

Press Release

INDIA EXPOSITION MART LIMITED

December 15, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 39.51 Cr.
Long Term Rating	SMERA BBB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BBB+**' (**read as SMERA BBB plus**) on the Rs. 39.51 crore bank facilities of INDIA EXPOSITION MART LIMITED. The outlook is '**Stable**'.

India Exposition Mark Limited (IEML), established in 2001, is a Noida-based company promoted by Exports Promotion Council for Handicrafts (EPCH), Ministry of Textile, Govt. of India, Greater Noida Industrial Development Area (GNIDA) and individual handicraft exporters. IEML operates an exhibition and convention centre named 'India Expo Centre & Mart' in Greater Noida for promotion of handicraft items including carpets, silk, jute products among others manufactured in India. The company has ~1,800 marts and eight exhibition halls offering conference facilities, parking arrangements, helipads, warehousing among others. IEML has a memorandum of understanding with EPCH to organise Indian Handicrafts and Gifts Fair (IHGF), Indian Fashion Jewellery & Accessories Show (IFJAS) and Home Expo.

Key Rating Drivers

Strengths

- Long operational track record and experienced management**

IEML was incorporated in 2001. The company is led by the Chairman, Mr. Rakesh Kumar and several directors who collectively possess industry experience of more than three decades. SMERA believes that IEML will continue to benefit from its experienced management and established relationships with customers.

- Healthy relations with customers**

IEML provides land for exhibitions and events. The company has a land bank of ~60 acres (230,437 sq. meters) with 15 halls, a showroom with around 900 units, board rooms, mini conference rooms and other facilities. The company has a reputed customer base and caters to the Export Promotion Council, IPAMA, CII among others. The bookings are contract-based with an in-built price escalation clause to protect margins.

- Healthy financial risk profile**

The financial risk profile of IEML is healthy marked by tangible net worth of Rs.85.38 crore as on 31 March, 2017 as against Rs.82.22 crore as on 31 March, 2016. The gearing (debt-equity) stood at 0.37 times as on 31 March, 2017 as against 0.45 times as on 31 March, 2016. The total debt of Rs.31.62 crore as on 31 March, 2017 comprises long term debt for construction of six exhibition halls. The Interest Coverage ratio (ICR) stood at 7.03 times for FY2016-17 as against 10.96 times for FY2015-16. The DSCR stood at 2.23 times for FY2016-17. Further, SMERA believes that the financial risk profile of the company will remain healthy in the absence of major debt funded capex and healthy cash accruals.

Weaknesses

- Modest scale of operations**

The scale of operations is modest with revenue of Rs 68.66 crore in FY2017 as against Rs.66.02 crore in FY2016. The company has registered revenue of around Rs.36.00 crore from April to November 2017 (Provisional).

- **High dependency on exhibitions/events**

The company is highly dependent on exhibition/events such as Auto Expo, and Export Promotion Council for Handicrafts among others for revenue. Besides, it is also exposed to intense competition in the event management industry.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of IEML to arrive at the rating.

Outlook: Stable

SMERA believes that IEML will maintain a stable outlook over the medium term owing to its experienced management and healthy association with customers. The outlook may be revised to 'Positive' if the company expands its scale of operations with sustainable profit margins and healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower than expected operating income and accruals or deterioration in the profitability profile. Any large debt funded capital expansion undertaken may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

For FY2016-17, IEML reported profit after tax (PAT) of Rs.5.92 crore on operating income of Rs.68.66 crore, compared with PAT of Rs.8.63 crore on operating income of Rs.66.02 crore in the previous year. The net worth stood at Rs.85.38 crore as on 31 March, 2017, as against Rs.82.22 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
21-Sep-2016	Term Loan	Long Term	INR 36.51	SMERA BBB+ / Stable
	Secured Overdraft	Short Term	INR 3	SMERA BBB+ / Stable
12-Oct-2015	Term Loan	Long Term	INR 40	SMERA BBB / Positive
	Term Loan	Long Term	INR 1.88	SMERA BBB / Positive
	Secured Overdraft	Long Term	INR 3	SMERA BBB / Positive
06-Jan-2015	Term Loan	Long Term	INR 7.02	SMERA BBB / Stable
	Proposed Long Term Loan	Long Term	INR 35	SMERA BBB / Stable
30-Sep-2014	Term Loan	Long Term	INR 11	SMERA BBB / Stable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	36.51	SMERA BBB+ / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BBB+ / Stable

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ABOUT SMERA

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