

May 29, 2019

Company	Sector	CMP	Recommendation	Target	Potential Upside
Sobha Ltd.	Realty	534	BUY	600	12%

Key Stock Data

BSE Script Code	SOBHA
NSE Script Code	SOBHA
No. of shares	9.4
FV (Rs.)	10
MCAP (Rs.)	5,097 Crs
MCAP (\$)	72 Crs
52 Week High	Rs.186
52 week Low	Rs. 93
Time Frame	6 months

SOBHA is a Bengaluru-based real estate developer focused on developing residential space. It has a presence across key markets in South India like Bengaluru, Mysore, Kochi, Chennai etc. It also has a presence in Gurugram. The company has a backward-integrated business model with all operations from in-house conceptualisation through execution. It has acquired land bank in the past via outright acquisitions and joint development agreements with land owners.

Investments Rationale**1. Stupendous 4QFY19 numbers due to strong execution.**

SOBHA reported stupendous set of 4QFY19 numbers whereby revenue grew by 82% Y-o-Y to Rs. 1398 Crs as against Rs. 770 Crs in 4QFY18 and EBITDA grew by 78% Y-o-Y to Rs.244 Crs as against Rs.137 Crs in 4QFY18. PAT too grew by 74% Y-o-Y to Rs. 113 Crs in 4QFY19 as against Rs. 65 Crs in 4QFY18.

2. Strong diversification guidance for FY20.

Bengaluru and Chennai sales ramped up on account of project launches across key markets like Calicut and Gurugram. The Management believes that the NCR market, particularly Gurugram, will do well going ahead. Other geographies like Pune, GIFT City, Chennai and Cochin will also do better in FY20. Hence, the non-Bengaluru markets will do better than Bengaluru in FY20.

Outlook & Valuations

SOBHA has many launches in its pipeline hence we believe that it will be able to grow at a CAGR of 20% over a period of 2 years FY20-22. SOBHA's prospects looks promising on account of a likely uptick in Bengaluru residential demand driven by strong leasing of office space over the past few years and increasing affordability, hence, would like to recommend a BUY on the stock. The stock is trading at mere 10x on FY21E PE chiefly due to healthy growth and on account of the sustainable growth rate, we would like to allot a PE multiple of 9x on FY21E to arrive at a target price of 600.

Key Financial

Particulars	FY17 A	FY18 A	FY19 A	Amt in Crs	
				FY20 E	FY21 E
Revenue	2246	2787	3442	4302	5163
EBITDA	420	519	673	861	1084
PAT	97	100	297	387	516
EPS	16.59	22.68	31.33	40.76	54.35
PE	32.37	23.68	17.14	13.17	9.88

Source : BSE Website and company research

Shareholding Pattern

Promoters	55.97%
DII's	24.67
FII's	12.97
Others	6.39

3 years Price Chart

Source: All above data from BSE Website and Capital Line

Analyst Stock Rating	
Ratings	Expected absolute returns over 6 months
BUY	>10%
HOLD	5-10%
SELL	<5%

Note: Our target price is within 6 months perspective. Returns stated in the rating scale are our internal benchmark.

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