

December 14, 2009

CARE ASSIGNS 'PR1+' RATING TO CP/STD ISSUE OF DLF LIMITED

CARE has assigned a '**PR1+**' [**PR One Plus**] rating to the proposed CP/Short-term NCD issue of Rs. 1,000 crore (outside the working capital limits) of DLF Limited (DLF). Instruments with this rating would have strong capacity for timely payment of short-term debt obligations and carry lowest credit risk.

CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

Rating Rationale

The rating reflects DLF's rich experience and leading position in the domestic real estate sector, large land bank (which is largely paid for), pan-India presence and diversified revenue stream derived from presence across residential, commercial and retail projects.

The rating takes into account the company's improved financial flexibility consequent to the recent debt management steps undertaken, significant realization of debtors from DLF Asset Limited (DAL) during H1FY10, improved cash flows resulting from the existing projects as well as success of recently-launched projects and comfortable gearing levels.

The rating takes comfort from DLF's stated intention and efforts towards de-leveraging itself by raising cash from sale of its non-core assets and disposal of some of the non-liquid assets.

Going forward, DLF's ability to improve the revenue and profitability in light of challenging operating environment and timely and adequate realisation from sale of non-core assets shall be the key rating sensitivities. However, higher than envisaged short-term borrowing and/or expenditure towards projects or land acquisition are likely to put pressure on cash flows and may have an impact on the credit risk profile of the company.

Company Profile

DLF Limited is the flagship company of the DLF group founded in 1946. Over the years, DLF has evolved as one of the leading real estate developers in India with an extensive track record of developing real estate properties across various spheres of real estate. DLF's revenues have grown at a healthy Compounded Annual Growth Rate (CAGR) of 76.2% over FY06-09 on the back of increased real estate activities and sales of commercial properties. However, during FY09, total income declined by 31%, on account of slowdown in the sector. During H1FY10, DLF achieved a total operating income of Rs.3,401 crore and earned a PAT of Rs.836 crore.

Analyst Contact

Name: Sandeep Jain

Tel # 011-23716199

Email: sandeep.jain@careratings.com

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra

Managing Director

Cell : +91-98204 16002

E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi

Dy. Managing Director

Cell : +91-98204 16001

E-mail: rajesh.mokashi@careratings.com

Mr. Ankur Sachdeva

Head - Business Development

Cell : +91-9819698985

E-mail: ankur.sachdeva@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

Mr.Mehul Pandya Regional Manager 32 TITANIUM Pralhadnagar Corporate Road, Satellite, Ahmedabad - 380 015. Tel – 079 6631 1821/22 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com	Mr.Sundara Vathanan Regional Manager No.G1, Canopy Royal Manor, Near Manipal Hospital, Rustombagh, Off Airport Road, Bangalore - 560 017. Tel – 080 2520 5575 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com
Mr.Ashwini Jani Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, Chennai 600 002 Tel: 2849 7812/2849 0811 Mobile – 91766 47599 E-mail :ashwini.jani@careratings.com	Mr. Rahul Patni Regional Manager 302, 'Priya Arcade' 8-3-826, Yellareddyguda, Srinagar Colony, Hyderabad - 500 073. Tel – 040 6675 8386 Mobile – 91600 04563 E-mail: rahul.patni@careratings.com
Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani Kolkata - 700 071. Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com	Ms.Swati Agrawal Regional Manager 710 Surya Kiran, 19 K.G. Road, New Delhi - 110 001. Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail :swati.agrawal@careratings.com