

Stock Idea Note - DLF Ltd.

Company Overview

DLF Ltd. is India's leading real estate developer with a track record of close to eight decades. It has developed more than 185 real estate projects and developed an area of more than 352 million sq. ft. across its residential and rental businesses as of March 2025. The company is primarily engaged in the business of development & sale of residential properties (Development Business) and development & leasing of commercial as well as retail properties (Annuity Business). The Development Business focuses on luxury and super-luxury housing, with marquee projects such as The Dahlias and DLF Privana witnessing record demand in FY25, helping DLF achieve its highest-ever new sales bookings and collections. The Rental Business comprises Grade-A offices, premium retail malls, and hospitality assets, operating at ~94% occupancy. The company office portfolio is concentrated in key metro cities, including Gurugram, Chennai, Delhi, and Hyderabad, while its retail portfolio, comprising marquee assets such as DLF Mall of India, DLF Promenade, and DLF Emporio, has consistently delivered double-digit growth. The company is currently expanding its annuity portfolio with new supply in Gurugram, Chennai, Goa, and Delhi, with the medium-term rental revenue target set to exceed Rs. 10,000 crores. In addition, its hospitality and club portfolio complement its integrated townships, further strengthening customer stickiness and brand positioning.

Investment Rationale

Strong pre-sales and a healthy launch pipeline to drive growth

The company experienced a strong pre-sales boost in Q1FY26, with overall sales bookings for the development business reaching Rs. 11,425 crores, which reflects a significant annual growth of almost 78%. This performance was primarily led by the highly successful launch of Privana North, which alone contributed ~Rs. 11,000 crores of sales, alongside the successful launch of the Mumbai project. The quarter also generated embedded margins of ~Rs 4,500 crore, underpinning healthy profitability. With such strong momentum, management reaffirmed confidence in achieving its FY26 sales guidance of Rs. 20,000–22,000 crore. Looking ahead, the company maintains a robust pipeline of launches that is expected to drive sustained growth. The next phase of the marquee Dahlias project, with an estimated turnover potential of ~Rs. 40,000 crores is slated for a formal launch in March-April 2027, though interim sales through referrals are already progressing, with nearly 50% of the inventory sold at incremental valuations. Additionally, the planned Goa luxury project is in the final approval stage, while the next phase of Midtown, Delhi, is expected in FY2027–28. Other pipeline projects, such as Hamilton Phase 2 and IREO, are also on track for FY27, providing strong long-term growth potential.

Healthy growth in the annuity portfolio, driven by accelerated investment

The company's annuity portfolio has demonstrated healthy growth, primarily driven by accelerated investments and timely commissioning of new assets. The reported rental income for DCCDL (DLF Cyber City Developers Limited) grew by almost 15% annually and 12% sequentially in Q1FY26. This performance contributed to a very healthy, robust growth in PAT annually, reflecting an increase of 26%. While the rental growth from existing portfolio remains stable at 7% to 8.5%, the management strategy aims for total annual growth to be in the mid-teens through the contribution of new assets. The operational portfolio stands at 46 million square feet with an industry-standard 94% occupancy, reflecting industry-leading asset quality and tenant demand. The company's recent milestones include Downtown Chennai 3 achieving 99% leasing post-OC, Midtown Plaza pre-leased at over 80%, and Downtown 4 Gurgaon slated to commence rentals by Q2FY26. Atrium Place is expected to achieve OC for its first three blocks soon, with rentals to commence by December 2025 / January 2026. The company plans a significant capex of ~Rs. 5,000 crores in both FY26 and FY27 towards

Stock Rating

BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook

Positive

Stock

CMP (INR)	729
Target Price (INR)	849
NSE Symbol	DLF
BSE Code	532868
Bloomberg	DLFU IN
Reuters	DLF.BO

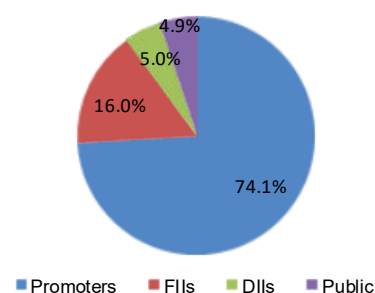
Key Data

Nifty	24,894
52WeekH/L(INR)	897 /601
O/s Shares (Mn)	2.480
Market Cap (INR bn)	1,804
Face Value (INR)	2

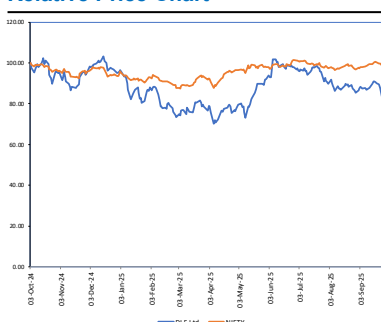
Average volume

3 months	25,01,560
6 months	34.34,240
1 year	35,70,650

Share Holding Pattern (%)



Relative Price Chart



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RentCo assets (DLF, DCCDL, Atrium Place), underpinning the long-term growth of its annuity portfolio. These investments, along with the ramp-up of newly commissioned assets, are expected to drive total exit rentals to Rs. 6,700 crores by March 2026. The strength of the portfolio is further reinforced by low borrowing costs of 7.7% and AAA ratings from CRISIL and ICRA, providing confidence in sustainable profitability and cash flow generation.

Valuation and Outlook

DLF operates as a diversified enterprise having significant presence in both Development and Annuity businesses. The development business delivers high margins and strong cash flows, while the rental business provides a consistent growing income stream. The company has a strong pipeline of projects in the residential segment as well as annuity assets that will continue to drive growth for the company and allow for monetisation of the large land bank. In addition to the identified projects, DLF will still continue to benefit from the 143 million sq. ft of land bank in the residential business and 62 million sq. ft in the annuity business, primarily in Gurugram. The company's medium-term launch pipeline is well-laddered with pre-sales potential of ~Rs 1,14,500 crore, of which ~35% has already been achieved, and FY26 guidance of Rs 20,000–22,000 crore remains on track. Expansion into new geographies, including Mumbai and Goa projects, along with continued focus on high-margin developments and annuity growth positions the company well for future growth. The company maintains a healthy cash balance of ~Rs. 10,500 crores, though ~Rs. 8,000 crores are currently locked in the RERA account, expected to moderate over the next 24 months as projects like Arbour are completed, highlighting a strong and sustainable growth trajectory. Recently, the company delivered a strong quarterly performance, braced by robust sales, healthy margins, and significant cash generation, driven by successful launches in Privana and Mumbai. The company's focus on disciplined growth, prudent capital allocation, and high-quality product development underpins its sustainable business model. The rental portfolio continues to scale with new assets, providing a stable and growing income stream. While some timing and execution risks persist, the management remains confident in the outlook and the embedded value of the business, prioritising margin and cash flow accretion over headline volume growth. On the valuation front, we value the company based on 45x FY26e earnings and arrive at a target price of Rs. 849 (16% upside from the current market price) with a 12-month investment horizon.

Key Financials						
YE March (INR. Mn)	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	57,174	56,948	64,270	79,937	93,526	1,07,555
Revenue Growth (Y-o-Y)	-	(0.4%)	12.9%	24.4%	17.0%	15.0%
EBITDA	17,426	17,259	21,236	21,086	25,626	30,115
EBIT Growth (Y-o-Y)	-	(1.0%)	23.0%	(0.7%)	21.5%	17.5%
Net Profit	15,003	20,339	27,235	43,668	46,763	54,315
Net Profit Growth (Y-o-Y)	-	35.6%	33.9%	60.3%	7.1%	16.2%
Diluted EPS	6.1	8.2	11.0	17.6	18.9	21.9
Diluted EPS Growth (Y-o-Y)	-	35.6%	34.1%	60.1%	41.8%	41.8%
Key Ratios						
EBITDA margin (%)	30.5%	30.3%	33.0%	26.4%	27.4%	28.0%
NPM (%)	26.2%	35.7%	42.4%	54.6%	50.0%	50.5%
RoE (%)	4.1%	5.4%	6.9%	10.3%	10.3%	11.1%
RoCE (%)	4.3%	4.2%	4.8%	4.5%	5.3%	5.8%
Valuation Ratios						
P/E (x)	120.3x	88.7x	66.2x	41.3x	38.7x	33.3x
EV/EBITDA	106.0x	106.6x	86.8x	87.3x	71.5x	60.6x
P/BV (x)	5.0x	4.8x	4.6x	4.2x	4.0x	3.7x
Market Cap. / Sales (x)	31.6x	31.7x	28.1x	22.6x	19.3x	16.8x

Source: Bloomberg, BP Equities Research



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