IPO RESEARCH REPORT

Asset Reconstruction Company (India) Limited

India's First & Second-Largest Asset Reconstruction Company | Set to Become India's First Listed ARC

IPO Opens: 09 Sep 2026 | **IPO Closes:** 11 Sep 2026 | **Listing:** 17 Sep 2026 (BSE & NSE)

OUR VERDICT	PRICE BAND	GMP (AS OF 09 SEP)
SUBSCRIBE	**₹132 – ₹139**	**₹26 (~19%)**
Long-Term Investors	Lot: 107 shares	Est. Listing ₹165

GMP is an unofficial, unregulated grey-market indicator and can change sharply before listing. This report is for informational purposes only and is not a guarantee of listing gains. Please read the full Disclaimer in Section 13.

1. IPO AT A GLANCE

Issue Details

Particulars	Details
Company Name	Asset Reconstruction Company (India) Limited (ARCIL)
Issue Type	Book Built Issue (Mainboard)
Face Value	₹10 per Equity Share
Price Band	₹132 to ₹139 per Equity Share
Lot Size	107 Equity Shares
Minimum Retail Investment	₹14,873 (1 lot at upper price band)
Total Issue Size	₹732.97 Crore (5,27,31,946 Equity Shares)
Fresh Issue	Nil — No fresh issue component
Offer for Sale (OFS)	5,27,31,946 Equity Shares (100% of the Issue)
Listing At	BSE & NSE
Book Running Lead Managers	IIFL Capital Services Ltd., IDBI Capital Markets & Securities Ltd., JM Financial Ltd.
Registrar to the Issue	MUFG Intime India Pvt. Ltd.
Promoters	Avenue India Resurgence Pte. Ltd. & State Bank of India
Market Cap at Upper Band	~₹4,516 Crore

IPO Timeline

Event	Date
Anchor Investor Bidding Date	08 September 2026 (Tue)

Event	Date
IPO Open Date	09 September 2026 (Wed)
IPO Close Date	11 September 2026 (Fri)
Basis of Allotment Finalisation	15 September 2026 (Tue)
Initiation of Refunds / Credit to Demat	16 September 2026 (Wed)
Listing Date	17 September 2026 (Thu)

Quota / Reservation Details

Investor Category	Allocation (% of Net Issue)
Qualified Institutional Buyers (QIB)	Not more than 50%
Non-Institutional Investors (NII / HNI)	Not less than 15%
Retail Individual Investors (RII)	Not less than 35%

> ***Note:*** *The Offer is entirely an Offer for Sale by the Promoters (Avenue India Resurgence Pte. Ltd. & State Bank of India) and two other selling shareholders (Lathe Investment Pte. Ltd. and Federal Bank Ltd.). The Company will not receive any proceeds from the Offer.*

2. COMPANY OVERVIEW

History & Background

Asset Reconstruction Company (India) Limited (ARCIL) was incorporated in February 2002 and holds the distinction of being India's first Asset Reconstruction Company (ARC), having received its certificate of registration from the Reserve Bank of India (RBI) in August 2003. With a track record spanning over two decades, ARCIL is currently the second-largest ARC in India by assets under management (AUM), which stood at ₹20,150 crore as of FY26. Upon listing, ARCIL will become the first publicly traded ARC in the country.

Business Model

ARCIL acquires stressed and non-performing financial assets from banks and financial institutions — typically at a discount to the outstanding amount owed — and implements resolution strategies to recover and maximise value from these assets. The Company deploys multiple resolution mechanisms depending on the nature of the stressed asset, including resolution under the Insolvency and Bankruptcy Code (IBC), negotiated settlements with borrowers, restructuring/rescheduling of debt, and enforcement of security under the SARFAESI Act through the Debt Recovery Tribunal (DRT). This multi-pronged approach provides ARCIL flexibility to choose the most value-accretive recovery route for each stressed account.

Business Segments

- Corporate Loans — large single-credit and portfolio-based stressed corporate exposures (~69% of AUM)
- Retail Loans — a fast-scaling vertical focused on stressed retail credit (~23% of AUM)
- SME & Other Loans — stressed small and medium enterprise exposures (~8% of AUM)

Operational Infrastructure

As of March 31, 2026, ARCIL operated through 13 offices across 12 states (including Delhi) with 206 permanent employees. Its operations are supported by an extensive external network of over 218 registered valuers, 206 collection agents and 988 empanelled lawyers, providing end-to-end capability across acquisition, valuation, resolution and collections.

Promoters

ARCIL is promoted by Avenue India Resurgence Pte. Ltd. (an affiliate of New York-headquartered global investment firm Avenue Capital Group), which holds 69.73% pre-issue, and State Bank of India (SBI), India's largest public sector bank, which holds 19.95% pre-issue. This institutional-cum-public sector promoter combination lends ARCIL both global distressed-asset investing expertise and deep domestic banking relationships. Other shareholders include GIC-backed Lathe Investment Pte. Ltd. (5.00%) and Federal Bank Ltd. (1.27%). Post-issue, combined promoter shareholding is expected to reduce from ~89.7% to ~78.7%, indicating a calibrated partial dilution rather than an exit.

3. ORDER BOOK / KEY OPERATING METRICS

₹20,150 Cr	11.73%	13 / 12	₹3,484 Cr
AUM (FY26)	Standalone RoA (FY25)	Offices / States	Collections (FY26)

AUM Composition (FY26)

Segment	% of AUM (approx.)
Corporate Loans	~69%
Retail Loans	~23%
SME & Other Loans	~8%

Collections Trend

Particulars	FY24	FY25	FY26
Collections (₹ Crore)	3,678.15	3,882.65	3,484.39
Retail Loan AUM (₹ Crore)	1,942.30	—	4,744.76
Stressed Asset Acquisitions (₹ Crore)	2,069	—	5,959
Total AUM (₹ Crore)	15,230	16,852.6	20,150

> ***Analyst Note:*** *Retail borrower count grew ~227% over FY24–FY26, reflecting ARCIL's strategic pivot toward the fast-growing retail stressed-asset segment even as corporate exposures continue to dominate AUM.*

4. FINANCIAL PERFORMANCE

Particulars (₹ Crore)	FY24	FY25	FY26	CAGR (FY24–FY26)
Revenue from Operations	570.14	596.42	753.04	14.9%
Profit After Tax (PAT)	305.34	355.32	407.84	15.6%
PAT Margin (%)	53.6%	59.6%	54.2%	—
EBITDA Margin (%, FY26)	—	—	73.8%	—
Diluted EPS (₹, FY26)	—	—	10.82	—
Debt-to-Equity Ratio	0.06x	~0.15x	0.39x	—

Analyst Notes on Financial Anomalies

Caution: *PAT growth of 15.6% CAGR over FY24-FY26 masks a sharp decline in operating cash flow — from ~₹551 crore in FY24 to ~₹194 crore in FY26 — even as reported borrowings rose nearly 4x. A meaningful part of FY26 income (~₹194 crore) stems from fair-value accretion on security receipts (SRs) already held rather than cash recoveries, and legacy SR write-back income has fallen sharply (₹288 crore in FY24 to ₹66 crore in FY26). Investors should distinguish accounting gains from realised cash recoveries when assessing earnings quality.*

Positive: *On the positive side, ARCIL's fee-based income (management & trusteeship fees) has grown from ₹126 crore to ₹200 crore over the same period, indicating a gradual, healthy shift toward more predictable, recurring revenue streams — a genuine improvement in income quality.*

5. VALUATION ANALYSIS

Metric	Value
P/E (Lower Band ₹132, FY26 Diluted EPS ₹10.82)	~12.20x
P/E (Upper Band ₹139, FY26 Diluted EPS ₹10.82)	~12.85x
Market Cap (at Upper Band)	~₹4,516 Crore
Standalone RoA (FY25)	11.73%
Debt-to-Equity (FY26)	0.39x
Capital Adequacy Ratio	~65% (vs RBI minimum of 15%)
Standalone Operating Expense Ratio	0.68% of AUM (industry-leading)

Peer Context

Per the Red Herring Prospectus, there are no listed Asset Reconstruction Companies in India, making a direct domestic listed-peer P/E comparison unavailable — ARCIL will be the first listed ARC on Indian exchanges. While state-backed asset management companies exist in markets such as China and Thailand, their distinct regulatory frameworks limit the usefulness of cross-border valuation comparisons. Market commentary on the IPO's implied multiple has ranged from ~11x to ~15.5x depending on whether standalone or consolidated financials and pre- or post-dilution EPS bases are used — we have used the RHP-disclosed consolidated FY26 diluted EPS for consistency.

6. USE OF ISSUE PROCEEDS

Important: *This Offer is a 100% Offer for Sale (OFS). There is no fresh issue component, and hence ARCIL will not receive any proceeds from the IPO. All proceeds will accrue directly to the selling shareholders, net of Offer-related expenses.*

Selling Shareholders & Offered Shares

Selling Shareholder	Shares Offered	Pre-Issue Holding
Avenue India Resurgence Pte. Ltd. (Promoter)	2,48,23,910	69.73%
State Bank of India (Promoter)	1,09,63,062	19.95%
Lathe Investment Pte. Ltd.	1,62,44,858	5.00%
Federal Bank Ltd.	7,00,116	1.27%
Total	5,27,31,946	—

7. INDUSTRY OVERVIEW & TAILWINDS

India's stressed-asset resolution ecosystem has matured considerably over the past decade, aided by the Insolvency and Bankruptcy Code (IBC), the SARFAESI Act, and RBI's evolving securitisation and asset reconstruction guidelines. ARCs like ARCIL act as a critical release valve for the banking system, acquiring non-performing assets from banks and NBFCs and freeing up their balance sheets for fresh lending.

- Retail credit stress in banks and NBFCs increased from ₹3.47 lakh crore (FY20) to ₹6.96 lakh crore (FY25), creating a large addressable pool for ARC acquisition.
- MSME credit stress reached ₹9.2 lakh crore by FY26, opening a meaningful new segment for specialised ARCs.
- Corporate stressed assets stood at ₹5.92 lakh crore, sustaining a steady pipeline of large-ticket resolution opportunities.
- The nature of stress is shifting from legacy corporate NPAs toward retail and MSME segments, favouring ARCs with strong data-analytics and retail collection capabilities.
- RBI's continued push for securitisation and a more standardised SR (Security Receipt) framework is improving transparency and investor participation in the sector.
- Consolidation is increasing among ARCs, benefiting well-capitalised, institutionally-backed players with proven recovery track records.

8. KEY STRENGTHS

- India's first ARC and currently the second-largest by AUM (₹20,150 crore as of FY26), with a 22+ year operating track record.
- Poised to become India's first listed Asset Reconstruction Company, offering a differentiated, scarce listed exposure to the stressed-asset resolution theme.

- Strong institutional promoter backing — global investment firm Avenue Capital Group and India's largest public sector bank, SBI.
- Diversified AUM mix across Corporate, Retail and SME segments, reducing dependence on any single resolution cycle.
- Fast-scaling retail stressed-asset vertical — retail AUM grew from ₹1,942 crore to ₹4,745 crore, with borrower count up ~227% over two years.
- Multiple resolution mechanisms (IBC, SARFAESI/DRT, negotiated settlement, restructuring) provide flexibility to optimise recovery for each asset.
- Industry-leading standalone operating expense ratio of just 0.68% of AUM, reflecting a lean, efficient operating model.
- Industry-leading standalone Return on Assets of 11.73% (FY25), well ahead of typical NBFC/ARC benchmarks.
- Robust, extensive collections infrastructure of 218+ registered valuers, 206 collection agents and 988 empanelled lawyers across 13 offices in 12 states.
- Conservative capital structure — Debt-to-Equity of just 0.39x and capital adequacy of ~65%, well above RBI's 15% minimum, leaving significant headroom for growth funding.
- Strong credit ratings of ICRA AA- (Stable) for bonds/NCD/LTR and CRISIL AA- (Stable) for LTR.
- Growing share of predictable, fee-based management and trusteeship income (up from ₹126 crore to ₹200 crore), improving earnings quality over time.

9. KEY RISKS & CONCERNS

Risk Factor	Description	Severity
100% Offer for Sale	The Company receives zero proceeds from the IPO; no fresh growth capital is being raised via this listing, and near-term capital expansion is not directly funded by the Offer.	HIGH
No Listed Peer	ARCIL will be India's first listed ARC — there is no direct domestic listed peer, making relative valuation benchmarking difficult and subjective.	HIGH
Recovery-Dependent, Lumpy Earnings	Profitability hinges on unpredictable factors — acquisition price, resolution timelines, recovery rates and economic conditions — making earnings inherently lumpy rather than steadily compounding.	HIGH
Operating Cash Flow Decline	Operating cash inflow fell from ~₹551 crore (FY24) to ~₹194 crore (FY26) even as reported PAT rose, signalling a divergence between accounting profit and cash generation that warrants monitoring.	HIGH
Rising Leverage	Debt-to-Equity increased from 0.06x (FY24) to 0.39x (FY26) as borrowings rose nearly 4x to fund asset acquisitions.	MEDIUM
Corporate Loan Concentration	Approximately 69% of AUM is concentrated in stressed corporate loans, exposing the portfolio to large-ticket resolution and sector-specific risk.	MEDIUM
Regulatory Risk	The ARC industry operates under stringent and evolving RBI guidelines; adverse changes to SR issuance norms, capital adequacy requirements or IBC/SARFAESI provisions could restrict operations.	MEDIUM
Declining Legacy SR Income	Income from recovery of previously written-off security receipts fell from ₹288 crore (FY24) to ₹66 crore (FY26), a shift investors should factor into future income projections.	MEDIUM
Third-Party Dependence	The business relies on external valuers, collection agents and empanelled lawyers for critical functions; disruption to this network could affect operations.	LOW

Risk Factor	Description	Severity
IT Systems Dependence	Operations depend significantly on proprietary scorecards, CIC scrubs and asset-tracking technology systems; any disruption could impact acquisition and collection efficiency.	**LOW**
Competitive Industry	The asset reconstruction industry is highly competitive, with a Swiss-challenge/anchor bidding process for asset acquisition that can affect pricing and deal availability.	**LOW**

10. IPO TIMELINE & HOW TO APPLY

Minimum / Maximum Lot Details (Approximate, at Upper Band ₹139)

Category	Lots	Shares	Amount (₹)
Retail (Minimum)	1	107	14,873
Retail (Maximum)	13	1,391	1,93,349
S-HNI / Small NII (Minimum)	14	1,498	2,08,222
B-HNI / Big NII (Minimum)	~68	7,276	10,11,364

> ***Analyst Note:*** *Lot and category cut-offs above are indicative based on standard SEBI bidding-value thresholds (₹2 lakh and ₹10 lakh) and may vary marginally; please refer to the final RHP and your broker's bidding platform for exact figures.*

How to Apply — ASBA / UPI Process

- Log in to your net-banking account and locate the ASBA / IPO application section, or open your broker's trading/UPI app.
- Select 'Asset Reconstruction Company (India) Limited' from the list of live IPOs.
- Enter the quantity (in multiples of the 107-share lot) and your preferred bid price within the ₹132–₹139 band, or select 'Cut-off Price'.
- For UPI-based applications, enter your UPI ID and authorise the mandate request received in your UPI app within the stipulated time.
- For net-banking ASBA, the bid amount will be blocked (not debited) in your bank account until allotment.
- On successful allotment, the blocked amount for allotted shares is debited and shares are credited to your demat account; the balance is unblocked automatically.
- Track allotment status on the registrar's website (MUFG Intime India Pvt. Ltd.) using your PAN, Application Number or DP/Client ID after 15 September 2026.

11. GMP & INVESTOR SENTIMENT

Particulars	Details
Latest GMP (as of 09 Sep 2026, 10:30 AM IST)	₹26 per share (~19% over upper band)
GMP Range During Bidding Period	₹14 – ₹27

Particulars	Details
Estimated Listing Price (Indicative)	~₹165 (Upper Band ₹139 + GMP ₹26)
Day-1 Subscription — Overall	~0.15x (as of Day 1, partial)
Day-1 Subscription — Retail	~0.25x
Day-1 Subscription — NII	~0.11x
Day-1 Subscription — QIB	Nil (as of Day 1, partial)
Anchor Investor Allocation	₹219.89 Crore raised from 21 institutional investors on 08 Sep 2026

Analyst Note: *GMP (Grey Market Premium) is an informal, unregulated indicator that trades outside stock exchanges and can swing sharply within a single day. It should never be used as the sole basis for an investment decision. Anchor allocation saw strong participation from marquee domestic mutual funds (WhiteOak Capital, Aditya Birla Sun Life, Bandhan, Tata, JM Financial, Groww) and global FPIs including Goldman Sachs Funds, reflecting healthy institutional confidence even as Day-1 public subscription started tepidly, partly reflecting the pure-OFS structure.*

12. GANESH STOCKINVEST RECOMMENDATION

SUBSCRIBE

Recommended for Long-Term Investors Seeking Financial-Sector Diversification

Investment Rationale

- Reasonable valuation of ~12.2x–12.9x FY26 diluted EPS for a market-leading, first-of-its-kind listed ARC with a 22-year track record.
- Institutional-quality promoter backing (Avenue Capital Group + SBI) lends credibility, deal access and a conservative capital structure.
- Industry-leading operating efficiency (0.68% opex/AUM) and RoA (11.73%) reflect a well-run, disciplined franchise.
- Structural tailwinds from India's growing retail, MSME and corporate stressed-asset pools support a multi-year growth runway.
- Scarcity value — the only listed pure-play ARC on Indian exchanges, offering differentiated exposure to the credit-cycle recovery theme.

Caution Factors

- 100% OFS structure means no fresh capital for the Company; investors are purely buying into existing promoter dilution.
- Lumpy, recovery-dependent earnings profile — not a steady compounding financial services business; quarter-to-quarter volatility should be expected.
- The recent divergence between PAT growth and declining operating cash flow needs to be watched closely over the next few quarters.
- Absence of a listed domestic peer makes valuation benchmarking inherently more subjective than for typical NBFC/financial-services IPOs.

Suited For

- Long-term investors seeking diversified exposure to India's financial services and credit-recovery ecosystem.
- HNI and institutional investors comfortable with cyclical, recovery-linked earnings and a multi-year holding horizon.
- Retail investors may also consider a moderate allocation, given the reasonable valuation and healthy GMP-implied listing gains, but should size the position appropriately given the sector's inherent unpredictability.
- Not recommended as a large, concentrated position for investors purely seeking short-term listing gains, given the tepid Day-1 institutional (QIB) response and mixed analyst commentary in the broader market.

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