

CMP	: INR 564
Reco	: BUY ↔
Target Price	: INR 687 ↑
Target Price Change	: 6%
Target 1HFY26 P/E (x)	: 29.9
EPS Change F24/25	: No Change

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Market data	
Sensex	: 63,875
Sector	: Real Estate
Market Cap (INR bn)	: 1,394.8
Market Cap (USD bn)	: 16.754
O/S Shares (mn)	: 2,475.3
52-wk HI/LO (INR)	: 577/337
Avg. Daily Vol ('000)	: 4,457
Bloomberg	: DLFU IN

Source: Bloomberg

	FY24e	FY25e	FY26e
EPS (INR)	17.1	21.7	24.2
P/E (x)	32.9	25.9	23.3
P/BV (x)	4.1	3.6	3.2
EV/EBITDA (x)	39.2	32.7	28.9
EV/Sales (x)	12.55	10.79	9.54

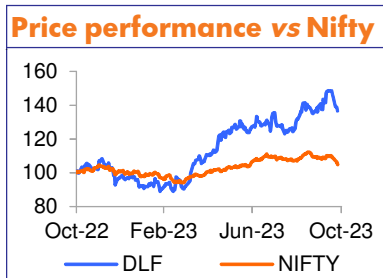
Source: Company, Antique

Returns (%)				
	1m	3m	6m	12m
Absolute	6	9	32	46
Relative	9	13	26	40

Source: Bloomberg

Shareholding pattern	
Promoters	: 74%
Public	: 26%
Others	: 0%

Source: Bloomberg



Source: Bloomberg

Indexed to 100

## 2QFY24 RESULT REVIEW

# DLF

## Robust cash flow prospects; outlook remains strong

**DLF's 2QFY24 highlight is that the development company (DevCo - DLF) generated the highest surplus operating cash flow, leading it to turn into a net cash positive company. On the back of sustenance sales, sales booking in 2QFY24 came at INR 22.3 bn (9%/ 9% QoQ/ YoY). Strong launch pipeline of INR 197.0 bn in 2HFY24, including in DLF 5 sector and sector 77 in Gurugram. DCCDL, DLF's rental arm, posted a rental income of INR 10.7 bn (2%/ 9% QoQ/ YoY). DevCo turned cash positive with net cash of INR 1.42 bn, while in DCCDL net debt declined QoQ by INR 3.0 bn to INR 180 bn. With receivables of INR 128 bn and construction costs to be incurred of INR 72 bn, the company is looking at a cash surplus of INR 57 bn to be generated over the next 3-4 years, excluding incremental sales. With the Gurugram real estate market witnessing strong momentum with a low inventory overhang of six months, DLF with its robust launch trajectory of INR 197 bn in 2HFY24 is expected to easily surpass sales booking of INR 150.0 bn in FY24, the company guidance is of INR 130 bn. We continue to maintain BUY with a revised TP of INR 687 (previously INR 655).**

### 2QFY24 in a nutshell

In 2QFY24, sales booking was of INR 22.3 bn (9%/ 9% QoQ/ YoY) (our est. of INR 20.0 bn) and collections of INR 23.6 bn (50%/ +88% QoQ/ YoY); 2HFY24 sales booking stands at INR 42.7 bn (4% YoY). Posted surplus operating cash flow of INR 11.5 bn (72%/ +180% QoQ/ YoY) during the quarter and INR 18.1 bn in 2HFY24 (against FY24 guidance of INR 30 bn). Sales were driven by sustenance sales from the uber luxury Camellia (INR 7.2 bn) and already launched new products (INR 9.9 bn), contributing 77% of total sales during the quarter.

In DCCDL, occupancy improved by 300 bps QoQ in the operational portfolio during the quarter. Occupancy in the non-SEZ segment has gone up to 97%, demonstrating strong office space demand in the non-SEZ segment, while SEZ occupancy continues to see challenges and stands at 85%. Under-construction projects (Downtown Gurugram and Chennai) achieved 89% pre-leasing. Office portfolio posted rental income of INR 8.6 bn (0%/ 7% QoQ/ YoY). The retail portfolio posted a rental income of INR 2.1 bn (13%/ 15% QoQ/ YoY).

### DLF primed to capitalize on Gurugram's demand surge

DLF holds a competitive advantage compared to other companies because of its extensive inventory and significant land holdings throughout Gurugram. Currently, the company has unsold inventory of INR 56.25 bn and a launch pipeline of INR 19.7 bn. The launches, mainly in Gurugram, Panchkula, and Chennai, are bunched up in 2HFY24. Of the launch pipeline, projects in DLF 5 and New Gurugram (sector 77) are the prominent launches with an expected GDV of INR 150 bn. We expect DLF to receive strong response to its project launches in DLF 5 and New Gurugram.

### Cash flow generation to improve further

Receivables from sold inventory net of construction to be incurred is at INR 56.5 bn with net cash position of INR 1.42 bn and unsold inventory of INR 31.5 bn. With Gurugram seeing strong momentum in the housing market, we expect DLF to easily exit FY24 with a sales booking of >INR 150 bn on the back of a strong launch pipeline, leading to further strong visibility in surplus cash flow at the end of FY24. A sales booking of INR 110 bn in 2HFY24 will lead to additional surplus cash flow visibility of INR 55 bn.

### Investment Summary

We continue to remain positive on DLF given (a) The strong momentum in Gurugram with inventory overhang of six months, (b) Strong launch pipeline in 2HFY24, (c) Robust cash flow generation aiding balance sheet deleveraging and growth, (d) Huge monetizable land bank (at historical costs) in a housing upcycle—an important competitive advantage, (e) Excellent track record of timely project delivery, (f) Re-entry into the MMR market. **DLF continues to remain our top pick since initiation (other top picks being Century Textiles, Kolte-Patil, and Prestige);** we maintain BUY with a revised TP of INR 687 as we factor in the strong growth outlook on the residential segment. **Key monitorables:** Launches of DLF 5 and sector 77, and leasing in SEZ annuity portfolio.

## Valuation Summary

NAV Calculation	Method	Metrics	INR mn	per share (INR)	%
DLF (ex DCCDL) - DevCo	NAV	DF 12%	4,12,114	166	24%
DLF (ex DCCDL) - Leasing assets	NAV + Cap rate	DF 12%, cap rate 8.0%	82,183	33	5%
DCCDL (@66.7% share of DLF)	NAV + Cap rate	DF 12%, cap rate 8.0%	6,00,464	243	35%
Land Bank	DF - 12%, Monetization: 8 years		7,24,664	293	43%
Net debt - DevCo	FY24E		1,420	1	0%
Net debt - RentCo	FY24E		-1,20,233	-49	-7%
<b>Total</b>			<b>17,00,612</b>	<b>687</b>	<b>100%</b>

Source: Company, Antique

## Operational performance - 2QFY24

INR mn	2QFY24	1QFY24	QoQ %	2QFY23	YoY %
<b>Net Sales</b>	<b>13,477</b>	<b>14,232</b>	<b>(5)</b>	<b>13,023</b>	<b>3</b>
Total Expenditure	8,853	10,271		8,657	
<b>EBITDA</b>	<b>4,624</b>	<b>3,962</b>	<b>17</b>	<b>4,367</b>	<b>6</b>
Margins (%)	34.3	27.8		33.5	
Depreciation	370	364		367	
Interest	902	849		1,069	
Other Income	1,287	985		582	
<b>PBT before EO expense</b>	<b>4,640</b>	<b>3,734</b>		<b>3,512</b>	
Extra-Ord expense		-			
<b>PBT</b>	<b>4,640</b>	<b>3,734</b>	<b>24</b>	<b>3,512</b>	<b>32</b>
Tax	1122	1014		910	
Rate (%)	24.2	27.2		25.9	
Share of profit from asso.	2,701	2,541		2,169	
Minority Interest	-9	-9		2	
<b>Reported PAT</b>	<b>6,228</b>	<b>5,270</b>	<b>18</b>	<b>4,770</b>	<b>31</b>
<b>Adj PAT</b>	<b>6,228</b>	<b>5,270</b>	<b>18</b>	<b>4,770</b>	<b>31</b>
Margins (%)	46.2	37.0		36.6	

Source: Company, Antique

## DLF - Operational performance

	2QFY24	1QFY24	QoQ %	2QFY23	YoY %	1HFY24	1HFY23	YoY %	FY23	FY22
Booking (INR mn)	22,280	20,400	9	20,520	9	42,680	40,930	4	1,50,580	72,730
Collection (INR mn)	23,590	15,750	50	12,520	88	39,340	23,240	69	56,510	46,490
Net Debt (INR mn)	(1,420)	570	(1,990)	21,420	(22,840)	(1,420)	21,420	(22,840)	7,210	26,800

Source: Company, Antique

## DCCDL - Operational performance

	2QFY24	1QFY24	QoQ %	2QFY23	YoY %	1HFY24	1HFY23	YoY %	FY23	FY22
Office (INR mn)	8,570	8,560	0	8,010	7	17,130	15,600	10	32,320	28,860
Retail (INR mn)	2,120	1,870	13	1,840	15	3,990	3,510	14	7,350	4,460

Source: Company, Antique

### Half-yearly balance sheet

Year ended	1HFY24	1HFY23	YoY	Mar-2024	Mar-2023	YoY
Share Capital	4,951	4,951		4,951	4,951	
Reserves & Surplus	3,73,596	3,60,820	12,776	4,14,350	3,71,925	42,426
<b>Networth</b>	<b>3,78,546</b>	<b>3,65,770</b>		<b>4,19,301</b>	<b>3,76,875</b>	
Debt	30,855	36,374		21,031	31,031	
Minority Interest	26	198		44	44	
Net deferred Tax liabilities	13,890	9,590		12,893	12,893	
Others	14,288	14,015		12,850	12,850	
<b>Capital Employed</b>	<b>4,37,605</b>	<b>4,25,946</b>		<b>4,66,119</b>	<b>4,33,693</b>	
Property, Plant and Equipment	7,226	7,908		44,341	38,411	
Capital work in progress	612	889		2,872	611	
Other Non-Current Assets	2,53,487	2,45,051		1,89,500	1,89,500	
<b>Net Fixed Assets</b>	<b>2,61,324</b>	<b>2,53,848</b>		<b>47,213</b>	<b>39,023</b>	
Goodwill	9,443	9,443		9,443	9,443	
<b>Investments</b>	<b>6,790</b>	<b>7,619</b>		<b>5,311</b>	<b>5,311</b>	
Non-Current Investments	4,055	7,030		4,311	4,311	
Current Investments	2,735	589		1,000	1,000	
<b>Current Assets, Loans &amp; Advances</b>	<b>2,70,167</b>	<b>2,43,413</b>		<b>4,22,884</b>	<b>2,96,002</b>	
Inventory	1,95,696	1,96,761	-1,066	2,73,044	1,93,612	79,432
Debtors	5,414	7,323		12,355	5,493	
Cash & Bank balance	33,601	14,021		2,198	22,746	
Loans & advances and others	35,456	25,308	10,148	1,35,286	74,151	61,136
<b>Current Liabilities &amp; Provisions</b>	<b>1,10,118</b>	<b>88,376</b>		<b>2,08,232</b>	<b>1,05,585</b>	
Liabilities	1,09,013	87,480		2,06,534	1,04,727	
Provisions	1,105	896		1,698	858	
<b>Net Current Assets</b>	<b>1,60,049</b>	<b>1,55,037</b>		<b>2,14,652</b>	<b>1,90,417</b>	
<b>Application of Funds</b>	<b>4,37,605</b>	<b>4,25,946</b>		<b>4,66,119</b>	<b>4,33,693</b>	

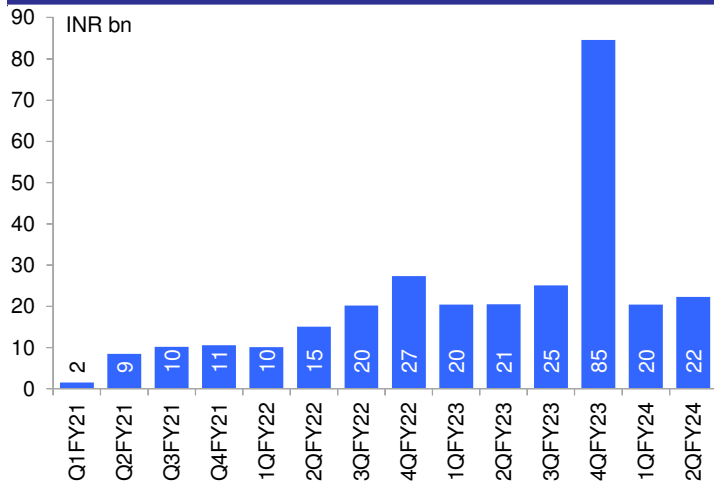
Source: Company, Antique

## Conference Call Takeaways

- Sustained economic growth continues to support demand.
- Housing demand continues to be strong across geographies; luxury segment exhibiting strong growth.
- GCCs continue to drive office demand; global uncertainties deferring decision-making for technology led occupiers.
- Retail segment continues to do well; organized retail expected to perform better.
- Office occupancy at 93% vs. 85% YoY, non-SEZ 97%.
- **Camillas** – Prices are now above INR 75,000/sq. ft.; the company is witnessing good demand traction. Inventory re-priced at INR 1,00,000/sq. ft. for higher floors. The company is witnessing price increase for luxury homes; demand continues to be robust.
- **Construction cost** in FY24 will increase to INR 1.7 bn vs. INR 1.2 bn YoY.
- **OCF guidance** of INR 30 bn for FY24.
- **New launches:** Sector 77 will be launched in 3QFY24; DLF 5 to be launched in 4QFY24/ 1QFY25; Panchkula in 3QFY24.
- **Sales guidance** of INR 130 bn in FY24.
- IT services indicates that tenants are not leaving spaces and the impact of Covid-19 is behind. Large IT companies are looking for desk space of 120-130 sq. ft.
- **Mumbai** - Andheri project is on track and is expected to be launched by Jun'24. Will launch 1 mn sq. ft. in phase 1.
- **Achieved net cash position** of INR 1.42 bn in 2QFY24 as compared to net debt of INR 570 mn in 1QFY24. Op CF guidance of INR 30 bn in FY24; has already achieved INR 20 bn, so will surpass OCF guidance. However, free cash flow of only INR 4.5 bn as the remaining cash is locked with RERA. As OC is given, gross debt will continue to go down. First generate free cash flow by finishing the project then repay debt, followed by investments and then dividend.
- **DCCDL** - Downtown Chennai fully leased. Atrium Place will come up in another year. Ph-2 Taramani starts construction. Construction starts for Ph-2 Gurugram of 8 mn sq. ft. (2.5 mn sq. ft. retail and 5.5 mn sq. ft. office). Majority of the demand from GCC. Rental of Downtown Gurugram is INR 150/sq. ft., Downtown Chennai INR 100/sq. ft. SEZ vacancy 14%-15% and better off than others. Floor-wise denotification in SEZ expected soon and will benefit DLF.

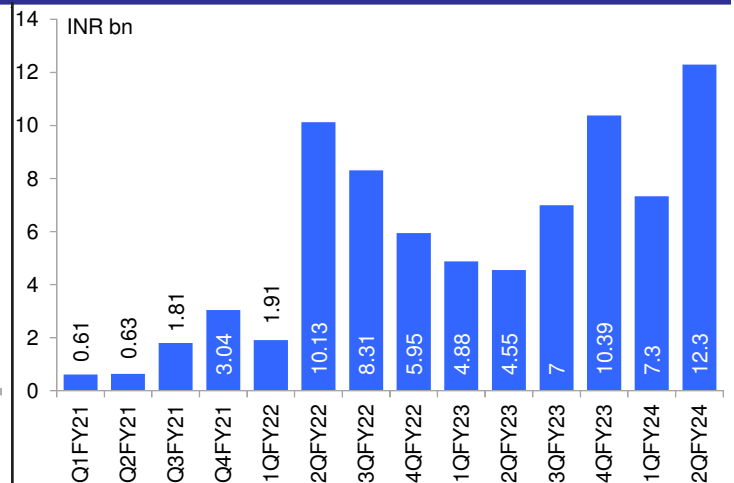
### Story in Charts

**Exhibit 1: Sales booking trend**



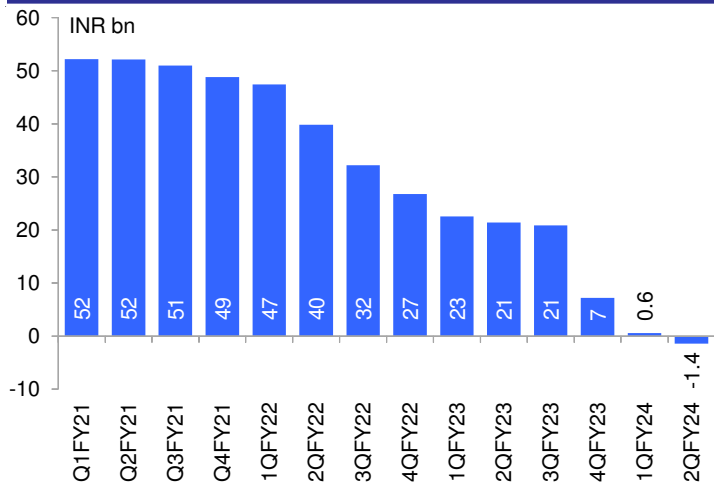
Source: Company, Antique

**Exhibit 2: DLF op. cash flow remains robust**



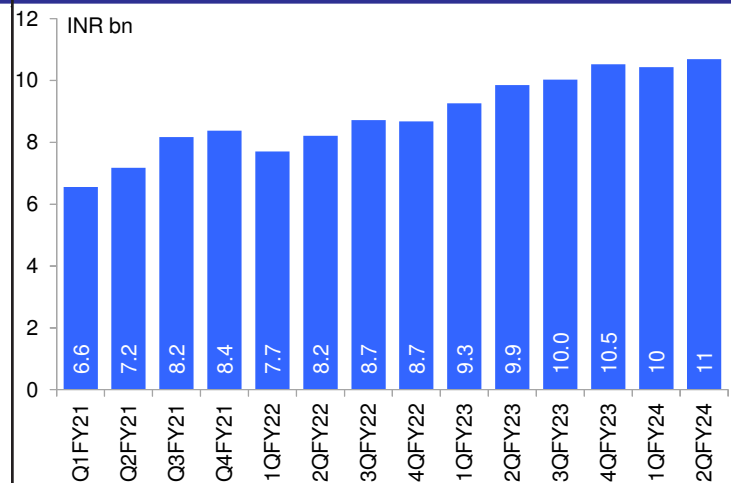
Source: Company, Antique

**Exhibit 3: Net cash positive in 2QFY24 (DevCo)**



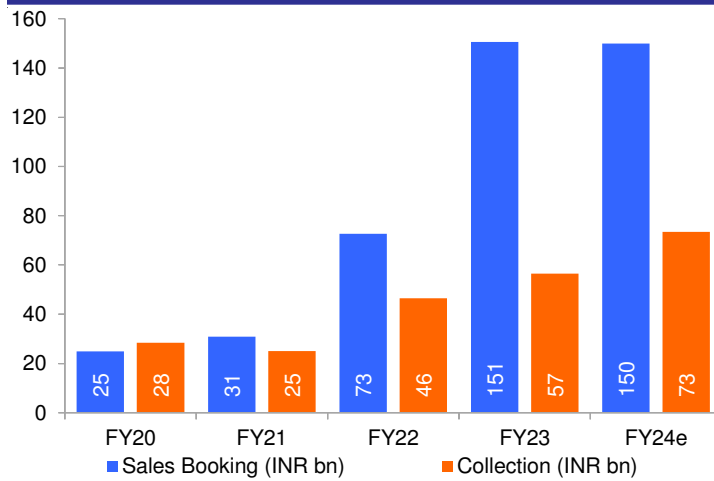
Source: Company, Antique

**Exhibit 4: DCCDL rental income growing steadily**



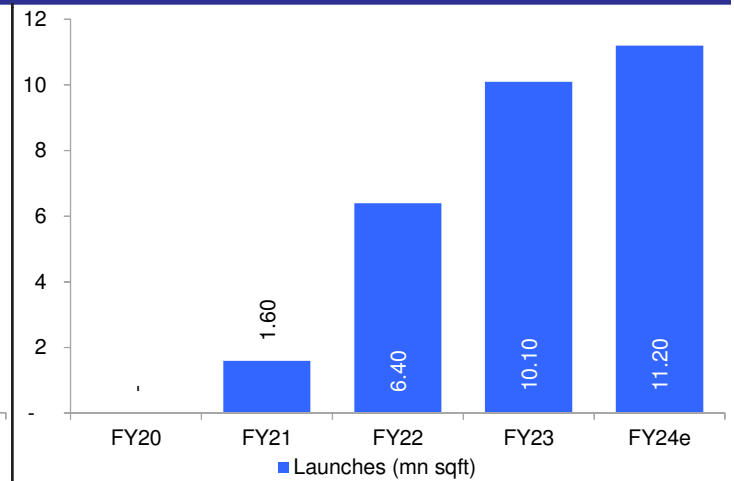
Source: Company, Antique

**Exhibit 5: Sales booking and collection**



Source: Company, Antique

**Exhibit 6: New project launches**



Source: Company, Antique

## Financials

### Profit and loss account (INR mn)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
<b>Net Revenue</b>	<b>57,174</b>	<b>56,948</b>	<b>1,12,739</b>	<b>1,27,633</b>	<b>1,41,040</b>
Op. Expenses	39,748	39,690	76,662	85,514	94,497
<b>EBITDA</b>	<b>17,426</b>	<b>17,259</b>	<b>36,076</b>	<b>42,119</b>	<b>46,543</b>
Depreciation	1,494	1,486	1,633	1,985	2,302
<b>EBIT</b>	<b>15,931</b>	<b>15,773</b>	<b>34,444</b>	<b>40,134</b>	<b>44,242</b>
Other income	4,205	3,173	7,892	8,934	9,873
Interest Exp.	6,246	3,921	2,890	1,780	670
Extra Ordinary Items -gain/(loss)	(2,245)	-	-	-	-
<b>Reported PBT</b>	<b>11,646</b>	<b>15,024</b>	<b>39,445</b>	<b>47,288</b>	<b>53,445</b>
Tax	3,210	4,015	10,541	12,637	14,282
<b>Reported PAT</b>	<b>8,436</b>	<b>11,009</b>	<b>28,904</b>	<b>34,651</b>	<b>39,163</b>
<b>Net Profit</b>	<b>8,436</b>	<b>11,009</b>	<b>28,904</b>	<b>34,651</b>	<b>39,163</b>
non controlling interest	(6,572)	(9,349)	(13,522)	(19,171)	(20,798)
<b>Adjusted PAT</b>	<b>17,253</b>	<b>20,358</b>	<b>42,426</b>	<b>53,822</b>	<b>59,960</b>
<b>Adjusted EPS (INR)</b>	<b>7.0</b>	<b>8.2</b>	<b>17.1</b>	<b>21.7</b>	<b>24.2</b>

### Balance sheet (INR mn)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
Share Capital	4,951	4,951	4,951	4,951	4,951
Reserves & Surplus	3,58,672	3,71,925	4,14,350	4,68,172	5,28,133
<b>Networth</b>	<b>3,63,623</b>	<b>3,76,875</b>	<b>4,19,301</b>	<b>4,73,123</b>	<b>5,33,083</b>
Debt	39,600	31,031	21,031	11,031	1,031
Minority Interest	195	44	44	44	44
Net deferred Tax liabilities	21,416	25,743	25,743	25,743	25,743
<b>Capital Employed</b>	<b>4,24,833</b>	<b>4,33,693</b>	<b>4,66,119</b>	<b>5,09,941</b>	<b>5,59,901</b>
Property, Plant and Equipment	39,181	38,411	44,341	48,918	53,179
Capital work in progress	811	611	2,872	2,824	2,815
<b>Net Fixed Assets</b>	<b>39,992</b>	<b>39,023</b>	<b>47,213</b>	<b>51,743</b>	<b>55,994</b>
Goodwill	9,443	9,443	9,443	9,443	9,443
Investments	1,97,795	1,94,811	1,94,811	1,94,811	1,94,811
Non Current Investments	1,97,795	1,94,811	1,94,811	1,94,811	1,94,811
<b>Current Assets, Loans &amp; Adv.</b>	<b>2,77,805</b>	<b>2,96,002</b>	<b>4,22,884</b>	<b>4,89,157</b>	<b>5,59,575</b>
Inventory	2,01,070	1,93,612	2,73,044	3,16,284	3,49,510
Debtors	5,636	5,493	12,355	15,736	17,389
Cash & Bank balance	3,061	22,746	2,198	29,504	51,636
Loans & advances and others	68,038	74,151	1,35,286	1,27,633	1,41,040
<b>Current Liabilities &amp; Provisions</b>	<b>1,00,201</b>	<b>1,05,585</b>	<b>2,08,232</b>	<b>2,35,213</b>	<b>2,59,922</b>
Liabilities	99,261	1,04,727	2,06,534	2,33,291	2,57,798
Provisions	940	858	1,698	1,922	2,124
<b>Net Current Assets</b>	<b>1,77,604</b>	<b>1,90,417</b>	<b>2,14,652</b>	<b>2,53,944</b>	<b>2,99,653</b>
<b>Application of Funds</b>	<b>4,24,833</b>	<b>4,33,693</b>	<b>4,66,119</b>	<b>5,09,941</b>	<b>5,59,901</b>

### Per share data

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
No. of shares (mn)	2,475	2,475	2,475	2,475	2,475
Diluted no. of shares (mn)	2,475	2,475	2,475	2,475	2,475
BVPS (INR)	147	152	169	191	215
CEPS (INR)	21	22	47	54	60
DPS (INR)	3.0	4.0	4.0	4.0	4.0

Source: Company, Antique

### Cash flow statement (INR mn)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
<b>PBT</b>	<b>11,646</b>	<b>15,024</b>	<b>39,445</b>	<b>47,288</b>	<b>53,445</b>
Depreciation & amortization	1,494	1,486	1,633	1,985	2,302
Interest expense	6,246	3,921	(5,001)	(7,154)	(9,203)
(Inc)/Dec in working capital	7,540	5,628	(44,782)	(11,986)	(23,577)
Tax paid	2,198	(858)	(10,541)	(12,637)	(14,282)
Other operating Cash Flow	(805)	(1,450)	-	-	-
<b>CF from operating activities</b>	<b>28,318</b>	<b>23,752</b>	<b>(19,247)</b>	<b>17,495</b>	<b>8,684</b>
Capital expenditure	(1,502)	(543)	(7,761)	(4,452)	(4,490)
(Inc)/Dec in investments	4,085	1,376	(2,062)	(2,062)	(2,062)
Others	47	(5,459)	7,892	8,934	9,873
<b>CF from investing activities</b>	<b>2,630</b>	<b>(4,626)</b>	<b>(1,932)</b>	<b>2,420</b>	<b>3,320</b>
Inc/(Dec) in borrowing	(33,113)	(5,000)	(10,000)	(10,000)	(10,000)
Interest paid	(6,328)	(3,702)	(2,890)	(1,780)	(670)
Dividend Paid	(4,969)	(7,428)	-	-	-
Others	6,127	(4,001)	13,522	19,171	20,798
<b>CF from financing activities</b>	<b>(38,282)</b>	<b>(20,131)</b>	<b>631</b>	<b>7,391</b>	<b>10,128</b>
<b>Net cash flow</b>	<b>(7,334)</b>	<b>(1,005)</b>	<b>(20,547)</b>	<b>27,306</b>	<b>22,132</b>
Opening balance	10,353	3,019	2,014	(18,534)	8,772
<b>Closing balance</b>	<b>3,019</b>	<b>2,014</b>	<b>(18,534)</b>	<b>8,772</b>	<b>30,904</b>

### Growth indicators (%)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
Revenue (%)	5.6	-0.4	98.0	13.2	10.5
EBITDA (%)	22.9	-1.0	109.0	16.7	10.5
Adj PAT (%)	45.0	18.0	108.4	26.9	11.4
Adj EPS (%)	45.0	18.0	108.4	26.9	11.4

### Valuation (x)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
P/E (x)	80.9	68.6	32.9	25.9	23.3
P/BV (x)	4.7	4.5	4.1	3.6	3.2
EV/EBITDA (x)	82.2	81.4	39.2	32.7	28.9
EV/Sales (x)	25.06	24.66	12.55	10.79	9.54

### Financial ratios

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
RoE (%)	4.8	5.5	10.7	12.1	11.9
RoCE (%)	4.7	4.4	9.4	10.1	10.1
Asset/T.O (x)	0.3	0.3	0.5	0.4	0.4
Net Debt/Equity (x)	0.1	0.0	0.0	0.0	-0.1
EBIT/Interest (x)	2.6	4.0	11.9	22.5	66.1

### Margins (%)

Year-ended March 31	FY22	FY23	FY24e	FY25e	FY26e
EBITDA Margin (%)	30.5	30.3	32.0	33.0	33.0
EBIT Margin (%)	27.9	27.7	30.6	31.4	31.4
PAT Margin (%)	28.1	33.9	35.2	39.4	39.7

Source: Company Antique

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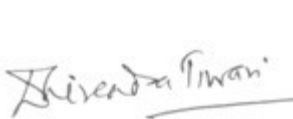
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