



Press Release
TARC Limited
December 26, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	1130.00	ACUITE BB+ Reaffirmed Rating Watch with Negative Implications	-
Total Outstanding Quantum (Rs. Cr)	1130.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE Double B plus**) on the Rs.1130.00 crore Non-Convertible Debentures of TARC Limited (TARC). The ratings have been placed under '**Rating watch with Negative Implications**'.

Rationale for reaffirmation

The outstanding ratings have been placed under watch with developing implications in view of TARC Limited issued a disclosure on exchanges that SEBI vide its letter dated December 16, 2024 has appointed the forensic auditor with respect to financial statements of the company for financial years 2020-21 to 2022-23. In which SEBI believes that the disclosure of financial information and business transactions of the company have been dealt with in a manner which may be detrimental to the interest of investors or the securities markets; and/or an intermediary or a person associated with the securities market.

Acuite will closely monitor the development pertaining on the business and financial performance of the TARC Limited. Acuite will also keep a watch on the liquidity position including the access to market to raise any further debt or equity.

The rating takes into account the established market position of the company in the Real Estate segment especially in the Delhi NCR region, The upcoming projects of the company having potential of total sales of more than Rs. 7500 Cr. The company have completed multiple projects in the past and have 550+ acre of land bank across Delhi and NCR region. However the rating is constrained by project risk as its project launch of TARC Kailasa got delayed by 3-4 Months resulting into a shift in cash flow. However the risk is mitigated to an extent by launch of its projects namely TARC Kailasa in January 2024 wherein sale showed good traction as Tower 1 of Kailasa project was completely sold off within 3 month of the project giving stability to cash flow. The project 63A Gurugram is delayed by more than 5 months however, is scheduled to be launched in June 2024. The said project has a sales potential of Rs. 2500 Cr.

The timely commencement and completion of key real estate projects of the company along with steady cash inflows from these projects and timely repayment of debt obligations will continue to remain a key rating sensitivity going ahead.

About the 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 residential projects in the NCR and Delhi 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.

About the Group

TARC GROUP comprises of TARC LIMITED and 63 other entities which are subsidiaries, associates or Joint Ventures of TARC Limited. The group has a land bank of ~500 Acres. The list of companies in the group is given in Annexure - 2.

Unsupported Rating

Not Applicable

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 in the Annexure 2 and together these are referred to as the TARC Group.

Key Rating Drivers

Strengths

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

The Chairman along with the Managing Director and CEO have an 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 in the large land bank and history of many completed projects. The company has a land bank of ~550+ acres in both Delhi and NCR region. Some of the key ongoing and upcoming projects of TARC includes TARC Tripundra, TARC Kailasa and TARC 63A. The company has also successfully completed TARC Maceo project with 16 lakh sq. ft. of saleable area. Acuite believes that TARC will likely to continue receives benefit from extensive experience of the management and established presence in the real estate segment.

Improvement in liquidity position

Earlier, the company's primary source of revenue was through the lease rentals from its various commercial properties. TARC's liquidity had been adversely impacted on account of the spread of Covid and the subsequent lockdowns which 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 remained outstanding. The company had issued NCDs worth of Rs.1330 Cr. in April 2022 and as per their fund utilization plans Rs.1330 Cr. was used to take over TARC's all existing debt & other liabilities identified under the terms of the issued NCDs and the remaining was used as construction finance for their projects. The company had an outstanding amount of ~Rs.1155 Cr. from their lenders as on April 29, 2022 against its various projects. Since then, company has transformed predominantly into a luxury residential real estate developer and launched two of its projects, namely TARC Tripundra in October 2022 and TARC Kailasa in January 2024 in Delhi. The NCD investors have access to cashflows from the all the projects and properties charged to the previous lenders. According to the issued terms, the NCD will have only coupon payment on every 31 March of the year @6% p.a. and no principal till June 2023. Also, the company has prepaid the interest payment falling due in March 2023 in two tranches i.e. In December 2022 and March 2023 and again prepaid the interest payment falling due in March 2024. Also, completed yearly redemption of Rs. 200 crore NCD in two tranches in June 2023 and December 2023 reflecting improvement in liquidity position. Since the launch of two projects company has began to generate cashflows, while the projects will still be exposed to demand risk, Acuite believes that TARC's liquidity position is further expected to improve over the medium term on account of healthy cash inflows through new sales bookings and expected government receivables.

Comfort derived from the structure of the issued NCDs

The NCDs issued have access to all properties and projects of TARC under the previous lenders. 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 the debenture trustees. 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 NCDs. Any such asset sale process will be initiated prior to the repayment dates.

Weaknesses

Project Completion Risk

TARC's project and properties mortgaged to existing lenders have been mortgaged against the issued NCDs. The cash flows from these projects will be the primary source of the repayment for the NCDs, beside proceeding from asset monetization. TARC Tripundra Project and TARC Kailasa Project are the key ongoing projects. Out of the

two, the TARC Tripundra project was launched in Oct 2022, which is in progress. For Patel Road Project, the demolition of the of existing structure is completed and construction has already began in January 2024. For Maceo project the construction is completed and 100% inventory is sold. However, the projects are still exposed to execution and demand risk. These are mitigated to some extent on account of the favourable location of the projects in the NCR region and TARC's extensive experience in real estate development in the region. TARC Tripundra is a luxury residential project with total saleable area of 481000 sq. ft. which got launched in Oct 2022 and construction work is going on. Total project cost is estimated to be in the range of Rs. 200 - 250 Cr. RERA approval is also in place for the project and its scheduled completion is by FY2025. Patel Road project involved demolition of the Moments Mall located near Kirti Nagar Metro Station, which is already done and construction of a residential complex is underway. The total saleable area is ~1800000 sq. ft. 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 Acuite.

Susceptibility to real estate sector cyclicity 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. 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, the 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.

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

- Commencement of key real estate projects as per the expected timeline without significant delay
- Timely receipt of amount receivable from the Government from land acquisition transactions without significant delay
- Any other adverse action from the regulators and non-compliance of regulations

Liquidity Position

Adequate

Acuite expects TARC's liquidity profile to remain adequate post the successful issue of the NCDs on account of adequate cushion between expected cash surplus and expected repayment obligations. TARC is expected to generate cash surplus in the range in of Rs. 500 - 700 Cr. in FY2024-25 against principal repayment obligation of ~Rs. 400 Crore in FY2025. The expected cash inflow includes receivables from land acquisition transaction in the range of Rs.150 Cr.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	111.45	193.54
PAT	Rs. Cr.	(77.04)	20.36
PAT Margin	(%)	(69.13)	10.52
Total Debt/Tangible Net Worth	Times	1.40	1.29
PBDIT/Interest	Times	0.42	1.21

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Jun 2024	Non-Coverible Debentures (NCD)	Long Term	1130.00	ACUITE BB+ Stable (Reaffirmed)
12 Apr 2024	Non-Coverible Debentures (NCD)	Long Term	1130.00	ACUITE BB+ Stable (Reaffirmed)
	Non-Coverible Debentures (NCD)	Long Term	200.00	ACUITE Not Applicable (Withdrawn)
	Proposed Non Convertible Debentures	Long Term	70.00	ACUITE Not Applicable (Withdrawn)
13 Apr 2023	Non-Coverible Debentures (NCD)	Long Term	1130.00	ACUITE BB+ Stable (Reaffirmed)
	Non-Coverible Debentures (NCD)	Long Term	200.00	ACUITE BB+ Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	70.00	ACUITE Provisional BB+ Stable (Reaffirmed)
29 Nov 2022	Non-Coverible Debentures (NCD)	Long Term	1130.00	ACUITE BB+ Negative (Downgraded from ACUITE BBB- Stable)
	Non-Coverible Debentures (NCD)	Long Term	200.00	ACUITE BB+ Negative (Downgraded from ACUITE BBB- Stable)
	Proposed Non Convertible Debentures	Long Term	70.00	ACUITE Provisional BB+ Negative (Downgraded from ACUITE Provisional BBB- Stable)
04 May 2022	Non-Coverible Debentures (NCD)	Long Term	1130.00	ACUITE BBB- Stable (Assigned)
	Non-Coverible Debentures (NCD)	Long Term	200.00	ACUITE BBB- Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	70.00	ACUITE Provisional BBB- Stable (Reaffirmed)
11 Apr 2022	Proposed Non Convertible Debentures	Long Term	1400.00	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.)	Complexity Level	Rating
Not Applicable	INE0EK907019	Non-Convertible Debentures (NCD)	29 Apr 2022	6	29 Apr 2027	1130.00	Simple	ACUITE BB+ Reaffirmed Rating Watch with Negative Implications

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

Sr. No. Company Name

- 1 TARC Limited
- 2 TARC Infrastructure Limited
- 3 BBB Realty Limited
- 4 Echo Buildtech Limited
- 5 Elevator Promoters Limited
- 6 Elevator Properties Limited
- 7 Fabulous Builders Limited
- 8 Gadget Builders Limited
- 9 Grand Buildtech Limited
- 10 Green View Buildwell Limited
- 11 High Land Meadows Limited
- 12 Jubilant Software Services Limited
- 13 Kalinga Realtors Limited
- 14 Park Land Construction and Equipments Limited
- 15 TARC Green Retreat Limited
- 16 TARC Projects Limited
- 17 Townsend Construction and Equipments Limited
- 18 Travel Mate India Limited
- 19 Elegent Estates Private Limited
- 20 Elegant Buildcon Private Limited
- 21 Elevator Buildtech Private Limited
- 22 Grandpark Buildtech Private Limited
- 23 Grand Park Estates Private Limited
- 24 Greenline Buildcon Private Limited
- 25 Greenline Promoters Private Limited
- 26 Hemkunt Promoters Private Limited
- 27 Kalinga Buildtech Private Limited
- 28 Novel Buildmart Private Limited
- 29 Novel Housing Private Limited
- 30 Oriental Meadows Limited
- 31 Bolt Properties Limited
- 32 Rapid Realtors Private Limited
- 33 Greenwood Properties Private Limited
- 34 Park Land Developers Private Limited
- 35 Park View Promoters Private Limited
- 36 Roseview Buildtech Private Limited
- 37 Roseview Properties Private Limited
- 38 Sand Storm Buildtech Private Limited
- 39 Suburban Farms Private Limited
- 40 TARC Buildtech Private Limited
- 41 TARC Estates Private Limited
- 42 TARC Properties Private Limited
- 43 Twenty First Developers Private Limited
- 44 Ankur Buildcon Limited
- 45 Capital Buildcon Limited
- 46 Capital Buildtech Limited
- 47 Carnation Buildtech Limited
- 48 Gagan Buildtech Limited

- 49 Greatways Buildtech Limited
- 50 Krishna Buildtech Limited
- 51 Monarch Buildtech Limited
- 52 Moon Shine Entertainment Limited
- 53 Oriental Promoters Limited
- 54 Papillon Buildtech Limited
- 55 Papillon Buildcon Limited
- 56 Rising Realty Limited
- 57 West Land Buildcon Limited
- 58 A-Plus Estates Private Limited
- 59 Spiritual Developers Private Limited
- 60 Ganga Bishan & Co.
- 61 Asylum Estate LLP
- 62 Gagan Promoters LLP
- 63 Niblic Greens Hospitality Private Limited

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About Acuité Ratings & Research

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