Q4FY24 Result Update
DLF

Strong cash flow despite higher BD, launch pipeline intensifies

DLFU delivered steady pre-sales in FY24 on a high base, with record collections and operating cash flows and strong earnings growth. Pre-sales stood at INR14,777cr (down 2% YoY) on strong response to its launches (launched 6mn sq. ft. in FY24). Nearly 83% bookings accrued from launches. In FY25, it amped up its launch pipeline to INR36,000cr (11.6mn sq. ft.) from INR32,000cr guided earlier. In Q3FY24, it had added a 29-acre (7.5mn sq. ft.) parcel with a GDV of ~INR20,000cr on Golf Course Extension Road in Gurugram.

Collections stood at a record INR8,655cr in FY24, up 53% YoY, resulting in a 68% growth in operating cash flow to INR4,385cr. Net cash strengthened to INR1,547cr from INR1,246cr QoQ. Revenue from its annuity portfolio under DCCDL grew 9% YoY to INR5,903cr aided by higher occupancy and the addition of leasable area.

In Q4FY24, pre-sales dipped 83% YoY to INR1,462cr on a high base and lack of launches. Collection/OCF grew 14%/6% YoY to INR2,205cr/INR1,105cr.

We are upbeat on DLFU's growth story given its robust launch pipeline, brand recall, favourable dynamics in its home turf, improving annuity income, and market consolidation. Led by a robust launch pipeline, steady project acquisitions, and higher sales velocity, we upgrade our TP to INR1,081 (earlier INR1,021). Maintain 'BUY'.

Steady annual pre-sales, launch pipeline intensifies on project addition

Pre-sales fell 2% YoY on a higher base to INR14,777cr in FY24. Launches (~6mn sq. ft.) constituted 82% of pre-sales, led by DLF Privana South (INR7,200cr), Chandigarh Tri-City (INR1,200cr), One Midtown (INR1,280cr), shop-cum-offices (INR1,240cr) and Independent floors (INR1,215cr). The remaining bookings were from existing projects (The Camellias/others: INR1,580cr/INR1,063cr). For FY25, it has enhanced its launch pipeline to INR36,000cr (11.6mn sq. ft.; luxury/premium/ commercial: INR33,385cr/INR2,115cr/ INR500cr) from the earlier guided INR32,000cr (10mn sq. ft.) on the back of the newly added 7.5mn sq. ft. (GDV – INR20,000cr) project in Gurugram. Post FY25, it plans to launch 25mn sq. ft. (INR58,000cr). It has a total pipeline of ~INR94,000cr (36.6mn sq. ft.), to be launched in the next four years. Additionally, it has a land bank of 132mn sq. ft. for which it is yet to finalise the development plan. Strong launch pipeline, with an extensive land bank, ensures continuity in growth.

SEZ occupancy improves, leasable area expands

DCCDL reported a revenue of INR5,903cr (up 9% YoY) in FY24, with rental income growing 9% YoY to INR4,325cr on greater office occupancy and a higher leasable area. Gross/net leasing stood at 6.7/3.5mn sq. ft. in FY24. Retail revenue grew 18% YoY on higher consumption. Office revenue grew 7% on new net leases. Office/retail occupancy improved by 300bp/100bp YoY to 92%/99%. EBITDA grew 8% YoY to INR4,484cr, with a margin of 76% (FY23: 76.5%). Pre-leasing of under-development properties (3.1mn sq, ft.) stood at 87%. Rentals from the newly commissioned Downtown Chennai is expected to flow in from Q1FY25. With the floor-wise denotification now in force, DLFU saw a 200bp QoQ improvement in occupancy of SEZ assets to 86%. We expect this improvement to continue.

Cash flows impress, DevCo's cash position strengthens further

Led by strong pre-sales, DLFU reported record collections of INR8,655cr (up 53% YoY), resulting in an annual OCF (post-interest) of INR4,177cr (up 56%). This aided the DevCo in improving its net cash position to INR1,547cr as of March 31 from INR1,246cr as of December 2023. Cost of debt rose 8bp QoQ to 8.19%. Net debt in DCCDL fell 5% YoY to INR17,903cr.

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

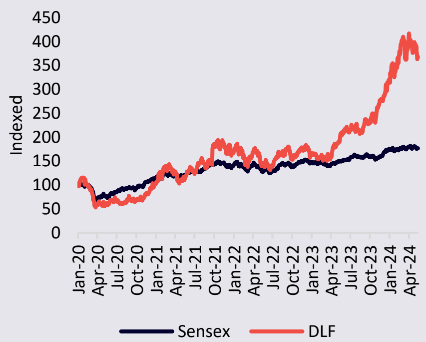
We are upbeat on DLFU's growth prospects driven by strong sectoral tailwinds (record low inventory in its home market, industry-wide consolidation, and a greater preference for branded luxury inventory), an extensive launch pipeline, and expansion of its annuity portfolio. A strong Balance Sheet, with consistent cash flow, lends comfort. We upgrade our TP to INR1,081 (from INR1,021) to account for project additions and an expanded launch pipeline. Maintain 'BUY'.

Key financials

Year to March (INR cr)	FY23	FY24	FY25E	FY26E
Revenue	5,695	6,427	6,332	7,930
EBITDA	1,726	2,124	2,186	2,913
Adjusted profit	2,036	2,727	3,054	3,860
Diluted EPS (INR)	8.2	11	12.3	15.6
EPS growth (%)	18	34	12	26.4
RoE (%)	5.5	7.1	7.6	9
P/E ratio (x)	56.9	86.1	67.1	53.1
P/B ratio (x)	3.1	6	5	4.7

CMP: INR828
Rating: BUY
Target price: INR1,081
Upside: 31%
Date: May 16, 2024

Bloomberg:	DLFU:IN
52-week range (INR):	454/986
Shares in issue (cr):	247.5
M-cap (INR cr):	2,04,946
Promoter holding (%)	74.08



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Q4FY24 result highlights

(INR cr)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Net sales	2,135	1,456	47	1,521	40
Cost of land	862	622	39	664	30
Employee expense	124	155	(20)	126	(2)
Other expenses	396	282	41	221	79
Operating expenses	1,381	1,058	31	1,010	37
EBITDA	754	398	89	511	48
Depreciation	37	36	2	38	(3)
EBIT	717	362	98	473	52
Interest	98	85	16	84	17
Other income	182	120	52	122	49
PBT	802	397	102	512	57
Tax	171	113	52	135	27
PAT	630	285	121	377	67
Minority interest after net profit	(1)	0	n.m.	(1)	n.m.
Share of profit/loss from associate company	290	285	2	279	4
PAT after minority interest and associate's share	921	570	62	657	40
Exceptional items	-	-	-	-	-
Reported PAT	921	570	62	657	40
EPS	3.7	2.3	62	2.7	40
EBITDA margin (%)	35.3	27.4		33.6	
PAT margin (%)	43.1	39.1		43.2	
Tax rate (%)	21.4	28.3		26.4	

Residential (INR cr)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Pre-sales	1,462	8,458	(83)	9,047	(84)
Collections	2,205	1,929	14	2,516	(12)
Post interest operating cash flow	1,105	1,039	6	1,108	0
Net debt (residential)	(1,547)	721	(315)	(1,246)	n.m.

Commercial (DCCDL) (INR cr)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Leasable area (mn sq. ft.)	41.9	39.6		39.7	
Occupancy (%)	93	90		92	
Net debt	17,903	18,772	(5)	18,114	(1)
Total revenue	1,553	1,428	9	1,476	5
Rental income	1,124	1,053	7	1,089	3
EBITDA	1,160	1,081	7	1,126	3
EBITDA margin (%)	74.7	75.7	(101bp)	76.3	(159bp)

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Key takeaways from the management interaction

- The management is bullish on the demand momentum in the residential real estate sector, driven by a greater preference for owning a house, skew towards larger-sized luxury inventory, rising share of organised and branded players, and overall consolidation in the market. On the leasing side, it sees an uptick in occupancy in SEZ assets as the government has approved floor-wise denotification of zones in IT SEZs. Retail leasing delivers healthy growth on improving consumption.
- In FY24, ~82% of pre-sales (~INR12,100cr) came from launches, which included: i) DLF Privana South (~INR7,200cr pre-sales; a luxury high rise development that was fully sold out at an average rate of ~INR18,000/sq. ft at its launch.), ii) projects in Chandigarh Tri-city (~INR1,200cr pre-sales; primarily premium low-rise independent floors), iii) commercial shop-cum-offices (~INR1,240cr of pre-sales), iv) One Midtown (INR1,280cr pre-sales; luxury high rise in West Delhi), and v) Independent floors in Gurugram (INR1,215cr).
- Nearly 18% of pre-sales (~INR2,660cr) came from existing projects and land parcels. The Camellias contributed INR1,580cr to total pre-sales. Around INR735cr was realised from sale of a land parcel in Chennai. The balance came from other ongoing projects.
- In Q3FY24, it added a 29-acre parcel in Gurugram's Golf Course Extension Road (Sector 61) for INR825cr, with a development potential of 7.5mn sq. ft. and an expected GDV of INR20,000cr. It plans to launch the same in multiple phases.
- Led by project addition, DLFU has enhanced its FY25 launch pipeline to 11.6mn sq. ft. (GDV - ~INR36,000cr) from 10mn sq. ft. (GDV: ~INR32,000cr) guided earlier. The luxury/premium/commercial segments will constitute 10.4mn sq. ft./1.1 mn sq. ft./0.1mn sq. ft. (GDV: ~INR33,385cr/INR2,115cr/INR500cr). Post FY25, it has lined up 25mn sq. ft. in launches with a GDV of ~INR58,000cr.
- Few of its key launches in FY25 include: i) DLF Privana West (~800 apartments) in Q1 (launched in April); ii) Luxe 5, a super luxury project located in DLF 5, in Q3 (~450 apartments spread over 3mn sq. ft.); iii) Phase I of Mumbai project (~1mn sq. ft. with a GDV of INR2,000–2,500cr) in Q3/Q4; and iv) a villa-development project in Goa in Q3.
- For FY25, it has guided at pre-sales of INR17,000cr, of which it has already achieved INR5,590cr year-to-date (DLF Privana West).
- As of March, DLFU had an unsold inventory of INR3,684cr (Q3FY24: INR4,411cr) in its completed and ongoing projects. Of the products sold till date, it has receivables of INR20,302cr and a deferred revenue of INR30,196cr.
- In the leasing segment, it commissioned Phase II of Downtown Chennai with a leasable area of 2.3mn sq. ft. Fitouts are in progress and rentals are expected to accrue from June. Occupancy stood at 89% as of March. Phase I (~1.1mn sq. ft.) is ~90% pre-leased, with rentals expected from March 2025. Phase III, with a leasable area of ~3.5mn sq. ft., is under planning. In Downtown Gurugram, Phase I (1.7mn sq. ft.) has been commissioned and is generating a rental income. Phase II (~2mn sq. ft.) is under construction, with 90% pre-leased. Rentals are expected to commence in Q1FY25. Phase III (retail/office – 2.6/5.5mn sq. ft.) is in the planning stage.
- In December 2023, floor-wise denotification of commercial offices in IT SEZs was approved. Accordingly, DLFU applied for de-notification of 0.8–0.9mn sq. ft. in its Gurugram and Silokhera SEZ assets. It intends to pay all dues by May-end, post which the inventory will be available to be leased to non-SEZ clients.
- Exit rentals stood at INR5,000–5,100cr in FY24. The management has guided at exit rentals of INR5,900–6,000cr in FY25, propelled by the commissioning of Downtown assets. It is looking at a 15% YoY growth in collections in FY25. Reported EBITDA in FY25 is expected to sustain at FY24 levels. EBITDA embedded in pre-sales is expected to inch up to 45–50% from ~40% in FY24 on higher contribution of luxury and uber luxury products to total pre-sales.

Strong cash surplus aids debt repayment

INR cr	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	FY22	FY23	FY24
Inflows								
Collections from sales	1,842	1,472	2,282	2,425	2,121	4,457	5,293	8,300
Rentals	86	104	76	90	84	195	357	354
Total inflows	**1,928**	**1,576**	**2,358**	**2,515**	**2,205**	**4,652**	**5,650**	**8,654**
Outflows								
Construction	390	315	349	467	510	570	1,183	1,641
Government and land charges	128	150	417	485	126	469	453	1,178
Overheads	194	201	268	214	323	589	775	1,006
Marketing and brokerage	98	113	97	230	154	145	346	594
Tax (net)	(2)	2	6	9	(18)	(200)	(61)	(1)
Sub-total	808	781	1,137	1,405	1,095	1,573	2,696	4,418
Operating cash flow	1,120	795	1,221	1,110	1,110	3,079	2,954	4,236
Finance cost (net)	81	60	(9)	3	5	449	268	59
Operating cash flow after interest	**1,039**	**735**	**1,230**	**1,107**	**1,105**	**2,630**	**2,686**	**4,177**
Capex outflow and others	77	67	85	262	1,029	231	259	1,443
Surplus/(shortfall)	962	668	1,145	845	76	2,400	2,427	2,734
Interim dividend	(408)	-	949	(258)	(225)	195	(117)	466
Repayment of capex advance	-	-				-	582	-
Net surplus/(shortfall)	**1,370**	**668**	**196**	**1,103**	**301**	**2,205**	**1,962**	**2,268**

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Valuation and view

DLFU delivered robust pre-sales and healthy free cash flows, strengthening its Balance Sheet. It enjoys a strong cash profile in the residential business, with a sizeable land bank to ensure growth without any major land investments. A robust pipeline in the DCCDL portfolio, aided by a healthy recovery in retail rentals and higher occupancy in the office portfolio, creates a very strong annuity model. We upgrade our TP to INR1,081 (earlier INR1,021) to account for new project additions, enhanced launch pipeline, and increased sales velocity. 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 INR865/share. Maintain 'BUY'.

Segment	Value (INR cr)	Per share
Value of the future land bank	1,53,584	620
Value of other rental assets	3,905	16
Value of ongoing projects	26,918	109
Less: Net debt (DLFU's share)	666	3
DLFU's development company	**1,83,740**	**742**
Value of DCCDL's rental assets	62,285	252
Less: Net debt	16,392	66
Value of DCCDL	45,893	185
DLFU's share in DCCDL's value	**30,290**	**122**
NAV	**2,14,030**	**865**
Premium/(discount) to NAV	25%	
Target price	**2,67,537**	**1,081**

Rationale for assigning a 25% premium to its NAV:

i) DLFU being a premium brand must command an equity investment scarcity premium.

ii) A robust rental portfolio which lends higher visibility to growing its rental income.

iii) Ability to grow its rental portfolio from internal accruals.

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

v) Lack of quality competitors in the NCR market.

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Financials

Income Statement (INR cr)

Year to March	FY23	FY24	FY25E	FY26E
Total operating income	5,695	6,427	6,332	7,930
Gross profit	3,261	3,633	3,727	4,486
Employee cost	548	546	568	590
Other expenses	987	964	973	983
EBITDA	1,726	2,124	2,186	2,913
Depreciation	149	148	150	151
Less: Interest expense	392	356	356	364
Add: Other income	317	531	584	643
Profit before tax	2,435	3,244	3,622	4,623
Provisions for tax	402	520	571	766
Less: Other adjustments	-	-	-	-
Reported profit	2,036	2,727	3,054	3,860
Less: Exceptional items (net)	-	-	-	-
Adjusted profit	2,036	2,727	3,054	3,860
Diluted shares outstanding	248	248	248	248
Adjusted diluted EPS	8	11	12	16
DPS (INR)	4	4	4	4
Tax rate (%)	16	16	16	17
Dividend payout (%)	49	36	32	26

Common size metrics as a percentage of net revenue

Year to March	FY23	FY24	FY25E	FY26E
Operating expenses	69.7	67	65.5	63.3
Depreciation	2.6	2.3	2.4	1.9
Interest expenditure	6.9	5.5	5.6	4.6
EBITDA margin	30.3	33	34.5	36.7
Net profit margin	35.7	42.4	48.2	48.7

Growth metrics (%)

Year to March	FY23	FY24	FY25E	FY26E
Revenue	30.3	33	34.5	36.7
EBITDA	35.7	42.4	48.2	48.7
PBT	(0.4)	12.9	(1.5)	25.2
Net profit	(1)	23	2.9	33.2
EPS	18	34	12	26.4

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Balance Sheet (INR cr)

As of March 31	FY23	FY24	FY25E	FY26E
Share capital	495	495	495	495
Reserves	37,192	38,936	40,848	43,506
Shareholders' funds	37,688	39,431	41,343	44,002
Minority interest	4	1	1	1
Borrowings	3,103	4,599	4,434	4,391
Trade payables	10,473	13,313	14,022	14,765
Other liabilities and provisions	1,304	1,725	1,725	1,725
Total liabilities	**52,572**	**59,069**	**61,525**	**64,884**
Net block	3,841	2,936	2,971	3,005
Intangible assets	944	944	944	944
Capital WIP	61	71	91	111
Total fixed assets	4,847	3,951	4,006	4,060
Non-current investments	19,481	20,138	20,738	21,038
Cash and cash equivalent	2,275	4,384	3,875	3,947
Sundry debtors	549	538	570	714
Loans and advances	1,022	1,162	1,267	1,381
Other assets	24,398	28,896	31,070	33,745
Total assets	**52,572**	**59,069**	**61,525**	**64,884**

Ratios

Year to March	FY23	FY24	FY25E	FY26E
RoE (%)	5.5	7.1	7.6	9
RoCE (%)	4.7	5.9	5.8	7.2
Inventory days	2,959	2,647	3,089	2,552
Receivable days	36	31	32	30
Payable days	1,530	1,554	1,915	1,526
Working capital (as a percentage of sales)	270.6	266.9	296.2	264.1
Gross debt/equity ratio (x)	0.1	0.1	0.1	0.1
Net debt/equity ratio (x)	0	0	0	0
Interest coverage ratio (x)	4	5.5	5.7	7.6

Valuation parameters

Year to March	FY23	FY24	FY25E	FY26E
Diluted EPS (INR)	8.2	11	12.3	15.6
Diluted P/E ratio (x)	56.9	86.1	67.1	53.1
Price/BV ratio (x)	3.1	6	5	4.7
EV/EBITDA ratio (x)	67.6	110.6	94	70.5
Dividend yield (%)	0.9	0.4	0.5	0.5

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