

Press Release

India International Convention and Exhibition Centre Limited

April 20, 2021

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.2,150.16 Cr.
Long Term Rating	ACUITE AA+ / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE AA+**' (read as **ACUITE double A plus**) on the Rs. 2,150.16 cr. bank facilities of India International Convention and Exhibition Centre Limited (IICCL). The outlook is '**Stable**'.

The rating reaffirmation is on account of continuous equity support from parent, Government of India (GoI). IICCL has already received a budgetary support from GoI to the tune of Rs.2196.81 Cr. as on 15 February 2021. The project is divided into 2 Phases. Phase I was initially expected to achieve COD in FY2021, however, on account of outbreak of Covid – 19 in March 2020 followed by lockdown across the nation thus restricting the movement of goods and people had led to halt in construction. However, IICCL has extended its COD for Phase I and the revised COD is 01-December-2021. The project is ~67% complete until February, 2021 as against ~64% as on December 2019. Furthermore, Acuite also takes into account the continuous budgetary support from GoI and very low reliance on external debt. The company has drawn its debt to the tune of only Rs.143 Cr. out of sanctioned limits of Rs.2150.16 Cr. Acuite believes the balance debt of ~Rs.2000 Cr. is likely to be drawn in FY2022 for achieving timely completion of project.

IICCL was incorporated in 2017 and is a wholly owned Government of India (GOI) entity. The company is mandated to develop the India International Convention & Exhibition Centre (IICC) located at Dwarka Sector 25, New Delhi. The Project was approved by the Union Cabinet in November 2017 and adequate budgetary support has been provided for timely execution of the project. The project is to be implemented in two phases and the overall expected revised cost of the project is Rs. 26,108 Cr. (including the investment by private parties through Public Private Partnership [PPP] route).

About the Project

Phase I: The phase I of the project is a combination of PPP and Non-PPP model comprising development of Hotels, Retail, office, Convention Center (~60,000 sq.m. in size), two Exhibition centres (approximately 200,000 sq.m. in size) and complete trunk Infrastructure. The Convention Centre will have a capacity to hold 10,000 delegates. The construction is being undertaken through Engineering, Procurement and Construction (EPC) contract given to Larsen and Toubro Limited (L&T) and the same is expected to be completed by December 2020. National Highway Authority has awarded the Work of road connectivity to J Kumar Infra Projects Limited; it is expected to be completed by December 2021. Delhi Metro Rail Corporation has started the work of extension of Air Express line to IICCL Project and the same also expected to be completed by 2021. Delhi Jal Board has sanctioned the water and sewage connection and BSES has started the work of electricity connection. The construction of Phase - I of the project commenced in FY2018 and the estimated completion date of the Project is December 30, 2020. The overall project cost (including PPPs) for Phase I has been revised to Rs. 8,494 Cr. from Rs.8,089 Cr and additional budgetary support of Rs.405 Cr has also been sanctioned.

Phase II: The phase II of the project is also 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 additional 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.

The project is expected to generate over 5 lakh indirect employment opportunities. The Department for Promotion of Industry and Internal Trade in Commerce ministry is implementing the project through IICCL. 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. IICCL is expected to be one of the landmark infrastructure development projects launched by GOI.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of IICCL for arriving at the rating. It also factors in the strong expectation of support from GOI given the strategic importance of the project and its status as a fully owned entity of the Government.

However, the rating does not take into account the presence of any specific government guarantee for the bank loans.

Key Rating Drivers

Strengths

- **Benefits derived from the ownership and budgetary support from the Government of India**

The company has been promoted by Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and 100 percent of the shares are owned by GOI. In addition, the board of directors of the company includes representatives from NITI Aayog (National Institution for Transforming India), Department of Expenditure in Ministry of Finance and Ministry of Housing and Urban Affairs. The presence of senior bureaucrats in the board of IICCL reinforces the importance of timely execution of the project to the government.

The total estimated project cost for Phase 1 stood at Rs.5178 Cr. which is to be funded from budgetary support of Rs.2444 Cr, loan of Rs.2150 Cr and balance from internal accruals and monetization of Government owned land. Acuite believes that IICCL's financial risk profile will continue to be supported by its association and linkages with the GOI.

- **Healthy prospects for the exhibition and convention industry**

The project is spread across 90 hectares of land. It is planned as a venue that will not just facilitate the Indian Government to hold multilateral events but also provide an option to private corporate sector for global convention and exhibition events. 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 fourstar hotels, two three-star hotels, as well as service apartments. Parking facility for nearly 30,000 vehicles is being planned.

The MICE (Meetings, Incentive, Conventions and Exhibitions) business is a large revenue generator for many economies across the world and at present the global MICE industry size is estimated around \$805 billion and is projected to reach \$1,439 billion by 2025. At present the European Union and North American countries are the biggest benefactors of this market whereas India has not really been able to capitalize on this opportunity in the absence of world class exhibition and conference facilities and this project aims to tap into that market. The project is aimed at cementing India's position as one of the top destinations for holding prestigious not only in Asia but globally as well.

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

Weaknesses

- **Cash flows susceptible to economic slowdown and downturn in infrastructure sector**

The Indian economy has seen a slowdown in 2019, with the country's real estate, automobile, construction sectors and overall consumption demand facing a serious and constant decline. The growth had further impacted in 2020 on account of outbreak of Covid – 19 in March 2020 followed by lockdown across the nation. This has severely impacted the GDP growth in Q1FY2021. From Q2FY2021, the country witnessed a gradual pick up and Q3FY2021 clocked a growth of 0.4% and FY2021 growth was pegged at -8%. Acuite believes the influence of adverse macro-economic factors such as economic slowdown may impinge on the spending pattern of corporates thereby impacting the realisations from asset monetization and even slowing down the latter process.

Liquidity position: Strong

The IICCL project is being funded through long term debt and equity and there is a one-year moratorium on the debt repayment post COD. Further, the company has only drawn ~Rs.143 Cr term loan as on February 15, 2021. 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.

Rating Sensitivities

- Any significant delay in achieving COD
- Any change in the ownership of IICCL

Material Covenants

- None

Outlook: Stable

Acuite believes that IICCL will maintain a 'Stable' outlook over the medium term on account of the strategic importance of the project to the government and the expected support from the latter. The outlook may be revised to 'Positive' in case the company completes the Phase 1 of the project as per expected timelines and is able to exhibit healthy growth in cash accruals from asset monetization in the near term. Conversely, the outlook may be revised to 'Negative' in case of significant delays in project execution or any dilution of support from the GOI.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	-	-
PAT	Rs. Cr.	5.91	6.68
PAT Margin	(%)	-	-
Total Debt/Tangible Net Worth	Times	0.03	-
PBDIT/Interest	Times	NM	NM

NM: Not meaningful

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-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Criteria For Group And Parent Support - <https://www.acuite.in/view-rating-criteria-47.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
26-Feb-2020	Term Loan	Long term	2150.16	ACUITE AA+ /Stable (Upgraded)
20-Mar-2019	Proposed Term Loan	Long term	2150.16	ACUITE AA /Stable (Assigned)

***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 loans	05-09-2019	8.55%	31-03-2038	2150.16	ACUITE AA+ / Stable (Reaffirmed)

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About Acuite Ratings & Research:

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