ANNUAL REPORT 2018-19

DLF BUILDING INDIA

The Crest, DLF5, Gurugram

DLF Riverside, Kochi

DLF BUILDING INDIA

Contents

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

Mr. Devinder Singh
Whole-time Director

Non-Executive Directors

Dr. K.N. Memani
Lead Independent Director

Ms. Pia Singh

Mr. G.S. Talwar

Mr. Ved Kumar Jain

Dr. D.V. Kapur

Mr. B. Bhushan
(up to 31.03.2019)

Mr. Pramod Bhasin

Mr. Rajiv Krishan Luthra

Lt. Gen. Aditya Singh (Retd.)

Mr. A.S. Minocha

Mr. Vivek Mehra

Ms. Priya Paul
(w.e.f. 01.04.2019)

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 Fintech Private Limited

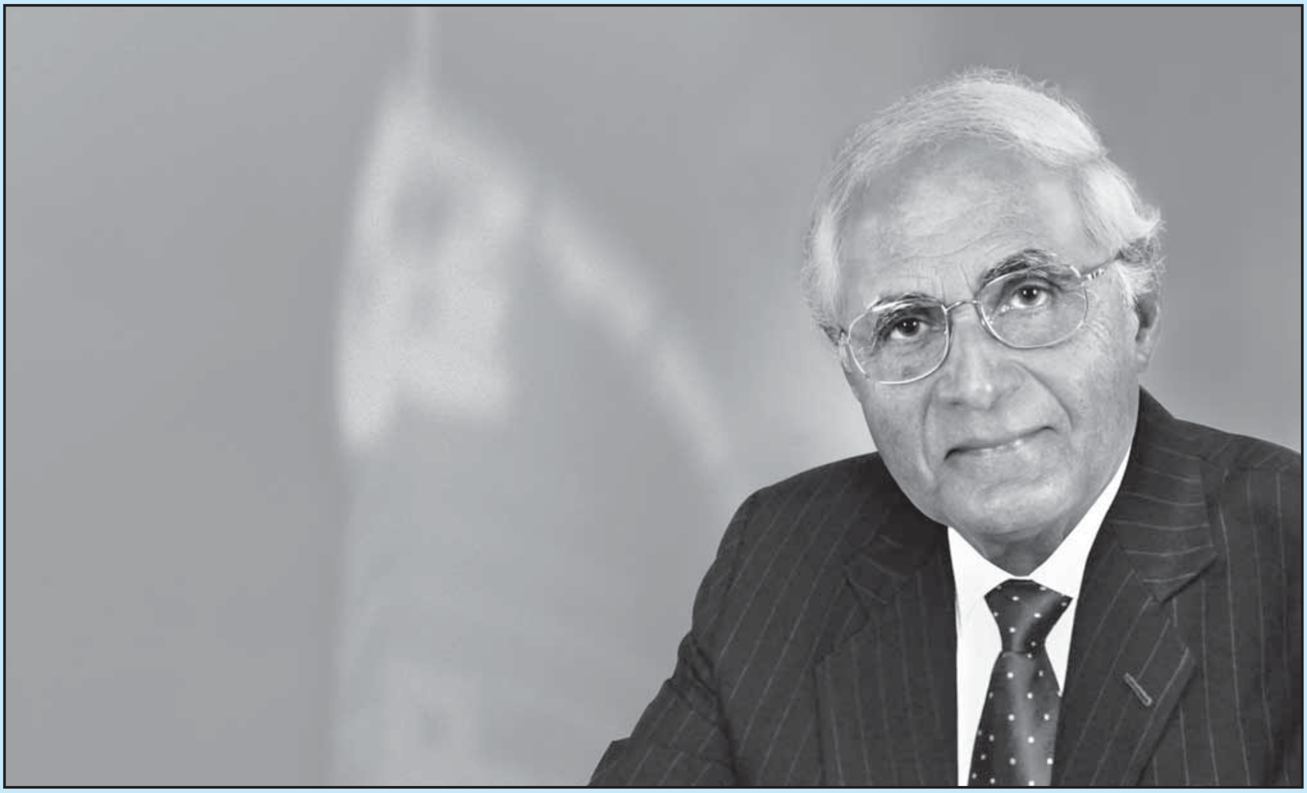
Listed at

Bombay Stock Exchange
National Stock Exchange

Company Secretary

Mr. Subhash Setia

Message from the Chairman



Dr. K.P. Singh, Chairman

Dear Shareholders,

India is entering an era of great opportunities. With a new government in place with a stable majority and visionary leadership, the country is potentially on the threshold of a historic leap forward. However, this calls for rapid reforms and innovative policies aimed at enabling businesses to grow and jobs to be generated on a massive scale.

The most effective strategy to overcome many of the most daunting challenges being faced by the economy would be to harness the unique advantages of the real estate development sector, which in my opinion will not only act as a catalyst of growth in over 250 ancillary industries but will also create employment opportunities across the skills spectrum.

Within the real estate industry, companies that have equipped themselves to adapt to and embrace the changing market dynamics will be the only ones which can seize the opportunities that forge ahead.

Your Company had anticipated these much in advance, have effectively positioned DLF to fully reap the benefits of the opportunities that overall economic resurgence will open up.

As part of the process of preparing for the new era of growth, DLF during the year gone by, successfully completed the Qualified Institutions Placement of ` 3,173 crore of equity coupled with infusion of ` 11,250 crore by the promoters. This has transformed the balance sheet significantly and DLF has almost achieved its goal of being zero net debt in its development business.

The Company will leverage the advantages of focusing on monetization of the finished inventory, by utilizing the surplus cash flows primarily for debt reduction and the balance cash surplus will be utilized by the Company to both reward its shareholders as well as to re-invest in development of new projects for both sale and lease business. The Company is confident that investment in the new development pipeline shall achieve desired returns.

Your Company continues to dedicate itself to contribute to the community. Our efforts touch many lives through various programmes in the field of education, health care, skill development and senior citizen care.

We have also taken a major philanthropic initiative to develop a project for establishment of an Institute for imparting and sharing knowledge of Art, Culture, Spirituality, Healthy living and Ethical Leadership based on India's ancient Vedic Philosophy.

I would like to thank all shareholders, employees, customers and business associates, for their valuable support and look forward to continued encouragement in our mission of Building India.

On behalf of my fellow Directors and DLF Corporate family, I renew our pledge to remain committed towards building a new India.

With best wishes,

Sincerely,

(Dr. K.P. Singh)

26 June 2019 ***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

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Mr. A.S. Minocha

Mr. Vivek Mehra

Ms. Priya Paul

Directors' Report

Your Directors have pleasure in presenting their 54th Report on the business and operations of the Company, together with the audited results for the financial year ended 31 March 2019.

Financial and Operational Highlights

(` in crore)

	Consolidated		Standalone	
	2018-19	2017-18	2018-19	2017-18
Total Income from operations	**9,029**	7,664	**3,709**	3,804
Total expenses	**8,511**	7,814	**2,943**	3,138
Profit before exceptional items and tax	**518**	(150)	**766**	666
Exceptional items(net)	**127**	8,765	**-**	(121)
Profit before tax	**645**	8,615	**766**	545
Less: Tax expense	**277**	4,323	**78**	180
Profit after tax	**368**	4,292	**688**	365
Share of Profit/ (Loss) in jointly controlled entities (net)	**946**	184	**-**	-
Net Profit for the year	**1,314**	4,476	**688**	365
Other Comprehensive Income	**(3)**	13	**-**	10
Total Comprehensive Income	**1,311**	4,489	**688**	375

Your Company recorded a consolidated revenue of ` 9,029 crore in FY'19 as compared to ` 7,664 crore in FY'18, an increase of 18%. The financials for the current year are not comparable on account of the following reasons:

(a) Revenue was recognized as per Ind AS 115 'Revenue from contracts with customers' during the year under review, whereas it was recognized based on the percentage of completion method (PoCM) in the preceding year;

(b) DLF Cyber City Developers Limited (DCCDL) Group was consolidated as a subsidiary till 25 December 2017 and as a joint venture in accordance with Ind AS 28 'Investment in Associated and Joint Ventures' for the remaining period of FY'18, whereas the DCCDL Group was consolidated as a joint venture for FY'19; and

(c) A one-time exceptional gain upon fair valuation of DCCDL was recorded in FY 2017-18.

Gross operating cash flow before interest and tax stood at ` 1,605 crore while operating cash flow stood at ` 390 crore for FY'19.

The earnings per share (EPS) for the year under review was ` 7.38.

Your Company's net worth as on 31 March 2019 stood at ` 33,577 crore. The decrease was mainly attributed to the implementation of the new accounting standard, Ind AS 115, which resulted in opening reserves being adjusted by ` 5,383 crore (net of taxes) and subsequently enhanced by ` 3,173 crore following the placement of equity shares to Qualified Institutional Buyers (QIBs).

Your Company's Balance Sheet was transformed following the infusion of ` 12,173 crore of equity ` 9,000 crore from the promoters and ` 3,173 crore from QIBs. This resulted in a significant reduction in debt, resulting in a net debt-to-equity ratio of 0.13. The infusion of ` 2,250 crore by the promoters following the exercise of warrants during FY 2019-20 would reduce the ratio further.

With the debt overhang behind it and following the completion of all legacy projects, your Company has enhanced its focus on generating free cash flows through the progressive monetization of its ready-to-occupy inventory.

In a challenging year, your Company achieved net sales of ` 2,435 crore as against net sales of ` 1,000 crore in the previous year. It completed 0.59 million square meter (msm) [6.3 million square feet (msf)] of projects during the year under review and issued possession letters to customers for 3,318 units aggregating 0.62 msm (6.64 msf) during FY'19.

DLF Cyber City Developers Limited (DCCDL)

DCCDL reported a consolidated revenue of ` 5,088 crore compared to ` 4,948 crore in the previous year. DCCDL Group's consolidated EBIDTA of ` 2,664 crore in FY'19 in comparison to ` 3,541 crore in FY'18 and a profit after tax stood of ` 1,399 crore compared to ` 1,418 crore in FY'18. Your Company has a 66.67% equity stake in DCCDL.

Review of Operations

Your Company's ready-to-occupy inventory across the country stood at ` 11,650 crore, which your Company is monetising through a focused sales engine.

Your Company demonstrated its execution capabilities and addressed all customer commitments. The Company is now gearing towards the next cycle of development, planning to build out 1.58 msm (17 msf) of residential and commercial space in the near future. The Company's land reserves are in strategic locations, acquired at historical costs and it is attractively placed to capitalize on improving market conditions by launching projects with speed and without the need to acquire land.

Development Business

Your Company commenced the construction of a new residential project at Midtown, Central Delhi, in a joint venture with GIC Real Estate, Singapore with a development potential of 0.18 msm (1.9 msf); the Company is in the midst of designing another project in that vicinity in a joint venture with GIC Real Estate, Singapore with a development potential of 0.56 msm (6 msf).

Your Company also commenced planning for 0.28 msm (3 msf) commercial building in Gurugram in a joint venture with Hines, USA. It commenced plans for a 0.23 msm (2.5 msf) residential project in DLF5, Gurugram.

Annuity Business

Your Company's commercial leasing business continued to report good growth. Gross leasing achieved during the year stood at 0.61 msm (6.56 msf), out of which 0.52 msm (5.57 msf) was attributable to the DCCDL Group. Rental values continued to grow attractively. Over 0.17 msm (1.8 msf) of office space was re-leased following the expiry of its nine-year cycle, resetting rentals at the prevailing market rate.

Cyber Park, a 0.23 msm (2.5 msf) commercial office property in Gurugram, will begin to generate rentals from September 2019. Over 90% of the property has been pre-leased to marquee tenants. Another phase of IT SEZ, Chennai is nearing completion and rentals shall commence from the current fiscal year.

DLF's strong portfolio of high-quality office and retail properties caters to more than 1,600 tenants, including a number of Fortune 500 companies. Your Company's existing properties have set global benchmarks; the Company is endeavouring to graduate these benchmarks higher by setting new standards in its upcoming developments.

DLF embarked upon development of 0.28 msm (3 msf) of Commercial Office space to address emerging demand in Gurugram. The design for the project is underway. Your Company also commenced planning for the development of 0.33 msm (3.5 msf) commercial office space in Hyderabad and 0.37 msm (4 msf) of office space in Chennai.

DLF's rigorous safety standards are vetted by world-class independent third parties like British Safety Council. DLF has championed the cause of sustainable development, adherence to global standards and created benchmarks in the Indian real estate sector through the creation of the highest LEED Platinum space in the country (2.53 msm) [27.25 msf] certified by the U.S. Green Building Council, the highest global sustainability certification agency.

DLF recently emerged as the first (and only) organization in the world to win 11 Sword of Honour awards conferred by the British Safety Council in a single year. This is widely recognised as the pinnacle of safety achievement in the real estate sector the world over.

The Indian office leasing market is expected to grow steadily on the back of robust economy activity and a growing recognition of India as a favorable investment destination due to improving infrastructure and fewer policy hurdles etc.

The Indian retail industry is passing through a transformation, comprising the employment of new technologies, new store formats, evolving business models and a greater provision for experiential retail environments. Retailers are preparing for a future marked by an extension beyond conventional retail formats in line with changing consumer preferences. In this emerging environment, lifestyle experience is expected to emerge as the key inflection point influencing the success of malls; with food, beverages and entertainment facilities will increase in importance. Besides, customer preferences have shifted towards branded developments of superior quality. Innovative developers are introducing new entertainment options in malls. Retailers are seeking to merge online experiences with offline ones to enhance the customer's interest and involvement.

Other Businesses - Hotels

Your Company continues to own two hotel properties viz. The Lodhi, an iconic hotel property in New Delhi, which it directly manages, and Hilton Garden Inn, Saket, which is managed by the global major Hilton.

Transfer of Mall of India, Noida

In line with the Company's stated objective of streamlining and consolidating the operations and holding structure of its rental assets, the Company transferred its property, Mall of India, Noida (MOIN), a retail mall located in Sector 18, Noida, with a leasable area of 0.19 msm (2 msf) (approximately) to Paliwal Real Estate Limited (Paliwal), a wholly-owned subsidiary. Subsequently, the Board of Directors approved the transfer of entire shareholding of the Company in Paliwal to DCCDL.

Dividend

The Directors are pleased to recommend a dividend of ` 2/- per equity share (100%) on the face value of ` 2/- each for FY'19 on the enhanced share capital, payable to those shareholders, whose names appear in the Register of Members/ Beneficial ownership details provided by depositories on the record date. The total outgo on account of dividend (exclusive of tax on distributed profit) would absorb ` 441.44 crore, against ` 356.81 crore in the previous financial year. The total outgo would increase subsequent to the allotment of equity shares upon conversion of Compulsorily Convertible Debentures (CCDs) and the exercise of Warrants by the promoters/ promoters group entities, as the case may be.

The dividend payout is in accordance with the Company's Dividend Distribution Policy. The policy was formulated by the Board pursuant to Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [Listing Regulations]. The