

Sobha

Stable performance

Amidst challenging COVID-19 environment, SDL reported operationally robust 1QFY21 with pre-sales of 0.65mn sq ft (-39% YoY) aided by resilient sales in Bengaluru (70% of sales in 1QFY20), lower de-growth 35% YoY (74.5% of sales in 1QFY21). Despite the first half of 1QFY21 facing lockdown related issues, total collections for the quarter stood at Rs 5.5bn (-39/-42% YoY/QoQ), this is commendable. Sales activity has picked up in June and trend is flowing into 2QFY21, with SDL indicating a better 2QFY21. Whilst sales inquiries have reached pre-COVID levels, the conversion is yet to happen as buyers want to visit the site physically. We maintain BUY with NAV of Rs 348/sh.

- **Revenue miss, PAT beat led by cost-saving, pre-sales robust:** Revenue: Rs 3.5bn (29% miss). EBIDTA margins: 28.5% (+918bps YoY, +1020bps QoQ). EBITDA: Rs 1.0bn (69% beat). PAT: Rs 66mn (vs estimated loss of Rs 290mn); PAT beat was largely led by Rs 300mn savings in employee cost and favourable mix led gross margin expansion. Pre-sales volume for the quarter stood at 0.65mn sqft (-39% YoY). Total sales by value at Rs 4.9bn (-37% YoY), with average price realisation at Rs 7,498/sqft. Cost of funds (average) has decreased by ~5bps QoQ to 9.64%.
- **Working towards normalisation:** SDL has seen a good recovery in the labour availability at the site with levels at 60% vs. 50% during Jun-20 end. Over the next few months, SDL expects to reach normalcy. The current focus is on the monetisation of the existing stock of 15.3mn sqft unsold area. The new launch pipeline is robust at 14.3mn, but we believe this will take time to come to market on account of soft demand. SDL during 4QFY20 had recognised 1.93mn sqft of bookings with low/delayed collection as probable cancellation and made it available for sales. From 1QFY21, this has become part of the overall unsold area and is not being disclosed separately. If an old buyer starts servicing the payments, SDL re-allocates the unit and adds it to the sold area. Advances received from the old cancelled sale are refunded to the old buyer once new buyer payment exceeds the advance received from the old buyer.
- **Focus on improving liquidity:** SDL generated Rs 927mn from operating activities and had the free cash flow to firm of Rs 907mn in 1QFY21. Consolidated net debt remained stable at Rs 30.2bn (vs Rs 30.2bn on Mar'20). Net debt-equity stood at 1.24x. With a check on capex, no new investment in land acquisition and deferrals of payments on the existing unpaid land bank, management further wants to reduce Net D/E ratio to 1.1x in FY21. Whilst SDL has availed interest and principal repayment moratorium, the management guided it is well geared to service debt post moratorium expiry on 31st Aug 2020. SDL is awaiting onetime restructuring guidelines and may not opt for it unless terms are very attractive.

Financial summary

Y/E March (Rs mn)	1QFY21	1QFY20	YoY (%)	4QFY20	QoQ (%)	FY19	FY20	FY21E	FY22E
Net Sales	3,500	11,767	(70.3)	9,101	(61.5)	34,421	37,539	33,072	37,452
EBITDA	998	2,275	(56.1)	1,667	(40.1)	6,733	7,593	6,566	6,944
APAT	66	906	(92.7)	507	(87.0)	2,970	2,815	2,268	2,428
Diluted EPS (Rs)	0.7	9.6	(92.7)	5.3	(87.0)	31.3	29.7	23.9	25.6
P/E (x)						7.4	7.8	9.7	9.0
EV / EBITDA (x)						6.9	6.9	8.0	7.5
RoE (%)						11.9	12.1	9.0	9.0

BUY

CMP (*as on 10 Aug 2020*) **Rs 231**

Target Price **Rs 348**

NIFTY **11,270**

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 348	Rs 348
	FY21	FY22
EPS change (%)	-	-

KEY STOCK DATA

Bloomberg code	SOBHA IN
No. of Shares (mn)	95
MCap (Rs bn) / (\$ mn)	22/292
6m avg traded value (Rs mn)	85
52 Week high / low	Rs 550/118

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	30.1	(41.8)	(56.3)
Relative (%)	9.4	(35.0)	(57.9)

SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	51.78	51.90
FIs & Local MFs	15.50	10.94
FPIs	23.37	19.48
Public & Others	9.35	17.68
Pledged Shares	0.0	0.0

Source : BSE

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