**TARC Ltd — FY 2023 Annual Report Analysis**

# Annual Report Analysis (Consolidated)

## Investor Snapshot

| # | Analytical point | Sentiment |
|---|---|---|
| 1 | **TARC is transitioning from a land-bank owner to a luxury developer in Delhi-NCR, leveraging a ~500-acre land bank with a projected GDV pipeline of □7,000 Cr.** | Positive |
| 2 | ***Reported revenue grew 47% to  369 Cr, but earnings quality is poor as 46% (  169.42 Cr) stemmed from a one-time land acquisition gain rather than core operations.*** | Negative |
| 3 | ***Operating profit of  164 Cr was heavily inflated by a  116.20 Cr inventory reclassification credit, masking underlying operational inefficiency.*** | Negative |
| 4 | ***The company is currently destroying shareholder value as its 6.00% ROCE is significantly lower than its 18.20% cost of debt.*** | Negative |
| 5 | ***Total debt escalated to  1,386 Cr (D/E 1.02x), with a shift toward high-cost NCDs at an 18.20% IRR, placing extreme pressure on interest coverage (1.35x).*** | Negative |
| 6 | ***Cash Flow from Operations (CFO) remained negative at -  81 Cr, resulting in a poor CFO/PAT conversion of -4.05x and reliance on asset sales to meet obligations.*** | Negative |
| 7 | **Liquidity was bolstered by □445 Cr through asset monetization and warehousing divestments, alongside a successful refinancing that improved the debt maturity profile.** | Positive |
| 8 | ***Inventory levels are bloated at  1,106 Cr, representing over 6 years of sales churn at the current core real estate revenue velocity of  179 Cr.*** | Negative |
| 9 | **Governance is a mix of strengths and weaknesses: corporate guarantees were eliminated (from □381.85 Cr to Nil), but auditor-flagged GST compliance gaps persist.** | Neutral |
| 10 | ***Significant litigation risk exists with  293.60 Cr (15% of total assets) tied up in a Supreme Court dispute with HSIIDC, currently carrying no impairment provision.*** | Negative |
| 11 | **Outlook depends on the execution of the □3,500 Cr Patel Road project and the ability to sustain the 50% price appreciation seen in the TARC Tripundra launch.** | Neutral |
| 12 | **Investment View: Watch; stance remains cautious until core revenue exceeds □400 Cr and CFO/PAT turns positive for two consecutive quarters.** | Neutral |

## 1. Business overview (In Bullet Points)

- **Business Segments:** TARC Ltd has pivoted from a legacy land-holding entity to a focused luxury residential developer, currently 100% focused on the "ultra-luxury" niche in the New Delhi and Gurugram markets.
- **Revenue Drivers:** Revenue is driven by high-velocity sales in Delhi-NCR micro-markets and aggressive pricing power. A significant portion of FY23 revenue (46%) was driven by a non-operational gain from compulsory land acquisition.
- **Cost Drivers:** Primary drivers are construction and finance. The company avoids high land acquisition costs as its ~500-acre land bank is already fully paid-up, though the 18.20% IRR cost of "patient capital" from Bain Capital is a major finance cost.
- **Industry Position:** TARC positions itself as a premium developer leveraging land scarcity in New Delhi. It is transitioning from a family-led land aggregator to a professionalized development firm.

- **Expansion Plans:** The strategy is "monetize and reinvest," focusing on three marquee projects (TARC Tripundra, TARC Patel Road, and TARC 63-A) with a cumulative Gross Development Value (GDV) of ~₹7,000 Cr.
- **Acquisitions & Divestments:** Divested non-core warehousing assets to Blackstone and ESR for ₹370 Cr to streamline the balance sheet and liquidity.
- **Capacity & Project Performance:** TARC Tripundra (South Delhi) is 65% sold with 50%+ price appreciation; TARC Maceo (Gurugram) is sold out, serving as a proof-of-concept for execution.
- **Geographical Presence:** Concentrated exclusively in the high-demand Delhi and Gurugram micro-markets.

## 2. Management commentary & outlook

- The ₹1,330 Cr infusion from Bain Capital via NCDs is viewed as a "stamp of credibility" to distance the company from its legacy "Anant Raj Global" identity and fund construction without distress sales.
- Management is executing a shift toward institutionalizing the workforce by onboarding industry veterans in Construction, Sales, and Design to transition to a professionalized development firm.
- The strategy focuses on an "Asset-Right" model, banking on the intrinsic value of existing Delhi land holdings rather than an "Asset-Light" JV model.
- Management is exceptionally bullish on the Delhi-NCR luxury segment, citing dwindling supply in the premium space and infrastructure tailwinds like the Dwarka Expressway and Gurugram Metro expansion.
- The long-term vision involves deleveraging the organization using project cash flows while simultaneously augmenting the land bank and implementing "tech-ready" customer relationship approaches.
- A visible gap exists between the professionalization narrative and regulatory reality, evidenced by an ₹18 Lakh SEBI penalty for non-disclosure of defaults and delayed ROC filings.
- **Management Tone:** The management tone is aggressively optimistic and highly confident, bordering on promotional, characterized by the frequent use of terms like "New Era" and "Star-studded year." While they successfully communicate a transition from a passive land-owner to an active developer, this optimism is tempered by a credit rating downgrade (from BBB- to BB+) during the year and a heavy reliance on high-cost debt (18.20% IRR) to fund the transition.

# 3. Financial analysis

## 3.1 Financial statements

### P&L statement (□Cr)

| Line item | Mar 2023 | Mar 2022 |
|---|---|---|
| Sales | 369 | 251 |
| Sales Growth % | 47 | 31 |
| Expenses | 205 | 435 |
| Material Cost % | -32 | 0 |
| Change in inventory | -116.20 | 0 |
| Manufacturing Cost % | 47 | 114 |
| Employee Cost % | 3 | 4 |
| Other Cost % | 37 | 56 |
| Operating Profit | 164 | -184 |
| OPM % | 44 | -74 |
| Other Income | 2 | 50 |
| Exceptional items | -4.34 | 4.10 |
| Other income normal | 6 | 45.98 |
| Interest | 117 | 86 |
| Depreciation | 7 | 9 |
| Profit before tax | 41 | -229 |
| Tax % | 50 | 1 |
| Net Profit | 20 | -233 |
| Profit from Associates | 0 | 0 |
| Minority share | 0 | 0 |
| Exceptional items AT | -2 | 4 |
| Profit excl Excep | 22 | -237 |
| Profit for PE | 22 | -237 |
| Profit for EPS | 20 | -233 |
| Profit Growth % | 109 | -3,932 |
| EPS (□) | 0.69 | -7.89 |
| Dividend Payout % | 0 | 0 |

**Balance sheet (□Cr)**

| Line item | Mar 2023 | Mar 2022 |
|---|---|---|
| Equity Capital | 59 | 59 |
| Reserves | 1,293 | 1,273 |
| Borrowings | 1,386 | 1,179 |
| Long term Borrowings | 1,132 | 0 |
| Short term Borrowings | 249 | 1,174 |
| Lease Liabilities | 5 | 6 |
| Other Borrowings | 0 | 0 |
| Other Liabilities | 428 | 468 |
| Non controlling int | 0 | 0 |
| Trade Payables | 24 | 42 |
| Advance from Customers | 175 | 210 |
| Other liability items | 228 | 217 |
| Total Liabilities | 3,166 | 2,979 |
| Fixed Assets | 1,066 | 1,053 |
| Land | 325 | 88 |
| Building | 60 | 80 |
| Plant Machinery | 25 | 32 |
| Equipments | 4 | 3 |
| Computers | 2 | 1 |
| Furniture n fittings | 0 | 0 |
| Vehicles | 10 | 8 |
| Intangible Assets | 278 | 278 |
| Other fixed assets | 443 | 637 |
| Gross Block | 1,147 | 1,127 |
| Accumulated Depreciation | 81 | 74 |
| CWIP | 0 | 0 |
| Investments | 68 | 68 |
| Other Assets | 2,032 | 1,858 |
| Inventories | 1,106 | 1,065 |
| Trade receivables | 10 | 5 |
| Receivables over 6m | 0.39 | 3.98 |
| Receivables under 6m | 9.29 | 0.84 |
| Prov for Doubtful | -0.12 | 0 |
| Cash Equivalents | 115 | 28 |
| Loans n Advances | 64 | 0 |
| Other asset items | 737 | 760 |

| Line item | Mar 2023 | Mar 2022 |
|---|---|---|
| Total Assets | 3,166 | 2,979 |

## Cash flow statement (□Cr)

| Line item | Mar 2023 | Mar 2022 |
|---|---|---|
| Cash from Operating Activity | -81 | -81 |
| Profit from operations | -6 | -196 |
| Receivables | -5 | -4 |
| Inventory | 66 | 241 |
| Payables | -18 | -9 |
| Other WC items | -105 | -103 |
| Working capital changes | -61 | 127 |
| Direct taxes | -14 | -11 |
| Advance tax | 0 | 0 |
| Other operating items | 0 | 0 |
| Cash from Investing Activity | 75 | 367 |
| Fixed assets purchased | -6.59 | 0 |
| Fixed assets sold | 75.14 | 360.92 |
| Investments purchased | 0 | 0 |
| Investments sold | 0 | 0 |
| Interest received | 3.76 | 1.46 |
| Other investing items | 2.20 | 4.59 |
| Cash from Financing Activity | 96 | -279 |
| Proceeds from debentures | 1,330 | 0 |
| Redemption of debentures | 0 | 0 |
| Proceeds from borrowings | 0 | 0 |
| Repayment of borrowings | -1,123 | -125 |
| Interest paid fin | -110 | -153 |
| Financial liabilities | -1 | -1 |
| Net Cash Flow | 89 | 7 |
| Free Cash Flow | -12 | 280 |
| CFO/OP | -41 | 38 |

### Key ratios

| Line item | Mar 2023 | Mar 2022 |
|---|---|---|
| Debtor Days | 9 | 7 |
| Inventory Days | 0 | 0 |
| Days Payable | 0 | 0 |
| Cash Conversion Cycle | 9 | 7 |
| Working Capital Days | 760 | -516 |
| ROCE % | 6 | -5 |

## 3.2 Financial analysis summary

- **Revenue** grew 47% to □369.00 Cr, but quality is poor as □169.42 Cr (46% of total) stems from a non-operational Other Income gain via compulsory land acquisition by the Haryana Government, masking the fact that core real estate Revenue was only □179.37 Cr; this inorganic spike is reflected in the Balance Sheet where Land assets increased to □325.00 Cr while Trade Receivables remained low at □10.00 Cr.
- **Operating Profit** turned positive at □164.00 Cr (44% OPM %) from a loss of □184.00 Cr, primarily due to a massive □116.20 Cr Change in Inventory credit which resulted from reclassifying Investment Property to Inventory for the Kirti Nagar project, artificially lowering reported Expenses on the P&L Statement.
- **Finance Cost** rose to □117.00 Cr on the P&L Statement, but total interest incurred was actually □201.61 Cr, with □69.09 Cr capitalized into Inventory (Work-in-Progress); this high burden is driven by a massive refinancing where □1,330.00 Cr of NCDs were issued at a 6% coupon but an effective Redemption Premium resulting in an 18.20% IRR, significantly impacting future Cash from Financing Activity.
- **Total Debt** increased to □1,386.00 Cr, shifting from short-term bank loans to long-term NCDs, which is reflected in the Cash Flow Statement as □1,123.00 Cr in Repayment of borrowings funded by □1,330.00 Cr in Proceeds from debentures; however, the Interest Coverage ratio remains precariously low at 1.35x, indicating thin margins for debt servicing from current Operating Profit.
- **Working Capital** is heavily bloated with Inventory at □1,106.00 Cr (mostly WIP of □723.37 Cr) and Other Assets containing a □293.60 Cr litigation claim against HSIIDC, which has been stuck in the Supreme Court since 2018 without impairment; this capital lock-up resulted in Working Capital Days exploding to 760 days and a negative CFO of -□81.00 Cr.
- **Cash from Operating Activity** remained negative at -□81.00 Cr despite a positive Net Profit of □20.00 Cr, representing a poor CFO / PAT conversion of -4.05x; the cash deficit was partially offset by Cash from Investing Activity of □75.00 Cr, primarily from Fixed assets sold (□75.14 Cr), indicating the company is relying on asset liquidations rather than operations to fund its needs.
- **Advance from Customers** (Contract Liabilities) decreased from □210.00 Cr to □175.00 Cr, signaling that the company is recognizing Revenue from old bookings faster than it is generating new sales traction, which poses a risk to future Cash Flow and Balance Sheet liquidity.
- **ROCE %** improved to 6.00% from -5.00%, but this return is entirely diluted by the 18.20% effective cost of debt (IRR on NCDs), meaning the company is currently destroying value for shareholders as the cost of capital far exceeds the return on capital employed, further evidenced by a measly ROE % of 1.48%.
- **Other asset items** of □737.00 Cr on the Balance Sheet include □10.37 Cr in GST input receivables that are not reconciled with the portal due to non-filing of returns, highlighting internal control weaknesses that could lead to future write-offs or penalties.
- **Other Expenses** are distorted by the □116.19 Cr inventory reclassification; excluding this, operating expenses are stable, but the high Interest Accrued on NCDs (□89.64 Cr) represents a primary cash flow risk.

- The company's financial character this year is defined by a massive debt refinancing at high interest rates (**18.20% IRR**) and a non-operational Revenue boost from land acquisition, which together mask a core business that is struggling to generate positive CFO and is heavily dependent on the resolution of long-standing litigation (₹293.60 Cr) and asset sales to maintain its Balance Sheet position.

### 3.3 Contingent liabilities & commitments

- **HSIIDC Litigation:** ₹293.60 Cr recoverable regarding the 'Madelia' project; currently under Supreme Court litigation with no impairment provided.
- **Claims against Group:** ₹45.08 Cr not acknowledged as debt (FY23).
- **Tax Disputes:** Disputed GST/Service Tax demands of ₹6.79 Cr, including a ₹1.78 Cr service tax dispute pending before the High Court of Delhi.
- **Bank Guarantees:** ₹9.45 Cr for EDC (External Development Charges) work.
- **Capital Commitments:** Capital advances of ₹6.21 Cr are currently stuck in legal disputes.

## 3.9 Earnings quality & forensic checks

| # | Check | Impact | Status | Notes detail |
|---|---|---|---|---|
| 1 | PAT vs CFO trend | Profit ↓ — earnings overstate cash; ₹20 Cr PAT vs -₹31 Cr CFO due to non-cash gains. | — | One-time land acquisition gain of ₹169.42 Cr is non-cash, inflating PAT without corresponding CFO. |
| 2 | Receivables & channel-stuffing signal | Revenue ↑↓ — inventory build absorbs cash; ₹41 Cr inventory growth vs ₹179 Cr core real estate sales. | — | Inventory growth is slow but core revenue is only 48% of total; high inventory-to-core-sales ratio suggests slow churn. |
| 3 | Revenue timing | Revenue ↑ — recognizing old bookings; advances fell by ₹43 Cr while recognizing "Point in Time" revenue. | — | Revenue recognized from older bookings faster than new advances are collected; Point-in-time recognition policy. |
| 4 | Revenue from related parties % | Neutral — minimal direct revenue impact; RPTs primarily involve non-interest bearing unsecured borrowings. | — | Borrowings from Directors are interest-free; Reclassification of promoters to public category. |
| 5 | Inventory vs revenue growth | Profit ↓ — capital lock-up; inventory of ₹1,106 Cr is 6x core real estate revenue of ₹179 Cr. | — | ₹723.37 Cr is Work-in-Progress; growth in inventory vs low core revenue indicates heavy capital lock-up. |
| 6 | Inventory valuation method change | Profit ↑ — interest capitalization; 18.2% IRR debt costs are capitalized into inventory, deferring P&L impact. | — | Policy allows capitalizing borrowing costs; high NCD costs (18.2% IRR) inflate asset values instead of hitting P&L. |
| 7 | Exceptional items in operating profit | Profit ↑ — non-core gain; ₹169.42 Cr land acquisition gain masks a likely operating loss. | — | Compulsory land acquisition by Haryana Govt accounts for 46% of total revenue; masks core business weakness. |
| 8 | Depreciation rate vs useful life policy | Neutral — low impact; depreciation is only 1.95% of revenue and decreased year-on-year. | — | Depreciation and Amortisation is a minor expense line; fixed asset base remains stable. |
| 9 | Provision reversals boosting PAT | Profit ↑ — lack of impairment; no provision made for ₹293.60 Cr HSIIDC claim under litigation. | — | Auditor highlights recoverability as a key judgment; no provision despite years of Supreme Court litigation. |
| 10 | Tax rate consistency | Profit ↓ — high tax leakage; 50% effective tax rate in P&L vs ₹14 Cr cash tax paid. | — | P&L tax expense is high relative to PBT; cash tax paid is lower than the 50% accounting tax on ₹41 Cr PBT. |
| 11 | CWIP age and stalling projects | Profit ↓ — project stagnation; ₹723 Cr WIP in inventory vs low core revenue suggests slow progress. | — | High WIP relative to sales; Madelia project is stalled due to HSIIDC litigation. |
| 12 | Deferred tax asset recognition | Neutral — no major DTA concerns; focus is on high current tax and non-cash gains. | — | Financials show 50% tax rate; no aggressive DTA recognition noted. |
| 13 | RPT quantum and trend | Neutral — de-risking signal; corporate guarantees for affiliates dropped from ₹381.85 Cr to Nil. | — | Significant reduction in contingent liabilities related to group companies is a positive forensic signal. |
| 14 | Dividend paid vs FCF adequacy | Neutral — no cash outflow; zero dividends paid while FCF is negative. | — | Company is conserving cash; negative FCF justifies the zero dividend payout policy. |
| 15 | Statutory Compliance Weakness | Profit ↓ — potential penalties; GST receivables (₹10.37 Cr) unreconciled due to non-filing of returns. | — | Auditor noted GST input receivables are not reconciled with the portal due to non-filing of returns by the Group. |
| 16 | High-Cost Debt Structure | Profit ↓ — future cash drain; NCDs carry 18.20% IRR via redemption premiums. | — | Redemption Premium results in an annualized IRR of 18.20%, creating a massive future obligation not in current P&L. |

## 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 under Supreme Court litigation. Concern involves uncertainty of timing and amount; management asserted certainty of receipt based on legal advice, so no impairment was provided. * **KAM 2: Revenue Recognition:** Focused on the timing of revenue recognition. Management uses "Point in Time" recognition upon handing over possession. * **KAM 3: Inventory Valuation:** Examined capitalization of borrowing costs. Management capitalized □69.10 Cr of finance costs during the year. * **Internal Control Weakness:** Auditor noted that GST input receivables (□10.37 Cr) are not reconciled with the GST portal due to non-filing of returns by the Group, indicating weaknesses in statutory compliance. * **Going Concern:** Financials prepared on a going concern basis; however, high-cost NCD refinancing (18.20% IRR) and negative CFO (-□81.00 Cr) signal liquidity pressure.

B. Related Party Transactions | Party | Relationship | Nature | Amount (□Cr) | Concern | | ------- | ------------- | -------- | ---------- | --------- | | Anil Sarin | Promoter/Chairman | Lease Rent | 0.59 Cr | Potential tunneling via personal assets | | Directors | KMP | Unsecured Borrowings | 8.94 Cr | **Positive:** Non-interest bearing liquidity | | Related Parties | Group Entities | Trade Payables | 1.91 Cr | Operational dependency | | Related Parties | Group Entities | Employee Liabilities | 0.47 Cr | Unclear pricing of shared services |

- **RPT Verdict:** Monitor. While the reduction in corporate guarantees (from □381.85 Cr to Nil) is a major positive, the company remains a family-run enterprise with non-interest-bearing debt from promoters, creating a dependency that could complicate future deleveraging. RPTs represent 3.23% of revenue.

C. Shareholding | Line item | Mar 2023 | Mar 2022 | | :-- | --: | --: | | Promoter | 64.96% | 65.57% | | FII | 1.01% | 1.01% | | DII | 0.00% | 0.00% | | Public | 34.03% | 33.42% |

- **Note:** 12 promoter group members were reclassified to "Public" during the year, explaining the slight dip in promoter holding.

D. Board Composition + KMP Compensation * **Board:** 7 Directors; 57.14% Independent; 2 Women Directors (**Muskaan Sarin**, Bindu Acharya). * **Family Concentration: Amar Sarin** (MD), Muskaan Sarin (WTD), and Anil Sarin (Chairman) are related. The family controls executive leadership. * **Compensation:** * **Amar Sarin** (MD): □0.60 Cr (0.37% of EBITDA). * **Muskaan Sarin** (WTD): □0.00 Cr. * **Amit Narayan** (CS): □0.25 Cr (38.89% YoY growth, exceeding median employee increase of 31.77%). * **Analysis:** Aggregate KMP pay is low relative to the □164 Cr Operating Profit; however, this profit is inflated by a one-time land gain. Excluding this, the company is operationally loss-making.

F. Capital Allocation & Capex | Action | FY current (□Cr) | FY prior (□Cr) | % of CFO | Signal | | -------- | ------------------- | ----------------- | ---------- | -------- | | Capex | 6.59 Cr | 0.00 Cr | N/M | — | | Net Debt Change | 207.00 Cr | 1,054.00 Cr | N/M | — | | Interest Payments | 110.00 Cr | 153.00 Cr | N/M | — | | Asset Sales | 75.14 Cr | 360.92 Cr | N/M | **Positive** | | Working Capital Inv. | 61.00 Cr | -127.00 Cr | N/M | — |

- **CAPEX Analytical Notes:**
  - **CFO Coverage:** Negative. Funding gap bridged by □1,330 Cr NCD issuance.
  - **Nature:** Primarily maintenance. **The most materialistic asset change was the reclassification of □116.20 Cr from Investment Property to Inventory.**
  - **Efficiency:** Revenue growth (47%) is decoupled from capex, driven by a one-time land acquisition (□169.42 Cr).
  - **Verdict:** Value-destroying. Borrowing cost (18.20% IRR) vastly exceeds ROCE (6.00%).

H. Risks * ***Litigation*** (High): HSIIDC claim of □293.60 Cr stuck in Supreme Court. 15% of total assets could be written off if the ruling is adverse. * ***High Debt Cost*** (High): NCDs carry an 18.20% IRR. Massive future cash outflow for redemption premium not fully in P&L. * ***Statutory Default*** (Medium): Non-filing of GST returns and

unreconciled ITC. Potential penalties and loss of tax credits (₹10.37 Cr). * ***Inventory Turnover*** (Medium): Inventory (₹1,106 Cr) vs Core Revenue (₹179 Cr). Capital lock-up in slow-moving projects; liquidity stress. * ***Concentration*** (Medium): Focus solely on Delhi/Gurugram. High vulnerability to regional regulatory or economic shifts.

## 5. Scorecard & verdict

### Part a: scorecard

| Dimension | Rating (1–5) | Delta | Key evidence | One-line rationale |
|---|---|---|---|---|
| Business quality | 3 | → | Core Rev ₹179 Cr; 500-acre land bank | Strong asset base but high regional concentration and lumpy core revenue. |
| Financial health | 2 | ↓ | D/E 1.02x; CFO -₹81 Cr; Interest 18.2% | Negative CFO and high-cost debt servicing create significant liquidity pressure. |
| Earnings quality | 2 | ↓ | 46% Rev from land gain; CFO < PAT | Reported profits are driven by non-operational gains and accounting reclassifications. |
| Management & governance | 3 | → | 57% Ind. Board; SEBI penalty ₹18L | Adequate board structure but regulatory gaps and family concentration remain. |
| Capital allocation & earnings visibility | 2 | ↓ | ROCE 6% < Cost 18.2%; GDV ₹7k Cr | Value-destructive debt costs outweigh returns; visibility depends on execution. |

**Business positives (for this company this year)** * **Debt Refinancing:** Successfully replaced short-term bank loans with long-term NCDs, improving the debt maturity profile. * **De-risking:** Corporate guarantees for affiliates were reduced from ₹381.85 Cr to Nil. * **Asset Monetization:** Generated ₹75.14 Cr from asset sales and ₹370 Cr from warehousing divestments to boost liquidity. * **Pricing Power:** Achieved 50%+ price appreciation at the TARC Tripundra project within months of launch. * **Land Bank Value:** Owns a fully paid-up land bank of ~500 acres, providing significant operating leverage for future projects.

**Business negatives / concerns (for this company this year)** * **Poor Earnings Quality:** 46% of total revenue (₹169.42 Cr) is a one-time, non-operational gain from land acquisition. * **High Cost of Capital:** The 18.20% IRR on NCDs vastly exceeds the 6.00% ROCE, leading to value destruction. * **Negative Cash Flow:** CFO remained negative at -₹81.00 Cr, with a poor CFO/PAT conversion of -4.05x. * **Litigation Risk:** ₹293.60 Cr (15% of total assets) is tied up in a long-standing HSIIDC dispute with no impairment provision. * **Compliance Gaps:** Auditor flagged unreconciled GST receivables of ₹10.37 Cr due to non-filing of returns. * **Inventory Stagnation:** Inventory of ₹1,106 Cr is over 6x the core real estate revenue of ₹179.37 Cr, indicating slow churn.

**Overall scorecard summary** TARC Ltd is in a high-stakes transition phase, characterized by a strong asset base but weak operational cash flows. While the company has successfully professionalized its debt profile and de-risked group exposures, it is currently destroying value as its 18.20% cost of capital far outstrips its 6% return on capital. The earnings quality is low, heavily reliant on non-recurring gains and accounting reclassifications to show profitability. Consequently, the business is on a stable but precarious trajectory where success depends entirely on converting its ₹7,000 Cr GDV pipeline into cash fast enough to service its expensive debt.

## 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: 9/10 — Governance Rating: 3"

## Part c: investor verdict

Thesis: TARC is a high-leverage play on Delhi-NCR luxury real estate, transitioning from a land-bank owner to a developer, but currently burdened by value-destructive debt costs.

## Overall stance: Watch

Rationale: The company has marquee assets but negative operating cash flows and an 18.2% cost of debt that necessitates flawless execution. Re-evaluate when: CFO / PAT ratio becomes positive (>1.0x) for two consecutive quarters. BULL CASE: Successful launch and 50% sales booking of the ₹3,500 Cr Patel Road project within 12 months. BEAR CASE: Adverse Supreme Court ruling on the ₹293.60 Cr HSIIDC claim, leading to a massive net worth erosion. Key monitorable: Core Real Estate Revenue: ₹179 Cr → Watch for >₹400 Cr (excluding land gains).