

07 October 2024

India | Equity Research | Company Update

SignatureGlobal India

Real Estate

Sohna mid-income housing launch – FY25 sales booking guidance appears achievable

We retain our **BUY** rating on SignatureGlobal India (Signature) with an unchanged TP of INR 1,905, valuing it at 10x FY24–26E average embedded EBITDA on sales bookings. Signature recently launched Phase 1 of its Daxin Vistas, Sohna project in Gurugram. It consists of independent floors and residential/industrial plots and has an estimated GDV >INR 20bn. The company has a strong launch pipeline – FY24–28E cumulative projects GDV of >INR 450bn. Thus, we envisage Signature clocking 19% sales booking CAGR over FY24–27E; sales booking ranging between INR 100–120bn annually over FY25–27E. Given Signature's established presence across Gurugram, its next level of growth may come from Noida, NCR where the company may look to augment its land bank via outright purchases/JDAs.

New mid-income housing launch likely to drive sales bookings

Signature recently launched its Daxin Vistas project in Sohna, Gurugram spread over 126 acres with an overall saleable area of 7.2msf. In Phase 1, ~800 independent floors, having an average ticket size of ~INR 20mn, along with residential/industrial plots have been launched. As per our channel checks, overall response to the launch has been decent with estimated sales bookings of >INR 20bn in Sep'24. With the company having already achieved ~30% of its FY25 sales booking guidance of INR 100bn and given more launches lined up for FY25, including second phase of Sector 71, we believe that Signature is on track to comfortably achieve its FY25 guidance (including the ~INR 20bn from Phase 1 of Daxin Vistas).

Opportunity to grow beyond Gurugram, a key monitorable

Over FY21–24, Signature successfully transitioned from being an affordable/mid-income housing player in Gurugram to becoming a mid-income and premium housing developer. In early Mar'24, Signature clocked over INR 36bn of sales bookings from the successful launch of its first premium residential project in Gurugram – average ticket size of INR 35mn/unit; average realisation of over INR 13,000/psf. Further, it achieved Q1FY25 sales bookings of INR 31.2bn driven by the launch of its Titanium premium housing project in Sector 71, Gurugram, which accounted for ~90% of its sales bookings for the quarter. Having established its presence across Gurugram, Signature's next level of growth may come from other prominent markets of NCR such as Noida where the company may look to augment its land bank through the outright purchase/JDA route.

Key risks: Slowdown in Gurugram market; inability to replenish land bank.

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	34.4	16.0	7.8
P/E (x)	NM	NM	30.0	15.1
EV/EBITDA (x)	NM	NM	23.6	10.3
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)	216bn
Market Cap (USD)	2,571mn
Bloomberg Code	SIGNATUR IN
Reuters Code	SIGT.BO
52-week Range (INR)	1,647 /454
Free Float (%)	29.0
ADTV-3M (mn) (USD)	15.0

Price Performance (%)	3m	6m	12m
Absolute	3.4	18.3	227.6
Relative to Sensex	1.4	8.3	202.4

Previous Reports

03-09-2024: [Company Update](#)

08-08-2024: [Q1FY25 results review](#)

Exhibit 1: Company's historical sales performance (FY21–Q1FY25)

SALES GROWTH OF 255% IN Q1'FY25 VS Q1'FY24



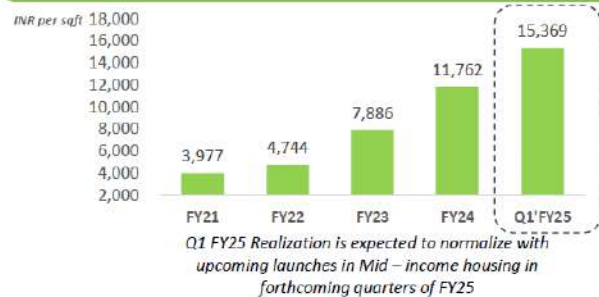
SALES CAGR OF 62% DURING FY21-FY24



Q1'25 SALES COMING FROM PREMIUM MID-INCOME HOUSING MARKET



UPWARD SHIFT IN INR 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 consolidated quarterly income statement snapshot

PL Statement (INR bn)	Q1'FY25	Q1'FY24	Q-o-Q%
Revenue from real estate properties			
- Mid- Income Housing	3.5	1.3	169.23%
- AHP	0.3	0.3	16.31%
Total Revenue from real estate properties	3.9	1.6	143.75%
Cost of Goods Sold	-2.8	-1.0	
Adj. Gross Profit(i)	1.1	0.5	
Adj. Gross Profit %(ii)	28.44%	34.33%	
Other operating revenue & income	0.3	0.4	
Employee Cost	(0.3)	(0.3)	
SG&A	(0.5)	(0.1)	
Other expenses	(0.1)	(0.3)	
Adj. EBITDA(iii)	0.5	0.2	
Adj. EBITDA %(iv)	12.97%	10.01%	
PL Statement (INR bn)	Q1'FY25	Q1'FY24	
Total Revenue	4.0	1.7	
Profit After Tax (PAT)	0.07	(0.07)	
Profit After Tax (PAT) Margin %	1.70%	-4.33%	

Notes:

- (i) Adjusted Gross Profit is calculated as revenue from real estate operations (comprises revenue from sale of real estate properties, forfeiture income/cancellation charges, compensation received on compulsory acquisition of land and other operating income related to real estate business) less cost of sales relating to real estate operations (i.e. cost of sales as reduced by finance cost written off through cost of sales and cost of sales relating to contracting business).
- (ii) Adjusted Gross Profit Margin is calculated as Adjusted Gross Profit divided by revenue from real estate operations (comprises revenue from sale of real estate properties, forfeiture income/cancellation charges, compensation received on compulsory acquisition of land and other operating income related to real estate business).
- (iii) Adjusted EBITDA refers to earnings before interest, taxes, depreciation, amortization ("EBITDA"), plus finance cost written off through cost of sales and Adjustment of gain/loss on fair valuation of derivative instruments and impairment of Goodwill.
- (iv) Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by revenue from operations.

Source: I-sec research, Company Data

Adjusted Gross Margin % & Adjusted EBITDA Margin %



- There is an increase in revenue recognition during Q1'FY25 versus Q1'FY24 on account of completion of DDJAY projects, which has started reflecting in the P&L account and is expected to further strengthen the financial statements.
- Improvement in Adjusted EBITDA margin due to recognition from higher margin products
- Positive PAT** recognition for Q1'FY25

Exhibit 3: Company's ongoing and forthcoming project portfolio, as of Jun'24


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

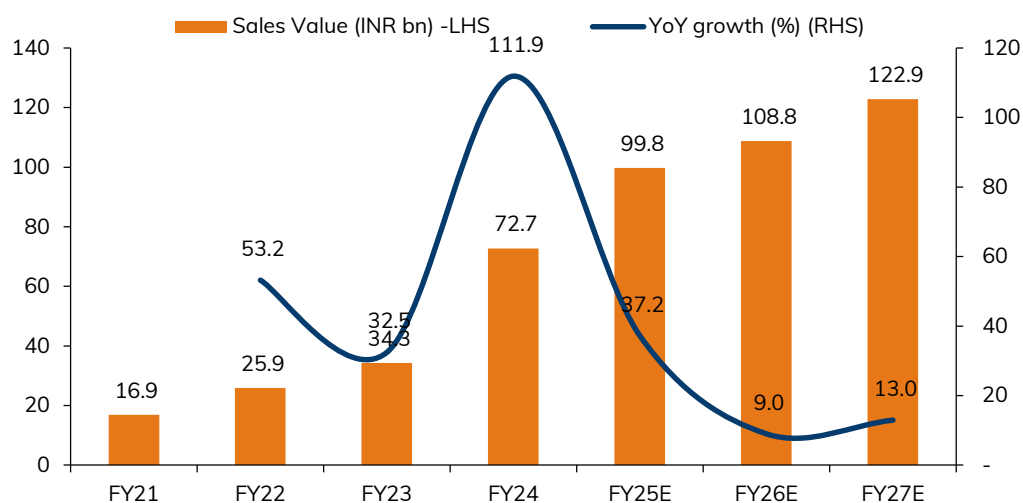
Exhibit 4: Company's FY25 guidance


Source: I-sec research, Company Data, A: Actual; E: Estimated, 1) Estimated booking value of the projects launched or proposed to be launched

We estimate 19% sales booking CAGR over FY24–27

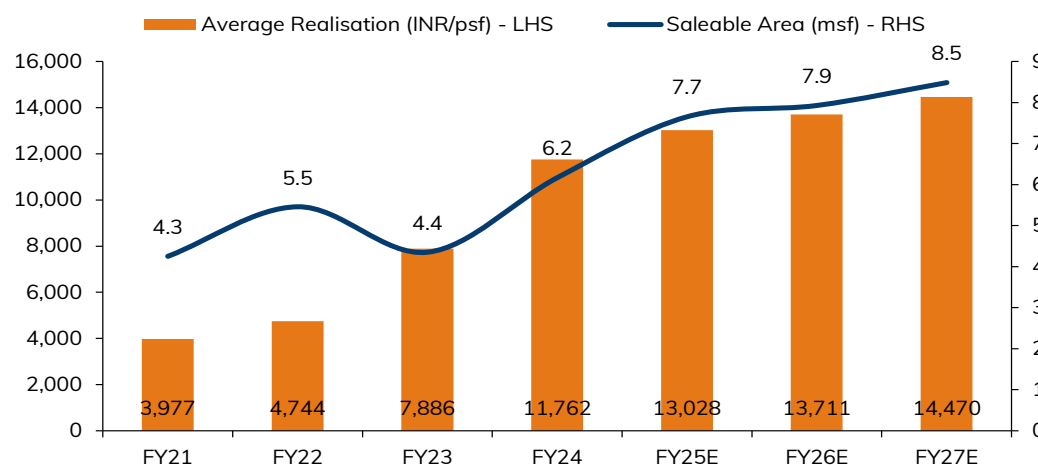
- Signature has historically derived the majority of its sales bookings from AH and MH projects. With the successful launch of its first premium residential project in Gurugram, which has clocked over INR 36bn of sales bookings, the company has delivered 63% sales booking CAGR over FY21–24.
- The company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

Exhibit 5: We expect Signature to deliver 19% sales booking CAGR over FY24–27E



Source: Company data, I-Sec research

Exhibit 6: Realisation to increase owing to higher share of premium projects



Source: Company data, I-Sec research

Valuation

Traditionally, listed developers have historically been valued on a DCF-based NAV across the 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 the 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, reinvesting the surplus for growth and keeping 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 an unchanged target price of INR 1,905 based on 10x FY24–26E average embedded EBITDA of INR 27.9bn at an EBITDA margin of 30%. Our multiple of 10x is at a 25% discount to DLF, which is its closest peer – considering that 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.

Exhibit 7: 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)				10
EV				278,575
Less: Net Debt	9,500	12,185	(3,062)	10,842
Equity Value				267,733
Target Price (INR/share)				1,905

Source: Company data, I-Sec research

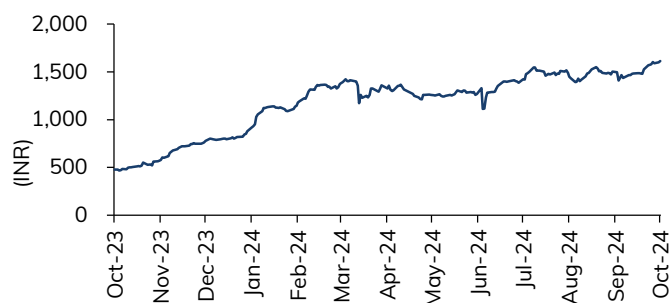
*Embedded EBITDA defined as the operating cash EBITDA post construction costs and overheads for a project launched in current year which may only hit revenue recognition upon 100% completion in 4–5 years from current year

Exhibit 8: Shareholding pattern

%	Dec'23	Mar'24	Jun'24
Promoters	69.6	69.6	69.6
Institutional investors	11.3	11.2	13.7
MFs and others	2.0	1.5	1.8
FIs/Banks	0.0	0.0	0.0
Insurance	0.0	0.0	0.0
FIIIs	9.3	9.7	11.9
Others	19.1	19.2	16.7

Source: Bloomberg

Exhibit 9: Price chart



Source: Bloomberg

Financial Summary

Exhibit 10: 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	27,265	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 Non-operating Income	323	840	1,008	1,210
Other Non-operating 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)	(639)	162	7,202	14,281

Source Company data, I-Sec research

Exhibit 11: 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	-	990	1,193	1,331
Capital Work-in-Progress	4	147	148	148
Other assets	637	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 12: 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 13: 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	NM	30.0	15.1
P/BV	NM	34.4	16.0	7.8
EV / EBITDA	NM	NM	23.6	10.3
Dividend Yield (%)	-	-	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)
Net 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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