

July 29, 2025

INITIATING COVERAGE & RESULT REPORT Q1 FY26 | Sector: Real Estate

Sobha Ltd

On track to achieve robust presales in FY26!

Result Synopsis

Presales – Quarterly presales at all time high crossing the Rs20Bn milestone: Sobha reported highest ever quarterly presales of Rs20.79Bn, a growth of 11%YoY & 13%QoQ. The performance was driven by two launches viz., Sobha Aurum, Noida and 4 towers of Marina One, Kochi. ~80% of Aurum has been sold in the first quarter itself generating sales of Rs8.34Bn. New launches contributed to ~50% of total presales in Q1FY26. Overall, NCR and Kerala contributed 57% and 10% respectively to total presales. Bangalore continued to remain steady registering presales of Rs6Bn (29% of total presales). Pune and Hyderabad saw presales decline sharply by 71%YoY & 85%QoQ to Rs94Mn owing to lack of new launches. Sobha's share of presales increased by 26%YoY & 25%QoQ to Rs17.17Bn (83% of total presales Vs 72%/75% in Q1FY25/Q4FY25 respectively).

Sales Area – NCR contributed ~50% to total volumes: Total area sold for the quarter of 1.4msft, an increase of 23%YoY & decline of 7%QoQ. The total area sold was primarily driven by the strong response received from the debut launch in Noida. Bangalore remained flattish YoY contributing 32% to sales volumes while 12% of volumes came from Kerala aided by the launch of Marina One. Average realizations decreased by 10%YoY & expanded by 22%QoQ to Rs14,395/sft.

New Launches – Foray into Noida market: In Q1FY26, Sobha launched 2 projects with a combined saleable area of 1.62msft of which Sobha Aurum, Noida has a saleable area of 0.70msft and Marina One, Kochi comprises a saleable area of 0.92msft. Sobha's forthcoming project pipeline is 17.7msft of which 6-8msft is expected to be launched in 9MFY26. Bangalore (43% of total) and NCR (33% of total) will continue to see majority of the launches and furthermore, Sobha is planning to enter Mumbai market.

Operating Cash Flow – Highest ever collections from Real Estate segment increased OCF inflow by 15%YoY: OCF inflow stood at Rs17.8Bn, a growth of 15%YoY and flattish sequentially, primarily led by real estate collections of Rs16.0Bn Vs Rs13.9Bn/Rs15.8Bn in Q1FY25/Q4FY25. Collections from C&M biz improved by 17%YoY & declined by 11%QoQ to Rs1.8Bn. Net OCF came in at Rs4.0Bn Vs Rs3.2Bn/Rs4.6Bn in Q1FY25/Q4FY25 respectively.

Contracts & Manufacturing – C&M biz contributed 19% to revenue: Revenue from C&M division degrew by 2%YoY & 11%QoQ to Rs1.62Bn (including inter-segment). Both contracts and manufacturing biz contributed 50% each to C&M revenue. EBIT margins came in at 9.1% VS 16.2%/12.9% in Q1FY25/Q4FY25 respectively.

Financial Overview

Parameter	Q1FY26	QoQ (%)	YoY (%)
Revenue (Rs Mn)	8,519	-31%	33%
EBITDA (Rs Mn)	238	-75%	-57%
EBITDA Margin (%)	2.8%	-479 bps	-594 bps
PAT (Rs Mn)	136	-67%	125%

Source: Company, YES Sec

Key Data points

Parameter	Q1FY26	QoQ (%)	YoY (%)
Sales Area (msft)	1.44	-7%	23%
Sales (Rs Mn)	20,788	13%	11%
Sobha's share of Sales (Rs Mn)	17,172	25%	26%
ASP (Rs/sft)	14,395	22%	-10%
Collections (Rs Mn)	17,785	0%	15%

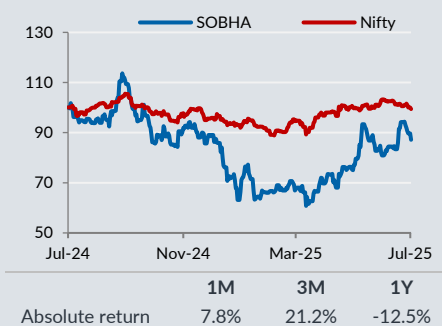
Source: Company, YES Sec

Reco	: BUY
Current Price	: Rs 1,570
Target Price	: Rs 2,113
Potential Return	: +35%

Stock data (as on Jul 29, 2025)

Nifty	24,825
52 Week h/l (Rs)	2,070 / 1,075
Market cap (Rs/USD mn)	172,646 / 1,988
Outstanding Shares (mn)	107
6m Avg t/o (Rs mn)	525
Div yield (%)	0.2
Bloomberg code:	SOBHA IN
NSE code:	SOBHA

Stock performance



Shareholding pattern (As of Jun'25 end)

Promoter	52.9%
FII+DII	32.7%
Others	14.4%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	-
Target Price	2,113	-

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SHALIN DAMANI, Associate

ANALYST VIEW & INVESTMENT THESIS

Presales growth momentum to accelerate:

After a subdued performance in FY25, SOBHA has made a strong start to FY26 with record presales of Rs20Bn in Q1FY26. We estimate the company will achieve pre-sales of Rs87Bn (SOBHA's share) by FY26-end, driven by a robust launch pipeline of ~7–8msft across 5–6 key cities, with a total GDV of Rs100Bn. Strong demand for branded developments is expected to support impressive launch-phase sales, while consistent sustenance sales should further aid in achieving the targeted presales for the year, implying a ~76%YoY growth.

Robust launch of ~17.7msft scheduled over 8–9 quarters:

SOBHA has visibility of launching ~17.67msft of residential projects over the next 8–9 quarters, with ~7–8msft planned for 9MFY26. This includes 3 projects in Bangalore, 2 in Gurugram, 2 in Kerala (Trivandrum and Calicut) and 1 each in Noida, Pune, and Chennai. In Q1FY26, the company launched 2 projects totaling ~1.62msft. Notably, SOBHA is expanding its national footprint, with ~57% of upcoming launches planned outside Bangalore, following its recent entry into the Noida market. Of the total launch visibility, 43% is in Bangalore, 19% in Gurugram, 14% in Noida, and 10% in Kerala. This diversification strategy positions the company to tap into new markets and reduce region-specific risks. We remain confident in SOBHA's ability to deliver on its launch plans over the next 8–9 quarters, and if demand remains strong, an upward revision in launch targets cannot be ruled out.

Rich Land bank provides runway for future launches:

SOBHA's robust land bank offers strong visibility for future launches. The company holds ~417 acres across seven cities, with a developable potential of 41.91msft—around 2.4x the expected launch volume over the coming quarters. Approximately 49% of this land is in its core market, Bangalore, which will continue to be a key geography despite SOBHA's growing presence in other regions. Additionally, ~1,765 acres are under various stages of consolidation, monetization, or intended for self-use. Overall, land availability will not be a constraint for SOBHA, assuming demand remains stable.

Collections to grow at healthy pace and expect revenue recognition of Rs172Bn over coming 4 years:

Demonstrating strong execution and in-house development capabilities, SOBHA expects completions to rise by at least 20% YoY in FY26, reaching 5.5msft. In Q1FY26, the company delivered 1.07msft. With construction activity ramping up, the balance revenue of Rs172.45Bn is expected to be recognized over the next 4 years. Due to a dip in presales in FY25, collections saw a modest ~10%YoY growth. However, with a sharp recovery in presales anticipated, collections are expected to grow by 39% over the next two years, while net inflows are likely to rise ~15% over the same period, supported by steady project execution.

Expect steady performance from C&M segment:

The C&M business for Sobha has been dragging behind declining from Rs7.09Bn in FY22 to Rs6.60Bn in FY25. With a renewed focus on the same, company expects revenues to grow by ~10%YoY going ahead with EBIT margins to improve from 6% in FY25.

We expect new launches and steady sustenance sales to drive SOBHA's best-ever performance in FY26. Additionally, with healthy cash inflows, geographic diversification, and a strong balance sheet position the company well positioned for sustained growth. Based on our NAV-driven valuation using a 13.5% WACC and a 20% premium, we arrive at a target price of Rs2,113, implying an upside potential of 35%. Accordingly, we initiate coverage on SOBHA Ltd. with a BUY rating.

CONCALL SUMMARY

- Management has guided for a presale's growth of at least 30%YoY for FY26 and a target of Rs100Bn if there are no delays in launches. 50% of presales would be from new launches and 50% would be sustenance sales.
- Presales for the quarter were supported by successful launch of Sobha Aurum, Sobha's debut Noida. 80% of Aurum has been sold at a value of Rs8.34Bn and the remaining 20% is expected to be sold in Q2FY26.
- Company was unable to recognize a revenue of Rs6.5Bn and PBT of Rs1.5Bn owing to delays from regulatory authorities to receive OCs for 5 projects in Bangalore.
- Balance revenue of Rs172.45Bn is expected to be recognized in 4 years.
- Company is targeting completions of an additional 4-4.5msft in 9MFY26 (completions in Q1FY26 were 1.07msft).
- Residential inventory of 17.67msft is expected to be launched in 4-6 quarters.
- Company is planning to launch 3 projects in Bangalore, 2 in Gurgaon, 1 in Noida, 1 in Pune, 1 in Chennai, 2 in Kerala (Trivandrum and Calicut). Total launches for 9MFY26 is expected to be 7-8msft (1.62msft launched in Q1FY26) having a GDV of ~Rs100Bn.
- Majority of the launches skewed towards end of Q3FY26-start of Q4FY26. Q2FY26 is expected to have 1 launch in Bannerghatta Road, Bangalore having a GDV of Rs9.5Bn.
- For the Hoskote project, designing is complete, and company has started getting approvals. Launch is expected in FY27.
- Project level EBITDA margin for the company currently is 33%.
- Bangalore and NCR will continue to remain the priority markets for Sobha presently. In the long-term, company plans to expand in Mumbai.
- Total size of the current Mumbai project is 0.3msft and the 1st phase that is forthcoming is 0.17msft.
- Contractual projects are divided into civil, electrical, and plumbing. All civil projects are complete except 1 in Bangalore. Company is taking new projects only for electrical and plumbing work.
- Sobha had additional expenses relating to IT software renewals and increments in insurance that reduced margins. Additionally, some expenses were moved from project related expenses to overheads. With a high number of launches planned in H2FY26, sales & marketing expenses would also increase. Management expects margins to remain under pressure in FY26. Normalized EBITDA margins should be 12-13% in the short-term.
- Company currently has Rs13Bn cash deposited in the RERA account required for payments for approvals.

Segmental performance

Revenue (Rs Mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Real estate	7,410	5,436	5,212	6,080	4,751	7,814	10,627	10,591	6,897
Contract & Manufacturing	1,969	2,352	1,984	1,913	2,051	1,812	2,146	2,293	2,199
Inter segment	(299)	(376)	(346)	(364)	(397)	(290)	(532)	(478)	(577)
Net revenue	9,079	7,412	6,849	7,629	6,404	9,336	12,241	12,406	8,519

Source: Company, YES Sec

EBIT margin (%)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Real estate	16.7%	18.6%	20.2%	15.7%	12.2%	10.8%	11.8%	7.7%	5.7%
Contract & Manufacturing	2.5%	18.1%	4.1%	15.9%	16.2%	0.4%	-6.7%	12.9%	9.1%

Source: Company, YES Sec

Quarterly operating metrics

Area sold (msft)*	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Bangalore	0.84	1.01	1.25	1.01	0.47	0.41	0.72	1.24	0.46
NCR	0.21	0.23	0.09	0.01	0.34	0.04	0.06	0.08	0.71
Kerala	0.21	0.27	0.21	0.25	0.22	0.30	0.12	0.12	0.17
GIFT City	0.07	0.11	0.08	0.01	0.08	0.03	0.01	0.02	0.01
Tamil Nadu	0.04	0.04	0.02	0.03	0.05	0.11	0.05	0.05	0.08
Others	0.03	0.04	0.01	0.03	0.02	0.03	0.05	0.05	0.01
Total	1.39	1.69	1.66	1.34	1.18	0.93	1.02	1.56	1.44

Source: Company, YES Sec

Area sold (% of total)*	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Bangalore	60%	60%	75%	75%	40%	44%	71%	80%	32%
NCR	15%	14%	5%	1%	29%	4%	6%	5%	49%
Kerala	15%	16%	12%	19%	19%	32%	12%	8%	12%
GIFT City	5%	6%	5%	0%	6%	3%	1%	1%	1%
Tamil Nadu	3%	2%	1%	2%	4%	12%	5%	3%	6%
Others	2%	2%	1%	3%	2%	4%	5%	3%	0%

Source: Company, YES Sec

Sobha's share of presales (Rs Mn)*	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Bangalore	6,577	7,003	13,904	10,099	5,886	5,549	9,544	10,380	4,785
NCR	2,075	2,325	988	103	4,434	541	877	1,080	10,444
Kerala	1,525	1,777	1,401	1,890	1,826	2,394	1,026	1,120	1,402
GIFT City	515	895	731	55	933	385	174	220	122
Tamil Nadu	234	262	136	241	169	481	259	260	337
Others	378	494	195	386	328	478	619	640	82
Total	11,304	12,756	17,355	12,774	13,576	9,828	12,499	13,700	17,172

Source: Company, YES Sec

Sobha's share of sales (% of total)*	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Bangalore	58%	55%	80%	79%	43%	56%	76%	76%	28%
NCR	18%	18%	6%	1%	33%	6%	7%	8%	61%
Kerala	13%	14%	8%	15%	13%	24%	8%	8%	8%
GIFT City	5%	7%	4%	0%	7%	4%	1%	2%	1%
Tamil Nadu	2%	2%	1%	2%	1%	5%	2%	2%	2%
Others	3%	4%	1%	3%	2%	5%	5%	5%	0%

Source: Company, YES Sec

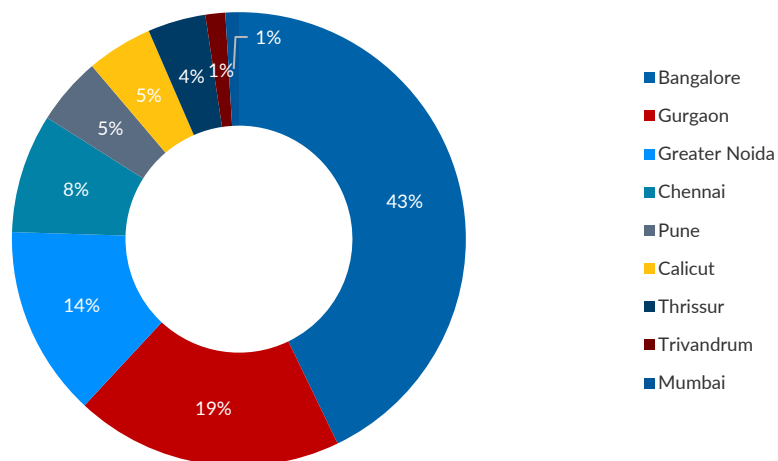
ASP (Rs/sft)*	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Bangalore	9,483	9,254	11,961	11,596	13,424	14,717	13,850	11,316	12,986
NCR	15,297	15,611	15,619	15,564	25,261	18,587	24,168	23,109	16,662
Kerala	10,746	9,982	9,977	10,186	10,960	11,300	11,017	10,606	12,418
GIFT City	7,859	8,308	8,821	8,726	12,376	12,256	11,825	12,585	12,225
Tamil Nadu	7,041	7,781	8,240	7,534	5,439	6,374	6,678	7,106	7,062
Others	13,725	13,368	15,179	11,213	13,145	13,659	12,604	13,322	15,171
Overall ASP	10,506	10,222	11,732	11,230	15,941	12,673	13,662	11,783	14,395

Source: Company, YES Sec

*Bangalore includes Mysore; NCR includes Gurgaon, Noida; Kerala includes Kochi Thrissur, Calicut, Trivandrum, Kozhikode; GIFT City includes Ahmedabad; Tamil Nadu includes Chennai, Coimbatore, Hosur; Others includes Hyderabad, Pune

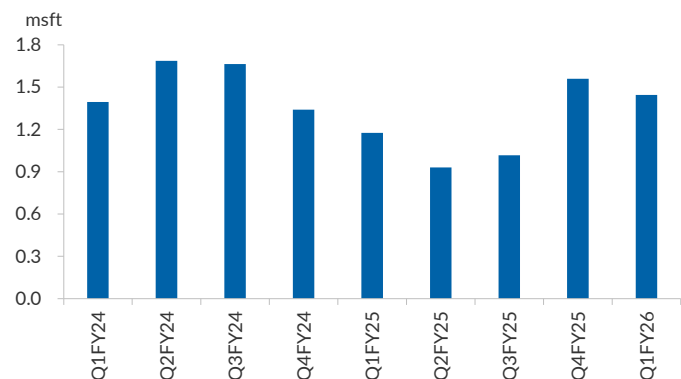
Forthcoming projects

Exhibit 1: City wise total developable area



Source: Company, YES Sec

Exhibit 2: Area sold



Source: Company, YES Sec

Exhibit 3: Sales value

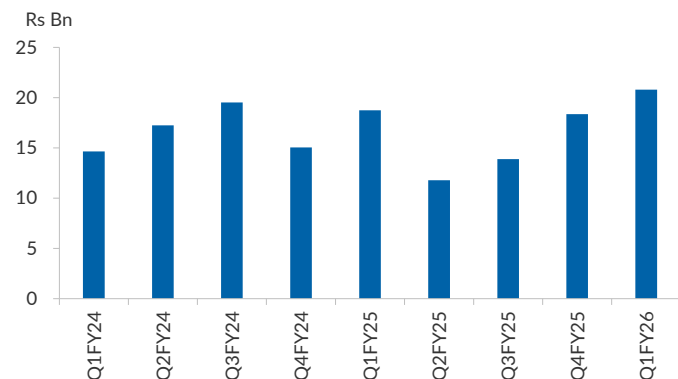
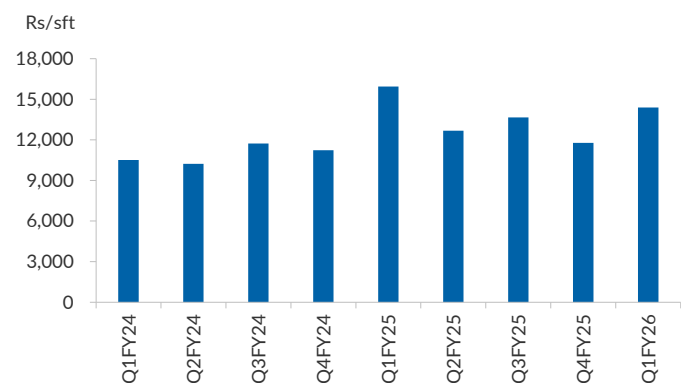


Exhibit 4: Average selling price



Source: Company, YES Sec

Exhibit 5: Net debt and net debt to equity

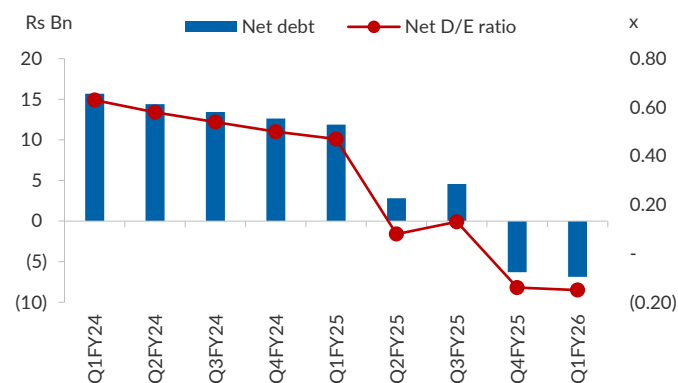


Exhibit 6: Annual operating metrics

Particulars	FY23	FY24	FY25	FY26E	FY27E	Exp CAGR
Sobha's share of presales (Rs Bn)	52	66	50	87	135	27%
Area sold (msft)	4.66	5.00	3.79	5.75	7.70	13%
ASP (Rs/Sft)	11,155	13,283	13,086	15,189	17,534	12%
Collections (Rs Bn)	43	50	55	89	107	26%

Source: Company, YES Sec

FINANCIALS

Exhibit 7: Quarterly snapshot (Consolidated)

Particulars (Rs Mn)	Q1FY25	Q4FY25	Q1FY26	YoY (%)	QoQ (%)
Net Sales	6,404	12,406	8,519	33.0	(31.3)
COGS	3,762	8,142	5,481	45.7	(32.7)
% of sales	58.7	65.6	64.3	558.7	(129.2)
Gross margin %	41.3	34.4	35.7	(558.7)	129.2
Employee costs	930	1,087	1,096	17.9	0.9
% of sales	14.5	8.8	12.9	(164.7)	411.0
Other expenses	1,153	2,237	1,704	47.8	(23.8)
% of sales	18.0	18.0	20.0	199.6	196.8
EBITDA	559	941	238	(57.4)	(74.7)
EBITDA margin %	8.7	7.6	2.8	(593.6)	(478.6)
Depreciation	204	230	237	16.2	3.0
EBIT	356	711	2	(99.6)	(99.8)
EBIT margin %	5.6	5.7	0.0	(553.4)	(571.2)
Interest expense	539	450	310	(42.6)	(31.2)
Other income	295	301	495	67.9	64.3
PBT	111	562	187	68.1	(66.8)
Tax	50	154	50	(0.2)	(67.2)
Effective tax rate %	45.4	27.3	27.0	(1,844.1)	(33.7)
Adj.PAT after Share of Assc & JV	61	409	136	124.9	(66.7)
PAT margin %	0.9	3.3	1.6	65.3	(169.5)

Source: Company, YES Sec

Exhibit 8: Income statement

Particulars (Rs Mn)	FY23	FY24	FY25	FY26E	FY27E
Revenues	33,101	30,969	40,387	75,888	80,377
Growth (%)	29.2%	-6.4%	30.4%	87.9%	5.9%
EBITDA	3,695	2,770	2,943	8,009	9,248
EBITDA margin (%)	11.2%	8.9%	7.3%	10.6%	11.5%
Growth (%)	-30.6%	-25.0%	6.2%	172.1%	15.5%
Depreciation & Amortization	678	782	898	920	984
Other income	923	1,209	1,241	1,897	2,009
EBIT	3,940	3,197	3,286	8,986	10,273
EBIT margin (%)	11.9%	10.3%	8.1%	11.8%	12.8%
Interest	2,490	2,455	1,956	1,703	1,806
PBT	1,450	742	1,330	7,283	8,467
Tax	408	251	383	2,098	2,439
Net profit	1,042	491	947	5,185	6,028
Net profit margin (%)	3.1%	1.6%	2.3%	6.8%	7.5%
EPS	11.0	5.2	9.3	48.5	56.4
Growth (%)	-39.8%	-52.9%	79.2%	422.5%	16.3%

Source: Company, YES Sec

Exhibit 9: Balance sheet

Particulars (Rs Mn)	FY23	FY24	FY25	FY26E	FY27E
Share Capital	948	948	1,069	1,069	1,069
Reserves	23,998	24,192	44,536	49,418	55,143
Non-current Liab	6,694	7,772	9,513	9,513	9,513
ST Borrowings	13,901	11,972	3,648	3,648	3,648
Payables	5,987	6,165	5,648	10,613	11,241
Other current Liab	74,354	85,915	107,796	215,504	219,037
Total Equity & Liab	125,882	136,965	172,210	289,765	299,651
Net Block	4,130	4,653	5,150	3,337	4,701
Investment properties	4,587	4,501	4,545	4,545	4,545
Other Noncurrent Assets	12,360	15,384	15,857	15,857	15,857
Inventory	87,610	93,764	112,522	218,309	220,211
Receivables	1,580	1,645	1,864	3,119	2,863
Cash & Bank	4,514	6,733	18,089	23,673	29,696
Other Current Assets	11,102	10,285	14,183	20,925	21,778
Total Assets	125,882	136,965	172,210	289,765	299,651

Source: Company, YES Sec

Exhibit 10: Cash flow statement

Particulars (Rs Mn)	FY23	FY24	FY25	FY26E	FY27E
PBT	1,450	742	1,330	7,283	8,467
Add: Depreciation	678	782	898	920	984
Add: Interest	2,490	2,455	1,956	1,703	1,806
Less: WC changes	7,576	3,980	(418)	(1,111)	1,662
Less: taxes paid	(679)	(772)	(1,577)	(2,098)	(2,439)
Cash flow from operations	11,502	6,474	1,999	6,697	10,480
Capital expenditure	(1,234)	(1,247)	(1,312)	893	(2,348)
Cash flow from investing activities	(2,368)	(4,749)	(11,799)	893	(2,348)
Movement in borrowings	(5,119)	(900)	(7,826)	0	0
Interest paid	(2,247)	(2,123)	(1,702)	(1,703)	(1,806)
Dividend	(285)	(285)	(303)	(303)	(303)
Cash from financing activities	(7,730)	(3,382)	9,928	(2,005)	(2,109)
Change in cash balance	1,403	(1,657)	128	5,584	6,023
Opening cash balance	1,391	2,794	1,137	18,089	23,673
Closing cash balance	2,794	1,137	1,266	23,673	29,696

Source: Company, YES Sec

Exhibit 11: Ratio analysis

Particulars	FY23	FY24	FY25	FY26E	FY27E
Profitability ratios (%)					
GP margin	36.5%	38.5%	34.0%	27.3%	30.2%
EBITDA margin	11.2%	8.9%	7.3%	10.6%	11.5%
Return ratios (%)					
RoA	0.9%	0.4%	0.6%	2.2%	2.0%
RoCE	13.1%	9.9%	7.5%	15.6%	16.3%
RoE	4.2%	2.0%	2.7%	10.8%	11.3%
Turnover ratios (x)					
Sales/Total assets	0.27	0.24	0.26	0.33	0.27
Sales/Fixed assets	1.80	1.36	1.61	3.08	3.29
Liquidity ratios (x)					
Current ratio	1.11	1.08	1.25	1.16	1.17
Quick ratio	0.05	0.06	0.15	0.10	0.13
Interest cover	1.6	1.3	1.7	5.3	5.7
Debt/Equity	0.81	0.76	0.32	0.24	0.21
Net debt/Equity	0.63	0.50	(0.19)	(0.26)	(0.34)
Per share data (Rs)					
EPS	11.0	5.2	8.9	48.5	56.4
CEPS	18.1	13.4	17.3	57.1	65.6
BVPS	263.0	265.1	426.5	472.1	525.7
Valuation ratios (x)					
P/E	38.1	272.3	138.3	32.4	27.9
P/BV	1.6	5.3	2.9	3.3	3.0
EV/EBITDA	15.0	52.8	42.2	19.4	16.2
MCap/Revenue	1.2	4.3	3.2	2.2	2.1
MCap/Presales	0.8	2.0	2.6	1.9	1.2

Source: Company, YES sec

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Analyst signature

Analyst signature

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