

DLF

Smart recovery

DLF reported Revenue/EBITDA/APAT at Rs 15.4/5.0/4.5 bn, (8)/(9)/8% beat/(miss) on our estimates. Presales rebounded to Rs 10.2bn vs Rs 8.5bn QoQ. While office collection remains robust with +98% collections, occupancy declined to 94% from 97% on Sep 20-end. Retail is inching towards recovery with footfall at 60% and spending 70% of pre-pandemic level. Gradual recovery in presales, strong launch pipeline and REIT plans for DCCDL augur well for the company. We maintain BUY on DLF, with unchanged target price of Rs 320, given healthy balance sheet and change our FY21/FY22/FY23 EPS estimates by 4.2/0.5/0.6% to account for lower cost of debt.

- 3QFY21 highlights:** DLF registered consolidated revenue at Rs 16.1bn, -15%/-4% YoY/QoQ and 8% behind our estimate. Revenue recognition from Camellias stood at Rs 9bn during the quarter (vs Rs 7bn in 2QFY21). EBITDA margins improved to 32.3% (17.0/28.8% 3QFY20/2QFY21), on revenue recognition from Camellias and reduction in cash overhead expenses. Finance costs continued downward trajectory, as it declined by 16.5%/12.3% YoY/QoQ, leading to APAT (Rs 4.5bn) beat of 8% on estimate.
- Presales recovering; launch visibility across categories:** DLF reported sales booking at Rs 10.2bn, rise of 40/20% YoY/QoQ. Camellias, newly launched independent floors, plotted developments and National Devco contributed Rs 2.9bn, Rs 3.6bn, Rs 0.9bn and Rs 2.7bn respectively. The company plans to launch ~14msf over FY21-FY23 in commercial and residential space. With completed inventory of Rs 60bn and strategy of launching projects at initial stage of development, management expects to clock Rs 10bn sales/qltr, which we believe is not a tall task for DLF.
- Balance sheet position comfortable:** Consolidated net debt remained stable at Rs 51bn at the end of quarter (vs Rs 52bn on Sep-20 end), with net D/E at 0.15x. Net debt is likely to remain at the same level given the planned residential launches will largely self-finance. The company also brought down interest cost from 9.1% in 2QFY21 to 8.9% during the quarter and is targeting further reduction of 30-40bps. DLF generated positive operating cashflow of Rs 1.8bn during 3QFY21.

Financial summary

YE March (Rs mn)	3QFY21	3QFY20	YoY (%)	2QFY21	QoQ (%)	FY20	FY21E	FY22E	FY23E
Net Sales	15,430	13,419	15.0	16,098	(4.1)	60,828	55,961	61,558	64,636
EBITDA	4,991	2,283	118.6	4,631	7.8	11,350	16,376	18,545	18,037
APAT	4,512	1,831	146.4	3,284	37.4	10,063	12,194	15,314	15,755
Diluted EPS (Rs)	1.8	0.7	146.4	1.3	37.4	4.1	4.9	6.2	6.4
P/E (x)						63.0	52.0	41.4	40.3
EV / EBITDA (x)						59.3	40.9	34.2	34.4
RoE (%)						3.0	3.5	4.2	4.2

Estimate change summary

Rs mn	FY21			FY22			FY23		
	New	Old	% Chg.	New	Old	% Chg.	New	Old	% Chg.
Revenue	55,961	55,961	-	61,558	61,558	-	64,636	64,636	-
EBITDA	16,376	16,269	0.7	18,545	18,428	0.6	18,037	17,907	0.7
Margin (%)	29.3	29.1	19.1	30.1	29.9	19.1	27.9	27.7	20.0
APAT	12,194	11,706	4.2	15,314	15,232	0.5	15,755	15,664	0.6
AEPS	4.9	4.7	4.2	6.2	6.2	0.5	6.4	6.3	0.6

Source: Company, HSIE Research; Consolidated Financials

BUY

CMP (as on 29 Jan 2021)	Rs 255
Target Price	Rs 320
NIFTY	13,635

KEY CHANGES	OLD	NEW	
Rating	BUY	BUY	
Price Target	Rs 320	Rs 320	
EPS	FY21E	FY22E	FY23E
Change %	4.2	0.5	0.6

KEY STOCK DATA

Bloomberg code	DLFU IN
No. of Shares (mn)	2,475
MCap (Rs bn) / (\$ mn)	632/8,667
6m avg traded value (Rs mn)	3,230
52 Week high / low	Rs 300/115

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	66.8	82.6	(1.2)
Relative (%)	50.4	61.0	(13.6)

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	74.95	74.95
FIs & Local MFs	1.65	1.66
FPIs	18.33	18.28
Public & Others	5.07	5.11
Pledged Shares	-	-

Source: BSE

Parikshit D Kandpal, CFA
 parikshitd.kandpal@hdfcsec.com
 +91-22-6171-7317

Chintan Parikh
 Chintan.parikh@hdfcsec.com
 +91-22-6171-7330

Rohan Rustagi
 rohan.rustagi@hdfcsec.com
 +91-22-6171-7355

Disclosure:

Authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

HDFC securities**Institutional Equities**

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Board: +91-22-6171-7330 www.hdfsec.com