RESEARCH REPORT AS ON 25-04-2022

PEE AAR SECURITIES LTD.

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Delhi Land & Finance (DLF Limited) is a commercial real estate developer. It was founded by Chaudhary Raghvendra Singh in 1946 and it is based in New Delhi, India. DLF developed residential colonies in Delhi such as, Model Town, Rajouri Garden, Krishna Nagar, South Extension, Greater Kailash, Kailash Colony, and Hauz Khas. DLF builds residential, office, and retail properties.

With the passage of Delhi Development Act in 1957, the local government assumed control of real estate development in Delhi and banned private real estate developers. As a result, DLF began acquiring land at a relatively low cost outside the area controlled by the Delhi Development Authority, in the district of Gurgaon, in the adjacent state of Haryana. In the mid-1970s, the company started developing their DLF City project at Gurgaon. Its plans included hotels, infrastructure and special economic zones-related development projects.

With 75 years of real estate investment, development, and management experience, DLF has an unparalleled scale of delivery and an unmatched track record of customer-centric service excellence in India. The company operates in all the stages of real estate development – land identification and acquisition, planning execution, construction and marketing of projects. The company generates its revenues from both sales and rentals of its projects. It is also engaged in power generation and transmission.

Strong momentum continues, leveraging the renewed demand cycle by continuously bringing new products across key markets. New Products at different price points augur well to cater to growing demand across segments. The company expects to grow the market share in core geographies.

COMPANY HISTORY

2021 In June 2021, DLF appointed Mr. Ashok Kumar Tyagi and Mr. Devinder Singh, two whole-time directors, as the chief executive officers (CEOs) of the company.

2020 DLF will invest Rs. 130 crore (US$17.62 million) over the next 18 months to develop a data centre in Noida, as it seeks to encash the rise in demand for data storage capacity. DLF raised Rs. 1,000 crore (US$ 143.08 million) by issuing non-convertible debentures

2019 DLF Mall of India became the first mall in the world to be accredited with a 'LEED Platinum' certification from United States Green Building Council (USGBC) under Existing Building Operation and Maintenance category (EBOM). DLF and GIC joint venture (JV) planned to build the country's biggest retail mall of around 2.5 million square feet

2018 DLF aimed to double its rental business to Rs. 4,700 crore (US$ 682.24 million) in 3 years

2017 GIC Real Estate became a partner in DLF Cyber City Developers Ltd

2016 Launched DLF Mall of India, country's first destination mall

2012 Launched a 8.3 km expressway project in partnership with Haryana Urban Development Authority (HUDA)

2008 Commenced operations at India's first luxury mall

2007 Became a listed company with an IPO of US$ 2.25 billion

2003 Started development of DLF Cybercity, Gurugram, Haryana

1996 Entered group housing projects

1985 Started development of DLF City, Gurugram, Haryana

1964 Developed 22 urban colonies in Delhi

1946 Founded by Chaudhary Raghvendra Singh

MANAGEMENT

Kushal Pal Singh Kushal Pal Singh left an army posting in 1961 to join DLF, a company started by his father-in-law in 1946.

He later built DLF City in Gurugram by acquiring land from farmers. Brought India's first BPO to Gurugram. In August 2017, Singh sold his one third stake in DLF's rental arm to GIC, Singapore's sovereign wealth fund, for $1.9 billion. stepped down as chairman after more than five decades in that position, in June 2020.

Rajiv Singh, 33, is an Executive Vice Chairman of the Board of DLF Limited. He is currently the richest real estate rival in India, ranked 3rd in the list with a wealth of Rs 17,690 crore. The owner of Delhi Land and Finance (DLF) is one of the largest real estate developers, who is a pathfinder in developing Gurugram the leading Financial and Industrial Hub in the country. The only real estate company that collected the largest IPO and developed 27 million sq.ft to date. It can be noted that senior Kushal Pal Singh has moved out of daily operations of DLF and has transferred his shares to his son Rajiv and daughter Piya. Now, Rajiv Singh has taken the position of Kushal Pal Singh and operating the company.

INDIAN ECONOMY

Despite the resurgence of the pandemic and expectations around its consequent impact, the Indian Economy has exhibited resiliency during these uncertain times and remains on the recovery path led by the efforts of the Government and policy support from the Central Bank.

The inflation trajectory and rise in international commodity prices pose risks. However, a good monsoon backed by Government support should spur recovery. The Government is scaling up the vaccination rollout programme to support broad-based economic recovery.

The Central and State Governments have taken various initiatives including stamp duty waivers, reduced charges and establishment of Special Window for Affordable and Mid-Income Housing (‘SWAMIH’), to provide last mile funding for stalled projects. Keeping the policy rates low has helped the sector to withstand these difficult times.

As per provisional estimates released by the National Statistical Office, India’s real GDP contraction was estimated at 7.3% for the fiscal. The Central Bank, in its recent policy, has revised the economic growth estimates. The real GDP growth for Fiscal 22 is now pegged at 9.5%.

India's real estate sector is expected to touch a US$ 1 trillion market size by 2030, accounting for 18-20% of India's GDP.

ROBUST DEMAND

- According to Savills India, real estate demand for data centres is expected to increase by 15-18 million sq. ft. by 2025.
- Demand for residential properties has surged due to increased urbanisation and rising household income. India is among the top 10 price appreciating housing markets internationally.
- Organised retail real estate stock is expected to increase by 28% to 82 million sq. ft. by 2023.

ATTRACTIVE OPPORTUNITIES

- As per ICRA estimates, Indian firms are expected to raise >Rs. 3.5 trillion (US$ 48 billion) through infrastructure and real estate investment trusts in 2022, as compared with raised funds worth US$ 29 billion to date.
- Private market investor, Blackstone, which has significantly invested in the Indian real estate sector (worth Rs. 3.8 lakh crore (US$ 50 billion), is seeking to invest an additional Rs. 1.7 lakh crore (US$ 22 billion) by 2030.

POLICY SUPPORT

- Driven by increasing transparency and returns, there's a surge in private investment in the sector.
- Indian real estate attracted U$ 5 billion institutional investments in 2020, equivalent to 93% of transactions recorded in the previous year.
- The real estate segment attracted private equity investments worth Rs. 23,946 crore (US$ 3,241 million) across 19 deals in Q4 FY21.

INCREASING INVESTMENTS

- In the first-half of 2021, India registered investments worth US$ 2.4 billion into real estate assets, a growth of 52% YoY.
- Construction is the third-largest sector in terms of FDI inflow. FDI in the sector (including construction development & activities) stood at US$ 52.48 billion between April 2000 to December 2021.

INDUSTRY OVERVIEW

The Central and some State Governments have been proactive in taking steps to boost the housing industry.

Various fiscal incentives announced by certain states, including stamp duty waiver and reduced charges, have aided growth. The establishment of a Special Window for Affordable and Mid-Income Housing (SWAMIH), to provide last mile financing for completion of stalled housing projects, is also aiding in completion of projects which had been held up and instilling further confidence in the consumers. ‘Housing for All’ under

the Pradhan Mantri Awas Yojana and continued tax incentives for affordable segment provided by the Government will further boost sector dynamics.

OVERVIEW : DLF GROUP

Business	**Residential** Apartments/Plotted/ Townships/Low-rise	**Offices** Cyber Cities/Cyber Parks/ IT SEZs/ Commercial Parks	**Retail** MALL	**Other Business** Service & Facility Management/Hospitality
Track record	**75** Years of experience in real estate development	**150+** Real estate projects developed	**330 msf+** Area developed	**100 msf+** Deliveries since IPO
Scale	**215 msf+** Development potential (Devco & Rentco)	**~36 msf** Operational Rental portfolio	**~40 msf** New Products Pipeline (Devco & Rentco)	**~INR 41 bn** Completed Inventory
Organization	**Strong brand** DLF	**Focused on Safety, Sustainability & Governance**	**Strong Leadership with experienced teams**	**Strong Promoter commitment**

DEVELOPMENT BUSINESS

Residential Segment

Company witnessed a strong upsurge during the later part of FY 2020-21 owing to a healthy demand aided by better affordability, improving consumer sentiment and **the desire to own a home.** The Company embarked on bringing new products across different segments and locations. With introduction of new products, the Company recorded new sales booking of ₹ 3,084 crore as compared to ₹ 2,485 crore in the previous year, an increase by 24%.

DLF has planned a strong potential of ~3.25 msm (35 msf) of new products offering diversity across segments and geographies. DLF introduced Independent Floors across Gurugram, which saw encouraging response from the market. The Company continued to monetise its completed inventory and witnessed demand pick-up across all segments. It is also Revamping Premium/Mid-income housing.

Retail Segment

The **Retail segment** was adversely impacted due to the pandemic and the consequent lockdown restrictions. Company took a leadership approach by offering a support package to its retail tenant partners. DLF witnessed a gradual recovery in the retail segment during the second half of the fiscal. December exit(footfalls) at ~ 75% pre-covid levels despite 50% restriction on F&B/multiplexes continue along with social distancing norms. International Luxury brands continue to outperform.

Commercial Segment

New Projects: Rs 47,000 crore (35 msf)

DLF is also developing a ~ 0.28 million square meter (msm) [3.0 million square feet (msf)] office complex in Gurugram in partnership with ADIA & Hines. In addition to this, it is also constructing a large data centre in Noida for one of Singapore's largest Telecom companies.

Diversified pipeline across segments & geographies

ANNUITY / RENTAL BUSINESS

The Annuity business is primarily undertaken through DCCDL and the Company directly owns ~0.19 msm (2 msf) of the leased assets. As on 31 March 2021, DCCDL and its subsidiaries, together, had an operational portfolio of ~3.17 msm (34.1 msf) with additional under development assets of ~0.42 msm (4.5 msf).

The rental revenue recorded a marginal increase during the year at ₹ 3,029 crore, primarily due to addition of new assets, namely DLF Cyber Park in Gurugram and additional block in DLF Cyber City, Chennai. The average occupancy level stood at 89%.

The Rental Business faced some short-term challenges due to the pandemic. While Office business remains stable, retail Malls were affected by the lock down but now are showing encouraging signs of recovery since the restrictions started easing. The company continue our Capex Buildout cycle with the construction of two state-of-the-art Office complexes namely Downtown Gurugram and Downtown Chennai.

DLF maintains a positive outlook towards its rental business and hence continues to build new assets. The development of DLF Downtown at Gurugram and Chennai remain on track.

VARIOUS PROJECTS IN DCCDL

- Chennai IT SEZ: Rentals for Block 11 commenced w.e.f. August 2020. The ~0.3msf Block 12 is at an advanced stage of construction; the company has already leased 0.2msf space in this block.
- DLF Downtown, Gurugram: The work has already started on Phase I near Cyber City. Of the total cost of INR6bn, ~INR3.8bn has been incurred till date. The company has pre-leased 0.5msf space in the project.
- DLF Downtown, Chennai: The work is underway on Phase I (two towers comprising 2msf space). Of the ~INR8bn cost, INR2.8bn has been incurred till date. This phase is expected to be completed by Q2/Q3 CY22.

In the third tower (1msf), the company has pre-leased 0.77msf space to Standard Chartered Bank. It will be completed a year after Phase I.

DEVELOPMENT POTENTIAL

Location		Development Potential[1] (in msf)	
Gurgaon		104	
	DLF 5/DLF City		24
	New Gurgaon		81
Delhi Metropolitan Region		13	
Chennai		12	
Hyderabad		3	
Chandigarh Tri-City Region		16	
Kolkata		2	
Maharashtra (Mumbai/Pune/Nagpur)		16	
Bhuvaneshwar		6	
GandhiNagar		2	
Other Cities		11	
TOTAL		**187**	
Identified Pipeline of New Product Launches		**35**	
Balance potential		**152**	

~ 20% Land Bank monetization through scaling up launches over the medium term

Development Update – Launch Calendar of 35 msf

Sales potential ~Rs 47,000 crore; Value enhancement (~17%) - driven by price growth

Area in msf

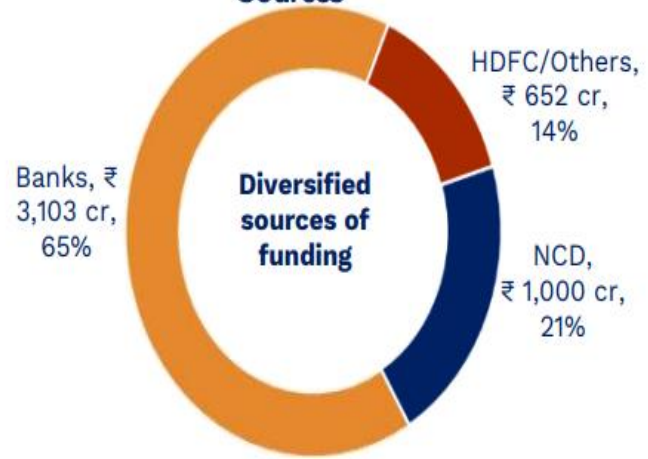
Project	~ Project Size (~ in msf)	Sales Potential (~ in Rs crore)	Till 9MFY22	Q4FY22	FY22-23	FY23-24	Beyond FY24
DLF - GIC Residential JV, Central Delhi	8	17,500	2.1		-	2.0	4.0
DLF – Hines/ADIA Offices JV, Gurgaon	3	7,000	-	-	-	-	3.0
Value Homes, Gurgaon/Tricity/ Chennai	9	5,000	-	3	2.9	3.6	-
Commercial, DLF 5/ New Gurgaon/Delhi	2	2,500	0.4	-	1.1	0.6	-
NOIDA IT Park	3.5	2,500	-	-	0.3	-	3.2
Premium / Luxury Housing	10	12,500	2.5	0.5	3.3	3.0	-
TOTAL	**35 msf**	**47,000 crore**	**5**	**3.5**	**7.6**	**9.2**	**10.2**

DEBT

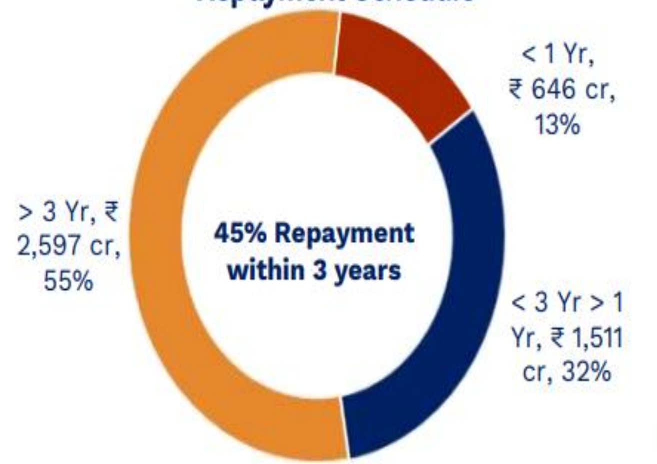
Net Debt – Consistent reduction from operational surplus

Particulars	Q1FY22	Q2FY22	Q3FY22
Gross opening debt	6,510	6,033	5,441
Less : Debt repaid during quarter	(477)	(1,292)	(686)
Add : New Borrowing during Qtr.	-	700	-
Less : Cash in Hand	(1,288)	(1,456)	(1,535)
Net Debt Position	**4,745**	**3,985**	**3,220**

Sources



Repayment Schedule



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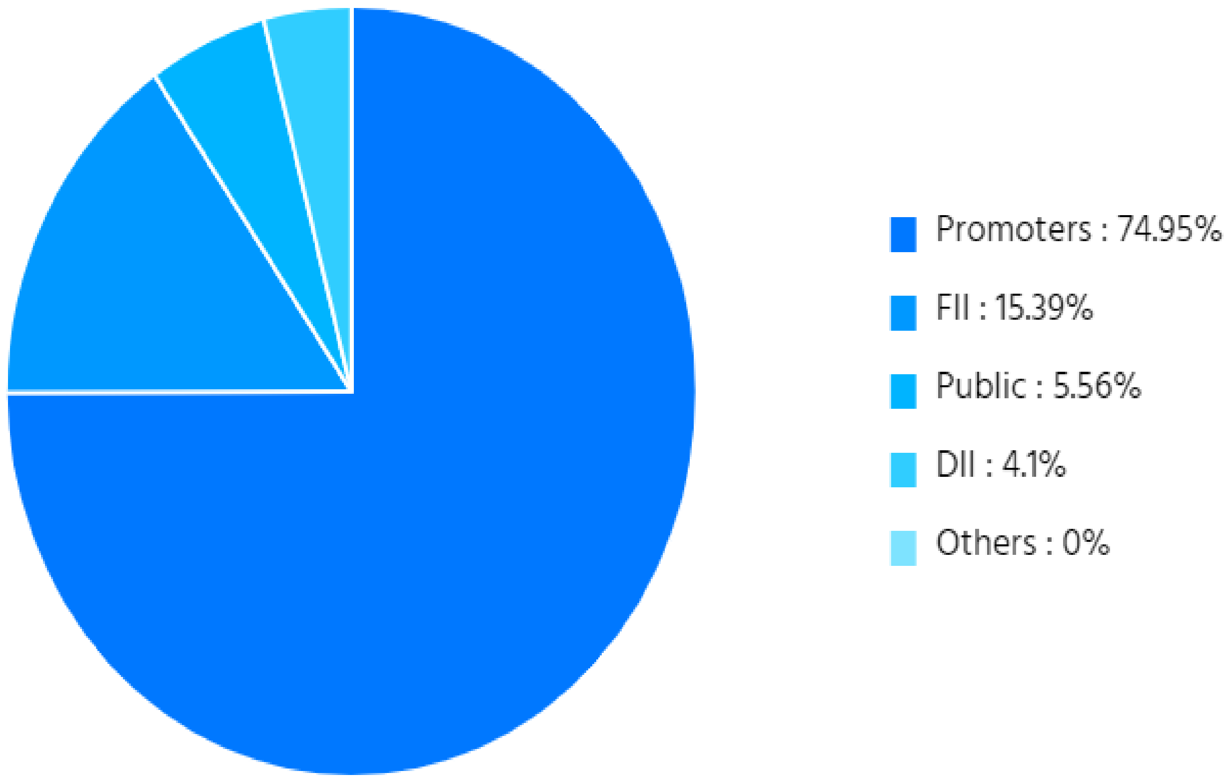
SHARE HOLDING PATTERN



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KEY RISKS

- Deals they crack are very fluctuating: Prolonged economic slowdown could affect job creation which harms the real estate sector.
- Financial Instability: The real estate sector is heavily dependent on huge cash flows.
- Sharp rise in interest rates corrodes the affordability.
- Uncertainty about future COVID waves.
- There is no law governing the real estate sector.
- A license fee needs to be paid first followed by external development charges, a government fees, infrastructure development charges, a scrutiny fee, conversion charges and all the other charges government levies on land. These charges could be almost 4-5 crore per acre for an area like Gurugram. So, for a 50 acre land parcel, one needs to have 240-250 cr before starting a project.

FINANCIALS

BALANCE SHEET

(₹ in lakhs)

	As at 31 March 2021	As at 31 March 2020
ASSETS		
Non-current assets		
Property, plant and equipment	91,875.58	117,677.51
Right-of-use assets	29,301.72	31,922.96
Capital work-in-progress	9,423.80	8,870.19
Investment properties	255,446.08	259,546.59
Goodwill	94,425.34	94,425.34
Other intangible assets	14,577.43	15,114.69
Intangible assets under development	70.15	-
Investments in joint ventures and associates	1,858,548.34	1,802,291.49
Financial assets		
Investments	44,321.82	10,955.54
Loans	39,604.45	66,733.40
Other financial assets	17,106.41	32,959.04
Deferred tax assets (net)	132,202.16	133,932.89
Non-current tax assets (net)	92,950.36	135,732.40
Other non-current assets	141,809.76	133,516.17
Total non-current assets	2,821,663.40	2,843,678.21
Current assets		
Inventories	2,108,663.64	2,248,624.19
Financial assets		
Investments	71,682.01	43,335.21
Trade receivables	58,129.04	72,039.40
Cash and cash equivalents	104,472.82	161,545.83
Other bank balances	36,214.57	80,496.69
Loans	104,143.31	86,437.71
Other financial assets	90,214.69	97,988.91
Other current assets	43,685.06	72,580.43
Total current assets	2,617,205.14	2,863,048.37
Assets classified as held for sale	42,098.53	16,252.12
	2,659,303.67	2,879,300.49
Total assets	5,480,967.07	5,722,978.70

EQUITY AND LIABILITIES		
Equity		
Equity share capital	**49,506.23**	49,506.23
Other equity	**3,484,886.55**	3,395,168.07
Equity attributable to owners of Holding Company	**3,534,392.78**	3,444,674.30
Non-controlling interests	**2,028.35**	1,840.82
Total Equity	**3,536,421.13**	**3,446,515.12**
Non-current liabilities		
Financial liabilities		
Borrowings	**329,480.14**	389,011.72
Trade payables		
(a) total outstanding dues of micro enterprises and small enterprises	**-**	-
(b) total outstanding dues of creditors other than micro enterprises and small enterprises	**79,452.13**	79,418.65
Other non-current financial liabilities	**55,321.82**	63,068.05
Provisions	**5,085.23**	6,019.62
Deferred tax liabilities (net)	**186,278.52**	158,587.17
Other non-current liabilities	**10,517.05**	6,873.87
Total non-current liabilities	**666,134.89**	**702,979.08**
Current liabilities		
Financial liabilities		
Borrowings	**234,489.50**	243,936.17
Trade payables		
(a) total outstanding dues of micro enterprises and small enterprises	**7,107.39**	2,882.31
(b) total outstanding dues of creditors other than micro enterprises and small enterprises	**116,339.02**	102,743.38
Other current financial liabilities	**149,142.06**	218,333.97
Other current liabilities	**745,207.73**	993,557.54
Provisions	**5,376.54**	8,669.84
Total current liabilities	**1,257,662.24**	**1,570,123.21**
Liabilities related to assets held for sale	**20,748.81**	**3,361.29**
	1,278,411.05	**1,573,484.50**
Total equity and liabilities	**5,480,967.07**	**5,722,978.70**

PEE AAR SECURITIES LTD.

Statement of Profit and Loss

(₹ in lakhs)

	31 March 2021	31 March 2020
REVENUE		
Revenue from operations	**541,406.10**	608,277.22
Other income	**53,082.60**	80,536.98
Total income	**594,488.70**	**688,814.20**
EXPENSES		
Cost of land, plots, development rights, constructed properties and others	**284,922.94**	338,042.15
Employee benefits expense	**31,378.18**	35,672.42
Finance costs	**85,336.46**	142,694.12
Depreciation and amortisation expense	**15,948.30**	20,030.30
Other expenses	**83,325.15**	121,062.31
Total expenses	**500,911.03**	**657,501.30**
Profit before exceptional items, tax, share of profit in associates and joint ventures	**93,577.67**	**31,312.90**
Exceptional items (net)	**(9,620.87)**	34,033.47
Profit before tax, share of profit in associates and joint ventures	**83,956.80**	**65,346.37**
Tax expense		
Current tax (including earlier years) [refer note 62(b)]	**10,593.16**	6,243.44
Deferred tax [including DTA reversal in previous year on account of adoption of new tax rate (refer note 40)]	**25,635.07**	207,023.99
Total tax expense	**36,228.23**	**213,267.43**
Profit/ (loss) before share of profit (net) in associates and joint ventures	**47,728.57**	**(147,921.06)**
Share of profit in associates and joint ventures (net)	**60,530.41**	88,952.06
Net profit/ (loss) for the year	**108,258.98**	**(58,969.00)**

	31 March 2021	31 March 2020
Other comprehensive income/ (loss)		
Items that will not be reclassified to profit and loss in subsequent periods:		
Re-measurement income/ (loss) on defined benefit plans	**302.82**	(549.78)
Income tax effect	**(46.76)**	69.27
Net income/ (loss) on fair value of FVTOCI equity instruments	**93.93**	(580.71)
Income tax effect	**1.39**	23.76
Other comprehensive income/ (loss) for the year	**351.38**	**(1,037.46)**
Total comprehensive income/ (loss) for the year	**108,610.36**	**(60,006.46)**
Net profit/ (loss) attributable to:		
Owner of the Holding Company	**109,360.24**	**(58,319.83)**
Non-controlling interests	**(1,101.26)**	**(649.17)**
	108,258.98	**(58,969.00)**
Other comprehensive income/ (loss) attributable to:		
Owner of the Holding Company	**351.38**	**(1,037.46)**
Non-controlling interests	**-**	**-**
	351.38	**(1,037.46)**
Total comprehensive income/ (loss) attributable to:		
Owner of the Holding Company	**109,711.62**	**(59,357.29)**
Non-controlling interests	**(1,101.26)**	**(649.17)**
	108,610.36	**(60,006.46)**
Earnings per equity share (face value of ₹ 2/- per share)		
Basic (₹)	**4.42**	(2.41)
Diluted (₹)	**4.42**	(2.41)

PEE AAR SECURITIES LTD.

CASH FLOWS

	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021
Cash from Operating Activity +	1,468	2,037	2,957	-898	270	2,043	356	1,460
Cash from Investing Activity +	3,924	98	-818	872	-2,102	3	6,508	150
Cash from Financing Activity -	**-4,532**	**-1,547**	**-1,929**	**787**	**-232**	**875**	**-9,522**	**-2,184**
Proceeds from shares	1,515	0	0	0	0	3,094	0	0
Proceeds from debentures	0	918	1,375	0	8,250	0	988	509
Redemption of debentures	-670	0	-562	-62	-402	-408	-345	-845
Proceeds from borrowings	6,152	6,792	10,756	15,246	13,051	4,675	8,479	6,506
Repayment of borrowings	-7,698	-5,425	-9,503	-11,245	-17,060	-4,637	-17,669	-7,407
Interest paid fin	-3,225	-3,177	-3,209	-3,147	-2,036	-1,677	-2,382	-720
Dividends paid	-518	-550	-786	-4	-816	-170	-808	-199
Financial liabilities	0	0	0	0	0	0	-31	-28
Other financing items	-88	-107	0	0	-1,219	-3	2,246	1
Net Cash Flow	**860**	**588**	**210**	**761**	**-2,064**	**2,921**	**-2,658**	**-573**

FINANCIAL PERFORMANCE ANALYSIS

On a consolidated basis, Company recorded a revenue (including other income) of ₹ 5,945 crore, which was 14% lower as compared to the previous year. This was largely on account of product-mix and lesser number of possession letters issued.

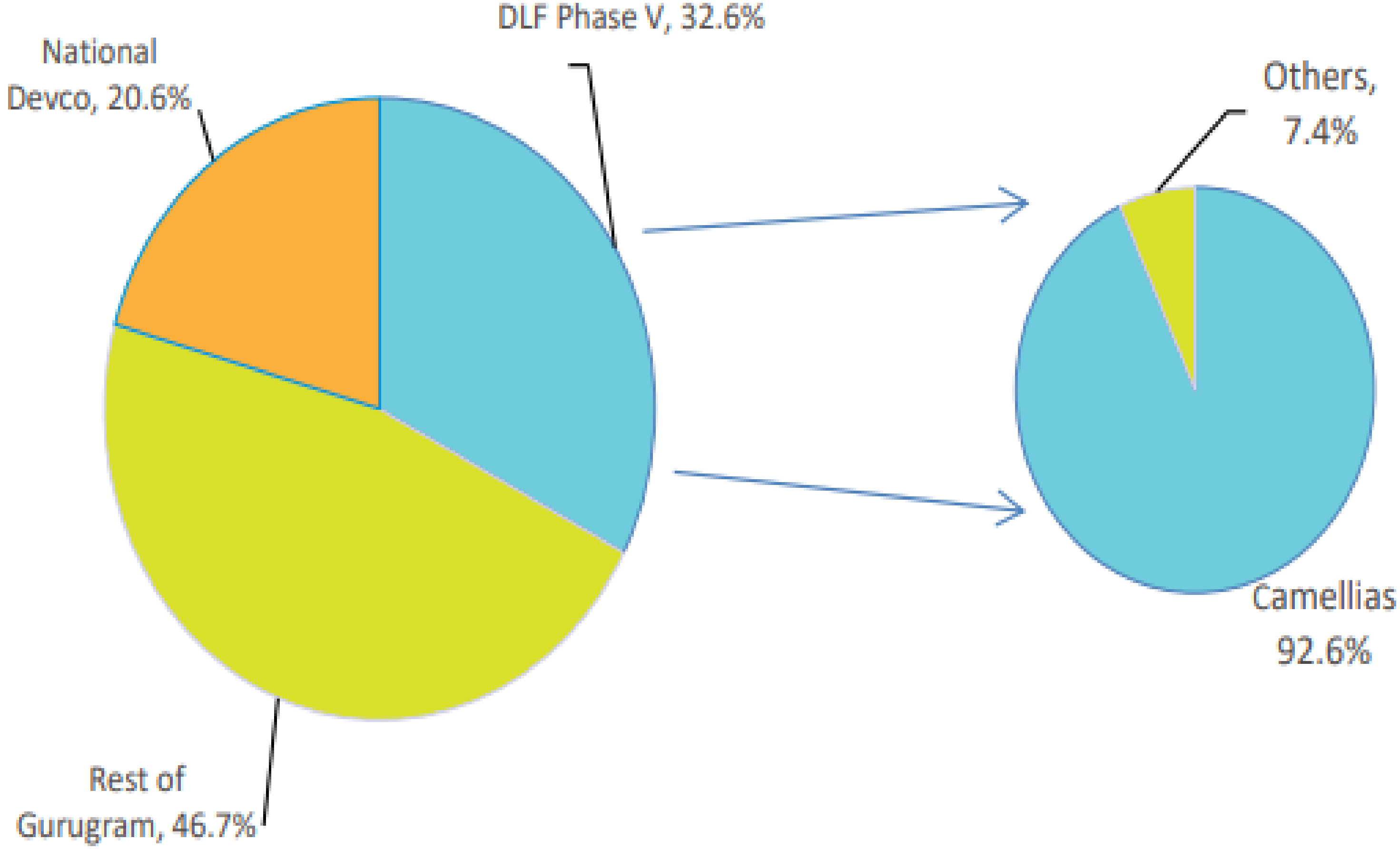
Total expenses were significantly lower as compared to previous year. This was primarily driven by effective cost control initiatives of the organisation. Finance costs and other expenses reduced by more than 30%. After accounting for share of profit in DLF Cyber City Developers Limited (DCCDL) and other jointly controlled entities of ₹ 605 crore, Company recorded a net profit of ₹ 1,083 crore during the year as against net loss of ₹ 590 crore in the previous financial year. Last year's loss was primarily on account of one-time DTA reversal due to the adoption of the new tax regime.

DCCDL FINANCIAL PERFORMANCE

DLF Cyber City Developers Limited

DCCDL reported a consolidated income of ₹ 4,385 crore as compared to ₹ 5,083 crore in the previous financial year. The decrease in revenue was primarily on account of lower retail revenues and services as also other interest income. DCCDL's consolidated EBIDTA is ₹ 3,417 crore in FY 2020-21 in comparison to ₹ 3,720 crore in FY 2019-20 and total comprehensive income stood at ₹ 913 crore compared to ₹ 1,317 crore in FY 2019-20. As on 31 March 2021, DCCDL and its subsidiaries, together, had an operational portfolio of ~ 3.17 million square meter (msm) [34.1 million square feet (msf)].

SALES


DLF Phase V, 32.6%
National Devco, 20.6%
Rest of Gurugram, 46.7%
Others, 7.4%
Camellias 92.6%

KEY RATIO ANALYSIS

Return on Equity	
10 Years:	2%
5 Years:	2%
3 Years:	3%
Last Year:	3%

Company has a low return on equity of 3% for last 3 years.

Compounded Sales Growth	
10 Years:	-6%
5 Years:	-11%
3 Years:	-7%
TTM:	9%

The company has delivered a poor sales growth of -11.42% over past five years.

Compounded Profit Growth	
10 Years:	-2%
5 Years:	29%
3 Years:	50%
TTM:	162%

Company has delivered good profit growth of 28.99% CAGR over last 5 years

Debt to equity ratio: - It is a good metric to check out the capital structure along with its performance. DLF has a D/E ratio of 0.19 which means that the company has low proportion of debt in its capital. Company has reduced its debt.

Debt is usually a necessity for growth in good times. A license fee needs to be paid first followed by external development charges, a government fees, infrastructure development charges, a scrutiny fee, conversion charges and all the other charges government levies on land. These charges could be almost 4-5 crore per acre for an area like Gurugram. So, for a 50 acre land parcel, one needs to have 240-250 cr before starting a project.

DLF Downtown, Gurugram

DLF Downtown, Chennai

PEE AAR SECURITIES LTD.


The Camellias Club, DLF 5, Gurugram
DLF