

'WE HAVE NO COMPULSIONS TO MONETISE LAND'

As inflationary pressures threaten to impact sales volumes of real estate players, the Bangalore-based publicly-held Sobha Developers is hopeful of maintaining its growth curve in the present financial year. The firm is also planning to enter into commercial space in the near future in its bid to be an integrated player. In a free-wheeling chat with Debasis Mohapatra, managing director of Sobha Developers, J C SHARMA discussed the future strategy of the company along with its present concerns.



How do you see the growth prospects of Sobha Developers in the current fiscal in an inflationary environment?

We have done well in FY11 compared to FY10. That will be reflected in our annual results, which is scheduled to be announced in May. We expect to do better in the current financial year. Our growth should be better than the industry. I can't predict things on the margin front in the current inflationary environment. However, Sobha has a track record of protecting margin in such environment.

How many launches are you planning in the near future?

We are planning to launch 12 projects in the next two-three years with an aggregate of 11 million sq ft. We will need ₹2,500 crore as project finance for these projects. As far as new geographies are concerned, we are entering into three new cities namely, National Capital Region, Chennai and Mysore. In addition to that, we do have a sales target of around

3 million square feet in the current financial year.

Sobha Developers is mostly concentrated into residential segment. Any plan to enter into other verticals..

We are planning to enter into commercial segment in the near future. We hope to provide those details in the current financial year. As we improve our operating parameters, we feel that the commercial segment should be proactively looked at for future growth. We plan to come up with projects in Bangalore.

How is your contractual business doing? What is your growth expectation in this segment?

We have already achieved our target in contract business in the first nine months of the present financial year. We will grow further in this segment as market situation is improving for most of the IT players. Contractual busin-

Q&A

J C SHARMA

Managing Director, Sobha Developers

ess, which contributes around 25-35 per cent of the total revenue, will continue to contribute the same num-

bers or more in the future.

You have monetised land to reduce debt pressures on the balancesheet. Will this trend continue in the near future?

Our core business is project development in residential segment along with contractual business. We will grow in our core areas in the present fiscal. We are also using our cash flow to reduce our debt level. We have monetised some land parcels in the past due to certain special circumstances. Sobha has already negotiated those situations. Now, if we do any land monetisation, we will do it on our own sweet will. We don't have any balance sheet compulsions.

How much your balance sheet will be leveraged by

end of current fiscal?

As far as debt:equity is concerned, we are comfortable. We are taking steps to reduce it further in the present fiscal. We are hopeful of ending this financial year with a debt-equity ratio of 0.5 from 0.67 by end of December, 2010.

Will you enter affordable housing segment in the future?

Affordable housing will be truly affordable if land prices are low and financial linkages are high. Also, there is a need to have a lot of clarity on the issue of affordable housing. So, the current environment doesn't support the growth of affordable housing segment in the country.

Any fund raising plan in the near future to finance your new projects..

As far as capital requirement is concerned, we have a sound cash flow situation. All our projects will receive project finance from clients as they progress. So, there is no need to raising funds for the company as of now.