TARC Ltd — FY 2024 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 operates as a high-beta NCR luxury developer with a 500+ acre land bank, currently pivoting from land banking to active construction of 3.6 million sq. ft.	□
2	***Core real estate revenue plummeted 68% YoY to 111 Cr due to project recognition cycles, though sales bookings reached a record 1,612 Cr.***	□
3	***Operating margins collapsed into negative territory with an EBITDA margin of -14.41% and an operating loss of 22 Cr.***	□
4	***The company reported a net loss of 77 Cr, which was significantly understated by the aggressive capitalization of 56% of interest costs (173.30 Cr).***	□
5	***Financial health is precarious with a D/E of 1.09x and a value-destructive debt structure featuring NCDs with IRR as high as 28.20%.***	□
6	**Cash Flow from Operations turned positive at □158 Cr, though this was entirely fueled by a □351.76 Cr surge in customer advances rather than P&L profitability.**	**Positive**
7	**Inventory grew by □278 Cr, signaling a heavy capex-intensive phase as the company transitions land assets into work-in-progress construction.**	**Positive**
8	***Earnings quality is poor, characterized by a -1.00% ROCE and a reliance on non-core land acquisition gains for 36% of reported revenue.***	□
9	***Governance presents a mixed profile: while the board is 57% independent, MD compensation doubled to 1.20 Cr despite the company posting significant losses.***	□
10	***Liquidity risk is acute with 400.45 Cr in debt maturing within 12 months against a cash balance of only 67 Cr, alongside a 293.60 Cr HSIIDC litigation overhang.***	□
11	The outlook depends on a "race against time" to monetize luxury launches fast enough to service high-cost debt and bridge the refinancing gap.	□
12	Stance: WATCH; key monitorables include quarterly customer collections (threshold >□100 Cr) and a reduction in Net Debt/EBITDA below 4x.	□

FINAL RESEARCH SUMMARY: TARC LTD (FY2024)

1. BUSINESS OVERVIEW

- **Business Segments:** Primarily focused on Luxury City-Centric Residential developments in New Delhi and Gurugram; transitioning from a land-banking entity to an active real estate developer.
- **Revenue Drivers:** Core real estate sales (recognized at "Point in Time"), rental income from investment properties, and significant non-core gains from compulsory land acquisitions by the government.

- **Cost Drivers:** High-cost debt servicing (18.2%–28.2% IRR), construction work-in-progress (WIP) expenses, rising employee costs for scaling operations, and aggressive marketing/promotion spends.
- **Industry Position:** Positioning as a premium luxury developer in the NCR market, targeting the "Global Indian" buyer profile with LEED Gold/Platinum certified projects.
- **Expansion Plans:** Actively monetizing a 500+ acre fully-paid land bank; currently has 3.6 million sq. ft. of residential projects in progress (TARC Kailasa and Tripundra).
- **Acquisitions & Capacity:** Focus is on internal development of existing land parcels rather than new land acquisitions; capacity is measured by the transition of "dead" land into "active" inventory.
- **Segment Performance:** Core real estate revenue saw a 68% drop (□57.29 Cr) due to project cycles, while non-core land acquisition gains contributed □40.11 Cr (36% of revenue).
- **Geographical Presence:** Concentrated exclusively in the Delhi-NCR region, specifically high-value micro-markets in New Delhi and Gurugram.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Strategic shift from "defensive/restructuring" in FY23 to "aggressive/prepared" in FY24, focusing on the "monetization" of the land bank.
- Management defines the current phase as being "poised," representing a proactive aggregation of competencies and institutionalizing construction processes.
- Guidance emphasizes "Luxury City Centric Residential" projects to capture high margins in the current NCR demand upcycle.
- The company reported □1,612 Cr in sales bookings, signaling market acceptance of TARC as a developer.
- Management highlights a focus on "timely deliveries" and "co-creating a future" to shed legacy reputations associated with stalled projects.
- Deleveraging is stated as a primary goal using "growing liquidity," though the company continues to raise high-cost NCDs (□191 Cr in FY24).
- Aggressive pursuit of sustainability (LEED certifications) is viewed as a competitive moat for the luxury segment.
- Professionalization of the second tier is underway, with senior hires from competitors like DLF to lead operational execution.
- Long-term vision involves scaling the 3.6 Mn sq. ft. pipeline into a larger, sustainable development platform.
- **Management Tone:** The tone has shifted to high confidence, characterized by an aggressive stance on project launches and a "poised" narrative. However, there is a visible disconnect between the rhetoric of "deleveraging" and the reality of continued high-cost debt issuance. The management appears operationally optimistic but remains financially constrained by legacy debt structures. (LAST BULLET POINT).

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 2024	Mar 2023
Sales -	111.00	369.00
Sales Growth %	-70.00	47.00
Expenses -	133.00	205.00
Material Cost % -	0.00	-32.00
Change in inventory	0.00	-116.20
Manufacturing Cost %	55.00	47.00
Employee Cost %	28.00	3.00
Other Cost %	37.00	37.00
Operating Profit	-22.00	164.00
OPM %	-20.00	44.00
Other Income -	4.00	2.00
Exceptional items	-5.78	-4.34
Other income normal	9.96	6.00
Interest	62.00	117.00
Depreciation	6.00	7.00
Profit before tax	-86.00	41.00
Tax %	-10.00	50.00
Net Profit -	-77.00	20.00
Profit from Associates	0.00	0.00
Minority share	0.00	0.00
Exceptional items AT	-6.00	-2.00
Profit excl Excep	-72.00	22.00
Profit for PE	-72.00	22.00
Profit for EPS	-77.00	20.00
Profit Growth %	-422.00	109.00
EPS in Rs	-2.61	0.69
Dividend Payout %	0.00	0.00

Balance Sheet (□Crores)

Line Item	Mar 2024	Mar 2023
Equity Capital	59.00	59.00
Reserves	1,216.00	1,293.00
Borrowings -	1,393.00	1,386.00
Long term Borrowings	925.00	1,132.00
Short term Borrowings	463.00	249.00
Lease Liabilities	5.00	5.00
Other Borrowings	0.00	0.00
Other Liabilities -	796.00	428.00
Non controlling int	0.00	0.00
Trade Payables	25.00	24.00
Advance from Customers	526.00	175.00
Other liability items	245.00	228.00
Total Liabilities	3,463.00	3,166.00
Fixed Assets -	1,107.00	1,066.00
Land	324.00	325.00
Building	60.00	60.00
Plant Machinery	0.00	25.00
Equipments	4.00	4.00
Computers	2.00	2.00
Furniture n fittings	25.00	0.00
Vehicles	14.00	10.00
Intangible Assets	278.00	278.00
Other fixed assets	487.00	443.00
Gross Block	1,194.00	1,147.00
Accumulated Depreciation	87.00	81.00
CWIP	0.00	0.00
Investments	68.00	68.00
Other Assets -	2,289.00	2,032.00
Inventories	1,385.00	1,106.00
Trade receivables -	6.00	10.00
Receivables over 6m	4.04	0.39
Receivables under 6m	5.25	9.29
Prov for Doubtful	-3.08	-0.12
Cash Equivalents	67.00	115.00
Loans n Advances	59.00	64.00
Other asset items	772.00	737.00

Line Item	Mar 2024	Mar 2023
Total Assets	3,463.00	3,166.00

Cash Flow Statement (Crores)

Line Item	Mar 2024	Mar 2023
Cash from Operating Activity -	158.00	-81.00
Profit from operations	-41.00	-6.00
Receivables	0.00	-5.00
Inventory	-204.00	66.00
Payables	1.00	-18.00
Other WC items	409.00	-105.00
Working capital changes	206.00	-61.00
Direct taxes	-7.00	-14.00
Advance tax	0.00	0.00
Other operating items	0.00	0.00
Cash from Investing Activity -	-39.00	75.00
Fixed assets purchased	-40.98	-6.59
Fixed assets sold	0.00	75.14
Investments purchased	0.00	0.00
Investments sold	0.00	0.00
Interest received	1.91	3.76
Other investing items	0.01	2.20
Cash from Financing Activity -	-166.00	96.00
Proceeds from debentures	0.00	1,330.00
Redemption of debentures	-9.00	0.00
Proceeds from borrowings	16.00	0.00
Repayment of borrowings	0.00	-1,123.00
Interest paid fin	-171.00	-110.00
Financial liabilities	-1.00	-1.00
Net Cash Flow	-47.00	89.00
Free Cash Flow	117.00	-12.00
CFO/OP	-752.00	-41.00

Key Ratios (₹Crores)

Line Item	Mar 2024	Mar 2023
Debtor Days	20.00	9.00
Inventory Days	0.00	0.00
Days Payable	0.00	0.00
Cash Conversion Cycle	20.00	9.00
Working Capital Days	1,218.00	760.00
ROCE %	-1.00	6.00

3.2 Financial Analysis Summary

- **Revenue** witnessed a severe 70% YoY contraction to **₹111.00 Cr**, primarily due to a 68% drop in core real estate revenue as project recognitions shifted to a "Point in Time" basis; notably, 35.99% of **Revenue** (**₹40.11 Cr**) was derived from non-core government land acquisitions.
- **Operating Profit** collapsed into a deficit of **-₹22.00 Cr** from **₹164.00 Cr**, driven by the revenue shortfall and a 24% rise in **Employee Cost** as the company scaled for new launches, resulting in a negative **EBITDA Margin** of **-14.41%**.
- **Finance Cost** reported on the P&L (**₹62.00 Cr**) significantly understates the actual debt burden, as **Gross Finance Costs** reached **₹309.34 Cr**, of which **₹173.30 Cr** was capitalized into **Inventory** and **Fixed Assets**, artificially cushioning the **PAT** loss of **-₹77.00 Cr**.
- **Inventory** surged by **₹278.43 Cr** to **₹1,385.00 Cr**, reflecting intensive construction work-in-progress, which acted as a major **₹204.00 Cr** drain on **CFO**; however, this was offset by a massive **₹351.76 Cr** increase in **Advance from Customers**, leading to a positive **CFO** of **₹158.00 Cr**.
- **Total Debt** remains elevated at **₹1,393.00 Cr** with a **Debt/Equity** of **1.09**, characterized by high-cost NCDs carrying an IRR of **18.20% to 28.20%**; a critical liquidity risk exists as **₹400.45 Cr** of debt is due within one year against a **Cash Equivalents** balance of only **₹67.00 Cr**.
- **Working Capital Days** deteriorated sharply from 760 to 1,218 days, as cash is increasingly trapped in **Other Assets**, including a **₹293.60 Cr** receivable from HSIIDC under litigation and **₹171.55 Cr** in land compensation receivables, which together represent 36% of **Net Worth**.
- **Fixed Assets** increased to **₹1,107.00 Cr** following **₹40.98 Cr** in **Capex**, while **Depreciation** remained stable at **₹6.00 Cr**; however, the lack of revenue growth relative to the expanding asset base resulted in a negative **ROCE** of **-1.00%**.
- **Trade Receivables** ageing shows a concerning trend with **Receivables over 6m** rising from **₹0.39 Cr** to **₹4.04 Cr**, necessitating a sharp increase in **Provision for Doubtful Debt** to **₹3.08 Cr**, further impacting **PAT**.
- **Free Cash Flow** turned positive at **₹117.00 Cr** due to the surge in customer advances, yet the company remains dependent on external financing as **Interest paid fin** (**₹171.00 Cr**) exceeded the total **CFO** generated.
- **Other Assets** and **Other Liabilities** analysis reveals that **₹465.15 Cr** (38% of **Net Worth**) is tied up in government receivables or litigation, while **Statutory Dues Payable** spiked 345% to **₹23.36 Cr**, signaling potential liquidity stress.
- **Other Expenses** were impacted by a 94x jump in **Provision for Doubtful Debt/Advances** (**₹10.43 Cr**), suggesting an aggressive clean-up of demerger-related balances or deteriorating asset quality.
- The dominant financial theme of the year is a high-stakes race where the company is using strong customer collections (**Advance from Customers**) to fund an intensive construction phase, while the true economic

cost of its 18-28% IRR debt is being deferred through aggressive interest capitalization and bullet repayment structures.

3.3 Contingent Liabilities & Commitments

- **Claims not acknowledged as debt:** ₹66.62 Cr (increased from ₹45.08 Cr).
- **Income Tax Demands:** New demand of ₹25.66 Cr for AY 19-20 and 20-21; adds to existing ₹6.79 Cr disputed GST/Service Tax.
- **HSIIDC Litigation:** ₹293.60 Cr receivable regarding the 'Madelia' project currently in arbitration; an adverse ruling would wipe out ~24% of Net Worth.
- **Guarantees:** ₹9.44 Cr provided to Town & Country Planning for operational requirements.
- **Capital Commitments:** Management admits several financial assets/liabilities from the demerger are "subject to confirmation and reconciliation," posing a risk of future write-offs.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↑ — cash flow exceeds earnings; □360 Cr customer advance surge drives CFO despite loss.	□	PAT: -□77 Cr; CFO: □158 Cr.	Note 20.1: Contract liabilities (advances) rose from □166.7 Cr to □526.8 Cr, providing liquidity.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — inventory build-up; □278 Cr inventory rise vs 70% revenue drop suggests project gestation.	□	Inventory: □1,385 Cr; Sales: □111 Cr.	Note 10: Inventory growth driven by WIP (□1,067 Cr), signaling transition to active construction phase.
3	Revenue timing	Revenue ↓ — lagging recognition; "Point in Time" policy delays revenue until project handover/possession.	□	Sales dropped from □369 Cr to □111 Cr.	Note 23: Revenue recognized at handover; current drop reflects gap in project completions/deliveries.
4	Revenue from related parties %	Neutral — minimal P&L impact; related party transactions are low relative to total operations.	□	RPT loans: □9.78 Cr.	Note 36.2: Unsecured loans from related parties are interest-free with no fixed repayment schedule.
5	Inventory vs revenue growth	Profit ↓ — high carrying costs; inventory rose 25% while revenue fell 70% during FY24.	□	Inventory: □1,385 Cr; Revenue: □111 Cr.	Note 10.1: WIP increased significantly; auditor concerned about NRV of slow-moving land parcels.
6	Inventory valuation method change	Neutral — consistent policy; valued at lower of cost or NRV as per Ind AS.	□	Inventory: □1,385 Cr.	Note 10.1: Management states no write-down needed, though auditor flags slow-moving parcel risks.
7	Exceptional items in operating profit	Profit ↓ — non-recurring losses; exceptional items of □5.78 Cr further depress the operating loss.	□	Exceptional items: -□5.78 Cr.	P&L: Exceptional items relate to one-time adjustments; core operating profit is already negative.
8	Depreciation rate vs useful life policy	Profit ↑ — low depreciation; □6 Cr charge on □1,194 Cr gross block suggests long lives.	□	Dep: □6 Cr; Gross Block: □1,194 Cr.	Fixed Assets: Depreciation is minimal as a % of assets; most value sits in Land/Intangibles.
9	Provision reversals boosting PAT	Profit ↑ — lack of impairment; failure to provide for □293 Cr HSIIDC receivable inflates PAT.	□	Prov for Doubtful: □3.08 Cr.	Note 7.1: □293.6 Cr stuck in HSIIDC litigation; no impairment taken despite arbitration uncertainty.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↑ — tax credit; negative tax rate of 10% on losses reduces the reported net loss.	□	Tax: -10% on -□86 Cr PBT.	P&L: Tax credit of ~□9 Cr recognized on losses; cash tax paid was □7 Cr.
11	CWIP age and stalled projects	Profit ↑ — avoided write-downs; stalled project costs carried as financial assets rather than inventory.	□	Other Financial Assets: □296 Cr.	Note 7.1: HSIIDC 'Madelia' project (□293.6 Cr) is stalled/ under litigation but not written down.
12	Deferred tax asset recognition adequacy	Profit ↑ — DTA recognition; tax benefits recognized on losses despite history of volatile earnings.	□	Net Profit: -□77 Cr.	Note 31: Contingent liabilities (□25.6 Cr tax demand) may offset future deferred tax benefits.
13	RPT quantum and trend	Neutral — low risk; related party transactions are stable and	□	RPT Loans: □9.78 Cr.	Note 36.2: RPTs include KMP remuneration and minor lease

#	Check	Impact	Status	Evidence	Notes Detail
		primarily involve interest-free funding.			rents; no aggressive siphoning detected.
14	Dividend paid vs FCF adequacy	Neutral — no outflow; company conserved cash by not declaring dividends during a loss year.	□	Dividend: 0%; FCF: □117 Cr.	Cash Flow: FCF is positive due to customer advances, but used for debt/interest servicing.
15	Interest Capitalization Aggression	Profit ↑ — 56% of total interest (□173.30 Cr) capitalized into inventory, masking true debt servicing cost.	□	Gross Interest: □309 Cr; P&L Interest: □136 Cr.	Note 27: Capitalization prevents the full impact of 18-28% IRR debt from hitting the P&L.
16	Non-Core Revenue Reliance	Revenue ↑ — 36% of operating revenue derived from one-time government land acquisition gains.	□	Land Gain: □40.11 Cr; Total Rev: □111.44 Cr.	Note 23: High reliance on non-core gains to support the top line amid core real estate decline.
17	Auditor Reconciliation Warning	Neutral — potential future adjustments; auditor noted assets/liabilities from demerger subject to confirmation.	□	Auditor Report p.136.	Note 33: Signals risk of future write-offs or adjustments once reconciliations are complete.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters * **Audit Opinion:** Unqualified. * **KAM 1: Recoverability of HSIIDC Claim:** Auditor flagged □293.60 Cr recoverable from HSIIDC regarding the 'Madelia' project, currently under arbitration. Concern: Significant judgment required regarding timing and certainty. Management asserted certainty based on legal advice; no impairment provided. * **KAM 2: Inventory Valuation:** Auditor focused on NRV of slow-moving land parcels in Manesar/Gurgaon. Concern: Market volatility could necessitate write-downs. Management response: Valuations based on internal estimates and circle rates. * **KAM 3: Revenue Recognition:** Focused on transition to "Point in Time" recognition under Ind AS 115 and verification of completion milestones. * **Material Weaknesses:** Auditor noted financial assets/liabilities from demerger are "subject to confirmation and reconciliation," signaling potential future adjustments. * **Going Concern:** Financials prepared on going concern basis, but auditor notes high-cost NCD structure and liquidity requirements for redemptions.

B. Related Party Transactions | Party | Relationship | Nature | Amount (□Cr) | Concern | |-------|--------------|--------|----------------|---------| | ***Anil Sarin*** | Promoter/Chairman | Lease Rent | 0.5940 Cr | Potential tunneling via personal asset leasing | | **Related Parties** | KMP Controlled | Unsecured Loans | 9.78 Cr | **Positive:** Interest-free liquidity cushion | | **Amar Sarin** | MD & CEO | Remuneration | 1.20 Cr | 100% YoY increase despite negative Operating Profit | | Related Parties | KMP Controlled | Lease Rent | 1.18 Cr | Recurring operational cash outflow to promoters |

C. Shareholding | Category | Mar 2024 | Mar 2023 | |:--|--:|--:| | **Promoter** | 64.96% | 64.96% | | FII | 2.40% | 1.01% | | DII | 1.29% | 0.00% | | Public | 31.35% | 34.03% | * **Promoter Pledge:** 0.00%

D. Board Composition + KMP Compensation * **Total Directors:** 7 | **Independent %:** 57.14% | **Women Directors:** 2 (Muskaan Sarin, Bindu Acharya). * **KMP Compensation:** * ***Amar Sarin (MD):*** □1.20 Cr (100% YoY growth; son of Chairman). * **Muskaan Sarin (WTD):** *0.00 Cr. * Nitin Kumar Goel (CFO):* **□0.2892 Cr (70.12% YoY growth). *** Analysis:** Aggregate KMP pay rose significantly while Operating Profit swung to a loss. MD pay doubled (justified as full-year vs partial), but absolute quantum is high given the □77 Cr Net Loss. The Sarin family controls executive and board leadership.

F. Capital Allocation & Capex | Action | FY Current (□Cr) | FY Prior (□Cr) | % of CFO | Signal | |--------|-------------------|-----------------|----------|--------| | ***Capex*** | 40.98 Cr | 6.59 Cr | 25.94% | □| | ***Interest Payments*** | 171.00 Cr | 110.00 Cr | 108.23% | □| | **Net Debt Change** | 7.00 Cr | 207.00 Cr | 4.43% | □| | **Working Capital Inv.** | 206.00 Cr | -61.00 Cr | 130.38% | **Positive** | | ***Provision for Doubtful Debt*** | 10.43 Cr | 0.11 Cr | 6.60% | □|

CAPEX ANALYTICAL NOTES: * **CFO Coverage of Capex:** CFO (□158.00 Cr) covers Capex (□40.98 Cr) by 3.85x, but this is driven by a **□351 Cr surge in Customer Advances**, not operating profits. * **Nature of Capex:** Primarily fixed assets; however, the most significant shift is the **□278.43 Cr increase in Inventory**, signaling a transition into intensive construction. * **Deployment Efficiency:** Revenue fell 70% while Capex rose 521%. This decoupling increases execution risk. * **Key Takeaways:** The program is aggressive and debt-funded, with **□173.30 Cr of interest capitalized into inventory**, inflating asset values and deferring P&L pain.

H. Risks * ***Litigation (High):*** HSIIDC claim of □293.60 Cr. Adverse ruling would wipe out 24% of Net Worth. * ***High Debt Cost (High):*** NCDs carry IRR of 18.20% to 28.20%. Massive "bullet" repayment obligations via redemption premiums. * ***Refinancing Risk (High):*** □400.45 Cr debt due within 12 months vs □58.84 Cr cash balance. * ***Inventory NRV (Medium):*** Slow-moving land parcels in Manesar/Gurgaon may require write-downs if prices soften. * ***Concentration (Medium):*** 100% focus on Delhi-NCR luxury segment; vulnerable to regional regulatory shifts. * ***Tax Demands (Medium):*** New Income Tax demand of □25.66 Cr adds to liquidity pressure.

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	3	→	500+ acre land bank; □1,612 Cr bookings	Strong asset base and sales momentum offset by extreme regional concentration and cyclicality.
Financial Health	1	↓	D/E 1.09x; Interest > CFO; 28% IRR debt	Debt costs are value-destructive and interest obligations exceed organic operating cash flow.
Earnings Quality	2	↓	56% Interest Capitalized; 36% Non-core Rev	P&L losses are masked by aggressive capitalization and reliance on one-time land acquisition gains.
Management & Governance	3	→	57% Independent Board; 100% MD pay hike	Adequate board structure but high family concentration and executive pay disconnected from P&L performance.
Capital Allocation & Visibility	2	↓	ROCE -1.00%; □400 Cr current debt	Reinvesting heavily with negative returns; high-cost debt creates a mathematical trap for future equity.

BUSINESS POSITIVES (for this company this year) * □**Strong Sales Momentum:** Reported □1,612 Cr in sales bookings, indicating strong market demand for the new luxury project launches. * □**Robust Customer Collections:** Advance from Customers surged by □351.76 Cr, providing critical liquidity to fund construction. * □ **Operational Pivot:** Successfully transitioned 3.6 million sq. ft. of the land bank into active construction work-in-progress. * □**Interest-Free Support:** Received □9.78 Cr in interest-free unsecured loans from related parties, providing a minor liquidity cushion.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Value-Destructive Debt:** NCD structure with IRR up to 28.20% vastly exceeds the negative ROCE of -1.00%. * □**Severe Revenue Decline:** Core real estate revenue dropped 68% YoY, leading to an operating loss of □22 Cr. * □**Liquidity Mismatch:** □400.45 Cr of debt maturing within 12 months against a cash balance of only □67 Cr. * □**Aggressive Accounting:** Capitalizing 56% of interest (□173.30 Cr) and relying on non-core land gains (36% of revenue) masks the true P&L stress. * □**Litigation Overhang:** □293.60 Cr (24% of Net Worth) remains stuck in a long-standing HSIIDC legal dispute with no impairment taken.

OVERALL SCORECARD SUMMARY TARC Ltd is in a high-stakes transition, showing impressive operational sales velocity but remains shackled by a precarious financial structure. While customer advances are currently funding construction, the company's 18-28% IRR debt is a "ticking time bomb" that consumes more cash than the business organically generates. Governance is adequate in form but shows signs of misalignment in executive compensation. The business is on a **stable but high-risk** trajectory where the success of the equity depends entirely on flawless execution and rapid refinancing of expensive debt.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion (p.114)
2	Promoter pledge = 0?	□	No pledge disclosed; assumed nil
3	KMP pay < 5% of PAT?	□	PAT is negative; MD pay doubled to □1.20 Cr
4	RPT quantum < 5% of revenue?	□	Lease RPTs are ~1.06% of revenue
5	Board > 50% independent?	□	4 out of 7 directors are independent (57%)
6	At least 1 woman director?	□	2 women directors (Muskaan Sarin, Bindu Acharya)
7	No statutory dues outstanding?	□	Statutory dues payable spiked 345% to □23.36 Cr
8	No fraud reported?	□	No fraud noted in CARO report
9	Audit trail enabled?	□	Confirmed in Auditor's Report
10	Frequent Auditor change	□	M/s Doogar & Associates continuing since demerger
Total: 8/10 □— Governance Rating: 3			

Part C: Investor Verdict

THESIS: TARC is a high-beta play on NCR luxury real estate, attempting to outrun 28% IRR debt through aggressive project monetization. **OVERALL STANCE:** WATCH **RATIONALE:** Operational momentum is strong, but the financial "burn rate" from interest and looming repayments creates a high risk of equity dilution or insolvency if sales slow. **RE-EVALUATE WHEN:** Net Debt/EBITDA falls below 4x or the HSIIDC litigation is settled. **BULL CASE:** Successful delivery of Kailasa/Tripundra leads to a massive cash windfall, allowing full repayment of high-cost NCDs and a re-rating to a 2.0x P/B. **BEAR CASE:** A slowdown in NCR luxury demand or an adverse HSIIDC ruling triggers a liquidity crisis, forcing a distressed fire sale of land assets. **KEY MONITORABLE:** Customer Collections: □158 Cr → Watch for drop below □100 Cr/quarter.

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7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Cost of Debt	18.20% IRR on NCDs.	18.20% to 28.20% IRR on NCDs.	The cost of capital has escalated to predatory levels that mathematically challenge the long-term viability of the equity.
CFO Generation	Negative CFO (-□81 Cr).	Positive CFO (□158 Cr).	Liquidity has improved superficially, but it is driven entirely by customer advances rather than profitable operations.
Interest Accounting	□69.10 Cr capitalized into inventory.	□173.30 Cr (56% of total interest) capitalized.	Management is using aggressive interest capitalization to mask the true extent of P&L erosion and debt servicing stress.
Revenue Trajectory	□369 Cr (47% growth).	□111 Cr (70% contraction).	Core revenue has collapsed as the company transitions between project recognition cycles, increasing reliance on non-core gains.
Management Tone	Defensive and focused on restructuring.	Aggressive, "poised," and high-confidence.	There is a widening disconnect between management's optimistic growth narrative and the deteriorating financial health of the balance sheet.
Short-term Solvency	Debt maturity profile improved via NCDs.	□400.45 Cr debt due within 12 months.	The company has moved from a stable debt position back into a high-pressure refinancing cycle with inadequate cash coverage.
Executive Pay	MD pay at □0.60 Cr.	MD pay doubled to □1.20 Cr.	Management compensation has decoupled from financial performance, increasing significantly despite a swing to a heavy net loss.

7.2 Persistent Patterns

- **The HSIIDC litigation involving □293.60 Cr remains unresolved and unprovided for, representing a persistent "black swan" risk that could wipe out ~24% of Net Worth.**
- **The company continues to destroy shareholder value as its Return on Capital Employed (ROCE) remains consistently and significantly below its double-digit cost of debt.**
- **A massive portion of the balance sheet remains locked in slow-moving inventory and land parcels, resulting in structural capital stagnation and high carrying costs.**
- **Earnings quality remains poor due to a recurring reliance on non-operational government land acquisition gains to support the top line.**
- **Executive and board leadership remains heavily concentrated within the Sarin family, maintaining a high degree of promoter control over strategic and financial decisions.**
- **Auditor warnings regarding unreconciled statutory balances and demerger-related accounts suggest persistent weaknesses in the internal financial control environment.**
- **The business maintains a 100% geographic concentration in the Delhi-NCR luxury market, leaving it perpetually vulnerable to regional regulatory shifts.**

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