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DLF
BUILDING INDIA

October 28, 2015

To, The General Manager Dept. of Corporate Services **BSE Limited** P.J. Tower, Dalal Street, Mumbai 400 001 e-mail: corp.relations@bseindia.com	To, The Vice-President **National Stock Exchange of India Limited** Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai-400051 e-mail: cmlist@nse.co.in

Dear Sir,

Sub: Disclosure to Stock Exchanges

We are sending herewith ICRA Rating assigned to DLF Emporio Limited and DLF Promenade Limited for your kind information and record please.

Thanking you,

Yours faithfully,
for **DLF LTD.**

Subhash Setia
Company Secretary

For any clarifications, please contact:-
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DLF Promenade Limited

Instrument	Amount Rated	Rating
	In Rs. crore	As in October'15
Non-Convertible Debentures	375.00	[ICRA]AA(SO) (Stable) (*Assigned*)

ICRA has assigned the long-term rating of [ICRA]AA(SO) (pronounced ICRA double A Structured Obligation)[*] to Rs. 375.00 crore[†] Non-Convertible Debentures (NCDs) Programme of DLF Promenade Limited (DPL). The letter SO in parenthesis suffixed to a rating symbol stands 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 long term rating carries a Stable outlook.

The rating draws strength from the location of the property – DLF Promenade Mall, its operational track record marked by healthy occupancy levels as well as marquee tenant profile. The property's stable net cash flows, its healthy interest coverage indicator as well as the structure of the transaction lends strong support to the rating. The rating is, however, constrained on account of exposure to lease renewal risk over the medium term as well as competition from malls in the close vicinity of DLF Promenade that could result in either lower rental per square feet at the time of next renewal or lower occupancy levels, and consequently the Issuer's refinancing ability. Nevertheless, ICRA draws comfort from DLF's demonstrated track record of association with various niche retail brands.

Located in the upscale locality of Delhi – Vasant Kunj, the mall draws benefit from its vantage location. The mall has been operational for more than five years resulting in a demonstrated track record of healthy occupancy levels and stable tenant profile. Currently, the occupancy levels are more than 95%, out of a total leasable area of 461,730 sq ft, with average lease rental of around Rs.152 per sq. feet. In addition, the concentration risk for the mall remains modest with top-10 tenants accounting for around 57% of the leased area. Moreover, stable tenant profile and improvement in operations over the years has resulted in stable net cash flows, thus, providing adequate cushion for interest servicing of the NCDs. Further, ICRA expects the coverage indicators to remain healthy over the near to medium term.

These strengths apart, the rating strongly factor in the structural features of the transaction, such as a escrow of rent receipts, restriction on additional external debt, presence of Debt Service Reserve Account (DSRA), maintenance of security cover and pledge over Issuer's share capital to enable timely action by the Trustee in the event the call option is not honoured by the Issuer. The NCDs have a monthly interest and bullet principal payment structure. In market parlance, given the underlying nature of the collateral (commercial property) and primary source of repayment (either lease rental collections or refinancing basis the expected rental income from the underlying collateral), such transactions are being referred to as Commercial Mortgage Backed Securitisation (CMBS) transactions.

The comfortable interest cover of 1.95 times for the senior debt i.e. NCDs provides protection against dip in rental income or rise in operating expenses. Further, a funded Debt Service Reserve Account (DSRA), funded to the extent of 3 monthly interest payments is available for meeting any shortfall in interest servicing. The principal bullet is expected to be repaid at the end of the Early Redemption Date (5 years to 5.5 years from Allotment Date), through refinancing of the debt. Based on the comfortable LTV (presently around 40%), steady clientele and low vacancy risk, ICRA expects the Issuer to refinance by the Early Redemption Date.

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

[†] 100 lakh = 1 crore = 10 million

In the event of the call option not being honoured by the Issuer, the structure provides the Debenture Trustee the right to redeem the NCDs out of sale of the underlying property or the pledged shares. A tail period of 2 years between the Early Redemption Date and the Final Maturity Date provides adequate time for the enforcement of the Trustee's rights in this case.

Nevertheless, the rating remains constrained on account of exposure to renewal risk over the medium term as 50% area of the mall will be coming up for renewal over the next 2-3 years. Ability to renew leases at similar lease rentals as well as maintain healthy occupancy levels will remain critical. Also, the rating takes into account the existing and potential competition from numerous malls located in the close vicinity (Vasant Kunj, Saket etc.) of DLF Promenade. ICRA draws comfort from the association of the parent company – DLF Limited, with various niche retail brands and views it as one of the major mitigants to renewal risk. Further, ICRA notes that leases are either on plain fixed gross rent, pure revenue-share basis or a combination of the two. Thus, the rental revenues of the mall will also remain contingent on the eventual operational performance of the tenants. Any prolonged slowdown in the business activity having a bearing on the footfalls as well as spending ability of the ultimate customers could have an impact on the tenant revenues as well as the occupancy rates of the mall, thus, impacting the mall's rental revenues.

Company's Profile

DLF Promenade Limited (DPL) was incorporated in 1999. It developed a retail mall in Vasant Kunj under the brand name DLF Promenade. DLF Limited (*[ICRA]A (Negative)*), the ultimate parent of DEL, 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. DLF is currently developing 42.26 mn. sq.ft. across the country.

For FY15 (April 2014 – March 2015), the company reported a net loss of Rs. 6.56 crore on an operating income (OI) of Rs. 90 crore as compared to a net loss of Rs. 1.83 crore on an OI of Rs. 86 crore a year ago. However, the net cash accruals for the company remained positive in both the years.

For 3 months ending June 2015, company has reported a net loss of Rs. 5.22 crore on an OI of Rs. 23 crore.

October 2015

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DLF Emporio Limited

Instrument	Amount Rated	Rating
	In Rs. crore	As in October'15
Non-Convertible Debentures	525.00	[ICRA]AA(SO) (Stable) (*Assigned*)

ICRA has assigned the long-term rating of [ICRA]AA(SO) (pronounced ICRA Double A Structured Obligation)[*] to Rs. 525 crore[†] Non-Convertible Debentures (NCDs) Programme of DLF Emporio Limited (DEL). The letter SO in parenthesis suffixed to a rating symbol stands 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 long term rating carries a Stable outlook.

The rating draws strength from the location of the property – DLF Emporio Mall, operational track record of the subject mall marked by marquee tenants and low vacancy rate, its niche positioning as an ultra-luxury mall in north India leading to lower competition, adequate interest cover as well as the structure of the transaction that lends strong support to the rating. The rating is, however, constrained on account of exposure to lease renewal risk over the medium term which coupled with either lower rental per square feet at the time of next renewal or lower occupancy levels could impact the lease rental revenues, and consequently the Issuer's refinancing ability. Nevertheless, ICRA draws comfort from DLF's demonstrated track record of association with various niche retail brands.

Located in the upscale locality of Delhi – Vasant Kunj, the mall draws benefit from its vantage location which coupled with its unique positioning of having ultra-luxury brands has helped it to cater to the affluent class thus resulting in healthy footfalls. Further, the mall has been operational for more than five years resulting in a demonstrated track record of low vacancy rate and stable tenant profile. Currently, the vacancy rate remains low at less than 2%, out of a total leasable area of 305,000 sq feet, with average lease rental of around Rs. 300 per sq feet. In addition, the concentration risk for the mall remains moderate with the top-10 tenants accounting for around 40% of the area.

These strengths apart, the rating strongly factor in the structural features of the transaction, such as a escrow of rent receipts, restriction on additional external debt, presence of Debt Service Reserve Account (DSRA), maintenance of security cover and pledge over Issuer's share capital to enable timely action by the Trustee in the event the call option is not honoured by the Issuer. The NCDs have a monthly interest and bullet principal payment structure. In market parlance, given the underlying nature of the collateral (commercial property) and primary source of repayment (either lease rental collections or refinancing basis the expected rental income from the underlying collateral), such transactions are being referred to as Commercial Mortgage Backed Securitisation (CMBS) transactions.

The comfortable interest cover of around 2 times provide protection against dip in rental income or rise in operating expenses. Further, a funded Debt Service Reserve Account (DSRA), funded to the extent of 3 monthly interest payments is available for meeting any shortfall in interest servicing. The principal bullet is expected to be repaid at the end of the Early Redemption Date (5 years to 5.5 years from Allotment Date), through refinancing of the debt. Based on the comfortable LTV (presently less than 50%), steady clientele and low vacancy risk, ICRA expects the Issuer to refinance by the Early Redemption Date.

In the event of the call option not being honoured by the Issuer, the structure provides the Debenture Trustee the right to redeem the NCDs out of sale of the underlying property or the pledged shares. A tail period of 2 years between the Early Redemption Date and the Final Maturity Date provides adequate time for the enforcement of the Trustee's rights in this case.

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

[†] 100 lakh = 1 crore = 10 million

Nevertheless, the rating remains constrained on account of exposure to renewal risk over the medium term as more than two-third area of the mall will be coming up for renewal over the next 2-3 years. Ability to renew leases at similar lease rentals as well as maintain healthy occupancy levels will remain critical. ICRA draws comfort from the Emporio's distinctive positioning which limits competition as well as from the association of the parent company– DLF Limited, with various niche retail brands and views it as one of the major mitigants to renewal risk. Further, ICRA notes that leases are either on plain fixed gross rent, pure revenue-share basis or a combination of the two. Thus, the rental revenues of the mall will also remain contingent on the eventual operational performance of the tenants. Any prolonged slowdown in the business activity having a bearing on the footfalls as well as spending ability of the ultimate customers could have an impact on the tenant revenues as well as the occupancy rates of the mall, thus, impacting the mall's rental revenues, as well as the Issuer's refinancing ability.

Company's Profile

DLF Emproio Limited (DEL) was incorporated in 1999. It developed an ultra-luxury retail mall in Vasant Kunj under the brand name DLF Emporio. DLF Limited (*[ICRA]A (Negative)*), the ultimate parent of DEL, 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. DLF is currently developing 42.26 mn. sq.ft. across the country.

For FY15 (April 2014 – March 2015), the company reported a net profit of Rs. 67.47 crore on an operating income (OI) of Rs. 113 crore as compared to a net profit of Rs. 62.45 crore on an OI of Rs. 112 crore a year ago.

For 3 months ending June 2015, company has reported a net profit of Rs. 19.66 crore on an OI of Rs. 30.52 crore.

October 2015

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