TARC Ltd — Feb 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Execution / Accounting-led P&L Loss **One-line:** TARC's thesis remains a play on a high-leverage luxury pivot; while Q3 pre-sales were robust (□1,165 Cr), the massive □5,000 Cr FY25 target now requires a heroic Q4, though balance sheet de-risking via a 525bps interest rate reduction is a major structural win.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline (Sales)	9M Pre-sales at □2,487 Cr (approx. 50% of □5,000 Cr FY25 target); requires □2,513 Cr in Q4.	□
Earnings Quality	Low (IndAS 115)	Revenue of □9.35 Cr vs pre-sales of ~□1,165 Cr; zero revenue from major luxury projects yet.	□
Guidance Confidence	Neutral	Achievement of FY25 target hinges entirely on Kailasa 2.0 and Ishva velocity in Q4.	□
Management Credibility	Strong	Successfully executed the □1,000 Cr refinancing at 12.75%, down from the 18% legacy debt cost.	□
Business Quality Signal	Improving	Luxury realizations reaching □25,000/sqft in Delhi (Kailasa) and □20,000/sqft in Gurgaon (Ishva).	□
Key Q&A Exchange	N/A	No concall conducted or available.	□
The Street's Primary Anxiety	Execution/OC Lag	Any delay in Tripundra's OC (Q4) pushes the first major revenue event into FY26.	□
Capital Cycle Stage	Investment	High construction intensity across 3.5 MSF; heavy outflow phase before harvesting starts.	□
Margin Trajectory	Improving	Locked-in inventory prices suggest EBITDA potential >55% once revenue recognition kicks in.	□
Pricing Power	Expanding	Absorption pricing in New Delhi at all-time highs; Kailasa 50% sold at premium rates.	□
FCF Conversion & Quality	Distorted	Cash flows are being recycled into construction and debt servicing; CFO-to-PAT is non-meaningful.	□
Competitive Moat Signals	Stable	Legacy low-cost Delhi land bank provides a significant margin safety net.	□
Balance Sheet Strength	Adequate	Refinancing extended maturity; blended cost <15%; Net Debt increased slightly to □1,688 Cr.	□
Working Capital Efficiency	Stable	High inventory buildup is intentional ahead of deliveries.	□
Mgmt Guidance Track Record	Reliable	Delivered on refinancing and launch timelines for Ishva.	□
Key Vulnerability	Back-ended Target	Needs to sell as much in Q4 as it did in the entire 9M period to hit guidance.	□
Management Tone	Confident (PPT)	Aggressive focus on the $101B Luxury Real Estate market opportunity by 2029.	□

Key Takeaways (Positives & Negatives): * **Positives:** The strategic refinancing of □1,000 Cr debt through a Kotak-led consortium at 12.75% (vs legacy 18%) significantly lowers the interest burden and provides a □250 Cr additional credit line. Pre-sales momentum is strong with TARC Ishva (Gurgaon) hitting 55% sold within months of launch. * **Negatives:** The P&L remains in a deep accounting loss (□28.69 Cr PAT loss) due to IndAS 115 and a 103% YoY spike in finance costs (□19.38 Cr). Collections (□836 Cr cumulative) lag significantly behind Total Booking Value (□4,511 Cr), reflecting the 10-20% initial booking cycle. * **Street Concern:** Analysts remain focused on the bridge between "bookings" and "cash in hand." While sales are high, the company is still cash-hungry for construction, and the path to being "debt-free in 24 months" requires a massive acceleration in milestone-linked collections. * **Watchpoint:** Monitoring the receipt of the Occupation Certificate (OC) for TARC Tripundra in Q4 FY25; this is the mandatory trigger for the company's first major revenue and profit recognition event in the luxury era.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — Mgmt Commentary column will be sparse or absent.

Metric	Current Qtr (Q3FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Presales (□Cr)	1,165	↑ 441%	↓ 11.8%	↑	Calculated as delta in Total Booking Value vs Q2.
Equivalent Area Constructed	Not in doc	-	-	-	-
Pre-tax Operating CF (□ Cr)	86	↑ 230%	↓ 4.4%	→	Collection delta vs Q2 (□836 Cr total - □750 Cr Q2).
Realization/sqft (□)	20k - 25k	↑ 15%	→ 0%	↑	Pricing growth in Delhi NCR at all-time high.
Revenue Potential Locked (□Cr)	7,700	First entry	→ 0%	→	Combined potential of Kailasa, Ishva, Tripundra.
Revenue (□Cr)	9.35	↑ 0.48%	↑ 116.9%	→	Recognition remains stagnant pending OC.
PAT (□Cr)	(28.69)	↓ 14.3%	↓ 134.8%	↓	Net loss widened QoQ due to finance costs.
Land Bank (acres)	~500	→ 0%	→ 0%	→	Earmarked for 5-7 year development cycle.
Net Debt (□Cr)	1,688	↑ 11.2%	↑ 2.3%	↓	Slight increase vs Q2 (□1,650 Cr).
D/E Ratio	Not in doc	-	-	-	Management targeting debt-free in 24 months.
Revenue	9.35	↑ 0.48%	↑ 116.9%	→	Baseline income from non-major projects.
EBITDA Margin %	(99.57%)	↓	↓	↓	Loss due to high opex/selling costs vs low rev.
PAT	(28.69)	↓ 14.3%	↓ 134.8%	↓	Impacted by □19.38 Cr finance cost.
Interest Coverage	(0.48)x	↓	↓	↓	Meaningless until revenue recognition starts.

2B. SEGMENT BREAKDOWN

Project	Total Booking Value (₹Cr)	Sales Potential (₹ Cr)	Collections (₹ Cr)	Status	vs Company Avg	Key Development
TARC Kailasa	2,105	4,000	345	50% Sold	Lead Driver	High-end luxury in New Delhi; ~1.7 MSF.
TARC Ishva	1,604	2,700	154	55% Sold	Growth Engine	Sector 63A Gurgaon; launch Q2 FY25.
TARC Tripundra	802	1,000	337	80% Sold	Maturity Stage	Superstructure ready; OC expected Q4 FY25.
TARC Maceo	Delivered	N/A	N/A	Completed	Baseline	1.5 MSF delivered historical project.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Pre-sales	₹5,000 Cr for FY25.	Needs ₹2,513 Cr in Q4; requires 100% of 9M total in one quarter.	9M achieved ₹2,487 Cr.	**High**
Guidance	Debt	Net Debt Zero in 24 months.	Requires ~₹211 Cr debt reduction per quarter from Q4.	Refinanced ₹1,000 Cr.	**Moderate**
Guidance	Revenue	Tripundra recognition in FY25.	OC must be received by March 31, 2025.	Superstructure ready.	**Regulatory**
Strategy	Portfolio	Focus on Luxury Residential.	Leveraging Delhi land bank for premium realizations.	Launched Ishva on time.	**None**
Balance	Cost of Debt	Reduction to 12.75%.	Achieved via Kotak-led consortium.	Prior cost was 18%.	**Achieved**

4. ANALYST Q&A

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

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2)	This Quarter (Q3)	Direction
Debt Composition	Legacy high-cost (Bain)	Refinanced with Kotak/Nomura/AB Capital	↑ Improving
Blended Cost of Debt	~18.00%	12.75%	↑ Improving
Pre-sales Momentum	₹1,322 Cr (H1)	₹1,165 Cr (Q3 alone)	↑ Improving
Net Debt Level	₹1,650 Cr	₹1,688 Cr	↓ Deteriorating
Project Maturity (Tripundra)	Ongoing	Superstructure ready / OC pending	↑ Improving
Finance Costs (P&L)	₹10.32 Cr (9M FY24 Avg)	₹19.38 Cr (Q3 FY25)	↓ Deteriorating
Inventory Sales (Ishva)	~40% Sold	55% Sold	↑ Improving

INVESTOR NOTES: * **The Funding Inflection:** The most material change is the **₹1,000 Cr refinancing**. By moving from NCDs (likely with redemption premiums) to a term loan structure at 12.75%, TARC has structurally improved its future PAT margins. The additional ₹250 Cr credit line provides the liquidity buffer needed to finish Tripundra without further stress. * **The FY25 Target Cliff:** Management is maintaining the ₹5,000 Cr pre-sales guidance. However, having achieved only ₹2,487 Cr in 9M, the company must sell ₹2,513 Cr in Q4. This implies a required run-rate of ~₹838 Cr per month—nearly triple the 9M average. This introduces a high risk of a "technical miss" on guidance even if business performance remains fundamentally strong. * **Earnings Quality:** CFO-to-PAT remains negative/non-meaningful. The divergence is driven by massive **Inventory buildup** (Work-in-Progress) and **Selling Expenses** being expensed immediately while Revenue is deferred. The "Economic Value" is being created via pre-sales at ₹20k-25k/sqft, but it won't hit the books until the OC trigger. * **Thesis Change:** None. The thesis remains a high-beta bet on Delhi’s luxury real estate upcycle. The risk has shifted from **Financial Risk** (debt cost) to **Execution Risk** (meeting the back-ended sales target and regulatory timelines for OC). The "re-rating" trigger remains the Q4 revenue recognition event.