



Date: December 06, 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 – CRISIL Ratings Limited

With reference to the above captioned subject, we are pleased to inform you that, CRISIL Ratings Limited has assigned the following ratings to the Company:

Sl. No.	Instrument Type	Rating / Outlook
1	Long Term Rating	CRISIL A+/Stable (Rating Reaffirmed and withdrawn)
2	Short Term Rating	CRISIL A1 (Rating Reaffirmed and withdrawn)

The detailed Report issued by CRISIL 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



**VIGHNESHWAR G BHAT
COMPANY SECRETARY AND COMPLIANCE OFFICER**

Ratings

CRISIL Ratings Limited (A subsidiary of CRISIL Limited)



Rating Rationale

December 06, 2021 | Mumbai

Sobha Limited

Ratings Reaffirmed and Withdrawn

Rating Action

Total Bank Loan Facilities Rated	Rs.3100 Crore
Long Term Rating	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
Short Term Rating	CRISIL A1 (Rating Reaffirmed and Withdrawn)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its ratings on the bank facilities of Sobha Limited and subsequently **withdrawn** the ratings on receipt of withdrawal request from client and No Objection Certificates (NOCs) from the bankers. The withdrawal is in line with CRISIL Ratings' policy on withdrawal of bank loan ratings.

Analytical Approach

CRISIL Ratings has fully combined the business and financial risk profiles of all projects in Sobha and its subsidiaries and associate companies, collectively referred to as the Sobha group, because the entities have the same business, common promoters and significant operational, managerial and financial linkages.

Please refer Annexure - list of entities considered, which captures the list of entities considered and their analytical treatment of consolidation..

Key Rating Drivers & Detailed Description

Strengths:

- Healthy business risk profile, supported by strong execution capabilities and established brand position:**
 The Sobha group is among the leading residential real estate players in Bengaluru. It has developed residential real estate and contractual projects of 1,147.2 lakh sq ft as on September 30, 2021. It has ongoing residential projects of 305.9 lakh sq ft (excluding completed and forthcoming projects) and contractual projects of 59.0 lakh sq ft. Strong execution capabilities are reflected in the quality construction and timely completion of projects. The group has expanded to Kozhikode, Chennai, Cochin, Coimbatore, Gurugram, Mysuru, Pune and Thrissur. It has diversified into the contractual business, and manufactures interiors, concrete products, and glazing and metal works. These businesses contributed to 22% of the total collections for the first six months of fiscal 2022, and the contribution should remain stable over the medium term
- Moderate, though improving, financial risk profile:**
 Financial risk profile is characterised by moderate operating cash inflow. Healthy sales and collections in the first half of fiscal 2022 enabled the group to lower debt and improve gearing. The group has an intent to lower its net gearing levels to 1.1 times in the near term, and is continuing to focus on keeping debt levels under check

CRISIL Ratings expects the group to generate operating cash inflows (including contracts business) of over Rs 2,500 crore per annum in the three fiscals through March 2024. Furthermore, while annual debt obligation is sizeable, financial flexibility is supplemented by the group's demonstrated refinancing ability, access to unutilised bank limit of over Rs 1000 crore, unsold inventory of Rs 10,643 crore and 2,120 lakh sq ft of developable area across major micro markets in the country as on September 30, 2021. The group can also utilise part of its non-fund based limits (up to Rs 200 crore) for payments to suppliers, limiting the pressure on fund-based bank lines. CRISIL Ratings does not expect additional land purchases by the Sobha group under current market conditions, obviating the need to add debt over the medium term

Weakness:

- High debt because of historical debt-funded land acquisitions:**
 The group had undertaken debt-funded land purchases historically, with a large portion of debt being used for purchase of land. Though collections have grown in recent years, debt had been increasing till fiscal 2020 owing to continued land acquisitions and ongoing construction. Nevertheless, land acquisition spends significantly fell in fiscal 2021 and first half

of fiscal 2022 given subdued market sentiment on account of the pandemic. Consequently, gross debt and net gearing decreased to Rs 2,933 crore and 1.13 times as on September 30, 2021, from Rs 3,208 crore and 1.30 times, respectively, as on December 31, 2019. The group is expected to focus on reducing debt and maintain net gearing at 1-1.1 times over the medium term. Material increase in debt, resulting in net gearing exceeding 1.5 times, will be a key monitorable. Purchase of large land parcels, if any, is likely to be undertaken through the special purpose vehicle in joint venture with private equity partners

• **Exposure to risks and cyclicity inherent in the real estate sector:**

Cyclicality in the real estate sector may result in volatility in cash inflow and sales. In contrast, cash outflow, such as for debt servicing, is fixed. Any decline in demand may adversely impact sales and collections, disrupting the debt improvement trajectory. Sobha generates over two-thirds of its revenue from Bengaluru, and a sizeable chunk of its customers are from information technology/banking and financial services sectors, where salaries are stable and hence unlikely to affect collections of ongoing projects

Liquidity: Adequate

Liquidity will remain supported by adequate saleability and collections in ongoing projects and expectation of sustenance with new launches, though there may be temporary disruptions owing to the second wave of Covid-19. The company has unsold inventory of Rs 10,643 crore in ongoing and completed projects along with almost fully paid-up land bank, with development potential of 2,120 lakh sq ft, against which additional debt can be raised, if required

Term debt obligation is expected at Rs 778-1,056 crore over the three fiscals through March 2024. The group has strong relationships with the lending community and is likely to refinance part of the obligation in advance besides servicing it through cash flows and unutilised bank lines. Undrawn bank limit stood at over Rs 1000 crore and cash and equivalent at Rs 155 crore as on September 30, 2021. Besides, the Rs 200 crore non-fund based lines can also be used as supplier credit, adding to liquidity. Going forward, refinancing of term debt obligation with longer maturity loans can help obviate need for material refinancing during cyclical downturns

Outlook: Stable

CRISIL Ratings believes the Sobha group will continue to benefit from its strong position in Bengaluru's real estate market, sound operating capabilities and sizeable projects under implementation. The financial risk profile will remain moderate over the medium term, supported by reduction of debt

Rating Sensitivity Factors

Upward Factors:

- Higher-than-expected sales in the ongoing and upcoming residential projects, leading to substantial improvement in operating cash flow
- Sharp reduction in debt level, including through equity infusions, leading to net gearing of below 1.0 time

Downward Factors:

- Sharp decline in operating cash flow, triggered by slackened saleability of existing and proposed projects or delays in project execution
- Weakening of financial risk profile, due to weak performance or large land purchases and capex, leading to substantial increase in borrowings, and resultant increase in net gearing to over 1.5 times.

About the Company

Sobha was founded by Mr PNC Menon in August 1995. The Bengaluru-based group has been engaged in the construction and development of real estate for the past 26 years. As on September 30, 2021, it had developed 1147.2 lakh sq ft, of which around 75% is in Bengaluru. The group also has presence in Thrissur, Chennai, Pune, Gurugram, Coimbatore, Calicut, Mysuru and Cochin. The promoter held 51.99% stake in Sobha as on March 31, 2021.

The company's net profit was Rs 56.8 crore on net revenue of Rs 1,331 crore in the six months ended September 30, 2021, compared with Rs 23.6 crore on Rs 872 crore, respectively, during the corresponding period of the previous fiscal.

Key Financial Indicators (consolidated)

Particulars	Unit	2021 Actual	2020 Actual
Revenue	Rs.Crore	2,097	3,787
Profit After Tax (PAT)	Rs.Crore	66	282
PAT Margin	%	3.1	7.4
Adjusted gearing	Times	1.40	1.29
Interest coverage	Times	1.26	1.74

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments. The CRISIL Ratings' complexity

levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL Ratings' complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating assigned with outlook
NA	Term loan	NA	NA	Apr-24	681.9	NA	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
NA	Term loan	NA	NA	Feb-33	239.3	NA	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
NA	Term loan	NA	NA	Sep-24	120.0	NA	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
NA	Term loan	NA	NA	Sep-23	120.0	NA	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
NA	Term loan	NA	NA	Jun-24	110.0	NA	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
NA	Term loan	NA	NA	Jan-24	89.2	NA	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
NA	Term loan	NA	NA	Feb-23	79.1	NA	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
NA	Term loan	NA	NA	Apr-23	45.0	NA	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
NA	Term loan	NA	NA	Dec-21	18.9	NA	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
NA	Term loan	NA	NA	Nov-23	13.0	NA	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
NA	Cash credit	NA	NA	On demand	890.0	NA	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
NA	Bank guarantee	NA	NA	NA	693.6	NA	CRISIL A1 (Rating Reaffirmed and Withdrawn)

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Annalakshmi Land Developers Pvt Ltd (with effect from 19.01.2021)	Full	Subsidiary/associate
Sobha City [partnership firm]	Full	Subsidiary/associate
Sobha Contracting Pvt Ltd	Full	Subsidiary/associate
Sobha Developers (Pune) Ltd	Full	Subsidiary/associate
Sobha Assets Pvt Ltd	Full	Subsidiary/associate
Sobha Highrise Ventures Pvt Ltd	Full	Subsidiary/associate
Sobha Interiors Pvt Ltd	Full	Subsidiary/associate
Sobha Nandambakkam Developers Ltd	Full	Subsidiary/associate
Sobha Tambaram Developers Ltd	Full	Subsidiary/associate
Sobha Construction Products Pvt Ltd	Full	Subsidiary/associate
Kilai Builders Pvt Ltd	Full	Subsidiary/associate
Kondhwa Projects LLP [partnership firm]	Full	Subsidiary/associate
Kuthavakkam Builders Pvt Ltd	Full	Subsidiary/associate
Kuthavakkam Realtors Pvt Ltd	Full	Subsidiary/associate
Vayaloor Properties Pvt Ltd	Full	Subsidiary/associate
Vayaloor Builders Pvt Ltd	Full	Subsidiary/associate
Vayaloor Developers Pvt Ltd	Full	Subsidiary/associate
Vayaloor Real Estate Pvt Ltd	Full	Subsidiary/associate
Vayaloor Realtors Pvt Ltd	Full	Subsidiary/associate

*Details as on March 31, 2021

Annexure - Rating History for last 3 Years

Current				2021 (History)		2020		2019		2018		Start of 2018
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based	LT	2406.4	CRISIL	11-05-21	CRISIL	31-03-20	CRISIL		--	31-12-18	CRISIL	CRISIL

Facilities			A+/Stable (Rating Reaffirmed and Withdrawn)		A+/Stable		A+/Negative				A+/Stable / CRISIL A1	A+/Stable
Non-Fund Based Facilities	ST	693.6	CRISIL A1 (Rating Reaffirmed and Withdrawn)	11-05-21	CRISIL A1	31-03-20	CRISIL A1		--	31-12-18	CRISIL A1	CRISIL A1

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	275	CRISIL A1 (Rating Reaffirmed and Withdrawn)
Bank Guarantee	100	CRISIL A1 (Rating Reaffirmed and Withdrawn)
Bank Guarantee	155	CRISIL A1 (Rating Reaffirmed and Withdrawn)
Bank Guarantee	50	CRISIL A1 (Rating Reaffirmed and Withdrawn)
Bank Guarantee	40	CRISIL A1 (Rating Reaffirmed and Withdrawn)
Bank Guarantee	73.6	CRISIL A1 (Rating Reaffirmed and Withdrawn)
Cash Credit	200	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
Cash Credit	250	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
Cash Credit	30	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
Cash Credit	135	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
Cash Credit	100	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
Cash Credit	100	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
Cash Credit	75	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
Term Loan	13	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
Term Loan	239.3	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
Term Loan	681.9	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
Term Loan	110	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
Term Loan	120	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
Term Loan	79.1	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
Term Loan	18.9	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
Term Loan	45	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
Term Loan	120	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)
Term Loan	89.2	CRISIL A+/Stable (Rating Reaffirmed and Withdrawn)

Criteria Details

Links to related criteria

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[CRISILs Rating criteria for Real Estate Developers](#)

[CRISILs Criteria for Consolidation](#)

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