

**Press Release**  
**TARC Limited**  
**May 04, 2022**



**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Non Convertible Debentures (NCD)</b>	1330.00	ACUITE BBB-   Stable   Assigned   Provisional To Final	-
<b>Non Convertible Debentures (NCD)</b>	70.00	Provisional   ACUITE BBB-   Stable   Reaffirmed	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	1400.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of 'Provisional ACUITE BBB-' (read as Provisional ACUITE Triple B minus) on the Rs. 70 Cr. Proposed NCD of TARC Limited (TARC). The outlook is 'Stable'.

Further, Acuite has converted the provisional rating to final rating of 'ACUITE BBB-' (read as ACUITE Triple B minus) on NCDs issue of Rs.1330.00 crore of TARC Limited (TARC). The outlook is 'Stable'.

The rating on the proposed Rs. 70 Cr. NCDs is provisional and the final rating is subject to the following documentation requirements:

1. Receipt of the executed trust deed
2. Receipt of the final term sheet and confirmation from trustee regarding the compliance with all the terms and conditions
3. Legal opinion on the transaction, if applicable
4. No due certificate from the existing lender or any document confirming the repayment of existing loans

**Rationale for Rating Assigned**

The rating assigned is primarily based on the expected improvement in TARC's liquidity position consequent to the proposed NCD issue. The rating also draws comfort from the extensive experience of the management and established presence of TARC in real estate segment in NCR region. However, the significant completion risk in TARC's ongoing projects acts as a constraining factor for the rating. Further, TARC is also exposed to regulatory risks and cyclicalities inherent in the real estate segment. The timely commencement and completion of TARC's key real estate projects will continue to remain a rating monitorable.

**About Company**

Delhi based TARC Limited is a Public Limited Company incorporated in the year 2016. The Company is engaged in the real estate development business and is primarily pursuing significant residential projects in the NCR region. Pursuant to the Order of the Hon'ble NCLT Chandigarh on 24th August 2020 approving the demerger, the Company emerged as the

resulting Company under the name and style of Anant Raj Global Limited, which was subsequently renamed as TARC Limited. TARC's current Chairman is Mr. Anil Sarin and the day to day operations of the Group are managed Mr. Amar Sarin – Managing Director and CEO. TARC proposes to issue NCDs aggregating to Rs 1400 Cr. As per the funds' utilization plan, Rs. 1310 Cr. will be used to take over TARC's all existing outstanding debt and other liabilities identified under the terms of the NCD issue. The remaining Rs. 90 Cr. is available as construction finance for its residential project at Kapashera, New Delhi and the conversion of Moments Mall to a residential project.

## **Analytical Approach**

### **Extent of Consolidation**

- Full Consolidation

### **Rationale for Consolidation or Parent / Group / Govt. Support**

Acuite has considered the consolidated financial and business risk profile for TARC Limited. The list of entities consolidated in the financial is given below the Annexures table and together these are referred to as the Group or TARC.

## **Key Rating Drivers**

### **Strengths**

#### **Extensive experience of the management and established position of the company in NCR real estate market**

The Chairman and the Managing Director and CEO have extensive experience in the real estate market in the NCR region. Mr. Anil Sarin, Chairman has been part of the industry for over four decades. TARC has an established position in the industry which is also reflected the large land bank and history of many completed projects. It has completed projects worth Rs. 3000 Cr. in the past and has a land bank of ~700 acres. Some of the key projects completed by TARC include projects like Maceo (15.57 acre), NH -8, Delhi (7.23 acre), Ocean's Retreat, South Delhi (7.37 acre) and Moments Mall, Kirti Nagar, Delhi (6.12 acre). TARC is expected to benefit from extensive experience of the management and established presence in the real estate segment.

#### **Expected improvement in liquidity position**

TARC currently has Rs. 1117 Cr. of outstanding debt against its various projects. Its primary source of revenue was through the lease rentals from its various commercial properties. TARC's liquidity has been adversely impacted on account of the spread of Covid and the subsequent lockdowns which have adversely affected its lease rentals. This has resulted in significantly lower cash flows from majority of its leased properties against which a significant proportion of debt remains outstanding. A significant part of the NCD proceeds, i.e. Rs. 1310 Cr. will be used to pay all of its outstanding loans and the NCD investors will have access to cashflows from the all the projects and properties charged to the current lenders. According to the proposed terms, the NCD will have no repayment of interest up till March 2023 and principal till June 2023. Further, Rs. 90 Cr. of the NCD proceeds will remain available as construction support for TARC's two key projects with estimated sales potential in the range of Rs. 3700 - 4000 Cr. While the projects will still be exposed to demand risk, the proceeds from the proposed NCD are expected to improve TARC's liquidity position over the medium term.

#### **Comfort derived from the structure of the proposed NCD**

The proposed NCD issue will have access to all properties and projects of TARC under the existing lenders, post the refinancing exercise. All the cash flows from the existing project or any cash flows from sale of properties or receivables from the land acquisition transactions will be received in an account controlled by debenture trustees. The project completion milestones along with repayment milestones are in built in the terms of the NCDs. The following sources of funds have been identified for the repayment; a) Cash flows from the underlying projects. b) Inflows on account of part payment of certain land acquisition transactions. c) In case of any delay from the aforementioned cash flows or material delay in project progress which might result in cash flow mismatch, repayments to be completed through sale of

identified assets, as per the terms of the NCD. Any such asset sale process will be initiated prior to the repayment dates.

## **Weaknesses**

### **Project Completion Risk**

TARC's project and properties mortgaged to current lenders will be mortgaged against the proposed NCDs. Cash flow from these projects will be the primary source of repayment for the NCD besides proceeds from asset monetization. Kapashera Project and Moments Mall Project are the key projects out of all of TARC projects. These are currently at an nascent stage of development and exposed to funding, execution and demand risk. The proposed NCDs also include Rs. 90 Cr. as construction finance towards the above mentioned two projects which will reduce the funding risk of the projects to some extent. For Maceo project the construction cost is almost entirely incurred and around ~Rs. 120 Cr. is receivable on sold and unsold flats within next 6 months. Besides the Rs. 90 Cr. construction finance, cashflow from Maceo project will also be used for the completion of the above mentioned two key projects. However, the projects are still exposed to execution and demand risk. These are mitigated to some extent on account of the favorable location of the projects in the NCR region and TARC's extensive experience in real estate development in the region. Kapashera is a luxury residential project which started in December 2021 and where currently excavation work is going on. It has 481000 square feet of saleable area with 230 units (excluding reserved for economically weaker sections). Total project cost is estimated to be in the range of Rs. 160 - 200 Cr. and currently 5 percent cost has been incurred. RERA approval is also in place for the project and its scheduled completion is by FY2025. Moments Mall project involves demolition of the current Moments Mall located near Kirti Nagar Station and construction of a residential complex. The project is expected to launch by FY2023 and demolition of the existing mall is underway. The total saleable area is ~1500000 square feet (excluding reserved for economically weaker sections) with estimated project cost in the range of Rs. 900-1000 Cr. There are other projects mortgaged to the issue however these are smaller relative to the key projects mention above and are currently in the planning stage. The timely commencement and completion of the key projects will remain a rating monitorable for Acuité.

### **Susceptibility to real estate sector cyclicality and regulatory risks**

The real estate industry in India is highly fragmented with most of the real estate developers, having a city specific or region - specific presence. The risks associated with real estate industry are cyclical in nature of business (drop in property prices) and interest rate risk, among others, which could affect the operations. All players in the real estate sector are exposed to the risk of volatile prices on account of frequent demand supply mismatches in the industry. The real estate sector is under high stress on account of large amounts of unsold inventory and high borrowing costs. This is primarily attributable to the high residential property prices due to persistent rollover of bank debt, which has a cascading effect on the overall finance costs. Given the high degree of financial leverage, the high cost of borrowing inhibits the real estate developers' ability to significantly reduce prices to augment sales growth. However, this unsold inventory risk is mitigated in TARC's case given the location of its key projects in the NCR region where unsold inventory remains low. Further, the industry is exposed to regulatory risk, which is likely to impact players such as TARC, thereby impacting its operating capabilities.

### **Past instances of delay in debt servicing observed**

TARC currently has Rs. 1117 Cr. debt outstanding against its various projects which are expected to be taken over by the proposed NCD issue. TARC's primary source of revenue was lease rental from its commercial properties. These have been severely impacted on account of spread of Covid-19 and the subsequent lockdowns. Thus, there have been instances of delays in servicing of principal and interest obligations in the past. These loans however, will be completely repaid from the proceeds of the proposed NCD issue.

### **ESG Factors Relevant for Rating**

Employee health & safety management is of primary importance to the construction industry given the nature of operations. Additionally, product quality and safety is of utmost

significance. Human rights concerns such as forced labor are crucial considering the exploitative industry practices. Furthermore, responsible procurement and community relations are key influencing factors. The inherent material risk to the construction industry includes releasing toxic greenhouse gases and delivering a green building structure by utilizing clean technology. Factors such as ethical business practices, legal and regulatory compliance hold utmost significance in the construction industry, considering the frequency of litigations. Other issues include management compensation and Board oversight.

### Rating Sensitivities

1. Commencement of key real estate projects as per the expected timeline without significant delay
2. Timely receipt of amount receivable from land acquisition transactions without significant delay

### Material Covenants

- Loan to Value (LTV) (value of all mortgaged properties) ratio at all times after the first deemed date of allotment will not be greater than 50 percent; LTV ratio will be tested quarterly.
- Event milestones related to cash inflows have been decided in the draft term sheet and any non-occurrence of event will trigger an asset sale event and cash flow from the asset sale will be used to cover the repayment obligation.
- Further operational milestones have also been decided the draft term sheet and any failure to meet the milestones as per decided time line will also trigger an event of default.

### Liquidity Position: Adequate

Acuite expects TARC's liquidity profile to remain adequate post the successful issue of the proposed NCD on account adequate cushion between expected cash surplus and expected repayment obligations. TARC is expected to generate cash surplus in the range in of Rs. 300 - 500 Crore in FY2023-24 against no repayment obligation in FY2023 and ~Rs. 400 Crore in FY2024. The expected cash inflow includes receivable from land acquisition transaction in the range of Rs. 300-400 Cr.

### Outlook: Stable

Acuite believes that TARC will maintain a 'Stable' outlook over the medium term owing to its experienced management and established position in the real estate segment. The outlook may be revised to 'Positive' in case the company registers sustainable sales and collection traction in their key real estate project. Conversely, the outlook may be revised to 'Negative' in case of steep decline in sales traction or slower than progress in key real estate project having an adverse impact on TARC's liquidity profile.

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	190.96	137.33
PAT	Rs. Cr.	6.17	53.10
PAT Margin	(%)	3.23	38.67
Total Debt/Tangible Net Worth	Times	0.70	0.65
PBDIT/Interest	Times	1.44	3.86

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any Other Information

Supplementary disclosures for Provisional Ratings

### **A. Risks associated with the provisional nature of the credit rating**

1. Lack of third party monitoring of compliance in absence of executed trust deed and no finalized terms in absence of final term sheet
2. In case there are material changes in the terms of the transaction after the initial assignment of the provisional rating and post the completion of the issuance (corresponding to the part that has been issued) Acuite will withdraw the existing provisional rating and concurrently, assign a fresh final rating in the same press release, basis the revised terms of the transaction.

### **B. Rating that would have been assigned in absence of the pending steps/ documentation**

The rating would be equated to the standalone rating of the entity: ACUITE BBB- / Stable.

### **C. Timeline for conversion to Final Rating for a debt instrument proposed to be issued:**

The provisional rating shall be converted into a final rating within 90 days from the date of issuance of the proposed debt instrument. Under no circumstance shall the provisional rating continue upon the expiry of 180 days from the date of issuance of the proposed debt instrument.

### **Applicable Criteria**

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>

### **Note on Complexity Levels of the Rated Instrument**

<https://www.acuite.in/view-rating-criteria-55.htm>

### **Rating History**

<b>Date</b>	<b>Name of Instruments/Facilities</b>	<b>Term</b>	<b>Amount (Rs. Cr)</b>	<b>Rating/Outlook</b>
11 Apr 2022	Proposed Non Convertible Debentures	Long Term	1 400.00	ACUITE Provisional BBB-   Stable (Assigned)



## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	INE0EK907019	Non-Convertible Debentures (NCD)	Not Applicable	Not Applicable	Not Applicable	1130.00	ACUITE BBB-   Stable   Assigned   Provisional To Final
Not Applicable	INE0EK907027	Non-Convertible Debentures (NCD)	Not Applicable	Not Applicable	Not Applicable	200.00	ACUITE BBB-   Stable   Assigned   Provisional To Final
Not Applicable	Not Applicable	Proposed Non-Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	70.00	Provisional   ACUITE BBB-   Stable   Reaffirmed

### \*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt Support)

#### Sr. No. Company Name

Sr. No.	Company Name	Type
1	TARC Limited	Parent Company
2	TARC Projects Limited	Subsidiary Company
3	A-Plus Estates Private Limited	Step Down Subsidiary Company
4	Rapid Realtors Private Limited	Subsidiary Company
5	Anant Raj Infrastructure Private Limited	Subsidiary Company
6	BBB Realty Private Limited	Subsidiary Company
7	Bolt Properties Private Limited	Subsidiary Company
8	Echo Buildtech Private Limited	Subsidiary Company
9	Elegant Estates Private Limited	Subsidiary Company
10	Elegant Buildcon Private Limited	Subsidiary Company
11	Elevator Buildtech Private Limited	Subsidiary Company
12	Elevator Promoters Private Limited	Subsidiary Company
13	Elevator Properties Private Limited	Subsidiary Company
14	Fabulous Builders Private Limited	Subsidiary Company
15	Gadget Builders Private Limited	Subsidiary Company
16	Grand Buildtech Private Limited	Subsidiary Company
17	Grandpark Buildtech Private Limited	Subsidiary Company
18	Grand Park Estates Private Limited	Subsidiary Company
19	Green View Buildwell Private Limited	Subsidiary Company
20	Greenline Buildcon Private Limited	Subsidiary Company
21	Greenline Promoters Private Limited	Subsidiary Company
22	Greenwood Properties Private Limited	Subsidiary Company
23	Hemkunt Promoters Private Limited	Subsidiary Company
24	High Land Meadows Private Limited	Subsidiary Company
25	Jubilant Software Services Private Limited	Subsidiary Company
26	Kalinga Buildtech Private Limited	Subsidiary Company
27	Kalinga Realtors Private Limited	Subsidiary Company
28	Novel Buildmart Private Limited	Subsidiary Company
29	Novel Housing Private Limited	Subsidiary Company
30	Oriental Meadows Limited	Subsidiary Company

31	Park Land Construction and Equipments Private Limited	Subsidiary Company
32	Park Land Developers Private Limited	Subsidiary Company
33	Park View Promoters Private Limited	Subsidiary Company
34	Roseview Buildtech Private Limited	Subsidiary Company
35	Roseview Properties Private Limited	Subsidiary Company
36	Sand Storm Buildtech Private Limited	Subsidiary Company
37	Suburban Farms Private Limited	Subsidiary Company
38	TARC Buildtech Private Limited	Subsidiary Company
39	TARC Estates Private Limited	Subsidiary Company
40	TARC Green Retreat Private Limited	Subsidiary Company
41	TARC Properties Private Limited	Subsidiary Company
42	Travel Mate India Private Limited	Subsidiary Company
43	Townsend Construction and Equipments Private Limited	Subsidiary Company
44	Twenty First Developers Private Limited	Subsidiary Company
45	Ankur Buildcon Private Limited	Step Down Subsidiary
46	Capital Buildcon Private Limited	Step Down Subsidiary
47	Capital Buildtech Private Limited	Step Down Subsidiary
48	Carnation Buildtech Private Limited	Step Down Subsidiary
49	Gagan Buildtech Private Limited	Step Down Subsidiary
50	Greatways Buildtech Private Limited	Step Down Subsidiary
51	Krishna Buildtech Private Limited	Step Down Subsidiary
52	Monarch Buildtech Private Limited	Step Down Subsidiary
53	Moon Shine Entertainment Private Limited Private Limited	Step Down Subsidiary
54	Oriental Promoters Private Limited	Step Down Subsidiary
55	Papillion Buildtech Private Limited	Step Down Subsidiary
56	Papillion Buildcon Private Limited	Step Down Subsidiary
57	Rising Realty Private Limited	Step Down Subsidiary
58	Spiritual Developers Private Limited	Step Down Subsidiary
59	West Land Buidcon Private Limited	Step Down Subsidiary
60	Ganga Bishan & Co.	Partnership Firm Where Company is a Partner
61	Asylum Estates LLP	LLPs Where Subsidiary is a Partner
62	Gagan Promoters LLP	LLPs Where Subsidiary is a Partner
63	Niblic Greens Hospitality Private Limited	Associate Company

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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