Management Discussion and Analysis

ECONOMY OVERVIEW

GLOBAL ECONOMY

The global economy demonstrated remarkable resilience in the face of unprecedented challenges in 2023. Despite central banks raising interest rates to stabilise prices, growth in employment and incomes remained stable, buoyed by favourable demand and supply dynamics in major economies. Global growth, estimated at 3.2% in 2023, is projected to continue at the same pace in both 2024 and 2025. The global expansion is likely to remain modest owing to increasing geopolitical tensions, China's slow recovery, and volatile markets. Geopolitical conflicts, including the prolonged war in Ukraine and instability in the Middle East, have disrupted global supply chains, increasing logistical costs and fuel prices. Advanced Economies (AEs) are expected to see an uptick in growth, from 1.6% in 2023 to 1.7% in 2024 and 1.8% in 2025. Growth in Emerging Markets and Developing Economies (EMDEs) is expected to witness a moderate decline from 4.3% in 2023 to 4.2% in both 2024 and 2025.

(Source: IMF World Economic Outlook, April 2024)

INDIAN ECONOMY

India continues to outperform in a challenging economic environment, retaining its status as the world's fifth-largest and fastest-growing major economy. As per IMF estimates, India recorded a Gross Domestic Product (GDP) growth of 8.2% in FY 2023-24 as against 7.2% growth achieved in FY 2022-23. Growth is expected to remain strong at 6.8% in FY 2024-25 and 6.5% in FY 2025-26, on the back of strong domestic demand, rising working-age population, moderate inflation, stable interest rates, and increased capital expenditure.

High-frequency indicators such as the Index of Industrial Production, Goods & Services Tax collections, and the Manufacturing Purchasing Managers' Index reflect strong economic momentum. The Reserve Bank of India showcased its exemplary handling of an inflationary environment by playing a balancing act, raising policy rates just enough to curtail inflation while continuing to support economic growth. Furthermore, the Interim Budget 2024-25 has set the stage for India to become a developed and self-reliant nation by 2047, focussing on infrastructure, digital initiatives, tax reforms, and inflation management.

(Source: IMF World Economic Outlook, April 2024)

INDUSTRY OVERVIEW

INDIAN REAL ESTATE SECTOR

India's real estate sector is experiencing significant growth, fuelled by various factors including increased job creation, wealth accumulation, urbanisation, and supportive government policies. The sector's expansion is closely linked with the corporate world, boosting demand for office spaces as well as residential properties in urban and semi-urban areas. Real estate is a vital source of employment in India, second only to agriculture, attracting substantial non-resident Indians (NRIs) investment. Bengaluru leads the pack as the preferred NRI investment destination, followed by Ahmedabad, Pune, Chennai, Goa, Delhi, and Dehradun. This interest from NRIs is expected to remain strong both in the short and long term, enhancing the sector's growth prospects. Increased urbanisation and growing household incomes are propelling the residential property demand. Additionally, retail, hospitality, and commercial sectors are witnessing significant growth, providing crucial infrastructure for India's evolving needs.

In 2023, India established itself as a global office hub, leveraging its robust tech ecosystem, abundant talent pool, and cost advantages to strengthen its position as the Global Capability Center (GCC). Global companies continued to trust India as an innovation leader. Policy interventions have further solidified India's standing as an alternative manufacturing hub. The residential sector also broke new records, with home sales reaching an all-time high despite rising interest rates and increasing prices, reflecting strong domestic sentiment. The retail sector remained robust, with significant mall completions and net absorption reaching a decade-high. With its diverse segments and promising growth prospects, the Indian real estate landscape is poised for an exciting future.

(Source: JLL Research)

Government reforms for India's real estate sector

- Proposal to increase the capital expenditure target by 11.1% to ₹ 11.11 Lakh Crore for FY 2024-25 to support infrastructure and real estate development.
- Announcement of two crore additional houses under the PMAY (Pradhan Mantri Awas Yojana) Gramin (PMAY-G) to be developed over the next five years in the Interim Budget 2024 to meet the escalating housing demands and enhance rural infrastructure.
- Announcement of the launch of the Housing for Middle-Class scheme to bolster and financially support the service and salaried classes to purchase or build their independent homes.

INDIAN RESIDENTIAL REAL ESTATE MARKET

As the nation recovers from the pandemic, all categories of real estate assets have undergone a rebound, with the residential sector experiencing the swiftest resurgence. The heightened need for security and open living spaces has fuelled the demand for homes, bolstered further by exceptionally low-interest rates and affordable property prices.

The demand for residential properties not only displayed resilience but also surged to a ten-year high in terms of annual sales in 2023. Increased savings during lockdowns, minimal income disruptions in mid and high-income brackets, and robust economic growth propelled the growth of the residential real estate market in India. Demand momentum was strong in H2 2023 with sales growing on a YoY basis across all markets. Notably, the resurgence in demand has driven residential development to a ten-year high, with both half-yearly and annual launch volumes in 2022 and 2023 surpassing sales.

The residential market sustained its momentum as it stepped into 2024 with sales growing at 9% YoY in Q1 2024 to 86,345 units and new launches experiencing a 7% YoY growth to 93,254 units. Stable economic conditions, positive buyer sentiments, and supply from established developers have catalysed the sector to new heights.

All-India Residential Market

Particulars	2023	2023 Change (YoY)	H2 2023	H2 2023 Change (YoY)	Q1 2024
Launches (housing units)	350,746	7%	177,382	6%	93,254
Sales (housing units)	329,097	5%	172,457	15%	86,345

(Source: Knight Frank Report)

The industry continues to consolidate with residential developments steadily shifting into the hands of stronger developers who have been able to weather the economic storm created by the pandemic. While ready inventory remains a strong preference for homebuyers, established developers with a robust execution record are increasingly finding a market for their under-construction inventory.

NCR (NATIONAL CAPITAL REGION) RESIDENTIAL REAL ESTATE

In 2023, the National Capital Region (NCR)'s primary residential market continued to witness robust growth in homebuying demand. The residential sales grew by 3% YoY to 60,002 units, which is the highest since 2013, driven primarily by the pent-up demand in the aftermath of the pandemic. In terms of half-yearly sales, H2 2023's residential sales volume represents a 2% YoY growth over H2 2022. The RBI's status-quo stance on the repo rate hike cycle in 2023 coupled with positive sentiment towards homebuying during the festive period continued to support new sales in the region. Of the total units sold in H2 2023, Gurugram accounted for a 45% share. Premium segment projects in Gurugram's key locations continue to witness increased interest from homebuyers who are looking for contemporary amenities and new addresses that are synonymous with luxury. The imminent completion of Dwarka Expressway has also given a fillip to homebuying in locations near Central Peripheral Road and Southern Peripheral Road.

In contrast to residential sales, new launches remained largely stagnant in 2023 witnessing a marginal 1% YoY dip to 62,649 units. During 2023, developers continued to launch new projects to capitalise on the demand for new homes and focussed on new land acquisitions to create a future pipeline of projects. In H2 2023, NCR's total launches declined by 5% over H2 2022. Gurugram accounted for 65% of the total half-yearly launches as its growing prospects received a major boost with improving connectivity, making them a hotbed for developers to expand real estate development.

NCR Residential Market Performance

Particulars	2023	2023 Change (YoY)	H2 2023	H2 2023 Change (YoY)	Q1 2024
Launches (housing units)	62,649	(1%)	32,911	(5%)	14,893
Sales (housing units)	60,002	3%	29,888	2%	15,527

(Source: Knight Frank Report)

INDIAN COMMERCIAL REAL ESTATE MARKET

India solidified its status as the fastest-growing large economy in the world in 2023. The positive sentiment regarding the economy has been the primary driver of occupier activity in the Indian office market, which has sustained momentum since the pandemic.

Occupier sentiments improved steadily in 2023 with cumulative transaction volumes across the eight markets increasing progressively over the year. The year ended with annual transacted volumes growing by 15% YoY to 5.53 mn sq m (59.6 mn sq ft). H2 2023 saw transaction volumes of 3.11 mn sq m (33.4 mn sq ft) which constitutes a healthy 27% YoY growth and marks H2 2023 as the half-yearly period with the highest transacted volume since 2012. Office completions have been comparatively subdued as development interest is largely focussed on residential projects due to the relatively steeper increase in sales and prices in the residential market. 3.98 mn sq m (42.9 mn sq ft) of office space were completed in 2023, 13% lower than a year ago. The second half of the year was comparatively better with 2.31 mn sq m (24.8 mn sq ft) getting delivered.

Q1 2024 saw this momentum continuing with transaction volumes growing by a robust 43% YoY to 1.51 mn sq m (16.2 mn sq ft). Bengaluru saw the highest occupier activity followed by NCR, Hyderabad, and Mumbai. Office completions reached 1.21 mn sq m (13.0 mn sq ft) during Q1 2024. Demand for office space is anticipated to expand further, driven by a diverse range of occupier segments such as flexible workspaces, GCCs, manufacturing, and technology firms.

All-India Office Market

Particulars	2023	2023 Change (YoY)	H2 2023	H2 2023 Change (YoY)	Q1 2024
Completions (mn sq. ft)	42.9	(13%)	24.8	(2%)	13
Transactions (mn sq. ft)	59.6	15%	33.4	27%	16.2

(Source: Knight Frank Report)

NCR COMMERCIAL REAL ESTATE

The National Capital Region (NCR) witnessed unprecedented growth in office space leasing in 2023, recording 0.9 mn sq m (10.1 mn sq ft) in transaction volume. Resilient domestic economic growth has supported occupier demand from diverse sectors and showcases the positive trend for office space absorption despite weak global conditions. The growing trend of work from office has improved occupier confidence and brought traditional office formats to the centre stage.

In H2 2023, nearly 0.5 mn sq m (5.1 mn sq ft) office spaces were leased in various business districts of NCR, representing a 4% annual growth over H2 2022 transaction volume. While the hybrid work model continues to exist in sectors such as Information Technology, the emergence of office space requirements from core businesses such as banking, financial services and insurance (BFSI), manufacturing, consulting, and education has been strong in the second half of the year. Of the total volume of office spaces leased during H2 2023, Gurugram accounted for a 65% share of the pie, increasing from 55% in H2 2022.

New office space completions stood at 0.7 mn sq m (7.0 mn sq ft) in 2023, marking an 11% YoY degrowth as limited office buildings received occupancy certificates during the period. On a half-yearly basis, new completions in H2 2023 reduced by 43% YoY. Similar to the demand trends, Gurugram and Noida saw the highest increase in new supply at 49% and 43%, respectively. The rising demand in these cities continues to drive the development of greenfield office spaces. Additionally, with an increasing focus on ESG compliance, many new office buildings with sustainable designs are being introduced.

NCR Office Market Performance

Particulars	2023	2023 Change (YoY)	H2 2023	H2 2023 Change (YoY)	Q1 2024
Completions (mn sq. ft)	7.0	(11%)	3.1	(43%)	1.6
Transactions (mn sq. ft)	10.1	14%	5.0	4%	3.1

(Source: Knight Frank Report)

INDIAN DATA CENTRE INDUSTRY

The Indian data centre industry is poised for significant growth, fuelled by ongoing digital transformation initiatives. The advent of Generative AI and Machine Learning (ML) has opened a plethora of possibilities, leading to an exponential increase in computing usage across various applications. This surge is expected to boost the demand for high computing and storage servers, propelling the growth of high-end data centres. With the Asia-Pacific region expected to benefit from resource availability and the growth of AI-led innovations, India's data centre sector is preparing to adapt to the evolving landscape.

India's digital landscape has been vibrant with numerous developments in 2023, painting a promising picture of future growth. Significant milestones include the passage of the Digital Personal Data Protection Act, the accelerated rollout of 5G technology, the establishment of a robust digital public infrastructure, and the arrival of new cable landings. Additionally, major partnership deals for AI/ML development underscore the high-growth phase in the Indian data centre landscape.

India's DC operational capacity stood at 778 MW in the first half of 2023 following an unprecedented demand surge in 2022 due to the pandemic-driven reliance on digital infrastructure. Looking ahead, the industry is projected to grow at a 20% CAGR over the next 3.5 years, with an estimated increase of 693 MW in capacity from the second half of 2023 to 2026. This expansion will entail an additional 8.8 million square feet of real estate and fresh investments of USD 4.4 billion.

(Source: JLL Research 2023: Data Centre Update)

Growth Drivers

- **Advancements in technology:** The increasing penetration of AI and ML, the widespread adoption of cloud computing, and the expansion of 5G networks are escalating the need for data centres to manage the surging data traffic effectively. 5G subscriptions are expected to reach 700 million by the end of 2028 leading to 16% CAGR growth of data usage by smartphones from 26 GB in 2022 to 62 GB per month in 2028. Additionally, AI-led demand for Indian DCs is expected to gain pace from 2024. Indian Generative AI is projected to grow at a 28% CAGR from 2023 to 2030, which will, in turn, generate robust demand for data centres.

(Source: JLL Research)

- **Surge in data consumption:** The surge in data consumption in India is significantly driven by its vast internet user base, which stands at more than 820 million. With the highest mobile data usage globally that continues to grow, there's a corresponding increase in data generation and consumption. This trend is contributing to the rapid expansion of India's digital economy, creating a massive demand for data centres, as these facilities are critical for storing, managing, and processing the vast amounts of data generated daily.

- **Green Data Centres:** Sustainability will be a key focus area, with developers increasingly investing in renewable energy sources and energy-efficient technologies to minimise their environmental footprint.

- **Data Protection Law Compliance:** The compliance requirements of the Data Protection Act are expected to significantly drive higher demand for data centres. These facilities, with their extensive global compliance experience, are well-equipped to meet these stringent regulations. Additionally, local data storage is likely to gain momentum as companies strive to adhere to data protection laws concerning access and reporting. This increased focus on compliance will further bolster the reliance on data centres.

INDIAN HOSPITALITY INDUSTRY

The Indian hospitality industry demonstrated remarkable resilience and growth in 2023, despite facing challenges such as increased hotel fees, higher airfares, and rising travel costs. The sector benefited significantly from a surge in domestic tourism as Indian travellers continued to explore both domestic and international destinations. The resurgence was notably driven by a rebound in travel post-COVID, with hotels experiencing significant revenue growth across various segments including domestic leisure travel, MICE (Meetings, Incentives, Conferences, and Exhibitions) events, and the influx of business travellers. Notable events such as the G20 Summit and the ICC Cricket World Cup contributed to high occupancy rates and vibrant activity in both formal and informal lodging sectors.

Going forward, the outlook of the hospitality sector remains positive with expectations of consistent growth, especially in domestic travel. Premium hotels in India are projected to maintain high occupancy rates and average room prices. As India continues to focus on infrastructure development and maintains its position as one of the largest global arenas for both international and domestic investments, the hospitality sector will likely see further expansion.

COMPANY OVERVIEW

Anant Raj Limited (hereinafter referred to as 'the Company' / 'ARL') stands as one of the most established & reputed Real Estate Developers in the Delhi & National Capital Region (NCR). ARL was established in 1969 and is actively engaged in the Real Estate Development, Construction and Infrastructure Development sectors. The Company has a diverse portfolio of Projects, including Integrated Residential Townships, Group Housing, IT Parks, Hotels, Commercial Complexes, Malls, Service Apartments, Warehousing and Data Centres.

Over the past five decades, ARL has maintained a strong track record in managing complex and significant projects with proficiency. The Company has successfully developed over 9.07 million square feet of Real Estate Projects which includes Residential, Commercial and IT Parks, becoming synonymous with some of the most renowned landmarks in Delhi & NCR. ARL's profound knowledge of the NCR market, long-standing relationships with local supply chains, satisfied customer base, robust execution capabilities, and innovative offerings have cemented its position as a preferred player in the industry. Additionally, ARL has strategically acquired a substantial land bank at low cost, ready-to-develop lands in areas around in Delhi & NCR with high growth potential, setting the stage for future real estate development.

PROJECT UPDATES

Residential

Project Name	Details	Present Status
Anant Raj Estate Township	Amongst the Company's most prestigious projects, Anant Raj Estate is spread across 121.07 acres. Commenced in 2012, the project is modelled as an International Standard Gated Community with Residential Plots, Built-up Luxury Villas and Independent Floors, Commercial Spaces, and other Social Infrastructure like Schools, Nursing Homes, Community Centres, Office Complexes, etc.	Anant Raj Estates is an expansive Residential Township Project, which includes a variety of Plots, Villas, Independent Floors, and Community Sites. The infrastructure of the Township is ready and operational. The first phase of the Independent Floors has been successfully completed and handed over to buyers, with preparations underway to commence the second phase of Indendepent Floor Development. The second phase is projected to generate a revenue potential of ₹ 1,600 Crore over the next 3 years.
JV with Birla Estates, a Aditya Birla Group and Anant Raj Limited	The Project "Navya", involves the Construction & Development of 764 Independent Luxury Floors spanning 47 acres in Sector 63A, Golf Course Extension Road, Anant Raj Estate Township being developed by the Company.	The project has seen considerable success, with the first three phases, totalling 554 units, fully sold out. The fourth phase of the project is scheduled for launch in the Q2 FY25. The units launched in Phase-1 are ready for delivery and possession has been offered to the home buyers.
Ashok Estates	Ashok Estates, plotted development is spread across 20.14 acres, dedicated to the memory of our founder, Shri Ashok Sarin. This completed plotted development features plots up to 180 sq. yards with a total inventory of 320 units. Since its launch, 100% of the units have been sold. Ashok Estate is designed to foster an Integrated Community living environment, strategically located near the prestigious Golf Course Extension Road.	The infrastructrure of the project is completed and about 700 independent floors are under construction by plot buyers of the Project. Since its inception, the project has seen an appreciation of over 60%.
Estate Residences	The Estate Residences is a luxury Group Housing Project to be developed on a 5.43-acre, located at Sector 63A, Gurugram. The project is having a saleable area of 1 msf in 248 units, consisting of 4 BHK ultra luxury apartments with all amenities and facilities. These apartments will boast views of the Aravalli Hills on one side and the cityscape of Gurugram on the other.	Launched in Q4 FY 2023-24 with a total saleable area of 1 msf and revenue potential of ₹ 1,810 Crore. The project has achieved remarkable success, with units sold out and an average selling price of ₹ 18,000/- psf of super area. The construction and development of the project has already commenced.

Affordable / low cost housing

Project Name	Details	Present Status
Anant Raj Aashray II, Tirupati	The project involves construction of 1,848 affordable homes across 10.14 acres of land in the industrial colony of APIIC (Andhra Pradesh Industrial Infrastructure Corporation). With having built up area of 644 sq. ft., the project will have a total saleable area of 1.2 msf.	All the approvals including RERA for the project were received and opened for sale to the general public. The construction and development of the project has already commenced and is targeted to be completed by 2027.

Hospitality

Project Name	Details	Present Status
Anant Raj Center 1, Chattarpur, South Delhi	The project features an operational leasable area of 0.7 lakh sq. ft., with an additional 4.90 lakh sq. ft. under development. Approval to increase the Floor Space Index (FSI) from 0.15 to 1.75 has already been received, facilitating this expansion.	Developed over a land area of 5.75 acres and currently has a constructed area of 1 lakh sq. ft. It is operational and generates revenues. The construction of additional developable area is going in full swing and phase-1 of expansion is likely to be completed by FY 2025-26.
Anant Raj Center 2, NH-8, Delhi	Developed across 7.61 acres of land on NH-8 (constructed area 1 lakh sq. ft.).	The project encompasses a leased area of around 1 lakh sq. ft. Plans are in place to further develop an additional 6 lakh sq. ft. The design and development work is in progress to increase the Floor Space Index (FSI) from 0.15 to 1.75 as allowed in MPD 2031. The Motel is currently operational and leased to operator.

Commercial Projects

Project Name	Details	Present Status
Office Building, Sector 44 Gurugram	A LEED Certified Grade A building with robust infrastructure. It is built on a land area of 8,400 sq. mts. and has a total area of 2,10,000 sq. ft.	The commercial building is opearational and fully leased.
Anant Raj Tech Park, Manesar	Spread across 10 Acres, the Project has a total Constructed Area of approx. 1.8 msf, of which 1.2 msf is leasable area. It is located in IMT Manesar and in proximity of Gurugram, a hub of IT / ITeS and BPO Companies.	The existing facility is operational with 3 MW IT load and another 3 MW has been completed in May 2024. The total planned capacity at Manesar Data Centre is 50 MW IT load data Centre. This aims to substantially increase its capacity and capabilities to meet the growing demands of Data Centre.
Anant Raj Tech Park, Panchkula	Spread across 9.23 acres, the project has a developable area of 1.6 msf of which leasable area is 1.2 msf.	The IT Park is currently operational and substantial portion of building is leased to various firms. The part of existing structure is being converted into 7 MW IT Load which is expected to be completed by Q3 FY 2024-25. Phase 2 involves a Greenfield expansion aimed at developing a 50 MW IT load Data Centre capacity.
Anant Raj Trade Centre, Rai	Spread across 25 acres, it is a world-class IT destination having a total development area of 5.1 msf of which 3.4 msf is leasable. Being situated on NH 1 (New NH 44), 5 km from Delhi border, it has robust connectivity and proximity to key destinations, including North India which offers huge potential for business hubs.	The existing building is being upgraded to house a 100 MW Tier III Data Centre additionally, plans for greenfield expansion that will introduce either a Tier III or Tier IV Data Centre, adding another 100 MW of IT Load Capacity is being finalised. Total of 200 MW is proposed.

Business Strengths

Diverse portfolio encompassing Residential, Commercial, Data Centres, IT Parks, Logistics, Retail, Hospitality and Townships.

Experience of 5 decades in the real estate market leading to strategic growth in revenue and profits.

Reduced debt significantly over the past three years.

Improved acceptability in the market with market capitalisation improving from strength to strength.

Strategies

1 **Monetising land bank**
Revenue potential of ₹15,000 Crore in the next 5 years from residential and commercial projects in Sector 63 A Gurugram.

2 **Data Centre Expansion**
Scale up to 307 MW IT Load Data Centre within the next 4 to 5 years

3 **Cloud service adoption**
Working towards cloud services which will yield significantly higher rental income.

4 **Unlocking future development**
Capitalise on 100 acres of fully paid freehold land in Delhi NCR for future residential, warehousing, and hospitality projects

5 **Expanding township**
Potential to acquire incremental 25 acres in Gurugram in the next 2 years

FINANCIAL OVERVIEW

Consolidated Profit & Loss analysis

Financial Snapshot

(₹ Crore)

Year	FY 2023-24	FY 2022-23	YoY Change
Net Sales	1483.30	956.94	55.00%
Other Income	37.44	47.92	-21.87%
Total Income	1,520.74	1,004.86	51.34%
EBITDA	371.25	244.98	51.54%
Depreciation	18.06	16.51	9.39%
Interest	34.61	31.76	8.97%
Profit Before Tax (PBT)	318.58	196.71	61.95%
Profit After Tax (PAT)	265.93	151.12	75.97%

Revenues

The Company's revenues increased by 55% from ₹ 956.94 Crore in FY 2022-23 to ₹ 1,483.30 Crore in FY 2023-24. Nearly 96.33% of the total revenues came from residential sales while the remaining 3.67% came from rentals and services.

Profitability and Margins

The EBITDA increased by 51.54% from ₹ 244.98 Crore in FY 2022-23 to ₹ 371.25 Crore in FY 2023-24 and PAT increased by 75.97% from ₹ 151.12 Crore in FY 2022-23 to ₹ 265.93 Crore in FY 2023-24. The EBITDA and PAT margins during FY 2023-24 stood at 25.03% and 17.93%, respectively.

Other Income

Other income stood at ₹ 37.44 Crore in FY 2023-24 as against ₹ 47.92 Crore in FY 2022-23.

Consolidated Balance Sheet analysis

Shareholders' Fund / Net Worth

The Shareholders' fund comprising Share Capital, Reserves and Surplus and Non-controlling interest increased by 28.91% from ₹ 2,858.28 Crore as of March 31, 2023 to ₹ 3,684.54 Crore as of March 31, 2024. Share capital as of March 31, 2024, stood at ₹ 68.38 Crore comprising 34,18,90,753 equity shares of ₹ 2 each. Reserves and Surplus were ₹ 3,587.98 Crore as of March 31, 2024, as compared to ₹ 2,760.26 Crore as of March 31, 2023.

Sundry Debtors

Debtors increased from ₹ 74.16 Crore as of March 31, 2023 to ₹ 122.09 Crore as of March 31, 2024.

The Company's Net Worth stood at ₹ 3,404.38 Crore as of March 31, 2024, as compared to ₹ 2,761.35 Crore as of March 31, 2023.

The Company continues to maintain its track record of consistently declaring dividends for the last 5 years. For the year ending March 2024, it has declared an equity dividend of 36.50% amounting to Re. 0.73 per share, subject to the approval of shareholders.

Details of Key Consolidated Financial Ratios that registered more than 25% change during FY 2023-24

Ratios	FY 2023-24	FY 2022-23	YoY Change	Reason for Change, if change is more than 25%
Debt Equity Ratio[1]	0.17	0.37	-54.05%	Due to the repayments of borrowings during the year.
Return on Equity[2]	7.27%	5.35%	35.89%	Due to an increase in net profit and equity as compared to previous year.
Operating Profit Margin[3]	0.22	0.21	4.76%	-
Net Profit Margin[4]	0.18	0.16	12.5%	-

[1] (Total debt / Total equity)
[2] (Profit after tax / total equity)
[3] {(Profit before tax - Exceptional income) / Turnover}
[4] (Net profit after NCI and associate share / Turnover)

CORPORATE SOCIAL RESPONSIBILITY

ARL is dedicated to contributing positively to the communities and society where it operates. The Company's CSR efforts are focussed on key areas such as healthcare and sanitation, education, environmental protection, rural development, animal welfare, preservation of natural heritage, promoting sports, and vocational skills programmes for women. ARL has established a Corporate Social Responsibility (CSR) Committee that is tasked with formulating and recommending a CSR policy to the Board. This approach underscores the Company's dedication to fostering a sustainable and environmentally conscious society. In FY 2023-24, ARL invested ₹ 194.10 Lakh in various projects under the CSR realm, showcasing its commitment to innovative and impactful social contributions.

HUMAN RESOURCES

At ARL, employees are considered the backbone of the organisation, pivotal to its continued success. The Company is committed to creating a supportive environment that not only attracts but also retains top talent. This commitment is underpinned by robust HR policies and practices aimed at ensuring employee welfare. To enhance employee skills, ARL offers a variety of development and learning programmes, drawing from a broad spectrum of information, qualifications, skills, professional experiences, cultures, geographies, and industry insights.

Prioritising health and safety, ARL conducts regular mock trainings and drills to maintain a high level of preparedness among its workforce. The Company adheres to the highest international safety standards, meticulously following all safety instructions and often exceeding regulatory requirements with additional measures. As of March 31, 2024, ARL's dedicated team comprised 204 employees.

INTERNAL CONTROLS

ARL has established stringent internal controls in line with the size and complexity of its business operations. The Company has in place well-documented policies, guidelines, and procedures designed to monitor business and operational performance, protect assets, ensure compliance with laws and regulations, and accurately report financial transactions. Periodic audits are conducted by an independent internal audit firm to verify the adequacy and effectiveness of these internal controls. ARL's robust MIS system plays a crucial role in rigorous monitoring of data, ensuring that all significant expenditures remain within the budgeted limits.

RISKS AND MITIGATION

Economic Risk: ARL faces potential economic risks such as a slowdown in the global economy, geopolitical tensions, and adverse market developments. These factors can lead to demand fluctuations in the real estate market, directly affecting the Company's performance.

Mitigation: In response to these challenges, ARL has strategically diversified its portfolio to include a presence in all key segments of the real estate industry. The Company has expanded into the Data Centre and Warehousing sectors and increased its focus on the affordable housing segment. ARL's robust foundation – built on skilled personnel, efficient processes, and advanced technology – enhances its ability to perform well and achieve sustainable growth, even in fluctuating market conditions.

Interest Rate Risk: High interest rates on mortgages pose a risk by potentially deterring buyers from investing in real estate properties, which could impact ARL's business operations.

Mitigation: Over the past year, real estate prices have increased due to rising demand. High interest rates have not adversely affected the real estate market. ARL has experienced significant growth, with its business expanding by 23%. ARL has been able to reduce its weighted average interest rate on mortgages to 9.29% for FY25 compared to 15.01% for FY24 by repaying high cost debt besides reducing overall debt of the Company. Futher, the Company anticipates continued growth in the coming period, suggesting resilience and adaptability in navigating economic fluctuations and interest rate challenges.

Liquidity Risk: The real estate sector is capital-intensive, posing liquidity risks that could affect the continuity and profitability of ARL's operations.

Mitigation: ARL has effectively managed this risk by acquiring its land bank at low costs, which is now being developed after securing necessary project approvals. This strategic approach minimises the need for substantial capital outlays. Furthermore, the performance for FY 2023-24 indicates an improvement in the company's financial position, with significant growth in both revenue and profitability, demonstrating strong liquidity management.

Execution Risk: The real estate sector is highly sensitive to regulatory changes and demands extensive approvals and compliance. Delays in obtaining regulatory approvals, clearances, or facing labour shortages can result in cost and time overruns, as well as delays in project launches.

Mitigation: ARL proactively manages these risks by ensuring compliance with the regulations enforced by state governments and district authorities. The Company meticulously executes projects with all necessary approvals and compliances in place. Project launches and completions adhere strictly to schedules, and the availability of abundant labour helps prevent any cost and time overruns.

Input Risk: High costs for materials and labour can lead to increased construction expenses, impacting ARL's margins and profitability.

Mitigation: ARL has established long-term relationships with major suppliers to ensure timely and uninterrupted supply of quality raw materials at competitive prices. Additionally, labour issues are predominantly managed at the contractor level, which minimises direct interaction and potential disruptions at the corporate level, thus stabilising construction costs and preserving profit margins.

Credit Risk: Credit risk arises when a borrower fails to repay the principal and interest to the lender, which can adversely affect the Company's revenue and profitability.

Mitigation: ARL maintains a strong record of regular loan accounts and sufficient cash flows to meet the repayment of principal and interest amounts each month for the upcoming years. This financial stability ensures that credit risk does not negatively impact the Company's revenue and profitability, allowing ARL to continue its business operations without financial disruption.

Quality Risk: Failure to uphold high-quality standards could impact ARL's reputation and result in inventory accumulation, negatively impacting the business.

Mitigation: ARL adheres to best-in-class quality control processes and systems to ensure maximum customer satisfaction. The Company is renowned for maintaining the highest quality standards and delivering projects on time. It leverages a skilled team of engineers, architects, designers, and other associated staff, supported by a robust IT platform. ARL is continuously enhancing its quality systems and investing in advanced technologies to boost operational efficiencies, thereby minimising the risk of quality shortfalls and reinforcing its market reputation.

Location Risk: The success of real estate heavily depends on the location. The inability to secure prime, attractive locations for development can lead to reduced investor interest and substantial financial losses.

Mitigation: ARL mitigates this risk by strategically focussing on Anant Raj Estate located in Sector 63A, Gurugram, which has emerged as a prime area for both residential and commercial investments. Over the past year, land prices in this sector have seen significant appreciation. This strategic location choice has substantially contributed to the Company's profitability in FY 2023-24 due to increased revenue. This area is becoming a new hub in Gurugram, with both residential and commercial developments expanding rapidly, indicating a strong potential for future real estate demand. ARL's approach to securing land parcels in high-demand future focus areas underpins its success and mitigates location-related risks.

CAUTIONARY STATEMENT

The Management Discussion and Analysis contains statements describing the Company's objectives, projections, estimates, expectations, or predictions. These statements are 'forward-looking' in nature and are within the meaning of applicable securities laws and regulations. The Company has undertaken various assessments and analyses to make assumptions on future expectations for business development. However, various risks and unknown factors could cause differences in the actual developments from our expectations. Important factors that could make a difference to the Company's operations include macro-economic developments in the country and improvement in the state of capital markets, changes in the Governmental regulations, taxes, laws, and other statutes, and other incidental factors. The Company undertakes no obligation to publicly revise any forward-looking statements to reflect future/likely events or circumstances.