

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Twenty Fifth Annual Report on the business and operations of the Company together with the audited results for the financial year ended March 31, 2020.

Financial Highlights

(₹ In million)

Particulars	Standalone		Consolidated	
	2019-20	2018-19	2019-20	2018-19
Total Revenue	38,304.87	34,337.78	38,256.59	35,155.41
Operating Expenditure	26,488.29	27,142.98	26,386.16	27,687.84
Earnings before Interest, Depreciation and Amortisation	11,816.58	7,194.80	11,870.43	7,467.57
Depreciation and Amortisation	673.52	582.35	722.85	623.17
Finance Cost*	6,732.28	2,293.37	6816.03	2,362.20
Profit Before Tax	4,410.78	4,319.08	4,331.55	4,482.20
Tax Expenses				
• Current Tax	444.49	975.20	451.90	987.47
• Deferred Tax Charge / (credit)	1,071.50	478.63	1,062.96	524.80
Profit after Tax	2,894.79	2,865.25	2,816.69	2,969.93

* Includes notional interest accrued on advance from customers as per ind AS 115 amounting to ₹ 878 million, ₹ 882 million for the three months ended 31 March, 2020, 31 December, 2019 respectively and ₹ 3,558 million for the year ended 31 March, 2020.

There have been no material changes and commitments effecting the financial position of the Company which have occurred between the end of the financial year to which the balance sheet relates and the date of this report.

BUSINESS AND OPERATIONS

A. Business Overview

The Company is operating in the following two segments:

- Construction and development of residential and commercial projects
- Contractual projects

A summary of completed and ongoing projects as on March 31, 2020 has been detailed in the Management Discussion and Analysis Report titled 'Management Report' forming part of the Annual Report.

B. Financial Overview

Standalone

During the Financial Year 2019-20, the Company has on a standalone basis, earned total revenues of ₹ 38,304.87 million as compared to ₹ 34,337.78 million in the previous year,

an increase of 11.5% y-o-y. The Profit before Tax during the year was ₹ 4,410.78 million as against ₹ 4,319.08 million in the previous year, increased by 2.12 % and Profit after Tax during the year was ₹ 2,894.79 million as against ₹ 2,865.25 million in the previous year, that is, an increase of 1.03%.

Consolidated

The consolidated revenues of the Company during financial year 2019-20 were ₹ 38,256.59 million, an increase of 8.82% from the previous year. Profit before tax decreased by 3.36 % and profit after tax (after considering minority interest) decreased by 5.16% as compared to financial year 2018-19.

Transfer to Reserves

Your Directors propose to transfer ₹ 289.48 million of the current profits to the General Reserve.

Dividend

The Board of Directors, subject to the approval of the shareholders at the ensuing Annual General Meeting are pleased to recommend a dividend of ₹ 7 per equity share of ₹ 10 each.

C. Operational Overview

Completed Projects

During the year under review, the Company executed and handed over 3.98 million square feet real estate projects and 1.88 million square feet of contractual projects resulting in an aggregate development of 5.86 million square feet.

The Company has completed construction of 109.74 million square feet of area since inception

Ongoing Projects

The Company currently has real estate projects aggregating 39.36 million square feet of developable area. It has 9.44 million square feet of ongoing contractual projects which are under various stages of construction.

The Company has a geographic presence in 27 cities across 14 states in India.

SHARE CAPITAL RELATED MATTERS

A. Share Capital

The authorized share capital of the Company is ₹ 2,000,000,000 divided into 150,000,000 equity shares of ₹ 10 each and 5,000,000 preference shares of ₹ 100 each. At the beginning of the year under review, the issued, subscribed and fully paid up capital was ₹ 948,458,530 divided into 94,845,853 equity shares of ₹10 each. There was no change in the issued, subscribed and fully paid up share capital of the Company during the year under review. Sobha Limited is a public limited company and its equity shares are listed on the National Stock Exchange of India Limited and BSE Limited.

B. Buyback of Equity Shares

There was no buyback offer made by the Company during the period under review.

C. Changes in Subsidiaries, Joint Ventures and Associates

During the year under review, the Company has subscribed to the entire equity share capital of Sobha Construction Products Private Limited thereby making it a wholly owned subsidiary of Sobha Limited.

Also, Sobha Developers (Pune) Limited, a wholly owned subsidiary of the Company, during the year, acquired the shares of Sobha Interiors Private Limited, Kuthavakkam Builders Private Limited and Kuthavakkam Realtors Private Limited making them a wholly owned subsidiaries of Sobha Developers (Pune) Limited. With this acquisition, as on the date of this report, the Company has six direct subsidiaries and five step down subsidiaries.

BOARD OF DIRECTORS AND ITS COMMITTEES

A. Composition of the Board of Directors

As on 31st March, 2020, the Board of Directors of the Company comprises of eight Directors of which, four are Non-Executive Independent Directors and four are Executive Directors. The composition of the Board of Directors is in compliance with Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) and Section 149 of the Companies Act, 2013.

The Company has received necessary declarations from the Independent Directors stating that they meet the criteria of independence as specified in Section 149(6) of the Companies Act, 2013 and Regulation 25(8) of the Listing Regulations.

Mr. Sumeet Puri and Ms. Srivathsala K N who were appointed during the year as Independent Directors are experts in the field of Finance (Banking, Accounts, Audit) and investments and are able to contribute effectively to the overall performance of the Company.

B. Changes in Directors and Key Managerial Personnel

During the year under review, the Company inducted Mr. Seetharam T P as Whole-time Director with effect from April 1, 2019 and Mr. Sumeet Jagdish Puri as Non-Executive, Independent Director and Mr. Jagadish Nangineni as Deputy Managing Director with effect from July 8, 2019. Dr. Punita Kumar Sinha, Non-Executive Independent Director vacated the office of Director effective 6th October, 2019 as she has completed her

tenure of a term of 5 years as an Independent Director.

The Board vide Circular Resolution dated 4th January, 2020 appointed Ms. Srivathsala K N as an Additional Director designated as Non-Executive Independent Director of the Company effective 4th January, 2020. The Board recommends to the shareholders the appointment of Ms. Srivathsala K N as Director designated as Non-Executive Independent Director of the Company for a consecutive period of 5 years effective 4th January, 2020.

Except the above, there were no changes in the Company's Key Managerial Personnel.

C. Meetings

During the year under review, the Board of Directors met 6 times on the following dates:

- May 17, 2019
- July 8, 2019
- August 9, 2019
- November 8, 2019
- February 1, 2020
- March 19, 2020

In accordance with the provisions of the Companies Act, 2013, a separate meeting of the Independent Directors of the Company was held on 19th March, 2020.

D. Re-appointment of Directors Retiring by Rotation

Pursuant to the provisions of Section 152 of the Companies Act, 2013, Mr. Ravi PNC Menon, Director (DIN: 02070036) is liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. The Board of Directors based on the recommendations of the Nomination, Remuneration and Governance Committee, have recommended the re-appointment of Mr. Ravi PNC Menon, Director retiring by rotation.

The Notice convening the Annual General Meeting includes the proposal for re-appointment of Mr. Ravi PNC Menon as

a Director. A brief resume of Mr. Ravi PNC Menon has been provided as an Annexure to the Notice convening the Annual General Meeting. Specific information about the nature of Mr. Ravi PNC Menon's expertise in specific functional areas and the names of the companies in which he holds directorship and membership / chairmanship of Board Committees have also been provided in the Notice convening the Annual General Meeting.

E. Performance Evaluation

In terms of Section 134 (3) (p) read with Articles VII and VIII of Schedule IV of the Companies Act, 2013, the Board has carried out an annual performance evaluation of its own performance and that of its statutory committees – the Audit Committee, Stakeholder Relationship Committee, Nomination, Remuneration and Governance Committee and that of Individual Directors.

The Board assessed the performance and the potential of each of the Independent Directors with a view to maximizing their contribution to the Board. As envisaged by the Act, the Independent Directors reviewed the performance of the Chairman of the Board at a meeting especially called for that purpose. At the same meeting, a review of the Executive Directors was also carried out.

F. Directors' Responsibility Statement

According to the information and explanations obtained, pursuant to Section 134(5) of the Companies Act, 2013, your Directors hereby confirm that:

- a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
- b) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end

- of the financial year and of the profit of the Company for that period;
- c) proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
 - d) the annual accounts have been prepared on a going concern basis;
 - e) internal financial controls to be followed by the Company have been laid down and such internal financial controls are adequate and were operating effectively; and
 - f) proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

AUDIT RELATED MATTERS

A. Audit Committee

The Audit Committee of the Company was reconstituted at the Board Meeting held on 8th November, 2019 . The composition of the Committee as on 31st March 2020 was:

1. Mr. R V S Rao (Independent Director) - Chairman
2. Mr. Sumeet Puri (Independent Director) - Member
3. Mr. J C Sharma (Vice Chairman and Managing Director) - Member

The terms of reference, powers, role and responsibilities of the Audit Committee are in accordance with the requirements mandated under Section 177 of the Companies Act, 2013 and Regulation 18 of the Listing Regulations.

During the period under review, the advice and suggestions recommended by the Audit Committee were duly considered and accepted by the Board of Directors. There were no instances of non-acceptance of such recommendations.

B. Statutory Auditors

At the Twenty Second Annual General Meeting held on 4th August, 2017, the members appointed M/s. B S R & Co. LLP, Chartered Accountants (Firm Registration No.101248W/W-100022), as Statutory Auditors of the Company for a period of 5 years from the conclusion of the Twenty Second Annual General Meeting until the conclusion of the Twenty Seventh Annual General Meeting.

The Statutory Auditors expressed an unmodified opinion in the audit reports with respect to audited financial statements for the financial year ended March 31, 2020. There are no qualifications or adverse remarks in the Statutory Auditors' Report which require any explanation from the Board of Directors.

C. Secretarial Audit

Secretarial Audit of the Company for the year ended March 31, 2020 was conducted by Mr. Nagendra D Rao, Practicing Company Secretary. The Secretarial Audit Report issued by Mr. Nagendra D Rao, in accordance with the provisions of Section 204 of the Companies Act, 2013 is provided separately in the Annual Report (**Annexure A**). There are no qualifications or adverse remarks in the Secretarial Audit Report which require any explanation from the Board of Directors.

D. Cost Audit

The Cost Audit Report for financial year 2018-19 was filed with the Ministry of Corporate Affairs, New Delhi within the due date prescribed under the Companies (Cost Records and Audit) Rules, 2014. There are no qualifications or adverse remarks in the Cost Audit Report which require any explanation from the Board of Directors.

Based on the recommendations of the Audit Committee, the Board of Directors re-appointed M/s. Srinivas and Co, Cost Accountants (Firm Registration No: 000278) as the Cost Auditors of the Company for the financial year 2019-20. In terms of Rule 14 of the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors for financial year 2019-20 is subject to ratification by the

shareholders of the Company. The Notice convening the Annual General Meeting contains the proposal for ratification of the remuneration payable to the Cost Auditors.

E. Internal Audit and Internal Financial Controls

The in-house internal Audit team is responsible for assurance with regard to the effectiveness, accuracy and efficiency of the internal control systems and processes in the Company. The Company's audit team is independent, designed to add value and empowered to improve the Company's processes. It helps the Company accomplish its objectives by bringing a systematic, disciplined approach for evaluating and improving the effectiveness of risk management, control and governance processes.

There are adequate internal financial controls in place with reference to the financial statements. During the year under review, the Internal Audit Department and the Statutory Auditors tested these controls and no significant weakness was identified either in the design or operations of the controls. A report issued by the Statutory Auditors, M/s. B S R & Co LLP, on the Internal Financial Controls forms a part of the Annual Report.

POLICY MATTERS

A. Nomination and Remuneration Policy

The Nomination, Remuneration and Governance Committee of the Board of Directors is responsible for recommending the appointment of the Directors and senior management to the Board of Directors of the Company. The Company has in place a Nomination and Remuneration Policy containing the criteria for determining qualifications, positive attributes and independence of a Director and policy relating to the remuneration for the Directors, key managerial personnel and senior management personnel of the Company. The Committee also postulates the methodology for effective evaluation of the performance of Individual Directors, committees of the Board and the Board as a whole which should be carried out

by the Board, Committee or by an independent external agency and reviews its implementation and compliance. The Nomination and Remuneration Policy is available on the Company's website: <https://www.sobha.com/pdfsbio/153630165920180907.pdf> Extracts from the policy are reproduced in **Annexure B** to this report.

B. The Risk Management Framework

The Company has developed and implemented a risk management framework detailing the various internal and external risks faced by the Company and methods and procedures for identifying, monitoring and mitigating such risks. The Board of Directors of the Company has constituted a Risk Management Committee which is entrusted with the task of evaluating, monitoring and reviewing the risk management plan and procedures of the Company. The risk management function is supporting the internal control mechanisms of the Company and supplements internal and statutory audit functions.

There were no offence or fraud that needs to be reported by the Statutory Auditors as per Section 143 (12) of the Companies Act.

C. Corporate Social Responsibility Policy

The Company believes that its achievements do not refer only to its growth but are also spread to society. Accordingly, under the aegis of its CSR arm, the Sri Kurumba Educational & Charitable Trust, it has adopted three village panchayats - Vadakkenchery, Kizhakkenchery and Kannambra in Palakkad district of Kerala, each consisting of 2 villages, to improve the lifestyle of the people at the grassroot level.

The Corporate Social Responsibility Policy, as formulated by the Corporate Social Responsibility Committee and approved by the Board of Directors is available on the Company's website: <https://www.sobha.com/pdfsbio/158036284320200130.pdf>

In terms of Section 134 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014,

the annual report on the Corporate Social Responsibility activities of the Company is given in **Annexure C** to this report.

D. Vigil Mechanism

The Company has established a vigil mechanism to promote ethical behaviour in all its business activities. It has in place a mechanism for employees and Directors to report any genuine grievances, illegal, unethical behaviour, suspected fraud or violation of laws, rules and regulations or conduct to the Vigilance Officer and the Audit Committee of the Board of Directors. The policy also provides for adequate protection to the whistle blower against victimization or discriminatory practices. The policy is available on the Company's website: <https://www.sobha.com/pdfsbio/153630159420180907.pdf>

During the year under review, the Company did not receive any complaints relating to unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct from any employee or Directors.

OTHER MATTERS

A. Debentures

At the beginning of financial year 2019-20 The Company had Non-Convertible Redeemable Debentures amounting to ₹ 1,400,000,000 were outstanding. All the outstanding debentures were redeemed during the year and there were no outstanding debentures as on the closure of the financial year ended 31st March, 2020.

B. Deposits

The Company has not accepted any deposits in terms of Chapter V of the Companies Act, 2013 read with the Companies (Acceptance of Deposit) Rules, 2014, during the year under review. As such, no amount of principal or interest was outstanding as on the date of this report.

C. Transfer to Investor Education and Protection Fund

In compliance with Section 124 of the Companies Act, 2013, dividends pertaining to financial year 2011-12 which were lying unclaimed with the Company were transferred

to the Investor Education and Protection Fund during financial year 2019-20. The details of unclaimed dividends transferred to the Investor Education and Protection Fund have been detailed in the Corporate Governance Report forming part of the Annual Report.

As required under Section 124 of the Companies Act, 2013 and the Rules made thereunder, 1,413 equity shares, in respect of which dividend had not been claimed by the shareholders for seven consecutive years or more, were transferred to the Investor Education and Protection Fund during the year under review. The details of the shares and shareholders are available on the Company's website.

D. Significant or material orders passed by Regulators / Courts

During the year under review, there were no significant or material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

E. Human Resources

Employee relations continue to be cordial at all levels and in all divisions of the Company. The Board of Directors would like to express its sincere appreciation to all the employees for their continued hard work and steadfast dedication.

As on March 31, 2020, the Company had an organizational strength of 3,219 employees.

Details about the employees are provided in a separate section of the Annual Report.

F. Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has adopted a policy for the prevention and redressal of sexual harassment at the workplace. Pursuant to the provisions of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013, the Company has in place an Internal Complaints Committee for prevention and redressal of complaints of

sexual harassment of women at the workplace. No complaints were received by the Company during the year under review.

G. Awards and Recognitions

During financial year 2019-20, the Company was conferred with various awards and recognitions, the details of which are given in a separate section of the Annual Report.

H. Corporate Governance

In accordance with Regulation 34(3) read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a separate report on Corporate Governance forms part of this report.

A certificate from Mr. Nagendra D Rao, Practicing Company Secretary affirming compliance with the various conditions of Corporate Governance in terms of the Listing Regulations is given in **Annexure D** to this report.

I. Code of Conduct

The Company has laid down a code of conduct for the Directors as well as for all senior management of the Company. As prescribed under Regulation 17 of the Listing Regulations, a declaration signed by the Vice Chairman and Managing Director affirming compliance with the code of conduct by the Directors and senior management personnel of the Company for financial year 2019-20 forms part of the Corporate Governance Report.

J. Disclosure on Confirmation with Secretarial Standards

The Directors confirm that the Secretarial Standards issued by the Institute of Company Secretaries of India have been complied with pursuant to the Companies Act, 2013 and the rules made thereunder.

K. Management Discussion and Analysis Report

In accordance with the requirements of the Listing Regulations, the Management

Discussion and Analysis Report titled 'Management Report' is presented in a separate section of the Annual Report.

L. Extract of Annual Returns

Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of the annual returns for the financial year ended March 31, 2020 in MGT 9 is attached as **Annexure E** to this report and the same is available under the link <https://www.sobha.com/investor-relations-downloads.php>

M. Particulars of Loans, Guarantees and Investments

In terms of Section 134 of the Companies Act, 2013, the particulars of loans, guarantees and investments made by the Company under Section 186 of the Companies Act, 2013 are detailed in Notes to Accounts of the Financial Statements.

N. Related Party Transactions

During the year, the Company did not enter into any contract / arrangement / transaction with a related party which can be considered as material in terms of the policy on related party transactions laid down by the Board of Directors. Related party transactions, if any, pursuant to the Listing Regulations were approved by the Audit Committee from time to time prior to entering into the transactions. The related party transactions undertaken during financial year 2019-20 are detailed in the Notes to Accounts of the Financial Statements.

Further, during the year under review, there were no contracts or arrangements with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013. Therefore, there is no requirement to report any transaction in Form AOC-2 in terms of Section 134 of the Companies Act, 2013 and the rules made thereunder.

O. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

In terms of Section 134 of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014, the details of energy conservation, technology absorption, foreign exchange earnings and outgoings are given as **Annexure F** to this report.

P. Remuneration Details of Directors, Key Managerial Personnel and Employees

Details of the remuneration of Directors, key managerial personnel and the statement of employees in receipt of remuneration exceeding the limits prescribed under Section 134 of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in **Annexure G** to this report.

Q. Financial Position and Performance of Subsidiaries, Joint Ventures and Associates

In terms of Section 134 of the Act and Rule 8(1) of the Companies (Accounts) Rules,

2014, the financial position and performance of the subsidiaries are given as an annexure to the Consolidated Financial Statements.

R. Business Responsibility Report

As required under Regulation 34 of the Listing Regulations, the Business Responsibility Report is given in **Annexure H** to this report.

S. Additional Information to Shareholders

All important and pertinent investor information such as financial results, investor presentations, press releases, new launches and project updates are made available on the Company's website (www.sobha.com) on a regular basis.

ACKNOWLEDGEMENTS

The Directors would like to place on record their sincere appreciation for the Company's customers, vendors and bankers for their continued support to the Company during the year. The Directors also wish to acknowledge the contribution made by employees at all levels for steering the growth of the organization. We thank the Government of India, State Governments and other government agencies for their assistance and cooperation and look forward to their continued support in the future. Finally, the Board would like to express its gratitude to the members for their continued trust, co-operation and support.

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



Ravi PNC Menon
Chairman



J C Sharma
Vice Chairman and Managing Director

Place : Bangalore
Date : June 27, 2020