

February 17, 2021

Asset Reconstruction Company (I) Limited: Rating withdrawn

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Commercial Paper Programme	200.00	0.00	[ICRA]A1+; Withdrawn
Total	200.00	0.00	

*Instrument details are provided in Annexure-1

Rationale

ICRA is withdrawing the rating assigned to Asset Reconstruction Company (I) Limited's (ARCIL's) Rs. 200-crore commercial paper (CP) programme. ICRA does not have information to suggest that the credit risk has changed since the time the rating was last reviewed. There is no amount outstanding against the CP as the company has never raised the money in the form of CP since assignment of the initial rating. The key rating drivers, liquidity position, and rating sensitivities have not been captured as the rated instrument is being withdrawn. The previous detailed rating rationale is available at the following link:

[Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Non-Banking Finance Companies Policy on Withdrawal of Credit Ratings
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in 2002, Asset Reconstruction Company (I) Limited (ARCIL) is the first asset reconstruction company (ARC) in India. It is among the leading players in the distressed assets space with AUM of Rs. 12,355 crore as of September 30, 2020 and is the third largest player in terms of AUM and largest in terms of net worth. Over the years, ARCIL has transacted with over 63 banks, financial institutions and other counterparties and has acquired non-performing loans (NPLs) of more than 2,800 borrowers (in addition to retail portfolios) with total dues of ~Rs. 92,700 crore. The company has issued SRs in excess of Rs. 23,000 crore since inception. ARCIL has a pan-India setup with 9 branches across India and employee strength of ~300+.

The company was jointly promoted by several banks and financial institutions. In FY2019, Avenue Capital Group, a US based investment firm, became the largest shareholder of the company after acquiring a ~25% stake from existing shareholders. The other shareholders of the company include State Bank of India (20%), IDBI Bank (19%), ICICI Bank (13%) and Punjab National Bank (10%).

Key financial indicators (audited)

Company Name	FY2018	FY2019	FY2020
Total income (Rs. crore)	135.17	328.64	90.91
Profit after tax (Rs. crore)	37.79	149.09	32.71
Net worth (Rs. crore)	1,796.05	1,945.06	1,976.99
Assets under management (Rs. crore)	11,827	11,902	12,358
Investments (Rs. crore)	1,601.24	1,931.09	1,829.68
Total assets (Rs. crore)	2,125.90	2,356.77	2,329.61
Return on average assets (%)	1.97%	6.65%	1.47%
Return on average net worth (%)	2.25%	7.97%	1.72%
Gross gearing (times)	0.09	0.14	0.11

Source: Company, ICRA Research; * Provisional numbers. All ratios as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)			Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
					Feb 17, 2021	Jan 31, 2020	Dec 14, 2018	-
1	Commercial Paper Programme	Short Term	200.00	-	[ICRA]A1+; Withdrawn	[ICRA]A1+	[ICRA]A1+	-

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [click here](#)

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Commercial Paper	NA	NA	NA	200.00	[ICRA]A1+; withdrawn

Source: ARCIL, ICRA research

Annexure-2: List of entities considered for consolidated analysis: Not applicable

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