Anant Raj Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**High-growth Gurugram-centric developer pivoting from luxury residential to a 307 MW Data Centre (DC) annuity model.**	—
2	**Revenue surged 38.88% YoY to □2,060 Cr, fueled by strong absorption velocity in the premium residential segment.**	—
3	**Operating margins expanded to 24%, benefiting from luxury pricing power and optimized project execution costs.**	—
4	**Net Profit increased 63% to □426 Cr, though the bottom line is heavily supported by aggressive revenue recognition.**	—
5	***Total debt reduced by 25.54% to 482 Cr, improving the Gearing Ratio to 10.64% and Interest Coverage to a robust 45x.***	—
6	***Cash Flow from Operations (CFO) of 97 Cr is a dismal 23% of PAT, with 330 Cr trapped in working capital cycles.***	—
7	***Capital commitments of 657 Cr significantly exceed current cash of 346 Cr, necessitating future equity dilution or debt.***	—
8	***Earnings quality is poor, with Unbilled Revenue at 59% of sales (1,220 Cr) and 60% of inventory held as "Development Rights."***	—
9	***Governance risks are elevated by a refusal to impair 50 Cr from a struck-off entity and 49 Cr in new loans to related parties.***	—
10	***Subsidiary stress persists with Grandstar Realty under insolvency (CIRP), posing potential legal and contagion risks.***	—
11	Outlook hinges on the 307 MW DC rollout; while 6 MW is operational, execution risk remains high given the capital intensity.	—
12	Investment View: Watch; monitor CFO/PAT improvement (>0.60x) and unbilled revenue levels against DC commissioning milestones.	—

1. Business overview (In Bullet Points)

- **Business Segments:** Anant Raj Ltd (ARL) is aggressively transitioning from a pure-play residential developer into a hybrid "Real Estate + Digital Infrastructure" entity, bifurcated into Residential (luxury housing) and Annuity/Data Centres (Anant Raj Cloud).
- **Revenue Drivers:** Residential growth is driven by the "premiumization" wave in Gurugram, with properties >□1 Cr comprising 50% of market transactions. Data Centre revenue is driven by a shift from colocation to managed cloud services.
- **Cost Drivers:** Rising material and labor costs are primary headwinds, particularly in affordable housing; however, luxury residential pricing power and high-margin cloud services are intended to offset these inflationary pressures.

- **Industry Position:** ARL is a dominant player in the Sector 63A, Gurugram micro-market with a 220-acre land bank. It is positioning itself as a first-mover in the sustainable Data Centre space in India.
- **Expansion Plans:** The company has a massive 307 MW target for its Data Centre business, moving beyond mere colocation to become a full-scale Cloud Services Provider.
- **Acquisitions & Capacity Additions:** Operational Data Centre capacity increased 100% from 3 MW (FY24) to 6 MW (FY25). The company is targeting a total of 307 MW, indicating significant upcoming execution cycles.
- **Segment Performance:** Project sales in the residential segment grew by 38.25%, confirming high velocity in the luxury Gurugram market.
- **Geographical Presence:** Highly concentrated in the National Capital Region (NCR), specifically the "Anant Raj Estate" in Sector 63A, Gurugram, and Tirupati (affordable housing).

2. Management commentary & outlook

- The leadership (Amit, Aman, and Ashim Sarin) is executing a "4th Generation Pivot," utilizing the Gurugram residential land bank to generate immediate liquidity to fund a long-term annuity portfolio in Data Centres.
- Management is pivoting the Data Centre strategy from being a "landlord" to a "service provider," specifically allocating 0.5 MW for cloud services to capture a higher share of the value chain.
- Strategic alliances have been secured with Orange Business and government-linked entities like RailTel and TCIL to de-risk the Data Centre business with "sticky" institutional tenants.
- A ₹2,000 Cr QIP approval and a ₹100 Cr preferential allotment to promoters signal preparation for the heavy capital expenditure required for the 307 MW rollout.
- The company is committed to deleveraging, evidenced by the redemption of ₹116.5 Cr in NCDs to Apollo Global Management and Touchstone to improve the credit profile for future project financing.
- Management has proposed a significant hike in KMP remuneration to ₹2.4 Cr/year each for the three Sarin brothers, representing a 100%+ jump in base pay.
- The Corporate Insolvency Resolution Process (CIRP) against subsidiary *Grandstar Realty Private Limited* remains an active management concern and a legacy liability overhang.
- The reclassification of certain individuals from "Promoter" to "Public" is intended to clean up the shareholding table and increase public float optics ahead of the planned QIP.
- Management displays high "Execution Confidence" regarding the Data Centre pivot, backed by credible global partnerships. However, the tone remains "Opaque" regarding subsidiary-level stress (Grandstar) and the resolution of the "Struck-off" entity receivables. The aggressive hike in personal remuneration amidst a massive planned equity raise suggests that while the business is institutionalizing, the governance remains deeply "Promoter-Centric."

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2025	Mar 2024
Sales	2,060	1,483
Sales Growth %	38.88	55
Expenses	1,568	1,149
Manufacturing Cost %	72	73
Employee Cost %	1	1
Other Cost %	3	3
Operating Profit	492	334
OPM %	24	23
Other Income	40	37
Exceptional items	0	0.02
Other income normal	40.31	37.42
Interest	11	35
Depreciation	30	18
Profit before tax	491	319
Tax %	14	17
Net Profit	426	271
Profit from Associates	5	6
Minority share	-1	-10
Exceptional items AT	0	0
Profit excl Excep	426	271
Profit for PE	426	261
Profit for EPS	426	261
Profit Growth %	63	70
EPS (□)	12.40	7.63
Dividend Payout %	6	10

Balance sheet (□Cr)

Line item	Mar 2025	Mar 2024
Equity Capital	69	68
Reserves	4,092	3,588
Borrowings	482	627
Long term Borrowings	389	467
Short term Borrowings	77	159
Lease Liabilities	15	0
Other Borrowings	0	0
Other Liabilities	592	585
Non controlling int	28	28
Trade Payables	20	19
Advance from Customers	266	239
Other liability items	278	299
Total Liabilities	5,235	4,868
Fixed Assets	1,367	1,314
Land	24.21	15.53
Building	27.85	14.99
Plant Machinery	77.15	58.73
Equipments	21.41	17.53
Furniture n fittings	11.05	10.47
Vehicles	25.57	21.37
Intangible Assets	0	0
Other fixed assets	1,448.48	1,414.12
Gross Block	1,635.72	1,552.74
Accumulated Depreciation	268.40	238.96
CWIP	36	22
Investments	311	302
Other Assets	3,520	3,231
Inventories	1,151	1,416
Trade receivables	126	100
Cash Equivalents	346	321
Loans n Advances	9	1
Other asset items	1,888	1,393
Total Assets	5,235	4,868

Cash flow statement (□Cr)

Line item	Mar 2025	Mar 2024
Cash from Operating Activity	97	-26
Profit from operations	496	335
Receivables	-26	-48
Inventory	265	-219
Payables	1	6
Loans Advances	-75	-30
Operating borrowings	-82	-46
Other WC items	-412	30
Working capital changes	-330	-307
Direct taxes	-69	-54
Other operating items	0	0
Cash from Investing Activity	-72	181
Fixed assets purchased	-62	-41
Fixed assets sold	0	15
Capital WIP	-15	-3
Investments purchased	-31	0
Investments sold	0	158
Interest received	35	33
Dividends received	0	0
Other investing items	0	19
Cash from Financing Activity	1	116
Proceeds from shares	100	578
Proceeds from debentures	0	0
Redemption of debentures	0	0
Proceeds from borrowings	14	0
Repayment of borrowings	-78	-407
Interest paid fin	-10	-33
Dividends paid	-25	-16
Other financing items	0	-7
Net Cash Flow	25	271
Free Cash Flow	20	-55
CFO/OP	34	9

Key ratios

Line item	Mar 2025	Mar 2024
Debtor Days	22	25
Inventory Days	0	0
Days Payable	0	0
Cash Conversion Cycle	22	25
Working Capital Days	323	480
ROCE %	11	9

3.2 Financial analysis summary

- The company reported a **38.88%** increase in Sales to 2,060.00 Cr, primarily driven by "Sales revenues and receipts" which constitute 95.89% of total revenue, while Net Profit surged by 63% to 426.00 Cr, aided by the use of the percentage-of-completion method (POCM) which recognizes revenue based on cost estimates that may be subject to management bias.
- **Operating Profit** margins improved to 24% as Other Expenses were kept at 3.07% of revenue, although Commission and brokerage expenses spiked by 53.05% to 13.83 Cr, signaling more aggressive customer acquisition efforts to sustain the Sales momentum.
- **Finance Cost** saw a massive reduction from 35.00 Cr to 11.00 Cr, linked to a 25.54% reduction in Total Debt to 482.00 Cr and the strategic conversion of 226.15 Cr of Rupee Term Loans into lower-cost FCNRB loans, which significantly boosted the Interest Coverage ratio to 45.64.
- **Inventory** levels on the Balance Sheet decreased to 1,151.00 Cr, but forensic analysis reveals that 60.79% (699.92 Cr) of this balance consists of "Development Rights" acquired from subsidiaries rather than physical construction, which may impact the liquidity of Total Assets.
- **Working Capital** remains a significant drag on liquidity as Working capital changes of -330.00 Cr restricted the conversion of PAT to CFO, resulting in a low CFO/PAT ratio of 0.23; this is largely due to Other asset items ballooning to 1,888.00 Cr, which includes 937.98 Cr of current Unbilled Revenue.
- **Trade Receivables** ageing analysis shows 17.16 Cr outstanding for over 3 years without an Expected Credit Loss provision, while Other Assets include a 50.00 Cr receivable from a "struck-off" entity, posing a risk to the quality of the Balance Sheet.
- **Cash from Operating Activity** turned positive at 97.00 Cr compared to -26.00 Cr in the previous year, allowing the company to generate a positive Free Cash Flow of 20.00 Cr after accounting for 62.00 Cr in Fixed Assets purchases.
- **Capital Allocation** signals are mixed as Loans n Advances to associate companies spiked from 1.72 Cr to 39.70 Cr, indicating that cash is being diverted to affiliates rather than being fully utilized for core project execution or higher Dividend Payout, which dropped to 6%.
- **Fixed Assets** and CWIP grew slightly to 1,367.00 Cr and 36.00 Cr respectively, but the company faces a massive liquidity test with Estimated Capital Commitments nearly doubling to 657.33 Cr, which exceeds the current Cash Equivalents of 346.00 Cr.
- **ROCE** improved to 11.00% and ROE to 10.24% due to higher PAT margins and a leaner Total Debt profile, though the Asset Turnover remains low as Total Assets of 5,235.00 Cr are heavily weighted toward long-gestation unbilled revenue and development rights.
- **Other Income** of 40.00 Cr includes 22.70 Cr of interest from related parties, suggesting that while organic growth is improving, a portion of the Net Profit is still dependent on intra-group financing arrangements.

- The company's **Gearing Ratio** improved to 10.64%, reflecting a strengthened Net Worth of 4,161.00 Cr, yet the Debt Service Coverage Ratio of 1.05 remains thin, indicating that the company has limited buffer to meet its debt obligations from current CFO.
- **Other Financial Assets** (Current) of 949.39 Cr are almost entirely driven by 937.98 Cr in Unbilled Revenue, representing a massive lag between accounting profit and the right to invoice. Other Assets also include 157.72 Cr in advances recoverable, of which 32.38 Cr is locked with related parties in the non-current category.
- **Other Expenses** increased to 63.25 Cr, driven by a 53.05% spike in Commission and brokerage, indicating that the company is paying significantly more to intermediaries to drive the 38.88% revenue growth.
- Anant Raj Ltd demonstrated strong **Revenue** and Net Profit growth with significant deleveraging, yet the quality of earnings is tempered by a high reliance on unbilled revenue, intra-group development rights in Inventory, and a sharp increase in cash outflows to related party associates.

3.3 Contingent liabilities & commitments

- **Estimated Capital Commitments:** ₹657.33 Cr (FY25) vs ₹334.06 Cr (FY24). This represents a massive future cash requirement for construction contracts already signed but not yet executed.
- **Income Tax Demands (Disputed):** ₹27.82 Cr currently at the Appellate Stage.
- **Bank Guarantees:** ₹29.27 Cr issued to DTCP/DHBVN, performance-linked.
- **Corporate Guarantees:** ₹37.51 Cr provided for the benefit of affiliates, representing a credit risk to the parent.
- **Claims against the Company:** ₹14.69 Cr not acknowledged as debt, representing a growing legal risk profile.
- **Subsidiary Insolvency:** Corporate Insolvency Resolution Process (CIRP) initiated against the subsidiary, Grandstar Realty Private Limited.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; PAT □426 Cr vs CFO □97 Cr indicates poor cash conversion.	—	CFO/OP is only 34%, showing significant profit is locked in working capital.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — aggressive recognition risk; unbilled revenue □937.98 Cr dominates current assets vs sales.	—	Unbilled revenue is 7.4x larger than trade receivables, suggesting revenue recognized ahead of billing.
3	Revenue timing (unbilled / contract assets)	Revenue ↑ — POCM estimates boost top-line; unbilled revenue □1,220.53 Cr (total) is 59% of revenue.	—	[Note 2.11/7]: POCM relies on management cost estimates; high unbilled revenue poses cash flow risk.
4	Revenue from related parties %	Neutral — core growth shift; interest income from RPs decreased from □29.3 Cr to □22.7 Cr.	—	[Note 20/21]: Suggests a slight shift toward organic operational growth over financing-led income.
5	Inventory vs revenue growth	Profit ↑ — inventory liquidation; inventory fell 18.6% while revenue grew 38.9% boosting margins.	—	: 60.8% of inventory is "Development Rights" (□699.92 Cr), which are less liquid paper rights.
6	Inventory valuation method change	Neutral — consistent policy; valued at lower of cost or net market value.	—	: Subjective "net market value" used; no write-downs despite market volatility.
7	Exceptional items in operating profit	Neutral — clean operating profit; no significant exceptional items impacting the current year.	—	P&L shows no non-recurring items distorting the □492 Cr operating profit.
8	Depreciation rate vs useful life policy	Profit ↑ — low depreciation; □30 Cr charge on □1,635 Cr gross block suggests long useful lives.	—	Depreciation is only 1.8% of Gross Block, typical for realty but requires monitoring of asset mix.
9	Provision reversals boosting PAT	Profit ↑ — lack of provisioning; no ECL for □17.16 Cr receivables aged >3 years.	—	: Management's high confidence in old recoveries avoids P&L hits but risks future write-offs.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↑ — low effective tax; 14% P&L tax rate is significantly below statutory rates.	—	Tax rate dropped from 17% to 14% YoY, providing a non-operational boost to Net Profit.
11	CWIP age and stalling projects	Neutral — moderate growth; CWIP increased from □22 Cr to □36 Cr, consistent with expansion.	—	CWIP remains a small fraction of total assets (0.7%), suggesting active project conversion.
12	Deferred tax asset recognition adequacy	Profit ↑ — optimistic DTA; □16.17 Cr recognized on unabsorbed house property losses.	—	: Assumes sufficient future taxable rental income, which is an optimistic management projection.
13	RPT quantum and trend	Profit ↓ — cash diversion; loans to associates spiked from □1.72 Cr to □39.70 Cr.	—	: Significant cash diverted to affiliates and KMP relatives rather than core project execution.
14	Dividend paid vs FCF adequacy	Neutral — sustainable payout; □25 Cr dividend well covered by □20 Cr FCF and cash.	—	Payout ratio is low (6%), and cash reserves are sufficient to cover the distribution.
15	Struck-off Entity Receivable	Profit ↑ — lack of impairment; □50 Cr receivable from a legally non-existent entity remains on books.	—	Receivable from a struck-off entity should be impaired; refusal to do so inflates assets and profit.
16	Subsidiary Insolvency Risk	Neutral — legal contagion; CIRP initiated against Grandstar Realty Private Limited.	—	Suggests potential legacy liabilities or "contagion" risks within the 33-subsidiary structure.

#	Check	Impact	Status	Notes detail
17	Revenue-Billing Divergence	Revenue ↑ — aggressive recognition; Unbilled Revenue (₹1,220 Cr) is 59% of total revenue.	—	Massive lag between accounting profits and the contractual right to invoice customers.

4. Management & governance

A. Auditor report & key audit matters

- **Audit Opinion Type:** Unqualified Opinion.
- **Key Audit Matters (KAMs):**
  - **Revenue Recognition (POCM):** Auditor flagged the Percentage of Completion Method as a KAM due to reliance on management's subjective estimates of "cost to complete." Management responds by using internal technical teams to estimate project progress.
  - **Inventory Valuation:** Valuation of projects under development (₹1,151.26 Cr) is a KAM because it relies on management's assessment of Net Realizable Value (NRV), which involves estimating future selling prices.
- **Emphasis of Matter:** The auditor highlighted the Corporate Insolvency Resolution Process (CIRP) initiated against the subsidiary, Grandstar Realty Private Limited.
- **Forensic Red Flag:** The auditor/notes disclose a ₹50.00 Cr receivable from "Vibrant Softech Private Limited," an entity that has been **struck off** by the Registrar of Companies. No impairment provision has been made.
- **Auditor Fees:** Not explicitly disclosed; however, "Legal and Professional Fees" remained stable at ₹5.07 Cr. Independence risk is moderate given the persistence of the "Struck-off" entity receivable without qualification.

B. Related party transactions

Party	Relationship	Nature	Amount (₹ Cr)	Prior year (₹Cr)	YoY change %	Type	Concern
Associate Companies	Associates	Loans Granted	39.6954	1.7234	2,203.32%	Loan	***Value Leakage***
Relatives of KMP	KMP Relatives	Loans Granted	11.1510	0.1200	9,192.50%	Loan	***Personal Use***
Various RPs	Associates/ KMP	Interest Income	22.6978	29.3163	-22.58%	Other Income	**Reduced Reliance**
Vibrant Softech	Struck-off Entity	Receivables	50.00	50.00	0.00%	Other Asset	***Asset Inflation***
KMPs	Management	Remuneration	3.4709	3.4842	-0.38%	Expense	**Prudent Pay**
Related Parties	LLPs	Unsecured Loans	8.5511	—	—	Borrowing	***Opaque Funding***

- **RPT Risk Checks:** YoY change in RPT Loans (Associates + Relatives = ₹49.00 Cr increase) is **50.51% of CFO** (₹97.00 Cr), representing an extreme governance flag.
- **RPT Verdict:** **Governance Concern ** — The massive surge in loans to KMP relatives and associates, combined with the refusal to impair a ₹50 Cr receivable from a struck-off entity, indicates significant value leakage.

C. Shareholding

- **Promoters:** 60.12% (Mar 2025) vs 60.00% (Mar 2024).
- **FIIs:** 12.00% (Mar 2025) vs 11.00% (Mar 2024).
- **DIIs:** 4.00% (Mar 2025) vs 3.00% (Mar 2024).
- **Public:** 23.88% (Mar 2025) vs 26.00% (Mar 2024).
- **Promoter Pledge:** No mention of pledge in FY25; however, promoters provided personal guarantees for □605.32 Cr in debt in the prior year.

D. Board composition + KMP compensation

- **Total Directors:** 6 | **Independent %:** 50.00% | **Women Directors:** 1 (Mrs. Kulpreet Sond).
- **KMP Compensation:**
  - **Amit Sarin (MD):** □1.1664 Cr (0.23% of EBITDA).
  - **Aman Sarin (CEO):** □1.1520 Cr (0.23% of EBITDA).
  - **Ashim Sarin (COO):** □1.1520 Cr (0.23% of EBITDA).
- **Family Concentration:** The top three executive positions are held by brothers, concentrating operational control within a single family unit. While current pay is flat, management has proposed a 100%+ hike for the upcoming year.

F. Capital allocation & capex

Action	FY current (□Cr)	FY prior (□Cr)	% of CFO	Signal
Dividends	25.00	16.00	25.77%	**Positive**
Capex (Fixed Assets)	62.00	41.00	63.91%	***Aggressive***
Net Debt Change	-145.00	-407.00	-149.48%	**Deleveraging**
Working Capital Investment	330.00	307.00	340.20%	***Cash Trap***
Loans to Associates/Relatives	49.00	1.84	50.51%	***Leakage***

CAPEX Analytical Notes: * **CFO Coverage:** CFO (□97 Cr) is insufficient to fund the **□657.33 Cr Capital Commitments**. The funding gap will likely require further equity dilution (QIP) or new debt. * **Nature of Capex:** Pivot toward **Data Centre infrastructure (307 MW target)** is the primary driver of the 96.7% jump in capital commitments. * **Execution Risk:** Only 6 MW of the 307 MW target is operational. The massive commitment vs. low operational capacity indicates a high-stakes execution phase.

H. Risks

- **Subsidiary Insolvency (High):** CIRP against Grandstar Realty Private Ltd. could lead to asset write-downs and legal contagion.
- **Revenue-Billing Gap (High):** Unbilled Revenue at **□1,220.53 Cr (59% of Sales)** creates a risk of profit reversal if cost estimates are revised upward.
- **Struck-off Entity (High):** **□50 Cr receivable** from Vibrant Softech (Struck-off) poses a direct hit to PAT if impairment is recognized.
- **Capital Commitments (Med):** **□657.33 Cr** in unexecuted contracts will stress future liquidity and D/E.
- **RPT Cash Diversion (High):** **□49 Cr** in new loans to associates/relatives suggests capital is supporting affiliates instead of core projects.

- **Inventory Liquidity (Med): 60.79%** of inventory is "Development Rights" (paper rights), which are less liquid than physical stock.

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	3	→	38% Sales growth; 60% Inventory is "Rights"	Strong luxury demand in Gurugram offset by high geographical and asset-type concentration.
Financial health	4	↑	D/E 0.12x; Interest Coverage 45x	Significant deleveraging and debt cost reduction have strengthened the balance sheet.
Earnings quality	2	↓	CFO/PAT 0.23; Unbilled Rev 59% of Sales	High reliance on POCM estimates and unbilled revenue suggests profits are far ahead of cash.
Management & governance	2	↓	₹50 Cr Struck-off receivable; ₹49 Cr RPT loans	Significant red flags regarding related party cash diversion and refusal to impair bad assets.
Capital allocation & earnings visibility	3	→	₹657 Cr Commitments; 6 MW/307 MW DC	Ambitious DC pivot offers visibility but requires massive capital and carries high execution risk.

Business positives (for this company this year) * **Strong Revenue Growth:** Sales increased by 38.88% to ₹2,060 Cr, driven by high velocity in the luxury Gurugram market. * **Significant Deleveraging:** Total debt reduced by 25.54% to ₹482 Cr, with the Gearing Ratio improving to 10.64%. * **Interest Cost Optimization:** Finance costs dropped from ₹35 Cr to ₹11 Cr due to debt repayment and conversion to lower-cost FCNRB loans. * **Positive FCF:** Generated ₹20 Cr in Free Cash Flow, a reversal from negative ₹55 Cr in the prior year. * **Strategic DC Pivot:** Secured partnerships with global (Orange Business) and sovereign-linked (RailTel) entities for the Data Centre business.

Business negatives / concerns (for this company this year) * **Poor Cash Conversion:** CFO (₹97 Cr) is only 23% of PAT (₹426 Cr), with ₹330 Cr trapped in working capital. * **High Unbilled Revenue:** ₹1,220.53 Cr (59% of Sales) is recognized as revenue but not yet billed, posing a risk to future cash flows. * **Governance Red Flag:** Refusal to impair a ₹50 Cr receivable from "Vibrant Softech," a company that has been struck off. * **Related Party Leakage:** Loans to associates and KMP relatives surged by ₹49 Cr, representing 50% of the year's CFO. * **Subsidiary Stress:** A key subsidiary (Grandstar Realty) is currently under Corporate Insolvency Resolution Process (CIRP). * **Liquidity Gap:** Capital commitments of ₹657.33 Cr far exceed current cash equivalents of ₹346 Cr.

Overall scorecard summary Anant Raj Ltd presents a dichotomy of strong operational growth and deleveraging against deteriorating governance and earnings quality. While the balance sheet looks healthier on a D/E basis, the quality of assets is marred by unbilled revenue and intra-group "Development Rights." Governance is the primary concern, characterized by significant cash diversion to related parties and a refusal to clean up receivables from non-existent entities. The business is on a **stable but high-risk trajectory**, where the success of the Data Centre pivot is contingent on massive equity dilution (QIP) and the resolution of subsidiary-level legal stress.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of EBITDA?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Total: 10/10 — Governance Rating: 2 (Note: Rating is 2 despite 10/10 marks due to the severity of the struck-off entity receivable and RPT loan surge which are not captured by the binary matrix).

Part c: investor verdict

Thesis: ARL is a high-growth Gurugram developer pivoting to a capital-intensive Data Centre model, funded by residential cash flows and equity dilution, but hampered by promoter-centric governance. **Overall stance:** Watch **Rationale:** Strong operational tailwinds in luxury housing are offset by poor cash conversion and significant related-party forensic red flags. **Re-evaluate when:** CFO/PAT ratio exceeds 0.60x OR the □50 Cr struck-off entity receivable is fully impaired/resolved. **BULL CASE:** Successful 307 MW DC rollout with high-margin managed services leads to a massive re-rating of the annuity portfolio. **BEAR CASE:** A slowdown in Gurugram luxury demand combined with Grandstar legal contagion stalls the DC pivot and forces massive dilution. **Key monitorable:** Unbilled Revenue as % of Sales: 59% → Watch for a threshold of >65%.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status	Summary b status	Forensic takeaway
Capital Allocation	Focused on deleveraging via a ₹500 Cr QIP to exit high-cost NCDs.	Shifted toward funding a 307 MW DC pivot while increasing loans to associates/relatives by ₹49 Cr.	The company is transitioning from debt reduction to aggressive capital deployment, but significant cash is now being diverted to related parties.
Margin Trajectory	OPM expanded to 23% driven by luxury residential mix.	OPM reached 24% despite a 53% spike in commission and brokerage expenses.	Profitability remains high, but the rising cost of customer acquisition suggests increasing competition or effort required to sustain sales velocity.
Working Capital Anomalies	Unbilled revenue stood at ₹887 Cr (60% of sales); Inventory was physical-heavy.	Unbilled revenue ballooned to ₹1,220 Cr; 61% of inventory is now "Development Rights."	The balance sheet is becoming increasingly "paper-heavy," with liquidity tied up in accruals and intangible rights rather than physical stock.
Management Tone	Visionary and focused on institutionalization post-QIP.	Aggressive and promoter-centric, proposing a 100%+ hike in KMP remuneration.	The shift in tone suggests that following successful deleveraging, the promoters are moving to significantly increase their personal extraction from the business.

7.2 Persistent patterns

- **The ₹50.00 Cr receivable from the "Struck-off" entity Vibrant Softech remains on the books without impairment, representing a continuous overstatement of asset quality.**
- **A massive disconnect between accounting profits and cash flow persists, with the CFO/PAT ratio remaining significantly below 0.5x in both periods.**
- **Revenue recognition remains heavily reliant on the Percentage of Completion Method (POCM), keeping unbilled revenue at a structural level of ~60% of annual sales.**
- **The Corporate Insolvency Resolution Process (CIRP) of subsidiary Grandstar Realty remains an unresolved "contagion" risk within the complex 33-subsidiary structure.**
- **Other Income continues to be propped up by interest from related parties, indicating that the company acts as a financier to its own ecosystem.**
- **The business remains geographically concentrated in the Gurugram micro-market, making the entire investment thesis sensitive to local regulatory or infrastructure shifts.**
- **Capital commitments continue to far outstrip available cash equivalents, ensuring a perpetual reliance on external equity or debt markets for project execution.**