

TARC Ltd — 09 Apr 2025 Credit Rating Summary

Section	Details
Agency	Infomerics Valuation and Rating Ltd
Rating Change	Reaffirmed at BBB- (Remains at the lowest notch of Investment Grade)
Outlook	RWNI (Rating Watch with Negative Implications)
Key Drivers of Change	<ol style="list-style-type: none"> Governance Red Flag: SEBI initiated a forensic audit for FY21–23; significant risk to management credibility. Revenue Crash: Total Operating Income plummeted 70% YoY (₹368.66 Cr in FY23 → ₹111.45 Cr in FY24). Debt Burden: High Total Debt of ₹1,391.95 Cr against a negative PAT of ₹77.04 Cr. Project Visibility: Positive offset from ₹7,500 Cr revenue visibility across 3 projects (67% of 17mn sq. ft. booked).
Rated Instruments	NCDs: ₹409.00 Cr
Key Observations	<ul style="list-style-type: none"> • Strengths: Extensive land bank (550+ acres in NCR); OC for TARC Tripundra expected Q1FY26; backing by Bain Capital (BCSS). • Weaknesses: Interest Coverage Ratio is critical at 0.34x (EBITDA cannot cover interest); Net Loss of ₹77.04 Cr in FY24. • Structure: NCDs have a low 6% cash coupon but high 19.60% IRR, deferring cash outflow to redemption but ballooning the final liability. • Risk: High geographic concentration (Delhi/NCR) and SEBI audit outcome.
Investor Impact	<ul style="list-style-type: none"> • Equity Valuation: High risk of volatility due to the SEBI forensic audit. • Margins: PAT margins turned deeply negative (-63.46%); recovery depends on OC receipts and revenue recognition. • Leverage: Gearing is high (1.55x); 19.6% IRR debt is expensive and could lead to equity dilution if cash flows miss targets.
Agency / Cross Analysis	<p>Same Agency: Reaffirmed rating but shifted from "Stable" (Dec 2024) to "RWNI" (Current).</p> <p>Drivers: The shift to RWNI is purely due to the SEBI forensic audit. While project sales/collections are "adequate," the agency is signaling a wait-and-watch approach on integrity and financial reporting.</p> <p>Conclusion: Deterioration in credit quality due to governance and massive drop in income/coverage ratios.</p>
Final Inference	High-Risk/High-Reward Turnaround: Operational execution is moving (67% booked), but the 0.34x interest coverage and SEBI audit are massive red flags for equity holders. The "Investment Grade" rating is barely held together by the massive land bank value and refinancing support.