TARC Ltd — FY 2025 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 a high-risk NCR-based luxury developer currently transitioning from a legacy land-bank holder to an active executor, though execution velocity remains stalled as evidenced by an 84% collapse in inventory turnover.	□Neutral
2	***Operational performance is severely impaired with revenue plummeting 70% YoY to 34 Cr, driven by a lack of project handovers despite a pivot toward ultra-luxury segments.***	□Negative
3	***Profitability has deteriorated into a structural deficit with a consolidated net loss of 231 Cr and a negative ROE of 22%, as value-destructive debt costs outweigh project returns.***	□Negative
4	***The balance sheet is under extreme duress with a D/E ratio of 1.87x and total debt rising to 1,954 Cr, placing the company in a state of financial fragility.***	□Negative
5	***Debt servicing is unsustainable with an Interest Coverage Ratio of -1.25, as the company carries predatory NCDs with 18–23% IRR, leading to a massive 547 Cr interest outflow.***	□Negative
6	**Liquidity is primarily sustained by strong market demand, with record sales bookings of □3,722 Cr and customer advances of □964 Cr providing critical interest-free operational capital.**	□Positive
7	***Cash flow remains insufficient to cover obligations, with Cash Flow from Operations (CFO) failing to meet interest payments, leaving the company dependent on new borrowings to service existing debt.***	□Negative
8	***Earnings quality is poor due to aggressive accounting, including the capitalization of 319.51 Cr in interest and the recognition of a 99.87 Cr Deferred Tax Asset despite a lack of recent profits.***	□Negative
9	***Governance concerns persist as management seeks "minimum remuneration" for the MD despite heavy losses, alongside high Related Party Transactions (RPT) accounting for 51% of revenue.***	□Negative
10	***Significant contingent risks include 293.60 Cr (28% of Net Worth) tied up in HSIIDC litigation and a credit rating currently on "Negative Watch," signaling imminent refinancing danger.***	□Negative
11	**The outlook hinges entirely on "escape velocity" execution and the successful refinancing of high-cost 23% IRR NCDs into 12.75% bank debt post-FY25.**	□Positive
12	***Investment View: AVOID; the equity remains highly vulnerable to distress or dilution until Interest Coverage exceeds 1.5x and the 817.97 Cr current debt maturity is resolved.***	□Negative

1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments:** TARC Ltd has successfully transitioned from a land-banking entity to an active "Ultra-Luxury" residential developer, with a 100% geographic concentration in the Delhi-NCR (New Delhi and Gurugram) axis.
- **Revenue Drivers:** Primary drivers include sales bookings from marquee luxury projects (*TARC Kailasa*, *Ishva*, and *Tripundra*) and a growing rental income stream from investment properties (up 121% YoY).

- **Cost Drivers:** The business is heavily impacted by predatory interest costs (18-23% IRR on NCDs), construction material inflation, and high employee costs, a significant portion of which is capitalized into projects.
- **Industry Position:** Positioned as a premium niche player in the NCR market; however, it faces high concentration risk due to its lack of secondary market hedges outside the Delhi-Gurugram corridor.
- **Expansion & Capacity:** The company is betting its "Golden Decade" on three major luxury projects. While sales bookings reached ₹3,722 Cr (up ~130% YoY), the physical "velocity of completion" is lagging, evidenced by an 84% collapse in inventory turnover.
- **Operational Strategy:** Management is utilizing "Advanced MEP" and "Precast Construction" to accelerate delivery, though foreign exchange outgo remains negligible, suggesting a reliance on local specialized vendors.
- **Segment Performance:** Real Estate revenue plummeted 76% due to the "Point in Time" recognition policy (Ind AS 115), while rental income provided a small but stable cushion.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management characterizes the current phase as a "Renaissance," orchestrating a "Golden Decade" for the company through its pivot to ultra-luxury developments.
- The strategy has shifted from asset monetization (e.g., previous Blackstone/ESR deals) to "legacy building," focusing entirely on the cash flows of the three marquee projects.
- Management claims "robust financial health" and "strong cash flows," despite a reported consolidated net loss of ₹231 Cr and an interest coverage ratio of 0.01.
- There is a clear intent to protect promoter compensation; special resolutions seek "minimum remuneration" for the MD and a new salary for the WTD (Chief Brand Officer) regardless of P&L losses.
- The company is currently reliant on "Customer Advance" life support (₹484 Cr collections) to fund operations and service high-cost debt.
- Refinancing remains the top priority, with post-FY25 activity showing a move toward 12.75% bank debt to replace 23% IRR NCDs.
- **Management Tone:** The tone is hyper-optimistic and visionary, yet it exhibits a significant "Confidence-Reality" gap. While operational sales bookings are at "escape velocity," the financial statements reveal a business under extreme solvency duress. Management appears to be prioritizing promoter alignment and compensation security (via minimum remuneration clauses) while the company's credit rating sits on a "Negative Watch," signaling a disconnect between executive optimism and balance sheet fragility.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

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

P&L Statement (□Crores)

Line Item	Mar 2025	Mar 2024
Sales -	34.00	111.00
Sales Growth %	-70.00	-70.00
Expenses -	167.00	133.00
Material Cost % -	0.00	0.00
Change in inventory	0.00	0.00
Manufacturing Cost %	112.00	55.00
Employee Cost %	116.00	28.00
Other Cost %	267.00	37.00
Operating Profit	-133.00	-22.00
OPM %	-395.00	-20.00
Other Income -	5.00	4.00
Exceptional items	0.00	-5.78
Other income normal	5.20	9.96
Interest	106.00	62.00
Depreciation	9.00	6.00
Profit before tax	-243.00	-86.00
Tax %	-5.00	-10.00
Net Profit -	-231.00	-77.00
Profit from Associates	0.00	0.00
Minority share	0.00	0.00
Exceptional items AT	0.00	-6.00
Profit excl Excep	-231.00	-72.00
Profit for PE	-231.00	-72.00
Profit for EPS	-231.00	-77.00
Profit Growth %	-223.00	-422.00
EPS in Rs	-7.84	-2.61
Dividend Payout %	0.00	0.00

Balance Sheet (□Crores)

Line Item	Mar 2025	Mar 2024
Equity Capital	59.00	59.00
Reserves	984.00	1,216.00
Borrowings -	1,954.00	1,393.00
Long term Borrowings	1,049.00	925.00
Short term Borrowings	900.00	463.00
Lease Liabilities	4.00	5.00
Other Borrowings	0.00	0.00
Other Liabilities -	1,217.00	796.00
Non controlling int	0.00	0.00
Trade Payables	61.00	25.00
Advance from Customers	964.00	526.00
Other liability items	191.00	245.00
Total Liabilities	4,214.00	3,463.00
Fixed Assets -	1,215.00	1,107.00
Land	338.00	324.00
Building	60.00	60.00
Plant Machinery	15.00	0.00
Equipments	5.00	4.00
Computers	2.00	2.00
Furniture n fittings	26.00	25.00
Vehicles	14.00	14.00
Intangible Assets	278.00	278.00
Other fixed assets	574.00	487.00
Gross Block	1,312.00	1,194.00
Accumulated Depreciation	96.00	87.00
CWIP	0.00	0.00
Investments	68.00	68.00
Other Assets -	2,931.00	2,289.00
Inventories	1,951.00	1,385.00
Trade receivables -	10.00	6.00
Receivables over 6m	4.11	4.04
Receivables under 6m	9.27	5.25
Prov for Doubtful	-3.50	-3.08
Cash Equivalents	86.00	67.00
Loans n Advances	22.00	59.00
Other asset items	861.00	772.00

Line Item	Mar 2025	Mar 2024
Total Assets	4,214.00	3,463.00

Cash Flow Statement (□Crores)

Line Item	Mar 2025	Mar 2024
Cash from Operating Activity -	43.00	158.00
Profit from operations	-117.00	-41.00
Receivables	-4.00	0.00
Inventory	-227.00	-204.00
Payables	37.00	1.00
Other WC items	373.00	409.00
Working capital changes	178.00	206.00
Direct taxes	-18.00	-7.00
Advance tax	0.00	0.00
Other operating items	0.00	0.00
Cash from Investing Activity -	-68.00	-39.00
Fixed assets purchased	-37.25	-40.98
Fixed assets sold	0.00	0.00
Investments purchased	0.00	0.00
Investments sold	0.00	0.00
Interest received	0.69	1.91
Other investing items	-31.25	0.01
Cash from Financing Activity -	14.00	-166.00
Proceeds from debentures	0.00	0.00
Redemption of debentures	-438.00	-9.00
Proceeds from borrowings	1,000.00	16.00
Repayment of borrowings	0.00	0.00
Interest paid fin	-547.00	-171.00
Financial liabilities	-1.00	-1.00
Net Cash Flow	-11.00	-47.00
Free Cash Flow	6.00	117.00
CFO/OP	-46.00	-752.00

Key Ratios (□Crores)

Line Item	Mar 2025	Mar 2024
Debtor Days	107.00	20.00
Inventory Days	0.00	0.00
Days Payable	0.00	0.00
Cash Conversion Cycle	107.00	20.00
Working Capital Days	1,121.00	1,218.00
ROCE %	-5.00	-1.00

3.2 Financial Analysis Summary

- **Revenue** plummeted 70% to **34.00 Cr**, primarily due to a 76.12% decline in **Revenue from Real Estate** (**13.68 Cr** vs **57.29 Cr**) as the company recognizes income at a "Point in Time" upon handover, signaling a lack of project completions in FY25; this is further exacerbated by the absence of the **40.12 Cr Gain on Compulsory Acquisition** that inflated FY24 **Revenue**.
- **Operating Profit** deteriorated to **-133.00 Cr** with an **OPM %** of **-395.00%**, as **Expenses** of **167.00 Cr** far outpaced the thin **Revenue** base, though the P&L significantly understates the true cost of capital because **319.51 Cr** of **Finance Cost** was capitalized into **Inventory** rather than being expensed.
- **Net Profit** resulted in a loss of **-231.00 Cr**, causing **Reserves** to erode from **1,216.00 Cr** to **984.00 Cr**, while the **ROE %** worsened to **-22.15%**, reflecting the high-gestation nature of current projects and the heavy interest burden.
- **Inventory** surged 41% to **1,951.00 Cr**, representing a massive 57.9x annual **Revenue**, driven largely by the capitalization of **319.51 Cr** in **Finance Cost** and a ramp-up in construction execution, which is reflected in the **Cash Flow Statement** as a **-227.00 Cr Inventory** outflow.
- **Advance from Customers** (Contract Liabilities) spiked to **964.00 Cr**, providing a critical **437.62 Cr** liquidity boost in **Working Capital** changes, which allowed the company to report a positive **CFO** of **43.00 Cr** despite the massive **Net Profit** loss.
- **Total Debt** (**Borrowings**) climbed to **1,954.00 Cr**, resulting in a **Debt / Equity** ratio of **1.87**, with **Short term Borrowings** nearly doubling to **900.00 Cr**; the cost of capital remains extremely high with NCDs carrying an IRR of **18.20% to 23.20%**, leading to a massive **Interest paid fin** of **-547.00 Cr** in the **Cash Flow Statement**.
- **Working Capital** is heavily strained with **Working Capital Days** at **1,121**, and while **Trade Receivables** are low at **10.00 Cr**, **Debtor Days** spiked to **107**, and **Other asset items** of **861.00 Cr** include a high-risk **293.60 Cr** receivable stuck in litigation with HSIIDC which, if impaired, would wipe out 30% of **Net Worth**.
- **Cash from Financing Activity** was a net **14.00 Cr**, but this masks intense refinancing activity where **1,000.00 Cr** in new **Proceeds from borrowings** was used to fund **438.00 Cr** in **Redemption of debentures** and **547.00 Cr** in **Interest paid fin**, highlighting a total dependence on external capital and customer advances to service debt.
- **Fixed Assets** increased to **1,215.00 Cr**, supported by **37.25 Cr** in **Capex** (**Fixed assets purchased**), yet **Asset Turnover** remains negligible at **0.01**, indicating that the massive asset base, including **338.00 Cr** of **Land** and **278.00 Cr** of **Intangible Assets**, is not yet generating meaningful **Revenue**.
- **ROCE %** remained negative at **-5.00%** and **Interest Coverage** at **-1.25**, signaling that the business is currently not generating enough EBIT to cover its interest obligations, necessitating the aggressive capitalization policy to maintain **Balance Sheet** optics.

- **Other Assets** are dominated by a **171.56 Cr Compensation Receivable** (land allotment) and **8.81 Cr** in **Input Tax Credits**; the reclassification of the compensation to non-financial assets indicates a preference for land over cash, further tightening immediate liquidity.
- **Other Liabilities** are almost entirely comprised of **Advance from Customers** (**963.75 Cr**), which acts as the primary interest-free funding source, while **Statutory Dues** (TDS/GST) of **15.03 Cr** remain outstanding.
- **Other Expenses** allocated to projects (**8.61 Cr**) and gross **Employee Costs** (**38.83 Cr**) are being heavily capitalized (approx. 60% of payroll), which masks the operational burn rate but aligns with the ramp-up in site mobilization.
- The dominant financial theme of the year is a **precarious reliance on customer advances and high-cost debt refinancing to mask a total collapse in P&L revenue and structural insolvency, as the company builds a "top-heavy" balance sheet of capitalized interest.**

3.3 Contingent Liabilities & Commitments

- **HSIIDC Litigation (Madelia Project):** □293.60 Cr is stuck in "Other Receivables" regarding the 'Madelia' project in Manesar, currently under arbitration at DIAC. This includes □132.12 Cr of capitalized finance costs. No impairment has been recognized.
- **Capital Advances Litigation:** □4.77 Cr in capital advances are under litigation. Management has provided only □1.09 Cr for impairment.
- **Guarantees:** The company has provided corporate and personal guarantees (from Amar Sarin and Anil Sarin) for almost all secured debt, creating high personal contagion risk.
- **MSME Interest:** □0.59 Cr in interest is due on delayed payments to MSMEs, signaling ground-level liquidity stress.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↓ — cash flow relies on customer advances; □43 Cr CFO masks □231 Cr net loss.	□	PAT: -□231 Cr; CFO: □43 Cr; Advances: □964 Cr.	CFO is positive only due to □437.62 Cr increase in customer advances (Note 20.1).
2	Receivables & channel-stuffing signal	Revenue ↓ — inventory build-up outpaces sales; □566 Cr inventory growth vs □34 Cr revenue.	□	Inventory: □1,951 Cr (+41%); Revenue: □34 Cr (-70%).	Inventory is 57.9x annual revenue; includes □319.51 Cr capitalized interest (Note 10).
3	Revenue timing	Revenue ↑↓ — lumpy recognition; "Point in Time" method delays revenue despite □964 Cr advances.	□	Real Estate Revenue: □13.68 Cr; Customer Advances: □964 Cr.	Revenue recognized only at possession (Note 23); advances signal future but not current P&L.
4	Revenue from related parties %	Neutral — limited leakage; RPT balances are low relative to the □4,214 Cr balance sheet.	□	Related Party Payables: □2.51 Cr; Loans: □17.26 Cr.	Outstanding balances with related parties are immaterial to total asset size (Note 36.5).
5	Inventory vs revenue growth	Profit ↓ — top-heavy inventory; 41% inventory growth vs 70% revenue decline suggests slow execution.	□	Inventory: □1,951 Cr; Revenue: □34 Cr; Sales Growth: -70%.	Inventory growth driven by □319.51 Cr capitalized interest rather than physical construction (Note 10).
6	Inventory valuation method change	Profit ↑↓ — subjective NRV; no write-down on WIP if expected sale price exceeds cost.	□	Inventory: □1,951 Cr; Maceo write-down: □26.06 Cr.	Policy relies on management judgment of future market prices to avoid WIP impairment (Note 2h).
7	Exceptional items in operating profit	Profit ↑ — FY24 base inflated; □40.12 Cr gain on land acquisition did not recur.	□	FY24 Gain: □40.12 Cr; FY25 Exceptional: □0.	FY24 revenue was significantly boosted by a one-time compulsory acquisition gain (Note 23).
8	Depreciation rate vs useful life policy	Profit ↓ — rising charge; depreciation increased 50% YoY as gross block expanded.	□	Depreciation: □9 Cr (FY25) vs □6 Cr (FY24).	Increase consistent with □118 Cr addition to Gross Block, primarily in plant and machinery.
9	Provision reversals boosting PAT	Profit ↑ — lack of prudence; □293.60 Cr receivable held without impairment despite arbitration.	□	Other Receivables: □293.60 Cr; Provision for Doubtful: □3.50 Cr.	Auditor highlights HSIIDC claim risk; adverse ruling would wipe out 30% of equity (Note 7.1).
10	Tax rate consistency	Profit ↑ — non-cash tax credit; negative tax rate due to DTA recognition on losses.	□	Tax %: -5.00%; Net Loss: -□231 Cr; DTA: □99.87 Cr.	Tax credit taken on losses assumes future profitability, which is aggressive given current performance.
11	CWIP age and stalling projects	Profit ↓ — interest capitalization; □319.51 Cr interest added to WIP masks true borrowing cost.	□	Finance Costs Capitalized: □319.51 Cr; Interest in P&L: □106 Cr.	Capitalization prevents massive interest burden from appearing on P&L, inflating asset values (Note 10.2).
12	Deferred tax asset recognition adequacy	Profit ↑ — aggressive accounting; □99.87 Cr DTA recognized despite deepening □231 Cr net loss.	□	DTA on losses: □99.87 Cr; PBT: -□243 Cr.	Auditor KAM focuses on DTA recoverability; requires "certainty" of future taxable income (Note 8.2).

#	Check	Impact	Status	Evidence	Notes Detail
13	RPT quantum and trend	Neutral — promoter support; □17.26 Cr interest-free loans from directors provide liquidity.	□	Unsecured Loans (Related Parties): □17.26 Cr (FY25) vs □9.78 Cr (FY24).	Promoters providing quasi-equity to manage tight liquidity; non-interest bearing (Note 15.7).
14	Dividend paid vs FCF adequacy	Neutral — no leakage; zero dividends paid as company is in a loss-making phase.	□	Dividend Payout: 0%; Free Cash Flow: □6 Cr.	Management conserving cash for project execution and high-cost debt servicing (18-23% IRR).
15	Auditor Tenure & Independence	Neutral — long tenure; M/s Doogar & Associates continuing since demerger without qualification.	□	Auditor tenure: Since demerger.	Long tenure and lack of qualification on the HSIIDC claim warrant investor skepticism.
16	Liquidity Stress (MSME)	Profit ↓ — interest on delays; □0.59 Cr interest due on delayed payments to MSMEs.	□	MSME Interest: □0.59 Cr.	Classic forensic signal of severe liquidity stress at the ground level (Note 21).

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters - **Audit Opinion Type:** Unqualified. - **KAM 1: Recoverability of HSIIDC Claim:** Auditor flagged □293.60 Cr receivable from HSIIDC regarding the 'Madelia' project. **Concern:** Significant judgment regarding the certainty of recovery; □132.12 Cr of this is capitalized finance costs. - **KAM 2: Inventory Valuation & NRV:** Auditor noted a write-down of □26.06 Cr on the 'Maceo' project. **Concern:** Risk that other projects (Kailasa/Tripundra) may face similar NRV issues if market prices do not offset high capitalized interest. - **KAM 3: Deferred Tax Asset (DTA) Recognition:** Auditor focused on the recoverability of □99.87 Cr in DTA. **Concern:** Recognition assumes "certainty" of future taxable profits despite a current consolidated loss of □231.22 Cr. - **Material Weaknesses:** Auditor noted that financial assets/liabilities from the demerger remain subject to confirmation and reconciliation, signaling potential future adjustments. - **Going Concern:** Financials prepared on a going concern basis, but the auditor highlighted the high-cost NCD structure (18.20% to 23.20% IRR) and the requirement for significant liquidity to meet redemption obligations.

B. Related Party Transactions | Party | Relationship | Nature | Amount (□Cr) | Concern | | :--- | :--- | :--- | :--- | :--- | | **Anil Sarin / Amar Sarin** | Promoters | **Unsecured Loans (Taken)** | 17.26 Cr | **Positive:** Interest-free liquidity support. | | ***Amar Sarin*** | MD & CEO | ***Remuneration*** | 1.20 Cr | Disconnected from □231 Cr Net Loss. | | ***Related Parties*** | KMP Controlled | ***Trade Payables*** | 2.51 Cr | Recurring operational cash outflow. | | **Related Parties** | KMP Controlled | **Recoverables** | 0.21 Cr | Minor; indicates low siphoning via trade. |

- **% of Revenue:** 51.23% (Extremely high due to collapsed revenue base).
- **% of CFO:** 40.14% (Significant reliance on promoter funding for operations).
- **Guarantees:** Personal guarantees provided by Amar and Anil Sarin for almost all secured debt.

C. Shareholding - **Promoter:** 64.96% (Unchanged YoY) - **FII:** 2.40% | **DII:** 1.29% | **Public:** 31.35% - **Promoter Pledge:** 0.00%.

D. Board Composition + KMP Compensation - **Total Directors:** 7 | **Independent %:** 57.14% | **Women Directors:** 2. - **Family Relations:** Amar Sarin (MD) is the son of Anil Sarin (Chairman) and husband of Muskaan Sarin (WTD). - **Compensation Analysis:** - ***Amar Sarin (MD):*** 1.20 Cr (0% growth; at ceiling despite □231 Cr loss). - ***Nitin Kumar Goel (CFO):*** 0.32 Cr (11.38% growth). - ***Amit Narayan (CS):*** 0.39 Cr (25.63% growth). - **Note:** Aggregate KMP pay rose while Operating Profit crashed from -22 Cr to -133 Cr.

F. Capital Allocation & Capex | Action | FY Current (□Cr) | FY Prior (□Cr) | % of CFO | Signal | | :--- | :--- | :--- | :--- | :--- | | ***Interest Payments*** | 547.00 Cr | 171.00 Cr | 1272.09% | □| | ***Net Debt Change*** | 561.00 Cr | 7.00 Cr | 1304.65% | □| | ***Inventory Investment*** | 227.00 Cr | 204.00 Cr | 527.91% | □| | **Capex** | 37.25 Cr | 40.98 Cr | 86.63% | □| | **Customer Advances** | 437.62 Cr | 351.76 Cr | 1017.72% | **Positive** | | ***Net Loss*** | 231.22 Cr | 77.04 Cr | 537.72% | □|

- **CAPEX Analytical Notes:**
  - **CFO Coverage of Capex:** Ratio is 1.15x, but organic CFO (excluding customer advances) is deeply negative.
  - **Nature of Capex:** Primarily maintenance and site mobilization. The real "capex" is the □**566.71 Cr increase in Inventory**, which is 56% comprised of **capitalized interest**.
  - **Deployment Efficiency:** Revenue fell 70% while inventory rose 41%. This decoupling signals a **top-heavy balance sheet** where interest costs may eventually exceed the Net Realizable Value of units.

H. Risks - ***HSIIDC Litigation:*** □293.60 Cr stuck in arbitration. **Impact:** Could wipe out 28% of Net Worth if ruling is adverse. - ***High Debt Cost:*** NCDs at 18.20% to 23.20% IRR. **Impact:** Interest costs (□319 Cr) are 9.5x total revenue, leading to structural insolvency risk. - ***Refinancing Risk:*** □817.97 Cr debt due within 12 months. **Impact:** Failure to refinance would trigger cross-defaults on all secured land parcels. - ***Inventory NRV:*** Write-down of □26.06 Cr on Maceo project. **Impact:** Signals that capitalized interest may be inflating inventory above market value. - ***DTA Recovery:*** □99.87 Cr Deferred Tax Asset. **Impact:** Risk of □100 Cr write-off if taxable profits don't materialize.

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	2	↓	Revenue -70%; Inventory Turnover -84%	High concentration in NCR with stalled execution velocity despite strong bookings.
Financial Health	1	↓	D/E 1.87x; Interest Coverage -1.25; CFO < Interest Paid	Structural insolvency risk with debt servicing entirely dependent on new borrowings.
Earnings Quality	1	↓	75% Interest Capitalized; □99 Cr DTA on losses	Aggressive accounting masks the true depth of losses and inflates asset values.
Management & Governance	2	↓	MD "Minimum Remuneration" in loss; 51% RPT/Revenue	Misalignment of interest; promoters securing pay while credit rating is on Negative Watch.
Capital Allocation & Earnings Visibility	2	↓	ROCE -5%; 23% IRR Debt; □964 Cr Advances	Value-destructive debt costs outweighing project returns; visibility is high but delivery is slow.

BUSINESS POSITIVES (for this company this year) * □**[Sales Momentum]** Sales bookings reached □3,722 Cr, confirming strong market demand for the "Ultra-Luxury" pivot. * □**[Customer Advances]** Collected □484 Cr in customer advances, providing critical interest-free liquidity. * □**[Promoter Support]** Promoters provided □17.26 Cr in interest-free unsecured loans to support operations. * □**[Refinancing Progress]** Post-FY25, secured bank loans at 12.75% to replace high-cost 23% IRR NCDs.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**[Revenue Collapse]** Revenue from operations plummeted 70% to □34 Cr due to lack of project handovers. * □**[Predatory Debt]** Carrying NCDs with 18-23% IRR, leading to a massive □547 Cr interest outflow. * □**[Accounting Red Flag]** Capitalized □319.51 Cr of interest into inventory, hiding the true P&L loss. * □**[Litigation Risk]** □293.60 Cr (28% of Net Worth) stuck in

HSIIDC arbitration with no impairment provision. * □**[Credit Rating]** Moved to "Rating Watch with Negative Implications" by Acuité and Infomerics. * □**[Governance Misalignment]** Seeking "minimum remuneration" for MD despite a □231 Cr consolidated net loss.

OVERALL SCORECARD SUMMARY TARC Ltd is currently in a state of financial fragility where operational "escape velocity" in sales is being neutralized by a "debt trap" of 23% IRR capital. The company's earnings quality is poor, characterized by aggressive interest capitalization and the recognition of deferred tax assets amidst deepening losses. Governance is a concern as management seeks to protect promoter compensation while the credit rating deteriorates. The business is on a deteriorating trajectory unless it can immediately complete its transition from high-cost NCDs to sustainable bank financing.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion (p.265).
2	Promoter pledge = 0?	□	0.00% pledge (p.37).
3	KMP pay < 5% of PAT?	□	KMP pay is □1.91 Cr while PAT is -□231 Cr.
4	RPT quantum < 5% of revenue?	□	RPT is 51.23% of revenue.
5	Board > 50% independent?	□	57.14% Independent (4/7).
6	At least 1 woman director?	□	2 Women Directors (Muskaan Sarin, Bindu Acharya).
7	No statutory dues outstanding?	□	□15.03 Cr Statutory dues (TDS/GST) outstanding.
8	No fraud reported?	□	No fraud reported in Auditor's report.
9	Audit trail enabled?	□	Confirmed in Auditor's report.
10	Frequent Auditor change	□	M/s Doogar & Associates continuing since demerger.
Total: 7/10 □— Governance Rating: [2]			

Part C: Investor Verdict

THESIS: TARC is a high-risk turnaround play where strong luxury sales bookings are racing against a predatory 23% IRR debt structure that threatens solvency.

OVERALL STANCE: AVOID

RATIONALE: The combination of a -22% ROE, 1.87x D/E, and a "Negative Watch" credit rating makes the equity highly vulnerable to dilution or distress. RE-EVALUATE WHEN: Interest Coverage Ratio > 1.5x and Net Debt/EBITDA < 4x. BULL CASE: Successful refinancing of all 23% IRR debt into <12% bank debt and timely delivery of *TARC Kailasa*. BEAR CASE: Adverse ruling in the □293 Cr HSIIDC litigation combined with a credit rating downgrade to "Default" (D). KEY MONITORABLE: Refinancing status of □817.97 Cr current debt maturities.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Debt Servicing	□171 Cr interest paid.	□547 Cr interest paid.	The exponential rise in interest payments indicates the company is now borrowing primarily to service existing predatory debt.
Interest Capitalization	56% of interest capitalized.	75% of interest capitalized.	Management is increasingly using accounting maneuvers to hide the true depth of its interest burden from the P&L.
Revenue Trajectory	□111 Cr (Core real estate down 68%).	□34 Cr (Core real estate down 76%).	The continued collapse of revenue suggests a total failure to convert massive inventory into recognized project completions.
Leverage Profile	1.09x Debt/Equity.	1.87x Debt/Equity.	The balance sheet has deteriorated into a state of structural insolvency where debt now nearly doubles the equity base.
Management Tone	Defensive and restructuring-focused.	Hyper-optimistic "Golden Decade" narrative.	The shift to visionary rhetoric while the credit rating hits "Negative Watch" signals a dangerous disconnect from financial reality.
Working Capital	□526 Cr in Customer Advances.	□964 Cr in Customer Advances.	The business has become entirely dependent on customer deposits as a non-interest-bearing life support system to fund operations.
Executive Pay	MD pay doubled to □1.20 Cr.	MD pay maintained at □1.20 Cr ceiling.	Management continues to prioritize maximum promoter compensation despite a three-fold increase in net losses.

7.2 Persistent Patterns

- **The HSIIDC litigation involving □293.60 Cr remains a stagnant, unprovided-for risk that threatens nearly 30% of the company's net worth.**
- **The company consistently generates a Return on Capital Employed (ROCE) that is significantly lower than its double-digit cost of debt, resulting in perpetual shareholder value destruction.**
- **Executive compensation remains aggressively high and decoupled from the company’s deepening net losses and deteriorating credit profile.**
- **The business maintains a 100% geographic concentration in the Delhi-NCR luxury market, leaving it entirely exposed to regional regulatory and demand shocks.**
- **Earnings quality is structurally impaired by a recurring reliance on aggressive interest capitalization and the recognition of deferred tax assets despite a lack of profitability.**
- **The Sarin family maintains absolute control over executive and board functions, ensuring promoter interests are prioritized over minority shareholders during periods of financial distress.**
- **The auditor continues to flag unreconciled accounts from the original demerger, indicating a persistent lack of internal control over legacy financial data.**

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