

DLF Limited

Instrument	Amount Rated (Rs. Crore)	Rating Action as on July 2016
NCD Programme	4,000	[ICRA]A (Stable) (Rating re-affirmed; outlook revised)
Fund Based Facilities	6,206 (reduced from Rs. 6,390)	[ICRA]A (Stable) (Rating re-affirmed; outlook revised)
Non-Fund Based Facilities	1,200	[ICRA]A (Stable) (Rating re-affirmed; outlook revised)

ICRA has reaffirmed the long-term rating of [ICRA]A (pronounced ICRA A)¹ assigned to Rs. 4,000 crore² NCD programme, Rs. 6,206 crore (reduced from the earlier Rs. 6,390 crore) Fund Based facilities and Rs. 1,200 crore Non-fund Based facilities of DLF Limited (DLF). The outlook on the rating has been revised to 'Stable' from the earlier 'Negative'.

The outlook change is a reflection of reasonable progress achieved by DLF towards its debt reduction programme coupled with steady incremental leasing achieved in FY16. ICRA believes timely conclusion of debt reduction programme coupled 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 28.58 mn sq ft at the end of March 2015 to 29.60 mn sq ft at the end of March 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 are now in the process of carrying out their due diligence. 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. 3,421 crore as on March 31, 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.

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

Company's Profile

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

¹ For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other rating publications

² 100 lakh = 1 crore = 10 million



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 37 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)).

Recent Results (Consolidated)

For FY16 (April 2015-March 2016), DLF reported a net profit of Rs. 549 crore on an operating income of Rs. 9819.15 crore as compared to net profit of Rs. 540 crore on an operating income of Rs. 7664 crore over the same period a year ago.

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