

**DLF Ltd.****₹188****Building India...!!!****Buy**

Jul 13, 2018

**Company Background**

DLF is engaged in the business of colonisation and real estate development, incorporated in the year 1963. Company operations span all aspects of real estate development, from the identification and acquisition of land, to planning, execution, construction and marketing of projects. It is also engaged in the business of generation of power, provision of maintenance services, hospitality and recreational activities, life insurance and retail chain outlets. Company's internal business includes development & rental business. Development business is involved in the sale of residential spaces, select commercial offices and commercial complexes. Business of DLF is organized on a SBU basis. The Homes SBU caters to 3 segments of the residential market-Super Luxury, Luxury and Mid-Income. Product offering involves a wide range of products including condominiums, duplexes, row houses and apartments of varying sizes. DLF City is spread over 3,000 acres in Gurgaon and is an integrated township, which includes residential, commercial and retail properties in a modern city infrastructure with schools, hospitals, hotels and shopping malls. It also boasts of the prestigious DLF Golf and Country Club with night golfing facilities.

**Key Highlights**

- ➔ Promoters infused funds into the firm to repay debt. But it needs to run the last mile successfully before it achieves net zero-debt balance sheet by end-FY 2019. Net debt was more than ₹ 25,000 cr as on 31 March 2017.
- ➔ During the 3Q FY 18 DLF Home Developers Ltd is a subsidiary of India's largest real estate firm DLF Ltd, placed a winning bid of ₹ 1,496 cr for an 11.76 acre land parcel in Udyog Vihar, Gurugram, in an auction conducted by Haryana State Industrial and Infrastructure Development Corp Ltd.
- ➔ During the Q2 FY 18 company and GIC Singapore's sovereign wealth fund, have entered into a strategic partnership to develop a rental assets portfolio, GIC shall acquire 33.34 % of equity stake and DLF shall own 66.66 % of DLF Cyber City Developers Ltd.
- ➔ In Q2 FY 18 GIC has bought 88,087,499 equity shares (4.94%), as per the agreement GIC has to acquire 33.34 % stake of DLF Cyber City.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	40,977.0	53,700.9	44,053.0
Rev. growth (%)	6.83	31.05	(17.97)
EBITDA (INR mn)	26,773.5	32,099.2	22,154.9
Net profit (INR mn)	9,400.8	14,966.2	5,965.6
Shares outstanding (mn)	1,782.0	1,783.7	1,784.0
EPS (INR)	5.3	8.4	3.3
EPS growth (%)	78.38	58.90	(60.19)
P/E (x)	29.97	13.66	44.52
RONW (%)	5.55	6.86	4.14
ROCE (%)	8.51	9.59	8.60

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**Info Codes**

Reuters	: DLF.BO
Bloomberg	: DLFU IN
NSE	: DLF
BSE	: 532868

**Market Data**

52 Wk Range (₹)	: 153/274
Shares in Issue (mn)	: 1784
Market. Cap ( bn)	: 335.14
BSE 2 Wk Avg Vol	: 349000

**Share Holding Pattern (%)**

Promoters Holding	: 74.95
Public & Others	: 05.55
Corporate Holding	: 01.02
Foreign Institution	: 16.25
Institutions	: 02.23

**Investment Theme**

Indian real estate market size is expected to increase at a CAGR of 15.2 % during FY 2008-28 and is estimated to be worth \$ 853 bn by 2028. Private equity and debt investments in India's real estate sector grew 12 % YoY to \$ 4.18 bn across 79 transactions in 2017. India is expected to witness an upward rise in the number of real estate deals in 2018, because the government policies are keeping the industry more transparent and safeguard to all stake holders. Sectors such as IT and ITeS, retail, consulting and e-commerce have registered high demand for office space in recent times. Increasing demand for office space is one of the growth driver of the industry. DLF plans to increase its commercial and retail rental portfolio to nearly 40 million sq ft by 2022. Currently it has rental portfolio about 32 million sq ft. It is also looking at exploring in Mumbai and Bengaluru markets.

**70 years of track record...!!!**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	30,171.4	36,219.6	20.0	37,029.5	2.2
Other Income	10,805.6	17,481.3	61.8	7,023.5	(59.8)
Change in Stocks	0.0	0.0	0.0	0.0	0.0
Raw Material Con.	0.0	0.0	0.0	0.0	0.0
Employee Exp.	1,075.8	899.9	(16.4)	1,077.4	19.7
Indirect Taxes	0.0	0.0	0.0	0.0	0.0
Other Exp.	13,127.8	20,701.9	57.7	20,820.8	0.6
Operating Exp.	14,203.6	21,601.8	52.1	21,898.2	1.4
Operating Profit	26,773.4	32,099.1	19.9	22,154.8	(31.0)
Total Interest	14,033.4	13,848.2	(1.3)	12,360.8	(10.7)
Gross Profit	12,740.0	18,250.9	43.3	9,794.0	(46.3)
Net Dep.	558.1	748.0	34.0	989.5	32.3
Total Taxation	2,781.1	2,536.7	(8.8)	2,838.9	11.9
Net Profit/Loss	9,400.8	14,966.2	59.2	5,965.6	(60.1)

### 4 Years Balance Sheet

(₹ mn)

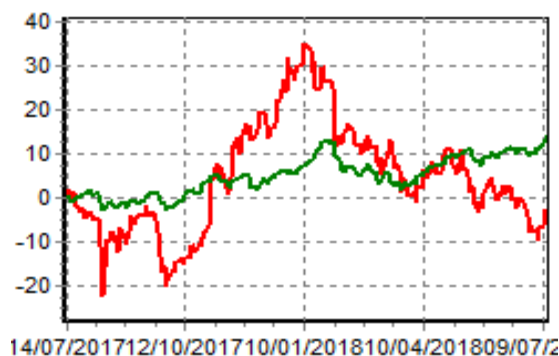
Balance Sheet as on 31 <sup>st</sup>	Mar 14	Mar 15	Mar 16	Mar 17
<b>SOURCES OF FUNDS</b>	<b>3,13,586.5</b>	<b>3,02,457.0</b>	<b>2,44,477.3</b>	<b>2,48,008.2</b>
Equity Share capital	3,562.9	3,563.9	3,567.4	3,568.0
Equity Application Money	0.2	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	1,62,872.3	1,68,730.0	1,37,612.3	1,43,465.8
Secured Loans	1,38,592.6	1,20,283.2	93,507.1	90,525.6
Unsecured Loans	8,558.5	9,879.9	9,790.5	10,448.8
<b>USES OF FUNDS</b>	<b>3,13,586.5</b>	<b>3,02,457.0</b>	<b>2,44,477.3</b>	<b>2,48,008.2</b>
Gross Block	18,210.2	18,712.8	6,354.7	5,829.4
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	2,169.4	2,662.2	322.0	552.2
Net Block	16,040.8	16,050.6	6,032.7	5,277.2
Capital Work in Progress	18,054.2	24,909.0	279.9	280.8
Investments	74,607.1	74,763.0	73,910.8	1,09,666.2
Current Assets	2,35,120.2	2,10,226.2	1,42,208.9	1,38,412.4
Less : Current Liabilities	61,539.9	56,476.7	51,374.4	41,194.5
Total Net Current Assets	1,73,580.3	1,53,749.5	90,834.5	97,217.9
Misc. Expenses not writtenoff	31,304.1	32,984.9	73,419.4	35,566.1
<b>NOTE</b>				
Book Value of Unquoted Investments	74,607.1	74,763.0	73,910.8	1,09,666.2
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	1,12,135.0	1,33,164.1	1,45,260.0	1,45,363.2
Dividend (%)	100.0	100.0	100.0	100.0

## Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 17	Sep 17	Dec 17	Mar 18
Net Sales	10,177.4	4,679.1	5,029.4	10,673.1
Cost Of Sales	5,139.7	3,156.0	5,878.3	6,856.3
Operating Profit	5,037.7	1,523.1	(848.9)	3,816.8
Other Income	623.4	663.1	3,261.1	2,931.3
Adjusted PBDIT	5,661.1	2,186.2	2,412.2	6,748.1
Financial Expenses	2,658.9	2,603.4	3,039.7	1,932.9
Depreciation	237.3	244.1	503.1	333.7
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	2,764.9	(661.3)	(1,130.6)	4,481.5
Tax Charges	918.0	(52.0)	(542.9)	1,479.4
Reported Profit	1,846.9	(609.3)	(587.7)	3,002.1
Extra Ordinary Items	0.0	0.0	(1,206.6)	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	1,846.9	(609.3)	618.9	3,002.1

## 52 Week Index Relative Percentage Appreciation



DLF vs SENSEX

## Risks Associated

- ➔ Most of the IT companies are firing the employees due to automission process, it will impact the contry's economy. If economy is not doing well realty also will not do well. Demonetisation had a negative impact on both, home launches and home sales.

## Scope of Growth

- ➔ For Q4 net sales improved by 112.2 % to ₹ 10,673.1 mn, operating profit improved to ₹ 3,816.8 mn and net profit improved drastically by 385 % to ₹ 3,002.1 mn on quarterly bais.
- ➔ Government of India's Housing for All initiative is expected to bring \$ 1.3 tn investments in the housing sector by 2025. Under this scheme, 60 mn houses are to be built which include 40 mn in rural areas and 20 mn in urban area by 2022.
- ➔ Government has allowed FDI up to 100 % for townships and settlements development projects. Residential segment contributes 80 % of the real estate sector.
- ➔ The Real Estate Regulation and Development Act, which aims to enhance transparency, bring greater accountability in the realty sector and set disclosure norms to protect the interest of all stakeholders. Speedy execution of property disputes will also be ensured in due course.
- ➔ To promote affordable housing, the finance minister proposed 100% deduction in profits to an undertaking from a housing project for flats of up to 30 sq metre in four metro cities and 60 sq metre in other cities. These projects have to be approved during June 2016 to March 2019.
- ➔ Joint venture project has started in central Delhi to construct 7 msf. The venture between DLF Cyber City Developers Ltd. and GIC Singapore.

**In a Nutshell**

DLF Ltd is engaged in the business of colonisation and real estate development. Company operations span all aspects of real estate development, from the identification and acquisition of land, to planning, execution, construction and marketing of projects. DLF has nearly 70 years of track record of sustained growth, customer satisfaction, and innovation. It has 2 business activities; Development Business and Annuity Business. Development business of DLF includes Homes and Commercial Complexes. Homes business caters to 3 segments of the residential market-Super Luxury, Luxury and Premium. The product offering involves a wide range of products including condominiums, duplexes, row houses and apartments of varying sizes. It become a preferred name with many IT & ITES majors and leading Indian and International corporate giants, including GE, IBM, Microsoft, Canon, Citibank, Hewitt, WNS, Bank of America, Cognizant, Infosys, CSC and Symantec. DLF has successfully launched commercial complexes and is in the process of marking its presence across various locations in India. Annuity business consists of the rental businesses of offices and retail. Debt is one of the issue for the company, as of September 2017 the debt burden was ₹ 27,000 cr. Debt was trimmed by a repayment of ₹ 7,100 crore with promoter funds. Company will become debt free by end of FY 2019. In November 2017, Singapore's sovereign wealth fund GIC's acquisition of a 33.34 % stake in DLF Cyber City Developers for ₹ 9,000 cr was approved by the Competition Commission of India. Government of India has announced numerous reforms to transparency and safeguarding to all stake holders.

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**Rating Interpretation**

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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