

March 4, 2025

Lulu Cyber Park Private Limited: [ICRA]A (Stable) assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based/Term loans	104.60	[ICRA]A (Stable); assigned
Total	104.60	

*Instrument details are provided in Annexure I

Rationale

Lulu Cyber Park Private Limited (LCPL) and Lulu Tech Park Private Limited (LTPL) are wholly-owned subsidiaries of Emmay Ventures (India) Pvt. Ltd (promoted by Mr. Yusuff Ali), together referred as pooled assets. The debt for the pooled assets has common lender, cross collateralisation and cross default clauses. The pooled assets have healthy occupancy and comfortable debt protection metrics which is expected to sustain in the medium term.

The rating assigned to LCPL factors in the healthy occupancy of the office asset, low leverage and comfortable debt coverage metrics, which is expected to sustain in the medium term. The company owns and operates a commercial office space named, Lulu Cyber Tower 1, in Kakkanad, Kochi, with a total leasable area of 4 lakh square feet (lsf). LCPL's occupancy improved to 81% (including LOIs signed) as of January 2025 from 65% as of January 2024. Backed by a healthy leasing pipeline, the occupancy levels are expected to further improve in the near term. This along with low debt levels resulted in comfortable leverage with projected total debt/net operating income (NOI) at around 5.2 times by March 2025 and 4.5-5.0 times by March 2026. Consequently, coverage metrics are expected to remain comfortable over the debt tenure. Further, ICRA is given to understand the company will not avail significant incremental indebtedness in the medium term. The rating also considers favourable location of the asset, enhancing the marketability of the project and the established track record of the Lulu Group (promoted by Mr. Yusuff Ali and Mr. Ashraf Ali), in developing and operating retail malls, office spaces, hypermarkets, etc, across India, Middle East, Africa and South-East Asia. Also, considering the debt structure, ICRA expects that LTPL (operates a commercial office space named, Lulu Cyber Tower 2, in Kakkanad, Kochi, with a total leasable area of 9 lsf) will support LCPL in case of any funding requirements.

The rating is, however, constrained by the small scale of operations and exposure to moderate tenant concentration risk with top five tenants occupying 44% of the leasable area and contributing to 54% of the rentals. Any significant weakening in business operations of the tenants, resulting in material reduction in occupancy, may adversely impact LCPL's operational cash flows and protection metrics. Moreover, the company is exposed to lease renewal risk with 50% of the leases expiring in FY2026 and FY2027. The renewal of these leases in a timely manner will remain important. The rating also factors in the single asset nature of the special purpose vehicle (SPV) and the dependence on revenues from a single property, exposing it to asset concentration risk. The company remains exposed to the inherent cyclicity in the commercial real estate industry and is susceptible to external factors. The rating notes the vulnerability of its debt coverage metrics to factors such as changes in interest rates or material reduction in occupancy levels.

The Stable outlook on the rating reflects ICRA's opinion that the company will benefit from the healthy occupancy levels and comfortable debt protection metrics with no plans to raise any additional debt.

Key rating drivers and their description

Credit strengths

Favourable location of asset and reputed parentage with resourceful promoters – LCPL owns and operates a commercial office space named, Lulu Cyber Tower 1, in Kakkanad, Kochi, with a total leasable area of 4 lsf. LCPL is a part of Infopark campus, Kochi. Infopark SEZ is an IT/ITes specific special economic zone (SEZ) developed at the centre of the southern business district in Kakkanad and is well connected with the city's key areas, which enhances the marketability of the project. The rating also considers the established track record of the Lulu Group (promoted by Mr. Yusuff Ali and Mr. Ashraf Ali), in developing and operating retail malls, office spaces, hypermarkets, etc, across India, Middle East, Africa and South-East Asia.

Improvement in occupancy levels and comfortable debt protection metrics – LCPL's occupancy improved to 81% (including LOIs signed) as of January 2025 from 65% as of January 2024. Backed by a healthy leasing pipeline, the occupancy levels are expected to further improve in the near term. This along with low debt levels resulted in a comfortable leverage with projected total debt/NOI at around 5.2 times by March 2025 and 4.5-5.0 times by March 2026. Consequently, the coverage metrics are expected to remain comfortable over the debt tenure. Further, ICRA is given to understand that the company will not avail significant incremental indebtedness in the medium term.

Credit challenges

Small scale of operations and exposure to moderate tenant concentration risk – The company has a small scale of operations and faces moderate tenant concentration risk with top five tenants occupying 44% of the leasable area and contributing to 54% of the rentals. Any significant weakening in business operations of the tenants, resulting in material reduction in occupancy, may adversely impact LCPL's operational cash flows and protection metrics.

Exposure to lease renewal risk and vulnerability of debt coverage ratios to changes in interest rate and occupancy levels – The company is exposed to lease renewal risk with 50% of the leases expiring in FY2026 and FY2027. The renewal of these leases in a timely manner will remain important. The rating factors in the single asset nature of the SPV and the dependence on revenues from a single property, exposing it to asset concentration risk. The company remains exposed to the inherent cyclicity in the commercial real estate industry and is susceptible to external factors. 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: Adequate

The company's liquidity position is adequate with unencumbered cash balances of Rs. 2.3 crore as on September 30, 2024. It has debt repayment obligation of Rs. 3.9 crore in FY2025 and Rs. 4.2 crore in FY2026, which can be comfortably serviced through its estimated cash flow from operations. Further, there are no major capex plans for the company in the medium term.

Rating sensitivities

Positive factors – The rating can be upgraded if the company is able to increase its scale of operations, along with improvement in its occupancy levels and material reduction in indebtedness resulting in improvement in the debt protection metrics on a sustained basis.

Negative factors – Pressure on the rating could arise in case there is any material decline in occupancy levels/rental rates or a significant increase in indebtedness resulting in weakening of debt protection metrics on a sustained basis. Specific credit metric for a rating downgrade includes a five-year average DSCR of less than 1.3 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Lease Rental Discounting (LRD)
Parent/Group support	<p>Parent: Pool of Lulu Cyber Park Private Limited (LCPL) and Lulu Tech Park Private Limited (LTPL).</p> <p>Both the entities are held by Emmay Ventures (India) Pvt. Ltd, have common lenders and the debt availed by them has presence of cross default clauses. Further, LCPL and LTPL have provided corporate guarantees to each other.</p> <p>The rating for LCPL has been arrived at by following the analytical steps as given below:</p> <ol style="list-style-type: none"> 1. An assessment of the standalone credit profile of LCPL. 2. An assessment of the credit profile of both the assets by considering the consolidated business and financial risk profile. 3. The final rating for the bank facility of LCPL is arrived at by suitably notching up the standalone rating after duly considering the debt structure and the linkages between the both the entities.
Consolidation/Standalone	Standalone

About the company

Lulu Cyber Park Private Limited, is a wholly-owned subsidiary of Emmay Ventures (India) Pvt. Ltd, promoted by Mr. Yusuff Ali. The company owns and operates an IT business park called Lulu Cyber Tower 1, in Infopark, SEZ, Kochi with a total leasable area of 4 lsf. The occupancy levels remain healthy with 81% as of January 2025. The Group company, Lulu Tech Park Private Limited, is owned by Emmay Ventures (India) Pvt. Ltd and operates an IT business park named Lulu Cyber Tower 2, in Infopark, SEZ, Kochi with a total leasable area of 9 lsf.

Key financial indicators (audited)

LCPL Standalone	FY2023	FY2024
Operating income	16.6	22.1
PAT	8.8	19.9
OPBDIT/OI	60.6%	78.3%
PAT/OI	52.9%	90.2%
Total outside liabilities/Tangible net worth (times)	0.1	0.9
Total debt/OPBDIT (times)	-	5.9
Interest coverage (times)	-	2.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Mar 4, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	104.60	[ICRA]A (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Term Loans	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	FY2024	NA	FY2038	104.60	[ICRA]A (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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