

PRESS RELEASE

SIGNATURE EVENTS PRIVATE LIMITED

September 2024

Rating

Instrument/Facilities	Amount (NPR. Mn)	Ratings	Rating Action
Long Term Bank Facilities	794.60	IRN B+	Assigned
Total	794.60		

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the long-term rating of IRN B+ (Single B plus) to the long-term bank facilities of NPR 794.60 Mn.

Detailed Rationale

The rating assigned is mainly constrained by Signature Events Private Limited (SEPL) stabilization risks for the company's under-construction commercial complex project. The rating is also impacted by the execution risks for the remaining project components along with design changes and additional project scope leading to higher cost against the initial estimates.

Nonetheless, the rating factors in the company's established promoters' profile, advanced stage of project construction (~79% financial progress till mid-July 2024) and its convenient location. Going forward, the company's ability to complete the project within the estimated cost/ timeline and thereafter report adequate occupancy/margins to cover the debt obligations would remain the key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Part of the established CG Holding Group

SEPL is promoted by various institutional promoters affiliated with the CG Holding Group, which has a long presence across diverse sectors including automobiles, manufacturing, real estate, financial services, hospitality, education, brewery & distillery among others. Experienced background of the promoters and the likely financial flexibility by virtue of SEPL's linkage with the group, also remain the rating positives.

Strategic location of the project

The under-construction "Signature Platinum Tower" is being constructed in the Jhamsikhel area and remains incredible in terms of commercial viability which remains a positive from the logistical standpoint. Its convenient location as well as adequate space remain well suited for the event organization and office rentals (the target customer segment).

Key Rating Weaknesses

Stabilization risks

The ongoing economic slowdown could impact initial occupancy levels and the proposed rentals could face competition from older properties with lower debt burden. In case of a lower occupancy than expected, initial loss support requirements could lead to a stretched liquidity as well as debt service indicators. As the debt repayments are to begin from FY25, timely/adequate funding support from promoters will remain crucial. These concerns are aggravated by the lack of rental agreements so far.

Modest execution risk

The project has reported ~79% financial progress till mid-July 2024, amid targets to start operations from November, 2024. Given the limited timeframe remaining, execution risk for the remaining project components also remains an area of concern. Further, the project has already witnessed increase in cost by ~32% from the originally budgeted cost, mainly on account of design changes as well as addition in project scope. Any further overrun in cost and time estimates could deteriorate the project liquidity and profitability.

Increasing competition and existence of 'leasing out' market

The rise in the number of organized commercial real estate developers has led to increased competition in the market. Additionally, the presence of multiple commercial complexes that lease out rental spaces to businesses could result in a supply glut in the near to medium term. This increased competition and potential oversupply may negatively impact the occupancy and rental rates of commercial spaces in the industry, potentially affecting the space bookings offered by SEPL.

Analytical Approach: Standalone

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

About the Company:

Incorporated in September 2020, Signature Events Private Limited (SEPL) is an SPV that is currently developing a multistorey commercial complex called "Signature Platinum Tower" in the Jhamsikhel, Lalitpur. The project is in advanced stages of construction with target to start operations by November, 2024. Ownership of all shares lies with institutional promoters, namely Signature Platinum Tower Private Limited (47.18%), C.G. Properties Private Limited (10.53%) and K.M.C Automobiles Private Limited (42.29%).

Annexure:1 Detail of Facilities:

Name of Instruments/ Facilities	Type of Facilities	Amount (NPR Mn.)	Ratings
Long Term Bank Facilities- Term Loan	Term Loan	794.60	IRN B+
Total Facilities		794.60	

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About Infomerics Credit Rating Nepal Limited:

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