September 13, 2017

DLF Limited

DLF Limited and GIC, Singapore's sovereign wealth fund, have entered into a strategic partnership to develop a rental assets portfolio, under the consolidated portfolio of DLF Cyber City Developers Limited (DCCDL). Through this transaction GIC shall acquire 33.34% equity stake in DCCDL. The deal has been agreed upon at an enterprise value of Rs. 35,617 crore for DCCDL and translates into equity value of Rs. 30,200 crore. The promoters of DLF, who hold compulsorily convertible preference shares (CCPS) issued by DCCDL, will receive Rs. 11,900 crore through a series of steps comprising secondary sale of shares to GIC (through its associates) and buy back by DCCDL. The promoters plan to infuse substantial proceeds in DLF to reduce its debt, which is a credit positive move. At the end of June 30, 2017, the consolidated debt was Rs. 28,959 crore[1].

ICRA notes that the said transaction will be subject to statutory approvals. Thus, conclusion of the proposed transaction in a timely manner and infusion of funds in DLF by the promoters should help the company reduce the pressure on its cash flows and achieve material reduction in its debt. Timely conclusion of the said transaction and overall equity infusion in DLF on account of proposed qualified institutional placement (QIP) to reduce the overall group debt will be closely monitored over the short term.

ICRA has withdrawn the rating of [ICRA]A (Stable) assigned earlier to the Rs. 340-crore NCD of DLF as the amount has been redeemed by the company. Further, ICRA has outstanding rating of [ICRA]A (Stable) for Rs. 6,798-crore bank facilities and Rs. 3,660[2]-crore NCD programme, at present.

The rating derives comfort from the lease rental portfolio of DLF, which lends stability to the cash flows of the Group. The rating also favourably factors in DLF's established market position in the domestic real estate sector as well as its diversified, well located and low-cost land bank. The rating strengths are offset by high debt levels, resulting in moderate debt-coverage indicators for the company and sluggish demand in the real estate sector. This poses a challenge for the company in maintaining its sales, resulting in poor cash flow visibility for real estate development business.

The previous rating rationale is available on the following link: Click here

[1] As per analyst presentation, Net Debt as on June 30, 2017 was Rs. 25,898 crore

[2] Rs 340 crore of NCD has been redeemed in August 2017

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				**3563**	
Term Loan 1			April 2017	3	[ICRA]A (Stable)
Term Loan 2			November	255	[ICRA]A (Stable)
Term Loan 3			December	292	[ICRA]A (Stable)
Term Loan 4			March 2019	120	[ICRA]A (Stable)
Term Loan 5			September	229	[ICRA]A (Stable)
Term Loan 6			October	555	[ICRA]A (Stable)
Term Loan 7			March 2020	150	[ICRA]A (Stable)
Term Loan 8			July 2021	1102	[ICRA]A (Stable)
Term Loan 9			July 2021	559	[ICRA]A (Stable)
Term Loan 10			March 2025	238	[ICRA]A (Stable)
Term Loan 11			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				**1150.0**	
- Bank Guarantee	-	-	Revolving	950.0	[ICRA]A (Stable)
- Letter of Credit	-	-	Revolving	200.0	[ICRA]A (Stable)
NCD Tranche					
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) (withdrawn)
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) (withdrawn)
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

Contact Details

Analyst Contacts

K Ravichandran
+91-44-45964301
ravichandran@icraindia.com

Shubham Jain
+91-124-4545306
shubhamj@icraindia.com

Manav Mahajan
+91-124-4545817
manav.mahajan@icraindia.com

<u>Name and Contact Details of Relationship Contacts:</u>

Mr. L. Shivakumar
+91-22-30470005
shivakumar@icraindia.com

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For more information, visit **www.icra.in**

ICRA

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 3rd Floor, Electric Mansion Appasaheb Marathe Marg, Prabhadevi Mumbai—400025, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20-25561194-25560196; Fax: +91-20- 25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	