Asset Reconstruction Company (India) Limited

DEVEN CHOKSEY RESEARCH

Rating	Issue Opens on	Issue Closes on	Listing Date	Price Band	Issue Size (INR Mn)
Subscribe	September 09, 2026	September 11, 2026	September 17, 2026	132 - 139	7,330

India’s Stressed Credit Play

- ***Asset Reconstruction Company (India) Limited ("ARCIL") is India's first asset reconstruction company (ARC), incorporated in February 2002 and registered with the Reserve Bank of India in August 2003. The company is engaged in the business of acquiring stressed and non-performing financial assets from banks and financial institutions and implementing resolution strategies aimed at maximizing recovery through restructuring, enforcement of security interest, settlement, and collection. With over two decades of operating history, ARCIL occupies a pioneering position in India's distressed assets ecosystem.***

Outlook – ARCIL is entering a new phase of growth as India’s stressed-asset opportunity gradually shifts from large corporate exposures towards retail stress. Having built its franchise over more than two decades, the company is now leveraging its established collection infrastructure, lender relationships and workout expertise to participate in the expanding retail stressed-asset pool. Retail AUM has grown at a 56.3% CAGR over FY24-FY26, increasing its contribution to 23.6% of overall AUM, providing a meaningful growth avenue as the corporate NPA pool moderates.

The opportunity could broaden further through Collection-as-a-Service (CaaS), which allows ARCIL to monetise its collection capabilities without significant capital deployment. The transition to expected credit loss (ECL) provisioning from April 2027 could also encourage lenders to recognise and sell stressed assets earlier, potentially improving asset supply for ARCs.

However, the transition will not be without challenges. 69% of AUM remains concentrated in corporate loans, while 34.9% lies beyond the 8-year period, creating an overhang. Moreover, earnings remain inherently recovery-driven, with fair-value gains contributing meaningfully to profitability. Overall, ARCIL offers a differentiated play on India’s evolving stressed-credit cycle, with retail expansion and new fee-based businesses providing the next leg of growth, although earnings visibility is likely to remain volatile.

Valuation – ARCIL’s valuation should be assessed through both P/E and P/B, given the company’s strong profitability and capital-light operating model, but also the inherent volatility of recovery-linked earnings. At the upper IPO price of INR 139, ARCIL trades at approximately 11.1x FY26 earnings and 1.47x FY26 book value, based on FY26 EPS of INR 12.55 and book value of INR 94.8/share.

On the P/E approach, a 12x multiple appears reasonable, reflecting ARCIL’s 23-year operating track record, strong recovery capabilities and retail AUM growth, while maintaining a conservative premium given the lumpiness of earnings. The multiple is also supported by FY26 PAT growth of 14.8% to INR 408 Cr.

On P/B, a 1.6x multiple is justified by ARCIL’s superior return profile and balance-sheet strength. The company reported 11.73% RoA and 13.59% RoE in FY25, while maintaining substantially lower leverage than most private ARC peers.

Overall, the P/E and P/B frameworks point towards a broadly similar valuation, suggesting that the IPO is fairly priced. The key re-rating triggers would be sustained retail AUM growth, higher fee-based income and improved recovery visibility, while elevated corporate concentration and the legacy >8-year AUM remain constraints.

Key Risks – (a) ~69% of AUM is concentrated in corporate loans, exposing ARCIL to slower corporate NPA formation and resolution cycles. (b) ~34.9% of AUM is over 8 years old, increasing recovery uncertainty and potentially weighing on future earnings. (c) Profitability is sensitive to the timing and outcome of recoveries, with unrealised fair-value gains creating potential downside if recoveries disappoint.

Offer Details

Particulars	IPO Details
No. of Shares under IPO (Mn)	52.7
Fresh issue # Shares (Mn)	-
OFS # Shares (Mn)	52.7
Price Band	132 – 139
Post Issue M.Cap (INR Mn)	45,161

Issue	Shares (Mn)	INR Mn	%
QIB	26.35	3,665	Not More than 50%
NIB	7.91	1,099	Not Less than 15%
Retail	18.45	2,566	Not Less than 35%

Category	Pre-Issue (%)	Post-Issue (%)
Promoters & Promoter Group	89.68	78.67
Public / Others	10.32	21.33

Lead Manager(s)
IIFL Capital Services Ltd.
IDBI Capital Markets & Securities
JM Financial Ltd.

Indicative Timetable	
Offer Closing Date	11th Sept 2026
Finalization of Basis of Allotment with Stock Exchange	15th Sept 2026
Initiation of Refunds	16th Sept 2026
Credit of Equity Shares to Demat accounts	16th Sept 2026
Commencement of Trading of Eq. shares	17th Sept 2026

Source: IPO Prospectus

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Company Overview

ARCIL is an RBI-registered Asset Reconstruction Company operating under the SARFAESI Act, 2002. It was the first ARC to be incorporated in India and commenced operations in December 2003 with its first stressed asset acquisition. As of March 31, 2026, ARCIL was the second largest private ARC in India by assets under management (AUM of INR 201,500 million / ~INR 20,150 crore) and the second largest by net worth (INR 30,794 million / ~INR 3,079 crore on standalone basis).

The company operates from 13 offices across 12 states (including Delhi) with 206 permanent employees, supported by 218 registered valuers, 206 collection agents, and 988 empanelled lawyers as of March 31, 2026.

BUSINESS MODEL

ARCIL's core business involves acquiring stressed financial assets (both non-performing and early-stage stress/SMA accounts) from banks and financial institutions at a discount to their outstanding principal and then deploying a combination of resolution and collection strategies to recover value from these assets. The difference between what ARCIL pays for the assets and what it ultimately recovers net of expenses and investor payouts, constitutes its profit.

The company operates across three business verticals, classified by the resolution mechanism employed:

Corporate Loans: 68.75% of AUM (INR 138,528 Mn as of Mar-26) — Large single-credit stressed assets acquired from banks, resolved through restructuring, IBC proceedings, enforcement of security interest, or one-time settlements. These are high-value, lumpy transactions with longer resolution timelines (5-6 years) but higher recovery rates.

SME & Other Loans: 7.70% of AUM (INR 15,525 Mn as of Mar-26) — Medium-ticket stressed loans from small and medium enterprises, resolved through a combination of enforcement, negotiation, and settlement.

Retail Loans: 23.55% of AUM (INR 47,448 Mn as of Mar-26) — Portfolios of granular stressed retail loans (housing, vehicle, personal, credit card) acquired in bulk and collected through technology-driven, high-volume collection strategies. This is the fastest-growing segment, having grown at 56.3% CAGR from INR 19,423 Mn (Mar-24) to INR 47,448 Mn (Mar-26).

How Does ARCIL Work?

ARCIL acquires stressed assets through a regulated trust-based structure prescribed under the SARFAESI Act. The process works as follows:

Step 1 — Acquisition

Banks and financial institutions transfer stressed assets to ARCIL through a competitive bidding process. Once the acquisition is finalised, ARCIL establishes a separate trust for each portfolio/transaction, which holds the acquired financial assets and manages the subsequent resolution process.

Step 2 — Funding

The trust finances the acquisition by raising funds from Qualified Buyers (QBs), including banks, financial institutions, insurance companies, mutual funds, NBFCs, HFCs and eligible foreign investors. ARCIL is also required to have skin in the game, by investing a minimum of 15% of the transferor's investment in SRs or 2.5% of the total SRs issued, whichever is higher.

Step 3 — Issuance of Security Receipts (SRs)

The trust issues Security Receipts (SRs) to QBs, representing their undivided interest in the underlying stressed assets. SRs function as pass-through instruments, meaning investors ultimately receive proceeds based on the recoveries generated from the underlying assets. Consequently, the value/NAV of SRs moves with the recovery performance of the portfolio.

Step 4 — Resolution

ARCIL takes over the resolution and recovery of the acquired assets. Depending on the nature of the borrower and collateral, it may pursue debt restructuring/rescheduling, enforcement and sale of collateral, one-time settlements (OTS), or insolvency proceedings under IBC/NCLT. For retail portfolios, ARCIL can also deploy technology-enabled collection and recovery mechanisms to improve resolution efficiency.

Step 5 — Recovery & Distribution

Cash recovered from the underlying stressed assets is first used to meet applicable fees, expenses and other trust-level obligations. The remaining proceeds are distributed to SR holders in proportion to their holdings. ARCIL periodically determines and declares the NAV of the SRs in accordance with RBI guidelines, providing investors with an indication of the recoverable value of their investment.

Step 6 — Closure

The trust remains operational until the underlying assets are substantially resolved and the corresponding SRs are redeemed. Once recoveries are completed and all investor obligations are settled, the trust is closed. For private ARCs, SRs that remain unresolved beyond the prescribed 8-year period are generally required to be dealt with in accordance with applicable RBI regulations, including redemption or write-off where applicable.

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Deal Structures – How does ARCIL Deploy Capital?

ARCIL acquires stressed assets through four principal deal structures:

(a) Cash Acquisitions: ARCIL subscribes to 100% of the Security Receipts (SRs) issued by the trust, funding the entire acquisition itself. All recovery upside belongs to ARCIL. This generates primarily investment income (recovery minus acquisition cost).

(b) Co-Investor Acquisitions: ARCIL and one or more external QBs (not the selling bank) subscribe to Security Receipts (SRs). Returns are shared pro-rata. ARCIL earns both fee income (management fee, collection fee) and investment income on its own capital invested.

(c) Ordinary SR Acquisitions: ARCIL and the selling bank/FI both subscribe to Security Receipts (SRs). The selling bank retains partial economic exposure. ARCIL earns fee income plus investment income on its capital.

(d) Structured Acquisitions: Similar to ordinary Security Receipts (SRs) deals, but ARCIL's returns are capped at a pre-agreed IRR. ARCIL earns a larger proportion of revenue through fees and a smaller portion as investment income.

A key structural trend is the rising share of 100% cash deals, which increased to 65% of debt acquired in FY25 from 40% in FY22. In cash deals, all recovery economics belong to ARCIL, but there is no fixed management fee revenue is entirely recovery-linked, making the income profile more lumpy but potentially more profitable.

The trust remains operational until the underlying assets are substantially resolved and the corresponding SRs are redeemed. Once recoveries are completed and all investor obligations are settled, the trust is closed. For private ARCs, Security Receipts (SRs) that remain unresolved beyond the prescribed 8-year period are generally required to be dealt with in accordance with applicable RBI regulations, including redemption or write-off where applicable. Out of the ~20,150 Cr. AUM, approximately 7,000 Cr. Of AUM is beyond 8 year period, which is essentially non-fee generating.

Source of Revenue – How Does ARCIL Make Money?

Fee Income

Fee income includes management fees charged on the AUM of the trusts, collection fees earned on actual recoveries made, and resolution fees. Management fees are calculated on the Net Asset Value (NAV) of the Security Receipts (SRs) rather than the outstanding principal, this is a critical regulatory design that incentivizes ARCs to recover more. In FY26, Fees and Other Income stood at INR 2,801 Mn on standalone basis.

Investment Income (Net Gain on Fair Value Changes)

This represents the unrealized and realized gains on ARCIL's own investment in security receipts across trusts. As recovery progresses and NAV of Security Receipts (SRs) rises above acquisition cost, ARCIL recognizes fair value gains. In FY26, Net Gain on Fair Value Changes (Unrealized) was INR 1,952 Mn on standalone basis.

Recovery-Linked Income

Recovery-linked income earned once all outstanding SRs are fully redeemed and contractual payouts to investors are met has been rising as a share of total ARC revenue industry-wide, from under 20% in FY22 to 44% in FY25. This is driven by the increasing proportion of cash deals where the ARC's entire economics are recovery dependent.

Other Income Sources

Other Operating Income (INR 659 Mn in FY26) includes recovery of SRs, unrealized fees and expenses previously written off. Interest Income (INR 206 Mn) comes from short-term deployments. Other Income (INR 320 Mn) includes profit on sale of equity shares and mutual fund redemptions.

Standalone Financials

Particulars (INR Mn)	FY2024	FY2025	FY2026	YoY Gr (%)
Total Revenue from Ops	5,701	5,964	7,530	26.3%
Other Income	40	270	320	18.7%
Total Income	5,741	6,234	7,851	25.9%
Total Expenses	1,649	1,462	2,354	61.0%
Profit Before Tax	4,092	4,772	5,497	15.2%
Tax Expense	1,039	1,219	1,419	16.4%
PAT	3,053	3,553	4,078	14.8%
EPS (INR)	9.40	10.94	12.55	14.7%

Key Competitive Strengths & USP

1. India's First ARC — Irreplicable 23-Year Operating History

This is the foundational USP. ARCIL was incorporated in February 2002, received RBI registration in August 2003, and completed its first stressed asset acquisition in December 2003. No other ARC in India has this vintage. The practical consequence is that ARCIL has navigated every phase of ARC evolution the nascent 5:95 structure, the 15:85 regulatory shift, IBC's introduction, AQR's impact, COVID stress, and now the retail pivot. This institutional memory is embedded in its processes, its team's playbook for pricing distressed assets, and its relationships with sellers. A new entrant simply cannot replicate 23 years of workout case data, legal precedent familiarity, and regulator-relationship capital.

2. Industry's Best Risk-Adjusted Return Profile — Highest RoA at Lowest Leverage

This is the single most powerful financial USP. ARCIL delivered the highest standalone RoA among all top-7 ARCs 11.73% in FY25 and 10.56% in FY26 while running the industry's lowest debt-to-equity ratio (0.11x in FY25, 0.39x even after the FY26 leverage-up). Every other private ARC generating comparable or higher RoE does so on significantly more leverage (Phoenix at 1.05x average D/E, JM Financial at 2.70x, ACRE at 1.94x). This means ARCIL's profitability is genuinely earned through operating efficiency and recovery execution, not financial engineering. The peer data from the CRISIL Report confirms this:

Metric	ARCIL	Edelweiss	Phoenix	JM Fin	ACRE
RoA (%)	11.73	7.45	8.84	-0.95	6.34
D/E (x)	0.11	0.35	0.74	1.31	1.14
CRAR (%)	88.41	90.50	54.74	31.90	30.69

3. Only 1 of 5 IBC Resolution Applicant-Eligible ARCs

RBI's October 2022 rule permits only ARCs with Net Owned Funds exceeding INR 1,000 crore to act as Resolution Applicants under the Insolvency and Bankruptcy Code. As of March 2025, only five ARCs in India meet this threshold ARCIL, Edelweiss ARC, JM Financial ARC, Phoenix, and NARCL. This gives ARCIL a regulated moat: it can directly acquire stressed companies through the NCLT/IBC process, a channel closed to 22 of 27 registered ARCs. This is a platform for acquiring assets beyond traditional bilateral routes, and it widens the addressable opportunity set materially.

4. Security Receipt (SRs) Recovery Quality — 87.6% of AUM Rated RR1+/RR1/RR2

As of March 2026, 87.58% of ARCIL's AUM (SRs held for less than 8 years) was rated RR1+, RR1, or RR2, meaning expected recoveries are projected at 75% or more of the outstanding SR face value. Only 1.93% was rated RR4 or below. This is a significant improvement from 79.63% in FY24 and reflects improving asset quality of new acquisitions (more SMA accounts, more low-vintage pools) and successful resolution of legacy assets.

5. Collection-as-a-Service (CaaS) — Emerging New Vertical

ARCIL has appointed a dedicated Head of CaaS (Kapil Mohan Rohilla) to build a new business line offering third-party debt collection services to banks and NBFCs. This leverages ARCIL's existing collection infrastructure, technology platform, and legal network to generate fee income without requiring capital deployment for asset acquisition. The total addressable market for debt collection in the retail segment alone is approximately INR 6.9 Trillion as of March 2026 (total retail stress per bureau data). This is an asset-light, fee-based revenue stream that could improve ARCIL's revenue mix and reduce earnings lumpiness over time.

6. Scarcity Value — First (and Only) Listed ARC

Post-listing, ARCIL will be the only publicly traded ARC on Indian exchanges. There is no direct listed peer. For institutional portfolios seeking exposure to India's distressed asset resolution cycle, ARCIL will be the sole public-market entry point. This scarcity creates a structural allocation premium MF/AIF mandates focused on financial services, credit cycle plays, or special situations will have no alternative listed vehicle.

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Strengths

- **India's first ARC**, incorporated 2002, RBI-registered 2003, 23+ years of operating history; no peer has this vintage or the proprietary workout data built across INR 8,99,093 Mn of cumulative principal debt acquired
- **Lowest-cost platform**, expenses at 0.68% of average AUM vs peers at 1.0-2.4%; PAT/AUM of 2.22%, highest among vintage private ARCs; 206 employees managing INR 20,150 Cr AUM.
- **Widest seller network** transacted with 32 private banks, 28 PSBs, 51 NBFCs, 18 HFCs since inception; no other private ARC matches this relationship breadth.
- **Retail AUM growing at 56.3% CAGR** (FY24-FY26) retail now 23.55% of AUM; borrower count up 227% to 32.94 lakh; collection infrastructure built since 2008, years ahead of peers
- **Declining acquisition cost** cumulative cost of acquisition down from 52.94% (FY24) to 49.07% (FY26) of principal debt; buying INR 100 of NPAs for INR 49.

Challenges

- **Corporate concentration** 68.75% of AUM in corporate loans; a single large recovery/non-recovery can materially swing quarterly earnings; real estate alone is 34.34% of AUM.
- **Revenue lumpiness**, income driven by timing of IBC resolutions, SARFAESI enforcement completions, and settlement closures; quarterly P&L inherently volatile and hard to model.
- **Competitive bidding pressure** multiple well-capitalized ARCs (NARCL, Edelweiss, Phoenix, ACRE, Omkara) competing for a potentially shrinking corporate NPA pool; FY24 acquisitions were lean (INR 20,690 Mn) because available assets did not meet risk-reward criteria.
- **>8-year AUM overhang** — ₹70,402 Mn (34.9% of AUM) has exceeded the 8-year SR write-off threshold; carries zero book value for investors but remains on ARCIL's resolution platform — creates optics challenge

SCOT ANALYSIS

Threats

- **Shrinking corporate NPA pool** SCB GNPAs down from INR 9,336 Bn (FY19) to INR 4,316 Bn (FY25); cumulative write-offs of ~INR 13.6 Tn; if corporate stress stays low, ARCIL's largest segment (69% of AUM) faces structural supply headwinds.
- **Real estate collateral cyclicality** 34.34% of AUM in real estate; collateral values subject to RERA, construction completion risk, demand cycles, builder insolvency chains; CRE had 12-15% NPAs during FY22-24 and could re-stress if financing tightens.
- **IBC delays worsening, not improving** 78% of ongoing CIRPs exceeded 270 days (March 2026); every extra month erodes recovery NPV, escalates legal costs across 988 empanelled lawyers, and depresses collateral value.

Opportunities

- **Retail stressed assets at ₹6,964 Bn, growing 12.3% CAGR** unsecured stress (personal loans, credit cards) growing 14.7-24.5% CAGR; retail credit outstanding at ₹76 Tn with 14-15% projected growth through FY28; the supply pool is structurally expanding.
- **Collection-as-a-Service (CaaS)** new business vertical with dedicated Head appointed; TAM of ~₹6.9 Tn retail stress; leverages existing infrastructure for incremental fee income without capital commitment.
- **SSAF Resolution Manager role** RBI's draft Securitization of Stressed Assets Framework requires SPEs to appoint Resolution Managers; ARCs are natural candidates; asset-light, fee-based income without capital deployment.
- **NBFC and microfinance stress pockets** — MFI sector contracted ~13% in FY26; RBI stress tests project non-govt NBFC GNPAs rising to 2.8-5.2% by FY27; fresh acquisition pipeline emerging from vehicle finance, unsecured lending, MFI segments.

Source: Deven Choksey Researc

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Industry Overview

India's Macroeconomic Backdrop

India's real GDP grew at 7.4% in FY26, continuing to outperform global peers. The economy is expected to grow at a CAGR of approximately 6.6% between FY27 and FY31 (CRISIL Intelligence estimates), underpinned by deepening formalization, digital infrastructure expansion, and financial inclusion.

Systemic credit (banks + NBFCs) grew at approximately 11% CAGR during FY19-FY25, with retail credit growing at approximately 18% CAGR during the same period. India's credit-to-GDP ratio remains at ~102% (CY25), significantly below the US (140%), UK (133%), and China (201%), signaling substantial headroom for credit deepening.

The Stressed Assets Market – Size, Supply, and Dynamics

The addressable market for ARCIL is the stock and flow of stressed assets in India's banking and NBFC system. The key metrics that matter are:

SCB GNPA Pool: Gross NPAs of Scheduled Commercial Banks declined from INR 9,336 Bn in FY19 to INR 4,316 Bn in FY25 (GNPA ratio fell from ~6% to 1.8%), driven by massive write-offs (~INR 13.6 Trillion cumulative during FY19-FY25), IBC resolutions, and improved underwriting. However, RBI stress tests project GNPA rising to 1.9% (baseline) to 4.1% (severe stress) by March 2028.

Write-offs as Opportunity: Despite declining GNPAs, annual write-offs by SCBs have remained substantial at ~INR 2,000 Bn average over the last 7 years. Written-off accounts represent a vast pool of unresolved assets that can be acquired by ARCs at deep discounts.

Retail Stress; The New Growth Engine: Total stressed assets under the retail segment (Banks + NBFCs) grew from INR 3,470 Bn in FY20 to INR 6,964 Bn in FY26 at a CAGR of 12.3%. Unsecured retail lending stress (personal loans, credit cards) is particularly elevated, driven by borrower overleveraging. ~50% of credit card and personal loan borrowers also hold large secured loans cross-default risk amplifies stress transmission.

Corporate NPA Decline Opens Retail Pivot: GNPAs of large corporate borrowers (≥INR 50 Mn exposure) fell from 14.3% in FY19 to 1.2% in FY26. As corporate NPAs dry up, the composition of SRs issued by ARCs has shifted dramatically non-corporate (retail + MSME) share of new SRs rose from 4% in FY19 to 65% in FY23.

The ARC Industry – Structure, Size, and Competitive Landscape

As of December 2025, there were 27 ARCs registered with the RBI. The industry has undergone significant consolidation driven by rising minimum Net Owned Fund (NOF) requirements from INR 100 Cr to INR 300 Cr by March 2026. Three ARCs have surrendered licenses, and as of June 2025, 7-8 ARCs had NOF below INR 250 crore, placing them at risk of non-compliance. Only five ARCs (including ARCIL) have NOF above INR 1,000 crore, qualifying them to act as Resolution Applicants under the IBC.

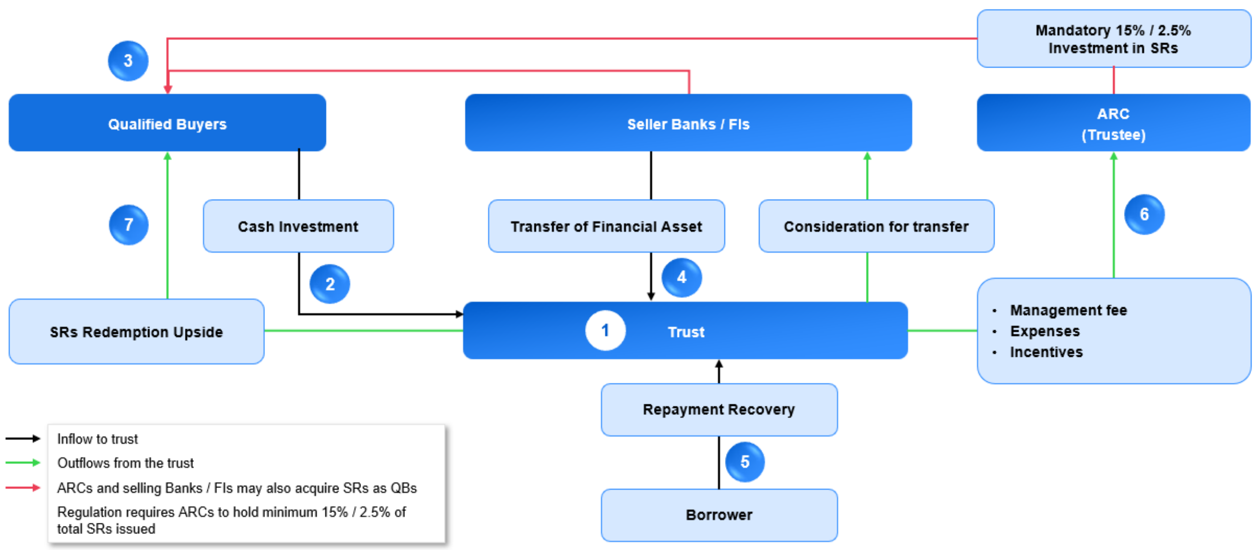
The industry is broadly segmented into three tiers:

Legacy Private ARCs with vintage: ARCIL, Edelweiss ARC, Phoenix ARC, JM Financial ARC these have 10+ year operating histories, established bank relationships, and diversified portfolios.

Newer Private ARCs: ACRE, Omkara relatively recent entrants, scaling up through aggressive acquisition and higher leverage.

Government-backed ARC: NARCL (National Asset Reconstruction Company Limited) incorporated in July 2021 with ~84% PSB ownership, focused on acquiring large legacy stressed accounts (≥ INR 500 Cr exposure). NARCL has acquired 33 borrower entities with aggregate debt of INR 1,65,862 crore. Its SRs are backed by sovereign guarantee, giving it a structural cost-of-capital advantage.

Exhibit 1: Operating, Business & Revenue Model of an ARC



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Peer Analysis

TABLE 1 — Profitability and Returns

Parameter (FY25 SA)	ARCIL	Edelweiss ARC	Phoenix ARC	JM Fin ARC	ACRE	Omkara	NARCL
PAT (₹ Mn)	**3,553**	3,851	1,969	-298	1,223	479	**4,243**
PAT CAGR FY23-25	**21.90%**	9.97%	7.81%	N.M.	3.53%	-18.87%	287.60%
RoA (%)	**11.73%**	7.45%	8.84%	-0.95%	6.34%	3.56%	10.10%
RoE (%)	**13.59%**	11.52%	**19.19%**	-3.40%	17.25%	9.01%	13.74%
PAT / Avg AUM (%)	**2.22%**	1.66%	1.48%	-0.23%	1.32%	0.58%	1.76%

TABLE 2 — Leverage and Capital Strength

Parameter (FY25 SA)	ARCIL	Edelweiss ARC	Phoenix ARC	JM Fin ARC	ACRE	Omkara	NARCL
D/E Ratio (x)	**0.11**	0.35	0.74	1.31	1.14	1.85	0.60
CRAR (%)	**88.41%**	**90.50%**	54.74%	31.90%	30.69%	28.30%	75.00%
Net Worth (₹ Mn)	**27,678**	**35,349**	11,246	11,601	7,562	5,540	33,589
Borrowings (₹ Mn)	**3,059**	12,298	8,347	15,168	8,635	10,255	20,000
Interest Cost / AUM (%)	**0.08%**	1.03%	0.55%	1.40%	0.60%	5.67%	0.14%
Credit Rating	**AA- (Stable)**	AA- (Stable)	AA- (Stable)	A- (Stable)	A+ (Stable)	A+ (Stable)	**AA (Stable)**

TABLE 3 — Operating Efficiency

Parameter (% of Avg AUM, FY25 SA)	ARCIL	Edelweiss ARC	Phoenix ARC	JM Fin ARC	ACRE	Omkara	NARCL
Total Expenses / AUM	**0.68%**	1.53%	1.21%	1.56%	1.26%	6.49%	0.72%
Interest Expense / AUM	**0.08%**	1.03%	0.55%	1.40%	0.60%	5.67%	0.14%
Fee Income / AUM	**1.07%**	1.44%	2.48%	0.78%	1.49%	**5.77%**	1.49%
Investment Income / AUM	**1.82%**	**4.27%**	1.29%	1.44%	1.01%	1.67%	0.00%
Total Revenue / AUM	**2.98%**	6.03%	3.88%	2.50%	2.66%	**7.43%**	1.57%

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About the Management

Mr. Phanindranath Kakarla
(CEO & Managing Director)

- IIT Bombay + IIM Calcutta; previously Senior EVP at Edelweiss Group
- Joined ARCIL as President (Apr 2025), elevated to CEO & MD from Mar 8, 2026 only ~6 months as CEO before IPO
- Received "Breakthrough Digital ARC Leadership Award" at Bharat Collection Summit 2026

Mr. Pramod Kumar Gupta
(CFO)

- BCom + CA + CS; ex-Group CFO at Genus Power Infrastructures; joined ARCIL Aug 2012, CFO since Apr 2014 14+ years at the company, longest-serving C-suite member; FY26 compensation INR 23.70 Mn
- Delivered PAT growth every single year (INR 3,053 Mn to INR 3,553 Mn to INR 4,078 Mn over FY24-26), grew net worth from INR 24,625 Mn to INR 30,794 Mn purely from retained earnings, and executed a 4x leverage scale-up (INR 3,059 Mn to INR 12,055 Mn) in one fiscal while holding AA- rating and 65% CRAR
- Highest key-person risk in the C-suite no deputy CFO or succession plan disclosed; carries irreplaceable institutional knowledge on trust accounting, SR valuation, fair value computations, and RBI reporting built over 14 years across 3 CEO tenures

Mr. Narayanan Subramaniam
(Chairman & Non-Executive Independent Director)

- BSc (Madras) + PGDM (IIM Ahmedabad) + triple-qualified CA, CS, and CWA a rare combination; ex-CEO of First India Mutual Fund; ex-Board member of City Union Bank; 30+ years across private equity, investment management, banking, accounting and finance
- Chairman of ARCIL since May 2021; provides governance credibility as the company transitions from a promoter-controlled unlisted entity to a publicly listed ARC his IIM-A pedigree, mutual fund CEO experience, and triple professional qualification bring institutional-grade oversight to India's first ARC listing

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Key Risks

- 69% AUM concentration in corporate loans a single large corporate recovery or non-recovery can swing quarterly P&L by 20-30%; real estate alone is 34.34% of AUM with illiquid, cyclical collateral subject to RERA, construction risk, and micro-market demand fluctuations

- Revenue inherently lumpy and timing-dependent income driven by when IBC resolutions close, SARFAESI enforcement completes, or large OTS settlements crystallize; the company itself flags seasonality as a risk factor; makes institutional earnings modeling unreliable

- 25% of FY26 income is unrealized fair value mark-up INR 1,952 Mn of "Net Gain on Fair Value Changes Unrealized" is model-derived SR revaluation based on subjective recovery projections and discount rate assumptions, not cash realization; if actual recoveries fall short, these gains reverse into losses

- Declining corporate NPA supply may be structural, not cyclical SCB GNPAs fell from INR 9,336 Bn (FY19) to INR 4,316 Bn (FY25); cumulative write-offs of ~INR 13.6 Tn; post-AQR and post-IBC, banks have fundamentally better underwriting and early-warning systems; the FY17-19 NPA peak may not repeat

- 8-year mandatory SR write-off creates AUM overhang INR 70,402 Mn (34.9% of total AUM) is in the >8-year bucket, carrying zero book value for SR holders; while resolution continues (INR 3,657 Mn recovered from this bucket in FY26), it creates an optics and valuation challenge

- Recovery execution risk is inherent collateral values can deteriorate, borrowers litigate, legal proceedings get delayed, and security enforcement may face practical difficulties; ARCIL may not have first priority on collateral in all cases

- NARCL's sovereign-guarantee moat SRs backed by GoI guarantee make NARCL the default counterparty for PSBs on large accounts (>INR 500 Cr); already acquired 33 borrowers with INR 1,65,862 Cr aggregate debt; any mandate expansion into mid-corporate or retail directly displaces private ARCs

- SSAF could disintermediate ARC ownership economics RBI's draft Securitization of Stressed Assets Framework (April 2025) creates an alternative disposal channel through SPEs; ARCs become fee-earning Resolution Managers instead of principals who own recovery upside structurally inferior economics

- Competitive bidding pressure intensifying 5-6 well-capitalized survivors (Edelweiss, Phoenix, ACRE, Omkara, NARCL) competing for a potentially smaller corporate NPA pool; acquisition prices could rise, compressing recovery spreads; FY24 acquisitions were lean (INR 20,690 Mn) because assets didn't meet risk-reward criteria

- ECL transition (April 2027) could cut both ways consensus says higher Stage 2 provisioning floors (0.4% to 5%) will force banks to sell early stress to ARCs; counter-scenario: well-capitalized banks (CET-1 ~14%) may prefer internal resolution to avoid crystallizing a sale-loss on the P&L; net supply impact is ambiguous

Standalone PnL (in Mn)	Year ended Mar 31, 2024	Year ended Mar 31, 2025	Year ended Mar 31, 2026
Revenue from Operations			
Fees and Other Income	1,788.71	1,719.08	2,800.95
Other Operating Income	823.38	1,922.53	1,913.12
Recovery of Security Receipts, Unrealized Fee & Expenses (written off earlier)	2,874.74	1,000.32	659.14
Interest Income	214.58	137.84	205.58
Net Gain on Fair Value Changes - Unrealised		1,184.46	1,951.63
Total Revenue from Operations (I)	**5,701.41**	**5,964.23**	**7,530.42**
Other Income (II)	**39.65**	**269.76**	**320.35**
Total Income (III = I + II)	**5,741.06**	**6,233.99**	**7,850.77**
Expenses			
Finance Costs	52.35	124.92	361.84
Impairment of Financial Instruments / Financial Assets	23.90	38.93	72.64
Employee Benefits Expenses	556.60	609.42	635.89
Depreciation, Amortization and Impairment	19.32	21.53	30.24
Write off of Security Receipts, Unrealized Fee & Expenses	492.64	367.13	868.08
Other Expenses	246.28	299.68	384.83
Net Loss on Fair Value Changes - Unrealised	258.02		
Total Expenses (IV)	**1,649.11**	**1,461.61**	**2,353.52**
Profit Before Tax (V = III - IV)	**4,091.95**	**4,772.38**	**5,497.25**
Tax Expense (VI)			
Current Tax	1,113.94	868.88	827.16
Deferred Tax	-75.40	350.31	591.65
Total Tax Expense	**1,038.54**	**1,219.19**	**1,418.81**
Profit for the Year (VII = V - VI)	**3,053.41**	**3,553.19**	**4,078.44**
Other Comprehensive Income			
a. Items that will not be reclassified to P&L			
- Remeasurement of defined benefit plans	-18.03	-17.33	5.24
b. Income tax relating to items that will not be reclassified to P&L	4.54	4.36	-1.32
Total Other Comprehensive Income (a + b)	**-13.49**	**-12.97**	**3.92**
Comprehensive Income for the Year	**3,039.92**	**3,540.22**	**4,082.36**
Earnings Per Share (Face Value ₹10)			
- Basic (₹)	9.40	10.94	12.55
- Diluted (₹)	9.40	10.94	12.55

Source: IPO Prospectus, Deven Choksey Research

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Standalone Balance Sheet (In Mn)	As at Mar 31, 2024	As at Mar 31, 2025	As at Mar 31, 2026
ASSETS			
1 Financial Assets			
Cash and Cash Equivalents	3,324.83	1,369.08	327.42
Bank Balance other than Cash and Cash Equivalents	770.48	1,217.81	661.05
Trade Receivables	729.74	720.50	1,233.92
Loans			198.71
Investments	20,623.94	27,716.51	40,246.84
Other Financial Assets	174.37	242.09	331.06
Total Financial Assets (I)	**25,623.36**	**31,265.99**	**42,989.00**
2 Non-Financial Assets			
Current Tax Assets (Net)	1,318.93	355.87	559.99
Property, Plant and Equipment	369.97	354.61	367.41
Other Intangible Assets	3.19	37.49	35.31
Intangible Assets Under Development	33.00	6.76	0.32
Other Non-Financial Assets	604.91	617.43	656.48
Total Non-Financial Assets (II)	**2,330.00**	**1,372.16**	**1,619.51**
TOTAL ASSETS (I + II)	**27,953.36**	**32,638.15**	**44,608.51**
LIABILITIES AND EQUITY			
1 Financial Liabilities			
Payables			
- Total outstanding dues of MSME	2.00	3.41	
- Total outstanding dues of creditors other than MSME	12.23	15.13	0.21
Borrowings (other than Debt securities)	1,499.47	3,059.29	12,054.95
Other Financial Liabilities	1,121.55	298.57	274.33
Total Financial Liabilities (III)	**2,635.25**	**3,376.40**	**12,329.49**
2 Non-Financial Liabilities			
Provisions	404.74	421.53	179.42
Deferred Tax Liabilities (Net)	106.24	456.54	1,048.20
Other Non-Financial Liabilities	182.02	705.70	257.47
Total Non-Financial Liabilities (IV)	**693.00**	**1,583.77**	**1,485.09**
3 Equity			
Equity Share Capital	3,248.97	3,248.97	3,248.97
Other Equity	21,376.14	24,429.01	27,544.96
Total Equity (V)	**24,625.11**	**27,677.98**	**30,793.93**
TOTAL LIABILITIES AND EQUITY (III + IV + V)	**27,953.36**	**32,638.15**	**44,608.51**

Source: IPO Prospectus, Deven Choksey Research

Cash Flow Statement (INR Mn)	FY24	FY25	FY26
Operating Cash Flow	2,034.82	3,201.99	1,535.76
Investing Cash Flow	-163.01	-6,099.44	-10,240.05
Financing Cash Flow	-551.32	941.70	7,662.65
Net Change in Cash	**1,320.49**	**-1,955.75**	**-1,041.64**
Closing Cash & Cash Equivalents	**3,324.83**	**1,369.08**	**327.42**

Source: IPO Prospectus, Deven Choksey Research

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