

16 May 2024

India | Equity Research | Q4FY24 results review

SignatureGlobal India

Real Estate

Compounding story intact

We retain **BUY** rating on SignatureGlobal India (Signature) with a revised target price of INR 1,707 (earlier INR 1,705), valuing the company at 9x FY24-26E average embedded EBITDA on sales bookings. Signature delivered 63% sales booking CAGR over FY21-24, largely through affordable/ mid-income housing projects. It has now forayed into premium group housing projects in prime areas of Gurugram. Given its strong launch pipeline of projects with a cumulative GDV of more than INR 400bn over FY24-27, we estimate Signature to clock 19% sales booking CAGR over FY24-27E, with sales booking ranging between INR 100-120bn annually over FY25-27E at average realisation of over INR 13,000/psf. Key risks: Slowdown in Gurugram market and inability to replenish land bank.

Strong portfolio of ongoing and upcoming projects

As of Mar'24, the company has a strong portfolio of 48.6msf of saleable area across ongoing and forthcoming projects. All its upcoming projects, with an estimated cumulative GDV of over INR 400bn, are likely to be launched between FY24-27. We expect the share of mid-income housing projects to range between 65-70% over this time period at realisation in excess of INR 10,000/psf. In early Mar'24, Signature announced it has clocked over INR 36bn of sales bookings from the successful launch of its first premium residential project in Gurugram with an average ticket size of INR 35mn/unit at an average realisation of over INR 13,000/psf, which is testimony to the company's brand strength and its ability to monetise premium group housing projects.

Robust launch pipeline for FY25

The company intends to launch new projects worth INR 160bn in FY25, including Sector 71, Gurugram and Sohna Elevated Corridor and has given FY25 sales booking guidance of INR 100bn at an estimated embedded EBITDA margin of 35% vs INR 73bn clocked in FY24.

Valuation: Retain BUY

We retain our **BUY** rating with a revised target price of INR 1,707 (earlier INR 1,705) based on 9x FY24-26E average embedded EBITDA of INR 27.9bn at an EBITDA margin of 30%. Our multiple of 9x is at 40% discount to DLF, which is its closest peer – considering Signature would need to reinvest internal accruals for land bank replenishment while DLF has the luxury of a historical low-cost land in Gurugram. On a DCF basis, we estimate Signature's NAV at INR 130bn or INR 924/share for its current portfolio of ongoing and forthcoming projects.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	15,536	12,406	46,944	69,096
EBITDA	657	(278)	9,679	20,587
EBITDA Margin (%)	4.2	(2.2)	20.6	29.8
Net Profit	(639)	162	7,202	14,281
EPS (INR)	(5.4)	1.2	51.3	101.6
P/B (x)	NM	28.2	13.1	6.4
P/E (x)	NM	NM	24.5	12.4
EV/EBITDA (x)	NM	NM	19.5	8.4
RoCE (%)	3.7	(2.5)	33.7	51.1
RoE (%)	NM	4.8	73.0	69.3

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Market Data

Market Cap (INR)	177bn
Market Cap (USD)	2,115mn
Bloomberg Code	SIGNATUR IN
Reuters Code	SIGT.BO
52-week Range (INR)	1,438 /444
Free Float (%)	17.0
ADTV-3M (mn) (USD)	9.3

Price Performance (%)	3m	6m	12m
Absolute	(7.7)	74.1	0.0
Relative to Sensex	(9.4)	62.5	0.0

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Exhibit 1: Company's historical sales performance

SALES GROWTH OF 112% IN FY24 VS FY23



SALES CAGR OF 62% DURING FY21-FY24



FY24 SALES COMING FROM HIGH MARGIN MID INCOME PRODUCT



UPWARD SHIFT IN PER SFT REALISATION



Source: I-sec research, Company Data, *Retail Component of Affordable Housing Policy, Note : Mid Income includes the retail component of the project

Exhibit 2: Company's ongoing and forthcoming project portfolio as of Mar'24

Ongoing projects of 16.4 msf saleable area

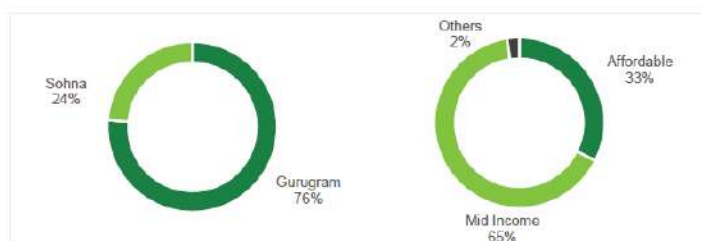
Strong project pipeline to result in sustainable growth

Category	Affordable Housing	Mid Income Housing	Mixed Use	Others	Total – in mn sqft
Ongoing	4.7	11.3	0.0	0.4	16.4
Recent launch		2.9			2.9
Forthcoming	0.2	21.6	4.7	2.8	29.3
Total	4.9	35.8	4.7	3.2	48.6

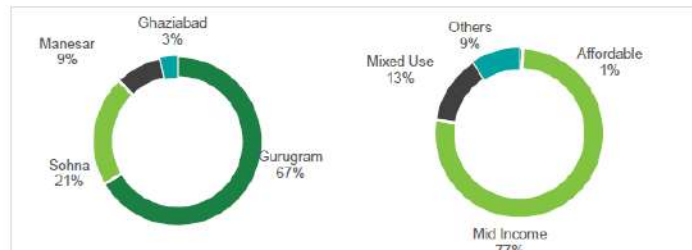
Forthcoming projects of 29.3 msf saleable area¹

Estimated launch of all forthcoming projects in the next 2-3 years

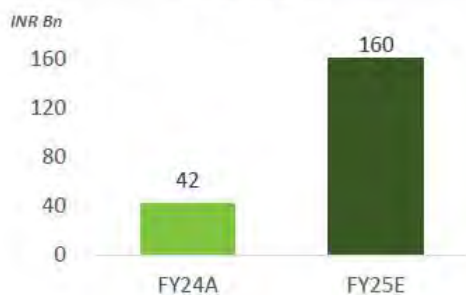
Ongoing Projects



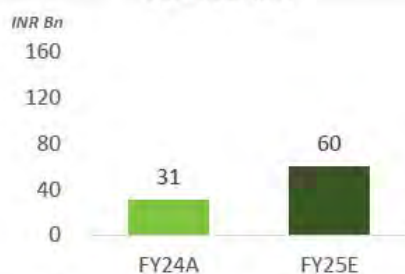
Forthcoming Projects



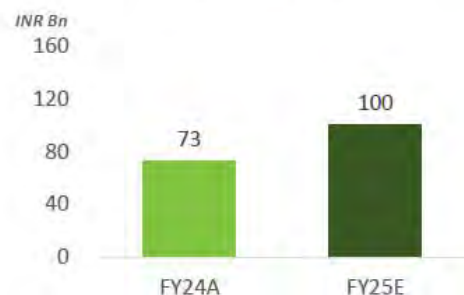
Source: I-sec research, Company Data, ¹Saleable Area potential for forthcoming projects is based on best estimates as per the current zoning regulations

Exhibit 3: Company's FY25 guidance
Launches¹


The company has witnessed a strong subscription rate on the project launches & looking forward to a strong trend in the coming year

Collections


The company anticipates the operating surplus of 45% of collections

Pre-Sales


Owing to the generous response, we expect sales growth of >35%

Revenue recognition

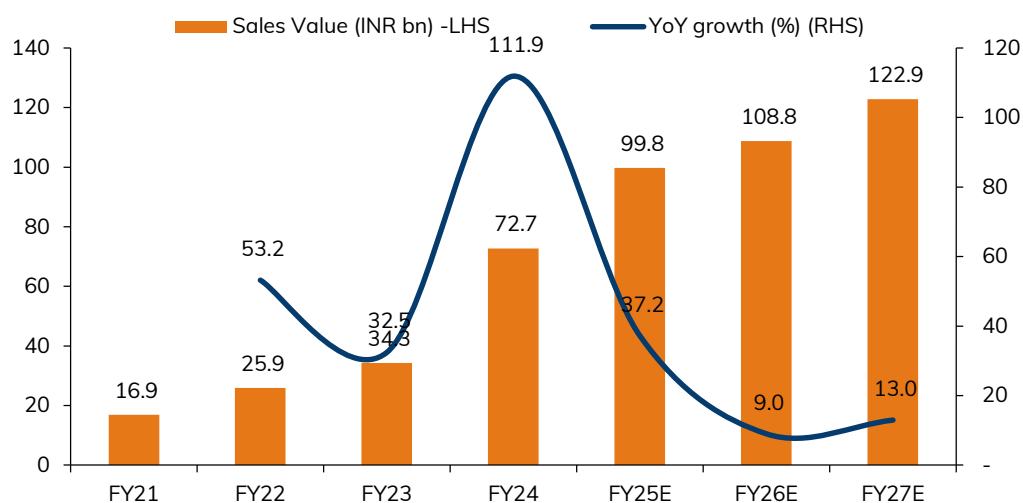

The company aims to focus on completions yielding into higher revenue recognition for the coming year

Source: I-sec research, Company Data

We estimate 19% sales booking CAGR over FY24-27E

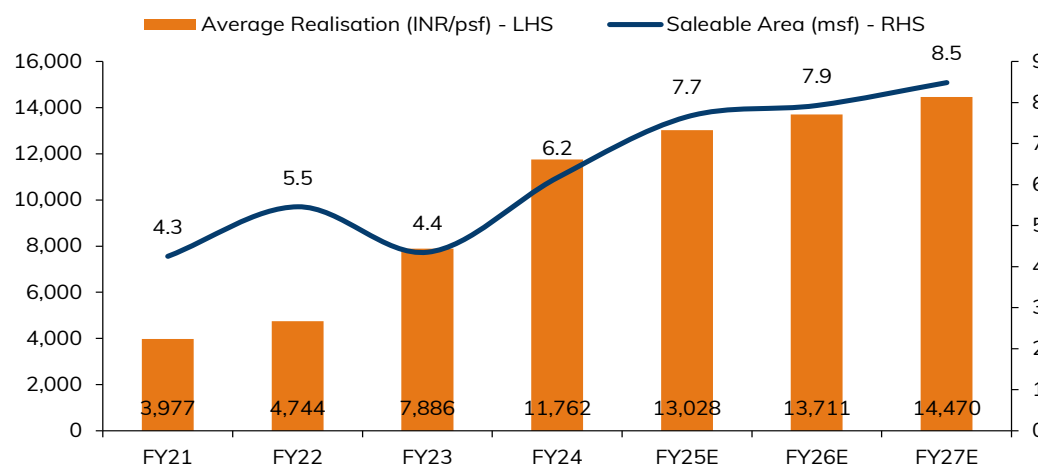
- Signature has historically derived majority of its sales bookings from AH and MH projects. With the successful launch of its first premium residential project in Gurugram, which has clocked over INR 36bn of sales bookings, the company has delivered 63% sales booking CAGR over FY21-24.
- The company has a strong launch pipeline of projects with a cumulative GDV of over INR 400bn over FY24-27. With that, we estimate Signature may clock 19% sales booking CAGR over FY24-27E with sales booking ranging between INR 100-120bn annually over FY25-27E at average realisation of over INR 13,000/psf-plus.

Exhibit 4: We expect company to deliver 19% sales booking CAGR over FY24-27E



Source: Company data, I-Sec research

Exhibit 5: Realisation to increase owing to higher share of premium projects



Source: Company data, I-Sec research

Valuation

Traditionally, listed developers have been valued as per DCF-based NAV across different business segments (residential/office/retail/hotels/others) along with land bank. However, the current buoyancy in the sector observed post covid between FY22-24 has led to companies aggressively chasing growth while keeping balance sheets lean and using internal accruals to fund expansion. This has resulted in companies now also getting a reinvestment multiple of 30-50% premium to NAV along with 100% market value of land.

Signature's business model is unique. While the company does not act as a land aggregator, it focuses on launching and completing projects within 4-5 years, reinvests the surplus for growth and keeps a similar land bank reserve of 4-5 years at any point of time. Hence, we are of the view that the company should be valued on a going concern basis, wherein the embedded EBITDA multiple of ~30% is sustainable over the medium term.

We retain our BUY rating with a revised target price of INR 1,707 (earlier INR 1,705) based on 9x FY24-26E average embedded EBITDA of INR 27.9bn at an EBITDA margin of 30%. Our multiple of 9x is at 40% discount to DLF, which is its closest peer – considering Signature would need to reinvest internal accruals for land bank replenishment while DLF has the luxury of a historical low-cost land in Gurugram. As per DCF methodology, we estimate Signature's NAV at INR 130bn or INR 924/share for its current portfolio of ongoing and forthcoming projects.

Exhibit 6: Company's valuation on embedded EBITDA multiple

INR mn	FY24A	FY25E	FY26E	FY24-26E Average
Sales bookings (Company share)	70,065	99,758	1,08,752	92,858
Embedded EBITDA margin (%)	30%	30%	30%	30%
Embedded EBITDA*	21,020	29,927	32,626	27,857
EV/EBITDA Multiple (x)				9
EV				250,717
Less: Net Debt	9,500	12,185	(3,062)	10,842
Equity Value				239,875
Target Price (INR/share)				1,707

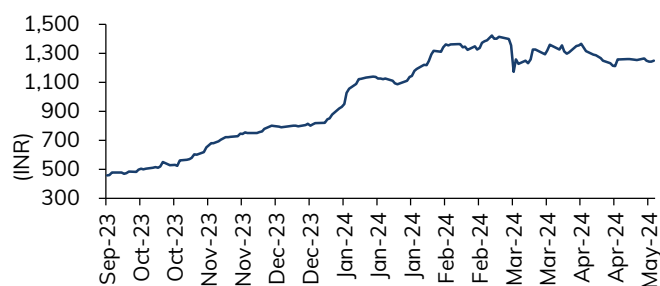
Source: I-sec research, Company Data, *Embedded EBITDA defined as the operating cash EBITDA post construction costs and overheads for a project launched in current year which may only hit revenue recognition upon 100% completion in 4-5 years from current year

Exhibit 7: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	69.6	69.6	69.6
Institutional investors	11.3	11.3	11.2
MFs and others	2.1	2.0	1.5
FIs/Banks	0.0	0.0	0.0
Insurance	0.2	0.0	3.6
FIIIs	9.0	9.3	6.1
Others	19.1	19.1	19.2

Source: Bloomberg

Exhibit 8: Price chart



Source: Bloomberg

Financial Summary

Exhibit 9: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	15,536	12,406	46,944	69,096
Operating Expenses	14,879	12,683	37,265	48,509
EBITDA	657	(278)	9,679	20,587
EBITDA Margin (%)	4.2	2.2	20.6	29.8
Depreciation & Amortization	222	216	297	362
Interest expenditure	729	302	787	1,034
Other income	323	840	1,008	1,210
Other income	597	-	-	-
Recurring PBT	(567)	45	8,898	19,558
Less: Taxes	70	(119)	2,225	5,868
PAT	(637)	162	7,202	14,281
Less: Minority Interest	(1)	(1)	-	-
Net Income (Reported)	(637)	162	7,202	14,281

Source Company data, I-Sec research

Exhibit 10: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	56,654	80,633	93,975	1,14,980
of which cash & cash eqv.	6,720	7,361	14,193	28,050
Total Current Liabilities & Provisions	42,270	58,991	64,384	70,296
Net Current Assets	14,384	21,643	29,592	44,684
Investments	48	46	96	146
Net Fixed Assets	1,310	990	1,193	1,331
Capital Work-in-Progress	4	147	148	148
Other assets	633	946	945	944
Total Assets	16,379	23,772	31,974	47,254
Liabilities				
Borrowings	17,097	19,179	20,179	21,179
Deferred Tax Liability	(1,220)	(1,702)	(1,702)	(1,702)
Equity Share Capital	125	141	141	141
Reserves & Surplus	351	6,126	13,328	27,609
Total Net Worth	475	6,267	13,469	27,749
Minority Interest	26	28	28	28
Total Liabilities	16,379	23,772	31,974	47,254

Source Company data, I-Sec research

Exhibit 11: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	(1,708)	(717)	7,034	14,084
Working Capital Changes	(3,427)	1,502	(1,117)	(1,236)
Capital Commitments	(158)	(280)	(500)	(500)
Free Cashflow	(5,293)	505	5,417	12,349
Other investing cashflow	234	(4,605)	958	1,160
Cashflow from Investing Activities	76	(4,886)	458	660
Issue of Share Capital	-	5,755	-	-
Inc (Dec) in Borrowings	9,087	29	1,000	1,000
Dividend paid	-	-	-	-
Cash flow from Financing Activities	9,087	5,784	1,000	1,000
Chg. in Cash & Bank balance	4,029	1,683	7,375	14,508
Closing cash & balance	6,720	7,361	14,193	28,050

Source Company data, I-Sec research

Exhibit 12: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Adjusted EPS (Diluted)	(5.4)	1.2	51.3	101.6
Cash EPS	(3.6)	2.7	53.4	104.2
Dividend per share (DPS)	0.0	0.0	0.0	0.0
Book Value per share (BV)	4.0	44.6	95.9	197.5
Growth (%)				
Net Sales	72.4	(20.1)	278.4	47.2
EBITDA	(194.6)	(142.2)	(3,587.8)	112.7
EPS (INR)	(45.1)	(125.3)	4,350.5	98.3
Valuation Ratios (x)				
P/E	NM	1,091.4	24.5	12.4
P/BV	NM	28.2	13.1	6.4
EV / EBITDA	NM	(670.7)	19.5	8.4
Dividend Yield (%)	-	0.0	0.0	0.0
Operating Ratios				
EBITDA Margins (%)	4.2	(2.2)	20.6	29.8
Net Profit Margins (%)	(4.1)	1.3	15.3	20.7
Net Debt / Equity (x)	21.8	1.9	0.4	(0.2)
Debt / EBITDA (x)	26.0	(69.1)	2.1	1.0
Profitability Ratios				
RoCE (%)	3.7	(2.5)	33.7	51.1
RoE (%)	NM	4.8	73.0	69.3

Source Company data, I-Sec research

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