"Asset Reconstruction Company (India) Limited

Q1 FY27 Earnings Conference Call"

October 07, 2026

"E&OE - The transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 07th October 2026 will prevail"

MANAGEMENT: **MR. PHANINDRANATH KAKARLA – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR – ASSET RECONSTRUCTION COMPANY (INDIA) LIMITED**
MR. PRAMOD GUPTA – CHIEF FINANCIAL OFFICER – ASSET RECONSTRUCTION COMPANY (INDIA) LIMITED
STRATEGIC GROWTH ADVISORS – INVESTOR RELATIONS ADVISORS

MODERATOR: **MR. RIKIN SHAH – IIFL CAPITAL**

Moderator: Ladies and gentlemen, good day, and welcome to Asset Reconstruction Company (India) Limited Q1 FY27 Earnings Conference Call hosted by IIFL Capital. As a reminder, all participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rikin Shah from IIFL Capital. Over to you, sir.

Rikin Shah: Thank you, Iqra. Good evening, everyone. Welcome to Asset Reconstruction Company (India) Limited Q1 FY27 Earnings Conference Call. From the management side, we have with us Mr. Phanindranath Kakarla, CEO and Managing Director, and Mr. Pramod Gupta, CFO. They will be discussing with us the Q1 FY27 earnings results summary and the outlook for the business going ahead.

Without taking any more time, I will hand it over to Mr. Phanindranath Kakarla for his opening remarks. Thank you, and over to you, sir.

Phanindranath Kakarla: Thank you. Good evening, ladies and gentlemen, and welcome to the earnings call of Asset Reconstruction Company (India) Limited for the first quarter ended June 30th, 2026. I am Phanindranath Kakarla, Chief Executive Officer and Managing Director of Arcil. Joining me today are Pramod Gupta, Chief Financial Officer. We also have IIFL Capital, our call host, and Strategic Growth Advisors, our Investor Relations Advisors, on the line.

This is our first earnings call since our equity shares were listed in September 2026, and I would like to thank our shareholders, analysts, and the wider investment community for joining us. The listing matters to us for another reason. Asset reconstruction companies have been an important and growing part of India's lending ecosystem for two decades, helping lenders clean up their balance sheets and recycle capital into new credit. Yet the industry has remained largely out of public view. As the first ARC to be listed, we hope to bring greater visibility to the role ARCs play and to the opportunity ahead of them.

That opportunity is substantial. With more than two decades of resolution experience, a strong balance sheet, and a platform built for scale, we believe Arcil is well-placed to take advantage of it. Our approach to the stressed assets business can be summarized in one line: buy with discipline, resolve with urgency, and deploy capital with a clear focus on returns.

Today, I will cover three points: the size of the opportunity in front of the ARC industry, the capabilities Arcil has built, and the track record that shows these capabilities at work. Pramod will then take you through our Q1 results and explain why our standalone financials are the right lens for Arcil.

How the ARC business works: for those newer to our industry, here is how it works. An ARC acquires stressed loans from banks and other financial institutions, usually at a discount to the dues outstanding. Each acquisition is held in a separate trust, which issues security receipts to

fund the purchase. The ARC must invest in a minimum share of these security receipts, and the selling lender or other investors may hold the rest.

The ARC then works to resolve the loans through settlement, restructuring, enforcement of security, or proceedings under the insolvency framework. And the recoveries are used to redeem the security receipts. Lenders get a way to transfer stressed exposures and release capital for new lending. And a specialist institution brings its capital and resolution expertise to recovering value from them.

Let me start with the market. Stressed assets are a structural feature of any growing credit system, not a feature of one particular cycle. As India's credit market has expanded, so has the pool of stress within it. According to a CRISIL report, total stressed assets across banks and NBFCs, including special mention accounts, NPAs, and written-off loans, are around INR24 lakh crores. Of this, around INR12 lakh crores is written off books, which no longer appears in lenders' reported NPAs, but still holds recovery value.

The composition of this pool is also broadening. Retail stress has roughly doubled from about INR3.5 lakh crores in FY20 to about INR7 lakh crores in FY26. MSME stress stands at about INR9.2 lakh crores, and the corporate pool remains large and steady at about INR7.6 lakh crores.

The point at which ARCs can engage is also moving earlier. ARCs can now acquire special mention accounts before loans become NPAs, and according to the CRISIL report, these accounted for about 30% of new ARC acquisitions in FY25, up from about 14% in FY24. Earlier participation widens the resolution options because the borrower's business and the collateral are often in better shape.

Each year, ARCs acquire only a small share of this pool, below 10% as per our estimates. With more stress still on lenders' books, a well-capitalized, well-equipped ARC has substantial room to grow.

The capabilities to take advantage: capturing this opportunity takes a combination of capabilities, pricing and underwriting at the point of acquisition, resolution expertise across very different classes, legal and on-ground infrastructure, and technology to operate at scale. This is where Arcil's history of building expertise and capabilities matters.

Arcil was India's first ARC, incorporated in 2002. We have resolved corporate stressed assets for more than two decades and have acquired and resolved retail loans since 2008. So, we have operated through several credit and resolution cycles.

In corporate and SME, we use the full range of resolution routes: restructuring, negotiated settlement, enforcement under SARFAESI and the DRTs, and resolution under IBC. In retail, the model is different. It is about scale, data, and execution.

Today, we manage more than 3.29 million retail borrowers on our technology platform, using proprietary scorecards, skip tracing, segmentation, automated settlement workflows, and digital

payments. This platform is also the foundation of our collection as a service business, through which we intend to offer our collection capabilities to banks and NBFCs.

Underpinning all of this are relationships built over two decades. Lenders come back to us because they have seen how we price, how we resolve, and how we treat our borrowers. And over the years, we have worked with more than 140 lending institutions, many of them repeatedly.

We work with a nationwide network of lawyers, valuers, and collection partners who know our standards and processes, and we work with borrowers to find resolutions that preserve value wherever possible, rather than defaulting to enforcement. And we do it with a lot of empathy and understanding of the borrowers.

In a business built on trust and access to deal flow, these relationships are hard to replicate, and they are among our most durable advantages. Finally, we structure transactions flexibly, from all-cash acquisitions to structures in which sellers invest alongside us. And we commit our own capital in every deal. As of June, Arcil's own investment in its AUM stood at about INR4,200 crores, roughly 22% of AUM.

Our income follows from this model. We charge management fees and recovery incentives for managing and resolving assets. We also earn returns on our own investment in security receipts, including upside income once they are fully redeemed, as well as interest income, write-backs when we recover amounts written off in earlier years, and mark-to-market changes on our SR investments. Put simply, recoveries drive our income, and we have built this expertise of over 20 years, now close to 25 years.

The test of these capabilities is the track record, and I would point to four things. First, scale. Our AUM has grown from INR15,230 crores in March 2024 to INR20,150 crores in March 2026, about 15% a year, while our own investment in that AUM has grown about 26% a year.

Second, we are gaining share. Over the last two years, Arcil's share of industry AUM rose from 11% to 15%. Our share of new acquisitions grew even faster, from 6% in FY24 to 10% in FY25, and 17% in FY26, a year in which we acquired close to INR6,000 crores.

Third, disciplined pricing. Across the portfolio we manage, we have acquired assets at about 26% of their outstanding dues, and our AUM today represents only around 14% of the INR1.4 lakh crores of dues we manage. That discount is our margin of safety, and it is the main reason credit risk in our book is contained.

Fourth, consistent recoveries. We have recovered more than 20% of our opening AUM every year, between 21% and 25%. And our cumulative SR redemption ratio stood at 52.5% in June. That consistency shows in how we have grown. Over the last three years, profit after tax has grown about 20% a year, from INR239 crores in FY23 to INR408 crores in FY26. We have grown without stretching on price, with acquisition cost holding at 26% to 27% of dues every year.

We have diversified the book, with retail and SME rising from about 21% to 31% of AUM since March 2024. And we have kept the balance sheet conservative, with debt to equity of 0.34 times and capital adequacy of 72.5% today. That is growth that is steady, calibrated, and risk-managed, and it is how we intend to keep growing.

Before I hand over, one point about how to read our results. Our business has a seasonality, similar to that of the lending industry. Lenders sell most stressed assets towards the end of the financial year, as part of the asset quality and provisioning reviews they carry out ahead of year-end. In FY26, Q1 accounted for just 8% of our acquisitions for the year, and Q4 was almost half.

Recoveries in our corporate book, meanwhile, come in chunky amounts that are difficult to time exactly because they depend on resolution events. Given the seasonality of acquisitions and chunky nature of corporate recoveries, our performance is best read over longer periods and trends, rather than quarter by quarter. Quarter 1 reflects both a recovery-led quarter in a seasonally light period for acquisitions.

With that, I will hand over to Pramod. Thank you.

Pramod Gupta: Thank you, Phani, and good evening, everyone. I will cover three things, our Q1 performance and how to read it, our balance sheet, and why we present and manage the business on a standalone basis.

Q1 FY27 in context. Q1 was a recovery-led quarter. Recovery rose 150%, and profit after tax more than doubled, driven by strong corporate resolution, while acquisition followed our usual seasonal pattern.

Starting with scale, as of June 30, 2026, our AUM stood at INR19,574 crores, up 16% on a year, and dues outstanding under management rose 20% to INR1.40 lakh crores. Corporate, retail, and SME represented about 68%, 24%, and 8% of AUM, respectively.

Our acquisition, our business builds through the year. In FY26, we acquired about INR502 crores in Q1, about INR2,538 crores across Q2 and Q3, and over INR2,900 crores in Q4. Q1 FY27 follows the same pattern.

We acquired INR353 crores of stressed assets, with Arcil investing INR143 crores of its own capital. This is about INR150 crores less than last year Q1, roughly 2.5% of what we acquired across FY26. The activity and pipelines we are currently seeing give us confidence that acquisitions through the year will be strong. As always, price remains central to every acquisition we make.

Recoveries, meanwhile, rose sharply. Total recoveries were INR1,066 crores against INR425 crores in Q1 FY26, an increase of 151%. This is the core of our model. Value is created not by acquiring stressed assets, but by resolving them and converting those resolutions into cash. Our cumulative SR redemption ratio rose to 52.5% from 50.8% in March '26.

The size of this increase also reflects the nature of our corporate recoveries. These are chunky. Our corporate book is about INR13,000 crores, so resolutions there will always come as individual, sizable recoveries. Because they are event-based, depending on milestones such as settlements, court orders, or asset sales, there can be timing difference from one quarter to the next.

Retail recoveries, being granular, are far steadier. A strong corporate resolution in one quarter does not mean the next quarter will match it, and a lighter quarter does not signal a weak book. Put simply, Q1 acquisitions were about 6% of last year's full-year level, below the usual Q1 share, while Q1 recoveries were 31% of last year's total, and Q1 profit, 35%, both above.

Financial performance, standalone. Revenue from operations was INR274 crores, up 128% on-year, and total income was INR276 crores, up 115%. Fee and other income more than doubled to INR118 crores, reflecting the larger AUM and higher resolution during the quarter. Recovery of security receipts, fee and expenses written off in earlier years, contributed INR120 crores.

I want to be clear about this item. Recovery value from assets we have previously written off is a recurring part of our business. It contributed about INR288 crores in FY24, INR100 crores in FY25, and INR66 crores in FY26. The amount varies with timing of resolution, and this quarter was a strong one, so it is best assessed over several years over a longer period.

Net unrealized mark-to-market gains were INR23.6 crores. On expenses front, finance costs rose to INR25 crores from INR3.2 crores, as we move to moderate borrowings since the second half of FY26 to fund the strong acquisition activities. And those acquisitions have yet to contribute fully in terms of the collections and the other income. Major views of leverage support our return on equity.

We made an ECL provision of INR22 crores. This relates to certain receivables that we expect to realize in the near term, at which point the provision would be reversed. Employee expenses were INR21 crores, reflecting the impact of new wage code and normal increments, and other expenses were INR11 crores.

Profit before tax, therefore, was INR192 crores, up 106%, and profit after tax was INR143 crores, up 107%. A PAT margin of about 52% of total income. Diluted EPS for the quarter, not annualized, was INR4.41.

Balance sheet. As of June 30, 2026, our net worth stood at INR3,222 crores, and net owned funds are INR2,792 crores, with CRAR of 72.5%. Borrowings reduced to INR1,100 crores from INR1,200 crores in March, giving a debt-equity ratio of 0.34x, and cash and bank balances stood at INR252 crores. With modest leverage, we have ample capacity to fund acquisitions as the year progresses.

Why standalone is the right lens. Finally, I want to address our consolidated results, which you will also see in our filings. Consolidated profit after tax for the quarter was INR59 crores, against standalone profit of INR143 crores. The difference arises because, under Ind AS, we consolidate about 220 trusts in which Arcil is deemed to have control.

These trusts are non-operating subsidiaries in the usual sense. These assets are held for the benefit of all SR holders, and Arcil acts as trustee. Consolidation removes the fee those trusts pay us, which are expenses in the trust books, and brings in trust-level resolution expenses and fair value movements of the financial securities, which largely belongs to other SR holders.

Our standalone results, by contrast, capture what accrues to Arcil's shareholders the fee we earn and the returns on our investment in security receipts. It is also the basis on which our regulatory ratios, CRAR and net owned funds are monitored. For these reasons, standalone is how we manage and measure the business.

And Slide 21 of our presentation reconciles the two. So, effectively, standalone financial results produce the true value of the state of affairs for our shareholders. Closing to summarize, we operate in a large market in which we have steadily gained shares, with our share of industry AUM rising from 11% to 15% over 2 years.

We have built the capabilities to take advantage of that market, and our disciplined pricing, acquiring at around 26% of the dues, gives us a margin of safety. Q1 was a recovery-led quarter in a seasonally light period of acquisition, and we would encourage you to assess us over the full year and on a standalone basis.

Our objective remains straightforward, buy with discipline, resolve with urgency, and deploy capital with a clear focus on returns.

With that, we conclude our opening remarks and would be happy to take your questions. Thank you.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Rikin Shah from IIFL Capital Services. Please go ahead.

Rikin Shah: Thanks. So I had a couple of questions. The first one is on the recovery rates, to begin in the ARC industry itself. In your presentation, you have disclosed that the recovery rates for the industry itself has gone up from 35% to almost 85% levels in the last few years.

Wanted to understand what's driving this stark improvement in the recovery rates for the industry as a whole, and why do you expect that to improve further, even from current levels? So that's question number one. I have a couple of other questions and I'll come back.

Phanindranath Kakarla: Yes. If I could take that question. Thanks, Rikin, for this question. As the economy improves, I think this is a very peculiar nature of the industry we are in, the ARC industry. In a bad period when the stress is high in the economy, we get assets at a lower rate, at a cheaper price, and as the economy improves, we are able to resolve at a higher rate.

As we all know, the economy is fairly doing well. A lot of real estate assets which were stressed about four to five years ago have all recovered and are repaying and redeeming the various SRs across the industry. And this is what is causing the improved performance across.

Rikin Shah: Got it, sir.

Phanindranath Kakarla: Rikin I hope I have answered this.

Rikin Shah: Yes, sir, clear. Sir, second is on the borrowings. I do notice that sequentially the borrowings have come off. Isn't the debt-equity already very low for us, and isn't the idea to increase the borrowings as the acquisitions come through? So just curious to understand why has it gone down sequentially.

Is it simply because there were limited acquisition opportunities, and hence we did not draw down on the lines and as that represents in the second half, you will draw that down again?

Phanindranath Kakarla: Yes, I think this is actually it's one of the key factors, key peculiarities of the industry, which is the seasonality. As the seasonality, end of the year is where it is peak acquisition time for us, while resolution goes on throughout the year. At the end of the year is when we draw down most of our lines to for the acquisitions.

And through the next year is where, based on resolutions and acquisitions, the borrowing keeps continuing. As we continue to acquire and through second quarter, third quarter, our pipeline is strong, and we are seeing a lot of assets coming up for acquisition, we do believe we will draw down more and even marginally increase our leverage.

Rikin Shah: Got it. Perfect. Thank you.

Moderator: Thank you. The next question is from the line of Bala Murali Krishna from Oman Investment Advisors. Please go ahead.

Bala Murali Krishna: Hi, good evening. On the AUM front, do you have anything in mind so what kind of AUM we are targeting by FY27 end?

Phanindranath Kakarla: I couldn't hear you clearly. Your question was, do you have any guidance on the AUM, was that right?

Bala Murali Krishna: Yes, sir. Exactly.

Phanindranath Kakarla: We will continue to be strong in acquisition and resolution. The easiest way to increase AUM is to keep acquiring and not resolve, but that's not the business we are in, as profitability comes from resolution. We will continue to be active. Our idea is, our focus is on increasing the amount of stressed assets which are coming to the ARC industry and we being a strong participant on that.

So we do believe our AUM will increase, but that and we will continue to acquire more and more assets, balanced by equal, equivalent amount of resolutions. We also resolve about 20% to 25% of our opening of the year AUM, and that's the way we should look at it.

Bala Murali Krishna: Yes. And on the AUM mix front, so I think we are moving higher on the higher side of the retail from the corporate. Is there any basis behind this, do you see that recovery of retail is much better than the corporate or SME, or any thoughts behind this?

Phanindranath Kakarla: It's a reflection of the market itself, availability of assets. We are strong in both, and we will acquire from both because both are independent in a way, our independent businesses which we would want to grow, both of them and the SME business.

The mix is a reflection of availability of assets, and thereby, in the recent past, last couple of years and the first two quarters of this year, there have been more retail assets which were available for acquisition, and that's why the mix has been changing, but again, and that is how we see it going forward from the market, but there is no target balance which we want to bring in.

Bala Murali Krishna: Okay. That's clear. Lastly, on the revenue on line item, recovery of security receipts from written-off earlier, so how do you see this one in the, maybe current year or next year, because it's like bumpy in the last 2 years? So maybe FY25 we have INR100 crores, and then Q1 itself we have INR120 crores. So how to read this line item? And what do you expect in the current year or next year in this line item?

Phanindranath Kakarla: Pramod, you want to take that?

Pramod Gupta: Can you repeat the question? I missed this thing, please.

Bala Murali Krishna: Yes. In revenue line item that recovery of written off earlier is there, but this year I think it's a little bit up and downs up there even in the past few years. In FY25 it's INR100 crores, and now in Q1 itself it's INR120. How do you see this trend in this current year and also going forward, how to read this one?

Pramod Gupta: Yes. So write-back, as we explained in our opening remarks, continues to be a recurring part of our income. You know, this reflects actually the collection what we do against the very complicated cases, legal cases, and legal proceedings, etcetera. So this would keep accruing, as and when they come, but this is event-based. It could be a little lumpy because it will come as and when the case is resolved.

So as we have collected INR120 crores this quarter, which of course is, should not be taken as a trend for the full year, but if you look at our past financials, we continue to get very large sum in as a collection against the written-off assets.

So while we would not have very large sums going forward because write-offs from the system have gone away. As you must have seen, last 2, 3 years large write-offs are not there. So eventually, write-backs would dry down, but for a few years, there would be some write-backs and this would be event-based. So this continues to be a part and parcel of our revenue. Thank you.

Bala Murali Krishna: Okay. Thanks. That's all from my side. All the best.

Moderator: Thank you. We have the next question from the line of Sanil from Dymon Asia. Please go ahead.

Sanil: Yes. Good evening, sir. Thank you for the opportunity and congratulations on a good set of numbers. I just wanted to understand more on your acquisition outlook. In one of the questions

you said acquisition tends to happen more in a downcycle where assets are available cheap. So how are you looking at acquisition, let's say from a 3, 4-quarter or a next 1, 2-year point of view? How are you looking at this acquisition opportunity right now in this current market?

Phanindranath Kakarla: Okay. As I said, there are more assets available in a downcycle, does not mean that they are not sufficient assets even in an upcycle like this time. Again, to repeat some of the numbers which I had given earlier, currently, SME plus NPAs, plus written-off assets in the banking and NBFC industry are close to INR23 lakh crores.

And this is increasing by close to a lakh. It has been increasing by a INR1 lakh crores year-on-year for the last few years. And that is the size of the market of which the ARC industry has actually participating in around 10% by our estimates, about 10% of the stressed asset market of this.

Our idea is that a lot more of this is starting to move to the ARC industry, and thereby, we will be a strong player. Again, while given the seasonality, we do expect and that the acquisitions will continue to rise through the year. And our pipelines and what things are showing that it is an increasing trend. At this moment, given the second quarter is over and the results are not yet out, I will not be able to add more than that, but we see this as encouraging, and the pipelines are encouraging.

Sanil: This is helpful, sir. Second, more from an industry perspective, according to you, what is driving this increase in ARC participation? Nearly 10% is right now of the stressed assets is with all ARCs. So what has caused this increase and what is driving this increase for the industry as a whole?

Phanindranath Kakarla: I think one, I think there's a realization that there are specialized institutions which are capable of handling these assets in a more focused manner. And that frees up various capital and bandwidth, management bandwidth, for the lending institutions to concentrate on what they are strong on, which is lending. I think that is the big shift which is happening.

And the second part is also that ARCs, like banks, have access to every resolution tool that is available. And that's what makes us specialist resolution participants. Our entire business is on resolutions and recoveries, and that's where we build our expertise, and that's where I think the banks and NBFCs are starting to look at this expertise as taking advantage to release capital and management bandwidth for themselves.

Sanil: Okay, sir. Very helpful. And just last question. If I ask you from a more qualitative perspective when you are doing the acquisition of stressed assets, let's say, because SME, corporate -- SME and retail you have started increasing exposure and corporate has always been there. So qualitatively, what would be the two, three things you will focus on when you are selecting which assets to acquire? If you can give some thought process of yours of how do you think or evaluate an asset before you acquire them?

Phanindranath Kakarla: Okay. Our process for evaluation is different in retail and corporate or SME. In corporate or SME, we go through our ideal thing is to look at cash flow-based returns. That would be our

preference, but we will also look at the security, promoters, and what are the legal options available for us to be able to recover. We will look at all that.

We will also look at how long it will take to recover this, to turnaround. That gives us some level of how do we return, what are the other things. Then we look at what is the sustainable debt based on the cash flows in the company, if it's a operating company, and then we restructure the facilities to be able to provide.

And that's how we will evaluate corporate, like very much like a working company in operating companies, how a bank would -- bank or an NBFC would evaluate them from a lending perspective. That's how we would do it. We also have the ability to provide some kind of last-mile funding of up to 25% of the loan we acquire to enable working capital for the company to turn around.

While in retail, it is a lot about scale, where we use analytics from a sample to extrapolate to the value of the entire pool, and thereby, we will evaluate that. Again, as I said earlier, we do not have a preference for any one asset class or the other. I think one of the advantages that Arcil has is that it has expertise across all asset classes, and that allows us to take advantage of various asset class level cycles.

So irrespective of whether it's a downside for, in corporate, in real estate, in unsecured, in secured, we are able to take advantage of all of that. In the recent past, though there have been more retail additions, has led to our increase in the share of the retail and SME in our portfolio.

Sanil: Okay, sir. Very helpful. Thank you. Just lastly, if any on acquisition, if you would like to give any guidance, let's say for the year or next 2, 3 years, that would be helpful? That would be all from my side.

Phanindranath Kakarla: We are not giving any guidance on these numbers. Yes.

Sanil: Sure. No worries. Thank you. All the best.

Phanindranath Kakarla: Because again, it is what is available for acquisition, and it's also on the right price. We also pride ourselves on being able to acquire it with a good return and at a price.

Sanil: Yes. Sure, sir. Thank you. All the best.

Phanindranath Kakarla: Thank you.

Moderator: Thank you. The next question is from the line of Parag Jariwala from White Oak Capital. Please go ahead.

Parag Jariwala: Yes. Thank you. And congratulations on a good set of numbers. My question is on the Collection-as-a-Service business. If you can just outline, I mean, what is the progress there? Any number you want to give there? How many NBFCs or banks we have already tied up with or likely to -- I mean, currently in the pipeline and likely to, go live maybe in next 1 quarter or 2 quarters, or -- and any target you have here on, this vertical to be as a percentage of revenue

maybe 2 years-3 years down the line? That would be helpful. That's the only question I have. Thank you.

Phanindranath Kakarla: Okay. Just to answer this thing, whenever we look at a new product or a new business, we look at first getting the right people in, then setting up some infrastructure, doing POCs, and then coming with a full-scale business plan. We are currently at building infrastructure and doing POCs, which we are doing both with our own assets and with a few NBFCs at this moment. So, the POCs -- as the POCs get completed, is where we will evaluate and grow the book, and be able to more likely assess how large this business is likely to be.

In our own estimation, this business is very, very large in terms of -- and a large and a significant part of it is already being outsourced to unregulated end players. And by being a regulated entity which is doing this business, we hope to bring a lot of discipline and process and analytics and technology and capital to make this business successful.

Yes. We are fully committed to this business, and we believe, over the years to come, it will play a role in our revenue, a significant role, and will be an important part of the portfolio that we have. More than that, at this moment, we're not giving guidance on actual numbers.

Parag Jariwala: Okay. No problem. Thank you.

Moderator: Thank you. The next question is from the line of Yash from Entigrity Ventures. Please go ahead.

Yash: Hello. Hi, sir. Congratulations on a good set of numbers. My question is basically on the fee income that we've seen this quarter as compared to the Q1 of FY26. If I compare that number with our AUM, currently it lies around 2.4% on annualized basis of AUM, while it was around 1.4% in last year Q1. So, want to understand what is the reason for this increase and how sustainable is the 2.4% fee income?

Phanindranath Kakarla: Pramod, will you take that?

Pramod Gupta: Yes. Sure. Thank you. So thanks, So basically, see, if you look at the revenue from the Q1 to Q1 comparison, so the management fee, as you know, has grown almost 100% compared to the Q1 of FY26, and that reflects our growing AUM, our collection capabilities, and increasing resolution capabilities. So that's something significant, I would say, addition of our revenue model, where the management fee is now almost 45%, 50% of our total overall fee.

Coming back to the investment income and this write-backs of the fee, which is not very recurring, that we agree, but write-back also, as we explained in our opening remarks, would continue to be a part and parcel of our overall recoveries. Investment income, which is the upside what we get over and above our acquisition value, would continue to be a significant part of our revenue, and that we believe would reflect in going forward. So, we believe that this momentum what is there in the revenue would be maintained.

As far as AUM is concerned, you know, the fee on AUM is something which is obviously, can be connected with the growing AUM. And we have seen the AUM has grown 15%, 16% in June

compared to what we had in June '25. but I also want to clarify that fee is not the -- AUM is not the only part in the determination of fee.

Our overall collection quality, the collection timings, and overall resolution abilities actually drives our income. So, while AUM plays a role, but overall fee income would be driven by our collection capabilities, which is improving significantly. Thank you.

Yash: Okay. So, can we say some of the fees is recovered from the non-fee-earning AUM that was there in our books?

Pramod Gupta: Yes. So, fee is collected against the proceeds what we collect -- it's collected from the recoveries. But for the older portfolio, obviously, it's not available. But for the 60%,- 65%, of the portfolio what we have, we have the management fee accruing capabilities.

Yash: Okay. Got it. And just last question from my side is, with the rising repo rate and also rising bad loans in retail segment, how are you seeing this playing out in overall consumer demand and overall consumer behavior towards this loan?

Phanindranath Kakarla: Yes. I think it's too early for us to comment on this. I think some of you are doing that analysis as it comes. We will also take part in that.

Yash: Okay. Got it. Thank you.

Moderator: Thank you. The next question is from the line of Sumit Sarda from Compound Everyday Capital. Please go ahead.

Sumit Sarda: Yes. Hi, sir. Hope I'm audible?

Phanindranath Kakarla: Yes.

Sumit Sarda: Yes. Thank you for the opportunity. If I see your business as a schedule of cash flows, you know, where there is an outflow to buy any stressed asset, then there are recoveries, and then there is an outstanding AUM that will be recovered in the future. And assuming that this outstanding will be recovered in similar timelines as the past, can you give a ballpark figure of what has been the IRR or XIRR on the overall AUM since inception? Also on the -- this the overall book, as well as the book that Arcil invests in the SR?

Pramod Gupta: So, Phani, can I take it?

Phanindranath Kakarla: Yes. Please.

Pramod Gupta: So, thanks for this question. So basically, see, IRR is a function of the nature of deal, the structure of the transaction, our cash component in the deal, and all sort of the team time taken in the recovery, and all that. So, it varies from structure to structure, businesses to businesses. For example, in corporate, SME, retail, it could be slightly varying because, you know, retail, there could be higher collection cost, corporate could be time involvement, and all that.

So, while we can tell you that our general IRR across the businesses historically is on the higher 20s, you know, and, you know, 20%,-22%, kind of thing. So generally, we target those kind of IRR for most of our businesses, and we have been able to achieve this kind of IRR. Thank you.

Sumit Sarda: Okay. Thank you. Secondly, in the DRHP also, you share the 8-year-plus vintage of the overall AUM. What has been that currently as of June ending?

Phanindranath Kakarla: Pramod, again.

Pramod Gupta: Yes. So, it's for the over 8 years. AUM is just a -- it's 34%, but let me clarify you. Over 8 years AUM is just a, you know, regulatory stop for where we take a full write-off. And -- but we continue to put the same effort, and the recovery potential continues to be there. In fact, it's positive for us because we have already taken the full hit of that over-8-year book. And as and when the money comes, you know, it will be written back by us. So, it's 34%, but it continues to be a, you know, critical part of our overall resolution strategy. Thank you.

Sumit Sarda: Got it. And the last question is, there is a certain minimum percentage of AUM that an ARC has to invest in its own book. I think it is 15%, correct me if I'm wrong. And -- but your current share is higher than that. And I just wanted to know, is there any ballpark range that you wish or any cap that you want to, you know, stop at, that you don't want more than that? Any qualitative color around it?

Pramod Gupta: So while you're right that the mandatory limit is 15%. In fact, in case of co-investor deal, an ARC can invest as low as 2.5%. But generally, we are open to put more cash in the deals depending upon deal's viability, structure, etcetera.

Of late, we have seen that there are a lot of deals which are happening on all cash. And given our strong cash position, we are open for such deals. So last year, for example, our average investment was 33% in whatever we have acquired.

We acquired INR6,000 crores of assets and our investment was INR2,000 crores. This year, whatever we have acquired, trend is 40%. So we are open about this. On aggregate basis, it's 22% , and it's rising, and we are ready to participate in that. Thank you.

Sumit Sarda: Thanks a lot.

Phanindranath Kakarla: One thing I wanted to add over and above what Pramod said. We assess every deal for full recovery. And thereby, it keeps us open. I don't think in our ability, we take our fiduciary capacity as the owner of the asset very seriously, and our assessment on the recoverability is identical in how much ever we invest.

The investment is based on our own agreement with the seller, how much they also want to participate in this. And of course, as you know, as we put in more cash, the price will reduce given the holding time on cash.

Sumit Sarda: Got it. Thanks a lot. Thanks a lot for the questions and all the best.

Moderator: Thank you. Our next question is from the line of Heet Khimawat from IIFL Capital. Please go ahead.

Heet Khimawat: Yes. Hi, sir. Thank you for the opportunity. My first question is on the write-off pool, basically. This quarter we've seen very low write-offs, only INR3 crores, but I just wanted to understand as to how this portfolio as in what kind of portfolio can move to the write-off pool in the next couple of years? Say, something that you would have acquired in 2018-'19 or '19-'20, which would be completing 8 years in the next couple of years.

So just want to get a sense as to how much write-offs can come in, in the next couple of years? And what kind of recoveries do you expect? And what kind of write-offs do you expect which can go through the P&L in the next couple of years?

Phanindranath Kakarla: Yes. You want to take that, Pramod?

Pramod Gupta: Yes, sure, Phani. So thanks, Heet. So essentially, as we explained, the overall recovery cycle in the industry has improved significantly. Today, our average recovery time is 4.5, 5 years. So in this situation, with the improved recovery capabilities and better IBC system, etcetera, overall recovery cycle has come down significantly. And therefore, 8 years write-off, we believe, would be thing of the past. It's unlikely to happen.

If you look at our Arcil books, and if I tell you the next three to four years, the assets which are hitting over eight years would be very small. And today, the maximum write-off what we can have for the next three years would be cumulatively less than INR100 crores. So therefore, the write-offs should incrementally would not be there.

It would be very miniscule. And this INR100 crores also, what I'm telling you would be next three years, if you manage to recover in those assets, that amount will reduce . But some smaller amount will keep coming, for example, what we have taken in this quarter or like that, very small amount.

As far as recovery potential is concerned, we continue to be fully committed for those collections. And only thing is that these are legally complicated cases and so it takes little longer, but ultimately, we recover money. And as and when you recover money, as you have seen INR120 crores what we have written back in this quarter pertains to about three, four years back when we written-off this thing. So eventually, you recover the money, and that would come as a write-backs. Thank you.

Heet Khimawat: Got it. Got it. That is clear. And my second question is on the cash acquisitions. So normally now the strategy is going to be add some leverage and do more cash acquisitions. Now in this case, just wanted to understand how does the bidding be different in cash versus something like a structured deal where your upside is capped -- while in cash your upside is much higher.

So how do you price in that risk in the bidding process? And how do you look at so the overall cash pool, which are the segments also, where you are going more cash? Is it corporate, is it retail, is it SME? And how do you price for that cash acquisition risk?

Phanindranath Kakarla: Okay. I'll take that, Pramod. I think one of the things is, I think these are, whether we do cash, whether we do structured, whether we do a normal SR sale, is as much a seller's requirement as it is of ours, and it happens on this thing, on a mutual discussion sometimes. But I think regulatory, any asset which has a principal outstanding of over INR100 crores has to have a price discovery method through an auction.

Okay. It's a regulatory requirement, irrespective of which NBFC it is, which this thing. So it is fairly open to all ARCs to buy, and technically, even in other NBFCs and banks can buy it. So it is an open auction, maybe some of them of -- or or a Swiss auction, or it's a combination of the two in all that matter. While I say this, I think most PSBs go through an auction process, price discovery methodology, irrespective of the value.

And that's when they, they will decide what is the structure they would like to go to based on their own assessment of the pool, and their own balance sheet, and their own management decisions. That's the way it works from a bidding process.

Heet Khimawat: Sir, and on the yes, just so on the difference between, I understand the process is similar. It's all via bidding, but what considerations would you I just -- from where I'm coming from is, if you have to assess risk in this business, incremental risk would come from cash acquisitions, and, for us to know how cash acquisitions can be more cheaper for you in terms of acquisitions versus structured the risk is lesser as well. So just any sense around that would be helpful.

Phanindranath Kakarla: Yes. I think there are a couple of things on cash acquisitions versus that is we take all the cash we put in, whether we put it as all-cash or even 15%, equally important for us. So we will ensure it all comes back with the required IRR, irrespective of whether we put 100% cash or not. And on a cash perspective, obviously, the acquisition price reduces. The more cash you give, the acquisition price reduces, just given present value of money. That's how we look at it. That's how it works.

And yes. The big difference which comes in is 100% cash, a lot of it is upside. Management fee is low. Is upside, which also which comes in through mark-to-market on a quarterly basis, which is certified by a rating agency once in half year. Okay. So that is the only real difference between the two. In our assessment, in the valuation, all of it, it is exactly the same.

Heet Khimawat: Got it. Very, very clear, sir. Thank you. Thank you for answering my questions.

Moderator: Thank you. The next question is from the line of Amit Kumar Rajpoot from Rits Capital. Please go ahead.

Amit Kumar Rajpoot: Hello? Yes. Am I audible?

Pramod Gupta: Yes. Yes, please.

Amit Kumar Rajpoot: So sir, thanks for the opportunity. So I have only one question. So in the recent PPT, the retail acquisition has been raised up quite significantly. So I just wanted to know that the nature of

both corporate and retail book are same, or is it different for a small ticket size one? Like you collect the money in chunks basis or is it just a restructuring?

Phanindranath Kakarla: Pramod, you want to take that?

Phanindranath Kakarla: Hello, Pramod?

Pramod Gupta: Yes. I'm not very clear. Can you please repeat the question? The voice was not clear, I'm so sorry.

Amit Kumar Rajpoot: So sir, I just wanted to know the nature difference between retail and corporate book. As you mentioned that you collect money in chunks, is it same for the retail as well?

Phanindranath Kakarla: Yes, okay. I'll take that, Pramod, I understood. You're asking while we have said corporate is chunky, how does it work in retail? Okay. Retail by its very nature is a portfolio of small assets. Okay. On an average, depending on the portfolio, unsecured could be even less than INR1 lakh, some portfolio. So it's a lot of assets, but smaller values. While the corporate is fewer accounts, but large values. That is the difference. And we will continue to this thing, and as each of the accounts in retail comes in, it redeems a small part of the SR.

So what it does provide, given that in retail is that it provides us steady cash flows through multiple small accounts, large very large accounts, which come in on a daily basis. We get hundreds of accounts which are repaying, so there is a steady cash flow in, which gives us a natural hedge against our own borrowings from an ALM matching.

While corporate, as I said, it is done unless it's restructured into multiple repayments, normally it comes as a bulk repayment, a chunky repayment. One shot, it will close the account and finish that account. Here, the trust, because it's a portfolio, in terms of if it's a secured portfolio of housing loans or LAP, it could be in thousands, tens of thousands, while if it's unsecured, it's in lakhs of accounts. So it is many small accounts coming daily is the way it works in retail. Hope I've answered your question.

Amit Kumar Rajpoot: Yes. So that's it from my side. Thank you.

Phanindranath Kakarla: Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr. Phanindranath Kakarla for closing comments. Over to you, sir.

Phanindranath Kakarla: Thank you all for joining us and for your questions, which made it very interesting, I think, and it is good to see so many of you so involved in this ARC business. As the first ARC to be listed, we see this as the start of a longer conversation with all of you about Arcil and the role ARCs play in the India's lending ecosystem.

I just want to leave you with a few thoughts. The opportunity in front of us is large, and it keeps growing as the credit market continues to expand within the country. We have built the capabilities, relationships, and the balance sheet to take advantage of it, and our track record

shows growth that is steady, calibrated, and risk-managed. This quarter was recovery-led in what is seasonally a light period for acquisitions, and the activity we are seeing gives us confidence for the rest of the year.

Given the seasonality of acquisitions and the chunky nature of corporate recoveries, we would encourage you to look at our performances over longer periods, rather than on a quarterly basis. Seen that way, the trend is clear. Over the last three years, our profit after tax has grown about 20% a year, from INR239 crores in FY23 to INR408 crores in FY26.

We would also encourage you to look at us on a standalone basis. The trusts we consolidate hold assets on behalf of all security receipt holders, so our standalone results are the truest reflection of what Arcil earns for its shareholders. It's also how our regulatory capital is measured and how we manage the business.

Our approach remains the same. We started with this: buy with discipline, resolve with urgency, and deploy capital with a clear focus on return. If you have any further questions, please reach out to our Investor Relations team or to Strategic Growth Advisors. Thank you good evening.

Moderator: Thank you. On behalf of IIFL Capital, that concludes this conference. Thank you for joining us and you may now disconnect your lines.