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Q4FY20 result review
and TP change

Real Estate

Target price: Rs223

Target price revision

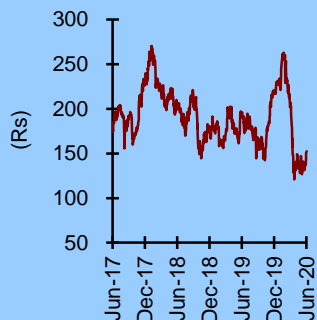
Rs223 from Rs250

Shareholding pattern

	Sep '19	Dec '19	Mar '20
Promoters	75.0	75.0	75.0
Institutional investors	19.4	20.1	20.0
MFs and UTI	2.6	1.6	1.6
FIs/Banks/Ins	0.2	0.1	0.1
FIIIs	16.6	18.4	18.3
Others	5.6	4.9	5.0

Source: NSE

Price chart



INDIA

DLF

Resilient in tough times

BUY

Maintain

Rs157

DLF's Q4FY20 performance was a mixed bag across segments with Rs3.3bn of net sales bookings in the development business (owing to cancellations in Camellias) and Rs7.6bn of rental income in DCCDL, the rental arm (flat QoQ). While DLF's net debt increased marginally by Rs4.0bn in Q4FY20 to Rs52.7bn on account of interim dividend payment of Rs3.0bn, DLF is comfortably positioned with Rs25bn of cash reserves and low net D/E of 0.2x. At DCCDL level, the company continues to post collections of over 90% in offices while mall collections have seen a short-term impact on account of temporary closures. We retain our BUY rating with a revised target price of Rs223/share (earlier Rs250) as we factor in higher cap rate of 9% vs. 8% earlier in rental assets and slower monetisation of high value inventory in Phase V, Gurugram projects.

- Sales momentum weak, shift in sales strategy to enable faster monetisation:** Q4FY20 saw DLF clocking gross sales bookings of Rs7.3bn. However, cancellation of 20 units in the super-luxury Camellias project in Phase V, Gurugram led to net sales bookings of Rs3.3bn for the quarter and Rs24.9bn in FY20 vs. guidance of Rs27bn. In a departure from its earlier strategy of selling inventory upon completion, DLF now intends to launch 7msf of independent floors and DLF Midtown, Delhi (JV with GIC) for sale in H2FY21 with some construction progress to mitigate the slower sales in Camellias which accounts for Rs48bn of total unsold inventory of Rs91bn.
- Rental business collections steady:** In Q4FY20, DCCDL achieved rental income of Rs7.6bn (flat QoQ) and FY20 rental income of Rs30bn. Offices, which contribute 85% of the rental income continues to see strong collections of over 90% in April 2020 and ~80% in May 2020 (expected to cross 90% in June 2020). In the malls business which contributes the balance 15% of rentals, DLF has deferred rental collections and will rework rentals when the malls reopen from June 2020 onwards in NCR. The company expects the Cyber Park, Gurugram (2.5msf) and Chennai IT SEZ (0.8msf) to see rentals commencing in Q2FY21-Q3FY21E. DCCDL also continues work on Down Town, Chennai (2msf) and Down Town, Gurugram (3msf).
- DLF's net debt inches up QoQ, liquidity position comfortable:** DLF's net debt (ex-DCCDL) increased by Rs4.0bn QoQ to Rs52.7bn on account of cash deficit of Rs1.0bn and interim dividend payment of Rs3.0bn in Q4FY20. DLF currently has Rs25bn of cash reserves against Rs13bn of debt maturity in FY21 which the company is looking to refinance. The company is targeting to keep the net debt levels flat in FY21E and continues to pursue sale of land and exiting various JVs.

Market Cap	Rs389bn/US\$5.2bn	Year to Mar	FY19	FY20	FY21E	FY22E
Reuters/Bloomberg	DLF.BO/DLFU IN	Revenue (Rs bn)	83.7	60.8	65.8	66.7
Shares Outstanding (mn)	2,475.3	Rec. Net Income (Rs bn)	13.1	(5.9)	17.4	19.5
52-week Range (Rs)	263/121	EPS (Rs)	6.0	(2.4)	7.0	7.9
Free Float (%)	25.0	% Chg YoY	(74.6)	(139.7)	(395.4)	11.9
FII (%)	18.3	P/E (x)	26.0	(65.5)	22.2	19.8
Daily Volume (US\$/'000)	24,423	P/B (x)	1.0	1.1	1.1	1.0
Absolute Return 3m (%)	(22.4)	EV/E (x)	21.8	38.6	26.0	25.7
Absolute Return 12m (%)	(18.3)	Dividend yield (%)	1.9	1.9	1.9	1.9
Sensex Return 3m (%)	(10.6)	RoCE (%)	8.6	6.7	9.3	9.3
Sensex Return 12m (%)	(13.5)	RoE (%)	1.1	(4.3)	2.8	3.1

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Table 1: Q4FY20 consolidated result snapshot

(Rs mn)

	Q4FY20*	Q4FY19*	Q3FY20*	YoY (%)	QoQ (%)
Total Operating income	16,942	25,004	13,419	(32.2)	26.3
Raw Materials	9,580	15,545	7,680	(38.4)	24.8
Personnel Cost	1,059	1,018	868	4.0	22.0
Other Expenses	3,136	3,104	2,588	1.0	21.2
Total Expenses	13,775	19,667	11,136	(30.0)	23.7
EBITDA	3,167	5,337	2,283	(40.7)	38.7
<i>EBITDA margin (%)</i>	<i>18.7</i>	<i>21.3</i>	<i>17.0</i>	(265.1)	167.9
Interest (Net)	2,353	5,351	2,376	(56.0)	(1.0)
Depreciation	601	567	445	5.9	34.9
Other Income	1,796	1,605	1,915	11.9	(6.2)
Exceptional items	(3,307)	1,273	2,309		
Profit Before Tax	(1,297)	2,297	3,686	(156.5)	(135.2)
Taxation	19,073	378	1,412	NM	NM
Profit After Tax before MI/Associate	(20,371)	1,919	2,275	(1,161.4)	(995.6)
MI/Associate share	1,769	2,429	1,857		
Reported PAT	(18,601)	4,348	4,131	(527.8)	(550.3)
<i>Net margin (%)</i>	<i>109.8</i>	<i>17.4</i>	<i>30.8</i>	<i>NM</i>	<i>NM</i>

Source: Company data, I-Sec research, *Numbers not comparable owing to Ind-AS 115 accounting

Table 2: DLF group – net debt statement (ex-DCCDL)

Net Debt Position	DLF Group (All figures in Rs bn)
Gross Opening Debt as per Balance Sheet (1st January 2020)	71
Less: Debt Repaid during Qtr/Deconsolidation	(5)
Add: New Borrowing during Qtr.	11
Less: DCCDL debt transfer adjustment	-
Less: Cash in Hand	(25)
Less: Land payments	-
Net Debt Position as of 30th September 2019	53

Source: Company data, I-Sec research

Table 3: DLF cashflow ex-DCCDL for Q4FY20

Cashflow	Amount (all figures in Rs bn)
Inflow	
Collections from devco sales bookings	6.8
Rentals (ex-DCCDL)	0.7
Total Inflows	7.5
Outflow	
Construction	1.3
Finance cost (net)	2.0
Government/Land charges	0.4
Tax	0.4
Overheads/CSR	1.6
Total Outflow	5.7
Operating Cashflow	1.8
Less: Land capex outflow	2.9
Net Cash Surplus/(Deficit)	(1.0)

Source: Company data, I-Sec research

Valuations

We retain our BUY rating with a revised target price of Rs223/share (earlier Rs250) as we factor in higher cap rate of 9% vs. 8% earlier in rental assets and slower monetisation of high value inventory in Phase V, Gurugram projects.

Table 4: SoTP valuation

Year end March (Rs mn)	FY20E	Rs/share	% of GAV
Devco	55,472	22	7.7
Rentco (adjusted for DLF's stake in DCCDL ex-CAM and power utility)	228,951	92	31.6
DCCDL Balance Land (DLF share)	70,000	28	9.7
Total Devco + Rentco	354,423	143	48.9
Other businesses	36,948	15	5.1
Land Bank	333,100	135	46.0
Total Gross Asset Value (GAV)	724,472	293	100.0
Less: FY20E Net Debt (adjusted for proportionate DCCDL share and conversion of promoter CCDs to equity and QIP)	173,270	70	
Net Asset Value (NAV)	551,202	223	

Source: Company data, I-Sec research

Financial Summary (consolidated)

Table 5: Earnings statement
(Rs mn, year ending March 31)

	FY19*	FY20	FY21E	FY22E
Net Sales	83,661	60,828	65,810	66,695
Operating Expenses	62,246	49,478	49,397	50,220
EBITDA	21,415	11,350	16,413	16,475
<i>% margins</i>	26%	19%	25%	25%
Depreciation & Amortisation	2,246	2,003	2,203	2,424
Interest expenses	20,619	14,269	8,291	7,151
Other Income	6,633	8,054	8,859	9,745
Exceptional items	(1,273)	(3,403)	500	500
PBT	6,456	6,535	14,278	16,146
Less: Taxes	2,774	21,327	4,283	4,844
PAT before				
Minority/Associate	3,683	(14,792)	9,995	11,302
Minority/Associate share	9,406	8,895	7,425	8,192
Net Income (Reported)	13,089	(5,897)	17,420	19,494

Source: Company data I-Sec research, *as per Project Completion Method, associate share is DLF's 67% share of profit in DCCDL

Table 6: Balance sheet
(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
Assets				
Total Current Assets	3,71,163	3,54,195	3,52,166	3,45,494
<i>of which cash & cash eqv.</i>	48,554	25,213	27,168	19,744
Total Current Liabilities & Provisions	1,56,438	1,48,687	1,41,328	1,34,340
Net Current Assets	2,14,725	2,05,508	2,10,838	2,11,154
Goodwill/Investments	2,20,138	1,91,186	1,91,086	1,90,986
Net Fixed Assets	54,154	28,151	31,948	35,524
Total Assets	4,89,017	4,24,845	4,33,872	4,37,664
Liabilities				
Borrowings	1,72,225	77,725	67,725	57,725
Equity Share Capital	4,414	4,951	4,951	4,951
Reserves & Surplus*	3,31,344	3,39,520	3,58,547	3,72,339
Net Worth	3,35,759	3,44,471	3,63,498	3,77,290
Minority Interest	406	180	180	180
Deferred Taxes	(19,372)	2,470	2,470	2,470
Total Liabilities	4,89,017	4,24,845	4,33,872	4,37,664

Source: Company data I-Sec research

Table 7: Cashflow statement
(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E
PBT	6,456	6,535	14,278	16,146
Depreciation	2,246	2,003	2,203	2,424
Non-Cash Adjustments	(850)	(849)	(849)	(849)
Working Capital Changes	(241)	(14,123)	(3,376)	(7,739)
Taxes Paid	(2,774)	(21,327)	(4,283)	(4,844)
Operating Cashflow	4,838	(27,761)	7,973	5,138
Capital Commitments	(5,687)	(6,000)	(6,000)	(6,000)
Free Cashflow	(849)	(33,761)	1,973	(862)
Other investing cashflow	7,325	500	100	100
Cashflow from Investing Activities	1,639	(5,500)	(5,900)	(5,900)
Issue of Share Capital	30,916	22,500	-	-
Inc (Dec) in Borrowings	(7,284)	(60,500)	(10,500)	(10,500)
Dividend paid	(1,696)	(1,725)	(5,095)	(5,702)
Cashflow from Financing activities	21,936	(39,725)	(15,595)	(16,202)
Chg. in Cash & Bank balances	28,413	(72,986)	(13,522)	(16,964)

Source: Company data I-Sec research

Table 8: Key ratios
(Year ending March 31)

	FY19	FY20	FY21E	FY22E
Per Share Data (Rs)				
EPS	6.0	(2.4)	7.0	7.9
Cash EPS	7.0	(1.6)	7.9	8.9
Dividend per share (DPS)	3.0	3.0	3.0	3.0
Book Value per share (BV)	152.6	139.2	146.8	152.4
Growth (%)				
Net Sales	24.7	(27.3)	8.2	1.3
EBITDA	(9.9)	(47.0)	44.6	0.4
PAT	(70.8)	(145.1)	(395.4)	11.9
Valuation Ratios (x)				
P/E	26.0	(65.5)	22.2	19.8
P/BV	1.0	1.1	1.1	1.0
EV / EBITDA	21.8	38.6	26.0	25.7
Dividend Yield	1.9	1.9	1.9	1.9
Operating Ratios				
Debt/EBITDA (x)	8.0	6.8	4.1	3.5
Net D/E	0.4	0.2	0.1	0.1
Profitability/Return Ratios (%)				
RoE	1.1	(4.3)	2.8	3.1
RoCE	8.6	6.7	9.3	9.3
EBITDA Margins	25.6	18.7	24.9	24.7
Net Income Margins	15.6	(9.7)	26.5	29.2

Source: Company data I-Sec research

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