



Farsight

## MORNING FARSIGHT

Friday, June 22, 2018

**SOBHA LTD**

**CMP:RS 491**

**TRGT:RS 550**

**TIME HORIZON: 1 YEAR**

Sobha Ltd is looking a good buy with promising outlook for FY19, after good earnings seen for 3 months ended March 2018, with PAT of Rs. 65.4 cr against Rs. 53.4 cr QoQ and Rs. 47 cr YoY (+22% QoQ, +39% YoY), with healthy 1.02mn sq ft of pre-sales, worth Rs. 660 cr, which is 30% higher YoY. Company sold 3.63mn sq ft in FY18 (+21% YoY) and management has expedited launch pipeline and is planning to launch 8msf in FY19. Company is sitting on 14.8mn sq ft of unsold inventory and has 6-8 new launches in the pipeline across existing locations, with 3-4 projects in advanced stages of hitting the market Management has guided for 3-4mn sq ft of new area releases in FY19E. Recent launches of premium projects are supplementary launches and key launch in North Bangalore (1.8msf Affordable housing project). In concall, Management indicated that Bangalore market has seen significant reduction in active developers, leading to market share gains. Company is targeting equal proportion of sales from premium mid income and affordable segment, while Gujarat, Hyderabad and Trivandrum are the new geographies company is planning to enter. Further, company is also witnessing balance-sheet improvement with Net D/E reducing from 0.86x to 0.79x OoQ, and Net debt stood at Rs. 2,189 cr. Company is working towards accelerating nearing completion inventory monetization, while continuing to test new geographies like GIFT city. With margins bottoming out, rising collections, aggressive marketing and likely pre-sales improvement in NCR, outlook remains positive. Also, post completion of Q1FY19 on 30th June, the upcoming quarterly pre-sales data is likely to surprise the street positively and take stock price higher. Share ruling at Rs. 491 can move to Rs. 550 in 1 year. Buy as an investor

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

**Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.**