

Sobha may monetise more land to raise funds for new projects

Realtor looking to enter NCR and Chennai this fiscal; monetisation would help the firm bring down average borrowing costs from the current 12.7%

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As Sobha Developers prepares to launch projects in new markets such as the National Capital Region (NCR) and Chennai, it could look at monetising more land to raise funds.

JC Sharma, managing director of Sobha, told *DNA Money* finances for the new project launches have already been tied up but the company could resort to land sale if it fell short of funds. "We have already raised money for the projects. If additional funding is required, we will look into sale of land."

S Bhaskaran, CFO, Sobha De-

velopers, said the projects in NCR will be launched by May, while the Chennai projects will be launched in July-August.

The monetisation would help the Bangalore-based real estate company to keep its debt at reasonable levels and bring down its average cost of borrowing further from the current 12.7%.

Last fiscal, the company had sold a considerable portion of its 3,000-acre land bank to bring down the debt on its book. It has also brought down its average interest rate to 12.7% in the current fiscal from 13% last year.

Sharma said the company was looking to further bring it down by

► Sobha Developers

Share price on BSE in ₹



70 basis points (bps) in the next financial year to 12%. "It (average interest cost) is on the higher side but we expect to pin it down in the next two quarters," he said.



Sobha, which had a debt-equity ratio of 2:1 about a year-and-a-half back, has brought it down to 0.67:1 by improving its cash flow and monetising land. Sharma said the

company is looking to bring it down further.

In the last couple of months, Sobha has seen its price realisation trend up on better mix of properties, which has lately tilted towards luxury and super-luxury.

The company's average realisation at the end of February was at ₹4,100 per square feet (sq ft) compared with ₹3,946 per sq ft in the third quarter of 2010-11.

Analyst Karishma Solanki of Antique Stock Broking expects this to improve further in March. "Average realisations are expected to trend up further with the new launches given that launch price is expected to be ₹8,000-9,000 per sq ft

for NCR and ₹4,000 per sq ft for North Bengaluru," she wrote in a note to investors on Wednesday.

Solanki estimates Sobha's sales volume to rise 25-30% year on year to 2.6-2.7 million square feet (msf) in 2010-11, though fourth-quarter sales volume is likely to slip to 0.5-0.6 msf from 0.7 msft in the third. The higher sales volume, together with average sales realisation and lower interest costs, will boost Sobha's revenue and margin in 2010-11, the Antique analyst wrote. "To factor this in, we are increasing our FY11 revenue and net profit estimates by 3% to ₹1,470 crore and 13% to ₹190 crore, respectively," she wrote.