

Result update	Buy
CMP	276
Target Price	350
Previous Target Price	460
Upside	27%
Change from Previous	-24%

Market Data

BSE Code	532784
NSE Symbol	SOBHA
52wk Range H/L	282/472
Mkt Capital (Rs Crores)	3052
Average Daily Volume (Nos.)	105448
Nifty	6002

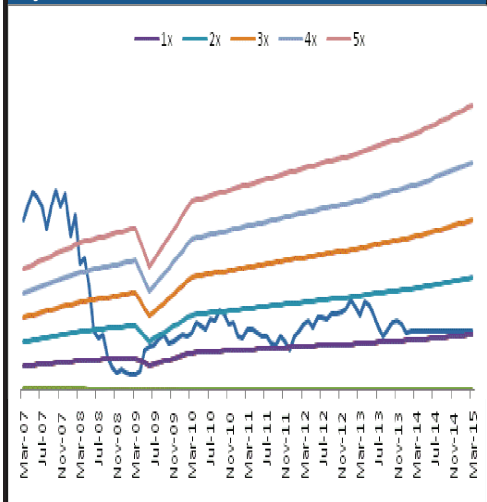
Stock Performance-%

	1M	1yr	YTD
Absolute	-17	-36	-21
Rel. to Nifty	(14)	-35	(27)

Share Holding Pattern-%

	3QFY14	2QFY14	1QFY14
Promoters	60.6	60.6	60.6
FII	32.7	33.2	33.5
DII	2.9	2.6	2.8
Others	3.9	3.7	3.1

1 yr Forward P/B



Despite of week volume numbers in NCR & Chennai Sobha reported its Q3FY14 numbers with a topline that was inline street expectations at Rs. 544.3 crore. EBITDA for the quarter stood at Rs. 149.0 crore, growing 8.4% yoy. The EBITDA margin were down 460 bps, yoy and stands at 27.4% during the quarter mainly on account of higher proportion of contractual projects segment (this segment fetches about 20 per cent margins compared with property development business' 35 per cent and increase in input costs. However management assures that going forward margins should be around 28 percent and at profit before tax (PBT) and profit after tax (PAT) level we are at 10 percent to 11 percent level. We maintain our "Buy" rating on stock, however on back of cut down by management of FY14E guidance (Sale volume 3.76 mnsft, earlier 4.2 mnsft and Sales value 2200 crore, earlier, 2600 crore) we cut down our FY14-FY15E earning estimates by 26%/15% and also reduce our price target to Rs. 350

Lowered FY14E sales volume & revenue Guidance

Sobha had at the beginning of the fiscal set guidance of new sales area of 4.20 mnsft at Rs. 2600 crore for the current fiscal. At the close of 3 quarters of FY14, the company has registered a new sales area of 2.66 mnsft valued at 1737 crore. However, post 3QFY14 result, management had lowered his sales volume and booking guidance to 3.76 mnsft and Rs. 2200 crore largely attributed to delay in approvals

Growth story remain intact;

The firm had launched two new projects: 0.66 mnsft of developable area and 0.46 mnsft of saleable area in 3QFY14 and six new projects: 3.38 mnsft of developable area and 2.01 mnsft of saleable area in 9MFY14. In CY14, the firm has plans to launch 11 mnsft, and out of which 3 mnsft in 4QFY14 especially in the Rs7.5-15mn price bracket that continues to see stable demand as a result we are able to believe that company will be able to achieve its revised sales volume guidance for FY14E.

Valuations;

on back of cut down by management of FY14E guidance (Sale volume 3.76 mnsft, earlier 4.2 mnsft and Sales value 2200 crore, earlier, 2600 crore) we cut down our FY14-FY15E earning estimates by 26%/15%. We expect the sales of the company to grow by 17% & by 20% yoy in FY14E & FY15E, however operating margin will sustain at 28.0%/28.5% over the same period. At the CMP of Rs. 276 the stock is trading at PE of 11.0x FY14E & 8.5x FY15E. **We maintain our "Buy" rating on stock with revised price target of Rs. 350 per share based on P/BV of 1.5x and 1.3x of FY14E and FY15E.**

Financials

	3QFY14	2QFY14	(QoQ)-%	3QFY13	(YoY)-%
Revenue	544.3	540.8	0.6	429.8	26.6
EBITDA	149.0	143.3	4.0	137.4	8.4
PAT	58.3	56.6	3.0	52.6	10.8
EBITDA Margin	27.4%	26.5%	90 bps	32.0%	(460) bps
PAT Margin	10.7%	10.8%	(10) bps	12.2%	(150) bps

(Source: Company/Eastwind)

SOBHA DEVELOPERS Ltd.

Key financials :

PARTICULAR	2010A	2011A	2012A	2013A	2014E	2015E
Performance						
Revenue	1130	1394	1408	1865	2180	2616
Other Income	4	5	6	6	6	6
Total Income	1134	1400	1414	1870	2186	2622
EBITDA	264	360	467	548	610	746
EBIT	231	332	428	489	542	674
DEPRICIATION	32	28	39	59	68	72
INTREST COST	69	86	117	171	175	200
PBT	166	251	318	324	373	479
TAX	27	67	108	107	126	162
Extra Oridiniary Iterr	NA	NA	NA	NA	NA	NA
Reported PAT	139	185	210	217	247	317
Dividend (INR)	25	29	49	69	69	69
DPS	2.4	3.0	5.0	7.0	7.0	7.0
EPS	13.6	18.8	21.4	22.1	25.2	32.3
Yeild %						
EBITDA %	23.3%	25.8%	33.1%	29.4%	28.0%	28.5%
NPM %	12.2%	13.2%	14.9%	11.6%	11.3%	12.1%
Earning Yeild %	5.0%	6.9%	6.5%	6.3%	9.1%	11.7%
Dividend Yeild %	0.9%	1.1%	1.5%	2.0%	2.5%	2.5%
ROE %	8.1%	10.0%	10.5%	10.2%	10.7%	12.4%
ROCE%	6.5%	8.7%	10.1%	11.1%	11.1%	11.8%

Ammount in crores

(Source: Company/Eastwind)