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ASSET RECONSTRUCTION CO.(INDIA)

September 4, 2026

Arcil Premier ARC

SMC Ranking

★★⯪☆☆ (2.5/5)

Issue Highlights

Industry	**BFSI**
Offer for sale (Shares)	52,731,946
Net Offer to the Public	52,731,946
Issue Size (Rs. Cr.)	696-733
Price Band (Rs.)	132-139
Offer Date	9-Sep-26
Close Date	11-Sep-26
Face Value	10

Issue Composition

	In shares
Total Issue for Sale	52,731,946
QIB	26,365,973
NIB	7,909,792
Retail	18,456,181

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	89.68%	78.67%
QIB	10.32%	13.21%
NIB	0.00%	2.43%
Retail	0.00%	5.68%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

The Asset Reconstruction Co.(India) Ltd. IPO is a 100% Offer for Sale (OFS), so the company will not receive any funding and the entire IPO proceeds will go to the selling shareholders.

Book Running Lead Manager

- IIFL Capital Services Limited
- IDBI Capital Markets & Securities Limited
- JM Financial Limited

Name of the registrar

- MUFG Intime India Private Limited

About the company

Asset Reconstruction Co.(India) Ltd (Arcil) is India's first asset reconstruction company, registered with the RBI in August 2003 under the SARFAESI Act. It buys stressed loans from banks and financial institutions, parks them in trusts that issue security receipts, and works those assets through IBC, SARFAESI, settlements and restructuring. Revenue comes from management and collection fees plus investment income and write-backs on its own SR holding. Books run across corporate, SME and other, and retail loans. At 31 March 2026 AUM was Rs. 20,150 crore, retail AUM Rs. 4,745 crore and standalone profit Rs. 408 crore. The firm works from 13 offices in 12 states, with 206 staff, 218 valuers, 206 collection agents and 988 lawyers. Cumulative principal acquired is Rs. 89,909 crore at a 49.07% cost. Promoters are Avenue Capital's India vehicle and SBI.

Strengths

India's first ARC, with the second-largest AUM: Arcil was the first ARC incorporated in India and has been in the business for more than two decades. At 31 March 2025 it was the second-largest ARC by AUM, at ₹16,853 crore. Consolidated profit attributable to the company that year was ₹330 crore; it rose to ₹352 crore in Fiscal 2026. Consolidated net worth was about ₹2,663 crore at 31 March 2025 and ₹2,955 crore at 31 March 2026. On the same consolidated book, return on average equity was 12.95% in Fiscal 2025 and 12.52% in Fiscal 2026; return on average assets was 8.18% and 6.95%. AUM rose further to ₹20,150 crore by 31 March 2026. Debt-to-equity was 0.11 and CRAR 88.41%. It already met RBI's Rs. 300 crore net-owned-fund floor and the Rs. 1,000 crore bar to act as an IBC resolution applicant when those rules arrived in October 2022. AUM rose to Rs. 20,150 crore by 31 March 2026.

Expertise in buying stressed assets, with a rising own-book in SRs: The firm runs a structured credit, legal and collateral check before it bids, using scorecards and CIC data on retail pools. Sellers since inception include 32 private banks, 28 public banks, 51 NBFCs, 18 HFCs and seven other institutions. Cumulative principal bought is Rs. 89,909 crore at a cost of Rs. 44,114 crore, or 49.07%. Acquisitions in Fiscal 2026 were Rs. 5,959 crore, of which Arcil funded Rs. 2,023 crore, or 33.95%. Deal types span cash, co-investor, ordinary SR and structured books. Structured AUM was Rs. 11,242 crore, or 55.79% of total AUM, at year-end. Own investment on the standalone book rose every year from Fiscal 2023 to Fiscal 2026, to Rs. 4,025 crore.

Resolution toolkit and collections engine: Resolution routes include IBC, one-time settlements, rescheduling, SARFAESI sales and DRT. Corporate and SME work sits with in-house officers; retail uses 206 agencies across 24 states, up from 94 in Fiscal 2024. Digital tools handle workflow, segmentation, UPI and QR payments, geo-tracking and legal follow-up. Collections were Rs. 3,678 crore, Rs. 3,883 crore and Rs. 3,484 crore in Fiscals 2024, 2025 and 2026. Cumulative SRs issued stand at Rs. 44,114 crore and cumulative redemptions at Rs. 22,400 crore, a 50.78% redemption ratio. About 87.58% of rated AUM sat in RR1+/RR1/RR2 at 31 March 2026.

Consistent financial and operating record: Consolidated revenue from operations moved from Rs. 606 crore in Fiscal 2024 to Rs. 582 crore in Fiscal 2025 and Rs. 722 crore in Fiscal 2026. Profit attributable to the company was Rs. 330 crore, Rs. 330 crore and Rs. 352 crore over the same three years. PAT margin on total income was 46.90% in Fiscal 2026. Return on average equity eased from 14.15% to 12.52%. Return on average assets was 6.95%. AUM still grew from Rs. 15,230 crore to Rs. 20,150 crore. The book still carries Rs. 7,040 crore of AUM older than eight years, on which unredeemed SRs have to be written off under RBI rules; recoveries on that vintage were Rs. 366 crore in Fiscal 2026. CRISIL rates the company AA-/Stable.

Experienced board, management and sponsors: The board mixes independent and sponsor nominees. CEO and MD Phanindranath Kakarla runs acquisition and resolution. CFO Pramod Gupta is a chartered accountant. Anup Mittal has headed retail since 2007. Avenue India Resurgence holds 69.73% and SBI 19.95%. Avenue Capital is a global special-situations investor; SBI is India's largest bank. That pairing has funded a low-leverage book and a long seller network. Long-term rating commentary stresses track record plus sponsor support rather than a parent guarantee.

Strategy

Lift the share of retail and SME books: Retail credit in India was about Rs. 7,600 thousand crore at 31 March 2025 and grew at roughly 18% CAGR from Fiscal 2019 to Fiscal 2025. CRISIL sees 14–15% growth through Fiscal 2028. Retail stress at banks and NBFCs rose from Rs. 3,47,000 crore in Fiscal 2020 to Rs. 6,96,400 crore in Fiscal 2026, a 12.3% CAGR. Arcil's retail AUM grew from Rs. 1,942 crore to Rs. 4,745 crore in two years, a 56.30% CAGR, and retail borrowers rose from 10.06 lakh to 32.94 lakh. SME credit is about Rs. 8,220 thousand crore with NPAs of about Rs. 1,90,000 crore. RBI's expected-credit-loss rules are expected to push more of these pools into the ARC market.

Keep growing the corporate book, including real estate: Corporate loans were still 68.75% of AUM at 31 March 2026, or Rs. 13,853 crore. The plan is to buy mid-sized names with sector expertise and risk-based pricing, and to stay active in commercial real estate. That sector's NPA rate was 10.7% in Fiscal 2025 on exposure of about Rs. 5,20,000 crore. Real estate already forms 34.34% of Arcil's AUM. The firm can put in priority debt or work with real-estate funds for last-mile funding, then monitor cash flows until inventory is sold.

Use technology and data to scale without matching cost growth: Proprietary platforms cover tracking, case management and compliance. Scorecards and CIC scrubs drive retail pricing. Collections use heat maps, pin-code cleaning, UPI/QR, automated settlement letters and a payment gateway. An interface is being built so borrowers can see balances, send settlement offers and pay without a manual desk. The aim is more volume per rupee of opex as the retail book grows.

Deepen retail collections: Agency count rose from 94 to 206 in two years. Training covers behaviour and law. AI and machine-learning models are being built to score recovery odds and validate discounts. Real-time APIs, IVR, bots and speech analytics are next. Tools already include restructuring, tenure extension and EMI relief. The goal is a shorter gap between purchase and cash.

Open new lines: collections-as-a-service and MFI pools: CRISIL puts the addressable retail collections market at about Rs. 6,90,000 crore as of 31 March 2025, growing with the 14–16% retail book. Arcil is talking to banks about acting as a recovery agent on pools they do not sell. It bought its first MFI pool in Fiscal 2025 and is expanding rural agency coverage to bid for more unsecured and microfinance stress.

Key Risk Factors

- Fees and investment income move with AUM, so a fall in new purchases, faster SR redemptions or weaker recoveries would cut revenue and profit.
- Repeated RBI inspection observations on policies, KYC, diligence and reporting could lead to penalties of up to Rs. 1 crore, or twice the amount involved, and in a worst case cancellation of registration.
- Winning bids is competitive; if prices stay high or win rates fall from the 79.29% seen in Fiscal 2026, growth would slow.
- Recoveries depend on weak borrowers and court timelines, so delays or lower cash would hurt fees, investment income and SR redemptions.
- Corporate loans are still 68.75% of AUM, so stress in that book—or in the 34.34% real-estate slice—would weigh on results.

Peer Comparison

There are no listed companies which are comparable in size to the Company in India or globally in the same industry.

Valuation:

Considering the P/E valuation on the upper price band of Rs.139, FY26 EPS and P/E are Rs.9.93 and 14 multiple respectively and at a lower price band of Rs. 132, P/E multiple is 13.29. Looking at the P/B ratio on the upper price band of Rs.139 book value and P/B are Rs. 90.96and 1.53 multiple respectively and at a lower price band of Rs. 132 P/B multiple is 1.45. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital

Industry Overview

India's ARC industry began with SARFAESI in 2002 and now has 27 operating ARCs managing about Rs. 1,33,000 crore of AUM as of March 2026. Banks and NBFCs use ARCs to move NPAs, SMAs and write-offs off their books. The opportunity has shifted from large corporate NPAs toward retail and MSME. Retail outstanding grew from about Rs. 32 lakh crore in Fiscal 2020 to about Rs. 74 lakh crore in Fiscal 2026; retail stress rose at a 12.3% CAGR to Rs. 6,96,400 crore. MSME credit is about Rs. 82 lakh crore with stress of about Rs. 9.2 lakh crore. Corporate stress is lower on a flow basis but written-off stock remains large. Demand drivers are ECL provisioning, IBC, and sellers seeking capital relief. Challenges are bid competition, eight-year SR write-off rules, court delays and a higher bar on net owned funds.

Outlook

Arcil's outlook remains positive, supported by strong AUM growth, improving profitability and its established position in the ARC industry. Rising stress in retail and SME credit provides significant growth opportunities, while technology-led collections can improve operating efficiency. However, high corporate and real-estate exposure, recovery delays, regulatory scrutiny and competitive bidding remain key risks. Overall, disciplined acquisitions, stronger recoveries and retail expansion should support sustainable growth.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
IPO Open Date	Wed, Sep 9, 2026
IPO Close Date	Fri, Sep 11, 2026
Tentative Allotment	Tue, Sep 15, 2026
Initiation of Refunds	Wed, Sep 16, 2026
Credit of Shares to Demat	Wed, Sep 16, 2026
Tentative Listing Date	Thu, Sep 17, 2026

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Mar-26 (12 Months)	Period ended 31-Mar-25 (12 Months)	Period ended 31-Mar-24 (12 Months)
Revenue from operations	721.69	581.76	605.82
Total expenditure	246.14	162.04	185.45
Operating Profit	475.55	419.72	420.37
OPM%	65.89	72.15	69.39
Other Income	28.22	26.08	3.67
Total Net Income	503.77	445.80	424.04
Interest	36.18	12.49	7.37
PBDT	467.59	433.31	416.67
Depreciation	3.02	2.15	1.93
PBT	464.57	431.16	414.74
Tax	141.88	121.92	103.85
Profit & Loss	322.69	309.24	310.89

Balance sheet is on next page

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Balance Sheet

Rs. in Cr.

Particulars	As on 31-Mar-26	As on 31-Mar-25	As on 31-Mar-24
Financial Assets			
Cash and Cash Equivalents	158.16	183.25	359.26
Bank Balance other than Cash and Cash Equivalents	612.01	713.78	616.37
Trade Receivables	105.96	53.88	62.31
Loans	3108.82	2158.65	1448.39
Investments	1535.32	1121.60	913.76
Other Financial Assets	31.94	19.80	19.17
Sub-total - Financial assets	**5552.21**	**4250.96**	**3419.26**
Non-Financial Assets			
Current Tax Assets (Net)	68.22	43.41	136.33
Property, Plant and Equipment	36.74	35.46	37.00
Other Intangible Assets	3.53	3.75	0.32
Intangible Assets Under Development	0.03	0.68	3.30
Other Non-Financial Assets	65.65	61.74	60.49
Sub-total - Non-financial assets	**174.17**	**145.04**	**237.44**
Total Assets	**5726.38**	**4396.00**	**3656.70**
LIABILITIES			
Financial Liabilities			
Payables			
Payables – MSME	0.00	0.34	0.20
Payables – others	0.02	1.51	1.22
Borrowings (other than Debt securities)	1205.50	305.93	149.98
Security Receipts (liability to SR holders)	710.91	625.45	331.64
Other Financial Liabilities	697.85	628.71	672.95
Total Financial Liabilities	**2614.28**	**1561.94**	**1155.99**
Provisions	17.93	42.15	40.47
Deferred Tax Liabilities (Net)	104.80	45.67	10.61
Other Non-Financial Liabilities	34.15	83.10	23.12
Total Non-financial Liabilities	**156.88**	**170.92**	**74.20**
Total Liabilities	**2771.16**	**1732.86**	**1230.19**
Net worth represented by:			
Equity Share Capital	324.90	324.90	324.90
Other Equity – Company	3456.32	3093.11	2751.24
Non Controlling Interest	-826.00	-754.87	-649.63
Total Equity	**2955.22**	**2663.14**	**2426.51**

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RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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