



Date: November 25, 2021

To The Deputy Manager Department of Corporate Services BSE Limited, P. J. Towers, Dalal Street Mumbai – 400 001 Scrip Code: 532784	To The Manager The National Stock Exchange of India Limited Exchange Plaza, Plot No C/1, G Block Bandra Kurla Complex Mumbai – 400 051 Scrip Code: SOBHA
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Dear Sir / Madam,

Sub: Updates on Credit Ratings

With reference to the above captioned subject, we are pleased to inform you that, India Rating & Research has assigned the following ratings to the Company:

Sl. No.	Instrument Type	Rating / Outlook
1.	Term loans	IND AA-/Stable
2.	Fund-based Working Capital limits	INDAA-/Stable/IND A1+
3.	Non-fund-based Working Capital limits	INDAA-/Stable/IND A1+
4.	Proposed Non-Convertible Debentures (NCDs)	INDAA-/Stable/IND A1+

The detailed Report issued by India Ratings is enclosed.

We request you to take the aforementioned information on records in Compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

Yours sincerely,

FOR SOBHA LIMITED

VIGNESHWAR G BHAT
COMPANY SECRETARY AND COMPLIANCE OFFICER



SOBHA LIMITED

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India Ratings Affirms Sobha at 'IND AA-/Stable; Rates Proposed NCDs

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NOV 2021

By Vikas Anand

India Ratings and Research (Ind-Ra) has affirmed Sobha Limited's (Sobha) Long-Term Issuer Rating at 'IND AA-'. The Outlook is Stable. The instrument-wise rating actions are given below:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating/Outlook	Rating Action
Term loan	-	-	On or before December 2033	INR27,392 (reduced from INR27,680)	IND AA-/Stable	Affirmed
Fund-based working capital limits	-	-	-	INR9,250 (increased from INR8,900)	IND AA-/Stable/IND A1+	Affirmed
Non-fund-based working capital limits	-	-	-	INR6,878 (reduced from INR6,940)	IND AA-/Stable/IND A1+	Affirmed
Proposed non-convertible debentures (NCDs)*	-	-	-	INR1,400	IND AA-/Stable/IND A1+	Assigned

ANALYTICAL APPROACH: Ind-Ra continues to take a consolidated view of the financial profile of Sobha along with all its subsidiaries and joint ventures, because of the strong legal, operational and strategic linkages among them.

KEY RATING DRIVERS

Continued Strong Credit Metrics: The company had a net debt/net adjusted working capital (inventories + receivables + other current assets + assets including long-term assets pertaining to contracts and manufacturing business - payables - other current liabilities) of 0.59x at end-1HFY22 (FY21: 0.60x, FY20: 0.58x, FYE19: 0.57x). Ind-Ra expects the ratio to reduce below 0.55x by FYE22 owing to a decline in the net debt.

Healthy Sales Velocity: The company had adjusted pre-sales (including collections from contracts and manufacturing business) to net debt ratio of 1.28x in FY21 (FY20: 1.29x; FY19: 1.56x). The agency expects the ratio to improve to 1.54x in FY22 as sales recover after the pandemic. Despite the COVID-19 led economic disruption, the company's pre-sales rose yoy to INR31.37 billion in FY21 (FY20: INR28.81 billion), as buyers preferred tier-1 real estate players, resulting in significant market share gains for builders such as Sobha.

Large Scale and Good Diversification: The company has average annual real estate pre-sales of over INR30 billion over FY19-FY21. In FY21, the manufacturing and contract business accounted for 28% (FY20: 35%) of collections and 27.5% (23%) of operating profit. The agency believes that the inclusion of manufacturing and contract business provides some diversification benefit to the earnings of Sobha, which is generally not present in most other real estate companies.

The company is also well diversified geographically; Bengaluru accounted for 65% of the real estate pre-sales in FY21 (FY20: 74%) while Gurugram, Chennai, and Kochi accounted for 12%, 3% and 12% (6%, 5% and 4%) respectively.

Strong Brand and Market Positioning: The company has a track record of several decades in real estate. It has completed more than 60 million square feet (msf) of floor space and has over 30msf of floor space under construction. It enjoys a strong brand image, and is one of the top builders in most of the geographies it operates in.

Large Land Bank: The company has enough land bank to construct over 200msf of floor space. As the company's average annual sales are roughly 4msf-5msf, the company has enough land bank to last several decades.

Positive Free Cash Flow Leading to Decline in Net Debt: The company's net debt (including letters of credit payable) peaked at INR33.11 billion in 1HFY21. The same reduced to INR30.39 billion in 1HFY22 as a result of positive free cash flow (FCF) generation.

Liquidity Indicator – Adequate: At FYE21, the company needed to spend INR44,160 million to complete the projects that it had already launched and offered for sale. Pending receivables from the already sold units stood at INR34,820 million. In addition, the company has INR63,060 million of unsold inventory in these projects. At FYE21, the company had cash and equivalent of INR1,637 million, and INR11,499 million of undrawn debt facilities.

Ind-Ra expects the company to generate sufficient cumulative FCF before interest expenses, and the agency believes the FCF and starting cash and undrawn limits should be enough to satisfy the debt servicing requirements.

Cyclicity and Regulatory Risks: The Indian real estate industry is highly cyclical with volatile cash flows. The sector is also subject to multiple regulatory approvals, and the timely receipt of the same is critical for launching new projects within the scheduled timelines and for future sales/collections.

Pandemic Risk: A third wave of COVID-19 infections, with or without further lockdowns, may derail the expected recovery in real estate demand.

RATING SENSITIVITIES

Positive: A significant increase in the scale and cash flow diversification while improving the liquidity and credit metrics could be positive for the ratings

Negative: A lower-than-expected demand for new projects, resulting in higher-than-expected concentration of cash flows in select projects, or a cash flow deficit, or deviation from the stated land acquisition strategy resulting in higher reliance on debt, and/or the net debt/net working capital exceeding 0.65x on a sustained basis, will lead to a negative rating action.

COMPANY PROFILE

Bengaluru-based Sobha is one of the largest real estate developers in India. Sobha was incorporated in August 1995 and listed on the NSE in December 2006. The group operates majorly out of Bengaluru, with about 70% of its total sales coming from the region. It also operates in nine other cities including Pune, Delhi NCR and Chennai. On 31 December 2020, it had completed 58.75msf of floor space and was developing another 27.05msf of space.

FINANCIAL SUMMARY

Particulars (INR million)	1H FY22 (Provisional)	FY21	FY20
Revenue	13,573	21,904	38,257
EBITDA	4,833	7,558	11,871
Finance cost	3,704	6,012	6,816
Gross interest coverage (x)	1.30	1.26	1.74
Source: Sobha annual report, Ind-Ra			

RATING HISTORY

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook
	Rating Type	Rated Limits (million)	Rating	16 April 2021
Issuer rating	Long-term	-	IND AA-/Stable	IND AA-/Stable
Term loans	Long-term	INR27,392	IND AA-/Stable	IND AA-/Stable
Fund based working capital limits	Long-term/ Short-term	INR9,250	IND AA-/ Stable/ IND A1+	IND AA-/ Stable/ IND A1+
Non-fund based working capital limits	Long-term/ Short-term	INR6,878	IND AA-/ Stable/ IND A1+	IND AA-/ Stable/ IND A1+
Proposed NCDs	Long-term/ Short-term	INR1,400	IND AA-/ Stable/ IND A1+	-

BANK WISE FACILITIES DETAILS

[Click here to see the details](#)

COMPLEXITY LEVEL OF INSTRUMENTS

Instrument Type	Complexity Indicator
Term loans	Low
Fund-based working capital limits	Low
Non-fund-based working capital limits	Low

For details on the complexity levels of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

SOLICITATION DISCLOSURES

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by, or on behalf of, the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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ABOUT INDIA RATINGS AND RESEARCH

About India Ratings and Research: India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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Applicable Criteria

[Corporate Rating Methodology](#)

Analyst Names

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