

## RATING REPORT

### International Complex Projects Limited

**REPORT DATE:**

March 7, 2018

**RATING ANALYSTS:**

Muniba Khan

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**RATING DETAILS**

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
Entity	AA-	A-1	AA-	A-1
Rating Outlook	Stable		Stable	
Rating Date	March 5, 2018		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 – 25.0%	

**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

*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.*

*As at end-FY17, major shareholders of the company are Mr. Nadeem Riaz and family members, who are also the founders of Dolmen Group. Shareholding of Arif Habib was paid off during 2017.*

### RATING RATIONALE

The assigned ratings to International Complex Projects Limited (ICPL) incorporate the well reputed profile of the Dolmen Group; a real estate developer operating in Pakistan which has developed & managed residential, commercial and retail projects like the Dolmen City project. The project comprises Dolmen Mall Clifton, one of the largest shopping malls of Pakistan, along with four other towers; Executive Tower and Harbour Front have been completed while the Sky Tower (Tower A) and Hotel Tower (Tower B) are under development phase. Both Dolmen Mall Clifton and Harbour Front are part of Dolmen City REIT (DCR) with three fourth of units held by ICPL. DCR managed by Arif Habib Dolmen REIT Management Company Limited is rated 'RR1' by JCR-VIS indicating highest investment quality. Ratings also derive strength from ICPL's sound capitalization levels, low leverage indicators and healthy dividend stream from Dolmen City REIT (DCR) and other group projects.

#### Rating Drivers

**Progress on the Projects:** To date, almost 90% of physical construction of Sky and Hotel Tower has been completed. Façade for the same was ordered from the Middle East. The projects were expected to complete by December 2018; nevertheless, ordering of these items has delayed the projects by a year. Total leasable revenue area of Sky Tower is 540,400sq.ft. while Hotel Tower has an area of 583,000sq.ft. Sky Tower is planned to be sold to corporates; around 5.5 floors have been sold to date. Moreover, top 10 floors of Hotel tower will be handed over Rotana Hotels & Resorts (RHR) while the remaining floors will be rented as offices. With maintenance of Hotel Tower managed by ICPL, management control of the hotel-serviced apartments will be handed over to RHR. A profit sharing agreement has been signed with expected cash flows emanating from 2020.

**Cash Flows:** Cash flows of ICPL come from two main sources: dividend income from DCR and rental income from its Corporate Office block; occupancy level of the block is 95%. All tenants of the Corporate block have signed an escalation clause with their rents increasing by approximately 10% annually. This building unit is occupied by various multinational companies such as Bank of China, L'Oreal etc. Rental income from the corporate block is expected to pay off its administrative expenses completely year-on-year. In order to fund completion of the towers, the company will mobilize a financing facility amounting to Rs. 4b; sizeable dividend income from DCR will be utilized towards repayment of this facility. While risks of cash flow mismatch remains, ratings draw comfort from significant cash flows from its associates (Dolmen Mall Tariq Road & Hyderi).

**Capitalization and Funding:** Equity base of the company increased to Rs. 19.2b (FY16: Rs. 16.9b) on the back of higher profits, at end-FY17. Debt profile of ICPL comprises a mix of short and long-term debt, with the former acquired on a need basis for working capital requirements. The company had outstanding debt of Rs. 1.4b, at end-FY17. Funds from Operations (FFO) amounted to Rs. 1.1b with FFO to total debt reported at 0.78x. At current debt levels, debt servicing coverage is expected to remain comfortable. Going forward, leverage indicators are expected to trend upwards primarily on account of procurement of debt for completion of the towers. Nonetheless, ICPL's internal cash flow generation ability may support repayment of entire debt by that time.

**Governance Framework:** Stability was witnessed at the management level with key positions held by individuals having long association with the group. In order to improve its internal control framework, the company may consider developing an internal audit function and improve on Board level deliberations.

**International Complex Projects Limited**
**Appendix I**

<b>FINANCIAL SUMMARY</b>			
	<i>(amounts in PKR millions)</i>		
<b><u>BALANCE SHEET</u></b>	<b>30-June-17</b>	<b>30-June-16</b>	<b>30-June-15</b>
Fixed Assets	25.2	29.3	27.2
Investment in subsidiary	16,677.8	16,677.8	16,677.8
Project under construction	4,074.4	3,368.5	1,951.1
Loans, advances and deposits	6.5	5.4	95.0
<b>Total Assets</b>	<b>22,619.0</b>	<b>20,497.2</b>	<b>18,790.5</b>
Trade and other payable	1,941.9	822.0	227.1
Long Term Debt <i>(*incl. current maturity)</i>	1,250.0	1,500.0	-
Short Term Debt	181.5	175.0	83.2
<b>Total Equity</b>	<b>19,232.8</b>	<b>16,937.4</b>	<b>16,869.1</b>
<b><u>INCOME STATEMENT</u></b>	<b>30-June-17</b>	<b>30-June-16</b>	<b>30-June-15</b>
Rental Income	89.3	16.8	2,011.3
Dividend Income	1,618.9	119.0	-
<b>(Loss)/Operating Profit</b>	<b>2,713.8</b>	<b>145.9</b>	<b>1,718.1</b>
<b>(Loss)/Profit After Tax</b>	<b>2,295.5</b>	<b>72.6</b>	<b>(165.2)</b>
<b><u>RATIO ANALYSIS</u></b>	<b>30-June-17</b>	<b>30-June-16</b>	<b>30-June-15</b>
FFO	1,102.4	(307.7)	1,212.8
FFO/Total Debt	0.78	-	14.58
Gearing	0.07	0.09	0.01
Debt Leverage	0.18	0.21	0.11
Debt Servicing Coverage	1.4	-	95.4
ROAA	10.6	0.4	-
ROAE	12.7	0.4	-

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](http://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](http://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](http://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.

REGULATORY DISCLOSURES		Appendix III			
<b>Name of Rated Entity</b>	International Complex Projects Limited				
<b>Sector</b>	Construction and Real Estate				
<b>Type of Relationship</b>	Solicited				
<b>Purpose of Rating</b>	Entity Rating				
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Short Term</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: ENTITY</b>				
	03/05/2018	AA-	A-1	Stable	Reaffirmed
	12/31/2016	AA-	A-1	Stable	Initial
<b>Instrument Structure</b>	N/A				
<b>Statement by the Rating Team</b>	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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