

March 2025

Initiating Coverage

Signature Global

Emerging Heavyweight



INITIATING COVERAGE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	1,070
12 month price target (INR)	1,436
52 Week High/Low	1,647/1,011
Market cap (INR bn/USD bn)	150/1.7
Free float (%)	30.37
Avg. daily value traded (INR mn)	829.1

SHAREHOLDING PATTERN

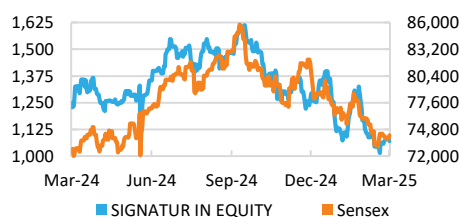
	Ddc-24	Sep-24	Jun-24
Promoter	69.63%	69.63%	69.63%
FII	12.04%	12.21%	8.33%
DII	4.82%	4.70%	5.31%
Pledge	0%	0%	0%

FINANCIALS

(INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Revenue	12,406	30,829	45,770	63,260
EBITDA	(263)	876	4,265	9,050
Adjusted profit	180	848	3,360	6,872
Diluted EPS (INR)	1.3	6.0	23.9	48.9
EPS growth (%)	nm	372.1	296.4	104.5
RoAE (%)	2.6	11.9	32.1	39.6
P/E (x)	836.9	177.3	44.7	21.9
EV/EBITDA (x)	nm	179.7	35.9	16.2
Dividend yield (%)	0	0	0	0

PRICE PERFORMANCE



Emerging heavyweight

Signature Global (SGIL) has built up a robust pre-sales momentum (TTM bookings up ~7.6x over FY21–9mFY25), notable presence in the supply-constrained Gurugram market (unsold inventory only about ten months) and a capital-efficient business model (among lowest capital employed/unit of pre-sales). It is on track to achieve a net cash status aided by robust cash flow and minimal working capital needs.

The ongoing realty upcycle and SGIL's successful transition to the premium housing segment shall help it clock a pre-sales CAGR of 21% over FY25–27E. Potential entry into Noida/Delhi shall be a re-rating trigger in our view. Initiate at 'BUY' with a TP of INR1,436 (at 20% premium to NAV). Slowdown in the Gurugram market is a key risk.

Premier developer with track record of execution excellence

A Gurugram-based realty developer, SGIL has cemented its position as one of the largest in the NCR within a short span of a decade. The company began its journey with affordable housing, wherein it demonstrated its capabilities of a quick turnaround between land acquisition and project launch, not to mention timely delivery to customers. SGIL has transitioned well to premium housing post-covid, which propelled its sales bookings (TTM basis) 7.6x over FY21–9mFY25.

Low-cost land bank in attractive Gurugram market

Gurugram has been among the best-performing realty markets in India post-covid on the back of robust demand (CY24 demand > 3.7x CY22 demand), low inventory levels (~ten months) and fast price appreciation. Ongoing and planned infra projects shall further reinforce the fundamentals of the Gurugram market. SGIL has managed to acquire a substantial land bank (> 21msf forthcoming projects with INR350bn-plus sales potential) in attractive micro-markets such as the Southern Peripheral Road (SPR), Dwarka Expressway and Sohna. Judicious land acquisition has ensured its land cost is merely 10–15% of pre-sales value. Hence, its cash operating margins are at a healthy 35% level, and can potentially reach ~40%.

Strong margins + rapid sales velocity = high capital efficiency

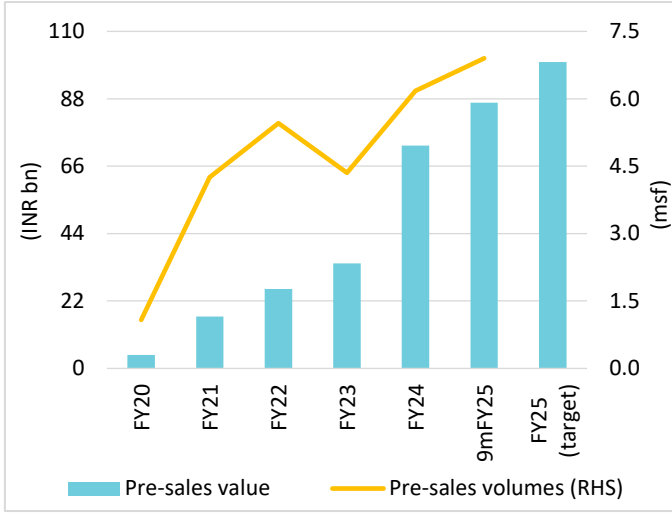
Tier-1 developers in Gurugram such as SGIL boast high sales velocity (due to factors such as constrained supply and customers preferring developers with proven track record), resulting in minimal working capital needs. Healthy collections (TTM collections up 5.4x over FY21–9mFY25) and margins mean SGIL has among the lowest capital needs per unit of pre-sales. Consequently, it has been able to amass a sizeable land bank while keeping its leverage low.

On its way to achieving net-cash status

SGIL's net debt/TTM operating surplus was ~0.5x at end-Q3FY25. Given the company's bookings are likely to surpass INR100bn in FY25E, we believe it shall have to step up its land capex to replenish its land bank. Nevertheless, a rising collections trajectory and improving profitability imply that free cash flow shall continue to rise. We reckon SGIL is poised to achieve a net-cash status by FY27E.

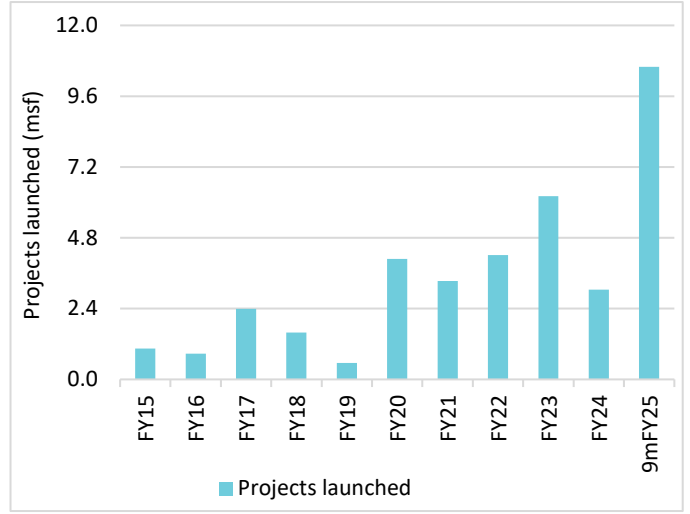
The Story in Charts

Exhibit 1: Rapid growth in SGIL's pre-sales...



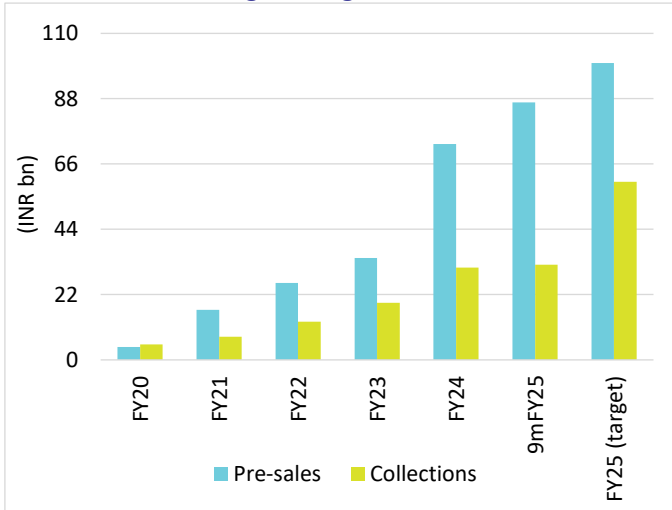
Source: Company, Nuvama Research

Exhibit 2: ...aided by ramp-up in launches



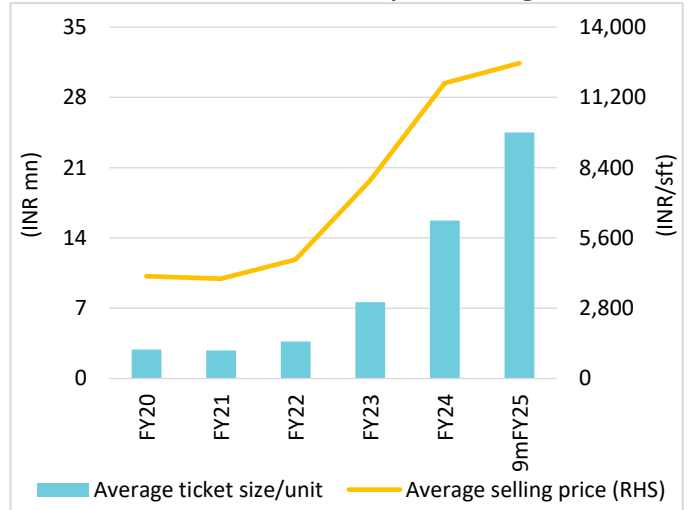
Source: Company, Nuvama Research

Exhibit 3: ...and driving the surge in collections...



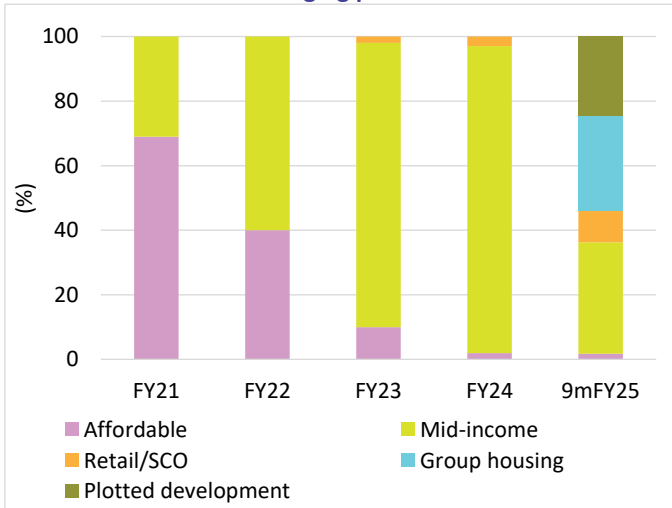
Source: Company, Nuvama Research

Exhibit 4: SGIL has transitioned to premium segment...



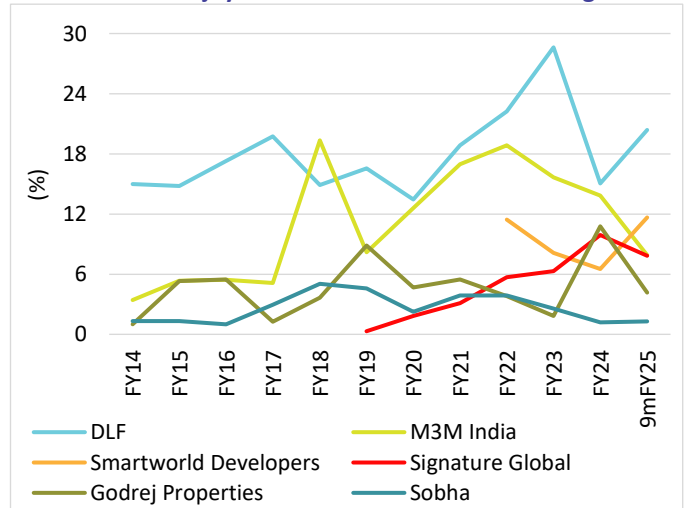
Source: Company, Nuvama Research

Exhibit 5: ...evident in changing pre-sales mix



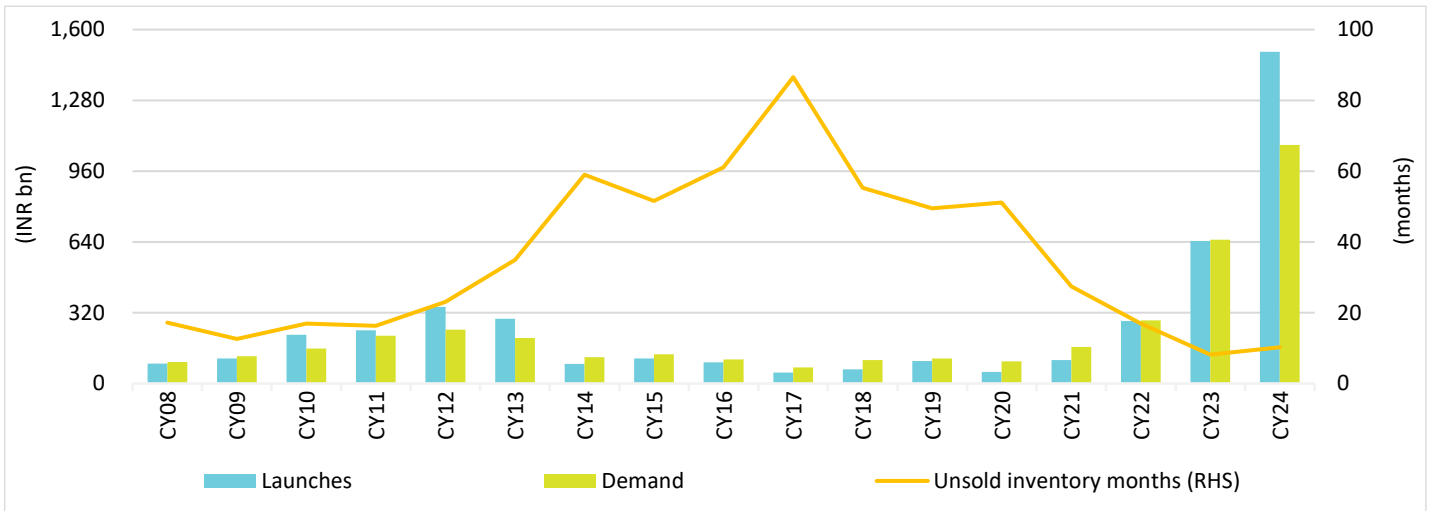
Source: Company, Nuvama Research

Exhibit 6: SGIL enjoys sizeable market share in Gurugram



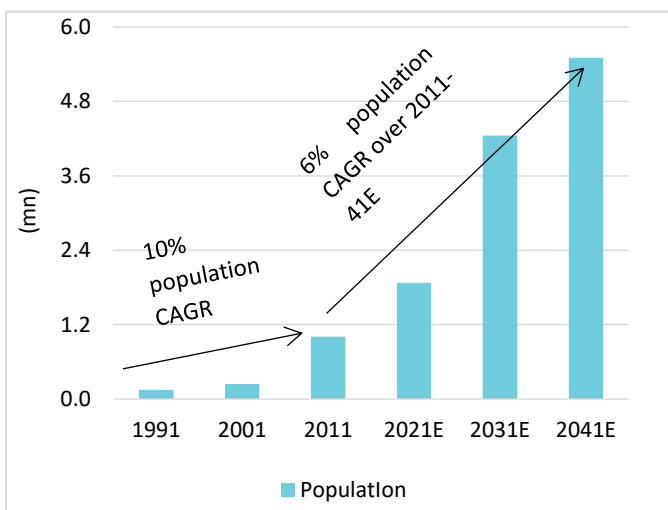
Source: PropEquity, Nuvama Research

Exhibit 7: Gurugram – a supply constrained market



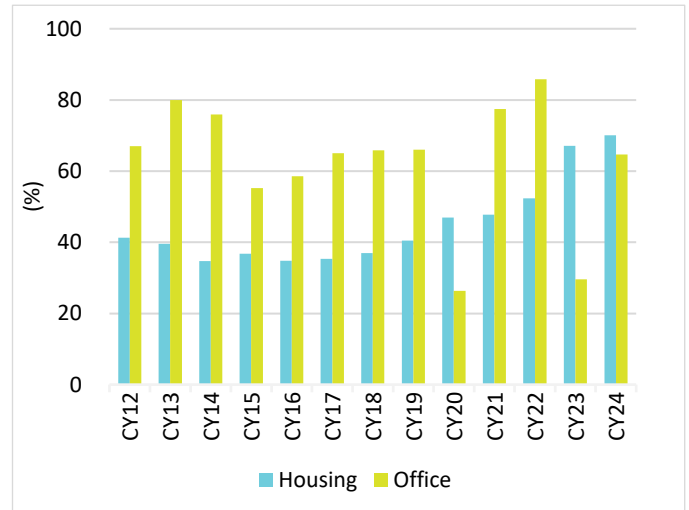
Source: PropEquity, Nuvama Research

Exhibit 8: Rapid population growth in Gurugram



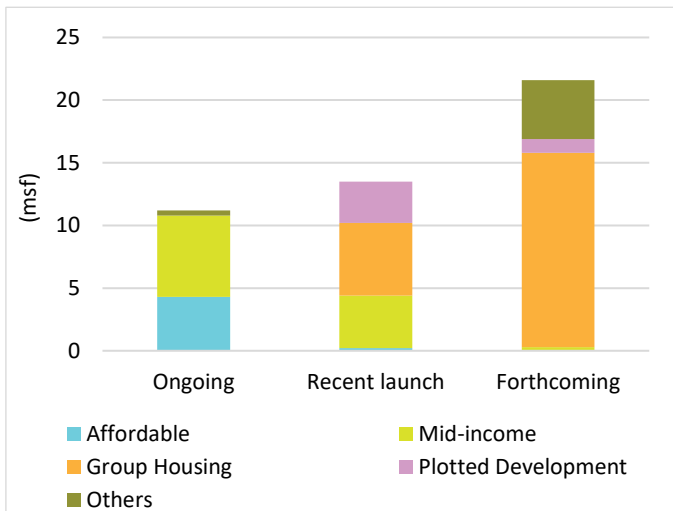
Source: Government documents, Nuvama Research

Exhibit 9: Gurugram's share in NCR's office/housing demand



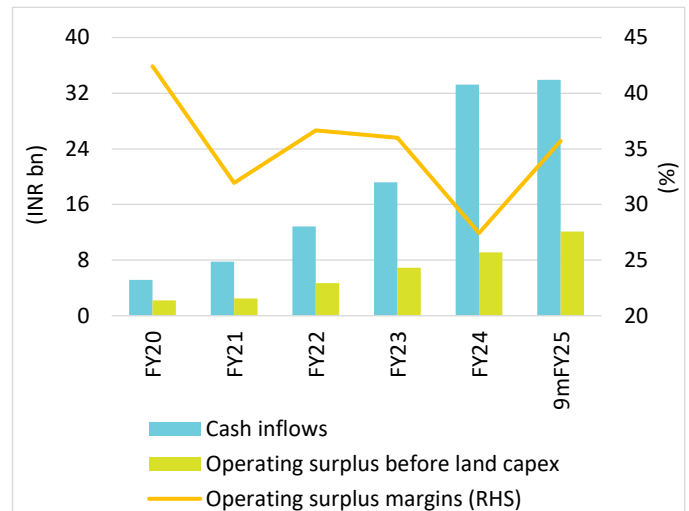
Source: PropEquity, Nuvama Research

Exhibit 10: Strong project pipeline for SGIL



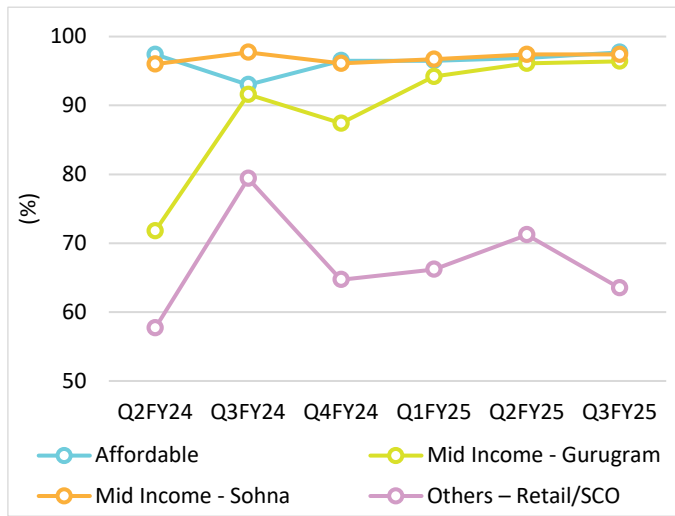
Source: Company, Nuvama Research

Exhibit 11: Robust operating surplus



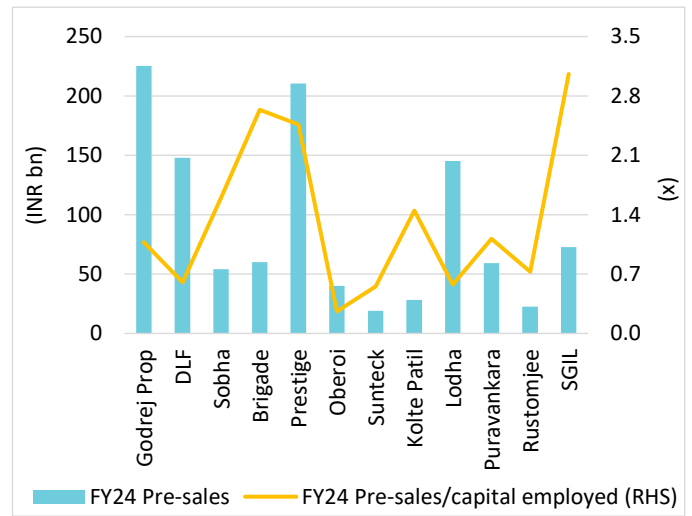
Source: Company, Nuvama Research

Exhibit 12: Strong sales velocity (area sold as % of launch area)



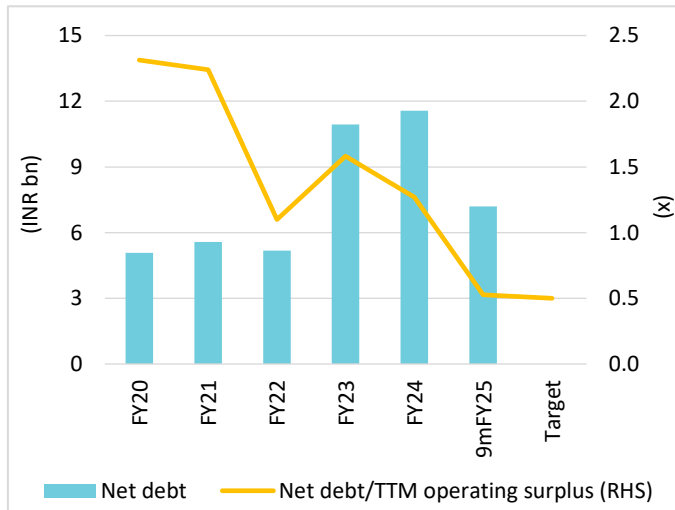
Source: Company, Nuvama Research

Exhibit 13: High capital efficiency — SGIL's strong suit



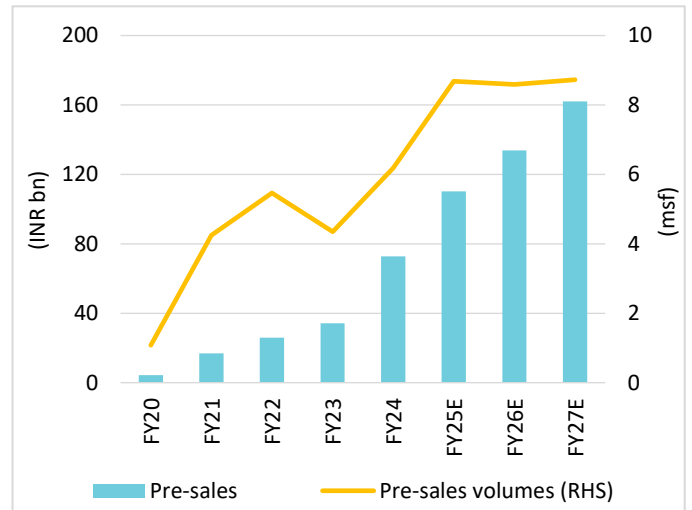
Source: Company, Nuvama Research

Exhibit 14: Leverage on the decline



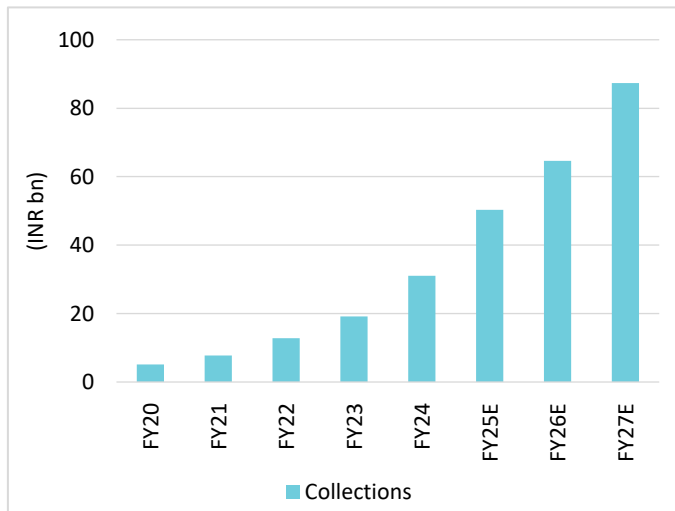
Source: Company, Nuvama Research

Exhibit 15: Pre-sales CAGR: 21% over FY25–27E



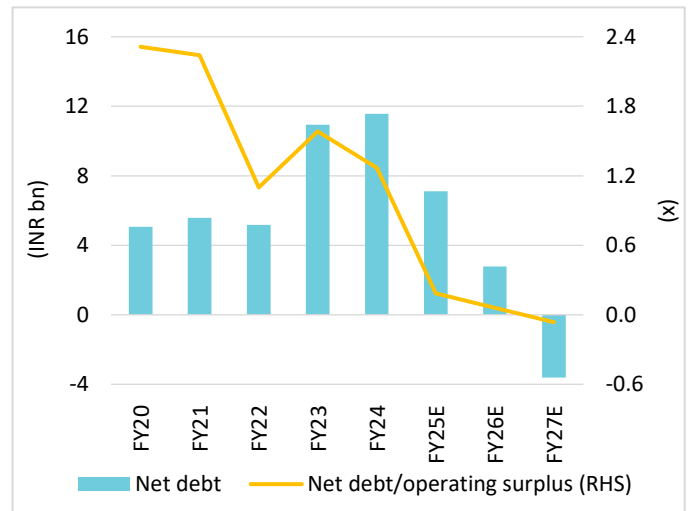
Source: Company, Nuvama Research

Exhibit 16: Collections to rise at 32% CAGR over FY25–27E



Source: Company, Nuvama Research

Exhibit 17: SGIL eyeing net-cash status by FY27E



Source: Company, Nuvama Research

Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Total operating income	12,406	30,829	45,770	63,260
Gross profit	2,687	6,722	12,452	20,262
Employee costs	1,170	1,931	2,510	3,263
Other expenses	1,780	3,915	5,677	7,948
EBITDA	(263)	876	4,265	9,050
Depreciation	216	249	305	366
Less: Interest expense	302	671	763	844
Add: Other income	840	1,176	1,294	1,345
Profit before tax	45	1,131	4,490	9,185
Prov for tax	(119)	285	1,132	2,315
Less: Other adj	15	0	0	0
Reported profit	165	848	3,360	6,872
Less: Excp.item (net)	15	0	0	0
Adjusted profit	180	848	3,360	6,872
Diluted shares o/s	141	141	141	141
Adjusted diluted EPS	1.3	6.0	23.9	48.9
DPS (INR)	0	0	0	0
Tax rate (%)	265.3	25.2	25.2	25.2

Important Ratios (%)

Year to March	FY24A	FY25E	FY26E	FY27E
Selling price infl. (%)	7.0	7.0	7.0	7.0
Const. cost infl. (%)	5.0	5.0	5.0	5.0
Gross margin (%)	21.7	21.8	27.2	32.0
EBITDA margin (%)	(2.1)	2.8	9.3	14.3
Net profit margin (%)	1.4	2.7	7.3	10.9
Revenue growth (% YoY)	(20.1)	148.5	48.5	38.2
EBITDA growth (% YoY)	nm	nm	386.9	112.2
Adj. profit growth (%)	nm	372.1	296.4	104.5

Assumptions (%)

Year to March	FY24A	FY25E	FY26E	FY27E
GDP (YoY %)	6.7	6.0	6.2	7.0
Repo rate (%)	6.5	6.0	5.0	5.0
USD/INR (average)	83.0	84.0	82.0	81.0
Interest cost (%)	2.4	2.2	1.7	1.3
Employee cost (%)	9.4	6.3	5.5	5.2
Other exp. (%)	14.3	12.7	12.4	12.6
Other inc. (%)	6.8	3.8	2.8	2.1
Dep. (% gr. block)	9.0	8.9	9.5	10.1
Effect. tax rate (%)	nm	25.2	25.2	25.2

Valuation Metrics

Year to March	FY24A	FY25E	FY26E	FY27E
Diluted P/E (x)	836.9	177.3	44.7	21.9
Price/BV (x)	24.0	21.1	14.4	8.7
EV/EBITDA (x)	nm	179.7	35.9	16.2
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Share capital	141	141	141	141
Reserves	6,126	6,969	10,325	17,193
Shareholders funds	6,267	7,110	10,466	17,334
Minority interest	28	29	31	32
Borrowings	19,179	23,279	18,379	15,379
Trade payables	7,917	10,292	13,379	15,386
Other liabs & prov	49,642	57,186	65,847	72,486
Total liabilities	83,032	97,896	1,08,101	1,20,617
Net block	1,153	1,304	1,399	1,433
Intangible assets	29	29	29	29
Capital WIP	0	0	0	0
Total fixed assets	1,182	1,333	1,428	1,462
Non current inv	1	1	1	1
Cash/cash equivalent	7,361	16,160	15,602	18,984
Sundry debtors	342	412	618	927
Loans & advances	1,684	1,684	1,515	1,897
Other assets	72,461	78,306	88,936	97,346
Total assets	83,032	97,896	1,08,101	1,20,617

Free Cash Flow (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Reported profit	162	845	3,357	6,869
Add: Depreciation	216	249	305	366
Interest (net of tax)	1,102	502	571	631
Others	5,154	(244)	(147)	(402)
Less: Changes in WC	(6,470)	4,248	1,225	(53)
Operating cash flow	164	5,600	5,312	7,411
Less: Capex	(53)	(400)	(400)	(400)
Free cash flow	111	5,200	4,912	7,011

Key Ratios

Year to March	FY24A	FY25E	FY26E	FY27E
RoE (%)	2.6	11.9	32.1	39.6
RoCE (%)	0.6	2.8	11.6	21.0
Inventory days	1,982	961	768	656
Receivable days	9	4	4	4
Payable days	338	138	130	122
Working cap (% sales)	122.7	36.4	22.2	16.8
Gross debt/equity (x)	3.1	3.3	1.8	0.9
Net debt/equity (x)	1.9	1.0	0.3	(0.2)
Interest coverage (x)	(1.6)	0.9	5.2	10.3

Valuation Drivers

Year to March	FY24A	FY25E	FY26E	FY27E
EPS growth (%)	nm	372.1	296.4	104.5
RoE (%)	2.6	11.9	32.1	39.6
EBITDA growth (%)	nm	nm	386.9	112.2
Payout ratio (%)	0	0	0	0

Investment Rationale

Leading realty player in NCR; growth enablers in place

- Premier realty developer with track record of execution excellence
- Seamless transition to various segments/price points has kept up growth in the face of dynamic regulatory framework and evolving customer preferences
- Healthy land bank does away with need for large capital commitments; strong cash flows to aid deleveraging
- Residential pre-sales CAGR of ~21% over FY25–27E (Nuvama estimate); robust cash flow implies net debt-to-equity likely to turn negative in the future

Company background

Signature Global (SGIL) is a premier Gurugram-based realty developer. It commenced operations in 2014 and within a short span of a decade has solidified its position as among the largest real estate developers in the NCR.

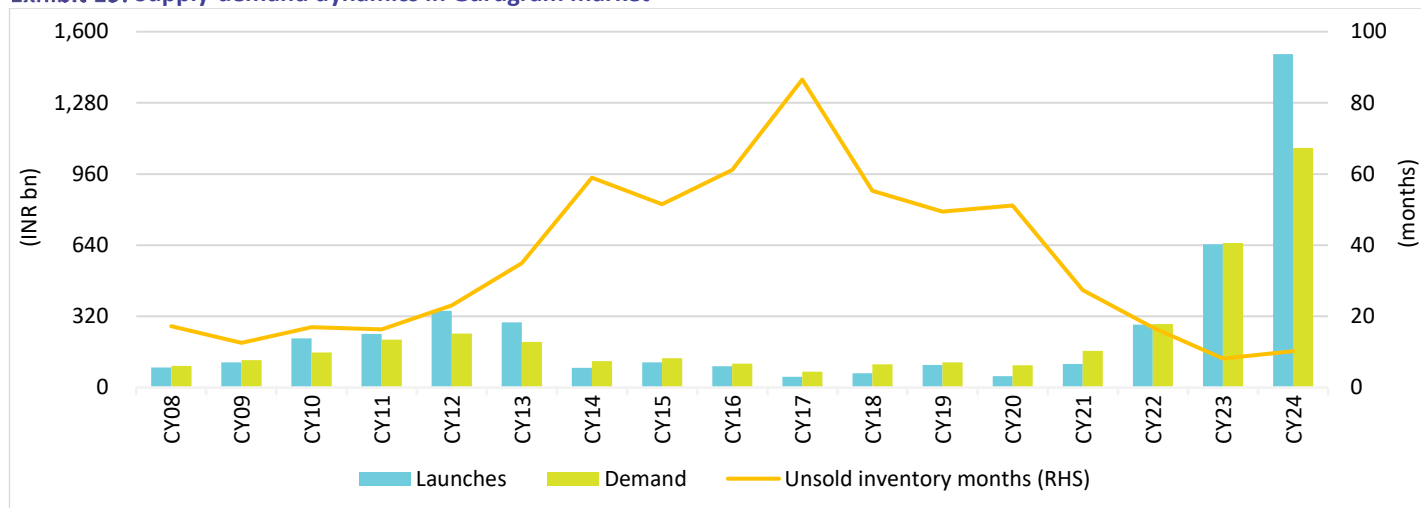
Exhibit 18: SGIL's journey so far

Year	Milestone achieved
2014	Launched Projects Solera and Synera
2015	Launched Project Grand IVA
2016	Launched Project Orchard Avenue
2017	Launched Projects Roselia, Serenas, Millennia, Solera 2 and Sunrise the Premium Floor
2018	Launched Projects Roselia 2, Signature Global City 1 (Floors) and Signature Global City 2 (Floors)
2018	Received occupancy certificate for Project Solera
2019	Launched Projects Signature Global Park 2, Signature Global Park 3, Orchard Avenue 2, Signature Global Prime and Signature Global Aspire
2019	Received occupancy certificate for Project Synera
2020	Received occupancy certificate for Project Sunrise the Premium Floor
2020	Launched Projects Signature Global Proxima 1/2, Golf Green 79, Signature Global Park 4, Signature Global Park 5, Signature Global Superbia and The Millennia 3
2021	Launched Projects Signature Global City 37D, Signature Global City 81, Signature Global Park 1 and Signature Global City 92
2021	Received occupancy certificate for Projects Grand IVA, Signature Global Park 2 and Orchard Avenue
2021	Received completion certificate for Projects Signature Global Park 2, Signature Global Park 3 Extension and Signature Global Park 3
2022	Launched projects Signature Global Imperial and The Millennia 4 and Infinity Mall
2022	Launched project 'Signature Global SCO' in Sohna, South of Gurugram
2022	Launched projects 'Signature Global City 63A', Sector 63A and 'Signature Global City 37DII, Sector 37DII in Gurugram
2022	Launched project 'Signature Global SCO', Sector 37D, Gurugram
2023	Launched projects 'Signature Global City 92-2, Sector 92 and 'Signature Global City 93, Sector 93 in Gurugram
2023	Launched project 'Signature Global City 79B, Sector 79B, Gurugram
2024	Entered the premium housing segment by launching Deluxe DXP Group Housing Project in Gurugram
2024	Successful launch of Group housing project Titanium SPR in Gurugram and township project DAXIN on Sohna Corridor

Source: Company, Nuvama Research

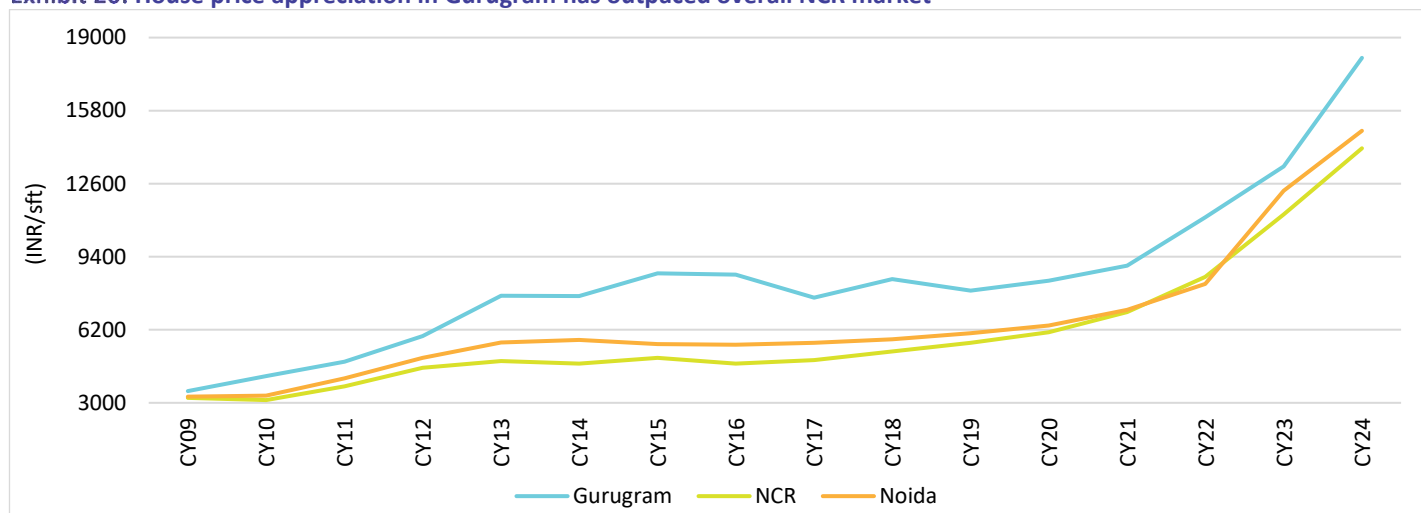
SGIL has largely focused on the supply-constrained Gurugram and Sohna markets where consumers are ready to pay a premium for reputed developers with a proven track record of delivery and quality. The Gurugram market has been among the best performing realty markets in India post-covid in terms of robust demand, low inventory levels and healthy price increase.

Exhibit 19: Supply-demand dynamics in Gurugram market



Source: PropEquity, Nuvama Research

Exhibit 20: House price appreciation in Gurugram has outpaced overall NCR market



Source: PropEquity, Nuvama Research

Over the past decade, the company has built up a diversified portfolio of residential projects including apartments, independent floors, plotted developments and integrated townships.

The company started its journey by undertaking projects in the affordable housing segment. After having achieved a leadership position in the affordable housing segment, SGIL has progressively transitioned to mid-income and premium housing projects.

Exhibit 21: Ongoing project portfolio snapshot

Category	Number of Projects	Land (in Acres)	Saleable Area (msft)*	Sold Area	Sold Value (INR bn)
Affordable	6	42.4	4.3	97.7%	18.6
Mid Income - Gurugram	8	91.6	5.9	96.4%	64.3
Mid Income - Sohna	5	41.6	0.6	97.4%	17.2
Others - Retail/SCO	4	13.3	0.4	63.5%	3.7
Total	23	188.9	11.2		103.6

Source: Company, Nuvama Research

* Total project area for ongoing projects is 15.3msf out of which partial OC has been received in DDJAY floors projects for 4.1msf; hence, remaining area for completion of ongoing projects is 11.2msf

Its strong execution track record, nimble-footedness in the face of regulatory changes and robust cash flow have added wings to its growth prospects.

Eventful journey in short span of time

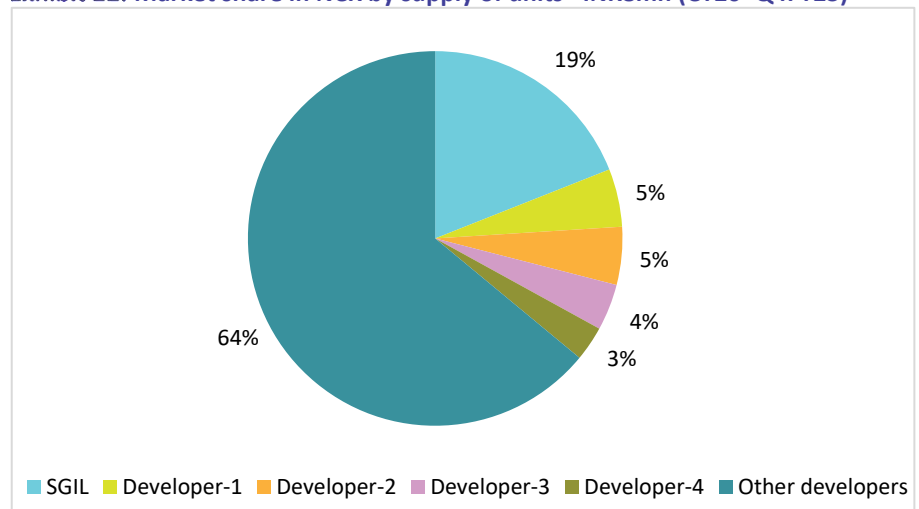
SGIL commenced operations in 2014. The company initially focused on the affordable housing segment (below INR4mn price category). It launched its first project, *Solera*, in Gurugram in 2014. It ventured into the mid-income housing market (INR4–25mn price category) in 2017. SGIL did this through its first project launch under the Deen Dayal Jan Awas Yojana (DDJAY – APHP) scheme of the Haryana government.

For the first decade of its existence, the company focused on the affordable housing segment and the middle-income housing segment through policy support from the central and state governments. In Haryana, SGIL undertook projects under the Affordable Housing Policy, 2013 (AHP) and the DDJAY scheme.

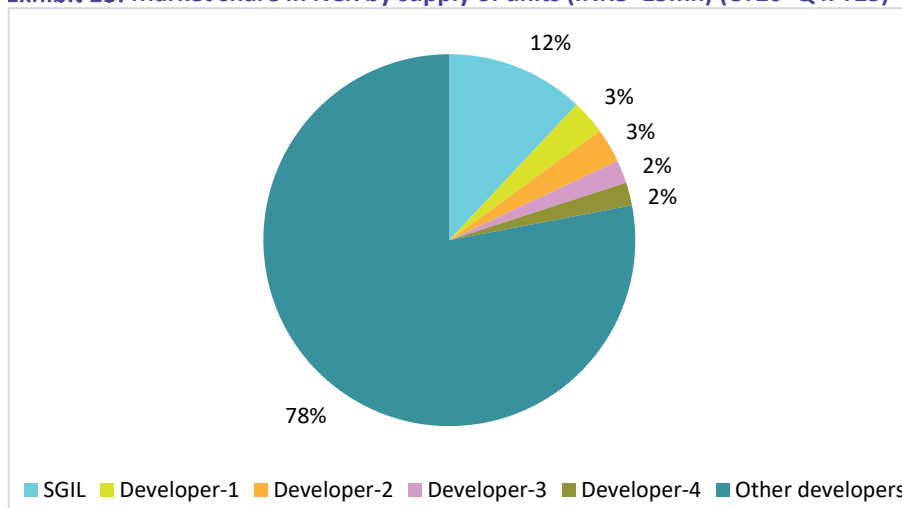
In the affordable and mid-income segments, where ensuring quality and meeting challenging timelines while simultaneously making profits is well-nigh impossible, SGIL delivered in spades. By end-FY24, the company had sold over 32,500 residential and commercial units, with an aggregate saleable area in excess of 25msf.

In fact, it had emerged as the largest realty developer in the NCR in the affordable and lower-mid income housing segments in terms of units supplied (in the less than INR8mn price category) between CY20 and end-FY23 with a market share of 19%.

Exhibit 22: Market share in NCR by supply of units <INR8mn (CY20–Q4FY23)



Source: Company, Nuvama Research

Exhibit 23: Market share in NCR by supply of units (INR8–15mn) (CY20–Q4FY23)

Source: Company, Nuvama Research

Similarly, the company held 12% market share in the NCR in supply in mid-income housing segment (INR8–15mn) during CY20–Q4FY23.

As far as pre-sales are concerned, SGIL garnered a 12% share during CY20–Q4FY23 in the NCR in the affordable and lower mid-income segments combined. It also had a 15% share in sales in the mid-income category during CY22–Q4FY23 in the NCR.

Changing tack in search of new avenues for growth and profitability

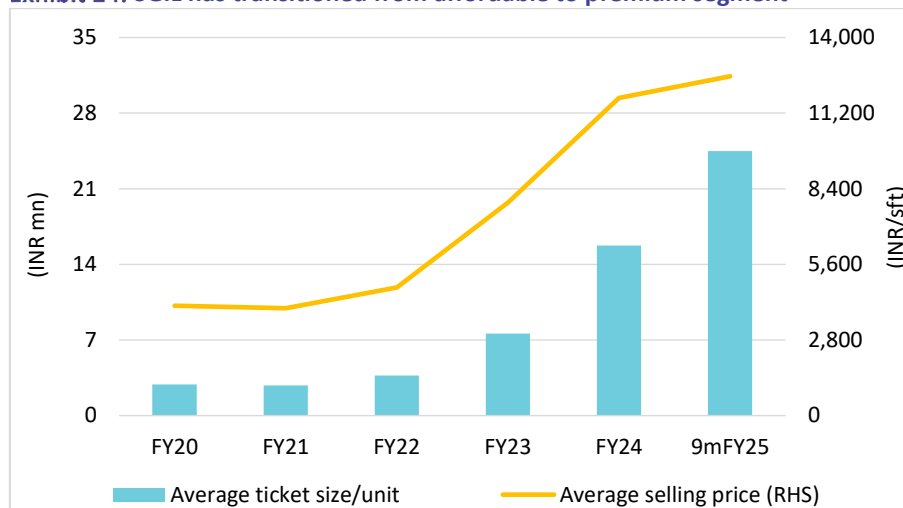
In a short span of time, SGIL had emerged as the developer of choice in the affordable and mid-income housing segment in NCR. However, covid-19 upended the housing industry, resulting in a paradigm change in customer preferences and cost metrics. Customers started gravitating towards large unit sized premium/luxury projects; at the same time, rising costs/changing government regulations squeezed the profits in the affordable and lower mid-income category.

SGIL responded to the fast-changing industry dynamics quickly by:

- Entering the mid-income low-rise independent floors segment in 2021.
- Entering the premium segment through launch of the Deluxe DXP project (located on Dwarka Expressway, Sector 37D, Gurugram) in Q4FY24. It further strengthened its positioning through the successful launch of the Titanium SPR project in Sector 71, Gurugram in Q1FY25 and Twin Tower DXP project in Sector 84, Gurugram in Q3FY25.

The company has replicated its success story in the premium segment over the last few years. This is evident in the 'premiumisation' journey that SGIL has undergone over the past few years. The average ticket size of houses sold by the company as well as sales realisations have surged with the company steadily moving from the affordable to the mid-income and then to the premium segment.

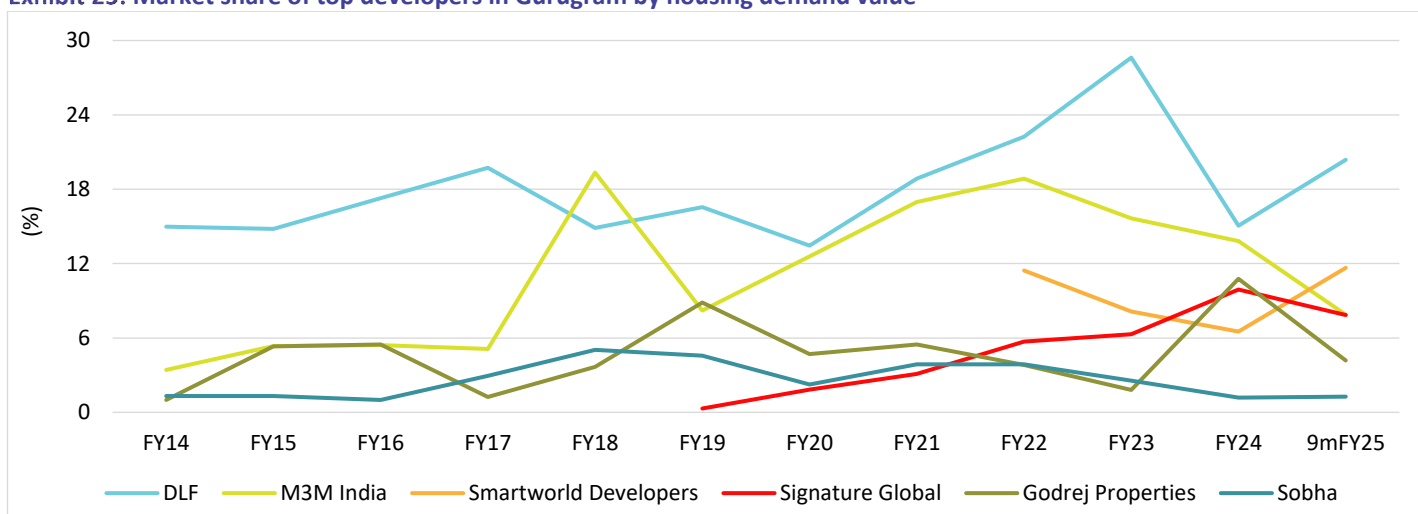
Exhibit 24: SGIL has transitioned from affordable to premium segment



Source: Company, Nuvama Research

Given DLF is largely focusing on the luxury segment, we believe a gap existed in the mid-income and premium housing segment in Gurugram with consumers looking for a developer with a proven track record of execution and delivery. We believe SGIL has nicely filled this gap, evident in its scorching growth post-FY21.

Exhibit 25: Market share of top developers in Gurugram by housing demand value



Source: PropEquity, Company, Nuvama Research

Despite being a relatively new entrant, SGIL has emerged as among the largest developers in the Gurugram housing market in terms of sales bookings over the past few years. Today, SGIL is a name to reckon with, especially as far as sales of units in the INR20–70mn bracket in Gurugram is concerned.

The company's ongoing and upcoming portfolio has a healthy mix of projects across segments. This is likely to broaden SGIL's growth horizons.

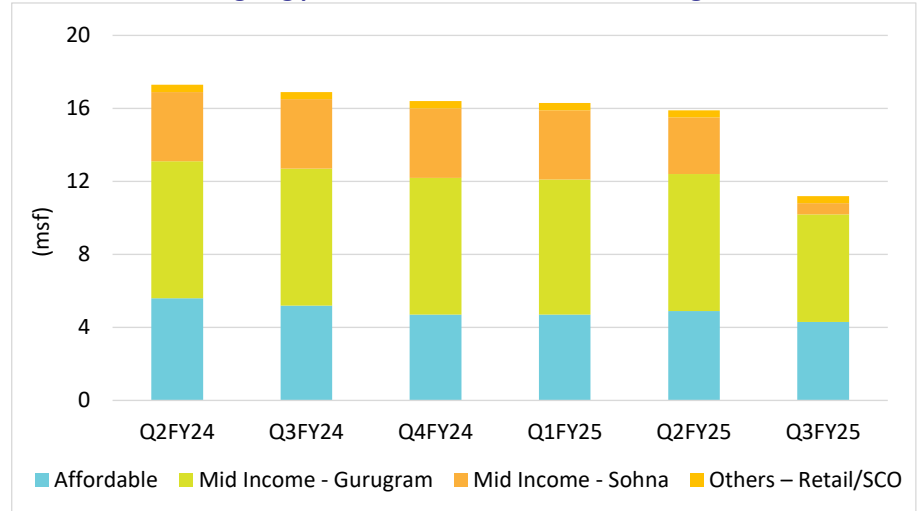
Exhibit 26: SGIL boasts robust project pipeline across segments

Category	Affordable Housing	Mid Income Housing	Group Housing	Plotted Development	Others	Total (msft)
Ongoing	4.3	6.5	-	-	0.4	11.2
Recent launch	0.2	4.2	5.8	3.3	-	13.5
Forthcoming	-	0.3	15.5	1.1	4.7	21.6
Total	4.5	11.0	21.3	4.4	5.1	46.3

Source: Company, Nuvama Research

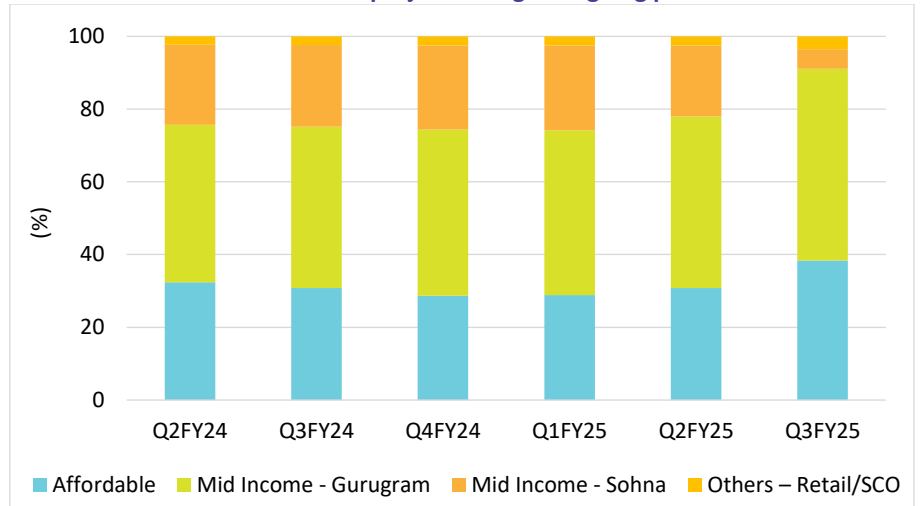
The company has ongoing projects of ~11msf in addition to projects of ~13.5msf launched over the past couple of quarters. A bulk of these projects pertains to the mid-income segment in Gurugram and Sohna.

Exhibit 27: SGIL's ongoing portfolio focuses on mid-income segment



Source: Company, Nuvama Research

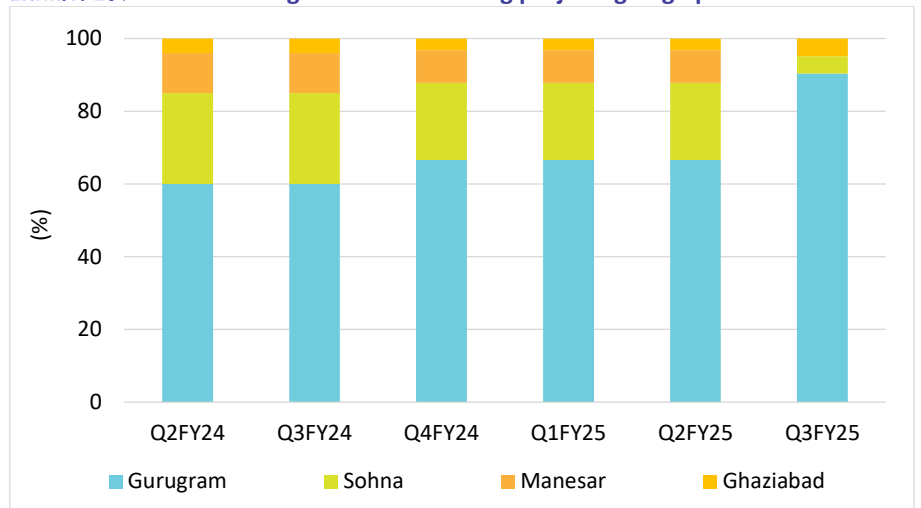
Exhibit 28: Share of mid-income projects rising in ongoing portfolio



Source: Company, Nuvama Research

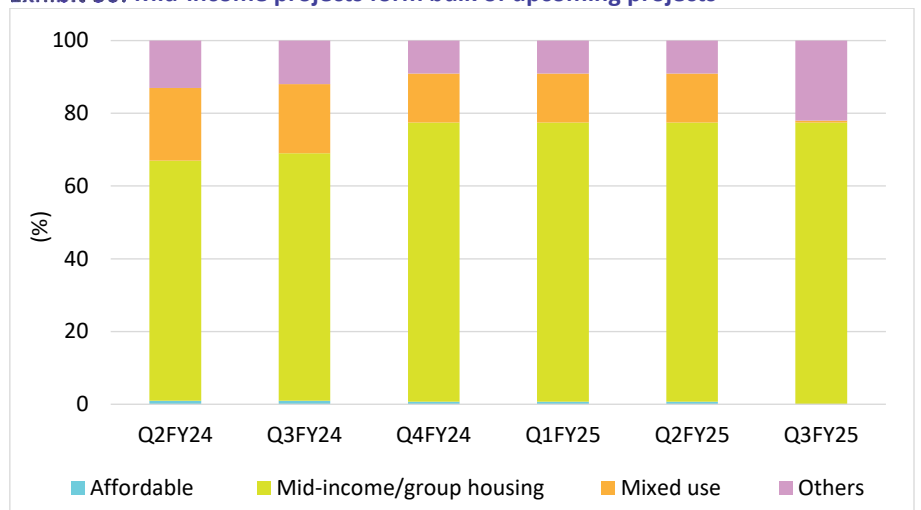
As far as forthcoming projects are concerned (21.6msf at end-Q3FY25), a majority of them are in Gurugram in the mid-income segment.

Exhibit 29: Share of Gurugram in forthcoming projects going up



Source: Company, Nuvama Research

Exhibit 30: Mid-income projects form bulk of upcoming projects



Source: Company, Nuvama Research

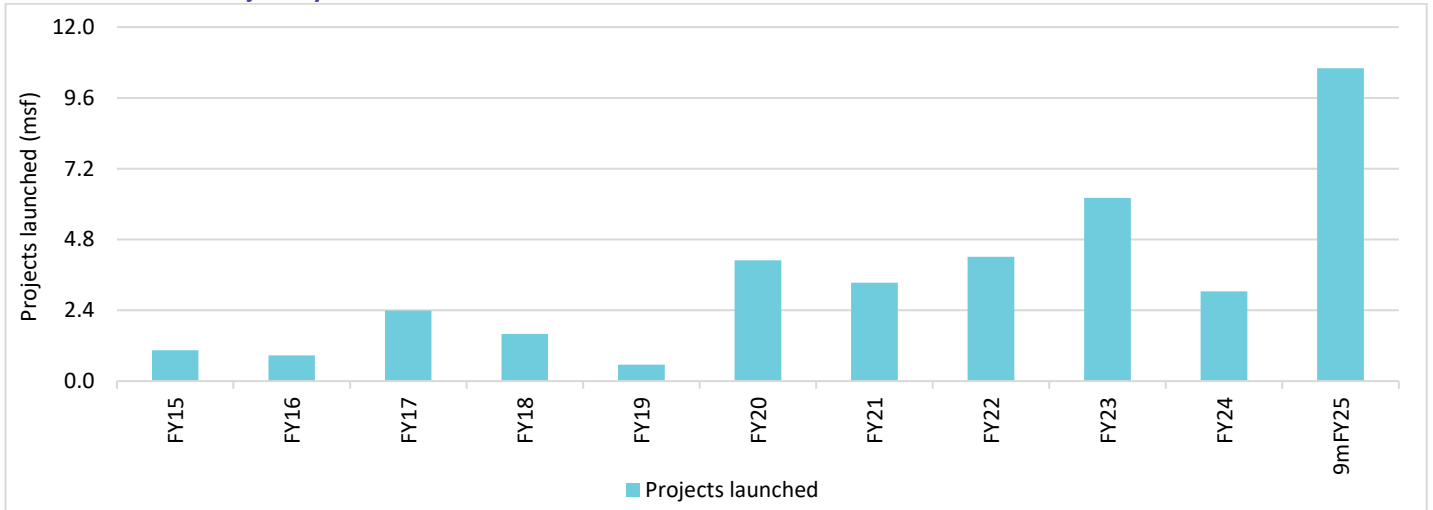
Given a healthy mix of projects across segments and geographies, we believe SGIL is well placed to continue its success story.

Establishing an enviable track record

Over the past decade, SGIL has delivered consistent growth. This has been made possible by the following:

- **Steady pace of launches:** The company has been able to launch projects across various segments and geographies at regular intervals.

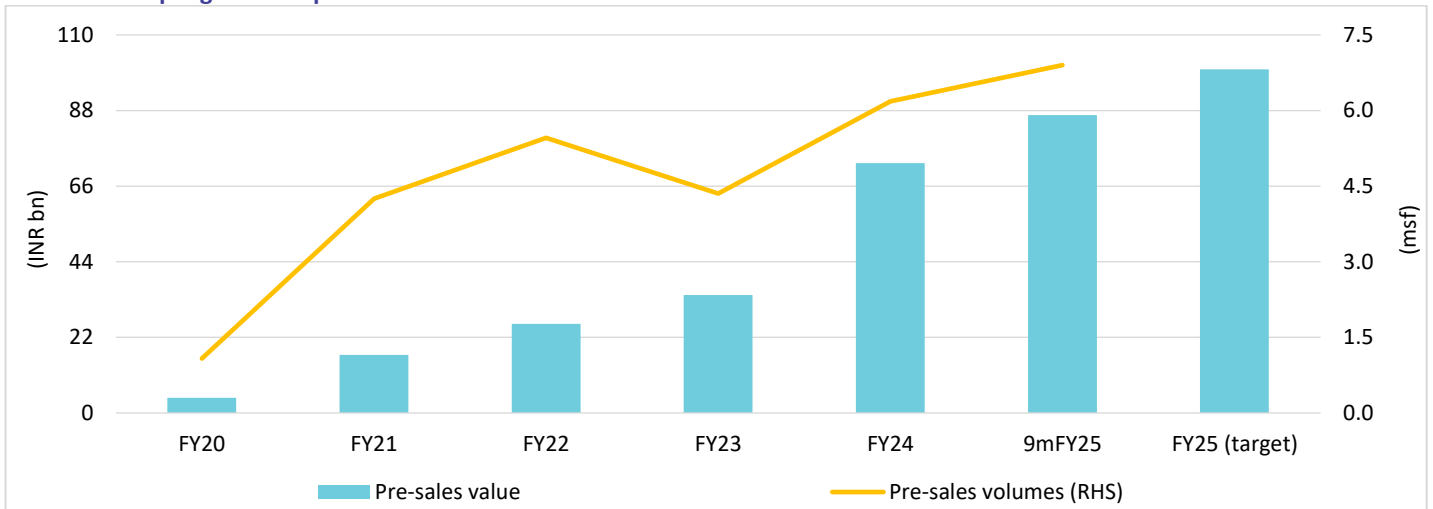
Exhibit 31: Launch trajectory



Source: Company, Nuvama Research

This has enabled it to benefit from the strong inherent demand for its products. Its TTM bookings are up ~7.6x over FY21–9mFY25. The company has guided for INR100bn pre-sales in FY25E; we believe it can surpass this target.

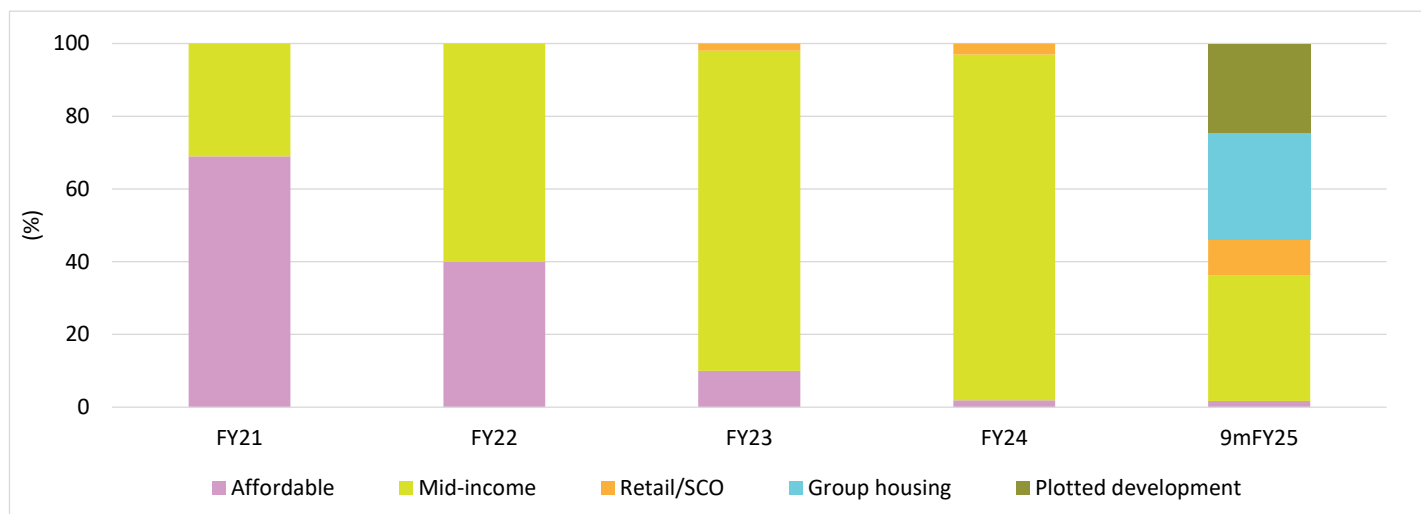
Exhibit 32: Rapid growth in pre-sales



Source: Company, Nuvama Research

- **Segmental diversification:** As discussed earlier, SGIL has steadily transitioned across segments in response to changing customer preferences.

Exhibit 33: A jack that's a master of many: SGIL's presence spans several segments...



Source: Company, Nuvama Research

Note: Indicates share of pre-sales by different segments

This has played a key role in the strong growth displayed by the company by enabling it to capture a larger share of the housing opportunity.

- Robust execution skills:** The company boasts of a healthy execution track record courtesy its strong in-house construction capabilities. It has been able to achieve timely delivery of projects. In our view, this has been probably the biggest enabler in creating the 'Signature' brand among consumers in the NCR market. In general, project execution and delivery has been a sore point with homebuyers in the NCR market, which has witnessed numerous stalled projects over the past 10–15 years.

Exhibit 34: ...aided by strong track record in execution...

Project	Project Environment Clearance Date	OC Receipt Date	Construction Period (Years)*
Solera	January 5, 2015	October 3, 2018	3.7
Synera	March 9, 2015	October 24, 2019	4.6
Grand Iva	September 29, 2016	April 20, 2021	4.6
Orchard Avenue	September 29, 2016	April 20, 2021	4.6
Serenas	May 18, 2017	March 25, 2022	4.9
The Roselia	May 18, 2017	May 6, 2022	5
The Roselia 2	January 28, 2019	May 6, 2022	3.3
Solera 2	September 5, 2017	May 6, 2022	4.7
Sunrise	April 4, 2018	In different phases starting from February 27, 2019 to October 21, 2021 for residential units	3.6

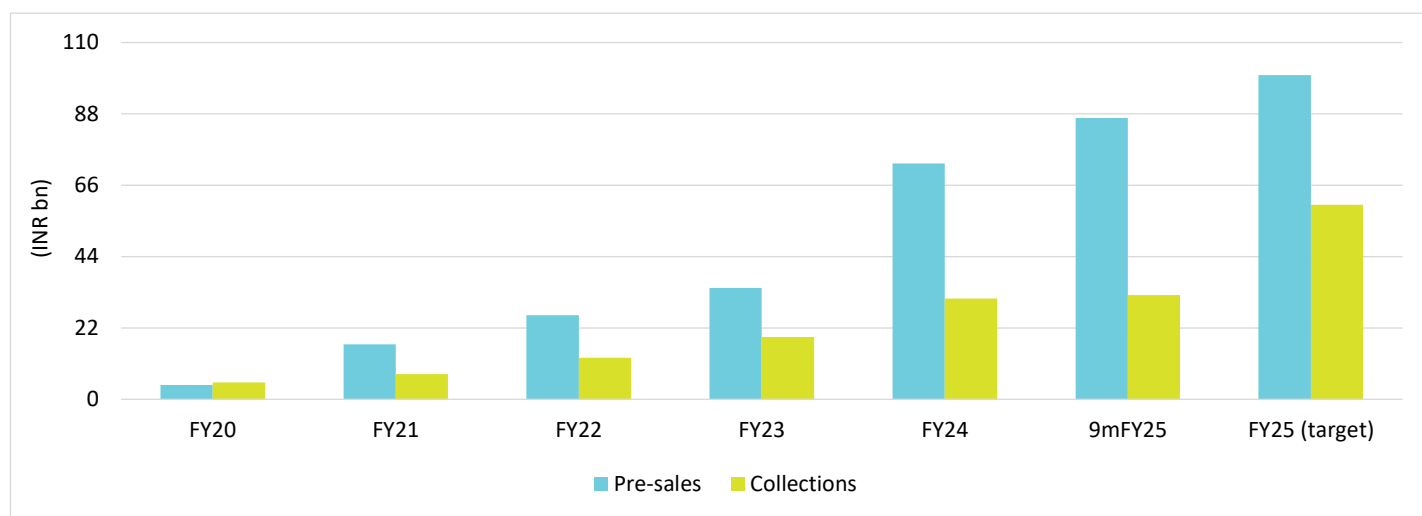
Source: Company, Nuvama Research

Note: *Time period between receipt of Environment Clearance and Occupation Certificate

It is evident from the table above that SGIL has been able to deliver projects consistently and with the requisite quality to its consumers.

- Rising collections trajectory:** Aided by robust delivery, the company's collections have surged despite covid-induced challenges. TTM collections have shot up 5.4x over FY21–9mFY25.

Exhibit 35: ...leading to a surge in collections



Source: Company, Nuvama Research

The company has set for itself an ambitious target of INR60bn collections in FY25E (~2x FY24 collections).

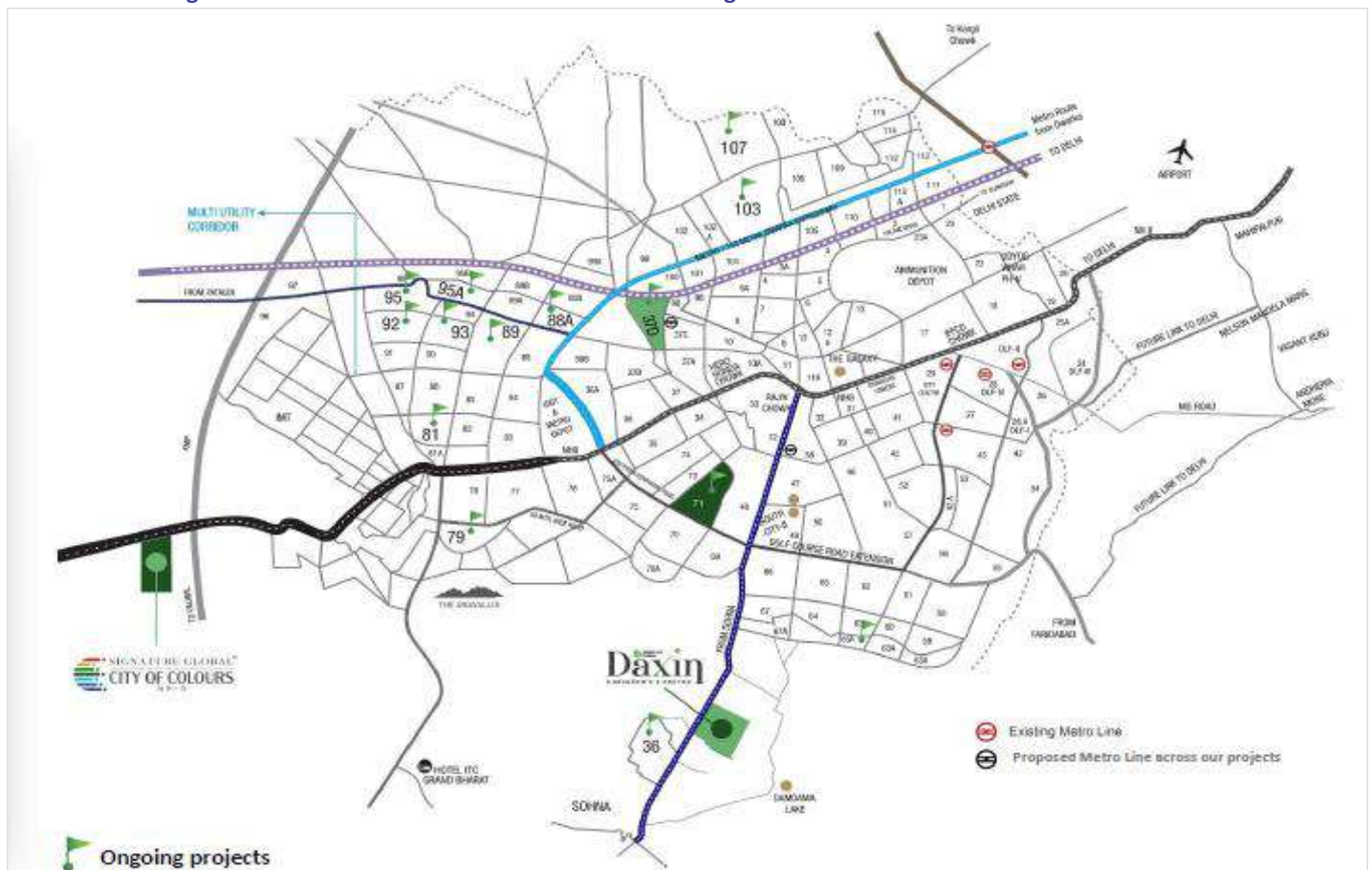
Low-cost land bank a huge advantage

Since its inception, SGIL has paid special attention to acquiring large tracts of land at affordable prices at select locations. This has been done by zeroing in on attractive micro-markets, which are likely to witness strong demand from consumers in future, identifying the right land parcels within these micro-markets and then buying these parcels in bulk to create visibility of land for the medium term.

In this endeavour, SGIL was helped by the fact that not many developers in Gurugram were looking to buy land over the 2017–22 period, which reduced competition for land parcels. Furthermore, land is available in plenty in Gurugram, unlike other cities such as Mumbai. Moreover, the strong infra development in Gurugram (discussed in detail later) has led to a shorter commute time despite reasonably large distance of areas such as new Gurugram/Sohna from the CBD (Cyber City); this has kept land prices in the city in check by opening up new micro-markets for development.

Within Gurugram, the company has focused on three key micro-markets – Sec 71 on the Southern Peripheral Road (SPR), Sec 37D on Dwarka Expressway and the Sohna micro-market.

Exhibit 36: Drilling down: Three main focus markets for SGIL in Gurugram



Source: Company, Nuvama Research

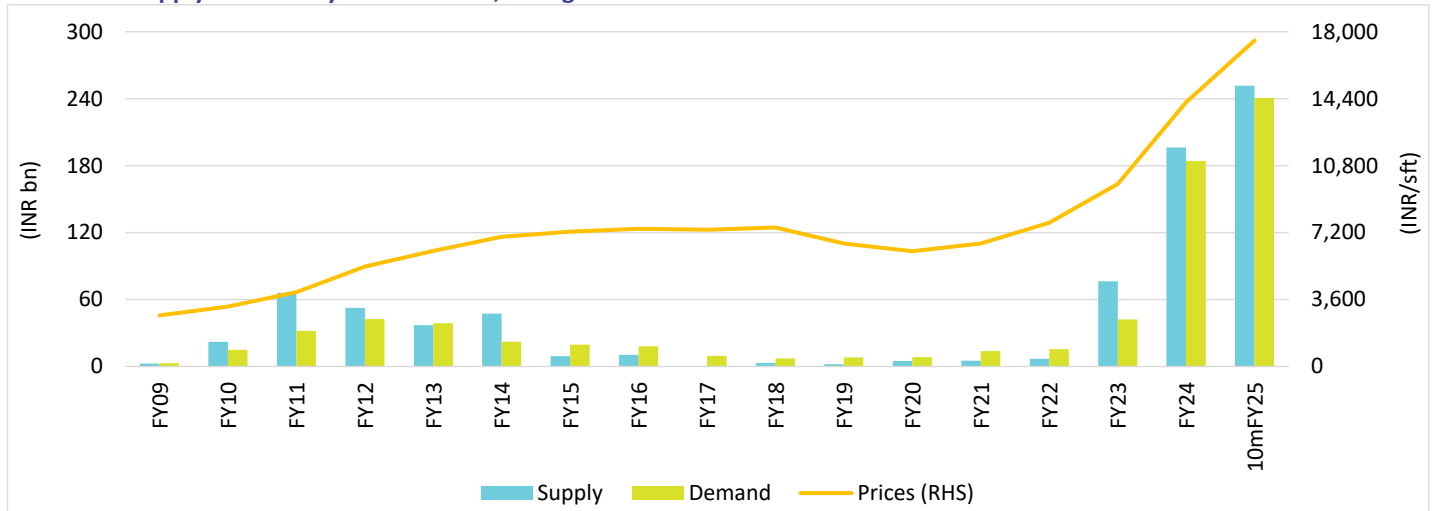
Each of these micro-markets has their own distinct characteristics, which has enabled SGIL to cater to a wide array of consumers.

- Sec 71, Gurugram:** The company's largest land bank resides in Sec 71 (Gurugram), which is in close proximity to all prime areas of Gurugram. It is likely to have red-light free connectivity to Golf Course Road in the future.

It abuts the Southern Peripheral Road (SPR), which provides connectivity to NH-48, the Golf Course Extension Road as well as the Sohna Road.

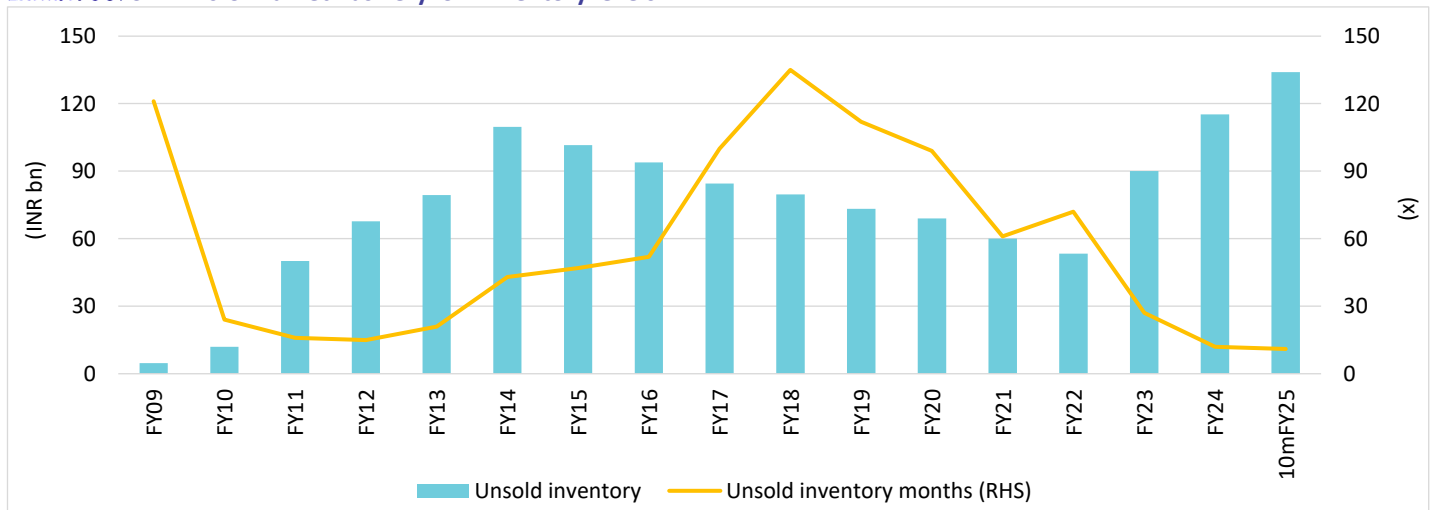
Over the past few years, the SPR has emerged among the hottest real estate markets in Gurugram with absorption and prices climbing sharply even as unsold inventory levels have decreased.

Exhibit 37: Supply-demand dynamics — SPR, Gurugram



Source: PropEquity, Nuvama Research

Exhibit 38: SPR micro-market has very low inventory levels



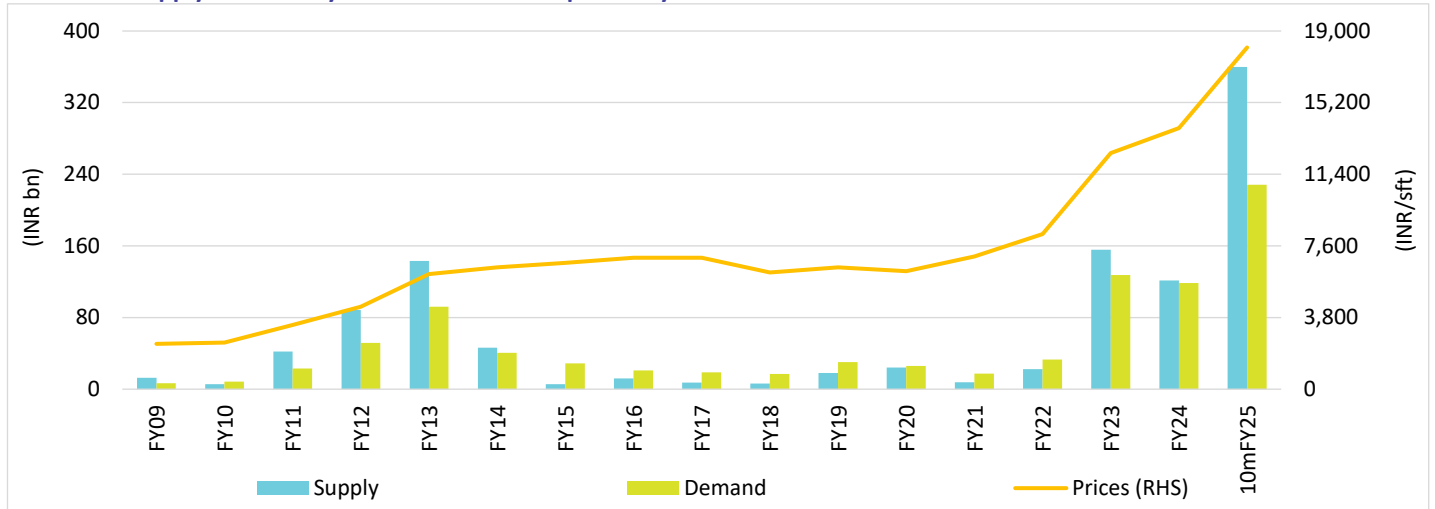
Source: PropEquity, Nuvama Research

- Sec-37D, Gurugram:** The company owns a sizeable land parcel in Sec 37D, located on the Dwarka Expressway, also known as the Northern Peripheral Road (NPR). The Dwarka Expressway has been planned as an alternate road link between Delhi and Gurugram. It is likely to reduce congestion on the Delhi-Gurugram Expressway by 30%.

As per the Gurugram–Manesar Urban Master Plan 2031, an inter-state bus terminal has been proposed in Kherki Daula, at the intersection of NH-48 and Dwarka Expressway.

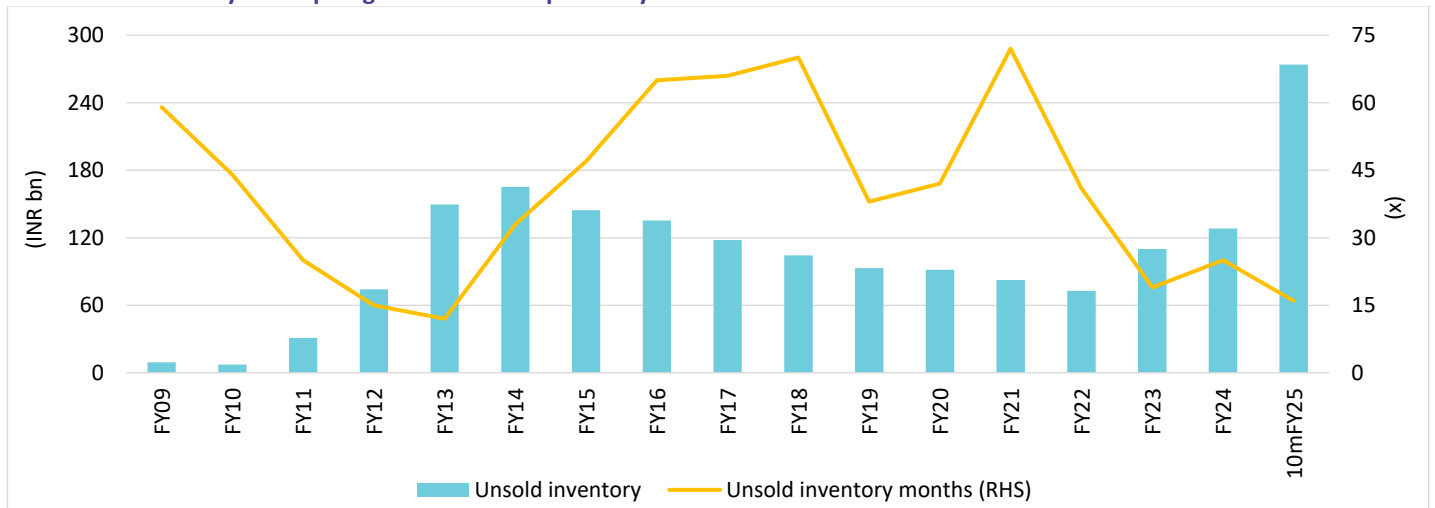
The Dwarka Expressway micro-market has emerged as a hub of real estate activity over the past decade.

Exhibit 39: Supply-demand dynamics of Dwarka Expressway micro-market



Source: PropEquity, Nuvama Research

Exhibit 40: Inventory levels plunge on Dwarka Expressway



Source: PropEquity, Nuvama Research

- Sohna corridor:** The Sohna elevated corridor—which connects Gurugram to Sohna—commenced in 2022 and has brought Sohna closer to Cybercity and MG Road than many parts of Gurugram.

As per Square Yards, Sohna has emerged as the third-largest market in Gurugram after Dwarka Expressway and New Gurugram. Property prices have virtually doubled since 2019.

With the opening of the Sohna-Dausa stretch of the Delhi-Mumbai expressway, the time taken to reach Jaipur from Delhi has shrunk considerably, boosting economic growth in the region.

Presence in these three micro-markets has enabled the company to cater to a wide range of customers owing to its ability to offer various price points.

Exhibit 41: Wide range of price points across SGIL's markets

Micro-market	Estimated selling price (INR/sft)	Recent project launch
Sector 71	18000	Titanium SPR - Q1FY25
Sector 37D	15000	Deluxe DXP - Q4FY24
Sohna Corridor	12500	Daxin Vistas - Q2FY25
Manesar	7800	City of Colours - Q3FY25
Others	15000	

Source: Company, Nuvama research

This has enhanced the addressable market size for the company considerably.

SGIL has a strong pipeline of mid-income and premium housing projects across these three focus micro markets.

Exhibit 42: Three main focus markets for SGIL in Gurugram

Location	Project	Land (in acres)	Recently Launched Estimated Saleable Area (msft)*	Forthcoming Estimated Saleable Area (msft)*
Sector 71, SPR	Housing, Commercial and Retail	92.6	2.1	14.8
Sector 37, DXP	Group Housing & Low-Rise Floors	45.1	3.0	3.5
Sohna Corridor	Township-Low Rise Floors and Industrial Plots	139.9	6.1	0.7
Manesar	Township-Low Rise and Industrial Plots	150.9	1.4	0.5
Others	Housing and retail	31.9	0.9	2.0
Total		460.4	13.5	21.6

Source: Company, Nuvama Research

*Saleable area potential for forthcoming projects is based on best estimates as per the current zoning regulations.

The company has steadily enhanced its land bank over the past few years.

Exhibit 43: Land parcels acquired by SGIL over FY17-22

Location	Year	Land acquired (acres)	Cost (INR mn)
Sector 37D, Gurugram	FY17	10.1	615
Sector 63A, Gurugram	FY18	10.0	599
Sector 89, Gurugram	FY18	5.4	304
Sector 89, Gurugram	FY18	5.1	360
Sector 36, Sohna	FY19	26.1	1111
Sector 36, Sohna	FY20	25.9	1365
Sector 95, Gurugram	FY20	7.3	636
Sector 92, Gurugram	FY22	10.3	740

Source: Company, Nuvama Research

The pace of project addition has gathered traction over FY24/25.

Exhibit 44: Business development gathers pace post-IPO

Location	Development potential added (msf)				
	H1FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Sector 71, Gurugram	5.8	0.4	4.8		
Sohna Elevated Corridor	0.3	0.0			
Manesar	0.2	0.2			
Sector 37D, Gurugram				2.6	0.3
Total	6.3	0.6	4.8	2.6	0.3

Source: Company, Nuvama Research

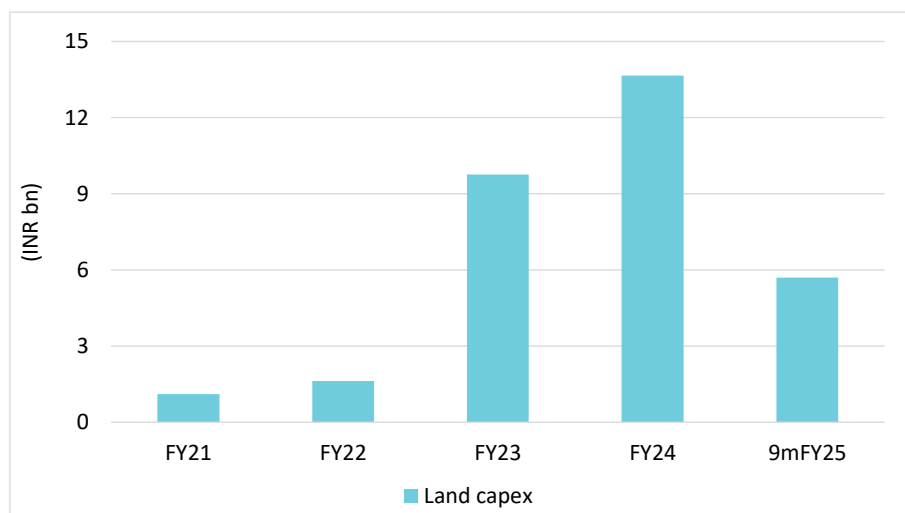
Historically, the company has mainly relied on the 'outright acquisition' model. Most land parcels are owned by the company with only a few projects acquired through the JDA route. For example, of the ~35msf projects, which have either been launched recently or are forthcoming projects, more than 90% are owned by the company.

In fact, there have been instances where the company has bought out its JDA partner and assumed full control of the land parcel. For example, in FY24, ~1.5msf projects were converted from JDAs to 'own land' by acquiring stake from the JDA partners. Furthermore, in Q2FY25, part of the projects in Sector 88A were converted from JDAs to owned projects.

In Jan-25, SGIL executed a sale deed for acquiring a 16.12 acre land parcel in Sector 71, SPR, Gurugram with potential developable area of ~2.73msf. It had earlier executed a JDA for development of this land parcel with the landowner in Feb-24 but has now bought it outright.

The company has been largely able to fund its growth through its strong internal accruals.

Exhibit 45: SGIL's land capex has increased steadily



Source: Company, Nuvama Research

Most of the land-related payments have been already made with a paltry INR1–2bn amount left.

One of the biggest factors in SGIL's success is the fact that the company has been able to acquire land at very attractive prices. On an average, land/approval-related costs for the company are around 10–15% of the selling price. This is because bulk

of the land has been procured at an attractive cost of ~INR1000/sft while sales realisations in the Gurugram market are ~INR11,000–17,000/sft. For example:

- **Sec 71, Gurugram:** In H1FY24, the company acquired 25 acres land in Sec 71, Gurugram with a development potential of ~5.5msf. Total cost (land acquisition + approval costs) for this land parcel was ~INR7–7.5bn while the sales potential of this land parcel was > INR70bn.
- **Sec 37D, Gurugram:** In Q1FY25, the company acquired land with development potential of 3msf in Sec 37D. About ~INR5bn went towards acquisition cost while the sales potential is in excess of INR40bn.

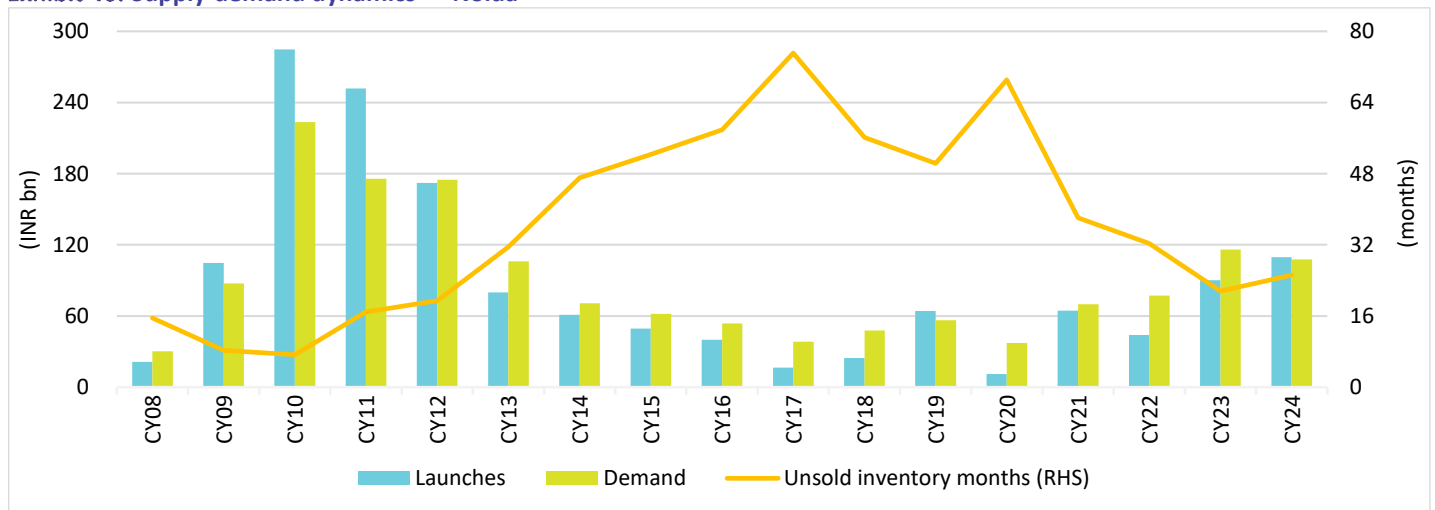
We believe access to low-cost land imparts a strategic advantage to SGIL. Land prices have shot up over the past few years as housing demand has gathered traction. Any new entrant in NCR shall thus have to shell out higher for buying land, thereby squeezing profit margins. Developers such as SGIL, on the other hand, are well-placed to benefit from their land bank. The company’s forthcoming projects can generate sales of INR350bn-plus over the next few years. Given attractive land costs, this shall result in handsome profit generation for the company going ahead.

Potential entry in Delhi and Noida to burnish growth prospects

SGIL has largely concentrated on the Gurugram market so far. We believe conditions are ripe for the company to expand into other areas of the NCR such as Noida and potentially Delhi. We discuss this below.

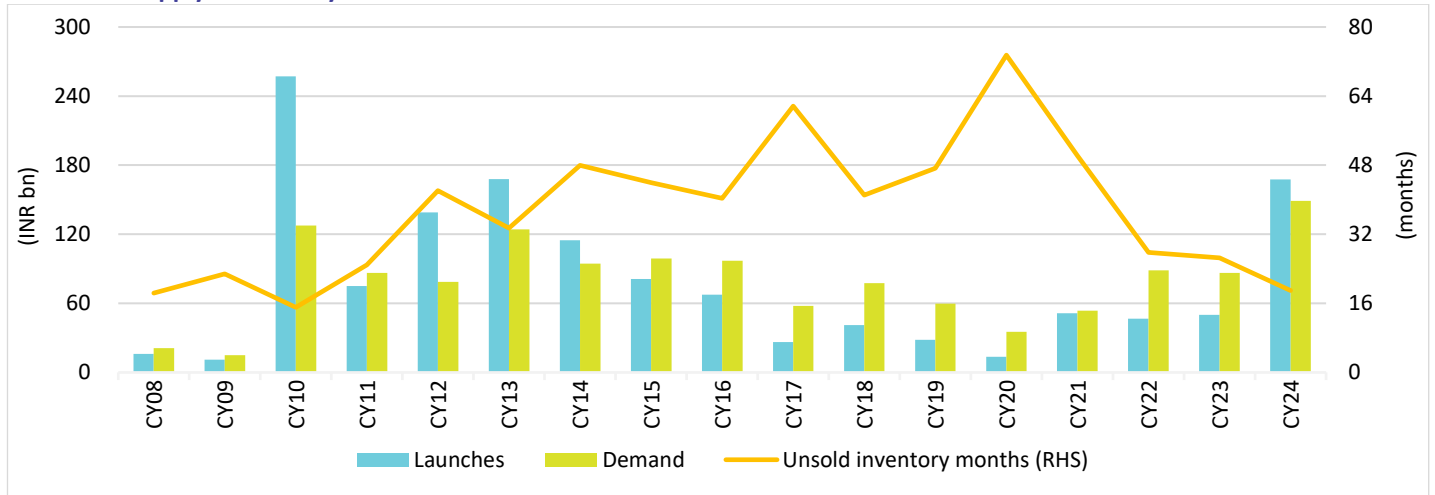
- **Noida and Greater Noida:** After Gurugram, Noida/Greater Noida present the largest opportunity for organised developers in the NCR. Their growth dynamics have been pretty similar to the Gurugram market with dizzying growth in the 2004–12 period followed by a sharp downturn over CY13–20 and then a recovery post-covid.

Exhibit 46: Supply-demand dynamics — Noida



Source: PropEquity, Nuvama Research

Exhibit 47: Supply-demand dynamics — Greater Noida



Source: PropEquity, Nuvama Research

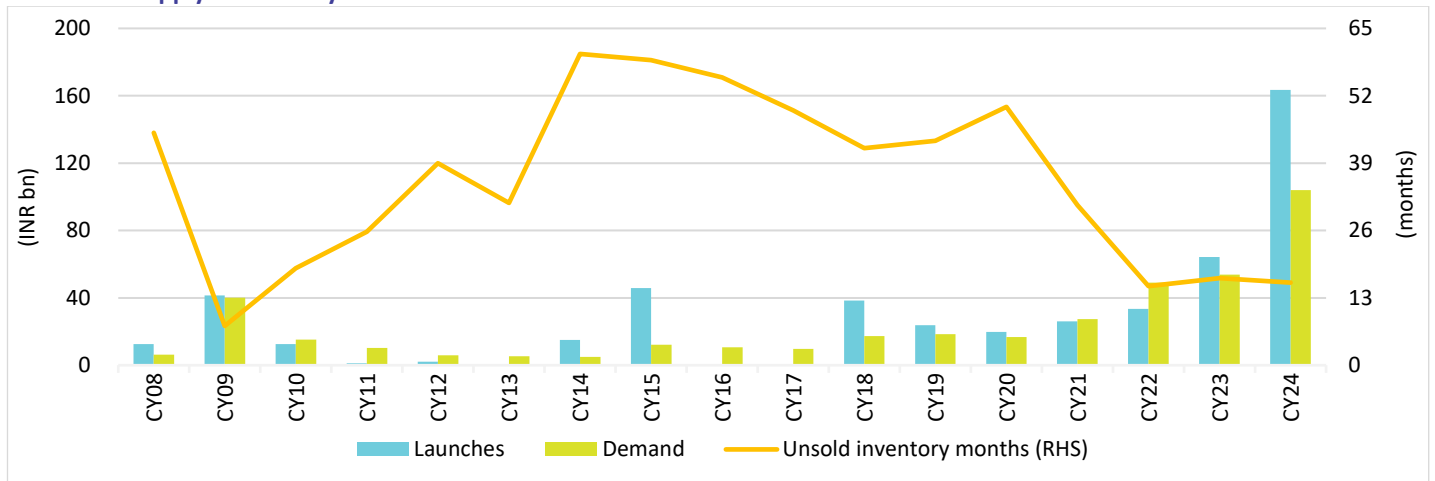
In CY24, the Noida and Greater Noida markets witnessed cumulative housing sales of ~INR260bn.

These markets are similar to Gurugram in the sense that fast-paced infrastructure development (DND Flyway, Noida Expressway, Noida metro rail, Jewar airport) and urban migration are leading to robust population growth. According to media reports, the population of Noida-Greater Noida and surrounding areas such as Yamuna Expressway is expected to rise to 6.6mn by 2031. The population of Greater Noida alone is expected to explode from 2.5mn in 2026 to 3.5mn in 2036 and 4mn by 241.

This is culminating in strong housing demand in the mid-income and premium segments, wherein SGIL has a notable presence.

- New Delhi:** The Delhi market presents an interesting opportunity for organised developers. Despite its current population exceeding 16mn, the city has historically not witnessed significant housing developments by organised developers. For example, housing sales by organised developers in Delhi were just ~INR100bn in CY24—a fraction of the absorption in Gurugram or Noida. Multiplicity of agencies in the NCT and restricted availability of land for developers are the major reasons for this.

Exhibit 48: Supply-demand dynamics — New Delhi



Source: PropEquity, Nuvama Research

Following the recent election in Delhi though, we believe there shall be greater synergies between the central and the state government. This could open up the Delhi housing market for organised developers such as SGIL.

What is also important is that like the MMR, Delhi provides an opportunity for houses across the spectrum—from affordable to super luxury. Developers with track record of excellence in the affordable and mid-income housing such as SGIL can unearth and bag a lot of opportunities here.

According to media reports, the Delhi Development Authority (DDA) generated ~INR52bn by selling 15,000 flats between Apr-23 and Feb-25. In FY25, DDA sold 7,184 flats, largely on a first-come first-serve basis (pretty similar to AHP in Gurugram). In Jan-25, the DDA had offered 9,887 apartments for sale and had already sold ~2,600 apartments by Feb-25. Of the flats offered, 769 were categorised as HIG (high-income group) and MIG (middle-income group) apartments while the majority were designated for EWS (economically weaker sections) and LIG (low-income groups). The large population in Delhi with varying price points can be a bonanza for developers.

As per media reports, Delhi's Master Plan 2041 (MPD-2041) can create about 150msf of commercial real estate. The MPD-2041 is set to unlock over 57,000 hectares of land for planned urban expansion, facilitating the construction of 1.7mn new homes to address Delhi's housing deficit. Delhi's population is likely to increase from ~20.6mn in 2021 to 29.2mn in 2041.

We believe the Delhi market can be a significant potential opportunity over medium term for developers such as SGIL.

High capital efficiency

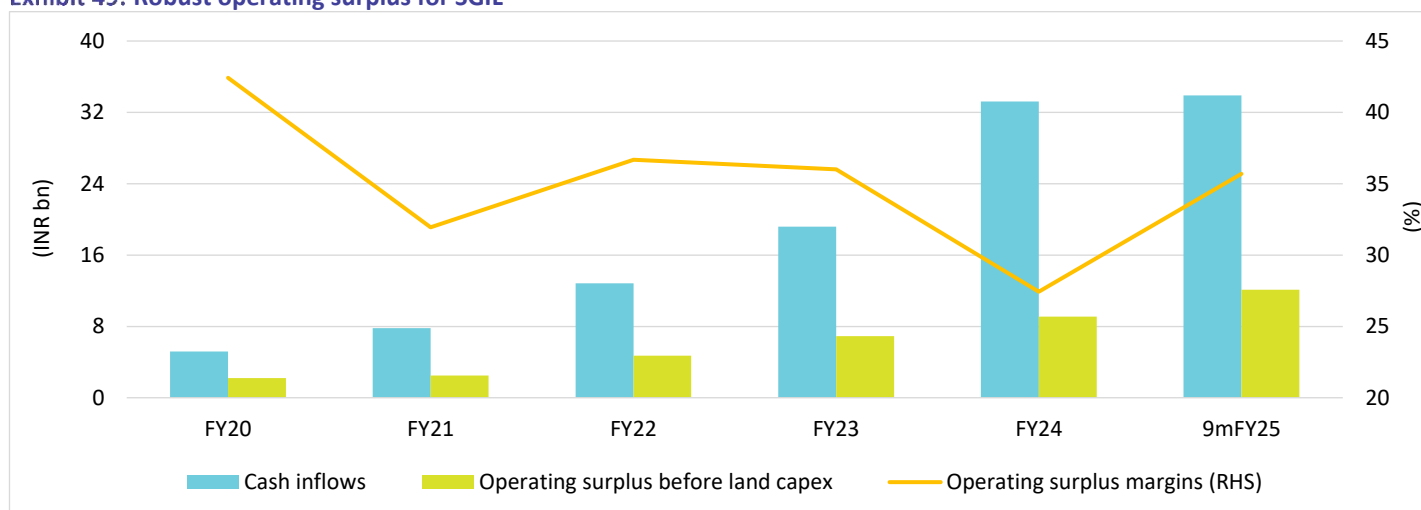
Healthy margins plus rapid sales velocity underpin SGIL's efficiency

In a realty upcycle, demand is robust for most tier-1 developers. Nevertheless, factors such as geographical presence, segmental mix of sales and cost structure determine profitability margins, working capital requirements and capital efficiency for each individual developer. Developers with low capital requirement go through lower equity dilution and reward their shareholders more through capital efficiency.

On these parameters, SGIL is among the best performers in the realty space. This is largely due to three important factors going in its favour.

The first one is the high profitability in its operations. Aided by the fact that land costs are relatively lower for SGIL, and sales realisations have surged in Gurugram amid a realty boom, the company has been able to generate healthy cash operating surplus (surplus post construction expenses, selling, general and administrative expenses along with taxes adjusted from collections).

Exhibit 49: Robust operating surplus for SGIL



Source: Company, Nuvama Research

We believe the cash operating surplus for SGIL can be as high as 35–40%. This is because land costs for the company are 10–15% of pre-sales, construction costs are 35–40% while overheads are another ~10%.

The second factor is the ability of the company to achieve a fast turnaround between land acquisition and project launch. In other words, the company is not hoarding land; it is quickly launching projects once land has been acquired and requisite approvals have been received.

Exhibit 50: Time taken from land acquisition to launch

Project	Date of Land Acquisition	Launch Date	Time from Land Acquisition to Launch (Years)
Solera*	December 11, 2013	October 20, 2014	0.9
Synera*	April 8, 2014	December 27, 2014	0.7
Grand Iva*	September 21, 2015	October 14, 2015	0.1
Serenas*	August 30, 2016	January 13, 2017	0.4
Park IV**	November 6, 2019	August 4, 2020	0.7
City 37D**	December 9, 2019	July 15, 2021	1.6

Source: Company, Nuvama Research

Note: *Date of launch represents the start date of application from published advertisement in the newspaper

Note: ** Date of launch represents the date of first booking with respect to DDJAY and other projects

The third factor is the high sales velocity in Gurugram due to factors such as constrained supply and customer preferring developers with proven track record. SGIL also benefits from this phenomenon and thus has historically been able to sell a significant amount of inventory within a short period from the launch of the project.

For example, the AHP projects launched by the company were oversubscribed significantly. Its project, The Millennia IV, launched in Jan-22, experienced complete subscription of the 814 units on offer within 24 hours of launch while Imperial, launched in Mar-22, reported subscription of all 1,141 units on offer within 12 hours of launch.

Exhibit 51: Sales timelines for AHP projects launched by SGIL

Project	Launch month	Total units launched	Number of applications	Oversubscription (number of times)
The Millennia III	Nov-20	1,322	3,072	2.32
The Millennia IV	Jan-22	814	1,782	2.19
Imperial	Mar-22	1,141	3,596	3.15

Source: Company, Nuvama Research

Similarly, the DDJAY-APHP projects launched by the company in Gurugram and Sohna have also received an enthusiastic response from customers.

Exhibit 52: Sales timelines for DDJAY – APHP projects launched by SGIL in Gurugram and Sohna

Project	Launch month	Total units launched	Units sold		Units sold	
			Within six months of launch	% of total units (%)	Within 1 year of launch	% of total units (%)
Park II (Phase I)	Aug-19	368	133	36.1	203	55.2
Park III (Phase I)	Aug-19	224	108	48.2	166	74.1
Park IV (Phase I)	Aug-20	528	254	48.1	405	76.7
Park V (Phase I)	Aug-20	292	141	48.3	218	74.7
Park III extension (Phase I)	Feb-21	152	114	75.0	144	94.7
Park II (Phase II) *	Jul-21	420	264	62.9	402	95.7
City 37D (Phase I)	Jul-21	624	351	56.3	565	90.5
City 92 (Phase I)	Aug-21	364	62	17.0	244	67.0
City 81 (Phase I)	Sep-21	420	149	35.5	339	80.7
Park 3 (Phase II) *	Oct-21	180	171	95.0	176	97.8
Park 3 Ext (Phase II) *	Oct-21	196	167	85.2	193	98.5
Park I	Nov-21	68	59	86.8	66	97.1
Park IV (Phase II) *	Jun-22	548	421	76.8	539	98.4
Park 5 (Phase II) *	Jun-22	316	253	80.1	307	97.2
City 63A (Phase I)	Jul-22	148	106	71.6		
City 37D 2 (Phase I)	Jul-22	160	160	100.0		
City 63A (Phase II) *	Oct-22	140	32	22.9		
City 37D 2 (Phase II) *	Oct-22	172	162	94.2		
City 81 (Phase II) *	Dec-22	408	136	33.3		
City 37D (Phase II) *	Dec-22	536	443	82.7		

Source: Company, Nuvama Research

Note: * Phase II for these projects has been launched in accordance with the DDJAY–APHP policy for the respective projects

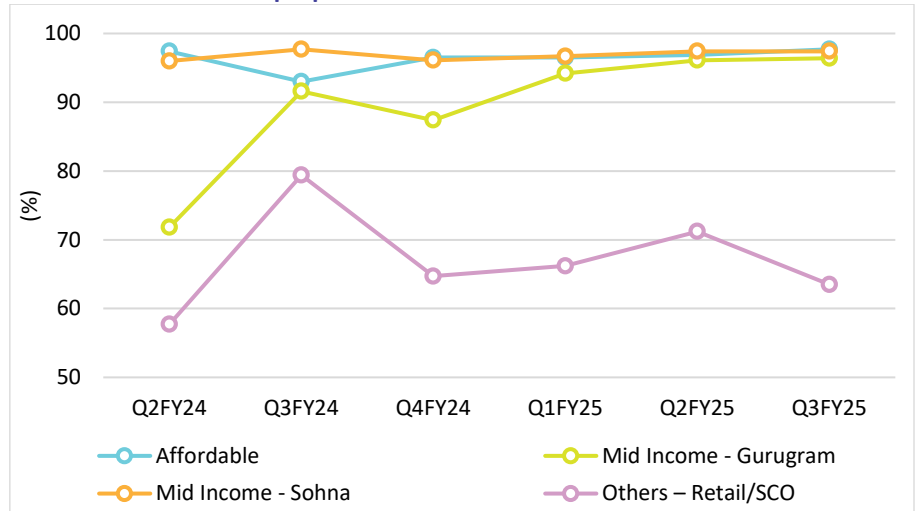
Note: For projects where 1-year had not been completed as on Mar-23, units sold from launch until Mar-23 had been considered

The company has been able to repeat its success story in the premium segment as well. For example:

- **Deluxe DXP:** In Mar-24, SGIL had launched the Deluxe DXP project in Sec 37D, Gurugram. The project was fully sold out within 48 hours with 5.4x oversubscription.
- **Titanium SPR:** In Jun-24, the company launched this project in Sec 71, Gurugram. Of the 608 units available for sale, SGIL sold 504 units (~83%) by the end of the month itself.
- **Sohna corridor:** In Sep-24, the company launched its first township project on the Sohna corridor called Daxin Vistas. Spread across 125 acres, the project comprises independent floors, commercial spaces and plotted development for Industrial/IT-ITeS office spaces. SGIL was able to clock pre-sales of INR23bn in Sep-24 itself—INR10bn bookings from plots and balance from the residential segment.
- **City 93:** In Mar-23, SGIL launched independent floors in Sec 93, Gurugram. Within just six months, it had sold 712 units (71% of the inventory).

Historically, SGIL has been able to sell most of the inventory launched quickly.

Exhibit 53: Area sold as proportion of launched area for SGIL



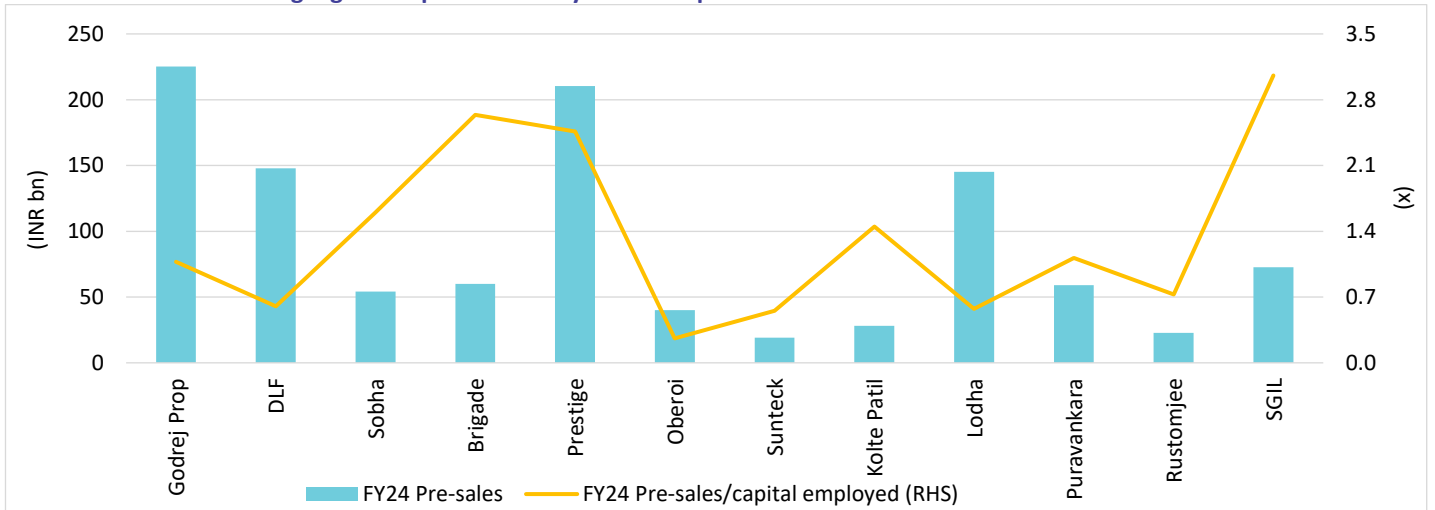
Source: Company, Nuvama Research
 Note: Indicates % area of ongoing projects sold

More than 95% inventory in the affordable and mid-income projects of the company has already been liquidated.

By virtue of its rapid sales velocity, the company is able to collect monies from customers quickly (in line with construction progress). Thus, it is able to fund construction expenses from customer collections itself, leading to virtually nil requirement for construction finance.

This has enabled the company to run its operations with minimal capital needs.

Exhibit 54: SGIL has among highest capital efficiency across its peers

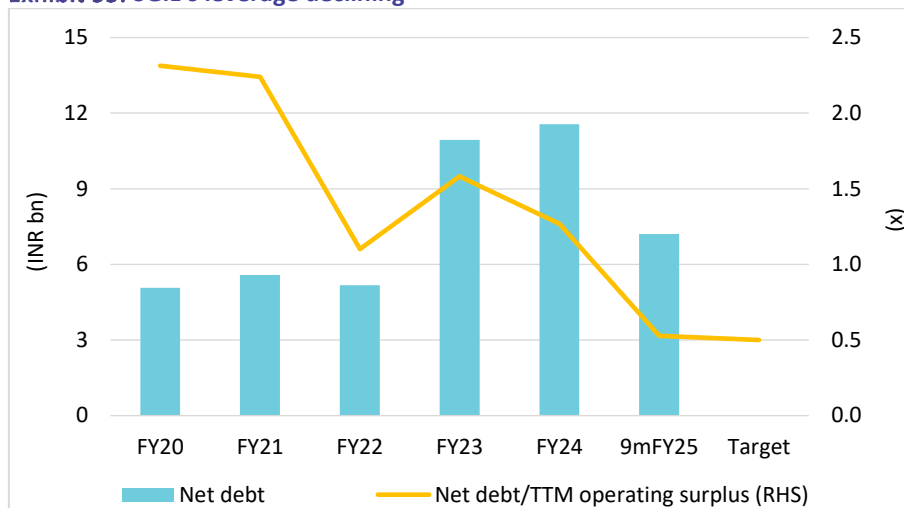


Source: Company, Nuvama Research
 Note: Compares FY24 residential pre-sales with capital employed in the residential segment at end-FY24

A comparison of pre-sales and capital employed across major developers indicates that SGIL has among the lowest capital needs per unit of pre-sales. This boosts the growth prospects of the company and improves its return ratios.

It is precisely due to this reason that the company has been able to amass a sizeable land bank and at the same time has been able to keep its leverage levels low.

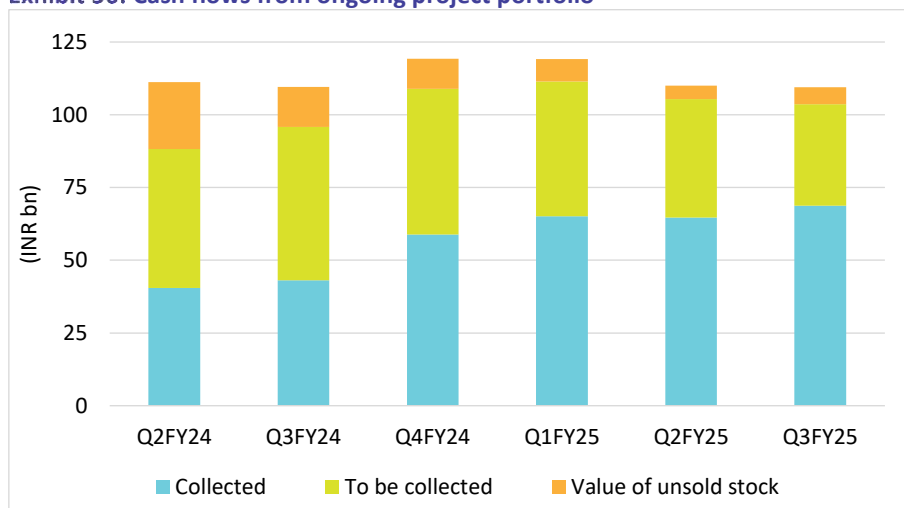
Exhibit 55: SGIL's leverage declining



Source: Company, Nuvama Research

Management has indicated that it reckons leverage levels shall continue to fall going ahead. The ongoing projects have ~INR41bn pending cash flows, which shall accrue to the company going ahead.

Exhibit 56: Cash flows from ongoing project portfolio



Source: Company, Nuvama Research

Aided by strong collections and healthy operating surplus, the company believes that it shall generate free cash despite investing in replenishing its land bank. It has already achieved its target of net debt/TTM operating surplus of 0.5x at end-Q3FY25.

Cash flow analysis

We first analyse the direct method cash flows for the company.

Exhibit 57: SGIL boasts a healthy cash operating surplus

Particulars	FY20	FY21	FY22	FY23	FY24	9mFY25
Total cash inflow (INR bn)	5,167	7,791	12,821	19,200	33,210	33,900
as a % of cash inflows						
Cash inflows	100	100	100	100	100	100
Less: Operating expenses	(58)	(68)	(63)	(64)	(67)	(59)
Construction expenses (incl. allied approval expenses)	(50)	(56)	(51)	(52)	(51)	(40)
SG&A	(8)	(12)	(12)	(12)	(16)	(19)
Taxes (direct and indirect)						
Operating cashflow available for growth and capital providers	42	32	37	36	27	36
Less: Interest payments					(6)	(6)
Operating surplus after interest and before land capex					21	29
Less: Land advance/ acquisition					(41)	(17)
Operating surplus after land capex					(20)	12
Add: IPO proceeds					18	-
Decrease/(increase) in net debt					(2)	12

Source: Company, Nuvama Research

The company's cash operating surplus is at healthy levels. Going ahead, management expects it to improve further from current levels.

We then analyse the sources and uses of SGIL's cash flows:

Exhibit 58: SGIL turns profitable

Cash flows (%)	FY20-22	FY23-H1FY25
Cash flows (INR mn)	10,030	21,559
Sources of cash		
Cash operating profit		4
Release of working capital	48	6
Investment income	4	4
Net increase in debt	30	59
Equity raised		27
Loans and ICD received/repaid from/by JVs and subsidiaries	17	
Total	100	100
Application of cash		
Cash operating loss	15	
Working capital requirements		
Capex	16	2
Purchase of investments in MFs/FDs/JVs and change in net cash	15	55
Payment of interest	46	27
Payment of taxes	2	5
Miscellaneous	7	10
Total	100	100

Source: Company, Nuvama Research

Before its IPO, the company primarily worked in the affordable housing segment in Haryana. This period was marked by excellent working capital cycle but, low operating margins.

FY22 onwards, SGIL pivoted towards premium and luxury residential projects. This has led to a significant change in its operating parameters. While the company's cash operating profits have improved, its working capital requirements and consequently debt levels, have gone up.

We delve deeper into SGIL's cash flows. For the purpose of our analysis, we focus on:

- **Cash PAT:** To know the impact of working capital on operating cash flows, we calculate cash PAT, which is net cash generated from operations before working capital changes less cash taxes paid.
- **Core investing cash flows:** These include investment made by the company for its core business operations such as purchase of land, developing annuity assets, etc. This is mainly done through investing in subsidiaries/JVs etc.

These exclude investments in financial instruments such as MFs, FDs, etc.

- **Actual operating and investing cash flows:** Property developers frequently route capex spends through working capital items. Many developers classify spends on buying land through loans and advances/other current assets; hence, they become part of working capital (operating cash flow) rather than capex (investing cash flows).

This means that working capital changes are overstated, resulting in negative operating cash flows. Simultaneously, capex is understated and so is the investing cash flow.

Key takeaways from cash flow analysis

SGIL has made some minor reclassifications in its financial statements for FY23 (in FY24 annual report). Thus, we have taken the figures for FY21–23 from the IPO prospectus and that for FY24 from the FY24 annual report.

- Cash flow analysis:** SGIL had negative operating profits before accounting for working capital in FY21 and FY22; however, favourable working capital changes led to the company generating positive OCF. The reverse was true in FY23, when despite generating cash profits, substantial working capital requirement led to the company generating negative cash flow from operations. In FY24, the company recorded operating cash inflows.

Exhibit 59: Strategy turnaround post-FY22 shows up in cash flows

Particulars (INR mn)	FY21	FY22	FY23
Profit from operations before WC Changes and taxes paid (A)	(766)	(553)	808
Taxes paid (B)	72	(32)	(163)
Cash PAT (A+B=C)	(694)	(585)	645
Working capital changes (D)	1,058	2,637	(3,427)
Operating cash flows as per annual report (C+D)	364	2,052	(2,782)

Source: Company, Nuvama Research

Exhibit 60: SGIL's OCF remains positive in FY24

Particulars (INR mn)	FY24
Profit from operations before WC Changes and taxes paid (A)	12
Taxes paid (B)	(590)
Cash PAT (A+B=C)	(578)
Working capital changes (D)	1,502
Operating cash flows as per annual report (C+D)	924

Source: Company, Nuvama Research

There was a significant increase in refundable amounts from landowners, which was adjusted in working capital; this led to actual OCF being higher than the reported one.

Exhibit 61: While actual and reported OCF were nearly same in FY21–23...

Particulars (INR mn)	FY21	FY22	FY23
Operating cash flows as per annual report	364	2,052	(2,782)
Add: Working capital adjustment relating to investing activity	12	143	(75)
Actual operating cash flows	376	2,196	(2,857)

Source: Company, Nuvama Research

Exhibit 62: ...FY24 actual OCF was much higher than reported one

Particulars (INR mn)	FY24
Operating cash flows as per annual report	924
Add: Working capital adjustment relating to investing activity	355
Actual operating cash flows	1,279

Source: Company, Nuvama Research

Negative cash PAT led to the overall OCF conversion ratios turning negative.

Exhibit 63: OCF ratio improving

Particulars	FY21	FY22	FY23
Cash PAT to OCF as per annual report (x)	(1.9)	(0.3)	(0.2)
Cash PAT to actual OCF (x)	(1.8)	(0.3)	(0.2)

Source: Company, Nuvama Research

Exhibit 64: OCF ratios remain strong

Particulars	FY24
Cash PAT to OCF as per annual report (x)	(0.6)
Cash PAT to actual OCF (x)	(0.5)

Source: Company, Nuvama Research

The company's cash outflow from investing activity picked up pace in FY24.

Exhibit 65: Actual core investing cash flows were low for the company...

Particulars (INR mn)	FY21	FY22	FY23
Core investing cash flows as per annual report	(48)	(500)	(268)
Add: Working capital adjustment relating to investing activity	(12)	(143)	75
Actual core investing cash flows	(60)	(643)	(194)

Source: Company, Nuvama Research

Exhibit 66: ...but increased in FY24

Particulars (INR mn)	FY24
Core investing cash flows as per annual report	(546)
Add: Working capital adjustment relating to investing activity	(355)
Actual core investing cash flows	(900)

Source: Company, Nuvama Research

The company's surplus cash flow (operating + investing) was weak historically owing to its small scale of operations; thus, it had to resort to debt financing in order to fund its operations. Following its IPO in FY24, SGIL has parked surplus cash in FDs and other securities and refrained from taking on more debt.

Exhibit 67: Poor cash flows led to a build-up in debt...

Particulars (INR mn)	FY21	FY22	FY23
Actual operating cash flows	376	2,196	(2,857)
Actual core investing cash flows	(60)	(643)	(194)
Total cash inflow/(outflow)	316	1,552	(3,050)
Net interest (paid)/received	(968)	(2,384)	(2,217)
Dividend paid	-	-	-
Other investing cash inflow/(outflow)	(387)	948	208
Other financing cash inflow/(outflow)	(28)	(34)	(39)
Cash generated before debt repayment and share buyback	(1,067)	82	(5,098)
Debt (repayment)/borrowing (net)	2,134	(177)	9,127
Share (buyback)/issue (net)	-	-	-
Net cash flow for the year	1,067	(95)	4,029

Source: Company, Nuvama Research

Exhibit 68: ...which ended post-IPO

Particulars (INR mn)	FY24
Actual operating cash flows	1,279
Actual core investing cash flows	(900)
Total cash inflow/(outflow)	378
Net interest (paid)/received	(1,740)
Dividend paid	-
Other investing cash inflow/(outflow)	(4,705)
Other financing cash inflow/(outflow)	(39)
Cash generated before debt repayment and share buyback	(6,105)
Debt (repayment)/borrowing (net)	67
Share (buyback)/issue (net)	5,755
Net cash flow for the year	(283)

Source: Company, Nuvama Research

- **Credit rating:** During FY24, ICRA withdrew the credit rating assigned to bank facilities of the company based on the 'No Due Certificate' received from its lenders as the rated facilities had been fully repaid by the company with no amount outstanding against the same.

Financials and valuation

Steady growth trajectory

- Residential pre-sales CAGR of ~21% over FY25–27E
- Reported EBITDA to enter positive territory in FY25E
- Healthy collections and robust operating surplus shall dwarf land capex needs, leading to free cash flow; SGIL to achieve net cash status going ahead
- Initiate at 'BUY' with a TP of INR1,436

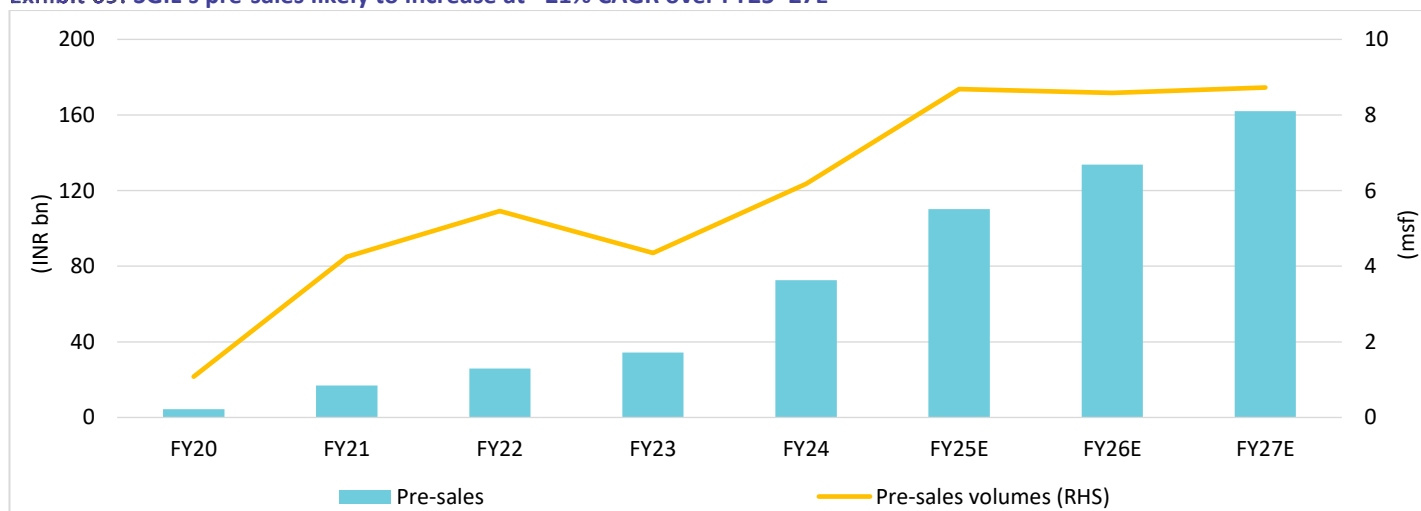
The current upcycle in the Indian housing space (refer to [‘Ebbs and flows aplenty’](#)) is likely to allow SGIL to post strong pre-sales growth going ahead. We reckon SGIL shall clock pre-sales CAGR of ~21% over FY25–27E. We forecast the company's leverage levels shall decline, aided by strong free cash flow.

Pre-sales to grow steadily

We estimate SGIL's pre-sales shall expand at a CAGR of ~21% over FY25–27E. We believe the company's 9mFY25 performance, notching up ~INR87bn of pre-sales (up 178% YoY), is a sign of things to come.

We believe the company is well on its way to exceed its guidance of INR100bn bookings in FY25E. We estimate the company shall be able to grow its bookings by ~21% YoY annually over FY26E/27E.

Exhibit 69: SGIL's pre-sales likely to increase at ~21% CAGR over FY25–27E

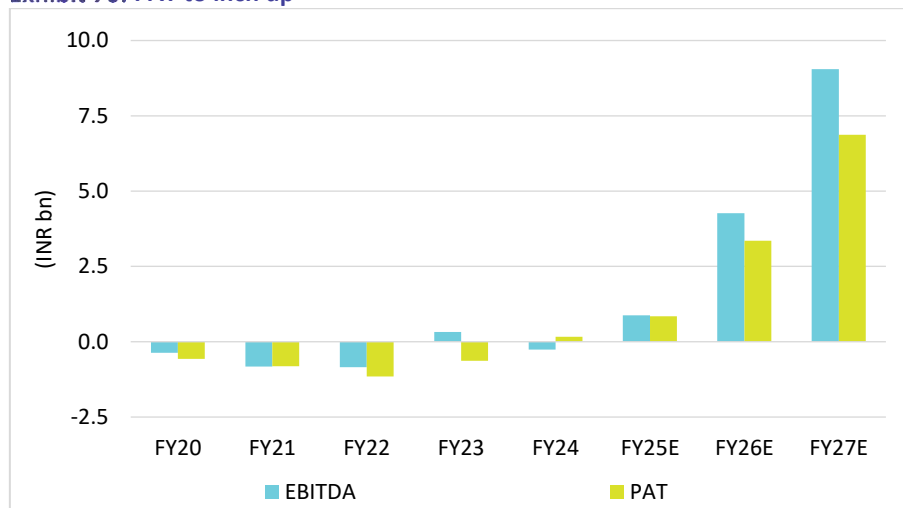


Source: Company, Nuvama Research

Increasing scale to drive EBITDA/PAT growth

Given the company's execution is on an upward trajectory, we estimate its operating profits shall go up, thereby boosting PAT. We forecast EBITDA shall enter the positive territory in FY25E.

Exhibit 70: PAT to inch up

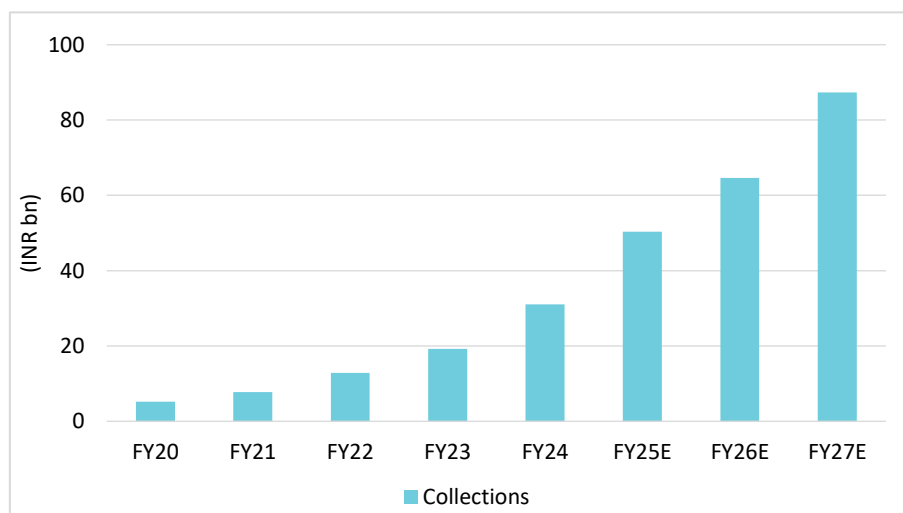


Source: Company, Nuvama Research

Debt to decline as free cash flow improves

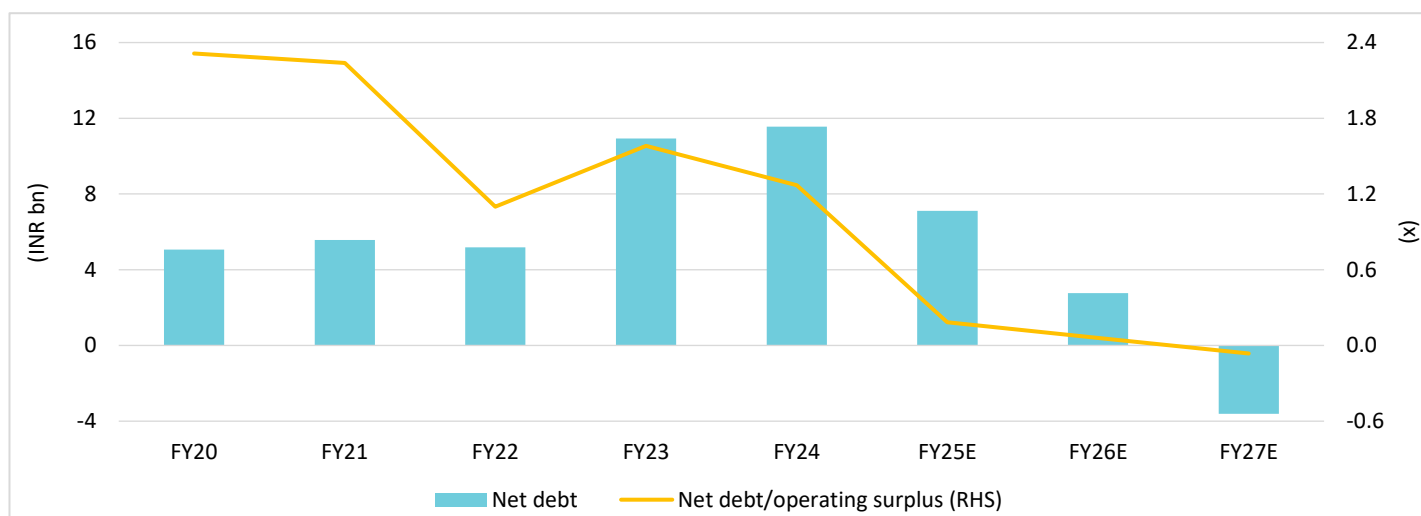
With the company's bookings likely to surpass INR100bn in FY25E, we believe it shall need to step up its land capex to replenish its land bank; nevertheless, the rising collections trajectory and improving profitability means that free cash flow should inch up despite rising land capex.

Exhibit 71: Collections to rise at 32% CAGR over FY25-27E



Source: Company, Nuvama Research

Exhibit 72: Leverage levels to decline



Source: Company, Nuvama Research

We believe SGIL’s free cash flow shall eventually lead the company to achieve net cash position by FY27E.

Valuation: Diversification to drive growth

We are initiating coverage on SGIL with a **‘BUY/Sector Neutral’**. Using a WACC of 10% (in line with its peers), we derive a TP of INR1,436 based on a 20% premium to the company’s Sep-26E NAV of INR1,197/share.

Exhibit 73: Target price

Particulars	Value
Residential portfolio (INR mn)	1,70,945
Less: Net debt	(4,733)
NAV (INR mn)	1,68,174
NAV per share (INR)	1,197
Premium to NAV (%)	20%
Price target (INR)	1,436

Source: Nuvama Research

We argue a 20% premium to NAV valuation as fair for SGIL based on the following:

- robust housing demand;
- strong presence in the premium segment in Gurugram;
- potential market share gain due to consolidation in the realty space and entry into new markets such as Delhi/Noida; and
- low-cost land bank, resulting in a healthy operating surplus.
- ability to fund growth (land capex) out of internal accruals, courtesy a negative working capital cycle (refer to [‘Surplus fuelling growth’](#)). In this respect, SGIL’s performance is not dissimilar to many of its peers; in fact, this is precisely the reason why we argue that realty stocks deserve to trade at a premium to NAV (refer to [The valuation conundrum](#)).

These factors contrast with a few negatives:

- concentration risk due to majority of projects being in the Gurugram market; and

- lack of diversification due to land bank being largely concentrated in three locations in Gurugram/Sohna markets.

Add-on: Re-rating hinges on pre-sales growth and diversification

The stock has given healthy returns post its IPO driven by healthy growth in bookings. At current valuations, the stock is trading at an attractive 3.4x FY26E EV/Embedded EBITDA multiple.

Exhibit 74: Attractive valuations

Particulars (INR bn)	FY24	FY25E	FY26E	FY27E
Market cap	150	150	150	150
Net debt	12	7	3	(4)
EV	162	157	153	147
Pre-sales	73	110	134	162
Embedded EBITDA margin (%)	32	33	34	35
Embedded EBITDA	23	36	45	57
EV/pre-sales	2.2	1.4	1.1	0.9
EV/Embedded EBITDA	7.0	4.3	3.4	2.6

Source: Bloomberg, Nuvama Research

Exhibit 75: Relative valuations

Company	Premium/(discount) to NAV
DLF	-2%
Oberoi Realty	2%
Brigade Enterprises	-9%
Prestige Estates	-23%
Macrotech (Lodha)	-3%
Sobha	-25%
Godrej Properties	7%
Signature Global	-7%

Source: Bloomberg, Nuvama Research

We argue there's significant potential for the stock to re-rate going ahead. The company is sitting on multiple triggers, which we reckon shall play out over the next couple of years:

- Potential entry in the Delhi and/or Noida markets.
- Business development, particularly outside Sec-37D, Sec-71 and Sohna.
- Reduction in discount rates: We believe a potential interest rate cut in India and a resultant reduction in the discount rate shall lead to a re-rating of the stock.

We believe SGIL is at an interesting juncture in its journey with an upturn in housing demand, customer preference for branded developers and relative paucity of developers in the NCR with a proven track record of execution. This is likely to enable it to grow pre-sales handsomely, which in turn shall drive sizeable shareholder returns going ahead.

Key Risks

- Virtually the entire pre-sales of the company accrue from the Gurugram market. Any slowdown in housing demand in the city shall adversely impact the company's growth prospects.
- Owing to a high base of its pre-sales, the company needs to consistently add new projects to its portfolio to replenish the ones getting completed. Inability to do so may affect its growth prospects.
- The strong housing absorption in Gurugram has led to land prices surging. The company's ability to acquire land at reasonable prices is key to sustaining its healthy operating margins.
- The company's land bank is concentrated largely in three micro-markets in Gurugram; this exposes the company to concentration risks.

Management Overview

Exhibit 76: Board of directors

Name	Designation	Background
Mr Pradeep Kumar Aggarwal	Chairman and Whole-time Director	Mr Aggarwal was previously associated with Paywell Securities Private Limited for five years. Furthermore, he has served as Managing Director on the board of directors of SMC Comtrade Limited, a subsidiary of SMC Global Securities Limited for ten years and was responsible for overseeing the financial capital market and commodity market segments. Moreover, he was also associated with SMC Global Securities Limited for over ten years.
Mr Lalit Kumar Aggarwal	Vice-Chairman and Whole-time Director	Mr Aggarwal was associated with Signatureglobal Comtrade Private Limited (previously known as P.P. Comtrade Private Limited) for six years. He was also associated with SMC Comtrade Limited for seven years where he was responsible for overseeing the arbitrage business. He also served as a whole-time director on the board of SMC Real Estate Advisors Private Limited for a period of over two years and was responsible for overseeing the real estate market segment.
Mr Ravi Aggarwal	Managing Director	Mr Aggarwal was previously associated with Paywell Securities Private Limited for a year. Furthermore, he was associated for over a year with SAM Global Securities Limited, which was merged with SMC Global Securities Limited, where he was responsible for operations relating to arbitrage and share brokerage distribution respectively. He served as a director on the board of SMC Insurance Brokers Private Limited for over five years; his role included overall business development and distribution of insurance segments.
Ms Devender Aggarwal	Joint Managing Director	Mr Aggarwal was associated with SMC Global Securities Limited for over seven years overseeing the arbitrage business. He has over 13 years' experience in the real estate sector.
Mr Kundan Mal Agarwal	Independent Director	Mr Agarwal is a Bachelor of Commerce from the University of Ranchi and has been practising chartered accountancy since September 7, 1974. He also serves as a director on the board of SMC Global Securities Limited and Moneywise Financial Services Private Limited.
Mr Chandra Wadhwa	Independent Director	Mr Wadhwa is a Master of Commerce from University of Delhi and an LLB from the University of Delhi. He has been granted a certificate of registration to act as an insolvency professional from the Insolvency and Bankruptcy Board of India. Furthermore, he was admitted as a fellow member of the Institute of Company Secretaries of India. Furthermore, he was admitted as a fellow member of the Institute of Cost and Works Accountants of India. He has been in practice as a cost accountant since June 25, 2001.
Ms Lata Pillai	Independent Director	Ms Pillai is a Postgraduate in Management Studies from University of Bombay. She is also the "Head of Capital Markets, India" at Jones Lang LaSalle Property Consultants (India) Private Limited since July 15, 2021. She previously worked as the "group president (large corporates)" at Yes Bank for over two years. She also worked as a "senior executive vice president" at ECL Finance Limited for over a year.
Mr Venkatesan Narayanan	Independent Director	Mr Narayanan is a Bachelor of Commerce from the Osmania University and has also cleared the intermediate examination held by the Institute of Company Secretaries of India. He has previously served as senior vice president of M/s Centrum Infrastructure and Realty Limited for over one year, and as an independent director of Industrial Investment Trust Limited for over 12 years. Furthermore, he previously worked with Capital Fortunes Private Limited for over nine years.

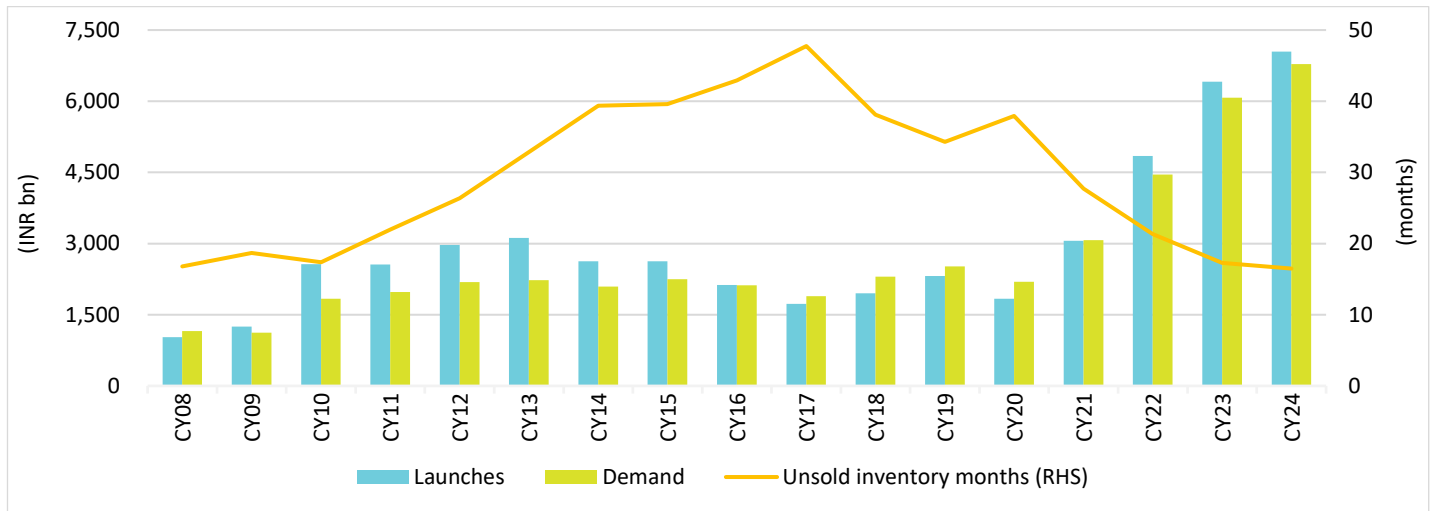
Source: Company, Nuvama Research

Industry Outlook

Housing space: Demand remains healthy

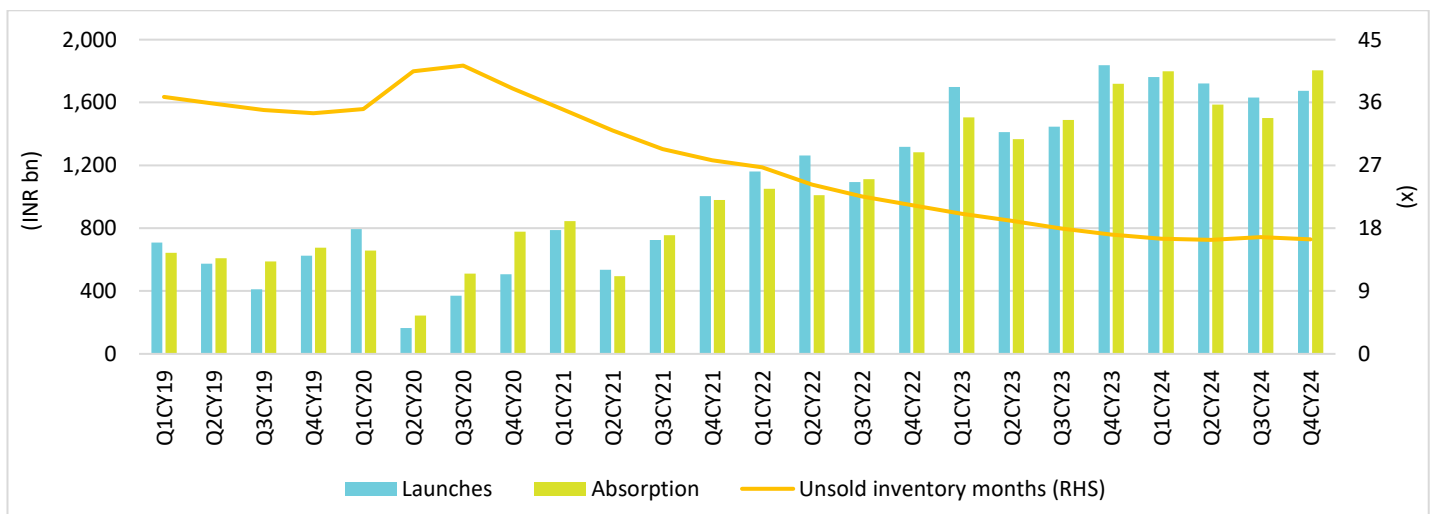
Housing demand started improving in late CY20 and has remained healthy since then. Despite an increase in mortgage rates, absorption has remained resilient.

Exhibit 77: Demand (top-seven cities) bounces back strongly post-covid



Source: PropEquity, Nuvama Research

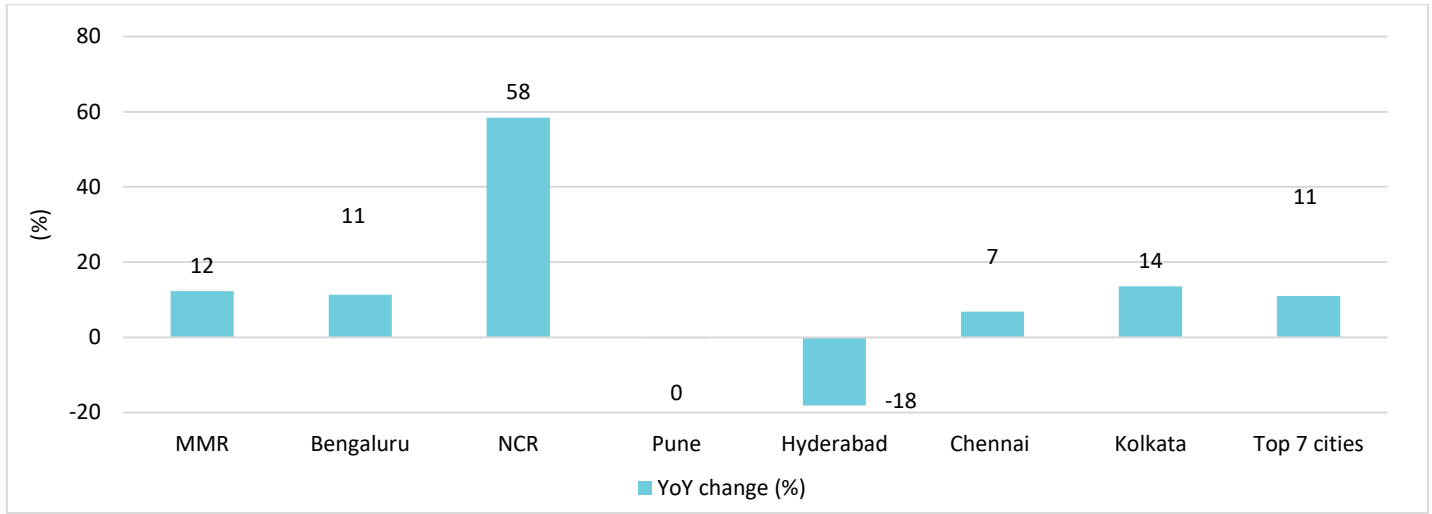
Exhibit 78: Unsold inventory declines over past couple of years



Source: PropEquity, Nuvama Research

Demand: By value, CY24 sales rose 11% YoY. Annual absorption increased in all cities, except Hyderabad wherein it plummeted 18% YoY. However, it surged 58% YoY in the NCR, 11–14% YoY each in Kolkata, the MMR and Bengaluru, 7% YoY in Chennai and remained flat YoY in Pune.

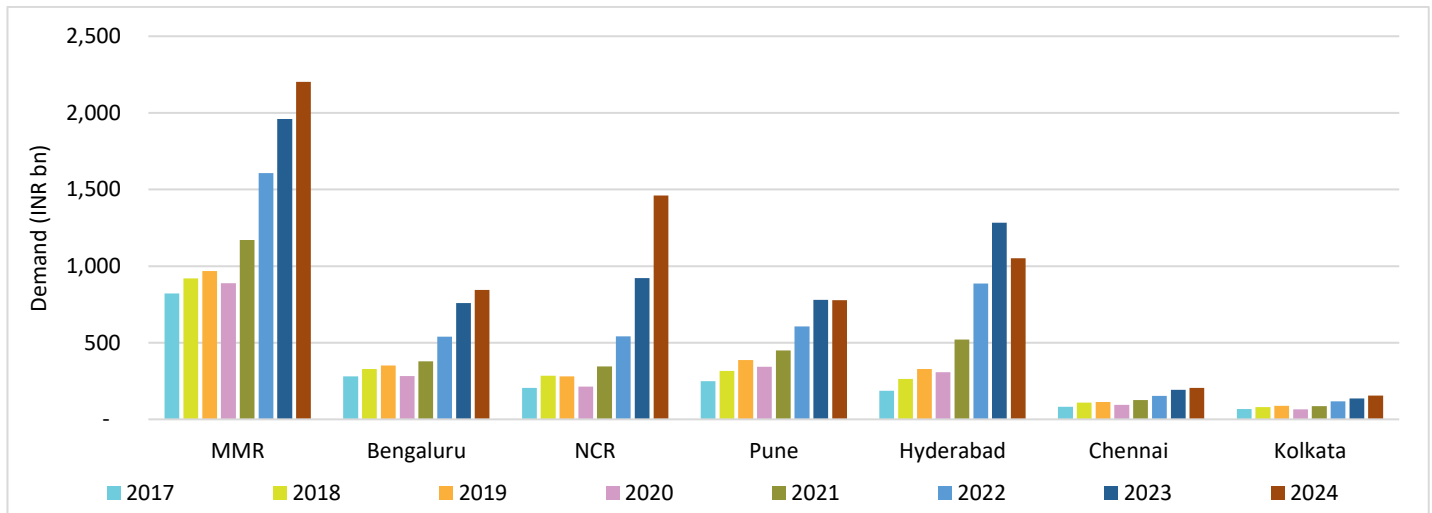
Exhibit 79: CY24 demand (by value) rose across cities, except in Hyderabad



Source: PropEquity, Nuvama Research

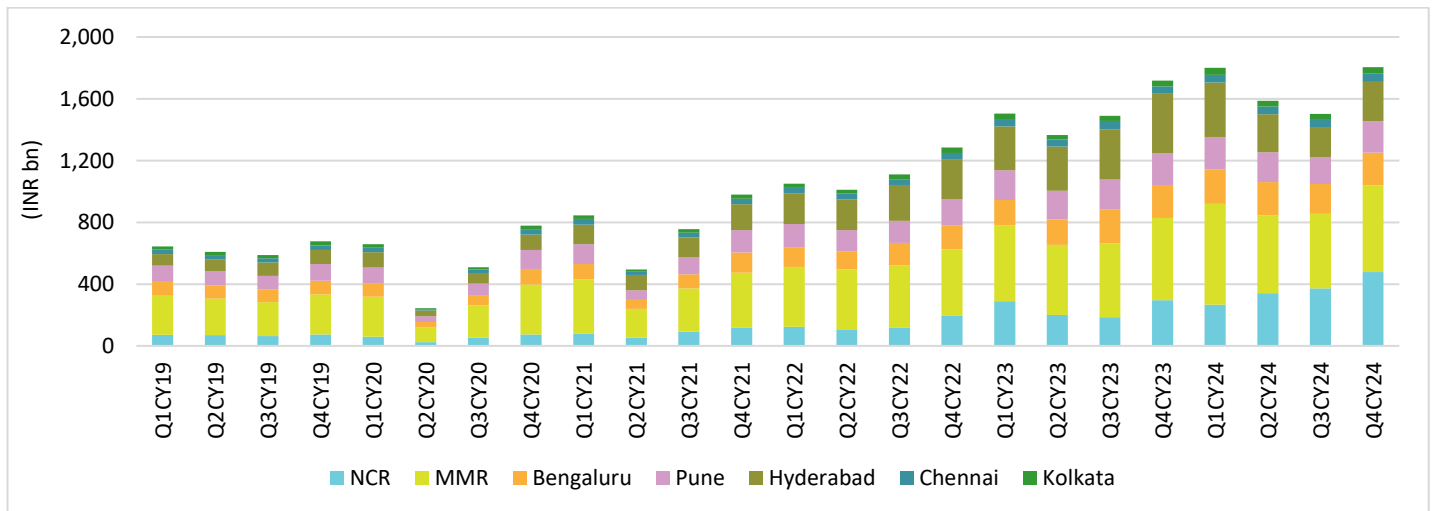
Note: Figure above bars represent % YoY increase/decrease

Exhibit 80: Annual sales value trajectory over the years



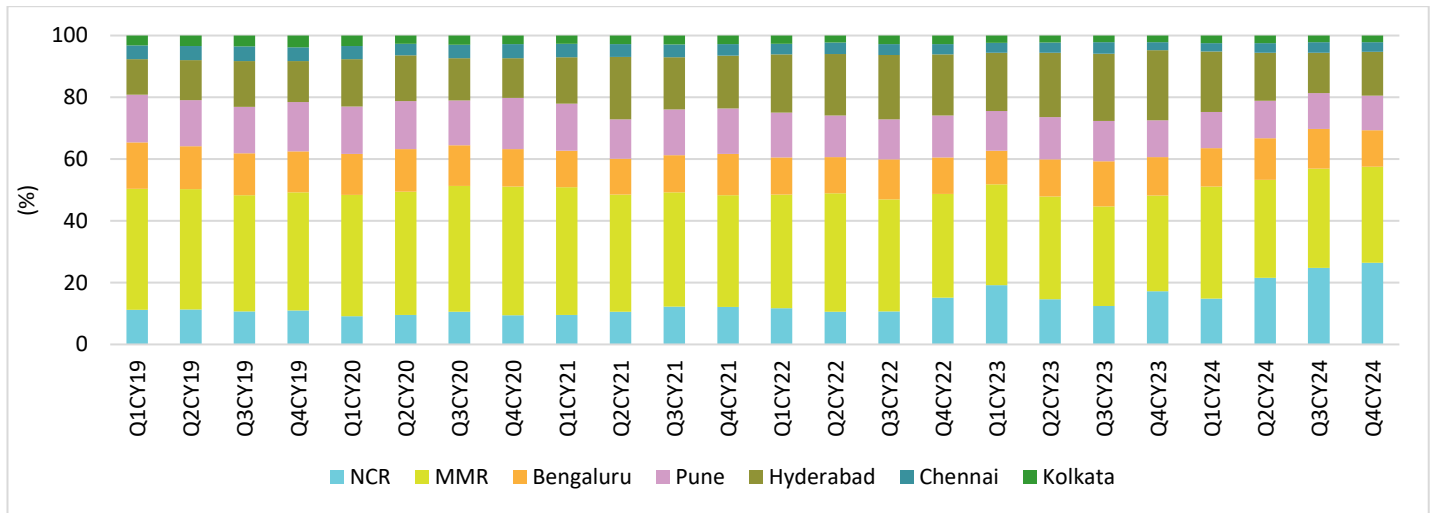
Source: Company, Nuvama Research

Exhibit 81: MMR, NCR and Bengaluru remain prime movers of housing sales



Source: PropEquity, Nuvama Research

Exhibit 82: MMR and Pune account for ~45% of absorption

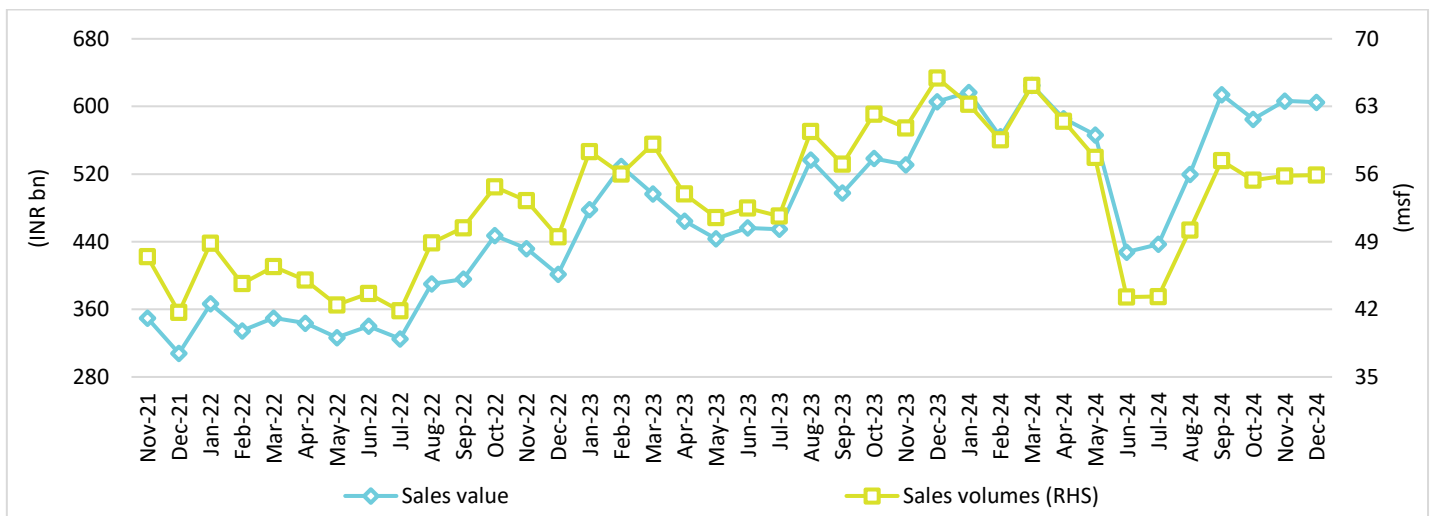


Source: PropEquity, Nuvama Research

Divergent trends in sales value versus volume

The premiumisation trend is playing out in the industry, which is evident from the fact that growth by sales value is much higher than growth in volumes.

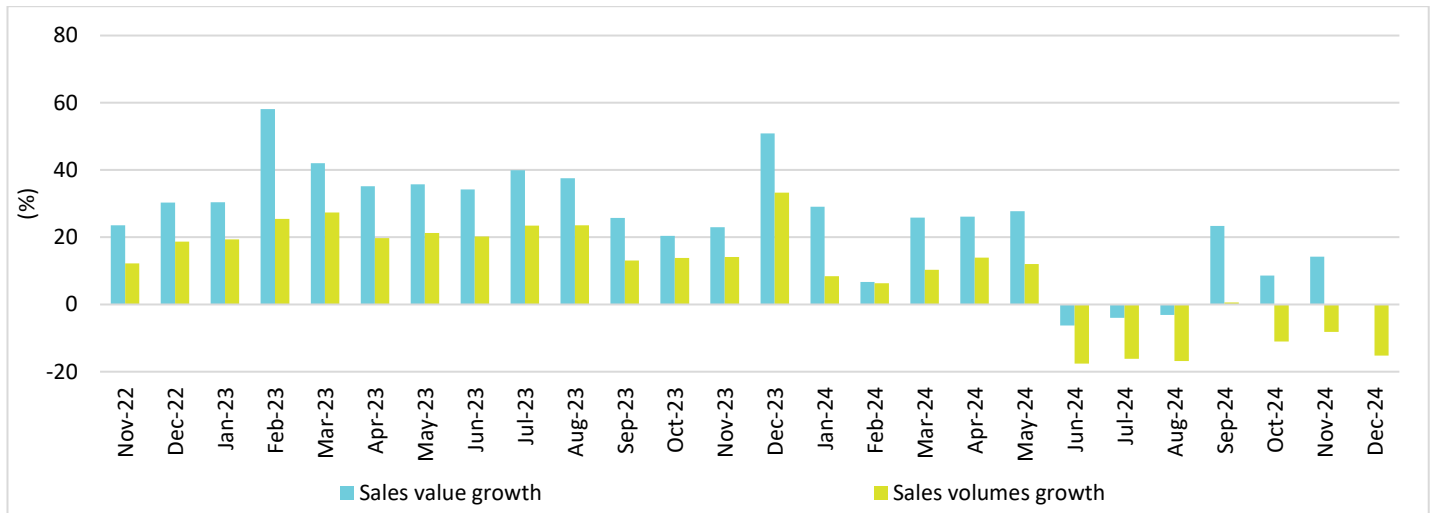
Exhibit 83: Sales by volume was muted in H2CY24



Source: PropEquity, Nuvama Research

This trend was abundantly clear in H2CY24 when the divergence between value and volume was quite stark.

Exhibit 84: Sales by volumes declined YoY, but remained steady in value terms in H2C2Y4



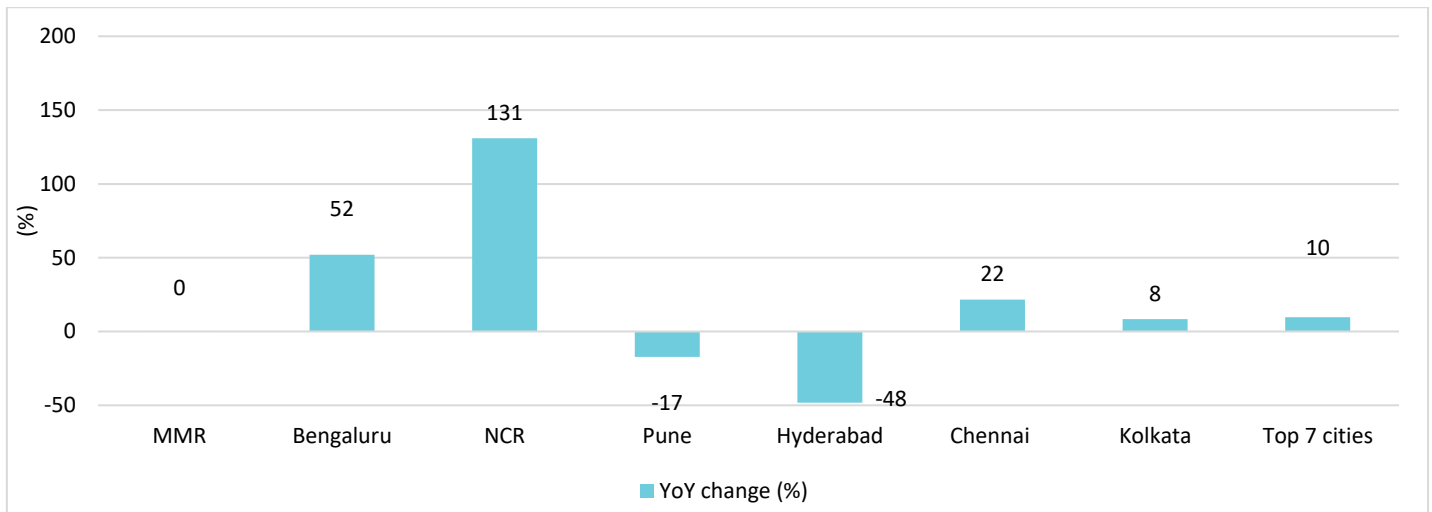
Source: PropEquity, Nuvama Research

In H1CY24, sales value was up 18% YoY; also, sales volumes were healthy in five out of six months. The trend started changing from Jun-24 where volumes fell 18% YoY.

The weakness continued in H2CY24 with sales volume being down YoY in five out of six months. Sales value was up mere 5% YoY in H2CY24 with three out of six months experiencing a YoY decline.

Launches: Launches by value increased 10% YoY in CY24. While launches surged the most in the NCR (up ~131% YoY), followed by Bengaluru (up 52% YoY) and Chennai and Kolkata (up 22% and 8% YoY, respectively), they slid ~48% YoY in Hyderabad and ~17% YoY in Pune. YoY new supply by value was flat in the MMR.

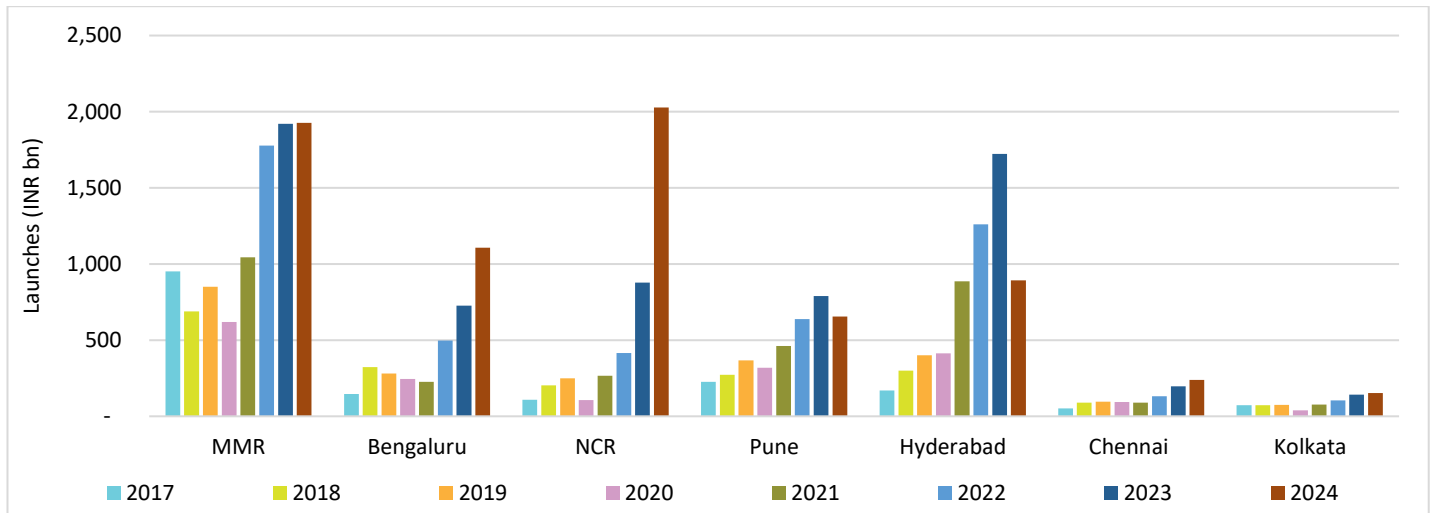
Exhibit 85: Wide disparity in CY24 launches by value across cities



Source: PropEquity, Nuvama Research

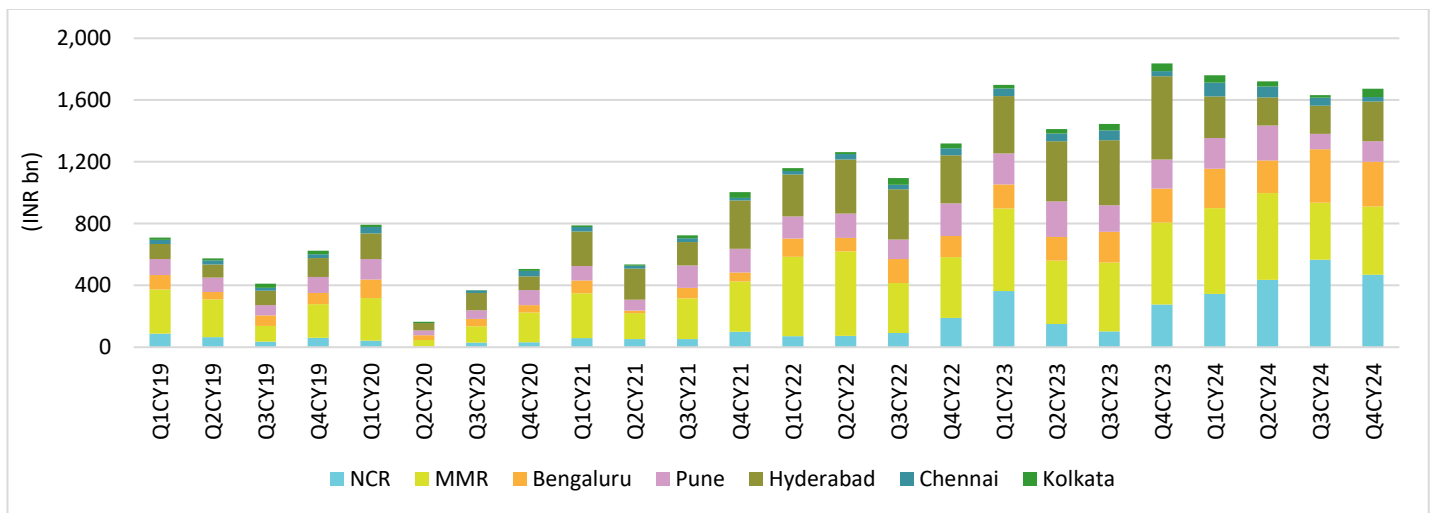
Note: Figure above bars represent % YoY increase/decrease

Exhibit 86: Annual trajectory of new launches by value



Source: PropEquity, Nuvama Research

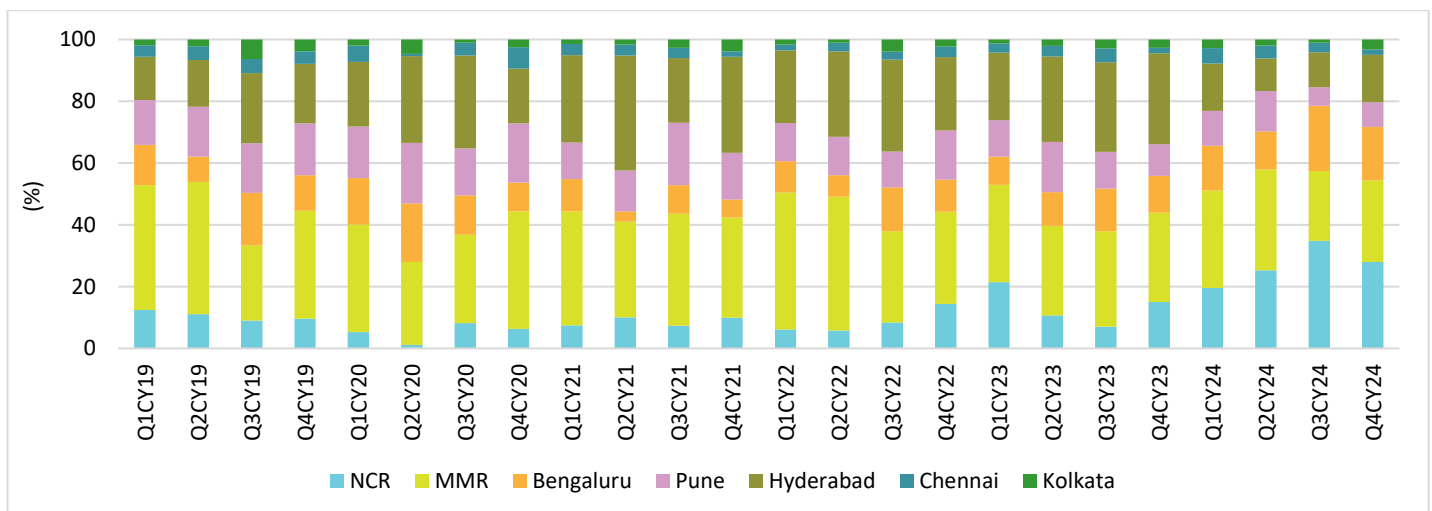
Exhibit 87: NCR and Bengaluru launches improve



Source: PropEquity, Nuvama Research

The NCR and Bengaluru have taken the lead as far as launches are concerned.

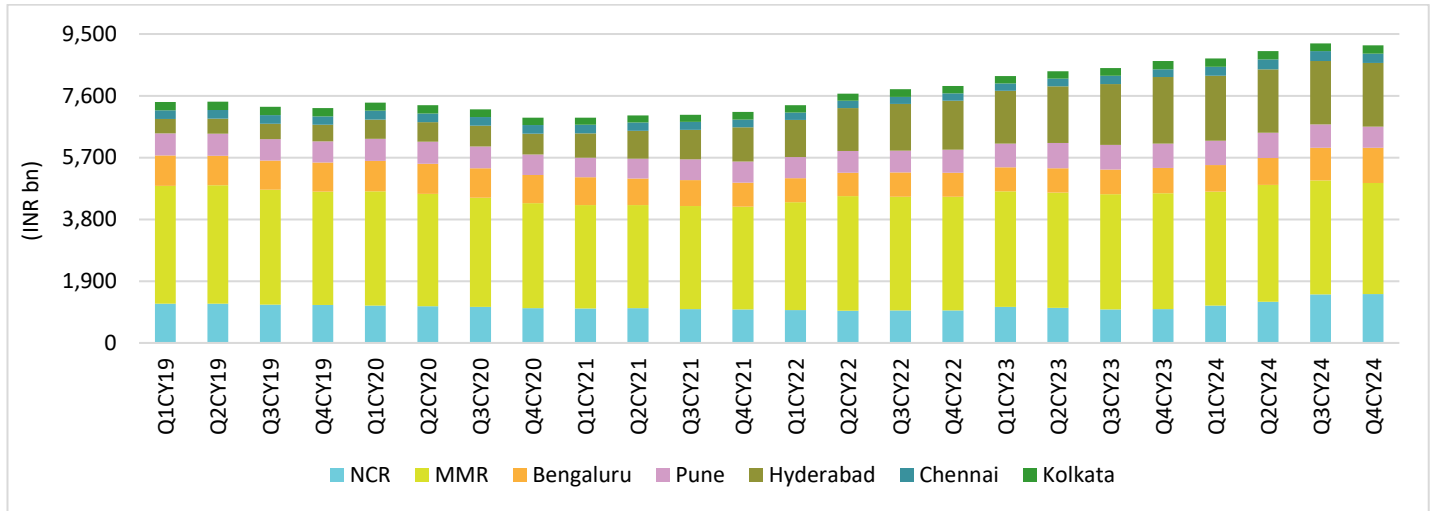
Exhibit 88: MMR and Pune contribute ~40% to launches



Source: PropEquity, Nuvama Research

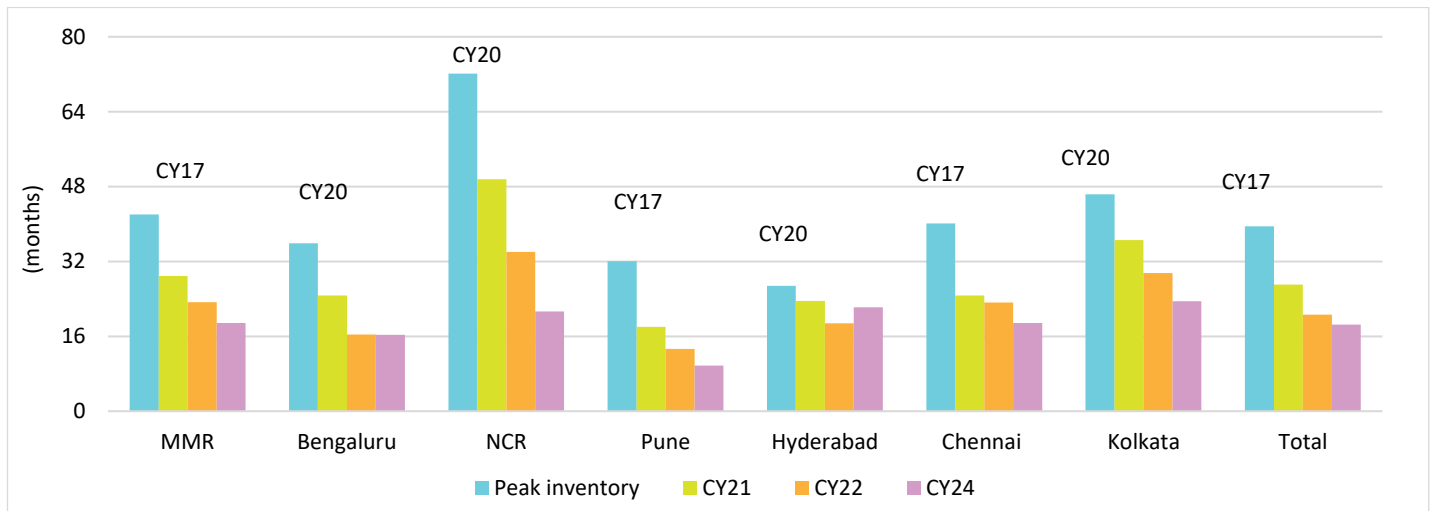
With demand eclipsing supply, unsold inventory has declined steadily.

Exhibit 89: Unsold inventory – in a tight band



Source: PropEquity, Nuvama Research

Exhibit 90: Unsold inventory down in all cities



Source: PropEquity, Nuvama Research

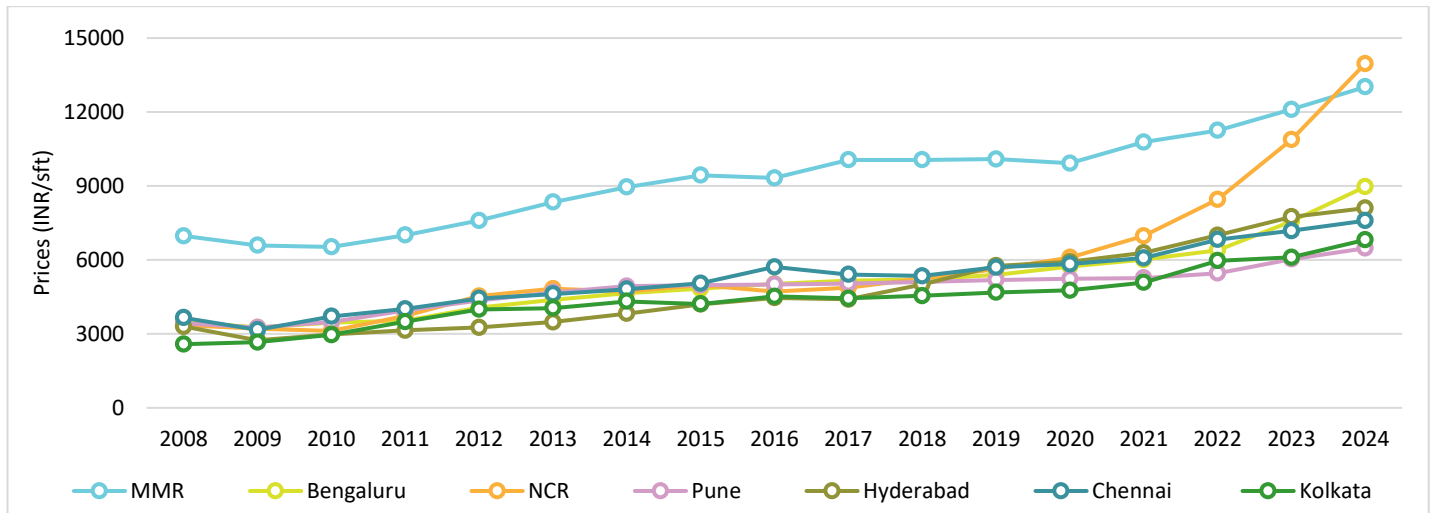
Note: Year denoting the peak unsold inventory has been shown

Unsold inventory pan-India improved to 16 months in Dec-24 from 17 months in Dec-23. Pune and the NCR remain the best markets with just 10–12 months of inventory each. All other markets have inventories in the range of 15–22 months each.

Prices increase in all markets YoY

With inventory levels remaining low, prices have surged in all major cities. In CY24, prices surged 28% YoY in the NCR followed by 12–18% YoY hikes in Bengaluru and Kolkata each while the other cities saw a 5–8% YoY prices hikes each during the year.

Exhibit 91: Annual prices trend across cities



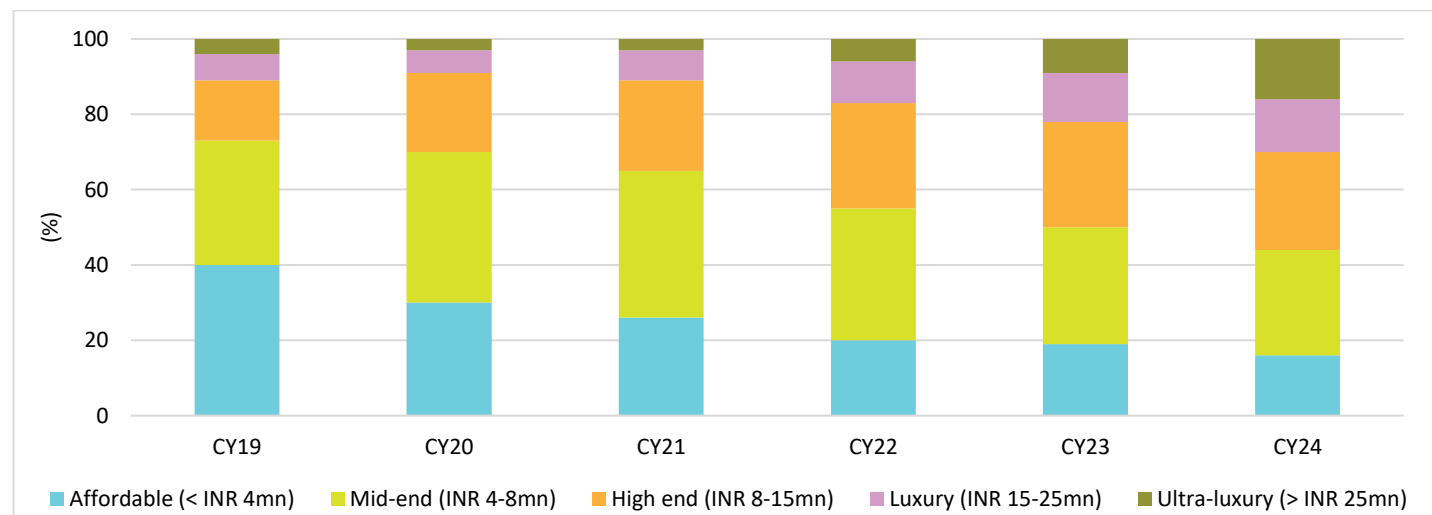
Source: Company, Nuvama Research

Top trends in housing space

The housing market has shown some significant underlying trends. Chief among them are:

- **Broad-based improvement in demand:** The surge in demand post-covid is not limited to just tier-1 cities. Absorption has picked up across the board in the country with even tier 2/3 cities witnessing momentum in housing sales.
- **Declining share of affordable housing:** Growing preference for bigger houses post-covid (discussed in detail later) and viability/profitability issues for developers (due to sharp increase in commodity costs) have taken the sheen off the affordable housing segment.

Exhibit 92: Supply split by segment

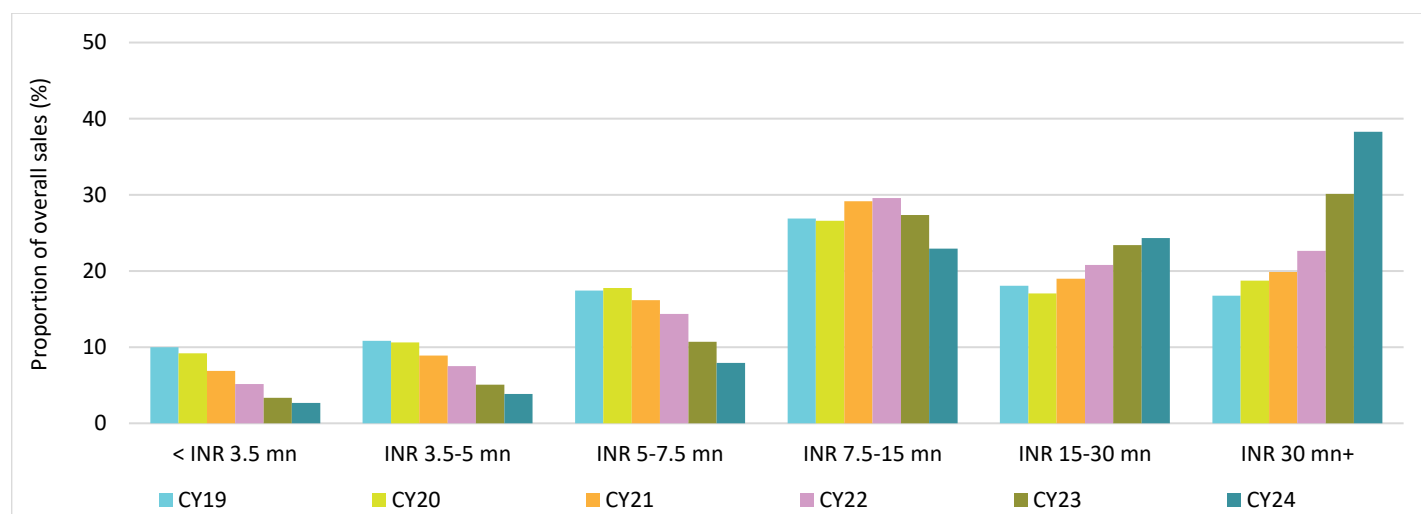


Source: Anarock, Nuvama Research

Anarock estimates the share of affordable housing projects in overall supply slid from 40% in CY19 to 16% in CY24.

- **Preference for higher-ticket sizes:** Consumers have started gravitating towards bigger houses. This led to demand for higher ticket sizes.

Exhibit 93: Higher ticket sizes preferred post-covid-19



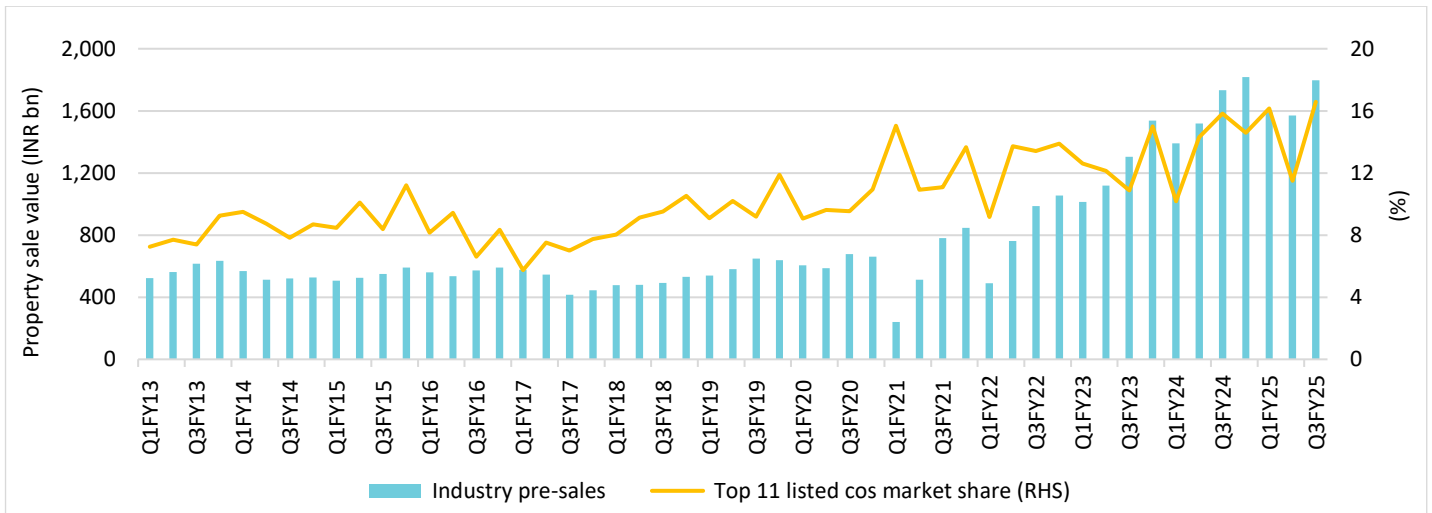
Source: PropEquity, Nuvama Research

- Data from PropEquity indicates the share of houses with lower-ticket sizes (as percentage of overall sales) has fallen steadily since CY19; conversely, a higher proportion of larger ticket size houses is being sold. The share of houses with ticket size < INR7.5mn has declined from 38% in CY19 to ~14% in CY24.
- **Luxury demand in vogue:** Not only has the pandemic spurred demand for bigger houses, consumers want more amenities too if they have to spend more time at home. This has led to higher demand for luxury homes. Homes > INR30mn had a 38% share in overall housing sales in CY24.
- **Millennials get on house buying bandwagon:** While millennials used to prefer renting houses, covid-19 has led to a change in behavioural patterns by highlighting the importance of owning a house. As per JLL, by 2030, 60% of new home buyers in India shall be millennials and Gen Z.
- **Organised developers step up land purchase:** Buoyed by an increase in demand, organised developers have ramped up land purchases (refer to, [Business development building up](#)). Growing preference for plotted development among homebuyers also provided a fillip to the land acquisition activity.

Industry consolidation continues unabated

Consolidation in the realty space, which commenced post-demonetisation and RERA, has been further strengthened by the pandemic.

Exhibit 94: Market share of listed companies remains healthy



Source: PropEquity, Company, Nuvama Research

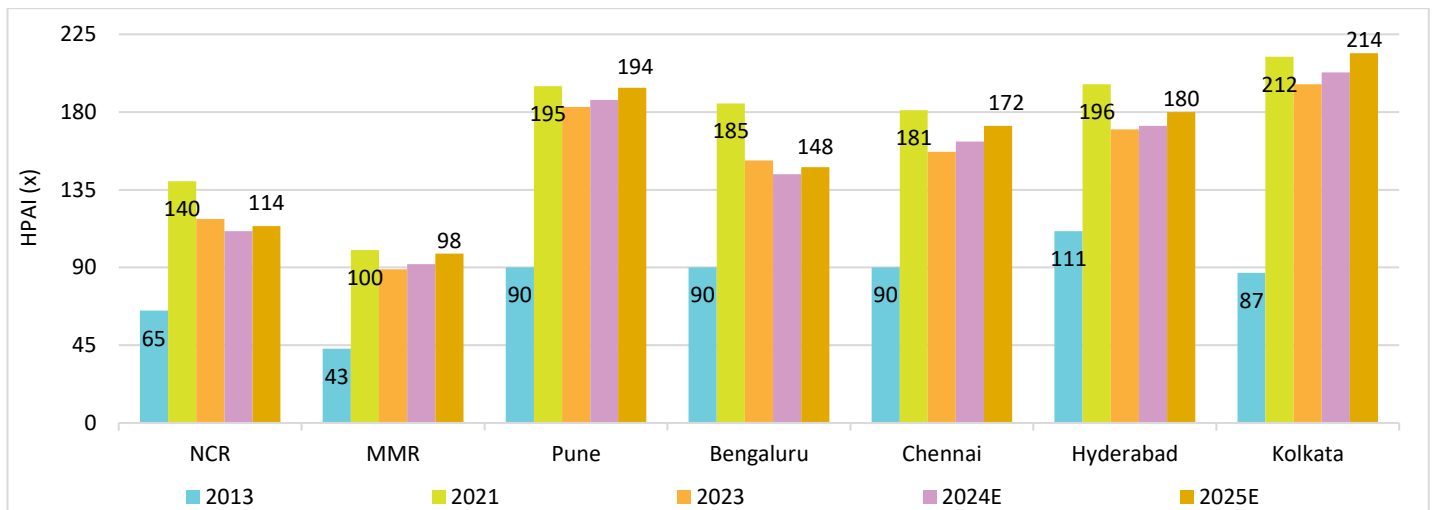
The share of 11 listed companies in industry pre-sales remains at a healthy level.

The affordability conundrum

Stagnant house prices over CY13–20 and the consequent improvement in affordability was the biggest reason behind the uptick in housing sales post-pandemic. The reduction in mortgage rates and stamp duty reliefs by various state governments further improved the value offerings for consumers, boosting housing sales. In fact, affordability in CY21 was the best over the past two decades.

However, over CY22-24, a combination of: i) price hikes taken by developers; ii) increase in size of houses; and iii) increase in mortgage rates have led to an increase in EMIs. This has impacted house affordability.

Exhibit 95: Home Purchase Affordability Index (HPAI) likely to improve in CY25E



Source: JLL, Nuvama Research

- Notes: i) HPAI is the ratio of average household income to eligible household income.
- ii) Eligible household income is defined as the minimum income that a household should earn in order to qualify for a home loan for a 1,000 sft apartment at the prevailing market price.
- iii) A value of more than 100 implies that an average household has more than enough income to qualify for the home loan.

JLL anticipates the HPAI to improve in 2025 on expectations of interest rate cuts. It says homebuyers' affordability would be within a comfortable range and should sustain the demand momentum in the housing market. It believes Kolkata, Pune and

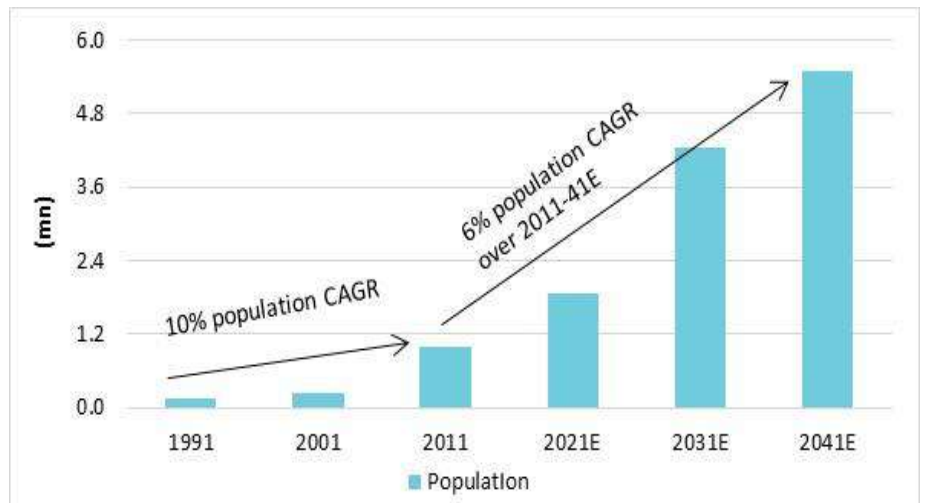
Hyderabad would remain the most affordable markets. Also, the MMR is on its way to reaching close to optimal affordability in 2025.

The Gurugram advantage

SGIL is based out of Gurugram, which is a satellite city of New Delhi. Gurugram has emerged as the economic hub of Haryana over the past few decades. Today, it is among the largest magnets for IT/BPO, finance and banking and automobile industries in India. It has among the highest per capita income among major cities in the country.

The city has witnessed scorching population growth over the past few decades. Its population is likely to almost triple to 5.5mn over the 2021-41E period.

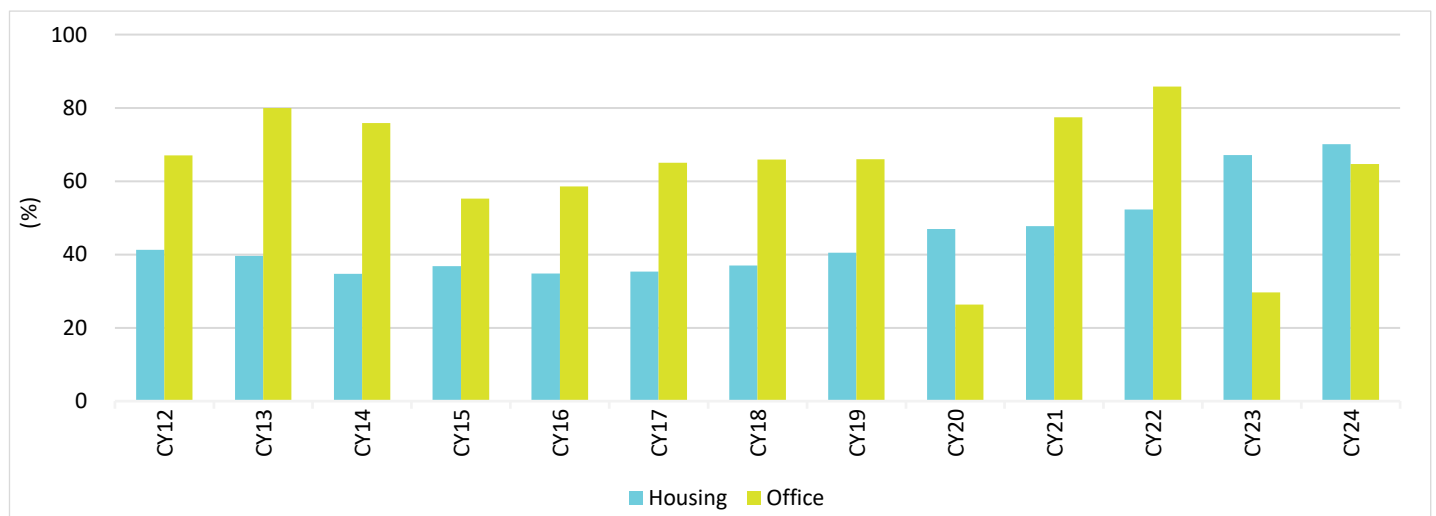
Exhibit 96: Population projections for Gurugram-Manesar Urban complex



Source: Government documents, Nuvama Research

Within NCR, Gurugram has a dominant share in the housing and office market, much ahead of Delhi, Noida and Greater Noida.

Exhibit 97: Share of Gurugram in NCR's housing and office absorption



Source: PropEquity, Cushman Wakefield, Nuvama Research

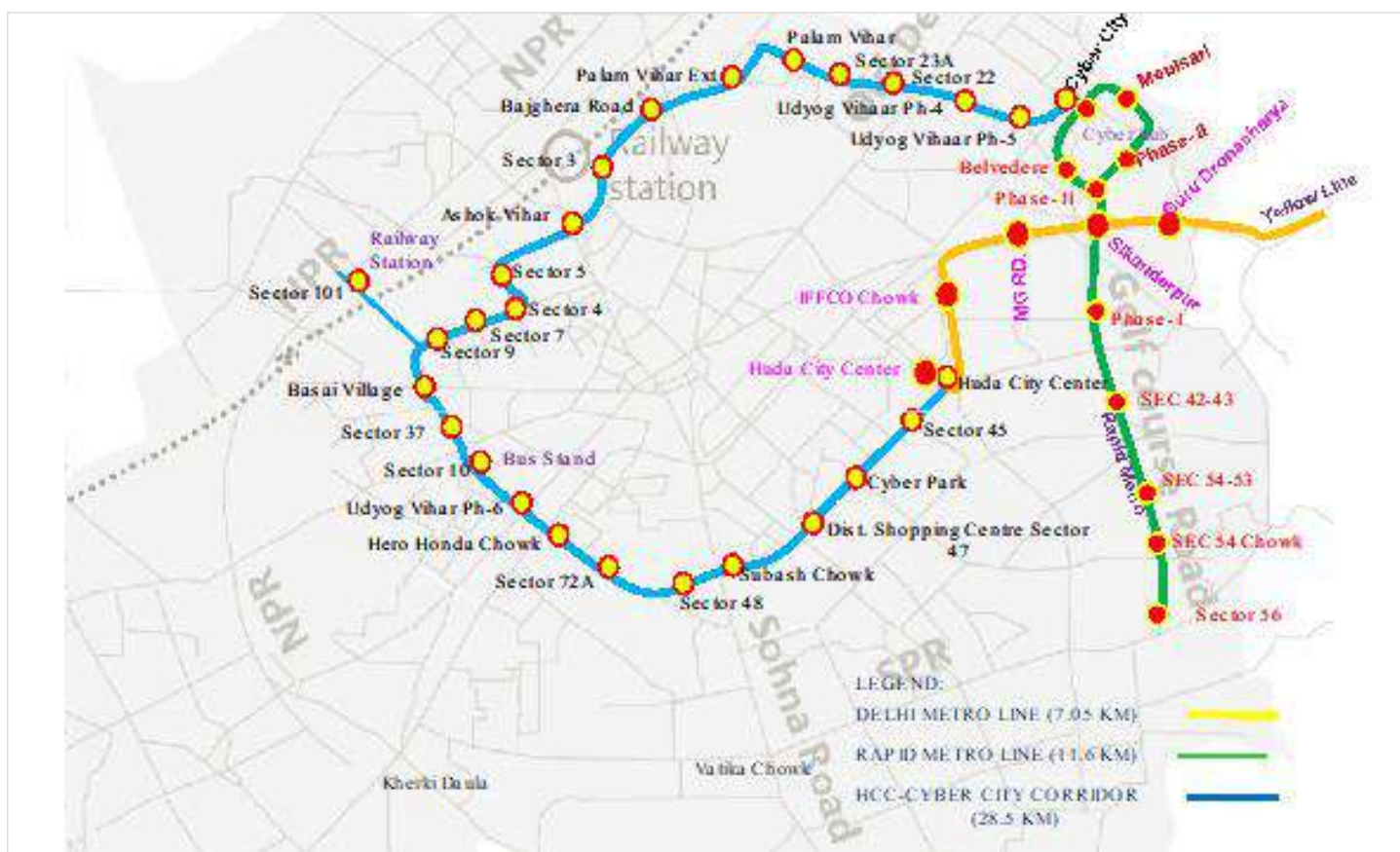
Notes: i) Housing data denotes value of houses sold over CY12-24 period.
ii) Office data denotes net office leasing over CY12-24 period.

In fact, the city's share in the NCR housing market has been steadily rising since CY18, driven by urban migration and strong job generation within Gurugram.

This has also been due to the strong infrastructure development in the city. A list of major infra projects (completed, ongoing and proposed) in and around Gurugram city are given below:

- **Completed projects** – NH-48, Delhi metro rail extension, Rapid metro rail (Gurugram), Kundli-Manesar-Palwal Expressway, Dwarka Expressway, Sohna Elevated Corridor project, signal free corridor on Golf Course Road and Cybercity.
- **Ongoing projects:** Haryana Orbital Rail Corridor
- **Proposed projects:**
 - **Metro rail connecting HUDA City Centre- DLF Cybercity** – This elevated metro rail project, which shall form a ring line and connect Gurugram and Old Gurugram has already been approved by the Union government.

Exhibit 98: HUDA City centre (HCC) – Cyber City metro line route map

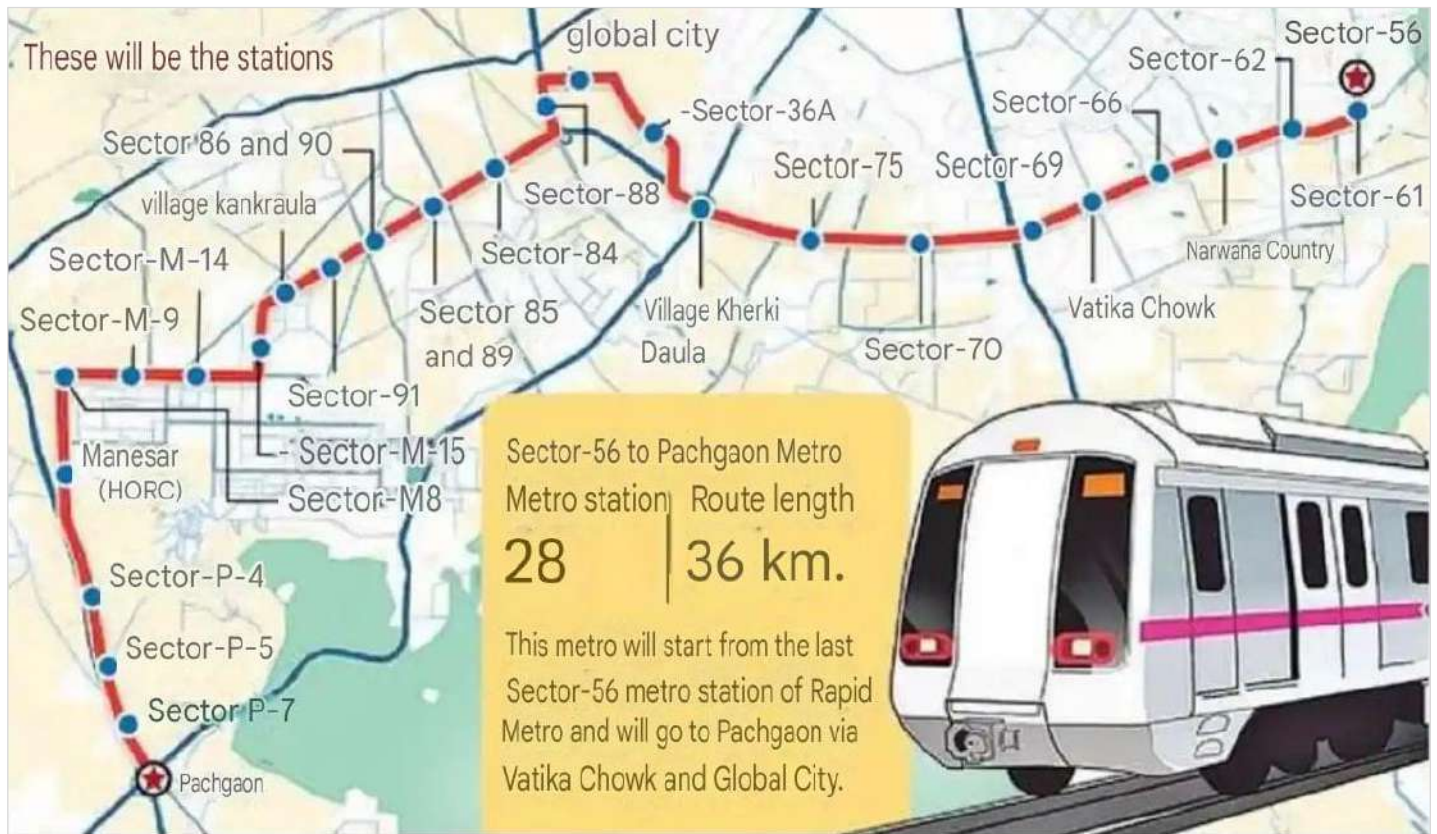


Source: TMRG, Nuvama Research

The tender for construction of the project was invited recently ([link](#)).

- **Metro rail project connecting Gurugram Sector-56 to Pachgaon (near Manesar):** The Haryana government has proposed to develop a metro rail connecting Sector 56 in Gurugram to Pachgaon near Manesar. The board of Haryana Mass Rapid Transport Corporation (HMRTC) has approved the draft detailed project report (DPR) of the project.

Exhibit 99: Route map of proposed metro rail between Sector 56, Gurugram and Pachgaon (Manesar)



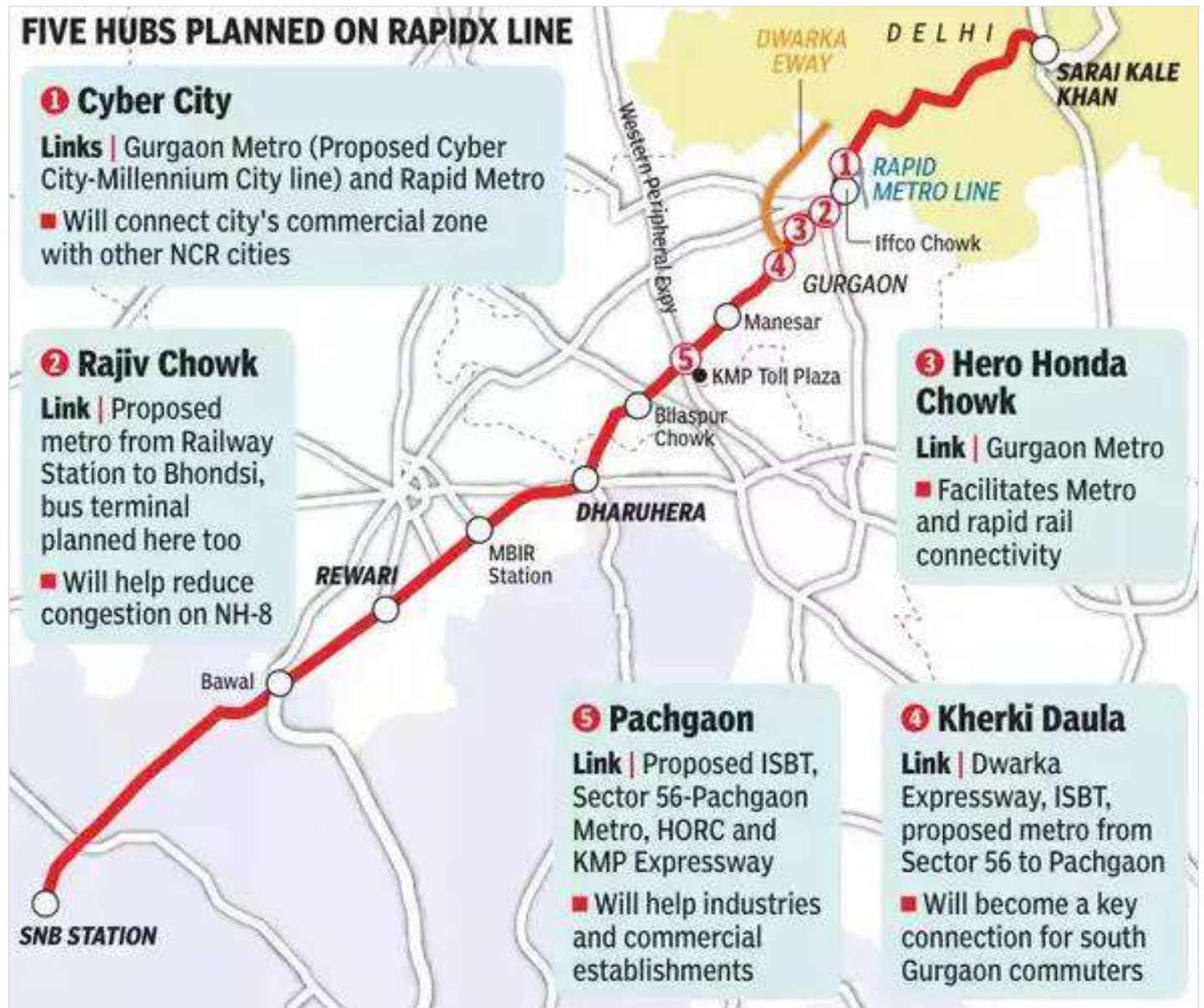
Source: Media reports, Nuvama Research

This 36km metro corridor, costing INR85bn, will connect areas such as Golf Course Extension Road, Southern Peripheral Expressway, Central Peripheral Road, new sectors along the Dwarka Expressway, Manesar and Pachgaon.

- **Gurugram-Noida Regional Rapid Transport System (RRTS)** - This INR150bn semi-high-speed rail corridor, spanning 60km, will connect Rajiv Chowk in Gurugram to Noida Sector-142 and Surajpur in Greater Noida, with a stop at Bata Chowk in Faridabad.
- **Delhi-Alwar RRTS corridor** – The Delhi – SNB – Alwar RAPIDX is a 164km semi-high speed rail line connecting Delhi – Gurugram – Dharuhera – Rewari – SNB (Shahjahanpur – Neemrana – Behror) – Alwar.

Media reports indicate that five hubs in Gurugram - Cyber City, Rajiv Chowk, Hero Honda Chowk, Kherki Daula near Dwarka Expressway and Pachgaon have been planned as transit hubs for commuters who want to shift between RRTS and other transport modes such as metro rail, ISBT and expressways.

Exhibit 100: Delhi-Alwar RRTS corridor – five hubs planned in Gurugram



Source: Media reports, Nuvama Research

Additional Data

Management

Chairman	Pradeep Aggarwal
CEO & MD	Ravi Aggarwal
CFO	Rajat Kathuria
Director	Chandra Wadhwa
Auditor	Walker Chandio & Co LLP

Holdings – Top 10*

	% Holding		% Holding
DKL Broking	4.43	Nomura Ireland	1.39
Nomura India	3.21	Pradeep Aggarwal	1.21
HDFC Capital	3.11	Bandhan MF	1.15
Trimurti Fragrance	1.63	FIL	0.34
Nomura Trust	1.43	Samsung Life	0.26

*Latest public data

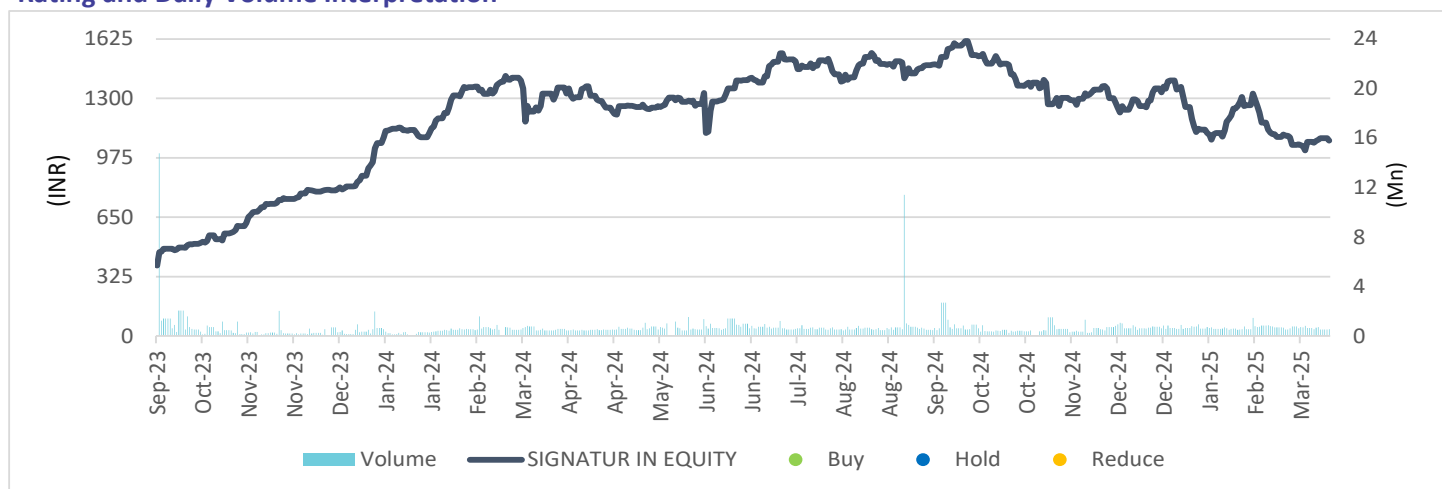
Recent Company Research

Date	Title	Price	Reco

Recent Sector Research

Date	Name of Co./Sector	Title
03-Mar-25	Real Estate	Mumbai: Feb-25 registrations remain stro; <i>Sector Update</i>
24-Feb-25	Real Estate	Jan-25: Good start to the year; <i>Sector Update</i>
19-Feb-25	Real Estate	Launches imperative to drive sales; <i>Sector Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	234
Hold	<15% and >-5%	61
Reduce	<-5%	23

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Abneesh Roy

Head of Research Committee

Abneesh.Roy@nuvama.com



Nuvama Institutional Equities, Inspire BKC, G Block, 8th Floor, Bandra Kurla Complex, Mumbai 400 051
Tel: +91 22 6620 3030. Email: research@nuvama.com