

November 17, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF

SOBHA LIMITED

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities-Term Loan	1,835.13 (enhanced from Rs.289.3 crore)	CARE A (Single A)	Reaffirmed
Long-term Bank Facilities-Fund-based -Working Capital	540.43 (enhanced from Rs.365.0 crore)	CARE A (Single A)	Reaffirmed
Short-term Bank Facilities- Non-fund-based - Working Capital	400.0 (enhanced from Rs.125.0 crore)	CARE A2+ (A Two Plus)	Reaffirmed
Total Facilities	2,775.56 (Rupees Two Thousand Seven Hundred Seventy Five crore and Fifty Six lakh only)		

Rating Rationale

The rating continues to derive strength from strong execution track record of Sobha Ltd with in-house design to delivery capabilities, strong revenue growth aided by healthy bookings, satisfactory capital structure, established brand name in Bangalore real estate market with growing presence in other markets, sizeable land reserves across different geographies at a relatively low cost. The rating is, 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 cyclicity associated with real estate industry. The rating also takes note of inventory buildup and declining collections in recent quarters leading to strain in operational cashflows.

Going forward, the ability of the company to improve its sales and collection while maintaining its existing profitability and capital structure would remain the key rating sensitivities.

Background

Sobha 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 June 30, 2015, the company has completed 104 projects in 5 cities with total developed area of 34.24 msf (million sq. ft.) and 264 contractual projects aggregating to 37.50 msf (As on June 30 2014, completed 94 projects in 5 cities with total developed area of 30.46 msf and 251 contractual projects aggregating to 34.74 msf).

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 June 30, 2015, the Company had land reserves of 2,456 acres spread across 9 cities.

During FY15, company generated income from operations of Rs. 2447 crore and PAT of Rs. 244 crore, as against Rs. 2176 crore and Rs. 234 crore respectively during FY14.

Analyst Contact

Name: Mr Karthik Raj K

Tel: 080-46625527

Mobile: 9980562244

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Email: karthik.raj@careratings.com

****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.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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.

CONTACT**Head Office Mumbai****Mr. Sanjay Kumar Agarwal**

Mobile: + 91 8108007676

E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD**Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

BENGALURU**Mr. Dinesh Sharma**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-99000 41975

Tel: +91-80-4115 0445, 4165 4529

E-mail: dinesh.sharma@careratings.com

CHANDIGARH**Mr. Sajan Goyal**2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

CHENNAI**Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

COIMBATORE**Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

HYDERABAD**Mr. Saikat Roy**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 9820998779

Tel: +91-40-4010 2030

E-mail: saikat.roy@careratings.com

JAIPUR**Mr. Rakesh Jayaraman**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 - 76655 96136

Tel: +91-141-402 0213 / 14

E-mail: rakesh.jayaraman@careratings.com

KOLKATA**Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

NEW DELHI**Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

PUNE**Mr. Rahul Patni**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

E-mail: rahul.patni@careratings.com

CIN - L67190MH1993PLC071691