# Management Discussion & Analysis Report

## ECONOMIC OVERVIEW

Indian economy witnessed robust growth in the year gone by. The GDP growth rate was pegged approximately at 6.75% during the fiscal, but it witnessed a better momentum in second half of the fiscal, owing to which a growth of 7.2% is anticipated in GDP growth of FY 2018-19.

The key to the revival of growth in the economy lies in the growth of consumer demand, investment and infrastructure activities in the country. According to the International Monetary Fund's (IMF) forecast, India is likely to overtake China as the fastest-growing economy in the world during the period between 2017 and 2022. Based on IMF estimates, India will continue to be among the fastest growing major economies with a growth rate of 7.4% to 8.9% during the period between 2017 and 2022. The compounded annual growth rate (CAGR) over the period is expected to be approximately 8.5%. India's growth rate is expected to be significantly higher than the global CAGR of approximately 4% and the CAGR for other developing economies, such as Brazil, Russia and sub-Saharan African nations.

Global expansion is expected to continue at above-trend speed in 2018 and 2019, driven by ongoing capex and productivity recovery. The cycle has more room to go as limited signs of overheating are seen. Speed bumps could emerge, if the lift in Fed real rates causes major stress in US Corporate Credit. Inflation has been rising in both Developed Markets and Emerging Markets but it isn't overshooting the targets. Central banks have been hiking interest rate but are not turning too restrictive.

Within India, with end demand holding up well, private capex is poised for a recovery later this year. As the economy enters into a full fledged recovery, we could expect Central Bank to further increase interest rates. Private consumption expenditure has remained robust while exports growth, despite monthly volatile movements, has also been on a recovery path. Incipient signs of revival in investment activity, with capital goods imports and order books of engineering and construction firms posting strong growth in recent months.

Capacity utilization ratios have begun to pick-up, nearing about 75% now. Corporate balance sheet fundamentals are improving, with interest rates dipping below corporate revenue growth and favourable trend in credit ratings upgrade. These factors shall lead to a recovery in private capex in 2018-19.

## THE INDIAN REAL ESTATE SECTOR

The real estate sector continued to face some headwinds. The sector, however is witnessing better prospects in the future resulting from higher confidence of both customers and investors primarily because of the introduction and better implementation of the Real Estate (Regulation and Development) Act, 2016 ("RERA") and rationalisation of indirect tax regime through introduction of GST. The commercial sector continues to demonstrate immense potential, while the residential sector is undergoing a structural transformation.

According to the 2016 Handbook of Urban Statistics, around 377 million Indians comprising 31.14% of the country's population lived in urban areas. The urban population is expected to grow to about 600 million (comprising 40% of the country's population) by 2031 and 850 million (comprising 50% of the country's population) by 2051 (*Source: Ministry of Urban Development, Handbook of Urban Statistics, 2016*). The increasing urbanization drives demand for real estate in major cities of India.

### Residential Segment

The residential segment, owing to the impact of regulatory reforms viz. RERA, GST and demonetization, witnessed historic low in terms of new project launches in the year gone by. Although, home buyers' sentiments have seen marginal improvement recently, full momentum in the market will take a few quarters to revive. The immediate impact of these historic changes has been renewed buyer preference for apartments in completed projects.

The long-term impacts of such regulations will lead to buoyant markets with greater consumer confidence as these have started to instill confidence in the various parameters viz. improved transparency, timely delivery, speedy resolution of disputes etc.

Affordable housing, as a segment, is expected to garner huge interest in the near term, primarily due to various incentives offered by the Government to both, developers and consumers.

Foreign Direct Investment in the construction and development sector was close to ₹ 2,500 crore in FY 2017-18. This shows increasing investor confidence in country's real estate sector. Real estate developers from Japan, the United States of America (USA) and China have formed alliances with domestic developers to enter (or plan to enter) the Indian realty market, including Japanese conglomerate Sumitomo Corporation, representatives of the Trump Organization and China's Fosun Group are some of the investors who have recently entered.

The current market dynamics imply adoption of differentiated strategy by credible and sustainable developers leading to a more transparent and customer centric approach.

Mid and high-end segment capital values remained largely stable across all sub-markets of Delhi NCR. Rental values also maintained status quo across both segments. The market has gradually started witnessing activity from home buyers who were in a wait and watch mode till now.

**Office Segment**

Corporate tenants are facing many challenges as they navigate through 2018. The biggest challenge with them is to find, attract and retain a high quality workforce. There are three trends that are impacting how global corporations think about their real estate portfolio as a human resources tool that can assist with talent recruitment and retention, as well as improve/ focus team work, learning and collaboration.

Flexibility, collaboration, workspace efficiency, employee retention and cost effectiveness would be the key focus of real estate heads and developers would have to reformulate their workplace designs to cater to changing dynamics of workplace environment.

The primary demand drivers currently are the technology, engineering and banking sectors with co-working spaces to be the next demand driver in the near future.

Within Delhi NCR market, Gurugram witnessed the highest share in absorption with Q-o-Q increase in weighted-average rentals. With limited supply, Gurugram Central Business District is expected to witness 4-5% increase in quoted rents.

The office segment is expected to remain robust in the near future with nearly 10.87 million square meter (msm) [117 million square feet (msf)] of Grade A supply to be scheduled for completion till 2022 with approximately 46% comprising multi-tenanted Special Economic Zones.

**Retail Segment**

India is one of the Asia's largest market with a population of 1.3 billion. The rising middle class is well travelled and influenced by changing global environments that is, in turn, reshaping their consumption patterns and priorities.

As a result, organized retail is also gaining importance, as is evident from the increasing presence of the brands and retailers across all segments.

Total existing stock of shopping centers in India is estimated to be approximately 7.25 msm (78 msf) across the top eight cities as of March 2018 with an overall vacancy rate of 15%. Most of these developments range between 18,580 square meter and 50,000 square meter (2,00,000 and 5,50,000 square feet). Currently, the Indian retail market is undergoing a metamorphosis with established shopping centres and main streets becoming more sophisticated and with the emergence of many new locations.

While e-commerce has been gaining acceptance in India with its share growing, the penetration of organized retail is growing too. The entry of new players in this domain has been on the rise since the last few years. Many retailers have capitalized on this great opportunity to establish their omni channel presence. Integrating online channels with brick and mortar stores has provided an unparalleled and unique shopping experience to buyers. The Government of India's policies and regulatory frameworks such as 100% foreign direct investment (FDI) in B2B e-commerce and 100% FDI under automatic route under the market place model of B2C e-commerce are expected to further propel growth in the sectors.

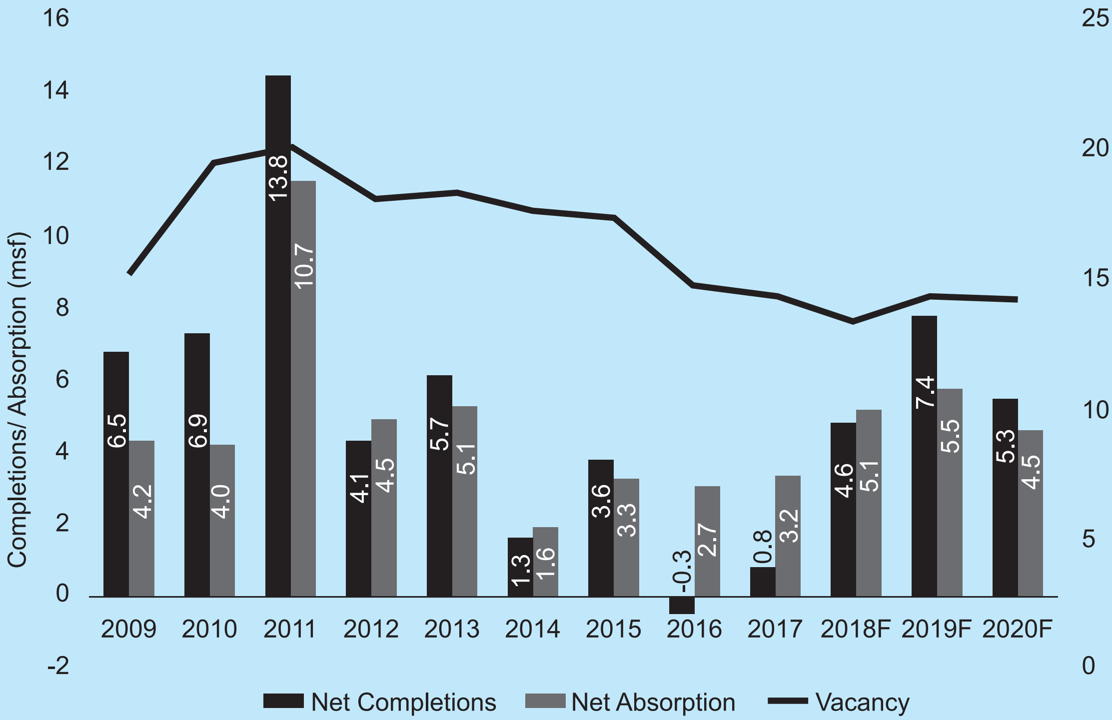
With 100% FDI allowed in single-brand retail, an additional route for international retailers to enter the Indian retail market has opened. Thus far, they were restricted to only franchise or joint venture options. The FDI relaxation is further paving way for the Make in India initiative.

Indian Retail destinations have had a novelty factor attached to them, with entertainment and multiplex thrown in, it adds to footfalls in the shopping centres.

The trend is now inclined towards creation of superior quality retail destinations with exceptional experience. According to reports, this rationalisation will lead to higher percentage of superior quality malls i.e. approximately 62% of the total supply in the near future will consist of these superior quality malls as compared to 46% over the period of 2008-2012.

Over the years Developers have started to focus on creation of more entertainment coupled with Food Courts & Beverage zones in the malls compared to the past practice of just using these as ancillary spaces.

The following chart illustrates the supply and demand of retail malls in the near future:




Source: Real Estate Intelligence Service (JLL), 1Q18

## KEY DEVELOPMENTS IN THE INDIAN REAL ESTATE REGULATORY FRAMEWORK

**Real Estate (Regulation and Development) Act, 2016 (RERA)**

Central Government had notified RERA, however States have notified and implemented the relevant rules during the fiscal. Different State Governments have notified different policies pertaining to certain matters. RERA has streamlined norms for transparency and accountability and placed a compliance mechanism for timely delivery of quality housing projects. In the long run, RERA will boost consumer confidence and will pave way for significant demand for housing products and facilitate flow of investments.

**Transit Oriented Development (TOD) Policy**

State Government of Haryana has introduced a TOD Policy aimed at reduction and discouraging private vehicle dependency and inducing public transport use - through design, policy measures and enforcement. It also aims to provide easy public transport access to maximum number of people within walking distance through densification/ re-densification and enhanced connectivity.

In the first phase, TOD will be allowed on designated metro corridors including:

- Delhi Metro extension along Gurgaon - Mehrauli Road up to Sector - 29 (HUDA City Centre), Gurugram;
- Metro Link along Northern Periphery Road;
- Metro Link along Southern Periphery Road (SPR);
- Rapid Metro developed/ being developed in PPP model and up to SPR.

The TOD Zone uses shall be permitted irrespective of Group Housing/ Commercial purpose which is already exhausted. In case of approved projects where permissible ground coverage has already been utilized, the benefit of FAR shall be allowed to be availed, provided consent of all the stakeholders is taken in accordance with the Policy. Existing or under construction developments, where no third party rights have been created and revision of building plans for the approved projects where third party rights have already been created, may be allowed to be availed.

The operational rules for the TOD Policy have been notified and your Company is currently evaluating as to how best the potential should be utilised, as substantial portion of the Company's land parcels fall within the TOD Zone.

## BUSINESS AND FINANCIAL PERFORMANCE & OUTLOOK

### Material Developments

The Audit Committee comprising Independent Directors after evaluating various strategic options to drive sustainable & long-term growth and development of the rental business in order to improve efficiency and control and to reduce conflicts of interest, recommended to the Board of Directors the proposal for promoter group companies to sell their Compulsorily Convertible Preference Shares (CCPS) held in DLF Cyber City Developers Limited ('DCCDL'), a subsidiary company (equivalent to 40% equity stake in DCCDL) to unrelated third party institutional investor.

Pursuant to the above, DCCDL witnessed a landmark transaction, with Reco Diamond Private Limited, an affiliate of GIC Real Estate (GIC Real Estate) taking a 33.34% equity stake in the later. The Company's promoters, who held CCPS in DCCDL, sold part of their stake in DCCDL to GIC Real Estate and the balance is being bought back by DCCDL. The transaction put DCCDL's enterprise value at ₹ 35,617 crore.

The gross proceeds to the Promoters from the transaction would be ₹ 11,900 crore, which comprised secondary sale of equity shares (post conversion of CCPS) to GIC Real Estate (through Reco Diamond Private Limited) for approximately ₹ 8,900 crore and two buyback of CCPS for ₹ 3,000 crore by DCCDL. One of the buyback was done in FY 2017-18 and the second one is expected to be done in FY 2018-19.

Subsequently, 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.

DLF utilized substantial amount of these proceeds to bring down its net debt to ₹ 6,265 crore. Balance amount was held as cash equivalent in the books.

Before the conversion/ exercise of CCDs and Warrants into equity shares takes place, the promoters will have to bring down their stake in the Company from approximately 75% they currently own. The Company envisages to offer upto 17.30 crore equity shares to Qualified Institutional Investors on a Private Placement basis in FY 2018-19 to dilute the promoter's stake.

The money to be raised through private placement of equity shares and balance money to be received from Promoters is also intended to be utilized for paring down of net debt.

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 msm (2.5 msf) on the said land would be on the similar pattern of One Horizon Center located in DLF5, Gurugram.

During FY'18, your Company also achieved the completion of 'The Chanakya', which is one of the finest mall developed and can compare with the best globally.

## FINANCIAL REVIEW

### REVENUE & PROFITABILITY (CONSOLIDATED)

During FY'18, DLF reported consolidated revenues of ₹ 7,664 crore. EBIDTA stood at ₹ 3,334 crore and Net profit after tax, minority interest and prior period items was at ₹ 4,477 crore, which includes one-time exceptional gain on account of fair valuation of the Company's residual stake in DCCDL. The EPS (Basic) for FY'18 stood at ₹ 25.02.

DCCDL's revenues and profits were consolidated with the Company for just 9 months (i.e. till 25 December 2017), following which it ceased to be accounted for as a subsidiary in terms of Indian Accounting Standards (Ind AS) issued by the Ministry of Corporate Affairs (MCA). However, it continued to be a subsidiary in terms of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015. GIC Real Estate, which now holds 33.34% equity stake in DCCDL, has certain affirmative rights within governance of DCCDL. Ind AS requires that in such situations, the entity shall be accounted for as a joint venture. Since revenues and expenditure of DCCDL have not been consolidated for the full period, the previous year figures are not comparable. Henceforth, the Company shall account for only 66.66% of DCCDL's net profit. DCCDL's assets and liabilities would henceforth not be consolidated along with DLF's assets and liabilities.

Owing to non-consolidation, the Company's equity stake in DCCDL had to be accounted for on fair value basis. This resulted in the Company recording a deemed gain of ₹ 9,927 crore in Company's books. There was a fair valuation gain on certain investments, while provisions were created for valuation of certain inventories and impairment made in certain trade and other receivables. This resulted in net exceptional gain of ₹ 8,569 crore (pre-tax).

As a result of the fair valuation of DLF's stake in DCCDL, the Purchase Price Allocation was undertaken, amongst tangible and intangible assets of DLF. Appropriate adjustments have been factored into DLF's consolidated results, based upon the valuation done by third party experts. This was a one-time exercise, with only additional depreciation to be charged off to consolidated accounts annually going forward.

Also, in DLF's development business, sales were closed for over 5 months as rules related to implementation of RERA were not formulated and made effective. Your Company resumed sales from November 2017. Hence, fresh sales booking was subdued in the fiscal.

**Balance Sheet**

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 aided by preferential offer of convertible instruments worth ₹ 11,250 crore to the promoters, of which ₹ 9,000 crore was paid in the fiscal under review. Balance money is expected to flow in FY 2018-19.

The inflow of money was utilized to pare down debt. The net debt stood at ₹ 6,265 crore as at 31 March 2018. The net debt to equity ratio was approximately at 0.18.

There is an inter-company payable of ₹ 8,300 crore (net of advances) from the Company to DCCDL & its subsidiaries on principal to principal basis. These payables did not get reflected in consolidated accounts earlier but get reflected now as DCCDL's assets and liabilities are no longer consolidated. DLF expects to settle these liabilities largely by transfer of its certain identified assets by 2020.

**DCCDL**

In FY'18, DCCDL reported consolidated revenues of ₹ 4,930 crore. EBIDTA stood at ₹ 3,523 crore and Net profit after tax, minority interest and prior period items was ₹ 1,421 crore.

The cost of land, plots, development rights, constructed properties and others increased to ₹ 1,047 crore, primarily due to capital being deployed to build out further projects. Staff costs increased marginally to ₹ 95 crore and depreciation, amortization and impairment charges were at ₹ 417 crore.

DCCDL's Balance Sheet as at 31 March 2018 reflected a healthy position with a net worth of ₹ 7,752 crore.

**Ind AS 115 – Revenue from contracts with customers**

MCA has recently notified new Indian Accounting Standard 115 with effect from 1 April 2018. The core principle of the new standard is that revenue should be recognized only when 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 in comparison to existing accounting standards.

The new standard aims at providing more transparency towards revenue recognition. However, applying the new standard requires extensive use of judgement and estimates. Revenue being a key financial performance indicator, the new standard is expected to impact almost all sectors.

In real estate industry, the parameters for revenue recognition will undergo a significant 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 into with customers, obtained by your Company, it would shift 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 FY 2018-19. Hence, the financial numbers for the quarter ended June 2018, would be disclosed following these principles.

The Company has laid out the following policy for recognizing revenue for different verticals of the business:

- In case of Built-up projects (residential and commercial), revenue shall be recognized on receipt of Occupation Certificate/ Partial Occupation Certificate and issue of Possession letter/ Fit-out letters.
- In case of Plotted developments, revenue shall be recognized on receipt of Completion/ Part Completion certificate and Possession letter having been issued.

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

**Strategy**

The formation of joint venture between DLF and GIC Real Estate for DLF's predominant rental vehicle - DLF Cyber City Developers Limited (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 construction expenses), which it shall continue to sell over a period of time.

Your Company will endeavor to sell future projects once they have attained a degree of tangible progress & reduced uncertainties. It has already launched construction of residential complex at Capital Greens IV, New Delhi, which is a part of 0.65 msm (7 msf) development, another JV with GIC. Further, projects are being identified for development, with an objective that inventory available for sale could be continuously replenished in a 4 year cycle.

Your Company's endeavour is to achieve a zero net debt level on the development side of the business in the near term.

## THE BUSINESS STRATEGY REMAINS FOCUSED ON THE FOLLOWING KEY PILLARS:

### Continue to develop Lease Business

We believe that demand for commercial office space will increase as the BFSI, IT/ ITeS and telecom sectors grow and continue to drive real estate demand. In addition, we expect significant demand for retail developments on account of factors such as scope for penetration of organized retail in India and absorption of existing supply of retail space in certain key regions.

We intend to develop our Lease Business as a platform operated primarily through DCCDL. Following the completion of the DCCDL transaction, DCCDL will be operated through an independent and highly experienced management team, with our Company and GIC acting as shareholders with common, aligned objectives. The majority of our rental property portfolio is already held through DCCDL, which owns and operates approximately 2.51 msm (27 msf) of commercial and retail properties and holds Land Reserves with an estimated Development Potential of approximately 1.77 msm (19 msf). Together with under construction project of 0.23 msm (2.5 msf), potential acquisitions by DLF Assets Private Limited of approximately 0.46 msm (5 msf) at Chennai and Hyderabad along with other potential acquisitions, this portfolio is slated to grow more than double in the next 10 years.

We believe that establishing DCCDL as an independent platform will unlock potential in our Lease Business as well as our Development Business.

Besides that, the Company which has over 0.37 msm (4 msf) of ready rental assets, will continue to grow and develop rental assets in its portfolio. The Company will look into a separate monetization strategy for the same at a future date.

### Attain an efficient capital structure with an optimal mix of debt and other financing sources

Our aggregate Net Debt amounted to ₹ 6,265 crore, as at 31 March 2018. In Fiscal 2018, DLF paid/ prepaid debt facilities amounting to approximately ₹ 7,000 crore. With this, our gearing ratio now stands at 0.18. While we continue to reduce the overall indebtedness, we continue to improve the debt profile. The incremental cost for borrowing against rental assets stands below 9% and against development assets below 10%.

### Leverage recent changes in development business

We intend to utilize our market position and our complete or near-complete residential developments to take advantage of recent regulatory developments. We believe the reduced regulatory complexities and consequent mitigation of delays resulting from the sale of already developed residential properties, together with the high quality of our developments and reputation for timely project execution, will enable us to attract a greater number of home buyers. Further, we intend to leverage our scale of operations, expected low debt levels and market position to obtain easier financing and lower our finance costs, thereby enabling the sale of residential properties at competitive prices.

### Continue to focus on building holistic business districts

Our commercial lease business has been operated based on developing and leasing integrated business districts rather than individual buildings or complexes. Our commercial projects include integrated entertainment zones, retail areas and supporting infrastructure such as metro and rail connectivity. For example, DLF CyberCity project is one of the largest, self-sustained, integrated business districts in India comprising office buildings and structures that form part of corporate offices, IT Parks and IT SEZs and amenities such as convenience stores, banks, ATMs and health clubs, as well as DLF Cyber Hub, a retail complex housing several restaurants, cafeterias and other retail facilities. It is well connected to the Delhi Metropolitan Region and other locations in Gurugram, in particular due to its connection to the Delhi Metro through a private Rapid Metro-railway network facilitated by us. We intend to continue to focus on developing business districts and commercial zones, which will allow us to attract a high-quality tenant base comprising high-income customers and multinational corporates.

### Continue to rationalize land reserves and increase presence in strategic locations

In furtherance of the strategies discussed above, we seek to concentrate on and expand our operations in certain key geographic markets that we consider to be strategically important. We intend to continue to focus on rationalizing portions of our Land Reserves that we do not consider having significant development potential. We intend to continue to do so in the near future. At the same time, we intend to continue to selectively replenish our Land Reserves to the extent consistent with our strategic imperative of contiguity and so far as it is required to implement our strategy of achieving the appropriate product and price mix.

## REVIEW OF OPERATIONS

### Development Business

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 has now primarily categorized its development business into two broad categories viz. Gurgaon DevCo and National DevCo. Both these geographical segments are independently responsible and accountable for all activities across the product value chain from acquisition of land, obtaining approvals, project planning and execution, to launch, sales & marketing and final delivery of the developed property to the customers.

### Residential Segment

### Projects under Construction

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

The Company clocked 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 RERA.

### Lease Business

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 within a targeted timeframe. 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.

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). On completion of development at Chennai SEZ and Cyber Park, Gurugram approximately 0.34 msm (3.65 msf) area would be added.

### Offices Segment

As at 31 March 2018, the occupancy rate for your Company's leased offices portfolio was approximately 87%.

### Retail Segment

As at 31 March 2018, the occupancy rate for your Company's leased retail portfolio was approximately 98%.

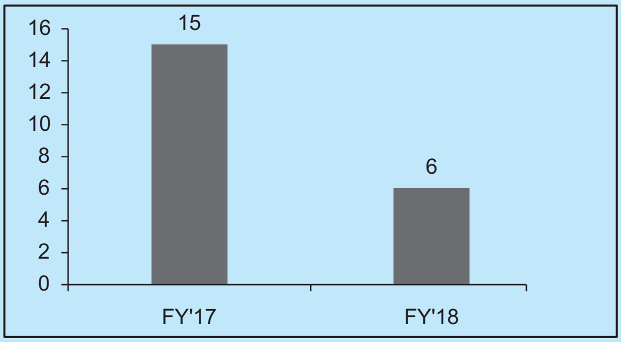
The fast growing retail market presents significant market potential for your Company to expand its retail portfolio.

### Company's Project Execution Status and Development Potential

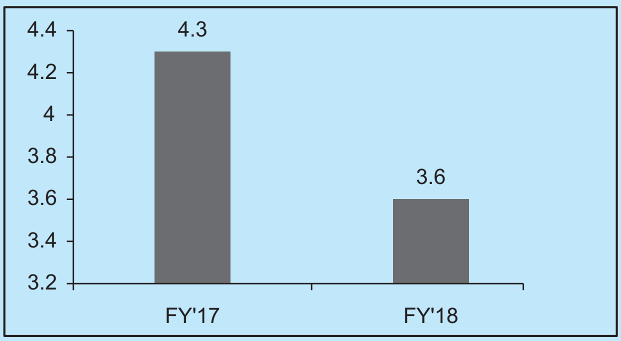
Your Company completed approximately 0.8 msm (8.6 msf) of commercial and residential projects in FY'18. As a result, the total area under construction was approximately 0.89 msm (9.6 msf) as at 31 March 2018, out of which 0.23 msm (2.5 msf) is housed under DCCDL.

## AREA UNDER EXECUTION (MSF)

### Development Business




### Rental Business



## OTHER BUSINESSES

### Hotels

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

### Human Resources

DLF's focus remains on building capability and creating a performance-oriented work culture to accelerate business performance. As at 31 March 2018, DLF including its subsidiaries, employed 1,626 employees (excluding 561 nos. in Hospitality Vertical - Lodhi & SETZ). In addition, the Company engages outsourced employees in various areas of its operations viz. Facility Management, PMC, Construction, Accounting and Hospitality Services.

Our focus is on employee-friendly initiatives and policies to upgrade quality of talent, enrich learning experience and improve their work-life balance. Focus areas of various initiatives in the year gone by are as under:

**Attract & Retain talent:** DLF views its people as the key driver of business. DLF regularly reviews the talent and potential of its employee base. Annual talent reviews have facilitated in identification of top talent for growth opportunities with focus on nurturing "young talent".

We leverage differences in age, knowledge, qualifications, skill, professional experience, culture, geography & sector to retain our competitive edge and focus on refreshing and upgrading our talent pools in key positions to changing business imperatives.

**Reward & Recognition Programs** continues to play a vital role in rewarding individual and team performance. Performance based incentive programs for Sales & Leasing teams have paid rich dividends in accelerating the sales efforts.

**Diversity and Inclusion:** The Company strives to create a workplace that is diverse and inclusive across multi-generations and gender with equal opportunities to all. 28% of employees today are millennials. DLF recognises and respects different cultures, nationalities, races, religion amongst its people.

Our focus has always not only been to provide equal opportunities to our women employees but taking an extra leap to protect and nurture their well-being and drive home the point "I respect women". The Company's policy was updated to provide 26 weeks of paid maternity leave, along with a commitment to provide the same role or an equivalent one to the woman employee on her return with other facilities and benefits. Our commitment to Women Safety includes redressal of Complaints under our Corporate Policy on Prevention, Prohibition & Redressal of Sexual Harassment of Women at Workplace, Gender Sensitivity Workshops, Self-Defence Programs apart from a host of other initiatives including counselling facilities to manage the unique work-life balance issues women face. "**Jagruti**" is a "Only Women" platform for experience sharing, creating awareness and networking. Annual conference on International Women's day "How She Did It" serves to inspire, ignite and impact our women as it show cases the success stories and experiences of our Women workforce.

**Work-life Balance, Wellness & Wellbeing**: Our holistic wellness program sensitises our employees about the concept of work-life balance and importance of a healthy lifestyle, emotional, physical well-being and prevention of diseases. Annual Medical check-ups, structured monthly health programs, health bulletins, health talks and awareness campaigns are carried out regularly. In addition, we have in place attractive and comprehensive group Mediclaim & Accident Insurance Policies including emergency response facilitation, tie ups with hospitals and diagnostic centres as well as facility for ongoing consultation with In-house Doctors and Counsellors. Flexi-timings and encouraging employees to avail leave annual vacation are also efforts to promote work-life balance.

**Employee Connect and Engagement**: Instilling open communication with the underlying theme of celebrating, connecting and working together are integral part of our engagement initiatives. Employees across levels have access to raise their concerns at various levels which are addressed and resolved satisfactorily. Our in-house HR News letter-SAMPARK and internal HR Help lines, Bulletins and Focused Team Connect sessions at various levels apart from Employees Satisfaction and other Surveys continue to pay rich dividend in understanding the pulse of our employees and addressing their concerns.

To foster a culture of expressing appreciation and gratitude, a peer-to-peer recognition program-**APPLAUSE** is available to employees through ONLINE/ WEB LINK "iCARE4U".

**DLF EPL** (an internal annual DLF Cricket tournament) continues to be highlighted in our engagement calendar even after a decade of its inception and goes a long way to foster team spirit and build healthy camaraderie among the employees.

"**DLF Parichay**" the updated On-boarding program aims at creating a WOW welcome experience for our new joinees with focus on communicating with clarity & consistency the policy benefits, entitlements and the introduction to DLF & the teams with handholding till their confirmation.

As a first step to digitalizing HR services, mobile app **RamcoMhub** has been developed to comprehensively manage employee communication and services and calendar.

**Learning & Development**: Our Company provides a stimulating work environment for learning and development opportunities and a platform for working with best-in-class professionals/ outsourced partners in various fields on an ongoing basis. Our framework provides for a healthy blend of on the job learning, learning from others and classroom training. In-house programs carried under "**Seekh aur Vikas**" have covered 1,520 employees in wide ranging programs covering Customer Experience, Business Communication, Interpersonal Skills, Positive Attitude and Team Working etc. Under our program "**Saksham**" we have covered over 800 employees spread over almost 9500 training hours at the grass root level to improve their productivity and efficiency.

As part of our commitment to create and invest to build a pool of exceptional talent and capabilities and future leadership pipeline, we plan to provide best-in-class learning opportunities in premium Management Institutes in India and abroad both in functional and general management areas. Identified employees have been sponsored to Harvard Business School for General Management Programs. To enable our employees to chart their own learning journey we are in the process of launching and providing access to the My Learning App, one of the best-in-class online learning resources.

## OUTLOOK ON RISKS & CONCERNS

Your Company is exposed to a number of risks such as economic, regulatory, taxation and environmental risks and also the investment outlook towards Indian real estate sector. Some of the risks that may arise in normal course of its business and impact its ability for future developments include inter-alia, credit risk, liquidity risk, counter party risk, regulatory risk, commodity inflation risk and market risk. Your Company's chosen business strategy of focusing on certain key products and geographical segments is also exposed to the overall economic and market conditions. Your Company has implemented robust risk management policies and guidelines that set-out the tolerance for risk and your Company's general risk management philosophy. Accordingly, your Company has a framework and process to monitor the exposures to implement appropriate measures in a timely and effective manner.

### Cautionary Statement

*The above Management Discussion & Analysis contains certain forward-looking statements within the meaning of applicable security laws and regulations. These pertain to the Company'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 are 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. In accordance with the Regulations on Corporate Governance approved by the Securities and Exchange Board of India, shareholders and readers are cautioned that in the case of data and information external to the Company, no representation is made on its accuracy or comprehensiveness though the same are based on sources thought to be reliable. 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.*