Sobha Limited

April 5, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	1421.90 (reduced from 2775.56)	**CARE A; Stable; ISSUER NOT COOPERATING* (Single A; Outlook: Stable; ISSUER NOT COOPERATING*)**	Issuer not cooperating; Based on best available information
Total	**1421.90 (Rs. One Thousand Four Hundred Twenty one crore and Ninety lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

Sobha Limited has provided withdrawal request for the limits rated by CARE along with the no objection from banks. The company has however, not paid the surveillance fee agreed to in its rating agreement for the rating exercise conducted in 2016-17. In line with the extant SEBI guidelines, CARE's rating on Sobha's bank facilities will now be denoted as **CARE A; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings take into account strong execution track record of Sobha Ltd with inhouse design to delivery capabilities, healthy booking in ongoing projects, established brand name in Bengaluru real estate market with growing presence in other markets, sizeable land reserves across different geographies at a relatively low cost, improving unsold inventory levels and satisfactory capital structure. The rating takes note of stable sales volume in an otherwise subdued real estate market environment, consistent generation of positive operational cashflows primarily due to higher collections vis-à-vis project expenses, however, further improvement of the same in light of significant construction cost yet to be incurred remains to be seen. The rating is, however, constrained by implementation risk with relatively low development cost incurred on ongoing projects, significant share of real estate business concentrated in Bengaluru and inherent cyclicality associated with real estate industry.

Detailed description of the key rating drivers

At the time of last rating on October 13, 2016 the following were the rating strengths and weaknesses (updated for the information available from stock exchange and company's website):

Key Rating Strengths

Established brand name with strong execution track record: Sobha Limited, established in 1995, over the years have grown into one of the leading real estate companies in South India. As of December 31, 2017, the Company has since inception, has completed and handed over projects with total developable area aggregating 43.42 msf. Presently, company has ongoing projects with total developable area of 41.37 msf.

Positive operational cashflows: Company's net operational cashflows have been positive for 10th consecutive quarter ending Dec'17. Company's collection had earlier come under stress due to lower sales realization, low response to its luxury segment and most of the projects being soft launched limiting to company to collect only 5% of booking advance.

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Decline in unsold inventory levels: The unsold inventoy levels of the company have been improving for the company on Q-o-Q basis owing to stable sales and limited launches.

Key Rating Weaknesses

Moderate to high execution risk: As on June 30, 2016, company's construction cost incurred was relatively low as compared with healthy booking status and amount already collected. Company's cashflow shall depend on new launches and sustenance of sales volume.

Significant share of real estate business in Bengaluru: Although Sobha has diversified by entering into Pune, Thrissur, Coimbatore, Chennai, Mysuru etc., significant share of its business is concentrated in Bengaluru. As on Dec'17, among the ongoing projects, 22.99 msf of projects (out of 41.37 msf) are undertaken in Bengaluru.

Analytical approach: Consolidated financial and operational performance of the company is considered due to strong operational, financial and managerial linkages between them.

Applicable Criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition

About the Company

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 corporates.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable.

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	430.00	CARE A; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Term Loan	-	-	-	616.90	CARE A; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - LT-BG/LC	-	-	-	375.00	CARE A; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	616.90	CARE A; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A (13-Oct-16)	1)CARE A (17-Nov-15) 2)CARE A (23-Apr-15)
2.	Fund-based - LT-Cash Credit	LT	430.00	CARE A; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A (13-Oct-16)	1)CARE A (17-Nov-15) 2)CARE A (23-Apr-15)
3.	Non-fund-based - LT-BG/LC	LT	375.00	CARE A; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	-	1)CARE A (13-Oct-16)	1)CARE A2+ (17-Nov-15) 2)CARE A2+ (23-Apr-15)

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