September 10, 2021 (Revised)

# Signature Global (India) Private Limited: [ICRA]BBB (Stable) rating reaffirmed and assigned for the enhanced portion

## Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|---|
| Long Term – Fund Based – Term Loan | 24.00 | 30.00 | [ICRA]BBB (Stable); rating reaffirmed and assigned to the enhanced limits |
| **Total** | **24.00** | **30.00** | |

**Instrument details are provided in Annexure-1*

## Rationale

The rating action 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 ratio[1] of 60% 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 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

*[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 67% % as on March 31, 2021 and 74% as on June 30, 2021*

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, 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 60% 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 67% 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. 860 crore as on June 30, 2021 (excluding CCDs the net debt stood at Rs. 550 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. 60.81 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<br>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 Signature Global (India) Private Limited (SGIPL) and its subsidiaries given the close business, financial and managerial linkages among them |

# About the company

Signature Global (India) Private Limited (SGIPL), incorporated in 2000, 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 | Audited |
| Operating Income (Rs. crore) | 347.76 | 350.87 |
| PAT (Rs. crore) | -15.01 | -69.39 |
| OPBDIT/OI (%) | -4.87% | -17.33% |
| PAT/OI (%) | -4.32% | -19.78% |
| Total Outside Liabilities/Tangible Net Worth (times) | 14.35 | 44.50 |
| Total Debt/OPBDIT (times) | -57.55 | -19.65 |
| Interest Coverage (times) | -0.89 | -2.18 |

*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 as on July 31, 2021 (Rs. crore) | Date & Rating in | Date & Rating in FY2022 | Date & Rating in FY2021 | Date & Rating in FY2020 |
| | | | | | September 10, 2021 | August 19, 2021 | - | - |
| 1 | Fund Based – Term Loan | Long-term | 30.00 | 25.49 | [ICRA]BBB (Stable) | [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/Banker Name | Instrument Name | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---|---|---|---|---|---|---|
| ARKA Fincap Limited | Long-term - Fund Based – Term Loan-1 | January 4, 2021 | 12.25% | FY2024 | 15.00 | [ICRA]BBB (Stable) |
| SBM Bank (India) Ltd. | Long-term - Fund Based – Term Loan-2 | January 4, 2021 | 11.5% | FY2024 | 15.00 | [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.*

### Corrigendum

Details of lenders have been updated in Annexure 1

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## 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.

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## ICRA Limited

### Registered Office

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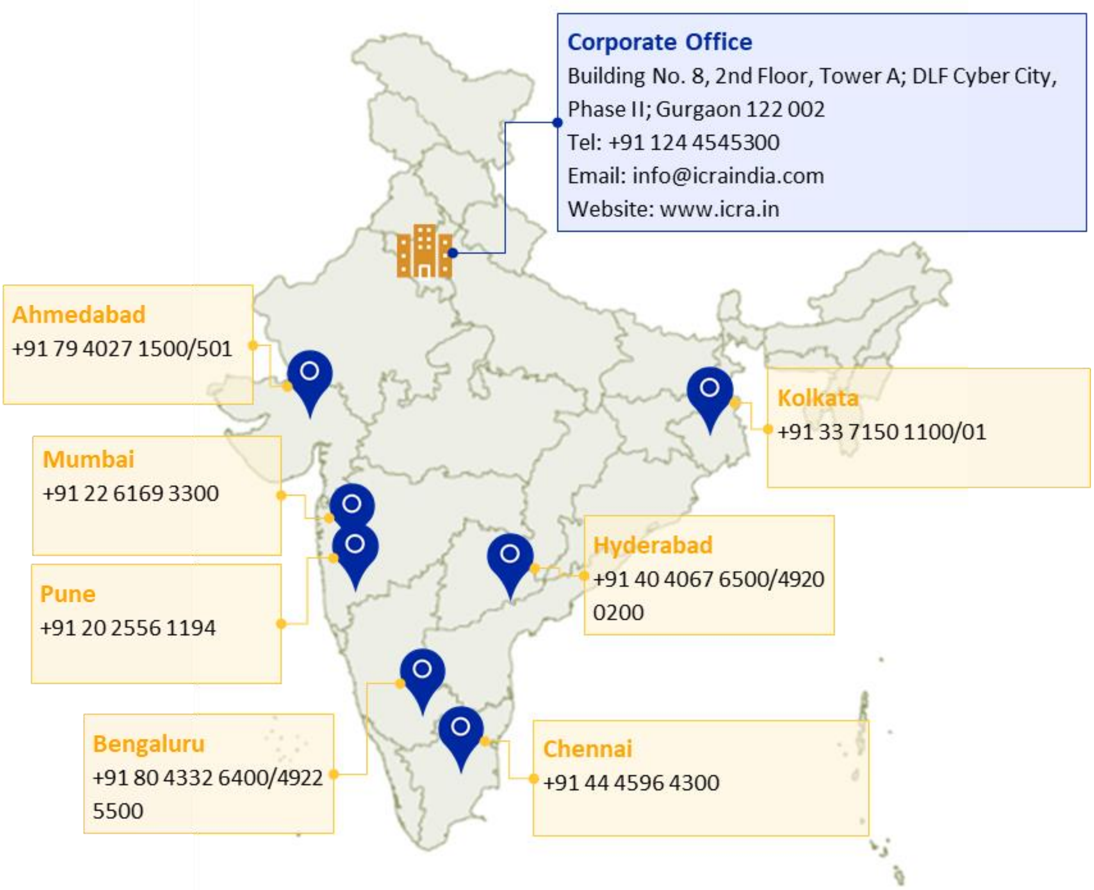
### Branches



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