

Anant Raj

Estimate change

TP change

Rating change



Bloomberg	ARCP IN
Equity Shares (m)	343
M.Cap.(INRb)/(USDb)	193.3 / 2.2
52-Week Range (INR)	948 / 366
1, 6, 12 Rel. Per (%)	5/-2/6
12M Avg Val (INR M)	1433

Financials & Valuations (INR b)

Y/E Mar	FY25	FY26E	FY27E
Sales	20.6	21.7	27.3
EBITDA	4.9	7.7	8.7
EBITDA (%)	23.9	35.6	31.7
Adj PAT	4.3	5.0	4.5
Cons. EPS (INR)	12.4	14.7	13.0
EPS Growth (%)	59.4	18.2	-11.5
BV/Share (INR)	121.2	135.4	147.9

Ratios

Net D/E	0.1	0.5
RoE (%)	10.2	10.8
RoCE (%)	10.0	11.4
Payout (%)	5.9	3.4

Valuations

P/E (x)	45.4	38.4	43.4
P/BV (x)	4.6	4.2	3.8
EV/EBITDA (x)	38.9	25.8	25.4
Div Yield (%)	0.1	0.1	0.1

Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	60.1	60.2	60.0
DII	6.2	6.6	6.5
FII	10.6	12.9	13.1
Others	23.0	20.4	20.4

CMP: INR563

TP: INR807 (+43%)

Buy

RE on strong footing; DC business ramping up

Data center's 26MW IT load to be commissioned by 1HFY26

P&L performance: 1QFY26

- Anant Raj (ARCP)'s revenue came in at INR5.9b, up 26% YoY/10% QoQ (35% above our estimate).
- EBITDA stood at INR1.5b, up 46% YoY/6% QoQ (in line). EBITDA margin was 25.4%, up 3.6pp YoY for the quarter.
- The company's adj. PAT came in at INR1.3b, up 38% YoY/6% QoQ (23% above our estimate). Its PAT margin was 21%, up 2pp YoY.

Key operational highlights

- **Real estate:** ARCP launched a new version of independent floors under the brand "The Estate Apartments" at Anant Raj Estate, Sector 63A, Gurugram. The offering received a strong customer response, reaffirming market confidence in the brand and its product.
- The company secured approvals and commenced development of a community center and commercial tower at its "Ashok Estate" project in Sector 63A, Gurugram, with a total area of 0.16msf.
- Preparations for the Group Housing-2 project at Anant Raj Estate, Sector 63A, Gurugram, with a planned area of 1.09msf, are in advanced stages, and the project is anticipated to be launched soon.
- **Data centers:** The second data center facility at Panchkula is being operationalized, with a special event titled "BHARAT BUILT: Soil to Server" scheduled for 1st -2nd Aug'25, to showcase the expanded capacities at both Manesar and Panchkula.
- This development enhances the company's presence in the data center space, with both sites capable of functioning as data centers and disaster recovery units for each other.
- The integration of cloud services across the Panchkula and Manesar facilities has commenced, in collaboration with Orange Business as the technical partner.
- The company has secured a major private sector client for co-location and cloud services at its Manesar facility, with an estimated IT load capacity of ~3 MW, supplementing its existing client base.

Changes in data center capex plan; co-lo intact, but cloud bit deferred

- ARCP initially planned to build the 28MW project by FY25, primarily with the help of fundraising. However, it now plans to incur capex through internal accruals. As per the current plan, ARCP will develop 63MW of IT load by FY26, wherein the earlier 49MW was co-location and 14MW was cloud services.
- ARCP decided to keep 49MW of co-location commissioning intact, while the 14MW cloud will take six more months. By 1HFY26, the company would commission and lease a 4MW IT load for cloud, wherein 3MW will be operationalized by 1st Aug'25. However, ARCP would keep 2MW vacant for future ramp-ups out of 6MW in the first phase.

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- For 2MW, the company will build the system until the rack and will not lease it until the company incurs the capex for the cloud.
- Similarly, for a total of 14MW until 1HFY27, ARCP has plans to commission 6MW of IT load for cloud service, while it will keep 8MW vacant until the racks.
- Changes in plans have been made to fund the capex from internal accruals, as 49MW of co-location will be operational by FY26 and start garnering strong cash flows. This will be redeployed in the vacant cloud capacity.
- ARCP initially had two clients, TCIL and Railtel, and onboarded BSNL and CSC for the newly commissioned capacity. Additionally, the company onboarded one big private client, which clearly reflects ARCP's product acceptability.

Valuation and view

- ARCP's residential segment is expected to deliver 14msf over FY25-30, generating a cumulative NOPAT of INR72b.
- The residential business cash flow, discounted at an 11.6% WACC with a 5% terminal growth rate, accounts for INR2.5b in annual business development expenses, yielding a GAV of INR87b, or INR253/share.
- The annuity business cash flow is discounted at a capitalization rate of 9.5%, valuing it at INR10b or INR30/share.
- We expect ARCP's DC revenue to grow materially, with capacity increasing from 6 MW in FY24 to 307 MW by FY32, along with a shift towards cloud services, which will expand from 0.5 MW to 77 MW over the same period.
- We model the free cash flows for the data center business till FY32, using a discount rate of 11.6%, a rental escalation of 3%, and a terminal growth rate of 3%, resulting in an EV of INR149b or INR435/share post deferral of the cloud capex in initial years.
- **We reiterate our BUY rating on the stock with the revised TP of INR807 (earlier INR1,085) based on our SoTP valuation.**

Quarterly Performance

Quarterly Performance												
Y/E March	FY25				FY26E				FY25	FY26	FY26E	1QE Var
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			1Q Est.	(%/bp)
Net Sales	4,718	5,129	5,346	5,407	5,924	5,324	5,800	4,656	20,600	21,704	4,404	35%
YoY Change (%)	49.2	54.3	36.3	22.2	25.6	3.8	8.5	-13.9	38.9	5.4	-6.7	
Total Expenditure	3,689	4,001	4,011	3,983	4,418	3,428	3,735	2,395	15,683	13,976	2,836	
EBITDA	1,030	1,128	1,336	1,424	1,507	1,896	2,065	2,260	4,917	7,728	1,568	-4%
Margins (%)	21.8	22.0	25.0	26.3	25.4	35.6	35.6	48.6	23.9	35.6	35.6	-1017bp
Depreciation	55	81	82	87	79	285	310	487	305	1,162	236	
Interest	36	15	29	30	24	65	70	104	110	263	53	
Other Income	98	109	93	103	100	104	113	106	403	423	86	
PBT before EO expense	1,037	1,141	1,318	1,409	1,504	1,650	1,798	1,775	4,905	6,726	1,365	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	1,037	1,141	1,318	1,409	1,504	1,650	1,798	1,775	4,905	6,726	1,365	10%
Tax	142	97	223	228	257	415	452	568	690	1,693	344	
Rate (%)	13.7	8.5	16.9	16.2	17.1	25.2	25.2	32.0	14.1	25.2	25.2	
Minority Interest & Profit/Loss of Asso. Cos.	15	11	10	5	12	0	0	-12	41	0	0	
Reported PAT	895	1,044	1,094	1,181	1,247	1,235	1,345	1,207	4,215	5,033	1,021	
Adj PAT	910	1,056	1,104	1,186	1,259	1,235	1,345	1,195	4,257	5,033	1,021	23%
YoY Change (%)	79.7	75.7	53.7	38.2	38.3	16.9	21.8	0.7	60.1	18.2	12.2	
Margins (%)	19.3	20.6	20.7	21.9	21.2	23.2	23.2	25.7	20.7	23.2	23.2	-194bp

Source: Company, MOFSL

Story in charts

Exhibit 1: DC's operational capacity to double by FY27

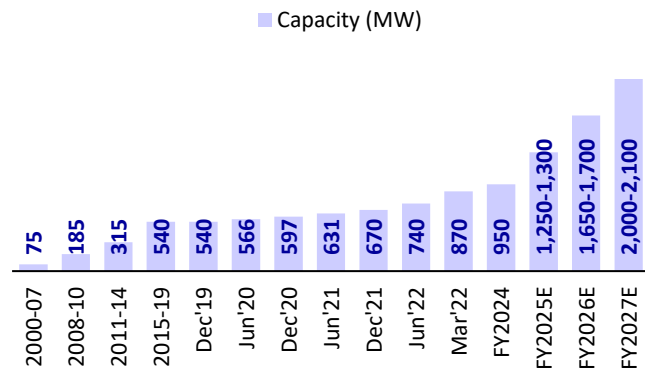


Exhibit 2: Region-wise DC capacity (MW) by FY27

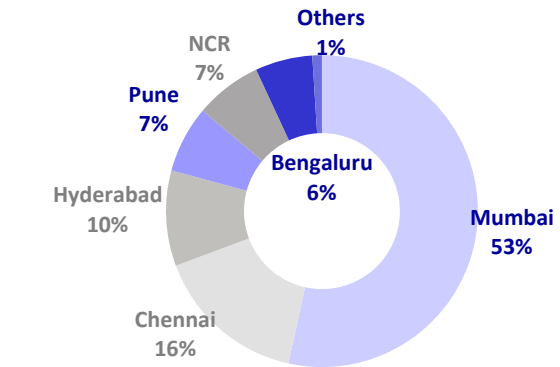


Exhibit 3: Increased capacity also complemented by higher absorption

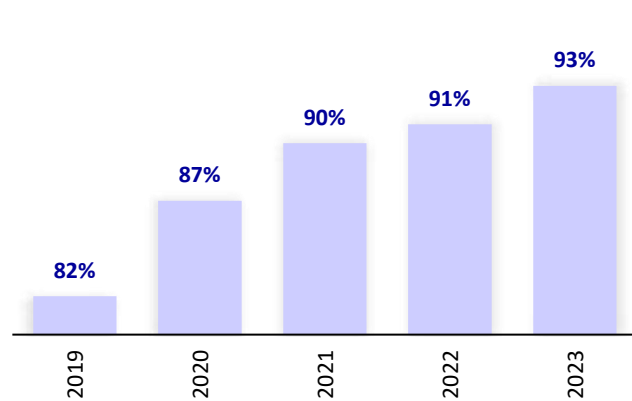


Exhibit 4: Key players in Delhi-NCR by existing capacity

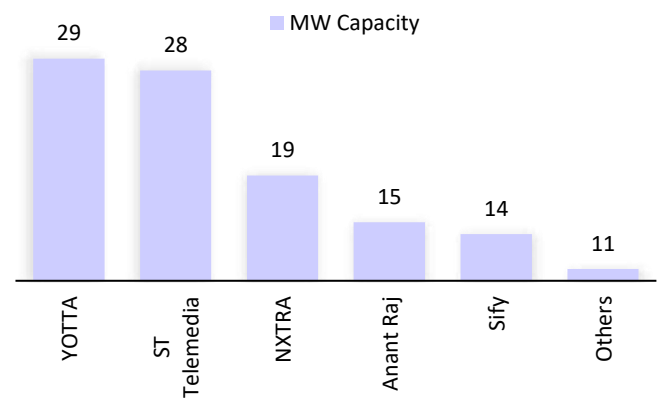


Exhibit 5: Key players in Delhi-NCR by upcoming capacity in FY26

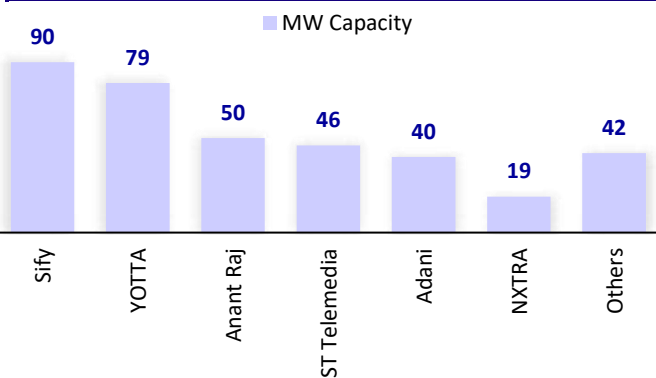


Exhibit 6: Planned data center capacity expansion by ARCP

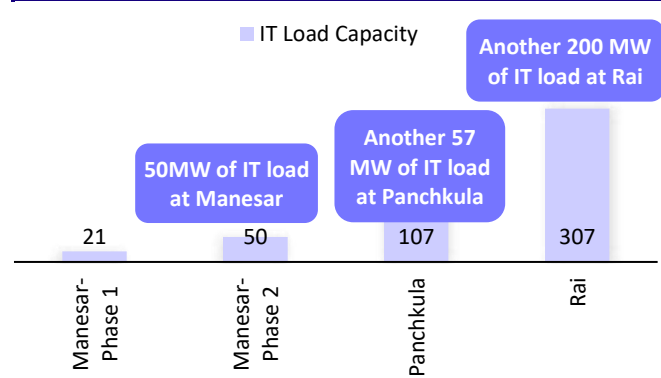


Exhibit 7: Cloud services to grow exponentially in total load capacity by FY26

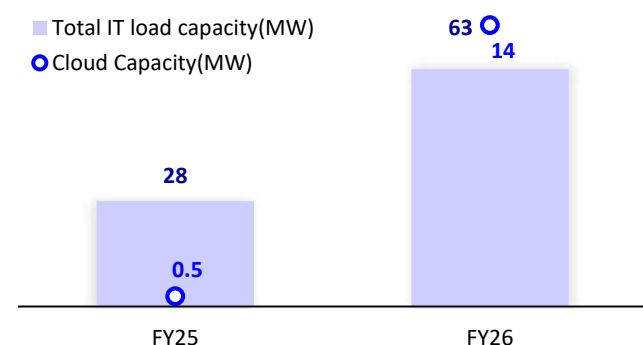


Exhibit 8: ARCP's presales to post 22.5% CAGR over FY24-27E

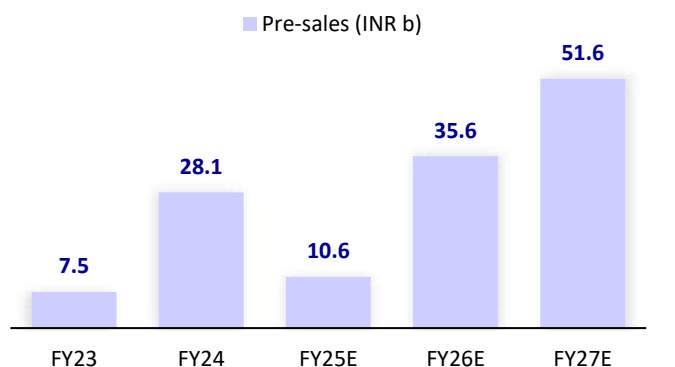


Exhibit 9: ARCP's collections to post 87% CAGR over FY24-27E

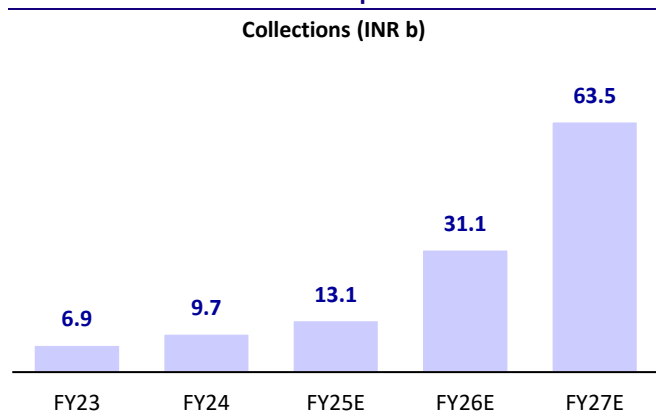


Exhibit 10: RoE and RoCE to improve

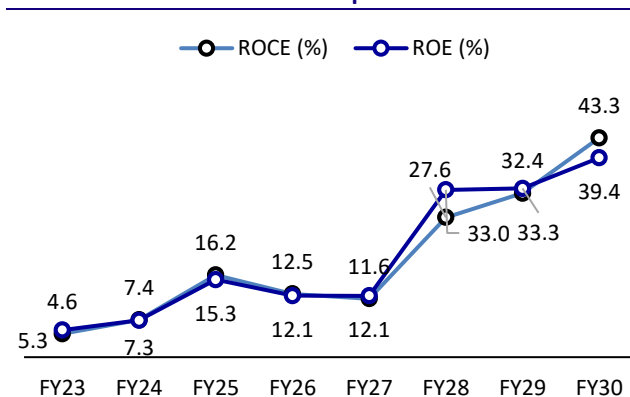


Exhibit 11: Projected cash flows over FY26-32

Particulars (INR b)	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Residential Collections	13.1	31.1	63.5	51.2	30.6	12.0	0.0	0.0
Rental Income	0.8	0.9	1.0	2.0	3.1	5.0	5.6	6.0
DC & IAAS Income	0.8	2.2	8.9	24.7	48.4	71.2	93.6	118.5
Total inflows	14.8	34.2	73.3	77.9	82.1	88.2	99.2	124.6
Construction Cost /Opex	7.1	12.6	25.3	24.8	25.3	24.6	26.1	30.8
Overheads	2.1	8.2	7.7	8.6	4.9	1.6	0.0	0.0
Taxes	0.7	1.7	1.5	3.7	15.8	26.7	16.1	21.1
Total outflows	10.0	22.4	34.5	37.1	46.0	52.8	42.2	51.9
Operating cash flows	4.8	11.7	38.8	40.8	36.1	35.3	57.0	72.7
Finance costs	0.1	0.3	0.7	1.5	1.0	0.1	0.0	-0.2
OCF post-interest	4.7	11.5	38.1	39.4	35.1	35.2	57.0	72.9
Capex (DC & IAAS)	-0.1	-14.4	-25.5	-52.2	-37.8	-26.0	-34.0	-29.9
Net shortfall/surplus	4.6	-3.0	12.5	-12.9	-2.8	9.3	23.1	42.9

Exhibit 12: Our earnings revision summary

(INR m)	Old		New		Change	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	23,136	30,832	21,704	27,261	-6%	-12%
EBITDA	9,215	12,771	7,728	8,653	-16%	-32%
Adjusted PAT	5,977	6,354	5,033	4,454	-16%	-30%

Source: MOFSL, Company

Changes to our estimates

- Revenue from completed projects, such as Birla Navya Phase 1-3, has picked up.
- Other costs spurted as the company is in the process of launching new projects in FY26, leading to a dip in operating profits.
- Earlier, we increased our debt estimates, assuming the company would require funds for capex. However, as the company continues to reduce debt, we have made changes to our debt assumptions accordingly.

Valuation and view

- ARCP's residential segment is expected to deliver 14msf over FY25-30, generating a cumulative NOPAT of INR72b.
- The residential business cash flow, discounted at an 11.6% WACC with a 5% terminal growth rate, accounts for INR2.5b in annual business development expenses, yielding a GAV of INR87b, or INR253/share.
- The annuity business cash flow is discounted at a capitalization rate of 9.5%, valuing it at INR10b or INR30/share.
- We expect ARCP's DC revenue to grow materially, with capacity increasing from 6 MW in FY24 to 307 MW by FY32, along with a shift towards cloud services, which will expand from 0.5 MW to 77 MW over the same period.
- This growth, coupled with a projected EBITDA margin expansion to 77% by FY30E, reflects ARCP's ability to scale operations and achieve strong profitability.
- We model the free cash flows for the data center business till FY32, using a discount rate of 11.6%, a rental escalation of 3%, and a terminal growth rate of 3%, resulting in an EV of INR149b or INR435/share post deferral of the cloud capex in initial years.
- **We reiterate our BUY rating on the stock with the revised TP of INR807 (earlier INR1,085) based on our SoTP valuation.**

Exhibit 13: Our SoTP-based valuation table

NAV Calculation	Rationale	INR b	Per share (INR)	(%)
Residential	❖ DCF of six years' cash flows at a WACC of 11.6% and terminal value assuming 5% long-term growth	87	253	31
Commercial	❖ Cap rate of 9.5% for operational assets and DCF for ongoing and planned assets	10	30	4
Land	❖ 20% discount to the tentative market rate	29	84	10
DC & Cloud	❖ DCF of 7 years cash flow at a WACC of 11.6% and terminal value assuming 3% long-term growth	149	435	54
GAV		275	801	99
Less: Debt	❖ As of FY25	-2	-6	-1
Net Asset Value (rounded)		277	807	100
CMP			563	
Upside/downside			43%	

Source: MOFSL estimates

Financials and valuations

Consolidated - Income Statement						(INR m)	
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Total Income from Operations	2,497	4,619	9,569	14,833	20,600	21,704	27,261
Change (%)	NA	85.0	107.2	55.0	38.9	5.4	25.6
Total Expenditure	2,143	3,860	7,599	11,495	15,683	13,976	18,608
% of Sales	85.8	83.6	79.4	77.5	76.1	64.4	68.3
EBITDA	354	759	1,971	3,338	4,917	7,728	8,653
Margin (%)	14.2	16.4	20.6	22.5	23.9	35.6	31.7
Depreciation	172	167	165	181	305	1,162	2,412
EBIT	182	592	1,806	3,157	4,612	6,566	6,242
Int. and Finance Charges	306	271	318	346	110	263	734
Other Income	200	394	479	374	403	423	444
PBT bef. EO Exp.	76	715	1,967	3,186	4,905	6,726	5,952
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	76	715	1,967	3,186	4,905	6,726	5,952
Total Tax	74	231	523	540	690	1,693	1,498
Tax Rate (%)	96.9	32.2	26.6	17.0	14.1	25.2	25.2
Minority Interest/Profit from JV	104	64	67	14	41	0	0
Reported PAT	106	549	1,511	2,659	4,257	5,033	4,454
Adjusted PAT	106	549	1,511	2,659	4,257	5,033	4,454
Change (%)	NA	415.5	175.3	76.0	60.1	18.2	-11.5
Margin (%)	4.3	11.9	15.8	17.9	20.7	23.2	16.3

Consolidated - Balance Sheet						(INR m)	
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	590	590	648	684	687	687	687
Total Reserves	24,405	25,801	27,603	35,880	40,921	45,783	50,065
Net Worth	24,995	26,391	28,251	36,564	41,608	46,469	50,752
Minority Interest	370	353	332	282	279	279	279
Total Loans	14,987	9,681	11,011	6,472	4,948	11,448	31,448
Deferred Tax Liabilities	190	251	374	512	378	378	378
Other non-current liabilities	1,056	1,696	1,845	1,804	1,005	1,005	1,005
Capital Employed	41,597	38,373	41,813	45,634	48,217	59,579	83,861
Gross Block	15,179	15,185	15,270	15,527	16,261	28,901	55,038
Less: Accum. Deprn.	1,918	2,084	2,217	2,389	2,694	3,856	6,267
Net Fixed Assets	13,261	13,101	13,052	13,138	13,567	25,045	48,771
Other Non- current Assets	3,908	4,130	3,951	4,931	8,687	8,687	8,687
Capital WIP	904	476	185	215	364	2,160	1,548
Total Investments	4,225	4,602	4,603	3,018	3,107	3,107	3,107
Curr. Assets, Loans&Adv.	23,807	21,542	21,774	27,380	26,621	24,719	25,942
Inventory	14,566	11,349	11,967	14,159	11,513	10,941	12,995
Account Receivables	436	218	513	996	1,258	1,147	1,142
Cash and Bank Balance	374	308	691	3,212	3,461	2,243	1,417
Other current assets	8,431	9,666	8,603	9,013	10,389	10,389	10,389
Curr. Liability & Prov.	4,509	5,477	1,753	3,049	4,128	4,139	4,193
Account Payables	69	60	136	192	201	211	266
Other Current Liabilities	4,431	5,408	1,608	2,846	3,914	3,914	3,914
Provisions	8	10	9	11	13	13	13
Net Current Assets	19,299	16,064	20,021	24,331	22,493	20,580	21,749
Appl. of Funds	41,597	38,373	41,812	45,634	48,217	59,579	83,861

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)							
EPS	0.4	1.9	4.7	7.8	12.4	14.7	13.0
Cash EPS	0.9	2.4	5.2	8.3	13.3	18.0	20.0
BV/Share	84.7	89.4	87.2	106.9	121.2	135.4	147.9
DPS	0.1	0.1	0.5	0.7	0.7	0.5	0.5
Payout (%)	27.7	6.5	10.7	9.4	5.9	3.4	3.9
Valuation (x)							
P/E	1,560.4	302.7	120.7	72.4	45.4	38.4	43.4
Cash P/E	597.1	232.2	108.8	67.8	42.4	31.2	28.1
P/BV	6.6	6.3	6.5	5.3	4.6	4.2	3.8
EV/Sales	70.7	37.0	19.6	13.0	9.3	9.2	8.1
EV/EBITDA	498.9	225.2	95.4	57.7	38.9	25.8	25.4
FCF per share	-3.8	13.1	1.0	3.9	2.6	-21.2	-58.0
Return Ratios (%)							
RoE	0.4	2.1	5.3	7.3	10.2	10.8	8.8
RoCE	0.5	1.6	4.6	7.4	10.0	11.4	7.6
Turnover Ratios							
Asset Turnover (x)	0.1	0.1	0.2	0.3	0.4	0.3	0.3
Inventory (Days)	2,130	897	456	348	204	184	174
Debtor (Days)	64	17	20	25	22	19	15
Creditor (Days)	10	5	5	5	4	4	4
Leverage Ratio (x)							
Current Ratio	5.3	3.9	12.4	9.0	6.4	6.0	6.2
Interest Cover Ratio	0.6	2.2	5.7	9.1	42.0	25.0	8.5
Net Debt/Equity	0.4	0.2	0.2	0.0	0.0	0.1	0.5

Consolidated – Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	76	715	1,967	3,186	4,905	6,726	5,952
Depreciation	172	167	165	181	305	1,162	2,412
Interest & Finance Charges	277	261	308	326	98	263	734
Direct Taxes Paid	-74	-231	-523	-540	-690	-1,693	-1,498
(Inc)/Dec in WC	-1,866	3,617	-1,159	-3,068	-3,300	694	-1,995
CF from Operations	-1,415	4,530	759	84	1,318	7,152	5,605
Others	-83	-297	-430	-339	-352	0	0
CF from Operating incl EO	-1,499	4,233	329	-255	966	7,152	5,605
(Inc)/Dec in FA	389	-377	0	1,584	-89	-14,435	-25,525
Free Cash Flow	-1,110	3,856	329	1,329	878	-7,284	-19,921
Others	465	682	-202	224	-633	0	0
CF from Investments	853	305	-203	1,808	-721	-14,435	-25,525
Issue of Shares	0	0	0	0	0	0	0
Inc/(Dec) in Debt	1,137	-5,205	-40	-4,070	-782	6,500	20,000
Interest Paid	-277	-261	-308	-326	-98	-263	-734
Dividend Paid	-8	-30	-35	-162	-250	-172	-172
Others	-21	884	404	5,714	1,135	0	0
CF from Fin. Activity	830	-4,613	20	1,156	5	6,065	19,094
Inc/Dec of Cash	185	-74	146	2,709	250	-1,218	-826
Opening Balance	84	269	194	341	3,050	3,300	2,082
Closing Balance	269	194	341	3,050	3,300	2,082	1,255

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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