

DLF

Presales momentum to remain strong

DLF recorded its highest-ever annual and quarterly presales of INR 150.6bn (+107% YoY) and INR 84.5bn (+210%/+237% YoY/QoQ) resp., beating its annual guidance of INR 80bn. This was on the back of strong demand for its luxury project—The Arbour (launched and sold out in Q4FY23)—which recorded presales of more than INR 80bn. For FY24, it expects to achieve at least INR 110bn in presales backed by 11.2msf of launches with a sales potential of INR 197bn. Of this, 5msf will be in the Luxury segment with 3.5msf in DLF Phase V and 1.5msf in Chennai. Net debt reduced significantly to INR 7.2bn (vs INR 20.9bn in Q3FY23), on the back of strong residential collection of INR 18bn (+52%/+41% YoY/QoQ) during Q4FY23. It expects to grow residential collection by 20-25% in FY24 (INR 53bn in FY23) with free cash earmarked for growth, dividend payout and debt reduction. Given (1) the strong presales momentum supported by price hikes; (2) robust launch plans; and (3) an expected increase in office occupancy levels, we maintain BUY on DLF, with an increased TP of INR 504/share.

■ **Q4FY23 financial highlights:** Revenue came in at INR 14.5bn (-5.9%/-2.6% YoY/QoQ, a beat of 2.5%). EBITDA was INR 3.9bn (+8.4%/-16.5% YoY/QoQ, a miss of 12.5%, on account of higher-than-expected material cost). EBITDA margin came in at 27.4% (+360/-457 bps YoY/QoQ, vs 32% est.). The share of profits and associates & JVs: INR 2.8bn (+57%/+29% YoY/QoQ). RPAT/APAT was INR 5.7bn (+41%/+10% YoY/QoQ, a beat of 14.7%). DCCDL revenue was INR 14.2bn (+20%/5% YoY/QoQ). EBITDA was INR 10.8bn (+21%/+2% YoY/QoQ) and PAT was at INR 3.9bn (+37%/9% YoY/QoQ).

■ **Highest ever presales:** Presales for Q4FY23 were the highest ever in any quarter at INR 84.5bn (+210%/+237% YoY/QoQ). For FY23, presales were also the highest ever at INR 150.6bn (+107% YoY) vs. the guidance of INR 80bn. 90% of the FY23 presales were from new products. This robust booking during the quarter was on the back of strong demand for its luxury project—The Arbour in Gurugram—which was launched and sold out during the quarter; registering presales of INR 80bn plus. For FY24, management expects to achieve presales of at least INR 110bn on the back of 11.2msf of launches with a sales potential of INR 197bn (10.1msf was launched in FY23 with sales potential of INR 146bn) and INR 74bn of inventory. Within the DCCDL office portfolio, occupancy was flat at 89%. DCCDL portfolio rental in Q4FY23 grew to INR 10.5bn (+21%/+5% YoY/QoQ); for FY23, it was INR 39.6bn (+16% YoY). For FY24, exit rental is expected between INR 48-49bn. SEZs contributed c.30% to the office rentals and less than 20% to the overall rentals. Leasing is healthy in non-SEZ office spaces. Management expects the leasing in SEZs to improve in 3-4 quarters post-implementation of the DESH bill.

■ **Net debt reduced significantly with higher cash collection:** Net debt decreased to INR 7.2bn (vs INR 20.9bn in Q3FY23), on the back of strong residential collection of INR 18bn (+52%/+41% YoY/QoQ) during Q4FY23. Overall cash surplus was strong at INR 13.7bn, which includes INR 4.1bn of dividends from DCCDL. INR80bn). For FY23, the residential collection stood at INR53bn (+19% YoY) and is expected to grow by 20-25% YoY in FY24. Gross debt, however, inched up to INR 38.4bn, from INR 36bn in Q3FY23.

Consolidated financial summary (INR mn)

Particulars	4QFY23	4QFY22	YoY (%)	3QFY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	14,561	15,473	(5.9)	14,948	(2.6)	57,174	56,948	68,395	73,267
EBITDA	3,984	3,675	8.4	4,772	(16.5)	17,426	17,259	21,631	23,704
APAT	5,696	4,055	40.5	5,179	10.0	16,664	20,340	22,669	26,143
EPS (INR)	2.3	1.6	40.5	2.1	10.0	6.1	7.7	9.2	10.6
P/E (x)						71.9	56.6	47.6	41.3
EV/EBITDA (x)						63.7	64.3	50.8	45.9
RoE (%)						4.2	5.5	5.9	6.5

Source: Company, HSIE Research

BUY

CMP (as on 12 May 23)	INR 436
Target Price	INR 504
NIFTY	18,315

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 450	INR 504
EPS %	FY24E	FY25E
	-	-

KEY STOCK DATA

Bloomberg code	DLFU IN
No. of Shares (mn)	2,475
MCap (INR bn) / (\$ mn)	1,079/13,195
6m avg traded value (INR mn)	1,590
52 Week high / low	INR 440/295

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	20.6	8.8	35.3
Relative (%)	18.4	8.5	18.1

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	74.95	74.95
FIs & Local MFs	5.09	5.22
FPIs	14.84	14.66
Public & Others	5.12	5.17
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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Disclosure:

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