

Estimate change



TP change



Rating change



Bloomberg	SOBHA IN
Equity Shares (m)	95
M.Cap.(INRb)/(USDb)	173.7 / 2.1
52-Week Range (INR)	1969 / 505
1, 6, 12 Rel. Per (%)	11/95/226
12M Avg Val (INR M)	728

Financials & Valuations (INR b)

Y/E Mar	FY24	FY25E	FY26E
Sales	31.0	42.0	50.3
EBITDA	2.8	6.3	11.4
EBITDA (%)	8.9	15.0	22.7
PAT	0.5	3.4	7.1
EPS (INR)	5.1	35.2	74.2
EPS Gr. (%)	-52.9	591.2	110.5
BV/Sh. (INR)	261.0	293.3	364.6

Ratios

Net D/E	0.5	(0.0)	0.0
RoE (%)	2.0	12.7	22.6
RoCE (%)	4.7	10.4	17.4
Payout (%)	57.9	8.4	4.0

Valuations

P/E (x)	359	52	25
P/BV (x)	7	6	5
EV/EBITDA (x)	67	27	15
Div Yield (%)	0.2	0.2	0.2

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	52.3	52.3	52.3
DII	17.6	17.2	13.6
FII	11.9	11.1	13.8
Others	18.3	19.4	20.4

CMP: INR1,831
TP: INR2,150 (+17%)
Buy

Operating performance in line; gearing up for a strong FY25

Pre-sales declined for the first time in 11 quarters

- SOBHA posted flat YoY bookings of INR15b (in line) in 4QFY24, which declined 23% QoQ for the first time since 2QFY22. While the company launched four projects with a saleable area of 3.2msf, two of those large launches came at the end of the quarter, thus limiting its contribution to pre-sales.
- Volumes declined 9%/19% YoY/QoQ to 1.3msf, while realizations improved 13% YoY to INR11,200/sqft. SOBHA's share of sales value was down 27% QoQ but rose 5% YoY to INR12.7b.
- **During FY24**, its pre-sales stood at INR66b (up 28% YoY), largely driven by a 19% improvement in realization to INR11,000/sqft and a 7% increase in volumes. Kerala, GIFT City, and Bengaluru reported a strong growth in FY24, while the lack of significant inventory led to a decline in pre-sales at Gurugram. Contribution from Bengaluru sustained at over 65% in 4QFY24.
- Total collections were up 5% YoY to INR15b, which led to a 10% YoY jump in OCF to INR4b. SOBHA's spending on land, at INR2.3b, increased during the quarter. Surplus cash flows of INR0.8b were utilized to repay debt, which, at the end of FY24, stood at INR12.6b, or 0.5x of equity.
- **P&L performance:** Revenue declined 37% YoY to INR7.6b (38% below our estimate) due to lower completions. EBITDA declined 46% YoY to INR0.6b due to a 150bp drop in margins. Residential EBIT margin contracted 260bp YoY, while contractual business margin recovered to 13%. PAT came in at INR70m, down 86% YoY. FY24 PAT halved to INR0.5m.

Highlights from the management commentary

- **Launches and guidance:** Of the 17msf pipeline, SOBHA expects to launch 9msf projects in FY25 with a GDV potential of >INR90b. Of the 9msf, 60% will be in Bengaluru, 2.8-3.0msf in Gurugram, and the balance in Chennai and Kerala. It expects pre-sales to be at INR85b on a base case in FY25 and aims to reach INR100b if the inventory offtake is better than expected.
- **Business development:** SOBHA added a project in Pune (5msf), and a couple of projects in Gurugram. The GDV potential is INR80b, and it aims to add INR80-100b of new projects annually. Its target markets will be Bengaluru, NCR, Pune, and Hyderabad. The planned capital raise will further boost land spending.
- **Margins:** The pending INR135b of revenue to be recognized is expected to generate an EBITDA margin of 30%. Bookings done in the last two years (70% of pending revenue recognition) are likely to generate a margin of 33-34%. The P&L margin is expected to improve in the next 2-4 quarters.

Valuation and view

- SOBHA continues to provide strong growth visibility by unlocking its vast land reserves. Additionally, the proposed fund raise and strong cash flows will enable the company focus on new land acquisitions, which will further enhance its growth pipeline.

- We incorporate the updated launch pipeline and the new projects acquired during the year. The ongoing and upcoming projects are expected to generate INR150b of gross cash flows, and we value the same at INR95b.
- SOBHA's ~190msf of balance land reserves are valued at INR90b, assuming 25-75 years of monetization. Further, the new land acquisitions from the INR20b capital raise will be materially accretive and can be considered an option value.
- **Based on the above, we arrive at a valuation of INR200b or INR2,150/share, indicating an 18% upside potential. Reiterate BUY.**

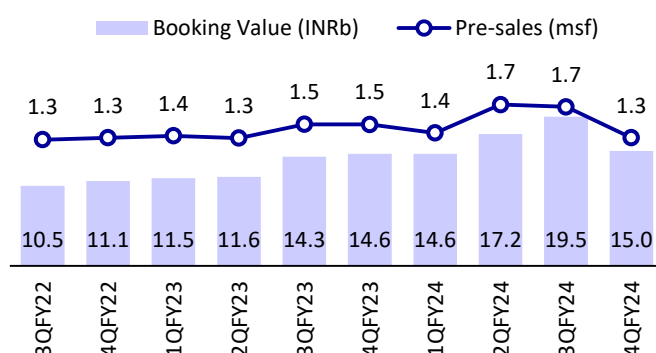
Quarterly Performance

Y/E March	FY23				FY24				FY23	FY24	FY24E Var (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4Q	
Net Sales	5,646	6,673	8,682	12,099	9,079	7,412	6,849	7,629	33,101	30,969	12,222	-38%
YoY Change (%)	25.8	-14.4	39.5	70.3	60.8	11.1	-21.1	-36.9			1.0	
Total Expenditure	4,918	5,751	7,794	10,943	8,425	6,658	6,108	7,008	29,407	28,199	10,815	
EBITDA	728	922	888	1,156	654	754	741	621	3,694	2,770	1,407	-56%
Margins (%)	12.9	13.8	10.2	9.6	7.2	10.2	10.8	8.1	11.2	8.9	11.5	-337bp
Depreciation	147	179	175	178	183	193	201	205	678	782	176	
Interest	614	632	660	611	611	639	614	590	2,490	2,455	602	
Other Income	117	233	298	302	313	324	288	284	923	1,209	319	
PBT before EO expense	84	344	351	669	173	247	214	109	1,449	742	948	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	84	344	351	669	173	247	214	109	1,449	742	948	
Tax	39	152	33	183	52	97	63	39	407	251	211	
Rate (%)	46.4	44.2	9.4	27.4	30.2	39.4	29.4	35.5	28.1	33.8	22.3	
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	45	192	318	486	121	149	151	70	1,042	491	737	-90%
Adj PAT	45	192	318	486	121	149	151	70	1,042	491	737	
YoY Change (%)	-87.1	-69.6	-47.9	242.3	168.3	-22.2	-52.6	-85.5	-39.8	-52.9	51.6	
Margins (%)	0.8	2.9	3.7	4.0	1.3	2.0	2.2	0.9	3.1	1.6	6.0	
Key metrics												
Sale Volume (msf)	1.4	1.3	1.5	1.5	1.4	1.7	1.7	1.3	5.7	4.9	1.4	-2%
Sale Value (INRb)	11.5	11.6	14.3	14.6	14.6	17.2	19.5	15.0	52.0	66.4	14.4	5%
Collections (INRb)	8.9	10.8	11.6	11.8	11.5	12.6	12.9	13.3	43.1	50.3	10.5	
Realization (INR/sft)	8,423	8,707	9,628	9,901	10,537	10,224	11,735	11,230	9,192	13,500	10500	7%

Source: MOFSL, Company

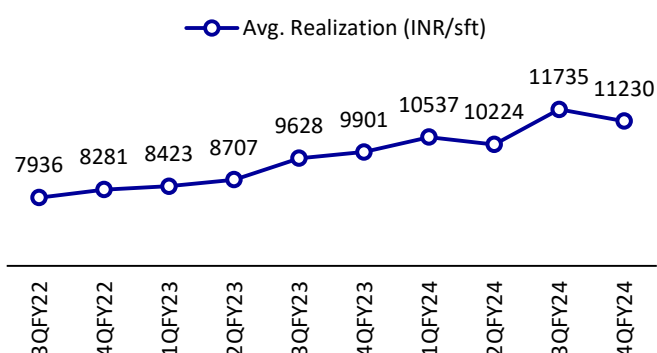
Key exhibits

Exhibit 1: Reported sales of INR15b, down 9% YoY

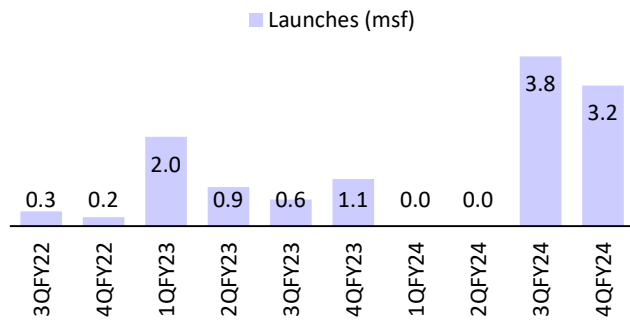


Source: Company, MOFSL

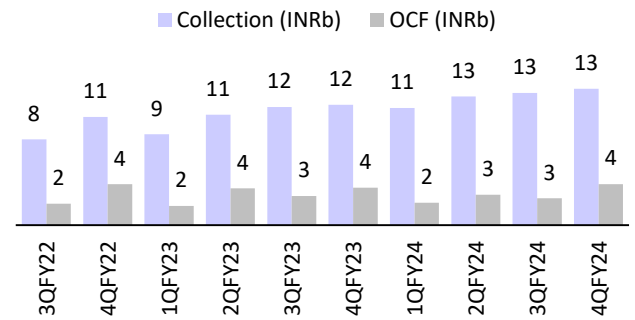
Exhibit 2: Realization was higher by 13% YoY



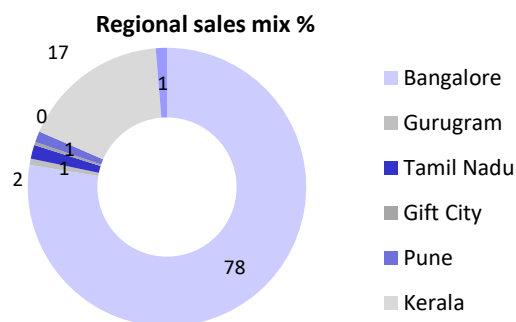
Source: Company, MOFSL

Exhibit 3: Scaled up its new launches in 2HFY24

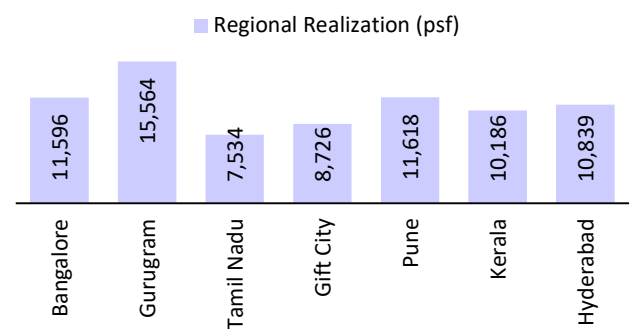
Source: MOFSL, Company

Exhibit 4: Residential collections improved 13% YoY and OCF stood at INR4b

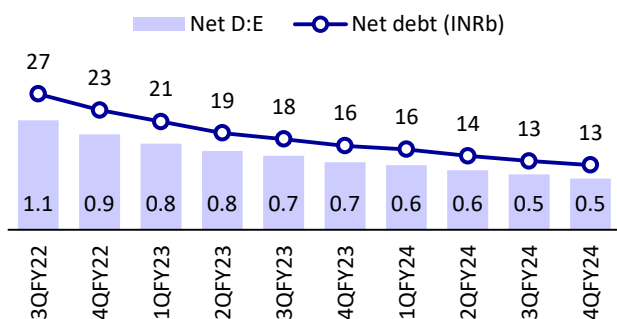
Source: MOFSL, Company

Exhibit 5: Bengaluru contributed 78% to overall sales value

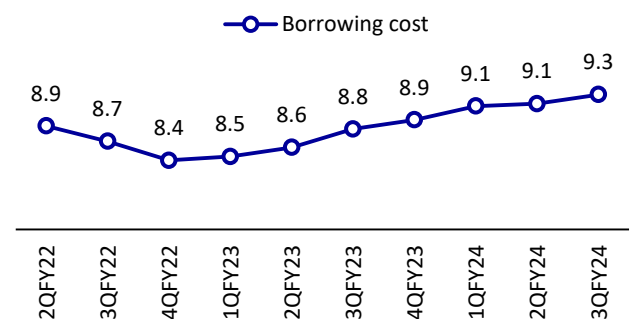
Source: Company, MOFSL

Exhibit 6: Realization/sft in the company's key markets

Source: Company, MOFSL

Exhibit 7: Net debt declining consistently

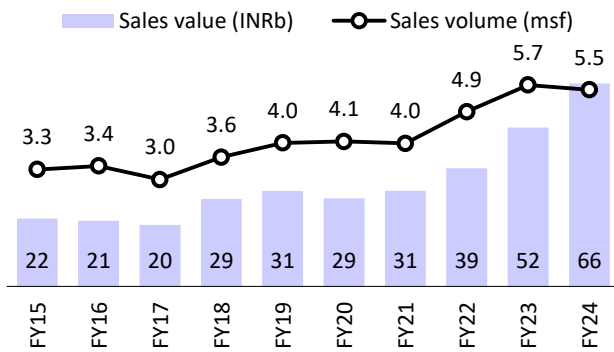
Source: MOFSL, Company

Exhibit 8: Cost of debt stood at 9.3%

Source: MOFSL, Company

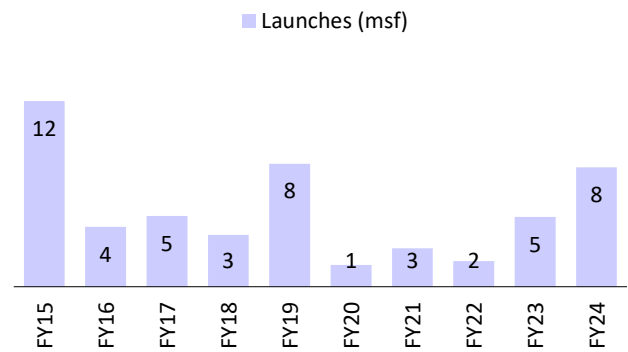
Story in charts

Exhibit 1: Sales improved sharply over the last three years



Source: Company, MOFSL

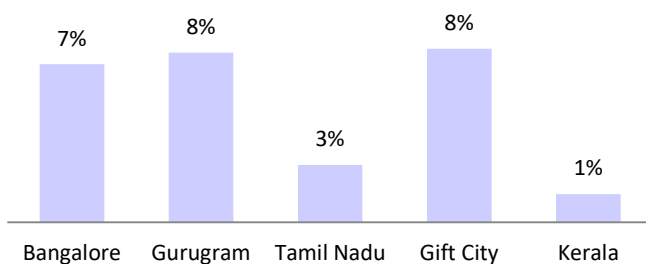
Exhibit 2: Saw a gradual rise in new launches since FY20



Source: Company, MOFSL

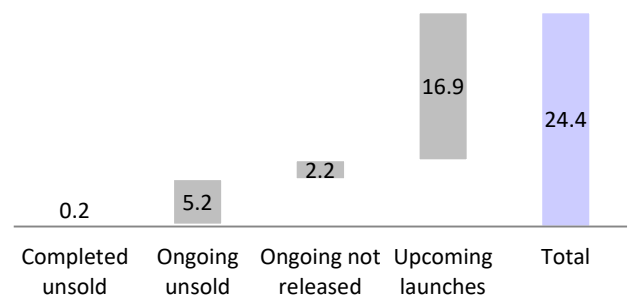
Exhibit 3: Healthy price growth across markets

Price CAGR over FY19-FY24



Source: MOFSL, Company

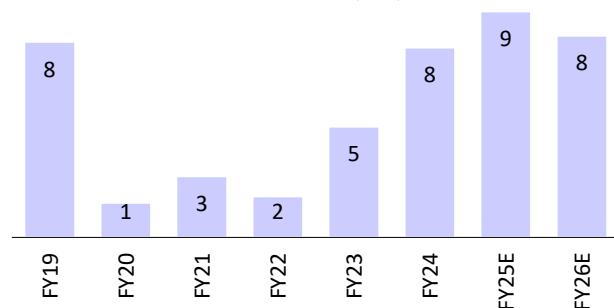
Exhibit 4: Pipeline of 24msf (including 5msf of inventory); working on additional 20msf from its captive land



Source: MOFSL, Company

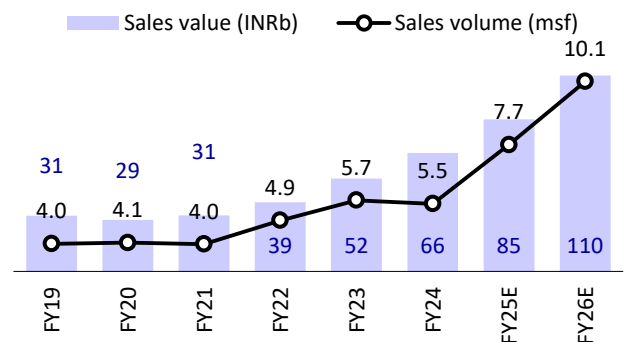
Exhibit 5: Expect SOBHA to release 8-10msf annually over the next 2-3 years

Launches (msf)

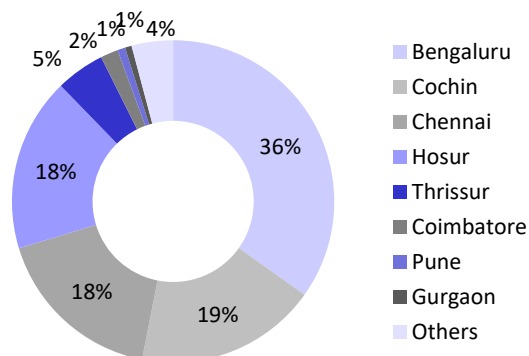


Source: Company, MOFSL

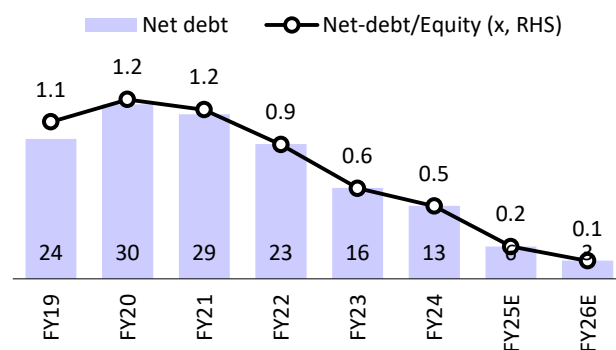
Exhibit 6: Pre-sales can increase to over INR100b by FY26



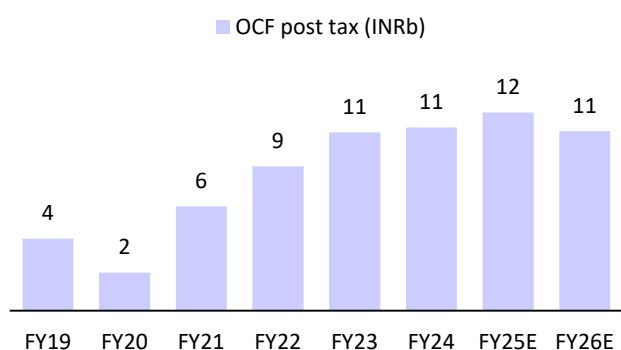
Source: Company, MOFSL

Exhibit 7: Owns large land parcels in key markets, such as Bengaluru, Kochi, Chennai, and Hosur

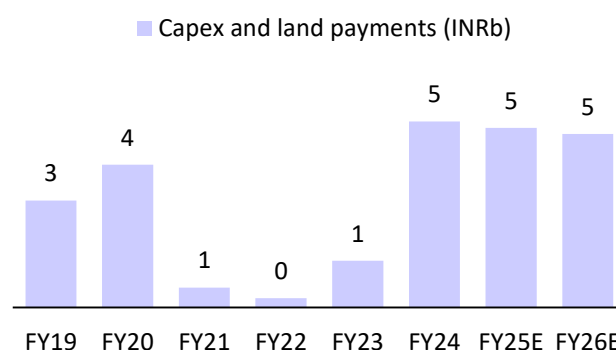
Source: Company, MOFSL

Exhibit 8: Expect net debt to reduce to INR6b by FY25 or 0.2x of equity

Source: Company, MOFSL

Exhibit 9: Expect SOBHA to generate OCF of INR12b in FY25

Source: Company, MOFSL

Exhibit 10: Spending on lands can increase to INR3-4b/year

Source: Company, MOFSL

Exhibit 11: Our earnings revisions

(INR b)	Old		New		Change	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	42	50	42	50	0%	0%
EBITDA	6	11	6	11	0%	0%
Adj. PAT	4	8	3	7	-14%	-11%
Pre-sales	84	105	85	110	1%	5%
Collections	62	78	66	76	7%	-2%

Source: MOFSL, Company

Valuation and view

- We value SOBHA based on our SoTP approach, wherein:
 - Its ongoing inventory and the upcoming pipeline are valued using NAV, with expected cash flow discounted over the next 4-6 years at a WACC of 11.2%.
 - Cash flow potential of its 190msf land bank is discounted at a WACC of 11.2% over 20-75 years, assuming marginal improvement in existing sales velocity across markets that the company is exposed to.
 - Operational commercial projects are valued at an 8.5% cap rate on FY24E EBITDA and ongoing projects on a DCF basis.
 - SOBHA's contractual business is valued at an EV/EBITDA of 10x on FY24E EBITDA.

Based on the above approach, we arrive at a GAV of INR211b. Netting-off its FY25E net debt of INR8b, we derive a NAV of INR204b, or INR2,150 /share, indicating a potential upside of 18%.

Exhibit 12: Our SoTP-based approach denotes 18% upside based on CMP; reiterate BUY

NAV summary	Description	INR b	Per share	As a percentage of NAV
Ongoing projects	❖ INR80b of net cash surplus, excluding overheads discounted at a WACC of 11.2% over the next four years	47	495	23%
Upcoming projects	❖ Around 20msf of unreleased, ongoing, and upcoming pipeline discounted over five years at a WACC of 11.2%	49	519	24%
Value of ongoing and upcoming projects			96	1,013
Commercial properties	❖ Operational assets valued at a cap rate of 8% and ongoing projects through DCF	9	94	4%
Land bank (net of cost payable)	❖ Cash flow potential from 195msf land bank discounted at WACC of 11.3% over 25-75 years depending on size of land parcel	91	965	45%
Contractual and manufacturing	❖ FY26E EBITDA at an EV/EBITDA of 5x	15	158	7%
Gross asset value		211	2,230	104%
Net debt	❖ FY25E net debt	(8)	(80)	-4%
Net asset value		204	2,150	100%
Shares outstanding		94.8		
Target Price		2,150		
CMP		1,830		
Upside		18%		

Source: MOFSL

Financials and Valuation

Consolidated Profit & Loss

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Total Income from Operations	34,421	37,539	21,098	25,613	33,101	30,969	41,991	50,333
Change (%)	23.5	9.1	-43.8	21.4	29.2	-6.4	35.6	19.9
Project Cost & Subcontractor Charges	20,865	20,183	9,281	14,129	21,022	19,048	26,035	27,683
Employees Cost	2,359	2,464	1,771	2,512	2,945	3,526	3,359	3,695
Other Expenses	4,464	3,740	3,294	3,644	5,440	5,625	6,299	7,550
Total Expenditure	27,688	26,386	14,346	20,285	29,407	28,199	35,693	38,929
% of Sales	80.4	70.3	68.0	79.2	88.8	91.1	85.0	77.3
EBITDA	6,733	11,152	6,752	5,328	3,694	2,770	6,299	11,405
Margin (%)	19.6	29.7	32.0	20.8	11.2	8.9	15.0	22.7
Depreciation	623	723	794	719	678	782	867	899
EBIT	6,110	10,429	5,958	4,609	3,016	1,988	5,432	10,506
Int. and Finance Charges	2,362	6,816	6,012	3,083	2,490	2,455	1,942	1,674
Other Income	735	718	807	840	923	1,209	1,640	1,966
PBT bef. EO Exp.	4,482	4,331	752	2,366	1,449	742	5,130	10,797
EO Items	0	0	0	0	0	0	0	0
PBT after EO Exp.	4,482	4,331	752	2,366	1,449	742	5,130	10,797
Total Tax	1,512	1,515	129	634	407	251	1,736	3,653
Tax Rate (%)	33.7	35.0	17.2	26.8	28.1	33.8	33.8	33.8
Minority Interest	0	0	0	0	0	0	0	0
Reported PAT	2,970	2,816	623	1,732	1,042	491	3,395	7,144
Adjusted PAT	2,970	2,816	623	1,732	1,042	491	3,395	7,144
Change (%)	37.0	-5.2	-77.9	177.8	-39.8	-52.9	591.2	110.5
Margin (%)	8.6	7.5	3.0	6.8	3.1	1.6	8.1	14.2

Consolidated Balance Sheet

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	949	949	949	949	949	948	948	948
Total Reserves	21,343	23,364	23,329	24,157	23,999	24,192	27,302	34,162
Net Worth	22,291	24,312	24,277	25,106	24,948	25,141	28,251	35,111
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	26,039	31,308	30,031	24,630	20,269	19,397	16,897	14,397
Deferred Tax Liabilities	-935	291	342	151	0	149	-26	-2,811
Capital Employed	47,395	55,911	54,650	49,887	45,217	44,687	45,122	46,697
Gross Block	8,713	11,737	11,892	12,384	12,488	14,961	15,447	16,086
Less: Accum. Deprn.	2,063	2,764	3,558	4,277	4,955	5,737	6,604	7,502
Net Fixed Assets	6,650	8,973	8,334	8,107	7,533	9,224	8,843	8,584
Goodwill on Consolidation	127	222	0	0	0	172	172	172
Capital WIP	0	0	701	65	86	122	413	392
Total Investments	1,128	1,143	1,143	1,149	1,149	1,149	1,149	1,149
Curr. Assets, Loans&Adv.	98,557	99,765	1,01,924	1,04,779	1,15,596	1,26,298	1,31,930	1,35,233
Inventory	65,173	67,045	71,246	74,271	87,610	93,764	91,921	90,656
Account Receivables	3,271	3,605	2,361	4,069	2,375	2,039	2,876	2,758
Cash and Bank Balance	1,772	884	2,041	1,783	4,514	6,733	18,237	14,135
Loans and Advances	28,341	28,231	26,275	24,656	21,097	23,762	18,896	27,683
Curr. Liability & Prov.	59,067	54,191	57,452	64,214	80,541	92,277	97,384	98,832
Account Payables	11,369	9,578	7,318	6,753	5,987	6,165	10,757	11,732
Other Current Liabilities	46,872	44,048	49,844	57,131	74,122	85,643	85,992	86,339
Provisions	826	565	290	330	432	469	635	762
Net Current Assets	39,490	45,573	44,473	40,565	36,449	34,021	34,545	36,400
Misc Expenditure	0	0	0	0	0	0	0	0
Appl. of Funds	47,395	55,911	54,650	49,886	45,217	44,687	45,122	46,697

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)								
EPS	30.8	29.2	6.5	18.0	10.8	5.1	35.2	74.2
Cash EPS	37.3	36.7	14.7	25.4	17.9	13.2	44.2	83.5
BV/Share	231.5	252.4	252.1	260.7	259.0	261.0	293.3	364.6
DPS	7.0	7.0	7.0	3.5	3.0	3.0	3.0	3.0
Payout (%)	23.7	25.0	106.5	19.2	27.3	57.9	8.4	4.0
Valuation (x)								
P/E	33.4	35.2	159.0	57.2	95.1	358.9	51.9	24.7
Cash P/E	27.6	28.0	69.9	40.4	57.6	138.4	41.4	21.9
P/BV	4.4	4.1	4.1	3.9	4.0	7.0	6.2	5.0
EV/Sales	3.5	3.4	6.0	4.7	3.4	6.0	4.1	3.5
EV/EBITDA	18.1	11.5	18.6	22.6	30.7	67.2	27.3	15.2
Dividend Yield (%)	0.7	0.7	0.7	0.3	0.3	0.2	0.2	0.2
FCF per share	10.8	-4.2	60.3	99.7	108.3	55.2	150.1	-20.6
Return Ratios (%)								
RoE	11.9	12.1	2.6	7.0	4.2	2.0	12.7	22.6
RoCE	9.1	13.9	10.2	7.7	6.0	4.7	10.4	17.4
RoIC	8.5	13.8	9.4	6.9	5.0	3.4	11.6	24.7
Working Capital Ratios								
Fixed Asset Turnover (x)	4.0	3.2	1.8	2.1	2.7	2.1	2.7	3.1
Asset Turnover (x)	0.7	0.7	0.4	0.5	0.7	0.7	0.9	1.1
Inventory (Days)	691	652	1,233	1,058	966	1,105	799	657
Debtor (Days)	35	35	41	58	26	24	25	20
Creditor (Days)	121	93	127	96	66	73	94	85
Leverage Ratio (x)								
Current Ratio	1.7	1.8	1.8	1.6	1.4	1.4	1.4	1.4
Interest Cover Ratio	2.6	1.5	1.0	1.5	1.2	0.8	2.8	6.3
Net Debt/Equity	1.1	1.3	1.2	0.9	0.6	0.5	0.0	0.0

Consolidated Cash flow

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	4,482	4,332	752	2,366	1,449	742	5,130	10,797
Depreciation	623	723	652	719	678	782	867	899
Interest & Finance Charges	1,760	6,165	6,012	7,497	2,490	2,455	1,942	1,674
Direct Taxes Paid	-882	-1,063	-266	-515	-679	-772	-1,911	-6,438
(Inc)/Dec in WC	-3,942	-7,785	-789	-409	7,635	3,980	10,630	-6,303
CF from Operations	2,043	2,372	6,361	9,658	11,573	7,188	16,658	629
Others	18	244	-231	-661	-71	-713	-1,640	-1,966
CF from Operating incl EO	2,061	2,616	6,130	8,997	11,502	6,474	15,018	-1,336
(Inc)/Dec in FA	-1,040	-3,011	-414	461	-1,234	-1,237	-777	-618
Free Cash Flow	1,021	-395	5,716	9,458	10,268	5,238	14,242	-1,955
(Pur)/Sale of Investments	-111	-19	0	-6	-1,327	-3,875	0	0
Others	529	371	82	-85	192	363	1,640	1,966
CF from Investments	-621	-2,659	-332	370	-2,369	-4,749	863	1,347
Issue of Shares	0	0	0	0	0	0	0	0
Inc/(Dec) in Debt	2,706	3,255	-756	-5,595	-5,198	-974	-2,500	-2,500
Interest Paid	-2,768	-3,299	-3,391	-2,916	-2,247	-2,123	-1,593	-1,328
Dividend Paid	-663	-664	-664	-332	-285	-285	-285	-285
Others	-137	-137	-23	0	0	0	0	0
CF from Fin. Activity	-862	-844	-4,834	-8,843	-7,730	-3,382	-4,378	-4,112
Inc/Dec of Cash	578	-887	964	524	1,403	-1,657	11,504	-4,101
Opening Balance	1,194	1,772	1,078	2,042	2,566	8,390	6,733	18,237
Closing Balance	1,772	884	2,042	2,566	3,969	6,733	18,237	14,135

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