

Press Release

India Exposition Mart Limited

February 18, 2019

Rating Upgraded



Total Bank Facilities Rated*	Rs. 39.51 Cr.
Long Term Rating	ACUITE A- / Outlook: Stable (Upgraded from ACUITE BBB+/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE A-**' (read as **ACUITE A minus**) from '**ACUITE BBB+**' (read as **ACUITE triple B plus**) on the Rs. 39.51 cr. bank facilities of INDIA EXPOSITION MART LIMITED (IEML). The outlook is '**Stable**'.

The rating upgrade mainly reflects steady revenue growth along with improvement in profitability margins of the company. The debt protection metrics of the company has improved during the period under study (FY2015-FY2019). The revenues profile of the company is expected to improve on account of higher occupancy rate of marts, exhibition halls and other facilities provided by IEML. Acuité believes the company will maintain its sustained revenue growth on account of healthy order book position as on October 2018 giving a revenue visibility for near to medium term while maintaining its financial risk profile and liquidity position over the medium term.

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.

Analytical Approach

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

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. Acuité 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.

- **Improvement in financial risk profile**

The financial risk profile of IEML has improved in FY2018 over FY2017 marked by healthy debt protection metrics and leverage ratios of the company. The tangible net worth of the company has improved to Rs.101.33 crore as on 31 March 2018 as against Rs.85.38 crore in the previous year. Gearing (debt-equity) stood healthy at 0.24 times as on 31 March 2018 as against 0.37 times as on 31 March 2017. The total debt of Rs.24.35 crore outstanding as on 31 March 2018 comprises of term loan outstanding. The coverage indicators of IEML stood healthy marked by Interest coverage ratio (ICR) of 17.41 times for FY2018 as

against 7.03 times for FY2017. DSCR stood at 3.94 times for FY2018 as against 2.23 times for FY2017. Total outside liabilities to tangible net worth (TOL/TNW) stood at 0.61 times as on 31 March 2018 as against 0.67 times as on 31 March 2017.

The company is expected to undergo a capital expenditure in FY2020. Considering the current debt funded capex, the additional debt funded capex is not likely to significantly impact the financial risk profile of the company in near to medium term. Any higher-than-expected deterioration in financial risk profile of the company will remain a key rating sensitivity factor.

• **Healthy business risk profile**

The revenues of IEML have grown at a CAGR of ~25 per cent from FY2015 to FY2018. IEML has registered healthy revenue growth of ~42 per cent in FY2018 over FY2017. The improvement in revenues is majorly on account of higher occupancy rate of exhibition, marts and other facilities provided by IEML. The company has registered revenues of Rs.97.62 crore for FY2018 as against Rs.68.66 crore for FY2017. The EBITDA margins stood at 45.82 percent in FY2018 as against 33.64 percent in FY2017. The company has healthy net cash accruals of Rs.30.01 crore in FY2018 and Rs.14.98 crore in FY2017. Acuite believes that IEML will maintain a healthy business risk profile on the back of continuous and repeat orders received from existing and new customers.

Weaknesses

• **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. Further, the number exhibition held is highly depended on the economic spending in the country. Any slowdown in economic spending would impact the number of exhibitions held in and around the country. Besides, it is also exposed to intense competition in the event management industry.

Liquidity position

IEML has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.19.58 crore to Rs.30.01 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.6.69 crore over the same period. The cash accruals of the company are estimated to remain around Rs.30 crore during 2019-21 while its repayment obligation are estimated to be around Rs.6.69 Crore. The current ratio of the company stands healthy at 1.48 times as on March 31, 2018. The company is likely to incur capex of Rs.70 crore over the medium which is likely to be funded by internal accruals and external borrowing in the ratio of 35:65. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite 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

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	97.62	68.66	66.02
EBITDA	Rs. Cr.	44.73	23.10	27.72
PAT	Rs. Cr.	21.72	5.92	8.63
EBITDA Margin	(%)	45.82	33.64	41.98
PAT Margin	(%)	22.25	8.63	13.07
ROCE	(%)	29.43	10.65	16.72
Total Debt/Tangible Net Worth	Times	0.24	0.37	0.45
PBDIT/Interest	Times	17.41	7.03	10.96
Total Debt/PBDIT	Times	0.50	1.21	1.17
Gross Current Assets (Days)	Days	99	104	86

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Entities in the service sector - <http://acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
15-Dec-17	Term Loan	Long term	36.51	ACUITE BBB+/Stable (Reaffirmed)
	Secured Overdraft	Long term	3.00	ACUITE BBB+/Stable (Reaffirmed)
21-Dec-16	Term Loan	Long term	36.51	ACUITE BBB+/Stable (Upgraded)
	Secured Overdraft	Long term	3.00	ACUITE BBB+/Stable (Upgraded)
12-Oct-15	Term Loan	Long term	40.00	ACUITE BBB/Positive (Reaffirmed)
	Term Loan	Long term	1.88	ACUITE BBB/Positive (Reaffirmed)
	Secured Overdraft	Long term	3.00	ACUITE BBB/Positive (Reaffirmed)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	36.51	ACUITE A- / Stable (Upgraded)
Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A- / Stable (Upgraded)

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About Acuité Ratings & Research:

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