# Q2FY25 Result Update
# DLF

## Lack of launches impacts bookings, pipeline remains strong

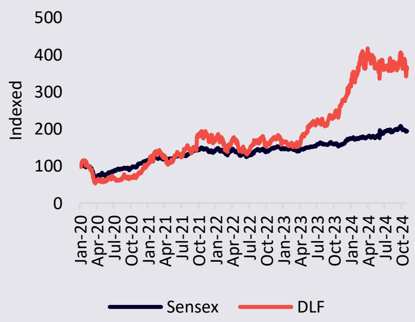
**DLF (DLFU) delivered muted (down 69% YoY) pre-sales of INR692cr due to a lack of launches on account of delays in approvals and limited inventory in ongoing projects (INR2,061cr). With a spillover of launches, it has amassed a launch pipeline of 12mn sq. ft. for the rest of FY25, with a GDV of INR41,000cr. Driven by a strong line-up and buoyant market dynamics, we are confident it will surpass its guided pre-sales of INR17,000cr in FY25. Beyond FY25, it has chalked out launches worth INR63,500cr (25mn sq. ft.), ensuring continuity in growth.**

**Collections were stable YoY at INR2,370cr, with a 2% fall in operating cash flow to INR1,211cr. Led by a robust OCF of ~INR5,273cr over the last 12 months and limited capex of ~INR1,879cr in new projects, net cash improved to INR2,832cr from INR141cr YoY. Revenue from its annuity portfolio under DCCDL grew 13% YoY to INR1,553cr on better rental rates and a 6% rise in the leasable area.**

**We are upbeat on DLFU's growth story given its robust launch pipeline, favourable dynamics in its home turf, brand recall, improving annuity income, and market consolidation. We revise our TP to INR1,081 (earlier INR1,087). Maintain 'BUY'.**

**CMP: INR829**
**Rating: BUY**
**Target price: INR1,081**
**Upside: 30%**
Date: October 31, 2024

| Bloomberg: | DLFU:IN |
|---|---|
| 52-week range (INR): | 558/967 |
| Shares in issue (cr): | 247.5 |
| M-cap (INR cr): | 2,05,216 |
| Promoter holding (%) | 74.08 |




### Pre-sales hit by lack of launches, pipeline robust

Owing to the lack of key launches and limited inventory in its ongoing and completed projects, pre-sales fell 69% YoY to INR692cr in Q2FY25. The Camellias/One Midtown/Chandigarh Tricity/ other projects contributed INR181cr/INR175cr/INR80cr/INR256cr to pre-sales. In H2FY25, it has planned four key launches (two in Gurugram and one each in MMR and Goa) with a total saleable area of 12mn sq. ft. and GDV of INR41,000cr. Beyond FY25, it plans to launch 25mn sq. ft. (INR63,500cr). In total, projects worth ~INR104,500cr (37mn sq. ft.) are to be launched in the next four years. It has a land bank of 131mn sq. ft. for which it is yet to finalise development plans. Overall, we are confident in DLFU's ability to deliver sustainable growth.

### Steady growth in leasing revenue on healthy occupancy and addition of leasable area

Revenue for DCCDL grew 13% YoY to INR1,653cr in Q2FY25, with a 11% rise in rental income to INR1,185cr on better rental rates and an increase in the leasable area. Net leasing in the last 12 months stood at 2.54mn sq. ft. Retail/office revenue grew 4%/12% YoY on higher consumption/ new net leases. Retail/office occupancy was flat/up 100bp YoY at 98%/92%. EBITDA grew 14% YoY to INR1,264cr, with a margin of 76.5% (versus 75.8% YoY). Revenue/EBITDA for DCCDL grew 6% each QoQ in a marginally higher leased area. Pre-leasing of under-development properties (Downtown Gurugram/Chennai: 2mn sq, ft./1.1mn sq. ft.) stood at 94% (versus 85% QoQ). We expect rental income from these properties to commence from May 2025. The management expects consolidated exit rentals of INR5,300cr/INR6,800cr in FY25/FY26.

### DevCo's cash position remains robust

With steady construction across projects, collections were stable YoY at INR2,370cr, with a marginal 2% decline in OCF to INR1,211cr. Collections/OCF dipped 20%/35% QoQ on lower pre-sales/higher construction and selling costs. Net cash in the DevCo was stable QoQ at INR2,832cr despite a net dividend outflow of INR1,163cr. Cost of debt was flat QoQ at 8.3%. Net debt in DCCDL fell 2% QoQ to INR17,203cr.

### Maintain 'BUY' with a SoTP-based TP of INR1,081

We remain upbeat on DLFU's growth prospects on strong sectoral tailwinds (industry-wide consolidation, record low inventory in its home market, and greater preference for branded luxury inventory), an extensive launch pipeline, and expansion in its annuity portfolio. A strong Balance Sheet, with consistent cash flow, lends comfort. We revise our TP to INR1,081 (INR1,087 earlier). Maintain 'BUY'.

**Key financials**

| Year to March (INR cr) | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| Revenue | 6,427 | 7,794 | 8,653 | 9,271 |
| EBITDA | 2,124 | 2,884 | 3,570 | 4,003 |
| Adjusted profit | 2,727 | 3,576 | 4,326 | 4,754 |
| Diluted EPS (INR) | 11.0 | 14.4 | 17.5 | 19.2 |
| EPS growth (%) | 34.0 | 31.1 | 21.0 | 9.9 |
| RoE (%) | 7.1 | 8.8 | 10.0 | 10.2 |
| P/E ratio (x) | 86.1 | 57.4 | 47.4 | 43.2 |
| P/B ratio (x) | 6.0 | 4.9 | 4.6 | 4.2 |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**Lack of launches impact bookings, pipeline remains strong**

## Q2FY25 result highlights

| (INR cr) | Q2FY25 | Q2FY24 | YoY (%) | Q1FY25 | QoQ (%) |
|---|---|---|---|---|---|
| Net sales | 1,975 | 1,348 | 47 | 1,362 | 45 |
| Cost of land | 1,080 | 580 | 86 | 662 | 63 |
| Employee expense | 165 | 124 | 33 | 164 | 1 |
| Other expenses | 228 | 182 | 25 | 308 | (26) |
| Operating expenses | 1,473 | 885 | 66 | 1,134 | 30 |
| EBITDA | 502 | 462 | 9 | 229 | 120 |
| Depreciation | 38 | 37 | 2 | 37 | 1 |
| EBIT | 464 | 425 | 9 | 191 | 143 |
| Interest | 94 | 90 | 4 | 101 | (8) |
| Other income | 206 | 129 | 60 | 367 | (44) |
| PBT | 577 | 464 | 24 | 458 | 26 |
| Tax | (467) | 112 | (516) | 118 | (494) |
| PAT | 1,043 | 352 | 197 | 339 | 208 |
| Minority interest after net profit | 0 | (1) | n.m. | (1) | n.m. |
| Share of profit/loss from associate company | 338 | 270 | 25 | 305 | 11 |
| PAT after minority interest and associate's share | 1,381 | 623 | 122 | 646 | 114 |
| Exceptional items | - | - | - | - | - |
| Reported PAT | 1,381 | 623 | 122 | 646 | 114 |
| EPS | 5.6 | 2.5 | 121 | 2.6 | 114 |
| EBITDA margin (%) | 25.4 | 34.3 | | 16.8 | |
| PAT margin (%) | 69.9 | 46.2 | | 47.4 | |
| Tax rate (%) | (81) | 24.2 | | 25.9 | |

| Residential (INR cr) | Q2FY25 | Q2FY24 | YoY (%) | Q1FY25 | QoQ (%) |
|---|---|---|---|---|---|
| Pre-sales | 692 | 2,228 | (69) | 6,404 | (89) |
| Collections | 2,370 | 2,359 | 0 | 2,968 | (20) |
| Post interest operating cash flow | 1,211 | 1,230 | (2) | 1,849 | (35) |
| Net debt (residential) | (2,832) | (142) | n.m. | (2,896) | n.m. |

| Commercial (DCCDL, INR cr) | Q2FY25 | Q2FY24 | YoY (%) | Q1FY25 | QoQ (%) |
|---|---|---|---|---|---|
| Leasable area (mn sq. ft.) | 42 | 39.7 | | 41.9 | |
| Occupancy (%) | 93 | 92 | | 93 | |
| Net debt | 17,203 | 18,026 | (5) | 17,583 | (2) |
| Total revenue | 1,653 | 1,463 | 13 | 1,553 | 6 |
| Rental income | 1,185 | 1,069 | 11 | 1,238 | (4) |
| EBITDA | 1,264 | 1,109 | 14 | 1,193 | 6 |
| EBITDA margin (%) | 76.5 | 75.8 | | 76.8 | |

Lack of launches impact bookings, pipeline remains strong

## Key takeaways from the management interaction

- The management is bullish on overall demand in the residential realty space due to: i) greater preference for owning a house, ii) skew towards larger-sized luxury projects, iii) overall consolidation in the market, and iv) record low inventory levels. On the leasing side, it is seeing healthy demand after the approval of floor-wise de-notification in IT SEZs and expects occupancy levels to stay elevated. The retail segment is seeing a steady growth in consumption.
- In Q2FY25, DLFU did not launch any new project due to delays in the receipt of approvals. DLF Dahlias (a super luxury independent floor project at DLF Phase V) has received requisite approval to launch in October.
- Ongoing/completed projects contributed INR620cr/INR72cr to total bookings led by The Camellias/One Midtown (INR181cr/ INR175cr). Chandigarh Tricity/other products contributed INR80cr/INR184cr to total pre-sales.
- Few key launches in H2FY25 include: i) DLF Dahlias (~450 apartments spread over 3mn sq. ft., GDV of ~INR27,000cr, and an estimated EBITDA margin of 70%), in Q3; ii) Phase I of the Mumbai project (~1mn sq. ft. with a GDV of INR2,000–2,500cr) in Q3 or Q4; iii) a villa-development project in Goa in Q3; and iv) a new phase in DLF Privana in Q4. These launches are valued ~INR41,000cr.
- The management has guided at pre-sales of INR17,000cr in FY25 which it should comfortably surpass given the lineup of launches and the strong expression of interest for DLF Dahlias.
- As of June-end, DLFU had unsold inventory/receivables of INR2,061cr/INR19,994cr (Q1FY25: INR2,421cr/INR21,685cr) in its completed and ongoing projects. Its cash balance stood at INR6,819cr.
- Phase I of Downtown III, Chennai (~1.1mn sq. ft.) is 99% pre-leased across two tenants. The occupation certificate is likely to be received by Q3FY25 end, with rentals commencing from May 2025. The balance phases, with a leasable area of ~3.6mn sq. ft., are in the design stage and are expected to be completed in 36-40 months.
- DLFU has pre-leased 92% of the leasable area in Downtown IV, Gurugram. The occupation certificate is expected in Q3FY25, with rentals seen commencing from Q1FY26. For further phases in Downtown Gurugram (estimated leasable area of 5.5mn sq. ft.), it has started awarding construction contracts. It aims to commence/complete construction in H2FY25/36-42 months.
- For Phase I of its Atrium Place project (2.1mn sq. ft. commercial asset), DLFU expects to obtain the occupation certificate by March 2025, with rentals starting in another six months thereafter. Phase II, with a leasable area of ~0.8mn sq. ft., is slated to be completed in FY26.
- Three retail plazas (Delhi, Gurugram, and Goa), with a leasable area of 1.5mn sq. ft., are expected to turn operational by mid-FY26.
- It expects to incur a capex of INR1,800–1,900cr in DCCDL (primarily for Downtown assets), with an annual increase of ~20% till FY28. In DLFU (standalone), it estimates a capex of INR1,400cr for the three retail plazas and Atrium Place.
- Exit rentals stood at INR5,000–5,100cr in FY24. The management expects exit rentals of INR6,800cr in FY26 due to the commissioning of Downtown assets.

**Strong cash surplus aids debt repayment**

| INR cr | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25 | Q2FY25 | FY22 | FY23 | FY24 |
|---|---|---|---|---|---|---|---|---|
| **Inflows** | | | | | | | | |
| Collections from sales | 2,282 | 2,425 | 2,121 | 2,888 | 2,252 | 4,457 | 5,293 | 8,300 |
| Rentals | 76 | 90 | 84 | 80 | 118 | 195 | 357 | 354 |
| Total inflows | **2,358** | **2,515** | **2,205** | **2,968** | **2,370** | **4,652** | **5,650** | **8,654** |
| **Outflows** | | | | | | | | |
| Construction | 349 | 467 | 510 | 424 | 521 | 570 | 1,183 | 1,641 |
| Government and land charges | 417 | 485 | 126 | 334 | 150 | 469 | 453 | 1,178 |
| Overheads | 268 | 214 | 323 | 334 | 311 | 589 | 775 | 1,006 |
| Marketing and brokerage | 97 | 230 | 154 | 107 | 211 | 145 | 346 | 594 |
| Tax (net) | 6 | 9 | (18) | (60) | 2 | (200) | (61) | (1) |
| Sub-total | 1,137 | 1,405 | 1,095 | 1,139 | 1,195 | 1,573 | 2,696 | 4,418 |
| Operating cash flow | 1,221 | 1,110 | 1,110 | 1,829 | 1,175 | 3,079 | 2,954 | 4,236 |
| Finance cost (net) | (9) | 3 | 5 | (20) | (36) | 449 | 268 | 59 |
| **Operating cash flow after interest** | **1,230** | **1,107** | **1,105** | **1,849** | **1,211** | **2,630** | **2,686** | **4,177** |
| Capex outflow and others | 85 | 262 | 1,029 | 500 | 88 | 231 | 259 | 1,443 |
| Surplus/(shortfall) | 1,145 | 845 | 76 | 1,349 | 1,123 | 2,400 | 2,427 | 2,734 |
| Interim dividend | 949 | (258) | (225) | - | 1,163 | 195 | (117) | 466 |
| Repayment of capex advance | - | - | - | - | - | - | 582 | - |
| Net surplus/(shortfall) | **196** | **1,103** | **301** | **1,349** | **(40)** | **2,205** | **1,962** | **2,268** |

**Lack of launches impact bookings, pipeline remains strong**

## Valuation and view

DLFU continued to deliver healthy cash flows on the back of steady collections, thus strengthening its Balance Sheet. It enjoys a strong cash profile in the residential business. A sizeable land bank ensures growth without any major land investments. A robust pipeline in the DCCDL portfolio, healthy recovery in retail rentals, and higher occupancy in the office portfolio create a very strong annuity model. We revise our TP to INR1,081 (earlier INR1,087). Strong pre-sales and a robust launch pipeline will aid cash flows and improve its financial performance. We add a 25% premium to our NAV estimate of INR864/share. Maintain 'BUY'.

| Segment | Value (INR cr) | Per share |
|---|---|---|
| Value of the future land bank | 1,40,560 | 568 |
| Value of other rental assets | 7,194 | 29 |
| Value of ongoing projects | 32,732 | 132 |
| Less: Net debt (DLFU's share) | (3,132) | (13) |
| **DLFU's development company** | **1,83,617** | **742** |
| Value of DCCDL's rental assets | 62,285 | 252 |
| Less: Net debt | 16,280 | 66 |
| Value of DCCDL | 46,006 | 186 |
| **DLFU's share in DCCDL** | **30,364** | **123** |
| **NAV** | **2,13,981** | **864** |
| Premium/(discount) to NAV | 25% | |
| **Target price** | **2,67,476** | **1,081** |

Rationale for assigning a 25% premium to its NAV:

**i)** DLFU being a premium brand, it must command a scarcity premium.

**ii)** A robust rental portfolio that lends higher visibility of growth in its rental income.

**iii)** Ability to grow its rental portfolio through internal accruals.

**iv)** A lean Balance Sheet and an improving cash flow trajectory.

**v)** Lack of quality competitors in the NCR market.

**Lack of launches impact bookings, pipeline remains strong**

## Financials

**Income Statement** (INR cr)

| Year to March | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| Total operating income | 6,427 | 7,794 | 8,653 | 9,271 |
| Gross profit | 3,633 | 4,425 | 5,143 | 5,610 |
| Employee cost | 546 | 568 | 590 | 614 |
| Other expenses | 964 | 973 | 983 | 993 |
| EBITDA | 2,124 | 2,884 | 3,570 | 4,003 |
| Depreciation | 148 | 150 | 156 | 157 |
| Less: Interest expense | 356 | 356 | 365 | 355 |
| Add: Other income | 531 | 584 | 614 | 706 |
| Profit before tax | 3,244 | 4,319 | 5,245 | 5,808 |
| Provisions for tax | 520 | 746 | 923 | 1,058 |
| Less: Other adjustments | - | - | - | - |
| Reported profit | 2,727 | 3,576 | 4,326 | 4,754 |
| Less: Exceptional items (net) | - | - | - | - |
| Adjusted profit | 2,727 | 3,576 | 4,326 | 4,754 |
| Diluted shares outstanding | 248 | 248 | 248 | 248 |
| Adjusted diluted EPS | 11 | 14 | 17 | 19 |
| DPS (INR) | 4 | 4 | 4 | 4 |
| Tax rate (%) | 16 | 17 | 18 | 18 |
| Dividend payout (%) | 36 | 28 | 23 | 21 |

**Common size metrics as a percentage of net revenue**

| Year to March | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| Operating expenses | 67 | 63 | 58.7 | 56.8 |
| Depreciation | 2.3 | 1.9 | 1.8 | 1.7 |
| Interest expenditure | 5.5 | 4.6 | 4.2 | 3.8 |
| EBITDA margin | 33 | 37 | 41.3 | 43.2 |
| Net profit margin | 42.4 | 45.9 | 50 | 51.3 |

**Growth metrics (%)**

| Year to March | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| Revenue | 12.9 | 21.3 | 11 | 7.1 |
| EBITDA | 23 | 35.8 | 23.8 | 12.1 |
| PBT | 33.2 | 33.1 | 21.4 | 10.7 |
| Net profit | 34 | 31.1 | 21 | 9.9 |
| EPS | 34 | 31.1 | 21 | 9.9 |

**Balance Sheet** (INR cr)

| As of March 31 | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| Share capital | 495 | 495 | 495 | 495 |
| Reserves | 38,936 | 41,369 | 44,493 | 48,046 |
| Shareholders' funds | 39,431 | 41,864 | 44,988 | 48,541 |
| Minority interest | 1 | 1 | 1 | 1 |
| Borrowings | 4,599 | 4,434 | 4,222 | 4,031 |
| Trade payables | 13,313 | 14,237 | 14,979 | 15,907 |
| Other liabilities and provisions | 1,725 | 1,751 | 1,751 | 1,751 |
| **Total liabilities** | **59,069** | **62,287** | **65,942** | **70,232** |
| Net block | 2,936 | 2,971 | 3,000 | 3,028 |
| Intangible assets | 944 | 944 | 944 | 944 |
| Capital WIP | 71 | 91 | 111 | 131 |
| Total fixed assets | 3,951 | 4,006 | 4,055 | 4,103 |
| Non-current investments | 20,138 | 20,338 | 20,638 | 20,938 |
| Cash and cash equivalent | 4,384 | 6,749 | 8,169 | 10,858 |
| Sundry debtors | 538 | 701 | 779 | 834 |
| Loans and advances | 1,162 | 1,267 | 1,381 | 1,505 |
| Other assets | 28,896 | 29,226 | 30,920 | 31,993 |
| **Total assets** | **59,069** | **62,287** | **65,942** | **70,232** |

**Ratios**

| Year to March | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| RoE (%) | 7.1 | 8.8 | 10 | 10.2 |
| RoCE (%) | 5.9 | 7.3 | 8.4 | 8.9 |
| Inventory days | 2,647 | 2,289 | 2,261 | 2,264 |
| Receivable days | 31 | 29 | 31 | 32 |
| Payable days | 1,554 | 1,492 | 1,519 | 1,540 |
| Working capital (as a percentage of sales) | 266.9 | 215.6 | 207.4 | 197.1 |
| Gross debt/equity ratio (x) | 0.1 | 0.1 | 0.1 | 0.1 |
| Net debt/equity ratio (x) | 0 | (0.1) | (0.1) | (0.1) |
| Interest coverage ratio (x) | 5.5 | 7.7 | 9.4 | 10.8 |

**Valuation parameters**

| Year to March | FY24 | FY25E | FY26E | FY27E |
|---|---|---|---|---|
| Diluted EPS (INR) | 11 | 14.4 | 17.5 | 19.2 |
| Diluted P/E ratio (x) | 86.1 | 57.4 | 47.4 | 43.2 |
| Price/BV ratio (x) | 6 | 4.9 | 4.6 | 4.2 |
| EV/EBITDA ratio (x) | 110.6 | 70.4 | 56.4 | 49.6 |
| Dividend yield (%) | 0.4 | 0.5 | 0.5 | 0.5 |

Lack of launches impact bookings, pipeline remains strong

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