

BSE Sensex 81,331
S&P CNX 24,667



Bloomberg	SOBHA IN
Equity Shares (m)	107
M.Cap.(INRb)/(USDb)	141 / 1.7
52-Week Range (INR)	2178 / 1075
1, 6, 12 Rel. Per (%)	9/-19/-31
12M Avg Val (INR M)	461

Financials & Valuations (INR b)

Y/E Mar	FY25E	FY26E	FY27E
Sales	42.0	50.3	58.1
EBITDA	2.9	8.1	12.5
EBITDA Margin (%)	7.0	16.0	21.4
PAT	1.2	4.9	8.2
EPS (INR)	11.6	48.9	81.2
EPS Gr. (%)	124.3	320.7	66.2
BV/Sh. (INR)	355.5	401.4	479.6

Ratios

RoE (%)	3.8	12.9	18.4
RoCE (%)	5.0	11.2	15.8
Payout (%)	25.8	6.1	3.7

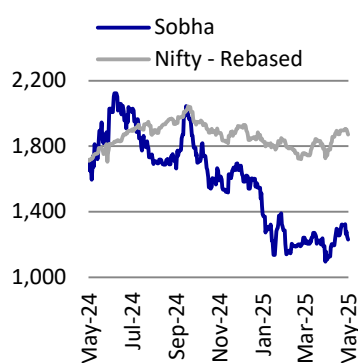
Valuations

P/E (x)	114	27	16
P/BV (x)	4	3	3
EV/EBITDA (x)	45	17	11
Div yld (%)	0.2	0.2	0.2

Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	52.9	52.8	52.3
DII	24.0	24.2	17.6
FII	8.9	10.0	11.9
Others	14.2	13.0	18.3

Stock Performance (1-year)



CMP: INR1,319 **TP: INR1,803 (+37%)** **Buy**

Approval delays impact FY25 performance, but strong growth ahead

SOBHA ended FY25 with 6% lower presales YoY due to approval delays, but the company has a strong project pipeline, supported by its extensive land bank. SOBHA is expected to post a 39% CAGR in presales over FY25-27E, further boosted by its entry into MMR. The recent fundraise through the rights issue has alleviated debt concerns, shifting the company's focus to driving growth by accelerating BD in new geographies. SOBHA's track record of delivering quality products in a timely manner will allow it to generate a strong cumulative operating cash flow of INR64b over FY25-27E, which can be used for project acquisitions. We remain confident in SOBHA's growth story, as its substantial land bank supports its projected growth. Hence, we reiterate our BUY rating with a revised TP of INR1,803/share, implying a 37% upside.

Strong pipeline to support presales growth

- The company recently launched two projects in Bangalore in 4QFY25 – 1) SOBHA Madison Heights and SOBHA Hamptons (3.7msf) in TownPark and 2) plotted development project spread over 18.38 acres offering a total saleable area of 0.44msf. These projects thereby led to 76% sales contribution from Bangalore in 4QFY25. In FY25, Bangalore contributed to 68% of sales, followed by Gurgaon at 20%.
- Due to delays in launches, bookings in FY25 were down 6% YoY at INR62.8b, yet 2% above our estimate. The company has outlined ~30msf of launches, with ~4.1msf having already been launched in 4QFY25 and the remaining to be launched over the next two years.
- With its vast land reserves of 1,795 acres, SOBHA aims to launch 30-40msf of projects over the next three to four years. These launches will include the initial phases of its projects on large land parcels in Hosur (Tamil Nadu) and Hoskote (Bengaluru).
- With these upcoming launches, presales are estimated to clock a 39% CAGR during FY25-27E, reaching INR121b by FY27.

Fundraise to accelerate growth

- Over the last two years, the company has focused primarily on reducing debt while maintaining steady growth. Going forward, it intends to expedite launches to generate strong cash flows.
- In 2QFY25, to capitalize on consolidation opportunities, the company raised funds through a rights issue of up to INR20b, of which ~INR9b was utilized for debt reduction and ~INR12b would be used for business development opportunities over the next 12 months.
- The company will now have three strong levers of growth: a) launches from the land bank, b) cash generated from the existing pipeline, and c) fresh equity capital.

Margin expansion to allay concerns

- EBITDA margins have steadily declined over the past three fiscal years, dropping to 9% in FY24 from 11% in FY23 and 21% in FY22. This consistent contraction in margins is largely attributable to the underwhelming performance of the contractual segment, which continues to face headwinds due to cost overruns in legacy projects. These older projects, often initiated under less favorable conditions or outdated cost assumptions, have consistently underperformed, thereby dragging down overall profitability.
- This margin pressure has continued into FY25 as well, reflecting the continuing impact of losses in the contractual segment. The company has not yet been able to fully resolve these legacy issues, and as a result, EBITDA margin for FY25 is estimated at 7%, indicating a further decline from the previous year and underscoring the ongoing challenges in this segment.
- In addition to the issues in the contractual business, the company's residential segment has also shown signs of margin stress in FY25. So far in FY25, residential margins have come in at 12% for 1Q, 11% for 2Q, and 12% for 3Q, reflecting a contraction compared to previous years. This is particularly noteworthy because the company continues to price its residential products at a 10-15% premium over peers, signaling that higher pricing alone has not been sufficient to maintain or improve profitability.
- Despite premium pricing, residential margin compression remains a key investor concern, highlighting the need for better cost control and execution. Margin expansion is now critical for any potential stock re-rating.
- Management expects margin recovery post-resolution of legacy contracts, targeting EBITDA margins of 21% by FY27. This will be driven by new, higher-margin projects with improved cost and execution efficiencies.

Net debt well under control; 3x increase in OCF to drive growth

- Net debt is expected to stabilize as the company shifts its focus to business development to strengthen its future pipeline in new geographies. However, ~INR9b of debt has been reduced with the proceeds of the rights issue, bringing the net debt to INR4.5b, with a D/E ratio of 0.13x.
- Net operating cash flow is expected to increase ~3x from FY25 to INR40b by FY27, as we estimate real estate collections for the same period to increase ~2x with planned launches. Further, funds raised from the remaining tranche of the rights issue will be allocated to BD activities to enhance the future launch pipeline.

Strong collections guide revenue CAGR of 18% from FY25-27E

- The company's projected growth trajectory, driven by a significant ~2x increase in collections, is expected to drive revenues to INR58b by FY27, reflecting a robust 18% CAGR over FY25-27E. This substantial revenue expansion is anticipated to drive a 4x jump in EBITDA to INR12b during FY25-27E, with an impressive 21% EBITDA margin, addressing earlier concerns regarding profitability.
- Margin expansion will be guided by the recognition of higher-margin projects and a recovery in contractual business margins to the previous levels of ~18%.

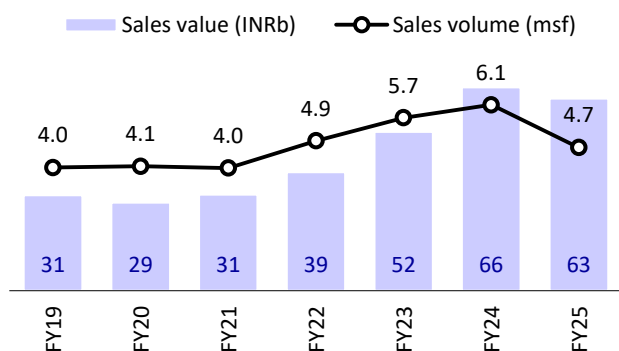
- Furthermore, PAT is estimated to surge to INR8.2b at a 164% CAGR over FY25-27, representing a 7x increase compared to FY25.

Valuation and view

- SOBHA continues to provide strong growth visibility by unlocking its vast land reserves. Additionally, the strong cash flows will enable the company to focus on new land acquisitions, which will further enhance its growth pipeline.
- We incorporate the updated launch pipeline and new projects acquired during the year. The ongoing and upcoming projects are valued at INR75b after deducting future land acquisitions and adjusting for incremental BD during the year.
- Our land reserve estimated for SOBHA is ~165msf and is valued at INR87b assuming 25-75 years of monetization.
- **We reiterate our BUY rating on the stock with a revised TP of INR1,803 (previously INR1,714), indicating a 37% upside potential.**

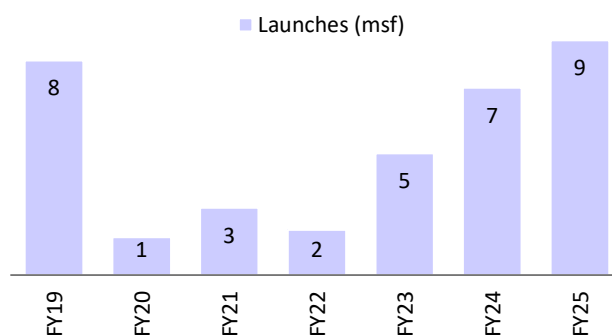
Story in charts

Exhibit 1: 6% YoY dip in FY25 sales due to launch delays



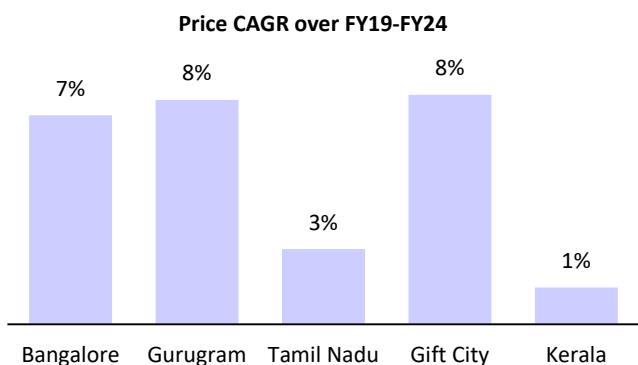
Source: Company, MOFSL

Exhibit 2: Gradual increase in new launches since FY20



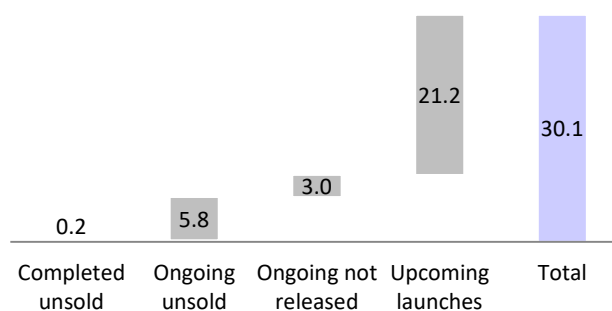
Source: Company, MOFSL

Exhibit 3: Healthy price growth witnessed across markets



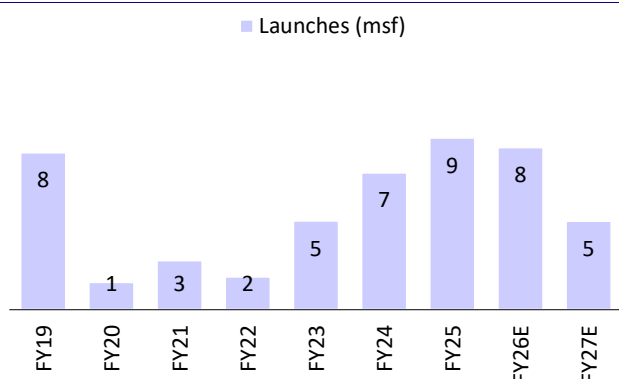
Source: Company, MOFSL

Exhibit 4: SOBHA has a pipeline of 30.1msf (including 21.2msf of forthcoming projects)



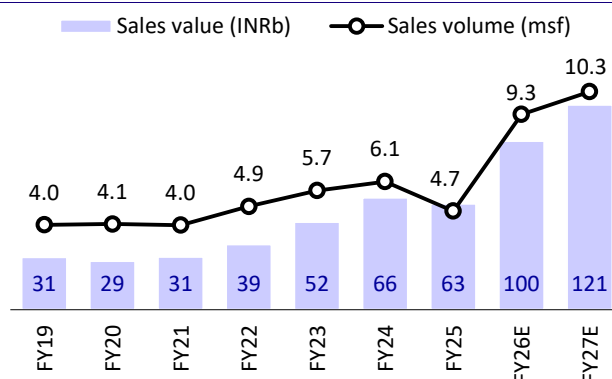
Source: Company, MOFSL

Exhibit 5: SOBHA to release 13msf over the next two years



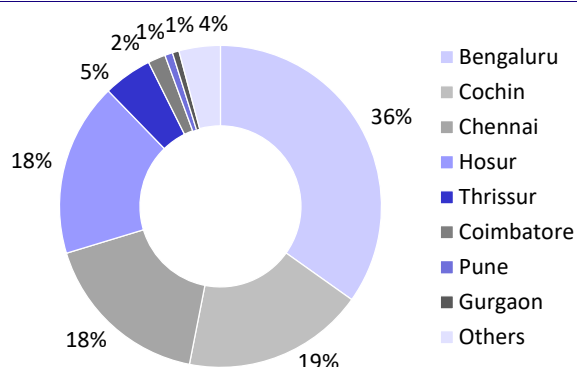
Source: Company, MOFSL

Exhibit 6: Presales can increase to over INR121b by FY27



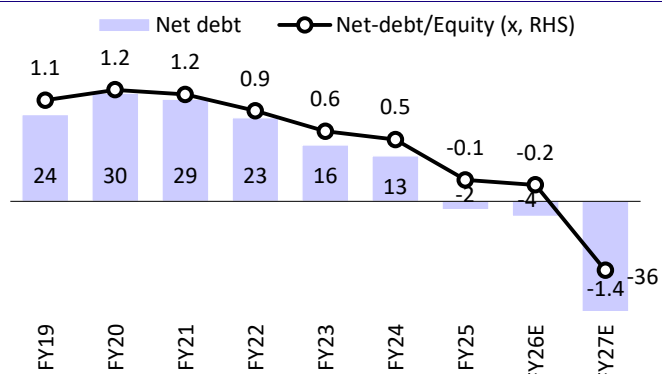
Source: Company, MOFSL

Exhibit 7: SOBHA owns large land parcels in key markets such as Bengaluru, Kochi, Chennai, and Hosur



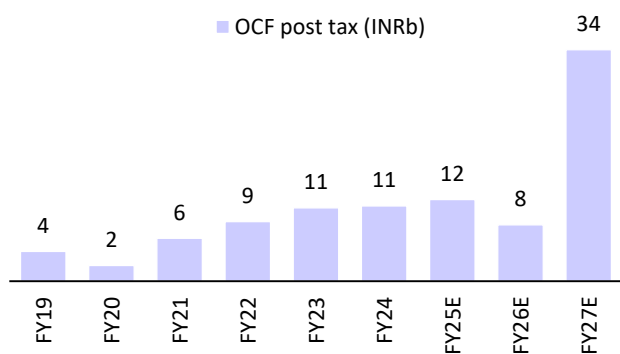
Source: Company, MOFSL

Exhibit 8: Net cash by FY25



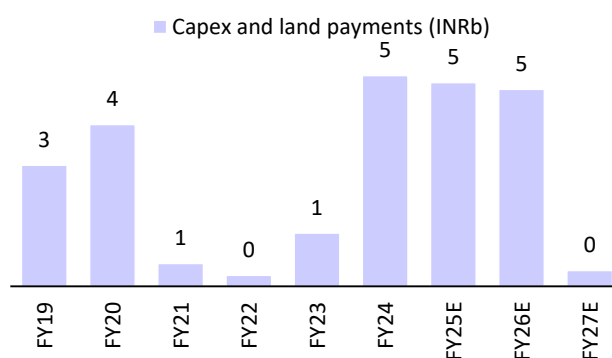
Source: Company, MOFSL

Exhibit 9: SOBHA to generate post-tax OCF of INR34b in FY27



Source: Company, MOFSL

Exhibit 10: Average spending in the next 2-3 years at INR5b



Source: Company, MOFSL

Valuation and view

- We value SOBHA based on our SoTP approach:
 - Its ongoing inventory and the upcoming pipeline are valued using NAV, with expected cash flow discounted over the next five years at a WACC of 11.3% and accommodated for land investment of INR25b for future project addition.
 - The cash flow potential of its 165msf land bank is discounted at a WACC of 11.3% over 25-75 years, assuming marginal expansion in existing sales velocity across markets that the company is exposed to.
 - Operational commercial projects are valued at an 8.5% cap rate and ongoing projects are valued on a DCF basis.
 - SOBHA's contractual business is valued at an EV/EBITDA of 10x on FY26E EBITDA.

Based on the above approach, we arrive at a GAV of INR186b. Subtracting net debt of INR5b for 3QFY25, we derive a revised NAV of INR182b or INR1,803/share (earlier INR173b, or INR1,714/share), indicating a potential upside of 37%.

Exhibit 11: Our SoTP-based valuation

NAV Summary	Description	INR b	Per Share	% of NAV
Ongoing projects	❖ INR33b of net cash surplus ex. overheads discounted at a WACC of 11.3% over the next five years, adjusted for land investments of INR25b	23	224	12%
Future projects	❖ ~15msf unreleased ongoing and upcoming pipeline discounted over five years at a WACC of 11.3%	53	522	29%
Value of residential business		75	746	41%
Commercial properties	❖ Operational assets valued at a cap rate of 8.5% and ongoing projects through DCF	9	86	5%
Land Bank (net of cost payable)	❖ Cash flow potential from 165msf land bank discounted at a WACC of 11.3% over 25-75 years, depending on the size of the land parcel	87	867	48%
Contractual and manufacturing	❖ FY26E EBITDA at EV/EBITDA of 10x	15	149	8%
Gross Asset value		186	1,848	103%
Net Debt	❖ FY25E Net debt	(5)	(45)	-3%
Net asset value		182	1,803	100%
Shares O/S		100.9		
Target Price		1,803		
CMP		1,319		
Upside		37%		

Source: MOFSL

Financials and valuations

Consolidated Profit & Loss (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total Income from Operations	21,098	25,613	33,101	30,969	41,991	50,333	58,105
Change (%)	-43.8	21.4	29.2	-6.4	35.6	19.9	15.4
Project Cost & Subcontractor Charges	9,281	14,129	21,022	19,048	28,554	30,200	31,958
Employees Cost	1,771	2,512	2,945	3,526	4,115	4,527	4,979
Other Expenses	3,294	3,644	5,440	5,625	6,383	7,550	8,716
Total Expenditure	14,346	20,285	29,407	28,199	39,052	42,277	45,653
% of Sales	68.0	79.2	88.8	91.1	93.0	84.0	78.6
EBITDA	6,752	5,328	3,694	2,770	2,939	8,057	12,452
Margin (%)	32.0	20.8	11.2	8.9	7.0	16.0	21.4
Depreciation	794	719	678	782	867	899	931
EBIT	5,958	4,609	3,016	1,988	2,073	7,158	11,521
Int. and Finance Charges	6,012	3,083	2,490	2,455	1,942	1,674	1,407
Other Income	807	840	923	1,209	1,640	1,966	2,269
PBT bef. EO Exp.	752	2,366	1,449	742	1,771	7,449	12,384
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	752	2,366	1,449	742	1,771	7,449	12,384
Total Tax	129	634	407	251	599	2,520	4,190
Tax Rate (%)	17.2	26.8	28.1	33.8	33.8	33.8	33.8
Minority Interest	0	0	0	0	0	0	0
Reported PAT	623	1,732	1,042	491	1,172	4,929	8,194
Adjusted PAT	623	1,732	1,042	491	1,172	4,929	8,194
Change (%)	-77.9	177.8	-39.8	-52.9	138.6	320.7	66.2
Margin (%)	3.0	6.8	3.1	1.6	2.8	9.8	14.1

Consolidated Balance Sheet (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	949	949	948	948	1,009	1,009	1,009
Total Reserves	23,329	24,157	23,998	24,192	34,863	39,489	47,380
Net Worth	24,277	25,106	24,947	25,141	35,872	40,498	48,389
Minority Interest	0	0	0	0	0	0	0
Total Loans	30,031	24,630	20,268	19,397	16,897	14,397	11,897
Deferred Tax Liabilities	342	151	126	149	-711	-4,187	-5,651
Capital Employed	54,650	49,887	45,341	44,687	52,057	50,708	54,635
Gross Block	11,892	12,384	12,488	14,961	15,447	16,086	16,585
Less: Accum. Deprn.	3,558	4,277	4,955	5,737	6,604	7,502	8,433
Net Fixed Assets	8,334	8,107	7,533	9,224	8,843	8,584	8,151
Goodwill on Consolidation	0	0	172	172	172	172	172
Capital WIP	701	65	86	122	413	392	263
Total Investments	1,143	1,149	1,149	1,149	1,149	1,149	1,149
Curr. Assets, Loans&Adv.	1,01,924	1,04,779	1,15,721	1,26,298	1,39,912	1,40,288	1,45,991
Inventory	71,246	74,271	87,610	93,764	1,00,572	98,453	1,06,315
Account Receivables	2,361	4,069	2,375	2,039	2,876	2,758	3,184
Cash and Bank Balance	2,041	1,783	4,514	6,733	17,568	11,394	4,533
Loans and Advances	26,275	24,656	21,222	23,762	18,896	27,683	31,958
Curr. Liability & Prov.	57,452	64,214	80,542	92,277	98,432	99,877	1,01,091
Account Payables	7,318	6,753	5,987	6,165	11,769	12,741	13,758
Other Current Liabilities	49,844	57,131	74,123	85,643	86,028	86,374	86,454
Provisions	290	330	432	469	635	762	879
Net Current Assets	44,473	40,565	36,574	34,021	41,480	40,411	44,899
Misc Expenditure	0	0	0	0	0	0	0
Appl. of Funds	54,650	49,886	45,342	44,687	52,057	50,708	54,635

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)							
EPS	6.5	18.0	10.8	5.2	11.6	48.9	81.2
Cash EPS	14.7	25.4	17.9	13.4	20.2	57.8	90.4
BV/Share	252.1	260.7	259.0	265.1	355.5	401.4	479.6
DPS	7.0	3.5	3.2	3.2	3.0	3.0	3.0
Payout (%)	106.5	19.2	29.0	61.6	25.8	6.1	3.7
Valuation (x)							
P/E	205.0	73.8	122.7	256.3	114.3	27.2	16.3
Cash P/E	90.2	52.1	74.3	98.8	65.7	23.0	14.7
P/BV	5.3	5.1	5.1	5.0	3.7	3.3	2.8
EV/Sales	7.3	5.8	4.3	4.5	3.2	2.7	2.4
EV/EBITDA	22.8	27.9	38.3	50.0	45.3	17.0	11.3
Dividend Yield (%)	0.5	0.3	0.2	0.2	0.2	0.2	0.2
FCF per share	60.3	99.7	108.3	55.2	36.6	-39.7	-49.5
Return Ratios (%)							
RoE	2.6	7.0	4.2	2.0	3.8	12.9	18.4
RoCE	10.2	7.7	6.0	4.7	5.0	11.2	15.8
RoIC	9.4	6.9	5.0	3.4	3.9	13.4	17.6
Working Capital Ratios							
Fixed Asset Turnover (x)	1.8	2.1	2.7	2.1	2.7	3.1	3.5
Asset Turnover (x)	0.4	0.5	0.7	0.7	0.8	1.0	1.1
Inventory (Days)	1,233	1,058	966	1,105	874	714	668
Debtor (Days)	41	58	26	24	25	20	20
Creditor (Days)	127	96	66	73	102	92	86
Leverage Ratio (x)							
Current Ratio	1.8	1.6	1.4	1.4	1.4	1.4	1.4
Interest Cover Ratio	1.0	1.5	1.2	0.8	1.1	4.3	8.2
Net Debt/Equity	1.2	0.9	0.6	0.5	0.0	0.1	0.2

Consolidated Cash flow

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	752	2,366	1,449	742	1,771	7,449	12,384
Depreciation	652	719	678	782	867	899	931
Interest & Finance Charges	6,012	7,497	2,490	2,455	1,942	1,674	1,407
Direct Taxes Paid	-266	-515	-679	-772	-1,460	-5,996	-5,654
(Inc)/Dec in WC	-789	-409	7,635	3,980	2,991	-5,452	-11,428
CF from Operations	6,361	9,658	11,573	7,188	6,110	-1,426	-2,360
Others	-231	-661	-71	-713	-1,640	-1,966	-2,269
CF from Operating incl EO	6,130	8,997	11,502	6,474	4,471	-3,391	-4,629
(Inc)/Dec in FA	-414	461	-1,234	-1,237	-777	-618	-370
Free Cash Flow	5,716	9,458	10,268	5,238	3,694	-4,010	-4,999
(Pur)/Sale of Investments	0	-6	-1,327	-3,875	0	0	0
Others	82	-85	192	363	1,640	1,966	2,269
CF from Investments	-332	370	-2,369	-4,749	863	1,347	1,899
Issue of Shares	0	0	0	0	9,897	0	0
Inc/(Dec) in Debt	-756	-5,595	-5,198	-974	-2,500	-2,500	-2,500
Interest Paid	-3,391	-2,916	-2,247	-2,123	-1,593	-1,328	-1,328
Dividend Paid	-664	-332	-303	-285	-303	-303	-303
Others	-23	0	0	0	0	0	0
CF from Fin. Activity	-4,834	-8,843	-7,748	-3,382	5,501	-4,130	-4,130
Inc/Dec of Cash	964	524	1,385	-1,657	10,835	-6,174	-6,860
Opening Balance	1,078	2,042	3,111	8,390	6,733	17,568	11,394
Closing Balance	2,042	2,566	4,496	6,733	17,568	11,394	4,533

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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