Anant Raj

Estimate change	⟷
TP change	⟷
Rating change	⟷

Bloomberg	ARCP IN
Equity Shares (m)	360
M.Cap.(INRb)/(USDb)	165.9 / 1.8
52-Week Range (INR)	657 / 403
1, 6, 12 Rel. Per (%)	-27/-9/-22
12M Avg Val (INR M)	1700

Financials & Valuations (INR b)

Y/E Mar	FY26	FY27E	FY28E
Sales	25.1	29.9	35.2
EBITDA	6.6	9.3	12.4
EBITDA (%)	26.1	31.2	35.3
Adj PAT	5.5	7.2	9.3
Cons. EPS (INR)	15.4	20.1	25.8
EPS Growth (%)	30.4	30.4	28.3
BV/Share (INR)	160.8	180.2	205.2
Ratios			
Net D/E	-0.1	0.0	0.0
RoE (%)	9.6	11.2	12.6
RoCE (%)	9.5	11.7	13.5
Payout (%)	6.5	3.7	2.9
Valuations			
P/E (x)	29.9	22.9	17.8
P/BV (x)	2.9	2.6	2.2
EV/EBITDA (x)	24.5	17.3	13.2
Div Yield (%)	0.2	0.2	0.2

Shareholding Pattern (%)

As On	Sep-26	Jun-26	Sep-25
Promoter	57.4	57.4	60.1
DII	4.5	4.6	5.8
FII	11.0	10.7	10.7
Others	27.1	27.2	23.3

CMP:INR460 **TP:INR680 (+48%)** **Buy**

Profitability on an improving trajectory

Real estate business to grow at a steady pace

Anant Raj (ARCP) has received RERA clearance for Group Housing 2 (The Estate One), offering ~1.22msf of saleable area, and is expected to formally launch the project in 3QFY27. The Estate one is currently in the EOI stage and witnessing realizations of ~INR23,000/sqft, which is 28% higher than Group Housing 1. Further, it is likely to launch Group Housing 3 in Sector 63A, Gurugram, with a saleable area of 1.2msf. The company expects to gradually launch the inventory in Sector 63A over the next 8-10 years. We expect INR29b/INR34b pre-sales and INR18b/INR25b collections in FY27/28, respectively. Accordingly, we expect cumulative free cash worth INR22b from the real estate business over the next two years, which would fund the capex for data centers.

Data centers scaling up well; capacity to increase to 63MW in FY27

The company clocked INR1.2b revenue in the data centers (DC) segment, with ~71% EBITDA margin and ~45% PAT margin. The current IT load capacity of 28MW (21 MW at Manesar + 7 MW at Panchkula) is planned to increase to 63MW by FY27-end. Further, it has maintained its target to scale this to 357MW IT load by FY32. Anant Raj Cloud Singapore signed an MoU with Orange Business and the Haryana government to market Haryana-based cloud, data center, and AI services globally and facilitate hosting of overseas data in the state. We bake in a 134% CAGR in data center revenue over FY26-28E, reaching INR9.6b, supported by capacity ramp-up and improvement in utilization.

Demerger process progressing well

The Board of ARCP has approved a composite scheme of arrangement to demerge its DC and cloud businesses into Ashok Cloud Pvt Ltd (ACPL). ARCP shareholders will receive one ACPL share for every ARCP share held. ACPL would offer a pure play on the DC business, which is a key value generator, while ARCP would continue to reap the economic benefits due to its holding in the resulting company (ACPL would remain a subsidiary of ARCP). In the initial years post the demerger, we anticipate capex in ACPL to be met through the fund transfer from ARCP and rental income generated by the operational capacity. The company has filed its Composite Scheme of Arrangement involving Anant Raj Cloud and Ashok Cloud with the stock exchanges and is awaiting the requisite regulatory approvals.

Financial performance

In 2QFY27, revenue grew 5% YoY to INR6.6b . Revenue from data center, infrastructure, and allied services increased 28% QoQ to INR1.15b. EBITDA grew strongly by 18% YoY to INR2b, while EBITDA margin expanded 90bp QoQ to 29.9%. On the back of better operating margin, Adj. PAT grew 14% YoY to INR1.6b (8% below expectations). PAT margin stood at 23.7%. **We maintain our revenue CAGR of 18% over FY26-28, reaching INR35b, whereas EBITDA margin is expected to expand 915bp to 35.3% during this period.**

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Investors are advised to refer through important disclosures made at the last page of the Research Report.
Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Valuation and view

- We have discounted the residential business cash flow at a 12.4% WACC, while assigning a 25% premium to capture the growth potential from the company's ongoing land aggregation in Sector 63A as well as expansion to a new sector.
- The commercial business cash flow is discounted at a capitalization rate of 8.0%, while delivering a 4% terminal growth rate.
- The data center business is valued on a DCF basis.
- **We reiterate our BUY rating on the stock with a TP of INR680, based on our SoTP valuation**. The TP has slightly lowered as we have tweaked the timelines of capex to be incurred toward the DC business.

Quarterly Performance

Y/E March	FY26				FY27E				FY26	FY27	FY27 2QE Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2Q Est. (%/bp)
Net Sales	**5,924**	**6,308**	**6,416**	**6,468**	**6,314**	**6,615**	**7,783**	**9,162**	**25,116**	**29,874**	**6,987** -5%
YoY Change (%)	25.6	23.0	20.0	19.6	6.6	4.9	21.3	41.6	21.9	18.9	10.8
Total Expenditure	4,418	4,630	4,718	4,794	4,480	4,636	5,344	6,106	18,559	20,565	4,829
EBITDA	**1,507**	**1,678**	**1,698**	**1,674**	**1,834**	**1,980**	**2,439**	**3,056**	**6,557**	**9,309**	**2,158** -8%
Margins (%)	25.4	26.6	26.5	25.9	29.0	29.9	31.3	33.4	26.1	31.2	30.9 -96bp
Depreciation	79	106	135	169	162	265	278	299	489	1,005	164
Interest	24	29	33	38	12	11	32	68	124	124	29
Other Income	100	101	188	286	194	174	170	171	675	709	166
PBT before EO expense	**1,504**	**1,644**	**1,718**	**1,754**	**1,853**	**1,878**	**2,299**	**2,859**	**6,619**	**8,889**	**2,131**
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0
PBT	**1,504**	**1,644**	**1,718**	**1,754**	**1,853**	**1,878**	**2,299**	**2,859**	**6,619**	**8,889**	**2,131** -12%
Tax	257	275	296	255	392	331	411	513	1,083	1,689	426
Rate (%)	17.1	16.7	17.2	14.5	21.2	17.6	17.9	18.0	16.4	19.0	20.0
MI & P/L of Asso. Cos.	12	12	20	-33	35	22	9	-31	12	35	8
Reported PAT	**1,259**	**1,381**	**1,443**	**1,466**	**1,496**	**1,569**	**1,897**	**2,315**	**5,548**	**7,235**	**1,713**
Adj PAT	**1,259**	**1,381**	**1,443**	**1,466**	**1,496**	**1,569**	**1,897**	**2,315**	**5,548**	**7,235**	**1,713** -8%
YoY Change (%)	38.3	30.8	30.8	23.6	18.9	13.6	31.5	57.9	30.4	30.4	24.0
Margins (%)	21.2	21.9	22.5	22.7	23.7	23.7	24.4	25.3	22.1	24.2	24.5 -80bp

Source: Company, MOFSL

Management commentary

Real estate business

- ARCP currently holds 220 acres in Sector 63A, offering an estimated GDV of INR220-250b across five group housing phases.
- Group Housing 1 is already launched, with construction progressing to the 16th floor. Group Housing 2 (The Estate One) has been soft-launched following RERA approval, with pricing of ~INR23,000/sqft compared to INR18,000/sqft for Group Housing 1. Group Housing 3 has received its LoI and is expected to launch shortly.
- The company has planned launches worth ~INR70b in Sector 63A, with another INR80b of launches in the pipeline. Ashok Estate is fully constructed and occupied.
- Real estate collections in 3QFY27 are expected to moderate due to construction curbs in the NCR region.
- Cumulative bookings for the real estate business have reached INR71b, of which INR24b has been collected and recognized as revenue.

- The company is in the process of acquiring a 300-acre land parcel in a new sector, of which 100 acres have been acquired for INR3.5b (INR1.5b was paid in 1HFY27).

Data center business

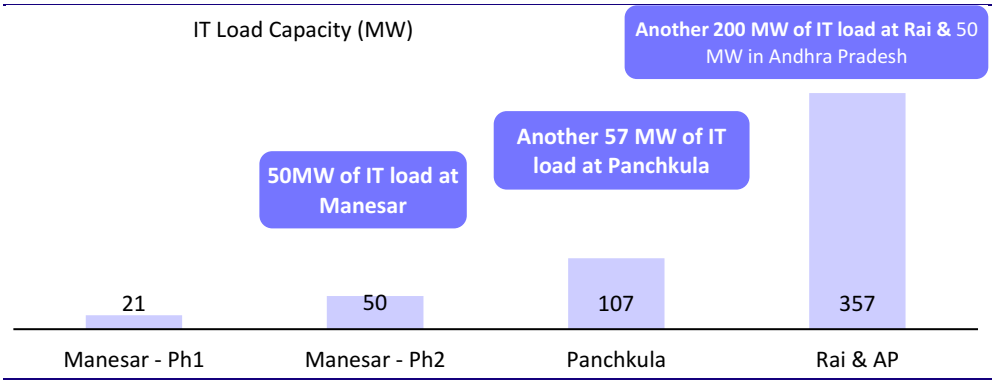
- The company currently has 28MW of operational capacity, comprising 21MW in Manesar and 7MW in Panchkula. Of this, 24MW is allocated to co-location and 4MW to cloud, with 2MW of cloud capacity already operational and the remaining 2MW targeted in 2HFY27. Operational capacity is expected to reach 63MW by FY27-end.
- The company has buildings ready for 157MW of capacity and land available for another 307MW, reducing capex requirements per MW compared with peers.
- The company has invested ~INR260m/MW in co-location capacity, which could increase to ~INR340m/MW as the greenfield expansions commence.
- Total investment, including capex and opex, is estimated at INR1.5b/MW for cloud compared with INR260m/MW for co-location. However, cloud offers 10-12x higher revenue and PAT potential, with an estimated payback period of ~1 year versus ~3 years for co-location.
- Government clients account for ~70% of tenants, with private clients contributing the remaining 30%. Monthly base charges are ~INR9m/MW for government clients and INR10-11m/MW for private clients.
- The company expects to benefit from the government's push to store Indian data domestically, alongside rising demand from foreign companies seeking to host data in India.
- ARCP has established offices in Singapore to facilitate data-related business and act as a reseller as foreign companies increasingly bring data into India. India's relatively low data center capex and opex, along with its positioning as a safe and secure destination, provide a competitive advantage.
- In 2QFY27, data center EBITDA margin was ~71%, whereas for the real estate business, it was ~24%.

Capital allocation and demerger developments

- The company expects to receive SEBI's approval for the proposed demerger of its real estate and data center businesses in 3QFY27, which would be followed by approval from the NCLT.
- Total FY27 capex for data centres is estimated at INR13b, of which INR4.2b was incurred in 1HFY27, with ~INR9b expected in 2HFY27. The company currently has ~INR7.3b of cash, and further inflows from the real estate business and operational data center segment would fund the growth plans.
- FY27 inflows from the real estate business are expected at INR13.5b, of which INR6.4b has already been received. FY27 real estate outflows are estimated at INR6.9b, with INR3.1b incurred so far.

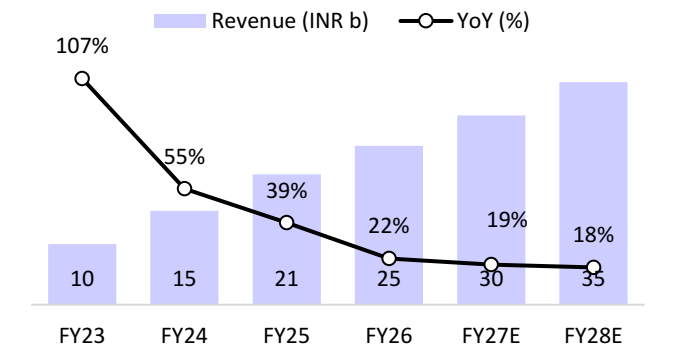
Story in charts

Exhibit 1: IT load capacity roadmap by FY32E



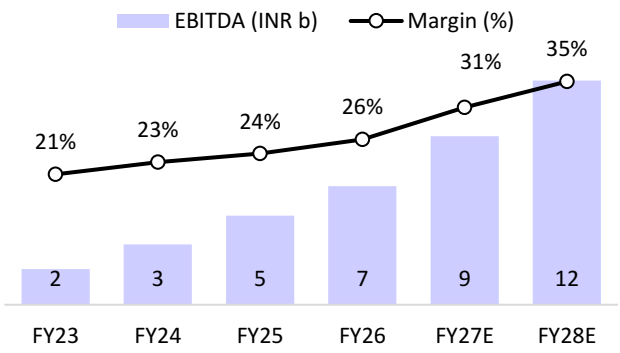
Source: MOFSL, Company

Exhibit 2: Revenue to post an 18% CAGR over FY26-28E



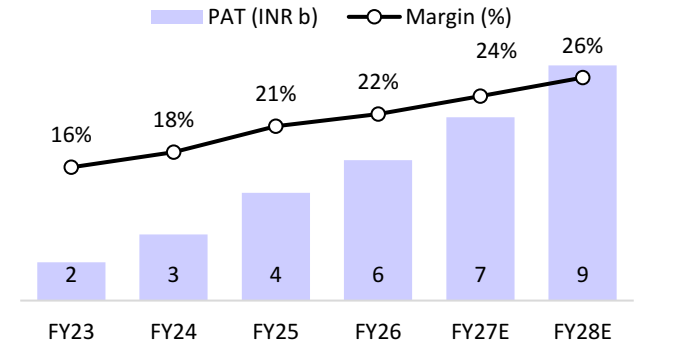
Source: MOFSL, Company

Exhibit 3: EBITDA to reach INR12b, with 35% margin in FY28E



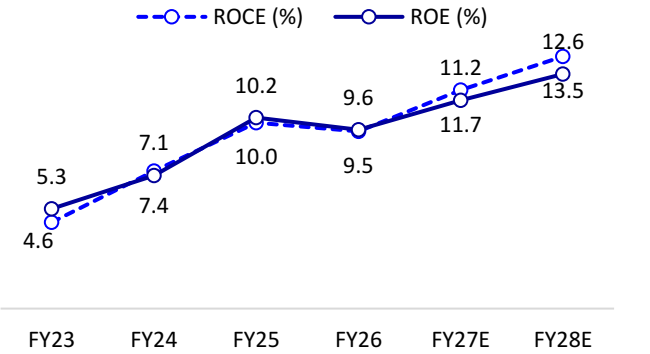
Source: MOFSL, Company

Exhibit 4: PAT to post a 29% CAGR over FY26-28E



Source: MOFSL, Company

Exhibit 5: RoE and RoCE to improve



Source: MOFSL, Company

Exhibit 6: Change in our estimates

	Old		New		Change	
(INR m)	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	29,874	35,154	29,874	35,154	0%	0%
EBITDA	9,309	12,392	9,443	12,392	-1%	0%
Adj. PAT	7,235	9,285	7,459	9,310	-3%	0%

Source: MOFSL, Company

Valuation and view

- We have discounted the residential business cash flow at a 12.4% WACC, while assigning a 25% premium to capture the growth potential from the company's ongoing land aggregation in Sector 63A as well as expansion to a new sector.
- The commercial business cash flow is discounted at a capitalization rate of 8.0%, while delivering a 4% terminal growth rate.
- The data center business is valued on a DCF basis.
- We reiterate our BUY rating on the stock with a TP of INR680, based on our SoTP valuation. The TP has slightly lowered as we have tweaked the timelines of capex to be incurred toward the DC business.

Exhibit 7: Our SoTP-based valuation table

NAV Calculation	Rationale	INR b	Per share (INR)	(%)
Residential	❖ Assigned 25% premium to NAV considering the growth visibility	101	281	41
Commercial	❖ 4% Terminal growth; 8.0% Cap rate	26	73	11
DC & Cloud		113	315	46
GAV		**241**	**668**	**98**
Less: Net Debt		-3	-9	1
Net Asset Value (rounded)		**244**	**680**	**100**
CMP			460	
Upside/downside			**48%**	

Source: MOFSL estimates

Financials and valuations

Consolidated – Income Statement							(INR m)
Y/E March	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Total Income from Operations	**4,619**	**9,569**	**14,833**	**20,600**	**25,116**	**29,874**	**35,154**
Change (%)	85.0	107.2	55.0	38.9	21.9	18.9	17.7
Total Expenditure	**3,860**	**7,599**	**11,495**	**15,683**	**18,559**	**20,565**	**22,762**
% of Sales	83.6	79.4	77.5	76.1	73.9	68.8	64.7
EBITDA	**759**	**1,971**	**3,338**	**4,917**	**6,557**	**9,309**	**12,392**
Margin (%)	16.4	20.6	22.5	23.9	26.1	31.2	35.3
Depreciation	167	165	181	305	489	1,005	1,593
EBIT	**592**	**1,806**	**3,157**	**4,612**	**6,068**	**8,304**	**10,799**
Int. and Finance Charges	271	318	346	110	124	124	124
Other Income	394	479	374	403	675	709	744
PBT bef. EO Exp.	**715**	**1,967**	**3,186**	**4,905**	**6,619**	**8,889**	**11,419**
EO Items	0	0	0	0	0	0	0
PBT after EO Exp.	**715**	**1,967**	**3,186**	**4,905**	**6,619**	**8,889**	**11,419**
Total Tax	231	523	540	690	1,083	1,689	2,170
Tax Rate (%)	32.2	26.6	17.0	14.1	16.4	19.0	19.0
Minority Interest/Profit from JV	64	67	-36	40	12	35	35
Reported PAT	**549**	**1,511**	**2,609**	**4,255**	**5,548**	**7,235**	**9,285**
Adjusted PAT	**549**	**1,511**	**2,609**	**4,255**	**5,548**	**7,235**	**9,285**
Change (%)	415.5	175.3	72.7	63.1	30.4	30.4	28.3
Margin (%)	11.9	15.8	17.6	20.7	22.1	24.2	26.4

Consolidated - Balance Sheet							(INR m)
Y/E March	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Equity Share Capital	590	648	684	687	720	720	720
Total Reserves	25,801	27,603	35,880	40,921	57,167	64,132	73,147
Net Worth	**26,391**	**28,251**	**36,564**	**41,608**	**57,887**	**64,852**	**73,867**
Minority Interest	353	332	282	279	301	286	271
Total Loans	9,681	11,011	6,472	4,948	6,966	6,975	6,984
Deferred Tax Liabilities	251	374	512	378	268	318	368
Other non-current liabilities	1,696	1,845	1,804	1,005	354	856	873
Capital Employed	**38,373**	**41,813**	**45,634**	**48,217**	**65,776**	**73,286**	**82,363**
Gross Block	15,185	15,270	15,527	16,261	20,484	26,811	38,714
Less: Accum. Deprn.	2,084	2,217	2,389	2,694	3,182	4,187	5,780
Net Fixed Assets	**13,100**	**13,053**	**13,138**	**13,567**	**17,302**	**22,624**	**32,934**
Other Non-current Assets	4,130	3,951	4,931	8,687	12,490	14,093	19,838
Capital WIP	476	185	215	363	394	409	424
Total Investments	**4,602**	**4,603**	**3,018**	**3,107**	**1,833**	**1,633**	**1,682**
Curr. Assets, Loans&Adv.	**21,542**	**21,774**	**27,380**	**26,620**	**36,668**	**38,758**	**37,205**
Inventory	11,349	11,967	14,159	11,513	10,576	12,107	13,006
Account Receivables	218	513	996	1,258	1,785	2,046	2,408
Cash and Bank Balance	308	691	3,212	3,461	9,115	9,260	6,294
Other current assets	9,666	8,603	9,013	10,389	15,192	15,344	15,497
Curr. Liability & Prov.	**5,477**	**1,753**	**3,049**	**4,128**	**2,911**	**4,230**	**9,719**
Account Payables	60	136	192	201	455	409	482
Other Current Liabilities	5,408	1,608	2,846	3,914	2,441	3,806	9,221
Provisions	10	9	11	13	14	15	16
Net Current Assets	**16,064**	**20,021**	**24,331**	**22,493**	**33,757**	**34,527**	**27,486**
Appl. of Funds	**38,373**	**41,813**	**45,634**	**48,217**	**65,776**	**73,286**	**82,363**

Financials and valuations

Ratios							
Y/E March	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Basic (INR)							
EPS	**1.5**	**4.2**	**7.2**	**11.8**	**15.4**	**20.1**	**25.8**
Cash EPS	2.0	4.7	7.8	12.7	16.8	22.9	30.2
BV/Share	73.3	78.5	101.6	115.6	160.8	180.2	205.2
DPS	0.1	0.5	0.7	0.7	1.0	0.8	0.8
Payout (%)	7.9	11.9	10.1	6.2	6.5	3.7	2.9
Valuation (x)							
P/E	301.9	109.6	63.5	38.9	29.9	22.9	17.8
Cash P/E	231.6	98.9	59.4	36.3	27.4	20.1	15.2
P/BV	6.3	5.9	4.5	4.0	2.9	2.6	2.2
EV/Sales	36.9	17.9	11.2	8.0	6.4	5.4	4.7
EV/EBITDA	224.6	86.9	49.6	33.3	24.5	17.3	13.2
FCF per share	11.9	-0.3	2.5	-0.3	-14.1	-0.4	-9.1
Return Ratios (%)							
RoE	2.1	5.3	7.1	10.2	9.6	11.2	12.6
RoCE	1.6	4.6	7.4	10.0	9.5	11.7	13.5
Turnover Ratios							
Asset Turnover (x)	0.1	0.2	0.3	0.4	0.4	0.4	0.4
Inventory (Days)	897	456	348	204	154	148	135
Debtor (Days)	17	20	25	22	26	25	25
Creditor (Days)	5	5	5	4	7	5	5
Leverage Ratio (x)							
Current Ratio	3.9	12.4	9.0	6.4	12.6	9.2	3.8
Interest Cover Ratio	2.2	5.7	9.1	42.0	49.1	67.2	87.4
Net Debt/Equity	0.4	0.4	0.1	0.0	-0.1	0.0	0.0

Consolidated – Cash Flow Statement

Y/E March	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
OP/(Loss) before Tax	715	1,967	3,186	4,905	6,619	8,889	11,419
Depreciation	167	165	181	305	489	1,005	1,593
Interest & Finance Charges	261	308	326	98	112	124	124
Direct Taxes Paid	-231	-523	-540	-690	1,083	-1,689	-2,170
(Inc)/Dec in WC	3,617	-1,159	-3,068	-3,300	-9,379	7,635	8,690
CF from Operations	**4,530**	**759**	**84**	**1,318**	**-1,076**	**15,963**	**19,656**
Others	-297	-430	-339	-352	-509	-659	-694
CF from Operating incl EO	**4,233**	**329**	**-255**	**966**	**-1,586**	**15,305**	**18,962**
(Inc)/Dec in FA	36	-419	1,142	-1,080	-3,503	-15,444	-22,250
Free Cash Flow	**4,270**	**-90**	**887**	**-114**	**-5,088**	**-139**	**-3,287**
Others	269	216	666	359	675	709	744
CF from Investments	**305**	**-203**	**1,808**	**-721**	**-2,828**	**-14,736**	**-21,506**
Issue of Shares	0	0	0	0	0	0	0
Inc/(Dec) in Debt	-5,205	-40	-4,070	-782	1,322	100	100
Interest Paid	-261	-308	-326	-98	-112	-124	-124
Dividend Paid	-30	-35	-162	-250	-251	-270	-270
Others	884	404	5,714	1,135	11,314	-15	-15
CF from Fin. Activity	**-4,613**	**20**	**1,156**	**5**	**12,274**	**-308**	**-308**
Inc/Dec of Cash	**-74**	**146**	**2,709**	**250**	**7,860**	**261**	**-2,852**
Opening Balance	269	194	341	3,050	3,300	11,161	11,421
Closing Balance	**194**	**341**	**3,050**	**3,300**	**11,161**	**11,421**	**8,569**

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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