Anant Raj Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures   Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	**ARL is pivoting from a Gurugram-centric luxury developer (91% market share) to a high-growth infrastructure player with 28 MW of operational Data Center capacity.**	□Positive
2	**Reported revenue grew 21.9% to □2,512 Cr, yet 73% of this (□1,836 Cr) remains trapped in unbilled accruals, indicating aggressive revenue recognition.**	□Negative
3	***Operating margins of 26% are artificially inflated by the capitalization of 71% of finance costs, masking the true interest burden on the P&L.***	□Negative
4	***Earnings quality is severely compromised as PAT of 557 Cr failed to translate into cash, resulting in a CFO/PAT ratio of -0.78x.***	□Negative
5	**The balance sheet is temporarily fortified by a □1,100 Cr QIP, providing a □750 Cr unutilized liquidity buffer to fund the ambitious DC expansion.**	□Positive
6	***Core operations are burning cash at an accelerating rate, with Cash Flow from Operations (CFO) collapsing to negative 435 Cr.***	□Negative
7	**Aggressive capital expenditure of □358 Cr was deployed to increase DC capacity by 366% YoY, though this investment has yet to yield operational cash.**	□Neutral
8	***Forensic risks are highlighted by the persistent refusal to impair a 50 Cr receivable from a struck-off entity, signaling poor asset quality.***	□Negative
9	***Governance is weakened by high family concentration, proposed hikes for KMPs despite negative CFO, and the fact that 28% of group assets are unaudited by the statutory auditor.***	□Negative
10	***Related Party Transaction (RPT) dependency is rising, with 54% of Other Income derived from RPT interest and a surge in unsecured RPT loans to 239 Cr.***	□Negative
11	The outlook depends entirely on the successful conversion of unbilled revenue into cash and reaching the 100 MW DC capacity target by FY28.	□Neutral
12	Stance: WATCH; monitor the CFO/PAT ratio (threshold >0.5x) and the potential impairment of legacy receivables to validate earnings sustainability.	□Neutral

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1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments:** Anant Raj Ltd (ARL) is undergoing a strategic pivot from a pure-play Gurugram real estate developer to a digital infrastructure provider, focusing on Data Centers (DC) and luxury residential projects.
- **Revenue Drivers:** Primary revenue is driven by residential sales in Gurugram and the nascent scale-up of Data Center colocation and cloud services.

- **Cost Drivers:** Major costs include construction and development expenses, land acquisition, and a significant increase in employee overhead (up 59.6%) to support the DC pivot.
- **Industry Position:** ARL is a dominant micro-market player in Sector 63A, Gurugram, and is positioning itself as a sovereign cloud provider through its "Ashok Cloud" ecosystem.
- **Expansion Plans:** The company aims for a 357 MW DC capacity by 2032. Current expansion includes an MoU for a 50 MW facility in Amravati, Andhra Pradesh, to diversify geographic risk.
- **Capacity Additions:** Operational DC capacity increased 366% YoY, moving from 6 MW in FY25 to 28 MW in FY26 (21 MW in Manesar and 7 MW in Panchkula).
- **Segment Performance:** The residential engine continues to fund the DC pivot, riding a tailwind where 91% of Gurugram sales are in the luxury segment.
- **Geographical Presence:** Heavily concentrated in Haryana (Manesar, Rai, Panchkula, and Gurugram), with initial expansion steps into Andhra Pradesh.

2. MANAGEMENT COMMENTARY & OUTLOOK

- **Strategy Pivot:** Management is aggressively executing the "Soil to Server" strategy, transitioning from renting space (Colocation) to providing computing power (IaaS/PaaS) via the MeitY-empanelled "Ashok Cloud" in partnership with Orange Business Services.
- **Growth Guidance:** The company has set a long-term target of 357 MW of Data Center capacity by 2032, though current operational capacity (28 MW) represents only 7.8% of this goal.
- **Demand Environment:** Management highlights a massive tailwind in Gurugram luxury real estate, with Sector 63A remaining a core focus area due to high transaction volumes in the >₹1 Cr segment.
- **New Projects & Launches:** Key focus remains on "The Estate Residences" and "Ashok Estate," which are in advanced stages of development.
- **Partnerships & JVs:** The partnership with Orange Business Services is central to moving up the value chain in the digital infrastructure segment.
- **Capital Strategy:** Following the ₹1,100 Cr QIP, management is focused on deleveraging, evidenced by the redemption of ₹22 Cr in NCDs, and maintaining a massive liquidity buffer for future DC deployment.
- **Governance & Succession:** The induction of 5th-generation family member Anish Sarin as Whole-time Director signals a commitment to long-term family leadership and continuity.
- **Management Tone:** The management exhibits high execution confidence regarding physical infrastructure and fundraising, as evidenced by the rapid 28 MW DC rollout and successful QIP. However, there is a persistent lack of transparency regarding legacy accounting issues (e.g., the ₹50 Cr struck-off receivable) and a clear preference for family-centric control and aggressive remuneration hikes. The tone is one of aggressive expansion shielded by a significant equity-driven capital cushion, yet it remains defensive regarding institutional governance standards.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Sales -	2,512.00	2,060.00
Sales Growth %	21.92	38.88
Expenses -	1,856.00	1,568.00
Material Cost % -	70.00	0.00
Raw material cost	1,755.00	0.00
Manufacturing Cost %	0.00	72.00
Employee Cost %	1.00	1.00
Other Cost %	3.00	3.00
Operating Profit	656.00	492.00
OPM %	26.00	24.00
Other Income -	67.00	40.00
Exceptional items	0.00	0.00
Other income normal	67.00	40.00
Interest	12.00	11.00
Depreciation	49.00	30.00
Profit before tax	662.00	491.00
Tax %	16.00	14.00
Net Profit -	557.00	426.00
Profit from Associates	3.00	5.00
Minority share	-2.00	-1.00
Exceptional items AT	0.00	0.00
Profit excl Excep	557.00	426.00
Profit for PE	555.00	426.00
Profit for EPS	555.00	426.00
Profit Growth %	30.00	63.00
EPS in Rs	15.42	12.40
Dividend Payout %	6.00	6.00

Balance Sheet (□Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	72.00	69.00
Reserves	5,717.00	4,092.00
Borrowings -	681.00	482.00
Long term Borrowings	521.00	389.00
Short term Borrowings	85.00	77.00
Lease Liabilities	74.00	15.00
Other Borrowings	0.00	0.00
Other Liabilities -	399.00	592.00
Non controlling int	30.00	28.00
Trade Payables	46.00	20.00
Advance from Customers	0.00	266.00
Other liability items	324.00	278.00
Total Liabilities	6,869.00	5,235.00
Fixed Assets -	1,793.00	1,367.00
Land	0.00	24.21
Building	0.00	27.85
Plant Machinery	0.00	77.15
Equipments	0.00	21.41
Furniture n fittings	0.00	11.05
Vehicles	0.00	25.57
Intangible Assets	0.00	0.00
Other fixed assets	0.00	1,448.48
Gross Block	0.00	1,635.72
Accumulated Depreciation	0.00	268.40
CWIP	39.00	36.00
Investments	183.00	311.00
Other Assets -	4,853.00	3,520.00
Inventories	1,058.00	1,151.00
Trade receivables	179.00	126.00
Cash Equivalents	911.00	346.00
Loans n Advances	778.00	9.00
Other asset items	1,927.00	1,888.00
Total Assets	6,869.00	5,235.00

Cash Flow Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	-435.00	97.00
Profit from operations	671.00	496.00
Receivables	-123.00	-26.00
Inventory	94.00	265.00
Payables	25.00	1.00
Loans Advances	0.00	-75.00
Operating borrowings	0.00	-82.00
Other WC items	-994.00	-412.00
Working capital changes	-998.00	-330.00
Direct taxes	-108.00	-69.00
Other operating items	0.00	0.00
Cash from Investing Activity -	-231.00	-72.00
Fixed assets purchased	-358.00	-62.00
Fixed assets sold	0.00	0.00
Capital WIP	-3.00	-15.00
Investments purchased	0.00	-31.00
Investments sold	127.00	0.00
Interest received	63.00	35.00
Dividends received	0.00	0.00
Invest in subsidiaries	-116.00	0.00
Other investing items	56.00	0.00
Cash from Financing Activity -	1,235.00	1.00
Proceeds from shares	1,100.00	100.00
Proceeds from debentures	0.00	0.00
Redemption of debentures	0.00	0.00
Proceeds from borrowings	191.00	14.00
Repayment of borrowings	0.00	-78.00
Interest paid fin	-11.00	-10.00
Dividends paid	-25.00	-25.00
Other financing items	-20.00	0.00
Net Cash Flow	569.00	25.00
Free Cash Flow	-796.00	20.00
CFO/OP	-50.00	34.00

Key Ratios (□Crores)

Line Item	Mar 2026	Mar 2025
Debtor Days	26.00	22.00
Inventory Days	220.00	0.00
Days Payable	9.00	0.00
Cash Conversion Cycle	236.00	22.00
Working Capital Days	346.00	323.00
ROCE %	12.00	11.00

3.2 Financial Analysis Summary

- **Revenue** grew by **21.92%** to **□2,512.00 Cr**, yet the quality of this growth is under pressure as **73%** of the total, or **□1,836.37 Cr**, sits as **Unbilled Revenue**, which directly caused the massive divergence between the **□557.00 Cr Net Profit** and the negative **CFO** of **-□435.00 Cr**.
- **Operating Profit** margins improved to **26.00%**, but this expansion was significantly aided by the capitalization of **□30.52 Cr** in **Finance Cost**, which represents **71.2%** of total interest costs, effectively deferring expenses from the **Income Statement** to **Inventory** on the **Balance Sheet**.
- **Trade Receivables** on the **Balance Sheet** reached **□179.00 Cr**, but total receivables including non-current portions surged **82.62%** to **□270.97 Cr**, far outstripping **Revenue** growth and contributing to a **□998.00 Cr Working Capital** drain that necessitated external funding.
- **Total Debt** increased to **□681.00 Cr**, characterized by a strategic shift toward **Unsecured Related Party Loans** which jumped to **□239.31 Cr**, while the company utilized a **□1,099.99 Cr QIP** to maintain **Cash Equivalents** of **□911.00 Cr** despite a negative **FCF** of **-□796.00 Cr**.
- **Fixed Assets** expanded to **□1,793.00 Cr** driven by **□358.00 Cr** in **Capex** and a 5x increase in **Lease Liabilities** to **□74.31 Cr**, though the audit report highlights a transparency risk as **28%** of **Total Assets** across 43 subsidiaries were not audited by the statutory auditors.
- **Other Income** rose to **□67.00 Cr**, but **54%** of this (**□36.75 Cr**) is derived from interest on loans to related parties, which, coupled with a sharp decline in **Advance from Customers** to **□131.77 Cr**, indicates that **Net Profit** is increasingly reliant on non-operational financial engineering.
- **Inventory** levels stand at **□1,058.00 Cr**, but the composition includes **□531.83 Cr** in "Development Rights" which are internal payments to subsidiaries, posing a risk to **Asset Turnover** and **ROCE** (**12.00%**) if project execution timelines for these rights are delayed.
- **Employee Cost** rose **59.6%** to **□35.64 Cr** to support the scale-up of Data Center and residential projects, yet this increased overhead is not yet reflected in **CFO** as the business remains in a heavy reinvestment phase with a **Working Capital** cycle of **346 days**.
- **Other Assets** are dominated by **Unbilled Revenue** (□1,836.37 Cr) and **Capital Advances** (□196.64 Cr); the **50% YoY** increase in unbilled revenue suggests that while construction is progressing, billing milestones are significantly back-ended, creating a "paper profit" bubble.
- **Other Expenses** include a large "Others" bucket of **□14.87 Cr** (22% of total other expenses), which lacks granular breakup and reduces transparency into operational leakages.
- The dominant financial theme of the year is a **liquidity-driven expansion** where massive equity dilution (QIP) and related-party debt are being used to mask a total collapse in operating cash flow and fund an aggressive, capital-intensive pivot into Data Centers.

3.3 Contingent Liabilities & Commitments

- **Income Tax Disputes:** Disputed demands surged by 168% to **₹74.61 Cr** (under appeal).
- **Claims:** Claims not acknowledged as debt stand at **₹9.18 Cr**.
- **Guarantees:** Bank guarantees (primarily to DTCP) total **₹40.27 Cr**.
- **Capital Commitments:** The company has **₹570.91 Cr** in unexecuted capital contracts, representing a significant future cash outflow requirement.
- **Legal Risk:** Ongoing Corporate Insolvency Resolution Process (CIRP) against the subsidiary, Grandstar Realty Private Limited, poses potential asset write-down and contagion risks.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↑ — earnings overstate cash; □613 Cr unbilled revenue build prevents CFO conversion.	□	PAT □557 Cr vs CFO -□435 Cr; □998 Cr working capital outflow.	CFO vs PAT Divergence; Unbilled revenue build-up (Note 8).
2	Receivables & channel-stuffing signal	Revenue ↑ — aggressive booking risk; receivables growth of 82.6% outpaces 21.9% sales growth.	□	Receivables □270.97 Cr (FY26) vs □148.38 Cr (FY25); Sales growth 21.9%.	Note 7; Receivables growth vs Revenue analysis.
3	Revenue timing (unbilled/ advances)	Revenue ↑ — paper profits; unbilled revenue at 73% of sales suggests aggressive POCM recognition.	□	Unbilled revenue □1,836.37 Cr; Total Revenue □2,511.60 Cr.	Note 2.12 (POCM) and Note 8 (Contract Assets).
4	Revenue from related parties %	Profit ↑ — non-core earnings; 54% of other income derived from related party interest.	□	□36.75 Cr interest from RP; Total Other Income □67.48 Cr.	Note 22; Interest Income Dependency.
5	Inventory vs revenue growth	Neutral — inventory liquidation; 8% stock reduction supports revenue growth as projects reach milestones.	□	Inventory □1,057.59 Cr vs □1,151.26 Cr; Sales □2,512 Cr.	Note 32; Inventory Composition.
6	Inventory valuation method change	Neutral — consistent valuation; inventory valued at lower of cost or net market value.	□	Note 2.11 confirms "lower of cost or net market value" policy.	Note 2.11; Inventory Valuation policy.
7	Exceptional items in operating profit	Neutral — clean operating profit; no exceptional items reported in the current fiscal year.	□	Exceptional items □0.00 in P&L.	P&L Statement; Exceptional items note.
8	Depreciation rate vs useful life policy	Profit ↓ — conservative accounting; WDV method front-loads depreciation, reducing current year reported PAT.	□	Depreciation increased to □49 Cr from □30 Cr; WDV method used.	Note 2.8; Depreciation Method analysis.
9	Provision reversals boosting PAT	Neutral — no major reversals; PAT growth driven by operations rather than provision write-backs.	□	No provision reversal income highlighted in Other Income (Note 22).	Note 22; Other Income breakdown.
10	Tax rate consistency	Neutral — tax consistency; cash tax of □108 Cr aligns with 16% P&L tax rate.	□	P&L Tax 16%; Direct taxes paid □108 Cr on □662 Cr PBT.	Cash Flow Statement; P&L Tax line.
11	CWIP age and stalling projects	Neutral — minimal stalling; CWIP remains low at □39 Cr, suggesting active project capitalization.	□	CWIP □39 Cr (FY26) vs □36 Cr (FY25).	Balance Sheet; CWIP line.
12	Deferred tax asset recognition	Profit ↑ — unrecognized liability risk; □74.61 Cr tax dispute not provided for in P&L.	□	Disputed income tax demands □74.61 Cr (Note 28).	Note 28; Contingent Liabilities (Tax Risk).
13	RPT quantum and trend	Neutral — funding pivot; shift to □239 Cr related party loans replaces bank debt.	□	RP Loans □239.31 Cr vs □11.97 Cr; Interest income □36.75 Cr.	Note 14 and Note 22; Related Party Transactions.
14	Dividend paid vs FCF adequacy	Profit ↓ — unsustainable payout; dividends paid despite negative □796 Cr free cash flow.	□	Dividends paid □25 Cr; Free Cash Flow -□796 Cr.	Cash Flow Statement; FCF calculation.
15	Audit Blind Spot		□		

#	Check	Impact	Status	Evidence	Notes Detail
		Neutral — transparency risk; 28% of Group assets audited by other auditors or management-certified.		43 subsidiaries (Assets: □656.18 Cr) not audited by statutory auditor.	Auditor's Report (p.257).
16	Struck-off Receivable	Profit ↑ — asset overstatement; refusal to impair □50 Cr receivable from non-existent entity (Vibrant Softech).	□	□50 Cr receivable carried for 3rd year despite counterparty being struck-off.	Worker 1A Analysis / Legacy Pattern.
17	Audit Trail Compliance	Neutral — technical non-compliance; edit log facility not fully operational for certain subsidiaries.	□	Technical non-compliance with Rule 11(g).	Auditor's Report (p.259).

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters * **Audit Opinion:** Unqualified Opinion. * **Key Audit Matters (KAMs):** * **Revenue Recognition (POCM):** Auditor flagged the use of Percentage of Completion Method due to high management judgment in estimating "total project costs" and "cost to complete." * **Inventory Valuation:** Valuation of □1,057.59 Cr inventory depends on management's subjective assessment of Net Realizable Value (NRV). * **Emphasis of Matter:** Ongoing CIRP against subsidiary Grandstar Realty Private Limited. * **Other Matter:** Statutory auditors did not audit 43 subsidiaries (Assets: □656.18 Cr) and 3 subsidiaries/1 JV (Assets: □1,264.58 Cr), relying on other auditors or management-certified accounts. This covers ~28% of Group assets. * **Audit Trail:** Technical non-compliance with Rule 11(g); edit log facility was not fully operational for certain subsidiaries.

B. Related Party Transactions | Party | Relationship | Nature | Amount (□Cr) | Concern | |:---|:---|:---|:---|:---| | ***Related Parties*** | Promoter Group | Loans Received (NC) | 222.84 Cr | ***Dependency Risk*** | | ***Related Parties*** | Promoter Group | Interest Income | 36.75 Cr | ***Earnings Quality*** | | **Related Parties** | Promoter Group | Advances Recoverable | 16.45 Cr | **Asset Quality** | | **Associates** | Associates | Loans Granted | 0.00 Cr | **Repayment** |

- **Interest Dependency:** Related party interest income (□36.75 Cr) accounts for 54.46% of total Other Income.
- **Funding Pivot:** Non-current loans from related parties surged from □3.42 Cr to □222.84 Cr, indicating high reliance on internal promoter funding.

C. Shareholding * **Promoter:** 60.12% (as of Mar 2025). * **FIIs:** 12.00%; **DIIs:** 4.00%; **Public:** 23.88%. * **Promoter Pledge:** No pledge reported in FY26. * **Dilution:** Issued 1.66 Cr new shares via QIP, increasing total shares to 35.98 Cr.

D. Board Composition + KMP Compensation * **Total Directors:** 7 | **Independent %:** 57.14% | **Women Directors:** 1. * **Family Concentration:** Top four executive positions (Amit, Aman, Ashim, Anish Sarin) are held by the same family. * **Compensation Table (EBITDA = □656 Cr):** * **Amit Sarin (MD):** □1.47 Cr (+25.64% YoY) | 0.22% of EBITDA. * **Aman Sarin (CEO):** □1.46 Cr (+26.96% YoY) | 0.22% of EBITDA. * **Ashim Sarin (COO):** □1.46 Cr (+26.96% YoY) | 0.22% of EBITDA. * **Anish Sarin (WTD):** □0.90 Cr (New induction). * **Analysis:** Proposed additional □0.35 Cr annual commission for each Sarin family director starting FY27, despite negative operating cash flows.

F. Capital Allocation & Capex | Action | FY Current (□Cr) | FY Prior (□Cr) | Signal | |:---|:---|:---|:---| | **Dividends** | 35.98 Cr | 25.00 Cr | **Positive** | | ***Capex (Fixed Assets)*** | 358.00 Cr | 62.00 Cr | ***Aggressive*** | | ***Net Debt Change*** | 199.00 Cr | -145.00 Cr | ***Re-leveraging*** | | ***Working Capital Investment*** | 998.00 Cr | 330.00 Cr | ***Cash Trap*** | | **Equity Issuance (QIP)** | 1,100.00 Cr | 100.00 Cr | **Liquidity** |

- **CFO Coverage:** CFO (negative □435 Cr) provides **zero coverage** for the **□358 Cr capex**.

- **Deployment Efficiency:** The **477% jump in capex** indicates massive front-loading for the DC pivot, currently funded by equity dilution and related-party loans.

H. Risks * **Revenue-Cash Divergence (High):** Unbilled Revenue at 73% of Sales; risk of profit reversal if cost estimates rise. * **Subsidiary Insolvency (High):** CIRP against Grandstar Realty; potential asset write-downs. * **Tax Litigation (Med):** 168% YoY increase in disputed tax demands to □74.61 Cr. * **Audit Blind Spot (High):** 28% of assets not audited by statutory auditor; risk of undetected misstatements. * **Struck-off Receivable (High):** Persistent refusal to impair □50 Cr from Vibrant Softech (legally non-existent).

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	3	→	28 MW DC operational; 91% luxury market share	Strong niche position in Gurugram luxury but high geographic and execution risk in DC pivot.
Financial Health	2	↓	CFO -□435 Cr; Unbilled Rev 73% of Sales	Liquidity is entirely dependent on QIP proceeds rather than operational cash generation.
Earnings Quality	1	↓	CFO < PAT; □50 Cr struck-off receivable; 54% Other Inc from RPT	Aggressive revenue recognition (POCM) and refusal to impair dead assets signal poor quality.
Management & Governance	2	↓	4 Sarins on Board; 28% assets unaudited; RPT debt surge	High family concentration and opaque subsidiary auditing outweigh independent board majority.
Capital Allocation & Earnings Visibility	2	↓	Capex □358 Cr vs CFO -□435 Cr; □750 Cr unutilized QIP	Aggressive capex is not yet translating to cash flow; visibility clouded by unbilled accruals.

BUSINESS POSITIVES (for this company this year) * □**DC Execution Velocity:** Operational capacity increased by **366%** to **28 MW** in a single year. * □**Liquidity Buffer:** Successful **□1,100 Cr QIP** provides a massive cushion, with **□750 Cr** still available for deployment. * □**Deleveraging:** Redemption of **□22 Cr** in NCDs, reducing high-cost structured debt. * □**Market Tailwinds:** Benefiting from Gurugram luxury demand where **91%** of sales are in the >□1 Cr segment.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Cash Flow Collapse: CFO (negative □435 Cr)** vs **PAT (□557 Cr)** indicates massive "paper profits." * □**Revenue Quality: Unbilled Revenue** stands at **□1,836.37 Cr**, representing **73%** of total revenue. * □**Forensic Red Flag:** Persistent refusal to impair **□50 Cr** receivable from a **struck-off entity** (Vibrant Softech). * □**Governance Risk: 28% of Group assets** are not audited by the statutory auditor, creating a significant blind spot. * □**RPT Dependency: 54% of Other Income** is derived from related party interest; **□239 Cr** shift to unsecured RPT loans.

OVERALL SCORECARD SUMMARY Anant Raj Ltd is currently a tale of two companies: a high-growth infrastructure play with a massive equity-funded war chest, and a legacy real estate firm with deteriorating earnings quality. While the balance sheet is temporarily strong due to the □1,100 Cr QIP, the core business is burning cash at an accelerating rate, with 73% of revenue trapped in unbilled accruals. Governance remains weak due to high family concentration, opaque subsidiary auditing, and a refusal to clean up legacy accounting skeletons. The company is on a **stable but high-risk trajectory**, where the success of the DC pivot is the only factor preventing a valuation collapse.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion issued.
2	Promoter pledge = 0?	□	No pledge reported in FY26.
3	KMP pay < 5% of PAT?	□	Total KMP rem ~□5.3 Cr is < 1% of PAT.
4	RPT quantum < 5% of revenue?	□	RPT interest income is 1.46% of revenue.
5	Board > 50% independent?	□	57.14% (4 out of 7) are independent.
6	At least 1 woman director?	□	Mrs. Kulpreet Sond.
7	No statutory dues outstanding?	□	None reported as outstanding.
8	No fraud reported?	□	No fraud reported by auditors.
9	Audit trail enabled?	□	Technical non-compliance in certain subsidiaries.
10	Frequent Auditor change	□	No frequent changes noted.
Final line: "Total: 9/10 □— Governance Rating: 2" (Rating adjusted for forensic/RPT/Audit blind spot concerns)			

Part C: Investor Verdict

THESIS: ARL is a high-risk, high-reward bet on the Indian Data Center story, currently shielded by a massive QIP cash pile but plagued by aggressive accounting and family-centric governance.

OVERALL STANCE: WATCH

RATIONALE: The divergence between PAT and CFO, combined with the 73% unbilled revenue, makes the current earnings unsustainable without continuous external funding. RE-EVALUATE WHEN: Unbilled Revenue drops below 40% of Sales OR the □50 Cr Vibrant Softech receivable is impaired. BULL CASE: Rapid utilization of the □750 Cr QIP cash to reach 100 MW operational DC capacity by FY28, driving a re-rating to an infra-multiple. BEAR CASE: A regulatory crackdown in Gurugram or a failure to convert unbilled revenue leads to a liquidity crunch once QIP cash is exhausted. KEY MONITORABLE: CFO/PAT Ratio: Current -0.78x → Watch Threshold > 0.5x.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Capital Allocation	Focused on deleveraging via QIP to exit high-cost NCDs and reducing debt by 25%.	Aggressive pivot to Data Centers (28 MW) funded by a larger ₹1,100 Cr QIP and a surge in RPT loans.	The company has transitioned from a debt-reduction phase to an aggressive, equity-funded infrastructure build-out while increasing its reliance on promoter-group funding.
Margin Trajectory	OPM at 23-24% driven by luxury residential sales velocity.	OPM expanded to 26% but aided by the capitalization of 71% of total finance costs.	Reported margin expansion is partially artificial, as a significant portion of interest expense is being deferred to the balance sheet rather than hitting the P&L.
Working Capital	Unbilled revenue at ₹1,220 Cr (59% of sales); CFO/PAT at 0.23x.	Unbilled revenue ballooned to ₹1,836 Cr (73% of sales); CFO turned negative (₹-435 Cr).	The business model has become increasingly "cash-less," with nearly three-quarters of revenue recognized as unbilled accruals rather than realized invoices.
Management Tone	Focused on institutionalization and professionalization post-initial QIP.	Shifted toward family-centric control with new family inductions and proposed 100%+ remuneration hikes.	Following successful fundraising, management has pivoted back toward a promoter-centric governance style, prioritizing family compensation despite a collapse in operating cash flow.

7.2 Persistent Patterns

- **The ₹50.00 Cr receivable from the "Struck-off" entity Vibrant Softech remains on the books without impairment**, representing a multi-year refusal to recognize a clear asset loss.
- **A chronic disconnect between accounting profits and cash flow persists**, with the company consistently failing to convert its high reported PAT into meaningful operating cash.
- **Revenue recognition remains structurally reliant on the Percentage of Completion Method (POCM)**, ensuring that "Unbilled Revenue" remains the largest and most opaque asset on the balance sheet.
- **The Corporate Insolvency Resolution Process (CIRP) of subsidiary Grandstar Realty remains an unresolved "contagion" risk** that auditors continue to highlight via Emphasis of Matter.
- **Other Income is consistently propped up by interest from related parties**, indicating that the company's reported earnings are subsidized by its role as a financier to its own ecosystem.
- **Geographic concentration in the Gurugram micro-market remains absolute**, making the entire investment thesis a singular bet on one specific regulatory and infrastructure zone.
- **Capital commitments continue to far outstrip internal cash generation**, mandating a cycle of perpetual equity dilution (QIPs) to fund the capital-intensive Data Center pivot.
- **Audit transparency remains a concern**, with a significant portion of group assets (28% in the current year) consistently audited by firms other than the primary statutory auditor.

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