

Sobha – BUY

Result Update

Current Market Price (CMP)
Rs.895

Target Price
Rs.970

Our fair value (FV) of Rs.970 offers upside of 8.3% from current levels.

Rationale:

- Q2 key positives are strong sales, steady cash collections & reduction of net debt.
- Strong launch pipeline (1.05 cr sq. ft) for the residential business and a healthy order book for contracts business (Rs2300 cr) bode well.
- Progress on new launches & net debt reduction to be focal points in H2FY22.
- Stock is available at 2.7x FY23E price to book (P/B).
- We arrive at sum of the parts (SoTP) based FV of Rs970/share; Maintain BUY.

Q2FY22 Earnings update:

Positives:

- Sobha sold 13.5 lakh sq. ft (+51% yoy, +50% qoq) of area in 2QFY22.
- Strong delivery in residential business led to 57% yoy increase in revenues.
- Operating (EBITDA) margin continues to remain healthy at 31.3% in Q2FY22.
- Cash collections reflecting improved sales trajectory; low spends on land help.

Negatives:

- Weak project execution in contracts and manufacturing business is area of concern.

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For detailed report dated 10th November 2021. Note: CMP & valuation may differ due to difference in dates



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