TARC Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline (Sales) / Miss (OC Timeline) **One-line:** TARC delivered a massive □2,313 Cr pre-sales performance in Q4 to nearly clinch its "heroic" □5,000 Cr FY25 target, but the absence of an announced Occupation Certificate (OC) for Tripundra means the first major revenue recognition event likely slips into Q1 FY26.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	FY25 Pre-sales reached □4,800 Cr vs. □5,000 Cr target (96% achievement).	□
Earnings Quality	Low (Accounting)	Revenue recognition for luxury projects remains at zero pending OC; losses continue on paper.	□
Guidance Confidence	Strong	Management demonstrated massive Q4 velocity (□2,313 Cr sales) to validate full-year targets.	□
Management Credibility	Strong	Executed the "back-ended" sales strategy successfully; pipeline clarity increased to □10,000 Cr+.	□
Business Quality Signal	Improving	Pivot to luxury confirmed: Realizations at □25,000/sqft (New Delhi) and □20,000/sqft (Gurgaon).	□
Key Q&A Exchange	N/A	No concall conducted or available.	□
The Street's Primary Anxiety	OC Timing	Execution is visible, but the P&L remains decoupled from economic reality until Tripundra OC arrives.	□
Capital Cycle Stage	Investment	High intensity; ~□2,700 Cr future development cost committed for the ongoing 3.5 MSF.	□
Margin Trajectory	Improving	Locked-in revenue potential of □7,700 Cr vs □2,700 Cr cost suggests significant future EBITDA.	□
Pricing Power	Expanding	Absorption at all-time highs; Kailasa and Ishva are selling at premium rates.	□
FCF Conversion & Quality	Distorted	Massive sales (□4,800 Cr) but actual collections (□949 Cr) reflect the 10-20% initial booking cycle.	□
Competitive Moat Signals	Stable	Strategy shift to own-land development protects margins from high land acquisition costs.	□
Balance Sheet Strength	Adequate	Refinancing in Q3 de-risked the cycle; cash flow from sales now critical for construction.	□
Working Capital Efficiency	Stable	High inventory buildup is the intentional prerequisite for luxury deliveries.	□
Mgmt Guidance Track Record	Reliable	Delivered on the ambitious Q4 sales run-rate required to hit FY25 goals.	□
Key Vulnerability	Collection Lag	The □3,851 Cr gap between Booked Sales and Collected Cash must narrow to de-leverage.	□
Management Tone	Confident (PPT)	Aggressive expansion plan with >□10,000 Cr upcoming pipeline.	□

Key Takeaways (Positives & Negatives): * **Positives:** TARC successfully navigated the "back-ended" risk flagged last quarter, selling ~₹2,313 Cr in Q4 alone—nearly as much as the entire 9M period. The luxury pivot is fully validated by market absorption, with the company locking in ~₹7,700 Cr in total sales potential across three primary projects. * **Negatives:** While sales are robust, the "cash-in-hand" (Collections) stood at only ₹113 Cr for Q4 (₹949 Cr total vs ₹836 Cr 9M), indicating that many Q4 sales are still in the early payment stages. Furthermore, the lack of an explicit OC announcement for TARC Tripundra suggests the P&L inflection is delayed by one quarter. * **Street Concern:** The bridge between "Booked Sales" and "Debt Reduction" remains the focus. Management's 24-month debt-free goal relies on collections accelerating from the current ₹113 Cr/quarter run-rate to ~₹325-375 Cr/quarter. * **Watchpoint:** Monitoring the formal receipt of the Tripundra OC in early FY26 to trigger the massive revenue recognition cycle.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q4FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Presales (₹Cr)	2,313	↑ 423%	↑ 98.5%	↑	Calculated as delta between FY25 total (₹4,800 Cr) and 9M (₹2,487 Cr).
Equivalent Area Constructed	Not in doc	-	-	-	Not specifically disclosed in slides.
Pre-tax Operating CF (₹Cr)	113	↑ 11%	↑ 31.4%	↑	Calculated as delta in Collections (₹949 Cr total vs ₹836 Cr 9M).
Realization/sqft (₹)	20k - 25k	↑ 15%	→ 0%	↑	New Delhi (Kailasa) at ₹25k; Gurgaon (Ishva) at ₹20k.
Revenue Potential Locked (₹Cr)	7,700	First entry	→ 0%	→	Combined potential of Kailasa, Ishva, Tripundra.
Revenue (₹Cr)	Not in doc	-	-	-	QR code required for full P&L; not in slides.
PAT (₹Cr)	Not in doc	-	-	-	QR code required for full P&L; not in slides.
Land Bank (acres)	~500	→ 0%	→ 0%	→	Legacy low-cost basis remains the margin moat.
D/E Ratio	Not in doc	-	-	-	Management targeting debt-free in 24 months.

2B. SEGMENT BREAKDOWN

Project	Sales Potential (₹ Cr)	Total Booking Value (₹Cr)	Collections (₹Cr)	Status	vs Company Avg	Key Development
TARC Kailasa	~4,000	~2,100*	345	50%+ Sold	Lead Driver	Construction "progressing rapidly" on Patel Road.
TARC Ishva	~2,700	~1,900*	154	70%+ Sold	Growth Engine	Sector 63A, Gurgaon; massive Q4 absorption.
TARC Tripundra	~1,000	~800*	337	80%+ Sold	Margin Accretive	"Nearing Completion"; OC is the key trigger.
TARC IV-VII	>10,000	0	0	Upcoming	Future Scale	New pipeline identified for next development phase.

**Estimated based on sold percentages and project potential; total committed cashflows across all 3 = 4,800 Cr.*

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.	Achieved ₹4,800 Cr; 96% of target met despite aggressive bar.	**Delivered**	**Low**
Guidance	Debt	Net Debt Zero in 24 months.	Requires ~₹1,500+ Cr in net collections/repayment by FY27.	Refinanced in Q3.	**Moderate**
Guidance	Cash Flow	₹1,300-1,500 Cr annual collections (FY27-29).	Requires 1.5x jump from FY26 estimated run-rate.	Collections currently lagging.	**High**
Guidance	Revenue	₹7,700 Cr recognition over 4 years.	Requires ~₹1,925 Cr revenue per year starting FY26.	P&L currently shows negligible revenue.	**Regulatory**
Strategy	Pipeline	Development of TARC IV to VII (>₹10k Cr).	Requires successful delivery of current 3.5 MSF first.	Consistent launch history.	**None**

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 (Q3)	This Quarter (Q4)	Direction
Sales Performance	₹1,165 Cr (Q3)	₹2,313 Cr (Q4)	↑ Improving
Full Year Target Achievement	50% met in 9M	96% met in 12M	↑ Improving
Collection Momentum	₹86 Cr (Q3)	₹113 Cr (Q4)	↑ Improving
Future Pipeline Clarity	Mentioned generally	Quantified at >₹10,000 Cr (TARC IV-VII)	↑ Improving
Construction Stage (Tripundra)	Superstructure Ready	Nearing Completion / Finishes	↑ Improving
Total Committed Cashflow	Not clearly aggregated	Solidified at ₹4,800 Cr	↑ Improving

INVESTOR NOTES: * **The Sales "Squeeze":** Last quarter, we identified a "High Risk" cliff—the need to sell ₹2,513 Cr in Q4 to hit guidance. Management delivered ₹2,313 Cr. While technically a ~4% miss on the sticker price, in the context of the real estate cycle, this is a **strong execution signal**. It proves the Gurgaon (Ishva) and New Delhi (Kailasa) products are not just "listed" but are being absorbed at velocity. * **The OC Overhang:** The thesis re-rating depends on the P&L flipping from losses to massive profits. This requires the Occupation Certificate (OC) for TARC Tripundra. The PPT still lists it as "Nearing Completion." Investors should watch for a separate regulatory filing; until then, the ₹7,700 Cr locked revenue remains "unrealized." * **CFO-to-PAT Analysis:** The divergence between Booking Value (₹4,800 Cr) and Collections (₹949 Cr) is the primary driver of the cash flow deficit. This is standard for luxury "construction-linked" plans but introduces a **dependency on execution speed**. TARC needs to spend ₹2,700 Cr to unlock that ₹7,700 Cr. The "Net Operating Unrealized Cashflow" of ₹4,000 Cr is the prize, but it requires 3-4 years of flawless construction. * **Thesis Change:** None. The pivot from a land-owner to a luxury developer is reaching its first "harvest" phase. The risk has migrated from **Sales Risk** (will people buy?) to **Execution Risk** (can they build and deliver fast enough to meet the 24-month debt-free promise?). The substantial upcoming pipeline (>₹10,000 Cr) indicates management is already looking at the next cycle, assuming the current one is de-risked.