Anant Raj Ltd — Nov 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

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

Result: Strong Beat **One-line:** Anant Raj is successfully executing a high-stakes pivot from a regional developer to a tech-infrastructure powerhouse, backed by record quarterly profits, a massive deleveraging to near-zero net debt, and the launch of "Ashok Cloud" which triples the revenue potential per megawatt compared to traditional co-location.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	PAT grew 75% YoY; Net debt reduced by □124 Cr in 90 days.	□
Earnings Quality	High (Core driven)	Growth driven by both residential pre-sales collections and initial DC rentals.	□
Guidance Confidence	Strong	Reiteration of Net Debt Free by Dec '24; 21MW DC capacity by Q3 FY25.	□
Management Credibility	Strong	Delivered 6MW operational capacity as promised; launched Cloud services in Oct.	□
Business Quality Signal	Improving	Transition to high-margin, recurring Cloud/SaaS revenue profile.	□
Key Q&A Exchange	Q2: Cloud Economics	Cloud revenue is ~□150 Cr/MW/yr vs. significantly lower for co-location.	□
The Street's Primary Anxiety	Execution of 307MW	Mgmt responded with a □2,100 Cr fundraise to front-load Cloud capex.	□
Capital Cycle Stage	Investment / Harvesting	Harvesting Gurugram Residential; Investing heavily in Cloud/DC.	□
Margin / Return Ratio Trajectory	Improving	EBITDA margin on Cloud services estimated at ~84% (□126 Cr on □150 Cr rev).	□
Pricing Power	Expanding	GH-1 (Estate Residences) 100% sold at □18,000/sqft (up from ~□12,000 avg).	□
FCF Conversion & Quality	Strong	CFO used to slash debt from □219 Cr to □95 Cr in a single quarter.	□
Competitive Moat Signals	Widening	First-mover in Tier-III retrofitting; strategic alliance with Orange for Cloud.	□
Balance Sheet Strength	Strong	Net Debt/Equity is negligible; soon to be Net Debt Free.	□
Working Capital Efficiency	Improving	Residential handovers (Birla Navya Phase 1) began, releasing trapped capital.	□
Mgmt Guidance Track Record	Reliable	Meeting residential launch timelines and DC operational milestones.	□
Key Vulnerability / Red Flag	Capex Intensity	Cloud requires □100 Cr/MW additional capex vs. □26 Cr/MW for co-location.	□
Management Tone	Confident	Tone focused on "the story has just begun" and "infinite" cloud scale.	□

Key Takeaways (Positives & Negatives): * **Positives:** The operationalization of the first 6MW IT load at Manesar has proven the revenue model (₹8 Cr in Q2 despite handover lead times). Residential pre-sales are at a historic high with "The Estate Residences" (1 msf) achieving 100% sell-out, providing ₹1,800 Cr in revenue visibility. The move into Cloud services (IaaS/PaaS) via "Ashok Cloud" transforms the DC vertical from a real-estate play into a high-margin tech play with ~80%+ EBITDA margins. * **Negatives:** The shift to Cloud significantly increases capex requirements (₹100 Cr/MW additional), explaining the need for the ₹2,100 Cr QIP. High geographic concentration in Sector 63A Gurugram remains a risk, though partially mitigated by the Tirupati affordable housing project. * **The Street's Concern:** Analysts were focused on whether the Cloud business can compete with global hyperscalers. Management countered by highlighting their "sovereign cloud" status for government contracts and the technical partnership with Orange Business. * **Forward Watchpoint:** Monitoring the deployment of the ₹2,100 Cr fundraise and the conversion of the 14MW Cloud target by FY26.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT primary source; Concall used for commentary and debt specifics.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Presales (₹Cr)	~1,800	↑	↑	↑	Driven by 100% sell-out of GH-1 Estate Residences.
Equivalent Area Constructed (msf)	Not in doc	-	-	→	Construction at peak for Estate Residences & Ashok Estate.
Pre-tax Operating Cash Flow (₹Cr)	~124	↑	↑	↑	Inferred from net debt reduction of ₹124 Cr in Q2.
Realization/sqft (₹)	18,000	↑	↑	↑	Massive jump from prior ₹12,000-14,000/sqft levels.
Revenue Potential Locked (₹Cr)	8,235	↑	↑	↑	Cumulative potential across all residential pipeline.
Revenue (₹Cr)	524	54.1%	18.2%	↑	Record high; includes initial DC contribution.
PAT (₹Cr)	106	74.8%	23.3%	↑	Highest ever; Margin expansion from luxury mix.
Land Bank (acres)	64.92	↑	↑	↑	Added 20 acres in Gurugram at ~₹20 Cr/acre.
Net Debt (₹Cr)	95	↓	↓	↑	Reduced from ₹219 Cr in Q1; Target 0 by Dec '24.
DC Revenue (₹Cr)	8	First entry	→	→	6MW operational; Rev to ramp up as handovers finish.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Residential	~503	50%+	High	↑	Primary	GH-1 fully sold; GH-2 launch in Jan '25.
Data Center	8	New	~82%	↑	High	6MW operational; 21MW on track for Q3.
Commercial	12.5 (Q)	→	High	→	In-line	Sec 44 Gurugram 100% leased; Panchkula 28%.
Hospitality	3.72 (Q)	→	Moderate	→	Low	FSI increase approval received for Delhi assets.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	DC Capacity	21 MW by Q3 FY25	Must add 15MW in Q3.	Delivered 3MW add in Q2.	Moderate
Guidance	Debt	Net Debt Free by Dec '24	Needs ₹95 Cr OCF in Q3.	Reduced ₹124 Cr in Q2.	Low
Guidance	Cloud Rev	₹150 Cr/MW/yr (IaaS)	On 0.5MW, requires ₹75 Cr/yr.	Pilot (0.5MW) live.	Execution
Guidance	Residential	GH-2 Launch in Jan '25	₹2,100 Cr revenue target.	GH-1 100% sold out.	Low
Strategy	Capex	₹2,100 Cr Fundraise	For 35MW (incl 14MW Cloud).	Enabling resolution taken.	Dilution
Strategy	Land	Gurugram expansion	20 acres added in Q2.	Consistent land banking.	Price risk

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Gautam Shroff / Nuvama	Fundraising & Scale	Strategy	How aggressive is the 2,100 Cr fundraise and the 2-3 year outlook?	Mgmt clarified the 2,100 Cr is primarily for the Data Center/Cloud pivot to reach 63MW (incl. 14MW Cloud). This signals a massive acceleration in the high-margin tech vertical over the residential core.	None	5.0	Clear and quantified
2	4.5	Akshat / Niveshaay	DC Capacity	Guidance	Is there any realignment in the 300MW target by 2029-30?	Mgmt confirmed they are on track for 307MW total across three sites (Manesar, Panchkula, Rai). Sustained guidance de-risks the long-term infrastructure thesis.	None	4.0	Reconfirmed guidance
3	5.0	Akshat / Niveshaay	Cloud Economics	Financials	What is the capex cost for building a cloud service vs co-location?	Cloud requires an additional 100 Cr/MW investment on top of the 26 Cr/MW base for co-location. This identifies the Cloud business as a capital-heavy but ultra-high-	None	5.0	Specific data given

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						margin endeavor.			
4	4.0	Pavas Pethia / AB MF	Fund Deployment	Strategy	How will the □2,100 Cr be deployed across verticals?	Mgmt stated the fund is purely for DC/Cloud as Residential is fully self-funded via internal accruals. This prevents capital leakage from the high-growth tech side to the cyclical realty side.	None	4.5	Clear bifurcation
5	4.5	Pavas Pethia / AB MF	Cloud Revenue	Financials	What is the revenue potential of the 0.5MW pilot?	The 0.5MW pilot generates ~□75 Cr annual revenue at full utilization, implying □150 Cr/MW/yr. This validates the superior unit economics of Cloud vs. pure-play co-location.	None	5.0	Unit economics clarified
6	3.5	Pavas Pethia / AB MF	Land Acquisition	Capex	Details on the 20-acre Gurugram land acquisition?	The land was acquired at an average of ~□20 Cr/ acre, which mgmt claims is significantly below market. Lower land cost provides a safety margin for the 3msf	None	4.0	Directional evidence

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						development potential.			
7	4.0	Raj Sarraf / Finvestors	DC EBITDA	Financials	What was the EBITDA contribution from the 6MW in Q2?	The 6MW capacity contributed ~₹8 Cr to EBITDA during the quarter. This is the first tangible proof of DC profitability appearing on the P&L.	None	4.0	Specifics provided
8	3.0	Ruchita / iWealth	Cloud Timeline	Guidance	When will the 14MW Cloud capacity be ready and what is the EBITDA?	14MW Cloud is expected by March 2026 with an estimated annual EBITDA of ₹126 Cr/MW. High transparency on margin structure (₹150 Cr rev - ₹24 Cr opex).	None	4.5	Detailed run-rate
9	3.5	Prateek Singh / DAM Cap	Partnership	Governance	What are the economics of the deal with Orange Business?	Anant Raj owns all hardware; Orange receives a technical fee (part fixed, part rev-share) for operations. This confirms Anant Raj retains the asset-heavy/ margin-heavy portion of the stack.	None	4.0	Structure defined
10	3.0	Srigopal Bajaj / Stockhifi	Legal	Governance	Clarification on reported court halting of a	Mgmt clarified the dispute involves only 1,000 sq	None	3.5	Defensive but specific

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					12-acre project?	yards (not 12 acres) and no licenses have been cancelled. This appears to be a minor localized issue rather than a systemic project risk.			
11	4.0	Jeewan Garg	Competition	Strategy	What is the USP against deep-pocketed players like Godrej entering DC?	Mgmt emphasized their 2019 start date and the "special strength" required in existing buildings that cannot be easily replicated. First-mover advantage and time-to-market (3-5 years for new entrants) are the primary moats.	None	4.0	Confident posture

PATTERN FLAGS & SENTIMENT Analysts were primarily anxious about two themes: the **Capital Intensity of Cloud** and **Competition**. Multiple questions targeted the ₹100 Cr/MW incremental capex for Cloud services, prompting management to reveal a very high EBITDA potential (₹126 Cr/MW/yr) to justify the investment. Posture was highly confident; management repeatedly noted that while residential pays the bills today, Cloud is the "infinite" scale driver.

The sentiment was **Overwhelmingly Positive**. Skepticism regarding the DC transition has largely faded now that revenue (₹8 Cr) has hit the books and residential pre-sales have hit record realizations (₹18,000/sqft). The primary unresolved issue is the **Execution of Cloud Handovers**, as there is a lead time for co-location that Cloud avoids, but the sheer scale of the ₹2,100 Cr QIP creates a dilution overhang that must be justified by rapid 14MW Cloud deployment in FY26.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY25)	This Quarter (Q2 FY25)	Direction
DC Rev Contribution	First entry	□8 Cr EBITDA recorded	↑
Cloud Service	Proposed	"Ashok Cloud" launched (Oct 7)	↑
Net Debt	□219 Cr	□95 Cr	↑ (Deleveraging)
Residential Realization	~□12,000-14,000/sqft	□18,000/sqft (GH-1)	↑
Growth Strategy	Organic internal accruals	□2,100 Cr QIP proposed	↑ (Aggression)
Asset Base	Existing holdings	Added 20 acres in Gurugram	↑
DC Capacity	3MW Operational	6MW Operational	↑

STOP HERE.