

TARC Ltd — 23 Dec 2024 Credit Rating Summary

| Section | Details |
|-----------------------|--|
| Agency | Infomerics Ratings |
| Rating Change | BBB- → BBB- (Rating Watch with Negative Implications) (No notch change, but outlook worsened) |
| Outlook | Current: RWNI • Previous: Stable |
| Key Drivers of Change | <ol style="list-style-type: none"> SEBI Forensic Audit: SEBI ordered an audit of financial statements (FY21-FY23); triggers major governance/reporting risk. Revenue Collapse: FY24 revenue crashed ~70% to ₹111.45 Cr (vs ₹368.66 Cr in FY23). Net Loss: Swung from ₹20.36 Cr profit to a ₹77.04 Cr Loss in FY24. Interest Coverage: Alarming drop to 0.34x (FY24), indicating EBITDA is insufficient to meet interest obligations. |
| Rated Instruments | Proposed NCDs: ₹470.00 Cr |
| Key Observations | <p>Strengths:</p> <ul style="list-style-type: none"> Pipeline: ₹6,000 Cr revenue visibility across 3 ongoing projects; 67% of 1.7mn sq. ft already booked. Land Bank: Deep asset backing with 550+ acres in Delhi/NCR. Back-ended Debt: NCDs structured with 6% cash coupon + 19.6% IRR redemption premium, preserving immediate cash. <p>Risks:</p> <ul style="list-style-type: none"> Liquidity Strain: Total Debt of ₹1,391.95 Cr against negligible current EBITDA (₹6.49 Cr). Concentration: 100% exposure to Delhi/Haryana regulatory and market shifts. Execution: Dependency on TARC Tripundra obtaining OC by March 2025 to trigger cash inflows. |
| Investor Impact | <p>Growth: Stagnant until new project launches; SEBI audit may delay further capital raises.</p> <p>Margins: Negative PAT margins (-63.46%) highlight high overheads and interest costs.</p> <p>Leverage: Gearing at 1.55x; high-cost debt (19.6% IRR) creates a massive future repayment wall.</p> <p>Dilution: Potential risk if forensic audit impacts debt refinancing, forcing equity infusion at distressed valuations.</p> |
| Agency Analysis | <p>Same Agency: Maintained BBB- but added Negative Watch. While the agency relies on "Projected 2x Cash Flow Coverage" for FY25-27, there is a clear mismatch between the current financial meltdown (0.34x coverage) and the Investment Grade rating. The agency is giving credit for "Asset Value" rather than "Actual Cash Flow."</p> <p>Conclusion: Deterioration. The forensic audit is a massive red flag for equity holders.</p> |
| Final Inference | Severe Risk Signal. While the land bank and project pipeline provide a "valuation floor," the SEBI forensic audit and total collapse in interest coverage suggest a liquidity or governance crisis. Equity remains high-risk until the audit concludes and Tripundra collections start. |