

Lulu International Convention Center Private Limited

September 12, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	156.58 (Reduced from 175.94)	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 (LICCPPL) 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.
- Changing stance by the promoter or the promoter group companies in providing timely financial support or withdrawal of unsecured loans.

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 key rating drivers:

Key weaknesses

Relatively small scale of operations with moderate occupancy levels

LICCPPL 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 scale of operations stood at similar levels in FY24 marked by TOI at Rs.35.67 crore in FY24 as against Rs. 34.94 crores in FY23. The occupancy levels of the hotel stood improved at 58% in FY24 as against 52% in FY23.

Weak capital structure and debt coverage indicators

The net worth of the company stood at Rs. (57.74) crore in FY24, 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 remain weak, and the company primarily relies on unsecured loan from the promoters and intercorporate demand loan from group companies to service debt.

Cyclic nature of the industry

The performance of a 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 the 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, FY24 ended on a promising note.

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

Key strengths

Vast experience of the promoters and strong presence of the group

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 in the form of financial as well as operational support. The total amount of interest-free unsecured loans extended by the promoters & group companies stood at Rs. 99.27 crore as on March 31, 2024 (Provisional). The unsecured loans from the promoters are treated as part of the net worth due to its subordination nature to the bank facilities. The promoters also infused Rs. 35.79 crore of unsecured loans in FY24 through another group entity to support operations.

Locational advantage with proximity to tourist places

Thrissur is traditionally a leisure destination also known as the cultural capital of Kerala. It is located approximately 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 (located 60 km from the LICCPL) is also one of the major tourist attractions in the city. The hotel property and the convention center are in vicinity to these 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 largely mitigated 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. 19.14 in FY24 against debt repayment obligations of Rs. 29.01 crore in FY25. However, the liquidity crunch was majorly offset by the intercorporate demand loan from group company. The intercorporate demand loan increased to Rs. 84.92 crore (@ 8% p.a.) as on March 31, 2024 (PY: Rs. 49.13 crore). The current ratio of the company declined to 0.29x (PY: 0.44x) as on March 31, 2024. The company had been sanctioned working capital limits of Rs. 3 crore and the average utilization of the same stood at 34.97% for the 12 months ended July 2024. The free cash balance is Rs. 11 crore as on March 31, 2024 (PY: Rs. 16.77 crore). Timely funding from promoters would continue to remain a key monitorable from a credit perspective.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Hotels & Resorts](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic 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, 2023 (A)	March 31, 2024 (P)	Q1FY25 (P)
Total operating income	34.94	35.67	10.22
PBILDT	5.17	4.78	1.00
PAT	-46.57	-41.08	-4.84
Overall gearing (times)	-16.30	-4.73	NA
Interest coverage (times)	0.22	0.19	NA

A: Audited; P: Provisional; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2031	156.58	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 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	156.58	CARE BB+; Stable	-	1)CARE BB+; Stable (24-Aug-23)	1)CARE BB+; Stable (16-Aug-22)	1)CARE BB+; Stable (18-Aug-21)
2	Non-fund-based - ST-Bank Guarantee	ST	6.50	CARE A4+	-	1)CARE A4+ (24-Aug-23)	1)CARE A4+ (16-Aug-22)	1)CARE A4+ (18-Aug-21)
3	Fund-based - ST-Bank Overdraft	ST	3.00	CARE A4+	-	1)CARE A4+ (24-Aug-23)	1)CARE A4+ (16-Aug-22)	1)CARE A4+ (18-Aug-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of 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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

<p>Media Contact</p> <p>Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in</p> <p>Relationship Contact</p> <p>Pradeep Kumar V Senior Director CARE Ratings Limited Phone: 914428501001 E-mail: pradeep.kumar@careedge.in</p>	<p>Analytical Contacts</p> <p>Sandeep P Director CARE Ratings Limited Phone: 914428501002 E-mail: sandeep.prem@careedge.in</p> <p>Jitendra Singh Assistant Director CARE Ratings Limited Phone: 914224502306 E-mail: Jitendra.singh@careedge.in</p> <p>Vishwabharan R Analyst CARE Ratings Limited E-mail: Vishwabharan.r@careedge.in</p>
---	---

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**