

DLF Ltd

BUY

CMP Rs310

Target Rs340

Upside 10%

DLF has continuously improved its presales from recent low of Rs11.6bn (FY17) and ended FY21 with presales of Rs30.8bn. We believe DLF with under-construction projects, current pipeline of 35msf and inventory (faster monetization of inventory in Camelias) to cross presales of Rs40bn comfortably. We valued residential business at Rs.123.7bn. Due to pandemic across country commercial real estate has witnessed slowdown in new leasing but we are confident it will get back to its pace as covid situation recovers fully. We believe with 39.1msf portfolio, DCCDL is on track to achieve NOI of Rs52bn by FY25 and valued DCCDL at Rs388bn (net of DLF share of debt). Most importantly DLF has shown capability of monetizing its land bank faster and very efficiently in last few years. We believe DLF will continue to monetize its land bank of 152msf in coming years which we valued at Rs119/share. DLF continuously maintaining its D/E below 0.2x from FY20 and we expect it to remain at same levels which allows DLF to tap the opportunity whenever required. Recovery in residential segment and expected pick up in the leasing activity along with DLF's long standing track record gives us confidence. We initiate coverage on DLF with BUY rating with TP of Rs340/share (WACC 10.3%, Office Cap Rate 8%, Retail Cap rate 6.25%).

Result Highlights:

- ✓ For Q4FY21, DLF's sales stood at Rs17.13bn, reporting a growth of 11%q/q & 1%y/y. EBITDA stood at Rs4.54bn, an increase of 43.3% y/y & -9% q/q. EBITDA margins came in at 26.5% Vs 18.7%/32.3% in Q4FY20/Q3FY21 respectively. Profit for quarter stood at Rs4.8bn (6.6% q/q)
- ✓ FY21 revenues stood at Rs54.1bn, decline of 11% y/y. Operational profit came in at Rs14.2bn as compared to Rs11.4 Bn in FY20. Margins came in at 26.2% in FY21 Vs 18.7% in FY20. Company's FY21 profit stood at Rs11.9bn as compared to loss of Rs9.2bn in FY20.
- ✓ During Q4FY21, DLF issued possession letter for 514 units (1.29msf) & booked net pre-sales of Rs10.6bn (Vs Rs3.25bn in Q4FY20). For FY21 company recorded new sales bookings of Rs30.84bn (up by 24% y/y). New product pipeline stood at 35msf.
- ✓ Company's net debt for Q4FY21 stood at Rs48.9bn, declining from Rs51bn in Q3FY21 & a total reduction of Rs3.82bn during the fiscal. Finance cost has reduced from 9.8% in Q4FY20 to 8.4% in Q4FY21.
- ✓ In Q4FY21, DCCDL rental income from office came in at Rs7.13bn (up by 11% y/y) & retail rentals stood at Rs1.25bn (up by 4% y/y). Total revenue for quarter was Rs12.94bn (growth of 4% y/y & 15% q/q). EBITDA stood at Rs9.9bn, an increase of 12% y/y & 11% q/q. For FY21 DCCDL's Revenue/EBITDA/PAT declined by 14%/8%/31% y/y to Rs 43.85bn/34.17bn/9.13bn respectively.

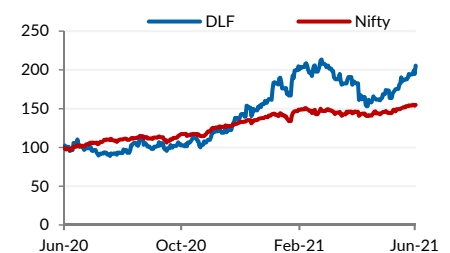
Exhibit 1: Q4FY21 Result table

(Rs mn)	Q4 FY21	Q3 FY21	% qoq	Q4 FY20	% yoy
Net sales	17,126	15,430	11.0	16,942	1.1
Operating profit	4,539	4,991	(9.1)	3,167	43.3
OPM (%)	26.5	32.3	(585bps)	18.7	781bps
Depreciation	385	391	(1.4)	601	(35.9)
Interest	1,912	1,985	(3.6)	2,353	(18.7)
Other income	1,940	1,252	55.0	1,796	8.0
Exceptional Item	0	0		3,307	
PBT	4,182	3,868	8.1	(1,297)	(422.3)
Tax	1,594	1,042	52.9	19,073	(91.6)
PAT	4,809	4,512	6.6	(18,578)	(125.9)
Reported PAT	4,774	4,490	6.3	(18,601)	(125.7)
EPS	1.9	1.8	6.6	(8)	(125.9)

Stock data (as on June 11, 2021)

Sensex:	15,738
52 Week h/l (Rs)	333 / 135
Market cap (Rs/USD mn)	776382 / 10628
Outstanding Shares	2,475
6m Avg t/o (Rs mn):	3,951
Div yield (%):	0.3
Bloomberg code:	DLFU IN
NSE code:	DLF

Stock performance



	1M	3M	1Y
Absolute return	17.9%	-0.2%	101.1%

Shareholding pattern (As of Mar'21 end)

Promoter	74.95%
FII+DII	20.08%
Others	4.96%

Financial Summary

(Rs mn)	FY21	FY22E	FY23E
Revenues	54,141	62,036	56,195
YoY growth (%)	(11.0)	14.6	(9.4)
EBITDA	14,178	21,561	18,963
OPM (%)	26.2	34.8	33.7
EPS (Rs)	4.4	10.2	11.4
EPS growth	-	130.9	11.9
P/E (x)	41.2	28.8	21.4
EV/EBITDA (x)	6.5	10.7	9.4
Debt/Equity (x)	0.2	0.6	0.7
RoE (%)	3.1	6.8	7.1
RoCE (%)	3.1	4.8	4.0

ABHISHEK LODHIYA

Lead Analyst

abhishhek.lodhiya@ysil.in
 +91 96650 31922



Udit Gajiwala, Associate

udit.gajiwala@ysil.in

AMAR AMBANI, Sr. President, Head of Research

amar.ambani@ysil.in

CON-CALL HIGHLIGHTS

- ✓ During the fiscal, DLF successfully reduced their cost from to Rs4.58bn from Rs7.75bn in FY20 (down by 40%). Management mentioned that they will be able to sustain these cost levels.
- ✓ Finance cost reduced by 143bps to 8.4% which led to cash saving of Rs500mn. On annualized basis company is targeting to save Rs750-800mn.
- ✓ With ramp-up in collections, DLF reduced debt by R3.8bn and management is committed to bring debt down even further.
- ✓ Commenting on future growth, management is confident growth cycle in residential market to continue. Company will scale up new products in Delhi, Gurugram & South. In FY22, DLF will add 8msf to residential portfolio wherein 1.8msf will come in Gurugram, 1msf commercial in new Gurugram & value homes of 3msf in Gurugram and Chennai.
- ✓ Trade payables for fiscal stood at Rs12.42bn of which construction payables were Rs7bn, new development was Rs2.38bn and capex of Rs3.3bn.
- ✓ DLF has guided that their rentals for FY23 will come in at Rs37-38bn & by FY24-25 they will reach Rs44bn.
- ✓ For Chennai capex will be by ~Rs1.50-1.55bn in FY22E.
- ✓ Pre-Covid leasing of commercial were ~6-7 msf/annum. With vaccination drive picking up across nation, company is expecting that by FY23E commercials will be 90% of pre-covid levels.
- ✓ With full potential of all projects (incl GIC JV), company expects annual presales of Rs40bn/annum.
- ✓ Commenting on golf course extension where company has 25acres of land, company will soon bring this into launch pipeline. At Tulsiwadi, one tower ready and post lifting of lockdown rehab process will commence and expects to launch project in 9-12months. At Chanakyapuri, company is awaiting certain approvals and development potential is being planned. Company mentioned all legal issues at the said projects are resolved but will take two years to launch the project.

Exhibit 2: SoTP valuation at WACC 10.3%, Office Cap Rate 8%, Retail Cap rate 6.25%

Valuation Breakup	Rs. mn	Rs./share	Comments
DLF Residential	123,726	50	NAV Based FY22E
DLF RentCo	43,649	18	NAV Based FY22E
DCCDL	524,605	212	NAV Based FY22E
DCCDL Debt (Share of DLF)	136,553	55	DLF's share as of FY22E
Land Bank	294,650	119	Avg at 1675psf
DLF Net Debt	9,089	4	As of FY22E
Total	840,988	340	
CMP		₹ 310	
Upside/(downside)		10%	

Source: Company, YES Sec – Research

Exhibit 3: Status of DLF completed inventory and new launch (Till FY21)

Projects	Total Area (msf)	Sold (msf)	Sold (Rs mn)	Revenue Recognised (Rs mn)	Revenue to be recognised (Rs mn)	Balance Receivables (Rs mn)	Area to be sold (msf)	Inventory (Rs mn)	Collected (Rs mn)
Camelias	3.6	2.3	61,980	25,870	36,110	7,190	1.3	39,830	54,790
DLF 5	0	0	40,190	38,700	1,490	1,120	0.7	60	39,070
New Gurgaon	18	17.8	99,080	88,070	11,010	5,250	0.3	1,440	93,830
National Devco	38	33.3	159,890	141,590	18,300	9,040	4.7	14,910	150,850
New Products	1	0.7	9,220	0	9,220	8,230	0.3	3,760	990
Total	60.6	54.1	370,360	294,230	7,6130	30,830	7.3	60,000	339,530

Source: Company, YES Sec – Research

Exhibit 4: DLF's operational portfolio (annuity)

Building	Leasable Area (in msf)	Leased Area (in msf)	% Leased Area	Wt. Avg. Rental rate (in Rs psf)	Wt.Avg. Lease expiry (months)	GAV (Rs bn)
DLF Center, Delhi	0.2	0.1	71	371	86	10.4
DLF5	0.5	0.5	100	48	35	8.0
IT SEZ, Kolkata	1	0.9	88	35	82	9.2
Gateway Tower	0.1	0.1	98	121	26	2.0
Total: Offices	1.8	1.6	91			29.7
Chanakya, Delhi	0.2	0.2	93	165	93	3.7
Capitol Point, Delhi	0.1	0.1	100	382	25	3.2
South Square, Delhi	0.1	0.1	95	59	48	0.8
Total: Retail	0.3	0.3	95			7.7
Total Portfolio	2.1	1.9	92			37.4

Source: Company, YES Sec – Research

Exhibit 5: DCCDL Portfolio Snapshot

Building	Leasable Area (in msf)	Leased Area (in msf)	% Leased Area	Wt. Avg. Rental rate (in Rs psf)	Wt.Avg. Lease expiry (months)	GAV (Rs bn)
Cyber City	10.2	8.7	85	110	64	159
Cyber Sez	2.9	2.7	93	85	63	41
Cyber Park	2.6	2.3	92	117	111	42
Silokhera Sez	1.9	1.1	58	70	84	18
One Horizon Centre	0.8	0.8	93	148	64	20
Chennai Sez	7	6.7	95	70	70	68
Hyderabad Sez	2.9	2.6	91	55	66	23
Kolkata IT Park	1.3	1.1	83	38	74	7
Chandigarh IT Park	0.6	0.5	84	57	77	5
Sub-Total: Office	30.3	26.5	88			382
Mall of India, NOIDA	2	2	99	105	85	31
Emporio	0.3	0.3	92	346	33	14
Promenade	0.5	0.5	99	189	57	13
Cyber Hub	0.5	0.4	94	122	59	9
DLF Avenue	0.5	0.5	98	157	95	11
City Centre	0.2	0.1	75	28	97	1
Sub-Total: Retail	3.9	3.7	97			79
Total: Operational Portfolio	34.2	30.3	89			461
Under Construction						
Downtown Gurugram	1.5	0.5				
Downtown Chennai	3.1	0.8		129		
Chennai Block 122	0.3	0.3		86		
Total -Under Construction	4.9	1.6		76		3
Grand Total	39.1	31.9				3

Source: Company, YES Sec – Research

Exhibit 6: DCCDL Development Update

Project	Project Size (msf)	Current Status	Latest Update
Downtown, Gurugram	11	Phase-I (~1.5 msf) under development	Block 2 & 3 UC & Pre-leasing: ~0.5 msf
Downtown, Chennai	6.8	Phase I (~ 3 msf) under development	Pre-leasing: 0.77 msf
Block-12, Cyber City, Chennai	0.3	Completed, Rentals to start in FY22	Pre-leasing 0.3 msf
Total	18.1		

Source: Company, YES Sec - Research

FINANCIALS

Exhibit 7: Balance sheet

Y/e 31 Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Equity capital	4,414	4,951	4,951	4,951	4,951
Reserves	331,351	339,517	348,489	367,796	390,099
Net worth	335,765	344,467	353,439	372,746	395,049
Debt	147,781	63,295	56,397	46,397	36,397
Deferred tax liab (net)	-19,372	2,465	5,408	5,408	5,408
Other non-current liabilities	6,444	7,780	7,295	7,295	7,295
Total liabilities	470,619	418,008	422,539	431,846	444,149
Fixed Asset	54,154	43,313	40,070	39,989	39,966
Investments	232,636	200,975	211,830	211,830	211,830
Other Non-current Assets	38,205	36,367	32,919	32,919	32,919
Net Working Capital	102,942	121,197	127,274	113,423	111,633
Inventories	220,086	224,862	210,866	199,126	195,775
Sundry debtors	8,323	7,204	5,813	6,661	6,034
Loans and Advances	15,345	21,144	14,354	14,354	14,354
Sundry creditors	20,714	18,504	20,290	23,249	21,060
Other current liabilities	160,161	129,988	99,140	99,140	99,140
Cash & equivalents	42,682	16,155	10,447	33,686	47,801
Total Assets	470,619	418,008	422,539	431,846	444,149

Exhibit 8: Income statement

Y/e 31 Mar (Rs m)	FY19	FY20	FY21	FY22E	FY23E
Revenue	83,661	60,828	54,141	62,036	56,195
Operating profit	21,415	11,350	14,178	21,561	18,963
Depreciation	2,246	2,003	1,595	1,581	1,522
Interest expense	20,619	14,269	8,534	7,020	5,507
Other income	6,633	8,054	5,308	5,308	5,308
Profit before tax	6,456	6,535	8,396	18,268	17,241
Taxes	2,774	21,327	3,623	3,659	3,390
Adj. PAT	11,919	(9,235)	11,898	25,248	28,244
Net profit	13,141	(5,897)	10,826	25,248	28,244

Exhibit 9: Cash flow statement

Y/e 31 Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
PBIT	6,456	6,535	8,396	18,268	17,241
Depreciation	2,246	2,003	1,595	1,581	1,522
Tax paid	(2,344)	(422)	4,015	(3,659)	(3,390)
Working capital Δ	(241)	(10,950)	(7,020)	13,851	1,790
Other operating items					
Operating cashflow	20,430	3,250	14,602	47,700	37,063
Capital expenditure	(6,041)	(2,063)	(135)	(1,500)	(1,500)
Free cash flow	14,389	1,187	14,467	46,200	35,563
Equity raised	30,942	22,499	0	0	0
Investments	6,090	67,231	1,675	0	0
Debt financing/disposal	382	(82,024)	(9,009)	(10,000)	(10,000)
Interest Paid	(16,775)	(23,819)	(7,486)	(7,020)	(5,507)
Dividends paid	(1,696)	(8,077)	(1,988)	(5,941)	(5,941)
Other items	26,842	19,009	(3,356)	0	0
Net Δ in cash	29,233	(26,493)	(5,696)	23,239	14,115

Exhibit 10: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY19	FY20	FY21	FY22E	FY23E
Tax burden (x)	2.5	(1.9)	1.2	1.4	1.6
Interest burden (x)	0.3	0.3	0.7	0.9	1.0
EBIT margin (x)	22.9	15.4	23.2	32.2	31.0
Asset turnover (x)	0.1	0.1	0.1	0.1	0.1
Financial leverage (x)	2.0	1.7	1.6	1.5	1.4
RoE (%)	3.9	(1.7)	3.1	6.8	7.1

Ratio analysis

Y/e 31 Mar	FY19	FY20	FY21	FY22E	FY23E
Growth matrix (%)					
Revenue growth	24.7	(27.3)	(11.0)	14.6	(9.4)
Op profit growth	(9.9)	(47.0)	24.9	52.1	(12.0)
EBIT growth	4.0	(51.2)	34.6	58.8	(12.7)
Net profit growth	(127.7)	(177.5)	(228.8)	112.2	11.9
Profitability ratios (%)					
OPM	25.6	18.7	26.2	34.8	33.7
EBIT margin	22.9	15.4	23.2	32.2	31.0
Net profit margin	14.2	(15.2)	22.0	40.7	50.3
RoCE	4.0	2.3	3.1	4.8	4.0
RoNW	3.9	(1.7)	3.1	6.8	7.1
RoA	24.8	(13.7)	28.0	64.7	72.4
Per share ratios					
EPS	6.0	(2.4)	4.4	10.2	11.4
Dividend per share	0.6	2.0	0.0	2.0	2.0
Cash EPS	7.0	(1.5)	5.1	10.8	12.0
Book value per share	135.6	139.2	142.8	150.6	159.6
Payout (%)					
Dividend payout	11	-85	0	20	18
Tax payout	23	21	39	20	20
Liquidity ratios					
Debtor days	36	43	39	39	39
Inventory days	960	1349	1422	1172	1272
Creditor days	90	111	137	137	137

Source: Company, YES Sec – Research

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YES Securities (India) Limited

Registered Office: Unit No. 602 A, 6th Floor, Tower 1 & 2, One International Center, Senapati Bapat Marg, Elphinstone Road, Mumbai – 400013, Maharashtra, India.

Email: research@ysil.in | Website: www.yesinvest.in

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Details of Compliance Officer: Name: Vaibhav Purohit, Email id: compliance@ysil.in, Contact No-+91-22-33479208

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