

Lulu International Convention Center Private Limited

August 24, 2023

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	175.94 (Reduced from 183.18)	CARE BB+; Stable	Reaffirmed
Short Term Bank Facilities	9.50	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Lulu International Convention Center Private Limited (LICCP) continue to be constrained by the company's modest scale of operations, leveraged capital structure, weak debt coverage indicators and cyclic nature of the industry. The ratings, however, derive strength from vast experience of the promoters, strong presence of the group, demonstrated support from the promoters, locational advantage with proximity to tourist places and operating service agreement with the Hyatt Group.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling up of operations and improving the occupancy levels above 70% in hotels.
- Improve profitability and generate adequate accruals to meet the debt obligations.

Negative factors

- Any drop in occupancy levels below 40% thereby leading to stretch in liquidity.
- Any withdrawal of promoter unsecured loans and further support from group entities.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects expectation of continued managerial and financial support from promoters, being a part of larger Lulu group and benefits derived from the healthy brand image of 'Hyatt Regency' in the market.

Detailed description of the key rating drivers:

Key weaknesses

Relatively small scale of operations with moderate occupancy levels, however improved in FY23

LICCP commenced operations of its convention center and hotel at Thrissur, Kerala in 2006. The new hotel under Hyatt Brand started operations in January 2020. The total operating income of LICCP remained moderate at Rs.34.94 crore in FY23 albeit improved from Rs.14.66 crore in FY22. The increase in total operating income is primarily associated with increase in occupancy levels in the hotel and increase in income from the convention centre which remained closed for renovation works from August 2020 till July 2023. The occupancy levels of the hotel stood moderate at 52.49% in FY23 however improved from 25.62% in FY22.

Weak capital structure and debt coverage indicators

The net worth of the company eroded during the year ended FY23, due to losses incurred over the past four years on account of higher depreciation for the newly commenced hotel which started in January 2020. The debt coverage indicators also remained weak as LICCP reported cash losses in the past three years.

Cyclic nature of the industry

The performance of hotel depends on the parameters like location of property, demand supply scenario, target customers etc. Also, Indian hotel industry is highly fragmented in nature with presence of large number of organized and unorganized players spread across all regions, which intensifies competition. The Indian hospitality industry is among the sectors that have been impacted by the outbreak of the Covid-19 pandemic on account of its inextricable linkage with travel and tourism, especially foreign travel and tourism. With demand aligning with pre-pandemic levels, FY23 had ended on a promising note.

Key strengths

Vast experience of the promoters and strong presence of the group

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

The promoter of LICCPL, Mr Yusuff Ali is the Managing Director of the Emke Group (Lulu International). Emke group, a large, diversified conglomerate having varied business operations including retailing, imports & exports, trading, shipping, IT, travel & tourism, and education sectors and primarily having operations in the Gulf Cooperation Countries (GCC), Egypt, India, Indonesia, Thailand, Hong Kong, China, Kenya, Tanzania and Benin.

Financial support extended by the Promoters:

The promoters have demonstrated considerable support towards the projects in the past and the total amount of interest-free unsecured loans extended by the promoters stood at Rs.99.27 crore as on March 31, 2023 as against Rs.90.08 crore as on March 31, 2022. The unsecured loans from the promoters are subordinated to the bank borrowings and are treated as part of the net worth. The promoters also infused Rs. 19.13 crore of unsecured loans in FY23 through another group entity to support operations. The promoters also infused equity capital of Rs.26.43 crore in FY23.

Locational advantage with proximity to tourist places

Thrissur is traditionally a leisure destination also known as the cultural capital of Kerala. It is located approx. 55 km from cochin airport and is known for its ancient temples, churches, and backwaters. It is a major tourist destination for both domestic and international travellers. Sree Krishna temple in 'Guruvayur' (located 25 km from the LICCPL) attracts tourists from all over the world and is considered a holy place to conduct weddings. This has led to Thrissur becoming a popular destination for weddings and gatherings. The reputed Athirapally waterfalls which is located at a distance of around 60 km is also one of the major tourist attractions in the city. The hotel property and the convention center are located in vicinity to popular tourist destinations and is likely to get benefited on account of strategic location.

Operating service agreement with 'Hyatt Regency'

LICCPL's operational risk is mitigated to a large extent as it has entered into operating agreement with Hyatt Group and the hotel will be operated under its brand- "The Hyatt Regency". The company has entered into the said agreement for a term of 30 years. Being associated with the brand, the hotel enjoys benefits like marketing, technology, design and operational aspects. Through periodical check-ups and audits Hyatt maintains the requisite standards in the hotel. Hotel has commenced operations under the brand name of "Hyatt Regency" from January 2020.

Liquidity: Stretched

The liquidity of the company is stretched marked by cash losses of Rs.17.12 crore in FY23 against debt repayment obligations of Rs. 20.0 crore in FY24. However, the liquidity shortfall was majorly offset by the timely infusion of promoters' unsecured loan which stood at Rs.99.27 crore as on March 31, 2023 (PY: Rs.90.08 crore), increase in share capital and intercorporate demand loan from group company. The current ratio of the company stood moderate at 0.44x (PY: 0.58x) as on March 31, 2023. The company had been sanctioned working capital limits of Rs.3 crore and the average utilization of the same stood at 38.61% for the 12 months ended June 2023. The free cash balance is Rs.16.77 crore as on March 31, 2023 (PY: Rs.26.03 crore). Timely funding from promoters would continue to remain a key monitorable from a credit perspective.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Hotel](#)

[Service Sector Companies](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Leisure Services	Hotels & Resorts

Lulu International Convention Center Private Limited (LICCPL) was incorporated on September 8, 2004, located at Thrissur, Kerala. The Company is primarily engaged in the business of running a banquet hall, restaurant, convention centre and a 77 room

hotel. The convention center which is renovated recently is spread over an area of 96,000 sq. ft. and has a seating capacity of over 5000 nos. The company is promoted by Mr Yusuf Ali and Mr Ashraf Ali.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (UA)
Total operating income	14.66	34.94
PBILDT	-4.38	5.17
PAT	-50.05	-46.57
Overall gearing (times)	-52.93	-16.30
Interest coverage (times)	-0.29	0.22

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2031	175.94	CARE BB+; Stable
Fund-based - ST-Bank Overdraft		-	-	-	3.00	CARE A4+
Non-fund-based - ST-Bank Guarantee		-	-	-	6.50	CARE A4+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	175.94	CARE BB+; Stable	-	1)CARE BB+; Stable (16-Aug-22)	1)CARE BB+; Stable (18-Aug-21)	1)CARE BB+; Stable (26-Aug-20)
2	Non-fund-based - ST-Bank Guarantee	ST	6.50	CARE A4+	-	1)CARE A4+ (16-Aug-22)	1)CARE A4+ (18-Aug-21)	1)CARE A4+ (26-Aug-20)
3	Fund-based - ST-Bank Overdraft	ST	3.00	CARE A4+	-	1)CARE A4+ (16-Aug-22)	1)CARE A4+ (18-Aug-21)	1)CARE A4+ (26-Aug-20)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - ST-Bank Overdraft	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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