



Press Release

TARC Limited

December 04, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Proposed Non-Convertible Debentures	470.00	IVR BBB-/ Stable (IVR Triple B Minus with stable outlook)	-	Assigned	Simple
Total	470.00	(Rupees Four Hundred & Seventy crores only)			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned its rating to the proposed non-convertible debentures of TARC Limited as it reflects of strong revenue visibility from the on-going projects along with expected strong cash coverage ratio over FY25-FY27, experienced promoter group and comfortable repayment structure. The ratings are partially constrained by geographical concentration risk, cyclical nature of the real estate industry and project implementation risk.

Infomerics Ratings expects outlook to remain stable driven by significant physical progress in two out of three on-going projects coupled with high sales velocity among all the projects.

Key Rating Sensitivities:

Upward Factors

- Improvement in the sales velocity and collections through a combination of improved sales and construction progress, such that the collections are sufficient to fund the committed costs and debt obligations.

Downward Factors

- Weaker-than-anticipated sales performance and lower-than-expected collections, which may lead to increased funding risk.
- Any delay in the project implementation and/or increase in debt thereby deteriorating the leverage ratios.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Strong revenue visibility from on-going projects:

TARC has three ongoing projects with revenue visibility of around Rs.6,000 crore over the life of the project. TARC's project TARC Tripundra is on the verge of completion and as per management, occupation certificate is expected to be received by March 2025. Infomerics notes that given locational advantage and experience of the company to execute the projects in timely manner, TARC is likely to achieve projected revenue over the life of the project in a timely manner.

Expected strong cash flow coverage ratio:

Infomerics derives comfort as TARC is expected to maintain a strong cash flow coverage ratio through FY25-FY27 for ongoing three projects, as 67% of the saleable area of 17mn sq. feet is already booked as on March 31, 2024. The cash flow coverage ratio is expected to be more than 2x through FY25-FY27.

Comfortable repayment structure:

TARC's existing as well as proposed NCDs has comfortable repayment structure with lower rate of interest in the initial phase of the life of the debt instrument, with redemption premium at the maturity date. This structure provides financial flexibility to the company as limited repayment obligations in the initial phase of the project.

Experienced promoters and strong group:

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.



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Key Rating Weaknesses

Geographically concentrated revenues

All the past and ongoing projects of the group are located in Delhi and Haryana which exposes the company to geographical concentration risk. Any adverse movement in the regional real estate market can have an impact the overall operations of the company.

Project implementation risk:

TARC has three ongoing projects- TARC Tripundra, TARC Kailasa and TARC Ishva. Though, Infomerics notes that TARC Tripundra is expected to obtain OC during FY25. Infomerics also notes that any delay in completion of these projects could impact the projected cash flows thereby impacting the liquidity of the company.

Cyclical nature of the real estate industry, subject to regulations

The real estate in India is highly fragmented and is capital intensive in nature. The life cycle of a real estate project is long and the state of the economy at every point in time, right from land acquisition to construction to actual delivery, has an impact on the project. This capital-intensive sector is extremely vulnerable to the economic cycles. Adverse movement in interest rate affects the real estate players in both ways by hampering demand as well as increasing the cost of construction. The sector is also subject to multiple regulatory approvals from respective authorities; thus, the timely receipt of regulatory approval is critical for the timely launches of new project phases and future sales/collections.

Analytical Approach: Consolidated

For arriving at the rating, Infomerics has used consolidated approach to analyse TARC and its subsidiaries as they are in the same line of businesses (real estate), under a common management. TARC operates by way of separate subsidiaries for its various projects. TARC limited is the parent company and others are wholly owned subsidiaries. It has also provided corporate guarantee to its subsidiaries.



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Applicable Criteria:

- [Rating Methodology for Infrastructure Companies](#)
- [Financial Ratios & Interpretation \(Non-Financial Sector\).](#)
- [Criteria for assigning Rating outlook.](#)
- [Policy on Default Recognition](#)
- [Complexity Level of Rated Instruments/Facilities](#)
- [Consolidation of Companies](#)

Liquidity – Adequate

The liquidity position of TARC is expected to remain adequate on placement of NCDs. The Company is projected to have comfortable cash cover to service its debt obligations as evidenced by above unity cash flow coverage ratio of the project throughout the projections. On an overall basis, projected cash flow appears to be adequate.

About the Company

TARC Limited is a public limited Company domiciled in India and incorporated under the provisions of the Companies Act, 2013. The Company and its subsidiaries, LLP, Partnership firm (together referred to as Group) is engaged in carrying business of construction and development of residential projects, commercial projects, township projects, malls etc. in the National Capital Region and derives rental income from investment properties. TARC is dedicated to creating innovative, top-tier developments that epitomise excellence.

Financials (Consolidated):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	368.66	111.45
EBITDA	7.19	6.49
PAT	20.36	-77.04
Total Debt	1386.00	1391.95
Tangible Net Worth	976.65	900.94
EBITDA Margin (%)	43.26	41.78
PAT Margin (%)	5.43	-63.46
Overall Gearing Ratio (x)	1.42	1.55
Interest Coverage (x)	1.36	0.34

* Classification as per Infomerics' standards.



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Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Proposed NCDs	Long Term	470.00	IVR BBB-/ Stable	--	--	--

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.



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Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Listing Status	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed NCDs	--	--	--	--	Proposed to be listed	470.00	IVR BBB-/ Stable

Annexure 2: Facility wise lender details (Hyperlink to be added): Not Applicable

Annexure 3: Detailed explanation of covenants of the rated Security/facilities:

Investors	Certain funds or entities managed or advised by Bain Capital Special Situation (BCSS) or its affiliates
Amount	INR 810 crore – an aggregate amount to be split between five facilities (NCDs) to be issued by TARC Limited (listed – INR 470 crore), Fabulous Builders Limited (unlisted – INR 80 cr), TARC Green Retreat Limited (unlisted – INR 90 cr), Grand Buildtech Limited (unlisted – INR 90 cr) and Moon Shine Entertainment Limited (Unlisted – INR 80 cr)
Issuers	TARC Limited, Fabulous Builders Limited, TARC Green Retreat Limited, Grand Buildtech Limited and Moon Shine Entertainment Limited
Obligors	Entities set out under Schedule
Guarantees	<u>Corporate Guarantee</u> of all the Obligors as mentioned in the Schedule including the Issuers -TARC Limited, Fabulous Builders Limited, TARC Green Retreat Limited, Grand Buildtech Limited and Moon Shine Entertainment Limited



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	<u>Personal Guarantee</u> of the promoters Mr. Anil Sarin and Mr. Amar Sarin
Pricing	19.6% IRR (including annual coupon payment below & inclusive of the withholding tax)
Make Whole	1.33 x + WHT & 1.35 + WHT (as per DTD)
Cash Coupon	Cash Coupon: 6.0% payable annually
Tenure	5.0 years
Use of Funds	Amount shall be utilized to refinance the existing NCDs of BCSS under the debenture trust deed originally dated March 31, 2022 as amended and restated pursuant to an amended and restated deeds dated April 28, 2022 and September 22, 2023 (the "BCSS Existing NCDs").

Security

- (a) Sole and exclusive mortgage over each of the Properties (mentioned below), set out in the hereto, including but not limited to land, building, units, development rights, FSI and any other mortgageable rights with respect to the Properties.
- b. Sole and exclusive hypothecation and charge over all moveable assets, bank accounts and receivables in respect of each of the Properties and of each Security Provider.
 - c. Sole and exclusive share pledges provided by all shareholders over of the shares each Obligors and entity (excluding TARC Limited) (in dematerialized form) owning the Properties as set out in the Schedule.
 - d. Corporate guarantees to be provided by each Guarantor
 - e. Personal guarantees to be provided by each individual Guarantor.
 - f. Security over all other properties and assets of the Group except for Excluded Assets.
 - g. Any other security that may be required and identified during due diligence.

Excluded Assets: Securities released in favor of Kotak led consortium in accordance with the conditional no-objection certificate under BCSS Existing NCDs.



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Properties

Name / Location	Type	Land area (acres)
Hauz Khas, New Delhi	Residential awaiting final sanctions	2.39
Green Retreat, NH8, Delhi	Hotel- Sanctioned	8.7
Ocean Pearl Retreat, South Delhi	Hotel- Completed	7.37
Asera, South Delhi	Hotel- Completed – Shut down	2.68
Travelmate, KP-1, Greater Noida	Institutional Building- Completed	1.4
Chand Cinema, Trilok Puri Delhi	Commercial Cinema Hall and Retail Shops	0.711
Tech Zone-2, Greater Noida	ITES	25
Manesar Land A	Land	56.97
Manesar Land B	Acquired - Agricultural land	74.5
Rishikesh Villa	Holiday Home Villas (2)	560 square meters
Gurugram Sector 63A Property - Ishva	Residential Project	6.95 + 1.26
Punjab Khor +additional Land	Agricultural Land	39.2 + 7.66
Stud Farm	Farmhouse	25.05
Additional Lands	To be acquired Agricultural lands	2.66 + 0.86

Annexure 4: List of companies considered for consolidated analysis:

Sr. No.	Name of the company/Entity	Consolidation Approach
1	TARC Infrastructure Limited	Full
2	BBB Realty Limited	Full
3	Bolt Properties Limited	Full
4	Echo Buildtech Limited	Full
5	Elevator Promoters Limited	Full
6	Elevator Properties Limited	Full
7	Fabulous Builders Limited	Full
8	Gadget Builders Limited	Full
9	Grand Buildtech Limited	Full
10	Jubilant Software Services Limited	Full



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Sr. No.	Name of the company/Entity	Consolidation Approach
11	Kalinga Realtors Limited	Full
12	Park Land Construction And Equipments Limited	Full
13	Townsend Construction And Equipments Limited	Full
14	Travel Mate India Limited	Full
15	TARC Green Retreat Limited	Full
16	TARC Limited	Full
17	Moon Shine Entertainment Limited	Full
18	High Land Meadows Limited	Full
19	Capital Buildcon Limited	Full
20	Krishna Buildtech Limited	Full
21	Rising Realty Limited	Full
22	Ankur Buildcon Limited	Full
23	Green View Buildwell Limited	Full
24	Capital Buildtech Limited	Full
25	Carnation Buildtech Limited	Full
26	Gagan Buildtech Limited	Full
27	Greatways Buildtech Limited	Full
28	Monarch Buildtech Limited	Full
29	Oriental Promoters Limited	Full
30	Papillon Buildcon Limited	Full
31	Papillon Buildtech Limited	Full
32	West Land Buildcon Limited@	Full
33	Elegant Buildcon Private Limited	Full
34	Elegent Estates Pvt Ltd	Full
35	Elevator Buildtech Private Limited	Full
36	Grand Park Estates Pvt Ltd	Full
37	Grandpark Buildtech Private Limited	Full
38	Greenline Budckon Private Limited	Full
39	Spiritual Developers Private Limitedgg	Full
40	Greenline Promoters Private Limited	Full
41	Greenwood Properties Private Limited	Full
42	Hemkunt Promoters Private Lirnited	Full
43	Kalinga Buildtech Private Limited	Full
44	A-Plus Estates Private Limitedhh	Full
45	Novel Buildmart Private Limited	Full
46	Novel Housing Private Limited	Full
47	Oriental Meadows Limited	Full



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Sr. No.	Name of the company/Entity	Consolidation Approach
48	Park Land Developers Private Limited	Full
49	park View Promoters Private Limited	Full
50	Rapid Realtors Private Limited	Full
51	Roseview Buildtech Private Limited	Full
52	Roseview Properties Private Limited	Full
53	Sand Storm Buildtech Private Limited	Full
54	Suburban Farms Private Limited	Full
55	TARC Buildtech Private Limited	Full
56	TARC Estates Private Limited	Full
57	TARC Facility Management Private Limited	Full
58	Twenty First Developers Private Limited	Full
59	Niblic Greens Hospitality Private Limited	50%

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.