December 24, 2024

DLF Cyber City Developers Limited: Ratings reaffirmed; outlook revised to Positive from Stable; rating assigned for fresh NCD of Rs. 727 crore

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term –Fund-based –Term loans	8607.23	8253.78	[ICRA]AA+ reaffirmed; outlook revised to Positive from Stable
Short-term Non-fund based	280.00	130.00	[ICRA]A1+; reaffirmed
Long-term –Fund-based/Non-fund based –Others	94.00	194.00	[ICRA]AA+ reaffirmed; outlook revised to Positive from Stable
Non-convertible debentures (NCD)	1150.00	1150.00	[ICRA]AA+ reaffirmed; outlook revised to Positive from Stable
Non-convertible debentures (NCD)	1100.00	1100.00	[ICRA]AA+ reaffirmed; outlook revised to Positive from Stable
Non-convertible debentures (NCD)	250.00	250.00	[ICRA]AA+ reaffirmed; outlook revised to Positive from Stable
Non-convertible debentures (NCD)	620.00	620.00	[ICRA]AA+ reaffirmed; outlook revised to Positive from Stable
Non-convertible debentures (NCD)	0.00	727.00	[ICRA]AA+ (Positive); assigned
Total	**12101.23**	**12424.78**	

**Instrument details are provided in Annexure-I*

Rationale

ICRA has taken a consolidated view of DLF Cyber City Developers Limited (DCCDL) and its subsidiaries collectively referred to as DCCDL or 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 outlook revision on the long-term rating to Positive factors in the expected improvement in the Group's scale and net operating income (NOI)[1], driven by strong occupancy levels in the existing assets and commencement of rentals from the upcoming assets with healthy pre-leasing. This along with the expected range-bound gross debt is likely to result in an improvement in the leverage position. The portfolio's occupancy remains strong at 93% as of September 2024 (92% as of September 2023). DCCDL's rentals are estimated to grow by 12-14% each in FY2025 and FY2026, aided primarily by rentals from new assets (for full year), which were operational only for a few months during the previous year and contractual rent escalations for the existing leases. The gross debt declined to Rs. 18,415 crore as of September 2024 from Rs. 19,032 crore as of September 2023. ICRA expects the dependence on incremental debt for ongoing capex to be limited, and the capex is to be funded largely through the operational surplus. The gross debt is projected to be range-bound within Rs. 18,000 – Rs. 18,500 crore over the medium term. Consequently, the leverage as measured by gross debt to NOI is estimated to improve to around 3.5 times as of March 2025 from 4.1 times as of March 2024.

The Group operates one of the largest commercial real estate portfolios in the country spread across office (~38 million square feet (msf), 90% of total leasable area) and retail segments (4 msf, 10% of total leasable area) in attractive locations as of September 2024. The under-construction portfolio stood at 6.6 msf with healthy pre-leasing at 94% as of September 2024 for 3.1 msf of assets, which are at the advanced stage of construction, while the construction for the balance 3.5 msf of asset has

[1] *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.*

recently commenced. Further, the Group has plans for overall development of ~20 msf including ~9 msf in the medium term. The rating action positively factors in the Group's conservative expansion plans, with the overall under-construction portfolio to remain at moderate level over the medium to long term, thereby alleviating the associated market/revenue risk to an extent. The Group's portfolio is spread across Gurugram, Chennai, 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 ~27% of the leased area as of September 2024. The weighted average balance lease expiry is comfortable at 6.3 years for the office portfolio and 5.0 years for the retail portfolio. The retail assets are situated in prominent micromarkets of the respective cities, thereby enhancing their marketability.

The ratings positively note 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 a 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 rating strengths are partially offset by the Group's exposure to geographical concentration risks, with 56% of the leased area as of September 2024 concentrated in Gurugram with high average rentals for non-SEZ assets, 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 and market risks. The risk is partially mitigated by reputed tenants and lower-than-market rentals for the SEZ assets. The ratings note the 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, adequate five-year average DSCR 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. 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 healthy pre-leasing and the Group's long and established track record in successfully developing and leasing out office as well as retail space mitigate the risk. Any large dividends or capex outflows adversely affecting the Group's liquidity will be the key monitorable.

Key rating drivers and their description

Credit strengths

Sustained growth in scale, NOI and improvement in leverage – The Group operates one of the largest commercial real estate portfolios in the country spread across office (~38 msf, 90% of total leasable area) and retail segments (4 msf, 10% of total leasable area) in attractive locations as of September 2024. The under-construction portfolio stood at 6.6 msf with healthy pre-leasing at 94% as of September 2024 for 3.1 msf of assets, which are at the advanced stage of construction, while the construction for the balance 3.5 msf of asset has recently commenced. Further, the Group has plans for overall development of ~20 msf including ~9 msf in the medium term. DCCDL's rentals are estimated to grow by 12-14% each in FY2025 and FY2026, driven primarily by rentals from new assets (for full year), which were operational only for a few months during the previous year and contractual rent escalations for the existing leases. The gross debt declined to Rs. 18,415 crore as of September 2024 from Rs. 19,032 crore as of September 2023. ICRA expects the dependence on incremental debt for the ongoing capex to be limited, and the capex is to be funded largely through the operational surplus. The gross debt is expected to be range-bound within Rs. 18,000 – Rs. 18,500 crore over the medium term. Consequently, the leverage as measured by gross debt to NOI is estimated to improve to around 3.5 times as of March 2025 from 4.1 times as of March 2024.

Diversified lessee profile, supported by favourable location and high quality development – The Group's portfolio is spread across Gurugram, Chennai, 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 ~27% of the leased area as of September 2024. The weighted average balance lease expiry is comfortable at 6.3 years for the office portfolio and 5.0 years for the retail portfolio. The retail assets are situated in prominent micromarkets of the respective cities, thereby enhancing their marketability.

Strong promoters with established track record in managing commercial Real-Estate projects – ICRA derives 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 a 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 – The Group is exposed to refinancing risk as a part of the consolidated debt is unamortising in nature. However, the risk is partially mitigated by the comfortable leverage, adequate five-year average DSCR and the Group's strong financial flexibility. The Group has a demonstrated track record of timely refinancing at competitive interest rates in the past.

Exposure to geographical concentration and market risks associated with ongoing development – The Group's leasing portfolio of ~42 msf is spread across seven cities. However, around 56% of the leased area as of September 2024 is concentrated in Gurugram with high average rentals for the non-SEZ assets, resulting in exposure to migration risks of tenants to more competitive micromarkets. Moreover, the Group had under-development commercial office projects of 6.6 msf as of September 2024, exposing it to execution and residual market risks. Nevertheless, the healthy pre-leasing at 94% as of September 2024 for 3.1 msf of assets, which are at the advanced stage of construction and the Group's long and established track record in successfully developing and leasing out office as well as retail space mitigate the risk.

Vulnerability of commercial real estate sector to cyclicality – 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. Any large dividends or capex outflows adversely affecting the Group's liquidity will be the key monitorable.

Liquidity position: Strong

The Group's liquidity position is strong, backed by cash and equivalents of around Rs. 1,184 crore (includes encumbered balances in the form of DSRA of around Rs. 358 crore) as on September 30, 2024. Further, the Group has sanctioned working capital limits of Rs. 400 crore as of September 2024, with limited utilisation, which acts as a liquidity buffer. Additionally, the likely healthy cash flows from a diversified portfolio are anticipated to cover its interest obligations (majority of the scheduled repayment are expected to be refinanced) and capex requirements.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the Group is able to successfully achieve ramp-up in occupancy and leasing income from the portfolio (including under-development assets), resulting in improvement in the debt protection metrics, while maintaining a strong liquidity position, on a consistent basis.

Negative factors – Negative pressure on the ratings could arise in case of a significant decline in occupancy or rentals of the completed portfolio impacting the debt protection metrics, or in case of any large dividends or capex outflows, which adversely affects the company's liquidity and leverage position. Specific credit metrics that could lead to a rating downgrade include the gross debt to NOI increasing above 5.0 times on a sustained basis. Significant increase in under-construction portfolio without adequate pre-leasing would also result in a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Debt Backed by Lease Rentals
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

DLF Cyber City Developers Limited 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 through its step-down subsidiary Reco Diamond Private Limited, 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 42 msf of area at the consolidated level (along with its subsidiaries) with an occupancy of 93% as of September 2024. The assets are spread across Gurugram, Chennai, Hyderabad, Noida, and Chandigarh. Apart from this, it has 6.6 msf of under-development projects in Chennai and Gurugram as on September 30, 2024.

Key financial indicators (audited)

DLF Consolidated	FY2023	FY2024
Operating income	5,269.2	5,814.5
PAT	1,396.1	1,690.3
OPBDIT/OI	75.9%	75.6%
PAT/OI	26.5%	29.1%
Total outside liabilities/Tangible net worth (times)	3.8	3.2
Total debt/OPBDIT (times)	5.2	4.3
Interest coverage (times)	2.6	2.9

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Type	Amount Rated (Rs. crore)	Current rating (FY2025)		Chronology of Rating History for the Past 3 Years							
				Date & Rating in FY2025		Date & Rating in FY2024			Date & Rating in FY2023		Date & Rating in FY2022		
				Dec 24, 2024	Aug 06, 2024	Dec 27, 2023	Nov 17, 2023	Aug 1, 2023	Mar 28 2023	Nov 14, 2022	Mar 7, 2022	Dec 28, 2021	Sep 30, 2021
1	Non-convertible debentures	Long Term	-	-	[ICRA]AA+ (Stable); withdrawn	[ICRA]AA+ (Stable)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
2	Non-convertible debentures	Long Term	-	-	-	-	[ICRA]AA (Positive); reaffirmed and withdrawn	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
3	Non-convertible debentures	Long Term	1,150.00	[ICRA]AA+ (Positive)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Stable)	-	-	-
4	Non-convertible debentures	Long Term	1,100.00	[ICRA]AA+ (Positive)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	-	-	-	-	-
5	Non-convertible debentures	Long Term	250.00^	[ICRA]AA+ (Positive)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	-	-	-	-	-
6	Non-convertible debentures	Long Term	620.00	[ICRA]AA+ (Positive)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	-	-	-	-	-	-	-
7	Fund-based – Term loans	Long Term	8253.78	[ICRA]AA+ (Positive)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
8	Fund-based – Term loans	Long Term	-	-	-	-	[ICRA]AA (Positive); reaffirmed and withdrawn	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
9	Long-term – Fund-based/ Non-fund based – Others	Long Term	194.0	[ICRA]AA+ (Positive)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Positive)	-	-	-	-
10	Short-term Non-fund Based	Short Term	130.0	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
12	Commercial paper	Short Term	-	-	-	-	-	-	-	-	-	[ICRA]A1+; withdrawn	[ICRA]A1+
13	Non-convertible debentures	Long Term	727.0^	[ICRA]AA+ (Positive)	-	-	-	-	-	-	-	-	-

^ proposed NCD

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

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
INE186K07072	Non-convertible debentures -1	29-Nov-22	8.85%	16-May-25	1,150.00	[ICRA]AA+ (Positive)
INE186K07080	Non-convertible debentures -2	20-Sept-23	8.25%	17-Aug-33	1,100.00	[ICRA]AA+ (Positive)
-	Non-convertible debentures -3	-	-	-	250.00^	[ICRA]AA+ (Positive)
INE186K07098	Non-convertible debentures -4	15-Jan-24	8.40%	18-Jun-27	620.00	[ICRA]AA+ (Positive)
-	Non-convertible debentures -5	-	-	-	727.00^	[ICRA]AA+ (Positive)
NA	Term loan 1	November 2023	-	October 2038	241.43	[ICRA]AA+ (Positive)
NA	Term loan 2	January 2024	-	February 2034	642.37	[ICRA]AA+ (Positive)
NA	Term loan 3	September 2020	-	September 2035	1,996.65	[ICRA]AA+ (Positive)
NA	Term loan 4	December 2023	-	December 2038	349.36	[ICRA]AA+ (Positive)
NA	Term loan 5	November 2023	-	October 2038	448.69	[ICRA]AA+ (Positive)
NA	Term loan 6	November 2020	-	April 2032	1,517.80	[ICRA]AA+ (Positive)
NA	Term loan 7	March 2024	-	October 2036	400.00	[ICRA]AA+ (Positive)
NA	Term loan 8	July 2022	-	August 2037	961.16	[ICRA]AA+ (Positive)
NA	Term loan 9	December 2017	-	March 2026	33.59	[ICRA]AA+ (Positive)
NA	Term loan 10	August 2021	-	August 2028	297.78	[ICRA]AA+ (Positive)
NA	Term loan 11	April 2022	-	June 2032	303.95	[ICRA]AA+ (Positive)
NA	Term loan 12	July 2022	-	August 2025	365.00	[ICRA]AA+ (Positive)
NA	Term loan 13	June 2020	-	December 2028	147.00	[ICRA]AA+ (Positive)
NA	Term loan 14	February 2024	-	October 2039	149.00	[ICRA]AA+ (Positive)
NA	Term loan 15	November 2020	-	**	200.00	[ICRA]AA+ (Positive)
NA	Term loan 16	April 2022	-	**	200.00	[ICRA]AA+ (Positive)
NA	Long-term – Fund-based/ Non-fund based – Others	Jan-2021	-	-	194.00	[ICRA]AA+ (Positive)
NA	Short-term – Non-fund based	Sept-2018	-	-	130.00	[ICRA]A1+

*Source: Company; ^ proposed; ** not drawn*

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

Company Name	DCCDL Ownership	Consolidation Approach
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: Company data, ICRA Research

ANALYST CONTACTS

Ashish Modani
+91 20 6606 9912
ashish.modani@icraindia.com

Anupama Reddy
+91 40 6939 6427
anupama.reddy@icraindia.com

Sweta Shroff
+91 124 4545 307
tushar.bharambe@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