January 10, 2017

DLF Limited

Instrument*	Rated Amount (in crore)	Rating Action
Term Loan	3877 (earlier 4121)	[ICRA]A (Stable) (reaffirmed)
Fund Based Limits	2085	[ICRA]A (Stable) (reaffirmed)
Non-Fund Based Limits	1200	[ICRA]A (Stable) (reaffirmed)
NCD	4000	[ICRA]A (Stable) (outstanding)
Total	**11,162 (earlier 11,406)**	

**Instrument Details are provided in Annexure-1*

Rating Action

ICRA has reaffirmed the long-term rating for the reduced amount of Rs. 7162-crore[1](earlier Rs. 7406-crore) bank facilities of DLF Limited (DLF) at [ICRA]A (pronounced as ICRA A)[2]. The outlook on the long-term rating is 'Stable'. ICRA also has a rating outstanding of [ICRA]A (Stable) for Rs 4000 crore NCD programme of DLF.

Rationale

The rating reaffirmation continues to draw comfort from reasonable progress achieved by DLF towards its debt reduction programme coupled with steady leased portfolio. ICRA believes timely conclusion of debt reduction programme along with improvement in its operational cash flows, especially through lease rentals, should moderate the cash flow pressures in the near to medium term. The total leased area has increased from 28.71 mn sq ft at the end of September 2015 to 29.58 mn sq ft at the end of September 2016.

ICRA notes that DLF is committed towards material debt reduction over the short term through various initiatives, mainly through promoters divesting their equity in DLF Cyber City Developers Limited (DCCDL) and re-investing the substantial proceeds back in DLF Limited. At the beginning of the financial year 2017, DLF had circulated Information Memorandum (IM) on the basis of which it received Expression of Interest (''EOI")/Term Sheets from probable investors, who have concluded their due diligence. Further, two investors have submitted their offers which DLF is in the process of evaluating. ICRA believes the positive conclusion of the same over the near term should help DLF moderate the pressure on its cash flows and help achieve material reduction in its debt for the residential development business. Development in this regards will be the key monitorable over the near term.

The rating reaffirmation continues to favorably factor in DLF's established market position in the domestic real estate sector; its diversified, well located and low-cost land bank; and its healthy lease income portfolio, which apart from providing stability to DLF's otherwise volatile real estate revenues, also supports its operating profitability. Moreover, ICRA also draws some comfort from significant cash and cash equivalents of about Rs. 3,691 crore as on September 30, 2016 which lends support to the liquidity profile of the company. Nevertheless, high debt levels have resulted in moderate debt coverage indicators for the company.

While reaffirming the rating, ICRA continues to take note of the various on-going litigations against the company; however the financial impact of the same on DLF cannot be fully ascertained at this stage since the cases are sub-judice. Nonetheless, the company has deposited some money in certain cases which may provide liquidity support in case of any adverse judgment. In addition, ICRA takes cognizance of the SEBI's pending appeal and will monitor the outcome on the credit risk profile of DLF as well as its divestment plans. Going forward, meaningful reduction in DLF's debt levels in the near term through the planned equity raising initiatives and improvement in the cash flows from its core real estate development operations would be amongst the key rating sensitivity factors.

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[1] *100 lakh = 1 crore = 10 million*

[2] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Key rating drivers

Credit Strengths

- Established position in the real estate sector as reflected by its presence across product segments and across key micro-markets in the country
- Healthy lease income portfolio provides stability to DLF's otherwise volatile real estate cash flows
- Low cost, well located and diversified land bank provides ease of monetisation; land bank largely paid up and the remaining committed payments evenly spread over the medium term

Credit Weakness

- Debt levels continue to remain high as on September 30, 2016 resulting in relatively moderate debt protection indicators and exposes the company to refinancing risk given the debt repayment in the short to medium term. Nevertheless, ICRA draws some comfort from company's significant cash and cash equivalents as on September 30, 2016
- Significant contingent liabilities and pending litigations can put its cash flows under pressure in case of an adverse decision

Description of key rating drivers highlighted above:

DLF was established in 1946. It was one of the early entrants amongst the Indian private real estate developers and has since then emerged as the largest developer (by market capitalization) in the Indian realty industry. Its leading market position in the domestic real estate sector is reflected by its presence across residential, commercial and retail segments as well as across key micro-markets in the country.

As on September 30, 2016, the company has 27 mn sq ft of total area under development; of which a large part is expected to be delivered over the next 24-30 months. Major part of DLF's real estate portfolio is focussed towards residential segment, and developable area of about 3.1 mn sq.ft. is being developed for commercial/retail / IT segment.

While DLF has an established position in the real estate space in the National Capital Region (NCR), it also has projects in other metro cities like Bangalore, Chennai, Kolkata, Hyderabad etc. Apart from the metro cities, DLF is also developing projects in Tier-I & Tier-II cities like Panchkula, Lucknow, and Kochi. The geographical diversification helps to de-risk its portfolio from exposure to a single region as well as leverage on the growth opportunities in these regions. Nonetheless, Gurgaon continues to account for a significant part of its under-construction and to-be constructed portfolio.

Lease income from the commercial and retail segment form the annuity business of the company. The company in FY2015, earned about Rs. 2,093 crore as rental income and the same was Rs. 2,310 crore in FY2016 from a total leased area of around 29.60 mn sq ft. Apart from supporting the otherwise volatile real estate revenues of the company, it also provides a stable stream of cash flows.

DLF has a significant land bank with a developable potential of about 269 mn sq.ft which is spread across multiple cities in the country. Further, considering that a significant portion of DLF's land bank is in prime locations and has been acquired at relatively lower costs, it enhances the inherent profitability of the projects and competitiveness. The diversified as well as low cost land bank also helps DLF in establishing itself as a pan-India player and provides flexibility to launch the projects across various price segments. ICRA has also taken note of the aggressive land acquisition strategy adopted by DLF in the past; however, ICRA continues to derive comfort from the company's stated intent of going in for limited land acquisition in future, given the significant land bank it already has in place.

DLF's gross debt levels increased from Rs.25,623 crore as on March 31, 2016 to Rs. 27,220 crore[3] as on September 30, 2016 on account of weak operational cash flows leading to continued reliance on incremental debt. High debt levels have resulted in moderate debt coverage indicators for the company while also exposing it to refinancing risks given the high repayment obligations falling due in the short to medium term in the

[3] As per Q2FY2017, IndAS Gross debt position was Rs. 26,831 crore

backdrop of weak operational cash flows. Nevertheless, ICRA draws comfort from Rs. 3,691 crore of cash and cash equivalents with the company at the end of September 30, 2016.

The Company has significant contingent liabilities mainly on account of income tax, service tax etc related matters and the penalty imposed by Competition Commission of India (CCI) in August 2011 for allegedly following unfair practices. ICRA continues to take note of such on-going litigations against the company; however the financial impact of the same on DLF cannot be fully ascertained at this stage since the cases are sub-judice. ICRA will continue to monitor the outcome of these cases and their impact on the credit profile of the company

Analytical approach: ICRA continues to take a consolidated view of DLF and its subsidiaries given the strong operational, financial and management linkages among various entities.

Links to applicable Criteria:
Corporate Credit Rating –A Note on Methodology
ICRA Rating Methodology: Real Estate Entities

About the Company:
DLF Limited is the largest domestic real estate developer with more than 50 years of experience in developing real estate. The company has developed more than 250 million sq.ft. It is credited for developing many well known urban colonies in Delhi, including South Extension, Greater Kailash, Kailash Colony and Hauz Khas as well as one of Asia's largest private townships "DLF City" in Gurgaon, Haryana. DLF is currently developing 27 mn. sq.ft. across the country. Some of its key subsidiaries based on subscribed equity capital are DLF Assets Limited (rated [ICRA]A (SO) (Stable)) and DLF Cyber City Developers Limited (rated [ICRA]A (SO) (Stable)).

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Table: Rating History

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years				
		Type	Rated amount (Rs. Crore)	Month-year & Rating	Month-year & Rating in FY2017	Month-year & Rating in FY2017	Month-year & Rating in FY2016	Month-year & Rating in FY2015	Month-year & Rating in FY2015
				January 2017	July 2016	April 2016	April 2015	October 2014	April 2014
1	Term Loans	Long Term	3877.0	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A@	[ICRA]A (Stable)
2	Non-Fund Based Limits	Long Term	1200.0	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A@	[ICRA]A (Stable)
3	Fund Based Limits	Long Term	2085.0	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A@	[ICRA]A (Stable)
4	NCD	Long Term	4000	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Negative)	[ICRA]A (Negative)	[ICRA]A@	[ICRA]A (Stable)
@: Rating watch with negative implication									

Complexity level of the rated instrument:
ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1

Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date / Month	Size of the issue (Rs. Cr)	Current Rating and Outlook
Term Loan				**3877**	
Term Loan 1			April 2017	17	[ICRA]A (Stable)
Term Loan 2			August 2017	21	[ICRA]A (Stable)
Term Loan 3			November	291	[ICRA]A (Stable)
Term Loan 4			December	292	[ICRA]A (Stable)
Term Loan 5			March 2019	150	[ICRA]A (Stable)
Term Loan 6			September	288	[ICRA]A (Stable)
Term Loan 7			October 2020	613	[ICRA]A (Stable)
Term Loan 8			March 2020	175	[ICRA]A (Stable)
Term Loan 9			July 2021	1117	[ICRA]A (Stable)
Term Loan 10			July 2021	567	[ICRA]A (Stable)
Term Loan 11			March 2021	45	[ICRA]A (Stable)
Term Loan 12			March 2025	242	[ICRA]A (Stable)
Term Loan 13			March 2025	60	[ICRA]A (Stable)
Fund Based Limits				**2085**	
- Overdraft Limit	-	-	Revolving	605.0	[ICRA]A (Stable)
- Overdraft Limit/	-	-	Revolving	1480.0	[ICRA]A (Stable)
Non-Fund Based				**1200.0**	
- Bank Guarantee	-	-	Revolving	1000.0	[ICRA]A (Stable)
- Letter of Credit	-	-	Revolving	200.0	[ICRA]A (Stable)
NCD-I	30-Apr-13	12.50%	30-Apr-18	125	[ICRA]A (Stable)
NCD-II	11-Aug-15	12.25%	11-Aug-17	250	[ICRA]A (Stable)
NCD-III	11-Aug-15	12.25%	11-Aug-18	250	[ICRA]A (Stable)
NCD-IV	11-Aug-15	12.25%	11-Aug-19	250	[ICRA]A (Stable)
NCD-V	11-Aug-15	12.25%	11-Aug-20	250	[ICRA]A (Stable)
NCD-VI	24-Aug-15	12.25%	11-Aug-17	90	[ICRA]A (Stable)
NCD-VII	24-Aug-15	12.25%	10-Aug-18	95	[ICRA]A (Stable)
NCD-VIII	24-Aug-15	12.25%	9-Aug-19	95	[ICRA]A (Stable)
NCD-IX	24-Aug-15	12.25%	10-Aug-20	95	[ICRA]A (Stable)
NCD (not placed)	-	-	-	2500	[ICRA]A (Stable)

Source: DLF

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About ICRA Limited:
ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.
Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.
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