

DLF

Building scale in annuity; execution focus in residential

Pre-sales in 1QFY26 was led by Privana North. KTAs from earnings call: (i) Management expects to comfortably reach FY26 pre-sales guidance of Rs200-220bn; (ii) Expect mid-teen growth in annuity revenue in medium term led by 7-8% LTL growth and annuity pipeline of 28msf (~46msf operational); expect exit rentals (FY26-end) of Rs67bn; (iii) Further launches seem to be skewed towards FY26-end with Goa awaiting approvals and Dahlias Phase-2 expected in Mar-Apr'26. Expect IREO and MMR Phase 2 launch (>1msf) in FY27; (iv) Whilst Delhi NCR remains core focus, DLF will continue to expand in current markets, especially MMR given the opportunity; not looking to add other markets. Focus on strengthening RentCo portfolio (hedging risk of RRE downturn), whilst execution, cash flow and margins remain focus for DevCo. Amid largely in-line results, we keep our estimates unchanged. Amid roll-forward, **TP of Rs930** (Rs925 earlier) implies 5.1x 1-yr fwd P/B. Risk: Gurugram oversupply.

KTAs from earnings call:

- **RentCo:** Occupancy for the ~46msf of operational DCCDL portfolio stood at 94%/96% in terms of volume/value. Exit rental expected for overall annuity portfolio in FY26 remains at Rs67bn (FY26-end). Total annuity pipeline stands at ~28msf of which further 5msf is expected to be completed in the remainder of FY26. Expect gross leasing of ~10msf across office and retail assets in FY26. Management expects mid-teen growth in rentals led by 7-8% LTL growth and remaining led by asset additions. Expect construction spends of Rs50bn each in FY26 and FY27 for the annuity portfolio. Debt for the DCCDL business stood at ~Rs170bn, implying 3.2x net debt to EBITDA.
- **DevCo:** Management [continued to highlight](#) their expectation of Rs200-220bn of pre-sales in FY26 and their confidence in achieving the same. Focus remains on timely and quality execution of the existing launch pipeline for the RentCo business. Management expects to incur ~Rs32bn of construction cost in FY26 in DevCo. Management remains bullish on the MMR market and will continue to expand here in medium term. Net cash stood at Rs80bn for the DevCo business.
- **Launch pipeline:** Management highlighted that: (i) Dahlias Phase 2 will be in Mar-Apr of 2026. Note that sales in Dahlias will continue prior to re-launch; (ii) MMR Phase 2 (Westpark, >1msf) and IREO launch will be in FY27; (iii) Goa launch is awaiting approval. It was initially expected to be launched in FY26; and (iv) Next phase on One Mid-Town will be at least 2 years from now.
- **Outlook:** Management continued to highlight that their core focus will remain Delhi NCR, whilst they will continue to grow in other markets that they are present in; not looking to add new markets as of now. They highlighted their focus on embedded margins (~45% guided on a portfolio level) and free cash flow generation along with execution vs chasing pre-sales growth.

Where do we go from here?

DLF's focus on 3Ls, leadership, luxury and legacy, drove outperformance over FY21-25 (62% pre-sales CAGR). With planned launches valued >₹1.1trn (45% already launched), margins should exceed peers' given legacy land. NCR leadership drove debt reduction given market buoyancy; DLF will maintain net cash position it achieved at FY25-end (DevCo business). Further, the Andheri project marked DLF's foray into the opportune MMR market, providing headroom for further growth.

Despite Gurgaon residential oversupply, DCCDL (DLF stake: 66.66%) with annuity portfolio generating sustainable cash flows (~₹57bn FY26 EBITDA) offers warranted portfolio hedge. One-year TP of ₹930 (Rs925 earlier) values DLF at 5.1x 1-yr fwd P/B; continued sales momentum for ultra-luxury Dahlias and upcoming launches from land bank will drive rerating.

BUY

Results Update

Stock Information

Bloomberg Code:	DLFU IN
CMP (Rs):	781
TP (Rs):	930
Mcap (Rs bn/US\$ bn):	1,933/22
3M MDV (Rs mn/US\$ mn):	2,359/27.6

Stock Performance (%)

	1M	3M	12M	YTD
Absolute	(6.6)	12.6	(3.6)	(5.3)
Rel. to Sensex	(3.3)	12.7	(6.1)	(8.6)

Source: ICE, Ambit Capital research

Ambit Estimates (Rs mn)

	FY25	FY26E	FY27E
Revenue	79,937	100,781	108,946
EBITDA	21,086	37,993	41,482
EPS (basic) (Rs)	17.6	21	24

Source: Ambit Capital research, Company

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Amid 2x PAT growth (FY25-30E), DLF remains a long-term mid-teen compounding story. Key risks: Oversupply in Gurugram, failure to foray into MMR market and limited execution capabilities and bandwidth.

Exhibit 1: Consolidated quarterly snapshot

Rs mn	1QFY26	1QFY25	YoY	4QFY25	QoQ(%)	1QFY26E	Divergence (%)
Pre-sales (Rs mn)	114,250	78,660	45%	20,350	461%	120,000	-5%
Revenue from operations	27,167	13,624	99%	31,276	-13%	25,195	8%
COGS	19,483	6,617	194%	16,516	18%	10,845	80%
Employee expenses	1,444	1,641	-12%	1,290	12%	1,657	-13%
Other expenses	2,599	3,080	-16%	3,690	-30%	3,194	-19%
EBITDA	3,642	2,286	nmf	9,780	-63%	9,498	-62%
Depreciation	345	373	-8%	369	-7%	403	-14%
EBIT	3,297	1,913	72%	9,411	-65%	9,095	-64%
Finance costs	786	1,012	-22%	1,086	-28%	982	-20%
Other Income	2,642	3,675	-28%	2,202	20%	2,581	2%
Profit before tax	5,153	4,576	13%	10,527	-51%	10,694	-52%
Exceptional item	-	-		-		-	
Tax	1,332	1,183	13%	1,813	-27%	2,686	-50%
Profit After Tax	3,821	3,393	13%	8,714	-56%	8,007	-52%
Share of profit of Associate company	3,806	3,054	25%	4,108	-7%	5,017	-24%
APAT	7,627	6,447	18%	12,822	-41%	13,024	-41%
EPS	3	3	19%	5	-41%	5	-41%
Employee expenses (% of revenue)	5%	12%	(673)	4%	119	7%	-19%
Other Expenses (% of revenue)	10%	23%	(1,304)	12%	-223	13%	-25%
EBITDA margin (%)	13%	17%	(338)	31%	(1,787)	38%	-64%
Profit before tax (%)	19%	34%	(1,462)	34%	(1,469)	42%	-55%
Tax rate (% of PBT)	26%	26%	(1)	17%	863	25%	3%
PAT (%)	14%	25%	(1,084)	28%	(1,380)	32%	-56%

Source: Company, Ambit Capital research

Exhibit 2: Change in estimates

Rs mn	New estimates		Old estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY		UNCHANGED	
TP (Rs)	930		925		1%	
Revenue	100,781	108,946	100,781	108,946	0%	0%
- Pre-sales (msf)	7.1	7.1	7.1	7.1	0%	0%
- Pre-sales (Rs bn)	223	225	223	225	0%	0%
EBITDA	37,993	41,482	37,993	41,482	0%	0%
EBITDA margin (%)	37.7%	38.1%	37.7%	38.1%	0bps	0bps
PBT	42,775	46,311	42,775	46,311	0%	0%
PAT	52,097	58,759	52,097	58,759	0%	0%
EPS (Rs)	21.0	23.7	21	23.7	0%	0%

Source: Company, Ambit Capital research

DLF (DLFU IN, BUY)

We use the NAV methodology, DCF (for annuity and residential portfolio) and EV/EBITDA (for the small hospitality and other portfolio) to arrive at our SOTP valuation for DLF.

We assume CoE of 13% and a target debt ratio of 40%, resulting in WACC of 11%.

Oversupply in the Gurugram region.

Executional bandwidth limiting potential development.

Financials - CONSOLIDATED

Income statement

Year to March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	64,270	79,937	100,781	108,946	111,709
-growth (Rev)	12.9%	24.4%	26.1%	8.1%	2.5%
Cost of goods sold	27,938	41,316	43,382	45,984	50,583
Gross profit	36,332	38,621	57,399	62,962	61,126
Gross profit growth	11.4%	6.3%	48.6%	9.7%	(2.9%)
Employee expenses	5,460	5,920	6,630	7,426	8,317
Other expenses	9,637	11,615	12,776	14,054	15,459
EBITDA	21,236	21,086	37,993	41,482	37,350
-growth (EBITDA)	23.0%	(0.7%)	80.2%	9.2%	(10.0%)
Depreciation	1,480	1,507	1,612	1,725	1,846
EBIT	19,757	19,580	36,381	39,757	35,504
-growth (EBIT)	25.3%	(0.9%)	85.8%	9.3%	(10.7%)
Other income	5,313	10,022	10,323	10,633	10,952
EBIT (including other income)	25,070	29,602	46,704	50,390	46,456
Finance costs	3,565	3,972	3,929	4,079	4,229
Share of profit/loss of associates and JVs	10,931	16,723	20,068	24,081	28,898
Exceptional items	-	3,024	-	-	-
Profit before tax	21,505	22,606	42,775	46,311	42,227
Profit before tax (adjusted)	21,505	25,630	42,775	46,311	42,227
-growth (PBT)	43.1%	19.2%	66.9%	8.3%	(8.8%)
Tax	5,201	(4,339)	10,745	11,633	10,607
PAT	27,235	43,668	52,097	58,759	60,517
Profit after tax (adjusted)	27,235	46,692	52,097	58,759	60,517
-growth (PAT)	33.9%	60.3%	19.3%	12.8%	3.0%
Consolidated profit after tax	27,298	43,563	52,097	58,759	60,517
-growth (CPAT)	33.9%	60.3%	19.3%	12.8%	3.0%
EPS (basic) (Rs)	11.0	17.6	21	24	24
EPS (diluted)	11.0	17.6	21	24	24

Source: Ambit Capital research, Company

Balance sheet

Year to March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Property, plant and equipment	6,908	7,213	35,601	63,876	92,030
Capital work in progress	681	771	1,771	2,771	3,771
Goodwill	9,443	9,443	9,443	9,443	9,443
Other intangible assets	2,219	1,302	1,302	1,302	1,302
Total fixed assets	39,507	35,880	65,268	94,543	123,697
Non-current investments	201,377	213,217	213,217	213,217	213,217
Deferred tax assets (net)	11,935	33,604	33,604	33,604	33,604
Total non-current assets	602,624	694,754	743,910	841,986	1,002,827
Inventories	211,541	246,215	261,779	309,186	361,212
Current investments	32,749	10,317	10,317	10,317	10,317
Trade receivables	5,381	8,022	8,022	8,022	8,022
Cash and cash equivalents	43,843	43,381	47,584	68,978	148,639
Other current assets	56,291	104,118	104,118	104,118	104,118
Total current assets	349,805	412,053	431,821	500,622	632,308
Total assets	602,624	694,754	743,910	841,986	1,002,827
Share capital	4,951	4,951	4,951	4,951	4,951
Other equity	389,358	420,552	434,295	444,911	451,749
Minority interest	8.0	-	-	-	-
Total equity	394,316	425,502	439,246	449,862	456,699
Long-term borrowings	24,390	16,721	18,221	19,721	21,221
Deferred payment liabilities	27,902	15,148	15,148	15,148	15,148
Long-term provisions	540	529	529	529	529
Deferred tax liabilities (net)	27,902	15,148	15,148	15,148	15,148
Lease liabilities	2,280	2,386	2,386	2,386	2,386
Other non-current liabilities	1,347	1,233	1,233	1,233	1,233
Total non-current liabilities	66,897	46,922	48,422	49,922	51,422
Short-term borrowings	21,597	21,820	21,820	21,820	21,820
Trade payables	17,878	22,610	22,610	22,610	22,610
Lease liabilities	71	102	102	102	102
Other current liabilities	101,072	174,615	208,527	294,487	446,990
Short term provisions	747	2,855	2,855	2,855	2,855
Total current liabilities	141,366	222,001	255,914	341,874	494,377
Total liabilities	208,263	268,923	304,335	391,796	545,799
Total equity and liabilities	602,624	694,754	743,910	841,986	1,002,827

Source: Ambit Capital research, Company

Cash flow statement

Year to March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	21,505	22,606	42,775	46,311	42,227
Depreciation	1,480	1,507	1,612	1,725	1,846
Interest income	(4,070)	(8,358)	(10,323)	(10,633)	(10,952)
Interest expense	3,565	3,972	3,929	4,079	4,229
Other items	(2,427)	1,593	-	-	-
Working capital changes	7,908	32,251	18,348	38,553	100,477
Taxes	(2,572)	(1,219)	(10,745)	(11,633)	(10,607)
Cash flow from operations	25,388	52,352	45,596	68,402	127,220
(Net) capital expenditure	6,276	(953)	(31,000)	(31,000)	(31,000)
Acq./ (disp.) of Investments	2,732	7,515	-	-	-
Interest/dividend Received	7,634	16,019	-	-	-
Other items	(31,929)	(58,011)	10,323	10,633	10,952
Cash flow from investments	(15,287)	(35,431)	(20,677)	(20,367)	(20,048)
Net short-term borrowings	770	(7,510)	-	-	-
Net long-term borrowings	13,811	(295)	2,000	2,000	2,000
Interest paid	(2,914)	(3,843)	(3,929)	(4,079)	(4,229)
Dividends paid	(9,869)	(12,377)	(15,629)	(20,566)	(21,181)
Other items	(33)	-	(3,157)	(3,996)	(4,101)
Cash flow from financing	1,766	(24,025)	(20,715)	(26,641)	(27,511)
Opening cash balance	22,747	14,619	7,516	11,719	33,114
Net change in cash	11,867	(7,103)	4,203	21,394	79,661
Closing cash balance	43,843	7,516	11,719	33,114	112,774
Free cash flow to firm	31,664	51,399	14,596	37,402	96,220
Free cash flow to equity	14,168	55,362	8,667	31,323	89,991

Source: Ambit Capital research, Company

Preferred Ratios

Year to March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Gross margin	56.5%	48.3%	57.0%	57.8%	54.7%
EBITDA margin	33.0%	26.4%	37.7%	38.1%	33.4%
EBIT margin	30.7%	24.5%	36.1%	36.5%	31.8%
Net profit margin	42.4%	54.6%	51.7%	53.9%	54.2%
Net debt/equity	-	-	-	(0.1)	(0.2)

Source: Ambit Capital research, Company

Ratio analysis

Year to March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Gross margin	56.5%	48.3%	57.0%	57.8%	54.7%
EBITDA margin	33.0%	26.4%	37.7%	38.1%	33.4%
EBIT margin	30.7%	24.5%	36.1%	36.5%	31.8%
Net profit margin	42.4%	54.6%	51.7%	53.9%	54.2%
Net debt/equity	-	-	-	(0.1)	(0.2)
Net debt/EBITDA	0.1	(0.2)	(0.2)	(0.7)	(2.8)
Cash conversion days	3.7	3.5	2.9	3.1	3.5
Inventory days	3.3	3.1	2.6	2.8	3.2
Receivable days	0.1	0.1	0.1	0.1	0.1
Payable days	0.3	0.3	0.2	0.2	0.2
pre-tax CFO/EBITDA	132%	254%	148%	193%	369%
pre-tax RoCE	4.7%	4.3%	7.7%	8.2%	7.2%
post-tax RoCE	3.5%	6.1%	5.8%	6.1%	5.4%
ROE (%)	6.9%	10.3%	11.9%	13.1%	13.3%

Source: Ambit Capital research, Company

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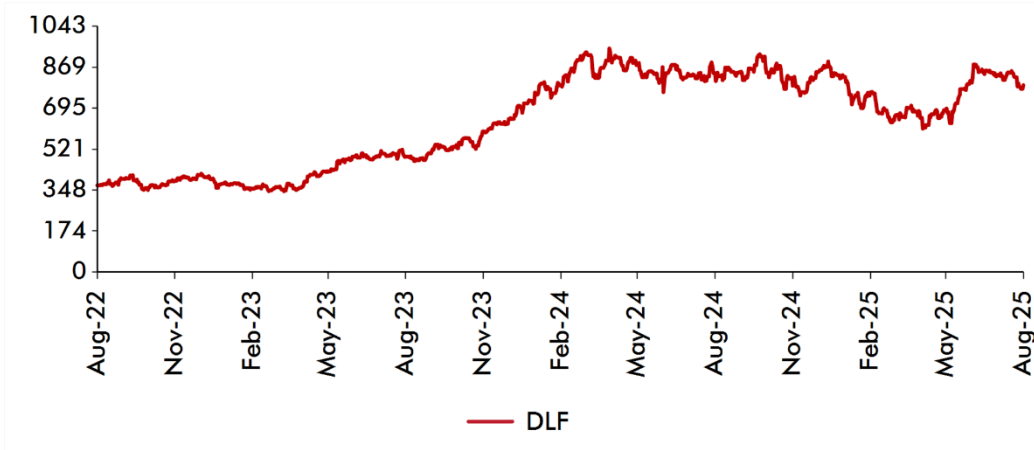
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DLF (DLFU IN, BUY)



Source: ICE, Ambit Capital research

Explanation of Investment Rating - Our target prices are with a 12-month perspective. Returns stated are our internal benchmark

Investment Rating	Expected return (over 12-month)
BUY	We expect this stock to deliver more than 10% returns over the next 12 months
SELL	We expect this stock to deliver less than or equal to 10 % returns over the next 12 months
UNDER REVIEW	We have coverage on the stock but we have suspended our estimates, TP and recommendation for the time being NOT
NOT RATED	We do not have any forward-looking estimates, valuation, or recommendation for the stock.

Note: At certain times the Rating may not be in sync with the description above as the stock prices can be volatile and analysts can take time to react to development.

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