

# Sobha Ltd.

## BUY

Sector: Real Estate

26<sup>th</sup> March 2025

<b>Key Changes</b>	<b>Target</b> ▼	<b>Rating</b> ▲	<b>Earnings</b> ▼	<b>Target</b>	<b>Rs.1,447</b>
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Small Cap	SOBHA:IN	77,289	SOBHA	532784	12 Months
				<b>CMP</b>	<b>Rs.1,203</b>
				<b>Return</b>	<b>+20%</b>

Data as of: 26-03-2025

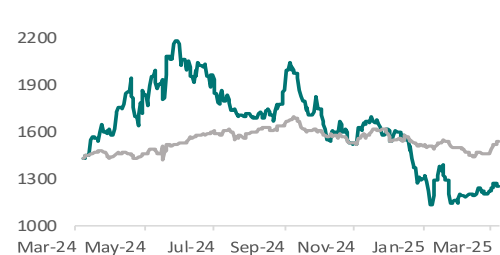
Company Data	
Market Cap (Rs. cr)	12,858
52 Week High — Low (Rs.)	2180 - 1096
Enterprise Value (Rs. cr)	11,918
Outstanding Shares (Rs cr)	10.7
Free Float (%)	41.6
Dividend Yield (%)	0.2
6m average volume (cr)	0.02
Beta	1.5
Face value (Rs)	10.0

Shareholding (%)	Q1FY25	Q2FY25	Q3FY25
Promoters	52.3	52.8	52.8
FII's	11.5	10.9	9.0
MFs/Institutions	18.6	23.4	24.1
Public	17.6	12.9	14.1
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-22%	-38%	-13%
Absolute Sensex	-1%	-8%	8%
Relative Return	-22%	-30%	-20%

\*over or under performance to benchmark index

2500 — Sobha Limited — Sensex Rebased



Consolidated(cr)	FY25E	FY26E	FY27E
Sales	4,041	4,644	5,776
Growth (%)	30	15	24
EBITDA	388	752	1,051
EBITDA Margin(%)	10	16	18
PAT Adj.	171	482	721
Growth (%)	248	182	50
Adjusted EPS	16	45	67
Growth (%)	208	182	50
P/E	129	46	31
P/B	5	4	4
EV/EBITDA	55	29	20
ROE (%)	5	10	13
D/E	0.3	0.3	0.2

## Strong outlook coupled with valuation comfort.

Sobha Ltd., based in Bangalore, is a leading real estate company with a track record of completing ~136msft across 546 projects. The company's operations extend across 14 states, highlighting its significant presence in India's real estate market.

- In Q3FY25, Sobha reported a 29% YoY decline in pre-sales due to its high base and lower traction in recent launches.
- Total sales volume stood at 1.02msf, marking a 39% decline YoY. However, average realisation improved by 17%(YoY).
- During the quarter, completions stood at ~1.64msf (+27% YoY), leading to a revenue growth of ~79% YoY.
- EBITDA margin contracted by 533bps YoY, due to losses in the contract and manufacturing segment and realisation of lower margin JV products.
- The company has an unrecognized revenue of Rs.15,000cr from sold units, with an anticipated margin of 28% at project level.
- Despite the weak quarter, Sobha's solid pipeline in the residential is expected to aid strong pre-sales in the coming quarters. Currently, the company has a pipeline of ~21msf, including an inventory of 8.91msf.

## Outlook & Valuation

Despite the decline in pre-sales during 9MFY25, Sobha has a robust launch pipeline and substantial inventory in the ongoing projects, ensuring strong pre-sales visibility. Also, the management has been focusing on strategic acquisitions of landbank, expanding its footprint across multiple cities. However, any moderation in residential demand remains a key risk, leading to increased time in monetizing the land and inventories. Despite that, given the significant correction in the price and the strong pipeline, **we revise our rating on the stock to BUY with a target price of Rs. 1,447, based on NAV per share.**

## Quarterly Financials Consol.

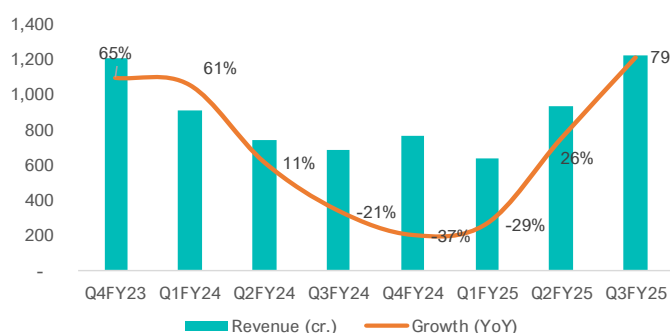
Rs. cr	Q3FY25	Q3FY24	YoY (%)	Q1FY24	QoQ (%)	9MY25	9MFY24	YoY (%)
Sales	1,224	685	79	934	31	2,798	2,334	20
EBITDA	67	74	-9	77	-13	200	215	-7
EBITDA margins(%)	5	11	-533bps	8	-277bps	7	9	-205bps
EBIT	77	83	-7	86	-10	227	250	-9
PBT	29	21	38	36	-19	77	63	21
Reported PAT	22	15	44	26	-17	54	42	28
Adj PAT	22	15	44	26	-17	54	42	28
EPS (Rs)	2	2	27	3	-22	5	5	16



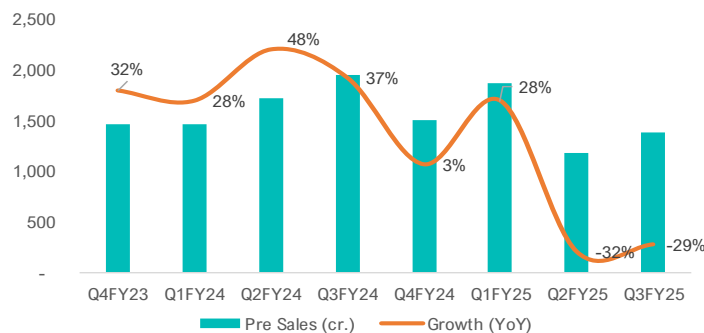
## Key Highlights

- In Q3FY25, cash collections for the quarter stood at Rs.1,321cr, marking a 2% YoY decline.
- The revenue from the contracts segment marked a growth of 5% YoY, while the manufacturing segments degrew by 6% YoY. Consequently, cash collection from contracts and the manufacturing segment also reported degrowth of ~43% and ~4% YoY, respectively.
- The management expects strong recovery in the margins, with the realization of Rs. 15,000cr revenue from sold units with a project-level margin of 28% before tax.

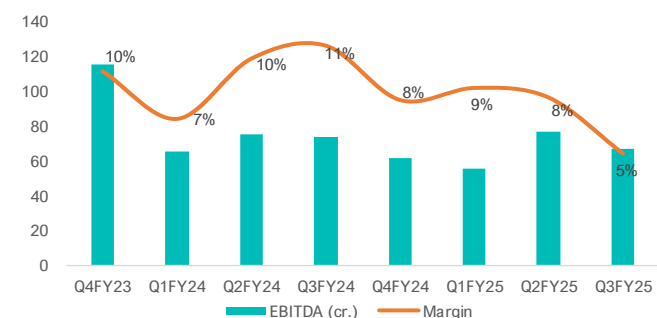
## Revenue



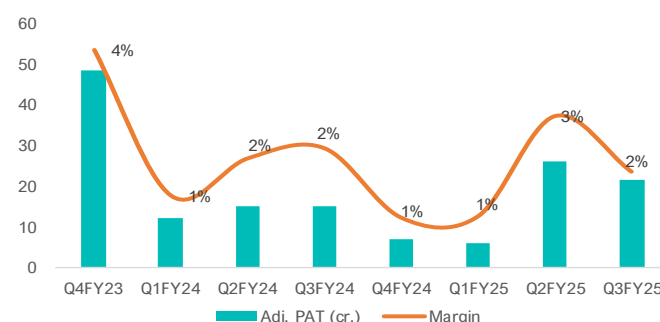
## Pre-Sales



## EBITDA



## PAT



## Net Asset Valuation (NAV)

Segment	Value (Rs. cr)
Real Estate Development (Including Land)	15,096
Value of Rental Assets	502
Value of construction and manufacturing business	653
Value of retail sales segment	47
<b>Total Gross Assets Value</b>	<b>16,298</b>
Less : Net Debt (FY 27E)	(899)
Add: Discount to NAV (10%)	(1,720)
<b>NAV</b>	<b>15,477</b>
No of Shares (cr.)	10.7
<b>NAV Per Share</b>	<b>1,447</b>
CMP	1,203
<b>Returns</b>	<b>20%</b>

## Change in Estimates

Year / Rs cr	Old estimates			New estimates			Change (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	3,782	4,923	-	4,041	4,644	5,776	7	-6	-
EBITDA	534	837	-	388	752	1,051	-27	-10	-
Margins (%)	14	17	-	10	16	18	-452bps	-80bps	-
Adj. PAT	290	548	-	171	482	721	-41	-12	-
Adj. EPS	27	51	-	16	45	67	-41	-12	-



## Consolidated Financials

### Profit & Loss

Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Sales</b>	<b>3,310</b>	<b>3,097</b>	<b>4,041</b>	<b>4,644</b>	<b>5,776</b>
% change	29	-6	30	15	24
<b>EBITDA</b>	<b>370</b>	<b>277</b>	<b>388</b>	<b>752</b>	<b>1,051</b>
% change	-31	-25	40	94	40
Depreciation	68	78	93	103	124
<b>EBIT</b>	<b>394</b>	<b>320</b>	<b>422</b>	<b>808</b>	<b>1,124</b>
Interest	249	246	188	166	163
Other Income	92	121	127	158	196
<b>PBT</b>	<b>145</b>	<b>74</b>	<b>234</b>	<b>642</b>	<b>961</b>
% change	-39	-49	215	174	50
<b>Tax</b>	<b>41</b>	<b>25</b>	<b>63</b>	<b>161</b>	<b>240</b>
Tax Rate (%)	28	34	27	25	25
<b>Reported PAT</b>	<b>104</b>	<b>49</b>	<b>171</b>	<b>482</b>	<b>721</b>
Adj.*	0	0	0	0	0
<b>Adj. PAT</b>	<b>104</b>	<b>49</b>	<b>171</b>	<b>482</b>	<b>721</b>
% change	-40	-53	248	182	50
No. of shares (cr)	9	9	11	11	11
<b>Adj EPS (Rs)</b>	<b>11</b>	<b>5</b>	<b>16</b>	<b>45</b>	<b>67</b>
% change	-40	-53	208	182	50
DPS (Rs)	3	3	3	4	4

### Cash Flow

Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Net inc. + Depn.	213	152	327	745	1,085
Non-cash adj.	248	174	188	166	163
Other adjustments	0	0	0	0	0
Changes in W.C	690	321	28	-868	-446
<b>C.F. Operation</b>	<b>1,150</b>	<b>647</b>	<b>543</b>	<b>42</b>	<b>802</b>
Capital exp.	-123	-125	-280	-330	-351
Change in inv.	7	1	0	0	0
Other invest.CF	-120	-351	0	0	0
<b>C.F - Investment</b>	<b>-237</b>	<b>-475</b>	<b>-280</b>	<b>-330</b>	<b>-351</b>
Issue of equity	0	0	1,999	0	0
Issue/repay debt	-512	-90	-163	-22	-20
Dividends paid	-29	-28	-32	-43	-43
Other finance.CF	-233	-220	-188	-166	-163
<b>C.F - Finance</b>	<b>-773</b>	<b>-338</b>	<b>1,615</b>	<b>-231</b>	<b>-226</b>
Chg. in cash	140	-166	1,878	-519	225
<b>Closing cash</b>	<b>177</b>	<b>71</b>	<b>1,992</b>	<b>1,473</b>	<b>1,699</b>

### Balance Sheet

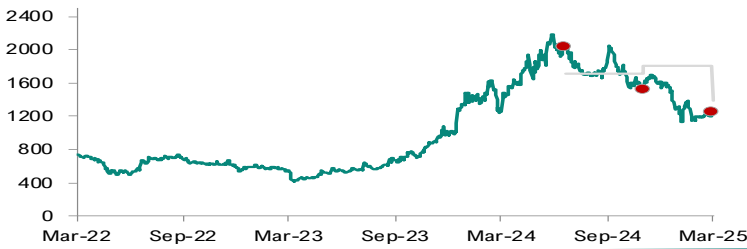
Y.E March (Rs cr)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash	451	673	2,552	2,033	2,258
Account Receivable	238	204	257	295	367
Inventories	8,761	9,376	10,968	13,790	15,948
Other Cur. Assets	1,110	1,029	1,293	1,486	1,848
Investments	153	206	163	169	176
Gross Fixed Assets	1,343	1,462	1,653	1,843	2,033
Net Fixed Assets	865	909	1,006	1,094	1,161
CWIP	9	12	18	21	24
Intangible Assets	28	31	33	35	37
Other Assets	974	1,257	1,368	1,489	1,623
<b>Total Assets</b>	<b>12,588</b>	<b>13,696</b>	<b>17,658</b>	<b>20,411</b>	<b>23,441</b>
Current Liabilities	8,014	9,186	11,304	13,838	16,207
Provisions	43	47	53	59	67
Debt Funds	2,004	1,914	1,612	1,385	1,359
Other Liabilities	33	36	37	38	40
Equity Capital	95	95	107	107	107
Reserves & Surplus	2,400	2,419	4,545	4,984	5,662
Shareholder's Fund	2,495	2,514	4,652	5,091	5,769
<b>Total Liabilities</b>	<b>12,588</b>	<b>13,696</b>	<b>17,658</b>	<b>20,411</b>	<b>23,441</b>
<b>BVPS</b>	<b>263</b>	<b>265</b>	<b>435</b>	<b>476</b>	<b>539</b>

### Ratio

Y.E March	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Profitab &amp; Return</b>					
EBITDA margin (%)	11.2	8.9	9.6	16.2	18.2
EBIT margin (%)	11.9	10.3	10.5	17.4	19.5
Net profit mgn.(%)	3.1	1.6	4.2	10.4	12.5
ROE (%)	4.2	2.0	4.8	9.9	13.3
ROCE (%)	6.0	4.7	5.8	9.5	12.4
<b>W.C &amp; Liquidity</b>					
Receivables (days)	28.0	19.0	16.6	17.2	16.6
Inventory (days)	1,425	1,738	1,422	1,678	1,678
Payables (days)	91	116	101	113	105
Current ratio (x)	1.1	1.1	1.2	1.2	1.2
Quick ratio (x)	0.2	0.2	0.3	0.3	0.3
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	2.6	2.2	2.6	2.7	3.0
Total asset T.O (x)	0.3	0.2	0.3	0.2	0.3
Int. covge. ratio (x)	158	130	224	488	689
Adj. debt/equity (x)	0.8	0.8	0.3	0.3	0.2
<b>Valuation</b>					
EV/Sales (x)	1.7	6.7	5.2	4.6	3.7
EV/EBITDA (x)	15.2	75.2	54.5	28.5	20.2
P/E (x)	39.0	399.0	129.4	45.9	30.7
P/BV (x)	1.6	7.8	4.8	4.3	3.8



## Recommendation Summary (last 3 years)



Dates	Rating	Target
08.Jul.24	Sell	1,714
26.Nov.24	Accumulate	1,802
26.Mar.25	Buy	1,447

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

### Not rated/Neutral

#### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

#### Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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