DT Projects Limited (formerly DLF Laing O'Rourke (India) Limited)

RATING HISTORY

	Amount in Rs. billion	Rating Outstanding	Previous Rating
		March 2010	January 2009
Term Loans	3.01	LA (So)	LA-
Fund Based Limits/ Non-Fund Based Limits	0.70	LA (So)	LA-
Proposed Limits	0.29	LA (So)	LA-

ICRA has revised the long term rating assigned to Rs. 3.01 billion term loans, Rs. 700 million fund based/non-fund based limits and Rs. 290 million proposed bank facilities of DT Projects Limited {DTP, earlier DLF Laing O'Rourke (India) Limited} from LA- (pronounced L A minus) to LA (So) (pronounced L A structure obligation) [†]. The outlook on the rating is "Stable". The letter SO in parenthesis suffixed to a rating symbol stand for Structured Obligation. An SO rating is specific to the rated issue, its terms, and its structure. SO ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned.

The SO (structure obligation) rated bank facilities of DTP are credit enhanced by an unconditional and irrevocable corporate guarantee issued by DLF Limited (DLF; rated A1 by ICRA[†]). The LA (SO) rating for the instrument addresses the servicing of the bank lines to happen as per the underlying terms of the instrument and the guarantee agreement for the same. The rating also assumes that the guarantee will be duly invoked by the lender, as per the terms of the instrument and guarantee agreements, in case there is a default in payment by the borrower.

The rating takes into account an unconditional and irrevocable corporate guarantee issued by DLF Limited for meeting the debt obligations. Besides, the rating factors in change in ownership of the company post the exit of Laing O'Rourke's (LOR) from DTP making it a 100% subsidiary of DLF; DTP's experienced and professional management team and its track record of quality and timely completion of projects. ICRA has taken into consideration the fact that while DTP's current order book position provides visibility to its revenues in the short to medium term, its future growth would be dependent on DLF's ability to sell and launch new projects.

DTP was incorporated as DLF Laing O'Rourke (India) Limited (DLF-LOR) in 2006 as a 50:50 Joint Venture (JV) between DLF and Laing O'Rourke plc (LOR) to carry out construction operations for DLF on a cost plus basis. In November 2009, LOR has exited from the JV and DLF acquired LOR's stake in the JV. Post the acquisition, the company became a 100% subsidiary of DLF and subsequently the name of the company was changed to DT Projects Limited (DTP). DLF is the largest domestic real estate developer with experience of over 50 years in developing real estate with an overall development of over 200 million sft. DLF has developed some of the prime urban colonies in and around Delhi, including one of the Asia's largest private townships "DLF City" in Gurgaon. Currently DLF is constructing projects totaling about 49 million sq. ft located across the country, of which around 32 million sft is under residential projects and commercial complexes whereas the rest 17 million sft is under office and retail space. For the nine months ending December 2009, DLF reported an operating income (OI) of Rs 54.27 billion and a profit after tax (PAT) of Rs 13.03 billion, as against an OI of around Rs. 89.22 billion and a PAT of Rs. 44.70 billion in the corresponding period of last year.

DTP is the preferred execution partner for DLF's projects, especially for the projects which have a higher complexity and/or requires a speedy execution. DTP works on a cost plus contract basis with all the segment wise work and related margins defined as per Technical and Commercial Agreement (TCA) signed initially. This cost-plus arrangement between DTP and DLF protects the company from any price variation risk. Further for most of the contracts, the key raw materials such as cement and steel are issued by DLF to DTP and hence the price fluctuation in these major raw materials, which constitutes a large part of the project cost, is not a concern for DTP.

Since its inception, the company has executed contracts of around Rs. 18.57 billion out of the total project value of Rs 70.00 billion, resulting in a pending order book of Rs 51.43 billion as on 31st December 2009. Initially a commercial heavy portfolio of projects was awarded to DTP as these are more complex projects and required speedy execution. However with the slowdown in demand for

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

[1] Please refer to ICRA website www.icra.in for rationale of DLF Limited

commercial space, DLF has increased its focus on residential projects and deferred some of its commercial/retail projects. The same is also corroborated by the change in orderbook composition of DTP, as the contribution of commercial projects reduced from around 50% earlier to 15.5% currently and the proportion of residential projects has increased from 13.70% earlier to 38.4% currently. While DTP's current order book position gives visibility of revenues in the short to medium term, its future growth would be dependent on DLF's ability to sell and launch new projects.

DTP started its full scale operations only from FY2007-08 and with the boom witnessed in the real estate sector in that year, the ramp up in its operations was steep as is reflected from the high growth in its operating income from Rs. 1 billion in FY2006-07 to Rs. 7.51 billion in FY2007-08. However with the downturn in real estate in FY2008-09, the work on many of the projects being executed by DTP was deferred/stalled resulting in muted growth in its turnover. The company invested heavily in acquiring plant and machinery in its initial years and had an asset block of Rs. 4.38 billion as on 31st March 2009. The same had been financed largely through debt resulting in a relatively high gearing of 1.92 times as on 31st March 2009, however its strong profitability resulted in comfortable debt coverage indicators as is reflected by interest coverage ratio of 5.5 times and ratio of Net cash accruals to total debt of 50% in FY2008-09.

In the first half of FY2009-10, DTP reported a turnover of Rs. 2.00 billion (approx) reflecting a de-growth in the revenues. Nevertheless, considering DLF's leadership position in the domestic real estate market and revival in demand in the real estate sector resulting in resumption of work at its project sites, ICRA expects a healthy growth in DTP's revenues and profits going forward.

Company Profile

DTP was incorporated as DLF Laing O'Rourke (India) Limited (DLF-LOR) in 2006 as a 50:50 Joint Venture (JV) between DLF and Laing O'Rourke plc (LOR) to carry out construction operations for DLF on a cost plus basis. In November 2009, LOR has exited from the JV and DLF acquired LOR's stake in the JV. Post the acquisition, the company became a 100% subsidiary of DLF and subsequently the name of the company was changed to DT Projects Limited (DTP). Presently, the company is engaged in construction work on 42 projects for DLF across the country. In FY2009, DTP posted a Profit after Tax of Rs 269.0 million on a turnover of Rs 7.60 billion.

DLF is the largest domestic real estate developer with experience of over 50 years in developing real estate with an overall development of over 200 million sft. Currently DLF is constructing projects totaling about 49 million sq. ft located across the country, of which around 32 million sft is under residential projects and commercial complexes whereas the rest 17 million sft is under office and retail space. For the nine months ending December 2009, DLF reported an operating income (OI) of Rs 54.27 billion and a profit after tax (PAT) of Rs 13.03 billion, as against an OI of around Rs. 89.22 billion and a PAT of Rs. 44.70 billion in the corresponding period of last year.

March 2010

KEY FINANCIALS

		2008-09	2007-08	2006-07
Operating Income (OI)	Rs Billion	7.60	7.51	1.00
Operating Profit before depreciation, interest. Tax and amortization (OPBDITA)	Rs Billion	*1.47*	*1.27*	*0.13*
Profit After Tax (PAT)	Rs Billion	0.27	0.41	0.03
Net Cash Accruals (NCA)	Rs Billion	*1.07*	*0.92*	*0.09*
Total Debt	Rs Billion	2.14	2.51	0.45
Tangible Net worth	Rs Billion	*1.11*	*0.85*	*0.43*
OPBDITA/OI	%	19.34%	16.92%	12.63%
PAT/OI	*%*	*3.53%*	*5.50%*	*3.30%*
Profit before Interest and Tax/Average (Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work In Progress)	%	21.21%	38.47%	15.33%
Total Gearing	*times*	*1.92*	*2.97*	*1.05*
OPBDIT/Interest & Finance Charges	*times*	5.50	10.97	9.02
NCA/Total Debt	%	*49.87%*	*36.49%*	*20.61%*
Total Debt/OPBDITA	*times*	1.45	1.98	3.60

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