

DLF

Stable performance

DLF reported revenue of Rs 5.5bn (-59%/-68% YoY/QoQ, 12% miss). Issuance of the possession letters got adversely affected during the lockdown and, hence, impacted revenue recognition. Rental business was impacted owing to the retail malls remaining shut due to lockdown and waivers given by DLF to tenants. Construction has recommenced at all sites, and DLF is operating at ~65% of pre-COVID levels. The company has not availed interest moratorium. Office segment remains robust with longer-term drivers in place and robust collections of 95%. We do believe that rental escalation may remain soft. Retail recovery will be much more protracted as its worst hit. Balance sheet remains comfortable with net D/E of ~0.1x.

- 1QFY21 Highlights:** Consolidated revenue/EBITDA/PAT stood at Rs 5,486/17/(707)mn. EBITDA margin slumped to 0.3% (-1769/-1838bps YoY/QoQ). Quarterly fixed cash outgo as part of other expenses has come down by 33% to Rs 1bn vis-à-vis Rs ~1.5bn earlier run-rate, partially offsetting negative oplev. Net debt is stable at Rs 52bn, and is expected to remain at current levels till FY21; deleveraging is expected post that. Office rental collection efficiency is at ~95%. 100% rental waivers were extended to retail tenants for 1QFY21. It will come down to ~50% for 2QFY21. Retail rentals would come down to ~Rs 2.3bn in FY21 vs ~Rs 6.5bn in FY20. DLF wants to bring down debt/NOI to <4x by FY23, from ~5.3x currently.
- Under-construction portfolio:** 95% pre-leasing has been achieved for 2.5msf Cyber Park, with ~85% fit-outs in final stages; rent commencement from 4QFY21. The focus is to complete Phase 1 of Downtown Gurgaon & Chennai, 2msf, over the next 2 years with a combined rental potential of Rs ~4bn. Development for the 1st phase of Noida IT Park has commenced. The strategy will be to pre-lease and then organise the strata sale of the leased portfolio. Chennai Block 11/12 rentals to commence from Aug-20/Apr-21.
- Ready inventory to see delayed monetisation, new launches on track:** In a tough environment, DLF has unsold and nearing-completion inventory of Rs 89bn (vs. Rs 91bn QoQ). About ~53% high-value inventory is in DLF Phase V and, hence, it will be challenging to monetise. DLF remains committed to new launches of mid-income housing and plotted independent floors; launches of 10mn sqft being planned by FY21. DCCDL annual capex and dividend run-rate (Rs ~8-10bn each) will halve in FY21.

Financial summary

| YE Mar (Rs mn) | 1Q FY21 | 1Q FY20 | YoY (%) | 4Q FY20 | QoQ (%) | FY19 | FY20 | FY21E | FY22E |
|------------------|------------|------------|------------|------------|------------|--------|--------|--------|--------|
| Net Sales | 5,486 | 13,312 | (58.8) | 16,942 | (67.6) | 83,661 | 60,828 | 40,289 | 36,260 |
| EBITDA | 17 | 2,397 | (99.3) | 3,167 | (99.5) | 21,415 | 11,351 | 7,273 | 6,428 |
| APAT | (707) | 1,183 | (159.7) | 3,889 | (118.2) | 11,911 | 9,928 | 7,774 | 10,990 |
| Diluted EPS (Rs) | (0.3) | 0.5 | (159.7) | 1.6 | (118.2) | 4.8 | 4.0 | 3.1 | 4.4 |
| P/E (x) | | | | | | 29.7 | 35.7 | 45.5 | 32.2 |
| EV / EBITDA (x) | | | | | | 22.5 | 34.6 | 56.3 | 63.2 |
| RoE (%) | | | | | | 3.5 | 2.9 | 2.2 | 3.1 |

Source: Company, HSIE Research

BUY

| | |
|------------------------|--------|
| CMP(as on 06 Aug 2020) | Rs 143 |
| Target Price | Rs 219 |
| NIFTY | 11,200 |

| KEY CHANGES | OLD | NEW |
|--------------|--------|--------|
| Rating | BUY | BUY |
| Price Target | Rs 224 | Rs 219 |
| EPS Change % | FY21E | FY22E |
| | - | - |

KEY STOCK DATA

| | |
|-----------------------------|------------|
| Bloomberg code | DLFU IN |
| No. of Shares (mn) | 2,475 |
| MCap (Rs bn) / (\$ mn) | 353/4,712 |
| 6m avg traded value (Rs mn) | 1,724 |
| 52 Week high / low | Rs 267/115 |

STOCK PERFORMANCE (%)

| | 3M | 6M | 12M |
|--------------|--------|--------|--------|
| Absolute (%) | 9.8 | (42.1) | (15.2) |
| Relative (%) | (10.2) | (34.1) | (18.1) |

SHAREHOLDING PATTERN (%)

| | Mar-20 | Jun-20 |
|-----------------|--------|--------|
| Promoters | 74.95 | 74.95 |
| FIs & Local MFs | 1.76 | 1.76 |
| FPIs | 18.33 | 18.54 |
| Public & Others | 4.96 | 4.75 |
| Pledged Shares | - | - |

Source : BSE

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Disclosure:

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