

Sobha Developers Ltd.

During the quarter, Sobha sold 0.95 million square feet (sq. ft) of new space valued at Rs 527 crore at an average price realization of Rs 5575 per sq. ft. This has been the best quarter in terms of new sales in the history of the company, Sobha said. The average sales price realization has also improved to Rs 5575 per sq. ft as compared to Rs 5188 per sq. ft in Q2 September 2011 however down as compared to Rs 5707 per sq. ft in Q1 June 2012. During the quarter, Sobha successfully launched two new projects, Sobha Morzaria Grandeur in Bangalore and Sobha Jade in Thrissur, Kerala, with a total built-up area of 8.68 lakh sq. ft. On contractual side, Sobha have completed and handed over projects measuring 0.71 million square feet (sq. ft) during Q2 September 2012. As per the management company have a clear visibility for the next three years and hope to have a steady income from this vertical as well.

The company's revenues (cons) were also 40.94% YoY higher at Rs 414.8 crore & standalone revenues up 20% and stands at 395 crore driven by the stronger execution and revenue recognition.

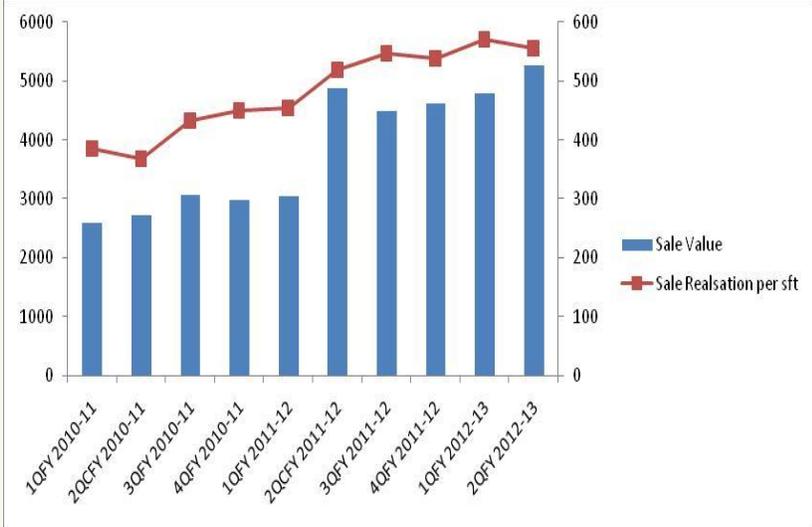
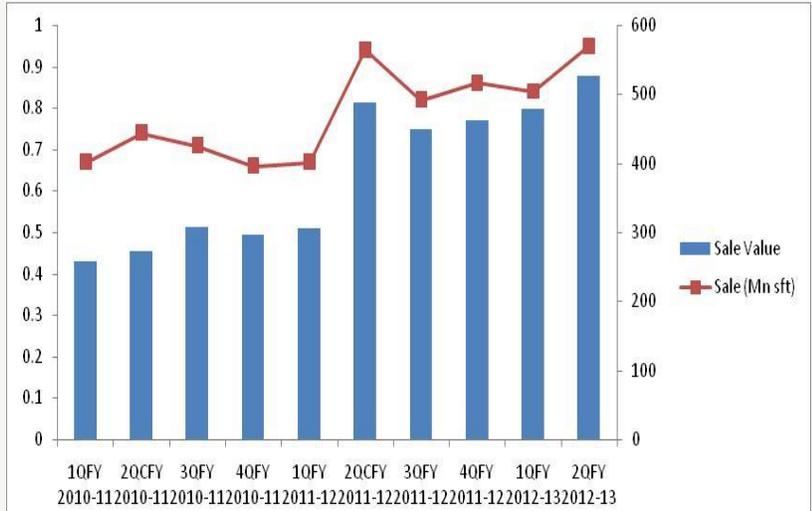
The Company EBITDA (cons) in absolute term were stand at 129 crore up 35% YoY however, standalone EBITDA were also up by 42% and stands 107 crore. EBITDA margin (standalone) of the company is also improved by 420 bps YoY mainly (due to fall in other expences) & 50 bps QoQ & stands at 27.1%. The Company PAT (cons) in absolute term were up 47.78 per cent at Rs 50.1 crore on consolidated basis for the second quarter this fiscal however standalone PAT were flat YoY and stands 41 crore. Somewhat pressure is seen in PAT margin and it reduced to 10.3% on standalone basis down by 210 bps YoY & 50 bps QoQ mainly due to rise in finance cost of the company

Commenting on the Q2 performance, Management said, "The current situation is promising as banks have slashed their home loan rates and are offering competitive interest rates. The pre-payment charges have also been abolished and there is increased affordability now. We believe that the industry is emerging from the recessionary impact and moving towards consolidations and improvement in volumes. As far as Sobha is concerned, we have already achieved more than Rs 10 billion of new sales. We remain bullish about our growth in the next six months".

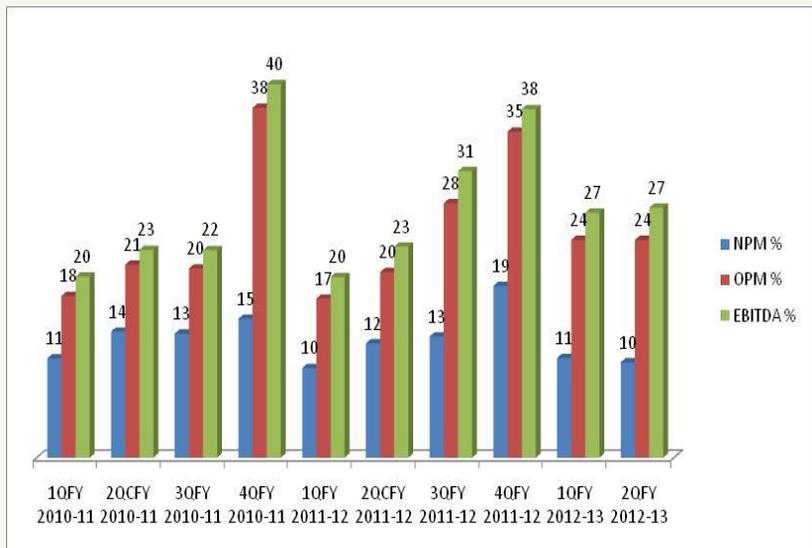
We believe operating performance of reality sector is bottoming out. We have seen project volume growth of all majors reality companies; debt reduction plan and sustained realization. The company's net cash position, strong cash collection and quality management are significant positives.

Sobha Developers currently has 39 ongoing residential projects aggregating to 24.54 million sq. ft of developable area and 17.35 million sq. ft of super built-up area, and 41 ongoing contractual projects aggregating to 9.93 million sq. ft under various stages of construction.

As the company is in line with all of its guidance & continuously improving its performance & in evidence of stronger launch, stronger revenue visibility We believe these events are likely to be the key volumes / cash flow drivers for the company in FY13E/FY14E as existing projects are witnessing slowing volumes due to projects attaining mid-stage in its life cycle. We maintain 'BUY/Sector Performer'



(Source: Eastwind)



(Source: Eastwind)