

August 19, 2021

Signature Global (India) Private Limited: [ICRA]BBB (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund Based – Term Loan	24.00	[ICRA]BBB (Stable); assigned
Total	24.00	

*Instrument details are provided in Annexure-1

Rationale

The assigned rating favourably notes the track record of the Signature Global (SG) Group in the real estate sector, with over eight years of experience in the realty sector, focussing on the affordable housing projects (AHP). The Group is developing multiple residential projects in Gurgaon and Karnal, in Haryana, with a total saleable area of 15.52 million square feet (msf). As on March 31, 2021, the Group has sold more than 11.43 msf, representing 74% of the total saleable area. The rating draws strength from the healthy sales velocity of the projects in FY2021, with the Group selling 6.43 msf area and collecting customer advances of Rs. 711 crore in FY2021. Basis the healthy sales, the Group reported a cash flow adequacy ratio¹ of 61% as on March 31, 2021.

Nonetheless, the rating is constrained by Group's sizeable repayments over the next two years, which may put pressure on the cash flows and expose it to refinancing risks. Sustaining the current sales and collection momentum would be critical to meet the committed outflow over the near to medium term. Due to its presence in the affordable housing segment, the gross margins are relatively lower and benefits under various AHP policies are critical to limit operating costs. Thus, maintaining adequate scale of operations and continued support through favourable regulatory policies are important factors. The rating is also constrained by the significant exposure to execution and marketing risks for the under-development as well as upcoming projects. The rating is, further, constrained by the exposure to geographical concentration risk, as the ongoing and upcoming projects of the Group are mostly located in Gurgaon in Haryana. In addition, being a cyclical industry, the real estate segment is highly dependent on macro-economic factors, which in turn exposes the Group's sales to any downturn in demand and competition within the region from various other developers.

The Stable outlook on the [ICRA]BBB rating reflects ICRA's opinion that the Group will continue to benefit from its established track record and strong brand recall in the affordable housing space in the NCR, along with its comfortable cash flow adequacy ratio.

Key rating drivers and their description

Credit strengths

Established brand name in the real estate sector in NCR – The Signature Global (SG) Group forayed into real estate business in 2013 with a focus on AHPs. The Group possesses over eight years of experience in the realty sector and has successfully developed four AHPs. The Group is developing multiple residential projects in Gurgaon and Karnal, in Haryana, with a total saleable area of 15.52 msf. As on March 31, 2021 and June 30, 2021, the Group has sold more than 11.43 msf and 11.89 msf,

¹ Cash flow adequacy ratio= Committed receivables/(Pending Cost plus net debt outstanding). Excluding compulsorily convertible debentures from borrowing, the cash flow adequacy ratio stood at 68% % as on March 31, 2021 and 74% as on June 30, 2021

representing 74% and 77% of the total saleable area, respectively. Moreover, it has strong brand presence in the AHP segment in regions such as Gurgaon and Karnal (Haryana).

Healthy sales velocity witnessed in FY2021 – The Group has witnessed healthy sales velocity in FY2021 on the back of pent-up demand, low interest rates, as well as benefits under the AHP and DDJAY schemes. This coupled with the good brand recall, particularly in Gurgaon region, helped the sales velocity. It sold 6.43 msf area and had collections of Rs. 711 crore in FY2021. On a cumulative basis, the Group sold 74% of the total area as on March 31, 2021 vis-à-vis 45% as on March 31, 2020.

Healthy cash flow adequacy ratio – The Group has been able to sell substantial area in FY2021, resulting in healthy committed receivables against sales of Rs. 1,769 crore as on March 31, 2021, and the cash flow adequacy ratio stood at 61% as on March 31, 2021. Additionally, the cash flow adequacy ratio stood at 66% as on June 30, 2021. Excluding the compulsory convertible debentures (CCD) from debt computation, the cash flow adequacy ratio remained at 68% as on March 31, 2021 and 74% as on June 30, 2021.

Credit challenges

Sizeable repayments during next two years – The consolidated debt level of the Group is elevated, with the outstanding net debt standing at Rs. 854 crore as on June 30, 2021 (excluding CCDs the net debt stood at Rs. 544 crore), compared to net debt of Rs. 821 crore as on March 31, 2020. With sizeable scheduled debt repayments over the medium term, any slowdown in the bookings and collections will expose the Group to heightened debt refinancing risk. However, comfort has been drawn from the healthy unencumbered cash and cash equivalents of Rs. 181 crore as on June 30, 2021.

Losses during last two years – Due to its presence in the affordable housing segment, the gross margins are relatively lower and benefits under various AHP policies are critical to restrict the operating costs. Thus, maintaining adequate scale of operations and continued support through favourable regulatory policies are important factors. The Group, at the consolidated level, reported OPBITDA losses of Rs. 64.44 crore in FY2021 and Rs. 16.94 crore in FY2020. The losses were primarily attributable to lower revenue recognition resulting in under-absorption of fixed overheads and other G&A expenses, coupled with the high initial outlays incurred for the new launches during these two years.

Exposure to execution and marketing risks, which get accentuated in near term due to impact of Covid-19 pandemic – The Group is exposed to market risk for the under-development projects as well as upcoming projects. With 40% of the cost to be incurred (as on June 30, 2021) and a robust launch pipeline, the Group remains exposed to execution risks. The Covid-19 pandemic, with the lockdown and associated macro-economic weakness, may affect the execution of projects as well as customer demand. In addition, being a cyclical industry, the real estate segment is highly dependent on macro-economic factors, which in turn exposes the Group's sales to any downturn in demand and competition within the region from various other developers. Additionally, it faces geographical concentration risk, as the ongoing and upcoming projects are located in Gurgaon and Karnal in Haryana.

Liquidity position: Adequate

The Group's liquidity position at a consolidated level is **adequate**. It had consolidated cash and cash equivalents of Rs. 187 crore (unencumbered balances of Rs. 181 crore) as on June 30, 2021. Although repayments are elevated over the medium term, the committed advances stood at Rs. 1,749 crore, with healthy cash flow adequacy ratio at 66% as on June 30, 2021. Sustaining the current sales and collection momentum would be critical for maintaining an adequate liquidity profile.

Rating sensitivities

Positive factors – ICRA could upgrade the rating in case there is a significant and sustainable improvement in the company's profitability, while maintaining current sales momentum, leading to a reduction in the consolidated net leverage and refinancing pressures.

Negative factors – Pressure on the rating could emerge in case of significant decline in scale or profitability, delays in project execution, or significant debt-funded land investments, leading to deterioration in the liquidity or capital structure at a consolidated level. Further, drop in cash flow adequacy ratio below 50%, on a prolonged basis, will be a negative trigger.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities
Parent/Group Support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has taken a consolidated view of SGIPL and its subsidiaries given the close business, financial and managerial linkages among them

About the company

SGIPL, incorporated in 2013, is a holding company of the Gurgaon-based Signature Global (SG) Group, which forayed into real estate business in 2013 with a focus on affordable housing projects. The Group, at present, has a strong focus on Gurgaon and Sohna market. In the recent past, the SG Group has increased focus on launch of projects under DDJAY scheme due to attractive product proposition. The Group has completed development of four residential real estate projects comprising around 2.26 msf of area and is currently developing 20 residential real estate projects in Gurgaon and Karnal (Haryana), with four projects being developed through SGIPL and others through different SPVs. As on March 31, 2021, the SG Group has sold more than 16,649 flats /11.43 msf, representing 74% of the total saleable area. Moreover, the Group has strong brand presence in the AHP segment in Gurgaon and Karnal (Haryana).

Key financial indicators - Consolidated

SGIPL	FY2020	FY2021
	Audited	Provisional
Operating Income (Rs. crore)	347.76	352.13
PAT (Rs. crore)	-15.01	-71.86
OPBDIT/OI (%)	-4.87%	-18.30%
PAT/OI (%)	-4.32%	-20.41%
Total Outside Liabilities/Tangible Net Worth (times)	14.35	48.05
Total Debt/OPBDIT (times)	-57.55	-18.53
Interest Coverage (times)	-0.89	-2.31

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

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					August 19, 2021			
1	Fund Based – Term Loan	Long-term	24.00	24.00	[ICRA]BBB (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term - Fund Based – Term Loan	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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term - Fund Based – Term Loan-1	January 4, 2021	12.25%	FY2024	12.00	[ICRA]BBB (Stable)
NA	Long-term - Fund Based – Term Loan-2	January 4, 2021	11.5%	FY2024	12.00	[ICRA]BBB (Stable)

Source: Company

Annexure-2: List of entities considered for consolidated analysis:

Company Name	Ownership	Consolidation Approach
Signature Global (India) Private Limited (Holding company)	NA	Full Consolidation
Signature Builders Private Limited (Subsidiary)	NA	Full Consolidation
Signatureglobal Developers Private Limited (Subsidiary)	NA	Full Consolidation
JMK Holdings Private Limited (Subsidiary)	NA	Full Consolidation
Signature Infrabuild Private Limited (Subsidiary)	NA	Full Consolidation
Fantabulas Town Developers Private Limited (Subsidiary)	NA	Full Consolidation
Maa-Vaishno Net-tech Private Limited (Subsidiary)	NA	Full Consolidation
Indeed Fincap Private Limited (Subsidiary)	NA	Full Consolidation
Sternal Buildcon Private Limited (Subsidiary)	NA	Full Consolidation
Forever Buildtech Private Limited (Subsidiary)	NA	Full Consolidation
Rose Building Solutions Private Limited (Subsidiary)	NA	Full Consolidation
Signatureglobal Homes Private Limited (Subsidiary)	NA	Full Consolidation
Signatureglobal Business Park Private Limited (Subsidiary)	NA	Full Consolidation
Global Telecommunications Private Limited (Associate company)	NA	Full Consolidation

Source: Company

Note: ICRA has taken a consolidated view of SGIPL and its subsidiaries given the close business, financial and managerial linkages among them while assigning the ratings.

ANALYST CONTACTS

Shubham Jain

+91 124 4545 306

shubhamj@icraindia.com

Mathew Kurian Eranat

+91 80 4332 6415

mathew.eranat@icraindia.com

Kapil Banga

+91 124 4545 391

kapil.banga@icraindia.com

Hemant Dahiya

+91 124 4545 365

hemant.dahiya@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



© Copyright, 2021 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.