

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	1,520
12 month price target (INR)	1,883
52 Week High/Low	1,830/1,075
Market cap (INR bn/USD bn)	163/1.8
Free float (%)	48.2
Avg. daily value traded (INR mn)	315.2

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	52.88%	52.88%	52.88%
FII	6.41%	8.09%	8.91%
DII	26.04%	24.62%	23.98%
Pledge	0%	0%	0%

FINANCIALS

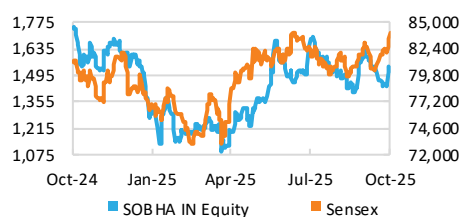
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	40,387	41,477	53,485	63,519
EBITDA	2,943	3,013	4,257	6,441
Adjusted profit	947	1,544	2,335	3,750
Diluted EPS (INR)	10.0	14.4	21.8	35.1
EPS growth (%)	88.2	44.6	51.2	60.6
RoAE (%)	2.7	3.3	4.9	7.4
P/E (x)	152.2	105.3	69.6	43.3
EV/EBITDA (x)	52.9	53.0	37.9	24.6
Dividend yield (%)	0.2	0.2	0.2	0.2

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	41,477	53,485	0%	0%
EBITDA	3,013	4,257	0%	0%
Adjusted profit	1,544	2,335	0%	0%
Diluted EPS (INR)	14.4	21.8	0%	0%

PRICE PERFORMANCE



Strong sustenance sales

Sobha clocked overall pre-sales of ~INR19bn (up 61% YoY) in Q2FY26 despite the company launching just one project during the quarter. Collections rose 49% YoY to INR20.5bn. H1FY26 pre-sales/collections surged 34%/31% YoY. The company is targeting launching 8–9msf projects (1.65msf in H1FY26) and pre-sales of INR85bn (INR39.8bn in H1FY26) in FY26E. Sobha generated ~INR635mn net cashflows in Q2FY26 and boasts negative net debt to equity of ~0.16x.

As highlighted in our report [Making sense of housing cycle](#), Bengaluru can still deliver volume growth. We expect Sobha's sales to improve going ahead, riding better geographical diversification; retain 'BUY' with a TP of INR1,883 on a par with Q2FY28E NAV.

Pre-sales rise YoY in Q2FY26

During Q2FY26, Sobha clocked new sales of ~1.4msf (up 50% YoY); pre-sales (company's share) at ~INR15.4bn expanded 56% YoY. Average realisation at ~INR13,650/sft rose 8% YoY. The share of Bengaluru in pre-sales by value surged to 70% in Q2FY26 (58% in FY25), aided by good sustenance sales in the Sobha Townpark project. H1FY26 pre-sales came in at INR39.8bn—its highest-ever half yearly sales from selling ~2.8msf (up 34% YoY). For FY26E, Sobha has guided for pre-sales of INR85bn. Collections rose 49% YoY to ~INR20.5bn in Q2FY26.

Launches decline sequentially

Sobha launched one project spanning ~0.03msf in Q2FY26 as approval issues resurfaced in Bengaluru (refer [Bengaluru steady amid tech turbulence](#)). It has a robust launch pipeline of ~16.7msf with GDV of ~INR230bn, which it expects to launch over the next six–eight quarters. Sobha plans to launch ~8msf of projects in the rest of FY26E. It is targeting the launch of 8–9msf projects in FY26E including Sobha Magnus in Bengaluru, two projects in Gurugram, one in Greater Noida, one in the MMR among others in H2FY26. Furthermore, the company has ~10msf of unsold inventory worth ~INR160bn. In addition, the company is working on ~24msf projects beyond the launch pipeline. Management expects the next leg of sales growth to be driven by volumes rather than prices (which will be largely inflationary led).

Land capex inches up; leverage falls QoQ

Land capex was ~INR3.5bn during the quarter (INR6.3bn in H1FY25, INR9.5bn in FY25). The company generated net cash flows of INR635mn during the quarter, which improved its net cash position QoQ to ~INR7.5bn; it had negative net debt-to-equity of 0.16x at end-Q2FY26.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	14,076	9,336	50.8	8,519	65.2
EBITDA	956	771	24.0	238	301.6
Adjusted Profit	725	261	178.0	136	432.6
Diluted EPS (INR)	6.8	2.6	162.3	1.3	432.6

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	40,387	41,477	53,485	63,519
Gross profit	13,731	14,419	17,628	22,321
Employee costs	4,052	4,255	4,467	4,691
Other expenses	6,736	7,152	8,904	11,189
EBITDA	2,943	3,013	4,257	6,441
Depreciation	898	911	961	1,011
Less: Interest expense	1,956	1,074	1,074	1,074
Add: Other income	1,241	1,303	1,303	1,303
Profit before tax	1,330	2,330	3,524	5,659
Prov for tax	383	786	1,189	1,909
Less: Other adj	0	0	0	0
Reported profit	947	1,544	2,335	3,750
Less: Excp.item (net)	0	0	0	0
Adjusted profit	947	1,544	2,335	3,750
Diluted shares o/s	107	107	107	107
Adjusted diluted EPS	10.0	14.4	21.8	35.1
DPS (INR)	3.0	3.0	3.0	3.0
Tax rate (%)	28.8	33.7	33.7	33.7

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Selling price infl. (%)	5.5	5.5	5.5	0
Const. cost infl. (%)	5.5	5.5	5.5	0
Gross margin (%)	34.0	34.8	33.0	35.1
EBITDA margin (%)	7.3	7.3	8.0	10.1
Net profit margin (%)	2.3	3.7	4.4	5.9
Revenue growth (% YoY)	30.4	2.7	28.9	18.8
EBITDA growth (% YoY)	6.2	2.4	41.3	51.3
Adj. profit growth (%)	88.2	63.1	51.2	60.6

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.0	6.2	7.0	7.0
Repo rate (%)	6.0	5.0	5.0	5.0
USD/INR (average)	84.0	82.0	81.0	81.0
Interest cost (%)	4.8	2.6	2.0	1.7
Employee cost (%)	10.0	10.3	8.4	7.4
Other exp. (%)	16.7	17.2	16.6	17.6
Other inc. (%)	3.1	3.1	2.4	2.1
Dep. (% gr. block)	5.5	5.0	5.0	5.0
Effect. tax rate (%)	28.8	33.7	33.7	33.7

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	152.2	105.3	69.6	43.3
Price/BV (x)	3.2	3.5	3.3	3.1
EV/EBITDA (x)	52.9	53.0	37.9	24.6
Dividend yield (%)	0.2	0.2	0.2	0.2

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	1,069	1,069	1,069	1,069
Reserves	44,536	45,693	47,642	51,005
Shareholders funds	45,605	46,763	48,711	52,074
Minority interest	0	0	0	0
Borrowings	11,309	11,309	11,309	11,309
Trade payables	1,14,599	1,18,942	1,26,413	1,33,286
Other liabs & prov	(1,849)	(1,799)	(1,749)	(1,699)
Total liabilities	1,69,663	1,75,214	1,84,684	1,94,969
Net block	9,641	10,730	10,769	10,758
Intangible assets	172	172	172	172
Capital WIP	238	438	638	838
Total fixed assets	10,052	11,340	11,579	11,768
Non current inv	1,146	1,146	1,146	1,146
Cash/cash equivalent	18,089	14,010	12,566	15,549
Sundry debtors	2,404	2,903	3,744	4,446
Loans & advances	25,450	26,722	28,058	29,461
Other assets	1,12,522	1,19,092	1,27,590	1,32,599
Total assets	1,69,663	1,75,214	1,84,684	1,94,969

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	947	1,544	2,335	3,750
Add: Depreciation	898	911	961	1,011
Interest (net of tax)	1,392	712	712	712
Others	(22)	0	0	0
Less: Changes in WC	525	(3,948)	(3,153)	(192)
Operating cash flow	2,347	(1,492)	143	4,569
Less: Capex	1,410	2,200	1,200	1,200
Free cash flow	938	(3,692)	(1,057)	3,369

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	2.7	3.3	4.9	7.4
RoCE (%)	6.7	6.2	8.1	11.4
Inventory days	1,412	1,562	1,256	1,153
Receivable days	20	23	23	24
Payable days	1,415	1,575	1,249	1,150
Working cap (% sales)	62.5	70.4	60.5	51.2
Gross debt/equity (x)	0.2	0.2	0.2	0.2
Net debt/equity (x)	(0.1)	(0.1)	0	(0.1)
Interest coverage (x)	1.0	2.0	3.1	5.1

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	88.2	44.6	51.2	60.6
RoE (%)	2.7	3.3	4.9	7.4
EBITDA growth (%)	6.2	2.4	41.3	51.3
Payout ratio (%)	33.9	20.8	13.7	8.6

Exhibit 1: Financial snapshot

Consolidated (INR mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	FY26E	FY27E	FY28E
Revenues	14,076	9,336	50.8	8,519	65.2	41,477	53,485	63,519
Total operating cost	9,303	6,220	49.6	5,481	69.7	27,058	35,857	41,198
Other expenses	3,817	2,345	62.8	2,800	36.3	7,152	8,904	11,189
Total expenditure	13,120	8,565	53.2	8,281	58.4	38,464	49,228	57,078
EBITDA	956	771	24.0	238	301.6	3,013	4,257	6,441
Other Income	617	317	94.7	495	24.7	1,303	1,303	1,303
Finance Charges (Net)	322	494	(34.7)	310	4.0	1,074	1,074	1,074
Depreciation	262	232	12.9	237	10.8	911	961	1,011
Profit before tax	989	362	173.0	187	430.4	2,330	3,524	5,659
Less: Tax	264	101	160.3	50	424.6	786	1,189	1,909
Profit after tax	725	261	178.0	136	432.6	1,544	2,335	3,750
No. of dil. shares outstanding	107	95	12.8	107	-	107	107	107
Adj. diluted EPS	6.8	2.8	146.4	1.3	432.6	14	22	35
As % of net revenues	YoY (bps)			QoQ (bps)				
Cost of construction	66.1	66.6	(54)	64.3	176	65.2	67.0	64.9
Total operating expenses	93.2	91.7	147	97.2	(400)	92.7	92.0	89.9
Depreciation	1.9	2.5	(63)	2.8	(92)	2.2	1.8	1.6
Interest expenditure	2.3	5.3	(300)	3.6	(135)	2.6	2.0	1.7
Margins	YoY (bps)			QoQ (bps)				
EBITDA margin	6.8	8.3	(147)	2.8	400	7.3	8.0	10.1
EBIT margin	4.9	5.8	(84)	0.0	491	5.1	6.2	8.5
Net profit margin	5.2	2.8	236	1.6	355	3.7	4.4	5.9
Tax rate	26.7	28.0	(131)	27.0	(30)	33.7	33.7	33.7

Source: Company, Nuvama Research

Exhibit 2: Operational snapshot

Particulars	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Pre-sales (INR mn)	11,642	14,247	14,634	14,647	17,238	19,516	15,040	18,737	11,785	13,886	18,357	20,788	19,026
Pre-sales (msf)	1.34	1.48	1.48	1.39	1.69	1.66	1.34	1.18	0.93	1.02	1.56	1.44	1.39
Realization (INR/sft)	8,709	9,653	9,898	10,506	10,223	11,732	11,230	15,941	12,673	13,662	11,781	14,395	13,647
Pre-sales (INR mn) - Sobha's share	9,600	11,112	12,074	11,304	12,756	17,355	12,735	13,576	9,828	12,499	13,702	17,172	15,370
Launches (msf)	0.9	-	0.6	-	-	3.8	3.2	3.0	0.5	1.1	4.1	1.6	0.0
Collections (INR mn)	13,350	14,071	14,224	13,551	14,500	14,931	14,983	15,461	13,751	14,781	17,848	17,784	20,458
Unsold inventory (msf)	12.3	11.2	7.3	5.2	3.6	5.6	7.6	9.4	8.9	8.9	11.3	11.4	9.9
Net debt:equity	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)

Source: Company, Nuvama Research

Q2FY26 conference call highlights

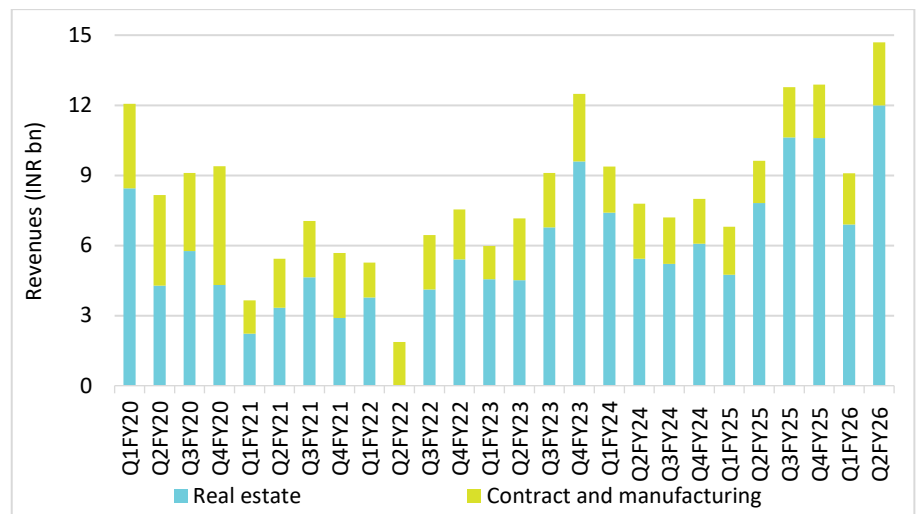
- Segmental performance**

Real estate: Q2FY26 revenues came in at INR12bn (up 54% YoY/74% QoQ).

The company has INR178.8bn revenue yet to be recognised on sales already done, which would be recognised over the next three–four years. These projects have EBITDA margins of ~33–34%.

Manufacturing/contracting business: The division's Q2FY26 revenues was INR2.7bn (up 49% YoY/23% QoQ).

Exhibit 3: Overall Q2FY26 revenue jumped 51% YoY



Source: Company, Nuvama Research

Note: Financials prior to FY16 are as per IGAAP, FY16–18 are as per Ind-AS 18 while those for FY19 are as per Ind-AS 115.

Exhibit 4: Area delivered decreased YoY/QoQ in Q2FY26

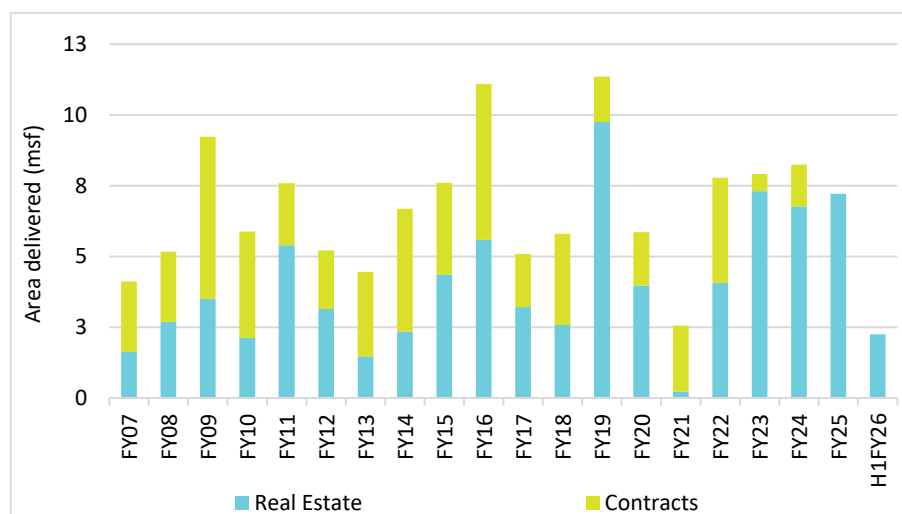


Source: Company, Nuvama Research

During the quarter Sobha completed 1.2msf of saleable area, delivering 591 homes across projects such as SOBHA Manhattan Towers, SOBHA Sentosa, SOBHA Royal Pavilion in Bangalore, Marina One in Kochi, SOBHA Nesara in Pune and others.

It delivered ~2.3msf projects in H1FY26 and ~4.5msf of saleable area in FY25. For FY26, the company aims to deliver ~5.5msf.

Exhibit 5: Annual deliveries trend

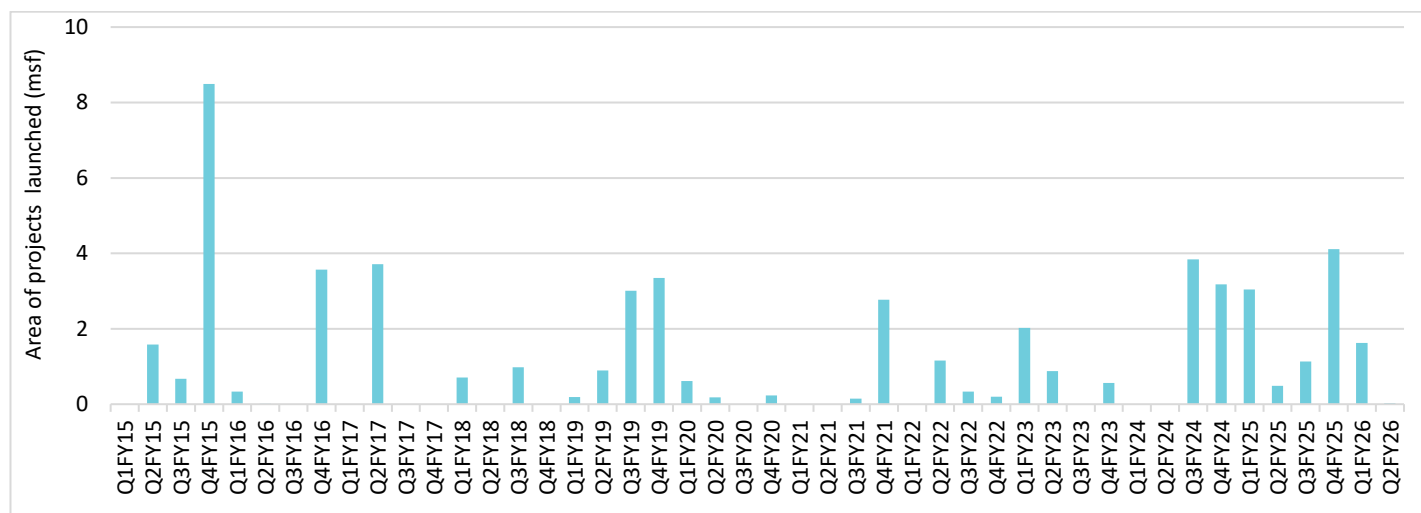


Source: Company, Nuvama Research

- Project launches:** As highlighted in our report [Bengaluru steady amid tech turbulence](#), approval issues have resurfaced in Bengaluru. Sobha launched just one project – an extension of SOBHA Lifestyle, boutique luxury villa project - spread across 2.12 acres near the airport in North Bengaluru spanning ~0.03msf.

Sobha launched two projects in Q1FY26 aggregating 1.6msf—*Sobha Aurum*, its maiden project in the Greater Noida market (thereby establishing its presence in 12 cities) and the remaining four towers at the *Marine One* project in Kochi.

Exhibit 6: Launches softened in Q2FY26



Source: Company, Nuvama Research

Note: Includes area released for sale from existing approved projects

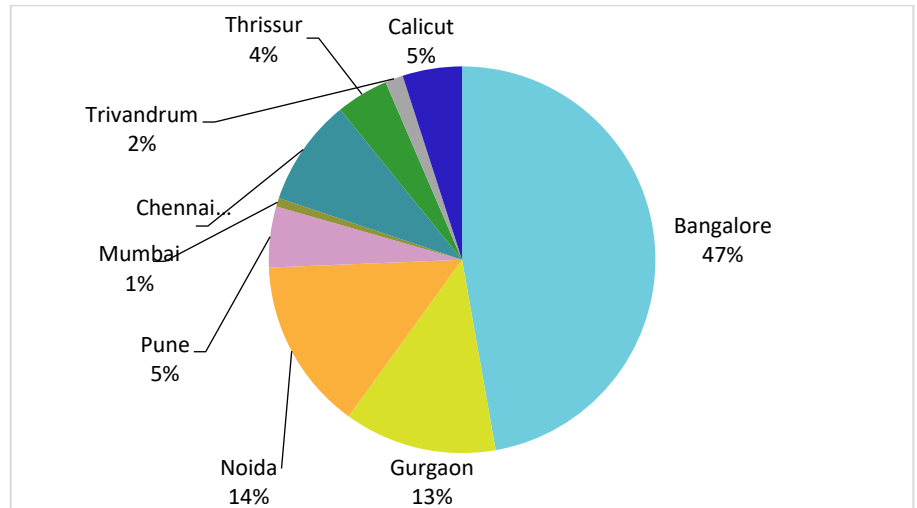
Overall, it launched three projects spanning ~1.65msf across two cities in H1FY26.

The company had launched total eight projects in FY25, spanning ~8.8msf across four cities (versus six projects spanning ~7msf in FY24).

- Launch outlook:** Sobha is targeting 13 residential project launches (aggregating 16msf) in Bengaluru, Gurugram, Pune, Greater Noida, Mumbai, Chennai,

Thrissur, Trivandrum and Calicut over the next six–eight quarters. In the commercial segment, it plans to launch two projects in Gurgaon with a leasable area of ~0.7msf. Thus, the total launch pipeline stands at 15 projects spanning ~16.7msf with a GDV of ~INR230bn. Sobha's effective share in forthcoming projects inventory is 84.2%

Exhibit 7: Upcoming project launches geographically well-diversified



Source: Company, Nuvama Research

Note: Split based on project area

Management mentioned that the approvals issue in Bengaluru have now been resolved and they expect to launch ~8–9msf projects in FY26E. It is set to launch *Sobha Mangus* project in this week itself in South Bengaluru.

In the NCR, Sobha plans to launch three projects spanning ~3.5msf, which includes a residential project and a serviced apartment project in Gurugram and a residential project in Greater Noida.

The first phase of the Mumbai project is slated for launch in H2FY26.

Furthermore, the company has about 2.9msf of unsold area in new phases (to be launched) of ongoing projects, mainly in *SOBHA Aranya (Gurgaon)*, *SOBHA Neopolis*, *SOBHA Ayana*, *SOBHA Crystal Meadows*, *SOBHA Madison Heights* and *SOBHA Hamptons (Bangalore)*.

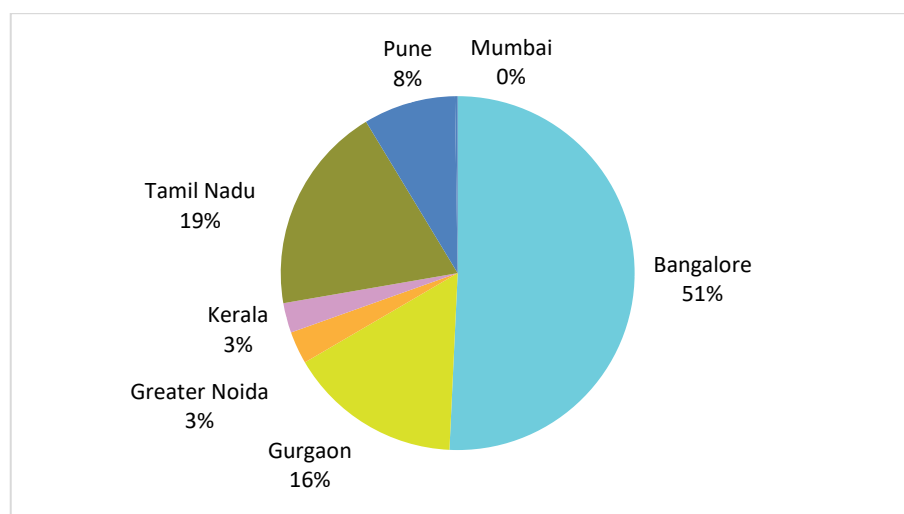
Post these launches, the company has started working on ~24msf of subsequent launches.

The company has largely completed land consolidation, planning and design for phase 1 of the Hoskote project. It has started working on approvals and expects to launch it in Q1FY27.

- **Land bank:** Sobha has a land bank of 403 acres, translating to a development potential of 41.6msf (of which, the company's share is 83.7%).

In addition to the above land, a total of 1,749 acres of land bank is in various stages of consolidation, monetisation and self-use.

Exhibit 8: Split of land bank based on developable area in acres



Source: Company, Nuvama Research

About 45 acres in Hoskote is considered under subsequent projects' land.

- **Entering new markets:** Bengaluru shall continue to dominate Sobha's sales; at the same time, the company has entered markets such as Hyderabad to diversify its geographical presence.

During Q1FY26, it ventured into the Greater Noida market and also aims to enter the Mumbai market in H2FY26E.

Exhibit 9: Entry in new cities to boost growth prospects

City	Year of entry
Pune	2007
Mysore	2011
Gurugram	2011
Kozhikode	2013
Kochi	2014
Gift City (Gujarat)	2019
Thiruvananthapuram	2022
Hyderabad	2023
Greater Noida	2025

Source: Company, Nuvama Research

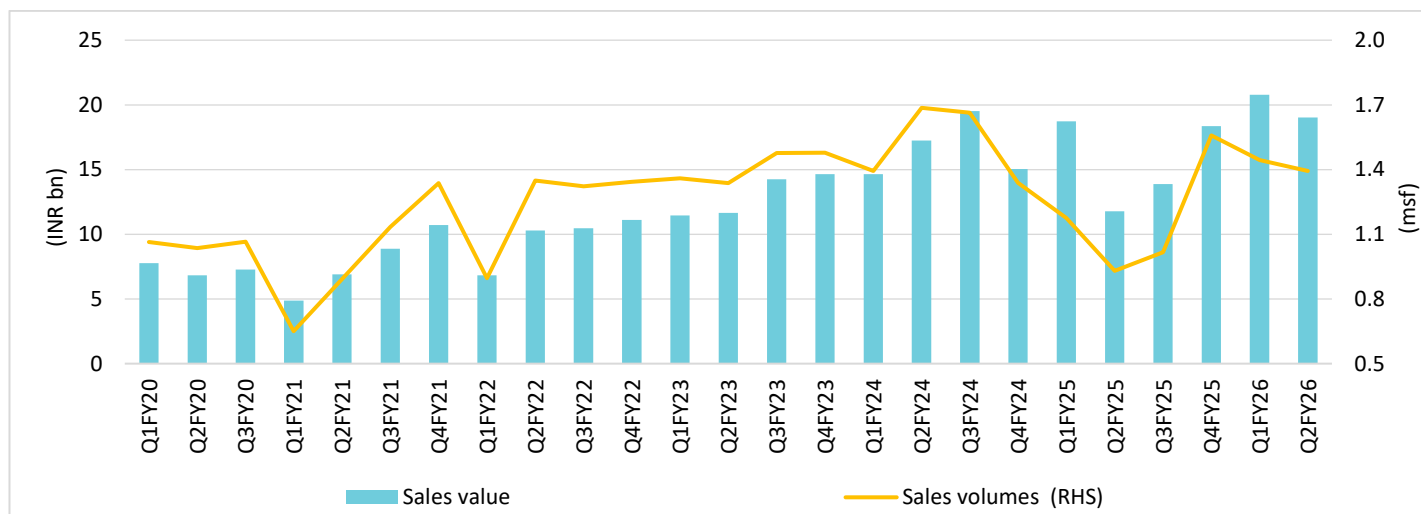
- **Sales:** Sobha's overall sales value in Q2FY26 surged 61% YoY to INR19bn. However, they were down 8% QoQ as Q1FY26 had witnessed highest-ever quarterly pre-sales. Its share of sales value at INR15.4bn expanded 56% YoY (down 10% QoQ) during the quarter.
- **Pre-sales volumes:** New sales volumes at ~1.4msf jumped 50% YoY, but dipped 3% QoQ.

H1FY26 pre-sales stood at INR39.8bn – its highest-ever half yearly sales from selling ~2.8msf (up 34% YoY).

Sobha closed FY25 with pre-sales of ~INR62.8bn (down 6% YoY) from ~4.7msf (down 23% YoY). Sobha's share of pre-sales at ~INR49.6bn was down 8% YoY.

Banking on the strong launch pipeline for H2FY6, the company expects to clock pre-sales of ~INR85bn in FY26E.

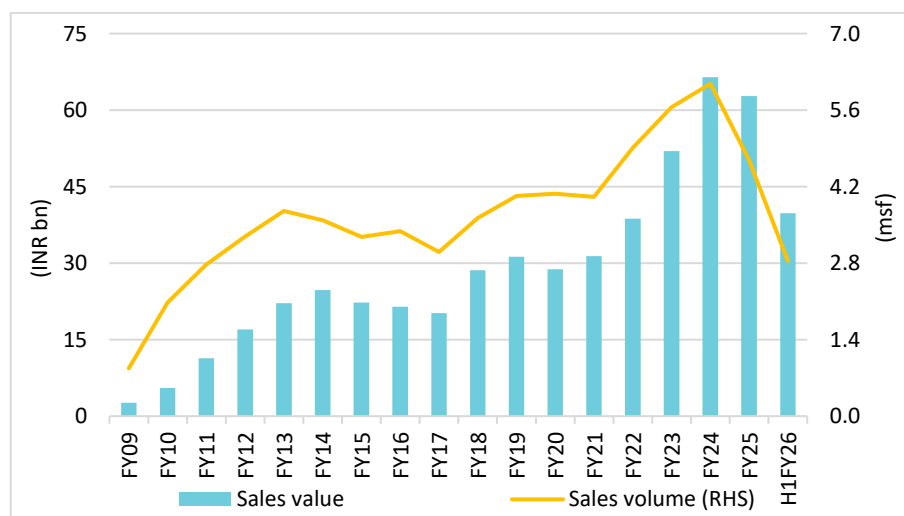
Exhibit 10: Sales value and volumes up YoY in Q2FY26



Source: Company, Nuvama Research

Note: This is overall sales, not Sobha's share.

Exhibit 11: Pre-sales cool off in FY25

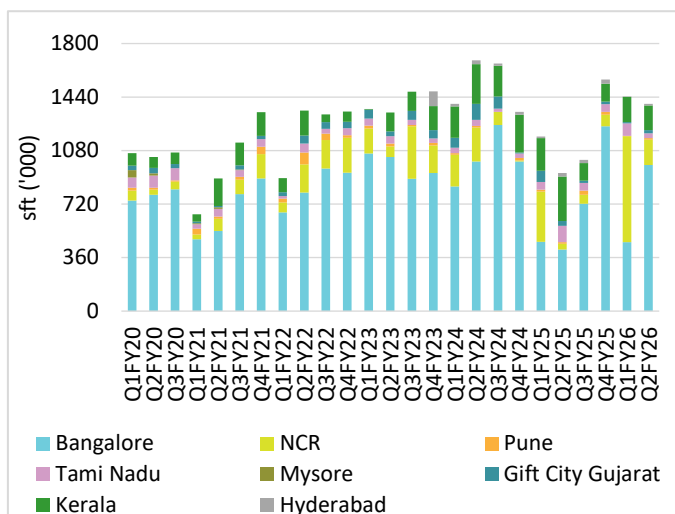


Source: Company, Nuvama Research

- Diversification:** By volume, Bengaluru's share rose to 71% during the quarter (from 44% in Q2FY25 and 32% in Q1FY26), aided by improved sales momentum at 'SOBHA Town Park'. Share of the NCR plunged to 12% from 49% in the previous quarter (4% in Q2FY25) while Kerala remained stable QoQ with a 12% share (32% in Q2FY25).

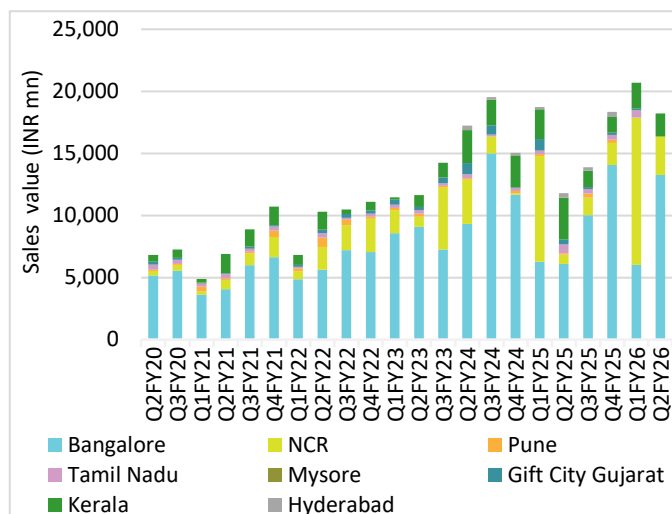
By value, sales in Bengaluru at ~INR13.3bn surged 118% YoY/120% QoQ with a 70% share in the overall sales in Q2FY26. Sales in NCR at INR3.1bn were up 312% YoY but down 74% QoQ as Q1FY26 sales were carried by the new launch in Greater Noida. Kerala clocked INR1.8bn bookings, down 45% YoY/12% QoQ. Together these three geographies constituted 96% of the over sales value during the quarter.

Exhibit 12: Bengaluru accounted for bulk of sales in Q2FY26



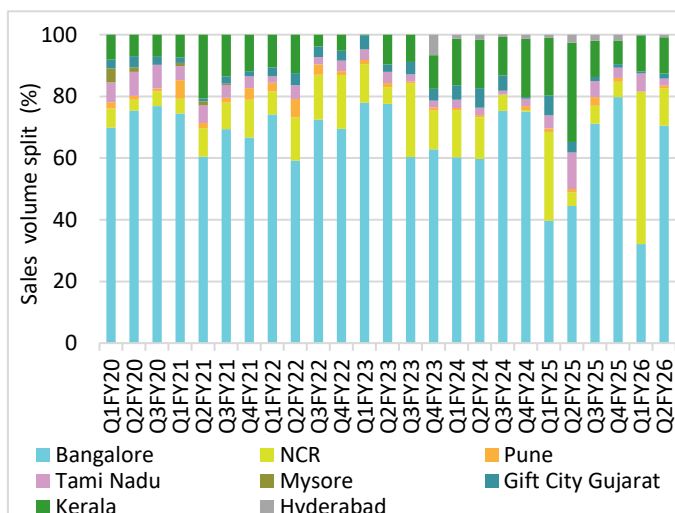
Source: Company, Nuvama Research

Exhibit 13: Bengaluru dominated sales (by value) in Q2FY26



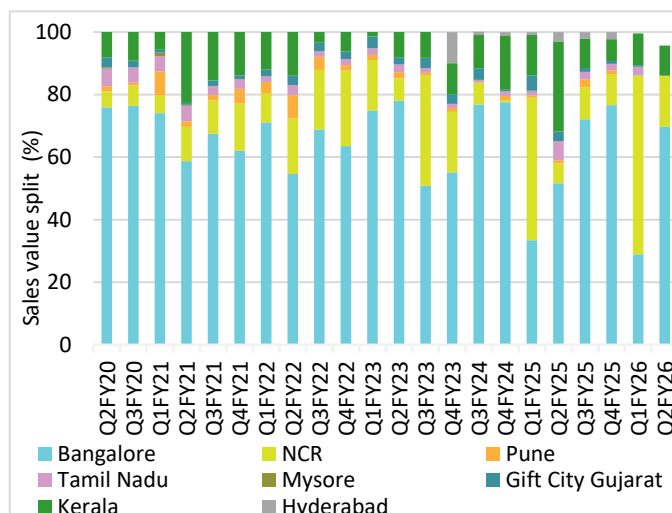
Source: Company, Nuvama Research

Exhibit 14: Quarterly sales volume split



Source: Company, Nuvama Research

Exhibit 15: Quarterly sales value split



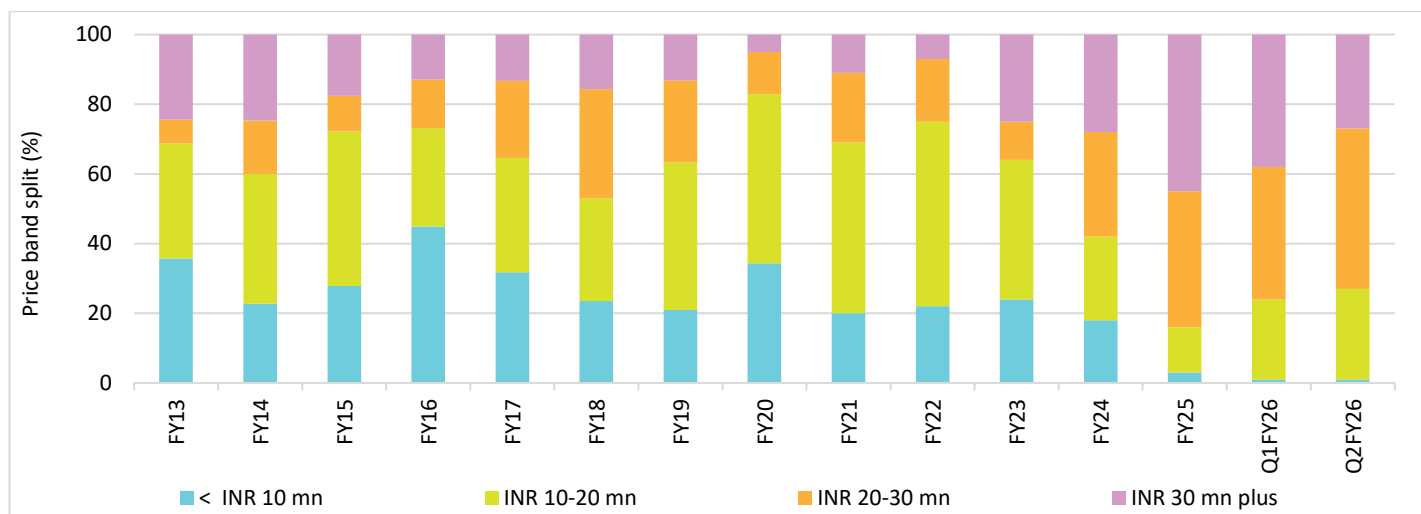
Source: Company, Nuvama Research

Note: The charts represents overall sales and not just Sobha's share

- **Share of luxury segment declined in Q2FY26:** The luxury segment (INR30mn plus) contributed ~27% to overall sales in Q2FY26 (38% in Q1FY26 and 45% in FY25).

Products >INR50mn ticket size contributed 10% to pre-sales in Q2FY26 while those ranging from INR30–50mn contributed 17% to bookings.

Exhibit 16: Share of luxury segment declines in Q2FY26

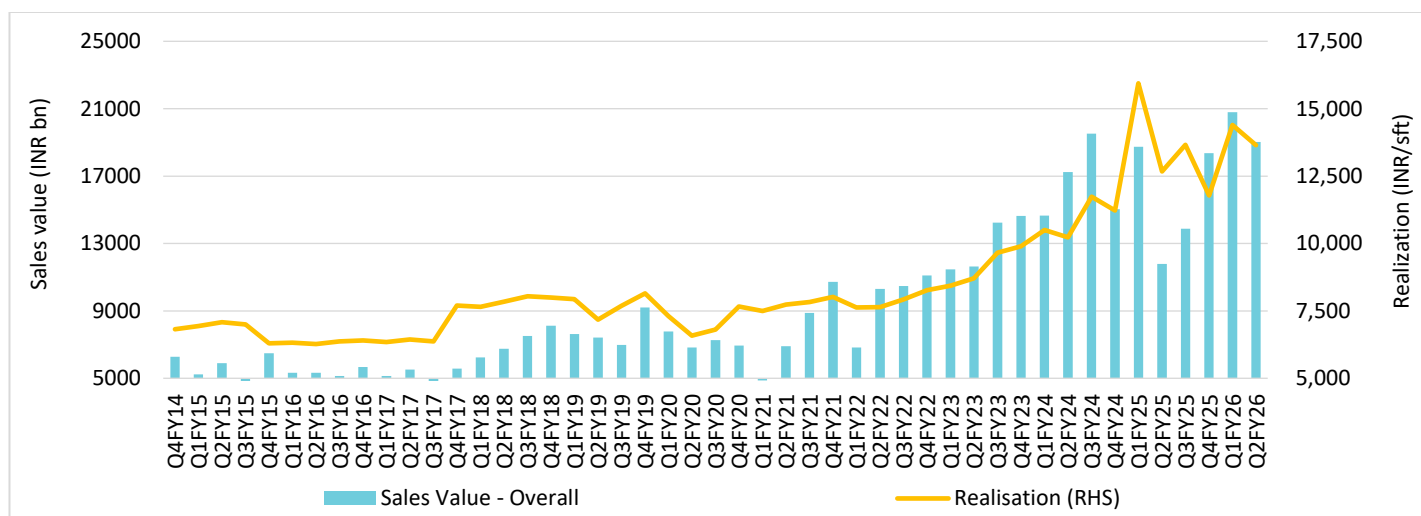


Source: Company, Nuvama Research

Note: Based on overall sales, not Sobha's share of sales

- **Realisation:** Average price realisation during Q2FY26 jumped 8% YoY, but fell 5% QoQ to ~INR13,647/sft.

Exhibit 17: Average realisation up 8% YoY in Q2FY26

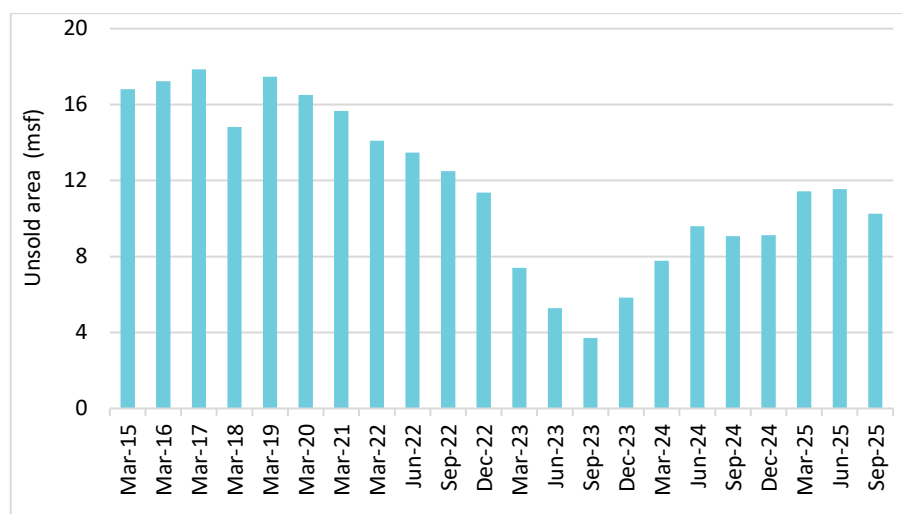


Source: Company, Nuvama Research

Management mentioned that prices have stabilised now and are unlikely to increase materially going ahead; there will only be an inflation-led increase in prices in future. The geographical diversity of launches would lead to an uptick in volumes, which would drive the next leg of growth for the company.

- **Completed Inventory:** Unsold completed inventory rose QoQ to 0.4msf (~0.2msf as at end-Q1FY26) worth ~INR3.3bn (~INR1.7bn in Q1FY26) —among the lowest in the real estate industry.
- **Unsold area:** Overall unsold area including those not yet offered for sale decreased QoQ to 10.3msf in Q2FY26 owing to no new launches during the quarter. The GDV of this unsold inventory is ~INR131bn.

Exhibit 18: Unsold area decrease QoQ



Source: Company, Nuvama Research

Unsold area = Area in projects completed but not sold + unsold area in ongoing projects offered for sale + area in projects not yet launched

Exhibit 19: Cash flow from ongoing projects

Particulars	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Ongoing - offered for sale													
Outstanding receivables + Balance to be billed and collected	52.6	56.8	61.6	65.1	70.4	78.6	81.0	86.5	79.9	92.7	93.0	100.5	96.2
Sales value of unsold stock	31.1	32.5	36.6	32.2	28.2	39.8	62.1	92.3	101.8	73.3	79.1	83.3	86.4
Balance construction cost to be spent	52.5	54.9	62.9	60.5	60.3	64.2	77.1	92.4	96.9	85.2	91.2	98.4	100.7
Cash flow available	31.2	34.5	35.4	36.8	38.3	54.1	66.0	86.4	84.9	80.8	80.9	85.5	81.9

Source: Company, Nuvama Research

Net cash flows from ongoing projects offered for sale remains strong at ~INR81.9bn.

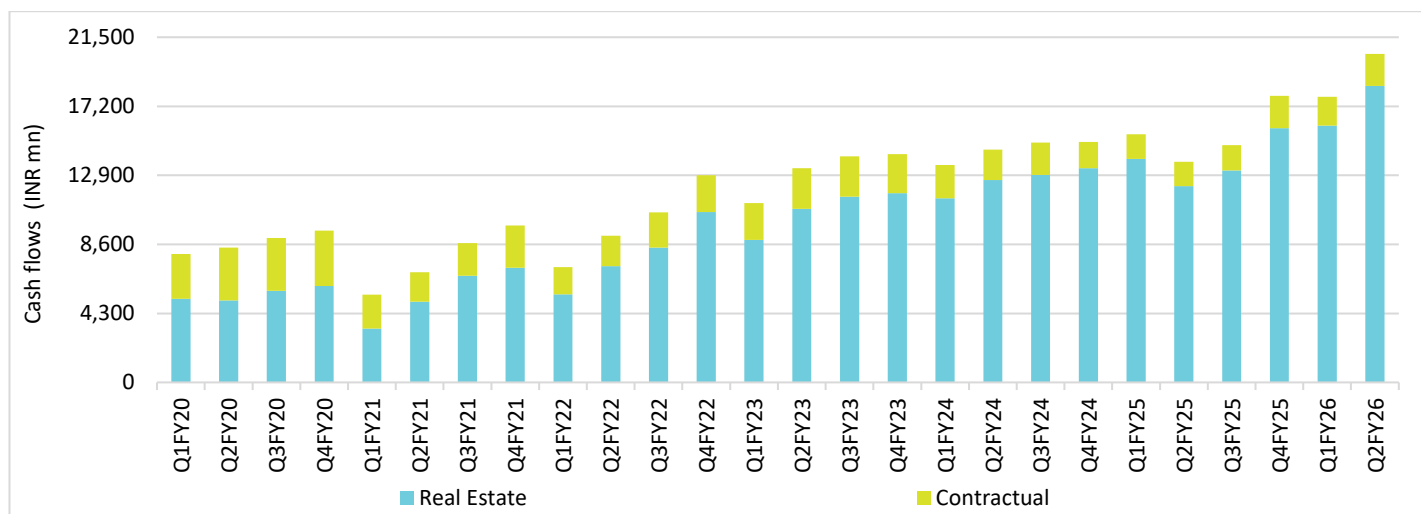
The balance receivables from sold ongoing project inventory and completed projects were ~INR97.3bn, substantially funding the balance project cost to be spent on completing these projects (~INR104bn).

- **Land payments surges QoQ:** During the current quarter, Sobha made land payments of INR3.5bn (~INR6.3bn in H1FY26 and INR9.5bn in FY25). With cash flows remaining healthy, the company's focus has shifted towards growth; hence, land-related capex is likely to stay healthy going ahead.

For geographies other the Bengaluru, Sobha has been very selective in terms of location and would prefer projects where there is less competition. On the other hand, in Bengaluru they want to consolidate in areas where they already have presence. While Mumbai and NCR remain long term focus areas for the company, they would consider other geographies such as GIFT City, Pune etc., on an opportunistic basis.

- **Collections:** Q2FY26 collections came in at INR20.5bn, up 49% YoY/15% QoQ – its highest-ever quarterly collections.

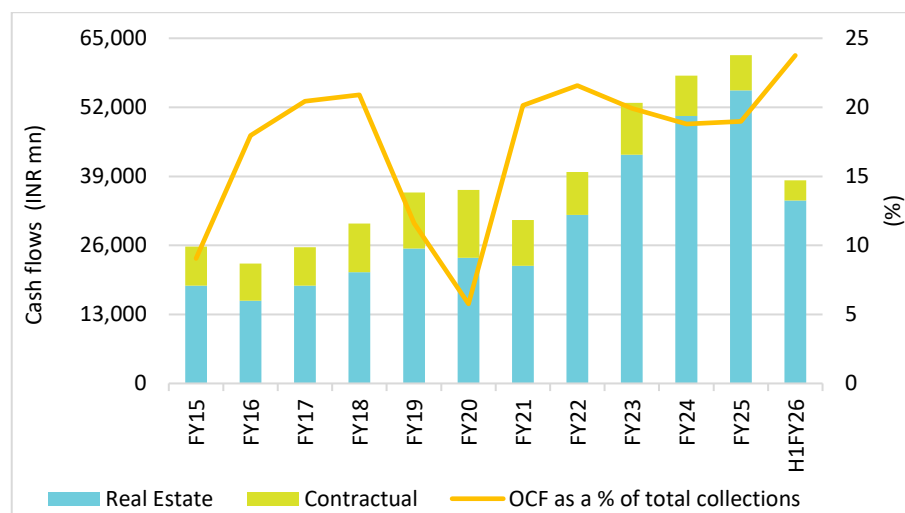
Exhibit 20: Quarterly collections rise YoY in Q2FY26



Source: Company, Nuvama Research

H1FY26 collections at ~INR38.2bn were up 31% YoY. FY25 collections at INR61.8bn were also up 7% YoY – its highest-ever for any fiscal.

Exhibit 21: OCF as percentage of total collections at record-high levels



Source: Company, Nuvama Research

- **Cash flows:** Net OCF (collections less operating costs) increased to INR5.1bn during the quarter (INR4bn during Q1FY26 and INR1.8bn in Q2FY25).

Sobha has future marginal cash flow potential of ~INR98bn from the ongoing (including unreleased phases) and completed projects and ~INR72bn from the forthcoming projects.

Net cash inflow was ~INR636mn during the quarter (INR568mn in Q1FY26 and outflow of INR917mn in Q2FY25 – excluding proceeds from rights issue).

Exhibit 22: Cash flows remain positive in Q2FY26

Particulars (INR mn)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Operational cash inflows									
Real Estate	10,281	9,830	11,476	11,973	10,362	11,369	13,914	13,522	15,700
Contractual & Manufacturing (CMG)	1,902	2,002	1,644	1,544	1,524	1,575	2,014	1,799	1,999
Total Operational cash inflow – (A)	12,183	11,832	13,120	13,517	11,886	12,944	15,928	15,321	17,699
Total Operational cash outflow – (B)	9,213	9,446	9,532	10,284	10,046	10,912	11,292	11,369	12,566
Real Estate project expenses	5,359	5,662	5,559	6,118	5,938	6,758	7,240	7,166	7,398
Contracts project expenses	1,864	1,733	1,671	1,409	1,317	1,535	1,647	1,448	1,725
Other expenses including tax	1,990	2,051	2,302	2,757	2,791	2,619	2,405	2,755	3,443
Total outflow as % of total inflow – (B/A)	76%	80%	73%	76%	85%	84%	71%	74%	71%
Real estate	52%	58%	48%	51%	57%	59%	52%	53%	47%
CMG outflow as % of CMG inflow	98%	87%	102%	91%	86%	97%	82%	80%	86%
Net operational cash flow: (A-B)	2,970	2,386	3,588	3,233	1,840	2,032	4,636	3,952	5,133
Net financial cash outflows (Interest, dividend, fund raise)	774	515	464	478	(9,342)	338	(9,665)	195	556
Net Cash flow after Financial Outflow	2,196	1,871	3,124	2,755	11,182	1,694	14,301	3,757	4,577
Capital Outflows	906	903	2,314	2,016	2,105	3,452	3,435	3,188	3,892
Land Payments	688	605	2,105	1,609	1,664	3,058	3,132	2,815	3,506
Capex – Commercial Real Estate	-	-	-	-	-	-	-	-	-
Capex – General	218	298	209	407	441	394	303	373	386
Net cash flow	1,290	968	810	739	9,077	(1,758)	10,866	569	685

Source: Company, Nuvama Research

*Note: Covid moratorium interest availed during FY21 of INR560 mn

Cash EBITDA margins increased QoQ to 34% in Q2FY26 owing to higher collections during the quarter.

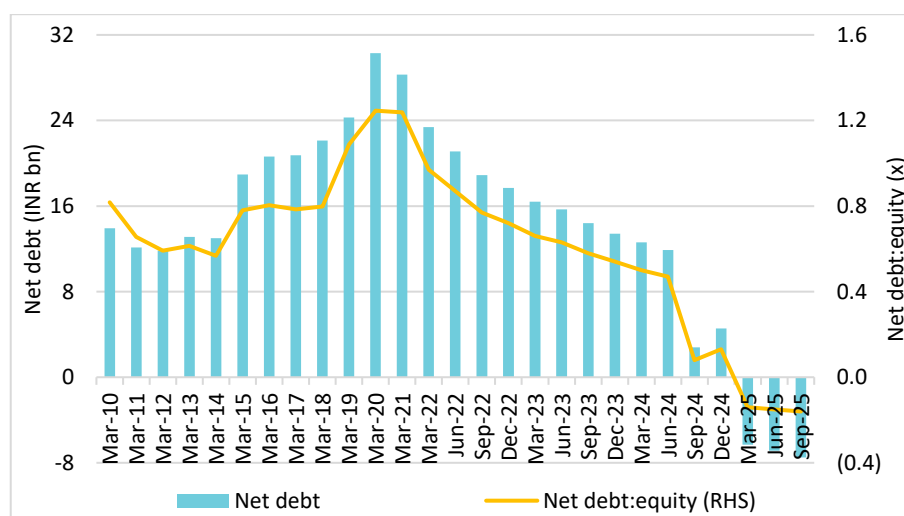
Exhibit 23: Common-size direct method cash flow statement

Particulars (INR)	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Collections	100	100	100	100	100	100	100	100	100
Construction expenses	(50)	(50)	(48)	(49)	(53)	(56)	(50)	(48)	(45)
JV partner/Land owner's share payments	(16)	(21)	(12)	(13)	(14)	(12)	(11)	(14)	(13)
Overheads and others	(12)	(12)	(13)	(10)	(10)	(9)	(8)	(9)	(8)
Operating surplus	22	18	27	29	23	22	32	29	34
Interest	(3)	(3)	(3)	(3)	(3)	(2)	(2)	(1)	(1)
Tax	(2)	(2)	(3)	(8)	(10)	(8)	(6)	(6)	(9)
Dividend	(2)	-	-	-	(2)	-	-	-	(2)
Cash flow available for investments	15	13	21	18	9	11	24	21	22
Land, Approvals & JV/JDA investment/TDR	(5)	(4)	(14)	(10)	(12)	(21)	(18)	(16)	(17)
Capex	(2)	(2)	(1)	(3)	(3)	(3)	(2)	(2)	(2)
Cash surplus/(deficit) before capital inflows	9	6	5	5	(7)	(12)	5	3	3
Equity raised	-	-	-	-	73	-	56	0	-
Net cash flow available for debt repayment	9	6	5	5	66	(12)	61	3	3

Source: Company, Nuvama Research

- **Company remains net-cash:** Sobha had a net cash of INR7.5bn (net cash of INR6.9bn in Q1FY26) with a net debt to equity of negative 0.16x (negative 0.15x at end-Q1FY26).

Exhibit 24: Leverage declines during quarter

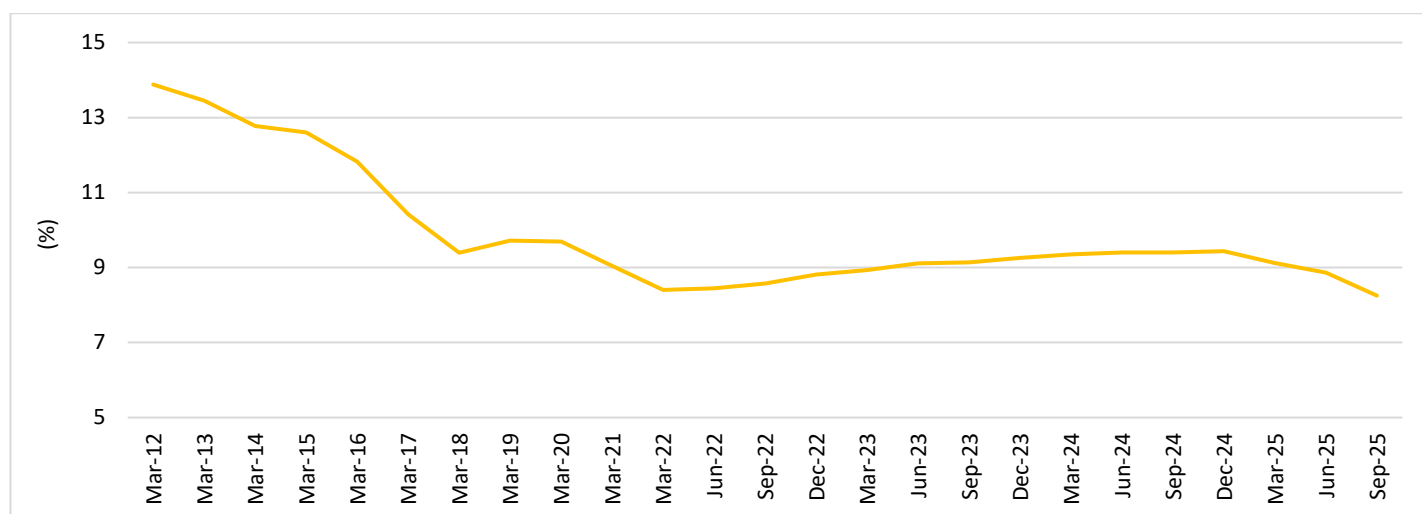


Source: Company, Nuvama Research

Note: Financials prior to FY16 are as per IGAAP, FY16–18 are as per Ind AS 18 while FY19 financials are as per Ind AS 115.

- **Borrowing cost:** The company's borrowing costs fell ~61bp QoQ to 8.25%.

Exhibit 25: Cost of borrowings



Source: Company, Nuvama Research

Outlook and valuation: Focus on cash flows; maintain 'BUY'

A recovery in residential demand in the country (refer to [Burning bright; hope for more](#)), resilience in the Bengaluru realty market, Sobha's robust execution capabilities and industry consolidation (refer to [Real Estate – Leadership matters](#)) are the key positives. We believe management's focus on cash flows and geographical expansion should keep its long-term growth trajectory intact.

Our Q2FY28E real estate NAV is INR1,879/share, to which we add the value of the contractual business (INR4/share), yielding a target price of INR1,883. We maintain 'BUY/SN' on the stock.

Exhibit 26: SotP valuation

Particulars	Value
Sale Projects (INR mn)	1,58,767
Land bank (INR mn)	34,520
Rental assets (INR mn)	5,015
Less: Net debt	2,701
Real estate NAV (INR mn)	2,01,003
Real estate NAV per share (INR)	1,879
Discount to NAV (%)	0%
Real estate value per share (INR)	1,879
Contracting biz value per share (INR)	4
Price Target (INR)	1,883

Source: Nuvama Research

Our nil discount to the real estate business NAV of Sobha is based on the following:

- Steady scale-up in operations aided by diversification.
- Proxy for the stable Bengaluru residential market, which has steady demand/supply momentum.
- Steady cash flows from contractual business.

Potential pressures

- A large and concentrated land bank, which has depressed return ratios; furthermore, there are no imminent monetisation prospects from large land parcels such as Hoskote.
- Significant dependence on Bengaluru market, which contributes ~70% to sales.

Company Description

Sobha Limited, incorporated in the year 1995 is a Bengaluru-based real estate developer. The company focuses on developing residential properties and has a strong presence across key markets of south India – Bengaluru, Mysuru, Kochi, Chennai, Hosur and many more. It also has a presence in Gurgaon and Pune. Sobha has a backward-integrated business model for all its operations, from in-house conceptualisation through execution. It has acquired a sizeable land bank in the past via outright acquisitions and joint development agreements with land-owners. Sobha also undertakes contracts for third parties under its contractual construction business.

Investment Theme

Sobha is expected to scale up operations with planned new launches and improved affordability.

Plans are afoot to develop large land parcels.

Proxy for stable Bengaluru residential market, which has steady demand/supply momentum.

Steady cash flow from contractual business.

Key Risks

- Adverse macroeconomic environment, viz. high interest rate, inflation and slow growth.
- Physical market demand weakens, especially in Bengaluru.
- Approval delays leading to slower new sales.

Additional Data

Management

Chairman	Ravi PNC Menon
MD	Jagdish Nangineni
CFO	Yogesh Bansal
Director	Gopal Hosur
Auditor	BSR & Co.

Holdings – Top 10*

% Holding		% Holding	
Anamudi Real Es	5.56	ICICI Pru MF	1.87
Bandhan MF	5.02	Mirae AMC	1.75
Franklin India	4.44	Canara Robeco	1.03
HSBC MF	3.34	Invesco AMC	0.90
ABSL MF	3.23	Bajaj Finserv M	0.90

*Latest public data

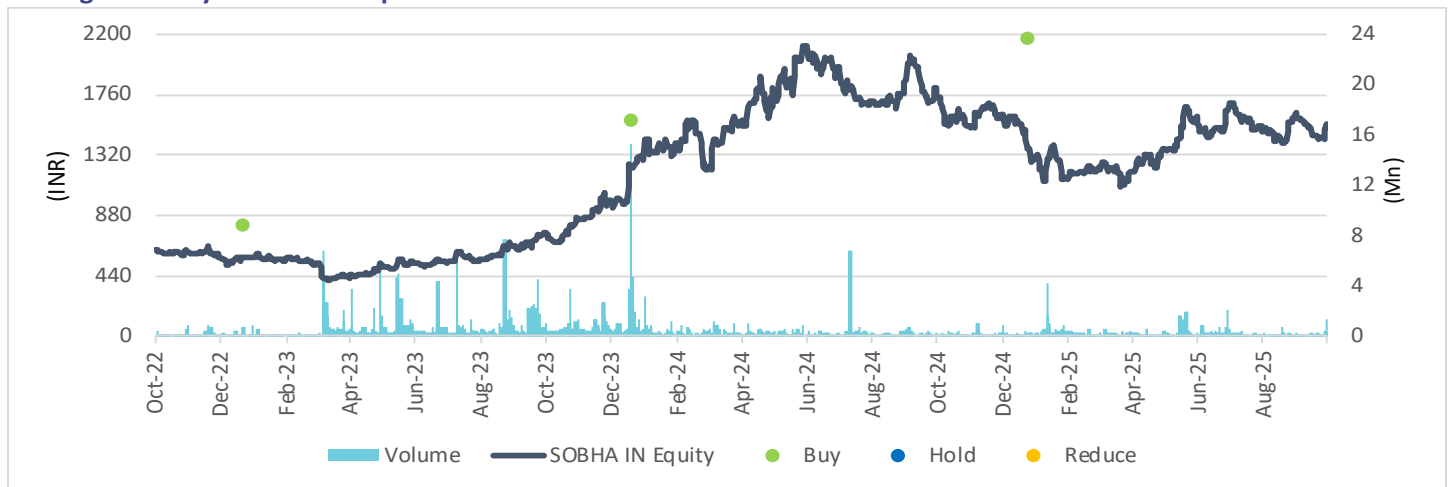
Recent Company Research

Date	Title	Price	Reco
06-Oct-25	Q2FY26: Strong performance; <i>Company Update</i>	1,470	Buy
26-Jul-25	Entry in new geography aids bookings; <i>Result Update</i>	1,613	Buy
08-Jul-25	Q1FY26: Best-ever quarterly pre-sales; <i>Company Update</i>	1,515	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
17-Oct-25	Oberoi Realty	Q2FY26: Healthy pre-sales; <i>Result Update</i>
16-Oct-25	Real Estate	Commercial realty: Momentum sustains ; <i>Sector Update</i>
13-Oct-25	Phoenix Mills	Q2FY26: Robust consumption growth; <i>Company Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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