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## Company update

## Real Estate

Target price: Rs891

## Shareholding pattern

	Sep '22	Dec '22	Mar '23
Promoters	52.0	52.0	52.3
Institutional investors	29.3	28.9	27.4
MFs and others	12.1	12.2	11.3
Insurance	1.6	1.6	2.4
FPI	15.6	15.1	13.7
Others	18.7	19.1	20.3

Source: NSE

## ESG disclosure score

Year	2021	2022	Chg
<b>ESG score</b>	<b>33.8</b>	<b>34.8</b>	<b>0.9</b>
Environment	2.9	2.9	0.0
Social	19.8	22.6	2.8
Governance	78.6	78.6	0.0

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

Source: Bloomberg, I-sec research

## Sobha Ltd

**BUY****Maintain****Rs555**

## Strong start to FY24, launches remain key

Sobha Ltd. (SOBHA) achieved record Q1FY24 gross sales bookings of 1.39msf worth Rs14.7bn (up 28% YoY in value terms), aided by the company achieving its highest-ever gross realisation of Rs10,506/psf. The Bengaluru market clocked 0.84msf or 60% of the quarter's volumes and 54% of sales value. The strong start to FY24 comes on the back of a strong FY23 operating performance where the company had clocked its best-ever annual sales performance with gross sales bookings of 5.65msf worth Rs52.0bn. The company plans to launch 7-8msf of new projects in FY24, of which 5msf is expected to be in Bengaluru, 1msf in Gurugram and balance in other cities. If the approvals for all the planned launches come through, then the company is targeting 15-20% growth in gross sales bookings for FY24 (we model for sales bookings of Rs57.8bn in FY24E and Rs61.1bn in FY25E). Another key positive in FY23 was the company's net debt levels reducing by Rs7.0bn to Rs16.4bn (net D/E of 0.66x). We maintain our BUY rating with an unchanged SOTP based TP of Rs891/share. Key risks are demand slowdown and rise in debt levels.

- Bengaluru and Kerala market sales drive strong operational performance:** Sobha clocked record Q1FY24 gross sales bookings of 1.39msf worth Rs14.7bn (up 28% YoY in value terms), aided by the company achieving its highest-ever gross realisation of Rs10,506/psf with increased share of luxury products in the sales mix. During the quarter, the company did not launch any new project but released new inventory in ongoing projects of 0.8msf (mainly in Kerala). The Bengaluru market clocked 0.84msf or 60% of the quarter's volumes and 54% of sales value. The Kerala market saw 55% QoQ increase in sales value with the release of new inventory in Marina One, Kochi and Metropolis, Thrissur projects.
- On track to achieve 15-20% FY24 sales booking growth:** As per company management, demand continues to resilient and the company plans to launch 7-8msf of new projects in FY24, of which 5msf is expected to be in Bengaluru, 1msf in Gurugram and balance in other cities. If the approvals for all the planned launches come through, then the company is targeting 15-20% growth in gross sales bookings for FY24 (we model for sales bookings of Rs57.8bn in FY24E and Rs61.1bn in FY25E). While EBITDA margins for FY23 of 11% have been impacted by legacy contracting and manufacturing segment projects, the company expects margins to improve from H2FY24. While consolidated net debt levels have reduced by Rs7.0bn in FY23 to Rs16.4bn, Sobha expects pace of debt reduction to be slower going ahead given Rs3-4bn of annual and spend and increased construction spend going ahead.

Market Cap	Rs52.7bn/US\$693mn	Year to Mar	FY22	FY23	FY24E	FY25E
Reuters/Bloomberg	SOBH.BO/SOBHA IN	Revenue (Rs bn)	25.6	33.1	41.1	46.8
Shares Outstanding (mn)	94.8	Rec. Net Income (Rs bn)	1.7	1.0	3.4	4.4
52-week Range (Rs)	750/412	EPS (Rs)	18.3	11.0	35.5	46.5
Free Float (%)	48.0	% Chg YoY	178.0	(39.9)	223.3	31.1
FII (%)	13.7	P/E (x)	30.4	50.5	15.6	11.9
Daily Volume (US\$/'000)	4,149.7	P/B (x)	2.1	2.1	1.9	1.7
Absolute Return 3m (%)	23.3	EV/E (x)	14.3	18.4	10.1	8.0
Absolute Return 12m (%)	(4.9)	Dividend Yield (%)	0.5	0.7	0.9	0.9
Sensex Return 3m (%)	10.7	RoCE (%)	10.5	8.5	16.1	18.1
Sensex Return 12m (%)	24.0	RoE (%)	7.0	4.2	12.7	14.8

Please refer to important disclosures at the end of this report

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**Table 1: Quarterly sales performance**

Sales Data - Real Estate	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
<b>Gross Volumes sold (sft)</b>						
Bengaluru	932,215	1,060,172	1,037,368	890,296	929,575	839,373
Tamil Nadu*	45,956	46,874	48,878	33,394	31,566	36,927
Pune	17,589	18,182	18,704	9,457	15,679	10,346
NCR (Gurugram)	234,123	168,901	71,458	352,583	185,439	212,986
Kerala*	69,825	3,302	128,839	129,647	161,956	211,890
GIFT City	42,771	61,280	31,581	60,542	55,964	65,400
<b>Total</b>	<b>1,342,480</b>	<b>1,358,710</b>	<b>1,336,828</b>	<b>1,475,920</b>	<b>1,478,406</b>	<b>1,394,117</b>
<b>Gross Sales Value (Rs mn)</b>	<b>11,096</b>	<b>11,455</b>	<b>11,642</b>	<b>14,247</b>	<b>14,634</b>	<b>14,647</b>
<b>Sales Value (Rs mn) – Sobha Share</b>	<b>9,352</b>	<b>9,517</b>	<b>9,610</b>	<b>11,112</b>	<b>12,074</b>	<b>11,304</b>
<b>Average price realisation (Rs/psf) – Gross basis</b>	<b>8,265</b>	<b>8,431</b>	<b>8,709</b>	<b>9,650</b>	<b>9,898</b>	<b>10,506</b>

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

**Table 2: Annual sales performance**

Sales Data - Real Estate	FY18	FY19	FY20	FY21	FY22	FY23
<b>Gross Volumes sold (sft)</b>						
Bengaluru	2,600,252	2,767,789	3,002,161	2,702,120	3,353,250	3,917,412
Tamil Nadu*	1,71,498	2,89,146	2,86,072	1,81,589	1,56,561	160,712
Pune	3,025	11,865	65,376	93,580	166,044	62,023
NCR (Gurugram)	360,857	351,242	237,383	373,058	682,755	778,381
Mysore	67,230	180,662	63,608	34,056	-	-
Kerala*	4,22,528	4,24,040	2,90,531	5,62,135	3,84,021	423,743
GIFT City	-	5,036	126,573	66,843	166,935	209,367
<b>Total</b>	<b>3,625,390</b>	<b>4,029,779</b>	<b>4,071,704</b>	<b>4,013,381</b>	<b>4,909,567</b>	<b>5,649,865</b>
<b>Average price realisation (Rs/psf) – Sobha share</b>	<b>6,680</b>	<b>6,303</b>	<b>5,852</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Sales Value (Rs mn) – Sobha Share</b>	<b>24,217</b>	<b>25,401</b>	<b>23,827</b>	<b>24,759</b>	<b>32,684</b>	<b>42,313</b>

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

**Table 3: Key historical numbers and forward assumptions**

Year ending March	FY20	FY21	FY22	FY23*	FY24E*	FY25E*
<b>Development Properties</b>						
Gross Area sold (msf)	4.1	4.0	4.9	5.7	6.8	6.4
Average Realisation (Rs/psf) – Sobha share	5,852	NA	NA	9,200	8,495	9,539
Sale Value (Rs mn)	23,827	24,759	32,684	51,978	57,764	61,048

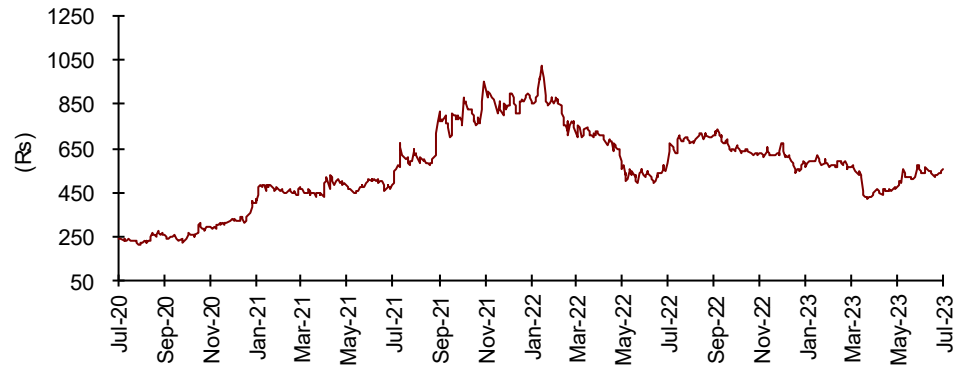
Source: Company data, I-Sec research, \*Gross sales volume and value

**Table 4: SoTP valuation**

Details (FY23 GAV)	Amount (Rs mn)	Rs/share	% of GAV
Total Devco	64,491	680	64.0
Land Bank	27,503	290	27.3
Contractual/Manufacturing	4,201	44	4.2
Rental Assets	5,594	17	1.6
Refundable JDA deposits	1,646	32	3.0
<b>Total GAV</b>	<b>100,842</b>	<b>1,064</b>	<b>100.0</b>
Less : FY23 Net Debt	16,422	173	
<b>Net Asset Value (NAV)</b>	<b>84,420</b>	<b>891</b>	

Source: Company data, I-Sec research

**Price chart**



Source: Bloomberg

## Financial summary (consolidated)

Table 5: Profit &amp; Loss statement

(Rs mn, year ending March 31)

	FY22	FY23	FY24E	FY25E
<b>Net Sales</b>	<b>25,613</b>	<b>33,100</b>	<b>41,092</b>	<b>46,815</b>
<b>Operating Expenses</b>	<b>20,285</b>	<b>29,406</b>	<b>34,111</b>	<b>38,209</b>
<b>EBITDA</b>	<b>5,328</b>	<b>3,694</b>	<b>6,981</b>	<b>8,606</b>
% margins	21%	11%	17%	18%
Depreciation & Amortisation	719	679	693	706
Interest expenses*	3,083	2,517	2,156	2,261
Other Income	840	950	1,045	1,150
Exceptional items	-	-	-	-
<b>PBT</b>	<b>2,366</b>	<b>1,448</b>	<b>5,177</b>	<b>6,788</b>
Less: Taxes	634	407	1,812	2,376
<b>PAT before</b>				
<b>Minority/Associate</b>	<b>1,732</b>	<b>1,041</b>	<b>3,365</b>	<b>4,412</b>
Minority/Associate share	-	-	-	-
<b>Net Income (Reported)</b>	<b>1,732</b>	<b>1,041</b>	<b>3,365</b>	<b>4,412</b>

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

Table 6: Balance sheet

(Rs mn, year ending March 31)

	FY22	FY23	FY24E	FY25E
<b>Assets</b>				
Total Current Assets	1,04,779	1,15,499	1,27,550	1,42,778
of which cash & cash eqv.	1,783	4,514	3,362	5,971
Total Current Liabilities & Provisions	63,514	80,774	89,236	99,925
<b>Net Current Assets</b>	<b>41,265</b>	<b>34,725</b>	<b>38,314</b>	<b>42,853</b>
Goodwill/Investments	1,149	1,149	1,174	1,199
Net Fixed Assets	8,172	9,012	9,319	9,613
<b>Total Assets</b>	<b>50,586</b>	<b>44,886</b>	<b>48,807</b>	<b>53,665</b>
<b>Liabilities</b>				
Borrowings	25,330	20,036	21,036	22,036
Equity Share Capital	948	948	948	948
Reserves & Surplus*	24,157	23,999	26,920	30,778
<b>Net Worth</b>	<b>25,105</b>	<b>24,947</b>	<b>27,868</b>	<b>31,726</b>
Minority Interest	-	-	-	-
Deferred Taxes	151	(97)	(97)	(97)
<b>Total Liabilities</b>	<b>50,586</b>	<b>44,886</b>	<b>48,807</b>	<b>53,665</b>

Source: Company data, I-Sec research

Table 7: Cashflow statement

(Rs mn, year ending March 31)

	FY22	FY23	FY24E	FY25E
<b>PBT</b>	<b>2,366</b>	<b>1,448</b>	<b>5,177</b>	<b>6,788</b>
Depreciation	719	679	693	706
Non-Cash Adjustments	-	-	-	-
Working Capital Changes	(409)	7,635	(5,741)	(2,930)
Taxes Paid	(634)	(407)	(1,812)	(2,376)
<b>Operating Cashflow</b>	<b>2,042</b>	<b>9,355</b>	<b>(1,683)</b>	<b>2,189</b>
Capital Commitments	459	(1,166)	(1,000)	(1,000)
<b>Free Cashflow</b>	<b>2,501</b>	<b>8,189</b>	<b>(2,683)</b>	<b>1,189</b>
Other investing cashflow	(109)	(1,327)	(25)	(25)
<b>Cashflow from Investing Activities</b>	<b>350</b>	<b>(2,493)</b>	<b>(1,025)</b>	<b>(1,025)</b>
Issue of Share Capital	-	-	-	-
Inc (Dec) in Borrowings	(5,595)	(5,198)	1,000	1,000
Dividend paid	(332)	(285)	(444)	(555)
<b>Cashflow from Financing activities</b>	<b>(5,927)</b>	<b>(5,483)</b>	<b>556</b>	<b>445</b>
<b>Net Change in cash</b>	<b>(3,535)</b>	<b>1,379</b>	<b>(2,152)</b>	<b>1,609</b>

Source: Company data, I-Sec research

Table 8: Key ratios

(Year ending March 31)

	FY22	FY23	FY24E	FY25E
<b>Per Share Data (Rs)</b>				
EPS	18.3	11.0	35.5	46.5
Cash EPS	25.9	18.1	42.8	54.0
Dividend per share (DPS)	3.0	4.0	5.0	5.0
Book Value per share (BV)	264.8	263.2	294.0	334.7
<b>Growth (%)</b>				
Net Sales	21.4	29.2	24.1	13.9
EBITDA	(21.1)	(30.7)	89.0	23.3
PAT	178.0	(39.9)	223.3	31.1
<b>Valuation Ratios (x)</b>				
P/E	30.4	50.5	15.6	11.9
P/BV	2.1	2.1	1.9	1.7
EV / EBITDA	14.3	18.4	10.1	8.0
Dividend Yield	0.5	0.7	0.9	0.9
<b>Operating Ratios</b>				
Debt/EBITDA (x)	4.8	5.4	3.0	2.6
Net D/E	0.9	0.6	0.6	0.5
<b>Profitability/Return Ratios (%)</b>				
RoE	7.0	4.2	12.7	14.8
RoCE	10.5	8.5	16.1	18.1
EBITDA Margins	20.8	11.2	17.0	18.4
Net Income Margins	6.8	3.1	8.2	9.4

Source: Company data, I-Sec research

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