



Press Release

April 12, 2024

**TARC LIMITED
Rating Reaffirmed and Withdrawn**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	1130.00	ACUITE BB+ Stable Reaffirmed	-
Non Convertible Debentures (NCD)	270.00	Not Applicable Withdrawn	-
Total Outstanding	1130.00	-	-
Total Withdrawn	270.00	-	-

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 outlook is '**Stable**'.

Acuite has withdrawn its long-term rating on Rs.200.00 Cr. of Non-Convertible Debentures of TARC Limited (TARC) without assigning any rating. The outstanding NCDs have been paid off and as per the request received from the issuer and redemption confirmation as per BSE filing the rating is withdrawn. The rating withdrawal is in accordance with Acuite's policy on withdrawal of ratings as applicable to the respective instrument/facility.

Further, Acuite has withdrawn its long-term rating on the Rs. 70 Cr. Proposed NCD of TARC Limited (TARC) without assigning any rating. The rating is withdrawn on account of the request received from the issuer. The rating withdrawal is in accordance with Acuite's policy on withdrawal of ratings as applicable to the respective instrument/facility.

Rationale for reaffirmation

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 two of its project launch i.e. TARC Kailasa and 63A Gurugram 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 with healthy cashflows expected from the project. The company's sale showed traction as Tower 1 of Kailasa project was completely sold off within 3 month of the project.

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 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 limited is the flagship company of TGL. The company was 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. The group comprises of 42 subsidiary companies, 16 step down subsidiaries, 3 partnership firm and 1 associate company. The list of entities 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 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 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 crores 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 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. 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: Stable

Acuité 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	193.54	250.55
PAT	Rs. Cr.	20.36	(232.76)
PAT Margin	(%)	10.52	(92.90)
Total Debt/Tangible Net Worth	Times	1.29	1.11
PBDIT/Interest	Times	1.21	(1.56)

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
13 Apr 2023	Non-Convertible Debentures (NCD)	Long Term	1130.00	ACUITE BB+ Stable (Reaffirmed)
	Non-Convertible 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-Convertible Debentures (NCD)	Long Term	1130.00	ACUITE BB+ Negative (Downgraded from ACUITE BBB- Stable)
	Non-Convertible 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-Convertible Debentures (NCD)	Long Term	1130.00	ACUITE BBB- Stable (Assigned)
	Non-Convertible 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+ Stable Reaffirmed
Not Applicable	INE0EK907027	Non-Convertible Debentures (NCD)	29 Apr 2022	6	31 Dec 2023	200.00	Simple	Not Applicable Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Non Convertible Debentures	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	70.00	Simple	Not Applicable Withdrawn

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

Sr. No.	Company Name
1	TARC Limited
2	Anant Raj 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	Elegant 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 Estates LLP
62	Gagan Promoters LLP
63	Niblic Greens Hospitality Private Limited

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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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