ASSET RECONSTRUCTION COMPANY (INDIA) LIMITED

IPO NOTE | 08th September, 2026

Canara Bank Securities Ltd
canmoney.in

ABOUT THE COMPANY: Asset Reconstruction Co. (India) is a pioneers in the asset reconstruction industry since they were the first ARC to be incorporated in India (Source: CRISIL Report) having obtained their certificate of registration to commence their 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”). They completed their first acquisition of stressed assets in December 2003 and have been operating for over two decades.

KEY BUSINESS INSIGHTS:

Avenue Capital (NY, $15 bn AUM) holds ~70% in ARCIL, built by buying out banks; SBI is a founding promoter with ~20%. India’s systemic credit is ~₹200 lakh crore (~102% of GDP) vs China’s ~200%, implying large credit-growth headroom. Retail credit has risen from 25%→37% of total and grows 13–15% YoY, driving stress in retail/SME even as GNPA ratios sit near decadal lows; given the size of the book, absolute stressed volumes remain very large. India’s BFSI stressed pool is ₹22–23 lakh crore: SME ~₹9 lakh cr, retail ~₹7 lakh cr, corporate ~₹7.5 lakh cr. Of this, ₹15 lakh cr are NPAs + written-off assets; critically, ₹9 lakh cr are written-off and invisible in reported GNPA, creating a big private market for ARCs. All ARCs together manage only ₹1.25–1.5 lakh cr (acquisition value), i.e., <10% of the total stressed book, so penetration runway is huge. ARCIL’s AUM is ₹20,150 cr (acquisition value, Mar-2026), the 2nd-largest ARC in India and largest private-sector ARC, mapping to ~₹50,000 cr principal outstanding. Its proprietary co-investment is ₹4,400 cr (22% of AUM), well above the 15% regulatory minimum, aligning interests with investors. ARCIL is pivoting from large corporate to faster-resolving retail/SME: retail+SME AUM share rose from ~19–20% to 32% (Mar-2026), with a ~56% 3-year CAGR; in FY26 it acquired more retail than corporate assets, with retail volumes up ~50% YoY (2.2× FY25).

OUR VIEW: The Indian ARC market is highly concentrated, with the top 7 players holding 74% of AUM. ARCIL is the second-largest ARC with a 12.6% market share (AUM ₹16,852.57 cr as of Mar-31, 2025) and ranks as the most profitable private ARC by RoA (11.73% in FY25), while maintaining the lowest leverage and strongest capitalization headroom among standalone peers. MFIs carry large, persistent NPA books; ARCIL is studying MFI stress patterns to build capabilities to tap this under-served segment over the longer term. The shift by banks/NBFCs to ECL provisioning will force more stressed-asset sales to ARCs, expanding ARCIL’s acquisition pipeline. The outsourced collections market is fragmented and unregulated; ARCIL aims to be the first regulated entity offering end-to-end collections from early overdues to NPAs. Counterparties (banks/NBFCs) are sophisticated and price deals to leave sufficient IRR for ARCIL, supporting profitable acquisitions. NARCL is a complement, not a competitor: it targets mega public-sector NPAs needing government guarantees, leaving corporate/retail/SME stress cycles for private ARCs like ARCIL. **Revenue/EBITDA/PAT grew at 9%/9%/3% CAGR (FY24–26). Given the oligopolistic structure, ARCIL’s superior competitive positioning, and the vast stressed-asset opportunity, we recommend subscribing for the long term**

SUBSCRIBE

ISSUE DETAILS	
Price Band (in ₹ per share)	132.00-139.00
Issue size (in ₹ Crore)	733.00
Fresh Issue (in ₹ Crore)	NA
Offer for Sale (in ₹ Crore)	733.00
Issue Open Date	09-09-2026
Issue Close Date	11-09-2026
Tentative Date of Allotment	15-09-2026
Tentative Date of Listing	17-09-2026
Total Number of Shares	52731946
Face Value (in ₹)	10.00
Exchanges to be Listed on	NSE/BSE

APPLICATION	LOTS	SHARES	AMOUNT (₹)
Retail (Min)	1	107	₹14,873
Retail (Max)	13	1,391	₹1,93,349
S-HNI (Min)	14	1,498	₹2,08,222
S-HNI (Max)	67	7,169	₹9,96,491
B-HNI (Min)	68	7,276	₹10,11,364

BRLMs: IIFL Capital Services Limited (formerly known as IIFL Securities Limited), IDBI Capital Markets & Securities Limited, JM Financial Limited

PROMOTERS: Avenue India Resurgence Pte.Ltd. and State Bank of India.

OBJECTS OF THE OFFER

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.

BRIEF FINANCIALS

PARTICULARS (Rs. Cr) *	FY26	FY25	FY26
Share Capital***	324.9	324.9	324.9
Net Worth	2,955.21	2,663.14	2,426.51
Revenue From Operations	721.69	581.76	605.82
EBITDA	532.78	466.07	443.62
EBITDA Margin (%)	351.69	329.51	330.47
Profit/(Loss) After Tax	73.82%	80.11%	73.22%
EPS (in Rs.)	10.82	10.14	10.17
Net Asset Value (in ₹)	90.96	81.97	74.69
P/E#	12.85	NA	NA
P/B#	1.53		

**Restated consolidated financials; #Calculated at upper price band*

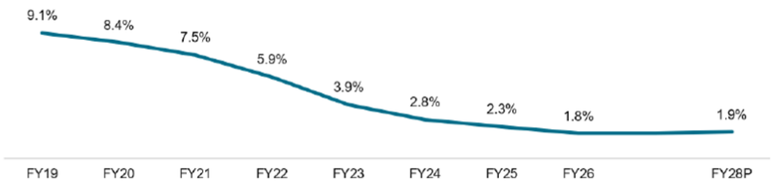
Source: RHP

INDUSTRY OVERVIEW

The Indian economy has witnessed a notable improvement in the financial health of companies over the past few fiscal years. This upward trend is attributed to the concerted efforts of Indian banks to rectify their balance sheets, coupled with enhanced collection efficiency. As a result, GNPA ratio of Scheduled Commercial Banks (“SCBs”) has consistently declined since Fiscal 2019. As of March 31, 2026, the GNPA ratio stood at 1.8%, indicating a significant reduction in stressed assets.

Over the last few years, the asset quality of Scheduled commercial banks has improved due to certain key factors such as strengthened risk management and underwriting practices that led to higher preferences for borrowers with better credit profiles. As per results of the stress tests conducted by RBI to evaluate the financial strength of SCBs, the GNPA levels of SCBs are expected to rise slightly to at least 1.9% by Fiscal 2028 (discussed in more detail in this subsection).

Trend of GNPA over the years (%)



Note: RBI projected the aggregate GNPA ratio of SCBs to increase to 1.9% in March 31, 2028 under the baseline scenario
Source: Financial Stability Reports of RBI, CRISIL Intelligence

Despite the decline in GNPA, the write-off amounts by SCBs have remained substantial, with cumulative write-offs totaling approximately ₹ 13.6 Trillion during the period Fiscal 2019 to Fiscal 2025.

GNPA and Write-off over the years

(Amount ₹ in Billion)

Particulars	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025
GNPA of SCBs	9,336.1	8,960.8	8,350.5	7,424.0	5,718.5	4,807.0	4,316.3
1) Change in NPA - growth/(fall) compared to previous year	(1,025.8)	(375.3)	(610.3)	(926.5)	(1,705.5)	(911.5)	(490.7)
2) Annual Write-offs of SCBs	2,362.7	2,341.7	2,027.8	1,749.7	2,091.4	1,702.7	1,372.6*
Changes in GNPA + write-offs (1+2)	1,336.9	1,966.4	1,417.5	823.1	386.0	791.2	881.9

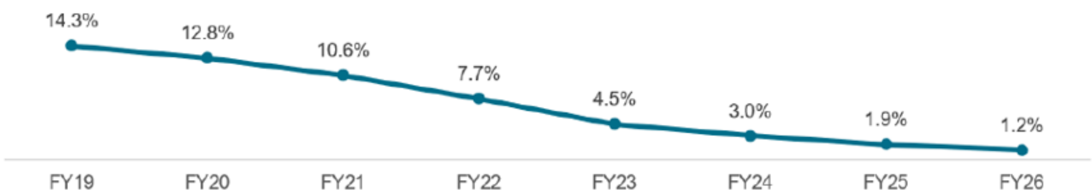
Note: Numbers are rounded off to nearest billion up to one decimal point; (*) For Fiscal 2019 to Fiscal 2024, annual write offs have been directly sourced from the RBI database but for Fiscal 2025, annual write off has been calculated by applying Write off to Gross NPA ratio on total Gross NPAs, since annual write off data was directly not available.
Source: RBI, CRISIL intelligence

The average annual write-offs of approximately ₹ 2,000 Billion in the last 7 years also played a key role in reducing GNPA levels of the banks. Recovery numbers of banks also increased during this period due to improved business outlook for some of the key underlying sectors such as power, real estate, steel, etc. which were earlier under stress.

Lower corporate NPAs propel downward trend in SCBs' GNPAs

The GNPA levels of large borrowers (with aggregate exposure of ₹ 50 Million and above to any single SCB) in SCBs has significantly declined from 14.3% in Fiscal 2019 to 1.2% in Fiscal 2026.

Trend in GNPA levels of large borrowers (%)



Source: Financial Stability Reports of RBI, CRISIL Intelligence

(Amount ₹ in Billion)

Particulars	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025
GNPA of Large Borrowers (SCBs)	7,674.2	4,596.8	6,505.0	4,625.2	3,082.3	2,288.1	1,618.6

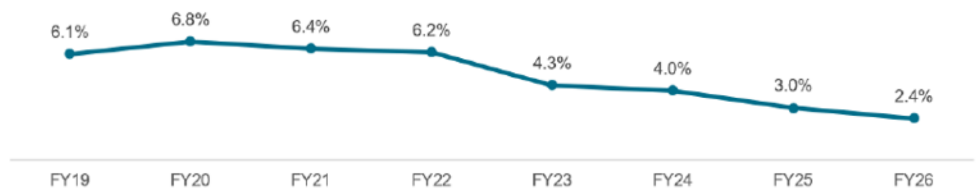
Note: Numbers are rounded off to nearest billion up to one decimal point; GNPA on Large Borrowers is calculated on Overall Gross NPA
Source: Financial Stability Reports and RBI, CRISIL Intelligence

INDUSTRY OVERVIEW

NBFCs' GNPAs: 5 Years of improvement, a likely deterioration ahead

Like the banking sector, NBFCs have also witnessed a decline in GNPA levels in Fiscal 2025 & Fiscal 2026 due to the overall improvement in asset quality, better risk management etc.

Trend of GNPA Levels over the years (%)



Source: RBI financial stability reports, CRISIL Intelligence

GNPA of NBFCs over the last 7 years

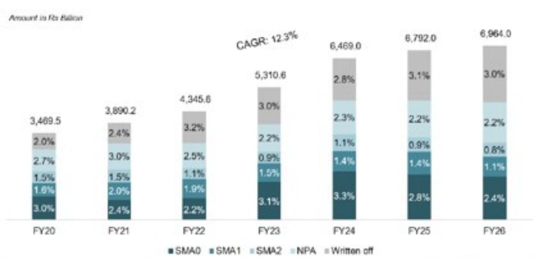
(Amount in ₹ Billion)

Particulars	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023	Fiscal 2024	Fiscal 2025
GNPA ("NBFCs")	1,412.5	1,673.2	1,729.7	1,830.5	1,461.9	1,611.0	1,451.6

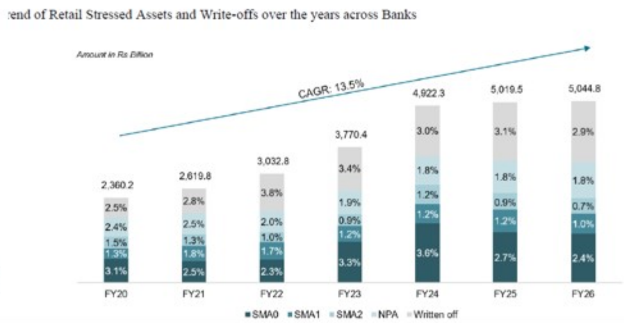
Note: GNPA absolute numbers are calculated by applying GNPA% on gross advances reported in RBI report; Numbers are rounded off to nearest billion up to one decimal point.
Source: RBI- Trends and Progress of Banking in India, Crisil Intelligence

The stressed assets (falling under SMA, NPA, written off categories) in the retail segment grew at approximately 12.3% CAGR during Fiscal 2020 to Fiscal 2026 due to various factors such as Covid-19 pandemic, rising delinquencies in unsecured segments, etc. The growth in Retail stressed assets for Banks and NBFCs was approximately 13.5% and approximately 9.6% CAGR respectively during this period.

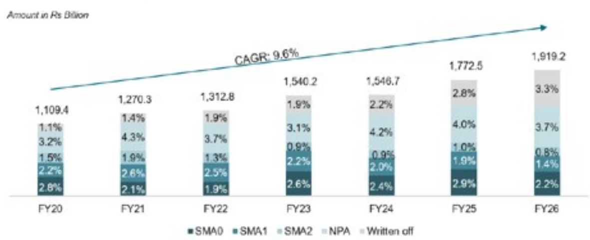
Trend of overall Retail Stressed Assets over the years across Banks and NBFCs



Note: % is the share of each SMA 0, SMA1, SMA2, NPA and written off with respect to the total outstanding retail portfolio of that year. Retail portfolio here includes Housing Loan, Vehicle Loans (Used car, Auto loans), Consumer loans, Credit cards, Student Loan and Personal Loans (including short term personal loans); Here NBFCs include Housing Finance Companies (HFCs) as well; Small Finance Banks are not included in Banks.
Source: Consumer Bureau Data shared by Experian, CRISIL Intelligence



Trends of Retail Stressed Assets and Write-offs over the years across NBFCs



Note: % is the share of each SMA 0, SMA1, SMA2, NPA and written off with respect to the total outstanding retail portfolio of that year. Retail portfolio here includes Housing Loan, Vehicle Loans (Used car, Auto loans), Consumer loans, Credit cards, Student Loan and Personal Loans (includes short term personal loans); Here NBFCs include Housing Finance Companies (HFCs) as well.
Source: Consumer Bureau Data shared by Experian, CRISIL Intelligence

COMPETITIVE STRENGTHS OF THE COMPANY

India's First ARC with the second Largest AUM

Established in 2002, they have been a pioneer in the asset reconstruction industry and have an established track record of over two decades in the asset reconstruction industry in India:

- they were the first ARC to be incorporated in India *(Source: CRISIL Report)* having obtained their certificate of registration to commence their operations on August 29, 2003 from the RBI and completed their first acquisition of stressed assets in December 2003;
- they were the second largest ARC in India in terms of AUM, as of March 31, 2024, with an AUM of ₹ 168,525.70 million, as of March 31, 2025. *(Source: CRISIL Report);*
- they were the second most profitable private ARC in India during Fiscal 2025 with a profit after tax of ₹ 3,553.19 million on a standalone basis during Fiscal 2025. *(Source: CRISIL Report)*;
- they had the second largest net worth among private ARCs in India as of March 31, 2025 with a net worth of ₹ 27,677.98 million on a standalone basis, as of March 31, 2025. *(Source: CRISIL Report);*
- they had recorded the lowest expenses on a standalone basis in Fiscal 2025 as a percentage of average total AUM as of March 31, 2025 among the top 7 ARCs in India (in terms of AUM as of March 31, 2025), with expenses on a standalone basis as a percentage of Average AUM of 0.68%. *(Source: CRISIL Report)*;
- they had the highest profit after tax on a standalone basis in Fiscal 2025 as a percentage of average total AUM as of March 31, 2025 among the top 7 ARCs in India with vintage, (in terms of AUM, as of March 31, 2025), with a profit after tax on a standalone basis as a percentage of Average AUM of 2.22%. *(Source: CRISIL Report)*;
- they had the second highest capital adequacy ratio, among the top 7 ARCs in India (in terms of AUM as of March 31, 2025), with a capital adequacy ratio of 88.41% as of March 31, 2025. *(Source: CRISIL Report)*;
- they had the highest return on assets on a standalone basis amongst the top 7 ARCs in India (in terms of AUM as of March 31, 2025) in Fiscal 2025, with a return on assets on a standalone basis of 11.73% in Fiscal 2025. *(Source: CRISIL Report)*;
- they have the lowest debt to equity ratio on a standalone basis amongst top 6 private ARCs in India (in terms of AUM, as of March 31, 2025), as of March 31, 2025, with a debt to equity ratio on a standalone basis of 0.11 as of March 31, 2025. *(Source: CRISIL Report)*

Expertise in Acquiring Stressed Assets with increasing investment in SRs

They have developed expertise in acquiring stressed assets and follow a disciplined acquisition process with a view to acquire lower risk portfolios. They have implemented a comprehensive credit assessment and risk management framework to evaluate potential acquisitions, determine the recovery potential of the assets and manage risks inherent in their operations. They follow a structured approach of gathering, consolidating and analysing data for their credit assessment. They have invested in their information technology systems and implemented automated, digitized and other technology-enabled platforms and proprietary tools to assist them with credit assessment. For retail loans, they use data analytics to create scorecards for each borrower in conjunction with credit information companies ("CIC") scrubs in order to assist them with predicting the risk profile of borrowers, probability of recovery and over underwriting and resolution decision making.

They have established strong relationships with banks and financial institutions which facilitates the acquisition of stressed assets. It also provides them access to QBs who invest in the trusts that they set up for the acquisition of stressed assets. Since their inception, they have 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). They believe that this diversification gives them the ability to acquire stressed assets from a broad base of sellers, negotiate better terms and work with them as co-investors for certain of their acquisitions. The table below sets out details of stressed assets acquired as of the dates indicated:

Particulars	As of March 31, 2026	As of March 31, 2025	As of March 31, 2024
Total outstanding amount of stressed assets acquired (in ₹ million)	1,603,716.63	1,355,236.31	1,219,367.00
Principal outstanding amount of stressed assets acquired (in ₹ million)	899,093.41	726,573.07	645,645.42
SRs Issued by the trusts managed by us (in ₹ million)	441,144.32	381,556.32	341,797.61

Source: RHP

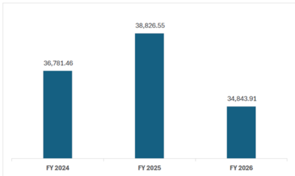
COMPETITIVE STRENGTHS OF THE COMPANY

Ability to Implement Resolution Strategies and a Robust Collections Framework

They have established a robust collections framework and specialized collection teams for each of their three business verticals of Corporate loans, SME and Other loans and Retail loans. Their approach to their collections function is aimed at achieving optimal outcomes for theirselves and the borrowers. Their collections for Corporate and SME and Other loans are managed by their in-house teams where their dealing officers and in-house legal officers engage with borrowers to recover dues through restructuring negotiations or enforcement actions. For retail borrowers, they worked with over 206 collection agents as of March 31, 2026. They utilize a digital collections platform with loan collection workflow tools and data analytics tools for tracking and enhancing borrower communication, borrower segmentation, payment prioritization schedules and legal actions. They use data analytics and a prioritization model to segment and prioritize accounts based on the risk and potential for recovery to improve their collections efficiency.

The effectiveness of their collections framework is reflected in their increasing collections over the last three Fiscals as set out below:

(in ₹ million)



Their collections also results in the ability of the trusts managed by them to redeem SRs issued to qualified buyers. The table below sets out details of SR redemption by the trusts managed by them:

Particulars	As of March 31, 2026	As of March 31, 2025	As of March 31, 2024
Cumulative SRs Issued by the trusts managed by us (₹ million)	441,144.32	381,556.32	341,797.61
Cumulative Redemption by the trusts managed by us (₹ million)	224,000.27	197,619.10	175,385.99
Cumulative SR Redemption Ratio*	50.78%	51.79%	51.31%

* *Cumulative SR Redemption Ratio is cumulative Security Receipts redeemed by the trusts managed by the Company till last day of the relevant year divided by Cumulative Security Receipts issued by the trust managed by the Company till last day of the relevant year.*

Track Record of Consistent Financial and Operational Performance

They have demonstrated a consistent track record of financial performance that is attributable to their focussed approach on profitable growth, strategic bidding, implementation of resolution strategies and ability to collect outstanding amounts. In accordance with RBI Guidelines, security receipts that are held by them 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. However, the resolution of such stressed assets continues until the entire recovery proceeds are received. Hence, their AUM is bifurcated into more than eight years and less than eight years. During Fiscals 2026, 2025 and 2024, they made a recovery of ₹ 3,656.72 million, ₹ 9,744.63 million and ₹ 8,519.95 million against the AUM which was more than eight years, respectively.

The following table sets forth details of AUM, outstanding security receipts and cumulative SR Redemption Ratio as of the dates indicated:

(₹ million)

Particulars	As of March 31, 2026	As of March 31, 2025	As of March 31, 2024
AUM	201,499.87	168,525.70	152,300.31
- *Corporate loans*	138,527.61	127,200.05	119,564.02
- *SME and Other loans*	15,524.65	13,846.85	13,313.33
- *Retail loans*	47,447.61	27,478.80	19,422.96
Outstanding Security receipts held for less than eight years	131,097.72	96,605.85	79,309.45
Outstanding Security receipts held for more than eight years	70,402.15	71,919.85	72,990.86
Cumulative SR Redemption Ratio*	50.78%	51.79%	51.31%

* *Cumulative SR Redemption Ratio is is cumulative Security Receipts redeemed by the trusts managed by the Company till last day of the relevant year divided by Cumulative Security Receipts issued by the trust managed by the Company till last day of the relevant year.*

(₹ million unless otherwise indicated)

Particulars	Fiscal 2026	Fiscal 2025	Fiscal 2024
Total security receipts issued by the trusts managed by us for the year	59,588.00	39,758.61	20,689.82
Our share of investment in total security receipts issued by the trusts managed by us for the year	20,230.46	12,814.79	9,449.78
Our investment ratio	33.95%	32.33%	45.67%

* *Our investment ratio is defined as our share of investment in total security receipts issued by the trusts managed by us for the year divided by the total security receipts issued by the trusts managed by us for the year, multiplied by 100.*

The following table sets forth details of the ageing of their AUM, as of March 31, 2026:

Particulars	AUM (₹ in million)	Our share in the AUM (₹ in million)
Up to 1 year	56,184.80	17,636.04
More than 1 year and up to 3 years	38,933.28	12,385.36
More than 3 years and up to 5 years	28,338.97	4,716.36
More than 5 years and up to 8 years	7,640.67	1,744.09
More than 8 years	70,402.15	7,604.03

The following table sets forth certain financial information of our Company on a restated and standalone basis for the years indicated:

Particulars	As at/ for the year ended March 31, 2026	As of/for the year ended March 31, 2025	As of/for the year ended March 31, 2024
Revenue from operations (₹ million)	7,530.42	5,964.23	5,701.41
Fees and other income	2,800.95	1,719.08	1,788.71
Other operating income	1,913.12	1,922.53	823.38
Recovery of security receipts, unrealized fee and expenses (written off earlier)	659.14	1,000.32	2,874.74

RISK FACTORS

Revenue and profits are largely dependent on the value and composition of their AUM

A significant portion of their revenue is derived from management fees/ trusteeship fees charged by them for managing stressed asset portfolios, and from their investments into the stressed asset portfolios that they manage. The table below sets forth their revenue earned from fee income (which also includes their collection fees) and investment income for the years indicated on a consolidated and standalone basis:

Particulars (on a consolidated basis)	Fiscal 2026		Fiscal 2025		Fiscal 2024	
	Amount (₹ in million)	As a percentage of revenue from operations (%)	Amount (₹ in million)	As a percentage of revenue from operations (%)	Amount (₹ in million)	As a percentage of revenue from operations (%)
Fee income (corresponding to fee and other income in the Restated Consolidated Financial Information)	2,355.49	53.47%	1,275.96	39.09%	1,466.75	49.46%
Investment income (corresponds to other operating income in the Restated Consolidated Financial Information)	2,050.13	46.53%	1,988.02	60.91%	1,498.96	50.54%
Total	**4,405.62**	**100.00%**	**3,263.96**	**100.00%**	**2,965.71**	**100.00%**

Particulars (on a standalone basis)	Fiscal 2026		Fiscal 2025		Fiscal 2024	
	Amount (₹ in million)	As a percentage of revenue from operations (%)	Amount (₹ in million)	As a percentage of revenue from operations (%)	Amount (₹ in million)	As a percentage of revenue from operations (%)
Fee income (corresponding to fee and other income in the Restated Standalone Financial Information)	2,800.95	59.42%	1,719.08	47.21%	1,788.71	68.48%
Investment income (corresponds to other operating income in the Restated Standalone Financial Information)	1,913.12	40.58%	1,922.53	52.79%	823.38	31.52%
Total	**4,714.07**	**100.00%**	**3,641.61**	**100.00%**	**2,612.09**	**100.00%**

Their management fees/ trusteeship fees are usually calculated and charged to the trust holding the stressed assets as a percentage of the AUM managed by them. Their management fee/ trusteeship fee ranges from 0.25% to 5.00% of the AUM managed by the relevant trust depending on the underlying commercials with each trust. Such management fees are charged where the vintage of the AUM is less than eight years. The following table sets forth details of the ageing of their AUM, as of March 31, 2026:

Particulars	AUM (₹ in million)	*Our share in the AUM (₹ in million)*
Up to 1 year	56,184.80	17,636.04
More than 1 year and up to 3 years	38,933.28	12,385.36
More than 3 years and up to 5 years	28,338.97	4,716.36
More than 5 years and up to 8 years	7,640.67	1,744.09
More than 8 years	70,402.15	7,604.03

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

Particulars	March 31, 2026		March 31, 2025		March 31, 2024	
	Amount (₹ in million)	(% of AUM)	Amount (in ₹ million)	(% of AUM)	Amount (in ₹ million)	(% of AUM)
Corporate loans	1,38,527.61	68.75%	127,200.05	75.48%	119,564.02	78.51%
SME and Other loans	15,524.65	7.70%	13,846.85	8.22%	13,313.33	8.74%
Retail loans	47,447.61	23.55%	27,478.80	16.31%	19,422.96	12.75%
Total AUM	**201,499.87**	**100.00%**	**168,525.70**	**100.00%**	**152,300.31**	**100.00%**
Company's Investment*	**44,085.89**	**21.88%**	**32,983.01**	**19.57%**	**27,633.87**	**18.14%**

**Company's investment (%) = Company's holding of SRs in a particular trust / total outstanding SRs of a particular trust*100.*

Their inability to recover outstanding amounts from the stressed assets

The income and cash flow they generate from their stressed assets depends on various factors, including their ability to manage their stressed assets effectively. They utilize different resolution strategies targeted at maximizing the potential of recovery from the distressed assets they acquire. These include resolution mechanisms pursuant to the IBC; reaching mutual settlements with borrowers; restructure or reschedule outstanding debt; sell underlying assets pursuant to the SARFAESI Act and through the Debt Recovery Tribunal; and recovering amounts due by liquidating underlying assets above a particular reserve price.

The table below sets out details in relation to the collections and redemptions of SRs by the trusts managed by them for the years indicated:

(in ₹ million, unless specified otherwise)

Particulars	Fiscal 2026	Fiscal 2025	Fiscal 2024
Opening AUM	168,525.70	152,300.31	162,234.83
Additions to AUM during the year	59,588.00	39,758.71	20,689.82
Redemption	26,381.17	22,233.11	29,534.71
Write-off	232.65	1,300.22	1,089.63
Closing AUM	201,499.87	168,525.70	152,300.31
Collections	34,843.91	38,826.55	36,781.46
Redemption % on opening AUM (%)	15.65%	14.60%	18.20%

RISK FACTORS

Non-compliance with RBI's observations made during any inspection could expose them to penalties and restrictions.

They are subject to periodic inspection by the RBI, wherein their books of accounts and other records, including details of stressed assets, corporate governance, regulatory compliances, systems and controls among others, are inspected for the purpose of verifying the correctness and completeness of any statement, information or particulars furnished to the RBI, or for the purpose of obtaining any statements, information or particulars which their Company has failed to furnish.

In the last three Fiscals, RBI has conducted two off-site assessments and inspections for supervisory evaluation and one select scope inspection under the SARFAESI Act. Subsequent to the first off-site assessment and inspection, the RBI issued the inspection and risk assessment report on February 15, 2024 (the "**IRAR**"), the major supervisory concerns of which are as follows: (i) non-compliance with the provisions of the Regulatory Framework for Asset Reconstruction Companies dated October 11, 2022; (ii) deficiency in succession planning policy; (iii) deficiency/ absence of certain policies pertaining to acquisition, resolution, expected credit loss, dividend distribution, KYC, outsourcing and business continuity plan; (iv) compliance parameters for review of the Fair Practice Code not being as per the applicable provisions of law; (v) delays in issuance of no dues certificate and release of securities to the borrowers; (vi) deficiency in the due diligence process as prescribed by internal policies; (vii) scope of the internal audit was not included in the internal audit policy; (viii) reliance on KYC information provided by selling institutions without undertaking independent customer due diligence before onboarding customers; and (ix) lack of complaint management system to track receipt of complaints at the head office and branches. Their Company, through its letter dated March 30, 2024 responded to the RBI and provided its action/ compliance on RBI's observations, which include (i) revising the terms of reference of the Audit Committee to ensure compliance with provisions of the Regulatory Framework for Asset Reconstruction Companies dated October 11, 2022; (ii) framing a succession plan to ensure that vacancies are filled in time bound manner (iii) updating and adopting the relevant policies, as applicable; (iv) reviewing the parameters of compliance to Fair Practice Code; (v) review of the internal audit scope; and (vi) implementation of complaint management system to track complaints received. They furnished an updated response to RBI's observations through their letter dated April 15, 2024.

While the RBI has not levied any penalty or taken any enforcement action for the above non-compliances, or in the preceding three Fiscals, and they have provided necessary clarifications or undertaken to ensure compliance with the above observations, they cannot assure that such steps will be satisfactory and that the RBI will not have further observations in the future or will not impose any penalties for non-compliances. There can be no assurance that the RBI will not make similar or other observations in the future. As per the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, ("**SARFAESI Act**") the failure of any asset reconstruction company to comply with any direction issued by the RBI under the SARFAESI Act, can result in imposition of a penalty not exceeding ₹10 million or twice the amount involved in such failure where such amount is quantifiable, whichever is more. If any company fails to pay the penalty within 30 days of receipt of the notice, its registration shall be cancelled, post providing an opportunity of being heard.

They bid for stressed assets through a competitive bidding process including the Swiss challenge and anchor process. If they are unable to source and acquire a sufficient amount of stressed assets at appropriate prices, their growth, competitive position, financial condition and results of operations may be adversely affected.

They bid for stressed assets through a competitive bidding process, including the Swiss challenge and anchor process, where stressed assets are assigned upon satisfaction of the prescribed qualifying criteria. Once prospective bidders satisfy the pre-qualification requirements of the tender, the stressed assets are usually assigned on the basis of price

The erstwhile Reserve Bank of India (Transfer of Loan Exposure) Directions, 2021 governed the transfer of stressed loans from lenders, such as commercial banks, non-bank financial companies etc. to ARCs. The RBI Consolidated Master Directions has split these into specific directions for each class of lender. For instance, the transfer of stressed loans by Non-Banking Financial Companies to ARCs is governed by Reserve Bank of India (Non-Banking Financial Companies – Transfer and Distribution of Credit Risk) Directions, 2025. Under the Swiss challenge mechanism, an ARC interested in acquiring a stressed loan may offer a bid to the lender ("Base Bid"). The lender shall then publicly call for counter-bids. If a counter bid is received which meets the criteria specified by RBI and is higher than the Base Bid, the counter bid becomes the challenger bid. The ARC which issued the Base Bid has the right to either match the challenger bid or bid higher than the challenger bid. In the event the ARC does bid higher, its bid shall become the winning bid, else the challenger bid shall be the winning bid. While they have, in the past, been assigned stressed assets through competitive bidding processes including the Swiss challenge and anchor process, they cannot assure you that they will continue to be assigned stressed assets through such processes. Some of the new entrants may also bid at lower margins in order to win bids. In Fiscals 2026, 2025 and 2024, they acquired 27.04%, 96.24% and 74.80%, respectively, of their stressed assets acquired in the relevant Fiscals through such competitive bidding processes.

The table below provides details of the total number of bids in value terms in which we participated and won in the relevant Fiscals:

Particulars	Fiscal 2026	Fiscal 2025	Fiscal 2024
Bids participated (₹ million)	75,150.77	57,512.40	56,801.11
Bids won (₹ million)	59,588.00	39,758.71	20,689.82
Percentage of Bids won (%)	79.29%	69.13%	36.43%

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

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Analyst Certification

We/I, Sankita V, MBA, Mcom Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

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We shall adhere to SEBI guidelines from time to time.

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