

BSE SENSEX
62,626

S&P CNX
18,643



Bloomberg	DLFU IN
Equity Shares (m)	2,475
M.Cap.(INRb)/(USDb)	1033.6 / 12.6
52-Week Range (INR)	430 / 295
1, 6, 12 Rel. Per (%)	5/14/-1
12M Avg Val (INR M)	2233

Financials & Valuations (INR b)

Y/E MARCH	2022	2023E	2024E
Sales	57.2	58.9	78.5
EBITDA	17.4	17.0	27.0
EBITDA Margin (%)	30.5	28.9	34.5
Adj PAT	16.6	21.5	47.7
Cons. EPS (Rs)	6.7	12.0	26.7
EPS Growth (%)	540.2	159.7	298.1
BV/Share (Rs)	203.8	211.7	234.3

Ratios

Net D:E	0.1	0.0	0.0
RoE (%)	4.6	5.8	12.0
RoCE (%)	3.5	3.5	5.6
Payout (%)	33.0	34.6	15.6

Valuations

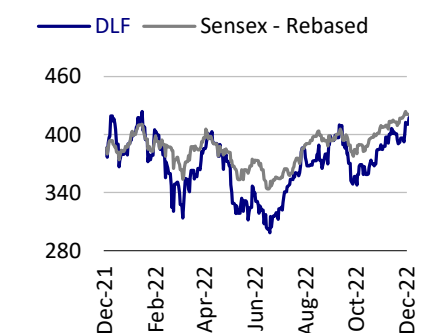
P/E (x)	58.9	32.9	14.8
P/BV (x)	1.9	1.9	1.7
EV/EBITDA (x)	58.1	41.6	25.9
Div. Yield (%)	0.5	1.1	1.1

Shareholding pattern (%)

As On	Sep-22	Jun-22	Sep-21
Promoter	75.0	75.0	75.0
DII	4.8	4.6	3.0
FII	14.9	14.9	17.0
Others	5.4	5.6	5.1

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR414

TP: INR425 (+2%)

Neutral

Decoding the near-term launch pipeline

To deliver 25% pre-sales CAGR over FY22-24E

Low rise dominated the launch pipeline over the last 24 months

- In FY21, DLF identified a project pipeline of 35msf across different segments to be launched in New Delhi, Gurugram, Chennai, Panchkula and Goa where it continued to hold legacy land parcels.
- Except ONE Midtown, Delhi, the new launches for DLF since FY21 have largely comprised low-rise floors/plotted developments across its value homes/luxury segments in Gurugram, Chennai and Panchkula.
- Over the last 24 months, DLF has launched ~9msf of low-rise products with sales potential of ~INR100b of which it has already sold INR76b, including sales done but yet to be booked as of Sep'22.
- The company has largely exhausted its launch pipeline in the luxury floors segment and would bank upon the success of ONE Midtown, to launch high-rise luxury projects in key markets.

High-rise projects to take over the new launch baton from here on

- Starting 2HFY23, DLF's launch pipeline of 12.5msf for the next 18 months is expected to be skewed towards high-rise projects having saleable potential of 6.5msf worth INR160b.
- High-rise projects in FY23 include the first phase of the new project at Sector 63, Gurugram (Phase 1: ~2msf), likely to be launched in 4QFY23 along with release of inventory in existing towers of ONE Midtown as well as launch of a new tower D.
- In FY24E, DLF will launch the second phase at Sector 63 (~1.5msf) and ONE Midtown (2.0msf) and a new high-rise project at Chennai (~1msf).
- Launches in independent floors include a portion (~2.0-2.5msf) of the 4.4msf expected to be launched in Panchkula and New Gurugram and the balance might be planned as high rise along with a small phase in DLF City (~0.3msf).
- Feedback from brokers suggests, response to the high-rise projects especially in Gurugram is likely to be strong as it will be the first high rise project in Gurugram after a gap of 7-8 years (Ultima in FY18 being a re-launch).
- Cumulatively, DLF will launch INR190b of projects over the next 18 months and will contribute INR50b/INR60b to pre-sales in FY23/FY24E; we now expect DLF to clock INR90b/INR110b of pre-sales in FY23/24, respectively.
- The company is working on a few more projects beyond the existing pipeline and will likely launch Crest II in DLF V in FY24E, which is not incorporated in our FY24E pre-sales yet and will likely be an upside risk to our estimates.

Commercial portfolio to witness 16% CAGR in rentals over FY22-25E

- On the DevCo side, Noida IT Park (0.8msf: 0.3msf pre-leased and 0.5msf to be leased) will start generating rent from FY24E. While the ground work on Hines JV/Goa Mall has already begun, rental timelines are beyond FY24.

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- The first phase at Downtown Gurugram commenced operations in 2QFY23 with 100% pre-leasing. DLF further has 5.3msf of project under-construction across Downtown Gurugram (2.0msf) and Chennai (3.3msf), of which 1.6msf (30%) is pre-leased.
- The first phase of Chennai office blocks (2msf) will be completed in FY24E and the balance area, which is leased to Standard Chartered, is scheduled to be completed by FY25E. Similarly, the second phase of Downtown, Gurugram is expected to be completed by 2HFY25E.
- We expect DLF Cyber City Developers Limited (DCCDL)'s commercial portfolio to register 16% CAGR in rentals to INR52b over FY22-25 and given the completion timelines of key assets, the portfolio will continue to deliver consistent growth beyond FY25E.

Valuation and view

- We raise our FY23E/FY24E pre-sales by 4%/22%, respectively, to incorporate higher realizations and anticipated stronger responses to new launches in FY24E.
- We roll-forward the valuation for commercial assets to Sep'24E and incorporate higher blended rentals for the balance potential in Downtown Gurugram due to planned development of the 3-4msf mall. Thus, we raise our SOTP-based TP to INR425 (from INR380), implying 7% upside potential.
- While we remain confident on DLF's growth trajectory in both its residential and commercial businesses, a large part of it appears to be already priced in. Thus, the implied value of land remains the only key metric for any further upside on the stock.
- At current valuations, the surplus land in DLF and DCCDL is valued at INR522b, which is closer to our estimated value of INR545b assuming 19 years of development timeline for DLF's 151msf land and 13 years for DCCDL's 25msf land, which is fair in our view. **We reiterate our Neutral rating** on the stock.

Key exhibits

Exhibit 1: Strong launch pipeline to help in maintaining the sales momentum

Projects	Location	Size	Launch timeline				
			Till FY22	1HFY23	2HFY23	FY24	FY24 & beyond
DLF - GIC Residential JV	Central Delhi	8.0	2.1	0.0	0.0	2.0	4.0
DLF - Hines/ADIA Office JV	Gurugram	3.0	0.0	0.0	0.0	0.0	3.0
Value Homes	Gurugram/Tricity/ Chennai/Goa	9.0	2.3	2.6	0.6	4.4	0.0
Commercial	DLF 5/New Gurugram/Delhi	2.0	0.0	0.6	0.1	0.0	1.3
NOIDA IT Park	Noida	3.5	0.0	0.0	0.3	0.0	3.2
Premium/Luxury Housing	DLF City/New Gurugram/Chennai	10.0	3.1	1.3	2.0	3.0	0.0
Total		35.5	7.5	4.5	3.1	9.4	11.5

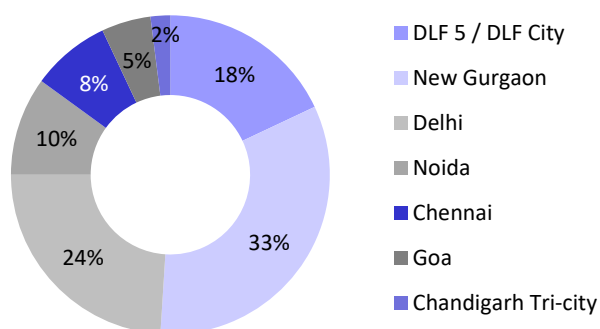
Source: Company, MOFSL

Exhibit 2: DLF's launch pipeline over the next 18 months has a GDV potential of INR190b

Project	Category	Launches (msf)		Value (INR b)	
		2HFY23	FY24	2HFY23	FY24
Panchkula floors	Premium/Value homes	0.6	2.2	5	22
New Gurugram	Premium/Value homes		2.2	-	22
Sector 63 High rise	Luxury	2.0	1.5	40	38
Chennai High rise	Luxury		1.0	-	10
Goa Villas	Luxury		0.3	-	3
Gurugram floors	Luxury		0.2	-	3
One Midtown	Luxury		2.0	-	50
		3.0	9.0	45	148

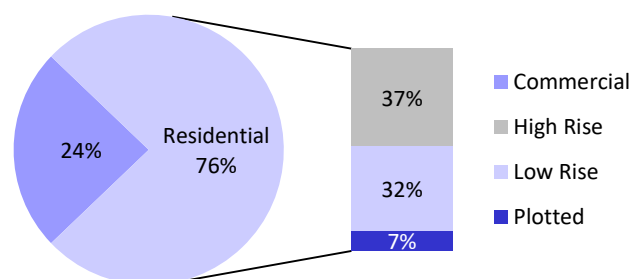
Source: Company, MOFSL

Exhibit 3: Around 85% of its projects are in its home market of Delhi NCR, with launches planned in Chennai, Chandigarh, and Goa



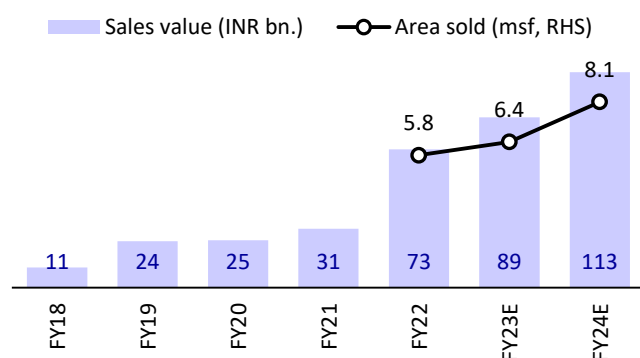
Source: Company, MOFSL

Exhibit 4: Having diverse projects across fast turnaround low-rise as well as flagship premium high-rise products



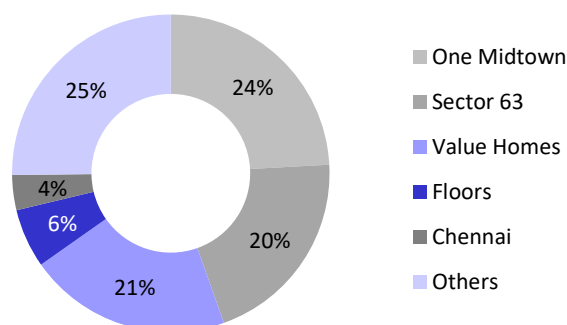
Source: Company, MOFSL

Exhibit 5: Expect to deliver 25% CAGR on pre-sales over FY22-24

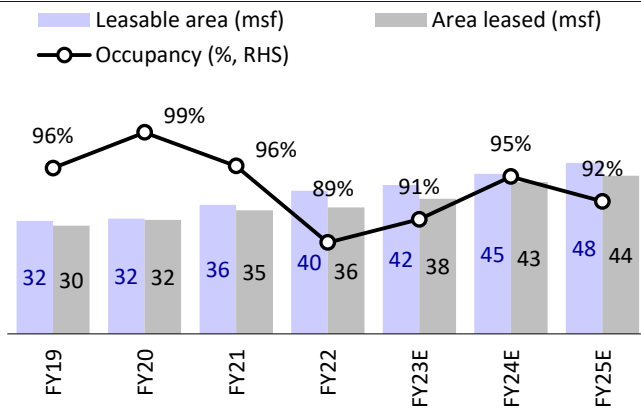


Source: Company, MOFSL

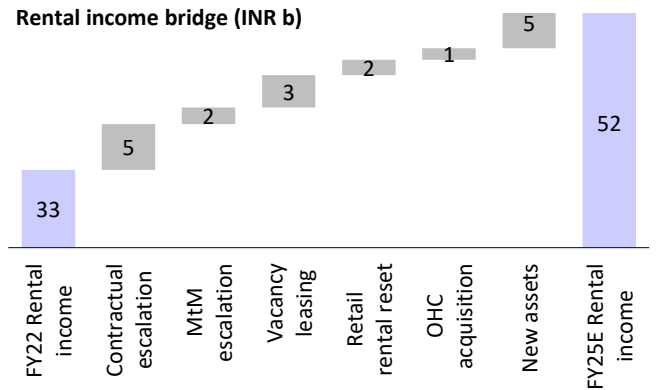
Exhibit 6: Expect to generate over 50% of sales in FY24 from the high-rise luxury projects



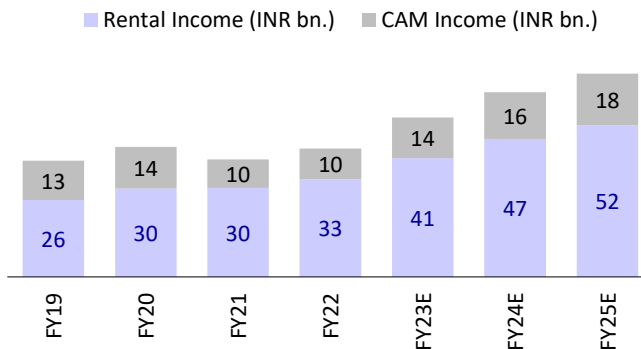
Source: Company, MOFSL

Exhibit 7: Occupancy to gradually improve over FY22-25E

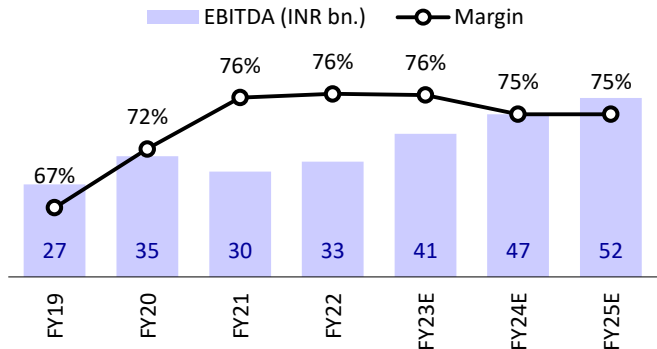
Source: Company, MOFSL

Exhibit 8: Expect rentals to post 16% CAGR to INR52b through FY25

Source: Company, MOFSL

Exhibit 9: Expect lease income to grow to INR70b, at 17% CAGR, as CAM income recovers

Source: MOFSL, Company

Exhibit 10: Expect margin to normalize at ~75% with EBITDA recording 16% CAGR to INR52b

Source: MOFSL, Company

Exhibit 11: Our SoTP-based valuation for DLF denotes an upside potential of 2%; maintain Neutral

Segment	Rationale	Value (INR b)	Per share	As a percentage of NAV	As a percentage of CMP
DLF – DevCo		523	211	50%	53%
Residential – completed projects	❖ Inventory of INR56b + receivables of INR23b – pending construction cost of INR4b discounted over three-to-four years at a WACC of 12.6%	39	16	4%	4%
Upcoming launches	❖ Launch pipeline of ~35msf, with a revenue potential of INR360b (DLF's stake) at a 50-55% cash flow margin, discounted over seven-to-eight years at 12.6% WACC	134	54	13%	14%
Commercial – operational	❖ Dec'23E EBITDA of ~INR3b at a cap rate of 8%	34	14	3%	3%
Landbank – development	❖ Carries a book value of ~INR150b and recorded in the inventory	316	128	30%	32%
DLF Cyber City Developers (DCCDL)		658	266	62%	67%
Commercial – operational	❖ Dec'23E EBITDA of ~INR43b at a cap rate of 8%	398	161	38%	41%
Commercial – upcoming	❖ Based on a 10-year DCF and the terminal value calculated at a 5% LTG rate and discounted using a WACC of 9.5%	31	12	3%	3%
Land bank – DCCDL	❖ Carries a book value of ~INR77b at DLF's stake	229	93	22%	23%
Total GAV		1,181	477	112%	120%
Less: Net debt		(128)	(52)	(12%)	(13%)
Total NAV		1,053	425	100%	107%
No. of shares (m)		2475			
NAV per share		425			
CMP		416			
Upside potential		2%			

Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement

	(INR m)						
Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Total Income from Operations	83,661	60,828	54,141	57,174	58,927	78,454	66,112
Change (%)	24.7	-27.3	-11.0	5.6	3.1	33.1	-15.7
Total Expenditure	62,246	49,478	39,963	39,748	41,899	51,411	35,568
% of Sales	74.4	81.3	73.8	69.5	71.1	65.5	53.8
EBITDA	21,415	11,350	14,178	17,426	17,028	27,044	30,545
Margin (%)	25.6	18.7	26.2	30.5	28.9	34.5	46.2
Depreciation	2,246	2,003	1,595	1,494	1,543	1,594	1,644
EBIT	19,169	9,347	12,583	15,932	15,485	25,450	28,901
Int. and Finance Charges	20,619	14,269	8,534	6,246	3,706	1,351	111
Other Income	7,906	8,054	5,308	4,205	3,536	5,100	4,297
PBT bef. EO Exp.	6,457	3,131	9,358	13,891	15,314	29,199	33,087
EO Items	0	3,403	-962	-2,244	0	0	0
PBT after EO Exp.	6,457	6,535	8,396	11,647	15,314	29,199	33,087
Total Tax	2,774	21,327	3,623	3,210	3,853	7,346	8,325
Tax Rate (%)	43.0	326.4	43.2	27.6	25.2	25.2	25.2
Minority Interest	-9,509	-8,960	-6,163	-6,567	-10,029	-25,856	-15,672
Reported PAT	13,192	-5,832	10,936	15,004	21,490	47,709	40,435
Adjusted PAT	13,192	1,872	11,483	16,629	21,490	47,709	40,435
Change (%)	-70.4	-85.8	513.4	44.8	29.2	122.0	-15.2
Margin (%)	15.8	3.1	21.2	29.1	36.5	60.8	61.2

Consolidated - Balance Sheet

	(INR m)						
Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	4,414	4,951	4,951	4,951	4,951	4,951	4,951
Total Reserves	3,23,850	3,39,517	3,48,489	3,58,672	3,72,736	4,13,019	4,46,028
Net Worth	3,35,765	3,44,467	3,53,439	3,63,623	3,77,687	4,17,969	4,50,978
Minority Interest	406	184	203	195	195	195	195
Total Loans	1,72,225	81,025	66,634	41,818	22,542	910	1,021
Deferred Tax Liabilities	-19,372	2,465	5,408	21,416	21,416	21,416	21,416
Capital Employed	4,89,024	4,28,142	4,25,684	4,27,051	4,21,838	4,40,490	4,73,610
Gross Block	58,295	23,642	21,313	21,780	23,380	24,980	26,580
Less: Accum. Deprn.	5,170	7,171	7,730	9,224	10,768	12,361	14,005
Net Fixed Assets	53,125	16,472	13,582	12,556	12,612	12,619	12,575
Investment Property	36,958	25,955	25,545	26,626	26,626	26,626	26,626
Goodwill on Consolidation	10,092	9,443	9,443	9,443	9,443	9,443	9,443
Capital WIP	1,029	887	942	811	3,786	6,161	8,536
Total Investments	1,73,089	1,85,658	1,96,455	1,97,795	2,07,824	2,33,680	2,49,352
Curr. Assets, Loans&Adv.	3,71,163	3,20,155	2,86,835	2,77,810	2,72,447	2,97,055	2,94,731
Inventory	2,20,086	2,24,862	2,10,866	2,01,075	1,77,589	1,91,300	1,90,187
Account Receivables	8,323	7,204	5,813	5,636	6,458	8,598	7,245
Cash and Bank Balance	48,554	24,204	14,069	9,316	20,635	6,935	4,742
Loans and Advances	94,201	63,884	56,087	61,783	67,766	90,223	92,557
Curr. Liability & Prov.	1,56,431	1,30,426	1,07,118	97,988	1,10,899	1,45,093	1,27,652
Account Payables	12,772	10,563	12,345	23,229	24,486	30,045	20,786
Other Current Liabilities	1,42,874	1,18,395	93,727	73,820	85,444	1,13,759	1,05,780
Provisions	785	1,469	1,046	940	969	1,289	1,087
Net Current Assets	2,14,732	1,89,728	1,79,717	1,79,822	1,61,548	1,51,962	1,67,078
Misc Expenditure	0	0	0	0	0	0	0
Appl. of Funds	4,89,024	4,28,142	4,25,684	4,27,051	4,21,838	4,40,490	4,73,609

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)							
EPS	7.4	1.0	4.6	6.7	12.0	26.7	22.7
Cash EPS	8.7	2.2	7.3	10.2	12.9	27.6	23.6
BV/Share	188.2	193.1	198.1	203.8	211.7	234.3	252.8
DPS	0.0	0.0	0.0	2.0	4.2	4.2	4.2
Payout (%)	0.0	0.0	0.0	33.0	34.6	15.6	18.4
Valuation (x)							
P/E	53.6	377.4	85.4	58.9	32.9	14.8	17.5
Cash P/E	45.8	182.3	54.0	39.0	30.7	14.3	16.8
P/BV	2.1	2.1	2.0	1.9	1.9	1.7	1.6
EV/Sales	9.9	12.5	19.1	17.7	12.0	8.9	10.6
EV/EBITDA	38.8	67.2	72.8	58.1	41.6	25.9	23.0
Dividend Yield (%)	0.0	0.0	0.0	0.5	1.1	1.1	1.1
FCF per share	8.3	1.2	6.2	10.8	21.4	6.5	0.5
Return Ratios (%)							
RoE	3.8	0.6	3.3	4.6	5.8	12.0	9.3
RoCE	3.0	2.5	2.4	3.5	3.5	5.6	5.7
RoIC	3.5	-8.7	3.3	5.3	5.7	9.9	10.7
Working Capital Ratios							
Fixed Asset Turnover (x)	1.4	2.6	2.5	2.6	2.5	3.1	2.5
Asset Turnover (x)	0.2	0.1	0.1	0.1	0.1	0.2	0.1
Inventory (Days)	960	1,349	1,422	1,284	1,100	890	1,050
Debtor (Days)	36	43	39	36	40	40	40
Creditor (Days)	56	63	83	148	152	140	115
Leverage Ratio (x)							
Current Ratio	2.4	2.5	2.7	2.8	2.5	2.0	2.3
Interest Cover Ratio	0.9	0.7	1.5	2.6	4.2	18.8	259.8
Net Debt/Equity	0.4	0.2	0.1	0.1	0.0	0.0	0.0

Consolidated - Cash Flow Statement

(INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	6,457	6,535	8,396	11,646	15,314	29,199	33,087
Depreciation	2,246	2,003	1,595	1,494	1,543	1,594	1,644
Interest & Finance Charges	17,392	9,407	5,562	6,247	171	-3,749	-4,186
Direct Taxes Paid	-2,344	-422	4,015	2,198	-3,853	-7,346	-8,325
(Inc)/Dec in WC	-241	-10,644	-7,020	7,540	29,592	-4,113	-17,310
CF from Operations	23,510	6,879	12,547	29,124	42,767	15,584	4,910
Others	-3,080	-3,322	2,055	-806	0	0	0
CF from Operating incl EO	20,430	3,557	14,602	28,318	42,767	15,584	4,910
(Inc)/Dec in FA	-5,687	-1,386	692	-1,484	-4,575	-3,975	-3,975
Free Cash Flow	14,743	2,170	15,294	26,833	38,192	11,609	935
(Pur)/Sale of Investments	7,325	-9,571	-5,318	4,085	0	0	0
Others	-5,048	76,038	6,131	29	3,536	5,100	4,297
CF from Investments	-3,410	65,081	1,505	2,630	-1,039	1,125	322
Issue of Shares	30,942	32,374	5,087	0	0	0	0
Inc/(Dec) in Debt	-3,693	-95,349	-17,459	-26,785	-20,000	-22,000	0
Interest Paid	-16,775	-23,819	-7,202	-6,328	-2,983	-982	0
Dividend Paid	-1,696	-8,077	-1,987	-4,969	-7,426	-7,426	-7,426
Others	-25	-347	-276	-200	0	0	0
CF from Fin. Activity	8,754	-95,218	-21,838	-38,282	-30,409	-30,408	-7,426
Inc/Dec of Cash	25,775	-26,580	-5,731	-7,335	11,318	-13,700	-2,193
Opening Balance	22,779	42,663	16,084	10,353	3,018	14,337	637
Closing Balance	48,554	16,084	10,353	3,018	14,337	637	-1,556

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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