



The Chanakya, New Delhi



Café C, The Chanakya, New Delhi

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Company Information

Board of Directors

Executive Directors

Dr. K.P. Singh
Chairman

Mr. Rajiv Singh
Vice Chairman

Mr. Mohit Gujral
CEO & Whole-time Director

Mr. Rajeev Talwar
CEO & Whole-time Director

Mr. Ashok Kumar Tyagi
Whole-time Director (w.e.f. 01.12.2017)

Mr. Devinder Singh
Whole-time Director (w.e.f. 01.12.2017)

Non-Executive Directors

Mr. K.N. Memani
Lead Independent Director

Ms. Pia Singh

Mr. G.S. Talwar

Mr. Ved Kumar Jain

Dr. D.V. Kapur

Mr. B. Bhushan

Mr. Pramod Bhasin

Mr. Rajiv Krishan Luthra

Lt. Gen. Aditya Singh (Retd.)

Mr. A.S. Minocha

Mr. Vivek Mehra
(w.e.f. 13.02.2018)

Reference Information

Registered Office

Shopping Mall, 3rd Floor, Arjun Marg

Phase-I, DLF City, Gurugram - 122 002
(Haryana)

Corporate Office

DLF Gateway Tower, R Block

DLF City, Phase - III, Gurugram - 122 002
(Haryana)

Statutory Auditors

S.R. Batliboi & Co. LLP

Registrar & Share Transfer Agent

Karvy Computershare Private Limited

Listed at

Bombay Stock Exchange

National Stock Exchange

Company Secretary

Mr. Subhash Setia

Message from the Chairman



Dr. K.P. Singh, Chairman

Dear Shareholders,

Several path-breaking reforms ushered in by the Government over the past few years are gradually beginning to have a salutary impact on the economy as a whole and on the Real Estate sector in particular.

Even as economic players are rapidly adapting to structural changes like GST, IBC and RERA, there are signs of general endorsement of the Prime Minister's call to Reform, Perform and Transform.

Although, as a nation in transition, India still faces many hurdles on the road to revival and faster growth, the year gone by has provided hopeful indications that the country is moving in the right direction.

Added to that is the recent global recognition of India's ranking as the sixth largest economy and as the fast-growing large economy in the world. This has reinforced the belief that broadly speaking

macro-economic fundamentals have remained stable despite the downturn in recent years.

It would be a fallacy however, to become complacent on the basis of the GDP estimates of 6.7 percent in 2017-18. The reality, as I have often emphasized in the past, is that India needs a consistent double-digit 'real' growth rate sustained over several years in order to achieve the national goals of inclusive growth and justice to all sections of the vast population.

As I have also repeatedly advocated, the key to transformation of India's future lies in recognizing the Real Estate sector as the principle engine of growth. The housing and construction sector has a multiplier effect on the entire economy - it is the fourth largest employment generator and is a significant contributor to GDP, with studies showing that construction as a whole, accounts for 11.39 percent of the total economic output. Moreover, every rupee invested in the housing sector results in an addition

of ₹ 1.54 to GDP and, if household expenditure is also taken into consideration, the contribution adds up to ₹ 2.84.

The Government has brought forward several important reforms, the most significant being the Real Estate (Regulation and Development) Act, 2016 (RERA). This shall undoubtedly boost consumer confidence and pave the way for accelerated demand for housing products and facilitate flow of investments into the real estate sector, both from global and Indian investors.

Implementation of RERA shall also streamline norms for transparency and accountability and a compliance mechanism for timely delivery of good quality housing projects.

RERA has been well supported by the implementation of Goods and Services Tax (GST) regime which will create a level playing field for the organized players like your Company and helped in accelerating the growth in the sector.

Real estate demand, in the recent months, has also received much needed impetus with the Credit Linked Subsidy Scheme (CLSS) for the middle income group under the Pradhan Mantri AwasYojna (PMAY).

I am happy to report that your Company is well placed to capitalize on these opportunities in the business development space. Acknowledging the strength of your Company, GIC Real Estate has entered into one of the largest transactions by becoming a shareholder in DLF Cyber City Developers Limited (DCCDL), which has a huge annuity portfolio.

DLF's partnership with GIC has positioned your Company for faster growth in the office and retail space. In addition to capturing the growth within DCCDL, your Company can continue to develop offices or retail malls outside the JV – DCCDL.

As a business strategy, your Company shall try to sell its products only when the project has progressed to a stage, where the uncertainties linked to development are significantly reduced.

I am confident that your Company is well equipped not only to tide over the travails of transition but also to remain at the forefront of real estate development. Our unique business model shall cushion the impact of market down cycles given the different types of incomes and geographic diversity.

Your Company has been committed to the cause of social empowerment and uplifting the lives of under privileged. Through DLF Foundation and other NGO's, DLF has been working and contributing in national priorities such as skill development, education, rural health care, community development and promoting art, culture, spirituality and leadership based on Vedic philosophy, women empowerment. The goal of these initiatives is to make the rural masses more self-reliant. Under the nurturing talent program, 1,021 students were supported by your Company at the primary, secondary schools and professional colleges level during the year. Your Company has adopted 16 Government schools for supporting infrastructural up-gradation and education enhancement project in 6 Government schools. To support the bridge schools, your Company has addressed the needs of school dropouts and subsequently facilitate their enrolment in Government schools after enhancing their learning skills and provide remedial classes to over 1,019 students in three learning centres. Under the health care including mobile medical program, over a lakh people have been benefitted. The social outreach initiatives have won many recognitions at various national and international levels.

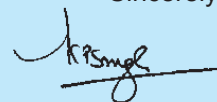
It is my privilege to inform you that your Company's sterling products have been recognized and awarded platinum certification (highest certification) and IGBC's LEED India platinum rating by the US Green Building Council and Indian Green Building Council, respectively.

Our employees, customers, business associates and shareholders have always been a source of strength and I thank them for their continued support. On behalf of my fellow Directors and DLF Corporate family, I renew our pledge towards building a new India.

We look forward your continued support to all our endeavors in delivering happiness in the lives of millions of people who joined our journey of Building India.

With best wishes,

Sincerely,



New Delhi
10 August 2018

(Dr. K.P. Singh)
Chairman

Board of Directors



Dr. K.P. Singh



Mr. Rajiv Singh



Mr. Mohit Gujral



Mr. Rajeev Talwar



Mr. Ashok Kumar Tyagi



Mr. Devinder Singh



Ms. Pia Singh



Mr. G.S. Talwar



Mr. K.N. Memani



Dr. D.V. Kapur



Mr. B. Bhushan



Mr. Pramod Bhasin



Mr. Rajiv Krishan Luthra



Mr. Ved Kumar Jain



Lt. Gen. Aditya Singh (Retd.)



Mr. A.S. Minocha



Mr. Vivek Mehra

Directors' Report

Your Directors have pleasure in presenting their 53rd Report on the business and operations of the Company together with the audited results for the financial year ended 31 March 2018.

Financial Results

(₹ in crore)

	Consolidated		Standalone	
	2017-18	2016-17	2017-18	2016-17
Total income from operations	7,663.71	8,940.51	3,803.79	4,405.26
Total expenses	7,813.59	8,340.25	3,137.68	3,482.56
Profit before exceptional items and tax	(149.88)	600.26	666.11	922.70
Exceptional items (net)	8,765.34	429.26	(120.66)	(42.25)
Profit before tax	8,615.46	1,029.52	545.45	880.45
Less: Tax expense	4,323.05	229.26	180.25	283.89
Profit after tax	4,292.41	800.26	365.20	596.56
Share of Profit/ (loss) in associates and jointly controlled entities (net)	184.38	(92.26)	-	-
Net Profit for the year	4,476.79	708.00	365.20	596.56

Consolidated revenue for the FY'18 was ₹ 7,664 crore with EBIDTA of ₹ 3,334 crore. The net profit was ₹ 4,477 crore, including one time exceptional gain on account of fair valuation of DLF's residual stake in DLF Cyber City Developers Limited (DCCDL), a subsidiary. The earnings per share (EPS) for the year stood at ₹ 25.02.

The cost of land, plots, development rights, constructed properties and others decreased to ₹ 3,115 crore on consolidated basis. However, staff cost increased marginally to ₹ 344 crore and depreciation, amortization and impairment charges were at ₹ 534 crore.

The financials for current year are not strictly comparable with previous year due to dilution of stake in DCCDL to Reco Diamond Private Limited, an affiliate of GIC Real Estate, Singapore (GIC Real Estate). Due to this, DCCDL was accounted as joint venture w.e.f. 26 December 2017 in terms of applicable Ind AS. However, DCCDL continued to be a material subsidiary

of your Company under the provisions of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 (Listing Regulations).

Your Company's Balance Sheet as at 31 March 2018 reflected a healthy position with a net worth of ₹ 35,359 crore. This was primarily achieved because of infusion of funds by the promoter entities, which were substantially utilized to pare down net debt which stood at ₹ 6,265 crore as on 31 March 2018.

The annuity arm - DCCDL and its subsidiaries recorded revenues of ₹ 4,930 crore with EBIDTA of ₹ 3,523 crore in FY'18, a growth of 13% over ₹ 4,363 crore recorded in FY'17. The net profit increased to ₹ 1,421 crore, a growth of 15% over ₹ 1,240 crore recorded in FY'17.

Significant Development

In FY'18, the Company entered into a land mark transaction with GIC Real Estate, which was over viewed by the Audit Committee comprising of Independent Directors. The deal demonstrated your Company's leadership position in the industry. The stake sale by promoter(s) in DCCDL brought one of the best global investors as a shareholder in DCCDL and positioned the annuity business on the path of accelerated growth. The Company made a preferential offer of Compulsorily Convertible Debentures (CCDs) and Warrants to the promoters, which were fully subscribed by them, thereby committing ₹ 11,250 crore to the Company. These CCDs and Warrants will be converted/ exercised into 51.78 crore equity shares of the Company at a price of ₹ 217.25 per equity share. The promoters remitted ₹ 9,000 crore in December 2017 and balance amount of ₹ 2,250 crore is expected to be remitted within FY 2018-19. In order to maintain minimum public shareholding as mandated under the Securities Contracts & Regulations Act, 1956 read with the Listing Regulations, the Company plans to issue up to 17.30 crore equity shares by way of private placement to Qualified Institutional Buyers (QIBs).

During the year under review, a wholly-owned subsidiary acquired a prime land parcel of 11.76 acres (approx.) in Udyog Vihar, Gurugram (opposite to the Cyber City, Gurugram) through e-auction conducted by Haryana State Industrial & Infrastructure Development Corporation Limited. The commercial development of approx. 0.23 million square meter (msm) [2.5 million square feet (msf)] on the said land would be on the

similar pattern of One Horizon Center located in DLF5, Gurugram.

During the year under review, your Company also achieved the completion of 'The Chanakya', which is one of the finest mall developed and can compare with the best globally.

Revenue Recognition (Ind AS 115)

Pursuant to the notification issued by the Ministry of Corporate Affairs, your Company has adopted new accounting standard Ind AS 115 with effect from 1 April 2018. The core principle of the new standard is that revenue should be recognized only when an entity transfers control of goods or services to customers, at the amount which the entity expects to be entitled. Ind AS 115 contains extensive disclosure requirements and use of judgement and estimates in comparison to existing accounting standards.

In real estate industry, the parameters for revenue recognition will undergo a substantial change. Until now, your Company followed 'Percentage of Completion Method' (PoCM) for revenue accounting. Based upon the expert opinion, both legal and accounting on the contracts entered with the customers, obtained by your Company, it has shifted to recognition of revenues when obligations of the Company have essentially been completed, risks have nearly been eliminated for the organization and control over the property has deemed to be passed over to the buyer, from the financial year 2018-19.

In view of the above, your Company has applied the modified retrospective approach to contracts that were not completed as at 1 April 2018. Accordingly, your Company's retained earnings as at 1 April 2018 have been reduced by ₹ 5,382.82 crore (net of taxes).

Review of Operations

Your Company's development business primarily focuses on the development and sale of residential real estate which include plotted developments, houses, villas and apartments of varying sizes and integrated townships, with a focus on the high end luxury residential developments. The development business also consists of certain commercial and shopping complexes, including those that are integral to the residential developments they are attached to.

Your Company's lease business involves leasing of its developed offices and retail properties. One of the key objectives of its lease business is to achieve returns from investments in its portfolio properties on

an ongoing basis within a targeted time frame. Another key objective is to achieve high occupancy rates for the leased portfolio properties. The utilities and facility management business supports and complements the lease business.

Residential Segment

As at 31 March 2018, your Company had approximately 0.56 msm (6 msf) of projects under construction.

The Company achieved gross sales booking of ₹ 1,700 crore in FY'18. It is pertinent to note that these figures reflect sales achieved over a period of 7 months, as sales were closed for the balance period due to implementation and streamlining of operations as per the Real Estate (Regulation and Development) Act, 2016.

Lease Business

As at 31 March 2018, your Company's lease business comprised completed offices and retail properties with leasable area of approximately 2.93 msm (31.50 msf) [including DCCDL and its subsidiaries]. On completion of development at Chennai SEZ and Cyber Park, Gurugram approximately 0.34 msm (3.65 msf) area would be added.

Future Outlook

Setting-up of the joint venture between DLF and GIC Real Estate for DLF's predominant rental arm - DCCDL was undertaken with a twin objective - firstly to strengthen the balance sheet of DLF & significantly deleverage the Development business and secondly to provide key focus on accelerated growth of DCCDL business.

Within DCCDL, the focus is to work on a plan which provides growth of EBITDA in mid - teens. The free cash flow generated from DCCDL annuity income shall be judiciously utilized for capital expenditure, deleveraging and increasing dividend flow to its shareholders.

The development business shall be driven by appropriately utilizing free cash flow targeted for development into new projects with high returns on development costs and balance free cash flow to build-up cash reserves for any potential strategic initiatives.

In the last few years, the Company followed a strategy of accelerated construction and completion of all launched projects vis-à-vis sales thereby building finished inventory. Your Company today has finished inventory worth approximately ₹ 15,000 crore (net of