

Asset Reconstruction Co.(India) IPO

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- The company is engaged in acquiring stressed assets from banks and financial institutions across India and is the leading player in the segment.
- The company posted growth in its top and bottom lines between FY24 and FY26.
- It is the first mover in the segment and second most profitable private ARC in India.
- Based on its recent average financial data, the issue appears fully priced.
- Well-informed investors can plan investment in this leader for medium to long term rewards.

About the Company

Asset Reconstruction Co. (India) Ltd. (ARCIL) is an asset reconstruction company ("ARC") operating across India and are engaged in the business of acquiring stressed assets from banks and financial institutions and implementing resolution strategies through restructuring, enforcement of rights on underlying securities and settlement aimed at maximizing recovery and optimizing the value of such stressed assets in order to generate revenue streams. The company is pioneers in the asset reconstruction industry since it was the first ARC to be incorporated in India (Source: CRISIL Report) having obtained its certificate of registration to commence operations on August 29, 2003 from the Reserve Bank of India ("RBI") pursuant to the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("SARFAESI Act"). It completed its first acquisition of stressed assets in December 2003 and have been operating for over two decades.

ARCIL is the second most profitable private ARC in India during Fiscal 2025 with a profit for the year of Rs. 355.32 cr. on a standalone basis and were the second largest ARC in India in terms of assets under management ("AUM") with an AUM of Rs. 16852.57 cr., as of March 31, 2025. (Source: CRISIL Report). The company had the second largest net worth among private ARCs in India with a net worth of Rs. 2767.80 cr. on a standalone basis, as of March 31, 2025. (Source: CRISIL Report) The company operates across the country through a network of 13 offices across 12 states (including Delhi) and employ 206 personnel, as of March 31, 2026. As of March 31, 2026, it worked with 218 registered valuers, 206 collection agents and had 988 lawyers empaneled with it.

Its first mover advantage in the asset reconstruction industry in India and long operating history has equipped it to navigate the evolving regulatory landscape for asset reconstruction and securitization in India, providing it significant competitive advantages. The Company was one of the four ARCs with a Net Owned Fund in excess of regulatory requirement in October 2022, (Source: CRISIL Report) which provided it another platform to acquire stressed assets as a resolution applicant beyond traditional resolution mechanisms and thereby further expand its AUM. According to the CRISIL

Report, only five ARCs in India met such criteria as of March 31, 2025.

ARCIL operates across three business verticals - Corporate loans, SME and Other loans and Retail loans and classify the stressed assets that it acquires based on the resolution mechanism it employs which are subject to its internal assessments. The company bids for stressed assets and deploy a mix of resolution and collection strategies, based on the nature of the underlying loan portfolio or the single credit stressed asset. As of March 31, 2026, it had acquired Rs. 89909.34 cr. in total principal debt at a cost of Rs. 44114.43 cr. or 49.07% of the total principal debt and had made recoveries of Rs. 31914.78 cr. It acquires both, single-credit and portfolios of stressed secured and unsecured assets from financial institutions and then restructure, resolve as well as employ collection strategies using various legal and data analytics mechanisms, thereby generating both, fee income and investment income for it.

It has established strong relationships with banks and financial institutions which helps it in acquiring stressed assets and since its inception, it has worked with 32 private sector banks (including two erstwhile banks which have since been merged and nine foreign banks), two co-operative banks, 28 public sector banks (including 16 erstwhile public sector banks which have since been merged), 51 non-banking financial companies (including one erstwhile non-banking financial company which has since been merged), 18 housing finance companies (including one erstwhile housing finance company which has since been merged) and seven other selling institutions (four insurance companies and three financial institutions).

ARCIL has focused on increasing the proportion of Retail loans in its portfolio. It has been active in successfully acquiring and resolving retail loans since 2008 and SME and Other loans since inception by having created the required infrastructure including teams, processes, branches and technology, thereby providing it with a first-mover advantage. According to the CRISIL Report, the stressed assets opportunity is shifting from Corporate to Non-corporate loans with the retail segment in particular experiencing rising stress levels.

Issue Details / Capital History

The company is coming out with its maiden book building route secondary IPO of 52731946 equity shares (worth Rs. 732.97 cr.at the upper cap). The company has announced a price band of Rs. 132 – Rs. 139 per equity shares of Rs. 10 each. The issue opens for subscription on September 09, 2026, and will close on September 11, 2026. The minimum application to be made is for 107 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 16.23% of the post-IPO paid-up equity capital. This is a pure Offer for Sale (OFS) and hence no fund is going to the company. The company is doing this OFS for dilution of equity and for the main purpose of listing/unblocking its real value along with the listing benefits.

The joint Book Running Lead Managers (BRLMs) to this issue are IIFL Capital Services Ltd., IDBI Capital Markets & Securities Ltd., and JM Financial Ltd., while MUFG Intime India Pvt. Ltd. is the

registrar to the issue. JM Financial Services Ltd. is a syndicate member.

After issuing initial equity shares at par value, the company has issued further equity shares in the price range of Rs. 30.00 – Rs. 84.00 between November 2006, and December 2008. The average cost of acquisition of shares by the promoters/selling stakeholders is Rs. 35.43, Rs. 36.76, Rs. 55.62, and Rs. 84.00 per share.

Post-IPO, its current paid-up equity capital of Rs. 324.90 cr. (324897140 equity shares) will remain same as this is a pure secondary issue. Based on the upper cap of the price band, the company is looking for a market cap of Rs. 4516.07 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has (on a consolidated basis) posted a total income/net profit, of Rs. 609.49 cr. / Rs. 310.89 cr. (FY24), Rs. 607.84 cr. / Rs. 309.24 cr. (FY25), and Rs. 749.92 cr. / Rs. 322.69 cr. (FY26). The company posted growth in its top and bottom lines from FY24 to FY26, and posted average 50+% net margins for the reported periods. Its contingent liability stood at Rs. 2.00 cr. as of March 31, 2026.

For the last three fiscals, the company has posted an average EPS of Rs. 10.49 and an average RoNW of 12.94 %. The issue is priced at a P/BV of 1.53 based on its NAV of Rs. 90.96 as of March 31, 2026, as well as on post-IPO basis.

If we attribute FY26 super earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at P/E of 14.00. Based on FY25 earnings, the P/E stands at 14.60. The issue appears fully priced based on its recent average performance.

For the reported periods, the company has reported Return on Average Total Assets of 10.25% (FY24), 8.18% (FY25), 6.95% (FY26), and RoAE of 14.15%, 12.95%, 12.52%, respectively, for the referred periods.

Dividend Policy

The company has paid dividends of 15% for FY24, 30% for FY25 and 10% for FY26. It has already adopted a dividend policy in August 2022 (and revised it in May 2024), based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has no listed player to compare with.

(L-R): Sagar Mehta (Assistant Vice President, IIFL Capital Services Limited, formerly known as IIFL Securities Limited), Pramod Kumar Gupta (Chief Financial Officer, Asset Reconstruction Company (India) Limited), Phanindranath Kakarla (Chief Executive Officer and Managing Director, Asset Reconstruction Company (India) Limited), , Raj Kishore Singh (Chief Executive Officer and Managing

Director, IDBI Capital Markets & Securities Limited) and Sonia Dasgupta (Chief Executive Officer, JM Financial Limited) addressing the gathering at the Asset Reconstruction Company (India) Limited IPO Press Conference.

Merchant Banker's Track Record

The three BRLMs associated with this issue has handled 88 IPOs in the last three fiscals and out of which 26 IPOs closed below the issue price on listing date.

Conclusion / Investment Strategy

ARCIL is engaged in acquiring stressed assets from banks and financial institutions across India and is the leading player in the segment. The company posted growth in its top and bottom lines between FY24 and FY26. It is the first mover in the segment and second most profitable private ARC in India. Based on its recent average financial data, the issue appears fully priced. It will catch the first mover fancy post listing. Well-informed investors can plan investment in this leader for medium to long term rewards.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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