1 Corporate information

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

The Company is a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The registered office is located at Bangalore. The Company's shares and debentures are listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

The standalone financial statements are approved for issue by the Company's Board of Directors on 27 June 2020.

2 Significant accounting policies

2.1 Basis of preparation

These financial statements are separate financial statements prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013, (the 'Act') and other relevant provision of the Act.

The standalone financial statements have been prepared on the historical cost basis, except for the following assets and liabilities which have been measured at fair value:

- Certain financial assets and liabilities measured at fair value (refer accounting policy regarding financial instruments)

The standalone financial statements are presented in ₹ and all values are rounded to the nearest millions, except when otherwise indicated.

2.2 Summary of significant accounting policies

a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. Revenue includes excise duty, since the recovery of excise duty flows to the Company on its own account. However, sales tax/ value added tax (VAT)/Goods and Services Tax(GST) is not received by the Company on its own account. These taxes are collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognised.

i. Recognition of revenue from contractual projects

If the outcome of contractual contract can be reliably measured, revenue associated with the construction contract is recognised by reference to the stage of completion of the contract activity at year end (the percentage of completion method). The stage of completion on a project is measured on the basis of proportion of the contract work/ based upon the contracts/ agreements entered into by the Company with its customers.

ii. Recognition of revenue from real estate projects

a. Recognition of revenue from property development

Revenue is recognized upon transfer of control of residential units to customers, in an amount that reflects the consideration the Company expects to receive in exchange for those residential units. The Company shall determine the performance obligations associated with the contract with customers at contract inception and also determine whether they satisfy the performance obligation over time or at a point in time. In case of residential units, the Company satisfies the performance obligation and recognises revenue at a point in time i.e., upon handover of the residential units.

To estimate the transaction price in a contract, the Company adjusts the promised amount of consideration for the time value of money if that contract contains a significant financing component. The Company when adjusting the promised amount of consideration for a significant financing component is to recognise revenue at an amount that reflects the cash selling price of the transferred residential unit.

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

Revenue from sale of land and development rights is recognised upon transfer of all significant risks and rewards of ownership of such real estate/ property, as per the terms of the contracts entered into with buyers, which generally coincides with the firming of the sales contracts/ agreements. Revenue from sale of land and development rights is only recognised when transfer of legal title to the buyer is not a condition precedent for transfer of significant risks and rewards of ownership to the buyer.

iii. Recognition of revenue from manufacturing division

Revenue from sale of materials is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which coincides with dispatch of goods to the customers. Service income is recognised on the basis of completion of a physical proportion of the contract work/ based upon the contracts/ agreements entered into by the Company with its customers.

iv. Dividend income

Revenue is recognised when the shareholders' or unit holders' right to receive payment is established, which is generally when shareholder approve the dividend.

v. Share in profits of partnership firm investments

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

vi. Interest income

Interest income, including income arising from other financial instruments, is recognised using the effective interest rate method.

b) Property, plant and equipment

Property, plant and equipment are stated at their cost of acquisition/construction, net of accumulated depreciation and impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use and initial estimate of decommissioning, restoring and similar liabilities. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. This applies mainly to components for machinery. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit and loss as incurred.

Subsequent expenditure related to an item of property, plant and equipment is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance.

Borrowing costs directly attributable to acquisition of property, plant and equipment which take substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the property, plant and equipment is derecognised.

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the statement of profit and loss.

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date is classified as capital advances under other non-current assets.

c) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets, comprising of software and intellectual property rights are amortized on a straight line basis over a period of 3 years, which is estimated to be the useful life of the asset and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

d) Depreciation on property, plant and equipment

Depreciation is calculated on written down value basis using the following useful lives prescribed under Schedule II of the Act, except where specified.

Particulars	Useful lives estimated by the management (in years)
Property, plant and equipment	
Factory buildings	30
Buildings - other than factory buildings	60
Buildings - temporary structure	3
Plant and machinery	
i. General plant and machinery	15
ii. Plant and machinery - Civil construction	12
iii. Plant and machinery - Electrical installations	10
Furniture and fixtures	10
Motor vehicles	8
Computers	
i. Computer equipment	3
ii. Servers and network equipment	6
Office equipment	5

Steel scaffolding items are depreciated using straight line method over a period of 6 years, which is estimated to be the useful life of the asset by the management based on planned usage and technical advice thereon. These lives are higher than those indicated in Schedule II.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

e) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that any non-financial asset may be impaired. If any indication exists, or when annual impairment testing for a non-financial asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses, including impairment on inventories, are recognised in the statement of profit and loss.

f) Impairment of financial assets

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. The Company recognises lifetime expected losses for all contract assets and / or all trade receivables that do not constitute a financing transaction. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

g) Fair value measurement

The Company measures financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

h) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

<u>**Initial recognition and measurement**</u>

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Classification and subsequent measurement

On initial recognition, financial asset is classified as measured at:

– amortised cost

– fair value through other comprehensive income (FVTOCI)

– debt investment

– fair value through other comprehensive income (FVTOCI)

– equity investment

– fair value through profit or loss (FVTPL)

Financial assets at amortised cost

A 'financial asset' is measured at the amortised cost if both the following conditions are met and is not designated as FVTPL:

a) the asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category is the most relevant to the Company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss. This category generally applies to trade and other receivables.

Debt investment at Fair value through Other comprehensive income (FVTOCI)

A 'Debt investment' is classified as at the FVTOCI if both of the following criteria are met and is not designated as FVTPL:

a) the objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and

b) contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt investment included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the other comprehensive income (OCI).

Financial assets at Fair Value Through Profit or Loss (FVTPL)

FVTPL is a residual category for financial assets. Any financial assets, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL. financial assets included within the FVTPL category are measured at fair value with all changes recognized in the statement of profit and loss. In addition, the Company may elect to designate a financial asset, which otherwise meets amortized cost or FVTOCI criteria, as at FVTPL. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch'). The Company has not designated any financial asset as at FVTPL.

Equity investments in subsidiaries and joint ventures

The Company has availed the option available in Ind AS 27 separate financial statements to carry its investment in subsidiaries and joint ventures at cost. Impairment recognized, if any, is reduced from the carrying value.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company’s continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not recorded at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification, subsequent measurement and gains and losses

The financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading or it is as derivative or deginated as such on initial recognition. Financial liabilities measured as FVTPL are measured at fair value and net gains or losses, including any interest expense, are recognised in statement of profit and loss. Other financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange gains and losses are recognised in the statement of profit and loss. Any gain or loss on derecognition is also recognised in the statement of profit and loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

i) Borrowing costs

Borrowing costs are interest and other costs incurred in connection with borrowings of funds. Borrowing costs directly attributable to acquisition/ construction of qualifying assets are capitalised until the time all substantial activities necessary to prepare the qualifying assets for their intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use/ sale. All other borrowing costs not eligible for inventorisation/ capitalisation are charged to statement of profit and loss.

j) Cash and cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

k) Employee benefits

i. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Company makes specified monthly contributions towards Government administered provident fund scheme. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which the related services are rendered by employees.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

ii. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised in Other Comprehensive Income (OCI) . The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the statement of profit and loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss on curtailment is recognised immediately in the statement of profit and loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The Company makes contributions to Sobha Developers Employees Gratuity Trust ('the trust') to discharge the gratuity liability to employees. Provision towards gratuity, a defined benefit plan, is made for the difference between actuarial valuation by an independent actuary and the fund balance, as at the year-end. The cost of providing benefits under gratuity is determined on the basis of actuarial valuation using the projected unit credit method at each year end.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the company recognises related restructuring costs.

  Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

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

l) Provisions

A provision is recognized when an enterprise has a present obligation (legal or constructive) as result of past event and it is probable that an outflow of embodying economic benefits of resources will be required to settle a reliably assessable obligation. Provisions are determined based on best estimate required to settle each obligation at each balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

n) Earnings per share

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

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

o) Income taxes

Income tax expense comprises of current and deferred tax. It is recognised in the statement of profit and loss except to the extent that it relates to an item recognised directly in equity or in other comprehensive income.

Current income tax

Current income tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax reflects the best estimate of the tax amount expected to be paid or received after considering the uncertainty, if any, related to income taxes. It is measured using tax rates (and tax laws) enacted or substantively enacted by the reporting date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts, and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

Deferred income tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits. Deferred tax is not recognised for:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be used. The existence of unused tax losses is strong evidence that future taxable profit may not be available. Therefore, in case of a history of recent losses, the Company recognises a deferred tax asset only to the extent that it has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which such deferred tax asset can be realised. Deferred tax assets – unrecognised or recognised, are reviewed at each reporting date and are recognised/ reduced to the extent that it is probable/ no longer probable respectively that the related tax benefit will be realised.

The Company has elected to exercise the option permitted under section 115BAA of the Income-tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised Provision for Income Tax for the year ended 31 March 2020 and re-measured its Deferred Tax Asset basis the rate prescribed in the said section.

p) Foreign currency transactions

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

q) Inventories

Related to contractual and real estate activity

Direct expenditure relating to construction activity is inventorised. Other expenditure (including borrowing costs) during construction period is inventorised to the extent the expenditure is directly attributable cost of bringing the asset to its working condition for its intended use. Other expenditure (including borrowing costs) incurred during the construction period which is not directly attributable for bringing the asset to its working condition for its intended use is charged to the statement of profit and loss. Direct and other expenditure is determined based on specific identification to the construction and real estate activity. Cost incurred/ items purchased specifically for projects are taken as consumed as and when incurred/ received.

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

ii. Work-in-progress - Real estate projects (including land inventory): Represents cost incurred in respect of unsold area of the real estate development projects or cost incurred on projects where the revenue is yet to be recognised. Real estate work-in-progress is valued at lower of cost and net realisable value.

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

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

v. Building materials purchased, not identified with any specific project are valued at lower of cost and net realisable value. Cost is determined based on a weighted average basis.

vi. Land inventory: Valued at lower of cost and net realisable value.

Related to manufacturing activity

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

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

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

r) Land

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

Land/ development rights received under joint development arrangements is measured at the fair value of the estimated construction service rendered to the land owner and the same is accounted on launch of the project. Further, non-refundable deposit amount paid by the Company under joint development arrangements is recognised as land advance under other assets and on the launch of the project, the non-refundable amount is transferred as land cost to work-in-progress.

s) Leases

Where the Company is lessee

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased asset, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are recognized as finance costs in the statement of profit and loss.

Right of use asset is depreciated on a straight-line basis over the lower of the lease term or the estimated useful life of the asset unless there is reasonable certainty that the Company will obtain ownership, wherein such assets are depreciated over the estimated useful life of the asset.

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

t) Cash dividend to equity holders of the Company

The Company recognises a liability to make cash distributions to equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. Final dividends on shares are recorded as a liability on the date of approval by the shareholders and interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

3 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with the recognition and measurement principles of Ind AS requires management to make judgements, estimates and assumptions that affect the reported balances of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

a) Judgements

In the process of applying the accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

i) Classification of property

The Company determines whether a property is classified as investment property or inventory property:

Investment property comprises land and buildings (principally offices, commercial warehouse and retail property) that are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.

Inventory property comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Company develops and intends to sell before or on completion of construction.

b) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

i) Revenue recognition, contract costs and valuation of unbilled revenue

The Company uses the percentage-of-completion method for recognition of revenue, accounting for unbilled revenue and contract cost thereon for its contractual projects. The percentage of completion is measured by reference to the stage of the projects and contracts determined based on the proportion of contract costs incurred for work performed to date bear to the estimated total contract costs. Use of the percentage-of-completion method requires the Company to estimate the efforts or costs expended to date as a proportion of the total efforts or costs to be expended. Significant assumptions are required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract cost and the recoverability of the contracts. These estimates are based on events existing at the end of each reporting date.

ii) Accounting for advance from customer considering the time value of money

When determining whether a contract includes a significant financing component, the Company considers the period between performance and payment for that performance. For contracts where revenue is recognised at a point in time, the period considered is that between transfer of control of the good and the payment. Therefore, if payment for a property is made before the date on which control is transferred, an assessment is required of whether the contract includes a significant financing component, especially if the period is greater than twelve months.

Advanced payments from the customer lead to higher amount of revenue being recognised than the contract price because the Company accepts a lower amount in return for financing. As the entity recognises the interest expense related to the financing component, the corresponding amount is recorded as a contract liability/revenue.

iii) Estimation of net realisable value for inventory property (including land advance)

Inventory property is stated at the lower of cost and net realisable value (NRV).

NRV for completed inventory property is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Company, based on comparable transactions identified by the Company for properties in the same geographical market serving the same real estate segment.

NRV in respect of inventory property under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and an estimate of the time value of money to the date of completion.

With respect to land advance given, the net recoverable value is based on the present value of future cash flows, which depends on the estimate of, among other things, the likelihood that a project will be completed, the expected date of completion, the discount rate used and the estimation of sale prices and construction costs.

Sobha Limited

Notes to the standalone financial statements for the year ended 31 March 2020

4 Property, plant and equipment

in ₹ million

Particulars	Freehold land	Factory buildings	Other buildings	Plant and machinery	Scaffolding items	Furniture and fixtures	Vehicles	Computers	Office equipment	Total
Cost										
As at 1 April 2018	**81.90**	**641.60**	**1,132.57**	**1,281.09**	**902.01**	**36.09**	**9.59**	**70.24**	**14.25**	**4,169.34**
Additions during the year	-	1.64	48.62	146.28	370.51	4.59	0.36	45.64	9.17	626.81
Deletions during the year	-	-	-	(34.25)	(6.36)	(0.53)	-	(5.48)	(0.45)	(47.08)
As at 31 March 2019	**81.90**	**643.24**	**1,181.19**	**1,393.12**	**1,266.16**	**40.15**	**9.95**	**110.40**	**22.97**	**4,749.07**
Additions during the year	-	16.14	17.99	259.12	312.81	1.06	0.37	14.91	5.44	627.84
Deletions during the year	-	-	-	(3.86)	(6.24)	-	(1.72)	(9.32)	(0.46)	(21.60)
As at 31 March 2020	**81.90**	**659.38**	**1,199.18**	**1,648.38**	**1,572.73**	**41.21**	**8.60**	**115.99**	**27.95**	**5,355.32**
Accumulated depreciation										
As at 1 April 2018	**-**	**178.30**	**171.83**	**404.38**	**544.68**	**18.78**	**5.88**	**44.37**	**9.84**	**1,378.06**
Charge for the year	-	105.94	64.33	188.62	185.62	4.13	0.92	28.82	3.27	581.65
Deletions during the year	-	-	-	(29.29)	(6.34)	(0.53)	-	(5.48)	(0.45)	(42.09)
As at 31 March 2019	**-**	**284.24**	**236.16**	**563.71**	**723.96**	**22.38**	**6.80**	**67.71**	**12.66**	**1,917.62**
Charge for the year	-	107.01	74.25	205.82	187.39	3.76	0.76	31.55	6.49	617.03
Deletions during the year	-	-	-	(3.51)	(6.23)	-	(1.65)	(9.25)	(0.44)	(21.08)
As at 31 March 2020	**-**	**391.25**	**310.41**	**766.02**	**905.12**	**26.14**	**5.91**	**90.01**	**18.71**	**2,513.57**
Carrying amount										
As at 31 March 2020	**81.90**	**268.13**	**888.77**	**882.36**	**667.61**	**15.07**	**2.69**	**25.98**	**9.24**	**2,841.75**
As at 31 March 2019	**81.90**	**359.00**	**945.03**	**829.41**	**542.20**	**17.77**	**3.15**	**42.69**	**10.31**	**2,831.46**

Note:

a) Capitalised borrowing costs

The amount of borrowing costs capitalised during the year ended 31 March 2020 was ₹ 224.23 million (31 March 2019 - ₹ 77.66 million). The rate used to determine the amount of borrowing costs eligible for capitalisation was 9.97% (31 March 2019 - 9.77%), which is the effective interest rate of the specific borrowing.

b) Property, plant and equipment

Property, plant and equipment with a carrying amount of ₹ 1,046.44 million (31 March 2019 - ₹ 1,412.79 million) are subject to a first charge to secure the Company's loans.

5 Investment property under construction

in ₹ million

Particulars	Investment property under construction
Balance as at 1 April 2018	**1,344.93**
Additions during the year	555.44
Balance as at 31 March 2019	**1,900.37**
Additions during the year	422.77
Balance as at 31 March 2020	**2,323.14**

"Note:

a) The Company has taken a land on lease and is constructing a commercial complex on lease land. The cost of construction of ₹ 2,323.14 million (31 March 2019 - ₹ 1900.37 million) includes capitalised borrowing cost of ₹ 618.81 million (31 March 2019 - ₹ 394.57 million).

b) Investment property under construction with a carrying amount of ₹ 2,323.14 million (31 March 2019 - ₹ Nil) are subject to a first charge to secure the Company's loans."

6 Intangible assets

in ₹ million

Particulars	Software	Intellectual property rights	Total
Cost			
Balance as at 1 April 2018	**15.01**	**0.05**	**15.06**
Additions during the year	0.22	-	0.22
Balance as at 31 March 2019	**15.23**	**0.05**	**15.28**
Additions during the year	0.10	-	0.10
Balance as at 31 March 2020	**15.33**	**0.05**	**15.38**
Amortization and impairment			
Balance as at 1 April 2018	**13.83**	**0.05**	**13.88**
Charge for the year	0.70	-	0.70
Balance as at 31 March 2019	**14.53**	**0.05**	**14.58**
Charge for the year	0.42	-	0.42
Balance as at 31 March 2020	**14.95**	**0.05**	**15.00**
Carrying amount			
Balance as at 31 March 2020	**0.38**	**-**	**0.38**
Balance as at 31 March 2019	**0.70**	**-**	**0.70**

7 Right of use assets

in ₹ million

Particulars	Vehicles	Plant and machinery	Total
Cost			
Balance as at 1 April 2018	**-**	**-**	**-**
Additions during the year	-	-	-
Balance as at 31 March 2019	**-**	**-**	**-**
Additions during the year	93.53	90.73	184.26
Balance as at 31 March 2020	**93.53**	**90.73**	**184.26**
Accumulated depreciation			
Balance as at 1 April 2018	**-**	**-**	**-**
Charge for the year	-	-	-
Balance as at 31 March 2019	**-**	**-**	**-**

in ₹ million

Particulars	Vehicles	Plant and machinery	Total
Charge for the year	33.73	22.34	56.07
Balance as at 31 March 2020	**33.73**	**22.34**	**56.07**
Carrying amount			
Balance as at 31 March 2020	**59.80**	**68.39**	**128.19**
Balance as at 31 March 2019	**-**	**-**	**-**

"On transition to Ind AS 116 with effect from 1 April 2019, the Company recognised a lease liability measured at the present value of the remaining lease payments. The right-of-use asset is recognised at its carrying amount as if the standard had been applied since the commencement of the lease, but discounted using the lessee's incremental borrowing rate as at 1 April 2019. Accordingly, a right-of-use asset of ₹ 128.19 million and a corresponding lease liability of ₹ 134.20 million was recognised. The cumulative effect on transition in retained earnings, net of taxes amounted to ₹ 4.49 million (including the deferred tax impact of ₹ 1.51 million). The principal portion of the lease payments have been disclosed under cash flows from financing activities. The lease payments for operating leases as per Ind AS 17 - Leases, were earlier reported under cash flows from operating activities. Applicable incremental borrowing rates have been applied to lease liabilities recognised in the standalone balance sheet at the date of initial application. The weighted average incremental borrowing rate of 10% has been applied to lease liabilities recognised in the balance sheet at the date of initial application.

The difference between the future minimum lease rental commitments towards non-cancellable operating leases and finance leases reported as at 31 March 2019 compared to the lease liability as accounted as at 1 April 2019 is primarily attributable to the impact of discounting the future lease payments during the non-cancellable lease term to the present value thereof, including the present value of lease payments during the cancellable period (to the extent of lease term determined under Ind AS 116) and exclusion of leases for which the Company has chosen to apply the practical expedients available.

During the year ended 31 March 2020, the Company incurred expenses amounting to ₹ 64.53 million on short-term leases and leases of low-value assets. For the year ended 31 March 2020, the total cash outflows for leases, including short-term leases and low-value assets amounted to ₹ 50.06 million. Lease contracts entered into by the Company primarily pertains to buildings taken on lease to conduct its business in the ordinary course."

The following table presents the various components of lease costs: **in ₹ million**

	Year ended 31 March 2020
Depreciation	**56.07**
Interest on lease liabilities	**14.48**
	70.55

8 Inventories (valued at lower of cost and net realizable value)

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Raw materials and components	648.56	584.03
Building materials	91.59	78.35
Land stock *	10,391.08	8,346.47
Work-in-progress *	40,816.00	50,084.02
Finished goods - Flats *	12,232.21	3,604.71
Finished goods - Others *	55.62	46.16
	64,235.06	**62,743.74**

* Carrying amount of inventories pledged as securities against borrowings as at 31 March 2020 - ₹ 40,447.03 million (31 March 2019 - ₹ 12,151.92 million)

9 Investments

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Non-current investments:		
Investments carried at cost		
Trade investments (valued at cost unless stated otherwise)		
Unquoted equity shares		
Investment in subsidiaries		
199,999 (31 March 2019 - 199,999) Class A equity shares of ₹ 10 each fully paid-up in Sobha Highrise Ventures Private Limited	2.00	2.00
10,200,000 (31 March 2019 - 10,200,000) Class C equity shares of ₹ 33.90 each fully paid-up in Sobha Highrise Ventures Private Limited	345.78	345.78
2,500,000 (31 March 2019 - 2,500,000) Class D equity shares of ₹ 10 each fully paid-up in Sobha Highrise Ventures Private Limited	25.00	25.00
526,320 (31 March 2019 - 526,320) equity shares of ₹ 1 each fully paid-up in Sobha Developers (Pune) Limited	986.41	986.41
50,000 (31 March 2019 - 50,000) equity shares of ₹ 10 each fully paid-up in Sobha Nandambakkam Developers Limited	13.74	13.74
50,002 (31 March 2019 - 50,002) equity shares of ₹ 10 each fully paid-up in Sobha Tambaram Developers Limited	2.24	2.24
10,000 (31 March 2019 - 10,000) equity shares of ₹ 10 each fully paid-up in Sobha Assets Private Limited	0.10	0.10
1000,000 (31 March 2019 - NIL) equity shares of ₹ 10 each fully paid-up in Sobha Construction Products Private Limited	10.00	-
Unquoted preference instruments (in the nature of equity)		
Investment in subsidiary		
7,700,000 (31 March 2019 - 7,700,000) compulsorily convertible preference shares of ₹ 10 each fully paid-up in Sobha Highrise Ventures Private Limited	77.00	77.00
Investment in the capital of partnership firm (Subsidiary)		
99% (31 March 2019 - 99%) share in the profits of partnership firm:		
Sobha City - Capital account	399.99	399.99
Sobha City - Current account	541.19	1,054.40
Consideration paid for additional share in capital and profit of the partnership firm	128.00	128.00
Investment in the capital of partnership firm (Joint Venture)		
50% (31 March 2019 - 50%) share in the profits of partnership firm:		
Kondhwa Projects LLP - Capital account	1,142.52	1,128.16
Total investments carried at cost	**3,673.97**	**4,162.82**
Investments carried at fair value through profit and loss		
Unquoted equity securities		
Investments at amortized cost		
Government and trust securities (unquoted)		
National savings certificates	0.08	0.08
Total investments carried at amortised cost	**0.08**	**0.08**
Total investments	**3,674.05**	**4,162.90**
Aggregate amount of unquoted investments	**3,674.05**	**4,162.90**

Details of investments in partnership firms

Investment in Sobha City

Name of Partner	Share of partner in profits (%)	
	31 March 2020	31 March 2019
Sobha Limited	99	99
Sobha Developers (Pune) Limited	1	1
Total capital of the firm (₹ million)	**400.00**	**400.00**

Investment in Kondhwa Projects LLP

Name of Partner	Share of partner in profits (%)	
	31 March 2020	31 March 2019
Sobha Limited	50	50
Total capital of the firm (₹ million)	**1,142.52**	**1,128.16**

10 Trade receivables

in ₹ million

Particulars	Current		Non-current	
	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019
Trade receivables				
Unsecured, considered good	3,521.91	3,125.26	141.02	83.98
Unsecured, considered doubtful	342.19	233.55	192.21	98.46
	3,864.10	3,358.81	333.23	182.44
Less: Allowances for credit loss	(342.19)	(233.55)	(192.21)	(98.46)
	3,521.91	3,125.26	141.02	83.98
Net trade receivables	**3,521.91**	**3,125.26**	**141.02**	**83.98**

11 Other financial assets

in ₹ million

Particulars	Current		Non-current	
	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019
Unsecured, considered good				
Refundable deposit towards joint development agreement	6,052.36	5,160.55	-	-
Security deposits	129.66	140.72	187.13	157.71
Loans to related parties (refer note 34)	176.68	-	-	-
Others	2,128.29	-	-	-
Non-current bank balances	-	-	62.15	16.15
	8,486.99	**5,301.27**	**249.28**	**173.86**

12 Other assets

in ₹ million

Particulars	Current		Non-current	
	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019
Unsecured, considered good				
Capital advances	-	-	281.95	8.98
Land advances (refer note 34)*	9,282.31	13,568.66	4,857.45	4,862.55
Advances recoverable in kind (refer note 34)**	903.75	1,915.64	-	77.87
Prepaid expenses	224.67	184.28	143.77	157.19
Balances with statutory/ government authorities	1,270.61	1,275.03	-	-
Contract assets (refer note 42)	2,060.71	396.81	-	-
	13,742.05	**17,340.42**	**5,283.17**	**5,106.59**

* Advances for land though unsecured, are considered good as the advances have been given based on arrangements/ memorandum of understanding executed by the Company and the Company/ seller/ intermediary is in the course of obtaining clear and marketable title, free from all encumbrances, including for certain properties under litigation.

**** Advances recoverable in cash or kind due by Directors or other officers or companies in which Directors are interested**

in ₹ million

Particulars	Current		Non-current	
	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019
Advances recoverable in cash or kind				
Dues from Sobha Projects & Trade Private Limited, in which the Company's director is a director and a member	13.17	7.77	-	-
Dues from Sobha Assets Private Limited, in which the Company's director is a director	-	-	84.24	82.84

13 Cash and cash equivalents

in ₹ million

Particulars	Current	
	As at 31 March 2020	As at 31 March 2019
Cash on hand	7.91	9.81
Cheques/ drafts on hand	52.66	102.47
Balances with banks:		
– On current accounts	536.91	1,492.63
	597.48	**1,604.91**

14 Bank balance other than cash and cash equivalents

in ₹ million

Particulars	Current	
	As at 31 March 2020	As at 31 March 2019
Bank balance other than cash and cash equivalents		
– On unclaimed dividend account	2.52	2.35
– Margin money deposit	204.50	123.48
	207.02	**125.83**

Margin money deposits given as security

Margin money deposits with a carrying amount of ₹ 266.65 million (31 March 2019 - ₹ 139.63 million) are subject to first charge to secure the Company's borrowings.

Short-term deposits are made for varying periods of between seven day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

15 Equity share capital

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Authorised shares		
150,000,000 (31 March 2019 - 150,000,000) equity shares of ₹ 10 each	1,500.00	1,500.00
5,000,000 (31 March 2019 - 5,000,000) 7% redeemable preference shares of ₹ 100 each	500.00	500.00
Issued, subscribed and fully paid-up shares		
94,845,853 (31 March 2019 - 94,845,853) equity shares of ₹ 10 each fully paid up	948.46	948.46
Total issued, subscribed and fully paid-up share capital	**948.46**	**948.46**

(a) Reconciliation of the shares outstanding at the end of the reporting year

Particulars	31 March 2020		31 March 2019	
	No of shares	₹ million	No of shares	₹ million
Equity shares				
At the beginning of the year	94,845,853	948.46	94,845,853	948.46
Outstanding at the end of the year	94,845,853	948.46	94,845,853	948.46

(b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares would be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Details of shareholders holding more than 5% shares in the Company

Particulars	31 March 2020		31 March 2019	
	No of shares in million	Holding percentage	No of shares in million	Holding percentage
Equity shares of ₹ 10 each fully paid up				
Mrs. Sobha Menon	28.73	30.29%	35.63	37.56%
Mr. P.N.C. Menon	12.06	12.72%	12.06	12.72%
Mr. P.N.C. Menon (inclusive of joint holding with Mrs. Sobha Menon)	5.29	5.58%	5.29	5.58%
Schroder International Selection Fund Emerging Asia	5.25	5.54%	5.25	5.54%
Franklin India Focused Equity Fund	8.33	8.78%	-	-

Note : As per records of the Company, including its register of shareholders/ members and other declaration received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

16 Other equity

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Capital redemption reserve		
Balance at the beginning and end of the year	119.47	119.47
Debenture redemption reserve [Refer note (a) below]		
Balance at the beginning of the year	300.22	479.67
Add: Amount transferred from surplus balance in the statement of profit and loss	49.82	108.05
Less: Transfer to general reserve on redemption of debentures	(350.04)	(287.50)
Closing balance	**-**	**300.22**
Securities premium account		
Balance at the beginning and end of the year	9,328.92	9,328.92
General reserve		
Balance at the beginning of the year	3,530.59	2,956.56
Add: Transfer from statement of profit and loss	289.48	286.53
Add: Transfer from Debenture redemption Reserve	350.04	287.50
Closing balance	**4,170.11**	**3,530.59**
Retained earnings		
Balance at the beginning of the year	6,546.10	4,883.36
Profit for the year	2,894.79	2,865.25
Other comprehensive income		
Re-measurement gains / (losses) on defined benefit plans	4.61	(7.54)
Less: Appropriations		
Dividend (including dividend distribution tax) refer note 17	(800.39)	(800.39)
Transfer to debenture redemption reserve	(49.82)	(108.05)
Transfer to general reserve	(289.48)	(286.53)
Net surplus in the statement of profit and loss	**8,305.81**	**6,546.10**
Total other equity	**21,924.31**	**19,825.30**

(a) The Company had issued redeemable non-convertible debentures. Accordingly, the Companies (Share capital and Debentures) Rules, 2014 (as amended), require the Company to create Debenture Redemption Reserve (DRR) out of profits of the Company available for payment of dividend. DRR is required to be created for an amount which is equal to 25% of the value of debentures issued. The Company has created the DRR of ₹ Nil million (31 March 2019 - ₹ 108.05 million), as the debentures have been redeemed during the year.

17 Distribution made and proposed

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Cash dividend on equity shares proposed and paid		
Final dividend for the year ended 31 March 2019- ₹ 7 per share (31 March 2018- ₹ 7 per share)	663.92	663.92
Dividend distribution tax on final dividend	136.47	136.47
	800.39	**800.39**
Proposed dividend on equity shares		
Final dividend for the year ended 31 March 2020- ₹ 7 per share (31 March 2019- ₹ 7 per share)	663.92	663.92
Dividend distribution tax on proposed dividend	-	136.47
	663.92	**800.39**

18 Borrowings

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Non-current borrowings		
Secured debentures		
Nil (31 March 2019 - 25,500) redeemable non-convertible debentures of ₹ 0.10 million each	-	1,387.04
Secured loans		
Term loans from banks	1,675.06	272.94
Finance lease obligations	60.64	-
Equipment loans	0.19	0.19
	1,735.89	**273.13**
Amount disclosed under the head “other current financial liabilities” (refer note 19)	(99.87)	(1,612.04)
Total non-current borrowings	**1,636.02**	**48.13**
Current borrowings		
Secured loans		
Term loans from banks*	16,927.23	13,927.44
Term loans from financial institutions*	8,209.48	4,427.02
Finance lease obligations	73.56	-
Cash credit from banks	3,208.34	5,346.65
Total current borrowings	**28,418.61**	**23,701.11**

* Term loan from banks and financial institutions represents amount repayable within the operating cycle amounting to ₹ 16,927.23 million (31 March 2019 - ₹ 13,927.44 million)

* As at 31 March 2020, the Company is not in breach of any covenants as defiined in the agreements.

Terms and repayment schedule

(i) Secured debentures

in ₹ million

Particulars	Carrying amount as at 31 March 2020	Carrying amount as at 31 March 2019	Effective interest rate	Security Details	Repayment terms
Debentures	-	1,387.04	11%-13%	Secured by equitable mortgage by pari passu charge over tangible immovable property of the company and maintaining Debt Service Reserve account equal to six months interest.	Debenture have been repaid on various dates during the current year and last installment settled on 20 March, 2020.

(ii) Secured loans

in ₹ million

Particulars	Carrying amount as at 31 March 2020	Carrying amount as at 31 March 2019	Effective interest rate	Security Details	Repayment terms
Term loans from banks	-	123.82	9%-11%	Secured by exclusive hypothecation charge on equipments procured.	Repayable in 16 equal quarterly instalments of ₹ 31.25 million after 12 months moratorium period commencing from July 31, 2016.
Term loans from banks	49.68	149.12	9%-11%	Secured by equitable mortgage of fixed assets and receivables of the Company.	Twelve quarterly instalments of ₹ 25 million commencing at end of 15th month from the date of first disbursement.
Term loans from banks	1,625.19	-	8%-10%	Secured by equitable mortgage of project specific inventory and certain receivables of the Company and maintaining Debt Service Reserve account equal to 2 months interest & principal.	153 Structured Monthly instalments starting at the end of Moratorium 3 months from the date of disbursement - June -20
Equipment loan	0.19	0.19	13%-15%	Hypothecation against specific equipment.	Thirty five monthly instalments commencing from the month the loan is availed.

Current Borrowings

(i) Secured loans

in ₹ million

Particulars	Carrying amount as at 31 March 2020	Carrying amount as at 31 March 2019	Effective interest rate	Security Details	Repayment terms
Term loans from banks	-	100.96	8%-10%	Secured by equitable mortgage of project land and project buildings and charge on current and future stocks, receivable and other current assets pertaining to the project. Further secured by certain receivables of Company.	Repayable in 5 quarterly instalments of ₹ 500 million (June 2018), ₹ 750 million (September 2018), ₹ 800 million (December 2018), ₹ 800 million (March 2019), ₹ 150 million (June 2019).
Term loans from banks	-	79.64	9%-11%	Secured by equitable mortgage of 70% of the project building and first charge on escrow account and charge by way of hypothecation of all the assets of the project.	Repayable in 6 quarterly un equal instalments of ₹ 200 million, ₹ 200 million, ₹ 250 million, ₹ 160 million, ₹ 110 million and ₹ 80 million after the holiday period of 30 months i.e. starting from March 2018.

in ₹ million

Particulars	Carrying amount as at 31 March 2020	Carrying amount as at 31 March 2019	Effective interest rate	Security Details	Repayment terms
Term loans from banks	599.88	999.13	9%-11%	Secured by equitable mortgage of 61.10% of the project land, building to be constructed on the land and first charge on project cash flow/receivables including escrow account	Three structured quarterly instalments commencing after initial moratorium period of eleven quarters from the date of first disbursement.
Term loans from banks	149.90	349.75	9%-11%	Secured by equitable mortgage of land and hypothecation pari-passu charge on the entire escrow receivables of the project.	Repayable in 36 equal monthly instalments commencing from 13th month from the date of disbursement.
Term loans from banks	694.85	695.50	8%-10%	Secured by charge on specific project inventory, current assets and receivables of the Company.	Repayable on demand(Sub limit of Cash Credit)
Term loans from banks	166.25	332.47	9%-11%	Secured by equitable mortgage of certain land of the Company.	Repayable in 12 quarterly instalments commencing from June 30, 2018.
Term loans from banks	1,000.00	1,000.00	9%-11%	Secured by equitable mortgage of receivables of the Group.	One instalment in every ninety days.
Term loans from banks	415.72	748.11	9%-11%	Secured by equitable mortgage of certain land of the Company.	Repayable in 12 quarterly instalments commencing from Sep 30, 2018.
Term loans from banks	-	655.22	9%-11%	Secured by equitable mortgage of property, hypothecation on scheduled receivables, Escrow account and maintaining of Debt Service Reserve account equal to three months interest.	Repayable in 18 monthly instalments commencing from Oct 15, 2018.
Term loans from banks	1,591.00	1,586.47	8%-10%	Secured by equitable mortgage of immovable properties, building and other assets of the project and first charge on company's share of receivables of the projects.	Repayable in equal monthly instalments after 30 months moratorium period commencing from first disbursement.
Term loans from banks	1,493.15	993.48	8%-10%	Secured by equitable mortgage of certain land, project specific inventory and receivables of the Company and hypothecation of movable fixed assets of the Company.	Repayable on demand(Sub limit of Cash Credit)
Term loans from banks	232.07	498.77	8%-10%	Secured by equitable mortgage of certain land of the Company.	Repayable in equal monthly instalments after 12 months moratorium period commencing from first disbursement.
Term loans from banks	1,639.23	1,278.81	9%-11%	Secured by equitable mortgage of immovable properties, building and other assets of the project and first charge on company's share of receivables of the projects.	Repayable in equal quarterly instalments after 9 quarter moratorium period commencing from first disbursement.
Term loans from banks	1,148.70	1,039.04	8%-10%	Secured by equitable mortgage of certain land of the Company.	Repayable in 12 quarterly instalments commencing from Sep 30, 2018.

in ₹ million

Particulars	Carrying amount as at 31 March 2020	31 March 2019	Effective interest rate	Security Details	Repayment terms
Term loans from banks	648.03	497.16	8%-10%	Secured by equitable mortgage of immovable properties, building and other assets of the project and first charge on receivables of the projects.	Repayable in 5 quarterly equal instalments commencing Q-12 to Q-16 from first disbursement.
Term loans from banks	2,492.82	1,794.12	8%-10%	Secured by equitable mortgage of immovable properties, building and other assets of the project and first charge on receivables of the projects.	Repayable in 10 quarterly equal instalments commencing Q-14 to Q-23 from first disbursement.
Term loans from banks	590.50	592.75	8%-10%	Secured by equitable mortgage of immovable properties, building and other assets of the project and first charge on company's share of receivables of the projects.	Repayable in 10 quarterly unequal instalments commencing Q-11 to Q-20 from first disbursement.
Term loans from banks	350.77	462.52	8%-10%	Secured by equitable mortgage of immovable properties, building and other assets of the project and first charge on company's share of receivables of the projects.	Repayable in 10 quarterly equal instalments commencing Q-12 to Q-16 from first disbursement.
Term loans from banks	434.47	223.54	8%-10%	Secured by equitable mortgage of immovable properties, building and other assets of the project and first charge on company's share of receivables of the projects.	Repayable in 10 quarterly unequal instalments commencing Q-8 to Q-26 from first disbursement.
Term loans from banks	721.29	-	8%-10%	Secured by equitable mortgage of immovable properties, building and other assets of the project and first charge on company's share of receivables of the projects.	Repayable in 10 quarterly equal instalments commencing Q-15 to Q-24 from first disbursement.
Term loans from banks	960.00	-	8%-10%	Secured by equitable mortgage of certain land and receivables of the Company.	Repayable on demand(Sub limit of Cash Credit)
Term loans from banks	300.00	-	8%-10%	Secured by equitable mortgage of certain land and receivables of the Company.	Repayable on demand(Sub limit of Cash Credit)
Term loans from banks	487.84	-	9%-11%	Secured by equitable mortgage of immovable properties, building and other assets of the project and first charge on receivables of the projects.	Repayable in 10 quarterly equal instalments commencing Q-11 to Q-20 from first disbursement.
Term loans from banks	660.78	-	9%-11%	Secured by equitable mortgage of property, hypothecation on scheduled company's share of receivables, Escrow account and maintaining of Debt Service Reserve account equal to three months interest.	Repayable in 24 monthly instalments commencing from June 15, 2022.

in ₹ million

Particulars	Carrying amount as at 31 March 2020	Carrying amount as at 31 March 2019	Effective interest rate	Security Details	Repayment terms
Term loans from banks	150.00	-	9%-11%	Secured by equitable mortgage of property, hypothecation on scheduled company's share of receivables, Escrow account and maintaining of Debt Service Reserve account equal to three months interest.	Repayable in 24 monthly instalments commencing from June 15, 2022.
Term loans from financial institutions	-	78.09	9%-11%	Secured by equitable mortgage of certain land, building and project specific inventory of the Company, leasehold rights of the company and hypothecation of receivables and Escrow account of the Company. Corporate guarantee of Group Company.	₹ 650 million: Repayable in 36 principal monthly instalments of ₹ 17.10 million each after principal moratorium period of 12 months from first disbursement. ₹ 350 million: Repayable in 48 principal monthly instalments of ₹ 7.30 million each from date of first disbursement.
Term loans from financial institutions	61.77	144.04	9%-11%	Secured by equitable mortgage of land and hypothecation pari-passu charge on the entire escrow receivables of the project.	Repayable in equal monthly instalments staring from 12th month moratorium starts from date of first disbursement.
Term loans from financial institutions	362.96	764.41	9%-11%	Secured by equitable mortgage of certain land, building and project specific inventory of the Company, leasehold rights of the company and hypothecation of receivables and Escrow account of the Company. Corporate guarantee of Group Company.	Repayable in 30 monthly instalments after principle moratorium period of 18 months.
Term loans from financial institutions	250.91	416.79	9%-11%	Secured by equitable mortgage of certain land and immovable properties, building and other assets of the project and first charge on company's share of receivables of the projects.	Repayable in 36 monthly instalments after principle moratorium period of 18 months from first disbursement.
Term loans from financial institutions	807.21	1,105.73	9%-11%	Secured by equitable mortgage of certain land and immovable properties, building and other assets of the project and first charge on receivables of the projects.	Repayable in 36 monthly instalments after principle moratorium period of 18 months from first disbursement.
Term loans from financial institutions	-	533.13	9%-11%	Secured by equitable mortgage of certain land of the Company.	Repayable in 3 quarterly instalments after principle moratorium period of 3 months from first disbursement.
Term loans from financial institutions	506.32	555.18	9%-11%	Secured by equitable mortgage of certain land and first charge on receivables certain projects.	Repayable in 18 monthly instalments after principle moratorium period of 24 months from first disbursement.
Term loans from financial institutions	712.30	829.65	9%-11%	Secured by equitable mortgage of certain land and first charge on receivables certain projects.	Repayable in 18 monthly instalments after principle moratorium period of 24 months from first disbursement.

in ₹ million

Particulars	Carrying amount as at 31 March 2020	Carrying amount as at 31 March 2019	Effective interest rate	Security Details	Repayment terms
Term loans from financial institutions	1,458.20	-	9%-11%	Secured by equitable mortgage of immovable properties, building and other assets of the project and first charge on receivables of company's share of receivables of the projects.	Repayable in 24 monthly instalments after principle moratorium period of 30 months from first disbursement.
Term loans from financial institutions	461.22	-	9%-11%	Secured by equitable mortgage of certain land and immovable properties, building and other assets of the project and first charge on receivables company's share of receivables of the projects.	Repayable in 24 monthly instalments 3.75cr each & 30 monthly instalments 2.67cr each after principle moratorium period of 30 months from first disbursement.
Term loans from financial institutions	903.05	-	10%-12%	Secured by equitable mortgage of certain land and first charge on receivables certain projects.	Repayable in 18 monthly instalments after principle moratorium period of 24 months from first disbursement.
Term loans from financial institutions	972.69	-	9%-11%	Secured by equitable mortgage of certain land and first charge on receivables certain projects.	Repayable in equal monthly instalments starting from 7 the month from first disbursement.
Term loans from financial institutions	292.94	-	9%-11%	Secured by equitable mortgage of land and hypothecation pari-passu charge on the entire escrow receivables of the project.	Repayable in 48 unequal monthly instalments
Term loans from financial institutions	494.20	-	9%-11%	Secured by equitable mortgage of certain land and first charge on receivables certain projects.	Repayable in 11 quarterly instalments after principle moratorium period of 3 months from first disbursement.
Term loans from financial institutions	925.69	-	9%-11%	Secured by equitable mortgage of certain land and first charge on receivables certain projects.	Repayable in 24 Monthly instalments after principle moratorium period of 24 months from first disbursement.
Cash credit	993.40	1,720.13	9%-11%	Secured by way of equitable mortgage of certain land and certain receivables of the Group Company.	Repayable on demand
Cash credit	41.33	12.97	9%-11%	Secured by equitable mortgage of certain land, specific project inventory, and receivables of the Company.	Repayable on demand
Cash credit	29.36	5.87	9%-11%	Secured by equitable mortgage of certain land, specific project inventory, and receivables of the Company.	Repayable on demand
Cash credit	2.91	0.57	9%-11%	Secured by equitable mortgage of certain land, specific project inventory, and receivables of the Company.	Repayable on demand
Cash credit	300.78	667.09	10%-12%	Secured by equitable mortgage of certain land and receivables of the Company.	Repayable on demand

in ₹ million

Particulars	Carrying amount as at 31 March 2020	Carrying amount as at 31 March 2019	Effective interest rate	Security Details	Repayment terms
Cash credit	508.51	1,538.07	9%-11%	Secured by equitable mortgage of certain land and receivables of the Company.	Repayable on demand
Cash credit	3.00	1.96	9%-11%	Secured by equitable mortgage of certain land, project specific inventory and receivables of the Company and hypothecation of movable fixed assets of the Company.	Repayable on demand
Cash credit	-	9.44	9%-11%	Secured by equitable mortgage of certain land, project specific inventory and receivables of the Company and hypothecation of movable fixed assets of the Company.	Repayable on demand
Cash credit	104.27	54.70	9%-11%	Secured by equitable mortgage of immovable properties, building and other assets of the project and first charge on company's share of receivables of the projects.	Repayable in 10 quarterly unequal instalments commencing Q-11 to Q-20 from first disbursement.
Cash credit	192.66	448.98	9%-11%	Secured by equitable mortgage of certain land and receivables of the Company.	Repayable on demand
Cash credit	659.86	886.87	9%-11%	Secured by equitable mortgage of certain land and receivables of the Company.	Repayable on demand
Cash credit	53.09	-	9%-11%	Secured by equitable mortgage of property, hypothecation on scheduled company's share of receivables, Escrow account and maintaining of Debt Service Reserve account equal to three months interest.	Repayable in 24 monthly instalments commencing from June 15, 2022.
Cash credit	0.02	-	9%-11%	Secured by equitable mortgage of certain land, specific project inventory, and receivables of the Company.	Repayable on demand
Cash credit	0.26	-	9%-11%	Secured by equitable mortgage of certain land, project specific inventory and receivables of the Company and hypothecation of movable fixed assets of the Company. Corporate guarantee of Group Company.	Repayable on demand
Cash credit	1.77	-	9%-11%	Secured by equitable mortgage of certain land, project specific inventory and receivables of the Company and hypothecation of movable fixed assets of the Company. Corporate guarantee of Group Company.	Repayable on demand

in ₹ million

Particulars	Carrying amount as at 31 March 2020	Carrying amount as at 31 March 2019	Effective interest rate	Security Details	Repayment terms
Cash credit	305.96	-	9%-11%	Secured by equitable mortgage of certain land, project specific inventory and receivables of the Company and hypothecation of movable fixed assets of the Company. Corporate guarantee of Group Company.	Repayable on demand
Cash credit	2.57	-	9%-11%	Secured by equitable mortgage of certain land, project specific inventory and receivables of the Company and hypothecation of movable fixed assets of the Company. Corporate guarantee of Group Company.	Repayable on demand
Cash credit	8.59	-	9%-11%	Secured by equitable mortgage of certain land, project specific inventory and receivables of the Company and hypothecation of movable fixed assets of the Company. Corporate guarantee of Group Company.	Repayable on demand

(ii) Details of collateral securities offered by related companies in respect of loans availed by the Company

in ₹ million

Nature of loan	Carrying amount as at 31 March 2020	Carrying amount as at 31 March 2019	Year of maturity	Name of the Company
Term loans	-	2,365.02	2020	Sobha Glazing & Metal Works Private Limited
Term loans	1,224.00	1,384.83	2022	Sri Durga Devi Property Management Private Limited
Term loans				Sri Parvathy Land Developers Private Limited
Term loans	4,290.00	-	On Demand	Kilai Builders Private Limited

19 Other financial liabilities

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Current		
Current maturities of long-term borrowings (refer note 18)	99.87	1,612.04
Letter of credit payable	1,776.84	2,335.41
Book overdraft from scheduled banks	4.01	85.50
Interest accrued but not due on borrowings	63.35	96.96
Unclaimed dividend*	2.52	2.35
Non-trade payable	302.73	337.12
Security deposit towards maintenance services	1,882.94	1,352.34
Payable to related parties (refer note 34)	143.30	129.80
Payable for purchase of property, plant and equipment	11.52	41.70
Total other financial liabilities	**4,287.08**	**5,993.22**

* Investor Protection and Education Fund is credited for unclaimed dividends when due.

20 Provisions

in ₹ million

Particulars	Current		Non-current	
	As at 31 March 2020	As at 31 March 2019	As at 31 March 2020	As at 31 March 2019
Provision for employee benefits				
Provision for gratuity (refer note 36)	68.64	73.20	144.67	121.01
Provision for leave benefits	82.75	76.97	-	-
	151.39	**150.17**	**144.67**	**121.01**

21 Income taxes

The major components of income tax expense for the years ended 31 March 2020 and 31 March 2019 are:

A. Amounts charged to statement of profit and loss

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Current income tax:		
Current income tax charge	444.49	975.20
Adjustments in respect of current income tax of previous year	-	-
Deferred tax:		
Relating to origination and reversal of temporary differences	1,071.50	478.63
Income tax expense reported in the statement of profit and loss	**1,515.99**	**1,453.83**

B. Income tax recognised in other comprehensive income

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Net loss/(gain) on remeasurements of defined benefit plans	-	-
Income tax charge to other comprehensive income	**-**	**-**

C. Reconciliation of effective tax rate

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Accounting profit before income tax	4,410.78	4,319.08
Tax on accounting profit at statutory income tax rate 25.17% (31 March 2019: 34.944%)*	1,110.19	1,509.26
Non-deductible expenses for tax purposes:		
Disallowance u/s 80G	60.11	8.91
Others	42.50	2.55
Non taxable income for tax purposes:		
Tax impact on profit/ (loss) from partnership firm	4.24	(0.55)
Other:		
Effect of increase in surcharge	-	-
MAT credit entitlement	298.95	(66.34)
At the effective income tax rate of 34.37% (31 March 2019: 33.66%)	1,515.99	1,453.83
Tax expense reported in the statement of profit and loss	**1,515.99**	**1,453.83**

* The Company has elected to exercise the option permitted under Section 115BAA of the Income-tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019 for the year ended 31 March 2020 and has accordingly re-measured its deferred tax assets/(liabilities) basis the rate prescribed in the said section.

D. Deferred tax

Deferred tax assets and liabilities relates to the following

in ₹ million

Particulars	Balance as at 1 April 2018	Movement during 2018-19	Balance as at 31 March 2019	Movement during 2019-20	Balance as at 31 March 2020
Interest u/s 36(1)(iii)-interest inventorised/ capitalised in the books but claimed as expense in tax	(3,155.14)	(301.95)	(3,457.09)	967.46	(2,489.63)
Property, plant and equipment	110.09	37.19	147.28	(10.22)	137.06
Provision for leave salary	22.66	4.24	26.90	(6.07)	20.83
Provision for gratuity	20.41	47.45	67.86	(14.17)	53.69
Provision for exgratia	15.36	(15.36)	-	-	-
Provision for doubtful debts	44.16	3.08	47.24	(10.36)	36.88
Difference of finance lease depreciation and interest as per books and rent allowed as per IT Act	-	-	-	1.51	1.51
Deferred tax adjustment on adoption of Ind AS 115	-	4,188.65	4,188.66	(2,213.02)	1,975.64
Deferred tax adjustment for periods Ind AS adjustments*	464.08	(514.74)	(50.66)	50.66	-
Deferred tax expense / (income)	**-**	**3,448.57**		**(1,234.21)**	
Net deferred tax assets / (liabilities)	**(2,478.38)**	**-**	**970.19**	**-**	**(264.02)**

(*) adjusted against current tax liability

Reconciliation of deferred tax liabilities (net):

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Balance at the beginning of the year	970.19	2,478.38
Tax income/(expense) during the period recognised in profit or loss	1,071.50	478.63
Deferred tax adjustment on adoption of Ind AS 115	(2,305.71)	(1,986.82)
Closing balance	**(264.02)**	**970.19**

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

During the year ended 31 March 2020 and 31 March 2019, the Company has paid dividend to its shareholders. This has resulted in payment of DDT to the taxation authorities. The Company believes that DDT represents additional payment to taxation authority on behalf of the shareholders. Hence DDT paid is charged to equity.

E. Liabilities for current tax (net)

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Current income tax:		
Opening	555.02	361.81
Add: Additions during the year	444.49	975.20
Less: Payments during the year	(730.48)	(781.99)
	269.03	**555.02**

22 Trade payables

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Trade payables		
Land cost payable	200.00	200.00
Total outstanding dues of micro enterprises and small enterprises; and	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises*	9396.51	11039.43
	9,596.51	**11,239.43**

Terms and conditions of the above financial liabilities:

* Trade payables are non-interest bearing and are normally settled on 30 to 60 day terms. For explanations on the Company's credit risk management processes, refer to note 47.

23 Other liabilities

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Advance from customers	37,653.26	42,768.60
Withholding taxes payable	52.91	49.21
Others	85.22	71.82
	37,791.39	**42,889.63**

Breakup of financial liabilities carried at amortised cost

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Borrowings (refer note 18)	30,054.63	23,749.24
Other financial liabilities (refer note 19)	4,287.08	5,993.22
Trade payables (refer note 22)	9,596.51	11,239.43
Total financial liabilities carried at amortised cost	**43,938.22**	**40,981.89**

24 Revenue from operations

in ₹ million

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Sale of products/ finished goods		
Income from property development	21,762.11	21,382.87
Income from sale of land and development rights	508.43	98.60
Income from glazing works	2,193.53	1,574.55
Income from interior works	1,870.97	1,428.50
Income from concrete blocks	485.71	433.74
Sale of services		
Income from contractual activity - Subsidiaries	514.94	290.10
Income from contractual activity - Others	10,181.49	8,331.02
Rental income from operating leases	3.95	-
Other operating revenue		
Scrap sales	37.27	48.25
	37,558.40	**33,587.63**

25 Other income

in ₹ million

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Other non-operating income (net of expenses directly attributable to such income)	276.51	333.95
Share in profits/ (loss) of partnership firm investments (post tax)	16.84	(8.81)
Gain on foreign exchange difference (net)	2.01	2.87
Profit on sale of fixed assets (net)	4.41	7.31
	299.77	**335.32**

26 Finance income

in ₹ million

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest income on		
Bank deposits	108.46	54.54
Unwinding of discount on deposits	338.24	360.29
	446.70	**414.83**

27 Cost of raw material and components consumed

in ₹ million

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Inventory at the beginning of the year	584.03	450.98
Add: Purchases during the year	3,066.06	2,888.74
Less: Inventory at the end of the year	648.56	584.03
Cost of raw material and components consumed	**3,001.53**	**2,755.69**

28 (Increase)/ decrease in inventories

in ₹ million

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Inventories at the end of the year		
Building materials	91.59	78.35
Land stock	10,391.08	8,346.47
Work-in-progress	40,816.00	50,084.02
Finished goods - Flats	12,232.21	3,604.71
Finished goods - Others	55.62	46.16
	63,586.50	**62,159.71**

in ₹ million

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Inventories at the beginning of the year		
Building materials	78.35	92.97
Land stock	8,346.47	8,518.03
Work-in-progress	50,084.02	44,411.37
Finished goods - Flats	3,604.71	1,472.35
Finished goods - Others	46.16	43.70
	62,159.71	**54,538.42**
Less: Transferred to other assets for development charges recoverable at cost from customers	1,737.30	-
Add: On account of adoption of Ind AS 115	-	5,000.18
	60,422.41	**59,538.60**
(Increase)/ decrease	**(3,164.09)**	**(2,621.11)**

29 Employee benefits expense

in ₹ million

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Salaries, wages and bonus	2,250.42	2,140.49
Contribution to provident and other funds	79.35	70.78
Gratuity expense (refer note 36)	36.72	30.97
Compensated absence	34.02	36.98
Staff welfare expenses	63.68	79.37
	2,464.19	**2,358.59**

30 Depreciation and amortization expense

in ₹ million

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Depreciation of property, plant and equipment	673.10	581.65
Amortization of intangible assets	0.42	0.70
	673.52	**582.35**

31 Other expenses

in ₹ million

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
License fees and plan approval charges	57.23	549.14
Power and fuel	536.51	567.74
Water charges	44.54	36.34
Freight and forwarding charges	245.90	272.02
Rent (refer note 34 for transaction with related parties)	259.58	308.31
Rates and taxes	148.24	272.07
Insurance	80.13	67.85
Property maintenance expenses	98.26	96.13
Repairs and maintenance		
Plant and machinery	44.84	50.67
Others	56.15	54.81
Advertising and sales promotion	540.09	828.13
Brokerage and discounts	141.03	151.09
Donation	185.10	142.80
Travelling and conveyance	235.11	284.95
Printing and stationery	44.31	43.36
Legal and professional fees	245.09	217.26
Directors' commission and sitting fees	6.85	6.64
Payment to auditor (Refer details below)*	10.36	7.49
Allowance for credit loss	239.33	25.51
Security Charges	196.60	166.72
Miscellaneous expenses	385.01	338.85
	3,800.26	**4,487.88**

*** Payment to auditor**

in ₹ million

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
As auditor:		
Audit fees [including fees for limited review ₹ 4.20 million (31 March 2019 - ₹ 3.60 million)]	9.00	7.00
In other capacity:		
Reimbursement of expenses	1.36	0.49
	10.36	**7.49**

32 Details of CSR expenditure:

Gross amount required to be spent during the year was ₹ 62.62 million (31 March 2019 ₹ 49.23 million)

Particulars	In Cash	Yet to be paid in cash
Amount spent during the year ended 31 March 2020:		
Construction/acquisition of any asset (in ₹ million)	-	-
On purposes other than above (in ₹ million)	149.60	-
	149.60	**-**
Amount spent during the year ended 31 March 2019:		
Construction/acquisition of any asset (in ₹ million)	-	-
On purposes other than above (in ₹ million)	122.80	-
	122.80	**-**

33 Finance costs

in ₹ million

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest		
- On borrowings	2,602.42	2,104.73
- Others	4,134.82	518.35
Other borrowing cost and bank charges	219.28	213.80
	6,956.52	**2,836.88**
Less: Interest inventorised on qualifying assets	(224.24)	(543.51)
Total finance costs	**6,732.28**	**2,293.37**

34 Related party disclosures

a) Name of the related parties and the nature of its relationship with the Company's as below

Subsidiaries

Direct Subsidiaries

Sobha City

Sobha Highrise Ventures Private Limited

Sobha Developers (Pune) Limited

Sobha Assets Private Limited

Sobha Tambaram Developers Limited

Sobha Nandambakkam Developers Limited

Sobha Construction Products Private Limited

Subsidiaries of Sobha City

Vayaloor Properties Private Limited

Vayaloor Builders Private Limited

Vayaloor Developers Private Limited

Vayaloor Real Estate Private Limited

Vayaloor Realtors Private Limited

Valasai Vettikadu Realtors Private Limited

Subsidiaries of Sobha Highrise Ventures Private Limited

Sobha Contracting Private Limited

Subsidiaries of Sobha Developers (Pune) Limited

Kilai Builders Private Limited

Kuthavakkam Builders Private Limited

Kuthavakkam Realtors Private Limited

Sobha Interiors Private Limited

Joint Venture

Kondhwa Projects LLP

Key Shareholder

Mr. P. N. C. Menon

Mrs. Sobha Menon

Key Management Personnel ('KMP')

Mr. Ravi PNC Menon - Chairman

Mr. J. C. Sharma - Vice Chairman and Managing Director

Mr. T P Seetharaman - Whole-time Director

Mr. Jagadish Nangineni - Deputy Managing Director (from 08 July, 2019)

Additional related parties ('KMP's) as per Companies Act, 2013 with whom transactions have taken place

Mr. Subhash Bhat - Chief Financial Officer

Mr. Vighneshwar G Bhat - Company Secretary

Other Directors

Mr. Anup Shah

Dr. S K Gupta (upto 31 March, 2019)

Mr. R V S Rao

Dr. Punita Kumar Sinha (upto 05 October, 2019)

Mr. Sumeet Jagdish Puri (from 08 July, 2019)

Mrs.Srivathsala KN (from 04 January, 2020)

Relatives of key management personnel

Mrs. Sudha Menon

Other related parties [Enterprise owned or significantly influenced by key management personnel]

Divyakaushal Properties LLP

Mannur Properties Private Limited

Mannur Real Estate Private Limited

Punkunnam Builders and Developers Private Limited

Puzhakkal Developers Private Limited

SBG Housing Private Limited

Sobha Aviation and Engineering Services Private Limited

Sobha Contracting LLC, Dubai

Sobha Glazing & Metal Works Private Limited

Sobha Projects & Trade Private Limited

Sobha Puravankara Aviation Private Limited

Sobha Renaissance Information Technology Private Limited

Sobha Space Private Limited

Sobha Technocity Private Limited

Sri Durga Devi Property Management Private Limited

Sri Kanakadurga Property Developers Private Limited

Sri Kurumba Educational and Charitable Trust

Sri Parvathy Land Developers Private Limited

Technobuild Developers Private Limited

C.V.S.Tech Park Private Limited

b) Details of the transactions with the related parties:

in ₹ million

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
I. Transaction with wholly owned subsidiaries		
Income from contractual activity		
Sobha City	260.40	145.75
Sobha Developers (Pune) Limited	26.32	-
Sobha Highrise Ventures Private Limited	5.31	-
Income from other services		
Sobha Developers (Pune) Limited	-	0.02
Sobha Highrise Ventures Private Limited	7.51	1.69
Sobha Tambaram Developers Limited	-	0.82
Sobha Nandambakkam Developers Limited	-	0.03

in ₹ million

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Income from Interior Works		
Sobha Highrise Ventures Private Limited	5.31	10.30
Share in profit/ (loss) of partnership firm		
Sobha City	16.84	(8.81)
Interest income on unsecured loans to related parties		
Sobha Highrise Ventures Private Limited	1.21	-
Amount contributed to partnership current account		
Sobha City	-	196.83
Amount withdrawn from partnership current account		
Sobha City	513.21	-
Payments made on behalf of related party		
Sobha Construction Products Pvt Ltd	0.22	-
Sobha Assets Private Limited	1.40	-
II. Transaction with Joint venture		
Amount contributed to partnership current account		
Kondhwa Projects LLP	14.36	3.63
III. Transaction with other related parties		
Income from contractual activity		
Sobha Projects & Trade Private Limited	623.42	1,021.92
Sobha Contracting Private Limited	81.88	131.50
Income from glazing works		
Sri Kurumba Educational and Charitable Trust	0.37	0.54
Income from interior works		
Sri Kurumba Educational and Charitable Trust	0.45	1.46
Interest income on unsecured loans to related parties		
Sobha Contracting Private Limited	6.22	0.21
Purchase of project items		
Sobha Projects & Trade Private Limited	746.08	922.59
Aircraft hire charges		
Sobha Puravankara Aviation Private Limited	60.20	119.63

in ₹ million

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
CSR expenditure - Donation		
Sri Kurumba Educational and Charitable Trust	149.60	122.80
Payments made on behalf of related party		
Sobha Projects & Trade Private Limited	-	0.10
Moolamcode Traders Private Limited	-	0.02
Pallavur Projects Private Limited	0.01	0.01
Puzhakkal Developers Private Limited	0.01	0.09
Land advance		
Technobuild Developers Private Limited	85.11	556.28
Advance paid towards purchase of goods or services		
Sobha Projects & Trade Private Limited	731.59	511.82
Sobha Puravankara Aviation Private Limited	-	88.49
Sri Parvathy Land Developers Private Limited	3.24	-
Puzhakkal Developers Private Limited	73.52	-
Refund of advance by the related party		
Sobha Projects & Trade Private Limited	-	26.09
Technobuild Developers Private Limited	749.36	104.77
Puzhakkal Developers Private Limited	171.72	-
Rent paid		
Sobha Interiors Private Limited	14.05	16.86
Sobha Glazing & Metal Works Private Limited	5.52	6.62
Directors' remuneration		
Mr. J. C. Sharma	70.21	70.78
Mr. Ravi PNC Menon	121.40	112.00
Mr.T P Seetharaman	7.56	-
Mr. Jagadish Nangineni	10.06	-
Dividend paid (payment basis)		
Mr. Ravi PNC Menon	20.75	0.23
Mr. J. C. Sharma	0.16	0.29
Salary (including perquisites)		
Mr. Subhash Bhat	11.34	11.29
Mr. Vighneshwar G Bhat	3.94	3.87
Directors' sitting fees and commission		
Mr. Anup Shah	1.89	1.86
Dr. S K Gupta	-	1.91

in ₹ million

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Mr. R V S Rao	1.85	1.87
Dr. Punita Kumar Sinha	0.91	1.80
Mr.Sumeet Jagdish Puri	1.33	-
Mrs.Srivathsala KN	0.87	-
IV. Transaction with key shareholders		
Dividend paid (payment basis)		
Mr. P. N. C. Menon	84.43	84.43
Mrs. Sobha Menon	201.08	249.38
Mr. P. N. C. Menon and Mrs. Sobha Menon (jointly held shares)	37.02	37.02

c) **Details of balances receivable from and payable to related parties are as follows:**

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
I. Balances receivable from and payable to wholly owned subsidiaries		
Investment in subsidiaries - current account		
Sobha City - partner current account	541.19	1,054.40
Investment in preference shares		
Sobha Highrise Ventures Private Limited	77.00	77.00
Advances recoverable in cash or in kind		
Sobha Assets Private Limited	84.24	82.84
Sobha Construction Products Private Limited	0.22	-
Trade receivables		
Sobha Highrise Ventures Private Limited	20.60	5.81
Sobha Developers (Pune) Limited	74.90	-
Advance from customers		
Sobha Developers (Pune) Limited	-	2,018.77
Sobha Nandambakkam Developers Limited	0.31	0.21
Sobha Tambaram Developers Limited	7.45	6.62
Unsecured loans to related parties		
Sobha Highrise Ventures Private Limited	61.09	-
Guarantees given		
Sobha Assets Private Limited	227.32	227.32
Sobha City	1,153.30	686.36

Sobha Limited

Notes to the standalone financial statements for the year ended 31 March 2020

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
II. Balances receivable from and payable to joint ventures		
Investment in partners current account		
Kondhwa Projects LLP	1,142.52	1,128.16
III. Balances receivable from and payable to other related parties		
Unsecured loans to related parties		
Sobha Contracting Private Limited	115.59	23.19
Land advance		
Technobuild Developers Private Limited	8,512.72	9,176.97
Puzhakkal Developers Private Limited	52.17	150.36
Sri Parvathy Land Developers Private Limited	102.04	101.33
Sri Durga Devi Property Management Private Limited	42.92	42.88
Rent deposit		
Sobha Glazing & Metal Works Private Limited	37.60	33.37
Sobha Interiors Private Limited	95.71	84.94
Advances recoverable in cash or in kind		
Sobha Projects & Trade Private Limited	13.17	7.77
Sobha Puravankara Aviation Private Limited	221.84	693.46
Punkunnam Builders and Developers Private Limited	0.05	0.02
Sobha Aviation and Engineering Services Private Limited	0.01	0.01
Mannur Properties Private Limited	0.02	0.02
Sobha Technocity Private Limited	0.02	0.02
Pallavur Projects Private Limited	-	0.10
Moolamcode Traders Private Limited	-	0.11
Trade receivables		
Sri Kurumba Educational and Charitable Trust	15.74	15.98
Divyakaushal Properties LLP	-	0.03
Sobha Projects & Trade Private Limited	695.06	635.56
Sobha Contracting Private Limited	185.03	146.51
Trade payables		
Kilai Builders Private Limited	38.47	-
SBG Housing Private Limited	2.67	2.67
Sobha Puravankara Aviation Private Limited	-	463.39
Divyakaushal Properties LLP	0.66	-

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
IV. Balances receivable from and payable to key managerial personnel		
Non-trade payable		
Mr. J. C. Sharma	80.59	59.25
Mr. Ravi PNC Menon	18.62	59.25

d) Terms and conditions of transactions with related parties

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. The above related party transactions have been approved by the Board of Directors. Outstanding balances at the year-end are unsecured and interest free (except for loans taken mentioned in (d) and investment in debentures of subsidiaries) and settlement occurs in cash. For the year ended 31 March 2020, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (31 March 2019 - ₹ Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

e) Compensation of key management personnel of the Company

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Short-term employee benefits	106.98	79.44
Commission to independent directors	6.85	6.80
Other benefits*	117.53	119.14
	231.36	**205.38**

* As the liability for gratuity and leave encashment is provided on actuarial basis for the Company as whole, the amount pertaining to the directors are not included above.

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

f) Also, refer note 18 as regards guarantees received from key management personnel and relative of key management personnel and collateral securities offered by related companies in respect of loans availed by the Company.

35 Segment information

Basis of segmentation

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segments and assess their performance.

The Company has two reportable segments, as described below, which are the Company's strategic business units. These business units offer different products and services, and are managed separately because they require different marketing strategies. For each of the business units, the Company's CEO reviews internal management reports on at least a quarterly basis.

The CEO monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Accordingly, the Group has identified following as its reportable segment for the purpose of Ind AS 108:

a) Real estate segment;

b) Contractual and manufacturing segment.

Real Estate segment (RE) comprises development, sale, management and operation of all or any part of townships, housing projects, also includes leasing of self owned commercial premises.

The operation of the Contractual and Manufacturing segment (CM) comprises development of commercial premises and other related activities, also includes manufacturing activities related to interiors, glazing and metal works and concrete products.

Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the financial statements. Also, the Company's financing (including finance costs and finance income) and income taxes are managed on a overall basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following tables present revenue and profit information for the Company's operating segments for the year ended 31 March 2020 and 31 March 2019 respectively:

Business segments

in ₹ million

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Segment revenue		
Real estate	22,311.76	21,819.82
Contractual and manufacturing	16,415.27	12,908.30
Total Segment revenue	**38,727.03**	**34,728.12**
Inter segment revenues	(1,168.63)	(1,140.49)
Net revenue from operations	**37,558.40**	**33,587.63**
Segment result		
Real estate	9,781.58	5,433.47
Contractual and manufacturing	2,966.43	2,226.48
Total Segment results	**12,748.01**	**7,659.95**
Finance costs	(6,732.28)	(2,293.37)
Other unallocable expenditure	(2,351.42)	(1,797.65)
Share of profits/ (losses) in a subsidiary partnership firm	16.84	(8.81)
Other income (including finance income)	729.63	758.96
Profit before taxation	**4,410.78**	**4,319.08**
Income taxes	(1,515.99)	(1,453.83)
Profit after taxation	**2,894.79**	**2,865.25**

The following table presents assets and liabilities information for the Company's operating segments as at 31 March 2020 and 31 March 2019 respectively:-

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Segment assets		
Real estate	90,032.63	88,776.36
Contractual and manufacturing	8,071.84	6,999.05
Total segment assets	**98,104.47**	**95,775.41**
Unallocated assets	7,327.02	9,696.07
Total assets	**105,431.49**	**105,471.48**
Segment liabilities		
Real estate	45,790.45	51,123.18
Contractual and manufacturing	5,205.40	6,602.86
Total segment liabilities	**50,995.85**	**57,726.04**
Unallocated liabilities	31,562.87	26,971.68
Total liabilities	**82,558.72**	**84,697.72**
Capital employed		
Real estate	44,242.18	37,653.18
Contractual and manufacturing	2,866.45	396.19
Unallocated capital employed	(24,235.86)	(17,275.61)
Total capital employed	**22,872.77**	**20,773.76**

Finance income and costs, and fair value gains and losses on financial assets pertaining to individual segments are allocated to respective segments.

Current taxes, deferred taxes and certain financial assets and liabilities are considered as unallocated as they are also managed on a Company basis.

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Capital expenditure		
Real estate	249.67	331.54
Contractual and manufacturing	378.17	295.27
Unallocated capital expenditure	726.02	554.68
Total capital expenditure	**1,353.86**	**1,181.49**

Capital expenditure consists of additions of property, plant and equipment, intangible assets and investment property under development.

Information of revenue and non-current operating assets based on location cannot be furnished since there are no revenue generated from business activities outside India and there are no non-current operating assets held by the Company outside India.

Reconciliations to amounts reflected in the financial statements

(i) Reconciliation of assets

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Segment assets	**98,104.47**	**95,775.41**
Investment (refer note 9)	3,674.05	4,163.00
Prepaid expenses (refer note 12)	368.44	341.47
Balances with statutory/ government authorities (refer note 12)	1,270.61	1,275.03
Deferred tax assets (net) (refer note 21)	-	970.19
Cash and bank balances (refer note 13 and 14)	804.50	1,730.74
Non-current bank balances (refer note 11)	62.15	16.15
Other unallocable assets	1,147.27	1,199.49
Total assets	**105,431.49**	**105,471.48**

(ii) Reconciliation of liabilities

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Segment liabilities	**50,995.85**	**57,726.04**
Borrowings (refer note 18)	30,054.63	23,749.24
Provisions (refer note 20)	296.06	271.18
Deferred tax liabilities (refer note 21)	264.02	-
Liabilities for current tax (net) (refer note 21)	269.03	555.02
Withholding taxes payable (refer note 23)	52.91	49.21
Others payable (refer note 23)	85.22	71.82
Other unallocable liabilities	541.00	2,275.21
Total liabilities	**82,558.72**	**84,697.72**

36 Employment benefit plans

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Net benefit liability-gratuity	**213.31**	**194.20**
Non-current	144.67	121.01
Current	68.64	73.20

The Company has a defined benefit gratuity plan in India ('the Plan'), governed by the Payment of Gratuity Act, 1972. The Plan entitles an employee, who has rendered at least five years of continuous service, to gratuity at the rate of fifteen days wages for every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned.

The defined benefit plan for gratuity is administered by a single gratuity fund that is legally separate from the Company. The board of the gratuity fund comprises three employees. The board of the gratuity fund is required by law to act in the best interests of the plan participants and is responsible for setting certain policies (e.g. investment and contribution policies) of the fund.

The following tables summarise the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the balance sheet for the respective plans:

in ₹ million

Particulars	31 March 2020	31 March 2019
Reconciliation of present value defined benefit obligation		
Obligation at the beginning of the year	196.34	167.02
Service cost	22.84	18.87
Interest cost	13.88	12.53
Benefits settled	(11.41)	(13.68)
Actuarial (gain)/loss (through OCI)	(6.19)	11.60
Obligation at the end of the year	**215.46**	**196.34**
Reconciliation of present value of planned assets		
Plan assets at the beginning of the year, at fair value	2.13	1.41
Interest income	0.15	0.11
Actuarial gain/(loss) (through OCI)	(0.02)	(0.01)
Contributions paid into the plan	11.30	14.30
Benefits settled	(11.41)	(13.68)
Plan assets at the end of the year, at fair value	**2.15**	**2.13**
Present value of defined benefit obligation at the end of the year	215.46	196.34
Less: Fair value of plan assets at the end of the year	2.15	2.13
Net liability recognised in the balance sheet	**213.31**	**194.21**
Expenses recognised in statement of profit and loss		
Service cost	22.99	18.87
Interest cost (net)	13.73	12.42
Gratuity cost	**36.72**	**31.29**
Capitalised to property plant and equipment	(0.15)	(0.32)
Net gratuity cost	**36.57**	**30.97**
Re-measurement gains/ (losses) in OCI		
Actuarial gain / (loss) due to financial assumption changes	(7.12)	(3.35)
Actuarial gain / (loss) due to experience adjustments	13.31	(8.24)
Return on plan assets greater (less) than discount rate	(0.02)	(0.01)
Deferred tax charge	(1.56)	4.06
Total expenses routed through OCI	**4.61**	**(7.54)**

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

Particulars	31 March 2020	31 March 2019
Investment in insurance fund	100%	100%

Acturial assumptions

Particulars	31 March 2020	31 March 2019
Discount rate	6.24%	7.07%
Future salary growth	5.00%	5.00%
Employee turnover	15.00%	15.00%
Estimated rate of return on plan assets	7.07%	7.50%

Assumptions regarding future mortality are based on Indian Assured Lives Mortality (2006-08)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

in ₹ million

Particulars	31 March 2020	31 March 2019
Effect of + 1% change in rate of discounting	(8.51)	(7.61)
Effect of - 1% change in rate of discounting	9.35	8.34
Effect of + 1% change in rate of salary growth	8.47	7.56
Effect of - 1% change in rate of salary growth	(7.91)	(7.09)
Effect of + 1% change in rate of employee turnover	0.24	0.64
Effect of - 1% change in rate of employee turnover	(0.30)	(0.73)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on projected benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to the projected benefit plan in future years:

in ₹ million

Particulars	31 March 2020	31 March 2019
Within the next 12 months	39.51	36.05
Between 2 and 5 years	107.43	101.11
Between 5 and 10 years	82.92	79.65
Total expected payments	**229.86**	**216.81**

37 Earnings per share ['EPS']

Basic EPS amounts are calculated by dividing the profit for the year attributable to equity holders by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

Particulars	31 March 2020	31 March 2019
Profit after tax attributable to shareholders (amount in ₹ million)	2,894.79	2,865.25
Weighted average number of equity shares of ₹10 each outstanding during the year used in calculating basic and diluted EPS	94,845,853	94,845,853
Earnings per share - Basic and diluted (amount in ₹)	30.52	30.23

The Company has applied the modified retrospective approach to its real estate residential contracts that were not completed as of 1 April 2018 and has given impact of adoption of Ind AS 115 by debiting to retained earnings as at the said date. On account of this, the basic and diluted EPS for the year ended 31 March 2019 is ₹ 30.23 instead of ₹ 26.32 per share.

38 Leases

Operating lease - Company as lessor

The Company has entered into commercial property leases on its property, plant and equipment. These operating leases have variable terms ranging from 12 months to 36 months up to eleven years. All leases include a clause to enable upward revision of the lease rental on periodical basis and includes variable rent determined based on percentage of sales of lessee.

The Company has recognised ₹ 3.95 million (31 March 2019 - ₹ Nil million) during the year towards lease rental income.

Minimum lease payments receivable in respect of these leases for non-cancellable period are as follows:

in ₹ million

Particulars	31 March 2020	31 March 2019
Within one year	157.78	-
After one year but not more than five years	466.63	-
More than five years	-	-
	624.41	**-**

Operating lease - Company as lessee

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

The Company has paid ₹ 259.58 million (31 March 2019 - ₹ 308.31 million) during the year towards minimum lease payments.

Future minimum rentals payable under non-cancellable operating lease are as follows:

in ₹ million

Particulars	31 March 2020	31 March 2019
Within one year	66.75	84.80
After one year but not more than five years	140.21	166.54
More than five years	88.49	110.06
	295.45	**361.40**

39 Contingent liabilities

Contingent liabilities (to the extent not provided for)

in ₹ million

Particulars		31 March 2020	31 March 2019
i	Guarantees given by the Company	3,956.40	3,155.86
ii	Income tax matters in dispute	176.28	176.28
iii	Sales tax matters in dispute	526.52	490.62
iv	Service tax matters in dispute	459.53	468.22
v	Excise duty matters in dispute	7.27	7.27
		5,126.00	**4,298.25**

The Company has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed as contingent liabilities where applicable, in its financial statements. The

Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial position. The Company does not expect any reimbursements in respect of the above contingent liabilities

During the year, the Company received a provisional attachment notice, attaching one of the Company's Joint Development Agreement partner's land, on which the Company has completed construction and sold the units. The Company has consulted with independent legal counsel and duly responded to the relevant authorities and does not expect any adverse impact due to this attachment.

During the previous year and the current year, the Company has received e-mails from SEBI enquiring about certain transactions entered into by the Company in earlier years. SEBI has sought the contracts, documents, correspondences and other information from the Company on these transactions, under Section 11 of the SEBI Act, 1992. The queries in the e-mails from SEBI are directed towards verification of any possible irregularities in the business / accounting of these transactions. For the queries which were received during the year, the Company has duly responded within the time allotted. Another query has been received post the balance sheet date and the Company is in the process of finalising its response to the same, which will be submitted, along with the required documents sought, in due course.

The Company has receivables and other balances outstanding as at the balance sheet date from these transactions and is in the process of recovering the same from the other parties to these contracts. Based on the Company's assessment, it does not believe that there has been any undue favour to the other parties and hence, this will not have any adverse impact on the financial statements.

40. Commitments and other litigations

a. Commitments

(a) The estimated amount of contracts, net of advances remaining to be executed on capital account is ₹ 8.19 million (31 March 2019 - ₹ 62.14 million).

(b) At 31 March 2020, the Company has given ` 14,139.76 million (31 March 2019 - ₹ 18,431.21 million) as advances for purchase of land. Under the agreements executed with the land owners, the Company is required to make further payments under the agreements based on the terms/ milestones stipulated under the agreement.

(c) The Company has entered into joint development agreements with owners of land for its construction and development. Under the agreements, the Company is required to pay deposits to the owners of the land and share in area/ revenue from such development in exchange of undivided share in land as stipulated under the agreements. As of 31 March 2020, the Company has paid ₹ 6,052.36 million (31 March 2019 - ₹ 5,704.46 million) as refundable deposit (undiscounted) against the joint development agreements.

(d) The Company has entered into an aircraft usage agreement with a party wherein the Company along with certain other parties has committed minimum usage of aircraft. During the year ended 31 March 2020, the Company incurred ₹ 60.20 million (31 March 2019 - ₹ 119.63 million) towards aircraft usage as per the agreement.

b. Other litigations

(a) Claims have been levied on the Company by Bruhat Bengaluru Mahanagara Palike ('BBMP') towards certain statutory charges which includes betterment charges, ground rent charges, etc. on certain real estate projects undertaken by the Company, the impact of which is not quantifiable. These claims are pending with various courts and are scheduled for hearings. Based on internal assessment, the management is confident that the matter would be decided in its favour, accordingly no provisions has made in this regard.

(b) The Company is subject to legal proceedings and claims, which have arisen in the ordinary course of business, including certain litigation for lands acquired by it for construction purposes, either through joint development agreements or through outright purchases, the impact of which is not quantifiable. These cases are pending with various courts and are scheduled for hearings. After considering the circumstances and legal advice received, management believes that these cases will not adversely effect its financial statements.

Service tax matters in dispute includes demands raised for joint development agreements, the tax impact of which for future years is not ascertainable. The Company has evaluated such arrangements for tax compliance and based on experts opinion, the management is of the view that the tax positions are appropriate.

41 Construction contracts

in ₹ million

Particulars	31 March 2020	31 March 2019
Contract revenue recognised as revenue for the year ended	32,002.23	30,003.99
Aggregate amount of contract costs incurred and recognised profits (less recognised losses) up to for all the contracts in progress	67,752.59	50,358.15
The amount of customer advances outstanding for contracts in progress for which revenue has been recognised	11,638.12	9,176.87
The amount of work-in-progress and value of inventories	23,771.96	11,852.38
The amount of retentions due from customers for contracts in progress	199.40	182.54

42 Contract balances

The following table discloses the movement in contract assets

in ₹ million

Particulars	31 March 2020	31 March 2019
Opening balance	396.81	-
Revenue recognised during the year	2,060.71	396.81
Invoices during the year	(396.81)	-
Closing balance	2,060.71	396.81

43 Derivative instruments and unhedged foreign currency exposure

in ₹ million

Particulars	31 March 2020	31 March 2019
Foreign currency exposure that are not hedged by derivative instruments or otherwise:		
Trade payables	19.02	6.45

44 Based on the information available with the Company, there are no suppliers who are registered as micro, small or medium enterprises under “The Micro, Small and Medium Enterprises Development Act, 2006” as at 31 March 2020.

45 Capitalization of expenditure

During the year, the Company has capitalized the following expenses of revenue nature to capital work-in-progress (CWIP). Consequently, expenses disclosed under the respective notes are net of amounts capitalized by the Company.

in ₹ million

Particulars	31 March 2020	31 March 2019
Opening capital work in progress	1,900.37	1,344.93
Add: Expenses incurred during the year		
Purchase of project materials	50.09	261.11
Subcontractor and other charges	94.89	154.27
Salaries, wages and bonus	11.51	15.50
Rent	17.41	22.60
Others	248.87	101.96
Sub-total	**422.77**	**555.44**
Closing capital work in progress	**2,323.14**	**1,900.37**

46 Fair value measurements

a. The carrying amounts of financial instruments by categories is as follows:

in ₹ million

Particulars	As at 31 March 2020			As at 31 March 2019		
	At cost	Fair value through profit or loss	At amortised cost	At cost	Fair value through profit or loss	At amortised cost
Financial assets						
Investments (refer note 9)	3,673.97	-	0.08	4,162.82	-	0.08
Trade receivables (refer note 10)	-	-	3,662.93	-	-	3,209.24
Cash and bank balances (refer note 13 and 14)	-	-	804.50	-	-	1,730.74
Other financials assets (refer note 11)	-	-	8,736.27	-	-	5,871.94
Total	**3,673.97**	**-**	**13,203.78**	**4,162.82**	**-**	**10,812.00**
Financial liabilities						
Borrowings (refer note 18)	-	-	30,054.63	-	-	23,749.24
Trade payables (refer note 22)	-	-	9,596.51	-	-	11,239.43
Other financial liabilities (refer note 19)	-	-	4,287.08	-	-	5,993.22
Total	**-**	**-**	**43,938.22**	**-**	**-**	**40,981.89**

b. Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities

in ₹ million

Particulars	As at 31 March 2020				As at 31 March 2019			
	Carrying amount	Fair value			Carrying amount	Fair value		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Financial assets								
Investments carried at fair value through profit and loss	-	-	-	-	-	-	-	-
Investments at amortized cost	0.08	-	-	0.08	0.08	-	-	0.08
	0.08	**-**	**-**	**0.08**	**0.08**	**-**	**-**	**0.08**

Notes:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

There have been no transfers between the levels during the period.

Financial instruments carried at amortised cost such as instruments, trade receivables, cash and other financial assets, borrowings, trade payables and other financial liabilities are considered to be same as their fair values, due to their short term nature.

For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

47 Financial risk management objectives and policies

The Company's principal financial liabilities comprise borrowings, trade payables and other financial liabilities. The main purpose of these financial liabilities is to finance and support Company's operations. The Company's principal financial assets include instruments, trade and other receivables, cash and bank balances, land advances and refundable deposits that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a risk management committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The risk management committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

A. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and other price risk, such as equity price risk and commodity/ real estate risk. Financial instruments affected by market risk include borrowings and refundable deposits.

The sensitivity analysis in the following sections relate to the position as at 31 March 2020 and 31 March 2019. The sensitivity analyses have been prepared on the basis that the amount of net debt and the ratio of fixed to floating interest rates of the debt.

The analysis exclude the impact of movements in market variables on: the carrying values of gratuity and other post retirement obligations; provisions.

The below assumption has been made in calculating the sensitivity analysis:

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2020 and 31 March 2019.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate of borrowings. The Company does not enter into any interest rate swaps.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings affected. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

in ₹ million

Particulars	Increase/ decrease in interest rate	Effect on profit before tax *
31 March 2020		
INR	+1%	(300.76)
INR	-1%	300.76
31 March 2019		
INR	+1%	(254.80)
INR	-1%	254.80

* determined on gross basis i.e. with out considering inventorisation of such borrowing cost.

B. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including refundable joint development deposits, security deposits, loans to employees and other financial instruments.

Trade receivables

(a) Receivables resulting from sale of properties: Customer credit risk is managed by requiring customers to pay advances before transfer of ownership, therefore, substantially eliminating the Company's credit risk in this respect.

(b) Receivables resulting from other than sale of properties: Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. The impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Company does not hold collateral as security. The Company's credit period generally ranges from 30-60 days.

(c) Revenue from one customer individually accounted for more than 10% of the company's revenue for the year ended 31 March 2020 and 31 March 2019. No single customer individually accounted for more than 10% of the trade receivable balance of the company as at 31 March 2020 and 31 March 2019.

Movement in allowance for credit losses

Particulars	31 March 2020	31 March 2019
Opening balance	332.01	202.77
Amounts written off	(36.94)	(12.43)
Net remeasurement of loss allowance	239.33	141.67
Closing balance	**534.40**	**332.01**

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Company's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 March 2020 and 31 March 2019 is the carrying amounts.

C. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans. The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

in ₹ million

Particulars	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
31 March 2020						
Borrowings (refer note 18)	6,656.33	2,365.14	4,586.97	15,230.20	1,215.99	30,054.63
Trade payables (refer note 22)	-	6,991.17	2,340.26	232.16	32.92	9,596.51
Other financial liabilities (refer note 19)	305.25	1,356.81	2,625.02	-	-	4,287.08
	6,961.58	**10,713.12**	**9,552.25**	**15,462.36**	**1,248.91**	**43,938.22**
31 March 2019						
Borrowings (refer note 18)	5,346.64	2,835.75	5,577.42	9,989.43	-	23,749.24
Trade payables (refer note 22)	-	8,069.48	2,532.15	637.80	-	11,239.43
Other financial liabilities (refer note 19)	87.85	1,631.05	2,792.16	1,482.16	-	5,993.22
	5,434.49	**12,536.28**	**10,901.73**	**12,109.39**	**-**	**40,981.89**

48 Capital management

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing borrowings, trade payables and other financial liabilities (excluding liability under JDA), less cash and bank balances.

in ₹ million

Particulars	As at 31 March 2020	As at 31 March 2019
Borrowings (long-term and short-term, including current maturities of long term borrowings) (Note 18 & 19)	30,154.50	25,361.28
Trade payables (Note 22)	9,596.51	11,239.43
Other financial liabilities (current and non-current, excluding current maturities of long term borrowings) (Note 19)	4,187.21	4,381.18
Other liabilities (Note 23)	37,791.39	42,889.73
Less: Cash and bank balances (Note 13 and 14)	(804.50)	(1,730.74)
Net debt	**80,925.11**	**82,140.89**
Equity share capital (Note 15)	948.46	948.46
Other equity (Note 16)	21,924.31	19,825.30
Total capital	**22,872.77**	**20,773.76**
Capital and net debt	**103,797.88**	**102,914.65**
Gearing ratio	77.96%	79.81%

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2020 and 31 March 2019.

49 Impact due to oubreak of COVID-19

Due to the outbreak of Coronavirus Disease(COVID-19), the Government of India declared lock-down on 23 March 2020 and the Company had to suspend the operations in all ongoing projects in compliance with the lockdown instructions issued by the Central and respective State Governments. This impacted the normal business operations of the Company by way of interruption in projects execution, supply chain disruption and unavailability of personnel during the lock-down period.

The Company has considered the possible impacts on the carrying value of assets. The Company, as at the date of these financial results has used internal and external sources of information to assess the expected future performance of the Company. The Company has also performed a sensitivity analysis on the assumptions used and based on the current estimates, the Company expects that the carrying amount of these assets reported in the balance sheet as at 31 March 2020 are fully recoverable. The Company has also estimated the future cash flows with the possible effects that may result from the COVID-19 pandemic and does not foresee any adverse impact on realising its assets and meeting its liabilities as and when they fall due. The actual impact of the COVID-19 pandemic may be different from that estimated as at the date of approval of these financial results.

The Central and State Governments have initiated steps to relax the lock-down restrictions and the Company is adhering to the same. The Company resumed its operations albeit in a reduced capacity from 4 May 2020. The Company will continue to closely observe the evolving scenario and take into account any future developments arising out of the same."

As per our report of even date attached
for **B S R & Co. LLP**
Chartered Accountants
ICAI Firm registration number: 101248W/W-100022

Amrit Bhansali
Partner
Membership No.: 065155

Place: Bengaluru, India
Date : 27 June 2020

for and on behalf of the Board of Directors of **Sobha Limited**

Ravi PNC Menon
Chairman
DIN: 02070036

J.C. Sharma
Vice Chairman and Managing Director
DIN: 01191608

Subhash Bhat
Chief Financial Officer

Vighneshwar G Bhat
Company Secretary and Compliance Officer

Place: Bengaluru, India
Date : 27 June 2020