	13.20	2.72

11. Provisions and contingencies**a. Provisions**

(Rs. in Million)

Class of provisions	Balance as at April 1, 2008	Additions	Amount utilised	Balance as at March 31, 2009
Provision - others	285.20	-	285.20	-
(Previous Year)	108.78	285.20	108.78	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, 2009	March 31, 2008
i. Guarantees and counter guarantees given by the Company	442.71	276.62
ii. Income tax matters in dispute	99.17	45.84
iii. Sales tax matters in dispute	81.60	81.37
iv. Service tax matters in dispute	741.78	648.76
	1,365.26	1,052.59

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, 2009	March 31, 2008
Current service cost	13.34	11.59
Interest cost on benefit obligation	2.97	2.40
Expected return on plan assets	(1.74)	(1.71)
Net actuarial loss/ (gain) recognised	(0.29)	(7.34)
Net benefit expense	14.28	4.94

Balance sheet

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Defined benefit obligation	37.70	25.08
Fair value of plan assets	21.38	23.04
Plan (asset)/liability	16.32	2.04
Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	25.08	18.77
Interest cost	2.97	2.40
Current service cost	13.34	11.59
Benefits paid	(2.70)	(0.70)
Actuarial (gains)/losses on obligation	(0.99)	(6.98)
Closing defined benefit obligation	37.70	25.08
Changes in the fair value of plan assets		
Opening fair value of plan assets	23.04	14.18
Expected return	1.74	1.71
Contributions by employer	-	7.50
Benefits paid	(2.70)	(0.71)
Actuarial gains / (losses)	(0.70)	0.36
Closing fair value of plan assets	21.38	23.04
Actual return on plan assets		
Expected return on plan assets	1.74	1.71
Actuarial gain/ (loss) on plan assets	(0.70)	0.36
Actual return on plan assets	1.04	2.07
Investment details of plan assets		
Investment with insurer - 100% in debt instruments		
The principal assumptions used in determining gratuity obligation		
Discount rate	6.8%	8%
Expected rate of return on assets	8%	8%
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	10%	10%

(Rs. in Million)

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

Notes:

- The Company expects to contribute Rs. 10 million to the trust towards gratuity fund in 2009-10.
- A limited revision to AS 15 (revised) which allows an entity to make disclosures required by paragraph 120(n) of AS 15 (revised) prospectively from the transition date. 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. 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, 2009		March 31, 2008	
	Closing balance	Maximum amount due	Closing balance	Maximum amount due
- Included under loans and advances				
Sobha Projects & Trade Private Limited	16.83	16.83	10.06	23.15
Sobha Renaissance Information Technology Private Limited	83.26	83.26	75.25	75.25
Hill and Menon Securities Private Limited	-	0.14	0.14	0.14
Sobha Electro Mechanical Private Limited	-	0.14	0.14	0.14
Sobha Aviation And Engineering Services Private Limited	-	0.76	0.76	0.76
Services and Trading Co. LLC	0.05	7.07	7.07	7.07
Sobha Contracting LLC	4.57	4.57	-	-
- Included under debtors				
Furniture Makers Limited Company, LLC	-	0.15	0.15	0.15

15. Deferred tax assets

The break up of net deferred tax asset as at March 31, 2009 is as follows:

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Difference between book depreciation and depreciation under the Income-tax Act, 1961	11.12	(8.84)
Expenditure under Section 43B of the Income-tax Act, 1961	19.57	19.53
Net deferred tax asset/(liability)	30.69	10.69

16. Supplementary statutory information

a. Managerial Remuneration

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Directors' remuneration		
Chairman		
Salary and allowances	22.80	28.80
Perquisites	1.75	1.63
Contribution to provident fund	1.26	2.16
	25.81	32.59
Managing director		
Salary and allowances	4.85	5.05
Contribution to provident fund	0.21	0.36
Commission/Others	22.00	53.00
	27.06	58.41
Whole time directors		
Salary	18.40	19.20
Perquisites	0.23	0.23
Contribution to provident fund	0.84	1.44
	19.47	20.87
Other directors		
Sitting fees	0.22	0.23
Commission/Others	2.70	2.70
	2.92	2.93
Grand total	75.26	114.80

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 ascertainable and, therefore, 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, 2009	March 31, 2008
Profit before tax as per profit and loss account	1,455.23	2,708.79
Add:		
Directors' remuneration	75.26	114.80
Depreciation	360.33	350.40
Less:		
Depreciation under section 350 of the Companies Act, 1956	(360.33)	(350.40)
Profit on sale of fixed assets (net)	(0.54)	(0.48)
Net profit as per section 349	1,529.95	2,823.11
Permissible commission to managing director - 2%	30.60	56.46
Commission paid or to be paid to managing director	22.00	53.00
Permissible commission to independent directors - 1%	15.30	28.23
Commission paid or to be paid to independent director	2.70	2.70

c. Earnings in foreign currency [on accrual basis]

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Export on F.O.B. basis*	-	0.15
	-	0.15

* Does not includes goods supplied/ services rendered locally against foreign exchange remittances

d. Expenditure in foreign currency [on accrual basis]

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Travelling and conveyance	0.62	1.30
Legal and professional charges	0.68	15.24
Others	2.10	1.77
	3.40	18.31

e. Value of imports calculated on CIF basis

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Materials	77.61	102.34
Capital goods	7.88	56.01
	85.49	158.35

f. Imported and indigenous raw materials consumption

(Rs. in Million)

Particulars	March 31, 2009		March 31, 2008	
Raw Materials				
Imported	8.91%	85.37	7.91%	97.22
Indigenously obtained	91.09%	872.29	92.09%	1,131.92
	100%	957.66	100%	1,229.14

17. Auditors' remuneration included under Legal and professional charges*

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
As auditor		
- Statutory audit	3.00	2.25
- Rights issue related fees	2.50	-
- Other services [includes fees for quarterly reviews]*	3.00	2.60
- Out of pocket expenses (excluding service tax)	0.06	0.08
	8.56	4.93

* Includes Rs. Nil (Previous year- Rs.0.35 million) paid to erstwhile auditor

18. Construction Contracts

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Contract revenue recognised as revenue for the year ended March 31, 2009	5,881.80	10,075.10
Aggregate amount of contract costs incurred and recognised profits (less recognised losses) up to March 31, 2009 for all the contracts in progress.	10,690.54	6,565.01
The amount of customer advances outstanding for contracts in progress as at March 31, 2009	1,548.83	1,061.76
The amount of retentions due from customers for contracts in progress as at March 31, 2009	267.51	237.41

19. 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.

20. Derivative instruments and unhedged foreign currency exposure

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Forward cover for foreign currency denominated bank loan	214.00	580.00
Foreign currency exposure (net) that are not hedged by derivative instruments or otherwise	4.20	6.00

21. 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, 2009.

22. Details of investments made in the capital of M/s Sobha City (a Partnership Firm) as at March 31, 2009, is summarised below:

(Rs. in Million)

Name of the partners	Partner's Capital	Profit Sharing Ratio (%)
Sobha Developers Limited	200.00	70.00
Tree Hill Estates Private Limited	200.00	30.00
	400.00	100.00

23. Details of investments purchased and sold during the year

(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

Particulars	No. of units [in Million]	Face value	Purchase value March 31, 2008	Sale value March 31, 2008
ABN AMRO Money Plus Fund	30.13	10	301.35	301.35
Birla Cash Plus	20.14	10	210.53	210.53
Birla Sunlife Liquid Plus	35.02	10	350.49	350.49
DBS Chola Short Term Floating Fund	10.02	10	100.18	100.18
DWS Credit Opportunities Cash Fund	20.04	10	201.07	201.07
DWS Insta Cash Plus Fund	15.00	10	150.16	150.16
Franklin Templeton India TMA Fund	20.01	10	200.29	200.29
Franklin Templeton TMA Mutual Fund	30.06	10	300.88	300.88
HDFC Cash Management Fund	24.01	10	250.37	250.37
HSBC Cash Fund	153.00	10	1,538.07	1,538.07
ICICI Prudential - Flexible Income Plan	28.47	10	301.08	301.08
ICICI Prudential Liquid Fund	20.12	10	201.16	201.16
ING Vysya Liquid Fund	32.75	10	327.63	327.63
J.M. High Liquidity Fund	10.01	10	100.19	100.19
LIC Mutual Fund - Liquid Fund	141.30	10	1,453.20	1,453.20
Lotus India Liquid Fund	25.03	10	250.65	250.65
Principal Cash Management Fund	20.19	10	201.94	201.94
Reliance Floating Rate Fund	9.99	10	100.55	100.55
Reliance Liquid Fund	20.07	10	200.78	200.78
Reliance Liquid Plus Fund	0.15	10	150.53	150.53
Reliance Liquidity Fund	5.00	10	50.05	50.05

Particulars	No. of units (in Million)	Face value	Purchase value March 31, 2008	Sale value March 31, 2008
Sundaram BNP Paribas Money Fund	45.09	10	451.26	451.26
Sundaram BNP Paribas Money Fund	50.33	10	503.78	503.78
Tata Liquid Fund	19.94	10	200.13	200.13
Tata Liquid Super High Investment Fund	20.01	10	200.83	200.83
Templeton Long Term Super IP Fund	25.13	10	251.91	251.91
ACC Limited	0.00	10	2.05	2.05

24. Excise duty on sales amounting to Rs.91.34 million (Previous year - Rs.138.37 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.1.53 million (Previous Year - Rs.1.90 million) has been accounted in the profit and loss account under the head 'Cost of sales'.

25. The Company has entered into certain transactions for purchase of material and services in the current and 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 is in the process of making an application for condonation of delay and obtaining approval from the Company Law Board under Section 637B of the Act. The Company is confident of obtaining the condonation and approvals, and pending obtaining such approvals, no adjustments have been made to the financial statements.

26. 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
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Bengaluru, India
Date: May 18, 2009

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: May 18, 2009

Ravi Menon
Vice Chairman

N. Venkatramani
Company Secretary and
Compliance Officer

J.C. Sharma
Managing Director

Cash Flow Statement

(Rs. in Million)

	Year ended March 31	
	2009	2008
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	1,455.23	2,708.79
<i>Adjustments for</i>		
Share in profits of partnership firm	(68.26)	(66.38)
Depreciation/ amortisation	360.33	350.40
(Profit)/loss on sale of fixed assets	(0.54)	(0.48)
Dividend income	(0.78)	(36.09)
Interest income	(12.56)	(18.03)
Interest expense	980.94	562.04
Operating profit before working capital changes	2,714.36	3,500.25
<i>Movements in working capital:</i>		
(Increase)/ decrease in inventories	(1,748.14)	(3,695.05)
(Increase)/ decrease in debtors	1,898.37	(3,871.97)
(Increase)/ decrease in loans and advances	(945.30)	(5,631.29)
Increase/ (decrease) in current liabilities and provisions	308.07	(406.63)
Cash generated from/ (used in) operations	2,227.36	(10,104.69)
Direct taxes paid (net)	(264.63)	(459.91)
Net cash (used in)/ generated from operating activities - (A)	1,962.73	(10,564.60)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(412.47)	(548.98)
Proceeds from sale of fixed assets	2.43	4.90
Purchase of investments	(570.77)	(8,551.80)
Purchase of investments in subsidiaries [net]	-	(200.00)
Purchase of investments in associates	(0.10)	-
Sale of investments	571.46	9,051.80
Sale of investments in subsidiaries	-	0.10
Interest received	12.40	18.10
Dividends received	0.78	36.09
Net cash (used in)/ from investing activities - (B)	(396.27)	(189.79)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share application (pending refund)	474.70	-
Proceeds from secured loans	12,652.59	15,720.60
Repayment of secured loans	(8,262.30)	(6,792.00)
Proceeds from unsecured loans	614.00	2,895.12
Repayment of unsecured loans	(3,525.23)	(30.00)
Interest paid (gross)	(2,961.79)	(1,122.82)
Dividends paid	(473.86)	(405.20)
Tax on dividend paid	-	(68.93)
Net cash (used in)/ from financing activities - (C)	(1,481.89)	10,196.77
Net increase/ (decrease) in cash or cash equivalents - (A+B+C)	84.57	(557.62)
Cash and cash equivalents as at beginning of the period	125.94	683.56
Cash and cash equivalents as at the end of the period	210.51	125.94
Components of cash and cash equivalents		
Cash on hand	2.68	5.39
Balances with scheduled banks		
On current accounts	172.23	96.28
On deposit accounts	35.60	24.27
	210.51	125.94

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

per Sunil Bhumralkar

Partner

Membership No. 35141

Place: Bengaluru, India

Date: May 18, 2009

For and on behalf of the Board of Directors of

Sobha Developers Limited

P.N.C. Menon
ChairmanRavi Menon
Vice ChairmanJ.C. Sharma
Managing DirectorS. Baaskaran
Chief Financial OfficerN. Venkatramani
Company Secretary and
Compliance Officer

Place: Bengaluru, India

Date: May 18, 2009

Balance Sheet Abstract and the Company's General Business Profile

I. REGISTRATION DETAILS

Registration No.

				1	8	4	7	5
--	--	--	--	---	---	---	---	---

 Balance Sheet date

			3	1	0	3	0	9
--	--	--	---	---	---	---	---	---

State Code

							0	8
--	--	--	--	--	--	--	---	---

II. CAPITAL RAISED DURING THE YEAR

(Rs. in Million)

Public Issue :

						N	I	L
--	--	--	--	--	--	---	---	---

 Bonus Issue :

						N	I	L
--	--	--	--	--	--	---	---	---

Right Issue :

						N	I	L
--	--	--	--	--	--	---	---	---

 Private Placement:

						N	I	L
--	--	--	--	--	--	---	---	---

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

Total Liabilities

		3	0	0	1	6	.	7	1
--	--	---	---	---	---	---	---	---	---

Total Assets

		3	0	0	1	6	.	7	1
--	--	---	---	---	---	---	---	---	---

SOURCES OF FUNDS

Paid up capital

				7	2	9	.	0	2
--	--	--	--	---	---	---	---	---	---

Reserves and surplus

		1	0	1	6	5	.	9	1
--	--	---	---	---	---	---	---	---	---

Secured Loans

		1	8	7	8	3	.	3	9
--	--	---	---	---	---	---	---	---	---

Unsecured Loans

				3	3	8	.	3	9
--	--	--	--	---	---	---	---	---	---

APPLICATION OF FUNDS

Net fixed assets including Capital Work in Progress

			2	2	4	7	.	8	4
--	--	--	---	---	---	---	---	---	---

Investments

				3	6	1	.	6	2
--	--	--	--	---	---	---	---	---	---

Net Current Assets

		2	7	3	7	6	.	5	6
--	--	---	---	---	---	---	---	---	---

Deferred tax assets

					3	0	.	6	9
--	--	--	--	--	---	---	---	---	---

Accumulated loss

							N	I	L
--	--	--	--	--	--	--	---	---	---

IV. PERFORMANCE OF THE COMPANY

Turnover

			9	9	1	7	.	0	5
--	--	--	---	---	---	---	---	---	---

Total Expenditure

			8	4	6	1	.	8	2
--	--	--	---	---	---	---	---	---	---

Profit before tax

			1	4	5	5	.	2	3
--	--	--	---	---	---	---	---	---	---

Profit after tax

			1	0	9	6	.	7	8
--	--	--	---	---	---	---	---	---	---

Earnings per share (In Rs.)

					1	5	.	0	4
--	--	--	--	--	---	---	---	---	---

Dividend rate

							1	0	%
--	--	--	--	--	--	--	---	---	---

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY

1. Housing and Real Estate Development
2. NIL
3. NIL

Item Code No. (ITC Code)

1. NIL
2. NIL
3. NIL

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

Place: Bengaluru, India
Date: May 18, 2009

S. Baaskaran
Chief Financial Officer

N. Venkatramani
Company Secretary and
Compliance Officer

Consolidated Financial Statements

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, 2009, 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.1,308.88 million as at March 31, 2009, the total revenues (including other income) of Rs.371.98 million, total expenditure of Rs.230.67 million and net cash outflow amounting to Rs.157.07 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 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].

5. Without qualifying our opinion, we draw attention to Note 7 in Schedule 19 to the consolidated financial statements pertaining to an amount of Rs.475 million received by the Company from the promoters, as advance towards share subscription amount with regard to the proposed rights issue. During the year, the Company has obtained an approval from the Reserve Bank of India to refund the aforementioned advance by September 30, 2009. As the Company intends to refund the advance share subscription amount, this amount has been recorded under current liabilities and accordingly, diluted EPS has been calculated without considering dilutive effect of advance share subscription.

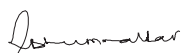
6. Without qualifying our opinion, we draw attention to Note 22 under Schedule 19, regarding the purchase of material and services in the current and prior years from private limited companies/ firms, covered under section 297 of the Companies Act, 1956 ('the Act'). In this regard, the Company is in the process of making an application for condonation of delay and obtaining approval from the Company Law Board under section 637 B of the act. The

ultimate outcome of the Company's application in this regard cannot be presently determined. Pending the final outcome, no adjustments have been made in this regard, in 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, 2009;
- (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
Chartered Accountants



per Sunil Bhumralkar
Partner
Membership No.: 35141

Bengaluru, India
May 18, 2009

Consolidated Balance Sheet

(Rs. in Million)

	Balance as at March 31		
	Schedules	2009	2008
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	729.02	729.02
Reserves and surplus	2	10,144.85	9,152.43
Minority interest	19(21)	248.97	227.74
		11,122.84	10,109.19
Loan funds			
Secured loans	3	18,783.39	14,380.88
Unsecured loans	4	538.39	3,449.62
		19,321.78	17,830.50
		30,444.62	27,939.69
APPLICATION OF FUNDS			
Fixed assets	5		
Gross block		2,930.22	2,711.28
Less: Accumulated depreciation/ amortisation		1,198.02	841.78
Net block		1,732.20	1,869.50
Capital work in progress including capital advances		515.64	272.49
		2,247.84	2,141.99
Investments	6	26.97	27.57
Deferred tax asset (net)	19(15)	30.69	10.69
Current assets, loans and advances			
Inventories	7	11,394.35	8,393.24
Sundry debtors	8	3,683.20	5,548.10
Cash and bank balances	9	214.20	286.63
Loans and advances	10	18,964.82	17,277.06
		34,256.57	31,505.03
Less: Current liabilities and provisions			
Current liabilities	11	5,812.88	4,846.45
Provisions	12	304.57	899.14
		6,117.45	5,745.59
Net current assets		28,139.12	25,759.44
		30,444.62	27,939.69
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

Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Bengaluru, India
Date: May 18, 2009

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: May 18, 2009

Ravi Menon
Vice Chairman

N. Venkatramani
Company Secretary and
Compliance Officer

J.C. Sharma
Managing Director

Consolidated Profit and Loss Account

(Rs. in Million)

	Year ended March 31		
	Schedules	2009	2008
INCOME			
Income from operations	13	9,831.61	14,449.10
Less : Excise duty		91.34	138.37
Income from operations (net)		9,740.27	14,310.73
Other income	14	148.06	71.33
		9,888.33	14,382.06
EXPENDITURE			
Cost of sales	15	4,398.39	7,642.34
Personnel expenses	16	1,008.64	1,024.73
Operating and other expenses	17	1,545.54	1,940.58
Depreciation/ amortisation	5	360.33	350.40
Financial expenses	18	1,074.14	632.58
		8,387.04	11,590.63
Profit before tax		1,501.29	2,791.43
Provision for tax:			
Current tax		417.89	509.89
Deferred tax credit		(20.00)	(33.02)
Wealth tax		0.45	0.30
Fringe benefits tax		4.00	5.50
Profit after tax		1,098.95	2,308.76
Minority interest		21.23	27.74
Share of loss of associate		0.01	-
Profit after minority interest and share of loss of associate		1,077.71	2,281.02
Appropriations			
Proposed final dividend		72.90	474.00
Corporate dividend tax - Equity		12.39	81.00
Transfer to debenture redemption reserve		171.00	309.00
Transfer to general reserve		-	250.00
Surplus carried to balance sheet		821.42	1,167.02
Earnings per share in Rs.			
[Nominal value per equity share Rs.10]			
Basic and Diluted	19 (7)	15.07	31.29
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
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Bengaluru, India
Date: May 18, 2009

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: May 18, 2009

Ravi Menon
Vice Chairman

N. Venkatramani
Company Secretary and
Compliance Officer

J.C. Sharma
Managing Director

Schedules to the Consolidated Accounts

(Rs. in Million)

	Balance as at March 31	
	2009	2008
Schedule 1 - Share capital		
Authorised		
150,000,000 (Previous year - 80,000,000) equity shares of Rs.10 each	1,500.00	800.00
5,000,000 (Previous year - 12,000,000) 7% redeemable preference shares of Rs.100 each	500.00	1200.00
	2,000.00	2,000.00
Issued, subscribed and paid-up		
72,901,733 (Previous year - 72,901,733) equity shares of Rs.10 each fully paid up	729.02	729.02
Of the above:		
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		
	729.02	729.02
Schedule 2 - Reserves and surplus		
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
	5,638.95	5,638.95
Debenture redemption reserve		
Balance as per last account	309.00	-
Add: Transfer from profit and loss account	171.00	309.00
	480.00	309.00
General reserve		
Balance as per last account	700.44	450.44
Add: Transfer from profit and loss account	-	250.00
	700.44	700.44
Profit and loss account		
Balance as per last account	2,416.75	1,249.73
Add: Transfer from profit and loss account	821.42	1,167.02
	3,238.17	2,416.75
	10,144.85	9,152.43

Schedules to the Consolidated Accounts

(Rs. in Million)

	Balance as at March 31	
	2009	2008
Schedule 3 - Secured loans		
[Refer note 3 of notes to accounts for securities offered]		
Debentures	2,630.10	3,500.00
Term loans	12,776.63	8,734.53
Loans and advances from banks		
Cash credit and other facilities	3,185.62	2,076.51
Vehicle/ equipment loan	-	28.66
Other loans and advances	178.82	41.18
Interest accrued and due	12.22	-
	18,783.39	14,380.88
Schedule 4 - Unsecured loans		
Commercial paper (Short-term)	-	1,892.49
[Maximum amount outstanding at any time during the year Rs.2,000 million (Previous year - Rs.2,000 million)]		
Other loans and advances		
From banks	263.89	1,000.00
[Due within one year Rs.263.89 million (Previous year - Rs.1,000 million)]		
From others	270.00	552.63
[Due within one year Rs.30 million (Previous year - Rs.60 million)]		
From directors	4.50	4.50
[Due within one year Rs.Nil (Previous year - Rs.Nil)]		
	538.39	3,449.62

Schedules to the Consolidated Accounts

(Rs. in Million)

Schedule 5 - Fixed assets									
Description	Gross block			Depreciation / amortisation			Net block		
	As at April 01, 2008	Additions	Deletions	As at March 31, 2009	As at April 01, 2008	For the year	Deletions	As at March 31, 2009	As at March 31, 2008
A. Tangible assets									
Freehold land	39.87	-	-	39.87	-	-	-	39.87	39.87
Leasehold land	26.49	-	-	26.49	-	-	-	26.49	26.49
Factory buildings	327.02	13.13	-	340.15	49.80	27.76	-	262.59	277.22
Other buildings	5.25	83.36	-	88.61	0.22	0.25	-	88.14	5.03
Plant and machinery	1,088.28	71.09	0.93	1,158.44	276.16	125.48	0.22	401.42	812.12
Scaffolding items	897.70	34.33	-	932.03	368.79	145.16	-	513.95	528.91
Furniture and fixtures	35.33	4.79	-	40.12	15.37	4.49	-	19.86	19.96
Vehicles	84.63	1.86	3.54	82.95	37.16	12.42	2.60	46.98	47.47
Computers	108.69	6.98	1.46	114.21	61.45	21.08	1.27	81.26	47.24
Office equipments	40.86	3.09	0.05	43.90	12.84	4.25	-	17.09	28.02
	2,654.12	218.63	5.98	2,866.77	821.79	340.89	4.09	1,158.59	1,832.33
B. Intangible assets									
Capitalised software	57.16	6.29	-	63.45	19.99	19.44	-	39.43	37.17
	57.16	6.29	-	63.45	19.99	19.44	-	39.43	37.17
Total	2,711.28	224.92	5.98	2,930.22	841.78	360.33	4.09	1,198.02	1,869.50
Previous year	2,333.72	385.43	7.87	2,711.28	494.83	350.40	3.45	1,869.50	

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.55.60 million (Previous year - Rs.7.17 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	
	2009	2008
Schedule 6 - Investments		
Long term investments (Unquoted, at cost)		
Trade		
100,000 (Previous year - Nil) equity shares of Re.1 each fully paid- up in Sobha Developers (Pune) Private Limited (including share of post acquisition loss of Rs.0.01 million, excluding capital reserve arising on consolidation Rs.167.94 million)	0.09	-
Other than trade		
<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
Current Investments (At lower of cost and market value)		
Other than trade		
Nil (Previous year - 1,006) equity shares of Rs.10 each fully paid up in Tata Steel Limited	-	0.69
	26.97	27.57
Aggregate amount of quoted investments [Market value Rs.Nil (Previous year - Rs.0.69 million)]	-	0.69
Aggregate amount of unquoted investments	26.97	26.88
* The Company holds 19.70 % equity in SRIT. Based on financial statements of SRIT as at March 31, 2008, there has been an erosion in the network of SRIT. The management is of the view that the erosion in the network of SRIT is temporary. The Company is confident that SRIT will achieve profitable operations in future and hence no provision for diminution in the value of investments has been considered necessary by the management. Further, the inter-corporate deposit of Rs.83.26 million from SRIT would be recovered as stipulated.		
Schedule 7 - Inventories (At lower of cost and net realisable value)		
Raw materials	171.58	254.73
Building materials	13.70	6.80
Work-in-progress	11,109.37	7,749.87
Stock in trade - Flats	83.29	356.08
Finished goods	16.41	25.76
	11,394.35	8,393.24
Schedule 8 - Sundry debtors (Unsecured, considered good)		
Debts outstanding for a period exceeding six months	785.74	414.92
Other debts*	2,897.46	5,133.18
	3,683.20	5,548.10
*Includes unbilled revenue (net of advances) for ongoing projects of Rs.2,165.80 million (Previous year - Rs.2,699.52 million)		

Schedules to the Consolidated Accounts

(Rs. in Million)

	Balance as at March 31	
	2009	2008
Schedule 9 - Cash and bank balances		
Cash on hand	2.68	12.49
Balances with scheduled banks (including cheques on hand)		
On current accounts	175.92	249.87
On deposit accounts	35.60	24.27
	214.20	286.63
[Including Rs.14.95 million (Previous year - Rs.14.18 million) held by banks under margin money deposit and Rs.6.19 million (Previous year - Rs.18.72 million) held towards loan escrow account]		
Schedule 10 - Loans and advances (Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received		
Land advance*	17,958.43	16,248.00
Others	280.66	320.21
Inter-corporate deposit	83.26	76.19
Deposits - others	516.74	473.29
Advance income tax (net of provision)	-	67.66
Advance fringe benefits tax (net of provision)	0.84	1.29
Interest accrued but not due	0.16	-
Balances with customs, port trusts, sales tax and excise authorities	124.73	90.42
	18,964.82	17,277.06
* 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.		
Schedule 11 - Current liabilities		
Sundry creditors for goods, services and expenses		
Due to micro and small enterprises	-	-
Others	808.24	810.66
Share application money (pending refund)	474.70	-
[Refer note 7 of notes to accounts]		
Book overdraft from scheduled banks	223.97	-
Advance from customers	1,604.73	1,103.08
Interest accrued but not due on loans	171.26	433.52
Investor protection & education fund shall be credited for unclaimed dividends when due	0.54	0.40
Other liabilities	2,529.44	2,498.79
	5,812.88	4,846.45

Schedules to the Consolidated Accounts

(Rs. in Million)

	Balance as at March 31	
	2009	2008
Schedule 12 - Provisions		
Proposed dividend	72.90	474.00
Corporate dividend tax	93.39	81.00
Provision for compensated absences	63.73	56.49
Provision for gratuity	16.32	2.04
Provision for taxation (net of advance tax payments)	57.50	-
Provision - others	-	285.20
Provision for wealth tax (net of advance tax payments)	0.73	0.41
	304.57	899.14
	Year ended March 31	
	2009	2008
Schedule 13 - Income from operations		
Income from property development	4,477.72	8,618.78
Income from sale of land and development rights	1,689.24	-
Income from contractual activity	1,989.21	3,886.99
Income from manufacturing	1,675.44	1,943.33
	9,831.61	14,449.10
Schedule 14 - Other income		
Interest income - others [Tax deducted at source Rs.2.74 million (Previous year - Rs.4.89 million)]	12.56	18.03
Dividend from current investments (other than trade)	0.78	36.09
Foreign exchange fluctuation (net)	-	2.05
Profit on sale of fixed assets (net)	0.54	0.48
Liabilities no longer payable	94.79	-
Miscellaneous income	39.39	14.68
	148.06	71.33
Schedule 15 - Cost of sales		
Land cost	2,710.25	4,332.55
Construction cost		
Civil works	2,468.54	4,361.46
Electrical works	290.54	685.76
Interiors and other miscellaneous works	757.99	1,322.97
	3,517.07	6,370.19
Raw material		
Opening stock	254.73	216.66
Add: Purchases	874.51	1,267.21
Less: Closing stock	(171.58)	(254.73)
	957.66	1,229.14
Production expenses		
Direct wages and labour charges	252.28	237.32
Power and fuel	19.13	26.07
Other direct expenses	26.26	24.29
	297.67	287.68

Schedules to the Consolidated Accounts

(Rs. in Million)

	Year ended March 31	
	2009	2008
Consolidation adjustment to inventory on account of sale of subsidiary	-	(129.67)
Decrease/ (increase) in inventories		
Closing inventory		
- Building materials	13.70	6.80
- Work-in-progress	11,109.37	7,749.87
- Stock in trade - flats	83.29	356.08
- Finished goods	16.41	25.76
Opening inventory		
- Building materials	6.80	14.33
- Work-in-progress	7,749.87	3,642.83
- Stock in trade - flats	356.08	18.74
- Finished goods	25.76	15.06
	(3,084.26)	(4,447.55)
	4,398.39	7,642.34
Schedule 16 - Personnel expenses		
Salaries and bonus	888.87	878.51
Gratuity	14.56	4.94
Compensated absence	22.53	27.32
Contribution to provident and other defined contribution funds	50.82	66.87
Staff welfare and other expenses	31.86	47.09
	1,008.64	1,024.73
Schedule 17 - Operating and other expenses		
Electricity charges	43.36	56.04
Insurance charges	21.73	53.59
Rates and taxes		
Sales tax	419.68	755.53
Others	2.04	13.02
Freight outwards	36.88	43.20
Donation	95.09	99.76
Registration expenses - flats	250.65	240.97
Rent	139.02	135.92
Legal and professional charges	86.67	106.60
Repairs and maintenance		
Plant and machinery	8.94	7.40
Others	22.67	15.73
Advertisement and sales promotion expenses	157.62	143.48
Travelling and conveyance	87.91	97.41
Foreign exchange fluctuation (net)	0.46	-
Miscellaneous expenses	172.82	171.93
	1,545.54	1,940.58

(Rs. in Million)

	Year ended March 31	
	2009	2008
Schedule 18 - Financial expenses		
Interest*		
- On term loans and debentures	639.90	395.62
- On bank loans	331.03	179.78
- Others	32.01	4.30
Bank charges	71.20	52.88
	1,074.14	632.58
* Net of Rs.1,730.81 million (Previous year - Rs.897.02 million) inventorised/ capitalised for qualifying assets and reimbursements.		

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, whereby it plans to do development of certain real estate projects. The Company had sold its investment in the equity shares of its subsidiary, M/s SBG Housing Private Limited, pursuant to approval by the Board of Directors in the Board Meeting held on October 29, 2007. The equity shares, having a carrying value of Rs.0.1 million have been sold for a consideration of Rs.0.1 million.

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]
SBG Housing Private Limited [sold pursuant to approval by the Board of Directors on October 29, 2007]	100%
Subsidiaries of Sobha City	
Vayaloor Properties Private Limited [from July 1, 2007]	99.99%
Vayaloor Builders Private Limited [from July 1, 2007]	99.99%
Vayaloor Developers Private Limited [from July 1, 2007]	99.99%
Vayaloor Real Estate Private Limited [from July 1, 2007]	99.99%
Vayaloor Realtors Private Limited [from July 1, 2007]	99.99%
Valasai Vettikadu Realtors Private Limited [from July 1, 2007]	99.99%
Name of associate	Percentage of holding
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 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, 2009. 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 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 except for the changes in accounting policy discussed more fully below are consistent with those used in previous year.

b) Change in accounting policies

With effect from April 1, 2008, the Group has changed its accounting policy for revenue recognition for sale of undivided share of land [group housing] on the basis of certain minimum level of collection of dues from the customer and/ or agreement for sale being executed rather than criteria relating to the project reaching a significant level of completion, to align it with revenue recognition policy for sale of villa plots. As a result revenue and profits before taxes are higher by Rs.95.70 million and Rs.38.80 million respectively for the year ended March 31, 2009.

c) 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 end. 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.

d) 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.

e) 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.

f) 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.

g) 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 and other initial direct costs are capitalised.

h) 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.

i) 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.

j) 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 atleast 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.

k) 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.

l) 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.

m) 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.

n) 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.

o) 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.

p) 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.

q) 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.

r) 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	
	2009	2008
Debentures		
Secured by equitable mortgage of certain lands of the Group.	2,630.10	3,500.00
Term loans		
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.	12,776.63	8,734.53
Other loans		
From banks		
<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.	3,185.62	2,076.51
<i>Vehicle/ equipment loan</i>		
Secured by specific assets / vehicles.	-	28.66
From others		
<i>Vehicle/ equipment loan</i>		
Secured by specific assets / vehicles.	178.82	41.18
	18,771.17	14,380.88

Note: All the above loans except to the extent of Rs.4,999.09 million (Previous year - Rs.9,105 million) have been personally guaranteed by certain directors.

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

(Rs. in Million)

Nature of Company	Nature of loan	Nature of security	Year ended March 31	
			2009	2008
Sobha Innercity Technopolis Private Limited	Term loans	Equitable mortgage of land and building	516.05	250.00
Sobha Innercity Technopolis Private Limited	Cash credit	Equitable mortgage of land and building	485.33	197.91
Sobha Technocity Private Limited	Cash credit	Equitable mortgage of land and building	-	197.91
Sobha Interiors Private Limited	Term loans	Equitable mortgage of lease hold rights in respect of the factory land and building	125.00	170.00
Bikasa Properties Private Limited	Term loans	Equitable mortgage of land	-	500.00
Bikasa Realtors Private Limited	Term loans	Equitable mortgage of land	500.00	500.00
Cochin Cyber City Private Limited	Term loans	Equitable mortgage of land	-	475.00
Cochin Cyber Golden Properties Private Limited	Term loans	Equitable mortgage of land	-	475.00
Cochin Cyber Value Added Properties Private Limited	Term loans	Equitable mortgage of land	-	500.00
Cochin Realtors Private Limited	Term loans	Equitable mortgage of land	-	500.00
Daram Cyber Developers Private Limited	Term loans	Equitable mortgage of land	-	500.00
Daram Cyber Properties Private Limited	Term loans	Equitable mortgage of land	480.00	500.00
Greater Cochin Cyber City Private Limited	Term loans	Equitable mortgage of land	480.00	500.00
Greater Cochin Developers Private Limited	Term loans	Equitable mortgage of land	480.00	500.00
Greater Cochin Properties Private Limited	Term loans	Equitable mortgage of land	480.00	500.00
Greater Cochin Realtors Private Limited	Term loans	Equitable mortgage of land	-	500.00

Cont'd.

(Rs. in Million)

Name of Company	Nature of loan	Nature of security	Year ended March 31	
			2009	2008
Padmalochana Enterprises Private Limited	Term loans	Equitable mortgage of land	-	500.00
Perambakkam Builders Private Limited	Term loans	Equitable mortgage of land	500.00	500.00
Red Lotus Realtors Private Limited	Term loans	Equitable mortgage of land	-	475.00
SBG Housing Private Limited	Term loans	Equitable mortgage of land	500.00	500.00
Sengadu Builders Private Limited	Term loans	Equitable mortgage of land	500.00	500.00
Sengadu Developers Private Limited	Term loans	Equitable mortgage of land	500.00	500.00
Sengadu Properties Private Limited	Term loans	Equitable mortgage of land	500.00	500.00
Sunbeam Projects Private Limited	Term loans	Equitable mortgage of land	-	475.00
Sobha Glazing & Metal Works Private Limited	Term Loan	Equitable mortgage of leasehold rights in respect of factory, land & building	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	-

5. Redeemable non-convertible debentures amounting to Rs.2,630.10 million (Previous year - Rs.3,500 million) are to be redeemed in cash on the following dates

(Rs. in Million)

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

(Rs. in Million)

Particulars	Interest rate	Redemption date	Redemption amount March 31, 2008
LIC Mutual Fund 100 certificates of Rs.10 million each	Floor rate - 9.90% Cap Rate - 10.00%	26-Aug-08	1,000.00
DSP Black Rock Mutual Fund 25 certificates of Rs.10 million each	Rate - 11.90%	29-May-09	250.00
LIC Mutual Fund 50 certificates of Rs.10 million each	Floor rate - 10.15% Cap Rate - 10.25%	18-Nov-08 18- Dec-08	250.00 250.00
Deutsche Mutual Fund 100 certificates of Rs.10 million each	Rate - 11.55%	14-Oct-08	1,000.00
DSP Black Rock Mutual Fund 75 certificates of Rs.10 million each	Rate - 11.10%	08-Jan-10	750.00

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. S. Baaskaran
 Mr. N. Venkatramani
 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]

SBG Housing Private Limited [erstwhile Subsidiary Company]
 Sobha Developers (Pune) Private Limited [associate w.e.f June 26, 2008 and 19% holding w.e.f December 28, 2008]
 Sobha Projects & Trade Private Limited
 Sobha Renaissance Information Technology Private Limited
 Sobha Innercity Technopolis Private Limited
 Hill and Menon Securities Private Limited
 Sobha Electro Mechanical Private Limited
 Chauma Properties and Construction Private Limited
 Sri Kurumba Trust
 Sobha Interiors Private Limited
 Puzhakkal Developers Private Limited
 Moolamcode Traders Private Limited
 Pallavur Projects Private Limited
 Sobha Jewellery Private Limited
 Lotus Manpower Consultants Services Private Limited
 Sobha Contracting Private Limited

Sobha Contracting LLC (Dubai)
 Red Lotus Facility Services Private Limited
 Red Lotus Metal Works Facilities & Services Private Limited
 Greater Cochin Properties Private Limited
 Greater Cochin Realtors Private Limited
 Greater Cochin Cyber City Private Limited
 Greater Cochin Developers Private Limited
 Cochin Cyber City Private Limited
 Cochin Super City Developers Private Limited
 Daram Cyber Properties Private Limited
 Daram Land Real Estate Private Limited
 Daram Cyber Developers Private Limited
 Services and Trading Co. LLC
 Technobuild Developers Private Limited
 Royal Interiors Private Limited
 Oman Builders Private Limited
 Sobha Glazing & Metal Works Private Limited
 Lotus Manpower Services
 Sobha Space Private Limited
 Sobha Technocity Private Limited
 M/s Indeset Building Materials LLC
 M/s Indeset Trading and Decorations Services LLC
 Furniture Makers Limited Company, LLC
 Bikasa Properties Private Limited
 Bikasa Realtors Private Limited
 Cochin Cyber Golden Properties Private Limited
 Cochin Cyber Value Added Properties Private Limited
 Padmalochana Enterprises Private Limited
 Perambakkam Builders Private Limited
 Red Lotus Realtors Private Limited
 Sengadu Builders Private Limited
 Sengadu Developers Private Limited
 Sengadu Properties Private Limited
 Sunbeam Projects Private Limited
 Megatech Software Private Limited
 Mannur Real Estate Private Limited
 Kilai Builders Private Limited
 Tirur Cyber City Developers Private Limited
 Kilai Properties Private Limited
 Tirur Cyber Real Estates Private Limited
 Kilai Super Developers Private Limited
 Thakazhi Realtors Private Limited
 Thakazhi Developers Private Limited

b) Transactions with related parties

(Rs. in Million)

Description of the nature of transaction	Description of relationship	Related party	March 31, 2009	March 31, 2008
Sale of goods and services	Other related parties	Sri Kurumba Trust	6.52	10.11
		Sobha Projects & Trade Private Limited	0.09	-
		Sobha Glazing & Metal Works Private Limited	-	0.40
		Sobha Developers (Pune) Private Limited	980.00	-
		Services and Trading Co. LLC	0.54	-
		Furniture Makers Limited Company, LLC	-	0.15
	Key management personnel	Mr. P. N. C. Menon	-	0.30
		Mr. J. C. Sharma	-	13.36
	Relatives of key management personnel	Mrs. Sobha Menon	-	19.73
Interest recharge	Other related parties	Technobuild Developers Private Limited	809.98	556.59
Interest received	Other related parties	Sobha Renaissance Information Technology Private Limited	8.87	7.89
Purchase of goods, contractual services and reimbursement of expenses	Other related parties	Sobha Projects & Trade Private Limited	56.71	68.87
		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	540.58
		Lotus Manpower Consultants Services Private Limited	192.78	-
		Sobha Renaissance Information Technology Private Limited	8.45	0.17
	Relatives of key management personnel	Mr. P.N.K. Mani	0.38	0.38
Directors' remuneration	Key management personnel	Mr. J.C. Sharma	27.06	58.41
		Mr. Ravi Menon	19.48	20.87
		Mr. P.N.C. Menon	25.82	32.59
Salary (including perquisites)	Key management personnel	Mr. K. Suresh	1.34	3.61
		Mr. P. Kanodia	1.04	3.36
		Mr. Sumit Keshan	1.64	-
		Mr. N.Venkatramani	3.83	-
		Mr. S. Baaskaran	2.84	-

Cont'd.

(Rs. in Million)

Description of the nature of transaction	Description of relationship	Related party	March 31, 2009	March 31, 2008
Salary (including perquisites)	Relatives of key management personnel	Mr. P. N. Haridas	0.65	0.69
		Mr. Shine V. Nair	2.50	10.00
Interest paid	Relatives of key management personnel	Mrs. Sobha Menon	0.54	0.54
Donation paid	Other related parties	Sri Kurumba Trust	69.60	84.01
Rent deposit paid	Other related parties	Sobha Glazing & Metal Works Private Limited	110.00	110.00
		Sobha Interiors Private Limited	280.00	280.00
Rent paid	Other related parties	Sobha Interiors Private Limited	0.30	0.30
		Sri Kurumba Trust	0.11	0.06
		Sobha Glazing & Metal Works Private Limited	0.30	0.30
	Relatives of key management personnel	Mrs. Sobha Menon	0.67	0.67
Advance paid	Other related parties	Sri Kurumba Trust	50.00	-
Advance refund	Other related parties	Sri Kurumba Trust	50.00	-
Inter-corporate deposit	Other related parties	Sobha Renaissance Information Technology Private Limited	83.26	75.25
Land advance	Other related parties	Technobuild developers Private Limited	6,963.08	5,416.57
	Erstwhile Subsidiary Company	SBG Housing Private Limited	165.41	165.41
Balance receivable	Other related parties	Sobha Projects & Trade Private Limited	16.83	10.06
		Hill and Menon Securities Private Limited	-	0.14
		Sobha Electro Mechanical Private Limited	-	0.14
		Sobha Aviation And Engineering Services Private Limited	-	0.76
		Chauma Properties and Construction Private Limited	8.81	8.81
		Puzhakkal Developers Private Limited	2.97	11.59
		Pallavur Projects Private Limited	-	47.42
		Sobha Jewellery Private Limited	-	0.42
		Moolamcode Traders Private Limited	-	5.11
		Lotus Manpower Consultants Services Private Limited	4.18	0.06
		Lotus Manpower Services	18.43	39.05
		Sobha Contracting LLC (Dubai)	4.57	-
		Services and Trading Co. LLC	0.05	7.07
		Furniture Makers Limited Company, LLC	-	0.15
		Sri Kurumba Trust	0.04	(0.05)
		Sobha Developers (Pune) Private Limited	80.25	-

Cont'd.

(Rs. in Million)

Description of the nature of transaction	Description of relationship	Related party	March 31, 2009	March 31, 2008
Balance payable	Other related parties	Royal Interiors Private Limited	10.13	10.17
		Sobha Interiors Private Limited	3.02	1.66
		Oman Builders Private Limited	25.83	28.07
		Sobha Glazing & Metal Works Private Limited	11.97	5.67
		Sobha Contracting Private Limited	0.14	(8.09)
		Sobha Innercity Technopolis Private Limited	2.63	2.63
		Sobha Technocity Private Limited	-	0.25
		Sobha Space Private Limited	7.36	4.09
	Key management personnel	Mr. P.N.C. Menon	133.19	0.08
		Mr. J.C. Sharma	0.10	15.38
	Relatives of key management personnel	Mrs. Sobha Menon	350.18	8.68
		Mr. P.N.K. Mani	0.03	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.

7. Earnings per share ['EPS']

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Profit after tax and minority interest attributable to shareholders	1,077.71	2,281.02
Weighted average number of equity shares of Rs.10 each outstanding during the year used in calculating basic and diluted EPS	72,901,733	72,901,733

During the year, the Company has 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 has obtained an approval from the Reserve Bank of India to refund the aforementioned advance by September 30, 2009. As the Company intends to refund the advance share subscription amount, it has been disclosed under Current liabilities and accordingly, diluted EPS has been calculated on the present outstanding equity shares, without considering dilutive effect of advance share subscription amount.

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.

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Lease payments recognised as an expense in profit and loss account	139.02	135.92

Minimum lease payments outstanding in respect of these lease are as follows:

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Not later than one year	21.82	31.38
Later than one year and not later than five years	24.47	44.39
	46.29	75.77

9. Capital commitments

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	17.45	40.94

10. Donation to political parties

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Congress (I)	0.01	0.51
Bhartiya Janata Party	12.50	0.51
Communist Party of India	0.51	0.63
Communist Party of India (M)	0.18	1.07
	13.20	2.72

11. Provisions and contingencies**a. Provisions**

(Rs. in Million)

Class of provisions	Balance as at April 1, 2008	Additions	Amount utilised	Balance as at March 31, 2009
Provision - others	285.20	-	285.20	-
(Previous Year)	108.78	285.20	108.78	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, 2009	March 31, 2008
i. Guarantees and counter guarantees given by the Group	442.71	276.62
ii. Income tax matters in dispute	99.17	45.84
iii. Sales tax matters in dispute	81.60	81.37
iv. Service tax matters in dispute	741.78	648.76
	1,365.26	1,052.59

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, 2009	March 31, 2008
Current service cost	13.34	11.59
Interest cost on benefit obligation	2.97	2.40
Expected return on plan assets	(1.74)	(1.71)
Net actuarial loss/ (gain) recognised	(0.29)	(7.34)
Net benefit expense	14.28	4.94

Consolidated balance sheet

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Defined benefit obligation	37.70	25.08
Fair value of plan assets	21.38	23.04
Plan (asset)/liability	16.32	2.04
Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	25.08	18.77
Interest cost	2.97	2.40
Current service cost	13.34	11.59
Benefits paid	(2.70)	(0.70)
Actuarial (gains)/losses on obligation	(0.99)	(6.98)
Closing defined benefit obligation	37.70	25.08
Changes in the fair value of plan assets		
Opening fair value of plan assets	23.04	14.18
Expected return	1.74	1.71
Contributions by employer	-	7.50
Benefits paid	(2.70)	(0.71)
Actuarial gains / (losses)	(0.70)	0.36
Closing fair value of plan assets	21.38	23.04
Actual return on plan assets		
Expected return on plan assets	1.74	1.71
Actuarial gain/ (loss) on plan assets	(0.70)	0.36
Actual return on plan assets	1.04	2.07
Investment details of plan assets		
Investment with insurer - 100% in debt instruments		
The principal assumptions used in determining gratuity obligation		
Discount rate	6.8%	8%
Expected rate of return on assets	8%	8%
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	10%	10%

(Rs. in Million)

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

Notes:

- The Group expects to contribute Rs.10 million to the trust towards gratuity fund in 2009-10.
- 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. 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. 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, 2009		March 31, 2008	
	Closing balance	Maximum amount due	Closing balance	Maximum amount due
- Included under loans and advances				
Sobha Projects & Trade Private Limited	16.83	16.83	10.06	23.15
Sobha Renaissance Information Technology Private Limited	83.26	83.26	75.25	75.25
Hill and Menon Securities Private Limited	-	0.14	0.14	0.14
Sobha Electro Mechanical Private Limited	-	0.14	0.14	0.14
Sobha Aviation And Engineering Services Private Limited	-	0.76	0.76	0.76
Services and Trading Co. LLC	0.05	7.07	7.07	7.07
Sobha Contracting LLC (Dubai)	4.57	4.57	-	-
- Included under debtors				
Furniture Makers Limited Company, LLC	-	0.15	0.15	0.15

15. Deferred tax asset

The break up of net deferred tax asset as at March 31, 2009 is as follows:

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Difference between book depreciation and depreciation under the Income-tax Act, 1961	11.12	(8.84)
Expenditure under Section 43B of the Income-tax Act, 1961	19.57	19.53
Net deferred tax asset	30.69	10.69

16. Construction contracts

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Contract revenue recognised as revenue for the year ended March 31, 2009	5,655.63	9,990.77
Aggregate amount of contract costs incurred and recognised profits (less recognised losses) up to March 31, 2009 for all the contracts in progress.	10,380.15	6,480.68
The amount of customer advances outstanding for contracts in progress as at March 31, 2009	1,676.52	1,061.76
The amount of retentions due from customers for contracts in progress as at March 31, 2009	267.51	237.41

17. Derivative instruments and unhedged foreign currency exposure

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Forward cover for hedging foreign currency denominated bank loan	214.00	580.00
Foreign currency exposure (net) that are not hedged by derivative instruments or otherwise	4.20	6.00

18. 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, 2009.

19. Details of investments purchased and sold during the year

(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

Particulars	No. of units (in Million)	Face value	Purchase value March 31, 2008	Sale value March 31, 2008
ABN AMRO Money Plus Fund	30.13	10	301.35	301.35
Birla Cash Plus	20.14	10	210.53	210.53
Birla Sunlife Liquid Plus	35.02	10	350.49	350.49
DBS Chola Short Term Floating Fund	10.02	10	100.18	100.18
DWS Credit Opportunities Cash Fund	20.04	10	201.07	201.07
DWS Insta Cash Plus Fund	15.00	10	150.16	150.16
Franklin Templeton India TMA Fund	20.01	10	200.29	200.29
Franklin Templeton TMA Mutual Fund	30.06	10	300.88	300.88
HDFC Cash Management Fund	24.01	10	250.37	250.37
HSBC Cash Fund	153.00	10	1,538.07	1,538.07
ICICI Prudential - Flexible Income Plan	28.47	10	301.08	301.08
ICICI Prudential Liquid Fund	20.12	10	201.16	201.16
ING Vysya Liquid Fund	32.75	10	327.63	327.63
J.M. High Liquidity Fund	10.01	10	100.19	100.19
LIC Mutual Fund - Liquid Fund	141.30	10	1,453.20	1,453.20
Lotus India Liquid Fund	25.03	10	250.65	250.65
Principal Cash Management Fund	20.19	10	201.94	201.94
Reliance Floating Rate Fund	9.99	10	100.55	100.55
Reliance Liquid Fund	20.07	10	200.78	200.78

Contd.

(Rs. in Million)

Particulars	No. of units (in Million)	Face value	Purchase value March 31, 2008	Sale value March 31, 2008
Reliance Liquid Plus Fund	0.15	10	150.53	150.53
Reliance Liquidity Fund	5.00	10	50.05	50.05
Sundaram BNP Paribas Money Fund	45.09	10	451.26	451.26
Sundaram BNP Paribas Money Fund	50.33	10	503.78	503.78
Tata Liquid Fund	19.94	10	200.13	200.13
Tata Liquid Super High Investment Fund	20.01	10	200.83	200.83
Templeton Long Term Super IP Fund	25.13	10	251.91	251.91
ACC Limited	0.00	10	2.05	2.05

20. Excise duty on sales amounting to Rs.91.34 million (Previous year - Rs.138.37 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.1.53 million (Previous Year - Rs.1.90 million) has been accounted in the consolidated profit and loss account under the head 'Cost of sales'.

21. 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. It represents 50% of the net asset and 30% of the profit after tax for the year, attributable to minority partners based on their profit sharing ratio

(Rs. in Million)

Particulars	March 31, 2009	March 31, 2008
Opening	227.74	-
Capital contribution by minorities	-	200.00
Profit after tax	21.23	27.74
	248.97	227.74

22. The Company has entered into certain transactions for purchase of material and services in the current and 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 is in the process of making an application for condonation of delay and obtaining approval from the Company Law Board under Section 637B of the Act. The Company is confident of obtaining the condonation and approvals, and pending obtaining such approvals, no adjustments have been made to the consolidated financial statements.

23. 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
Chartered Accountants

per Sunil Bhumralkar
Partner
Membership No. 35141

Place: Bengaluru, India
Date: May 18, 2009

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: May 18, 2009

Ravi Menon
Vice Chairman

N. Venkatramani
Company Secretary and
Compliance Officer

J.C. Sharma
Managing Director

Consolidated Cash Flow Statement

(Rs. in Million)

	Year ended March 31	
	2009	2008
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	1,501.29	2,791.43
<i>Adjustments for</i>		
Depreciation/ amortisation	360.33	350.40
(Profit)/loss on sale of fixed assets	(0.54)	(0.48)
Dividend income	(0.78)	(36.09)
Interest income	(12.56)	(18.03)
Interest expense	1,002.94	579.70
Operating profit before working capital changes	2,850.68	3,666.93
<i>Movements in working capital:</i>		
(Increase)/ decrease in inventories	(2,135.88)	(3,588.63)
(Increase)/ decrease in debtors	1,864.90	(3,968.46)
(Increase)/ decrease in loans and advances	(945.73)	(6,260.72)
Increase/ (decrease) in current liabilities and provisions	490.17	(331.41)
Cash (used in)/ generated from operations	2,124.14	(10,482.29)
Direct Taxes paid (net)	(296.41)	(504.19)
Net cash generated from/ (used in) operating activities - (A)	1,827.73	(10,986.48)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(412.47)	(548.98)
Proceeds from sale of fixed assets	2.43	4.90
Purchase of investments	(570.77)	(8,551.80)
Purchase of Investments in associate	(0.10)	-
Sale of investments	571.46	9,051.80
Sale of investments in subsidiaries	-	0.10
Interest received	12.40	18.10
Dividends received	0.78	36.09
Net cash (used in)/ from investing activities - (B)	(396.27)	10.21
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from capital contribution by minorities	-	200.00
Proceeds from share application money (pending refund)	474.70	-
Proceeds from secured loans	12,652.59	15,720.60
Repayment of secured loans	(8,262.30)	(6,792.00)
Proceeds from unsecured loans	614.00	3,095.12
Repayment of unsecured loans	(3,525.23)	(30.00)
Interest paid (gross)	(2,983.79)	(1,140.48)
Dividends paid	(473.86)	(405.20)
Tax on dividend paid	-	(68.93)
Net cash from/ (used in) financing activities - (C)	(1,503.89)	10,579.11
Net increase/ (decrease) in cash or cash equivalents - (A+B+C)	(72.43)	(397.16)
Cash and cash equivalents as at beginning of the period	286.63	683.79
Cash and cash equivalents as at the end of the period	214.20	286.63
Components of cash and cash equivalents		
Cash on hand	2.68	12.49
Balances with scheduled banks		
On current accounts	175.92	249.87
On deposit accounts	35.60	24.27
	214.20	286.63

As per our report of even date

For S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

per Sunil Bhumralkar

Partner

Membership No. 35141

Place: Bengaluru, India

Date: May 18, 2009

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: May 18, 2009

Ravi Menon

Vice Chairman

N. Venkatramani

Company Secretary and

Compliance Officer

J.C. Sharma

Managing Director

Report on Corporate Governance

Corporate governance philosophy

Corporate governance encompasses adhering effectively with the governing laws, procedures, practices, and an implicit rule that determines a management's ability to take sound decisions vis-à-vis all its stakeholders viz. shareholders, creditors, employees and state. Corporate governance is primarily based on the principles of integrity, transparency, fairness, accountability, full disclosures and independent monitoring of the state of affairs.

Sobha Developers Limited has always been in the forefront in adopting the best governance practices to promote ethical values, social responsibility, transparency, accountability, fairness, integrity and compliance with existing legislation. The corporate governance mechanism is being implemented in its true letter and spirit so as to ensure that all the stakeholders of the Company maximize their value legally, ethically and benefit in the long run by way of sustained growth and value addition.

With respect to corporate governance, the objectives of the Company are:

1. Maximizing long-term shareholder value.
2. Not only to meet the statutory requirements of the code but also to go well beyond it by instituting such systems and procedures as are in accordance with the latest global trend of making management completely transparent and institutionally sound.
3. Responsiveness management which meets the need of its stakeholders.

The Company believes in fair, transparent, and ethical governance practices. The Company's corporate governance philosophy has been strengthened through the Sobha Code of Conduct, Share dealing Code for prevention of insider trading, Whistle blower Policy etc.

The Company in compliance with the guidelines on the corporate governance as stipulated under the various clauses of the Listing Agreement with the stock exchanges and in this regard, submits a report on the matters mentioned in the said clauses and practices followed by the Company.

Some of the major initiatives taken by the Company towards strengthening its corporate governance and practices include the following:

1. The Company has framed and implemented code of conduct and ethics for the directors and senior management employees, a code of conduct for prohibition of insider trading, the Whistle blower Policy etc. These are monitored and reviewed constantly by the Board.
2. The quarterly secretarial audit conducted by an independent practicing Company Secretary to report to the management and the shareholders of the status of compliance with various corporate laws are placed before the Board. The annual audit report placed before the Board is included in this Annual Report.
3. Though the Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI), one of the premier professional bodies in India, are recommendatory in nature, the Company voluntarily adheres to those standards.
4. The role of the Company Secretary has been defined clearly in administering the overall governance process of the Company. The

Company Secretary ensures that all relevant information, documents with details are made available to the Directors and members of various committees for effective decision making and is the interface between the management and regulatory authorities for governance matters.

Board of Directors

The Company has six directors comprising of an Executive Chairman, a Vice Chairman, a Managing Director, and three other Independent Non-Executive Directors. The appointment of three Independent Directors is in conformity with the provisions of Clause 49 of the Listing Agreement(s) entered into with the stock exchange(s) by the Company. During the year Mr. N S Raghavan, Non-Executive Independent Director, and Mrs. Sobha Menon, Non-Executive Director resigned from the Board of Directors with effect from January 31, 2009.

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 any membership in more than ten committees or act as Chairman in more than five committee in terms of Clause 49 of the Listing Agreement.

The composition of the Board as on May 18, 2009 is as follows:

Name	Position	Relationship with other directors	India listed companies	All companies in India (listed & unlisted)*	In companies	In committees
			As a Director		Committee memberships **	Chairperson**
Mr. P.N.C. Menon	Chairman	Spouse of Mrs. Sobha Menon*** and father of Mr. Ravi Menon	1	1	None	None
Mr. Ravi Menon	Vice Chairman	Son of Mr. P.N.C. Menon and Mrs. Sobha Menon***	1	1	1	None
Mr. J.C. Sharma	Managing Director	None	1	1	2	None
Dr. S.K. Gupta	Independent Director	None	8	10	9	3
Mr. R.V.S. Rao	Independent Director	None	3	3	4	2
Mr. Anup Shah	Independent Director	None	2	2	2	None

* Directorship in public limited companies (listed and unlisted) 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.

*** Mrs. Sobha Menon, Non-Executive Director had resigned from the Board of Directors with effect from January 31, 2009

Board compensation

The compensation to the Board of Directors is approved by the shareholders and disclosed separately in notes to accounts. compensation to the Managing Director / whole-time director(s) consists of fixed salary and /or performance incentive. The executive selection and remuneration committee of Directors reviews and approves / recommends the remuneration for the Managing Director / whole-time Directors.

Independent Directors Remuneration

Section 309 of the Companies Act, 1956 provides that a director who is neither in the whole-time employment of the Company nor a Managing Director may be paid remuneration by way of commission if the Company authorizes such payment by special resolutions. Members of the Company at the Annual General Meeting held on September 13, 2006, approved the payment of remuneration by way of commission to independent directors, at a rate not exceeding 1% per annum of the net profits of the Company.

The cash compensation to the Directors for the year 2008-09 is given below.

(Rs. in Million)

Sl No.	Name	Salary	Perquisites	Contribution to provident fund	Other allowances	Commission /incentive	Sitting fees	Total
1	Mr. P.N.C. Menon	22.80	1.75	1.26	-	-	-	25.81
2	Mr. Ravi Menon	18.40	0.23	0.84	-	-	-	19.47
3	Mr. J.C. Sharma	4.85	-	0.21	-	22.00	-	27.06
4	Mrs. Sobha Menon	-	-	-	-	-	-	-
5	Mr. N.S. Raghavan	-	-	-	-	0.60	0.05	0.65
6	Dr. S.K. Gupta	-	-	-	-	0.70	0.06	0.76
7	Mr. R.V.S. Rao	-	-	-	-	0.70	0.05	0.75
8	Mr. Anup Shah	-	-	-	-	0.70	0.06	0.76
	Total	46.05	1.98	2.31	0.00	24.70	0.22	75.26

Shareholding of Directors in the Company as on March 31, 2009

Sl No.	Name of the Shareholder	No. of Shares	%
1	Mr. P.N.C. Menon	16,488,522	22.61
2	Mr. P.N.C. Menon jointly with Mrs. Sobha Menon	5,494,407	7.54
3	Mr. Ravi Menon *	30	0.00
4	Mr. J.C. Sharma	75,971	0.10
5	Mr. Anup Shah #	4,300	0.01
6	Mr. R.V.S. Rao #	15,000	0.02
7	Dr. S.K. Gupta * #	435	0.00
Total		22,078,665	30.28

* Shareholding less than 0.01%

Non Executive Independent Director

Board meetings

Being the apex body constituted by the shareholders for overseeing the overall functioning of the Company, the Board evaluates all 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 Circle, Bangalore 560 025.

The Company Secretary in consultation with the Managing Director and the Chairman drafts the agenda for each Board meeting along with explanatory notes and distributes these in advance to directors.

The Company has a well-defined process in place for placing vital and sufficient information before the Board. Any matters requiring discussion/ decision/ approval at 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 information required under Clause 49 of the Listing Agreement(s) are covered to the fullest extent and presentation covering sales, finance, compliance, human resource and risk management practices are given to the Board before considering the quarterly and annual financial results of the Company. The Board meets at least once a quarter and the maximum time gap between any such two meetings was not more than four months. Four meetings of the Board of Directors were held during the year 2008-2009, viz. May 30, 2008, July 24, 2008, October 30, 2008 and January 31, 2009.

The minutes of the meetings of the 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, Price Revision Committee, Executive Committee and Committee for Long Term Funds of the Company are placed before the Board.

The attendance of the directors at the Board meetings and the AGM held during 2008-09 is given below.

(Rs. in Million)

Name	Position	Number of Meetings		Board Meeting Dates				Attendance at last AGM
		Held	Attended	May 30, 2008	July 24, 2008	October 30, 2008	January 31, 2009	
Mr. P.N.C. Menon	Executive Chairman	4	3	Yes	Yes	No	Yes	Yes
Mr. Ravi Menon	Executive Vice Chairman	4	3	Yes	Yes	No	Yes	Yes
Mr. J.C. Sharma	Managing Director	4	4	Yes	Yes	Yes	Yes	Yes
Mrs. Sobha Menon*	Non Executive Director	4	2	Yes	No	No	Yes	No
Mr. N.S. Raghavan*	Non Executive, Independent	4	3	Yes	Yes	Yes	No	Yes
Mr. R.V.S. Rao	Non Executive, Independent	4	3	No	Yes	Yes	Yes	Yes
Dr. S.K. Gupta	Non Executive, Independent	4	4	Yes	Yes	Yes	Yes	Yes
Mr. Anup Shah	Non Executive, Independent	4	4	Yes	Yes	Yes	Yes	Yes

* Resigned from the Board effective from January 31, 2009

Independent Directors' discussion

The Chairman, Managing Director and / or senior management personnel(s) of the Company meet the Independent Directors before the meeting and update them on business related issues, if required. There is no materially significant related party transaction, between the directors, relative of directors, senior management or subsidiary except as disclosed in the financial statements for the year ended March 31, 2009.

Committees of the Board

Presently, the Board has: (i) Audit Committee, (ii) Investors Grievance Committee, (iii) Executive Selection and Remuneration Committee, (iv) Investments and Borrowings Committee, (v) Price Revision Committee, (vi) Executive Committee (vii) Share Transfer Committee and (viii) Committee for Long Term Funds. 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(s).

Composition

The audit committee consists of four members, out of which three are independent directors, viz., Mr. R.V.S. Rao, Chairman, Mr. Anup Shah and Dr. S.K. Gupta as Members. Mr. J.C. Sharma, Managing Director of the Company, is also a member of the committee. The constitution meets the requirement of Clause 49 of the Listing Agreement with the relevant stock exchange(s).

During the year under review, Mr. N.S. Raghavan ceased to be a member of the audit committee consequent to his resignation from the Board of Directors effective from January 31, 2009.

Dr. S.K. Gupta was co-opted as a member of the audit committee by the terms of a resolution passed in the meeting of the Board of Directors on January 31, 2009

Objective

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(s).

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 the reasons for substantial default in payments to depositors, debenture holders, shareholders and creditors.
- To look into the 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 material nature with promoters or management, their subsidiaries or relatives, etc. that may be in potential conflict with the interests of Company at large.
- Appointment and remuneration of statutory and internal auditors.
- Such other matters as may be from time to time are required by any statutory, contractual or other regulatory requirements to be attended to by the Audit Committee.

The powers of the audit committee

- To investigate activity within its terms of reference
- To seek information from any employee
- To obtain outside legal or other professional advice
- To secure attendance of outsiders with relevant expertise, if considered necessary

The composition and attendance of the members of the audit committee as on March 31, 2009, is as follows

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

* Mr. N.S. Raghavan ceased to be a member of the audit committee from January 31, 2009.

** Dr. S.K. Gupta was inducted as a member of the audit committee during the year; vide Board Resolution dated January 31, 2009. No meetings of the audit committee were held after the appointment of Dr. S.K. Gupta as a member of the audit committee.

The quorum for the committee is two independent members present or one third of the total members of the audit committee, whichever is higher. To strengthen and increase the efficiency of the committee, Dr. S.K. Gupta, an independent Director was inducted as a member of the audit committee during the year; vide Board Resolution dated January 31, 2009.

The CFO and the designated Senior Vice President of the Company heading 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.

As per the resolution of the Board dated September 20, 2006, independent directors who attend the committee are entitled to Rs.5000/- per meeting as sitting fees.

The audit committee met 4 times during the financial year 2008 – 2009 on the following dates: May 29, 2008, July 23, 2008, October 30, 2008 and January 30, 2009. The chairman of the audit committee was present at the last annual general meeting held on July 24, 2008.

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(s).

Composition

The investors' grievance committee has three members out of which Dr. S.K. Gupta, an independent director of the Board, is the Chairman of the committee, and Mr. Ravi Menon and Mr. J.C. Sharma are members of the committee.

Objective

This committee is specifically responsible for the redressal of shareholders'/ investors' grievances related to non-receipt of Annual Reports, 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 the investors' services and recommends measures for improvement.

The composition, powers, role and terms of reference of the committee are in accordance with the provisions of Clause 49 of the Listing Agreement(s).

The terms of reference of the investor 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 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	3
Mr. J.C. Sharma (Member)	Managing Director	4	4

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

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.

As per the resolution of the Board dated September 20, 2006, independent directors who attend the committee are entitled to Rs.5000/- per meeting as sitting fees.

The investors grievance committee met four times on May 30, 2008, July 24, 2008, October 30, 2008 and January 31, 2009 during the financial year 2008 – 2009.

Executive selection and remuneration committee

The executive selection and remuneration committee of the Company was constituted on May 14, 2007.

Composition

The executive selection and remuneration committee has three members, out of which two are independent directors namely Mr. Anup Shah, Chairman, and Mr. R.V.S. Rao, as a member. Mr. J C Sharma, Managing Director of the Company, is also the member of the committee.

Objective

The executive selection and remuneration committee has been constituted to recommend and review compensation plans of the Managing Director, whole-time 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

- a) To review and approve / recommend the remuneration for the whole-time directors of the Company and senior management personnel of the Company.
- b) To review and recommend to the Board the remuneration policy of the Company.
- c) To review the key result areas for executive directors and management council members and senior management personnel
- d) To review the remuneration package offered by the Company to different grades of its employees.
- e) To produce an annual report on executive compensation for inclusion in the Company's annual report, in accordance with applicable rules and regulations.
- f) To take all necessary steps for the administration of the Employee Stock Option Scheme or the Employee Stock Purchase Scheme.
- g) 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.

No meetings of the executive selection and remuneration committee were convened during the year under review.

As per the resolution of the Board dated May 14, 2007, independent directors who attend the committee are entitled to Rs.5,000/- per meeting as sitting fees.

Share transfer committee

The share transfer committee of the Company was constituted on December 12, 2006.

The share transfer committee comprises of three members, viz., namely, Mr. P.N.C. Menon, Mr. Ravi Menon and Mr. J.C. Sharma.

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:

1. To look into the requests of transfer and transmission of shares.
2. To look into the requests for the re-materialization of shares.
3. To issue duplicate share certificate in lieu of the original share certificate.
4. To issue split share certificate as requested by the members.
5. 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 composition of the members of share transfer committee is as follows

Name	Category	Number of meetings	
		Held	Attended
Mr. P.N.C. Menon	Executive, Chairman	3	None
Mr. Ravi Menon (Member)	Executive, Vice Chairman	3	3
Mr. J.C. Sharma (Chairman)	Managing Director	3	3

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

The share transfer committee held three meetings during the financial year 2008 – 2009 on June 30, 2008, February 16, 2009 and February 28, 2009.

Code of conduct

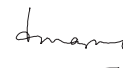
In terms of Clause 49 of the Listing Agreement, the Company had adopted a code of conduct for the Board of Directors and senior management personnel of the Company. It has been placed on the Company website. The Code has been circulated to all the members of the Board and senior management personnel and the compliance of the same is affirmed annually. The declaration signed by the Managing Director of the Company forms part of this report.

Declaration by the 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 the financial year ended March 31, 2009, 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: Bengaluru
Date: May 18, 2009

J.C. Sharma
Managing Director

Insider trading code

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

Whistle blower policy

The Company has established the processes to promote ethical behaviour in all its business activities. A mechanism is in place for employees to report any illegal, unethical behaviour, 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 victimisation or discriminatory practices.

General body meetings

Annual General Meeting

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

Financial Year ended	Date	Time	Venue
March 31, 2008	July 24, 2008	2.00 p.m	NIMHANS Convention Center, Hosur Road, Bangalore – 560 029.
March 31, 2007	August 13, 2007	2.30 p.m	NIMHANS Convention Center, Hosur Road, Bangalore – 560 029.
March 31, 2006	September 13, 2006	10.00 a.m	Registered Office of the Company: E – 106, Sunrise Chambers, 22, Ulsoor Road, Bangalore - 560 042

Special resolutions

13th Annual General Meeting held on July 24, 2008
None

12th Annual General Meeting held on August 13, 2007

1. Increase in the authorized share capital of the Company.
2. Revision of Managing Director's remuneration.
3. Appointment of Mr. P.N.Haridas under Section 314 of the Companies Act, 1956.
4. Appointment of Mr. Shine V. Nair under Section 314 of the Companies Act, 1956.

11th Annual General Meeting held on September 13, 2006

i. Authorizing the Board of Directors to make inter corporate loans / guarantees / investments to the tune of Rs. 20,000,000,000 (Rupees twenty thousand million only) under Section 372A of the Companies Act, 1956.

ii. Payment of remuneration to the Non-Executive Directors of the Company under Section 309 of the Companies Act, 1956 subject to a limit of 1 % (one percent) of the net profits in any financial year computed in the manner provided in Section 198(1), 349 and 350 of the Companies Act, 1956.

Extraordinary general meeting

Details of the extraordinary general meetings held during the year under review are as follows

Date	Time	Venue
September 22, 2008	11.30 a.m	Sobha Academy, Sobha Suburbia, 107 / 108, Behind Jakkur Flying Club, Jakkur Village, Bangalore 560 064

Special Resolutions**Extraordinary general meeting held on September 22, 2008**

- i. Reclassification of the authorised 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, 2009.

Corporate governance certificate

To the Members of Sobha Developers Limited

I have examined all the relevant records of Sobha Developers Limited for the purpose of certifying compliance of the conditions of the Corporate Governance under Clause 49 of the Listing Agreement with the Stock Exchanges for the financial year ended March 31, 2009. I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose certification.

The compliance of conditions of corporate governance is the responsibility of the Management. My examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of the corporate governance. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or

effectiveness with which the management has conducted the affairs 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 said listing agreements.

Nagendra D. Rao
Practising Company Secretary
Certificate of Practice No.: 7731
543/A, 07th Main, III Cross,
Hanumanthanagar
Bangalore – 560 019

Place: Bengaluru
Date: May 18, 2009

Chief Executive Officer (CEO) / Chief Financial Officer (CFO) Certification

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.

Means of communication

The quarterly, half yearly and annual results are published in the Economic Times or 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 maintained by both NSE and BSE.

The above results are also displayed in the website of the Company - www.sobhadevelopers.com

Press releases made by the Company from time to time are informed to the stock exchanges(s) and are also uploaded on 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.co.in for servicing investors.

Procedure for claiming unpaid dividend

By the 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

(Rs. in Million)

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	187,825	September 11, 2014
2007-08	July 24, 2008	July 23, 2015	330,655	August 22, 2015

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.

Fees Paid to Statutory Auditors

During the financial year 2008 – 09, the fees paid to the Statutory Auditors of the Company are as follows:

(Rs. in Million)

Audit Fees	3.00
Rights issue related fees	2.50
Other Services [includes fees for quarterly reviews]	3.00
Out of pocket expenses (excludes service tax)	0.06
Total	8.56

Disclosures

a. There are no materially significant related party transactions, which would be in potential conflict with the interests of the Company at large.

b. The Company has complied with the requirements of the stock exchanges / SEBI / any other statutory authority on all the 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 except to the extent that the Company had received a letter from the National Stock Exchange of India Limited seeking an explanation as to the non-compliance of Clause 19 of the Listing Agreement which specifies seven days' notice to be given in the case of consideration of Rights Issue at the Board Meeting. Since the decision was taken at the Board Meeting and did not form part of the agenda items circulated to the Directors, the Company could not give a prior notice to the Stock Exchange.

c. The Company has a Whistle Blower Policy and further confirms that no personnel have been denied access to the audit committee.

d. The Company has fulfilled the following non mandatory requirements.

- The Company has constituted an executive selection and remuneration committee.

- The observation made by the auditors in their report has been addressed in the directors report.

- The Company has a Whistle Blower Policy wherein a mechanism has been devised to report to the management concerns about unethical behavior, actual or suspected fraud or violation of Company's code of conduct.

Management review and responsibility

Whistle-blower policy

The Company has established a mechanism for employees to report concerns about unethical behavior, actual or suspected fraud, or violation of our code of conduct or ethics policy. The mechanism also provides for adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access to the reporting authority of the Company.

Disclosures regarding appointment or 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. Anup Shah and Dr. S.K. Gupta Independent Directors, will retire in the ensuing Annual General Meeting. The Board has recommended the re-appointment of all the retiring directors. The detailed resumes of all these directors are provided in the Notice to the Annual General Meeting.

Details of non-compliance

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

Compliance with non-mandatory requirements of Clause 49 of the Listing Agreement

Clause 49 of the Listing Agreement requires that a certificate be obtained from either the auditors or practicing company secretaries regarding compliance with the conditions of corporate governance and annexed to the Director's report. We have obtained a certificate to this effect and the same is given as an annexure to the Directors' report. The Clause further 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 Company comply with the following non-mandatory requirements.

The Board

Independent Directors may have a tenure not exceeding, in the aggregate, a period of nine years, on the Board. None of the independent directors on the Board have served for a tenure exceeding nine years from the date when the new Clause 49 became effective.

Remuneration committee

The Company has formed an executive selection and remuneration committee. A detailed note on this committee is provided elsewhere in the report.

General shareholder information

Registered and corporate office

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

The corporate office of the Company is at No.4, Neeladri Plaza, Raja Ram Mohan Roy Road, Richmond Circle, Bangalore 560 025.

Date and venue of the Annual General Meeting (AGM)

Date: Wednesday, the 24th day of June 2009.

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

Time: 10.00 a.m

Book closure dates

From June 15th 2009 to June 19th 2009 (both days inclusive)

Calendar of board meetings for the financial year (subject to change)

For quarter ending June 30, 2009 — last week of July, 2009

For quarter ending September 30, 2009 — last week of October, 2009

For quarter ending December 31, 2009 — last week of January, 2010

For the year ending March 31, 2010 — last week of April, 2010

Dividend

The Directors have proposed a dividend of Re 1/- for each equity share of Rs. 10/- each aggregating to a 10% dividend to be paid

for the financial year 2008—09.

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 2009-10.

The stock codes of the Company at the stock exchanges are as follows:

Name and address of the stock exchange	Stock code
National Stock Exchange of India Limited, Exchange Plaza, 5th Floor, Bandra Kurla Complex, Mumbai 400051.	SOBHA
Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400023.	532784

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

Custodial fee

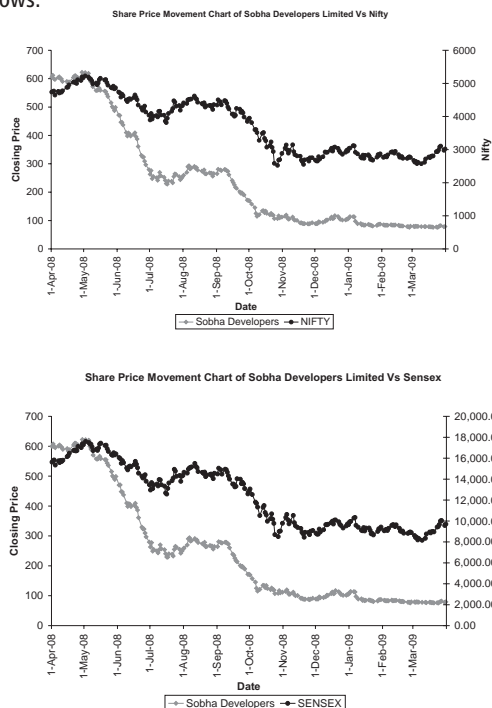
The Company has paid custodial fees for the year 2009-10 to NSDL and CDSL on the basis of the number of beneficial accounts maintained by them as on March 31, 2009.

Stock market data

The monthly high/low/average quotations and the volume of the Company's shares traded on stock exchanges are as follows:

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-08	648.50	580.00	605.32	1,651,614	650.00	570.15	605.43	437,962
May-08	641.90	480.25	557.99	2,254,776	642.00	483.00	558.41	602,141
June-08	509.95	271.25	389.73	2,186,649	512.00	277.00	390.29	570,062
July-08	288.80	225.15	252.61	6,723,617	288.90	225.05	252.67	2,351,079
August-08	306.00	247.50	275.89	3,168,398	306.20	247.70	276.03	1,201,009
September-08	286.75	152.15	235.69	2,415,941	289.90	156.00	235.73	838,477
October-08	179.00	100.05	127.40	3,046,667	180.00	99.70	127.60	926,166
November-08	131.05	83.00	99.55	4,238,831	132.00	81.25	99.51	1,615,329
December-08	126.00	83.40	102.79	3,413,174	125.85	82.25	102.80	1,420,955
January-09	119.75	61.00	91.48	3,407,323	119.50	67.45	91.52	1,334,607
February-09	95.85	72.55	82.80	1,896,276	96.30	73.40	82.75	765,535
March-09	92.30	75.00	79.14	2,011,439	88.00	75.00	79.01	785,052

The closing price of the equity shares of the Company in NSE and BSE versus Nifty and Sensex respectively during the year is as follows.



Distribution of shareholding

Range of equity shares held	No. of shareholders	%	No. of shares	%
1 – 5000	81112	98.80	23346170	3.20
5001 – 10000	481	0.59	3744090	0.51
10001 – 20000	252	0.31	3727210	0.51
20001 – 30000	83	0.10	2133920	0.30
30001 – 40000	35	0.04	1271220	0.17
40001 – 50000	19	0.02	879570	0.12
50001 – 100000	40	0.05	2956420	0.41
100001 and above	72	0.09	690958730	94.78
Total	82,094	100	729017330	100

Categories of shareholders

Category	Shares	Percent
Clearing member	139,236	0.20
Other bodies corporate	1,641,105	2.25
Corporate financial institutions	543,869	0.75
Foreign institutional investors	1,858,615	2.55
Nationalized banks	16,850	0.02
Non-nationalized banks	700	0.00
NRI	1,252,188	1.72
Non-resident (non-repatriable)	167,654	0.23
Office bearers	57,716	0.08
Overseas corporate bodies	11	0.00
Public	3,599,649	4.94
Promoters	63,331,350	86.87
Relatives of director	90,030	0.12
Other directors	95,706	0.13

Cont'd.

Category	Shares	Percent
Trusts	103,295	0.14
GIC & its subsidiaries	1,759	0.00
Foreign venture capital	2,000	0.00
Total	72,901,733	100

R&T agents and share transfer system

Link Intime India Private Limited (formerly Intime Spectrum Registry Limited)
C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup (West)
Mumbai 400 078
Tel: (91 22) 2596 0320
Fax: (91 22) 2596 0329

Process for the transfer of shares

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

Link Intime India Private Limited (formerly Intime Spectrum Registry Limited)
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (West)
Mumbai 400 078
Tel: (91 22) 2596 0320
Fax: (91 22) 2596 0329

Shares held in physical and dematerialised form

As on March 31, 2009, 99.99 % of the Company's equity shares were held in dematerialized form and the rest in physical form.

Outstanding GDRs / ADRs / warrants / convertible instruments and their impact on equity

As on March 31, 2009, the Company does not have any outstanding GDR's / ADR's / 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 RGT Agents.

Members holding shares in electronic form are requested to give the nomination request to their respective depository participants directly.

Investor grievances

Status of investor grievances received from April 1, 2008 to March 31, 2009 are as follows.

Nature of Complaint	Balance as on April 01, 2008	Received during the year	Resolved during the year	Balance as on March 31, 2009
Non-credit of shares	0	5	5	0
Non-receipt of refund	0	9	9	0
Correction in refund orders	0	1	1	0
Others	0	23	23	0
Total	0	38	38	0

Address for correspondence

For any queries, please write to

Mr. N Venkatramani
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: ramani@sobha.co.in
investors@sobha.co.in

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@sobha.co.in
investors@sobha.co.in

Website

The Company's website www.sobhadevelopers.com contains comprehensive information about the Company, products, 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, distribution of shareholding, dividend, etc.

Secretarial compliance report for the year ended March 31, 2009.

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

I have examined the records, registers, and papers of Sobha Developers Limited (hereinafter referred to as ("the Company"), required to be maintained under 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 for the year ended March 31, 2009.

On the basis of my examination as well as information and explanations furnished by the Company and the records made available to me, I report that:

1. 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".

2. The Board of Directors of the Company is duly constituted in accordance with the Act and in 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").

3. a. The Board of Directors of the Company met 4 times, during the financial year viz. May 30, 2008, July 24, 2008, October 30, 2008 and January 31, 2009 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the Minutes book.

b. 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 29, 2008, July 23, 2008, October 30, 2008 and January 30, 2009 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the Minutes book.

c. The Investors Grievance Committee constituted as per Clause 49 of the listing agreements, duly met 4 times during the financial year, viz. May 30, 2008, July 24, 2008, October 30, 2008 and January 31, 2009 in respect of which meetings, proper notices were given and the proceedings were properly recorded and signed in the Minutes book.

d. 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.

4. The Board of Directors has constituted a Share Transfer Committee. This Committee held 3 meetings during the period under report viz. June 30, 2008, February 16, 2009 and February 28, 2009. The above Committee has approved rematerialisation of shares. The proceedings of the above meeting have been properly recorded, signed in the Minutes book maintained for the purpose.

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

6. The Company closed its Register of Members and Share Transfer Books from July 18, 2008 to July 24, 2008 (both days inclusive) and necessary compliance of Section 154 of the Act has been made.

7. The Annual General Meeting for the financial year ended on 31st March 2008 was held on July 24th, 2008 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.

8. During the Financial Year, 1 (One) Extraordinary General Meeting of the Company was held on 22nd September, 2008 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.

9. The Company has appointed M/s Link Intime India Private Limited, (formerly Intime Spectrum Registry Limited), as its Registrar and Share Transfer Agents.

10. The Company

(i) has delivered all the certificates on lodgment thereof for rematerialisation of shares.

(ii) has deposited the amount of dividend declared at the Annual General Meeting held on July 24th, 2008, in a separate bank account on July 29th, 2008 with HDFC Bank Limited within 5 days from the date of declaration of such dividend in accordance with the provisions of Section 205 of the Act.

(iii) 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 been remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund as there were no cases.

11. The appointments of Managing Director, Whole-time 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.

12. 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 Companies Act, 1956.

13. None of the Directors are disqualified under section 274(1) (g) of the Act.

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

15. 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.

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

17. The Company has filed the Continual Disclosure in terms of the Regulation 8 (3) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 with the Stock Exchanges.

18. The Company has filed Annexure – B with the Stock Exchanges informing the details of the Equity Shares Pledge by Mrs. Sobha

Menon in terms of the Regulation 8A (4) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as amended from time to time.

19. The Company has not issued any shares during the financial year under scrutiny.

20. The Company has issued Redeemable Non Convertible Debentures amounting to Rs. 1,950 Million (Rupees One Thousand Nine Hundred and Fifty Million) only. The Company has not issued any 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 Redeemable Non Convertible Debentures amounting to Rs. 2,819.90 Million (Rupees Two Thousand Eight Hundred Nineteen point Ninety Million) only during the year under report and has extinguished Commercial Paper amounting to Rs. 2,000 Million (Two Thousand Million) only which was issued during the financial year 2007-08.

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 altered the provisions of the memorandum with respect to share capital of the Company at its Extraordinary General Meeting of the Company held on 22nd September 2008 during the year under scrutiny. The Authorised Share Capital of the Company is Rs. 2,000,000,000/- (Rupees Two Thousand Million Only) comprising of 150,000,000 (One Hundred and Fifty Million Only) Equity shares of Rs. 10/- (Rupees Ten only) each and 5,000,000 (Five Million only) Preference shares of Rs. 100/- (Rupees one Hundred Only) each. The amendments to the Memorandum of Association have been duly filed with the Registrar of Companies, Karnataka.

28. The Company has not altered its Articles of Association during the financial year under report.

29. The NSE, Designated Stock Exchange of the Company has released 1% Security Deposit which was deposited by the Company during its initial Public Offer as per the SEBI (Disclosure of Investor Protection) Guidelines, 2000.

30. The Company has not complied with Clause 19 of the Listing Agreement in considering the issue of Rights Shares to the Existing Members of the Company. The NSE has issued a letter requesting the Company to furnish the details and provide explanations to them. The Company has furnished the details and explanations to the NSE.

31. The Office of the Registrar of Companies (ROC) had conducted a Technical Scrutiny of Balance Sheet as at March 31, 2007. The ROC has issued letter to the company seeking information and explanations with regards to violation under Section 314 and 295 of the Companies Act, 1956. The ROC has also issued Show cause Notice to the Company in respect of the violation of Section 211, 297, 211(3A) and 217(1)(e) of the Companies Act, 1956. The Company has suitably replied to the above letter and Show cause Notice received from the ROC.

Nagendra D Rao
Practicing Company Secretary
FCS 5553
CP No. 7731

Place: Bengaluru
Date: May 18, 2009

I. Human Resource Management

"It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change" - Charles Darwin

Economic meltdown, widespread layoffs, crashing stock markets, bankruptcy of super giant corporates - last year has seen all of this. Supporting and motivating the workforce during a downturn is an uphill task. On the positive side, this also gives us the much-needed opportunity and time to make our operations even more efficient and effective. This situation has been handled in a professional and transparent manner through direct and unambiguous communication to keep people together and build credibility.

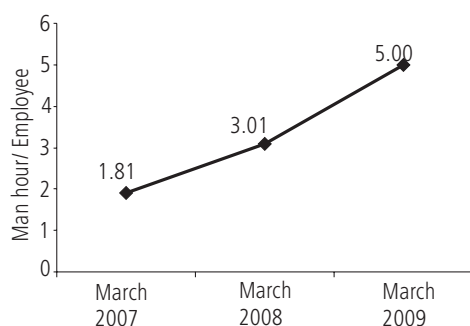
Training

During turbulent times it is important as an organization to focus more on training employees and ensuring that the value added from the training would benefit the individual and the organization when the market recovers.

Though cost cutting is the order of the day and inevitable in all areas, an exception to this rule is in the area of training & development considering the fact that cuts in training budget may significantly undermine employee engagement. To minimize cost and at the same time improve training activities, efforts have been consciously taken to involve more of our in-house faculty rather than external trainers, and programs are held at our offices and sites instead of outbound locations. In fact, we now have a large talent pool of internal trainers whose expertise is being made use of.

Some of the new programs include Discipline and Disciplinary Actions in the Industry, Refresher Development Program and Interpersonal Skills for middle level managers and Sales Training for certain employees in the organization who have taken up the task of driving sales through employee referrals.

Behavioral training trend



Participation in external employee satisfaction survey

We have participated in an External Employee Satisfaction Survey 'Best Companies to Work for in India: 2008' conducted jointly by the BT-Mercer-TNS team. The employee feedback has been extremely positive and areas for improvement are being worked upon.

Institutionalization of online performance managements system

We have successfully implemented the Performance Management Module in Mpower, our HR ERP application. The impact of massive training conducted across the organization has ensured that

employees at all levels become familiar with this process and technology. This has reduced cumbersome paper work and is a step towards a paperless work environment. Today every Sobha employee has come a long way; he identifies himself with the Nine Behavioral Competencies.

Sobha Academy

Fairness at Work, Employee Code of Honor, Values and Ethics and related topics are a few of the training programs that the HR – Team handles at the Construction Engineering and Management Program held for engineers periodically.

Sobha annual awards function 2008

Employee recognition is a tool that reinforces and rewards the most important outcomes people create for the business. The annual Sobha Award function was held on Tuesday, 26th August 2008 at Sobha Academy, Jakkur to recognize employees for their outstanding contributions to the growth of the organization. The awards were in the following categories:

- Association Awards: Fifty employees were recognized and awarded for successfully completing 5 years of service. Ten employees were recognized and awarded for completing 10 years in the company.
- Innovation Awards: Thirteen employees were appreciated and awarded for giving innovative ideas that resulted in significant cost saving for the organization.
- Safety Day Awards: Thirty-seven employees were appreciated and felicitated for their contribution by way of poems, quotes, slogans in making the Safety awareness campaign in the organization a success.
- Inter Corporate Cultural Fest Award: Six employees were awarded for winning at the Inter Corporate Cultural Event.

II. Environment, Health and Safety (EHS)

EHS Management System Certification

The financial year 2008-09 will be remembered as a benchmarked year. The Company's objective of achieving EHS certification, i.e., international standards for Environmental Management system ISO 14001:2004 and Occupational Health and Safety Assessment Series OHSAS 18001:2007, was fulfilled in January 2009. This EHS milestone could be achieved because of the dedication and team work of all the staff at all levels.

Globally accepted EHS management system standards will help the Company for achieving excellence in environmental protection as well as in the areas of health and safety on a continuous basis.

The Certification was awarded by Bureau Veritas Certification India Pvt. Ltd., a globally reputed certification body, after a stringent and meticulous audit process.

Mission green earth participation

During the year 2008 – 09 in line with EHS policy commitments, the Company joined hands with United Nation's Environmental Protection (UNEP) and Art of Living Foundation in their Mission Green Earth and Stand Up Take Action Campaign, 2008 aimed at raising voices for the Millennium Development Goals program and to eradicate global poverty. The main objective of the program is to plant 7 billion trees worldwide and 1 billion in India by 2009. Planting trees will help protect the environment in the following ways

- Reduce global warming
- Have a clean & green environment
- Replenish ground water
- Protect biodiversity
- Promote global cool

As part of 'Mission Green Earth', Sobha has planted over 500 saplings across its projects beginning from 15th July 2008 in Bangalore. Furthermore, on October 18, 2008, two thousand employees came together to take the Millennium Development Goals pledge.

The Company has plans to extend the tree plantation program to all its projects. It has set itself the objective of planting at least 100 saplings every quarter. All the employees have also been urged to adopt a tree and support such noble initiatives by spreading the word to relatives and neighbors. In this way the Company is ensuring we hand over a greener and safer earth to our future generations.

Carbon Disclosure Project Reporting

The Company is committed to reducing pollution and adopting cleaner technology. We have shown the commitment and willingness to voluntarily reduce CO₂ emission in the atmosphere due to its activities by becoming a part of the Carbon Disclosure Project (CDP).

The Company has defined the reporting boundaries and baseline year for emission reduction in the Carbon Disclosure Project (CDP).. The methodology for monitoring and reporting GHG emission is in the draft stage based on the Company's recommendation.

Earth hour participation

The Company observed the 3rd Earth Hour by switching off all lights at all our offices and sites for one hour on 25th, 26th, 27th and 28th March 2009. An extensive campaign was arranged to create awareness among our employees about climate change and its effects by showing a film on climate change and other presentations on global warming.

Employees calculated their Green House Gas (GHG) emission and went through remedial measures to reduce GHG emission individually using an indigenously developed GHG calculator.

During three days of participation in Earth Hour, approximately 2.5% electricity conservation was observed per day. This is equivalent to 8071.68 kg CO₂ emission per year.

Safety day celebration

March 4th is celebrated as National Safety Day throughout the country. This year is the 38th anniversary and the Safety Day was celebrated at all our sites and offices in a great manner.

Elaborate arrangements were made for the celebrations. The itinerary included hoisting of safety banners; committing ourselves to the cause of health, safety and protection of our environment and to do everything possible for the prevention of accidents (safety pledge); distribution of safety badges; display of vital information on accident prevention, site safety and office safety; conducting safety tool box meeting and awareness training program for employees and workers.

Training details

EHS Training Program	Number of Programs	Employees and workers participated	Remark
First Aid	8	242	Conducted with the help of in house resources.
Fire Fighting	88	2,317	
Stress Management	5	87	
Environment, Health and Safety Awareness	18	540	
Tool Box Talks	5,937	2,500	
Safety Committee Meetings	122	989	

EHS events

EHS Event	Number of Programs	Employees and workers participated	Remark
Evacuation Drills	13	2,800	Average participation during each drill
Medical Camps	30	1,200	

Legal compliance

Site Inspections MOEF / KSPCB	Number of Inspections	Status
MOEF/SEIAA	3	Complied with all queries raised during inspection
KSPCB	6	Complied with all queries raised during inspection

The Company is closely monitoring on the water requirement in all our projects and taking steps to ensure we conserve the precious water. The below data indicates the Water Conservation and Management activities at our projects.

Water Conservation	M ³ /Day	M ³ /Month
Water demand for 8 completed projects*	1,055.25	3,1657.5
Conservation of water	367.2	11,016
% water conservation after commissioning of flushing system with treated sewage from sewage treatment plants	40%	

* Projects where toilet flushing system is connected to STP treated water line.

Waste handling and management

The Company has institutionalized the waste handling methods at our projects the data in the table gives an over all view of the activities under taken by the Company.

Waste Description	Quantity	Waste category of hazardous waste handling and management rule, 2004	Amount received from disposal of waste for recycling (Rs.)	Remark
Waste Oil	3580 Ltr	Hazardous waste category No. 5.1	48,339	MOU is signed with pollution control board authorised recycler for the disposal
Electronic waste	476 Nos.	Hazardous waste category No. 31.1	9,876	
Cotton waste generated	255 Kg	Hazardous waste category No. 5.1	3,850	

III. Corporate Social Responsibility

A solid foundation is required for a sturdy edifice. And sure enough, ours is built on rock hard building blocks - those of quality, transparency, fair play, integrity and honesty. At Sobha, social responsibility is first demonstrated within the organization. From conforming to all legalities to fair pricing, from keeping up its promise of highest quality products to dedicated services, from being honest to practicing and promoting high standards of ethics throughout the Company, we believe that Sobha acts as a socially responsible corporate citizen.

At the same time, it hasn't overlooked the wealth of opportunities that exist in society and the community at large. Having been sensitive to social issues right from inception, Sobha takes the act of giving back to society seriously and as an on-going process. The CSR approach is to strengthen our commitment to responsible practices in the following areas:

- Corporate governance and management practices
- Human resource management
- Human rights
- Community investment & involvement
- Environment, health & safety
- Stakeholder relations

A. Community development programs

Sobha Developers Limited, through its Sri Kurumba Trust, has set a new benchmark in corporate social responsibility by adopting two underdeveloped villages, 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 the Company. The trust operates to improve various core areas of socio-economic development like healthcare, education and employment for around 15,000 people belonging to the two villages.

The CSR activities include a four-prong strategy for the overall development of the twin villages, i.e., providing healthcare, education, water and employment to the people.

- Sobha Health Care - Medical center with resident doctor, visiting consultants and paramedics. All the staff are specially trained by professionals. This Primary Health Care Center is equipped with facilities like treatment room, nurse station, ECG, x-ray room (with developing facilities), ultrasound scanning, fully computerized biochemistry and hematology laboratories, a well-equipped casualty room and minor OT. This healthcare center is equipped with primary health facilities like central oxygen, public address system and hospital management software. The walls are tiled so that they can be cleaned easily, and corridors have railings so that the ailing people can move around easily. The health center is manned by a doctor couple who were earlier working in Nigeria. The

ophthalmologist and dentist visit the center twice a week. The hospital equipment is of international standards. The six-bed polyclinic provides treatment at reasonable charges.

- Sobha Academy – This state-of-the-art school is free for the children of the two panchayats mentioned above. The school commenced its first session on June 1, 2007 and provides free education and food to around 1,300 students. Other facilities like swimming pool and library will also be provided. The school follows the ICSE syllabus. There is only one criterion necessary to procure admission in the school – the student should be from the poorest of the poor families in the locality. This school with its international scale facilities provides each student all three meals, school uniform and books free of cost.

The Group proposes to construct two rainwater-harvesting facilities in 70 acres of land to provide drinking water to these two panchayats as they reel under an acute water shortage.

- The fourth strategy is to establish an industry and start group farming to provide employment to hundreds of youth of the two villages.

Sobha Hermitage, a senior citizens home, is located on a 23-acre land in the midst of estates. The Hermitage has 50 spacious double occupancy units and part of it is provided free of cost to senior citizen who can not afford .

B. Social empowerment mapping exercise

Identification of BPL families: This is a unique socio-economic database created by the Sri Kurumba Trust to support the CSR initiatives and to identify its beneficiaries. The Social Empowerment Mapping Exercise (SEME) uses the Family Baselines Data Form for identifying the poorest of the poor- through an extensive and exhaustive data collection program directed at measuring the socio economic milieu of the two villages. It helps the Trust to formulate a clear cut plan and prioritise the areas which need immediate attention in order to achieve overall welfare.

C. Employment generation in rural areas through vocational training

The Tradesmen Training Division of Sobha Academy, Bangalore, is part of Sobha's CSR activities. The Academy has partnered with the Society for Non Formal Technical Training and Education (SNFTTE), Thally, (promoted by Myrada, an NGO working for rural development). The venture aims at developing and designing unique vocational training programs in the building construction trade for youth from underdeveloped areas. This will empower them to secure sustainable and steady employment.

Sobha Offices

REGISTERED OFFICE

E – 106, Sunrise Chambers,
22 Ulsoor Road,
Bangalore – 560 042, India
Tel: +91 80 2559 7260 / 2559 4139 / 25550695
Fax: +91 80 2559 4138
www.sobhadevelopers.com
investors@sobha.co.in

CORPORATE OFFICE

4, Neeladri Plaza,
Raja Ram Mohan Roy Road,
Richmond Circle,
Bangalore – 560 025, India
Tel: +91 80 2210 4561 / 62 / 63 / 64 / 65 / 66
Fax: +91 80 2210 4569

MARKETING OFFICE

#368, 7th Cross, Wilson Garden,
Bangalore - 560 027, India
Tel: +91 80 22295936 / 37 / 38
Fax: +91 80 22120852
marketing@sobha.co.in

FINANCE AND AUDIT OFFICE

43, 2nd Floor, Dickenson Road,
Bangalore-560 042, India
Tel: +91 80 25564980 / 81, 25307244,
Fax: +91 80 25304278

BRANCHES

CHENNAI

115, 1st Floor, Kothari Building,
Mahatma Gandhi Salai,
Nungambakkam, Chennai - 600 034, India
Tel: +91 44 2833 1901
Fax: +91 44 2833 1906
sales.chennai@sobha.co.in

GURGAON

O- III 47, Block- C1,
3rd floor, Palam Vyapar Kendra
Palam Vihar
Gurgaon - 122 017, India
Tel: +91 124 4218145
sales.delhi@sobha.co.in

PUNE

1st Floor, Galaxy Garden, North Main Road,
Koregaon Park, Pune-411 001, India
Tel: +91 20 26053217 / 26053219
Fax: +91 20 26053562
punesales@sobha.co.in

THRISSUR

Sobha City, Puzhakkal,
Thrissur – 680 553, India.
Tel: +91 487 2389770/1
Fax: +91 487 2389773
sobhacity.sls@sobha.co.in

COIMBATORE

Harishree Gardens,
Thondamuthur Main Road,
Vedappatti,
Coimbatore - 641 007, India
Tel- 0422 2617905/906
sales.coimbatore@sobha.co.in

MANUFACTURING UNITS

INTERIORS DIVISION

Plot No: 9, JBLR Industrial Area,
Hennagara Post,
Anekal Taluk, Bommasandra,
Bangalore-562 106, India
Tel: + 91 80 27831412 / 13 / 14 / 15

GLAZING & METAL WORKS DIVISION

Plot No: 10, JBLR Industrial Area,
Hennagara Post,
Anekal Taluk, Bommasandra,
Bangalore-562 106, India
Tel: + 91 80 22631702

CONCRETE PRODUCTS DIVISION

Plot No: 329, Bommasandra JBLR Industrial Area,
Anekal Taluk, Bangalore -562 106, India
Tel: +91 80 27825177 / 27825220
Fax: +91 80 27825777

SOBHA DEVELOPERS LIMITED

NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Members of the Company will be held on Wednesday, the 24th day of June 2009 at Sobha Academy, Sobha Suburbia, 107 / 108, Behind Jakkur Flying Club, Jakkur Village, Bangalore 560 064 at 10.00 AM to transact the following business:

Ordinary business

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2009, 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 for the year ended 31st March, 2009.
3. To appoint a Director in place of Mr. Anup Shah, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Dr. S K Gupta, who retires by rotation and being eligible offers himself for reappointment.
5. To consider and if thought fit, to pass the following resolution with or without modification(s), 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 of the company, at a remuneration to be fixed by the Board of Directors in consultation with the Auditors."

Special business

6. To consider and if thought fit, to pass the following resolution with or without modification(s), as an **Special Resolution**:

RESOLVED THAT pursuant to the provisions of Section 61 and other applicable provisions of Companies Act, 1956 and other applicable provisions of the laws, rules and regulations for the time being in force, the consent of the Members be and is hereby accorded to the Company and ratifying the variations, if any in the utilization of the proceeds, arising out of the issue of equity shares allotted pursuant to the Prospectus dated December 01, 2006 (the "Prospectus") filed by the Company with the Registrar of Companies, Karnataka as under:

Particulars	Utilisation as given in Prospectus	Utilisation as on date
Towards Land Acquisition	2,343	2,569
Development and Construction of Projects	1,425	1,218
Repayments of Loans of the Company	1,322	1,587
General Corporate Purposes	254	-
Total	5,344	5,374

RESOLVED FURTHER THAT the Board of Directors or committee thereof be and are hereby authorized to do all such necessary acts and execute such deeds, documents and papers as may be necessary and deem fit to give effect to aforesaid Resolution."

By Order of the Board
For Sobha Developers Limited



Place: Bengaluru
Date: May 18, 2009
N. Venkatramani
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 Register of Members and the Share transfer Books of the Company will remain closed from 15th June 2009 to 19th June 2009 (Both days inclusive) for the purpose of payment of Dividend.

4. The Dividend for the year ended March 31, 2009, if declared at the meeting will be paid to those members of the Company holding shares in physical form whose names appear on the Register of Members of the Company as on June 19, 2009. In respect of shares held in electronic form, the dividend will be paid to the beneficial owners of the shares as on close of June 19, 2009, as per the details provided by the Depositories for this purpose.

5. Members who have not yet encashed their dividend warrants for the earlier years, are requested to write to the Company Secretary & Compliance officer at the Registered Office of the Company at E-106, Sunrise Chambers, 22, Ulsoor Road, Bangalore – 560 042 or send an email to: investors@sobha.co.in 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 authorised representatives to attend the Meeting are requested to send a certified copy of the Board Resolution authorising 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 Investors queries / Complaints / Grievances may be addressed to investors@sobha.co.in

11. 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.co.in before 48 hours of the date of Extraordinary General Meeting and be present at the Corporate Office before 8.00 AM of June 24, 2009.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956 IN RESPECT TO THE SPECIAL BUSINESS

Item No. 6

The Members at their Extraordinary General Meeting held on 28 June, 2006 had approved the Initial Public Offer ("IPO") of equity shares of Sobha Developers Limited (the "Company"). Accordingly, the Company made an offer of 8,896,825 equity shares through 100% book building route with a price of Rs 640 per share, including equity shares under the employee reservation portion. The issue opened on 23 November, 2006 and closed on 29 November, 2006. The Company received Rs. 5693.9 million from the IPO as the issue proceeds (the "Issue Proceeds"). The net Issue Proceeds, after deduction of IPO related expenses, were Rs. 5374 million.

The Objects of the Issue as per Prospectus dated December 01, 2006 (the "Prospectus") and the actual utilization of the proceeds of the IPO as under:

Particulars	Utilisation as given in Prospectus	Utilisation as on date
Towards Land Acquisition	2,343	2,569
Development and Construction of Projects	1,425	1,218
Repayments of Loans of the Company	1,322	1,587
General Corporate Purposes	254	-
Total	5,344	5,374

In terms of the Prospectus dated December 01, 2006, the Board of Directors or Committee of Board would have flexibility in deploying the Net Proceeds received by the Company from the Issue.

The provisions of the Companies Act, 1956, require the Company to obtain the approval of the members for any variation in the use of funds and use of issue proceeds as referred in the Prospectus. Hence the proposed resolution.

None of the Directors is interested in this Resolution.

The Board recommends the Special Resolution set out at Item No. 6 for approval by the members.

ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT OR SEEKING RE ELECTION AT THE ANNUAL GENERAL MEETING:

MR. ANUP SHAH

Profile

Mr. Anup Shah, is an Independent Director of our Company. He has a bachelor's degree in commerce from HR College, Mumbai and a degree in law from Government Law College, Mumbai. He has over 24 years of experience in the field of law, specifically real estate law. 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.

Additionally Mr. Anup Shah is

1. Chairman of the Audit Committee of Puravankara Projects Limited.
2. Member of Audit Committee & Chairman of Remuneration Committee of Sobha Developers Limited

Other Directorships in Indian Companies

1. Puravankara Projects Limited

Shareholding: Mr. Anup Shah holds 4300 Equity Shares of Rs. 10/- each of the Company as on the date of this Notice.

Inter se relationship with other Directors

Mr. Anup Shah is not related to any other Director of the Company in terms of revised Clause 49 of the Listing Agreement.

DR. S.K.GUPTA

Profile

Dr. S. K. Gupta is a Metallurgical Engineer with Ph.D. (Tech.) & D.Sc. (Tech.) from Moscow. He has over 47 years of experience in the field of metallurgy, engineering and management in the steel domain. He has experience in the fields of research and development, engineering and management of steel plants, and large engineering companies in the public and private sector and has formerly occupied the prominent positions of President / Managing Director / Executive Vice Chairman of Jindal Vijayanagar Steel Limited; Managing Director of Rourkela Steel Plant, Steel Authority of India Limited; Chairman and Managing Director, Metallurgical and Engineering Consultants (MECON); and Managing Director, Mishra Dhatu Nigam Limited (MIDHANI), Ministry of Defense. He was a Professor and Head of the Department of metallurgical engineering at the Indian Institute of Technology, Bombay and a member of the Board of Industrial Development Bank of India and various other national institutions

He served as the Chairman of the Government of India task force on Steel Growth plan till 2010. He was the recipient of the "Metallurgist of the Year" award instituted by the Government of India in 1980 and was conferred the National Metallurgist award in 1998. He has more than 100 research publications in leading journals in metallurgy and management.

The Board of Directors considers that the continuance of Dr. S.K.Gupta on the Board of the Company will be beneficial to the Company and recommends the resolution for your approval. Additionally Dr. S K Gupta is:

Sl. No	Name of the Company	Name of the Committee	Member/ Chairman
1.	JSW Steel Limited	1.Audit Committee 2.Remuneration Committee 3.Investor Grievance Committee 4.Share Allotment Committee 5.Project Review Committee	Member Chairman Chairman Member Member
2.	Jindal South West Holding Limited	1.Audit Committee 2.Investor Grievances Committee 3.Remuneration Committee	Member Member Member
3.	Vesuvius India Limited	1.Audit Committee 2.Share Transfer & Investor Grievance Committee	Chairman Member
4.	Surana Industries Limited	1.Share Transfer & Investor Grievance Committee 2.Remuneration Committee	Chairman Chairman
5.	Sobha Developers	1.Investor Grievance Committee 2.Audit Committee	Chairman Member
6.	Bhuwalka Steel Industries Limited	1. Audit Committee	Member

Other Directorships in Indian Companies

1. JSW Steel Limited.
2. Jindal Saw Limited.
3. Vesuvius India Limited.
4. IVRCL Infrastructures & Projects Limited
5. Jindal South West Holdings Limited.
6. Surana Industries Limited
7. Bhuwalka Steel Industries Limited
8. BMM Ispat Limited

Shareholding: Dr. S.K.Gupta holds 435 Equity Shares of Rs. 10/- each of the Company as on the date of this Notice.

Inter se relationship with other Directors

Dr. S K Gupta is not related to any other Director of the Company in terms of revised Clause 49 of the Listing Agreement.

SOBHA DEVELOPERS LIMITED

Registered Office: E-106, Sunrise Chambers,
22, Ulsoor Road,
BANGALORE – 560 042.

ATTENDANCE SLIP

Fourteenth Annual General Meeting - June 24, 2009.

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 Fourteenth Annual General Meeting of the Company at Sobha Academy, Sobha Suburbia, 107 / 108, Behind Jakkur Flying Club, Jakkur Village, Bangalore 560 064 on Wednesday, the 24th day of June 2009 at 10.00 AM.

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

✂ Please tear here

SOBHA DEVELOPERS LIMITED

Registered Office: E-106, Sunrise Chambers,
22, Ulsoor Road,
BANGALORE – 560 042.

PROXY FORM

Fourteenth Annual General Meeting - June 24, 2009.

Regd. Folio No / DP Client ID

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I/ We..... of in the district of being a member(s) of Sobha Developers Limited hereby appoint of in the district of or failing him /her of in the district of

as my / our proxy to vote for me / us on my / our behalf at the Fourteenth Annual General Meeting of the company to be held on Wednesday, the 24th day of June 2009 at Sobha Academy, Sobha Suburbia, 107 / 108, Behind Jakkur Flying Club, Jakkur Village, Bangalore 560 064 at 10.00 AM and at any adjournment thereof.

Signed this day of 2009.

Signature:

Affix
Revenue
stamp

Note: The proxy in order to be effective must be deposited at the Registered Office of the company at the above address not less than 48 hours before the time for holding the aforesaid meeting and should be duly stamped, completed and signed.

