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 Sobha Developers Ltd.: Experts' corner in association with edelweiss.in

532784 SOBHA Group (B) BSE data

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[Open a Trading Account](#)**Management speaks****J.C. Sharma****Managing Director**
Sobha Developers Ltd.
June 28, 2010, 11:30 am**Why should an investor buy your company's stock?**

Sobha represents the following:-

1. Market Leadership –

Sobha Developers is one of India's leading and only backward integrated companies known for its quality, delivery and customer orientation within the real estate industry. Since its inception Sobha's reputation is built on solid foundation of benchmark quality standards, customer centric values, robust engineering, in-house research and development and transparency in all spheres of business, which have today contributed in making Sobha a leader in the realty sector in South India.

2. Unparalleled Execution Capability -

In the past 14 years since its inception, Sobha has completed 60 residential projects and 166 contractual projects covering about 36.3 million sq. ft. area in 18 cities across India. We currently have 27 ongoing residential projects aggregating to 9.1 million sq. ft., while 4.2 million sq. ft. of contractual projects are under various stages of construction

3. Diversified Portfolio

Sobha's diversified portfolio includes Contractual and Residential Business.

While the contracts business provides for free cash flow, scalability and demonstrated capability to execute all kinds building structures; the real estate business, though cyclical offers superior margins and tremendous growth opportunities. The two prove to be a great formidable combination.

4. Good land bank

The company has land banks in prominent locations and growing corridors across the country.

5. Good cash flows with steady and improved margins

While there has been an overall revival in the economy and market sentiments, the various proactive steps taken by the company have resulted in marked improvement in its performance. Concrete actions like enhancing operational efficiency, reducing fixed costs, debt restructuring, land monetization, investment in marketing, and continuous emphasis to bring down the debt-equity ratio has yielded remarkable results.

The company raised Rs 2250 million by way of SPV and Rs 5100 million through QIP in FY2009-10. The debt- equity ratio has been brought down from one time high of 1.92 to current 0.8 levels and we are working on further reducing the ratio to 0.5 level.

6. Real Estate Future is Bright:

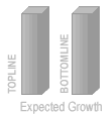
The sector is showing clear signs of revival. Sales are better, inventories are getting absorbed and new projects are being launched.

What events do you expect in your industry sector over the next few months? Are these hurdles or catalysts?

The Indian economy is projected to grow at 8.5% in 2010-11, compared to 7.2% in last fiscal, which is an indication depicting that the economy is on the growth path, encouraging a positive outlook within the real estate industry as well. Better liquidity in the economy coupled with improved job scenario, competitive interest rate offerings by the banks, and Government's ongoing efforts to push growth in the sector indicate a healthy recovery for real estate in India.

We feel, despite some hurdles, the growth of this industry at a healthy double digit is always achievable.

What growth initiatives has your company planned?



In the year 2010-11, Sobha will launch about 7.72 million sq. ft. across various market segments. These will be approximately 6.22 million sq. ft. in Bangalore, 0.2 million sq. ft. in Coimbatore, 0.5 million sq. ft. in Chennai, and 0.3 million sq. ft. in Pune. The land required for proposed launches has been fully paid up and the infrastructure needed for development is in place.

With improved volume sales, we hope to have significant improvement in our bottom lines.

Who is your competition? What differentiates you from them?

Sobha was established with a clear vision to “transform the way people perceive quality” in the realty sector in India.

Our **backward Integration** model is our key competitive advantage. This literally means that the company has all the key competencies and in-house resources to deliver a project from conceptualization to completion. Backward integration includes an architectural, structural and interior studio, a metal and glazing factory, interiors and wood working factory and a concrete block making plant. Backward integration ensures our control over quality and timely delivery of projects.

With its interwoven approach involving sustainable business strategy executed by a backward integration model, efficient design and engineering, best in class technology, process driven systems, personal customer care, and continuous training and skill development, Sobha today is a uniquely placed company with a strong competitive edge over others.

How do you see your company performing over the next financial year?



We see more stability in volumes as well as an improving demand environment. Our diversified portfolio of services, residential plus contractual, and quality delivery continues to position us as a developer of choice for our customers. We are targeting 3.32 million sq. ft. of sales in residential business and above 30% growth in contractual business for FY 2010-11.

The company is constantly executing about 6 million sq. ft. of work on average basis for the past 5 years. In the current year, which will be company's 15th year of establishment, it will enter into execution of 50 million sq. ft. of area, something which will be a landmark in the industry.

Sobha believes that environment for sustainable growth in real estate in India is increasingly becoming attractive and the company is well poised to take full advantage of the same given its large land bank and unparalleled execution capability supported by quality product.

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