

Sobha Developers Ltd

By Amit Purohit

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Ratings & Recommendation

(all ratings on a scale of 1 of 5)

Business attractiveness	:	4
Management track record	:	4
Offer pricing & valuation	:	2
Overall rating	:	3
Expected listing price band	:	—
RECOMMENDATION:		Subscribe

Offer details

Offer period	:	23-29 Nov 2006
Lead Manager(s)	:	Kotak , ENAM, IL&FS Investsmart
Price band	:	Rs550-640
Total shares (m)	:	8.89m including
Retail	:	30%
Employees	:	10%
QIB	:	60%
Non-institutional	:	10%
Amt to be raised	:	Rs4.9-5.7b
Post issue Equity	:	Rs729m

Purpose: To fund Land acquisition and development and construction of projects

Promoter: Mr. P.N.C Menon

Promoters' stake

Before issue: 98.95%
After issue : 86.88%

Project cost & funding

Project cost	Rs m
Land acquisition	3,756.82
Development & construction of projects	4,453.88
Repayment of loans	1,321.76
General Corporate purpose	*
TOTAL	*+9,532.46

Means of funding	
Issue proceeds	****
Term Loan	2,040.00
Internal accruals	2,403.22
TOTAL	*+9,532.46

Business attractiveness

- Sobha Developers is a leading real estate development and construction company with presence in both residential and contractual projects.
- The company has a size-able land bank of 6,120 acres as on 30th Sep 2006 (c.250m sq. ft) which includes land arrangement of 3,373 acres to be funded out of current issue proceeds. The total land bank is expected to be fully developed over 7-10 years.
- The company is fully integrated with inhouse resources to deliver a project from concept to completion. This includes all services like interiors, electrical fitting, plumbing and others.
- Infosys is its key contractual client and the company has received momento and recognition from this client
- **We are positive on Sobha Developers business prospects.**

Management track record

- Company is promoted by Mr. P.N.C. Menon who has three decades of international (Oman) and national experience in the real estate and construction sector.
- Between FY03-06, revenues have grown at a CAGR of 74.8% and PAT have grown at a CAGR of 317.5%
- **We are positive on the Management track record**

Offer pricing & valuation

- At the offer price, Sobha is valued at a healthy discount to real estate peers. We believe its huge land bank and execution track record offers significant upside.
- **We recommend SUBSCRIBE.**

FINANCIALS	Rs m		
Year ending	FY04	FY05	FY06
Net revenue	2,046	4,651	6,284
% growth		127.3	35.1
EBITDA	144	657	1,415
EBITDA margin (%)	7.0	14.1	22.5
PAT	89	338	892
PAT margin (%)	4.3	7.3	14.2
RoE (%)	30.20	52.23	65.21
RoCE (%)	24.8	20.0	23.1
Debt-equity (x)	1.8	3.4	3.1
Equity	634.2	634.2	640.0
EPS (Rs)	1.4	5.3	13.9
% growth		281.1	161.2
Book value (Rs)	4.7	8.9	20.0