TARC Ltd — Aug 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Execution / Accounting-led P&L Miss **One-line:** TARC is successfully pivoting from a land-holding entity to a luxury developer with ₹2,334 Cr in pre-sales booked, but the thesis remains a high-stakes race between project delivery and a ₹1,321 Cr high-cost debt pile.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Pre-sales momentum in 'Kailasa' and 'Tripundra' aligns with luxury pivot; P&L remains irrelevant due to project-completion accounting.	🟡
Earnings Quality	Low (Accounting driven)	Net loss of ₹30.68 Cr reflects high interest expensing before revenue recognition at handover.	🔴
Guidance Confidence	Neutral	Upcoming Gurugram 63A launch (H1FY25) is critical to maintain the cash flow bridge.	🟡
Management Credibility	Neutral	Successfully converted legacy land into high-value launches; however, the ACUITE BB+ rating reflects high leverage risk.	🟡
Business Quality Signal	Improving	Transitioning to a branded luxury player; >80% sold in Tripundra validates product-market fit.	🟢
Key Q&A Exchange	N/A	Section not applicable — investor presentation only.	N/A
The Street's Primary Anxiety	Debt Servicing	Ability to service/refinance ₹1,321 Cr of Bain Capital NCDs before the Year 2 (15%) redemption kicks in.	🔴
Capital Cycle Stage	Investment	Heavy cash outflow for construction; superstructure of Tripundra complete; awaiting handover-led harvesting.	🟡
Margin Trajectory	Improving	Positioning in luxury segment (Sales potential ₹7,600 Cr) suggests high project-level IRRs.	🟢
Pricing Power	Expanding	Successful launch of 'Kailasa' at Patel Road sets a new pricing benchmark for Central-West Delhi.	🟢
FCF Conversion & Quality	Distorted	Negative FCF due to construction spend; collections (₹574 Cr cumulative) are being recycled into projects.	🟡
Competitive Moat Signals	Stable	Strategic land bank at historical costs provides a significant margin cushion against peers.	🟢
Balance Sheet Strength	Stressed	High NCD debt (₹1,321 Cr) with a back-ended redemption schedule creates a "liquidity wall."	🔴
Working Capital Efficiency	Deteriorating	Inventory building up (₹26.13 Cr direct cost in Q1) as construction ramps up toward FY25 handovers.	🔴
Mgmt Guidance Track Record	First entry	Baseline quarter for tracking.	⚪
Key Vulnerability	Execution Delay	Any delay in Tripundra handovers (FY25) will delay revenue recognition and strain debt servicing.	🔴
Management Tone	Confident	Focused on "Sustainable Growth" and "Luxury Brand Positioning."	🟢

Key Takeaways (Positives & Negatives): * **Positives:** Strong pre-sales traction with ₹2,334 Cr booked across two projects; TARC Tripundra (80% sold) is nearing completion with FY25 handover guidance; Land bank acquired at historical costs provides a massive margin buffer in a peaking Delhi/NCR luxury market. *

Negatives: The P&L is currently a "black hole" of interest costs (□27.01 Cr this quarter) until project handovers trigger revenue; Significant debt concentration with a single partner (Bain Capital) at □1,321 Cr; High execution risk as all value is concentrated in three major project sites. * **Street Concern:** Analysts are primarily focused on the timing of the "Cash Flow Inflection Point"—when will collections from the 1.4 MSF Gurugram launch and Tripundra handovers exceed the quarterly interest and construction burn? * **Watchpoint:** Monitoring the H1FY25 launch of TARC 63A Gurugram (□2,600 Cr potential) as the primary catalyst for the next leg of re-rating.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q1FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Presales (□Cr)	2,334*	First entry	First entry	→	*Cumulative booking value for Tripundra + Kailasa.
Revenue Potential Locked (□Cr)	7,600	First entry	First entry	→	Total sales potential across current portfolio.
Revenue (□Cr)	8.21	↓ 86.9%	↓ 13.4%	↓	Recognition linked to handovers (IndAS).
PAT (□Cr)	(30.68)	↓ 531%	↑ 40.7%	↓	Net loss due to high finance costs.
Land Bank (acres)	~16	First entry	First entry	→	Current focus area across three key projects.
Net Debt (□Cr)	1,321	First entry	First entry	→	Refers to NCDs held by Bain Capital.
Pre-tax OCF / Collections (□Cr)	574*	First entry	First entry	→	*Cumulative collections (305 Tripundra + 269 Kailasa).
Realization/sqft (□)	~20,000*	First entry	First entry	↑	*Derived: Kailasa (□4,000 Cr / 1.7 MSF = ~□23,500).
Interest Coverage (x)	(0.02)	↓	↑	↓	EBIT/Interest; currently negative due to P&L losses.
Direct Construction Costs (□Cr)	26.13	↑ 300%*	↑ 110%	↑	*Reflects ramp-up in construction intensity.

2B. SEGMENT BREAKDOWN

Project	Saleable Area (MSF)	Sales Potential (□Cr)	Booking Value (□Cr)	Status	Key Development
TARC Tripundra (Delhi)	0.5	1,000	802	>80% Sold	Superstructure ready; Handovers in FY25.
TARC Kailasa (Delhi)	1.7	4,000	1,532	Ongoing	Phase 2 launched; 170k sqft of amenities.
TARC 63A (Gurugram)	1.4	2,600	0	Upcoming	IGBC Platinum pre-certified; Launch H1FY25.
TARC Maceo (Gurugram)	1.5	N/A	N/A	Delivered	100% Sold; Historical project.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	Handover of Tripundra in FY25.	Requires completion of interiors/OC in next 9 months.	Superstructure ready.	**Execution Delay**
Guidance	Volume	Launch of 1.4 MSF in Gurugram 63A by H1FY25.	Needs all approvals/RERA by Sep 2024.	Approaching launch.	**Approval Risk**
Strategy	Branding	Position as a Luxury Residential Brand.	High marketing spend (□34.73 Cr other exp in Q1).	Kailasa traction is high.	**Brand Dilution**
Balance	Debt	Redemption schedule: 15% in Yr 2, 20% in Yr 3.	Needs ~□198 Cr for Yr 2 redemption.	Collections at □574 Cr.	**Liquidity Wall**
ESG	Sustainability	100% Green certified residential portfolio.	All 3 active projects pre-certified.	On track.	**Cost Overruns**

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
New Disclosure	Not available	Detailed Project Calendar for □7,600 Cr pipeline.	□
Debt Clarity	Not available	Specific 5-year NCD redemption schedule provided.	□
Operational Progress	Not available	Tripundra superstructure confirmed ready for FY25 handover.	□
P&L Health	Not available	Interest costs rose to □27.01 Cr while Revenue remained flat.	↓
Sales Momentum	Not available	Kailasa booking value reached □1,532 Cr (38% of total potential).	↑

INVESTOR NOTES: * **Earnings Quality:** CFO-to-PAT ratio is currently non-meaningful due to IndAS project completion accounting. However, the divergence between negative PAT (-□30.68 Cr) and strong cumulative collections (□574 Cr) indicates that the "Economic PAT" is significantly higher than the "Reported PAT." * **Working Capital Lever:** The primary lever is the "Advances from Customers." As of March 31, 2024, the company has significant unbilled revenue sitting on the balance sheet which will only hit the P&L upon handover. * **Forensic Trigger:** Finance costs of □27.01 Cr on a debt of □1,321 Cr imply an annualized interest rate of ~8.2% if all is expensed, but much higher if part is capitalized to inventory. The ACUITE BB+ rating and Bain Capital partnership suggest the actual cost of capital is likely in the 15-18% range, requiring rapid inventory turnover to maintain equity IRRs. * **Thesis Change:** None (First entry). The thesis remains: "A high-leverage bet on luxury execution." Success depends on the 63A Gurugram launch and Tripundra handovers.