

India's Oldest Asset Reconstruction Company, ARCIL, Files for IPO



Asset Reconstruction Company (India) Ltd (ARCIL), the nation's first and oldest asset reconstruction company (ARC), has filed its Draft Red Herring Prospectus (DRHP) with the Securities and Exchange Board of India (SEBI). The move initiates the process for an initial public offering (IPO) that will see several of its key shareholders, including Avenue Capital Group, State Bank of India (SBI), and others, sell a portion of their stakes. This public offering represents a major step for the company and the broader asset reconstruction sector in India.

The IPO is structured as a complete "Offer For Sale" (OFS), meaning the company itself will not raise any new capital from the public issue. Instead, the proceeds will go directly to the existing shareholders who are offloading their stakes. According to the DRHP, a total of up to 10.54 crore equity shares will be offered. The largest seller is Avenue India Resurgence Pte Ltd, an affiliate of Avenue Capital Group, which plans to sell up to 6.87 crore shares. Other notable sellers include SBI, which will offload up to 1.94 crore shares, and Singapore's sovereign fund, GIC, through its arm Lathe Investment Pte Ltd, which is making a complete exit by selling its entire 5% stake.

ARCIL, which was incorporated in 2002 and registered with the Reserve Bank of India (RBI) in 2003, plays a critical role in the Indian financial system by acquiring stressed assets from banks and financial institutions. The company's business model revolves around resolving these non-performing assets through various strategies like debt restructuring, enforcement of security rights, and settlements to maximize recovery value. A CRISIL report cited in the DRHP highlights ARCIL's strong performance, ranking it as the second most profitable ARC in fiscal year 2024, with a standalone profit of over ₹305 crore.

The filing of the DRHP, a preliminary document that provides detailed information about the company and the proposed offer, is the first formal step in the IPO process. The document will now be reviewed by SEBI, and once approved, ARCIL will proceed with the public issue. The eventual listing on the BSE and NSE will provide an opportunity for public investors to participate in a company at the forefront of India's financial sector, which has a critical role to play in clearing up bad loans and strengthening the banking system.