

October 31, 2023

RESULT REPORT Q2 FY24 | Sector: Real Estate

# DLF

## Solid CF aided by deliveries and launches ahead

### Our view

**DLF achieved strong presales of Rs22.3bn in Q2FY24 backed by the strong sales for 'The Camellias' DLF5, Gurugram (Rs7.2bn); New Product (Rs9.9bn); Grand Enclave, Panipat (Rs1.6bn) with steady sales of other projects and reiterated presales guidance of +Rs130bn for FY24E. Company collected Rs23.6bn for Q2FY24. DLF plans to enter Mumbai through the SRA project under the JDA model. Project will have a total saleable area of 3-3.5msf in Andheri-West, of which the company plans to launch ~0.9msf in next 9-12months. Non SEZ office assets are recovering fast with incremental leasing traction and now SEZ portfolio also started showing traction with occupancy inching up to 85% (82% in Q1FY24). DLF is expected to generate free cashflow of ~Rs65bn over FY24-25E.**

**We have aligned our average price realization assumption to the recent booking trend witnessed. Hence our Revenue/EBITDA/PAT estimates for FY24E moved up by 15%/27%/15% and for FY25 is up by 17%/27%/15% respectively. We valued residential business now at Rs.183.6bn and believe DCCDL, with its 39.6msf operational portfolio and ~5.3msf under-construction projects, is on track to achieve Rs48bn NOI by FY25 hence valued DCCDL at Rs249.8bn (DLF's share & net of debt). DLF has shown capability of monetizing its land efficiently (in last 24months, launched ~18msf and achieved ~15.8msf presales) thereby we expect DLF to monetize 146msf with good pace too; valued at Rs487/share. DLF has turned net cash positive to Rs1420mn and is expected to maintain it. Sustained demand in residential and pick up in the leasing (incl. SEZ), deleveraged B/S along with DLF's long standing track record gives us confidence. Hence upgrade stock to BUY rating with TP of Rs678/share (WACC 11.5%, Office Cap Rate 8.5%, Retail Cap rate 7.25%)**

### Result Highlights:

- Consolidated revenue for the quarter reported at Rs13,477mn (-5.3% q/q & 3.5% y/y), guided by the sales in The Camellias.
- EBITDA came in at Rs4,626mn (16.8% q/q & 5.9% y/y) lower by 15.8% from our estimate due to product mix change. And margin reported at 34.3% up by 649bps q/q & 79bps y/y.
- Consolidated Adjusted PAT reported at Rs6,230mn up by 18.2% q/q & 30.6% y/y (16.2% below YSECe) due to overall lower revenue recognition. PAT margin came in at 46.2% (920bps q/q & 960bps y/y)
- DLF turned Net cash to Rs1420mn in a quarter (Q1FY24: Rs570mn) and at portfolio level cost of debt stood at 8.12% (8.19% for Q1FY24 exit).
- Company declared dividend of Rs4/share for share of face value Rs2/share which resulted in Rs9.9bn outflow.

### Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	13,477	17,662	15,864	(23.7)	(15.0)	Beat on EBITDA margin due to higher contribution from The Camellias
EBITDA	4,626	5,491	5,014	(15.8)	(7.8)	
EBITDA Margin (%)	34.3	31.1	31.6	324bps	271bps	
Adj. PAT	6,230	7,430	5633	(16.2)	10.6	

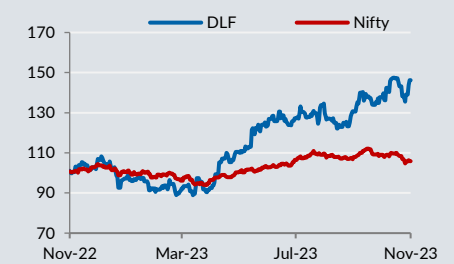
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 564
Target Price	: Rs 678
Potential Return	: 20%

### Stock data (as on Oct 31, 2023)

Nifty	19,080
52 Week h/l (Rs)	577 / 337
Market cap (Rs/USD mn)	1372437 / 16485
Outstanding Shares (mn)	2,475
6m Avg t/o (Rs mn):	2,057
Div yield (%)	0.8
Bloomberg code:	DLFU IN
NSE code:	DLF

### Stock performance



	1M	3M	1Y
Absolute return	6.1%	12.8%	44.6%

### Shareholding pattern (As of Sep'23 end)

Promoter	74.1%
FII+DII	21.2%
Others	4.8%

### Δ in stance

(1-Yr)	New	Old
Rating	BUY	ADD
Target Price	678	554

### Δ in earnings estimates

	FY24E	FY25E
EPS (New)	13.8	16.4
EPS (Old)	12.0	14.3
% Change	15%	15%

### Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Revenues	56,948	81,179	85,500
YoY growth	0%	43%	5%
EBITDA	17259	27978	32751
YoY growth	-1%	62%	17%
PAT	20339	34246	40689
YoY growth	4%	68%	19%
EPS	8.2	13.8	16.4
P/E	68.6	40.8	34.3
P/BV	3.7	3.4	3.2
D/E	0.08	0.06	0.04
EV/EBITDA	70.7	43.8	36.4
RoE (%)	5.4	8.5	9.2
RoCE (%)	3.9	6.2	6.9

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## Exhibit 2: Quarterly snapshot (Console)

Particulars (Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	y/y %	q/q %	FY23	FY22	y/y %
Revenue	13,023	14,948	14,561	14,232	<b>13,477</b>	3.5	(5.3)	56,948	57,174	(0.4)
EBITDA	4,367	4,772	3,984	3,962	<b>4,626</b>	5.9	16.8	17,259	17,426	(1.0)
EBITDA Margin %	33.5	31.9	27.4	27.8	<b>34.3</b>	79 bps	649 bps	30.3	30.5	(17bps)
Depreciation	367	386	360	364	<b>370</b>	0.8	1.7	1,486	1,494	(0.5)
EBIT	4,000	4,386	3,623	3,598	<b>4,256</b>	6.4	18.3	15,772	15,931	(1.0)
EBIT Margin %	30.7	29.3	24.9	25.3	<b>31.6</b>	87 bps	630 bps	27.7	27.9	(17bps)
Interest charges	1,069	954	846	849	<b>902</b>	(15.7)	6.3	3,921	6,246	(37.2)
Other Income	582	649	1,196	985	<b>1,287</b>	121.4	30.7	3,173	4,205	(24.5)
PBT	3,512	4,080	3,974	3,734	<b>4,642</b>	32.2	24.3	15,024	16,135	(6.9)
Tax	910	1104	1125	1014	<b>1122</b>	23.4	10.6	4,015	3,210	25.1
Effective Tax Rate (%)	25.9	27.1	28.3	27.2	<b>24.2</b>	-173 bps	-299 bps	(0.4)	4.3	(466bps)
PAT	4,770	5,192	5,700	5,270	<b>6,230</b>	30.6	18.2	20,358	19,497	4.4
PAT Margin %	36.6	34.7	39.1	37.0	<b>46.2</b>	960 bps	920 bps	35.7	30.2	557bps
EPS (Rs)	1.9	2.1	2.3	2.1	<b>2.5</b>	30.6	18.2	8.2	7.9	4.4

Source: Company, YES Sec

## Exhibit 3: Operational Performance

Particulars (Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	y/y %	q/q %	FY23	FY22	y/y %
<b>DLF</b>										
Sales (Rs mn)	20,520	25,070	84,580	20,400	22,280	8.6	9.2	150,580	72,730	107.0
Resi. Collections (Rs mn)	11,520	13,070	18,420	14,720	22,820	98.1	55.0	52,930	44,570	18.8
Rental Income (Rs mn)	1,000	910	860	1,040	760	(24.0)	(26.9)	3,570	1,950	83.1
Net Debt (Rs bn)	21420	20910	7210	570	-1420	(106.6)	(349.1)	7,210	26,800	(73.1)
<b>DCCDL</b>										
Operational portfolio (msf)	39.6	39.6	39.6	39.6	39.7	0.3	0.3	39.6	37.9	4.5
Rental Income (Rs mn)	9,850	10,030	10,530	10,430	10,690	8.5	2.5	39,670	33,500	18.4
Office (Rs mn)	8010	8130	8590	8560	8570	7.0	0.1	32,320	28,890	11.9
Retail (Rs mn)	1,840	1,900	1,940	1,870	2,120	15.2	13.4	7,350	4,610	59.4
Gross Leasing (msf)	1.6	1.5	1.9	1.5	2.3	43.8	53.3	6.2	6.1	1.6
Blended Occupancy (%)	90	90	90	89	92	200 bps	300 bps	90	89	100bps
Office (%)	89	89	89	88	91	200 bps	300 bps	89	88	100bps
Retail (%)	98	98	90	98	98	0 bps	0 bps	90	97	(700bps)
Net Debt (Rs bn)	192,610	183,940	187,720	183,280	180,260	(6.4)	(1.6)	187,720	190,630	(1.5)

Source: Company, YES Sec

## KEY PRESENTATION HIGHLIGHTS

### DLF:

- DLF continued its sales momentum in Q2FY24 and achieved sales booking of Rs22.3bn without any launch. Sales was majorly contributed by The Camellias (Rs7.2bn), New Product (Rs9.9bn), Grand Enclave, Panipat (Rs1.6bn) and others.
- Company launched 0.2msf of project in Q2FY24 with the sales potential of Rs4.4bn.
- DLF plans to launch 10msf of projects in the residential business (premium/luxury) while 0.7msf under the commercial portfolio in standalone portfolio. Additionally, plans to start

development on the Mall of Gurugram (~2.6msf) along with the Noida IT Park (0.8msf) in FY24.

- In Q2FY24, DLF collected Rs22.8bn (55% q/q & 98.1% y/y) from the resi. business while Rs760mn (-27% q/q & -24% y/y) was the rental collection.

## DCCDL:

- DCCDL achieved gross leasing of 2.3msf in the quarter.
- Under DCCDL, company achieved rental income of Rs10.69bn (2.5% q/q & 8.5% y/y) wherein office portfolio contributed Rs8.57bn (0.1% q/q & 7% y/y) and retail contributed Rs2.12bn (13.4% q/q & 15.2% y/y).
- Retail occupancy was steady at 98% in quarter while blended occupancy for the DCCDL portfolio was at 92% as SEZ portfolio's occupancy inched up to 85% from 82% in Q1FY24.
- Net debt for the DCCDL portfolio came down by Rs3bn to Rs180.3bn while gross debt was at Rs190bn (Rs193bn in Q1FY24). DCCDL cost of borrowing is at 8.07% (8.13% in Q1FY24).
- For the under-development portfolio DCCDL is constructing DLF Downtown Gurugram Phase-II (2msf) of which has already pre-leased 1.7msf. Similarly, DLF Downtown Chennai Phase- I&II (1 & 2.3msf), pre-leased phase-I fully and achieved pre-leased of 1.9msf for phase-II.

## Exhibit 4: SoTP valuation (WACC 11.5%, Office Cap Rate 8.5%, Retail Cap rate 7.25%)

Valuation Breakup	Rs. Mn	Rs./share	(%)	Comments
DLF Residential	183,571	74	10.9	1year forward NAV
DLF RentCo	36,510	15	2.2	1year forward NAV
DCCDL	370,534	150	22.1	1year forward NAV
Less: DCCDL Debt (DLF's share)	120,774	49	7.2	As of Q2FY24
Land Bank	1,205,818	487	71.9	Avg at 6800psf
Less: DLF Net Debt	(1,420)	-1	-0.1	As of Q2FY24
Total	1,677,078	678	100.0	
CMP		564		
Upside/(downside)			20.1%	

Source: Company, YES Sec

## Exhibit 5: Key Estimate Revision

	FY24E			FY25E		
	Old	New	Change	Old	New	Change
Revenues	70,648	81,179	15%	72,971	85,500	17%
EBITDA	21,963	27,978	27.4%	25,755	32,751	27.2%
PAT	29,720	34,246	15%	35,438	40,689	15%
EPS	12.0	13.8	15%	14.3	16.4	15%

Source: Company, YES Sec

## KEY CONFERENCE CALL HIGHLIGHTS

### DLF:

- In 'The Camellias' one apartment has been sold at Rs1bn which translates in realization of Rs1,00,000/sft and average price is above Rs75,000/sft.
- DLF spent Rs6.5bn towards construction and another Rs10bn is expected to spend in H2FY24 Independent floors are coming for delivery and 'The Arbour' project execution pace is going to pick up.

- Guidance for cashflow from operation was +Rs30bn for FY24 which management believes has upside risk due to strong cash generation.
- Out of Rs31.65bn of cash the free cash available is only Rs4.5bn rest is locked in the RERA escrow accounts. And with the project delivery this cash will be available for free use and can be deployed for debt reduction if required or accelerate growth.
- Buying Residential Real Estate has become a priority and more importantly the home buyers are younger generation in the age group of 30-40years (end user demand). And prices are the resultant of latent demand and not speculative as was the case a decade back.
- Reiterated guidance of 13-15% growth in collection, which in absolute terms of Rs64-65bn and has potential upside. Additionally similar growth is also expected in the OCF.
- Launches: Privana, Sector-77 in Q3FY24, DLF5 in Q4FY24/Q1FY25 and The Valley Orchid, Panchkula in Q3FY24, SCO in Gurgaon; all approvals on track with the planned launches.
- Reiterated pre-sales guidance of +Rs130bn for FY24 and expect it to achieve it comfortably.
- Free cashflow will be deployed towards debt/growth or rewarding shareholders.
- Andheri project is on track and slum rehab is progressing well and expected to be delivered by Dec-23, and free sales component is on track to get launched before June-24 and phase -I will be ~1msf. Regarding Tulsiwadi, the company is progressing well on the legal front.

## DCCDL:

- Recently 0.25msf got leased in Downtown Chennai and now it is fully leased out. DLF has nearly 3-3.5% of the portfolio available for leasing, which is ~0.6-0.7msf of space. Additionally, DLF has some hard options which tenants may not want to take and will come for re-leasing.
- Plans to complete Gurgaon Downtown - IV in CY24 and Atrium Space (under Hine JV) in Q1CY25. Company preponed the Phase-II of Taramani and expected to start construction in Q4FY24. Additionally, the company is starting construction of phase-II in Downtown Gurgaon which is a multi-use development of ~8.5msf with 2.7msf of destination mall and ~5.5msf of office.
- Companies are still working on their individual hybrid models in the IT/ITES space which is yet to be stabilized. While post covid companies are liberal and now looking at 120-130sft/person space which used to be ~80sft/person pre-covid. Additionally good hiring has happened in the covid phase so now companies are looking for incremental space.
- Moreover, now with the back to office policies in most companies there are visible green shoots wherein companies are planning for 2-3years in advance for space resulting in demand.
- For Non-SEZ space, demand is coming from existing as well as new tenants. And most of the new demand is from the Global Capability Centers which finds India very compelling due to high quality digital and infrastructure at a fraction of cost compared to other geographies along with a big talent pool.
- In Downtown Gurgaon, DLF achieved rental of Rs150/sft/month and in Downtown Chennai of Rs100/sft/month.
- In SEZ space, the ministry of commerce is in the final stage of allowing floor wise denotification and once that happens the demand in SEZ will also go up.

## FINANCIALS

### Exhibit 6: Balance Sheet (Console)

Y/e 31 Mar (Rs m)	FY21	FY22	FY23	FY24E	FY25E
Equity capital	4,951	4,951	4,951	4,951	4,951
Reserves	348,489	358,672	371,925	400,230	434,978
Net worth	353,439	363,623	376,875	405,180	439,928
Debt	66,634	39,600	31,031	24,031	17,031
Deferred tax liab (net)	5,408	8,050	12,186	12,186	12,186
Other non-current liabilities	7,295	6,121	6,375	6,375	6,375
Total liabilities	432,776	417,394	426,467	447,772	475,520
Fixed Asset	40,070	39,992	39,023	37,385	36,660
Investments	210,029	206,973	205,035	205,035	205,035
Other Non-current Assets	32,919	30,931	31,616	31,616	31,616
Net Working Capital	139,312	136,437	148,683	185,438	187,794
Inventories	210,866	201,070	193,612	233,732	239,147
Sundry debtors	5,813	5,636	5,492	6,717	9,886
Loans and Advances	16,154	17,874	36,434	36,434	36,434
Sundry creditors	20,290	23,229	24,379	28,969	35,196
Other current liabilities	88,903	76,972	81,208	81,208	81,208
Cash & equivalents	10,447	3,061	2,111	(11,702)	14,415
Total Assets	432,776	417,394	426,467	447,772	475,520

Source: Company, YES Sec

### Exhibit 7: Cash Flow (Console)

Y/e 31 Mar (Rs m)	FY21	FY22	FY23	FY24E	FY25E
PBIT	8,396	11,646	15,024	26,607	32,346
Depreciation	1,595	1,494	1,486	1,507	1,426
Tax paid	4,015	2,198	(858)	(6,148)	(7,560)
Working capital Δ	(7,020)	7,540	5,628	(36,755)	(2,356)
Other operating items	7,617	5,440	2,472	16,823	18,055
Operating cashflow	14,602	28,318	23,753	2,035	41,910
Capital expenditure	(135)	(1,484)	(637)	130	(700)
Free cash flow	14,467	26,834	23,115	2,165	41,210
Equity raised	0	0	0	0	0
Investments	1,675	4,114	(3,989)	0	0
Debt financing/disposal	(9,009)	(21,785)	(3,736)	(7,000)	(7,000)
Interest Paid	(7,486)	(6,546)	(3,970)	(3,037)	(2,152)
Dividends paid	(1,988)	(4,969)	(7,428)	(5,941)	(5,941)
Other items	(3,356)	(4,982)	(4,998)	0	0
Net Δ in cash	(5,696)	(7,334)	(1,005)	(13,813)	26,117

Source: Company, YES Sec

**Exhibit 8: Income statement (Console)**

Y/e 31 Mar (Rs m)	FY21	FY22	FY23	FY24E	FY25E
Revenue	54,141	57,174	56,948	81,179	85,500
Operating profit	14,178	17,426	17,259	27,978	32,751
Depreciation	1,595	1,494	1,486	1,507	1,426
Interest expense	8,534	6,246	3,921	3,037	2,152
Other income	5,308	4,205	3,173	3,173	3,173
Profit before tax	8,396	16,135	15,024	26,607	32,346
Taxes	3,623	3,210	4,015	6,148	7,560
Adj. PAT	10,936	19,497	20,358	34,246	40,689
Net profit	10,826	19,492	20,339	34,246	40,689

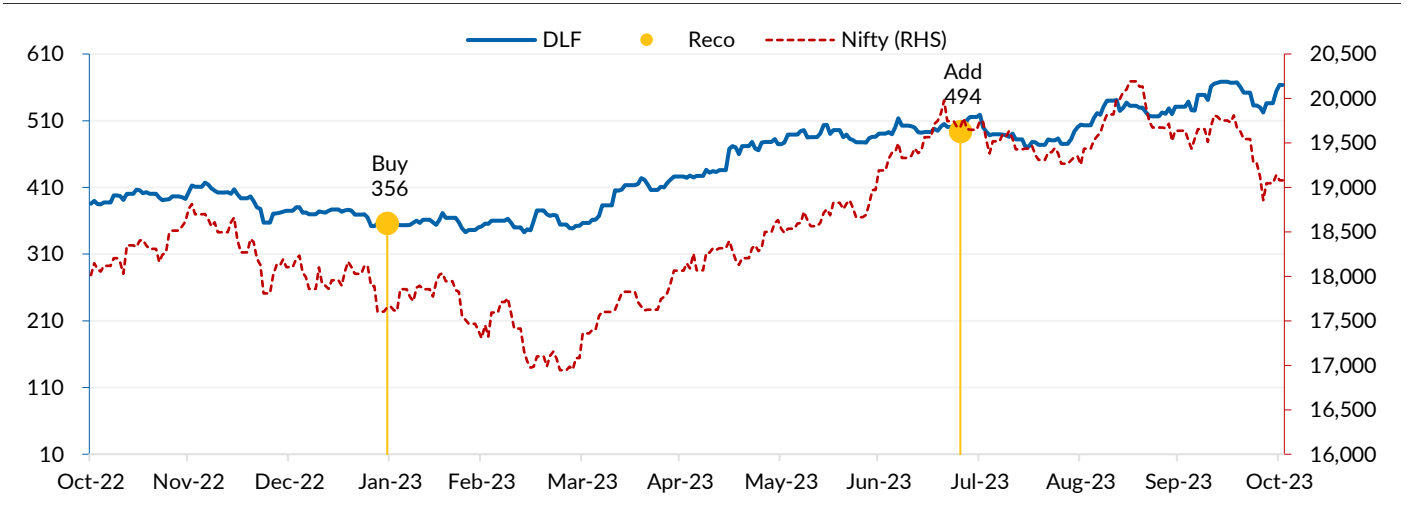
Source: Company, YES Sec

**Exhibit 9: Growth and Ratio matrix**

Y/e 31 Mar	FY21	FY22	FY23	FY24E	FY25E
<b>Growth matrix (%)</b>					
Revenue growth	(11.0)	5.6	(0.4)	42.5	5.3
Op profit growth	24.9	22.9	(1.0)	62.1	17.1
EBIT growth	34.6	26.6	(1.0)	67.8	18.3
Net profit growth	(228.8)	45.0	18.0	68.2	18.8
<b>Profitability ratios (%)</b>					
OPM	26.2	30.5	30.3	34.5	38.3
EBIT margin	23.2	27.9	27.7	32.6	36.6
Net profit margin	22.0	30.2	35.7	42.2	47.6
RoCE	3.0	4.0	3.9	6.2	6.9
RoNW	3.1	5.4	5.4	8.5	9.2
RoA	28.0	49.8	53.0	93.1	112.9
<b>Per share ratios</b>					
EPS	4.4	7.9	8.2	13.8	16.4
Dividend per share	0.0	3.0	4.0	2.0	2.0
Cash EPS	5.1	8.5	8.8	14.4	17.0
Book value per share	142.8	146.9	152.3	163.7	177.7
<b>Payout (%)</b>					
Dividend payout	0	38	49	14	12
Tax payout	39	4	0	23	23
<b>Liquidity ratios</b>					
Debtor days	39	36	35	30	42
Inventory days	1422	1284	1241	1051	1021
Creditor days	137	148	156	130	150

Source: Company, YES Sec

**Recommendation Tracker**



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Name of the Research Analyst : Abhishek Lodhiya, Sonu Upadhyay

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