

November 16, 2012

DLF LTD.

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DLF Limited (DLF) is the largest commercial real estate developer in India. DLF is engaged in the business of colonization and real estate development. Its 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.

Investor's Rationale

Bottom-line declined by 62.4% YoY on lower sales

DLF, reported decline in net profit during Q2FY'13 by 62.4% YoY (52.9% QoQ) at ₹1.4bn on consolidated basis, mainly due to lower sales and economic slowdown during the quarter. Further, it was dragged by steep cost of financing and high inflation. However, 162.1% YoY increase in other income could not have much impact on net profit. Thus, NPM contracted by 786bps YoY at 6.4% against 14.3%.

Total sales declined below than market estimates by 19.5% YoY

The company's total consolidated sales declined by 19.5% YoY (7.2% QoQ) at ₹20.4bn. However, the company did 1.59mn sq ft of sales bookings in the quarter versus 1.34mn sq ft in the previous one which includes 0.38mn sq ft in Gurgaon, 0.12mn sq ft in Super metro and Rest of India covers 1.09mn sq ft. However, DLF's new launches of ₹110bn are lined up in H2FY'13 of which more than ₹80bn of launches will be in Phase V.

EBITDA margin crashed by 1,196bps QoQ on higher construction cost

DLF reported decline in EBITDA by 30.1% QoQ (36.4% YoY) at ₹7.5bn mainly due to higher construction cost coming from cost escalations of nearing completion projects which grew by 1,732bps at 42.8% (as % of sales). Further, increase in staff cost by 206bps QoQ at 7.6% also dragged the EBITDA. Thus, OPM crashed by 1,196bps QoQ at 36.6% against 48.6%. However, on YoY basis OPM contracted by 972bps.

Steady progress on divestments

During the quarter DLF, continued to make steady progress on divestments, which included Aman Resorts and the wind energy businesses, being very confident of their closure within this financial year and to achieve net debt reduction to ₹185bn. Earlier, the company had targeted closing of all three sales (Aman, NTC mills and wind energy) by September.

Market Data

CMP (₹)	203.8
Target Price	228
Stop Loss	195
Duration	Medium-term
52-week High-Low (₹)	261.4/169.6
Rise from 52WL (%)	20.2
Correction from 52WH (%)	22.0
Beta	2.4
1 year Average Volume (mn)	6.7
Stock Return (%)	3M- (2.8)
	6M- 9.0
	9M- (18.6)
Market Cap (₹bn)	346.2
Book Value per share	149.8

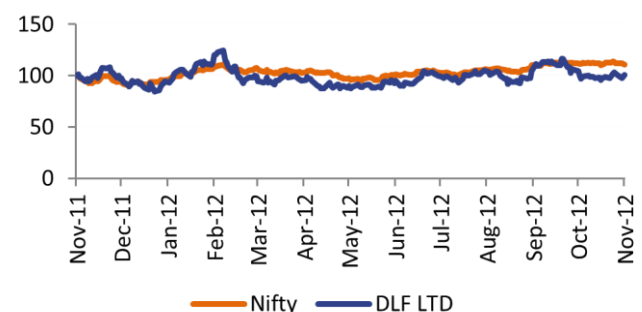
Shareholding Pattern

	Sep'12	Jun'12	Chg
Promoters (%)	78.6	78.6	-
FII (%)	15.9	15.6	0.2
DII (%)	0.5	0.3	0.2
Public & Others (%)	5.1	5.5	(0.4)

Quarterly Performance

(₹bn)	Q2 FY'13	Q2 FY'12	Q1 FY'13	YoY Change(%)	QoQ Change(%)
Sales	20.4	25.3	22.0	(19.5)	(7.2)
Op. exp	12.9	13.6	11.3	(4.9)	14.4
EBITDA	7.5	11.7	10.7	(36.4)	(30.1)
OPM (%)	36.6	46.3	48.6	(972bps)	(1,196bps)
Net profit	1.4	3.7	2.9	(62.4)	(52.9)
NPM (%)	6.4	14.3	12.6	(786bps)	(621bps)
EPS (₹)	0.8	2.2	1.7	(63.0)	(52.9)

One Year Price Chart





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