

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<sup>1</sup>.

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ICRA has withdrawn the rating of [ICRA]A (Stable) assigned earlier to the Rs. 340-crore NCD of DLF as the amount has been redeemed by the company.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<sup>2</sup>-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](#)**

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<sup>1</sup> As per analyst presentation, Net Debt as on June 30, 2017 was Rs. 25,898 crore

<sup>2</sup> Rs 340 crore of NCD has been redeemed in August 2017

**Annexure-1**  
**Details of Instrument**

| <b>Name of the instrument</b> | <b>Date of issuance</b> | <b>Coupon rate</b> | <b>Maturity Date / Month</b> | <b>Size of the issue (Rs. Cr)</b> | <b>Current Rating and Outlook</b> |
|-------------------------------|-------------------------|--------------------|------------------------------|-----------------------------------|-----------------------------------|
| <b>Term Loan</b>              |                         |                    |                              | <b>3563</b>                       |                                   |
| 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)                  |
| <b>Fund Based Limits</b>      |                         |                    |                              | <b>2085</b>                       |                                   |
| - Overdraft Limit             | -                       | -                  | Revolving                    | 605.0                             | [ICRA]A (Stable)                  |
| - Overdraft Limit/            | -                       | -                  | Revolving                    | 1480.0                            | [ICRA]A (Stable)                  |
| <b>Non-Fund Based</b>         |                         |                    |                              | <b>1150.0</b>                     |                                   |
| - Bank Guarantee              | -                       | -                  | Revolving                    | 950.0                             | [ICRA]A (Stable)                  |
| - Letter of Credit            | -                       | -                  | Revolving                    | 200.0                             | [ICRA]A (Stable)                  |
| <b>NCD Tranche</b>            |                         |                    |                              |                                   |                                   |
| 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)<br>(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)<br>(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

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