DLF BUILDING INDIA

Q4 & FY11 Analyst Presentation

May 24, 2011

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.

For the purposes of this presentation unit measurement of 1 sq meter = 10.76 sq feet.

FY 11…The Year Gone By

- H1 FY11 witnessed healthy economic conditions, stability in global markets and ample liquidity boosting consumer confidence and investor sentiment

- H2 FY11 was marked by robust growth, albeit higher than normal inflation due to increasing commodity prices. Given this environment, RBI has progressively increased interest rates to curb inflation thereby resulting in some slowdown in growth than what was originally envisaged for FY 11.

- The residential segment witnessed healthy demand and stable pricing through most part of the year while the commercial office segment demand grew progressively though rentals remained soft. The retail segment continues to lack momentum waiting for a definitive policy on FDI in multi brand retail.

- Project approval delays became a bigger impediment to growth especially in H2 FY11, given the events in Mumbai and the uncertain political environment.

- Funding became increasingly constrained for the industry especially for the smaller developers with weaker balance sheets. Increased interest rates and rising commodity prices have & continue to impact margins.

Industry Outlook ….FY 12

- RBI actions will continue to result in a tighter liquidity environment increasing the chances of a further tempering of growth.
- Genuine ‘actual user’ consumer / corporate demand both in the residential & commercial leasing segments continues to be healthy. However, speculative demand has petered out whilst investment demand has slowed down considerably as the financing cost equation has changed for the worse.
- Consumer demand will be driven by significant value benefits .i.e. product location attributes, reasonable pricing, delivery certainty, approvals visibility, developer credibility, etc
- Overall pricing expected to remain stable. However, funding constraints for smaller developers may result in certain micro markets witnessing inventory liquidation and accordingly some short term price adjustments could potentially take place in some micro markets.
- Product pricing by developers will be done keeping the current / future inflationary trends in mind in an attempt to retain product profitability / margins.

Company – Current Business Strategy

- **Residential** ï Continue with strategy of volume moderation in high construction costs - low margin projects; focus on high margin projects ï luxury homes, plotted, etc

- **Commercial Leasing** ï Increase average rentals and focus on leasing of semi-finished and ready to occupy properties.

- **Debt reduction** ï Strengthen operational cash flows, enhance momentum on non-core divestments and moderate investments in land aggregation & capex

- **Non- core asset divestment -** Increasing overall target for asset divestments to Rs 10,000 Crs from Rs 4,500 Crs (ex wind power) previously (Rs 6,000 ï Rs 7,000 Crs to be divested over the next 2-3 years)

Continue to focus on achieving a stable business momentum with the key business parameters unchanged and actions progressing as planned

Development Company "DevCo"

- 10 msf sales achieved in FY 11 vs 12.5 msf in FY 10 (Q4FY 11 sales booked at 3.8 msf versus 3.6 msf in Q4 FY 10 and 2.5 msf in Q3 FY 11)
- While sales booking in FY11 was marginally lower, average realization was at Rs 6,500 psf (up 14% from FY10)
- All projects launched in FY 11 (~ 7.5 msf) were well received with most achieving a launch to sales ratio of ~ 70% in the initial period itself.
- Delay in approvals led to slowdown in planned launches and inflation uncertainty resulted in moderation in volumes on intensive low margin products, but helped protect margins

FY 11 - Sales Booked (Msf / Rs Crs)

Regions	City	Area Sold Msf	Sales Value Rs Crs	Avg.Realisation Rs psf
Gurgaon	Phase V & New Gurgaon	4	2,903	7,443
Rest of India	Chandigarh, Chennai, Bangalore & Kochi	5	2,260	4,217
Super Metro	Delhi & Kolkatta	1	1,495	15,625
	Total	**10**	**6,658**	**6,517**

DevCo..(cont..)

FY 12 Outlook

- Planned launches of 10 -12 msf

  - Plotted developments in Indore, Gurgaon , Chandigarh, Lucknow ~ 10 msf

  - Group Housing projects in Gurgaon ~ 2 msf

- Product mix skewed towards plotted development in order to reduce execution risks & negate inflationary pressures.

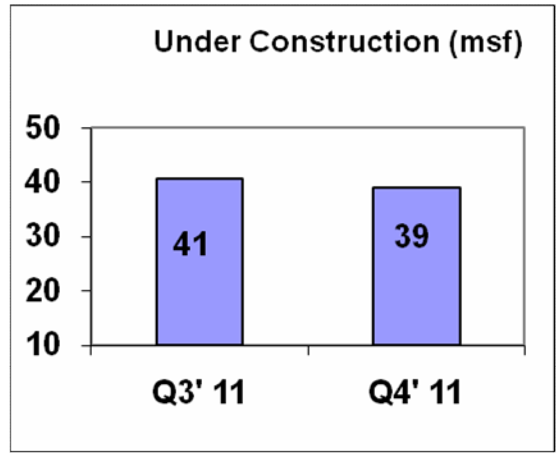
- Introduction of contractual conditions .i.e. escalation clauses in an attempt to hedge inflation risks

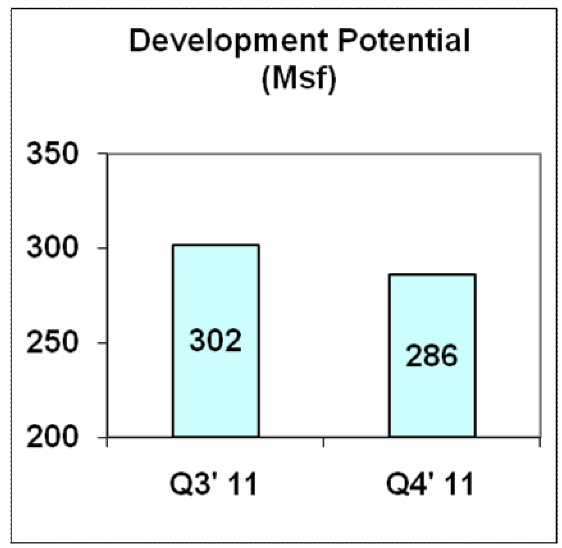
- Slew of approvals received / to be received in the short term ï Indore, Gurgaon, Panchkula, etc

- Confident of good off-take for new launches given the recent extra ordinary success of the Mullanpur, Chandigarh plotted development launch in Q4 FY11

DevCo Q4 FY11

Particulars	Total Mn sqft		
	Q4-11	Q4- 10	Q3 - 11
Sales Status			
Opening Balance	44.80	35.21	42.32
Add:- Sale Booked During the Qty	3.80	3.64	2.48
Less : Handed over / Suspended	2.19	0.00	0.00
Closing Balance	46.40	38.85	44.80
Under Construction			
Opening Balance	40.69	33.40	40.69
New Launches / Additions / Suspended	0.86	5.43	0.00
Less:- Handed over	2.19	0.00	0.00
Closing Balance	39.36	38.83	40.69
Wt. Avg. Sale Rate			
Homes (in Rs.sqft)	4980	4180	6034
C.Complexes (in Rs.sqft)	12265	-	12978
Wt. Avg. Project Cost			
Homes (in Rs.sqft)	1560	1934	1477
C.Complexes (in Rs.sqft)	2450	-	2580





Rent Compan y “RentCo”

FY 11

Offices

- 4 msf leased in FY 11 vs 1 msf in FY 10, total as on date 22.48 msf
- Gross leasing of ~1.4 msf in Q4 FY 11. Net leasing primarily impacted by commitments of ~1 msf in Silokhera currently kept on hold.
- Rental income increased to Rs 1,100 Crs , up 11% (Q4 FY11 ï Rs 290 Crs)

Retail Malls

- Vacancies have reduced from 11% in FY 10 to 7% in FY 11 but fresh leasing yet to pick up.
- Rental income at Rs 170 Crs (Q4 FY 11 ï Rs 45 Crs)

FY 12 Outlook

Offices

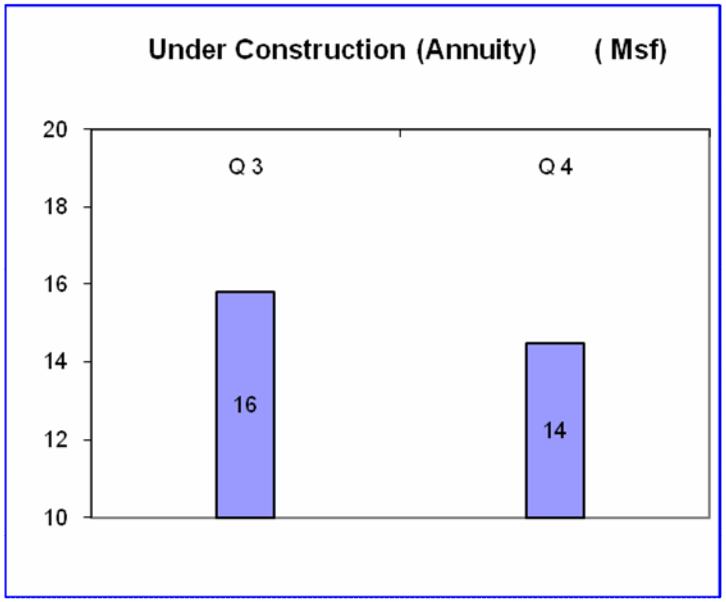
- Volumes expected to be reasonable with stable rentals and limited new launches / construction
- Target to achieve leasing volume of 2.5 ï 3 msf
- Focus to enhancing average rentals and lease semi-finished and ready to occupy properties

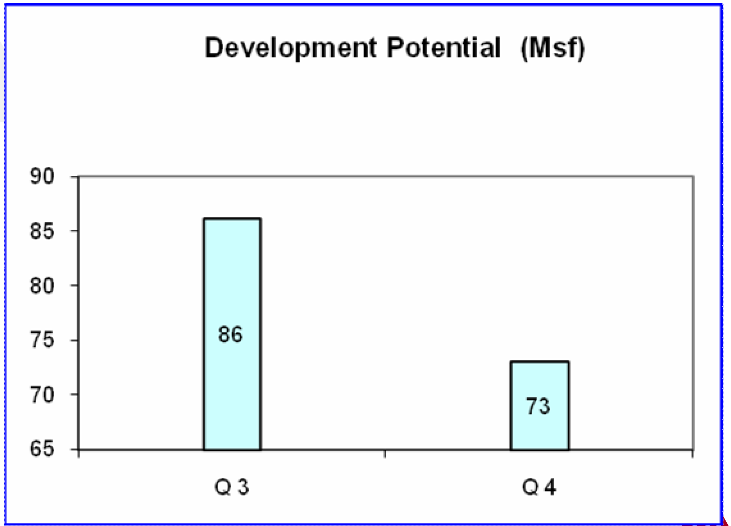
Retail Malls

- Noida mall construction in full swing ï strong leasing potential given demand supply equation
- Focus on further improving occupancy levels and achieve 100% occupancy in operational malls

RentCo. Q4 FY11

Particulars	Total Mn sqft		
	Q4-11	Q4- 10	Q3 – 11
Lease Status			
Opening Balance	23.73	18.71	22.06
Add:- Lease Booked During the Qty	1.38	0.69	1.97
Less :- Cancellation / Adjustment	(1.34)	0.00	(0.29)
Closing Balance	23.77	19.40	23.73
Under Construction			
Opening Balance	15.69	17.13	15.80
New Launches / Additions	0.00	0.00	0.93
Less:- Handed over	1.20	0.00	1.04
Less :- Suspension/Adju	0.00	0.00	0.00
Closing Balance	14.49	17.13	15.69
Wt. Avg. Leasing Rate			
Office Building (in Rs.sqft)	43	41	42
Retail Building (in Rs.sqft)	144	-	113
Wt. Avg. Project Cost			
Office Building (in Rs.sqft)	2090	1858	2022
Retail Building (in Rs.sqft)	7800	-	5272





Debt Reduction Strateg y

- **Debt reduction plan impacted b y -**
  - Further investments in land aggregation and capex (Rent Co) ~ Rs 1,800 Crs in FY 11
  - Delayed approvals leading to slower new launches
  - Monies spent on Non-recurring items such as ï one time government charges / Preference Capital redemption, etc

- **Longer term outlook – maintaining net debt free target in next 3 - 4 years**
  - New and diversified product mix to generate faster cash flows from operations
  - Non-core asset divestments to gain momentum .i.e. > Rs 6,000 ï Rs 7,000 Crs of asset divestments expected in next 2-3 years
  - Land aggregation & Capex (Rent Co) in moderation ï purely selective & strategic (expected to be significantly lower than FY 11)
  - A robust, growing and stable annuity income to support majority of core debt (rent securitisation)

Debt Position – FY11

	All figures in Rs. Crs		
	Debt	Pref Cap.	Consol.
Gross Opening Bal (as on 1st Jan-11)	23,611	202	23,813
Less / Add : Repaid during Q4-11	(414)		(414)
: New loan availed	1,035		1,035
: Debt Increase due to Consolidation	(242)		(242)
Gross Debt position (as on 31st Mar-11)	23,990	202	24,192
Less : Cash in hand			1,430
: Equity shown as Debt / JV Co. Debt			1,338
Net Debt (as on 31st Mar-11) **			21,424
Net Debt (as on 30th Dec-10)			20,872
** Increase due to investment in Land / Capex & Aman transaction			

Debt Coverage

(Amt in Rs Crs)

- **Total Net Debt (as on 31st March 2011)** **21,424**
  - Less : earmarked for divestment / non core / others 5,000

Debt related to core business (Rent Co. & Dev. Co.) **16,424**

	Annualized EBIDTA (Rs Crs)	Cash Flow/ Asset Cover (x)	~ Allocated Debt (Rs Crs)
Rent Co	1,750 p.a.**	~ 6 times securitized cash flows	10,500^
Dev Co	3,500 p.a.	~ 1.7x Debt/EBIDTA	5,900*
			~ 16,400

^ ~ 65% of core debt related to the Rent Co. is supported by an existing & strongly growing large asset base

** Includes further land rationalization .i.e. sales of surplus land and strategic replenishment/consolidation of existing land bank*

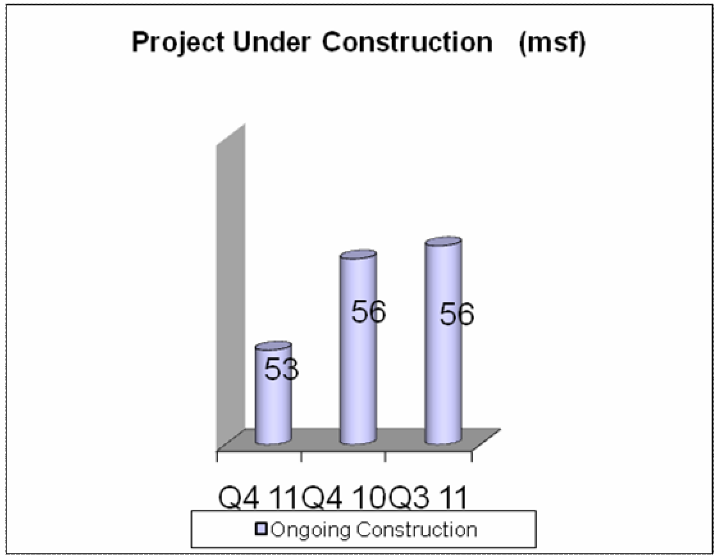
*** Gross Amount*

Non- core asset divestments

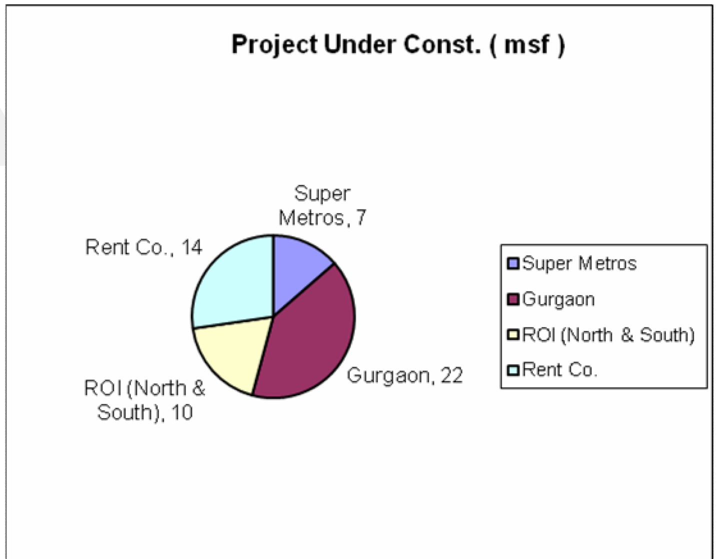
- Non-core asset divestments of Rs 1,270 Crs in FY 11 taking the total to Rs 3,070 Crs till date
- Divested approx 70% of originally intended amount (Rs 4,500 Crs ex-wind power)
- Divestment target enhanced - total non core assets / businesses divestment basket scaled upto Rs 10,000 Crs with identification of further non core assets / businesses
- Potential value for further divestments in next 2-3 years stands at Rs 6,000 ï Rs 7,000 Crs.
- Divestments expected to gain momentum in the current fiscal with higher indicative realizations of ongoing proposals and expected conclusions on some big ticket items
- As part of an ongoing strategy to focus on the core operations, advisors have been appointed to evaluate strategic alternatives for the hospitality businesses

Execution

	Area in msf		
Region	**Q4 11**	**Q3 11**	**Q4 10**
Gurgaon	21	22	21
Super Metro	7	7	8
Rest of India	10	11	10
For Rent Co	15	16	17
	53	**56**	**56**



- Strong execution performance - deliveries of approx. 7 msf in FY 11(Q4 FY 11 ï 3.4 msf)
- Delivery momentum in FY 12 would increase to > 12 msf spread across Gurgaon, Kolkatta, Chennai, etc
- Higher deliveries to reduce future inflation risks, strengthen cash management and improve customer service and company goodwill.



Land Resources as on 31 st March 2011

Area (msf)	Other Land	Hotel Land	G.Total	
Gross Area ï as on 1st Jan 2011	388	11	399	
Less : Projects Disposed off (Net)	12	0	12	
Less : Handed over / Business Proposition changes	16	3	19	
Net Land Bank - as on 31st-March 2011	359	8	367	

Break up of 367 msf of Land Resources available

Particulars	Dev. Co	Rent. Co	Hotel	Total
Break up	286	73	8	367
Project Under Construction	38	15	0	53

Notes

1. High potential & short / medium development potential not affected by above actions, as the same is done in order to rationalize the land portfolio.
2. Project disposed off relate to non core non strategic land parcels across various locations and amount recovered thereof is part & parcel of recovery during H2-11.

Profit & Loss Summar y – Q4 FY11

Q4 FY 11 vs Q3 FY 11

- Sales (incl Other Income) at Rs 2870 Cr, compared to Rs 2594 Cr.
- Net profit at Rs 345 Cr , as against Rs 466 Cr
- EBIDTA margins at 29% versus 50% , after adjusting for a one time cost reset due to input price inflation of Rs 475 crs.

	All figures in Rs. Cars					
Particulars	**Q4 11**	**Q3 11**	**Change**	**Q4 11**	**Q4 10**	**Change**
Sales	2,870	2,594	11%	2,870	2,146	34%
EBIDTA (Core Operations)	864	1,331	(35%)	864	1,222	(29%)
EBIDTA (Consolidated)	853	1,292	(34%)	853	1,152	(26)%
%	29%	50%		29%	53%	
PBT (Consolidated)	232	703	(71%)	232	742	(69%)
PAT	**345**	**466**	**(26%)**	**345**	**426**	**(19%)**

Profit & Loss Summar y – FY11

FY 11 vs FY 10

- Sales (incl Other Income) at Rs 10,145 Cr, compared to Rs 7,851 Cr.
- Net profit at Rs 1,640 Cr , as against Rs 1,720 Cr
- EBIDTA margins at 42% versus 50% , after adjusting for a one time cost reset due to input price inflation of Rs 475 crs.
- YTD Tax Rate at 23% vs 28% for FY10

	All figures in Rs. Crs		
Particulars	**FY 11**	**FY 10**	**Change**
Sales	10,145	7,851	29%
EBIDTA (Core Operations)	4,442	4,072	9%
EBIDTA (Consolidated)	4,337	3,940	10%
%	42%	50%	
PBT (Consolidated)	2,000	2,504	(20%)
PAT	**1,640**	**1,720**	**(5%)**

One time impact in Q4 FY11 due to inflationar y pressures

- **FY 11**
  - Whilst budgeted costs have kept pace on a quarterly basis with inflation, however unabated and sustained inflationary pressures in H2 led to a one time reset of budgeted costs to the tune of approx Rs 475 Crs
  - Cement, steel ,labour costs due to shortages, etc have seen prices increase from 10-30% with no signs of let up

- **FY 12**
  - Will continue to monitor future inflation impact and revise strategies accordingly to protect margins.
  - Increase in selling prices where possible to offset impact of inflation
  - Minor quarterly resets / annual resets could take place in case no let up in inflation from current levels

Consolidated P&L – Q4 & FY11

		Q4 FY11 (Audited)		Q4 FY10 (reviewed)		Q3 FY11 (reviewed)		Year ended FY11	
Sl.No.	Consolidated Financials	Rs. Crs.	Percentage of Total Revenue	Rs. Crs.	Percentage of Total Revenue	Rs. Crs.	Percentage of Total Revenue	Rs. Crs.	Percentage of Total Revenue
A)									
1	**Sales and Other Receipts**	2,683		1,994		2,480		9,561	
2	**Other Income**	187		152		114		584	
	Total Income(A1+A2)	2,870	100%	2,146	100%	2,594	100%	10,145	100%
B)	**Total Expenditure(B1+B2+B3)**	2,017	70	995	46	1,302	50	5,808	57
1	**Construction Cost**	1,600	56	607	28	952	37	4,300	42
2	**Staff cost**	147	5	119	6	134	5	572	6
3	**Other Expenditure**	270	9	268	12	216	8	936	9
C)	**Gross Profit Margin(%)**		**44%**		**72%**		**63%**		**58%**
D)	**EBITDA (D/A1)**	853	30	1,152	54	1,292	50	4,337	43
E)	**EBIDTA (Margin)**		**29%**		**53%**		**50%**		**42%**
F)	**Financial charges**	456	16	315	15	428	16	1,706	17
G)	**Depreciation**	165	6	95	4	161	6	631	6
H)	**Profit/loss before taxes**	**232**	8	741	35	703	27	**2,000**	20
I)	**Taxes expense**	16	1	236	11	203	8	459	5
J)	**Prior period expense/(income) (net)**	(94)	-3	87	4	6	0	(97)	-1
K)	**Net Profit after Taxes before Minority Interest**	310	11	419	20	494	19	1,638	16
L)	**Minority Interest**	31	1	3	0	(28)	-1	(7)	0
M)	**Profit/(losss) of Associates**	4	0	5	0	(0)	0	9	0
N)	**Net Profit**	**345**	12	426	20	466	18	**1,640**	16

Note :

1	Construction Cost Includes Cost of Land, Plots and Constructed Properties and Cost of Revenue-others
2	Gross Profit Margin = (Total Income - Construction Cost) / Total Income

Above figures includes losses from non-core businesses .i.e. Hotels & the DLF Pramerica Life Insurance businesses

Consolidated Balance Sheet – FY11

All figures in Rs. Crs

Particulars	As at 31-Mar-11 (Audited)	31-Dec-10 (Reviewed)	31-Mar-10 (Audited)
SOURCES OF FUNDS			
Shareholders' funds			
Capital	2,150	2,150	6,259
Reserves and surplus	24,182	24,406	24,173
	26,332	**26,556**	**30,433**
Minority Interests	575	642	628
Loan funds	23,990	23,611	21,677
Deferred tax liabilities (net)	-	-	251
	50,898	**50,809**	**52,989**
APPLICATION OF FUNDS			
Fixed assets (Including CWIP)	28,184	26,346	27,687
Investments	996	1,311	5,505
Goodwill on consolidation	1,384	1,373	1,268
Deferred Tax Assets	163	82	-
Current assets, loans and advances			
Stocks	15,039	14,785	12,481
Sundry debtors	1,726	1,946	1,619
Cash and bank balances	1,346	1,178	928
Loans and advances	7,271	7,700	7,593
Other Current Assets	7,890	4,972	4,685
	33,272	**30,582**	**27,306**
Less :			
Current liabilities and provisions			
Liabilities	9,225	5,302	4,637
Provisions	3,876	3,582	4,140
	13,101	**8,884**	**8,777**
Net current assets	**20,170**	**21,697**	**18,529**
	50,898	**50,809**	**52,989**

Consolidated Cash Flow

		Rs in crores			
		For	**Period ended**		
	Particulars	**Q4**	**31-Mar-11**	**31-Dec-10**	**31-Mar-10**
A.	**Cash flow from operating activities:**				
	Net profit before tax	231	2,000	1,769	2,505
	Adjustments for:				
	Depreciation	166	631	465	325
	Loss/(profit) on sale of fixed assets, net	(79)	(68)	11	(58)
	Provision for doubtful debts/unclaimed balances written back and others	(11)	(4)	6	82
	Loss/(profit) on sale of current Investments	(20)	(159)	(139)	(10)
	Amortisation cost of Employee Stock Option	13	50	37	42
	Interest/gurantee expense	456	1,706	1,250	1,110
	Interest/dividend income	(45)	(259)	(214)	(256)
		-			
	Operating profit before working ca pital changes	712	**3,898**	**3,186**	**3,741**
	Adjustments for:	-			
	Trade and other receivables	(2,287)	(3,082)	(795)	5,892
	Inventories	(1,637)	(2,006)	(368)	(913)
	Trade and other payables	3,974	4,612	638	764
	Taxes paid	(267)	(818)	(551)	(856)
		-			
	Net cash (used in) / f rom operating activities	494	**2,603**	**2,110**	**8,628**
		-			
B.	**Cash flow from investing activities:**	-			
	Sale/Purchases of fixed assets(net)	(394)	(710)	(317)	(13,325)
	Interest/Dividend received	63	263	200	127
	Sale/Purchases of Investment(net)	316	4,599	4,283	(3,109)
	Net cash used in investing activities	(14)	**4,152**	**4,166**	**(16,306)**
C.	**Cash flow from financing activitie s:**	-			
	Proceeds/(repayment) from long term borrowings (net)	406	2,170	1,765	6,025
	Proceeds / payment of prefernce shares	0	(5,343)	(5,343)	4,524
	Proceeds of short term borrowings (net)	(26)	144	169	(643)
	Interest paid	(713)	(2,558)	(1,845)	(2,103)
	Dividend Paid	(33)	(899)	(866)	(383)
	Increase in share capital / securities premium	69	140	71	(1)
	Net cash used in financing activities	(297)	**(6,346)**	**(6,049)**	**7,417**
	Net increase / (decrease) in cash and cash equivalents	**182**	**409**	**227**	**(261)**
		-			
	Opening cash and cash equivalents	1,062	835	835	1,096
	Closing cash and cash equiva lents	1,244	1,244	1,062	835
	Net Increa se / (decrease)	182	**409**	**227**	**(261)**

Thank You