TARC Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

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 Cr 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

P&L statement (□Cr)

Line item	Mar 2026	Mar 2025
Sales	330	34
Sales Growth %	879	-70
Expenses	594	167
Material Cost %	-135	0
Change in inventory	-444	0
Manufacturing Cost %	0	112
Employee Cost %	9	116
Other Cost %	306	267
Operating Profit	-264	-133
OPM %	-80	-395
Other Income	342	5
Exceptional items	0	0
Other income normal	342	5
Interest	53	106
Depreciation	10	9
Profit before tax	15	-243
Tax %	-29	-5
Net Profit	19	-231
Profit from Associates	0	0
Minority share	0	0
Exceptional items AT	0	0
Profit excl Excep	19	-231
Profit for PE	19	-231
Profit for EPS	19	-231
Profit Growth %	108	-223
EPS (□)	0.65	-7.84
Dividend Payout %	0	0

Balance sheet (□Cr)

Line item	Mar 2026	Mar 2025
Equity Capital	59	59
Reserves	1,003	984
Borrowings	1,895	1,954
Long term Borrowings	1,585	1,049
Short term Borrowings	303	900
Lease Liabilities	6	4
Other Borrowings	0	0
Other Liabilities	1,643	1,217
Non controlling int	0	0
Trade Payables	77	61
Advance from Customers	0	964
Other liability items	1,565	191
Total Liabilities	4,600	4,214
Fixed Assets	1,320	1,215
Land	0	338
Building	0	60
Plant Machinery	0	15
Equipments	0	5
Computers	0	2
Furniture n fittings	0	26
Vehicles	0	14
Intangible Assets	278	278
Other fixed assets	0	574
Gross Block	0	1,312
Accumulated Depreciation	0	96
CWIP	0	0
Investments	0	68
Other Assets	3,279	2,931
Inventories	2,396	1,951
Trade receivables	7	10
Receivables over 6m	0	4.11
Receivables under 6m	0	9.27
Prov for Doubtful	0	-3.50
Cash Equivalents	81	86
Loans n Advances	273	22
Other asset items	522	861

Line item	Mar 2026	Mar 2025
Total Assets	4,600	4,214

Cash flow statement (□Cr)

Line item	Mar 2026	Mar 2025
Cash from Operating Activity	191	43
Profit from operations	-51	-117
Receivables	3	-4
Inventory	-260	-227
Payables	19	37
Other WC items	502	373
Working capital changes	265	178
Direct taxes	-24	-18
Advance tax	0	0
Other operating items	0	0
Cash from Investing Activity	275	-68
Fixed assets purchased	-31	-37
Fixed assets sold	0	0
Investments purchased	0	0
Investments sold	12	0
Interest received	8	1
Other investing items	286	-31
Cash from Financing Activity	-436	14
Proceeds from debentures	835	0
Redemption of debentures	-773	-438
Proceeds from borrowings	0	1,000
Repayment of borrowings	-79	0
Interest paid fin	-375	-547
Financial liabilities	0	-1
Other financing items	-45	0
Net Cash Flow	29	-11
Free Cash Flow	159	6
CFO/OP	-81	-46

Key ratios

Line item	Mar 2026	Mar 2025
Debtor Days	8	107
Inventory Days	0	0
Days Payable	0	0
Cash Conversion Cycle	8	107
Working Capital Days	703	1,121
ROCE %	2	-5

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
Trade Receivables vs Revenue from operations	₹987.56 Lakhs	₹684.80 Lakhs	Receivables decreased 30.7% despite 879% revenue growth	Clean	—
Revenue concentration (Single Customer)	Not disclosed	₹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
Impairment Allowance on Receivables	₹0.00 Lakhs	₹6,605.95 Lakhs	New significant impairment provision created	Flag	Provision represents 20% of reported revenue from operations
Advances from Customers (Contract Liabilities)	₹96,155.00 Lakhs	₹1,38,489.00 Lakhs	44% increase in customer advances	Clean	Increases future revenue visibility but places pressure on delivery

> **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 (₹6,605.95 Lakhs) equivalent to 20% of revenue. **Aggregate impact:** Core real estate revenue of ₹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
CFO vs Clean EBITDA	Not disclosed	₹19,072.57 Lakhs / -₹26,400 Lakhs	Positive CFO despite negative clean EBITDA	Watch	Working capital release and advances are funding operations
Inventory Growth	₹1,95,143.90 Lakhs	₹2,39,575.76 Lakhs	Inventory grew 22.7% (₹44,431.86 Lakhs)	Watch	Inventory absorption of ₹444.32 Cr is 1.3x annual revenue
Pre-tax operating conversion (CFO + tax paid) / EBITDA	—	-0.81	CFO/OP worsened from -46.00 to -81.00	Watch	—
Cash tax paid vs Book tax	₹1,791.33 Lakhs / ₹76.76 Lakhs	₹2,356.53 Lakhs / ₹3,183.49 Lakhs	Book tax now exceeds cash tax paid	Watch	Adds ₹826.96 Lakhs non-cash drag to PAT
Working Capital Movement	₹17,800.00 Lakhs	₹26,500.00 Lakhs	Working capital release increased by 48.8%	Clean	Primary driver of positive CFO (₹214.29 Cr pre-tax)

Mechanism: Positive CFO is entirely dependent on customer advances (₹1,384.89 Cr liability) and other working capital items (₹502 Cr), masking an operationally loss-making core (Operating Profit -₹264 Cr). **Aggregate impact:** Operating cash generation of ₹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
Non-operating / Other Income vs PBT	₹519.88 Lakhs / -₹24,319.19 Lakhs	₹34,194.34 Lakhs / ₹1,480.00 Lakhs	Other Income is 23x the PBT	Flag	Without non-recurring 'Compensation Received' (₹292.18 Cr), the group would report a PBT loss of ₹277.38 Cr
Liabilities written back to income	₹166.56 Lakhs	₹2,664.52 Lakhs	16x increase in provision reversals credited to P&L	Flag	Boosts PBT by ₹26.65 Cr (1.8x total PBT)
Capitalization of Finance Costs	Not disclosed	₹26,813.00 Lakhs	83.6% of gross finance costs capitalized	Watch	Defers ₹268.13 Cr of interest expense from P&L to Inventory
Deferred Tax Asset movement	₹10,976.28 Lakhs	₹14,863.74 Lakhs	35% increase in Deferred Tax Assets	Watch	Non-cash credit of ₹37.99 Cr to PAT
Useful life of equipment	Not disclosed	5 years	Uses life different from Schedule II	Watch	Accelerates depreciation compared to statutory norms

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 -₹264 Cr; the bottom line is salvaged by ₹342 Cr of other income and ₹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
Related Party Loans Repaid	₹0.00 Lakhs	₹1,048.00 Lakhs	New repayment to promoters Anil and Amar Sarin	Watch	Cash outflow to insiders during a period of operational losses
KMP Remuneration vs PAT	₹191.00 Lakhs / -₹23,128.84 Lakhs	₹241.00 Lakhs / ₹1,903.08 Lakhs	Remuneration increased 26% while PAT was ₹19 Cr	Watch	Remuneration is 12.6% of reported PAT
Guarantees to Group Entities	₹1,67,600.00 Lakhs	₹1,67,600.00 Lakhs	Significant corporate guarantees maintained	Watch	Outstanding exposure of ₹1,447.26 Cr on behalf of subsidiaries
Promoter Pledge	Not disclosed	100% equity of 30+ subsidiaries	Pledged for debt security	Watch	Severe constraint on group financial flexibility

Mechanism: The company prioritized the repayment of ₹10.48 Cr in unsecured loans to promoters and maintained high corporate guarantees (₹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
Borrowing Terms (Cost of Capital)	Not disclosed	19.60% to 24.60% IRR	Extremely high-cost debentures issued	Flag	Annualized interest burden of ~₹164 Cr on ₹835 Cr debentures
Immovable properties not in company name	Not disclosed	₹1,240.40 Lakhs	Investment properties pending mutation	Watch	Title risk on land parcels and buildings held since 2018
Project 'Madelia' Litigation	Not disclosed	₹29,360.00 Lakhs	Construction suspended due to litigation	Flag	₹227.54 Cr of book value at risk beyond provisions

Mechanism: The balance sheet is stressed by extremely high-cost debt (up to 24.6% IRR) and suspended projects under litigation (₹293.6 Cr). The net worth is thin relative to the potential impairment at 'Madelia'. **Aggregate impact:** Total group borrowings of ₹1,895 Cr at high IRRs combined with title deed delays (₹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

Discloses	Prior	This year	Impact	Signal
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
A surge in write-offs of various balances including advances and receivables.	□1,291.35 Lakhs	□9,805.99 Lakhs	Profit ↓ — Purging of □98 Cr in legacy assets significantly impacts reported earnings.	Negative
Confirmed income tax penalty of 2.89 Cr by CIT Appeal.	□1,712.00 Lakhs	□289.00 Lakhs	Profit ↓ — Confirmed statutory liability following first appeal stage.	Negative
Goodwill of 277.51 Cr tested using 16% discount rate.	—	□277.51 Cr	Neutral — Recoverable value extremely sensitive to future sales price assumptions.	Negative
Audit trail facility exists with inherent limitations.	—	—	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.
Amar Sarin	MD & CEO	**Remuneration**	1.20 Cr	Neutral: Stable YoY.
Muskaan Sarin	WTD	**Remuneration**	0.38 Cr	Neutral: New appointment/re-designation.
Habitat India	KMP Influence	***Lease Rent Paid***	1.24 Cr	***Concern***: Recurring payment to a firm where the company is a partner.
Amar/Anil Sarin	Promoters	**Personal Guarantees**	1,895 Cr	Debt is secured by personal guarantees and 100% subsidiary pledges.

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
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

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%.

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.**