

Estimate change	↔
TP change	↑
Rating change	↔

Bloomberg	SOBHA IN
Equity Shares (m)	107
M.Cap.(INRb)/(USDb)	172.6 / 2
52-Week Range (INR)	2070 / 1075
1, 6, 12 Rel. Per (%)	8/35/-15
12M Avg Val (INR M)	505

Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	40.4	50.3	58.1
EBITDA	2.9	6.3	8.5
EBITDA (%)	7.3	12.5	14.6
PAT	0.9	3.6	5.4
EPS (INR)	8.9	33.7	50.6
EPS Gr. (%)	71.0	281.0	49.9
BV/Sh. (INR)	426.5	457.2	504.8

Ratios

Net D/E	(0.1)	(0.5)	(0.2)
RoE (%)	2.7	7.6	10.5
RoCE (%)	4.6	7.8	10.2
Payout (%)	33.9	8.9	5.9

Valuations

P/E (x)	182	48	32
P/BV (x)	4	4	3
EV/EBITDA (x)	57	24	19
Div Yield (%)	0.2	0.2	0.2

Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	52.9	52.9	52.3
DII	24.6	24.0	18.6
FII	8.1	8.9	11.5
Others	14.4	14.2	17.7

CMP: INR1,614 **TP: INR1,935 (+20%)** **Buy**

Weak performance; gross margins hint at a turnaround

Strong YoY performance in Gurugram and Tamil Nadu

- Total bookings were up 11% YoY/13% QoQ at INR20.8b (31% miss) in 1QFY26. SOBHA's share of bookings rose 26% YoY/25% QoQ to INR17.2b.
- In 1Q, 57% of sales were led by NCR, as Gurugram sales jumped 2x QoQ to INR3.5b, led by Sobha Aranya and Sobha Altus. The newly launched project, Sobha Aurum, marked the company's entry into Greater Noida, contributing INR8.3b in sales. About 29% of sales were led by Bangalore, with healthy contributions from Sobha Town Park, Sobha Ayana, and Sobha Neopolis. Kerala sales were up 64% QoQ at INR2.1b, led by the launch of four towers of Marina One, Kochi. Tamil Nadu sales jumped 2x YoY/59% QoQ at INR587m, maintaining steady volumes. Hyderabad and Pune witnessed muted sales due to limited inventory.
- Volumes were up 22% YoY at 1.4msf (48% below our estimate). Average realization was at 14,395psf, down 9% YoY and up 22% QoQ.
- Completions stood at 594 homes, comprising 1.07msf of saleable area.
- The company's project pipeline is at ~30msf (vs. 31msf in 4QFY25), including 18msf of new projects, with ~8msf located in Bengaluru.
- Real estate collections increased 15% YoY to INR16b. Total cash inflow (incl. contractual business) stood at INR17.8b, up 15% YoY.
- Net operating cash flows (before interest and taxes) rose 22% YoY to INR3.95b.
- In line with its growth strategy, SOBHA increased its land-related investment to ~INR2.8b in 1Q, up 75% YoY. During the quarter, the company generated a cash surplus of INR568m.
- Net cash position stood at INR6.9b vs. INR6.3b in 4QFY25. The cost of borrowings reduced to 8.86% (vs. 9.12% in 4QFY25).
- **P&L performance:** In 1Q, revenue was up 33% YoY/down 31% QoQ at INR8.5b (18% below estimate). Real estate revenue was up 45% YoY at INR6.9b.
- Gross margin has been improving sequentially for the last two quarters and stood at 36% in 1Q. EBITDA was down 57% YoY/75% QoQ at INR238m (82% below estimate) and margin was down 594bp YoY and 479bp QoQ at 3% (971bp below estimate) due to low revenue recognition and high other expenses.
- Adj. PAT was up 125% YoY/down 67% QoQ at INR136m (83% miss). PAT margin stood at 1.6%, up 65bp YoY/down 170bp QoQ.

Highlights from the management commentary

- In 1QFY26, SOBHA launched Sobha Aurum in Greater Noida (0.7msf; 80% sold, INR8.3b) and the final four towers of Marina One in Kochi (0.9msf).
- FY26 launch pipeline includes 6-8msf (~INR100b GDV), with 3-3.5msf targeted in 1HFY26; 45% of this will be from NCR.
- Key 2QFY26 launches include two Bengaluru projects (~1.1msf) and a commercial development in Gurgaon.

- MMR project (Phase 1 of 0.15msf) is likely to launch in 3QFY26.
- Delay in OCs for five Bengaluru projects led to INR6.5b in revenue deferment, compressing EBITDA margin by 9%.
- Target EBITDA margin stands at 33% for the remaining INR172b in revenue to be recognized.
- Upcoming pipeline includes 17.67msf residential and 0.71msf commercial area across nine cities.
- Land outflow rose 75% YoY to INR2.8b in 1Q; operating cash flow is guided to grow 10% in FY26.

Valuation and view

- SOBHA continues to provide strong growth visibility by unlocking its vast land reserves. Additionally, the recent fundraise and strong cash flows will enable the company to focus on new land acquisitions, which will further enhance its growth pipeline.
- We have incorporated the updated launch pipeline and newly acquired projects during the year. Ongoing and upcoming projects are likely to generate ~INR124b of gross cash flows, which we value at around INR74b.
- We value SOBHA's land reserve of 154msf at INR86b, assuming 25-75 years of monetization.
- **We reiterate our BUY rating on the stock with a revised TP of INR1,935 (earlier 1,778), indicating a 20% upside potential.**

Quarterly Performance

Y/E March	FY25				FY26E				FY25	FY26E	FY26E	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1Q	
Net Sales	6,404	9,336	12,241	12,406	8,519	11,679	13,073	17,062	40,387	50,333	10,430	-18%
YoY Change (%)	-29.5	25.9	78.7	62.6	33.0	25.1	6.8	37.5			62.9	
Total Expenditure	5,845	8,565	11,569	11,466	8,281	10,218	11,438	14,101	37,444	44,038	9,125	
EBITDA	559	771	672	941	238	1,461	1,635	2,962	2,943	6,296	1,305	-82%
Margins (%)	8.7	8.3	5.5	7.6	2.8	12.5	12.5	17.4	7.3	12.5	12.5	-971.3
Depreciation	204	232	233	230	237	221	247	246	898	950	197	
Interest	539	494	473	450	310	308	344	364	1,956	1,326	275	
Other Income	295	317	328	301	495	300	336	163	1,241	1,295	268	
PBT before EO expense	111	362	295	562	187	1,233	1,380	2,514	1,330	5,314	1,101	-83%
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	111	362	295	562	187	1,233	1,380	2,514	1,330	5,314	1,101	-83%
Tax	50	101	78	154	50	355	398	904	383	1,707	317	
Rate (%)	45.4	28.0	26.4	27.3	27.0	28.8	28.8	35.9	28.8	32.1	28.8	
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	61	261	217	409	136	878	983	1,611	947	3,608	784	-83%
Adj PAT	61	261	217	409	136	878	983	1,611	947	3,608	784	-83%
YoY Change (%)	-49.8	74.6	43.8	481.1	124.9	236.5	353.1	294.3	92.8	281.0	1,194.5	
Margins (%)	0.9	2.8	1.8	3.3	1.6	7.5	7.5	9.4	2.3	7.2	7.5	
Key metrics												
Sale Volume (msf)	1.2	0.9	1.0	1.6	1.4	1.3	1.6	5.0	4.7	9.4	2.8	-48%
Sale Value (INRb)	18.7	11.8	13.9	18.4	20.8	19.1	22.4	39.2	62.8	101.5	30.3	-31%
Collections (INRb)	13.9	12.8	13.2	15.8	16.0	16.0	16.6	21.4	55.7	70.0	17.5	-9%
Realization (INR/sft)	15,879	12,673	13,662	11,781	14,395	14,395	14,395	7,772	13,399	10,831	10,831	33%

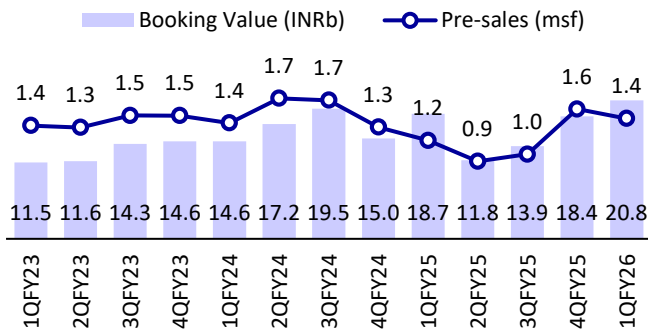
Source: MOFSL, Company

Concall highlights

- **Recent launches:** In 1QFY26, Sobha launched two projects.
 - Sobha Aurum (first project launched in Greater Noida): The project is located in Sector 36, Greater Noida, and is spread across 3.46 acres and offers a total saleable area of 0.7msf. The project comprises 420 units in 1, 2, 3, and 4 BHK configurations, with unit sizes ranging from 739 to 2,306 sqft. As of 1QFY26, 80% of the project is sold out (i.e. INR8.3b).
 - Marina One, Kochi: The remaining four towers are launched, comprising a saleable area of 0.9msf, offering 362 units in 2, 3, and 4 BHK formats, with unit sizes ranging from 2,006 to 3,061 sqft.
- **Upcoming launches:** Further, the company plans to launch ~6-8msf (~INR100b GDV) more in FY26. It has guided for 30% growth in pre-sales in FY26, which will also depend on the timing of new launches. Key upcoming launches in 2QFY26 include 0.6msf in Bengaluru, a commercial project in Gurgaon, and another 0.5msf launch in Bengaluru. Overall, the company plans to launch 3-3.5msf in 1HFY26. Overall, 45% of the new launches in FY26 will be in NCR.
- **MMR launch:** The MMR project is in the final stages. Phase 1 of the project (0.15msf) is estimated to be launched in 3QFY26.
- **Margins:** Due to delays in OCs for five Bangalore projects, revenue of INR6.5b could not be recognized and EBITDA margins were impacted by 9%. Management targets a project-level EBITDA margin of 33% from the remaining INR172b in revenue to be recognized. RE margins currently stand at 6% and are expected to rise further in the coming quarters.
- SOBHA has a robust upcoming pipeline of 17.67msf across 17 residential projects in nine cities and a commercial pipeline of 0.71msf across two projects, scheduled for launch in the next six to eight quarters. The effective share of Sobha expected from the upcoming launch is guided at ~82.9%.
- Sobha has a completed inventory of 11.6msf, valued at INR145b. With the inventory buildup and accelerated launches, management expects decent sales in FY26.
- The company has spent INR2.8b on land acquisition in 1QFY26, up 75% YoY, which is aligned with its growth and expansion plans.
- Operating cash flow is aimed to grow 10% in FY26.
- Apart from the forthcoming projects totaling 18msf, the company has identified 24msf of projects, for which the approval process will soon begin, along with a land bank of 1,765 acres.
- Spending on new deals is expected to be higher in the future.

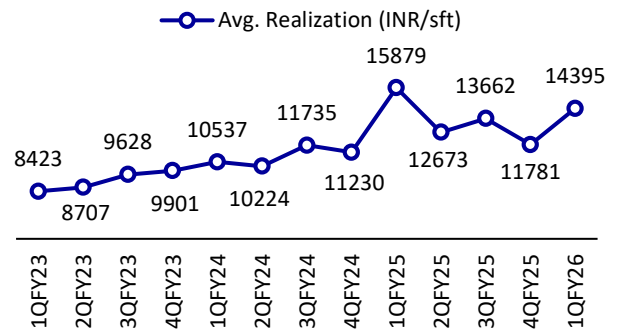
Key exhibits

Exhibit 1: SOBHA reported sales of INR20.8b, up 11% YoY



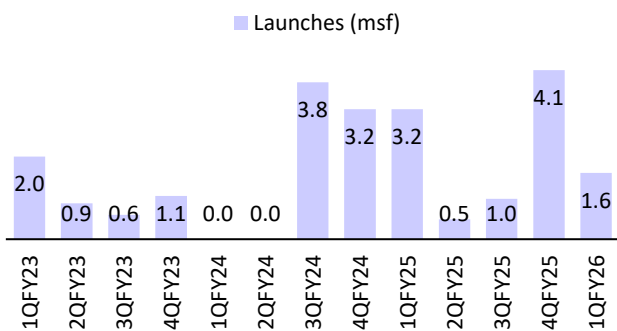
Source: Company, MOFSL

Exhibit 2: Realizations responding to price changes in existing projects and new launches



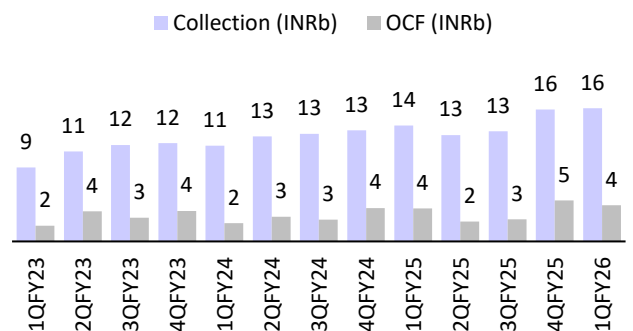
Source: Company, MOFSL

Exhibit 3: Launches of 1.6msf



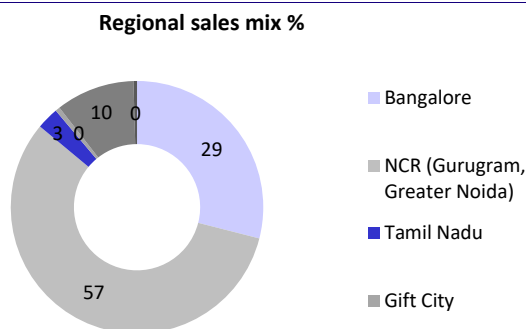
Source: MOFSL, Company

Exhibit 4: Collections increased 15% YoY to INR16b and OCF stood at INR4b, up 10% YoY



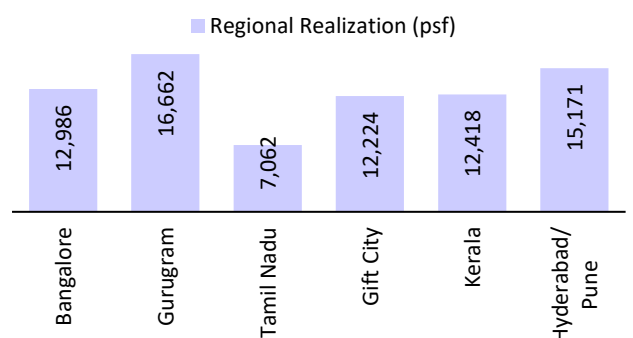
Source: MOFSL, Company

Exhibit 5: NCR had the highest share in total bookings



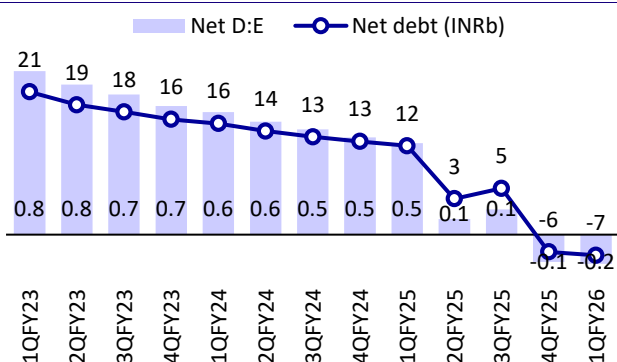
Source: Company, MOFSL

Exhibit 6: Realization/sft in SOBHA's key markets



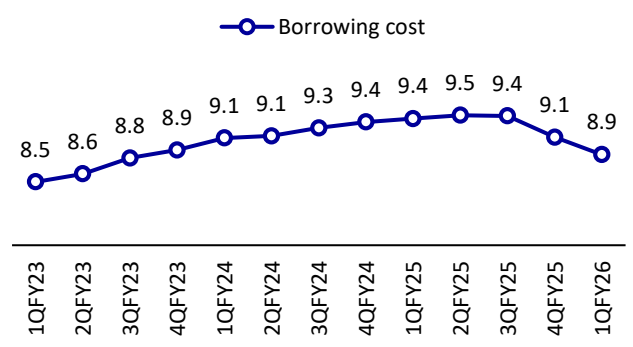
Source: Company, MOFSL

Exhibit 7: Net cash of INR7b aided by rights issue...



Source: MOFSL, Company

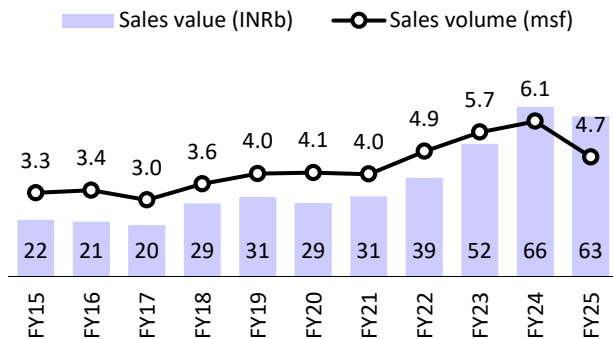
Exhibit 8: ...with low cost of debt at 8.9%



Source: MOFSL, Company

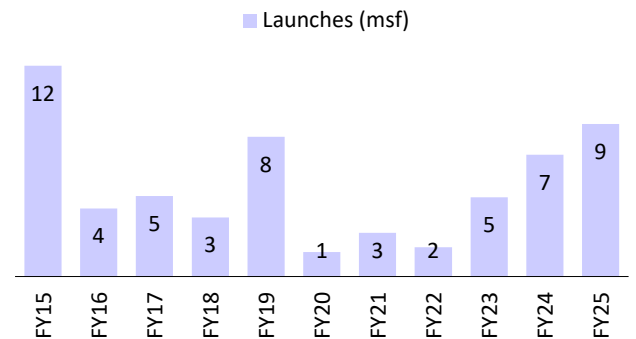
Story in charts

Exhibit 9: Sales improved sharply in the past three years



Source: Company, MOFSL

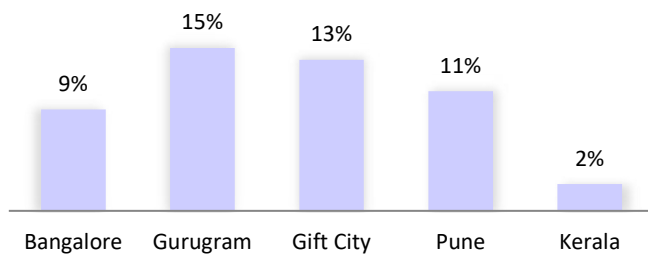
Exhibit 10: Gradual increase seen in new launches since FY20



Source: Company, MOFSL

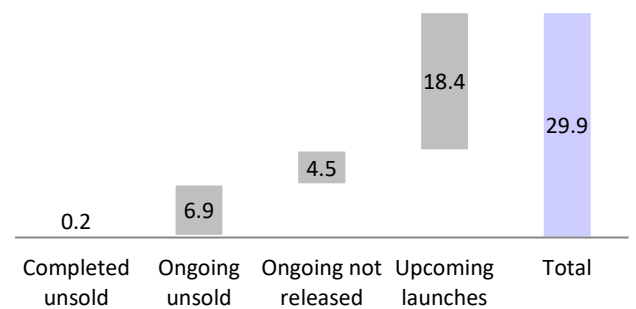
Exhibit 11: Healthy price growth witnessed across markets

Price CAGR over FY19-25



Source: MOFSL, Company

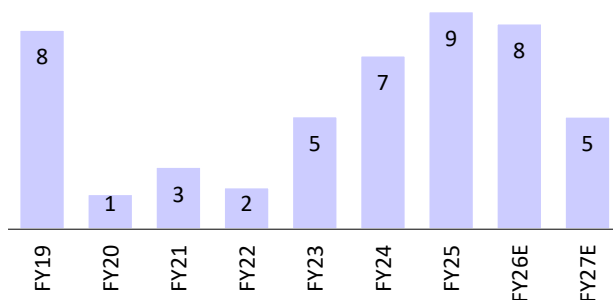
Exhibit 12: SOBHA has a pipeline of 29.9msf (incl 18.6msf of forthcoming projects)



Source: MOFSL, Company

Exhibit 13: Expect SOBHA to release 13msf in next two years

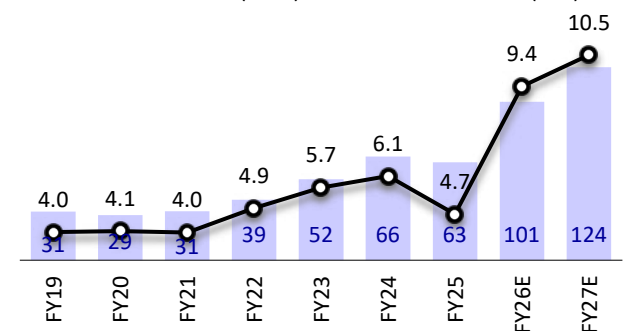
Launches (msf)



Source: Company, MOFSL

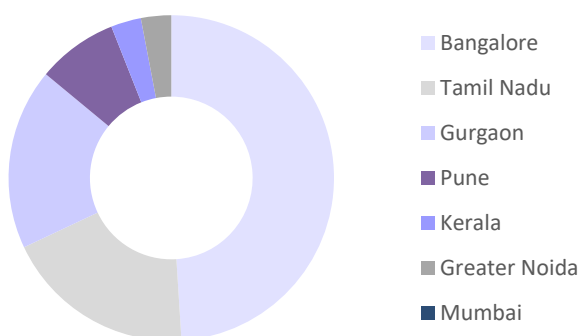
Exhibit 14: Pre-sales can increase to over INR124b by FY27E

Sales value (INRb) Sales volume (msf)



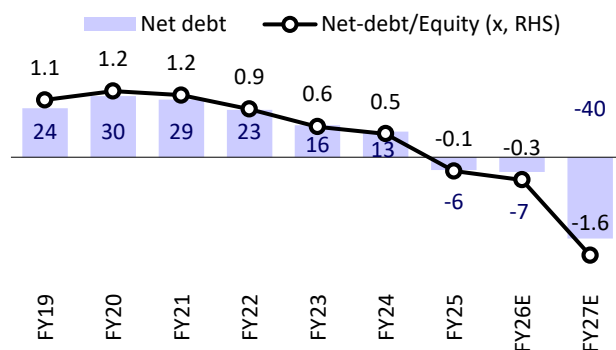
Source: Company, MOFSL

Exhibit 15: Developable land bank to support growth



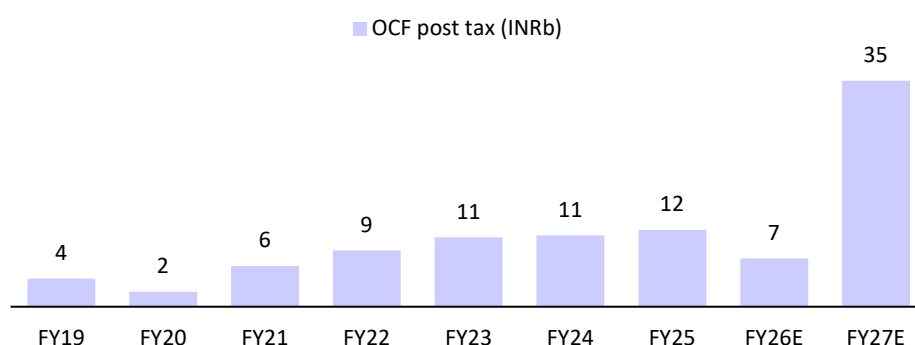
Source: Company, MOFSL

Exhibit 16: Net cash in FY25 due to rights issue cash



Source: Company, MOFSL

Exhibit 17: SOBHA to generate OCF of INR35b in FY27E



Source: Company, MOFSL

Exhibit 18: Summary of our revised estimates

(INR b)	Old		New		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	50	58	50	58	0%	0%
EBITDA	6	8	6	8	0%	0%
Adj. PAT	4	5	4	5	0%	0%
Pre-sales	101	124	101	124	0%	0%
Collections	70	113	70	113	0%	0%

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 four to six years at a WACC of 11.3%.
 - Cash flow potential of its 154msf land bank is discounted at a WACC of 11.3% over 25-75 years, assuming marginal expansion in existing sales velocity across markets that the company is exposed to.
 - Operational commercial projects are valued at an 8.5% cap rate and ongoing projects on a DCF basis.
 - SOBHA's contractual business is valued at an EV/EBITDA of 10x on FY26E EBITDA.

Based on the above approach, we arrive at a GAV of INR184b. Adding net cash of INR23b for FY26E, we derive a revised NAV of INR207b, or INR1,935/share (earlier INR190b or INR1,778/share), indicating a potential upside of 20%.

Exhibit 19: Our SoTP-based approach denotes a 20% upside for SOBHA based on CMP; reiterate BUY

NAV summary	Description	INR b	Per share	As a percentage of NAV
Ongoing projects	❖ Net cash surplus ex. overheads discounted at a WACC of 11.3% over the next four years	21	200	10%
Upcoming projects	❖ ~15msf unreleased ongoing and upcoming pipeline discounted over five years at a WACC of 11.3%	53	492	25%
Value of ongoing and upcoming projects			74	692
Commercial properties	❖ Operational assets valued at a cap rate of 8.5% and ongoing projects through DCF	9	82	4%
Land bank (net of cost payable)	❖ Cash flow potential from 154msf land bank discounted at a WACC of 11.3% over 25-75 years, depending on the size of land parcel	86	805	42%
Contractual and manufacturing	❖ FY26E EBITDA at EV/EBITDA of 10x	15	140	7%
Gross asset value		184	1,719	89%
Net debt	❖ FY26E Net-cash	23	216	11%
Net asset value		207	1,935	100%
Shares outstanding		106.9		
Target Price		1,935		
CMP		1,614		
Upside		20%		

Source: MOFSL

Financials and Valuation

Consolidated Profit & Loss

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	21,098	25,613	33,101	30,969	40,387	50,333	58,105
Change (%)	-43.8	21.4	29.2	-6.4	30.4	24.6	15.4
Project Cost & Subcontractor Charges	9,281	14,129	21,022	19,048	26,612	32,030	36,025
Employees Cost	1,771	2,512	2,945	3,526	4,052	4,457	4,903
Other Expenses	3,294	3,644	5,440	5,625	6,779	7,550	8,716
Total Expenditure	14,346	20,285	29,407	28,199	37,444	44,038	49,644
% of Sales	68.0	79.2	88.8	91.1	92.7	87.5	85.4
EBITDA	6,752	5,328	3,694	2,770	2,943	6,296	8,461
Margin (%)	32.0	20.8	11.2	8.9	7.3	12.5	14.6
Depreciation	794	719	678	782	898	950	978
EBIT	5,958	4,609	3,016	1,988	2,045	5,345	7,483
Int. and Finance Charges	6,012	3,083	2,490	2,455	1,956	1,326	1,012
Other Income	807	840	923	1,209	1,241	1,295	1,494
PBT bef. EO Exp.	752	2,366	1,449	742	1,330	5,314	7,965
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	752	2,366	1,449	742	1,330	5,314	7,965
Total Tax	129	634	407	251	383	1,707	2,558
Tax Rate (%)	17.2	26.8	28.1	33.8	28.8	32.1	32.1
Minority Interest	0	0	0	0	0	0	0
Reported PAT	623	1,732	1,042	491	947	3,608	5,407
Adjusted PAT	623	1,732	1,042	491	947	3,608	5,407
Change (%)	-77.9	177.8	-39.8	-52.9	92.8	281.0	49.9
Margin (%)	3.0	6.8	3.1	1.6	2.3	7.2	9.3

Consolidated Balance Sheet

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	949	949	948	948	1,069	1,069	1,069
Total Reserves	23,329	24,157	23,998	24,192	44,536	47,823	52,909
Net Worth	24,277	25,106	24,947	25,141	45,605	48,892	53,978
Minority Interest	0	0	0	0	0	0	0
Total Loans	30,031	24,630	20,268	19,397	11,835	9,335	6,835
Deferred Tax Liabilities	342	151	126	149	164	-4,298	-7,402
Capital Employed	54,650	49,887	45,341	44,687	57,604	53,929	53,411
Gross Block	11,892	12,384	12,488	14,961	16,277	16,777	17,247
Less: Accum. Deprn.	3,558	4,277	4,955	5,737	6,635	7,586	8,564
Net Fixed Assets	8,334	8,107	7,533	9,224	9,641	9,191	8,683
Goodwill on Consolidation	0	0	172	172	172	172	172
Capital WIP	701	65	86	122	238	357	256
Total Investments	1,143	1,149	1,149	1,149	1,146	1,146	1,146
Curr. Assets, Loans&Adv.	1,01,924	1,04,779	1,15,721	1,26,298	1,61,013	1,65,422	1,66,990
Inventory	71,246	74,271	87,610	93,764	1,12,522	1,02,553	1,15,610
Account Receivables	2,361	4,069	2,375	2,039	2,404	2,758	3,184
Cash and Bank Balance	2,041	1,783	4,514	6,733	18,089	32,427	16,238
Loans and Advances	26,275	24,656	21,222	23,762	27,997	27,683	31,958
Curr. Liability & Prov.	57,452	64,214	80,542	92,277	1,14,606	1,22,359	1,23,837
Account Payables	7,318	6,753	5,987	6,165	5,648	13,272	14,961
Other Current Liabilities	49,844	57,131	74,123	85,643	1,08,425	1,08,423	1,08,108
Provisions	290	330	432	469	534	665	768
Net Current Assets	44,473	40,565	36,574	34,021	46,406	43,063	43,153
Misc Expenditure	0	0	0	0	0	0	0
Appl. of Funds	54,650	49,886	45,342	44,687	57,604	53,928	53,411

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)							
EPS	6.5	18.0	10.8	5.2	8.9	33.7	50.6
Cash EPS	14.7	25.4	17.9	13.4	17.3	42.6	59.7
BV/Share	252.1	260.7	259.0	265.1	426.5	457.2	504.8
DPS	7.0	3.5	3.4	3.4	3.0	3.0	3.0
Payout (%)	106.5	19.2	30.8	65.3	33.9	8.9	5.9
Valuation (x)							
P/E	249.3	89.7	149.2	311.7	182.3	47.8	31.9
Cash P/E	109.7	63.4	90.4	120.2	93.5	37.9	27.0
P/BV	6.4	6.2	6.2	6.1	3.8	3.5	3.2
EV/Sales	8.6	6.9	5.1	5.4	4.1	3.0	2.8
EV/EBITDA	26.8	33.0	45.7	59.8	56.5	23.7	19.3
Dividend Yield (%)	0.4	0.2	0.2	0.2	0.2	0.2	0.2
FCF per share	60.3	99.7	108.3	55.2	6.5	160.8	-126.6
Return Ratios (%)							
RoE	2.6	7.0	4.2	2.0	2.7	7.6	10.5
RoCE	10.2	7.7	6.0	4.7	4.6	7.8	10.2
RoIC	9.4	6.9	5.0	3.4	3.9	12.5	18.2
Working Capital Ratios							
Fixed Asset Turnover (x)	1.8	2.1	2.7	2.1	2.5	3.0	3.4
Asset Turnover (x)	0.4	0.5	0.7	0.7	0.7	0.9	1.1
Inventory (Days)	1,233	1,058	966	1,105	1,017	744	726
Debtor (Days)	41	58	26	24	22	20	20
Creditor (Days)	127	96	66	73	51	96	94
Leverage Ratio (x)							
Current Ratio	1.8	1.6	1.4	1.4	1.4	1.4	1.3
Interest Cover Ratio	1.0	1.5	1.2	0.8	1.0	4.0	7.4
Net Debt/Equity	1.2	0.9	0.6	0.5	-0.1	-0.5	-0.2

Consolidated Cash flow

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	752	2,366	1,449	742	1,330	5,314	7,965
Depreciation	652	719	678	782	898	950	978
Interest & Finance Charges	6,012	7,497	2,490	2,455	1,956	1,326	1,012
Direct Taxes Paid	-266	-515	-679	-772	-1,577	-6,169	-5,662
(Inc)/Dec in WC	-789	-409	7,635	3,980	-418	17,684	-15,964
CF from Operations	6,361	9,658	11,573	7,188	2,189	19,105	-11,671
Others	-231	-661	-71	-713	-189	-1,295	-1,494
CF from Operating incl EO	6,130	8,997	11,502	6,474	1,999	17,811	-13,165
(Inc)/Dec in FA	-414	461	-1,234	-1,237	-1,302	-618	-370
Free Cash Flow	5,716	9,458	10,268	5,238	697	17,192	-13,535
(Pur)/Sale of Investments	0	-6	-1,327	-3,875	-11,224	0	0
Others	82	-85	192	363	727	1,295	1,494
CF from Investments	-332	370	-2,369	-4,749	-11,799	676	1,124
Issue of Shares	0	0	0	0	19,842	0	0
Inc/(Dec) in Debt	-756	-5,595	-5,198	-974	-7,909	-2,500	-2,500
Interest Paid	-3,391	-2,916	-2,247	-2,123	-1,702	-1,328	-1,328
Dividend Paid	-664	-332	-321	-285	-303	-321	-321
Others	-23	0	0	0	0	0	0
CF from Fin. Activity	-4,834	-8,843	-7,766	-3,382	9,928	-4,148	-4,148
Inc/Dec of Cash	964	524	1,367	-1,657	128	14,339	-16,189
Opening Balance	1,078	2,042	3,111	8,390	17,960	18,089	32,427
Closing Balance	2,042	2,566	4,478	6,733	18,089	32,427	16,238

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NOTES

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