

## RATING REPORT

### International Complex Projects Limited

**REPORT DATE:**

October 29, 2018

**RATING ANALYSTS:**

Muniba Khan

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| 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     | October 19, 2018 |            | March 5, 2018   |            |

**COMPANY INFORMATION**

|  |  |
|--|--|
| Incorporated in 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%                    |  |

**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.*

### RATING RATIONALE

Current ratings of International Complex Projects Limited (ICPL) derive strength from the well reputed profile of the Dolmen Group; a real estate developer operating in Pakistan which has developed & managed residential, commercial and retail projects. The group has been involved in several projects including Dolmen Mall Clifton, one of the largest shopping malls of Pakistan, along with four other towers. Two of these towers, Executive Tower and Harbour Front have been completed while the Sky Tower (Tower A) and Hotel Tower (Tower B) are still under development phase. Both Dolmen Mall Clifton and Harbour Front have been included in the 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 continue to be underpinned by sound capitalization levels, low leverage indicators and stable, healthy income stream from Dolmen City REIT (DCR) and other group projects.

#### Rating Drivers

The company has a diversified revenue stream with cash flows emanating in the form of dividends from DCR, rental income from its corporate block and sale proceeds of office space from one of its under construction projects. These proceeds allow the company to cover its expenses and hence maintain a debt-free book no debt on the books. The company plans to internally fund the completion of its ongoing projects; ratings may be impacted, in case additional debt is mobilized by ICPL in the future.

Current projects of ICPL include a shopping mall and a corporate building which are placed in the DCR (REIT) scheme. Two executive towers, 'Sky tower' and 'Hotel tower' are also expected to achieve completion by end-December 2019. Façade of the towers have been ordered from the Middle East. Each tower has a total of 35 floors each; to date, 7.25 floors of 'Sky tower' have been sold while sale of another 5 floors are under discussion. Current ratings will remain dependent on materialization of these negotiations. Going forward, management targets to sell at least one floor of 'Sky tower' in each quarter. Moreover, for its 'Hotel tower', the company has signed an agreement with Rotana Hotels & Resorts (RHR). As per the profit sharing agreement, top 10 floors of the tower will be handed over to RHR while property management will remain under the ambit of ICPL. Cash flows from this arrangement are expected to emanate from 2020.

Stability was witnessed at the management level with key positions held by individuals having long association with the group. Overall corporate governance framework depicts room for improvement in terms of developing an internal audit function or improving Board level deliberations.

## International Complex Projects Limited

## Appendix I

| FINANCIAL SUMMARY <span>(amounts in PKR millions)</span> |                  |                   |                   |                   |
|--|------------------|-------------------|-------------------|-------------------|
| <b><u>BALANCE SHEET</u></b>                              | <b>30-Jun-18</b> | <b>30-Jun-17</b>  | <b>30-Jun-16</b>  | <b>30-Jun-15</b>  |
| Fixed Assets   | 22               | 25                | 29                | 27                |
| Investment in subsidiary                                 | 16,678           | 16,678            | 16,678            | 16,678            |
| Project under construction                               | 5,425            | 4,074             | 3,368             | 1,951             |
| Loans, advances and deposits                             | 14               | 7                 | 5                 | 94                |
| Receivable from related party                            | -                | -                 | -                 | 379               |
| Cash and Bank Balances                                   | 1,184            | 14                | 18                | 5                 |
| Total Assets   | 25,178           | 22,619            | 20,497            | 18,790            |
| Trade and other payable                                  | 326              | 1,942             | 822               | 227               |
| Long Term Debt <i>(*incl. current maturity)</i>          | -                | 1,250             | 1,500             | -                 |
| Short Term Debt  | -                | 181               | 175               | 83                |
| Total Equity   | 21,822           | 19,233            | 16,937            | 16,869            |
|  |                  |                   |                   |                   |
| <b><u>INCOME STATEMENT</u></b>                           | <b>30-Jun-18</b> | <b>30-Jun-17</b>  | <b>30-Jun-16</b>  | <b>30-Jun-15</b>  |
| Rental Income  | 239              | 89                | 17                | 2,011             |
| Dividend Income  | 3,419            | 1,705             | 128               | -                 |
| Gross Profit   | 3,480            | 2,714             | 146               | 1,859             |
| (Loss)/Profit After Tax                                  | 2,589            | 2,295             | (67)              | (165)             |
|  |                  |                   |                   |                   |
| <b><u>RATIO ANALYSIS</u></b>                             | <b>30-Jun-18</b> | <b>30-June-17</b> | <b>30-June-16</b> | <b>30-June-15</b> |
| FFO  | NA               | 1,102             | (308)             | 1,213             |
| FFO/Total Debt   | NA               | 0.78              | -                 | 14.58             |
| Gearing  | -                | 0.07              | 0.09              | 0.01              |
| Debt Leverage  | 0.15             | 0.18              | 0.21              | 0.11              |
| Debt Servicing Coverage                                  | NA               | 1.41              | -                 | 95.36             |
| ROAA   | 10.8             | 10.6              | 0.4               | -                 |
| ROAE   | 12.6             | 12.7              | 0.4               | -                 |

## ISSUE/ISSUER RATING SCALE &amp; 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   |               |
|------------------------------|---|---------------------|------------|----------------|---------------|
| 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   |                     |            |                |               |
|                              | 10/9/2018   | AA                  | A-1        | Stable         | Upgrade       |
|                              | 03/5/2018   | AA-                 | A-1        | Stable         | Reaffirmed    |
|                              | 12/31/2016  | 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.  |                     |            |                |               |
| Probability of Default       | JCR-VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.  |                     |            |                |               |
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