



DLF

Land sale a step in right direction

India Equity Research | Real Estate



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Media reports indicate that DLF has consummated a land transaction for INR 5.67 bn across 17 acres in 4 cities (Kolkata, Chennai, Mysore and Thiruvananthapuram). We view the deal as a directional positive as it would mark another step towards its asset monetization program. We reiterate 'BUY/Sector Performer' with a NAV/TP of INR 264/share.

Event: According to media reports, DLF has sold four land parcels for INR5.67bn to a Kolkata-based consortium of Avani Projects and Square Four Housing & Infrastructure. These assets were held in its 100% subsidiary, DLF Hotels & Hospitality (excludes Aman Resorts). The company had, in Q3FY12, bought out stake of its 26% partner for INR1.2bn as a precursor to this deal. DLF Hotels & Hospitality owns land parcels in Kolkata, Chennai, Mysore, and Thiruvananthapuram. According to the article, the consortium has made the entire payment towards the transaction. Total land holding across these four parcels is 17.14 acres (Kolkata – 6 acres, Chennai - 6.6 acres, Mysore - 2.4 acres and Thiruvananthapuram - 2.14 acres).

Analysis: Taking the reported deal at face value, valuation works out to INR331 mn / acre, which is extremely high considering that all the land parcels are in Tier II and III cities. Hence, we do not rule out the presence of significant cash sitting in the subsidiary, and await clarity on DLF Hotels & Hospitality's balance sheet. DLF has set up a core committee to focus on asset monetisation and fixed a target of INR 30-40 bn to be monetised over the next six months. Some of the other assets lined up for sale are Aman Resorts, NTC Mills Land at Lower Parel (Mumbai) and the wind power business.

Our view: Asset monetisation focus positive; maintain 'BUY'

We view this news as a directional positive as DLF is currently saddled with significant debt (INR227 bn), reduction of which is crucial for sustained stock performance. We note that the company has renewed its focus on asset monetisation and execution, which is a significant positive. We reiterate 'BUY/Sector Performer' on DLF with TP of INR264/share.

Financials (Consolidated)

Year to March	FY11	FY12	FY13E	FY14E
Revenue	95,606	96,294	97,404	102,061
Rev. growth (%)	28.8	0.7	1.2	4.8
EBITDA (INR mn)	37,527	39,043	39,369	49,101
Net profit (INR mn)	15,408	11,941	8,289	15,336
Shares outstanding (mn)	1,697.6	1,698.4	1,698.4	1,698.4
Diluted EPS (INR)	9.7	7.1	4.8	8.9
EPS growth (%)	(4.5)	(26.8)	(31.7)	85.0
Diluted PE (x)	20.0	27.3	39.9	21.6
EV/ EBITDA (x)	15.1	14.8	15.1	11.9
ROE (%)	5.5	4.6	3.1	5.6

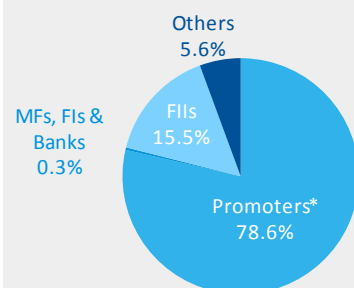
EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

MARKET DATA (R: DLF.BO, B: DLFU IN)

CMP	: INR 193
Target Price	: INR 264
52-week range (INR)	: 280 / 169
Share in issue (mn)	: 1,698.4
M cap (INR bn/USD mn)	: 328 / 5,944
Avg. Daily Vol.BSE/NSE('000)	: 8,274.3

SHARE HOLDING PATTERN (%)



* Promoters pledged shares : NIL
(% of share in issue)

PRICE PERFORMANCE (%)

	Stock	Nifty	EW Real Estate Index
1 month	(2.0)	(7.7)	(5.9)
3 months	(14.4)	(9.3)	(15.4)
12 months	21.6	(13.4)	(20.6)

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