

CMP – 392

RATING – N/A

TARGET – N/A

TIME HORIZON - Med. Term

DLF Ltd with its subsidiaries, associates and JVs is engaged in real estate development, from the identification and acquisition of land to planning, execution, construction and marketing of projects. It is also engaged in business of leasing, generation of power, provision of maintenance services, hospitality and recreational services which are related to the overall development of real estate business.

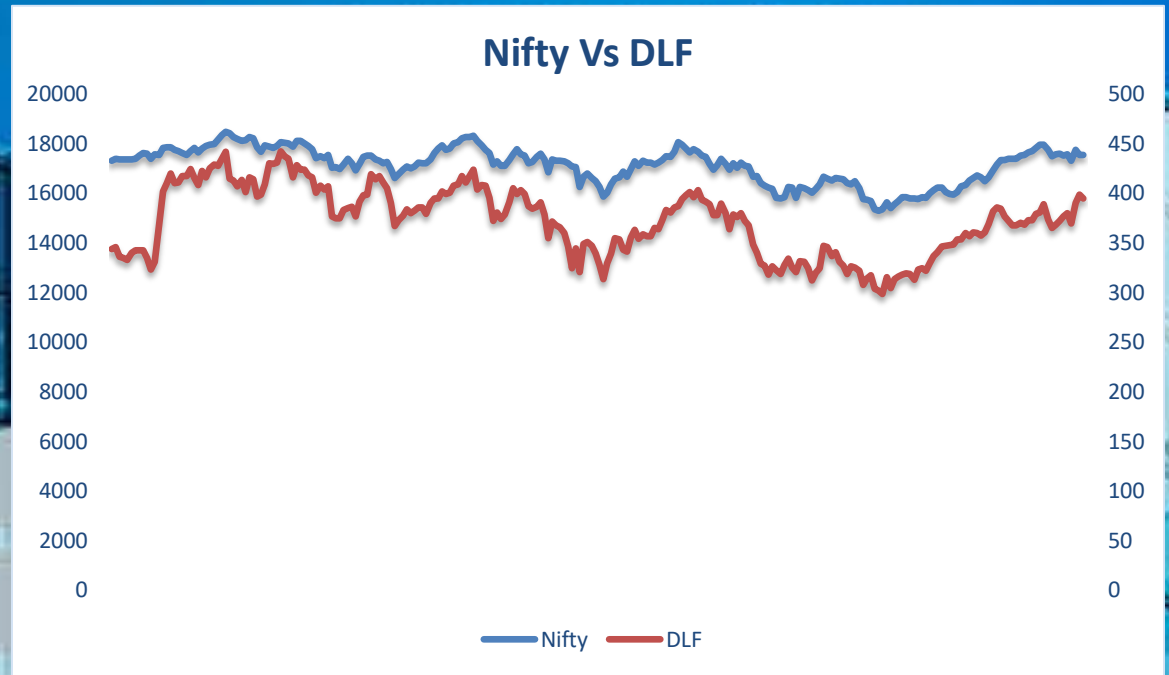
Revenue from operations, **Development business**, and The Company's business recorded new sales bookings of 7,273 Cr. for the fiscal Year 21-22. The Company has significantly scaled-up new sales and delivered Y-o-Y growth of 136%. It launched 0.70 msm (7.5 msf) of New Products in the last 18 months which were in line with the business plan.

Rental Business The rental business is primarily carried out by DLF Cyber City Developers Limited (DCCDL), a material subsidiary. DCCDL along with its subsidiaries, has 3.52 msm (37.9 msf) of operational portfolio with 0.19 msm (2 msf) of assets housed under DLF.

Other Businesses the Company also operates a hospitality division consisting of recreational clubs in and around its residential developments and two hotel properties. The Lodhi, which is an iconic hotel property located in New Delhi, is managed by the Company, whereas the Hilton Garden Inn, Saket, New Delhi is managed by Hilton. Revenue from hotel, food court and recreational facility business increased to ` 364 Cr. from ` 240 Cr. reflecting a 52% Y-o-Y growth. This growth was primarily attributable to re-opening theme post the lifting of the pandemic related restrictions.



Company Data	
Market Cap (cr)	98,591 Cr
Total Debt	5192
Enterprise Value (cr)	103,102 Cr
No. of shares (cr)	247
Dividend Yield	0.76%
52 week high	450
52 week low	295
Beta	1.44
Face value	2



Shareholding %	
Promoters	74.95
MFs/Insti	4.56
FII's	14.93
Public	5.56
Others	0.0
Total	100%
Promoters' pledge	0.0%

Nifty vs. DLF

Price Performance %				
	3M	6M	12M	24M
Absolute	16.36%	16.77%	15.19%	155%
Relative to Nifty	5.48%	6.31	1.25%	55%



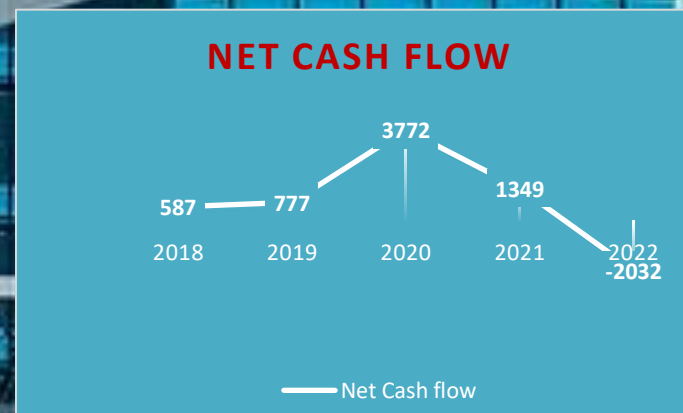
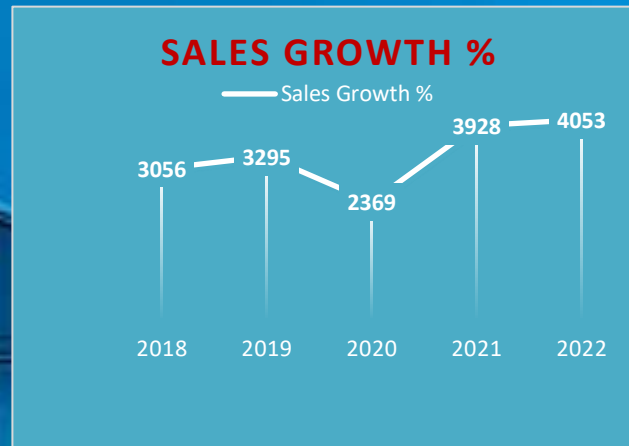
Financial Update

Particular	QTR Ended Q1FY23	Qtr Ended Q4FY22	% Change Q1FY2: Q4FY22	Year Q1FY22	% Change Q1FY2
Revenue from Operations	1,442	1542	-7%	1140	26%
COGS	672	751	-10%	531	27%
Gross Profit	769	797	-3%	609	26%
GP Margins	53%	51%		53%	
Other Income	75	105	-28%	103	-27%
Employee Cost	123	109	13%	73	69%
Other Expenses	233	320	-27%	141	65%
EBITDA	488	472	3%	498	-2%
Depreciation & Amortization	37	37	1%	38	2%
EBIT	451	435		460	
Finance Cost	105	128	-18%	175	-40%
EBT and Exceptional Items	346	307	13%	285	21%
Tax	88	84	5%	83	6%
PAT	258	224	15%	202	27%
EPS	1.90	1.64	18%	1.36	39%



Financial Ratios

Key Ratios	
Current Ratio	2.29
Debt to equity ratio	0.1
PE ratio	58
P/Bv	2.67
EV/EBIT	57.92
EV/EBITDA	58.54
EV/Sales	17.12
FCFF	2684 Cr
Price to Cash flow	66.2
ROCE	4.84%
ROE	4.65%
CFO/PAT	0.19



Highlights from the Management Commentary

Launch Plans - The company has launched 0.7 million square feet so far in 1QFY23 and has a pipeline of new projects of 7 million square feet in FY23, including:

1. 3 MSF Ideal Houses in Gurugram, Tricity (Chandigarh) and Chennai;
2. 3.3 msf for premium/luxury items; and
3. Commercial development of 1.1msf at DLF5/New Delhi. The Company will also launch a planned development project at DLFU 5 with a GDV of INR17-20b.

Margins - DLFU continues to generate healthy gross margins on its products. FY22 was 62% (up 460 bps from FY21). Q1 FY23 accounted for 47%, slightly less than Q4 FY22 due to product line changes.

The decrease in the EBITDA margin is explained by the increase in other expenses. The company guided INR5-5.5b for administrative expenses last year, but given the increased scale of operations, administrative expenses are now expected to reach INR6.5-6.75b. But management is confident that margins will return to the 35% range as their new product hits profit and loss.

Valuation & Outlook

At a CMP of Rs 392, the stock trades at 26 times of P/E and has a book value of Rs 147 in FY 23. DLF is expected to generate strong free cash flow and aims to continue its deleveraging through healthy collection of inventory from finished products. We use trading comps for valuation and price the stock at 26x FY23E P/E with a holding rating target price of Rs 455.

Disclaimer



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