

Sobha | BUY

Pre-sales traction steady, margin pain continues

Steady pre-sales traction across its portfolio since the start of the year has enabled Sobha to report a consistent performance as pre-sales in the quarter increased 52% YoY to INR 21bn. It launched three projects in 3Q including its maiden project in Mumbai. Bengaluru, the NCR, and Kerala accounted for 71%/16%/7% of overall pre-sales. In 9MFY26, it launched 2.6msf and achieved pre-sales of INR 61bn (+37% YoY). Residential collections rose by 37% YoY to INR 18bn and the company generated OCF of INR 3.6bn - +76% YoY. Sobha is well-positioned to achieve 30-35% growth in pre-sales in FY26 as it intends to launch multiple projects in 4Q, which includes one each in Gurugram (0.8msf), Noida (2.4msf), Chennai (1.5msf) and Calicut (0.8msf). While the P&L performance remained weak, management highlighted that for the projects that are coming up for completion in the next 15 months, reported EBITDA margins should be ~18% and ~30% thereafter. Given the well-diversified project pipeline of c. INR 350bn in the ongoing and forthcoming portfolio, we expect the company to report 15% CAGR in pre-sales over FY26E-28E. We maintain BUY with an unchanged TP of INR 1,850. Higher-than-anticipated launches and improvement in financial performance remain upside risks.

- Healthy quarter led by Bengaluru:** Sobha reported yet another healthy quarter with highest pre-sales of INR 21bn (+52% YoY, 11% QoQ) driven by three successful launches totalling 0.9msf. Sobha's share of sales was INR 18bn (+46% YoY). Volume was 1.37msf (+35% YoY) and realisation INR 15,436 psf (+13% YoY). The company achieved 51% YoY growth in Bengaluru with pre-sales of INR 15bn aided by a new project- Sobha Magnus (0.6msf) – in which over 80% inventory was sold at launch. Bengaluru, the NCR, and Kerala accounted for 71%/16%/7% of overall pre-sales. In 9MFY26, the company has launched 2.6msf and achieved pre-sales of INR 61bn (+37% YoY).
- Collections moving in tandem with pre-sales:** The growth in pre-sales was also complimented by collections, which grew by 34% YoY to INR 19.8bn driven by 37% YoY growth in real estate (INR 18bn); OCF was INR 3.6bn, up 76% YoY – implying 18% OCF margin. The company spent INR 2.4bn on land/BD payments during the quarter. In 9MFY26 too, the cash flow performance was encouraging as collections/OCF rose by 32%/76% YoY to INR 58bn/INR 13bn –with 22% margin. Given the healthy balance sheet, the higher OCF was used to accelerate land/BD payments, which increased by 38% YoY to INR 8.7bn.
- No risk to FY26 guidance:** The company has a strong forthcoming pipeline of c.16msf with an estimated GDV of INR 223bn. It intends to launch multiple projects in 4Q, which includes one each in Gurugram (0.8msf), Noida (2.4msf), Chennai (1.5msf) and Calicut (0.8msf). These launches coupled with inventory worth INR c.100bn across 8.3msf of ongoing projects will enable Sobha to meet the annual pre-sales guidance of INR 85bn.
- Pain in margins continues:** Sobha recognised a revenue of INR 9.8bn, down 22%/33% YoY/QoQ on the back of 1.4msf of project completions. In line with its recent performance, the pain in margin continued, with EBITDA weak at INR 388mn – implying 4% margin. Due to delay in OC for a few projects with better margins, the company couldn't recognise INR 5bn worth of revenue that will come in 4Q. Management highlighted that for the projects that are coming up for completion in the next 15 months, reported EBITDA margins should be ~18% and ~30% thereafter. While margin will improve gradually till 2QFY27, it will expand meaningfully from 2HFY27. Hence, in-line with these comments we have tweaked our estimates resulting in 32%/6% decline in FY27E/28E EBITDA.

Financial Summary					
Y/E March	FY24A	FY25A	FY26E	FY27E	(INR mn)
Net Sales	30,969	40,387	48,301	64,602	81,881
Sales Growth (%)	-6.4	30.4	19.6	33.7	26.7
EBITDA	2,770	2,943	6,165	11,637	22,929
EBITDA Margin (%)	8.9	7.3	12.8	18.0	28.0
Adjusted Net Profit	491	947	4,156	8,345	16,901
Diluted EPS (INR)	5.2	8.9	38.9	78.0	158.0
Diluted EPS Growth (%)	-52.9	70.9	338.9	100.8	102.5
ROIC (%)	3.2	3.0	7.4	14.0	26.6
ROE (%)	2.0	2.7	8.8	15.7	26.1
P/E (x)	294.9	172.5	39.3	19.6	9.7
P/B (x)	5.8	3.6	3.3	2.9	2.3
EV/EBITDA (x)	65.5	59.4	27.7	14.4	6.8
Dividend Yield (%)	0.0	0.1	0.2	0.5	0.9

Source: Company data, JM Financial. Note: Valuations as of 16/Jan/2026



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,850
Upside/(Downside)	21.1%
Previous Price Target	1,850
Change	0.0%

Key Data – SOBHA IN

Current Market Price	INR1,527
Market cap (bn)	INR163.3/US\$1.8
Free Float	42%
Shares in issue (mn)	107.0
Diluted share (mn)	107.0
3-mon avg daily val (mn)	INR307.4/US\$3.4
52-week range	1,733/1,075
Sensex/Nifty	83,570/25,694
INR/US\$	90.9

Price Performance

%	1M	6M	12M
Absolute	6.2	-9.9	17.6
Relative*	7.9	-11.9	7.8

* To the BSE Sensex

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

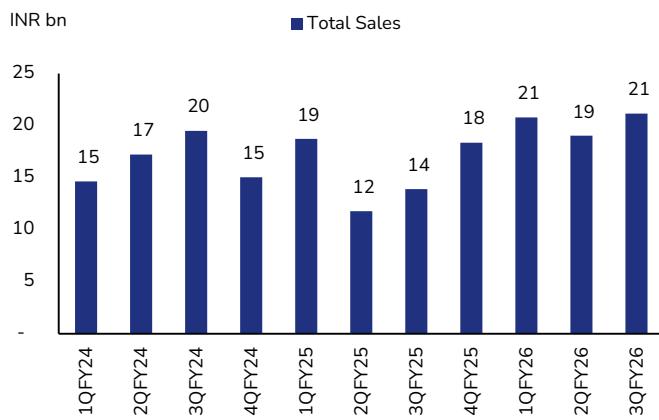
Concall highlights:

- Sobha continues to see steady demand in its home market Bengaluru. In Gurgaon, there are concerns in some pockets but the ticket size of INR 40mn-60mn remains a sweet spot.
- Although demand from investors has reduced in the NCR, end-user demand presents a healthy opportunity.
- Ongoing and forthcoming projects have inventory worth INR 350bn. Beyond this portfolio, Sobha is also working on 26msf of new projects, including its captive land bank. Hoskote project is spread across 5.4msf and the first phase will be launched in 1QFY27.
- Despite fewer launches, the company was able to achieve strong growth so far in FY26. Given the healthy pipeline, expect the company to sustain a healthy (15-20%) trajectory at least for next 2 years.
- The company currently generates over INR 45bn-50bn sales from Bengaluru, and its presence is largely concentrated in a few regions. As it diversifies its footprint, Bengaluru will continue to drive the growth for the company.

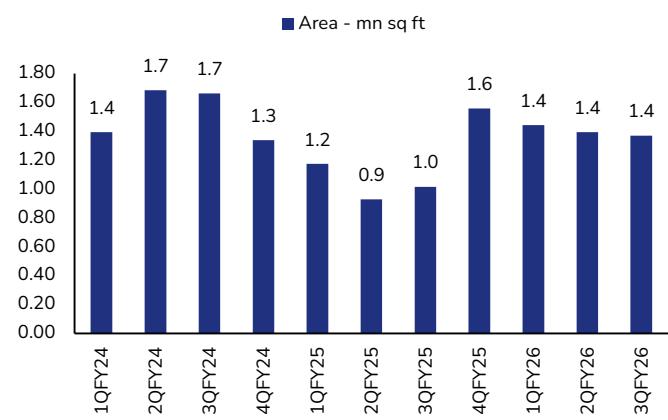
Exhibit 1. Topline decreased 23% YoY, margin pain remains

INR mn	3QFY26	3QFY25	YoY (%)	2QFY26	QoQ (%)	FY25	FY26E	YoY (%)
Net Sales	9,431	12,241	-23%	14,076	-33%	40,387	48,301	20%
Cost of Sales	5,681	8,618	-34%	9,303	-39%	26,656	30,095	13%
Gross Margin (%)	40%	30%	1017bps	34%	585bps	34%	38%	369bps
Employee Expenses	1,275	1,040	23%	1,280	0%	4,052	4,295	6%
Other Expenses	2,087	1,910	9%	2,537	-18%	6,736	7,746	15%
EBITDA	387	672	-42%	956	-60%	2,943	6,165	109%
EBITDA Margin (%)	4.1%	5.5%	-139bps	6.8%	-269bps	7.3%	12.8%	548bps
Depreciation	277	233	19%	262	6%	898	677	-25%
Interest Costs	303	473	-36%	322	-6%	1,956	1,079	-45%
Other Income	400	328	22%	617	-35%	1,241	1,132	-9%
PBT	207	295	-30%	990	-79%	1,331	5,542	316%
Tax	51	78	-34%	264	-81%	383	1,385	262%
PAT	156	218	-28%	726	-78%	948	4,157	339%

Source: Company, JM Financial

Exhibit 2. Pre-sales grew by 52% YoY

Source: Company, JM Financial

Exhibit 3. Volume rose by 35% YoY

Source: Company, JM Financial

Exhibit 4. Bengaluru accounted for c.74% of overall volume

Sales - sq ft	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	YoY	QoQ
Bangalore	839,373	1,007,103	1,253,071	1,005,697	467,071	413,537	722,886	1,242,456	463,895	982,973	1,017,604	41%	4%
Pune	10,346	11,238	-2,023	16,526	13,039	10,431	28,539	19,401	NA	NA	NA	NM	NM
NCR	212,986	227,795	88,035	7,132	337,316	40,458	59,127	77,458	711,975	169,667	145,862	147%	-14%
Gift City	65,400	107,725	82,874	6,303	75,390	31,414	14,714	17,481	10,062	23,178	NA	NM	NM
Kerala	211,890	265,876	206,776	253,772	219,705	299,204	118,267	120,687	168,872	163,979	131,820	11%	-20%
Tamil Nadu	36,927	40,742	19,903	31,990	50,926	110,300	52,263	52,067	83,117	31,357	29,780	-43%	-5%
Hyderabad	17,195	25,717	14,870	17,899	11,914	24,563	20,571	28,640	NA	NA	NA	NM	NM
Other Regions									6,196	22,953	45,274	NM	97%
Total (sq ft)	1,394,117	1,686,196	1,663,506	1,339,319	1,175,361	929,907	1,016,367	1,558,190	1,444,117	1,394,107	1,370,340	35%	-2%

Source: Company, JM Financial

Exhibit 5. Cash flow performance remained healthy with 76% YoY growth in OCF

Cash Flows (INR mn)	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	YoY	QoQ
Real Estate Operations	13,917	12,227	13,206	15,834	15,986	18,459	18,156	37%	-2%
Contractual & Manufacturing	1,544	1,524	1,575	2,014	1,799	1,999	1,689	7%	-16%
Operating Inflows	15,461	13,751	14,781	17,848	17,785	20,458	19,845	34%	-3%
Operating Outflow	12,168	11,865	12,722	13,167	13,818	15,310	16,214	27%	6%
Real Estate project expenses	8,062	7,803	8,595	9,160	9,630	10,157	11,406	33%	12%
Contracts project expenses	1,409	1,317	1,535	1,647	1,448	1,725	1,329	-13%	-23%
Statutory Dues & Other Taxes	611	807	577	774	735	853	756	31%	-11%
Facility Management	397	268	149	171	160	242	244	64%	1%
Over Heads	682	754	661	757	967	852	634	-4%	-26%
Advertising & Marketing expenses	335	364	566	385	491	592	1,005	78%	70%
Income Tax	672	552	639	273	387	889	840	31%	-6%
Net Operating Cash Flows (ex-land payment)	3,293	1,886	2,059	4,681	3,967	5,148	3,631	76%	-29%
Rights issue proceeds		9,995	0	9,966	6	0	6		
Interest Paid (Net of interest received)	478	352	338	301	201	235	198		
Net Cash Flow After Financial expenses	2,815	11,529	1,721	14,346	3,772	4,913	3,439		
Land Payments	1,609	1,664	3,058	3,132	2,815	3,506	2,400		
Dividend including tax	-	301	-	-	-	321			
CSR Contribution	22	46	27	45	15	15	15		
Capex and Investments	445	441	394	303	373	436	608		
Capex – Commercial Real Estate									
Total Capital Outflow	2,076	2,452	3,479	3,480	3,203	4,278	3,023		
Net Cash Flow	739	9,077	(1,758)	10,866	569	635	416		

Source: Company, JM Financial

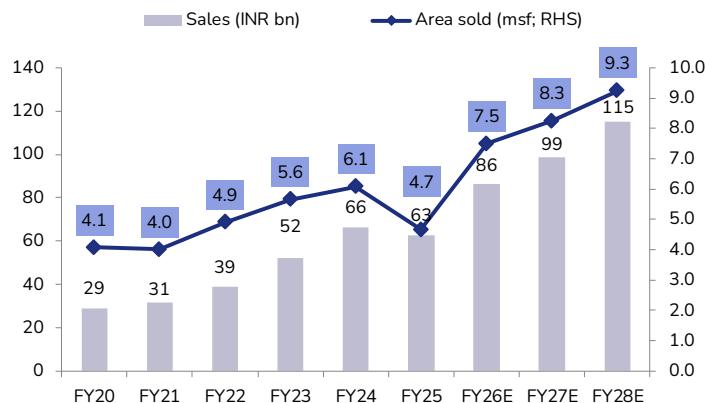
Exhibit 6. Net debt balance sheet enables accelerated BD

Particulars (INR mn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26
Interest Cost	8.45%	8.57%	8.81%	8.93%	9.11%	9.14%	9.26%	9.35%	9.40%	9.40%	9.44%	9.12%	8.86%	8.25%	7.94%
Net Debt	21,100	18,890	17,690	16,410	15,690	14,400	13,430	12,620	11,880	2,800	4,560	-6,300	-6,870	-7,510	-7,920
Net D:E	0.87	0.77	0.72	0.66	0.63	0.58	0.54	0.50	0.47	0.08	0.13	-0.14	-0.15	-0.16	-0.17

Source: Company, JM Financial

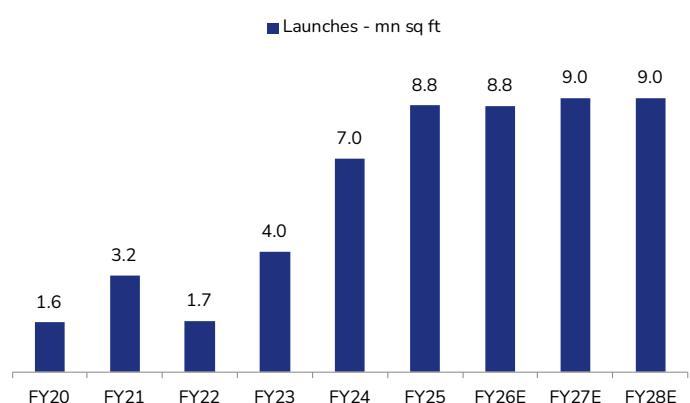
Annual Estimates and Valuation

Exhibit 7. Expect 15% CAGR growth in pre-sales over FY26E-28E...



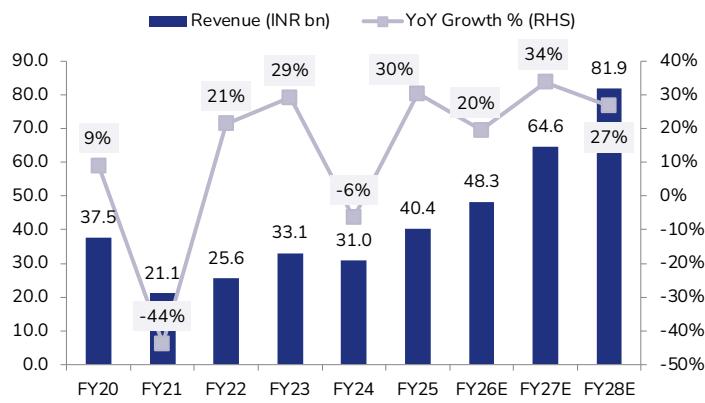
Source: Company, JM Financial

Exhibit 8. ...on the back of sustained launches



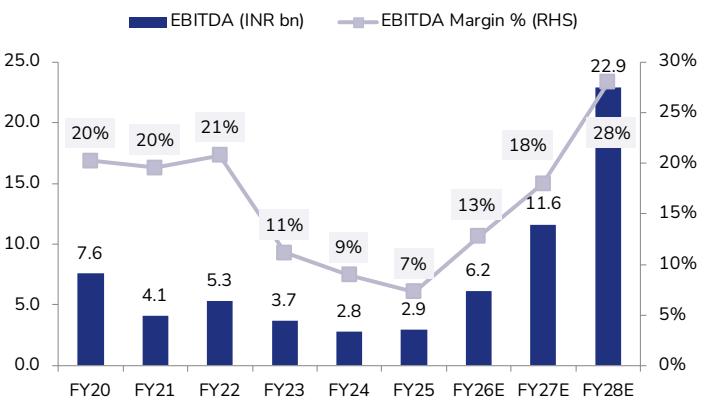
Source: Company, JM Financial

Exhibit 9. Revenue recognition to pick up in coming years



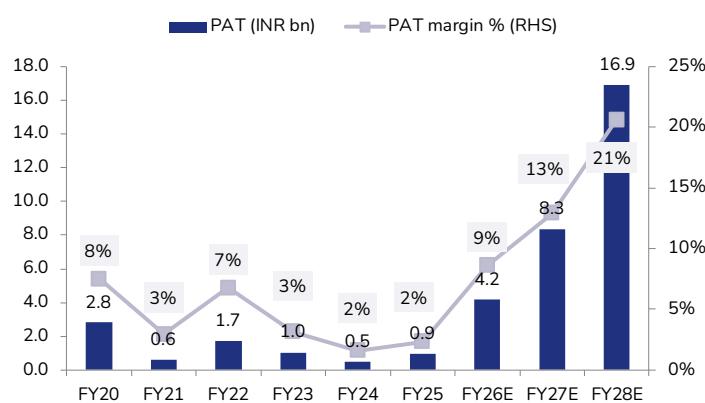
Source: Company, JM Financial

Exhibit 10. EBITDA margin expected to improve significantly



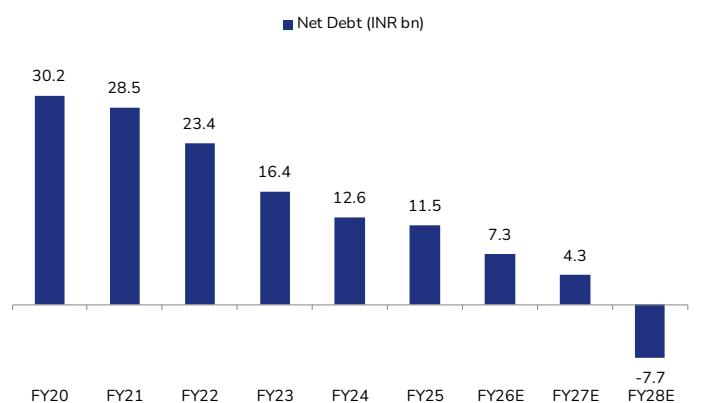
Source: Company, JM Financial

Exhibit 11. Expect multi-fold increase in PAT



Source: Company, JM Financial

Exhibit 12. Net debt falls due to rights issue proceeds



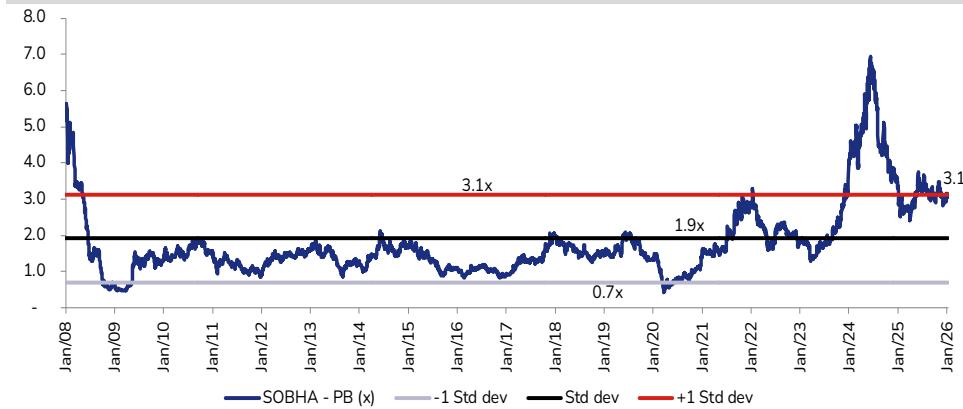
Source: Company, JM Financial

Exhibit 13. SOTP-based TP of INR 1,850

SOTP Valuation	INR /sh
Residential	1,156
Commercial	163
Land	262
Contract business	191
SOTP Value	1,774
Net Debt	-72
Mar'26 TP	1,850

Source: Company, JM Financial

Exhibit 14. Sobha – in-line with +1SD



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement					Balance Sheet						
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	30,969	40,387	48,301	64,602	81,881	Shareholders' Fund	25,141	45,605	49,387	56,981	72,361
Sales Growth	-6.4%	30.4%	19.6%	33.7%	26.7%	Share Capital	948	1,069	1,069	1,069	1,069
Other Operating Income	0	0	0	0	0	Reserves & Surplus	24,192	44,536	48,318	55,912	71,292
Total Revenue	30,969	40,387	48,301	64,602	81,881	Preference Share Capital	0	0	0	0	0
Cost of Goods Sold/Op. Exp	19,048	26,656	30,095	40,364	45,766	Minority Interest	0	0	0	0	0
Personnel Cost	3,526	4,052	4,295	4,467	4,646	Total Loans	19,349	12,738	11,238	9,738	8,238
Other Expenses	5,625	6,736	7,746	8,133	8,540	Def. Tax Liab. / Assets (-)	-1,107	-2,383	-2,383	-2,383	-2,383
EBITDA	2,770	2,943	6,165	11,637	22,929	Total - Equity & Liab.	43,382	55,960	58,242	64,336	78,217
EBITDA Margin	8.9%	7.3%	12.8%	18.0%	28.0%	Net Fixed Assets	9,517	10,052	10,575	11,020	11,387
EBITDA Growth	-25.0%	6.2%	109.5%	88.8%	97.0%	Gross Fixed Assets	9,450	9,813	11,013	12,213	13,413
Depn. & Amort.	782	898	677	755	833	Intangible Assets	0	0	0	0	0
EBIT	1,988	2,045	5,488	10,882	22,096	Less: Depn. & Amort.	0	0	677	1,432	2,265
Other Income	1,209	1,241	1,132	1,189	1,248	Capital WIP	68	238	238	238	238
Finance Cost	2,455	1,956	1,079	944	809	Investments	1,149	1,146	924	702	702
PBT before Excep. & Forex	742	1,330	5,541	11,127	22,535	Current Assets	1,25,042	1,58,465	1,55,476	1,90,682	2,31,884
Excep. & Forex Inc/Loss(-)	0	0	0	0	0	Inventories	93,764	1,12,522	1,01,970	1,30,101	1,55,801
PBT	742	1,330	5,541	11,127	22,535	Sundry Debtors	2,039	2,404	5,179	8,528	11,203
Taxes	251	383	1,385	2,782	5,634	Cash & Bank Balances	1,137	1,266	3,927	5,430	15,922
Extraordinary Inc./Loss(-)	0	0	0	0	0	Loans & Advances	0	0	13	18	23
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	Other Current Assets	28,102	42,273	44,387	46,606	48,936
Reported Net Profit	491	947	4,156	8,345	16,901	Current Liab. & Prov.	92,326	1,13,703	1,08,732	1,38,068	1,65,757
Adjusted Net Profit	491	947	4,156	8,345	16,901	Current Liabilities	6,165	5,648	8,050	10,767	13,647
Net Margin	1.6%	2.3%	8.6%	12.9%	20.6%	Provisions & Others	86,161	1,08,054	1,00,682	1,27,301	1,52,110
Diluted Share Cap. (mn)	94.8	107.0	107.0	107.0	107.0	Net Current Assets	32,716	44,763	46,743	52,614	66,127
Diluted EPS (INR)	5.2	8.9	38.9	78.0	158.0	Total - Assets	43,382	55,960	58,242	64,336	78,216
Diluted EPS Growth	-52.9%	70.9%	338.9%	100.8%	102.5%						
Total Dividend + Tax	0	85	374	751	1,521						
Dividend Per Share (INR)	0.0	0.8	3.5	7.0	14.2						

Source: Company, JM Financial

Cash Flow Statement				
Y/E March	FY24A	FY25A	FY26E	FY27E
Profit before Tax	742	1,330	5,541	11,127
Depn. & Amort.	782	898	677	755
Net Interest Exp. / Inc. (-)	2,455	1,956	1,079	944
Inc (-) / Dec in WCap.	3,980	-418	681	-4,368
Others	-713	-189	-1,132	-1,189
Taxes Paid	-772	-1,577	-1,385	-2,782
Operating Cash Flow	6,474	1,999	5,460	4,488
Capex	10	11	-1,200	-1,200
Free Cash Flow	6,485	2,010	4,260	3,288
Inc (-) / Dec in Investments	-5,123	-12,537	222	222
Others	363	727	1,132	1,189
Investing Cash Flow	-4,749	-11,799	154	211
Inc / Dec (-) in Capital	0	0	0	0
Dividend + Tax thereon	-285	-303	-374	-751
Inc / Dec (-) in Loans	-974	-7,827	-1,500	-1,500
Others	-2,123	18,058	-1,079	-944
Financing Cash Flow	-3,382	9,928	-2,953	-3,195
Inc / Dec (-) in Cash	-1,657	128	2,661	1,503
Opening Cash Balance	2,794	1,137	1,266	3,927
Closing Cash Balance	1,137	1,266	3,927	5,430

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	1.6%	2.3%	8.6%	12.9%	20.6%
Asset Turnover (x)	0.7	0.8	0.8	1.0	1.1
Leverage Factor (x)	1.8	1.5	1.3	1.2	1.1
RoE	2.0%	2.7%	8.8%	15.7%	26.1%

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	265.2	426.4	461.8	532.8	676.6
ROIC	3.2%	3.0%	7.4%	14.0%	26.6%
ROE	2.0%	2.7%	8.8%	15.7%	26.1%
Net Debt/Equity (x)	0.7	0.3	0.1	0.1	-0.1
P/E (x)	294.9	172.5	39.3	19.6	9.7
P/B (x)	5.8	3.6	3.3	2.9	2.3
EV/EBITDA (x)	65.5	59.4	27.7	14.4	6.8
EV/Sales (x)	5.9	4.3	3.5	2.6	1.9
Debtor days	24	22	39	48	50
Inventory days	1,105	1,017	771	735	695
Creditor days	80	55	70	74	84

Source: Company, JM Financial

History of Recommendation and Target Price

Recommendation History

Date	Recommendation	Target Price	% Chg.
26-Aug-24	Hold	1,755	
17-Nov-24	Hold	1,675	-4.6
9-Feb-25	Buy	1,615	-3.6
1-Jun-25	Buy	1,650	2.2
28-Jul-25	Buy	1,850	12.1
10-Oct-25	Buy	1,850	0.0
19-Oct-25	Buy	1,850	0.0

Sobha



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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