

# Sobha Ltd.

## Accumulate

Sector: Real Estate

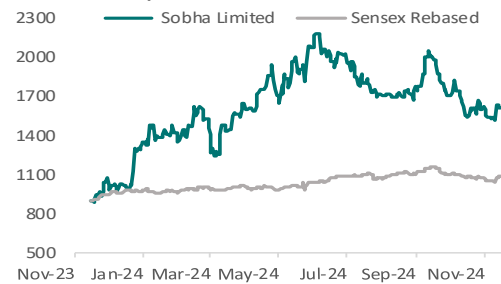
26<sup>th</sup> November 2024

<b>Key Changes</b>	<b>Target</b> ▲	<b>Rating</b> ▲	<b>Earnings</b> ▲	<b>Target</b>	<b>Rs. 1,802</b>		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	<b>CMP</b>	<b>Rs. 1,622</b>
Small Cap	SOBHA:IN	80,004	SOBHA	532784	12 Months	<b>Return</b>	<b>+11%</b>

Data as of: 26-11-2024

Company Data			
Market Cap (Rs. cr)	17,353		
52 Week High — Low (Rs.)	2,180-852		
Enterprise Value (Rs. cr)	18,053		
Outstanding Shares (Rs cr)	10.1		
Free Float (%)	38.0		
Dividend Yield (%)	0.2		
6m average volume (cr)	0.02		
Beta	1.9		
Face value (Rs)	10.0		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	52.3	52.3	52.8
FII's	11.9	11.5	10.9
MFs/Institutions	17.5	18.6	23.4
Public	18.3	17.6	12.9
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-6%	-16%	80%
Absolute Sensex	-2%	7%	21%
Relative Return	-4%	-22%	59%

\*over or under performance to benchmark index



Consolidated(cr)	FY24	FY25E	FY26E
Sales	3,097	3,782	4,923
Growth (%)	-6	22	30
EBITDA	277	534	837
EBITDA Margin(%)	9	14	17
PAT Adj.	49	290	548
Growth (%)	-53	490	89
Adjusted EPS	5	29	54
Growth (%)	-53	454	89
P/E	399	72	38
P/B	8	6	5
EV/EBITDA	75	40	25
ROE (%)	2	9	14
D/E	0.8	0.4	0.3

## Strong launches in pipeline.

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 Q2FY25, Sobha reported a 32% YoY decline in pre-sales due to lower traction from recent launches of ~3.5msf in the first half.
- Total sales volume stood at 0.9msf, marking -45% decline YoY. However, average realisation improved by 56%(YoY).
- During the quarter, completions stood at ~0.9msf(+28% YoY), supporting strong revenue growth of ~26% YoY. However, EBITDA margin contracted by 192bps YoY.
- The company expects to recognize Rs.14,500 crore in revenue over the next 4-5 years with an anticipated margin of 33%.
- Despite a weak first half, Sobha is expected to do well in H2FY25 on back of strong inventory in ongoing projects and upcoming launches across all ticket sizes. The company plans to launch ~5.5msf in the latter half, from its massive pipeline of ~19.3msf (15.4msf in Q2FY24).

## Outlook & Valuation

Despite a weak Q2, Sobha is on a healthy footing in the residential segment on the back of strong launches and inventory in the ongoing project. Also, the company's extensive landbank across multiple cities further strengthens its market position. Still, Sobha as a premium player in the sector, any moderation in real estate demand is a key risk along with any delay in obtaining approvals. However, given the significant correction in the price and strong H2 expectation, **we cautiously revise our rating on the stock to Accumulate based on NAV per share, with a target price of Rs. 1,802.**

## Quarterly Financials Consol.

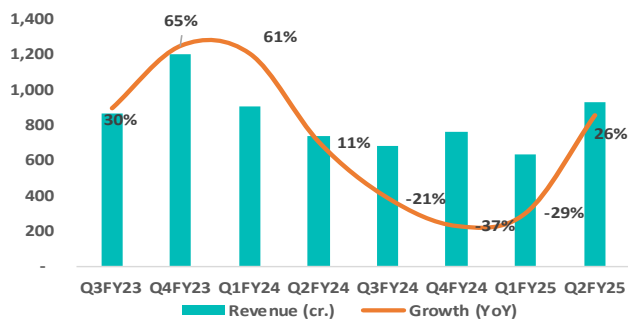
Rs. cr	Q2FY25	Q2FY24	YoY (%)	Q1FY24	QoQ (%)	H1Y25	H1FY24	YoY (%)
Sales	934	741	26	640	46	1,574	1,649	-5
EBITDA	77	75	2	56	38	133	141	-6
EBITDA margins(%)	8	10	-192bps	9	-47bps	8	9	-9bps
EBIT	86	89	-3	65	32	151	167	-10
PBT	36	25	47	11	227	47	42	13
Reported PAT	26	15	75	6	331	32	27	19
Adj PAT	26	15	75	6	331	32	27	19
EPS (Rs)	2.6	2	63	1	333	3.2	3	10



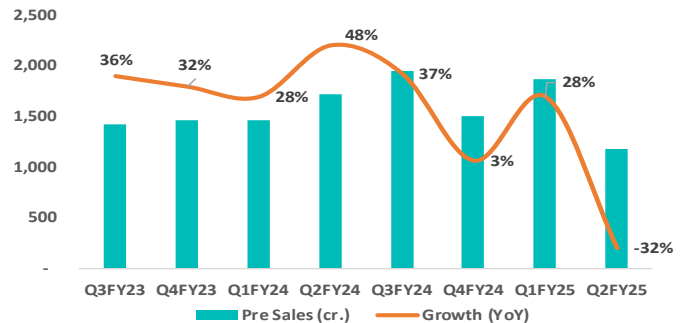
## Key Highlights

- In Q2FY25, cash collections for the quarter stood at Rs. 1,222cr, marking a 3% YoY decline.
- Sobha's upcoming launches will be across different ticket sizes ranging from 1BHK to 4BHK, which is expected to gain immediate traction from customers.
- Revenue from the contacts segment declined by ~20% YoY, whereas the manufacturing segment reported ~25% degrowth. Consequently, cash collection from contracts and the manufacturing segment also reported degrowth of ~7% and ~27% YoY, respectively.

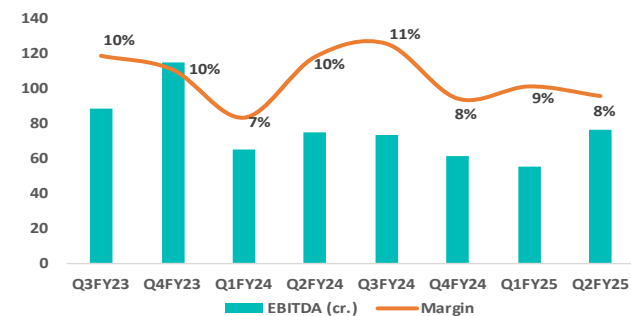
## Revenue



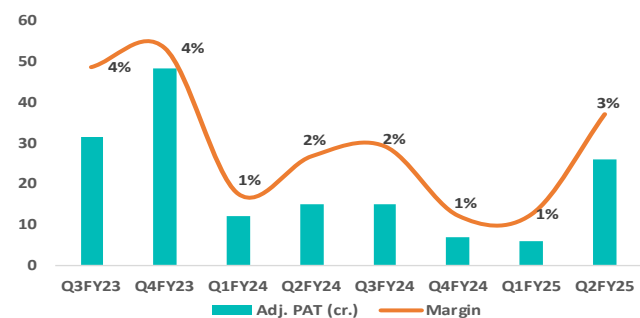
## Pre-Sales



## EBITDA



## PAT



## Net Asset Valuation (NAV)

Segment	Value (Rs. cr)
Real Estate Development (Including Land)	16,888
Value of Rental Assets	389
Value of construction and manufacturing business	324
Value of retail sales segment	34
<b>Total Gross Assets Value</b>	<b>17,634</b>
Less : Net Debt (FY 26E)	320
Add : Premium on NAV (5%)	866
<b>NAV</b>	<b>18,180</b>
No of Shares (cr.)	10.1
<b>NAV Per Share</b>	<b>1,802</b>
CMP	1,622
<b>Returns</b>	<b>11%</b>

## Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	3,835	4,696	3,782	4,923	-1	5
EBITDA	546	798	534	837	-2	5
Margins (%)	14	17	14	17	-13bps	1bps
Adj. PAT	332	543	290	548	-13	1
Adj. EPS	33	54	29	54	-13	1



## Consolidated Financials

### Profit & Loss

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Sales</b>	<b>2,561</b>	<b>3,310</b>	<b>3,097</b>	<b>3,782</b>	<b>4,923</b>
% change	21	29	-6	22	30
<b>EBITDA</b>	<b>533</b>	<b>370</b>	<b>277</b>	<b>534</b>	<b>837</b>
% change	-21	-31	-25	93	57
Depreciation	72	68	78	91	108
<b>EBIT</b>	<b>545</b>	<b>394</b>	<b>320</b>	<b>579</b>	<b>896</b>
Interest	308	249	246	188	166
Other Income	84	92	121	136	167
<b>PBT</b>	<b>237</b>	<b>145</b>	<b>74</b>	<b>391</b>	<b>731</b>
% change	215	-39	-49	426	87
<b>Tax</b>	<b>63</b>	<b>41</b>	<b>25</b>	<b>101</b>	<b>183</b>
Tax Rate (%)	27	28	34	26	25
<b>Reported PAT</b>	<b>173</b>	<b>104</b>	<b>49</b>	<b>290</b>	<b>548</b>
Adj.*	0	0	0	0	0
<b>Adj. PAT</b>	<b>173</b>	<b>104</b>	<b>49</b>	<b>290</b>	<b>548</b>
% change	178	-40	-53	490	89
No. of shares (cr)	9	9	9	10	10
<b>Adj EPS (Rs)</b>	<b>18</b>	<b>11</b>	<b>5</b>	<b>29</b>	<b>54</b>
% change	178	-40	-53	454	89
DPS (Rs)	3	3	3	3	4

### Balance Sheet

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	178	451	673	912	1,065
Account Receivable	416	238	204	240	313
Inventories	7,652	8,761	9,376	12,216	15,067
Other Cur. Assets	1,782	1,110	1,029	1,210	1,576
Investments	256	153	206	163	169
Gross Fixed Assets	1,225	1,343	1,462	1,603	1,743
Net Fixed Assets	812	865	909	957	988
CWIP	7	9	12	18	21
Intangible Assets	33	28	31	33	35
Other Assets	407	974	1,257	1,368	1,489
<b>Total Assets</b>	<b>11,542</b>	<b>12,588</b>	<b>13,696</b>	<b>17,118</b>	<b>20,722</b>
Current Liabilities	6,550	8,014	9,186	11,653	14,968
Provisions	33	43	47	53	59
Debt Funds	2,504	2,004	1,914	1,612	1,385
Other Liabilities	32	33	36	37	38
Equity Capital	95	95	95	101	101
Reserves & Surplus	2,328	2,400	2,419	3,662	4,170
Shareholder's Fund	2,423	2,495	2,514	3,763	4,271
<b>Total Liabilities</b>	<b>11,542</b>	<b>12,588</b>	<b>13,696</b>	<b>17,118</b>	<b>20,722</b>
<b>BVPS</b>	<b>255</b>	<b>263</b>	<b>265</b>	<b>373</b>	<b>423</b>

### Cash Flow

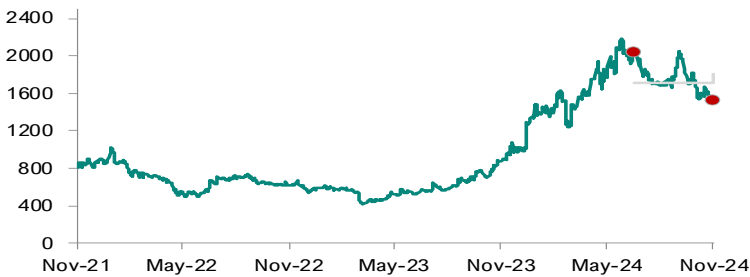
Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	308	213	152	481	839
Non-cash adj.	248	248	174	188	166
Other adjustments	0	0	0	0	0
Changes in W.C	270	690	321	-813	-337
<b>C.F. Operation</b>	<b>826</b>	<b>1,150</b>	<b>647</b>	<b>-144</b>	<b>668</b>
Capital exp.	-20	-123	-125	-226	-286
Change in inv.	66	7	1	0	0
Other invest.CF	-8	-120	-351	0	0
<b>C.F - Investment</b>	<b>38</b>	<b>-237</b>	<b>-475</b>	<b>-226</b>	<b>-286</b>
Issue of equity	0	0	0	990	0
Issue/repay debt	-557	-512	-90	-163	-22
Dividends paid	-33	-29	-28	-30	-40
Other finance.CF	-300	-233	-220	-188	-166
<b>C.F - Finance</b>	<b>-889</b>	<b>-773</b>	<b>-338</b>	<b>608</b>	<b>-228</b>
Chg. in cash	-25	140	-166	239	154
<b>Closing cash</b>	<b>110</b>	<b>177</b>	<b>71</b>	<b>352</b>	<b>506</b>

### Ratio

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab &amp; Return</b>					
EBITDA margin (%)	20.8	11.2	8.9	14.1	17.0
EBIT margin (%)	21.3	11.9	10.3	15.3	18.2
Net profit mgn.(%)	6.8	3.1	1.6	7.7	11.1
ROE (%)	7.4	4.2	2.0	9.2	13.6
ROCE (%)	7.8	6.0	4.7	8.8	12.2
<b>W.C &amp; Liquidity</b>					
Receivables (days)	38.8	28.0	19.0	17.1	16.3
Inventory (days)	1,957	1,425	1,738	1,705	1,780
Payables (days)	122	91	116	106	105
Current ratio (x)	1.1	1.1	1.1	1.1	1.1
Quick ratio (x)	0.3	0.2	0.2	0.2	0.2
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	2.1	2.6	2.2	2.5	2.9
Total asset T.O (x)	0.2	0.3	0.2	0.2	0.3
Int. covge. ratio (x)	177	158	130	307	541
Adj. debt/equity (x)	1.0	0.8	0.8	0.4	0.3
<b>Valuation</b>					
EV/Sales (x)	3.5	1.7	6.7	5.7	4.3
EV/EBITDA (x)	16.8	15.2	75.2	40.4	25.3
P/E (x)	38.4	39.0	399.0	72.0	38.0
P/BV (x)	2.7	1.6	7.8	5.5	4.9



## Recommendation Summary (last 3 years)



Dates	Rating	Target
08.Jul.24	Sell	1,714
26.Nov.24	Accumulate	1,802

## 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.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

## DISCLAIMER & DISCLOSURES

**Certification:** I, Rajeev T, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

**For General disclosures and disclaimer:** Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company), Geojit Techloan Private Ltd( P2P lending ) Geojit IFSC Ltd ( a company incorporated under IFSC Regulations, Qurum Business Group Geojit Securities LLC ( a joint venture in Oman engaged in Financial Services ), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Business Consultancy and Information KSC (C) (a joint venture in Kuwait-engaged in Financial services ). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

### 1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein. at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report (ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report

### 2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

### 3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

### 4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Rajeev T, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

### 5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi – 682024; Phone: +91 484-2901367; Email: [compliance@geojit.com](mailto:compliance@geojit.com). **For grievances: Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited,34/659 P, Civil Lane Road, Padivattom, Kochi – 682024; Phone: +91 484-2901363; Email: [grievances@geojit.com](mailto:grievances@geojit.com). Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.