



DLF 
BUILDING INDIA

Q2 FY13 Analyst Presentation

November 12, 2012



SAFE HARBOUR

This presentation contains certain forward looking statements concerning DLF's future business prospects and business profitability, which are subject to a number of risks and uncertainties and the actual results could materially differ from those in such forward looking statements. The risks and uncertainties relating to these statements include, but not limited to, risks and uncertainties, regarding fluctuations in earnings, our ability to manage growth, competition, economic growth in India, ability to attract and retain highly skilled professionals, time and cost over runs on contracts, government policies and actions with respect to investments, fiscal deficits, regulation etc., interest and other fiscal cost generally prevailing in the economy. The company does not undertake to make any announcement in case any of these forward looking statements become materially incorrect in future or update any forward looking statements made from time to time on behalf of the company.



FY 2013...Economic Outlook

- ❖ Continued weak macro environment and consumer sentiment
 - ✓ Poor investment climate to drag the real GDP to 6%-6.5%
 - ✓ Global slowdown especially the European situation & US 'fiscal cliff' continues to adversely affect investment sentiment
 - ✓ Core inflation to be sticky; high interest rates regime to continue in the near term
 - ✓ Early signs of policy initiatives by the Govt. – next 6 months critical both from the perspective of fiscal consolidation and legislation
- ❖ Conclusion: Uncertainties may play spoilsport in the near term

FY 2013...Sectoral Outlook – Real Estate

- ✓ Reduced capital flows - private equity investment in the real estate sector declined by 15 per cent in the first half of 2012 calendar year
- ✓ While a cut of 25 base points in the CRR rate does infuse some liquidity, a reduction in the repo rate would have helped boost investor sentiment
- ✓ Cost of capital continues to be high given the cost of debt and high equity premium pricing in political and currency risk
- ✓ Recent favourable macro trends and reform thrust, viz, much-awaited FDI in multi brand retail, policy relaxation in single brand retail are positive for the real estate (RE) sector.
- ✓ Unabated inflationary pressures – shall continue to impact margins
- ✓ Stretched approval cycle impacting fresh supply
- ✓ Rental values across the city saw an appreciation in the range of 5-11% compared to last quarter, with highest increases noted in Gurgaon
- ✓ Lack of supply, high land and construction costs continue to keep prices high across most of the micro markets

Current status..

- Where have we reached in affecting change in strategy warranted by the global financial crisis of 2008-09:
 - Revision of the business model- **Achieved**
 - Consolidation of businesses, organization design and operations – **Achieved**
 - Outsourcing certain key operations such as construction to domain experts - **Achieved**
 - Revert back to the core business and divest the non-core –**Proceeding as per plan**
 - Re-design the balance sheet; reduce net debt – **Proceeding as per plan**

Worst is behind us!!

- **But for any unforeseen circumstances, the Company is now well positioned to “take-off” as it moves towards new launches in excess of 9 msf during H2FY13:**
 - All headwinds in the form of escalated interest costs, cost inflations and scarcity of labour (delayed execution) behind us. Large number of previous projects (~ 15 msf) getting delivered in H2FY13
 - New launches – action on approvals, planning and cost estimates continuing as per schedule
 - Construction majors and ‘best in class’ PMC’s being contracted to give quality product delivered in a timely fashion
 - Launch ‘high impact’ projects in H2FY13 may have slight/positive impact on the financials of the FY13 but will give high degree of visibility of cash flows and earnings over the next 3-4 years
 - Confident of achieving net debt of Rs. 18,500 crs by end of FY13. Shall strive for further reduction
 - In the medium term, further pare down the net debt to <15,000 crs with operational cash flow surpluses and equity issuance to bring the free float to 25% (in compliance to current regulations) during FY14
 - Higher quantum of net earnings from FY14 onwards emanating from Annuity business and Development business (given the forthcoming launches in H2FY13) coupled with lower financial costs and other costs

Performance of Company – Q2 FY13

➤ DevCo:

- 1.59 msf gross sales booked in Q2FY13 vs 1.34 msf in Q1FY13 & 1.28 msf in Q1FY12
 - Gurgaon – 0.38 msf
 - Super Metro – 0.12 msf
 - Rest of India – 1.09 msf

➤ Rentco :

- 0.24 msf of leasing in Q2FY13 vs 0.29 msf in Q1FY13 & 0.21 msf in Q2 FY12
- ~ Rs. 480 Crs of annuity income with rental income of Rs. 400 crs

- **Monetization** of non-core assets - Rs. 560 Crs. [Balance moneys on NTC Mills, Mumbai received in Q3FY13]

- **Delivery**- 0.74 msf handed over during the Q2FY13

Performance of Company – H1 FY13

➤ **DevCo:**

- 2.96 msf gross sales booked in H1FY13 vs 3.54 msf in H1FY12

➤ **Rentco :**

- 0.53 msf of leasing in H1FY13 vs 0.94 msf in H1FY12
- Total annuity income of Rs 965 Crs in H1FY13 vs 935 Crs in H1FY12 including Rental income of Rs 800 Crs vs Rs 757 Crs

➤ **Monetization** of non-core assets - Rs. 929 Crs.

➤ **Delivery-** 2.80 msf handed over

Profit & Loss Summary – Q2 FY13

Q2 FY 13 vs Q1 FY 12

- Sales (incl Other Income) at Rs 2,157 Cr, compared to Rs 2,329 Cr.
- Net profit at Rs 139 Cr, as against Rs 293 Cr
- EBIDTA margins at 40% versus 51%
- Tax Rate for the Qtr is 25%

Profitability	Q2 13	Q1 13	% Change	Q2 12	% Change
All figures in Rs Crs					
Sales	2157	2329	-7%	2577	-16%
Construction	872	644	35%	948	-8%
Staff Cost	155	141	10%	154	1%
Other Expenses	265	346	-23%	259	2%
EBIDTA	864	1198	-28%	1216	-29%
Finance Charges	522	623	-16%	526	-1%
Depreciation	184	179	3%	175	5%
PBT	158	397	-60%	515	-69%
Tax	39	114	-65%	147	-73%
Minority / Prior Period	-20	-10	105%	-4	409%
PAT	139	293	-53%	372	-63%

Consolidated Balance Sheet

Balance Sheet	As on September 30, 2012	As on June 30, 2012	As on March 31, 2012
A. Equity and Liabilities	(Reviewed)	(Reviewed)	(Audited)
1 Shareholders' funds			
(a) Share capital	2,139	2,139	2,139
(b) Reserves and surplus	25,515	25,432	25,097
Sub-total - Shareholders' funds	27,654	27,571	27,236
2. Share application money pending allotment	0	0	0
3. Minority interests	411	440	421
4. Non-current liabilities			
(a) Long-term borrowings	16,223	17,198	16,824
(b) Other long-term liabilities	2,229	2,386	2,322
(c) Long-term provisions	58	51	49
Sub-total - Non-current liabilities	18,510	19,635	19,194
5. Current liabilities			
(a) Short-term borrowings	3,375	3,077	3,399
(b) Trade payables	2,341	2,426	2,581
(c) Other current liabilities	12,363	10,661	9,804
(d) Short-term provisions	206	981	755
Sub-total - Current liabilities	18,284	17,145	16,538
Total – Equity and Liabilities	64,860	64,791	63,389

Consolidated Balance Sheet

Contd.....

Balance Sheet	As on September 30, 2012	As on June 30, 2012	As on March 31, 2012
B. Assets			
1. Non-current assets			
(a) Fixed assets	27,909	27,636	27,707
(b) Goodwill on consolidation	1,605	1,652	1,625
(c) Non-current investments	1,069	1,069	973
(d) Deferred tax assets (net)	351	433	335
(e) Long-term loans and advances	3,171	3,212	3,146
(f) Other non-current assets	170	170	144
Sub-total - Non-current assets	34,275	34,173	33,930
2 Current assets			
(a) Current investments	211	216	153
(b) Inventories	16,635	16,173	16,176
(c) Trade receivables	1,654	1,694	1,766
(d) Cash and cash equivalents	1,380	1,381	1,506
(e) Short-term loans and advances	1,977	2,161	2,028
(f) Other current assets	8,727	8,993	7,830
Sub-total - Current assets	30,585	30,617	29,459
Total – Assets	64,860	64,791	63,389

Consolidated Cashflow

Rs in crs				
Particulars	Q2	Period ended		
		30-Sep-12	30-Jun-12	31-Mar-12
A. Cash flow from operating activities:				
Net profit before tax	158	555	397	1,547
Adjustments for:				
Depreciation	184	362	179	689
Loss / (profit) on sale of fixed assets, net	(8)	(8)	0	3
Provision for doubtful debts/unclaimed balances written back/ exchange	17	122	105	116
Amortisation cost of Employee Stock Option	9	14	5	39
Profit on sale of investments, net	(21)	(34)	(12)	(264)
Prior period items	(1)	(3)	(3)	(6)
Interest / gurantee charges	522	1,145	623	2,246
Interest / dividend income	(53)	(106)	(53)	(232)
Operating profit before working capital changes	807	2,047	1,240	4,138
Adjustments for:				
Trade and other receivables	598	(735)	(1,334)	(561)
Inventories	(262)	(135)	127	(611)
Trade and other payables	136	899	763	703
Taxes paid (net of refunds)	(370)	(502)	(131)	(1,150)
Net cash from operating activities	908	1,574	666	2,520
B. Cash flow from investing activities:				
(Purchase) / Sale of fixed assets (Including CWIP), net	(363)	(457)	(94)	(42)
Interest/Dividend received	45	88	42	307
Movement in share/debenture application money paid (net)	-	0	0	(25)
Movement in fixed deposits with maturity more than 3 months (net)	(53)	(224)	(171)	(191)
(Purchase) / Sale of Investment(net)	(9)	(71)	(62)	(72)
Net cash used in investing activities	(378)	(663)	(285)	(24)
C. Cash flow from financing activities:				
Proceeds / (repayment) from borrowings (net)	589	587	(2)	1,075
Redemption of preference shares	-	-	-	(11)
Increase in share capital / securities premium	48	87	39	105
Interest paid	(729)	(1,469)	(740)	(3,013)
Dividend Paid (including dividend tax)	(484)	(489)	(5)	(595)
Net cash used in financing activities	(575)	(1,284)	(709)	(2,438)
Net increase / (decrease) in cash and cash equivalents	(45)	(374)	(328)	58
Opening cash and cash equivalents	603	932	932	874
Closing cash and cash equivalents	558	558	603	932
Net Increase / (decrease)	(45)	(374)	(328)	58

Non- core asset divestment update

- Against a target of Rs. 5,000 crs, divestments of Rs. 3,129 crs closed. On target for the FY13.
- Received Rs 2,727 crs from sale transaction of NTC Mumbai; effect only in Q3FY13
- Advance stage of negotiation and documentation on Aman Resorts transaction
- Approval of the shareholders in place for Wind Energy transactions; advance stage of finalization
- Other miscellaneous transactions worth Rs. 500 crs also underway with expected closure within FY13
- Proceeds to be utilized primarily for debt reduction

S.No	Particulars	Progress
1	NTC Mumbai	Received Rs 2,727 crs during Q3, deal closed
2	Aman Resort	Execution of the documentation in the current quarter.
3	Wind Energy	Transaction closure by Mar end.

Launches – H2 FY 13

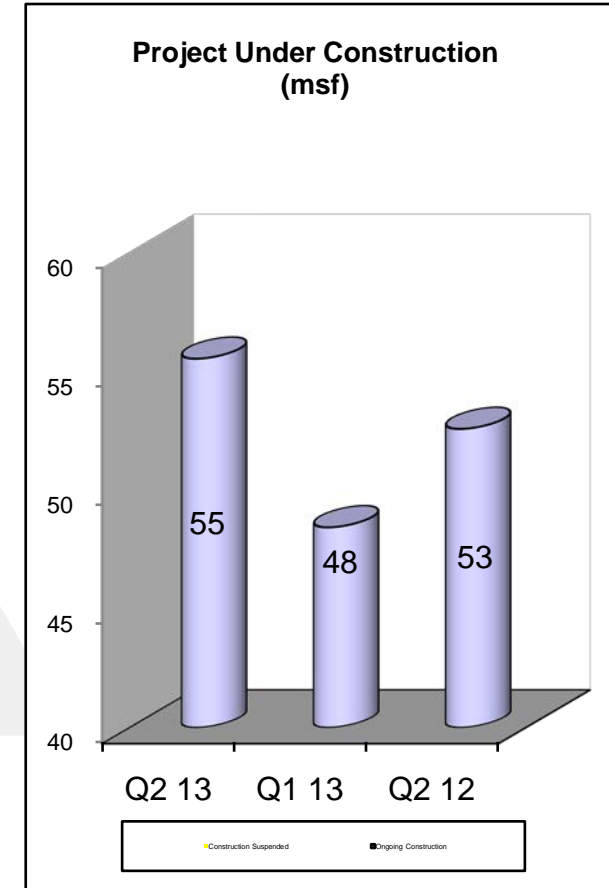
- Pace of new launches to increase in H2 - total planned launches of 9-10 msf
- Given previous successes, focus on plotted launches to continue

S.No	Particulars	Segment	Size
1	Gurgaon	Luxury/Premium Group Housing	8 .50 msf
2	Bangalore	Group Housing	1.00 msf
3	Lucknow/Mullanpur	Plots	1.00 msf
	TOTAL		9-10 msf

Execution

Region	Area in msf		
	Q2 13	Q1 13	Q2 12
Gurgaon	17	13	21.5
Super Metro	7	7	8
Rest of India	24	21	10.5
For Rent Co	7	7	12.5
	55	48	53

- Deliveries of approx . 0.74 msf in Offices during the Qtr
- Targeted deliveries in H2FY13 - 12 to 15 msf
- Higher deliveries will lower future inflationary pressures, strengthen cash management and improve customer service and company goodwill.

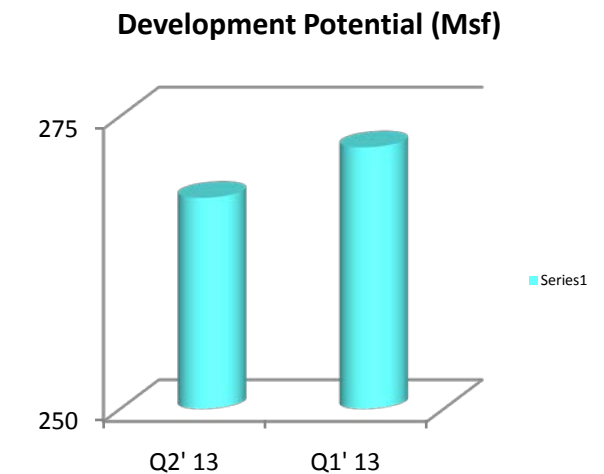
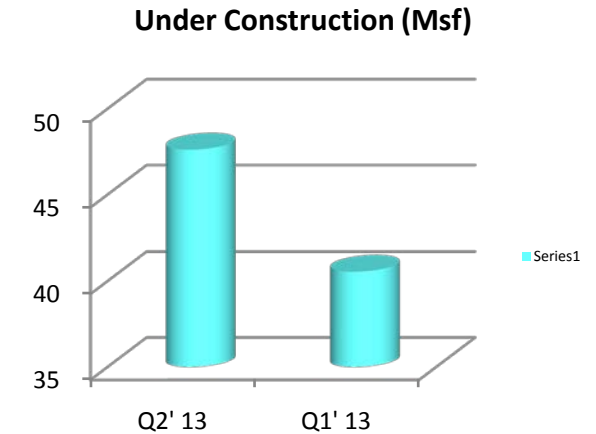


DevCo Q2 FY13

Particulars	Total msf		
	Q2-13	Q1- 13	Q2- 12
Sales Status			
Opening Balance	51.04	49.70	48.65
Add:- Sale Booked During the Qty	1.59	1.34	1.28
Less : Handed over / Suspended	-	-	0.20
Closing Balance	52.63	51.04	49.73

Under Construction			
Opening Balance	40.55	40.55	39.36
New Launches / Additions / Suspended	7.07	-	0.50
Less:- Handed over	-	-	0.20
Closing Balance	47.62	40.55	39.66

➤ 1.59 msf gross sales booked in Q2FY13 vs 1.34 msf in Q1FY13 & 1.28 msf in Q2 12



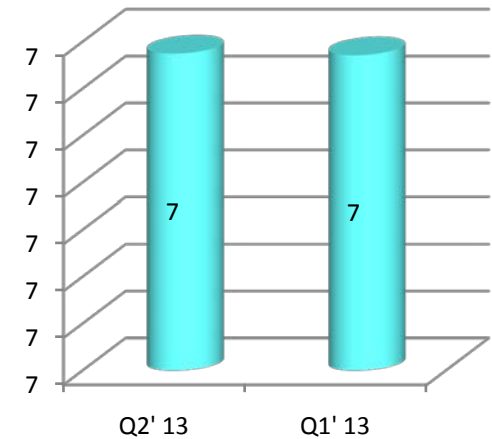
RentCo Q2 FY13

Particulars	Total msf		
	Q2-13	Q1- 13	Q2 - 12
Lease Status			
Opening Balance	22.96	22.66	24.51
Add:- Lease Booked During the Qty	0.51	0.96	0.66
Less :- Cancellation	(0.27)	(0.67)	(0.45)
Less :- Sold / Adjustment	-	-	-
Closing Balance	23.20	22.96	24.71

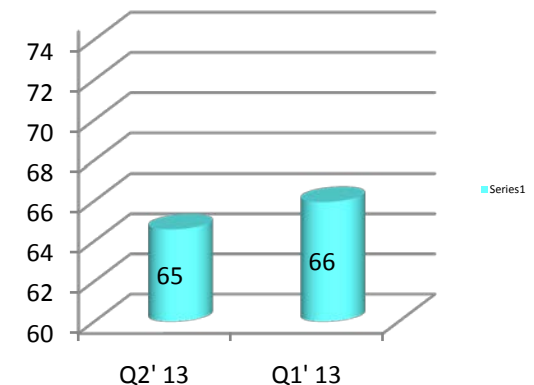
Under Construction			
Opening Balance	7.17	9.21	12.45
New Launches / Additions	0.74	-	-
Less:- Handed over	(0.74)	(2.05)	-
Less :- Suspension/Adju	(0.00)	-	-
Closing Balance	7.17	7.17	12.45

- 0.24 msf of net leasing in Q2FY13 vs 0.29 msf in Q1 FY13 & 0.21 msf in Q4 FY12
- Total annuity income of Rs 480 Crs including Rs 400 Crs rental income

Under Construction (Msf)



Development Potential (Msf)



Debt Position – Q2 FY13

Net Debt Position	Q1 13	Q2 13	Net Reduction
	Rs Crs	Rs Crs	Rs Crs
Gross Debt (Net of Equity shown as Debt / JV Co Debt)	24057	24413	
Pref. Shares	202	202	
Gross Debt Position (Net of Equity shown as Debt / JV Co Debt)	24259	24615	
Less : Cash in hand	-1428	-1395	
Less : Increase due to Exchange fluctuation	-151		
Net Debt Position	22680	23220	-540

- The above is after taking into account one-time outflows such as dividend of Rs. 450 crs, other payments such as government charges amounting to Rs. 350 crs
- As on Date Net Debt Position : Rs. 21,220
- With the consummation of the balance divestments, the net debt of Rs. 18,500 as on March 31 is highly achievable

Our Development Potential

Area (msf)	Other Land	Hotel Land	G.Total
Gross Area – as on 1 st Jul-12	338	7	345
Less : Projects Disposed off (Net)	4	0	4
Less : Handed over	1	0	1
Net Land Bank - as on 30 th Sep-12	333	7	340
- Dev. Co	268	7	340
- Rent. Co	65		

Notes

1. High potential & short / medium development potential not affected by above actions
2. Project disposed off relate to Non core non strategic land Parcels across various locations and amount recovered thereof



Thank You