

December 31, 2025

Sobha Limited: Bank facilities ratings reaffirmed and proposed non-convertible debentures rating reaffirmed and withdrawn

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term loan	1736.7	1622.9	[ICRA]AA- (Stable); reaffirmed
Long-term – Fund-based – Cash credit	750.0	1030.0	[ICRA]AA- (Stable); reaffirmed
Long-term – Non-fund based limits	580.0	435.0	[ICRA]AA- (Stable); reaffirmed
Long-term – Unallocated limits	978.8	300.0	[ICRA]AA- (Stable); reaffirmed
Long-term – Proposed NCDs	400.0	0.00	[ICRA]AA- (Stable); reaffirmed and withdrawn
Total	4445.5	3387.9	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation factors in Sobha Limited's (Sobha) healthy operating performance in the residential real estate segment, along with its comfortable financial profile with net-debt free status and healthy cash flow from operations (CFO). Sobha's pre-sales in H1 FY2026 rose by 39% to Rs. 3,254 crore (PY: Rs. 2,340 crore), while collections increased by 32% to Rs. 3,445 crore (PY: Rs. 2,614 crore), and ICRA expects collections to grow by 15–20% in FY2026, driven by healthy sales velocity, construction progress in ongoing projects, robust launch pipeline and sustained end-user demand. The company's liquidity profile is supported by comfortable cash flow adequacy, with committed receivables to (pending construction cost + debt outstanding) at ~86% as of September 2025. The rating also factors in Sobha's established position in the Bengaluru real estate market, strong in-house execution capabilities across real estate and contracting segments, and benefits of backward integration through its in-house manufacturing division.

Sobha's credit profile remain exposed to the execution and market risks associated with its large expansion plans, reflected in its sizeable launch pipeline of 16.69 million square feet (msf) over the next 12–24 months. The company also remains exposed to market risk for the unsold inventory of 7.34 msf in completed and ongoing projects as of September 2025. Nevertheless, ICRA derives comfort from Sobha's established track record of timely project execution and strong sales performance. The rating notes that profitability in the contracts and manufacturing division remains modest, with profit before interest and tax at ~10%. Historically, Sobha's debt levels have been high relative to the net working capital gap for its ongoing project portfolio, owing to significant investments in land bank; however, following the recent reduction in overall debt, the ratio of debt (excluding lease rental discounting (LRD) and contractual segment debt) to net working capital has improved. The rating also factors in the inherent cyclicity of the real estate sector and the company's geographical concentration risk, given its significant dependence on Bengaluru across completed and ongoing, and planned projects. This risk is partly mitigated by Sobha's planned launches in other geographies such as the National Capital Region (NCR), Hyderabad, Kerala, and Maharashtra.

ICRA has withdrawn the rating assigned to the proposed NCDs of Rs. 400.0 crore of Sobha Limited, at the company's request, and is in accordance with ICRA's policy on withdrawal of ratings.

The Stable outlook on the [ICRA]AA- rating reflects ICRA's opinion that the credit profile of Sobha will be aided by its established brand recall in the real estate market, supporting healthy collections, strong liquidity and comfortable cash flow from operations.

Key rating drivers and their description

Credit strengths

Healthy operational performance expected to sustain in H2 FY2026 and FY2027 – Sobha's pre-sales in H1 FY2026 improved by 39% to Rs. 3,254 crore (PY: Rs. 2,340 crore) and collections increased by 32% to Rs. 3,445 crore (PY: Rs. 2,614 crore). ICRA expects the collections to rise by 15-20% in FY2026 leading to comfortable CFO levels. The cash flow adequacy cover remains comfortable with committed receivables/(pending construction cost + debt outstanding) at around 86% as of September 2025. Additionally, low completed inventory stock of 0.37 msf as of September 2025, coupled with healthy pre-sales in majority of the projects, demonstrates healthy saleability, driven by healthy sales velocity, construction progress in ongoing projects, a strong launch pipeline and sustained end-user demand.

Comfortable leverage metrics – Sobha's outstanding debt (including working capital facilities) improved from Rs. 1,914 crore as of March 2024 to Rs. 1,131 crore as of March 2025 and further to Rs. 1,010 crore as of September 2025, supported by significant repayments, aided by Rs. 1,984 crore rights issue proceeds, of which around 46% was utilised for debt reduction, leading to net-debt free status. This, along with improved operating cash flows, strengthened the Total Debt/CFO ratio to 0.8 times in FY2025 (PY: 1.56 times) and is expected to remain comfortable at around 0.8-1.1 times over FY2026–FY2027. While debt levels were historically high relative to the net working capital gap for ongoing projects due to earlier land bank investments, this metric has improved following the reduction in overall debt.

Established brand and market position – Sobha has an established track record of over three decades in the real estate sector, supported by strong in-house project execution capabilities, as reflected in the completion of projects aggregating 148.02 msf (including real estate and contractual projects) as of September 2025. At present, the company has 41.63 msf under development and a robust forthcoming launch pipeline of 16.69 msf, underscoring its scale and execution strength. Further, it enjoys established position in Bengaluru residential real estate market and has successfully diversified into new geographies such as NCR and Kerala, gaining market share in these regions.

Credit challenges

Exposure to execution and market risks; moderate profitability for contracts and manufacturing division – Sobha's credit profile remains exposed to the execution and market risks associated with its large expansion plans, reflected in its sizeable launch pipeline of 16.69 msf over the next 12–24 months. The company also remains exposed to market risk for the unsold inventory of 7.34 msf in completed and ongoing projects as of September 2025. Nevertheless, ICRA derives comfort from Sobha's established track record of timely project execution and strong sales performance. Further, the company's comfortable leverage position and adequate cash flows provide a cushion to absorb the potential impact from cyclical downturns in the respective segments. Additionally, the rating notes the contracts and manufacturing division's modest yet improving profitability, with PBIT margin at ~10% in H1 FY2026, following recovery from Covid-related losses and moderation in FY2025.

Geographical concentration risks – The company's dependence on the Bengaluru market remains significant, with the region accounting for around 51% and 61% of pre-sales in H1 FY2026 and FY2025, respectively, and accounts for 47% of the planned launches in the near to medium term, exposing it to any region-specific downturn in demand. Nevertheless, the concentration risk is mitigated to an extent, considering the 53% of planned launches are in geographies other than Bengaluru, indicating a healthy pipeline outside the core market. While the company intends to scale up operations in multiple cities beyond Bengaluru, the pace of execution and the resultant contribution to the overall sales mix will remain a key monitorable.

Cyclicality inherent in real estate sector – The company is vulnerable to the inherent risks in the real estate sector. Being a cyclical industry, the sector is highly dependent on macroeconomic factors, which exposes its sales to any downturn in demand.

Environmental and social risks

Environmental considerations – The real estate segment is exposed to risks of increasing environmental norms impacting operating costs, including higher cost of compliance with pollution control regulations. Environmental clearances are required for commencement of projects and lack of timely approvals can affect its business operations. Impact of the changing environmental regulations on licences taken for property development could create credit risks.

Social considerations – In terms of social risks, the trend post-pandemic has been favourable to residential real estate developers as demand for quality home with good social infrastructure has increased. Further, rapid urbanisation and a high proportion of workforce population (aged 25-44 years) will support long-term demand for the real estate sector in India.

Liquidity position: Strong

Sobha’s liquidity remains strong as reflected by healthy CFO and cash and liquid investment of Rs. 1,800 crore (including Rs 500 crore of unencumbered cash) as on September 30, 2025. Its cash flow from operations are expected to remain sufficient to meet its scheduled debt servicing obligations for H2 FY2026 and FY2027. Further, the undrawn bank limits stood at around Rs. 570 crore as of September 2025.

Rating sensitivities

Positive factors – The rating may be upgraded if significant and sustained growth in sales and collections in the company’s real estate portfolio, along with greater business diversification, and improvement in profitability in the contract business result in a healthy growth in cash flows from operations and improvement in debt protection metrics on a sustained basis.

Negative factors – Any significant weakening in sales velocity and collections in the ongoing and new projects and/or significant debt-funded investments in new projects resulting in deterioration in the leverage and coverage metrics, on a sustained basis, may trigger a rating downgrade. Specific trigger which may result in a rating downgrade includes total debt to cash flow from operations, at the consolidated level, remaining above 2.5 times on a consistent basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Commercial/Residential/Retail Policy on Withdrawal of Credit ratings
Parent/Group support	Not applicable
Consolidation/Standalone	ICRA has consolidated the financials of Sobha Limited and its subsidiaries/associates/JVs, based on the strong operational and financial linkages between the group entities and their common management group.

About the company

Incorporated in August 1995, Sobha Limited (Sobha) is an established player in real estate development and contract construction in Bengaluru. Sobha was promoted by its Chairman Emeritus Mr. PNC Menon. The promoter group holds 52.88% of equity shares in the company as of September 2025. Sobha, as of September 2025, has completed 576 developments with an overall development of ~148.02 msf of built-up area. It is executing ongoing projects of 38.26 msf across 14 cities. Sobha has major presence in Bengaluru and has diversified to other cities such as Gurgaon, Greater Noida, Chennai and others.

Key financial indicators (audited)

Consolidated	FY2024	FY2025	H1 FY2026*
Operating income	3,089.8	4,038.7	2,259.6
PAT	49.1	94.7	86.1
OPBDIT/OI	8.8%	7.2%	5.3%
PAT/OI	1.6%	2.3%	3.8%
Total outside liabilities/Tangible net worth (times)	4.4	2.7	3.0
Total debt/OPBDIT (times)	7.3	4.2	4.4
Interest coverage (times)	1.1	1.5	1.9

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current (FY2026)			Chronology of rating history for the past 3 years					
		FY2026			FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loan	Long-Term	1622.9	Dec 31, 2025	[ICRA]AA-(Stable)	Sep 30, 2024	[ICRA]AA-(Stable)	Jun 27, 2023	[ICRA]A+(Stable)	-	-
					Dec 31, 2024	[ICRA]AA-(Stable)	-	-	-	-
Cash credit	Long-Term	1030.0	Dec 31, 2025	[ICRA]AA-(Stable)	Sep 30, 2024	[ICRA]AA-(Stable)	Jun 27, 2023	[ICRA]A+(Stable)	-	-
					Dec 31, 2024	[ICRA]AA-(Stable)	-	-	-	-
Non-fund based limits	Long-Term	435.0	Dec 31, 2025	[ICRA]AA-(Stable)	Sep 30, 2024	[ICRA]AA-(Stable)	Jun 27, 2023	[ICRA]A+(Stable)	-	-
					Dec 31, 2024	[ICRA]AA-(Stable)	-	-	-	-
Unallocated limits	Long-Term	300.0	Dec 31, 2025	[ICRA]AA-(Stable)	Dec 31, 2024	[ICRA]AA-(Stable)	-	-	-	-
Proposed NCDs	Long-Term	400.00	Dec 31, 2025	[ICRA]AA-(Stable); reaffirmed and withdrawn	Dec 31, 2024	[ICRA]AA-(Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Fund-based – Cash credit	Simple
Long-term – Non-fund based limits	Simple
Long-term – Unallocated limits	Not Applicable
Long-term – Proposed NCDs	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term – Fund-based – Term loan	FY2016-H1 FY2025	NA	FY2026-FY2034	1622.9	[ICRA]AA- (Stable)
NA	Long-term – Fund-based – Cash credit	NA	NA	NA	1030.0	[ICRA]AA- (Stable)
NA	Long-term – Non-fund based limits	NA	NA	NA	435.0	[ICRA]AA- (Stable)
NA	Long-term - Unallocated limits	NA	NA	NA	300.0	[ICRA]AA- (Stable)
NA	Long-term - Proposed NCDs	NA	NA	NA	400.00	[ICRA]AA- (Stable); reaffirmed and withdrawn

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Sobha Limited	-	Parent Entity
Sobha Developers (Pune) Limited	100%	Full Consolidation
Sobha Highrise Ventures Private Limited	100%	Full Consolidation
Sobha Assets Private Limited	100%	Full Consolidation
Sobha Tambaram Developers Limited	100%	Full Consolidation
Sobha Nandambakkam Developers Limited	100%	Full Consolidation
Sobha Construction Products Private Limited	100%	Full Consolidation
Sobha City	100%	Full Consolidation
CVS Tech Park Private Limited (effective 14 Feb 2024, until which Associate)	100%	Full Consolidation
Sobha Contracting Private Limited	100%	Full Consolidation
Kilai Builders Private Limited	100%	Full Consolidation
Sobha Interiors Private Limited	100%	Full Consolidation
Kuthavakkam Builders Private Limited	100%	Full Consolidation
Kuthavakkam Realtors Private Limited	100%	Full Consolidation
Valasai Vettikadu Realtors Private Limited	100%	Full Consolidation
Vayaloor Properties Private Limited	100%	Full Consolidation
Vayaloor Realtors Private Limited	100%	Full Consolidation
Vayaloor Real Estate Private Limited	100%	Full Consolidation
Vayaloor Developers Private Limited	100%	Full Consolidation
Vayaloor Builders Private Limited	100%	Full Consolidation
Sobha Commercial Private Limited (erstwhile BNB Builders Private Limited)	100%	Full Consolidation
Kondhwa Projects LLP	100%	Full Consolidation

Source: Company

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