

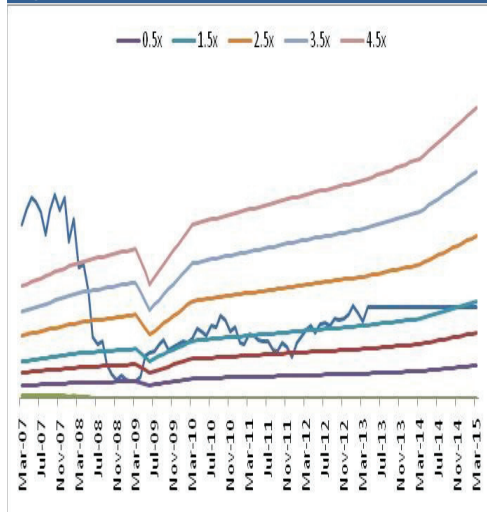
Result update	Hold
CMP	412
Target Price	460
Previous Target Price	460
Upside	12%
Change from Previous	NA

Market Data	
BSE Code	532784
NSE Symbol	SOBHA
52wk Range H/L	282/472
Mkt Capital (Rs Crores)	4035
Average Daily Volume (Nos.)	105448
Nifty	6147

Stock Performance-%	1M	1yr	YTD
Absolute	18	28	18
Rel. to Nifty	6	4	10

Share Holding Pattern-%	Current	4QFY13	3QFY13
Promoters	60.6	60.6	60.6
FII	33.2	31.8	32.8
DII	3.1	4.3	3.0
Others	3.1	3.3	3.6

## 1 yr Forward P/B



### Good numbers; one offs take a toll;

Sobha reported its Q4FY13 numbers with a topline that was broadly in line at Rs. 587 crore, growing 10% YoY driven by higher sales booking. EBITDA for the quarter stood at Rs. 163 crore, de growing 15% YoY. The EBITDA margin was way below expectations at 27.7.0% owing to higher raw material charges and licencing fees. In light of the possibility of dip in EBITDA margin, going forward, due to higher input cost we have reduced our EPS estimates for FY14 from Rs. 40.9 to Rs. 28.8. We continue to rate the stock as HOLD with a reduced target price of Rs. 460.

### Surpasses its sale booking guidance for FY13;

Sobha Developers had at the beginning of the year ending 31 March 2013 (FY 2013) set a guidance of new sales of ~ 3.75 million square feet (sq. ft) valued at ~ Rs. 2000 crore for FY 2013. Company surpasses its guidance and post a sales of ~ 3.76 million square feet with a sale value of ~ Rs. 2215 crore and had a average realisation of ~ Rs. 5891/sft. Further for the fiscal FY14E company provided a aggressive guidance of new sales of ~ 4.2 million square feet for a value of 2600 crore with a expected realisation of ~ Rs. 6200/sft

### Outlook;

At the current levels, it has 43 ongoing residential projects aggregating to 17.40 mn sq ft of super built up area. The management has also stated that it will foray into three new geographies - Kochi, Kozhikode and Noida. Plans are being chalked out about entering the Hyderabad markets too. We feel that considering the factors, improved buyers' sentiments and repo rate cut leading to lower mortgage cost, their performance is expected to improve further in the coming months. Investors can buy the scrip with a long term horizon.

### Valuations;

As the company surpasses all of its guidance for FY13 & continuously improving its performance further, 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 FY14E/FY15E as existing projects are witnessing slowing volumes due to projects attaining mid-stage in its life cycle. We expect the sales of the company to grow by 25% & by 20% (Y-o-Y) in FY14E & FY15E, however operating margin will sustain at 28.5% over the same period. At the CMP of Rs. 548 the stock is trading at PE of 14.3x FY14E & 11.6x FY15E. We advised to our readers to hold the stock and to accumulate it on every dip as a medium term to long term investment with a price target of Rs. 460.

### Financials

	Rs, Crore				
	4QFY13	3QFY13	(QoQ)-%	4QFY12	(YoY)-%
Revenue	586.7	429.8	36.5	523.1	12.2
EBITDA	162.6	137.4	18.3	191.6	-15.1
PAT	69.5	52.6	32.1	97.5	-28.7
EBITDA Margin	27.7%	32.0%	(430) bps	36.6%	890 bps
PAT Margin	11.8%	12.2%	(40) bps	18.4%	(660) bps

(Source: Company/Eastwind)

# SOBHA DEVELOPERS Ltd.

## Other 4QFY13 highlights:

- There are 2 factors behind the better performance of the company for the quarter. First, the average realisation of the company has increased to Rs. 6299 per square foot, up by 17% on a YoY basis. Apart from that, the company has managed to post new sales volume of 1.07 mn sq ft, which is up by 24%. The combination of both these factors has helped the company put in better performance for the quarter.

- As regards the operational performance, it has managed to generate cash flows of Rs 593 crore. This is good sign, as a few quarters ago, most of the real estate companies were facing issues on the cash front.

- On the debt level also, the scenario seems to be good with a net Debt/ Equity ratio of 0.57x.

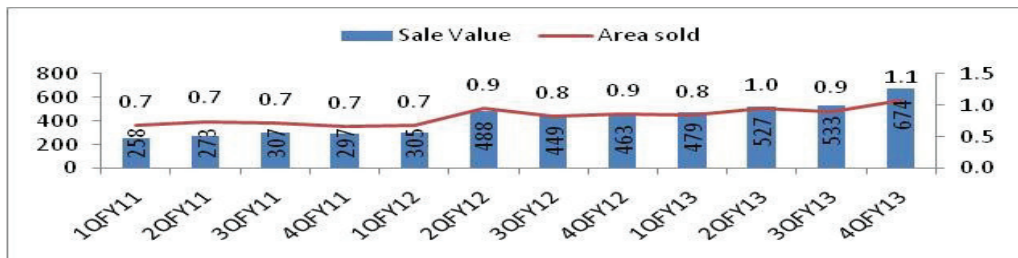
- Launched 1 project in Bangalore, Sobha Indraprastha measuring total SBA of 1.51 mn sq ft.

## Management guidance FY14:

- Targeted New Sales value for FY 13-14 : Rs. 26 Billion.
- Targeted New Sales Volume for FY 13-14 : 4.20 Mn.sqft.
- Expected Price Realization for FY 13-14 : Rs.6,200 / sq.ft

## Story in graphs:

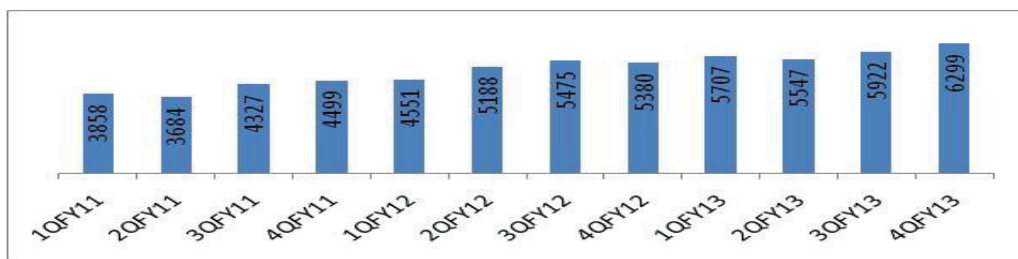
### Area sold (Q-o-Q) :



Sale Value - crore, Area Sold- Mn sft

(Source: Company/Eastwind)

### Average realisation per/sft (Q-o-Q) :



Average realisation- INR

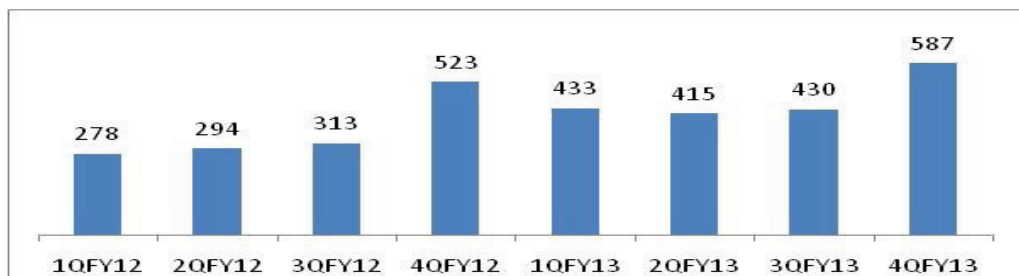
(Source: Company/Eastwind)

Total unbilled revenue is Rs. 17.99 Billion.

Rs.1.69 billion is expected to hit the P&L account in Q1-14 and Rs.6.59 Billion in FY-14.

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## Revenue (Q-o-Q) :



Amount in crores

(Source: Company/Eastwind)

Revenue of Rs.5.88 Billion during Q4-13 as against Rs. 5.24 Billion in Q4-12 and Rs.4.31 Billion in Q3-13.Revenue up by 12% Yr-on-Yr and 36% sequentially.

## EBITDA (INR) & EBITDA (%) (Q-o-Q) :

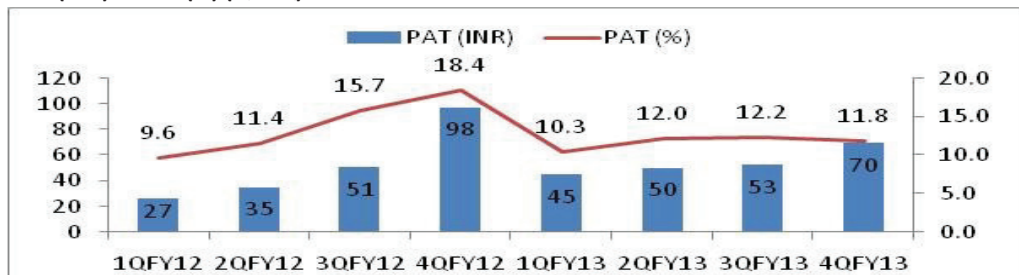


Amount in crores

(Source: Company/Eastwind)

EBITDA of Rs.1.63 Billion during Q4-13 as against Rs.1.93 Billion in Q4 -12 and Rs.1.38 Billion in Q3-13.EBITDA down by 16% Yr-on-Yr and up by 18% sequentially.EBITDA margin at 28%.

## PAT (INR) & PAT (%) (Q-o-Q) :



Amount in crores

(Source: Company/Eastwind)

PAT of Rs.695 million during Q3-13 as against Rs.958 (after minority interest) million in Q4-12 and Rs. 526 million in Q3-13.PAT down by 27% Yr-on-Yr and up by 32% sequentially. PAT margin at 12%.

## Cost % of revenue :

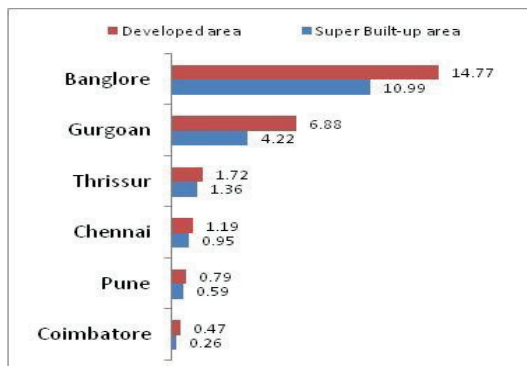


(Source: Company/Eastwind)

# SOBHA DEVELOPERS Ltd.

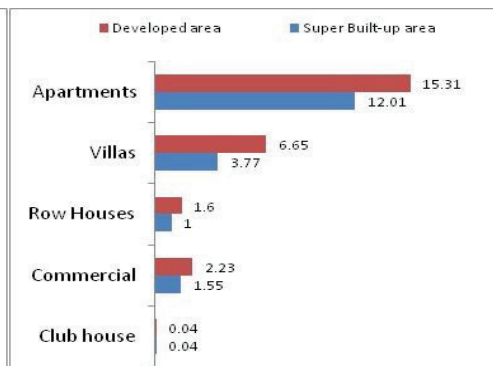
Total Developed area of 26.93 mn.sqft and Super Built-up area of 21.25 mn.sft :

Location wise :



(Source: Company/Eastwind)

Product - mix :



(Source: Company/Eastwind)

Completed 85 projects in 5 cities

## Proposed new launches in FY 13-14:

S.No	Projects	Location	Type	Sobha share of SBA (sft)
<b>Bangalore</b>				
1	Devanahalli Property	IVC Road	Plotted Development	204,065
2	Doddanekundi Property	Yamlur, HAL Road	SL Apartments	335,700
3	Kanakapura Road property	Thalaghattapura	Residential	682,143
4	Hirandahalli Property	Off Old Madras Road	Villas + Villaments	374,442
5	Hosakerehalli Property	Mysore Road	L+SL Apartments	1,172,053
6	St.Mark's Road Property	St.Mark's Road	Commercial	100,264
7	APMC Project	Jakkur, Bellary Road	Commercial+Mall	2,063,252
<b>Mysore</b>				
8	Nadanahalli property	Nadanahalli	Plotted Development	135,036
<b>Chennai</b>				
9	Sholinghanallur Property	Sholinghanallur, OMR	Residential Apartments	1,636,083
<b>Calicut</b>				
10	Palazhi Property	Palazhi	Villas	381,375
11	Feroke Property	Feroke	Apartments	528,884
<b>Cochin</b>				
12	Vyittla property	Vyittla	Residential Apartments	989,496
<b>Thrissur</b>				
13	Sobha City-Residential	Thrissur, Kerala	Residential	348,480

(Source: Company/Eastwind)

# SOBHA DEVELOPERS Ltd.

## Key financials :

PARTICULAR	2009A	2010A	2011A	2012A	2013E	2013A	2014E	2014E (Revised)	2015E
Revenue	974	1130	1394	1408	2000	1865	2600	2330	2796
Other Income	15	4	5	6	8	6	6	6	6
Total Income	989	1134	1400	1414	2008	1870	2606	2335	2801
EBITDA	279	264	360	467	610	548	793	664	797
EBIT	243	231	332	428	574	489	757	605	749
Depreciation	36	32	28	39	36	59	36	59	48
Intrest Cost	107	69	86	117	168	171	156	189	227
PBT	150	166	251	318	413	324	606	421	528
TAX	40	27	67	108	140	107	205	139	179
Reported PAT	110	139	185	210	273	217	401	282	349
Adjusted PAT	99	135	181	206	268	213	397	279	345
EBITDA %	28.6%	23.3%	25.8%	33.1%	30.5%	29.4%	30.5%	28.5%	28.5%
NPM %	11.1%	12.2%	13.2%	14.9%	13.6%	11.6%	15.4%	12.1%	12.5%
Tax %	26.8%	16.4%	26.6%	33.9%	33.9%	33.0%	33.9%	33.0%	33.9%
ROE %	10.1%	8.1%	10.0%	10.5%	12.3%	10.2%	15.6%	12.0%	12.2%
ROCE%	3.6%	4.4%	6.0%	6.5%	7.5%	6.2%	10.3%	7.4%	7.5%
Dividend Yeild %	1.2%	0.9%	1.1%	1.5%	1.4%	2.0%	1.2%	1.7%	1.7%
Book Value	149.3	167.1	188.8	204.0	226.9	218.0	262.8	239.8	291.4
P/B	0.5	1.6	1.5	1.6	1.5	1.6	1.6	1.7	1.4
P/E	5.4	20.0	14.6	15.4	12.5	15.8	10.1	14.3	11.6
EV/EBITDA	9.1	16.1	11.0	9.6	7.9	8.7	6.7	8.3	7.4
EPS	15.1	13.6	18.8	21.4	27.9	22.1	40.9	28.8	35.6
Dividend Per Share	1.0	2.4	3.0	5.0	5.0	7.0	5.0	7.0	7.0
Net Worth	1087	1704	1851	2000	2224	2137	2576	2350	2856
Total Debt	1932	1474	1250	1244	1400	1354	1300	1489	1820
Capital Employed	3020	3178	3101	3244	3624	3490	3876	3839	4676
Debt/Equity	1.8	0.9	0.7	0.6	0.6	0.6	0.5	0.6	0.6

Ammount in crores

(Source: Company/Eastwind)