November 17, 2023

DLF Cyber City Developers Limited: Ratings reaffirmed for bank lines and NCDs; ratings reaffirmed and withdrawn for redeemed NCDs and bank lines

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loans	8,607.23	8,607.23	[ICRA]AA(Positive); reaffirmed
Long-term – Fund-based – Term loans	476.24	0.00	[ICRA]AA(Positive); reaffirmed and withdrawn
Short-term Non-fund based	280.00	280.00	[ICRA]A1+; reaffirmed
Long-term – Fund-based/ Non-fund based – Others	94.00	94.00	[ICRA]AA(Positive); reaffirmed
Non-convertible debentures (NCD)	602.64	602.64	[ICRA]AA(Positive); reaffirmed
Non-convertible debentures (NCD)	606.28	0.00	[ICRA]AA(Positive); reaffirmed and withdrawn
Non-convertible debentures (NCD)	1,150.00	1,150.00	[ICRA]AA(Positive); reaffirmed
Non-convertible debentures (NCD)	1,100.00	1,100.00	[ICRA]AA(Positive); reaffirmed
Non-convertible debentures (NCD)	250.00	250.00	[ICRA]AA(Positive); reaffirmed
Total	**13,166.39**	**12,083.87**	

**Instrument details are provided in Annexure-I*

Rationale

ICRA has taken a consolidated view of DLF Cyber City Developers Limited (DCCDL) and its subsidiaries[1] collectively referred to as the consolidated entity or the Group, given the close operational, financial and managerial linkages between the Group entities, shared brand name, along with a common treasury team.

The rating action factors in the expected improvement in the Group's net operating income[2] (NOI) over the medium term, backed by steady ramp-up in occupancy in the existing properties and commencement of rentals from the new properties with healthy pre-leasing. Moreover, the retail leasing segment has surpassed the pre-Covid levels in FY2023. The Group's NOI increased by around 19% in FY2023. ICRA expects the NOI to grow by ~11-13% year-on-year (YoY) in FY2024. In September 2023, DCCDL, on a standalone basis, raised Rs. 1,100 crore of NCD, which were primarily utilised towards refinancing a portion of the existing borrowings. The gross debt stood at Rs. 19,032 crore as on September 30, 2023. Overall, the Group is likely to maintain consolidated gross debt at around Rs. 20,000 crore in the medium term. Consequently, the leverage as measured by net debt[3] to NOI is estimated to improve to around 4.5 times by March 2024 (4.7 times as of March 2023).

The Group operates one of the largest commercial real estate portfolios in the country spread across office (35.6 million square feet (msf), 90% of total leasable area) and retail segments (4.1 msf, 10% of total leasable area) in attractive locations as of September 2023. The under-construction portfolio stood at 5.3 msf with an additional development potential of around

[1] Please refer to analytical approach on page 3 and Annexure II on page seven for list of entities consolidated
[2] Net operating income (NOI) is defined as lease rental income and maintenance income less maintenance, property tax, insurance and any other direct expenses associated with the property
[3] Net debt is defined as total external debt minus cash and cash equivalents

25.0 msf, as on the same date. The Group's portfolio is spread across major cities such as Gurugram, Chennai, Kolkata, Hyderabad, Noida and Chandigarh with a reputed and diversified tenant mix comprising leading multi-national and Indian corporates, wherein the top 10 tenants contribute to ~25% of the revenues as of September 2023. The retail assets are situated in prominent micromarkets of the respective cities, thereby enhancing their marketability. The Group has healthy committed occupancy for the completed area at 92% as of September 2023 (89% as of June 2023).

The ratings continue to derive comfort from DCCDL's strong parentage, with 66.67% stake held by DLF Limited (DLF) and 33.33% by the Government of Singapore Investment Corporation (GIC). DLF is one of the largest real estate developers in India. It has an established track record of successfully developing and leasing commercial as well as retail assets across multiple geographies, while GIC is the sovereign wealth fund of Singapore having a track record of over four decades and strong investment portfolio. The Group enjoys strong financial flexibility on the back of its parentage, large portfolio, established relationships with reputed tenants, and lenders.

The ratings, however, remain constrained by the Group's exposure to geographical concentration risks, with 58% of the commercial leasable area being concentrated in Gurugram with high average rentals, resulting in exposure to migration risks of tenants to more competitive micromarkets. The ratings factor in the vulnerability of the portfolio to the lease expiry risk and market risks. The risk is partially mitigated by reputed tenants and lower-than-market rentals. The ratings note the moderate debt coverage metrics and exposure to refinancing risk as a part of the consolidated debt is unamortising in nature. However, the risk is partially mitigated by the comfortable leverage and the Group's strong financial flexibility. The Group has a demonstrated track record of timely refinancing at competitive interest rates in the past. Further, the debt coverage metrics are exposed to interest rate risk. In addition, the cyclical nature of the sector and vulnerability to external developments constrain the ratings. The ratings consider the market risks for the under-development projects. Nevertheless, the Group's long and established track record in successfully developing and leasing out office as well as retail space mitigates the risk. ICRA expects the dependence on incremental debt for capex to be limited, and the capex to be funded through the operational surplus. Nonetheless, higher-than-expected dividends and capex outflows adversely affecting the Group's liquidity will be the key monitorable.

Key rating drivers and their description

Credit strengths

Healthy growth in scale and resultant improvement in leverage levels – The DCCDL Group operates one of the largest commercial real estate portfolios in the country spread across office and retail segments. Its NOI is expected to display healthy growth over the near to medium term, backed by the steady ramp-up in occupancy in the existing properties and commencement of rentals from the new properties with healthy pre-leasing. Moreover, the retail leasing segment has surpassed the pre-Covid levels in FY2023. The Group's NOI increased by around 19% in FY2023, and ICRA expects the NOI to grow by ~11-13% YoY in FY2024. In September 2023, DCCDL, on a standalone basis, raised Rs. 1,100 crore of NCD, which were primarily utilised towards refinancing a portion of the existing borrowings. It reported gross debt of Rs. 19,032 crore as on September 30, 2023. Overall, the Group is likely to maintain consolidated gross debt at around Rs. 20,000 crore in the medium term. Consequently, the leverage as measured by net debt[4] to NOI is estimated to improve to around 4.5 times by March 2024 (4.7 times as of March 2023).

Diversified lessee profile, supported by favourable location and high quality development – Given the quality and favourable location of the developments, many projects like Cyber City, Cyber Park (Gurugram) and Chennai Special Economic Zone (SEZ) have become associated with major Central Business Districts (CBD) in their respective cities, which contributes to healthy occupancy across various properties. In addition, the tenant profile constitutes marquee names such

[4] *Net debt is defined as total external debt minus cash and cash equivalents*

as Cognizant, IBM, American Express, EY, KPMG, Concentrix, etc, which are present across various sectors, thus mitigating the sectoral concentration risk to an extent.

Strong promoters with established track record – ICRA derives comfort from DCCDL's strong parentage, with 66.67% stake held by DLF and 33.33% by the GIC. DLF is one of the largest real estate developers in India. It has an established track record of successfully developing and leasing commercial as well as retail assets across multiple geographies, while GIC is the sovereign wealth fund of Singapore having a track record of over four decades and strong investment portfolio. The Group enjoys strong financial flexibility on the back of its parentage, large portfolio, established relationships with reputed tenants and lenders.

Credit challenges

Exposure to refinancing risk – Part of the consolidated Group debt is unamortising in nature, with bullet repayments at the end of their maturity, thereby exposing it to refinancing risk. However, the risk is partially mitigated by the comfortable leverage and the Group's strong financial flexibility. The Group has a demonstrated track record of timely refinancing at competitive interest rates in the past. Further, higher-than-expected dividends and capex outflows adversely affecting the Group's liquidity will be a key monitorable.

Exposure to geographical concentration and market risks associated with ongoing development – The Group's leasing portfolio of 39.7 msf is spread across seven cities. However, around 58% of the total leasable area is concentrated in Gurgaon, with a high average rental, resulting in exposure to migration risks of tenants to more competitive micromarkets. Moreover, the Group had under-development commercial office projects of 5.3 msf as of September 2023, exposing it to execution and residual market risks. The under-construction assets have healthy pre-leasing of 89% as of September 2023.

Vulnerability of commercial real estate sector to cyclicality and external developments – The Group's portfolio is exposed to risks arising from the cyclicality in the sector and vulnerability to exogenous shocks such as the Covid-19 pandemic, which could impact the cash flows. Further, the debt coverage metrics are exposed to the interest rate risk.

Liquidity position: Strong

The Group's liquidity position is strong, backed by cash and equivalents of around Rs. 1,006 crore (includes encumbered balances of around Rs. 321 crore) and undrawn credit lines of Rs. 480 crore as on September 30, 2023. Additionally, the likely healthy cash flows from a diversified portfolio are expected to cover its debt obligations, dividends and capex requirements.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the Group is able to successfully achieve a significant ramp-up in occupancy and leasing income from the portfolio (including under-development assets), resulting in substantial improvement in the debt protection metrics, while maintaining a strong liquidity position, on a consistent basis. Specific credit metrics that could lead to a rating upgrade include net debt to NOI reducing to below 4.0 times on a sustained basis.

Negative factors – Negative pressure on the ratings could arise in case of a significant decline in the occupancy or rentals of the completed portfolio impacting the debt protection metrics, or in case of higher-than-expected dividends and capex outflows, which adversely affects the company's liquidity and leverage position. Specific credit metrics that could lead to a downgrade of DCCDL Group's rating include the net debt to NOI increasing above 5.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology] [Rating approach - Lease Rental Discounting (LRD)] [Policy on Withdrawal of Credit Ratings]
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the operational and financial profile of DCCDL, and its subsidiaries given the close business, financial and managerial linkages between the Group entities, shared brand name along with a common treasury team.

About the company

DCCDL is involved in the business of developing, setting up and maintaining of commercial offices, retail spaces, technology parks and software parks. In December 2017, GIC, Singapore acquired 33.33% in DCCDL and the balance 66.67% is held by DLF Limited. The company operates one of the largest commercial real estate portfolios in the country spread across 39.7 msf of area at the consolidated level with an occupancy of 92% as of September 2023. The assets are spread across major cities such as Gurugram, Chennai, Kolkata, Hyderabad, Noida, and Chandigarh. Apart from this, it has 5.3 msf of under-development projects in Chennai and Gurugram as on September 30, 2023.

Key financial indicators (audited)

DCCDL – Consolidated	FY2022	FY2023
Operating income	4,373.4	5,269.2
PAT	1,014.9	1,396.1
OPBDIT/OI	76.1%	75.9%
PAT/OI	23.2%	26.5%
Total outside liabilities/Tangible net worth (times)	3.6	3.8
Total debt/OPBDIT (times)	6.1	5.2
Interest coverage (times)	2.2	2.6

Source: Company, ICRA Research; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; the above financial numbers and ratios reflect the analytical adjustments made by ICRA and may not be comparable with the reported financials

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)					Chronology of Rating History for the Past 3 Years								
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on June 18, 2023 (Rs. crore)	Date & Rating in FY2024		Date & Rating in FY2023		Date & Rating in FY2022			Date & Rating in FY2021			
					Nov 17, 2023	Aug 1, 2023	Mar 28 2023	Nov 14, 2022	Mar 7, 2022	Dec 28, 2021	Sep 30, 2021	Feb 5, 2021	Jan 22, 2021	Jun 26, 2020
1	Non-convertible debentures	Long Term	602.64	602.64	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
2	Non-convertible debentures	Long Term	606.28#	Nil#	[ICRA]AA (Positive); reaffirmed and withdrawn	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
3	Non-convertible debentures	Long Term	1,150.00	1,150.00	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Stable)	-	-	-	-	-	-
4	Non-convertible debentures	Long Term	1,100.00*	1,100.00*	[ICRA]AA (Positive)	[ICRA]AA (Positive)	-	-	-	-	-	-	-	-
5	Non-convertible debentures	Long Term	250.00*	-	[ICRA]AA (Positive)	[ICRA]AA (Positive)	-	-	-	-	-	-	-	-
6	Fund-based – Term loans	Long Term	8,607.23	8,433.47	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
7	Fund-based – Term loans	Long Term	476.24^	Nil^	[ICRA]AA (Positive); reaffirmed and withdrawn	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
8	Long-term – Fund-based/ Non-fund based – Others	Long Term	94.0	-	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	-	-	-	-	-	-	-
9	Short-term Non-fund Based	Short Term	280.0	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
10	Commercial paper	Short Term	-	-	-	-	-	-	-	[ICRA]A1+; withdrawn	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

 # NCD of Rs. 700 crore (o/s of Rs. 606.28 crore as on June 18, 2023) has been repaid (ISIN: INE186K07023).

**NCD of Rs.1,100 crore (ISIN: INE186K07080) has been placed in Sep 2023; and balance Rs. 250 crore is proposed*

^ Rs. 550 crore Term loan from Axis Bank (o/s of Rs. 476.24 crore as on June 18, 2023) from Axis Bank has been repaid.

Complexity level of the rated instruments

Instrument	Complexity Indicator
Non-convertible debentures -1	Simple
Non-convertible debentures -2	Simple
Non-convertible debentures -3	Simple
Non-convertible debentures -4	Simple
Non-convertible debentures -5	Simple*
Fund-based – Term loans	Simple
Long-term – Fund-based/Non-fund based – Others	Simple
Non-fund Based – Working capital facilities/Bank guarantee	Very Simple

**complexity indicator mentioned above is subject to change when the terms are finalised*

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/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE186K07023	Non-convertible debentures -1	27-Jan-21	6.95%	27-Jan-31	606.28	[ICRA]AA (Positive) withdrawn
INE186K07031	Non-convertible debentures -2	4-Feb-21	7.25%	31-Jan-24	602.64	[ICRA]AA (Positive)
INE186K07072	Non-convertible debentures -3	29-Nov-22	7.5%	16-May-25	1,150.00	[ICRA]AA (Positive)
INE186K07080	Non-convertible debentures -4	20-Sept-23	8.25%	17-Aug-33	1,100.00	[ICRA]AA (Positive)
-	Non-convertible debentures -5	-	-	-	250.00^	[ICRA]AA (Positive)
NA	Term loan 1	September 2020	-	FY2036	2,166.98	[ICRA]AA (Positive)
NA	Term loan 2	March 2017	-	FY2026	630.02	[ICRA]AA (Positive)
NA	Term loan 3	August 2021	-	FY2034	403.03	[ICRA]AA (Positive)
NA	Term loan 4	January 2021	-	FY2033	476.24	[ICRA]AA (Positive) withdrawn
NA	Term loan 5	November 2020	-	FY2033	1,720.00	[ICRA]AA (Positive)
NA	Term loan 6	Jun-2020	-	FY2029	198.00	[ICRA]AA (Positive)
NA	Term loan 7	July 2021	-	FY2034	125.00	[ICRA]AA (Positive)
NA	Term loan 8	July 2022	-	FY2038	991.42	[ICRA]AA (Positive)
NA	Term loan 9	December 2017	-	FY2030	63.61	[ICRA]AA (Positive)
NA	Term loan 10	Aug-2021	-	FY2029	374.89	[ICRA]AA (Positive)
NA	Term loan 11	Apr-2022	-	FY2033	324.28	[ICRA]AA (Positive)
NA	Term loan 12	Jul-2022	-	FY2026	450.00	[ICRA]AA (Positive)
NA	Term loan 13	Nov-2020	-	**	200.00	[ICRA]AA (Positive)
NA	Term loan 14	Apr-2022	-	**	200.00	[ICRA]AA (Positive)
NA	Term loan 15	Jul-2021	-	**	110.00	[ICRA]AA (Positive)
NA	Term loan – Unallocated	-	-	-	650.00	[ICRA]AA (Positive)
NA	Long-term – Fund-based/ Non-fund based – Others	Jan-2021	-	-	94.00	[ICRA]AA (Positive)
NA	Short-term – Non-fund based	Dec-2021 and Sept-2018	-	-	280.00	[ICRA]A1+

*Source: Company; **not placed as on date; ^proposed*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis:

Company Name	DCCDL Ownership	Consolidation Approach
DLF Cyber City Developers Limited (Holding Company)	-	**Full Consolidation**
Subsidiary companies		
DLF Assets Limited	100%	Full Consolidation
DLF City Centre Limited	100%	Full Consolidation
DLF Emporio Limited	100%	Full Consolidation
DLF Info City Developers (Chandigarh) Limited	100%	Full Consolidation
DLF Info City Developers (Kolkata) Limited	100%	Full Consolidation
Nambi Buildwell Limited	100%	Full Consolidation
DLF Power & Services Limited	100%	Full Consolidation
DLF Promenade Limited	100%	Full Consolidation
Richmond Park Property Management Services Limited##	100%	Full Consolidation
Fairleaf Real Estate Private Limited	100%	Full Consolidation
DLF Info Park Developers (Chennai) Ltd	99.99%	Full Consolidation
Paliwal Real Estate Limited	100%	Full Consolidation
DLF Lands India Private Limited	100%	Full Consolidation
DLF Info City Chennai Limited	100%	Full Consolidation

Source: ICRA Research

ANALYST CONTACTS

Anupama Reddy
+91 40 4547 4829
anupama.reddy@icraindia.com

Neha Mittal
+91 124-4545 365
neha.mittal@icraindia.com

Chintan Chheda
+91 22 6169 3363
chintan.chheda@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches