

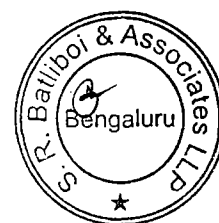
S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

Annexure 1 referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

Re: Sobha Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties included in fixed assets are held in the name of the Company.
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.
- (iii) (a) The Company had subscribed to unsecured debentures to one party covered in the register maintained under Section 189 of the Companies Act, 2013. In our opinion and according to the information and explanations given to us, the terms and conditions of the grant for such debentures are not prejudicial to the Company's interest.
- (b) The unsecured debentures are compulsorily convertible into equity shares on expiry of 19 years from date of issue or on happening of certain events. The Company has sold such debentures during the year in accordance with the terms as stipulated in the agreement. The payment of interest is regular as per the agreed terms.
- (c) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under Section 189 of the Companies Act, 2013 which are outstanding for more than ninety days.
- (iv) In our opinion and according to the information and explanations given to us, provisions of Section 185 and 186 of the Companies Act 2013 in respect of loans to directors including entities in which they are interested and in respect of loans and advances given, investments made and, guarantees, and securities given have been complied with by the Company.
- (v) The Company has not accepted any deposits from the public.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 148(1) of the Companies Act, 2013, related to the construction of buildings/ structures and other related activities, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.



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- (vii) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute are as follows:

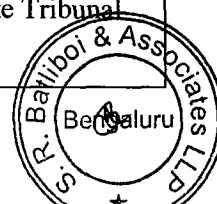
Name of the statute	Nature of dues	Amount * (₹ in million)	Period to which amount relates	Forum where dispute is pending
Andhra Pradesh Sales Tax Act	Basis of charge of sales tax	26.92	2002-04	High Court
Karnataka Sales Tax Act	Basis of charge of sales tax	30.68	1998-06	Sales Tax Appellate Tribunal
Karnataka Sales Tax Act	Basis of charge of sales tax	64.55	2003-05	High Court
Karnataka Sales Tax Act	Basis of charge of sales tax	127.27	2007-08	High Court
Karnataka Sales Tax Act	Basis of charge of sales tax	25.60	2008-09	High Court
Karnataka Sales Tax Act	Basis of charge of sales tax	28.62	2009-10	High Court
Karnataka Sales Tax Act	Basis of charge of sales tax	67.71	2010-11	High Court
Karnataka Sales Tax Act	Basis of charge of sales tax	43.98	2011-12	High Court
Kerala Sales Tax Act	Basis of charge of sales tax	20.97	2012-13	Deputy Commissioner (Appeals)
Kerala Sales Tax Act	Basis of charge of sales tax	29.66	2013-14	Deputy Commissioner (Appeals)



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Name of the statute	Nature of dues	Amount * (₹ in million)	Period to which amount relates	Forum where dispute is pending
Tamil Nadu Value Added Tax Act	Basis of charge of sales tax	78.11	2013-14	The Appellate Deputy Commissioner
Tamil Nadu Value Added Tax Act	Basis of charge of sales tax	38.37	2014-15	The Appellate Deputy Commissioner
The Maharashtra Value Added Tax Act	Basis of charge of sales tax	5.87	2008-09	Joint Commissioner of Sales Tax Appeal
The Maharashtra Value Added Tax Act	Basis of charge of sales tax	2.91	2009-10	Joint Commissioner of Sales Tax Appeal
The Maharashtra Value Added Tax Act	Basis of charge of sales tax	6.22	2010-11	Joint Commissioner of Sales Tax Appeal
Income Tax Act	Differential tax treatment	1.65	1999-01	High Court
Income Tax Act	Differential tax treatment	1.89	1999-01	Income Tax Appellate Tribunal
Income Tax Act	Disallowances	10.40	2008-09	Commissioner of Income Tax (Appeal)
Income Tax Act	Disallowances	4.60	2007-11	Additional Commissioner of Income Tax
Income Tax Act	Disallowances	153.21	2005-07	High Court
Income Tax Act	Disallowances	1,330.07	2006-14	Commissioner of Income Tax (Appeal)
Finance Act, 1994 (Service Tax Provisions)	Basis of valuation	95.67	2006-08	Central Excise and Service Tax Appellate Tribunal
Finance Act, 1994 (Service Tax Provisions)	Service tax demand	790.44	2006-07	Supreme Court
Finance Act, 1994 (Service Tax Provisions)	Disallowances	4.23	2002-07	Central Excise and Service Tax Appellate Tribunal



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Name of the statute	Nature of dues	Amount * (₹ in million)	Period to which amount relates	Forum where dispute is pending
Finance Act, 1994 (Service Tax Provisions)	Service tax demand	119.32	2008-11	Central Excise and Service Tax Appellate Tribunal
Finance Act, 1994 (Service Tax Provisions)	Service tax demand	387.07	2006-12	Central Excise and Service Tax Appellate Tribunal
Finance Act, 1994 (Service Tax Provisions)	Service tax demand	67.72	2012-13	Commissioner of Central Excise and Service Tax (LTU)
Finance Act, 1994 (Service Tax Provisions)	Service tax demand	0.33	2008-11	Commissioner of Central Excise and Service Tax (Appeals)
Customs Act, 1962	Differential tax treatment	1.27	2010-11	Central Excise and Service Tax Appellate Tribunal
The Central Excise Act, 1944	Excise duty demand	6.00	2013-16	Central Excise and Service Tax Appellate Tribunal
The Central Excise Act, 1944	Excise duty demand	4.75	2013-15	Commissioner of Central Excise

* Net of ₹ 425.33 million, paid under protest.

(viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders or government.

(ix) In our opinion and according to the information and explanations given by the management, the Company has utilized the monies raised by way of debt instruments in the nature of Non-convertible debentures and term loans (representing loans with a repayment period beyond 36 months) for the purposes for which they were raised.



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- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a nidhi Company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with Section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and, not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in Section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, the provisions of Section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S.R. Batliboi & Associates LLP

Chartered Accountants

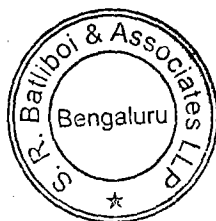
ICAI Firm Registration Number: 101049W/E300004


per Adarsh Ranka
Partner

Membership Number: 209567

Place: Bengaluru, India

Date: May 16, 2017



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Annexure 2 to the Independent Auditor's Report of even date on the standalone Ind AS financial statements of Sobha Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

To the Members of Sobha Limited

We have audited the internal financial controls over financial reporting of Sobha Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

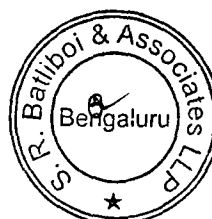
The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.



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Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S.R. Batliboi & Associates LLP

Chartered Accountants

ICAI Firm Registration Number: 101049W/E300004



per Adarsh Ranka
Partner

Membership Number: 209567



Place: Bengaluru, India

Date: May 16, 2017