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August 10, 2010

**CARE ASSIGNS 'CARE BBB-' AND 'PR3' RATINGS TO THE BANK FACILITIES OF LULU FLIGHT KITCHEN PVT LTD.**

**Ratings**

<b>Facilities/Instruments</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Long-term Bank Facilities	61.40	<b>'CARE BBB-' (Triple B Minus)</b>	Assigned
Short-term Bank Facilities	5.00	<b>'PR3' (PR Three)</b>	Assigned
<b>Total Facilities</b>	<b>66.40</b>		

**Rating Rationale**

The ratings factor in Lulu's tie-up with hospitality majors for managing the operations of its in-flight services unit and 4-star hotel projects, near-completion of the in-flight services unit and completion of debt tie-up for both the projects. However, the ratings are constrained by the minor delay suffered by Lulu's in-flight services unit, project execution risk, and the challenging business environment.

Ability of Lulu to ensure timely completion of the projects within the cost estimates, fructification of the capital/contribution to be brought in by the promoters for funding the projects, ability to achieve the envisaged margins & cash accruals will be the key rating sensitivities.

**Company Profile**

Lulu Flight Kitchen Pvt. Ltd. (Lulu) was promoted in 2007 as a private limited company by Mr. Yusuf Ali M.A. and his brother Mr. Ashraf Ali M.A. Lulu is part of the Emke group, based in Abu Dhabi, which has varied businesses operating in the Gulf Cooperation Countries (GCC) and several other regions.

Lulu is currently establishing an in-flight services unit, to be managed by the Oberoi group and operated under the established brand of "Oberoi Flight Services", at an estimated cost of Rs.51 cr (Debt Equity Ratio (DER) of 1.59x). The project has witnessed time over-run and is now expected to be commissioned on 1<sup>st</sup> August, 2010 as against the originally envisaged date of April 1, 2010. Lulu has incurred 75% of the project cost upto May 31, 2010.

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<sup>1</sup> Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

Lulu is also establishing a four-star hotel near Cochin International Airport, to be managed by the Marriott group and operated under the established brand of "Courtyard by Marriott", at an estimated cost of Rs.59 cr (DER of 0.94x). This project is expected to be commissioned in October, 2011. Lulu has incurred 27% of the total estimated cost of this project upto May 31, 2010.

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