TARC Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures   Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	TARC is transitioning from a land-steward model to an active luxury residential developer in the NCR region, underpinned by a high-value land bank and a GDV pipeline exceeding □8,000 Cr.	□Neutral
2	*Revenue concentration is extreme, with a single customer accounting for 88.58% (292.18 Cr) of total recognized revenue, creating significant counterparty risk.*	□Negative
3	*Reported operating margins are deceptive as the core business generated an operating loss of 264 Cr, with profitability salvaged only by a 292.18 Cr non-recurring land compensation.*	□Negative
4	*Bottom-line earnings quality is exceptionally poor; reported PBT of 24.57 Cr is entirely dependent on "Other Income" which stands at 23x the PBT value.*	□Negative
5	*The balance sheet is operationally insolvent with a D/E of 1.78x and a negative Interest Coverage Ratio of -5.17x, necessitating continuous high-cost debt rollovers.*	□Negative
6	Operating cash flow visibility is improving via a 44% YoY increase in customer advances to □1,384.89 Cr, though actual liquidity remains tight due to heavy debt service.	□Neutral
7	*Capex and inventory values are aggressively inflated by interest capitalization, with 83.6% (268.13 Cr) of finance costs diverted from the P&L to the balance sheet.*	□Negative
8	*The cost of capital is predatory, with secured debentures carrying IRRs as high as 24.60%, vastly outstripping the current 2% Return on Capital Employed (ROCE).*	□Negative
9	*Governance concerns are heightened by a 26% KMP pay hike and 10.48 Cr in promoter debt repayments during a period of deep operational losses and financial fragility.*	□Negative
10	*Significant litigation risk exists via the 293.60 Cr Madelia claim, which represents a potential 22% erosion of Net Worth if arbitration is unsuccessful.*	□Negative
11	The outlook depends entirely on the flawless execution and monetization of the Kailasa and Ishva projects to outrun the compounding interest burden.	□Neutral
12	Investment View: WATCH; while the luxury NCR pivot is strategically sound, the combination of poor earnings quality and high-cost leverage makes this a high-risk recovery play.	□Neutral

1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Model & Strategic Pivot:** TARC has successfully transitioned from a land-banking/restructuring phase to an **active monetization phase**, pivoting into a purely design-led, ultra-luxury developer focused on high-margin projects in the Delhi-NCR micro-markets.
- **Revenue & Growth Drivers:** The receipt of the Occupation Certificate (OC) for *TARC Tripundra* triggered revenue recognition, validating the company's ability to complete projects; the core thesis remains the **historical cost basis** of land acquired decades ago, capturing disproportionate value-added margins.

- **GDV Expansion:** *TARC Ishva* (Gurugram) saw a strategic expansion in potential, with Gross Development Value (GDV) revised upward from **□2,700 Cr to □3,600 Cr** through the launch of the 'Ishvara' phase.
- **Cost Structure & Operating Leverage:** The appointment of Krishna Buildestates (KB) for *TARC Ishva* signals a shift toward institutionalized EPC contracting to mitigate execution risks; operational scale is beginning to outpace the predatory cost of capital, reflected in a positive Consolidated EBITDA of **□205 Cr**.
- **Geographical Focus:** The company maintains a **100% concentration in Delhi and Gurugram**, targeting supply-constrained, high-value urban corridors where the "ultra-luxury" segment is seeing structural tailwinds.
- **Project Pipeline:** Management is actively marketing "TARC V, VI, and VII" (3.5 million sq. ft. total) as the next harvest, situated on fully owned, historically paid land.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management characterizes FY 2026 as the "inflection point" where the "vision arrived at value," shifting focus from survival to **cash flow expansion**.
- Specific guidance has been issued for **□10,000 Crore in cumulative business cash flows over the next four years (FY27–FY30)**.
- The sales strategy emphasizes an "end-user-focused model" to avoid speculators, ensuring the quality of the receivables book and long-term project stability.
- A "progressive deleveraging" trajectory is planned, specifically targeting the replacement of high-cost credit fund debt (18–23% IRR) with cheaper bank financing, citing the Bain Capital infusion as a primary milestone.
- Management is bullish on the **"Structural Premiumization"** of the NCR market, citing tenfold growth in the □10 Cr+ residential segment in Gurugram as a permanent macro shift.
- The execution of *TARC Kailasa* (**□4,400 Cr GDV**) and *TARC Ishva* (**□3,600 Cr GDV**) is identified as the singular driver of enterprise value over the medium term.
- Despite a Standalone Loss of □165 Cr, management is seeking **Special Resolutions for significant salary hikes** (MD basic pay to □3 Cr/year) and "Minimum Remuneration," signaling a promoter-first mindset during the recovery phase.
- **Management Tone:** The tone is **promotional and triumphant**, shifting from the defensive language of FY 2025 to a hyper-confident narrative of "measurable returns." While they signal the "debt trap" is legacy, the tone remains speculative regarding the flawless execution required to achieve the □10,000 Cr cash flow target, especially given the high-cost institutional debt still on the books.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

Basis: CONSOLIDATED.

P&L Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Sales -	330.00	34.00
Sales Growth %	879.00	-70.00
Expenses -	594.00	167.00
Material Cost % -	-135.00	0.00
Change in inventory	-444.00	0.00
Manufacturing Cost %	0.00	112.00
Employee Cost %	9.00	116.00
Other Cost %	306.00	267.00
Operating Profit	-264.00	-133.00
OPM %	-80.00	-395.00
Other Income -	342.00	5.00
Exceptional items	0.00	0.00
Other income normal	342.00	5.00
Interest	53.00	106.00
Depreciation	10.00	9.00
Profit before tax	15.00	-243.00
Tax %	-29.00	-5.00
Net Profit -	19.00	-231.00
Profit from Associates	0.00	0.00
Minority share	0.00	0.00
Exceptional items AT	0.00	0.00
Profit excl Excep	19.00	-231.00
Profit for PE	19.00	-231.00
Profit for EPS	19.00	-231.00
Profit Growth %	108.00	-223.00
EPS in Rs	0.65	-7.84
Dividend Payout %	0.00	0.00

Balance Sheet (Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	59.00	59.00
Reserves	1,003.00	984.00
Borrowings -	1,895.00	1,954.00
Long term Borrowings	1,585.00	1,049.00
Short term Borrowings	303.00	900.00
Lease Liabilities	6.00	4.00
Other Borrowings	0.00	0.00
Other Liabilities -	1,643.00	1,217.00
Non controlling int	0.00	0.00
Trade Payables	77.00	61.00
Advance from Customers	0.00	964.00
Other liability items	1,565.00	191.00
Total Liabilities	4,600.00	4,214.00
Fixed Assets -	1,320.00	1,215.00
Land	0.00	338.00
Building	0.00	60.00
Plant Machinery	0.00	15.00
Equipments	0.00	5.00
Computers	0.00	2.00
Furniture n fittings	0.00	26.00
Vehicles	0.00	14.00
Intangible Assets	278.00	278.00
Other fixed assets	0.00	574.00
Gross Block	0.00	1,312.00
Accumulated Depreciation	0.00	96.00
CWIP	0.00	0.00
Investments	0.00	68.00
Other Assets -	3,279.00	2,931.00
Inventories	2,396.00	1,951.00
Trade receivables -	7.00	10.00
Receivables over 6m	0.00	4.11
Receivables under 6m	0.00	9.27
Prov for Doubtful	0.00	-3.50
Cash Equivalents	81.00	86.00
Loans n Advances	273.00	22.00
Other asset items	522.00	861.00

Line Item	Mar 2026	Mar 2025
Total Assets	4,600.00	4,214.00

Cash Flow Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	191.00	43.00
Profit from operations	-51.00	-117.00
Receivables	3.00	-4.00
Inventory	-260.00	-227.00
Payables	19.00	37.00
Other WC items	502.00	373.00
Working capital changes	265.00	178.00
Direct taxes	-24.00	-18.00
Advance tax	0.00	0.00
Other operating items	0.00	0.00
Cash from Investing Activity -	275.00	-68.00
Fixed assets purchased	-31.00	-37.00
Fixed assets sold	0.00	0.00
Investments purchased	0.00	0.00
Investments sold	12.00	0.00
Interest received	8.00	1.00
Other investing items	286.00	-31.00
Cash from Financing Activity -	-436.00	14.00
Proceeds from debentures	835.00	0.00
Redemption of debentures	-773.00	-438.00
Proceeds from borrowings	0.00	1,000.00
Repayment of borrowings	-79.00	0.00
Interest paid fin	-375.00	-547.00
Financial liabilities	0.00	-1.00
Other financing items	-45.00	0.00
Net Cash Flow	29.00	-11.00
Free Cash Flow	159.00	6.00
CFO/OP	-81.00	-46.00

Key Ratios (₹Crores)

Line Item	Mar 2026	Mar 2025
Debtor Days	8.00	107.00
Inventory Days	0.00	0.00
Days Payable	0.00	0.00
Cash Conversion Cycle	8.00	107.00
Working Capital Days	703.00	1,121.00
ROCE %	2.00	-5.00

3.2 Financial Analysis Summary

- **Revenue** surged by **879.00% YoY to ₹330.00 Cr**, yet exhibits extreme concentration risk with **88.58% (₹292.18 Cr)** derived from a single customer, reflecting a lumpy "Point in Time" recognition policy where earnings are only booked upon project handover.
- **Net Profit** of **₹19.00 Cr** was entirely driven by **Other Income** of **₹342.00 Cr**, primarily a non-recurring land compensation of **₹292.18 Cr**; operationally, the core business remains deeply loss-making with an **Operating Profit** of **-₹264.00 Cr** and an **OPM %** of **-80.00%**.
- **Total Debt** remains elevated at **₹1,895.00 Cr**, characterized by high-risk **19.60% to 24.60% IRR** on secured debentures; the company utilized aggressive **Finance Cost** capitalization, deferring **₹268.13 Cr (83.6% of gross interest)** into **Inventory**, masking the true interest burden.
- **Cash from Operating Activity** improved to **₹191.00 Cr**, but this was fundamentally driven by a **44% YoY increase** in **Advance from Customers** (Contract Liabilities) to **₹1,384.89 Cr** rather than operational profitability.
- **Interest paid** in the **Cash Flow Statement** reached **₹375.00 Cr**, significantly higher than cash generated from operations, necessitating a **₹835.00 Cr** debenture issuance for debt rollover.
- **Inventory** reached **₹2,396.00 Cr**, representing **52.09% of Total Assets** and **7.2x annual Revenue**, indicating a slow capital rotation cycle and potential valuation risk if interest costs continue to be capitalized at high rates.
- Asset quality is pressured by **₹98.06 Cr** in **Balances Written Off** (representing 32.6% of total other expenses) and a **₹66.06 Cr** impairment provision for the litigated 'Madelia' project, where a further **₹227.54 Cr** of book value remains at risk.
- **Working Capital Days** stand at **703.00 days**, reflecting long-gestation projects that have locked up **₹86.34 Cr** in **Advances to Contractors**; core **Free Cash Flow** is non-sustainable as it relies on one-time compensation and customer advances.
- **Other Assets** include **₹170.82 Cr** in compensation receivable from HSIIDC and **₹4.77 Cr** in litigated capital advances, while **Other Liabilities** spiked due to **₹53.05 Cr** in expenses payable (up from ₹1.87 Cr).
- The dominant financial theme of the year is an **artificial transition to profitability through non-recurring land compensation and aggressive interest capitalization, masking a core operational model that remains insolvent on a standalone basis.**

3.3 Contingent Liabilities & Commitments

- **Litigation (Madelia):** ₹293.60 Cr claim against HSIIDC; a 22.5% provision (₹66.06 Cr) has been taken, but if arbitration fails, a further ₹227.54 Cr write-off (22% of Net Worth) is likely.

- **Tax Disputes:** A penalty of □2.89 Cr was confirmed by CIT Appeal (u/s 271DA); the company intends to appeal to ITAT, but cash outflow probability has increased.
- **Anti-Profiteering (GST):** Demand reduced from □6.79 Cr to □0.99 Cr following a recalculation order.
- **Claims against Group:** □53.36 Cr in various claims not acknowledged as debt.
- **Capital Commitments:** Reported at zero, which is unusual for a firm with □2,395 Cr in CWIP/Inventory, likely indicating flexible, short-term work orders rather than long-term capital contracts.

3.9 Earnings Quality & Forensic Checks

Read	Question	Verdict	Confidence	Checked
1	Is the growth real?	***FLAG***	high	6/6
2	Does profit become cash?	***WATCH***	high	5/5
3	Is the P&L being manufactured?	***FLAG***	high	6/6
4	Is value leaving to insiders?	***WATCH***	high	6/6
5	Can the balance sheet take a hit?	***FLAG***	high	5/5

Read 1 — Is the growth real? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Trade Receivables vs Revenue from operations	Rs 987.56 Lakhs	Rs 684.80 Lakhs	Receivables decreased 30.7% despite 879% revenue growth	□ CLEAN	n/a	Note Consolidated Balance Sheet, p.149
Revenue concentration (Single Customer)	not disclosed	Rs 29,218.00 Lakhs	Single customer represents 88.58% of total revenue	□FLAG	Extreme dependency on a single counterparty for 88.5% of top-line	Note 40-c / Revenue Analysis, p.178
Impairment Allowance on Receivables	Rs 0.00 Lakhs	Rs 6,605.95 Lakhs	New significant impairment provision created	□FLAG	Provision represents 20% of reported revenue from operations	Note Consolidated Cash Flow, p.150
Advances from Customers (Contract Liabilities)	Rs 96,155.00 Lakhs	Rs 1,38,489.00 Lakhs	44% increase in customer advances	□ CLEAN	Increases future revenue visibility but places pressure on delivery	Note 21.1 / Revenue Analysis, p.170

> **Mechanism:** Revenue growth was driven by a single-customer handover event (88.6% of revenue), while earnings quality was undermined by a large impairment allowance (Rs 6,605.95 Lakhs) equivalent to 20% of revenue. **Aggregate impact:** Core real estate revenue of Rs 32,984.06 Lakhs is concentrated in one customer, and a sudden impairment suggests high credit risk in legacy assets. **Direction:** deteriorating · **Watch next:** Revenue concentration percentage in FY27 · **Corroborates:** pnl_levers

Read 2 — Does profit become cash? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
CFO vs Clean EBITDA	not disclosed	Rs 19,072.57 Lakhs / -Rs 26,400 Lakhs	Positive CFO despite negative clean EBITDA	□ WATCH	Working capital release and advances are funding operations	Note Consolidated Cash Flow, p.150
Inventory Growth	Rs 1,95,143.90 Lakhs	Rs 2,39,575.76 Lakhs	Inventory grew 22.7% (Rs 44,431.86 Lakhs)	□ WATCH	Inventory absorption of Rs 444.32 Cr is 1.3x annual revenue	Note Consolidated Balance Sheet, p.149
Pre-tax operating conversion (CFO + tax paid) / EBITDA	n/a	-0.81	CFO/OP worsened from -46.00 to -81.00	□ WATCH	n/a	Note Key Ratios Table
Cash tax paid vs Book tax	Rs 1,791.33 Lakhs / Rs 76.76 Lakhs	Rs 2,356.53 Lakhs / Rs 3,183.49 Lakhs	Book tax now exceeds cash tax paid	□ WATCH	Adds Rs 826.96 Lakhs non-cash drag to PAT	Note Consolidated P&L, p.149
Working Capital Movement	Rs 17,800.00 Lakhs	Rs 26,500.00 Lakhs	Working capital release increased by 48.8%	□ CLEAN	Primary driver of positive CFO (Rs 214.29 Cr pre-tax)	Note Cash Flow Statement

Mechanism: Positive CFO is entirely dependent on customer advances (Rs 1,384.89 Cr liability) and other working capital items (Rs 502 Cr), masking an operationally loss-making core (Operating Profit -Rs 264 Cr). **Aggregate impact:** Operating cash generation of Rs 190.73 Cr is artificial as it is funded by increasing contract liabilities rather than profitable project completions. **Direction:** stable · **Watch next:** Change in Inventory vs Customer Collections in FY27 · **Corroborates:** revenue_real

Read 3 — Is the P&L being manufactured? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Non-operating / Other Income vs PBT	Rs 519.88 Lakhs / -Rs 24,319.19 Lakhs	Rs 34,194.34 Lakhs / Rs 1,480.00 Lakhs	Other Income is 23x the PBT	□FLAG	Without non-recurring 'Compensation Received' (Rs 292.18 Cr), the group would report a PBT loss of Rs 277.38 Cr	Note Note 25 / Consolidated P&L, p.172
Liabilities written back to income	Rs 166.56 Lakhs	Rs 2,664.52 Lakhs	16x increase in provision reversals credited to P&L	□FLAG	Boosts PBT by Rs 26.65 Cr (1.8x total PBT)	Note Consolidated Cash Flow, p.150
Capitalization of Finance Costs	not disclosed	Rs 26,813.00 Lakhs	83.6% of gross finance costs capitalized	□ WATCH	Defers Rs 268.13 Cr of interest expense from P&L to Inventory	Note Note 29, p.172
Deferred Tax Asset movement	Rs 10,976.28 Lakhs	Rs 14,863.74 Lakhs	35% increase in Deferred Tax Assets	□ WATCH	Non-cash credit of Rs 37.99 Cr to PAT	Note Consolidated P&L, p.149
Useful life of equipment	not disclosed	5 years	Uses life different from Schedule II	□ WATCH	Accelerates depreciation compared to statutory norms	Note Note 2.2-c, p.152

Mechanism: The transition to profitability is artificial, driven by non-operating income (land compensation) and liability write-backs that together exceed PBT by over 20x. Core operations remain deeply loss-making. **Aggregate impact:** Operational Profit (EBIT) is -Rs 264 Cr; the bottom line is salvaged by Rs 342 Cr of other income and Rs 268 Cr of interest capitalization. **Direction:** deteriorating · **Watch next:** Other Income as % of PBT in FY27 · **Corroborates:** revenue_real

Read 4 — Is value leaving to insiders? → WATCH

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Related Party Loans Repaid	Rs 0.00 Lakhs	Rs 1,048.00 Lakhs	New repayment to promoters Anil and Amar Sarin	□ WATCH	Cash outflow to insiders during a period of operational losses	Note 38.4 / Related Party, p.178
KMP Remuneration vs PAT	Rs 191.00 Lakhs / -Rs 23,128.84 Lakhs	Rs 241.00 Lakhs / Rs 1,903.08 Lakhs	Remuneration increased 26% while PAT was Rs 19 Cr	□ WATCH	Remuneration is 12.6% of reported PAT	Note Note 38.4, p.178
Guarantees to Group Entities	Rs 1,67,600.00 Lakhs	Rs 1,67,600.00 Lakhs	Significant corporate guarantees maintained	□ WATCH	Outstanding exposure of Rs 1,447.26 Cr on behalf of subsidiaries	Note CARO Annexure I (iii-a), p.100
Promoter Pledge	not disclosed	100% equity of 30+ subsidiaries	Pledged for debt security	□ WATCH	Severe constraint on group financial flexibility	Note Note 16.1, p.167

Mechanism: The company prioritized the repayment of Rs 10.48 Cr in unsecured loans to promoters and maintained high corporate guarantees (Rs 1,676 Cr) despite having an operationally loss-making core. **Aggregate impact:** Total KMP payments and promoter loan repayments represent a significant portion (over 60%) of the reported Net Profit. **Direction:** deteriorating · **Watch next:** Net change in unsecured loans from related parties in FY27

Read 5 — Can the balance sheet take a hit? → FLAG

Signal	Prior	This year	Δ	Status	Quantified impact	Evidence
Borrowing Terms (Cost of Capital)	not disclosed	19.60% to 24.60% IRR	Extremely high-cost debentures issued	□FLAG	Annualized interest burden of ~Rs 164 Cr on Rs 835 Cr debentures	Note Note 16.1, p.165
Immovable properties not in company name	not disclosed	Rs 1,240.40 Lakhs	Investment properties pending mutation	□ WATCH	Title risk on land parcels and buildings held since 2018	Note CARO Annexure I (i-c), p.100
Project 'Madelia' Litigation	not disclosed	Rs 29,360.00 Lakhs	Construction suspended due to litigation	□FLAG	Rs 227.54 Cr of book value at risk beyond provisions	Note Note 5.1, p.160

Mechanism: The balance sheet is stressed by extremely high-cost debt (up to 24.6% IRR) and suspended projects under litigation (Rs 293.6 Cr). The net worth is thin relative to the potential impairment at 'Madelia'. **Aggregate impact:** Total group borrowings of Rs 1,895 Cr at high IRRs combined with title deed delays (Rs 12.4 Cr) and litigation risks suggest significant solvency pressure if sales velocity slows. **Direction:** deteriorating · **Watch next:** Interest Service Coverage Ratio (Reported vs Cash-adjusted) · **Corroborates:** profit_to_cash

Material notes captured

Note	Discloses	Prior	This year	Impact	Signal
16.1 / Redemption Premium (p.165)	***The 6% Debentures carry a redemption premium resulting in an IRR of 19.60%, increasing to 24.60% on default.***	not disclosed	19.60% IRR	Profit ↓ — Significantly higher true cost of capital than the 6% coupon suggests.	negative
31 / Balances Written Off (p.174)	***A surge in write-offs of various balances including advances and receivables.***	Rs 1,291.35 Lakhs	Rs 9,805.99 Lakhs	Profit ↓ — Purging of Rs 98 Cr in legacy assets significantly impacts reported earnings.	negative
33-v / Tax Penalty (p.174)	***Confirmed income tax penalty of Rs 2.89 Cr by CIT Appeal.***	Rs 1,712.00 Lakhs	Rs 289.00 Lakhs	Profit ↓ — Confirmed statutory liability following first appeal stage.	negative
Note 3.5.3 / Goodwill (p.160)	***Goodwill of 277.51 Cr tested using 16% discount rate.***	n/a	□277.51 Cr	Neutral — Recoverable value extremely sensitive to future sales price assumptions.	negative
Note 44-xii / Audit Trail (p.182)	***Audit trail facility exists with inherent limitations.***	n/a	n/a	Neutral — Prevents full forensic verification of back-dated entries.	negative

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters

- **Audit Opinion Type:** Unqualified.

- **KAM 1: Revenue recognition as per Ind AS 115:** Auditor flagged significant judgment in identifying performance obligations and the "point in time" for control transfer. Revenue jumped from ₹13.68 Cr to ₹305.34 Cr due to specific phase deliveries, creating high earnings volatility.
- **KAM 2: Inventories - Net Realizable Value (NRV):** Carrying value (₹2,396 Cr) involves significant estimates based on market prices in Sector 63A Gurgaon/Bijwasan. Any local market decline would trigger massive impairments.
- **KAM 3: Investment in Subsidiaries:** Carrying value (₹273 Cr) requires NAV assessments of land banks; faltering project cash flows would lead to standalone-level impairment.
- **KAM 4: Recognition and measurement of Deferred Tax Assets (DTA):** Assessing future profitability to justify DTA (₹148.6 Cr) on brought-forward losses assumes "certainty" of profits from upcoming projects (Kailasa/Ishva).
- **KAM 5: Goodwill Impairment:** Goodwill of ₹277.51 Cr tested using a 16% discount rate; highly sensitive to future sales price assumptions.
- **Auditor Change:** M/s Doogar & Associates (legacy) replaced by M/s Singhi & Co. Transition occurs at a critical project delivery juncture; monitoring of interest capitalization policies is required.
- **Audit Trail:** The auditor confirms the existence of an audit trail (edit log) facility but notes "inherent limitations."

B. Related Party Transactions

Party	Relationship	Nature	Amount (₹ Cr)	Concern
Anil Sarin / Amar Sarin	Promoters	**Unsecured Borrowing Repaid**	10.48 Cr	***Concern***: Cash outflow to promoters despite negative operational cash flow (p.178).
Amar Sarin	MD & CEO	**Remuneration**	1.20 Cr	Neutral: Stable YoY (p.178).
Muskaan Sarin	WTD	**Remuneration**	0.38 Cr	Neutral: New appointment/re-designation (p.178).
Habitat India	KMP Influence	***Lease Rent Paid***	1.24 Cr	***Concern***: Recurring payment to a firm where the company is a partner (p.178).
Amar/Anil Sarin	Promoters	**Personal Guarantees**	1,895 Cr	Debt is secured by personal guarantees and 100% subsidiary pledges (p.167).

C. Shareholding

- **Promoter & Promoters Group:** 65.12% (19,21,57,722 shares).
- **Institutions (Domestic/Foreign):** 7.32%.
- **Public/Others:** 27.56%.
- **Promoter Pledge:** 0.00%.

D. Board Composition + KMP Compensation

- **Total Directors:** 7 | **Independent %:** 57.14% | **Women Directors:** 2.
- **Compensation Correlation:** Total KMP pay (₹2.41 Cr) rose 26% YoY primarily due to Muskaan Sarin's appointment (WTD), while Operating Losses doubled from ₹133 Cr to ₹264 Cr.
- **Family Concentration:** Amar Sarin (MD) and Muskaan Sarin (WTD) are both on the board; proposed salary hikes to ₹3 Cr/year and ₹1.2 Cr/year respectively during a recovery phase indicate a promoter-first allocation mindset.

F. Capital Allocation & Capex

Action	FY Current (□Cr)	FY Prior (□Cr)	% of CFO	Signal
Interest Payments	375.00 Cr	547.00 Cr	196.34%	□
Inventory Investment	260.00 Cr	227.00 Cr	136.13%	□
Capex	31.00 Cr	37.00 Cr	16.23%	□
Net Debt Change	-59.00 Cr	561.00 Cr	-30.89%	**Positive**
Balances Written Off	98.06 Cr	12.91 Cr	51.34%	□

- **CAPEX Analytical Notes:**
  - **CFO Coverage of Capex:** Ratio is 6.16x, but distorted by a one-time □292 Cr land compensation; core CFO cannot cover maintenance capex.
  - **Inventory Inflation:** The □444 Cr increase in inventory is significantly comprised of **□268.13 Cr in capitalized interest**, meaning the asset base is inflating due to accounting rather than physical progress.
  - **Debt Treadmill:** Proceeds from new debentures (□835 Cr) were used to redeem old debentures (□773 Cr), indicating no new asset creation from fresh capital.

H. Risks

- **Litigation (Madelia):** □293.60 Cr claim against HSIIDC. **Impact:** High probability of another □227 Cr write-off (22% of Net Worth) if arbitration fails.
- **Predatory Debt Cost:** Secured Debentures carry **19.60% to 24.60% IRR**. **Impact:** Interest costs (□320 Cr) represent 97% of Revenue, preventing PAT growth despite sales.
- **Concentration Risk:** Single customer accounts for **88.58% of revenue**. **Impact:** Failure of one contract would collapse the entire P&L; indicates lack of retail depth.
- **Interest Capitalization: 83.6% of finance costs capitalized**. **Impact:** Masks true depth of losses; inflates inventory above market value.

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	3	→	100% NCR concentration; GDV □8,000 Cr+	High-value land bank moat offset by extreme geographic and customer concentration.
Financial Health	2	↓	D/E 1.78x; Interest Coverage -5.17x	Operationally insolvent; reliant on high-cost debt rollovers and one-off income.
Earnings Quality	1	↓	Other Income 23x PBT; 83% Int. Cap.	Profit is manufactured via land compensation and aggressive interest capitalization.
Management & Governance	2	↓	RPT loan repayment; 26% KMP pay hike	Promoter-first liquidity priority during a period of deep operational losses.
Capital Allocation & Earnings Visibility	2	→	ROCE 2% < WACC; □10k Cr Guidance	Capex is driven by interest accrual; visibility depends on two massive under-construction projects.

BUSINESS POSITIVES (for this company this year) * □**Revenue Proof-of-Concept:** Recognized **□305.34 Cr** in real estate revenue following the *TARC Tripundra* OC, validating execution capability. * □**Strong Sales Visibility:** Customer advances (Contract Liabilities) increased by **44% YoY to □1,384.89 Cr**. * □**Strategic Deleveraging Milestone:** Replaced 18-23% legacy NCDs with capital from Bain Capital, shifting toward more institutionalized financing. * □**GDV Expansion:** Revised Gurugram project (Ishva) GDV upward by **□900 Cr** to □3,600 Cr, signaling strong price discovery.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Extreme Revenue Concentration:** A single customer accounts for **88.58% (□292.18 Cr)** of total revenue. * □**Artificial Profitability:** Reported PBT is positive only due to **□292.18 Cr** in non-recurring land compensation; core operating profit is **-□264 Cr**. * □**Predatory Interest Costs:** Secured debentures carry an IRR up to **24.60%**, which far exceeds the **2% ROCE**. * □**Aggressive Accounting:** Capitalized **83.6% (□268.13 Cr)** of finance costs, inflating inventory and masking the true P&L burden. * □**Governance Red Flags:** Repaid **□10.48 Cr** to promoters and increased KMP pay by **26%** despite deepening operating losses. * □**Litigation Risk:** The **□293.60 Cr Madelia claim** threatens 22% of the company's Net Worth if arbitration fails.

OVERALL SCORECARD SUMMARY TARC Ltd is in a high-stakes transition from a land-steward to an active developer, but its financial foundation remains extremely fragile. While revenue recognition has finally begun, earnings quality is poor, as the bottom line is salvaged by one-off land compensation and aggressive interest capitalization. Governance is a significant concern, evidenced by KMP pay hikes and promoter debt repayments during a period of operational insolvency. The company is on a **stable but high-risk trajectory**, where survival depends entirely on the flawless execution of *Kailasa* and *Ishva* to outrun its predatory 19.6% IRR cost of capital.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion issued (p.96)
2	Promoter pledge = 0?	□	0.00% pledge reported (p.37)
3	KMP pay < 5% of PAT?	□	□2.41 Cr pay is 12.6% of reported PAT (□19 Cr)
4	RPT quantum < 5% of revenue?	□	RPT Remuneration + Rent is ~3.6% of core real estate revenue
5	Board > 50% independent?	□	57.14% (4 out of 7 directors)
6	At least 1 woman director?	□	2 Women Directors (Muskaan Sarin, Bindu Acharya)
7	No statutory dues outstanding?	□	□2.89 Cr Income Tax penalty confirmed at CIT Appeal
8	No fraud reported?	□	No fraud reported by auditors (p.102)
9	Audit trail enabled?	□	Enabled but with "inherent limitations" (p.99)
10	Frequent Auditor change	□	Change from Doogar & Associates to Singhi & Co in FY26
Final line: "Total: 6/10 □— Governance Rating: 2"			

Part C: Investor Verdict

THESIS: TARC is a high-beta recovery play on NCR luxury residential monetization, currently trading execution speed against a predatory cost of capital. **OVERALL STANCE:** WATCH **RATIONALE:** The transition to revenue recognition is positive, but poor earnings quality and promoter-first capital allocation necessitate waiting for operational cash flow to cover interest costs. **RE-EVALUATE WHEN:** Interest Service Coverage Ratio (Cash-adjusted) exceeds 1.5x without one-off land compensation. **BULL CASE:** Flawless delivery of *Kailasa* and *Ishva* leads to ₹10,000 Cr cash flow, allowing full redemption of high-cost NCDs and 20%+ ROE. **BEAR CASE:** Regulatory delay or Gurugram market cooling triggers a liquidity crunch, leading to a default on 24.6% IRR NCDs and massive Madelia write-offs. **KEY MONITORABLE:** Capitalized Interest as % of Inventory: Current 11.2% → Watch Threshold > 15%.

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7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Profitability Source	Deep net loss of ₹231 Cr with no exceptional buffers.	Optical net profit of ₹19 Cr driven by ₹292 Cr non-recurring compensation.	The transition to "profitability" is purely a function of non-operating windfalls rather than an improvement in core real estate efficiency.
Interest Capitalization	~75% of finance costs capitalized (₹319 Cr).	83.6% of finance costs capitalized (₹268 Cr).	Management is becoming more aggressive in using capitalization to shield the P&L from the impact of its predatory debt.
Revenue Quality	Fragmented revenue of ₹34 Cr reflecting stalled handovers.	Surge to ₹330 Cr, but 88.6% is concentrated in a single customer.	Top-line growth is high-risk and lacks retail depth, creating extreme dependency on a single counterparty for project exit.
Promoter Capital Flow	Promoters provided ₹17.26 Cr in interest-free loans to the company.	Company repaid ₹10.48 Cr to promoters despite negative operating profit.	There has been a reversal in liquidity support, with the company now prioritizing the return of promoter capital over debt reduction.
Executive Pay Strategy	MD pay capped at ₹1.20 Cr ceiling due to losses.	Seeking special resolution for ₹3 Cr/year hike despite ₹264 Cr operating loss.	Management is attempting to decouple executive rewards from operational performance during a period of financial fragility.
Working Capital Dependency	Customer advances stood at ₹964 Cr.	Customer advances surged to ₹1,384.89 Cr.	The business model has shifted toward total reliance on customer deposits to fund the interest burden of legacy debt.
Management Tone	Defensive and focused on refinancing/survival.	Hyper-promotional, guiding for ₹10,000 Cr in cash flows by FY30.	The pivot to a "triumphant" narrative masks the reality that interest costs still consume nearly all operational cash generation.

7.2 Persistent Patterns

- **The HSIIDC/Madelia litigation involving ₹293.60 Cr remains a stagnant, unprovided-for risk that threatens to wipe out over 20% of net worth if arbitration fails.**
- **The company is trapped in a value-destructive cycle where its Cost of Debt (19.6%–24.6% IRR) consistently dwarfs its Return on Capital Employed (ROCE), which remains near 2%.**

- **Capitalization of finance costs remains the primary accounting lever used to mask the true depth of the company's interest burden from the P&L.**
- **The business maintains a 100% geographic concentration in the Delhi-NCR luxury market, leaving it entirely exposed to regional regulatory shifts and local demand shocks.**
- **Governance is characterized by a "Promoter-First" allocation mindset, with executive compensation and debt repayments to insiders prioritized despite deep operational insolvency.**
- **Auditors continue to highlight "inherent limitations" in the audit trail and unresolved reconciliations from the original demerger, suggesting persistent internal control weaknesses.**
- **The company remains reliant on the "Debt Treadmill," using proceeds from new high-cost debentures to roll over maturing legacy obligations without meaningful reduction in total leverage.**

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