

INDEPENDENT AUDITOR'S REPORT

To the Members of Sobha Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of Sobha Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2020, the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2020, its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the standalone financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current year. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

A. Revenue recognition - refer note 2.2 (a)(ii)(a) to the standalone financial statements

Key Audit Matter	How the matter was addressed in our audit
Measurement of revenue recorded from sale of residential units Revenues from sale of residential units represents the largest portion of the total revenues of the Company. Revenue is recognised upon transfer of control of residential units to customers for an amount which reflects the consideration the Company expects to receive in exchange for those units. The point of revenue recognition is normally on handover of the unit to the customer on completion of the project, post which the contract becomes non-cancellable by the parties. The Company records revenue at a point	Our audit procedures on revenue recognition included the following: Evaluation of the Company's accounting policies for revenue recognition on sale of residential units are in line with the applicable accounting standards and their application to customer contracts including consistent application;

INDEPENDENT AUDITORS' REPORT (continued)

Key Audit Matters (continued)

A. Revenue recognition (continued) - refer note 2.2 (a) (ii)(a) to the standalone financial statements

in time upon transfer of control of residential units to the customers.

Considering the volume of the Company's projects, spread across different regions within the country and the competitive business environment, there is a risk of revenue being overstated (for example, through premature revenue recognition i.e. recording revenue prior to handover of unit to the customers) or understated (for example, through improperly shifting revenues to a later period) in order to present consistent financial results. Since revenue recognition has direct impact on the Company's profitability, there is a possibility of the Company being biased, hence this is considered as a key audit matter.

- Evaluation of the design and implementation and testing the operating effectiveness of key controls around approvals of contracts, milestone billing, handover letters and controls over collection from customers;
- For samples selected, verifying the underlying documents – handover letter, sale agreement signed by the customer and the collections;
- Cut-off procedures for recording of revenue in the relevant reporting period;
- Site visits during the year for selected projects to understand the scope, nature, status and progress of the projects; and
- Considered the adequacy of the disclosures in note 2.2(a)(ii)(a) to the standalone financial statements in respect of recognising revenue for residential units.

B. Revenue recognition - refer note 3(b)(i) to the standalone financial statements

Key Audit Matter

Measurement of revenue on contractual projects recorded over time which is dependent on the estimates of the costs to complete

Revenue recognition from contractual projects represents a significant portion of the total revenues of the Company.

Revenue recognition from contractual projects involves significant estimates related to measurement of costs to complete the projects. Revenue from projects is recorded based on Company's assessment of the work completed, costs incurred and accrued and the estimate of the balance costs to complete.

Due to the inherent nature of the projects and significant judgment involved in the estimate of costs to complete, there is risk of overstatement or understatement of revenue, hence this is considered as a key audit matter.

How the matter was addressed in our audit

Our audit procedures on revenue recognition included the following:

- Evaluation of Company's accounting policies for revenue recognition on contractual projects are in line with the applicable accounting standards and their application to customer contracts including consistent application;
- For samples selected during the year, verifying the underlying documents – contracts with customers, invoices raised and collections from the customers;
- Comparing the costs to complete workings with the budgeted costs and analysis of the variances, if any;
- Sighting approvals for changes in budgeted costs with the rationale for the changes; and
- Assessment of costs incurred on projects, which is used by the Company to determine the percentage of completion.
- Considered the adequacy of the disclosures in note 3(b)(i) to the standalone financial statements in respect of judgements taken to recognise revenue for contractual projects.

INDEPENDENT AUDITORS' REPORT (continued)

Key Audit Matters (continued)

A. Revenue recognition (continued) - refer note 2.2 (a) (ii)(a) to the standalone financial statements

Key Audit Matter	How the matter was addressed in our audit
	Considered the adequacy of the disclosures in note 41 to the standalone financial statements in respect revenue recognised and cost incurred till date, profit / loss recognised till date, amount received as advance from customers, work-in-progress, value of inventories and amount of retentions due from customers.

C. Revenue recognition - refer note 2.2 (a)(iii) to the standalone financial statements

Key Audit Matter	How the matter was addressed in our audit
Measurement of revenue recorded from sale of products Revenue is recognised upon transfer of control of products manufactured by the Company to customers for an amount which reflects the consideration the Company expects to receive in exchange for those products. The point of revenue recognition is normally upon transfer of control to the customer on delivery of product. Considering the competitive business environment, there is a risk of revenue being overstated (for example, through premature revenue recognition i.e. recording revenue prior to transfer of control to the customers) or understated (for example, through improperly shifting revenues to a later period) in order to present consistent financial results. Since revenue recognition has direct impact on the Company's profitability, there is a possibility of the Company being biased, hence this is considered as a key audit matter.	Our audit procedures on revenue recognition included the following: - Evaluation of Company's accounting policies for revenue recognition on sale of products manufactured, are in line with the applicable accounting standards; - Evaluation of the design and implementation and testing the operating effectiveness of key controls around approvals of sale order received, invoice raised, intimation of delivery of product and controls over collection from customers; - For samples selected, verifying the underlying documents – sale order, invoice raised, good received note authorised by the customer and the collections; and - Cut-off procedures for recording of revenue in the relevant reporting period.

D. Inventories - refer note 3 (b)(iii) to the standalone financial statements

Key Audit Matter	How the matter was addressed in our audit
Assessment of net realisable value (NRV) of inventories Inventories on construction of residential units comprising ongoing and completed projects, initiated but unlaunched projects and land stock, represents a significant portion of the Company's total assets.	Our audit procedures to assess the net realisable value (NRV) of inventories included the following: Enquiry with the Company's personnel to understand the basis of computation and justification for the estimated recoverable amounts of the unsold units ("the NRV assessment");

INDEPENDENT AUDITORS' REPORT (continued)**Key Audit Matters (continued)****C. Land advances (continued) - refer note 3(b)(iii) to the standalone financial statements**

Key Audit Matter	How the matter was addressed in our audit
The Company recognises profit on the sale of each unit residential unit with reference to the overall profit margin depending upon the total cost incurred on the project. A project comprises multiple units, the construction of which is carried out over a number of year. The recognition of profit for sale of a unit, is therefore dependent on the estimate of future selling prices and construction costs. Further, estimation uncertainty and exposure to cyclicalities exists within long- term projects. Forecasts of future sales are dependent on market conditions, which can be difficult to predict and be influenced by political and economic factors. Considering the significance of the amount of carrying value of inventories and the involvement of significant estimation and judgement in assessment of NRV, this is considered as a key audit matter.	- Assessing the Company's valuation methodology for the key estimates, data inputs and assumptions adopted in the valuation. This involved comparing expected average selling prices with published data such as recently transacted prices for similar properties located in nearby vicinity of each project and the sales budget maintained by the Company; - While analyzing the expected average selling price, we have performed a sensitivity analysis on the selling price and compared this to the budgeted cost; - For our samples, obtained the fair valuation reports of such land parcels for assessing the valuation methodology, key estimates and assumptions adopted in the valuation; and - Verifying the NRV assessment and comparing the estimated construction costs to complete each development with the Company's updated budgets;

E. Land Advances - refer note 3 (b)(iii) to the standalone financial statements

Key Audit Matter	How the matter was addressed in our audit
Assessment of recoverability of land advances Land advance represents a significant portion of the Company's total assets. Land advance represents the amount paid towards procurement of land parcels to be used in the future for construction of residential projects. These advances are carried at cost less impairment losses. These land advances will be converted into land parcels as per the terms of the underlying contracts under which these land advances have been given. The carrying value of advances are tested for recoverability by the Company by comparing the valuation of land parcels in the same area for which land advances have been given. Considering the quantum of the amount of carrying value of land advances to total assets of the Company and significant estimates and judgements involved in assessing recoverability of land advances, this has been considered as a key audit matter	Our audit procedures to assess the recoverability of land advances included the following: - Enquiry with the Company's personnel on the process of providing land advances and test of key controls over such land advances paid during the year; - Enquiry with the Company's personnel also covered obtaining reasons on the long-standing land advances and understanding Company's plan for conversion of the land advances to land stock; - For our samples, verified the underlying agreements or Memorandum of understanding in possession of the Company, based on which land advances were given, to assess the Company's rights over the land parcels in subject;

INDEPENDENT AUDITORS' REPORT (continued)

Key Audit Matter	How the matter was addressed in our audit
	- For our samples, obtained the fair valuation reports of such land parcels for assessing the valuation methodology, key estimates and assumptions adopted in the valuation.; and - For our samples, verified the published guidelines values for the area in which these land parcels are situated

F. Investment in subsidiaries - refer note 2.2(h) to the standalone financial statements

Key Audit Matter	How the matter was addressed in our audit
Assessment of impairment of investment in subsidiaries The carrying amount of the investments in subsidiaries held at cost less impairment represents a significant portion of the Company's total assets. The Company has investments in subsidiaries and a joint venture. These investments are carried at cost less any diminution in value of such investments. The investments are analyzed for impairment at each reporting date by comparing the carrying value of investments in the Company's books with the net assets of the relevant subsidiaries' and joint venture's balance sheet. Further, the Company assesses the projected cash flows of the real estate projects in these underlying entities. This involve significant estimates and judgment, due to the inherent uncertainty involved in forecasting future cash flows. There is significant judgment in estimating the timing of the cash flows and the relevant discount rate. Considering the impairment assessment involves significant assumptions and judgement, this is considered as a key audit matter.	Our audit procedures to assess recoverability included the following: - Comparing the carrying amount of investments in the Company's books, with the net asset balance in the relevant audited / unaudited balance sheet of subsidiaries' and joint venture. This is to identify if their net assets (being an approximation of their minimum recoverable amount) were in excess of their carrying amount; - For the investments where the carrying amount exceeded the Company's share in net asset value, we compared the carrying amount of the investment with the projected cash flows and profitability. This is based on approved business plans of the subsidiaries and joint venture; and - Considering the adequacy of disclosures in respect of the investment in subsidiaries and joint venture.

G. Inquiry from regulator - refer note 39 to the standalone financial statements

Key Audit Matter	How the matter was addressed in our audit
Assessment of certain transactions entered into by the Company on which queries have been received from SEBI During the current and previous year, the Company has received enquiries from Securities and Exchange Board of India (SEBI) about certain transactions entered into by the Company in earlier years.	Our audit procedures on the transactions include the following: Inquired with the senior management of the Company to understand the nature of the transactions in question, business rationale of entering into these transactions, status of the recoverability of outstanding receivables and accuracy of recording of any payables recorded as at the balance date;

INDEPENDENT AUDITORS' REPORT (continued)

Auditor's Responsibilities for the Audit of the Standalone Financial Statements (continued)

Key Audit Matter	How the matter was addressed in our audit
Based on the responses provided by the Company, SEBI has continued to follow up and sought substantiation of Company's responses with reference to the contracts, documents, correspondences etc. from the Company, under the provisions of Section 11 of the SEBI Act, 1992. The enquiries are directed to ascertain if there has been undue favour towards any individual in these specific business transactions carried out by the Company. Further, the Company has aged receivables and other asset balances outstanding from these transactions and SEBI has sought responses on efforts taken by the Company to recover these amounts due. Considering the significance of the matter, i.e. enquiries from SEBI and involvement of significant judgements and estimates by the Company on the realizability of these balances, this has been considered as a key audit matter.	• Tested the underlying documents, i.e., contracts entered into with customers and landowner's, correspondence with the customers to recover the outstanding balance and customer confirmations available with the Company on these transactions; • Evaluated and challenged the Company's assessment of recoverability of the balances outstanding as at the balance sheet date; • Obtained independent confirmation from the third parties on some of these transactions; • Based on our understanding from the discussions with the management, communicated updates on these transactions periodically to those charged with governance; • Obtained management note on the business rationale for these transactions; and • Considered the adequacy of the disclosure in the standalone financial statements.

Information Other than the Standalone Financial Statements and Auditors' Report thereon

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditor's report

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Management's and Board of Directors' Responsibility for the Standalone Financial Statements

The Company's Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT (continued)**Report on Other Legal and Regulatory Requirements (continued)**

In preparing the standalone financial statements, the Management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but, is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT (continued)**Report on Other Legal and Regulatory Requirements (continued)****Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. (A) As required by Section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under section 133 of the Act.
 - e) On the basis of the written representations received from the directors as on 27 June 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act.
 - f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- (B) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations as at 31 March 2020 on its financial position in its standalone financial statements - Refer Note 39 and 40 to the standalone financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company; and
 - iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2020.
- (C) With respect to the matter to be included in the Auditors' Report under section 197(16):
In our opinion and according to the information and explanations given to us, the remuneration paid by the company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

for **B S R & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

Amrit Bhansali

Partner

Membership number: 065155

UDIN: 20065155AAAADK3455

Bangalore

27 June 2020

Annexure A to the Independent Auditors' Report on the standalone financial statements of Sobha Limited ('the Company')

With reference to the Annexure A referred to in the Independent Auditors' Report to the members of the Company on the standalone financial statements for the year ended 31 March 2020, we report the following:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment and investment property under construction.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of 3 years, except scaffolding items. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, certain fixed assets were physically verified during the year. No material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.
- (ii) The Company's inventory includes construction work-in-progress. The requirements under paragraph 3(ii) of the Order are not applicable for construction work-in-progress. The other inventory comprising of raw material and finished goods has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable. The discrepancies noticed on verification between physical stock and the book records were not material.
- (iii) The Company has granted unsecured loans to two companies covered in the register maintained under Section 189 of the Companies Act, 2013 ('the Act'). According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to firms, limited liability partnerships or other parties covered in the register maintained under Section 189 of the Companies Act, 2013 ("the Act").
 - (a) According to the information and explanations given to us and based on the audit procedures conducted by us, we are of the opinion that the rate of interest and other terms and conditions of unsecured loans granted by the Company to companies covered in the register required to be maintained under Section 189 of the Act are not, prima facie, prejudicial to the interest of the Company.
 - (b) According to the information and explanations given to us and based on the audit procedures conducted by us, the unsecured loans granted to the companies and the interest thereon are repayable on demand or repayable as per contractual terms of the respective agreements. The borrowers have been regular in payment of principal and interest as demanded or as per contractual terms, as applicable.
 - (c) There are no overdue amounts of more than 90 days in respect of the unsecured loans granted to companies and limited liability partnerships by the Company.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act, with respect to investments made and guarantees given. Further, there are no loans and security given in respect of which provisions of Sections 185 and 186 of the Act are applicable.
- (v) In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning the directives issued by the Reserve Bank of India, provisions of Section 73 to 76 of the Act, any other relevant provisions of the Act and the relevant rules framed thereunder.

Annexure A to the Independent Auditors' Report on the standalone financial statements (continued)

- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under Section 148(1) of the Act in respect of the construction industry and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, employees state insurance, income-tax, goods and service tax, duty of customs, cess and any other material statutory dues have generally been regularly deposited with the appropriate authorities. As explained to us, the Company did not have any dues on account of sales-tax, service-tax, duty of excise and value added tax during the year.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees state insurance, income-tax, goods and service tax, duty of customs, cess and any other material statutory dues were in arrears, as at 31 March 2020, for a period of more than six months from the date they became payable. As explained to us, the Company did not have any dues on account of sales-tax, service-tax, duty of excise and value added tax during the year.

- (b) According to the information and explanations given to us, there are no dues of income-tax or duty of customs or sales tax or service-tax or duty of excise or value added tax which have not been deposited by the Company on account of disputes except for the following:

Nature of statute	Nature of dues	Amount (Rs in million) *	Period to which amount relates	Forum where dispute is pending
Andhra Pradesh Sales Tax Act	Basis of charge of sales tax	2.05	2002-05	High Court of Andhra Pradesh
Karnataka Sales Tax Act	Basis of charge of sales tax	127.27	2007-08	High Court of Karnataka
Karnataka Sales Tax Act	Basis of charge of sales tax	25.60	2008-09	High Court of Karnataka
Karnataka Sales Tax Act	Basis of charge of sales tax	27.62	2009-10	High Court of Karnataka
Karnataka Sales Tax Act	Basis of charge of sales tax	67.71	2010-11	High Court of Karnataka
Karnataka Sales Tax Act	Basis of charge of sales tax	43.97	2011-12	High Court of Karnataka
Karnataka Sales Tax Act	Basis of charge of sales tax	64.63	2013-14	High Court of Karnataka
Karnataka Sales Tax Act	Basis of charge of sales tax	43.52	2014-15	High Court of Karnataka
Karnataka Sales Tax Act	Basis of charge of sales tax	11.71	2012-13	High Court of Karnataka
Kerala Sales Tax Act	Basis of charge of sales tax	26.06	2013-14	District Commissioner - (Appeals) Thiruvananthapuram
Kerala Sales Tax Act	Basis of charge of sales tax	2.51	2010-11	District Commissioner - (Appeals) Thiruvananthapuram
Kerala Sales Tax Act	Basis of charge of sales tax	20.97	2012-13	Sales Tax Appellate Tribunal, Thiruvananthapuram
Haryana Sales Tax Act	Basis of charge of sales tax	1.28	2011-12	Commissioner Appeal, Gurugram
Haryana Sales Tax Act	Basis of charge of sales tax	45.01	2015-16	Commissioner Appeal, Gurugram

Annexure A to the Independent Auditors' Report on the standalone financial statements (continued)

Nature of statute	Nature of dues	Amount (Rs in million) *	Period to which amount relates	Forum where dispute is pending
Maharashtra Value Added Tax Act	Basis of charge of sales tax	5.87	2008-09	Joint Commissioner of Sales Tax appeal, Pune
Maharashtra Value Added Tax Act	Basis of charge of sales tax	6.22	2010-11	Joint Commissioner of Sales Tax appeal, Pune
Maharashtra Value Added Tax Act	Basis of charge of sales tax	1.43	2010-11	Joint Commissioner of Sales Tax appeal, Pune
Maharashtra Value Added Tax Act	Basis of charge of sales tax	0.34	2008-09	Joint Commissioner of Sales Tax appeal, Pune
Maharashtra Value Added Tax Act	Basis of charge of sales tax	0.38	2011-12	Commissioner of Central Tax, Pune
Maharashtra Value Added Tax Act	Basis of charge of sales tax	0.51	2014-15	Sales Tax Appellate Tribunal, Maharashtra
Maharashtra Value Added Tax Act	Basis of charge of sales tax	0.85	2011-12	Sales Tax Appellate Tribunal, Maharashtra
Kolkata Value Added Tax Act	Basis of charge of sales tax	1	2009-10	West Bengal Commercial Taxes appellate, Kolkata
Finance Act, 1994 (service tax provisions)	Service tax demand	368.06	2006-13	Central Excise and Service Tax Appellate Tribunal, Bangalore
Finance Act, 1994 (service tax provisions)	Service tax demand	91.47	2008-16	Commissioner of Central Tax, GST Commissioner, Bangalore
Excise duty	Excise duty demand	6.00	2013-15	Central Excise and Service Tax Appellate Tribunal, Bangalore
Customs Act, 1962	Differential tax treatment	1.27	2010-11	Central Excise and Service Tax Appellate Tribunal, Bangalore
Income tax Act	Disallowance	54.19	2006-07	High Court of Karnataka
Income tax Act	Disallowance	97.77	2007-08	High Court of Karnataka
Income tax Act	Disallowance	23.07	2006-14	Income Tax Appellate Tribunal, Bangalore

*Net of Rs 503.65 million in total paid under protest

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings to financial institutions and banks and debenture holders during the year. The Company did not have any outstanding loans or borrowings from government during the year.
- (ix) According to the information and explanations given to us and based on examination of the records of the Company, the term loans obtained during the year were applied for the purpose for which they were

Annexure A to the Independent Auditors' Report on the standalone financial statements (continued)

obtained. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year.

- (x) According to the information and explanations given to us, no fraud on the Company by its officers and employees or fraud by the Company has been noticed or reported during the course of our audit.
- (xi) According to the information and explanations given to us and based on examination of the records of the Company, the Company has paid managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- (xii) According to the information and explanations given to us, in our opinion, the Company is not a Nidhi Company as prescribed under Section 406 of the Act.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable, and details of all transactions have been disclosed in the standalone financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made preferential allotment or private placement of shares or fully or partly convertible debentures during the year.

Annexure A to the Independent Auditors' Report on the standalone financial statements of Sobha Limited ('the Company') (continued)

- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him.
- (xvi) According to the information and explanation given to us and in our opinion the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934.

for **B S R & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

Amrit Bhansali

Partner

Membership number: 065155

UDIN: 20065155AAAADK3455

Bangalore

27 June 2020

Annexure B to the Independent Auditors' Report on the standalone financial statements of Sobha Limited ('the Company') for the year ended 31 March 2020**Report on the Internal Financial Controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")****(Referred to in paragraph (A) (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)****Opinion**

We have audited the internal financial controls with reference to standalone financial statements of Sobha Limited ("the Company") as of 31 March 2020 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to standalone financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to financial statements 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 (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 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 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 with reference to financial statements were established and maintained and whether 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, 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 standalone 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 Company's internal financial controls with reference to standalone financial statements.

Annexure B to the Independent Auditors' Report on the standalone financial statements (continued)

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial controls with reference to financial statements 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 controls with reference to financial statements include 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 unauthorized 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 with Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

for **B S R & Co. LLP**

Chartered Accountants

ICAI Firm registration number: 101248W/W-100022

Amrit Bhansali

Partner

Membership number: 065155

UDIN: 20065155AAAADK3455

Bangalore

27 June 2020