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India | Equity Research | Q2FY25 results review

Sobha

Real Estate

Launches key for achieving FY25 sales booking guidance

Sobha Ltd. (SOBHA) clocked H1FY25 sales bookings of 2.1msf worth INR 30.5bn (32%/4% YoY dip in volume/value terms) in spite of the company launching ~3.5msf of new projects in H1FY25. As of Sep'24, SOBHA has launched five projects across 3.5msf in H1FY25 and maintains its guidance of launching another 5.5msf of projects in H2FY25. However, this is contingent on timely approvals coming through, which has been an industry issue over the last few months in Bengaluru. Hence, we cut our FY25/ FY26 sales bookings estimates by 7–8% to INR 85bn/INR 88bn, baking in the possibility of launch delays. Adjusting for the two tranches of rights issue proceeds of ~INR 10bn each (INR 20bn overall) in FY25, we upgrade SOBHA to **ADD**, from *Hold*, with a revised TP of INR 1,628 (vs. INR 1,814 ex-rights issue) and cash flow adjustments post the 11% decline in stock price over the last three months.

30–35% FY25 sales booking growth guidance contingent on launch timelines

As per management, at the beginning of FY25, it had plans to launch 9msf of new projects in FY25 with estimated GDV of over INR 90bn – of which ~60% was expected to be in Bengaluru. As of Sep'24, SOBHA has launched five projects across 3.5msf in H1FY25 and maintains its guidance of launching another 5.5msf of projects in H2FY25. However, this is contingent on timely approvals coming through, which has been an industry issue over the last few months in Bengaluru. Hence, we cut our FY25/FY26 sales bookings estimates by 7-8% to INR 85bn/INR 88bn, factoring in any possible delay in launches. As per the company, demand continues to be resilient across segments.

Utilisation of rights issue proceeds key to growth

As of Sep'24, the company has a pipeline of 20.8msf, which is expected to be launched over H2FY25–FY26E. While SOBHA has historically relied largely on existing land parcels to drive growth, with the company having raised ~INR 10bn through a rights issue in H1FY15 and with the second tranche of the rights issue expected sometime in H2FY25, it will likely look to augment its land bank across locations. Net debt stands at INR 2.8bn, as of Sep'24 (INR 11.9bn in Jun'24) owing to rights issue proceeds; the company's ability to scale up operations further while maintaining optimal debt levels remains key.

Key risks: lower price growth and residential demand slowdown.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	33,100	30,968	46,815	56,138
EBITDA	3,694	2,769	4,858	10,817
EBITDA Margin (%)	11.2	8.9	10.4	19.3
Net Profit	1,041	490	2,228	6,112
EPS (INR)	11.0	5.2	20.8	57.2
P/B (x)	5.8	5.7	3.5	3.1
P/E (x)	138.1	293.2	72.8	26.5
EV/EBITDA (x)	43.1	58.4	31.0	13.4
RoCE (%)	8.5	7.5	10.1	16.9
RoE (%)	4.2	2.0	6.2	12.3

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Market Data

Market Cap (INR)	152bn
Market Cap (USD)	1,804mn
Bloomberg Code	SOBHA IN
Reuters Code	SOBH.BO
52-week Range (INR)	2,178 /841
Free Float (%)	38.0
ADTV-3M (mn) (USD)	4.5

Price Performance (%)	3m	6m	12m
Absolute	(11.4)	(14.6)	78.7
Relative to Sensex	(9.2)	(20.6)	60.9

ESG Score	2022	2023	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher number indicating a higher ESG score.

Source: SES ESG, I-sec research

Previous Reports

20-05-2024: [Q4FY24 results review](#)

08-11-2023: [Q2FY24 results review](#)

Exhibit 1: Q2FY25 consolidated result snapshot

(INR mn)	Q2FY25	Q2FY24	Q1FY25	YoY (%)	QoQ (%)
Total Operating income	9,336	7,412	6,404	25.9	45.8
Raw Materials	6,220	4,269	3,762	45.7	65.3
Personnel Cost	996	908	930	9.7	7.1
Other Expenses	1,349	1,481	1,153	(8.9)	17.0
Total Expenses	8,565	6,658	5,845	28.6	46.5
EBITDA	771	754	559	2.2	37.9
EBITDA margin (%)	8.3	10.2	8.7	(191.8)	(47.1)
Interest (Net)	494	639	539	(22.7)	(8.4)
Depreciation	232	193	204	20.2	14.0
Other Income	317	324	295	(2.2)	7.6
Exceptional items	-	-	-		
Profit Before Tax	362	247	111	46.9	226.5
Taxation	101	97	50	4.3	101.2
Profit After Tax before MI/Associate	261	149	61	74.6	330.8
MI/Associate share	-	-	-		
Reported PAT	261	149	61	74.6	330.8
Net margin (%)	2.8	2.0	0.9	77.8	184.9

Source: I-Sec research, Company data

Exhibit 2: Quarterly sales performance

Region	Area sold (sft)	Total Sales Value (Rs. Mn)	Sobha's Share of Sales Value (Rs.Mn)	Average Price Realization (Rs. / sft)
Bangalore	413,537	6,086	5,549	14,716
NCR	40,458	752	541	18,579
Kerala*	299,204	3,381	2,394	11,300
GIFT City	31,414	385	385	12,266
Hyderabad	24,563	357	357	14,550
Tamil Nadu*	110,300	703	481	6,375
Pune	10,431	121	121	11,603
Total	929,907	11,785	9,828	12,674

*Kerala includes Kochi, Thrissur, Calicut and Trivandrum ; Tamil Nadu includes Chennai and Coimbatore

Source: I-Sec research, Company data, *Kerala includes Kochi, Thrissur, Calicut and Trivandrum; Tamil Nadu includes Chennai and Coimbatore

Exhibit 3: Key historical numbers and forward assumptions

Year ending March	FY21	FY22	FY23	FY24*	FY25E*	FY26E*
Development Properties						
Gross Area sold (msf)	4.0	4.9	5.7	6.1	8.0	8.1
Average Realisation (INR/psf) – Sobha share	NA	NA	9,200	10,922	10,656	11,010
Sale Value (INR mn)	24,759	32,684	51,978	66,406	84,804	88,259

Source: I-Sec research, Company data, *Gross sales bookings

Exhibit 4: SoTP-based valuation

Details (FY25E GAV)	Amount (INR mn)	INR/share	% of GAV
Total Devco	81,127	759	69.3
Land Bank	26,000	243	22.2
Contractual/Manufacturing	10,000	94	8.5
Total GAV	1,17,127	1,096	100.0
Less: FY25E Net Debt	(16,726)	(156)	
Net Asset Value (NAV)	1,33,853	1,252	
Add: 30% premium to NAV	40,156	376	
Target Price	1,74,009	1,628	

Source: I-Sec research, Company data

Exhibit 5: Shareholding pattern

%	Mar'24	Jun'24	Sep'24
Promoters	52.3	52.8	52.8
Institutional investors	29.4	30.2	34.4
MFs and others	16.0	16.8	21.8
FIs/Banks	0.4	1.0	1.0
Insurance	1.2	1.3	0.6
FIIIs	11.9	10.9	10.9
Others	18.3	17.0	12.9

Source: Bloomberg

Exhibit 6: Price chart



Source: Bloomberg

Financial Summary

Exhibit 7: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	33,100	30,968	46,815	56,138
Operating Expenses	29,406	28,199	41,957	45,321
EBITDA	3,694	2,769	4,858	10,817
EBITDA Margin (%)	11.2	8.9	10.4	19.3
Depreciation & Amortization	679	782	798	814
EBIT	2,517	2,455	1,964	2,064
Interest expenditure	950	1,209	1,330	1,463
Other Non-operating Income	-	-	-	-
Recurring PBT	1,448	741	3,427	9,403
Less: Taxes	407	251	1,200	3,291
PAT	1,041	490	2,228	6,112
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	1,041	490	2,228	6,112
Net Income (Adjusted)	1,041	490	2,228	6,112

Source Company data, I-Sec research

Exhibit 8: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	1,15,499	1,19,534	1,64,641	1,79,768
of which cash & cash eqv.	4,514	1,225	31,447	37,861
Total Current Liabilities & Provisions	80,774	87,034	1,09,696	1,18,477
Net Current Assets	34,725	32,499	54,945	61,220
Investments	1,149	1,149	1,174	1,199
Net Fixed Assets	9,012	9,520	9,722	9,908
Total Assets	44,886	43,168	65,842	72,328
Liabilities				
Borrowings	20,036	19,135	20,135	21,135
Deferred Tax Liability	(97)	(1,107)	(1,107)	(1,107)
Equity Share Capital	948	948	1,069	1,069
Reserves & Surplus	23,999	24,192	45,744	51,231
Total Net Worth	24,947	25,140	46,813	52,300
Minority Interest	-	-	-	-
Total Liabilities	44,886	43,168	65,842	72,328

Source Company data, I-Sec research

Exhibit 9: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	1,720	1,272	3,026	6,925
Working Capital Changes	7,635	3,980	6,776	(861)
Capital Commitments	(1,166)	(1,237)	(1,000)	(1,000)
Free Cashflow	8,189	4,015	8,802	5,065
Other investing cashflow	(1,327)	(3,875)	(25)	(25)
Cashflow from Investing Activities	(2,493)	(5,112)	(1,025)	(1,025)
Issue of Share Capital	-	-	20,000	-
Inc (Dec) in Borrowings	(5,198)	(974)	1,000	1,000
Dividend paid	(285)	(285)	(555)	(625)
Others	-	-	-	-
Cash flow from Financing Activities	(5,483)	(1,259)	20,445	375
Chg. in Cash & Bank balance	1,379	(1,119)	29,222	5,414
Closing cash & balance	4,514	1,225	31,447	37,861

Source Company data, I-Sec research

Exhibit 10: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Adjusted EPS (Diluted)	11.0	5.2	20.8	57.2
Cash EPS	18.1	13.4	28.3	64.8
Dividend per share (DPS)	4.0	5.0	5.0	5.0
Book Value per share (BV)	263.2	265.2	437.9	489.2
Growth (%)				
Net Sales	29.2	(6.4)	51.2	19.9
EBITDA	(30.7)	(25.0)	75.4	122.6
PAT	(39.9)	(52.9)	354.5	174.3
Valuation Ratios (x)				
P/E	138.1	293.2	72.8	26.5
P/BV	5.8	5.7	3.5	3.1
EV / EBITDA	43.1	58.4	31.0	13.4
Dividend Yield (%)	0.3	0.3	0.3	0.3
Operating Ratios				
EBITDA Margins (%)	11.2	8.9	10.4	19.3
Net Profit Margins (%)	3.1	1.6	4.8	10.9
Net Debt / Equity (x)	0.6	0.7	(0.2)	(0.3)
Debt / EBITDA (x)	5.4	6.9	4.1	2.0
Profitability Ratios				
RoCE (%)	8.5	7.5	10.1	16.9
RoE (%)	4.2	2.0	6.2	12.3

Source Company data, I-Sec research

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