The Anatomy and Performance of Distressed Debt Funds: Asset Reconstruction Companies in India

by

Ghania Saleh

An honors thesis submitted in partial fulfillment of the requirements for the degree of Bachelor of Science Undergraduate College Leonard N. Stern School of Business New York University

May 2021

Professor Mary Billings
Professor Marti G. Subrahmanyam Professor Edward Altman

Faculty Adviser Thesis Advisor
Abstract

Asset Reconstruction Companies (ARCs) in India emerged in 2002 as a solution to tackle the rising level of non-performing debt aggregation in the Indian banking system. In recent years, ARCs have seen a large surge in activity owing to the increased level of NPAs post the financial crisis. The goal of the paper is to understand the reasons behind the performance of ARCs in India. In this paper, we examine the structure and market environment of ARCs and evaluate their historic performance. We also look at the resolution framework in India, specifically, we examine the legal bills that influenced ARC performance. Moreover, to understand the performance better, we compare the financing mechanisms of ARCs to those of U.S. distressed debt funds and compare the returns of ARCs before and after the introduction of Indian Insolvency and Bankruptcy Code (IBC). Finally, we compare the Indian ARC model with the models of similar funds in different countries to estimate the opportunities available for performance improvement. The research indicates that the introduction of IBC in 2016 created a risk sharing model for ARCs by increasing their level of equity share. This incentivized them to improve their gross recovery rates. While ARCs seem to have a long way to go in terms of recovery, they are a sustainable solution to high level of nonperforming assets in the Indian banking system due to their debt aggregation capabilities.

Acknowledgements

I would like to thank Professor Edward Altman who provided me with the guidance, feedback, and support throughout the past year and enabled me to complete this thesis. Despite the virtual aspect of the program, I was able to learn a lot from your insights and was fortunate to benefit from the connections you provided me. Your inputs were integral to my growth over the past year.

I would also like to thank Professor Marti Subrahmanyam for organizing the program in such a difficult time and providing me with all the tools and connections I needed for my research. I appreciate all the effort you put in making this program as special as possible.
Table of Contents

I. Introduction ...........................................................................................................................................4
II. Evolution of Asset Resolution Mechanism in India ...........................................................................6
   i. India’s Stressed Asset Market ........................................................................................................6
   ii. Asset Resolution Mechanisms in India .........................................................................................8
III. Asset Reconstruction Companies (ARC) .........................................................................................8
   i. Overview .....................................................................................................................................8
   ii. Structure ....................................................................................................................................10
   iii. Market Overview ....................................................................................................................12
   iv. Performance Overview ...............................................................................................................17
IV. Resolution Framework in India.........................................................................................................20
   i. Insolvency and Bankruptcy Code (IBC) ......................................................................................21
V. Analysis of ARC Performance ...........................................................................................................22
   i. Impact of Insolvency and Bankruptcy Code (IBC) ....................................................................22
   ii. U.S. DIP Financing vs ARC Interim Financing ........................................................................24
VI. Comparison of ARCs with Other Countries’ Models .....................................................................25
VII. Sustainability of ARCs .....................................................................................................................26
   i. Illiquidity of Security Receipts ....................................................................................................26
   ii. Requirement for a mechanism to tackle high level of NPA .....................................................27
VIII. Conclusion .....................................................................................................................................28
Appendix..................................................................................................................................................30
References...............................................................................................................................................35
I. Introduction

Over the past decade, the decline in the quality of assets in the Indian banking sector has been a subject of constant concern. The ratio of gross non-performing assets (NPAs) of banks escalated sharply after 2015\(^1\). The Reserve Bank of India (RBI) then undertook the Asset Quality Review (AQR) to encourage a proactive asset quality recognition by banks. While the presence of proactive asset recognition is significant for a correct assessment of the health of the banking system, it must be followed by an effective asset recovery by banks. In the absence of an effective resolution/recovery mechanism, banks may not recognize NPAs and a lack of recourse to timely recovery may deteriorate the economic value of assets. This adds to the losses incurred by banks over time.

India introduced Asset Reconstruction Companies (ARCs) in 2002 as an asset resolution mechanism. These ARCs have seen a large surge of activity in recent years owing to the increased gross NPA ratio of banks from 7.5\% in 2016 to 11.5\% in 2018\(^2\). These distressed asset funds had a growth rate of assets under management (AUM) of almost 27\% on average from 2016 to 2018.\(^3\) The AUM – measured by the value of security receipts (SR) outstanding – stands at USD 14.6 Billion as of 2019.\(^4\) The recovery rate of ARCs has ranged between 25\% and 35\% since 2016.\(^5\) This recovery rate is the gross recovery as a percentage of principal debt acquired. In addition, the profitability of ARCs is evaluated using the return on asset ratio (ROA) and the return on equity ratio (ROE) which were 3\% and 7\% in 2019, respectively.\(^6\) As a comparison, in 2019, the U.S. distressed debt hedge funds index, Eurekahedge, reported an annualized return of

---

\(^1\) Reserve Bank of India (2019), Report of the Expert Committee To Review The Extant Capital Framework of Reserve Bank of India
\(^2\) CRISIL, Bolstering ARCs, August 2019
\(^3\) CRISIL, Bolstering ARCs, August 2019
\(^4\) CRISIL, Bolstering ARCs, August 2019
\(^5\) Reserve Bank of India (2021), ARCs in India: A Study of their Business Operations and Role in NPA Resolution.
\(^6\) Reserve Bank of India (2021), ARCs in India: A Study of their Business Operations and Role in NPA Resolution.
4.11% based on its 18 constituent funds\(^7\).

It is important to note, however, that comparing ARC profitability to the returns of U.S. Distressed Debt Hedge funds may not be an ideal method. This is because U.S. based hedge funds invest in a myriad of securities using different strategies unlike ARCs. Since these securities include different risk attributes, comparing profitability across these hedge funds and ARCs may not provide conclusive results. However, using the returns of U.S. distressed debt hedge funds as a benchmark, we can obtain a raw estimate of the profitability of ARCs compared to other distressed debt funds/vehicles in different countries. A raw comparison of the returns of ARCs (using ROE) with the annual return of distressed debt hedge funds in U.S. in 2019 shows that ARCs generated approximately 3% better returns than the hedge funds.\(^8\)

The goal of the thesis is to understand the reasons behind the performance of ARCs in India. In this paper, we examine the structure and market environment of ARCs and evaluate their historic performance. We also look at the resolution framework in India, specifically, we examine the legal bills that influenced ARC performance. Moreover, to understand the performance better, we compare the financing mechanisms of ARCs to those of U.S. distressed debt funds and compare the returns of ARCs before and after the introduction of Indian Insolvency and Bankruptcy Code (IBC). Finally, we compare the Indian ARC model with the models of similar funds in different countries to estimate the opportunities available for performance improvement.

The evolution of ARCs incorporates phases of growth as well as lull. This is explained by changes partly in macro-financial conditions and partly in regulatory environment surrounding

\(^7\) Eurekahedge Distressed Debt Hedge Fund Index, Index Returns. May 2021
\(^8\) Reserve Bank of India (2021), ARCs in India: A Study of their Business Operations and Role in NPA Resolution.
the institutions. Preliminary hypothesis suggests that the changes in Indian Insolvency and Bankruptcy Code (IBC) – established in 2016 – have had a prominent influence on the performance of ARCs. Various changes in ARC structure through IBC regulations have provided them with a significant leverage, which has not only ensured a high growth, but also profitability. The thesis aims to explore these changes further and to look at other reasons behind the performance.

Analyzing the reasons behind the performance of ARCs in India will help us develop a better understanding of how regulation influences performance of distressed debt funds. With this understanding, we can look for opportunities for improving the performance of distressed debt funds in other emerging markets where regulation plays an important role in the banking system. In addition, analyzing the anatomy and performance of ARCs can help create opportunities to form similar asset reconstruction mechanisms in other emerging markets. This will enhance foreign investment in distressed debt in the future.

II. Evolution of Asset Resolution Mechanism in India

i. India’s Stressed Asset Market

According to the Doing Business Report published by World Bank in 2016, India was ranked 135 among 189 countries on resolving insolvency. India’s weak institutional structure to recover NPAs has impacted the banking system and decreased credit growth in the economy. Figure 1 shows an increase in gross non-performing assets (GNPA) as a percentage of gross advances. The GNPA increased from 2.3% in 2011 to 5.1% in 2015, the overall level of GNPA almost doubled in five years.

---

9 Reserve Bank of India (2021), ARCs in India: A Study of their Business Operations and Role in NPA Resolution.
10 Doing Business 2016
11 EY. “ARCs – at the crossroads of making a paradigm shift.” July 2016
Figure 1. Stressed assets as a percentage of total advances

As of 2019, the gross NPAs of the banking sector stood at USD 127 Billion\textsuperscript{12}. Figure 2 shows the trend of gross NPAs of Indian banks from 2016 to 2020. The NPAs increased by 4% from 2016 to 2018. The decline in growth after 2018 has been a result of the introduction of IBC and the increased recovery through ARCs. The pie chart on Figure 2 shows the segment-wise breakup of gross NPAs as of March 2019. The bulk of these NPAs lie in the corporate segment making almost 70% of the total NPAs\textsuperscript{13}.

Figure 2. Trend of NPAs in Indian Banking Sector

\textsuperscript{12} CRISIL. Bolstering ARCs. August 2019
\textsuperscript{13} CRISIL. Bolstering ARCs. August 2019
ii. Asset Resolution Mechanisms in India

An integral part of an efficient financial system is an effective asset resolution mechanism. India’s asset resolution mechanisms have evolved over the past three decades. One of the first acts passed with the goal of resolving assets was the Recovery of Debts Due to Banks and Financial Institutions Act of 1993 (RDDBFI) by the Narasimham Committee I. This act established the Debt Recovery Tribunals (DRTs) to deal with loan recovery of cases involving a limit of USD 14,000. The DRTs were also authorized to form Lok Adalat to decide on cases involving an amount of up to USD 27,000. Lok Adalat was developed to ensure a civil settlement between banks and non-performing borrowers, especially for smaller loans. Appendix A shows the distribution of NPAs recovered by banks. While the DRTs had a promising start, the rate of recovery reduced to single digits in the subsequent years due to considerable delays in settlement by them. A reason behind this was the over-stretched capacity of DRTs and the inadequate infrastructure.\footnote{Reserve Bank of India (2021), ARCs in India: A Study of their Business Operations and Role in NPA Resolution.}

ARCs were the next asset recovery mechanism introduced in 2002 to speed up the process of resolution and recovery of secured assets. Section III outlines the reforms that introduced ARCs in more detail. Finally, the Insolvency and Bankruptcy Code was established in 2016 to streamline the insolvency resolution process for individuals and corporates and protect the interests of secured as well as unsecured creditors\footnote{Bhagwati, J., M. Shuheb Khan and R. R. Bogathi (2017), “Can Asset Reconstruction Companies (ARCs) be Part Solution to the Indian Debt Problem?”}, ICRIER Working Paper 338. Section IV discusses the IBC in detail.

III. Asset Reconstruction Companies (ARC)

i. Overview

ARCs were formed in India to tackle the high level of distressed assets in the banking

\footnote{IBBI (2019), Understanding the IBC- A Handbook, New Delhi.}
In India, these NPAs are classified as assets/loans that have not produced any returns in 90 days. In 1997, the gross non-performing assets as a percentage of gross advances had reached 15.7%. By early 2000s, NPAs had a significantly low recovery rate and were proving to be a burden on the banking sector. Therefore, the Narasimhan Committee formed a report in 1998 suggesting the creation of Asset Reconstruction Companies. The main goal of this report was to create a mechanism that would reduce the volume of NPAs in banks and increase profitability. The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI Act) was enacted in 2002 to officially allow the establishment of ARCs. Most of these ARCs were established as private entities and relied upon private and public banks for funding (interim financing). Currently, 28 ARCs have been registered in accordance with the guidelines provided by the Reserve Bank of India (list included in Appendix H).

ARCs are special financial institutions that buy NPAs from private and public banks at a discount and restructure or securitize these assets to sell them at a higher price. ARCs are registered with the Reserve Bank of India (RBI) and are backed by Section 3 of the SARFAESI Act. These companies buy NPAs from banks by issuing security receipts (SR), bonds, or debentures. According to the SARFAESI Act, security receipts are issued by the ARCs to Qualified Institutional Buyers (QIBs) – mostly banks – in exchange for an NPA. The SR provides the bank with the right, title or interest in the financial asset that is bought by the ARC. The next section discusses the structure of ARCs in detail.

---

17 Reserve Bank of India, “Master Circular - Income Recognition, Asset Classification, Provisioning and Other Related Matters – UCBs,” July 2014
19 EY, “ARCs – at the crossroads of making a paradigm shift.” July 2016
20 Association of ARCs in India. December 2020
22 Indian Economy, “What are Asset Reconstruction Companies (ARCs)?” July 2017
ii. Structure

The main mechanism of an ARC transaction includes acquiring secured assets (NPAs) from banks and making the payment via cash, bonds, or security receipts.23 NPAs are auctioned by the banks and are sold to the bidders with the highest price. Security receipts are issued by ARCs to make payments instead of paying the entire acquisition cost upfront. These security receipts are also known as hope notes.24 Security receipts have both debt and equity characteristics and since they are backed by impaired assets, the cashflows are unstable.25 When ARCs were established, there was no investment requirement in the security receipts. However, in 2006, Reserve Bank of India required ARCs to have a minimum investment of 5% in security receipts. This investment requirement was later increased to 15% in 2014 and institutions other than banks were also allowed to invest in them.26

Once the NPAs are recovered by ARCs, proceeds are distributed using the waterfall structure. Under this structure, legal and resolution expenses are paid first. The remaining amount is used to pay the management fee. ARCs typically charge a management fee of 1.5%. This is a percentage of the Net Asset Value (NAV) at the lower end of the range of NAV determined by credit rating agencies.27 Finally, the shareholders of security receipts are paid. The amount that remains is shared between ARCs and the banks on a 20:80 ratio. The time frame of reconstruction or realization of assets is 5 years after the date of acquisition. This duration may be increased to an additional 3 years by the Board of Directors of ARCs. However, if ARCs fail to successfully
reconstruct the assets during this time, 75% of the Qualified Institutional Investors (QIBs) have the power to decide which is binding.\textsuperscript{28}

Figure 3 shows the structure of a typical ARC. Since ARCs are permitted to have 100% Foreign Direct Investment (FDI), the sponsors can be foreign entities. The Net Owned Fund (NOF) should have a minimum value of USD 13.89 Million.\textsuperscript{29} ARCs are not permitted to lend and can only undertake securitization and reconstruction of assets. In addition, the assets should be held in an ARC trust. ARCs can convert the debt into 100% equity of the borrower company as well.

\textit{Figure 3. Typical Structure of ARCs}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure3.png}
\caption*{Source: Deloitte. “Our Viewpoint: India”. July 2016}
\end{figure}

While Figure 3 shows the typical structure of ARCs, they can operate with multiple structures as well. The detail of each structure is mentioned below. Over the years, ARCs have moved from having conventional structures to the pre-pack NCLT approach.

\textsuperscript{28} Association of ARCs in India. December 2020
\textsuperscript{29} Deloitte. “Our Viewpoint: India”. July 2016
1. **Conventional Structure**\(^{30}\): Using this approach, ARCs buy the NPAs from banks using a combination of cash and security receipts and recover the assets in 5 to 8 years.

2. **Portfolio Approach**\(^{31}\): The ARCs involved in this approach are funded by distressed funds. Investors fund ARCs and ARCs use these funds to buy assets from banks using cash. ARCs undertake the resolution of the assets.

3. **Existing Promoters Approach**\(^{32}\): ARCs buy loans from banks to fund the One Time Settlement (OTS) of promoters. Banks examine the fair price of loans through an auction. ARCs get funding from investors to buy these loans. Promoters work with ARCs to restructure the loans and later refinance them to help the ARCs exit.

4. **Arbitrage Approach**\(^{33}\): The resolution plan for the assets is made available by the ARCs but the duration of resolution is uncertain.

5. **Pre-Pack NCLT**\(^{34}\): ARCs work with lenders and investors before admission into NCLT. The resolution plan is determined before admission in NCLT. NCLT is National Company Law Tribunal in India that adjudicates issues with Indian companies.\(^{35}\)

6. **Complex Situations**\(^{36}\): The approach is used when the borrower has multiple assets of different types and the resolution is passed through piecemeal of assets. Since IBC does not allow this, ARCs act as resolution applicant and figure out the resolution plan.

### iii. Market Overview

The growth of the ARC industry has not been consistent over time and not always been

---

\(^{30}\) Full structure in Appendix B  
\(^{31}\) Full structure in Appendix C  
\(^{32}\) Full structure in Appendix D  
\(^{33}\) Full structure in Appendix E  
\(^{34}\) Full structure in Appendix F  
\(^{36}\) Full structure in Appendix G
synchronous with the trends in NPAs of banks. Figure 4 shows the AUM growth of ARCs since 2003 and the number of ARCs. There are 28 ARCs currently registered with RBI, all owned by Indian entities. Asset Reconstruction Company of India Limited (ACRIL) was the first ARC established in 2002 after the enactment of the SARFAESI Act. The number of ARCs started increased after 2008 and then again in 2016. There was a spike in AUM in the year 2013-14 owing to the economic slowdown since 2011 which resulted in a rise in NPAs in banks.

Figure 4. Number of ARCs and AUM Growth

The market for ARCs has remained highly concentrated since 2003. Figure 5 shows the market share of top 5 ARCs including the Net Owned Funds (NOF) and the AUM. 62% of the total AUM is held by top 3 ARCs while 76% of the AUM is held by top 5 ARCs in March 2020. ACRIL holds an AUM of USD 1.5 Billion. In addition, Figure 6 shows that 62% of the capital base of the industry was held by top 3 ARCs while 67% was held by top 5 ARCs.

---

37 Reserve Bank of India (2021), ARCs in India: A Study of their Business Operations and Role in NPA Resolution.
38 Reserve bank of India. List of Asset Reconstruction Companies (ARCs) registered with RBI and Active. July 2020
39 List in Appendix G
40 Reserve Bank of India (2021), ARCs in India: A Study of their Business Operations and Role in NPA Resolution.
41 Reserve Bank of India (2021), ARCs in India: A Study of their Business Operations and Role in NPA Resolution.
Figure 5. Market Share in % of Top 5 ARCs (Net Owned Funds vs Assets Under Management)

Figure 6. Percentage Distribution of Total Capital of ARCs, by Shareholders

The analysis in this section is based on the data provided by CRISIL (Credit Rating
Information Services of India Limited) the subsidiary of S&P in India. The ARCs rated by CRISIL represent 75% of the overall ARC industry AUM.\(^{43}\) Figure 7 shows the growth trend of AUM of ARCs. In 2019, the AUM of the industry stood at USD 14.6 Billion which was an increase of 7% from 2018. However, the rate of growth was lower than 25% in 2018 because of higher discount rates and increase in security receipt redemptions.\(^{44}\) According to CRISIL, the value of acquired debt remained within the range at USD 5.4 Billion.

*Figure 7. Trend in AUM of ARCs*

![Trend in AUM of ARCs](image)

Source: CRISIL Estimates

Figure 8 shows an increase in the proportion of cash deals. CRISIL expects the discount rates to increase because of an increase in cash deals and a surge of new acquisitions and redemption of security receipts. Therefore, the growth rate of AUM is expected to be between 8-10% by 2021 as represented in Figure 7. The structural shift to higher cash proportion has been a result of various regulatory changes presented in Figure 8. For example, in 2014, RBI issued investment guidelines for ARCs to move from 5% (5:95 structure) to 15% (15:85 structure)

\(^{43}\) CRISIL. ARC AUM tops Rs 1 lakh crore, but growth slows. August 2019  
\(^{44}\) CRISIL. Bolstering ARCs. August 2019
investment criteria. This resulted in a slight increase in cash shares in FY15. In 2018, RBI reduced the limit of bank investments in security receipts to 10% from 20%. This resulted in the cash proportion increasing by 20% in 2019 from the previous year.45

Figure 8. Cash as a Portion of Total Acquisition Cost

Source: CRISIL Estimates

Since ARCs have investment limit for security receipts, security receipts usually have other investors. However, the increase in cash proportion has resulted in an increased participation of diverse investors in the security receipts. Figure 9 shows the trend in diversification of security receipt investors. The chart shows that until 2017 only banks and ARCs invested in SRs. However, since 2018, the share of institutional investors in SRs has increased by almost 60%. According to CRISL, these investors include pension funds, foreign banks, and hedge funds.

Figure 9. Trend in Diversification of SR Investors

---

45 CRISIL. Bolstering ARCs. August 2019
iv. Performance Overview

The major source of earnings for ARCs are management fee, income from the difference between recovery and acquisition cost of NPA and additional performance incentives given by banks for early recoveries. Once the assets are recovered, the expenses incurred by the trust are extracted first and then the management fee is paid. The balance is used for the redemption of security receipts. A significant expense for ARCs comes from operational expenses related to acquisition of NPAs and the fee incurred for valuation of trusts, apart from interest costs on the extent of their leverage.

Figure 10 shows the trends in profitability of ARCs. It can be observed that ARCs have maintained a stable return on assets (ROA) ~3%. The return on equity, however, decreased in 2014 but recovered in 2016 to 7%.
According to a working paper published by the Indian Council for Research on International Economic Relations, the performance of ARCs can be divided into four phases. Figure 11 provides a summary of key features of these phases. In the first phase, there was a high percentage (6.1%) of NPAs in Indian banks as ARCs were just introduced and acquisition activity was low. In 2005-06, ACRIL acquired 559 NPA tranches from the financial institutions which amounted to a book value of USD 2.86 Billion. This boosted acquisition activity in the sector and between 2006 and 2013 the percentage of NPAs in the banks decreased to 2.6%.

**Figure 11. Phases of ARC performance**

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-03 to 2005-06</td>
<td>2006-07 to June 2013</td>
<td>July 2013 to August 2014</td>
<td>Since August 2014</td>
</tr>
<tr>
<td>High NPA (6.1 per cent)</td>
<td>Low NPA (2.6 per cent)</td>
<td>High NPA (4.1 per cent)</td>
<td>High NPA (6.2 per cent)</td>
</tr>
<tr>
<td>No investment requirement for ARCs</td>
<td>5 per cent investment requirement for ARCs under each scheme</td>
<td>5 per cent requirement for ARCs under each scheme</td>
<td>15 per cent requirement for ARCs under each scheme</td>
</tr>
<tr>
<td>ARCs just introduced: low transaction volumes in first three years. However, in 2005-06 significant portions of banking NPAs were sold to ARCs</td>
<td>Due to low NPAs and bank demand for all cash deals instead of SRs</td>
<td>Regulatory changes to encourage sale of fresh stressed assets, low investment requirements for ARCs and high NPAs resulted in higher volumes of transactions</td>
<td>Despite high NPAs low volumes of transactions due to higher investment requirements for ARCs and management fee calculations</td>
</tr>
</tbody>
</table>

**Source: Indian Council for Research on International Economic Relations**

In 2006, RBI mandated the ARCs to ensure a 5% investment in security receipts. However, the acquisitions moved to a more cash-based model because the banks did not trust the structure of security receipts. This was because ARCs had started investing in senior tranches of security receipts and despite low recoveries, they redeemed the investment on a priority basis while other QIBs awaited redemptions. They were ensuring high returns in the form of SR redemption and

---

48 Bhagwati, Jamini. Khan Shuheb. Bogathi Ramakrishna. “Can Asset Reconstruction Companies (ARCs) be Part Solution to the Indian Debt Problem?” April 2017
49 Reserve Bank of India. The Securitisation Companies and Reconstruction Companies (Reserve Bank) Guidelines
management fee with low risk. In the third phase, the transaction volume increased tremendously owing to economic downturn and the deterioration of asset quality on banks’ balance sheets. Almost 40% of transactions of ARCs since the beginning occurred in phase 3 (13 months).  

One of the most significant outcomes of the first 3 phases was that ARCs were able to maintain returns of about 20-30% on their investments. This was because of the management fee of 1.5% earned on the value of gross security receipts. The investment of 5% mandated by RBI made once in comparison to an annual fee of 1.5% ensured the 20-30% return despite low recovery rates. However, in phase 4, the volume of assets acquired decreased sharply as a result of regulations imposed by RBI. Investment requirement in security receipts was increased from 5% to 15% which resulted in a decrease of returns earned through management fee. In addition, the management fee calculation was changed from being a percentage of gross value of security receipts to being a percentage of Net Asset Value. This NAV was supposed to be at the lower bound of the range of NAV determined by the credit rating agency.  

The recovery rate of ARCs was 38% until 2012. The recovery rate is gross recovery as a percentage of total debt acquired. Recovery rate was expected to be between 40% and 44% in 2018. Figure 12 shows the trend of the recovery rate.  

*Figure 12. Trend of ARC recovery rate*
IV. Resolution Framework in India

Figure 13 shows the evolution of the resolution framework for ARCs in India. SICA was established in 1985 with the goal of examining public and private businesses that were not doing well or “sick” and reviving the viable units. SICA developed the Board of Industrial and Financial Reconstruction (BIFR) to assess these businesses and send the unviable businesses forward for liquidation. Following the sharp increase in NPAs in the banking system and the inability of SICA and BIFR to tackle the problem of NPA accumulation, the SARFAESI Act was passed in 2002 which allowed the establishment of ARCs. Following the establishment of ARCs, various reforms and amendments were passed modifying their structure and enforcing regulations. However, Insolvency and Bankruptcy Code (IBC) was the most important reform and was passed in December 2016.

Source: CRISIL Estimates

---

54 Board for Industrial and Financial Reconstruction (BIFR). http://www.bifr.nic.in/
i. Insolvency and Bankruptcy Code (IBC)

The Insolvency and Bankruptcy code was established with the goal of reorganizing and providing resolution of insolvent entities.\(^{56}\) The code establishes separate insolvency process for companies and individuals. Main features of the code include a time limit for the insolvency process and a shift from debtor in possession to creditor in control mechanism.\(^{57}\) In addition, the code mandates the appointment of insolvency professionals to administer the insolvency process.

1. Duration of Insolvency: The resolution process of an insolvency may be initiated by a creditor or a debtor. The resolution has to be completed within 180 days of the initiation. This period may be extended to an additional 90 days.\(^{58}\) However, if no resolution is reached, the assets are liquidated. During this period, no legal action is taken against the debtor.

\(^{56}\) Bansal, Sikha. IndiaCorpLaw. “ARCs and Insolvency Resolution Plans: The Enigma of Equity vs Debt.” September 2020


\(^{58}\) Gayam, Aravind. “The Insolvency and Bankruptcy Code: All you need to know.” May 2016
2. **Creditor in Control Mechanism:** A committee of creditors is formed by the insolvency professional. The committee of creditors has 180 days to decide the revival of outstanding debt owed by the debtor. They can change the repayment schedule or decide to liquidate the assets. The assets are liquidated if a decision is not made within 180 days.\(^{59}\)

3. **Liquidation Process:** The proceeds from liquidation of debtor’s assets are distributed according to the following order: “insolvency related cost (including IP fee and interim funding); secured creditors; workmen’s dues (up to 24 months); dues to other employees (up to 12 months); unsecured financial creditors; government dues; and any other claims.”\(^{60}\)

**V. Analysis of ARC Performance**

**i. Impact of Insolvency and Bankruptcy Code (IBC)**

Insolvency and Bankruptcy Code addressed three main challenges faced by ARCs. Firstly, the code allowed the ARCs to fund the working capital needs of the distressed assets acquired through banks to successfully revive them.\(^{61}\) Under the SARFAESI Act, ARCs are allowed to take over the management and convert debt to equity to recover the value of the loans. However, these must be restored after the value has been recovered. Therefore, the SARFAESI Act is not seen as an insolvency mechanism but rather a debt recovery mechanism. The code allows ARCs to perform insolvency mechanism roles by providing them with the ability to fund the working capital needs of the assets.

Secondly, it addresses the issue of low recovery of ARCs due to time consuming complex

---

\(^{59}\)EY. “ARCs – at the crossroads of making a paradigm shift”. July 2016

\(^{60}\)EY. “ARCs – at the crossroads of making a paradigm shift”. July 2016

\(^{61}\)EY. “ARCs – at the crossroads of making a paradigm shift”. July 2016
legal system. With a time limit of 180 days for insolvency recovery introduced by the code, ARCs can undertake faster recovery of assets. Finally, the code addresses debt aggregation problem faced by ARCs due to high exposure to lenders. The code allows an insolvency petition to be triggered by one default resulting in taking over the management without any notice. As a result, ARCs can take over the control of the management after the insolvency and then undertake restructuring.\textsuperscript{62}

According to CRISIL, the average recovery rate under IBC has been more successful than other resolution mechanisms.\textsuperscript{63} Figure 14 shows the average recovery rate under different resolution regimes compared to IBC. The average recovery rate in FY18 was 41% which was significantly higher compared to other regimes’ recovery rate of 12%. In addition, IBC was able to recover USD 9.4 Billion in FY19 compared to other regimes that recovered a total of USD 4.7 Billion.\textsuperscript{64}

\textit{Figure 14. Average Recovery Rate under Resolution Regimes}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{average_recovery_rate.png}
\caption{Average Recovery Rate under Resolution Regimes}
\end{figure}

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|c|c|c|c|c|}
\hline
\hline
Average Recovery (DRT+SARFAESI+Lok Adalat) & 24 & 31 & 24 & 22 & 18 & 12 & 10 & 14 & 12 & 41 & 43 \\
IBC & 24 & 31 & 24 & 22 & 18 & 12 & 10 & 14 & 12 & 41 & 43 \\
\hline
\end{tabular}
\caption{Average Recovery Rate under Resolution Regimes}
\end{table}

\textsuperscript{62} CRISIL. Bolstering ARCs. August 2019
\textsuperscript{63} CRISIL. Bolstering ARCs. August 2019
\textsuperscript{64} Insolvency and Bankruptcy Code. Section 5(15). 2016
ii. U.S. DIP Financing vs ARC Interim Financing

Among other provisions granted by the Insolvency and Bankruptcy Code in India, the provision of interim financing has played an important role in transforming the debt environment of financial institutions such as ARCs. The code describes interim financing as “any financial debt raised by the resolution professional during the insolvency resolution process period.”65 There are two options to get approval for interim financing. Firstly, it may be raised by the Interim Resolution Professionals (IRPs) within 30 days following the start of resolution process before the committee of creditors is formed. The IRP does not require approval of creditor committee to raise any unsecured amount. Second option is to raise it after the formation of the committee of creditors by the Resolution Professionals (RPs).66 For any financing to be raised by the RPs, an approval of terms by 75% of the committee of creditors is required.67 The amount raised through interim financing is considered to be a resolution processing cost and is supposed to be paid in priority to all other claimholders in case of default. It has a “super-priority” status.68

The structure of interim financing is quite similar to the U.S. DIP financing provisions under the U.S. Chapter 11 Bankruptcy Code. Unsecured DIP financing has a “super-priority” status which allows the “priming” of secured lenders that already exist53. By considering DIP financing market to be a reference point, we can expect the interim financing market to follow similar development as the DIP financing market. The DIP financing market participants can be

---

65 Warriar, Tarun. Sprayrejen, James. The IBC and Interim Finance: Potential Developments Based on DIP Lending Experience. December 2017
66 Insolvency and Bankruptcy Code. Section 28(1)(a). 2016
68 Warriar, Tarun. Sprayrejen, James. The IBC and Interim Finance: Potential Developments Based on DIP Lending Experience. December 2017
of three types: lenders trying to protect their pre-Chapter 11 exposure, new lenders trying to control assets of the debtor and lenders with spare capital trying to advantage from high yields e.g., hedge funds.\textsuperscript{69} ARCs fall into the third category.

\textbf{VI. Comparison of ARCs with Other Countries' Models}

The common global parallel of an Asset Reconstruction Company is an Asset Management Company (AMC). AMCs usually take two forms: focus on bank resolution and focus on NPA resolution.\textsuperscript{70} One of the most successful use of AMCs for NPA resolution has been conducted by Sweden. Securum, a Swedish AMC, was established in 1992 and recovered almost 86\% of the assets involved. Malaysia has also been successful in setting up AMCs to recover NPAs in the financial system. Following the Asian financial crisis, Malaysia set up Danaharta, an AMC that operated between 1998 and 2005. Danaharta was able to recover 58\% of the assets involved\textsuperscript{71}.

One of the common features of the AMCs mentioned above involve these AMCs being set up following some financial crisis and a surge in NPAs. In addition, the AMCs were in existence for a pre-defined period and had direct support from the government. The model of ARCs differs significantly from the AMCs in terms of the purpose of their establishment. While ARCs were established when the NPA ratio was high in India, the move to set them up was ultimately linked to the broad process of financial sector reforms.\textsuperscript{72} Setting up of ARCs can be considered more proactive than reactive. Moreover, ARCs were not strictly tasked with addressing a specific crisis for a pre-defined period. They were also private entities registered with the RBI unlike the government owned AMCs. Therefore, they did not have easy access to

\textsuperscript{69} Warriar, Tarun. Spryregen, James. The IBC and Interim Finance: Potential Developments Based on DIP Lending Experience. December 2017


\textsuperscript{71} Dreyer, M., (2020), Preliminary YPFS discussion Draft, Danaharta

\textsuperscript{72} Reserve Bank of India (2021), ARCs in India: A Study of their Business Operations and Role in NPA Resolution.
VII. Sustainability of ARCs

i. Illiquidity of Security Receipts

Recovery of security receipts is an important indicator of ARC performance. ARCs are required to disclose the net asset value of the SRs issued by them which are then used for valuation by the SR investors. The NAC is determined by the credit rating agency based on an assessment of the resolution mechanism adopted. According to data published by RBI, only two ARCs hold 62% of the total SRs issues since March 2020. This can be observed in Figure 15.

Figure 15. Distribution of SRs Issued, by Select ARCs, in per cent

One of the issues regarding the sustainability of ARCs is the illiquidity of these SRs. Figure 16 shows that banks hold almost 70% of the total SRs. Regulations have been established to disincentivize banks from holding SRs above a specific threshold, however, the chart shows

---

74 Reserve Bank of India (2021), ARCs in India: A Study of their Business Operations and Role in NPA Resolution.
that banks still continue to dominate the SR holding. These regulations have been placed to make sure that asset sale by the banks result in actual sale. The current threshold is 10% and banks holding SRs more than the threshold are subject to higher provisioning requirement\textsuperscript{75}.

![Figure 16. Distribution of SRs, by Institution, in per cent](image)

Figure 16. Distribution of SRs, by Institution, in per cent

Since majority of SRs are held by banks, there is limited secondary trading of SRs. Considering the pricing of the majority of the SRs, there is a general lack of investor appetite leading to an absence of a secondary market for SRs\textsuperscript{76}. This can be an issue for the sustainability of ARCs as the lack of trading activity of SRs increases its illiquidity.

\textbf{ii. Requirement for a mechanism to tackle high level of NPA}

Traditionally, Indian banking system has been characterized by consortium lending with different security classes. Due to this, various intercreditor issues arise. More often than not, this results in inefficiency and delays the implementation of resolution strategies. For example, most

\textsuperscript{75} Reserve Bank of India (2021), ARCs in India: A Study of their Business Operations and Role in NPA Resolution.

\textsuperscript{76} EY. “ARCs – at the crossroads of making a paradigm shift.” July 2016
resolution approached require the consent of secured lenders representing 75% total debt by value.\textsuperscript{77} ARCs are significant to the NPA resolution process because the model of ARC allows it to have debt aggregation capabilities as well as capabilities to build necessary skill sets for successful resolution. Since ARCs have the ability to aggregate debt of different classes, they can address inter-creditor issues more promptly. Hence, there is a requirement for a debt-aggregation mechanism in the Indian banking system and ARCs seem to be a sustainable solution for it.

\textbf{VIII. Conclusion}

ARCs have been an integral part of the asset resolution mechanism in India. As the research indicates, ARCs are a sustainable solution to high level of nonperforming assets in the Indian banking system due to their debt aggregation capabilities. However, the current infrastructure of ARCs requires improvements for them to function well in the long term. Specifically, the establishment of a secondary market for SRs is critical to improve their liquidity and attract qualified institutional investor and special situation funds toward this market.

Moreover, regulatory framework has had a significant impact on the performance of ARCs in recent years. The introduction of Insolvency and Bankruptcy code in 2016 increased the buying power of ARCs to negotiate with borrowers. By increasing the minimum threshold of ARCs’ investment in SRs from 5% to 15%, IBC created a risk-sharing model for ARCs which increased their incentives to recover and price assets correctly. However, ARCs still have a long way to go in terms of improving recovery rates.

In the beginning, though ARCs successfully reconstructed a few large accounts and demonstrated the ability to recover through asset sales, the recovery rates remained low. In recent years, the recovery rates have increased owing to quicker debt aggregation, acquisition of

\textsuperscript{77} EY. “ARCs – at the crossroads of making a paradigm shift.” July 2016
lower vintage of assets and positive changes in regulatory framework.\textsuperscript{78} While the incentives created by external environment are significant, ARCs need to implement strategies for a quicker resolution and stay relevant.

While the research indicates the significance of various factors for the performance of ARCs, there are areas that can be explored in more detail. One of the most challenging aspects of the research is that there are very limited ARCs that currently exist (less than 30) and most of these ARCs are private. With very limited public information available, it is difficult to perform an analysis on the individual performance of each ARC. Interviewing more people in the industry, especially professionals from ARCs that are private, can provide improved insights on the performance of ARCs.

In addition, the data that is currently available is based on secondary sources (consulting firms, rating agencies etc.) Since there are very limited primary sources available, a prominent limitation of the research is conducting a conclusive empirical analysis. The research relies on sources such as interviews of professionals in the industry to acquire information not available publicly. Access to resources such as ARCs’ own statements and numbers can improve the credibility of results to a much higher degree.

Finally, a potential opportunity to expand research on ARCs exists in exploring AMCs in other markets e.g., China. The infrastructure of AMCs in China can be analyzed and the impact of market environment and regulatory framework on their performance can be gauged. The findings can then be compared to that of Indian ARCs to see if there are any opportunities available to create AMCs in India.

\textsuperscript{78} CRISIL. Bolstering ARCs. August 2019
### Appendix

#### A. Distribution of NPAs Recovered by Banks

<table>
<thead>
<tr>
<th>Underwriter</th>
<th>Orders ($000)</th>
<th>Allotments (%</th>
<th>Orders ($000)</th>
<th>Allotments (%)</th>
<th>Orders ($000)</th>
<th>Allotments (%)</th>
<th>Orders ($000)</th>
<th>Allotments (%)</th>
<th>Total</th>
<th>Allotments (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BoFA Securities</td>
<td>$470,605</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$76,615</td>
<td></td>
</tr>
<tr>
<td>Goldman Sachs</td>
<td>11,130</td>
<td></td>
<td>7,295</td>
<td>65.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>40,000</td>
<td></td>
</tr>
<tr>
<td>J.P. Morgan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20,000</td>
<td></td>
<td></td>
<td></td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td>RBC Capital Markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>20,000</td>
<td></td>
<td></td>
<td></td>
<td>20,000</td>
<td></td>
</tr>
<tr>
<td>UBS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>22,250</td>
<td>7.5%</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>250</td>
<td>75</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$481,985</td>
<td>$80,300</td>
<td>70.6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$178,815</td>
<td>47.1%</td>
</tr>
</tbody>
</table>

#### B. Conventional Structure of ARCs

![Diagram showing the conventional structure of ARCs]

---

79 Reserve Bank of India (2021), ARCs in India: A Study of their Business Operations and Role in NPA Resolution.
C. Portfolio Approach

\[81\] Source: Deloitte. “Our Viewpoint: India”. July 2016
D. Existing Promoters

Bank $\rightarrow$ NPA/SMA2 – transfer of asset $\rightarrow$ ARC

Funding of OTS through promoters

E. Arbitrage Approach

Bank (s) $\rightarrow$ ARC

Sale of distressed asset when resolution is visible $\rightarrow$ Cash

F. Pre-Pack NCLT

Bank (s) $\rightarrow$ ARC $\rightarrow$ Resolution plan $\rightarrow$ NCLT

Buy out loans and work out resolution plan before admission into NCLT $\rightarrow$ Admission into NCLT

G. Complex Structure\textsuperscript{85}

\begin{tikzpicture}[node distance=2cm,>=latex]
  \node (corporate) {Corporate borrower};
  \node (asset1) [below of=corporate, xshift=-2cm] {Asset type 1};
  \node (asset2) [below of=corporate, xshift=2cm] {Asset type 2};
  \node (asset3) [below of=asset2] {Asset type 3};
  \node (arc) [right of=asset1, xshift=2cm, yshift=1cm] {ARC};
  \node (nclt) [right of=arc] {NCLT};

  \draw[->] (corporate) -- (asset1);
  \draw[->] (corporate) -- (asset2);
  \draw[->] (corporate) -- (asset3);
  \draw[->] (asset1) -- (arc);
  \draw[->] (asset2) -- (arc);
  \draw[->] (asset3) -- (arc);
  \draw[->] (arc) -- (nclt);
  \draw[->] (nclt) -- (potential investors);

  \node [above of=arc, xshift=-1cm] {Based on evaluation of asset, submits resolution plan};
  \node [below of=arc, xshift=-1cm] {Resolution plan};
  \node [below of=nclt, xshift=-1cm] {Sale of asset to investors based on asset category once the resolution plan is approved by NCLT};

  \node [draw=none, rounded corners] at (current bounding box.south east) {Potential investors};
\end{tikzpicture}

\textsuperscript{85} Source: Deloitte. “Our Viewpoint: India”. July 2016
H. List of ARCs Registered with RBI

<table>
<thead>
<tr>
<th>S No</th>
<th>Name of the company</th>
<th>Regional Office</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CFM Asset Reconstruction Private Limited</td>
<td>Ahmedabad</td>
<td>A-3, Salal Park, 5th Floor, Near Prabhat Nagar Garden, Ahmedabad, Gujarat - 380001</td>
</tr>
<tr>
<td>2</td>
<td>Rare Asset Reconstruction Limited (Erstwhile Rare Asset Reconstruction)</td>
<td>Ahmedabad</td>
<td>104-106, Gali Argos, Beside Harikrupa Tower, Near Ellibridge Gymkhana, Gujaratt College Road, Ahmedabad – 380007</td>
</tr>
<tr>
<td>3</td>
<td>ANA ARC Private Limited</td>
<td>Bengaluru</td>
<td>299, 1st Floor, Amravati Layout, Domlur, Bengaluru - 560 071</td>
</tr>
<tr>
<td>4</td>
<td>Omkar Assets Reconstruction Private Limited</td>
<td>Chennai</td>
<td>7, M.P. Nagar First Street, Konjha Nagar Extension, Tirumur, Tamil Nadu – 604 007</td>
</tr>
<tr>
<td>5</td>
<td>MAXIMUS ARC Limited</td>
<td>Hyderabad</td>
<td>56-18-1-5A, Sri Plaza Teachers Colony, Patamata, Vijayawada, Andhra Pradesh -520 008</td>
</tr>
<tr>
<td>6</td>
<td>Prathvi Asset Reconstruction and Securitisation Company Ltd.</td>
<td>Hyderabad</td>
<td>D.No 1-55, Raja Prasad Park, 4th Floor, Wing-I, Manjul Banda Road, Kondapur, Hyderabad – 500 064</td>
</tr>
<tr>
<td>7</td>
<td>Aditya Birla ARC Limited</td>
<td>Mumbai</td>
<td>10th Floor, One Indiabulls Centre, Jupiter Mills Compound, 841, Senapati Bapat Marg, Elphinstone Road, Mumbai – 400 003</td>
</tr>
<tr>
<td>8</td>
<td>Ambit Flowers Asset Reconstruction Private Limited</td>
<td>Mumbai</td>
<td>Ambit House, 449, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013</td>
</tr>
<tr>
<td>9</td>
<td>ARCON Revitalization Private Limited</td>
<td>Mumbai</td>
<td>Unit G-16G-1, Grand Hyatt Shopping Plaza, Off Western Express Highway, Vakola, Santacruz East, Mumbai – 400 005</td>
</tr>
<tr>
<td>10</td>
<td>ASREC (India) Limited</td>
<td>Mumbai</td>
<td>Solitaire Corporate Park, Bidl, No.2, Unit No.201-202A &amp; 200-202 B Gr. Floor, Andheri Ghatkopar Link Rd., Chakala, Andheri(E), Mumbai – 400 093</td>
</tr>
<tr>
<td>11</td>
<td>Asset Reconstruction Company (India) Limited</td>
<td>Mumbai</td>
<td>The Ruby, 10th Floor, 29, Senapati Bapat Marg, Dadar (West), Mumbai – 400 028</td>
</tr>
<tr>
<td>12</td>
<td>Edelweiss Asset Reconstruction Company Limited</td>
<td>Mumbai</td>
<td>Edelweiss House, Off CST Road, Kalina, Mumbai – 400 098</td>
</tr>
<tr>
<td>13</td>
<td>India Resurgence ARC Private Limited</td>
<td>Mumbai</td>
<td>10th Floor, Piramal Tower, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai – 400 013</td>
</tr>
<tr>
<td>14</td>
<td>India SME Asset Reconstruction Company Limited</td>
<td>Mumbai</td>
<td>1004, 10th Floor, Naman Centre, Plot No. C-31, G-Block, Bandra - Kurla Complex, Bandra (E), Mumbai – 400 051</td>
</tr>
<tr>
<td>15</td>
<td>Indiabulls Asset Reconstruction Private Limited</td>
<td>Mumbai</td>
<td>9th Floor, Indiabulls Finance Centre, Tower 1, Senapati Bapat Marg, Elphinstone Road, Mumbai – 400 013</td>
</tr>
<tr>
<td>17</td>
<td>JM Financial Asset Reconstruction Company Limited (Erstwhile JM Faia)</td>
<td>Mumbai</td>
<td>5th Floor, Cemery, Apparels Marathi Marg, Prabhadevi, Mumbai – 400 025</td>
</tr>
<tr>
<td>18</td>
<td>Lone Star India Asset Reconstruction Private Limited</td>
<td>Mumbai</td>
<td>Level 11, Unit 1102, Peninsula Business Park, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013</td>
</tr>
<tr>
<td>19</td>
<td>Pegasus Asset Reconstruction Pvt. Ltd.</td>
<td>Mumbai</td>
<td>55-56, 5th Floor, Free Press House, Nariman Point, Mumbai – 400 021</td>
</tr>
<tr>
<td>20</td>
<td>Phoenix ARC Private Limited</td>
<td>Mumbai</td>
<td>6th Floor, Dainik Bhaskar Corporate Park, 153, CST Road, Kalina, Santacruz (East), Mumbai -400 098</td>
</tr>
<tr>
<td>21</td>
<td>Reliance Asset Reconstruction Company Limited</td>
<td>Mumbai</td>
<td>Reliance Centre, North Wing, 6th Floor, Off Western Express Highway, Santacruz (East), Mumbai – 400 055</td>
</tr>
<tr>
<td>22</td>
<td>Suraksha Asset Reconstruction Private Limited</td>
<td>Mumbai</td>
<td>10th Floor, A - Wing, Naman Mall, Elphinstone Road, Mumbai – 400 013</td>
</tr>
<tr>
<td>23</td>
<td>international Asset Reconstruction Company Pvt. Ltd.</td>
<td>New Delhi</td>
<td>404, Anokha Estate, 24, Batakhamba Road, New Delhi – 110 003</td>
</tr>
<tr>
<td>24</td>
<td>Akshat Asset Reconstruction Company Limited (Erstwhile Dhruv &amp; Dhruv)</td>
<td>New Delhi</td>
<td>5-6, 1st Floor, Defence Colony, New Delhi – 110024</td>
</tr>
<tr>
<td>25</td>
<td>Assets Care &amp; Reconstruction Enterprise Ltd. (Erstwhile Assets Care En)</td>
<td>New Delhi</td>
<td>2nd Floor, Mohan Dev Building 13, Tollygunge, New Delhi – 110 001</td>
</tr>
<tr>
<td>26</td>
<td>Encore Assets Reconstruction Company Private Limited</td>
<td>New Delhi</td>
<td>55th Floor, Ems Corporate Tower, Nehra Place, New Delhi – 110 019</td>
</tr>
<tr>
<td>27</td>
<td>Prudent ARC Limited</td>
<td>New Delhi</td>
<td>611, Sixth Floor, D Mall, Plot No. A-1, Netaji Subhash Place, Pitampura, New Delhi – 110 034</td>
</tr>
<tr>
<td>28</td>
<td>CV Asset Reconstruction Company Limited</td>
<td>New Delhi</td>
<td>03, Deepali Building, 92, Nehra Place, New Delhi – 110 019</td>
</tr>
</tbody>
</table>

85 Reserve Bank of India. List of Asset Reconstruction Companies (ARCs) registered with RBI and Active. July 2020
References


CRISIL. Bolstering ARCs. August 2019


EY. “ARCs – at the crossroads of making a paradigm shift.” July 2016


IBBI (2019), Understanding the IBC- A Handbook, New Delhi

RBI (2002), Guidelines on declaration of Net Asset Value of Security Receipts issued by Securitisation Company/ Reconstruction Company


RBI. Guidelines on declaration of Net Asset Value of Security Receipts issued by Securitisation
Company/Reconstruction Company