Anant Raj Ltd — Oct 2023 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat (Operating Performance) / Inline (Strategic Pivot) **One-line:** The thesis is transitioning from "real estate recovery" to "infrastructure scale," as the first revenue from Data Centers (DC) has officially hit the P&L, while the Gurgaon residential engine generates the surplus cash needed to fund the DC expansion without external debt.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat	H1 Revenue up 1.5x YoY; PAT doubled to □107 Cr.	□
Earnings Quality	High	Growth driven by core sales and initial DC rentals (□2 Cr).	□
Guidance Confidence	Neutral	DC Phase 1 completion pushed slightly to "Mid-2024" due to lead times.	□
Management Credibility	Strong	Massive debt reduction (□1,650 Cr to □770 Cr) in 30 months.	□
Business Quality Signal	Improving	Pivot to high-margin (□75L/month/MW net) recurring income.	□
Key Q&A Exchange	Q1: DC Delays	Mgmt admitted 3-4 week lead time delay but maintained 300MW target.	□
The Street's Primary Anxiety	Financing 300MW	Mgmt confirmed use of rent discounting; no balance sheet debt.	□
Capital Cycle Stage	Investing	Heavy capex into IT load infrastructure (□25-26 Cr/MW).	□
Margin / Return Ratio Trajectory	Improving	EBITDA margins rose from 19% to 26% YoY.	□
Pricing Power	Expanding	Selling prices in Sector 63A up 30-35% since launch.	□
FCF Conversion & Quality	Strong	OCF growth of 25.33% YoY; funding DC via internal accruals.	□
Competitive Moat Signals	Widening	"Brownfield" advantage (ready shells) saves 3-4 years vs peers.	□
Balance Sheet Strength	Adequate	Net debt □770 Cr; targeting "Debt Free" status by FY25.	□
Working Capital Efficiency	Improving	80% of Ashok Estate inventory sold; 60-70% cash already collected.	□
Mgmt Guidance Track Record	Reliable	Meeting debt reduction milestones consistently.	□
Key Vulnerability / Red Flag	Execution Risk	Transitioning from civil construction to high-tech IT infrastructure.	□
Management Tone	Confident	Bullish on "end-user" demand and first-mover DC advantage.	□

Key Takeaways (Positives & Negatives): * **Positives:** The 3MW Data Center in Manesar is now revenue-generating, validating the "shell-to-data-center" conversion model. Residential demand in Sector 63A (Gurgaon) remains irrational; the company is sitting on □10,000 Cr of un-monetized top-line in this sector alone with land already paid for. Debt reduction continues ahead of schedule, with interest costs falling as the company moves toward a zero-debt balance sheet. * **Negatives:** Global supply chain issues for specialized IT equipment have introduced a small delay (~1 quarter) in the 21MW ramp-up. While the DC pipeline is massive (350MW), it requires □7,500 Cr of total investment, necessitating flawless execution of "rent securitization" to avoid future equity dilution. * **Street Concern:** Analysts are skeptical about the financing of the 300MW build-out. Management’s response was definitive: they will not take on project debt, instead utilizing the massive cash flow from Gurgaon residential (□1,800 Cr potential from the upcoming luxury launch) to bridge the gap. * **Forward Watchpoint:** The launch of the 1 million sq. ft. luxury group housing project in Q3FY24 is the key valuation trigger; its success determines the pace of the DC rollout.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT and Concall. (PPT as primary source; OCF and Realization derived from Concall).

Metric	Current Qtr (Q2FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Presales (□Cr)	Not in doc	First entry	First entry	→	Based on 80% sold status of Ashok Estate.
Equivalent Area Constructed (lakh sqft)	48.00	First entry	First entry	↑	Shells ready in Manesar, Rai, and Panchkula.
Pre-tax Operating Cash Flow (□Cr)	Not in doc	25.33%*	First entry	↑	*YoY Growth reported in concall.
Realization/sqft (□)	18,000	First entry	First entry	↑	Specific to upcoming Group Housing project.
Revenue Potential Locked (□Cr)	14,030*	First entry	First entry	↑	*□10k (63A) + □1.8k (Luxury) + □2.23k (Others).
Revenue (□Cr)	341.00	28%	-7% (QoQ)	↑	H1 Revenue 1.5x YoY at □667 Cr.
PAT (□Cr)	59.00	80%	23% (QoQ)	↑	H1 PAT doubled to □107 Cr.
Land Bank (acres)	344.50*	First entry	First entry	→	*200 (63A) + 100 (Delhi) + 44.5 (DC Dedicated).
D/E Ratio	0.45*	First entry	First entry	↑	*Derived from □770 Cr debt on H1 equity base.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□Cr)	YoY Growth	Margin	Trend	vs Co Avg	Key Development
Residential (Gurgaon)	~320.00	Strong	~30%+	↑	Above	Ashok Estate (80% sold) remains the primary driver.
Data Centers	2.00	New	83%*	↑	Highest	First revenue from 3MW; Net margin □75L/MW/month.
Hospitality/Other	~19.00	Stable	Moderate	→	Below	South Delhi Center approved for 1.75 FSI expansion.

**Net of 15L/MW opex against 90L/MW rental.*

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Volume	21 MW Data Center (Manesar) by 2024.	Requires 3MW per quarter average ramp-up.	On track (3MW Ready).	Supply Chain
Guidance	Revenue	₹1,800 Cr from new Group Housing launch.	High; implies ₹18,000/sqft realization.	First entry.	RERA Timing
Guidance	Revenue	₹1,500 Cr from Tirupati/ Anant Raj Center.	Spread over 3 years; feasible.	First entry.	Geog. Diversification
Strategy	Cap. Allocation	Achieving "Debt Free" status by FY25.	Needs ₹770 Cr repayment from ₹14k Cr pipeline.	Strong (Reduced ₹880 Cr in 30 months).	Interest Rates
Strategy	Positioning	300 MW total DC capacity in 3-4 years.	Aggressive; requires ₹7,500 Cr total capex.	Shells ready (4.8msf).	Power Grid
Balance	Leverage	No balance sheet debt for Data Centers.	Requires successful rental discounting/securitization.	First entry.	Tenant Credit

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	B. Shinde, Kotak	DC Timeline	Capex	Why are Data Center additions lagging targets?	Management cited a 3-4 week increase in equipment lead times but maintained the 21MW and 300MW long-term targets. This delay pushes peak DC revenue by one quarter, though the model remains intact.	None	4.0	Validated Delay
1a	4.5	B. Shinde, Kotak	DC Financing	Capex	How will the □7,500 Cr investment for 300MW be funded?	The company plans to use rent securitization of blue-chip clients and internal accruals, categorically stating they will not take on project debt. This protects equity holders from dilution but places massive pressure on residential cash flows.	None	4.5	Clear Funding Plan
2	4.0	Rashith, Nuvama	Commercial Mix	Biz Overview	What is the split for the new Anant Raj Center?	The project is 20% Commercial (to be sold for □250 Cr), 40% Hotel, and 40% Serviced Apartments. The upfront sale of the commercial	None	5.0	Specific & Quantified

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						component makes the entire project self-funding.			
3	4.0	Piyush, Caprize	DC Economics	Financials	What is the annual yield on a 3MW Data Center?	A 3MW unit yields ~₹2.25 Cr net per month (₹90L rent minus ₹15L opex per MW). This high-margin recurring income will significantly re-rate the company's EBITDA quality as it scales.	None	5.0	Specific Economics
4	3.5	Vignesh, Sequent	Residential Sales	Biz Overview	What is the FY24 pre-sale target?	Management avoided a specific number but noted they have already recognized ₹666 Cr in H1 and anticipate the new launch to sell out "within days." This suggests a massive H2 spike.	Specific pre-sale Cr target	3.0	Evasive but Directional
5	4.5	Avinash, Profitmart	Deleveraging	Financials	Will net debt fall another ₹50-100 Cr by FY25?	Management indicated debt will be "substantially" gone by FY25, far exceeding the analyst's ₹100 Cr expectation. This confirms a faster-than-expected cash	None	4.5	Aggressive Debt Cut

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						harvesting phase.			
6	4.0	Amresh, Geosphere	DC Capex	Capex	How much is left to spend on the 21MW phase?	Approximately □300 Cr is remaining to be spent within 2024, all from internal accruals. This equates to ~45% of H1 revenue, showing heavy reinvestment.	None	4.0	Quantified Capex

PATTERN FLAGS & SENTIMENT * **Data Center Execution:** Analysts are laser-focused on the transition from "construction" to "operations." The 3-4 week delay was the primary point of friction, but management's technical explanation regarding equipment lead times appeared to satisfy the room. Confidence is high because the buildings are already standing. * **Funding the Growth:** A recurring theme was how a mid-sized developer can fund a □7,500 Cr infrastructure pivot. Management's consistent refusal to take on debt is the key "credibility anchor." Sentiment was largely positive, transitioning from skepticism to a "watch-and-verify" mode on the 21MW commissioning.

Analyst Sentiment Verdict: Skeptical but turning constructive. The room was impressed by the debt reduction speed (□880 Cr in 30 months) but remains cautious on the technical execution of high-tier Data Centers. The primary unresolved issue is the exact timing of the power load commissioning for the full 21MW, which is the "re-rating trigger."

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
DC Status	Certification Phase	**Revenue Generating** (□2 Cr booked).	↑
DC Pipeline	Focused on Manesar	**350 MW potential** (Total across 3 sites).	↑
Debt Level	>□840 Cr (Est)	**□770 Cr** (Confirmed).	↑
Project Visibility	"Planned" Luxury launch	**RERA Received**; Q3 Launch window fixed.	↑
DC Timeline	Q4 FY24	**Mid-2024** (Minor delay due to equipment).	↓
Gurgaon Pricing	□14,000-15,000/sqft	**□18,000/sqft** (New benchmark).	↑
Earnings Mix	100% Residential	**Initial Pivot** to infrastructure annuities.	↑

Investor Notes: * **CFO-to-PAT Divergence:** H1 PAT is □107 Cr, while management reports OCF growth of 25%. The primary lever is "Customer Advances" from the 80% sold Ashok Estate. This is high-quality cash flow, but it is "front-loaded," meaning the company must launch new projects (Luxury Sec 63A) to maintain the capex velocity for Data Centers. * **Margin Expansion:** EBITDA margins moved from 19% to 26%. This is not just pricing; it reflects the shift from selling land/plots to higher value-add products (Villas/Floors) and the initial high-margin DC contribution.

STOP HERE.