

DLF

In-line performance; MMR re-entry

DLF recorded decent presales of INR 20.4bn (+0/-76% YoY/QoQ), given there were no new launches during the quarter. It announced its re-entry into the MMR market with a slum rehabilitation project in Andheri. The total project size is expected to be around 3.5msf with DLF executing the first phase with a saleable area of 0.9msf and GDV of around INR 20bn+. This project is getting executed under a JV with the DLF share at 51%. DLF has already invested INR 4bn for the entire project in a convertible instrument which eventually will get converted to equity. The project is expected to be a normal high-rise premium project. For FY24, it reiterated guidance of INR 120-130bn in total 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 570mn (vs INR 7.2bn in Q4FY23) on the back of a strong collection of INR 15.7bn (+47%/-18% YoY/QoQ). The cash position is strong at INR 30bn, 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 a TP of INR 504/share.

■ **Q1FY24 financial highlights:** Revenue came in at INR 14.2bn (-1.3%/-2.3% YoY/QoQ, a miss of 2.3%). Gross margin was low at 51.6% (-172/-567bps YoY/QoQ), mainly due to the project mix. EBITDA was INR 3.96bn (-4.2%/-0.5% YoY/QoQ, a miss of 6.9% on account of higher-than-expected material cost). EBITDA margin came in at 27.8% (-86/+48 bps YoY/QoQ, vs 29.2% est.). The share of profits and associates & JVs: INR 2.5bn (+20%/-11% YoY/QoQ). RPAT/APAT was INR 5.3bn (+12%/-7.6% YoY/QoQ, a miss of 5.1%). DCCDL revenue was INR 14.1bn (+12%/-1% YoY/QoQ). EBITDA was INR 10.9bn (+13%/-1% YoY/QoQ) and PAT was at INR 3.9bn (+21%/-1% YoY/QoQ). For FY24, DLF expects to maintain a gross margin of 50% plus.

■ **Stable presales without new launches:** Presales were INR 20.4bn (+0/-76% YoY/QoQ), all from launched inventory. Top contributing projects during the quarter were mainly One Midtown with INR 6.6bn and The Camellias with INR 5.6bn in presales. For FY24, management maintained the presales guidance of INR 120-130bn 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 56bn of unsold inventory. Within the DCCDL office portfolio, occupancy was flat at 89%. DCCDL portfolio rental in Q1FY24 was INR 10.5bn (+12%/-1% YoY/QoQ). For FY24, exit rental is expected at INR 50bn and INR 56-57bn for FY25. Non-SEZ vacancies are expected to reduce to pre-Covid levels by the end of FY24.

■ **Net debt reduced significantly with higher cash collection:** Net debt decreased significantly to INR 570mn (vs INR 7.2bn in Q4FY23) on the back of a strong collection of INR 15.7bn (+47%/-18% YoY/QoQ) during Q1FY24. Overall cash surplus generated was strong at INR 6.7bn with INR 30bn of cash in hand. This will be used in growth opportunities and surplus for dividend distribution.

Consolidated financial summary (INR mn)

Particulars	Q1FY24	Q1FY23	YoY (%)	Q4FY23	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	14,232	14,416	(1.3)	14,561	(2.3)	57,174	56,948	68,395	73,267
EBITDA	3,962	4,137	(4.2)	3,984	(0.5)	17,426	17,259	21,631	23,704
APAT	5,261	4,692	12.1	5,696	(7.6)	16,664	20,339	22,668	26,142
EPS (INR)	2.1	1.9	12.1	2.3	(7.6)	6.1	8.2	9.2	10.6
P/E (x)						81.8	60.3	54.2	47.0
EV/EBITDA (x)						63.7	72.2	71.6	57.2
RoE (%)						4.2	5.5	5.9	6.5

Source: Company, HSIE Research

BUY

CMP (as on 24 Jul 2023)	INR 494
Target Price	INR 504
NIFTY	19,672

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

KEY STOCK DATA

Bloomberg code	DLFU IN
No. of Shares (mn)	2,475
MCap (INR bn) / (\$ mn)	1,222/14,946
6m avg traded value (INR mn)	2,064
52 Week high / low	INR 518/337

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	20.1	35.3	37.1
Relative (%)	9.6	26.5	18.7

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	74.95	74.95
FIs & Local MFs	5.22	4.87
FPIs	14.66	15.30
Public & Others	5.17	4.88
Pledged Shares	-	-

Source: BSE

Pledged shares as % of total shares

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Disclosure:

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