

BUY

TP: Rs 1,711 | ▲ 18%

SOBHA

| Real Estate (Developers) |

06 May 2026

Strong sales over FY26; launches key to sustaining growth

- Reported FY26 EPS of Rs 18.09, missing our estimates by -31%, dragged down by higher operating expenses (+10% vs our estimates)
- Lower growth (vs FY23-25) in launches (-32.8%YoY) and sales (+29.6% YoY); higher growth in avg. realisations (+9.4% YoY), over FY26
- Sustained launches key to driving growth in a challenging residential market; expect the stock to trade at 0.5x NAVPS. Maintain BUY

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Over FY26, SOBHA launched projects with saleable area of ~5.9msf (-32.8% YoY) and sold ~5.5msf (~+17% YoY) at avg. realisations of Rs 14,675psf (+9.4% YoY); real estate collections grew to ~Rs 70,761mn (+28.1% YoY). However, **growth moderated, with lower growth (in launches (-32.8%YoY) and sales (+29.6% YoY) offset slightly by higher growth in avg. realisations (+9.4% YoY), vs growth over FY23-25.**

SOBHA pushed completions to ~71% of its development portfolio, driving collections to ~Rs 70,761mn (+28.1% YoY). Real estate EBITDA margins deteriorated ~80bps YoY to 9.3%, dragged down by higher construction costs, which were compounded by contributions from lower-margin projects.

SOBHA has visibility on ~31.2msf of real-estate projects (including ~0.24msf of unsold completed projects and 0.6msf of forthcoming commercial projects) concentrated (72%) in Bengaluru. The developer also reported a land bank with developable SBA of an additional 40.91msf. We remain optimistic about SOBHA's ability to drive multi-year growth.

Despite near-term headwinds, we believe SOBHA's business remains structurally strong; contingent on sustained launches and execution, to drive collections. We expect SOBHA to achieve sales growth of ~28.1% CAGR, helped by the growth in avg. realisations (+15% CAGR) to generate sales of ~Rs 412,987mn as these projects are delivered over FY27E-29E. Over the period, we expect collections to grow by 20.4% CAGR, as the developer works on expediting the execution of its projects.

Maintain BUY: We believe that while the demand for SOBHA's residential properties remains strong, near-term headwinds and a structural moderation in the residential market is likely to lead to a muted sales value growth. We revise our EPS estimates downwards by ~-26% to reflect our updated assumptions over the period and **expect SOBHA to trade at ~0.5x NAVPS (trend back down to 6Y average) applied to Q1FY28E-Q4FY28E, implying a 1Y TP of Rs 1,711.**

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	SOBHA IN/Rs 1,446
Market cap	US\$ 1.6bn
Free float	47%
3M ADV	US\$ 2.5mn
52wk high/low	Rs 1,733/Rs 1,130
Promoter/FPI/DII	53%/6%/26%

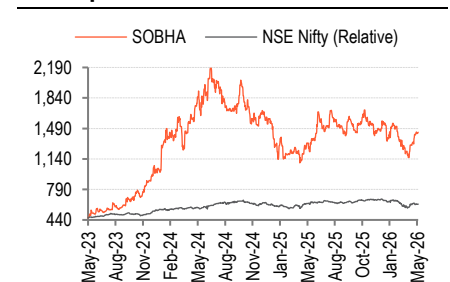
Source: NSE | Price as of 5 May 2026

Key financials

Y/E 31 Mar	FY26A	FY27E	FY28E
Total revenue (Rs mn)	53,838	36,486	46,193
EBITDA (Rs mn)	3,104	6,055	9,130
Adj. net profit (Rs mn)	1,934	3,618	5,898
Adj. EPS (Rs)	18.1	33.8	55.1
Consensus EPS (Rs)	26.0	50.2	77.6
Adj. ROAE (%)	4.2	7.4	11.3
Adj. P/E (x)	80.0	42.8	26.2
EV/EBITDA (x)	49.8	25.5	16.9
Adj. EPS growth (%)	92.7	87.0	63.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Robust growth over FY26; signs of moderation emerged over Q4FY26

Lower launches and pressure on margins

Over Q4FY26, SOBHA launched projects with saleable area of ~3.3msf (~-19% YoY) and delivered ~1.8msf SBA (+58% YoY) across 1,087 units (~+19% YoY). The developer sold ~1.3msf (-14.7% YoY) at avg. realisations of Rs 15,268psf (+29.6% YoY). Real estate collections grew to ~Rs 18,066mn (+14.1% YoY) as SOBHA pushed completions to ~71% of its development portfolio (completed and ongoing) from ~68% as of Q4FY25. Real estate EBITDA margins deteriorated ~20bps YoY to 9.6% as higher construction costs drove the operating expenses higher.

Higher completions driving collections

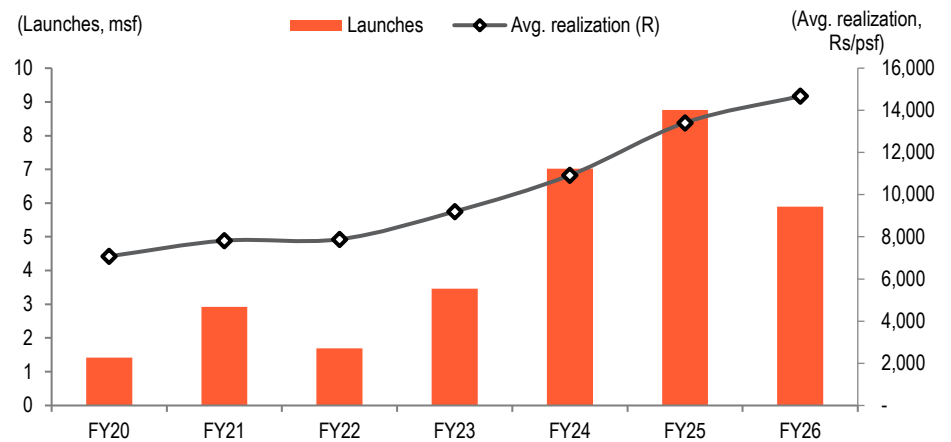
Over FY26, SOBHA launched projects with saleable area of ~5.9msf (-32.8% YoY) and delivered ~5.4msf SBA (+18.9% YoY) across 3,188 units (~+6% YoY). The developer sold ~5.5msf (~+17% YoY) at avg. realisations of Rs 14,675psf (+9.4% YoY). Real estate collections grew to ~Rs 70,761mn (+28.1% YoY), as SOBHA pushed completions to ~71% of its development portfolio (completed and ongoing) from ~68% as of FY25. Real estate EBITDA margins deteriorated ~80bps YoY to 9.3%, as higher construction costs drove operating expenses higher, in addition to the contributions from lower-margin projects. Improved collections drove leverage down to -0.17x.

Fig 1 – Strong sales affected by lower margins

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Q4FY26E	Deviation (%)
Revenue from operations (Rs mn)	19,878.35	12,406.17	60.23	9,431.13	110.77	16,859.66	17.90
EBITDA (Rs mn)	1,521.74	940.61	61.78	387.54	292.67	2,973.75	(48.83)
EBITDA Margin (%)	7.66	7.58	7bps	4.11	355bps	17.64	-10pps
Net Result (Rs mn)	918.35	408.56	124.78	154.28	495.25	1,804.80	(49.12)
EPS (Rs)	8.59	4.05	112.06	1.44	495.25	16.87	(49.12)

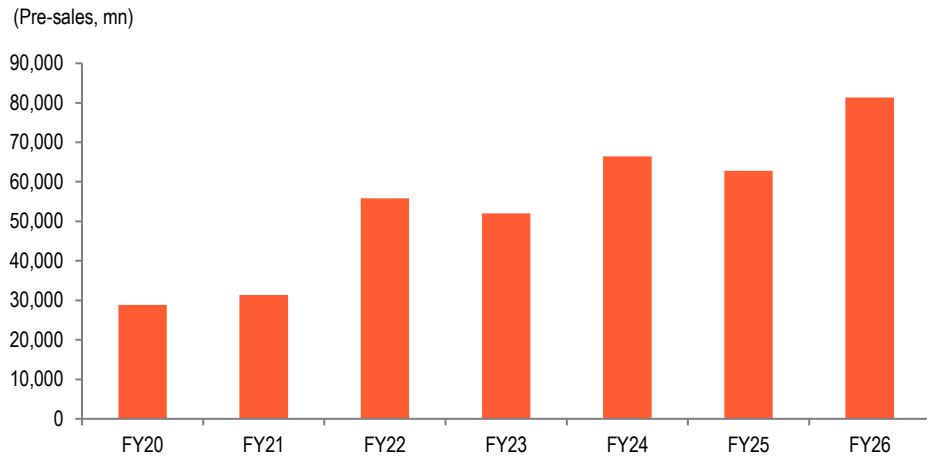
Source: Company, BOBCAPS Research

Fig 2 – Launches and avg. realisations up +13.7% and +9.4% YoY, respectively



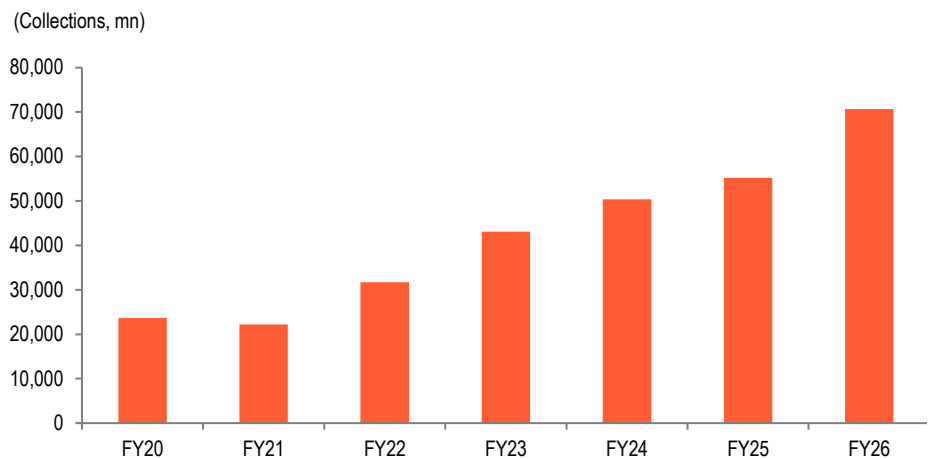
Source: Company, BOBCAPS Research

Fig 3 – Sales value higher by +29.6%, driven by increased no. of launches and improved avg. realisations



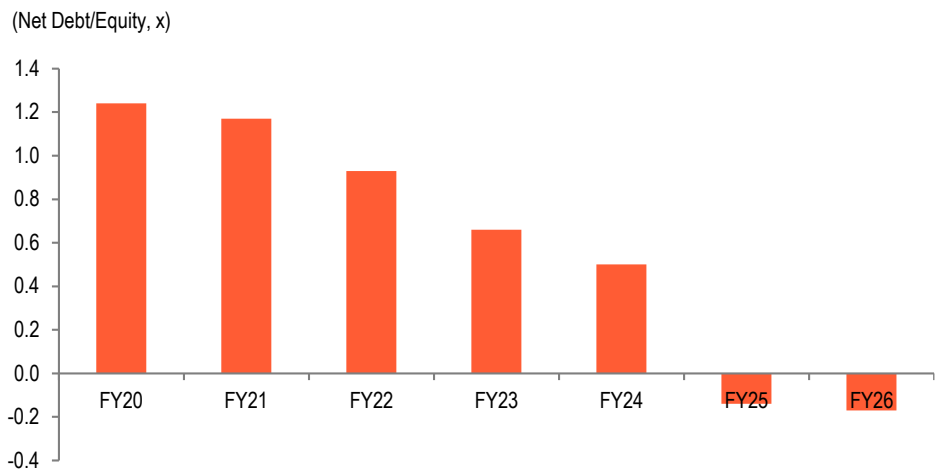
Source: Company, BOBCAPS Research

Fig 4 – Collections up by +28.1% YoY, as completions reach ~71% of development portfolio



Source: Company, BOBCAPS Research

Fig 5 – Improved collections resulted in a net-cash position



Source: Company, BOBCAPS Research

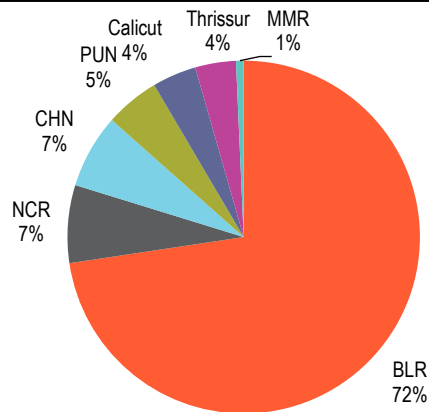
Sales value to grow ~28% over FY27E-FY29E on the back of sustenance sales and new launches

As of FY26, SOBHA has visibility on ~31.2msf of real-estate projects (including ~0.24msf of unsold completed projects and 0.6msf of forthcoming commercial projects) that is expected to generate sales of ~Rs 441,950mn. We expect SOBHA to achieve sales growth of ~28.1% CAGR, helped by the growth in avg. realisations of +15% CAGR and generate sales of ~Rs 412,987mn as these projects are delivered over FY27E-29E. Over the period, we expect collections to grow by 20.4% CAGR, as the developer works on expediting completions.

Assuming macroeconomic uncertainties (especially the war in West Asia) are resolved in the near term, we believe higher construction costs (cement, steel and labour) to be transitory and expect EBITDA margins to average ~20% over FY27E-29E — aided by the flow-through of revenues from higher-margin projects.

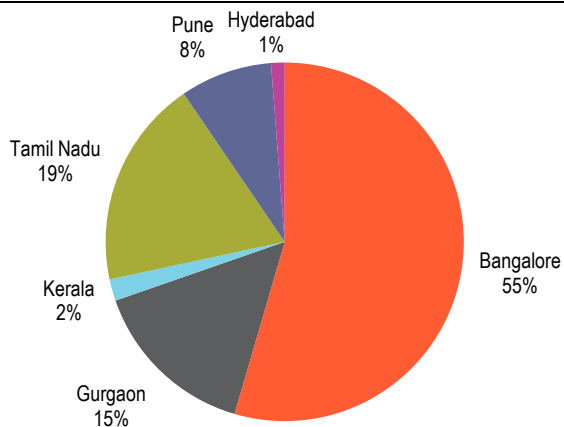
Additionally, as of FY26, SOBHA reported a developable land bank of ~409 acres, spread mostly over Bengaluru, Tamil Nadu and Gurugram that has the potential to result in an additional 40.91msf of developable SBA.

Fig 6 – Residential projects concentrated in BLR



Source: Company, BOBCAPS Research

Fig 7 – Developable land bank of 409 acres (~40.9msf developable SBA)



Source: Company, BOBCAPS Research

Valuation likely to trend back to long-term mean

We expect the rising prices, macroeconomic uncertainty, and affordability constraints to **recalibrate homebuyer preference towards value-driven purchases**, pushing volumes, average unit size and average realisations lower, going forward.

However, **despite near-term headwinds, we believe SOBHA’s business remains structurally strong**, supported by a growing launch pipeline, focused delivery of projects, improved collections and higher margins over FY27E-29E.

We believe that the demand for SOBHA’s residential properties remains strong and expect the developer to grow sales value by +28.1% CAGR over FY27E-29E — faster than +16.1% over FY23-FY26. However, near-term headwinds and a structural moderation in the residential market is likely to result in slower growth in average realisations (+15.2% CAGR over FY27E-29E vs +16.9% over FY23-FY26) and a more aggressive launch pipeline is expected to limit growth in collections to +20.4% CAGR over FY27E-29E (vs +30.5% over FY23-26).

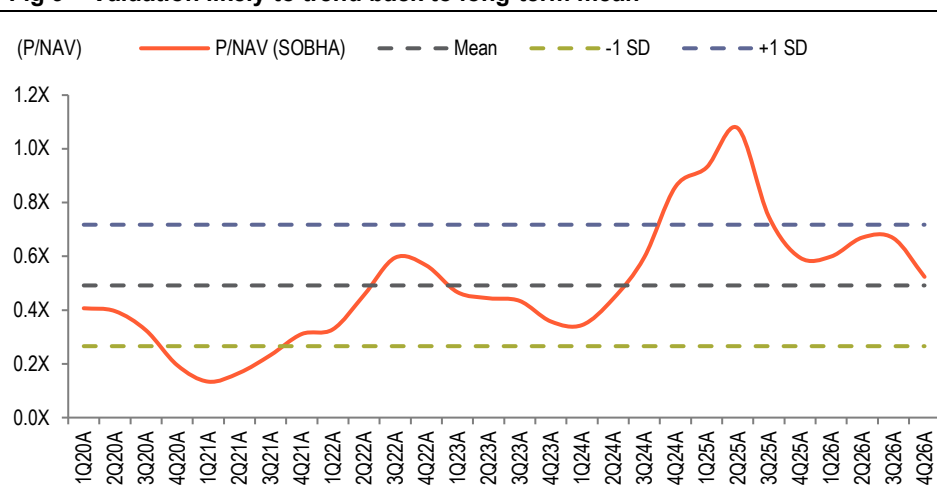
We revise our EPS estimates downwards by ~26% to adjust for our updated assumptions over FY27E-FY29E. Considering a high correlation between sales value and stock price (Regression multiple R of ~72%), **we expect SOBHA to trade at ~0.5x NAV/Share (trend back down to 6Y average) applied to Q1FY28E-Q4FY28E, implying a 1Y TP of Rs 1,711.**

Fig 8 – Revised estimates

	New			Old			Change (%)		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Revenue from operations	34,987.36	44,261.92	59,171.52	59,140.73	70,472.76	86,451.63	(40.84)	(37.19)	(31.56)
EBITDA	6,126.63	9,599.93	15,811.78	8,075.74	11,746.04	19,045.25	(24.14)	(18.27)	(16.98)
Net Result	3,595.47	6,232.26	10,651.72	5,384.19	8,213.72	13,494.87	(33.22)	(24.12)	(21.07)
EPS	33.62	58.27	99.59	50.34	76.80	126.17	(33.22)	(24.12)	(21.07)

Source: BOBCAPS Research

Fig 9 – Valuation likely to trend back to long-term mean



Source: Company, BOBCAPS Research

Key downside risks to our estimates

- A slower pace of launches could affect sales values negatively.
- If macroeconomic uncertainties persist longer than expected, buyer sentiment could weaken, depressing the sales.
- Higher inflation is likely to result in higher interest rates, limiting homebuyers' ability to drive sales.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Total revenue	41,628	53,838	36,486	46,193	61,832
EBITDA	2,943	3,104	6,055	9,130	14,436
Depreciation	(898)	(1,060)	(970)	(1,090)	(1,424)
EBIT	2,045	2,044	5,085	8,040	13,012
Net interest inc./(exp.)	(1,956)	(1,374)	(1,606)	(1,359)	(1,110)
Other inc./(exp.)	1,241	1,933	1,259	1,542	2,005
Exceptional items	0	0	0	0	0
EBT	1,330	2,599	4,736	8,217	13,899
Income taxes	(383)	(665)	(1,119)	(2,318)	(4,226)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	0	0	0	0	0
Reported net profit	947	1,934	3,618	5,898	9,673
Adjustments	0	0	0	0	0
Adjusted net profit	947	1,934	3,618	5,898	9,673

Balance Sheet

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Accounts payables	5,648	8,276	5,300	6,831	9,654
Other current liabilities	111,444	134,363	134,363	134,363	134,363
Provisions	258	367	367	367	367
Debt funds	7,661	4,071	2,693	1,297	(119)
Other liabilities	1,594	902	902	902	902
Equity capital	1,069	1,069	1,070	1,070	1,070
Reserves & surplus	44,536	46,130	48,867	53,285	60,524
Shareholders' fund	45,605	47,199	49,937	54,355	61,594
Total liab. and equities	172,210	195,178	193,562	198,116	206,761
Cash and cash eq.	1,266	1,744	13,787	35,945	73,391
Accounts receivables	1,864	2,768	1,879	2,381	3,191
Inventories	112,522	128,263	114,520	95,081	63,296
Other current assets	31,006	29,839	29,839	29,839	29,839
Investments	1,146	1,201	1,201	1,201	1,201
Net fixed assets	5,150	6,209	7,182	8,514	10,689
CWIP	4,545	4,486	4,486	4,486	4,486
Intangible assets	44	27	27	27	27
Deferred tax assets, net	2,547	3,925	3,925	3,925	3,925
Other assets	12,120	16,716	16,716	16,716	16,716
Total assets	172,210	195,178	193,562	198,116	206,761

Cash Flows

Y/E 31 Mar (Rs mn)	FY25A	FY26A	FY27E	FY28E	FY29E
Cash flow from operations	1,999	4,299	16,321	26,566	42,468
Capital expenditures	(1,312)	(2,085)	(973)	(1,332)	(2,175)
Change in investments	(11,224)	(495)	0	0	0
Other investing cash flows	737	1,609	0	0	0
Cash flow from investing	(11,799)	(971)	(973)	(1,332)	(2,175)
Equities issued/Others	19,842	7	0	0	0
Debt raised/repaid	(7,909)	(1,348)	(1,378)	(1,396)	(1,417)
Interest expenses	(1,702)	(1,188)	(1,606)	(1,359)	(1,110)
Dividends paid	(303)	(321)	(321)	(321)	(321)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	9,928	(2,850)	(3,305)	(3,076)	(2,847)
Chg in cash & cash eq.	128	478	12,044	22,158	37,446
Closing cash & cash eq.	1,266	1,744	13,787	35,945	73,391

Per Share

Y/E 31 Mar (Rs)	FY25A	FY26A	FY27E	FY28E	FY29E
Reported EPS	9.4	18.1	33.8	55.1	90.4
Adjusted EPS	9.4	18.1	33.8	55.1	90.4
Dividend per share	3.0	3.0	3.0	3.0	3.0
Book value per share	452.0	441.3	466.9	508.2	575.9

Valuations Ratios

Y/E 31 Mar (x)	FY25A	FY26A	FY27E	FY28E	FY29E
EV/Sales	3.7	2.9	4.2	3.3	2.5
EV/EBITDA	52.6	49.8	25.5	16.9	10.7
Adjusted P/E	154.1	80.0	42.8	26.2	16.0
P/BV	3.2	3.3	3.1	2.8	2.5

DuPont Analysis

Y/E 31 Mar (%)	FY25A	FY26A	FY27E	FY28E	FY29E
Tax burden (Net profit/PBT)	71.2	74.4	76.4	71.8	69.6
Interest burden (PBT/EBIT)	65.0	127.2	93.1	102.2	106.8
EBIT margin (EBIT/Revenue)	4.9	3.8	13.9	17.4	21.0
Asset turnover (Rev./Avg TA)	26.9	29.3	18.8	23.6	30.5
Leverage (Avg TA/Avg Equity)	4.4	4.0	4.0	3.8	3.5
Adjusted ROAE	2.7	4.2	7.4	11.3	16.7

Ratio Analysis

Y/E 31 Mar	FY25A	FY26A	FY27E	FY28E	FY29E
YoY growth (%)					
Revenue	29.4	29.3	(32.2)	26.6	33.9
EBITDA	6.2	5.5	95.1	50.8	58.1
Adjusted EPS	81.2	92.7	87.0	63.0	64.0
Profitability & Return ratios (%)					
EBITDA margin	7.1	5.8	16.6	19.8	23.3
EBIT margin	4.9	3.8	13.9	17.4	21.0
Adjusted profit margin	2.3	3.6	9.9	12.8	15.6
Adjusted ROAE	2.7	4.2	7.4	11.3	16.7
ROCE	4.6	3.8	9.6	14.5	21.7
Working capital days (days)					
Receivables	17	19	19	19	19
Inventory	830	838	1,005	1,005	1,005
Payables	42	54	54	54	54
Ratios (x)					
Gross asset turnover	0.3	0.3	0.2	0.2	0.3
Current ratio	1.3	1.1	1.1	1.2	1.2
Net interest coverage ratio	1.0	1.5	3.2	5.9	11.7
Adjusted debt/equity	2.8	3.1	2.9	2.6	2.4

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

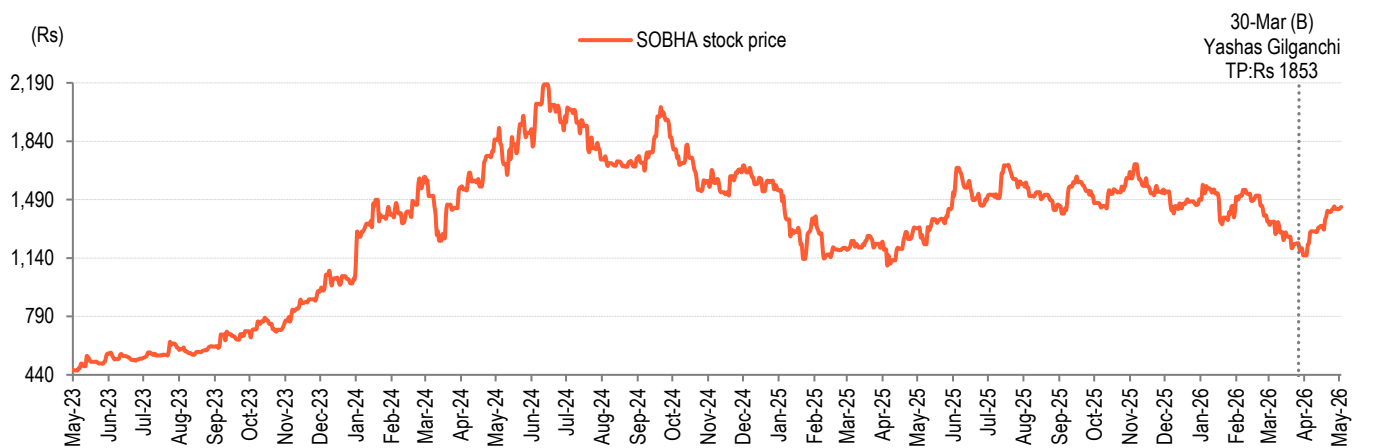
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): SOBHA (SOBHA IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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