Equity Research

April 7, 2022

BSE Sensex: 59035

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Company update

Real Estate

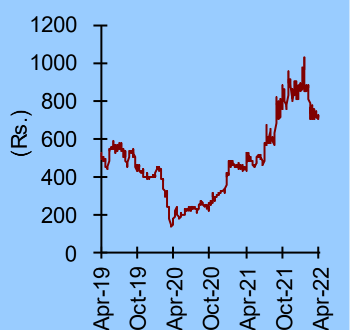
Target price: Rs902

Shareholding pattern

	Mar '21	Sep '21	Dec '21
Promoters	52.0	52.0	52.0
Institutional investors	30.5	30.8	30.7
MFs and others	10.8	12.0	10.6
FIs/Banks/Ins	1.6	1.1	1.6
FPI	18.1	17.7	18.5
Others	17.5	17.2	17.3

Source: NSE

Price chart



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INDIA

ICICI Securities

Sobha Ltd

BUY

Maintain

Sales momentum sustains

Rs713

As per Sobha's Q4FY22 operations update, the company has achieved gross sales bookings of 1.34msf worth Rs11.1bn which were flat on YoY and QoQ basis in volume terms and up 4% YoY and 6% QoQ in value terms aided by the company achieving its highest ever gross realisation of Rs8,265/psf. The Bengaluru market was again the key contributor with sales volumes of 0.93msf and contributed 69% of the total volumes followed by Gurugram which accounted for 17% of volumes. For FY22 overall, the company has clocked its best ever annual sales performance with gross sales bookings of 4.91msf worth Rs38.7bn. We expect this momentum to continue into FY23-24E with ~13msf of planned launches, and model for 5.9/6.4msf of sales volumes in FY23/24E. We maintain our BUY rating with an unchanged Mar'22 SOTP-based target price of Rs902/share. Key risks to our call are a slowdown in residential demand and a rise in the company's debt levels.

- **Bengaluru and Gurugram markets enable strong operational performance:** Sobha's Q4FY22 gross sales bookings of 1.34msf worth Rs11.1bn were flat on YoY and QoQ basis in volume terms and up 4% YoY and 6% QoQ in value terms aided by the company achieving its highest ever gross realisation of Rs8,265/psf. In Q4FY22, the Bengaluru market was again the key contributor with sales volumes of 0.93msf and contributed 69% of the total volumes. The Gurugram market also maintained its strong performance with volumes of 0.23msf (up 22% QoQ) and contributed 17% of sales volumes for the quarter with the Chennai and GIFT City markets also seeing traction. During the quarter, the company launched one project called "SOBHA Brooklyn Towers Wing 3" in Bengaluru spread over 0.20msf. The company has also mentioned that its consolidated net debt levels have reduced further QoQ (the company had net debt of Rs26.5bn as of Dec'21 with net D/E of 1.1x).

- **Record FY22 sales bookings, expect further growth in FY23-FY24E:** For FY22 overall, the company has clocked its best ever annual sales performance with gross sales bookings of 4.91msf worth Rs38.7bn. We believe that the company's FY22 sales performance is commendable considering the second/third Covid wave impact across India, and expect momentum to sustain heading into FY23-24E as well on the back of new launches. As per company, it is on track to get approvals for ~13msf of planned launches in FY23E of which inventory will be released for sale in phases. Low mortgage rates, stable property prices and robust hiring outlook for IT/ITeS and financial services, especially in South India, are expected to support residential housing demand in FY23-24E as well. We model for Sobha to clock gross sales booking value of Rs47.1bn and Rs49.0bn in FY23E and FY24E, respectively.

Market Cap	Rs67.6bn/US$891mn
Reuters/Bloomberg	SOBH.BO/SOBHA IN
Shares Outstanding (mn)	94.8
52-week Range (Rs)	1045/442
Free Float (%)	48.0
FII (%)	18.5
Daily Volume (US$/'000)	6,643
Absolute Return 3m (%)	(16.4)
Absolute Return 12m (%)	42.2
Sensex Return 3m (%)	(0.1)
Sensex Return 12m (%)	20.1

Year to Mar	FY21	FY22E	FY23E	FY24E
Revenue (Rs bn)	21.1	27.8	33.0	41.4
Rec. Net Income (Rs bn)	0.6	2.0	3.4	5.3
EPS (Rs)	6.6	20.8	35.4	56.0
% Chg YoY	(77.9)	216.3	70.3	58.1
P/E (x)	108.5	34.3	20.1	12.7
P/B (x)	2.8	2.6	2.3	2.0
EV/E (x)	14.2	15.1	11.2	8.2
Dividend Yield (%)	1.3	1.3	1.3	1.3
RoCE (%)	12.5	11.6	14.7	18.6
RoE (%)	2.6	7.8	12.1	16.8

Table 1: Quarterly sales performance

Sales Data - Real Estate	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Gross Volumes sold (sft)						
Bengaluru	786,630	892,604	663,867	798,353	958,814	932,215
Thrissur	45,656	39,466	40,152	46,222	32,861	11,786
Chennai	31,821	37,601	14,064	43,484	16,915	41,084
Coimbatore	14,974	13,929	4,402	16,970	14,770	4,872
Pune	18,349	50,643	24,993	79,572	43,890	17,589
NCR (Gurugram)	97,267	162,537	67,336	189,522	191,774	234,123
Mysore	3,903	-	-	-	-	-
Cochin	107,171	118,467	52,833	117,564	13,310	58,039
Kozhikode	-	-	2,019	4,623	4,612	-
GIFT City	27,803	22,460	25,873	52,553	45,737	42,771
Total	**1,133,574**	**1,337,707**	**895,539**	**1,348,864**	**1,322,684**	**1,342,480**
Gross Sales Value (Rs mn)	**8,876**	**10,720**	**6,829**	**10,302**	**10,475**	**11,096**
Sales Value (Rs mn) – Sobha Share	**6,777**	**8,742**	**5,709**	**8,542**	**9,082**	**9,352**
Average price realisation (Rs/psf) – Gross basis	**7,830**	**8,014**	**7,626**	**7,637**	**7,920**	**8,265**

Source: Company data, I-Sec research

Table 2: Annual sales performance

Sales Data - Real Estate	FY17	FY18	FY19	FY20	FY21	FY22
Gross Volumes sold (sft)						
Bengaluru	2,255,440	2,600,252	2,767,789	3,002,161	2,702,120	3,353,250
Thrissur	76,357	59,570	66,380	101,048	150,156	131,021
Chennai	180,229	102,227	176,341	212,091	125,072	115,547
Coimbatore	28,654	69,271	112,805	73,981	56,517	41,014
Pune	54,397	3,025	11,865	65,376	93,580	166,044
NCR (Gurugram)	233,592	360,857	351,242	237,383	373,058	682,755
Mysore	77,381	67,230	180,662	63,608	34,056	-
Cochin	68,019	317,618	318,155	155,626	395,527	241,747
Kozhikode	27,759	45,340	39,505	33,857	16,452	11,253
GIFT City	-	-	5,036	126,573	66,843	166,935
Total	**3,001,828**	**3,625,390**	**4,029,779**	**4,071,704**	**4,013,381**	**4,909,567**
Average price realisation (Rs/psf) – Sobha share	6,216	6,680	6,303	5,852	NA	NA
Sales Value (Rs mn) – Sobha Share	**18,661**	**24,217**	**25,401**	**23,827**	**24,759**	**32,684**

Source: Company data, I-Sec research

Table 3: Key historical numbers and forward assumptions

Year ending March	FY19	FY20	FY21	FY22	FY23E*	FY24E*
Development Properties						
Area sold (msf)	4.0	4.1	4.0	4.9	5.9	6.4
Average Realisation (Rs/psf) – Sobha share	6,303	5,852	NA	NA	8,010	7,660
Sale Value (Rs mn)	25,401	23,827	24,759	32,684	47,120	49,027

Source: Company data, I-Sec research, *Gross sales volume and value

Table 4: SoTP valuation

Details (GAV)	Amount (Rs mn)	Rs/share	% of GAV
Bengaluru	13,338	141	11.9
Gurugram (NCR)	10,953	116	9.8
Thrissur	539	6	0.5
Rest of South India/Pune	8,508	90	7.6
Total Devco	**33,338**	**352**	**29.8**
Land Bank	55,189	582	49.3
Contractual/Manufacturing	12,723	134	11.4
Rental Assets/APMC	6,153	65	5.5
Refundable JDA deposits	4,500	47	4.0
Total GAV	**111,903**	**1,180**	**100.0**
Less : FY22 Net Debt	26,392	278	
Net Asset Value (NAV)	**85,510**	**902**	

Source: Company data, I-Sec research

Financial summary (consolidated)

Table 5: Profit & Loss statement

(Rs mn, year ending March 31)

	FY21	FY22E	FY23E	FY24E
Net Sales	**21,098**	**27,813**	**32,987**	**41,382**
Operating Expenses	**14,346**	**21,572**	**24,862**	**30,232**
EBITDA	**6,752**	**6,241**	**8,125**	**11,150**
% margins	32%	22%	25%	27%
Depreciation & Amortisation	794	810	826	843
Interest expenses	6,012	3,286	3,110	3,215
Other Income	806	887	975	1,073
Exceptional items	-	-	-	-
PBT	**752**	**3,032**	**5,164**	**8,165**
Less: Taxes	129	1,061	1,807	2,858
PAT before Minority/Associate	**623**	**1,971**	**3,356**	**5,307**
Minority/Associate share	-	-	-	-
Net Income (Reported)	**623**	**1,971**	**3,356**	**5,307**

Source: Company data, I-Sec research, *Reclassification of interest costs

Table 6: Balance sheet

(Rs mn, year ending March 31)

	FY21	FY22E	FY23E	FY24E
Assets				
Total Current Assets	1,01,924	1,04,615	1,14,050	1,33,576
of which cash & cash eqv.	2,041	2,728	6,743	7,574
Total Current Liabilities & Provisions	56,862	59,407	65,030	79,021
Net Current Assets	**45,062**	**45,208**	**49,020**	**54,556**
Goodwill/Investments	1,143	1,168	1,193	1,218
Net Fixed Assets	9,034	9,224	9,398	9,555
Total Assets	**55,239**	**55,600**	**59,611**	**65,329**
Liabilities				
Borrowings	30,620	29,120	30,120	31,120
Equity Share Capital	948	948	948	948
Reserves & Surplus*	23,329	25,190	28,201	32,919
Net Worth	**24,277**	**26,138**	**29,149**	**33,867**
Minority Interest	-	-	-	-
Deferred Taxes	342	342	342	342
Total Liabilities	**55,239**	**55,600**	**59,611**	**65,329**

Source: Company data, I-Sec research

Table 7: Cashflow statement

(Rs mn, year ending March 31)

	FY21	FY22E	FY23E	FY24E
PBT	**752**	**3,032**	**5,164**	**8,165**
Depreciation	794	810	826	843
Non-Cash Adjustments	-	-	-	-
Working Capital Changes	(788)	(459)	(796)	(5,705)
Taxes Paid	(129)	(1,061)	(1,807)	(2,858)
Operating Cashflow	**629**	**2,321**	**3,386**	**445**
Capital Commitments	(395)	(1,000)	(1,000)	(1,000)
Free Cashflow	**234**	**1,321**	**2,386**	**(555)**
Other investing cashflow	(50)	(25)	(25)	(25)
Cashflow from Investing Activities	**(445)**	**(1,025)**	**(1,025)**	**(1,025)**
Issue of Share Capital	-	-	-	-
Inc (Dec) in Borrowings	(780)	(1,500)	1,000	1,000
Dividend paid	(664)	(109)	(346)	(589)
Cashflow from Financing activities	**(1,444)**	**(1,609)**	**654**	**411**
Net Change in cash	**(1,260)**	**(313)**	**3,015**	**(169)**

Source: Company data, I-Sec research

Table 8: Key ratios

(Year ending March 31)

	FY21	FY22E	FY23E	FY24E
Per Share Data (Rs)				
EPS	6.6	20.8	35.4	56.0
Cash EPS	14.9	29.3	44.1	64.9
Dividend per share (DPS)	9.0	9.0	9.0	9.0
Book Value per share (BV)	256.1	275.7	307.5	357.2
Growth (%)				
Net Sales	(43.8)	31.8	18.6	25.4
EBITDA	(39.4)	(7.6)	30.2	37.2
PAT	(77.9)	216.3	70.3	58.1
Valuation Ratios (x)				
P/E	108.5	34.3	20.1	12.7
P/BV	2.8	2.6	2.3	2.0
EV / EBITDA	14.2	15.1	11.2	8.2
Dividend Yield	1.3	1.3	1.3	1.3
Operating Ratios				
Debt/EBITDA (x)	4.5	4.7	3.7	2.8
Net D/E	1.2	1.0	0.8	0.7
Profitability/Return Ratios (%)				
RoE	2.6	7.8	12.1	16.8
RoCE	12.5	11.6	14.7	18.6
EBITDA Margins	32.0	22.4	24.6	26.9
Net Income Margins	3.0	7.1	10.2	12.8

Source: Company data, I-Sec research

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