kotak Securities

Dated: 19 Jan 2026

Sobha (Sobha) - ADD

Q3FY26 Result Update

Current Market Price (CMP)	Fair Value (FV)
Rs.1527	**Rs.1700**

Rationale:

- Sales performance remains strong, margins still a concern.
- Sobha clocked healthy pre-sales of Rs2100cr (+52% yoy, +11% qoq) in Q3FY26.
- Weakness in the margin profile remains a concern for Sobha, with blended margins declining to 4.1% in Q3FY26, down from 6.8% in Q2FY26.
- Management highlighted that reported margins should improve to 18% in the next 12 months and rise further thereafter.
- Valuations, at 7.4X EV/EBITDA, are inexpensive and the balance sheet (Rs790 cr net cash) is strong.
- Maintain ADD with a revised SoTP-based FV of Rs1,700 (from Rs1,720).

Positives:

- Sobha's performance takes the 9MFY26 pre-sales to Rs6097cr (+37.3% yoy), tracking the full-year guidance of Rs8500 cr (+35% yoy).
- Sales performance was aided by three new launches.
- Net cash position continues, led by healthy collections and lower land payments.
- Sobha expects positive cash flows of Rs9060cr from ongoing and completed projects.
- 1.59 cr sqft of upcoming residential launches planned over the next 4-6 quarter.

Negatives:

- Sobha reported lower-than-expected Q3FY26 revenue of Rs943 cr (-)23% yoy, EBITDA of Rs38.8 cr (-)42% yoy and PAT of Rs15.7cr (-)28% yoy.
- Management attributed weak revenues to delays in receiving OC approvals.

(EV: Enterprise Value, EBITDA: Earnings before interest, tax, depreciation & amortization, SoTP: Sum of the parts, PAT: Profit After Tax, OC: Occupancy Certificate)

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

BUY – We expect the stock to deliver more than 15% returns over the next 12 months

ADD – We expect the stock to deliver 5% - 15% returns over the next 12 months

REDUCE – We expect the stock to deliver -5% - +5% returns over the next 12 months

SELL – We expect the stock to deliver < -5% returns over the next 12 months

NR – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.

SUBSCRIBE – We advise investor to subscribe to the IPO.

RS – **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.

NA – **Not Available or Not Applicable.** The information is not available for display or is not applicable

NM – **Not Meaningful.** The information is not meaningful and is therefore excluded.

NOTE – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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