

CHAIRMAN'S AGM SPEECH – 52nd ANNUAL GENERAL MEETING

Dear Shareholders,

On behalf of the Board of Directors, it gives me great pleasure to welcome you all to the 52nd Annual General Meeting of the Company.

It has indeed been an eventful year since I last had the privilege of addressing you and I would like to thank all stakeholders for the steadfast support and unwavering confidence reposed in the Company through thick and thin.

It is this consistent faith and support that has enabled your Company to suitably strategize and adapt effectively to the truly historic and groundbreaking policy changes that the country has experienced in the past 12 months, most notably Demonetization, GST and RERA.

Your Company's Annual Report for the year ended 31st March, 2017 along with the Directors' Report and audited Annual Accounts have already been circulated to you, and I seek your permission to take it as read.

I shall confine myself to very briefly mentioning the salient operating results of the Company during the fiscal year 2016-17. Consolidated income from operations amounted to Rs. 8,940.51 crore. Net profit stood at Rs. 707.99 crore, an increase of 56.90 per cent. EPS for FY'17 was Rs. 3.89 as compared to Rs. 1.86 for FY'16.

As you will have noted, these figures broadly indicate that your Company has been able to navigate through the difficult challenges of the recent past relatively more effectively than many of our peers in the housing industry. This has largely been due to the strong fundamentals of your Company and the foresight of your Management in putting into place a business strategy based on its core competencies.

As you are well aware, the Government of India under the dynamic leadership of the Prime Minister Shri Narendra Modiji has ushered in a series of structural reforms aimed at propelling the nation forward towards a path of rapid

economic growth and development. These visionary initiatives have significantly altered the business paradigm in all sectors of the economy, including the real estate and construction industry.

I would like to touch upon the impact and implications of the radical changes on the real estate sector in general, and your Company in particular, and also to appraise you in more detail about your Management's endeavour to respond to the new challenges by viewing them as opportunities for innovation and growth.

DLF has consistently been in the forefront of seeking repeal of archaic laws and removal of cumbersome rules and regulations in the real estate sector to bring about greater transparency, accountability and compliance and to eliminate fly-by-night operators who have for decades been not only tarnishing the image of genuine developers but also seriously disrupting the housing market by defrauding home-buyers and end-users.

Now that the Government has taken bold and decisive steps to initiate game-changing reforms, I am glad to report that your Company is well positioned to navigate through the critical period of adjustments and course corrections that lie ahead.

This is largely due to the patience and cooperation of all stakeholders who have fully supported the Management's blueprint for structural changes within the Company and roadmap for reorienting DLF's core product portfolio in tune with the anticipated changed business environment.

Your Company's aspirations are in step with many of the new landmark legislations that has been enacted – especially the Real Estate Regulation & Development Act (RERA), which should go a long way to boost consumer confidence, generate accelerated demand for housing products and also facilitate the flow of investments into the realty sector, from both global and Indian investors.

Similarly, the implementation of GST and other steps aimed at greater efficiency and transparency in the full range of real estate transactions have put the onus on hitherto non-compliant players to either comply or perish.

Moreover, although the shock decision to recall and replace high value currency notes may have had an initial dampening impact on the housing market, it will hopefully, in the longer term, purge the real estate sector of many of the unsavory practices of unscrupulous players and lead to faster growth in the housing sector.

As the nation gears up to cope with the transformational changes currently underway, it is however necessary to remind ourselves that India is at the crossroads of history. As a populous country on the threshold of becoming an economic super-power, the acid test will be whether we can take advantage of our demographic dividend by ensuring gainful employment to our youth.

Employment generation has to be one of the most important objectives of development planning in India because job creation and opportunities for self-employment and entrepreneurship are not only closely interlinked with the goal of eradication of poverty but also the key to meeting the rising aspirations of our people and fulfilling the Prime Minister's vision of a New India.

For this to happen, it is essential to strive for faster all-round growth of not less than 8 to 10 per cent, consistently over a period of several years.

I have always strongly believed that the housing and construction industry has all the attributes of being the driver of such rapid growth as well the provider of jobs on the required magnitude and scale.

This sector already supports over 250 ancillary industries and is the second-largest provider of jobs in the country after agriculture. It is recognized as a powerful engine of growth – driving 7%-8% of India's GDP, with the capability to contribute over 13% in the coming years.

I am sure you will recall my frequent assertion that housing and real estate development has the potential to emerge as the next Sunrise Sector of the Indian economy and my forceful advocacy for urban development to be regarded as the centerpiece of national development planning with the Government playing the role of Enabler and Facilitator in addition to being a Regulator.

While the various reform measures that have been introduced till now are undoubtedly salutary and indeed long overdue, I would like to urge upon the Government to be mindful of the necessity to ease the travails of transition, especially in a competitive market economy such as ours.

During the process of adjustment and adaptation, it is also essential to be open to refining some of the provisions of the new regulations and, in certain cases, rectifying some of the procedures and stipulations, in response to practical difficulties and industry feedback.

The truth is that the real estate sector has perennially been plagued by a plethora of archaic rules and burdensome bureaucratic formalities that hinder healthy growth. The fact that some States have imposed additional and often cumbersome regulations of their own, further hampers execution of projects in time and within the envisaged budget.

In my view, although RERA contains many positive and necessary features that have rightly been welcomed by builders and buyers alike, the new legislation regrettably falls short of adequately addressing certain critical concerns faced by developers.

From the developers' point of view, some specific issues that need to be flagged are – absence of a single window clearance mechanism; imposition of additional layers of approvals and increased reliance on external capital to achieve high growth. For allottees, too, the probability of delays in delivery of apartments and consequent price escalation are potential grey areas.

Legislative reforms, in my view, should be primarily aimed at bringing about a happy balance between supply and demand of real estate products. Along with ensuring transparency, the ultimate aim of any radical reform should be to allow market forces to create a mutually beneficial environment for developers, buyers and all stakeholders.

It is but natural that arriving at such a harmonious outcome will take awhile. It needs to be kept in mind that the real estate development sector in India has been passing through a variety of challenges compounded by continuing

sluggish demand, lack of liquidity, regulatory pressure and piling up of inventory which have collectively created uncertainty about future growth.

Our unique business model cushions the impact of market down-cycles, with each division in product-mix - comprising homes, offices and retail, including malls and commercial complexes – functioning as a strategic business unit. Moreover, the sizable land resources your Company has accumulated over several decades would facilitate new project launches in prime locations at the appropriate time.

Shareholders will also be happy to know that in order to strengthen the lease business further, your Company has entered into definitive agreements with an affiliate of GIC Real Estate, Singapore for a strategic partnership to develop a rental assets portfolio through its subsidiary called DLF Cyber City Developers Limited.

This partnership would create a leading platform and enable your Company to achieve sustainable growth by creating an optimal structure for rental business to improve efficiency for long term growth of the portfolio.

I look forward to your continued support over the next few quarters as we face the challenges ahead with renewed confidence and determination to maintain our stellar role as the country's foremost creators of high quality real estate products.

I would like to thank all the stakeholders, including our customers, employees and suppliers, Central and State Governments, Regulatory Authorities, investors, bankers and financial institutions, for their continued faith and trust in all our endeavours.

I would also like to place on record my appreciation for the sincerity, hard work and dedication of the entire DLF team.

On behalf of my fellow-directors and the entire DLF corporate family, I renew our pledge to remain committed towards building a New India.

(K.P. SINGH)

**Chairman
Gurugram
29th September, 2017**

[This document does not purport to be a record of the proceedings of the Annual General Meeting. The speech can also be accessed at www.dlf.in]