Asset Reconstruction Company (India) Ltd. SUBSCRIBE

BP WEALTH

IPO Note **08th Sept 2026**

Company Overview

Asset Reconstruction Company (India) Limited (ARCIL) is a pioneer in India's asset reconstruction industry and was the first Asset Reconstruction Company (ARC) to be incorporated in the country in 2002. The company is headquartered in Mumbai, and operates through a network of 13 offices across 12 states, giving it a presence across major financial and commercial centres including Delhi, Ahmedabad, Bengaluru, Chennai, Hyderabad and Kolkata. ARCIL primarily focuses on acquiring stressed assets including non-performing assets (NPAs), special mention accounts and written-off accounts from banks and financial institutions, and subsequently resolving these assets to maximise recoveries and generate returns. ARCIL's business is organised into three principal portfolio segments which are Corporate Loans, Retail Loans, and SME & Other Loans. Corporate Loans constitute the core of the business, accounting for 69% of total AUM, and comprise large-scale distressed corporate exposures. Retail Loans, covering secured and unsecured consumer assets such as housing loans, vehicle loans and credit-card receivables, represented 24% of AUM making it an important growth segment. SME & Other Loans accounted for the remaining 7% of AUM. ARCIL generates revenue through two principal streams, fee income and investment income. Fee income comprises management fees, trusteeship fees, collection fees and resolution fees charged to the trusts holding the acquired stressed assets. In FY26, fee income contributed 53% of consolidated revenue from operations, while investment income contributed the remaining 47%. Investment income represents the potential upside from ARCIL's own capital invested in security receipts issued by these trusts.

Objects of the issue

The offer comprises an offer for sale of Rs. 733 crores; the company will not receive any funding and the entire proceeds of the issue will go towards the selling shareholders.

Investment Rationale

Established market position supported by scalable stressed-asset acquisition capabilities

ARCIL's position as India's first asset reconstruction company provides it with a meaningful competitive advantage through its long operating track record, established relationships with banks and financial institutions, and familiarity with the evolving regulatory framework governing the asset reconstruction industry. This first-mover position has enabled ARCIL to build institutional relationships and operating capabilities over more than two decades, supporting its ability to participate consistently in the acquisition and resolution of stressed assets. The company's scale further strengthens this franchise, with ARCIL being the second-largest ARC in India by AUM at Rs. 16,852 crores in FY25, with AUM increasing to Rs. 20,150 crores by FY26. This scale provides a sizeable platform from which the company can deploy its established acquisition, resolution and collection infrastructure across multiple stressed-asset segments. Importantly, ARCIL's scale is complemented by a disciplined approach to asset acquisition. Its credit assessment and risk-management framework incorporates historical portfolio performance, proprietary technology, borrower analytics and recovery-probability assessments to support portfolio selection and pricing decisions. Its established relationships with a broad base of banks and financial institutions further support access to stressed-asset opportunities. In retail assets, borrower scorecards and credit-information checks enhance risk profiling and resolution decisions. The combination of an established franchise, sizeable AUM base, institutional relationships and data-driven acquisition capabilities positions ARCIL to selectively pursue stressed assets with comparatively attractive recovery potential. As the company continues adding assets to its existing platform, these established capabilities provide a foundation for scaling AUM while maintaining a measured approach to asset selection, resolution and recovery.

Diversified resolution platform drives profitability and financial flexibility

ARCIL's ability to deploy multiple resolution and recovery mechanisms across different asset classes provide an important competitive advantage in monetising stressed assets. Depending on the characteristics of each portfolio, the company can utilise Insolvency and Bankruptcy Code (IBC) proceedings, mutual settlements, restructuring, Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI) and Debt Recovery Tribunal (DRT) led asset sales. This flexibility allows ARCIL to adapt its approach to the nature of the borrower, underlying security and recovery prospects rather than relying on a single resolution route. This resolution capability is supported by an established operating infrastructure comprising specialised teams, proprietary technology and an extensive external network. ARCIL uses technology-enabled asset tracking, case management and compliance systems, alongside tools that assess asset values, borrower history, recov-

Issue Details	
Offer Period	09th Aug 2026 - 11th Aug 2026
Price Band	Rs. 132 - Rs. 139
Bid Lot	107
Listing	BSE & NSE
Issue Size (no. of shares in crores)	5.3
Issue Size (Rs. in crores)	733
Face Value (Rs.)	10

Issue Structure	
QIB	50%
NII	15%
Retail	35%
BRLM	IIFL Capital Services. Ltd., IDBI Capital Markets & Securities Ltd., JM Financial Ltd.
Registrar	MUFG Intime India Pvt. Ltd.

Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	89.68%	73.45%
Public	10.32%	26.55%
Total	**100.00**	**100.00**

(Assuming issue subscribed at higher band)

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ery probabilities, sustainable business cash flows and associated litigation. Its collection infrastructure and network of valuers, collection agents and lawyers further strengthen execution across different geographies and asset categories. The platform is particularly relevant as ARCIL operates across corporate, retail and SME portfolios, each requiring different recovery and resolution approaches. Its long experience in retail and SME assets has also enabled it to build dedicated teams, processes, branches and technology for these segments. Together, the breadth of resolution mechanisms, specialised infrastructure and data-led decision-making create a flexible recovery platform that can tailor strategies to individual portfolios, support more consistent execution and improve the ability to unlock value from acquired stressed assets.

Valuation

Asset Reconstruction Company (India) Limited (ARCIL) is India's first asset reconstruction company, engaged in acquiring stressed assets from banks and financial institutions and resolving them through restructuring, settlements, enforcement of security interests and other recovery mechanisms. ARCIL operates across Corporate Loans, Retail Loans and SME & Other Loans, with Corporate Loans remaining the largest portfolio at 69% of AUM, followed by Retail at 24% and SME & Other Loans at 7%. Revenue is primarily generated through fees and investment income, with fee income contributing 53% and investment income 47% of consolidated revenue from operations in FY26. Growth is increasingly supported by portfolio diversification and technology-led recovery. ARCIL intends to increase its exposure to Retail and SME assets, expand acquisitions from micro finance institutions and pursue opportunities in unsecured stressed loans. It is also developing Collection as a Service (CAAS) for banks, using its auction engines, collection workflows and automated resolution capabilities to provide outsourced recovery services. The company is further enhancing AI, machine learning, geo-tracking, analytics and automated collection systems to improve recovery efficiency and accelerate asset monetization. Financially Revenue from Operations, EBITDA and PAT stood at 9%, 10% and 3% CAGR respectively for the period of FY24 to FY26. EBITDA margin improved from 73% to 74% in FY26, reflecting sustained operating efficiency. Going forward, ARCIL 's growth is expected to be supported by continued expansion of its AUM, increasing participation in the growing retail stressed-asset market, and leveraging its established resolution and collection capabilities. The rapid increase in the retail portfolio indicates a deliberate diversification beyond its traditional corporate-loan focus, while its nationwide operating network provides a platform to pursue additional stressed-asset opportunities across geographies and borrower segments. There is no directly comparable listed pure-play ARC in India; key ARC peers such as Edelweiss, Phoenix and ACRE are unlisted, while JM Financial operates within the listed but diversified JM Financial group. ARCIL also compares favorably with peers on financial strength, with a 2% PAT-to-average-AUM ratio and 12% ROA, both among the highest in the peer set, while its 0.11 debt-to-equity ratio was the lowest among the top private ARCs. This reflects strong profitability, operating efficiency and a conservative capital structure. **At the upper price band of Rs. 139, ARCIL is valued at a P/E of 11.1x with a diluted EPS of Rs. 12.5. Its improving Retail and SME mix, strong operating efficiency and potential increase in stressed-asset supply provide a constructive outlook. Therefore, we assign a "SUBSCRIBE" rating to the issue.**

Key Risks

⇒ ARCIL's revenue and profitability are highly dependent on the size and composition of its AUM. Lower asset availability, increased competition or higher SR redemptions could reduce AUM and negatively impact earnings.

⇒ RBI inspections have identified certain policy and compliance deficiencies in the past. Further non-compliance could result in penalties, operational restrictions and reputational damage.

⇒ ARCIL depends on competitive bidding to acquire stressed assets at suitable prices. Limited asset supply, adverse economic conditions or unsuccessful bids could constrain growth, while delays in recovering acquired assets could further impact profitability. Its 69% corporate-loan AUM concentration also increases exposure to stress in the corporate sector.

Asset Reconstruction Company (India) Ltd.

Standalone Income Statement (Rs. in crores)

Particular	FY24	FY25	FY26
Revenue			
Revenue From Operations	570	596	753
Total Revenue	**570**	**596**	**753**
Expenses			
Employee Benefits Expenses	56	61	64
Other Expenses	102	71	133
Total Operating Expenses	**158**	**132**	**196**
EBITDA	**412**	**465**	**557**
Depreciation & Amortization	2	2	3
EBIT	**410**	**463**	**554**
Finance Costs	5	12	36
Other Income	4	27	32
PBT	**409**	**477**	**550**
Tax	104	122	142
PAT	**305**	**355**	**408**
Diluted EPS	**9.4**	**10.9**	**12.6**

Source: RHP, BP Equities Research

Standalone Cash Flow Statement (Rs. in crores)

Particulars	FY24	FY25	FY26
Cash Flow from operating activities	203	320	154
Cash flow from/(used in) investing activities	-16	-610	-1,024
Net cash flows (used in) / from financing activities	-55	94	766
Net increase/(decrease) in cash and cash equivalents	**132**	**-196**	**-104**
Cash and cash equivalents at the beginning of the period	**200**	**332**	**137**
Cash and cash equivalents at the end of the period	**332**	**137**	**33**

Source: RHP, BP Equities Research

Asset Reconstruction Company (India) Ltd.

Standalone Balance Sheet (Rs. in crores)

Particulars	FY24	FY25	FY26
ASSETS			
Non-financial assets			
Current Tax Assets	132	36	56
Property, Plant and Equipment	37	35	37
Other Intangible Assets	0	4	4
Intangible Assets Under Development	3	1	0
Other Non-Financial Assets	60	62	66
Total Non-financial assets	**233**	**137**	**162**
Financial assets			
Cash and Cash Equivalents	332	137	33
Bank Balance other than Cash and Cash Equivalents	77	122	66
Trade Receivables	73	72	122
Loans	0	0	20
Investments	2,062	2,772	4,025
Other Financial Assets	17	24	33
Total Financial assets	**2,562**	**3,127**	**4,299**
Total Assets	**2,795**	**3,264**	**4,461**
Liabilities and Equity			
Equity			
Equity Share Capital	325	325	325
Other Equity	2,138	2,443	2,754
Total Equity	**2,463**	**2,768**	**3,079**
Non-financial liabilities			
Deferred Tax Liabilities	11	46	105
Provisions	40	42	18
Other Non-Financial Liabilities	18	71	26
Total Non-financial liabilities	**69**	**158**	**149**
Financial liabilities			
Payables	1	2	0
Borrowings	150	306	1,205
Other Financial Liabilities	112	30	27
Total Financial liabilities	**264**	**338**	**1,233**
Total Liabilities and Equity	**2,795**	**3,264**	**4,461**

Source: RHP, BP Equities Research

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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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