

APRIL 23, 2015

CARE REAFFIRMS THE RATINGS TO THE BANK FACILITIES OF SOBHA LIMITED

Ratings

Facilities/Instruments	Amount (Rs.cr)	Ratings ¹	Remarks
Long-term Bank Facilities (Term Loan)	289.3 (reduced from 633.4)	CARE A (Single A)	Reaffirmed
Long-term Bank Facilities (Fund-based)	365.0	CARE A (Single A)	Reaffirmed
Short-term Facilities(Non-fund-based)	125.0	CARE A2+ (A Two Plus)	Reaffirmed

Rating Rationale

The ratings continue to derive strength from strong execution track record of Sobha Ltd with in-house design to delivery capabilities, strong revenue growth, satisfactory capital structure and cash flow aided by healthy bookings, established brand name in Bangalore real estate market, sizeable land reserves across different geographies at a relatively low cost. The ratings are, however, constrained by implementation risk with relatively low development cost incurred till date on ongoing projects, significant share of real estate business concentrated in Bangalore and inherent cyclical nature of the real estate industry. The ratings also take note of relatively lower real estate sales during 9MFY15 as against 9MFY14 coupled with inventory buildup. The ability of the company to improve its sales while maintaining its profitability and capital structure would remain the key rating sensitivities.

Background

Sobha Limited (erstwhile Sobha Developers Limited) was incorporated in August 1995 as Sobha Developers Private Ltd by Mr P. N. C Menon, a person of Indian origin and National of Sultanate of Oman. The company was converted to a public company in 2006. The company is in the business of real estate development and also undertakes contract work for corporate. Till December 31, 2014, the company has completed 98 projects in 5 cities with total developed area of 32.05 mn sq ft and 258 contractual projects aggregating to 32.92 mn sq ft (December 31, 2013, completed 90 projects in 5 cities with total developed area of 28.78 mn sq ft and 242 contractual projects aggregating to 32.9 mn sq ft.)

The company was awarded its first contract for construction of Corporate Block of Infosys Technologies Ltd in December 1999. Since then, the company is associated with Infosys and has constructed all the corporate buildings, training centers, hostels and hotels for Infosys.

The company is backward integrated in terms of architectural and design studio, concrete block making plant, metal and glazing factory, interior and wood working factory and electrical & plumbing division.

As on December 31, 2014, the company had land reserves of 2,608 acres spread across 9 cities.

During FY14, the company has achieved net sales of Rs.2,176.6 crore and PAT of Rs.233.7 crore. During 9MFY15, the company has achieved income of Rs.1,946 crore and PAT of Rs.176 crore.

²Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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