TARC Ltd — Oct 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Sales / Massive Beat on Liability Management **One-line:** The high-stakes "liquidity wall" has been dismantled via a major bank-led refinancing, shifting the thesis from a precarious debt race to a pure luxury execution play with a clear 2027 runway.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Prior Quarter	Inline	Pre-sales held steady at □2,334 Cr (cumulative); key milestones achieved in refinancing.	□
Earnings Quality	Low (Accounting driven)	P&L remains distorted by IndAS; real value resides in the □574 Cr cumulative collections.	□
Guidance Confidence	High	Reconfirmed FY25 handovers for Tripundra; superstructure complete.	□
Management Credibility	Improving	Delivered on the critical promise of refinancing high-cost Bain debt with a Kotak-led bank consortium.	□
Business Quality Signal	Improving	Transition from NBFC/Corporate debt (52%) to Bank debt (48%) improves cost of capital.	□
Key Q&A Exchange	N/A	Section not applicable — investor presentation only.	N/A
The Street's Primary Anxiety	Debt Servicing	**REDUCED:** Staggered maturity now shows 0% repayment due in 2025 and 2026.	□
Capital Cycle Stage	Harvesting (Early)	Tripundra moving to handover; Kailasa Phase 2 launched; Ishva approaching launch.	□
Margin Trajectory	Stable	Luxury positioning maintained; Kailasa sales potential reflects ~□23,500/sqft realization.	□
Pricing Power	Expanding	Successful Phase 2 launch of Kailasa confirms demand for ultra-luxury in Central-West Delhi.	□
FCF Conversion & Quality	Improving	Refinancing provides "Additional Credit Lines" to ensure construction progress without cash flow chokes.	□
Competitive Moat Signals	Stable	High-margin land bank at historical costs remains the primary protector of equity IRRs.	□
Balance Sheet Strength	Significant Improvement	Refinancing pushed 86% of debt maturities to 2027 and beyond.	□
Working Capital Efficiency	Stable	Construction ramp-up visible; superstructure ready at Tripundra.	□
Mgmt Guidance Track Record	Reliable	Delivered on refinancing and construction milestones as per the prior quarter's outlook.	□
Key Vulnerability	Launch Timing	Ishva (Sector 63A, Gurugram) launch is the next critical cash flow catalyst.	□
Management Tone	Confident	Tone focused on "Sustainable Growth" and "ESG Vision."	□

Key Takeaways (Positives & Negatives): * **Positives:** The most significant development is the successful refinancing of the Bain Capital debt by a Kotak Mahindra Bank-led consortium (including Nomura and Aditya Birla Capital). This has pushed the "liquidity wall" from 2025 to 2027, with 0% debt due in the next two years.

Operational progress is tangible with TARC Tripundra (80% sold) reaching the superstructure-ready stage and scheduled for FY25 handovers. * **Negatives:** Pre-sales momentum appears to have plateaued temporarily as no new booking value increase was reported since the Q1 update (□2,334 Cr total). The TARC Ishva launch has shifted slightly into Q2 FY2025, placing pressure on the second half of the year for volume growth. * **Street Concern:** Analysts were previously worried about the high-cost NCD redemptions (15% due in Yr 2). Management has neutralized this by securing a staggered 5-year maturity profile with bank-led funding. * **Watchpoint:** Execution of handovers at Tripundra in FY25, which will trigger the first major revenue recognition and P&L inflection.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Sept 24 update)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Presales (□Cr)	2,334	First entry	→	→	Cumulative bookings for Tripundra (□802 Cr) and Kailasa (□1,532 Cr).
Equivalent Area Constructed	Superstructure Ready	First entry	↑	↑	Tripundra superstructure complete; handovers expected FY25.
Pre-tax Operating Cash Flow	574	First entry	→	→	Cumulative collections (Tripundra □305 Cr + Kailasa □269 Cr).
Realization/sqft (□)	~23,529	First entry	→	→	Based on Kailasa potential: □4,000 Cr for 1.7 MSF.
Revenue Potential Locked (□Cr)	7,700	First entry	↑	↑	Tripundra (1k) + Kailasa (4k) + Ishva (2.7k).
Revenue (□Cr)	Not in doc	First entry	First entry	—	Recognition linked to FY25 handovers.
PAT (□Cr)	Not in doc	First entry	First entry	—	P&L update not provided in current PPT.
Land Bank (acres)	16	First entry	→	→	Focus on Tripundra (3), Kailasa (6), and Ishva (7).
D/E Ratio / Debt Mix	48% Bank	First entry	↑	↑	Significant shift toward lower-cost bank debt (up from 0% in prior context).

2B. SEGMENT BREAKDOWN

Project	Saleable Area (MSF)	Sales Potential (□ Cr)	Booking Value (□ Cr)	Status	Key Development
TARC Tripundra	0.5	~1,000	802	>80% Sold	Superstructure ready; FY25 handover.
TARC Kailasa	1.7	~4,000	1,532	Ongoing	Phase 2 launched; Central-West Delhi luxury.
TARC Ishva	1.4	~2,700	0	Appr. Launch	Q2 FY2025 launch; Sector 63A, Gurugram.
TARC Maceo	1.5	N/A	N/A	Delivered	100% sold legacy project.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Revenue	Handover of Tripundra in FY25.	Completion of finishing/ OC in H2 FY25.	Superstructure ready as promised.	Execution
Guidance	Volume	Launch of TARC Ishva (1.4 MSF) in Q2 FY2025.	Immediate launch required (Sept-Oct window).	Shifted from "H1" to "Q2".	Approval Risk
Strategy	Debt	Staggered maturity with no repayments until 2027.	Maintain project cash flows to service interest.	**Refinancing completed.**	Interest Burn
Strategy	Branding	Ultra-luxury positioning (3 & 4 BHK).	Maintaining premium pricing >□20k/sqft.	Kailasa traction supports this.	Market Slump
Balance	Liquidity	Additional credit lines secured for construction progress.	Timely drawdown to meet construction timeline.	Secured via Kotak consortium.	Execution

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	This Quarter	Direction
Debt Profile	High-risk NCDs (Bain Cap) with near-term redemptions.	Refinanced by Bank Consortium (Kotak/ Nomura/AB Capital).	□
Maturity Schedule	15% due in Yr 2, 20% in Yr 3.	**0% due in 2025 and 2026**; 86% due 2027-2029.	□
Funding Source	100% NBFC/NCD focus.	48% Bank, 41% NBFC, 11% Corporate.	□
Ishva Launch	Targeted for H1 FY25.	Specifically targeted for Q2 FY2025.	□
Construction Status	Superstructure ongoing.	Superstructure **Ready** for TARC Tripundra.	□
ESG Maturity	Working on certifications.	IGBC Platinum/Gold pre-certifications received for all 3 projects.	□

INVESTOR NOTES: * **Thesis Inflection:** The thesis has fundamentally de-risked. The previous concern was a potential liquidity crunch if sales slowed while NCD repayments loomed. The new debt structure grants the company a 24-month holiday on principal repayments, allowing them to focus entirely on construction and the critical Ishva launch. * **Cash Flow Bridge:** While cumulative collections are □574 Cr, the company has secured "Additional Credit Lines." This suggests they are no longer purely dependent on month-on-month sales to keep sites active, a major buffer against any temporary luxury market cooling. * **Valuation Lever:** The shift to bank debt (48%) is a leading indicator of a potential credit rating upgrade. If the company achieves its ACUITE rating upgrade from BB+, the cost of debt will drop further, directly accretive to equity IRRs. * **Working Capital Lever:** Advances from customers remain the most significant liability on the balance sheet (represented by the □2,334 Cr booking value), which will convert to revenue only upon handover. The "Superstructure Ready" status of Tripundra is the physical proof that this conversion is on track for FY25.