



## Press Release

### UV Asset Reconstruction Company Limited

July 16, 2025

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Fund Based - Long Term Bank Facilities – Working capital term loans	100.00	IVR BBB/Stable (IVR Triple B with stable outlook)	IVR BBB/Stable (IVR Triple B with stable outlook)	Rating Reaffirmed	Simple
Proposed Fund Based - Long Term Bank Facilities – Working Capital facilities	25.00	IVR BBB/Stable (IVR Triple B with stable outlook)	IVR BBB/Stable (IVR Triple B with stable outlook)	Rating Reaffirmed	Simple
<b>Total</b>	<b>125.00</b> <b>(Rupees One Hundred Twenty Five Crore Only)</b>				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the Bank facilities of UV Asset Reconstruction Company Limited (UVARCL) as it continues to derive comfort from strong capitalisation and comfortable gearing levels, experienced promoters, management and strong shareholders. However, the rating is constrained by moderation in AUM levels, volatile earnings profile and inherent risks associated with asset reconstruction sector.

Infomerics has also taken into account the ongoing proceedings with IT department and writ petition filed by UVARCL before Honourable Delhi High Court against the show cause notice issued by RBI.

The Honourable Delhi High Court had stayed RBI's show cause notice which was issued to UVARCL in November'2020 in response to its bankruptcy resolution proposal for telecom firm Aircel, wherein the ARC had proposed to invest in equity of Aircel. UVARCL has provided an update on the writ petition that the counsel appeared on behalf of UVARCL and submitted that the directions passed in Order dated 18.03.2021 have not been complied with till date, in as much as the common affidavit directed to be filed by consensus between the Ministry of Finance, Ministry of Corporate Affairs and Reserve Bank of India has not been filed. Counsel further submitted that an additional affidavit dated 5.04.2024 has been filed by UVARCL. The



## Press Release

pleadings are complete and the matter is listed for arguments on 6 August 2025. In the meantime, the interim orders would continue to operate.

Infomerics has also taken into consideration the Income Tax Department's search and seizure operations on UVARCL conducted on 18 October 2022 and the IT department has raised demand order of Rs 6.13 crore and the company has paid the said demand under protest and simultaneously appealed against the said order. The proceedings are ongoing.

Stable Outlook reflects Infomerics expectations of continuation in growth momentum in asset acquisition and recoveries on the back of strong capitalisation and established track record of the company.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial and sustained growth in AUM, along with significant recoveries and redemptions resulting in an increase in the scale of operations coupled with stable revenue stream from asset management fees.

#### **Downward Factors**

- Lower than expected acquisition of new assets, delay in resolutions of assets purchased in the past impacting the earnings profile of the company or more than expected rise in gearing and/or deterioration in capital adequacy.
- Any adverse outcome from the ongoing writ petition.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Strong capitalisation and comfortable gearing**

The capitalisation of UVARCL continues to remain strong with total CRAR of 89.29%, Tangible Net worth of Rs 217.24 Crore and gearing of 0.18x as on 31 March 2025 (Provisional) (136.55%, Rs 214.97 crore and 0.00x respectively as on 31 March 2024). Given the scale of operations, the current capitalisation is sufficient for acquisitions of fresh assets in the near to medium term without any further capital infusion. As per management UVARCL is planning to



## Press Release

raise ~ Rs.40 crore from strategic investors in FY26. Infomerics notes that this fresh equity raise will enhance UVARCL's ability to acquire new assets.

### **Experienced promoters, management and strong shareholders**

UVARCL has a team of qualified and experienced professionals to run various business operations. The Board of the company comprises of experienced professionals with banking and legal background. As on 31 March 2025, public sector banks & insurance companies hold 7.50% stake in the company. These include Central Bank of India, Bank of Maharashtra, Union Bank of India, Bank of India, United Bank of India, Allahabad Bank, United India Insurance Company Limited and National Insurance Company Limited. However, Infomerics does not taken any support on account of strong shareholders due to fractured shareholding.

### **Key Rating Weaknesses**

#### **Moderation in AUM levels**

UVARCLs overall AUM moderated to Rs 605.18 crore in FY25 (P) (refers to the period from 1 April 2024 to 31 March 2025) when compared to 613.04 crore in FY24 due to lower-than-expected asset acquisitions in FY25. Also, the recoveries for FY25 stood at Rs 185.75 crore when compared to Rs 560.19 crore in FY24 (Rs 89.42 crore in FY23). Recoveries in FY24 was higher on account of resolution of few large accounts. Infomerics expects the AUM to grow in the projected period on the back of strong capitalisation and with fresh acquisition planned and in pipeline both in wholesale and retail segment.

#### **Volatile earnings profile**

UVARCLs earnings profile is susceptible to fresh acquisitions and timely recoveries and hence the earnings profile remains volatile. UVARCL has reported total income and PAT of Rs 34.75 crore and Rs 2.30 crore respectively for FY25 (Provisional) when compared to Rs 179.84 crore and Rs 61.77 crore respectively for FY24. (Rs 56.24 crore and Rs 2.30 crore respectively for FY23). The deterioration in the earnings profile is on account of lower-than-expected realisation from resolution of assets and management fees. Going forward, ability of UVARCL to timely recover/resolution of assets acquired along with new acquisitions and maintain a stable earnings profile will be a key rating monitorable.



## Press Release

### **Poor track record of resolution of stressed assets in India**

The Indian distressed assets market is still in a nascent stage with limited seasoning. The sector is gradually growing with more regulatory policies taking shape. Generally, the track record of resolution of stressed assets in India is poor. However, with the onset of the IBC (Insolvency and Bankruptcy Code) in India, the situation is very likely to improve.

### **Intense competition in the Asset Reconstruction sector and the vulnerability of earning profile due to volatile nature of cash flows**

There are ~28 registered Asset Reconstruction Companies (ARCs) in India, which manage more than Rs. 1 lakh Crore of Asset under management (AUM). The competition in the stressed asset market is on the rise with an increase in the number of players. Also, due to the change in the model of Asset Reconstruction Companies (ARCs) to more cash-based buying as against largely a security receipts-based model adopted earlier, big players may give stiff competition to smaller players. The recoveries might not always be as estimated, as the resolution of stressed assets is subject to many factors. Due to the nature of its business the recovery from acquired assets is difficult to predict.

### **Risk associated with any adverse changes in the distressed assets policy framework**

The Company is exposed to risk emerging out of any adverse changes in the distressed assets policy framework. Despite having sufficient asset acquisition and resolution policy framework, Asset Reconstruction Companies (ARCs) might keep on confronting difficulties given the inherent nature of the business and the asset reconstruction industry

**Analytical Approach:** Standalone

**Applicable Criteria**

[Rating Methodology for Financial Institutions/Non-Banking Finance companies](#)

[Policy on Default Recognition and Post – Default Curing Period](#)

[Criteria of assigning Rating Outlook.](#)

[Complexity level of rated instruments/Facilities](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

**Liquidity – Strong**



## Press Release

UVARCLs liquidity remains strong with total CRAR of 89.29%, and TNW of Rs 217.24 crore as on 31 March 2025. The cash and cash equivalents stood at Rs 34.12 crore and unutilised working capital limits of Rs 60.67 crore as on 31 March 2025.

### **About the Company**

Incorporated in 2007, UVARCL has been with the Reserve Bank of India as an Asset Reconstruction Company. It is engaged in acquisition and resolution of Non-Performing Assets (NPAs) acquired from Banks/Financial Institutions. The Company has a diversified portfolio across sectors and geographies in India. The Company's focus over past few years has shifted from recovery to resolution of stressed accounts.

### **Financials (Standalone):**

For the year ended/ As on*	(Rs. crore)	
	31-03-2024	31-03-2025
	<b>Audited</b>	<b>Provisional</b>
Total Income	179.84	34.75
PAT	61.77	2.30
Assets Under Management	613.04	605.18
Recoveries	560.19	185.75
Tangible Net Worth	214.97	217.24
Total Debt	0.00	39.33
Overall Gearing Ratio (x)	0.00	0.18
Interest Coverage (x)	12.07	7.03
Total CRAR (%)	136.55	89.29

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** BWR BB+/INC from Brickwork ratings as on 23 June 2025.

**Any other information:** Nil

**Rating History for last three years:**





## Press Release

Sr. No	Name of Instrument/ Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25 – (09 May 2024)	Date(s) & Rating(s) assigned in 2023-24 – (12 June 2023)	Date & Rating(s) assigned in 2022-23
1.	Fund Based - Long Term Bank Facilities – Working capital term loans	Long Term	100.00	IVR BBB/Stable	IVR BBB/Stable	IVR BBB-/Stable	-
2.	Proposed Fund Based - Long Term Bank Facilities – Working Capital facilities	Long Term	25.00	IVR BBB/Stable	IVR BBB/Stable	IVR BBB-/Stable	-

### Analytical Contacts:

Name: Sree Harsha

Tel: (022) 62396023

Email: [sree.harsha@infomerics.com](mailto:sree.harsha@infomerics.com)

Name: Amey Joshi

Tel: (022) 62396023

Email: [amey.joshi@infomerics.com](mailto:amey.joshi@infomerics.com)

### About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



## Press Release

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Listing status	Rating Assigned/ Outlook
WCTL	NA	NA	NA	NA	100.00	NA	IVR BBB/Stable
Proposed WCTL	NA	NA	NA	NA	25.00	NA	IVR BBB/Stable

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-UVARCL-jul25.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).