

DLF Ltd (DLF) is a real estate company based in India. Currently it has 288 msf of planned projects with 44 msf of projects under construction. The primary business of the company is development of residential, commercial and retail properties. It has a unique business model with earnings from development and rentals. At present, DLF has presence across 15 states and 24 cities in India. It has also forayed into infrastructure, SEZ and hotel businesses.

## Key Developments

**Registered 29% revenue growth in Q1FY16:** DLF has witnessed 29% YoY growth in the consolidated top-line in Q1FY16. It reported revenues worth Rs. 2,231 Crores in Q1FY16 as compared to Rs. 1,725 Crores in the corresponding quarter of FY15. The growth in sales came on the back of increase in the sales booking value from the development segment. During the quarter under review, 0.16 msf of sales booking worth Rs. 1,035 Crores was made as against 0.38 msf sales for only Rs. 308 Crores in Q1FY15. EBITDA of the company grew by 12.3% YoY and stood at Rs. 827 Crores. While, the EBITDA margin stood at 37.1% in Q1FY16 as compared to 42.7% in Q1FY15. On the bottom-line front, the company has witnessed ~5% YoY decline to Rs. 122 Crores in Q1FY16 from Rs. 128 Crores in Q1FY15. Finally, the PAT margin slipped to 5.4% during the quarter under consideration as compared to 7.4% in Q1FY15.

**Leasing segment's performance:** Leasing income contributed ~23.5% to the total operating revenues of the company in FY15. DLF's rental income has grown at a CAGR of 27% in the past seven years. It has doubled its contribution to the overall revenue from ~13.5% during the past five years. In past three years, DLF was able to add 1-1.5 msf of leasing space every year. The monthly lease rental income remains stable at Rs. 50-60/sq. ft. As of 31<sup>st</sup> March, 2015, the occupancy rate for the company's leased offices, SEZ and retail portfolio properties were approximately 92.5%.

**DLF's arm formed joint venture with GIC:** Recently, DLF's arm Home Developers Ltd. (DHDL) and Singapore's sovereign wealth fund GIC underwent a USD 300 mn joint venture to invest in two upcoming projects in Central Delhi, both to be developed under DHDL. GIC's investment would be ~Rs. 1,990 Crores.

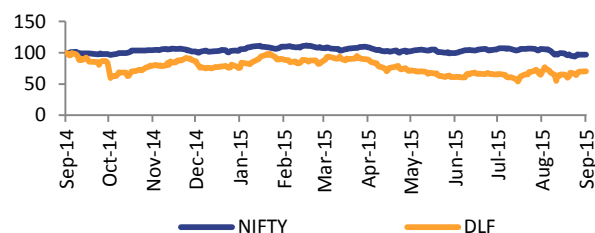
## Market Data

<b>CMP (Rs.)</b>	<b>128</b>
Face Value	2
52 week H/L (Rs.)	179/93
Adj. all time High (Rs.)	1,225
Decline from 52WH (%)	28.5
Rise from 52WL (%)	37.6
Beta	2.9
Mkt. Cap (Rs. Cr)	22,809
Enterprise Value(Rs. Cr)	42,562

## Fiscal Year Ended

Y/E	FY13A	FY14A	FY15A
<b>Net Revenue (Rs. Crores)</b>	7,772.8	8,298.0	7,648.7
<b>EBITDA (Rs. Crores)</b>	2,433.6	2,485.2	3,023.7
<b>Net Profit (Rs. Crores)</b>	519.3	646.2	540.2
<b>EPS (Rs.)</b>	1.5	3.6	3.0
<b>P/E (x)</b>	22.4	45.1	45.7
<b>P/BV (x)</b>	0.4	1.0	0.8

## One year Price Chart



Shareholding	Jun15	Mar15	Diff.
<b>Promoters</b>	74.9	74.9	0.0
<b>FII</b>	20.1	20.6	(0.5)
<b>DII</b>	0.3	0.3	0.0
<b>Others</b>	4.7	4.2	0.5

*DLF has a unique business model with earnings coming from both development and rentals.*

## Company Overview

DLF Ltd is a real estate company based in India and currently has 288 million sq ft (msf) of planned projects with 44 msf of projects under construction. Its primary business is development of residential, commercial and retail properties. The company has a unique business model with earnings from both development and rentals. DLF is now present across 15 states and 24 cities in India. It has also forayed into infrastructure, SEZ and hotel businesses. The company operates through two broader segments:

**Development Business** - The development business of DLF includes residential and commercial complexes. The residential business caters to three segments of the residential market - Super Luxury, Luxury and Mid-Income. A wide range of products including condominiums, duplexes, row houses and apartments are involved in this segment. DLF has introduced the concept of developing commercial complexes in the vicinity of residential areas and has successfully launched commercial complexes. Currently, this business has 241 msf of development potential.

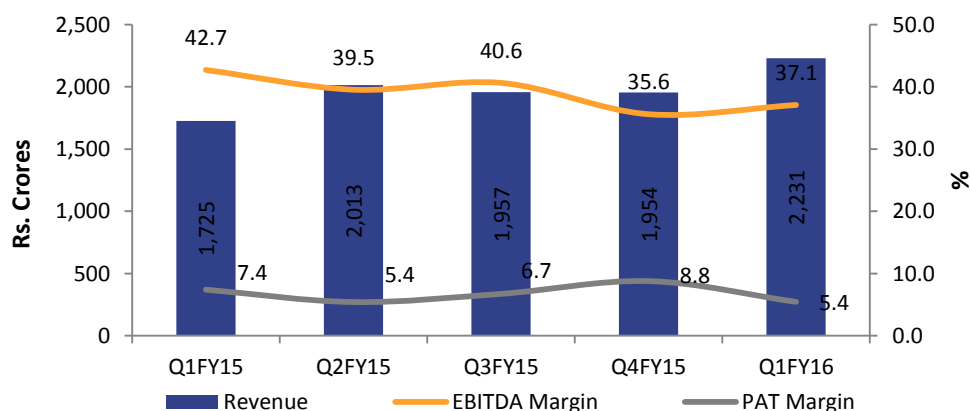
**Annuity Business (Rent)** - The annuity business consists of the rental businesses of offices and retail. DLF has become a preferred name with many IT & ITES majors and leading Indian and International corporate giants, including GE, IBM, Microsoft, Canon, Citibank, Hewitt, WNS, Bank of America, Cognizant and Infosys, among others. Currently, the company has land resources of 48 msf for office and retail development.

## Q1FY16 performance

*On consolidated basis, DLF reported a 29% YoY growth in its net revenues on the back of increase in the sales booking value from the development segment.*

DLF has witnessed 29% YoY growth in the consolidated top-line in Q1FY16. It reported revenues worth Rs. 2,231 Crores in Q1FY16 as compared to Rs. 1,725 Crores in the corresponding quarter of FY15. The growth in sales came on the back of increase in the sales booking value from the development segment. During the quarter under review, 0.16 msf of sales booking worth Rs. 1,035 Crores was made as against 0.38 msf sales for only Rs. 308 Crores in Q1FY15. EBITDA of the firm grew by 12.3% YoY and stood at Rs. 827 Crores. While, the EBITDA margin stood at 37.1% in Q1FY16 as compared to 42.7% in Q1FY15. On the bottom-line front, the company has witnessed ~5% YoY decline to Rs. 122 Crores in Q1FY16 from Rs. 128 Crores in Q1FY15. Finally, the PAT margin slipped to 5.4% during the quarter under consideration as compared to 7.4% in Q1FY15.

Quarterly performance trend



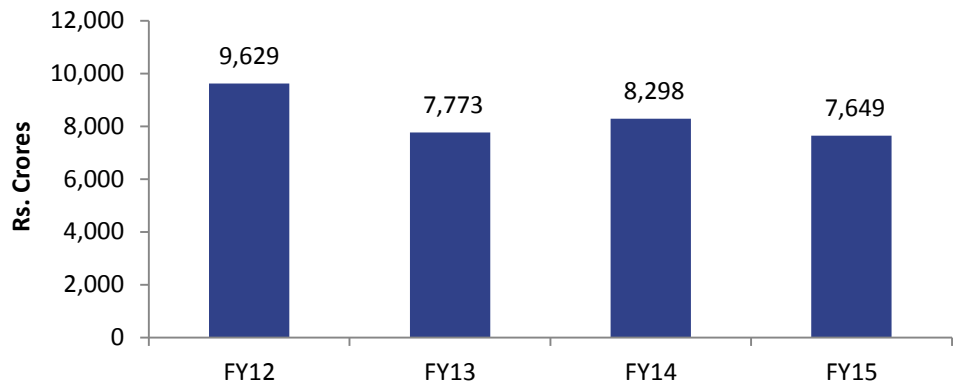
Total leased area of the company as on Q1FY16 stood at 48 msf.

## Leasing segment performance

Leasing income contributed ~23.5% to the total operating revenues of the company in FY15. DLF's rental income has grown at a CAGR of 27% in the past seven years. It has doubled its contribution to the overall revenues in the last five years. In past three years, DLF was able to add 1-1.5 MSF leasing space every year.

Recently, DLF has completed pre-leasing of its project 'Mall of India' in Noida. This is one of the largest malls in the country with an area of 1.8 msf. Total leased area of the company as on Q1FY16 was 48 msf. Moreover, the company has a land bank with a total leasable area of another 48 msf for the next 3-4 years. As of 31<sup>st</sup> March, 2015, the occupancy rate for the company's leased offices, SEZ and retail portfolio properties were ~92.5%. In FY15, DLF generated a rental (annuity like) income of Rs. 1,950 Crores per annum.

### Revenue growth over the years



During Q1FY16, DLF's net debt stood at ~Rs. 21,600 Crores.

## Divestment of non-core assets

During Q1FY16, DLF's net debt rose by Rs 633 Crores to reach ~Rs. 21,600 Crores. Out of the total debt, the net debt attributable to development business (DevCo) stood at Rs 7,598 Crores, while the debt of its rental arm (RentCo) was Rs 14,000 Crores. The company remains focused towards divesting its non-core assets over the past few years in order to reduce its debt burden.

### Leased assets

Cities/Projects	Types	Size (msf)	Leased
<b>Gurgaon</b>			
DLF Cyber City Developer	Office	10.6	95.8
Others	Office	0.6	98.1
DAL ( SEZ's )	Office	13.5	92.6
<b>Kolkata/Chandigarh</b>			
Delhi (Corporate Office)	Office	0.2	100.0
Delhi (Malls)	Retail	1.4	92.0
Chandigarh	Retail	0.2	70.6

Source: Company's presentation

## DLF' arm formed joint venture with GIC

Recently, DLF's Home Developers arm entered into USD 300 million joint venture with Singapore's sovereign wealth fund GIC to invest in two upcoming projects located in Central Delhi. Both of these projects will be developed under DHDL. GIC will invest a sum of ~Rs. 1,990 Crores, while DLF will undertake the project development.

### Land bank as on June 30<sup>th</sup> 2015

Cities	Development Business	Lease Business	Total
Development Potential (msf)			
Gurgaon	109	26	135
Bengaluru	30	0	30
Delhi Metropolitan Region	17	5	22
Chennai	15	5	21
Hyderabad	14	1	15
Chandigarh Tri-City	19	0	19
Kolkata	3	2	5
Other Indian Cities	33	9	42
<b>Total</b>	<b>241</b>	<b>48</b>	<b>288</b>

Source: Company's presentation

### DLF's Live Projects across India

Projects	Size (msf)	Sold till Q1FY16 (msf)
<b>Legacy</b>		
Express Greens	0.62	0.48
Garden City-91-92-Ph-II	1.37	1.13
Corporate Greens	0.87	0.14
Capital Greens	5.2	5.2
GK King's Court	0.23	0.2
Indore	1.69	0.48
NTH-Kolkata	0.34	0.28
Kochi	2.58	2.31
Bangalore	4.71	4.45
Hyderabad	3.44	2.77
Others	7.5	5.6
<b>New Projects</b>		
SkyCourt	1.25	0.97
Ultima	2.18	0.66
Regal Garden	1.03	0.86
Primus	1.24	1.22
Crest	2.61	1.17
Camillias	3.55	1.24
Horizon Centre	1.17	0.76
Bhubneshwar	0.55	0.48
My Pad Lucknow	0.57	0.34

Source: Company's presentation

## Balance Sheet (Consolidated)

Y/E (Rs. Crores)	FY13A	FY14A	FY15A
Share Capital	339.7	356.3	356.4
Preference Share Capital	1,799.2	1,799.2	1,799.2
Reserve & surplus	25,388.7	27,038.6	27,012.5
<b>Net Worth</b>	<b>27,527.7</b>	<b>29,194.1</b>	<b>29,168.1</b>
Minority Interest	402.0	202.3	174.7
Total debt	19,077.3	16,583.3	20,701.4
Other non-current liabilities	2,305.6	2,269.8	2,564.3
<b>Capital Employed</b>	<b>49,312.5</b>	<b>48,249.5</b>	<b>52,608.4</b>
Fixed Assets	18,286.5	17,637.8	18,412.9
Capital WIP	7,736.0	5,867.3	5,597.6
Goodwill	1,562.1	1,196.8	1,205.8
Investments	1,109.4	486.8	691.1
Net deferred taxes	656.3	1,017.8	1,510.8
Other non-current assets	3,744.5	3,872.9	4,762.4
Net Current Assets	16,217.8	18,170.1	20,427.7
<b>Capital Deployed</b>	<b>49,312.5</b>	<b>48,249.5</b>	<b>52,608.4</b>

## Cash Flow (Consolidated)

Y/E (Rs. Crores)	FY13A	FY14A	FY15A
<b>Net Profit/Loss Before Extraordinary Items &amp; Tax</b>	<b>806</b>	<b>521</b>	<b>627</b>
Net CashFlow From Operating Activities	2,009	1,468	2,037
Net Cash Used In Investing Activities	1,964	3,924	98
Net Cash Used From Financing Activities	(3,951)	(4,532)	(1,547)
<b>Net Inc/Dec In Cash And Cash Equivalents</b>	<b>22</b>	<b>860</b>	<b>588</b>
Cash And Cash Equivalents Begin of Year	932	984	1,844
Cash And Cash Equivalents End Of Year	953	1,844	2,432
<b>Net Profit/Loss Before Extraordinary Items &amp; Tax</b>	<b>806</b>	<b>521</b>	<b>627</b>

## Financial performance snapshot

On a consolidated basis, DLF reported net revenues of Rs. 7,649 Crores in FY15, a decrease of 7.8% over Rs. 8,298 Crores in FY14. EBITDA stood at Rs. 3,024 Crores, registering an increase of 21.7% from Rs. 2,485 Crores in the previous year. The cost of revenues including cost of lands, plots, development rights, constructed properties and others decreased to Rs. 3,285 Crores as against Rs. 3,880 Crores in FY14. Employee costs decreased to Rs. 349 Crores registering a decline of 39.4% as against Rs. 576 Crores in FY14. Depreciation, amortization and impairment charges were at Rs. 545 Crores as compared to Rs. 663 Crores in FY14. Finance costs reduced to 2,304 Crores from 2,463 Crores in FY14. Net profit was at Rs. 540 Crores, a decline of 16% from Rs. 646 Crores. The EPS for FY15 stood at Rs. 3 as compared to Rs. 3.6 for FY14.

## Profit & Loss Account (Consolidated)

Y/E (Rs. Crores)	FY13A	FY14A	FY15A
Total revenue	7,772.8	8,298.0	7,648.7
Expenses	5,339.2	5,812.8	4,625.0
<b>EBITDA</b>	<b>2,433.6</b>	<b>2,485.2</b>	<b>3,023.7</b>
Other Income	1,322.9	1,491.5	519.4
Depreciation	796.2	662.9	544.8
<b>EBIT</b>	<b>2,960.3</b>	<b>3,313.9</b>	<b>2,998.4</b>
Interest	2,314.0	2,463.3	2,303.9
Exceptional Items	33.0	329.9	67.9
<b>Profit Before Tax</b>	<b>613.3</b>	<b>520.8</b>	<b>626.6</b>
Tax	125.1	(83.6)	157.6
Minority Interest	44.5	56.5	33.3
P/L from Associates	4.1	7.1	(3.4)
E/O income/ (expense)	(17.5)	(21.8)	41.3
<b>Net Profit</b>	<b>519.3</b>	<b>646.2</b>	<b>540.2</b>

## Key Ratios (Consolidated)

Y/E	FY13A	FY14A	FY15A
EBITDA Margin (%)	31.3	29.9	39.5
EBIT Margin (%)	38.1	39.9	39.2
NPM (%)	6.7	7.8	7.1
ROCE (%)	6.0	6.9	5.7
ROE (%)	1.9	2.2	1.9
EPS (Rs.)	1.5	3.6	3.0
P/E (x)	22.4	45.1	45.7
BVPS(Rs.)	82.2	165.0	164.7
P/BVPS (x)	0.4	1.0	0.8
EV/EBITDA (x)	11.9	18.5	14.1



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