DLF PROMENADE LIMITED

Regd. Office: Shopping Mall, Phase-I, DLF City, Gurugram, Haryana-122002
(CIN - U74920HR1999PLC034138) Website: www.dlfpromenade.com
Tel No.: 0124-4778121, Fax: 0124-4057414, Email: dlfpromenade@dlf.in

Date: 07.03.2018

To,

The General Manager
Department of Corporate Services,
BSE Limited,
1st Floor, P.J.Towers,
Dalal Street,
Mumbai – 400 001

Dear Sir,

Scrip Code: 950357

ISIN: INE865N07018

Sub: Re-affirmation of rating assigned by CRISIL Limited

This is to inform you that CRISIL Limited has re-affirmed **"CRISIL AA (SO)/Stable"** rating to 3,750 secured, rated, listed, redeemable non-convertible debentures of face value of Rs.10 Lacs each having coupon rate of 10.90% per annum payable on monthly rests under commercial mortgage backed securities structure aggregating to Rs.375 Crores ("Debentures") on March 06, 2018.

We are enclosing herewith the rating rationale dated March 06, 2018 received from CRISIL Limited. You are requested to take the above on your record.

Thanking you,

Yours faithfully,
For DLF Promenade Limited

Manoj Kumar Dua
Company Secretary

Encl: as above.

Rating Rationale

March 06, 2018 | Mumbai

CRISIL reaffirms ratings on CMBS transactions of DLF Emporio and DLF Promenade

DLF Emporio Ltd

Rs.525 Crores Non-Convertible Debentures Issue	**CRISIL AA (SO)/Stable (Reaffirmed)**

DLF Promenade Ltd

Rs.375 Crores Non-Convertible Debentures Issue	**CRISIL AA (SO)/Stable (Reaffirmed)**

Refer to Annexure 1 for details on 'Non-Convertible Debentures'
1 crore = 10 million

Detailed Rationale
CRISIL has reaffirmed its 'CRISIL AA (SO)/Stable' rating on the commercial mortgage-backed securities (CMBS; issued as non-convertible debentures [NCDs]) of DLF Emporio Ltd and DLF Promenade Ltd.

The companies are subsidiaries of DLF Cyber City Developers Limited (DCCDL), which is a subsidiary of DLF Ltd (rated CRISIL A+/Stable/A1) with 66.6% stake and the remaining 33.34% stake owned by GIC (sovereign fund of the Government of Singapore). The ratings on the NCDs reflect the quality of the underlying properties' cash flows backed by steady rentals, low vacancy rate and good tenant profile.

Analytical Approach
For arriving at the ratings, CRISIL has evaluated the Issuers' ability to service interest and refinance the NCDs based on the performance of the malls, credit profile of the promoter group, DLF Ltd.

Key Rating Drivers & Detailed Description

Supporting Factors
* **Comfortable Loan-to- value (LTV) protects ability to refinance:** The subsidiaries have a comfortable loan-to-value ratio of less than 50 per cent. Low LTV ratio protects investors from the risk of a material decline in property prices and its consequent impact on refinance/ sale of the property.

* **Low vacancy rate and Stable rentals:** The average rental on DLF Emporio and DLF Promenade is Rs.324 per square feet and Rs.174 per square feet respectively in April'17-Dec'17 period from Rs.325 per square feet and Rs.164 per square feet respectively in April'16-Dec'16 period. During this period, the vacancy was in line with CRISIL's expectations—sub-5 per cent for both malls.

* **Adequate interest cover:** The operating earnings before interest, tax, depreciation and amortisation (EBITDA) for both transactions provide adequate cover for the interest amount due to investors in both transactions. For the nine months ended December 31, 2017, the average interest service coverage ratio (ISCR) was 1.8 times and 2.1 times for the NCDs issued by DLF Emporio Ltd and DLF Promenade Ltd respectively.

Constraining Factors
* **Structure entails refinancing risk:** The structure of the transactions requires that the issuer to pay only interest on the NCDs over five and a half years since issuance; debenture-holders are exposed to the refinancing risk at the end of the indicative maturity.

CRISIL has noted that Securities and Exchange Board of India (SEBI) appealed to Supreme Court of India challenging Securities Appellate Tribunal's (SAT's) order, dated March 13, 2015, allowing DLF and its six executives to access capital markets. The Supreme Court of India is yet to hear SEBI's appeal. CRISIL will continue to monitor this aspect as it may have a bearing on the refinancing of the NCDs.

Even if the issuers are unable to refinance the NCDs by the end of the indicative maturity date, the structural features empower the debenture trustee (DT) to repay investors by selling the underlying properties or pledged shares by the legal final maturity date, which is two years after the indicative maturity date. Such structural features allow the ratings on the transactions to be significantly delinked from the parent rating.

Outlook: Stable

CRISIL believes that the malls of DLF Emporio Ltd and DLF Promenade Ltd will maintain low vacancy rates and steady lease rentals over the medium term because of their location advantage and proficient operational management. The outlook may be revised to 'Positive' if there is significant and sustainable improvement in the subsidiaries' ISCRs, mostly through an increase in revenue, and material appreciation in property value. Conversely, the outlook may be revised to 'Negative' if the ISCRs weaken or value of properties declines. Any non-adherence to the structural features of the transaction will result in a rating downgrade.

About the Issuers

For 2016-17 (refers to financial year, April 1 to March 31), DLF Emporio reported a profit after tax of Rs. 83.0 crores on a total income of Rs. 230.0 crores. For the same period DLF Promenade reported a profit after tax of Rs. 10.5 crores on a total income of Rs. 143.1 crores.

For the nine months ended December 31, 2017, DLF Emporio reported a profit after tax of Rs. 59.6 crores on a total income of Rs. 167.1 crores. For the same period DLF Promenade reported a loss of Rs. 24.4 crores on a total income of Rs. 102.1 crores.

About DLF Ltd

DLF is one of the oldest and largest real estate companies in India. It has a diverse asset portfolio across the real estate segment and is expanding presence across the country. It has experience in developing real estate projects across business and customer segments. As on September 30, 2017, it had 15 msqft of residential and 4.12 msqft of retail and commercial properties under construction, and a total leased asset portfolio of 31.4 msqft.

For the six months ended September 30, 2017, net profit was Rs 125 crore on net sales of Rs 3635 crore (Rs 468 crore and Rs 3938 crore, respectively, for the corresponding period of the previous fiscal).

Key Financial Indicators

As on/for the period ended March 31		2017	2016
Revenue	Rs crore	8,221	9,926
Profit after tax (PAT)	Rs crore	708	305
PAT margins	%	8.6%	3.1%
Adjusted debt/Adjusted networth	Times	1.18	1.06
Interest coverage	Times	1.39	1.74

Any other information: Not applicable

Complexity Level:

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Annexure 1 - Details of Instrument(s)

ISIN	Issuer	Rated Amount (Rs Cr.)	Date of Allotment	Indicative Maturity*	Final Maturity^	Coupon Rate	Outstanding Rating
INE866N07016	DLF Emporio	525	22-05-2014	Nov-19	Nov-21	10.9%	CRISIL AA (SO)/Stable

ISIN	Issuer	Rated Amount (Rs Cr.)	Date of Allotment	Indicative Maturity*	Final Maturity^	Coupon Rate	Outstanding Rating
INE865N07018	DLF Promenade	375	12-06-2014	Dec-19	Dec-21	10.9%	CRISIL AA (SO)/Stable

** Only interest is paid on the NCDs until indicative maturity.*
^ NCDs are to be fully redeemed by the final maturity.

Annexure 2: Rating History for last 3 years

	Current			2017		2016		2015		Start of 2015	
Issuer	Type	Quantum (Rs Cr.)	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
DLF Emporio	LT	525	CRISIL AA (SO)/Stable	-	No Rating Change	-	No Rating Change	-	No Rating Change	-	CRISIL AA (SO)/Stable

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release

	Current			2016		2015		2014		2014	
Issuer	Type	Quantum (Rs Cr.)	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating
DLF Promenade	LT	375	CRISIL AA (SO)/Stable	-	No Rating Change	-	No Rating Change	-	No Rating Change	-	CRISIL AA (SO)/Stable

Table reflects instances where rating is changed or freshly assigned. 'No Rating Change' implies that there was no rating change under the release

Links to related criteria

CRISILs rating methodology for commercial mortgage backed securitisation

For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
Tanuja Abhinandan Media Relations **CRISIL Limited** D: +91 22 3342 1818 B: +91 22 3342 3000 tanuja.abhinandan@crisil.com **Jyoti Parmar** Media Relations **CRISIL Limited** D: +91 22 3342 1835 B: +91 22 3342 3000 jyoti.parmar@crisil.com	**Krishnan Sitaraman** Senior Director - CRISIL Ratings **CRISIL Limited** D:+91 22 3342 8070 krishnan.sitaraman@crisil.com **Rohit Inamdar** Senior Director - CRISIL Ratings **CRISIL Limited** D:+91 124 672 2200 rohit.inamdar@crisil.com **Deepanshu Singla** LCG-Rating Structured Finance **CRISIL Limited** B: +91 22 3342 3402 deepanshu.singla@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

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Last updated: April 2016

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