

April 21, 2025

Lulu India Shopping Mall Private Limited (formerly Lulu Lucknow Shopping Mall Private Limited): Rating reaffirmed and rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term loan	945.00	1135.00	[ICRA]BBB (Stable); reaffirmed/ assigned for enhance amount
Long-term – Fund-based – Overdraft	-	100.00	[ICRA]BBB (Stable); assigned
Long-term – Non-fund based – Bank guarantee	-	20.00	[ICRA]BBB (Stable); assigned
Total	945.00	1255.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation factors in Lulu India Shopping Mall Private Limited's (Lulu India) favourable location for its mall, Lulu Mall, in Lucknow with a good catchment area, resulting in healthy footfalls and ramp-up in occupancy to 92% as of December 2024 (84% as of May 2023) for the leasable area earmarked for retail operations of non-group entities, which is expected to sustain in the medium term. Lulu India's revenues are estimated to be around Rs. 550-600 crore in FY2025 and expected to grow by 10-15% in FY2026, driven by ramp-up in retail operations of its own stores. The rating notes the strong parentage, being a part of the Lulu Group, which has vast experience in hospitality, retail and mall operations. ICRA expects the Group company, Lulu International Shopping Mall Private Limited (LISMPL, rated at [ICRA]BBB+ (Stable)) to extend timely support to Lulu India, in case of any cash flow mismatches, given the close business, financial and managerial linkages.

The rating, however, is constrained by the high leverage and estimated moderate debt service coverage ratio (DSCR) in FY2026 and FY2027, despite partly refinancing the term loan using a lease rental discounting (LRD) with an elongated tenure as the retail division is yet to ramp-up. However, there is a track record of timely financial support from LISMPL to Lulu India whenever a need has arisen. The company maintains debt servicing reserve account (DSRA) for three months of principal and interest obligation.

Further, Lulu India is likely to face stiff competition from the existing malls in the city. Nevertheless, the high patronage enjoyed by Lulu's own retail outlets including its amusement division (Funtura) and current tie-ups with the established brands are expected to attract footfalls to the mall. The rating considers the exposure of Lulu India revenues to adverse macroeconomic and external conditions, which could impact the tenant's business risk profiles. The rating also notes the vulnerability of its debt coverage metrics to factors such as changes in interest rates or material reduction in occupancy levels.

The outlook on the rating is Stable, supported by ICRA's expectation of ramp-up in retail division operations in the medium term and expected improvement in debt protection metrics.

Key rating drivers and their description

Credit strengths

Strong parentage and resourceful promoters – Lulu International – being a part of the Lulu Group – headquartered in Abu Dhabi, has strong parentage and resourceful promoters who have vast experience and strong track record of operations in managing mall operations, retail commercial retail estate and hospitality sectors across 3 continents. The promoter – Mr. Yousuf Ali, has offered strong security package to the company's current lenders in the form of fixed deposits amounting to

Rs. 1,000 crore, against which it has availed a LABOD facility of Rs. 980 crore. Further the promoters have provided personal guarantees to the bank facilities availed by the company.

Favourable project location – Lulu Lucknow mall is located within the Sushant Golf City on the Lucknow-Sultanpur National Highway, with a good catchment area, resulting in healthy footfalls and ramp-up in occupancy to 92% (84% as of May 2023) for the leasable area earmarked for retail operations of non-group entities as of December 2024, which is expected to sustain in the medium term. Lulu India’s revenues are estimated to be around Rs. 550-600 crore in FY2025 and expected to grow by 10-15% in FY2026, driven by ramp-up in retail operations of own stores.

Credit challenges

High leverage and moderate debt coverage metrics – The company has a high leverage and estimates to report moderate DSCR in FY2026 and FY2027, despite partly refinancing the term loan using an LRD with elongated tenure as the retail division is yet to ramp-up. However, there is a track record of timely financial support from LISMPL to Lulu India whenever a need has arisen. The company maintains DSRA for three months of principal and interest obligation.

Stiff competition and vulnerability to external factors – Lulu India is likely to face stiff competition from the existing malls in the city. Nevertheless, the high patronage enjoyed by Lulu’s own retail outlets including its amusement division (Funtura) and the current tie-ups with the established brands are expected to attract footfalls to the mall. The rating considers the exposure of Lulu India’s revenues to adverse macroeconomic and external conditions, which could impact the tenant’s business risk profiles. The rating notes the vulnerability of its debt coverage metrics to factors such as changes in interest rates or material reduction in occupancy levels.

Liquidity position: Stretched

The company’s liquidity position is stretched. It has principal repayment obligations of Rs. 78 crore and Rs. 88 crore in FY2026 and FY2027, respectively, and will be met through the cash flow from operations and support from LISMPL, if required. It does not have capex plans in the medium term.

Rating sensitivities

Positive factors – The rating could be upgraded in case of a significant increase in revenues and profitability, backed by ramp-up of the retail store performance resulting in improvement in debt protection metrics and liquidity position on a sustained basis. Specific credit metrics that could lead to an upgrade of Lulu India’s rating include five-year average DSCR greater than 1.1 times.

Negative factors – Sustained delay in ramp-up of operations of the retail store performance in Lulu Lucknow mall may result in a rating downgrade. Further, any significant increase in indebtedness or lack of timely support or weakening of the credit profile of Lulu International Shopping Mall Private Limited would be a credit negative.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD) Retail
Parent/Group support	Group company – Lulu International Shopping Malls Private Limited The rating factors in the expected timely financial support from Lulu International Shopping Malls Private Limited (flagship company of Lulu Group in India) to Lulu India to protect its reputation from the consequences of a group entity’s distress.
Consolidation/Standalone	Standalone

About the company

Promoted by the Lulu Group, Lulu India Shopping Mall Private Limited (Lulu India) was incorporated on May 20, 2016 with an objective to set up a shopping mall in Lucknow, Uttar Pradesh. The company purchased 10.65 acres of land in Sushant Golf City, which is a residential township surrounding an international golf course, sprawling across 6,465 acres.

Lulu India constructed a shopping mall measuring 1.7 million square feet (msf) consisting of carpet area of 0.75 msf and parking area of 0.71 msf. Lulu's own retail outlets occupy around 0.33 msf (44.0%), which will be the major anchor stores for the mall and the remaining space of 0.37 msf (56%) will be let out on lease. The mall got operational from July 2022.

Key financial indicators (Audited)

Standalone	FY2023	FY2024
Operating income	349.6	538.8
OPBDIT/OI	11.5%	20.2%
Total debt/OPBDIT (times)	38.6	14.4
Interest coverage (times)	0.4	0.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; KFI are as per IndAS accounting and may not reflect actual cash flows

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2026)		Chronology of rating history for the past 3 years						
		Amount rated (Rs. crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	1135.00	21-Apr-2025	[ICRA]BBB (Stable)	27-Sep-2024	[ICRA]BBB (Stable)	20-Jun-2023	[ICRA]BBB (Stable)	20-May-2022	[ICRA]BBB (Stable)
Overdraft	Long term	100.00	21-Apr-2025	[ICRA]BBB (Stable)	-	-	-	-	-	-
Bank guarantee	Long term	20.00	21-Apr-2025	[ICRA]BBB (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Fund-based – Overdraft	Very Simple
Long-term – Non-fund based – Bank guarantee	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term loans	FY2017	NA	FY2036	1135.00	[ICRA]BBB (Stable)
NA	Overdraft	NA	NA	NA	100.00	[ICRA]BBB (Stable)
NA	Bank guarantee	NA	NA	NA	20.00	[ICRA]BBB (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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