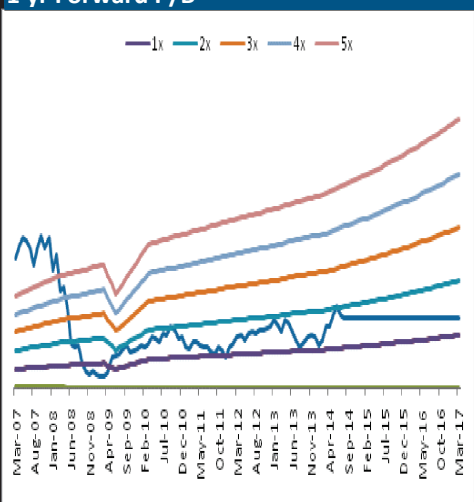


Sobha Developers Ltd.

"Soft quarter but promising growth prospects....."

"Buy"

14th Aug' 14

Result update		Buy	
CMP		423	
Target Price		500	
Previous Target Price		500	
Upside		18%	
Change from Previous		0%	
Market Data			
BSE Code		532784	
NSE Symbol		SOBHA	
52wk Range H/L		581/214	
Mkt Capital (Rs Crores)		4137	
Average Daily Volume (Nos.)		105448	
Nifty		7740	
Stock Performance-%			
	1M	1yr	YTD
Absolute	-9.3	48.9	12.8
Rel. to Nifty	-11.6	12.8	-2.8
Share Holding Pattern-%			
	1QFY15	4QFY14	3QFY14
Promoters	60.6	60.6	60.6
FII	32.2	33.0	32.7
DII	3.6	2.9	2.9
Others	3.6	3.6	3.9
1 yr Forward P/B			
			

• Sobha reported its 1QFY15 numbers with a topline of Rs. 577.7 core (up by 25.15% yoy) that were ahead of our revenue expectation of Rs. 554 crore mainly on account higher contribution from contractual segment. EBITDA margin registered a dip of 356 bps and stands at 26.6% v/s estimated of 27.5% for the quarter, whereas in absolute term EBITDA registered a growth of 10.36% to Rs. 153.4 crore. Dip in EBITDA margin is mainly because of higher contribution in revenue from contractual segment (this segment fetches about 20 per cent margins compared with property development business' 35 per cent). PAT for the quarter stands at Rs. 57.2 crore and registered a yoy growth of 14.1% as against Rs. 50.1 crore during previous quarter of the corresponding period.

• In 1QFY15 company pre-sale volume stands at .75 mn sft of Rs. 482.2 crore as against of .92 mn sft of Rs. 603 crore in 1QFY14. The decline in sale is mainly on account of no new launches in 1QFY15 in comparison to .60 mn sft new launch in 1QFY14. Most of regions except pune had witnessed a large decline in sales volume. Bangalore as a whole had achieved a sales volume of .53 mn sft (down by 12.5%), where as Thrissur .04 mn sft (down by 70.6%), Chennai .03 mn sft (down by 67.3%), Pune .04 mn sft (up by 55.8%) and in Cochin, Maysore, Coimbatore, And Calicut where company had started his operation from 2QFY14 onwards had achieved a sales volume of .08 mn sft.

• Management has assured that though there is no new launch in 1QFY15 but they had already launched two new project in 2QFY14, and sales booking on above has started and going forward continuously has a lunch pipeline almost every month form 2QFY15 onwards which will surely help in achieving the given sales volume guidance of 4.0 mn sft in FY15.

• We believe that in 2HFY15 company will back again pre-booking sales run rate of Rs. 6 billion and further it will boost the company operating cash flows. On back of strong positive expected operating cash flow & managemet of FY15E guidance (Sale volume 4.0 mn sft, and Sales value 2700 crore) we maintain our FY15-FY16E earning estimates growth of 26%/15%. We expect the sales of the company to grow by 17% & by 20% yoy inFY15E & FY16E mainly led by latest launch of new projects, however operating margin will sustain at 28.0%/28.5% over the same period as because of increasing contribution from contractual segment.

Valuation

As the company maintain its sale volume guidance of 4 mn fdt for FY15 & strive continuously to improving its performance further, in evidence of stronger launch (10 mn sft in pipeline), promising revenue visibility we believe these events are likely to be the key volumes / cash flow drivers for the company in FY15E/FY16E as no new projects are launch in 1QFY15 however, we believe that launch will spur growth in 2HFY15. At the CMP of Rs. 422 stock is currently trading at 12x/14x of FY15/16E P/E. We believe that company could post EPS of Rs. 30.1/35.3 & will witness RoE % of 11.6%/12.3% in FY15/16E. We maintain our buy rating with same set of target price of Rs. 500.

Financials

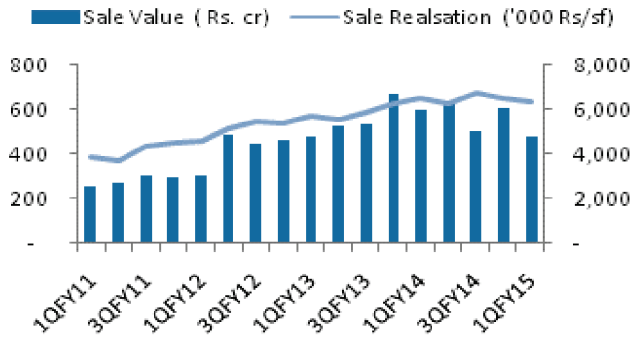
	Rs, Crore				
	1QFY15	4QFY14	(QoQ)-%	1QFY14	(YoY)-%
Revenue	577.7	626.7	-7.8	461.6	25.2
EBITDA	153.4	171.2	-10.4	139.0	10.4
PAT	57.2	58.3	-1.9	50.1	14.1
EBITDA Margin	26.6%	27.3%	(70) bps	30.1%	(350) bps
PAT Margin	9.8%	11.1%	(130) bps	10.8%	(100) bps

(Source: Company/Eastwind)

SOBHA DEVELOPERS Ltd.

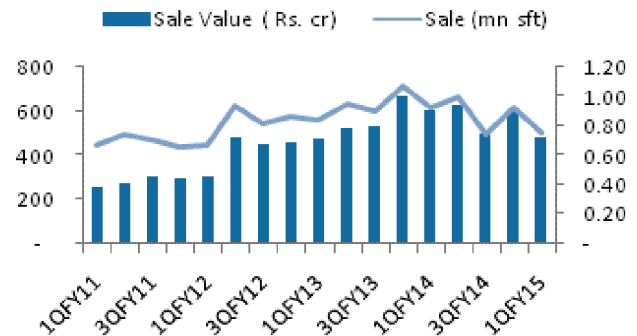
Graphical Overview :

Sales value in 1QFY15 missed runrate of Rs. 6 bn;



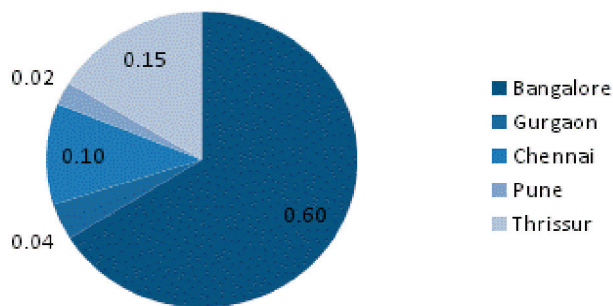
(Source: Company/Eastwind)

Sales volume had witnessed a dip of 17% had no new launch in 1FY15;



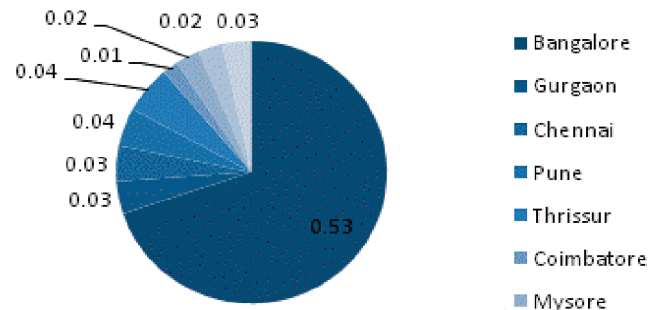
(Source: Company/Eastwind)

Sale volume .92 mn sft 1QFY14;



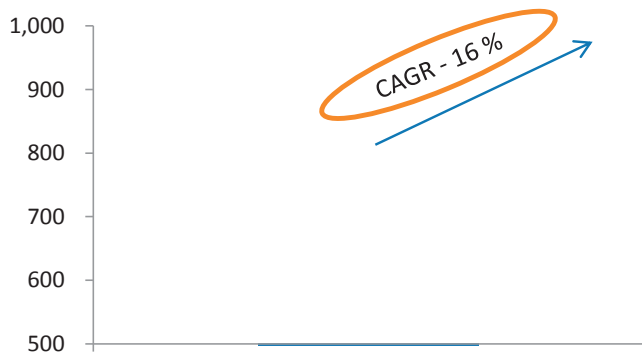
(Source: Company/Eastwind)

All major region except Pune had witnessed a decline n sales volume in



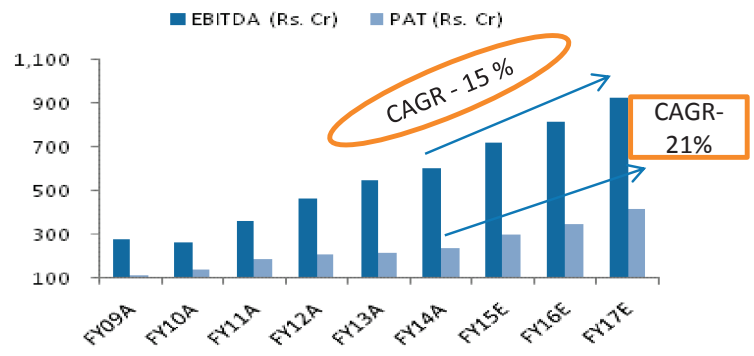
(Source: Company/Eastwind)

Expect new launch of 10 mn sft going forward will spur topline



(Source: Company/Eastwind)

All major region except Pune had witnessed a decline n sales volume in



(Source: Company/Eastwind)

SOBHA DEVELOPERS Ltd.

Key financials :

PARTICULAR	2010A	2011A	2012A	2013A	2014A	2015E	2016E	2017E
Performance								
Revenue	1130	1394	1408	1865	2173	2608	2960	3360
Other Income	4	5	6	6	10	6	6	6
Total Income	1134	1400	1414	1870	2184	2614	2966	3365
EBITDA	264	360	467	548	603	717	814	924
EBIT	231	332	428	489	534	641	730	840
DEPRICIATION	32	28	39	59	69	76	84	84
INTREST COST	69	86	117	171	173	200	220	220
PBT	166	251	318	324	370	447	516	625
TAX	27	67	108	107	137	151	170	212
Extra Oridinary Item	NA	NA	NA	NA	NA	NA	NA	NA
Reported PAT	139	185	210	217	234	295	346	414
Dividend (INR)	25	29	49	69	69	69	69	69
DPS	2.4	3.0	5.0	7.0	7.0	7.0	7.0	7.0
EPS	13.6	18.8	21.4	22.1	23.8	30.1	35.3	42.2
Yeild %								
EBITDA %	23.3%	25.8%	33.1%	29.4%	27.7%	27.5%	27.5%	27.5%
NPM %	12.2%	13.2%	14.9%	11.6%	10.7%	11.3%	11.7%	12.3%
Earning Yeild %	5.0%	6.9%	6.5%	6.3%	6.4%	7.1%	8.3%	10.0%
Dividend Yeild %	0.9%	1.1%	1.5%	2.0%	1.9%	1.7%	1.7%	1.7%
ROE %	8.1%	10.0%	10.5%	10.2%	9.2%	11.6%	12.3%	13.1%
ROCE%	6.5%	8.7%	10.1%	11.1%	10.0%	12.1%	13.0%	13.5%
Position								
Net Worth	1704	1851	2000	2137	2541	2541	2818	3163
Total Debt	1474	1250	1244	1354	1537	1537	1537	1537
Capital Employed	3178	3101	3244	3490	4078	4078	4355	4700
No of Share (Adj)	10	10	10	10	10	10	10	10
CMP	272	275	331	349	374	423	423	423
Valuation								
Book Value	167.1	188.8	204.0	218.0	259.3	259.3	287.5	322.7
P/B	1.6	1.5	1.6	1.6	1.4	1.6	1.5	1.3
Int/Coverage	3.3	3.9	3.7	2.9	3.1	3.2	3.3	3.8
P/E	20.0	14.6	15.4	15.8	15.7	14.0	12.0	10.0

(Ammount in crores)

(Source: Company/Eastwind)