

Anant Raj Ltd — Apr 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Strong Beat **One-line:** Anant Raj has successfully de-risked its balance sheet via a ₹500 Cr QIP and robust residential collections, creating a self-funding engine for its ambitious 300 MW Data Center pivot.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	PAT grew 75% YoY; Net Debt reduced by ₹698 Cr in 12 months.	☐
Earnings Quality	High (Core driven)	Growth driven by high-margin residential launches (The Estate Residences) and debt cost reduction.	☐
Guidance Confidence	Strong	Reiteration of "Net Debt Free" by Dec 2024; DC timeline (28 MW by Dec) on track.	☐
Management Credibility	Strong	Delivered on debt reduction targets and achieved Tier III certification as promised.	☐
Business Quality Signal	Improving	Transitioning from lumpy Resi sales to long-term annuity (DC) income.	☐
Key Q&A Exchange	Q1 - Cloud/Server Economics	Pilot 0.5 MW Cloud service offers 4x-5x revenue vs co-location.	☐
The Street's Primary Anxiety	Funding the DC Capex	Mgmt confirmed internal accruals + LRD will cover the ₹8,000-10,000 Cr requirement.	☐
Capital Cycle Stage	Investment / Harvesting (Dual Phase)	Harvesting Resi super-cycle in 63A to invest in DC infrastructure.	☐
Margin / Return Ratio Trajectory	Improving	Borrowing costs dropped below 10%; DC EBITDA margins projected at ~80%.	☐
Pricing Power	Expanding	Residential ASP in 63A increased by 60% since July 2022 launch.	☐
FCF Conversion & Quality	Strong	₹1,260 Cr cash inflow in FY24 supports rapid debt retirement.	☐
Competitive Moat Signals	Widening	₹26 Cr/MW brownfield DC cost vs industry avg of ₹55-60 Cr/MW.	☐
Balance Sheet Strength	Strong	Net Debt at ₹290 Cr; Land bank of 100+ acres fully paid.	☐
Working Capital Efficiency	Improving	High velocity of sales in new launches (Estate Residences fully sold out).	☐
Mgmt Guidance Track Record	Reliable	Consistent delivery on construction timelines at Manesar.	☐
Key Vulnerability / Red Flag	Execution Risk	Transitioning from shell-and-core to server-level (Cloud) expertise.	☐
Management Tone	Bullish and transparent	Emphasized "best profit in 15 years" and "rental income DNA."	☐

Key Takeaways (Positives & Negatives): * **Positives:** The company is firing on all cylinders; Residential presales are funding the Data Center (DC) capex, while the DC vertical is moving into high-value "Cloud/Server"

services. The brownfield advantage (using existing shells) allows for a 3-year payback on DC investments, a metric virtually unheard of in greenfield infrastructure. Debt reduction has been surgical, falling from ~₹1,000 Cr to under ₹300 Cr. * **Negatives:** The "Cloud Services" pilot introduces technical complexity and server capex that the company has not historically managed. While the TCIL partnership mitigates this, execution at scale (300 MW) remains a long-term challenge. * **Street Concern:** Analysts pressed on the funding of the massive 300 MW goal. Management's response was definitive: Resi cash flows from the 9 msf potential in Sector 63A plus Lease Rental Discounting (LRD) on DC assets provide a clear path without equity dilution. * **Forward Watchpoint:** The operationalization of the additional 25 MW by December 2024 and the revenue ramp-up from the 0.5 MW Cloud pilot.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures primary; Concall used for commentary and reconciliation.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Presales (₹Cr)	1,810*	↑	↑	↑	Driven by "The Estate Residences" (1 msf) which was fully sold out in Q4.
Equivalent Area Constructed (msf)	4.80	→	→	→	Total existing shell capacity ready for DC conversion across 3 sites.
Pre-tax Operating Cash Flow (₹Cr)	1,260 (FY)	↑	↑	↑	Represents total collections for the full year; highest in company history.
Realization/sqft (₹)	18,000	↑ 60%	↑	↑	Premium pricing achieved in Sector 63A, Gurugram.
Revenue Potential Locked (₹Cr)	15,000	→	→	→	Based on 9.07 msf remaining potential in Sector 63A alone.
Revenue (₹Cr)	453	↑ 56%	↑	↑	Strong execution in Resi; DC revenue (₹3 Cr) just starting to kick in.
PAT (₹Cr)	84	↑ 67%	↑	↑	Best annual profit in 15 years (₹266 Cr for FY24).
Land Bank (acres)	100+	→	→	→	Fully paid prime land in Delhi NCR for future projects.
Net Debt (₹Cr)	290	↓ 71%	↓	↑	Massive reduction from ₹988 Cr (FY23) via QIP and internal accruals.

*Represented as revenue potential of the single Q4 project launch.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
Residential	~450	High	Healthy	↑	Primary Driver	Estate Residences 1 msf fully sold; 1.45 msf upcoming.
Data Center (Co-lo)	3	New	~80%*	↑	High Margin	3 MW operational; 28 MW targeted by Dec 2024.
Commercial Rentals	~22 (est)	Stable	High	→	Annuity Base	₹90 Cr annual run-rate from existing non-DC assets.

*Management projected EBITDA of ₹75L on ₹90L revenue per MW/month.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Debt / Leverage	Net Debt Free by December 2024.	Requires ₹290 Cr further reduction in 9 months; highly feasible given collections.	Exceeded targets	None
Guidance	DC Capacity	21 MW (Manesar) + 7 MW (Panchkula) by Dec 2024.	Needs handover of 25 MW in 3 quarters; shells are already built.	On track	Power Grid
Guidance	DC Capacity	300 MW total IT load in 4 years.	Needs ~70 MW/year conversion rate.	Early Stage	Execution
Strategy	Cloud Services	0.5 MW Pilot to yield 4x-5x co-location revenue.	High-risk/reward; depends on TCIL partnership success.	New Pivot	Technical Gap
Strategy	Capital Allocation	Self-funding DC via Resi cash flows + LRD.	Needs ₹2,000-2,500 Cr annual inflow; Resi land bank supports this.	Proven in FY24	Resi Slowdown
Macro	Industry Headwinds	Indian data residency laws to drive massive demand.	Regulatory tailwinds are strong; demand > supply in North India.	Macro tailwind	Competition

4. ANALYST Q&A

Q#	Relevance (1-5)	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility (1-5)	Verdict
1	5.0	Bhalchandra Shinde / Kotak Life	Cloud Economics	Financials	How will cloud revenue booking and profitability work compared to co-location?	Management stated cloud revenue can be 4x-5x higher than co-location (₹4-5 Cr/MW/month) by providing servers. This adds a massive revenue multiplier to existing DC infrastructure with a pilot starting in 2-3 months.	Specific opex for large-scale rollout.	4.0	Clear and quantified
2	4.5	Arpit Shah / Stallion Asset	DC Unit Economics	Financials	What is the capex, return profile, and payback for the DC business?	Mgmt confirmed capex of ₹26 Cr/MW with an EBITDA of ₹75L/month, leading to a 3-year payback. This confirms the "brownfield" advantage significantly lowers the risk profile compared to greenfield DC peers.	None	5.0	Specific and verified
3	4.0	Upendra / Stockstar	Competitive Advantage	Business Overview	What is the advantage of Anant Raj vs others setting up DCs?	Management highlighted "timeline" as the biggest advantage, as their buildings are already constructed and unencumbered. This allows them to bypass a 3-year construction cycle, reaching market faster	Exact land cost percentage.	4.0	Directional with evidence

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						than competitors.			
4	4.5	Pavas Pethia / ABSL MF	Cloud Pilot	Strategy	What is the incentive for the client and the capex for the server pilot?	Management explained they will invest in servers (₹30 Cr for 0.5 MW) to earn "cloud money," with TCIL providing technical handholding. This signals a shift toward a "full-stack" digital infrastructure provider rather than just a landlord.	Long-term server refresh cycle cost.	3.5	Vague but consistent
5	4.0	Sitaram Agarwal / Tree Line	DC Funding	Capex & Allocation	How will ₹10,000 Cr capex for 300 MW be funded?	Mgmt plans to monetize the ₹15,000 Cr potential in Sector 63A and use LRD (Lease Rental Discounting) on the long-term DC contracts. This de-risks the project by avoiding dilutive equity raises or high-interest project debt.	None	4.5	Clear funding path
6	3.5	Vignesh Iyer / Sequent Inv.	Timeline	Management Outlook	Will the 28 MW be operational by Q4 FY25?	Mgmt confirmed readiness by December, with revenue starting to kick in by January-February after tenant handover. This provides a clear trigger for earnings re-	None	4.5	Specific timeline

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						rating in Q4 FY25.			

PATTERN FLAGS & SENTIMENT Analysts were primarily focused on the **Economics of the Data Center pivot**, specifically the transition from Co-location to Cloud/Server services. There was palpable curiosity (and slight skepticism) regarding the 4x-5x revenue multiplier for Cloud services. Management countered this by emphasizing the "pilot" nature of the Cloud venture and the technical partnership with TCIL.

Analyst Sentiment Verdict: Highly constructive. The skepticism regarding debt has been resolved by the QIP and the Resi super-cycle. Analysts are now in "execution-watch" mode for the DC segment. The key friction point is whether Anant Raj can manage the technical shift to Cloud/Servers as effectively as they manage real estate.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | |-----|-----|-----|-----|-----| | Cloud Pivot | DC was purely Co-location focus | Now aggressively piloting Cloud/Server services | Shift in strategy toward tech-heavy capex | Medium (Execution/Tech risk) |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
Net Debt	~₹88 Cr (FY23)	₹290 Cr (Q4FY24)	↑ Strong Improvement
DC Certification	Planning	TIA-942 Tier III Certified	↑ Milestone Achieved
DC Strategy	Co-location only	Co-location + Cloud/Server Pilot	↑ Value Addition
Resi Sales	Projecting demand	"The Estate Residences" fully sold out	↑ Demand Validation
Cost of Debt	>12% (est)	Below 10%	↑ Interest Savings
DC Operational Status	Testing	3 MW Ready; Revenue started	↑ Monetization

Thesis Impact: This quarter **accelerates the thesis**. The massive reduction in debt removes the "leverage overhang" that plagued the company for years. The Residential segment is no longer just a business unit; it is a high-octane "ATM" funding a multi-billion dollar shift into the DC annuity space. The valuation floor is now set by the Resi land bank, while the upside is a function of DC execution.

STOP HERE.