

RATING REPORT**International Complex Projects Limited****REPORT DATE:**

January 03, 2017

RATING ANALYSTS:

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Rating Category	Initial Rating	
	Long-term	Short-term
Entity	AA-	A-1
Rating Outlook	Stable	
Rating Date	December 31, 2016	

COMPANY INFORMATION

Incorporated in May 13 , 1974	External auditors: KPMG, Taseer Hadi & Co, Chartered Accountants
Unquoted Public Limited Company	Chairman of the Board & CEO: Mr. Nadeem Riaz
Key Shareholders (with stake 10% or more):	
Mr. Nadeem Riaz – 20.7%	
Mr. Arif Habib – 17.4%	

APPLICABLE METHODOLOGY(IES)**Applicable Rating Criteria: Industrial Corporates (May, 2016) <http://www.jcrvis.com.pk/kc-meth.aspx>**

International Complex Projects Limited (ICPL)

OVERVIEW OF THE INSTITUTION	RATING RATIONALE
<p>International Complex Projects Limited (ICPL) is a group company of the ‘Dolmen Group’, which is incorporated in Pakistan as an unquoted public limited company. The principal activity of the Company is to undertake the business of building, developing and renting out of properties.</p> <p>As at end-FY16, major shareholders of the company are Mr. Nadeem Riaz and family members, who are also the founders of Dolmen group. The other shareholder of the Company is Mr. Arif Habib.</p>	<p>Dolmen City project by International Complex Projects Limited (ICPL) is one of the largest mixed-use developments in Pakistan, which has been established to serve commercial and corporate clients. The project comprises Dolman Mall Clifton (Pakistan’s largest shopping mall) and four towers, of which, Executive Tower and Harbour Front have been completed while the Sky Tower (Tower A) and Hotel Tower (Tower B) are under development phase. The Dolmen Mall Clifton and Harbour Front were transferred in Dolmen City REIT (DCR) in 2015 with 75% units held by ICPL.</p> <p>Around 90% physical progress has been achieved for both the towers (Tower A & Tower B) up to October’2016. The management has ordered façade which is being imported from Dubai and expected to arrive around March’2017 with completion of both towers scheduled by December’2017. Total leasable revenue area of Tower A and Tower B is 540,000sq.ft. and 520,000sq.ft, respectively. While Sky Tower will be entirely reserved for offices and is planned to be sold, Hotel tower will be rented and will have two third area reserved for offices with remaining being utilized for hotel-serviced apartments.</p> <p>Rating Drivers</p> <p>Group Profile</p> <p>The Dolmen Group is regarded as one of the most reputed real estate developer operating in Pakistan and has developed & managed renowned and award winning residential, commercial and retail projects like the Dolmen City Project. The Group has gained vast experience in the real estate sector and has the distinction of introducing a proper ‘mall’ concept in Pakistan by renting out retail spaces instead of selling them. DCR managed by Arif Habib Dolmen REIT Management Company Limited is rated ‘RR1’ by JCR-VIS indicating highest investment quality. Dolmen mall and the Harbour Front have high occupancy levels at 98.9% and 97.2% respectively, as at end-June’2016.</p> <p>Construction and Business Risk</p> <p>Construction risk to completion of Tower A and Tower B is mitigated on account of significant physical completion achieved till end-October’2016 and profile and track record of contractor and consultants engaged for construction. Most of the companies engaged have also been associated with previous Dolmen Group projects. Paragon (Pvt.) Ltd. is the contractor for the project while Arshad Shahid Abdulla are responsible for architectural and interior designing. Business risk is a function of prime location of Tower A and Tower B, quality of services and reputation & experience of Dolmen Group. Greater competition in terms of availability of other such facilities may affect floor sales (Tower A) and occupancy rates (Tower B), particularly if economic growth faces slowdown.</p> <p>Strong Financial Profile</p> <p>Financial profile of ICPL draws support from the company’s strong balance sheet as evident from sizeable equity base while profitability and cash flow profile of the company draws support from recurring and growing dividend income from DCR. Construction of Tower A and B is being funded through a mix of debt and equity. Around one-fifth of the project cost is being funded through debt with the remaining being funded through internal sources. Even after accounting for additional debt planned to be undertaken, leverage indicators will remain within manageable levels.</p> <p>Cash Flows</p> <p>Cash inflows for funding of Tower A and B will primarily emanate from dividend income from DCR, sales proceeds from Tower A and corporate office rent. While risk of cash flow mismatch remains, in case of lower than projected Tower A floor sales; however, the same is mitigated by significant cash flows from associated concerns (Dolmen Mall Tariq Road & Hyderi) and borrowing capacity of the organization as evident from very low leverage indicators.</p>

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

International Complex Projects Limited

Appendix I

FINANCIAL SUMMARY <i>(amounts in PKR millions)</i>			
<u>BALANCE SHEET</u>	30-June-16	30-June-15	30-June-14
Fixed Assets	29	27.2	268.4
Investment in subsidiary	16,677.8	16,677.8	-
Project under construction	3,368	1,951	590.6
Loans, advances and deposits	7.9	74	46.9
Receivable from related party		379	379
Total Assets	26,237	24,169	24,522
Trade and other payable	822	227	
Long Term Debt <i>(*incl. current maturity)</i>	1,500		400
Short Term Debt	175	83.2	51.7
Total Equity	23,342	23,788	23,579
<u>INCOME STATEMENT</u>	30-June-16	30-June-15	30-June-14
Rental Income	17	2,011	1,865
Dividend Income	127.5		
Gross Profit	144	1,858.5	1,620.7
(Loss)/Operating Profit	(238)	306.8	4,540
(Loss)/Profit After Tax	(67)	(165)	4,145.4

ISSUE/ISSUER RATING SCALE & DEFINITIONS

Appendix II

Medium to Long-Term

AAA

Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-

High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-

Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-

Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-

Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-

Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC

Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC

A high default risk

C

A very high default risk

D

Defaulted obligations

Short-Term

A-1+

Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1

High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2

Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3

Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B

Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C

Capacity for timely payment of obligations is doubtful.

Rating Watch: JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.jcrvis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.jcrvis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities

and not on the basis of the credit quality of the issuing entity alone.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.jcrvis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when JCR-VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.

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REGULATORY DISCLOSURES		Appendix III			
Name of Rated Entity	International Complex Projects Limited				
Sector	Construction and Real Estate				
Type of Relationship	Solicited				
Purpose of Rating	Entity Rating				
Rating History	Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
	RATING TYPE: ENTITY				
	31 st Dec 2016	AA-	A-1	Stable	Initial
Instrument Structure	N/A				
Statement by the Rating Team	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.				
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