

## Sobha Developers

# On A Firm FOOTING



Sobha's strive for maximizing value for all its stakeholders is the end result of an interwoven approach involving sustainable business strategy executed by a unique backward integration model, efficient design and engineering, best in class technology, process driven systems, customer care with a personal touch, continuous training and skill development

J C Sharma  
Managing Director  
Sobha Developers

***Sobha was established with a clear vision to "transform the way people perceive quality" in the realty sector in India. This has remained our cornerstone principle and a key differentiator in all of its operations. Excerpts from the interview:***

The real estate sector in India has been showing decent signs of improvement in metros and semi urban cities. What is your take on the sector growth?

The Indian economy is presently growing at 8.5 per cent plus growth rate as compared to 7.2 per cent in last fiscal, which is an indication depicting that the economy is on the growth path, encouraging a strong growth within the real estate industry as well. Better liquidity in the economy coupled with improved job scenario, competitive interest rate offerings by the banks, and Government's ongoing efforts to push growth in the sector indicate a positive outlook for real estate in India.

What kind of projects does Sobha undertake?

Sobha is primarily focused on residential and

contractual projects.

Company's residential projects include presidential apartments, villas, row houses, super luxury apartments, luxury apartments, semi-luxury apartments and plotted development along with amenities such as clubhouse, swimming pool and shopping complex.

On the contractual side, the company has constructed a variety of structures for corporate clients including corporate offices, convention centers, software development blocks, multiplex theatres, hostel facilities, guest houses, food courts, restaurants, research centers and club houses.

How many projects has Sobha completed since its inception?

In the past 15 years since its inception, Sobha has completed 47 residential projects, 13 commercial projects

and 170 contractual projects covering 36.62 million sq. ft. of area in 18 cities across India.

How many ongoing projects does Sobha have?

Sobha currently has 22 ongoing residential projects aggregating to 8.68 million sq. ft and 6 commercial projects aggregating 0.6 million sq. ft., while 4.45 million sq. ft. of contractual projects are under various stages of construction. In the current year, which is our 15th year of establishment, we have already stepped in to the 50th million sq. ft. of execution, which is a landmark in the industry.

Who are your corporate clients?

Besides Infosys, our other corporate clients list includes MICO (Bosch Group), TAJ Hotels, Resorts & Palaces, Timken, HCL, Bayer, Trident Hotels, Wonder La and Bharat Forge.

Please elaborate on the unique Backward Integration Model that the company follows.

Sobha Developers is one of the largest and the only backward integrated real estate player in the country.

The backward integration model is one of the key competitive strengths of Sobha. This literally means that the company clearly has all the key competencies and in-house resources to deliver a project from conceptualization to completion. Backward integration includes an interiors division, a metal and glazing factory, interiors and wood working factory and a concrete block making plant.

These factories are state-of-the art and have a built up area of over 600,000 sq. ft, comparable to the best the world over. Leveraging its expertise in manufacturing capabilities, this in house initiative brings to the table, a formidable resource that embodies performance parameters that are world class.

How was company's performance in the last financial year?

For the overall FY 2009-10, the Company had a turnover of Rs.11,185 Million compared to Rs.9,905 Million in 2008-09, up 13 per cent. The Profit after tax stood at Rs.1,367 Million compared to Rs.1,097 Million in 2008-09, up 25 per cent.

What steps were taken by you to maintain a positive cash flow in the last financial year?

The Company took various proactive steps that resulted in marked improvement in its performance. Concrete actions such as enhancing operational efficiency, reducing fixed costs, Debt restructuring, land monetization, and continuous emphasis to bring down Debt Equity Ratio has yielded remarkable results.

What are the cities where the company has land bank?

Sobha has its land bank across 10 cities in India including Bangalore, Chennai, Cochin, Thrissur, Hosur, Coimbatore, Pune, Gurgaon, Mysore and Hyderabad.

What are the margins you get in residential and contractual business?

The Residential business has a margin of around 35 per cent, whereas the Contractual business has a margin of around 15 per cent.

Is the company planning on increasing its presence on a pan India basis?

Currently Sobha has ongoing projects in Bangalore, Thrissur, Coimbatore and Pune. Apart from these four cities, we have planned to launch our projects in Gurgaon and



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Chennai in the current fiscal.

What would be the total area of the project lined up for launch this year and sales target?

We would be launching about 12 million sq ft in residential business this year. Sales target will be around 3 million sq ft.

With the affect of base rate how is this going to impact home loans and thereby affect your business?

As far as the home loan rates are within single digit, there will not be much impact on demand.

Does the company have plans on approaching the market for raising funds for expansion purpose?

No, the company is not having any such plans.

Is this a property bubble that is building up in the country or is this just the start of a booming sector?

We feel the growth to be sustainable as it is based on real demand and not speculation.

What is the philosophy behind your CSR initiatives?

The company believes that comprehensive and sustainable development of rural India is a must for the overall well being of the society. It is in this context that Graamasobha, a unique social developmental program was initiated by the company in 2006 in two grama panchayaths of Vadakkenchery and Kizhakkenchery in Palakkad district of Kerala to take care of the education, health, employment, water, sanitation and housing of over 2500 BPL families. The implementation of the idea of providing the best to the poorest has indeed become a veritable model to be emulated. Its company's thought that if other corporates can come forward and adopt one or two villages in the same manner then the entire social fabric of this nation can under go a sea change. Sobha will continue its bit to make a difference to the society!

**RANK 260**

## Sobha Developers

Incorporated in 1995, Sobha Developers Ltd (SDL) is a leading real estate developer engaged in the business of construction, development, sale, management and operation of all or 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. At present, the company is developing 9.3 million square feet across 31 projects and has aggressive plans to launch 3 to 4 million square feet projects across Bangalore, Mysore, National Capital Region (NCR), Pune and Trissur. During FY 2010, company reported an increase in net sales by 14.29 per cent yoy to ₹ 1,114.00 crore while net profit witnessed a growth of 24.61 per cent to reach ₹ 136.70 crore.

### Product Mix (Top 3) (Year = Mar 2010)

Product Name	Sales Qty	UoM	Sales Val (In ₹ Cr)	Product Mix (%)
Property Development	-		624.52	56.23
Income From Construction Work	-		209.87	18.89
Land Development Rights	-		177.94	16.02
Sales Not Specified	-		98.28	8.84

### Last Five Quarters (In Rs Crore)

	Sep10	Jun10	Mar10	Dec09	Sep09
Sales	430.80	318.00	402.50	309.30	223.60
Operating Profit	97.10	62.60	98.20	64.60	47.90
Net Profit	58.90	34.30	55.70	40.80	27.50
Equity	98.10	98.10	98.10	98.10	98.10
EPS (In Rs)	6.00	3.50	5.68	4.16	2.80

### Financial Highlights (In ₹ Crore)

	Mar10	Mar09	Mar08	Mar07	Mar06
Sales	1114.00	974.70	1422.60	1186.50	625.20
Operating Profit	259.00	285.40	365.60	259.10	140.40
PAT	136.70	109.70	228.30	161.50	88.60
Equity	98.10	72.90	72.90	72.90	21.10
EPS (In Rs)	13.93	15.05	31.32	22.15	41.99
BV/Share	174.16	149.45	135.58	118.31	60.71

### High/Low Trends (In ₹)

	2010	2009	2008	2007	2006
BSE	404/245	302/67	1041/81	1128/620	1179/899
NSE	404/218	308/61	1044/83	1128/620	1248/900

### Investor Returns

	FY10	FY09	FY08	FY07	FY06
Rights Issue	N.A.	N.A.	N.A.	N.A.	N.A.
Splits	N.A.	N.A.	N.A.	N.A.	N.A.
Dividend (%)	25	10	65	55	68.5
Bonus ratio	N.A.	N.A.	N.A.	N.A.	N.A.

**Registered Office :** E-106, Sunrise Chambers,, 22, Ulsoor Road, Bangalore, Karnataka - 560042  
**Tel:** 080-25597260, 25594139, 25550696, **Fax:** 080-25594138,  
**Email:** investors@sobha.com  
**CEO:** J C Sharma

**Business Group:** Not Applicable **Industry:** Construction & Contracting - Real Estate



## Senior Management Profile



**PNC MENON**  
CHAIRMAN

Founder PNC Menon, 62, began his career as an entrepreneur at a very young age by establishing an interior decoration firm in the Sultanate of Oman. He subsequently incorporated several companies in the Sultanate of Oman, UAE and Qatar in the construction, realty and allied sectors. In addition to his business interests in the Middle East, He established Sobha Developers Limited in the year 1995 to cherish his dream of bringing the best of quality standards in the field of construction and development to India. In a short span of 15 years, Sobha Developers has become a benchmark in

the industry in terms of quality and delivery capabilities. He was awarded the prestigious Pravasi Bharatiya Samman Puraskar by the Hon'ble President of India, Ms. Pratibha Patil on the occasion of Pravasi Bharatiya Divas 2009. He is also a member in the Prime Minister's Advisory Council of Overseas Indians.

Ravi Menon, 30, graduated with a distinction in B Sc (Civil Engineering) from Purdue University, USA. He is a man of details and in just 5 years span with the company, he has brought about tremendous value addition to the organization in terms of creating Project Management Information Systems, detailed Technology Manual, elaborate Quality Evaluation Procedure, Customer Care Structure, Innovation Culture, and Sobha Academy focused on Technical Staff development. He has been instrumental in strengthening execution by focusing on micro level tracking of cost, quality and time. Ravi's immediate outlook for the company is to scale up delivery to 6 million sq ft annually.



**RAVI MENON**  
VICE-CHAIRMAN



**JC SHARMA**  
MD

JC Sharma, 52, B Com, qualified CA and Company Secretary has over 25 years of varied experience in General Management, Corporate Finance, Strategic Planning and Business Development in as diversified sectors as Automobiles, Engineering, Textiles, Real Estate and Steel. He has been associated with the Company since June 2001 and currently bears an overall responsibility for managing the affairs of the Company. He has been instrumental in executing and facilitating several

key assignments and initiatives in the company including Initial Public Offer, Qualified Institutional Placement and other SPV level transactions.

P. Ramakrishnan, 47, B Tech (Electrical & Electronics Engineering) and has over 27 years of experience in techno-commercial skill development, system design, project execution, corporate planning, and supply chain management. He was earlier associated with Tamil Nadu Electricity Board, ETA - Ascon Group of Companies and ICOMM Tele Limited. His current responsibilities include heading Contractual Projects and the Manufacturing Facilities of the Company.



**P. RAMAKRISHNAN**  
Deputy MD