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India | Equity Research | Initiating Coverage

SignatureGlobal India

Real Estate

A consistent compounder

We initiate on SignatureGlobal India (Signature) with a **BUY** rating and a target price of INR 1,705, valuing the company at 9x FY24-26E average embedded EBITDA on sales bookings. The Gurugram-based, NCR residential developer has a lean banking business model boasting rapid conversion from acquisition to delivery, enabling it to channel internal accruals for future growth. Signature delivered 43% sales booking CAGR over FY21-23, 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 FY24-26E, we estimate that Signature may clock 38% sales booking CAGR over FY23E-27E with sales booking ranging between INR 100-120bn annually over FY25E-27E at average realisations of over INR 13,000/psf-plus.

Strong portfolio of ongoing and upcoming projects

As of Dec'23, the company has a strong portfolio of 45.3msf of saleable area across ongoing and forthcoming projects. All its upcoming projects, with an estimated cumulative GDV of over INR400bn, are expected to be launched between FY24-26E. We expect the share of mid-income housing projects shall range between 65-70% over this time period at realisations in excess of INR 10,000/psf. In early Mar'24, Signature announced that 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 ability to monetise premium group housing projects.

Valuation: Initiate with BUY

We initiate coverage on Signature with a **BUY** rating and target price of INR 1,705 based on 9x FY24E-26E average embedded EBITDA of INR 27.9bn at an EBITDA margin of 30%. Our multiple of 9x is at a 40% discount to DLF, its closest peer – considering Signature would need to reinvest internal accruals for land bank replenishment while DLF has the luxury of historical low-cost land in Gurugram. On a DCF-basis, we see Signature's NAV at INR 130bn or INR 924/share for its current portfolio of ongoing and forthcoming projects.

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

Financial Summary

Y/E March (INR mn)	FY23A	FY24E	FY25E	FY26E
Net Revenue	15,536	17,367	46,944	69,096
EBITDA	657	1,681	9,679	20,587
EBITDA Margin (%)	4.2	9.7	20.6	29.8
Net Profit	(639)	1,023	6,674	13,691
EPS (INR)	(5.4)	7.3	47.5	97.4
P/B (x)	NM	26.6	14.1	7.2
P/E (x)	NM	195.6	30.0	14.6
EV/EBITDA (x)	NM	124.7	22.0	9.6
RoCE (%)	3.7	6.3	28.9	46.4
RoE (%)	(41.9)	25.6	61.4	65.0

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Market Data

Market Cap (INR)	200bn
Market Cap (USD)	2,413mn
Bloomberg Code	SIGNATUR IN
Reuters Code	SIGT.BO
52-week Range (INR)	1,438 /444
Free Float (%)	17.0
ADTV-3M (mn) (USD)	6.0

Price Performance (%)	3m	6m	12m
Absolute	77.9	-	-
Relative to Sensex	70.6	-	-