

SOBHA: Pipeline Visibility Steering Growth

BUY

January 19, 2026 CMP: INR 1,527 | Target Price: INR 1,840

Expected Share Price Return: 20.5% | Dividend Yield: 0.2% | Potential Upside: 20.5%

Sector View: Positive

Change in Estimates	×
Change in Target Price	×
Change in Recommendation	×

Company Info

BB Code	SOBHA IN EQUITY
Face Value (INR)	10
52 W High/Low (INR)	1,732/1076
Mkt Cap (Bn)	INR 163.32 / \$1.80
Shares o/s (Mn)	106.9
3M Avg. Daily Volume	1,74,023

Change in CIE Estimates

INR Mn	FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	55,976	55,976	0.0	66,740	64,608	0.0
EBITDA	8,173	8,173	0.0	8,173	8,173	0.0
EBITDAM%	15.8	15.8	0.0bps	14.6	14.6	0.0bps
PAT	3,738	3,738	0.0	6,570	6,570	0.0
EPS	35.0	35.0	0.0	35.0	35.0	0.0

Key Financials

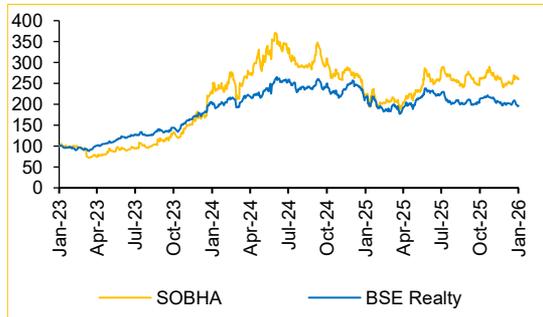
INR Mn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	33,101	30,970	40,387	55,976	66,740
YoY (%)	29.2%	-6.4%	30.4%	38.6%	19.2%
EBITDA	2,770	2,943	8,173	12,170	15,264
EBITDAM (%)	8.9	7.3	14.6	18.2	19.2
RPAT	491	947	3,738	6,570	8,839
EPS	5.2	8.9	35.0	61.4	82.7
ROE (%)	2.0	2.1	7.6	11.9	13.9
ROCE (%)	4.5	3.6	10.3	16.0	18.2

Shareholding Pattern (%)

	Dec-25	Sep-25	Jun-25
Promoters	52.88	52.88	52.88
FIs	6.26	6.41	8.09
DIs	25.78	26.04	24.62
Public	15.09	14.68	14.4

Relative Performance (%)

YTD	3Y	2Y	1Y
BSE Realty	95.8	(3.2)	(8.9)
SOBHA	160.1	11.8	18.3



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Q3FY26 Realty Preview

Achieved historic pre-sales, expands presence in Mumbai

Sobha Ltd. delivered a **strong operational performance** in Q3FY26, led by **record pre-sales of INR 21.2 Bn**, driven by **robust demand, higher realisation and new project launches**, including its **entry into the Mumbai market**. While revenues and profitability declined due to delay in getting OC for completed projects, collections grew strongly YoY. **With a solid launch pipeline and a strengthened balance sheet, the management remains confident of sustaining growth.**

Robust pipeline in FY26 and FY27 will drive pre-sales growth: Management is confident of achieving pre-sales growth of **35% YoY to INR 85 Bn in FY26 (9MFY26 pre-sales are up 37.3% at INR 60,968 Mn)** and aims to achieve **INR 100 Bn pre-sales in FY27E**. SOBHA has launched 2.58 msf in 9MFY26 and plans to launch further 4.5 msf of projects in Q4FY26E. From its ongoing and completed projects, SOBHA expects to generate **net cash flows of INR 90 Bn** over the next 4–5 years, while future projects of 18 msf are projected to yield **INR 70 Bn** over the next 5–6 years.

Expanding into new geographies: SOBHA is gradually expanding its presence beyond the Southern market. The company has already made an impressive start in the NCR and also **started investing in new geographies**, such as Pune and Hyderabad with increasing presence in Kerala in the recent past. In Q3FY26, it started penetrating the MMR market with the phase 1 launch of SOBHA Inizio at Sewri-Parel.

Robust balance sheet to support future pipeline: SOBHA had raised INR 20 Bn through rights issue, dated 12 June 2024, which will be used for funding certain project-related expenses for ongoing and forthcoming projects, capex, acquisition of land parcels and partial debt payment. Despite higher land prices across Tier-I and Tier II cities, we believe SOBHA has the execution wherewithal to generate over 30% project-level EBITDA.

Valuation: We maintain our BUY rating on SOBHA with a TP of INR 1,840/sh, factoring in the residential business with strong pipeline, commercial rental, contract & manufacturing business, as well as the land bank.

Risks: A broad-based slowdown in the domestic economy and delay due to legal and regulatory issues.

SOBHA Valuation Summary

	NAV Per Share
Residential Value	1,366
Land Value	477
Commercial Rental	30
Contract Mfg NAV (FY25E EV/EBIDTA10X)	31
Less Debt (FY26E)	64
Total Value (Target Price)	1,840
CMP	1,527
Upside (%)	34

Quarterly Performance

- Sobha achieved the highest-ever pre-sales of INR 21,152 Mn, up 11.2% QoQ and 52.3% YoY. CIE est for FY26E pre-sales is INR 81 Bn, supported by a strong launch pipeline, with nearly 75% of the target already achieved in 9M FY26
- Reported collections of INR 19,850 Mn, up 34.3% YoY (but down 3.0% QoQ)
- SOBHA launched three projects across Bangalore (SOBHA Magnus), Gurgaon (SOBHA Strada) and Mumbai (SOBHA Inizio), adding 0.93 msf of saleable area and taking 9MFY26 launches to 2.58 msf

SOBHA Particulars	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Presales (INR Mn)	21,152	13,890	52.3	19,026	11.2
Presales (mnsft)	1.4	1.0	34.3	1.4	(1.4)
Collection (INR Mn)	19,850	14,780	34.3	20,460	(3.0)
Average selling price (per sq ft)	15,436	13,663	13.0	13,688	12.8
Total Revenue	787	1,000	(21.3)	1,574	(50.0)
EBITDA (including OI)	154	217	(28.9)	725	(78.7)
RPAT	1.4	2.2	(32.9)	6.8	(78.7)
Basic EPS (INR)	21,152	13,890	52.3	19,026	11.2

Source: SOBHA, Choice Institutional Equities

Management Call - Highlights

Leading indicators, such as site visits remain stable month-on-month, supporting sustained end-user demand in markets including Gurgaon and Kerala

Mumbai project – Inizo is progressing well and the management is evaluating other opportunities

Plan to launch 8.5 msf in FY26

Procedural delays in receiving OCs for three projects deferred ~INR 5000 Mn of residential revenue recognition to Q4FY26

SOBHA plans to launch 4.5 msf in Q4FY26

To drive incremental growth, SOBHA is actively evaluating new investments in Mumbai, Hyderabad, Pune, and additional NCR micro-markets

Management is confident of achieving its guidance of INR 85 Bn pre-sales for FY26 and 15–20% YoY growth, going forward

Strong margin expansion to play out as project completion and revenue recognition accelerates

Macro Environment:

- Demand remains **steady in Bengaluru**, while **Gurgaon shows resilience** in the INR 40–60 Mn segment despite some pockets of concern. With short-term investor demand easing, projects backed by the end-user and long-term investor demand continue to perform well. **Leading indicators such as site visits remain stable** month-on-month, supporting sustained end-user demand in markets including Gurgaon and Kerala
- Demand in **Kerala remains steady**, largely driven by NRIs, with projects in Thiruvananthapuram benefiting from a mix of NRI and end-user demand

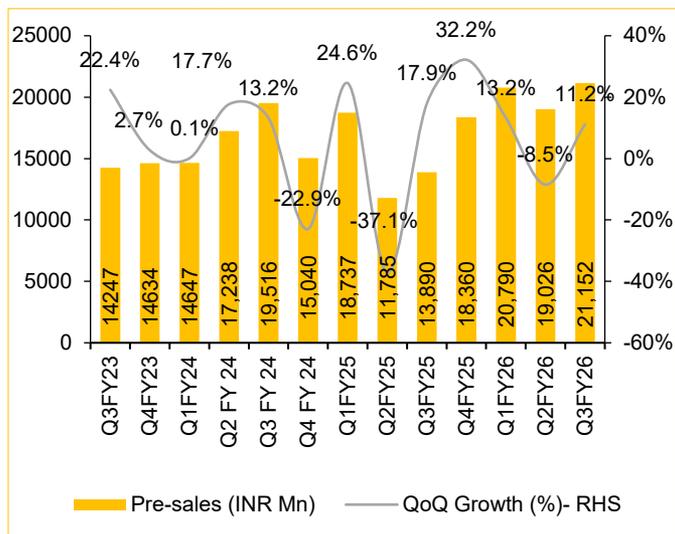
Operations:

- SOBHA's focus markets include Bengaluru, NCR, Mumbai, Hyderabad and Pune, with a **strong and expanding project pipeline in Bengaluru and NCR**. It is selectively launching projects in underpenetrated micro-markets while leveraging its existing land bank
- SOBHA has **achieved RERA approval for 2 projects** – Sobha Altair in Bengaluru and Sobha Woods Thiruvananthapuram
- **Revenue recognition and margin were impacted in Q3FY26** due to **delayed receipt of Occupancy Certificates (OC) for three residential projects**, which led to lower recognised revenues. This was due to normal procedural delays rather than any structural issues, resulting in deferred recognition of ~INR 5000 Mn in Q4FY26
- **Working towards launching 3–4 projects in Q4FY26 of total 4.5 msf**, one in Gurgaon which is about 800,000 square feet, one in Greater Noida, which is about 2.4 msf, one in Chennai, which is about 1.5 msf and one in Calicut at about 800,000 square feet. All of them are in various stages of approval
- **Greater Noida and Gurgaon launches** – Both projects are in advanced stages, with RERA applications expected later this month or early next month. In addition, a couple of other projects are likely to be launched towards the end of the quarter, around mid-March
- **Mumbai project** – Sobha Inizo is progressing well, and the company is also evaluating additional projects in the next year or so
- Sobha plans to launch cumulatively 8.5 msf in FY26E
- **Hoskote project of 5.4 msf** to be launched in Q1FY27
- **Business development** – existing and future inventory is concentrated in Bengaluru (~50%) and NCR (~30%), with around 10% in Kerala and the balance in other cities. **To drive incremental growth, it is actively evaluating new investments in Mumbai, Hyderabad, Pune, and additional NCR micro-markets**

Guidance:

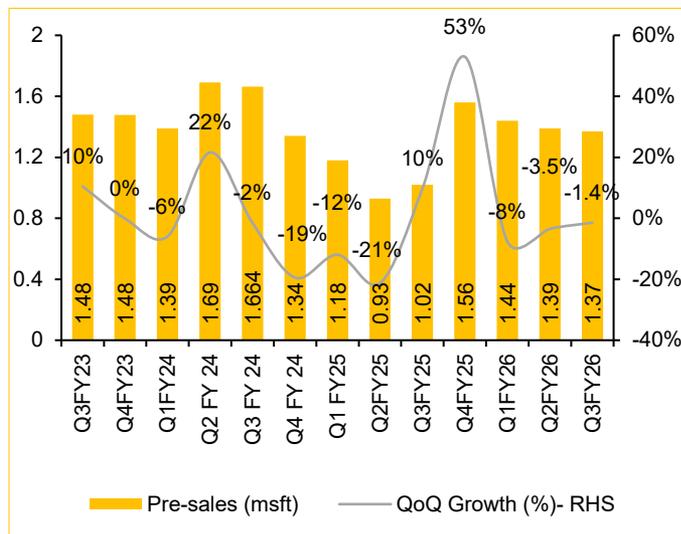
- Management has reiterated its **pre-sales guidance of INR 85 Bn for FY26**, while expressing confidence in potentially surpassing this target
- Since SOBHA is **not undertaking any new projects in civil contracts**, there would be a degrowth in the contract and manufacturing segment to the extent of about INR1,500–1,750 Mn in FY27E
- **Completion** – Plan to complete another 1.5–1.7 msf this quarter and take it to a total of 5.2–5.3 msf, a growth of about 17% over last year's completions of 4.54 msf
- Management expects margin of ~18–19% on projects to be recognised over the next 12–15 months and ~24% on projects completing after 15 months, **indicating strong margin expansion as completion and revenue recognition accelerates**

Pre-sales (INR Mn) up 11.2% QoQ and up 52.3% YoY



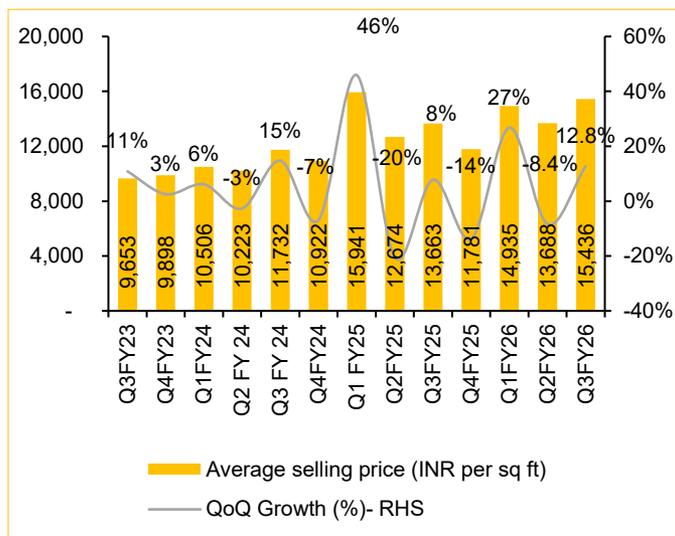
Source: SOBHA, Choice Institutional Equities

Pre-sales (msf) down 1.4% QoQ and up 34.3% YoY



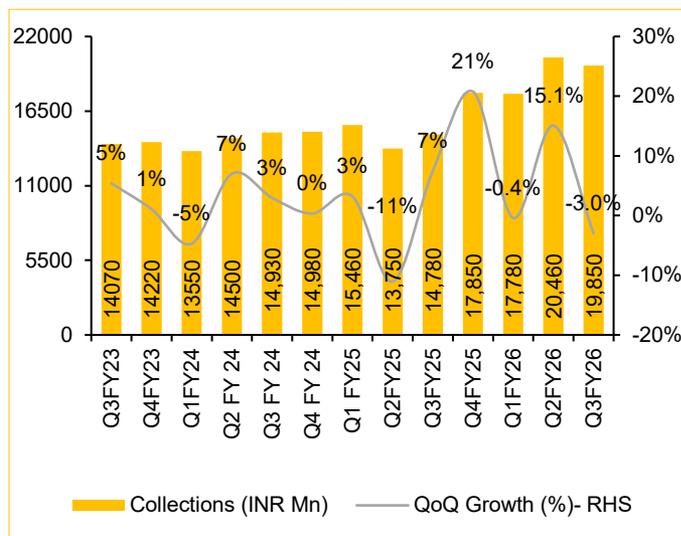
Source: SOBHA, Choice Institutional Equities

Average selling price up 12.8% QoQ and up 13% YoY



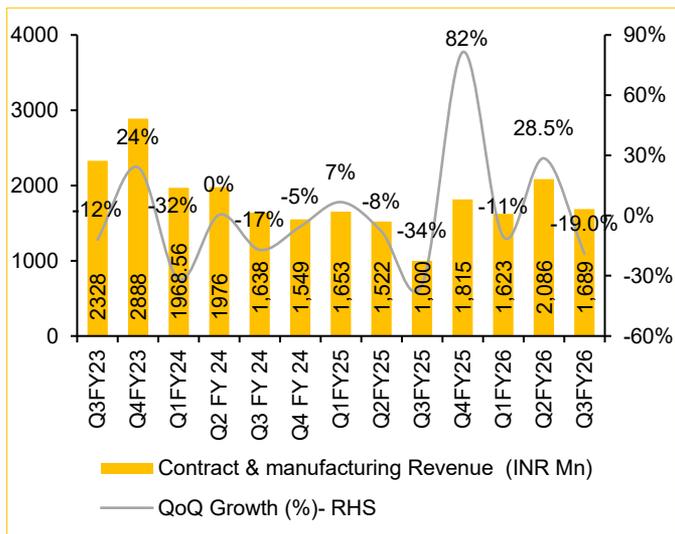
Source: SOBHA, Choice Institutional Equities

Collections down 3% QoQ and up 34.3% YoY



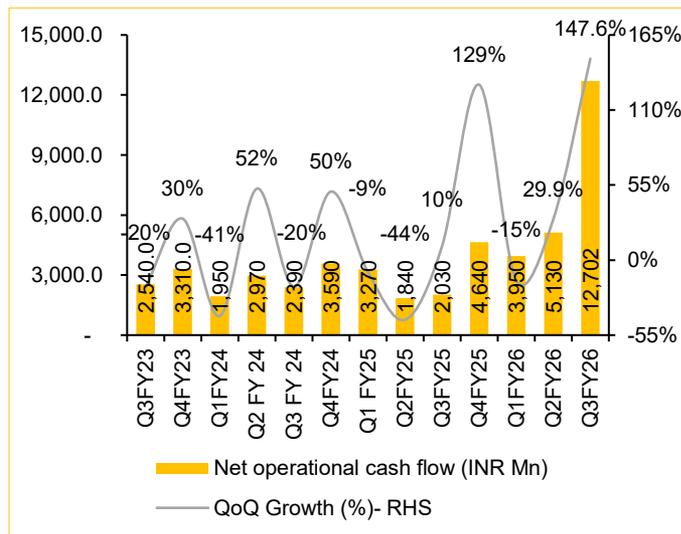
Source: SOBHA, Choice Institutional Equities

Contract manufacturing revenue down 19% QoQ and 68.9% YoY



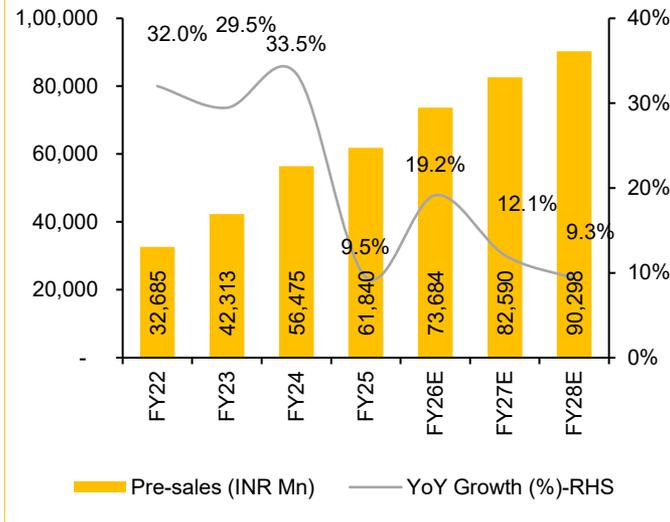
Source: SOBHA, Choice Institutional Equities

Net operational cash flow up 147.6% QoQ and 525.7% YoY



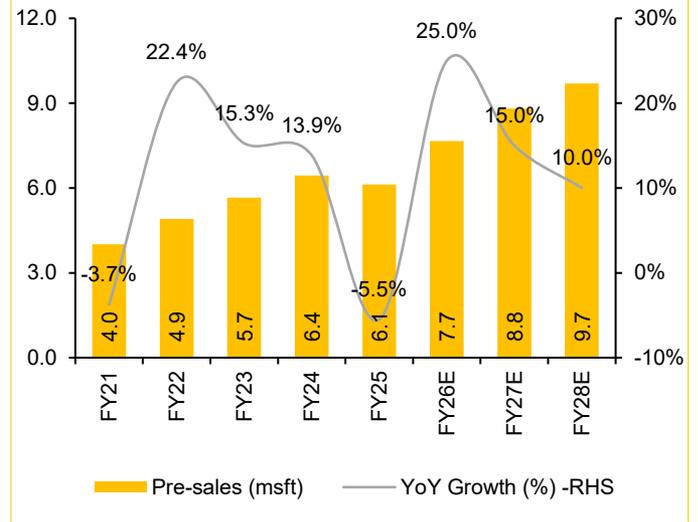
Source: SOBHA, Choice Institutional Equities

Pre-sales (INR Mn) to expand at 11% CAGR over FY26–FY28E



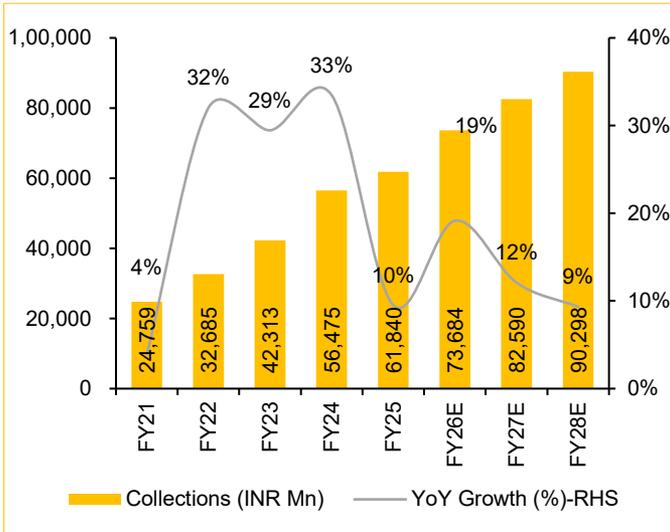
Source: SOBHA, Choice Institutional Equities

Pre-sales (msft) to grow at 16% CAGR over FY26–FY28E



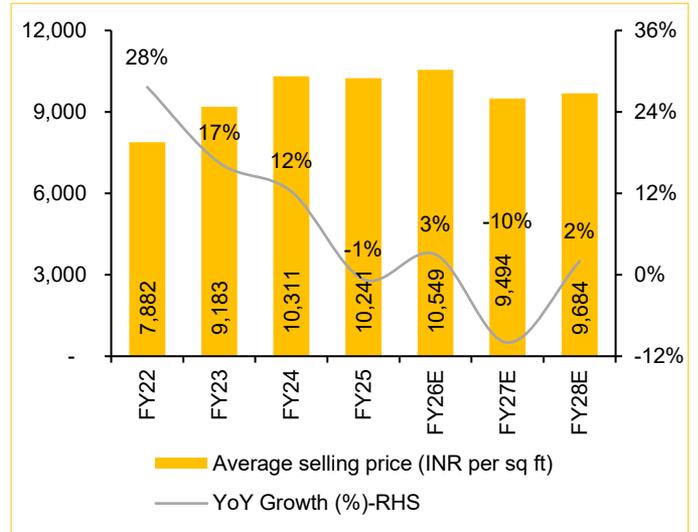
Source: SOBHA, Choice Institutional Equities

Collections to expand at 11% CAGR over FY26E–FY28E



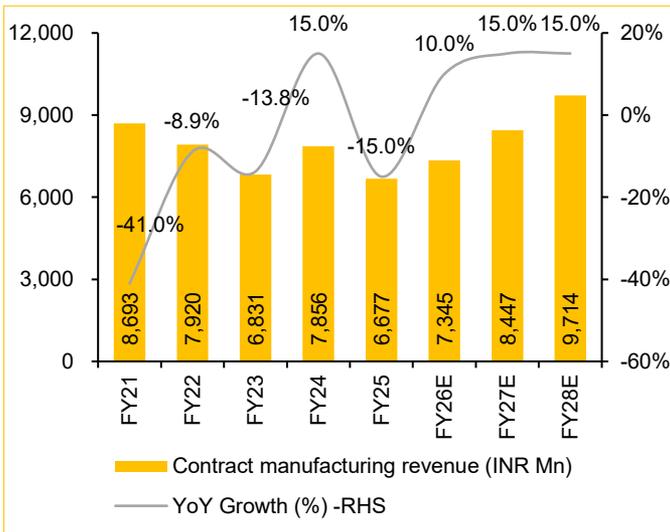
Source: SOBHA, Choice Institutional Equities

Average selling price (INR) to marginally decrease



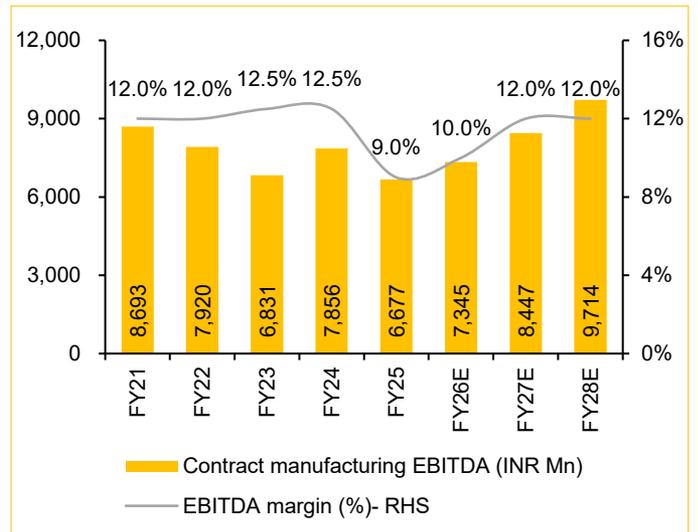
Source: SOBHA, Choice Institutional Equities

Contract manufacturing revenue to pick up from FY26E



Source: SOBHA, Choice Institutional Equities

Contract manufacturing EBITDA to pick up from FY26E



Source: SOBHA, Choice Institutional Equities

Income Statement (Consolidated in INR Mn)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	30,970	40,387	55,976	64,608	74,728
Gross Profit	21,151	23,398	55,976	64,608	74,728
EBITDA	2,770	2,943	8,173	11,761	14,306
Depreciation	782	898	1,949	2,201	2,352
EBIT	1,988	2,045	6,224	9,560	11,954
Interest Expense	2,455	1,956	1,684	1,384	1,084
Other Income	1,209	1,241	800	800	800
PBT	742	1,330	5,340	8,976	11,669
Reported PAT	491	947	3,738	6,283	8,169
EPS	5.2	8.9	35.0	58.8	76.4

Ratio Analysis	FY24	FY25	FY26E	FY27E	FY28E
Growth Ratios					
Revenue (%)	(6.4)	30.4	38.6	15.4	15.7
EBITDA (%)	(25.0)	6.2	177.7	43.9	21.6
PAT (%)	(52.9)	92.7	294.8	68.1	30.0
Margins					
Gross Profit Margin (%)	68.3	57.9	67.5	68.1	68.7
EBITDA Margin (%)	12.4	10.1	15.8	19.2	20.0
PAT Margin (%)	1.5	2.3	6.6	9.6	10.8
Profitability					
Return On Equity (ROE)	2.0	2.1	7.6	11.5	13.1
Return On Capital Employed (ROCE)	4.5	3.6	10.3	15.4	17.1
Working Capital					
Inventory Days	900	750	700	580	580
Debtor Days	12	13	12	10	10
Payable Days	56	60	65	65	70
Cash Conversion Cycle	856	703	647	525	520
Financial Stability					
Net Debt to Equity (x)	0.7	0.2	0.1	0.1	0.1
Net Debt to EBITDA (x)	6.5	3.4	0.4	0.4	0.6
Interest Cover (x)	0.8	1.0	3.7	6.9	11.0
Valuation Metrics					
PE(x)	296.2	173.3	43.9	26.1	20.1
EV/EBITDA (x)	59.0	59.1	9.3	6.6	5.7
Price to BV (x)	5.8	3.6	3.3	3.0	2.6
EV/OCF (x)	25.3	87.1	6.8	19.1	(42.4)

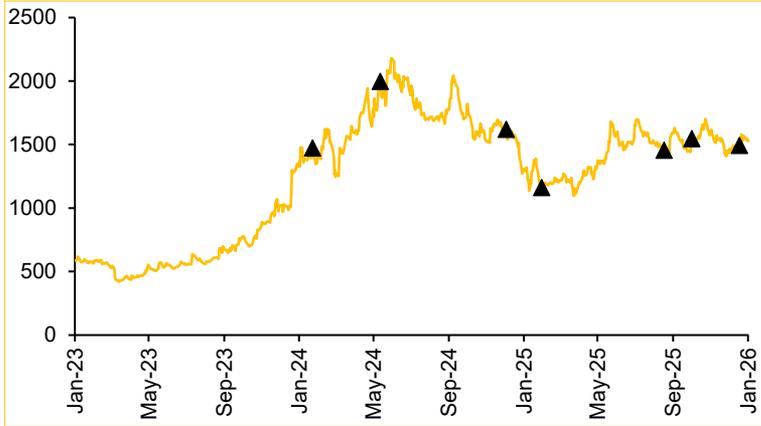
Source: SOBHA, Choice Institutional Equities

Balance Sheet (Consolidated in INR Mn)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net Worth	25,141	45,605	48,969	54,824	62,565
Total Debt	19,135	11,309	11,309	7,309	7,309
Deferred Tax	149	1,184	258	258	258
Other Liabilities & Provisions	459	668	1,430	710	710
Total Net Worth & Liabilities	44,884	58,766	61,966	63,101	70,842
Net Block	4,788	5,291	4,242	3,541	2,089
Investment Property	4,501	4,545	5,500	6,300	6,300
Investment	5,650	5,692	7,000	8,300	8,300
Cash & Bank Balance	1,137	1,266	7,994	11,557	22,935
Other Non-Current Assets	14,099	14,570	14,570	14,570	14,570
Net Current Assets	20,347	33,214	36,153	36,689	45,882
Total Assets	44,884	58,766	61,966	63,101	70,842

Cash Flows (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Cash Flows from Operations	6,474	2,000	11,161	12,895	13,789
Cash Flows from Investing	(4,749)	(11,799)	(2,208)	(2,800)	(900)
Cash Flows from Financing	(3,382)	9,928	(2,223)	(6,532)	(1,512)

Historical Price Chart: SOBHA



Date	Rating	Target Price
Feb 08, 2024	NEUTRAL	1,360
May 18, 2024	REDUCE	1,861
Nov 16, 2024	SELL	1,421
Feb 10, 2025	SELL	1,200
Sept 10, 2025	BUY	1,800
Oct 20, 2025	BUY	1,840
Jan 19, 2026	BUY	1,840

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CHOICE RATING DISTRIBUTION & METHODOLOGY

Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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