RED HERRING PROSPECTUS
Dated November 6, 2006
Please read section 60B of the Companies Act, 1956
(The Red Herring Prospectus will be updated upon filing with the RoC)
100% Book Building Issue

SOBHA
PASSION AT WORK

Sobha Developers Limited

(Our Company was incorporated as Sobha Developers Private Limited on August 7, 1995. The status of our Company was subsequently changed to a public limited company by a special resolution of the members passed at an extraordinary general meeting held on May 8, 2006. The fresh certificate of incorporation consequent on change of name was granted to our Company on June 2, 2006 by the Registrar of Companies, Karnataka.)

Registered Office: E – 106, Sunrise Chambers, 22, Ulsoor Road, Bangalore 560042, India

(Our registered office was shifted from E – 106, Sunrise Chambers, 22, Ulsoor Road, Bangalore 560042, India to 43, 2nd Floor, Dickenson Road, Bangalore 560 042, India with effect from December 31, 2004 by a resolution of our Board and again from 43, 2nd Floor, Dickenson Road, Bangalore 560 042, India to E – 106, Sunrise Chambers, 22, Ulsoor Road, Bangalore 560042, India with effect from February 10, 2005 by a resolution of our Board.)

Company Secretary and Compliance Officer: Mr. K. Suresh

Tel: (91 80) 2559 7260, Fax: (91 80) 2559 4138, Email: investors@sobha.co.in, Website: www.sobhadevelopers.com

PUBLIC ISSUE OF 8,893,332 EQUITY SHARES OF RS. 10 EACH FOR CASH AT A PRICE OF RS [●] PER EQUITY SHARE INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE, AGGREGATING RS. [●] MILLION (THE "ISSUE") BY SOBHA DEVELOPERS LIMITED (THE "COMPANY OR "THE ISSUER"). THE ISSUE COMPRISES A NET ISSUE TO THE PUBLIC OF 8,004,032 SHARES OF RS. 10 EACH (THE "NET ISSUE") AND A RESERVATION OF UP TO 889,300 EQUITY SHARES OF RS. 10 EACH FOR THE PERMANENT EMPLOYEES OF THE COMPANY (THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE WOULD CONSTITUTE 12.20% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY. THE NET ISSUE WILL CONSTITUTE 10.98% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.

PRICE BAND: RS. 550/- TO RS. 640/- PER EQUITY SHARE OF FACE VALUE RS. 10.

THE FACE VALUE OF THE EQUITY SHARES IS RS. 10 AND THE FLOOR PRICE IS 55 TIMES THE FACE VALUE AND THE CAP PRICE IS 64 TIMES THE FACE VALUE

In case of revision in the Price Band, the Bidding Period will be extended for three additional days after revision of the Price Band subject to the Bidding Period/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the National Stock Exchange of India Limited ("NSE") and the Bombay Stock Exchange Limited ("BSE"), by issuing a press release, and also by indicating the change on the websites of the Book Running Lead Managers and the Co Book Running Lead Managers and at the terminals of the Syndicate.

In terms of Rule 19 (2)(b) of the Securities Contract Regulation Rules, 1957 ("SCRR"), this being an Issue for less than 25% of the post–Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further, up to 889,300 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

RISK IN RELATION TO THE FIRST ISSUE

This being the first public issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs.10 per Equity Share and the Issue Price is [•] times the face value. The Issue Price (as determined by the Company, in consultation with the Book Running Lead Managers, on the basis of assessment of market demand for the Equity Shares offered by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing. **We have not opted for a grading of this Issue from a credit rating agency.**

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" on page x.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer having made all reasonable inquiries, accepts responsibility for and confirms that this Red Herring Prospectus contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING ARRANGEMENT

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the NSE and the BSE. We have received in-principle approval from NSE and BSE for the listing of our Equity Shares pursuant to letters dated August 28, 2006 and August 25, 2006, respectively. For purposes of this Issue, the Designated Stock Exchange is NSE.

BOOK RUNNING LEAD MANAGERS		CO-BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
kotak Investment Banking	ENAM	IL&FS INVESTSMART INDIA'S FINANCIAL MULTIPLEX	INTIME SPECTRUM REGISTRY LIMITED
Kotak Mahindra Capital Company Limited 3rd Floor, Bakhtawar 229, Nariman Point Mumbai 400 021, India Tel: (91 22) 6634 1100 Fax: (91 22) 2284 0492 Email: sobha.ipo@kotak.com Website: www.kotak.com Contact Person: Mr. Chandrakant Bhole	**Enam Financial Consultants Private Limited** 801, Dalamal Towers Nariman Point Mumbai 400 021, India Tel: (91 22) 6638 1800 Fax: (91 22) 2284 6824 Email: sobha.ipo@enam.com Website: www.enam.com Contact Person: Ms. Lakha Nair	**IL &FS Investsmart Limited** The IL&FS Financial Centre Plot C-22, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051, India Tel: (91 22) 2653 3333 Fax: (91 22) 5693 1862 2653 3075 Email: sobha.ipo@ investsmartindia.com Website: www.investsmartindia.com Contact Person: Mr. Sudhir Salian	**Intime Spectrum Registry Limited** C-13, Pannalal Silk Mills Compound LBS Marg, Bhandup (West) Mumbai 400 078 Tel: (91 22) 2596 0320 Fax: (91 22) 2596 0329 Email: sobha-ipo@intimespectrum.com Website: www.intimespectrum.com Contact Person: Mr. Vishwas Attavar

BID/ISSUE PROGRAMME

BID/ISSUE OPENS ON	**NOVEMBER 23, 2006**	**BID/ISSUE CLOSES ON**	**NOVEMBER 29, 2006**

TABLE OF CONTENTS

SECTION I- GENERAL

DEFINITIONS AND ABBREVIATIONS

Term	Description
“We”, “us”, “our”, “Issuer”, “the Company” and “our Company”.	Unless the context otherwise indicates or implies, refers to Sobha Developers Limited

Company Related Terms

Term	Description
Agreement to Sell	Agreement dated October 27, 2006 between Oman Builders Private Limited and Kotak Mahindra Private-Equity Trustee Limited
Articles	Articles of Association of our Company
Auditors	The statutory auditors of our Company, S. Janardhan and Associates
Board/ Board of Directors	Board of Directors of our Company
C3	Customer Care Cell
CRM	Customer Relationship Management
Directors	Directors of Sobha Developers Limited, unless otherwise specified
Escrow Agreement	Agreement dated October 27, 2006 between our Company, Kotak Mahindra Private-Equity Trustee Limited, KMCC and Kotak Mahindra Bank Limited
Land Arrangements	Contractual arrangements for land acquisition entered into by the Company with certain third party entities, where the third party entities have agreed to procure extents of land located in and around certain cities in India at or below certain prices
Land Reserves	Title of lands to which our Company, or land from which the Company can derive the economic benefit through a documented framework (such as with third party individuals or corporate entities), or where the Company has executed a joint development agreement or an agreement to sell.
M&E	Mechanical, Engineering and Plumbing
Memorandum	Memorandum of Association of our Company
Pre-IPO Investor	Kotak Mahindra Private-Equity Trustee Limited in its capacity as trustee of Kotak India Real Estate Fund I, a scheme of Kotak Mahindra Realty Fund, acting through its investment manager Kotak Mahindra Investments Limited and Bennett, Coleman & Co. Limited
QCD	Quality Control Department
Registered Office of the Company	E – 106, Sunrise Chambers, 22, Ulsoor Road, Bangalore 560 042, India
Shareholders Agreement	Agreement dated October 25, 2006 between the Company and Bennett, Coleman & Co. Limited
Subscription Agreement	Agreement dated October 27, 2006 between the Company and Kotak Mahindra Private-Equity Trustee Limited
Total Lands	The aggregate lands comprising of Land Reserves and Land Arrangements

Issue Related Terms

Term	Description
Allotment	Unless the context otherwise requires, the issue and allotment of Equity Shares, pursuant to the Issue
Allottee	The successful Bidder to whom the Equity Shares are/ have been issued
Banker(s) to the Issue	Canara Bank, Corporation Bank, HDFC Bank Limited, Hongkong and Shanghai Banking Corporation Limited, ICICI Bank Limited, Kotak Mahindra Bank Limited, UTI Bank Limited and Standard Chartered Bank

Term	Description
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto
Bid / Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Kannada newspaper with wide circulation
Bid / Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a Kannada newspaper with wide circulation
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to purchase Equity Shares of our Company in terms of the Red Herring Prospectus and the Bid cum Application Form
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form.
Bidding / Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective Bidders can submit their Bids
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI DIP Guidelines, in terms of which this Issue is being made
BRLMs	Book Running Lead Managers to the Issue, in this case being Kotak Mahindra Capital Company Limited and Enam Financial Consultants Private Limited
CAN/ Confirmation of Allocation Note	Means the note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted
Cut-off Price	The Issue Price finalised by our Company in consultation with the BRLMs
CBRLMs	Co Book Running Lead Managers to the Issue in this case being IL & FS Investsmart Limited and ICICI Securities Limited
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful Bidders
Designated Stock Exchange	NSE
DP ID	Depository Participant’s Identity
Draft Red Herring Prospectus	The Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not contain complete particulars on the price at which the Equity Shares are offered and the size (in terms of value) of the Issue
ECS	Electronic Clearing Service
Eligible NRI	NRI from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue
Eligible Employee	A permanent employee of the Company as of November 23, 2006 and based working and present in India as on the date of submission of the Bid cum Application Form. A director of the Company, whether a whole time director except any Promoters or members of the Promoter group, part time director or otherwise as of November 23, 2006 and based and present in India as on the date of submission of the Bid cum Application Form. The Employee(s) may also be referred to as “Eligible Employee under the Employee Reservation Portion” in this Prospectus

Term	Description
Employee Reservation Portion	The portion of the Issue being up to 889,300 Equity Shares available for allocation to Eligible Employees.
ENAM	Enam Financial Consultants Private Limited having its registered office at 113 Stock Exchange Towers , Dalal Street , Fort , Mumbai 400 001, India
Equity Shares	Equity shares of our Company of Rs. 10 each unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement to be entered into by our Company, the Registrar, BRLMs, CBRLMs, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable, refunds of the amounts collected to the Bidders on the terms and conditions thereof.
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account will be opened and in this case being Canara Bank, Corporation Bank, HDFC Bank Limited, Hongkong and Shanghai Banking Corporation Limited, ICICI Bank Limited, Kotak Mahindra Bank Limited, UTI Bank Limited and Standard Chartered Bank.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form
Floor Price	The lower end of the Price Band, above which the Issue Price will be finalized and below which no Bids will be accepted
FVCI	Foreign Venture Capital Investor registered under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000
IIL	IL&FS Investsmart Limited having their registered office at The IL&FS Financial Centre, Plot C-22, G Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051
I-Sec	ICICI Securities Limited having its registered office at ICICI Centre, H.T. Parekh Marg, Churchgate, Mumbai 400 020, India
Issue	The issue of 8,893,332 Equity Shares of Rs. 10 each at a price of [●] each for cash, aggregating [●] by the Company under the RHP and the Prospectus. The Issue comprises a Net Issue to the Public of 8,004,032 Equity Shares and the Employees Reservation Portion of up to 889,300 Equity Shares.
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus or the Prospectus. The Issue Price will be decided by the Company in consultation with the BRLMs on the Pricing Date
KMCC	Kotak Mahindra Capital Company Limited having its registered office at 3rd Floor, Bakhtawar, 229 Nariman Point, Mumbai 400 021, India
Margin Amount	The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount
Monitoring Agency	Karnataka State Financial Corporation
Mutual Fund Portion	5% of the QIB Portion or 240,123 Equity Shares (assuming the QIB Portion is for 60% of the Issue Size) available for allocation to Mutual Funds only, out of the QIB Portion
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Non Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 1,00,000 (but not including NRIs other than eligible NRIs)
Non Institutional Portion	The portion of the Issue being up to 800,300 Equity Shares of Rs. 10 each available for allocation to Non Institutional Bidders

Term	Description
Net Issue	The Issue less the Employee Reservation Portion
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	(a) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date; and extending until the Bid/ Issue Closing Date; and (b) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the closure of the Pay-in Date
Price Band	Price band of a minimum price (floor of the price band) of Rs. 550/- and the maximum price (cap of the price band) of Rs. 640/- and includes revisions thereof
Pricing Date	The date on which our Company in consultation with the BRLMs finalizes the Issue Price
Promoters	Mr. P.N.C. Menon and Mrs. Sobha Menon
Prospectus	The Prospectus to be filed with the RoC in terms of Section 60 of the Companies Act, containing, inter alia, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account on the Designated Date
QIB Margin Amount	An amount representing at least 10% of the Bid Amount
QIB Portion	The portion of the Issue being 4,802,450 Equity Shares of Rs. 10 each to be allotted to QIBs
Qualified Institutional Buyers or QIBs	`Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds registered with SEBI, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million
RTGS	Real Time Gross Settlement
Refunds through electronic transfer of funds	Refunds through electronic transfer of funds means refunds through ECS, Direct Credit or RTGS as applicable
Registrar to the Issue	Registrar to the Issue, in this case being Intime Spectrum Registry Limited having its registered office as indicated on the cover page.
Retail Individual Bidder(s)	Individual Bidders (including HUFs) who have not Bid for Equity Shares for an amount more than or equal to Rs. 1,00,000 in any of the bidding options in the Issue (including HUF applying through their Karta and eligible NRIs)
Retail Portion	The portion of the Issue being up to 2,401,282 Equity Shares of Rs. 10 each available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s)
RHP or Red Herring Prospectus	The Red Herring Prospectus which will be filed with RoC in terms of Section 60B of the Companies Act, at least 3 days before the Bid/ Issue Opening Date
Stock Exchanges	BSE and NSE
Syndicate	The BRLMs, CBRLMs and the Syndicate Members
Syndicate Agreement	Agreement between the Syndicate and the Company in relation to the collection of Bids in this Issue
Syndicate Members	Kotak Securities Limited, Enam Securities Private Limited and ICICI Brokerage Services Limited

Term	Description
TRS/ Transaction Registration Slip	The slip or document issued by the Syndicate to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs, CBRLMs and the Syndicate Members
Underwriting Agreement	The Agreement between the members of the Syndicate and our Company to be entered into on or after the Pricing Date

Conventional and General Terms/ Abbreviations

Term	Description
A/c	Account
Act or Companies Act	Companies Act, 1956 and amendments thereto
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
BDA Act	Bangalore Development Authority Act, 1976
BMP Bye Laws	Bangalore Mahanagara Pallike Building Bye Laws, 2003
BMRDA Act	Bangalore Metropolitan Region Development Authority Act, 1985
BPO	Business Process Outsourcing
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996 as amended from time to time
DIPP	Deparment of Industrial Policy and Promotion
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996
Easements Act	The Easements Act, 1882
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EGM	Extraordinary General Meeting
EPS	Earnings Per Share i.e., profit after tax for a fiscal year divided by the weighted average outstanding number of equity shares at the end of that fiscal year
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto
FEMA Regulations	FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations 2000 and amendments thereto
FII(s)	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investor) Regulations, 1995 registered with SEBI under applicable laws in India
Financial Year/ Fiscal/ FY	Period of twelve months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board
GDP	Gross Domestic Product
GoI/Government	Government of India
HNI	High Networth Individual
HUF	Hindu Undivided Family
IFRS	International Financial Reporting Standards
IT	Information Technology
I.T. Act	The Income Tax Act, 1961, as amended from time to time
ITES	Information Technology Enabled Services
Indian GAAP	Generally Accepted Accounting Principles in India

Term	Description
IPO	Initial Public Offering
KAO Act	Karnataka Apartment Ownership Act, 1972
KLR Act	Karnataka Land Revenue Act, 1964
KMC Act	Karnataka Municipal Corporation Act, 1976
KTPC Act	Karnataka Town and Country Planning Act, 1961
Mn / mn	Million
MOU	Memorandum of Understanding
NA	Not Applicable
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit and Loss account, divided by number of issued equity shares
NOC	No Objection Certificate
NR	Non-resident
NRE Account	Non Resident External Account
NRI	Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Foreign Security by a Person resident outside India) Regulations, 2000
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number allotted under the Income Tax Act, 1961,
PIO	Persons of Indian Origin
PLR	Prime Lending Rate
QIB	Qualified Institutional Buyer
RBI	The Reserve Bank of India
Registration Act	Registration Act, 1908
RONW	Return on Net Worth
Rs.	Indian Rupees
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act 1992, as amended from time to time
SEBI Guidelines	SEBI (Disclosure and Investor Protection) Guidelines, 2000 as amended from time to time
Sec.	Section
SEZ	Special Economic Zone
SIA	Secretariat for Industrial Assistance
Stamp Act	The Indian Stamp Act, 1899
Stock Exchange(s)	BSE and/ or NSE as the context may refer to
T.P. Act	Transfer of Property Act, 1882

Term	Description
Urban Land Ceiling Act	The Urban Land (Ceiling and Regulation) Act, 1976
US / USA	United States of America
US GAAP	Generally Accepted Accounting Principles in the United States of America

Industry Related Terms

Term	Description
AAI	Airport Authority of India
Acre	Equals 43,560 sq. ft
BDA	Bangalore Development Authority
BESCOM	Bangalore Electricity Supply Company Limited
BIAAPA	Bangalore International Airport Area Planning Authority
BIAPA	Bangalore International Airport Promotion Authority
BMICA	Bangalore Mysore Infrastructure Corridor Area
BMICAPA	Bangalore Mysore Infrastructure Corridor Area Planning Authority
BMP	Bangalore Mahanagara Pallike
BMPTC	Building Materials and Technology Promotion Council, Ministry of Urban Affairs
BMRDA	Bangalore Metropolitan Region Development Authority
BPO	Business Process Outsourcing
BWSSB	Bangalore Water Supply and Sewerage Board
CARE	Credit Analysis Research Limited
CDP	Comprehensive Development Plan
CMC	City Municipal Corporation
CRIS INFAC	CRIS INFAC Industry Information Service, a brand of CRISIL Research & Information Services Limited
CRISIL	CRISIL Limited
ERP	Enterprise Resource Package
FAR	Floor Area Ratio
Gunta	Equals 1089 sq. ft
IT	Information Technology
ITES	Information Technology Enabled Services
KYC	Know Your Clients
MOSPI	Ministry of Statistics and Program Information
MUDPA	Ministry of Urban Development and Poverty Alleviation
NCR	National Capital Region of Delhi
NSSO	National Sample Survey Organization
RMC	Ready Mix Concrete
SBA	Super Built up Area
Sq. ft.	Square Feet

CERTAIN CONVENTIONS; PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

In this Red Herring Prospectus, lands referred to as "our Lands" or "our Land Reserves" are lands the title to which is with our Company, or lands from which the Company can derive the economic benefit through a documented framework (such as with third party individuals or corporate entities), or where the Company has executed joint development agreement or an agreement to sell and references to "Land Arrangements" are lands where we have also entered into contractual arrangements for land acquisition with certain third party entities, where the third party entities have agreed to procure extents of land located in and around certain cities in India at or below certain prices; and are exclusive and distinct from our Land Reserves.

All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$" or "U.S. Dollars" are to United States Dollars, the official currency of the United States of America.

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our restated unconsolidated financial statements prepared in accordance with Indian GAAP and the SEBI Guidelines, which are included in this Red Herring Prospectus. Our fiscal year commences on April 1 and ends on March 31 of the next year. So all references to a particular fiscal year are to the twelve-month period ended on March 31 of that year and all references to September 30, 2006 are to the six month period from April 1, 2006 to Sepember 30, 2006.

There are significant differences between Indian GAAP, IFRS and US GAAP. We have not attempted to explain those differences or quantify their impact on the financial data included herein and we urge you to consult your own advisors regarding such differences and their impact on our financial data. Accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited.

In this Red Herring Prospectus, any discrepancies in any table between the totals and the sum of the amounts listed are due to rounding off.

Market and industry data used in this Red Herring Prospectus has generally been obtained or derived from industry publications and sources. These publications typically state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decisions should be made based on such information. Although we believe that industry data used in this Red Herring Prospectus is reliable, it has not been verified. Similarly, we believe that the internal company reports are reliable however they have not been verified by any independent sources. We have also used in this Red Herring Prospectus, market and industry data prepared by consultants such as Cushman & Wakefield (India) Private Limited, whom we have retained for the purpose of valuing our Land Reserves and Land Arrangements.

The extent to which the market and industry data used in this Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the real estate industry in India and methodologies and assumptions may vary widely among different industry sources.

The following table sets forth, for each period indicated, information concerning the number of Rupees for which one U.S. Dollar could be exchanged at the noon buying rate in the City of New York on the last business day of the applicable period for cable transfers in Rupees as certified for customs purposes by the Federal Reserve Bank of New York. The row titled "Average" in the table below is the average of the daily noon buying rate for each day in the period. Similarly, the rows titled "low" and "high" give the lowest and highest noon buying rates during the period.

	Fiscal 2006	Fiscal 2005	Fiscal 2004
Period End	Rs. 44.48	Rs. 43.62	Rs. 43.40
Average	Rs. 44.17	Rs. 44.86	Rs. 45.96
Low	Rs. 43.05	Rs. 43.27	Rs. 43.40
High	Rs. 46.26	Rs. 46.45	Rs. 47.46

On October 27, 2006, the noon buying rate was Rs. 45.07 per U.S. Dollar.

FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain "forward-looking statements". These forward looking statements generally can be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "objective", "plan", "project", "shall", "will", "will continue", "will pursue" or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results and property valuations to differ materially from those contemplated by the relevant statement.

Important factors that could cause actual results and property valuations to differ materially from our expectations include, but are not limited to, the following:

- the performance of the real estate market and the availability of real estate financing in India;
- the extent to which sale proceeds differ from our land valuations;
- our ability to manage our growth effectively;
- our ability to finance our business growth and obtain financing on favourable terms;
- our ability to replenish our land reserves and identify suitable projects;
- the extent to which our projects qualify for percentage of completion revenue recognition;
- impairment of our title to land;
- our ability to compete effectively, particularly in new markets and businesses;
- our ability to anticipate trends in and suitably expand our current business lines;
- the extent to which we can develop new businesses;
- raw material costs;
- the continued availability of applicable tax benefits;
- our dependence on key personnel;
- conflicts of interest with affiliated companies, the Promoter Group and other related parties;
- the outcome of legal or regulatory proceedings that we are or might become involved in;
- contingent liabilities, environmental problems and uninsured losses;
- government approvals;
- changes in government policies and regulatory actions that apply to or affect our business; and
- developments affecting the Indian economy and, in particular, Bangalore.

For further discussion of factors that could cause our actual results to differ, see the sections titled "Risk Factors" and "Management's Discussion of Financial Condition and Results of Operations" on pages x and 271. Neither our Company nor any of the Underwriters nor any of their respective affiliates has any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the BRLMs and IIL will ensure that investors in India are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchanges.

SECTION II- RISK FACTORS

An investment in equity shares involves a degree of risk. You should carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain, a complete understanding of our Company, you should read this section in conjunction with the sections titled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 52 *and* 271 *of this Red Herring Prospectus as well as the other financial and statistical information contained in the Red Herring Prospectus. If the following risks occur, our business, results of operations and financial condition could suffer, and the price of the Equity Shares and the value of your investment in the Equity Shares could decline. The numbering of the risk factors has been done to facilitate ease of reading and reference and does not in any manner indicate the importance of one risk factor over another.*

Risks in relation to our Business or Internal Risks

1. Some of the lands forming part of our Land Reserves are classified in the 'green belt area'.

Lands, representing approximately 2.11% of our Land Reserves are classified as land falling in the 'green belt area', i.e. lands falling within a restricted area as declared by the respective state government, where no commercial or residential development is permissible. The total value of these lands as per the "Opinion on the valuation of Land Reserves and Land Arrangements by Cushman & Wakefield (India) Private Limited dated August 2, 2006" is approximately Rs. 734.13 million. However, certain activites which are allowed to be carried out in the green belt areas include construction of places of worship, hospitals, libraries, sports clubs and cultural buildings. Any other form of activity to be carried out will require the prior consent of the relevant authority. We cannot assure you that we will be granted or will obtain permission to develop these lands at all, or in a timely manner or at all. If we do not receive permissions in a timely manner or in a manner acceptable to us, we may not be able to develop these lands that could adversely affect our business, prospects, financial condition and results of operations.

2. Significant portion of our revenues from contractual projects is attributed to one client.

Our revenues from our contractual projects as a percentage of our total revenues was 55.48%, 62.09% and 32.20% in fiscal 2004, 2005 and 2006, respectively. Of our revenues from contractual projects Rs. 1,073.84 million, Rs. 2,780.15 million and Rs. 1,678.73 million relate to revenues generated from Infosys Technologies Limited, in fiscal 2004, 2005 and 2006, respectively, which constitute 94.60%, 96.27% and 82.95% of our total contractual revenues in the comparable fiscal years. In the event that Infosys Technologies Limited either reduces the number of contractual projects or stops providing us with contractual projects it would have a material adverse effect on our business, results of operations and financial condition. Furthermore, if the rate of growth of India's IT sector or of Infosys Technologies Limited's business, should decline, our revenue from this sector or from Infosys Technologies Limited may decline.

3. Limited supply of land, increasing competition and applicable regulations are likely to result in land price escalation and a further shortage of developable land.

We are in the business of real estate development. Due to increased demand for land for development of residential and commercial properties, we are experiencing increasing competition in acquiring land in various geographies where we operate or propose to operate. In addition, the unavailability or shortage of suitable parcels of land for development leads to an escalation in land prices. Any such escalation in the price of developable land could materially and adversely affect our business, prospects, financial condition and results of operations.

Additionally, the availability of land, its use and development, is subject to regulations by various local authorities. For example, if a specific parcel of land has been delineated as agricultural land, no commercial or residential development is permitted without the prior approval of the local authorities. For further details, see "Regulations and Policies" on page 73.

Significant parcels of land, acquired or proposed to be acquired by certain individuals and corporate entities who shall hold these lands on our behalf or through arrangements for development, are currently delineated as land on which development is not permitted, without prior permission of the local authorities. If we do not receive permissions in a timely manner or in a manner acceptable to us, or at all, we may not be able to develop these properties that could adversely affect our business, prospects, financial condition and results of operations.

4. The proceeds from our property sales could be materially lower than the valuations set forth in this Red Herring Prospectus.

We retained Cushman & Wakefield India (Private) Limited ("**Cushman & Wakefield**"), international property consultants, to perform a land valuation in respect of our Land Reserves aggregating approximately 2,593 acres of land, representing an aggregate of approximately 118 million sq. ft of developed or potential developed area, over 78 locations in 7 cities across India, and Land Arrangements aggregating approximately 3,456 acres of land, representing an aggregate of approximately 117 million sq. ft of developed or potential developed area, over 13 locations in 3 cities across India. We have made partial payments for the lands comprising our Land Reserves and Land Arrangements and are yet to make additional payments. Land Reserves are lands, (i) the title to which is with our Company, or (ii) lands from which the Company can derive the economic benefit through a documented framework (such as with third party individuals or corporate entities), or (iii) where the Company has executed joint development agreement or an agreement to sell and Land Arrangements are lands where we have entered into contractual arrangements for land acquisition with certain third party entities, where the third party entities have agreed to procure extents of land located in and around certain cities in India at or below certain prices. Cumilatively our Land Reserves and Land Arrangements are referred to as Total Lands. Our Land Reserves account for approximately 44.88% of Total Lands and Land Arrangements account for approximately 55.12% of Total Lands. Approximately 6.23% of our Land Reserves is in the name of the Company. See "Our Business-Our Land Reserves" and "Our Business-Our Land Arrangements" on pages 66 and 68.

As on September 30, 2006 our Land Reserves increased from 2,592.83 acres as on June 30, 2006, to 2,747.06 acres and Land Arrangements have decreased from 3,456.19 acres as on June 30, 2006, to 3,373.28 acres, and there has been a corresponding change in the payments made and payments outstanding in respect of Land Reserves and Land Arrangements. See 'Recent Developments in relation to our Lands' on page 8.

Cushman & Wakefield opined that as on July 7, 2006, the net present value of the Land Reserves was between approximately Rs. 70,356 million and approximately Rs. 77,762 million and after deducting the developer's margin, the land value of the Land Reserves was between approximately Rs. 39,717 million and approximately Rs. 43,898 million; and the net present value of the Land Arrangements was between approximately Rs. 43,478 million and approximately Rs. 48,054 million and after deducting the developer's margin, the land value of the Land Arrangements was between approximately Rs. 23,060 million and approximately Rs. 25,487 million.

These valuations are based upon various limitations and assumptions which are subjective and uncertain, and which are described in detail in Appendix A to this Red Herring Prospectus. If these assumptions are incorrect or if any of the other risks or contingencies discussed herein actually occurs, the proceeds that we realise from these properties could be materially lower than the valuations.

In particular, the valuations assume that we hold a freehold interest in the lands, with clear and marketable title that is free of encumbrances, which may not always be the case in respect of some of our lands. Accordingly, we may not be able to quantify the margin of error in respect of this assumption. Further, if we were unable to complete the acquisition of the lands for which we have made partial payment, or are unable to obtain good title to those lands, the valuations presented in this Red Herring Prospectus would have to be appropriately reduced.

In addition, Land Arrangements currently represent only underlying agreements by which we have retained third parties to procure lands in and around certain cities. We cannot provide any assurance that such lands will be acquired by us within the estimated costs, expected time or at all. We may experience delays in obtaining approvals required for developing such lands, may become involved in litigation in respect of such lands or may fail to develop such lands for any other reasons and any of these events could adversely affect the valuations as well as our financial position and results of operations.

5. Significant portion of the land forming part of our Land Reserves in and around Bangalore and in certain other parts of India are acquired through third parties.

Some of our Land Reserves consist of agricultural land which are held in the name of other third parties or individuals. These lands have been acquired in the areas surrounding Bangalore and Coimbatore through certain individuals identified by us who hold the land on behalf of our Company. These lands are registered in the names of these individuals and are transferred to our Company when these lands can be converted for development purposes. These individuals hold approximately 408.77 acres or 14.88% of our Land Reserves. The acquisition of these lands has been financed directly by us. We cannot assure you that we will get the approvals from the relevant local authority for the conversion of these lands. Further, these individuals may also refuse to transfer the lands in our favour.

In Chennai and Kochi, certain private limited companies are incorporated to acquire lands and hold it on behalf of our Company. These companies are wholly owned subsidiaries of Technobuild Developers Private Limited, a company in which our two key managerial personnel of our Company hold the entire share capital. See disclosures in relation to Technobuild Developers Private Limited on page 124. Although these shareholders have executed a non disposal undertaking with our Company in relation to the shares held by them, we cannot assure you that they will not dispose off their shares or the land held by its various subsidiary companies. These subsidiary companies hold approximately 576.20 acres or 20.98% of our Land Reserves. The acquisition of these lands has been financed indirectly by us. See 'Our Business – Our Land Reserves - Lands currenty owned by third party individuals and corporate entities' on page 66. Further, we cannot assure you whether we will obtain the approvals from the relevant local authority for the development of these lands. See "Our Promoters–Disclosure in relation to Technobuild Developers Private Limited" on page 124. For transactions between Technobuild Developers Private Limited and our Company, see "Related Party Transaction" on pages 126 and 130.

Any change in the relevant local laws in relation to the use of these lands will also affect our ability to develop these lands.

6. We have made partial payments towards certain lands which have been disclosed as forming part of our Land Reserves.

Our Land Reserves aggregating approximately 2,593 acres of land, represent an aggregate of approximately 118 million sq. ft of developed or potential developed area, over 78 locations in 7 cities across India. The total payment made and outstanding in respect of these lands is Rs. 5,704.58 million and Rs. 14,150.93 million respectively. We cannot assure you that the acquisition of these lands will be completed in a timely manner or at all. In the event that we are unable to acquire the land, we may not be able to recover the partial amount paid till date. Our inability to acquire the land in a timely manner or at all, or the non-recovery of the partial amount paid by us may adversely affect our business prospects, financial condition and results of operations. For further details see "Our Business – Our Land Reserves" on page 66.

As on September 30, 2006 our Land Reserves increased from 2,592.83 acres as on June 30, 2006, to 2,747.06 acres and Land Arrangements have decreased from 3,456.19 acres as on June 30, 2006, to 3,373.28 acres, and there has been a corresponding change in the payments made and payments outstanding in respect of Land Reserves and Land Arrangements. See 'Recent Developments in relation to our Lands' on page 8.

7. We may not be able to acquire or register the lands for which we enter into certain agreements to sell or memorandum of understanding.

We enter into agreements to sell or MOUs prior to acquiring any property. We intend to use the Net Proceeds of the Issue to acquire land in respect of which we have executed agreements to sell or MOU with the owner of the land to acquire the land. We cannot assure you that we will be successful in acquiring or registering these lands pursuant to these agreements to sell or MOU. Further, none of the lands that we propose to acquire under "Objects to the Issue" or otherwise are registered in our name. Additionally, we cannot assure you that we will be able to utilise the Net Proceeds of the Issue for the purchase of these lands, as disclosed in the "Objects of the Issue" on page 28.

8. We are party to certain joint development agreements for which we are required to pay a deposit.

We enter into joint development agreements with owners of lands for its construction and development. We do not own the title to any of these lands under joint development. However, we are required to pay a deposit to the owners of the land for this development purpose and our undivided share in these lands is transferred only when the construction is complete. As of September 30, 2006 we have paid Rs. 463.02 million towards deposits to the owners of the land. We cannot assure you that these lands are validly held under law by the persons with whom we enter into joint development agreements with. In the event that we are not able to complete the construction and development of these lands, we may not be able to recover the deposit that has been made by us. Further, all the development activities are also subject to the approvals from the relevant local authority. We cannot assure you whether we will obtain the relevant approvals for the development of these lands.

9. We may not be successful in identifying and acquiring suitable parcels of land for development, at all or in a timely manner.

Our ability to identify suitable parcels of land for development and subsequent sale forms an important element of our business. We internally prepare feasibility reports, on which we base our decision to acquire land. Our decision to acquire a parcel of land involves taking into account the tastes and preferences of potential customers, the proximity of the land to civic amenities and urban infrastructure, the willingness of landowners to sell the land to us, the ability to enter into an agreement to buy land from multiple owners, the availability and cost of financing such acquisition, encumbrances on targeted land, government directives on land use, and obtaining permits and approvals for land acquisition and development. Typically, the preparation of such feasibility report may take between three to four weeks, which may result in our inability to acquire such lands, during such time or during the time of negotiation, such land may be acquired by third parties or our competitors. Any failure to identify and acquire suitable parcels of land for development in a timely manner may reduce the number of development projects that can be undertaken by us and thereby affect our business prospects, financial condition and results of operations.

10. Our inability to acquire contiguous parcels of land may affect our future development activities.

We acquire parcels of land at various locations, over a period of time, for future development. These parcels of land are subsequently consolidated to form a contiguous landmass, upon which we undertake development. In the past, we have not experienced difficulties in acquiring such parcels of land and consolidating them. However, we may not be able to acquire such parcels of land, at all or on terms that are acceptable to us, which may affect our ability to consolidate parcels of land into a contiguous mass. Failure to acquire such parcels of land may cause delay or force us to abandon or modify the development of the land at a location, which in turn may result in a failure to realise our investment for acquiring such parcels of land. Accordingly, our inability to acquire contiguous parcels of land may adversely affect our business prospects, financial conditions and results of operations.

11. In the event that some of our agreements with various third parties for the acquisition of land expire or are invalid, we may lose the right to acquire these lands.

As part of our land acquisition process, we enter into agreements or MOUs with third parties prior to the transfer or conveyance of title of the land. We propose to acquire 1,551.60 acres or approximately 56.48% of our Land Reserves, pursuant to the agreements or MOU. We enter into these agreements or MOUs to ensure that the sellers of the land satisfy certain conditions within the stipulated time frame specified under these agreements. Under the agreement the owners of the land may be required to provide all of the original deeds and documents in relation to the land. Upon entering into these agreements, we are required to pay these landowners, certain advances towards the land. These agreements also provide that the lands must be conveyed in our favour within a prescribed period of time.

In the event that we are not able to acquire these lands, all or part of the advance monies amounting to approximately Rs. 1,619.54 million as on September 30, 2006, paid by us to these third parties, may not be recovered by us. Further, in the event that these agreements are either invalid or have expired, we may lose the right to acquire these lands and also may not be able to recover the advances made in relation to the land. Also any indecisiveness on our part to perform our obligations or any delay in performing our obligations under these agreements, may lead to our inability to acquire these lands as the agreements may also expire. Any failure to renew these agreements on similar terms or recover the advance monies from the relevant counterparties could adversely affect our business, financial condition and results of operations.

12. We conduct due diligence and assessment exercises prior to acquisition of land for undertaking development, but we may not be able to assess or identify certain risks and liabilities.

We constantly acquire lands for our various development activities and these may be acquired either through our Company or through third parties or entities identified by us for this purpose. We have an internal assessment process on land selection and acquisition which includes a due diligence exercise to assess the title of the land and preparation of feasibility reports to assess its development and marketability. Our internal assessment process is based on information that is available or accessible by us. There can be no assurance that such information is accurate, complete or current. See "Our Business–Land Selection Process" on page 69. Any decision based on inaccurate, incomplete or dated information may result in risks and liabilities associated with acquiring and owning such parcels of land, being passed onto us. This may adversely affect our business, financial condition and results of operations.

13. Our backward integration model subjects us to a number of risks, which may affect our profitability and competitiveness.

We operate on a backward integration model, which is critical to our business. Our backward integration model involves maintaining substantial in-house capabilities and workforce. Our ability to compete will be dependent on maintaining the quality of these in-house capabilities at or above the levels available from third party contractors. In addition, our backward integration model has required us to make capital expenditures and subjects us to large direct costs for our in-house operations. If the cost of our capital investment in these in-house capabilities and our expenses attributable to them exceeds the cost of outsourcing or subcontracting these skills or functions to third parties, our profitability and our price competitiveness could be adversely affected.

In addition in the event of a slow down in the Indian economy or slow down in the real estate or construction industry, our in-house resources may represent significant costs that we may not be able to quickly reduce. Our inability to reduce our backward integration costs during such periods may adversely impact our results of operations and financial condition.

14. We have recently undergone a restructuring whereby we have acquired the selected assets and liabilities of certain companies forming part of our promoter group which now currently form our glazing division and interiors division. For details of our recent restructuring see "Our History and Corporate Structure–Recent Restructuring" on page 81. In the event that we are not able to realize the synergies of our restructuring in a manner as anticipated, or in a timely manner, it may have an impact on our business, operations and financial condition.***Our revenues and profits are difficult to predict and can vary significantly from period to period, which could cause the price of our Equity Shares to fluctuate.***

Sales revenues are dependent on various factors such as the size of our developments and the extent to which they qualify for percentage of completion treatment under our revenue recognition policies and general market conditions. In addition, the anticipated completion dates for our projects, including those set forth in this Red Herring Prospectus, are estimates based on current expectations and could change significantly, thereby affecting our timing of sales. The combination of these factors may result in significant variations in our revenues and profits. Therefore, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as indicative of our future performance. If in the future our results of operations are below market expectations, the price of our Equity Shares could decline.

15. Our business has experienced rapid growth in the past, which we may not be able to sustain in the future.

Our revenues (including other income) have grown from Rs. 1,177.10 million in fiscal 2003 to Rs. 6,284.36 million in fiscal 2006, which is a CAGR of 74.78% and our profit after tax has increased from Rs. 12.26 million in fiscal 2003 to Rs. 892.30 million in fiscal 2006, which is a CAGR of 317.52%. We may not be able to sustain such growth in revenues and profits or maintain a similar rate of growth in the future.

16. Our inability to manage our growth could affect our business and financial results adversely.

We are embarking on a growth strategy, which involves substantial expansion of our current business as well as diversification into new products. In furtherance of this strategy, we have recently acquired or entered into agreements to acquire large areas of land. Such a growth strategy will place significant demands on our management as well as our financial, accounting and operating systems. Further, as we scale-up and diversify our operations, we may not be able to execute our projects efficiently, which could result in delays, increased costs and diminished quality and may adversely affect our reputation. Such expansion also increases the challenges involved in preserving a uniform culture, values and work environment across our projects, developing and improving our internal administrative infrastructure, particularly our financial, operational, communications, internal control and other internal systems; recruiting, training and retaining sufficient skilled management, technical and marketing personnel; maintaining high levels of client satisfaction; and adhering to health, safety, and environmental standards. Any inability to manage our growth may have an adverse effect on our business and results of operations.

17. We have not entered into any definitive agreements to utilize the net proceeds of the Issue and the requirement of funds has not been appraised.

We intend to use the net proceeds of the Issue for the purposes described in the section titled "Objects of the Issue" on page 28. The objects of the Issue have not been appraised by any bank or financial institution. We have not entered into any definitive agreements to utilize the net proceeds of the Issue. The deployment of funds as stated in the section titled "Objects of the Issue" on page 28 is entirely at the discretion of our Board. All the figures included under the section titled "Objects of the Issue" are based on our own estimates.

18. Our growth requires additional capital, which may not be available on terms acceptable to us.

The real estate development industry is capital intensive and requires significant expenditure for land acquisition and development. In fiscal 2006, we incurred finance charges of Rs. 219.38 million and Rs. 279.47 million for the six month period ended September 30, 2006. As of September 30, 2006, we had outstanding borrowings (including secured and unsecured) of Rs. 6,682.99 million and capital expenditure commitments (net of advances) of Rs. 19.60 million.

As we intend to pursue a strategy of continued investment in our developmental activities, we will incur additional expenditure in the current and next fiscal years. We propose to fund such expenditure through a combination of debt, equity and internal accruals. Our ability to borrow and the terms of our borrowings will depend on our financial condition, the stability of our cash flows and our capacity to service debt in a rising interest rate environment. We may also not be successful in obtaining additional funds in a timely manner, or on favourable terms or at all.

Moreover, certain of our loan documents contain provisions that limit our ability to incur any future debt. In addition, the availability of borrowed funds for our business may be greatly reduced, and the lenders may require us to invest increased amounts of funds in a project in connection with both new loans and the extension of facilities under existing loans. If we do not have access to additional capital, we may be required to delay, postpone or abandon some or all of our development projects or reduce capital expenditures and the size of our operations.

19. Our growth strategy to expand into new geographic areas poses risks.

We may face significant competition from other real estate developers, many of which undertake similar projects within the same regional markets as us. Given the fragmented nature of the real estate development business, we may not have adequate information about the projects our competitors are developing and accordingly, we may run the risk of underestimating supply in the market. Our business strategy is to expand across India; however, our residential projects have historically been focussed in Bangalore. As we seek to diversify our regional focus, we may face the risk that our competitors may be better known in other markets, enjoy better relationships with landowners and international joint venture partners, gain early access to information regarding attractive parcels of land and be better placed to acquire such land. Increasing competition could result in price and supply volatility, which could cause our business to suffer. In addition, we are also in the process of embarking on new businesses, in which we may not have the required amount of experience and therefore we may not be able to compete effectively with established and new competitors in these businesses.

Our expansion into new geographies and undertaking of new projects, also exposes us to additional risks associated with such diversification arising due to low level of familiarity with the development, ownership and management of properties in the new geographies, or if we undertake a project of different size or style than those currently being developed, including adjusting our construction methods to different geographies; obtaining the necessary construction materials and labour in sufficient amounts, numbers and on acceptable terms; obtaining necessary governmental approvals and the building permits under unfamiliar regulatory regimes; attracting potential customers in a market in which we do not have significant experience; and cost of hiring new employees and increased infrastructure costs.

20. We recognise revenue based on 'Percentage Completion Method' of accounting on the basis of our management's estimates of the project cost. Our revenues may fluctuate significantly from period to period.

We recognize the revenue generated from our residential and commercial projects on the 'Percentage Completion Method' of accounting (but not for contractual projects for corporates). Under this method sale revenue is recognized on the basis of the percentage of the actual construction cost incurred against the total estimated cost of construction of the project. Accordingly, the revenue is recognized only if the actual construction cost incurred on the date of the financial statements is at least 25% of the total construction cost of the project as estimated by the management. We cannot assure you that these estimates will match with the actual cost incurred in respect of these projects. The effect of such changes to estimates is recognised in the financial statements of the period in which such changes are determined. Therefore, our revenue recognition is based on the number of projects that qualify for such revenue recognition that are under execution during a period. This may lead to significant fluctuations in our revenues from period to period. Amounts received from customers for projects, which either do not qualify for revenue recognition under this method or such amounts as are paid by customers in surplus of the amounts recognized under the method described above, are accounted for as advances from customers as part of the current liabilities. Currently, we follow Accounting Standard 7 ("**AS7**").

In the event of any change in law or Indian GAAP, which requires a change in the method of revenue recognition, the financial results of our operations may be adversely affected. Notwithstanding, we believe that the percentage completion method is currently industry standard for accounting for similar real estate development revenue under IFRS and US GAAP. For the details of the method of revenue recognition, see the section titled "Management's Discussion and Analysis of Financial Conditions and Results of Operations – Critical Accounting Policies" on page 271.

21. We are subject to a penalty clause under the construction agreements entered into with our customers, for any delay in the completion and handover of the project.

The construction agreements that we enter into with our residential customers provides for a penalty clause wherein we are liable to pay a penalty for any delay in the completion and handover of the project to the customers. In terms of the construction agreement the penalty is payable by us at a fixed rate on a monthly basis. Accordingly, in large residential projects the aggregate of all penalties in the event of delays may adversely impact the overall profitability of the project and, therefore, adversely affect our results of operations.

We have in the past incurred certain expenditure in relation to such penalty clauses. Our obligations under the contractual arrangements to pay these penalties require us to complete these constructions on time. We cannot assure you that we will always finish the construction on time. Any such inability of ours to complete these constructions in a timely manner could adversely affect our business, financial condition and results of operations.

22. Our residential projects portfolio is relatively concentrated in projects in and around Bangalore.

Our residential projects portfolio has been concentrated in Bangalore. In the event of a regional slowdown in construction activity in Bangalore or its surrounding areas, or any developments that make projects in Bangalore less economically beneficial, our business, financial condition and results of operations could be adversely affected.

23. Significant increases in prices or shortage of building materials could harm our results of operations and financial condition.

Our business is affected by the availability, cost and quality of the raw materials we need to construct and develop our properties. Our principal raw materials include steel, cement, RMC, wood and aluminium. The prices and supply of these and other raw materials depend on factors not under our control, including general economic conditions, competition, production levels, transportation costs and import duties. If, for any reason, our primary suppliers of raw materials should curtail or discontinue their delivery of such materials to us in the quantities we need and at prices that are competitive, our ability to meet our material requirements for our projects could be impaired, our construction schedules could be disrupted, and we may not be able to complete our projects as per schedule. We may also not be able to pass on any increase in the prices of these building materials to our customers. This could affect our results of operations and impact our financial condition.

24. We avail certain tax benefits under the provisions of the Income Tax Act, which if withdrawn, may adversely affect our financial condition and results of operations.

The provisions of section 80-IB of the Income Tax Act provide for 100% deduction of the profits derived from development and building of housing projects approved before March 31, 2007, by a local authority, provided that certain specified conditions are met including the requirement that the area of each dwelling unit is not more than 1,000 sq. ft of built up area within the radius of 25 kilometres of the municipal limits of metropolitan cities of New Delhi and Mumbai and 1,500 sq. ft of built up area in the rest of India. In the event that these benefits are no longer available to us due to any change in law or a change in the nature of our projects whereby we are not eligible to avail the benefits of section 80-IB of the Income Tax Act, the effective tax rates payable by us may increase and consequently our financial conditions may be adversely affected. For details of the said provisions of the Income Tax Act, see, the section titled "Statement of Tax Benefits" on page 38.

25. We have not obtained any third party appraisals for our projects.

Our funding requirements and the deployment of the proceeds of the Issue are based on management estimates and have not been appraised by any bank or financial institution. These are based on current conditions and are subject to changes in external circumstances or costs, or in other financial condition, business or strategy, as discussed further below. Based on the competitive nature of the environment, we may have to revise our management estimates from time to time and consequently our funding requirements may also change. Our management estimates for the projects may exceed fair market value or the value that would have been determined by third party appraisals, which may require us to reschedule or reallocate our project expenditure and may have an adverse impact on our business, financial condition and results of operations.

26. Our statements as to areas under development are based on management estimates and have not been independently appraised.

The acreage and square footage data presented in this Red Herring Prospectus is based on management estimates and has not been independently appraised. Further, the acreage and square foot to be developed may differ from the numbers presented herein, based on various factors such as market conditions, defective title and any inability to obtain required regulatory approvals.

27. Our operations and our work force are exposed to various hazards.

We conduct various site studies prior to the acquisition of any parcel of land and its construction and development. However, there are certain unanticipated or unforeseen risks that may arise due to adverse weather and geological conditions such as such as storm, tempest, hurricane, lightning, flood, landslide, rockslide and earthquake, specification changes and other reasons. Additionally, our operations are subject to hazards inherent in providing architectural and construction services, such as risk of equipment failure, impact from falling objects, collision, work accidents, fire, or explosion, including hazards that may cause injury and loss of life, severe damage to and destruction of property and equipment, and environmental damage. Although we have taken sufficient insurance coverage to reduce the damage or losses (if any) from such circumstances, we cannot assure you that we will not bear any liability as a result of these hazards.

28. We are exposed to risks arising from the construction and manufacturing related activities that could expose us to material liabilities, loss in revenues and increased expenses.

We may be subject to claims resulting from defects arising from engineering, procurement and/or construction services provided by us within the warranty periods stipulated in our agreements with residential property purchasers and the contracts for the development of commercial contracts. Warranty periods typically are for period of 12 months from completion. Actual or claimed defects in equipment procured and/or construction quality could give rise to claims, liabilities, costs and expenses including repairing the damaged property, relating to loss of life, personal injury, damage to property, damage to equipment and facilities, pollution, inefficient operating processes, loss of production or suspension of operations. Our policy of covering these risks through contractual limitations of liability, indemnities and insurance may not always prove to be effective. These liabilities and costs could have a material adverse effect on our business, results of operations and financial condition.

29. We are subject to restrictive covenants in certain debt facilities provided to us by our lenders.

There are certain restrictive covenants in the agreements we have entered into with certain banks and financial institutions for secured and unsecured loans. These restrictive covenants require us to obtain either the prior permission of such banks or financial institutions or require us to inform them of various activities, including, among others, alteration of our capital structure, raising of fresh capital or debt, payment of dividend, undertaking new projects or undertaking any merger, amalgamation, restructuring or change in management and further permit the concerned lenders to seek early repayments of, or recall the said loans or enhance the interest rates applicable thereto. Although we have received consent from our lenders for this Issue, these restrictive covenants may affect some of the rights of our shareholders, including receiving dividends. Any additional financing that we require to fund our capital expenditures, if met by way of additional debt financing, may place restrictions on us which may, among other things, increase our vulnerability to general adverse economic and industry conditions; limit our ability to pursue our growth plans; require us to dedicate a substantial portion of our cash flow from operations to make payments on our debt, thereby reducing the availability of our cash flow to fund capital expenditures, meet working capital requirements and use for other general corporate purposes; and limit our flexibility in planning for, or reacting to changes in our business and our industry, either through the imposition of restrictive financial or operational covenants or otherwise. For details of restrictive covenants see "Financial Indebtedness" on page 286.

30. Our Promoters have given personal guarantees in relation to certain debt facilities provided to us by our lenders.

The debt facilities that have been provided to our Company by our lenders contain certain restrictive conditions wherein our Promoters to provide personal guarantees, to guarantee the obligations undertaken by our Company. In the event that there is any default in any of these obligations, the personal guarantees given by our Promoters may be invoked.

31. We are in the process of diversifying our business and expanding our portfolio of projects and product offering which exposes us to unknown to which we have been previously unexposed.

As part of our growth strategy, we intend to diversify the portfolio of projects undertaken by us by developing hotels, special economic zones, integrated townships, malls, multiplexes, and shopping complexes and by undertaking plot development. In addition, we also propose to enter the retail business for furniture manufactured by us. However, due to our relative inexperience in these new types of projects and product offerings, such new undertakings by us may not be successful, and this could significantly hamper our growth prospects and may also lead to a loss of our reputation.

32. The Government may exercise rights of compulsory purchase or eminent domain in respect of our lands.

The Land Acquisition Act, 1894 allows the central and state governments to exercise rights of compulsory purchase, or eminent domain, which, if used in respect of our land, could require us to relinquish land with minimal compensation. The likelihood of such actions may increase as the central and state governments seek to acquire land for the development of infrastructure projects such as roads, airports and railways. Any such action in respect of one or more of our major current or proposed developments could adversely affect our business.

33. We have entered into, and will continue to enter into, related party transactions.

We have in the course of our business entered into transactions with related parties that include our Promoters and companies forming part of our promoter group. We have also acquired selected assets and liabilities from certain of our Promoter Group Companies. For more information regarding our related party transactions, see "Related Party Transactions" on page 126 and 130 contained in our restated financial statements included in this Red Herring Prospectus. Further, our business is expected to involve transactions with such related parties, in the future.

34. The success of our residential property business is dependent on our ability to anticipate and respond to consumer requirements.

We depend on our ability to understand the preferences of our customers and accordingly develop projects that suit their tastes and preferences. As customers continue to seek better housing and better amenities as part of their residential needs, we are required to continue our focus on the development of quality-centric residential accommodation with various amenities. Therefore our ability to anticipate and understand the demands of the prospective customers is critical to the success of our residential property business. The growing disposable income of India's middle and upper income classes has led to a change in lifestyle, resulting in a substantial change in the nature of their demands. Our inability to provide these customers with the amenities as per their preference or our failure to anticipate and respond to customer needs accordingly will affect our business and prospects. This could also lead to loss of potential customers to our competitors who may offer better amenities.

35. Environmental problems could adversely affect our projects.

We are required to conduct an environmental assessment for most of our projects before receiving regulatory approval for these projects. These environmental assessments may reveal material environmental problems, which could result in our not obtaining the required approvals. Additionally, if environmental problems are discovered during or after the development of a project, we may incur substantial liabilities relating to clean up and other remedial measures and the value of the relevant properties could be adversely affected.

36. Our Promoter will have the ability to determine the outcome of any shareholder resolution.

After the completion of this Issue, our Promoters will own, approximately 87% of our outstanding Equity Shares. So long as our Promoters own a majority of our Equity Shares, they will be able to elect our entire Board of Directors and control most matters affecting us, including the appointment and removal of our officers, our business strategy and policies, any decisions with respect to mergers, business combinations and acquisitions or dispositions of assets, our dividend policy and our capital structure and financing. Further, the extent of their shareholding in us may result in delay or prevention of a change of management or control of our company, even if such a transaction may be beneficial to our other shareholders. The interests of our Promoters as our controlling shareholder could also conflict with our interests or the interests of our other shareholders. As a result our Promoters may take actions with respect to our business that may conflict with our interests or the interests of our other investors.

37. We are dependent on a number of key personnel, and the loss of or our inability to attract or retain such persons could adversely affect us.

Our performance depends largely on the efforts and abilities of our senior management and other personnel, including our present officers. In particular, our Chairman, Mr. P.N.C. Menon, founded our business and has been at its helm since its inception. The loss of the services of Mr. Menon would have a material adverse impact on our business. We are dependent on other members of our senior management team, our design team, including some who have been with us for more than a decade and the loss of the services of some of these individuals could adversely affect us. Our performance also depends on our ability to identify, attract and retain talent such as engineers, architects, project managers, chartered accountants, management graduates and lawyers, and if we are unable to attract or retain such persons as required, our business could be adversely affected.

38. We rely on various sub-contractors or certain third parties for our labour requirements.

The real estate industry is labour intensive and continuous access to labour is critical to our business. We rely on an external agency and certain sub-contractors to meet our labour requirements. Currently, we share cordial relations with these third parties and sub-contractors. However, we cannot assure that the same will continue in the future. Any strained relations with these agencies, will severely affect our business requirements, as we may not be able to meet any shortage arising due to this. We also cannot assure you that these agencies will always meet our labour requirements. Additionally, our operations may also be affected by circumstances beyond our control which may be due to work stoppages, labour disputes and or shortage of qualified skilled labour and lack of availability of adequate infrastructure services.

39. We require certain approvals or licences in the ordinary course of business, and the failure to obtain them in a timely manner or at all, may adversely affect our operations.

We require certain approvals, licences, registrations and permissions for operating our business and also for the development of each of our residential and commercial projects, some of which may have expired and for which we may have either made or are in the process of making an application for obtaining the approval or its renewal. For more information, please see the section entitled "Government Approvals" on page 309. If we fail to obtain any of these approvals or licences, or renewals thereof, in a timely manner, or at all, our business and our residential projects could be adversely affected.

40. Our insurance coverage may not adequately protect us against all material hazards.

We have insured against majority of the risks associated with our business. Our significant insurance policies consist of coverage for risks relating to physical loss or damage as well as business interruption loss. In addition, we have obtained separate insurance coverage for personnel related risks, motor vehicle risks and loss of movable assets risks. Under certain of our contracts with sub-contractors, we are required to obtain insurance for the projects undertaken by us. While we believe that the insurance coverage we maintain would reasonably be adequate to cover all normal risks associated with the operation of our business, there can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time, nor that we have taken out sufficient insurance to cover all material losses. Further, we may not have obtained insurance cover for some of our projects that do not require us to maintain insurance. For details see "Our Business-Insurance" on page 72. To the extent that we suffer loss or damage for which we did not obtain or maintain insurance, that is not covered by insurance or exceeds our insurance coverage, the loss would have to be borne by us and our results of operations and financial performance could be adversely affected.

41. Any failure in our IT systems could adversely impact our business.

We rely upon an Enterprise Resource Planning ("**ERP**") system provided by a third party solution provider for integrating our core and back-end activities such as architecture, engineering, projects, costing, inventory, finance, sales, CRM, invoice billing, estimation, purchases, invoices, payments, tax calculations and employee salaries. We are also proposing to migrate to an independently developed enterprise resource package. Any disruption of the functioning of our existing IT systems or a delay in implementation of the new enterprise resource package or problems associated with the migration to the new enterprise resource package could disrupt our ability to track, record and analyse the work in progress, cause loss of data and disruption in operations including, among others an ability to assess the progress of the projects, process financial information or manage creditors/debtors or engage in normal business activities. This could have an adverse effect on our business.

42. Our registered office and other premises from which we operate are not owned by us.

We do not own the premises on which our registered office and other offices are located. We operate from rented and leased premises. If any of the owners of these premises do not renew the agreements under which we occupy the premises or renew such agreements on terms and conditions unfavourable to us, we may suffer a disruption in our operations. For further details, see the section titled "Our Business-Properties" on page 72.

43. If our employees unionize we may be subject to industrial unrest, slowdowns and increased wage costs.

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for the establishment of unions, dispute resolution and employee removal and legislation that imposes certain financial obligations on employers upon retrenchment. Although our employees are not currently unionized, there can be no assurance that they will not unionize in the future. If our employees unionize, it may become difficult for us to maintain flexible labour policies, and our business may be adversely affected.

44. We may not own the intellectual property in relation to the "Sobha" mark, logo and slogan, and we share the use of the "Sobha" name with other Promoter Group companies and our business may suffer if our brand or reputation is damaged or eroded.

We have over time developed significant goodwill in the "Sobha" name, logo and trademark, which are all trademarks sought to be registered in India. We have made seventeen applications seeking registration of our trademark, slogan and logo with the relevant authority. We have also made applications to assign each of these applications to one of our Promoters, Mrs. Sobha Menon in exchange for a nominal consideration. Upon the effectiveness of the assignment we intend to execute a Non Exclusive License Agreement on an exclusive non-assignable basis.

The companies forming part of our promoter group also use the "Sobha" name, logo and trademark. Upon the assignment of the applications to one of our promoters, Mrs. Sobha Menon, our promoter proposes to enter into a non exclusive license agreement with these companies for the use of the "Sobha" name, logo and trademark. If the actions of our Promoters or our Promoter Group companies damage or affect the "Sobha" name, then this may also affect the value associated with the "Sobha" name and our reputation. This will inturn affect our business, results of operations and financial condition.

45. Our subsidiary and certain entities forming part of our promoter group have incurred losses in the past.

Our Subsidiary has incurred losses as on the six months ended September 30, 2006.

	Fiscal year ended September 30, 2006	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2004
Profit/Loss after tax	(0.01)	Nil	Nil	Nil

The following entities forming part of our promoter group have incurred losses in the past:

A. Indian promoter group entities

(in Rupees)

Name of the Company	March 31, 2006	March 31, 2005	March 31, 2004
Unified Technologies Private Limited	(1,250,446)	464,671.00	532,182.00
Sobha Renaissance Transcor Private Limited	(35,275)	(68,162)	(115,203)
Sobha Space Private Limited	33, 814, 123	8,242,067	(346,873)
Sobha Innercity Technopolis Private Limited	41,764,849	6,827,946	(8,428,716)
Hill & Menon Securities Private Limited	(8,740)	(87,066)	(18,684)
Sri Kurumba Trust	(3,053,778)	(1,249,868)	(1,109,303)

B. Foreign promoter group entities

Name of the Company	Profit/Loss after Tax					
	Fiscal Year ended December 31, 2005		Fiscal Year ended December 31, 2004		Fiscal year ended December 31, 2003	
Indeset Building Materials, LLC	119,543 [α]	1,471,316 [⌂]	105,174 [α]	1,252,350 [⌂]	(489,885) [α]	(6,082,216) [⌂]
Electronics Systems Company, LLC	5,828 [γ]	685,536 [⌂]	(12,055) [γ]	(1,372,787) [⌂]	(10,869) [γ]	(1,288,346) [⌂]
International Contracting and Engineering Services Company, LLC	48,756 [γ]	5,735,071 [⌂]	60,612 [γ]	6,902,312 [⌂]	(77,625) [γ]	(9,201,202) [⌂]
Sobha Renaissance North America, Inc	-	-	(84,925) [∞]	(3,713,770) [⌂]	24,965 [∞]	1,138,404 [⌂]

Name of the Company	Profit/Loss after Tax					
	6 months ended December 31, 2005		18 months ended June 30, 2005		Fiscal year ended December 31, 2003	
Sobha Contracting LLC	1,223,541 $^{\alpha}$	15,059,146.86 ⌂	710,699 $^{\alpha}$	8,438,911 ⌂	(1,257,007) $^{\alpha}$	(15,606,496.11) ⌂

Name of the Entity	Profit/Loss after Tax			
	12 months ended June 30, 2006		16 months ended June 30, 2005	
Beejay Trading LLC	(12,045) $^{\alpha}$	(152,274.34) ⌂	(6,505) $^{\alpha}$	(77,241.02) ⌂

Name of the Entity	Profit/Loss after Tax			
	18 months ended June 30, 2006		17 months ended December 31, 2004	
Intertrade Alliance LLC	(222,777) $^{\alpha}$	(2,816,374) ⌂	23,627 $^{\alpha}$	281,337 ⌂

Name of the Company	Profit/Loss after Tax					
	Fiscal Year ended March 31, 2006		Fiscal Year ended December 31, 2005		Fiscal Year ended December 31, 2004	
Billing Components AG	71,954.29 $^{\mu}$	38,777,007.24 ⌂	16208.00 $^{\mu}$	967,053.72 ⌂	(11,909.69) $^{\mu}$	(681,947) ⌂

Name of the Company	Profit/Loss after Tax			
	Fiscal Year ended March 31, 2006		3 months ended March 31, 2005	
Jupiter Estates Limited	(6,468) $^{\alpha}$	(78,589.63) ⌂	(6,468) $^{\alpha}$	(77,118.68) ⌂

Name of the Company	Profit/Loss after Tax			
	Fiscal Year ended March 31, 2006		11 months ended March 31, 2005	
Services and Trade Company Limited	(1,500) $^{\alpha}$	(18,225.80) ⌂	(1,500) $^{\alpha}$	(17,884.67) ⌂

Name of the Company	Profit/Loss after Tax			
	24 months ended December 31, 2005		22 months ended December 31, 2003	
Gulf International Construction and Interiors Co. WLL	528,783 $^{\beta}$	6,567,823 $^{\beta}$	(214,796) $^{\beta}$	(2,693,071) $^{\beta}$

α. In Arab Emirates Dirham.
γ In Omani Riyal
β. In Qatari Riyal
∞ In USD
µ In Euros
⌂ In Rupees

46. Our Company is a party to a number of legal proceedings.

We are involved in certain other legal proceedings and claims in relation to taxation matters. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. We can give no assurance that these legal proceedings will be decided in our favour. Further, we may also not be able to quantify all the claims in which we or any of our group companies are involved. Any adverse decision may have a significant effect on our business, prospects, financial condition and results of operations.

There are a total of 18 civil cases and one employee related litigation aggregating to Rs. 43,403 that have been filed against our Company. We are also involved in a total of five tax related matters, relating to the previous assessment years.

There can be no assurance that the provisions we have made for litigation will be sufficient or that further substantial litigation will not be brought against us in the future. Our failure to successfully defend these or other claims or if our current provisions prove to be inadequate, our business, prospects, financial condition and results of operations could be adversely affected. For more information regarding litigation, please refer to the section titled "Outstanding Litigation and Defaults" on page 295.

47. Certain companies forming part of our promoter group are party to a number of legal proceedings.

Certain companies forming part of our promoter group situated in India and abroad are engaged in various legal proceedings. Sobha Innercity Technopolis Private Limited is involved in two civil matters amounting to a total of Rs. 1,526,550. Sobha Interiors Private Limited in involved in one tax matter filed in the High Court, at Karnataka. Oman Builders Private Limited are involved in four tax matters pending before the relevant authorities. Sobha Projects and Trade Private Limited has filed one tax appeal before the relevant authority and is also involved in another criminal matter aggregating to Rs. 1,200,000.

Our promoter group companies situated abroad are also involved in litigation matters, at various stages. Sobha Contracting LLC has filed one case for the recovery of AED 55,665. Indeset Building Materials LLC is involved in a total of four cases amounting to a total of AED 217,810.

For more information regarding litigation, please refer to the section titled "Outstanding Litigation and Defaults" on page 295.

48. The financial statements of certain of our Promoter Group Companies are unaudited.

The financial statements for certain of our Promoter Group Companies are unaudited. The financial statements have not been audited as there is no statutory requirement under the relevant statutes under which these entities are organised to have audited financial statements. See "Our Promoters" on page 100.

49. Our Promoters are actively involved in the management of other business operations in our Promoter Group, which may take time and attention away from their management of us.

Our Promoters are actively involved in the management of both our business and of other business operations in our Promoter Group. Attention to the other Promoter Group Companies may distract or dilute management attention from our business, which could adversely affect our results of operations and financial condition.

50. Other ventures promoted by our Promoters are engaged in a similar line of business as us, and as aresult there may be a conflict of interest.

One of our promoter group companies, Oman Builders Private Limited is engaged in a similar line of business as us, including development and construction of residential projects. See 'Our Promoters' on page 100. We cannot assure you that our Promoters will not favour the interests of this or other Promoter Group companies over our interests.

51. Our Promoters are non resident Indians

The Promoters of our Company, Mr. P.N.C. Menon and Mrs. Sobha Menon are Non Resident Indians. It may therefore be difficult to enforce a judgement obtained in an Indian court against them. Further, certain benefits that may be available to residents of India, may not be available to our Promoters. This could adversely affect our results of operations and financial condition.

52. We have in the past acquired lands in relation to our business from our Promoters

We have in the past entered into agreements with our Promoters and certain other individuals who hold lands on our behalf. These lands have been acquired in the city of Coimbatore. Under the terms of a joint development agreement entered into between our Company, our Promoters and certain others individuals, our Promoters have undertaken to transfer the lands held by them on our behalf to third parties designated by us upon being required to do so. In the event that our Promoters continue to in the future, hold lands on our behalf, this may have a conflict with our interests and may affect our business and results of operations and financial conditions.

53. Our Company has entered into certain agreements with our Promoters

We have in the past entered into agreements with our Promoters. The premises on which our registered office is situated is owned by one of our Promoters, i.e Mrs. Sobha Menon and we have entered into a lease agreement with her for an initial period of 36 months, which is further extendable by another period of 36 months. In the event that our Promoters continue to enter into agreements with our Company in the future, this may have a conflict with our interests and may affect our business and results of operations and financial conditions.

54. Our contingent liabilities could adversely affect our financial condition.

Our contingent liabilities as disclosed in our audited consolidated financial statements, as per Indian GAAP as at September 30, 2006 were as follows:

(in Rupees million)

Estimated amount of contracts remaining to be executed on capital account	19.60
Counter guarantees given to bank	70.52
Letter of Credit	62.16
Corporate guarantee to its other related parties	
(a) Sobha Interiors Private Limtied	185.00
(b) Sobha Space Private Limited	70.00
(c) Sobha Glazing and Metal Works Private Limited	60.00
On account of demand from Income Tax department	45.56
On account of demand from Sales Tax department	20.18
TOTAL	**533.02**

External Risks

1. We are subject to fluctuations in the market value of real estate that we develop.

Recently, the prices of real estate have been experiencing significant gains. We cannot assure you that such gains will continue or that the prices of real estate in Bangalore and in India will not adversely fluctuate. We are subject to adverse fluctuations in the market value of the land due to the inherent nature of our business and also due to the stock of land we are developing for future projects.

We may be adversely affected if market rates deteriorate between the time of our purchase, commencement of construction and the development and the sale of our projects or if we purchase land or construct projects at higher prices during stronger economic periods and the value of the land or the constructed projects subsequently decline during weaker economic periods. In such times we may also be unable to dispose of land previously acquired by us to reduce losses. Any adverse increase may also affect our ability to purchase real estate.

Further, the real estate business is significantly affected by changes in government policies, economic conditions, such as economic slowdown or recession, rising interest rates, demographic trends, employment levels, availability of financing or declining demand for real estate, or the public perception that any of these events may occur. These factors can negatively affect the demand for and pricing of the developed and undeveloped land and constructed inventories and, as a result, could materially and adversely affect our business, prospects, financial condition and results of operations.

2. Our ability to sell our products will be affected by the availability of financing to potential customers, especially buyers of residential properties.

A large number of our customers, especially buyers of residential properties finance their purchases through third-party mortgage financing. The interest rate has substantially reduced from the 1990's when it ranged between 16% to 18% to a range of 8% to 10% in the past three years. As a result, the amount of housing loans disbursed in India has been increasing consistently. Availing of home loans for residential properties has become particularly attractive due to income tax benefits and high disposable income. In the event, there is a change in the policy of the government and such income tax benefits are withdrawn or the interest rates on such loans are increased or there is decrease in the availability of home loans, availing of home loans may be reduced which may adversely affect our operating results and financial condition.

3. The industry in which we operate is competitive, highly fragmented, with low entry barriers resulting in increased competition that may adversely affect our results.

The industry in which we operate, i.e., the housing and real estate development and especially in Karnataka and Bangalore are highly fragmented. Less or low fixed capital requirements have led to low entry barriers resulting in a large number of players in the industry. As per CRISINFAC Construction Annual Review

December 2005 in 2004 there were over three million construction entities (including housing contractors) in India. Moreover, due to the lesser requirements of technical expertise in the housing and real estate sector as opposed to the industrial/infrastructure construction sector, the housing and real estate sector has a larger number of new entrants and existing players from whom we face competition. These new and existing players undertake projects similar to ours in the same regional markets in which our projects are located. Our inability to compete successfully in our industry with the new entrants or the existing players may materially affect our business prospects and financial condition.

We compete for land, sale of projects with other private developers from Karnataka and from other parts of India. Some of our competitors may have greater resources (including financial, land resources, and other types of infrastructure) to take advantage of efficiencies created by size, and access to capital at lower costs, have a brand recall and relationships with homeowners. Our success in the future will depend significantly on our ability to maintain and increase market share in the face of such competition, particularly if we expand into areas outside Bangalore where we do not have any current market share. Our inability to compete successfully with the existing players in the industry, may affect our business prospects and financial condition.

4. Our business is subject to extensive statutory or governmental regulations.

Acquisition of land and development rights in relation to immovable properties are governed by certain statutory and governmental regulations, which govern various aspects, including requirement of transaction document, payment of stamp duty, registration of property documents, purchase of property for benefits of others and limitation on land acquisition by an individual entity. Some of these approvals are required to be obtained before and after the commencement of construction in relation to the project.

We are subject to extensive local, state and central laws and regulations that govern the acquisition, construction and development of land, including laws and regulations related to zoning, permitted land uses, proportion and use of open spaces, building designs, fire safety standards, height of the buildings, access to water and other utilities and water and waste disposal.

In addition, we and our subcontractors are subject to laws and regulations relating to, among other things, environmental approvals in respect of the project, minimum wages, working hours, health and safety of labourers and requirements of registration for contract labour.

Although we believe that our projects are significantly in compliance with such laws and regulations, statutory authorities may allege non-compliance and we cannot assure you that we will not be subjected to any such regulatory action in the future, including penalties, seizure of land and other civil or criminal proceedings. Further, though we have been able to obtain the necessary approvals in the past, we cannot assure you that we will be able to obtain approvals in relation to our new projects, at such times or in such form as we may require, or at all. See “Regulations and Policies” on page 73.

The laws and regulations under which we and our subcontractors operate, and our and their obligations to comply with them, may result in delays in construction and development, cause us to incur substantial compliance and other increased costs, and prohibit or severely restrict our real estate and construction businesses. If we are unable to continue to acquire, construct and develop land and deliver products as a result of these restrictions or if our compliance costs increase substantially, our revenues and earnings may be reduced and we may not be able to continue our current level of growth.

5. Restrictions on foreign direct investment in the real estate development may hamper the ability to raise additional capital.

The Government of India has permitted foreign direct investment of up to 100% under the automatic route in townships, housing, built-up infrastructure and construction-development projects (“Real Estate Sector”), subject to the conditions enumerated in Press Note No. 2 (2005 series). In the event the Company is unable to raise additional capital as a result of these or other restrictions, it could materially and adversely affect the Company’s business, prospects, financial condition and results of operations. For further details of these restrictions, see the section titled “Regulations and Policies” beginning on page 73.

Risks relating to India and investment in Equity Shares

1. Our business could be adversely impacted by economic, political and social developments in

India and particularly in the regional markets that we construct, develop and sell projects.

Our performance and growth are dependent on the health of the Indian economy and in particular the economies of the regional markets we serve. These economies could be adversely affected by various factors, such as political and regulatory action including adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors. Any slowdown in these economies could adversely affect our prospective customers, which in turn would adversely impact our business and financial performance and the price of our Equity Shares.

2. Any future issuance of Equity Shares may dilute your shareholding and sales of our Equity Shares by our Promoters or other major shareholders may adversely affect the trading price of the Equity Shares.

Any future equity issuances by us, including in a primary offering or pursuant to a preferential allotment, may lead to the dilution of investors' shareholdings in our Company. We may also issue and allot our Equity Shares to investors after filing of this Red Herring Prospectus such that the number of our Equity Shares available for the Issue shall stand reduced. Any future equity issuances by us or sales of our Equity Shares by our Promoters or other major shareholders may adversely affect the trading price of the Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares. Upon completion of the Issue, 20% of our post-Issue paid-up equity capital on a fully diluted basis held by our Promoters, will be locked up for a period of three years from the date of allotment of Equity Shares in the Issue. All other remaining Equity Shares that are outstanding prior to the Offer will be locked up for a period of one year from the date of allotment of Equity Shares in the Issue.

3. A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact its financial condition.

According to a report released by RBI, India's foreign exchange reserves totalled over US$151.62 billion as of March 31, 2006. Reserves have declined recently and may have negatively impacted the valuation of the rupee. Further declines in foreign exchange reserves could adversely impact the valuation of the rupee and could result in reduced liquidity and higher interest rates that could adversely affect our future financial performance and the market price of the Equity Shares.

4. After this Issue, the price of Equity Shares may be highly volatile, or an active trading market for the Equity Shares may not develop.

The prices of the Equity Shares on the Indian stock exchanges may fluctuate after this Issue as a result of several factors, including: volatility in the Indian and global securities market; our operations and performance; performance of our competitors, and the perception in the market about investments in the real estate sector; adverse media reports about us or the Indian real estate sector; changes in the estimates of our performance or recommendations by financial analysts; significant developments in India's economic liberalisation and deregulation policies; and significant developments in India's fiscal regulations. There has been no public market for the Equity Shares and the prices of the Equity Shares may fluctuate after this Issue. There can be no assurance that an active trading market for the Equity Shares will develop or be sustained after this Issue, or that the prices at which the Equity Shares are initially traded will correspond to the prices at which the Equity Shares will trade in the market subsequent to this Issue.

5. There is no existing market for the Equity Shares, and we do not know if one will develop to provide you with adequate liquidity. Our stock price may fluctuate after the Issue and as a result, you could lose a significant part or all of your investment.

Prior to the Issue, there has been no public market for our Equity Shares, and an active trading market on the Indian Stock Exchanges may not develop or be sustained after the Issue. The Issue Price of the Equity Shares may bear no relationship to the market price of the Equity Shares after the Issue. The market price of the Equity Shares after the Issue may be subject to significant fluctuations in response to, among other factors, variations in our operating results, market conditions specific to the real estate sector in India, and volatility in the Indian Stock Exchanges and securities markets elsewhere in the world.

6. ***You will not be able to sell immediately any of the Equity Shares you purchase in this Issue on an Indian stock Exchange***

The Equity Shares will be listed on NSE and the BSE. Pursuant to Indian regulations, certain actions must be completed before the Equity shares can be listed and trading may commence. Investors' book entry or demat accounts with depository participants in India are expected to be credited within two working days of the date on which the basis of allotment is approved by the Designated Stock Exchange. Thereafter, upon receipt of final approval of the stock exchanges, trading in the equity shares, is expected to commence within seven working days of the date on which the basis of allotment is approved by the Designated Stock Exchange. There can be no assurance that the Equity Shares allocated earlier to investors will be credited to their demat accounts, or that trading will commence, within the time periods specified above.

Notes to Risk Factors

- Public Issue of 8,893,332 Equity Shares of Rs. 10 each for cash at a price of Rs. [•] per Equity Share aggregating Rs. [•] million. The Issue would constitute 12.20% of the fully diluted post issue paid-up capital of the Company. The Issue comprises a Net Issue to the public of 8,004,032 Equity Shares of Rs. 10/- each and a reservation of up to 889,300 Equity shares of Rs. 10/- each for the permanent employees of the Company.

- In terms of Rule 19 (2)(b) of the SCRR, this being an Issue for less than 25% of the post–Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further upto 889,300 shares shall be available for allocation on a proportionate basis to Eligible Employees, subject to valid Bids being received at or above the Issue Price.

- The net worth of the Company was Rs. 1,908.05 million as of September 30, 2006 as per our restated unconsolidated financial statements included in this Red Herring Prospectus.

- The net asset value per Equity Share of Rs. 10 each was Rs. 29.97 as of September 30, 2006, as per our restated unconsolidated financial statements included in this Red Herring Prospectus. All numbers presented have been adjusted on post-bonus basis.

- The average cost of acquisition of our Equity Shares by our Promoter is Rs. 3.33 per Equity Share. The average cost of acquisition of Equity Shares by our Promoter has been calculated by taking the average of the amount paid by him to acquire the Equity Shares issued by us, including bonus shares.

- For details of our related party transactions, please refer to the section titled "Related Party Transactions" on page 126 and 130

- Our Promoter, Directors and Key Managerial Personnel are interested in our Company by virtue of their shareholding, if any, in our Company. See "Capital Structure" and "Our Management" on page 21 and page 87, respectively.

- Other ventures promoted by our Promoter are interested to the extent of their shareholding in the Company. See "Capital Structure" on page 21. Certain of our Promoter Group Companies also have contracts with our Company in relation to their business. See "Our Business" on page 52.

- Trading in Equity Shares of our Company for all investors shall be in dematerialised form only.

- Any clarification or information relating to the Issue shall be made available by the BRLMs, IIL and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever. Investors may contact the BRLMs, IIL and the Syndicate Member for any complaints pertaining to the Issue.

- Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Bidders, Non-Institutional Bidders, Retail Bidders and Bidders in the Employee Reservation Portion shall be on a proportionate basis. For more information, please refer to the section titled "Basis of Allotment" on page 346.

- Investors are advised to refer to the section titled "Basis for Issue Price" on page 36.

- Our Company was incorporated as Sobha Developers Private Limited on August 7, 1995. The status of our Company was subsequently changed to a public limited company by a special resolution of the members passed at an extraordinary general meeting held on May 8, 2006. The fresh certificate of incorporation consequent on change of name was granted to our Company on June 2, 2006 by the Registrar of Companies, Karnataka.

- Our registered office was shifted from E – 106, Sunrise Chambers, 22, Ulsoor Road, Bangalore 560042, India to 43, 2nd Floor, Dickenson Road, Bangalore 560 042, India with effect from December 31, 2004 by a resolution of our Board and again from 43, 2nd Floor, Dickenson Road, Bangalore 560 042, India to E – 106, Sunrise Chambers, 22, Ulsoor Road, Bangalore 560042, India with effect from February 10, 2005 by a resolution of our Board.

SECTION III – INTRODUCTION

SUMMARY OF OUR BUSINESS, STRENGTHS AND STRATEGY

Business Overview

We are one of the leading real estate development and construction companies in India, which focuses on residential and contractual projects. We have constructed residential projects in Bangalore, in the south Indian state of Karnataka and constructed other projects on a contractual basis in eight states of India, namely, Karnataka, Kerala, Andhra Pradesh, Orissa, Tamil Nadu, Punjab, Haryana and Maharashtra. As of June 30, 2006 our Land Reserves comprise of 2,592.83 acres and our Land Arrangements comprise of 3,456.19 acres of land.

As on September 30, 2006 our Land Reserves increased from 2,592.83 acres as on June 30, 2006, to 2,747.06 acres and Land Arrangements have decreased from 3,456.19 acres as on June 30, 2006, to 3,373.28 acres, and there has been a corresponding change in the payments made and payments outstanding in respect of Land Reserves and Land Arrangements. See 'Recent Developments in relation to our Lands' on page 8.
Our residential projects includes presidential apartments, villas, row houses, super luxury apartments and luxury apartments along with amenities such as clubhouse, swimming pool and shopping complex. Our first residential project in Bangalore was launched in September 1997 and was completed in two years by September 1999. As of September 30, 2006 we have developed and constructed 21 residential projects in Bangalore aggregating 1,552 apartments and covering approximately 2.98 million sq. ft. of super built up area.

We completed our first construction project, the Corporate Block for Infosys Technologies Limited, Bangalore in September 2000, which took ten months to complete. As of September 30, 2006, we have constructed 75 contractual projects in the eight states of India, covering approximately 8.42 million sq. ft. of super built up area and two commercial projects in Bangalore aggregating 0.11 million sq. ft. of super built up area.

We have constructed for Infosys Technologies Limited convention centres, software development blocks, multiplex theatres, hostel facilities, guest houses, food courts, restaurants, educational and research centres and a club houses, in various states of India. For other corporate customers, we have constructed on a contractual basis residential bungalows, campus facility, retail showrooms and corporate offices.

We consider ourselves to be backward integrated, which means that we have the key competencies and in-house resources to deliver a project from its conceptualization to completion. Our backward integration includes an architectural and design studio for our team of qualified architects, concrete block making plant, metal and glazing factory, interiors and wood working factory, mechanical, electrical and plumbing division and project management team. Backward integration ensures that products and services required for development and construction of a project meet our quality standards and are delivered in a timely manner. Our backward integration model also ensures that we are not dependant on third party suppliers for key products and services required in the process of development and construction of our projects.

We have a dedicated concrete block making unit which centres around a completely automated super block machine imported from Germany with a total production capacity of around 10 million concrete blocks per annum. We also have a dedicated metal and glazing factory, and an interiors and wood working factory which supply their products exclusively to us.

We have obtained ISO 9001 (1994 series) company in the real estate and construction industry, and ISO 9001 (2000 series) for adhering to global standards in quality, from Bureau Veritas Quality International. Our Company has been awarded the "Brick and Mortar Award" for the south zone in the "a+d & Spectrum Foundation Architecture Awards 2005". The Project completed in Mysore for Infosys by us, was declared by the Builders' Association of India, Mysore Centre as the "Project of the Year" for the year 2005. Our Company had commissioned a study from CRISIL and sought for a rating. Pursuant to this, we have been awarded the DA 1 rating by CRISIL on May 18, 2006, which indicates that the developer has an 'excellent' track record in executing real estate projects as per specified quality levels and transferring a clear title within the stipulated time schedules.

We have also received a memento from Infosys Technologies Limited in November 2000 in respect of our efforts in relation to the construction of the corporate maiden block. Further, on February 12, 2005 we have received further recognition again from Infosys Technologies Limited in relation to the Mysore Campus of Infosys Technologies Limited.

Sobha Space Private Limited, a company forming part of our Promoter group, the assets and certain liabilities of which we have recently acquired, has also been awarded "Project of the Year" for the year 2005 by the Builders' Association of India – Birla Super Well built Structures 2005-2006 for its Infosys Pune Project.

Our revenues (including other income) have grown from Rs. 1,177.10 million in fiscal 2003 to Rs. 6,284.36 million in fiscal 2006, which is a CAGR of 74.78% and our profit after tax has increased from Rs. 12.26 million in fiscal 2003 to Rs. 892.30 million in fiscal 2006, which is a CAGR of 317.52%.

We retained Cushman & Wakefield, international property consultants, to perform a land valuation. Cushman & Wakefield opined that as on July 7, 2006, the net present value of the Land Reserves was between approximately Rs. 70,356 million and approximately Rs. 77,762 million and after deducting the developer's margin, the land value of the Land Reserves was between approximately Rs. 39,717 million and approximately Rs. 43,898 million; and the net present value of the Land Arrangements was between approximately Rs. 43,478 million and approximately Rs. 48,054 million and after deducting the developer's margin, the land value of the Land Arrangements was between approximately Rs. 23,060 million and approximately Rs. 25,487 million. The valuations of Cushman & Wakefield are subject to the limitations ans assumptions described in their letters which are reproduced as Appendix A to this Red Herring Prospectus. In particular, the valuations assume a freehold interest in lands with clear, marketable title that is free of encumbrances.

We were incorporated in 1995 by our Promoters, Mr. P.N.C.Menon and Mrs. Sobha Menon, who have almost three decades of experience in the real estate and construction business. After the completion of the Issue, our Promoters are expected to continue to hold approximately 87% of our Equity Shares.

Competitive Strengths

Our principal competitive strengths include the following:

Our unique 'backward integration' model

We have a unique 'backward integration' model, which means that we have the key competencies and in-house resources to deliver a project from its conceptualization to completion. Our backward integration includes an architectural and design studio for our team of qualified architects, concrete block making plant, metal and glazing factory, interiors and wood working factory, mechanical, electrical and plumbing division, and project implementation team. Backward integration ensures that products and services required for development and construction of a project meet our quality standards and are delivered in a timely manner. We believe that our 'backward integration' model has been one of the important contributing factors to our successful completion of a number of projects in a timely manner, without compromising on quality.

Quality of our Construction

We believe that the quality of our construction differentiates us from other real estate developers. We place a special emphasis on ensuring that our quality standards are adhered to at every stage of a project and for every product provided to a client. Our quality standards are documented and our work force is trained to ensure our quality standards are met. We employ technologically advanced tools from Germany and processes for ensuring and monitoring quality at each stage of construction. The quality of each of our projects is monitored by our quality control department, headed by specialized German consultants, who report directly to our Vice-Chairman. See "Our Business- Quality Control Department" on page 65.

Access to skilled labour

Our well-trained and skilled workforce is a key strength. Our ability to recruit, train and retain skilled labour and tradesmen is critical for us to meet our growth plans and also to meet any immediate need for skilled labour in the future. As of September 30, 2006 , we hired 5,166 tradesmen and other workforce through an external agency. As of September 30, 2006, we had 3,222 permanent employees. In addition, we also lay a strong emphasis on our in-house human resource initiatives, by focusing on hiring and retaining talent. We set-up an academy to train tradesmen in specialised fields of the construction business, a majority of which join our ranks upon completion of the training. We are committed to the development of the expertise and know-how of our employees through regular technical seminars and training sessions that we organize or sponsor. See "Our Business- Our Employees" on page 70.

Project management and delivery model

We believe that we have been successfully able to complete projects in a timely and cost efficient manner without compromising on quality due to our project management and delivery model. The conceptualisation, design and project management aspects of our project are centralised with our planning and project management team located at our headquarters in Bangalore. This centralised team acts like a control-cum-coordination cell for all projects under execution by us.

On the other hand, the delivery of our project which includes execution, project level costing and ensuring adherence to the delivery schedule, is decentralised at the project-manager level located at the project sites. Such a project management and delivery model enables us to scale-up our operations by optimal utilisation of resources available with us.

Ability to construct innovative structures

We have the ability to construct modern and innovative structures that customers demand. We benefit from our significant experience in design and construction, our unique backward integration model and our skilled design and construction team. For example, we believe our executed concepts like the pyramidal multi-media centre at Bangalore, the food courts at Pune and Bangalore and the geodesic dome-shaped multiplex at Mysore are unique and innovative, in their style and construction.

We possess requisite strengths at each stage of the project, right from the conceptualization stage to the construction and delivery of the project. At the conceptualization stage, we draw upon the strengths of our in-house architectural and design team, mechanical, engineering and plumbing ("M&E") department, and the structural and project planning team to jointly plan the timely execution and delivery of the concept. During the construction and delivery stage, we rely upon our in-house interiors factory, glazing and metal works factory, our building materials division and our project management team for providing their expertise and uninterrupted delivery of products and services. For example, we successfully completed and delivered a software development park at Bangalore measuring 0.22 million sq. ft in the prescribed time frame of seven months.

Qualified and experienced management team

We believe that our qualified and experienced management and technical teams have contributed to growth of our operations and the development of in-house processes and competencies. Mr. P.N.C. Menon, our Chairman, has almost three decades of international and national experience in the real estate and construction industry. Our technical teams brings with it extensive experience in design, engineering, marketing and construction of projects. Our senior management team that is in charge of operations, finance, sales and marketing, business development and strategic planning has extensive experience in the industry. We believe the strength and quality of our management team have been instrumental in implementing our business strategies. We have recently expanded our Board by appointing four independent members who we believe will bring significant business experience to the Company in areas engineering, management, real estate, banking and finance.

Ability to identify emerging trends in customer requirements.

We believe our ability to identify emerging trends in customer requirements and developing projects to suit such requirements is our strength. Our marketing and sales team along with our Customer Relationship Management team ("CRM") is our interface to potential customers and clients. This interface provides us an insight into the customer requirement trends in terms of type, location and price of the product and guides us to plan our promotional activities. As an extension of the marketing and sales team and CRM team we have established a Customer Care Cell, a call centre with the primary responsibility of taking on record any complaints or feedback from clients, to ensure continuity of our customer and client interface.

Our standardised and documented internal processes.

Under the guidance of our Chairman, we have documented our internal processes and methodologies which ensure that each department and each employee of our Company are aware of their respective roles and obligations, and each activity of construction and development is as per the standards of quality that we have set for ourselves. This also ensures uniformity in all our proceses.

Extensive land reserves

We believe that land reserves form an important asset for our business. Our Land Reserves aggregating approximately 2,593 acres of land, representing an aggregate of approximately 118 million sq. ft of developed or potential developed area, over 78 locations in 7 cities across India, and Land Arrangements aggregating approximately 3,456 acres of land, representing an aggregate of approximately 117 million sq. ft of developed or potential developed area, over 13 locations in 3 cities across India. We have made partial payments for the lands comprising our Land Reserves and Land Arrangements. See "Our Business-Our Land Reserves" and "Our Business-Our Land Arrangements" on page 66 and on page 68 respectively.

As on September 30, 2006 our Land Reserves increased from 2,592.83 acres as on June 30, 2006, to 2,747.06 acres and Land Arrangements have decreased from 3,456.19 acres as on June 30, 2006, to 3,373.28 acres, and there has been a corresponding change in the payments made and payments outstanding in respect of Land Reserves and Land Arrangements. See 'Recent Developments in relation to our Lands' on page 8.

Cushman & Wakefield opined that as on July 7, 2006, the net present value of the Land Reserves was between approximately Rs. 70,356 million and approximately Rs. 77,762 million and after deducting the developer's margin, the land value of the Land Reserves was between approximately Rs. 39,717 million and approximately Rs. 43,898 million; and the net present value of the Land Arrangements was between approximately Rs. 43,478 million and approximately Rs. 48,054 million and after deducting the developer's margin, the land value of the Land Arrangements was between approximately Rs. 23,060 million and approximately Rs. 25,487 million.

Strategy

The key elements of our business strategy include the following:

Expand into new geographical areas

Our residential development activities have been focused on Bangalore, and we are in the process of geographically diversifying and expanding our real estate development and construction business into the following cities of India, namely, Mysore, Pune, Kochi, National Capital Region of Delhi, Thrissur, Chennai, Mumbai, Mangalore, Coimbatore, Jaipur, Goa and Hyderabad. Presently, we are in the process of establishing project offices in these cities. We intend to develop and construct residential projects, townships, malls, special economic zones and retail commercial projects and also undertake plot development in these cities.

Diversifying the portfolio of projects undertaken by us

We intend to diversify the portfolio of projects undertaken by us by developing hotels, integrated townships, malls, multiplexes, and shopping complexes and by undertaking plot development. Our strategy is to position ourselves to capitalize on the development and construction opportunities generated by various sectors of the Indian economy. We have executed a MoU with Reliance Energy Limited in May 2006 to participate in a consortium with Reliance Energy Limited in response to an expression of interest invited by Andhra Pradesh Industrial Infrastructure Corporation, for the development of a business district and trade towers in Hyderabad. Reliance Energy Limited and we have agreed to form a Special Purpose Vehicle ("SPV") in future, for this specific purpose and invest up to 26% of the share capital of the special purpose vehicle. The balance is to be invested by Reliance Energy Limited. We may undertake this route in the future to expand our product offerings. We have also executed a MoU dated October 25, 2006 with Tree Hill Private Limited, to jointly engage in the construction and development of real estate in Trissur, Kerala. The parties have agreed to incorporate a corporate entity to carry out the activities as envisaged by them. Subject to definitive agreements being executed the parties have agreed that the total investment of our Company and Tree Hill Private Limited will be in the ratio of 1/3 and 2/3 and that the return on investments shall be in the ratio of 70:30, respectively.

Maintain high standards of quality

We believe that we have developed a reputation for consistently developing projects known for innovativeness, quality and delivery in a timely manner. We intend to continue to focus on innovation and quality project execution in order to maximize client satisfaction. We also intend to continue to use technologically advanced tools procured from Germany and processes to ensure quality construction. We also intend to continue to further enhance our architectural, design, construction, and development capabilities to enable us to provide innovative, modern and quality products and services to our customers.

Actively pursue opportunities to engage in contractual projects

We have successfully executed contractual projects for our existing clients that include Infosys Technologies Limited, Motor Industries Company Limited, Taj Group of Hotels and other companies. We believe that the execution of contractual projects is a key growth area for our business and intend to pursue contractual assignments from our existing clients and build our corporate client base by actively engaging in competitive bidding for the execution of projects.

Offer a broad range of 'Sobha' products

Our core business is the development of residential and commercial property. We believe that diversifying our product offerings to include retail products in the nature of furnishings and interiors while ensuring that such products conform to our existing quality standards will enable us to grow our business.

Industry Overview

For further details refer to "Industry" page 46.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our restated consolidated financial statements as of and for the years ended March 31, 2006, 2005 and 2004 and for the six month period ended September 30, 2006. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and are presented in the section titled "Financial Statements" beginning on page 133. The summary financial information presented below should be read in conjunction with our restated consolidated financial statements, the notes thereto and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 271. Indian GAAP differs in certain significant respects from US GAAP and IFRS. For more information on these differences, see the section titled "Summary of Significant Differences Between Indian GAAP, US GAAP and IFRS" on page 265.

Summary Income Statement Information

Rs. in million

Particulars	Six months ended September 30, 2006	Fiscal 2006	Fiscal 2005	Fiscal 2004
INCOME				
Income from Construction Activity				
- Residential and Commercial Projects	2,805.69	3,942.44	1,642.65	815.78
- Contractual Projects	1,539.16	2,023.71	2,887.99	1,135.12
Sub-total	**4,344.85**	**5,966.15**	**4,530.64**	**1,950.9**
Income from Manufacturing activity				
Turnover (Gross)	877.56	-	-	-
Less: Excise Duty	46.11	-	-	-
Sub-total	**831.45**	**-**	**-**	**-**
Other Income	152.12	318.21	120.63	95.03
Total	**5,328.42**	**6,284.36**	**4,651.27**	**2,045.93**
EXPENDITURE				
Land and Construction Expenses	2,665.14	3,755.68	3,398.27	1,480.11
Raw Material Consumption	532.48	-	-	-
Production Expenses	131.50	-	-	-
Administrative Expenses	999.54	1,113.85	596.45	326.19
Finance Charges	279.47	219.38	109.36	47.55
Depreciation	108.47	111.96	74.38	26.72
Preliminary Expenses	Nil	Nil	@	@
Total	**4,716.60**	**5,200.87**	**4,178.46**	**1,880.57**
Profit before Taxation	611.82	1,083.49	472.81	165.36
Less Provision for Income Tax	67.00	188.41	122.92	73.24
Provision for wealth tax	0.08	0.16	0.16	0.09
Fringe benefit tax	3.00	2.50	Nil	Nil
Deferred tax	2.01	0.12	11.24	3.22
Restated Profit	**539.73**	**892.30**	**338.49**	**88.81**

@ represents Rs. 4,572 written off as Preliminary Expenditure

Summary Balance Sheet Information

Rs. in million

	Six months period ended September 30, 2006	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004
Fixed Assets				
Gross Block	1,848.88	1,251.53	556.79	256.87
Less: Depreciation	360.39	252.42	141.71	67.33
Net Block	1,488.49	999.11	415.08	189.54
Capital Work In Progress	87.43	31.36	122.85	Nil
Total (A)	**1,575.92**	**1,030.47**	**537.93**	**189.54**
Investments (B)	**26.88**	**26.99**	**0.23**	**190.22**
Deferred Tax Asset (C)		**5.89**	**1.45**	**2.73**
Current Assets, Loans And Advances				
Inventories	2,785.60	2,543.96	1,905.44	771.38

	Six months period ended September 30, 2006	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004
Sundry Debtors	558.27	802.97	363.95	317.64
Cash and Bank Balances	286.31	449.68	65.77	109.41
Loans and Advances	6,731.90	5,166.75	2,236.44	1,146.09
Total (D)	**10,362.08**	**8,963.36**	**4,571.60**	**2,344.52**
TOTAL ASSETS (A+B+C+D)=E	**11,964.88**	**10,026.71**	**5,111.21**	**2,727.01**
Liabilities and Provisions				
Secured Loans	6,578.49	4,208.11	2,209.02	534.11
Unsecured Loans	104.50	23.00	23.62	23.62
Deferred Tax Liabilites	18.73	22.62	18.08	8.14
Current Liabilities*	2,895.44	4,010.31	1,997.77	1,776.80
Provisions	459.74	394.38	214.64	90.29
Total (F)	**10,056.90**	**8,658.42**	**4,463.13**	**2,432.96**
NETWORTH (E-F)	**1,907.98**	**1,368.29**	**648.08**	**294.05**
Networth represented by				
Share Capital	721.50	298.69	298.69	211.40
Reserves and Surplus	1,186.52	1,069.60	349.39	82.65
Total	1908.02	**1,368.29**	**648.08**	**294.05**
Less: Miscellaneous Expenditure				
(to the extent not written off or adjusted)	0.04	Nil	Nil	@
Networth	**1,907.98**	**1,368.29**	**648.08**	**294.05**

@ represents Rs. 4,572 remaining as closing balance as at March 31, 2004

* For further details in relation to the sharp increase in the current liabilities for the fiscal ended March 31, 2006, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 271.

Summary Cash Flow Information

Rs. in million

	Six months period ended September 30, 2006	Fiscal 2006	Fiscal 2005	Fiscal 2004
Net cash from (used in) operating activities (A)	(1,955.38)	(839.08)	(1,515.89)	185.15
Net cash from (used in) investment activities (B)	(653.81)	(630.67)	(226.51)	(295.85)
Net cash from (used in) financing activities (C)	2,445.76	1,853.66	1,698.76	188.96
Net Increase in cash and cash equivalents (A+B+C)	**(163.43)**	**383.91**	**(43.64)**	**78.26**
Cash and cash equivalents at beginning of year	449.74	65.77	109.41	31.15
Cash and cash equivalents at end of year	**286.31**	**449.68**	**65.77**	**109.41**

RECENT DEVELOPMENTS IN RELATION TO OUR LAND

You should read the following updated details in relation to our Land Reserves and Land Arrangements with the chapter "Our Business- Our Land Reserves" appearing on page 66.

Our Land Reserves are lands (i) to which our Company has title, or (ii) lands from which our Company can derive economic benefits through a documented framework or (iii) lands in relation to which our Company has executed a joint development agreement or an agreement to sell. Our Land Reserves may be broadly classified into lands upon which there is no present development (hereinafter our "**Land Bank**") and lands upon which development is currently underway (hereinafter our "**Land Stock**"). We have acquired or propose to acquire land under Land Reserves from approximately 882 sellers.

As of September 30, 2006:

Our Land Bank consists of three types of land:

a. *Land to which we have title in our own name*

We own 62.03 acres of land under this category in and around Bangalore and 70.26 acres in Pune.

b. *Land in relation to which we have executed contractual and joint development agreements*

These lands collectively measure 1,551.60 acres. Lands in this category are located in and around Bangalore, Mysore, Pune and Thrissur. Further our Company has also entered into joint development agreements in relation to 23.93 acres in Bangalore.

We propose to acquire 1,551.60 acres or approximately 56.48% of our Land Reserves, pursuant to the agreements or MOU.

c. *Lands currently owned by third party individuals or corporate entities*

The total extent of land falling within this category consists of approximately 984.97 acres, located in Bangalore and Coimbatore, Chennai and Kochi.

Out of the above 984.97 acres, the subsidiaries of Technobuild Developers Private Limited hold approximately 576.20 acres or 20.98% of our Land Reserves.

Our Land Stock is located in and around Bangalore and may be classified into three categories of land;

a. *Land to which we have title in our own name*

The land stock in relation to which we retain title in our own name measures approximately 38.92 acres and is located in and around Bangalore.

b. *Land in relation to which we have executed joint development agreements with the land owners*

The total Land Stock which is currently being developed under the joint development mechanism admeasures approximately 15.35 acres. As of September 30, 2006 we have paid Rs. 463.02 million towards deposits to the owners of the land.

As of September 30, 2006, 5 of our 28 current projects are being developed on a joint development basis with the remaining projects being developed on an absolute sale basis.

Our arrangements to acquire land ("Land Arrangements")

We have also entered into contractual arrangements for land acquisition with certain third party entities. Under these agreements, the said third party entities have agreed to procure certain extents of land located in and around Cochin, Pune and Chennai at or below certain prices on our behalf.

As on September 30, 2006 our Land Reserves increased from 2,592.83 acres as on June 30, 2006, to 2,747.06 acres and Land Arrangements have decreased from 3,456.19 acres as on June 30, 2006, to 3,373.28 acres, and there has been a corresponding change in the payments made and payments outstanding in respect of Land Reserves and Land Arrangements.

The following table is a summary of the Land Reserves and Land Arrangements as of September 30, 2006 and the amounts due for acquisition of land by us:

Location-wise Break up	(In Acres)			Land Reserve (Rs. In Million)		Land Arrangement (Rs. in million)		
							Amount to be paid	
	Total Land	**Land Reserve**	**Land Arrangement**	**Amount paid**	**Amount to be paid**	**Amount Paid**	**At lower end**	**At cap end**
Bangalore	1,767.90*	1,767.90*	-	4,771.00	12,434.65	-	-	-
Mysore	12.35	12.35	-	100.00	96.99	-	-	-
Pune	995.66	302.79	692.87	407.37	488.97	42.73	1,448.84	1,448.84
Chennai	3,000.00	392.75	2,607.25	323.89	216.44	336.11	893.63	5,812.61
Cochin	256.62	183.46	73.16	748.25	-	270.22	-	58.96
Thrissur	61.68	61.68	-	250.00	218.04	-	-	-
Coimbatore	26.14	26.14	-	24.02	-	-	-	-
TOTAL	**6,120.34**	**2,747.06**	**3,373.28**	**6,624.54**	**13,455.10**	**649.06**	**2,342.47**	**7,261.45**

** This includes 57.85 acres of land located in areas designated as falling under the green belt. As of September 30, 2006 the lands classified as green belt area constitute approximately 2.11% of our Land Reserves.*

THE ISSUE

Equity Shares offered:	
Issue by the Company	8,893,332 Equity Shares of face value of Rs. 10 each*
Of which	
A) Employee Reservation Portion	Up to 889,300 Equity Shares of face value of Rs. 10 each
Therefore, Net Issue to the Public	8,004,032 Equity Shares of face value of Rs. 10 each`
Of which	
A) Qualified Institutional Buyers (QIB) portion	At least 4,802,450 Equity Shares of face value of Rs. 10 each ***(Allocation on a proportionate basis)***
Of which	
Available for allocation to Mutual Funds only	240,123 Equity Shares of face value of Rs. 10 each ***(Allocation on a proportionate basis)***
Balance for all QIBs including Mutual Funds	4,562,327 Equity Shares of face value of Rs. 10 each ***(Allocation on a proportionate basis)***
B) Non-Institutional Portion	Up to 800,300 Equity Shares of face value of Rs. 10 each
	(Allocation on a proportionate basis)
C) Retail Portion	Up to 2,401,282 Equity Shares of face value of Rs. 10 each
	(Allocation on a proportionate basis)
Equity Shares outstanding prior to the Issue	64,004,908 Equity Shares of face value of Rs. 10 each
Equity Shares outstanding after the Issue	72,898,240 Equity Shares of face value of Rs. 10 each
Use of Issue Proceeds	See the section titled "Objects of the Issue" on page 28.

Undersubscription, if any, in any category except the QIB category, would be met with spill-over from other categories at our sole discretion in consultation with the BRLMs and IIL. If a minimum allotment of 60% of the Net Issue is not made to the QIBs, the entire subscription monies shall be refunded.

GENERAL INFORMATION

Our Company was originally incorporated as Sobha Developers Private Limited on August 7, 1995. The status of our Company was changed to a public limited company by a special resolution of the members passed at the extraordinary general meeting held on May 8, 2006. The fresh certificate of incorporation consequent to the change of name was granted to our Company on June 2, 2006, by the Registrar of Companies, Karnataka.

Registered Office

Sobha Developers Limited
E – 106, Sunrise Chambers
22, Ulsoor Road
Bangalore 560 042 India
Registration Number: 18475
Tel: (91 80) 2559 7260
Fax: (91 80) 2559 4138
Email: investors@sobha.co.in
Website: www.sobhadevelopers.com

Our registered office was shifted from E - 106, Sunrise Chambers, 22, Ulsoor Road, Bangalore 560042, India to 43, 2nd Floor, Dickenson Road, Bangalore 560 042 with effect from December 31, 2004 by a resolution of our Board and again from 43, 2nd Floor, Dickenson Road, Bangalore 560 042 to E – 106, Sunrise Chambers, 22, Ulsoor Road, Bangalore 560042, India with effect from February 10, 2005 by a resolution of our Board.

Address of Registrar of Companies

The Registrar of Companies, Karnataka at Bangalore
'E' wing, 2nd floor
Kendriya Sadana
Koramangala,
Bangalore 560034 India

Board of Directors of the Issuer

Name, Designation, Occupation	Age	Address
Mr. P.N.C. Menon Executive Director (Chairman) *Business*	58	**Oman** Post Box 823, Postal Code 112 Ruwi, Sultanate of Oman **India** Sobha Turquoise Flat No. A-1 Floor No. 1 Haudin Road, Ulsoor Bangalore 560 042
Mrs. Sobha Menon Director *Business*	49	**Oman** Post Box 823, Postal Code 112 Ruwi, Sultanate of Oman **India** Sobha Turquoise Flat No. A-1 Floor No. 1 Haudin Road, Ulsoor Bangalore 560 042
Mr. J.C. Sharma Executive Director (Managing Director) *Service*	48	B-2, 291, Sobha Ivory, No. 7/1, St. Johns Road, Bangalore 560 042 India

Name, Designation, Occupation	Age	Address
Mr. Ravi Menon Executive Director (Vice Chairman) *Service*	25	12, Sobha Sapphire No. 15, Amrudahalli Village Yellahanka Hobli Bangalore 560 092 India
Mr. N.S. Raghavan Independent Director *Business*	63	A – 604, Sobha Opal Fourth T Block, Jayanagar Bangalore 560 041 India
Mr. Anup Shah Independent Director *Consultant*	49	# 2, Royal Park 34, Park Road Bangalore 560 051 India
Dr. S.K. Gupta Independent Director *Business*	68	No. 14, Singapore Garden Kanakapura Road, P.O Doddakalasandra Bangalore 560 032 India
Mr. R.V.S. Rao Independent Director *Consultant*	62	No. 332/6, "Guru Kripa' 14th Main, Sadashivanagar Bangalore 560 080 India

For further details of our Directors, see the section titled "Our Management" on page 87.

Company Secretary and Compliance Officer

Mr. K. Suresh
E - 106, Sunrise Chambers
22, Ulsoor Road
Bangalore 560 042
India
Tel: (91 80) 2559 7260
Fax: (91 80) 2559 4138
Email: investors@sobha.co.in

Investors can contact the Compliance Officer or the Registrar in case of any pre-issue or post-issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account and refund orders.

Book Running Lead Managers	
Kotak Mahindra Capital Company Limited 3rd Floor, Bakhtawar 229, Nariman Point Mumbai 400 021 India Tel: (91 22) 6634 1100 Fax: (91 22) 2284 0492 Email: sobha.ipo@kotak.com Website: www.kotak.com Contact Person: Mr. Chandrakant Bhole	***Enam Financial Consultants Private Limited*** 801, Dalamal Towers Nariman Point Mumbai 400 021 India Tel: (91 22) 6638 1800 Fax: (91 22) 2284 6824 Email: sobha.ipo@enam.com Website: www.enam.com Contact Person: Ms. Lakha Nair

Co Book Running Lead Managers	
IL&FS Investsmart Limited The IL&FS Financial Centre Plot C-22, G Block, Bandra Kurla Complex, Bandra (E), Mumbai 400 051 India Tel: (91 22) 2653 3333 Fax: (91 22) 5693 1862 Email: sobha.ipo@investsmartindia.com Website: www.investsmartindia.com Contact Person: Mr. Sudhir Salian	***ICICI Securities Limited*** ICICI Centre H.T. Parekh Marg Churchgate Mumbai 400 020 India Tel: (91 22) 2288 2460/70 Fax: (91 22) 2282 6580 Email: deepa_bahal@isecltd.com Website: www.icicisecurities.com Contact Person: Ms. Deepa Bahal

Syndicate Members	
Kotak Securities Limited Bakhtawar, 1st Floor 229, Nariman Point Mumbai 400 021 India Tel : (91 22) 6634 1100 Fax : (91 22) 6634 3927 Email : umesh.gupta@kotak.com Website: www.kotak.com Contact Person: Mr. Umesh Gupta	***Enam Securities Private Limited*** Khatau Building, 2nd Floor 44B Bank Street, Off Shaheed Bhagat Singh Road, Fort, Mumbai 400 023 India Tel. No.: (91 22) 2267 7901 Fax No.: (91 22) 2266 5613 E-mail: sobha.ipo@enam.com Website: www.enam.com Contact Person: Mr. M. Natarajan
ICICI Brokerage Services Limited ICICI Centre H.T. Parekh Marg Churchgate Mumbai 400 020 India Tel: (91 22) 2288 2460/70 Fax: (91 22) 2282 6455 Email: anil_mokashi@isecltd.com Website: www.icicisecurities.com Contact Person: Mr. Anil Mokashi	

Domestic Legal advisors to the BRLMs and CBRLMs	International Legal Advisors to the BRLMs and CBRLMs
Amarchand & Mangaldas & Suresh A. Shroff & Co. 201, Midford House Midford Garden (Off M. G. Road) Bangalore 560 001 Tel: (91 80) 2558 4870 Fax: (91 80) 2558 4266	***Dorsey & Whitney LLP*** 21 Wilson Street London, England EC2M 2TD Tel: (44 20) 7588 0800 Fax: (44 20) 7588 0555

Property Valuation Expert to the Issue	
Cushman & Wakefield (India) Private Limited Global Real Estate Consultants B-6/8, Commercial Complex Opp. Deer Park, Safdarjung Enclave New Delhi 110 029 Tel : (91 11) 2619 2512 - 17 Fax : (91 11) 2619 5829 Email: newdelhi@cushwakeasia.com Contact Person: Sanjay Verma; Joint Managing Director	***Cushman & Wakefield (India) Private Limited*** Global Real Estate Consultants 1st Floor, Mafatlal House, Padma Bhushan H.T. Parekh Marg, Churchgate, Mumbai 400 020 Tel : (91 22) 2281 3317/ 19/ 20 Fax : (91 22) 2202 5165 Email: mumbai@cushwakeasia.com Contact Person: Chanakya Charkravarti, Joint Managing Director

Registrar to the Issue
Intime Spectrum Registry Limited C-13, Pannalal Silk Mills Compound LBS Marg, Bhandup (West) Mumbai 400 078 Tel: (91 22) 2596 0320 Fax: (91 22) 2596 0329 Email: sobha-ipo@intimespectrum.com Website: www.intimespectrum.com Contact Person: Mr. Vishwas Attavar

Bankers to the Issue and Escrow Collection Banks	
Canara Bank Town Hall Branch, 51, Stock Exchange Towers 1st Cross, J.C. Road Bangalore 560 027 Tel: (91 80) 2222 8872 Fax: (91 80) 2223 9631 Email: blr0413@canbank.co.in Contact Person: Mr. Suresh Babu	***Corporation Bank*** Veena Chambers, 21 Dalal Street Fort, Mumbai 400 021 Tel: (91 22) 2265 1744/2267 1001 Fax: (91 22) 2267 2101 Email: cb024@corpbank.co.in Contact Person: Mr. U. Sripati

Bankers to the Issue and Escrow Collection Banks	
HDFC Bank Limited 8/24, Salco Center Richmond Road Bangalore 560 052 Tel: (91 80) 6663 3056 Fax: (91 80) 6663 3126 Email: manju.kumar@hdfcbank.com / c.k.venkatesh@hdfcbank.com Contact Person: Mr. Manju Kumar / Mr. C.K. Venkatesh	***Hong kong and Shanghai Banking Corporation Limited*** 52/60, Mahatma Gandhi Road Mumbai 400 001 Tel: (91 22) 2268 5568 Fax: (91 80) 2262 3890 Email: zersisirani@hsbc.co.in Contact Person: Mr. Zersis Irani
ICICI Bank Limited Capital Markets Division 30, Mumbai Samachar Marg Mumbai 400 001 Tel: (91 22) 2262 7600 Fax: (91 22) 2261 1138 Email: sidhartha.routray@icicibank.com Contact Person: Mr. Sidhartha Sankar Routray	***Kotak Mahindra Bank Limited*** Cash Management Services, 4th Floor Dani Corporate Park, 158 C.S.T. Road Kalina, Santacruz (E) Mumbai 400 098 Tel: (91 22) 5759 4850 Fax: (91 80) 5648 2710 Email: ibrahim.sharief@kotak.com Contact Person: Mr. Ibrahim Sharief
Standard Chartered Bank 270, D. N. Road Fort, Mumbai 400 001 Tel: (91 22) 2268 3965 Fax: (91 80) 2209 6069 Email: Banhid.Bhattacharya@in.standardchartered.com/ Rajesh.Malwade@in.standardchartered.com Contact Person: Mr. Banhid Bhattacharya/Mr. Rajesh Malwade	***UTI Bank Limited*** Esquire Center M.G. Road Bangalore 560 001 Tel: (91 80) 2537 0633 Fax: (91 80) 2555 9444 Email:rajesh.menon@utibank.co.in/ y.hari@utibank.co.in Contact Person: Mr. Rajesh Menon/Mr. Y. Hari

Bankers to the Company	
Andhra Bank Cantonment Branch 21 Ulsoor Road Bangalore 560 042 Tel: (91 80) 2559 2184 Fax: (91 80) 2559 8142 Email: bmblr099@andhrabank.co.in Contact Person: Mr. P. K. Molri	***Canara Bank*** Corporate Service Branch Shankaranarayana Buildings No.25, M.G.Road Bangalore 560 001 Tel: (91 80) 2559 9254 / 257 Fax: (91 80) 2559 9108 Email: rkumarm@canbank.co.in Contact Person: Ms. Jyotsna
Corporation Bank Industrial Finance Branch Indian Express Building No.1, Queens Road Bangalore 560 001 Tel: (91 80) 2286 5363 / 2286 0958 Fax: (91 80) 2286 3293 Email:cb0438@corpbank.co.in Contact Person: Mr. S. Pattabhiraman	***Corporation Bank*** Indiranagar branch HAL II Stage Bangalore 560 042 Tel: (91 80) 2520 1441 Fax: (91 80) 2526 3260 Email: cb398@corpbank.com Contact Person: Mr. Balasubramaniam
HDFC Bank Limited SALCO Centre 8/24 Richmond Road, Bangalore – 560 025 Tel: 9342276163 Fax: (91 80) 4152 7520 Email: a.murali@hdfcbank.com Contact Person: Mr. A. Murali	***ICICI Bank Limited*** ICICI Bank Towers No.1 Commissariat Road Bangalore 560 025 Tel: (91 80) 4129 6892 Fax: (91 80) 4112 4626 Email: karthikeyan.desingu@icicibank.com Contact Person: Mr.Karthikeyan D

Bankers to the Company	
Kotak Mahindra Bank Limited Cash Managament Services, IVth Floor, Dani Corporate Park, 158 CST Road, Kalina, Santacruz (E), Mumbai 400 098 Tel: (91 22) 67594850 Fax: (91 22) 5648 2710 Email:ibrahim.sharief@kotak.com Contact Person: Mr. Ibrahim Sharief	***Oriental Bank of Commerce*** "The Landmark". No.21/15 Mahatma Gandhi road Bangalore 560 001. Tel: (91 80) 2509 5679 Fax: (91 80) 2532 1125 Email: tr.gopalakrishnan@obcmail.co.in Contact Person: Mr. N. K. Madan
Standard Chartered Bank Wholesale Banking 6th Floor, West Wing Raheja Towers 26-27, M.G.Road Bangalore 560 001 Tel: (91 80) 2532 5368 Fax: (91 80) 2559 9255 Email: sachin.malhotra@in.standardchartered.com Contact Person: Mr. Sachin Malhotra	***State Bank of India*** Overseas Branch # 65, St Mark's Road Bangalore 560 001 Tel: (91 80) 2594 3404/ 07 Fax: (91 80) 2594 3408 Email: sbiobbng@vsnl.com Contact Person: Mr. D. Vijayakumar
The Dhanalakshmi Bank Limited M.G.Road Branch 1A, Nitesh Broadway, 9/3 M.G.Road Bangalore 560 001. Tel: (91 80) 4123 9200 / 300 Fax: (91 80) 4123 9500 Email: bglmgroad@dhanbank.co.in Contact Person:Mr. Vinod Kannan	***UCO Bank*** 14 Mosque Road Fraser Town Bangalore 560 005 Tel: (91 80) 2549 7534/ 2548 3196 Email: Ucofrasertown@vsnl.net Contact Person:Mr. R. Subramanian
UTI Bank Limited No.9, M.G.Road Bangalore 560 001. Tel: (91 80) 25370656 Fax: (91 80) 2555 0920 Email:sbalachander@utibank.co.in Contact Person: Mr. S. Balachander	***Hong kong and Shanghai Banking Corporation Limited*** No. 7, M.G. Road Bangalore 560 001 Tel: (91 80) 2500 2010 Fax: (91 80) 2559 1383 Email: adityagahlaut@hsbc.co.in Contact Person: Mr. Aditya Gahlaut

Auditors
S. Janardhan & Associates, Chartered Accountants Apt No. 103 Embassy Centre, No. 11, Crescent Road Bangalore 560 001 Tel: (91 80) 2220 2709/2226 0055 Fax: (91 80) 2226 5572 Email: sjanar@vsnl.com Contact Person: Mr. B. Anand

Monitoring Agency
Karnataka State Financial Corporation KSFC Bhavan, No. 1/1,Thimmiah Road Bangalore 560 052 Tel: (91 80) 2225 0134 Fax: (91 80) 2225 0126 Email: Dgmcontroller@ksfc.net Contact Person: Mr. Vananth Kumar (Dy. General Manager) Website: ksfc.kar.nic.in

Inter se List of Responsibilities between the Book Running Lead Managers and Co Book Running Lead Managers

The responsibilities and co-ordination for various activities in this Issue are as under:

No	Activities	Responsibility	Co-ordinator
1	Capital structuring with relative components and formalities.	KMCC ENAM	KMCC
2	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Draft Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLMs & CBRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing.	KMCC ENAM IIL	KMCC
3	Drafting and approval of all statutory advertisements.	KMCC ENAM	KMCC
4	• Preparation and finalization of the road-show presentation • Preparation of FAQs for the road-show team and • Approval of all non-statutory advertisement including corporate advertisements.	KMCC ENAM	ENAM
5	Appointment of the advertising agency and Escrow Collection Banks for the Issue	KMCC ENAM	KMCC
6	Appointment of Printers and Registrar for the Issue	KMCC ENAM	ENAM
7	International Institutional marketing of the Issue, which will cover, among other things, • Finalizing the list and division of investors for one to one meetings; and • Finalizing road show schedule and investor meeting schedules.	KMCC ENAM	KMCC
8	Domestic Institutional marketing of the Issue, which will cover, among other things, • Finalizing the list and division of investors for one to one meetings; and • Finalizing road show schedule and investor meeting schedules.	KMCC ENAM IIL	ENAM
9	Retail / HNI marketing strategy which will cover, among other things, • Finalizing centres for holding conferences for brokers, etc • Formulating media, marketing and, Public Relations strategy; • Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material; and • Finalize collection centres.	KMCC ENAM IIL I-Sec	ENAM
10	Managing the book	KMCC ENAM	ENAM
11.	Finalization of Pricing in consultation with the Company	KMCC ENAM	KMCC
12	Co-ordination with stock exchanges for book building software, bidding terminals and mock trading	KMCC ENAM	ENAM
13	Post bidding activities including management of Escrow Accounts, co-ordination of allocation and intimation of allocation with Registrar and Banks, Refund to Bidders, etc. The post Issue activities of the Issue will involve essential follow up steps, which must include finalisation of listing and trading of instruments, , demat and delivery of shares and refunds, with the various agencies connected with the work such as Registrars to the Issue, Bankers to the Issue and the bank handling refund business. The BRLM shall be responsible for ensuring that these agencies fulfil their functions and enable it to discharge this responsibility through suitable agreements with the Company.	KMCC ENAM IIL	ENAM

Even if many of these activities will be handled by other intermediaries, the designated BRLMs or CBRLMs shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge this responsibility through suitable agreements with the Company.

Credit Rating

As this is an Issue of Equity Shares there is no credit rating for this Issue.

IPO Grading

We have not opted for the grading of this Issue from a credit rating agency.

Trustees

As this is an Issue of Equity Shares, the appointment of Trustees is not required.

Project Appraisal

There is no project being appraised.

Book Building Process

Book building, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band. The Issue Price is finalized after the Bid/ Issue Closing Date. The principal parties involved in the Book Building Process are:

1. The Company;

2. The BRLMs and the CBRLMs;

3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Syndicate Members are appointed by the BRLMs and the CBRLMs; and

4. Registrar to the Issue.

In terms of Rule 19 (2)(b) of the Securities Contract Regulation Rules, 1957 ("SCRR"), this being an Issue for less than 25% of the post–Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60 % of the Net Issue will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further, up to 889,300 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received at or above the Issue Price.

Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date. Please refer to the section titled "Terms of the Issue" on page 323.

We will comply with the SEBI Guidelines and any other ancillary directions issued by SEBI for this Issue. In this regard, we have appointed the BRLMs and the CBRLMs to manage the Issue and procure subscriptions to the Issue.

While the process of Book Building under the SEBI Guidelines is not new, investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Issue.

Illustration of Book Building and Price Discovery Process *(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue)*

Bidders can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centres during the bidding period. The illustrative book as shown below shows the demand for the shares of the issuer company at various prices and is collated from bids received from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The issuer, in consultation with the Book Running Lead Managers , will finalise the issue price at or below such cut-off price, i.e., at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken by the Bidders for bidding:

1. Check eligibility for making a Bid (see section titled "Issue Procedure - Who Can Bid" on page 329);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form (see the section titled "Issue Procedure -'PAN' or 'GIR' Number" on page 342); and
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

Withdrawal of the Issue

Our Company, in consultation with the BRLMs and IIL, reserves the right not to proceed with the Issue any time after the Bid/Issue Opening Date without assigning any reason therefor.

Bid/Issue Programme

Bidding Period/Issue Period

BID/ISSUE OPENS ON	**NOVEMBER 23, 2006**
BID/ISSUE CLOSES ON	**NOVEMBER 29, 2006**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid /Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) and uploaded until such time as permitted by the BSE and the NSE on the Bid /Issue Closing Date.

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

In case of revision in the Price Band, the Issue Period will be extended for three additional days after revision of the Price Band, subject to the Bidding Period/Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding Period/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the websites of the BRLMs and the CBRLMs and at the terminals of the Syndicate.

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares but prior to the filing of the Prospectus with the RoC, we will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs and the CBRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members does not fulfil its underwriting obligations. The Underwriting Agreement is dated [•].

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be filled in before filing of the Prospectus with the RoC)

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. In Million)
Kotak Mahindra Capital Company Limited 3rd Floor, Bakhtawar 229, Nariman Point Mumbai 400 021, India Tel: (91 22) 6634 1100 Fax: (91 22) 2284 0492	[•]	[•]
Enam Financial Consultants Private Limited 801, Dalamal Towers Nariman Point Mumbai 400 021, India Tel: (91 22) 5638 1800 Fax: (91 22) 2284 6824	[•]	[•]
IL&FS Investsmart Limited The IL&FS Financial Centre Plot C-22, G Block, Bandra Kurla Complex Bandra (East) Mumbai - 400 051, India Tel: (91 22) 2653 3333 Fax: (91 22) 5693 1862	[•]	[•]
ICICI Securities Limited ICICI Centre H.T. Parekh Marg Churchgate Mumbai 400 020 India Tel: (91 22) 2288 2460/70 Fax: (91 22) 2282 6580	[•]	[•]
Kotak Securities Limited Bakhtawar, 1st Floor 229, Nariman Point Mumbai 400 021, India Tel : (91 22) 5634 1100 Fax : (91 22) 5630 3927	[•]	[•]
Enam Securities Private Limited Khatau Building 44B, Bank Street Off Shahid Bhagat Singh Road Fort, Mumbai 400 001, India Tel: (91 22) 2267 7901 Fax: (91 22) 2266 5613	[•]	[•]

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. In Million)
ICICI Brokerage Services Limited ICICI Centre H.T. Parekh Marg Churchgate Mumbai 400 020 India Tel: (91 22) 2288 2460/70 Fax: (91 22) 2282 6455	[●]	[●]

The above mentioned is indicative underwriting and this would be finalized after the pricing and actual allocation.

In the opinion of our Board of Directors (based on a certificate given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). Our Board of Directors, at its meeting held on [•], has accepted and entered into the Underwriting Agreement mentioned above on behalf of the Company.

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the BRLMs and the CBRLMs and the Syndicate Members shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the underwriting agreement, will also be required to procure/subscribe to equity shares to the extent of the defaulted amount.

CAPITAL STRUCTURE

Our Equity Share capital before the Issue and after giving effect to the Issue, as at the date of this Red Herring Prospectus, is set forth below:

(Rs. except share data)

		Aggregate Value at Face Value	Aggregate Value at Issue Price
A.	**Authorized Capital**		
	80,000,000 Equity Shares of face value of Rs. 10 each	800,000,000	
	1,000,000 Preference Shares of Rs. 100 each	100,000,000	
B.	**Issued, Subscribed And Paid-Up Equity Capital before the Issue**		
	64,004,908 Equity Shares of Rs. 10 each fully paid-up before the Issue	640,049,080	
C.	**Issued, Subscribed And Paid-Up Preference Capital before the Issue**		
	872,843 (7% Redeemable Preference Shares) of Rs. 100 each fully paid-up before the Issue	87,284,300	
D.	**Present Issue in terms of this Red Herring Prospectus**		
	8,893,332 Equity Shares of Rs. 10 each.	88,933,320	[●]
	Of which		
	Employee Reservation Portion		
	Up to 889,300 Equity Shares of Rs. 10 each	8,893,000	[●]
	Net Issue to the Public		
	8,004,032 Equity Shares of Rs. 10 each	80,040,320	[●]
E.	**Equity Capital after the Issue**		
	72,898,240 Equity Shares of face value of Rs. 10/- each	728,982,400	[●]
F.	**Preference Capital after the Issue**		
	872,843 (7% Redeemable Preference Shares) of Rs. 100 each fully paid-up before the Issue	87,284,300	
G.	**Securities Premium Account**		
	Before the Issue	61,458,830 #	
	After the Issue	[●]	

The present Issue has been authorized by the Board of Directors in their meeting on June 2, 2006, and by the shareholders of our Company at an EGM held on June 28, 2006. The DIPP has by its letter dated October 3, 2006 bearing number 5(6)/2000-FC(Pt.File), clarified that 'guidelines notified by Press Note 2 (2005 Series) are applicable to investment made only under the FDI route and not applicable to investment by FIIs under the Portfolio Investment Scheme under the FEMA Regulations'. The RBI has by its letter dated October 27, 2006 has stated that the DIPP has clarified that Press Note 2 (2005 Series) are not applicable to investments by FIIs subscribing to this Issue, as a result the regulations under Notification 136/2005-RB dated July 19, 2005 wold not be applicable. Therefore, FIIs are permitted to invest in the Issue.

In terms of a Subscription Agreement, Kotak Mahindra Private – Equity Trustee Limited has subscribed to 486,223 Equity Shares at a subscription price of Rs. 617 per Equity Share including a share premium of Rs. 607 per Equity Share, aggregating Rs. 299.99 million. On October 28, 2006, in-terms of the Subscription Agreement, we allotted 486,223 Equity Shares to Kotak Mahindra Private – Equity Trustee Limited.. In terms of the Subscription Agreement, an amount of Rs. 15 per Equity Share has been paid by Kotak Mahindra Private – Equity Trustee Limited to the Company towards par value of Equity Shares and part of the securities premium. The balance amount being the securities premium has been also been paid by Kotak Mahindra Private – Equity Trustee Limited and deposited in an escrow account till the determination of the Issue Price. Upon finalisation of the Issue Price:

1. In case the Issue Price is equal to or greater than Rs. 617, the entire amount to the credit of the escrow account will be transferred to the Company's securities premium account; or
2. In case the Issue Price is less than Rs. 617, the difference between Rs. 617 and the Issue Price, per Equity Share will be refunded to the Kotak Mahindra Private – Equity Trustee Limited and the balance will be credited to the Company's securities premium account .
   See "Our History and Certain Corporate Matters" on page 81.

a) The initial authorized capital of Rs. 5,000,000 comprising of 500,000 Equity Shares of Rs. 10 each was increased to Rs. 45,000,000 comprising of 4,500,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at an EGM held on December 14, 1995.

b) The authorized capital of Rs. 45, 000,000 comprising of 4,500,000 Equity Shares of Rs. 10 was increased to Rs. 70, 000,000 comprising of 7,000,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at an EGM held on September 10, 1997.

c) The authorized capital of Rs. 70, 000,000 comprising of 7,000,000 Equity Shares of Rs. 10 each was increased to Rs. 220, 000,000 comprising of 22,000,000 Equity Shares of Rs. 10 each, pursuant to a resolution of the shareholders at an EGM held on April 10, 2002.

d) The authorized capital of Rs. 220, 000,000 comprising of 22,000,000 Equity Shares of Rs. 10 each was increased to Rs. 420, 000,000 comprising of 22,000,000 Equity Shares of Rs. 10 each and 2,000,000 Preference Shares of Rs. 100 each pursuant to a resolution of the shareholders at an EGM held on March 11, 2005.

e) The authorized capital of Rs. 420,000,000 comprising of 22,000,000 Equity Shares of Rs. 10 each and 2,000,000 Preference Shares of Rs. 100 each, was increased to Rs. 500,000,000 comprising of 30,000,000 Equity Shares of Rs. 10 each and 2,000,000 Preference Shares of Rs. 100 each, pursuant to a resolution of the shareholders at an EGM held on August 30, 2005.

f) The authorized capital of Rs. 500,000,000 comprising of 30,000,000 Equity Shares of Rs. 10 each and 2,000,000 Preference Shares of Rs. 100 each was increased to Rs. 900,000,000 comprising of 80,000,000 Equity Shares of Rs. 10 each and 1,000,000 Preference Shares of Rs. 100 each, pursuant to a resolution of the shareholders at an EGM held on June 28, 2006.

Notes to Capital Structure

1. Share Capital History of our Company

(a) Equity Share Capital History

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reasons for Allotment	Cumulative No. of Equity Shares	Cumulative Paid-up share capital (Rs.)	Cumulative Share Premium (Rs.)
August 7, 1995	30	10	10	Cash	Subscribers to Memorandum	30	300	-
February 11, 1998	1,174,729	10	10	Cash	Further allotment	1,174,759	11,747,590	-
October 16, 1998	1,934,823	10	10	Cash	Further allotment	3,109,582	31,095,820	-
December 22, 1998	855,000	10	10	Cash	Further allotment	3,964,582	39,645,820	-
March 25, 1999	3,000,000	10	10	Cash	Further allotment	6,964,582	69,645,820	-
July 11, 2002	14,175,898	10	10	Cash	Further allotment	21,140,480	211,404,800	-
June 28, 2006	42,280,960	10	10	-	Bonus Issue in the ratio of 2:1	63,421,440	634,214,400	-
October 28, 2006#	97,245	10	617	Cash	Preferential Allotment- Pre IPO Placement to Bennett, Coleman & Co. Limited	63,518,685	635,186,850	59,027,715
October 28, 2006*	486,223	10	[•]	Cash	Preferential Allotment- Pre IPO Placement to Kotak Mahindra Private – Equity Trustee Limited	64,004,908	640,049,080	61,458,830

In terms of a Subscription Agreement, Kotak Mahindra Private – Equity Trustee Limited has subscribed to 486,223 Equity Shares at a subscription price of Rs. 617 per Equity Share including a share premium of Rs. 607 per Equity Share, aggregating Rs. 299.99 million. On October 28, 2006, in-terms of the Subscription Agreement, we allotted 486,223 Equity Shares to Kotak Mahindra Private – Equity Trustee Limited.. In terms of the Subscription Agreement, an amount of Rs. 15 per Equity Share has been paid by Kotak Mahindra Private – Equity Trustee Limited to the Company towards par value of Equity Shares and part of the securities premium. The balance amount being the securities premium has been also been paid by Kotak Mahindra Private – Equity Trustee Limited and deposited in an escrow account till the determination of the Issue Price. Upon finalisation of the Issue Price:

1. In case the Issue Price is equal to or greater than Rs. 617, the entire amount to the credit of the escrow account will be transferred to the Company's securities premium account; or

2. In case the Issue Price is less than Rs. 617, the difference between Rs. 617 and the Issue Price, per Equity Share will be refunded to the Kotak Mahindra Private – Equity Trustee Limited and the balance will be credited to the Company's securities premium account.

See "Our History and Certain Corporate Matters" on page 81.

Pursuant to a Shareholders Agreement dated October 25, 2006.

See "Our History and Certain Corporate Matters" on page 81.

(b) *Preference Share Capital of our Company*

Date of Allotment	No. of Preference Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reasons for Allotment	Cumulative No. of Preference Shares	Cumulative Paid-up share capital (Rs.)	Cumulative Share Premium (Rs.)
June 25, 2005	872,843	100	100	Cash	Preferential allotment to the Promoter	872, 843	87,284,300	-

2. *Promoter Contribution and Lock-in*

All Equity Shares which are being locked in are eligible for computation of Promoters' contribution and are being locked in under clauses 4.6 and 4.11.1 of the SEBI Guidelines.

(a) Details of Promoters Contribution locked in for three years:

Name of Promoters	Date of Allotment / acquisition and when made fully paid-up	Nature of Allotment	Nature of consideration (Cash, Bonus, Kind etc.)	Number of Equity Shares locked in*	Face Value (Rs.) (per share)	Issue Price / Purchase Price (Rs.) (per share)	% of post-Issue paid up capital	Lock-in Period (years)
Mr. P.N. C. Menon	June 28, 2006	Bonus	Bonus	4,228,098	10	10	5.80	3
Mrs. Sobha Menon	June 28, 2006	Bonus	Bonus	10,351,550	10	10	14.20	3
		TOTAL		**14,579,648**			**20.00**	3

* Commencing from the date of the Allotment of the Equity shares in the Issue.

The Promoters contribution has been brought in to the extent of not less than the specified minimum lot and from the persons defined as promoters under the SEBI Guidelines.

(b) Details of share capital locked in for one year:

In addition to the lock-in of the Promoters' contribution specified above, the entire pre-Issue Equity Share capital comprising of49,425,260 Equity Shares of the Company shall be locked in for a period of one year from the date of allotment of Equity Shares in this Issue.

The locked in Equity Shares held by the Promoters, as specified above, can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided that the pledge of the equity shares is one of the terms of the sanction of the loan.

In terms of Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoters may be transferred to and amongst the Promoter Group or to new promoters or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In terms of Clause 4.16.1 (a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoters prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In addition, the Equity Shares subject to lock-in will be transferable subject to compliance with the SEBI Guidelines, as amended from time to time.

3. The list of shareholders of our Company and the number of Equity Shares held by them is as follows:

(a) Our top ten shareholders and the number of Equity Shares of Rs.10 each held by them as of the date of filing this Red Herring Prospectus with RoC and ten days prior to filing with RoC, is as follows:

S.No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding (%)
1.	Mrs. Sobha Menon	41,348,421	64.60
2.	Mr. P.N.C Menon	16,488,522	25.76
3.	Mr. P.N.C Menon and Mrs. Sobha Menon, jointly holding shares	5,494,407	8.59
4.	Kotak Mahindra Private – Equity Trustee Limited	486,223	0.76
5.	Bennett, Coleman & Co. Limited	97,245	0.15
6.	Mr. P.N.Haridass	45,000	0.07
7.	Mr. P.N.K Mani	45,000	0.07
8.	Mr. Ravi Menon	30	0.00 α
9.	Mr. K. Suresh	15	0.00 α
10.	Mr. M. Radhakrishnan	15	0.00 α
11.	Mr. J. C. Sharma	15	0.00 α
12.	Mr. P. Gopalakrishnan	15	0.00 α
TOTAL		**64,004, 908**	**100.00**

α less than 0.01%

(b) Our top five shareholders and the number of equity shares held by them two years prior to date of filing of this Red Herring Prospectus with RoC is as follows:

S.No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding (%)
1.	Mrs. Sobha Menon	13,782,817	65.20
2.	Mr. P.N.C Menon	5,526,184	26.14
3.	Mr. P.N.C Menon and Mrs. Sobha Menon, jointly holding shares	1,831,469	8.66
4.	Mr. Abhay Kumar Jain	5	0.00
5.	Mrs. Sarita Jain	5	0.00
TOTAL		**21,140,480**	**100**

4. Shareholding pattern of our Company before and after the Issue is as follows:

The table below presents our shareholding pattern before the proposed Issue and as adjusted for the Issue.

(a) *Equity Shareholding Pattern of our Company*

Shareholder Category	Equity Shares owned before the Issue		Equity Shares owned after the Issue	
	No. of shares	%	No. of shares	%
Promoters				
Mrs. Sobha Menon	41,348,421	64.60	41,348,421	56.72
Mr. P.N.C. Menon	16,488,522	25.76	16,488,522	22.62
Mr. P.N.C Menon and Mrs. Sobha Menon, jointly holding shares	5,494,407	8.59	5,494,407	7.54
Sub Total (A)	**63,331,350**	**98.95**	**63,331,350**	**86.88**
Promoter Group				
Relatives #	90,030	0.14	90,030	0.12

Sub Total (B)	**90,030**	**0.14**	**90,030**	**0.12**
Public (C)	**Nil**	**Nil**	**8,004,032**	**10.98**
Employees (D)$^{\eta}$	**60**	**0.00$^{\alpha}$**	**889,360$^{\infty}$**	**1.22$^{\infty}$**
Others (E)*	**583,468**	**0.91**	**583,468**	**0.80**
Total share capital (A+B+C + D+E)	**64,004,908**	**100.00**	**72,898,240**	**100.00**

\# Shares held by Mr. Ravi Menon, Mr. P.N.Haridass and Mr. P.N.K Mani
α less than 0.01%
* includes Pre-IPO Investors
∞ Assuming Employee Reservation Portion is fully subscribed by the Eligible Employees of the Company
η Shares held by Mr. J.C. Sharma, Mr. K., Suresh, Mr. P. Gopalakrishnan and Mr. M. Radhakrishnan

(b) *Preference Shareholding Pattern of our Company*

Shareholder Category	**Preference Shares owned before the Issue**		**Preference Shares owned after the Issue**	
	No. of shares	**%**	**No. of shares**	**%**
Promoters				
Mr. P.N. C. Menon	872,843	100	872,843	100

5. None of our Directors or Key Managerial Personnel hold Equity and Preference Shares in the Company, other than as follows:

(a) *Equity Shares*

S.No.	**Name of the Shareholder**	**No. of Equity Shares**	**Pre-Issue Percentage Shareholding (%)**	**Post-Issue Percentage Shareholding (%)***
1.	Mr. P.N.C. Menon	16,488,522	25.76	22.62
2.	Mrs. Sobha Menon	41,348,421	64.60	56.72
3.	Mr. P.N.C Menon and Mrs. Sobha Menon, jointly holding shares	5,494,407	8.59	7.54
4.	Mr. Ravi Menon	30	0.00 $^{\alpha}$	0.00 $^{\alpha}$
5.	Mr. J. C. Sharma	15	0.00 $^{\alpha}$	0.00 $^{\alpha}$
6.	Mr. K. Suresh	15	0.00 $^{\alpha}$	0.00 $^{\alpha}$
7.	Mr. P. Gopalakrishnan	15	0.00 $^{\alpha}$	0.00 $^{\alpha}$
TOTAL		**63,331,425**	**98.94**	**86.88**

α less than 0.01%

(b) *Preference Shares*

S.No.	**Name of the Shareholder**	**No. of preference Shares**	**Pre-Issue Percentage Shareholding (%)**	**Post-Issue Percentage Shareholding (%)***
1.	Mr. P.N.C. Menon	872, 843	100	100

6. Our Company, our Directors and the BRLMs and the CBRLMs have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares of our Company from any person, other than as disclosed in this Red Herring Prospectus.

7. Our Promoters have not been issued Equity Shares for consideration other than cash other than set out in “Capital Structure- Notes to Capital Structure- Share Capital History of the Company”.

8. Our Promoters, Directors and our Promoter Group have not purchased or sold any Equity Shares within the last six months preceding the date of filing of this Red Herring Prospectus with SEBI other than as disclosed below:

Transferor	Transferee	Number of Equity Shares	Price Per Equity Share (Rs.)	Date Of Transfer
Mr. P.N.C. Menon	Mr. Ravi Menon	10	10	March 29, 2006
Mrs. Sobha Menon	Mr. J.C. Sharma	5	10	March 29, 2006
Mrs. Sobha Menon	Mr. P. Gopalakrishnan	5	10	March 29, 2006
Mr. P.N.C. Menon	Mr. P.N.Haridass	15,000	10	March 29, 2006
Mr. P.N.C. Menon	Mr. P.N.K Mani	15,000	10	March 29, 2006

9. At least 60% of the Net Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. Up to 10% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Further upto889,300 shares shall be available for allocation on a proportionate basis to Eligible Employees subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in any category, except the QIB Portion, would be met with spill over from other categories at our sole discretion in consultation with the BRLMs and IIL.

10. A total of 10% of the Issue size, i.e. up to 889,300 Equity Shares, has been reserved for allocation to the Eligible Employees on a proportionate basis, subject to valid Bids being received at or above the Issue Price. Only Eligible Employees, as defined, who are Indian nationals based in India and are physically present in India on the date of submission of the Bid cum Application Form would be eligible to apply in this issue under the Employee Reservation Portion. Employees, other than as defined, are not eligible to participate in the Employee Reservation Portion. If the aggregate demand in the Employee Reservation Portion is greater than 889,300 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis. Eligible Employees may bid in the Net Issue to the Public portion as well and such Bids shall not be treated as multiple Bids. Any under subscription in the Employee Reservation Portion would be treated as part of the Net Issue.

11. There are no outstanding warrants, options or rights to convert debentures, preference shares, loans or other instruments into our Equity Shares.

12. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.

13. We have not raised any bridge loan against the proceeds of the Issue.

14. An oversubscription to the extent of 10% of the Issue can be retained for the purposes of rounding off while finalizing the Basis of Allotment.

15. Our Promoters and members of our Promoter Group will not participate in this Issue.

16. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus to SEBI until the Equity Shares issued/ to be issued pursuant to the Issue have been listed.

17. We presently do not intend or propose to alter our capital structure for a period of six months from the date of filing of this Red Herring Prospectus, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise except that if we enter into acquisitions or joint ventures, we may, subject to necessary

approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.

18. The Equity Shares held by the Promoters are not subject to any pledge.

19. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash except for bonus shares out of free reserves.

20. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

21. The DIPP has by its letter dated October 3, 2006 bearing number 5(6)/2000-FC(Pt.File), clarified that 'guidelines notified by Press Note 2 (2005 Series) are applicable to investment made only under the FDI route and not applicable to investment by FIIs under the Portfolio Investment Scheme under the FEMA Regulations.'

22. The RBI has by its letter dated October 27, 2006 has stated that the DIPP has clarified that Press Note 2 (2005 Series) are not applicable to investments by FIIs subscribing to this Issue, as a result the regulations under Notification 136/2005-RB dated July 19, 2005 wold not be applicable. Therefore, FIIs are permitted to invest in the Issue.

23. As of the date of filing of this Red Herring Prospectus, the total number of holders of Equity Shares is 11.

OBJECTS OF THE ISSUE

The objects of the Issue are to (a) finance land acquisition, (b) finance the construction and development costs for some of our existing and proposed residential projects, (c) repay certain loans of our Company, (d) fund expenditures for general corporate purposes and (e) achieve the benefits of listing on the Stock Exchanges.

The main object clause of our Memorandum of Association and objects incidental to the main objects enable us to undertake our existing activities and the activities for which funds are being raised by us through this Issue.

We intend to utilize the proceeds of the Issue, after deducting underwriting and management fees, selling commissions and other expenses associated with the Issue ("Net Proceeds"), which is estimated at Rs. [●] for financing the growth of our business.

The details of the utilization of Net Proceeds of this Issue will be as per the table set forth below:

(In Rs. Million)

S. No.	Expenditure Items	Total cost	Amount paid as on September 30, 2006	Estimated amount to be financed from Net Proceeds of the Issue	Estimated Net Proceeds utilization as on March 31,			
					2007	2008	2009	2010
1.	Land acquisition	3,756.82	1,414.24	2,342.59	2,342.59	-	-	-
2.	Development and construction costs for existing projects and for forthcoming projects	4,453.88	1,112.78	1,424.90	433.45	534.28	445.96	11.21
3.	Repayment of loans of the Company	Up to 1,321.76	Nil	Upto 1,321.76	Upto 1,321.76	-	-	-
4.	General corporate purposes	[•]	Nil	[•]	[•]	[•]	[•]	[•]
	Total	**[•]**	**2,527.02**	**[•]**	**[•]**	[•]	**[•]**	**[•]**

The fund requirement and deployment are based on internal management estimates and have not been appraised by any bank or financial institution. These are based on current conditions and are subject to change in light of changes in external circumstances or costs, or in other financial condition, business or strategy, as discussed further below.

In case of variations in the actual utilization of funds earmarked for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes for which funds are being raised in this Issue. If surplus funds are unavailable, the required financing will be through our internal accruals and debt.

In addition, the fund requirements are based on the current internal management estimates of our Company. We operate in a highly competitive, dynamic market condition, and may have to revise our estimates from time to time on account of new projects that we may pursue including any industry consolidation initiatives, such as potential acquisition opportunities. We may also reallocate expenditure to newer projects or those with earlier completion dates in the case of delays in our existing projects. Consequently, our fund requirements may also change accordingly. Any such change in our plans may require rescheduling of our expenditure programs, starting projects which are not currently planned, discontinuing projects currently planned and an increase or decrease in the expenditure for a particular project or land acquisition in relation to current plans, at the discretion of the management of the Company. In case of any shortfall or cost overruns, we intend to meet our estimated expenditure from our cash flow from operations and debt.

Details of the Objects

Expenditure on land acquisition

We are in the business of real estate development including residential and commercial projects, and we intend to diversify the portfolio of projects undertaken by us to include retail projects and plot development. For details of our business, see the section titled "Our Business" on page 52.

We intend to utilize a part of the Net Proceeds of the Issue to finance land acquisition expenditure, directly or indirectly.

Estimated cost of land acquisition

We propose to acquire lands in Bangalore, Trissur, Mysore and Chennai aggregating 841.14 Acres or 36,640,222 sq ft. These lands are at various stages of identification and acquisition and are as set forth below:

S. No.	Location	Land Area (sq. ft)	Total cost of Land (Rs. Mn)	Amount Paid as on September 30 2006* (Rs. Mn)	Amount Payable as on September 30, 2006 (Rs. Mn)	Status of acquisition
Bangalore						
1	Whitefeild, Belathur Village	335,412	100.62	67.07	33.55	Executed a MOU[1]
2	Meenakshi Temple – Kotanur Village	555,390	217.71	60.00	157.71	Executed an Agreement for Sale[2]
3	Agara Village	261,360	134.55	7.50	127.05	Executed a MOU[3]
4	Dodda Amanikere	7,011,799	875.93	645.94	229.99	Executed a MOU [4]
5	Nandagudi	2,150,775	29.02	2.30	26.72	Executed a MOU [5]
6	Chhokanahalli Village Deejay Farms	1,611,720	912.00	200.00	712.00	Executed an Agreement of Sale [6]
Trissur						
7	Guruvayur	2,395,800	440.00	245.00	195.00	Executed an Agreement to Sale [7]
Mysore						
8	Belavatta, Kasaba Hobli	537,966	196.99	100.00	96.99	Executed an Agreement of Sale [8]
Chennai						
9	Sriperumbudur	21,780,000	850.00	86.43	763.57	Entered into a Tripartite MOU [9]
	Total	**36, 640,222**	**3,756.82**	**1,414.24**	**2,342.59**	

**As per Certificate from S. Janardhan & Associates, Chartered Accountants dated October 28, 2006*

1. *Dated August 4, 2004 and a Supplemental MOU dated 8th March 2006 with Mrs. Mariyam*
2. *Dated February10, 2004 with Mr. N Swaroop Kumar, Mrs. Susheela N. Reddy, Mr. N. Shashank Kumar and Mr. C Muni Reddy*
3. *Dated May 11, 2004 with Mr. Vinay Karthik*
4. *Dated September 28, 2005 and a Supplemental MOU dated 10th March 2006 with M/s. Shridhar Infrastructure*
5. *Dated April 11, 2005 with Mr. K Rajendran*
6. *Dated October 6, 2005 with Ramananda Nayak*
7. *Dated March 29, 2006 with Mr. A V Jose Mr. Varghese Mr. Paul, Mr. John, Ms. Annie Jose, and Mr. P. P. Jose*
8. *Dated March 3, 2006 with Mr. J Santosh Kumar*
9. *Dated August 25, 2005 with Parrot Groove Private Limited & Technobuild Developers Pvt. Ltd.*

In respect of the abovementioned lands, lands in the cities - Bangalore, Trissur and Mysore form part of our Land Reserves, and the Lands in the city of Chennai form part of Land Arrangements. See "Our Business – Land Reserves" and "Our Business – Land Arrangement"on page 66 and page 68 respectively.

None of the above mentioned lands forming part of our land reserves have or are being purchased from our Promoters. No specific approvals are required for the acquisition of the above mentioned parts of land.

We intend to utilize the entire amount earmarked for the acquisition of land during fiscal 2007. In respect of many of our land acquisitions, we are required to pay an advance at the time of executing an agreement to purchase, with the remaining purchase price due upon completion of the acquisition. The estimated costs described in this section include such advances and deposits.

Means of Finance

The total cost of acquisition of lands which we have agreed to acquire is approximately Rs. 3,756.82 million. As of September 30, 2006, we had paid approximately Rs. 1,414.24 million of the total cost as partial payment, and the balance amount payable towards the acquisition of these lands was Rs. 2,342.59 million, as certified by S. Janardhan & Associates, Chartered Accountants Certificate dated October 28, 2006. The entire amount of Rs. 1,414.24 million which has been paid as partial payment towards the acquisition of the aforesaid lands has been funded from the internal accruals of the Company. We propose to finance the remaining acquisition cost aggregating to Rs. 2,342.59 million for the acquisition of the above mentioned lands from the Net Proceeds of the Issue.

Development and construction costs for our existing projects and our forthcoming projects.

We are developing residential projects which are at various stages of construction and development in Bangalore. We propose to deploy an amount aggregating to Rs. 1,424.90 million out of the Net proceeds of the Issue in our existing and our forthcoming residential projects, under development, Rs. 433.45million, Rs. 534.28 million Rs. 445.96 million and Rs. 11.21 million in fiscal 2007, 2008, 2009 and 2010, respectively.

Details of the projects

The details of these residential projects, like the total project cost, the costs already incurred, the balance funds required for completion of the project as set forth in the table below:

(*Rs. in million*)

Name of the Project	Super built-up Area (Sq ft)	Start date of the Project	Estimated Completion date	Total Cost of Project	Break-up of the Funding of the Total Cost of the Project			Cost incurred as of September 30, 2006 *	Cost to be incurred as on September 30, 2006	Name of the Bank	Date of the Sanction Letter/Loan Agreement
					Internal Accruals	Project Specific Loans	Net Proceeds of the Issue				
Aster	86,982	December 2005	November 2007	141.65	20.84	90.00	30.81	73.04	68.61	Dhanalakshmi Bank	November 24, 2005
Lotus	74,196	July 2004	December 2006	139.74	136.67	-	3.07	136.67	3.07	-	-
Rose	343,238	December 2004	January 2007	455.93	386.54	-	69.39	386.54	69.39	-	-
Daisy	324,448	December 2005	January 2008	450.35	120.96	150.00	179.39	192.56	257.79	Standard Chartered Bank	August 3, 2005
Fiorella	92,570	June 2006	November 2007	122.04	21.59	-	100.45	21.59	100.45	-	-
Dreams	395,525	December 2006	November 2008	456.16	25.42	400.00	30.73	25.42	430.73	Corporation Bank	December 21, 2005
Basil	765,449	December 2006	November 2008	944.06	110.76	500.00	333.31	110.76	833.31	Oriental Bank of Commerce	January 31, 2006
Beryl	531,616	December 2006	November 2008	695.98	79.92	300.00	316.06	79.92	616.06	Oriental Bank of Commerce	January 31, 2006
Sunbeam -1	178,278	December 2006	November 2008	231.44	28.40	100.00	103.03	28.40	203.03	Hong Kong and Shanghai Banking Corporation Limited	June 23, 2006
Sunbeam -2	178,278	December 2006	November 2008	231.42	28.38	100.00	103.05	28.38	203.05	Hong Kong and Shanghai Banking Corporation Limited	June 23, 2006
Sunscape	509,800	December 2006	November 2008	585.11	29.51	400.00	155.60	29.51	555.60	Hong Kong and Shanghai Banking Corporation Limited	June 23, 2006
Total	**3,480,379**			**4,453.88**	**988.98**	**2040.00**	**1424.90**	**1,112.78**	**3,341.10**		

**As per Certificate from S. Janardhan & Associates, Chartered Accountants dated October 28, 2006*

Means of Finance

The total cost of development and construction of these 11 projects is estimated to be Rs. 4,453.88 million.

As per Certificate from S. Janardhan & Associates, Chartered Accountants dated October 28, 2006, we have deployed Rs.1,112.78 million of the total cost by way of project specific loans and internal accruals. Out of the total amount of Rs.1,112.78 million deployed for development and construction of aforesaid projects, Rs. 988.98 Million has been funded from the Company's internal accruals and Rs. 123.80 Million has been funded from the project specific loans.

The Balance amount of Rs. 3,341.10 million is proposed to be funded as follows:

S. No.	Particulars	Amount (Rs. Million)
1	Project Specific Loans	1,916.20*
2	Net Proceeds of the Issue	1,424.90
	Total	**3,341.10**

* *With reference to para 2.8 of the SEBI Guidelines, we confirm that firm arrangements for 75% of the stated means of finance, excluding net proceeds of the Issue, have been made.*

The details of the project specific loans is as set forth below:

Sl.No.	Name of the Project	Name of the lender bank	Loan Amount (Sanctioned)	Terms	Repayment	Covenants
1.	Sobha Aster	Dhanalaxmi Bank	Rs. 90 million	Tenure of 16 months. Interest rate at designated bank lending rate minus 4% (subject ot a minimum of 8.5% per annum)	Repayment in four monthly instalments following repayment holiday of 12 months. Repayment in one instalment of Rs. 15 million and three instalments of Rs.25 million each.	Loans secured against • equitable mortagage over immovable property. • Personal Guarantee of our Promoters. • Hypothecation of stcoks and receivables at construction site. • Excess charge over property already hypothecated. • Equitable mortgage of building being financed. • Excess charge over our office premises.
2.	Sobha Lotus	Andhra Bank	Rs.100 million	Interset rate at the specified bank lending rate less 2%.	Outstanding limit to be self-liquidated by routing the receivables from the project through a designated account.	Loans secured against • Equitable mortagage over immovable property. • Assignment of future receivables of the project.
3.	Sobha Rose	Andhra Bank	Rs.100 million	Interset rate at the specified bank lending rate less 2%.	Outstanding limit to be self-liquidated by routing the receivables from the project through a designated account.	Loans secured against • Equitable mortagage over immovable property. • Assignment of future receivables of the project.
4.	Sobha Daisy	Standard Chartered Bank	Rs.150 million	Tenure of 24 months from the date of instituting initial limit of Rs. 150 million. Interest payable at 9.6% per annum for the first tranche	Repayment in accordance with the repayment schedule at the end of 18th, 21st and 24th month from the date of instituting initial limit in instalments of Rs. 30 million, Rs. 30 million and Rs. 90 million	Loan secured against: • Equitable mortagae over immovable property. • Charge on receivables of the property mortgaged. • Personal Guarnatees of our Promoters. • Promissory Note for the loan amount

Sl.No.	Name of the Project	Name of the lender bank	Loan Amount (Sanctioned)	Terms	Repayment	Covenants
				of Rs.11.60 million, 8.75% for the second tranche of 20 mllion and 9.60% for the third tranche of 40 million.	respectively.	executed by the Company.
5.	Sobha Fiorella	ABN Amro Bank	Rs.200 million	Interest rate at the rate of 9.25% per annum.	Repayament on demand as per the limit reduction repayment schedule.	Loan secured against: • Equitable mortgage over immovable property. • Charge on receivables. • Personal Guarantees of our Promoters. • Assignment of future receivables of the project.
6.	Sobha Dreams	Corporation Bank	Rs.400 million	Interest rate at the rate of 8.5% at 2% below the specified Bank Lending Rate subject to revision on a monthly basis.	Repayable within 24 months from initial payment, inclusive of initial moratorium of 12 months in four equal quarterly instalments of Rs.100 million each.	Loan secured against: • Equitable mortgage over immovable property. • Perosnal guarantees of our Promoters. • Equitable mortgage of buildings being financed.
7.	Sobha Basil	Oriental Bank of Commerce	Rs.500 million	Interest to be charged at 2.5% below the specified Bank Lending Rate.	Repayment in five instalments commencing from March 2007 in accordance with the repayment schedule.	Loan secured against: • Equitable mortgage over immovable property. • Personal Guarnatees of our promoters.
8.	Sobha Beryl	Oriental Bank of Commerce	Rs.300 million	Interest to be charged at 2.5% below the specified Bank Lending Rate.	Repayment in five instalments commencing from March 2007 in accordance with the repayment schedule.	Loan secured against: • Equitable mortgage over immovable property. • Perosnal Guarnatees of our Promoters.
9.	Sobha Sunbeam-1	HongKong and Shanghai Banking Corporation	Rs.100 million	Tenor of maximum 27 months maximum; Interest rate is at the rate of 9.25% per annum	Repayment in a 15 equal monthly instalments following moratorium of 12 months.	Loan secured against: • Exclusive mortgage over immovable property. • First and exclusive hypothecation and escrow of entire cash flow and receivables. • Personal guarantees of our Promoters. • Promissory note for the loan amount executed by the Company.
10.	Sobha Sunbeam-2	HongKong and Shanghai Banking Corporation	Rs.100 million	Tenor of maximum 27 months maximum; Interest rate is at the rate of 9.25% per annum	Repayment in 15 equal monthly instalments following moratorium of 12 months.	Loan secured against: • Exclusive mortgage over immobanle property. • First and exclusive hypothecation and escrow of entire cash flow and receivables.

Sl.No.	Name of the Project	Name of the lender bank	Loan Amount (Sanctioned)	Terms	Repayment	Covenants
						• Personal guarantees of our Promoters. • Promissory note for the loan amount executed by the Company.
11.	Sobha Sunscape	Hongkong and Shanghai Banking Corporation Limited	Rs.100 million	Tenor of maximum 27 months maximum; Interest rate is at the rate of 9.25% per annum	Repayment in a 15 equal monthly instalments following moratorium of 12 months.	Loan secured against: • Exclusive mortgage over immobanle property. • First and exclusive hypothecation and escrow of entire cash flow and receivables. • Personal guarantees of our Promoters. • Promissory note for the loan amount executed by the Company.

Repayment of Loans

For details, see the section titled "Financial Indebtedness" on page 286.

We intend to repay up to Rs. 1,321.76 million of our outstanding debt from the Net Proceeds of the Issue, including any loans we may borrow until the Closing Date. We propose to deploy the entire amount of up to Rs. 1,321.76 million during the Fiscal 2007.

The loans that we propose to repay along with the repayment schedule is as set forth below:

S. No.	Name of the Lender	Purpose of the loan	Date of the Loan agreement / Sanction Letter	Proposed Repayment during Fiscal 2007 (Rs. Million)
1	Dhanalaxmi Bank	Towards part funding of project cost of Sobha Aster	November 24, 2005	90.00
2	Corporation Bank	Towards part funding of project cost of Sobha Ivory	May 4, 2005	325.00
		Towards part funding of project cost of Sobha Primrose	August 5, 2005	
		Towards part funding of project of cost Sobha Dreams	December 21, 2005	
		Towards part funding of project cost of Sobha Carnation	December 21, 2005	
		Working capital finance against receivables of Sobha Quartz, Sobha Aquamarine and Sobha Ivory.	December 21, 2005	
3	UTI Bank Limited	Sobha Dahlia	May 25, 2005	190.20
		Corporate loan for funding construction of Infosys projects and meeting cash flow mismatches.	October 3, 2005	
		Funding for capital expenditure	May 2, 2006	
4	ICICI Bank Limited	Project cost of Sobha Daffodil	November 28, 2005	237.80
		Equipment finance	April 26, 2005	
5	HDFC Limited	Term loan for construction finance of Sobha Iris	March 30, 2005	50.00

S. No.	Name of the Lender	Purpose of the loan	Date of the Loan agreement / Sanction Letter	Proposed Repayment during Fiscal 2007 (Rs. Million)
6	Canara Bank	Project cost of Mayflower/Jasmine	January 31, 2006	68.76
7	State Bank of India	Construction cost of Sobha Tulip	November 28, 2005	160.0
8	UCO Bank	Project cost for Sobha Magnolia	August 31, 2005	200.00
	SUB TOTAL (A)			**1,321.76**

In addition to the above, we may, from time to time, enter into further financing arrangements and draw down funds thereunder.

General Corporate Purposes

We, in accordance with the policies set up by our Board, will have flexibility in applying the remaining Net Proceeds of this Issue, for general corporate purposes towards acquisition of land, construction of projects, strategic initiatives and acquisitions, brand building exercises and the strengthening of our marketing capabilities.

Our management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently our funding requirement and deployment of funds may also change. This may also include rescheduling the proposed utilization of Net Proceeds and increasing or decreasing expenditure for a particular object vis-à-vis the utilization of Net Proceeds. In case of a shortfall in the Net Proceeds of the Issue, our management may explore a range of options including utilizing our internal accruals or seeking debt from future lenders. Our management expects that such alternate arrangements would be available to fund any such shortfall. Our management, in accordance with the policies of our Board, will have flexibility in utilizing the proceeds earmarked for general corporate purposes.

Issue Related Expenses

The expenses of this Issue include, among others, underwriting and management fees, printing and distribution expenses, legal fees, advertisement expenses and listing fees. The estimated Issue expenses are as follows:

(Rs. in million)

Activity	Expenses*
Lead management fee and underwriting commissions	[•]
Advertising and Marketing expenses	[•]
Printing and stationery	[•]
Others (Monitoring agency fees, Registrars fee, legal fee, etc.)	[•]
TOTAL	**[•]**

* *Will be incorporated after finalisation of the Issue Price*

Working Capital Requirement

The Net Proceeds of this Issue will not be used to meet our working capital requirements as we expect sufficient internal accruals to meet our existing working capital requirements.

Interim use of funds

Pending utilization for the purposes described above, we intend to invest the funds in high quality interest bearing liquid instruments including money market mutual funds, deposits with banks, for the necessary duration or for reducing overdrafts. Our management, in accordance with the policies established by our Board of Directors from time to time, will have flexibility in deploying the Net Proceeds of the Issue.

Monitoring Utilization of Funds

Our Board will monitor the utilization of the Net Issue proceeds. We will disclose the details of the utilization of the Issue proceeds, including interim use, under a separate head in our financial statements for fiscal 2007, fiscal 2008 fiscal 2009 and fiscal 2010, specifying the purpose for which such proceeds have been utilized or otherwise disclosed as per the disclosure requirements of our listing agreements with the Stock Exchanges and in particular Clause 49 of the Listing Agreement.

No part of the proceeds from the Issue will be paid by us as consideration to our Promoters, our Directors, Promoter group companies or key managerial employees, except in the normal course of our business.

Our Company has appointed Karnataka State Financial Corporation, as the monitoring agency. For further details see “General Information” on page11.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by us in consultation with the BRLMs on the basis of the demand from investors for the Equity Shares through the Book-Building Process. The face value of the Equity Shares is Rs. 10 and the Issue Price is 55 times the face value at the lower end of the Price Band and 64 times the face value at the higher end of the Price Band.

Qualitative Factors

For some of the qualitative factors, which form the basis for computing the price refer to "Our Business- Our Strengths" on page 52 and Risk Factors on page x.

Quantitative Factors

Information presented in this section is derived from the Company's unconsolidated summary statement of assets and liabilities and unconsolidated summary statement of profits and losses, as restated and unconsolidated cash flows, as restated, under Indian GAAP as at and for the year ended March 31, 2006 prepared in accordance with Indian GAAP. Some of the quantitative factors, which form the basis for computing the price, are as follows:

1. Basic and Diluted Earnings per Share (EPS) as per Accounting Standard 20

Year ended	EPS Annualised (Rs.)	Weight
March 31, 2004	1.40	1
March 31, 2005	5.34	2
March 31, 2006	13.96	3
September 30, 2006	16.96	4
Weighted Average	12.18	

Note:
- The earning per share has been computed by dividing net profit as restated, attributable to equity shareholders by restated weighted average number of equity shares outstanding during the year.
- The face value of each equity share is Rs. 10/-

2. Price Earning Ratio (P/E) in relation to the Issue Price of Rs. [●] per share of Rs. 10 each

a. P/E ratio in relation to the Floor Price : [●] times
b. P/E ratio in relation to the Cap Price : [●] times
c. P/E based on EPS for the year ended March 31, 2006 : [●] times
d. P/E based on Weighted average EPS : [●] times
e. Industry P/E*
   i. Highest : 215.20
   ii. Lowest : 3.00
   iii. Industry Composite : 40.60

* P/E based on trailing twelve month earnings for the entire construction sector
Source: Capital Market, Volume XXI/16, October 9 –22, 2006 (Industry-Construction)

3. Average Return on Networth (RoNW)

Year ended	RoNW (%)	Weight
March 31, 2004	30.20	1
March 31, 2005	52.23	2
March 31, 2006	65.21	3
September 30, 2006 (Annualised)	56.58	4
Weighted Average	55.66	

Note: The RoNW has been computed by dividing net profit after tax as restated, by Net Worth as at the end of the year.

4. Minimum Return on Total Net Worth after issue needed to maintain Pre-Issue EPS for the year ended March 31, 2006 is [●]

5. Net Asset Value

NAV as at September 30, 2006 : Rs. 29.97 per Equity Share
NAV after the issue : (Rs.) [●] per Equity Share
Issue Price : Rs. [●] per Equity Share

NAV per equity share has been calculated as shareholders' equity less miscellaneous expenses as divided by restated weighted average number of equity shares

The Issue Price of Rs. [●] per Equity Share has been determined on the basis of the demand from investors through the Book building Process and is justified based on the above accounting ratios.

6. Comparison with other listed companies

	EPS (Rs)	**P/E as on September 29, 2006**	**RoNW (%)**	**NAV (Rs.)**	**Sales (Rs. in million)**
Sobha Developers Limited#	16.96	NA	56.58	29.97	5328.42
Ansal Housing*	11.5	14.5	24.3	58.5	1,175
D.S. Kulkarni *	7.7	23.1	62.5	86.9	166
Mahindra Gesco*	0.2	215.2	2.1	41.2	1,211
Unitech*	0.8	207.9	35.0	2.8	6,531

For the six months ended September 30, 2006, Annualised * All the figures except for the P/E ratio are as of March 31, 2006

All figures for peer group are from Source: Capital Market, Volume XXI/16, October 9 –22, 2006. (Industry-Construction)

The peer listed companies, as stated above are engaged in the real estate business.

We retained Cushman & Wakefield, a leading international property consultant, to perform a valuation of our Land Reserves and Land Arrangements that we propose to develop. For details on valuation of these properties see "Our Business- "Land Reserves" and "Land Arrangement" on page 66 and 68 and Appendix on page 393.

As on September 30, 2006 our Land Reserves increased from 2,592.83 acres as on June 30, 2006, to 2,747.06 acres and Land Arrangements have decreased from 3,456.19 acres as on June 30, 2006, to 3,373.28 acres, and there has been a corresponding change in the payments made and payments outstanding in respect of Land Reserves and Land Arrangements. See 'Recent Developments in relation to our Lands' on page 8.

The Issue Price of Rs. [•] has been determined by us, in consultation with the BRLMs on the basis of the demand from investors for the Equity Shares through the Book-Building Process and is justified based on the above accounting ratios. For further details, see the section titled "Risk Factors" beginning on page x of this Red Herring Prospectus and the financials of the Company including important profitability and return ratios, as set out in the auditor's report stated on page 133 of this Red Herring Prospectus to have a more informed view.

STATEMENT OF TAX BENEFITS

Sobha Developers Limited
E-106 Sunrise Chambers
22 Ulsoor Road
Bangalore 560 042

Dear Sirs,

We hereby certify that the enclosed annexure states the possible tax benefits available to Sobha Developers Limited (formerly Sobha Developers Private Limited) (the "Company") and its shareholders under the current Direct Tax laws, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed below are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws and the fact that the Company will not distinguish between the shares offered for subscription and the shares offered for sale by the Selling Shareholders, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising our of their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

- the Company or its shareholders will continue to obtain these benefits in future; or
- the conditions prescribed for availing the benefits have been/would be met with

The contents of this annexure are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of the current direct tax laws presently in force in India.

For S.Janardhan & Associates
Chartered Accountants

Place : Bangalore
Date : 29th June 2006

(B.Anand)

Partner
Membership No.29146

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO SOBHA DEVELOPERS LIMITED (THE "COMPANY") AND ITS SHAREHOLDERS UNDER THE INCOME TAX ACT, 1961 ('the IT Act')

The tax benefits listed below are the possible benefits available under the current tax laws in India. Several of these benefits are dependent on the company or its shareholders fulfilling the conditions prescribed under the tax laws. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions as may be prescribed under the relevant sections of the Income Tax Act, 1961.

I. BENEFITS AVAILABLE TO THE COMPANY

DEDUCTIONS UNDER CHAPTER VI A OF THE IT Act.

1.1 Subject to the conditions specified under Section 80-IB (10) of the IT Act, the Company is eligible for hundred percent deduction of the profits derived from development and building of housing projects approved before March 31, 2007, by a local authority.

INCOME FROM HOUSE PROPERTY

2.1 The Company is eligible for deduction of thirty percent of the annual value of the property (i.e. actual rent received or receivable on the property or any part of the property which is let out) as per the provisions of section 24(a) of the IT Act.

2.2 Wherever the property has been acquired, constructed, repaired, renewed or reconstructed with borrowed capital, the amount of interest payable on such capital shall be allowed as a deduction in computing Income from house property, as per the provisions of section 24(b).

II BENEFITS AVAILABLE TO THE COMPANY AND PROSPECTIVE RESIDENT SHAREHOLDERS OTHER THAN DOMESTIC COMPANIES

DIVIDENDS EXEMPT UNDER SECTION 10(34) OF THE ACT

1 Any income by way of dividends (declared, distributed or paid on or after 1 April, 2003) from a domestic company are exempt in the hands of the Company/shareholders, if the same is subject to dividend distribution tax as referred to in Section 115-O, as per the provisions of section 10(34) of the IT Act. However, Section 94(7) of the IT Act provides that the losses arising on account of sale/transfer of shares purchased up to three months prior to the record date and sold within three months after such date will be disallowed to the extent of dividend on such shares are claimed as tax exempt by the shareholder.

INCOME FROM CAPITAL GAINS

2.1 Section 48 of the IT Act, categorises capital assets into two major categories viz. Long term Capital Assets and Short Term Capital Assets. If the shares are held for a period more than 12 months it is termed as a long term asset and otherwise as a short term asset. Any profit or loss arising on account of sale/transfer of such Long Term Assets are termed as long term capital gains and short term assets as short term capital gains.

2.2 Section 48 of the IT Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, as per second proviso to Section 48 of the IT Act, in respect of long term capital gains arising from transfer of shares of Indian Company, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed annually.

2.3 Provisions of Section 112 of the IT Act, permit taxing long term capital gains (which are not exempt under Section 10(38) of the IT Act) arising on transfer of shares in the Company at a rate of 20 percent (plus applicable surcharge and education cess) after factoring the indexation benefit.

However, the share holder may opt for the tax on long term gains computed at the rate of 10 percent (plus applicable surcharge and education cess), if the tax on indexed long term capital gains resulting on transfer of listed securities calculated at the rate of 20 percent exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit.

2.4 Provisions of Section 111A of the IT Act, prescribes for taxing the short-term capital gains arising from sale of equity shares in the Company at a rate of 10 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax.

2.5 Provisions of section 10(38) of the IT Act, exempts from tax the long term capital gains arising on sale of equity shares in the Company where the sale transaction has been entered on a recognized stock exchange of India and is liable to securities transaction tax.

2.6 Provisions of Section 54EC of the IT Act exempts long-term capital gains (which are not exempt under section 10(38) of the IT Act from being taxed to the extent specified therein, subject to the conditions as referred to in the section and to the extent such capital gains are invested within 6 months from the date of such transfer in the bonds (long term specified assets) issued by

a. National Highway authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
b. Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;

If only part of the capital gain is so reinvested, exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion into money takes place.

2.7 Subject to the conditions specified under the Provisions of Section 54F of the IT Act, long-term capital gains (which are not exempt from tax under Section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family (‘HUF’) on transfer of shares of the Company will be exempt from capital gains tax if the sale proceeds from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property, within a period of 3 years after the date of such transfer.

Provisions of Section 88E provides that where the total income of a person includes income chargeable under the head “Profits and Gains of business or profession” arising from purchase or sale of equity shares in a company entered into on a recognized stock exchange, ie. from taxable securities transactions, he shall get a rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax on such income.

III BENEFITS AVAILABLE TO CORPORATE RESIDENT SHAREHOLDERS(DOMESTIC COMPANIES).

DIVIDENDS EXEMPT UNDER SECTION 10(34) OF THE ACT

1 Any income by way of dividends (declared, distributed or paid on or after 1 April, 2003) from a domestic company are exempt in the hands of the Company/shareholders, if the same is subject to dividend distribution tax as referred to in Section 115-O, as per the provisions of section 10(34) of the IT Act. However, Section 94(7) of the IT Act provides that the losses arising on account of sale/transfer of shares purchased up to three months prior to the record date and sold within three months after such date will be disallowed to the extent dividend on such shares are claimed as tax exempt by the shareholder.

INCOME FROM CAPITAL GAINS

2.1 Section 48 of the IT Act, categorises capital assets into two major categories viz. long term capital assets and short term capital assets. If the shares are held for a period more than 12 months it is termed as a long term asset and otherwise short term asset. Any profit or loss arising on account of sale/transfer of such long term assets are termed as long term capital gains and short term assets as short term capital gains.

2.2 Section 48 of the IT Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition / improvement and expenses incurred wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. Further, in respect of long term capital gains from transfer of shares of Indian Company, it offers a benefit by permitting substitution of cost of acquisition / improvement with the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index, as prescribed annually.

2.3 Provisions of Section 112 of the IT Act, permit taxing long term capital gains (which are not exempt under Section 10(38) of the IT Act) arising on transfer of shares in the Company at a rate of 20 percent (plus applicable surcharge and education cess) after factoring the indexation benefit. However, the share holder may opt for the tax on long term gains computed at the rate of 10 percent (plus applicable surcharge and education cess), if the tax on indexed long term capital gains resulting on transfer of listed securities calculated at the rate of 20 percent exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit.

2.4 Provisions of Section 111A of the IT Act, prescribes for taxing the short-term capital gains arising from sale of equity share in the Company at a rate of 10 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax.

2.5 Provisions of section 10(38) of the IT Act, exempts from tax the long term capital gains arising on sale of equity shares in the Company where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax, subject to the condition that the income by way of long-term capital gain of the company shall be taken into account in computing the book profit and income tax payable under Section 115JB.

2.6 Provisions of Section 54EC of the IT Act exempts long-term capital gains (which are not exempt under section 10(38) of the IT Act from being taxed to the extent specified therein, subject to the conditions as referred to in the section and to the extent such capital gains are invested within 6 months from the date of such transfer in the bonds (long term specified assets) issued by

a. National Highway authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
b. Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;

If only part of the capital gain is so reinvested, exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion into money takes place.

Provisions of Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and Gains of business or profession" arising from purchase or sale of an equity share in a company entered on a recognized stock exchange, i.e. from taxable securities transactions, the company shall get a rebate equal to the securities transaction tax paid by it in the course of its business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax on such income.

IV BENEFITS AVAILABLE TO MUTUAL FUNDS

1. Provisions of Section 10(23D) of the IT Act exempts the Mutual Funds registered under the Securities and Exchange Board of India or Mutual Funds set up by Public Sector Banks or Public Financial Institutions or authorized by the Reserve Bank of India and subject to the conditions specified therein, from income tax on their income.

V BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS ('FIIS')

DIVIDENDS EXEMPT UNDER SECTION 10(34) OF THE ACT

1. Any income by way of dividends (declared, distributed or paid on or after 1 April, 2003) from a domestic company are exempt in the hands of the Company/shareholders, if the same is subject to dividend distribution tax as referred to in Section 115-O, as per the provisions of section 10(34) of the IT Act. However, Section 94(7) of the IT Act provides that the losses arising on account of sale/transfer of shares purchased up to three months prior to the record date and sold within three months after such date will be disallowed to the extent dividend on such shares are claimed as tax exempt by the shareholder.

INCOME FROM CAPITAL GAINS

2.1 Provisions of Section 115AD of the IT Act, provides for taxing income of FIIs arising from securities (other than income by way of dividends referred to in section 115(O) of the IT Act) at concessional rates, as follows:

Nature of income	Rate of tax (%)
Income in respect of securities (other than units referred to in Section 115AB)	20
Long Term capital gains	10
Short term capital gains (other than short term capital gain referred to in section 111A)	30

The above tax rates would be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation protection as provided under Section 48 of the IT act are not available to a FII.

2.2 Provisions of Section 111A of the IT Act, prescribes for taxing the short-term capital gains arising from sale of equity share in the Company at a rate of 10 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax.

2.3 Provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the FII would prevail over the provisions of the IT Act, as per section 90(2) of the IT Act,to the extent they are more beneficial to the FII.

2.4 Provisions of section 10(38) of the IT Act, exempts from tax the long term capital gains arising on sale of equity shares in the Company where the sale transaction has been entered on a recognized stock exchange of India and is liable to securities transaction tax.

2.5 Provisions of Section 54EC of the IT Act exempts long-term capital gains (which are not exempt under section 10(38) of the IT Act from being taxed to the extent specified therein, subject to the conditions as referred to in the section and to the extent such capital gains are invested within 6 months from the date of such transfer in the bonds (long term specified assets) issued by

a. National Highway authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
b. Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;

If only part of the capital gain is so reinvested, exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion into money takes place.

Provisions of Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and Gains of business or profession" arising from purchase or sale of an equity share in a company entered on a recognized stock exchange, ie. from taxable securities transactions, he shall get a rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax on such income.

V BENEFITS AVAILABLE TO VENTURE CAPITAL COMPANIES/FUNDS

1. Provisions of Section 10(23FB) of the IT Act, exempts any income of Venture Capital companies/Funds (set up to raise funds for investment in venture capital undertaking registered and notified in this behalf) registered with the Securities and Exchange Board of India, subject to conditions specified therein. However, in view of the provisions of Section 115U of the IT Act, any income derived by a person from his investment in venture capital companies/funds would be taxable in the hands of the person making an investment in the same manner as if it were the income received by such person had the investments been made directly in the venture capital undertaking.

VI BENEFITS AVAILABLE TO NON-RESIDENTS / NON-RESIDENT INDIAN SHAREHOLDERS (OTHER THAN MUTUAL FUNDS, FIIS AND FOREIGN VENTURE CAPITAL INVESTORS)

DIVIDENDS EXEMPT UNDER SECTION 10(34) OF THE ACT

1. Any income by way of dividends (declared, distributed or paid on or after 1 April, 2003) from a domestic company are exempt in the hands of the Company/shareholders, if the same is subject to dividend distribution tax as referred to in Section 115-O, as per the provisions of section 10(34) of the IT Act. However, Section 94(7) of the IT Act provides that the losses arising on account of sale/transfer of shares purchased upto three months prior to the record date and sold within three months after such date will be disallowed to the extent dividend on such shares are claimed as tax exempt by the shareholder.

INCOME FROM CAPITAL GAINS

2.1 In terms of first proviso to Section 48 of the IT Act, in case of a non-resident, while computing the capital gains arising from transfer of shares in or debentures of the Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/ loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilized in the purchase of shares.

2.2 Provisions of Section 112 of the IT Act, permit taxing long term capital gains (which are not exempt under Section 10(38) of the IT Act) arising on transfer of shares in the Company at a rate of 20 percent (plus applicable surcharge and education cess) after factoring the indexation benefit. However, the share holder may opt for the tax on long term gains computed at the rate of 10 percent (plus applicable surcharge and education cess), if the tax on indexed long term capital gains resulting on transfer of listed securities calculated at the rate of 20 percent exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit.

2.3 Provisions of Section 111A of the IT Act, prescribes for taxing the short-term capital gains arising from sale of equity share in the Company at a rate of 10 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is liable to securities transaction tax. Short term capital gains arising from transfer of shares in a company other than those covered by Section 111A of the IT Act would be subject to tax as calculated under the normal provisions of the IT Act.

2.4 Provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the FII would prevail over the provisions of the IT Act, as per section 90(2) of the IT Act,to the extent they are more beneficial to thenon-resident.

2.5 Provisions of section 10(38) of the IT Act, exempts from tax the long term capital gains arising on sale of equity shares in the Company where the sale transaction has been entered into on a recognized stock exchange of India and is liable to securities transaction tax.

2.6 Provisions of Section 54EC of the IT Act exempts long-term capital gains (which are not exempt under section 10(38) of the IT Act from being taxed to the extent specified therein, subject to the conditions as referred to in the section and to the extent such capital gains are invested within 6 months from the date of such transfer in the bonds (long term specified assets) issued by

a. National Highway authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
b. Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;

If only part of the capital gain is so reinvested, exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion into money takes place.

2.7 Subject to the conditions specified under the Provisions of Section 54F of the IT Act, long-term capital gains (which are not exempt from tax under Section 10(38) of the IT Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax if the sale proceeds from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer.

3. Where shares of the Company have been subscribed in convertible foreign exchange, Non-Resident Indians (ie. An individual being a citizen of India or person of Indian origin who is not a resident) have the option of being governed by the provisions of Chapter XII-A of the IT Act, which *inter alia* entitles them to the following benefits:

- Under Section 115E, where the total income of a non-resident Indian includes any income from investment or income from capital gains of an asset other than a specified asset, such income shall be taxed at a concessional rate of 20 per cent (plus applicable surcharge and education cess). Also, where shares in the company are subscribed for in convertible foreign exchange by a non-resident Indian, long term capital gains arising to the non-resident Indian shall be taxed at a concessional rate of 10 percent (plus applicable surcharge and education cess). The benefit of indexation of cost and the protection against risk of foreign exchange fluctuation would not be available.

- Under Section 115F of the IT Act, long-term capital gains (in cases not covered by section 10(38) of the IT Act) arising to a non-resident Indian from transfer of shares of the company, subscribed in convertible foreign exchange (in case not covered under Section 115E of the IT Act), shall be exempt from income tax, if the entire net consideration is reinvested in specified assets/saving certificates referred to in Section 10(4B) within 6 months of the date of transfer. Where only a part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets/saving certificates are transferred or converted into money within 3 years from the date of their acquisition.

- Under Section 115G of the IT act, it shall not be necessary for a non-resident Indian to furnish his return of income under Section 139(1) if his income chargeable under the IT Act consists of only investment income or long term capital gains or both, arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the IT Act.

- Under Section 115I of the IT Act, a Non-Resident Indian may elect not to be governed by the foregoing provisions for any assessment year by furnishing his return of income for that assessment year under Section 139 of the IT Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the IT Act.

Section 88E provides that where the total income of a person includes income chargeable under the head "Profits and gains of business or profession" arising from purchase or sale of an equity share in a company entered into on a recognized stock exchange, ie. from taxable securities transactions, he shall get rebate equal to the securities transaction tax paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

BENEFITS AVAILABLE UNDER THE WEALTH TAX ACT, 1957

1. Investment in shares of companies are excluded from the definition of the term "asset" as given under section 2(ea) of the Wealth Tax act, 1957, and hence the shares held by the shareholders would not be liable to Wealth tax.

BENEFITS AVAILABLE UNDER THE GIFT TAX ACT

1. Gift tax is not leviable in respect of any gifts made on or after 1st October, 1998. Therefore, any gift of shares of the Company will not attract Gift tax.

Notes:

- The above Statement of Possible Direct Tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares.

- The above Statement of Possible Direct Tax benefits sets out the possible tax benefits available to the Company and its shareholders under the current tax laws presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws.

- This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences, the changing tax laws, each investor is advised to consult his or her own tax consultant with respect of the specific tax implications arising out of their participation in the issue.

- In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile.

SECTION IV: ABOUT THE COMPANY

INDUSTRY

The information in this section is derived from various government publications and other industry sources. Neither we, nor any other person connected with the issue has verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and accordingly, investment decisions should not be based on such information.

The Indian Economy:

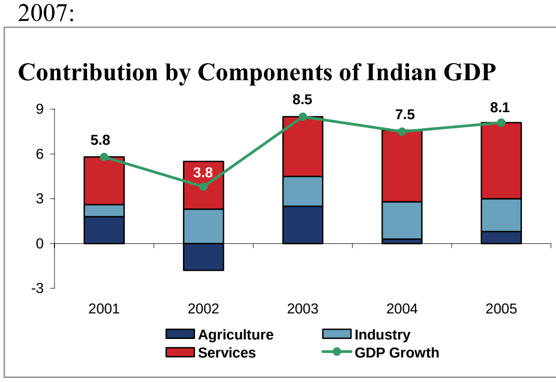
India is the world's largest democracy in terms of population, with India's Central Statistical Organization estimating a population of 1,091 million people as at March 31, 2005. According to the World Bank, India stood as the tenth largest economy in the world in the year ended December 31, 2004, with a GDP in nominal terms estimated to be US$ 692 billion.

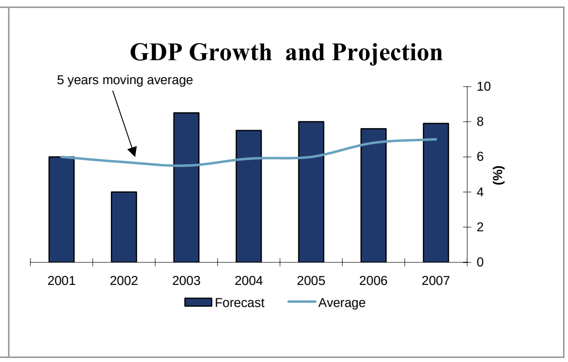
In 1991, the Government of India implemented a series of key macroeconomic and structural reforms, focused on implementing fundamental economic reforms, deregulating industry, accelerating foreign investment and pushing forward a privatisation program for disinvestment in various public sector operations. As a result of these reforms, the GDP (at factor cost) has shown significant growth over the years as shown by the table below:

	As of, for the year ended March 31,			
	1990-91	**1994-95**	**1999-00**	**2004-05**
GDP (at factor cost)	510,954	917,058	17,61,838	28,30,465

Source: Central Statistics Organisation

In addition, as shown by the table below, the sectoral contributions to the GDP have also undergone a change over the years with the services sector, aided by the technology sector and the outsourcing services sector emerging as the primary engine of the GDP growth. As per Asian Development Outlook 2006, 18th Edition, economic forecasts of GDP growth in India is 7.6% in fiscal 2006 and 7.8% in fiscal 2007. The graphs below indicate GDP growth and its components, as well as the projected GDP growth in 2006 and 2007:





Source: Central Statistics Organisation

The Indian Real Estate Sector

The term 'real estate' indicates land, including the air above it and the ground below it, and any building or structure that may be constructed upon it. The real estate/construction sector plays an important role in the overall development of a country, as it is this sector that defines the country's infrastructure.
Activities in the real estate sector may broadly be classified into (i) Residential, (ii) Commercial (iii) and the Retail segment. Each of these segments is discussed below.

The Residential Segment:

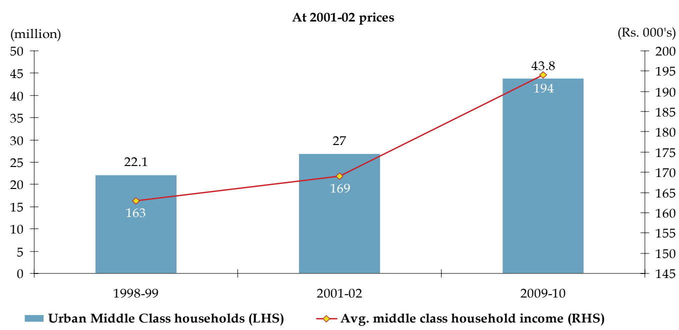
With a growing population and increasing urbanisation, the joint family system giving way to formation of nuclear families, rise in disposable income coupled with the propensity to spend fuelled by a rise in employment opportunities, the demand for housing in India as it stands today far exceeds the supply. According to CRIS INFAC, the housing segment is expected to show growth over the next five years, further aided by factors such as the rising penetration of housing finance and favourable tax structures. In volume terms, the number of houses added by the middle and higher income housing groups, a category referred to as the urban-*pucca*-non-slum (UPNS) segment, which was estimated at 1.6 million in fiscal 2005 is expected to grow at a CAGR of 4.1% and increase to approximately 1.93 million by fiscal 2010. Similarly, the declared spending on new houses in the UPNS segment that was estimated at Rs. 1,718 billion is expected to grow at a CAGR of 18.60% to Rs. 4,034 billion in fiscal 2010. (CRIS INFAC Annual Review on Housing Industry, January 2006).

	Fiscal 2005	Fiscal 2006	Fiscal 2010	CAGR (Fiscal 2005 to Fiscal 2010)
Households added in UPNS segment (in '000s)	1,644	1,700	1,931	3.30%
Total FSA added (million sq meters)	164	171	203	4.50%
Total housing spend (Rs. billion)	1,718	2,097	4,034	18.60%

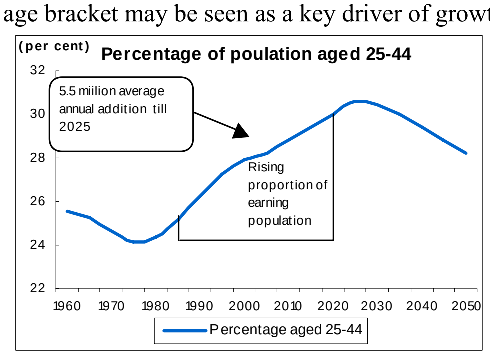
Source: CRIS INFAC

The demand drivers in the residential segment are as follows:

Changing demographics and growth in disposable incomes: The changing demographics of the Indian population, which has been impacted by factors such as an increase in employment opportunities, a growing number of people in the earning age bracket and increases in salaries, have led to an increase in the levels of disposable incomes available with the public, thereby increasing their propensity to spend.
As per CRIS INFAC estimations, the proportion in the total population of the segment with an annual income higher than Rs. 90,000 (that is, the major consuming class) has increased from 20.4% in fiscal 1996 to 28.1% in fiscal 2002. However, the share of the major consuming class in the urban region has increased at a higher rate, from 45% in fiscal 1999 to 51% in fiscal 2002, and is expected to reach 63% in fiscal 2010 (CRIS INFAC Annual Review on Retailing Industry – September 2005).



Large segment of the population in the earning age bracket: In India, the segment of population in the 'earning age' bracket, i.e., in the age group of 25-44 years, has shown an increasing trend over the last two decades. As per CRIS INFAC estimates, as of 2005, about 28.2% of India's population was in the 25-44 years age bracket. This figure is expected to rise to about 30.6% by 2025, an addition of approximately 5.5 million people each year, which could translate into a further 2.75 million new households per year. Thus, the population in the earning age bracket may be seen as a key driver of growth in housing demand.



Source: UN Population Division 2002 Revision and CRIS INFAC

Shift in consumer preferences from rented houses to owned houses: Due to the changing demographic profile in India, there has been a steady decline in the proportion of households staying in rented premises over the years. To a certain extent, this change in preferences may be attributed to the rising income levels of the population. However, with fewer properties available to rent today and a rise in the rentals charged, consumers have found it more prudent to invest in property. An upward movement in standard of living and easy availability of finance are expected to fuel this trend of declining proportion of households staying in rented premises (CRIS INFAC Annual Review on Housing Industry, January 2006).

Year	Urban areas (per cent)			
	Owned	**Hired**	**Others**	**Total**
1981	44.6	50.8	4.6	100.0
1991	63.0	34.0	3.0	100.0
2001	60.7	33.8	5.5	100.0
2002	60.0	33.9	6.1	100.0
	Rural areas			
1981	91.2	3.4	5.4	100.0
1991	95.0	3.0	2.0	100.0
2001	92.9	4.3	2.8	100.0
2002	93.1	4.1	2.8	100.0

Source: MUDPA, MOSPI, NSSO and CRIS INFAC

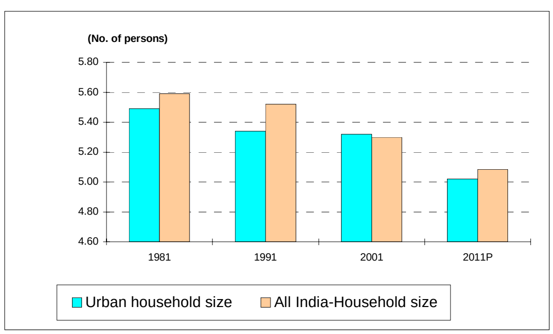
Increasing Urbanisation: India has witnessed an increasing trend of urbanisation with more and more people migrating to urban areas in search of better prospects. As per CRISINFAC estimates, the urban population is expected to grow at a CAGR of 2.6% over the period fiscal 2005 to fiscal 2010. With the existing cities being stretched for accommodating the current levels of population, the increase in growth is bound to create demand for new cities and townships (CRIS INFAC Annual Review on Housing Industry, January 2006).

(in thousands)

Growth in Population	2001	2005	2010	CAGR (fiscal 2005 TO fiscal 2010)
Urban	285,355	316,921	360,590	2.60%
Rural	741,660	775,575	818,488	1.10%
Total	**1,027,015**	**1,092,496**	**1,179,078**	**1.50%**

Source: CRIS INFAC

Shrinking household size: The joint family system in India is gradually giving way to nuclear families. Consequently, the average size of the Indian household has shrunk from about 5.52 persons in 1991 to about 5.30 persons in 2001. In addition, factors such as increasing urbanization and migration for employment opportunities are expected to cause a decrease in the size of the average Indian household to about 5.08 persons by 2011. Given India's increasing population, the contraction in the size of the average household offers a positive outlook for housing demand.



P: Projected
Source: Census 2001, BMPTC and CRIS INFAC

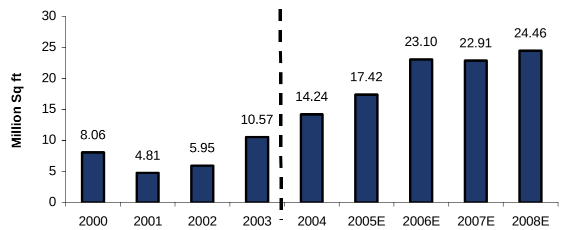
The Commercial Segment

The commercial real estate market in India has continuously been evolving in response to a number of changes in the business environment. The IT/ ITES/ BPO sectors have been the drivers of the commercial real estate demand in the country. Large space requirements by the IT/ ITES sector has led to real estate growth being spread beyond the chief business locations to the suburban and peripheral locations of major cities. As a result, locations such as Whitefield in Bangalore, Gurgaon and Noida in Delhi, Madhapur and

Gachibowli in Hyderabad, Old Mahabalipuram in Chennai and scattered pockets of Mumbai such as Malad, Andheri-Kurla, Powai and Navi Mumbai have become popular in the last four to five years.

According to a presentation made to FICCI by property valuers M/s. Cushman & Wakefield in November 2005, capital flows into commercial property in 2004 increased by more than 40% over the previous year, leading to record new levels of new office development. In spite of this, higher demand has helped to stabilise vacancy rates. The IT, ITES and related sectors are estimated to account for over 70% of net demand. Capital flows into commercial real estate over the next three years are estimated at more than $5 billion.

Cushman & Wakefield estimates that the cumulative demand for office space across India between fiscal 2005 and fiscal 2008 to be in excess of 85 million sq. ft. Statistically, this represents a CAGR of 14.5% over the next three years.



Office Space Demand Potential. India

The graph below indicates the demand for office space across India during fiscal 2000 to fiscal 2004, as well as the projected growth until 2008:

Commercial Locations in India

Over the past five years, locations such as Bangalore, Gurgaon, Hyderabad, Chennai, Kolkata and Pune have evolved and have established themselves as emerging business destinations increasingly competing with the traditional business destinations of Mumbai and Delhi as far as commercial real estate occupancy is concerned. The key to the growth of these destinations has been their ability to provide the necessary human resources base with the required skill sets, competitive business environment, operating cost advantages, and quality of urban infrastructure offered.

Commercial Property Life Cycle

Based on the investment opportunities offered by a location, its life-cycle can be charted through four broad stages– (i) growth, (ii) equilibrium, (iii) decline and (iv) recovery.

The growth stage is characterised by an increasing demand for properties in the city. More and more corporates choose to relocate their operations into the city to take advantage of the opportunities offered by it, thereby raising the occupancy rates of available properties. Consequently, the property prices as well as the rentals show an increasing trend. The growth stage is followed by the equilibrium stage. In this stage, as the demand and supply for commercial space are more or less equal, the property prices and rentals show a rising trend initially, achieve their peak levels and then flatten out.

Over a period of time, the equilibrium stage gives way to the decline stage. The decline stage is marked with decreasing occupancy levels in the city as corporates relocate their offices from the chief business locations to the suburban or peripheral locations. In light of the waning demand, the occupancy levels register a decreasing trend of growth. Also, in this stage the property prices and rentals would register a decline in growth. The decline stage is followed by the recovery stage. In the recovery stage, as the availability of properties continue to exceed their demand, this stage is characterised by low occupancy rates of city properties. The property prices are at a discount as compared to the previous stages.

Competitive positioning of growth centres in India

Based on the current and expected growth potential, various locations in the country can be classified as (i) mature destinations (ii) destinations in transition (iii) emerging destinations and (iv) tier III cities. The cities that fall under each of these classifications are discussed as under:

Mature Destinations: Locations like Mumbai and Delhi with their metropolitan character have been traditional business destinations and have a favourable track record in attracting investments. However, factors such as increasing operating costs, real estate supply constraints and socio-political risks are the potential impediments in sustaining a high rate of growth. Commercial real estate growth in these locations is expected to be range-bound and focused mostly around the suburbs and peripheral locations in the coming years.

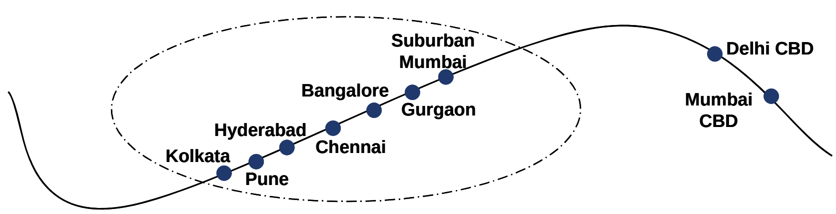
Destinations in Transition: Locations falling under this category are those that offer a large captive human resource potential, availability of quality real estate and operating cost advantages. These are the locations that are best positioned to attract investment in the coming years. Accordingly, the locations of Bangalore and Gurgaon, fall under this category. However, infrastructure bottlenecks form the main hurdles in their growth path.

Emerging Destinations: Pune, Chennai, Hyderabad and Kolkata constitute the 'emerging destinations' group. Cost advantages, well-developed infrastructure, limited real estate supply constraints and city governance are their key offerings. Though the number of large occupiers in these locations is yet to reach optimum, these locations feature predominantly on the investment map. Growth of these locations is predominantly led by expansion and consolidation plans of corporates in the IT and ITES sectors.

Tier III Cities: The locations that would fall under this category include Jaipur, Coimbatore, Ahmedabad, and Lucknow. With the availability of the requisite talent pool coupled with low cost real estate, there is a growing interest in these Tier III cities from the technology sector players, who seek to expand their operations into these previously untapped locations. Over the next 3-5 years, these markets are likely to see significant real estate growth.

Based on their standing, the above cities may be projected on the property life cycle as follows:

RECOVERY	GROWTH	EQUILIBRIUM	DECLINE
▪ Low Occupancy ▪ Discount pricing ▪ Supply exceeds demand ▪ Flat rental rates	▪ Rising occupancy ▪ Pricing on the rise ▪ Stable to increasing rentals ▪ Demand expanding to exceed supply	▪ High occupancy ▪ High pricing ▪ Rentals peaking ▪ Equilibrium conditions	▪ Decreasing occupancy ▪ Decreased pricing ▪ Softer rentals ▪ Over supply



The Retail Segment

According to A.T. Kearney's Global Retail Development Index, India has been ranked as the most compelling opportunity for retailers in 2005. The strengthening macro-economic scenario and changing demographic profiles have had a major role in the growth and emergence of the retail sector in India. The following factors served as key catalysts for the retail sector growth:

- Growth in per capita income and household consumption;
- Changing demographics and improved standards on living;
- Changing consumption patterns and accessibility to low-cost consumer credit; and
- Infrastructure improvement and increased availability of retail space.

Historically, the Indian retail sector has been dominated by small independent players such as the local *kirana* stores (traditional, small-format, neighbourhood grocery stores). However, during the 1990's, organised retail gained increased acceptance due to the changing demographic factors such as the increasing number of working women, changes in perception of branded products, the entry of international retailers into the market and the growing number of retail malls.

As per CRISINFAC estimates, retail spending in India in fiscal 2005 stood at Rs. 9,990 billion, of which the organised sector accounts for Rs. 349 billion, or approximately 3.5%. The size of the organised sector is expected to grow at 25-30% p.a., reaching Rs. 1,095 billion in 2010. Though the players in the organised retail segment have concentrated on larger cities in the country, retailers have announced expansion plans into towns and rural areas also. The growth of organised retail in India will also be affected by the reported entry into the sector of major business groups such as Reliance, Bennett & Coleman, Hindustan Lever, Hero Group and Bharti. International retailers such as Metro, Shoprite, Lifestyle and Dairy Farm International have already commenced operations in the country. CRISINFAC estimates the investment requirement for this sector over the next five years to be Rs. 31 billion per year (CRIS INFAC Annual Review on Retailing Industry – September 2005).

Challenges facing the Indian Real Estate Sector

Highly regional reach of existing players: Considering the peculiar features of the real estate sector such as the differing tastes of population across various geographies, difficulties in mass land acquisition on unfamiliar terrain, absence of business infrastructure to market projects at new locations, wide number of approvals to be obtained from different authorities at various stages of construction under the local laws, and the long gestation period of projects, most real estate developers in India tend to hover in tried and tested areas where the conditions are most familiar to them. As a result, currently there are very few players in the country, who can claim to have pan-national area of operations.

Majority of market belonging to unorganised segment: The Indian Real Estate Sector is highly fragmented with the disorganised segment comprising of the small builders and contractors accounting for a majority of the housing units constructed. As a result, there is a lesser degree of transparency in dealings or sharing of data across players.

Demand dependent on many factors: A challenge that the real estate developers face is generating the requisite demand for the properties constructed. The factors that influence a customer's choice in property is not restricted to quality alone, but is dependent on a number of other external factors including proximity to urban areas, amenities such as schools, roads, water supply which are often beyond the developer's sphere of reach. Also, demand for housing units is also influenced by policy decisions relating to housing incentives.

Increasing Raw Material Prices: Construction activities are often funded by the client who makes cash advances at different stages of construction. In other words, the final amount of revenue from a project is pre-determined and the realisation of this revenue is scattered across the period of construction. A big challenge that real estate developers face is dealing with adverse movements in costs. The real estate sector is dependent on a number of components such as cement, steel, bricks, wood, sand, gravel and paints. As the revenues from sale of units are pre-decided, adverse price changes in any of the raw materials directly affect the bottom lines of the developers.

Interest Rates: One of the main drivers of the growth in demand for housing units is the availability of finance at cheap rates. Interest rates however have shown signs of hardening up during the last few months and most of the leading financial institutions have hiked interest rates on housing loans. This trend of rising interest rates may dampen the growth rate of demand for housing units.

Tax incentives: The existing tax incentives available for housing loans are one of the major factors influencing demand. These tax incentives however based on recommendations of various committees/ panels are likely to be withdrawn. The Kelkar Panel had recommended phasing out the income tax deduction available on the interest on housing loans for owner occupied houses over the assessment years 2004-05 to 2006-07. The phasing out available tax incentives could affect the existent demand for housing units.

OUR BUSINESS

Overview

We are one of the leading real estate development and construction companies in India, which focuses on residential and contractual projects. We have constructed residential projects in Bangalore, in the south Indian state of Karnataka and constructed other projects on a contractual basis in eight states of India, namely, Karnataka, Kerala, Andhra Pradesh, Orissa, Tamil Nadu, Punjab, Haryana and Maharashtra. As of June 30, 2006 our Land Reserves comprise of 2,592.83 acres and our Land Arrangements comprise of 3,456.19 acres of land.

As on September 30, 2006 our Land Reserves increased from 2,592.83 acres as on June 30, 2006, to 2,747.06 acres and Land Arrangements have decreased from 3,456.19 acres as on June 30, 2006, to 3,373.28 acres, and there has been a corresponding change in the payments made and payments outstanding in respect of Land Reserves and Land Arrangements. See 'Recent Developments in relation to our Lands' on page 8.

Our residential projects includes presidential apartments, villas, row houses, super luxury apartments and luxury apartments along with amenities such as clubhouse, swimming pool and shopping complex. Our first residential project in Bangalore was launched in September 1997 and was completed in two years by September 1999. As of September 30, 2006 we have developed and constructed 21 residential projects in Bangalore aggregating 1,552 apartments and covering approximately 2.98 million sq. ft. of super built up area.

We completed our first construction project, the Corporate Block for Infosys Technologies Limited, Bangalore in September 2000, which took ten months to complete. As of September 30, 2006, we have constructed 75 contractual projects in the eight states of India, covering approximately 8.42 million sq. ft. of super built up area and two commercial projects in Bangalore aggregating 0.11 million sq. ft. of super built up area.

We have constructed for Infosys Technologies Limited convention centres, software development blocks, multiplex theatres, hostel facilities, guest houses, food courts, restaurants, educational and research centres and a club houses, in various states of India. For other corporate customers, we have constructed on a contractual basis residential bungalows, campus facility, retail showrooms and corporate offices.

We consider ourselves to be backward integrated, which means that we have the key competencies and in-house resources to deliver a project from its conceptualization to completion. Our backward integration includes an architectural and design studio for our team of qualified architects, concrete block making plant, metal and glazing factory, interiors and wood working factory, mechanical, electrical and plumbing division and project management team. Backward integration ensures that products and services required for development and construction of a project meet our quality standards and are delivered in a timely manner. Our backward integration model also ensures that we are not dependant on third party suppliers for key products and services required in the process of development and construction of our projects.

We have a dedicated concrete block making unit which centres around a completely automated super block machine imported from Germany with a total production capacity of around 10 million concrete blocks per annum. We also have a dedicated metal and glazing factory, and an interiors and wood working factory which supply their products exclusively to us.

We have obtained ISO 9001 (1994 series) company in the real estate and construction industry, and ISO 9001 (2000 series) for adhering to global standards in quality, from Bureau Veritas Quality International. Our Company has been awarded the "Brick and Mortar Award" for the south zone in the "a+d & Spectrum Foundation Architecture Awards 2005". The project completed in Mysore for Infosys by us, was declared by the Builders' Association of India, Mysore Centre as the "Project of the Year" for the year 2005. Our Company had commissioned a study from CRISIL and sought for a rating. Pursuant to this, we have been awarded the DA 1 rating by CRISIL on May 18, 2006 which indicates that the developer has an 'excellent' track record in executing real estate projects as per specified quality levels and transferring a clear title within the stipulated time schedules.

We have also received a memento from Infosys Technologies Limited in November 2000 in respect of our efforts in relation to the construction of the corporate maiden block. Further, on February 12, 2005 we have received further recognition again from Infosys Technologies Limited in relation to the Mysore Campus of Infosys Technologies Limited.

Sobha Space Private Limited, a company forming part of our Promoter group a company forming part of our Promoter group, has also been awarded "Project of the Year" for the year 2005 by the Builders' Association of India – Birla Super Well built Structures 2005-2006 for its Infosys Pune Project.

Our revenues (including other income) have grown from Rs. 1,177.10 million in fiscal 2003 to Rs. 6,284.36 million in fiscal 2006, which is a CAGR of 74.78% and our profit after tax has increased from Rs. 12.26 million in fiscal 2003 to Rs. 892.30 million in fiscal 2006, which is a CAGR of 317.52%.

We retained Cushman & Wakefield, international property consultants, to perform a land valuation. Cushman & Wakefield opined that as on July 7, 2006, the net present value of the Land Reserves was between approximately Rs. 70,356 million and approximately Rs. 77,762 million and after deducting the developer's margin, the land value of the Land Reserves was between approximately Rs. 39,717 million and approximately Rs. 43,898 million; and the net present value of the Land Arrangements was between approximately Rs. 43,478 million and approximately Rs. 48,054 million and after deducting the developer's margin, the land value of the Land Arrangements was between approximately Rs. 23,060 million and approximately Rs. 25,487 million. The valuations of Cushman & Wakefield are subject to the limitations ans assumptions described in their letters which are reproduced as Appendix A to this Red Herring Prospectus. In particular, the valuations assume a freehold interest in lands with clear, marketable title that is free of encumbrances.

We were incorporated in 1995 by our Promoters, Mr. P.N.C.Menon and Mrs. Sobha Menon, who have almost three decades of experience in the real estate and construction business. After the completion of the Issue, our Promoters are expected to continue to hold approximately 87% of our Equity Shares.

Competitive Strengths

Our principal competitive strengths include the following:

Our unique 'backward integration' model

We have a unique 'backward integration' model, which means that we have the key competencies and in-house resources to deliver a project from its conceptualization to completion. Our backward integration includes an architectural and design studio for our team of qualified architects, concrete block making plant, metal and glazing factory, interiors and wood working factory, mechanical, electrical and plumbing division, and project implementation team. Backward integration ensures that products and services required for development and construction of a project meet our quality standards and are delivered in a timely manner. We believe that our 'backward integration' model has been one of the important contributing factors to our successful completion of a number of projects in a timely manner, without compromising on quality.

Quality of our Construction

We believe that the quality of our construction differentiates us from other real estate developers. We place a special emphasis on ensuring that our quality standards are adhered to at every stage of a project and for every product provided to a client. Our quality standards are documented and our work force is trained to ensure our quality standards are met. We employ technologically advanced tools from Germany and processes for ensuring and monitoring quality at each stage of construction. The quality of each of our projects is monitored by our quality control department, headed by specialized German consultants, who report directly to our Vice-Chairman. See "Our Business- Quality Control Department" on page 65.

Access to skilled labour

Our well-trained and skilled workforce is a key strength. Our ability to recruit, train and retain skilled labour and tradesmen is critical for us to meet our growth plans and also to meet any immediate need for skilled labour in the future. As of September 30, 2006, we hired 5,166 tradesmen and other workforce through an external agency. As of September 30, 2006, we had 3,222 permanent employees. In addition, we also lay a strong emphasis on our in-house human resource initiatives, by focusing on hiring and retaining talent. We set-up an academy to train tradesmen in specialised fields of the construction business, a majority of which join our ranks upon completion of the training. We are committed to the development of the expertise and know-how of our employees through regular technical seminars and training sessions that we organize or sponsor. See "Our Business- Our Employees" on page 70.

Project management and delivery model

We believe that we have been successfully able to complete projects in a timely and cost efficient manner without compromising on quality due to our project management and delivery model. The conceptualisation, design and project management aspects of our project are centralised with our planning and project management team located at our headquarters in Bangalore. This centralised team acts like a control-cum-coordination cell for all projects under execution by us.

On the other hand, the delivery of our project which includes execution, project level costing and ensuring adherence to the delivery schedule, is decentralised at the project-manager level located at the project sites. Such a project management and delivery model enables us to scale-up our operations by optimal utilisation of resources available with us.

Ability to construct innovative structures

We have the ability to construct modern and innovative structures that customers demand. We benefit from our significant experience in design and construction, our unique backward integration model and our skilled design and construction team. For example, we believe our executed concepts like the pyramidal multi-media centre at Bangalore, the food courts at Pune and Bangalore and the geodesic dome-shaped multiplex at Mysore are unique and innovative, in their style and construction.

We possess requisite strengths at each stage of the project, right from the conceptualization stage to the construction and delivery of the project. At the conceptualization stage, we draw upon the strengths of our in-house architectural and design team, mechanical, engineering and plumbing ("M&E") department, and the structural and project planning team to jointly plan the timely execution and delivery of the concept. During the construction and delivery stage, we rely upon our in-house interiors factory, glazing and metal works factory, our building materials division and our project management team for providing their expertise and uninterrupted delivery of products and services. For example, we successfully completed and delivered a software development park at Bangalore measuring 0.22 million sq. ft in the prescribed time frame of seven months.

Qualified and experienced management team

We believe that our qualified and experienced management and technical teams have contributed to growth of our operations and the development of in-house processes and competencies. Mr. P.N.C. Menon, our Chairman, has almost three decades of international and national experience in the real estate and construction industry. Our technical teams brings with it extensive experience in design, engineering, marketing and construction of projects. Our senior management team that is in charge of operations, finance, sales and marketing, business development and strategic planning has extensive experience in the industry. We believe the strength and quality of our management team have been instrumental in implementing our business strategies. We have recently expanded our Board by appointing four independent members who we believe will bring significant business experience to the Company in areas engineering, management, real estate, banking and finance.

Ability to identify emerging trends in customer requirements.

We believe our ability to identify emerging trends in customer requirements and developing projects to suit such requirements is our strength. Our marketing and sales team along with our Customer Relationship Management team ("CRM") is our interface to potential customers and clients. This interface provides us an insight into the customer requirement trends in terms of type, location and price of the product and guides us to plan our promotional activities. As an extension of the marketing and sales team and CRM team we have established a Customer Care Cell, a call centre with the primary responsibility of taking on record any complaints or feedback from clients, to ensure continuity of our customer and client interface.

Our standardised and documented internal processes.

Under the guidance of our Chairman, we have documented our internal processes and methodologies which ensure that each department and each employee of our Company are aware of their respective roles and obligations, and each activity of construction and development is as per the standards of quality that we have set for ourselves. This also ensures uniformity in all our proceses.

Extensive land reserves

We believe that land reserves form an important asset for our business. Our Land Reserves aggregating approximately 2,593 acres of land, representing an aggregate of approximately 118 million sq. ft of developed or potential developed area, over 78 locations in 7 cities across India, and Land Arrangements aggregating approximately 3,456 acres of land, representing an aggregate of approximately 117 million sq. ft of developed or potential developed area, over 13 locations in 3 cities across India. We have made partial payments for the lands comprising our Land Reserves and Land Arrangements. See “Our Business-Our Land Reserves” and “Our Business-Our Land Arrangements” on page 66 and 68 respectively.

As on September 30, 2006 our Land Reserves increased from 2,592.83 acres as on June 30, 2006, to 2,747.06 acres and Land Arrangements have decreased from 3,456.19 acres as on June 30, 2006, to 3,373.28 acres, and there has been a corresponding change in the payments made and payments outstanding in respect of Land Reserves and Land Arrangements. See ‘Recent Developments in relation to our Lands’ on page 8.

Cushman & Wakefield opined that as on July 7, 2006, the net present value of the Land Reserves was between approximately Rs. 70,356 million and approximately Rs. 77,762 million and after deducting the developer’s margin, the land value of the Land Reserves was between approximately Rs. 39,717 million and approximately Rs. 43,898 million; and the net present value of the Land Arrangements was between approximately Rs. 43,478 million and approximately Rs. 48,054 million and after deducting the developer’s margin, the land value of the Land Arrangements was between approximately Rs. 23,060 million and approximately Rs. 25,487 million.

Strategy

The key elements of our business strategy include the following:

Expand into new geographical areas

Our residential development activities have been focused on Bangalore, and we are in the process of geographically diversifying and expanding our real estate development and construction business into the following cities of India, namely, Mysore, Pune, Kochi, National Capital Region of Delhi, Thrissur, Chennai, Mumbai, Mangalore, Coimbatore, Jaipur, Goa and Hyderabad. Presently, we are in the process of establishing project offices in these cities. We intend to develop and construct residential projects, townships, malls, special economic zones and retail commercial projects and also undertake plot development in these cities.

Diversifying the portfolio of projects undertaken by us

We intend to diversify the portfolio of projects undertaken by us by developing hotels, integrated townships, malls, multiplexes, and shopping complexes and by undertaking plot development. Our strategy is to position ourselves to capitalize on the development and construction opportunities generated by various sectors of the Indian economy. We have executed a MoU with Reliance Energy Limited in May 2006 to participate in a consortium with Reliance Energy Limited in response to an expression of interest invited by Andhra Pradesh Industrial Infrastructure Corporation, for the development of a business district and trade towers in Hyderabad. Reliance Energy Limited and we have agreed to form a Special Purpose Vehicle (“**SPV**”) in future, for this specific purpose and invest up to 26% of the share capital of the special purpose vehicle. The balance is to be invested by Reliance Energy Limited. We may undertake this route in the future to expand our product offerings. We have also executed a MoU dated October 25, 2006 with Tree Hill Private Limited, to jointly engage in the construction and development of real estate in Trissur, Kerala. The parties have agreed to incorporate a corporate entity to carry out the activities as envisaged by them. Subject to definitive agreements being executed the parties have agreed that the total investment of our Company and Tree Hill Private Limited will be in the ratio of 1/3 and 2/3 and that the return on investments shall be in the ratio of 70:30, respectively.

Maintain high standards of quality

We believe that we have developed a reputation for consistently developing projects known for innovativeness, quality and delivery in a timely manner. We intend to continue to focus on innovation and quality project execution in order to maximize client satisfaction. We also intend to continue to use technologically advanced tools procured from Germany and processes to ensure quality construction. We also intend to continue to further enhance our architectural, design, construction, and development capabilities to enable us to provide innovative, modern and quality products and services to our customers.

Actively pursue opportunities to engage in contractual projects

We have successfully executed contractual projects for our existing clients that include Infosys Technologies Limited, Motor Industries Company Limited, Taj Group of Hotels and other Companies. We believe that the execution of contractual projects is a key growth area for our business and intend to pursue contractual assignments from our existing clients and build our corporate client base by actively engaging in competitive bidding for the execution of projects.

Offer a broad range of 'Sobha' products

Our core business is the development of residential and commercial property. We believe that diversifying our product offerings to include retail products in the nature of furnishings and interiors while ensuring that such products conform to our existing quality standards will enable us to grow our business.

Our Operations

Our operations can be divided into two segments:

(i) Development and construction of residential projects and commercial projects on a turn-key basis, and
(ii) Construction of projects on a contractual basis.

All our residential and commercial projects are located in Bangalore. The projects executed by us on a contractual basis are located in the states of Karnataka, Kerala, Andhra Pradesh, Orissa, Tamil Nadu, Punjab and Maharashtra.

Our Residential and Commercial Projects

All our residential projects and commercial projects are located in Bangalore and have been either constructed or launched across the various locations in Bangalore in localities such as Jakkur, Yelahanka and Thanisandra in the North, Bannerghata Road, Kanakapura and JP Nagar in the South, Whitefield, Sarjapur Outer Ring Road, HSR Layout in the East, Peenya, Tumkur Road in the West and Commissariat Road and St John's Road in central Bangalore. Till date we have developed and constructed 21 residential projects in Bangalore aggregating 1,552 apartments and covering approximately 2.98 million sq. ft. of super built up area.

Our residential projects are categorized based on design, specifications and super built up area. :

- *Presidential apartments/ Villas/ Rowhouses*, which consist of three and four bedroom apartments/units. The key specifications of this category include main door of lacquered melamine finished natural wood frame and architraves, marble, granite or wooden flooring, timber windows with glass shutters, bathrooms with quality ceramic wall tiling up to grid false ceiling with one row of border tiles. Typically, our apartments in this category have a super built up area in the range of 2,500 – 4,000 sq. ft. our prominent projects in this category are Orchid, Malachite I, II and III and Emerald I and II.

- *Super luxury apartments*, which consist of exclusively designed three and four bedroom apartments. The key specifications of this category include quality vitrified tile flooring and skirting, bathrooms with quality ceramic wall tiling up to false ceiling with grid panels (if applicable) and common areas with granite tile flooring and superior quality ceramic tile cladding up to ceiling. Typically, our apartments in this category have a super built up area in the range of 1,700– 3,000 sq. ft. Our prominent projects in this category are Jade, Amber, Onyx and Quartz

- *Luxury apartments*, which consist of three bedroom apartments. The key specifications of this category include flooring with vitrified tile flooring and skirting, bathrooms with ceramic tile flooring and ceramic wall tiling up to lintel level and common areas with granite tile flooring and textured paint for walls. Typically, our apartments in this category have a super built up area in the range of 1,500-1,700 sq.ft. Our prominent projects in this category are Coral, Zircon, Aquamarine, Sapphire and Windfall.

- *Dreams series*, which consists of standardized affordable two and three bedroom apartments with key specifications, being similar to those of a luxury apartment. Typically, our apartments in this category have a super built up area up to 1,450 sq. ft. We have recently introduced this category and have launched two projects in this category. For more details, please refer to 'Business- Our Current and Forthcoming Projects' on page 58.

The year wise break-up of residential projects, their geographical location in Bangalore, the super built up area, the number of apartments built by us and handed-over to customers from fiscal 2000 to September 30, 2006, are as set forth below:

Fiscal	Name of the Project	Geographical location in Bangalore	Super Built up Area (sq. ft.)	No. of Apartments
1999-00	Sobha Sapphire	North East	99,038	64
	Subtotal		**99,038**	**64**
2001-02	Sobha Windfall	North East	125,632	120
	Sobha Diamond	Central	37,858	12
	Sobha Garnet	South East	181,685	87
	Subtotal		**345,175**	**219**
2002-03	Sobha Coral	North East	124,818	80
	Subtotal		**124,818**	**80**
2003-04	Sobha Jade	North East	117,650	64
	Sobha Emerald – I	North East	167,486	72
	Sobha Turquoise	Central	25,401	8
	Subtotal		**310,536**	**144**
2004-05	Sobha Onyx	South East	140,216	58
	Sobha Zircon	North East	139,901	88
	Sobha Emerald – II	North East	88,013	34
	Sobha Malachite-1	North East	134,615	59
	Sobha Quartz	South East	312,332	146
	Subtotal		**815,077**	**385**
2005-06	Sobha Aquamarine	South East	243,350	160
	Sobha Orchid	North East	88,986	30
	Sobha Malachite-2	North East	92,103	41
	Sobha Amber	North East	148,932	80
	Sobha Malachite-3	North East	162,951	73
	Sobha Sunflower	South East	88,046	40
	Subtotal		**824,369**	**424**
2006-07	Sobha Hibiscus	South East	199,836	118
	Sobha Tulip	South East	258,779	118
	Subtotal		**458,614**	**236**
	TOTAL		**2,977,629**	**1,552**

Commercial projects on a turnkey basis

We have constructed two commercial properties on a turnkey basis in Bangalore – Sobha Alexander with a super built up area of 26,865 sq. ft. and Sobha Pearl with a super built up area of 82,313 sq. ft.

Our Contractual Projects

As of September 30, 2006, we have completed construction of 75 projects on a contractual basis in eight states in India, covering approximately 8.42 million sq. ft. of super built up area. Typically, under a contractual assignment, we undertake to perform construction for third parties on pre-agreed terms and conditions. Our scope of work in contractual works is all inclusive of designing, electrical works, plumbing works, metal and glazing works, interiors and construction. In certain cases, we undertake finishing and interiors related work on structures that have already been built.

We have constructed a variety of projects on a contractual basis, including convention centres, software development blocks, multiplex theatres, hostel facilities, guest houses, food courts, restaurants, educational and research centers employee care centers, residential bungalows and corporate offices.

The year wise break-up of the contractual work executed by us since fiscal 2001 till September 30, 2006, and the total contract value completed and handed-over is as set forth below:

Fiscal	Super Built up Area (sq. ft.)	No. of Projects	Total contract value (Rs. Million)
2000-01	76,500	1	186.06
2001-02	571,986	9	709.51
2002-03	816,849	11	493.26
2003-04	868,614	10	728.06
2004-05	3,123,842	19	3,137.60
2005-06	1,837,104	16	1,450.40
2006-07	1,122,181	9	968.20
TOTAL	**8,417,876**	**75**	**7,673.09**

Of the above 75 projects, 85.33% of these were executed for Infosys Technologies Limited. See "Risk Factors – Significant Portion of our Revenues from Contractual Projects is Attributable to One Client" on page x.

Our Current and forthcoming projects

Currently, we are developing residential projects in Bangalore and contractual projects in various states of India.

Residential projects

We are presently developing 15 residential projects in Bangalore at various stages of construction, aggregating approximately 4.97 million sq. ft. of super built-up area comprising of 2,682 0 apartments.

The details of our projects presently under development are:

Name of the project	Commencement of Project	Geographical location in Bangalore	Super Built up Area (sq. ft.)	No. of Apartments
Sobha Rose	December 2004	South East	343,238	205
Sobha Jasmine	November 2004	South East	625,546	264
Sobha Mayflower	April 2005	South East	343,952	208
Sobha Iris	May 2005	South East	557,137	336
Sobha Primrose	June 2005	South East	236,951	154
Sobha Aster	December 2005	South East	86,982	49
Sobha Carnation	December 2005	South East	405,698	240
Sobha Daffodil	November 2005	South East	777,260	432
Sobha Dahlia	August 2005	South East	406,916	236
Sobha Daisy	December 2005	South East	324,448	183
Sobha Magnolia	August 2005	South East	512,884	240
Sobha Lotus	July 2004	South East	74,196	28
Sobha Suncrest	June 2006	South West	160,051	72
Sobha Anantha	August 2006	Central	27,071	7
Sobha Fiorella	June 2006	South East	92,570	28
		TOTAL	**4,974,900**	**2,682**

In addition we are also proposing to develop 13 residential projects in Bangalore, aggregating approximately 5.17 million sq. ft. of super built-up area comprising of 3,055 apartments. We have received some of the relevant approvals for commencement of certain projects and are awaiting approvals for other projects. The details of our forthcoming projects are:

Name of the project	Commencement of Project	Geographical location in Bangalore	Super Built up Area (sq. ft.)	No. of Apartments
Sobha Adamus	December 2006	South East	86,836	34
Sobha Amethyst	December 2006	South East	650,116	368
Sobha Basil	December 2006	North West	765,449	568
Sobha Beryl	December 2006	North West	531,616	300
Sobha Chrysantamam	December 2006	North East	904,831	512
Sobha Dreams	December 2006	South East	383,826	288
Sobha Sunbeam I	December 2006	South West	178,278	102
Sobha Sunbeam II	December 2006	South West	178,278	102
Sobha Sunscape	December 2006	South West	509,800	362
Sobha Azalea	March 2007	North West	67,229	26
Sobha Althea	March 2007	North West	432,138	180
Sobha Cinnamon	April 2007	South East	434,129	197
Sobha Saffron	April 2007	South East	45,527	16
	TOTAL		**5,168,051**	**3,055**

The following map depicts the distribution of our completed, current and forthcoming residential projects in Bangalore:

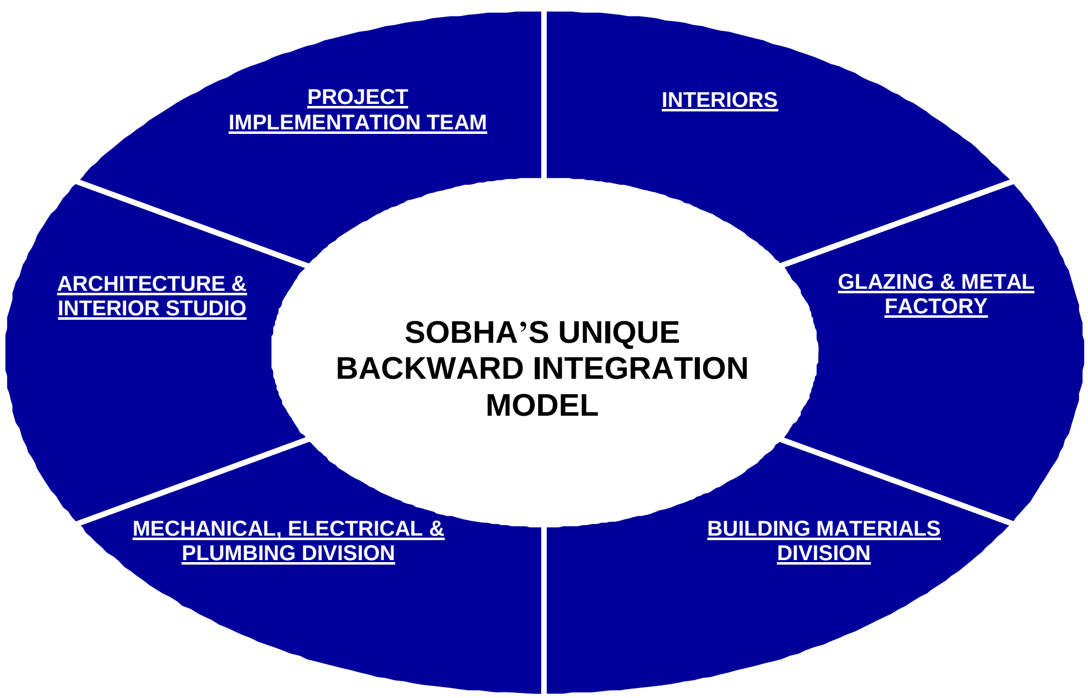
Contractual Projects

We are currently executing construction of 23 contractual projects for various corporate and other entities such as a school, a hospital, software development blocks in various states of India such as Karnataka, Andhra Pradesh, Orissa, Tamil Nadu, Punjab, and Maharashtra, aggregating total contract value of approximately Rs. 5,291.85 million.

All of these contractual projects are being constructed either through a competitive tender process where we were chosen as the successful bidder, or on the basis of a contractual agreement with the owner of the property. The terms and conditions of the contract are usually documented by way of a purchase order or letter of intent for each contract.

Our 'Backward Integration' model

We have a unique 'backward integration' model, which means that we have the key competencies and in-house resources to deliver a project from its conceptualization to completion. Our backward integration includes an architectural and design studio for our team of qualified architects, concrete block making plant, metal and glazing factory, interiors and wood working factory, mechanical, electrical and plumbing division, and project implementation team. Backward integration ensures that products and services required for development and construction of a project meet our quality standards and are delivered in a timely manner. Our backward integration model also ensures that we are not dependant on third party suppliers for key products and services in the process of development and construction of our projects. Our backward integration is represented by the following diagram:



While our backward integration model aims to reduce our reliance on materials and services from third parties, we continue to rely on third parties for certain activities such as shuttering, lift works, water proofing and painting.

We recently undertook a restructuring to expand our backward integration capabilities. See "History and Corporate Structure" on page 81.

Interiors and Wood Working Division

Our interiors and wood working division is engaged in wood work and manufacturing wood or wood based products including doors and windows of various descriptions and dimensions, wooden floorings, ceilings, panellings, pillars and staircases, custom built furniture for commercial and residential use. In addition to manufacturing wood based products, our interiors and wood working division also includes an in-house wood working design studio. A dedicated design team provides interior design schemes and production specific drawings.

Our interiors and wood working division operates from a factory set up in June, 2000 and is presently located at Bommasandra Industrial Area, Bangalore. The interiors and wood working factory is spread over an area of 784,108 sq. ft. was set up at an approximate total cost of Rs. 397.70 million.

Our factory operations are semi-automated and permit us to produce specialized and flexible finished patterns. Our interiors and wood working facilities ensure that a substantial portion of the finished wood product is completed in our factory premises, thereby ensuring that we have control over the quality of the finished product and that delivery of the finished products can take place in a controlled and timely manner.

The primary raw material for our interiors and wood-working factory consist of wood, veneers and fibre boards. The primary forms of wood used by our interiors division include ash, beech, teak, mahogany and maple, due to their uniform colour grain and texture. A majority of the wood and veneers that we require is imported through dealers and vendors.

As of September 30, 2006, our interiors and wood working factory employed 107 employees and approximately 1,059 personnel located at our factory or at project site. We are in the process of setting up our third factory, and have recently completed setting up of our second factory, to supplement the productions of our current interiors factory at a location adjacent to our existing factory. See "Our Business- Strategy- Offer a broad range of 'Sobha' products"

We also intend to diversify our product offerings to include retail products in the nature of furnishings and interiors, which will be built at out interiors and wood working division.

Our Glazing and Metal Division

Our glazing and metal division is engaged in the business of metal fabrication such as aluminium windows and doors, structural and architectural glazing. The fabrication activities are carried out at our factory premises, whereas assembly and the installation are carried out at the project sites.

Our glazing and metal works factory spread over an area of 344,124 sq. ft located at Bommasandra Industrial Area, Bangalore has been set up in July 2005 at an approximate total cost of Rs. 123.005million.

The primary raw materials for our glazing and metal works factory consist of aluminium sections, sections/flats/angles of mild steel and stainless steel, glass of various descriptions and alcobond panels. We procure our aluminium sections from various Indian aluminium manufacturers. To fulfil our raw material requirements of specified dimensions and quality, we procure the raw materials from selected dealers and vendors. Certain activities such as anodizing and powder coating of plain aluminium sections are outsourced by us.

As of September 30, 2006, our glazing and metal works factory employed 68 employees and approximately 1,447 other personnel located at our factory or at the project site.

Our Building Materials Division

Our building materials division manufactures a wide range of concrete products such as hollow and solid concrete blocks, medium and heavy duty concrete pavers, varieties of concrete paving slabs, kerb and barrier products, and water drainage products. Currently, we manufacture hollow and solid concrete blocks only for our captive consumption. Our concrete products factory is spread over eight acres is located at Jigani, approximately 20 kilometres from Bangalore.

We have constructed a concrete products factory at our existing Jigani location with an expected capacity of approximately ten million blocks and 300,000 kerb stones/paving slabs per annum. The new factory is proposed to be fully operationalised by September 2006. We have already commissioned a block and paving tile plant at the same location with a capacity to manufacture eight million concrete blocks per annum. Our total investment to establish these two factories will be approximately Rs. 350 million.

We are in the process of setting up a manufacturing plant that will manufacture kerbstones, water drainage channels, paving slabs and related landscaping products and relocating our smaller sized, block manufacturing plant with a capacity of two million blocks per annum from our premises at Jakkur to our premises at Jigani.

Our manufacturing plants are fully automated and the machinery for these plants has been imported from Germany and the United Kingdom. The three manufacturing plants enable us to produce concrete products of precise dimensions, density and high compressive strength.

Some features of our production facilities include the use of concrete diamond cutting saws and a shot blasting machine to allow for better finishing and allow for the production of non standard shapes and textures. We are also testing the use of truck mounted cranes with grabs, in order to minimize human intervention in the loading or unloading of concrete products at project sites.

As of September 30, 2006, our building materials division employed 25 employees.

Our Mechanical, Electrical and Plumbing Department

Our mechanical, electrical and plumbing Department ("M&E Department") is primarily responsible for the design, planning, co-ordination and execution of electrical, mechanical, plumbing and air-conditioning works at project sites. In addition to the above, the M&E Department is also responsible for advising on fire, safety and public health and environmental safeguards while designing our projects.

During the course of the execution of a typical project, the function of the M&E division commences from the design of electrical, plumbing and mechanical services pertaining to buildings and related site development works. The department is also responsible for the preparation of estimates, work program charts, technical instructions for execution, materials and manpower planning. During the course of the project, the M&E division also engages in the periodic review of the implementation of a project, the preparation of additional costing for modifications as per client requirements, site installation testing and commissioning. The role of the M&E department also involves provision of technical training to related personnel and where necessary, liaising with specialist consultants for the execution of complicated projects.

Our M&E department also provides consultancy and execution services for various contract works. These services were provided at a fixed rate per square foot. Our M&E department also undertakes minor repairs and routine maintenance for all construction machinery employed by us for execution of projects all over India. Our M&E department also proposes to engage in annual maintenance works for the maintenance of buildings and premises in the future.

The M&E department is organized in a modular fashion. Each such module is headed by a project in charge or engineer, two site engineers, six site supervisors and one project quantity surveyor. Each module manages approximately 300,000 sq. ft. of super built up area.

As of September 30, 2006, our M&E department employed over 455 employees including engineers, supervisors and staff and approximately 1,500 personnel including plumbers, electricians and other tradesmen who provide services to us on a contractual basis.

Our Architecture and Interior Studio or the Architecture Department

The architecture department designs all our in-house residential and contractual projects, and also assists in the design of contractual projects, where required.

For residential projects our architecture department usually commences its operations at the inception of a proposed project by providing an architectural feasibility report. Subsequently, upon the commencement of the project, the architecture department engages in the process of conceptualizing the proposed development with inputs from senior management and our marketing department. This process is aided by a team of three dimensional visualizers, a dedicated landscaping team and an in-house model making workshop.

At the development stage, our architecture department generates two sets of architectural drawings. The first of these consists of drawings prepared for the purpose of obtaining sanctions and the second set consists of working drawings and detailed drawings prepared for the purposes of the actual construction. These drawings constitute the basis on which actual construction takes place on the build site and also provide the starting point for the estimation of project needs and costs. These drawings are prepared in conjunction with inputs from our M&E department.

For contractual projects, our architecture department usually commences its operations upon receiving a design brief from the client for whom the construction is proposed. In response, our architecture department prepares a concept drawing and presentation drawings that are in turn approved by the client. Upon receiving approvals from the client, detailed work drawings are prepared in order to obtain approvals from statutory bodies and the preparation of "good for execution" drawings to guide the actual building process.

During the course of its operations, the architecture department requires and receives inputs from third party consultant structural engineers under the terms of project wise engagements entered into with them.

Our in-house architecture team consists of 77 personnel, and is organized in modules each of which headed by a senior architect. Each team consists of senior design architects, design architects, project co-ordinators, job-captains, junior architects and detailers. Each module within the architecture team is expected to deliver drawings and inputs for approximately one million sq. ft.

Our Project Implementation Team

Our projects department is our centralised planning and co-ordination team. Our planning and project management team monitors the complete development life-cycle of a project to ensure optimal utilization of resources and the progress of the project as per project schedules. In undertaking such a role the department interfaces and co-ordinates with our other departments of our Company and our project managers located at the project sites. The team's role begins from the time the land is finalized for acquisition, and continues until the time that the actual handover of the project to the customer is completed. Our project managers supervise the construction of our projects at the site-level, i.e. play a decentralized role.

Project planning and management for our projects is undertaken at two levels. We engage in centralized planning in connection with resource allocation across projects, procurement of expensive machinery and engage in staggering constructing schedules to ensure the availability of resources to various projects. On-site and the planning for each project is carried out by the project manager and senior project staff in association with project quantity surveyors assigned to the project. On-site planning includes estimation of material and labour demands, routing of equipment usage and other project level decision making. As planning of a project is both centralized and decentralized, the co-ordination between our planning and project management team and our project managers is critical.

As of September 30, 2006, our project implementation team consisted of 1,452 employees and is headed by a Project Director.

Our Sobha Model

Our projects are managed or implemented through our Sobha Model, wherein a qualified team of engineers, and project quantity surveyors are dedicated to a particular project. In the model each person of the team has defined roles and specified responsibilities. The role of each such employee is documented in our internal process manuals. The implementation of projects is carried out by a team of our employees at the project site, who supervise and control the construction of a project. This structure, or the 'Sobha Model', ensures the defined roles and responsibilities of each employee can be performed with the greatest efficiency with minimal wastage.

Each of our projects is headed by a project head, who has the primary responsibility to deliver a quality project in a timely and cost efficient manner. As per the 'Sobha Model' each project head is qualified to supervise the construction of residential project(s) of the size of 0.1 million sq. ft. per year.

Each project head reports to a general manager who is qualified to supervise the construction of residential project(s) of the size of 0.4 million sq. ft. per year or contractual projects of 0.48 million sq. ft. per year. Each general manager is the designated person having overall control of the projects, with responsibility of implementing our policies and plans. The responsibilities of a general manager broadly include planning for resources including work force at the project site, assigning an engineer or supervisor for post contract warranty maintenance, monitoring all purchase requisitions, and deployment of resources across projects. Each general manager is required to report to a director who is qualified to supervise the construction of residential project(s) of the size of 1.6 million sq. ft. per year or contractual projects of 1.92 million sq. ft. per year. Each director is directly responsible for the projects assigned to him, and is required to ensure implementation of our policies and plans. Other responsibilities of a director include building up of a talent pool of professionals and tradesman, macro level planning for each of the projects, and continuous training of the general managers.

Ideally, four project managers report to one general manager, and four general managers report to one director. Our Sobha model consists of personnel engaged in project management and project delivery roles. An effective co ordination between these personnel and roles is essential in ensuring the functioning of our Sobha model and the successful execution of each of our projects.

Each project manager on-site is assisted by a team of experienced engineers, fresh engineers, diploma holders and project quantity surveyors. Broadly, the project manager and his team supervise all aspects of the construction ranging from supervising the activities of mixing and pouring, water proofing, curing and marking, ensure inspection of all constructed areas, ensure safety and cleanliness, scheduling of costs and planning of resources.

The fresh engineers and diploma holders bear the primary responsibility for physical supervision of the construction activity at the project site and ensuring that the construction of the projects takes place in accordance with prescribed quality standards. The fresh engineers are also required to ensure safety and cleanliness at the project site.

Project quantity surveyors bear the responsibility of scheduling and planning project timelines and resources and ensuring the availability of resources for the project. The project quantity surveyors are also responsible for tracking compliance with the project schedule and tracking costs on a daily basis. The project quantity surveyors also bear responsibility of controlling the stores at each project and verification of sub contracted services.

Project management is the responsibility of five key personnel in each team, comprising of the project head, two experienced engineers and two project quantity surveyors. The management process encompasses planning of resources and time, ensuring that the right resources are available on site and on time, tracking of cost and time, and imparting continuous training to build a talent pool of work force. The Sobha Model helps to ensures that we have ready access to resources, and also gives us the capability to scale our operations, as may be required to meet future demands.

The responsibility for project delivery is shared between several persons. These include inexperienced engineers, diploma holders and supervisors who are responsible for overseeing work and ensuring that the execution of the same takes place in accordance with project specifications and requirements. The personnel responsible for execution of the project are supervised and guided in their work by our experienced personnel.

Our Procurement Department

Our centralized procurement department is responsible for the procurement of material (indigenous & imported) including civil, finishes, plumbing, electrical items, plant and machinery and services for our residential and contractual projects. The material procured by the procurement division includes items such as steel, ready mixed concrete, granite, cement, blocks, tiles, sanitary fittings, paints, tools and construction equipment.

Our dedicated procurement department ensures that the raw material requirements of each project are satisfied in a timely and cost effective manner. Our procurement department ensures that raw materials and other goods and services sourced from third party vendors are delivered in a timely manner, payment is made to suppliers in a timely manner, scrap on project sites is effectively disposed and also to develop relationships with vendors.

While we ordinarily conduct procurements on the basis of prevailing market prices, we have in certain cases, like that of copper procurement, entered into forward contracts in order to minimize the impact of market fluctuations in the price. Some of our procurement arrangements are created by means of agreements while others are entered into on the basis of letters issued by/to the agencies from which procurement is being done. The said letters or agreements are intended to ensure the availability of a fixed price for the materials being procured from the respective vendors for a period of one to six months from the date of their issue. Some of the above arrangements require that we deposit advance amounts with the vendors and also require that we ensure procurement of certain quantities of materials within a fixed time period.

As of September 30, 2006, the procurement department comprised of 41 permanent employees and is headed by a Procurement Director.

Our Quality Control Department

Our Quality Control Department ("QCD") is responsible for ensuring quality of all aspects in our projects. We have sought to implement the highest standards in all projects. Our QCD is headed by our Vice-Chairman, and comprises of German consultants who have been hired by us specifically for the purpose of the QCD. The German consultants consist of a German Master Mason and Master Concreter, five German experts and one plumbing expert.

The main tasks of the department are auditing and evaluation of works executed on all sites on a regular basis. To facilitate our QCD functions we follow a QCD evaluation manual, which sets out the defined parameters of checking and ensuring consistent quality.

Another key task of our QCD is project auditing which involves interacting with project-managers, engineers, supervisors and the labour on a day to day basis, on all quality aspects, and entails giving them instructions, monitoring their work and following it up with regular training and maintaining safety and orderliness on sites.

Consistent and uniform quality in all our projects is achieved through an internal certification procedure by which each product in each project is checked for quality, prior to the project being handed over to the end customer. The certification happens in four different phases before the final certificate of handing over is issued, which is done after all the works have been attended to as per the satisfaction of the German quality expert.

Our QCD also engages in routine training sessions to the engineers on site, over and above specialized training, which features hands-on training, masonry training, training innovation and material testing.

Hands on training encompasses various activities related to different masonry activities such as erection of walls, working with the stone cutting machines/ angular grinder, experimenting and learning to work with specialised German tools, surveying using modern auto level instruments. Innovation in training has been brought about by the erection of a complete cross-section of a model bathroom at the training centre which serves as a training tool for activities such as waterproofing and also serves as a quality benchmark to engineers and masons as to the final product. Material testing is also carried out by our quality department in order to establish their compatibility with our usage of the newly introduced products in the market or materials with specific problem tags.

Apart from the activities mentioned above, our QCD also undertakes research of new tools to be sourced, co-ordinates with various departments, clearance to modified drawings, new materials, and machines, working out detailed drawings with closer cooperation of architects for the benefit of site personnel.

As of September 30, 2006 our QCD had a strength of 31 employees who are deployed on various sites. The structure of the department is module-based with each module comprising of a team of four to five engineers headed by a German consultant. Each module is responsible for the development of an area aggregating approximately 0.80 million sq. ft. super built up area per annum.

Sales and Marketing

Sales and marketing is done through our dedicated sales and marketing team, who also work closely with our CRM team. The primary responsibility of our sales and marketing team is to generate customer enquiries on our products and to convert a potential customer to a client.

Our marketing team generates enquiries through media campaigns or through referrals from agents and brokers. Our marketing team is responsible for the creation and management of databases relating to the industry, prospective customers, clients and also conducts regular market research to identify potential customers segments, understand market demand and customer preferences. Our target customers include walk in customers and referrals from our existing clients.

An enquiry likely to generate a sale is allocated to our sales team. Our sales team, subsequently, interacts with the potential customer to assess the specific requirements of each potential customer, arranges for site visits and provides guidance on the procedural aspects of the sale process.

Our marketing and sales team are jointly in charge of creation and placement of advertising material in various media sources, participation in fairs and promotional activities, undertaking local road shows in conjunction with banks and financial institutions, and creating an awareness of the 'Sobha' brand.

As of September 30, 2006, our sales and marketing team consisted of eight marketing personnel and 36 sales executives.

Our Company has entered into an Advertisement Agreement dated October 25, 2006 with Bennett, Coleman & Co. Limited. Pursuant to the terms of this agreement, our Company has committed to release advertisements in Bennett, Coleman & Co. Limited print publications for the next four terms starting November 1, 2006 till October 31, 2010 for a cumulative value of Rs. 300 million (net of agency commissions), including an up-front payment of Rs. 60 million payable on the execution of the agreement.

Additionally, our Company has entered into a Master Property-Advertisement Agreement dated October 25, 2006 with Bennett, Coleman & Co. Limited. Pursuant to the terms of this agreement, the total advertisement expenditure (net of the agency commission) of Rs. 240 million shall be incurred by our Company over the next four terms starting from November 1, 2006 till October 31, 2010. See "Our History and Corporate Structure" on page 81.

Customer Relationship Management (CRM)

The CRM was established in August 2002 with the objective of assisting a potential customer or client in customizing a Sobha home. In addition, our CRM team keeps customers informed of the progress of the respective projects, provides any other services that our customers may require after the completion of the sales process. Internally, our CRM team interacts with various departments of our Company to ensure timely completion of projects and customer satisfaction. As of September 30, 2006 our CRM team is comprised of 83 personnel who includes architects and engineers dedicated to our CRM team.

Customer Care Cell (C3)

The C3 was established in August 2004 with the objective of providing call center related services to our clients. The C3 is open on throughout the year from 8 a.m. to 8 p.m. The responsibility of the C3 is to take on record complaints or feedback received from existing and prospective customers or clients through mails or through telephonic mode and forward the same for appropriate action by the CRM team.

Our Land Reserves

An important element of our success and our ability to construct residential projects is the availability of land in Bangalore and other parts of India. We actively attempt to identify and acquire land that may be available for sale in areas in which our customers demand residential or commercial projects or in areas in which we foresee development in the future.

Our Land Reserves are lands to which our Company has title, or lands from which our Company can derive economic benefits through a documented framework or lands in relation to which our Company has executed a joint development agreement or an agreement to sell. Our Land Reserves may be broadly classified into lands upon which there is no present development (hereinafter our "Land Bank") and lands upon which development is currently underway (hereinafter our "Land Stock"). Cumulatively, for all our Land Reserves we have made certain advance payments aggregating to Rs. 5,704.48 million and are further required to make an additional payment of Rs. 14,150.93 million.

As on June 30, 2006, our Land Bank consists of three types of land:

a. *Land to which we have title in our own name*

Our company holds the title to this land. We own 40.32 acres of land under this category in and around Bangalore and 7.66 acres in Pune.

b. *Land in relation to which we have executed contractual agreements*

Under this category we have commenced the process of conveying title to our name but have not completed the legal processes. While various contractual arrangements for the purchase of these lands by us are currently in effect and partial payment has already been made towards the acquisition of such lands, our Company has no title to these lands. These lands collectively measure 1,597.87 acres. Lands in this category are located in and around Bangalore, Mysore, Pune and Thrissur. We are also required to complete various legal formalities in order for the transfer of the title of this land to our name.

c. *Lands currently owned by third party individuals or corporate entities*

This land is currently held by individuals or entities that acquire and hold the land either on behalf of the Company or through arrangements for development with our Company. Lands in Bangalore and Coimbatore are held through individuals, while lands in Chennai and Kochi are held by corporate entities.

The individuals holding land on behalf of us include our Promoter Directors, relatives of the Promoters and relatives of our employees and key managerial personnel. Under the contractual arrangements between our Company and individuals holding the lands, the individuals are required to convey the lands held by them either to us or to a third party designated by us upon being required to do so. Additionally, in certain cases each of the individuals have executed a will in our favour bequeathing the land to us in the event of the death of such individuals; and have also executed a power of attorney in our favour granting us the authority to apply for necessary consents and approvals to develop the land. The total extent of land falling within this category consists of approximately 372.53 acres.

Our MoU with Technobuild Developers Private Limited and Parrot Groove Private Limited

The corporate entities holding lands with whom we have contractual arrangements for development of the land consist of several limited liability companies incorporated as special purpose vehicles which are wholly owned subsidiaries of a private limited company, Technobuild Developers Private Limited. The entire share capital of Technobuild Developers Private Limited are currently held by the Directors of Technobuild Developers Private Limited, who are our key managerial personnel. Our Company had entered into an MOU dated August 25, 2005 with Parrot Groove Private Limited, a land aggregator in Tamil Nadu, and Technobuild Developers Private Limited, pursuant to the terms of which our Company would make payments to Parrot Groove Private Limited, on behalf of Technobuild Developers Private Limited to facilitate in procuring lands in certain specified areas in the cities of Tambaram and Sriperumbudur and its surrounding villages. The land procured pursuant to the MOU would be registered in the names of the subsidiaries of Technobuild Developers Private Limited. For details on Technobuild Developers Private Limited and its subsidiaries, see 'Our Promoters- Disclosure in relation to Technobuild Developers Private Limited" on page 124.

The Directors of Technobuild Developers Private Limited have executed a non disposal undertaking dated June 3, 2006 with our Company wherein they have undertaken not to dispose of the entire share capital shares in Technobuild Developers Private Limited currently held by them without the our prior consent. We also have entered into agreements to sell with each of the subsidiaries of Technobuild Developers Private Limited under which each of these subsidiaries of

Technobuild Developers Private Limited have agreed to convey title in specified properties acquired by them, to our Company and has also agreed that the right to construct in these properties vests solely with us. The total extent of land falling within this category is approximately 576.20 acres.

For transactions between Technobuild Developers Private Limited and our Company, see "Related Party Transaction" on page 126 and 130.

We have no title to lands falling under this category.

Our Land Stock is located in and around Bangalore and may be classified into three categories of land;

a. *Land to which we have title in our own name*

The land stock in relation to which we retain title in our own name measures approximately 48.55 Acres and is located in and around Bangalore.

b. *Land in relation to which we have executed joint development agreements with the land owners*

In certain instances we develop land under joint development agreements entered into between our Company and the legal and beneficial owners of the land. The total Land Stock which is currently being developed under the joint development mechanism admeasures approximately 34.61 acres.

The joint development mechanism is effectuated by an agreement which typically provides for the apportionment of the eventual built up area falling to the share of each of the parties to the agreement, who are the owner of the lands on which the constructions are being erected and our Company. The owner, under the joint development agreement grants us the permission to develop and sell a given plot of land in one or several parts to oneself or his nominees. The terms of these joint development agreements do not convey any title in the land with respect to which the joint development agreement is being executed pending the completion of construction thereon. Development by means of the Joint Development Mechanism is subject to certain specific risks.

As of June 30, 2006, five of our 28 current projects are being developed on a joint development basis with the remaining projects being developed on an absolute sale basis. In certain joint developments agreements entered into by us, we have further entered into sale agreement with the owners of the land. Under these agreements, we have undertaken to purchase a portion of the property to which the owner of the land is entitled to at a certain fixed price.

(c) Lands in relation to which we have entered into contractual arrangement

We have entered into an agreement to sell dated October 11, 2005 in relation to two parcels of land totally admeasuring 4 .47 acres with an individual who also holds certain lands on our behalf. The lands specified above are owned by him in his personal capacity and pursuant to the terms of the agreement, the said person has undertaken to transfer the said lands to our Company for a certain consideration within a specified period of time. The terms of the above agreement require the transfer of land to our Company to be completed within 90 days of its execution failing which we are entitled to a refund of the moneys advanced under the agreement.

Further we have also entered into a MOU dated February 21, 2005 with a corporate entity in respect of a total of 1.84 acres of land. The said corporate entity holds these lands pursuant to a lease entered into with the owner of the property.. The corporate entity has undertaken to execute a sub lease in favour of our Company.

Our arrangements to acquire land ("Land Arrangements")

We have also entered into contractual arrangements for land acquisition with certain third party entities. Under these agreements, the said third party entities have agreed to procure certain extents of land located in and around Cochin, Pune and Chennai at or below certain prices on our behalf. We have made certain advance payments aggregating to Rs. 390.35 million to these third party entities in furtherance of these contractual arrangements, and are required to make an additional payment of Rs. 2,542.87 million at the lower end of the estimated price band and Rs. 7,712.97 million at the upper end of the estimated price band, as per the MOUs executed by the Company.

The following table is a summary of the Land Reserves and Land Arrangements and the amounts due for acquisition of land by us as of June 30, 2006:

Location-wise Break up	(In Acres)			Land Reserve (Rs. In Million)		Land Arrangement (Rs. in million)		
							Amount to be paid	
	Total Land	Land Reserve	Land Arrangement	Amount paid	Amount to be paid	Amount Paid	At lower end	At cap end
Bangalore	1,758.26*	1,758.26*	-	4,247.96	13,352.06	-	-	-
Mysore	12.35	12.35	-	90.00	106.99	-	-	-
Pune	982.66	256.10	726.56	209.24	324.37	55.14	1,217.89	1,217.89
Chennai	3,000.00	330.37	2,669.63	314.79	119.51	285.21	1,254.98	6,274.90
Cochin	214.62	154.62	60.00	618.47	-	50.00	70.00	220.00
Thrissur	55.00	55.00	-	200.00	248.00	-	-	-
Coimbatore	26.14	26.14	-	24.02	-	-	-	-
Total	**6,049.02**	**2,592.83**	**3,456.19**	**5,704.58**	**14,150.93**	**390.35**	**2,542.87**	**7,712.97**

** This includes 52.27 acres of land located in areas designated as falling under the green belt.*

We retained Cushman & Wakefield, international property consultants, to perform a land valuation. Cushman & Wakefield opined that as on July 7, 2006, the net present value of the Land Reserves was between approximately Rs. 70,356 million and approximately Rs. 77,762 million and after deducting the developer's margin, the land value of the Land Reserves was between approximately Rs. 39,717 million and approximately Rs. 43,898 million; and the net present value of the Land Arrangements was between approximately Rs. 43,478 million and approximately Rs. 48,054 million and after deducting the developer's margin, the land value of the Land Arrangements was between approximately Rs. 23,060 million and approximately Rs. 25,487 million.

As on September 30, 2006 our Land Reserves increased from 2,592.83 acres as on June 30, 2006, to 2,747.06 acres and Land Arrangements have decreased from 3,456.19 acres as on June 30, 2006, to 3,373.28 acres, and there has been a corresponding change in the payments made and payments outstanding in respect of Land Reserves and Land Arrangements. See 'Recent Developments in relation to our Lands' on page 8.

The valuations of Cushman & Wakefield are subject to the limitations and assumptions described in their letters which are reproduced as Appendix A to this Red Herring Prospectus. In particular, the valuations assume a freehold interest in lands with clear, marketable title that is free of encumbrances.

As discussed in the section titled "Risk Factors" on page x, some of our lands and the lands that we have options or agreements to acquire and for which we have made certain payments do not have guaranteed title and may be subject to encumbrances. Further our Land Arrangements currently represent only underlying agreements by which we have retained third parties to procure lands in and around certain cities.

Land Selection Process

The acquisition, development and marketing of properties and the land on which our buildings are constructed form an important part of our business. We have over time developed an internal process through which we select lands upon which we propose to develop projects, acquire the said lands and develop them to ensure that they are ready for construction. Our senior management identifies the areas on which we believe our projects will have commercial feasibility. Upon the finalisation of the same, the Land Purchase Department of our Company begins to identify the lands in the specified areas for our projects, which is carried on with the help of various brokers and also our own land purchase executives, who survey the area to identify the appropriate land and contact the owners directly.

The legal department of our Company undertakes a preliminary study of the land to assess whether the same can be used for the activities the company plans to acquire the land for. The architecture department prepares a 'architecture feasibility report' which provides us with information on factors like technical feasibility of the proposed land for the development of the project, such as shape, size, contours, the availability of ground water, the type of construction possible given the prevalent soil conditions, the number of floors that may be constructed on the given plot of land etc.

The marketing department also prepares the marketing feasibility reports, which deals with locational advantages and disadvantages and target clientele. For certain of our projects, in addition to the above market feasibility reports, we also conduct market surveys with existing clients and potential clients to help us determine market needs. The marketing report studies the nature of the market and aims to assess the nature of the clientele who will seek to acquire property in such an area. This survey by the marketing department includes survey of schools and amenities, analysis of demographic details to see whether a project will be saleable and at what price.

Upon the approval by our management to proceed with the acquiring of the land, our legal department proceeds with the negotiation with the owners of the land for the acquisition. The legal department usually attempts to ensure that the flow of title to the land is clearly ascertainable over a period of thirty years prior the date of the proposed acquisition. The processes involved in the legal feasibility survey include the examination of copies the relevant title deeds for the aforesaid 30 year period, the examination of corroborative documents including tax and revenue related documentation and evidences of utility payments. In addition to the above, the legal feasibility report may also incorporate a title opinion from an advocate acknowledging the unqualified, clear and marketable title of the owner on the property in question. The legal feasibility survey conducted prior to the selection of a property does not ordinarily involve an examination of original title documents or a detailed legal analysis of title to a property. During the course of the land acquisition process, we may enter into a memorandum of understanding with the owner of the land that is proposed to be acquired and advance to the said owner a percentage of the proposed value of the property. In certain exceptional cases, for exceptionally attractive portions of land, we may enter into a sale agreement with the owner of the land being acquired and advance to the said owner, a larger portion of the proposed value of the property. Prior to our decision to acquire the land, we issue a public notice calling for objections in relation to the land that we propose to acquire.

While our decision to select a particular location for our business is dependant on the information received from the above processes, it also involves a significant degree of independent judgment and analysis which we carry out based on our prior experience and feedback from our clients and market sources.

Health, Safety and Environment

We are committed to complying with applicable health, safety and environmental regulations and other requirements in our operations and also have workmens compensation, group medical insurance and a personal accident insurance policy in place. To help ensure effective implementation of our practices, at the beginning of every project we identify all potential material hazards, evaluate all material risks and institute*,* implement and monitor appropriate risk mitigation measures. We believe that accidents and occupational health hazards can be significantly reduced through the systematic analysis and control of risks and by providing appropriate training to management, employees and sub-contractors. We seek to work proactively towards minimizing or eliminating the impact of hazards to people and the environment. Project heads are principally responsible for ensuring that safety standards are met at project sites. In addition health and safety is also supervised on site by QCD.

Information Technology

We rely upon our enterprise resource package (“ERP”)-Quadra, provided by a third party software vendor, M/s Skyline E-Tech, for various administrative functions such as preparation of estimations, raising of purchase requisitions, Sales and CRM, invoice billing, procurement of material through purchase orders and receipt of goods across our various departments and project facilitates, human resource management, finance and accounting and generation of reports and information for our management. We have engaged by way of a work order, Sobha Renaissance Information Technology Private Limited, a company in which our Chairman holds a significant stake, to develop an ERP package for us.

Our Employees

Our work force consists of (i) our permanent employees, (ii) consultants who are engaged by us on a contractual basis, (iii) tradesmen who provide services to us through a contractual arrangement with M/s Lotus Manpower Services and (iv) labour work force that work at project sites through contractors. As of September 30, 2006, we had 3,222 permanent employees, compared to 1,234 and 806 employees as of March 31, 2005 and March 31, 2004, respectively. We had also employed 11 consultants and 5,166 tradesmen as on September 30, 2006.

Our permanent employees include personnel engaged in our management, administration, planning, procurement, auditing, finance, Sales and Marketing, CRM, C3, projects, M&E and legal functions. The break-up of our employees as per their qualifications is as set forth below:

Educational Qualification	No of Employees
Diploma	1,111
Engineering Graduates	1,329
Others	589
Chartered Accountants	28
Post Graduates	93
PHD	1
Architects	71
Total	**3,222**

Consultants who provide services to us consist of foreign nationals who serve us as consultant engineers, architects and plumbers. These foreign consultants have been retained by us to provide their experience and expertise in our projects, to ensure high quality standards. The foreign consultants train our employees in the use of technologically advanced tools and processes.

Our contractual workforce consists of tradesmen, drivers, housekeeping personnel and skilled, unskilled and semi-skilled workers. We have entered into an agreement with M/s Lotus Manpower Services, an entity which forms part of our Promoter Group, for the supply of these personnel commencing April 1, 2005. As per the terms of the agreement, Lotus Manpower Services is required to comply with statutory requirements and maintain records in relation thereto.

Retirement benefits to employees by way of provident fund and gratuity payment are in line with statutory requirements. We provide certain of our employees with group mediclaim policies, where the employees are not covered under the Employees State Insurance scheme. Certain senior officers are provided with company cars and accommodation. Our employees are not represented by unions and they do not have collective bargaining agreements. We believe that our relationship with our employees is good

Our Training Programmes

Our success depends to a large extent on our ability to recruit, train and retain high quality professionals. Accordingly, we place special emphasis on the human resources function in our organization. Recruitment is done primarily from campuses of educational institutions for fresh engineers and diploma holders. Experienced personnel are typically recruited through classified ads, listings on job portals or responses to advertisements placed by us in newspapers. We have a stringent recruitment process wherein candidates are required to have secured a minimum percentage of scores in their collegiate examinations, and have to pass two to three rounds of interviews, before they are offered a position. The training of recruits commences with an induction program, wherein recruits are educated on the various aspects of our business by the respective department heads, the fresh recruits also visit various project sites in order to familiarize themselves with the workings of our projects in various stages. While induction training and technical programmes are conducted in-house, sales-focused training, behavioural training and specialised domain skills training is provided by outsourced experts or by sending our employees to external training programs and seminars. Continuous training, the opportunity to work on challenging tasks and job rotation are part of our talent retention strategy. In furtherance of the above, we have initiated award schemes and employee recognition schemes that provide for monetary benefits and fast-track promotions for employees who perform in accordance with certain specified criteria.

To impart training to our workforce, we operate a training centre by the name Sobha Academy that imparts training to tradesmen in the civil construction trades.

Intellectual property

We have made applications for 30 trademarks before the Registrar of Trademarks, Chennai for various trademarks including the word “Sobha”, our old and new corporate logo, corporate slogan and various combinations thereof in various classes. We have sought to assign 17 of the 30 applications to one of our Promoters, Mrs. Sobha Menon for a nominal consideration, so that these trademarks may be used by other companies or ventures promoted or to be promoted by our Promoters. Upon the assignment of the trademarks we intend to execute a non-exclusive license agreement with Mrs. Sobha Menon for the use of the above trademarks.

Insurance

Our operations are subject to hazards inherent in the construction industry, such as risk of equipment failure, work accidents, fire, earthquake, flood and other force majeure events, acts of terrorism and explosions including hazards that may cause injury and loss of life, severe damage to and the destruction of property and equipment and environmental damage. We may also be subject to claims resulting from defects arising from engineering, procurement or construction services provided by us within the warranty periods extended by us, which can range from 12 months from the date of their delivery to the client. We obtain specialized insurance for construction risks and third party liabilities for most projects for the duration of the project. We generally maintain insurance covering our assets and operations at levels that we believe to be appropriate.

We also maintain automobile policies and workmen's compensation policies as well as hospitalization and group personnel accident policies for our permanent employees.

Properties

Our registered office occupy the premises located at E- 106, Sunrise Chambers, No. 22 Ulsoor Road, Bangalore 560 042 and consist of leased premises admeasuring approximately 1,584 sq ft. This property has been leased for a period of 36 months which is optionally extendable by a further period of 36 months. In addition to the above, we have also leased additional space in the above premises at the locations bearing numbers E 103 measuring approximately 792 sq.ft and E 107 measuring approximately 455 sq.ft.

Our offices are situated on premises at various locations in Bangalore. The said premises are primarily leased facilities totally measuring approximately 56,353 sq. ft.and house our administrative offices, planning, marketing, sales, legal and finance divisions.

We have leased premises totally admeasuring approximately 35,000 sq. ft. on various floors of the building 'Neeladri Plaza', Building No 4, Ward no. 77, Sampangiram Nagar, Bangalore 560 025. This property holds our Chairmans Office, administrative, planning, architecture, quality control, mechanical and electrical, estimation and procurement departments.

We have additionally leased premises admeasuring approximately 7,400 sq. ft. at No. 43, Dickenson Road, Bangalore 560 042. The said premises house our finance department, audit and IT department. The agreements under which we hold our leased premises are ordinarily in effect for a period of eleven months after their inception and in certain cases include restrictive covenants. We have leased premises totally admeasuring approximately 11,121 sq. ft. on various floors of building no. 368 located at 7th cross, Wilson garden, Hombegowda nagara. These premises house our sales and marketing sales, CRM, corporate affairs departments and administration.

For further details of the same please refer to "Risk Factors" on page x.

Corporate Social Responsibility

We also aim to be responsible corporate citizens of the country by giving back to society. Our recent initiatives include sponsorship of Mrs. Anju Bobby George for the Olympics 2004, sponsorship of P.T. Usha School of Athletics, creating a rehabilitation village for Tsunami victims in Kerala, adoption of 20 orphaned children and housed in a 'Sobha' sponsored orphanage, construction of a senior citizens' home with 5-star amenities, and providing regular contributions to worthy causes.

REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies as prescribed by the Government of India, Government of Karnataka and the respective bye laws framed by the local bodies incorporated under the laws in the State of Karnataka. The information detailed in this chapter has been obtained from the various local legislations and the bye laws of the respective local authorities that are available in the public domain.

The real estate and construction sector in India is governed by central and state legislations that regulate the substantive and procedural aspects of the acquisition and transfer of land, construction of housing and commercial establishments.

As the real estate and construction industry in India operates in a largely fragmented manner, with each State prescribing its own regulations. We are limiting the discussion herein to laws and regulations, which are currently applicable to us for carrying on our business in the State of Karnataka. Investors are advised to undertake their independent study in relation to the regulations applicable to us, for carrying out our business in various States in India. We are broadly subject to the laws which provide for the acquisition of the land, its registration and related aspects like payments of stamp duty, local legislation providing for the regulation and supervision of building and residential premises and certain other state specific laws.

Given below is a brief description of the various legislations, i.e Central and State that are currently applicable to the business carried on by us.

Constitution of India

The Constitution of India, in Schedule VII provides the list of the various fields of legislation in which the Union, the State and the Centre and State are allowed to make laws. The fields of legislation as specified in the Union list allow the Union of India to make the laws, while the entries in the State List provide the respective states to make the laws in relation to the same. The entries in the Concurrent list are where the centre and the states can both make laws. Provided below are certain important entries in relation to land which appear both in the Union as well as the State list.

Union List

Entry 86 of the Union list is in relation to '*Taxes on the capital value of the assets, exclusive of agricultural land, of individuals and companies; taxes on the capital of companies*'. Further entry 87 deals with '*Estate duty in respect of property other than agricultural land*'.

State List

Entry 18 of the State List deals with '*land that is to say right in or over the land, land tenures including the relation of landlord and tenant, and the collection of rents, transfer and alienation of agricultural lands; land improvement and agricultural loans; colonisation*'. Further entry 49 empowers the state in relation to '*taxes on land and buildings*'.

Therefore, as provided for in the Constitution of India, as regards lands in specific and real estate in general, the same are governed both by the laws enacted by the states as well as by the Union of India.

Laws enacted by the Union of India

The Urban Land (Ceiling & Regulation) Act, 1976 ("Urban Land Ceiling Act")

The Urban Land Ceiling Act prescribes the limits to urban areas that can be acquired by an entity. It has been repealed in some states and union territories under the Urban Land (Ceiling and Regulation) Repeal Act, 1999. Further, various land holdings are subject to the provisions of the Land Acquisition Act, 1894 which provides for the compulsory acquisition of land by the appropriate government for public purposes including planned development and town and rural planning. However, any person having an interest in such land has the right to object and the right to compensation.

The State of Karnataka has repealed the Urban Land Ceiling Act.

Transfer of Property Act, 1882 ("T.P. Act")

The Transfer of Property Act, 1882 deals with the various methods in which transfer of property including transfer of immovable property or any interest in relation to that property, between individuals, firms and companies takes place. This mode of transfer between individuals is governed by the provisions of the T.P. Act, as opposed to the transfer of property or interest by the operation of law. The transfer of property as provided under the T.P. Act, can be through the mode of sale, gift, exchange etc. while an interest in the property can be transferred by way of a 'lease' or 'mortgage'.

The T.P. Act stipulates the general principles relating to the transfer of property including among other things identifying the categories of property that are capable of being transferred, the persons competent to transfer property, the validity of restrictions and conditions imposed on the transfer and the creation of contingent and vested interest in the property.

Registration Act, 1908 ("Registration Act")

The Registration Act has been enacted with the object of providing public notice of the execution of documents affecting a transfer of any interest in an immoveable property. The purpose of the Registration Act is the conservation of evidence, assurances, title, publication of documents and prevention of fraud. It lays down in detail, the formalities for registering an instrument. Section 17 of the Registration Act identifies documents for which registration is compulsory and includes among other things, any non-testamentary instrument which purports or operates to create, declare, assign, limit or extinguish, whether in present or in future, any right, title or interest, whether vested or contingent, in immovable property of the value of one hundred rupees or more, and a lease of immovable property for any term exceeding eleven months or reserving a yearly rent.

An unregistered document will not affect the property comprised in it, nor be treated as evidence of any transaction affecting such property (except as evidence of a contract in a suit for specific performance or as evidence of part performance under the T.P. Act or as collateral), unless it has been registered. However, the amount of the fees under the Registration Act for the purpose of registration, vary from state to state.

The Indian Stamp Act, 1899 ("Stamp Act")

Stamp duty in relation to certain specified categories of instruments as specified under Entry 91 of the Union list, are governed by the provisions of the Stamp Act which is enacted by the Central Government. All other instruments required to be stamped, as per the rates prescribed by the respective state governments. Stamp duty is required to be paid on all the documents that are registered, as stated above, the percentage of stamp duty payable varies from one state to another. Certain states in India have enacted their own legislation in relation to stamp duty, while the other States have amended the Stamp Act, as per the rates applicable to in the State. The Stamp Act provides for stamp duty at the specified rates on instruments listed in the Schedule to the said Act.

The stamp duty in relation to the lease or conveyancing of any immovable property is prescribed by the respective states in which the land is situated and it varies from state to state. Instruments which are not duly stamped are incapable of being admitted in court as evidence of the transaction contained therein. Further the state government also has the power to impound insufficiently stamped documents.

Stamp Duty on instruments in the State of Karnataka is governed by the provisions of the Karnataka Stamp Act, 1957 ("**KSA**"). The KSA prescribes the stamp duty payable on various instruments relating to the land namely conveyance, lease and other instruments as the case may be. The stamp duty payable on conveyance in the State of Karnataka is eight and a half percent, plus any other interest/cess at present and is subject to revision by the government from time to time.

The Easements Act, 1882 ("Easements Act")

The law relating to easements is governed by the Easements Act, 1882 ("**Easements Act**"). The right of easement is derived from the ownership of property and has been defined under the Easements Act to mean a right which the owner or occupier of land possesses for the beneficial enjoyment of that land and which permits him to do or to prevent something from being done in respect of certain other land not his own. Under this law an easement may be acquired by the owner of immovable property, i.e. the dominant owner, or on his behalf by the person in possession of the property. Such a right may also arise out of necessity or by virtue of a local custom.

Labour Laws

We are also required to comply with the laws, rules and regulations in relation to hiring and employment of labour. The laws applicable to us include the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996, which is a social welfare legislation which aims to provide certain benefits as enumerated in the Act to the workers engaged in establishments that use manual labour for purposes of construction activities. The Act also provides for the regulatory regime to establish 'Boards' at the Central and the State level, to regulate the functioning of provisions the Act. All establishments involved in construction, are required to be registered under the act.

The Minimum Wages Act, 1948, provides for the fixing of appropriate minimum wags for workers involved in the various scheduled industries as specified in the act. The schedule of the Act refers to 'employment on the construction' or 'maintenance of roads or in building operations'.

The Payment of Bonus Act, 1965 prescribes the compulsory payment of bonuses to the employees by the establishments not expressly excluded by the statute. The Payment of Wages Act, 1936 aims to regulate the payment of wages to certain classes of employed persons. It establishes a regulatory regime for implementation of the objects of the Act. Pursuant to the insertion of Section 2(g) of the Act, it also applies to the construction industry. Further in the event that any aspect of the activity is outsourced and is carried by labourers hired on contractual basis, then compliance with the Contract Labour (Regulation and Abolition) Act, 1970 shall also be necessary.

The Payment of Gratuity Act, 1972 provides for the payment of gratuity to employees in certain prescribed establishments. Gratuity is payable to an employee on the termination of his employment after he has rendered continuous service for not less than five years on his superannuation, on his retirement or resignation or on his death or disablement due to accident.

Laws enacted by the State of Karnataka

We are also required to comply with the laws applicable to the housing and the real estate sector in the State of Karnataka, which include laws in relation to the availability of the land, obtaining the no objection certificates prior to the commencement of construction, to obtaining approvals required during and after the construction and finally obtaining the completion and occupancy certificate. We are required to comply with the various laws at the different stages in the life-cycle of a project. Some of the important main local legislations applicable to us are provided below.

Comprehensive Development Plan ("CDP")

To ensure economic and healthy development of the city, the city is divided into a number of use zones, such as residential, commercial, industrial, public and semipublic. In order to promote public health, safety and the general welfare of the community, the state government thought it necessary to impose limitations on the use of land and buildings.

The CDP for the city of Bangalore was earlier approved by the Government of Karnataka in the year 1984 and has subsequently been revised in 1995 by the Bangalore Development Authority ("**BDA**") which is the Planning Authority for the Metropolitan area of Bangalore, as per Section 25 of the Karnataka Town and Country Planning Act, 1961("**KTCP Act**"). The CDP covers a total area of, 1279 square kilometres and tends to be revised at least once every ten years.

The CDP lays down the policies and programmes for the overall development of the area within its ambit taking into consideration the long term requirements. The land requirement for different uses like residential, commercial, industrial, public and semipublic, traffic and transportation, parks and open spaces have been worked out and suitably located. In each use / zone, certain uses are normally permitted and certain other uses may be permitted by the BDA under special circumstances.

The zoning regulations and their enforcement are a major tool in keeping the land use pattern of the master plan. The zoning regulations for the city of Bangalore for the Bangalore Local Planning Area are prepared under the clause (iii) sub section 2 of Section 12 of the KTCP Act. Section 12 of the KTCP Act deals with the contents of the master plan which shall consist of a series of maps and documents indicating the manner in which the development and improvement of the entire planning area within the planning authority, is carried out. For the purpose of the KTCP Act, a planning authority includes the Bangalore Development Authority and any such local planning authority that is constituted under the KTCP Act.

Karnataka Land Revenue Act, 1964 ("KLR Act")

The KLR Act was enacted to consolidate and amend the laws relating to land and the revenue administration, in the State of Karnataka. The KLR Act states that any owner of an agricultural land shall require the permission of the Deputy Commissioner, to convert the use of such land for any other purpose. The KLR Act states that such a request for the conversion of the agricultural land cannot be refused, if such lands are in the CDP. Certain activites which are allowed to be carried out in the green belt areas include construction of places of worship, hospitals, libraries, sports clubs and cultural buildings. Any other form of activity, to be carried out will require the prior consent of the relevant authority.

KTCP Act

The KTCP Act was enacted to provide for the regulation of planned growth of land use and development and for the making and execution of town planning schemes in the State of Karnataka. The KTCP Act provides for the declaration of a local planning area and shall be governed by its own local bye laws, rules and regulations, as the case may be. A local planning authority is constituted for such a local planning area. Every local planning authority, shall be required to create a master plan and all activities shall be carried out pursuant to such a master plan.

Karnataka Municipal Corporation Act, 1976 ("KMC Act")

The KMC Act was established to consolidate and amend the laws, relating to the establishment of 'Municipal Corporations' in the state of Karnataka. The Municipal Corporations then have the power to regulate the construction industry by imposing mandatory requirements such as necessary approvals, building bye-laws, regulation of future constructions, etc. Pursuant to the provisions contained in Chapter XV of the Act, the corporations have been given the powers to regulate buildings and other related activity.

Under Chapter II of the KMC Act, a 'Corporation' is established based on certain criteria, which include the population of the area, the density of the population and certain other factors. Further, the KMC Act under Section 295 empowers a corporation to make bye laws for the use of sites and buildings. The Corporation shall have the power to make bye laws, for the regulation or restriction for the use of sites or buildings. Such a corporation may also make bye laws for all matters that are required or allowed to be carried on under this Act.

Bangalore Mahanagara Pallike Building Bye Laws - 2003 ("BMP Bye Laws")

The BMP Bye Laws are applicable and shall be required to be complied with within the jurisdiction of the Bangalore Mahanagara Pallike. For the purpose of the BMP Bye Laws, the Bangalore Mahanagara Pallike shall mean the Corporation. Currently there are totally about 100 wards in Bangalore to which the BMP Bye Laws are applicable.

Schedule 1 of the BMP Bye Laws, provides the land use classification which is permitted. Land use under the schedule is classified as (i) Residential (ii) Commercial (retail and wholesale business) (iii) Industrial (iv) public and semi public use (v) parks, open spaces and playgrounds (vi) transport and communication (vii) utilities and services (viii) agricultural zone. In the Commercial (retail business) zone, the construction of residential buildings is permitted.

Part II of the BMP Bye Laws provide that, every person who intends to erect or re-erect a building or make material alterations shall be required to obtain a license from the Commissioner of the Bangalore Mahanagara Pallike ("**Authority**"). The BMP Bye Laws provide the various details, which shall have to be complied with, for the purpose of carrying out any construction activity within its jurisdiction.

At the time of submission of an application by any person to the Authority to erect a building or such other construction activity, as required in clause 3 of the BMP Bye Laws the following documents shall also be required to be submitted with the plans and documents, which include

- Title deeds or the possession issued by a competent authority

- Property card and the sketch issued by the Department of Survey and Settlement and Land records and the latest assessment book extract issued by the Corporation
- Receipt of the property tax paid to the Corporation
- Attested copy of any previously sanctioned plan
- Drawing, key plan, site plan (which is drawn to a scale of 1:500) for sites up to an area of one hectare and building plan (which is drawn to a scale of 1:500). The said building plan shall also contain the following particulars including; floor plans of all the floors, use or occupancy of all parts of the building, sectional drawings of thickness of the walls, spacing of the column and such other details.

In addition to the above, certificates from the following authorities shall have to be submitted with the application. These authorities include

- The Bangalore Development Authority, in the event any of the conditions as specified are satisfied.
- No Objection Certificate ("**NOC**') from The Bangalore Water Supply and Sewerage Board, Bangalore Electricity Supply Company, Fire Services Department, Airport Authority of India in case of a high rise building. In the event that the high rise building is above seven floors, such an NOC shall also have to be obtained from the Telecommunication Department.

A high rise building is defined in clause 2.46 of the BMP Bye Laws, means a building with ground floor plus four or more floors above the ground floor.

Upon the grant of the license by the Authority, the owner shall have to comply with the approved plan and specifications and the construction of the building shall have to commence within a period of two years. After the physical inspection, the Authority shall issue an occupancy certificate.

Technical Requirements: The building constructed shall be required to comply with the specific requirements as specified in the BMP Bye Laws. In relation to the construction of any building, the Floor Area Ratio ("**FAR**") shall means the '*quotient obtained by dividing the total covered area of all the floors by the area of the plot*'. The set back line means '*a line prescribed beyond which nothing can be constructed towards the plot boundary except those not included under the definition of coverage.*'

Therefore, the FAR is calculated on a case to basis based on the construction. For instance, assuming a property admeasuring 10,000 sq. ft. is located on Sarjapur ring road, near Bangalore, Karnataka India with a road width of 150 feet, this property would fall under the zone of the CDP, 1995 and be entitled for an FAR of 2.00 as per table 24 of the CDP.

Clause 9.2 of the BMP Bye Laws refer to tables four to six, which provide the details in relation to the set backs required on all sides of the buildings, the maximum plot coverage, the maximum FAR, the maximum number of floors, maximum height of the building, that are permissible for different dimensioned sites and width. The exterior open spaces, the setback in metres for all buildings including residential, commercial, public and semi public buildings up to a height of 9.5 metres is provided in table four while table five provides the relevant details for all buildings above 9.5 metres. The coverage and the FAR for all buildings including residential, commercial, public and semi public are provided in table 6. All high rise buildings shall have to comply with the requirements specified in table 5. Further the minimum depth or width of a site for high rise building shall be 21 metres. Further the minimum road width facing a high rise building shall be 12 metres.

All buildings with ground floor and three floors and above (or height of 15 metres and above), shall also require the clearance from the Director of Fire Services, regarding the Fire Protection Provision in the building.

Bangalore Mysore Infrastructure Corridor Area Planning Authority ("BMICAPA") and Bangalore International Airport Area Planning Authority ("BIAAPA")

The BMICAPA and the BIAAPA have been constituted pursuant to the KTCP Act, as a local planning Authority. The Bangalore Mysore Infrastructure Corridor Project consists of tolled four lane express highways (including their peripheral and link roads) and the 5 new townships, along this corridor. The Bangalore International Airport Planning Authority, regulates the lands coming within its jurisdiction.

Under the provisions of the KTCP Act, such a local planning authority shall have its own rules and regulations, which shall govern the area within its jurisdiction. In light of the above, the BMICAPA and the BIAAPA constitute independent planning authorities, and therefore in the event that any land is situated in their jurisdiction, they shall pursuant to the authority vested in them, have the powers to govern such areas.

BMICAPA

Any person intending to carry out any development activity in the jurisdiction of Bangalore Mysore Infrastructure Corridor Area **("BMICA")** shall be required to make an application in the prescribed form as specified in Section 14 of the KTCP Act, with the following documents namely;

- key plan
- site plan
- building plan
- ownership title
- latest up to date tax paid receipt
- khatha certificate.
- NOC's if the building is a high rise construction

The BMICAPA regulations also provide the various requirements to be complied with by any person indulging in any construction activity. These regulations are very similar in nature to the BMP Bye Laws in relation to the requirements to be complied with. However, there are certain important aspects that are different. For example, in the BMICA a high rise building means '*a building of a height of 18 metres or more above the average surrounding ground level*', while the definition of the FAR is similar to what has been provided for in the BMP Bye Laws.

The permitted land use in the BMICAPA includes land to be used for commercial use wherein residential buildings are included. These BMICAPA regulations being very similar to the BMP Bye Laws also provide for certain requirements in relation to the setback. It provides in table 5.1 the minimum set back required on all sides of a building up to 10.00 metres in height, while table 5.2 provides the details of the exterior vacant spaces for the buildings above 10 metres in height. Further table 5.3 provides the details in relation to the coverage and FAR for the residential, commercial, public and semi public, traffic and transportation and public utility buildings. These BMICAPA regulations also specify the requirements in relation to various aspects including the number of floors that can be constructed, percentage of plots coverage, FAR, height of the building for different plot size.

BIAAPA

The area coming within the jurisdiction of the Bangalore International Airport Area ("**BIAA**") shall be governed by the rules and regulations as framed by the BIAAPA and all applications for carrying out any construction in this area, shall be made to the BIAAPA.

Bangalore Development Authority Act, 1976 ("BDA Act")

The BDA Act was enacted for the establishment of a development authority to provide for the development of the city of Bangalore and areas adjacent to it. Section 67 of the BDA Act has amended the KTCP Act and states that for the city of Bangalore, the Bangalore Development Authority ("**BDA**") shall be the local planning authority for the local planning area.

Section 81-B of the KTCP Act, states that the BDA shall be the local planning authority for the local planning area comprising of the city of Bangalore and the BDA shall exercise powers and perform functions as if it were a local planning authority for the Bangalore City.

Bangalore Metropolitan Region Development Authority Act, 1985 ("BMRDA Act")

The BMRDA Act was enacted for the purpose establishing the Bangalore Metropolitan Region Development Authority ("**BMRDA**") to plan, co-ordinate and supervise the proper and orderly development of the Bangalore metropolitan region. Any development in the Bangalore district and the Bangalore rural district shall require the prior permission of the BMRDA.

The BMRDA has recently issued a notification (No. BMRDA / ADM / 02 / 2006-07) dated July 15, 2006 wherein it has been stated that the BMRDA intends to come up with a "Master Paln Scheme" to regulate and check the haphazard construction in and around various areas in the city within its jurisdiction. The Notification states that untill December 31, 2006 no conversion will be allowed in areas within the APZ - I Zone (excluding the areas coming within the jurisdiction of RUCDA and BMICPA).

Karnataka Apartment Ownership Act, 1972 ("KAO Act")

Under the provisions of the KAO Act, every owner of an apartment is required to execute a declaration to adhere to the provisions of the KAO Act. The KAO Act states that the administration of every property, shall be bound by its own bye laws.

Other applicable laws

In addition to the legislation stated above, we shall also be required to obtain the consent of various local bodies including the Ministry of Environment and Forests and/or State Pollution Control Board, Fire Force Department, Bangalore Electricity Supply Company Limited ("**BESCOM**"), Bangalore Water Supply and Sewerage Board ("**BWSSB**"), Telecom Department, Airport Authority of India ("**AAI**"), Survey of India.

Foreign Investment in the Real Estate Sector

Foreign investment in the real estate sector is regulated by the relevant provisions of the FDI Manual dated November 2005 ("**FDI Manual**"), the Foreign Exchange Management (Transfer of Issue of Security by a person Resident Outside India) Regulations, 2000 **("FEMA Regulations"),** and the relevant Press Notes issued by the **S**ecretariat for Industrial Assistance, GoI.

FDI Manual

Item No. 9 of Annexure II to the said FDI Manual outlines the sectoral caps in relation to 'Housing and Real Estate'. The said annexure, specifies the following as activities under the automatic route in which Investment are permitted only by NRI's:

a. Development of serviced plots and construction of built up residential premises
b. Investment in real estate covering construction of residential and commercial premises including business centres and offices
c. Development of townships
d. City and regional level urban infrastructure facilities, including both roads and bridges
e. Investment in manufacture of building materials, which is also open to FDI
f. Investment in participatory ventures in (a) to (e) above
g. Investment in housing finance institutions, which is also open to FDI as an NBFC.

FEMA Regulations

The FEMA Regulations, state that the investment cap in the real estate on the activities in the 'Housing and Real Estate' is permit investment to the extent of 100% only by NRIs in the following specified areas:

1. Development of serviced plots and construction of built up residential premises
2. Investment in real estate covering construction of residential and commercial premises including business centres and offices
3. Development of townships
4. City and regional level urban infrastructure facilities, including both roads and bridges
5. Investment in manufacture of building materials, which is also open to FDI
6. Investment in participatory ventures in (a) to (c) above
7. Investment in housing finance institutions, which is also open to FDI as an NBFC.

However, all other forms of FDI are prohibited in relation to Housing and Real Estate Business.

Press Note 2 of 2005

The law in relation to investment in the real estate sector has further been modified vide press note 2 of 2005, bearing No. 5(6)/2000-FC dated March 3, 2005. The said press note has also amended certain press notes which have been issued earlier, in the same field.

Under the said press note 2, FDI up to 100% under the automatic route is allowed in 'townships, housing, built-up infrastructure and construction-development projects (which would include, but not be restricted to, housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure)', subject to the compliance with the following requirements.

a. Minimum area to be developed under each project is as under

   1. In case of development of serviced housing plots, a minimum land area of 10 hectares.
   2. In case of construction-development projects, a minimum built up area of 50,000 square meters
   3. In case of a combination project, anyone of the above two conditions would suffice

b. Minimum capitalization of US$ 10 million for wholly owned subsidiaries and US$ 5 million for joint ventures with Indian partners. The funds are to be brought in within six months of commencement of business of the Company.

c. Original investment is not to be repatriated before a period of three years from completion of minimum capitalization. The investor is to be permitted to exit earlier with prior approval of the Government through the FIPB. At least 50% of the project must be developed within a period of five years from the date of obtaining all statutory clearances. The investor would not be permitted to sell undeveloped plots.

Therefore applicable law only permits investment by an NRI under the automatic route in the 'Housing and Real Estate' sector upto 100% in relation to townships, housing, built-up infrastructure and construction-development projects (which would include, but not be restricted to, housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure) and additionally permits upto 100 % FDI in the 'Housing and Real Estate' subject to compliance with the terms provided in press note 2 of 2005.

The DIPP has by its letter dated October 3, 2006 bearing number 5(6)/2000-FC(Pt.File), clarified that 'guidelines notified vide Press Note 2 (2005 Series) are applicable to investment made only under the FDI route and not applicable to investment by FIIs under the Portfolio Investment Scheme under the FEMA Regulations.' Further, The RBI has by its letter dated October 27, 2006 has stated that the DIPP has clarified that Press Note 2 (2005 Series) are not applicable to investments by FIIs subscribing to this Issue, as a result the regulations under Notification 136/2005-RB dated July 19, 2005 wold not be applicable. Therefore, FIIs are permitted to invest in the Issue.

Note:

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

Non-residents such as FVCIs, multilateral and bilateral development financial institutions are not permitted to participate in the Issue.

HISTORY AND CORPORATE STRUCTURE

Our History

Our Company was incorporated as Sobha Developers Private Limited on August 7, 1995 by our Promoter Mr. P.N.C. Menon. For more information on our Promoters, see 'Our Management- Brief Biographies of our Directors' on page 90.

Our first residential project in Bangalore was launched in September 1997 and was completed in two years by September 1999. Thereafter, we began constructing our first contractual project, the Corporate Block for Infosys Technologies Limited, Bangalore that was completed in September 2000, which took ten months to complete. Till date we have developed and constructed 21 residential projects in Bangalore aggregating 1,552 apartments and covering approximately 2.98 million sq. ft.of super built up area; and constructed 75 contractual projects in the eight states of India, covering approximately 8.42 million sq. ft.of super built up area and two commercial projects in Bangalore aggregating 0.11 million sq. ft.of super built up area.

Awards

Our Company has been awarded the "Brick and Mortar Award" for the south zone in the "a+d & Spectrum Foundation Architecture Awards 2005". The Project completed in Mysore for Infosys by us, was declared by the Builders' Association of India, Mysore Center as the "Project of the Year" for the year 2005.

We have also received a memento from Infosys Technologies Limited in November 2000 in respect of our efforts in relation to the construction of the corporate maiden block. Further, on February 12, 2005 we have received further recognition again from Infosys Technologies Limited in relation to the Mysore Campus of Infosys Technologies Limited.

Sobha Space Private Limited, a company forming part of our Promoter group a company forming part of our Promoter group, has also been awarded "Project of the Year" for the year 2005 by the Builders' Association of India – Birla Super Well built Structures 2005-2006 for its Infosys Pune Project.

Change of Status and Registered Office

Our registered office was shifted from E - 106, Sunrise Chambers, 22, Ulsoor Road, Bangalore 560042, India to 43, 2nd Floor, Dickenson Road, Bangalore 560 042 with effect from December 31, 2004 by a resolution of our Board and again from 43, 2nd Floor, Dickenson Road, Bangalore 560 042 to E – 106, Sunrise Chambers, 22, Ulsoor Road, Bangalore 560 042 with effect from February 10, 2005 by a resolution of our Board.

We were initially incorporated as a private limited company on August 7, 1995. The status of our Company was subsequently changed to a public limited company by a special resolution of the members passed at an extraordinary general meeting held on May 8, 2006. The fresh certificate of incorporation consequent on change of name was granted to our Company on June 2, 2006, by the Registrar of Companies, Karnataka.

Recent Restructuring

Our Company has, by means of three memoranda of sale all dated April 3, 2006 with Sobha Interiors Private Limited, Sobha Space Private Limited and Sobha Glazing and Metal Works Private Limited respectively, all of which are companies in which our Promoters hold a significant stake, purchased certain selected assets and liabilities for a consideration of Rs. 126,742,716, Rs. 56,838,405 and Rs. 132,082,024 respectively, which have been paid by our Company.

The said assets and liabilities, which are enlisted in the schedules to the said agreements, include assets in the nature of stock of raw material, work in progress, fixed assets, plant and machinery. The liabilities which have been purchased by our Company include Bank liabilities in the nature of term loans, bill discounting liabilities and cash credits and dues to employees in the nature of salaries, leave encashment and gratuity.

Further, under the terms of the above memoranda, our Company has agreed to retain and take over the services of the employees of the vendor companies as of the date of the memoranda of sale, subject to contracts of employment entered into with such employees, the human resources policy of the our Company and the provisions of labour law governing the employment of such employees. Under the agreement, our Company has undertaken not to terminate the services of such employees and to treat them as if they were appointed by our Company.

Under the agreements, the companies selling the aforementioned assets and liabilities to our Company have undertaken to not carry out their present principal business either alone or in partnership with others or use or allow their name to be used in connection with any such business. They have further undertaken to surrender all the licenses, approvals or such regulatory approvals to the concerned statutory authorities required for the purpose of carrying on their principal business so as to ensure the discontinuance of the principal line of business.

For further details in relation to the above arrangement refer to the section titled "Our Business – Our Backward Integration model" on page 60 and "Our Promoters" on page 100.

Preferential allotment to Pre-IPO Investors

Kotak Mahindra Private – Equity Trustee Limited

In terms of a Subscription Agreement, Kotak Mahindra Private – Equity Trustee Limited has subscribed to 486,223 Equity Shares at a subscription price of Rs. 617 per Equity Share including a share premium of Rs. 607 per Equity Share, aggregating Rs. 299.99 million. On October 28, 2006, we have allotted 486,223 Equity Shares to Kotak Mahindra Private – Equity Trustee Limited. In terms of the Subscription Agreement, an amount of Rs. 15 per Equity Share has been paid by Kotak Mahindra Private – Equity Trustee Limited to the Company towards par value of Equity Shares and part of the securities premium. The balance amount being the securities premium has also been paid by Kotak Mahindra Private – Equity Trustee Limited and deposited in an escrow account till the determination of the Issue Price. Upon finalisation of the Issue Price:

a. In case the Issue Price is equal to or greater than Rs. 617, the entire amount to the credit of the escrow account will be transferred to the Company's securities premium account; or
b. In case the Issue Price is less than Rs. 617, the difference between Rs. 617 and the Issue Price, per Equity Share will be refunded to the Kotak Mahindra Private – Equity Trustee Limited and the balance will be credited to the Company's securities premium account.

The Subscription Agreement further provides that in the event of a failure of the Issue, Kotak Mahindra Private – Equity Trustee Limited will have the option either to remain invested in the Company or sell their shares to Oman Builders Private Limited, a company forming part of our Promoter Group in terms of the Agreement to Sell. In the event of Kotak Mahindra Private – Equity Trustee Limited choosing to dispose their Equity Shares in the Company the amounts lying to the credit of the escrow account is required to be refunded to Kotak Mahindra Private – Equity Trustee Limited, and under the terms of the Agreement to Sell, Oman Builders Private Limited is required to purchase the Equity Shares from Kotak Mahindra Private – Equity Trustee Limited at a price equivalent to the amount that has been appropriated by the Company towards par value and the securities premium and interest @ 15% p.a. on the consideration paid by Kotak Mahindra Private – Equity Trustee Limited.

In the event that Kotak Mahindra Private – Equity Trustee Limited chooses to remain invested with the Company, then Kotak Mahindra Private – Equity Trustee Limited shall be refunded an amount of Rs. 7 per Equity Share from the escrow account and the balance amount lying to the credit of the escrow account would be transferred to the securities premium account of the Company.

The Subscription Agreement and the Agreement to Sell also provide that in the event of a delay in the IPO, Kotak Mahindra Private-Equity Trustee Limited may by mutual decision with the Company decide to sell the Equity Shares in the Company to Oman Builders Private Limited.

Bennett, Coleman & Co. Limited

On October 28, 2006 in terms of the Shareholders Agreement dated October 25, 2006 between the Company and Bennett, Coleman & Co. Limited, we issued and allotted 97,245 equity shares to Bennett, Coleman & Co. Limited at a price of Rs. 617 per Equity Share including a share premium of Rs. 607 per Equity Share, aggregating Rs. 60 million. . The Shareholders Agreement provides that in the event of the Company's Equity Shares are not listed within 36 months, the Company, the Promoter and/or Promoter

Group Companies are required to buy-back the Equity Shares from Bennett, Coleman & Co. Limited. Additionally the Shareholders Agreement provides that in the event that Bennett, Coleman & Co. Limited wishes to sell the Equity Shares prior to an initial public offering of the Company, Bennett, Coleman & Co. Limited is required to provide a right of first refusal to the Promoters to purchase the Equity Shares.Other Agreements with Bennett, Coleman & Co. Limited

Our Company has entered into a Master Property-Advertisement Agreement dated October 25, 2006 with Bennett, Coleman & Co. Limited. Pursuant to the terms of this agreement, the total advertisement expenditure (net of the agency commission) of Rs. 240 million shall be incurred by our Company over the next four terms starting from November 1, 2006 till October 31, 2010.

Pursuant to the terms of this agreement, BCCL intends to acquire property spaces that are developed and/or to be developed by our Company, pursuant to a separate buyer-seller agreement. Our Company is required to intimate Bennett, Coleman & Co. Limited prior to launching any project, to enable them to select the properties, they intend to buy, which include properties under construction and/or ready for possession.

Bennett, Coleman & Co. Limited intends to acquire property from our Company, for cash consideration, which amounts will be used by our Company, for payment of advance for the proposed advertising with Bennett, Coleman & Co. Limited. The agreement provides for an exit clause wherein in the event that our Company has not utilized the total advertisement expenditure during the four year term, Bennett, Coleman & Co. Limited is entitled to sell the property at the end of the respective year to the extent of properties held by Bennett, Coleman & Co. Limited equal to total advertisement expenditure utilized by the company, subject to any transfer fees as applicable.

Our Company has entered into an Advertisement Agreement dated October 25, 2006 with Bennett, Coleman & Co. Limited. Pursuant to the terms of this agreement, our Company has committed to release advertisements in Bennett, Coleman & Co. Limited print publications for the next four terms starting November 1, 2006 till October 31, 2010 for a cumulative value of Rs. 300 million (net of agency commissions), including an up-front payment of Rs. 60 million payable on the execution of the agreement. Further, under the agreement, in the event we fail to meet the commitment of Rs. 300 million, we are not entitled to any refund of any amount paid under the agreement and such amounts are required to be set off against the advertisements to be published in the publications of Bennett, Coleman & Co. Limited. The agreement also provides that all the present and future subsidiaries of our Company will market their offerings with their own brand along with the umbrella brand of Sobha, as the prominent brand.

Key Events and Milestones

Year	Key Events, Milestones and Achievements
September, 1997	Launch of our first residential project, Sobha Sapphire in Bangalore
September, 1997	Launch of our first plot development 'Harisree Garden', in Coimbatore
July, 1998	Our Company obtains ISO 9001 (1994 series) certification
September, 1999	Our first residential project Sobha Sapphire in Bangalore is completed and handed over
December, 1999	Commencement of construction of our first contractual project, the Corporate Block for Infosys Technologies Limited, Bangalore
September, 2000	Completion and handover of the Corporate Block for Infosys Technologies Limited, Bangalore
November, 2000	Commencement of construction of our first contractual project outside Bangalore for Infosys Technologies Limited, Mysore
September, 2001	Completion and handover of our first contractual project outside Bangalore, at Mysore for Infosys Technologies Limited
October, 2003	Sobha Construction Academy and Sobha Research and Development Center commence functioning
April, 2004	Our Company obtains ISO 9001 (2000 series) certification
October, 2005	Commercial operation of fully automated concrete product division commences
April, 2006	Corporate restructuring by means of purchase of selected assets and liabilities from Sobha Interiors Private Limited, Sobha Glazing and Metal Works Private Limited and Sobha Space Private Limited
May, 2006	Certificate of DA 1 rating by CRISIL*
June, 2006	Change of status from private to public
September 2006	Certificate of PR 1 rating by CARE

* The rating was received by our Company pursuant to a study commissioned by us.

Main Objects

Our main objects enable us to carry on our current business and also the business proposed to be carried on by us as contained in our Memorandum of Association and are as follows :

1. To carry on the business as builders, property developers, civil, mechanical and labour contractors, building and erection engineers, dealers in, importers, exporters and manufacturers of prefabricated and pre-cast houses, materials, tools, implements, machinery and metal ware in connection therewith or incidental thereto and to carry on any other business that is customarily, usually and conveniently carried on therewith in or outside India and to purchase, acquire, take on lease or in exchange or in any other lawful manner any area, land, buildings, structures and to turn the same into account, develop the same and dispose off or maintain the same.

2. To carry on the business of development of hi-technology industrial parks, residential townships, vocational training centres, leisure parks, convention centres and development of other infra structural facilities and to act as technical consultants and advisors in all matters relating to rural and urban infrastructural development.

3. To acquire by purchase, lease, exchange, hire or otherwise hold, manage, work, develop the resources of and turn to account any estates, lands, buildings, tenements and other property *of* every description, whether freehold or leasehold or other tenure and wheresoever situate and any interests therein and rights connected therewith and in particular to acquire or take over certain estates situate in India or outside and all or any parts thereon and any other assets used in connection therewith.

4. To produce, manufacture, quarry, extract, treat, process, prepare, refine, import, export, purchase, sell and generally to deal in, either as principals or as agents, either solely or in partnership or in joint venture with others, all types and kinds of marble, granite, cuddapah, katah, shahabad, sandur and other natural and artificial stones, cement, ordinary, white, coloured, portland, pozzolana, alumina, silica and all other varieties of cement, lime and limestone, clinker and/or by-products thereof, as also cement products of any or all descriptions, such as pipes, slabs, asbestos sheets, blocks, tiles, gardenware, plaster of paris, lime pipes, sanitary wares, building materials and other articles, things, compounds and preparations connected with the aforesaid products, and in connection therewith to take on lease or otherwise acquire, erect, construct, extract, work, operate and maintain, factories, quarries, mines and workshops

5. To acquire and take over the existing business known as SOBHA CONSTRUCTION COMPANY, a proprietary concern, having its office at E-106, Sunrise Chambers, 22, Ulsoor Road, Bangalore - 42, with all assets and liabilities of the said business used in connection therewith or belonging thereto, together with all pending contracts, business rights, obligations, service personnel and the like.

6. To impart training to the workers, employees, tradesmen and other disciplines and to the general public with or without collecting fees or payment of stipend.

Amendments to our Memorandum of Association

Date	Nature of Amendment
June 28, 2006	Change in the authorized capital to Rs. 900 million comprising of 80,000,000 Equity Shares of Rs. 10 each and 1,000,000 Preference Shares of Rs. 100 each.
May 8, 2006	Change of name of the Company pursuant to a change in the status of the Company from private to public. The approval was received from the ROC for the change of name on June 2, 2006.
August 30, 2005	Increase in the authorized capital to Rs. 500 million comprising of 30,000,000 Equity Shares of Rs. 10 each and 2,000,000 Preference Shares of Rs. 100 each.
March 11, 2005	Increase in the authorized capital to Rs. 420 million comprising of 22,000,000 Equity Shares of Rs. 10 each and 2,000,000 Preference Shares of Rs. 100 each.
September 3, 2003	Insertion of new clause 6 to the Objects Clause which states as follows ‘to impart training to the workers, employees, tradesmen and other disciplines to the general public with or without collecting fees or payment of stipend’.
April 10, 2002	Increase in the authorized capital to Rs. 220 million comprising of 22,000,000 Equity Shares of Rs. 10 each.

Date	Nature of Amendment
February 20, 2001	Insertion of new clause 29 to the paragraph B of the Objects Clause and renumbering the existing clause 29 as 30. The new clause 29 states as follows: '*To guarantee the payment of monies, borrowed by the company or any other person, whether incorporated or not, whether unsecured or secured by or payable in respect of promissory notes, bonds, debentures, debenture stocks, contracts, mortgages, charges, obligations, instruments and securities and to offer as security for any such money so borrowed, raised or received, the mortgage, pledge or charge of the whole or any part of the property, assets or revenue of the Company, present or future, including its uncalled capital and generally to guarantee or become surety for the performance of any contract or obligation in connection with the business of the Company or any other person, whether incorporated or not.*'
September 10, 1997	Increase in the authorized capital to Rs. 70 million comprising of 7,000,000 Equity Shares of Rs. 10 each
January 27, 1996	Deletion of the words 'real estate agents' appearing in sub clause 1 under sub clause III under the head 'A. The main objects to be pursued by the Company on its incorporation'.
December 14, 1995	Increase in the authorized capital to Rs. 45 million comprising of 4,500,000 Equity Shares of Rs. 10 each.

Details of our Subsidiary

S.B.G. Housing Private Limited

S.B.G. Housing Private Limited was incorporated on August 10, 2001 and has its registered office at No. 902, Ninth Cross, Sixth Main Road, West of Chord Road, Second Stage, Bangalore 560 086.

S.B.G. Housing Private Limited became a subsidiary of our Company, with effect from April 11, 2005 pursuant to transfer of its shares from Mr. J.C Sharma, our Managing Director and Mr. Ashok Kumar, a key managerial personnel.

Main Objects of S.B.G. Housing Private Limited

1. To acquire by purchase, lease, exchange or otherwise, land, buildings and hereditaments of any tenure or description situated in any place in India or outside India and any estate or interest therein, and any rights over or connected with land to situate and to turn the same to account as may seem expedient and in particular to by preparing building sites, and by constructing, reconstructing, altering, improving, decorating, furnishing and maintaining offices, service apartments, houses, hotels, restaurants, shops, factory buildings, and godowns, ware houses, wharves, building and works, roadways, airways, bridges, dams and allied construction works and conveniences of all kinds and by consolidating or sub dividing properties and leasing and disposing of the same.

2. To carry on, in India and elsewhere in any place or places in the world, either of its own account or on account of its constituents, solely or in conjunction with others, the business of builders, developers, developing agents, planters, building contractors, building and financial consultants, managers, franchisees in regard to design and execution of existing and proposed townships, group housing, apartments, condominiums, private residences, industrial structures, factory buildings, sheds, godowns, garages, ware-houses, administrative facilities, hotels, resorts, hospital and other infrastructure such as roads, avenues, bridges, dams and air runways or any land of the company or upon other lands or property to pull down, rebuild, enlarge, extend, alter and improve the existing properties and by planting, draining, paving, letting, building on lease and by advancing money to and entering into contracts and arrangements of all kinds with builders, tenants and others.

3. To carry on the business of and act as promoters, organizers and developers of lands, estates, properties, co-operative house societies, associations, Company housing schemes, shopping office complexes, townships, farms, farm houses, holiday resorts, hotels, motels, tourism and to finance with or without security and/or interest for the same and to deal with and improve such properties either as owners or as agents or organizers.

4. To carry on in India and elsewhere in any place or places in the world, either of its own account or on account of its constituents, solely or in conjunction with others, the business of selling of any of the developments that the Company has carried out on an outright basis or in parts, either on its

own land or on land owned by others or under any arrangement and to also receive deposits and advance spent against such sales.

Shareholders as of October 13, 2006

The shareholding pattern of equity shares of S.B.G. Housing Private Limited is as follows

Sl.No	Shareholder	Number of shares	Percentage
1.	Sobha Developers Limited	999	99.99
2.	N. B. Ashok Kumar	1	0.01
	TOTAL	1,000	100

Directors as of October 13, 2006

The Board of Directors of S.B.G. Housing Private Limited comprises of Mr. D.S Patil and Mr. N.B. Ashok Kumar.

Financial performance

(In Rs. except share data)

	Fiscal year ended September 30, 2006	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2005	Fiscal year ended March 31, 2004
Sales and other income	Nil	Nil	Nil	Nil
Profit/Loss after tax	(0.01)	Nil	Nil	Nil
Reserves and Surplus	Nil	(0.02)	Nil	Nil
Equity capital (par value Rs. 100)	100,000	100,000	100,000	100,000
Earnings per share (Rs)	(8.42)	Nil	Nil	Nil
Book value per share	35.06	10	10	10

OUR MANAGEMENT

Board of Directors

Under our Articles of Association we are required to have not less than three directors and not more than twelve directors. We currently have eight directors on our Board.

The following table sets forth details regarding our Board of Directors as on the date of this Red Herring Prospectus:

Name, Father's/Husband`s Name, Address, Designation, Occupation and Term	Nationality	Age	Other Directorships
Mr. P.N.C. Menon, S/o Late Mr. P. Vishwanatha Menon In Oman Post Box 823, Postal Code 112 Ruwi, Sultanate of Oman In India Sobha Turquoise Flat No. A-1 Floor No. 1 Haudin Road, Ulsoor Bangalore 560 042 Chairman Business Whole Time Director Not liable to retire by rotation	Person of Indian Origin National of the Sultanate of Oman	58	**Indian Companies** a) Oman Builders Private Limited b) Sobha Interiors Private Limited c) Sobha Glazing and Metals Works Private Limited d) Sobha Innercity Technopolis Private Limited e) Sobha Projects and Trade Private Limited f) HBR Consultants Private Limited g) Sobha Renaissance Information Technology Private Limited h) Sobha Renaissance Transcor Private Limited i) Sobha Electro Mechanical Private Limited j) Royal Interiors Private Limited k) Hill & Menon Securities Private Limited l) Sobha Aviation and Engineering Services Private Limited **Foreign Companies** m) Indeset Trading and Decorations Services LLC n) Furniture Makers Limited Company, LLC o) S&T Interiors Company, WLL p) Gulf International Construction and Interiors Co., WLL q) Electronics Systems Company LLC r) Modern Tourism Projects Co. LLC s) Services and Trade Company, LLC t) Sobha Renaissance North America **Trusts** u) Sri Kurumba Trust
Mrs. Sobha Menon W/o Mr. P. N.C Menon In Oman Post Box 823, Postal Code 112 Ruwi, Sultanate of Oman In India Sobha Turquoise	Non Resident Indian	46	**Indian Companies** a) Sobha Aviation and Engineering Services Private Limited **Trusts** b) Sri Kurumba Trust

Name, Father's/Husband`s Name, Address, Designation, Occupation and Term	Nationality	Age	Other Directorships
Flat No. A-1 Floor No. 1 Haudin Road, Ulsoor Bangalore 560 042 Director Business Non Executive Director Liable to retire by rotation			
Mr. J. C. Sharma S/o Late Mr. P.M. Sharma B-2, 291, Sobha Ivory, No. 7/1, St. Johns Road, Bangalore 560 042 India Managing Director Service Whole time Director Liable to retire by rotation	Indian	48	**Indian Companies** a) Oman Builders Private Limited b) Sobha Interiors Private Limited c) Sobha Glazing and Metals Works Private Limited d) Sobha Technocity Private Limited e) Sobha Innercity Technopolis Private Limited f) Sobha Electromechanical Private Limited g) Royal Interiors Private Limited h) Hill & Menon Securities Private Limited i) Menon Hill Financial Services Limited
Mr. Ravi Menon S/o Mr. P.N.C. Menon 12, Sobha Sapphire No. 15, Amrudahalli Village Yellahanka Hobli Bangalore 560 092 India Vice Chairman Business Whole time Director Not liable to retire by rotation	Person of Indian Origin National of the Sultanate of Oman	25	**Indian Companies** a) Oman Builders Private Limited b) Sobha Interiors Private Limited c) Sobha Glazing and Metals Works Private Limited d) Sobha Technocity Private Limited e) Sobha Innercity Technopolis Private Limited f) Sobha Space Private Limited
Mr. N.S. Raghavan S/o. Late Nadathur Sarangapani, A – 604, Sobha Opal Fourth T Block, Jayanagar Bangalore 560 041 India Independent Director Business Liable to retire by rotation	Non Resident Indian	63	**Indian Companies** a) Nadathur Holdings and Investments Private Limited b) ABB India Limited c) Murugappa Management Services Private Limited d) IDFC Private Equity Limited e) Medi Assist India Private Limited f) Syndicated Research Worldwide Private Limited **Foreign Companies** g) Nadathur Fareast Pte Limited **Trusts** h) Board of Trustees, India Foundation

Name, Father's/Husband`s Name, Address, Designation, Occupation and Term	Nationality	Age	Other Directorships
			for Arts. i) Permanent Trustee of FAME (India) Trust j) Trustee of Viksit Bharat (Developed India) Foundation Trust **Other** k) Member of the Advisory Board, School of Information Systems, Singapore Management University l) Member of the Board of Governors, Xavier Institute of Management and Entrepreneurship.
Mr. Anup Shah S/o Sanmukh M. Shah # 2, Royal Park, 34, Park Road, Bangalore 560 051 India Independent Director Professional Liable to retire by rotation	Indian	49	**Indian Companies** a) Purvankara Projects Limited **Foreign Companies** b) Dynasty Business Park sdn bhd c) M K N Embassy Development sdn bhd
Dr. S.K. Gupta S/o Late Sushil Kumar Biswas, No. 14, Singapore Garden Kanakapura Road, P.O. Doddakalasandra, Bangalore 560 032 India Independent Director Business Liable to retire by rotation	Indian	68	**Indian Companies** a) J.S.W. Steel Limited b) Jindal South West Holdings Limited c) Jindal Saw Limited d) Vesuvius India Limited e) Hindustan Machine Tools Limited f) Encore Software Limited g) Bhuwalka Steel Industries Limited h) EcoCoke and Power Private Limited i) FerroGreen Technologies Limited j) IVRCL Infrastructure and Projects Limited
Mr. R. V. S. Rao S/o Late Mr. N. Ramachandra Rao No. 332/6, "Guru Kripa' 14th Main, Sadashivanagar Bangalore 560 080 India Independent Director Consultant Liable to retire by rotation	Indian	62	**Indian Companies** a) Can Fin Homes Limited b) Infrastructure Development Corporation (Karnataka) Limited c) Tamil Nadu Urban Infrastructure Trustee Company Limited d) Tamil Nadu Rural Housing Corporation Limited e) Housing Development and Finance Corporation Realty Limited f) Housing Development and Finance Corporation Holdings Limited g) Royal Orchid Hotels Limited h) Icon Hospitality Private Limited **Others** i) Indian Association for Savings and Credit

Brief Biographies of our Directors

Mr. P.N.C. Menon, is the founder and Chairman of our Company. An entrepreneur, Mr. P.N.C. Menon began his professional career at the age of 24, by establishing an interior decoration firm in the Sultanate of Oman. He has subsequently incorporated several companies in the Sultanate of Oman, United Arab Emirates and Qatar, engaged in construction and allied sectors, and is also their Chairman. He has more than 35 years of experience in the field of construction and real estate development.

Under his management, we introduced international quality standards and processes in our construction activities. With his guidance we have also documented processes and methodologies that ensure each activity of construction and development is as per the standards of quality that we have set for ourselves and ensures uniformity in our products. He is actively involved in the day-to-day operations and activities of our Company. Mr. P.N.C. Menon has been awarded the 'Life Time Achievement' award by Society Interiors Magazine for his contribution to the real estate and construction industry.

Mrs. Sobha Menon is a businesswoman by profession. She has been partnering her husband, Mr P.N.C Menon in his business enterprises in India. She has over 25 years experience in business. She is a founder director of our Company and has been a director of the Company since 1995.

Mr. J. C. Sharma, is our Managing Director. He graduated with a Bachelor of Commerce (Hons.) degree from St Xaviers College, Calcutta. He is a qualified chartered accountant and company secretary and has over 24 years of experience in diversified industries such as automobiles, textiles, steel and real estate in the areas of finance and management. He has previously served as the General Manager, Auto Distributors Limited, General Manager, Finance, Bhoruka Steels Limited, and General Manager, Commerce and Finance, Grasim Industries Limited. He has been associated with our Company since June 2001 and currently bears overall responsibility for our finance, land acquisition and legal functions.

Mr. Ravi Menon, is the Vice-Chairman of our Company. He graduated with a distinction in Bachelor of Science in Civil Engineering degree from Purdue University, USA. At Sobha he is in charge of our quality department and product delivery. He joined our Company in 2004. He has two years experience in the field of construction and real estate development.

Mr. N. S. Raghavan, has a bachelor's degree in electrical engineering from Andhra University. Mr. Raghavan has over 35 years of experience in the areas of engineering and management. He was a founder and formerly a joint managing director of Infosys Technologies Limited. He was also a non - executive chairman and is currently a non-executive director on the board of directors of the Murugappa Management Services Private Limited, India. Mr. Raghavan is the founder director of Nadathur Holdings and Investments Private Limited and the founder chairman of Nadathur Fareast Pte Limited, Singapore. Mr Raghavan has founded the N.S. Raghavan Center for Entreprenuerial Learning at the Indian Institute of Management, Bangalore and is a member on the board of governors of Xavier Institute of Management and Entrepreneurship, Bangalore. He is the founding trustee of the foundation for action, motivation and empowerment, an organisation focussed primarily on the development, disabilities of the children and one of the first trustees of Viksit Bharat Foundation, a non-government organisation. He is a recepient of the Dhirubhai Ambani Award for his outstanding contributions to enterprenuership in 2004.

Mr. Anup Shah, has a bachelor`s degree in commerce from HR College, Mumbai and a degree in law from Government Law College, Mumbai. He has over 22 years of experience in the field of law, specifically real estate law. He specialises in commercial and property documentation, corporate and commercial litigation, property related issues, land laws and arbitration and alternative dispute resolutions. He also answers readers queries through "Legal Eagle", a weekly article in The Times of India, Bangalore.

Dr. S. K. Gupta, has graduated with a Bachelors Degree in Metallurgical Engineering from BIT Sindri and has the degree of Doctorate of Philosophy and a Doctorate in Science from Moscow Steel Institute. He has over 47 years of experience in the field of metallurgy, engineering and management in the steel domain in particular. He has experience in the fields of research and development, engineering and management of steel plants, and the management of large engineering companies in the private as well as public sector and has formerly occupied the positions of President, managing director and executive vice chairman of Jindal Vijaynagar Steel Limited; managing director of Rourkela Steel Plant, Steel Authority of India Limited; Chairman and Managing Director, Metallurgical and Engineering Consultants (MECON); and Managing Director, Mishra Dhatu Nigam Limited (MIDHANI), Ministry of Defense. He was a Professor and Head of the Department of the faculty of metallurgical engineering at the Indian Institute of Technology, Bombay and a member of the board of the Industrial Development Bank of India and various other national institutions. He is serving as the Chairman of the Government of India task force on Steel Growth plan till 2010. He was the recipient of the "Metallurgist of the year" award instituted by the Government of India in 1980 and was conferred the National Metallurgist award in 1998. He was also a UNESCO fellow to the Moscow Steel Institute.

Mr. R. V. S. Rao, has a Bachelor's Degree in Commerce from Mysore university and a bachelor's degree in law from Bangalore university. He has completed the Master Class for Directors conducted in association with World Council for Corporate Governance, London, UK. He has over 36 years of experience in the areas of banking and finance and has been a member of the board of directors of Housing Development Finance Corporation Limited. As a USAID Consultant, he was the team leader that reviewed operation and made recommendations for Housing Finance Company, Ghana, Africa. He was also the team leader of the consultancy team, which advised the National Development Bank of Sri Lanka in establishing its Mortgage Finance Business. Mr. Rao is a Associate of Indian Institute of Bankers, Bombay, a Life Member of All India Management Association, New Delhi, was an Executive Committee Member of Bangalore Management Association and Greater Mysore Chamber of Industry.

Borrowing powers of the Board

Our Articles, subject to the provisions of the Act authorise our Board, to raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. Our Members, have pursuant to a resolution passed at the AGM dated September 13, 2006 authorised our Board to borrow monies together with monies already borrowed by us, in excess of the aggregate of the paid up capital of the Company and its free reserves, not exceeding Rs. 30,000 million at any time.

Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares with the Stock Exchanges. We have complied with the corporate governance code in accordance with Clause 49 (as applicable), especially in relation to broad basing of our board, constitution of committees. The Company undertakes to take all necessary steps to comply with all the requirements of Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges.

Currently our board has eight Directors, of which the Chairman of the Board is an executive Director, and in compliance with the requirements of Clause 49 of the Listing Agreement, we have three executive Directors, one non-executive Director and four independent directors on our Board.

Audit Committee

The Audit Committee was constituted by our Directors at their Board meeting held on June 28, 2006. The purpose of the audit committee is to ensure the objectivity, credibility and correctness of the company's financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters. The audit committee consists of Mr. R.V.S. Rao (Chairman), Mr. N.S. Raghavan and Mr. J.C. Sharma.

The terms of reference of the audit committee are as follows:

- Regular review of accounts, accounting policies, disclosures, etc.
- Review of the major accounting entries, based on exercise of judgment by management and review of significant adjustments arising out of audit.
- Qualifications in the draft audit report.
- Establishing and reviewing the scope of the independent audit including the observations of the auditors and review of the quarterly, half-yearly and annual financial statements before submission to the Board.
- The Committee shall have post audit discussions with the independent auditors to ascertain any area of concern.
- Establishing the scope and frequency of internal audit, reviewing the findings of the internal auditors and ensuring the adequacy of internal control systems.
- To look into reasons for substantial defaults in the payment to depositors, debenture holders, shareholders and creditors.

- To look into the matters pertaining to the Director's Responsibility Statement with respect to compliance with Accounting Standards and accounting policies.
- Compliance with Stock Exchange legal requirements concerning financial statements, to the extent applicable.
- The Committee shall look into any related party transactions i.e., transactions of the company of material nature, with promoters or management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large.
- Appointment and remuneration of statutory and internal auditors.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Audit Committee.

The powers of the audit committee shall include the power to:

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

Investor Grievance Committee

The Investor Grievance Committee was constituted by our Directors at their Board meeting held on June 28, 2006. This Committee is responsible for the redressal of shareholder grievances. The Investor Grievance Committee consists of Mr. S.K. Gupta (Chairman), Mr. J.C. Sharma and Mr. Ravi Menon.

The terms of reference of the Investor Grievance Committee are as follows:

- Investor relations and redressal of shareholders grievances in general and relating to non receipt of dividends, interest, non receipt of balance sheet etc in particular.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

Shareholding of our Directors in the Company

S.No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue Percentage Shareholding	Post-Issue Percentage Shareholding
1.	Mr. P. N. C. Menon	16,488,522	25.76	22.62
2.	Mrs. Sobha Menon	41,348,421	64.60	56.72
3.	Mr. P.N.C Menon and Mrs. Sobha Menon, jointly holding Equity Shares	5,494,407	8.59	7.54
4.	Mr. Ravi Menon	30	0.0*	0.00
5.	Mr. J.C. Sharma	15	0.0*	0.00
	TOTAL	**63,331,395**	**98.95**	**86.88**

** Shareholding less than 0.01%*

Interests of Directors

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Mr. P.N.C. Menon, Mr. J.C. Sharma and Mr. Ravi Menon are entitled to receive remuneration from us.

Our Company avails of legal advice from the firm Anup Shah Law Firm, in which one of our Directors Mr. Anup Shah is interested.

Except as stated in the section titled “Related Party Transactions” on page 126 and 130, and to the extent of shareholding in our Company, our Directors do not have any other interest in our business.

Our Directors have no interest in any property acquired by our Company within two years of the date of this Red Herring Prospectus. Our Promoters have acquired certain lands in the city of Coimbatore and hold the same on our behalf. Under the terms of a joint development agreement entered into between our Company, with our Promoters and certain others, our Promoters have undertaken to transfer the lands held by them on our behalf to third parties designated by us upon being required to do so. The premises on which our registered office is situated is owned by one of our Promoters, i.e Mrs. Sobha Menon and we have entered into a lease agreement with her for an initial period of 36 months, which is further extendable by another period of 36 months.

Guarantees given by our Promoters

Our Promoters have given certain personal guarantees in relation to certain debt obligations that has been provided to our Company.

Remuneration of our Directors

Mr. P.N.C. Menon, Chairman

Mr. P.N.C. Menon has served as a director on our Board and Chairman of our Company since inception. Under the terms of a resolution of the Board dated December 21, 2005 and subsequently ratified by our shareholders at the EGM by way of a special resolution dated May 8, 2006, the terms of employment and remuneration of our Chairman effective January 1, 2006 include the following:

Particulars	Remuneration
Basic Salary	Rs. 1.5 million per month
Other Allowances	60% of the Basic Salary
Contribution to Provident Fund	12% of the Basic Salary
Perquisites	The Chairman is to be entitled to perquisites, allowances, benefits, facilities and amenities such as medical reimbursement, leave travel assistance and any other perquisites as per the policy of our Company in force or as may be approved by the Board from time to time
Accommodation	A furnished house is to be provided by our Company
	In addition to the above the Chairman is to be entitled to the allowance and benefits as per the policy of the Company in force

Mr. J. C. Sharma, Managing Director

Mr. J. C. Sharma was appointed as our Managing Director, for a period of five years with effect from April 1, 2003, pursuant to a resolution of our shareholders dated September 3, 2003. Under the terms of a resolution of the Board dated December 21, 2005 and subsequently ratified by our shareholders at the EGM by way of a special resolution dated May 8, 2006. Our Board at its meeting held on June 2, 2006 passed a resolution which was subsequently ratified by our shareholders at the EGM by way of a special resolution dated June 28, 2006, the terms of employment and remuneration of our Managing Director effective January 1, 2006 include the following:

Particulars	Remuneration
Basic Salary	Rs. 0.16 million per month
Commission	In addition to the salary, our Managing Director is to be entitled to such commission not exceeding 2.0% of the net profits of the Company.
Accommodation	Rent free furnished accommodation or up to 40% of the salary as house rent allowance in lieu of accommodation
Other Allowances	Up to 60% of the Salary as determined by the board from time to time
Perquisites	Our Managing Director is to be entitled to perquisites, allowances, benefits, facilities and amenities (Collectively called Perquisites) such as medical reimbursement, leave travel assistance and any other perquisites as per the policy of the company in force or as may be approved by the Board from time to time

Particulars	Remuneration
	In addition to the above our Managing Director is to be entitled to the allowance and benefits as per the policy of the Company in force, 1. Company maintained car(s) with driver(s) 2. Telephone at residence 3. Company's contribution to provident fund 4. payment of gratuity and other retirement benefits 5. encashment of leave 6. Personal accident insurance as per the rules of the Company.

Mr. Ravi Menon, Director

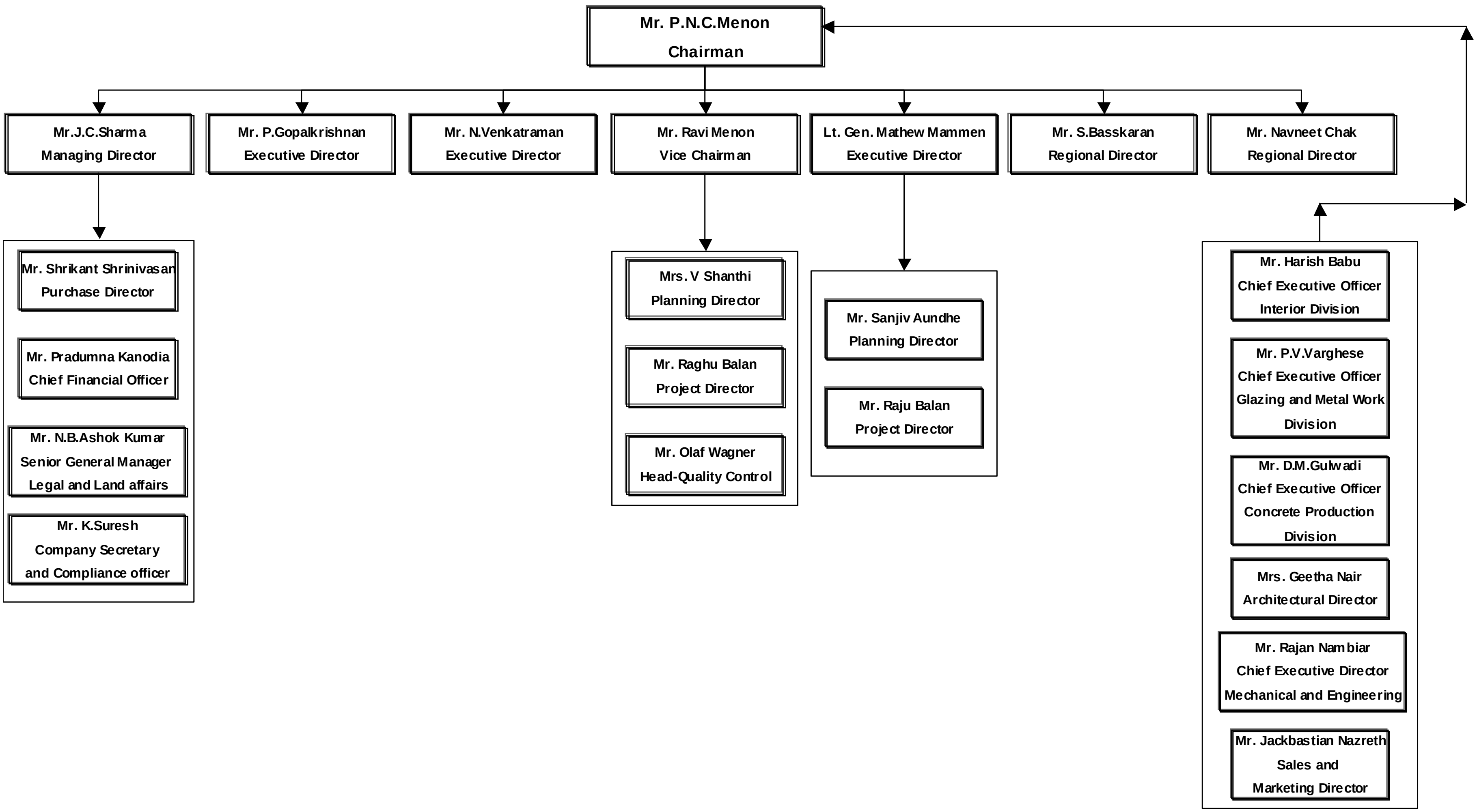
Mr. Ravi Menon was appointed as a director on our board by a resolution of our shareholders dated June 8, 2004. Under the terms of a resolution of the Board dated December 21, 2005 and subsequently ratified by our shareholders at the EGM by way of a special resolution dated May 8, 2006, the terms of employment and remuneration of Mr. Ravi Menon effective January 1, 2006 include the following:

Particulars	Remuneration
Basic Salary	Rs.1.0 million per month
Other Allowances	60% of the Basic Salary
Contribution to Provident Fund	12% of the Basic Salary
Perquisites	Mr. Ravi Menon is to be entitled to perquisites, allowances, benefits, facilities and amenities (Collectively called Perquisites) such as medical reimbursement, leave travel assistance and any other perquisites as per the policy of the company in force or as may be approved by the Board from time to time
Accommodation	A furnished house is to be provided by the Company
	In addition to the above Mr. Ravi Menon is to be entitled to the allowance and benefits as per the policy of the Company in force

Changes in Our Board of Directors during the last three years

Name	Date Of Appointment	Date of Cessation	Reason
Mr. Ravi Menon	June 8, 2004	-	Appointment
Col. V.K. Balan	August 9, 1995	March 30, 2006	Resignation
Mrs. Sobha Menon	August 7, 1995	March 30, 2006	Resignation
Mrs. Sobha Menon	May 1, 2006	-	Appointment
Lt. Gen. Mathew Mammen	May 1, 2006	June 28, 2006	Resignation
Mr. N.S. Raghavan	June 28, 2006	-	Appointment
Mr. Anup S. Shah	June 28, 2006	-	Appointment
Dr. S.K. Gupta	June 28, 2006	-	Appointment
Mr. R.V.S. Rao	June 28, 2006	-	Appointment

Managerial Organizational Structure



Key Managerial Personnel

The details regarding our key managerial personnel are as follows:

Lt. General Mathew Mammen, PVSM, AVSM, VSM (BAR), 61 years, executive director, is a Civil Engineer by profession with a M.Sc. in Defence Studies. Prior to joining our Company, Lt. General Mathew Mammen has served the Indian Army for forty-one years last holding a prestigious position as an Engineer-in –Chief of the Indian Army. Lt. General Mathew Mammen has completed his MSc (Defence Studies) from the Defence Services Staff College, Wellington. He is a Fellow of Institution of Engineers (FIE) and Institution of Nuclear Protection (FINP). He is also a Life Member of the Indian Council of Arbitration (FICA) and a Member of Indian Road Congress (MIRC). Apart from his long tenure in the Indian Army, he has also held positions as the Chairman of Paraplegic Rehabilitation Centre (Pune), Chairman of Queen Mary's Technical Training Institute for Disabled Soldiers, a Principal Member of Civil Engineering Division Council (CIEDC) of BIS committee as well as a Governing Member of Indian Building Congress (IBC). He was awarded the Most Eminent Engineer Award for 2004 by the Institution of Engineers. He joined our Company on November 11, 2005. His current responsibilities in our Company include overseeing and supervising all our contractual projects.The remuneration paid to him for part of the fiscal year 2006, as of March 31, 2006 is Rs. 542,818.

Mr. P. Gopalkrishnan, 56 years, executive director, holds a bachelors degree in Science (Mathematics) degree from Madras University and is a qualified chartered accountant. He has 36 years of experience in the areas of finance and general management and has previously worked with Price Waterhouse Coopers, INDAL, Brooke Bond, Lipton and Hindustan Lever in various capacities and functions, Commercial Head, Unilever Tanzania and Special Projects Manager, Hindustan Lever Limited prior to joining our Company in January 2003. His current responsibilities in our Company include supervising our corporate audit, administration and customer care. The remuneration paid to him in fiscal 2006 was Rs. 1,304,200.

Mr. N. Venkatramani, 44 years, executive director, holds a bachelors degree in Mechanical Engineering from the Regional Engineering College, Warangal and a Post Graduate degree in Industrial Engineering, from National Institute for Training in Industrial Engineering, Mumbai. He is an Associate Member of Institute of Chartered Accountants of India and Associate Member of Institute of Company Secretaries of India. Mr. Venkatramani has over 12 years work experience in Project Management, System Implementation, Business Process Re-engineering and Secretarial functions in different sectors. He was associated with Sasken Communications Technologies Limited, Leafin Agro Limited and Baan Info Systems Private Limited prior to joining our Company on December 1, 2004. His current responsibilities in our Company include overseeing the functions of human resources department, information technology department and MIS, as their head.The remuneration paid to him in fiscal 2006 was Rs. 1,755,788.

Mr. S. Baaskaran, 37 years, regional director, holds a bachelors degree in Commerce from Madras University. He is a qualified chartered accountant and a Cost & Works accountant and has over 14 years of experience in the areas of accounting, finance, secretarial operations and compliance. Mr. Baaskaran was associated with Kaveri Telecoms Limited prior to joining our Company in July 2, 2001. He has also served as the Managing Director of Sobha Space Private Limited, Mr. S. Baaskaran was transferred from Sobha Space Private Limited to our Company with effect from April 3, 2006 by means of a restructuring of the business, recently. His current responsibilities in our Company include his role as the regional head of Pune Operations and Contractual projects.

Ms. V. Shanthi, 33 years, planning director, holds a bachelors in technology in Civil Engineering from the Regional Engineering College Kurukshetra and is a Post Graduate in electronic commerce from Manipal Academy of Higher Education, Manipal. She has seven years of experience in the field of corporate planning, market research and feedback management during her association with the Coromandel Engineering Company Limited in the capacity of Senior Officer, Corporate Planning. She joined our Company in April 2003. Her current responsibilities in the Company include supervising and implementing all project related processes as well as strategic planning of resources for the Projects, Cost tracking and Estimation for Real Estate and Contract Projects. The remuneration paid to her in fiscal 2006 was Rs. 1,309,000.

Dr. Sanjiv Aundhe, 39 years, planning director, holds his bachelors in Civil Engineering degree from Bombay University. He has also done a Fellow Programme in Management at Indian Institute of Management, Bangalore, in the area of planning and evaluation of urban infrastructure projects. He has over five years of experience in the construction projects. He had also worked as a consultant with a non-governmental organization specializing in technology diffusion and urban planning issues prior to joining our Company in May 2003. His current responsibilities in our Company include Planning, Management, supervising and implementation of contractual projects. The remuneration paid to him in fiscal 2006 was Rs. 1,406,500.

Ms. Geetha Nair, 37 years, architectural director, holds a bachelors degree in Architecture from UVCE, Bangalore. She has over 12 years work experience in building and construction industry and was associated with Vallal Associates and Zachariah Consultants prior to joining our Company in January 1997. She is currently responsible for supervising and managing the operations of our architecture department. The remuneration paid to her in fiscal 2006 was Rs. 1,309,000.

Mr. Rajan Nambiar, 54 years, CEO - M&E, holds a Diploma in Engineering from Cannanore Polytechnic, Kerala. He has over 23 years prior work experience with the Central Public Works department, Mumbai as well as with the British Electro-Mechanical Consultancy & Contracting Company, Middle East prior to joining our Company in January 1997. He is currently responsible for supervising and managing the operations of our mechanical and electrical division. The remuneration paid to him in fiscal 2006 was Rs. 3,680,249.

Mr. Harish Babu, 39 years, is the CEO - interiors division, and holds a bachelors degree in Fine Arts from Geethanjali College of Fine Arts, Kerala Technical Education Board. He has over 10 years work experience as a designer in Muscat prior to joining our Company in March 2000. Mr. Harish Babu was transferred to our Company from Sobha Interiors Private Limited, with effect from April 3, 2006 by means of a restructuring of the business, recently. He is currently responsible for supervising and managing the operations of our interiors division.

Mr. Raghu Balan, 39 years, projects director, holds a bachelors degree in Civil Engineering from the University of Calicut. He also holds a Masters Degree in Construction Management (MCM) from the National Institute of Construction Management and Research. He has over 8 years work experience in building construction, infrastructure and interior design which includes two years as an entrepreneur, two and a half years in Hindustan Construction Company Limited, one and a half years in Services and Trade Company, Muscat and two years in Oman Builders Private Limited before joining our Company in January 1997. His current responsibilities in our Company include our inhouse projects. The remuneration paid to him in fiscal 2006 was Rs. 1,219,000.

Mr. Raju Balan, 34 years, projects director, holds a bachelors degree in Civil Engineering holds a bachelors degree from the Government Engineering College, Thrissur university. He has over 14 years of experience in the building and construction industry prior to joining our company in April 2004. Prior to which he was the proprietor of RSR Builders, Kerala. His current responsibilities include supervising our project delivery functions at Pune. The remuneration paid to him in fiscal 2006 was Rs. 1,800,000.

Mr. Jackbastian K Nazareth, 38 years, sales and marketing director, holds a bachelors degree Civil Engineering from Karnatak University. He also holds a Masters degree in Business Administration from Goa Institute of Management. Mr. Nazareth has over 16 years of experience in the area of project management, project execution business development and sales and marketing in the real estate business. He was the CEO of Vitrostar India Private Limited as well as a partner for Trinity Consultants and Engineers in Goa during that time. He joined our Company in December 2003. His current responsibilities in our Company include supervising the sales and marketing of our residential projects. The remuneration paid to him in fiscal 2006 was Rs.1,278,485.

Mr. K. Suresh, 40 years, company secretary and compliance officer,is a gold medallist in Master of Commerce from Madras University. He is also a qualified chartered accountant and a Cost & Works accountant and company secretary. He held an all India rank in all three qualifications. He also holds a post-graduate diploma in foreign trade management. He has over 16 years of experience in the fields of manufacturing, distribution/trading, IT enabled services and real estate. Prior to joining our Company he was Director (Finance and Admin.) for Ajuba Solutions Private Limited. He joined our Company in January 2003 as Vice President-Finance. At present he is in charge of all secretarial matters and he is our compliance officer. He is also in charge of new business initiatives of our Company. In addition to the above he also has a diploma in Hindu astrology and has published books on the Veda Ghana Patha. The remuneration paid to him in fiscal 2006 was Rs.1,785,650.

Mr. Srikanth Srinivasan, 33 years, purchase director, holds a Bachelors in Engineering (Industrial and Production) degree from the Karnataka Liberal Education Society College of Engineering & Technology, Belgaum. He also holds a Management diploma in Finance & Economics from Fachhochschule Fuer Oekonomie & Management, Essen, Germany and is a qualified Project Management Professional. His current responsibilities in our Company include supervising our procurement department. Mr. Srinivasan has had over ten years of professional work experience, which includes an overseas experience of three years in Germany prior to joining our Company on October 2002. The remuneration paid to him in fiscal 2006 was Rs. 994,900.

Mr. Navneet Chak, 35 years, regional director, holds a bachelors degree in Technology (Chemical Engineering) degree from Bharathiyar University. In addition he holds a post-graduate diploma in Management from Indian Institute of Management, Bangalore. Mr. Navneet has over 12 years of experience and has worked as a venture capitalist in the venture capital arm of IFCI. He was also associated with IPCL and Pfizer Limited prior to joining our Company on December 2004. His current responsibilities in our Company include heading the NCR operations of our Company. The remuneration paid to him in fiscal 2006 was Rs. 1,389,889.

Mr. Pradumna Kanodia, 42 years, Chief Financial Officer, holds a bachelors degree in Commerce from Rajasthan university. He is a qualified Chartered Accountant and Company Secretary. He has over 18 years of experience in the fields of financial & corporate management and was associated with Focus Infosys India Limited, Abir Chemicals Limited prior to joining our Company in December 2005. His current responsibilities in our Company include supervising the finance, accounts and treasury operations. The remuneration paid to him for part of the fiscal year 2006, is Rs. 597,552.

Mr. Dhananjay Mangesh Gulwadi, 47 years, CEO - concrete products division, holds a bachelors degree in Civil Engineering from the Indian Institute of Technology, Mumbai. He also holds a post-graduate diploma in Construction Management from NICMAR (National Institute of Construction Management and Research). Mr. Gulwadi has over 26 years of experience in all areas of building and construction management. He has been associated with Assarain Group of Companies, Amaintit, Oman and also with Tata Electric Company prior to joining our Company in November 2004. His current responsibilities in our Company include supervising our building materials division. The remuneration paid to him in fiscal 2006 was Rs. 1,935,378.

Mr. N.B. Ashok Kumar, 43 years, senior general manager (legal & land affairs), holds a bachelors degree in commerce from Bangalore University. He has over 20 years of experience and was associated with Aru & Dev, Chartered Accountants and with Interbuild Holdings Private Limited prior to joining our Company in March 1999. His current responsibilities in our Company include Supervising and co-ordinating the procurement of land, legal matters and approvals in relation to the same. The remuneration paid to him in fiscal 2006 was Rs. 815,425.

Mr. P.V. Varghese, 43 years, CEO -glazing and metal works division, holds a bachelors degree in Science (Physics) from Christ College. He also holds a Bachelor of Technology (Civil Engineering) degree from Government Engineering College, Trissur. He has over 18 years of experience in the field of Glazing, Cladding & Construction Management. Mr. Varghese has been associated with M/s Al Siraj International Dubai, M/s Prefab Building, M/s YTC Saudi Arabia and also with M/s Ray Construction prior to joining Sobha Glazing and Metal Works Private Limited, a company in which our Promoter Directors have a significant stake, in March 2001. He was transferred to our Company from Sobha Glazing and Metal Works Private Limited with effect from April 3, 2006.

All our key managerial personnel are permanent employees of our Company and none of our Directors and our key managerial personnel are related to each other.

Shareholding of the Key Managerial Personnel

Other than as disclosed below, none of the key managerial personnel hold Equity Shares in the Company.

S. No	Name of Key Managerial Person	Number of shares
1.	Mr. K. Suresh	15
2.	Mr. P. Gopalkrishnan	15
	TOTAL	**30**

Bonus or profit sharing plan of the Key Managerial Personnel

There is no bonus or profit sharing plan for our Key Managerial Personnel.

Interest of Key Managerial Personnel

The key managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of Equity Shares held by them in the Company.

None of our key managerial personnel have been paid any consideration of any nature from the Company, other than their remuneration.

Changes in the Key Managerial Personnel

The changes in the key managerial personnel in the last three years are as follows:

Name of the Key Managerial Person	Date of Joining	Date of Leaving	Reason for change
Mr. Balachandran. P	February 01, 2003	March 19, 2004	Resignation
Mr. Gopal. K.P	April 01, 2001	July 15, 2003	Resignation
Mr. Pattabiraman S	July 12, 2005	August 31, 2005	Resignation
Mr. Ranganath. R. P	February 27, 2003	August 12, 2003	Resignation
Mr. Vasudev. H. Prabhu	March 17, 2003	August 17, 2004	Resignation
Mr. Pradumna Kanodia	December 1, 2005	-	Joined our Company
Mr. S. Baaskaran	April 3, 2006	-	Joined our Company
Mr. Harish Babu	April 3, 2006	-	Joined our Company
Mr. P. V. Varghese	April 3, 2006	-	Joined our Company

OUR PROMOTERS

	**Mr. P.N.C. Menon** See the section titled "Our Management" on page 87 for further details. He became a citizen of Oman on March 27, 1997. His passport number is 01704093 issued by the Sultanate of Oman. He does not have a voters ID or driving license.
	**Mrs. Sobha Menon** See the section titled "Our Management" on page 87 for further details. Her passport number is 85698563 issued by the Government of India. She does not have a voters ID or driving license.

We confirm that the Permanent Account Numbers, Bank Account Numbers and Passport Numbers of our Promoters have been submitted to the BSE and NSE at the time of filing this Red Herring Prospectus with them.

Promoter Group

Relatives of the Promoters that form part of the Promoter Group under Clause 6.8.3.2(m), Explanation II of the SEBI Guidelines

Promoter	Name of the Relative	Relationship
Mr. P.N.C. Menon	P. N. Krishnamani	Brother
	P.N. Haridas	Brother
	P.N. Balamani Jayaprakash	Sister
	P.N. Radha Mukundan	Sister
	Ravi Menon	Son
	Bindu Menon	Daughter
	Revathi Menon	Daughter
	Manoharan Nair K	Wife's Brother
	Narayanan Unni K	Wife's Brother
	Kannanunni K	Wife's Brother
	Haridas K	Wife's Brother
Mrs. Sobha Menon w/o Mr. P.N.C.Menon	Manoharan Nair K	Brother
	Narayanan Unni K	Brother
	Kannanunni K	Brother
	Haridas K	Brother
	P. Krishnamani	Husband's Brother
	P.N. Haridas	Husband's Brother
	P.N. Balamani Jayaprakash	Husband's Sister
	P.N. Radha Mukundan	Husband's Sister
	Ravi Menon	Son
	Bindu Menon	Daughter
	Revathi Menon	Daughter

Companies promoted by our Promoters and forming part of our Promoter Group under Clause 6.8.3.2(m), Explanation II of the SEBI Guidelines

Sobha Projects and Trade Private Limited

The main objects of the company include carrying on the business of exclusive distributorship, acting as general commercial agents and carrying out the business of project outsourcing and procurement, project marketing, liasoning and undertaking projects on a turnkey basis. It has its registered office at # 1, Christevilla 206, Whitefield Main Road, Bangalore, Karnataka 560 066. The company was incorporated on May 31, 1999.

Shareholding as of November 1, 2006

The shareholding pattern of equity shares of Sobha Projects and Trade Private Limited is as follows:

S.No	Shareholder	Number of shares	Percentage
1.	P.N.C.Menon	500,010	68.87
2.	Dr. Madhusoodan Nambiar	226,010	31.12
3.	Col. V.K.Balan	10	0.01
	TOTAL	**726,030**	**100.00**

Directors as of November 1, 2006

The board of directors comprise of Mr. P.N.C.Menon, Dr. Madhusoodan Nambiar, Col.V.K Balan and Mr. S Ravi Kumar.

Financial Performance

(in Rupees)

	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005	Fiscal Year ended March 31, 2004
Sales and other Income*	162,242,551	130,558,087	82,733,977
Profit/loss after tax	4,865,341	2,862,514	3,595,988
Reserves and Surplus	8,973,327	4,107,986	1,245,472
Equity capital (par value Rs. 10)	7,260,300	7,260,300	7,260,300
Earnings per share	6.70	3.94	4.95
Book Value per share	22.36	15.66	11.71

** The above sales and income figures are inclusive of increases or decreases in work in progress/inventory*

HBR Consultants Private Limited

The main objects of the company include carrying on the business of technical consultants, rendering after sales services, acting as commission agents for and trade in plant and machinery of all types. It has its registered office at # 1, Christevilla 206, Whitefield Main Road, Bangalore, Karnataka 560 066. The company was incorporated on August 24, 2000.

Shareholding as of November 1, 2006

The shareholding pattern of equity shares of HBR Consultants Private Limited is as follows:

S.No	Shareholder	Number of shares	Percentage
1.	Sobha Projects and Trade Private Limited	36,500	99.99
2.	Dr. Madhusoodan Nambiar	20	0.01
	TOTAL	**36,520**	**100.00**

Directors as of November 1, 2006

The board of directors comprises of Mr. P.N.C. Menon and Dr. Madhusoodan Nambiar.

Financial Performance

(in Rupees)

	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005	Fiscal Year ended March 31, 2004
Sales and Other Income*	37,811,132	33,754,408	13,673,984
Profit/loss after tax	1,179,375	384,280	1,767,375
Reserves and Surplus	6,757,785	4,766,273	3,284,137
Equity capital (par value Rs. 100)	3,652,000	3,652,000	3,652,000
Earnings per share	32.29	10.52	48.39
Book value per share	285.04	230.51	189.93

**The above sales and income figures are inclusive of increases or decreases in work in progress/Inventory*

Sobha Renaissance Information Technology Private Limited

The main objects of the company include carrying on the business of software development, providing software services including consulting services, dealing in computers and computing systems, computer hardware and software, computer networking systems, data processing. It has its registered office at "SRIT HOUSE", #113/1B, ITPL Main Road, Kundalahalli, Bangalore, Karnataka. The company was incorporated on September 9, 1999.

Shareholding as of November 1, 2006

The shareholding pattern of equity shares of Sobha Renaissance Information Technology Private Limited is as follows:

S.No	Shareholder	Number of shares	Percentage
1.	Services and Trade Company, LLC	7,099,200	52.18
2.	Sobha Developers Limited	2,680,000	19.70
3.	Dr. Madhusoodan Nambiar	3,401,049	25.00
4.	P.N.C.Menon	423,946	3.12
	TOTAL	**13,604,195**	**100.00**

Directors as of November 1, 2006

The board of directors comprise of Mr. P.N.C. Menon, Dr. Madhusoodan Nambiar, Brigadier General Sulaiman and Mr. T.P. Sanjaya Sarathy.

Financial Performance

(in Rupees)

	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005	Fiscal Year ended March 31, 2004
Sales and Other Income*	203,972,352	225,864,658	214,485,469
Profit/loss after tax	3,7349,730	41,692,131	38,638,417
Reserves and Surplus	91,783,771	54,434,041	67,298,882
Equity capital (par value Rs. 10)	135,441,950	94,656,840	11,857,300
Earnings per share	3.57	4.4	32.59
Book value per share	16.78	15.75	66.76

** The above sales and income figures are inclusive of increases or decreases in work in progress/Inventory*

Sobha Renaissance Transcor Private Limited.

The main objects of the company include carrying on the business of designing, developing, assembling, manufacturing, engineering, servicing, buying and dealing in the micro processor / computer based control, monitoring systems and automated bio metric fingerprint identification systems, central monitoring and control systems for wind electric generating farms, automation systems for industries, factories and farms. It has its registered office at #113/1B, ITPL Main Road, Kundalahalli, Bangalore 560 037. The company was incorporated on June 14, 2001.

Shareholding as of November 1, 2006

The shareholding pattern of equity shares of Sobha Renaissance Transcor Private Limited is as follows:

S.No	Shareholder	Number of shares	Percentage
1.	Sobha Renaissance Information Technology Private Limited	590	59.00
2.	Dr. Madhusoodan Nambiar	410	41.00
	TOTAL	**1,000**	**100.00**

Directors as of November 1, 2006

The board of directors comprise of Mr. P.N.C. Menon, Dr. Madhusoodan Nambiar and Mr. Martin P C.

Financial Performance

(in Rupees)

	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005	Fiscal Year ended March 31, 2004
Sales and Other Income	-	-	-
Profit/loss after tax	(35,275)	(68,162)	(115,203)
Reserves and Surplus	(409,686)	(380,495)	(318,417)
Equity capital (par value Rs. 100)	100,000	100,000	100,000
Earnings per share	35.28	(68.16)	(115.20)
Book value per share	(309.69)	(280.50)	(218.41)

Sobha Space Private Limited

The main objects of the company include carrying on the business of builders, property developers, development of software technology parks, mechanical and labour contractors, development of hi technology industrial parks, residential townships, construction of hotels, multiplexes, entertainment centers and other allied activities. It has its registered office at E-106, Sunrise Chambers, 22 Ulsoor Road, Bangalore - 560 042. The Company was incorporated on January 23, 2004.

Pursuant to a Memorandum of Sale dated April 3, 2006 certain assets and liabilities of Sobha Space Private Limited were acquired by our Company for a total consideration of Rs. 56,838,405. For more information please refer to the section titled "Our History and Corporate Structure – Recent Restructuring" on page 81.

Shareholding as of November 1, 2006

The shareholding pattern of equity shares of Sobha Space Private Limited is as follows:

S.No	Shareholder	Number of shares	Percentage
1.	P.N.C.Menon	2,375,000	99.58
2.	S. Baaskaran	5,000	0.21
3.	K. Suresh	5,000	0.21
	TOTAL	**2,385,000**	**100.00**

Directors as of November 1, 2006

The board of directors comprises of Mr. S. Baaskaran, Mr. K.Suresh and Mr. Ravi Menon.

Financial Performance

(in Rupees)

	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005	Fiscal Year ended March 31, 2004
Sales and Other Income*	336,787,460	226,914,430	6,785,719
Profit/loss after tax	33,814,123	8,242,067	(346,873)
Reserves and Surplus	41,618,114	7,758,389	(529,281)
Equity capital (par value Rs. 10)	23,850,000	23,850,000	100,000
Earnings per share	14.18	228.77	(34.69)
Book value per share	27.45	13.25	(42.93)

** The above sales and income figures are inclusive of increases or decreases in work in progress/Inventory*

Sobha Interiors Private Limited

The main objects of the company include carrying on the business of designers, manufacturers, dealers in, exporters and importers of all kinds of furniture items including chairs, tables, cabinets, sofa sets, wardrobes, shelves, showcases, almirahs, credenza, doors, windows, joinery and cabinetry items and to acquiring, selling, import, exporting and dealing in teakwood, rosewood, silveroak, mahagony, ashwood etc and carrying on the business of saw mills, kiln drying mills, dimension mills and others in all its branches. It has its registered office at Plot Number 9, Jigani Bommasandra Link Road Industrial Area, Anekal Taluk, Bangalore 562 158. The company was incorporated on June 17, 1996.

Pursuant to a Memorandum of Sale dated April 3, 2006 certain assets and liabilities of Sobha Interiors Private Limited were acquired by our Company for a total consideration of Rs. 126,742,716. For more information please refer to the section titled "Our History and Corporate Structure – Recent Restructuring" on page 81.

Shareholding as of November 1, 2006

The shareholding pattern of equity shares of Sobha Interiors Private Limited is as follows:

S.No	Shareholder	Number of shares	Percentage
1.	Mrs. Sobha Menon	300,000	49.90
2.	P.N.C.Menon	300,010	50.00
3.	Col.V.K.Balan	10	0.05
4.	P.N.K. Mani	10	0.05
	TOTAL	**600,030**	**100.00**

Directors as of November 1, 2006

The board of directors comprises of Mr. P.N.C. Menon and Mr. J.C. Sharma and Mr. Ravi Menon.

Financial Performance

(in Rupees)

	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005	Fiscal Year ended March 31, 2004
Sales and other income*	642,183,096	479,479,617	183,234,913
Profit/loss after tax	44,327,064	27,319,437	7,199,698
Reserves and Surplus	86,209,260	41,882,197	13,036,238
Equity capital (par value Rs.10)	6,000,300	6,000,300	6,000,300
Earnings per share	73.87	45.53	12.02
Book Value per share	153.67	79.80	31.73

** The above sales and income figures are inclusive of increases or decreases in work in progress/inventory.*

Sobha Glazing and Metal Works Private Limited

The main objects of the company include carrying on the business of manufacture of, dealing in, importing and exporting building materials of all kinds and description and particularly concrete blocks, concrete paving tiles, stones, bricks, aggregates, glass, chinaware, ceramic tiles, granite, marble slabs, sanitary ware etc and act as builders, property developers, building and erection engineers and dealers. It has its registered office at Plot No. 10, Bommasandra – Jigni Link Road, Bommasandra Industrial Area, Bommasandra, Anekal Taluk, Bangalore 562 158. The company was incorporated on July 5, 1995.

Pursuant to a Memorandum of Sale dated April 3, 2006 certain assets and liabilities of Sobha Interiors Private Limited were acquired by our Company for a total consideration of Rs. 132,082,024. For more information please refer to the section titled "Our History and Corporate Structure – Recent Restructuring" on page 81.

Shareholding as of November 1, 2006

The shareholding pattern of equity shares of Sobha Glazing and Metal Works Private Limited is as follows:

S.No	Shareholder	Number of shares	Percentage
1.	Sobha Menon	10,010	99.80
2.	P.N.C. Menon	10	0.10
3.	P.K. Hareendranath	10	0.10
	TOTAL	**10,030**	**100.00**

Directors as of November 1, 2006

The board of directors comprise of Mr. P.N.C. Menon and Mr. J.C. Sharma and Mr. Ravi Menon.

Financial Performance

(in Rupees)

	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005	Fiscal Year ended March 31, 2004
Sales and Other Income*	655,335,001	162,702,628	41,581,886
Profit/loss after tax	47,151,530	7,816,688	1,606,299
Reserves and Surplus	56,467,886	11,706,420	3,561,595
Equity capital (par value Rs. 10)	100,300	100,300	100,300
Earnings per share	4,462	811	159
Book value per share	5,639.90	1177.14	365.09

** The above sales and income figures are inclusive of increases or decreases in work in progress/Inventory*

Oman Builders Private Limited

The main objects of the company include carrying on the business of real estate development in all its aspects including financing and development of land, design and construction of buildings for residence, office, shops, hospitals, hotels, restaurants, factories, rendering consultancy services for industrial projects, labour relations welfare, promotion of co-operative housing societies, colony development and other activities. It has its registered office at "E-106, Sunrise Chambers, 22 Ulsoor Road, Bangalore 560 042. The Company was incorporated on December 20, 1993.

Shareholding as of November 1, 2006

The shareholding pattern of equity shares of Oman Builders Private Limited is as follows:

S.No	Shareholder	Number of shares	Percentage
1.	P.N.C.Menon	1,445,330	48.51
2.	Sobha Menon	1,445,220	48.51
3.	P.K.Hareendranath	10	0.00
4.	Vasantha Kumari	10	0.00
5.	T.P.Sanjaya Sarathy	88,850	2.98
	TOTAL	**2,979,420**	**100.00**

Directors as of November 1, 2006

The board of Directors of Oman Builders Private Limited is as follows:

Director	Designation
P.N.C.Menon	Director
T.P. Sanjaya Sarathy	Director
J.C. Sharma	Director
Ravi Menon	Director

Financial Performance

(in Rupees)

	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005	Fiscal Year ended March 31, 2004
Sales and Other Income*	137,041,315	174,491,255	336,276,774
Profit/loss after tax	12,862,359	22,374,196	56,792,737
Reserves and Surplus	20,208,349	9,376,990	7,315,282
Equity capital (par value Rs.10)	29,794,200	29,794,200	29,794,200
Earnings per share	3.64	7.51	19.06
Book value per share	16.78	13.15	12.46

** The above sales and income figures are inclusive of increases or decreases in work in progress/Inventory*

Sobha Innercity Technopolis Private Limited

The company carries on the business of acting as builders, property developers, civil mechanical and labour contractors, building and erection engineers, and developing industrial & software parks, residential townships, vocational training centres and leisure parks. It has its registered office at E -106, Sunrise Chambers, 22 Ulsoor Road, Bangalore 560 042. The company was incorporated on September 21, 2000.

Shareholding as of November 1, 2006

The shareholding pattern of equity shares of Sobha Innercity Technopolis Private Limited is as follows:

S.No	Shareholder	Number of shares	Percentage
1.	P.N.C. Menon	10,000	99.99
2.	Gopal K. Parameshwar	100	-*
3.	J.C. Sharma	100	--*
	TOTAL	**10,200**	**100.00**

*-*Percentage of shareholding below 0.01%*

Directors as of November 1, 2006

The board of directors comprise of Mr. P.N.C. Menon, Mr. Ravi Menon and Mr. J. C. Sharma.

Financial Performance

(in Rupees)

	Fiscal year ended March 31, 2006	Fiscal Year ended March 31, 2005	Fiscal Year ended March 31, 2004
Sales and Other Income*	80,473,991	249,546,460	275,223,105
Profit/loss after tax	41,764,849	6,827,946	(8,428,716)
Reserves and Surplus	32,918,646	(8,915,890)	(15,813,523)
Equity capital (par value Rs. 10)	102,000	102,000	102,000
Earnings per share	4,094.59	669.41	(826.34)
Book value per share	3237.32	(864.11)	(1540.34)

** The above sales and income figures are inclusive of increases or decreases in work in progress/Inventory*

Royal Interiors Private Limited

The main objects of the Company include carrying on the business of manufacturing high class quality furniture, cabinet making, joinery, wooden components, hardware, mirror, gypsum and plaster of paris work, decorative painting and other allied activities in interior design and decoration work. It has its registered office at 3, Shubh Hari Darshan Co-operative Society, 19th Khar Pali Road, Khar West, TPS III, Mumbai 400 052. The company was incorporated on August 31, 1994.

Shareholding as of November 1, 2006

The shareholding pattern of equity shares of Royal Interiors Private Limited is as follows:

S.No	Shareholder	Number of shares	Percentage
1.	P.N.C. Menon	1,010	99.02
2.	Dinesh H Kanabar	10	0.98
	TOTAL	**1,020**	**100.00**

Directors as of November 1, 2006

The board of directors comprise of Mr. P.N.C. Menon, Mr. T.P. Sanjaya Sarathy and Mr. J. C. Sharma.

Financial Performance

(in Rupees)

	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005	Fiscal Year ended March 31, 2004
Sales and Other Income*	-	-	-
Profit/loss after tax	-	-	-
Reserves and Surplus	(85,000)	(85,000)	(85,000)
Equity capital (par value Rs.100)	102,000	102,000	102,000
Earnings per share	-	-	-
Book value per share	16.66	16.66	16.66

** The above sales and income figures are inclusive of increases or decreases in work in progress/Inventory*

Hill & Menon Securities Private Limited

The main objects of the company include carrying on the business of merchant banking, underwriting, promoting the issue of public and private placement and to act as a broker, investment advisor and to do factoring business. The Company is also registered with SEBI under the SEBI (Stock Brokers and Subs Brokers) Regulations, 1992 and is also a member of the Bangalore Stock Exchange. It has its registered office at E-106, Sunrise Chambers, 22 Ulsoor Road, Bangalore Karnataka 560 042. The company was incorporated on October 21, 1994.

Shareholding as of November 1, 2006

The shareholding pattern of equity shares of Hill & Menon Securities Private Limited is as follows:

S.No	Shareholder	Number of shares	Percentage
1.	P.N.C.Menon	212,150	50.00
2.	Sobha Menon	212,140	49.99
3.	P.K. Hareendranath	10	0.01
	TOTAL	**424,300**	**100.00**

Directors as of November 1, 2006

The board of Directors of Hill & Menon Securities Private Limited is as follows:

Director	Designation
Mr. P.N.C. Menon	Director
Mr. J.C. Sharma	Director
Mr. K. Suresh	Director
Mr. T.P. Sanjaya Sarathy	Director
Mr. Sukumar Mohan	Director

Financial Performance

(in Rupees)

	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005	Fiscal Year ended March 31, 2004
Sales and other Income*	16,200	6,005	8,400
Profit/loss after tax	(8,740)	(87,066)	(18,684)
Reserves and Surplus	(2,098,459)	(2,089,719)	(2,022,451)
Equity capital (par value Rs. 10)	4,243,000	4,243,000	4,243,000
Earnings per share	(0.02)	(0.21)	(0.04)
Book value per share	5.05	5.07	5.23

** The above sales and income figures are inclusive of increases or decreases in work in progress/Inventory*

Sobha Aviation and Engineering Services Private Limited

The main objects of the company include carrying on the business of conceiving, designing, engineering, operating, manufacturing and servicing and management of aircraft, aerostructure, airframe structure, aircraft interiors and to establish and operate the business of maintainence repair and overhaul of aircraft engines, aerospace equipments and accessories. It has its registered office at E-106, Sunrise Chambers, 22 Ulsoor Road, Bangalore Karnataka 560 042. The company was incorporated on September 8, 2006.

Shareholding as of November 1, 2006

The shareholding pattern of equity shares of Sobha Aviation and Engineering Services Private Limited is as follows:

S.No	Shareholder	Number of shares	Percentage
1.	P.N.C.Menon	5,000	50.00
2.	Sobha Menon	5,000	50.00
	TOTAL	**10,000**	**100.00**

Directors as of November 1, 2006

The board of directors of Sobha Aviation and Engineering Services Private Limited are Mr. P.N.C Menon and Mrs. Sobha Menon.

Financial Performance

As the company has recently been incorporated, no audited financials of Sobha Aviation and Engineering Services Private Limited are available.

Unified Technologies Private Limited

The main objects of the company include designing, developing, implementing, supporting, enhancing, modifying, customising, converting and offering consultancy services, research and development in all branches of engineering, science, information technology and also to market software packages and programmes. It has its registered office at Arden fair, Pai Layout, Old Madras Road, Bangalore 560 016. The company was incorporated on September 5, 2000.

Shareholding as of November 1, 2006

The shareholding pattern of equity shares of Unified Technologies Private Limited is as follows:

S.No	Shareholder	Number of shares	Percentage
1.	Mr. Kunal Prasad	2,250	14.91
2.	Mr. Rakesh Mishra	2,250	14.91
3.	Mr. Shashwat Kumar	2,250	14.91
4.	Mr. Krishna Kumar	2,250	14.91
5.	Mr. Bavdeep Reddy	1,000	6.63
6.	Sobha Renaissance Information Technology	2,823	18.71
7.	Comcraft Asia Pacific Pte Limited	2,263	15.00
	Total	15,086	100.00

Directors as of November 1, 2006

The board of directors comprise of Mr. Kunal Prasad, Mr. Rakesh Mishra, Mr. Shashwat Kumar, Mr. Krishna Kumar, Mr. Bavdeep Reddy, Mr. Madhusoodan Nambiar, Mr. Sushil Tharian, Mr. Suresh Kumar S.K.

Financial Performance

(in Rupees)

	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005	Fiscal Year ended March 31, 2004
Sales and Other Income*	18,315,291	20,153,604.00	13,638,621.00
Profit/loss after tax	(1,250,446)	464,671.00	532,182.00
Reserves and Surplus	9,850,867	3,624,162.00	3,356,294.00
Equity capital (par value Rs. 10)	146,280.00	124,340.00	124,340.00
Earnings per share	(85)	37.37	42.80
Book value per share	(683.43)	301.47	279.93

** The above sales and income figures are inclusive of increases or decreases in work in progress/Inventory*

Menon Hill Financial Services Limited

The main objects of the company include carrying on the activity of merchant banking, underwriting, promoting the issue of public and private placement and to act as a broker, investment advisor and to carry out the activities of financing and provision of seed capital for technology ventures. It has its registered office at E-106, Sunrise Chambers, 22 Ulsoor Road, Bangalore Karnataka 560 042. The company was incorporated on October 21, 1994.

Since the company has been dormant, the directors of the Company have, on March 31, 2004 filed an application under the simplified exit scheme under S. 560 of the Companies Act, 1956 seeking the striking off of the name of the company from the register.

Shareholding as of November 1, 2006

The shareholding pattern of equity shares of Menon Hill Financial Services Limited is as follows:

S.No	Shareholder	Number of shares	Percentage
1.	P.N.C.Menon	10	14.285
2.	V. Hareendranath	10	14.285
3.	P.K. Hareendranath	10	14.285
4.	Krishnan B. Lathika	10	14.285
5.	K.R. Ramesh	10	14.285
6.	P.K.Rajashekaran	10	14.285
7.	T. Gopinath	10	14.285
	TOTAL	**70**	**100.00**

Directors as of November 1, 2006

The board of Directors of Menon Hill Financial Services Limited are Mr. J.C Sharma, Mr. K. Suresh and Mr. M. Radhakrishnan.

Financial Performance

(in Rupees)

	Nine months ended December 31, 200	Fiscal year ended March 31, 2003
Sales and other Income	Nil	Nil
Profit/loss after tax	Nil	Nil
Reserves and Surplus	(83,920)	(83,695)
Equity capital (par value Rs. 10)	700	700
Earnings per share	NA	Nil
Book value per share	(1188.86)	(1185.64)

Sri Kurumba Trust

Sri Kurumba Trust is a public charitable trust established by means of a deed dated June 24, 1994. The office of the trust is located at 'Anugraha' 30/48, Sreepuram, Punkunnam, Thrissur 680 002.

Constitution

The trustees of the trust are Mr. P.N.C. Menon (the founder settlor) and Mrs. Sobha Menon (the executive trustee)

The objects of the trust include running a care home for the benefit of old and disabled persons in India without any distinction of caste, community, creed or sex and other charitable activities.

(In Rupees)

	Fiscal Year ended March 31, 2006	Fiscal Year ended March 31, 2005	Fiscal Year ended March 31, 2004
Total Income	410,135	806,207	345,992
Excess of Expenditure over Income for the year	(3,053,778)	(1,249,868)	(1,109,303)
Capital Account (Corpus Fund)	141,857,270	59,911,270	36,476,270

Lotus Manpower Services

Lotus Manpower Services is a partnership firm constituted by means of a partnership deed dated November 25, 2005. The principal place of business is located at No. 368, 7th cross, Wilson Garden, Bangalore 560 027. Mr. P.N. Haridas and Ms. Sarla Haridas are the partners in the partnership.

The nature of business of Lotus Manpower Services is to supply of skilled/unskilled/semi skilled tradesmen, workers, drivers and housekeeping workers.

Financial Performance

(In Rupees)

	Fiscal year ended March 31, 2006
Sales and other Income	95,233,790
Profit/loss after tax	42,860
Partners capital	52,860

Promoter Group Companies in the UAE

Indeset Trading and Decorations Services, LLC

The company carries on the business of trading and installation of wooden and metallic furniture, fitting equipment, carpets, curtains, upholstery fabrics wall paper, decoration works. It has its registered office at P.O. Box 52687, Dubai, UAE. The company shall have a duration of 25 years and will be automatically renewed for another period of 25 years. The company was incorporated on October 4, 1992.

Shareholding as of November 1, 2006

The shareholding pattern of Indeset Trading and Decorations Services, LLC is as follows:

S.No	Shareholder	Number of shares of Arab Emirates Dirham 1000 each	Percentage
1.	Atiq Juma Ali Darwish Bin Darwish	204	51.00
2.	Suleiman Mohammed Yahya Al Adawi	98	24.50
3.	P.N.C. Menon	98	24.50
	TOTAL	**400**	**100.00**

Directors as of November 1, 2006

The board of directors comprise of Mr. Atiq Juma Ali Darwish Bin Darwish, Mr. Suleiman Mohammed Yahya Al Adawi and Mr. P.N.C. Menon.

Financial Performance

	12 months ended March 31, 2006		**15 months ended March 31, 2005**		**9 months ended December 31, 2003**	
	(In Arab Emirates Dirhams)	*In Indian Rupees)*	*(In Arab Emirates Dirhams)*	*In Indian Rupees)*	*(In Arab Emirates Dirhams)*	*In Indian Rupees)*
Contracting and other Income	11,655,553	141,621,146.39	30,166,484	359,678,307.05	11,812,567	146,660,106.85
Profit/loss	1,519,134	18,458,283.24	1,652,648	19,704,703.90	1,080,581	13,416,061.46
Reserves and Surplus	7,989,082	97,071,580.51	7,981,793	95,167,795.94	5,838,746	72,491,534.84
Share capital (par value Arab Emirates Dirham 1000)	400,000	4,860,212.00	400,000	4,769,244.00	400,000	4,966,240.00
Earnings per share	3,797.84	46,145.77	4131.62	49,261.76	2701.45	33,540.12
Book value per share	20,972.71	254,829.54	20,954.48	249,842.57	15,596.87	193,644.50

Source: Audit Reports
Exchange Rate Applied:

Date	Exchange rate Applied
March 31, 2006	1 AED = Rs. 12.15
March 31, 2005	1 AED = Rs. 11.92
December 31, 2003	1 AED = Rs. 12.42

Source: www.oanda.com

Indeset Building Materials, LLC

The company carries on the business of trading in building materials. It has its registered office at P.O. Box 52687, Dubai, UAE. The company was incorporated on July 2, 1992.

Shareholding as of November 1, 2006

The shareholding pattern of Indeset Building Materials, LLC is as follows:

S.No	Shareholder	Number of shares of Arab Emirates Dirham 1000 each	Percentage
1.	Revathi Menon	240	60.00
2.	Suleiman Mohammed Yahya Al Adawi	160	40.00
	TOTAL	**400**	**100.00**

Directors as of November 1, 2006

The board of directors comprise of Ms. Revathi P.N.C. Menon and Mr. Suleiman Mohammed Yahya Al Adawi

Financial Performance

	Fiscal Year ended December 31, 2005		Fiscal Year ended December 31, 2004		9 months ended December 31, 2003	
	(In Arab Emirates Dirhams)	*(In Indian Rupees)*	*(In Arab Emirates Dirhams)*	*(In Indian Rupees)*	*(In Arab Emirates Dirhams)*	*(In Indian Rupees)*
Sales and other Income	3,427,496	42,185,072.37	2,599,131	30,948,944.45	1,045,956	12,986,171.31
Profit/loss	119,543	1,471,316.12	105,174	1,252,350.99	(489,885)	(6,082,216.21)
Reserves and Surplus	1,898,440	23,365,695.77	1,778,897	21,182,073.72	1,673,723	20,780,275.28
Share capital (par value Arab Emirates Dirham 1000)	400,000	4,923,136.00	400,000	4,762,968.00	400,000	4,966,240.00
Earnings per share	298.86	3,678.32	262.94	3,130.94	(1,224.71)	(15,205.54)
Book value per share	5,746.10	70,722.07	5,447.24	64,862.57	5,184.31	64,366.32

Source: Audit Reports

Exchange Rate Applied:

Date	Exchange rate Applied
December 31, 2005	1 AED = Rs. 12.31
December 31, 2004	1 AED = Rs. 11.91
December 31, 2003	1 AED = Rs. 12.42

Source: www.oanda.com

Sobha Contracting LLC

The company carries on the business of building construction and general maintainence. It has its registered office at P.O. Box 52687, Dubai UAE. The company was incorporated on March 16, 1975.

Shareholding as of November 1, 2006

The shareholding pattern of Sobha Contracting LLC is as follows:

S.No	Shareholder	Number of shares of Arab Emirates Dirham 1000 each	Percentage
1.	Revathi Menon	600	60.00
2.	Suleiman Mohamed Yahya Al Adawi	400	40.00
	TOTAL	**1,000**	**100.00**

Directors as of November 1, 2006

The board of directors comprises of Ms. Revathi P.N.C. Menon and Mr. Suleiman Mohamed Yahya Al Adawi

Financial Performance

	6 months ended December 31, 2005		18 months ended June 30, 2005		Fiscal year ended December 31, 2003	
	(In Arab Emirates Dirhams)	*(In Indian Rupees)*	*(In Arab Emirates Dirhams)*	*(In Indian Rupees)*	*(In Arab Emirates Dirhams)*	*(In Indian Rupees)*
Sales and other income	27,407,492	337,327,026.34	15,969,498	189,623,416.20	4,611,501	57,254,551.82
Profit/loss	1,223,541	15,059,146.86	710,699	8,438,911.00	(1,257,007)	(15,606,496.11)
Reserves and Surplus	13,015,005	160,186,599.14	6,197,664	73,591,682.10	(892,398)	(11,079,656.61)
Share capital (par value Arab Emirates Dirham 1000)	1,000,000	12,307,840.00	1,000,000	11,874,100.00	1,000,000	12,415,600.00
Earnings per share	1,223.54	15,059.13	710.70	8,438.92	(1,257.00)	(15,606.41)
Book value per share	14,015.00	172,494.38	7,197.66	85,465.73	107.60	1,335.92

Source: Audit Reports
Exchange Rate Applied:

Date	Exchange rate Applied
December 31, 2005	1 AED = Rs. 12.31
June 30, 2005	1 AED = Rs. 11.87
December 31, 2003	1 AED = Rs. 12.42

Source: www.oanda.com

Indeset Constructions LLC

The company carries on the business of building construction and general maintainence. It has its registered office at P.O. Box 52687, Dubai, UAE. The company shall have a duration of 20 years and will be automatically renewed for another period of 20 years. The company was incorporated on June 11, 1995.

Shareholding as of November 1, 2006

The shareholding pattern of Indeset Constructions LLC is as follows:

S.No	Shareholder	Number of shares of Arab Emirates Dirham 1000 each	Percentage
1.	Suleiman Mohammed Yahya Al Adawi	120	40.00
2.	Bindu Menon	180	60.00
	TOTAL	**300**	**100.00**

Directors as of November 1, 2006

The board of directors comprise of Ms. Suleiman Mohammed Yahya Al Adawi and Ms. Bindu P.N.C.Menon.

Financial Performance

	Fiscal Year ended December 31, 2005		Fiscal Year ended December 31, 2004		9 months ended December 31, 2003	
	(In Arab Emirates Dirhams)	*(In Indian Rupees)*	*(In Arab Emirates Dirhams)*	*(In Indian Rupees)*	*(In Arab Emirates Dirhams)*	*(In Indian Rupees)*
Contract and other income	41,730,556	513,613,006.36	36,819,045	438,419,832.81	13,312,687	165,284,996.72
Profit/loss	700,115	8,616,903.40	598,725	7,129,270.04	255,306	3,169,777.17
Reserves and Surplus	(442,882)	(5,450,920.79)	(4,175,525)	(49,719,729.90)	(4,740,573)	(58,857,058.14)

	Fiscal Year ended December 31, 2005		Fiscal Year ended December 31, 2004		9 months ended December 31, 2003	
	(In Arab Emirates Dirhams)	*(In Indian Rupees)*	*(In Arab Emirates Dirhams)*	*(In Indian Rupees)*	*(In Arab Emirates Dirhams)*	*(In Indian Rupees)*
Share capital (par value Arab Emirates Dirham 1000)	300,000	3,692,352.00	300,000	3,572,226.00	300,000	3,724,680.00
Earnings per share	2,333.72	28,723.05	1,995.75	23,764.23	851.02	10,565.92
Book value per share	(476.27)	(5,861.85)	(12,918.42)	(153,825.05)	(14,801.81)	(183,773.35)

Source: Audit Reports

Exchange Rate Applied:

Date	Exchange rate Applied
December 31, 2005	1 AED = Rs. 12.31
December 31, 2004	1 AED = Rs. 11.91
December 31, 2003	1 AED = Rs. 12.42

Source: www.oanda.com

Architectural Metal Works LLC

The company carries on the business of manufacturing building metal products which shall include the manufacture of all types of building and commercial shops metallic requirements such as doors, windows, display windows and staircase garden and balconies and metallic fences. It has its registered office at PO Box 52687, Dubai UAE As per the memorandum of the company the company shall have a duration of 2 years and will be automatically renewed for another period of 2 years. The company was incorporated on February 22, 2006.

Shareholding as of November 1, 2006

The shareholding pattern of Architectural Metal Works LLC is as follows:

S.No	Shareholder	Number of shares of Arab Emirates Dirham 1000 each	Percentage
1.	Sami Mahmood Mohamed Rahma Al Ansari	153	51.00
2.	Revathi Menon	81	27.00
3.	Suleiman Mohammed Yahya Al Adawi	36	12.00
4.	Mulaokar Prasanth	30	10.00
	TOTAL	**300**	**100.00**

Directors as of November 1, 2006

The board of directors comprise of Ms. Revathi P.N.C. Menon, Mr. Suleiman Mohammed Yahya Al Adawi and Mr. Mulaokar Prasanth.

Financial Performance

The company has recently been incorporated and therefore no financial statements have been prepared.

Sobha Real Estate LLC

The company carries on the business of real estate activities as a (i) real estate agent; (ii) real estate brokers (iii) real estate management services. It has its registered office at P.O. Box 52687, Dubai. As per the memorandum of the company the company shall have a duration of 50 years and will be automatically renewed for another period of 50 years. The company was incorporated on October 29, 2005.

Shareholding as of November 1, 2006

The shareholding pattern of Sobha Real Estate LLC is as follows:

S.No	Shareholder	Number of shares of Arab Emirates Dirham 1000 each	Percentage
1.	Suleiman Mohammed Yahya Al Adawi	120	40.00
2.	Bindu Menon	90	30.00
3.	Revathi Menon	90	30.00
	TOTAL	**300**	**100.00**

Directors as of November 1, 2006

The board of directors comprise of Mr. Suleiman Mohammed Yahya Al Adawi, Ms. Revathi P. N. C Menon and Ms. Bindu P. N. C Menon.

Financial Performance

As the company had not been in existence for a period of 12 months as of December 31, 2005, no financial statements for the company have been prepared nor audited.

Services and Trade Company Limited

The main activities for which the company is established is to own properties of Nakheel, Emaar or any other approved projects of Jebel Ali Free Zone, investments and general trading. It has its registered office at P.O. Box 52687, Dubai . The company was incorporated on January 15, 2005.

Shareholding as of November 1, 2006

The shareholding pattern of Services and Trade Company Limited is as follows:

S.No	Shareholder	Number of shares of Arab Emirates Dirham 100 each	Percentage
1.	Sobha Contracting LLC	250	50.00
2.	Ali Mustafa Dar	250	50.00
	TOTAL	**500**	**100.00**

Directors as of November 1, 2006

The board of directors comprise of Mr. Mohammed Ishaq Dar, Mr. Helal Mohammed Abdulkareem Abu Alhasan Al Zarouni, Mr. Nasir Ahmed Mehmood and Mr. Ali Mustafa Dar.

Financial Performance

	12 months ended March 31, 2006		**3 months ended March 31, 2005**	
	(In Arab Emirates Dirhams)	*(In Indian Rupees)*	*(In Arab Emirates Dirhams)*	*(In Indian Rupees)*
Income	-	-	-	-
Profit After Tax	(1,500)	(18,225.80)	(1,500)	(17,884.67)
Reserves and Surplus	17,669,625	214,695,308.65	(51,500)	(614,040.17)
Share capital (par value Arab Emirates Dirham 100)	50,000	607,526.50	50,000	596,155.50
Earnings per share	(3)	(36.45)	(3)	(35.77)
Book value per share	35,439	430,605.67	(3)	(35.77)

Source: Audit Reports
Exchange Rate Applied:

Date	Exchange rate Applied
March 31, 2006	1 AED = Rs. 12.15
March 31, 2005	1 AED = Rs. 11.92

Source: www.oanda.com

Jupiter Estates Limited

The company carries on the business of any lawful activity or activities for which offshore companies may be organised under the regulations. It has its registered office at P O Box 71241, , Dubai, UAE. The company was incorporated on May 3, 2004.

Shareholding as of November 1, 2006

The shareholding pattern of Jupiter Estates Limited is as follows:

S.No	Shareholder	Number of shares of Arab Emirates Dirham 100 each	Percentage
1.	Sobha Contracting LLC	5	50.00
2.	Ali Mustafa Dar	5	50.00
	TOTAL	**10**	**100.00**

Directors as of November 1, 2006

The board of directors comprise of Helal Mohammed Abdulkareem Abu Alhasan Al Zarouni, Mr. Ali Mustafa Dar and Mr. Ajay Rajendran.

Financial Performance

	12 months ended March 31, 2006		**11 months ended March 31, 2005**	
	(In Arab Emirates Dirhams)	*(In Indian Rupees)*	*(In Arab Emirates Dirhams)*	*(In Indian Rupees)*
Income	-	-	-	-
Profit After Tax	(6,468)	(78,589.63)	(6,468)	(77,118.68)
Reserves and Surplus	(12,936)	(157,179.25)	(6,468)	(77,118.68)
Share capital (par value Arab Emirates Dirham 1000)	1,000	12,150.53	1,000	11,923.11
Earnings per share	(6,468)	(78,589.63)	(6,468)	(77,118.68)
Book value per share	(11,936)	(145,028.72)	(5,468)	(65,195.56)

Source: Audit Reports

Exchange Rate Applied:

Date	Exchange rate Applied
March 31, 2006	1 AED = Rs. 12.15
March 31, 2005	1 AED = Rs. 11.92

Source: www.oanda.com

Beejay Trading LLC

The entity carries on the business of general trading. It has its registered office at PO Box 52687, Dubai, UAE. The entity was established on March 17, 2004 as a sole proprietary concern with Mrs. Bindu P.N.C Menon as its sole proprietor. The entity has subsequently been converted into a limited liability company with effect from May 2006. As per the memorandum of the company the company shall have a duration of 25 years and will be automatically renewed for another period of 25 years.

Shareholding as of November 1, 2006

The shareholding pattern of Beejay Trading LLC is as follows:

S.No	Shareholder	Number of shares of Arab Emirates Dirham of 1000 each	Percentage
1.	Bindu Menon	180	60.00
2.	Sulieman Mohammen Yahya Al Adawi	120	40.00
	TOTAL	**300**	**100.00**

Directors as of November 1, 2006

The board of directors comprises of Ms. Bindu P.N.C Menon and Sulieman Mohammen Yahya Al Adawi

Financial Performance

	12 months ended June 30, 2006		**16 months ended June 30, 2005**	
	(In Arab Emirates Dirhams)	*(In Indian Rupees)*	*(In Arab Emirates Dirhams)*	*(In Indian Rupees)*
Income	-	-	-	-

	12 months ended June 30, 2006		16 months ended June 30, 2005	
	(In Arab Emirates Dirhams)	*(In Indian Rupees)*	*(In Arab Emirates Dirhams)*	*(In Indian Rupees)*
Profit After Tax	(12,045)	(152,274.34)	(6,505)	(77,241.02)
Reserves and Surplus	-	-	-	-
Capital Account	100,327	1,268,345.97	238,938	2,837,173.71
Earnings per share	NA	NA	NA	NA
Book value per share	NA	NA	NA	NA

Source: Audit Reports

Exchange Rate Applied:

Date	Exchange rate Applied
June 30, 2006	1 AED = Rs. 12.64
June 30, 2005	1 AED = Rs. 11.87

Source: www.oanda.com

Intertrade Alliance LLC

The entity carries on the business of General Trading. It has its registered office at PO Box 52687, Dubai, UAE. The entity was established on August 2, 2003 as a sole proprietary concern with Mrs. Bindu P.N.C Menon as its sole proprietor. The entity has subsequently been converted into a limited liability company with effect from June 2006. As per the memorandum of the company, the company shall have a duration of 30 years and will be automatically renewed for another period of 30 years.

Shareholding as of November 1, 2006

The shareholding pattern of Intertrade Alliance LLC is as follows:

S.No	Shareholder	Number of shares of Arab Emirates Dirham 1000 each	Percentage
1.	Sulieman Mohammed Yahya Al Adawi	120	40.00
2.	Bindu Menon	180	60.00
	TOTAL	**300**	**100.00**

Managers as of November 1, 2006

The managers comprise of Ms. Bindu P.N.C Menon and Mr. Sulieman Mohammed Yahya Al Adawi

Financial Performance

	18 months ended June 30, 2006		17 months ended December 31, 2004	
	(In Arab Emirates Dirhams)	*(In Indian Rupees)*	*(In Arab Emirates Dirhams)*	*(In Indian Rupees)*
Trading income	6,132,997	77,534,084	5,220,694	62,164,996
Profit/loss	(222,777)	(2,816,374)	23,627	281,337
Reserves	-	-	-	-
Capital Account	37,763	477,404	420,127	5,002,629
Earnings per share	NA	NA	NA	NA
Book value per share	NA	NA	NA	NA

Source: Audit Reports

Exchange Rate Applied:

Date	Exchange rate Applied
June 30, 2006	1 AED = Rs. 12.64
December 31, 2004	1 AED = Rs. 11.91

Source: www.oanda.com

Promoter Group Companies in Oman

I. Companies

Services and Trade Company, LLC

The entity carries on the business of operation and maintainence of equipments, civil contracting, building materials. It has its head office at PO Box 823, PC112, Muscat, Oman. The entity was established on October 27, 1977 as a general partnership. With effect from October 4, 2006 the entity has been converted into a limited liability company called Services and Trade Company, LLC.

Shareholding as of November 1, 2006

The shareholding pattern of Services and Trade Company, LLC is as follows:

S. No.	Shareholder	Number of shares of Rial Omani 1 each	Percentage
1.	P.N. C. Menon	130,000	50.00
2.	Istiqama bin Musallam bin Amer Al-Barwanya	65,000	25.00
3.	Suleiman Bin Mohammed Bin Yahya Al Adawi	65,000	25.00
	TOTAL	**260,000**	**100.00**

Directors as of November 1, 2006

The board of directors comprise of Mr. P.N. C. Menon, Mr. Istiqama bin Musallam bin Amer Al-Barwanya and Mr. Suleiman Bin Mohammed Bin Yahya Al Adawi.

Financial Performance

	Fiscal Year ended December 31, 2005		Fiscal Year ended December 31, 2004		Fiscal Year ended December 31, 2003	
	(In Omani Rials)	*(In Indian Rupees)*	*(In Omani Rials)*	*(In Indian Rupees)*	*(In Omani Rials)*	*(In Indian Rupees)*
Revenue	8,903,225	1,047,268,550	7,537,777	858,379,431	7,459,633	884,220,138
Profit/loss after tax	345,746	40,669,410	157,157	17,896,568	80,418	9,532,267
Reserves and Surplus	1,272,840	149,721,624	901,042	102,607,960	661,602	78,422,331
Capital Account (par value 1 Rial Omani)	260,000	30,583,280	260,000	29,608,020	260,000	30,818,840
Earnings per share	NA	NA	NA	NA	NA	NA
Book value per share	NA	NA	NA	NA	NA	NA

Source: Audit Reports

Exchange Rate Applied:

Date	Exchange rate Applied
December 31, 2005	1 OR = Rs. 117.63
December 31, 2004	1 OR = Rs. 113.88
December 31, 2003	1 OR = Rs. 118.53

Source: www.oanda.com

Furniture Makers Limited Company, LLC

The company carries on the business of manufacture of furniture, décor works and import and export. It has its registered office at P.O. Box 823, PC 112, Muscat, Oman. The company was incorporated on October 27, 1977.

Shareholding as of November 1, 2006

The shareholding pattern of Furniture Makers Limited Company, LLC is as follows:

S. No.	Shareholder	Number of shares of Rial Omani 1 each	Percentage
1.	Suleiman Bin Mohammed Bin Yahya Al Adawi	204,000	51.00
2.	P.N.C. Menon	196,000	49.00
	TOTAL	**400,000**	**100.00**

Directors as of November 1, 2006

The board of directors comprise of Mr. Suleiman Bin Mohammed Bin Yahya Al Adawi and Mr. P.N.C. Menon.

Financial Performance

	Fiscal Year ended December 31, 2005		Fiscal Year ended December 31, 2004		Fiscal Year ended December 31, 2003	
	(In Omani Rials)	*(In Indian Rupees)*	*(In Omani Rials)*	*(In Indian Rupees)*	*(In Omani Rials)*	*(In Indian Rupees)*
Income	2,954,587	347,542,159.64	2,340,708	266,552,804.92	2,460,975	291,709,210.65
Profit/loss after tax	89,297	10,503,827.52	68,027	7,746,710.68	75,773	8,981,676.78
Reserves	262,712	30,902,287.14	173,415	19,747,979.96	135,388	16,048,081.19
Share capital (par value 1 Rial Omani each)	400,000	47,051,200.00	400,000	45,550,800.00	400,000	47,413,600.00
Earnings per share	0.22	25.88	0.17	19.36	0.19	22.52
Book value per share	1.66	195.26	1.43	162.84	1.34	158.84

Source: Audit Reports

Exchange Rate Applied:

Date	Exchange rate Applied
December 31, 2005	1 OR = Rs. 117.63
December 31, 2004	1 OR = Rs. 113.88
December 31, 2003	1 OR = Rs. 118.53

Source: www.oanda.com

Electronic Systems Company LLC

The company carries on the business of computer systems and equipment, electronic and electrical systems and tools, import and export. The head office is situated at PO Box 823, PC 112, Muscat, Oman. The company was incorporated on February 4, 2001.

Shareholding as of November 1, 2006

The shareholding pattern of Electronic Systems Company LLC is as follows:

S. No.	Shareholder	Number of shares of Rial Omani 1 each	Percentage
1.	Furniture Makers Limited, Company LLC	130,000	50.00
2.	Services and Trade Company, LLC	130,000	50.00
	TOTAL	**260,000**	**100.00**

Directors as of November 1, 2006

The board of directors comprises of Mr. Suleiman Bin Mohammed Bin Yahya Al Adawi, Mr. P.N. C. Menon and Mr. Waqas Al Aadwi.

Financial Performance

	Fiscal Year ended December 31, 2005		Fiscal Year ended December 31, 2004		Fiscal year ended December 31, 2003	
	(In Omani Rials)	*(In Indian Rupees)*	*(In Omani Rials)*	*(In Indian Rupees)*	*(In Omani Rials)*	*(In Indian Rupees)*
Income	75,142	8,838,803.18	29,682	3,380,097.11	21,277	2,522,047.92
Profit/loss after tax	5,828	685,535.98	(12,055)	(1,372,787.24)	(10,869)	(1,288,346.05)
Reserves and Surplus	(79,078)	(9,301,786.98)	(84,906)	(9,668,840.56)	(72,851)	(8,635,320.43)
Share capital (par value 1 Rial Omani)	260,000	30,583,280.00	260,000	29,608,020.00	260,000	30,818,840.00

	Fiscal Year ended December 31, 2005		Fiscal Year ended December 31, 2004		Fiscal year ended December 31, 2003	
	(In Omani Rials)	*(In Indian Rupees)*	*(In Omani Rials)*	*(In Indian Rupees)*	*(In Omani Rials)*	*(In Indian Rupees)*
Earnings per share	0.02	2.35	(0.05)	(5.69)	(0.04)	(4.74)
Book value per share	0.70	82.34	0.67	76.30	0.72	85.34

Source: Audit Reports
Exchange Rate Applied:

Date	Exchange rate Applied
December 31, 2005	1 OR = Rs. 117.63
December 31, 2004	1 OR = Rs. 113.88
December 31, 2003	1 OR = Rs. 118.53

Source: www.oanda.com

International Contracting and Engineering Services Company, LLC

The company carries on the business of building and construction contracts, various civil contracts, electrical and mechanical contracts and maintainence and operation of machineries. It has its registered office at postal address PO Box 16, PC118, Al Harty Complex, Muscat, Oman. The company was incorporated on August 15, 1999.

Shareholding as of November 1, 2006

The shareholding pattern of International Contracting and Engineering Services Company, LLC is as follows:

S. No.	Shareholder	Number of shares of Rial Omani 1 each	Percentage
1.	Khalifa Bin Hamad Bin Saif Al Farsi	37,600	15.04
2.	Aziza Nasir Hashil Al Mashari	2,926	1.17
3.	Said Bin Sulaim Al Mashari	3,107	1.24
4.	Rami Sulaim Al Mashari	3,107	1.24
5.	Nihad Sulaim Al Mashari	1,554	0.62
6.	Reem Sulaim Al Mashari	1,554	0.62
7.	Lujain Sulaim Al Mashari	1,554	0.62
8.	Amirah Sulaim Al Mashari	1,554	0.62
9.	Raiah Mohammed Hashil Al Mashari	1,097	0.44
10.	Sana Abdul Karim	1,097	0.44
11.	Armando Bartrolumio	25,000	10.00
12.	Service and Trade Company, LLC	169,850	67.94
	TOTAL	**250,000**	**100.00**

As on October 19, 2006 an MoU has been entered into with M/s. Manar Al Sharq Trading Co, for disposal of all shares held in the company for a value of RO 500,000.

Directors as of November 1, 2006

The board of Directors of International Contracting and Engineering Services Company, LLC is as follows:

Director	Designation
Khalifa Bin Hamad Bin Saif Al Farsi	Limited Liability partner
Aziza Nasir Hashil Al Mashari	Limited Liability partner
Said Bin Sulaim Al Mashari	Limited Liability partner
Rami Sulaim Al Mashari	Limited Liability partner
Nihad Sulaim Al Mashari	Limited Liability partner
Reem Sulaim Al Mashari	Limited Liability partner
Lujain Sulaim Al Mashari	Limited Liability partner
Amirah Sulaim Al Mashari	Limited Liability partner
Raiah Mohammed Hashil Al Mashari	Limited Liability partner
Sana Abdul Karim	Limited Liability partner
Armando Bartrolumio	Limited Liability partner
Services and Trade Company, LLC	Limited Liability partner

Financial Performance

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	Fiscal Year ended December 31, 2005		Fiscal Year ended December 31, 2004		Fiscal Year ended December 31, 2003	
	(In Omani Rials)	*(In Indian Rupees)*	*(In Omani Rials)*	*(In Indian Rupees)*	*(In Omani Rials)*	*(In Indian Rupees)*
Income	1,368,587	160,984,151.64	1,375,370	156,623,009.49	831,045	98,507,088.03
Profit/loss after tax	48,756	5,735,070.77	60,612	6,902,312.72	(77,625)	(9,201,201.75)
Reserves and Surplus	147,174	17,311,783.27	98,418	11,207,546.59	37,806	4,481,296.40
Share capital (par value 1 Rial Omani each)	250,000	29,407,000.00	250,000	28,469,250.00	250,000	29,633,500.00
Earnings per share	0.20	23.53	0.24	27.33	(0.31)	(36.75)
Book value per share	1.59	187.03	1.39	158.29	1.15	136.31

Source: Audit Reports

Exchange Rate Applied:

Date	Exchange rate Applied
December 31, 2005	1 OR = Rs. 117.63
December 31, 2004	1 OR = Rs. 113.88
December 31, 2003	1 OR = Rs. 118.53

Source: www.oanda.com

Modern Tourism Projects Co. LLC

The company carries on the business of management of touristic utilities, import and export, agencies and commercial representation. It has its registered office at PO Box 823, PC 112, Muscat, Oman. The company was incorporated on May 9, 2001.

Shareholding as of November 1, 2006

The shareholding pattern of equity shares of Modern Tourism Projects Co. LLC is as follows:

S. No.	Shareholder	Number of shares of Rial Omani 1 each	Percentage
1.	Khalifa Bin Hamad Bin Saif Al Farsi	105,000	21.00
2.	Development and Research for Advanced Business Company, LLC	140000	28.00
3.	Services and Trade Company, LLC	255,000	51.00
	TOTAL	**500,000**	**100.00**

Directors as of November 1, 2006

The board of directors comprise of Mr. Khalifa Hamad Bin Saif Al Farsi, Mr. Dawood Bin Rajab, Mr. Bin Doshambeah Al Baloushi, Mr. Suleiman Bin Mohd Bin Yahya Al Adawi, Mr. Antony Stiban and Mr. P.N.C Menon.

Financial Performance

No financial statements are available for the company as it is currently dormant.

Promoter group companies in Bahrain

S& T Interiors Company, WLL

The main objects of the company include carrying on the business of décor contracts (first grade) and all activities required to promote the company`s businesses and join other established companies and set up branches, divisions and subsidiaries. It has its registered office at No. 141, Building 3, Road 365, Block 316, Manama Centre, Kingdom of Bahrain. The company was incorporated on April 19, 2005.

Shareholding as of November 1, 2006

The shareholding pattern of S& T Interiors Company, WLL is as follows:

S. No.	Shareholder	Number of shares of Bahraini Dinar 100 each	Percentage
1.	P.N.C.Menon	900	45.00
2.	Dream Group WLL	200	10.00
3.	Services and Trade Company, LLC	900	45.00
	TOTAL	**2,000**	**100.00**

Directors as of November 1, 2006

The board of directors comprise of Mr. P.N.C.Menon, Mr.Jamal Abdulla Mohammed Al Kooheji and Mr. Sulaiman bin Mohammed bin Yahya Al Adawi.

Financial Performance

As the company had not been in existence for a period of 12 months as of December 31, 2005, no financial statements for the company have been prepared nor audited.

Promoter group companies in Qatar

Gulf International Construction and Interiors Co. WLL

The objects of the company are to carry interior design and decoration works and civil contracting including without limitation trading in and the provision and installation of joinery, furniture, gypsum etc. It has its head office at PO Box 10345, Doha, Qatar. The company was incorporated on March 19, 2002.

Shareholding as of November 1, 2006

The shareholding pattern of shares of Gulf International Construction and Interiors Co. WLL is as follows:

S. No.	Shareholder	Number of shares of Qatari Riyal 1000 each	Percentage
1.	Eagle for Trading Agencies	100	50.00
2.	P.N.C. Menon	50	25.00
3.	Suleiman Mohammed Yahya Al Adawi	50	25.00
	TOTAL	**200**	**100.00**

Directors as of November 1, 2006

The board of directors comprise of Mr. P.N.C.Menon and Mr. Suleiman Mohammed Yahya Al Adawi.

Financial Performance

	24 months ended December 31, 2005		**22 months ended December 31, 2003**	
	(In Qatari Rials)	*(In Indian Rupees)*	*(In Qatari Rials)*	*(In Indian Rupees)*
Sales and Other Income	12,932,019	160,623,952	2,288,093	28,687,675
Net Profit/loss	528,783	6,567,823	(214,796)	(2,693,071)
Reserves and Surplus	313,986	3,899,907	(214,796)	(2693,071)
Share capital (par value 1000 Qatari Rial each)	200,000	2,484,128	200,000	2507,562
Earnings per share	2643.92	32,835	(1073.98)	(13465)
Book value per share	2569.93	31,920	(73.98)	(928)

Source: Audit Reports

Exchange Rate Applied:

Date	Exchange rate Applied
December 31, 2005	1 QR = Rs. 12.42
December 31, 2004	1 QR = Rs. 12.02
December 31, 2003	1 QR = Rs. 12.54

Source: www.oanda.com

Promoter Group company in Germany

Billing Components AG

The main objects of the company include developing and distributing a proven, cost effective, modular deployable system for mobile, telematic, landline and IP business, including mediation, rating, billing, customer care and interconnection accounting. It has its registered office at Handelsregister des Amtsgerict, Hamburg (commercial register of lower court Munich). The company was registered on November 22, 2000 as CSC Ploenzke and with effect from April 4, 2002 the name of the company was changed to Billing Components AG.

The company was acquired by Sobha Renaissance Information Technology Private Limited pursuant to a Share Sale and Purchase Agreement dated March 29, 2006, ("**Share Purchase Agreement**") which was entered into with each of the five existing shareholders of Billing Components AG. Pursuant to terms specified in the Share Purchase Agreement, Sobha Renaissance Information Technology Private Limited is required to pay the consideration, over a period of five years starting from July 1, 2006. A total consideration of 5,000,000 euro has been paid is to be paid under the Share Purchase Agreement.

Pursuant to the above Share Purchase Agreement, the effective date of the above transaction is January 1, 2006.

Shareholding as of November 1, 2006

The shareholding pattern of shares of Billing Components AG is as follows:

S.No	Shareholder	Number of shares	Percentage
1.	Sobha Renaissance Information Technology Private Limited	50,000	100.00
	TOTAL	**50,000**	**100.00**

Directors as of November 1, 2006

The supervisory board comprises of Dr. Madhusoodan Nambiar, Mr. Susil Jacob Tharian and Mr. Bernhard Wobker.

Financial Performance

	Fiscal Year Ended March 31, 2006		**Fiscal Year Ended December 31, 2004***		**Fiscal Year Ended December 31, 2003***	
	(In Euros)	*(In Indian Rupees)*	*(In Euros)*	*(In Indian Rupees)*	*(In Euros)*	*(In Indian Rupees)*
Sales and other income	4,818,563.53	259,631,575.40	4,052,250.58	241,778,381.83	4,997,028.61	286,129,458.45
Profit/loss after Tax	71,954.29	3,877,007.24	16,208.00	967,053.72	(11,909.69)	(681.947.90)
Reserves and Surplus	292,707.60	15,771,533.33	367,157.25	21,906,514.42	43,351.66	2,482,312.58
Share capital (par value Euro 1)	50,000.00	2,694,076.50	50,000.00	2,983,260.50	50,000.00	2,862,996.00
Earnings per share	1.44	77.54	0.32	19.34	(0.24)	(13.64)
Book value per share	6.85	369.31	8.34	497.80	1.87	(106.91)

* indicates that the financials are not audited.
Source: Audit Reports
Exchange Rate Applied:

Date	Exchange rate Applied
March 31, 2006	1 Euro = 53.88
December 31, 2004	1 Euro = 59.67
December 31, 2003	1 Euro = 57.26

Source: www.oanda.com

Promoter Group company in USA

Sobha Renaissance North America Inc.

The principal business activities of the company include consultation in the areas of information technology, software customisation to American standards, and implementation/deployment services. It has its registered office at 1860, West Winchester, Fuite 203, Liberty-Ville Illinois 60048. The company was incorporated on October 20, 1999 as Renaissance Information Technology, Inc. and was acquired by Sobha Renaissance Information Technology Private Limited on October 18, 2002 from Dr. Lawrence Zimmerman. With effect from January 7, 2005 the name of the company was changed to Sobha Renaissance North America Inc.

Shareholding as of November 1, 2006

The shareholding pattern of shares of Sobha Renaissance North America Inc. is as follows:

S.No	Shareholder	Number of shares	Percentage
I.	Sobha Renaissance Information Technology Private Limited	1,000	100.00
	TOTAL	**1,000**	**100.00**

Directors as of November 1, 2006

Director	Designation
Mr. P.N.C. Menon	Director
Dr. Madhusoodan Nambiar	Director
Mr. Susil Jacob Tharian	Director
Mr. Robert Seguy	Director

Financial Performance

	12 months ended December 31, 2005		**12 months ended December 31, 2004**		**12 months ended December 31, 2003**	
	(*In US Dollars*)	(*In Indian Rupees)*	(*In US Dollars*)	*(In Indian Rupees)*	(*In US Dollars*)	*(In Indian Rupees)*
Revenue	-	-	162,325	7,098,472.25	749,612	3,4182,307.20
Profit/loss	-	-	(84,925)	(3,713,770.25)	24,965	1,138,404.00
Reserves and Surplus	62,387	2,819,580.47	62,387	2,728,183.51	132,759	6,053,810.40
Share capital (par value USD 1)	1000	45195.00	1000	43,730	1000	45,600.00
Earnings per share	-	-	(84.93)	(3,713.77)	24.97	1138.40
Book value per share	63.39	2864.78	63.39	2,771.91	133.76	6,099.41

Source: Audit Reports

Exchange Rate Applied:

Date	Exchange rate Applied
December 31, 2005	1 USD = 45.20
December 31, 2004	1 USD = 43.73
December 31, 2003	1 USD = 45.60

Source: www.oanda.com

Interest of our Promoters

Our Promoters are interested in our Company to the extent that they have promoted our Company, their shareholding in our Company and to extent of them being directors of our Company. For further interest, of our Directors, see section 'Our Management - Interests of Directors' on page 92.

Common Pursuits

We shall adopt the necessary procedures and practices as permitted by law to address any conflict situations, as and when they may arise. For, further details on the related party transactions, to the extent of which our Company is involved, see "Related Party Transactions" on page 126 and 130.

Sick Company

None of the companies forming part of our Promoter Group have been declared sick in the past.

Disassociation by the Promoters in the last three years

Name of the Company	Relationship with the Promoter	Reasons for Disassociation	Date of Disassociation
Technobuild Space Limited	Ventures promoted by the Promoters	Disposed of shareholding in the company, as it was dormant	June 22, 2005
Technobuild Space Limited BVI	Ventures promoted by the Promoters	Disposed of shareholding in the company, as it was dormant	June 22, 2005
STC Overseas Limited	Ventures promoted by the Promoters	Disposed of shareholding in the company, as it was dormant	December 20, 2004
Sobha & Menon Investment Company Limited	Ventures promoted by the Promoters	Disposed of shareholding in the company, as it was dormant	December 20, 2004
Modern Food Distribution	Sole proprietorship promoted by Mr. P.N.C Menon	Sale of business	October 10, 2006

Disclosure in relation to Technobuild Developers Private Limited

The objects of the company include carrying on the business as builders, property developers, development of software technology parks, civil, mechanical and labour contractors. It has its registered office at E-106, Sunrise Chambers, 22, Ulsoor Road, Bangalore 560 042. The company was incorporated on September 20, 2004.

Shareholding as of November 1, 2006

The shareholding pattern of equity shares of Technobuild Developers Private Limited is as follows:

S.No	Shareholder	Number of shares	Percentage
1.	Mr. K. Suresh	5,000	50.00
2.	Mr. P. Gopalkrishnan	5,000	50.00
	TOTAL	**10,000**	**100.00**

Directors as of November 1, 2006

The board of directors comprise of Mr. K. Suresh and Mr. P. Gopalakrishnan.

Financial Performance

(in rupees except for share data)

	For the period September 29, 2004 to March 31, 2005
Sales and other Income*	-
Profit/loss after tax	-
Reserves and Surplus	(234,586)
Equity capital (par value Rs. 10)	100,000
Earnings per share	Nil
Book Value per share	(23.46)

Cases filed by or against Technobuild Developers Private Limited

Nil

Contingent Liability as on March 31, 2005

Nil

The subsidiaries of the company are as follows:

Sl.No:	Name of the subsidiary	Details of the Shareholders and No. of equity shares held	Shareholding of the company (in percentage)
1	Greater Cochin Properties Private Limited.	Technobuild Developers Private Limited – 499,900 Mr. P Gopalkrishnan – 100	99.9800%
2	Greater Cochin Developers Private Limited.	Technobuild Developers Private Limited – 499,900 Mr. P Gopalkrishnan – 100	99.9800%
3	Greater Cochin Realtors Private Limited.	Technobuild Developers Private Limited – 499,900 Mr. P Gopalkrishnan – 100	99.9800%
4	Greater Cochin Cyber City Private Limited	Technobuild Developers Private Limited – 499,900 Mr. P Gopalkrishnan – 100	99.9800%
5	Cochin Cyber City Private Limited	Technobuild Developers Private Limited – 20,000	100.0000%
6	Sun Beam Projects Private Limited	Technobuild Developers Private Limited - 249,999 Mr. MA Pharis – 1	99.9996%
7	Red Lotus Realtors Private Limited	Technobuild Developers Private Limited – 49,999 Mr. MA Pharis – 1	99.9980%
8	Padma Lochana Enterprises Private Limited	Technobuild Developers Private Limited – 99,999 Mr. MA Pharis – 1	99.9990%
9	Cochin Cyber Golden Properties Private Limited	Technobuild Developers Private Limited – 49,999 Mr. MA Pharis – 1	99.9980%
10	Cochin Cyber Value Added Properies Private Limited	Technobuild Developers Private Limited – 49,999 Mr. MA Pharis - 1	99.9980%
11	Cochin Realtors Private Limited	Technobuild Developers Private Limited – 49,999 Mr. MA Pharis - 1	99.9980%
12	Cochin Supercity Developers Private Limited	Technobuild Developers Private Limited - 49,999 Mr. TKA Nasir - 1	99.9980%
13	Cochin Cyber Estate Private Limited	Technobuild Developers Private Limited - 49,999 Mr. TKA Nasir - 1	99.9980%
14	Megatech Software Private Limited	Technobuild Developers Private Limited - 10,001 Mr. P Gopalkrishnan – 1	99.9900%
15	Chennai Supercity Developers Private Limited	Technobuild Developers Private Limited - 49,999 Mr. TKA Nasir – 1	99.9980%
16	Navbhusan Properties and Developers Private Limited	Technobuild Developers Private Limited - 49,999 Mr. TKA Nasir – 1	99.9980%
17	Ilupur Real Estate Private Limited	Technobuild Developers Private Limited - 49,999 Mr. TKA Nasir – 1	99.9980%
18	Ilupur Realtors Private Limited	Technobuild Developers Private Limited - 49,999 Mr. TKA Nasir – 1	99.9980%
19	Ilupur Developers Private Limited	Technobuild Developers Private Limited - 49,999 Mr. TKA Nasir – 1	99.9980%
20	Ilupur Builders Private Limited	Technobuild Developers Private Limited - 49,999 Mr. TKA Nasir - 1	99.9980%
21	Ilupur Properties Private Limited	Technobuild Developers Private Limited - 49,999 Mr. P Gopalakrishnan - 1	99.9980%
22	Mannur Properties Private Limited	Technobuild Developers Private Limited - 49,999 Mr. P Gopalakrishnan - 1	99.9980%
23	Mannur Builders Private Limited	Technobuild Developers Private Limited - 49,999 Mr. P Gopalakrishnan - 1	99.9980%
24	Valasai Vettikadu Builders Private Limited	Technobuild Developers Private Limited - 49,999 Mr. P Gopalakrishnan - 1	99.9980%
25	Valasai Vettikadu Properties Private Limited	Technobuild Developers Private Limited - 49,999 Mr. P Gopalakrishnan - 1	99.9980%
26	Daram Cyber Properties Private Limited	Technobuild Developers Private Limited - 49,999 Mr. P Gopalakrishnan - 1	99.9980%
27	Daram Cyber Developers Private Limited	Technobuild Developers Private Limited - 49,999 Mr. P Gopalakrishnan - 1	99.9980%
28	Valasai Vettikadu Real Estate Private Limited	Technobuild Developers Private Limited - 49,999 Mr. P Gopalakrishnan - 1	99.9980%
29	Mannur Real Estate Private Limited	Technobuild Developers Private Limited - 49,999 Mr. P Gopalakrishnan - 1	99.9980%

RELATED PARTY TRANSACTIONS

(All amounts are in millions of Indian Rupees, unless otherwise stated)

(Rs. in Million)

PARTICULARS	NATURE OF RELATIONSHIP	NAME OF THE RELATED PARTY	2005-06	2004-05	2003-04	2002-03	2001-02
Sale of Goods and Services	Other Related Parties	Oman Builders Pvt Ltd.	1.13	-	30.55	-	-
		Sobha Interiors Pvt Ltd.	116.66	69.93	-	-	-
		Sobha Renaissance Information Technology Pvt Ltd.	-	0.05	-	-	-
		Sobha Space Pvt Ltd.	0.73	0.60	-	-	-
		Sri Kurumba Trust	0.46	-	-	-	-
		Sobha Innercity Technopolis Pvt Ltd.	6.71	-	-	-	-
		Sobha Glazing & Metal Works Pvt Ltd.	60.05	-	-	-	-
	Key Management Personnel	J C Sharma	3.87	-	-	-	-
Sale of Fixed Assets	Key Management Personnel	V K Balan	-	-	0.33	-	-
Interest Received	Other Related Parties	Sobha Interiors Pvt Ltd.	-	-	-	0.48	-
		Sobha Space Pvt Ltd.	-	1.69	-	-	-
		Sobha Renaissance Information Technology Pvt Ltd.	2.40	-	-	0.01	-
Purchase of goods and contractual services	Other Related Parties	Sobha Interiors Pvt Ltd.	217.02	417.66	167.59	137.64	92.05
		Sobha Glazing & Metal Works Pvt Ltd.	120.46	71.57	36.14	0.80	-
		Sobha Projects & Trade Pvt Ltd.	32.92	15.58	150.01	23.50	40.03
		Indeset Building Materials LLC	-	-	-	0.91	1.03
		Lotus Manpower Services	89.40	-	-	-	-
		Services & Trade Company		-	-	0.44	6.26
		Oman Builders Pvt Ltd.	0.90	-	-	-	-
		Sobha Renaissance Information Technology Pvt Ltd.	15.60	-	-	-	-
	Relatives of key Management Personnel	P N Haridas	104.66	-	-	-	-
Directors' Remuneration	Key Management Personnel	V K Balan	-	-	0.67	1.00	0.98
		J C Sharma	23.26	10.47	4.92	1.45	1.05
		Mahesh Iyer	-	-	-	-	0.04
		Veera Raghavan	-	-	-	1.41	1.48
		Ashok Kumar	-	-	-	-	1.42
		Ravi Menon	13.57	2.36	-	-	-
		P N C Menon	18.52	-	-	-	-
Salary	Relatives of key Management Personnel	Raju Balan	-	-	0.26	0.15	-
		P N Haridas	-	0.42	0.36	0.35	-
		Raghu Balan	1.22	0.97	0.72	0.65	-
Purchase of Fixed Assets	Other Related Parties	Sobha Interiors Pvt Ltd.	-	-	0.08	-	-
		Services & Trade Company	-	-	-	-	4.33
		Sobha Projects & Trade Pvt Ltd.	-	-	-	0.01	-
	Relatives of key Management Personnel	V K Balan	0.11	-	-	-	-

(Rs. in Million)

PARTICULARS	NATURE OF RELATIONSHIP	NAME OF THE RELATED PARTY	2005-06	2004-05	2003-04	2002-03	2001-02
Expenses Contingently Liable	Other Related Parties	Sobha Interiors Pvt Ltd.	-	-	-	-	13.98
		Sobha Glazing & Metal Works Pvt Ltd.	-	-	-	-	0.76
		Sobha Projects & Trade Pvt Ltd.	-	-	-	-	0.24
Interest Paid	Other Related Parties	Oman Builders Pvt Ltd.	-	-	-	6.68	-
		Sobha Innercity Technopolis Pvt Ltd.	-	-	5.00	14.70	5.44
	Key Management Personnel	Sobha Menon	2.53	1.68	1.44	1.04	-
		P N C Menon	0.43	0.30	0.43	0.43	-
Rendering of Services	Other Related Parties	Sobha Projects & Trade Pvt Ltd.	-	-	-	-	0.01
Donation Paid	Other Related Parties	Sri Kurumba Trust	55.10	20.50	3.50	-	-
Rent Paid	Key Management Personnel	Sobha Menon	0.37	0.37	0.37	0.37	0.37
Receiving of Services	Relatives of Key Management Personnel	P N Haridas	-	-	-	-	0.33
		Raghu Balan	-	-	-	-	0.67
		Raju Balan	-	-	-	-	0.09
	Other Related Parties	Sobha Interiors Pvt Ltd.	-	-	-	22.64	13.70
		Sobha Glazing & Metal Works Pvt Ltd.	-	-	-	0.33	-
		Sobha Renaissance Information Technology Pvt Ltd.	-	-	-	-	0.43
		Oman Builders Pvt Ltd.	-	-	-	-	0.30
Advances Given	Other Related Parties	Sobha Projects & Trade Pvt Ltd.	-	-	-	-	7.47
		Sobha Electro Mechanical Pvt Ltd.	-	-	-	-	1.44
Loan Taken	Key Management Personnel	P N C Menon	-	-	12.40	-	6.20
		Sobha Menon	-	-	-	-	18.93
	Other Related Parties	Sobha Innercity Technopolis Pvt Ltd.	-	-	-	73.20	219.28
		Oman Builders Pvt Ltd.	-	-	-	132.22	-
Loan Given	Other Related Parties	Sobha Interiors Pvt Ltd.	-	-	-	40.60	-
		Oman Builders Pvt Ltd.	-	-	-	280.71	-
		Sobha Renaissance Information Technology Pvt Ltd.	30.00	-	-	17.30	-
		Sobha Projects & Trade Pvt Ltd.	-	-	-	7.47	-
		Sobha Space Pvt Ltd.	-	200.00	-	-	-
Guarantees and Collaterals Taken	Other Related Parties	Sobha Innercity Technopolis Pvt Ltd.	2,900.00	1,165.00	-	-	-
		Sobha Technocity Pvt Ltd.	1,100.00	520.00	-	250.00	-
	Key Management Personnel	Mr. PNC Menon & Mrs Sobha Menon	-	-	-	-	178.89
Guarantees and Collaterals Given	Other Related Parties	Sobha Space Pvt Ltd.	70.00	30.00	-	-	-
		Sobha Interiors Pvt Ltd.	185.00	30.00	30.00	30.00	25.00
		Sobha Glazing & Metal Works Pvt Ltd.	60.00	-	-	-	-
Balance receivable	Other Related Parties	Sobha Interiors Pvt Ltd.	252.89	576.53	83.41	42.51	0.44
		Sobha Glazing & Metal Works Pvt Ltd.	220.70	226.20	13.33	2.60	1.69
		Sobha Projects & Trade Pvt Ltd.	-	11.01	4.22	3.78	7.47

(Rs. in Million)

PARTICULARS	NATURE OF RELATIONSHIP	NAME OF THE RELATED PARTY	2005-06	2004-05	2003-04	2002-03	2001-02
		Sobha Renaissance Information Technology Pvt Ltd.	20.87	17.36	17.08	17.08	-
		Sobha Technocity Pvt Ltd.	-	190.55	50.61	13.85	-
		Sobha Innercity Technopolis Pvt Ltd.	-	-	285.14	-	-
		Royal Interiors Pvt Ltd.	-	0.13	-	-	-
		Hill and Menon Securities Pvt Ltd.	0.09	0.07	-	-	-
		Menon Hill Financial Services Ltd	@	@	-	-	-
		Oman Builders Pvt Ltd.	-	185.83	-	-	-
		Sri Kurumba Trust	0.62	0.16	-	-	-
		Royal Interiors Pvt Ltd.	6.35	0.13	-	-	-
		Sobha Electro Machanical Pvt Ltd.	#	$	-	-	-
		Sobha Space Pvt Ltd.	48.59	127.23	-	-	-
		Lotus Manpower Services	6.83		-	-	-
		SBG Housing Pvt Ltd.	-	114.31	-	-	-
	Subsidiary Company	SBG Housing Pvt Ltd.	120.93	-	-	-	-
Balance payable	Other Related Parties	Sobha Innercity Technopolis Pvt Ltd.	27.47	48.55	-	37.57	62.99
		Oman Builders Pvt Ltd.	49.50	-	8.53	132.22	
		Sobha Projects & Trade Pvt Ltd.	1.77	4.26	-	-	10.90
		Sobha Renaissance Information Technology Pvt Ltd.	-	0.71	-	-	0.23
		Services & Trade Company	-	-	-	0.01	2.87
		Sobha Space Pvt Ltd.	-	0.05	-	-	-
		Sobha Interiors Pvt Ltd.	-	530.12	-	-	-
		Sobha Glazing & Metal Works Pvt Ltd.	-	101.90	-	-	-
		Sobha Technocity Pvt Ltd.	1.27	-	-	-	-
	Key Management Personnel	P N C Menon	4.64	5.82	5.38	9.98	5.14
		J C Sharma	21.43	8.30	-	-	-
		Sobha Menon	19.71	20.30	20.34	8.00	13.00
			'#' represents Rs,	4500/-			
			'$' represents Rs.	500/-			
			@represents Rs.	1,105/-			
Details of related parties							
Key Management Personnel		Mr. PNC Menon					
		Mrs. Sobha Menon					
		Mr. Ravi Menon					
		Mr. J C Sharma					
		Col. V.K.Balan					
Relatives of Key Management Personnel		Mr. Raghu Balan					
		Mr. Raju Balan					
		Mr. PN Haridas					
Other Related Parties		M/s Oman Builders Private Limited					
		M/s Sobha Innercity Technopolis Private Limited					
		M/s Sobha Interiors Private Limited					

(Rs. in Million)

PARTICULARS	NATURE OF RELATIONSHIP	NAME OF THE RELATED PARTY	2005-06	2004-05	2003-04	2002-03	2001-02
		M/s Sobha Glazing and Metal Works Private Limited					
		M/s Sobha Electro Mechanical Private Limited					
		M/s Sobha Renaissance Information Technology Private Limited					
		M/s Sobha Technocity Private Limited					
		M/s Sobha Projects and Trade Private Limited					
		M/s Indeset Building Materials LLC					
		Services and Trade Company, LLC					
		M/s Indeset Trading and Decorations Services LLC					
		M/s Royal Interiors Private Limited					
		M/s Hill and Menon Securities Private Limited					
		Menon Hill Financial Services Limited					
		M/s Sri Kurumba Trust					
		M/s Sobha Space Private Limited					
		M/s SBG Housing Private Limited (till 10th April 2005)					
		M/s. Lotus Manpower Services					
Subsidiary Company		M/s SBG Housing Private Limited (wef 11th April 2005)					

RELATED PARTY TRANSACTIONS FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2006

(Rs. in Million)

PARTICULARS	NATURE OF RELATIONSHIP	NAME OF THE RELATED PARTY	Amount
Sale of Goods and Services	Other Related Parties	Oman Builders Private Limited	7.11
		Sri Kurumba Trust	3.38
	Key Management Personnel	P N C Menon	0.03
		Mrs. Sobha Menon	0.45
		J C Sharma	0.64
Interest Received	Other Related Parties	Sobha Renaissance Information Technology Pvt Ltd.	2.32
Purchase of goods and contractual services	Other Related Parties	Sobha Interiors Private Limited	233.19
		Sobha Glazing & Metal Works Private Limited	169.44
		Sobha Projects & Trade Private Limited	0.63
		Lotus Manpower Services	145.16
		Sobha Space Private Limited	30.59
		Technobuild Developers Private Limited	0.04
		Sobha Renaissance Information Technology Pvt Ltd.	5.05
	Relatives of Key Management Personnel	P N K Mani	1.48
Directors' Remuneration	Key Management Personnel	J C Sharma	12.35
		Ravi Menon	9.00
		P N C Menon	16.26
		Lt. General Mathew Mammen	1.49
Salary	Key Management Personnel	K.Suresh	1.01
		P.Kanodia	1.01
Purchase of Fixed Assets	Other Related Parties	Sobha Interiors Private Limited	62.74
		Sobha Glazing & Metal Works Private Limited	25.74
		Sobha Space Private Limited	45.62
Interest Paid	Key Management Personnel	Sobha Menon	0.65
		P N C Menon	0.04
Donation Paid	Other Related Parties	Sri Kurumba Trust	53.70
Rent Paid	Key Management Personnel	Sobha Menon	0.18
Advances given	Subsidiary Company	SBG Housing Private Limited	9.74
	Other Related Parties	Technobuild Developers Private Limited	649.04
Loan Given	Other Related Parties	Sobha Renaissance Information Technology Pvt Ltd.	30.00
Guarantees and Collaterals taken	Other Related Parties	Sobha Innercity Technopolis Private Limited	1,503.63
		Sobha Technocity Private Limited	526.00
		Sobha Glazing & Metal Works Private Limited	59.36
		Sobha Interiors Private Limited	100.86
		Sobha Space Private Limited	45.04
	Subsidiary Company	SBG Housing Private Limited	452.38
Guarantees and Collaterals given	Other Related Parties	Sobha Space Private Limited	70.00
		Sobha Interiors Private Limited	185.00
		Sobha Glazing & Metal Works Private Limited	60.00
Balance receivable	Other Related Parties	Sobha Interiors Private Limited	170.35
		Sobha Glazing & Metal Works Private Limited	188.60
		Sobha Projects & Trade Private Limited	14.81
		Sobha Renaissance Information Technology Pvt Ltd.	65.53
		Technobuild Developers Private Limited	1,646.44

		Hill and Menon Securities Services Private Limited	0.09
		Oman Builders Private Limited	2.54
		Sri Kurumba Trust	27.13
		Sobha Electro Mechanical Private Limited	0.13
		Lotus Manpower Services	10.30
	Key Management Personnel	J C Sharma	0.08
		PNC Menon	0.03
		Sobha Menon	0.45
	Subsidiary Company	SBG Housing Private Limited	128.64
Balance payable	Other Related Parties	Sobha Innercity Technopolis Private Limited	27.28
		Royal Interiors Private Limited	4.03
		Sobha Space Private Limited	51.69
		Sobha Technocity Private Limited	1.34
	Relatives of Key Management Personnel	PNK Mani	0.19
Details of related parties			
Key Management Personnel		Mr. PNC Menon	
		Mrs. Sobha Menon	
		Mr. Ravi Menon	
		Mr. J C Sharma	
		Mr. K.Suresh	
		Mr.P.Kanodia	
Relatives of Key Management Personnel		Mr. PN Haridas	
		Mr. PNK Mani	
Other Related Parties		M/s Oman Builders Private Limited	
		M/s Sobha Innercity Technopolis Private Limited	
		M/s Sobha Interiors Private Limited	
		M/s Sobha Glazing and Metal Works Private Limited	
		M/s Sobha Electro Mechanical Private Limited	
		M/s Sobha Renaissance and Information Technology Private Limited	
		M/s Sobha Technocity Private Limited	
		M/s Sobha Projects and Trade Private Limited	
		M/s Indeset Building Materials LLC	
		M/s Services and Trade Company	
		M/s Indeset Trading and Decorations Services LLC	
		M/s Royal Interiors Private Limited	
		M/s Technobuild Developers Private Limited	
		M/s Hill and Menon Secruties Private Limited	
		M/s Menon Hill Financial Services Limited	
		M/s Sri Kurumba Trust	
		M/s Sobha Space Private Limited	
		M/s Lotus Manpower Services	
Subsidiary Company		M/s SBG Housing Private Limited	

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The Board may also from time to time pay interim dividends. All dividend payments are made in cash to the shareholders of the Company. The dividends declared by our Company during the last five fiscal years have been presented below:

	Year ended March 31, 2002	Year ended March 31, 2003	Year ended March 31, 2004	Year ended March 31, 2005	Year ended March 31, 2006	6 month period ended September 30, 2006
Face Value of Equity Share (per share)	10	10	10	10	10	10
Interim Dividend on Equity Shares (Rs.)	Nil	Nil	73,991,680	63,421,440	144,812,289	Nil
Final Dividend on Equity Shares (Rs.)	Nil	Nil	Nil	Nil	Nil	Nil
Dividend Rate for equity shares (%)	Nil	Nil	35%	30%	68.5%	Nil
Dividend Tax for equity shares (Rs.)	Nil	Nil	9,480,182	8,288,390	20,309,923	Nil
Dividend on preference shares	Nil	Nil	Nil	33,479	6,109,901	Nil
Dividend Tax for Preference shares (Rs.)	Nil	Nil	Nil	4,695	856,914	Nil

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

SECTION V: FINANCIAL STATEMENTS

UNCONSOLIDATED FINANCIAL INFORMATION OF SOBHA DEVELOPERS LIMITED

UNCONSOLIDATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES AND UNCONSOLIDATED SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED AND UNCONSOLIDATED CASH FLOWS, AS RESTATED, UNDER INDIAN GAAP AS AT AND FOR THE YEARS ENDED 31st MARCH 2006, 2005, 2004, 2003 and 2002.

June 29, 2006

To,

The Board of Directors,
Sobha Developers Limited (formerly, Sobha Developers Private Limited)
E 106 Sunrise Chambers
22 Ulsoor Road
Bangalore 42

Dear Sirs,

We have examined the unconsolidated financial information of M/s.Sobha Developers Limited ('the Company') *(formerly, Sobha Developers Private Limited)* annexed to this report and initialled by us for identification purposes, which has been prepared in accordance with the requirements of:

a) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') as amended from time to time and related clarifications; and

c) The terms of reference received from the Company, requesting us to carry out work, proposed to be included in the Draft Red Herring Prospectus, Red Herring Prospectus and the Prospectus (collectively, 'the Offer Documents') of the Company in connection with its proposed Initial Public Offer ('IPO').

The Company proposes to make an IPO for a fresh issue of 8,893,332 equity shares having a face value of Rs 10 per equity share at an issue price as may be decided by the Board of Directors, to be arrived at by the 100% book building route (referred to as 'the Issue').

A. Financial information as per unconsolidated audited financial statements of Sobha Developers Limited

1. We have examined the attached unconsolidated Restated Summary Statement of Assets and Liabilities of the Company as at 31st March 2006, 2005, 2004, 2003 and 2002, the unconsolidated Restated Summary Statement of Profits and Losses and the unconsolidated Restated Statement of Cash Flows for each of the period/years ended on those dates ('Unconsolidated Restated Summary Statements') (see Annexures I, II and III) as prepared by the Company and approved by the Board of Directors. The unconsolidated restated profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and as more fully described in the notes to the unconsolidated restated financial statements appearing in Annexure IV to this report. We have audited the unconsolidated financial statements of the Company for the years ended 31st March 2006, 2005, 2004, 2003 and 2002. Based on our examination of the Unconsolidated Restated Summary Statements, we confirm that:

i. The 'Restated Summary Statements' have to be read in conjunction with the notes given in Annexure IV to this report.

ii. The 'Restatement Summary Statements' of the Company have been restated with retrospective effect to reflect the significant accounting policies being adopted by the Company as at 31st March 2006 as stated in the Notes forming part of the Restated Summary Statements vide Annexure IV to this report.

iii. The restated profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate in the year/period to which they are related as described in Para 2 of the Notes Forming Part of the 'Restated Summary Statements' appearing in Annexure IV.
iv. The prior period items have been adjusted in the Unconsolidated Restated Summary Statements in the years to which they relate;
v. There are no extraordinary items which need to be disclosed separately in the Unconsolidated Restated Summary Statements; and
vi. There are no qualifications in the auditors' reports, which require any adjustments to the Unconsolidated Restated Summary Statements

B. Other Financial Information:

We have examined the following information in respect of the year ended 31 March 2006, 2005, 2004, 2003 and 2002 of the Company, proposed to be included in the offer documents, as approved by the Board of Directors and annexed to this report;

i. Statement of Fixed Assets (Annexure V)
ii. Statement of Summary of Investments (Annexure – VI)
iii. Statement of Inventories (Annexure-VII)
iv. Statement of Sundry Debtors (Annexure- VIII)
v. Statement of Loans and Advances (Annexure – IX)
vi. Statement of Secured and Unsecured Loans (Annexure – X)
vii. Statement of Current Liabilities and Provisions (Annexure – XI)
viii. Statement of Share Capital (Annexure - XII)
ix. Statement of Reserves and Surplus (Annexure – XIII)
x. Statement of Income from Projects (Annexure XIV)
xi. Statement giving details of Other Income (Annexure – XV)
xii. Statement of Land and Construction Expenses (Annexure - XVI)
xiii. Statement of Administrative Expenses (Annexure - XVII)
xiv. Statement of Finance Charges (Annexure XVIII)
xv. Statement of Contingent Liabilities (Annexure – XIX)
xvi. Statement of Dividend paid (Annexure – XX)
xvii. Summary of Accounting Ratios based on adjusted profits related to earnings per share, net asset value, return on net worth and Total debt-equity ratio (Annexure – XXI)
xviii. Statement of Tax Shelters (Annexure – XXII)
xix. Capitalisation Statement of the Company as at 31 March, 2006 (Annexure- XXIII)
xx. Statement of Related Party Disclosure (Annexure – XXIV)

In our opinion, the 'Financial Information as per Audited Financial Statements' and Other Financial Information mentioned above for the years ended 31st March 2006, 2005, 2004, 2003 and 2002 have been prepared in accordance with Part II of schedule II of the Act and the Guidelines.

This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports nor should this be construed as a new opinion on any of the financial statements referred to herein.

This report is intended solely for your information and for inclusion in offer documents in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.Janardhan & Associates
Chartered Accountants.

B.Anand
Partner
Membership No.29146

Place: Bangalore
Date : 29th June 2006

RESTATED SUMMARY OF ASSETS AND LIABILITIES					Annexure I
					(Rs. in Million)
	As at 31st March 2006	**As at 31st March 2005**	**As at 31st March 2004**	**As at 31st March 2003**	**As at 31st March 2002**
Fixed Assets					
Gross Block	1,251.53	556.79	256.87	152.44	99.51
Less : Depreciation	252.42	141.71	67.33	42.71	30.94
Net Block	999.11	415.08	189.54	109.73	68.57
Capital Work In Progress	31.36	122.85	Nil	Nil	12.41
Total (A)	**1,030.47**	**537.93**	**189.54**	**109.73**	**80.98**
Investments (B)	**26.99**	**0.23**	**190.22**	**0.17**	**0.17**
Deferred Tax Asset (C)	**5.89**	**1.45**	**2.73**	**1.32**	**Nil**
Current Assets, Loans and Advances					
Inventories	2,543.96	1,905.44	771.38	890.77	693.40
Sundry Debtors	802.97	363.95	317.64	376.36	202.47
Cash and Bank Balances	449.68	65.77	109.41	31.15	51.30
Loans and Advances	5,166.75	2,236.44	1,146.09	308.57	255.67
Total (D)	**8,963.36**	**4,571.60**	**2,344.52**	**1,606.85**	**1,202.84**
TOTAL ASSETS (A+B+C+D) =E	**10,026.71**	**5,111.21**	**2,727.01**	**1,718.07**	**1,283.99**
Liabilities and Provisions					
Secured Loans	4,208.11	2,209.02	534.11	245.74	282.88
Unsecured Loans	23.00	23.62	23.62	49.04	283.22
Deferred Tax Liabiliites	22.62	18.08	8.14	3.53	3.40
Current Liabilities	4,010.31	1,997.77	1,776.80	1,113.49	576.89
Provisions	394.38	214.64	90.29	17.57	2.91
Total (F)	**8,658.42**	**4,463.13**	**2,432.96**	**1,429.37**	**1,149.30**
NETWORTH (E-F)	**1,368.29**	**648.08**	**294.05**	**288.70**	**134.69**
Networth represented by					
Share Capital	298.69	298.69	211.40	211.40	69.65
Reserves and Surplus	1,069.60	349.39	82.65	77.31	65.05
Total	**1,368.29**	**648.08**	**294.05**	**288.71**	**134.70**
Less: Miscellaneous Expenditure (to the extent not written off or adjusted)	Nil	Nil	@	0.01	0.01
NETWORTH	**1,368.29**	**648.08**	**294.05**	**288.70**	**134.69**

The accompanying significant accounting policies and notes (Annexure IV) are an integral part of the accounts

@ represents Rs. 4,572/ remaining as closing balance as at 31st March 2004

As per our report of even date For S.Janardhan & Associates Chartered Accountants	For and on behalf of the Board of Directors
B.Anand Partner Membership No: 29146	J.C.Sharma Managing Director
Place: Bangalore Date : 29^{th} June 2006	Place: Bangalore Date : 29^{th} June 2006

RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES					Annexure II
					(Rs. in Millions)
Particulars	**2005-2006**	**2004-2005**	**2003-2004**	**2002-2003**	**2001-2002**
INCOME					
Income from					
- Residential and Commercial Projects	3,942.44	1,642.65	815.78	683.02	507.55
- Contractual Projects	2,023.71	2,887.99	1,135.12	404.41	793.30
Other Income	318.21	120.63	95.03	89.67	33.23
Total	**6284.36**	**4,651.27**	**2,045.93**	**1,177.10**	**1,334.08**
EXPENDITURE					
Land and Construction Expenses	3,755.68	3,398.27	1,480.11	858.19	1,008.84
Administrative Expenses	1,113.85	596.45	326.19	220.16	174.99
Finance Charges	219.38	109.36	47.55	57.97	68.25
Depreciation	111.96	74.38	26.72	16.09	16.60
Preliminary Expenses	Nil	@	@	@	@
Total	**5,200.87**	**4,178.46**	**1,880.57**	**1,152.41**	**1,268.68**
Profit before Taxation	1,083.49	472.81	165.36	24.69	65.40
Less: Provision for Income Tax	188.41	122.92	73.24	13.61	2.81
Provision for Wealth Tax	0.16	0.16	0.09	0.07	0.07
Fringe Benefit Tax	2.50	Nil	Nil	Nil	Nil
Deferred Tax	0.12	11.24	3.22	(1.25)	3.40
Restated Profit	**892.30**	**338.49**	**88.81**	**12.26**	**59.12**
Interim Dividend	144.81	63.42	73.99	Nil	Nil
Tax on Dividend	20.31	8.29	9.48	Nil	Nil
Dividend on Preference Shares	6.11	0.04	Nil	Nil	Nil
Tax on Preference Shares Dividend	0.86	#	Nil	Nil	Nil
	720.21	**266.74**	**5.34**	**12.26**	**59.12**
Balance of Profit brought forward	**298.95**	**69.71**	**77.31**	**65.05**	**5.93**
Less:Transfer to General Reserve	200.00	37.50	12.94	Nil	Nil
Profit carried to Balance Sheet	**819.16**	**298.95**	**69.71**	**77.31**	**65.05**

Represents Rs. 4,695/- paid towards Tax on Preference Dividend

@ Represents Rs. 4,572/- written off as Preliminary Expenditure

The accompanying significant accounting policies and notes (Annexure IV) are an integral part of the accounts

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

B.Anand
Partner
Membership No: 29146
Place: Bangalore
Date : 29th June 2006

For and on behalf of the Board of Directors

J.C.Sharma
Managing Director

Place: Bangalore
Date : 29th June 2006

RESTATED STATEMENT OF CASH FLOWS						Annexure III
						(Rs. in Million)
		2005-2006	**2004-2005**	**2003-2004**	**2002-2003**	**2001-2002**
A)	**Cash Flow From Operating Activites**					
	Profit before Tax	**1,083.49**	**472.81**	**165.36**	**24.69**	**65.40**
	Adjustments for :					
	Depreciation	111.96	74.38	26.72	16.09	16.60
	Interest Paid (Net)	208.34	107.09	47.24	57.11	67.21
	Dividend from Investments	(0.20)	(2.45)	Nil	Nil	Nil
	Profit on sale of Investments	(0.08)	(3.80)	Nil	Nil	Nil
	(Profit)/Loss on sale of assets	(0.34)	Nil	(0.74)	3.90	Nil
	Operating Profit before working capital Changes	**1,403.17**	**648.03**	**238.58**	**101.79**	**149.21**
	Inventories	(638.52)	(1,134.06)	119.39	(197.36)	(90.84)
	Debtors	(439.02)	(46.31)	58.72	(173.89)	(148.34)
	Loans & Advances (Other than Advance Tax & TDS)	(2,716.46)	(996.75)	(775.21)	(45.59)	75.50
	Liabilities (excluding interest accured)	2,007.37	220.25	665.75	537.70	(162.44)
	Net changes in Working Capital	**(1,786.63)**	**(1,956.87)**	**68.65**	**120.86**	**(326.12)**
	Cash Generated From Operations	**(383.46)**	**(1,308.84)**	**307.23**	**222.65**	**(176.91)**
	Interest Paid	(218.70)	(107.73)	(47.55)	(57.97)	(69.19)
	Interest Receipts	9.64	2.37	0.21	0.76	1.02
	Direct Taxes Paid	(246.56)	(101.69)	(74.74)	(7.32)	(21.32)
	Net Cash From Operating Activites (A)	**(839.08)**	**(1,515.89)**	**185.15**	**158.12**	**(266.40)**
B)	**Cash Flow From Investment Activities**					
	Purchases of Fixed Assets	(605.44)	(422.78)	(107.28)	(54.88)	(43.53)
	Purchases of Investment	(26.90)	(28.00)	(190.05)	Nil	Nil
	Sale of Fixed Assets	1.25	Nil	1.48	6.17	0.43
	Sale of Investments	0.22	221.82	Nil	Nil	Nil
	Dividend from Investments	0.20	2.45	Nil	Nil	Nil
	Net Cash Used In Investment Activites (B)	**(630.67)**	**(226.51)**	**(295.85)**	**(48.71)**	**(43.10)**
C)	**Cash Flow From Financing Activities**					
	Increase In Share Capital	Nil	87.28	Nil	141.76	Nil
	Net Increase/ (Decrease) in Borrowing	1,998.47	1,674.91	262.95	(271.32)	356.98
	Dividend paid	(144.81)	(63.43)	(73.99)	Nil	Nil
	Cash generated From Financing Activites (C)	**1,853.66**	**1,698.76**	**188.96**	**(129.56)**	**356.98**

RESTATED STATEMENT OF CASH FLOWS Annexure III

(Rs. in Million)

	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
Net Increase in Cash & Cash Equivalents (A+B+C)	**383.91**	**(43.64)**	**78.26**	**(20.15)**	**47.48**
Opening Balance - Cash & Cash Equivalents	65.77	109.41	31.15	51.30	3.82
Closing Balance - Cash & Cash Equivalents	**449.68**	**65.77**	**109.41**	**31.15**	**51.30**

Note:

The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard -3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India

Negative figures have been shown in brackets

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

For and on behalf of the Board of Directors

B.Anand
Partner
Membership No: 29146

Place: Bangalore
Date : 29th June 2006

J.C.Sharma
Managing Director

Place: Bangalore
Date : 29th June 2006

Annexure IV

NOTES FORMING PART OF THE RESTATED SUMMARY STATEMENTS

Significant Accounting Policies and Notes to Accounts:

Background:

The Company was incorporated on 7th August 1995 and is primarily engaged in the business of construction and development of residential and commercial projects and also undertakes contractual work for corporates.

1. Significant Accounting Policies:

1.1. Basis of Accounting

The Company follows accrual method of accounting except where the receipt of income is uncertain and is in accordance with the Accounting Standards referred to in sub section 3(c) of Section 211 of the Companies Act, 1956.

1.2 Revenue Recognition:

(i) Recognition of Revenue from Contractual Projects:
Revenue from Contractual Projects undertaken is recognized on the basis of certification issued by the client.

(ii) Recognition of Revenue from Real Estate Developmental Projects:

Revenue from each Real Estate Developmental Project is recognized:

(a) on the basis of "Percentage Completion Method".

(b) the percentage completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenue and contract costs.

(c) when the stage of completion of each project reaches a significant level, which is estimated to be at least 25% of the total estimated costs of the project.

(iii) Recognition of Revenue on account of charges collected towards registration of flats on behalf of clients:

Differential income arising on account of registration amounts collected from customers and the related expenses incurred are recognized in the year of registration of the concerned flats in the name of the customers.

(iv) Recognition of Revenue on account of charges collected towards Power and Water deposits and related expenses:

Differential income arising on account of charges collected towards Electricity Deposits and Water Deposits and the related expenses incurred are recognized in the year of handing over of the flats to the customers.

1.3 Sale of Plot/Apartments:
Sale of Plots/Apartments is net after adjustments on account of cancellation.

1.4 Fixed Assets

Fixed Assets are stated at historical cost inclusive of freight and other direct expenses less depreciation to date.

1.5 Depreciation/Amortisation:

(a) Depreciation on assets is provided on Written Down Value method on a pro-rata basis at the rates as set out in Schedule XIV of the Companies Act, 1956 except for steel scaffolding items for which the same is calculated at 16.67% on Straight Line Method based on estimated useful life of asset as 6 years.

(b) Assets purchased, where the cost does not exceed Rs. 5,000/- is depreciated at the rate of 100 % in the year of purchase.

(c) Centering materials made out of materials other than steel is charged off to the project and centering materials of steel is treated as plant and machinery and depreciation is accordingly provided.

(d) Expenditure incurred on software development is capitalized under the head Intangible Assets and is amortised over a period of 3 years on a pro-rata basis, which is estimated to be the useful life of the asset.

1.6. Investments

Investments are long tem (unless otherwise stated) and are stated at cost except cases where provision is considered necessary.

1.7 Inventory

Direct expenses like site labour cost, materials used for project construction, costs for moving the plant and machinery to the site and general expenses incurred specifically for the respective project like, insurance, design and technical assistance, and construction overheads are taken as the contract cost of the respective project.

a) Work in Progress - Contractual Projects: Represents the work, which is yet to be certified by the client and other retentions and is calculated on an estimated basis.

b) Work in Progress – Real Estate Developmental Projects: Represents the cost incurred in respect of unsold area of the Real Estate Developmental Projects.

c) Stock of plots and apartments, classified as stock in trade, are valued at cost or net realizable value whichever is lower.

d) Building materials purchased specifically for projects are taken as consumed as and when received. Building materials bought, not identified with any specific project are valued at cost.

1.8 Exchange Fluctuation:

1. Foreign currency transactions are accounted at the exchange rates prevailing on the date of the transaction.
2. Gains and losses resulting from the settlement of foreign currency transaction and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the Profit and Loss Account.
3. Exchange differences relating to Fixed Assets are adjusted to the cost of the asset.

1. 9 Preliminary Expenses:

Preliminary Expenses are amortized over a period of 10 years.

1.10 Impairment of Assets: Pursuant to Accounting Standard (AS28) on– Impairment of Assets issued by the Institute of Chartered Accountants of India, the Company assessed its fixed assets for impairment as at the year end and concluded that there has been no significant impaired fixed asset that needs to be recognized in the books of account.

1. 11 Employee /Retirement benefits:

1. Provision for gratuity has been made on the basis of actuarial valuation obtained and debited to the Profit and Loss account.

2. Provision in respect of leave encashment is made, based on accrual basis to the extent of the leave credit available to the employees as at the year-end.

3. Provision in respect of ex-gratia payment to employees and workers is made as and when accepted by the management.

1.12 ***Deferred Tax***: Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

1.13 Treatment of contingent liabilities:
Contingent Liabilities not provided for are reflected in Notes on Accounts.

2. Notes on adjustments for restated summary statements:

The adjustments on account of changes in accounting policies and its impact on profit and losses of the Company is stated hereunder:

a. In order to fall in line with the Accounting Standard-AS7 (Revised 2002) on "Construction Contracts", the company has switched over the method of recognition of revenue from the earlier method of "Completed Contracts Method" to "Percentage Completion Method" with effect from 1st April 2003. The resultant impact on the Profit and Loss account has been reworked in the respective years as stated in the Profit and Loss account as given in para 2(g) and further a sum of Rs. 2.42 Million has been adjusted to the earlier year General Reserve. The change in method of recognition of revenue has resulted in restating of Turnover and Inventory for the years ending 31st March 2003,2002 and 2001 and the resultant changes have been effected in the restated summary statement of Profit and Losses.

b. The company has changed the method of calculation of depreciation during the year in respect of steel scaffolding materials from the rate as applicable to plant and machinery as referred to in the Schedule XIV of the Companies Act, 1956 under WDV method to Straight Line Method and the depreciation is provided at 16.67% based on estimated useful life of asset as six years. The differential amount of depreciation has been adjusted for the years as stated in the profit and loss account. .

c. Deferred Tax: Due to the introduction of Accounting Standard AS-22 "Accounting for Taxes on Income" by the Institute of Chartered Accountants of India with effect from the year ended 1st April 2002, a sum of Rs. 3.4 million was adjusted to the surplus in the Profit and Loss account on 1st April 2002

d. Deferred Tax adjustment also includes adjustments on account of the change in rate of depreciation in the books of account in respect of steel scaffolding materials.

e. Shortfall/excess Provision for Income tax as compared to the Tax payable as per Income Tax Return filed has been adjusted in the Profit and Loss in the Restated Statement of Profit and Loss in respect of those years.

f. Expenses provided and liability on account of supplies and contractors have been reviewed on a yearly basis and the same has been written back after ascertaining the ceasing of such liability in the respective years on ascertainment of non payability. Such reversal of provisions/liabilities have been adjusted in the year of setting up of the liability.

g. A summary of the adjustments which have been made in the respective line items of the restated summary statement of Profit and Losses are given under:

Particulars	2005-06	2004-05	2003-04	2002-03	2001-02
Change in Turnover on account of change in method of accounting *(Refer Note..2 (a) of Notes to Accounts)*	Nil	Nil	(162.83)	(136.28)	156.42
Change in Inventory value on account of change in method of accounting *(Refer Note..2 (a) of Notes to Accounts)*	Nil	Nil	125.76	124.76	(105.40)
Net Impact on profit	*Nil*	*Nil*	*(37.07)*	*(11.52)*	*51.02*
Change in the method of calculation of Depreciation (Refer Note…2(b) of Notes to Accounts)	16.23	(11.63)	(3.07)	(1.19)	(0.34)
Deferred tax (Refer Note 2(c) and 2(d) of Notes to accounts	(5.48)	4.20	0.67	0.61	(3.40)
Other Adjustments					
Current Tax adjustments (Refer Note….2 (e) of Notes to Accounts)	(3.30)	Nil	3.17	(0.06)	0.19
Unclaimed balances written back (2004-05) (Refer Note …2(f) of Notes to Accounts)	Nil	(0.60)	Nil	Nil	0.60
Unclaimed balances written back (2003-04) (Refer Note..2(f) of Notes to Accounts)	Nil	Nil	(4.41)	0.59	3.82
Unclaimed balances written back (2002-03) (Refer Note …2(f) of Notes to Accounts)	Nil	Nil	Nil	(1.69)	Nil
Adjustment for Income Tax of earlier Years (Refer Note … 2(e) of Notes to Accounts)	Nil	Nil	0.19	0.28	Nil
Net Adjustments	7.45	(8.03)	(40.52)	(12.98)	51.89

2.1 Provision for Current tax:

Adjustments have been made in the respective years, in respect of short/excess provision of Income Tax, as compared to the tax payable as per Income Tax Returns filed by the company in respect of the years mentioned.

2.2 Provision for Deferred Tax:

The applicability of the Accounting Standard AS-22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India to the company came into being with effect from the year ended 1st April 2002 and a sum of Rs. 3.4 million was adjusted against brought forward balance of Profit and Loss account in the year as aforesaid. The deferred tax asset and liability relating to earlier years have been recomputed to give effect to the adjustments for reasons aforesaid and appropriate adjustments have been made in the respective years.

2.3 Prior period items;

Certain material items of income/expense identified as prior period items, which have resulted mainly due to errors or omissions in the preparation of financial statements of one or more prior periods, have been adjusted in the respective years in the restated statement of Profit and Losses.

3. **Estimated cost of construction:**

Management's estimation of project construction cost is relied upon, which is expected to be incurred over the period of carrying out of the project, which includes cost of land, materials and services and is reviewed by the management at every year end.

4. Advances recoverable in cash or kind or for value to be received includes amounts due from private companies/ firms in which any director or his relative is interested as at 31st March 2006 is Rs.18.51 million

5. The break up of the contracts in progress at the reporting date as per the requirements of disclosure of Accounting Standard AS-7 on "Construction Contracts" are given under:

	Financial year ended				
	31 March 06	**31 March 05**	**31 March 04**	**31 March 03**	**31 March 02**
Revenue recognized	5966.15	4530.64	1950.90	1087.43	1300.85
Cost incurred	4814.21	3398.27	1480.11	858.19	1008.84
Advances received	3374.49	1501.29	1298.52	680.43	340.62
Gross Amount due from Customers for Contract Work	802.97	363.94	317.64	376.36	202.47

6. **Deferred Tax:**

The break up of deferred tax assets and liabilities in the statement of Restated Assets and Liabilities and deferred tax charge credit in the Restated Statement of Profits and Losses is as under:

	As on				
	31 March 06	**31 March 05**	**31 March 04**	**31 March 03**	**31 March 02**
Deferred Tax Liability: (attributable to)					
- Depreciation	22.62	18.08	8.14	3.53	3.40
Deferred Tax Asset (attributable to)					
- expenses allowable when paid	5.89	1.45	2.73	1.32	Nil

The company has adopted Accounting Standard 22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India from the year ended 31st March 2003.

7. Segment Reporting:

The company is mainly engaged in the business of development and construction of properties and projects and therefore Segment Reporting as defined in Accounting Standard 17 does not apply.

8. Subsequent Events:

a. Conversion to Public Limited Company: Consequent to the proposed Initial Public Offer ('IPO') of the equity shares, the Company had applied to the Registrar of Companies ('RoC') Karnataka, for conversion to a Public Limited Company. The RoC has accorded his approval for the conversion of the Company into a 'Public Limited Company' on 2nd June 2006 and the Company has subsequently changed its name from 'Sobha Developers Private Limited' to 'Sobha Developers Limited' with effect from 8th May 2006.

b. Bonus Issue: The Board of Directors at their meeting held on 28th June 2006, approved the issuance of 42,280,960 equity shares of Rs.10 each as Bonus Shares in the ratio of two shares for every one share held as on 28th June 2006. The Bonus Shares were issued by capitalizing the accumulated profits of the Company.

c. Acquisition of Assets and Business Activity from certain of its Group Companies:
With a view to consolidate the business activities, the Company has purchased certain moveable assets like Plant and Machinery, Office Equipment, Computers, Furniture and Fixtures, Vehicles and Electrical Installations, Inventories including Raw Material, Stores and consumables work in progress from the following group companies on 3rd April 2006 and has also taken over the Cenvat balances available, if any, with the respective companies as on that date. The Company has also taken over part of the liabilities of such companies including the

Term Loan liabilities and Cash Credit facilities availed by such companies. Further, the company has taken over the services of the employees and the liabilities payable to the employees of such companies with effect from that date. The names of such group companies from which the Company has acquired the assets and liabilities are given as under:

i. Sobha Interiors Private Limited
ii. Sobha Glazing and Metal Works Private Limited
iii. Sobha Space Private Limited

Subject to our report of even date

For S.Janardhan & Associates
Chartered Accountants

Place: Bangalore
Date: 29th June 2006

B.ANAND

PARTNER
Membership No.29146

RESTATED SCHEDULE OF FIXED ASSETS Annexure V

(Rs. In Million)

	Land	Leasehold Land	Buildings	Plant and Machinery	Furniture and Fixtures	Computers	Office Equipments	Vehicles	Intangible Assets	Total
Gross Block as at 1st April 2001	-	-	-	43.05	1.85	6.84	2.04	15.48	-	69.26
Additions during the year	-	-	-	17.83	1.47	1.57	0.78	9.44	-	31.09
Disposals during the year	-	-	-	-	-	-	-	0.84	-	0.84
Gross Block as at 31st March 2002	**-**	**-**	**-**	**60.88**	**3.32**	**8.41**	**2.82**	**24.08**	**-**	**99.51**
Depreciation										
Accumulated depreciation as at 1st April 2001	-	-	-	5.16	1.54	2.50	0.42	5.11	-	14.73
Charge for the year	-	-	-	8.58	1.13	2.15	0.29	4.45	-	16.60
Adjustment for disposals during the year	-	-	-	-	-	-	-	0.39	-	0.39
Accumulated depreciation as at 31st March 2002	**-**	**-**	**-**	**13.74**	**2.67**	**4.65**	**0.71**	**9.17**	**-**	**30.94**
Net Block as at 31st March 2002	**-**	**-**	**-**	**47.14**	**0.65**	**3.76**	**2.11**	**14.91**	**-**	**68.57**
Gross Block as at 1st April 2002	-	-	-	60.88	3.32	8.41	2.82	24.08	-	99.51
Additions during the year	5.08	-	18.80	40.06	0.50	1.61	0.31	0.97	-	67.33
Disposals during the year	-	-	-	10.25	-	-	-	4.15	-	14.40
Gross Block as at 31st March 2003	**5.08**	**-**	**18.80**	**90.69**	**3.82**	**10.02**	**3.13**	**20.90**	**-**	**152.44**
Depreciation										
Accumulated depreciation as at 1st April 2002	-	-	-	13.74	2.67	4.65	0.71	9.17	-	30.94
Charge for		-	0.54	9.54	0.50	1.72	0.32	3.47	-	16.09

RESTATED SCHEDULE OF FIXED ASSETS Annexure V

(Rs. In Million)

	Land	Leasehold Land	Buildings	Plant and Machinery	Furniture and Fixtures	Compu-ters	Office Equip-ments	Vehicles	Intangible Assets	Total
the year	-									
Adjustment for disposals during the year	-	-	-	2.50	-	-	-	1.82	-	4.32
Accumulated depreciation as at 31st March 2003	**-**	**-**	**0.54**	**20.78**	**3.17**	**6.37**	**1.03**	**10.82**	**-**	**42.71**
Net Block as at 31st March 2003	**5.08**	**-**	**18.26**	**69.91**	**0.65**	**3.65**	**2.10**	**10.08**	**-**	**109.73**
Gross Block as at 1st April 2003	5.08	-	18.80	90.69	3.82	10.02	3.13	20.90	-	152.44
Additions during the year	-	-	-	88.44	2.36	7.01	1.63	4.99	2.87	107.30
Disposals during the year	-	-	-	0.02	0.06	-	0.01	2.78	-	2.87
Gross Block as at 31st March 2004	**5.08**	**-**	**18.80**	**179.11**	**6.12**	**17.03**	**4.75**	**23.11**	**2.87**	**256.87**
Depreciation										
Accumulated depreciation as at 1st April 2003	-	-	0.54	20.78	3.17	6.37	1.03	10.82	-	42.71
Charge for the year	-	-	0.92	16.84	1.47	3.07	0.66	3.54	0.22	26.72
Adjustment for disposals during the year	-	-	-	-	0.03	-	-	2.07	-	2.10
Accumulated depreciation as at 31st March 2004	**-**	**-**	**1.46**	**37.62**	**4.61**	**9.44**	**1.69**	**12.29**	**0.22**	**67.33**
Net Block as at 31st March 2004	**5.08**	**-**	**17.34**	**141.49**	**1.51**	**7.59**	**3.06**	**10.82**	**2.65**	**189.54**
Gross Block as at 1st April 2004	5.08	-	18.80	179.11	6.12	17.03	4.75	23.11	2.87	256.87
Additions during the year	-	-	0.09	259.22	3.34	16.70	9.39	10.15	1.03	299.92
Disposals during the year	-	-	-	-	-	-	-	-	-	-
Gross Block	**5.08**	**-**	**18.89**	**438.33**	**9.46**	**33.73**	**14.14**	**33.26**	**3.90**	**556.79**

RESTATED SCHEDULE OF FIXED ASSETS										Annexure V
										(Rs. In Million)
	Land	**Leasehold Land**	**Buildings**	**Plant and Machinery**	**Furniture and Fixtures**	**Compu-ters**	**Office Equip-ments**	**Vehicles**	**Intangible Assets**	**Total**
as at 31st March 2005										
Depreciation										
Accumulated depreciation as at 1st April 2004	-	-	1.46	37.62	4.61	9.44	1.69	12.29	0.22	67.33
Charge for the year	-	-	0.87	59.96	0.60	6.69	1.25	4.04	0.97	74.38
Adjustment for disposals during the year	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 31st March 2005	**-**	**-**	**2.33**	**97.58**	**5.21**	**16.13**	**2.94**	**16.33**	**1.19**	**141.71**
Net Block as at 31st March 2005	**5.08**	**-**	**16.56**	**340.75**	**4.25**	**17.60**	**11.20**	**16.93**	**2.71**	**415.08**
Gross Block as at 1st April 2005	5.08	-	18.89	438.33	9.46	33.73	14.14	33.26	3.90	556.79
Additions during the year	25.35	26.49	89.51	506.89	3.78	17.32	7.70	19.00	0.89	696.93
Disposals during the year	-	-	-	-	0.22	-	0.23	1.74	-	2.19
Gross Block as at 31st March 2006	**30.43**	**26.49**	**108.40**	**945.22**	**13.02**	**51.05**	**21.61**	**50.52**	**4.79**	**1251.53**
Depreciation										
Accumulated depreciation as at 1st April 2005	-	-	2.33	97.58	5.21	16.13	2.94	16.33	1.19	141.71
Charge for the year	-	-	4.06	87.37	1.12	9.44	2.30	6.31	1.36	111.96
Adjustment for disposals during the year	-	-	-	-	0.01	-	0.01	1.23	-	1.25
Accumulated depreciation as at 31st March 2006	**-**	**-**	**6.39**	**184.95**	**6.32**	**25.57**	**5.23**	**21.41**	**2.55**	**252.42**
Net Block as at 31st March 2006	**30.43**	**26.49**	**102.01**	**760.27**	**6.70**	**25.48**	**16.38**	**29.11**	**2.24**	**999.11**

SCHEDULE OF INVESTMENTS					Annexure VI
					(Rs. in Million)
Particulars	As at 31st March 2006	As at 31st March 2005	As at 31st March 2004	As at 31st March 2003	As at 31st March 2002
Non Trade (Unquoted, at Cost)					
Government Securities	0.09	0.09	0.09	0.07	0.07
100 Bonds in Dhanalakshmi Bank Ltd of Rs. 1,000/- each	-	-	0.10	0.10	0.10
Sub-total	**0.09**	**0.09**	**0.19**	**0.17**	**0.17**
Traded, at cost					
3,712,159 Units of LIC Mutual Fund (Liquid)	-	-	40.00	-	-
4,220,719 Units of Prudential ICICI Institutional Daily Liquid Plan	-	-	50.01	-	-
3,274,115 Units of Reliance Mutual Fund, RLF Treasury Plan	-	-	50.01	-	-
4,993,309 Units of SBI Mutual Fund - Savings Plan	-	-	50.01	-	-
500 Equity shares of Rs. 10/- each in ICICI Bank Ltd, fully paid up	-	0.14	-	-	-
Sub-total	**-**	**0.14**	**190.03**	**-**	**-**
Unquoted, at cost					
2,680,000 Equity shares of Rs.10/- each in Sobha Renaissance Information Technology Private Limited, fully paid up	26.80	-	-	-	-
Sub-total	**26.80**	-	-	-	-
Investment in Subsidiary Company (at cost)					
1,000 shares of Rs.100/- each fully paid up in SBG Housing Private Ltd	0.10	-	-	-	-
	0.10	-	-	-	-
(Market value of Quoted Investments)		*0.19*	*190.03*		
Total	**26.99**	**0.23**	**190.22**	**0.17**	**0.17**

RESTATED SCHEDULE OF INVENTORIES					Annexure VII
					(Rs. in Million)
Particulars	As at 31st March 2006	As at 31st March 2005	As at 31st March 2004	As at 31st March 2003	As at 31st March 2002
Stock - in Trade	4.78	4.78	22.61	43.93	29.90
(Valued at lower of cost or net realisable value)					
Stock of Building Materials	11.26	4.34	51.10	25.27	50.43
(Valued at lower of cost or net realisable value)					
Work - in –Progress	2,527.92	1,896.32	697.67	821.57	613.07
(Valued at estimated cost)					
Total	**2,543.96**	**1,905.44**	**771.38**	**890.77**	**693.40**

RESTATED SCHEDULE OF SUNDRY DEBTORS					Annexure VIII
					(Rs. in Million)
Particulars	As at 31st March 2006	As at 31st March 2005	As at 31st March 2004	As at 31st March 2003	As at 31st March 2002
Debts outstanding for a period exceeding six months					
Unsecured,Considered good	23.85	23.93	59.21	51.73	29.60
Other Debts - outstanding for a period less than six months					
Unsecured,Considered good	779.12	340.02	258.43	324.63	172.87
Total	**802.97**	**363.95**	**317.64**	**376.36**	**202.47**
Amount due from related parties-See Annexure XXIV					

RESTATED SCHEDULE OF LOANS AND ADVANCES					Annexure IX
					(Rs. in Million)
Particulars	As at 31st March 2006	As at 31st March 2005	As at 31st March 2004	As at 31st March 2003	As at 31st March 2002
Advances recoverable in cash or in kind or for value to be received					
(Unsecured - Considered good)	4,033.47	502.43	253.85	183.81	149.82
Due from Subsidiary Company - SBG Housing Private Ltd.	120.93	-	-	-	-
Due from Group Entities	556.94	1,449.51	453.79	79.82	9.61
Deposits	50.06	91.60	339.25	7.95	66.46
Taxes - Advance Tax	405.35	192.90	99.20	36.99	29.78
Total	**5,166.75**	**2,236.44**	**1,146.09**	**308.57**	**255.67**

Amount Due from Group Entities, See Annexure XXIV

SCHEDULE OF LOANS							Annexure X
a. SECURED LOANS							(Rs. in Million)
Particulars	Rate of Interest	Repayment Terms	As at 31st March 2006	As at 31st March 2005	As at 31st March 2004	As at 31st March 2003	As at 31st March 2002
i. Term Loans From Banks							
From ICICI Bank Ltd.							
Secured by							
a. Hypothecation of receivables of Sobha Aqua marine and Sobha Daffodil Projects	8.50%	Payable in varied monthly instalments till October 07	600.00	-	-	-	-
b. Hypothecation of	9.60%	Payable in	44.78	-	-	-	-

SCHEDULE OF LOANS							Annexure X
a. SECURED LOANS							(Rs. in Million)
Particulars	**Rate of Interest**	**Repayment Terms**	**As at 31st March 2006**	**As at 31st March 2005**	**As at 31st March 2004**	**As at 31st March 2003**	**As at 31st March 2002**
Scaffolding items and Tower Cranes		EMI upto May 06					
UTI Bank Limited							
Secured by							
a. Hypothecation of receivables of Sobha Dahlia Project	9.50%	Payable in EMI upto December 07	554.13	-	-	-	-
Corporation Bank							
Secured by							
a.Equitable mortgage of land and building at Sobha Orchid Project	8.50%	Payable in EMI till May 06	22.67	-	-	-	-
b. Equitable mortgage of land and building at Sobha Opal Project and receivables of Sobha Emerald, Sobha Onyx, Sobha Coral, Sobha Opal, Sobha Garnet, Sobha Zircon, Sobha Malachite 1 and Sobha Malachite 2	8.50%	Payable before April 06	50.36	-	-	-	-
c. Hypothecation of receivables of Sobha Ivory I, Sobha Aquamarine and Sobha Quartz project and Equitable mortgage of land and building at Sobha Tower Project	8.50%	Payable in Quarterly instalments till December 06	151.08	-	-	-	-
d. Equitable mortgage of land and building at Sobha Primrose Project	8.50%	Payable in Quarterly instalments from December 06 to June 07	302.17	-	-	-	-
e. Equitable mortgage of land and building at Sobha Ivory II Project	8.50%	Payable in Quarterly instalments from October 06 to January 07	50.36	-	-	-	-
Andhra Bank							
Secured by							
a. Equitable mortgage of land and building at Sobha Rose, Sobha Lotus projects purchased in the name of Sobha Innercity Technopolis Private Ltd and equitable mortgage of Sobha Hibiscus project purchased in the name of Sobha Technocity Private Ltd sister concerns and Hypothecation of Book debts	9.00%	Payable on Demand	350.50	-	-	-	-

SCHEDULE OF LOANS							Annexure X
a. SECURED LOANS							(Rs. in Million)
Particulars	Rate of Interest	Repayment Terms	As at 31st March 2006	As at 31st March 2005	As at 31st March 2004	As at 31st March 2003	As at 31st March 2002
of Sobha Hibiscus, Sobha Rose and Sobha Lotus Projects							
Canara Bank							
Secured by							
a. Hypothecation of receivables of Sobha Mayflower, Sobha Jasmine and Sobha Quartz Projects	9.00%	Payable in EMI till April 06	552.83	-	-	-	-
The Dhanalakshmi Bank Limited							
Secured by							
a. Equitable mortgage of land and building at Sobha Aster Project	8.50%	Payable in EMI till March 07	40.25	-	-	-	-
Term Loans From Financial Institutions							
HDFC Limited							
Secured by							
a. Equitable mortgage of land and building at Sobha Iris Project	8.50%	Payable in monthly instalments from June 06 to October 06	250.00	-	-	-	-
SREI Infrastructure Finance Limited							
Secured by							
Hypothecation of Batching Plant Block Making Unit	7.00%	Payable in EMI till March 08	70.76	-	-	-	-
UCO Bank							
Hypothecation of receivables of Sobha Magnolia Project	7.50%	Payable in monthly instalments from November 06 to March 07	503.65	-	-	-	-
Total A			3543.54				
ii. Cash Credit Facilities and Demand Loan from Banks							
UTI Bank Limited							
Secured by							
Hypothecation of receivables of Infosys Technologies Ltd Projects	9.25%	Payable on Demand	251.81	-	-	-	-
The Dhanalakshmi Bank							

SCHEDULE OF LOANS							Annexure X
a. SECURED LOANS							(Rs. in Million)
Particulars	Rate of Interest	Repayment Terms	As at 31st March 2006	As at 31st March 2005	As at 31st March 2004	As at 31st March 2003	As at 31st March 2002
Limited							
Secured by							
Hypothecation of Building material at Jakkur	8.50%	Payable on Demand	24.93	-	-	-	-
Standard Chartered Bank							
Hypothecation of receivables of Sobha Daisy Project	8.00%	Payable on demand	130.79	-	-	-	-
State Bank of India							
Equitable mortgage of land and building at Sobha Tulip Project	8.25%	Payable in Quarterly instalments from October 06 to May 07	245.77	-	-	-	-
Total B							
Secured Loans Total (A + B)			4,196.84	-	-	-	-
iii. Vehicle Loans							
From Banks		Payable in EMI	5.53				
From Others		Payable in EMI	5.74				
Vehicle Loans Total			11.27				
Grand Total			**4,208.11**	**2,209.02**	**534.11**	**245.74**	**282.88**

SCHEDULE OF LOANS					Annexure X
b. **UNSECURED LOANS**					(Rs. in Million)
Particulars	As at 31st March 2006	As at 31st March 2005	As at 31st March 2004	As at 31st March 2003	As at 31st March 2002
From					
Corporate Bodies	-	-	-	37.67	64.06
Promoters/Directors	23.00	23.62	23.62	11.31	20.44
Banks	-	-	-	0.06	198.72
Total	**23.00**	**23.62**	**23.62**	**49.04**	**283.22**

Interest is paid @13% on the loan availed from Promoters/Direcotrs for the year ended 31st March 2006

RESTATED SCHEDULE OF CURRENT LIABILITIES					Annexure XI
					(Rs. in Million)
Particulars	**As at 31st March 2006**	**As at 31st March 2005**	**As at 31st March 2004**	**As at 31st March 2003**	**As at 31st March 2002**
Current Liabilities					
Sundry Creditors	255.83	205.94	94.49	59.47	73.98
Advance from Customers	3,374.49	1,501.29	1,298.52	680.43	340.62
Interest payable	2.31	1.63	-	-	-
Other Liabilities	377.68	288.91	383.79	373.59	162.29
Sub-total	**4,010.31**	**1,997.77**	**1,776.80**	**1,113.49**	**576.89**
Provisions					
Income Tax	385.74	210.12	86.74	16.47	2.91
Fringe Benefit Tax	2.50	-	-	-	-
Retirement benefits	-	4.49	3.55	1.10	-
Proposed dividend (Equity and Preference)	6.14	0.03	-	-	-
Sub-total	**394.38**	**214.64**	**90.29**	**17.57**	**2.91**
Total	**4,404.69**	**2,212.41**	**1,867.09**	**1,131.06**	**579.80**

SCHEDULE OF SHARE CAPITAL					Annexure XII
					(Rs. In Million unless otherwise stated)
Particulars	**As at 31st March 2006**	**As at 31st March 2005**	**As at 31st March 2004**	**As at 31st March 2003**	**As at 31st March 2002**
Share Capital					
Equity Shares					
Authorised Capital	300.00	220.00	220.00	220.00	70.00
Number of Shares (in Nos.)	30,000,000	22,000,000	22,000,000	22,000,000	7,000,000
Preference Shares					
Authorised Capital	200.00	200.00	-	-	-
Number of Shares (in Nos.)	2,000,000	2,000,000	-	-	-
Equity Shares					
Issued, Subscribed and Paid-up	211.40	211.40	211.40	211.40	69.65
Number of Shares (in Nos.)	21,140,480	21,140,480	21,140,480	21,140,480	6,964,582
Restated Number of Shares	63,421,440	63,421,440	63,421,440	63,421,440	49,245,542
Preference Shares					
Issued, Subscribed and Paid-up	87.29	87.29	-	-	-
Number of Shares (in Nos.)	872,843	872,843	-	-	-
Share Capital	**298.69**	**298.69**	**211.40**	**211.40**	**69.65**

Note: 1. Face Value of Equity share is Rs. 10/- each and Preference Shares is Rs. 100/- each

2. Both Equity and Preference Shares are fully paid up

RESTATED SCHEDULE OF RESERVES AND SURPLUS					Annexure XIII
					(Rs. in Million)
Particulars	**As at 31st March 2006**	**As at 31st March 2005**	**As at 31st March 2004**	**As at 31st March 2003**	**As at 31st March 2002**
Surplus in Profit and Loss Account	819.16	298.95	69.71	77.31	65.05
General Reserve	250.44	50.44	12.94	-	-
Total	**1,069.60**	**349.39**	**82.65**	**77.31**	**65.05**

RESTATED SCHEDULE OF INCOME FROM PROJECTS					Annexure XIV
					(Rs. In Million)
Particulars	**2005-2006**	**2004-2005**	**2003-2004**	**2002-2003**	**2001-2002**
Income from					
- Residential and Commercial Projects	3,942.44	1,642.65	815.78	683.02	507.55
- Contractual Projects	2,023.71	2,887.99	1,135.12	404.41	793.30
Total	**5,966.15**	**4,530.64**	**1,950.90**	**1,087.43**	**1,300.85**

RESTATED SCHEDULE OF OTHER INCOME						Annexure XV
						(Rs. in Million)
Particulars	**Nature**	**2005-2006**	**2004-2005**	**2003-2004**	**2002-2003**	**2001-2002**
Interest received on Securities/Bank Deposits	Recurring	7.91	0.08	0.01	0.02	0.01
Interest received - Others	Recurring	3.13	2.19	0.30	0.84	1.03
Profit on sale of Asset	Non-recurring	0.34	-	0.74	0.55	0.04
Profit on sale of Investments	Non-recurring	0.08	3.80	-	-	-
Registration Charges	Recurring	155.67	55.40	48.42	23.31	6.66
Expenses recovered	Non-recurring	-	14.21	27.51	-	-
Electricity and Water Deposit Charges	Recurring	130.48	28.80	13.23	63.29	18.21
Unclaimed balances written back	Non-recurring	-	-	-	0.59	4.42
Discounts	Non-recurring	-	-	1.04	0.21	-
Dividends	Non-recurring	0.20	2.45	-	-	-
Forfeiture of customer advances	Non-recurring	1.16	0.80	0.47	-	0.16
Rent	Recurring	0.06	0.06	-	-	-
Incentives	Non-recurring	-	-	-	-	2.50
Maintenance Charges received	Non-recurring	5.91	1.56	-	-	-
Others	Recurring	13.27	11.28	3.31	0.86	0.20
Total		**318.21**	**120.63**	**95.03**	**89.67**	**33.23**

Note:

1. The classification of "Other Income" as recurring and non recurring is based on the current operations and business activity of the Company as determined by the Management

2. The details of "Other income disclosed above are stated after adjusting the effect of restatement. The same have been shown as gross of restatement in the summary Statement of Profits and Losses, as restated.

RESTATED SCHEDULE OF LAND AND CONSTRUCTION EXPENSES					Annexure XVI
					(Rs. In Million)
Particulars	**2005-2006**	**2004-2005**	**2003-2004**	**2002-2003**	**2001-2002**
Land Cost	781.09	1,053.98	119.45	3.38	166.88
Construction Expenses	3,613.11	3,478.35	1,241.27	1,052.18	932.80
Add: Opening Inventory					
Stock - in Trade	4.78	22.61	43.93	29.89	43.88
Stock of Building Materials	4.34	51.10	25.27	50.44	-
Work - in - Progress	1,896.32	697.67	821.57	613.07	558.68
Less: Closing Inventory					
Stock - in Trade	4.78	4.78	22.61	43.93	29.89
Stock of Building Materials	11.26	4.34	51.10	25.27	50.44
Work - in - Progress	2,527.92	1,896.32	697.67	821.57	613.07
Total	**3,755.68**	**3,398.27**	**1,480.11**	**858.19**	**1,008.84**

RESTATED SCHEDULE OF ADMINISTRATIVE EXPENSES					Annexure XVII (Rs. In Million)
Particulars	**2005-2006**	**2004-2005**	**2003-2004**	**2002-2003**	**2001-2002**
Salaries	255.50	173.50	79.18	45.93	49.04
Staff Welfare	13.35	23.58	10.14	5.40	4.84
Contribution to Provident & Other Funds	16.75	23.84	6.14	2.84	3.29
Registration Expenses of Flats	139.25	49.91	46.73	22.62	5.59
Sales Tax	342.03	112.97	29.78	39.32	29.67
Other Expenses	346.97	212.65	154.22	104.05	82.56
Total	**1,113.85**	**596.45**	**326.19**	**220.16**	**174.99**

RESTATED SCHEDULE OF FINANCE CHARGES					Annexure XVIII (Rs. In Million)
Particulars	**2005-2006**	**2004-2005**	**2003-2004**	**2002-2003**	**2001-2002**
Interest on Term Loans	172.68	83.60	33.56	33.31	47.19
Interest on Other Loans	46.70	25.76	13.99	24.66	21.06
Total	**219.38**	**109.36**	**47.55**	**57.97**	**68.25**

SCHEDULE OF CONTINGENT LIABILITIES					Annexure XIX (Rs. in Million)
Particulars	**As at 31st March 2006**	**As at 31st March 2005**	**As at 31st March 2004**	**As at 31st March 2003**	**As at 31st March 2002**
Estimated amount of contracts remaining to be executed on capital account	25.59	6.81	-	-	-
Counter guarantees given to bank	99.98	42.00	5.82	1.40	22.50
Letter of Credit	24.94	-	-	-	-
Corporate guarantee to its other related parties					
(a) Sobha Interiors Private Limited	185.00	30.00	30.00	30.00	25.00
(b) Sobha Space Private Limited	70.00	30.00	-	-	-
(c) Sobha Glazing and Metal Works Private Limited	60.00	-	-	-	-
On account of demand from Income Tax department	58.06	-	3.58	-	-
On account of demand from Sales Tax department	20.18	-	-	-	-
Total	**543.75**	**108.81**	**39.40**	**31.40**	**47.50**

SCHEDULE OF RATES OF DIVIDEND					Annexure XX
The details of dividends declared by the Company is as under					
					(In Rs. Unless otherwise stated)
Particulars	**2005-2006**	**2004-2005**	**2003-2004**	**2002-2003**	**2001-2002**
Equity Share Capital					
Dividend per share	6.85	3.00	3.50	-	-
Dividend in %	68.50%	30.00%	35.00%	-	-
Amount of Dividend (Rs. in Million)	144.81	63.42	73.99	-	-
Dividend Tax (Rs. in Million)	20.31	8.29	9.48	-	-
Preference Capital					
Final Dividend in %	7%	7%	-	-	-
Amount of Dividend (Rs. in Million)	6.11	0.04	-	-	-
Dividend Tax (Rs. in Million)	0.86	#	-	-	-
Share Capital					
Equity Shares					
Authorised Capital	300.00	220.00	220.00	220.00	70.00
Number of Shares (in Nos.)	30,000,000	22,000,000	22,000,000	22,000,000	7,000,000
Preference Shares					
Authorised Capital	200.00	200.00	-	-	-
Number of Shares (in Nos.)	2,000,000	2,000,000	-	-	-
Equity Shares					
Issued, Subscribed and Paid-up	211.40	211.40	211.40	211.40	69.65
Number of Shares (in Nos.)	21,140,480	21,140,480	21,140,480	21,140,480	6,964,582
Restated Number of Shares (in Nos.)	63,421,440	63,421,440	63,421,440	63,421,440	49,245,542
Preference Shares					
Issued, Subscribed and Paid-up	87.29	87.29	-	-	-
Number of Shares (in Nos.)	872,843	872,843	-	-	-
Share Capital	**298.69**	**298.69**	**211.40**	**211.40**	**69.65**

represents Rs. 4,695/- paid as Dividend Tax towards preference dividend

SUMMARY OF ACCOUNTING RATIOS Annexure XXI

(In Rs. Unless otherwise stated)

Particulars	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
Adjusted profit to income from operations (%)	18.16	10.44	8.48	2.27	5.03
Earnings per share					
Basic (Rs.)	13.96	5.34	1.40	0.21	1.20
Diluted (Rs.)	13.96	5.34	1.40	0.21	1.20
Cash earnings per share(Rs)	15.84	6.51	1.82	0.48	1.54
Net Asset Value per share (Rs.)	21.58	10.22	4.64	4.85	2.74
Return on Networth (%)	65.21	52.23	30.20	4.24	43.90
Total Debt/Equity Ratio	3.09	3.44	1.90	1.02	4.20
No of Equity Shares	21,140,480	21,140,480	21,140,480	21,140,480	6,964,582
Restated Number of Equity Shares in Nos.	63,421,440	63,421,440	63,421,440	63,421,440	49,245,542

Notes:

1. The ratios have been computed as below

Adjusted profit to income from operations (%)	Adjusted profit before Tax / Income from operations
Earnings per Share	Adjusted profit after tax before extra ordinary items / Restated Weighted average no of equity shares outstanding during the year
Cash Earning per share	Adjusted profit after tax but before depreciation / Restated Weighted average no of equity shares outstanding during the year
Net Asset value per share	Networth excluding revaluation reserve / Restated Weighted average no of equity shares outstanding during the year
Return on Networth%	Adjusted profit after tax but before extraordinary items / Net worth excluding revaluation reserve
Total Debt/Equity Ratio	Long Term Debt+Short Term Debt / Equity Share Capital+Reserves and Surplus

2 The earning per share is calculated in accordance with the Accounting Standard 20 "Earnings per share" issued by the Institute of Chartered Accountants of India

3. Restated Profit and Loss and Income from Operations has been considered for the purpose of computing the above ratios

4. Networth means Equity Share Capital+Reserves and Surplus – Miscellaneous expenditure to the extent not written off

5. Restated shares have been computed pursuant to the issue of Bonus Shares in the ratio of two shares for every shares held by the shareholders of record on 28th June 2006 by utilising free reserves

TAX SHELTER STATEMENT					Annexure XXII
					(Rs. in Million unless otherwise stated)
Particulars	**2005-2006**	**2004-2005**	**2003-2004**	**2002-2003**	**2001-2002**
Profit before tax	1,083.49	472.81	165.36	24.69	65.40
Tax Rate (in %)	33.66%	36.59%	35.88%	36.75%	35.70%
Tax as per actual rate on profits	364.70	173.00	59.33	9.07	23.35
Adjustments					
Permanent Differences					
Dividend (Exempt from Tax)	(0.20)	(2.45)	(0.07)	-	-
Profit on sale of investments	(0.08)	-	-	-	-
Profit/loss on sale of assets	(0.33)	-	(0.71)	3.89	-
Deduction u/s. 80 IB of the Income Tax Act ("the Act")	(569.84)	(120.06)	(12.53)	-	-
Disallowance for donations	29.97	11.74	12.28	0.86	1.01
Capital expenditure incurred on increase in authorised capital	0.43	1.10	-	1.05	-
Interest on TDS and penalties	-	-	0.28	0.30	0.04
Total permanent Differences (B)	(540.05)	(109.67)	(0.75)	6.10	1.05
Timing Differences					
Difference between Tax depreciation and book depreciation	(14.42)	(31.95)	(11.64)	(4.83)	4.87
Unpaid Gratuity/Leave encashment	9.03	0.82	3.77	3.66	-
Total for Timing differences (C)	(5.39)	(31.13)	(7.87)	(1.17)	4.87
Total adjustments (B+C)	(545.44)	(140.80)	(8.62)	4.93	5.92
Tax expense/saving thereon	(183.59)	(51.52)	(3.09)	1.81	2.11
Tax payable for the year	181.11	121.48	56.24	10.88	25.46
Income tax u/s. 234 B and 234 C	2.59	1.23	2.30	0.57	-
(As per Income Tax Return)					
Total taxation	183.70	122.71	58.54	11.45	25.46
Provision for domestic tax as per Books of Accounts	185.10	122.92	76.60	13.84	3.00

CAPITALISATION STATEMENT OF THE COMPANY			Annexure XXIII
			(Rs. in Million unless otherwise stated)
		Pre-issue as at	**Post issue as at**
Particulars		**31st March 2006**	**31st March 2006**
Long Term Debts			
- Term Loans		640.21	640.21
- Cash Credit		160.00	160.00
- Vehicle Loans		4.19	4.19
	A	**804.40**	**804.40**
Short Term Debts			
- Term Loans		2,903.33	2,903.33

CAPITALISATION STATEMENT OF THE COMPANY		Annexure XXIII
		(Rs. in Million unless otherwise stated)
Particulars	Pre-issue as at 31st March 2006	Post issue as at 31st March 2006
- Working Capital Loans	493.30	493.30
- Unsecured Loans	23.00	23.00
- Vehicle Loans	7.08	7.08
b	**3,426.71**	**3,426.71**
Total Debts (a+b)	**4,231.11**	**4,231.11**
Shareholders' Funds		
Share Capital	298.69	Refer Note:3 below
General Reserve	250.44	
Profit and Loss Account	819.16	
	1,368.29	
Total Debt/Total Shareholders' Funds (Ratio)	3.09	
Long Term debt/Total Shareholders' Funds (Ratio)	0.59	
Notes:		
1. The above has been computed on the basis of the restated financial statement of accounts		
2. Short term debts are debts maturing within the next one year from the date of the respective statement of accounts.		
3. Share Capital and Reserves, post issue can be ascertained only on the conclusion of the book building process		

RELATED PARTY TRANSACTIONS Annexure XXIV

(Rs. in Million)

PARTICULARS	NATURE OF RELATIONSHIP	NAME OF THE RELATED PARTY	2005-06	2004-05	2003-04	2002-03	2001-02
Sale of Goods and Services	Other Related Parties	Oman Builders Pvt Ltd.	1.13	-	30.55	-	-
		Sobha Interiors Pvt Ltd.	116.66	69.93	-	-	-
		Sobha Renaissance Information Technology Pvt Ltd.	-	0.05	-	-	-
		Sobha Space Pvt Ltd.	0.73	0.60	-	-	-
		Sri Kurumba Trust	0.46	-	-	-	-
		Sobha Innercity Technopolis Pvt Ltd.	6.71	-	-	-	-
		Sobha Glazing & Metal Works Pvt Ltd.	60.05	-	-	-	-
	Key Management Personnel	J C Sharma	3.87	-	-	-	-
Sale of Fixed Assets	Key Management Personnel	V K Balan	-	-	0.33	-	-
Interest Received	Other Related Parties	Sobha Interiors Pvt Ltd.	-	-	-	0.48	-
		Sobha Projects & Trade Pvt Ltd.	-	-	-	-	-
		Sobha Space Pvt Ltd.	-	1.69	-	-	-
		Sobha Renaissance Information Technology Pvt Ltd	2.40	-	-	0.01	-
Purchase of	Other Related Parties	Sobha Interiors Pvt					

RELATED PARTY TRANSACTIONS							Annexure XXIV
							(Rs. in Million)
PARTICULARS	**NATURE OF RELATIONSHIP**	**NAME OF THE RELATED PARTY**	**2005-06**	**2004-05**	**2003-04**	**2002-03**	**2001-02**
goods and contractual services		Ltd.	217.02	417.66	167.59	137.64	92.05
		Sobha Glazing & Metal Works Pvt Ltd.	120.46	71.57	36.14	0.80	-
		Sobha Projects & Trade Pvt Ltd.	32.92	15.58	150.01	23.50	40.03
		Indeset Building Materials LLC	-	-	-	0.91	1.03
		Lotus Manpower Services	89.40	-	-	-	-
		Services & Trade Company		-	-	0.44	6.26
		Oman Builders Pvt Ltd.	0.90	-	-	-	-
		Sobha Renaissance Information Technology Pvt Ltd.	15.60	-	-	-	-
	Relatives of key Management Personnel	P N Haridas	104.66	-	-	-	-
Directors' Remuneration	Key Management Personnel	V K Balan	-	-	0.67	1.00	0.98
		J C Sharma	23.26	10.47	4.92	1.45	1.05
		Mahesh Iyer	-	-	-	-	0.04
		Veera Raghavan	-	-	-	1.41	1.48
		Ashok Kumar	-	-	-	-	1.42
		Ravi Menon	13.57	2.36	-	-	-
		P N C Menon	18.52	-	-	-	-
Salary	Relatives of key Management Personnel	Raju Balan	-	-	0.26	0.15	-
		P N Haridas	-	0.42	0.36	0.35	-
		Raghu Balan	1.22	0.97	0.72	0.65	-
Purchase of Fixed Assets	Other Related Parties	Sobha Interiors Pvt Ltd.	-	-	0.08	-	-
		Sobha Glazing & Metal Works Pvt Ltd.	-	-	-	-	-
		Services & Trade Company	-	-	-	-	4.33
		Sobha Projects & Trade Pvt Ltd.	-	-	-	0.01	-
	Relatives of Key Management Personnel	V K Balan	0.11	-	-	-	-
Expenses Contingently Liable	Other Related Parties	Sobha Interiors Pvt Ltd.	-	-	-	-	13.98
		Sobha Glazing & Metal Works Pvt Ltd.	-	-	-	-	0.76
		Sobha Projects & Trade Pvt Ltd.	-	-	-	-	0.24
Interest Paid	Other Related Parties	Oman Builders Pvt Ltd.	-	-	-	6.68	-
		Sobha Innercity Technopolis Pvt Ltd.	-	-	5.00	14.70	5.44
	Key Management Personnel	Sobha Menon	2.53	1.68	1.44	1.04	-
		P N C Menon	0.43	0.30	0.43	0.43	-

RELATED PARTY TRANSACTIONS							Annexure XXIV
							(Rs. in Million)
PARTICULARS	**NATURE OF RELATIONSHIP**	**NAME OF THE RELATED PARTY**	**2005-06**	**2004-05**	**2003-04**	**2002-03**	**2001-02**
Rendering of Services	Other Related Parties	Sobha Projects & Trade Pvt Ltd.	-	-	-	-	0.01
Donation Paid	Other Related Parties	Sri Kurumba Trust	55.10	20.50	3.50	-	-
Rent Paid	Key Management Personnel	Sobha Menon	0.37	0.37	0.37	0.37	0.37
Receiving of Services	Relatives of Key Management Personnel	P N Haridas	-	-	-	-	0.33
		Raghu Balan	-	-	-	-	0.67
		Raju Balan	-	-	-	-	0.09
	Other Related Parties	Sobha Interiors Pvt Ltd.	-	-	-	22.64	13.70
		Sobha Glazing & Metal Works Pvt Ltd.	-	-	-	0.33	-
		Sobha Renaissance Information Technology Pvt Ltd.	-	-	-	-	0.43
		Oman Builders Pvt Ltd.	-	-	-	-	0.30
Advances Given	Other Related Parties	Sobha Projects & Trade Pvt Ltd.	-	-	-	-	7.47
		Sobha Electro Mechanical Pvt Ltd.	-	-	-	-	1.44
Loan Taken	Key Management Personnel	P N C Menon	-	-	12.40	-	6.20
		Sobha Menon	-	-	-	-	18.93
	Other Related Parties	Sobha Innercity Technopolis Pvt Ltd.	-	-	-	73.20	219.28
		Oman Builders Pvt Ltd.	-	-	-	132.22	-
Loan Given	Other Related Parties	Sobha Interiors Pvt Ltd.	-	-	-	40.60	-
		Oman Builders Pvt Ltd.	-	-	-	280.71	-
		Sobha Renaissance Information Technology Pvt Ltd.	30.00	-	-	17.30	-
		Sobha Projects & Trade Pvt Ltd.	-	-	-	7.47	-
		Sobha Space Pvt Ltd.	-	200.00	-	-	-
Guarantees and Collaterals Taken	Other Related Parties	Sobha Innercity Technopolis Pvt Ltd.	2,900.00	1,165.00	-	-	-
		Sobha Technocity Pvt Ltd.	1,100.00	520.00	-	250.00	-
	Key Management Personnel	Mr. PNC Menon & Mrs Sobha Menon	-	-	-	-	178.89
Guarantees and Collaterals Given	Other Related Parties	Sobha Space Pvt Ltd.	70.00	30.00	-	-	-
		Sobha Interiors Pvt Ltd.	185.00	30.00	30.00	30.00	25.00
		Sobha Glazing & Metal Works Pvt Ltd.	60.00	-	-	-	-
Balance receivable	Other Related Parties	Sobha Interiors Pvt Ltd.	252.89	576.53	83.41	42.51	0.44
		Sobha Glazing & Metal Works Pvt Ltd.	220.70	226.20	13.33	2.60	1.69
		Sobha Projects & Trade Pvt Ltd.	-	11.01	4.22	3.78	7.47
		Sobha Renaissance Information	20.87	17.36	17.08	17.08	-

RELATED PARTY TRANSACTIONS							Annexure XXIV
							(Rs. in Million)
PARTICULARS	NATURE OF RELATIONSHIP	NAME OF THE RELATED PARTY	2005-06	2004-05	2003-04	2002-03	2001-02
		Technology Pvt Ltd.					
		Sobha Technocity Pvt Ltd.	-	190.55	50.61	13.85	-
		Sobha Innercity Technopolis Pvt Ltd.	-	-	285.14	-	-
		Royal Interiors Pvt Ltd.	-	0.13	-	-	-
		Menon Hill Financial Services Ltd	@	@	-	-	-
		Hill and Menon Securities Pvt Ltd.	0.09	0.07	-	-	-
		Oman Builders Pvt Ltd.	-	185.83	-	-	-
		Sri Kurumba Trust	0.62	0.16	-	-	-
		Royal Interiors Pvt Ltd.	6.35	0.13	-	-	-
		Sobha Electro Mechanical Pvt Ltd.	#	$	-	-	-
		Sobha Space Pvt Ltd.	48.59	127.23	-	-	-
		Lotus Manpower Services	6.83		-	-	-
		SBG Housing Pvt Ltd.	-	114.31	-	-	-
	Subsidiary Company	SBG Housing Pvt Ltd.	120.93	-	-	-	-
Balance payable	Other Related Parties	Sobha Innercity Technopolis Pvt Ltd.	27.47	48.55	-	37.57	62.99
		Services & Trade Company	-	-	-	0.01	2.87
		Oman Builders Pvt Ltd.	49.50	-	8.53	132.22	-
		Sobha Projects & Trade Pvt Ltd.	1.77	4.26	-	-	10.90
		Sobha Renaissance Information Technology Pvt Ltd.	-	0.71	-	-	0.23
		Sobha Space Pvt Ltd.	-	0.05	-	-	-
		Sobha Interiors Pvt Ltd.	-	530.12	-	-	-
		Sobha Glazing & Metal Works Pvt Ltd.	-	101.90	-	-	-
		Sobha Technocity Pvt Ltd.	1.27	-	-	-	-
	Key Management Personnel	P N C Menon	4.64	5.82	5.38	9.98	5.14
		J C Sharma	21.43	8.30	-	-	-
		Sobha Menon	19.71	20.30	20.34	8.00	13.00

'#' represents Rs, 4,500/-

'$' represents Rs. 500/-

@ represents Rs. 1,105/-

Details of related parties	
Key Management Personnel	Mr. PNC Menon
	Mrs. Sobha Menon
	Mr. Ravi Menon
	Mr. J C Sharma
	Col. V.K.Balan
Relatives of Key Management Personnel	Mr. Raghu Balan
	Mr. Raju Balan
	Mr. PN Haridas

RELATED PARTY TRANSACTIONS							Annexure XXIV
							(Rs. in Million)
PARTICULARS	**NATURE OF RELATIONSHIP**	**NAME OF THE RELATED PARTY**	**2005-06**	**2004-05**	**2003-04**	**2002-03**	**2001-02**
Other Related Parties		M/s Oman Builders Private Limited					
		M/s Sobha Innercity Technopolis Private Limited					
		M/s Sobha Interiors Private Limited					
		M/s Sobha Glazing and Metal Works Private Limited					
		M/s Sobha Electro Mechanical Private Limited					
		M/s Sobha Renaissance Information Technology Private Limited					
		M/s Sobha Technocity Private Limited					
		M/s Sobha Projects and Trade Private Limited					
		M/s Indeset Building Materials LLC					
		Service and Trade Company					
		M/s Indeset Trading and Decorations Services LLC					
		M/s Royal Interiors Private Limited					
		M/s Hill and Menon Securities Private Limited					
		Menon Hill Financial Services Limited					
		M/s Sri Kurumba Trust					
		M/s Sobha Space Private Limited					
		M/s SBG Housing Private Limited (till 10th April 2005)					
		M/s. Lotus Manpower Services					
Subsidiary Company		M/s SBG Housing Private Limited (wef 11th April 2005)					

FINANCIAL INFORMATION OF SOBHA DEVELOPERS LIMITED

CONSOLIDATED FINANCIAL INFORMATION OF SOBHA DEVELOPERS LIMITED

CONSOLIDATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES AND CONSOLIDATED SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED AND CONSOLIDATED CASH FLOWS, AS RESTATED, UNDER INDIAN GAAP AS AT AND FOR THE YEAR ENDED 31st MARCH 2006

29th June 2006

To,

The Board of Directors,
Sobha Developers Limited (formerly, Sobha Developers Private Limited)
E 106 Sunrise Chambers
22 Ulsoor Road
Bangalore 42

Dear Sirs,

We have examined the consolidated financial information of M/s. Sobha Developers Limited ('the Company') *(formerly, Sobha Developers Private Limited)* and its subsidiary SBG Housing Private Limited (collectively referred to as the 'Group') annexed to this report and initialled by us for identification purposes, which have been prepared in accordance with the requirements of:

a) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') as amended from time to time and related clarifications; and
c) The terms of reference received from the Company, requesting us to carry out work, proposed to be included in the Draft Red Herring Prospectus, Red Herring Prospectus and the Prospectus (collectively, 'the Offer Documents') of the Company in connection with its proposed Initial Public Offer ('IPO').

The Company proposes to make an IPO for a fresh issue of 8,893,332 equity shares having a face value of Rs.10 per equity share at an issue price as may be decided by the Board of Directors, to be arrived at by the 100% book building route (referred to as 'the issue').

A. Financial information as per consolidated audited financial statements of Sobha Developers Limited

1. We have examined the attached 'Consolidated Restated Summary Statement of Assets and Liabilities of the Company' as at 31st March 2006, the 'Consolidated Restated Summary Statement of Profits and Losses' and the 'Consolidated Restated Statement of Cash Flows' for the period ended on that date ('Consolidated Restated Summary Statements') (see Annexures I, II and III) as prepared by the Company and approved by the Board of Directors. The consolidated restated profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and as more fully described in the notes to the consolidated restated financial statements appearing in Annexure IV to this report. We have audited the consolidated financial statements of the Company for the year ended 31st March 2006. Based on our examination of the Consolidated Restated Summary Statements, we confirm that:
    i. The 'Consolidated Restated Summary Statements' have to be read in conjunction with the notes given in Annexure IV to this report.
    ii. The 'Consolidated Restatement Summary Statements' of the Company have been restated with retrospective effect to reflect the significant accounting policies being adopted by the Company as at 31st March 2006 as stated in the Notes forming part of the Restated Summary Statements vide Annexure IV to this report.
    iii. The consolidated restated profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate in the year to which they are related as described in Para 2 of

the Notes Forming Part of the 'Consolidated Restated Summary Statements' appearing in Annexure IV.

iv. The prior period items have been adjusted in the Consolidated Restated Summary Statements in the years to which they relate;

v. There are no extraordinary items which need to be disclosed separately in the Consolidated Restated Summary Statements; and

vi. There are no qualifications in the auditors' reports, which require any adjustments to the Consolidated Restated Summary Statements

B. Other Financial Information:

We have examined the following information in respect of the year ended 31 March 2006 of the Company, proposed to be included in the offer documents, as approved by the Board of Directors and annexed to this report;

i. Statement of Fixed Assets (Annexure V)
ii. Statement of Summary of Investments (Annexure – VI)
iii. Statement of Inventories (Annexure-VII)
iv. Statement of Sundry Debtors (Annexure- VIII)
v. Statement of Loans and Advances (Annexure – IX)
vi. Statement of Secured and Unsecured Loans (Annexure – X)
vii. Statement of Current Liabilities and Provisions (Annexure – XI)
viii. Statement of Share Capital (Annexure - XII)
ix. Statement of Reserves and Surplus (Annexure – XIII)
x. Statement of Income from Projects (Annexure XIV)
xi. Statement giving details of Other Income (Annexure – XV)
xii. Statement of Land and Construction Expenses (Annexure - XVI)
xiii. Statement of Administrative Expenses (Annexure - XVII)
xiv. Statement of Finance Charges (Annexure XVIII)
xv. Statement of of Contingent Liabilities (Annexure – XIX)
xvi. Statement of Dividend paid (Annexure – XX)
xvii. Summary of Accounting Ratios based on adjusted profits related to earnings per share, net asset value, return on net worth and Total debt-equity ratio (Annexure – XXI)
xviii. Statement of Tax Shelters (Annexure – XXII)
xix. Capitalisation Statement of the Company as at 31 March, 2006 (Annexure- XXIII)
xx. Statement of Related Party Disclosure (Annexure – XXIV)

In our opinion, the 'Financial Information as per Audited Financial Statements' and Other Financial Information mentioned above for the year ended 31st March 2006, have been prepared in accordance with Part II of schedule II of the Act and the Guidelines.

This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports nor should this be construed as a new opinion on any of the financial statements referred to herein.

This report is intended solely for your information and for inclusion in offer documents in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.Janardhan & Associates
Chartered Accountants.

B.Anand
Partner
Membership No.29146

Place: Bangalore
Date : 29th June 2006

CONSOLIDATED RESTATED SUMMARY OF ASSETS AND LIABILITES		
		Annexure I
		(Rs. in Million)
		As at 31st March 2006
Fixed Assets		
Gross Block		1,251.53
Less : Depreciation		252.42
Net Block		999.11
Capital Work In Progress		31.36
	Total (A)	**1,030.47**
Investments (B)		26.89
Deferred Tax Asset (C)		5.89
Current Assets, Loans And Advances		
Inventories		2,664.85
Sundry Debtors		802.97
Cash and Bank Balances		449.73
Loans and Advances		5,045.86
	Total (D)	**8,963.41**
TOTAL ASSETS (A+B+C+D) = E		**10,026.66**
Liabilities and Provisions		
Secured Loans		4,208.11
Unsecured Loans		23.00
Deferred Tax Liabiliites		22.62
Current Liabilities		4,010.32
Provisions		394.38
Total (F)		**8,658.43**
Networth (E-F)		**1,368.23**
Networth represented by		
Share Capital		298.69
Reserves and Surplus		1,069.58
Total		**1,368.27**
Less: Miscellaneous Expenditure		
(to the extent not written off or adjusted)		0.04
	NETWORTH	**1,368.23**

The accompanying significant accounting policies and notes (Annexure IV) are an integral part of the accounts.

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

B.Anand
Partner
Membership No: 29146

Place: Bangalore
Date : 29th June 2006

For and on behalf of the Board of Directors

J.C.Sharma
Managing Director

Place: Bangalore
Date : 29th June 2006

CONSOLIDATED RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES

Annexure II

(Rs. in Millions)

Particulars	2005-2006
INCOME	
Income from	
- Residential and Commercial Projects	3,942.44
- Contractual Projects	2,023.71
Other Income	318.21
Total	**6284.36**
EXPENDITURE	
Land and Construction Expenses	3,755.68
Administrative Expenses	1,113.87
Finance Charges	219.38
Depreciation	111.96
Preliminary Expenses	Nil
Total	**5,200.89**
Profit before Taxation	1,083.47
Less Provision for Income Tax	188.41
Provision for Wealth Tax	0.16
Fringe Benefit Tax	2.50
Deferred Tax	0.12
Restated Profit	**892.28**
Interim Dividend	144.81
Tax on Dividend	20.31
Dividend on Preference Shares	6.11
Tax on Preference Shares Dividend	0.86
	720.19
Balance of Profit brought forward	298.95
Less:Transfer to General Reserve	200.00
Profit carried to Balance Sheet	819.14

The accompanying significant accounting policies and notes (Annexure IV) are an integral part of the accounts.

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

For and on behalf of the Board
of Directors

B.Anand
Partner
Membership No: 29146

J.C.Sharma
Managing Director

Place: Bangalore
Date : 29th June 2006

Place: Bangalore
Date : 29th June 2006

CONSOLIDATED RESTATED STATEMENT OF CASH FLOWS

Annexure III

(Rs. in Million)

		2005-2006
a.	**Cash Flow From Operating Activities**	
	Profit before Tax	1,083.47
	Adjustments for :	
	Depreciation	111.96
	Interest Paid (Net)	208.34
	Dividend from Investments	(0.20)
	Profit on sale of Investments	(0.08)
	(Profit)/Loss on sale of assets	(0.34)
	Operating Profit before working capital Changes	**1,403.15**
	Inventories	(759.41)
	Debtors	(439.02)
	Loans & Advances (Other than advance tax & TDS)	(2,595.56)
	Liabilities (excluding interest accured)	2,007.38
	Net changes in Working Capital	**(1,786.61)**
	Cash Generated From Operations	**(383.46)**
	Interest Paid	(218.70)
	Interest Receipts	9.64
	Direct Taxes Paid	(246.56)
	Net Cash From Operating Activites (A)	**(839.08)**
b.	**Cash Flow From Investment Activities**	
	Purchases of Fixed Assets	(605.44)
	Purchases of Investment	(26.81)
	Preliminary expenses	(0.04)
	Sale of Fixed Assets	1.25
	Sale of Investments	0.22
	Dividend from Investments	0.20
	Net Cash Used In Investment Activites (B)	**(630.62)**
c.	**Cash Flow From Financing Activities**	
	Net Increase/ (Decrease) in Borrowing	1,998.47
	Dividend paid	(144.81)
	Cash generated From Financing Activites (C)	**1,853.66**
	Net Increase in Cash & Cash Equivalents (A+B+C)	**383.96**
	Opening Balance - Cash & Cash Equivalents	65.77
	Closing Balance - Cash & Cash Equivalents	**449.73**

Note:

The above Cash Flow Statement has been prepared under indirect method as set out in Accounting Standard -3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India

Negative figures have been shown in brackets

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

For and on behalf of the Board of Directors

B.Anand

J.C.Sharma

Partner	Managing Director
Membership No: 29146	
Place: Bangalore	Place: Bangalore
Date : 29th June 2006	Date : 29th June 2006

Annexure IV

NOTES FORMING PART OF THE CONSOLIDATED RESTATED SUMMARY STATEMENTS

Significant Accounting Policies and Notes to Accounts:

Background:

The Company was incorporated on 7th August, 1995 and is primarily engaged in the business of construction and development of residential and commercial projects and also undertakes contractual work for corporates.

1. Significant Accounting Policies:

1.1. Basis of Accounting

The Company follows accrual method of accounting except where the receipt of income is uncertain and is in accordance with the Accounting Standards referred to in sub section 3(c) of Section 211 of the Companies Act, 1956.

1.2 Revenue Recognition:

(i) Recognition of Revenue from Contractual Projects:

Revenue from Contractual Projects undertaken is recognized on the basis of certification issued by the client.

(ii) Recognition of Revenue from Real Estate Developmental Projects:

Revenue from each Real Estate Developmental Project is recognized:

(a) on the basis of "Percentage Completion Method".

(b) the percentage completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenue and contract costs.

(c) when the stage of completion of each project reaches a significant level, which is estimated to be at least 25% of the total estimated costs of the project.

(iii) Recognition of Revenue on account of charges collected towards registration of flats on behalf of clients:

Differential income arising on account of registration amounts collected from customers and the related expenses incurred are recognized in the year of registration of the concerned flats in the name of the customers.

(iv) Recognition of Revenue on account of charges collected towards Power and Water deposits and related expenses:

Differential income arising on account of charges collected towards Electricity Deposits and Water Deposits and the related expenses incurred are recognized in the year of handing over of the flats to the customers.

1.3 Sale of Plot/Apartments:

Sale of Plots/Apartments is net after adjustments on account of cancellation.

1.4 Fixed Assets

Fixed Assets are stated at historical cost inclusive of freight and other direct expenses less depreciation to date.

1.5 Depreciation/Amortisation:

(a) Depreciation on assets is provided on Written Down Value method on a pro-rata basis at the rates as set out in Schedule XIV of the Companies Act, 1956 except for steel scaffolding items for which the same is calculated at 16.67% on straight line method based on estimated useful life of assets at six years.

(b) Assets purchased, where the cost does not exceed Rs.5,000/- is depreciated at the rate of 100 % in the year of purchase.

(c) Centering materials made out of materials other than steel is charged off to the project and centering materials of steel is treated as plant and machinery and depreciation is accordingly provided.

(d) Expenditure incurred on software development is capitalized under the head Intangible Assets and is amortised over a period of 3 years on a pro-rata basis, which is estimated to be the useful life of the asset.

1.6. Investments

Investments are long tem (unless otherwise stated) and are stated at cost except cases where provision is considered necessary.

1.7 Inventory

Direct expenses like site labour cost, materials used for project construction, costs for moving the plant and machinery to the site and general expenses incurred specifically for the respective project like, insurance, design and technical assistance, and construction overheads are taken as the contract cost of the respective project.

(a) Work in Progress - Contractual Projects: Represents the work, which is yet to be certified by the client and other retentions and is calculated on an estimated basis.

(b) Work in Progress – Real Estate Developmental Projects: Represents the cost incurred in respect of unsold area of the Real Estate Developmental Projects.

(c) Stock of plots and apartments, classified as stock in trade, are valued at cost or net realizable value whichever is lower.

(d) Building materials purchased specifically for projects are taken as consumed as and when received. Building materials bought, not identified with any specific project are valued at cost.

1.8 Exchange Fluctuation:

1. Foreign currency transactions are accounted at the exchange rates prevailing on the date of the transaction.
2. Gains and losses resulting from the settlement of foreign currency transaction and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the Profit and Loss Account.
3. Exchange differences relating to Fixed Assets are adjusted to the cost of the asset.

1. 9 Preliminary Expenses:

Preliminary expenses are amortized over a period of 10 years.

1.10 ***Impairment of Assets:*** Pursuant to Accounting Standard (AS28 on "Impairment of Assets" issued by the Institute of Chartered Accountants of India, the Company assessed its fixed assets for impairment as at the year end and concluded that there has been no significant impaired fixed asset that needs to be recognized in the books of account.

1. 11 ***Employee /Retirement benefits:***

1. Provision for gratuity has been made on the basis of actuarial valuation obtained and debited to the Profit and Loss account.

2. Provision in respect of leave encashment is made, based on accrual basis to the extent of the leave credit available to the employees as at the year-end.

3. Provision in respect of ex-gratia payment to employees and workers is made as and when accepted by the management.

1.12 ***Deferred Tax***: Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

1.13 ***Treatment of contingent liabilities:***

Contingent Liabilities not provided for are reflected in Notes on Accounts.

2. ***Notes on adjustments for restated summary statements:***

The adjustments on account of changes in accounting policies and its impact on profit and losses of the Company is stated hereunder:

a. The company has changed the method of calculation of depreciation during the year in respect of steel scaffolding materials from the rate as applicable to plant and machinery as referred to in the Schedule XIV of the Companies Act, 1956 under WDV method to Straight Line Method and the depreciation is provided at 16.67% based on estimated useful life of asset as six years. The differential amount of depreciation has been adjusted for the years as stated in the profit and loss account .

b. Deferred Tax adjustment also includes adjustments on account of the change in rate of depreciation in the books of account in respect of Steel Scaffolding Materials.

c. Shortfall/excess Provision for Income tax as compared to the Tax payable as per Income Tax Return filed has been adjusted in the Profit and Loss in the Restated Statement of Profit and Loss in respect of those years

d. Expenses provided and liability on account of supplies and Contractors have been reviewed on a yearly basis and the same has been written back after ascertaining the ceasing of such liability in the respective years on ascertainment of non payability. Such reversal of provisions/liabilities have been adjusted in the year of setting up of the liability.

e. A summary of the adjustments which have been made in the respective line items of the restated summary statement of Profit and Losses are given under:

Particulars	2005-06
Change in the method of calculation of depreciation (Refer Note…2(a) of Notes to Accounts)	16.23
Deferred tax (Refer Note 2(b) of Notes to accounts	(5.48)
Other Adjustments	
Current Tax adjustments(Refer Note….2 (c) of Notes to Accounts)	(3.30)
Net Adjustments	7.45

2.1. Provision for Current tax:

Adjustments have been made in the respective years, in respect of short/excess provision of Income Tax, as compared to the tax payable as per Income Tax Returns filed by the company in respect of the years mentioned.

2.2 Provision for Deferred Tax:

The applicability of the Accounting Standard AS-22 on "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India to the company came into being with effect from the year ended 1st April 2002 and a sum of Rs. 3.4 million was adjusted against brought forward balance of Profit and Loss account in the year as aforesaid. The deferred tax asset and liability relating to earlier years have been recomputed to give effect to the adjustments for reasons aforesaid and appropriate adjustments have been made in the respective years.

2.3 Prior period items;

Certain material items of income/expense identified as prior period items, which have resulted mainly due to errors or omissions in the preparation of financial statements of one or more prior periods, have been adjusted in the respective years in the restated Statement of Profit and Losses.

3. Estimated cost of construction:

Management's estimation of project construction cost is relied upon, which is expected to be incurred over the period of carrying out of the project, which includes cost of land, materials and services and is reviewed by the management at every year end.

4. Advances recoverable in cash or kind or for value to be received includes amounts due from private companies/ firms in which any director or his relative is interested as at 31st March 2006 is Rs.18.51 million

5. The break up of the contracts in progress at the reporting date as per the requirements of disclosure of Accounting Standard AS-7 on "Construction Contracts" are given under:

	Financial year ended 31 March 06
Revenue recognized	5966.15
Cost incurred	4814.21
Advances received	3374.49
Gross Amount due from Customers for Contract Work	802.97

6. Deferred Tax:

The break up of deferred tax assets and liabilities in the statement of Restated Assets and Liabilities and deferred tax charge credit in the Restated Statement of Profits and Losses is as under:

	As on 31 March 06
Deferred Tax Liability: (attributable to)	
- Depreciation	22.62
Deferred Tax Asset (attributable to)	
- expenses allowable when paid	5.89

7. Segment Reporting:

The company is mainly engaged in the business of development and construction of Properties and Projects and therefore Segment Reporting as defined in Accounting Standard 17 does not apply.

8. Subsequent Events:

a. _Conversion to Public Limited Company:_ Consequent to the proposed Initial Public Offer (IPO) of the equity shares, the Company had applied to the RoC, for conversion to a Public Limited Company. The RoC has accorded his approval for the conversion of the Company into a 'Public Limited Company' on 2nd June 2006 and the Company has subsequently changed its name from 'Sobha Developers Private Limited' to 'Sobha Developers Limited' with effect from 8th May 2006.

b. _Bonus Issue:_ The Board of Directors at their meeting held on 28th June 2006, approved the issuance of 42,280,960 equity shares of Rs.10 each as Bonus Shares in the ratio of two shares for every one share held as on 28th June 2006. The Bonus Shares were issued by capitalizing the accumulated profits of the Company.

c. _Acquisition of Assets and Business Activity from certain of its Group Companies:_
With a view to consolidate the business activities, the Company has purchased certain moveable assets like Plant and Machinery, Office Equipment, Computers, Furniture and Fixtures, Vehicles and Electrical Installations, Inventories including Raw Material, Stores and consumables work in progress from the following "group companies on 3rd April 2006 and has also taken over the Cenvat balances available, if any, with the respective companies as on that date. The Company has also taken over part of the liabilities of such companies including the Term Loan liabilities and Cash Credit facilities availed by such companies. Further, the Company has taken over the services of the employees and the liabilities payable to the employees of such companies with effect from that date. The names of such "group companies" from which the Company has acquired the assets and liabilities are given as under:
   i. Sobha Interiors Private Limited
   ii. Sobha Glazing and Metal Works Private Limited
   iii. Sobha Space Private Limited

Subject to our report of even date
For S.Janardhan & Associates
Chartered Accountants

Place: Bangalore
Date: 29th June 2006

B.ANAND

PARTNER
Membership No.29146

CONSOLIDATED RESTATED SCHEDULE OF FIXED ASSETS										Annexure V
										(Rs. In Million)
`	Land	Leasehold Land	Buildings	Plant and Machinery	Furniture and Fixtures	Compu-ters	Office Equip-ments	Vehicles	Intangible Assets	Total
Gross Block as at 1st April 2005	5.08	-	18.89	438.33	9.46	33.73	14.14	33.26	3.90	556.79
Additions during the year	25.35	26.49	89.51	506.89	3.78	17.32	7.70	19.00	0.89	696.93
Disposals during the year	-	-	-	-	0.22	-	0.23	1.74	-	2.19
Gross Block as at 31st March 2006	**30.43**	**26.49**	**108.40**	**945.22**	**13.02**	**51.05**	**21.61**	**50.52**	**4.79**	**1251.53**
Depreciation										
Accumulated depreciation as at 1st April 2005	-	-	2.33	97.58	5.21	16.13	2.94	16.33	1.19	141.71
Charge for the year	-	-	4.06	87.37	1.12	9.44	2.30	6.31	1.36	111.96
Adjustment for disposals during the year	-	-	-	-	0.01	-	0.01	1.23	-	1.25
Accumulated depreciation as at 31st March 2006	**-**	**-**	**6.39**	**184.95**	**6.32**	**25.57**	**5.23**	**21.42**	**2.55**	**252.42**
Net Block as at 31st March 2006	**30.43**	**26.49**	**102.01**	**760.27**	**6.70**	**25.48**	**16.38**	**29.11**	**2.24**	**999.11**

CONSOLIDATED SCHEDULE OF INVESTMENTS		Annexure VI
		(Rs. in Million)
Particulars		**As at 31st March 2006**
Non Trade (Unquoted, at Cost)		**-**
Government Securities		0.09
	Sub-total	**0.09**
Unquoted, at cost		
2,680,000 Equity shares of Rs.10/- each in Sobha Renaissance Information Technology Private Limited, fully paid up		26.80
	Sub-total	**26.80**
	Total	**26.89**

CONSOLIDATED RESTATED SCHEDULE OF INVENTORIES	Annexure VII
	(Rs. in Million)
	As at 31st
Particulars	**March 2006**
Stock - in Trade	125.67
(Valued at lower of cost or net realisable value)	
Stock of Building Materials	11.26
(Valued at lower of cost or net realisable value)	
Work - in – Progress	2,527.92
(Valued at estimated cost)	
Total	**2,664.85**

CONSOLIDATED RESTATED SCHEDULE OF SUNDRY DEBTORS	
	Annexure VIII (Rs. in Million)
	As at 31st
Particulars	**March 2006**
Debts outstanding for a period exceeding six months	
Unsecured,Considered good	23.85
Other Debts - outstanding for a period less than six months	
Unsecured,Considered good	779.12
Total	**802.97**
Amount due from related parties See Annexure XXIV	

CONSOLIDATED RESTATED SCHEDULE OF LOANS AND ADVANCES	Annexure IX
	(Rs. in Million)
	As at 31st
Particulars	**March 2006**
Advances recoverable in cash or in kind or for value to be received	
(Unsecured - Considered good)	4,033.47
Due from Group Entities	556.94
Deposits	50.10
Taxes - Advance Tax	405.35
Total	**5,045.86**
Amount due from Group Entities - See Annexure XXIV	

CONSOLIDATED SCHEDULE OF LOANS Annexure X

a. **SECURED LOANS** (Rs. in Million)

Particulars	**Rate of Interest**	**Repayment Terms**	**As at 31st March 2006**
i. Term Loans From Banks			
From **ICICI Bank Ltd.**			
Secured by			

CONSOLIDATED SCHEDULE OF LOANS			Annexure X

a. **SECURED LOANS** (Rs. in Million)

Particulars	Rate of Interest	Repayment Terms	As at 31st March 2006
a. Hypothecation of receivables of Sobha Aqua marine and Sobha Daffodil Projects	8.50%	Payable in varied monthly instalments till October 07	600.00
b. Hypothecation of Scaffolding items and Tower Cranes	9.60%	Payable in EMI upto May 06	44.78
UTI Bank Limited			
Secured by			
a. Hypothecation of receivables of Sobha Dahlia Project	9.50%	Payable in EMI upto December 07	554.13
Corporation Bank			
Secured by			
a.Equitable mortgage of land and building at Sobha Orchid Project	8.50%	Payable in EMI till May 06	22.67
b. Equitable mortgage of land and building at Sobha Opal Project and receivables of Sobha Emerald, Sobha Onyx, Sobha Coral, Sobha Opal, Sobha Garnet, Sobha Zircon, Sobha Malachite 1 and Sobha Malachite 2	8.50%	Payable before April 06	50.36
c. Hypothecation of receivables of Sobha Ivory I, Sobha aquamarine and Sobha Quartz project and Equitable mortgage of land and building at Sobha Tower Project	8.50%	Payable in Quarterly instalments till December 06	151.08
d. Equitable mortgage of land and building at Sobha Primrose Project	8.50%	Payable in Quarterly instalments from December 06 to June 07	302.17
e. Equitable mortgage of land and building at Sobha Ivory II Project	8.50%	Payable in Quarterly instalments from October 06 to January 07	50.36
Andhra Bank			
Secured by			
a. Equitable mortgage of land and building at Sobha Rose, Sobha Lotus projects purchased in the name of Sobha Innercity Technopolis Private Ltd and equitale mortgage of Sobha Hibiscus project purchased in the name of Sobha Technocity Private Ltd-sister concerns and Hypothecation of Book debts of Sobha Hibiscus, Sobha Rose and Sobha Lotus Projects	9.00%	Payable on Demand	350.50
Canara Bank			
Secured by			
a. Hypothecation of receivables of Sobha Mayflower, Sobha Jasmine and Sobha Quartz Projects	9.00%	Payable in EMI till April 06	552.83
The Dhanalakshmi Bank Limited			
Secured by			
a. Equitable mortgage of land and building at Sobha Aster	8.50%	Payable in EMI till March 07	40.25
Term Loans From Financial Institution			
HDFC Limited			
Secured by			
a. Equitable mortgage of land and building at Sobha Iris Project	8.50%	Payable in monthly instalments from June 06 to October 06	250.00
SREI Infrastructure Finance Limited			
Secured by			
Hypothecation of Batching Plant-Block Making Unit	7.00%	Payable in EMI till March 08	70.76

CONSOLIDATED SCHEDULE OF LOANS			Annexure X
a. **SECURED LOANS**			(Rs. in Million)
Particulars	**Rate of Interest**	**Repayment Terms**	**As at 31st March 2006**
UCO Bank			
Hypothecation of receivables of Sobha Magnolia Project	7.50%	Payable in monthly instalments from November 06 to March 07	503.65
Total A			**3,543.54**
ii. Cash Credit Facilities and Demand Loan from Banks			
UTI Bank Limited			
Secured by			
Hypothecation of receivables of Infosys Technologies Ltd Projects	9.25%	Payable on Demand	251.81
The Dhanalakshmi Bank Limited			
Secured by			
Hypothecation of Building material at Jakkur	8.50%	Payable on Demand	24.93
Standard Chartered Bank			
Hypothecation of receivables of Sobha Daisy Project	8.00%	Payable on demand	130.79
State Bank of India			
Equitable mortgage of land and building at Sobha Tulip Project	8.25%	Payable in Quarterly instalments from October 06 to May 07	245.77
Total B			**4,196.84**
iii. Vehicle Loans			
From Banks		Payable in EMI	5.53
From Others		Payable in EMI	5.74
Total C			**11.27**
Grand Total			**4,208.11**

CONSOLIDATED SCHEDULE OF LOANS	Annexure X
b. UNSECURED LOANS	**(Rs. in Million)**
Particulars	**As at 31st March 2006**
From	
Promoters/Directors	23.00
Rate of interest charged	13%
Total	**23.00**

CONSOLIDATED RESTATED SCHEDULE OF CURRENT LIABILITIES		Annexure XI
		(Rs. in Million)
Particulars		**As at 31st March 2006**
Current Liabilities		
Sundry Creditors		255.83
Advance from Customers		3,374.49
Interest Payable		2.31
Other Liabilities		377.69
	Sub-total	**4,010.32**
Provisions		
Income Tax		385.74
Fringe Benefit Tax		2.50
Proposed dividend (Equity and Preference)		6.14
	Sub-total	**394.38**
	Total	**4,404.70**

CONSOLIDATED SCHEDULE OF SHARE CAPITAL	Annexure XII
	(Rs. In Million unless otherwise stated)
Particulars	**As at 31st March 2006**
SHARE CAPITAL	
Equity Shares	
Authorised Capital	300.00
Number of Shares (in Nos.)	30,000,000
Preference Shares	
Authorised Capital	200.00
Number of Shares (in Nos.)	2,000,000
Equity Shares	
Issued, Subscribed and Paid-up	211.40
Number of Shares (in Nos.)	21,140,480
Restated Number of Shares (in Nos.)	63,421,440
Preference Shares	
Issued, Subscribed and Paid-up	87.29
Number of Shares (in Nos.)	872,843
Share Capital	**298.69**

Note: 1. Face Value of Equity share is Rs. 10/- each and Preference Shares is Rs. 100/- each

2. Both Equity and Preference Shares are fully paid up

CONSOLIDATED RESTATED SCHEDULE OF RESERVES AND SURPLUS		Annexure XIII
		(Rs. in Million)
Particulars		**As at 31st March 2006**
Surplus in Profit and Loss Account		819.14
General Reserve		250.44
	Total	**1,069.58**

CONSOLIDATED RESTATED SCHEDULE OF INCOME FROM PROJECTS	Annexure XIV
	(Rs. In Million)
Particulars	**2005-2006**
Income from	
- Residential and Commercial Projects	3,942.44
- Contractual Projects	2,023.71
Total	**5,966.15**

CONSOLIDATED RESTATED SCHEDULE OF OTHER INCOME		Annexure XV
		(Rs. in Million)
Particulars	**Nature**	**2005-2006**
Interest received on Securities/Bank Deposits	Recurring	7.91
Interest received – Others	Recurring	3.13
Profit on sale of Asset	Non-recurring	0.34
Profit on sale of Investments	Non-recurring	0.08
Registration Charges	Recurring	155.67
Electricity and Water Deposit Charges	Recurring	130.48
Dividends	Non-recurring	0.20
Forfeiture of customer advances	Non-recurring	1.16
Rent	Recurring	0.06
Maintenance Charges received	Non-recurring	5.91
Others	Recurring	13.27
	Total	**318.21**

Note:

1. The classification of "Other Income" as recurring and non-recurring is based on the current operations and business activity of the Company as determined by the Management
2. The details of "Other income disclosed above are stated after adjusting the effect of restatement. The same have been shown as gross of restatement in the summary Statement of Profits and Losses, as restated.

CONSOLIDATED RESTATED SCHEDULE OF LAND AND CONSTRUCTION EXPENSES	Annexure XVI
	(Rs. In Million)
Particulars	**2005-2006**
Land Cost	786.42
Construction Expenses	3,613.11
Add: Opening Inventory	
Stock - in Trade	120.34
Stock of Building Materials	4.34
Work - in - Progress	1,896.32
Less: Closing Inventory	
Stock - in Trade	125.67
Stock of Building Materials	11.26
Work - in - Progress	2,527.92
Total	**3,755.68**

CONSOLIDATED RESTATED SCHEDULE OF ADMINISTRATIVE EXPENSES	
	Annexure XVII
	(Rs. In Million)
Particulars	**2005-2006**
Salaries	255.50
Staff Welfare	13.35
Contribution to Provident & Other Funds	16.75
Registration Expenses of Flats	139.25
Sales Tax	342.03
Other Expenses	346.99
Total	**1,113.87**

CONSOLIDATED RESTATED SCHEDULE OF FINANCE CHARGES	
	Annexure XVIII
	(Rs. In Million)
Particulars	**2005-2006**
Interest on Term Loans	172.68
Interest on Other Loans	46.70
Total	**219.38**

CONSOLIDATED SCHEDULE OF CONTINGENT LIABILITIES	Annexure XIX
	(Rs. in Million)
Particulars	**As at 31st March 2006**
Estimated amount of contracts remaining to be executed on capital account	25.59
Counter guarantees given to bank	99.98
Letter of Credit	24.94
Corporate guarantee to its other related parties	
(a) Sobha Interiors Private Limited	185.00
(b) Sobha Space Private Limited	70.00
(c) Sobha Glazing and Metal Works Private Limited	60.00
On account of demand from Income Tax department	58.06
On account of demand from Sales Tax department	20.18
Total	**543.75**

SCHEDULE OF RATES OF DIVIDEND	Annexure XX
The details of dividends declared by the Company is as under	
	(In Rs. Unless otherwise stated)
Particulars	**2005-2006**
Equity Share Capital	
Dividend per share	6.85
Dividend in %	68.50%
Amount of Dividend (Rs. in Million)	144.81
Dividend Tax (Rs. In Million)	20.31

SCHEDULE OF RATES OF DIVIDEND	Annexure XX
The details of dividends declared by the Company is as under	
	(In Rs. Unless otherwise stated)
Particulars	**2005-2006**
Preference Capital	
Dividend in %	7%
Amount of Dividend (Rs. in Million)	6.11
Dividend Tax (Rs. In Million)	0.86
SHARE CAPITAL	
Equity Shares	
Authorised Capital	300.00
Number of Shares (in Nos.)	30,000,000
Preference Shares	
Authorised Capital	200.00
Number of Shares (in Nos.)	2,000,000.00
Equity Shares	
Issued, Subscribed and Paid-up	211.40
Number of Shares (in Nos.)	21,140,480
Restated Number of Shares (in Nos.)	63,421,440
Preference Shares	
Issued, Subscribed and Paid-up	87.29
Number of Shares (in Nos.)	872,843
Note: 1. Face Value of Equity share is Rs. 10/- each and Preference Shares is Rs. 100/- each	
2. Both Equity and Preference Shares are fully paid up	

CONSOLIDATED SUMMARY OF ACCOUNTING RATIOS

Annexure XXI

(In Rs. Unless otherwise stated)

Particulars	2005-2006
Adjusted profit to income from operations (%)	18.16%
Earnings per share	
Basic (Rs.)	13.96
Diluted (Rs.)	13.96
Cash earnings per share(Rs)	15.83
Net Asset Value per share (Rs.)	21.57
Return on Networth (%)	65.21%
Total Debt/Equity Ratio	3.09
No of Equity Shares in Nos.	21,140,480
Restated Number of Equity Shares in Nos.	63,421,440

Notes:

1. The ratios have been computed as below

Adjusted profit to income from operations (%)	Adjusted profit before Tax / Income from operations
Earning per Share	Adjusted profit after tax before extra ordinary items / Restated Weighted average no of equity shares outstanding during the year
Cash Earning per share	Adjusted profit after tax but before depreciation / Restated Weighted average no of equity shares outstanding during the year
Net Asset value per share	Networth excluding revaluation reserve / Restated Weighted average no of equity shares outstanding during the year
Return on Networth%	Adjusted profit after tax but before extraordinary items / Net worth excluding revaluation reserve
Total Debt/Equity Ratio	Long Term Debt+Short Term Debt / Equity Share Capital+Reserves and Surplus

2 The earning per share is calculated in accordance with the Accounting Standard 20 "Earning per share" issued by the Institute of Chartered Accountants of India.

3. Restated Profit and Loss and Income from Operations has been considered for the purpose of computing the above ratios

4. Networth means Equity Share Capital+Reserves and Surplus – Miscellaneous Expenditure to the extent not written off

5. Restated shares have been computed pursuant to the issue of Bonus Shares in the ratio of two shares for every shares held by the shareholders of record on 28th June 2006 by utilising free reserves.

CONSOLIDATED TAX SHELTER STATEMENT	Annexure XXII
	(Rs. In Million unless otherwise stated)
Particulars	**2005-2006**
Profit before tax	**1,083.47**
Tax Rate (in %)	33.66%
Tax as per actual rate on profits	**364.70**
Adjustments	
Permanent Differences	
Dividend (Exempt from Tax)	(0.20)
Profit on sale of investments	(0.08)
Profit/loss on sale of assets	(0.33)
Deduction u/s. 80 IB of the Income Tax Act ("the Act")	(569.84)
Disallowance for donations	29.97
Capital expenditure incurred on increase in authorised capital	0.43
Total permanent Differences (B)	**(540.05)**
Timing Differences	
Difference between Tax depreciation and book depreciation	(14.42)
Unpaid Gratuity/Leave encashment	9.03
Total for Timing differences (C)	**(5.39)**
Total adjustments (B+C)	**(545.44)**
Tax expense/saving thereon	(183.59)
Tax payable for the year	**181.10**
Income tax u/s 234 B and 234 C	2.59
(As per Income Tax Return)	
Total taxation	**183.69**
Provision for domestic tax as per Books of account	**185.10**

CAPITALISATION STATEMENT OF THE COMPANY		Annexure XXIII
(ON THE BASIS OF CONSOLIDATED RESTATED STATEMENTS)		
		(Rs. in Million unless otherwise stated)
Particulars	**Pre-issue as at 31st March 2006**	**Post issue as at 31st March 2006**
Long Term Debts		
- Term Loans	640.21	640.21
- Cash Credit	160.00	160.00
- Vehicle Loans	4.19	4.19
a	**804.40**	**804.40**
Short Term Debts		
- Term Loans	2,903.33	2,903.33
- Working Capital Loans	493.30	493.30

CAPITALISATION STATEMENT OF THE COMPANY		Annexure XXIII
(ON THE BASIS OF CONSOLIDATED RESTATED STATEMENTS)		
		(Rs. in Million unless otherwise stated)
Particulars	**Pre-issue as at 31st March 2006**	**Post issue as at 31st March 2006**
- Unsecured Loans	23.00	23.00
- Vehicle Loans	7.08	7.08
b	**3,426.71**	**3,426.71**
Total Debts (a+b)	**4,231.11**	**4,231.11**
Shareholders' Funds		
Share Capital	298.69	Refer Note:3 below
General Reserve	250.44	
Profit and Loss Account	819.14	
	1,368.27	
Total Debt/Total Shareholders' Funds (Ratio)	3.09	
Long Term debt/Total shareholders' funds (Ratio)	0.59	

Notes:

1. The above has been computed on the basis of the Consolidated restated financial statement of accounts
2. Short term debts are debts maturing within the next one year from the date of the respective statement of accounts.
3. Share Capital and Reserves, post issue can be ascertained only on the conclusion of the book building process

CONSOLIDATED RELATED PARTY TRANSACTIONS			Annexure XXIV

(Rs. in Million)

PARTICULARS	NATURE OF RELATIONSHIP	NAME OF THE RELATED PARTY	2005-06
Sale of Goods and Services	Other Related Parties	Oman Builders Pvt Ltd.	1.13
		Sobha Interiors Pvt Ltd.	116.66
		Sobha Space Pvt Ltd.	0.73
		Sri Kurumba Trust	0.46
		Sobha Innercity Technopolis Pvt Ltd.	6.71
		Sobha Glazing & Metal Works Pvt Ltd.	60.05
	Key Management Personnel	J C Sharma	3.87
Interest received	Other Related Parties	Sobha Renaissance Information Technology Pvt Ltd.	2.40
Purchase of goods and contractual services	Other Related Parties	Sobha Interiors Pvt Ltd.	217.02
		Sobha Glazing & Metal Works Pvt Ltd.	120.46
		Sobha Projects & Trade Pvt Ltd.	32.92
		Lotus Manpower Services	89.40
		Oman Builders Pvt Ltd.	0.90
		Sobha Renaissance Information Technology Pvt Ltd.	15.60
	Relatives of Key Management Personnel	P N Haridas	104.66
Directors' Remuneration	Key Management Personnel	J C Sharma	23.26
		Ravi Menon	13.57
		P N C Menon	18.52
Salary	Relatives of Key Management Personnel	Raghu Balan	1.22
Purchase of Fixed Assets	Relatives of Key Management Personnel	V K Balan	0.11
Interest paid	Key Management Personnel	Sobha Menon	2.53
		P N C Menon	0.43
Donation Paid	Other Related Parties	Sri Kurumba Trust	55.10
Rent Paid	Key Management Personnel	Sobha Menon	0.37
Loans given	Other Related Parties	Sobha Renaissance Information Technology Pvt Ltd.	30.00
Guarantees and Collaterals taken	Other Related Parties	Sobha Innercity Technopolis Pvt Ltd.	2,900.00
		Sobha Technocity Pvt Ltd.	1,100.00
Guarantees and Collaterals given	Other Related Parties	Sobha Space Pvt Ltd.	70.00
		Sobha Interiors Pvt Ltd.	185.00
		Sobha Glazing & Metal Works Pvt Ltd.	60.00
Balance receivable	Other Related Parties	Sobha Interiors Pvt Ltd.	252.89
		Sobha Glazing & Metal Works Pvt Ltd.	220.70
		Sobha Renaissance Information Technology Pvt Ltd.	20.87
		Hill and Menon Securities Pvt Ltd.	0.09
		Menon Hill Financial Services Ltd	@
		Sobha Electromechanical Private Ltd.	#
		Sri Kurumba Trust	0.62
		Royal Interiors Pvt Ltd.	6.35
		Sobha Space Pvt Ltd.	48.59
		Lotus Manpower Services	6.83
Balance payable	Other Related Parties	Sobha Innercity Technopolis Pvt Ltd.	27.47
		Oman Builders Pvt Ltd.	49.50

CONSOLIDATED RELATED PARTY TRANSACTIONS			Annexure XXIV
			(Rs. in Million)
PARTICULARS	**NATURE OF RELATIONSHIP**	**NAME OF THE RELATED PARTY**	**2005-06**
		Sobha Projects & Trade Pvt Ltd.	1.77
		Sobha Technocity Pvt Ltd.	1.27
	Key Management Personnel	P N C Menon	4.64
		J C Sharma	21.43
		Sobha Menon	19.71
	@ represents Rs. 1,105/-		
	# represents Rs. 4,500/-		

Details of related parties	
Key Management Personnel	Mr. PNC Menon
	Mrs. Sobha Menon
	Mr. Ravi Menon
	Mr. J C Sharma
	Col. V.K.Balan
Relatives of Key Management Personnel	Mr. Raghu Balan
	Mr. Raju Balan
	Mr. PN Haridas
Other Related Parties	M/s Oman Builders Private Limited
	M/s Sobha Innercity Technopolis Private Limited
	M/s Sobha Interiors Private Limited
	M/s Sobha Glazing and Metal Works Private Limited
	M/s Sobha Electro Mechanical Private Limited
	M/s Sobha Renaissance Information Technology Private Limited
	M/s Sobha Technocity Private Limited
	M/s Sobha Projects and Trade Private Limited
	M/s Indeset Building Materials LLC
	M/s Indeset Trading and Decorations Services LLC
	M/s. Services and Trade Company, LLC
	M/s Royal Interiors Private Limited
	M/s. Lotus Manpower Services
	M/s Hill and Menon Securities Private Limited
	M/s Sri Kurumba Trust
	M/s Sobha Space Private Limited

UNCONSOLIDATED FINANCIAL INFORMATION OF SOBHA DEVELOPERS LIMITED AS AT AND FOR THE HALF YEARS ENDED 30th SEPTEMBER 2006 AND 2005

UNCONSOLIDATED RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES AND UNCONSOLIDATED SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED AND UNCONSOLIDATED STATEMENT OF CASH FLOWS, AS RESTATED, UNDER INDIAN GAAP AS AT AND FOR THE HALF YEARS ENDED 30th SEPTEMBER 2006 AND 2005.

Date: 28th October, 2006

To

The Board of Directors,
Sobha Developers Limited (formerly, Sobha Developers Private Limited)
E 106 Sunrise Chambers
22 Ulsoor Road
Bangalore 42

Dear Sirs,

We have examined the unconsolidated financial information of M/s.Sobha Developers Limited ('the Company') *(formerly, Sobha Developers Private Limited)* annexed to this report and initialled by us for identification purposes, which has been prepared in accordance with the requirements of:

a) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') as amended from time to time and related clarifications; and

c) The terms of reference received from the Company, requesting us to carry out work, proposed to be included in the Red Herring Prospectus and the Prospectus (collectively, 'the Offer Documents') of the Company in connection with its proposed Initial Public Offer ('IPO').

The Company proposes to make an IPO for a fresh issue of equity shares having a face value of Rs. 10 per equity share at an issue price as may be decided by the Board of Directors, to be arrived at by the 100% book building route (referred to as 'the issue').

A. Financial information as per unconsolidated audited financial statements of Sobha Developers Limited

1. We have examined the attached unconsolidated Restated Summary Statement of Assets and Liabilities of the Company as at 30th September 2006 and 2005, the unconsolidated Restated Summary Statement of Profits and Losses and the unconsolidated Restated Statement of Cash Flows for each of the period ended on those dates ('Unconsolidated Restated Summary Statements') (see Annexures I, II and III) as prepared by the Company and approved by the Board of Directors. The unconsolidated restated profits have been arrived at after making such regroupings as in our opinion are appropriate and we are of the opinion that no restatement is required as compared to the audited unconsolidated financial statements for the aforesaid period. We have audited the unconsolidated financial statements of the Company for the half years ended 30th September 2006 and 2005. Based on our examination of the Unconsolidated Restated Summary Statements, we confirm that:

   i. The 'Restated Summary Statements' have to be read in conjunction with the notes given in Annexure IV to this report.

   ii. The 'Restated Summary Statements' of the Company have been furnished without any restatement as there are no changes to the significant accounting policies being adopted by the Company as at 30th September 2006 and the period for which the financial statements have been annexed hereto, subject to para 2 of the notes forming part of the Unconsolidated Restated Summary Statements.

iii. The restated profits have been arrived at after charging all expenses including depreciation and after making such regroupings as in our opinion are appropriate in the period to which they are related.

iv. There are no prior period items which require adjustments in the Unconsolidated Restated Summary Statements.

v. There are no extraordinary items which need to be disclosed separately in the Unconsolidated Restated Summary Statements; and

vi. There are no qualifications in the auditors' reports, which require any adjustments to the Unconsolidated Restated Summary Statements.

B. Other Financial Information:

We have examined the following information in respect of the half year ended 30th September 2006, and 2005 of the Company, proposed to be included in the offer documents, as approved by the Board of Directors and annexed to this report;

i. Statement of Fixed Assets (Annexure - V)
ii. Statement of Summary of Investments (Annexure – VI)
iii. Statement of Inventories (Annexure-VII)
iv. Statement of Sundry Debtors (Annexure- VIII)
v. Statement of Loans and Advances (Annexure – IX)
vi. Statement of Secured and Unsecured Loans (Annexure – X)
vii. Statement of Current Liabilities and Provisions (Annexure – XI)
viii. Statement of Share Capital (Annexure - XII)
ix. Statement of Reserves and Surplus (Annexure – XIII)
x. Statement of Income from Projects (Annexure XIV)
xi. Statement giving details of Other Income (Annexure – XV)
xii. Statement of Raw Material Consumption (Annexure –XVI)
xiii. Statement of Land and Construction Expenses (Annexure - XVII)
xiv. Statement of Production Expenses (Annexure XVIII)
xv. Statement of Administrative Expenses (Annexure - XIX)
xvi. Statement of Finance Charges (Annexure XX)
xvii. Statement of Contingent Liabilities (Annexure – XXI)
xviii. Summary of Accounting Ratios based on adjusted profits related to earnings per share, net asset value, return on net worth and Total debt-equity ratio (Annexure – XXII)
xix. Tax Shelter Statement (Annexure –XXIII)
xx. Capitalisation Statement of the Company as at 30th September, 2006 (Annexure- XXIV)
xxi. Statement of Related Party Disclosures (Annexure – XXV)

We have been informed that the company has not declared any dividend on equity shares for the half years ended September 30, 2006 and 2005.

In our opinion, the 'Financial Information as per Audited Financial Statements' and Other Financial Information mentioned above for the half years ended 30th September 2006 and 2005 have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.

This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports nor should this be construed as a new opinion on any of the financial statements referred to herein.

This report is intended solely for your information and for inclusion in offer documents in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.Janardhan & Associates
Chartered Accountants.

B.Anand
Partner
Membership No.29146

Place: Bangalore
Date: 28th October, 2006

RESTATED SUMMARY OF ASSETS AND LIABILITIES		Annexure I
		(Rs. in Million)
	As at 30th September 2006	**As at 30th September 2005**
Fixed Assets		
Gross Block	1,848.88	646.64
Less : Depreciation	360.39	173.98
Net Block	1,488.49	472.66
Capital Work In Progress	87.43	123.77
Total (A)	**1,575.92**	**596.43**
Investments (B)	**26.98**	**140.37**
Current Assets, Loans And Advances		
Inventories	2,655.77	2,086.14
Sundry Debtors	558.27	213.29
Cash and Bank Balances	286.24	100.20
Loans and Advances	6,835.51	3,825.50
Total (C)	**10,335.79**	**6,225.13**
TOTAL ASSETS (A+B+C) = D	**11,938.69**	**6,961.93**
Liabilities and Provisions		
Secured Loans	6,578.49	2,505.61
Unsecured Loans	104.50	23.62
Deferred Tax Liabiliites(Net)	18.73	20.80
Current Liabilities	2,869.18	3,350.09
Provisions	459.74	270.24
Total (E)	**10,030.64**	**6,170.36**
Networth (D-E)	**1,908.05**	**791.57**
Networth represented by		
Share Capital	721.50	298.69
Reserves and Surplus	1,186.55	492.88
Total	**1,908.05**	**791.57**
Less: Miscellaneous Expenditure	-	-
(to the extent not written off)		
NETWORTH	**1,908.05**	**791.57**

The accompanying significant accounting policies and notes (Annexure IV) are an integral part of the accounts

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

For and on behalf of the Board of Directors

B.Anand
Partner
Membership No: 29146

J.C.Sharma
Managing Director

Place: Bangalore
October 28, 2006

Place: Bangalore
October 28, 2006

RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES			Annexure II
			(Rs. in Millions)
Particulars		**Half year ended 30th Sep 2006**	**Half year ended 30th Sept 2005**
INCOME			
Income from Construction Activity			
- Residential and Commercial Projects		2,805.69	1,535.78
- Contractual Projects		1,539.16	981.26
	(a)	**4,344.85**	**2,517.04**
Income from Manufacturing Activity			
Turnover (Gross)		877.56	-
Less: Excise Duty		46.11	-
	(b)	**831.45**	
	(a)+(b)	**5,176.30**	**2,517.04**
Other Income		152.12	111.68
	Total	**5,328.42**	**2,628.72**
EXPENDITURE			
Land and Construction Expenses		2,665.14	1,742.79
Raw Material Consumption		532.48	-
Production Expenses		131.50	-
Administrative Expenses		999.53	454.82
Finance Charges		279.47	94.50
Depreciation		108.47	48.50
	Total	**4,716.59**	**2,340.60**
Profit before Taxation		611.83	288.12
Less Provision for Income Tax		67.00	56.11
Provision for Wealth Tax		0.08	0.04
Fringe Benefit Tax		3.00	0.73
Deferred Tax		2.01	(1.30)
Profit after Taxation		**539.74**	**232.54**
Less Interim Dividend		-	84.56
Tax on Dividend		-	11.86
Profit after appropriation		**539.74**	**136.12**
Balance of Profit brought forward		819.18	306.32
Less: Capitalisation by issue of Bonus Shares		422.81	-
Profit carried to Balance Sheet		**936.11**	**442.44**

The accompanying significant accounting policies and notes (Annexure IV) are an integral part of the accounts

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

For and on behalf of the Board of Directors

B.Anand
Partner
Membership No: 29146

J.C.Sharma
Managing Director

Place: Bangalore
October 28, 2006

Place: Bangalore
October 28, 2006

RESTATED STATEMENT OF CASH FLOWS			Annexure III
			(Rs. in Millions)
		Half year ended 30th September 2006	**Half year ended 30th September 2005**
a.	**Cash Flow From Operating Activites**		
	Profit before Tax	**611.83**	**288.10**
	Adjustments for :		
	Depreciation	108.47	48.50
	Interest Paid (Net)	270.81	93.51
	Dividend from Investments	(0.23)	-
	(Profit)/Loss on sale of assets	(0.10)	-
	Operating Profit before working capital Changes	**990.78**	**430.11**
	Inventories	(111.82)	(180.70)
	Debtors	244.70	150.65
	Loans & Advances (Other than advance tax & TDS)	(1,560.88)	(1,523.54)
	Liabilities (excluding interest accured)	(1,144.10)	1,348.70
	Net changes in Working Capital	**(2,572.10)**	**(204.89)**
	Cash Generated From Operations	**(1,581.32)**	**225.22**
	Interest Paid	(276.50)	(95.30)
	Direct Taxes Paid	(97.56)	(65.78)
	Net Cash From Operating Activites (A)	**(1,955.38)**	**64.14**
b.	**Cash Flow From Investment Activities**		
	Purchases of Fixed Assets	(664.30)	(90.76)
	Purchases of Investment	(250.00)	(140.14)
	Interest Receipts	9.99	1.08
	Sale of Fixed Assets	0.26	-
	Sale of Investments	250.01	-
	Dividend from Investments	0.23	-
	Net Cash Used In Investment Activites (B)	**(653.81)**	**(229.82)**
c.	**Cash Flow From Financing Activities**		
	Net Increase/ (Decrease) in Borrowing	2,451.88	296.57
	Dividend paid	(6.13)	(96.46)
	Cash generated From Financing Activites (C)	**2,445.75**	**200.11**
	Net Increase in Cash & Cash Equivalents (A+B+C)	**(163.44)**	**34.43**
	Opening Balance - Cash & Cash Equivalants	449.68	65.77
	Closing Balance - Cash & Cash Equivalants	**286.24**	**100.20**

Notes:

1 The Cash Flow Statement has been prepared under indirect method as set out in Accounting Standard -3 on Cash Flow Statement issued by the Insitute of Chartered Accountants of India

2 Negative figures have been shown in brackets

As per our report of even date For S.Janardhan & Associates Chartered Accountants	For and on behalf of the Board of Directors
B.Anand Partner Membership No: 29146	J.C.Sharma Managing Director
Place: Bangalore October 28, 2006	Place: Bangalore October 28, 2006

Annexure IV

NOTES FORMING PART OF THE RESTATED SUMMARY STATEMENTS

Significant Accounting Policies and Notes to Accounts:

Background:

The Company was incorporated on 7th August 1995 and is primarily engaged in the business of construction and development of residential and commercial projects and also undertakes contractual work for corporates.

1. Significant Accounting Policies:

1.1 Basis of Accounting

The Company follows accrual method of accounting except where the receipt of income is uncertain and is in accordance with the Accounting Standards referred to in sub section 3(c) of Section 211 of the Companies Act, 1956.

1.2 Revenue Recognition:

(i) ***Recognition of Revenue from Contractual Projects:***
Revenue from Contractual Projects undertaken is recognized on the basis of the certification issued by the client.

(ii) Recognition of Revenue from Real Estate Developmental Projects:

Revenue from each Real Estate Developmental Project is recognized:

(a) On the basis of "Percentage Completion Method".

(b) The percentage completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenue and contract costs.

(c) When the stage of completion of each project reaches a significant level, which is estimated to be at least 25% of the total estimated cost of the project.

(iii) Sale of Plot/Apartments:

Sale of Plots/Apartments is net after adjustments on account of cancellation.

(iv) Recognition of Job Work Income of manufacturing divisions

a) Materials: On shipment of materials from the manufacturing units

b) Labour charges: On certification by the contractee.

(v) Recognition of Revenue on account of charges collected towards Power and Water deposits and related expenses:

Differential income arising on account of charges collected towards Electricity Deposits and Water Deposits and the related expenses incurred are recognized on handing over of the flats to the customers.

(vi) Recognition of Revenue on account of charges collected towards registration of flats on behalf of clients:

Differential income arising on account of registration amounts collected from customers and the related expenses incurred are recognized in the year of registration of the concerned flats in the name of the customers.

1.3 Fixed Assets

Fixed Assets are stated at historical cost inclusive of freight and other direct expenses less depreciation to date.

1.4 Depreciation/Amortisation:

(a) Depreciation on assets is provided on Written Down Value method on a pro-rata basis at the rates as set out in Schedule XIV of the Companies Act, 1956 except for steel scaffolding items for which, the same is calculated at 16.67% on Straight Line Method, based on estimated useful life of asset as 6 years.

(b) Assets purchased, where the cost does not exceed Rs.5,000/- is depreciated at the rate of 100 % in the year of purchase.

(c) Centering materials made out of materials other than steel is charged off to the project and centering materials of steel is treated as plant and machinery and depreciation is accordingly provided.

(d) Expenditure incurred on software development is capitalized under the head Intangible Assets and is amortised over a period of 3 years on a pro-rata basis, which is estimated to be the useful life of the asset.

1.5 Investments

Investments are long tem (unless otherwise stated) and are stated at cost except cases where provision is considered necessary.

1.6 Inventory

(A) Related to Contractual & Real Estate Activity

Direct expenses like site labour cost, materials used for project construction, costs for moving the plant and machinery to the site and general expenses incurred specifically for the respective project like, insurance, design and technical assistance, and construction overheads are taken as the contract cost of the respective project.

(a) Work in Progress - Contractual Projects: Represents the work, which is yet to be certified by the client and other retentions and is calculated on an estimated basis.

(b) Work in Progress – Real Estate Projects: Represents the cost incurred in respect of unsold area of the Real Estate Development Projects.

(c) Stock of Plots and apartments, classified as stock in trade, are valued at cost or net realizable value whichever is lower.

(d) Building Materials purchased specifically for projects are taken as consumed as and when received. Building Materials bought, not identified with any specific project are valued at cost.

(B) Related to Manufacturing Activity

(a) Raw Materials & Stores and Spares are stated at lower of cost or net realisable value. Cost is determined based on the weighted average method.

(b) Work in Progress is valued at lower of cost or net realisable value.

(c) Finished Goods are valued at lower of cost or net realisable value including excise duty. Net realisable value is the estimate of the selling price in ordinary course of business, less the cost of completion and selling expenses.

1.7 Exchange Fluctuation:

(a) Foreign Currency transactions are accounted at the exchange rates prevailing on the date of the transaction.

(b) Gains and losses resulting from the settlement of foreign currency transaction and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the Profit and Loss Account.

(c) Exchange differences relating to fixed assets are adjusted to the cost of the asset.

(d) In respect of forward exchange contract entered into by the company, the difference between the contracted rate and the rate at the date of transaction is recognised as gain or loss over the period of contract. Exchange differences on such contracts are recognised in the statement of Profit and Loss in the accounting period in which the exchange rates changes

1.8 ***Impairment of Assets:*** Pursuant to Accounting Standard (AS28) on "Impairment of Assets" issued by the Institute of Chartered Accountants of India, the Company assessed its fixed assets for impairment as at the balance sheet date and concluded that there has been no significant impaired fixed asset that needs to be recognized in the books of account.

1.9 ***Employee /Retirement benefits:***

(a) Provision for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employees is done in accordance with the Payment of Gratuity Act, 1972. The liabilities with regard to the gratuity plan are determined by actuarial valuation as on the balance sheet date, based upon which, the company contributes all the ascertained liabilities to the Sobha Developers Employees Gratuity Trust (the "Trust"). Trustees administer contributions made to the trust and are invested with the ICICI Prudential Life Insurance Company Limited.

(b) Provision in respect of Leave encashment is made, based on accrual basis to the extent of the leave credit available to the employees as at the balance sheet date.

(c) Eligible employees receive benefits from a Provident Fund, which is a defined contribution plan. Aggregate contributions along with interest thereon is paid at retirement, death, incapacitation or termination of employment. Both the employee and the company make monthly contributions to the Government administered Provident Fund. The company has no obligation beyond its contribution.

(d) Provision in respect of ex-gratia payment to employees and workers is made as and when accepted by the management.

1.10 ***Deferred Tax***:

Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

1.11 ***Treatment of contingent liabilities:***

Contingent Liabilities not provided for are reflected in Notes on Accounts.

2. ***Notes on adjustments for restated summary statements, if any:***

The Institute of Chartered Accountants of India has made mandatory the Accounting Standard – AS15 (Revised) on "Employee Benefits" wef 1st April 2006. The Company has applied such provisions of AS-15 (Revised) for the period ended 30th September 2006. In the absence of Actuarial Valuation Statements as per the AS-15 (Revised) for the period prior to1st April 2006, no restatement has been made for the restated financial statements prior to 1st April 2006. However, for the period prior to 1st April 2006, the provision for gratuity has been made as per the earlier AS-15.

3 . ***stimated cost of construction:***

Management's estimation of project construction cost is relied upon, which is expected to be incurred over the period of carrying out of the project, which includes cost of land, materials and services and is reviewed by the management at every quarter end.

4. Advances recoverable in cash or kind or for value to be received includes amounts due from private companies/ firms in which any director or his relative is interested as at 30th September, 2006 is Rs.2254.56 million

5. The break up of the contracts in progress at the reporting date as per the requirements of disclosure of Accounting Standard AS-7 on "Construction Contracts" are given under:

	Half year ended	
	30th September 2006	30th September 2005
Revenue recognized	4344.85	2517.04
Cost incurred	3675.33	2197.61
Advances received	1809.32	2672.77
Gross Amount due from Customers for Contract Work	274.29	213.29

6. Deferred Tax:

The break up of deferred tax assets and liabilities in the statement of Restated Assets and Liabilities and deferred tax charge credit in the Restated Statement of Profits and Losses is as under:

	As on	
	30.09.2006	30.09.2005
Deferred Tax Liability: (attributable to)		
- Depreciation	28.05	25.44
Deferred Tax Asset (attributable to)		
- expenses allowable when paid	9.32	4.65

7. Segment Reporting:

The company is mainly engaged in the business of development and construction of properties and projects and therefore Segment Reporting as defined in Accounting Standard 17 does not apply.

8. Note on new activity:

Acquisition of Assets and Business Activity from certain of its Group Companies:

With a view to consolidate the business activities, the Company has purchased certain moveable assets like Plant and Machinery, Office Equipment, Computers, Furniture and Fixtures, Vehicles and Electrical Installations, Inventories including Raw Material, Stores and consumables work in progress from the following group companies on 3rd April 2006 and has also taken over the Cenvat balances available, if any, with the respective companies as on that date. The Company has also taken over part of the liabilities of such companies including the Term Loan liabilities and Cash Credit facilities availed by such companies. (However, the banks are yet to transfer such Term Loan and Cash Credit facilities in the name of the Company pending completion of the document formalities). Further, the company has taken over the services of the employees and the liabilities payable to the employees of such companies with effect from that date. The names of such group companies from which the Company has acquired the assets and liabilities are given as under:

i. Sobha Interiors Private Limited
ii. Sobha Glazing and Metal Works Private Limited
iii. Sobha Space Private Limited

9. Subsequent events:

The Company has made a pre-IPO placement of equity shares at a price of Rs.617/- per share to the following parties on 28th October, 2006.

M/s Bennett, Coleman & Co. Ltd.	97245 Shares
M/s Kotak Mahindra Private Equity Trustee Limited	486,223 Shares

Subject to our report of even date
For S.Janardhan & Associates
Chartered Accountants

Place: Bangalore
Date: 28th October, 2006

B.ANAND
PARTNER
Membership No.29146

SCHEDULE OF FIXED ASSETS										Annexure V (Rs. In Million)
	Land	**Leasehold Land**	**Buildings**	**Plant and Machinery**	**Furn. and Fixtures**	**Computers**	**Office Equip-ments**	**Vehicles**	**Intangible Assets**	**Total**
Gross Block as at 1st April 2005	5.08	-	18.89	438.32	9.46	33.73	14.14	33.28	3.90	556.79
Additions during the half year ended on September 2005	-	26.49	-	43.90	0.57	5.66	3.14	9.84	0.25	89.85
Disposals during the half year	-	-	-	-	-	-	-	-	-	-
Gross Block as at 30th September 2005	**5.08**	**26.49**	**18.89**	**482.22**	**10.03**	**39.39**	**17.28**	**43.12**	**4.15**	**646.64**
Depreciation										
Accumulated depreciation as at 1st April 2005	-	-	2.33	81.36	5.21	16.13	2.93	16.35	1.18	125.48
Charge for the half year	-	-	0.94	31.99	0.73	7.23	1.15	5.66	0.80	48.50
Adjustment for disposals during the half year	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30th September 2005	**-**	**-**	**3.27**	**113.35**	**5.94**	**23.36**	**4.08**	**22.01**	**1.98**	**173.98**
Net Block as at 30th September 2005	**5.08**	**26.49**	**15.62**	**368.67**	**4.09**	**16.03**	**13.20**	**21.11**	**2.17**	**472.66**
Gross Block as at 1st April 2006	30.43	26.49	108.40	945.21	13.02	51.05	21.61	50.53	4.80	1,251.54
Additions during the half year ending 30th September 2006	25.61	-	74.75	459.17	9.32	11.90	8.56	8.25	0.44	598.00
Disposals during the half year	-	-	-	-	-	-	-	0.66	-	0.66
Gross Block as at 30th September 2006	**56.04**	**26.49**	**183.15**	**1,404.38**	**22.34**	**62.95**	**30.17**	**58.12**	**5.24**	**1848.88**
Depreciation										
Accumulated depreciation as at 1st April 2006	-	-	6.39	184.96	6.31	25.57	5.22	21.43	2.54	252.42
Charge for the half year ending 30th September 2006	-	-	5.66	87.81	2.01	6.35	1.91	4.34	0.39	108.47
Adjustment for disposals during the half year	-	-	-	-	-	-	-	0.50	-	0.50
Accumulated depreciation as at 30th September 2006	**-**	**-**	**12.05**	**272.77**	**8.32**	**31.92**	**7.13**	**25.27**	**2.93**	**360.39**
Net Block as at 30th September 2006	**56.04**	**26.49**	**171.10**	**1,131.61**	**14.02**	**31.03**	**23.04**	**32.85**	**2.31**	**1,488.49**

SCHEDULE OF INVESTMENTS		Annexure VI
		(Rs. in Million)
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
Non Trade (Unquoted, at Cost)		
Mutual Funds	-	140.18
Government Securities		
National Savings Certificates	0.08	0.09
Sub-total (a)	**0.08**	**140.27**
Unquoted, at cost		
2,680,000 Equity shares of Rs.10/- each in Sobha Renaissance		
Information Technology Private Limited, fully paid up	26.80	-
Sub-total (b)	**26.80**	**-**
Investment in Subsidiary Company (at cost)		
1,000 shares of Rs.100/- each fully paid up in SBG Housing Private Ltd	0.10	0.10
Sub-total (c)	**0.10**	**0.10**
TOTAL (a+b+c)	**26.98**	**140.37**

SCHEDULE OF INVENTORIES		Annexure VII
		(Rs. in Million)
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
Stock - in Trade	4.78	4.78
(Valued at lower of cost or net realisable value)		
Stock of Building Materials	7.46	2.85
(Valued at lower of cost or net realisable value)		
Work - in - Progress (Construction activity)	2,324.69	2,078.51
(Valued at estimated cost)		
Work - in - Progress (Manufacturing activity)	142.96	-
(Valued at estimated cost)		
Raw Materials and Stores and spares	165.90	-
(Valued at lower of cost or net realisable value)		
Finished Goods	9.98	-
(Valued at lower of cost or net realisable value)		
Total	**2,655.77**	**2,086.14**

SCHEDULE OF SUNDRY DEBTORS		Annexure VIII
		(Rs. in Million)
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
Debts outstanding for a period exceeding six months		
Unsecured,Considered good	100.91	25.92
Other Debts - outstanding for a period less than six months		
Unsecured,Considered good	457.36	187.37
Total	**558.27**	**213.29**
Amount due from related parties-See Annexure XXV		

SCHEDULE OF LOANS AND ADVANCES		Annexure IX
		(Rs. in Million)
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
Advances recoverable in cash or in kind or for value to be received		
(Unsecured - Considered good)	3,776.41	1,876.51
Due from Subsidiary Company-SBG Housing Private Ltd.	128.64	116.80
Due from Group Entities	2,254.56	1,539.37
Deposits	171.58	34.32
Taxes - Advance Tax	504.32	258.50
Total	**6,835.51**	**3,825.50**
Amount due from Group entities- See Annexure XXV		

		Annexure X
SCHEDULE OF LOANS		
		(Rs. in Million)
a. SECURED LOANS		
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
i. Debentures		
100 Nos. (MIBOR) linked (Floor rate 8.75%-Cap rate 8.85%) redeemable	1,000.00	-
non-convertible debentures of Rs. 1 Crore each		
Sub Total (a)	**1,000.00**	**-**
ii. Term Loans From Banks		
From ICICI Bank Ltd.		
Secured by		
a. Hypothecation of receivables of Sobha Aqua Marine and Sobha Daffodil Projects	600.00	58.96
b. Hypothecation of Scaffolding items and Tower Cranes	23.43	
c. Equitable mortgage of land and building and hypothecation of receivables of Sobha Daffodil Project	-	11.05
d. Equitable Mortgage of Land of Sobha Tulip Project	-	11.04
UTI Bank Limited		
Secured by		
a.Equitable mortgage of Land and Building at Sobha Dahlia Project & Land at Sobha Althea & Sobha Azalea & Hypothecation of receivables of Sobha Dahlia Project & pari passu charge on land at Sobha Carnation Project with Corporation Bank & extension of charge Land Fiorella & movable fixed assets	377.63	120.84
b. Equitable Mortgage of Land of Sobha Fiorella & movable Fixed Assets and extention of equitable mortgage of land at Sobha Althea and Sobha Azalea projects	252.05	-
c. Equitable Mortgage of Land of Sobha Amber Project	-	55.99
d. Hypothecation of receivables of Sobha Zircon Project	-	50.35
Corporation Bank		
Secured by		
a. Hypothecation of receivables of Sobha Emerald, Sobha Sunflower, Sobha Amber, and various other Projects	201.56	100.70

Annexure X

SCHEDULE OF LOANS

(Rs. in Million)

a. SECURED LOANS

Particulars	As at 30th September 2006	As at 30th September 2005
b. Hypothecation of receivables of Sobha Ivory 1, Sobha Aquamarine and Sobha Quartz project and Equitable mortgage of land and building at Sobha Tower Project	76.00	40.32
c. Equitable mortgage of land and building at Sobha Primrose Project	302.34	201.11
d. Equitable mortgage of land and building at Sobha Ivory 2 Project	50.39	25.17
e. Hypothecation of receivables of Sobha Jade, Windfall Projects	-	10.08
e. Equitable mortgage of land at Sobha Orchid Project	-	45.36
f. Equitable mortgage of Land of Sobha Carnation ranking in pari-passu with UTI Bank & Hypothecation of receivables of Sobha Carnation Project	207.57	-
Canara Bank		
Secured by		
a. Hypothecation of receivables of Sobha Mayflower, Sobha Jasmine and Sobha Quartz Projects	504.11	-
b. Land and building located at Central Store, Jakkur.	100.86	-
c. Equitable mortgage of land Jasmine & Quartz Projects	-	100.65
d. Hypothecation of receivables of Sobha Jasmine & Mayflower Projects	-	302.19
e. Equitable mortgage of lease hold rights in respect of the factory land & building located at Jigni industrial area owned by a Group Company	59.36	-
The Dhanalakshmi Bank Limited		
Secured by		
a. Equitable mortgage of land and building at Sobha Aster Project	52.59	-
Standard Chartered Bank		
Secured by		
Hypothecation of receivables of Sobha Daisy Project	71.60	-
UCO Bank		
Secured by		
Hypothecation of receivables of Sobha Magnolia Project	504.13	502.67
HSBC		
Secured by		
Equitable Mortgage of Land of Sobha Hill View Project & Sobha Chrysenthimum and hypothecation of receivable of Sobha Hill View Project	841.72	-
HSBC Foreign Currency Loan		
Equitable Mortgage of Land of Sobha Hill View Project & Sobha Chrysenthimum and hypothecation of receivable of Sobha Hill View Project	160.00	-
Kotak Mahindra Bank Ltd		
Hypothecation of receivables of HP, Indian Hotels & MICO Projects	44.43	-
Term Loans From Financial Institution		
HDFC Limited		
Secured by		
a. Equitable mortgage of land and building at Sobha Iris Project	-	200.00
b. Equitable mortgage of land at Sunflower Project/Aquamarine Project	-	75.00
IL & FS		
Secured by		
Equitable Mortgage of Land & receivables of Sobha Amethyst, Sobha Adamus and Sobha Suncrest Project	452.38	-

Annexure X

SCHEDULE OF LOANS

(Rs. in Million)

a. SECURED LOANS

Particulars	**As at 30th September 2006**	**As at 30th September 2005**
SREI Infrastructure Finance Limited		
Secured by		
a. Hypothecation of Batching Plant-Block Making Unit	54.51	82.41
Sub total (b)	**4936.66**	**1,993.89**
iii. Cash Credit Facilities and Demand Loan from Banks		
UTI Bank Limited		
Secured by		
a. Hypothecation of receivables of Infosys Technologies Ltd Projects	152.31	197.74
b. Hypothecation of Raw Materials & receivables at Pune	45.04	-
The Dhanalakshmi Bank Limited		
Secured by		
a. Hypothecation of Stock of construction materials at Jakkur Plant	21.16	0.88
State Bank of India		
Secured by		
Equitable mortgage of land and building at Sobha Tulip Project	210.09	-
Oriental Bank of Commerce		
Secured by		
Equitable mortgage of land at Sobha Basil and Sobha Beryl, Building and Land of Block Making Unit at Jigni and hypothecation of receivables of Sobha Basil and Sobha Beryl Projects	59.98	-
Andhra Bank		
Secured by		
Equitable mortgage of land and building at Sobha Rose, Sobha Lotus projects purchased in the name of Sobha Innercity Technopolis Private Ltd and equitale mortgage of Sobha Hibiscus project purchased in the name of Sobha Technocity Private Ltd-sister concerns and Hypothecation of Book debts of Sobha Hibiscus, Sobha Rose and Sobha Lotus Projects	21.89	302.56
Canara Bank		
Secured by		
Hypothecation of Stock and receivables of Interior Division factory	16.92	
Sub total (c)	**527.39**	**501.18**
iv. Vehicle and Equipment Loans		
From Banks	15.28	5.56
From Others	99.16	4.98
Sub total (d)	**114.44**	**10.54**
Grand Total	**6,578.49**	**2,505.61**

SCHEDULE OF LOANS		Annexure X
b. UNSECURED LOANS		(Rs. in Million)
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
From		
Corporate Body # $	100.00	-
Promoters/Directors *	4.50	23.62
Total	**104.50**	**23.62**

availed from M/s Innovations Investment Management India Private Limited, a company not part of the Promoter group companies.

$ Interest is paid @ 11% as at 30th September 2006

* Interest is paid @12% as at 30th September 2006

SCHEDULE OF CURRENT LIABILITIES		Annexure XI
		(Rs. in Million)
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
Current Liabilities		
Sundry Creditors	377.47	2.60
Advance from Customers	1,809.32	2,672.77
Interest payable	5.28	0.80
Other Liabilities	677.11	673.92
Sub-total	**2,869.18**	**3,350.09**
Provisions		
Income Tax	454.23	269.51
Fringe Benefit Tax	5.51	0.73
Sub-total	**459.74**	**270.24**
Total	**3,328.92**	**3,620.33**

SCHEDULE OF SHARE CAPITAL		Annexure XII
		(Rs. In Million unless otherwise stated)
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
Share Capital		
Equity Shares		
Authorised Capital	800.00	220.00
Number of Shares (in Nos.)	80,000,000	22,000,000
Preference Shares		
Authorised Capital	100.00	200.00
Number of Shares (in Nos.)	1,000,000	2,000,000
Equity Shares		
Issued, Subscribed and Paid-up	634.21	211.40
Number of Shares (in Nos.)	63,421,440	21,140,480
Restated Number of Shares	64,004,908	63,421,440
Restated Weighted Average Number of Shares (in Nos.)	63,669,214	63,421,440
Preference Shares		
Issued, Subscribed and Paid-up	87.28	87.28
Number of Shares (in Nos.)	872,843	872,843

SCHEDULE OF SHARE CAPITAL		Annexure XII
		(Rs. In Million unless otherwise stated)
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
Share Capital	**721.49**	**298.68**

Note: 1. Face Value of Equity share is Rs. 10/- each and Preference Shares is Rs. 100/- each

2. Both Equity and Preference Shares are fully paid up

SCHEDULE OF RESERVES AND SURPLUS		Annexure XIII
		(Rs. in Million)
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
General Reserve	250.44	50.44
Surplus in Profit and Loss Account	936.11	442.43
Total	**1,186.55**	**492.87**

SCHEDULE OF INCOME FROM PROJECTS		Annexure XIV
		(Rs. In Million)
Particulars	**Half year ended on 30th Sep 2006**	**Half year ended on 30th Sep 2005**
Income from Construction Activity		
- Residential and Commercial Projects	2,805.69	1,535.78
- Contractual Projects	1,539.16	981.26
(a)	**4,344.85**	**2,517.04**
Income from Manufacturing Activity		
Turnover	877.56	-
Less: Excise Duty	46.11	-
(b)	**831.45**	**-**
Total (a)+(b)	**5,176.30**	**2,517.04**

SCHEDULE OF OTHER INCOME			Annexure XV
			(Rs. in Million)
Particulars	**Nature**	**Half year ended on 30th Sep 2006**	**Half year ended on 30th Sep 2005**
Interest received on securities/Bank Deposits	Recurring	4.12	-
Exchange Fluctuation(Net)	Recurring	0.17	0.07
Interest received others	Recurring	4.54	0.99
Profit on sale of Asset	Non-recurring	0.10	-
Registration Charges	Recurring	84.09	23.00
Expenses recovered	Non-recurring	3.99	9.10
Electricity and Water Deposit Charges	Recurring	41.30	77.18
Dividends	Non-recurring	0.20	-
Forfeiture of customer advances	Non-recurring	0.68	0.55
Rent	Recurring	0.10	-

SCHEDULE OF OTHER INCOME			Annexure XV
			(Rs. in Million)
Particulars	**Nature**	**Half year ended on 30th Sep 2006**	**Half year ended on 30th Sep 2005**
Maintenance Charges received	Non-recurring	0.90	0.66
Others	Non-recurring	11.93	0.13
Total		**152.12**	**111.68**

Note:

1. The classification of "Other Income" as recurring and non recurring is based on the current operations and business activity of the Company as determined by the Management

2. The details of "Other Income" disclosed above are stated after adjusting the effect of restatement. The same have been shown as gross of restatement in the summary Statement of Profits and Losses, as restated.

SCHEDULE OF RAW MATERIAL CONSUMPTION		Annexure XVI
		(Rs. In Million)
Particulars	**Half year ended on 30th September 2006**	**Half year ended on 30th September 2005**
Purchase		
Raw Materials	774.39	-
Consumable Stores and Spares	69.52	-
Add: Opening Inventory		
Raw Materials	1.75	-
Finished Goods	5.07	-
Work in Progress	0.59	-
Less: Closing Inventory		
Raw Materials and Stores and Spares	165.90	-
Finished Goods	9.98	-
Work in Progress	142.96	-
Total	**532.48**	**-**

SCHEDULE OF LAND AND CONSTRUCTION EXPENSES		Annexure XVII
		(Rs. In Million)
Particulars	**Half year ended on 30th September 2006**	**Half year ended on 30th September 2005**
Land Cost	379.38	439.49
Construction Expenses	2,127.64	1,484.00
Add: Opening Inventory		
Stock - in Trade	4.78	4.78
Stock of Building Materials	11.26	4.34
Work - in - Progress	2,479.01	1,896.32
Less: Closing Inventory		
Stock - in Trade	4.78	4.78
Stock of Building Materials	7.46	2.85
Work - in - Progress	2,324.69	2,078.51
Total	**2,665.14**	**1,742.79**

SCHEDULE OF PRODUCTION EXPENSES		Annexure XVIII
		(Rs. In Million)
Particulars	**Half year ended on 30th September 2006**	**Half year ended on 30th September 2005**
Labour Charges	7.04	-
Direct Wages	100.97	-
Power and Fuel	11.53	-
Other Direct Expenses	11.96	-
Total	**131.50**	**-**

SCHEDULE OF ADMINISTRATIVE EXPENSES		Annexure XIX
		(Rs. In Million)
Particulars	**Half year ended on 30th September 2006**	**Half year ended on 30th September 2005**
Salaries	272.40	117.24
Staff Welfare	11.93	0.70
Contribution to Provident & Other Funds	19.46	6.18
Registration Expenses of Flats	76.79	28.44
Sales Tax	328.44	100.95
Other Expenses	290.51	201.31
Total	**999.53**	**454.82**

SCHEDULE OF FINANCE CHARGES		Annexure XX
		(Rs. In Million)
Particulars	**Half year ended on 30th September 2006**	**Half year ended on 30th September 2005**
Interest on Term Loans	238.38	65.73
Interest on Other Loans	41.08	28.77
Total	**279.47**	**94.50**

SCHEDULE OF CONTINGENT LIABILITIES Annexure XXI

(Rs. in Million)

Particulars	As at 30th September 2006	As at 30th September 2005
Estimated amount of contracts remaining to be executed on capital account	19.60	15.80
Counter guarantees given to bank	70.52	42.00
Letter of Credit	62.16	-
Corporate guarantee to its other related parties		
(a) Sobha Interiors Private Limtied	185.00	18.50
(b) Sobha Space Private Limited	70.00	30.00
(c) Sobha Glazing and Metal Works Private Limited	60.00	65.00
On account of demand from Income Tax department	45.56	-
On account of demand from Sales Tax department	20.18	-
Total	**533.02**	**171.30**

SUMMARY OF ACCOUNTING RATIOS Annexure XXII

(In Rs. Unless otherwise stated)

Particulars	Half year ending 30th September 2006	Half year ending 30th September 2005
Adjusted profit to income from operations (%)	539.74	232.54
Earnings per share		
Basic (Rs.)	8.48	3.67
Diluted (Rs.)	8.48	3.67
Cash earnings per share (Rs.)	10.18	4.43
Net Asset Value per share (Rs.)	29.97	12.48
Return on Networth (%)	28.29%	29.38%
Total Debt/Equity Ratio	3.50	3.20
No of Equity Shares (in Nos.)	63,421,440	21,140,480
Restated Number of Equity Shares (in Nos.)	64,004,908	63,421,440
Restated Weighted Average Number of Equity Shares (in Nos.)	63,669,214	63,421,440

Notes:

1. The ratios have been computed as below

Adjusted profit to income from operations (%)	$\frac{\text{Adjusted profit before Tax}}{\text{Income from operations}}$
Earning per Share	$\frac{\text{Adjusted profit after tax before extra ordinary items}}{\text{Restated Weighted average no of equity shares outstanding during the year}}$

Cash Earning per share	Adjusted profit after tax but before depreciation	
	Restated Weighted average no of equity shares outstanding during the year	
Net Asset value per share	Networth excluding revaluation reserve	
	Restated Weighted average no of equity shares outstanding during the year	
Return on Networth%	Adjusted profit after tax but before extraordinary items	
	Net worth excluding revaluation reserve	
Total Debt/Equity Ratio	Long Term Debt+Short Term Debt	
	Equity Share Capital+Reserves and Surplus	

2. The earning per share is calculated in accordance with the Accounting Standard 20 "Earning per share" issued by the Institute of Chartered Accountants of India.

3. Networth means Equity Share Capital + Reserves and Surplus - Miscellaneous Expenditure (to the extent not written off)

4. Restated shares have been computed pursuant to the issue of Bonus Shares in the ratio of two shares for every shares held by the shareholders of record on 28th June 2006 by utilising free reserves and a pre-IPO placement of 583478 equity shares as disclosed in para 9 of Notes to Accounts

5. Restated Profit and Loss and Income from operations has been considered for the purpose of computing the above ratios.

TAX SHELTER STATEMENT Annexure XXIII

(Rs. In Million)

Particulars	Half year ended 30th September 2006	Half year ended 30th September 2006
Profit before tax	**611.83**	**288.12**
Tax Rate (in %)	33.66%	33.66%
Tax as per actual rate on profits	205.94	96.98
Adjustments		
Permanent Differences		
Dividend (Exempt from Tax)	(0.23)	-
Profit/loss on sale of assets	(0.10)	-
Deduction u/s 80 IB of the Income Tax Act ("the act")	(442.94)	(125.33)
Disallowance for donations	28.88	8.81
Total permanent Differences (B)	(414.39)	(116.52)
Timing Differences		
Difference between Tax depreciation and book depreciation	(5.49)	(9.70)
Unpaid Gratuity/Leave encashment	7.30	4.67
Total for Timing differences (C)	1.81	(5.03)
Total adjustments (B+C)	(412.58)	(121.55)
Tax expense/saving thereon	(138.87)	(40.91)
Tax payable for the Half year	67.07	56.07
Total taxation	67.07	56.07
Provision for domestic tax as per Books of account	67.10	56.11

CAPITALISATION STATEMENT OF THE COMPANY

Annexure XXIV

(Rs. in Million unless otherwise stated)

Particulars		Pre-issue as at 30th September 2006	Post issue as at 30th September 2006
Long Term Debts			
- Term Loans		1,747.09	1,747.09
- Vehicle and Equipment Loans		36.19	36.19
	a	**1,783.28**	**1,783.28**
Short Term Debts			
- Debentures		1,000.00	1,000.00
- Term Loans		3,189.57	3,189.57
- Working Capital and Cash Credit facilities		527.39	527.39
- Unsecured Loans		104.50	104.50
- Vehicle & Equipment Loans		78.25	78.25
	b	**4,899.71**	**4,899.71**
	Total Debts (a+b)	**6,682.99**	**6,682.99**
Shareholders' Funds			
Share Capital		721.50	Refer Note:3 below
General Reserve		250.44	
Profit and Loss Account		936.11	
		1,908.05	
Total Debt/Total Shareholders' Funds (Ratio)		3.50	
Long Term debt/Total Shareholders' Funds (Ratio)		0.93	

Notes:

1. The above has been computed on the basis of the restated financial statement of accounts
2. Short term debts are debts maturing within the next one year from the date of the respective statement of accounts.
3. Share Capital and Reserves, post issue can be ascertained only on the conclusion of the book building process

RELATED PARTY TRANSACTIONS FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2006

Annexure XXV

(Rs. in Million)

PARTICULARS	NATURE OF RELATIONSHIP	NAME OF THE RELATED PARTY	Amount
Sale of Goods and Services	Other Related Parties	Oman Builders Private Limited	7.11
		Sri Kurumba Trust	3.38
	Key Management Personnel	P N C Menon	0.03
		Mrs. Sobha Menon	0.45
		J C Sharma	0.64
Interest Received	Other Related Parties	Sobha Renaissance Information Technology Pvt Ltd.	2.32
Purchase of goods and contractual services	Other Related Parties	Sobha Interiors Private Limited	233.19
		Sobha Glazing & Metal Works Private Limited	169.44
		Sobha Projects & Trade Private Limited	0.63
		Lotus Manpower Services	145.16
		Sobha Space Private Limited	30.59
		Technobuild Developers Private Limited	0.04
		Sobha Renaissance Information Technology Pvt Ltd.	5.05
	Relatives of Key	P N K Mani	1.48

RELATED PARTY TRANSACTIONS FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2006			
			Annexure XXV
			(Rs. in Million)
PARTICULARS	**NATURE OF RELATIONSHIP**	**NAME OF THE RELATED PARTY**	**Amount**
	Management Personnel		
Directors' Remuneration	Key Management Personnel	J C Sharma	12.35
		Ravi Menon	9.00
		P N C Menon	16.26
		Lt. General Mathew Mammen	1.49
Salary	Key Management Personnel	K.Suresh	1.01
		P.Kanodia	1.01
Purchase of Fixed Assets	Other Related Parties	Sobha Interiors Private Limited	62.74
		Sobha Glazing & Metal Works Private Limited	25.74
		Sobha Space Private Limited	45.62
Interest Paid	Key Management Personnel	Sobha Menon	0.65
		P N C Menon	0.04
Donation Paid	Other Related Parties	Sri Kurumba Trust	53.70
Rent Paid	Key Management Personnel	Sobha Menon	0.18
Advances given	Subsidiary Company	SBG Housing Private Limited	9.74
	Other Related Parties	Technobuild Developers Private Limited	649.04
Loan Given	Other Related Parties	Sobha Renaissance Information Technology Pvt Ltd.	30.00
Guarantees and Collaterals taken	Other Related Parties	Sobha Innercity Technopolis Private Limited	1,503.63
		Sobha Technocity Private Limited	526.00
		Sobha Glazing & Metal Works Private Limited	59.36
		Sobha Interiors Private Limited	100.86
		Sobha Space Private Limited	45.04
	Subsidiary Company	SBG Housing Private Limited	452.38
Guarantees and Collaterals given	Other Related Parties	Sobha Space Private Limited	70.00
		Sobha Interiors Private Limited	185.00
		Sobha Glazing & Metal Works Private Limited	60.00
Balance receivable	Other Related Parties	Sobha Interiors Private Limited	170.35
		Sobha Glazing & Metal Works Private Limited	188.60
		Sobha Projects & Trade Private Limited	14.81
		Sobha Renaissance Information Technology Pvt Ltd.	65.53
		Technobuild Developers Private Limited	1,646.44
		Hill and Menon Securities Services Private Limited	0.09
		Oman Builders Private Limited	2.54
		Sri Kurumba Trust	27.13
		Sobha Electro Mechanical Private Limited	0.13
		Lotus Manpower Services	10.30
	Key Management Personnel	J C Sharma	0.08
		PNC Menon	0.03
		Sobha Menon	0.45
	Subsidiary Company	SBG Housing Private Limited	128.64
Balance payable	Other Related Parties	Sobha Innercity Technopolis Private Limited	27.28
		Royal Interiors Private Limited	4.03
		Sobha Space Private Limited	51.69
		Sobha Technocity Private Limited	1.34
	Relatives of Key Management Personnel	PNK Mani	0.19
Details of related parties			
Key Management Personnel		Mr. PNC Menon	
		Mrs. Sobha Menon	
		Mr. Ravi Menon	
		Mr. J C Sharma	

RELATED PARTY TRANSACTIONS FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2006

Annexure XXV

(Rs. in Million)

PARTICULARS	NATURE OF RELATIONSHIP	NAME OF THE RELATED PARTY	Amount
		Mr. K.Suresh	
		Mr.P.Kanodia	
Relatives of Key Management Personnel		Mr. PN Haridas	
		Mr. PNK Mani	
Other Related Parties		M/s Oman Builders Private Limited	
		M/s Sobha Innercity Technopolis Private Limited	
		M/s Sobha Interiors Private Limited	
		M/s Sobha Glazing and Metal Works Private Limited	
		M/s Sobha Electro Mechanical Private Limited	
		M/s Sobha Renaissance and Information Technology Private Limited	
		M/s Sobha Technocity Private Limited	
		M/s Sobha Projects and Trade Private Limited	
		M/s Indeset Building Materials LLC	
		M/s Services and Trade Company	
		M/s Indeset Trading and Decorations Services LLC	
		M/s Royal Interiors Private Limited	
		M/s Technobuild Developers Private Limited	
		M/s Hill and Menon Secruties Private Limited	
		M/s Menon Hill Financial Services Limited	
		M/s Sri Kurumba Trust	
		M/s Sobha Space Private Limited	
		M/s Lotus Manpower Services	
Subsidiary Company		M/s SBG Housing Private Limited	

CONSOLIDATED FINANCIAL INFORMATION OF SOBHA DEVELOPERS LIMITED AS AT AND FOR THE HALF YEARS ENDED 30th SEPTEMBER 2006 AND 2005

CONSOLIDATED RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES AND CONSOLIDATED RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES, AND CONSOLIDATED STATEMENT OF CASH FLOWS, AS RESTATED, UNDER INDIAN GAAP AS AT AND FOR THE HALF YEARS ENDED 30th SEPTEMBER 2006 AND 2005.

Date: 28th October, 2006

To

The Board of Directors,
Sobha Developers Limited (formerly, Sobha Developers Private Limited)
E 106 Sunrise Chambers
22 Ulsoor Road
Bangalore 42

Dear Sirs,

We have examined the consolidated financial information of M/s.Sobha Developers Limited ('the Company') *(formerly, Sobha Developers Private Limited)* and its subsidiary SBG Housing Private Limited (collectively referred to as the 'Group') annexed to this report and initialled by us for identification purposes, which has been prepared in accordance with the requirements of:

b) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');

c) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') as amended from time to time and related clarifications; and

d) The terms of reference received from the Company, requesting us to carry out work, proposed to be included in the Red Herring Prospectus and the Prospectus (collectively, 'the Offer Documents') of the Company in connection with its proposed Initial Public Offer ('IPO').

The Company proposes to make an IPO for a fresh issue of equity shares having a face value of Rs.10 per equity share at an issue price as may be decided by the Board of Directors, to be arrived at by the 100% book building route (referred to as 'the issue').

A. Financial information as per consolidated audited financial statements of Sobha Developers Limited

1. We have examined the attached consolidated Restated Summary Statement of Assets and Liabilities of the Company as at 30th September 2006 and 2005, the consolidated Restated Summary Statement of Profits and Losses and the consolidated Restated Statement of Cash Flows for each of the period ended on those dates ('Consolidated Restated Summary Statements') (see Annexures I, II and III) as prepared by the Company and approved by the Board of Directors. The consolidated restated profits have been arrived at after making such regroupings as in our opinion are appropriate and we are of the opinion that no restatement is required as compared to the audited consolidated financial statements for the aforesaid period. We have audited the consolidated financial statements of the Company for the half years ended 30th September 2006 and 2005. Based on our examination of the Consolidated Restated Summary Statements, we confirm that:

i. The 'Consolidated Restated Summary Statements' have to be read in conjunction with the notes given in Annexure IV to this report.

ii. The 'Consolidated Restated Summary Statements' of the Company have been furnished without any restatement as there are no changes to the significant accounting policies being adopted by the Company as at 30th September 2006 and the periods for which the financial statements have been annexed hereto, subject to para 2 of the notes forming part of the Consolidated Restated Summary Statements.

iii. The consolidated restated profits have been arrived at after charging all expenses including depreciation and after making such regroupings as in our opinion are appropriate in the period to which they are related.
iv. There are no prior period items which need to be adjusted;
v. There are no extraordinary items which need to be disclosed separately in the Consolidated Restated Summary Statements; and
vi. There are no qualifications in the auditors' reports, which require any adjustments to the Consolidated Restated Summary Statements.

B. Other Financial Information:

We have examined the following information in respect of the half year ended 30th September 2006, and 2005 of the Company, proposed to be included in the offer documents, as approved by the Board of Directors and annexed to this report;

i. Statement of Fixed Assets (Annexure - V)
ii. Statement of Summary of Investments (Annexure – VI)
iii. Statement of Inventories (Annexure-VII)
iv. Statement of Sundry Debtors (Annexure- VIII)
v. Statement of Loans and Advances (Annexure – IX)
vi. Statement of Secured and Unsecured Loans (Annexure – X)
vii. Statement of Current Liabilities and Provisions (Annexure – XI)
viii. Statement of Share Capital (Annexure - XII)
ix. Statement of Reserves and Surplus (Annexure – XIII)
x. Statement of Income from Projects (Annexure XIV)
xi. Statement giving details of Other Income (Annexure – XV)
xii. Statement of Raw Material Consumption (Annexure –XVI)
xiii. Statement of Land and Construction Expenses (Annexure - XVII)
xiv. Statement of Production Expenses (Annexure XVIII)
xv. Statement of Administrative Expenses (Annexure - XIX)
xvi. Statement of Finance Charges (Annexure XX)
xvii. Statement of Contingent Liabilities (Annexure – XXI)
xviii. Summary of Accounting Ratios based on adjusted profits related to earnings per share, net asset value, return on net worth and Total debt-equity ratio (Annexure – XXII)
xix. Tax Shelter Statement (Annexure XXIII)
xx. Capitalisation Statement of the Company as at 30th September, 2006 (Annexure- XXIV)
xxi. Statement of Related Party Disclosures (Annexure – XXV)

We have been informed that the company has not declared any dividend on equity shares for the half years ended September 30, 2006 and 2005.

In our opinion, the 'Financial Information as per Audited Financial Statements' and Other Financial Information mentioned above for the half years ended 30th September 2006 and 2005 have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.

This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports nor should this be construed as a new opinion on any of the financial statements referred to herein.

This report is intended solely for your information and for inclusion in offer documents in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.Janardhan & Associates
Chartered Accountants.

B.Anand
Partner
Membership No.29146
Place: Bangalore
Date : 28th October, 2006

CONSOLIDATED RESTATED SUMMARY OF ASSETS AND LIABILIITES		Annexure I
		(Rs. in Million)
	As at 30th September 2006	**As at 30th September 2005**
Fixed Assets		
Gross Block	1,848.88	646.64
Less : Depreciation	360.39	173.98
Net Block	1,488.49	472.66
Capital Work In Progress	87.43	123.77
Total (A)	**1,575.92**	**596.43**
Investments (B)	**26.88**	**140.27**
Current Assets, Loans and Advances		
Inventories	2,785.60	2,201.70
Sundry Debtors	558.27	213.29
Cash and Bank Balances	286.31	100.26
Loans and Advances	6,731.90	3,736.17
Total (C)	**10,362.08**	**6,251.42**
TOTAL ASSETS (A+B+C) =D	**11,964.88**	**6,988.12**
Liabilities and Provisions		
Secured Loans	6,578.49	2,505.61
Unsecured Loans	104.50	23.62
Deferred Tax Liabiliites(Net)	18.73	20.80
Current Liabilities	2,895.44	3,376.34
Provisions	459.74	270.24
Total (E)	**10,056.90**	**6,196.61**
Networth (D-E)	**1,907.98**	**791.51**
Networth represented by		
Share Capital	721.50	298.69
Reserves and Surplus	1,186.52	492.87
Less:		
Miscellaneous Expenditure (to the extent not written off)	0.04	0.05
Total	**1,907.98**	**791.51**
NETWORTH	**1,907.98**	**791.51**

The accompanying significant accounting policies and notes (Annexure IV) are an integral part of the accounts

As per our report of even date For S.Janardhan & Associates Chartered Accountants	For and on behalf of the Board of Directors
B.Anand Partner Membership No: 29146	J.C.Sharma Managing Director
Place: Bangalore October 28, 2006	Place: Bangalore October 28, 2006

CONSOLIDATED RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES

Annexure II

(Rs. in Millions)

Particulars		Half year ended 30th Sep 2006	Half year ended 30th Sept 2005
INCOME			
Income from Construction Activity			
- Residential and Commercial Projects		2,805.69	1,535.78
- Contractual Projects		1,539.16	981.26
	(a)	**4,344.85**	**2,517.04**
Income from Manufacturing Activity			
Turnover (Gross)		877.56	-
Less: Excise Duty		46.11	-
	(b)	**831.45**	
	(a)+(b)	**5,176.30**	**2,517.04**
Other Income		152.12	111.68
	Total	**5,328.42**	**2,628.72**
EXPENDITURE			
Land and Construction Expenses		2,665.14	1,742.79
Raw Material Consumption		532.48	-
Production Expenses		131.50	-
Administrative Expenses		999.54	454.82
Finance Charges		279.47	94.50
Depreciation		108.47	48.50
	Total	**4,716.60**	**2,340.61**
Profit before Taxation		611.82	288.11
Less Provision for Income Tax		67.00	56.11
Provision for Wealth Tax		0.08	0.04
Fringe Benefit Tax		3.00	0.73
Deferred Tax		2.01	(1.30)
Profit after Taxation		**539.73**	**232.53**
Less Interim Dividend		-	84.56
Tax on Dividend		-	11.86
Profit after appropriation		**539.73**	**136.11**

Balance of Profit brought forward	819.16	306.32
Less: Capitalisation by issue of Bonus Shares	422.81	-
Profit carried to Balance Sheet	**936.08**	**442.43**

The accompanying significant accounting policies and notes (Annexure IV) are an integral part of the accounts

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

For and on behalf of the Board of Directors

B.Anand
Partner
Membership No: 29146

J.C.Sharma
Managing Director

Place: Bangalore
October 28, 2006

Place: Bangalore
October 28, 2006

	CONSOLIDATED RESTATED STATEMENT OF CASH FLOWS		
			Annexure III
			(Rs. in Millions)
		Half year ended 30th September 2006	**Half year ended 30th September 2005**
a.	**Cash Flow From Operating Activites**		
	Profit before Tax	**611.82**	**288.10**
	Adjustments for :		
	Depreciation	108.47	48.50
	Interest Paid (Net)	270.81	93.51
	Dividend from Investments	(0.23)	-
	(Profit)/Loss on sale of assets	(0.10)	-
	Operating Profit before working capital Changes	**990.77**	**430.11**
	Inventories	(120.76)	(180.70)
	Debtors	244.69	150.65
	Loans & Advances (Other than advance tax & TDS)	(1,578.17)	(1,549.79)
	Liabilities (excluding interest accured)	(1,117.85)	1,374.95
	Net changes in Working Capital	**(2,572.09)**	**(204.89)**
	Cash Generated From Operations	**(1,581.32)**	**225.22**
	Interest Paid	(276.50)	(95.30)
	Direct Taxes Paid	(97.56)	(65.78)
	Net Cash From Operating Activites (A)	**(1,955.38)**	**64.14**
b.	**Cash Flow From Investment Activities**		
	Purchases of Fixed Assets	(664.30)	(90.76)
	Purchases of Investment	(250.00)	(140.14)
	Interest Receipts	9.99	1.08
	Sale of Fixed Assets	0.26	-
	Sale of Investments	250.01	-
	Dividend from Investments	0.23	-
	Net Cash Used In Investment Activites (B)	**(653.81)**	**(229.82)**
c.	**Cash Flow From Financing Activities**		
	Net Increase/ (Decrease) in Borrowing	2451.90	296.57
	Dividend paid	(6.14)	(96.46)
	Cash generated From Financing Activites (C)	**2445.76**	**200.11**
	Net Increase in Cash & Cash Equivalents (A+B+C)	**(163.43)**	**34.43**
	Opening Balance - Cash & Cash Equivalants	449.74	65.83
	Closing Balance - Cash & Cash Equivalants	**286.31**	**100.26**

	Notes:
1	The Cash Flow Statement has been prepared under indirect method as set out in Accounting Standard -3 on Cash Flow Statement issued by the Insitute of Chartered Accountants of India
2	Negative figures have been shown in brackets

As per our report of even date For S.Janardhan & Associates Chartered Accountants	For and on behalf of the Board of Directors
B.Anand	**J.C.Sharma**
Partner	Managing Director
Membership No: 29146	
Place: Bangalore October 28, 2006	Place: Bangalore October 28, 2006

Annexure IV

NOTES FORMING PART OF THE CONSOLIDATED RESTATED SUMMARY STATEMENTS

Significant Accounting Policies and Notes to Accounts:

Background:

The Company was incorporated on 7th August 1995 and is primarily engaged in the business of construction and development of residential and commercial projects and also undertakes contractual work for corporates.

1. Significant Accounting Policies:

1.1 Basis of Accounting

The Company follows accrual method of accounting except where the receipt of income is uncertain and is in accordance with the Accounting Standards referred to in sub section 3(c) of Section 211 of the Companies Act, 1956.

1.2 Revenue Recognition:

(i) ***Recognition of Revenue from Contractual Projects:***

Revenue from Contractual Projects undertaken is recognized on the basis of the certification issued by the client.

(ii) Recognition of Revenue from Real Estate Developmental Projects:

Revenue from each Real Estate Developmental Project is recognized:

(a) On the basis of "Percentage Completion Method".

(b) The percentage completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenue and contract costs.

(c) When the stage of completion of each project reaches a significant level, which is estimated to be at least 25% of the total estimated cost of the project.

(iii) Sale of Plot/Apartments:

Sale of Plots/Apartments is net after adjustments on account of cancellation.

(iv) Recognition of Job Work Income of manufacturing divisions

a) Materials: On shipment of materials from the manufacturing units

b) Labour charges: On certification by the contractee.

(v) Recognition of Revenue on account of charges collected towards Power and Water deposits and related expenses:

Differential income arising on account of charges collected towards Electricity Deposits and Water Deposits and the related expenses incurred are recognized on handing over of the flats to the customers.

(vi) Recognition of Revenue on account of charges collected towards registration of flats on behalf of clients:

Differential income arising on account of registration amounts collected from customers and the related expenses incurred are recognized in the year of registration of the concerned flats in the name of the customers.

1.3 Fixed Assets

Fixed Assets are stated at historical cost inclusive of freight and other direct expenses less depreciation to date.

1.4 Depreciation/Amortisation:

(a) Depreciation on assets is provided on Written Down Value method on a pro-rata basis at the rates as set out in Schedule XIV of the Companies Act, 1956 except for steel scaffolding items for which, the same is calculated at 16.67% on Straight Line Method, based on estimated useful life of asset as 6 years.

(b) Assets purchased, where the cost does not exceed Rs.5,000/- is depreciated at the rate of 100 % in the year of purchase.

(c) Centering materials made out of materials other than steel is charged off to the project and centering materials of steel is treated as plant and machinery and depreciation is accordingly provided.

(d) Expenditure incurred on software development is capitalized under the head Intangible Assets and is amortised over a period of 3 years on a pro-rata basis, which is estimated to be the useful life of the asset.

1.5 Investments

Investments are long tem (unless otherwise stated) and are stated at cost except cases where provision is considered necessary.

1.6 Inventory

(A) Related to Contractual & Real Estate Activity

Direct expenses like site labour cost, materials used for project construction, costs for moving the plant and machinery to the site and general expenses incurred specifically for the respective project like, insurance, design and technical assistance, and construction overheads are taken as the contract cost of the respective project.

(a) Work in Progress - Contractual Projects: Represents the work, which is yet to be certified by the client and other retentions and is calculated on an estimated basis.

(b) Work in Progress – Real Estate Projects: Represents the cost incurred in respect of unsold area of the Real Estate Development Projects.

(c) Stock of Plots and apartments, classified as stock in trade, are valued at cost or net realizable value whichever is lower.

(e) Building Materials purchased specifically for projects are taken as consumed as and when received. Building Materials bought, not identified with any specific project are valued at cost.

(B) Related to Manufacturing Activity

(a) Raw Materials & Stores and Spares are stated at lower of cost or net realisable value. Cost is determined based on the weighted average method.

(b) Work in Progress is valued at lower of cost or net realisable value.

(c) Finished Goods are valued at lower of cost or net realisable value including excise duty. Net realisable value is the estimate of the selling price in ordinary course of business, less the cost of completion and selling expenses.

1.7 Exchange Fluctuation:

(a) Foreign Currency transactions are accounted at the exchange rates prevailing on the date of the transaction.

(b) Gains and losses resulting from the settlement of foreign currency transaction and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the Profit and Loss Account.

(c) Exchange differences relating to fixed assets are adjusted to the cost of the asset.

(d) In respect of forward exchange contract entered into by the company, the difference between the contracted rate and the rate at the date of transaction is recognised as gain or loss over the period of contract. Exchange differences on such contracts are recognised in the statement of Profit and Loss in the accounting period in which the exchange rates changes

1.8 Impairment of Assets: Pursuant to Accounting Standard (AS28) on "Impairment of Assets" issued by the Institute of Chartered Accountants of India, the Company assessed its fixed assets for impairment as at the balance sheet date and concluded that there has been no significant impaired fixed asset that needs to be recognized in the books of account.

1.9 Employee /Retirement benefits:

(a) Provision for gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering eligible employees is done in accordance with the Payment of Gratuity Act, 1972. The liabilities with regard to the gratuity plan are determined by actuarial valuation as on the balance sheet date, based upon which, the company contributes all the ascertained liabilities to the Sobha Developers Employees Gratuity Trust (the "Trust"). Trustees administer contributions made to the trust and are invested with the ICICI Prudential Life Insurance Company Limited.

(b) Provision in respect of Leave encashment is made, based on accrual basis to the extent of the leave credit available to the employees as at the balance sheet date.

(c) Eligible employees receive benefits from a Provident Fund, which is a defined contribution plan. Aggregate contributions along with interest thereon is paid at retirement, death, incapacitation or termination of employment. Both the employee and the company make monthly contributions to the Government administered Provident Fund. The company has no obligation beyond its contribution.

(d) Provision in respect of ex-gratia payment to employees and workers is made as and when accepted by the management.

1.10 Deferred Tax:

Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

1.11 Treatment of contingent liabilities:

Contingent Liabilities not provided for are reflected in Notes on Accounts.

2. Notes on adjustments for restated summary statements, if any:

The Institute of Chartered Accountants of India has made mandatory the Accounting Standard – AS15 (Revised) on "Employee Benefits" wef 1st April 2006. The Company has applied such provisions of AS-15 (Revised) for the period ended 30th September 2006. In the absence of Actuarial Valuation Statements as per the AS-15 (Revised) for the period prior to1st April 2006, no restatement has been made for the restated financial statements prior to 1st April 2006. However, for the period prior to 1st April 2006, the provision for gratuity has been made as per the earlier AS-15.

3 . Estimated cost of construction:

Management's estimation of project construction cost is relied upon, which is expected to be incurred over the period of carrying out of the project, which includes cost of land, materials and services and is reviewed by the management at every quarter end.

4. Advances recoverable in cash or kind or for value to be received includes amounts due from private companies/ firms in which any director or his relative is interested as at 30th September, 2006 is Rs.2,125.92 million

5. The break up of the contracts in progress at the reporting date as per the requirements of disclosure of Accounting Standard AS-7 on "Construction Contracts" are given under:

	Half year ended	
	30.09.2006	**30.09.2005**
Revenue recognized	4344.85	2517.04
Cost incurred	3675.33	2197.61
Advances received	1809.32	2672.77
Gross Amount due from Customers for Contract Work	274.29	213.29

6. Deferred Tax:

The break up of deferred tax assets and liabilities in the statement of Restated Assets and Liabilities and deferred tax charge credit in the Restated Statement of Profits and Losses is as under:

	As on	
	30.09.2006	**30.09.2005**
Deferred Tax Liability: (attributable to)		
- Depreciation	28.05	25.44
Deferred Tax Asset (attributable to)		
- expenses allowable when paid	9.32	4.65

7. Segment Reporting:

The company is mainly engaged in the business of development and construction of properties and projects and therefore Segment Reporting as defined in Accounting Standard 17 does not apply.

8. Note on new activity:

a. Acquisition of Assets and Business Activity from certain of its Group Companies:

With a view to consolidate the business activities, the Company has purchased certain moveable assets like Plant and Machinery, Office Equipment, Computers, Furniture and Fixtures, Vehicles and Electrical Installations, Inventories including Raw Material, Stores and consumables work in progress from the following group companies on 3rd April 2006 and has also taken over the Cenvat balances available, if any, with the respective companies as on that date. The Company has also taken over part of the liabilities of such companies including the Term Loan liabilities and Cash Credit facilities availed by such companies. (However, the banks are yet to transfer such Term Loan and Cash Credit facilities in the name of the Company pending completion of the document formalities). Further, the company has taken over the services of the employees and the liabilities payable to the employees of such companies with effect from that date. The names of such group companies from which the Company has acquired the assets and liabilities are given as under:

i. Sobha Interiors Private Limited
ii. Sobha Glazing and Metal Works Private Limited
iii. Sobha Space Private Limited

9. Subsequent events:

The Company has made a pre-IPO placement of equity shares at a price of Rs.617/- per share to the following parties on 28th October, 2006:

M/s Bennett, Coleman & Co. Ltd.	97,245 Shares
M/s Kotak Mahindra Private Equity Trustee Limited	486,223 Shares

Subject to our report of even date
For S.Janardhan & Associates
Chartered Accountants

Place: Bangalore
Date : 28th October, 2006

B.ANAND
PARTNER
Membership No.29146

CONSOLIDATED SCHEDULE OF FIXED ASSETS

Annexure V

(Rs. In Million)

	Land	Leasehold Land	Buildings	Plant and Machinery	Furniture and Fixtures	Compu-ters	Office Equip-ments	Vehicles	Intangible Assets	Total
Gross Block as at 1st April 2005	5.08	-	18.89	438.32	9.46	33.73	14.14	33.28	3.90	556.79
Additions during the half year ended on September 2005	-	26.49	-	43.90	0.57	5.66	3.14	9.84	0.25	89.85
Disposals during the half year	-	-	-	-	-	-	-	-	-	-
Gross Block as at 30th September 2005	**5.08**	**26.49**	**18.89**	**482.22**	**10.03**	**39.39**	**17.28**	**43.12**	**4.15**	**646.64**
Depreciation										
Accumulated depreciation as at 1st April 2005	-	-	2.33	81.36	5.21	16.13	2.93	16.35	1.18	125.48
Charge for the half year	-	-	0.94	31.99	0.73	7.23	1.15	5.66	0.80	48.50
Adjustment for disposals during the half year	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30th September 2005			**3.27**	**113.35**	**5.94**	**23.36**	**4.08**	**22.01**	**1.98**	**173.98**
Net Block as at 30th September 2005	**5.08**	**26.49**	**15.62**	**368.87**	**4.09**	**16.03**	**13.20**	**21.11**	**2.17**	**472.66**
Gross Block as at 1st April 2006	30.43	26.49	108.40	945.21	13.02	51.05	21.61	50.53	4.80	1,251.54
Additions during the half year ending 30th September 2006	25.61	-	74.75	459.17	9.32	11.90	8.56	8.25	0.44	598.00
Disposals during the half year	-	-	-	-	-	-	-	0.66	-	0.66
Gross Block as at 30th September 2006	**56.04**	**26.49**	**183.15**	**1,404.38**	**22.34**	**62.95**	**30.17**	**58.12**	**5.24**	**1,848.88**
Depreciation										
Accumulated depreciation as at 1st April 2006	-	-	6.39	184.96	6.31	25.57	5.22	21.43	2.54	252.42
Charge for the half year ending 30th September 2006	-	-	5.66	87.81	2.01	6.35	1.91	4.34	0.39	108.47
Adjustment for disposals during the half year	-	-	-	-	-	-	-	0.50	-	0.50
Accumulated depreciation as at 30th September 2006	**-**	**-**	**12.05**	**272.77**	**8.32**	**31.92**	**7.13**	**25.27**	**2.93**	**360.39**
Net Block as at 30th September 2006	**56.04**	**26.49**	**171.10**	**1,131.61**	**14.02**	**31.03**	**23.04**	**32.85**	**2.31**	**1,488.49**

CONSOLIDATED SCHEDULE OF INVESTMENTS		Annexure VI
		(Rs. in Million)
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
Non Trade (Unquoted, at Cost)		
Mutual Funds	-	140.18
Government Securities		
National Savings Certificates	0.08	0.09
Sub-total (a)	**0.08**	**140.27**
Unquoted, at cost		
2,680,000 Equity shares of Rs.10/- each in Sobha Renaissance Information Technology Private Limited, fully paid up	26.80	-
Sub-total (b)	**26.80**	**-**
Total (a+b)	**26.88**	**140.27**

CONSOLIDATED SCHEDULE OF INVENTORIES		Annexure VII
		(Rs. in Million)
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
Stock - in Trade	4.78	4.78
(Valued at lower of cost or net realisable value)		
Stock of Building Materials	7.46	2.85
(Valued at lower of cost or net realisable value)		
Work - in - Progress (Construction activity)	2,454.52	2,194.07
(Valued at estimated cost)		
Work - in - Progress (Manufacturing activity)	142.96	-
(Valued at estimated cost)		
Raw Materials and Stores and spares	165.90	-
(Valued at lower of cost or net realisable value)		
Finished Goods	9.98	-
(Valued at lower of cost or net realisable value)		
Total	**2,785.60**	**2,201.70**

CONSOLDIATED SCHEDULE OF SUNDRY DEBTORS		Annexure VIII
		(Rs. in Million)
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
Debts outstanding for a period exceeding six months		
Unsecured,Considered good	100.91	25.92
Other Debts – outstanding for a period less than six months		
Unsecured,Considered good	457.36	187.37
Total	**558.27**	**213.29**
Amount due from related parties-See Annexure XXV		

CONSOLIDATED SCHEDULE OF LOANS AND ADVANCES		Annexure IX
		(Rs. in Million)
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
Advances recoverable in cash or in kind or for value to be received		
(Unsecured - Considered good)	3,801.41	1,903.98
Due from Group Entities	2,254.56	1,539.37
Deposits	171.61	34.32
Taxes - Advance Tax	504.32	258.50
Total	**6,731.90**	**3,736.17**
Amount due from Group entities- See Annexure XXV		

		Annexure X
CONSOLIDATED SCHEDULE OF LOANS		
		(Rs. in Million)
a. SECURED LOANS		
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
i. Debentures		
100 Nos. (MIBOR linked) (Floor rate 8.75%-Cap rate 8.85%) redeemable non-convertible debentures of Rs. 1 Crore each	1,000.00	-
Sub Total (a)	**1,000.00**	**-**
ii. Term Loans From Banks		
From ICICI Bank Ltd.		
Secured by		
a. Hypothecation of receivables of Sobha Aqua Marine and Sobha Daffodil Projects	600.00	58.96
b. Hypothecation of Scaffolding items and Tower Cranes	23.43	
c. Equitable mortgage of land and building and hypothecation of receivables of Sobha Daffodil Project	-	11.05
d. Equitable Mortgage of Land of Sobha Tulip Project	-	11.04
UTI Bank Limited		
Secured by		
a.Equitable mortgage of Land and Building at Sobha Dahlia Project & Land at Sobha Althea & Sobha Azalea & Hypothecation of receivables of Sobha Dahlia Project & pari passu charge on land at Sobha Carnation Project with Corporation Bank & extension of charge Land Fiorella & movable fixed assets	377.63	120.84
b. Equitable Mortgage of Land of Sobha Fiorella & movable Fixed Assets and extention of equitable mortgage of land at Sobha Althea and Sobha Azalea projects	252.05	
c. Equitable Mortgage of Land of Sobha Amber Project	-	55.99
d. Hypothecation of receivables of Sobha Zircon Project	-	50.35
Corporation Bank		
Secured by		
a. Hypothecation of receivables of Sobha Emerald, Sobha Sunflower, Sobha Amber, and various other Projects	201.56	100.70
b. Hypothecation of receivables of Sobha Ivory 1, Sobha Aquamarine and Sobha Quartz project and Equitable mortgage of land and building at Sobha Tower Project	76.00	40.32

Annexure X

CONSOLIDATED SCHEDULE OF LOANS

(Rs. in Million)

a. SECURED LOANS

Particulars	As at 30th September 2006	As at 30th September 2005
c. Equitable mortgage of land and building at Sobha Primrose Project	302.34	201.11
d. Equitable mortgage of land and building at Sobha Ivory 2 Project	50.39	25.17
e. Hypothecation of receivables of Sobha Jade, Windfall Projects	-	10.08
e. Equitable mortgage of land at Sobha Orchid Project	-	45.36
f. Equitable mortgage of Land of Sobha Carnation ranking in pari-passu with UTI Bank & Hypothecation of receivables of Sobha Carnation Project	207.57	-
Canara Bank		
Secured by		
a. Hypothecation of receivables of Sobha Mayflower, Sobha Jasmine and Sobha Quartz Projects	504.11	-
b. Land and building located at Central Store, Jakkur.	100.86	-
c. Equitable mortgage of land Jasmine & Quartz Projects		100.65
d. Hypothecation of receivables of Sobha Jasmine & Mayflower Projects		302.19
e. Equitable mortgage of lease hold rights in respect of the factory land & building located at Jigni industrial area owned by a Group Company	59.36	-
The Dhanalakshmi Bank Limited		
Secured by		
a. Equitable mortgage of land and building at Sobha Aster Project	52.59	-
Standard Chartered Bank		
Secured by		
Hypothecation of receivables of Sobha Daisy Project	71.60	-
UCO Bank		
Secured by		
Hypothecation of receivables of Sobha Magnolia Project	504.13	502.67
HSBC		
Secured by		
Equitable Mortgage of Land of Sobha Hill View Project & Sobha Chrysenthimum and hypothecation of receivable of Sobha Hill View Project	841.72	-
HSBC Foreign Currency Loan		
Equitable Mortgage of Land of Sobha Hill View Project & Sobha Chrysenthimum and hypothecation of receivable of Sobha Hill View Project	160.00	-
Kotak Mahindra Bank Ltd		
Hypothecation of receivables of HP, Indian Hotels & MICO Projects	44.43	-
Term Loans From Financial Institution		
HDFC Limited		
Secured by		
a. Equitable mortgage of land and building at Sobha Iris Project	-	200.00
b. Equitable mortgage of land at Sunflower Project/Aquamarine Project	-	75.00
IL & FS		
Secured by		
Equitable Mortgage of Land & receivables of Sobha Amethyst, Sobha Adamus and Sobha Suncrest Project	452.38	-
SREI Infrastructure Finance Limited		
Secured by		
a. Hypothecation of Batching Plant-Block Making Unit	54.51	82.41

Annexure X

CONSOLIDATED SCHEDULE OF LOANS

(Rs. in Million)

a. SECURED LOANS

Particulars	As at 30th September 2006	As at 30th September 2005
Sub total (b)	**4936.66**	**1,993.89**
iii. Cash Credit Facilities and Demand Loan from Banks		
UTI Bank Limited		
Secured by		
a. Hypothecation of receivables of Infosys Technologies Ltd Projects	152.31	197.74
b. Hypothecation of Raw Materials & receivables at Pune	45.04	-
The Dhanalakshmi Bank Limited		
Secured by		
a. Hypothecation of Stock of construction materials at Jakkur Plant	21.16	0.88
State Bank of India		
Secured by		
Equitable mortgage of land and building at Sobha Tulip Project	210.09	-
Oriental Bank of Commerce		
Secured by		
Equitable mortgage of land at Sobha Basil and Sobha Beryl, Building and Land of Block Making Unit at Jigni and hypothecation of receivables of Sobha Basil and Sobha Beryl Projects	59.98	-
Andhra Bank		
Secured by		
Equitable mortgage of land and building at Sobha Rose, Sobha Lotus projects purchased in the name of Sobha Innercity Technopolis Private Ltd and equitale mortgage of Sobha Hibiscus project purchased in the name of Sobha Technocity Private Ltd-sister concerns and Hypothecation of Book debts of Sobha Hibiscus, Sobha Rose and Sobha Lotus Projects	21.89	302.56
Canara Bank		
Secured by		
Hypothecation of Stock and receivables of Interior Division factory	16.92	-
Sub total (c)	**527.39**	**501.18**
iv. Vehicle and Equipment Loans		
From Banks	15.28	5.56
From Others	99.16	4.98
Sub total (d)	**114.44**	**10.54**
Grand Total	**6,578.49**	**2,505.61**

CONSOLIDATED SCHEDULE OF LOANS Annexure X

b. **UNSECURED LOANS** (Rs. in Million)

Particulars	As at 30th September 2006	As at 30th September 2005
From		
Corporate Body # $	100.00	-
Promoters/Directors *	4.50	23.62
Total	**104.50**	**23.62**

availed from M/s Innovations Investment Management India Private Limited,
a Company not part of the Promoter group companies.

$ Interest is paid @ 11% as at 30th September 2006

* Interest is paid @12% as at 30th September 2006

CONSOLIDATED SCHEDULE OF CURRENT LIABILITIES		Annexure XI
		(Rs. in Million)
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
Current Liabilities		
Sundry Creditors	377.47	2.60
Advance from Customers	1,835.57	2,699.02
Interest payable	5.29	0.79
Other Liabilities	677.11	673.93
Sub-total	**2,895.44**	**3,376.34**
Provisions		
Income Tax	454.23	269.51
Fringe Benefit Tax	5.51	0.73
Sub-total	**459.74**	**270.24**
Total	**3,355.18**	**3,646.58**

CONSOLIDATED SCHEDULE OF SHARE CAPITAL		Annexure XII
		(Rs. In Million unless otherwise stated)
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
Share Capital		
Equity Shares		
Authorised Capital	800.00	220.00
Number of Shares (in Nos.)	80,000,000	22,000,000
Preference Shares		
Authorised Capital	100.00	200.00
Number of Shares (in Nos.)	1,000,000	2,000,000
Equity Shares		
Issued, Subscribed and Paid-up	634.21	211.40
Number of Shares (in Nos.)	63,421,440	21,140,480
Restated Number of Shares (in Nos.)	64,004,928	63,421,440
Restated Weighted Average Number of Shares (in Nos.)	63,669,214	63,421,440
Preference Shares		
Issued, Subscribed and Paid-up	87.28	87.28
Number of Shares (in Nos.)	872,843	872,843
Share Capital	**721.49**	**298.68**

Note: 1. Face Value of Equity share is Rs. 10/- each and Preference Shares is Rs. 100/- each
2. Both Equity and Preference Shares are fully paid up

CONSOLIDATED SCHEDULE OF RESERVES AND SURPLUS		Annexure XIII
		(Rs. in Million)
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
General Reserve	250.44	50.44
Surplus in Profit and Loss Account	936.08	442.43
Total	**1,186.52**	**492.87**

CONSOLIDATED SCHEDULE OF INCOME FROM PROJECTS		Annexure XIV
		(Rs. In Million)
Particulars	**Half year ended on 30th Sep 2006**	**Half year ended on 30th Sep 2005**
Income from Construction Activity		
- Residential and Commercial Projects	2,805.69	1,535.78
- Contractual Projects	1,539.16	981.26
(a)	**4,344.85**	**2,517.04**
Income from Manufacturing Activity		
Turnover	877.56	-
Less: Excise Duty	46.11	-
(b)	**831.45**	**-**
Total (a) + (b)	**5,176.30**	**2,517.04**

CONSOLIDATED SCHEDULE OF OTHER INCOME			Annexure XV
			(Rs. in Million)
Particulars	**Nature**	**Half year ended on 30th Sep 2006**	**Half year ended on 30th Sep 2005**
Interest received on securities/Bank Deposits	Recurring	4.12	-
Exchange Fluctuation(Net)	Recurring	0.17	0.07
Interest received others	Recurring	4.54	0.99
Profit on sale of Asset	Non-recurring	0.10	-
Registration Charges	Recurring	84.09	23.00
Expenses recovered	Non-recurring	3.99	9.10
Electricity and Water Deposit Charges	Recurring	41.30	77.18
Dividends	Non-recurring	0.20	-
Forfeiture of customer advances	Non-recurring	0.68	0.55
Rent	Recurring	0.10	-
Maintenance Charges received	Non-recurring	0.90	0.66
Others	Non-recurring	11.93	0.13
Total		**152.12**	**111.68**

Note:

1. The classification of "Other Income" as recurring and non recurring is based on the current operations and business activity of the Company as determined by the Management

2. The details of "Other income" disclosed above are stated after adjusting the effect of restatement. The same have been shown as gross of restatement in the summary Statement of Profits and Losses, as restated.

CONSOLIDATED SCHEDULE OF RAW MATERIAL CONSUMPTION		
		Annexure XVI
		(Rs. In Million)
Particulars	**Half year ended on 30th September 2006**	**Half year ended on 30th September 2005**
Purchase		
Raw Materials	774.39	-
Consumable Stores and Spares	69.52	-
Add: Opening Inventory		
Raw Materials	1.75	-
Finished Goods	5.07	-
Work in Progress	0.59	-
Less: Closing Inventory		
Raw Materials and Stores and Spares	165.90	-
Finished Goods	9.98	-
Work in Progress	142.96	-
Total	**532.48**	**-**

CONSOLIDATED SCHEDULE OF LAND AND CONSTRUCTION EXPENSES		Annexure XVII
		(Rs. In Million)
Particulars	**Half year ended on 30th September 2006**	**Half year ended on 30th September 2005**
Land Cost	379.38	439.49
Construction Expenses	2,127.64	1,484.00
Add: Opening Inventory		
Stock - in Trade	4.78	4.78
Stock of Building Materials	11.26	4.34
Work - in - Progress	2,479.01	1,896.32
Less: Closing Inventory		
Stock - in Trade	4.78	4.78
Stock of Building Materials	7.46	2.85
Work - in - Progress	2,324.69	2,078.51
Total	**2,665.14**	**1,742.79**

CONSOLIDATED SCHEDULE OF PRODUCTION EXPENSES		Annexure XVIII
		(Rs. In Million)
Particulars	**Half year ended on 30th September 2006**	**Half year ended on 30th September 2005**
Labour Charges	7.04	-
Direct Wages	100.97	-
Power and Fuel	11.53	-
Other Direct Expenses	11.96	-
Total	**131.50**	**-**

CONSOLIDATED SCHEDULE OF ADMINISTRATIVE EXPENSES		Annexure XIX
		(Rs. In Million)
Particulars	**Half year ended on 30th September 2006**	**Half year ended on 30th September 2005**
Salaries	272.40	117.24
Staff Welfare	11.93	0.70
Contribution to Provident & Other Funds	19.46	6.18
Registration Expenses of Flats	76.79	22.44
Sales Tax	328.44	100.95
Other Expenses	290.53	213.31
Total	**999.54**	**454.82**

CONSOLIDATED SCHEDULE OF FINANCE CHARGES		Annexure XX
		(Rs. In Million)
Particulars	**Half year ended on 30th September 2006**	**Half year ended on 30th September 2005**
Interest on Term Loans	238.38	65.73
Interest on Other Loans	41.08	28.77
Total	**279.47**	**94.50**

CONSOLIDATED SCHEDULE OF CONTINGENT LIABILITIES		Annexure XXI
		(Rs. in Million)
Particulars	**As at 30th September 2006**	**As at 30th September 2005**
Estimated amount of contracts remaining to be executed on capital account	19.60	15.80
Counter guarantees given to bank	70.52	42.00
Letter of Credit	62.16	-
Corporate guarantee to its other related parties		
(a) Sobha Interiors Private Limtied	185.00	18.50
(b) Sobha Space Private Limited	70.00	30.00
(c) Sobha Glazing and Metal Works Private Limited	60.00	65.00
On account of demand from Income Tax department	45.56	-
On account of demand from Sales Tax department	20.18	-
Total	**533.02**	**171.30**

CONSOLIDATED SUMMARY OF ACCOUNTING RATIOS Annexure XXII

(In Rs. Unless otherwise stated)

Particulars	Half year ending 30th September 2006	Half year ending 30th September 2005
Adjusted profit to income from operations (%)	539.73	232.53
Earnings per share		
Basic (Rs.)	8.48	3.67
Diluted (Rs.)	8.48	3.67
Cash earnings per share (Rs.)	10.18	4.43
Net Asset Value per share (Rs.)	29.97	12.48
Return on Networth (%)	28.29%	29.38%
Total Debt/Equity Ratio	3.50	3.20
No of Equity Shares in Nos.	63,421,440	21,140,480
Restated Number of Equity Shares in Nos.	64,004,908	63,421,440
Restated Weighted Average Number of Equity Shares (in Nos.)	63,669,214	63,421,440

Notes:

1. The ratios have been computed as below

Adjusted profit to income from operations (%)	Adjusted profit before Tax / Income from operations
Earning per Share	Adjusted profit after tax before extra ordinary items / Restated Weighted average no of equity shares outstanding during the year
Cash Earning per share	Adjusted profit after tax but before depreciation / Restated Weighted average no of equity shares outstanding during the year
Net Asset value per share	Networth excluding revaluation reserve / Restated Weighted average no of equity shares outstanding during the year
Return on Networth%	Adjusted profit after tax but before extraordinary items / Net worth excluding revaluation reserve
Total Debt/Equity Ratio	Long Term Debt+Short Term Debt / Equity Share Capital+Reserves and Surplus

2 The earning per share is calculated in accordance with the Accounting Standard 20 "Earning per share" issued by the Institute of Chartered Accountants of India.

3. Networth means Equity Share Capital+Reserves and Surplus-Miscellaneous Expenditure (to the extent not written off

4. Restated shares have been computed pursuant to the issue of Bonus Shares in the ratio of two shares for every shares held by the shareholders of record on 28th June 2006 by utilising free reserves.

5. Restated Profit and Loss and Income from operations has been considered for the purpose of computing the above ratios.

TAX SHELTER STATEMENT		Annexure XXIII
		(Rs. in Million)
Particulars	**Half year ended 30th September 2006**	**Half year ended 30th September 2006**
Profit before tax	**611.83**	**288.12**
Tax Rate (in %)	33.66%	33.66%
Tax as per actual rate on profits	205.94	96.98
Adjustments		
Permanent Differences		
Dividend (Exempt from Tax)	(0.23)	-
Profit/loss on sale of assets	(0.10)	-
Deduction u/s 80 IB of the Income Tax Act	(442.94)	(125.33)
Disallowance for donations	28.88	8.81
Total permanent Differences (B)	**(414.39)**	**(116.52)**
Timing Differences		
Difference between Tax depreciation and book depreciation	(5.49)	(9.70)
Unpaid Gratuity/Leave encashment	7.30	4.67
Total for Timing differences (C)	1.81	(5.03)
Total adjustments (B+C)	(412.58)	(121.55)
Tax expense/saving thereon	(138.87)	(40.91)
Tax payable for the Half year	67.07	56.07
Total taxation	67.07	56.07
Provision for domestic tax as per Books of account	67.10	56.11

CAPITALISATION STATEMENT OF THE COMPANY		Annexure XXIV
		(Rs. in Million unless otherwise stated)
Particulars	**Pre-issue as at 30th September 2006**	**Post issue as at 30th September 2006**
Long Term Debts		
- Term Loans	1,747.09	1,747.09
- Vehicle and Equipment Loans	36.19	36.19
a	1,783.28	1,783.28
Short Term Debts		
- Debentures	1,000.00	1,000.00
- Term Loans	3,189.57	3,189.57
- Working Capital and Cash Credit facilities	527.39	527.39
- Unsecured Loans	104.50	104.50
- Vehicle & Equipment Loans	78.25	78.25
b	4,899.71	4,899.71
Total Debts (a + b)	6,682.99	6,682.99
Shareholders' Funds		

CAPITALISATION STATEMENT OF THE COMPANY		Annexure XXIV
		(Rs. in Million unless otherwise stated)
Particulars	**Pre-issue as at 30th September 2006**	**Post issue as at 30th September 2006**
Share Capital	721.50	Refer Note:3 below
General Reserve	250.44	
Profit and Loss Account	936.08	
	1,908.02	
Total Debt/Total Shareholders' Funds (Ratio)	3.50	
Long Term debt/Total Shareholders' Funds (Ratio)	0.93	

Notes:

1. The above has been computed on the basis of the restated financial statement of accounts
2. Short term debts are debts maturing within the next one year from the date of the respective statement of accounts.
3. Share Capital and Reserves, post issue can be ascertained only on the conclusion of the book building process

CONSOLIDATED RELATED PARTY TRANSACTIONS FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2006

Annexure XXV

(Rs. in Million)

PARTICULARS	NATURE OF RELATIONSHIP	NAME OF THE RELATED PARTY	Amount
Sale of Goods and Services	Other Related Parties	Oman Builders Private Limited	7.11
		Sri Kurumba Trust	3.38
	Key Management Personnel	P N C Menon	0.03
		Mrs. Sobha Menon	0.45
		J C Sharma	0.64
Interest Received	Other Related Parties	Sobha Renaissance Information Technology Pvt Ltd.	2.32
Purchase of goods and contractual services	Other Related Parties	Sobha Interiors Private Limited	233.19
		Sobha Glazing & Metal Works Private Limited	169.44
		Sobha Projects & Trade Private Limited	0.63
		Lotus Manpower Services	145.16
		Sobha Space Private Limited	30.59
		Technobuild Developers Private Limited	0.04
		Sobha Renaissance Information Technology Pvt Ltd.	5.05
	Relatives of Key Management Personnel	P N K Mani	1.48
Directors' Remuneration	Key Management Personnel	J C Sharma	12.35
		Ravi Menon	9.00
		P N C Menon	16.26
		Lt.General Mathew Mammen	1.49
Salary	Key Management Personnel	K.Suresh	1.01
		P.Kanodia	1.01
Purchase of Fixed Assets	Other Related Parties	Sobha Interiors Private Limited	62.74
		Sobha Glazing & Metal Works Private Limited	25.74
		Sobha Space Private Limited	45.62

CONSOLIDATED RELATED PARTY TRANSACTIONS FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2006

Annexure XXV

(Rs. in Million)

PARTICULARS	NATURE OF RELATIONSHIP	NAME OF THE RELATED PARTY	Amount
Interest Paid	Key Management Personnel	Sobha Menon	0.65
		P N C Menon	0.04
Donation Paid	Other Related Parties	Sri Kurumba Trust	53.70
Rent Paid	Key Management Personnel	Sobha Menon	0.18
Advances given	Other Related Parties	Technobuild Developers Private Limited	649.04
Loan Given	Other Related Parties	Sobha Renaissance Information Technology Pvt Ltd.	30.00
Guarantees and Collaterals taken	Other Related Parties	Sobha Innercity Technopolis Private Limited	1,503.63
		Sobha Technocity Private Limited	526.00
		Sobha Glazing & Metal Works Private Limited	59.36
		Sobha Interiors Private Limited	100.86
		Sobha Space Private Limited	45.04
Guarantees and Collaterals given	Other Related Parties	Sobha Space Private Limited	70.00
		Sobha Interiors Private Limited	185.00
		Sobha Glazing & Metal Works Private Limited	60.00
Balance receivable	Other Related Parties	Sobha Interiors Private Limited	170.35
		Sobha Glazing & Metal Works Private Limited	188.60
		Sobha Projects & Trade Private Limited	14.81
		Sobha Renaissance Information Technology Pvt Ltd.	65.53
		Technobuild Developers Private Limited	1,646.44
		Hill and Menon Securities Services Private Limited	0.09
		Oman Builders Private Limited	2.54
		Sri Kurumba Trust	27.13
		Sobha Electro Mechanical Private Limited	0.13
		Lotus Manpower Services	10.30
	Key Management Personnel	J C Sharma	0.08
		PNC Menon	0.03
		Sobha Menon	0.45
Balance payable	Other Related Parties	Sobha Innercity Technopolis Private Limited	27.28
		Royal Interiors Private Limited	4.03
		Sobha Space Private Limited	51.69
		Sobha Technocity Private Limited	1.34
	Relatives of Key Management Personnel	PNK Mani	0.19

Details of related parties	
Key Management Personnel	Mr. PNC Menon
	Mrs. Sobha Menon
	Mr. Ravi Menon
	Mr. J C Sharma
	Mr. K.Suresh
	Mr.P.Kanodia
Relatives of Key Management Personnel	Mr. PN Haridas
	Mr. PNK Mani

CONSOLIDATED RELATED PARTY TRANSACTIONS FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2006

Annexure XXV

(Rs. in Million)

PARTICULARS	NATURE OF RELATIONSHIP	NAME OF THE RELATED PARTY	Amount
Other Related Parties		M/s Oman Builders Private Limited	
		M/s Sobha Innercity Technopolis Private Limited	
		M/s Sobha Interiors Private Limited	
		M/s Sobha Glazing and Metal Works Private Limited	
		M/s Sobha Electro Mechanical Private Limited	
		M/s Sobha Renaissance and Information Technology Private Limited	
		M/s Sobha Technocity Private Limited	
		M/s Sobha Projects and Trade Private Limited	
		M/s Indeset Building Materials LLC	
		M/s Services and Trade Company	
		M/s Indeset Trading and Decorations Services LLC	
		M/s Royal Interiors Private Limited	
		M/s Technobuild Developers Private Limited	
		M/s Hill and Menon Secruties Private Limited	
		M/s Menon Hill Financial Services Limited	
		M/s Sri Kurumba Trust	
		M/s Sobha Space Private Limited	
		M/s Lotus Manpower Services	

FINANCIAL INFORMATION OF SBG HOUSING PRIVATE LIMITED

UNCONSOLIDATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES AND UNCONSOLIDATED SUMMARY STATEMENT OF PROFITS AND LOSSES, AS RESTATED AND UNCONSOLIDATED CASH FLOWS, AS RESTATED, UNDER INDIAN GAAP AS AT AND FOR THE YEAR ENDED 31st MARCH 2006, 2005, 2004, 2003 and 2002,

29th June 2006

To,

The Board of Directors,
SBG Housing Private Limited
No. 902, 9th A Cross
16th Main Road, 2nd Stage,
West of Chord Road
Bangalore 560 086.

Dear Sirs,

We have examined the unconsolidated financial information of M/s SBG Housing Private Limited ("the Company") annexed to this report and initialled by us for identification purposes, which have been prepared in accordance with the requirements of:

a) Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
b) The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') as amended from time to time and related clarifications; and
c) The terms of reference received from M/s Sobha Developers Limited ('Holding Company"), requesting us to carry out work, proposed to be included in the Draft Red Herring Prospectus, Red Herring Prospectus and the Prospectus (collectively, 'the Offer Documents') of the Holding Company in connection with its proposed Initial Public Offer ('IPO').

The Holding Company proposes to make an IPO for a fresh issue of 8,893 ,332 equity shares having a face value of Rs 10 per equity share at an issue price as may be decided by the Board of Directors of the Holding Company, to be arrived at by the 100% book building route (referred to as 'the Issue').

A. Financial information as per unconsolidated audited financial statements of SBG Housing Private Limited

1. We have examined the attached unconsolidated Restated Summary Statement of Assets and Liabilities of the Company as at 31st March 2006, 2005, 2004, 2003 and 2002, the unconsolidated Restated Summary Statement of Profits and Losses and the unconsolidated Restated Statement of Cash Flows for each of the period/years ended on those dates ('Unconsolidated Restated Summary Statements') (see Annexures I, II and III) as prepared by the Company and approved by the Board of Directors. The unconsolidated restated profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and as more fully described in the notes to the unconsolidated restated financial statements appearing in Annexure IV to this report. We have audited the unconsolidated financial statements of the Company for the years ended 31st March 2006 and 2005. The summary statements relating to the years/period ending 2004, 2003 and 2002 have been extracted from the financial statements audited by M/s B.G.Baliga & Co Chartered Accountants, being the Auditors for those years and have been adopted by the Board of Directors/Members for those respective years. Based on our examination of the Unconsolidated Restated Summary Statements, we confirm that:

   i. The 'Restated Summary Statements' have to be read in conjunction with the notes given in Annexure IV to this report.
   ii. The 'Restatement Summary Statements' of the Company have been restated with retrospective effect to reflect the significant accounting policies being adopted by the Company as at 31st March 2006 as stated in the Notes forming part of the Restated Summary Statements vide Annexure IV to this report.

iii. The restated profits have been arrived at after charging all expenses including depreciation and after making such adjustments and regroupings as in our opinion are appropriate in the year period to which they are related as described in Para 2 of the Notes Forming Part of the 'Restated Summary Statements' appearing in Annexure IV.

iv. There are no prior period items which need to be adjusted in the Unconsolidated Restated Summary Statements in the years to which they relate;

v. There are no extraordinary items which need to be disclosed separately in the Unconsolidated Restated Summary Statements; and

vi. There are no qualifications in the auditors' reports, which require any adjustments to the Unconsolidated Restated Summary Statements

B. Other Financial Information:

We have examined the following information in respect of the year ended 31 March 2006,2005, 2004, 2003 and 2002 of the Company, proposed to be included in the offer documents, as approved by the Board of Directors and annexed to this report;

i. Statement of Inventories (Annexure – V)
ii. Statement of Loans and Advances (Annexure – VI)
iii. Statement of Current Liabilities and Provisions (Annexure – VII)
iv. Statement of Share Capital (Annexure - VIII)
v. Statement of Miscellaneous Expenditure (Annexure – IX)
vi. Statement of Increase in Inventory (Annexure – X)
vii. Statement of Administrative Expenses (Annexure - XI)
viii. Summary of Accounting Ratios based on adjusted profits related to earnings per share, net asset value, return on net worth and Total debt-equity ratio (Annexure – XII)
ix. Statement of Tax Shelters (Annexure – XIII)
x. Statement of Related Party Disclosures (Annexure – XIV)

We have been informed that the company has not declared any dividend on equity shares for the years ended March 31 2006,2005,2004,2003 and 2002

In our opinion, the 'Financial Information as per Audited Financial Statements' and Other Financial Information mentioned above for the years ended 31st March 2006, 2005, 2004, 2003 and 2002 have been prepared in accordance with Part II of schedule II of the Act and the Guidelines.

This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports nor should this be construed as a new opinion on any of the financial statements referred to herein.

This report is intended solely for your information and for inclusion in offer documents in connection with the proposed IPO of the Holding Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.Janardhan & Associates
Chartered Accountants.

B.Anand
Partner
Membership No.29146

Place: Bangalore
Date : 29th June 2006

RESTATED SUMMARY OF ASSETS AND LIABILIITES					Annexure I
					(Rs. in Million)
	As at 31st March 2006	**As at 31st March 2005**	**As at 31st March 2004**	**As at 31st March 2003**	**As at 31st March 2002**
Fixed Assets					
Gross Block	Nil	Nil	Nil	Nil	Nil
Less : Depreciation	Nil	Nil	Nil	Nil	Nil
Net Block (A)	Nil	Nil	Nil	Nil	Nil
Investments (B)	Nil	Nil	Nil	Nil	Nil
Deferred Tax Asset (C)	Nil	Nil	Nil	Nil	Nil
Current Assets, Loans and Advances					
Inventories	120.89	115.56	Nil	Nil	Nil
Cash and Bank Balances	0.06	0.06	0.06	0.07	0.08
Loans and Advances	0.03	25.00	Nil	Nil	Nil
Total (D)	**120.98**	**140.62**	**0.06**	**0.07**	**0.08**
TOTAL ASSETS (A+B+C+D)=E	**120.98**	**140.62**	**0.06**	**0.07**	**0.08**
Liabilities and Provisions					
Secured Loans	Nil	Nil	Nil	Nil	Nil
Unsecured Loans	Nil	Nil	Nil	Nil	Nil
Deferred Tax Liabiliites	Nil	Nil	Nil	Nil	Nil
Current Liabilities	120.94	140.57	@	@	#
Provisions	Nil	Nil	Nil	Nil	Nil
Total (F)	**120.94**	**140.57**	**@**	**@**	**#**
Networth (E -F)	**0.04**	**0.05**	**0.06**	**0.07**	**0.08**
Networth represented by					
Share Capital	0.10	0.10	0.10	0.10	0.10
Total	**0.10**	**0.10**	**0.10**	**0.10**	**0.10**
Less: Miscellaneous Expenditure					
(to the extent not written off or adjusted)					
Preliminary Expenses	0.04	0.05	0.04	0.03	0.02
Profit and Loss Account	0.02	-	-	-	-
NETWORTH	**0.04**	**0.05**	**0.06**	**0.07**	**0.08**

The accompanying significant accounting policies and notes (Annexure IV) are an integral part of the accounts

@' represents Rs. 5,000/- payable towards other liabilities

represents Rs. 2,500/- payable towards other liabilities

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

For and on behalf of the Board of Directors

B.Anand
Partner
Membership No: 29146

J.C.Sharma
Managing Director

Place: Bangalore
Date : 29th June 2006

Place: Bangalore
Date : 29th June 2006

RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES					
					Annexure II
					(Rs. in Millions)
Particulars	**2005-2006**	**2004-2005**	**2003-2004**	**2002-2003**	**2001-2002**
INCOME					
Income	Nil	Nil	Nil	Nil	Nil
Increase in Inventory	5.33	115.56	Nil	Nil	Nil
Total	**5.33**	**115.56**	**Nil**	**Nil**	**Nil**
EXPENDITURE					
Land Expenses	5.33	115.56	Nil	Nil	Nil
Administrative Expenses	0.01	Nil	Nil	Nil	Nil
Preliminary Expenses written off	0.01	Nil	Nil	Nil	Nil
Total	**5.35**	**115.56**	**Nil**	**Nil**	**Nil**
Loss before Taxation	(0.02)	Nil	Nil	Nil	Nil
Restated Loss for the year	**(0.02)**	**Nil**	**Nil**	**Nil**	**Nil**
Balance of Profit brought forward	Nil	Nil	Nil	Nil	Nil
Loss carried to Balance Sheet	(0.02)	Nil	Nil	Nil	Nil

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

B.Anand
Partner
Membership No: 29146

Place: Bangalore
Date : 29th June 2006

For and on behalf of the Board of Directors

J.C.Sharma
Director

Place: Bangalore
Date : 29th June 2006

RESTATED STATEMENT OF CASH FLOWS						Annexure III
						(Rs. in Million)
		2005-2006	**2004-2005**	**2003-2004**	**2002-2003**	**2001-2002**
a.	**Cash Flow From Operating Activities**					
	Profit before Tax	(0.02)	Nil	Nil	Nil	Nil
	Adjustment for Preliminary expense written off	(0.01)	Nil	Nil	Nil	Nil
	Operating Profit before working capital Changes	**(0.01)**	**Nil**	**Nil**	**Nil**	**Nil**
	Inventories	(5.33)	(115.56)	Nil	Nil	Nil
	Loans & Advances (Other than advance tax & TDS)	24.97	(25.00)	Nil	Nil	Nil
	Liabilities (excluding interest accrued)	(19.63)	140.57	Nil	Nil	Nil
	Net changes in Working Capital	**Nil**	**0.01**	**Nil**	**Nil**	**Nil**
	Cash Generated From Operations	Nil	0.01	Nil	Nil	Nil
	Net Cash From Operating Activites (A)	**Nil**	**0.01**	**Nil**	**Nil**	**Nil**
b.	**Cash Flow From Investment Activities**	**Nil**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.02)**
	Net Cash Used In Investment Activites (B)	**Nil**	**(0.01)**	**(0.01)**	**(0.01)**	**(0.02)**
c.	**Cash Flow From Financing Activities**					
	Increase In Share Capital	Nil	Nil	Nil	Nil	0.10
	Net Increase/ (Decrease) in Borrowing	Nil	Nil	Nil	Nil	Nil
	Cash generated From Financing Activites (C)	**Nil**	**Nil**	**Nil**	**Nil**	**0.10**
	Net Increase in Cash & Cash Equivalents (A+B+C)	**Nil**	**Nil**	**(0.01)**	**(0.01)**	**0.08**
	Opening Balance - Cash & Cash Equivalents	0.06	0.06	0.07	0.08	Nil
	Closing Balance - Cash & Cash Equivalents	**0.06**	**0.06**	**0.06**	**0.07**	**0.08**

Note:

The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard -3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India

Negative figures have been shown in brackets

As per our report of even date
For S.Janardhan & Associates
Chartered Accountants

For and on behalf of the Board of Directors

B.Anand
Partner
Membership No: 29146

J.C.Sharma
Director

Place: Bangalore
Date : 29th June 2006

Place: Bangalore
Date : 29th June 2006

Annexure IV

NOTES FORMING PART OF THE RESTATED SUMMARY STATEMENTS

Significant Accounting Policies and Notes to Accounts:

Background:

The Company was incorporated on 10th August 2001 and is primarily engaged in the business of buying and selling of land.

1. Significant Accounting Policies:

1.1. Basis of Accounting

The Company follows accrual method of accounting except where the receipt of income is uncertain and is in accordance with the Accounting Standards referred to in sub section 3(c) of Section 211 of the Companies Act, 1956.

***1.2 Revenue Recognition*:**

Recognition of Revenue from Sale of land

Revenue from sale of land is recognized on delivery of possession of the land to the customer or the registration of the title of the land in the name of the customer whichever is earlier.

Sale of Plots/Apartments is net after adjustments on account of cancellation.

1.3 Fixed Assets

Fixed Assets are stated at historical cost inclusive of freight and other direct expenses less depreciation to date. However, the company had no Fixed Assets during the year

1.4 Depreciation/Amortisation:

The Company had no Fixed Assets during the year.

1.5 Inventory

Direct expenses like Land Cost, Registration and Brokerage Expenses and other expenses incurred in connection with the registration are taken as the cost of land.

Stock of land, classified as stock in trade, are valued at cost or net realizable value whichever is lower.

1.6 Preliminary Expenses:

Preliminary expenses are amortized over a period of 10 years.

1. 7 Employee /Retirement benefits:

There are no employees employed during the year

***1.8 Deferred Tax*:**

Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

1.9 Treatment of contingent liabilities:

Contingent Liabilities not provided for are reflected in Notes on Accounts.

2. Notes on adjustments for restated summary statements:

No adjustments have been made to the audited statements as there are no items which need any restatement

2.1 Provision for Current tax:

No provision for Income Tax has been made as the company had no Taxable income during the years.

3. Segment Reporting:

The company is mainly engaged in the business of buying and selling land and therefore Segment Reporting as defined in Accounting Standard 17 does not apply.

Subject to our report of even date

For S.Janardhan & Associates
Chartered Accountants

Place: Bangalore
Date: 29th June 2006

B.ANAND

PARTNER
Membership No.29146

RESTATED SCHEDULE OF INVENTORIES					Annexure V
					(Rs. in Million)
Particulars	**As at 31st March 2006**	**As at 31st March 2005**	**As at 31st March 2004**	**As at 31st March 2003**	**As at 31st March 2002**
Stock in Trade - Land	120.89	115.56	Nil	Nil	Nil
(Valued at lower of cost or net realisable value)					
Total	**120.89**	**115.56**	**Nil**	**Nil**	**Nil**

RESTATED SCHEDULE OF LOANS AND ADVANCES					Annexure VI
					(Rs. in Million)
Particulars	**As at 31st March 2006**	**As at 31st March 2005**	**As at 31st March 2004**	**As at 31st March 2003**	**As at 31st March 2002**
Advances recoverable in cash or in kind or for value to be received					
(Unsecured - Considered good)	0.03	25.00	Nil	Nil	Nil
Total	**0.03**	**25.00**	**Nil**	**Nil**	**Nil**

RESTATED SCHEDULE OF CURRENT LIABILITIES					Annexure VII
					(Rs. in Million)
Particulars	**As at 31^{st} March 2006**	**As at 31st March 2005**	**As at 31st March 2004**	**As at 31st March 2003**	**As at 31st March 2002**
Current Liabilities					
Advance from Holding Company - Sobha Developers Limited	120.93	Nil	Nil	Nil	Nil
Other Liabilities	0.01	140.57	Nil	Nil	Nil
Sub-total	**120.94**	**140.57**	**Nil**	**Nil**	**Nil**
Provisions					
Income Tax	Nil	Nil	Nil	Nil	Nil
Fringe Benefit Tax	Nil	Nil	Nil	Nil	Nil
Sub-total	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
Total	**120.94**	**140.57**	**Nil**	**Nil**	**Nil**

SCHEDULE OF SHARE CAPITAL					Annexure VIII
					(Rs. In Million unless otherwise stated)
Particulars	**As at 31st March 2006**	**As at 31st March 2005**	**As at 31st March 2004**	**As at 31st March 2003**	**As at 31st March 2002**
Share Capital					
Equity Shares					
Authorised Capital	0.10	0.10	0.10	0.10	0.10
Number of Shares (in Nos.)	1,000	1,000	1,000	1,000	1,000
Face value of Equity Share - Rs. 100/- each					
Equity Shares					
Issued, Subscribed and Paid-up	0.10	0.10	0.10	0.10	0.10
Number of Shares (in Nos.)	1,000	1,000	,000	1,000	1,000
Face value of Equity Share - Rs. 100/- each					
Note: The Company has not declared any dividend during the year or earlier years					

RESTATED SCHEDULE OF MISCELLANEOUS EXPENDITURE Annexure IX

(Rs. in Million)

Particulars	As at 31st March 2006	As at 31st March 2005	As at 31st March 2004	As at 31st March 2003	As at 31st March 2002
Profit and Loss Account	0.02	Nil	Nil	Nil	Nil
Preliminary Expenses	0.04	0.05	0.04	0.03	0.02
Total	**0.06**	**0.05**	**0.04**	**0.03**	**0.02**

RESTATED SCHEDULE OF INCREASE IN INVENTORY Annexure X

(Rs. In Million)

Particulars	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
Closing Inventory					
Stock - in Trade	120.89	115.56	Nil	Nil	Nil
Less: Opening Inventory					
Stock - in Trade	115.56	Nil	Nil	Nil	Nil
Total	**5.33**	**115.56**	**Nil**	**Nil**	**Nil**

RESTATED SCHEDULE OF ADMINISTRATIVE EXPENSES Annexure XI

(Rs. In Million)

Particulars	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
Miscellaneous Expenses	0.01	Nil	Nil	Nil	Nil
Total	**0.01**	**Nil**	**Nil**	**Nil**	**Nil**

SUMMARY OF ACCOUNTING RATIOS Annexure XII

(In Rs. Unless otherwise stated)

Particulars	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
Adjusted profit/(loss) to income from operations (%)	(0.02)	NA	NA	NA	NA
Earnings per share					
Basic (Rs.)	(19.10)	NA	NA	NA	NA
Diluted (Rs.)	(19.10)	NA	NA	NA	NA
Cash earnings per share (Rs)	(19.10)	NA	NA	NA	NA
Net Asset Value per share (Rs.)	43.04	NA	NA	NA	NA
Return on Networth (%)	(44.37%)	NA	NA	NA	NA
Total Debt/Equity Ratio	NA	NA	NA	NA	NA
No of Equity Shares (Basic) in Nos.	1,000	1000	1000	1000	1000
Restated Number of Equity Shares in Nos.	1,000	1000	1000	1000	1000

NA represents "Not Applicable"	
Notes:	
1. The ratios have been computed as below	
Adjusted profit to income from operations (%)	Adjusted profit before Tax / Income from operations
Earning per Share	Adjusted profit after tax before extra ordinary items / Weighted average no of equity shares outstanding during the year
Cash Earning per share	Adjusted profit after tax but before depreciation / Weighted average no of equity shares outstanding during the year
Net Asset value per share	Networth excluding revaluation reserve / Weighted average no of equity shares outstanding during the year
Return on Networth%	Adjusted profit after tax but before extraordinary items / Net worth excluding revaluation reserve
Debt/Equity Ratio	Long Term Debt+Short Term Debt / Equity Share Capital+Reserves and Surplus

2 The earnings per share is calculated in accordance with the Accounting Standard 20 "Earning per share" issued by the Institute of Chartered Accountants of India.

3. Restated Profit and Loss and Income from Operations has been considered for the purpose of computing the above ratios

4. Networth means Equity Share Capital+Reserves and Surplus – Miscellaneous Expenditure to the extent not written off

RESTATED TAX SHELTER STATEMENT Annexure XIII

(Rs. in Million unless otherwise stated)

Particulars	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
Profit/(Loss) before tax	**(0.02)**	**Nil**	**Nil**	**Nil**	**Nil**
Tax Rate (in %)	33.66%	36.59%	35.88%	36.75%	35.70%
Tax as per actual rate on profits	Nil	Nil	Nil	Nil	Nil
Adjustments					
Permanent Differences	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
Total permanent Differences (B)	Nil	Nil	Nil	Nil	Nil
Timing Differences	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
Total for Timing differences (C)	Nil	Nil	Nil	Nil	Nil
Total adjustments (B+C)	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
Tax expense/saving thereon	Nil	Nil	Nil	Nil	Nil
Tax payable for the year	Nil	Nil	Nil	Nil	Nil
Total taxation	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**
Provision for domestic tax as per Books of account	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**

RELATED PARTY TRANSACTIONS							Annexure XIV
							(Rs. in Million)
PARTICULARS	**NATURE OF RELATIONSHIP**	**NAME OF THE RELATED PARTY**	**2005-06**	**2004-05**	**2003-04**	**2002-03**	**2001-02**
Balance payable	Holding Company	Sobha Developers Ltd.	120.93	Nil	Nil	Nil	Nil
	Other related Party	Sobha Developers Ltd.	Nil	140.56	Nil	Nil	Nil

Note: The company became as a subsidiary company of M/s Sobha Developers Limited on 11th April 2005.

Details Of Related Parties

Key Management Personnel	Mr. PNC Menon
	Mrs. Sobha Menon
	Mr. Ravi Menon
	Mr. J C Sharma
	Mr. Ashok Kumar
	Col. V.K.Balan
Relatives of Key Management Personnel	Mr. Raghu Balan
	Mr. Raju Balan
	Mr. PN Haridas
Other Related Parties	M/s Oman Builders Private Limited
	M/s Sobha Innercity Technopolis Private Limited
	M/s Sobha Interiors Private Limited
	M/s Sobha Glazing and Metal Works Private Limited
	M/s Sobha Electro Mechanical Private Limited
	M/s Sobha Renaissance Information Technology Private Limited
	M/s Sobha Technocity Private Limited
	M/s Sobha Projects and Trade Private Limited
	M/s Indeset Building Materials LLC
	M/s Indeset Trading and Decorations Services LLC
	M/s Services and Trade Company, LLC
	M/s Lotus Manpower Services
	M/s Royal Interiors Private Limited
	M/s Hill and Menon Securities Private Limited
	M/s Menon Hill Financial Services Limited
	M/s Sri Kurumba Trust
	M/s Sobha Space Private Limited

FINANCIAL INFORMATION OF SBG HOUSING PRIVATE LIMITED AS AT AND FOR THE HALF YEARS ENDED 30th SEPTEMBER 2006 AND 2005

UNCONSOLIDATED RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES AND UNCONSOLIDATED RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES, AND UNCONSOLIDATED STATEMENT OF CASH FLOWS, AS RESTATED, UNDER INDIAN GAAP AS AT AND FOR THE YEAR ENDED 30th SEPTEMBER 2006 AND 2005.

Date: 28th October, 2006

To

The Board of Directors,
SBG Housing Private Limited
No. 902, 9th A Cross
16th Main Road, 2nd Stage,
West of Chord Road
Bangalore 560 086.

Dear Sirs,

We have examined the unconsolidated financial information of M/s. SBG Housing Private Limited ('the Company') annexed to this report and initialled by us for identification purposes, which have been prepared in accordance with the requirements of:

a. Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
b. The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') as amended from time to time and related clarifications; and
c. The terms of reference received from M/s. Sobha Developers Limited ('Holding Company"), requesting us to carry out work, proposed to be included in the Red Herring Prospectus and the Prospectus (collectively, 'the Offer Documents') of the Holding Company in connection with its proposed Initial Public Offer ('IPO').

The Holding Company proposes to make an IPO for a fresh issue of equity shares having a face value of Rs. 10 per equity share at an issue price as may be decided by the Board of Directors of the Holding Company, to be arrived at by the 100% book building route (referred to as 'the issue').

A. Financial information as per unconsolidated audited financial statements of SBG Housing Private Limited

1. We have examined the attached Unconsolidated Restated Summary Statement of Assets and Liabilities of the Company as at 30th September 2006 and 2005 the Unconsolidated Restated Summary Statement of Profits and Losses and the Unconsolidated Restated Statement of Cash Flows for each of the period ended on those dates ('Unconsolidated Restated Summary Statements') (see Annexures I, II and III) as prepared by the Company and approved by the Board of Directors. The unconsolidated restated profits have been arrived at after making such regroupings as in our opinion are appropriate and as more fully described in the notes to the unconsolidated financial statements appearing in Annexure IV to this report. We have audited the unconsolidated financial statements of the Company for the half year ended 30th September 2006 and 2005. Based on our examination of the Unconsolidated Restated Summary Statements, we confirm that:

   i. The 'Restated Summary Statements' have to be read in conjunction with the notes given in Annexure IV to this report.
   ii. The 'Restated Summary Statements' of the Company have been furnished without any restatement as there are no changes to the significant accounting policies being adopted by the Company as at 30th September 2006 and the period for which the financial statements have been annexed hereto.
   iii. The restated profits have been arrived at after charging all expenses including depreciation and after making such regroupings as in our opinion are appropriate in the period to which they are related.

iv. There are no prior period items which need adjustments;

v. There are no extraordinary items which need to be disclosed separately in the Unconsolidated Restated Summary Statements; and

vi. There are no qualifications in the auditors' reports, which require any adjustments to the Unconsolidated Restated Summary Statements.

B. Other Financial Information:

We have examined the following information in respect of the half year ended 30th September 2006, and 2005 of the Company, proposed to be included in the offer documents, as approved by the Board of Directors and annexed to this report;

i. Statement of Inventories (Annexure – V)
ii. Statement of Loans and Advances (Annexure – VI)
iii. Statement of Current Liabilities and Provisions (Annexure – VII)
iv. Statement of Share Capital (Annexure - VIII)
v. Statement of Land Expenses (Annexure – IX)
vi. Statement of Administrative Expenses (Annexure - X)
vii. Summary of Accounting Ratios based on adjusted profits related to earnings per share, net asset value, return on net worth and Total debt-equity ratio (Annexure – XI)
viii. Statement of Related Party Disclosures (Annexure – XII)

We have been informed that the company has not declared any dividend on equity shares for the half years ended September 30, 2006 and 2005.

In our opinion, the 'Financial Information as per Audited Financial Statements' and Other Financial Information mentioned above for the years ended 30th September 2006 and 2005 have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.

This report should not be in any way be construed as a reissuance or redating of any of the previous audit reports nor should this be construed as a new opinion on any of the financial statements referred to herein.

This report is intended solely for your information and for inclusion in offer documents in connection with the proposed IPO of the Holding Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S.Janardhan & Associates
Chartered Accountants.

B.Anand
Partner
Membership No.29146

Place: Bangalore
Date : 28th October, 2006

REATATED SUMMARY OF ASSETS AND LIABILIITES

Annexure I

(Rs. in Million)

PARTICULARS	As at 30th September 2006	As at 30th September 2005
Fixed Assets		
Gross Block	-	-
Less : Depreciation	-	-
Net Block	-	-
Capital Work In Progress	-	-
Total (A)		
Investments (B)	-	-
CURRENT ASSETS, LOANS AND ADVANCES		
Inventories	129.83	115.56
Cash and Bank Balances	0.07	0.06
Loans and Advances	25.04	27.50
Total (C)	**154.94**	**143.12**
Total Assets(A+B+C) = D	**154.94**	**143.12**
Liabilities and Provisions	-	-
Secured Loans	-	-
Unsecured Loans	-	-
Deferred Tax Liabilities	-	-
Current Liabilities	154.91	143.07
Provisions	-	-
Total (E)	**154.91**	**143.07**
Networth (D - E)		
	0.03	**0.05**
Networth represented by		
Share Capital		
	0.10	0.10
Total		
	0.10	**0.10**
Less: Miscellaneous Expenditure		
(to the extent not written off or adjusted)		
Preliminary Expenditure	0.04	0.05
Profit and Loss Account	0.03	@
NETWORTH	**0.03**	**0.05**

The accompanying significant accounting policies and notes (Annexure IV) are an integral part of the accounts
@ represents carried forward loss in Profit and Loss account of Rs.1,673/-

As per our report of even date	For and on behalf of the Board of Directors
For S.Janardhan & Associates	
Chartered Accountants	
B.Anand	**N.B.Ashok Kumar**
Partner	Director
Membership No: 29146	
	Place: Bangalore
Place: Bangalore	October 28,2006
October 28,2006	

RESTATED SUMMARY STATEMENT OF PROFITS AND LOSSES		
		Annexure II
		(Rs. in Millions)
Particulars	**Half year ending 30th September 2006**	**Half year ending 30th September 2005**
INCOME		
Income	-	-
Increase in Inventory	8.95	-
Total	**8.95**	**-**
EXPENDITURE		
Land Cost	8.95	-
Administrative Expenses	0.01	@
Total	**8.96**	**@**
Profit before Taxation	(0.01)	@
Profit after Taxation	**(0.01)**	**@**
Balance of Loss brought forward	(0.02)	**-**
Loss carried to Balance Sheet	(0.03)	@
As per our report of even date		For and on behalf of the Board of Directors
For S.Janardhan & Associates		
Chartered Accountants		
B.Anand		**N.B.Ashok Kumar**
Partner		Director
Membership No: 29146		
		Place: Bangalore
Place: Bangalore		October 28,2006
October 28,2006		

RESTATED STATEMENT OF CASH FLOWS			Annexure III
			(Rs. in Millions)
		Half year ended 30th September 2006	**Half year ended 30th September 2005**
a.	**Cash Flow From Operating Activites**		
	Loss before Tax	**(0.01)**	**@**
	Adjustments for :		
	Preliminary Expenses	0.01	-
	Operating Profit before working capital Changes	-	**@**
	Inventories	(8.95)	-
	Debtors	-	-
	Loans & Advances (Other than advance tax & TDS)	(25.00)	(2.50)
	Liabilities (excluding interest accured)	33.96	2.50
	Net changes in Working Capital	**0.01**	**@**
	Cash Generated From Operations	**0.01**	**@**
	Interest Paid	-	-
	Direct Taxes Paid	-	-
	Net Cash From Operating Activites (A)	**0.01**	**-**
b.	**Cash Flow From Investment Activities**		
	Purchases of Fixed Assets	-	-
	Purchases of Investment	-	-
	Interest Receipts	-	-
	Sale of Fixed Assets	-	-
	Sale of Investments	-	-
	Dividend from Investments	-	-
	Net Cash Used In Investment Activites (B)	**-**	**-**
c.	**Cash Flow From Financing Activities**		
	Net Increase/ (Decrease) in Borrowing	-	-
	Dividend paid	-	-
	Cash generated From Financing Activites (C)	**-**	**-**
	Net Increase in Cash & Cash Equivalents (A+B+C)	**0.01**	**@**
	Opening Balance - Cash & Cash Equivalants	0.06	0.06
	Closing Balance - Cash & Cash Equivalants	**0.07**	**0.06**

"@" represents Rs. (1673) incurred for miscellaneous expenses

Notes:

1 The Cash Flow Statement has been prepared under indirect method as set out in Accounting Standard -3 on Cash Flow Statement issued by the Insitute of Chartered Accountants of India

2 Negative figures have been shown in brackets

As per our report of even date	For and on behalf of the Board of Directors
For S.Janardhan & Associates	
Chartered Accountants	
B.Anand	**N.B.Ashok Kumar**

Partner	Director
Membership No: 29146	
	Place: Bangalore
Place: Bangalore	October 28,2006
October 28,2006	

Annexure IV

NOTES FORMING PART OF THE RESTATED SUMMARY STATEMENTS

Significant Accounting Policies and Notes to Accounts:

Background:

The Company was incorporated on 10th August 2001 and is primarily engaged in the business of buying and selling of land.

1. Significant Accounting Policies:

1.1. Basis of Accounting

The Company follows accrual method of accounting except where the receipt of income is uncertain and is in accordance with the Accounting Standards referred to in sub section 3(c) of Section 211 of the Companies Act, 1956.

1.2 Revenue Recognition:

Recognition of Revenue from Sale of land

Revenue from sale of land is recognized on delivery of possession of the land to the customer or the registration of the title of the land in the name of the customer whichever is earlier.

Sale of Plots/Apartments is net after adjustments on account of cancellation.

1.3 Fixed Assets

Fixed Assets are stated at historical cost inclusive of freight and other direct expenses less depreciation to date. However, the company had no Fixed Assets during the year.

1.4 Depreciation/Amortisation:

The Company had no Fixed Assets during the year.

1.5 Inventory

Direct expenses like Land Cost, Registration and Brokerage Expenses and other expenses incurred in connection with the registration are taken as the cost of land.

Stock of land, classified as stock in trade, is valued at cost or net realizable value, whichever is lower.

1.6 Preliminary Expenses:

Preliminary expenses are amortized over a period of 10 years.

1. 7 Employee /Retirement benefits:

There are no employees employed during the year.

1.8 Deferred Tax:

Deferred tax is recognized, subject to the consideration of prudence in respect of deferred tax assets, on timing differences, being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

1.9 Treatment of contingent liabilities:

Contingent Liabilities not provided for are reflected in Notes on Accounts.

2. Notes on adjustments for restated summary statements:

No adjustments have been made to the audited statements as there are no items which need any restatement.

3. Provision for Current tax:

No provision for Income Tax has been made as the company had no taxable income during the years.

4. Segment Reporting:

The company is mainly engaged in the business of buying and selling land and therefore Segment Reporting as defined in Accounting Standard 17 does not apply.

Subject to our report of even date\
For S.Janardhan & Associates
Chartered Accountants

Place: Bangalore
Date: 28.10.2006

B.ANAND
PARTNER
Membership No.29146

Annexure V

RESTATED SCHEDULE OF INVENTORIES

(Rs. in Million)

Particulars	As at 30th September 2006	As at 30th September 2005
Stock in Trade-Land	129.83	115.56
(Valued at lower of cost or net realisable value)		
Total	**129.83**	**115.56**

RESTATED SCHEDULE OF LOANS AND ADVANCES Annexure VI

(Rs. in Million)

Particulars	As at 30th September 2006	As at 30th September 2005
Advances recoverable in cash or in kind or for value to be received		
(Unsecured - Considered good)	25.00	27.50
Deposits	0.04	-
Total	**25.04**	**27.50**

RESTATED SCHEDULE OF CURRENT LIABILITIES Annexure VII

(Rs. in Million)

Particulars	As at 30th September 2006	As at 30th September 2005
Current Liabilities		
Advance from Holding Company-Sobha Developers Ltd	128.65	116.81
Advance from Customers	26.25	26.25
Other Liabilities	0.01	0.01
Sub-total	**154.91**	**143.07**
Provisions	-	-
Sub-total	**-**	**-**
Total	**154.91**	**143.07**

SCHEDULE OF SHARE CAPITAL Annexure VIII

(Rs. In Million unless otherwise stated)

Particulars	As at 30th September 2006	As at 30th September 2005
Share Capital		
Equity Shares		
Authorised Capital	0.10	0.10
Number of Shares (in Nos.)	1,000	1,000
Face value of Equity Share Rs. 100/- each		
Equity Shares		
Issued, Subscribed and Paid-up	0.10	0.10
Number of Shares (in Nos.)	1,000	1,000
Face value of Equity Share Rs. 100/- each		
The Company has not declared any dividend on equity shares for the period ended 30th September 2006 and 2005		

RESTATED SCHEDULE OF INCREASE IN INVENTORY		Annexure IX
		(Rs. In Million)
Particulars	**Half year ended on 30th September 2006**	**Half year ended on 30th September 2005**
Closing Inventory		
Stock - in Trade	129.83	115.56
Less: Opening Inventory		
Stock - in Trade	120.88	115.56
Total	**8.95**	**-**

RESTATED SCHEDULE OF ADMINISTRATIVE EXPENSES		Annexure X
		(Rs. In Million)
Particulars	**Half year ended on 30th September 2006**	**Half year ended on 30th September 2005**
Other Expenses	0.01	@
Total	**0.01**	**@**
@ represents Rs. 1673/- incurred towards Miscellaneous expenses		

SUMMARY OF ACCOUNTING RATIOS		
		Annexure XI
		(In Rs. Unless otherwise stated)
Particulars	**Half year ended 30th September 2006**	**Half year ended 30th September 2005**
Adjusted profit to income from operations (%)	Not applicable	Not Applicable
Earnings per share		
Basic (Rs.)	(8.42)	(1.67)
Diluted (Rs.)	(8.42)	(1.67)
Cash earnings per share(Rs)	(8.42)	(1.67)
Net Asset Value per share (Rs.)	35.06	44.87
Return on Networth (%)	(24.02)	(3.73)
Total Debt/Equity Ratio	NA	NA
No of Equity Shares (in Nos.)	1,000	1,000
Restated Number of Equity Shares (in Nos.)	1,000	1,000

Notes:

1. The ratios have been computed as below

Adjusted profit to income from operations (%)		Adjusted profit before Tax / Income from operations
Earning per Share	Adjusted profit after tax before extra ordinary items / Restated Weighted average no of equity shares outstanding during the year	
Cash Earning per share	Adjusted profit after tax but before depreciation / Restated Weighted average no of equity shares outstanding during the year	
Net Asset value per share	Networth excluding revaluation reserve / Restated Weighted average no of equity shares outstanding during the year	
Return on Networth%	Adjusted profit after tax but before extraordinary items / Net worth excluding revaluation reserve	
Total Debt/Equity Ratio	Long Term Debt+Short Term Debt / Equity Share Capital+Reserves and Surplus	

2 The earning per share is calculated in accordance with the Accounting Standard 20 "Earning per share" issued by the Institute of Chartered Accountants of India

3. Networth means Equity Share Capital+Reserves and Surplus-Miscellaneous expenditure (to the extent not written off)

4. Restated Profit and Loss and Income from operations has been considered for the purpose of computing the above ratios.

RELATED PARTY TRANSACTIONS FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2006

Annexure XII

(Rs. in Million)

PARTICULARS	NATURE OF RELATIONSHIP	NAME OF THE RELATED PARTY	Amount
Advances received	Holding Company	M/s Sobha Developers Ltd	9.74
Balance Payable	Holding Company	M/s Sobha Developers Ltd	128.65

Details of Related Parties	
Key Management Personnel	Mr. PNC Menon
	Mrs. Sobha Menon
	Mr. Ravi Menon
	Mr. J C Sharma
	Mr. K.Suresh
	Mr.P.Kanodia
	Mr. N.B.Ashok Kumar
	Mr. D.K.Patil
Relatives of Key Management Personnel	Mr. PN Haridas
	Mr. PNK Mani
Other Related Parties	M/s Oman Builders Private Limited
	M/s Sobha Innercity Technopolis Private Limited
	M/s Sobha Interiors Private Limited
	M/s Sobha Glazing and Metal Works Private Limited

RELATED PARTY TRANSACTIONS FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2006

Annexure XII

(Rs. in Million)

PARTICULARS	NATURE OF RELATIONSHIP	NAME OF THE RELATED PARTY	Amount
		M/s Sobha Electro Mechanical Private Limited	
		M/s Sobha Renaissance and Information Technology Private Limited	
		M/s Sobha Technocity Private Limited	
		M/s Sobha Projects and Trade Private Limited	
		M/s Indeset Building Materials LLC	
		M/s Services and Trade Company	
		M/s Indeset Trading and Decorations Services LLC	
		M/s Royal Interiors Private Limited	
		M/s Technobuild Developers Private Limited	
		M/s Hill and Menon Secruties Private Limited	
		M/s Menon Hill Financial Services Limited	
		M/s Sri Kurumba Trust	
		M/s Sobha Space Private Limited	
		M/s Lotus Manpower Services	
Holding company		M/s Sobha Developers Limited	

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP, IFRS AND U.S. GAAP

The Financial Statements included in this Draft Red Herring Prospectus have been prepared in conformity with the Indian GAAP and the applicable provisions of the Indian Companies Act, 1956 and the SEBI Guidelines. Though the Indian GAAP differs with the US GAAP and IFRS, no reconciliation has been attempted in this Prospectus to bring out the impact on account of such differences if such practices are adopted.

However, a summarized information tabling the differences between the principles adopted by various GAAP as referred to below could be significant to the Financial Statements furnished along with this Draft Red Herring Prospectus. The following summary is not an exhaustive list of summary of differences with the various GAAP as mentioned below and potential investors are advised to consult their professional advisers for their fuller understanding and impact on the financial statements set out in this prospectus. Various US GAAP, IFRS, Indian GAAP have been making and are in the process of pronouncements, Guidance Notes could have a significant impact on future comparisons between Indian GAAP, US GAAP and IFRS

Particulars	Indian GAAP	IFRS	US GAAP
Contents of Financial Statements	Balance Sheet, Profit and Loss account along with the Significant Accounting Policies and Notes to Accounts for the current year along with the information relating to previous year is to be furnished. Listed companies and such companies which meet the economic or industry criteria are to give Cash Flow Statement in addition to the above. In case of Public Offering, selected data for a period of 5 most recent years after adjusting to the current accounting norms and pronouncements are to be furnished.	Comparative Statements of Balance Sheet, Income Statement, Statement of Cash Flows, Changes in Shareholders' equity along with the accounting policies and notes are to be enclosed for a period of two years.	Balance Sheet, Statements of Operations, Statement of Cash Flows and Statement of changes in Stockholders Equity along with the relevant accounting policies are to be furnished for a period of two years. Public Companies are required to attach the aforesaid statements for a period of three years except the balance sheet for the third year.
Basis of presentation	Financial statements must comply with the Indian GAAP. Additional guidelines by the SEBI are to be followed in respect of the Listed companies.	Financial Statements must comply with IFRS	Financial Statements must comply with US GAAP and Public companies are to adopt the rules, regulations and financial interpretations of the US Securities and Exchange Commission (the "SEC")
Historical Cost	Uses historical cost, but intangible assets, property plant and equipment and investment property may be revalued. No comprehensive guidance on derivatives and biological assets.	Statements are drawn on historical cost basis except in respect of Intangible asset, property plant and equipment where it may be revalued. Derivatives, biological assets and certain securities are to be revalued.	Based on historical cost only except in respect of securities and Derivatives which are to done at fair value.

Particulars	Indian GAAP	IFRS	US GAAP
Balance Sheet	Part I of Schedule VI to the Companies Act, 1956 prescribes the format of the Balance Sheet. Provides for two formats of Balance Sheet – Horizontal and vertical format and order of presentation as well.	Do not prescribe any format, but stipulates minimum line items like PPE, Investment Property, Intangible Assets, Financial Assets, Biological Assets, Inventory, receivables etc. Additional line items, sub headings and sub totals shall be presented on the face of the Balance Sheet if relevant. Order or presentation is based on (if current and non-current order followed) increasing order of liquidity	There is no prescribed format for presentation of the balance sheet. SEC stipulates for listed companies minimum line items to be disclosed on face of Balance Sheet or Notes to Accounts. Items in assets and Liabilities are presented in decreasing order of liquidity
Income Statement	Though there is no prescribed format, certain norms have been prescribed by the Companies Act in Part II of Schedule VI, while presenting certain Income and Expenditure items	No format has been prescribed. However, the expenditure has to be disclosed in either on the basis of its function or its nature.	Presentation of expenditure is to be on the basis of its function either by a single step where expenses are classified by function or a multi step where cost of sales is deducted from Sales.
Cash Flow Statement	Indirect Method of presentation is mandatory for listed Companies. Guidelines for headings are given by the Accounting Standards.	Usage of either Indirect or Direct Method is permitted.	Usage of either Indirect or Direct Method is permitted. Guidance notes are more specific about the individual items
Consolidation	Consolidation of Financial Statements of subsidiaries are not mandatory until it is required under some other law or regulation	Similar to Indian GAAP	Consolidation of financial statements of subsidiaries and Variable Interest Entity (VIE) is compulsory. VIE is an entity in which the organization does not hold majority interest but is responsible to provide necessary funding support.
Goodwill	Goodwill arising out of a business combination is allowed to be amortised in not more than 5 years. Goodwill is to be tested for impairment annually.	Goodwill arises as the difference between the cost of acquisition and the acquirer's share of fair value of identifiable assets, liabilities and contingent liabilities acquired. Purchased goodwill is capitalized as an intangible asset. Goodwill is not amortised but reviewed for impairment annually and when indicators of impairment arise at the cash generating unit (CGU) level or group of CGUs as applicable.	Similar to IFRS.Goodwill is not amortised but reviewed for impairment atleast annually at the reporting unit level.
Changes in Accounting Policy	Impact on account of changes in policy is given with prospective effect except in cases where the Accounting Standard prescribe for the Transitional provisions and in respect of change in rate of Depreciation.	Retroactive application for the earliest period practical and the impact on account of the same has to be adjusted to the opening retained earnings	The recent amendment has made the presentation requirements similar to IFRS

Particulars	Indian GAAP	IFRS	US GAAP
Business Combinations	Recognises both "Pooling of interest" as well as Purchase method	"Pooling of interest" is prohibited under IFRS.	Recognises only the "Purchase Method" of accounting for business combinations
Revenue Recognition	Revenue is recognized when performance is complete. Reasonable assurance exists regarding measurement and collectability	General principles are consistent with US GAAP, but IFRSs contain limited, detailed or industry specific guidance	Revenue is not recognized until they are realized and earned. Revenue need not be recognized, if there is a significant uncertainty concerning collection
Real Estate Sales	Guidance note recently issued by the ICAI on "Recognition of revenue for Real Estate Developers, recommends the principles while recognizing the income arising from real estate sales. Guidance note recommends the recognition of Revenue once the seller has transferred to the buyer all significant risks and rewards of ownership and the seller retains no effective control of the real estate to a degree usually associated with ownership, no significant uncertainty exists regarding the amount of consideration that will be derived and it is not unreasonable to expect ultimate collection. Once the seller has transferred all the risks and rewards of ownership to the buyer after satisfying the conditions mentioned in the foregoing para, any further acts on real estate performed by the seller are in substance performed on behalf of the buyer in the manner similar to a contractor and in such a case, the revenue should be recognized on proportionate basis as the acts are performed by applying the "Percentage Completion Method" in the manner explained in Accounting Standard (AS7), "Construction Contracts"	IAS 18 governs the principles of Recognition of Revenue. Revenue is normally recognized when the legal title passes to the buyer. However, if the equitable interest in a property vests with the buyer before legal title passes and therefore the risks and rewards of ownership have been transferred at that stage it may be appropriate to recognize revenue. The nature and extent of the sellers' continuing involvement determines how the transaction is accounted for.	For retail land sales, this Statement requires that the seller's receivables from the land sales be collectible and that the seller have no significant remaining obligations for construction or development before profits are recognized by the full accrual method. Other sales in retail land sales projects are to be reported under either the percentage-of-completion or the installment method, for which the Statement establishes criteria based on the collectibility of the seller's receivables from the land sales and the seller's remaining obligations. For other sales of real estate, this Statement provides for profit recognition by the full accrual and several other methods, depending on whether a sale has been consummated, the extent of the buyer's investment in the property being sold, whether the seller's receivable is subject to future subordination, and the degree of the seller's continuing involvement with the property after the sale.

Particulars	Indian GAAP	IFRS	US GAAP
Construction Contracts	AS-7 governs the principles of accounting in respect of a construction contact. The provisions are similar to the standards prescribed by IFRS	When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity. (Percentage Completion Method) The outcome can be estimated reliably when the contract revenue, contract costs to date and to completion and the stage of completion can be measured reliably. Any expected loss on a construction contract is recognized as an expense immediately.	Guidance is defined from the perspective of the Contractor rather than the contract. Scope is not limited to Construction type contracts. Guidance is also applicable to unit price and time and materials contract. The percentage completion method is preferred. The completed contract method can be used in rare circumstances when the extent of progress towards completion is not reasonably measurable. Revenue approach/Gross profit approach are recommended.
Interest expense	Similar to IFRS	Recognised on an accrual basis. Effective yield method is used to amortise non-cash finance charges.	Similar to IFRS
Employee benefits-defined benefit plans	Liability for a gratuity plan, which is defined benefit scheme is accrued based on an actuarial valuation.	Projected unit credit method is used to determine benefit obligation and record plan assets at fair value. Actuarial gains and losses can be deferred	Similar to IFRS but with several areas of differences in the detailed application.
Employee share compensation	Applicable and mandatory only to listed companies. ESOPS granted to employees are to be evaluated as per the accounting treatment prescribed by ESOP scheme and Employee Stock Purchase Scheme guidelines 1999 issued by SEBI.	Expenses for services purchased is recognized. Corresponding amount is recorded either as a liability or an increase in equity, depending on whether transaction is determined to be cash or equity-settled. Amount to be recorded is measured at fair value of shares or share options granted	Similar model to IFRS. Compensation expense is generally recognized based on fair value of awards at grant date. Several areas of difference exist in application.
Depreciation and amortisation	Depreciation is recorded over the asset's useful life. Schedule XIV of the Companies Act, 1956 prescribes minimum rates of depreciation and typically companies use these as the basis for the useful life of the asset.	The depreciable amount of an item of PPE is allocated on a systematic basis over its useful life, reflecting the pattern in which the entity consumes the asset's benefits. Any change in the depreciation method used is treated as a change in accounting estimate and reflected in the depreciation charge for the current and prospective periods. The depreciation methods are reviewed periodically; residual values are reviewed at each balance sheet date.	Similar to IFRS. FAS 154 require that a change in depreciation method be accounted for as a change in accounting estimate affected by change in accounting principle. Regarding periodic reviews of depreciation methods and residual values, the appropriateness of depreciation and periods used should be assessed at each reporting date.

Particulars	Indian GAAP	IFRS	US GAAP
Earnings per share- diluted	Similar to IFRS	Earnings per share is disclosed by entities whose ordinary shares are publicly traded and by entities in the process of issuing such shares under both frameworks. Earnings are adjusted for the after tax amount of dividends and the impact resulting from the assumed conversion of dilutive potential ordinary shares; diluted shares are also adjusted accordingly for any assumed conversions. Conversion is deemed to have occurred at the beginning of the period or the date of issue of potential dilutive ordinary shares, if later.	Similar to IFRS
Post Balance Sheet events	Similar to IFRS. However non-adjusting events are not required to be disclosed in financial statements but are disclosed in report of approving authority.	Adjusting events after the balance sheet date: Adjusting events that occur after the Balance Sheet date are events that provide additional evidence of conditions that existed at the balance sheet date and that materially affect the amounts included. The amounts recognized in the financial statements are adjusted to reflect adjusting events after the balance sheet date. Non adjusting events that occurred after the balance sheet date are defined as events that are indicative of conditions that arose after the balance sheet date. The nature and estimated financial effects of such events are disclosed to prevent the financial statements from being misleading.	Similar to IFRS.
Related Party Disclosures	The scope of parties covered under the definition of related party could be less than under IFRS or US GAAP. Unlike IFRS, the name of the related party is required to be disclosed.	Determined by level of direct or indirect control , joint control and significant influence of one party over another or common control by another entity. Name of the parent entity is disclosed and if different, the ultimate controlling party, regardless of whether transactions occur. For related party transactions, nature of relationship (seven categories) amount of transactions. Outstanding balances, terms and types of transactions are disclosed. Exemption is given only to intra-group transactions in consolidated accounts.	Similar to IFRS

Particulars	Indian GAAP	IFRS	US GAAP
Segment Reporting	Similar to IFRS	Public entities: primary and secondary (business and geographic) segments are reported based on risks and returns and internal reporting structure.	Public entities (SEC registrants) reported based on operating segments, which are based on manner in which chief operating decision-maker evaluates financial information for purposes of allocating resources and assessing performance.
Segment Reporting Disclosures	Similar to IFRS	Disclosures for primary segment include revenues, results, capital expenditures, total assets, total liabilities and other items. For secondary segment, revenues, total assets and capex are reported	Similar disclosures to IFRS (Primary segment) except liabilities and geographical capex are not required. Depreciation, amortization, tax, interest and exceptional/extraordinary items are disclosed if reported internally. Disclosures of factors used to identify segments is required.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our restated unconsolidated financial statements prepared in accordance with paragraph B(1) of Part II of Schedule II to the Companies Act and SEBI Guidelines, including the schedules, annexure and notes thereto and the reports thereon, which appear in this Red Herring Prospectus, beginning on page 133. Indian GAAP and U.S. GAAP differ in certain material respects. Unless otherwise stated, the financial information used in this section is derived from our audited unconsolidated financial statements as restated.

Overview

We are one of the leading real estate development and construction companies in India, which focuses on residential and contractual projects. We have constructed residential projects in Bangalore, in the south Indian state of Karnataka and constructed other projects on a contractual basis in eight states of India, namely, Karnataka, Kerala, Andhra Pradesh, Orissa, Tamil Nadu, Punjab, Haryana and Maharashtra. As of June 30, 2006 our Land Reserves comprise of 2,592.83 acres and our Land Arrangements comprise of 3,456.19 acres of land. As on September 30, 2006 our Land Reserves increased from 2,592.83 acres as on June 30, 2006, to 2,747.06 acres and Land Arrangements have decreased from 3,456.19 acres as on June 30, 2006, to 3,373.28 acres, and there has been a corresponding change in the payments made and payments outstanding in respect of Land Reserves and Land Arrangements. See 'Recent Developments in relation to our Lands' on page 8.

Our residential projects includes presidential apartments, villas, row houses, super luxury apartments and luxury apartments along with amenities such as clubhouse, swimming pool and shopping complex. Our first residential project in Bangalore was launched in September 1997 and was completed in two years by September 1999. As of September 30, 2006 we have developed and constructed 21 residential projects in Bangalore aggregating 1,552 apartments and covering approximately 2.98 million sq. ft. of super built up area.

We completed our first construction project, the Corporate Block for Infosys Technologies Limited, Bangalore in September 2000, which took ten months to complete. As of September 30, 2006, we have constructed 75 contractual projects in the eight states of India, covering approximately 8.42 million sq. ft. of super built up area and two commercial projects in Bangalore aggregating 0.11 million sq. ft. of super built up area.

Factors affecting Results of Operations

Our results of operations depend on various factors, including the following:

- the condition and performance of the property market;
- general economic and demographic conditions;
- regulations affecting the real estate industry;
- our ability to acquire suitable lands at reasonable costs;
- our ability to identify suitable projects and execute them in a timely and cost effective manner;
- the availability of finance on favourable terms for our business and for our customers; and
- competition.

See "Risk Factors" and "Our Industry" on pagex and page 46, respectively.

Income

Our total income comprises of income from operations, which includes:

- income from development and construction of residential and commercial (real estate) projects;
- income from construction of projects on a contractual basis;
- income from manufacturing activities; and

- income from other sources.

Income from residential and commercial (real estate) projects. We are in the business of development of residential and commercial projects owned by us or for which we have development rights. We generate income from sale of plots and constructed residential and commercial space. The total income from sale of such projects in the six months ended September 30, 2006, fiscal 2006, 2005 and 2004 are Rs. 2,805.69 million, Rs. 3,942.44 million, 1,642.65 million, and 815.78 million, respectively, which was 52.66%, 62.73%, 35.32% and 39.87% of our total income in such respective periods. We account for income from sales by the "percentage of completion" method.

Under this method, income in respect of a project is recognised based on the project cost actually incurred as a proportion of total estimated project cost and the proportion of the estimated saleable area in the project in respect of which bookings have been made. However, if the actual project cost incurred is less than 25% of the total estimated project cost, no income is recognised in respect of that project in the relevant fiscal period. Estimates of saleable area and the related income as well as project costs are reviewed periodically. The effect of any changes to estimates is recognised in the financial statements for the period in which such changes are determined.

The percentage completion method requires us to identify which development, or which component in a particular development, is to be treated as a separate project. This provides us with considerable flexibility as to how we are going to treat a particular development and divide it into individual projects. Once we have defined a project, we generally will not change the definition.

We estimate the saleable area of a project and the income from it based on the size, specifications and location, among other things, of the project. We typically enter into contracts with our customers while the project is still under development. Each project is treated as having a notional completion time of two and a half years, and customers wishing to buy a property in it are required to make a initial payment at the time of booking and pay the remaining purchase price in instalments over the period between the date of booking and the date on which the property is to be transferred. Accordingly, bookings of saleable area and project cost incurred, rather than actual amounts received, determine revenue recognition under the percentage completion method.

We estimate the total cost of a project, based on similar considerations, prior to its commencement. Our project planning and execution teams have extensive experience of prior projects, which enables them to estimate and monitor project costs. Our project execution teams re-evaluate project costs periodically, particularly when in their opinion there have been significant changes in market conditions, costs of labour and materials and other contingencies. Material re-evaluations will affect our income in the relevant fiscal periods.

The major source of our future sales revenue is our ongoing and forthcoming projects, which are described in the section titled "Our Business" on page 52.

As part of the growth and diversification of our business, we intend to earn revenue from development of hotels, special economic zones in addition to integrated townships, residential complexes and commercial properties such as malls, multiplexes, and shopping complexes and by undertaking plot development.

Income from execution of contracts. We also take up construction activities for third parties on a contractual basis. The total income from execution of such contracts in the six months ended September 30, 2006, fiscal 2006, 2005 and 2004 are Rs. 1,539.16 million, Rs. 2,023.71 million, Rs. 2,887.99 million, and 1,135.12 million respectively, which was 28.89%, 32.20%, 62.09% and 55.48% of our total income in such respective periods. Revenue from execution of contracts undertaken is recognized on the basis of certification issued by the client.

Income from Manufacturing Activities

On April 3, 2006 we acquired certain selected assets and liabilities from Sobha Glazing and Metal Works Private Limited and Sobha Interiors Private Limited. Since that date, we have used these assets in glazing and metal works and interior decoration activities. The total income from such activities in the six months ended September 30, 2006 was Rs. 831.45 million, which was 15.60% of our total income for such period.

Other income. Other income includes income from, among other things, interest earned from securities and bank deposits as well as registration charges, electricity and water connection charges and maintenance charges, all of which are collected from customers at the time the property sold is handed over. These charges are recurring in nature. The total income from such other sources in the six months ended September 30, 2006, fiscal 2006, 2005 and 2004 was Rs. 152.12 million, Rs. 318.21 million, Rs.120.63 million and Rs. 95.03 million, respectively, which was 2.85%, 5.06%, 2.59% and 4.64% of our total income in such respective periods.

Expenditure

We account for all expenses incurred for a specific project as expenses for such project. All expenses which are incurred and which are not specific to a particular project are accounted for separately as administrative expenses and are not included in land and construction expenses. Our total expenditure comprises of the following:

Land and construction expenses. Land and construction expenses consist of the cost of acquisition of land and the cost of acquisition of development rights, cost of materials, cost of services such as architects, contract labour, salary and allowances of employees assigned to the projects. The cost of land of a particular project is recognized as an expense proportionate to the sales recognized for that project. The construction expenses of a particular project are recognized as per the percentage completion method.

We incurred expenses amounting to Rs. 2,665.14 million, Rs. 3,755.68 million, Rs. 3,398.27 million and Rs. 1,480.11 million, which was 56.51%, 72.21%, 81.33% and 78.71% of our total expenditure in the six months ended September 30, 2006, fiscal 2006, fiscal 2005 and fiscal 2004, respectively.

Administrative expenses. The administrative costs relate to expenses incurred for general administration that are not assignable to any specific project. These include staff welfare and salary costs, registration expenses, sales tax and advertising and marketing expenses. We incurred a cost of Rs. 999.53 million, Rs. 1,113.85 million, Rs. 596.45 million and Rs. 326.19 million, which was 21.19%, 21.42%, 14.27% and 17.35% of the total expenses incurred by us the six months ended September 30, 2006, in fiscal 2006, fiscal 2005 and fiscal 2004, respectively.

Raw Material Consumption

As a result of the manufacturing activities that we commenced on April, 3, 2006, we have incurred new expenses relating to the cost of raw material consumption. We incurred expenses amounting to Rs. 532.48 million, which was 11.29% of the total expenses incurred by us in the six months ended September 30, 2006.

Production Expenses

As a result of the manufacturing activities that we commenced on April 3, 2006, we have incurred new costs relating to production expenses. We incurred expenses amounting to Rs. 131.50 million, which is 2.79% of the total expenses incurred by us in the six months ended September 30, 2006.

Finance charges. The finance charges incurred by us include interest charges payable by us for the short term and long term loans including working capital loans, interest charges on loans for purchase of certain equipment and vehicles and financial charges like processing fees for loans, bank guarantees. We incurred expenses amounting to Rs. 279.47 million, Rs. 219.38 million, Rs. 109.36 million and Rs. 47.55 million, which was 5.93%, 4.22%, 2.62% and 2.53% of our total expenses in the six months ended September 30, 2006, fiscal 2006, fiscal 2005 and fiscal 2004, respectively.

Depreciation. Depreciation of building, plant and machinery, furniture, fixtures, motor vehicles, computers and certain other items used in construction and offices amounted to expenses of Rs. 108.47 million, Rs. 111.96 million, Rs. 74.38 million and Rs. 26.72 million, which was 2.30%, 2.15%, 1.78% and 1.42% of our total expenditure incurred in the six months ended September 30, 2006, fiscal 2006, fiscal 2005 and fiscal 2004, respectively.

Results of Operations

The following table sets forth for the fiscal years indicated, certain items derived from our restated consolidated financial statements, in each case stated as a percentage of total income. Amounts have been rounded to ensure percentages total to 100% as appropriate.

	Six months compared	Fiscal 2006	Fiscal 2005	Fiscal 2004
	(% of total income)			
Income				
Residential and Commercial	52.66	62.73	35.32	39.87
Contractual	28.89	32.20	62.09	55.48
Manufacturing Activity	15.60	-	-	-
Other	2.85	5.06	2.59	4.64
Total	**100**	**100.0**	**100.0**	**100.0**
Expenditure				
Land and Construction	50.02	59.76	73.06	72.34
Administrative	18.76	17.72	12.82	15.94
Raw Material Consumption	9.99	-	-	-
Production Expenses	2.47	-	-	-
Finance Charges	5.24	3.49	2.35	2.32
Depreciation	2.04	1.78	1.60	1.31
Total	**88.52**	**82.76**	**89.84**	**91.92**
Profit Before Taxation	11.48	17.24	10.17	8.08
Less Provisions for Taxes	1.35	3.04	2.89	3.74
Restated Profit	**10.13**	**14.20**	**7.28**	**4.34**

Comparison of the six months period ended September 30, 2006 and September 30, 2005

Income

Our total income increased by 102.70% from Rs. 2,628.72 million in the six months ended September 30, 2005 to Rs. 5,328.42 million in the six months ended September 30, 2006. This was primarily due to the 82.69% increase in revenues from residential and commercial projects from Rs. 1,535.78 million in the six months ended September 30, 2005 to Rs. 2,805.69 in the six months ended September 30, 2006. This increase was driven by the commencement and progress of construction of various residential projects in earlier years and now recognized as income under the percentage completion method as per Accounting Standard 7 and an increase in unit prices during the six months ended September 30, 2006. Income from residential projects recognized during the six months ended September 30, 2006 include Sobha Hibiscus, Sobha Tulip, Sobha Aster, Sobha Daffodil, Sobha Magnolia, Sobha Iris, Sobha Jasmine, Sobha Mayflower, Sobha Dahlia, Sobha Daisy, Sobha Lotus, Sobha Primrose, Sobha Rose.

Our revenues from development of project on a contractual basis increased by 56.86% from Rs. 981.26 million in the six months ended September 30, 2005 to Rs. 1,539.16 million in the six months ended September 30, 2006. This was due to an increase in construction area from 1.11 million sq. ft. in the six months ended September 30, 2005 to 1.57 million sq. ft in the six months ended September 30, 2006.

For the six months ended September 30, 2006, revenues from manufacturing activities was Rs. 831.45 million. This new source of revenue was primarily due to commencement of glazing and metal works activities and interior decoration activities. Prior to the six months ended September 30, 2006, we did not generate revenues from manufacturing activities.

Other income increased by 36.21% from Rs. 111.68 million in the six months ended September 30, 2005 to Rs. 152.12 million in the six months ended September 30, 2006. The increase in other income was primarily due to the increase in handing over of projects in the six months ended September 30, 2006.

Expenditure

Our total expenditure increased by 101.51% to Rs. 4,716.59 million in the six months ended September 30, 2006 from Rs. 2,340.60 million in the six months ended September 30, 2005. This was primarily due to the increase in sales revenue resulting in corresponding increase in cost.

Land and Construction Expenses

Our land and construction expenses increased by 52.92% from Rs. 1,742.79 million in the six months ended September 30, 2005 to Rs. 2,665.14 in the six months ended September 30, 2006. This was primarily due to an increase in area constructed. Also, price increases for cement and steel and raw materials in the six months ended September 30, 2006 increased our construction costs in that six month period. As a percentage of total income, our land and construction expenses decreased from 66.30% of total income in the six months ended September 30, 2005 to 50.02% of total income in the six months ended September 30, 2006.

Raw Material Consumption

In the six months ended September 30, 2006, we incurred new expenses relating to the cost of raw material consumption. For the six months ended September 30, 2006 our total expenditure for raw material consumption was Rs. 532.48 million. This new expenditure was primarily due to commencement of woodwork and glazing manufacturing activities.

Production Expenses

In the six months ended September 30, 2006, we incurred new costs relating to production expenses. For the six months ended September 30, 2006 our total expenditure for production expenses was Rs. 131.50 million. This new expenditure was primarily due to commencement of woodwork and glazing manufacturing activities.

Administrative Expenses

Our administrative expenses increased by 119.76% from Rs. 454.82 million in the six months ended September 30, 2005 to Rs. 999.53 million in the six months ended September 30, 2006. The following are the reasons for increase:

Our salaries and wages expenses increased by 132.34% from Rs. 117.24 million in the six months ended September 30, 2005 to Rs. 272.40 million in the six months ended September 30, 2006. This was due to an increase in employee strength from 1,555 to 3,222 employees.

Our sales tax expenses increased by 225.35% from Rs. 100.95 million in the six months ended September 30, 2005 to Rs. 328.44 million in the six months ended September 30, 2006. This was due to an increased volume of business.

Our other expenses increased by 44.31% from Rs. 201.31 million in the six months ended September 30, 2005 to Rs. 290.51 million in the six months ended September 30, 2006 due to an increase in new offices and other establishment expenses.

As a percentage of total income, our administrative expenses increased from 17.30% of total income in the six months ended September 30, 2005 to 18.76% of total income in the six months ended September 30, 2006. This was primarily due to the increase in compensation costs relating to the increase in employee strength and the increase in sales tax arising from the increase in volume of business.

Finance Charges

Our finance charges increased by 195.74% from Rs. 94.50 million in the six months ended September 30, 2005 to Rs. 279.47 million in the six months ended September 30, 2006. This was due to an increase in borrowings for our projects and an increase in working capital utilization. As a percentage of total income, our finance charges increased slightly from 3.59% of the total income in the six months ended September 30, 2005 to 5.24% of total income in the six months ended September 30, 2006.

Depreciation

Our depreciation increased from Rs. 48.50 million in the six months ended September 30, 2005 to Rs. 108.47 million in the six months ended September 30, 2006, which is an increase of 123.65%. The increase was due to the addition in the six months ended September 30, 2006 of 598.00 in fixed assets including land, building, and plant and machinery. Depreciation as a percentage of total income marginally increased from 1.85% in the six months ended September 30, 2005 to 2.04% in the six months ended September 30, 2006.

Profit before tax

Our profit before tax increased by 112.35% from Rs. 288.12 million in the six months ended September 30, 2005 to Rs. 611.83 million in the six months ended September 30, 2006, reflecting the fact that during the six month, our income increased Rs. 2,699.70, but our expenditure only increased Rs. 2,375.99. This was primarily due to an increase in unit prices of residential projects and contractual projects and better planning and utilization of internal resources. Our profit before tax as a percentage of total income increased from 10.96% of total income in the six months ended September 30, 2005 to 11.48% of total income in the six months ended September 30, 2006.

Provision for tax and Net profit

Our provision for tax was Rs. 72.09 million in the six months ended September 30, 2006 and was Rs. 55.58 million in the six months ended September 30, 2005. The increase was primarily due to a substantial increase in our current tax liability to Rs. 70.08 million from Rs. 56.88 million and a change in our deferred tax position from Rs. (1.30) million in the six months ended September 30, 2005 to Rs. 2.01 million in the six months ended September 20, 2006. This reflected the increase in our profit for the year. As a result, our net profit increased by 132.10% from Rs. 232.54 million in the six months ended September 30, 2005 to Rs. 539.74 million in the six months ended September 30, 2006.

Comparison of Fiscal 2006 and Fiscal 2005

Income

Our total income increased by 35.11% from Rs. 4,651.27 million in fiscal 2005 to Rs. 6,284.36 million in fiscal 2006. This was primarily due to the 140.01% increase in revenues from residential and commercial projects from Rs. 1,642.65 million in fiscal 2005 to Rs. 3,942.44 million in fiscal 2006. The increase was driven by the commencement and progress of construction of various residential projects in earlier years and now recognised as income under the percentage completion method as per Accounting Standard 7 and an increase in unit prices. Income from residential projects recognized during fiscal 2006 include Sobha Dahlia, Sobha Hibiscus, Sobha Iris, Sobha May-Flower, Sobha Primrose, Sobha Rose, Sobha Daisy, Sobha Jasmine, Sobha Lotus, Sobha Tulip, Sobha Orchid, Sobha Sunflower, Sobha Aquamarine, Sobha Malachite – I, Sobha Malachite – II, Sobha Malachite – III and Sobha Quartz.

Our revenues from development of project on a contractual basis decreased by 29.93% from Rs. 2,887.99 million in fiscal 2005 to Rs. 2,023.71 million in fiscal 2006. This was mainly due to decrease in construction area from 2.72 million sq. ft. in fiscal 2005 to 2.34 million sq. ft. in fiscal 2006.

Other income increased from Rs. 120.63 million in fiscal 2005 to Rs. 318.21 million in fiscal 2006. The increase in other income was primarily due to an increase in handing over of projects.

Expenditure

Our total expenditure increased by 24.47% to Rs. 5,200.87 million in fiscal 2006 from Rs. 4,178.46 million in fiscal 2005. This was primarily due to the increase sales revenue resulting in corresponding increase in cost.

Land and Construction Expenses

Our land and construction cost increased by 10.52% from Rs. 3398.27 million in fiscal 2005 to Rs. 3755.68 million in fiscal 2006. This was due to an increase in the area constructed. However, as a percentage of total income, our land and construction cost decreased from 73.06% of total income in fiscal 2005 to 59.76% of total income in fiscal 2006. The decrease as a percentage of total income was primarily due to increase sales of the land portion (rather than an increase in the construction expenses) in fiscal 2006.

Administrative Expenses

Our administrative expenses increased by 86.74% from Rs. 596.45 million in fiscal 2005 to Rs. 1113.85 million in fiscal 2006. As a percentage of total income, our administrative expenses increased from 12.82% of total income in fiscal 2005 to 17.72% of total income in fiscal 2006. The major reasons are as follows:

Our salaries and wages expenses increased by 47.26% from Rs.173.5 million in fiscal 2005 to Rs. 255.5 million in fiscal 2006. This was due to increase in employee strength from 1,234 to 2,207 employees.

Our sales tax expenses increased by 202.75% from Rs. 112.97 million in fiscal 2005 to Rs.342.03 million in fiscal 2006. This was due to increase in business volume, collection from real estate and contractual clients.

Our registration expenses increased by 179.00% from Rs. 49.91 million in fiscal 2005 to Rs. 139.25 million in fiscal 2006. This was mainly due to increase in registration of apartments.

Our other expenses increased by 63.16% from Rs.212.65 million in fiscal 2005 to Rs. 346.97 million in fiscal 2006 due to increase in new offices and other establishment expenses.

Finance Charges

Our finance charges increased by 100.60 % from Rs.109.36 million in fiscal 2005 to Rs. 219.38 million in fiscal 2006. As a percentage of total income, our finance charges increased from 2.35% of total income in fiscal 2005 to 3.49% of total income in fiscal 2006. This was primarily due to an increase in borrowings for our projects and increased working capital.

Depreciation

Our depreciation increased from Rs. 74.38 million in fiscal 2005 to Rs. 111.96 million in fiscal 2006, which is an increase of 50.52%. The increase was due to addition of Rs. 696.93 million in fixed assets including land, building, and plant and machinery from Rs. 299.92 million in fiscal 2005. Depreciation as a percentage of total income increased from 1.60% in fiscal 2005 to 1.78% in fiscal 2006.

Profit Before Tax

Our profit before tax increased by 129.16% from Rs. 472.81 million in fiscal 2005 to Rs. 1,083.49 million in fiscal 2006, reflecting the fact that during the year, our income increased by Rs. 1,633.10 million, but our expenditure increased only by Rs. 1,022.42 million, primarily due to an increase in unit prices of residential projects and better planning and utilization of internal resources. Our profit before tax as a percentage of total income increased from 10.17% in fiscal 2005 to 17.24% in fiscal 2006.

Provision for Tax and Net Profit

Our provision for tax was Rs. 191.19 million in fiscal 2006 and was Rs. 134.32 million in fiscal 2005. The primary components in this increase were a substantial increase in our current tax liability to Rs. 191.07 million in fiscal 2006 from Rs. 123.08 million in fiscal 2005 and a change in our deferred tax position from Rs. 11.24 million in fiscal 2005 to Rs. 0.12 million in fiscal 2006. Even though our profit before tax in fiscal 2006 increased by 129.16% compared to fiscal 2005, the provision for tax in fiscal 2006 did not increase proportionately due to the benefit we availed under section 80-IB of the Income Tax Act.

The provisions of section 80-IB of the Income Tax Act provide for 100% deduction of the profits derived from development and building of housing projects approved before March 31, 2007, by a local authority, provided that certain specified conditions are met including the requirement that the area of each dwelling unit is not more than 1,000 sq. ft of built up area within the radius of 25 kilometres of the municipal limits of metropolitan cities of New Delhi and Mumbai and 1,500 sq. ft of built up area in the rest of India.

As a result, our net profit increased by 163.62% from Rs. 338.49 million in fiscal 2005 to Rs. 892.30 million in fiscal 2006.

Comparison of Fiscal 2005 and Fiscal 2004

Income

Our total income increased by 127.34% from Rs. 2,045.93 million in fiscal 2004 to Rs. 4,651.27 million in fiscal 2005. This was primarily due to the 101.36% increase in revenues from residential and commercial projects from Rs. 815.78 million in fiscal 2004 to Rs. 1,642.65 million in fiscal 2005. The increase was driven by the commencement and progress of construction of various residential projects in earlier years and now recognised as income under the percentage completion method as per Accounting Standard 7 and increase in unit prices in fiscal 2005. Income from residential projects recognized during fiscal 2005 include Sobha Amber, Sobha Aquamarine, Sobha Emerald Phase 2, Sobha Hibiscus, Sobha Malachite - II, Sobha Malachite - III, Sobha Onyx, Sobha Quartz, Sobha Sunflower, Sobha Tulip and Sobha Zircon.

Our revenues from development of project on a contractual basis increased by 154.42% from Rs. 1,135.12 million in fiscal 2004 to Rs. 2,887.99 million in fiscal 2005. This was due to increase in construction area from 1.16 million sq. ft in fiscal 2004 to 2.72 million sq. ft. in fiscal 2005.

Other income increased from Rs. 95.03 million in fiscal 2004 to Rs. 120.63 million in fiscal 2005. The increase in other income was primarily due to increase in handing over of projects in fiscal 2005.

Expenditure

Our total expenditure increased by 122.19% to Rs.4,178.47 million in fiscal 2005 from Rs. 1,880.57 million in fiscal 2004. This was primarily due to the increase in sales revenue resulting in a corresponding increase in cost.

Land and Construction Expenses

Our land and construction expenses increased by 129.60% from Rs. 1,480.11 million in fiscal 2004 to Rs. 3,398.27 million in fiscal 2005. This was primarily due to increase in area constructed. Also, price increases for cement and steel and raw materials in fiscal 2005 increased our construction costs in that fiscal year. As a percentage of total income, our land and construction expenses marginally increased from 72.34% of total income in fiscal 2004 to 73.06% of total income in fiscal 2005.

Administrative Expenses

Our administrative expenses increased by 82.85% from Rs. 326.19 million in fiscal 2004 to Rs. 596.45 million in fiscal 2005. The following are the reasons for increase:

Our salaries and wages expenses increased by 119.12% from Rs. 79.18 million in fiscal 2004 to Rs. 173.50 million in fiscal 2005. This was due to an increase in employee strength from 806 to 1234 employees.

Our sales tax expenses increased by 279.35% from Rs. 29.78 million in fiscal 2004 to Rs. 112.97 million in fiscal 2005. This was due to an increased volume of business.

Our other expenses included in other expenses increased by 37.89% from Rs. 154.22 million in fiscal 2004 to Rs. 212.65 million in fiscal 2005 due to an increase in new offices and other establishment expenses.

As a percentage of total income, our administrative expenses decreased from 15.94% of total income in fiscal 2004 to 12.82% of total income in fiscal 2005. This was primarily due to better planning and utilization of internal resources.

Finance Charges

Our finance charges increased by 129.99% from Rs. 47.55 million in fiscal 2004 to Rs. 109.36 million in fiscal 2005. This was due to an increase in borrowings for our projects and an increase in working capital utilization. As a percentage of total income, our finance charges increased slightly from 2.32% of total income in fiscal 2004 to 2.35% of total income in fiscal 2005.

Depreciation

Our depreciation increased from Rs. 26.72 million in fiscal 2004 to Rs. 74.38 million in fiscal 2005, which is an increase of 178.38%. The increase was due to addition in fiscal 2005 of Rs. 299.92 million in fixed assets including land, building, and plant and machinery. Depreciation as a percentage of total income marginally increased from 1.31% in fiscal 2004 to 1.60% in fiscal 2005.

Profit before tax

Our profit before tax increased by 185.93% from Rs. 165.36 million in fiscal 2004 to Rs. 472.81 million in fiscal 2005, reflecting the fact that during the fiscal 2005, our income increased by Rs.2,605.33 million, but our expenditure only increased by Rs. 2,297.88 million. This was primarily due to an increase in unit prices of residential projects and contractual projects and better planning and utilization of internal resources. Our profit before tax as a percentage of total income increased from 8.08% in fiscal 2004 to 10.17% in fiscal 2005.

Provision for tax and Net profit

Our provision for tax was Rs. 134.32 million in fiscal 2005 and was Rs. 76.55 million in fiscal 2004. The increase was primarily due to a substantial increase in our current tax liability to Rs. 123.08 million from Rs. 73.33 million and a change in our deferred tax position from Rs. 3.22 million in fiscal 2004 to Rs.11.24 million in fiscal 2005. This reflected the increase in our profit for the year. As a result, our net profit increased by 281.13% from Rs. 88.81 million in fiscal 2004 to Rs. 338.49 million in fiscal 2005.

Comparison of Fiscal 2004 and Fiscal 2003

Income

Our total income increased by 73.81% from Rs. 1,177.10 million in fiscal 2003 to Rs. 2,045.93 million in fiscal 2004. This was primarily due to the 19.44% increase in revenues from residential and commercial projects from Rs. 683.02 million in fiscal 2003 to Rs. 815.78 million in fiscal 2004. The increase was driven by the commencement and progress of construction of various residential projects in earlier years and now recognised as income under the percentage completion method as per Accounting Standard 7 and increase in unit prices in fiscal 2004. Income from residential projects recognized during fiscal 2004 include Sobha Amber, Sobha Aquamarine, Sobha Emerald Phase 2, Sobha Hibiscus, Sobha Malachite - II, Sobha Malachite - III, Sobha Onyx, Sobha Quartz, Sobha Sunflower, Sobha Tulip and Sobha Zircon.

Our revenues from development of project on a contractual basis increased by 180.69% from Rs. 404.41 million in fiscal 2003 to Rs. 1,135.12 million in fiscal 2004. This was due to increase in construction area from 0.59 million sq. ft in fiscal 2003 to 1.16 million sq. ft. in fiscal 2004.

Other income increased from Rs. 89.67 million in fiscal 2003 to Rs. 95.03 million in fiscal 2004. The increase in other income was primarily due to increase in handing over of projects in fiscal 2004.

Expenditure

Our total expenditure increased by 63.19% to Rs.1,880.57 million in fiscal 2004 from Rs. 1,152.41 million in fiscal 2003. This was primarily due to the increase in sales revenue resulting in a corresponding increase in cost.

Land and Construction Expenses

Our land and construction expenses increased by 72.47% from Rs. 858.19 million in fiscal 2003 to 1,480.11 in fiscal 2004. This was primarily due to increase in area constructed. Also, price increases for cement and steel and raw materials in fiscal 2004 increased our construction costs in that fiscal year. As a percentage of total income, our land and construction expenses marginally decreased from 72.91% of total income in fiscal 2003 to 72.34% of total income in fiscal 2004.

Administrative Expenses

Our administrative expenses increased by 48.16% from Rs. 220.16 million in fiscal 2003 to Rs. 326.19

million in fiscal 2004. The following are the reasons for increase:

Our salaries and wages expenses increased by 72.39% from Rs.45.93 million in fiscal 2003 to Rs. 79.18 million in fiscal 2004. This was due to an increase in employee strength from 316 to 806 employees.

Our sales tax expenses decreased by 24.26% from Rs. 39.32 million in fiscal 2003 to Rs. 29.78 million in fiscal 2004. This was due to an decreased volume of business.

Our other expenses increased by 48.22% from Rs. 104.05 million in fiscal 2003 to Rs. 154.22 million in fiscal 2004 due to an increase in new offices and other establishment expenses.

As a percentage of total income, our administrative expenses decreased from 18.70% of total income in fiscal 2003 to 15.94% of total income in fiscal 2004. This was primarily due to better planning and utilization of internal resources.

Finance Charges

Our finance charges decreased by 17.97% from Rs. 57.97 million in fiscal 2003 to Rs. 47.55 million in fiscal 2004. This was due to an decrease in borrowings for our projects and an decrease in working capital utilization. As a percentage of total income, our finance charges decreased slightly from 4.92% of total income in fiscal 2003 to 2.32% of total income in fiscal 2004.

Depreciation

Our depreciation increased from Rs. 16.09 million in fiscal 2003 to Rs. 26.72 million in fiscal 2004, which is an increase of 66.07%. The increase was due to addition in fiscal 2004 of Rs. 104.43 million in fixed assets including land, building, and plant and machinery. Depreciation as a percentage of total income marginally decreased from 1.37% in fiscal 2003 to 1.31% in fiscal 2004.

Profit before tax

Our profit before tax increased by 569.74% from Rs. 24.69 million in fiscal 2003 to Rs. 165.36 million in fiscal 2004, reflecting the fact that during the fiscal 2004, our income increased by Rs. 868.83 million, but our expenditure only increased by Rs. 728.16 million. This was primarily due to an increase in unit prices of residential projects and contractual projects and better planning and utilization of internal resources. Our profit before tax as a percentage of total income increased from 2.10% in fiscal 2003 to 8.08% in fiscal 2004.

Provision for tax and Net profit

Our provision for tax was Rs. 76.55 million in fiscal 2004 and was Rs. 12.43 million in fiscal 2003. The increase was primarily due to a substantial increase in our current tax liability to Rs. 73.33 million from Rs. 13.68 million and a change in our deferred tax position from (Rs. 1.25 million) in fiscal 2003 to Rs.3.22 million in fiscal 2004. This reflected the increase in our profit for the year. As a result, our net profit increased by 624.39% from Rs. 12.26 million in fiscal 2003 to Rs. 88.81 million in fiscal 2004.

Assets and Liabilities

Fixed Assets: Our total fixed assets were Rs. 1,575.92 million as at the six months ended September 30, 2006 and Rs. 1,030.47 million, Rs. 537.93 million and Rs. 189.54 million as at March 31, 2006, 2005 and 2004, respectively. Our fixed assets comprise of land, factory building, plant and machinery such as construction machinery, shuttering and scaffolding materials, office equipment and computers, furniture and fixtures, motor vehicles.

Investments: We have invested in government securities and the equity shares of certain listed and unlisted companies including a subsidiary company. Our total investment was Rs. 26.98 million as at the six months ended September 30, 2006 and Rs. 26.99 million, Rs. 0.23 million and Rs. 190.22 million as at March 31, 2006, 2005 and 2004, respectively.

Net Deferred Tax Assets/(Liability): Deferred taxes arise from timing differences between our book profits and our taxable profits that originate during an accounting period and which can be reversed in subsequent periods. Our net deferred tax assets/(liabilities) were (Rs. 18.73 million) as at the six months ended September 30, 2006 and (Rs. 16.73 million), (Rs. 16.63 million) and (Rs. 5.41million) as at March 31, 2006, 2005 and 2004, respectively.

Current Assets, Loans and Advances: The total current assets, loans and advances of our company were Rs. 10,335.79 million as at the six months ended September 30, 2006 and Rs. 8,963.36 million, Rs. 4,571.60 million and Rs. 2,344.52 million as at March 31, 2006, 2005 and 2004, respectively. Our current assets, loans and advances comprise our inventory, sundry debtors, cash and bank balances and loans and advances.

Inventory*:* As per the income recognition norms explained earlier, for real estate projects, income is recognised on projects where the total construction costs as on the date of the financial statements is at least 25% of the total estimated construction costs of the project. For contractual projects, income recognition is done on the basis of certification issued by the client. Consequently for real estate projects where the construction costs for projects do not reach the above cut-off rate of 25% at the date of financial statements, they are recorded in the books as inventory. Further, for contractual projects, billings which have not been certified by the client are also recognised as inventory. Also, cost incurred in respect of lands acquired for the purpose of development of projects to be sold to customers is classified as inventory in the books of the company. Our inventory was Rs. 2,655.77 million as at the six months ended September 30, 2006 and Rs. 2,543.96 million, Rs. 1,905.44 million and Rs. 771.38 million as at March 31 2006, 2005 and 2004, respectively.

Sundry Debtors: Our total amount payable by sundry debtors was Rs. 558.27 million as at the six months ended September 30, 2006 and Rs. 802.97 million, Rs. 363.95 million and Rs. 317.64 million as at March 31 2006, 2005 and 2004, respectively. Our sundry debtors are primarily customers who have booked properties and have not yet made the payment to us. Our sundry debtors also include receivables for construction activities undertaken as a contractor by us and other receivables on account of facility management.

Loans and Advances: Our total loans and advances were Rs. 6,835.51 million as at the six months ended September 30, 2006 and Rs. 5,166.75 million, Rs. 2,236.44 million and Rs. 1,146.09 million as at March 31, 2006, 2005 and 2004, respectively. Our loans and advances comprise primarily of advances made by us for acquisition of land, advances for acquisition of development rights, loans to joint ventures and security deposits for tenders & licenses and other deposits.

We acquire the right to develop properties through collaboration with other entities. These other entities are titleholders of lands. As per the terms of the agreements with such entities, typically, the project is conceived and developed by us.

Current Liabilities*:* Our total current liabilities were Rs. 2,869.18 million as at the six months ended September 30, 2006 and Rs. 4,010.31 million, Rs. 1,997.77 million and Rs. 1,776.80 million as at March 31, 2006, 2005 and 2004, respectively. Our current liabilities include sundry creditors, advances from customers, security deposits received and other liabilities.

As discussed above, we recognize the revenue generated from our projects under a method whereby revenue is recognized, in relation to the sold areas only, on the basis of the percentage of the actual construction cost incurred thereon as against the total estimated construction cost of the project under execution. The revenue is recognized, only if the actual construction costs already incurred on the date of the financial statements, is at least 25% of the total construction cost of the project. Amounts received from customers for projects, which either do not qualify for revenue recognition under this method or such amounts as are paid by customers in surplus of the amounts recognized under the method described above, are accounted for as advances from customers as part of the current liabilities. For the details of the method of revenue recognition, see the section titled "Management's Discussion and Analysis of Financial Conditions and Results of Operations – Critical Accounting Policies" on page 271.

Financial Indebtedness

For details of our secured and unsecured loans see the section titled "Financial Indebtedness" on page 286.

Liquidity and Capital Resources

Our primary liquidity requirements have been to finance our working capital requirements and for development of our projects. We have met these requirements from cash flows from operations, short-term and long-term borrowings.

Net worth

As of September 30, 2006, March 31, 2006, March 31, 2005 and March 31, 2004, our net worth, defined as the difference between (a) total assets and (b) total liabilities and provisions, was Rs. 1,908.05 million, Rs. 1,368.29 million, Rs. 648.08 million and Rs. 294.05 million, respectively.

Net Cash Flows

The table below summarizes our cash flows as restated for the six months ended September 30, 2005 and the six months ended September 30, 2006:

For the six months ended September 30, 2006 and September 30, 2005

(Rs. in millions)

	2006	2005
Net cash from/(used) in operating activities.	(1,955.38)	64.14
Net cash from/(used) in investing activities.	(653.81)	(229.82)
Net cash from/(used) in financing activities.	2,445.75	200.11
Net increase/(decrease) in cash and cash equivalents	(163.44)	34.43

Cash Flows from Operating Activities

Our net cash from operating activities in the six months ended September 30, 2006 was Rs. (1,995.38) million, although our profit before taxes and exceptional items for such period was Rs. 611.83 million. The difference was principally attributable to a decrease in liabilities from Rs. 1,348.7 million in September 30, 2005 to Rs. (1,144.10) in September 30, 2006.

Cash Flows from Investment Activities

Our net cash flow from investing activities was Rs. (653.81) million and Rs. (229.82) million in the six months ended September 30, 2006 and the six months ended September 30, 2005, respectively.

Our net cash used in investing activities reflects investments consisting of the purchase of fixed assets comprising plant and equipment used in our construction and manufacturing business, and offset in each period by minor disposal of such fixed assets, sales of investments and interest received.

Cash Flows from Financing Activities

Our net cash from financing activities was Rs. 2,444.75 million and Rs. 200.11 million, in the six months ended September 30, 2006 and the six months ended September 30, 2005, respectively.

The net cash provided by financing activities for the six months ended September 30, 2006 comprised an increase in borrowing by Rs. 2,451.88 million and for the six months ended September 30, 2005 by Rs. 296.57 million

Net Cash Flows

The table below summarizes our cash flows as restated for fiscal 2006, 2005 and 2004:

(Rs. in millions)

	For the year ended March 31		
	2006	2005	2004
Net cash from/(used) in operating activities.	(839.08)	(1,515.89)	185.15
Net cash from/(used) in investing activities.	(630.67)	(226.51)	(295.85)
Net cash from/(used) in financing activities.	1,853.66	1,698.76	188.96
Net increase/(decrease) in cash and cash equivalents	383.91	(43.64)	78.26

Cash Flows from Operating Activities

Our net cash from operating activities in the fiscal year ended March 31, 2006 was Rs. (839.08) million, although our profit before taxes and exceptional items for such period was Rs. 1,083.49 million. The difference was attributable to an increase in loans and advances from Rs. (996.75) million in fiscal 2005 to Rs. (2,716.46) million in fiscal 2006. These were partially offset by an increase in liabilities from Rs. 220.25 million in fiscal 2005 to Rs. 2,007.37 million in fiscal 2006 and an increase in inventory from Rs. (1,134.06) million in fiscal 2005 to Rs. (638.52) million in fiscal 2006.

Our net cash from operating activities in the fiscal year ended March 31, 2005 was Rs. (1,515.89) million, although our profit before taxes and exceptional items for such period was Rs. 472.81 million. The difference was principally attributable to a decrease in inventories from Rs. 119.39 million in fiscal 2004 to Rs. (1,134.06) in fiscal 2005.

Our net cash from operating activities in the fiscal year ended March 31, 2004 was Rs. 185.15 million, although our profit before taxes and exceptional items for such period was Rs. 165.36 million. The difference was principally attributable to an increase in loans and advances to Rs. (775.21) million.

Cash Flows from Investment Activities

Our net cash flow from investing activities was Rs. 630.67 million, Rs. (226.51) million and Rs. (295.85) million in Fiscal 2006, 2005 and 2004, respectively.

Our net cash used in investing activities reflects investments consisting of the purchase of fixed assets comprising plant and equipment used in our construction and manufacturing business, and offset in each fiscal year by minor disposal of such fixed assets, sales of investments and interest received.

Cash Flows from Financing Activities

Our net cash from financing activities was Rs. 1,853.66 million, Rs. 1,698.76 million and Rs. 188.96 million, in fiscal 2006, 2005 and 2004, respectively.

The net cash provided by financing activities in fiscal 2006 comprised an increase in borrowing from Rs. 1,674.91 million in fiscal 2005 to Rs. 1,998.47 million in fiscal 2006 offset by a decrease in the payment of dividends from Rs. (63.43) million in 2005 to Rs. (144.81) in fiscal 2006.

The net cash provided by financing activities in fiscal 2005 comprised a significant increase in borrowing from Rs. 262.95 million in fiscal 2004 to Rs. 1,674.91 million in fiscal 2005 and a Rs. 87.28 million one off increase in share capital.

The net cash provided by financing activities in fiscal 2004 comprised a Rs. 262.95 million increase in borrowings, offset by a Rs. (73.99) million decrease in the payment of dividends.

Transactions with Associate Companies and Related Parties

We have substantial transactions with our companies, which are controlled by members of our Promoter Group. For details please refer to the section titled "***Financial Statements—Related Party Transactions***" on pages 126 and 130.

Off-Balance Sheet Arrangements (Contingent Liabilities)

Our contingent liabilities as disclosed in our audited consolidated financial statements, as per Indian GAAP as at September 30, 2006, were as follows:

Particulars	**As at 30th September 2006**
Estimated amount of contracts remaining to be executed on capital account	19.60
Counter guarantees given to bank	70.52

Particulars	As at 30th September 2006
Letter of Credit	62.16
Corporate Guarantee to its other related parties	315.00
On account of demand from Income Tax department	45.56
On account of demand from Sales Tax department	20.18
Total	**533.02**

Quantitative and Qualitative Disclosure about Market Risk

We are exposed to market risk from changes in interest rates. The following discussion is based on our financial statements under Indian GAAP.

Interest Rate Risk

Our financial results are subject to changes in interest rates, which may affect our debt service obligations. Our long-term Rupee-denominated secured loans, which bear interest at floating rates linked with prime lending rates of the respective lenders, as determined from time to time, totalled Rs. 6,578.49 million as at September 30, 2006.

Upward fluctuations in interest rates increase the cost of both existing and new debts. An increase in interest rates of 1% on our existing floating rate debts would increase our annual interest charges by Rs. 65.78 million based upon the long-term and short-term loans outstanding as at September 30, 2006.

Commodity Price Risk

We are exposed to market risk with respect to the prices of raw material and components used in our projects. These commodities include steel, tiles, cement and timber. The costs for these raw materials and components are subject to fluctuation based on commodity prices. The costs of components and various small parts sourced from outside manufacturers may also fluctuate based on their availability from suppliers. In the normal course of business, we purchase these raw materials and components either on a purchase order basis or pursuant to supply agreements.

Effect of New Accounting Pronouncements

The following are accounting pronouncements issued by the ICAI during the last three fiscal years that have had an effect on our financial reporting:

Accounting for Taxes on Income

The ICAI issued Accounting Standard 22 ("AS 22") for Taxes on Income, which prescribes guidelines for addressing the problem of permanent and timing differences between accounting income and taxable income. It is not applicable to taxes on distribution of dividends. Under AS 22, tax expense for an accounting period is the total of current tax and deferred tax.

Deferred tax is the tax effect of timing differences; permanent differences do not result in deferred tax assets or liabilities and hence should not be recognized. AS 22 also states that considerations of prudence should not be ignored while recognizing the impact of timing differences and prescribes conditions under which deferred tax assets should not be recognized. AS 22 came into effect for the fiscal year beginning 2001 and became mandatory for us for the fiscal year beginning 2002. This accounting standard has had an impact on our reported profit after tax as the tax impact of timing differences is now recognized as an expense or an item of income.

Accounting for Provisions, Contingent Liabilities and Contingent Assets

The ICAI issued Accounting Standard 29 ("AS 29") for Provisions, Contingent Liabilities and Contingent Assets, which prescribes appropriate recognition criteria and measurement basis to be applied for Provisions and Contingent Liabilities. AS 29 requires that an enterprise should disclose sufficient information to enable users to understand their nature, timing and amount. AS 29 came into effect for the fiscal year beginning 2005 and became mandatory for us from that date. We do not envisage that adoption of AS 29 has had a material impact on our financial statements and results of operations.

Known Trends or Uncertainties

Other than as described in the section titled “Risk Factors” and “Managements Discussion and Analysis of Financial Conditions and Results of Operations” on page x and 271 of this Red Herring Prospectus, to our knowledge there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on our revenues or income from continuing operations.

Future Relationship between Costs and Income

Other than as described in the section entitled “Risk Factors” and “Managements Discussion and Analysis of Financial Conditions and Results of Operations” on page x and 271 of this Red Herring Prospectus, to our knowledge there are no future relationship between costs and income that have or had or are expected to have a material adverse impact on our operations and finances.

New Products or Business Segment

Other than as described in this Red Herring Prospectus, we do not have any new products or business segments.

Inflation

In recent years, although India has experienced minor fluctuation in inflation rates, inflation has not had material impact on our business and results of operations.

Unusual or Infrequent Events or Transactions

Except as described in this Red Herring Prospectus, there have been no other events or transactions to our knowledge, which may be described as “unusual” or “infrequent”.

Seasonality of Business

Our operations may be adversely affected by difficult working conditions during monsoons that restrict our ability to carry on construction activities and fully utilize our resources. Notwithstanding, we generally do not believe that our business is seasonal.

Competitive Conditions

We expect competition in the real estate development sector from existing and potential competitors to intensify. For further details please refer to the discussions of our competition in the sections entitled “Risk Factors” and “Business” beginning on pages x and 52, respectively, of this Red Herring Prospectus.

Significant Developments after September 30, 2006 that may affect our future Results of Operations

In compliance with AS 4, to our knowledge no circumstances have arisen since the date of the last financial statements as disclosed in the Red Herring Prospectus which materially and adversely affect or are likely to affect, the trading and profitability of the Company, or the value of our assets or their ability to pay their material liabilities.

The impact of the restructuring of the Group, which occurred on April 3, 2006, increased our total assets and liabilities from March 31, 2006 to September 30, 2006 and is reflected in our audited balance sheet of the Group as of September 30, 2006.

Pursuant to the terms of a Master Property-Advertisement Agreement dated October 25, 2006 with Bennett, Coleman & Co. Limited., we shall incurr a total advertisement expenditure (net of the agency commission) of Rs. 240 million over the next four terms starting from November 1, 2006 till October 31, 2010. Additionally, pursuant to a Advertisement Agreement dated October 25, 2006 with Bennett, Coleman & Co. Limitedwe have committed to release advertisements in Bennett, Coleman & Co. Limited print publications for the next four terms starting November 1, 2006 till October 31, 2010 for a cumulative value of Rs. 300 million (net of agency commissions), including an up-front payment of Rs. 60 million payable on the execution of the agreement.

FINANCIAL INDEBTEDNESS

Our aggregate borrowings as of September 30, 2006 are as follows;

In Rs. Million

S. No.	Nature of Borrowing	Amount
1.	Secured Borrowings	6,578.49
2.	Unsecured Borrowings	104.50

1. *Loan Agreement dated November 24, 2005 with Dhanalakshmi Bank* [8, 12, 23,24,27 and 28]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
90.00	52.59	• Repayment in four monthly instalments following repayment holiday of 12 months. Repayment in one instalment of Rs. 15 Million and three instalments of Rs. 25 million each. • Interest rate at designated bank lending rate minus 4% (subject to a minimum of 8.5% per annum).

2. *Loan Agreement dated May 4, 2005 with Corporation Bank* [8 and 12]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
50.00	50.39	• Repayable in two quarterly instalments of Rs. 25 million each within 20 months from date of first availment including an initial payment moratorium of 14 months. • Interest at 2% below the specified bank lending rate at monthly rests.

3. *Loan Agreement dated August 5, 2005 with Corporation Bank* [3,12 and 19]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
300.00	302.34	• Repayable in three quarterly instalments of Rs. 100 million within 22 months from initial payment including an initial payment moratorium of 13 months. • Interest at 2% below specified bank lending rate at monthly rests.

4. *Deed of Hypothecation dated September 13, 2006 with Corporation Bank* [3,4, 12, 22, 36]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
400.00	207.57	• Repayable within 30 months from the date of availment inclusive of initial moratorium of 12 months in 6 quarterly instalments of Rs. 75 million each, with the first instalment being of Rs. 25 million. • Interest rate is at the rate of 9.50% per annum.

5. *Agreement for Hypothecation of Book Debts dated December 22, 2005 with Corporation Bank* [6,8 and 12]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
150.00	76.00	• Repayable in two quarterly instalments of Rs 75 million each within 12 months from initial availment with a payment moratorium of six months. • Interest at 2% below specified bank lending rate subject to revision on a monthly basis.

6. *Sanction letter dated December 21, 2005 with Corporation Bank* [8,12 and 27]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
400.00	0.00	• Repayable within 24 months from initial payment, inclusive of initial moratorium of 12 months in 4 equal quarterly instalments of Rs. 100 million each. • Interest rate of 9.50% at 2% below specified bank lending rate subject to revision on a monthly basis.

7. ***Agreement for hypothecation of Book Debts dated June 6, 2006 with Corporation Bank for the recievables of Sobha Emerald. Amber, Sunflower*** [15 and 18]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
200.00	201.56	• Interest at 2.5% below specified bank lending rate subject to revision on a monthly basis

8. ***Loan Agreement dated May 25, 2005 with UTI Bank*** [3,6,11,12 and 19]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
200.00	125.98	• Repayable from July 2006 in eight monthly instalments of Rs. 25 million each. • Interest at 3.5% below specified bank lending rate or 8.5% p.a., payable with monthly rests.

9. ***Corporate Loan Agreement dated October 3, 2005 with UTI Bank*** [3,6,11,12 , 19 and 33]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
400.00	251.65	• Repayable within 27 months from initial disbursement, inclusive of initial moratorium of 3 months from first disbursal followed by repayment in 23 equal instalments of Rs. 16.7 million and one final installment of Rs. 15.9 million. • Interest rate at 3.5% below specified bank lending rate or at 8.5% per annum repayable at monthly rests.

10. ***Capital Expenditure Funding Agreement dated May 2, 2006 with UTI Bank*** [8,11, 12 and 22]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
300.00	252.05	• Repayment in 24 monthly instalments of Rs. 12.5 million, starting one month from date of first disbursal • Interest rate of 3.% below specified bank lending rate with monthly rests or at 10% p.a, with monthly rests

11. ***Term Loan dated November 28, 2005 with ICICI Bank*** [5,6,9,10 and 12]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
600.00	600.00	• Repayment in 12 monthly instalments commencing on November 15, 2006 in accordance with a repayment schedule • Interest rate at specified bank lending rate minus 2.75% with annual rests

12. ***Hire Purchase Agreement dated April 26, 2005 with ICICI Bank*** [1 and 35]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
3.90	2.11	• Repayment in 35 monthly instalments commencing on May 22, 2006 in accordance with a repayment schedule. • Interest rate at 7.35% per annum.

13. ***Credit Facility application form dated December 1, 2005 made to ICICI Bank*** [13 and 14]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
14.80	10.91	• Repayment in 35 monthly instalments commencing on December 1, 2005 in accordance with a repayment schedule • Interest rate at 3.72% per annum

14. Vehicle Loan cum Hypothecation Agreement dated September 5, 2005 with ICICI Bank [14 and 18]

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
0.55	0.36	• Repayment in 36 equal monthly instalments of Rs. 16, 650 each commencing on October 7, 2005 in accordance with a repayment schedule • Interest rate at 5.62% per annum

15. Vehicle Loan cum Hypothecation Agreement dated August 1, 2005 with ICICI Bank [14 and 18]

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
1.01	0.67	• Repayment in 36 equal monthly instalments of Rs. 30, 485 each commencing on September 1, 2005 in accordance with a repayment schedule. • Interest rate at 5.51% per annum.

16. Vehicle Loan cum Hypothecation Agreement dated August 7, 2005 with ICICI Bank [14 and 18]

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
0.81	0.49	• Repayment in 36 equal monthly instalments of Rs. 24, 409 commencing on August 7, 2005 in accordance with a repayment schedule. • Interest rate at 5.51% per annum

17. Vehicle Loan cum Hypothecation Agreement dated December 1, 2005 with ICICI Bank[14 and 18]

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
3.80	2.08	• Repayment in 35 equal monthly instalments of Rs. 113,800 commencing on June 7, 2005 in accordance with a repayment schedule. • Interest rate at 5.24% per annum

18. Vehicle Loan cum Hypothecation Agreement dated December 1, 2005 with ICICI Bank[14 and 18]

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
0.52	0.39	• Repayment in 36 equal monthly instalments of Rs. 15,807 commencing on December 1, 2005 in accordance with a repayment schedule. • Interest rate at 2.87% per annum

19. Credit facility application form dated October 31, 2005 made to ICICI Bank [1]

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
0.55	0.37	• Repayment in 36 equal monthly instalments commencing on December 1, 2005 in accordance with a repayment schedule • Interest rate at 5.74% per annum

20. Equipment finance credit facility applications made to ICICI Bank [1 and 13]

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
30.00	21.32	• 22 monthly instalments commencing on May 22, 2006 • Interest rate at 9.60% per annum

21. Common Hypothecation Agreement dated March 06, 2006 with Canara Bank *[6 and 12]*

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
500.00	504.11	• Loan repayable in 10 equal monthly instalments with the first instalment payable in March 2007. • Interest rate at specified bank lending rate minus 1.5% i.e. 9.75% per annum.

22. Loan Agreement dated August 3, 2005 with Standard Chartered Bank *[8, 11, 12 and 18]*

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
150.00	71.60	• Repayment within 24 months of the loan sanction date in accordance with a repayment schedule. • Interest payable at 9.60% per annum for the first tranche of Rs. 11.60 million and 8.75% for the second tranche of Rs. 20.00 million and 9.6% for the third tranche of Rs. 40.00 million.

23. Agreement dated November 30, 2005 with State Bank of India 6,8,12 and 15

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
250.00	210.09	• Loan repayable in three instalments beginning October 2006 in accordance with dispersal schedule • Interest rate at 2% below the specified bank lending rate subject to a minimum of 8.25% with monthly rests.

24. Term Loan Agreement dated August 31, 2005 with UCO Bank *[8,11 and 12]*

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
500.00	504.13	• Term loan to be repaid within 18 months from the date of the first drawdown. Interest due for first four quarters on quarterly basis to be serviced when due. Bullet repayment of Rs. 300 million with interest thereon in the fifth quarter and final bullet payment of Rs. 200 million with interest for the sixth quarter • Interest rate of 7.5% with monthly rests

25. Agreement for finance of concrete mixer dated March 22, 2005 with SREI Infrastructure Finance Limited *[2 and 14]*

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
80.00	44.27	• Repayment in 36 equal monthly instalments commencing from May 2005. • Interest Rate of 8.25% per annum with monthly rests

26. Agreement for finance of shuttering material dated April 22, 2006 with SREI Infrastructure Finance Limited *[2 and 14]*

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
25.00	17.50	• Repayment in 17 equal monthly instalments commencing from one month after the date of disbursement. • Interest Rate of 13.00% per annum.

27. Agreement for finance of shuttering material dated April 22, 2006 with SREI Infrastructure Finance Limited *[2 and 14]*

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
25.00	17.50	• Repayment in 17 equal monthly instalments commencing one month after the date of disbursement. • Interest Rate of 13.00% per annum.

28. Agreement for Equipment finance dated April 22, 2005 with SREI Infrastructure Finance Limited[2 and 14]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
10.60	5.73	• Repayment in 35 monthly instalments commencing one month from the date of disbursement. • Interest rate of 8.01% per annum with monthly rests

29. Agreement for Equipment finance dated April 22, 2005 with SREI Infrastructure Finance Limited[2 and 14]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
3.48	1.85	• Repayment in 35 monthly instalments commencing one month from the date of disbursement. • Interest rate of 9.30% per annum with monthly rests

30. Agreement for finance of Telco Truck dated August 8, 2005 with SREI Infrastructure Finance Limited[2 and 31]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
2.23	1.42	• Repayment in 35 monthly instalments commencing one month from the date of disbursement. • Interest rate of 7.35% per annum with monthly rests

31. Agreement for finance of Batching plant dated October 15, 2005 with SREI Infrastructure Finance Limited[2 and 14]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
3.74	2.66	• Repayment in 35 equal monthly instalments commencing one month from date of sanction. • Interest of 7% per annum with monthly rests

32. Agreement dated June 8, 2006 with SREI for Kerb Plant[2 and 14]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
31.00	18.15	• Rate of interest at 11% per annum • Repayment in 35 monthly instalments following a moratorium of one month from the date of disbursement

33. Indenture of Agreement dated April 19, 2006 with IL & FS[7, 18 and 26]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
500.00	452.38	• Repayment of interest on a monthly basis and repayment of principal in 21 monthly instalments at the end of a three month moratorium period. • 11% per annum payable monthly in arrears.

34. Agreement of Hypothecation of Assets with the Oriental Bank of Commerce dated June 6, 2006[11,12]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
200.00	59.98	• Interest at 2% over the specified bank lending rate with a minimum of 9.5% p.a. charged at monthly rests

35. Car Loan Agreements with the Kotak Mahindra Primus Limited[1]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
6.20	2.91	• Repayment in 36 equal monthly instalments commencing at various dates ranging from December 15, 2004 to August 15, 2005.

36. Sanction Letter with Oriental Bank of Commerce dated January 31, 2006 [8,12]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
800.00	0.00	• Interest to be charged at 2.5% below the specified bank lending rate • Repayment in five instalments commencing from March 2007 in accordance with the repayment schedule

37. Composite Agreement dated February 8, 2005 with Andhra Bank [8 and 33]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
300.00	21.89	• Outstanding limit to be self liquidated by routing the receivables from the associated projects through designated account. • Interest rate at specified bank lending rate less 2%

38. Overdraft Agreement with Dhanalakshmi Bank dated August 2, 2005 [12,16, 17 ,24 and 25]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
25.00	21.16	• Interest rate at specified bank lending rate minus 4% subject to a minimum of 8.5% with monthly rests.

39. Cash credit Facility with UTI Bank dated May 2, 2005 [7 and 12]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
400.00	152.31	• Rates to be prescribed by the bank from time to time. Rate of interest of 3.5% below specified bank lending rate payable at monthly rests

40. Agreement for overdraft dated August 26, 2005 with Standard Chartered Bank[8, 11 12 and 18]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
150.00	0.09	• Repayment within 24 months from the date of instituting the limit in three instalments in the 18th, 21st and 24th month. • Interest payable at 9.25% per annum with monthly rests

41. Common Hypothecation Agreement dated November 12, 2004 with Canara Bank [8,20 and 21]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
60.00 (Cash Credit Facility)	16.92	• Interest rate at 10.75% per annum
125.00 (Term Loan `Facility)	100.86	• Repayment in 20 quarterly instalments starting November 12, 2005 • Interest rate at 10.00% per annum

42. Common Hypothecation Agreement dated April 19, 2005 with Canara Bank [32]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
65.00	59.36	• Repayment in 20 quarterly instalments starting June 30, 2006 • Interest rate of 2.5% over the specified bank lending rate subject to a minimum of 13.25%.

43. Deed of Hypothecation dated June 21, 2006 with Kotak Mahindra Bank Limited [12 and 29]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
200.00	44.43	• Interest rate is at the rate of 9.00% per annum floating over the tenure of the facility. Interest rate to be at 4.75% below specified prime lending rate.

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
		• The cash credit facility is interchangeable with a working capital demand loan to the full extent of the limit sanctioned and each tranche of the working capital demand loan is repayable within 90 days and no rollover is permitted.

44. Deed of Hypothecation dated June 23, 2006 and Term Loan Agreement dated June 24, 2006 with the Hongkong and Shanghai Banking Corporation Limited [5, 7, 12 and 18]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
1,000.00	1,001.72	• Interest rate is at the rate of 9.25% per annum. • Repayment in 15 equal monthly instalments following a moratorium of 12 months.

45. Sanction Letter with ABN Amro Bank dated August 24, 2006 [8, 11, 12, 33]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
200.00	0.00	• Interest rate is at the rate of 9.25% per annum. • Repayment on demand and as per the limit reduction schedule.

46. Term Sheet with Jeevan Bima Sahayog Asset Management Company Limited dated September 20, 2006 [12, 34, 35]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
1,000.00	1,000.00	• Interest is linked to MIBOR+400 basis points on maturity, with a floor rate of 8.75% and cap rate of 8.85% per annum. The current rate of interest of 8.85%. • Redemption on September 19, 2007.

47. Agreement dated July 31, 2006 with SREI for acquisition of Tower Crane and Batching Plant [2 and 14]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
44.15	41.67	• Rate of interest at 9.96% per annum • Repayment in 36 monthly instalments commencing from September 2006

48. Agreement for working capital finance with UTI Bank dated September 27, 2006 [35]

In Rs. Million

Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
70.00	45.04	• Rate of interest at BPLR less 3% • Repayment within 12 months from drawdown

References:

1. Loan secured by hypothecation of asset being financed.
2. Loan secured by corporate guarantee from Oman Builders Private Limited, a company in which our Promoters have a significant stake.
3. Loan secured by corporate guarantee from Sobha Innercity Technopolis Private Limited, a company in which our Promoter has a significant stake.
4. Loan secured by *pari passu* charge over immovable properties.
5. Loan secured by exclusive mortgage over immovable property.
6. Loan secured by charge over and escrow of receivables of project being financed.
7. Loan secured by first and exclusive hypothecation and escrow of entire cash flow and receivables.
8. Loan secured by equitable mortgage over immovable property.
9. Loan secured by exclusive mortgage and charge/assignment by way of security of all rights, title, interest, claims, benefits, demands under the specified project documents.
10. Loan secured by exclusive charge on the escrow account and the debt service recovery account and all monies credited/deposited therein and all investments in respect thereof.
11. Loan secured by charge on receivables.
12. Loan secured by personal guarantees of our Promoters.

13. Loan secured by personal guarantee of our managing director.
14. Loan secured by first and exclusive charge by way of hypothecation on the asset being financed.
15. Loan secured by Hypothecation of stocks, book debts, receivables and current assets pertaining to project.
16. Loan secured by Hypothecation of stocks and construction materials at central stores.
17. Equitable Mortgage on the Premises of our Registered Office.
18. Promissory note for the loan amount executed by the Company.
19. Equitable Mortgage on properties owned by Sobha Innercity Technopolis Private Limited.
20. Loan secured by hypothecation of Land and building, Plant and Machinery and miscellaneous fixed assets.
21. Loan secured by charge on immovable property owned by Sobha Interiors Private Limited.
22. Loan secured by charge on specified movable assets
23. Loan secured by Hypothecation of stocks and receivables at construction site
24. Loan secured by excess charge over property already hypothecated.
25. Loan secured by first charge on the profits of the borrower, after provision for taxation.
26. Loan secured by equitable mortgage over immovable property owned by our Subsidiary.
27. Loan secured by equitable mortgage of building being financed.
28. Loan secured by excess charge on our office premises
29. Loan secured by exclusive charge by way of hypothecation of present and future book debts of identified projects
30. Loan secured by charge over property in which the Company has a legal interest.
31. Loan secured by first and exclusive charge over asset being financed.
32. Loan secured by mortgage of land and building owned by Sobha Glazing and Metal Works Private Limited and plant and machinery and miscellaneous fixed assets excluding vehicles.
33. Loan secured by the assignment of future recievables of project
34. Loan secured by charge over the immovable property owned by a company forming part of our Promoter Group
35. Loan secured by promissory notes for the principal amount and interest.
36. Loan secured by pari passu charge by way of equitable mortgage of properties already mortgaged with the UTI Bank Limited in relation to Sobha Dahlia.
37. Loan secured by first and exclusive hypothecation of all the current assets of the Company, including stock and book debts, both present and future

Some of the corporate actions for which we require the prior written consent of our lenders include the following:

- to undertake or permit any merger, de-merger, consolidation, re-organization, dissolution, scheme or arrangement or compromise with our creditors or shareholders or effect any scheme of amalgamation or reconstruction;
- to pay any commission to our promoters, directors, managers or other persons for furnishing guarantees, counter guarantees or indemnities or for undertaking any other liabilities,
- to amend or modify our constitutional documents;
- to affect any material change in our shareholding, ownership, key management or the nature of our business;
- to implement any new venture or scheme of expansion or modernization;
- to mortgage, sell, lease, exchange or create any charge, lien or encumbrance of any kind on specified assets or the security secured with our lenders or change the use of the said assets;
- to enter into an new line of business or to change a line of activity;
- to declare or pay dividends or to incur any capital expenditure other than in the ordinary course of business;
- to assume, guarantee, endorse or in any manner become directly or contingently liable for or in connection with the obligation of any person, firm or corporation;
- to effect any reduction in paid up capital;
- to change the use of any specified properties;
- to change our accounting methods;
- to revalue our fixed assets;
- to incorporate any new entities to undertake development on specified properties;
- to enter into borrowing arrangements, secured or unsecured with other banks;
- to withdraw any moneys contributed to our Company by our principal shareholders;
- to assign or transfer all or any rights, benefits or obligations under the transaction documents;
- to make any investments either by way of deposits, loans or investments in share capital or otherwise in any concern or provide any credit or give any guarantee, indemnity or similar assurance;
- to pass a resolution of voluntary winding up.

Further, several of the loan agreements executed provide for the unilateral rescheduling of loans by our lenders, contain pre-payment penalties and delayed payment penalties, and permit the lender to disclose our name as a defaulter to the RBI and debar our Company from borrowing monies for certain periods of time. Certain of our loan agreements require our Company to restrict its banking business to a consortium of banks. Certain of our loan agreements permit the conversion of outstanding debts under them into fully paid up equity shares of our Company.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, and there are no defaults, non payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issue by the Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company (the subsidiary of the Company has no material litigation pending against it) and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Subsidiary, its Promoters or Directors.

Cases filed against our Company

Show cause Notices

1. A show cause notice dated June 21, 2006 has been issued by the Commissioner of Customs (Imports) against our Company, in relation to a bill of entry dated February 7, 2006 which was filed through M/s. Global Freight Service Chennai for clearance of certain goods. The total assessable value of the imported goods was Rs. 3,846,164. Our company had paid the assessed duty of Rs. 1,325,504 on such assessed value. The said notice states that, upon examination, it was found that the impugned goods were imported in retail sale packages. In light of the same, the assessable value for calculating additional customs duty has been redetermined and our company has been asked to pay a differential duty of Rs. 904,909.

   Further, our Company has been asked to show cause as to why the classification declared for the imported goods should not be rejected and the amount of Rs. 4,423,088 declared for the purpose of levying additional customs duty should not be rejected, the goods imported should not be confiscated and a penalty not be imposed.

Civil Suits

Property Related Litigation

2. A suit (No. 4304 of 2005) has been filed in the court of the city civil judge by Dr. T. Somashekar against Mr. M. Babu and our Company, alleging that the sites owned by the plaintiff situated at List no. 31 and 32, katha no. 28/1, situated at Haralakunte village, Bommanahalli group panchayat, Bangalore South were being encroached upon by our Company without any authority and that they tried to form a road on the sites of the plaintiff. The plaintiff has further alleged that in order to have the benefit of floor area ratio and to construct more number of sites, our Company has illegally and without authority shown the sites of the plaintiff as a road. The plaintiff has filed a suit for grant of a permanent injunction and restrain our Company from interfering with their property. Our Company has filed its written statement and denied the allegations made by the plaintiff. Further with specific reference to the road, our Company has specifically stated that the road is a public road and is used by the general public and by the residents of the complex of our Company and also stated that the plaintiff has laid claim to a public road. Our Company has also filed its objections to the application filed by the plaintiff under Order 39 rule 1 and 2 of Code of Civil Procedure. The notice is yet to be served on defendant No. 1 and the next date of hearing is November 30, 2006.

3. A suit (No. 877 of 2005) has been filed in the court of the city civil judge, by the Shantinagar House Building Co-operative Society Limited, against our Company alleging that our Company has made attempts to enter into and erect constructions on the lands situated at Sy. Nos 2/1, 4, 5, 6, 9, 10, 11 and 12 of Srinivagelu Amanikere, Begur Hobli, Bangalore, Bangalore South Taluk. The plaintiff has claimed that the lands belong to them and that our Company has used force to usurp the land and put up its construction. The plaintiff has filed a suit for grant of a permanent injunction and restrain our Company from entering the property and putting up any construction and from interfering with the plaintiffs peaceful possession. The matter is to come up for the

hearing of the interim application and filing of the written statement. The matter has been posted on January 30, 2007 for evidence.

4. A suit (No. 7129 of 2004) has been filed in the court of the city civil judge, by Ms. B.K. Madhushree and Mr. D.K. Kushal, minors who are represented by their mother Ms. H.N. Bharathi against Mr. Krishna Reddy, Ms. Louisa Rodrigues, Mr. Jeet Lal and our Company. The plaintiffs are children of the defendant no. 1 and Ms. H.N. Bharathi is their mother. The plaintiff has alleged that the properties situated at Sy. No. 52/1, situated at Devarabeesanahalli, Varthur Hobli, Bangalore South Taluk that our Company was proposing to acquire from the second defendant, was not to be sold as the same was not consented to by Ms. H.N. Bharathi. Further in relation to the property situated at Sy. No. 55/2, at Devarabeesanahalli she has alleged that the said 6 guntas out of 24 guntas, were sold to the third defendant. The plaintiff has filed a suit against her husband, who is the defendant no. 1 in relation to the disposal of the properties as stated above and has requested for a separation of the plaintiffs share from the above property. The plaintiff has specifically prayed for partition of their two thirds share in suit schedule properties namely, Sy. No. 52/1, 55/2, 57/2, 59, 14/2, 30/2B situated at Devarabeesanahalli, Varthur Hobli, Bangalore South Taluk. The defendant no. 2 and our Company have filed their written statements in the above matter. Our Company has denied the allegations made in the plaint and has also prayed before the court that the plaintiff, is not in possession of the property, neither do they have any right over it. The matter is to come up for the plaintiff evidence on October 30, 2006.

5. A suit (No. 9699 of 2005) has been filed in the court of the city civil judge, by Ms. Jayamma, Mr. Udayakumar, Mr. A. Suresha, Mr. Balayogi against Mr. Bhakthavatchalam and our Company. It has been alleged that the lands Sy. No. 58/1A2 (old no. 58/1) measuring 1 acre 30 guntas situated at Tavarakere village, Begur hobli, Bangalore South Taluk, belong to them and that they have continued to have physical possession of the land and that till the death of Mr. Abbaiah, the wife of plaintiff no. 1 and the father of the plaintiff no 2-4. The plaintiffs have alleged that our Company has attempted to put up a compound wall and has also put up a board on the property. The plaintiffs have further alleged that the name of Mr. Abbaiah has been deleted and in light of the same they have made a representation before the Tahsildar, to enter the revenue entries in their favour. The plaintiff has filed a suit for grant of a permanent injunction and restrain our Company from entering the property and interfering with the plaintiffs peaceful possession of the property. Our Company has filed its objections to the application under Order 39 rule 1 and 2, and has stated that our Company is under joint development with first defendant and the property under joint development is different from what has been alleged by the plaintiffs and that the defendants are not concerned in any way with the property referred to in matter. The court vide its order dated June 16, 2006 has dismissed the application filed by the plaintiff. The matter is to come up for issues on the next date of hearing on January 2, 2007.

6. A suit (O.S No. 10293 of 2005) has been filed in the court of the city civil judge by Mr. Shashi Kishore Patil and Mrs. Soumya Patil against our Company, Dr. M.P. Somaprasad, Mrs. Shobha Menon and Dr. M. Joseph Saji in relation to the flat 009 they had purchased at 'Sobha Garnet', a multi-storeyed apartment. The plaintiffs have alleged that they were made certain assurances during entering into the agreement for sale but the same has not been complied with as promised and that certain portion of the garden area which was to belong to the plaintiff was sold to the third defendant. The plaintiffs have prayed that the deed of rectification executed in favour of the third defendant be declared as null and void, the area of the 1091 sq. ft in the area between flat 009 and 010 is not a common area and facility, that the courts issue a mandatory injunction directing defendant to demolish and remove the wall enclosing the schedule property in the area of 1091 sq. ft. and pass order of permanent injunction restraining defendant from the right to use and enjoy the property. Our Company is in the process of filing its vakalat and the matter is to come up for hearing on December 12, 2006.

Employee Related Litigation

1. A suit (No. 2283 of 2005) has been filed in the court of the city civil judge, by State Bank of India against Mr. Sivaswamy Gangadhar and our Company, alleging that the first defendant had borrowed a loan of Rs. 50,000 from the State Bank of India and the same was to be repayed in 36 monthly instalments. Our Company which was the employer of the first defendant, had issued a irrevocable letter of authority to the Bank, wherein it was agreed that our Company would deduct the monthly salary and remit the same towards the loan amount. Over time, the first defendant

become a chronic defaulter and has defaulted in paying the loan amount. The plaintiff has filed the suit praying that the defendants be directed to pay a sum of Rs. 43, 403.00 together with interest at the rate of 12.75% p.a compounded with quarterly rests. Our Company has filed its written statement and the case has been posted for identification of issues on December 1, 2006.

Tax related litigation

1. An appeal has been filed before the Income Tax Appellate Tribunal by the Income Tax Department against the order of Commissioner of Income Tax (Appeals). The said order allowed an appeal filed by our Company against an assessment made by the Assistant Commissioner of Income Tax, Appeals disputing the use of the CCM method of accounting in contractual projects.

Notices Received

1. A legal notice dated February 10, 2006 has been issued to our Company and Mr. J.C. Sharma under Section 138(b) of the Negotiable Instruments Act, 1882 stating that the cheque issued by the Company to Ms. Muniyamma for Rs. 1,240,000 as security for repayment of the land loan taken by the Company has been dishonoured. It is alleged that stop payment instructions were issued by our Company and therefore as the cheque was not honoured, the said legal notice has been issued to recover the amount. The company has filed a reply.

2. An order (F.No:T-3/MISC/54-BZ/2005/3094) dated December 27, 2005 has been issued by the Directorate of Enforcement (Foreign Exchange Management Act and Prevention of Money Laundering Act) seeking certain information in relation to our Company. Under the order certain information such as names of the projects, number of flats, benefits availed for foreign exchange, details of imports have been sought from our Company. Our Company has responded to the above notice by means of a reply dated February 1, 2006.

Cases filed by our Company

Property Related Litigation

1. A total of four caveat petitions (3732 of 2006), (3733 of 2006), (3734 of 2006) and (3735 of 2006) have been filed in the writ petition jurisdiction of the Hon`ble High Court, at Karnataka, by our Company against the Mr. Balayogi, Mr. A Suresh, Mr. Udayakumar and Mrs. Jayamma respectively in light of the order dated June 16, 2006 passed by the court of the city civil judge in suit no. 9699 of 2005. Our Company apprehends that the abovementioned parties may file a writ petition and therefore have filed the caveat petition to ensure that notice is given to them, which affords them an opportunity to place before the court all the facts in the event of the said parties filing a writ petition.

2. A total of four caveat petitions (272 of 2006), (273 of 2006), (274 of 2006) and (275 of 2006) have been filed in the civil revision petition jurisdiction of the Hon`ble High Court, at Karnataka, by our Company against the Mr. Balayogi, Mr. A Suresh, Mr. Udayakumar and Mrs. Jayamma respectively in light of the order dated June 16, 2006 passed by the court of the city civil judge in suit no. 9699 of 2005. Our Company apprehends that the abovementioned parties may file a civil revision petition and therefore have filed the caveat petition to ensure that notice is given to them, which affords them an opportunity to place before the court all the facts in the event of the said parties filing a civil revision petition.

3. A total of four caveat petitions (922 of 2006), (921 of 2006), (923 of 2006) and (924 of 2006) have been filed in the miscellaneous first appeal jurisdiction of the Hon`ble High Court, at Karnataka, by our Company against the Mr. Balayogi, Mr. A Suresh, Mr. Udayakumar and Mrs. Jayamma respectively in light of the order dated June 16, 2006 passed by the court of the city civil judge in suit no. 9699 of 2005. Our Company apprehends that the abovementioned parties may file a miscellaneous first appeal and therefore have filed the caveat petition to ensure that notice is given to them, which affords them an opportunity to place before the court all the facts in the event of the said parties filing a miscellaneous first appeal.

Business related

1. A case (C.D. No. 223 of 2006) has been filed before the Consumer Disputes Redressal Forum, Bhubaneshwar by our Company against Sub-Divisional Officer, Commerce, Peripheral Division, Bhubaneshwar (the opposite party), in relation to some interior decoration works for Infosys Technologies Limited at the Infosys Chandaka Industrial Estate, Bhubaneshwar. Our Company had availed two temporary service connections from the opposite party in the name of two employees of our Company and has also paid the security deposits. As our Company used to shift the place of work from place to place within the campus, the opposite party at the request of our Company used to disconnect the line and reconnect the same at a different place. Therefore, as done in the past, the meter was shifted from one pole to another on March 17, 2006 to carry out works in the food court extention. On April 20, 2006 our Company received a bill of Rs. 267,104 for the electricity consumed during the period from March 28, 2006 to April 24, 2006. Our Company has stated that the amount raised in the bill for the above period was more than what was in the whole previous by the person in whose name the connection was in. When our Company approached the opposite the connections were disconnected. Therefore our Company has prayed that the complaint be admitted and that the forum direct the opposite party to reconnect the electricity connections and pay the appropriate compensation to our Company.

   Our Company has also filed miscellaneous case (96 of 2006) which is arising out of (C.D. No. 223 of 2006) wherein our Company has prayed for interim order directing the opposite party to provide connections till the disposal of the case.

Tax related litigation

1. Our Company has filed an appeal (No.41/06-07) before the Commissioner of Income-tax (Appeals) in relation to the assessment year 2003-04 against an order passed by the assessing officer dated March 31, 2006 under which an amount of Rs. 58,065,355 is to be paid. Our Company had earlier filed its return of income for the year 2003-04. However, subsequently upon scrutiny by the assessing officer the total income was assessed to amount to Rs. 149,834,949. The assessing officer has also made various additions and disallowances in relation to certain items in the order. Our Company in its appeal has contested the additions and disallowances made by the assessing officer. Further the application for the stay of demand has been denied by the Assistant Commissioner of Income Tax who has also stated that the arrears are required to be cleared before the end of the financial year and within a week from the date of receipt of the said letter. It was also stated that the in the event that there is no response from our Company within a week, recovery proceedings shall be initiated. In response to the same, vide letter dated May 9, 2006 our Company has requested that the balance amount to be paid of Rs. 58,065,355 as calculated by the assessing officer, be stayed till the disposal of the appeal by the Commissioner of Income-tax (Appeals).

2. Our Company has filed an appeal (No. 636/19/5/05) before the Sales Tax Appellate Tribunal, Karnataka against the order of the Joint Commissioner of Commercial Taxes, Bangalore dated March 21, 2005. The said order was passed in relation to the assessment year 1999-2000 and disallowed certain deductions permitted by the assessing authority towards payments in the nature of land costs, car parking space, payments to subcontractors and registration charges. The amount of the turnover disputed under the order being appealed against is Rs. 20,551,463 and the tax due on the said turnover is Rs. 822, 058.

3. Our Company has filed an appeal (No. 635/19/5/05) before the Sales Tax Appellate Tribunal, Karnataka against the order of the Joint Commissioner of Commercial Taxes, Bangalore dated March 21, 2005. The said order was passed in relation to the assessment year 1998-1999 and disallowed certain deductions claimed in relation to payments in the nature of sale of car parking space, deposit payments to statutory authorities, payments to subcontractors, . The amount of the turnover disputed under the order being appealed against is Rs. 3,080,840 and the tax due on the said turnover is Rs. 123,234.

4. Our Company has filed an appeal (No. 637/19/5/05) before the Sales Tax Appellate Tribunal, Karnataka against the order of the Joint Commissioner of Commercial Taxes, Bangalore dated March 21, 2005. The said order was passed in relation to the assessment year 2000-2001 and disallowed certain deductions claimed in relation to payments in the nature of sale of car parking

space, deposit payments to statutory authorities, payments to subcontractors, . The amount of the turnover disputed under the order being appealed against is Rs. 3,09,60,202 and the tax due on the said turnover is Rs. 12,38,408.

Notices Issued

1. Our Company has issued a legal notice dated February 15, 2006 to Mr. Bharath Malani and Mr. Manish Malani in relation to the default in the payment of the outstanding amounts towards 2 apartments in relation to project Sobha Zircon situated at Jakkur plantation, Yelahanka Hobli. Mr. Bharath Malani and Mr. Manish Malani are required to pay towards (i) apartment B 402 Rs. 280,090 towards land cost inclusive of interest at rate of 18% per annum to Sobha Innercity Technopolis Private Limited and Rs. 1,044,928 towards construction cost inclusive of interest at the rate of 18% per annum to our Company (ii) apartment B 1- 403 Rs. 275,473 towards land cost inclusive of interest at rate of 18% per annum to Sobha Innercity Technopolis Private Limited and Rs. 993,256 towards construction cost inclusive of interest at the rate of 18% per annum to our Company.

Amounts owed to Small Scale Undertakings

Our Company does not owe any amounts to any small scale undertaking.

Cases Involving our Directors

There are no outstanding litigations filed by or against any of our Directors.

Details of past penalties imposed on our Company or any of our Directors

There have been no instances in the past of any penalties that has been imposed on our Company or our Directors by any statutory authorities.

Cases filed by or against our Promoters

There have been no cases filed by against any of our Promoters.

Cases filed by or against our Subsidiary

SBG Housing Private Limited

Cases filed by or against SBG Housing Private Limited

Nil

Contingent Liabilities as of March 31, 2006

Nil

Cases filed by or against companies forming part of the Promoter Group

Sobha Projects and Trade Private Limited

Cases filed by Sobha Projects and Trade Private Limited

1. An appeal has been filed before the Commissioner of Income Tax (Appeals) VI, Bangalore by Sobha Projects and Trade Private Limited_against the notice dated March 31, 2006 issued under section 271 of the Income Tax Act in relation to the assessment year 2003-04, wherein it has been stated that the compensation of Rs. 4,394,974 received by the company is a revenue receipt and the same is subject to tax. The company has filed its appeal and stated that the amount is not liable to be assessed as a revenue receipt.
2. A charge sheet has been filed (CC-13754/04) before IV/ Additional Chief Judicial Magistrate Court ,Bangalore) against a former employee of the company Mr. C.N. Prasad, in relation to the misappropriation of funds to an extent of Rs. 1,200,000 during his employment in the company.

The Company and certain existing employees are parties to this suit and have been asked by the court to appear as witness. The said charge sheet was filed in light of the complaint lodged with the police bearing crime no (124/04). The next date of hearing is December 7, 2006.

Cases filed against Sobha Projects and Trade Private Limited

Nil

Contingent Liability as of March 31, 2006

S. No.	Details	Amount in Rupees
1.	Letters of Credit	7,478,325
2.	Bank Guarantees furnished by company to customers	2,803,616

HBR Consultants Private Limited

Cases filed by or against HBR Consultants Private Limited

Nil

Contingent Liability as of March 31, 2006

S. No.	Details	Amount (in million Rupees)
1.	Bank Guarantees	5.76

Sobha Renaissance Information Technology Limited

Cases filed by or against Sobha Renaissance Information Technology Limited

Nil

Contingent Liability as of March 31, 2006

S. No.	Details	Amount in Rupees
1.	Letters of Credit	2,709,000
2.	Bank Guarantees furnished by company to customers	53,499,892
3.	Capital Commitment in respect of shares agreed to be purchased, not provided etc.	786,420
4.	Claims against the Company not acknowledged as debt	382,528

Sobha Renaissance Transcor Private Limited

Cases filed by or against Sobha Renaissance Transcor Private Limited

Nil

Contingent Liability as of March 31, 2006

Nil

Sobha Space Private Limited

Cases filed by or against Sobha Space Private Limited

Nil

Contingent Liabilities as of March 31, 2006

Nil

Sobha Interiors Private Limited

Cases filed by Sobha Interiors Private Limited

An appeal (S.T.A. No. 4 of 2005), has been filed before the High Court of Karnataka by Sobha Interiors Private Limited seeking clarification whether the company can purchase the materials/component parts under section 5-A against form 37 at a concessional at 4% for manufacture of doors, parts of interiors decoration including tables, chairs and others items. Further, the company has asked for clarification on whether there is any prohibition under section 5A of the Karnataka Sales Tax Act to make use of such manufactured interior decoration items for the purpose of the execution of interior decoration works contract which is taxable under section 5-B of the Karnataka Sales Tax Act.

Cases filed against Sobha Interiors Private Limited

Nil

Contingent Liabilities as of March 31, 2006.

	Fiscal Year ended March 31, 2006
Guarantees given by the company`s bankers on behalf of the company	4,509,156
The company has filed an appeal in the high court of Karnataka against the advance ruling on certain issues, given by the advance ruling authority, Commercial Taxes department. In the absence of any demand from the commercial taxes department, the liability cannot be quantified.	

Sobha Glazing and Metals Works Private Limited

Cases filed by or against Sobha Glazing and Metals Works Private Limited.

Nil

Contingent Liabilities as of March 31, 2006

Nil

Oman Builders Private Limited

Cases filed by Oman Builders Private Limited

1. The company has a case pending before the Additional Commissioner Of Commercial Taxes ("ACCT") against the in relation to assessment year 1996-97 wherein certain deductions claimed by the company in relation to payments for car parking space were disallowed. The High Court of Karnataka, at Bangalore has set aside the order passed earlier by the ACCT and has remanded the matter for fresh adjudication to the ACCT. The disputed turnover under the said order of the ACCT is Rs. 6,755,067 and the taxes required to be paid under the same is Rs. 270,203. An amount of Rs. 270,203 has been paid towards the satisfaction of taxes under protect by the company.

2. The company has filed an appeal (No. 633) dated May 19, 2005 before the Sales tax appellate tribunal against the order of the joint commissioner of commercial taxes, Bangalore. The said order pertains to the assessment year 1997-98 and disallows certain deductions claimed by the company in relation to payments for car parking space. The disputed turnover under the said order is Rs. 8,144,358 and the taxes required to be paid under the same is Rs. 162,887. A total liability of Rs. 325,775 may arise under the said matter.

3. The company has filed an appeal (No. 633) dated May 19, 2005 before the Sales tax appellate tribunal against the order of the joint commissioner of commercial taxes, Bangalore. The said order pertains to the assessment year 2002-03 and disallows certain deductions claimed by the company in relation to payments for car parking space. The disputed turnover under the said order is Rs. 16,198,862 and the taxes required to be paid under the same is Rs. 86,200. A total liability of Rs. 172,400 may arise under the said matter as a result of certain payment already made by the company towards taxes due.

4. The company has responded to a showcause notice dated March 19, 2005 issued by the Deputy commissioner of commercial taxes for a sum of Rs. 17,40,385. The notice is in relation to the assessment year 2003-04 and forfiets the excess amount collected by the company than what is payable to the state towards works contract tax. The company has responded to the show cause notice and a sum of Rs. 1,500,000 has been paid under protest. The matter is pending before the Deputy commissioner of commercial taxes.

Cases filed against Oman Builders Private Limited

Nil

Contingent Liabilities as of March 31, 2006

	Fiscal Year ended March 31, 2006
Sales tax demand against the company not provided for	768,379

Sobha Innercity Technopolis Private Limited

Cases filed against the company

1. A suit (No. 10063 of 2005) has been filed in the court of the city civil judge, by Mr. Venkatesh Reddy against Mr. Thimma Reddy, Mr. Mahesh Babu and Sobha Innercity Technopolis Private Limited. The plaintiff submits that the defendants have colluded with each other and that the second defendant had also forged a power of attorney giving him the right over the property of the plaintiff. The plaintiff alleges that 10 guntas in relation to the land situated at Sy. No. 64 situated at Ibbalur village, Begur Hobli, Bangalore South was transferred pursuant to the alleged power of attorney by the second defendant. The plaintiff has prayed that he is entitled to one half of the land mentioned above and to also alienate the defendants from creating any third party rights in respect of the property. The company is in the process of filing its vakalat and the matter is posted for the plaintiff evidence on November 7, 2006..

Cases filed by the company

1. A suit (8956 of 2003) has been filed in the court of the city civil judge, by the company against Mr. Thimma Reddy, Mr. Venkatesh Reddy, Mr. Nagaraj Rao, Mr. A. Ramamurthy and Mr. Seshagiri Rao. The company submits that they are the owner of the 1 acre and 10 and half guntas of land situated at Sy. No. 65/2B of Agara village Post, Bangalore South. The said land was acquired by the company from M/s. Sarjah Avenue. The company has alleged that upon the purchase of the property they commenced the construction activity and when the construction was nearly complete, the first defendant and certain anti social elements, damaged the northen construction wall and other equipments belonging to the plaintiff amounting to a total of Rs. 1,526,550. The company has filed a suit for grant of a permanent injunction and restrain defendants from interfering with the property and also to direct the defendants to pay Rs. 1,526,550 with interest. The matter is posted for the plaintiff evidence on November 9, 2006.

Notices Issued

1. The company has issued a legal notice dated February 15, 2006 to Mr. Bharath Malani and Mr. Manish Malani in relation to the default in the payment of the outstanding amounts towards two apartments in relation to project Sobha Zircon situated at Jakkur plantation, Yelahanka Hobli. Mr. Bharath Malani and Mr. Manish Malani are required to pay towards (i) apartment B 402 Rs. 280,090 towards land cost inclusive of interest at rate of 18% per annum to the company and Rs. 1,044,928 towards construction cost inclusive of interest at the rate of 18% per annum to our Company (ii) apartment B 1- 403 Rs. 275,473 towards land cost inclusive of interest at rate of 18% per annum to the company and Rs. 993,256 towards construction cost inclusive of interest at the rate of 18% per annum.

Contingent Liabilities as of March 31, 2006

Nil

Royal Interiors Private Limited

Cases filed by or against Royal Interiors Private Limited

Nil

Contingent Liability as on March 31, 2006

Nil

Hill & Menon Securities Private Limited

Cases filed by or against Hill & Menon Securities Private Limited

Nil

Contingent Liability as on March 31, 2006

Nil

Sobha Aviation and Engineering Services Private Limited

Cases filed by or against Sobha Aviation and Engineering Services Private Limited

Nil

Contingent Liability

Nil

Unified Technologies Private Limited

Cases filed by or against Unified Technologies Private Limited

Nil

Contingent Liability as on March 31, 2006

Nil

Menon Hill Financial Services Limited

Cases filed by or against Menon Hill Financial Services Limited

Nil

Contingent Liability as on December 31, 2003

Nil

Sri Kurumba Trust

Cases filed by or against Sri Kurumba Trust

Nil

Contingent Liability as on March 31, 2006

Nil

Lotus Manpower Services

Cases filed by or against Lotus Manpower Services

Nil

Contingent Liability as on March 31, 2006

Nil

Promoter Group Companies in the UAE

Indeset Trading and Decorations Services LLC

Case filed by or against Indeset Trading and Decorations Services LLC

Nil

Contingent Liability as on March 31, 2006

The company has contingent liabilities in respect of bank guarantees entered into in the normal course of business from which it is anticipated that no material liabilities will arise. The company has given guarantees amounting to AED 4,748, 682.

Indeset Building Materials LLC

Cases filed by Indeset Building Materials LLC

1. A case has been filed against Tom Aluminium in the Dubai courts in relation to certain amounts to the tune of AED 39,368 which are due from the party. The next date of hearing is on November 14, 2006.
2. A case has been filed against Almandaloon in the Dubai courts in relation to certain amounts to the tune of AED 53,004 which are due from the party. The notice has already been served on the party. The next date of hearing is on November 8, 2006.
3. A case has been filed against Al Nakheel Aluminium in the Dubai courts in relation to certain amounts to the tune of AED 30,438. An interim judgement directing appointment of an accountant expert has been directed in the instant case. The next date of hearing is on November 14, 2006.
4. A case has been filed against Spectrum Commercial in the Dubai courts in relation to an attachment order which has been passed in favour of the company. The order is for an amount of AED 95,000. We are in the process of executing the order.

Cases filed against Indeset Building Materials LLC

Nil

Contingent Liability as on December 31, 2005

The company had contingent liabilities in respect of bank guarantees entered into in the normal course of business from which it is anticipated that no material liabilities will arise. The company has given guarantees amounting to AED 2,102,041.

Sobha Contracting LLC

Cases filed by Sobha Contracting LLC

A suit has been filed against Sultan Saif Mohammed in the Dubai courts in relation to the recovery of AED 55,665. The expert has finalized his report and the same has also been filed in the court.

Cases filed against Sobha Contracting LLC

Nil

Contingent Liability as on December 31, 2005

Company had contingent liabilities in respect of bank guarantees entered into in the normal course of business from which it is anticipated that no material liabilities will arise. The company has given guarantees amounting to AED 217,965 to third parties.

Indeset Constructions LLC

Cases filed by or against Indeset Constructions LLC

Nil

Contingent Liability as on December 31, 2005

The company had contingent liabilities in respect of bank guarantees entered into in the normal course of business from which it is anticipated that no material liabilities will arise. The company has given guarantees amounting to AED 7,000,284.

Architectural Metal Works, LLC

Cases filed by or against Architectural Metal Works, LLC

Nil

Contingent Liability as on December 31, 2005

Nil

Sobha Real Estate, LLC

Cases filed by or against Sobha Real Estate, LLC

Nil

Contingent Liability as on December 31, 2005

Nil

Services and Trade Company Limited

Cases filed by or against Services and Trade Company Limited

Nil

Contingent Liability as on March 31, 2006

Nil

Jupiter Estates Limited

Cases filed by or against Jupiter Estates Limited

Nil

Contingent Liability as on March 31, 2005

Nil

Beejay Trading LLC

Cases filed by or against Beejay Trading LLC

Nil

Contingent Liability as on June 30, 2006

Nil

Intertrade Alliance LLC

Case filed by or against Intertrade Alliance LLC

Nil

Contingent Liability as on June 30, 2006

Nil

<u>Promoter Group Companies in Oman</u>

I. Companies

Services and Trade Company, LLC

Cases filed by or against Services and Trade Company, LLC

Nil

Contingent Liability as on December 31, 2005

(Rial Omani)

	Fiscal Year ended December 31, 2005
Bank Guarantee	2,644,075
Letters of Credit	156,726

Furniture Makers Limited Company, LLC

Cases filed by or against Furniture Makers Limited Company, LLC

Nil

Contingent Liability as on December 31, 2005

The company has issued a bankers letter of guarantees for Rial Omani 127,629.

Electronics Systems Company LLC

Cases filed by or against Electronics Systems Company LLC

Nil

Contingent Liability as on December 31, 2005

Nil

International Contracting and Engineering Services Company LLC

Case filed by or against International Contracting and Engineering Services Company LLC

Nil

Contingent Liability as on December 31, 2005

Nil

Modern Tourism Projects Co. LLC

Cases filed by or against Modern Tourism Projects Co. LLC

Nil

Contingent Liability as on December 31, 2005

Nil

Promoter group companies in Bahrain

S& T Interiors Company, WLL

Cases filed by or against S & T Interiors Company, WLL

Nil

Contingent Liability as on December 31, 2005

Nil

Promoter group companies in Qatar

Gulf International Construction and Interiors Co. WLL

Cases filed by or against Gulf International Construction and Interiors Co. WLL

Nil

Contingent Liability as on December 31, 2005

Nil

Billing Components AG

Cases filed by or against Billing Components AG

Nil

Contingent Liability as on March 31, 2006

The contingent liability that has arisen is towards the dispute in differential rent payable to the land lord. As per the terms of the new contract that was entered into between the company and the landlord, there was a reduction of the rent rate per square meter and a reduction of rented square meters (from two to one floor). The company has contested the contract with the reduced costs. The differential amount in rent due to above as on December 31, 2006 will amount to euro 294,721.82.

Sobha Renaissance North America

Cases filed by or against Sobha Renaissance North America

Nil

Contingent Liability as on December 31, 2005

Nil

Past cases involving companies forming part of our Promter Group

There are no cases involving any of our Promoters or any of the companies forming part of the promoter group which involve a violation of any statutory regulations, criminal offence or in which penalties have been imposed by the relevant authorities.

Details of past penalties imposed on companies forming part of our Promoter Group

There have been no instances in the past of any penalties that has been imposed on any company forming part of our promter group by any statutory authorities.

Material Developments

There have been no material developments, since the date of the last balance sheet otherwise than as disclosed in the section 'Management's Discussion and Analysis Of Financial Condition And Results Of Operations' on page 271.

GOVERNMENT APPROVALS

We have received the necessary consents, licenses, permissions and approvals from the Government and various governmental agencies required for our present business and except as mentioned below, no further approvals are required for carrying on our present business.

Approvals for the Issue

1. Approval from the National Stock Exchange dated August 28, 2006.

2. Approval from the Bombay Stock Exchange dated August 25, 2006.

3. Letter dated May 12, 2006 to DIPP seeking confirmation on FIIs being permitted to participate in the Issue under the portfolio scheme.

4. DIPP letter dated October 3, 2006 bearing number 5(6)/2000-FC(Pt.File) clarifying that 'guidelines notified vide Press Note 2 (2005 Series) are applicable to investment made only under the FDI route and not applicable to investment by FIIs under the Portfolio Investment Scheme under the FEMA Regulations.'

5. Letter dated October 3, 2006 to RBI seeking their confirmation that FIIs are permitted to subscribe to the equity shares in the Issue under the portfolio investment scheme as prescribed udner Schedule II of the FEMA Regulations and that Press Note 2 of 2005 is not applicable to investments by FIIs in initial public offerings.

6. The RBI letter dated October 27, 2006 stating that the regulations under Notification 136/2005-RB dated July 19, 2005 wold not be applicable.

Approvals to carry on our Business

A. Approvals from the Reserve Bank of India

1. Letter dated January 11, 1996 (Ref No. EC.CO.FID (II) RE.9973/10.02.48(289)/95/96) from the RBI, granting in principal approval for the issue of 4,000,000 Equity Shares of Rs. 10 each for cash at par, wherein 2,000,000 Equity Shares were issued to Mr. P.N.C Menon and Ms. Sobha Menon.
2. Letter dated February 11, 1997 (Ref No. EC.CO.FID.(II)RE.8052/10.02.48(289)/96/97) from the RBI granting permission to issue 1,174,729 Equity Shares of Rs. 10 each for cash at par, with repatriation benefits to Mr. P.N.C Menon.
3. Letter dated April 27, 1998 (Ref No. EC.CO.FID (II) RE/HD7604/10.02.48(289)/97/98) from the RBI, granting approval for the issue of 3,000,000 Equity Shares of Rs. 10 each for cash at par, wherein 1,000,000 Equity Shares were allotted to Mr. P.N.C. Menon and 2,000,000 were allotted to Ms. Sobha Menon.
4. Letter dated July 4, 1998 (Ref No. EC.CO.FID.(II)RE.HD51/10.02.48(289)/98/99) from the RBI granting permission to issue 1,300,000 (15% fully convertible debenture of Rs. 100 each for cash at par, with repatriation benefits to M.S. Services and Trade (Overseas) Limited, Mauritius. The letter also states that the fully convertible debenture, shall not transferred in favour of any resident, without the prior permission of the RBI.
5. Letter dated December 4, 1998 (Ref No. EC.CO.FID.(II)RE.HD3137/10.02.48(289)/98/99) from the RBI granting permission to issue 855,000 Equity Shares of Rs. 10 each for cash at par, with repatriation benefits to Mr. P.N.C. Menon.

B. Industrial/Labour/Tax

1. Certificate of Registration dated February 09, 2006 certifying the grant of service tax registration number (ARC) (IDS) (CCS) (MRS) (CER) (CON) / AABCS7723EST001 and code AABCS7723EST001 to our Company.
2. Certificate of Importer and Exporter Code (IEC No. 0798014539) dated February 23, 1999 issued to our Company.

3. Permanent Account Number (No. AABCS7723E) card dated August 7, 1995 issued by the Chief Commissioner of Income tax, Karnataka and Goa to our Company.
4. Central Excise registration certificate dated March 21, 2005 evidencing the grant of registration number AABCS7723EXM002 to our Company.
5. Certificate of Registration issued under S.7 of the Contract Labour (Regulation and Abolition) Act, 1970, bearing reference number ALCB-4/CLA/P:182/2005-06 dated January 5, 2006, evidencing grant of registration to our Company and permitting the employment of 100 persons.
6. Letter dated March 30, 2005 issued by the Office of the Deputy Commissioner of Commercial Taxes, Bangalore evidencing grant of TIN number 29240327158 to our Company.
7. Certificate bearing reference number 0412661-0 issued in favour of our Company evidencing registration under the Karnataka Sales Tax Rules, 1957 granting number 0040948 – 0 to us.
8. Certificate of registration under the Central Sales Tax Act, 1957 bearing reference number 0417661-3 evidencing the registration of our Company under the Act. The certificate specifies that the company carries on activities of construction and development granting number 0040948 – 3 to us.
9. Certificate of registration under the Central Sales Tax (Registration and Turnover) Rules, 1957 dated November 07, 2002 evidencing the registration of our Company with a principal place of business located at No. 5/131, Periyar Street, 85, Viniyambakkam Village, Singaperumalkoil as dealers under the said enactment and the grant of CST No. 845129 to us.
10. Certificate of registration under the Central Sales Tax (Registration and Turnover) Rules, 1957 dated November 07, 2002 evidencing the registration of our Company with a principal place of business located at 53, Old Mahabalipuram Road, Sholinganallur, Chennai as dealers under the said enactment and evidencing the grant of CST No. 845129 to us.
11. Certificate of registration under the Tamil Nadu General Sales Tax Rules, 1959 dated February 17, 2006 evidencing the registration of our Company with a principal place of business located at umber 5/131, Periyar Street, 85 Vinjiyambakkam Village, Singaperumal Koil, Chennai as dealers under the said enactment. The certificate evidences the grant of TNGST No. 1603474/2005=06 to us.
12. Certificate of registration under the Tamil Nadu General Sales Tax Rules, 1959 dated November 07, 2002 evidencing the registration of our Company with a principal place of business located at 53, Old Mahabalipuram Road, Sholinganallur, Chennai as dealers under the said enactment granting TNGST No. 09232290 to our company.
13. Certificate of registration under the Central Sales Tax Act, 1957. dated December 12, 2003 evidencing the registration of our Company with a principal place of business located at No. V.I. M-791, Sailashree Vihar, Chandrasekhar Pur, Bhubaneshwar as dealers under the said enactment and the grant of CST No. BHC-II-5342.
14. Certificate of registration under the Orissa Sales Tax Act, 1947. dated December 12, 2003 evidencing the registration of our Company with a principal place of business located at No. V.I. M-791, Sailashree Vihar, Chandrasekhar Pur, Bhubaneshwar as dealers under the said enactment and the grant of OST No. BH-II-7249.
15. Certificate of registration under the Punjab General Sales Tax Rules, 1949. dated January 13, 2005 evidencing the registration of our Company with a place of business located at IT Park, Kishangarh, Chandigarh as dealers under the said enactment. The certificate evidences the grant of registration number CHA 22842 to our Company.
16. Certificate of registration under the Central Sales Tax Act, 1947. dated January 13, 2005 evidencing the registration of our Company with a place of business located at IT Park, Kishangarh, Chandigarh as dealers under the said enactment. The certificate evidences the grant of registration number CHA CST 22842 to our Company.
17. Certificate of registration under the Kerala General Sales Tax Rules, 1963 bearing number 119-6067 dated October 14, 2003 evidencing the registration of our Company with a place of business located at Third floor, Technopark Campus, Thiruvananthapuram as dealers under the said enactment.
18. Certificate of registration under the Central Sales Tax Act, 1947 bearing number 119-6067 dated October 14, 2003 evidencing the registration of our Company with a place of business located at Third Floor, Bhavani, Thiruvananthapuram as dealers under the said enactment.
19. Certificate from the Sales Tax officer, Thiruvananthapuram dated March 14, 2006 stating that the VAT certificate is pending with the office and that our Company is a registered dealer and has been allotted TIN Number 32011311565 and CST No. 11196067.
20. Certificate of registration under the Central Sales Tax (Registration and Turnover) Rules, 1957 dated July 23, 2001 evidencing the registration of our Company with a principal place of business

located at HIG – A – 44, APHB colony, Gachibowli Main road, Serilingampally, R.R. district as dealers under the said enactment.

21. Value Added Tax registration certificate dated March 27, 2005 evidencing the grant of TIN 28780113141 under the Andhra Pradesh Value Added Tax Act, 2005 to our Company.
22. Certificate from the Factories and Boilers Division, Government of Karnataka bearing reference number 09127 evidencing grant of factories license number MYB – 14778 to the premises located at No. 329, Jigani Hobli, Bhoopasandra, KIADB Industrial Area, Anekal, Bangalore till December 31, 2008.
23. Letter from the Department of Electrical Inspectorate, Government of Karnataka, dated March 22, 2006 bearing El (Bs.)/ 2278-80/05-06 evidencing grant of approval for installation of one 500 and one 250 KVA generator at the premises of the new block making plant, Jigani Industrial Area, Anekal Taluk.
24. Letter dated October 20, 1997 from the Employees Provident Fund Commissioner bearing reference number KN/BN/ENF.III/BD.XIII/586 evidencing allotment of number Code No. KN/23026 to our Company.
25. Letter from the Employee's State Insurance Corporation dated August 18, 2004 evidencing allotment of code 53-20704-101 to our Company.
26. Registration (No. 0890/05) dated July 31, 2005 under the Karnataka Shops and Establishment Act, 1961 issued to our Company for the premises at No. 4, Neeladri Plaza, Rajaram Nagar, Bangalore 560 025 with Mr. J.C Sharma, our Managing Director referred to as the employer. The registration is valid till December 31, 2008.
27. Registration (No. 0857/05) dated March 15, 2001 under the Karnataka Shops and Establishment Act, 1961 issued to our Company for the premises at No. 368, Seventh cross, Wilson garden, Bangalore 560 027 with Mr. S. Veeraraghavan referred to as the employer. The registration is valid till December 31, 2010.
28. Registration (No. 81/CE/400/2003) dated November 24, 2003 under the Karnataka Shops and Establishment Act, 1961 issued to our Company for the premises at No. 43, Dickenson Road, Second floor, Bangalore 560 042 with Mr. J.C. Sharma referred to as the employer. The registration is valid till December 31, 2007.
29. Registration (No. 81/CE/399) dated July 11, 1997 under the Karnataka Shops and Establishment Act, 1961 issued to our Company for the premises at No. E-106, Sunrise Chambers, 22 Ulsoor Road, Bangalore 560 042 with Col. V.K. Balan referred to as the employer. The registration is valid till December 31, 2007.
30. Registration certificate in relation to the Foreign Enterprise Permanent Office in China issued to our Company for opening its office in China.

C. Miscellaneous

1. Order of the Company Law Board, Southern Region Bench at Chennai dated May 16, 1996 in Petition No. 301/17/SRV/1996 in relation to our Company, confirming the alternation in the Memorandum of Association of our Company, wherein the words 'real estate agents' appearing in sub clause 1 under Clause III of Head A of the Main Objects of our Company, have been deleted.
2. Certificate of registration of the court confirming the alteration of the objects issued by the Registrar of Companies, issued by the ROC, at Bangalore dated August 20, 1996, certifying the registration of the order of the Company Law Board, Southern Region Bench.
3. Fresh certificate of incorporation consequent upon change of name on conversion to a public limited company dated June 2, 2006 certifying the change of status and name of our Company to Sobha Developers Limited.

D. Licenses and Approvals for our projects

In the course of our business we require certain approvals for developing and constructing projects include:

1. A reading of approximate latitude, longitude and height above mean sea level of the proposed construction provided by the Survey of India
2. Preliminary no objection certificate and final approval from the Bangalore Electricity Supply Company Limited
3. Preliminary no objection certificate and final approvals from the Bangalore Water Supply and Sewerage Board

4. A clearance from the microwave survey division, Karnataka Telecom circle indicating that the proposed structure will not interfere with any schemes proposed by Bharat Sanchar Nigam Limited.
5. A no objection certificate issued by the Airports Authority of India with relation to the proposed structure.
6. Clearance from the Karnataka State Fire Force
7. Air and water pollution clearances from the Karnataka State Pollution Control Board
8. The Ministry of Environment and Forest, Forest Department
9. Clearances from the relevant plan sanctioning bodies including the BMP, the BDA and the CMC for the proposed construction at various stages including commencement and completion.

Some of the important approvals received by us in relation to our ongoing projects are as follows:

S. No.	Name of the Project	Approvals
1.	Sobha Lotus	1. Approval dated July 4, 2005 bearing survey number BDA / EE(E) / 38 / 05-06, 45,42,49,51,47,48,49,50,52,53,54,55,43,37 and a Khata Certificate from the BDA.
2.	Sobha Tulip	1. Approval dated January 12, 2004, bearing sanction number Case No.16/2004(VOBG Case No.237/2003) from the Airports Authority of India. 2. Approval dated January 23, 2004, bearing sanction number GBC (1)735/2003 from the Karnataka State Fire Force. 3. Approval dated March 31, 2004, bearing sanction number 14/03-04 from the BDA.
3.	Sobha Hibiscus	1. Approval dated September 17, 2004, bearing sanction number 330/2004 from the Airports Authority of India. 2. Approval dated July 16, 2004, bearing sanction number GBC(1)316/2004 from the Karnataka State Fire Force. 3. Approval dated October 12, 2004, bearing sanction number PS/EM/TA-3/E/51/E04-05 from the BDA.
4.	Sobha Jasmine	1. Approval dated June 11, 2004, bearing sanction number 171/2004 (BG-278) from the Airports Authority of India. 2. Approval dated October 20, 2004, bearing sanction number GBC(1)434/2004 from the Karnataka State Fire Force. 3. Approval dated November 09, 2004, bearing sanction number PS/EM/TA-3/E/60/04-05 from the BDA.
5.	Sobha Magnolia	1. Approval dated August 18, 2004, bearing sanction number Case No.72/04(MM) from the Airports Authority of India. 2. Approval dated December 23, 2004, bearing sanction number GBC(1)643/2004 from the Karnataka State Fire Force. 3. Approval dated June 15, 2005, bearing sanction number LP/02/05-06 from the BMP. 4. Approval dated June 15, 2005, bearing sanction number JN 02/05-06 from the BDA.
6.	Sobha Sunflower	1. Approval dated June 11, 2004, bearing sanction number 172/2004(BG-279) from the Airports Authority of India. 2. Approval dated August 07, 2004, bearing sanction number GBC(1)423/2004 from the Karnataka State Fire Force. 3. Approval dated October 01, 2004, bearing sanction number 45/0405 from the BDA.
7.	Sobha Rose	1. Approval dated October 11, 2004, bearing sanction number Case No.298/04 BG 298/05 from the Airports Authority of India. 2. Approval dated November 05, 2004, bearing sanction number GBC(1)399/2004 from the Karnataka State Fire Force. 3. Approval dated November 25, 2004, bearing sanction number PS/EM/TA-3/E/64/04-05 from the BDA.
8.	Sobha Daffodil	1. Approval dated October 11, 2004, bearing sanction number Case No. 315/2004(BG-317) from the Airports Authority of India. 2. Approval dated December 29, 2005, bearing sanction number GBC(1)147/2005 from the Karnataka State Fire Force. 3. Approval dated August 09, 2005, bearing sanction number 38/05-06 from the BDA.
9.	Sobha Aster	1. Approval dated October 01, 2004, bearing sanction number 430/2004 (BG-339) from the Airports Authority of India. 2. Approval dated April 01, 2005, bearing sanction number GBC(1)763/2004 from the Karnataka State Fire Force. 3. Approval dated December 22, 2005, bearing sanction number 92/05-06 from the BDA.

10.	Sobha Mayflower	1. Approval dated October 29, 2004, bearing sanction number 330/04 from the Airports Authority of India. 2. Approval dated November 24, 2004, bearing sanction number GBC(1)634/2004 from the Karnataka State Fire Force. 3. Approval dated March 18, 2005, bearing sanction number PS/EM/TA-3/E/96/04-05 from the BDA.
11.	Sobha Iris	1. Approval dated December 02, 2004, bearing sanction number AAI/20012/1188/04-ARI CASE No.BG 352 from the Airports Authority of India. 2. Approval dated February 07, 2006, bearing sanction number GBC(1)522/2004 from the Karnataka State Fire Force. 3. Approval dated April 06, 2005, bearing sanction number 4/2005-2006 from the BDA.
12.	Sobha Primrose	1. Approval dated October 29, 2004, bearing sanction number AAI/20012/1037/04-ARI CASE No.BG 330/04 from the Airports Authority of India. 2. Approval dated January 03, 2005, bearing sanction number GBC(1)14/2004 from the Karnataka State Fire Force. 3. Approval dated March 18, 2005, bearing sanction number PS/EM/TA-3/E/97/E04-05 from the BDA.
13.	Sobha Dahlia	1. Approval dated October 29, 2004, bearing sanction number AAI/20012/1037/04-ARI CASE No.BG 330/04 from the Airports Authority of India. 2. Approval dated March 15, 2005, bearing sanction number GBC(1)915/2004 from the Karnataka State Fire Force. 3. Approval dated June 14, 2005, bearing sanction number 23/05-06 from the BDA.
14.	Sobha Daisy	1. Approval dated October 29, 2004, bearing sanction number Case No.330/04 from the Airports Authority of India. 2. Approval dated August 10, 2005, bearing sanction number GBC(1)21/2005 from the Karnataka State Fire Force. 3. Approval dated October 10, 2005, bearing sanction number 60/05-06 from the BDA.
15.	Sobha Carnation	1. Approval dated October 29, 2004, bearing sanction number 330/04 from the Airports Authority of India. 2. Approval dated July 30, 2005, bearing sanction number GBC(1)22/2005 from the Karnataka State Fire Force. 3. Approval dated October 25, 2005, bearing sanction number 67/05-06 from the BDA.
16.	Sobha Fiorella	1. Approval dated October 29, 2004, bearing sanction number 330/04 from the Airports Authority of India. 2. Approval dated May 11, 2006, bearing sanction number GBC(1)75/2005 from the Karnataka State Fire Force. 3. Approval dated June 10, 2005, bearing sanction number blp-251/972/2005-06 from the BDA.
17.	Sobha Dreams-I	1. Approval dated February 14, 2005, bearing sanction number Case No. 02/2005 (BG-438) from the Airports Authority of India. 2. Approval dated February 10, 2006, bearing sanction number GBC(1)320/2005 from the Karnataka State Fire Force.
18.	Sobha Beryl & Sobha Basil	1. Approval dated May 26, 2005, bearing sanction number Case No.BG.025/05 from the Airports Authority of India. 2. Approval dated May 15, 2006, bearing sanction number GBC(1)5/2006 from the Karnataka State Fire Force.
19.	Sobha Sunbeam I & II, Sobha Sunscape	1. Approval dated September 08, 2005, bearing sanction number Case No.286/05(BG 074/05) from the Airports Authority of India. 2. Approval dated January 25, 2006, bearing sanction number GBC(1)814/2005 from the Karnataka State Fire Force. 3. Provinsional Certificate dated July 13, 2006 bearing sanction number BMICAPA: (23): Building Plan: 88:2006-07 from the Bangalore-Mysore Infrastructure Corridor Local Planning Authority.
20.	Sobha Amethyst & Sobha Adamus	1. Approval dated January 31, 2006, bearing sanction number Case No.555/05 (BG 171/05) from the Airports Authority of India. 2. Approval dated January 02, 2006, bearing sanction number GBC(1)813/2005 from the Karnataka State Fire Force.
21.	Sobha Suncrest	1. Approval dated March 08, 2006, bearing sanction number Case No.52/06(BG 217/05) from the Airports Authority of India. 2. Approval dated March 16, 2006, bearing sanction number GBC(1)998/2005 from the Karnataka State Fire Force. 3. Approval dated March 24, 2006, bearing sanction 117/03-04 from the BDA.
22.	Sobha Chrysanthemum	1. Approval dated March 08, 2006, bearing sanction number Case No.53/06(BG 221/05) from the Airports Authority of India. 2. Approval dated June 17, 2006 bearing sanction number GBC(1)224/2006 from the Karnataka State Fire Force.

23.	Sobha Althea and Azalea	1. 2.	Approval dated September 7, 2006 bearing sanction number Case No.359/06(BG - 065/06) from the Airports Authority of India. Approval dated August 25, 2006 bearing sanction number GBC(1)512/2006 from the Karnataka State Fire Force.
24.	Sobha Saffron and Cinnamon	1.	Approval dated October 3, 2006 bearing sanction number Case No.417/06 (BG - 075/06) from the Airports Authority of India.
25.	Sobha Anantha	1.	Approval dated May 31, 2006 bearing sanction number 216/06-07 from the Bangalore Mahanagara Palike.

Pending Approvals

Sobha Interiors Private Limited

1. Letter dated June 7, 2006 to the Environmental Officer, Pollution Control Board, requesting the amendment of consent for operation under Air and Water Act (Prevention and Control of Pollution) granted to the company , valid from January 1, 2006 to December 31, 2006 in favour of our Company.

2. A total of three EPCG licenses in relation to the company having reference numbers (0730000020), (0730000399) and (0730001331) are pending and the export obligation amount in respect of each of the following is Rs. against Rs. 29639174, Rs, 4466504 and Rs. 1,634,960 respectively.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorized by a resolution of our Board dated June 2, 2006 and by special resolution passed pursuant to Section 81(1A) of the Companies Act, at the EGM of the shareholders of our Company held on June 28, 2006.

Prohibition by SEBI

Our Company, our Directors, our Promoters, our subsidiary, our group companies, associates of our group companies and other companies promoted by our Promoter and companies with which our Company's Directors are associated as directors have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

Eligibility for the Issue

We are eligible for the Issue as per Clause 2.2.2 of the SEBI Guidelines as explained under Clause 2.2.2 of the SEBI Guidelines states as follows:

"*2.2.2 An unlisted company not complying with any of the conditions specified in Clause 2.2.1 may make an initial public offering (IPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets both the conditions (a) and (b) given below:*

(a) (i) The issue is made through the book-building process, with at least 50% of the issue size being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.

OR

(a)(ii) The "project" has at least 15% participation by Financial Institutions/ Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded

AND

(b) (i) The minimum post-issue face value capital of the company shall be Rs. 10 crores.

OR

(b) (ii) There shall be a compulsory market-making for at least 2 years from the date of listing of the shares , subject to the following:

(a) Market makers undertake to offer buy and sell quotes for a minimum depth of 300 shares;

(b) Market makers undertake to ensure that the bid-ask spread (difference between quotations for sale and purchase) for their quotes shall not at any time exceed 10%;

(c) The inventory of the market makers on each of such stock exchanges, as of the date of allotment of securities, shall be at least 5% of the proposed issue of the company.)"

We are an unlisted company not complying with the conditions specified in Clause 2.2.1 of the SEBI Guidelines and are therefore required to meet both the conditions detailed in clause 2.2.2(a) and clause 2.2.2(b) of the SEBI Guidelines.

- We are complying with Clause 2.2.2(a)(i) of the SEBI Guidelines and at least 60% of the Net Issue are proposed to be Allotted to QIBs (in order to comply with the requirements of Rule

19(2)(b) of the SCRR) and in the event we fail to do so, the full subscription monies shall be refunded to the Bidders.

- We are complying with the second proviso to Clause 11.3.5(i) of the SEBI Guidelines and Non-Institutional Bidders and Retail Individual Bidders will be allocated up to 10% and 30% of the Net Issue respectively.

- We are also complying with Clause 2.2.2(b)(i) of the SEBI Guidelines and the post-issue face value capital of the Company shall be Rs. 728.98 million, which is more than the minimum requirement of Rs. 10 crore (Rs. 100 million).

Hence, we are eligible for the Issue under Clause 2.2.2 of the SEBI Guidelines.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of prospective allottees to whom the Equity Shares will be Allotted will be not less than 1,000.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, KOTAK MAHINDRA CAPITAL COMPANY LIMITED AND ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED AND THE CO BOOK RUNNING LEAD MANAGER, IL & FS INVESTSMART LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS AND CO BOOK RUNNING LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE BOOK RUNNING LEAD MANAGERS, KOTAK MAHINDRA CAPITAL COMPANY LIMITED AND ENAM FINANCIAL CONSULTANTS PRIVATE LIMITED AND THE CO BOOK RUNNING LEAD MANAGER, IL & FS INVESTSMART LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED AUGUST 4, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

(i) **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**

(ii) **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.**

WE CONFIRM THAT:

(A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE;

(D) WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND

(E) WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITTERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.

(F) **WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS**.

The filing of the Draft Red Herring Prospectus does not, however, absolve the company from any liabilities under section 63 or section 68 of the companies act or from the requirement of obtaining such statutory and/or other clearances as may be required for the purpose of the proposed issue. SEBI further reserves the right to take up at any point of time, with the Book Running Lead Managers and Co Book Running Lead Manager, any irregularities or lapses in the Red Herring Prospectus."

The Book Running Lead Managers, Co Book Running Lead Manager and us accept no responsibility for statements made otherwise than in the Red Herring Prospectus or in the advertisement or any other material issued by or at our instance and anyone placing reliance on any other source of information would be doing so at his own risk.

All legal requirements pertaining to the issue will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies, Karnataka at Bangalore, in terms of section 56, section 60 and section 60B of the Companies Act.

Disclaimer from the Company, BRLMs and the CBRLMs

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Underwriters and their respective directors, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not Issue, sell, pledge, or transfer the Equity Shares of the Company to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Underwriters and their respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

Caution

Our Company, our Directors and the BRLMs and the CBRLMs accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web site www.sobhadevelopers.com, would be doing so at his or her own risk.

The BRLMs and the CBRLMs accept no responsibility, save to the limited extent as provided in the MOU entered into between the BRLMs and the CBRLMs and us and the Underwriting Agreement to be entered into between the Underwriters and us.

All information shall be made available by us and the BRLMs and IIL to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

Disclaimer Clause of Jurisdiction

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are majors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorized under their constitution to hold and invest in shares, Public financial institutions as specified in Section 4A of the Companies Act, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, and to permitted non-residents, FIIs registered with SEBI and eligible NRIs provided that they are eligible under all applicable laws and regulations to hold Equity Shares of the Company. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Bangalore, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been submitted to SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Disclaimer Clause of BSE

As required, a copy of the Draft Red Herring Prospectus had been submitted to BSE.
BSE has given vide by its letter dated August 25, 2006 permission to our Company to use BSE's name in this Red Herring Prospectus as one of the stock exchanges on which our Company's securities are proposed to be listed. BSE has scrutinized this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. The Exchange does not in any manner;-

(i) warrant , certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; or
(ii) warrant that our Company's securities will be listed or will continue to be listed on the BSE; or
(iii) take any responsibility for the financial or other soundness of our Company, its promoters, its management or any scheme or project of our Company;

and it should not for any reason be deemed or construed that this Red Herring Prospectus has been cleared or approved by the Exchange. Every person who desires to apply for or otherwise acquires any securities of our Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of the Draft Red Herring Prospectus had been submitted to NSE. NSE has given by its letter ref: NSE/LIST/28330-Y dated August 28, 2006 permission to our Company to use NSE's name in this prospectus as one of the stock exchanges on which our Company's securities are proposed to be listed. NSE has scrutinized this Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on the NSE nor does it take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company.

Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim again NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Filing

A copy of the Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 012.

A copy of this Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC at the Office of the Registrar of Companies, Karnataka (Bangalore).

Listing

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Shares. NSE will be the Designated Stock Exchange with which the Basis of Allotment will be finalized.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of refusal or within 15 days from the Bid/Issue Closing Date, whichever is earlier, then the Company, and every Director of the Company who is an officer in default shall, on and from such expiry of 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalization of the Basis of Allotment for the Issue.

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Auditors, Bankers to the Company and Bankers to the Issue; and (b) Book Running Lead Managers to the Issue, the Co Book Running Lead Manager to the Issue, and Syndicate Members, Escrow Collection Bankers, Registrar to the Issue, Legal Advisors to the Underwriters and Cushman & Wakefield (India) Private Limited , to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the RoC, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

S. Janardhan & Associates, Chartered Accountants, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

Property Valuation Expert to the Issue

Except the opinion on the valuation of our Land Reserves and Land Arrangements from Cushman & Wakefield by their report dated August 2, 2006, we have not obtained any expert opinions.

Expenses of the Issue

The total expenses of the Issue are estimated to be approximately Rs. [•] million. The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Issue would be borne by our Company.

The estimated Issue expenses are as under:

(Rs.in million)

Activity	Expenses *
Lead management, underwriting and selling commission	[•]
Advertising and Marketing expenses	[•]
Printing and stationery	[•]
Others (Monitoring agency fees, Registrars fee, legal fee, listing fee, etc.)	[•]
Total estimated Issue expenses	[•]

**To be completed after finalization of issue price*

Fees Payable to the BRLMs, the CBRLMs and the Syndicate Members

The total fees payable to the Book Running Lead Managers, IIL and the Syndicate Members will be as per the letter of appointment dated June 29, 2006. A copy is available for inspection at our registered office. The commissions payable on allotment relating to Retail and Non Institutional Portions to I-Sec will be as per the letter of appointment dated October 28, 2006 issued by our Company. A copy is available for inspection at our registered office.

Fees Payable to the Registrar to the Issue

The fees payable by us to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as the per the MOU between us and the Registrar to the Issue dated June 15, 2006.

The Registrar to the Issue will be reimbursed for all out of pocket expenses including cost of stationery, postage, stamp duty, and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable them to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

Underwriting commission, brokerage and selling commission on Previous Issues

Since this is the initial public offer of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Previous Rights and Public Issues

Our Company has not made any previous rights and public issues in India or abroad in the five years preceding the date of this Red Herring Prospectus.

Previous issues of shares otherwise than for cash

Except as stated in the section titled "Capital Structure" on page 21, our Company has not made any previous issues of shares for consideration otherwise than for cash.

Companies under the Same Management

We do not have any companies under the same management within the meaning of section 370(1) (B) of the Companies Act, which has made any capital issue during the last three years.

Promise v/s performance

Our Company nor any Group or associate companies has made any previous rights and public issues.

Outstanding Debentures or Bond Issues or Preference Shares

Our Company has issued 872,843 fully paid up 7% Redeemable Preference Shares of face value Rs. 100 each to one of our Promoters, Mr. P.N.C. Menon. For more details in relation to the same, please refer to the section titled "Capital Structure" on page 21.

Our Company has issued 1,000 non convertible debentures with a face value of Rs. 10,000,000 each to Jeevan Bima Sahayog Asset Management Company Limited.

Stock Market Data for our Equity Shares

This being an initial public issue of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to the Issue and us will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of despatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances by the Company

We or the Registrar to the Issue shall redress routine investor grievances within seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have also appointed Mr. K. Suresh, Company Secretary of our Company as the Compliance Officer for this Issue and he may be contacted in case of any pre-Issue or post Issue related problems, at the following address:

E - 106, Sunrise Chambers
22, Ulsoor Road
Bangalore 560042
India
Tel: (91 80) 2559 7260
Fax: (91 80) 2559 4138
Email: investors@sobha.co.in

Change in Auditors

There has been no change in our Auditors, in the past three years.

Capitalization of Reserves or Profits

Our Company has not capitalized our reserves or profits during the last five years, except as stated in the section titled "Capital Structure" on page 21.

Revaluation of Assets

We have not revalued our assets in the last five years.

Payment or benefit to officers of our Company

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation.

None of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of the Draft Red Herring Prospectus, this Red Herring Prospectus and the Prospectus, Bid cum Application Form, the Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, the Government of India, Stock Exchanges, RoC, RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

The Issue has been authorized by a resolution of our Board dated June 2, 2006 and by special resolution adopted pursuant to Section 81(1A) of the Companies Act*,* at an extraordinary general meeting of the shareholders of our Company held on June 28, 2006.

We had sought a confirmation from the DIPP by letter dated May 12, 2006 on FIIs being permitted to participate in the Issue under the portfolio scheme. The DIPP has by its letter dated October 3, 2006 clarified that 'guidelines notified vide Press Note 2 (2005 Series) are applicable to investment made only under the FDI Route and are not applicable to investment by FIIs under the Portfolio Investment Scheme under the FEMA Regulations'.

We had also applied to the Reserve Bank of India by letter dated October 4, 2006 seeking their confirmation that FIIs are permitted to subscribe to equity shares in the IPO under the portfolio investment scheme and that Press Note 2 (2005 Series) is not applicable to investments by FIIs in initial public offerings. The RBI has by its letter dated October 27, 2006 has stated that the DIPP has clarified that Press Note 2 (2005 Series) are not applicable to investments by FIIs subscribing to this Issue, as a result the regulations under Notification 136/2005-RB dated July 19, 2005 wold not be applicable. Therefore, FIIs are permitted to invest in the Issue.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank pari-passu with the existing Equity Shares of our Company including rights in respect of dividend. The Allottees in receipt of Allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of Allotment.

Mode of Payment of Dividend

We shall pay dividends to our shareholders as per the provisions of the Companies Act.

Face Value and Issue Price

The face value of the Equity Shares is Rs. 10 each and the Issue Price is Rs. [•] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

Compliance with SEBI Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;

- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreement executed with the Stock Exchanges, and our Company's Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please refer to the section titled "Main Provisions of Our Articles of Association" on page 356.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the SEBI Guidelines, the trading of our Equity Shares shall only be in dematerialised form. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of 10 Equity Share subject to a minimum Allotment of 10 Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Bangalore, Karnataka, India.

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- To register himself or herself as the holder of the Equity Shares; or
- To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Net Issue, including devolvement of underwriters within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act.

Further in terms of Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of prospective allottees to whom Equity Shares will be Allotted will not be less than 1,000.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933 (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on transfer of shares

There are no restrictions on trasnfers and transmission of shares/ debentures and on their consolidation/ splitting except as provided in our Articles. See "Main Provisions of our Articles of Association" on page 356.

ISSUE STRUCTURE

The present Issue of 8,893,332 Equity Shares of Rs. 10 each, comprising of a Net Issue of 8,004,032 Equity Shares and an Employee Reservation Portion of up to 889,300 Equity Shares, at a price of Rs. [●] for cash aggregating Rs. [●] million is being made through the 100% Book Building Process.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Eligible Employees/ Employee Reservation Portion
Number of Equity Shares*	At least 4,802,450 Equity Shares	Up to 800,300 Equity Shares or Net Issue size less allocation to QIB Bidders and Retail Individual Bidders.	Up to 2,401,282 Equity Shares or Net Issue size less allocation to QIB Bidders and Non-Institutional Bidders.	Up to 889,300 Equity Shares.
Percentage of Issue Size available for Allotment/allocation	At least 60% of Net Issue Size being allocated. However, up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Up to 10% of Net Issue or the Net Issue less allocation to QIB Bidders and Retail Individual Bidders	Up to 30% of Net Issue or the Net Issue less allocation to QIB Bidders and Non Institutional Bidders.	Up to 10% of the Issue size or the Issue less Net Issue
Basis of Allotment/Allocation if respective category is oversubscribed	Proportionate as follows: (a) 240,123 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 4,562,327 Equity Shares shall be Allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000.	10 Equity Shares.	10 Equity Shares
Maximum Bid	Such number of Equity Shares not exceeding the Net Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Net Issue subject to applicable limits.	Such number of Equity Shares not exceeding the Net Issue whereby the Bid Amount does not exceed Rs. 100,000.	Up to 889,300 Equity Shares.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid/Allotment Lot	10 Equity Shares in multiples of 10 Equity Shares	10 Equity Shares in multiples of 10 Equity Shares	10 Equity Shares in multiples of 10 Equity Shares	10 Equity Shares in multiples of 10 Equity Shares
Trading Lot	One Equity Share	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Public financial institutions as specified in Section 4A of the Companies Act, scheduled	Resident Indian individuals, Eligible NRIs, HUF (in the name of Karta), companies, corporate	Resident Indian individuals (including HUF's, NRI's) applying for equity shares such	All or any of the following: (a) a permanent employee of the Company as of

	QIBs	Non-Institutional Bidders	Retail Individual Bidders	Eligible Employees/ Employee Reservation Portion
	commercial banks, mutual funds registered with SEBI, FIIs registered with SEBI, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law.	bodies, scientific institutions societies and trusts.	that the bid amount does not exceed Rs. 100,000 in value.	November 23, 2006 and based working and present in India as on the date of submission of the Bid cum Application Form. (b) a director of the Company, except any Promoters or members of the Promoter group, whether a whole time Director part time Director or otherwise as of November 23, 2006 and based and present in India as on the date of submission of the Bid cum Application Form.
Terms of Payment	QIB Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.
Margin Amount	At least 10% of Bid Amount	Full Bid Amount on bidding	Full Bid Amount on bidding	Full Bid Amount on bidding

* Subject to valid Bids being received at or above the Issue Price. In terms of Rule 19 (2)(b) of the SCRR, this is an Issue for less than 25% of the post–Issue capital, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be Allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLMs, IIL and the Designated Stock Exchange.

** In case the Bid cum Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

Bidding/Issue Programme

BID/ISSUE OPENS ON	**NOVEMBER 23, 2006**
BID/ISSUE CLOSES ON	**NOVEMBER 29, 2006**

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m**. (Indian Standard Time) during the Bidding/Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form except that on the Bid / Issue Closing Date, the Bids shall be accepted only between 10 **a.m.** and 3 **p.m.**(Indian Standard Time) and uploaded until such time as permitted by the BSE and the NSE on the Bid /Issue Closing Date.

The Company reserves the right to revise the Price Band during the Bidding/Issue Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

In case of revision in the Price Band, the Bidding/Issue Period will be extended for three additional days after revision of Price Band subject to the Bidding /Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding /Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLMs and the CBRLMs and at the terminals of the Syndicate.

ISSUE PROCEDURE

Book Building Procedure

In terms of Rule 19(2)(b) of the SCRR, this is an Issue for less than 25% of the post–Issue capital of the Company, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Net Issue shall be Allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for Allottment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Net Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Net Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Net Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. Further, upto 889,300 Equity Shares shall be available for allocation on a proportional basis Eligible Employees, subject to valid bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. International QIB Bids can be procured and submitted only through the BRLMs or their affiliates. Domestic QIB Bids can be procured and submitted only through the BRLMs and/or their affiliates and IIL. In case of QIB Bidders, the Company in consultation with the BRLMs and IIL, as the case may be, may reject Bids at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees, our Company would have a right to reject the Bids only on technical grounds.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian public and Eligible NRIs applying on a non-repatriation basis	White
Eligible NRIs or FIIs applying on a repatriation basis	Blue
Eligible Employees	Pink

Who can Bid?

- Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the equity shares;
- Mutual Funds registered with SEBI;

- Eligible NRIs on a repatriation basis or on a non repatriation basis subject to applicable laws. NRIs other than eligible NRIs are not eligible to participate in this Issue;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations, as applicable.;
- FIIs registered with SEBI;
- Venture Capital Funds registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- Subject to the applicable law, Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares; and
- Permanent employees or Directors (whole-time Directors, part-time Directors or otherwise) of the Company, who are Indian Nationals and are based in India. The permanent employees should be on the payroll of the Company as of November 23, 2006 and the Directors should be directors on the date of the Red Herring Prospectus.

Non-residents such as FVCIs, multilateral and bilateral development financial institutions are not permitted to participate in the Issue. As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

Note: The BRLMs shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the Book Running Lead Managers, Co Book Running Lead Managers and Syndicate Members may subscribe to Equity Shares in the Issue either in the QIB Portion or in Non Institutional Portion as may be applicable to such investors, where the allocation is on a proportionate basis.

The information below is given for the benefit of the Bidders. The Company, the BRLMs and the CBRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 240,123 Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids by NRIs

1. Bid cum application forms have been made available for NRIs at our registered /corporate office, members of the Syndicate of the Registrar to the Issue.
2. NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

Bids by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e. 10% of 72,898,240 Equity Shares of Rs. 10 each). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in us cannot exceed 24% of our total issued capital.

The DIPP has by its letter dated October 3, 2006 clarified that 'guidelines notified vide Press Note 2 (2005 Series) are applicable to investment made only under the FDI Route and are not applicable to investment by FIIs under the Portfolio Investment Scheme under the FEMA Regulations'.

We had also applied to the Reserve Bank of India by letter dated October 4, 2006 seeking their confirmation that FIIs are permitted to subscribe to equity shares in the IPO under the portfolio investment scheme and that Press Note 2 (2005 Series) is not applicable to investments by FIIs in initial public offerings. The RBI has by its letter dated October 27, 2006 has stated that the DIPP has clarified that Press Note 2 (2005 Series) are not applicable to investments by FIIs subscribing to this Issue, as a result the regulations under Notification 136/2005-RB dated July 19, 2005 would not be applicable. Therefore, FIIs are permitted to invest in the Issue.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Bids by SEBI registered Venture Capital Funds

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds:

The SEBI (Venture Capital) Regulations, 1996 prescribe investment restrictions on venture capital funds registered with SEBI. Accordingly, whilst the holding by any individual venture capital fund registered with SEBI in one company should not exceed 25% of the corpus of the venture capital fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture Capital Investors can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer.

Information for the Bidders:

(a) The Company will file this Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.

(b) The Company, the BRLMs and IIL shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with the RoC and also publish the same in three widely circulated newspapers (one each in English, Hindi and Kannada). This advertisement, subject to the provisionsof S. 66 of the Companies Act shall be in the format prescribed in Schedule XX – A of the SEBI DIP guidelines, as amended by SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 date January 25, 2005

(c) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.

(d) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate and should approach any of the BRLMs or the CBRLMs or Syndicate Members or their authorized agent(s) to register their Bids.

(e) The Members of the Syndicate shall accept Bids from the Bidder during the Issue Period in accordance with the terms of the Syndicate Agreement.

(f) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

(g) The Bidding/Issue Period shall be for a minimum of three working days and not exceeding seven working days. In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in three widely circulated newspapers (one each in English and Hindi) and one Kannada newspaper, and also by indicating the change on the websites of the BRLMs and at the terminals of the Syndicate Members.

(h) The Price Band has been fixed at Rs. 550/- to Rs. 640/- per Equity Share of Rs. 10/- each, Rs. 550/- being the lower end of the Price Band and Rs. 640/- being the higher end of the Price Band. The Bidders can bid at any price with in the Price Band, in multiples of 10 Equity Shares.

(i) The Company, in consultation with the BRLMs reserves the right to revise the Price Band, during the Bidding/Issue Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in the Red Herring Prospectus.

(j) The Company, in consultation with the BRLMs can finalise the Issue Price within the Price Band, without the prior approval of, or intimation, to the Bidders.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 10 Equity Shares and in multiples of 10 Equity Share thereafter, so as to ensure that the Bid Price payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Price does not exceed Rs. 100,000. In case the Bid Price is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of 10 Equity Shares thereafter. A Bid cannot be submitted for more than the Net Issue. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin upon submission of Bid.**

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

(c) **For Employee Reservation Portion:** The Bid must be for a minimum of 10 Equity Shares and in multiples of 10 Equity Shares thereafter. Bidders in the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs.100,000 may bid at Cut-off Price. The allotment in the Employee Reservation Portion will be on a proportionate basis. However, the maximum Bid under the Employee Reservation Portion cannot exceed 889,300 Equity Shares.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Method and Process of Bidding

(a) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled "Bids at Different Price Levels" on page 333) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

(b) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled "Bids at Different Price Levels and Revision of Bids" on page 333.

(c) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(d) During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients / investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.

(e) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled "Terms of Payment and Payment into the Escrow Accounts" on page 340.

Bids at Different Price Levels and Revision of Bids

(a) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders and Eligible Employees applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB, Non-Institutional Bidders and Eligible Employees bidding in excess of Rs. 100,000 and such Bids shall be rejected.

(b) Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders and Eligible Employees under the Employee Reservation Portion bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Issue multiplied by the Issue Price), the Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.

(c) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 1,00,000 for Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, if such Bidder wants to continue to bid at Cut-off Price), with the Syndicate Members to whom the original Bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of Allotment, such that the no additional payment would be required from such Bidder and such Bidder is deemed to have approved such revised Bid at Cut-off Price.

(d) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(e) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 10 Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

(f) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(g) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(h) The Bidder can make this revision any number of times during the Bidding/Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.

(i) Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(j) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of international QIB Bidders, the BRLMs and/or their affiliates and in case of domestic QIB

Bidders, the BRLMs and/or their affiliates and IIL, shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.

(k) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

Bids and revisions of Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for NRIs and FIIs applying on a repatriation basis and pink colour for Bidders under Employee Reservation portion).

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

(c) For Retail Individual Bidders, the Bid must be for a minimum of 10 Equity Shares and in multiples of 10 Equity Shares, thereafter subject to a maximum Bid Amount of Rs. 100,000.

(d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Price exceeds or equal to Rs. 100,000 and in multiples of 10 Equity Shares thereafter. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.

(e) NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of 10 Equity Shares thereafter that the Bid Price exceeds Rs. 100,000.

(f) Bids by Non Residents, NRIs and FIIs on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

(g) For Eligible Employees bidding in the Employee Reservation Portion, the Bid must be for a minimum of 10 Equity Shares in multiple of thereafter subject to a maximum of up to 889,300 Equity Shares.

(h) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(i) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bids by Eligible Employees

For the purpose of the Employee Reservation Portion, Eligible Employee means all or any of the following:

(a) a permanent employee of the Company as of November 23, 2006 and based working and present in India as on the date of submission of the Bid cum Application Form.

(b) a director of the Company, whether a whole time director except any Promoters or members of the Promoter group, part time director or otherwise as of November 23, 2006 and based and present in India as on the date of submission of the Bid cum Application Form.

Bids under Employee Reservation Portion by Eligible Employees shall be:

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e. pink colour Form).
- Only Eligible Employees (as defined above) would be eligible to apply in this Issue under the Employee Reservation Portion.
- Eligible Employees, as defined above, should mention the Employee Number at the relevant place in the Bid cum Application Form.
- The sole/ first Bidder shall be the Eligible Employee as defined above.
- Bids by Eligible Employees will have to bid like any other Bidder. Only those bids, which are received at or above the Issue Price, would be considered for allocation under this category.
- The Bids must be for a minimum of 10 Equity Shares and in multiples of 10 Equity Shares thereafter. The allotment in the Employee Reservation portion will be on a proportional basis.
- Eligible Employees who Bid for Equity Shares of or for a value of not more than Rs. 100,000 in any of the bidding options can apply at Cut-Off Price. This facility is not available to other Eligible Employees whose Bid Amount in any of the bidding options exceeds Rs. 100,000.
- The maximum bid under Employee Reservation Portion by an Employee cannot exceed 889,300 Equity Shares.
- Bid/ Application by Eligible Employees can also be made in the "Net Issue" portion and such Bids shall not be treated as multiple bids.
- If the aggregate demand in this category is less than or equal to 889,300 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand. Under-subscription, if any, in the Employee Reservation Portion will be added back to the Net Issue.
- If the aggregate demand in this category is greater than 889,300 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis. For the method of proportionate basis of allocation, please see section titled "Basis of Allotment" on page 346.
- Under-subscription, if any, in the Employee Reservation portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the Company, the BRLMs and IIL. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation portion.
- This is not an issue for sale within the United States of any equity shares or any other security of the Company. Securities of the Company, including any offering of its equity shares, may not be offered or sold in the United States in the absence of registration under U.S. securities laws or unless exempt from registration under such laws.

Electronic Registration of Bids

(a) The Members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

(b) The BSE and NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid/ Issue Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLMs and CBRLMs on a regular basis.

(c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding /Issue Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
   - Name of the investor.
   - Investor Category – Individual, Corporate, FII, NRI, Mutual Fund,Employee etc.
   - Numbers of Equity Shares bid for.

- Bid price.
- Bid cum Application Form number.
- Whether Margin Amount has been paid upon submission of Bid cum Application Form.
- Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/allotment either by the members of the Syndicate or our Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of international QIB Bidders, the BRLMs and/or their affiliates and in case of domestic QIB Bidders, BRLMs and/or their affiliates and IIL have the right to accept the bid or reject the Bids. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees bidding in the Employee Reservation Portion, Bids would not be rejected except on the technical grounds listed on page 343.

(h) The permission given by BSE and NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and/or the BRLMs or CBRLMs are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoter, our management or any scheme or project of our Company.

(i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.

(j) Only bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLMs based on the physical records of Bid Application Forms shall be final and binding on all concerned.

GENERAL INSTRUCTIONS

Do's:

a) Check if you are eligible to apply;

b) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour) or the Employee Bid cum application Form (pink in colour) as the case may be;

c) Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;

d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;

e) Ensure that you have been given a TRS for all your Bid options;

f) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

g) Where Bid(s) is/ are for Rs. 50,000/- or more, each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the IT Act. The copies of the PAN Card or PAN allotment letter should be submitted with the Bid cum Application form. If you have mentioned "Applied for" or "Not Applicable", in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof;

h) Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects;

i) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

(a) Do not bid for lower than the minimum Bid size;

(b) Do not bid/ revise Bid price to less than the lower end of the Price Band or higher than the higher end of the Price Band;

(c) Do not bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;

(d) Do not pay the Bid Price in cash, by money order or by postal order or by stockinvest;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

(f) Do not bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders and Eligible Employees bidding in the Employee Reservation Portion for bid amount in excess of Rs. 100,000);

(g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

Instructions for Completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bidder's Depository Account and Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds (including through physical refund warrants, direct credit, ECS, NEFT and RTGS) to the Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs or the CBRLMs or the registrar or the Escrow Collection Banks nor the Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, the Registrar, Escrow Collection Bank(s) nor the BRLMs nor the CBRLMs shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Company, in its absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

As per the RBI regulations, OCBs are not permitted to participate in the Issue. The DIPP has by its letter dated October 3, 2006 clarified that 'guidelines notified vide Press Note 2 (2005 Series) are applicable to investment made only under the FDI Route and are not applicable to investment by FIIs under the Portfolio Investment Scheme under the FEMA Regulations'.

We had also applied to the Reserve Bank of India by letter dated October 4, 2006 seeking their confirmation that FIIs are permitted to subscribe to equity shares in the IPO under the portfolio investment scheme and that Press Note 2 (2005 Series) is not applicable to investments by FIIs in initial public offerings. The RBI has by its letter dated October 27, 2006 has stated that the DIPP has clarified that Press Note 2 (2005 Series) are not applicable to investments by FIIs subscribing to this Issue, as a result the regulations under Notification 136/2005-RB dated July 19, 2005 wold not be applicable. Therefore, FIIs are permitted to invest in the Issue.

There is no reservation for Eligible NRIs and FIIs and all applicants will be treated on the same basis with other categories for the purpose of allocation.

Bids under Power of Attorney

a. In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

b. In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

c. In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

d. In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

e. Our Company in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company and the BRLMs and the CBRLMs may deem fit.

PAYMENT INSTRUCTIONS

Escrow Mechanism

The Company and the members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. Payments of refund to the Bidders shall also be made from the Refund Account are per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between the Company, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/Allotment as per the following terms.

1. Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees, shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the paragraph titled "Terms of Payment and Payments into the Escrow Account" on page 340) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The Margin Amount payable by each category of Bidders is mentioned under the section titled "Issue Structure" on page 326. The maximum Bid price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

2. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLMs. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled.

3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
   - In case of QIB Bidders: "Escrow Account– Sobha Public Issue – QIB – R"
   - In case of Non Resident QIB Bidders: "Escrow Account– Sobha Public Issue – QIB – NR"
   - In case of Resident Bidders: "Escrow Account– Sobha Public Issue - R"
   - In case of Non Resident Bidders: "Escrow Account– Sobha Public Issue - NR"
   - In case of Eligible Employees: "Escrow Account– Sobha Public Issue - Employees"

4. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.

5. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

6. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated\ will be refunded to the Bidder from the Refund Account.

7. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.

8. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/Money Orders/ Postal orders will not be accepted.

9. Bidders are advised to mention the number of application form on the reverse of the cheque / demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.

10. Incase clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Banks, such Bids are liable to be rejected.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. Bid/ Application by Eligible Employees can be made also in the "Net Issue to the Public" and such bids shall not be treated as multiple bids.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications are electronically strung on first name, address (1^s name) and applicants status. These applications are electronically matched for common first name and address and if matched, these are checked manually for age, signature and father/husbands name to determine if they are multiple applications.

2. Aplications which do not qualify as multiple applications as per above procedure are further checked for common DP ID/beneficiary ID. In case of applications with common DP ID/ beneficiary ID, are manually checked to eliminate possibility of data entry error to determione if they are multiple applications.

3. Applications which do not qualify as multiple applications as per above procedure are further checked for common PAN. All such matched applications with common PAN are manually checked

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

The Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.

In cases where there are more than 20 valid applicants having a common address, such shares will be kept in abeyance , post allotment and released on confirmation of KYC norms by the depositories.

Permanent Account Number or PAN

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of**

the PAN as the Bid is liable to be rejected on this ground. In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention “Not Applicable” and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should Mention “Applied for” in the Bid cum Application Form. Further, where the Bidder(s) has mentioned “Applied for” or “Not Applicable”, the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.**

Unique Identification Number (“UIN”)

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.100,000 to Rs.500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs.500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

GROUNDS FOR REJECTIONS

In case of international QIB Bidders, the BRLMs and/or their affiliates and in case of domestic QIB Bidders, BRLMs and/or their affiliates and IIL have the right to reject the Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, and Retail Individual Bidders who bid and bids by Eligible Employees bidding in the Employee Reservation Portion, our the Company has a right to reject Bids based on technical grounds.

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
- Age of First Bidder not given;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- PAN photocopy/PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut Off Price by Non-Institutional and QIB Bidders and Bidders in the Employee Reservation Portion bidding in excess of Rs. 100,000.
- Bids for number of Equity Shares which are not in multiples of 10;
- Category not ticked;
- Multiple Bids as defined in this Draft Red Herring Prospectus;

- In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Signature of sole and / or joint Bidders missing;
- Bid cum Application Forms does not have the stamp of the BRLMs, CBRLMs or Syndicate Members;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's account number;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids in respect where the Bid cum Application form do not reach the Registrar prior to the finalisation of the basis of allotment;
- Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
- Bids by Non-residents such as OCBs, FVCIs, multilateral and bilateral development financial institutions;
- Bids by US persons other than "Qualiifed Insitutional Buyers" as defined in Rule 144A of the Securities Act or other than in reliance of Regulation S under he Securiies Act;
- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws; and
- Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.

Price Discovery and Allocation

(a) After the Bid/Issue Closing Date, the BRLMs and CBRLMs will analyse the demand generated at various price levels.

(b) The Company in consultation with the BRLMs shall finalise the "Issue Price".

(c) The allocation to QIBs will be atleast 60% of the Net Issue and allocation to Non-Institutional and Retail Individual Bidders will be up to 10% and 30% of the Net Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and the Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid bids being received at or above the Issue Price.

(d) Under-subscription, if any, in the Non-Institutional category and the Retail Individual category would be met with spill over from any other category at the sole discretion of our Company in consultation with the BRLMs and IIL. However, if the aggregate demand by Mutual Funds is less than 240,123 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, undersubscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company, in consultation with the BRLMs, IIL and the Designated Stock Exchange.

(e) Under-subscription, if any, in the Employee Reservation portion will be added back to the Net Issue to the Public, and the ratio amongst the investor categories will be at the discretion of the Company, the BRLMs and IIL. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation portion.

(f) Allocation to Eligible NRIs and FIIs applying on repatriation basis will be subject applicable law and the terms and conditions stipulated by the DIPP and RBI, while granting permission for allotment of Equity Shares to them in this Issue.

Signing of Underwriting Agreement and RoC Filing

(a) The Company, the BRLMs, the CBRLMs and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s)/ Allotment to the Bidders.

(b) After signing the Underwriting Agreement, the Company would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

(c) The Company will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

(d) The Company will issue an advertisement after the filing of the Prospectus with the RoC in three widely circulated newspapers (one each in English, Hindi and Kannada). This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

(a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLMs, IIL or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders and Bids from Eligible Employees bidding in the Employee Reservation Portion. However, investors should note that the Company shall ensure that the date of allotment of the Equity Shares to all investors in this Issue shall be done on the same date.

(b) The BRLMs and/or their affialiates and IIL would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated/allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for the allotment to such Bidder.

(d) The Issuance of CAN is 'Subject to "Allotment Reconciliation and Revised CANs" as set forth herein.

Notice to QIBs: Allotment Reconciliation and Revised CANs

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bid Applications received. Based on the electronic book, QIBs will be sent a CAN on or prior to December 14, 2006, 2006, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the physical book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange and specified in the physical book. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. It is not necessary that a revised CAN will be sent. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased Allotment of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and allotment of Equity Shares

(a) The Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders depository account. Allotment of the Equity Shares to the allottees shall be within two working days of the date of allotment.

(b) In accordance with the SEBI Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/allotted to them pursuant to this Issue.

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 2,401,282 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than 2,401,282 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of 10 Equity Shares. For the method of proportionate basis of Allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 800,300 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 800,300 Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of 10 Equity Shares. For the method of proportionate basis of Allotment refer below.

C. For Employee Reservation Portion

a. The Bid must be for a minimum of 10 Equity Shares and in multiples of 10 Equity Shares thereafter. The allotment in the Employee Reservation Portion will be on a proportionate basis. Bidders under the Employee Reservation Portion applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid-at Cut off Price.
b. The maximum Bid under the Employee Rservation Portion cannot exceed 889,300 Equity Shares.
c. Bids received from the Eligible Employees at or above the Issue Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible

Employees will be made at the Issue Price.

d. If the aggregate demand in this category is less than or equal to 889,300 Equity Shares at or above the Issue Price, full allocation shall be made to the Eligible Employees to the extent of their demand.

e. If the aggregate demand in this category is greater than 889,300 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis up to a minimum of 10 Equity Shares and in multiple of 10 Equity Share thereafter. For the method of proportionate basis of allocation, refer below.

f. Only Eligible Employees eligible to apply under Employee Reservation Portion.

D. For QIBs

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Issue Price.

- The QIB Portion shall be available for Allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- Allotment shall be undertaken in the following manner:

  (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

    (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

    (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full Allotment to the extent of valid bids received above the Issue Price.

    (iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below;

  (b) In the second instance Allotment to all QIBs shall be determined as follows:

    (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

    (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

    (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

- The aggregate Allotment to QIB Bidders shall not be less than 4,802,450 Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue Details

Sr. No.	Particulars	Issue details
1	Issue size	200 million equity shares
2	Allocation to QIB (60%)	120 million equity shares
	Of which:	
	a. Allocation to MF (5%)	6 million equity shares

Sr. No.	Particulars	Issue details
	b. Balance for all QIBs including MFs	114 million equity shares
3	No. of QIB applicants	10
4	No. of shares applied for	500 million equity shares

B. Details Of QIB Bids

S.No	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	Total	**500**

A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/ Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 6 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 114 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	50	0	11.40	0
A2	20	0	4.56	0
A3	130	0	29.64	0
A4	50	0	11.40	0
A5	50	0	11,40	0
MF1	40	1.2	9.12	10.32
MF2	40	1.2	9.12	10.32
MF3	80	2.4	18.24	20.64
MF4	20	0.6	4.56	5.16
MF5	20	0.6	4.56	5.16
	500	**6**	**114**	**51.64**

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section titled “Issue Structure” beginning on page 326.

2. Out of 120 million Equity Shares allocated to QIBs, 6 million (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 200 shares in QIB category.

3. The balance 114 million Equity Shares (i.e. 120 - 6 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 Equity Shares (including 5 MF applicants who applied for 200 Equity Shares).

4. The figures in the fourth column titled “Allocation of balance 114 million Equity Shares to QIBs proportionately” in the above illustration are arrived as under:

- For QIBs other than Mutual Funds (A1 to A5)= No. of shares bid for (i.e. in column II) X 114 / 494
- For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 114/494
- The numerator and denominator for arriving at allocation of 114 million shares to the 10 QIBs are reduced by 6 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Method of Proportionate Basis of Allotment in the Issue

In the event of the Issue being over-subscribed, the Company shall finalize the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs, IIL and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalized in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorized according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate Allotment is less than 10 Equity Shares per Bidder, the Allotment shall be made as follows:

- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and
- Each successful Bidder shall be allotted a minimum of 10 Equity Shares.

e) If the proportionate Allotment to a Bidder is a number that is more than 10 but is not a multiple of 1 (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all in such categories would be arrived at after such rounding off.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

PAYMENT OF REFUNDS

Bidders must note that on the basis of name of the Bidders, Depository Participant’s name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders’ bank account details, including the nine digit Magnetic Ink Character Recognition (“MICR”) code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs nor the CBRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference:

1. ECS – Payment of refunds would be mandatorily done through ECS for applicants having an account at any of the following fifteen centers: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned fifteen centers, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS. Refunds through ECS may also be done at other locations based on operational efficiency and in terms of demographic details obtained by Registrar from the depository participants.

2. Direct Credit – Applicants having bank accounts with the Refund Banker(s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.

3. RTGS – Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

4. NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. The process flow in respect of refunds by way of NEFT is at an evolving statge hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value upto Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Letters of Allotment or Refund Orders

The Company shall give credit to the beneficiary account with depository participants within two working days from the date of the finalization of basis of allocations. Applicants residing at fifteen centers where clearing houses are managed by the RBI, will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. We shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within fifteen days of closure of Bid / Issue.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, we further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date; and
- We shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Disposal of applications and application moneys and interest in case of delay

The Company shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two working days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 days of Bid/ Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within seven working days of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we further undertake that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 (fifteen) days of the Bid/Issue Closing Date;
- Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and
- The Company shall pay interest at 15% (fifteen) per annum for any delay beyond the 15 (fifteen)-day time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

UNDERTAKINGS BY OUR COMPANY

We undertake the following:

- That the complaints received in respect of this Issue shall be attended to by us expeditiously;

- That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;
- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.
- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- That the certificates of the securities/ refund orders to the non-resident Indians shall be despatched within specified time; and
- No further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Utilisation of Issue proceeds

Our Board of Directors certify that:

- All monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- Details of all monies utilised out of Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;
- Details of all monies utilised out of the funds received from Employee Reservation Portion shall be disclosed under an appropriate head in the balance sheet of the Company, indicating the purpose for which such monies have been utilised;
- Details of all unutilised monies out of the Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;
- Details of all unutilized monies out of the funds received from the Employee Reservation Portion shall be disclosed under a separate head in the balance sheet of the Company, indicating the form in which such unutlilised monies have been kept;
- Our Company shall comply with the requirements of Clause 49 of the Listing Agreement in relation to the disclosure and monitoring of the utilization of the proceeds of the Issue.

Withdrawal of the Issue

The Company in consultation with the BRLMs and IIL reserves the right not to proceed with the Issue at anytime including after the Bid/Issue Opening Date without assigning any reason thereof. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing date.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

a) Agreement dated July 6, 2006 with NSDL, the Company and the Registrar to the Issue.

b) Agreement dated September 8, 2006 with CDSL, the Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

b) The Bidder must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder

d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

h) The trading of the Equity Shares of the Company would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of GoI and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. As per current foreign investment policies, foreign investment in the real estate sector is permitted under the automatic route in relation to investments by NRIs.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be issued is not less than the price at which the equity shares are issued to residents.

Transfers of equity shares previously required the prior approval of the FIPB. However, vide a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the foreign direct investment (FDI) Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

Foreign Investment in the Real Estate Sector

Foreign investment in the real estate sector is regulated by the relevant provisions of the FDI Manual dated November 2005 ("**FDI Manual**"), the Foreign Exchange Management (Transfer of Issue of Security by a person Resident Outside India) Regulations, 2000 **("FEMA Regulations"),** and the relevant Press Notes issued by the **S**ecretariat for Industrial Assistance, GoI.

FDI Manual

Item No. 9 of Annexure II to the said FDI Manual outlines the sectoral caps in relation to 'Housing and Real Estate'. The said annexure, specifies the following as activities under the automatic route in which Investment are permitted only by NRI's:

a. Development of serviced plots and construction of built up residential premises
b. Investment in real estate covering construction of residential and commercial premises including business centres and offices
c. Development of townships
d. City and regional level urban infrastructure facilities, including both roads and bridges
e. Investment in manufacture of building materials, which is also open to FDI
f. Investment in participatory ventures in (a) to (e) above
g. Investment in housing finance institutions, which is also open to FDI as an NBFC.

FEMA Regulations

The FEMA Regulations, state that the investment cap in the real estate on the activities in the 'Housing and Real Estate' is permit investment to the extent of 100% only by NRIs in the following specified areas:

1. Development of serviced plots and construction of built up residential premises
2. Investment in real estate covering construction of residential and commercial premises including business centres and offices
3. Development of townships
4. City and regional level urban infrastructure facilities, including both roads and bridges
5. Investment in manufacture of building materials, which is also open to FDI
6. Investment in participatory ventures in (a) to (c) above
7. Investment in housing finance institutions, which is also open to FDI as an NBFC.

However, all other forms of FDI are prohibited in relation to Housing and Real Estate Business.

Press Note 2 of 2005

The law in relation to investment in the real estate sector has further been modified vide press note 2 of 2005, bearing No. 5(6)/2000-FC dated March 3, 2005. The said press note has also amended certain press notes which have been issued earlier, in the same field.

Under the said press note 2, FDI up to 100% under the automatic route is allowed in 'townships, housing, built-up infrastructure and construction-development projects (which would include, but not be restricted to, housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure)', subject to the compliance with the following requirements.

a. Minimum area to be developed under each project is as under

    1. In case of development of serviced housing plots, a minimum land area of 10 hectares.
    2. In case of construction-development projects, a minimum built up area of 50,000 square meters
    3. In case of a combination project, anyone of the above two conditions would suffice

b. Minimum capitalization of US$ 10 million for wholly owned subsidiaries and US$ 5 million for joint ventures with Indian partners. The funds are to be brought in within six months of commencement of business of the Company.

c. Original investment is not to be repatriated before a period of three years from completion of minimum capitalization. The investor is to be permitted to exit earlier with prior approval of the Government through the FIPB. At least 50% of the project must be developed within a period of five years from the date of obtaining all statutory clearances. The investor would not be permitted to sell undeveloped plots.

Therefore applicable law only permits investment by an NRI under the automatic route in the 'Housing and Real Estate' sector upto 100% in relation to townships, housing, built-up infrastructure and construction-development projects (which would include, but not be restricted to, housing, commercial premises, hotels, resorts, hospitals, educational institutions, recreational facilities, city and regional level infrastructure) and additionally permits upto 100 % FDI in the 'Housing and Real Estate' subject to compliance with the terms provided in press note 2 of 2005.

We had sought a confirmation from the DIPP by letter dated May 12, 2006 on FIIs being permitted to participate in the Issue under the portfolio scheme. The DIPP has by its letter dated October 3, 2006 bearing number 5(6)/2000-FC(Pt.File), clarified that 'guidelines notified vide Press Note 2 (2005 Series) are applicable to investment made only under the FDI route and not applicable to investment by FIIs under the Portfolio Investment Scheme under the FEMA Regulations.'

Note:

- **As per the existing policy of the Government of India, OCBs cannot participate in this Issue.**
- **Non-residents such as FVCIs, multilateral and bilateral development financial institutions are not permitted to participate in the Issue and this Issue is being offered in India only.**

SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company

The regulations contained in Table 'A' of Schedule I to the Companies Act shall be deemed to be incorporated in these Articles and to apply to the Company, in so far as they are not inconsistent with the provisions contained in these Articles.

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of the Company are detailed below:

1. *Authorised Share Capital*

   The authorized share capital of the Company shall be such amount as is given, in Clause V of the Memorandum of Association.

2. *Shares at the Disposal of the Directors:*

   Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Board of Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares on the payment of consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered which may so be allotted or may be issued as fully paid up shares. Without prejudice to the generality of the forgoing, the Directors shall also be empowered to issue Shares for the purposes of granting stock options to its permanent employees under the terms and conditions of the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 or any other applicable law, as amended from time to time. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

3. *Consideration for Allotment:*

   The Board of Directors may allot and issue shares of the Company as payment or part payment for any property purchased by the Company or in respect of goods sold or transferred or machinery or appliances supplied or for services rendered to the Company in or about the formation of the Company or the acquisition and or in the conduct of its business; and any shares which may be so allotted may be issued as fully/partly paid up shares and if so issued shall be deemed as fully/partly paid up shares.

4. *Restriction on Allotment*

   a) The Directors shall in making the allotments duly observe the provision of the Act;
   b) The amount payable on application on each share shall not be less than 5% of the nominal value of the share; and
   c) Nothing therein contained shall prevent the Directors from issuing fully paid up shares either on payment of the entire nominal value thereof in cash or in satisfaction of any outstanding debt or obligation of the Company

5. *Increase of Capital*

   The Company at its General Meeting may, from time to time, by an Ordinary Resolution increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. The new shares shall be issued on such terms and conditions and with such rights and privileges annexed thereto as the resolution shall prescribe, and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company in conformity with section 87 and 88 of the Companies Act 1956. Whenever the capital of the Company has been increased under the provisions of the Articles, the Directors shall comply with the provisions of Section 97 of the Act.

6. *Reduction of Capital*

The Company may, subject to the provisions of Sections 78, 80, 100 to 105 (both inclusive) and other applicable provisions of the Act from time to time, by Special Resolution reduce its capital and any Capital Redemption Reserve Account or Share Premium Account in any manner for the time being authorized by law, and in particular, the capital may be paid off on the footing that it may be called up again or otherwise.

7. *Sub-division and Consolidation of Shares:*

Subject to the provisions of Section 94 of the Act, the Company in General Meeting, may by an ordinary resolution from time to time:

(a) Divide, sub-divide or consolidate its shares, or any of them, and the resolution whereby any share is sub-divided, may determine that as between the holders of the shares resulting from such sub-division one or more of such shares have some preference of special advantage as regards dividend capital or otherwise as compared with the others

(b) Cancel shares which at the date of such general meeting have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

8. *New capital part of the existing capital:*

Except so far as otherwise provided by the conditions of the issue or by these presents any capital raised by the creation of new shares, shall be considered as part of the existing capital and shall be subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

9. *Power to issue shares with differential voting rights:*

The Company shall have the power to issue Shares with such differential rights as to dividend, voting or otherwise, subject to the compliance with requirements as provided for in the Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001, or any other law as may be applicable.

10. *Power to issue preference shares:*

Subject to the provisions of Section 80 of the Act, the Company shall have the powers to issue preference shares which are liable to be redeemed and the resolution authorizing such issue shall prescribe the manner, terms and conditions of such redemption.

11. *Further Offer of Shares:*

(1) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, either out of unissued capital or out of increased share capital, then

a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company in proportion as near as circumstances admit, to the capital paid up on those share at that date.
b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less that thirty days from the date of offer within which the offer, if not accepted will be deemed to have been declined.
c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right, Provided That the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.
d) After the expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner and to such person(s) as they may think, in their sole discretion, fit.

(2) Notwithstanding anything contained in sub-clause (1) thereof the further shares aforesaid may be offered to any persons {whether or not those persons include the persons referred to in clause (a) of sub- clause (1) hereof) in any manner whatsoever.

(a) If a special resolution to that effect is passed by the Company in General Meeting, or
(b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman.) by the members who, being entitled to do so, vote in person, or where proxies are allowed by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.

(3) Nothing in sub-clause (c) of (1) hereof shall be deemed:

(a) To extend the time within which the offer should be accepted; or
(b) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

(4) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:

(a) To convert such debentures or loans into shares in the Company; or
(b) To subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

(i) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and
(ii) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

12. *Rights to convert loans into capital*

Notwithstanding anything contained in sub-clauses(s) above, but subject, however, to Section 81(3) of the Act, the Company may increase its subscribed capital on exercise of an option attached to the debentures or loans raised by the Company to convert such debentures or loans into shares or to subscribe for shares in the Company.

13. *Allotment on application to the acceptance of shares:*

Any application signed by or on behalf of an applicant for shares in the Company followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the register, shall, for the purpose of these articles, be a Member.

14. *Returns or allotments to be made or Restrictions on Allotment*

The Board shall observe the restrictions as regards allotment of shares to the public contained in Section 69 and 70 of the Act, and as regards return on allotments, the Directors shall comply with Section 75 of the Act.

15. *Money due on shares to be a debt to the Company:*

The money (if any) which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise in respect of any shares allotted by them, shall immediately on the inscription of the name of allottee in the Register of Members as the name of the holder of such shares become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

16. *Members or heirs to pay unpaid amounts:*

Every Member or his heir’s executors or administrators shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being remain unpaid thereon, in such amounts, at such time or times and in such manner, as the Board shall from time to time, in accordance with the Company’s regulations require or fix for the payment thereof.

SHARE CERTIFICATES

17. a) *Every Member entitled to certificate for his shares:*

(i) Every member or allottee of shares shall be entitled without payment to receive one or more certificate specifying the name of the person in whose favour it is issued, the shares to which it relates, and the amount paid thereon. Such certificates shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of fractional coupon of requisite value, save in case of issue of share certificates against letters of acceptance of or renunciation or in cases of issues of bonus shares.

(ii) Every such certificate shall be issued under the seal of the Company, which shall be affixed in the presence of (1) two Directors or persons acting on behalf of the Directors under duly registered powers of attorney; and (2) the Secretary or some other persons appointed by the Board for the purpose and the two Directors or their attorneys and the secretary or other persons shall sign the Share Certificate, provided that if the composition of the Board permits, at least one of the aforesaid two Directors shall be a person other than a Managing or Whole-time Director.

(iii) Particulars of every share certificate issued shall be entered in the Registrar of Members against the name of the person to whom it has been issued, indicating date of issue.

b) *Joint ownership of shares:*

Any two or more joint allottees of shares shall be treated as a single member for the purposes of this article and any share certificate, which may be the subject of joint ownership, may be delivered to any one of such joint owners on behalf of all of them. The Company shall comply with the provisions of Section 113 of the Act.

c) *Director to sign Share Certificates:*

A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means, such as engraving in metal or lithography but not by means of rubber stamp, provided that the Director shall be responsible for the safe custody of such machine, equipment or other materials use for the purpose.

d) *Issue of new certificate in place of one defaced, lost or destroyed or Renewal of Certificates*

If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, a new Certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every Certificate under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2 for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act. or rules applicable in this behalf.

The provision of these Articles shall mutatis mutandis apply to debentures of the Company.

e) *Renewal of Share Certificate:*

When a new share certificate has been issued in pursuance of clause(d) of this article, it shall state on the face of it and against the stub or counterfoil to the effect that it is issued in lieu of share certificate No………….. sub-divided/replaced on consolidation of shares.

f) When a new certificate has been issued in pursuance of clause (d) of this Article, it shall state on the face of it against the stub or counterfoil to the effect that it is duplicate issued in lieu of share certificate No……. The word 'Duplicate' shall be stamped or punched in bold letters across the face of the share certificate and when a new certificate has been issued in pursuance of clauses (c), (d), (e) and (f) of this Article, particulars of every such share certificate shall be entered in a Register of Renewed and Duplicate Certificates indicating against it ,the names of the persons to whom the certificate is issued, the number and the necessary changes indicated in the Register of Members by suitable cross references in the "remarks" column.

g) All blank forms, share certificates shall be printed only on the authority of a resolution duly passed by the Board.

18. Rules to issue share certificates:

The rules under "The Companies (Offer of Share Certificate) Rules, 1960 shall be complied with in the issue, reissue, renewal of share certificates and the format sealing and signing of the certificates and records of the certificates issued shall be maintained in accordance with the said rules. The Company shall keep ready share certificates for delivery within 2 months after allotment.

19. Responsibilities to maintain records:

The Managing Director of the COMPANY for the time being or if the Company has no Managing Director, every Director of the Company shall be responsible for maintenance, preservation and safe custody of all books and documents relating to the issue of share certificates.

20. Rights of Joint Holders

If any share stands in the names of two or more persons, the person first named in the Register shall, as regards receipt of dividends or bonus or service of notices and all or any other matter connected with the company, except voting at meeting and the transfer of the shares be deemed the sole holder thereof but the joint holders of share shall be severally as well as jointly liable for payment of all instalments and calls due in respect of such share and for all incidents thereof according to the Company's regulations.

21. Limitation Of Time For Offer Of Certificates

Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of app1ication of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe or approve provided that in respect of a share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate and delivery of a certificate to one of several joint holders shall be sufficient delivery to all such holders.

UNDERWRITING & BROKERAGE

22. *Commission for placing shares, debentures, etc:*

a) Subject to the provisions of the Act, the Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely of conditionally) for any shares, debentures, or debenture-stock of the Company or underwriting or procuring or agreeing to procure subscriptions (whether absolute or conditional) for shares, debentures or debenture-stock of the Company

b) The Company may also, in any issue, pay such brokerage as may be lawful.

LIEN

23. *Company's lien on shares /debentures*

The Company shall have a first and paramount lien upon all the shares /debentures (other that fully paid up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at fixed time in respect of such shares/debentures, and no equitable interest in any shares shall be created except upon the footing and condition that this Articles is to have full effect and such lien shall extend to all dividends and interest from time to time declared in respect of such shares/debentures. Unless otherwise agreed, the registration of a transfer of shares/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from provisions of this clause.

24. *Enforcing lien by sale:*

For the purpose of enforcing such lien, the Board may sell the shares subject thereto in such manner as they think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and may authorize one of their members to execute a transfer thereof on behalf of and in the name of such member. No sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell have served on such member or his representative and default shall have been made by him or them in payment, fulfilment or discharge of such debts, liabilities or engagements for fourteen days after such notice.

25. *Application of sale proceeds:*

The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a lien for sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

CALLS ON SHARES

26. *Board to have right to make calls on shares*

The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution), make such call as it thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to the person or persons and the member(s) and place(s) appointed by the Board. A call may be made payable by installments.

Provided that the Board shall not give the option or right to call on shares to any person except with the sanction of the Company in General Meeting.

27. *Notice for call:*

Fourteen days notice in writing of any call shall be given by the Company specifying the date, time and places of payment and the person or persons to whom such call be paid.

28. *Call when made:*

The Board of Directors may, when making a call by resolution, determine the date on which such call shall be deemed to have been made not being earlier than the date of resolution making such call, and thereupon the call shall deemed to have been made on the date so determined and if no such date is so determined a call shall be deemed to have been made at the date when the resolution authorizing such call was passed at the meeting of the Board.

29. *Liability of joint holders for a call:*

The joint-holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

30. *Board to extend time to pay call:*

The Board may, from time to time, at its discretion extend the time fixed for the payment of any call and may extend such time to all or any of the members The Board may be fairly entitled to grant such extension, but no member shall be entitled to such extension, save as a matter of grace and favour.

31. *Calls to carry Interest:*

If a member fails to pay any call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such member.

32. *Dues deemed to be calls:*

Any sum, which as per the terms of issue of a share becomes payable on allotment or at a fixed date whether on account of the nominal value of the share or by way of premium, shall for the purposes of the Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same may become payable and in case of non payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

33. *Proof of dues in respect of share*

On any trial or hearing of any action or suit brought by the Company against any member or his representatives for the recovery of any money claimed to be due to the company in respect of his shares it shall be sufficient to prove (i) that the name of the members in respect of whose shares the money is sought to be recovered appears entered in the Register of Members as the holder, at or subsequent to the date on which the money sought to be recovered is alleged to have become due on the shares, (ii) that the resolution making the call is duly recorded in the minute book, and that notice of such call was duly given to the member or his representatives pursuance of these Articles, and (iii) it shall not be necessary to prove the appointment of the Directors who made such call, nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive of the debt.

34. *Partial payment not to preclude forfeiture:*

Neither a judgment nor a decree in favour of the Company, for call or other moneys due in respect of any share nor any part payment or satisfaction thereunder, nor the receipt by the company of a portion of any money which shall, from time to time be due from any member to the Company in respect of his shares either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money shall preclude the Company from thereafter proceeding to enforce forfeiture of such shares as hereinafter provided.

35. *Payment in anticipation of call may carry interest*

(a) The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

(b) The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment become presently payable.

(c) The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the company.

FORFEITURE OF SHARES

36. *Board to have right to forfeit shares:*

If any member fails to pay any call or installment of a call or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may at any time thereafter during such time as the call or installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

37. *Notice for forfeiture of shares:*

(a) The notice shall name a further day (not earlier than the expiration of fourteen days from the date of notice) and place or places on which such call or installment and such interest thereon (at such rate as the Directors shall determine from the day on which such call or installment ought to have been paid) and expenses as aforesaid, are to be paid.

(b) The notice shall also state that in the event of the non-payment at or before the time the call was made or installment is payable the shares will be liable to be forfeited.

38. *Effect of forfeiture*

If the requirements of any such notice as aforesaid were not complied with every or any share in respect of which such notice has been given may at any time thereafter be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.

39. *Notice of forfeiture:*

When any share shall have been so forfeited, notice of the forfeiture shall be given to the member on whose name it stood immediately prior to the forfeiture and any entry of the forfeiture with the date thereof, shall forthwith be made in the Register of Member, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

40. *Forfeited share to be the property of the company:*

Any share so forfeited shall be deemed to be the property of the company and may be sold, re-allocated or otherwise disposed of either to the original holder thereof or to any other person upon such terms and in such manner as the Board shall think fit.

41. *Member to be liable even after forfeiture:*

Any member whose shares have been forfeited shall, notwithstanding the forfeiture be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture together with the interest thereon from time to time of the forfeiture until payment at such rates as the Board may determine and the Board may enforce the payment thereof, if it thinks fit.

42. *Claims against the Company to extinguish on forfeiture:*

The forfeiture of a share involves extinction, at the time of the forfeiture of all interest in and all claims and demands against the Company, in respect of the shares and all other rights incidental to the share, except only such of those rights as by these Articles expressly saved.

43. *Evidence of forfeiture:*

A declaration in writing that the declarant is a Director or Secretary of the Company and that a share in the Company has been duly forfeited in accordance with these Articles on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares.

44. *Effecting sale of shares:*

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinafter given, the Board may appoint some person to execute an instrument of transfer of the shares sold, cause the purchaser's name to be entered in the register in respect of the share sold, and the purchaser shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person and the remedy of any person aggrieved by the sale shall be in damage only and against the Company exclusively.

45. *Certificate of forfeited shares to be void:*

Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relevant shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and have no effect and the Directors shall be entitled to issue a new certificate or certificates in respect of the said shares to the person or persons entitled thereto.

46. *Board entitled to cancel forfeiture:*

The Board may at any time before any share so forfeited shall have them sold, re-allotted or otherwise disposed of, cancel the forfeiture thereof upon such conditions at it thinks fit.

TRANSFER AND TRANSMISSION OF SHARES

47. *Register of Transfers*

The company shall keep a "Register of Transfers" and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any shares.

48. *Endorsement of Transfer:*

In respect of any transfer of shares registered in accordance with the provisions of these Articles, the Board may, at their discretion, direct an endorsement of the transfer and the name of the transferee and other particulars on the existing share certificate and authorize any Director or officer of the company to authenticate such endorsement on behalf of the company or direct the issue of a fresh share certificate, in lieu of and in cancellation of the existing certificate in the name of the transferee.

49. *Instrument of Transfer:*

The instrument of transfer of any share shall be in writing and all the provisions of section 108 of the Act, and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

50. *Executive transfer instrument:*

Every such instrument of transfer shall be executed both by the transferor and the transferee and the transferor shall be deemed to remain holder of the shares until the name of the transferee is entered in the register of members in respect thereof. The instrument of transfer shall be in respect same class of shares and should be in the form prescribed under the Act.

51. *Closing Register of transfers and of Members:*

The Board shall be empowered, on giving not less than seven days notice by advertisement in a newspaper circulating in the district in which the registered office of the Company is situated, to close the transfer books, the register of members, the register of debenture holders at such time or times, and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in each year as it may seem expedient.

52. *Directors may refuse to register transfer:*

Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956 the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever, except when the company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.

53. *Transfer of partly paid shares:*

Where in the case of partly paid shares, an application for registration is to be made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provisions of Section 110 of the Act.

54. *Survivor of joint holders recognized:*

In case of the death of any one or more persons named in the Register of Members as the joint-holders of any shares, the survivors shall be the only person recognized by the company as having any title to or interest in such share but nothing therein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other person.

55. *Title to shares of deceased members:*

The executors or administrators or holders of a Succession Certificate or the legal representatives of a deceased member (not being one or two joint holders) shall be the only person recognized by the Company as having any title to the shares registered in the name of such member, and the Company shall be bound to recognize such executors or administrators or holders of a Succession Certificate or the legal representatives shall have first obtained Probate holders or Letter of Administration or Succession Certificate as the case may be, from a duly constituted Court in the Union of India., Provided That in any case where the Board in its absolute discretion, thinks fit, the Board may dispense with the production of Probate or Letter of Administration or Succession Certificate, upon such terms as to indemnity or otherwise as the Board in its absolute discretion may think necessary and register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member as a member

56. *Transfers not permitted:*

No share shall in any circumstances be transferred to any infant, insolvent or person of unsound mind, except fully paid shares through a legal guardian.

57. *Transmission of shares:*

Subject to the provisions of these presents , any person becoming entitled to shares in consequence of the death, lunacy , bankruptcy or insolvency of any members, or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence as the Board thinks sufficient, that he sustains the character in respect of which he proposes to act under this Articles, or of his title, either be registering himself as the holder of the shares or elect to have some person nominated by him and approved by the Board, registered as such holder, provided, nevertheless, if such person shall elect to have his nominee registered, he shall testify that election by executing in favour of his nominee an instrument of transfer in accordance with the provision herein contained and until he does so he shall not be freed from any liability in respect of the shares.

58. *Rights on Transmission:*

A person entitled to a share by transmission shall, subject to the Directors right to retain such dividends or money as hereinafter provided, be entitled to receive and may give discharge for any dividends or other moneys payable in respect of the share.

59. *Instrument of transfer to be stamped:*

Every instrument of transfer shall be presented to the company duly stamped for registration, accompanied by such evidence as the Board may require to prove the title of the transferor his right to transfer the shares and every registered instrument of transfer shall remain in the custody of the company until destroyed by order of the Board.

60. *Share Certificates to be surrendered:*

Before the registration of a transfer, the certificate or certificates of the share or shares to be transferred must be delivered to the company along with (save as provided in section 108) properly stamped and executed instrument of transfer.

61. *No fee on Transfer or Transmission:*

No fee shall be charged for registration of transfers, transmission, Probate, Succession Certificate and Letters of Administration, Certificate of Death or Marriage, Power of Attorney or similar other documents.

62. *Company not liable to notice of equitable rights:*

The Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the register of members) to the prejudice of persons having or claiming any equitable rights, title or interest in the said shares, notwithstanding that the company may have had notice of such equitable rights referred thereto in any books of the Company and the Company shall not be bound by or required to regard or attend to or give effect to any notice which may be given to it of any equitable rights, title or interest or be under any liability whatsoever for refusing or neglecting to do so, though it may have been entered or referred to in some book of the company but the company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the board shall so think fit.

63. BUY BACK OF SHARES:

The Company shall be entitled to purchase its own shares or other securities, subject to such limits, upon such terms and conditions and subject to such approvals as required under Section 77 A and other applicable provisions of the Act, The Securities and Exchange Board of India Act, 1992 and the Securities and Exchange Board of India (Buy Back of Securities) Regulations 1998 and any amendments, modification(s), repromulgation (s) or re- enactment(s) thereof.

64. COPIES OF MEMORANDUM AND ARTICLES TO BE SENT TO MEMBERS

Copies of the Memorandum and Articles of Association of the company and other documents referred to in Section 39 of the Act shall be sent by the company to every member at his request within seven days of the request on payment of such sum as may be prescribed.

SHARE WARRANTS

65. *Rights to issue share warrants:*

(a) The company may issue share warrants subject to, and in accordance with provisions of Section 114 and 115 of the Act.

(b) The Board may, in its discretion, with respect to any share which is fully paid up on application in writing signed by the person registered as holder of the share, and authenticated by such evidence (if any) as the Board may from time to time require as to the identity of the person signing the application, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require having been paid, issue a warrant.

66. *Rights of warrant holders:*

(a) The bearer of the share warrant may at any time deposit the warrant at the office of the company, and so long as the warrant remains so deposited, the depositor shall have the same right to signing a requisition, for calling a meeting of the company, and of attending, and voting and exercising other privileges of a member at any meeting held after the expiry of two clear days from time of the deposit, as if his name were inserted in the Register or Members as the holder of the shares included in the deposited warrant.

(b) Not more than one person shall be recognized as the depositor of the share warrant.

(c) The Company shall, on two days written notice, return the deposited share warrant to the depositor.

67. (a) Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling a meeting of the company, or attend, or vote or exercise any other privileges of a member at a meeting of the company, or be entitled to receive any notice from the company.

(b) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the shares included in the warrant, and he shall be member of the Company.

68. *Board to make rules:*

The Board may, from time to time, make rules as to the terms on which it shall think fit, a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

CONVERSION OF SHARES INTO STOCK AND RECONVERSION

69. *Rights to convert shares into stock & vice-versa:*

The Company in General Meeting may, by an Ordinary Resolution, convert any fully paid-up shares into stock and when any shares shall have been converted into stock the several holders of such stock, may henceforth transfer their respective interest therein, or any part of such interest in the same manner and subject to the same Regulations as, and subject to which shares from which the stock arise might have been transferred, if no such conversion had taken place. The Company may, by an Ordinary Resolution convert any stock into fully paid up shares of any denomination

70. *Rights of stock holders:*

The holders of stock shall according to the amount of stock held by them have the same rights, privileges and advantages as regards dividends, voting at meetings of the company and other matters as if they held the shares from which the stock arose; but no such privileges or advantages (except participation in the dividends and profits of the Company and in the assets on winding-up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred those privileges or advantages.

GENERAL MEETINGS

71. *Annual General Meetings:*

The Company shall, in addition to any other meetings hold a General Meeting which shall be called as its Annual General Meeting, at the intervals and in accordance with the provisions of the Act.

72. *Extraordinary General Meetings:*

The Board may, whenever it thinks fit, convene an Extraordinary General Meeting at such date, time and at such place as it deems fit, subject to such directions if any, given by the Board.

73. *Extraordinary Meetings on requisition:*

The Board shall on, the requisition of members convene an Extraordinary General Meeting of the company in the circumstances and in the manner provided under Section 169 of the Act.

74. *Notice for General Meetings:*

All General Meetings shall be convened by giving not less than twenty- one days notice excluding the day on which the notice is served or deemed to be served (i.e. on expiry of 48 hours after the letter containing the same is posted) and the date of the meeting, specifying the place and hour of the meeting and in case of any special business proposed to be transacted, the nature of that business shall be given in the manner mentioned in section 173 of the Act. Notice shall be given to all the share-holders and to such persons as are under Act and/or these Articles entitled to receive such notice from the company but any accidental omission to give notice to or non-receipt of the notice by any member shall not invalidate the proceedings of any General Meeting.

75. *Shorter Notice admissible:*

With the consent of all the members entitled to vote, at an Annual General Meeting or with the consent of the members holding 95 percent of such part of the paid-up share capital of the Company as gives a right to vote thereat, any general meeting may be convened by giving a shorter notice than twenty one days.

76. *Special and Ordinary Business:*

(a) All business shall be deemed special that is transacted at an Extraordinary General Meeting and also that is transacted at an Annual General Meeting with the exception of sanctioning of dividend, the consideration of the accounts, balance sheet and the reports of the Directors and Auditors, the election of Directors in place of those retiring by rotation and the appointment of and the fixing up of the remuneration of the auditors.

(b) In case of special business as aforesaid, an explanatory statement as required under section 173 of the Act shall accompany the notice of the meeting.

77. *Quorum for General Meeting:*

Five members or such other number of members as the law for the time being in force prescribes, shall be entitled to be personally present shall be quorum for a General Meeting and no business shall be transacted at any General Meeting unless the requisite quorum is present at the commencement of the meeting.

78. *Time for quorum and adjournment:*

If within half an hour from the time appointed for a meeting a quorum is not present, the meeting, if called upon the requisition of members, shall be dissolved and in any other case, it shall stand adjourned to the same day in the next week at the same time and place and if at the adjourned meeting also a quorum is not present within half an hour from the time appointed for the meeting, the members present shall be quorum.

79. *Chairman of General Meeting*

The Chairman, if any, of the Board of Directors shall preside as Chairman at every General Meeting of the Company.

80. *Election of Chairman:*

If there is no such Chairman or if at any meeting he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as Chairman, the members present shall choose another Director as Chairman and if no Director be present or if all the Directors decline to take the chair then the members present shall choose someone of their number to be the Chairman.

81. *Adjournment of Meeting:*

The Chairman may, with the consent given in the meeting at which a quorum is present (and shall if so directed by the meeting) adjourn that meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When the meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as nearly as may be in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of adjournment of the business to be transacted at an adjourned meeting.

82. *Voting at Meeting:*

At any General Meeting, a resolution put to the vote at the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) is demanded in accordance with the provisions of section 179 of the Act. Unless a poll is so demanded, a declaration by the Chairman that the resolution had, on a show of hands been carried unanimously or by a particular majority or lost and an entry to that effect in the book of the proceedings of the company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against that resolution.

83. *Decision by poll:*

If a poll is duly demanded, it shall be taken in such manner as the Chairman directs and the results of the poll shall be deemed to be the decision of the meeting on the resolution in respect of which the poll was demanded.

84. *Casting vote of Chairman:*

In case of equal votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or a casting vote in addition to the vote or votes to which he may be entitled to as a member.

85. *Poll to be immediate:*

(a) A poll demanded on the election of Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time not later than forty eight hours from the time of demand as the Chairman of the meeting directs.

(b) A demand for a poll shall not prevent the continuance of a Meeting of the transaction of any business other than that on which a poll has been demanded. The demand for a poll may be withdrawn.

VOTE OF MEMBERS

86. *Voting rights of Members:*

a) On a show of hands every member holding equity shares and present in person shall have one vote.

b) On a poll, every member holding equity shares therein shall have voting rights in proportion to his shares of the paid up equity share capital.

c) On a poll, a member having more than one vote, or his proxy or other persons entitled to vote for him need not use all his votes in the same way.

87. *Voting by joint-holders:*

In the case of joint-holders the vote of the first named of such joint holders who tender a vote whether in person or by proxy shall be accepted to the exclusion of the votes of other joint holders.

88. *No right to vote unless calls are paid:*

No member shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by him have been paid, or in regard to which the company has lien and has exercised any right of lien.

89. *Proxy:*

On a poll, votes may be given either personally or by proxy.

90. *Instrument of proxy:*

The instrument appointing a proxy shall be in writing under the hand of appointer or of his attorney duly authorized in writing or if appointed by a Corporation either under its common seal or under the hand of its attorney duly authorized in writing. Any person whether or not he is a member of the company may be appointed as a proxy.

The instrument appointing a proxy and Power of Attorney or other authority (if any) under which it is signed must be deposited not less than forty eight hours prior to the time fixed for holding the meeting at which the person named in the instrument proposed to vote and in default the instrument of proxy shall not be treated as valid.

91. *The form of proxy shall be two way proxy as given in Schedule IX of the Act enabling the share holder to vote for/against any resolution.*

92. *Validity of proxy:*

A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death of or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed or the shares in respect of revocation or transfer shall have been received by the company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

93. *Corporate Members:*

Any corporation which is a member of the company may, by resolution of its Board of Director or other governing body, authorize such person as it thinks fit to act as its representative at any meeting of the company and the said person so authorized shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could have exercised if it were an individual member of the company.

DIRECTOR

94. *Number of Directors:*

Unless otherwise determined by General Meeting, the number of Directors shall not be less than three and not more than twelve, including all kinds of Directors.

95. *Share qualification not necessary:*

Any person whether a member of the Company or not may be appointed as Director and no qualification by way of holding shares shall be required of any Director.

96. *Director's power to fill-up casual vacancy:*

Any casual vacancy occurring in the Board of Directors may be filled up by the Directors, and the person so appointed shall hold office up to the date, up to which Director in whose place he is appointed would have office if it has not been vacated as aforesaid

97. *Additional Directors:*

The Board of Directors shall have power at any time and from time to time to appoint one or more persons as Additional Directors provided that the number of Directors and Additional Directors together shall not exceed the maximum number fixed. An additional Director so appointed shall hold office up to the date of the next Annual general Meeting of the Company and shall be eligible for re-election by the company at that Meeting.

98. *Alternate Directors:*

The Board of Directors may appoint an Alternate Director to act for a Director (hereinafter called the original Director) during the absence of the original Director for a period of not less than 3 months form the state in which the meetings of the Board are ordinarily held. An Alternate Director so appointed shall vacate office if and when the original Director return to the state in which the meetings of the Board are ordinarily held. If the terms of the office of the original Director is determined before he so returns to the state aforesaid any provision for the automatic reappointment of retiring Director in default of another appointment shall apply to the original and not to the Alternate Director.

99. *Remuneration of Directors:*

Every Director other than the Managing Director and the Whole-time Director shall be paid a sitting fee not exceeding such sum as may be prescribed by the Act or the Central Government from time to time for each meeting of the Board of Directors or any Committee thereof attended by him and shall be paid in addition thereto all travelling, hotel and other expenses properly incurred by him in attending and returning from the meetings of the Board of Directors or any committee thereof or General Meeting of the Company or in connection with business of the Company to and from any place.

100. *Remuneration for extra services:*

If any Director, being willing, shall be called upon to perform extra services or to make any special exertions in going or residing away from the town in which the Registered

Office of the Company may be situated for any purposes of the company or in giving any special attention to the business of the Company or as member of the Board, then subject to the provisions of the Act the Board may remunerate the Director so doing either by a fixed sum, or by a percentage of profits or otherwise and such remuneration, may be either in addition to our in substitution for any other remuneration to which he may be entitled.

101. *Continuing Director may act:*

The continuing Directors may act notwithstanding any vacancy in the Board but if the number is reduced below three, the continuing Directors or Director may act for the purpose of increasing the number of Directors to three or for summoning a general meeting of the Company but for no other purpose.

102. *Vacation of office of Director:*

The Office of a Director shall be deemed to have been vacated under the circumstances enumerated under section 283 of the Act.

103. *Equal power to Director:*

Except as otherwise provided in these Articles all the Directors of the Company shall have in all matters equal rights and privileges and be subject to equal obligations and duties in respect of the affairs of the company.

ROTATION AND RETIREMENT OF DIRECTOR

104. *One-third of Directors to retire every year:*

At the Annual General Meeting of the Company to be held in every year, one third of such of the Directors as are liable to retire by rotation for time being, or, if their number is not three or a multiple of three then the number nearest to one third shall retire from office, and they will be eligible for re-election. Provided nevertheless that the Managing Director or Whole time Director, appointed or the Directors appointed as a Debenture Director and Special Director under Articles hereto shall not retire by rotation under this Article nor shall they be included in calculating the total number of Directors of whom one third shall retire from office under this Article.

105. *Retiring Directors eligible for re-election:*

A retiring Director shall be eligible for re-election and the Company, at the Annual General Meeting at which a Director retires in the manner aforesaid may fill up the vacated office by electing a person thereto.

106. *Which Director to retire:*

The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lots.

107. *Retiring Director to remain in office till successors appointed*

Subject to the provisions of the Act, if at any meeting at which an election of Directors ought to take place, the place of the vacating Director(s) is not filled up and the meeting has not expressly resolved not to fill up the vacancy and not to appoint the retiring director, the meeting shall stand adjourned till the same day in the next week at the same time and place or if that day is a public holiday till the next succeeding day which is not a public holiday at the same time and place, and if at the adjourned meeting the place of the returning Director(s) is not filled up and the meeting has also not expressly resolved not to fill up the vacancy, then the retiring Director(s) or such of them as have not had their places filled up shall be deemed to have been reappointed at the adjourned Meeting

108. *Increase or reduction in the number of Directors:*

Subject to the provisions of Section 252, 255, 259, the Company in General Meeting may by Ordinary Resolution increase or reduce the number of its Directors.

109. *Power to remove Director by ordinary resolution:*

Subject to the provisions of the Act, the Company may by an ordinary resolution in General Meeting remove any Director before the expiration of his period of office and may, by an ordinary resolution, appoint another person instead; the person so appointed shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected as Director.

110. *Right of persons other than retiring Directors to stand for Directorship:*

A person not being a retiring Director shall be eligible for appointment to the office of a Director at any General Meeting if he or some other member intending to propose him as a Director not less than 14 days before the meeting has left at the office of the Company, a notice in writing under his hand signifying his candidature for the office of the Director or the intention of such member to propose him as a candidate for that office as the case may be, along with the prescribed deposit amount which shall be refunded to such person or as the case may be, to such member if the person succeeds in getting elected as Directors.

111. Subject to the provisions of Section 297, 299, 300, 302 and 314 of the Act, , the Directors shall not be disqualified by reason of his or their office as such from contracting with the Company either as vendor, purchaser, lender, agent, broker, lessor or otherwise nor shall any such contract, or arrangement entered into by or on behalf of the Company with such Director or with any company or partnership in which he shall be a member or otherwise interested be avoided nor shall any Director so contracting or being such member or so interested be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director holding that office or of fiduciary relation thereby established but the nature of the interest must be disclosed by him or them at the meeting of Directors at which the contract or arrangement is determined if the interest then exists or in any other case at the first meeting of the Directors after the acquisition of the interest.

112. *Directors not liable for retirement:*

The Company in General Meeting may, when appointing a person as a Director declare that his continued presence on the Board of Directors is of advantage to the Company and that his office as Director shall not be liable to be determined by retirement by rotation for such period until the happening of any event of contingency set out in the said resolution.

113. *Director for subsidiary Company:*

Directors of this Company may be or become a Director of any Company promoted by this Company or in which it may be interested as Vendor, Shareholder or otherwise and no such Director shall be accountable for any benefits received as a Director or member of such Company.

114. *Meetings of the Board:*

a) The Board of Directors shall meet at least once in every three calendar months for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit provided that at least four such meetings shall be held in every year.

b) The Managing Director may, at any time summon a meeting of the Board and the Managing Director or a Secretary or a person authorised in this behalf on the requisition of Director shall at any time summon a meeting of the Board. Notice in writing of every meeting of the Board shall be given to every Director for the time being in India, and at his usual address in India to every other Director.

115. Quorum:

The quorum for a meeting of the Board shall be one-third of its total strength (any fraction contained in that one-third being rounded off as one) or two Directors whichever is higher, provided that where at any time the number of interested Directors is equal to or exceeds two-thirds of total strength, the number of remaining Directors, that is to say the number of Directors who are not interested, present at the meeting being not less than two, shall be the quorum during such time, The total strength of the Board shall mean the number of Directors actually holding office as Directors on the date of the resolution or meeting, that is to say, the total strength of Board after deducting therefrom the number of Directors, if any, whose places are vacant at the time.

116. Questions how decided:

a) Save as otherwise expressly provided in the Act, a meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under the Regulations of the Company for the time being vested in or exercisable by the Directors generally and all questions arising at any meeting of the Board shall be decided by a majority of the Board.

b) In case of an equality of votes, the Chairman shall have second or casting vote in addition to his vote as Director.

117. Right of continuing Directors when there is no quorum:

The continuing Directors may act notwithstanding any vacancy in the Board but if and so long as their number is reduced below three, the continuing Directors or Director may act for the purpose of increasing the number of Directors to three or of summoning a General Meeting of the Company but for no other purpose.

118. Election of Chairman of Board:

a) The Board may elect a Chairman of its meeting and determine the period for which he is to hold office.

b) If no such Chairman is elected or at any meeting the Chairman is not present within five minutes after the time appointed for holding the meeting the Directors present may choose one among themselves to b the Chairman of the Meeting.

119. Delegation of Powers:

a) The Board may, subject to the provisions of the Act, delegate any of its powers to committees consisting of such members of its body as it thinks fit.

b) Any committee so formed shall, in the exercise of the power so delegated conform to any regulations that may be imposed on it by the Board.

120. Election of Chairman of Committee:

a) If the Chairman of the Board is a member of the Committee, he shall preside over all meetings of the Committee, if the Chairman is not a member thereof, the committee may elect a Chairman of its meeting. If no such Chairman is elected or if at any meeting the Chairman is not present within five minutes after the time appointed for holding the meeting, the members present may choose one among themselves to be the Chairman of the Meeting.

b) The quorum of a committee may be fixed by the Board of Directors. ..

121. Questions how determined:

a) A committee may meet and adjourn as it thinks proper.

b) Questions arising at any meeting of a committee shall be determined by the sole member of the committee or by a majority of votes as the members present as the case may be and in case of an equality of vote the Chairman shall have a second or casting vote, in addition to his as a member of the committee.

122. Validity of acts done by Board or a Committee:

All acts done by any meeting of the Board, of a committee thereof, or by any person acting as a Director shall notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such Directors or of any person acting as aforesaid or that they or any of them were disqualified be as valid as if even such Director or such person has been duly appointed and was qualified to be a Director.

123. Resolution by Circulation:

Save as otherwise expressly provided in the Act, a resolution in writing circulated in draft together with the necessary papers, if any, to all the Directors or to all the members of the committee then in India, not being less in number than the quorum fixed of the meeting of the Board or the Committee, as the case may be and to all other Directors or members at their usual address in India and approved by such of the Directors as are then in India or by a majority of such of them as are entitled to vote at the resolution shall be valid and effectual as it had been a resolution duly passed at a meeting of he Board or committee duly convened and held.

124. a) The Board of Directors may from time to time but with such consent of the Company in General Meeting as may be required under the Act raise any moneys or sums of money for the purpose of the company provided that the moneys to be borrowed by the Company apart from temporary loans obtained from the Company's bankers in the ordinary course of business shall not, without the sanction of the company at a General Meeting, exceed the aggregate of the paid up capital of the company and its free reserves, that is to say, reserves not set apart for any specifies purpose and in particular, but subject to the provisions of Section 292 of the Act, the Board may from time to time at their discretion raise or borrow or secure the payment of any such sum of money for the purpose of the Company, by the issue of debentures, perpetual or otherwise, including debenture convertible into shares of this or any other Company or perpetual annuities and to secure any such money so borrowed, raised or received mortgage, pledge or charge the whole or any part of the property, assets or revenue of the Company present or future, including its uncalled capital by special assignment or otherwise or to transfer or convey the same absolutely or in trust and to give the lenders powers of sale and other powers as may be expedient and to purchase, redeem or pay off any such securities.

Provided that every resolution passed by the Company in General Meeting in relation to the exercise of the power to borrow as stated shall specify the total amount upto which moneys may be borrowed by the Board Directors.

b) The Directors may by resolution at a meeting of the Board delegate the above power to borrow money otherwise than on debentures to a committee of Directors or the Managing Director, if any, within the limits prescribed.

c) Subject to provisions of the above sub-clause, the Directors may, from time to time, at their discretion, raise or borrow or secure the repayment of any sum or sums of money for the purposes of the Company, at such time and in such manner and upon such terms and conditions in all respects as they think, fit and in particular, by promissory notes or by receiving deposits and advances with or without security or by the issue of bonds, perpetual or redeemable debentures (both present and future) including its uncalled capital for the time being or by mortgaging or charging or pledging any lands, buildings, goods or other property and securities of the company, or by such other means as they may seem expedient.

d) To the extent permitted under the applicable law and subject to compliance with the requirements thereof, the Directors shall be empowered to grant loans to such entities at such terms as they may deem to be appropriate and the same shall be in the interests of the Company.

125. Assignment of debentures:

Such debentures, debenture-stock, bonds or other securities may be assignable free from any equities between the Company and the person to whom the same may be issued.

126. Terms of Offer of Debentures:

Any such debentures, debenture stock, or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawings, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors or otherwise, Debentures with a right of conversion into or allotment of shares shall be issued only with the sanction of the company in a General Meeting by a Special Resolution.

127. Debenture Directors:

Any Trust Deed for securing debentures or debenture stock may if so arranged provide for the appointment from time to time by the trustee thereof or by the holders of debentures or debenture stock of some person to be a Director of the Company and may empower such trustee or holders of debentures or debenture stock from time to time to remove any Directors so appointed. A Director appointed under this Article is herein referred to as a "Debenture Directors" and the Debenture Director means a Director for the time being in office under this Article. A Debenture Director shall not be bound to hold any qualification shares, not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provision shall have effect notwithstanding any of the other provisions herein contained.

128. Nominee Directors:

a) So long as any moneys remain owing by the Company to any All India Financial Institutions, State Financial Corporation or any financial institution owned or controlled by the Central Government or State Government or any Non Banking Financial Company controlled by the Reserve Bank of India or any such Company from whom the Company has borrowed for the purpose of carrying on its objects or each of the above has granted any loans / or subscribes to the Debentures of the Company or so long as any of the aforementioned companies of financial institutions holds or continues to hold debentures /shares in the company as a result of underwriting or by direct subscription or private placement or so long as any liability of the Company arising out of any guarantee furnished on behalf of the Company remains outstanding the corporation shall have a right to appoint from time to time any person or persons as a Director or Directors whole- time or non whole- time (which Director or

Director/s is/are hereinafter referred to as "Nominee Directors/s) on the Board of the Company and to remove from such office any person or person so appointed and to appoint any person or persons in his /their place(s).

b) The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the company.

The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as they holds or continues to hold Debentures/shares in the company as result of underwriting or by direct subscription or private placement or the liability of the Company arising out of the Guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall vacate such office immediately on the moneys owing by the Company to the Corporation are paid off or they ceasing to hold Debentures/Shares in the Company or on the satisfaction of the liability of the company arising out of the guarantee furnished.

c) The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and of the Meetings of the Committee of which Nominee Director/s is//are member/s as also the minutes of such Meetings. The Corporation shall also be entitled to receive all such notices and minutes.

d) The Company shall pay the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled, but if any other fees commission, monies or remuneration in any form is payable to the Directors of the Company the fees, commission, monies and remuneration in relation to such Nominee Director/s shall accrue to the nominee appointer and same shall accordingly be paid by the Company directly to the Corporation.

e) Provided that the sitting fees, in relation to such Nominee Director/s shall also accrue to the appointer and same shall accordingly be paid by the Company directly to the appointer. .

Provided also that in the event of the Nominee Director/s being appointed as whole time Director/s, such Nominee Director/s shall exercise such powers and duties as may be approved by the appointer and have such rights as are usually exercised or available to a whole time Director in the management of the affairs of the Company. Such whole time Director in the management of the affairs of the Company shall be entitled to receive such remuneration commission and monies as may be approved by the appointer.

129. *Register of Mortgages:*

The Directors shall cause a proper register to be kept, in accordance with the Act, of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified.

130. *Subsequent assigns of uncalled capital:*

Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same, subject to such prior charges and shall not be entitled to obtain priority over such prior charge.

131. *Charge in favour of Director for Indemnity:*

If the Director or any person, shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge or security over or affecting the whole or part of the assets of the Company by way of indemnity to secure the Directors or other persons so becoming liable as aforesaid from any loss in respect of such liability.

132. *Powers to be exercised by Board only by Meeting:*

a) The Board of Directors shall exercise the following powers on behalf of the Company and the said powers shall be exercised only by resolution passed at the meeting of the Board:
(i) Power to make calls on shareholders in respect of moneys unpaid on their shares;
(ii) Power to issue debentures;
(iii) Power to borrow money otherwise than on debentures:
(iv) Power to invest the funds of the Company;
(v) Power to make loans.

b) The Board of Directors may by a meeting delegate to any committee or the Directors or to the Managing Director the powers specified in sub clauses (iii), (iv) and (v) above.

c) Every resolution delegating the power set out in sub clause (iii) above shall specify the total amount up to which moneys may be borrowed by the said delegate.

d) Every resolution delegating the power referred to in sub-clause (iv) above shall specify the total amount, up to which the fund may invested and the nature of the investments which may be made by the delegate.

e) Every resolution delegating the power referred to in sub-clause (v) above shall specify the total amount upto which the loans may be made by the delegate, the purposes for which the loans may be made and the maximum amount of loans which may be made for each such purpose in individual cases.

MANAGING DIRECTOR(S)/ WHOLE-TIME DIRECTOR(S)

133. a) The Board may from time to time and with such sanction of the Central Government as may be required by the Act, appoint one or more of the Directors to the office of the Managing Director or whole-time Directors.

b) The Directors may from time to time resolve that there shall be either one or more Managing Directors or Whole time Directors.

c) In the event of any vacancy arising in the office of a Managing Director or Whole-time Director, the vacancy shall be filled by the Board of Directors subject to the approval of the members.

e) If a Managing Director or Whole time Director ceases to hold office as Director, he shall ipso facto and immediately cease to be Managing Director/whole time Director.

f) The Managing Director or whole time Director shall not be liable to retirement by rotation as long as he holds office as Managing Director or whole-time Director.

134. *Powers and duties of Managing Director or whole-time Director:*

The Managing Director/Whole-time Director shall subject to the supervision, control and direction of the Board and subject to the provisions of the Act, exercise such powers as are exercisable under these presents by the Board of Directors, as they may think fit and confer such power for such time and to be exercised as they may think expedient and they may confer such power either collaterally with or to the exclusion of any such substitution for all or any of the powers of the Board of Directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any such powers. The Managing Directors/ whole time Directors may exercise all the powers entrusted to them by the Board of Directors in accordance with the Board's direction.

135. *Remuneration of Managing Directors/whole time Directors:*

Subject to the provisions of the Act and subject to such sanction of Central Government\Financial Institutions as may be required for the purpose, the Managing Directors\whole-time Directors shall receive such remuneration (whether by way of salary commission or participation in profits or partly in one way and partly in another) as the Company in General Meeting may from time to time determine.

136. *Reimbursement of expenses:*

The Managing Directors\whole-time Directors shall be entitled to charge and be paid for all actual expenses, if any, which they may incur for or in connection with the business of the Company. They shall be entitled to appoint part time employees in connection with the management of the affairs of the Company and shall be entitled to be paid by the Company any remuneration that they may pay to such part time employees.

137. *Business to be carried on by Managing Directors/ Whole time Directors:*

(a) The Managing Directors\whole-time shall have subject to the supervision, control and discretion of the broad, the management of the whole of the business of the Company and of all its affairs and shall exercise all powers and perform all duties in relation to the Management of the affairs and transactions of Company, except such powers and such duties as are required by law or by these presents to be exercised or done by the Company in General Meeting or by Board of Directors and also subject to such conditions or restriction imposed by the Act or by these presents.

(b) Without prejudice to the generally of the foregoing and subject to the supervision and control of the Board of Directors, the business of the Company shall be carried on by the Managing Director/ Whole time Director and he shall have all the powers except those which are by law or by these presents or by any resolution of the Board required to be done by the Company in General Meeting or by the Board.

(c) The Board may, from time to time delegate to the Managing Director or Whole time Director such powers and duties and subject to such limitations and conditions as they may deem fit. The Board may from time to time revoke, withdraw, alter or vary all or any of the powers conferred on the Managing Director or Whole time Director by the Board or by these presents.

138. *Right to dividend:*

a) The profits of the Company, subject to any special rights, relating thereto created or authorized to be created by these presents and subject to the provisions of the presents as to the Reserve Fund, shall be divisible among the members in proportion to the amount of capital paid up on the shares held by them respectively and the last day of the year of account in respect of which such dividend is declared and in the case of interim dividends on the close of the last day of the period in respect of which such interim dividend is paid.

b) Where capital is paid in advance of calls, such capital shall not, confer a right to participate in the profits.

139. *Declaration of Dividends:*

The Company in General Meeting may declare dividends but no dividend shall exceed the amount recommended by the Board.

140. *Interim Dividends:*

The Board may from time to time pay to the members such interim dividends as appear to them to be justified by the profits of the Company.

141. *Dividends to be paid out of profits:*

No dividend shall be payable except out of the profits of the year or any other undistributed profits except as provided by section 205 of the Act.

142. *Reserve Funds:*

a) The Board may before recommending any dividends set aside out of the profits of the Company such sums as it thinks proper as a reserve or reserves which shall at the discretion of the Board, be applied for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalizing dividends and pending such application, may, at the like discretion either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may, from time to time think fit.

b) The Board may also carry forward any profits when it may think prudent not to appropriate to Reserves.

143. *Deduction of arrears:*

The Board may deduct from any dividend payable to any members all sums of money, if any, presently payable by him to the Company on account of the calls or otherwise in relation to the shares of the Company.

144. *Adjustment of dividends against calls:*

Any General Meeting declaring a dividend may make a call on the members as such amount as the meeting fixed, but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the Company and the members be set off against the call.

145. *Receipt of joint holder:*

Any one of two or more joint holders of a share may give effectual receipt for any dividends, or other moneys payable in respect of such shares.

146. *Notice of dividends:*

Notice of any dividend that may have been declared shall be given to the persons entitled to share thereto in the manner mentioned in the Act.

147. *Dividends not be bear interest:*

No dividends shall bear interest against the Company.

148. *Transfer of shares not to pass prior to dividends:*

Subject to the provisions of Section 206 A of the Act, any transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

149. *Unpaid or Unclaimed Dividend:*

(a) Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of MSPL Limited" and transfer to the said account the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

(b) Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to Investors Education And Protection Fund.

(c) No unclaimed or unpaid dividend shall be forfeited by the Board and the Directors shall comply with provisions of Sections 205A and 205B of the Act, as regards unclaimed dividends.

CAPITALISATION OF PROFITS

150. *Capitalisation of Profits:*

a) The Company in General Meeting, may, on recommendation of the Board resolve:

(i) That it is desirable to capitalize any part of the amount for the time being standing to the credit of the company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution; and

(ii) That such sum be accordingly set free for distribution in the manner specified in the sub-clause (b) amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportion.

b) The sum aforesaid shall not be paid in cash but shall be applied, either in or towards:

(i) Paying up any amounts for the time being unpaid on shares held by such members respectively

(ii) Paying up in full, unissued share of the Company to be allotted and distributed, credited as fully paid up, to and amongst such members in the proportions aforesaid; or

(iii) Partly in the way specified in sub-clause (i) and partly that specified in sub clause (ii).

c) The Board shall give effect to the resolution passed by the Company in pursuance of this regulation.

151. *Power of Directors for declaration of bonus issue:*

a) Whenever such a resolution as aforesaid shall have been passed, the Board shall:

(i) make all appropriations and applications of the undivided profits resolved to be capitalized thereby and all allotments and issues of fully paid shares, if any, and

(ii) generally do all acts and things required to give effect thereto.

b) The Board shall have full power:

(i) to make such provisions, by the issue of fractional certificates or by payments in cash or otherwise as it thinks fit, in the case of shares or debentures becoming distributable in fraction; and also

(ii) to authorize any person, on behalf of all the members entitled thereto, to enter into an agreement with the Company providing for the allotment to such members , credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalization or (as the case may require) for the payment of by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to the capitalised of the amounts or any parts of the amounts remaining unpaid on the shares.

c) Any agreement made under such authority shall be effective and binding on all such members.

152. *Service of document on the Company:*

A document may be served on the Company or an officer by sending it to the company or officer at Registered Office of the Company by post under a certificate of posting or by Registered Post, .or by leaving it at the Registered Office.

ACCOUNTS

153. *Books of Account to be kept:*

a) The Board of Directors shall cause true accounts to be kept of all sums of money received and expended by the Company and the matters in respect of which such receipts and expenditure takes place, of all sales and purchases of goods by the Company, and of the assets, credits and liabilities of the Company.

b) If the Company shall have a Branch Office, whether in or outside, proper books; of account relating to the transactions effected at the office shall be kept at the office, and proper summarized returns made upto date at intervals of not more than three months, shall be sent by Branch Office to the Company at its registered office or to such other place in India, as the Board thinks fit where the main books of the Company are kept.

c) All the aforesaid books shall give a fair and true view of the affairs of the Company or of its Branch Office, as the case may be with respect to the matters aforesaid, and explain its transactions.

154. *Where Books of accounts to be kept:*

The Books of Account shall be kept at the Registered Office or at such other place in India as the Directors think fit.

155. *Inspection by Members:*

No member (not being a Director) shall have any right of inspecting any account or books or documents of the Company except as conferred by statute.

156. *Boards Report to be attached to Balance Sheet:*

a) Every Balance Sheet laid before the Company in General Meeting shall have attached to it a report by the Board of Directors with respect to the state of the Company's affairs, the amounts if any, which it proposes to carry to any Reserves in such Balance Sheet; and the amount, if any which it recommends to be paid by way of dividend, material changes and commitments, if any, effecting the financial positions of the Company which have occurred between the end of the financial year of the Company to which the Balance Sheet related and the date of report.

b) The report shall, so far as it is material for the appreciation of the state of the Company's affairs by its members and will not in the Board's opinion be harmful to the business of the Company or any of its subsidiaries deal with any changes which have occurred during the financial year in the nature of the Company's business, or in the Company's subsidiaries or in nature of the business carried on by them and generally in the classes of business in which the Company has an interest.

c) The Boards Report shall also include a statement showing the name of every employee of the Company who was in receipt of such sum as remuneration as may be prescribed by the Act or the Central Government from time to time during the year to which the Report pertains.

d) The Board shall also give the fullest information and explanation it its report in cases falling under the proviso to Section 222 and on every reservation, qualification or adverse remark contained in the auditors Report.

e) The Board shall have the right to charge any person being a Director with a duty of seeing that the provisions of sub-clauses (1) to (3) of this Article are complied with.

SERVICE OF DOCUMENTS AND NOTICE

157. How -Document is to be served on members :

a) A document (which expression for this purpose shall be deemed to have included and include any summons, notice requisition, process order, judgment or any other document in relation to or in winding up of the Company (may be served or sent to the Company) on or to any member either personally or by sending it by post to his registered address or (if he has no registered address in India) to the address, if any, within India supplied by him to the Company for the give of notice to him.

b) All notices shall, with respect to any registered share to which persons are entitled jointly, be given to whichever of such persons is named first in the Register and the notice so given shall be sufficient notice to all the holders of such share.

c) Where a document is sent by post:

(i) Service thereof shall be deemed to be effected by properly addressing, paying and posting a letter containing the notice provided that where a member has intimated to the company in advance that documents should be sent to him under a certificate of posting or by registered post without acknowledgement due and has deposited with the Company a sum sufficient to defray expenses of doing so, service of the documents shall not be deemed to be effected unless it is sent in the manner intimated by the member, and

(ii) Unless the contrary is provided, such service shall be deemed to have been effected.

(iii) In the case of a notice of a meeting, at the expiration of forty-eight hours the letter containing the notice is posted; and

(d) In the case of notice of a meeting, at the expiration of forty-eight hours the letter containing the notice is posted; and

(e) In any other case, at the time at which the letter would be delivered in ordinary course of post.

158. Members to notify address in India:

Each registered holder of shares from time to time notify in writing to the Company such place in India to be registered as his address and such registered place of address shall for all purposes be deemed to be his place or residence.

159. Service on members having no registered address:

If a member has no registered address in India, and has not supplied to the Company and address within India, for the giving of the notices to him, a document advertised in a newspaper circulating in the neighbourhood of Registered Office of the Company shall be deemed to be duly served to him on the day of which the advertisement appears.

160. Service on persons acquiring shares on death or insolvency of members:

A document may be served by the Company on the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name or by the title or representatives of the deceased, assignees of the insolvent by any like description at the address (if any) in India supplied for the purpose by the persons claiming to be so entitled , or (until such an address has been so supplied) by serving the document in any manner in which the same might have been served as if the death or insolvency had not occurred.

161. *Persons entitled to notice of General Meetings:*

Subject to the provisions of the Act and these Articles, notice of General Meeting shall be given:

(i) To the members of the Company as provided by these presents

(ii) To the persons entitled to a share in consequence of the death or insolvency of a member.

(iii) To the Auditors for the time being of the Company; in the manner authorized by as in the case of any member or members of the Company.

162. *Notice by advertisement:*

Subject to the provisions of the Act any document required to be served or sent by the Company on or to the members, or any of them and not expressly provided for by these presents, shall be deemed to be duly served or sent if advertised in a newspaper circulating in the District in which the Registered Office is situated.

163. *Members bound by document given to previous holders:*

Every person, who by the operation of law, transfer or other means whatsoever, shall become entitled to any shares shall be bound by every document in respect of such share which, previously to his name and address being entered in the register, shall have been duly served on or sent to the person from whom he derived his title to such share.

164. Any notice to be given by the Company shall be signed by the Managing Director or by such Director or Officer as the Directors may appoint. The signature to any notice to be given by the Company may be written or printed or lithographed.

WINDING UP

165. *Application of assets:*

Subject to the provisions of the Act as to preferential payment the assets of the Company shall, on its winding up, be applied in satisfaction of its liabilities pari passu and, subject to such application shall be distributed among the members according to their rights and interests in the Company.

166. *Division of assets of the Company in specie among members:*

If the Company shall be wound up whether voluntarily or otherwise, the liquidators may with sanction of a special resolution divide among the contributories in specie or kind any part of the assets of the Company and any with like sanction vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories of any of them, as the liquidators with the like sanction shall think fit, in case any share to be divided as aforesaid involve as liability to calls or otherwise any persons entitled under such division to any of the said shares may within ten days after the passing of the special resolution by notice in writing, direct the liquidators to sell his proportion and pay them the net proceeds, and the liquidators shall, if practicable, act accordingly.

INDEMNITY AND RESPONSIBILITY

167. *Director's and others' right to indemnity:*

a) Subject to the provisions of the Act, the Managing Director and every Director, Manager, Secretary and other Officer or Employee of the Company shall be indemnified by the Company against any liability and it shall be the duty of Directors, out of the funds of the Company to pay, all costs and losses and expenses (including traveling expenses) which any such Director, Officer or Employee may incur or become liable to by reason of any contract entered into or act or deed done by him as such Managing Director, Director, Officer or Employee or in any way in the discharge of his duties.

b) Subject as aforesaid the Managing Director and every Director, Manager, Secretary or other Officer or Employee of the Company shall be indemnified against any liability incurred by them or in defending any proceeding whether civil or criminal in which judgment is given in their or his favour or in which he is acquitted or discharged or in connection with any application under Sec. 633 of the Act in which relief is given to him by the Court.

168. Not responsible for acts of others:

a) Subject to the provisions of Sec. 201 of the Act no Director or other Officer of the Company shall be liable for the acts, receipt, neglects or defaults of any other Director or Officer, or for joining in any receipt or other act for conformity or for any loss or expenses happening to the Company through insufficiency or deficiency of title to any property acquired by order of the Director for or on behalf of the Company, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency, or tortuous act of any person, Company or Corporation, with whom any moneys, securities or effects shall be entrusted or deposited or for any loss occasioned by any error of judgment or over sight in his part or for any other loss or damage or misfortune whatever which shall happen in the execution of the duties of his office of in relation thereto, unless the same happens through his own willful act or default.

b) Without prejudice to the generality foregoing it is hereby expressly declared that any filing fee payable or any document required to be filed with Register of Companies in respect of any act done or required to be done by any Director or other Officer by reason of his holding the said office, shall be paid and borne by the Company.

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following Contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These Contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the Registrar of Companies, Karnataka for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office/corporate office of our Company from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts to the Issue

1. Letters of appointment dated June 29, 2006 to the BRLMs and IIL from our Company appointing them as the BRLMs and the IIL; and letter dated October 28, 2006 appointing I-Sec as CBRLM.
2. Memorandum of Understanding amongst our Company, the BRLMs and IIL, dated July 20, 2006 and Supplemental Memorandum of Understanding amongst our Company, the BRLMs and CBRLMs dated October 30, 2006.
3. Memorandum of Understanding between our Company and Registrar to the Issue, dated June 15, 2006.
4. Escrow Agreement dated November [•], 2006 between the Company, the BRLMs and the CRBLM, the Escrow Banks, and the Registrar to the Issue.
5. Syndicate Agreement dated November [•], 2006 between the Company, the BRLMs, the CBRLM and the Syndicate Members.
6. Underwriting Agreement dated November [•], 2006 between the Company, the BRLMs, the CRBLM and Syndicate Members.

Material Documents

1. Our Memorandum and Articles of Association as amended from time to time.
2. Our certification of incorporation.
3. Board resolutions in relation to the Issue.
4. Shareholders' resolutions in relation to the Issue.
5. Resolutions of the general body for appointment and remuneration of our whole-time Directors.
6. Unconsolidated Summary Statements of Assets and Liabilities and Unconsolidated Summary Statement of Profits and Losses, as Restated and Unconsolidated Cash Flows, as Restated, under Indian GAAP as at and for the Years Ended March 31, 2006, 2005, 2004, 2003 and 2002 audited by S. Janardhan & Associates. Chartered Accountants and their audit report on the same, dated June 29, 2006.
7. Consolidated Summary Statements of Assets and Liabilities and Consolidated Summary Statement of Profits and Losses, as Restated and Consolidated Cash Flows, as Restated, under Indian GAAP as at and for the year ended March 31, 2006, audited by S. Janardhan & Associates, Chartered Accountants and their audit report on the same, dated June 29, 2006.
8. Unconsolidated Summary Statements of Assets and Liabilities and Unconsolidated Summary Statement of Profits and Losses, as Restated and Unconsolidated Cash Flows, as Restated, under Indian GAAP as at and for the Years Ended March 31, 2006, 2005, 2004, 2003 and 2002 of S.B.G. Housing Private Limited audited by S. Janardhan & Associates, Chartered Accountants, and their audit report on the same dated June 29, 2006.
9. Unconsolidated Summary Statements of Assets and Liabilities and Unconsolidated Summary Statement of Profits and Losses, as Restated and Unconsolidated Cash Flows, as Restated, under Indian GAAP as at and for the six month period ending September 30, 2006 and September 30,

2005 audited by S. Janardhan & Associates. Chartered Accountants and their audit report on the same, dated October 28, 2006.

10. Consolidated Summary Statements of Assets and Liabilities and Consolidated Summary Statement of Profits and Losses, as Restated and Consolidated Cash Flows, as Restated, under Indian GAAP as at and for the six month period ending September 30, 2006 and September 30, 2005 audited by S. Janardhan & Associates. Chartered Accountants and their audit report on the same, dated October 28, 2006.

11. Unconsolidated Summary Statements of Assets and Liabilities and Unconsolidated Summary Statement of Profits and Losses, as Restated and Unconsolidated Cash Flows, as Restated, under Indian GAAP as at and for the six month period ending September 30, 2006 and September 30, 2005 audited by S. Janardhan & Associates. Chartered Accountants and their audit report on the same, dated October 28, 2006 of SBG Housing Private Limited.

12. Statement of Tax Benefits from S. Janardhan & Associates, Chartered Accountants dated June 29, 2006 – Auditor's Report on possible Income-tax benefits available to the Company and its shareholders.

13. Certificates dated October 28, 2006 from S. Janardhan & Associates. Chartered Accountants (regarding objects of the Issue)

14. Copies of annual reports of our Company for the years ended March 31, 2002, 2003, 2004, 2005 and 2006.

15. Consent of S. Janardhan & Associates, our Auditors for inclusion of their reports on restated financial statements and auditors report on audited financial statements as at and for the financial year ended March 31, 2006 in the form and context in which they appear in the Red Herring Prospectus.

16. General powers of attorney executed by our Directors in favour of person(s) for signing and making necessary changes to this Red Herring Prospectus and other related documents.

17. Consents of Bankers to the Company, BRLMs, CBRLM, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue, Domestic Legal Counsel to the Issue, International Legal Counsel to the Issue, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.

18. Listing Agreement dated [•] with [•]

19. Initial listing applications dated August 9, 2006 and August 18, 2006 filed with BSE and NSE respectively.

20. In-principle listing approval dated August 25, 2006 and August 28, 2006from BSE and NSE respectively

21. Tripartite Agreement between NSDL, our Company and the Registrar to the Issue dated July 6, 2006

22. Tripartite Agreement between CDSL, our Company and the Registrar to the Issue dated September 8 , 2006

23. Opinion on the valuation of Land Reserves and Land Arrangements by Cushman & Wakefield (India) Private Limited dated August 2, 2006.

24. Letter dated May 12, 2006 to DIPP seeking clarification as to whether FIIs are permitted to participate in the Issue under the portfolio scheme.

25. Letter dated October 3, 2006 to RBI seeking their confirmation that FIIs are permitted to subscribe to the equity shares in the Issue under the portfolio investment scheme as prescribed udner Schedule II of the FEMA Regulations and that Press Note 2 of 2005 is not applicable to investments by FIIs in initial public offerings.

26. Clarifications/approvals from the DIPP dated October 3, 2006 (bearing number 5(6)/2000-FC(Pt.File)) and the RBI dated October 27, 2006(bearing number FE/CO/EID/8777/10.02.001/2006-07), respectively.

27. Memoranda of sale dated April 3, 2006 with Sobha Interiors Private Limited, Sobha Space Private Limited and Sobha Glazing and Metal Works Private Limited

28. Non disposal undertaking dated June 3, 2006 entered into with Mr. K. Suresh and Mr. P. Gopalakrishnan.

29. Due diligence certificate dated August 4, 2006 to SEBI from the BRLMs and IIL.

30. SEBI interim observation letter No. CFD/DIL/ISSUES/75280/2006 dated August 28, 2006 and SEBI observation letter No. CFD/DIL/ISSUES/78651/2006 dated October 12, 2006.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes

DECLARATION

We, the Directors of the Company, certify that all relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the guidelines issued by Securities and Exchange Board of India, applicable, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be, and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with, and that directly or indirectly we hold or have an interest in the Land Reserves. We further certify that all the statements in this Red Herring Prospectus are true and correct.

Signed by the Directors of our Company

Mr. P.N.C. Menon

Mrs. Sobha Menon

Mr. J.C. Sharma

Mr. Ravi Menon

Mr. N.S. Raghavan

Mr. Anup Shah

Dr. S.K. Gupta

Mr. R.V. S. Rao

Signed by the Chief Financial Officer/ Vice President (Finance)

Mr. Pradumna Kanodia

Date: November 6, 2006

Place: Bangalore

APPENDIX A

Letter of Cushman & Wakefield (India) Pvt. Ltd.

August 02, 2006

To:

The Board of Directors of Sobha Developers Limited

Kotak Mahindra Capital Company Limited

Enam Financial Consultants Private Limited

IL&FS Investsmart Limited

The Syndicate Members and affiliates of the Underwriters

Sobha Developers Limited - Valuation of Properties

Ladies and Gentlemen:

In connection with the proposed offering (the "Issue") of equity shares in Sobha Developers Limited (the "Company"), we have assessed the Net present market value (the "Valuation") of developments (as per the development plan provided by Sobha Developers Limited) representing an aggregate of:

a) Approximately 2593 acres of land, representing an aggregate of approximately 118 million square feet of developed or potential developed area, over 78 locations in 7 cities across India, the title to which is with the Company, or land from which the Company can derive the economic benefit through a documented framework (such as with third party individuals or corporate entities), or where the Company has executed a joint development agreement or an agreement to sell across 78 locations in India ("Land Reserves"); and

b) Approximately 3456 acres of land, representing an aggregate of approximately 117 million square feet of developed or potential developed area, over 13 locations in 3 cities across India, where the Company has entered into contractual arrangements for land acquisition with certain third party entities, where the third party entities have agreed to procure extents of land located in and around certain cities in India at or below certain prices ("Land Arrangements").

(Land Reserves and Land Arrangements are each referred to as the "Valued Property" and collectively as "Valued Properties").

The Valuation was conducted for the purpose of determining the net present market value of the Valued Properties for a specific use as per the development plan of Sobha Developers Limited and, which is defined as "net present value of future cash flows, assuming the best price at which the sale of an interest in the properties can be completed for cash consideration, as on the date of valuation". The Valuation is the basis for our opinion of value (the "Opinion of Value") which, together with a report on the Valuation, was delivered to the Company on July 28 2006.

The Valuation was conducted in accordance with the standards published by the Royal Institute of Chartered Surveyors, a United Kingdom based professional body representing and regulating a global body of over 120,000 property professionals and surveyors, with appropriate adaptations and modifications to take into account local market norms and procedures.

The Valuation is based on the following assumptions:

(a) that there is a willing buyer and seller of each Valued Property;

(b) that prior to the date of valuation, there had been a reasonable period for the proper marketing of the interest in each Valued Property, for the agreement of price and terms and for the completion of the sale;

(c) that the state of the market, level of value and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;

(d) that no account is taken of any additional bid by a purchaser with a special interest in the Valued Property; and

(e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

We have also assumed that the relevant projects will be completed as planned and within the contemplated timetable. In addition, our report on the Valuation contains a number of caveats and limitations, which are summarized in Annexure I to this letter.

The Net present market value of a Valued Property was determined by calculating the net present value of the property, which is the present value of the projected revenues from the property less the projected construction, development costs, overheads, contingencies and developers margin in respect of the property. Projected revenues from the Valued Properties were determined based on studies of the relevant markets to determine the applicable rental or capital sale values of the properties. Construction and development costs were determined on the basis of prevailing market norms. Additionally, we have assumed a margin of approximately 20% of the sale value of the Valued Property for the developer. The key assumptions are summarised in Annexure II to this letter.

In connection with the Valuation, we have conducted suitable analyses and assessments of the level of market interest for the Valued Properties and the nature and level of demand and supply in the relevant commercial, residential, retail and other property segments. We have also obtained and inspected such other information as was considered relevant for conducting the Valuation and delivering the Opinion of Value.

We have taken reasonable care in inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth, accuracy and reasonableness of the information provided to us by the Company which is material to the valuation, including the projections of revenues and costs in respect of the Valued Properties that were used in the Valuation. We were also advised by the Company that no material facts or assumptions have been omitted from the information provided to us.

Based on and subject to the foregoing:

(i) we are of the opinion that the methodologies, procedures, assumptions, caveats and limitations involved in the Valuation are fair and reasonable in light of the circumstances in which they were used or made; and

(ii) We confirm our Opinion of Value, i.e., that in our opinion, as of July 7, 2006:

- the net present value of the Land Reserves was between approximately Rs. 70,356 million and approximately Rs. 77,762 million and after deducting the developer's margin, the land value of the Land Reserves was between approximately Rs. 39,717 million and approximately Rs. 43,898 million; and
- the net present value of the Land Arrangements was between approximately Rs. 43,478 million and approximately Rs. 48,054 million and after deducting the developer's margin, the land value of the Land Arrangements was between approximately Rs. 23,060 million and approximately Rs. 25,487 million.
- It is to be noted that the above mentioned Net Present Value are pre-tax values.

Yours faithfully,

Signed: _________________________

Sanjay Verma
Joint Managing Director
Cushman & Wakefield (India) Pvt. Ltd.
B-6/8, Commercial Complex
Safdarjung Enclave, New Delhi- 110 029

Signed: _________________________

Chanakya Chakravarti
Joint Managing Director
Cushman & Wakefield (India) Pvt. Ltd.
1st Floor, Mafatlal House, Padma Bhushan
H.T. Parekh Marg, Churchgate, Mumbai-400 020

Annexure I -Caveats & Limitations

- This report is meant strictly for internal use by Sobha Developers, Kotak Mahindra Capital Company Limited, Enam Financial Consultants Private Limited, IL&FS Investsmart Limited, the Syndicate Members and affiliates of the Underwriters and for the purpose set out in Synopsis detailed out in the report on Valuation, delivered to the Company on July 28 2006, and should not be used for any other purpose without Cushman & Wakefield's (herein after referred to as "consultants") written approval of the form and context in which it may appear. Neither all nor part of the contents of this report should be disseminated to any third party of the public, through advertising, public relations, news, sales or the use of any other public media without obtaining the prior approval of the consultants, in writing.
- The report has been prepared on the basis of market information available from secondary sources only. We have not conducted a legal review of the documents for the subject property. Consultant assumes no responsibility for accuracy of this or the market information, and no responsibility of legal nature is assumed.
- This report is not based on a comprehensive market research for all possible market situations. In this connection, we have relied on the information supplied to us and updated it by reworking the crucial assumptions underlying such information as well as incorporating published or otherwise available information.
- In conducting the assignment, consultant have carried out analyses and assessments of the level of interest envisaged for the properties under consideration and the demand-supply for the commercial, residential, retail and other property segment in general. We have also obtained other available information and documents that were additionally considered relevant for carrying out the Opinion of Value. The opinions expressed in this report are subject to the limitations expressed below.
    - We have endeavored to develop forecasts on demand, supply and pricing on assumptions that are considered relevant and reasonable at this point of time. All of these forecasts are in the nature of likely or possible events/occurrences and this report does not constitute an informed recommendation to Sobha to adopt a particular course of action. The use of this report at a later date may invalidate the assumptions and bases on which forecasts have been generated and is not recommended as an input to a financial decision.
    - Changes in socio-economic & political conditions could result in substantially different situation than those presented at the stated effective date. We assume no responsibility for changes in such external conditions.
    - In the absence of a detailed field survey of the Market and Industry, we have relied upon secondary sources of information for a macro-level analysis. Hence, no direct link is sought to be established between the macro-level understandings on the market with the assumptions estimated for the analysis.
    - Nothing has come to our attention to cause us to believe that the facts and data set forth in this analysis are not correct.
    - Neither consultant , nor any of its employees, have a financial interest in the proposed projects. Additionally, the fee for this report is not contingent upon the Opinion of Value or otherwise reported herein.

    - The report in which this notice is incorporated does not constitute an offer or invitation to any section of the public to subscribe for or purchase any securities in or assets or liabilities of the Company. The consultant endeavours to provide services to the best of its ability in good faith. There will be no liability to the consultant (including its directors, staff and associated entities) for any economic loss or damage suffered arising out of or in connection with this engagement. The clients will indemnify and hold harmless us, our directors, employees and agents as concerns any such liability.
    - In the preparation of this report, we have relied on the following information:
        - Information provided to us by the clients;
        - Recent data on the industry segments and market projections;
        - Other relevant information provided to us by the clients at our request; and
        - Other publicly available information and reports.
    - All the assumptions made in order to determine the opinion of value & cash flow analysis of the identified properties were based on the information or opinion as current. In the course of our analysis, we were provided with both written & verbal information, including limited information on the market, financial and operating data, which we accepted as accurate. Nothing has come to our attention to cause us to believe that the

facts and data set forth in this report are not true or correct. Therefore, no responsibility is assumed for technical information furnished by the third party organization and this is believed to be reliable

- No investigation of the title of the assets has been made and owners claim to the assets has been assumed to be valid. No consideration has been to given to lien or encumbrances, which may be against the assets. Therefore, no responsibility is assumed for matter of a legal nature
- This report has been provided by the consultants and has been prepared solely for the purpose of providing selected information on a confidential basis to the client. There may be other issues of importance to individual person(s), who must make additional inquiries as they see necessary. This report has the limited scope identified in it.
- Our report reflects matters, as they currently exist. Given the fact that many aspects of the investment have not been finalized or are yet to be documented, certain changes may materially affect the information contained in this report.
- Each recipient of this document agrees to treat all information contained herein confidentially and that the recipient will not, directly or indirectly, disclose, distribute or reproduce such information or any part thereof without the prior written consent of the consultants and the clients, in writing.
- The services provided are limited to Opinion of Value and cashflow analysis and did not constitute an audit, a due diligence, tax related services or an independent validation of the projections of the promoters. Accordingly, we do not express any opinion on the financial information of the business of client. This document has been prepared solely for the purpose stated, and should not be used for any other purpose.
- This document is based upon selected information provided by the clients to assist the recipient in making an initial decision to proceed with further investigation. While the information included herein is believed to be accurate and reliable, by delivery of this Report neither the consultants nor the clients make any representations or warranties, expressed or implied, as to the accuracy or completeness of such information. In particular, each recipient of this Opinion of Value Report acknowledges by accepting this Report that it will make its own investment analysis and decision as to whether to enter into a financing transaction independently and without reliance hereon based on such other documents and other information as it, in its sole discretion, has deemed appropriate. The consultants do not undertake any obligation to update, correct or supplement any information contained herein.
- The reports, letters, information and advice we provide to you during this engagement are given in confidence solely for the purpose of this engagement and are provided on the condition that you undertake not to disclose these, or any other confidential information made available to you by us during the course of our work, to any third party without our prior consent in writing.
- Where it is envisaged that reports, letters, information or advice given by us to you will be provided to or used by a third party, we reserve the right to stipulate terms regarding such provision or to require the third party to enter into a direct relationship with us. Unless otherwise agreed in writing, we recognize no responsibility whatsoever other than that owed to you as at the date on which our report or other advice is given to you.
- All assumptions made in order to determine the Opinion of Value and cash flow analysis of the identified property were based on information or opinions as current. In the course of our analysis, we were provided with both written and verbal information, including limited information on the market, financial and operating data, which we accepted as accurate. Nothing has come to our attention to cause us to believe that the facts and data set forth in this report are not true or correct. Therefore, no responsibility is assumed for technical information furnished by the third party organizations and this is believed to be reliable.

Annexure II –Key Assumptions

Variable	Units
1Acres	43560 Sq.Ft
I Millions	1,000,000
Increase in Construction Cost	5%
Increase in Sale price	5%
Discount Rate	16%
Developers Margin as % of Sale Value	20%
Yield	
Commercial	9.5%
Retail	10%
Effective Land area in Integrated development as % of total land area.	75%
Cost as % of Total Construction Cost	
Overheads	2%
Contingencies	5%

Components	Normative Construction Cost in Rs./Sq.Ft
Apartment	1,000
Luxury Apartment	2,000
Row House	1,250
Villas / Premium row Houses	1,300
Commercial	1,700
Retail	2,000

Components	FSI
Apartment	1.5
Row Houses	1.0
Villas	0.5
Plots	0.7
Commercial	1.5
Retail	1.5