

# Equity Research

January 31, 2021

BSE Sensex: 46286

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Q3FY21 result review and TP change

## Real Estate

Target price: Rs303

Target price revision

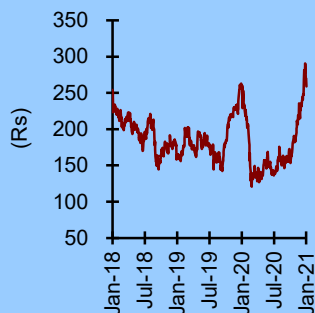
Rs303 from Rs240

### Shareholding pattern

	Jun '20	Sep '20	Dec '20
Promoters	75.0	75.0	75.0
Institutional investors	20.3	20.0	20.0
MFs and others	1.6	1.6	1.6
FIs/Banks/Ins	0.2	0.1	0.1
FIIIs	18.5	18.3	18.3
Others	4.7	5.0	5.0

Source: NSE

### Price chart



## INDIA

## DLF

Well poised for growth



**BUY**  
Maintain  
**Rs255**

DLF achieved strong operational improvement in Q3FY21 across segments with Rs10.2bn of net residential sales bookings and 14% QoQ increase in DCCDL rental income to Rs8.2bn on account of recovery in mall rentals. DLF's net debt (ex-DCCDL) declined marginally by Rs1.2bn QoQ to Rs51.0bn on account of reduction in overheads and interest costs. DLF is comfortably positioned with Rs13bn of cash reserves and low net D/E of 0.2x. With 9msf of residential launches lined up in H2FY21-FY22E, DLF is targeting annual sales bookings of at least Rs40bn in FY22-23E. We expect DCCDL to clock an exit rental income of Rs37bn by March 2021 and Rs40bn by March 2022. We retain our BUY rating with a revised target price of Rs303/share (earlier Rs240) as we assume faster monetisation of residential projects and roll forward our DCF based SOTP valuation to March 2022.

- **Sales momentum picks up, strong launch pipeline:** DLF clocked Q3FY21 net sales bookings of Rs10.2bn on the back of strong response to launch of independent floors/plots in Gurugram which contributed Rs3.5bn of sales along with Camellias project (11 units sold for Rs2.8bn) and balance sales from national devco/other projects of Rs3.9bn. DLF has outlined a long-term plan to launch and develop ~35msf of projects having potential sale value of Rs360-400bn. Of this, DLF intends to launch ~8.6msf over the next 18 months (H2FY21-FY22E) across plots/mid-income housing/independent floors in Gurugram, Chandigarh and New Delhi in a phased manner. For FY222-23E, DLF is targeting an annual booking run-rate of at least Rs40bn vs. pre-Covid levels of Rs20-25bn on the back of new launches.
- **DLF's net debt marginally declines QoQ, liquidity position comfortable:** DLF's net debt (ex-DCCDL) declined marginally QoQ by Rs1.2bn to Rs51.0bn on account of tight control on corporate overheads and reduction in interest costs. DLF (ex-DCCDL) currently has Rs13bn of cash reserves and is targeting to keep the net debt levels flat in Q4FY21E.
- **Rental business collections strong in offices:** In Q3FY21, DCCDL achieved rental income of Rs8.2bn (up 14% QoQ). Offices, which contribute over 80% of the rental income saw strong collections of 98% in Q3FY21 at Rs7.2bn. Mall rental income for Q3FY21 stood at Rs1.0bn (up 87% QoQ) and DLF expects to collect ~Rs3.0bn of mall rentals in FY21 overall (expected YoY decline of 45-50%) and expects rentals to recover to pre-Covid levels from Q1FY22. DCCDL continues with its plans to keep itself ready for a possible REIT listing in the medium term.

Market Cap	Rs632bn/US\$8.7bn	Year to Mar	FY20	FY21E	FY22E	FY23E
Reuters/Bloomberg	DLF.BO/DLFU IN	Revenue (Rs bn)	60.8	52.1	62.0	68.1
Shares Outstanding (mn)	2,475.3	Rec. Net Income (Rs bn)	(6.0)	10.5	13.1	15.9
52-week Range (Rs)	290/121	EPS (Rs)	(2.4)	4.2	5.3	6.4
Free Float (%)	25.0	% Chg YoY	(139.3)	(279.3)	25.1	21.9
FII (%)	18.3	P/E (x)	(108.4)	60.4	48.3	39.6
Daily Volume (US\$/'000)	44,279	P/B (x)	1.8	1.8	1.8	1.7
Absolute Return 3m (%)	61.3	EV/E (x)	60.7	49.4	50.0	43.4
Absolute Return 12m (%)	(0.9)	Dividend yield (%)	1.2	1.2	1.2	1.2
Sensex Return 3m (%)	16.9	RoCE (%)	6.7	6.7	6.4	7.3
Sensex Return 12m (%)	15.0	RoE (%)	(4.3)	1.5	1.3	1.9

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**Table 1: Q3FY21 consolidated result snapshot**

(Rs mn)	Q3FY21*	Q3FY20*	Q2FY21*	YoY (%)	QoQ (%)
<b>Total Operating income</b>	<b>15,430</b>	<b>13,419</b>	<b>16,098</b>	15.0	(4.1)
Raw Materials	7,315	7,680	8,829	(4.8)	(17.1)
Personnel Cost	698	868	790	(19.6)	(11.6)
Other Expenses	2,427	2,588	1,849	(6.2)	31.3
<b>Total Expenses</b>	<b>10,440</b>	<b>11,136</b>	<b>11,467</b>	<b>(6.3)</b>	<b>(9.0)</b>
<b>EBITDA</b>	<b>4,991</b>	<b>2,283</b>	<b>4,631</b>	<b>118.6</b>	<b>7.8</b>
<i>EBITDA margin (%)</i>	32.3	17.0	28.8	1,533.1	357.6
Interest (Net)	1,985	2,376	2,263	(16.5)	(12.3)
Depreciation	391	445	397	(12.3)	(1.7)
Other Income	1,252	1,915	1,133	(34.6)	10.5
Exceptional items	-	2,309	(962)		
<b>Profit Before Tax</b>	<b>3,868</b>	<b>3,686</b>	<b>2,142</b>	<b>4.9</b>	<b>80.6</b>
Taxation	1,042	1,412	1,001	(26.2)	4.2
<b>Profit After Tax before MI/Associate</b>	<b>2,825</b>	<b>2,275</b>	<b>1,141</b>	<b>24.2</b>	<b>147.6</b>
MI/Associate share	1,665	1,857	1,137	(10.3)	46.5
<b>Reported PAT</b>	<b>4,490</b>	<b>4,131</b>	<b>2,278</b>	<b>8.7</b>	<b>97.1</b>
<i>Net margin (%)</i>	NM	NM	14.1	NM	NM

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

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

<b>Net Debt Position</b>	<b>DLF Group (All figures in Rs bn)</b>
Gross Opening Debt as per Balance Sheet (1st Oct 2020)	67
Less: Debt Repaid during Qtr/Deconsolidation	(3)
Add: New Borrowing during Qtr.	-
Less: DCCDL debt transfer adjustment	-
Less: Cash in Hand	(13)
Less: Land payments	-
<b>Net Debt Position as of 31<sup>st</sup> December 2020</b>	<b>51</b>

Source: Company data, I-Sec research

**Table 3: DLF cashflow ex-DCCDL for 9MFY21**

<b>Cashflow (All figures in Rs bn)</b>	<b>Q1FY21</b>	<b>Q2FY21</b>	<b>Q3FY21</b>
<b>Inflow</b>			
Collections from devco sales bookings	3.2	5.4	6.5
Rentals (ex-DCCDL)	0.5	0.4	0.5
<b>Total Inflows</b>	<b>3.7</b>	<b>5.8</b>	<b>7.0</b>
<b>Outflow</b>			
Construction	0.7	2.1	2.3
Finance cost (net)	1.6	1.4	1.3
Government/Land charges	0.3	0.2	0.3
Tax	(0.9)	(0.1)	0.1
Overheads/CSR	1.3	1.6	1.1
<b>Total Outflow</b>	<b>3.0</b>	<b>5.2</b>	<b>5.1</b>
<b>Operating Cashflow</b>	<b>0.7</b>	<b>0.6</b>	<b>1.8</b>
Less: Land capex outflow/others	(0.2)	(0.5)	(0.6)
<b>Net Cash Surplus/(Deficit)</b>	<b>0.4</b>	<b>0.1</b>	<b>1.2</b>

Source: Company data, I-Sec research

## Valuations

**We retain our BUY rating** with a revised target price of Rs303/share (earlier Rs240) as we assume faster monetisation of residential projects, lower WACC of 10.7% vs. 11.5% earlier and roll forward our DCF based SOTP valuation to March 2022.

Key risks to our investment thesis are a slowdown in residential demand in NCR region and impact of Work-from-Home on leasing business resulting in higher-than-expected vacancies and decline in rentals.

**Table 4: SoTP valuation**

<b>Year end March (Rs mn)</b>	<b>Details</b>	<b>Rs/share</b>	<b>% of GAV</b>
Devco	91,850	37	9.9
Rentco (adjusted for DLF's 67% stake in DCCDL ex-CAM and power utility)	379,665	153	40.8
DCCDL Balance Land (DLF share)	100,000	40	10.7
<b>Total Devco + Rentco</b>	<b>571,515</b>	<b>231</b>	<b>61.4</b>
Other businesses	28,629	12	3.1
Land Bank	331,195	134	35.6
<b>Total Gross Asset Value (GAV)</b>	<b>931,339</b>	<b>376</b>	<b>100.0</b>
Less: FY22E Net Debt (adjusted for DLF's proportionate 67% share in DCCDL net debt)	181,530	73	
<b>Net Asset Value (NAV)</b>	<b>749,809</b>	<b>303</b>	

Source: Company data, I-Sec research

## Financial Summary (consolidated)

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

	FY20	FY21E	FY22E	FY23E
<b>Net Sales</b>	<b>60,828</b>	<b>52,105</b>	<b>62,032</b>	<b>68,061</b>
<b>Operating Expenses</b>	<b>49,478</b>	<b>37,974</b>	<b>48,313</b>	<b>52,376</b>
<b>EBITDA</b>	<b>11,350</b>	<b>14,131</b>	<b>13,719</b>	<b>15,686</b>
<i>% margins</i>	19%	27%	22%	23%
Depreciation & Amortisation	2,003	2,203	2,424	2,666
Interest expenses	14,269	8,990	9,398	8,306
Other Income	8,054	4,832	5,315	5,847
Exceptional items	(3,403)	500	500	500
<b>PBT</b>	<b>6,535</b>	<b>7,271</b>	<b>6,712</b>	<b>10,061</b>
Less: Taxes	21,327	2,181	2,014	3,018
<b>PAT before</b>				
<b>Minority/Associate</b>	<b>(14,792)</b>	<b>5,089</b>	<b>4,699</b>	<b>7,043</b>
Minority/Associate share	8,830	5,370	8,389	8,907
<b>Net Income (Reported)</b>	<b>(5,962)</b>	<b>10,459</b>	<b>13,087</b>	<b>15,950</b>

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)*

	FY20	FY21E	FY22E	FY23E
<b>Assets</b>				
Total Current Assets	3,20,491	3,27,802	3,17,521	3,09,818
<i>of which cash &amp; cash eqv.</i>	24,204	25,270	26,795	23,078
Total Current Liabilities & Provisions	1,30,763	1,24,371	1,18,307	1,12,554
<b>Net Current Assets</b>	<b>1,89,728</b>	<b>2,03,431</b>	<b>1,99,214</b>	<b>1,97,265</b>
Goodwill/Investments	1,95,101	1,95,001	1,94,901	1,94,801
Net Fixed Assets	43,313	47,110	50,686	54,020
<b>Total Assets</b>	<b>4,28,142</b>	<b>4,45,542</b>	<b>4,44,801</b>	<b>4,46,086</b>
<b>Liabilities</b>				
Borrowings	81,025	91,025	81,025	71,025
Equity Share Capital	4,951	4,951	4,951	4,951
Reserves & Surplus*	3,39,517	3,46,917	3,56,176	3,67,460
<b>Net Worth</b>	<b>3,44,467</b>	<b>3,51,867</b>	<b>3,61,126</b>	<b>3,72,411</b>
Minority Interest	184	184	184	184
Deferred Taxes	2,465	2,465	2,465	2,465
<b>Total Liabilities</b>	<b>4,28,142</b>	<b>4,45,542</b>	<b>4,44,801</b>	<b>4,46,086</b>

Source: Company data I-Sec research

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

	FY20	FY21E	FY22E	FY23E
<b>PBT</b>	<b>6,535</b>	<b>7,271</b>	<b>6,712</b>	<b>10,061</b>
Depreciation	2,003	2,203	2,424	2,666
Non-Cash Adjustments	(849)	(849)	(849)	(849)
Working Capital Changes	(10,950)	(12,638)	5,742	(1,767)
Taxes Paid	(21,327)	(2,181)	(2,014)	(3,018)
<b>Operating Cashflow</b>	<b>(24,588)</b>	<b>(6,194)</b>	<b>12,015</b>	<b>7,092</b>
Capital Commitments	(1,386)	(6,000)	(6,000)	(6,000)
<b>Free Cashflow</b>	<b>(25,974)</b>	<b>(12,194)</b>	<b>6,015</b>	<b>1,092</b>
Other investing cashflow	50,912	100	100	100
<b>Cashflow from Investing Activities</b>	<b>49,526</b>	<b>(5,900)</b>	<b>(5,900)</b>	<b>(5,900)</b>
Issue of Share Capital	22,459	-	-	-
Inc (Dec) in Borrowings	(18,119)	9,500	(10,500)	(10,500)
Dividend paid	(8,077)	(3,059)	(3,828)	(4,665)
<b>Cashflow from Financing activities</b>	<b>(3,737)</b>	<b>6,441</b>	<b>(14,328)</b>	<b>(15,165)</b>
<b>Chg. in Cash &amp; Bank balances</b>	<b>21,201</b>	<b>(5,653)</b>	<b>(8,213)</b>	<b>(13,973)</b>

Source: Company data I-Sec research

**Table 8: Key ratios**
*(Year ending March 31)*

	FY20	FY21E	FY22E	FY23E
<b>Per Share Data (Rs)</b>				
EPS	(2.4)	4.2	5.3	6.4
Cash EPS	(1.6)	5.1	6.3	7.5
Dividend per share (DPS)	3.0	3.0	3.0	3.0
Book Value per share (BV)	139.2	142.2	145.9	150.5
<b>Growth (%)</b>				
Net Sales	(27.3)	(14.3)	19.1	9.7
EBITDA	(47.0)	24.5	(2.9)	14.3
PAT	(145.5)	(275.4)	25.1	21.9
<b>Valuation Ratios (x)</b>				
P/E	(108.4)	60.4	48.3	39.6
P/BV	1.8	1.8	1.8	1.7
EV / EBITDA	60.7	49.4	50.0	43.4
Dividend Yield	1.2	1.2	1.2	1.2
<b>Operating Ratios</b>				
Debt/EBITDA (x)	7.1	6.4	5.9	4.5
Net D/E	0.2	0.2	0.2	0.1
<b>Profitability/Return Ratios (%)</b>				
RoE	(4.3)	1.5	1.3	1.9
RoCE	6.7	6.7	6.4	7.3
EBITDA Margins	18.7	27.1	22.1	23.0
Net Income Margins	(9.8)	20.1	21.1	23.4

Source: Company data I-Sec research

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