



## Press Release

### India International Convention And Exhibition Centre Limited

**D-U-N-S® Number: 86-118-3048**

February 26, 2019

#### Rating Assigned

|                                     |                             |
|-------------------------------------|-----------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 2150.16 Cr.             |
| <b>Long Term Rating</b>             | ACUITE AA / Outlook: Stable |

\* Refer Annexure for details

#### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE AA**' (read as **ACUITE double A**) to the Rs. 2150.16 crore bank facilities of INDIA INTERNATIONAL CONVENTION AND EXHIBITION CENTRE LIMITED (IICL). The outlook is '**Stable**'.

IICL is a 100 per cent Government of India (GOI) owned Special Purpose Vehicle set-up through Department of Industrial Policy and Promotion (DIPP) and is mandated to develop the India International Convention & Exhibition Centre (IICC) at Sector 25 in Dwarka (New Delhi). The Project was approved by the Union Cabinet in November 2017. The total estimated cost for the entire project is Rs. 25,703 Cr. and the project will be executed in two phases.

#### Project Details

Phase I of the project includes development of a Convention Center (approximately 60,000 sq.m. in size), closed Exhibition Area (approximately 82,000 sq.m. in size) and complete trunk Infrastructure at an estimated cost of Rs. 4,317.40 Cr. The Convention Centre complex will have a capacity to hold 10,000 delegates. The project is being executed through Engineering, Procurement and Construction (EPC) contract given to Larsen and Toubro Limited (L&T) and the same is expected to be completed in 22 months. The related project infrastructure of Rs. 1,211.71 Cr. will be commissioned by National Highways Authority of India (NHAI), Delhi Jal Board (DJB), Delhi Metro Rail Corporation (DMRC) and BSES Rajdhani Power Limited (BRPL). The construction of Phase - I of the project commenced in FY2018 and the estimated Commercial Operation Date (COD) of the Project is April 01, 2020.

Phase II of the project is a combination of PPP and Non-PPP model and the proposed construction period is FY 2022-23 to FY 2024-25. This phase will include commercial real estate development such as Five-star Hotels, Retail and Office Spaces as part of the PPP model and Exhibition Space as part of the Non-PPP model.

#### Analytical Approach

To arrive at rating, Acuite has considered the standalone business and financial risk profile of IICC and notched up the standalone rating by factoring in the strong operational and financial support extended by GOI.

### Key Rating Drivers

#### Strengths

- **Ownership and support from the Government of India**

Wholly owned by the GOI, the company is chaired by Mr. Ramesh Abhishek (Secretary of Department of Industrial Policy and Promotion) followed by representatives from the department of Economic affairs, tourism and expenditure, on the company's board. GOI had sanctioned budgetary support of Rs. 2,037.39 Cr towards the first phase of project as equity contribution over a period of 3 years. The first

tranche of Rs. 500 Cr was released during FY 2017-18, Rs. 695 Cr in two tranches during FY 2018-19 and Rs. 842 Cr shall be infused in two tranches during FY 2019-20. Total equity infusion till date is ~Rs. 1195 crore.

The total project cost of Rs. 4,317.40 Cr towards the first phase of the project is proposed to be funded through equity of Rs. 2,037.39 Cr to be infused by GOI and debt of Rs. 2,150.16 Cr which is partially supported by way of guarantee from the GOI. The balance Rs. 129.85 crore to be met through advance lease rentals from Hotel development.

Acuite believes that IICL's financial risk profile will continue to be supported by its association with the GOI. Therefore, the ownership pattern and support from GOI will remain a key rating sensitivity factor.

- **Project debt largely guaranteed by GOI**

Project debt of Rs. 2,150.16 Cr to be raised towards the development of the first phase of the convention center is supported by way of a letter of guarantee extended by the Department of Industrial Policy and Promotion (GOI). However, guarantee on the debt is restricted to the maximum of 80 per cent of the project loan or Rs. 1,381 Cr. whichever is less.

As per the terms of the letter, IICL is liable to pay an annual guarantee fee to the tune of 1 per cent of the amount outstanding at the beginning of the guarantee year. Where the same is not paid on the due date, it would be charged at double the normal rates for the period of default.

The guarantee would cover the principal amount and the normal interest on the term loan. In the event of default in repayment of the installment of the debt, the lending agency shall invoke the guarantee within a time limit not exceeding 60 days of the default. In case the guarantee is not invoked within the stipulated period, the guarantee would cease to exist for that portion of the liability of guarantee which has not been invoked.

The rating is primarily based on the strength of the letter of guarantee from the GOI and subsequent changes in the terms of the guarantee or the amount allotted by the government towards the project if any, will have a bearing on the credit profile of IICL.

- **Project viability**

The project is spread across 90 hectares of land. It is planned as a venue that will not just allow India to hold multilateral state events, but also become an option for global convention and exhibition events in the private sector. Besides, the convention centre, the multi-purpose arena will have a capacity to host 20,000 people. The venue will also house three five-star hotels, four four-star hotels, two three-star hotels, as well as service apartments. Parking facility for nearly 30,000 vehicles is being planned.

Apart from this, the project is expected to generate over 500,000 indirect employment opportunities. The Department of Industrial Policy and Promotion is implementing the project through IICL. It will be operated by a consortium led by KINTEX who had submitted a joint bid with South Korean exhibition organiser, eSang Networks, to operate the project assets in New Delhi for 20 years. IICL is expected to be one of the landmark infrastructure development projects launched by GOI.

For India, the domestic convention market has evolved significantly and inbound convention market is also gradually picking up with the active support from the Ministry of Tourism, Government of India. This will strengthen the business prospects for IICL over the medium to long term.

## **Weaknesses**

- **Implementation risk associated with the project**

The total project cost including phase I and II is estimated to be Rs. 25,703 Cr., out of which construction for the first phase which accounts for 17 per cent (Rs. 4317.40 Cr) has begun and is expected to be completed by FY 2020. Approximately, Rs. 880 Cr. has been incurred on the project towards EPC and Infra related facilities till December 31, 2018 and an additional Rs. 650 Cr. is expected to be incurred by March 2019. The project being at an early stage of its construction carries a risk of timely completion and commencement of operations. However, by way of appointment of major consultants/contractors of repute to execute the project and by way of entering into time bound and fixed price contracts with its contractors, the risk associated with the same has been

partially mitigated.

### Liquidity Position:

The IICL project is being funded through long term debt and equity and there is a one-year moratorium on the debt repayment post COD. Given the availability of long-term funds and the completion of financial closure for Phase I, Acuite believes that liquidity concerns of the entity are mitigated over the near to medium term.

### Outlook: Stable

Acuite believes that IICL will maintain a 'Stable' outlook over the medium term on account of its strong linkages with, and support from the GOI. The outlook may be revised to 'Positive' in case the company achieves its commercial operations as expected and is able to exhibit healthy growth in cash accruals while managing its working capital requirements efficiently. Conversely, the outlook may be revised to 'Negative' in case of significant delays in project execution or any dilution of support from the GOI, thereby impacting the debt servicing ability or any deterioration in the financial risk profile and liquidity position of the company.

### About the Rated Entity - Key Financials

|                               | Unit    | FY18 (Actual) |
|-------------------------------|---------|---------------|
| Operating Income              | Rs. Cr. | 0.00          |
| EBITDA                        | Rs. Cr. | -3.30         |
| PAT                           | Rs. Cr. | -2.54         |
| EBITDA Margin                 | (%)     | 0.00          |
| PAT Margin                    | (%)     | 0.00          |
| ROCE                          | (%)     | -3.95         |
| Total Debt/Tangible Net Worth | Times   | 0.00          |
| PBDIT/Interest                | Times   | -134995.83    |
| Total Debt/PBDIT              | Times   | 0.00          |
| Gross Current Assets (Days)   | Days    | 0             |

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Criteria For Group And Parent Support - <https://www.acuite.in/view-rating-criteria-24.htm>

### Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years)

Not Applicable

### \*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate    | Maturity Date  | Size of the Issue (Rs. Cr.) | Ratings/Outlook    |
|------------------------|------------------|----------------|----------------|-----------------------------|--------------------|
| Proposed Term Loan     | Not Applicable   | Not Applicable | Not Applicable | 2150.16                     | ACUITE AA / Stable |

## Contacts

| Analytical   | Rating Desk   |
|--|---|
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### About Acuité Ratings & Research:

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