

Retail Equity Research  
**DLF Ltd**  
Realty

**Accumulate**

BSE CODE : 532868 NSE CODE: DLF  
BLOOMBERG CODE: DLFU:IN SENSEX : 39,435

12M Investment Period Rating as per Mid Cap  
CMP Rs.176 TARGET Rs.194 RETURN 10% ↑  
(Closing: 25-06-19)

**Back on track ...**

- Q4FY19 revenue grew 81% YoY driven by two fold jump in pre sales.
- Net profit jumped 79% to Rs435cr for the quarter.
- DLF reduced net debt by 38% during Q4FY19 to Rs4,483cr through funds raised from selling shares to institutional investors.
- Successfully completed the Qualified Institutional Placement (QIP) of Rs3,173cr of equity coupled with infusion of Rs11,250cr by the promoters has transformed its balance sheet.
- Rise in the rental portfolio, deleveraging-led reduced financial risk, higher share of income accruing to equity investors vs. bond investors, huge land bank (202msf) and a gradual resumption of devco growth appear favourable.
- Hence, we upgrade our rating to Accumulate from Hold on the stock and value at FY21E P/B of 1.1x to arrive at a Target Price of Rs194.

**Two fold jump in pre sales lift revenue ...**

DLF Ltd's net profit jumped 79% to Rs435cr in Q4FY19 vs Rs243cr in the year-ago period. Total revenue rose 81% YoY driven by two fold jump in pre sales. DLF successfully completed the qualified institutional placement (QIP) of Rs3,173cr of equity and coupled with infusion of Rs11,250cr by the promoters, which has transformed its balance sheet. Sales bookings of the company more than doubled to Rs2,435cr in 2018-19 from Rs1,000cr in the previous year. But during the full 2018-19 fiscal, net profit declined to Rs1,319cr from Rs4,464cr in the previous financial year. The drop in profit was because of exceptional gain from sale of rental business in the 2017-18 fiscal.

**Deleveraging nearing an end; focus shifting back to growth ...**

DLF reduced its net debt by 38% during the fourth quarter of last fiscal to Rs 4,483cr with the help of funds raised from selling shares to institutional investors. DLF's net debt has come down from Rs7,224cr in Q3 of FY19 to Rs 4,483cr in Q4 of FY19. Debt is expected to reduce further during the current quarter with promoter warrant infusion of Rs2250cr. Management has defined a timeline on asset transfer to DCCDL by Sept quarter-end. With deleveraging largely done, DLF's focus is shifting towards gradual and profitable growth in its devco business.

**DCCDL - Step up continues**

Currently, DLF CYBER CITY DEVELOPERS LTD(DCCDL), DLF's rental arm has 28.7msf operational portfolio. During the quarter, it added gross and net leasing of 5.57msf and 1.54msf respectively. DCCDL has well defined near, medium and long-term growth plans. Two commercial projects with a leasable area of 3.24msf are in advanced stages of construction and are expected to start yielding rental income starting in the current fiscal year. DCCDL's quarterly net rental is Rs680cr with an annualized annuity run-rate of Rs2800cr.

**Outlook & Valuations**

At CMP of Rs176, the stock is trading at a P/B of 1.1x on FY21E Book Value of Rs176. DLF's residential business is attractive as the business will likely reach zero debt by FY21. Further Rentco could sustainably grow at mid-teen levels from hereon with platform formed with GIC. A trinity of increasing pre-sales, positive free cash flow and rising earnings should set the stage for a valuation re-rating. The significant rise in the rental portfolio, deleveraging-led reduced financial risk, higher share of income accruing to equity investors vs. bond investors, huge land bank (202msf) and a gradual resumption of devco growth appear favourable for DLF's medium-term outlook. We value the stock at FY21E P/B of 1.1x and ascribe a target price of Rs194 with accumulate rating.

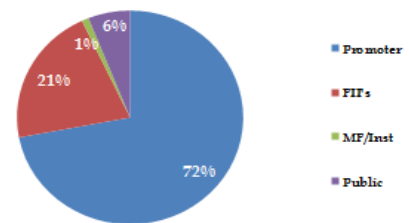
**Company Background...**

DLF Ltd primarily engaged in developing of residential and commercial properties. The company has a unique business model with earnings arising from development and rentals. Its exposure across businesses, segments and geographies mitigates any down-cycle in the market. From developing 22 colonies in Delhi, DLF is now present across 15 states - 24 cities in India.

**Company Data**

Market Cap (Rs cr)	Rs.41,194
Enterprise Value (Rs cr)	Rs.40,960
Outstanding Shares (Rs cr)	233.7
Free Float(%)	42.8
Dividend Yield(%)	0.5
52 week high	Rs.224
52 week low	Rs.141
6m average volume (cr)	1.15
Beta	1.82
Face value	Rs.2

**Shareholding Pattern as on Mar-2019**



Consolidated (Rs cr)	FY19A	FY20E	FY21E
Sales	8,366	8,888	8,112
Growth (%)	25	6	(9)
EBITDA	2,142	3,189	3,219
Margin (%)	26	36	40
PAT Adj	1,319	1,978	2,225
Growth (%)	(70)	50	15
Adj. EPS (Rs)	6	9	10
Growth (%)	(70)	50	15
P/E (x)	31	20	17
BVPS	173	169	176
P/B (x)	1	1	1
EV/EBITDA (x)	26	16	16
ROE (%)	3.8	5.4	5.5
D/E(x)	.16	.13	.06

Source: Bloomberg, post-event consensus

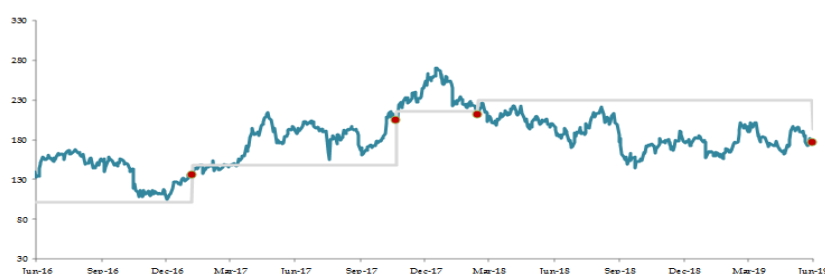
## Quarterly Financials

### Profit & Loss

Rs (cr)	Q4FY19	Q4FY18	YoY Growth %	Q3FY19	QoQ Growth %	Comments
<b>Sales</b>	<b>2,500.4</b>	<b>1,377.7</b>	81	<b>2,219.3</b>	13	Net sales booking of 650cr aided revenue growth.
<b>EBITDA</b>	<b>533.7</b>	<b>(13.8)</b>	-	<b>639.9</b>	(17)	
EBITDA margins (%)	21.3	(1)	-	29	(770)bps	
Depreciation	<b>56.7</b>	<b>62.3</b>	(9)	<b>56.2</b>	0.9	
<b>EBIT</b>	<b>477</b>	<b>(76.1)</b>	-	<b>583.7</b>	(18.3)	
Interest	<b>535.1</b>	<b>516.9</b>	4	<b>532.9</b>	0.42	
Other Income	<b>160.5</b>	<b>468.3</b>	(66)	<b>186.6</b>	(14)	Sale of rental business aided other income in Q4FY18
Exceptional Items	127.3	196	-			
<b>PBT</b>	<b>229.7</b>	<b>71.2</b>	223	<b>237.48</b>	(3.3)	
Tax	<b>37.8</b>	<b>33.4</b>	13	<b>126.3</b>	(70)	
Share of profit from Associate	242.9	205.5	18	222.4	9.19	
<b>Reported PAT</b>	<b>434.8</b>	<b>243.3</b>	79	<b>333.7</b>	30.3	
Adjustments	-	-		-		
<b>Adj PAT</b>	<b>434.8</b>	<b>243.3</b>	79	<b>333.7</b>	30.3	
No. of Shares (cr)	220.7	220.7	-	220.7	-	
<b>EPS (Rs)</b>	<b>2.0</b>	<b>1.1</b>	79	<b>1.5</b>	30.3	

Source: Company

## Recommendation summary(last 3 years)



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
12 February 2014	HOLD	153
04 September 2014	HOLD	169
23 September 2014	REDUCE	146
22 May 2015	REDUCE	119
06 July 2015	REDUCE	101
31 January 2017	HOLD	148
15 November 2017	HOLD	216
09 March 2018	HOLD	230
25 June 2019	ACCUMULATE	194

## Investment Criteria

Large Cap Stocks;		Mid Cap and Small Cap;			
Buy	-	Upside is above 10%.	Buy	-	Upside is above 15%.
Hold	-	Upside is between 0% - 10%.	Accumulate	-	Upside is between 10% - 15%.
Reduce	-	Downside is more than 0%.	Hold	-	Upside is between 0% - 10%.
Neutral	-	Not Applicable	Reduce/Sell	-	Downside is more than 0%.
			Neutral	-	Not Applicable

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Neutral- The analyst has no investment opinion on the stock under review

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