Anant Raj Ltd — May 2023 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 transitioned from a legacy land-bank holder to a high-velocity residential developer, now using those cash flows to seed a high-margin Data Center (DC) pivot with significant brownfield cost advantages.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	Revenue crossed □1,000 Cr for the first time; PAT grew ~180% YoY to □151 Cr.	□
Earnings Quality	High (Core driven)	Growth driven by residential sales (Ashok Estate/Birla JV) and 60% price appreciation in Gurgaon.	□
Guidance Confidence	Strong	21 MW DC target by Q4FY24 is backed by ready buildings and □140 Cr already invested.	□
Management Credibility	Strong	Refinanced 20% high-cost debt with 14% Apollo debt; 4th generation now active in execution.	□
Business Quality Signal	Improving	Shift from "leasing only" to "residential sales + DC operator" accelerates capital turnover.	□
Key Q&A Exchange	Q#7 & Q#10 — DC Economics	Mgmt quantified □85-90 L/MW rental vs □25 Cr/MW capex (3.5-4 year payback).	□
The Street's Primary Anxiety	Funding the DC Pivot	Fear of massive debt spike; Mgmt clarified internal accruals + asset discounting will fund it.	□
Capital Cycle Stage	Investment	Re-investing residential cash flows into Data Center infrastructure.	□
Margin / Return Ratio Trajectory	Improving	DC margins (75% EBITDA) will drastically re-rate blended margins as capacity scales.	□
Pricing Power	Expanding	Selling Gurgaon floors at □16,000-18,000/sqft vs □10,500 at launch.	□
FCF Conversion & Quality	Strong	□250 Cr collected from Ashok Estate plots quickly due to low gestation.	□
Competitive Moat Signals	Widening	Ownership of ready buildings for DCs saves 18-24 months vs greenfield competitors.	□
Balance Sheet Strength	Adequate	Refinanced debt with 15-month moratorium; Net Debt reduction remains a KPI.	□
Working Capital Efficiency	Improving	Plot sales (Ashok Estate) have minimal capex and fast collection cycles.	□
Mgmt Guidance Track Record	Reliable	First call; delivered on FY23 revenue milestone.	□
Key Vulnerability / Red Flag	Geographic Concentration	Over 90% of value is tied to Sector 63A, Gurgaon.	□
Management Tone	Confident/Growth-oriented	Aggressive on DC timelines but conservative on debt.	□

Key Takeaways (Positives & Negatives): * **Positives:** Residential realizations in Gurgaon have surged 60% YoY, providing a massive "war chest" for diversification. The Data Center pivot is significantly de-risked because the company is using existing IT park shells (brownfield), reducing capex to ₹25 Cr/MW vs the industry average of ₹40-50 Cr/MW for greenfield. The Apollo debt refinancing at 14% (from 20%) with a 15-month principal moratorium provides immediate cash flow relief. * **Negatives:** Despite high growth, the company remains highly concentrated in the NCR market. While management claims to be "averse to debt," the pivot to 300 MW total DC capacity will eventually require massive capital beyond internal accruals, potentially leading to equity dilution at the subsidiary level. * **Forward Watchpoint:** Monitoring the commissioning of the 21 MW capacity at Manesar by Q4FY24 and the first rental invoice from the 3 MW ready capacity.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (FY23)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Presales (₹Cr)	~₹500 Cr (Ashok Est)	First entry	First entry	↑	Driven by 50% inventory sale at Ashok Estate plots.
Revenue Potential (₹Cr)	₹2,700 Cr	First entry	First entry	↑	Includes ₹1,700 Cr existing inventory + ₹1,000 Cr Ashok Estate.
Revenue (₹Cr)	₹1,004.00	↑ 117% (est)	First entry	↑	Crossed ₹1,000 Cr milestone for the first time.
PAT (₹Cr)	₹151.00	↑ 180%	First entry	↑	Jump from ₹54 Cr in FY22.
Land Bank (acres)	283.42	→	First entry	→	200 acres in Gurgaon + 83.42 acres for warehousing.
D/E Ratio	Not Stated	First entry	First entry	↓	Debt reduced significantly; 14% Apollo refinance active.
Rental Income (₹ Cr)	₹64.00	First entry	First entry	→	₹50 Cr from Comm. assets + ₹14 Cr from Hotels.
DC Ready Capacity	3 MW	First entry	First entry	↑	First phase of Manesar 50 MW potential is operational.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Avg	Key Development
Residential	~₹900+ (Est)	High	~25-30%	↑	Above	Gurgaon prices hit ₹18k/sqft; 70% end-user.
Commercial (Lease)	₹50.00	Stable	High	→	Below	Shifted strategy to convert vacant space to DCs.
Data Centers	Negligible	New	75% (Target)	↑	N/A	21 MW target by FY24-end; PSU tie-ups active.
Hospitality	₹14.00	Stable	Fixed	→	Below	Leased to Belmond/Kohli Group; stable yield.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Data Center	21 MW IT Load by Q4FY24.	~1.5 MW/month commissioning.	First entry	Moderate; supply chain for racks.
Guidance	Residential	Launch 1 Mn sqft Group Housing (Sec 63A).	Launch within 6 months.	First entry	Low; drawings in final stages.
Strategy	Deleveraging	Debt-free status target.	Utilize surplus cash from Ashok Estate.	Delivered Apollo refinance.	Low.
Capex	DC Investment	□25 Cr per MW.	~□450 Cr for 21 MW Phase.	□140 Cr already spent.	High if resi sales slow.
Strategy	Monetization	Monetize □1,700 Cr inventory in 2 years.	□212 Cr/quarter sales.	FY23 showed strong velocity.	Low.

4. ANALYST Q&A

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Mgmt Response & Investment Implication	Evaded	Credibility	Verdict
1	4.0	Amanjit Singh	Macro	Outlook	"What has been the key factor driving up prices [in NCR] and is demand sustainable?"	Mgmt attributed growth to improved infrastructure and 70% end-user demand which makes the 60% price rise sustainable. This validates the high realization trend in the Gurgaon residential segment.	None	4.0	Directional evidence
2	3.5	Amanjit Singh	Financials	Financials	"Ashok Estate revenue potential is ₹1000 Cr; have you received ₹500 Cr yet?"	Mgmt confirmed selling half and collecting ₹250 Cr, noting that plot sales have very short gestation periods. This signals rapid cash conversion from the newest residential launch.	None	5.0	Quantified
3	3.0	Amanjit Singh	Strategy	Business Overview	"Will you develop Group Housing yourself or with a partner?"	Mgmt stated they will develop the upcoming 1 Mn sqft project 100% on their own using a Chennai-based international architect. This implies	None	4.0	Specific timeline

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Mgmt Response & Investment Implication	Evaded	Credibility	Verdict
						higher margin retention compared to the Birla JV.			
4	4.5	Amanjit Singh	Debt	Financials	"Who was the balance □50 Cr on the first [debt] tranche and what are the terms?"	Mgmt clarified they only drew □200 Cr of the □550 Cr Apollo sanction to replace 20% debt with 14% debt, keeping the rest as a backup. This proves conservative capital management and significant interest cost savings.	None	5.0	Specific and verified
5	5.0	Amanjit Singh	Data Center	Capex and Allocation	"How do you plan to fund the balance megawatts and how confident are you for September?"	Mgmt is confident in reaching 6 MW by Sept and 21 MW by year-end using internal accruals from residential sales. This ties the success of the DC pivot directly to residential sales velocity.	None	4.0	Quantified
6	4.0	Hitendra Gupta	Data Center	Management Outlook	"What is the scenario in terms of tying up with clients?"	Mgmt has tie-ups with RailTel and TCIS (Govt undertakings) to secure clients, noting that	None	3.5	Directional

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Mgmt Response & Investment Implication	Evaded	Credibility	Verdict
						data localization laws are driving demand. This reduces the counterparty risk for the initial DC capacity.			
7	5.0	Hitendra Gupta	Data Center	Financials	"What kind of rentals can we expect per megawatt?"	Mgmt guided for ₹85-90 Lakh per MW per month with ~25% opex, leaving the rest as free cash flow. At 21 MW, this implies a potential ₹150-160 Cr annual EBITDA run-rate from one facility.	None	5.0	Specific economics
8	3.5	Hitendra Gupta	Real Estate	Financials	"Can you quantify the next two years of real estate inflows?"	Mgmt declined future projections but stated they have ₹1,700 Cr of inventory ready for immediate monetization. This establishes a clear floor for liquidity.	Specific numbers	3.0	Consistent
9	3.5	Avinash Gorakshekhar	Real Estate	Business Overview	"Will real estate continue to generate steady cash flow in FY24?"	Mgmt believes RERA has removed unhealthy competition, and Gurgaon's 70% end-	None	4.0	Directional

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Mgmt Response & Investment Implication	Evaded	Credibility	Verdict
						user demand ensures sustainability of current □16k-18k/sqft pricing. This suggests price floors are firm despite national macro concerns.			
10	4.5	Avinash Gorakshekhar	Data Center	Capex and Allocation	"Is investment per MW □1 Cr? How will you fund 21 MW?"	Mgmt corrected that investment is □25 Cr/MW (total □450 Cr for 21 MW), with □140 Cr already spent. The brownfield advantage is highlighted here, as greenfield typically costs much more.	None	5.0	Corrected/ quantified
11	3.0	Parvez Qazi	Growth	Management Outlook	"What are future projects beyond Ashok Estate?"	Mgmt highlighted a 1 Mn sqft Group Housing launch in 6 months and 97 acres of phased development in Anant Raj Estate. Pipeline visibility is high for the next 3-5 years.	None	4.0	Specific pipeline
12	2.5	Harsh Pathak	JV	Business Overview	"Would you be exploring more	Mgmt indicated they now	None	3.0	Qualitative

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Mgmt Response & Investment Implication	Evaded	Credibility	Verdict
					partnerships with Birla Estates?"	prefer self-development as the Anant Raj brand has gained sufficient strength post-deliveries. This signals a shift toward 100% ownership projects.			
13	4.0	Naitik Mody	Data Center	Business Overview	"What would be the profile of these [DC] customers apart from PSUs?"	Mgmt declined to name specific hyperscalers but confirmed a mix of PSUs and large private players. Evasion here is likely due to NDA constraints but confirms active negotiations.	Specific Names	2.0	Hedged
14	3.0	Ritu Kumar	Commercial	Financials	"What is income from existing commercial and how much is leased?"	Mgmt generates □50 Cr/year; only 1 Mn of 5 Mn sqft is leased as they are converting the rest to Data Centers. This explains the low occupancy and high pivot potential.	None	4.0	Verifiable
15	4.0	Ritu Kumar	Data Center	Management Outlook	"What is the eventual	Mgmt noted 300 MW potential	None	4.0	Scale quantified

Q#	Relevance	Analyst	Theme	Category	Underlying Concern	Mgmt Response & Investment Implication	Evaded	Credibility	Verdict
					capacity planned?"	across three sites, with Manesar capable of 50 MW. This defines the long-term scale of the DC business as potentially 10x the current target.			

PATTERN FLAGS & SENTIMENT * **The "Debt vs. Growth" Anxiety:** Analysts repeatedly questioned how the company would fund the ₹450 Cr DC capex without spiking debt. Management was consistently firm that residential cash flows (particularly from the fast-moving Ashok Estate plots) are sufficient. The posture was confident, especially after revealing they only drew a fraction of the Apollo loan. This concern is partially resolved but will resurface if residential sales velocity dips. * **The "Data Center Economics" Clarity:** Multiple questions focused on the rent and capex per MW. Management provided very specific numbers (₹85-90L rent, ₹25 Cr capex), which allowed analysts to model a ~25-30% ROIC on DC assets. This transparency improved management credibility significantly.

Analyst Sentiment Verdict: Analysts were broadly positive, impressed by the ₹1,000 Cr revenue milestone and the successful debt refinancing. The primary friction point was the specific identity of DC tenants, which management shielded. Credibility improved this quarter as management proved they could execute a complex brownfield conversion while simultaneously riding the Gurgaon residential boom.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.