

Management Report

Markets and Operating Environment

Macroeconomic Overview

Financial year 2019-20 was exciting, challenging and turned volatile towards the end of 4th quarter. While major economies slowed down with US-China trade strains, the Middle East geopolitical turmoil followed by plummeting crude oil prices, the world witnessed a fresh health challenge in the form of COVID-19 virus. This brought the entire world to a grinding halt, sending both demand and supply side shock waves apart from its unprecedented health implications.

Major research houses and analysts are of the opinion that global economies are headed for a significant shift in economic activities resulting in considerable loss to GDP's growth. India being a developing nation is heavily influenced by activities around the globe. A GDP contraction estimate ranging from 5 to 10 per cent during the FY 2020-21 will leave a permanent mark on the performance of an emerging economy like ours.

Fiscal 2021 will determine the endurance and way forward for all the sectors across the globe. Nations are spending about 10 per cent of their GDP for handholding ailing industries and related support infrastructure impacted by demand-supply constraints witnessed due to this unprecedented health hazard. However, gradual opening up of economic activities in a phased manner is expected to show a positive impact and businesses should be able to shoulder and ease the stress on their operational and financial performances.

Sector Overview

In the Union Budget for fiscal year 2020-21, the Finance Minister of India laid down the foundation for increasing consumption while ensuring that the government's investment is deployed to build infrastructure leading to a USD 5 trillion economy by Fiscal 2024-25. Further, the Government of India announced a series of measures for supporting all sections of society with a view to cushioning the impact and threats posed by the COVID-19 pandemic.

Construction, being the second largest employment generator after agriculture, has seen a lot of structural

reforms over the last decade. The government has been responding positively to the concerns and demands of the industry. This is evident in the relief measures announced which include those for the sector as well. These have facilitated organized players in the listed space to consolidate and improve their performance parameters in the years to come.

The challenges faced by the real estate sector during these troubled times have been efficiently handled by industry leaders in an appropriate and timely manner. The way forward for the industry is aligning its activities to a changing environment. Use of technology, optimum utilization of available digital tools and platforms and innovation and designing of custom made tools should cater to the changing needs and challenges thrown up by the unforeseen circumstances like what we are witnessing today.

Outlook of our Markets

A. Real Estate

SOBHA, constantly ranked number one in India in the real estate space, has a presence in 10 cities across 6 states. The Company is present in Bangalore, Gurugram (NCR), Chennai, Thrissur, Kochi, Calicut, Coimbatore, Pune, Mysore and GIFT City. While we are present in the major cities in India, we are also exploring new markets pan-India.

The real estate sector in India has faced several challenges and is about to take off to a new horizon in the coming years. In line with expectations, SOBHA delivered a record operational and financial performance during financial year 2019-20. The Company also witnessed a strong performance in its contracts and manufacturing verticals with highest ever cash inflows; operating margins have also improved during the year.

SOBHA's unique backward integrated model, strong brand name and unmatched execution capabilities, help us deliver all our projects on time. The Company currently has on-going real estate projects aggregating 39.36 million square feet of developable area and 27.41 million square feet of saleable area and on-going contractual projects aggregating 9.44 million square feet under various stages of construction.

As on 31st March, 2020, the Company had delivered overall 109.74 million square feet of developable area. Since its inception, the Company has completed real estate projects measuring 58.74 million square feet of developable area and 44.62 million square feet of super built-up area.

During the year, the Company completed construction activities to the extent of 3.98 million square feet of total developable area and 2.74 million square feet of super built-up area.

Bangalore

SOBHA Limited based in Bangalore had the city's sales volume to the tune of 73 per cent (approximate). Bangalore is home to and headquarters of some of the largest IT firms in the world. Being the tech hub and often referred to as the Silicon Valley of the East, Bangalore plays a crucial role in contributing to the state and Centre's GDP. With a lot of professionals moving to cities as part of urban migration and seeking job opportunities in large cities like Bangalore, demand for housing has increased considerably. This has always been a key factor while planning, designing and launching new projects in select pockets of cities like Bangalore. During FY 2019-20, the Company's focus was finishing the work that was near completion.

During the year 2019-20, the Company completed SOBHA Clovelly in Bangalore. Homes at SOBHA Clovelly are meant for a sophisticated and specialized clientele which has experienced the best quality in the world and who dream of the same in their homes. Located in Banashankari, these 137 homes are a perfect blend of nature and design. Situated on 3.23 acres, SOBHA Clovelly has 3-bedroom homes and 4-bedroom duplex penthouses. These unique apartments also have an array of amenities that help the occupants lead a healthy life in a natural way. These include a multifunction hall, a table tennis court, pool table, badminton hall, gymnasium, yoga room, swimming pool and a kids play area. The project's saleable area is 0.53 million square feet.

The Company has completed SOBHA Silicon Oasis Wings 7 & 8 and also 17 Row Houses. Total area developed during FY 2020 under this project was 0.35 million square feet. This project is a unique

resort themed residential development offering luxury apartments and row houses in Bangalore.

Our series of offerings in the affordable segment started with the launch of "SOBHA Dream Acres" in Bangalore. The project was launched in FY 2014-15 with a total developable area of 10.65 million square feet. This is one of the largest residential projects meeting the needs and aspirations of home buyers. The project uses a unique pre-cast technology which is capable of producing 20,000 square feet of pre-cast elements a day, which helps us reduce the time spent on construction so we can deliver products ahead of schedule. During FY 2019-20, we completed a total developable area of 1.07 million square feet and 0.88 square feet of saleable area.

Presently, the Company has on-going projects aggregating 17.41 million square feet of total developable area and 12.72 million square feet of super built-up area.

Gurugram - NCR

SOBHA started its operations in the Gurugram-NCR market in FY 2011-12 with the launch of International City. After positive feedback for the apartment project, the Company launched the SOBHA City project in Gurugram. SOBHA City is one of the single largest group housing projects in Gurugram.

Under SOBHA City, the Company is currently working on 4.31 million square feet of developable area and 3.24 million square feet of super built-up area. Under the International City project the Company is working on 6.81 million square feet of developable area and 3.25 million square feet of super built-up area.

In total, the Company has on-going projects aggregating 11.12 million square feet of total developable area and 6.47 million square feet of super built-up area, which will be developed and delivered in phases.

Chennai

Chennai is known as the automobile capital of India. It is home to large automobile and auto-ancillary units along with a considerable contribution from the IT and ITES sectors.

During the year, the Company launched SOBHA Blossom, a plotted development on an area spread across 6.96 acres. This is our second plotted development in Chennai with a total developable area of 0.30 million square feet and total saleable area of 0.18 million square feet. These 118 well-laid out plots effectively cater to customers' varying needs. What adds to the pleasure of SOBHA Blossom is that it takes care of world-class amenities and infrastructure while customers can take the time to build their homes as per their preferences and requirements. This project is just 300 metres from the 400 feet outer ring road (ORR).

Presently, the Company has 3 ongoing projects, aggregating 2.14 million square feet of total developable area and 1.48 million square feet of super built-up area.

Calicut

SOBHA has been operating in Calicut since 2013-14 when it launched its first project SOBHA, Bela Encosta, a super luxury villa development project. We added SOBHA Rio Vista, super luxury living on a beautiful river side. The spacious apartments in the lone tower are nestled in 3.66 acres of elevated land overlooking the river with acres of greenery and open space.

Presently, the Company has 2 on-going projects that aggregate 1.07 million square feet of total developable area and 0.72 million square feet of super built-up area.

Kochi

Kochi is referred to as the commercial capital of Kerala. It is a major port city which is rapidly growing and home to a number of technology and industrial campuses such as Info Park, Cochin Special Economic Zone and KINFRA Export Promotion Industrial Park, Smart City at Kakkanad and Cyber City. The Company moved to the Kochi market in 2013-14 with the launch of SOBHA Isle.

Presently, the Company has 2 on-going projects, aggregating 5.02 million square feet of total developable area and 4.10 million square feet of super built-up area.

Thrissur

SOBHA entered the Thrissur market in 2007-08 with its landmark project SOBHA City, which is the first integrated township in Kerala.

Presently, the Company has 2 on-going projects, SOBHA Lake Edge and SOBHA Silver Estate aggregating 0.60 million square feet of total developable area and 0.42 million square feet of super built-up area.

Coimbatore

The Company ventured into the Coimbatore market in 1998-99 with the plotted development project SOBHA Harishree Gardens and launched its first villa development project, SOBHA Emerald in 2008-09.

During FY 2019-20 the Company launched SOBHA Verdure, a row house project with a total developable area of 0.14 million square feet and a total saleable area of 0.10 million square feet. This project is part of the sprawling 132-acre Harishree Gardens in Coimbatore. SOBHA Verdure is our latest offering consisting of 44 exquisite row houses. Nestled in the pristine greenery of the Western Ghats in the picturesque city of Coimbatore, SOBHA Verdure gives an opportunity to live an idyllic life away from the hustle-bustle of the city. SOBHA Verdure is an exemplary project where nature and modern architecture come together harmoniously to provide a healthy, wholesome and sustainable lifestyle for connoisseurs.

Apart from these new launches, the Company has 2 other on-going projects, SOBHA Elan with 0.42 million square feet of developable area and 0.34 million square feet of super built-up area, and SOBHA West Hill with 0.05 million square feet of developable area and 0.03 million square feet of super built-up area.

Pune

The Company ventured into the Pune market in 2007-08 with the project SOBHA Carnation, a super luxury multi-storied apartments.

During 2019-20 the Company launched SOBHA Nesara, ultra-premium 3, 3.5 and 4 BHK residences

spread over 3 acres with a total developable area of 0.68 million square feet and a total saleable area of 0.51 million square feet. The project located, near the pristine foothills of NDA Hills, offers wide lush greens and a bounty of birdlife thus providing healthier lifestyle.

Mysore

SOBHA started operations in Mysore in 2011-12 with the plotted development project SOBHA Garden.

We completed SOBHA Meadows aggregating 0.25 million square feet of total developable area and 0.13 million square feet of saleable area during FY 2019-20. As of March 2020 the Company did not have any on-going projects.

GIFT City Gujarat

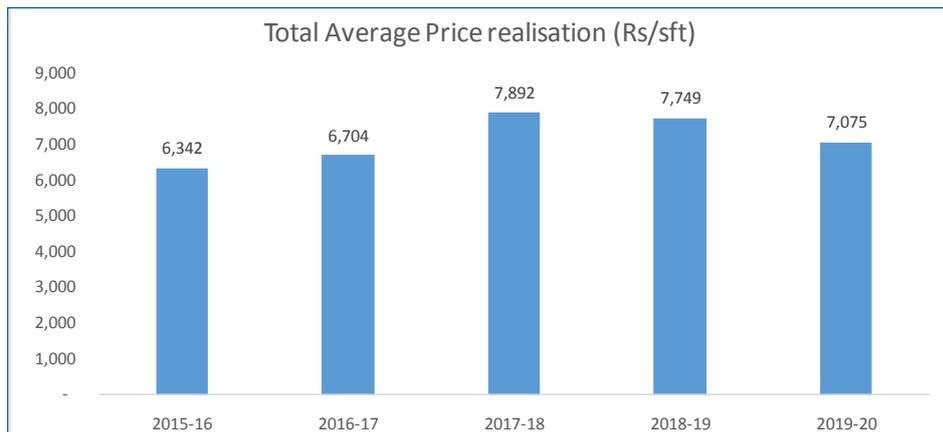
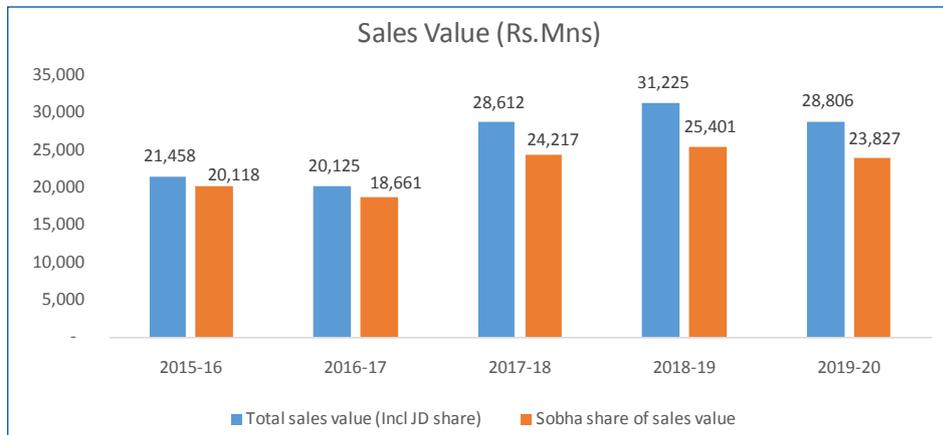
Gujarat International Finance-Tec City (GIFT) – A Global Financial Hub, GIFT City is India’s first operational smart city. Founded by Prime Minister

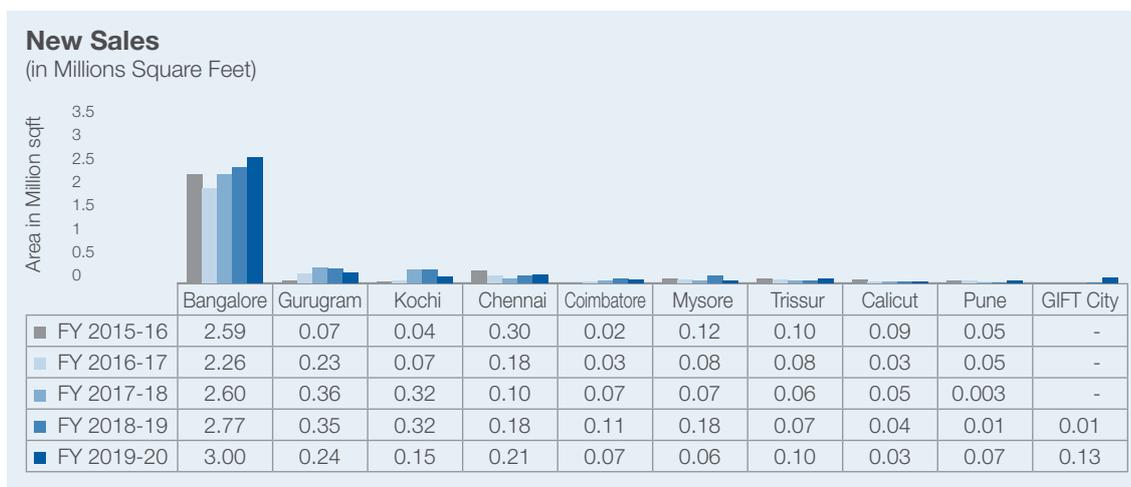
Narendra Modi, it is a business district promoted by the Government of Gujarat through a joint venture. The objective behind setting up GIFT City is tapping into India’s huge potential for proving financial services by offering world-class infrastructure and facilities to leading global financial institutions and companies.

Currently we have one on-going project in the affordable segment - SOBHA Dream Heritage - with a developable area of 0.71 million square feet and a super built-up area of 0.52 million square feet.

SALES PERFORMANCE

The Company achieved 4.07 million square feet of new sales area which is the highest since its inception. The total value including joint development’ share at ₹ 28,806 million at an average price realization of ₹ 7,075 per square feet. SOBHA’s share of sales value is at ₹ 23,827 million. Despite a challenging environment, the Company’s performance in sales volume was in line with projections.





Despite commercial products, SOBHA's prime focus remains on its residential business for generating positive cash flows through speedy delivery and revenue realization and ensuring appropriate investments using the best available opportunities.

B. Commercial

SOBHA has primarily focused on the residential real estate category since its inception with a sporadic presence in the commercial segment. Although we have created some landmark commercial projects like Thrissur's most iconic landmark the SOBHA City Mall, our presence in the segment has been relatively limited. Now we have a renewed focus on commercial development with several projects under progress in multiple cities.

As of March 2020, the Company had two commercial malls in this business vertical. The first is the "SOBHA City" Mall in Thrissur. It commenced operations in December 2015 onwards. It has a total developable area of 0.44 million square feet with a total leasable area of 0.34 million square feet. SOBHA initially sold 0.61 million square feet.

The second offering in this vertical is the One SOBHA mall, Bangalore with a total developable area of 0.38 million square feet and a total leasable area of 0.23 million square feet. The launch of the "One SOBHA" mall in Bangalore signifies our entry into the city's commercial shopping space. Located in the heart of Bangalore, this commercial development will

be host to topmost brands in retail, F&B, entertainment and fashion industries. The mall is poised to become Bangalore's next go to destination for shopping and recreation.

C. Contractual

The company achieved highest ever collections during the year. It completed 1.88 million square feet in the Contractual vertical.

Overall, the Company has delivered 51 million square feet of contractual works and has 9.44 million square feet of area under execution in 9 cities across India.

While SOBHA values long-standing relationships with a few select clients which provide a major scope for our total work done in this vertical, there is emphasis on diversifying the client base and reducing SOBHA's risk-portfolio. The Company is actively involved in major contractual projects across India helping us follow geographical diversity and a multi-client approach. SOBHA's corporate clients include LuLu group, Biocon, Dell, Bosch, Syngene, Taj Hotels, HCL, ITC Hotels, Huawei Technologies, Manipal group and GAR Corporation.

SOBHA's ability and capacity to deliver high quality, custom-designed turnkey projects and its domain knowledge for addressing the tough challenges have gained it a loyal customer base in the Contract division. In the Contractual vertical, SOBHA has a presence in 27 cities across 14 states.



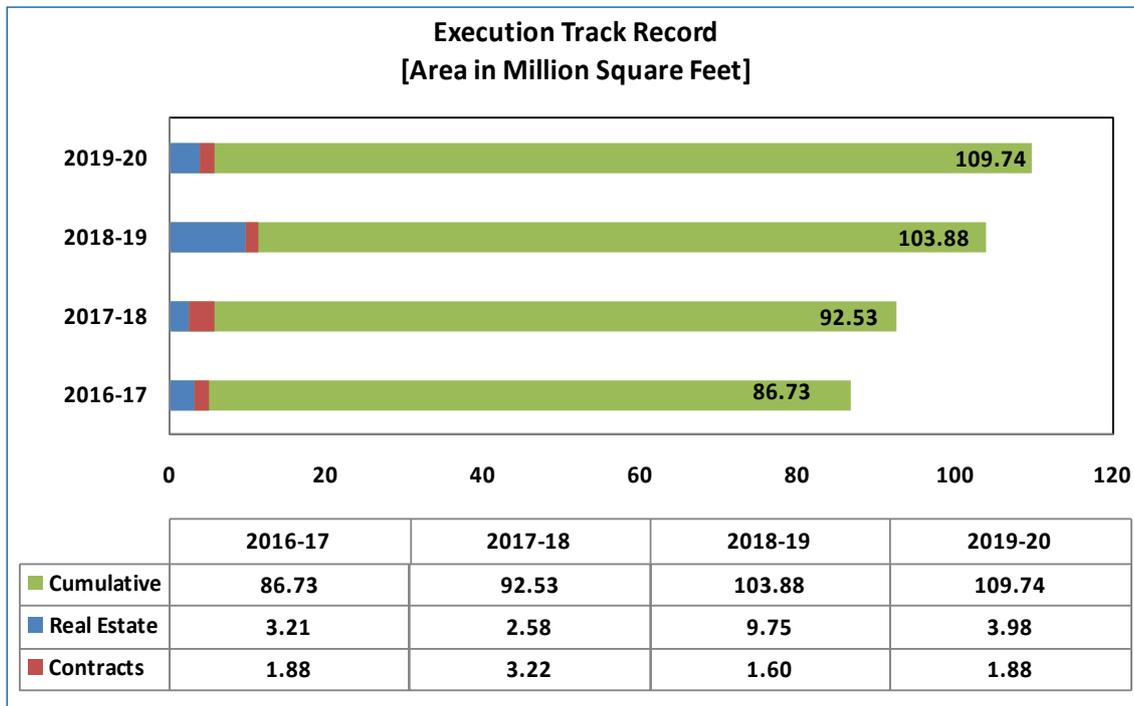
As the Company predominantly operates on a cost plus margin basis, it seeks to expand its contractual operations while preserving its margins.

PROJECTS AND WORK DONE

SOBHA, with its unique backward integration model, quality products, customer satisfaction and timely delivery has set a benchmark in the industry and garnered customer loyalty over the years. Steady performance continued during financial year 2019-20 too when we completed and handed over 5.86 million square feet of developable area.

I. Overall Execution

Overall, SOBHA has completed 109.74 million square feet of area since it started operations in 1995. The Company has steadily launched new real estate projects and executed new contractual projects wherein significant project level investments are being made on a regular basis. These on-going projects are excluded from the purview of overall execution since, on average, a real estate project takes around 3 to 4 years to complete.



II. Completed Projects

Financial year 2019-20 witnessed the overall completion of 5.86 million square feet of developable area and 4.61 million square feet of super built-up area both in the Real Estate and Contractual verticals.

a. Real Estate

SOBHA completed 3.98 million square feet of developable area and 2.72 million square feet of super built-up area during 2019-20. As of March 2020, the Company had delivered 1.07 million square feet of developable area in the SOBHA Dream Acres project. The remaining phases of development are in progress and are ahead of schedule. Construction of these projects are carried out using the pre-cast technology.

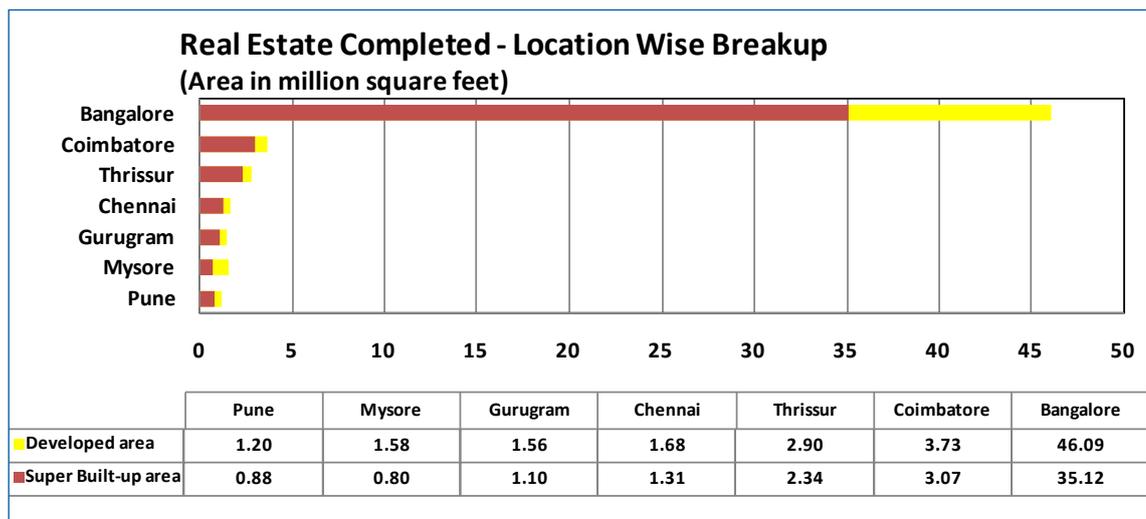
During the financial year, the Company completed SOBHA Clovelly in Bangalore. Homes at SOBHA Clovelly are meant for its sophisticated and specialized clientele which has experienced the best in the world and who dream of getting the same quality in their home. Located in Banashankari, these 137 homes are a perfect blend of nature and design. Situated on 3.23 acres, Sobha Clovelly has 3-bed homes and 4-bed duplex penthouses. These unique apartments also have an array of amenities that help their occupants lead a healthy life in natural way. They include a multifunction hall, a table tennis court, pool table, badminton hall, gymnasium, yoga room, swimming pool and a kids play area. The project's developable area is 0.53 million square feet.

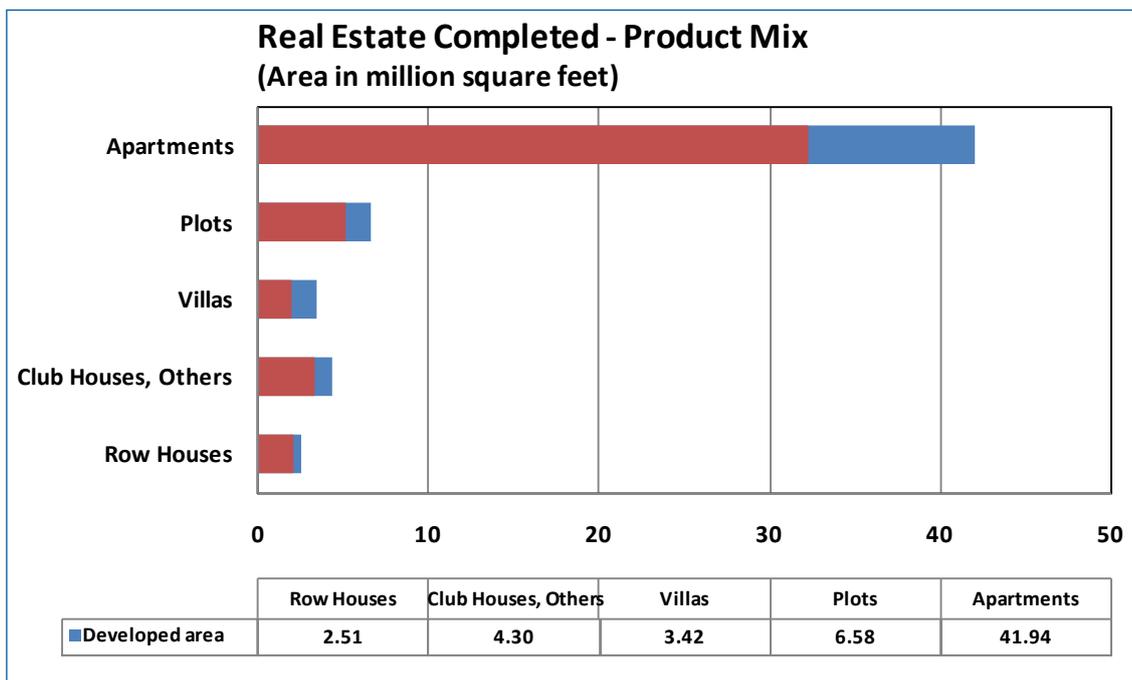
The Company also completed SOBHA Silicon Oasis Wings 7 & 8 and also 17 Row Houses. Total area developed during financial year 2020 under this project was 0.35 million square feet. This project is a unique resort themed residential development offering luxury apartments and row houses in Bangalore.

During the year, we also completed SOBHA Meadows, Mysuru. This plotted development is spread over 5.92 acres of land near the Electronic City in Mysuru. The total developable area of the project is 0.25 million square feet. It is close to IT companies and boasts of easy connectivity to Bengaluru. These premium plots come with well-paved roads, parks, street lighting, underground sleeve provision for televisions, telephones and optic fibre cabling.

We have also completed One SOBHA, Bangalore, a mix use project with a mall and office rental space. This project has a total developable area of 0.38 million square feet. Located in the heart of Bangalore on St. Marks Road, this commercial development will be a host to the topmost brands from retail, F&B, entertainment and fashion industries. One SOBHA is poised to become Bangalore's next go to destination for shopping and recreation.

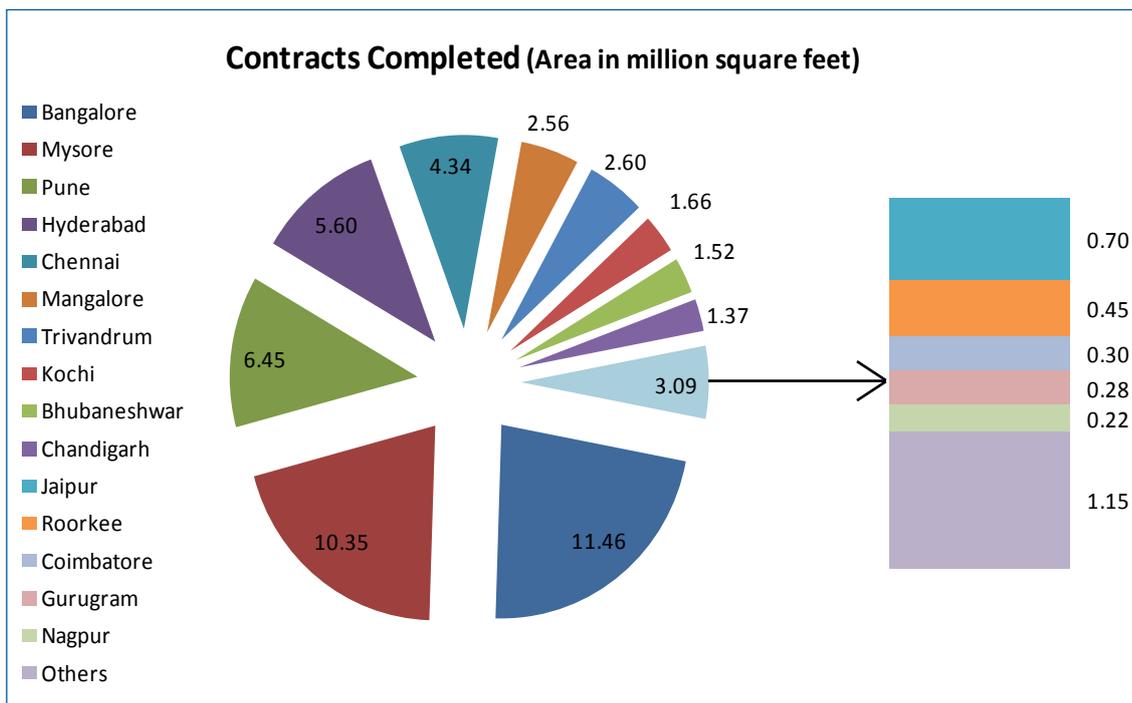
Since its inception, the Company has completed real estate projects measuring 58.74 million square feet of developable area and 44.58 million square feet of super built-up area.





b. Contractual

During financial year 2019-20, the Company completed 1.88 million square feet spread across 6 cities. Since the start of its operations, SOBHA has completed 51 million square feet of area for various clients in 27 cities across India. The Company has executed over 38.20 million square feet of area for its single and largest client Infosys.



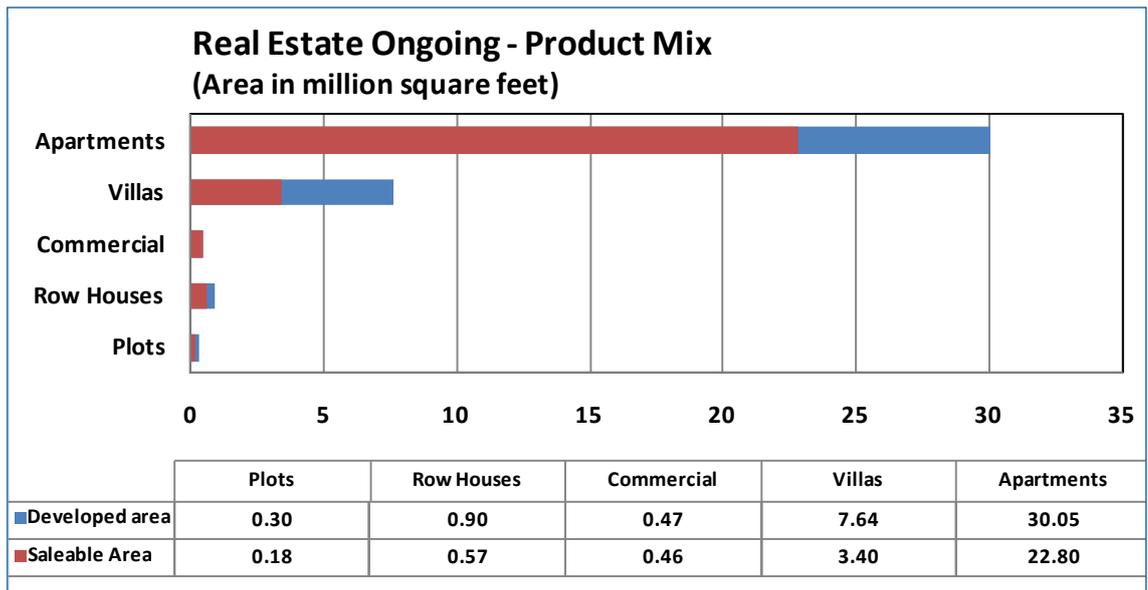
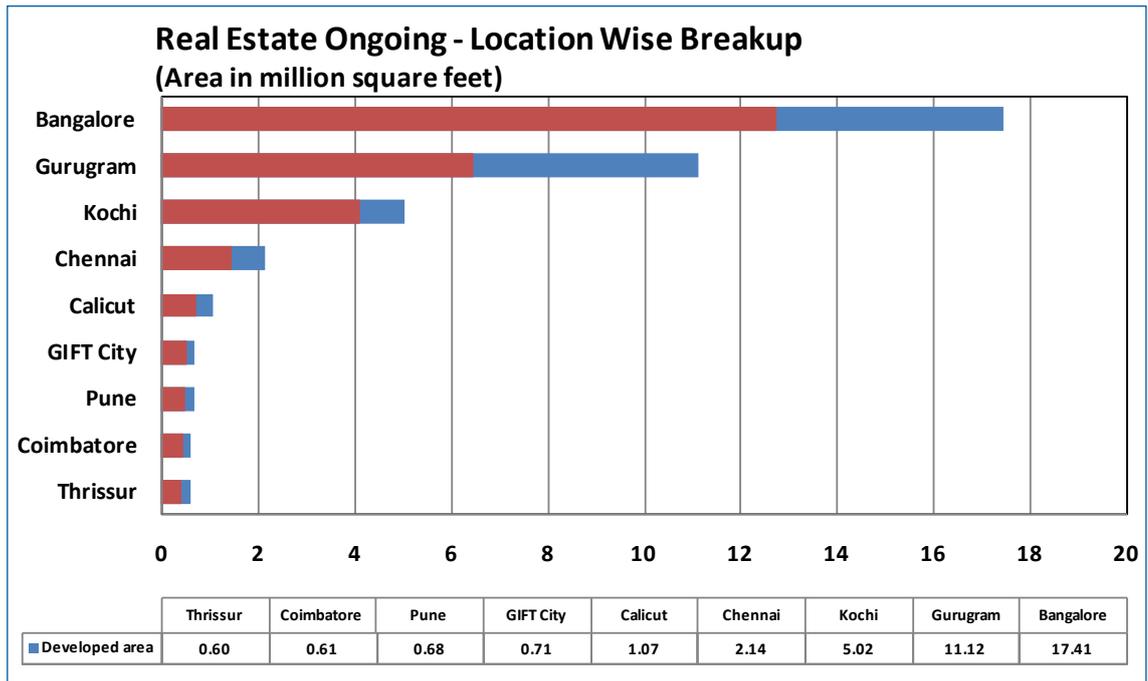
Note: Others include Durgapur, Greater Noida, Salem, Baddi, Indore, Gurgaon, Kolkata, Ooty, Calicut and Mumbai.

III. On-going Projects

The Company is currently executing 48.80 million square feet of developable area and 36.85 million square feet of super built-up area.

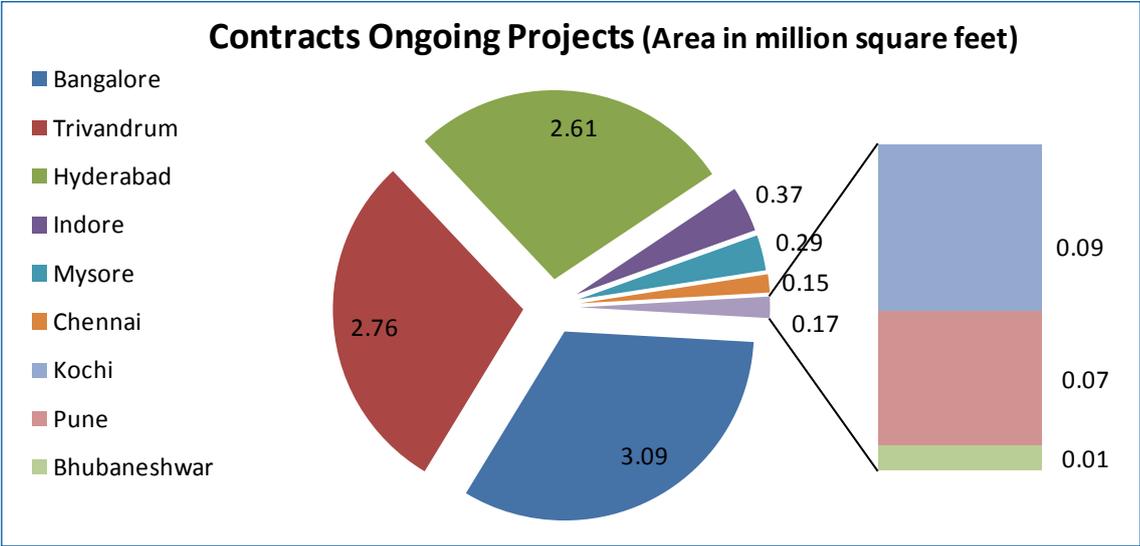
a. Real Estate

SOBHA currently has on-going real estate projects aggregating 39.36 million square feet of developable area and 27.41 million square feet of super built-up area spread across 9 cities.



b. Contractual

SOBHA has on-going contractual projects aggregating 9.44 million square feet spread across 10 cities.



Environment, Health and Safety

Ensuring a healthy and safe work environment involves developing safe, high quality and environment friendly processes, working practices and activities that prevent or reduce the risk of harm for the people working in that environment. This also involves complying with environmental regulations such as managing waste or air emissions for reducing the Company's carbon footprint.

At SOBHA, procedures are in place for identifying workplace hazards and reducing accidents and exposure to harmful situations and substances for providing a safe work environment for the workers. This includes training employees in accident prevention, accident response, emergency preparedness and use of protective clothing and equipment.

SOBHA is an ISO 9001, ISO 14001 and OHSAS 18001 certified Company for its quality, environment and safety management systems respectively.

Environment

SOBHA strives to ensure that its construction, development activities and real estate operations are environmental friendly. The Company complies with all environmental and occupational health and safety laws and regulations such as the Water (Prevention and Control of Pollution) Act, 1974; amendment made in 1988 and the Rules made thereunder, the Air (Prevention and Control of Pollution) Act, 1981 and the Rules and Orders made thereafter, the Environment (Protection) Rules, 1986, Environmental Impact Assessment Notification, 2006, Hazardous Waste (Management, Handling and Transboundary Movement) Rules, 2008 and amendment thereafter, across all its projects wherever applicable. SOBHA also focuses on minimizing emissions and increasing the use of renewable resources both in its construction activities and operations phase at its manufacturing facilities where all attempts are made to keep the carbon footprint low by following the best industry practices.

For achieving all this, SOBHA has installed a pre-cast unit for its construction activities. Instead of using the conventional block work or bricks for its construction activities, SOBHA uses pre-cast elements which come with many advantages. They are fast to make, consume less labour, lead to minimal wastage and do not need plastering work. These pre-cast elements use minimum resources while also reducing wastage at the same time.

Energy Saving Measures

We at SOBHA are practising energy conservation by installing solar panels for lighting common areas and solar water heaters in all its projects. Some of the highlights in this area are:

- Eighty per cent of the power required for the glazing factory is being catered to by roof top solar systems.
- Around 90 per cent of the power required for SOBHA's Corporate Office is met by solar and wind power using an off grid system.
- All lights in apartment projects' staircases come with inbuilt sensors to save energy.

Rainwater Harvesting

Rainwater harvesting is another effort at SOBHA for addressing the acute problem of water scarcity. Rainwater harvesting has emerged as one of the most viable options for meeting the water requirements of an increasing population. Rainwater harvesting also helps restore depleted aquifers thus enhancing sustainable water yields in areas surrounding SOBHA's project sites.

Rainwater harvesting is done in two ways: through collection tanks for roof-based runoffs and through recharge pits for land-based runoffs. Water from the terrace runoffs is treated and re-used thus reducing the need for getting water from external sources or extracting groundwater to meet a project's requirements. The land-based (surface) runoff is passed through percolation pits which help in enhancing the depleting groundwater table. Wherever feasible in residential projects, even surface runoff is collected in storage tanks and after treatment the water used for primary purposes further reducing the demand for external fresh water.

Sewage Treatment Plants

SOBHA uses specially designed Sewage Treatment Plants (STPs) to treat the wastewater generated in its buildings. The treated water is used for secondary activities like flushing toilets, watering the landscape areas, cleaning the common area and at construction sites for dust suppression. The STPs help to reduce the project's consumption of fresh water for its various activities.

STP uses a hybrid technology – the Activated Sludge Process (ASP) followed by the Ultra Filtration (UF)

technology for enhancing the quality of the final treated sewage. This process conforms with the standards set by the Pollution Control Board.

Acoustic enclosures are being provided for air blowers to mitigate noise pollution that can possibly be caused in the vicinity. Ozonators are being provided at STP exhaust ducts to remove odour from the exhaust air and improving the air's quality. Air curtains are also provided at the STPs' entrance to prevent the odour from escaping into the open area. The Company has regular educational programmes for its construction workers on the do's and don'ts of using natural resources. The Company also constructs dedicated STPs for camps where the construction workers stay.

Organic Waste Converters

SOBHA has been successfully using Organic Waste Converters across all its projects in India. It is mandatory to use solid waste management plants during the operational phase of all SOBHA's projects. The integrated solid waste management system operates on the principle of the 4Rs - Reduce, Re-use, Recycle and Recover.

Waste is segregated at the household level into organic/ inorganic waste and collected in separate bins. Organic waste is converted into compost using Organic Waste Converters. The compost is used as organic manure for the landscape and plantations at project sites. Inorganic waste is given to authorized waste recyclers for further processing.

Organic waste generated in and around the projects during the construction stages is diverted to nearby piggery farms and the local Municipal Corporation while the inorganic waste is handed over to authorized waste recyclers. All these efforts help SOBHA in restoring eco-sanitation wherever it works.

Water Treatment Plants (WTPs)

For ensuring safe and healthy drinking water, SOBHA provides water treated with Pressure Sand Filters and Reverse Osmosis units in all its projects. The RO treated water is provided in one point in the kitchen for drinking purposes.

Laboratory Facility for Water Testing

The Company has a functional chemical laboratory at the SOBHA Academy to analyse water samples for physico-chemical parameters. As part of the Company's continued commitment to ensuring safe and healthy drinking water to labourers, staff and occupants, it set up a microbiological laboratory at SOBHA Academy during 2019-20. This laboratory is

managed by qualified personnel and equipped with instruments like Laminar Flow, Biological Incubator, Electron Microscope, Digital Calorimeter and Autoclave which are essential for ascertaining the quality of the water from a microbiological point of view.

Health and Safety

Safety is integrated in SOBHA's core processes to help inculcate the value of Health and Safety among its workforce. The Company strongly believes that Environment, Health and Safety (EHS) are an integral part of our day to day activities at the workplace. Continuous efforts are made to raise awareness and understanding about the value of safety and health programmes across the spectrum including management leadership and workers. A systematic approach at finding and fixing hazards in the workplace form a part of these programmes.

The EHS management system at SOBHA is effective as it is partnered by an effective leadership and owned by every employee of the Company. This shows a demonstrably strong commitment to Health, Safety and Environment from the top management in implementing industrial best practices and achieving the Company's goal of zero accidents.

SOBHA's safety team creates awareness and provides skill development training programmes to enhance the skills and competencies of workers and tradesmen on this important aspect.

The National Safety Council conferred Sobha with the first position in State level safety awards in construction category for Sobha Dream Acres.

In addition to already existing practices, during 2019-20, the following activities were undertaken for Health and Safety:

- Standardization for edge barricades and fall protection system - Standard Operating Procedures (SOPs) - released and implemented for all projects.
- Methods and checklists improvised to make the activities more appropriate. Till date, 116 EHS checklists/records have been made to control activities and ensure that hazards are controlled using best safety practices.
- Precast plant – the eye anchor design reviewed for WC wall panels to ensure safety while lifting the elements.
- An OHS Committee formed at every project site which has workmen's representatives, contractors and supervisors who discuss and promote a safe work culture.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) takes on a whole new meaning at SOBHA Limited, the only backward integrated real estate company in the country. CSR at SOBHA Group is sincere devotion to the communities that we work in that stems out of genuine concern and drive to provide comprehensive and sustainable social development to rural India. SOBHA does its corporate social responsibility work through the 'Sri Kurumba Educational and Charitable Trust.' The work includes Graamasobha, a unique social developmental initiative in Vadakkenchery, Kizhakkenchery and Kannambra grama panchayats in Palakkad district of Kerala.

For us at SOBHA, our CSR work is a way of thanking the communities that we work in as it is their encouragement which has made us reach the milestone of completing 25 years as the most admired real estate company in the country. Their encouragement gave us the strength to become a truly self-reliant Company in this quarter century.

The Trust has identified nearly 4,525 families (around 17,311 people) from the Below Poverty Line (BPL) group to fulfil the following objectives:

- Identifying and enlisting genuine beneficiary families from the three panchayats using clear-cut norms and terms.
- Generating qualitative and multi-dimensional 'Baseline Reports' on the target families so that specific programmes and activities can be implemented for their benefit.
- Devising target-based, area-specific empowerment programmes and activities for key human development verticals like education, health, employment, housing, sanitation and water.
- Designing an effective mechanism for measuring and monitoring processes and the pace of Trust's the empowerment programmes.

Broadly, SOBHA's CSR activities cover the following areas:

- Providing education and vocational training
- Providing healthcare facilities
- Looking after the aged, widows and the impoverished

EDUCATION

THE SOBHA ACADEMY

The SOBHA Academy was started in 2007 to empower and enable the rural poor to break away from the vicious circle of poverty, ignorance, deprivation and exclusion by providing their children high-quality education backed by advanced

technology. Targeted specifically at children from the weaker sections, all applications that come to the SOBHA Academy are scrutinized to ensure that only deserving candidates are given access to the free and quality education that the Academy provides. Selection to the Academy is done through an open draw from a list of eligible candidates short-listed after intense research. Selected students undergo a medical fitness test and the final selection of students is done through an open draw. Every year 90 girls are admitted to LKG through a draw. The Academy, which follows the CBSE curriculum, takes care of all academic and related costs like those for fees and books, transportation, food and healthcare. During 2019-20, 1,106 students in the Vadakkenchery, Kizhakkenchery and Kannambra panchayats were on the rolls from LKG to Class 12.

In an attempt to help these children even more, girls in Class 10, 11 and 12 are provided free boarding and lodging and also assisted by tutors to help them in the learning process. This also helps students become self-reliant in their routines.

The residential lives of students are an integral part of the Academy as SOBHA believes that their experiences in the hostel are a significant part of their learning process. SOBHA has the firm belief that what the children learn during their residential lives at the Academy shape their future and help them become an integral part of the communities to which they belong as this life teaches them how to live and learn together.

SOBHA ICON

SOBHA has launched several educational initiatives for the benefit of the children, one of which is 'SOBHA Icon', which aims at creating 'icons for India' by making high-quality learning opportunities available for deserving students of other government schools who have exceptional skills but do not have the opportunities to grow academically.

SOBHA ICON HIGHER SECONDARY COURSE

The SOBHA Icon Higher Secondary Course is a two-year full time on campus, 6-day regular, technology-driven professional college enrolment oriented programme for a batch of 60 students each in Science and Commerce streams. The Humanities stream has been added recently. The programme is conducted at the SOBHA Icon Campus at Moolamcode and is registered with Kerala State Open School for certification. The Trust also provides financial assistance to students from poor families, who obtain seats on merit in engineering and medical

courses. All their expenses are covered including tuition fees, uniforms, books and basic accessories.

The programme admits 30 students in each class. Icon is not an affiliated school but functions as a Teaching and Learning Centre within the scope of the Kerala State Council for Open and Lifelong Learning Programme SCOLE. SCOLE, has been registered as an open regular programme with the Kerala Directorate of Higher Secondary Education. Under this programme, students enjoy the same status as other regular school students. Students are given intensive 8-hour teaching-learning sessions, 7 days a week. All facilities and services are free of cost including uniforms, books and food.

SOBHA ICON- HIGH SCHOOL SUPPORT INITIATIVE

This initiative provides learning opportunities to deserving high school students from the Kizhakkenchery Government School. There are 90 students, 30 each in classes 8, 9 and 10 who are provided coaching support in their studies during 7.15 am to 9.15 am and 4.15 to 5.45 pm every day. On holidays, they get full-time support.

SOBHA ICON – UG SUPPORT INITIATIVE

To encourage students to perform better in the Icon Higher Secondary course, the Trust has been extending financial assistance to Icons for pursuing their UG courses since 2015. To ensure students' commitment, the scholarship is now continued to Semester 2 which is linked to a minimum score of 80 per cent or equivalent grades.

It is interesting to note that the Icons got scholarship worth over ₹ 7 crore in the last 5 years from major universities through open competitions.

Most of the students were provided UG scholarships to complete their education. This was done to ensure that they continue their education in good institutions.

As of March 2020, 106 students have become graduates through the SOBHA Icon programme. Their progress is being closely monitored continually to ensure that the initiatives living up to the purpose for which it was set. It is very heartening that there is 100 per cent college enrolment among students who pass out from SOBHA Icon, a rare feat for many institutions. These students have joined courses that appealed them. SOBHA Icon gives the students to choose their areas of study as per their interests.

Ninety per cent beneficiary students belong to OBC and SC families while 75 per cent are girls. To achieve social change, we believe that we need to start with the educational empowerment of this segment and hence,

this prioritization for both the families and girl students.

PROVIDING HEALTHCARE FACILITIES

SOBHA Healthcare

Established in 2007 by the Sri Kurumba Educational and Charitable Trust, SOBHA Healthcare is one of SOBHA's flagship CSR activities which provides free and easy access to primary healthcare. It has redefined the limits of primary healthcare institutions anywhere in the country. The target group comprises of BPL families in the adopted panchayats, residents of SOBHA Hermitage, students of SOBHA Academy, project workers and their parents. The facilities include free consultations, diagnosis, tests, treatment and medicines. The centre has also set up outreach counters to reach out to the needy at their doorstep.

The Centre has the following facilities:

1. Cardiac and Pulse Oxymetry.
2. Centralized Oxygen, Suction provision.
3. 3 Channel E.C.G.
4. Digital Ultra Sound Scanning System and ECHO Test.
5. 300 MA X-Ray with computerized Radiology (CR).
6. Laboratory with Automatic Haematology and Bio-chemistry Analyzers.
7. Minor Operation Theatre.
8. Pharmacy.
9. Ophthalmology Department with Automatic Digital Equipments.
10. Dental Department with Ultra Modern Unit with PLANMECA RVG Unit, Intra Oral Camera, Fiber Optic Twin Beam Micro Motors.
11. Physiotherapy Unit with Short Wave Diathermy, Ultra Sound Therapy, Interferential Therapy, Traction Unit (Cervical and Lumbar), TENS, Wax Therapy and Portable TENS.

In total, 12,043 outpatients were treated during 2019-20 under this programme. On an average, 40 patients were treated each day at the centre.

LOOKING AFTER THE AGED AND THE IMPOVERISHED

SOBHA Hermitage

The focus of SOBHA's CSR activities is equally on the aged. SOBHA Hermitage, which was set up with the specific aim of providing shelter and assistance to elderly from weaker sections of society, has now become a home for senior citizens and young widows and their children. Besides providing residents a roof over their head, SOBHA Hermitage also makes sure that they are provided all necessary amenities to

lead comfortable lives. Residents have independent rooms, a library and a common television room, a gym and also internet access. All residents can also avail of round-the-clock medical facilities, if needed, which are provided by paramedical staff; there is a doctor on call during non-working hours. The Hermitage also has an in-house clinic. To make the residents feel comfortable and have a sense of belonging, cultural and social activities and celebration of birthdays of residents are also organized at the Hermitage.

SOBHA YOUNG MOTHERS REHABILITATION PROGRAMME

A comprehensive rehabilitation package for the young mothers (widows) living in the Hermitage is in operation. Special arrangements are in place for their living, safety, security and welfare at no cost. The widowed mothers and their children live together. All mothers are encouraged to continue their education and many have completed their graduation and others are catching up. All of them are employed at the SOBHA Academy and are paid well. One of the young mothers has got a post-graduation degree and is employed at SOBHA Academy as a qualified teacher. The children are admitted to the prestigious SOBHA Academy free of cost. Support is also provided if the young widows want to re-marry. There are 18 mothers and their 27 children living at the Hermitage. For the mothers whose children have grown up, individual self-contained flats have been constructed which have been allotted to each family. The Trust also provides free of cost vegetables, provisions, fruits, milk and dresses to these families.

SOBHA RURAL WOMEN'S EMPOWERMENT

To empower rural women, 36 widowed mothers and their 65 children from the Vadakkenchery and Kizhakkenchery panchayats are being provided with basic monthly living allowances besides clothing, medical and other personal accessories. Educational expenses of their children are met by the Trust. Those children who are attending government schools are given coaching to help improve their performance.

SOBHA DOWRYLESS SOCIAL WEDDING

Social weddings are a practical response to the serious social problem faced by numerous women whose families are too poor to get them married. The dowryless social wedding programme is a constructive approach in tackling multiple issues of dowry and destitution. So far 647 girls from economically and socially weaker sections of society have been married under the aegis of this programme. The girls and their parents are given pre-marriage counselling and the Trust also does post-marriage monitoring and renders help as needed.

SOBHA COMMUNITY CENTRE

The SOBHA Community Centre is a beautiful and spacious space for the deprived. The SOBHA Community Centre provides a stage for various community development programmes like social weddings and for conducting medical camps and orientation/training classes. Besides, the Centre also has a dining hall which can accommodate about 300 people. The poor and destitute are being provided free meals twice a day at the Centre for more than 10 years now.

Three centralized kitchens are run for school children who are served breakfast, lunch and evening snacks on school days. All the kitchens are operated as per the guidelines laid down by the Food Safety and Standards Authority of India (FSSAI).

SOBHA GOING GREEN

SOBHA's green philosophy of development is widely accepted in the real estate sector and outside. Several green initiatives are underway in its CSR project area. The entire campus was constructed with a minimum carbon footprint and without making many changes to the natural surroundings. Large-scale rain harvesting methods and processes are in place, more than 3,000 herbs and plants have been planted and existing flora and fauna is being preserved to the extent possible. The Trust has also very large waste management plants in place to process the waste generated in the project area. All the CSR project campuses are plastic free, no-smoking and non-alcoholic areas, thus striving to achieve a sustainable lifestyle. Recently, a solar energy plant has also been installed. SOBHA also provides support to other green attempts like maintaining a community pond.

SOBHA ORGANIC FARMING

The Trust has been cultivating rice and organic vegetables for the last three years. During 2019-20, around 3,000 kgs of paddy and 1,500 kgs of organic vegetables were produced.

To promote awareness about organic farming under the guidance of the Agricultural Department, the Trust has selected around 600 parents of students of the SOBHA Academy and SOBHA Icon and given them required support like training, seeds and manure. The Trust encourages them to produce vegetables and if they produce in excess of their requirements, they have the option of selling these to the Trust. The power laundry at SOBHA Hermitage runs on a steam generator using a boiler to conserve electrical energy. A solar energy plant has also been added recently.

Research and Development

During this year, the focus of the Research & Development Department was on process improvement. This is a much needed focus as it contributes to SOBHA's strength and helps it retain its self-reliant nature while providing best in class products to its consumers.

Some of the new initiatives taken during the year are:

1. Portable Experience Centre

The innovative 'Portable Experience Centre' developed by the R&D wing of SOBHA provides its sales team a strong tool for effectively presenting a look and feel experience of the important elements that go into the making of a SOBHA Home during a sales event while launching a SOBHA project.

This is made possible by assembling skilfully engineered sections of panels carrying the elements which are otherwise shown to the prospective buyer only at the Experience Centres at the 'Project Mock-up' locations attached to the Sales & Marketing Offices at project sites.

The components of the Portable Experience Centre are transported in easy to handle packaging with secure encasing to the location of the sales event where they are easily and quickly assembled for display.

2. Tiling Works

Pilot Programme at SOBHA Project Sites on use of Tiling Tools

A few sets of tools have been bought from China for improving the workmanship and enhancing productivity while eliminating rework and thus saving costs. These have been supplied to five SOBHA projects across India and staff members have been provided training on their use.

a. Re-usable Tile Levelling System

With the volume of tiling work going up, there was a need for improving productivity and keeping the desired quality without compromising on

the quality due to speed of delivery. Hence, the Re-usable tile Levelling System was bought and checked for suitability in SOBHA's projects. The use of this system enables laying the tiles by minimizing hollowness during tile fixing and bringing down re-work costs.

b. Tile Hole Marker Tool

This tool improves the accuracy in marking holes in tiles to make provisions for services during the tiling activity thus enhancing the quality and productivity.

c. Support for Tile Dado Work

This is a pair of tools which provides 'adjustable support' for a straight edge used in Tile Dado which was earlier being managed by shifting the available concrete blocks.

d. Manual Tile Cutting Machine

This tool improves the quality of cut of the tiles used in flooring while Dado enhances productivity by bringing down the risks of using a power tool.

Study on Alternate Construction Chemicals (used for various activities during a project's execution)

A Study on Alternate Construction Chemicals used in SOBHA projects was done using samples and testing them based on pre-defined parameters, thus providing the Procurement Team (Purchase Department) with a 'ready' matrix of tested alternatives suggested for procurement in case supply of one particular make/brand of the construction chemical is not available with the vendors, thus preventing the stopping of a related or dependent activity on the project site.

Staggered Connection Detailing of External Precast Elements

This helps in making the external joints water tight so that there is no water ingress thus leading to huge cost reductions on repair work.

Employees

Having a great brand and great people have always been our asset. We can achieve sustainable, profitable growth only when we engage and empower employees to the best they can be. Our constant endeavour is to work towards making an organization that is simple, diverse and agile which will move fast and innovate better.

Our employees are customer-centric as well as future ready and are able to compete in a fast-changing world characterized by digitisation and increased competition.

Our employees are empowered to act like entrepreneurs and business owners.

We have been the 'Employer of Choice' in our industry for many years. We have created an environment where our people get significant responsibilities early in their careers. Our management trainee program has been the training ground for many inspiring leaders across the Company.

We consider people as our biggest assets and we have put concerted efforts in talent management practices

and in learning and training initiatives to ensure that we consistently develop an inspiring, strong and credible leadership. We ensure that young talent is nurtured and mentored on a regular basis, that rewards and recognition are commensurate with their performance and that employees have an opportunity to develop and grow. We have an organizational structure that is agile and focused on delivering business results. With regular communication and sustained efforts, we ensure that we align our employees with SOBHA's overall objectives. We strongly believe in fostering a culture of trust and mutual respect in all our employees and ensuring that they understand and follow our values and principles.

We have been able to operate efficiently because of the culture of professionalism, creativity, integrity and continuous improvement in all areas and efficient utilization of our resources for sustainable and profitable growth.

SOBHA's organizational strength as on 31st March 2020 was 3,219 employees as against 3,555 as on 31st March 2019.

The following comparative table gives SOBHA's employee strength against cumulative delivery.



Training and Development

Training and developing employees is a must for any organization to be successful. This can be done through ensuring that the employee's skills, abilities

and knowledge are constantly updated both to meet world standards and also to satisfy discerning and demanding customer's needs. Training also helps employees move up in their career paths and

helps them take on more responsibilities. SOBHA too benefits as a company through this training as it helps it to plan succession roles, address the challenges of changing technologies and opens up the possibilities of widening the scope of the work that it does.

At SOBHA, the organisational training and development plan includes in-house and external workshops/seminars as per need.

The training provided to employees has resulted in boosting our productivity, increasing employee satisfaction, fostering an organizational learning culture, creating a safe working environment and the upgradation and updation of the technology that we use. It has also led to improvements in leadership and management skills and quality, higher productivity and the resultant optimum ROI.

Training at SOBHA is broadly divided into Technical, Behavioural and Adhoc (mainly sales) components.

Technical Training

Technical employees are trained at different levels to help them become the best in class by mastering the latest technological developments in the field. During FY 2019-20, 210 technical training programmes were conducted in which 2,774 employees were trained. These training sessions were held in Bangalore, Thrissur, Chennai, Calicut, NCR, Hyderabad and other locations where SOBHA has projects.

A total of 18 candidates (management trainees/trainee engineers) were trained for a period of 14 days and three batches of technical inductions were conducted in which 27 engineers were trained.

Behavioural Training

At SOBHA, behavioural training is equally important as it helps empower employees to leverage their positive skills. Behavioural training helps enhance employees' ability to handle conflicts, helps in creating win-win situations, accommodating

changes and flexibility and following a dynamic approach. Since behavioural training polishes skills and develops talent, it also contributes to an individual's overall development. Behavioural training at SOBHA covers a range of subjects including team building, time management and developing motivational leadership and interpersonal skills.

During 2019-20, 103 planned behavioural training programmes were conducted for employees at different levels in which 1,092 employees were trained.

In addition, 278 adhoc behavioural and technical training programmes were also conducted during the year which were attended by 3,107 employees at different levels.

Other Training

Other training included 14 training programmes for the sales team, 30 department centric training programmes and 32 post effectiveness evaluation programmes; these were attended by 1,201 employees.

In all, the Training Division conducted 818 training programmes covering 9,844 employees during the year.

Training, a continuous exercise

SOBHA's training wing, SOBHA Academy, conducts training on a regular basis. The Company assesses employee performance to gauge employee skills and provides them requisite training for enhancing their skills.

Employee Communiques

SOBHA publishes the in-house magazine 'Innervé' which communicates news and developments in the organization to its employees. The magazine also carries articles written on various issues by the senior management, recognizes high performing employees and also carries contributions by employees.

Risk Management Report

The Company's financial position and the results of its operations are subject to certain risks and liabilities that may affect its performance and ability to achieve its objectives. The factors that the Company believes could lead to its actual results differing materially from expected and previous results are discussed hereunder. However, there are other risks and uncertainties that may also affect the Company's performance and ability to achieve its objectives that are not currently known to the Company or which are deemed immaterial.

In the real estate sector, a company is exposed to risks at various levels, some of which are within its control while many of them are not. Hence, a company has to have a risk mitigation and management policy in place.

SOBHA has implemented an ERM programme through which it reviews and assesses significant risks on a regular basis to ensure that it has internal controls. This system includes:

- Policies and procedures,
- Communication, supervision & continuous monitoring,
- Training programmes, and
- Processes for taking the issues to appropriate levels of the senior management.

This system helps the Company to facilitate its abilities to respond appropriately to risks and in achieving its objectives and ensuring compliance with the applicable RERA law and its other statutory obligations.

The principal risks and uncertainties that might affect the Company's business are identified below. The Listing Regulations mandates the identification, minimization and periodical review of these risks and uncertainties. However, it is not possible for the Company to implement controls to adequately respond to all the risks that it may face and there can be no complete assurance provided that the steps that it undertakes to address certain risks, including those listed below will manage these risks effectively or at all. The key risk factors are listed here to get a brief overview of the types

of uncertainties that are prevailing in the existing scenario.

Risks which are beyond the Company's control include:

Natural and man-made disasters

Natural disasters include earthquakes, fires, droughts and floods and man-made disasters include acts of terrorism and war.

Risk control mechanisms

Insurance coverage is an appropriate way of managing disaster-related risks. Apart from sufficient insurance coverage, SOBHA also takes appropriate measures to ensure that the structural design of its buildings conforms to the applicable construction standards in the various regions that it is operating in.

Risks related to the sector

Sales market risks

Modern day businesses including those in the real estate sector are customer centric and driven by market sentiment and competition. Though everyone aspires to own a home, there is a chance that the decision to purchase a house can be deferred.

Reverse economic or market conditions may make influence potential customers to turn cautious and force him/her either to defer or cancel his/her decision to own a home.

Land related risks

For any construction company, land is a primary input and non-availability of an appropriate parcel of land at a strategic place at a reasonable price can lead to an increase in its prices. Such a situation with its resultant increase in the price of land can have an adverse impact on the company's performance. Further, availability of land, its use and development are subject to approvals by various local authorities under applicable local laws and regulations. This makes the price of land volatile. A drop in land prices

may erode the book value carrying the cost of land. This in turn could effect a company's profitability.

Ownership and land title risks

Lack of information and low transparency coupled with age old property related issues and risk of legal disputes and their related costs are key risks in the real estate segment in India leading to the slackening of overall growth of the real estate sector.

Macroeconomic risks

Interest rates, inflation and exchange rate risks are amongst the important macroeconomic indicators which are subject to a number of factors which primarily have to do with the government, monetary and tax policies, domestic/international economic and political conditions and other factors beyond a company's control. Changes in interest rates may increase a company's cost of borrowing and impact its profitability. These risk factors will be a driving factor in the development of the real estate sector. Infrastructure status given in the last finance bill to construction industry should be positive development for the Industry/company.

Regulatory risks

Local, state and central regulatory bodies control the real estate sector through laws and regulations governing the acquisition, construction and development of land including zoning, permitted land use, fire safety standards, height of buildings and access to water and other utilities. SOBHA's business is subject to all these laws and regulations. Any delay in obtaining an approval under these laws and regulations will expose the business to higher risks.

Legal risks

SOBHA is involved in some legal proceedings relating to the land it owns and claims in relation to taxation matters. Any adverse decision here may have a significant effect on the company's business, prospects and financials.

Political risks

Changes in government policy, social and civil unrest and political developments in or affecting

India could affect the Company's business interests. Specific laws and policies effecting real estate, foreign investments and other matters effecting investments in the company's securities could also change.

Risks related to the economy

An economic slowdown and uncertainty in the economic system

Like the natural risks associated with the construction sector are beyond the control of a company so also the risks that have to do with the economy. A sluggish economy or even recession in a specific industry such as IT/ITES can lead to a decrease in sales or market rates for residential projects. In extreme cases of an economic downturn a company may also run the risk of customer insolvency though the registration of property happens only on the receipt of all the dues from a customer. These factors could decrease the revenue generation from some or all of a company's businesses, adversely affecting its business and future growth.

Further, uncertainties in the national or global economic scenario, a changing demographic profile of the country and inflation also have a bearing on the functioning of a company operating in the real estate sector.

In India, a real estate company's business is dependent on the easy availability of finance. An economic slowdown can result in fund shortages as lenders may want to act safe.

Risks which are within SOBHA's control

Customer risks

SOBHA operates in Ten cities which contribute to the Company's revenue. A significant portion of sales from real estate operations is generated in Bangalore. A decline in the revenue in this real estate market or a shift in customer loyalty may have an adverse impact on its business and operating results.

Contractual business depends solely on orders received from corporate entities for their construction

requirements. A substantial portion of the revenue from contractual projects is generated from one major client operating in the information technology sector. If this client either reduces or stops providing SOBHA contractual projects, or if there is a slowdown in the IT sector, this could adversely affect the Company's business.

Borrowing risks

Construction activities which are major contributor to the Company's revenue are capital intensive and require a significant expenditure on land acquisition and development. An efficient borrowing strategy has placed SOBHA ahead of its competition with respect to borrowing costs. However, SOBHA is subject to risks normally associated with debt financing and may be required to dedicate a portion of its cash flows towards the repayment of its debt commitments. It may not be possible to generate adequate cash flows in certain extreme scenarios to service principal and interest payments. In certain cases, lenders also have the right to recall a loan. Such an event could impact SOBHA's liquidity and credit rating.

Liquidity risks

The real estate industry has its own challenges and dynamics. The time required to liquidate a real estate property can vary depending on the size, quality and location of the property. Therefore, SOBHA may not be able to liquidate its assets promptly in response to adverse economic, real estate or other conditions.

Credit risks

In most of the cases, SOBHA develops properties on a joint venture basis. Credit risks arise when its JV partners do not discharge their obligations in such circumstances, SOBHA may be required to make additional investments in a joint venture or become liable for the other party's obligations.

Project implementation risks

Real estate projects are vulnerable to several implementational problems such as regulatory compliances which may cause project start up delays, construction delays, cost overruns and

unavailability of skilled labour, accidents and quality gaps. SOBHA's operations may be unfavourably impacted if these risks are not mitigated on a real-time basis.

Input cost risks

Many times, operations of a real estate project are subject to budget overruns due to several factors like increase in construction costs, growing sub-contracted service costs and increase in labour costs. Increased operating expenses may affect SOBHA's profit margins if it is not able to sell the properties with desired margins. There is a chance of reduction in demand if the selling price of unsold properties is increased.

Supply chain risks

If suppliers of raw materials curtail, discontinue or disrupt the supply of materials, SOBHA's ability to meet its material requirements for projects could be impaired. This could lead to a disruption in construction schedules and projects may not be completed on time.

Manpower risks

The construction industry is highly dependent on the manpower and its ability to retain the manpower. Employee attrition could have an adverse impact on SOBHA's business. SOBHA's performance could also be affected if it is unable to identify, attract and retain key employees like engineers and architects.

Competition risks

The residential real estate sector is highly competitive. Other developers undertaking similar projects within the same regional markets are in direct competition with SOBHA. Due to the fragmented nature of the real estate development business, adequate information about small and medium level competitors' projects may not be available and SOBHA could run the risk of underestimating the supply in the market.

Diversification and investment risks

Though SOBHA is a backward integrated company, expanding into new businesses or new geographies exposes it to new risks such as low levels of familiarity

with the development of properties in the area or market for the new product. Competitors may be better known in these markets and may also enjoy better relationships with customers/landowners and joint-venture partners.

Risk Containment Strategy and Measures taken for Risk Mitigation

SOBHA always strives to produce customer centric and high-value products for quality conscious and discerning customers. This is evident from the customer support that it got during the recent economic reforms initiated by the Central Government. SOBHA's customers are not dependent on external resources and are able to manage their financial requirements internally.

The Company has a dedicated and robust in-house sales and marketing team which is entrusted with the task of generating enquiries for its products and transforming them into sales. This reduces reliance on external agents and brokers.

SOBHA also has a dedicated Customer Relationship Management (CRM) Department to cater to customer feedback, resolving their queries and grievances, addressing their issues, streamlining the purchase process and receiving feedback. An online portal has been designed for customers on which they can share their views and also check on the status of the projects. The CRM Department's core responsibility is ensuring smooth and hassle-free transfer of products to the satisfaction of the customers.

Taking calculated risks is a part of all businesses. A business' growth depends on the Company's ability to absorb the risks related to the sector. After a careful evaluation of the risks, SOBHA has been steadily expanding its geographic presence in the real estate domain. This diversification has reduced its dependency on a single market, Bangalore, which at one point accounted for all its sales. Bangalore now contributes only 70 - 75 per cent of its sales.

To avoid dependency on a single large client in the contractual vertical, the Company is making a conscious effort to enlarge its corporate client base. Enlarging this client base includes tapping into a big pool of corporates and institutions to ensure

that its dependence on any one particular client is reduced. Out of the projects currently under progress, the share of contractual orders received from other clients has increased.

SOBHA has a proven track record in servicing its debt obligations. The gearing levels of the Company have been efficiently managed in previous financial years because of which the gearing ratio has come down.

Every investment avenue is evaluated on the basis of the risks and rewards attached to it.

The Company takes strategic decisions with respect to land acquisition. Effective methodologies are in place for managing the land portfolio. Requisite due diligence is carried out before acquiring land or entering partnerships for joint ventures or joint development.

SOBHA has adopted a standard process for ensuring product quality. Technology related to the industry is upgraded periodically by comparing it to global standards. This helps in minimizing implementation risks. The in-house Quality, Safety and Technology Department is in-charge of addressing quality issues of the products.

Vendors supplying key materials have long-standing relationships with SOBHA. Since the Company is a backward integrated organization, key inputs are sourced in-house, reducing dependency on external suppliers.

Comparatively, the attrition rate in the Company is below industry/sector average. To minimize attrition and retaining talent, SOBHA has adopted effective and employee friendly policies.

SOBHA is confident that with the economic and sector specific reforms introduced by the Government in the recent past, the outlook for long-term demand for the real estate sector in India is stable and positive. The emergence of Tier-II and Tier-III cities, urbanization, large-scale employment opportunities in Tier-II cities and larger numbers of nuclear families will contribute to a substantial increase in demand for real estate and corporate space in the future.

The dedicated and strong in-house Legal Department at SOBHA along with the outside experts, ensures the minimization of legal and regulatory risks. The

Company is a member of trade associations like CREDAI and active in making joint representations to the government and regulators on common issues faced by the sector.

SOBHA'S foray into new geographies is based on a thorough analysis of prevailing market conditions and the regulatory environment. Several contractual

projects have been successfully executed in the cities and hence, there is a good understanding of the local factors at play. The Company also engages locally available manpower resources.

Risk interaction

The risks faced by a company are not mutually exclusive.

The following table depicts the interplay of the various risks:

Risk	Economic Growth	Purchasing Power	Customer Preference	One Customer Dependency	Availability of loans	Interest Rate	Availability of land	Regulatory Approvals	Project Implementation	Inflation	Manpower	Competition
Economic Growth	■	✓	✓	-	✓	✓	-	-	-	✓	✓	-
Purchasing Power	✓	■	✓	-	✓	✓	-	-	-	✓	✓	✓
Customer Preference	✓	✓	■	✓	-	✓	✓	-	-	✓	-	✓
One Customer Dependency	✓	-	✓	■	-	-	-	-	✓	-	-	✓
Availability of Loans	✓	-	-	-	■	✓	-	-	✓	✓	-	-
Interest Rate	✓	✓	✓	-	✓	■	-	-	✓	✓	-	-
Availability of Land	-	✓	✓	-	-	-	■	✓	-	-	-	✓
Regulatory Approvals	-	-	-	-	-	-	✓	■	✓	-	-	-
Project Implementation	✓	-	-	✓	✓	✓	-	✓	■	✓	✓	✓
Inflation	✓	✓	✓	-	✓	✓	-	-	✓	■	-	-
Manpower	✓	✓	-	-	-	-	-	-	✓	-	■	✓
Competition	✓	✓	✓	✓	-	-	✓	-	✓	-	✓	■

Various risks faced by SOBHA and their likelihood and impact

The Company has a Risk Management Committee for evaluating the risk of each category. The committee assist in identifying and assessing risks so that appropriate mitigation mechanisms can be devised. The Audit Committee reviews and advises the management on all categories of risks that the

Company faces, the exposure in each category and on the acceptable and appropriate levels of these exposures. It also monitors the steps taken by the management to control such exposures and ensures that the overall risk exposure is within the Company's risk capacity and risk appetite. The Board of Directors of the Company are also apprised of the risks faced by the Company and timely risk management measures taken for mitigating them.

Operational and Financial Analysis

The challenges faced by the economy in general and construction sector in particular due to the structural reforms, have been efficiently turned into opportunities by the Real Estate sector. The reforms over the past few years have led to unprecedented consolidation in the listed space making way for improved operational performance. However, the fresh challenges unnerved by the pandemic – COVID-19 towards the end of financial year has brought down the economic activities to screeching halt. There are immense opportunities for businesses with strong balance sheet, sufficient liquidity to cover operations, digital presence and high on Brand value backed by customer focus.

With a dismal outlook for FY 2020-21 and economic activities set to pick up pace in a gradual manner, company believes that the businesses which are ahead of the curve in use of technology, measures to save time and cost by following Self-Reliant model of operations are projected to perform better. These businesses will have a considerable contribution to make towards the total output of the economy.

Overall, the Company witnessed a healthy growth for the year, which reflects its ability to withstand adversity and continue to excel. This is backed by strong brand presence, delivering international quality products on agreed time lines and creating customer delight. Our operational performance, financial performance and cash flows have been the best ever.

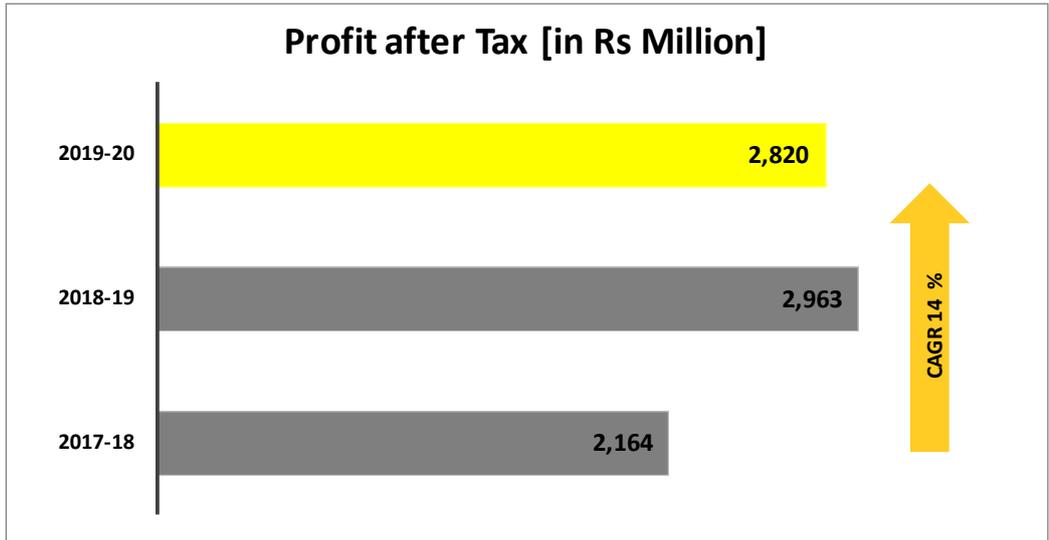
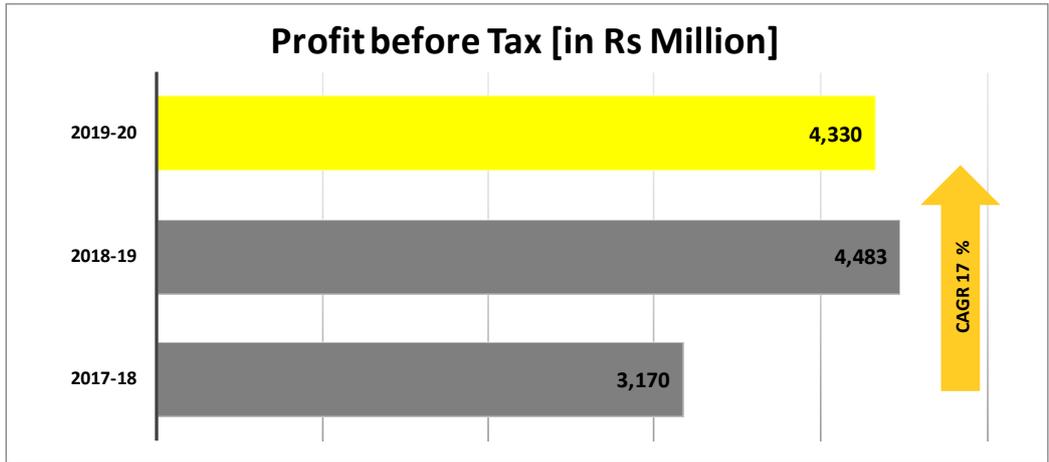
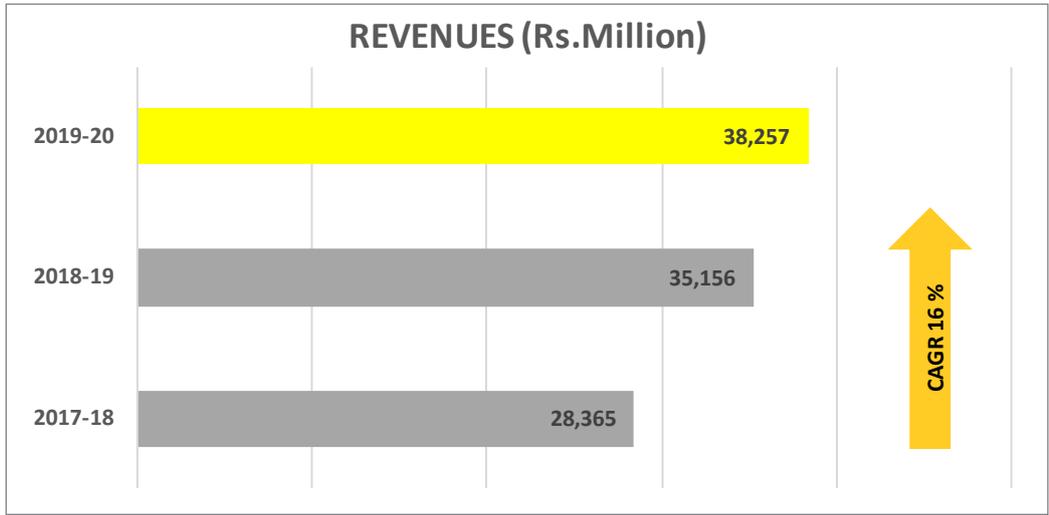
In this backdrop, we present our financial and operational performance for the year 2019-20.

Following are the key financial takeaways for fiscal year 2019 – 2020:

- Registered a turnover of ₹ 38,257 million.
- ₹ 22,801 million of revenues from real estate operations.
- ₹ 14,738 million of revenues from contracts and manufacturing operations and ₹ 718 million of revenue from Other Income.
- PBT of ₹ 4,330 million.
- PAT of ₹ 2,820 million.
- Collections of ₹ 36,471 million.
- Net operational cash flows stands at ₹ 2,694 million.
- Total sales value of ₹ 28,806 million and Sobha Share of ₹ 23,827 million.
- Total Average Price realization is at ₹ 7,075 per square feet.
- Debt Equity ratio as on March 31, 2020 is 1.24.

On operational parameters, the Company has:

- Developed 109.74 million Square Feet of Total Area since inception.
- Execution of 48.80 million Square Feet of Total Area in progress.
- Executed total 38.20 million Square Feet for our single largest contractual customer Infosys.
- Execution presence of Real Estate and Contractual projects in 27 Cities covering 14 States in India.
- Completed total developable area of 5.86 million Square feet in the Real Estate and Contracts domain in 2019-20.

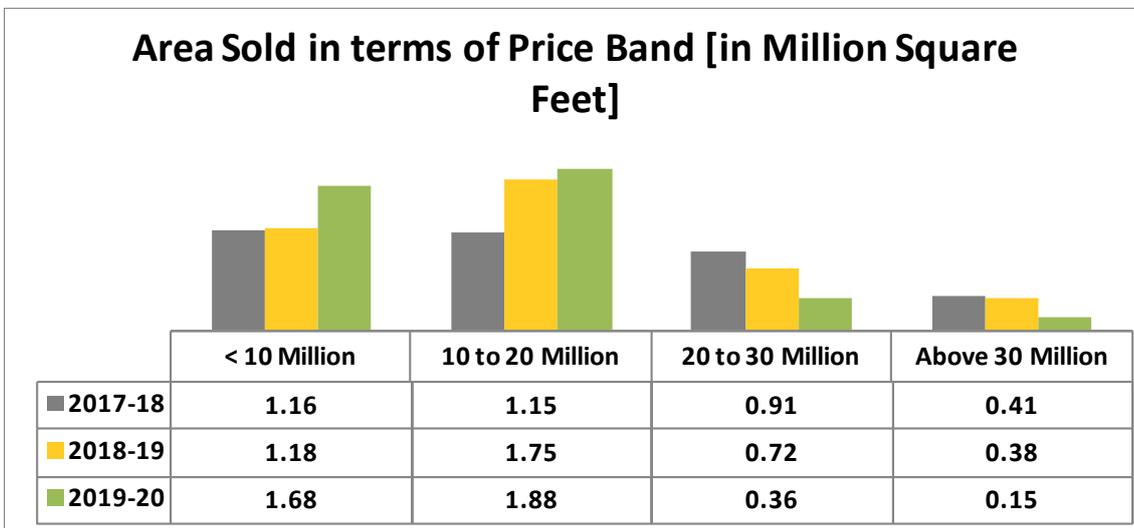
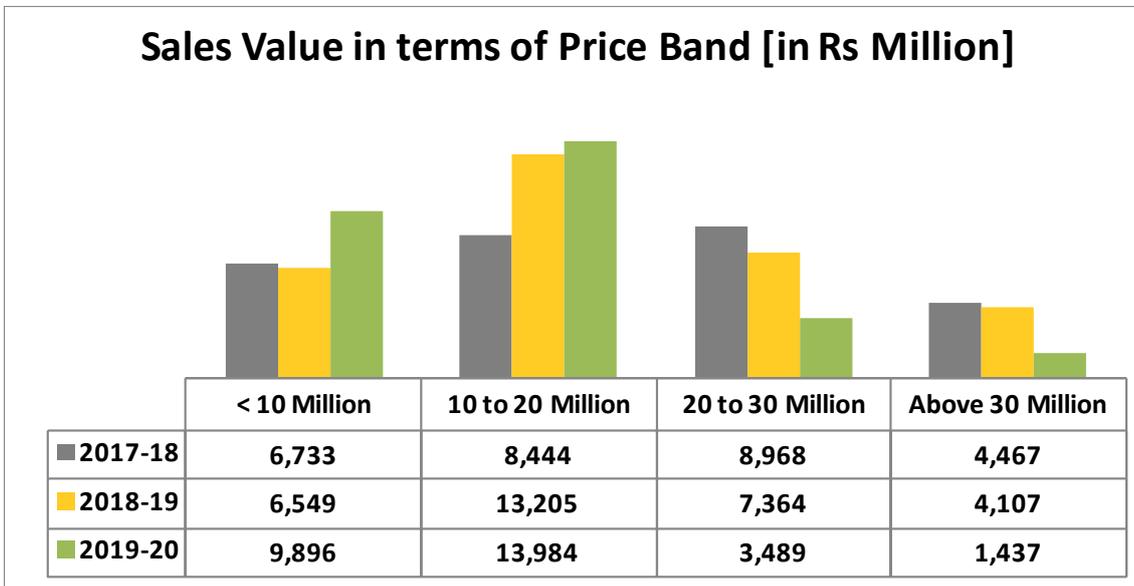


New Sales

SOBHA has witnessed highest ever sales performance during the year 2019-20 in volume terms. This performance is driven by company's best practices and strong brand presence. In spite of the attack of COVID-19 disrupting the functioning of the world during the last quarter of the financial year, Company was able to post good results backed by its unmatched quality standards, product mix offering and a solid track record of delivering the project on-time.

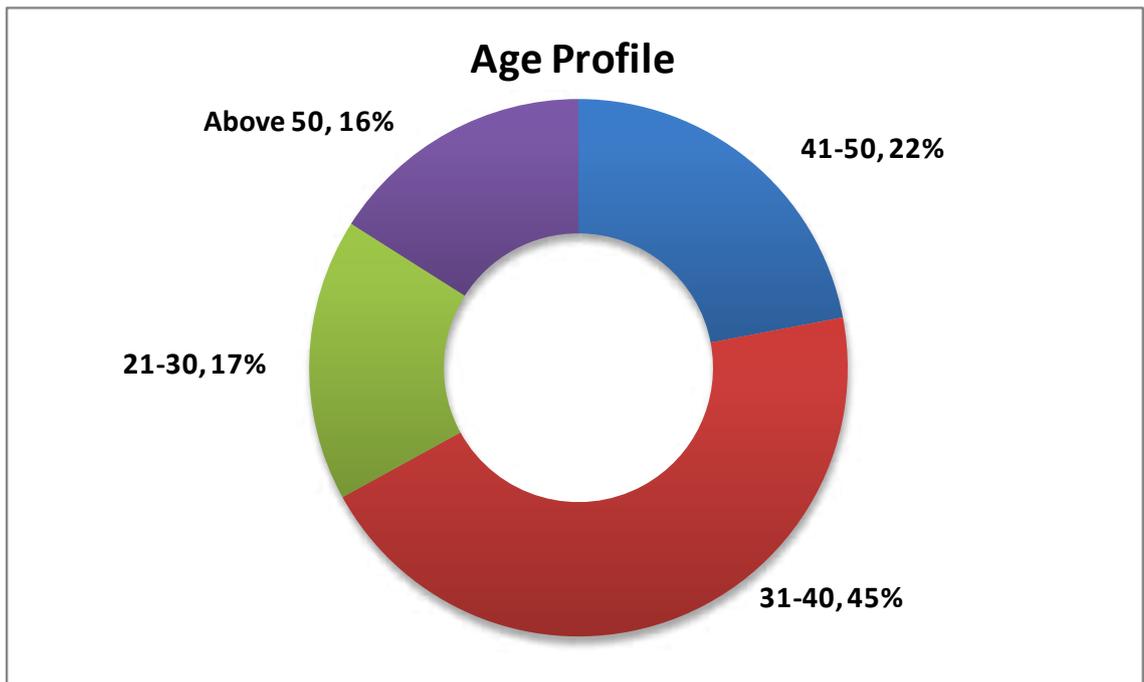
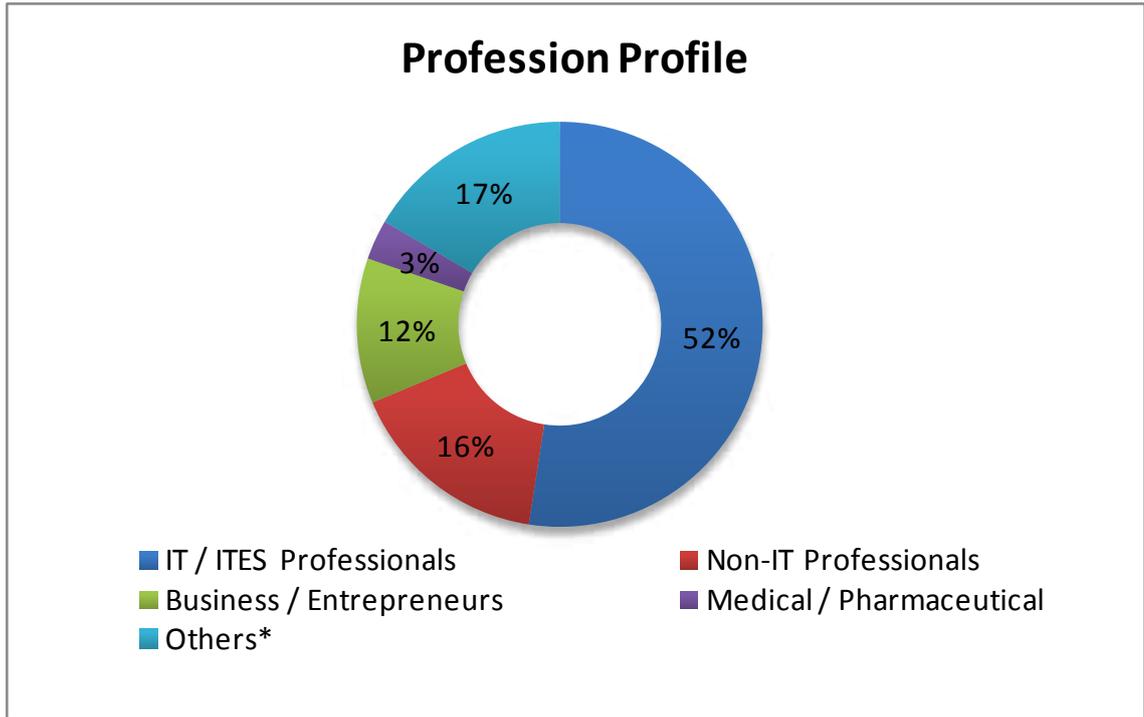
During the financial year, the Company registered new sales SBA of 4.07 Million Square Feet, total valued at ₹ 28,806 million at an average price realization of ₹ 7,075 Per Square Feet.

The classification of new sales in terms of price band is as follows:



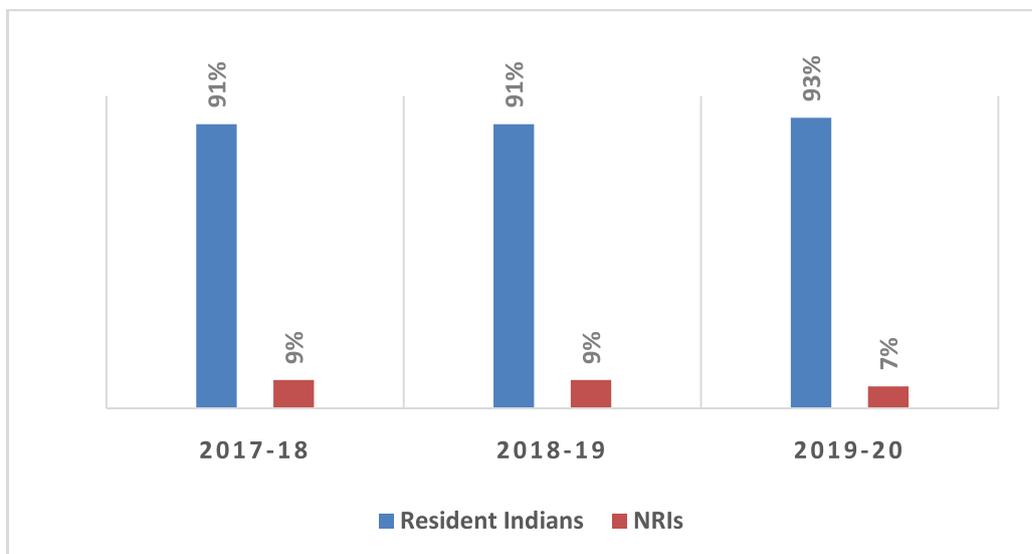
Our Customers:

The product-mix offered by the Company has been well accepted by our customers. The Company, on an ongoing basis, does analysis of its customer base and the said analysis reveals that the customer profile has a healthy mix, comprising IT/ITES Professionals, Non-IT Professionals, Entrepreneurs & Professionals. About 72% of our customers fall under salaried category, which includes 52% from IT / ITES and 16% from Non-IT industries. In addition to this, 12% of customers are from Business and Entrepreneur category.



SOBHA operates a representative office in Dubai and a branch office in Singapore to market Company's products among the NRI /NR community. However, the resident Indians continue to dominate the overall customer profile.

Comparative position of the customer base is provided below:



Real Estate

Customer centricity is at the core of our business strategy in addition to the Company's ability to consistently deliver quality products in the real estate space. The real estate operations of the Company are currently spread across 9 cities.

Following is the performance of the Real Estate vertical:

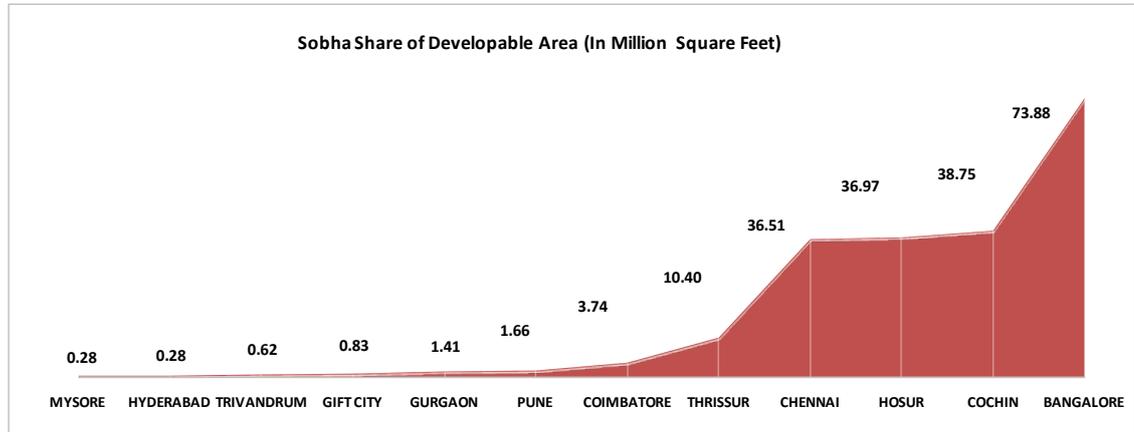
Particulars	₹ in Million		
	2019-20	2018-19	2017-18
Revenue	22,801	22,653	20,006
Share of Revenue (%)	59.59	64.43	70.53

The CAGR in the revenue for the Real Estate vertical from last two years is 7%.

Land Portfolio

Land Portfolio is the distinguishing asset for a real estate company. The ability to acquire appropriate land parcels at strategic places and at competitive prices or to enter into Joint Developments for future launches help maximise profits for the Company. The Company, along with group/associate companies, has a land portfolio comprising of 2,502 Acres wherein the Company holds an economic interest in 2,412 Acres. The majority of the land portfolio has already been paid for. An amount of ₹ 1,424 million is payable as a part of its commitments to acquire the economic interest. The overall cost per square feet of the land portfolio is ₹ 265.

The location wise distribution of the land portfolio is given below:



Project Launches

During the year, the Company has launched the following real estate projects –

- SOBHA Nesara Pune, ultra-premium project measuring total saleable area of 0.51 million sq ft.
- SOBHA Verdure Coimbatore, a row house project measuring total saleable area of 0.10 mn sq ft.
- SOBHA Blossom Chennai, measuring total saleable area of 0.18 mn sq ft.
- SOBHA Sterling Infinia, measuring total saleable area of 0.23 mn sq ft.

Contracting

The year 2019-20 was one of the record year performance for the contracting and manufacturing divisions. This division has clocked highest ever collections during 2019-20. Revenue from this vertical is contributing around 27% to the Company's topline. The contracts vertical has been executing orders ranging from civil structures, finishes, MEP works, metal and glazing works and interior furnishings for various reputed clients. With 9.44 Million Square Feet of contractual orders under progress and un billed contractual orders of approximately ₹ 22.13 billion pending to be executed as at March 31, 2020. The contractual operations will continue to be a source of steady revenue.

Following is the performance of the Contracts vertical:

	2019-20	2018-19	2017-18
Revenue	10,181	8,331	4,536
Share of Revenue (%)	26.61	23.69	15.99

₹ in Million

The CAGR in revenues from contracts vertical over the past 3 years is 50%.

Manufacturing

SOBHA is the only real estate company in India to integrate Self-Reliant model of operations. Company has the capabilities, skills and resources to deliver a project from conceptualisation to completion backed by this unique strength. Company is known for use of quality products and services required for the construction and development of a project and to meet our desired quality & agreed delivery schedule. Construction materials manufactured In-House also help us to ensure that the products are superior in quality and the Company has

reduced dependence on external suppliers. Company is ahead of the curve, with Government of India pushing for Self-Reliant and Self-Sustained models of business and practices. The Company believes, this model has been one of the important factors for our successful execution track record without compromising on quality.

Our Self-Reliant model comprises Glazing and Metal Works, Interiors and Furnishing Works and Concrete Works, which supplements our core business of real estate and contracting. Each of these manufacturing divisions is a profit centre by itself and is efficiently and professionally managed.

Glazing and Metal Works Division

The Company owns one of the largest Glazing and Metal factories in India. The facility is spread across 7.3 acres of land with a 2,322 sq. m. (25,000 sq. ft.) state-of-the-art manufacturing unit, with future expansion capability up to 11,148 sq. m. (120,000 sq. ft.) space facility. The factory is equipped with advanced machineries like CNC profile cutting machine, TIG welding machines, ACP routing machine, Milling machines etc. Apart from Bangalore unit, the Company has established Glazing and Metal Works Divisions in Chennai and Sonapat. The Products manufactured in the said facilities include aluminum doors, windows, structural glazing, MS and SS metal fabrications, aluminum composite panel, SS cladding, architectural metal works and pre-engineered buildings.

Interiors Division

The interior and furnishing division of the Company is one of the largest wood working /joinery facilities in India. The division has two highly mechanized factories with total floor area of 2,55,000 Sft. located at Bommasandra, Bangalore. The division is equipped with imported machineries from Spain, Italy, and Germany. The Company has Interiors Division in Alwar also. The product range includes large scale corporate and residential interiors, solid wood veneer paneled doors and MDF paneled doors, customized joinery works like paneling, partitions, tables, loose furniture like chairs, sofas, cots and modular kitchens etc.

Concrete Products Division

The Company has a fully automated concrete product division which uses remote controlling systems. The manufacturing facility in Bangalore spread over 32,000 sq. m. (8 acres) manufactures concrete products of international quality. The unit has the imported technologies from Germany (Masa Plant) and England. In addition, the Company has opened concrete products divisions in Gurgaon and Pune also. The units are manufacturing ready-to-use products, including concrete blocks, pavers, kerb stones, water drainage channels, paving slabs, and related landscape. The facility has a production capacity of 28,000 nos of Blocks/ day or 20 mn nos of Landscaping products.

Following is the performance of the Manufacturing Vertical:

Sales	₹ in Million		
	2019-20	2018-19	2017-18
Glazing and Metal Works Division	2,194	1,575	1,964
Interiors Division	1,871	1,429	1,012
Concrete Products Division	486	434	352
Total	4,551	3,438	3,328
Share of Revenue (%)	11.92%	9.78%	11.73%

The CAGR in revenues from manufacturing vertical over the past 3 years is 13%.

Cash Flows

The cash flow summary for the financial year 2019-2020 under direct cash flow method is as follows:

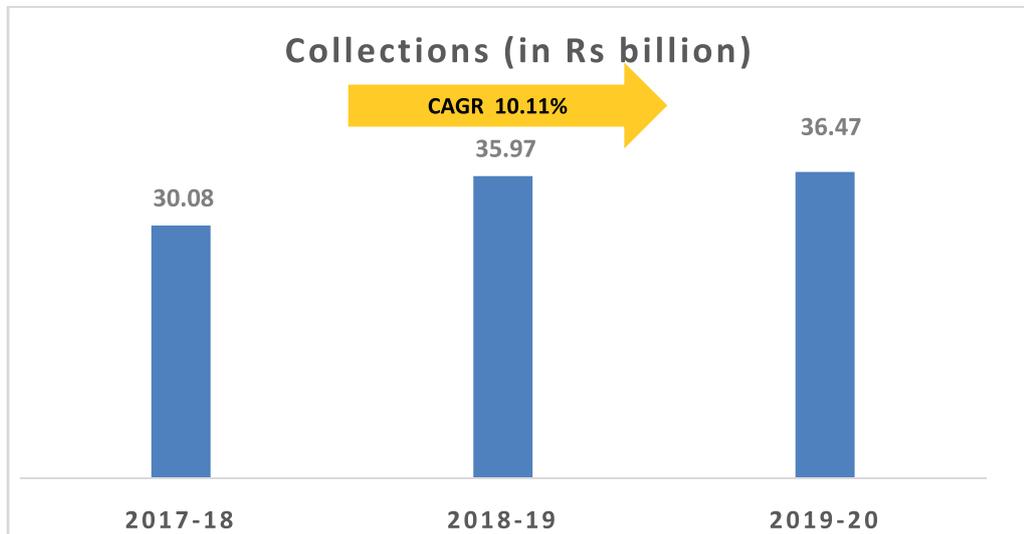
Particulars	₹ in Million
	2019-20
Operational Cash inflow	36,471
Operational Cash outflow	33,777
Net Operational Cash inflow	2,694
Financial Out Flow (Interest and Taxes)	3,792
Net Operational Cash inflow after Financial outflow	-1,098

The Company has collected ₹ 36,471 million during the year from real estate, contractual and manufacturing activities. This is highest ever collections of the company. After expending on construction expenses for real estate, contractual, manufacturing activities, overheads, etc. the net operating cash inflows were ₹ 2,694 million.

Out of the above, the Company has utilised ₹ 3,398 million towards payment of interest and ₹ 393 million for income taxes.

The Company has spent ₹ 2,641 million towards land payments during the year. In addition to this, the Company incurred ₹ 1,157 million towards capex expenditure, ₹ 197 million towards CSR contribution / donations and ₹ 800 million for dividend (including dividend tax)

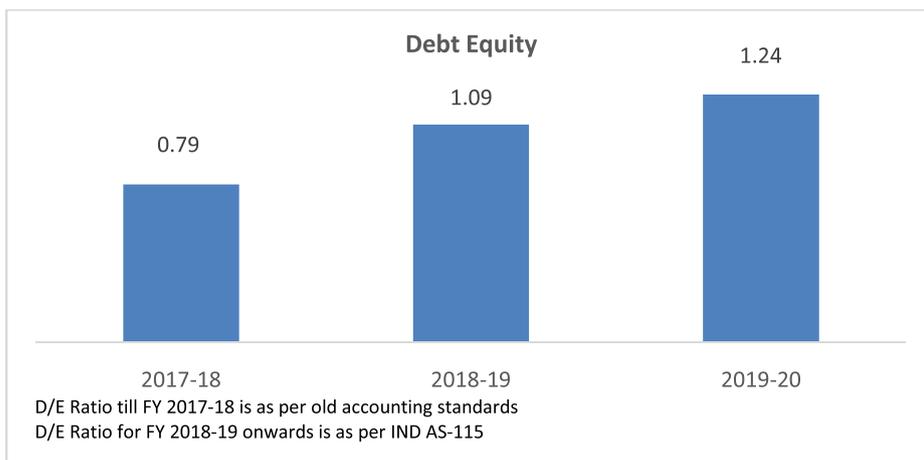
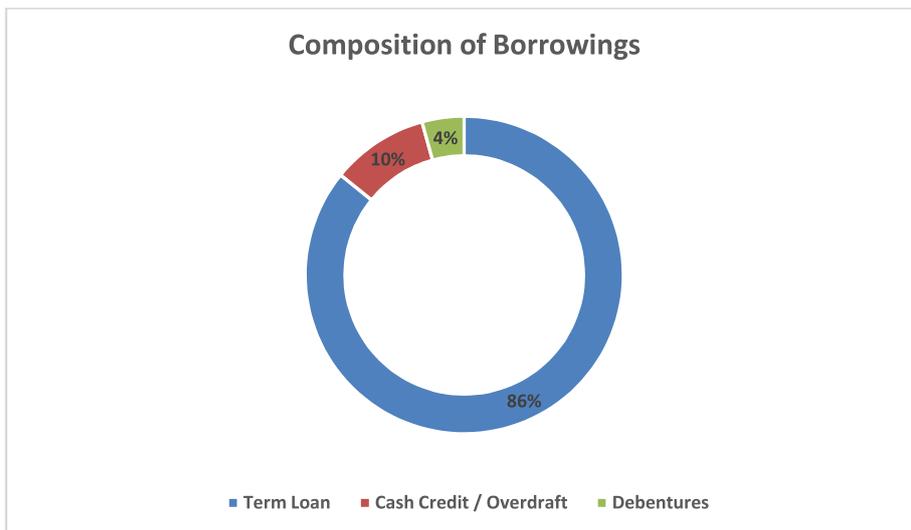
The Cash Flow Statement prepared as per the Indirect Method forms part of the Financial Statements.



Debt

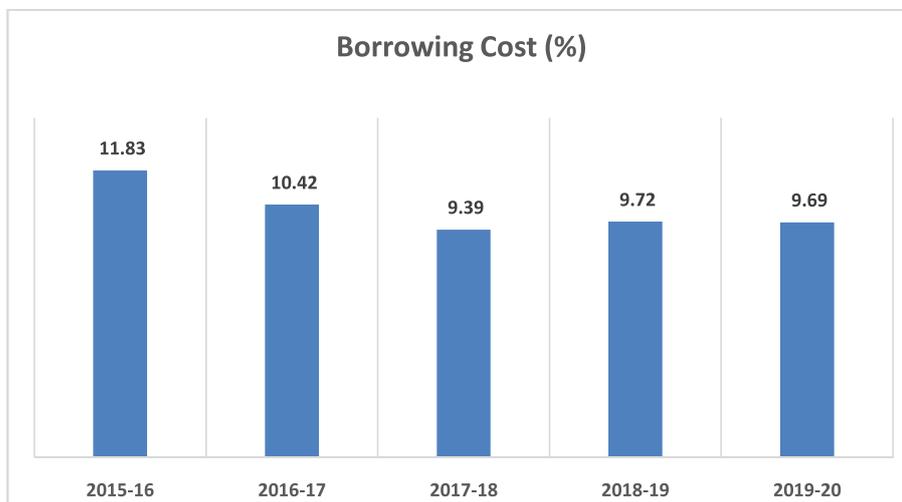
The Company seeks to maintain an optimum balance between low-cost debt and relatively higher cost equity. Debt financing is utilised for execution of various projects viz. residential, commercial and contractual and to finance the acquisition of land parcels for future development.

As on March 31, 2020, the net debt of the Company was ₹ 30,232 million as compared to ₹ 24,337 million in the previous year. The increase in debt is primarily on account of pursuing investment opportunities. However, we were able to reduce the net debt by ₹ 0.71 billion during Q4-20. The debt-equity ratio stood at 1.24 at the close of the financial year.



Borrowing Cost:

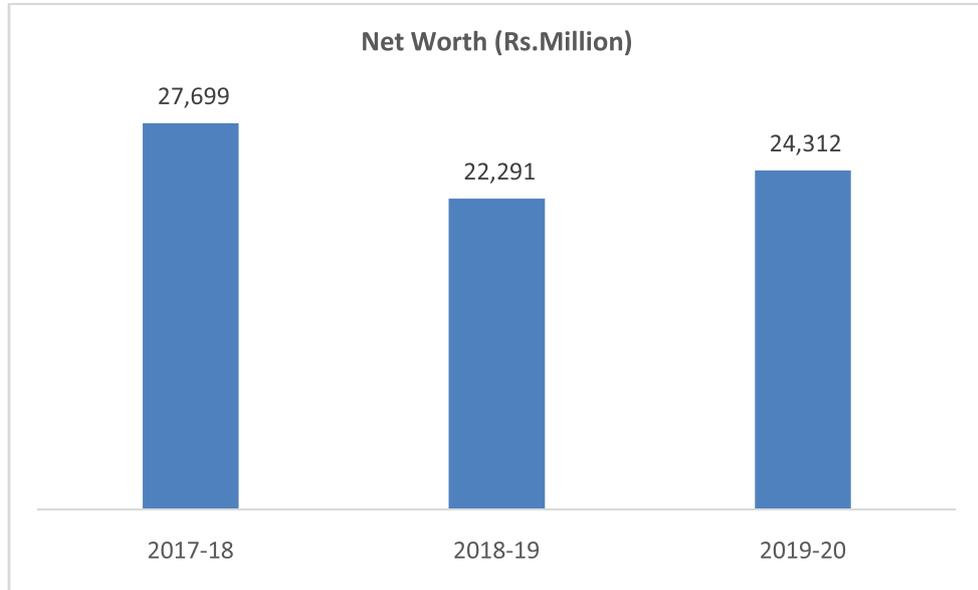
As of March 2020, the average borrowing cost stood at 9.69%.



During the year, the borrowings of the Company have been rated by ICRA was A+ (Negative).

Net Worth

The net worth of the Company as on March 31, 2020 was ₹ 24,312 million.



Fixed Assets

During the financial year 2019-20, the gross addition to Fixed Assets was ₹ 2,391 million. This is about 50 % addition year on year on account of investment in scaffolding items and additions to Plant and Machinery.

Current Assets

During the financial year 2019-20, the Current Assets increased by ₹ 1,071 million as compared to the previous year. This is mainly on account of increase in inventories by ₹ 1,872 million.

Current Liabilities

During the financial year 2019-20, the Current Liabilities reduced by ₹ 2,021 million. This is on account of decrease in outstanding dues from creditors and other current liabilities.

Dividends

The Company aims to follow a consistent Dividend Payout while striving to achieve a trade-off between deployment of internal accruals for growth and the payment of dividends. The Company has been paying dividend in the range of 25% - 35% of its profits. The dividend distribution policy of the Company is available on the website of the Company.

The Board of Directors has recommended a dividend of ₹ 7 per equity share for the year.