ANANDRATHI

# Asset Reconstruction Co.(India) Limited

8-September-26

## Subscribe- Long Term

Rinkle Vira
rinklevira@rathi.com



**Issue Details**

| Issue Details | |
|---|---|
| Issue Size (Value in ` million, Upper Band) | 7,330 |
| Fresh Issue (No. of Shares in Lakhs) | - |
| Offer for Sale (No. of Shares in Lakhs) | 527.3 |
| Bid/Issue opens on | 09-Sept-26 |
| Bid/Issue closes on | 11-Sept-26 |
| Face Value | Rs.10 |
| Price Band | Rs. 132-139 |
| Minimum Lot | 107 |

**Objects of the Issue:**

- **Fresh Issue: Nil**
- **Offer for Sale: ₹ 7,330 million**

| Book Running Lead Managers |
|---|
| IIFL Capital Services Ltd, IDBI Capital Markets & Securities Ltd, JM Financial Ltd |
| **Registrar to the Offer** |
| MUFG Intime India Private Ltd |

| Capital Structure (` Million) | Aggregate Value |
|---|---|
| Authorized share Capital | 5,000 |
| Subscribed paid up Capital (Pre-Offer) | 3,249 |
| Paid up capital (Post - Offer) | 3,249 |

| Share Holding Pattern % | Pre Issue | Post Issue |
|---|---|---|
| Promoters & Promoter group | 89.7% | 73.5% |
| Public | 10.3% | 26.5% |
| Total | 100% | 100% |

**Financials**

| Particulars (Rs. In Million) | FY26 | FY25 | FY24 |
|---|---|---|---|
| **Revenue from operations** | **7,530** | **5,964** | **5,701** |
| Operating expenses | 1,961 | 1,315 | 1,577 |
| **EBITDA** | **5,569** | **4,649** | **4,124** |
| Other Income | 320 | 270 | 40 |
| Depreciation | 30 | 22 | 19 |
| **EBIT** | **5,859** | **4,897** | **4,144** |
| Interest | 362 | 125 | 52 |
| Share of Profit / (Loss) of Associate | **5,497** | **4,772** | **4,092** |
| **PBT** | 0 | 0 | 0 |
| Exceptional Item | **5,497** | **4,772** | **4,092** |
| Tax | 1,419 | 1,219 | 1,039 |
| **Consolidated PAT** | **4,078** | **3,553** | **3,053** |
| EPS | 12.6 | 10.9 | 9.4 |
| **Ratio** | **FY26** | **FY25** | **FY24** |
| EBITDAM | 74.0% | 77.9% | 72.3% |
| PATM | 54.2% | 59.6% | 53.5% |
| Sales growth | 26.3% | 4.6% | - |

**Company Description**

Incorporated in February 2002, Asset Reconstruction Company (India) Limited (ARCIL) is an asset reconstruction company (ARC) focused on acquiring stressed assets from banks and financial institutions and driving their resolution to maximise recoveries and enhance asset value. The Company received its RBI certificate of registration in August 2003 to undertake securitization and asset reconstruction activities and is recognised as the first ARC incorporated in India.

The Company operates across 3 key segments Corporate Loans, SME & Other Loans and Retail Loans acquiring both single-credit and portfolio-based stressed secured and unsecured assets. Depending on the underlying asset profile, it employs a range of resolution strategies, including restructuring, enforcement, settlement and collections. Its revenue is primarily generated through fee income and investment income.

The Company has established relationships with banks, financial institutions, NBFCs and housing finance companies, supporting its stressed asset acquisition franchise. It has also expanded its focus on retail loans, leveraging legal frameworks, and collection infrastructure and data analytics to enhance resolution and recovery outcomes.

The Company's increasing focus on retail and SME loans strengthens its growth prospects, supported by its established track record of acquiring and resolving retail loans since 2008 and SME & Other loans since inception. Its early investments in dedicated teams, processes, branch infrastructure and technology have built strong execution capabilities and provide a first-mover advantage.

ARCIL was the 2nd most profitable private ARC in India in FY25, reporting standalone profit of ₹3,553.2 mn, while ranking second among private ARCs by AUM at ₹168,525.7 mn and by net worth at ₹27,678.0 mn as of March 31, 2025, highlighting its strong scale and financial position within the industry.

As of March 31, 2026, the Company had 13 offices across 12 states, including Delhi, with 206 permanent employees. Its operations are further supported by registered valuers, collection agents and empanelled lawyers, providing capabilities across asset acquisition, valuation, resolution and collections.

**Valuation:**

ARCIL's established nationwide presence, strong relationships with banks and financial institutions, and first-mover advantage as India's first ARC provide a strong platform for sustained growth in the stressed-asset resolution market.

The Company's strategy of maintaining a higher share of Security Receipts (SRs) in acquired stressed assets reflects its greater investment participation and risk appetite, enabling it to capture higher upside from successful recoveries.

On the valuation front, based on FY26 earnings, the company is seeking a P/E of 11x times, and a post-issue market capitalization of approximately Rs 45,161 million, making the issue appears to be reasonably priced. The company's earnings remain sensitive to AUM composition and asset sourcing, with investment income contributing 46.5% of FY26 revenue and the top 5 sellers accounting for 67.2% of acquisitions, while declining collections and 34.9% of AUM ageing beyond 8 years could weigh on recoveries, cash flows and profitability. However, its expertise in acquiring stressed assets, supported by a diversified resolution strategy and robust collections framework, strengthens its ability to maximize recoveries and unlock value from distressed assets. Hence, we assign a **Subscribe for Long Term** rating for the issue.

**Company Overview**

Asset Reconstruction Company (India) Limited (ARCIL) is one of India's oldest asset reconstruction companies, incorporated in 2002 and commencing operations in August 2003 after obtaining a certificate of registration from the Reserve Bank of India under the SARFAESI Act. The Company acquires stressed assets from banks and financial institutions and implements resolution strategies through restructuring, enforcement of security interests and settlements, with the objective of maximizing recoveries and optimizing asset value. With over two decades of operating experience, ARCIL has developed significant expertise in navigating the evolving regulatory and stressed-asset landscape. As of March 31, 2025, it was the second-largest private ARC in India by AUM at ₹168,525.70 million and had the second-highest net worth among private ARCs at ₹27,677.98 million. It reported a standalone profit of ₹3,553.19 million in Fiscal 2025. As of March 31, 2026, ARCIL operated through 13 offices across 12 states, supported by 206 employees, 218 registered valuers, 206 collection agents and 988 empanelled lawyers.
ARCIL operates across three key business verticals—Corporate Loans, SME and Other Loans, and Retail Loans, catering to stressed secured and unsecured assets through tailored resolution and collection strategies.

- *Corporate Loans:* ARCIL acquires single-credit and portfolio-based stressed corporate loans from banks and financial institutions and employs restructuring, settlement, enforcement and other resolution mechanisms depending on the underlying asset profile. Its established relationships with financial institutions and extensive experience in resolving stressed corporate assets provide a strong sourcing and resolution platform.

- *SME and Other Loans:* The Company has been active in acquiring and resolving SME and other stressed assets since inception. It has built dedicated teams, processes, branch infrastructure and technology capabilities to manage these assets and implement tailored collection and resolution strategies. This established infrastructure provides ARCIL with an early-mover advantage in the segment.

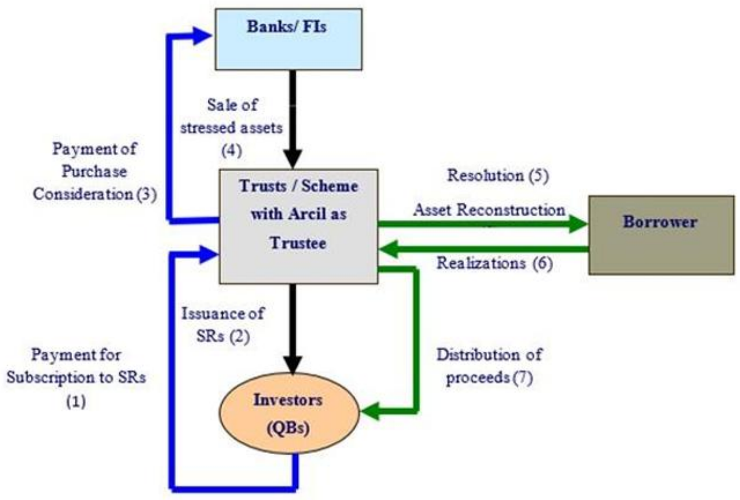
- *Retail Loans:* ARCIL has increasingly focused on expanding its retail loan portfolio and has been acquiring and resolving retail stressed assets since 2008. This segment includes housing, vehicle, consumer, credit card, education and personal loans. The Company's retail AUM increased from ₹19,422.96 million in March 2024 to ₹47,447.61 million in March 2026, representing a 56.3% CAGR. The shift in stressed assets towards non-corporate borrowers, particularly retail, provides a structural opportunity for ARCIL to expand its retail-focused resolution business.

The following table sets forth details of their AUM across ARCIL's business verticals as of the dates indicated:

| Particulars | March 31, 2026 (₹ million) | % of AUM | March 31, 2025 (₹ million) | % of AUM | March 31, 2024 (₹ million) | % of AUM |
|---|---|---|---|---|---|---|
| Corporate Loans | 138,528 | 68.8% | 127,200 | 75.5% | 119,564 | 78.5% |
| SME and Other Loans* | 15,525 | 7.7% | 13,847 | 8.2% | 13,313 | 8.7% |
| Retail Loans | 47,448 | 23.6% | 27,479 | 16.3% | 19,423 | 12.8% |
| **Total AUM** | **201,500** | **100.0%** | **168,526** | **100.0%** | **152,300** | **100.0%** |

** SME and Other loans includes SME and other accounts based on internal assessment of resolution verticals.*

Banks and financial institutions typically sell stressed assets to ARCIL through a competitive bidding process. The process of acquiring, implementing resolution strategies through restructuring, enforcement of rights on underlying securities, settlement and realizing recoveries from stressed assets involves multiple steps as set forth in the following infographic:




<u>Completive Bidding Process:</u> ARCIL acquires stressed assets through trusts funded by Qualified Buyers (QBs), including banks, financial institutions, insurers, mutual funds and other eligible institutional investors. The trust issues Security Receipts (SRs) to investors against their contributions, with ARCIL required to maintain a minimum investment in each class of SRs. The funds raised are used to pay the selling financial institution, following which the stressed assets are assigned to the trust. ARCIL then undertakes asset reconstruction through debt restructuring, settlements, enforcement of security interests and legal recovery, supported by technology and data analytics, particularly for retail portfolios. Recoveries from the underlying assets are distributed to SR holders after adjusting applicable fees and expenses.
<u>Acquisition of Stressed Assets through Different Structures:</u> ARCIL undertakes acquisitions through four structures. Cash acquisitions involve ARCIL subscribing to all SRs and retaining the entire investment upside. Co-investor acquisitions involve ARCIL and other QBs sharing SRs and returns. Ordinary SR acquisitions involve both ARCIL and the selling institution subscribing to SRs, with returns shared proportionately. Structured acquisitions follow a similar model but cap ARCIL's returns, resulting in a greater revenue contribution from management, collection and resolution fees.

The following table sets forth details of their aggregate AUM by type of deal structure, as of the dates indicated:

| Particulars | March 31, 2026 (₹ million) | % of AUM | March 31, 2025 (₹ million) | % of AUM | March 31, 2024 (₹ million) | % of AUM |
|---|---|---|---|---|---|---|
| **Seller is not an investor** | | | | | | |
| AUM of Cash Acquisitions | 15,837 | 7.9% | 11,409 | 6.8% | 9,616 | 6.3% |

| | | | | | | |
|---|---|---|---|---|---|---|
| AUM of Co-Investor Acquisitions | 477 | 0.2% | 7,268 | 4.3% | 8,110 | 5.3% |
| **Seller is an investor** | | | | | | |
| AUM of Ordinary Security Receipts Acquisitions | 72,763 | 36.1% | 74,070 | 44.0% | 56,805 | 37.3% |
| AUM of Structured Acquisitions | 112,424 | 55.8% | 75,779 | 45.0% | 77,769 | 51.1% |
| **Total AUM** | **201,500** | **100.0%** | **168,526** | **100.0%** | **152,300** | **100.0%** |

In accordance with RBI Guidelines, security receipts that are held by ARCIL and not redeemed within a timeframe of eight years are required to be treated as loss assets and written-off in the books of investors. The following table sets forth details of their AUM by type of deal structure for those assets that have been acquired by them for less than eight years, as of the dates indicated:

| Particulars | March 31, 2026 (₹ million) | % | March 31, 2025 (₹ million) | % | March 31, 2024 (₹ million) | % |
|---|---|---|---|---|---|---|
| **Seller is not an investor** | | | | | | |
| AUM of Cash Acquisitions | 14,443 | 11.0% | 10,204 | 10.6% | 8,383 | 10.6% |
| AUM of Co-Investor Acquisitions | 192 | 0.2% | 5,506 | 5.7% | 6,398 | 8.1% |
| **Seller is an investor** | | | | | | |
| AUM of Ordinary Security Receipts Acquisitions | 4,040 | 3.1% | 5,117 | 5.3% | 7,722 | 9.7% |
| AUM of Structured Acquisitions | 112,424 | 85.8% | 75,779 | 78.4% | 56,805 | 71.6% |
| **Total AUM for assets acquired for less than eight years** | **131,098** | **100.0%** | **96,606** | **100.0%** | **79,309** | **100.0%** |

They have focused on having a greater share of the security receipts issued for the stressed assets that they acquire, which reflects their higher share of investments and risk appetite for these assets. The table below sets details of SRs issued by the trusts managed by ARCIL and their share of investment in the SRs for the years indicated:

| Deal Structure | Fiscal 2026 Total SRs Issued (₹ million) | ARCIL Investment (₹ million) | ARCIL Investment / Total SRs | Fiscal 2025 Total SRs Issued (₹ million) | ARCIL Investment (₹ million) | ARCIL Investment / Total SRs | Fiscal 2024 Total SRs Issued (₹ million) | ARCIL Investment (₹ million) | ARCIL Investment / Total SRs |
|---|---|---|---|---|---|---|---|---|---|
| Cash Acquisitions | 7,020 | 7,143* | 100.0% | 5,604 | 5,604 | 100.0% | 5,369 | 5,369 | 100.0% |
| Co-Investor Acquisitions | — | — | 0.0% | 755 | 224 | 29.7% | 521 | 130 | 25.0% |
| Ordinary Security Receipts Acquisitions | 1,012 | 197 | 19.4% | 296 | 44 | 15.0% | 1,400 | 280 | 20.0% |
| Structured Acquisitions | 51,556 | 12,890 | 25.0% | 33,104 | 6,943 | 21.0% | 13,400 | 3,671 | 27.4% |
| **Total** | **59,588** | **20,230** | **34.0%** | **39,759** | **12,815** | **32.2%** | **20,690** | **9,450** | **45.7%** |

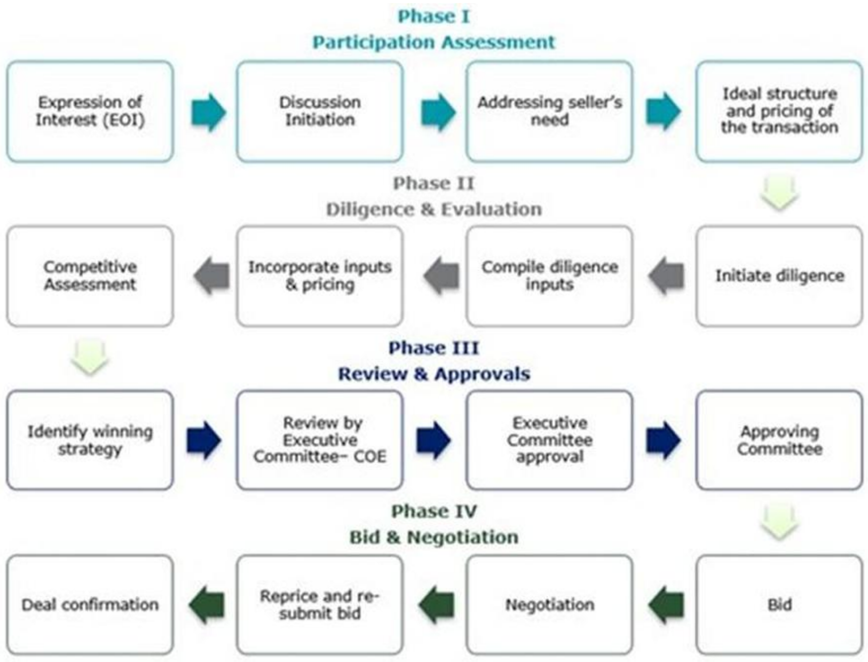
** Includes buyback from existing investors*

As of March 31, 2026, ARCIL had formed 706 trusts, of which 219 had been closed following resolution of their underlying financial assets, while 487 remained open. The Company employs multiple recovery strategies, including IBC proceedings, settlements with borrowers, debt restructuring and enforcement or sale of underlying assets under the SARFAESI Act and through DRTs. Its technology-driven operating platform supports asset tracking, case management, compliance monitoring and due diligence, including asset valuation, borrower assessment, recovery estimation and litigation analysis. ARCIL is promoted by Avenue India Resurgence Pte. Ltd., an affiliate of Avenue Capital Group, and State Bank of India, providing access to institutional expertise and a strong financial-services ecosystem. The Company is supported by a professional management team with extensive experience in asset reconstruction and stressed-asset resolution.

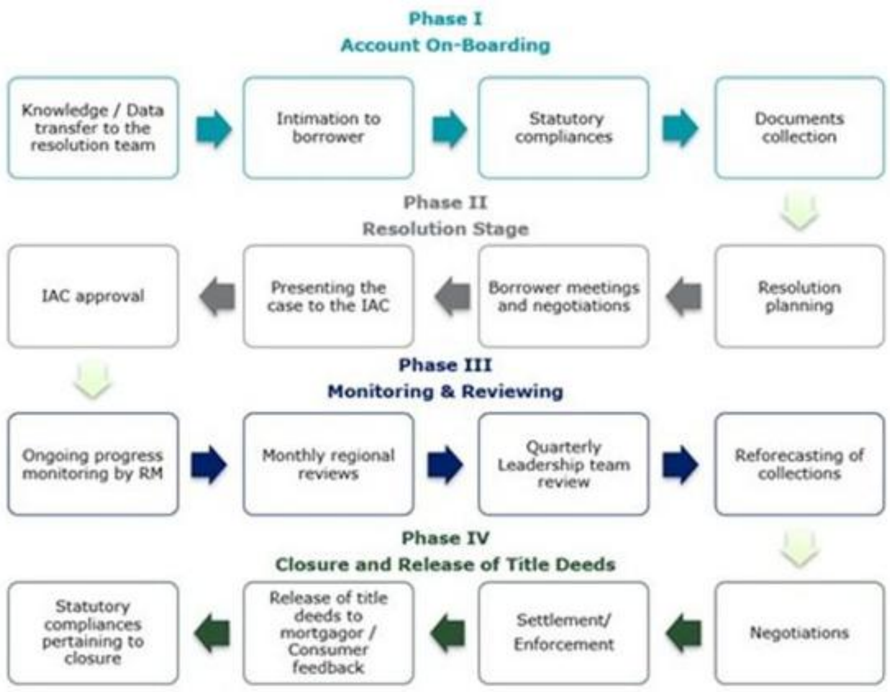
Integrated Asset Reconstruction Platform: ARCIL was the first asset reconstruction company incorporated in India and commenced operations in August 2003 after receiving its certificate of registration from the RBI under the SARFAESI Act. The Company acquires stressed assets, including non-performing assets, special mention accounts and written-off accounts, from banks and financial institutions, either individually or as loan pools, and implements tailored resolution and collection strategies. Its operations span three verticals—Corporate Loans, Retail Loans, and SME and Other Loans. ARCIL generates revenue through four primary streams. Management and trusteeship fees are earned for managing stressed assets held by trusts, based on the applicable fee structure and NAV or outstanding face value of security receipts. Portfolio recovery fees are charged on recoveries, particularly for retail and structured transactions. Investment income represents ARCIL's share of profits from trusts once recoveries exceed applicable expenses and investment costs. Additionally, the Company recognizes write-backs when recoveries are realized against investments, fees or expenses previously written off after the prescribed eight-year period. The tables below sets out details of revenue earned from the revenue streams above on a consolidated and standalone basis:

| Particulars | Consolidated FY2026 (₹ million) | Consolidated FY2025 (₹ million) | Consolidated FY2024 (₹ million) | Standalone FY2026 (₹ million) | Standalone FY2025 (₹ million) | Standalone FY2024 (₹ million) |
|---|---|---|---|---|---|---|
| Management fees / trusteeship fee | 1,799 | 1,118 | 1,632 | 2,106 | 1,369 | 1,969 |
| Unbilled Management Fees | 204 | (150) | (377) | 192 | (122) | (505) |
| **Total Management Fees** | **2,003** | **967** | **1,256** | **2,298** | **1,247** | **1,464** |
| Portfolio recovery fees | 346 | 968 | 1,256 | 497 | 1,247 | 1,464 |
| Income from investments | 305 | 211 | 2,050 | 467 | 323 | 1,913 |
| Write backs | 1,988 | 1,499 | 659 | 1,923 | 823 | 659 |

Due Diligence Prior to Acquisition of Stressed Assets: Their acquisition process involves internal and external due diligence to determine recovery potential and associated risks. ARCIL follows a structured participation assessment process to identify, evaluate and acquire stressed assets from a diversified lender base comprising public and private sector banks, co-operative banks, NBFCs and HFCs. The Company evaluates acquisition opportunities through EoIs, LCEoIs and direct discussions, followed by detailed assessment of seller requirements, transaction structure and pricing. Its diligence process covers legal, collateral and financial aspects, including verification of KYC and security documents, title and charges, litigation, regulatory compliance and recovery prospects. For retail and lower-value SME portfolios, diligence is conducted on a representative sample, while larger exposures involve site visits and detailed asset-level assessment. ARCIL uses proprietary pricing models and valuation methodologies such as distress sale value, enterprise value and fair value to determine appropriate bids. Risk is managed through exposure limits at single-case, group and seller levels, with deviations requiring Board approval. Following internal management, executive committee and, where required, Board approvals, the Company participates in competitive bidding processes, including Swiss Challenge and anchor processes, before finalizing acquisitions. Set out below is a flow chart setting out the processes undertaken prior to the acquisition of stressed assets:




<u>Management of Stressed Assets</u>**:** Their management of stressed assets involves various critical stages including resolution to maximise recovery from the assets. Following acquisition, ARCIL initiates account onboarding by assigning stressed assets to resolution managers based on geographic zones and transferring key diligence, valuation, legal and borrower-related information. Borrowers are formally intimated of the assignment, while security interests are transferred and relevant charges are registered with the Registrar of Companies and CERSAI. Regional teams subsequently collect financing, mortgage, hypothecation and title documents from the original lenders. ARCIL employs multiple resolution strategies depending on the borrower profile and recovery potential. These include debt restructuring or rescheduling, strategic investor-led revival, conversion of unsustainable debt into equity, and sale of secured assets through SARFAESI or DRT proceedings. Where appropriate, it may initiate CIRP under the IBC, with liquidation considered if revival is not feasible. Settlement is pursued after other recovery avenues are exhausted and is subject to independent advisory and executive committee review. The resolution process is continuously monitored through operational, SARFAESI and legal MIS dashboards, with recovery projections revised based on developments. Accounts are closed after recoveries are completed and legal and statutory compliances are fulfilled. Set out below is a flow chart setting out the processes undertaken by ARCIL to manage stressed assets:




**Capital Adequacy Ratios:** The RBI Master Directions requires ARCs to maintain, on an ongoing basis, a capital adequacy ratio of minimum 15% of the total risk weighted assets. The table below sets forth the details of ARCIL's capital adequacy ratio as at the dates indicated:

| Particulars | FY2026 (₹ million) | FY2025 (₹ million) | FY2024 (₹ million) |
|---|---|---|---|
| Total Risk Weighted Assets | 39,455 | 28,385 | 24,149 |
| Tier I Capital | 25,769 | 25,096 | 23,699 |
| Tier II Capital | — | — | — |
| Total Capital | 25,769 | 25,096 | 23,699 |
| Tier I Capital Adequacy Ratio | 65.3% | 88.4% | 98.1% |
| Tier II Capital Adequacy Ratio | — | — | — |
| **Overall Capital Adequacy Ratio** | **65.3%** | **88.4%** | **98.1%** |

**Credit Ratings and Recovery Ratings:** Set forth below are details of their credit ratings obtained in the last three Fiscals:

| Date of Issue | Credit Rating Instrument | Rating Agency | Rating |
|---|---|---|---|
| June 30, 2026 | INR 15.0 billion Long-term Fund-based Others | CRISIL Limited | CRISIL AA- (Stable) |
| February 17, 2026 | INR 5.0 billion NCD Programme | ICRA Limited | ICRA AA- (Stable) |
| February 17, 2026 | INR 15.0 billion Long-term Fund-based Others | ICRA Limited | ICRA AA- (Stable) |
| March 20, 2025 | INR 3.0 billion NCD Programme | ICRA Limited | ICRA AA- (Stable) |
| March 20, 2025 | INR 12.0 billion Long-term Fund-based Others | ICRA Limited | ICRA AA- (Stable) |
| April 2, 2024 | INR 2.0 billion NCD Programme | ICRA Limited | ICRA AA- (Stable) |
| April 2, 2024 | INR 1.0 billion NCD Programme | ICRA Limited | ICRA AA- (Stable) |
| April 2, 2024 | INR 7.5 billion Bank Facilities Programme | ICRA Limited | ICRA AA- (Stable) |
| July 11, 2023 | INR 2.0 billion NCD Programme | ICRA Limited | ICRA AA- (Stable) |
| July 11, 2023 | INR 7.5 billion Bank Facilities Programme | ICRA Limited | ICRA AA- (Stable) |

Set forth below are details of the recovery ratings assigned to the rated SRs issued by the trusts managed by ARCIL, as of the dates indicated:

| Recovery Rating | March 31, 2026 | March 31, 2025 | March 31, 2024 |
|---|---|---|---|
| RR1+ / RR1 | 32.8% | 34.3% | 34.3% |
| RR2 | 54.8% | 45.0% | 45.3% |
| RR3 | 10.5% | 17.7% | 15.8% |
| RR4 / RR5 | 1.9% | 3.1% | 4.6% |
| **Total** | **100.0%** | **100.0%** | **100.0%** |

*(1) RR1+: Indicates 150% and above recovery of outstanding face value of SRs. (2) RR1: Indicates 100% to 150% recovery of outstanding face value of SRs. (3) RR2: Indicates 75% to 100% recovery of outstanding face value of SRs. (4) RR3: Indicates 50% to 75% recovery of outstanding face value of SRs. (5) RR4: Indicates 25% to 50% recovery of outstanding face value of SRs; RR5: Indicates 0% to 25% recovery of outstanding face value of SRs. (6) An unrated portfolio is on account of new acquisitions which were in the process of being rated. Note: For SRs over 8 years, the ratings are compulsorily withdrawn based on guidelines prescribed by RBI, except in certain exceptional circumstances, as prescribed by the RBI. In accordance with the guidelines prescribed by RBI, the above table includes certain SRs, where the SRs issued by the trusts managed by them are over 8 years, but where the RBI guidelines allow for such SRs to be rated*

Financial & Operational Performance Indicators:

| Particulars | Units | FY2026 | FY2025 | FY2024 |
|---|---|---|---|---|
| **Business & Operational KPIs** | | | | |
| Total Acquisition for the year | ₹ million | 59,588 | 39,759 | 20,690 |
| Company's Share in Total Acquisition | ₹ million | 20,230 | 12,815 | 9,450 |
| Company's Share in Total Acquisition / Total Acquisition | % | 34.0% | 32.2% | 45.7% |
| Total AUM | ₹ million | 201,500 | 168,526 | 152,300 |
| Company's Share in Total AUM | ₹ million | 44,086 | 32,983 | 27,634 |
| Company's Share in Total AUM | % | 21.9% | 19.6% | 18.1% |
| Collection / Recovery for the year | ₹ million | 34,844 | 38,827 | 36,781 |
| Cumulative SR Issued | ₹ million | 441,144 | 381,556 | 341,798 |
| SR Redemption for the year | ₹ million | 26,381 | 22,233 | 29,535 |
| Cumulative SR Redemption | ₹ million | 224,000 | 197,619 | 175,386 |
| Cumulative SR Redemption Ratio | % | 50.8% | 51.8% | 51.3% |
| **Restated Standalone Financial Information** | | | | |
| Total Revenue from Operations | ₹ million | 7,530 | 5,964 | 5,701 |
| Profit After Tax | ₹ million | 4,078 | 3,553 | 3,053 |
| Return on Average Total Assets | % | 10.6% | 11.7% | 11.5% |
| Net Worth | ₹ million | 30,794 | 27,678 | 24,625 |
| Debt / Equity Ratio | times | 0.39 | 0.11 | 0.06 |
| Return on Average Equity | % | 14.0% | 13.6% | 13.0% |
| Net Owned Funds | ₹ million | 25,769 | 25,096 | 23,699 |
| CRAR | % | 65.3% | 88.4% | 98.1% |
| **Restated Consolidated Financial Information** | | | | |
| Total Revenue from Operations | ₹ million | 7,217 | 5,818 | 6,058 |
| PAT attributable to the Company | ₹ million | 3,517 | 3,295 | 3,305 |
| Return on Average Total Assets | % | 7.0% | 8.2% | 10.3% |
| Net Worth | ₹ million | 29,552 | 26,631 | 24,625 |
| Debt / Equity Ratio | times | 0.41 | 0.11 | 0.06 |
| Return on Average Equity | % | 12.5% | 13.0% | 14.2% |

**Key Strengths:**

- **India's 1st ARC with the second Largest AUM**

ARCIL is India's first asset reconstruction company, incorporated in 2002 and commencing operations in August 2003, with over two decades of experience in the stressed-asset resolution industry. The Company has established a strong market position, ranking among the largest private ARCs with an AUM of ₹168,526 million as of March 2025 and net worth of ₹27,678 million. It was also among the most profitable private ARCs, reporting standalone PAT of ₹3,553 million in FY2025. The Company demonstrated strong operating efficiency, with expenses at 0.68% of average AUM and PAT at 2.22% of average AUM in FY2025. Its 88.4% capital adequacy ratio, 11.7% return on assets and 0.11x debt-to-equity ratio further highlight its financial strength. Early compliance with higher regulatory capital requirements enabled ARCIL to expand into additional resolution avenues under the IBC. Its scale provides access to extensive historical portfolio data, supporting informed pricing, risk assessment and acquisition decisions. Diversification across corporate, SME and retail assets further strengthens its earnings profile.

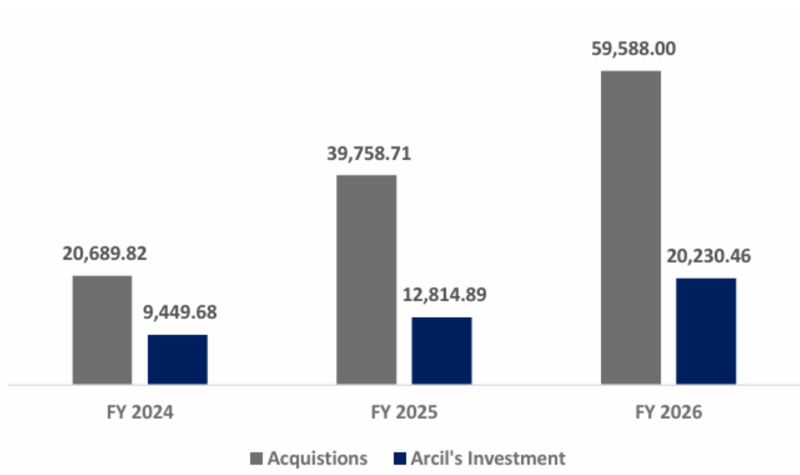
- **Expertise in Acquiring Stressed Assets with increasing investment in SRs**

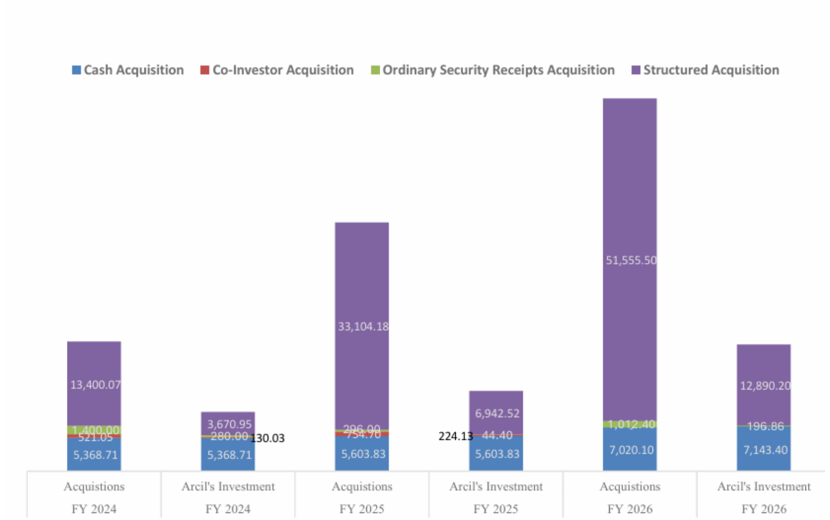
ARCIL follows a disciplined acquisition process supported by comprehensive credit assessment, risk management and technology-enabled due diligence to identify lower-risk stressed asset portfolios. Its proprietary tools and data analytics assist in evaluating recovery potential, borrower risk and pricing decisions, particularly for retail loans through borrower scorecards and credit information checks. Portfolio assessment covers legal enforceability, collateral valuation, site visits, borrower financials, business prospects and industry trends, supported by data from government-backed databases. Its branch network, collection agents and experienced teams provide deeper understanding of collateral and borrower behaviour, strengthening its ability to identify and price stressed assets during competitive bidding. ARCIL has also built long-standing relationships with banks and financial institutions, providing access to a diversified seller base and Qualified Buyers. Since inception, it has worked with 32 private sector banks, 28 public sector banks, 51 NBFCs, 18 HFCs, two co-operative banks and seven other selling institutions. This diversified sourcing network supports acquisition opportunities, stronger negotiations and co-investment arrangements. The table below sets out details of stressed assets acquired as of the dates indicated:

| Particulars | FY2026 | FY2025 | FY2024 | FY2023 |
|---|---|---|---|---|
| Outstanding amount of stressed assets acquired (₹ million) | 1,603,717 | 1,355,236 | — | — |
| Principal outstanding amount of stressed assets acquired (₹ million) | 899,093 | 1,219,367 | 726,573 | — |
| SRs issued by trusts managed by ARCIL (₹ million) | 645,645 | 441,144 | 381,556 | 341,798 |

ARCIL's long operating history has built expertise in structuring complex stressed-asset transactions. It uses cash, co-investor, ordinary SR and structured acquisitions, selecting structures based on due diligence and seller negotiations. The Company balances competitive bidding with return requirements, with discounts generally higher for cash and vintage assets and lower for SR and structured acquisitions. ARCIL's cumulative cost of acquisition stood at 49.1% of principal debt in FY2026, improving from 52.5% in FY2025 and 52.9% in FY2024. The Company maintained a higher share of SR investments, reflecting greater risk appetite, with its acquisition share at 34.0% in FY2026. Acquisitions are primarily funded through recovery cash flows. The following infographic sets forth details of their acquisitions during the Fiscals indicated (in Rs million):

*Acquisitions based on the deal structure*




- **Ability to Implement Resolution Strategies and a Robust Collections Framework**

ARCIL employs multiple resolution strategies to maximize recoveries from stressed assets, including IBC proceedings, negotiated settlements, debt restructuring or rescheduling, and sale of underlying assets under the SARFAESI Act and through DRTs. In select restructuring cases, it may facilitate the induction of strategic investors to support business revival. The IBC framework has also enabled ARCIL to participate as a resolution applicant, expanding its ability to acquire and resolve stressed assets. The Company operates specialized collection teams across its Corporate Loans, SME and Other Loans, and Retail Loans verticals. Corporate and SME collections are managed in-house, while retail collections are supported by 206 collection agents as of March 31, 2026. A digital collections platform, data analytics and prioritization models enable borrower segmentation, payment prioritization and monitoring of legal actions. Its network includes 218 registered valuers and over 988 empanelled lawyers. Collections stood at ₹34,844 million in FY2026. Cumulative SR redemption reached ₹224,000 million, representing a redemption ratio of 50.8%, compared with 51.8% in FY2025 and 51.3% in FY2024.

**<u>Key Strategies:</u>**

- **Increase the Proportion of their Retail, and SME and Other Loans**

ARCIL aims to increase the contribution of Retail and SME and Other Loans, supported by rising credit growth and increasing stress in these segments. Indian retail credit reached ₹76 trillion as of March 2025 and is expected to grow 14–15% through FY2028, while retail NPAs stood at approximately ₹1.6 trillion as of March 2026, with rising stress concentrated in unsecured lending. ARCIL's Retail Loans AUM increased from ₹19,423 million in FY2024 to ₹47,448 million in FY2026, while borrowers grew 227.3% to 3.3 million. Collection agencies increased from 94 to 206 over the same period. In the SME segment, credit grew at approximately 18.8% CAGR between FY2022 and FY2024, while segment stress reached ₹9.2 trillion by FY2026. ARCIL's SME and Other Loans AUM increased from ₹13,313 million to ₹15,525 million during FY2024–FY2026. Its technology platform, capital base, collection infrastructure and established recovery network position it to capture opportunities from rising stressed-asset sales, including those potentially triggered by the RBI's expected credit loss framework.

➢ **Continue to Grow their Corporate Loans Business**

ARCIL intends to expand its Corporate Loans business by selectively targeting credit-worthy, mid-sized stressed assets using sector expertise and risk-based pricing. The Company will leverage partnerships with banks, NBFCs, industry bodies and fintech platforms to identify acquisition opportunities, with commercial real estate remaining a key focus. Real estate stressed assets accounted for 34.3% of AUM as of March 2026. ARCIL has over two decades of experience in acquiring and resolving stressed real estate assets, including projects requiring priority debt funding to enable completion and subsequent monetization. It can provide such funding directly or through strategic investors and real estate funds offering last-mile financing. Its expertise in monitoring fund utilization and project cash flows, combined with access to specialized funding partners, positions ARCIL to unlock value from stressed real estate assets and capitalize on emerging opportunities in the sector.

➢ **Continue to Focus on Effective Use of Technology and Data Analytics to improve operational efficiency**

ARCIL leverages technology and data analytics across portfolio acquisition, credit assessment, pricing, due diligence and collections to improve operational efficiency. Proprietary platforms support asset tracking, case management, compliance monitoring, borrower assessment and recovery estimation, while scorecards and CIC data help evaluate borrower risk and recovery potential. Retail collections use geo-tracking, digital payments, heat maps and risk models to prioritize accounts and identify stress clusters. Its loan management system enables digital settlement and restructuring offers, automated approvals, payment links and electronic receipts. The Company is further developing borrower self-service capabilities and KYC-based automated receipt realization. Continued investments in software, statistical analysis and process automation are expected to support business scalability and improve operational effectiveness without a proportionate increase in operating costs.

➢ **Strengthening their Retail Loan Collection Capabilities**

ARCIL is strengthening its retail loan collection capabilities through a scalable network of in-house managers, legal officers and external agencies across 24 states. The number of collection agencies increased to 206 in FY2026 from 94 in FY2024. Technology-enabled collections include geo-tracking, UPI and QR-based payments, heat maps and risk models to identify stress clusters by geography, product and borrower profile. The Company is enhancing AI and machine learning models to predict recovery potential, while integrating real-time APIs, communication analytics and NLP-based speech analytics to improve borrower engagement and collection strategies. Flexible resolution mechanisms, including restructuring, tenure extensions, temporary EMI waivers and reduced interest rates, support recoveries. These initiatives aim to improve collection efficiency, accelerate resolution and reduce the time between acquisition and monetization of stressed retail assets.

➢ **Pursue New Business Opportunities**

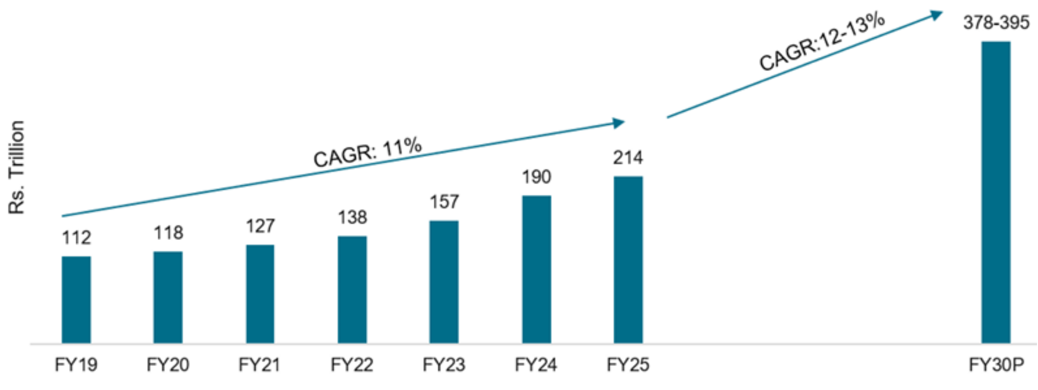
ARCIL plans to diversify beyond asset acquisitions by offering retail loan collection services to banks, targeting an addressable market of approximately ₹6.9 trillion. Its auction engines, digital collection workflows and automated resolution capabilities can support scalable, performance-linked recovery services. The Company is currently discussing pilot arrangements with banks for assets not sold to ARCs. It also aims to expand acquisitions from MFIs and unsecured loan portfolios, having acquired its first MFI portfolio in FY2025. Increased collection-agent presence across rural and semi-urban areas is expected to support recovery, while ongoing engagement with NBFC-MFIs and small finance banks could enable portfolio acquisitions and co-resolution opportunities.

**Industry Snapshot:**

➢ **Overview of Credit Growth Trends in India**

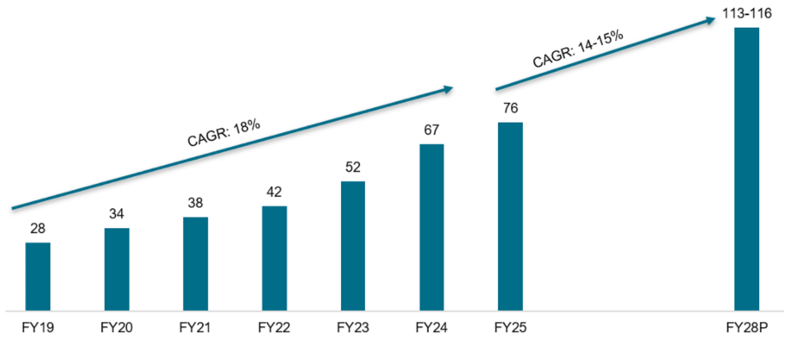
The systemic credit (considering lending by banks and NBFCs only) in India grew at a 6-year CAGR of approximately 11% during Fiscal 2019 to Fiscal 2025. Corporate credit is a critical component in systemic credit as it accounts for nearly two-thirds of systemic credit. However, its growth over the last 6 years (during Fiscal 2019 to Fiscal 2025) has been modest at approximately 9% CAGR. On the other hand, Retail credit recorded a strong growth of approximately 18% CAGR during this period aided by robust demand across retail loan products. Going ahead, systemic credit is projected to grow at 12% to 13% CAGR between Fiscal 2025 and Fiscal 2030.

*Growth Trend in Systemic Credit over the years*

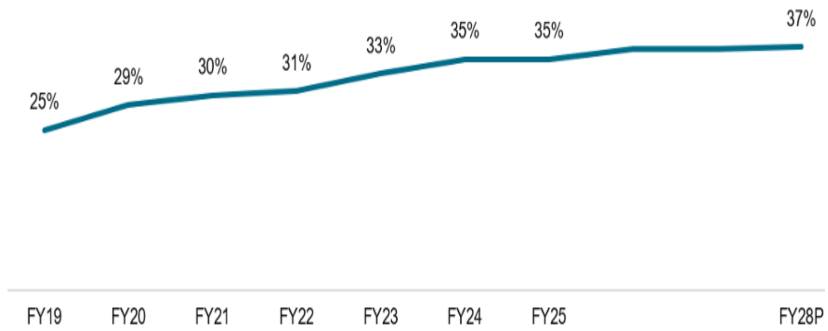



- *India's Underpenetrated Credit Market Provides Significant Headroom for Growth:* India's credit market offers significant headroom for growth, supported by relatively low credit penetration compared with major global economies. India's credit-to-GDP ratio stood at 102% in CY2025, substantially below the UK at 133%, the US at 140% and China at 201%, indicating considerable scope for deeper credit penetration. Retail credit is expected to remain a key growth driver, supported by rising demand for housing, automobiles, credit cards and personal loans. Retail credit stood at ₹76 trillion as of March 31, 2025, registering approximately 18% CAGR between Fiscal 2019 and Fiscal 2025. Going forward, retail credit is projected to grow at 14–15% CAGR between Fiscal 2025 and Fiscal 2028, supported by increasing consumer spending, borrowing activity and positive market sentiment.

*Growth Trend in Retail Credit over the years*




*Share of Retail credit (as a %) in Systemic Credit*




- *India's Household credit growth is second highest amongst large economies over the last 10 years:* India has recorded strong household credit growth, with household credit in US$ terms being the second highest among major G20 economies during Fiscal 2014–2024. Household credit grew at a 6.6% CAGR during this period, while retail credit grew at approximately 19% CAGR between Fiscal 2019 and Fiscal 2024, supported by improved regulations, easing financial conditions and a diversified credit market. Despite this growth, India's household credit-to-GDP ratio remains relatively low at 48% as of CY2025, compared with 58% in China, 68% in the US and 74% in the UK. The lower penetration reflects substantial headroom for further retail credit expansion, supported by continued GDP growth, rising financial inclusion, improving access to formal credit and increasing consumer borrowing across housing, vehicles and personal loans.

- **Overview of Factors supporting retail credit growth**

Retail credit growth is being supported by smaller-ticket digital disbursements, customized products, wider digital lending adoption, increasing credit card usage and rising discretionary consumption. Technology-led innovations such as AI/ML-based risk assessment and automated underwriting are improving the efficiency, scalability and speed of loan origination and disbursal. India's expanding digital infrastructure, including Account Aggregator, OCEN and UPI-linked credit lines, is enabling consent-based data sharing and improving access to formal credit. Digital channels and alternative data such as UPI transactions, telecom usage and utility payments are helping lenders serve first-time borrowers and MSMEs, particularly across Tier-2 and Tier-3 markets. Rising 5G adoption, co-lending models and digital public infrastructure are expected to further deepen credit penetration while reducing costs and enabling faster, more tailored lending.

- **Overview of Stressed Assets in Indian Credit System**

Banks and financial institutions use the Special Mention Account (SMA) framework as an early warning mechanism to identify stressed loan accounts before they become Non-Performing Assets (NPAs). For non-agricultural loans, accounts overdue for up to 30 days are classified as SMA-0, those overdue for more than 30 and up to 60 days as SMA-1, and those overdue for more than 60 and up to 90 days as SMA-2. If the overdue continues beyond 90 days, the account is classified as an NPA. NPAs are further categorized as substandard, doubtful and loss assets based on the period of impairment and recoverability. Banks and financial institutions are required to maintain provisions against potential losses, with higher provisioning applicable to NPAs. The current incurred-loss based IRACP framework remains applicable until March 31, 2027, after which it will transition to a forward-looking Expected Credit Loss (ECL) framework. The classification and provisioning framework enables lenders to recognize credit stress, strengthen loss absorption and initiate timely recovery measures.

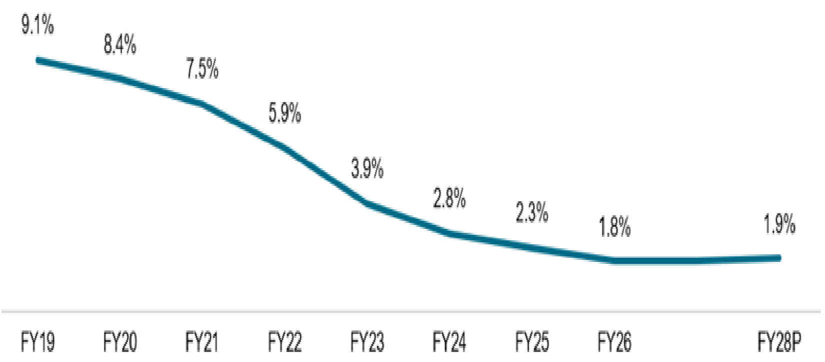
- **Overview of Incoming Framework – Expected Credit Loss (ECL) based Provisioning (effective April 1, 2027)**

The Expected Credit Loss (ECL) framework, effective April 1, 2027, will replace the existing IRACP-based provisioning framework for scheduled commercial banks and AIFIs. The 90-day NPA classification threshold will remain unchanged, while provisioning will shift to a forward-looking model based on changes in credit risk. Assets will be classified into three stages: Stage 1 for performing assets, requiring 12-month ECL; Stage 2 for assets with significant increases in credit risk, requiring lifetime ECL; and Stage 3 for credit-impaired assets, also requiring lifetime ECL. RBI has prescribed minimum prudential provisioning floors, with Stage 2 generally requiring 5% for most loan categories versus around 0.4% currently. Consequently, Stage 2 assets are expected to see the largest provisioning increase. The transition could impact banks' capital ratios, although the overall impact is expected to remain manageable given strong system capitalization.

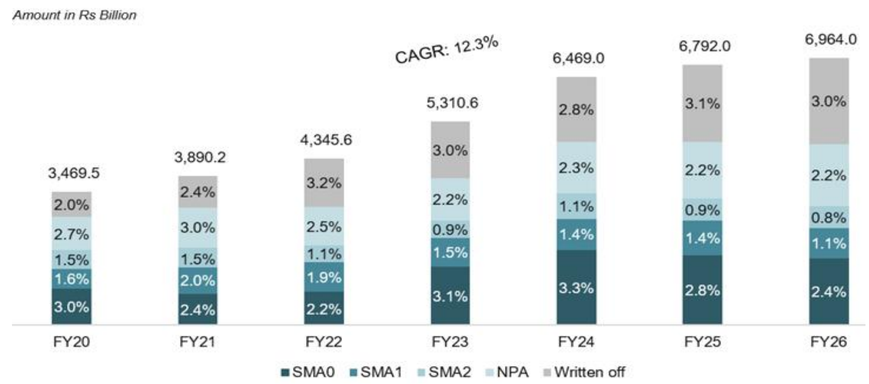
- **Overview of Trend in Asset Quality for Banks and NBFCs**

The asset quality of Indian banks and NBFCs has improved significantly over recent years, supported by stronger risk management, better underwriting, higher collections and balance-sheet clean-up. Scheduled Commercial Banks' GNPA ratio declined to 1.8% in FY2026 from elevated levels in FY2019, while GNPA among large borrowers fell sharply from 14.3% to 1.2% during the same period. Despite lower NPAs, banks recorded substantial write-offs of approximately ₹13.6 trillion during FY2019–FY2025, alongside recoveries supported by improving conditions in stressed sectors and the effectiveness of the IBC. RBI stress tests indicate that SCBs' GNPA ratio could rise to 1.9% by FY2028 under the baseline scenario and 3.8–4.1% under adverse scenarios. Similarly, non-government NBFCs' GNPA ratio is projected to increase from 2.4% in FY2026 to 2.8% in FY2027 under the baseline scenario, potentially creating opportunities for asset reconstruction companies. Retail stressed assets across banks and NBFCs grew at a 12.3% CAGR during FY2020–FY2026 to ₹6.96 trillion, while retail credit expanded at 14.8% CAGR. The microfinance sector also remains an area of potential stress, despite improving asset quality in FY2026.

*Trend of GNPA over the years (%)*




*Trend of overall Retail Stressed Assets over the years across Banks and NBFCs*




➢ **Retail, MSME and Corporate Stress Remains Manageable, but Emerging Delinquencies Signal Medium-Term Risks**

Asset quality across Indian banks and NBFCs has improved in recent years; however, rising credit penetration and rapid growth in unsecured lending continue to create medium-term risks. Within retail, total stressed assets of banks increased from ₹2.4 trillion in Fiscal 2020 to ₹5.0 trillion in Fiscal 2026, registering a 13.5% CAGR, while NPAs rose from ₹0.5 trillion to ₹1.0 trillion. Unsecured categories such as personal loans, credit cards and consumer loans recorded strong growth in stressed assets, with CAGRs of 24.5%, 24.2% and 14.7%, respectively, during Fiscal 2020–2026. NBFCs also witnessed rising retail stress, with total stressed assets increasing at a 9.6% CAGR to ₹1.9 trillion in Fiscal 2026, while NPAs grew at 11.2% CAGR to ₹0.6 trillion. The MSME segment remains another key area of stress. Combined MSME stress across banks and NBFCs increased from ₹6.8 trillion in Fiscal 2022 to ₹9.2 trillion in Fiscal 2026, a 7.6% CAGR, while total MSME credit outstanding grew at approximately 18.8% CAGR to ₹82.2 trillion. Corporate stressed assets increased moderately to ₹7.6 trillion in Fiscal 2026, despite a sharp decline in NPAs, primarily due to higher write-offs. The implementation of the RBI's Expected Credit Loss framework from Fiscal 2028 could encourage lenders to accelerate recognition and sale of stressed assets, potentially supporting demand for asset reconstruction companies.

➢ **Snapshot of Top 7 ARCs based on AUM (in ₹ Billion)**

| Company | Year of Formation | AUM – Mar'25 (₹ bn) | AUM – Mar'26 (₹ bn) | Market Share – Mar'25 | Key Sponsors (Mar'25) |
|---|---|---|---|---|---|
| **Asset Reconstruction Company (India) Limited (ARCIL)** | 2002 | 168.5 | 201.5 | 12.6% | Avenue India Resurgence Pte. Ltd. (~70%); SBI (~20%) |
| Edelweiss Asset Reconstruction Company Limited (Edelweiss ARC) | 2009 | 147.2 | 90.5 | 11.0% | Edelweiss Group (~56%); CDPQ (~20%) |
| Phoenix ARC Private Limited (Phoenix) | 2007 | 133.4 | NA | 9.9% | Kotak Mahindra Bank Group (~50%) |
| JM Financial Asset Reconstruction Company Limited (JM Financial ARC) | 2007 | 128.8 | 118.5 | 9.6% | JM Financial Credit Solutions Limited (~82%) |
| Assets Care and Reconstruction Enterprise Limited (ACRE) | 2002 | 92.7 | NA | 6.9% | ARES ASIA Ltd. (49%); Axis Bank (~14%) |
| Omkara Assets Reconstruction Private Limited (Omkara) | 2014 | 82.7 | NA | 6.2% | A. Sakthivel (~11%); Kaleswara Sakthivel Vignesh (~11%) |
| National Asset Reconstruction Company Limited (NARCL) | 2021 | 241.7 | NA | 18.0% | Canara Bank (12%) |

**No Industry listed peers**

**Key Risk:**

➢ **AUM concentration and earnings risk:** Revenue depends on AUM composition, with 46.5% from investment income and 53.5% from fees in FY2026; adverse AUM changes may reduce profitability.

➢ **Stressed asset sourcing risk:** ARCIL acquired 27.0% of FY2026 stressed assets through competitive bidding, while the top five sellers contributed 67.2%, increasing sourcing and competitive risks.

➢ **Recovery and resolution risk:** Collections declined to ₹34,844 million in FY2026, while 34.9% of AUM exceeded eight years, increasing recovery, write-off and cash-flow risks.

➢ **Corporate loan concentration risk:** Corporate loans represented 68.8% of AUM in FY2026, exposing ARCIL to economic slowdowns, interest-rate volatility, regulatory changes and commodity price fluctuations.

➢ **Regulatory and capital compliance risk:** Stricter RBI regulations may increase compliance costs and capital requirements; ARCIL's CRAR declined to 65.3% in FY2026 from 88.4% in FY2025.

➢ **Capital availability risk:** Capital-intensive acquisitions depend on debt, equity and SR issuances; cumulative SR redemption was 50.8% in FY2026, potentially limiting funding availability.

➢ **Leverage and financing risk:** Total borrowings increased to ₹12,055 million in FY2026 from ₹3,059 million in FY2025, increasing repayment, covenant and refinancing risks.

**Valuation:**

ARCIL's established nationwide presence, strong relationships with banks and financial institutions, and first-mover advantage as India's first ARC provide a strong platform for sustained growth in the stressed-asset resolution market.

The Company's strategy of maintaining a higher share of Security Receipts (SRs) in acquired stressed assets reflects its greater investment participation and risk appetite, enabling it to capture higher upside from successful recoveries.

On the valuation front, based on FY26 earnings, the company is seeking a P/E of 11x times, and a post-issue market capitalization of approximately Rs 45,161 million, making the issue appears to be reasonably priced. The company's earnings remain sensitive to AUM composition and asset sourcing, with investment income contributing 46.5% of FY26 revenue and the top 5 sellers accounting for 67.2% of acquisitions, while declining collections and 34.9% of AUM ageing beyond 8 years could weigh on recoveries, cash flows and profitability. However, its expertise in acquiring stressed assets, supported by a diversified resolution strategy and robust collections framework, strengthens its ability to maximize recoveries and unlock value from distressed assets. Hence, we assign a **Subscribe for Long Term** rating for the issue.

**DISCLAIMER:**

**Analyst Certification**

The views expressed in this Research Report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report. The research analysts are bound by stringent internal regulations and also legal and statutory requirements of the Securities and Exchange Board of India (hereinafter "SEBI") and the analysts' compensation are completely delinked from all the other companies and/or entities of Anand Rathi, and have no bearing whatsoever on any recommendation that they have given in the Research Report.

**Anand Rathi Ratings Definitions**

Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

**Ratings Guide (12 months)**

| | Buy | Hold | Sell |
|---|---|---|---|
| Large Caps (Top 100 companies) | >15% | 0-15% | <0% |
| Mid Caps (101st-250th company) | >20% | 0-20% | <0% |
| Small Caps (251st company onwards) | >25% | 0-25% | <0% |

**Research Disclaimer and Disclosure inter-alia as required under Securities and Exchange Board of India (Research Analysts) Regulations, 2014**

Anand Rathi Share and Stock Brokers Ltd. (hereinafter refer as ARSSBL) (Research Entity, SEBI Regn No. INH000000834, Date of Regn. 29/06/2015, BSE Enlistment Number – 5048 date of Regn 25 July 2024), CIN - U67120MH1991PLC064106 is a subsidiary of the Anand Rathi Financial Services Ltd. ARSSBL is a corporate trading and clearing member of Bombay Stock Exchange Ltd (BSE), National Stock Exchange of India Ltd. (NSEIL),Multi Commodity Exchange of India Limited (MCX),National Commodity & Derivatives Exchange Limited (NCDEX), and also depository participant with National Securities Depository Ltd (NSDL) and Central Depository Services Ltd. (CDSL), ARSSBL is engaged into the business of Stock Broking, Depository Participant, Mutual Fund distributor.

The research analysts, strategists, or research associates principally responsible for the preparation of Anand Rathi research have received compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

**General Disclaimer:** This Research Report (hereinafter called "Report") is meant solely for use by the recipient and is not for circulation. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through ARSSBL nor any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security (ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by ARSSBL to be reliable. ARSSBL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of ARSSBL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report. The price and value of the investments referred to in this Report and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. ARSSBL does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding taxation aspects of any potential investment.

Opinions expressed are our current opinions as of the date appearing on this Research only. We do not undertake to advise you as to any change of our views expressed in this Report. Research Report may differ between ARSSBL's RAs and/ or ARSSBL's associate companies on account of differences in research methodology, personal judgment and difference in time horizons for which recommendations are made. User should keep this risk in mind and not hold ARSSBL, its employees and associates responsible for any losses, damages of any type whatsoever.

ARSSBL and its associates or employees may; (a) from time to time, have long or short positions in, and buy or sell the investments in/ security of company (ies) mentioned herein or (b) be engaged in any other transaction involving such investments/ securities of company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) these and other activities of ARSSBL and its associates or employees may not be construed as potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall ARSSBL and its associates or employees or any third party involved in, or related to computing or compiling the information have any liability for any damages of any kind.

Details of Associates of ARSSBL and Brief History of Disciplinary action by regulatory authorities & its associates are available on our website i.e. www.rathionline.com

**Disclaimers in respect of jurisdiction:** This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject ARSSBL to any registration or licensing requirement within such jurisdiction(s). No action has been or will be taken by ARSSBL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. ARSSBL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to ARSSBL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

**Statements on ownership and material conflicts of interest, compensation - ARSSBL and Associates**

**Answers to the Best of the knowledge and belief of ARSSBL/ its Associates/ Research Analyst who is preparing this report**

| | |
|---|---|
| Research analyst or research entity or his associate or his relative has any financial interest in the subject company and the nature of such financial interest. | No |
| ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report? | No |
| ARSSBL/its Associates/ Research Analyst/ his Relative have actual/beneficial ownership of one per cent or more securities of the subject company | No |
| ARSSBL/its Associates/ Research Analyst/ his Relative have any other material conflict of interest at the time of publication of the research report? | No |
| ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation from the subject company in the past twelve months | No |
| ARSSBL/its Associates/ Research Analyst/ his Relative have managed or co-managed public offering of securities for the subject company in the past twelve months | No |
| ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months | No |
| ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months | No |
| ARSSBL/its Associates/ Research Analyst/ his Relative have received any compensation or other benefits from the subject company or third party in connection with the research report | No |
| ARSSBL/its Associates/ Research Analyst/ his Relative have served as an officer, director or employee of the subject company. | No |
| ARSSBL/its Associates/ Research Analyst/ his Relative has been engaged in market making activity for the subject company. | No |

**NOTICE TO US INVESTORS:**

This research report is the product of Anand Rathi Share and Stock Brokers Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated person(s) of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances, and trading securities held by a research analyst account.

Research reports are intended for distribution only to Major U.S. Institutional Investors as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act of 1934 (the Exchange Act) and interpretations thereof by the U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this research report is not a Major U.S. Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated, and/or transmitted onward to any U.S. person which is not a Major U.S. Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major U.S. Institutional Investors, Anand Rathi Share and Stock Brokers Limited has entered into a Strategic Partnership and chaperoning agreement with a U.S. registered broker-dealer: Banc Trust Securities USA. Transactions in securities discussed in this research report should be affected through Banc Trust Securities USA.

1. ARSSBL or its Affiliates may or may not have been beneficial owners of the securities mentioned in this report.
2. ARSSBL or its affiliates may have or not managed or co-managed a public offering of the securities mentioned in the report in the past 12 months.
3. ARSSBL or its affiliates may have or not received compensation for investment banking services from the issuer of these securities in the past 12 months and do not expect to receive compensation for investment banking services from the issuer of these securities within the next three months.
4. However, one or more of ARSSBL or its Affiliates may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or

options thereon, either on their own account or on behalf of their clients.

5. As of the publication of this report, ARSSBL does not make a market in the subject securities.

6. ARSSBL or its Affiliates may or may not, to the extent permitted by law, act upon or use the above material or the conclusions stated above, or the research or analysis on which they are based before the material is published to recipients and from time to time, provide investment banking, investment management or other services for or solicit to seek to obtain investment banking, or other securities business from, any entity referred to in this report.



As of the publication of this report, ARSSBL does not make a market in the subject securities.

Registration granted by SEBI, Enlistment as RA and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Additional information on recommended securities/instruments is available on request.

Compliance officer-Deepak Kedia, email id - deepakkedia@rathi.com, Contact no. +91 22 6281 7000.

Grievance officer-Madhu Jain-email id- grievance@rathi.com, Contact no. +91 22 6281 7191

ARSSBL registered address: Express Zone, A Wing, 10th Floor, Western Express Highway, Diagonally Opposite Oberoi Mall, Malad (E), Mumbai – 400097.

Tel No: +91 22 6281 7000 | Fax No: +91 22 4001 3770 | CIN: U67120MH1991PLC064106.