

Sobha

Upcoming launches key for further rerating

Sobha's (SDL) reported annual presales of 5.7msf, the highest-ever in both value and volume terms, valued at INR 52bn (+34% YoY). This was on the back of the robust launch of 4msf. For FY24, SDL expects to clock presales growth of 15-20% on the back of a minimum of 7msf of launches (launches will start from Q2FY24). Of which, 5/1/1msf is planned for Bengaluru/NCR/other markets. EBITDA margin continues to be a pain point with FY23 EBITDA margin at 11.2% (-456bps YoY). This was on account of high-cost legacy contractual projects and historical presales with higher raw material costs getting recognised now. SDL expects a turnaround in EBITDA margin from Q3FY24. Hosur land monetisation will start in FY24 with a plan to launch plotted development project. On the other hand, for the 200-acre Hoskote land monetisation, the launch plan for the first few phases will be crystallised by FY24-end. In terms of business development (BD), SDL expects to spend INR 2-3bn in FY24, primarily going for a JD/JVA route, which would be funded by robust internal accruals. Real estate collection was the highest ever at INR 43bn (+36% YoY) on the back of robust presales and delivery. This resulted in the reduction of net debt to INR 16.4bn (a reduction of INR 5bn from FY22). However, for FY24, SDL plans to utilise its robust cash flow more towards growth than net debt reduction. On account of the near-term pressure on margins, we cut our estimates, but maintain BUY with an unchanged TP of INR 935.

- Q4FY23 financial highlights:** Sobha reported a revenue of INR 12bn (+65%/+39% YoY/QoQ, a 42% beat) with real estate contributing 77% to total revenue. EBITDA came in at INR 1.15mn (+28%/+30% YoY/QoQ, a 4% beat). EBITDA margin came in at 9.6% (-275/-67bps YoY/QoQ, vs. estimate of 13%) on account of higher construction expense in contractual business for its older projects. RPAT/APAT was INR 486mn (+94%/+53% YoY/QoQ, a 48% beat).
- Highest-ever presales; non-Bengaluru sales strong:** SDL reported its highest-ever quarterly presales (in value and volume terms) of 1.48msf, valued at INR 14.6bn (+26%/+3% YoY/QoQ), with Sobha's share at INR 12bn (the highest-ever since its inception). For FY23, presales stood at an all-time high of INR 52bn (+35% YoY). The non-Bengaluru region contributed 37% to total sales (vs. 40% in Q3FY23). The average realisation increased to INR 9,898/sq. ft. (+14%/+3%, YoY/QoQ). SDL has a residential launch pipeline of 13.3msf, with 6.5msf and 4.3msf earmarked for Bengaluru and NCR.
- Balance sheet strong; collections at an all-time high:** SDL achieved the highest-ever collections of INR 14.2bn (+10%/+1% YoY/QoQ) on the back of robust residential cash collection of INR 11.8bn (+11%/+2% YoY/QoQ). This resulted in the consolidated gross/net debt reducing to INR 20.0/16.4 vs. INR 20.0/17.7bn as of Dec'22, with net D/E at 0.66x vs. 0.72x as of Dec'22.

Consolidated financial summary (INR mn)

Particulars	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	12,099	7,313	65.4	8,682	39.4	27,309	33,101	33,573	39,155
EBITDA	1,156	900	28.4	888	30.2	4,294	3,694	5,103	7,244
APAT	486	250	94.4	318	52.8	1,169	1,042	1,769	3,224
Diluted EPS	5.1	2.6	94.4	3.4	52.8	12.3	11.0	18.7	34.0
P/E (x)						41.1	46.2	27.2	14.9
EV/EBITDA (x)						16.5	19.2	13.8	9.5
RoE (%)						4.7	4.1	6.6	11.2

Consolidated estimate change summary

Particulars	FY24E			FY25E		
	New	Old	Chg.(%)	New	Old	Chg.(%)
Revenues	33,573	33,143	1.3	39,155	38,400	2.0
EBITDA	5,103	6,562	(22.2)	7,244	7,699	(5.9)
EBITDA (%)	15.2	19.8	(460.0)	18.5	20.1	(155.0)
APAT	1,769	2,322	(23.8)	3,224	3,617	(10.9)

Source: Company, HSIE Research

BUY

CMP (as on 29 May 23)	INR 507
Target Price	INR 935
NIFTY	18,599

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 935	INR 935
EPS Change %	FY24E (23.8)	FY25E (10.9)

KEY STOCK DATA

Bloomberg code	SOBHA IN
No. of Shares (mn)	95
MCap (INR bn) / (\$ mn)	48/588
6m avg traded value (INR mn)	250
52 Week high / low	INR 751/412

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(12.0)	(19.2)	2.0
Relative (%)	(18.6)	(19.5)	(12.5)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	51.99	52.26
FIs & Local MFs	13.78	13.63
FPIs	15.06	13.76
Public & Others	19.17	20.35
Pledged Shares	10.54	10.54

Source: BSE

Pledged shares as % of total shares

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Disclosure:

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