



Press Release

Alchemist Asset Reconstruction Company Limited (AARC)

February 18, 2025

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Fund Based Long Term Bank Facilities – Term Loans	8.13 (decreased from 10.56)	IVR A- /Negative (IVR A Minus with negative outlook)	IVR A-/Stable (IVR A Minus with stable outlook)	Rating reaffirmed; Outlook revised	Simple
Fund Based Long Term Bank Facilities – Proposed Long Term Loans	79.87 (increased from 77.44)	IVR A- /Negative (IVR A Minus with negative outlook)	IVR A-/Stable (IVR A Minus with stable outlook)	Rating reaffirmed; Outlook revised	Simple
Proposed Non-Convertible Debentures	100.00	IVR A- /Negative (IVR A Minus with negative outlook)	IVR A-/Stable (IVR A Minus with stable outlook)	Rating reaffirmed; Outlook revised	Simple
Fund Based Short Term Bank Facilities – Secured Overdraft	12.00	IVR A2+ (IVR A Two Plus)	IVR A2+ (IVR A Two Plus)	Rating reaffirmed	Simple
Total	200.00 (Rupees Two hundred Crores Only)				

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 and proposed Non-convertible Debentures (NCDs) as it continues to derive strength from strong capitalisation coupled with low gearing, moderate AUM levels with improved recoveries and experienced promoters and management team. However, the ratings are constrained by poor track record of resolution of stressed assets in India, intense competition in the asset reconstruction sector and risks associated with any adverse changes in the distressed assets policy framework.

Infomerics revises the outlook to “Negative” on account of subdued performance in 9MFY25 with lower-than-expected acquisitions and volatility in earnings profile on the back of uncertainty involved in timely resolution of security receipts.



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Further, the rating also considers the update on Income Tax Department's search and seizure operations. The company has received a favourable order from IT department with NIL demand against the search and seizure operations carried out in 2022.

Key Rating Sensitivities:

Upward Factors

- Substantial 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.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Strong capitalization coupled with low gearing

AARCs capitalisation remained strong with total CRAR of 103.50% in 9MFY25 giving more cushion for fresh acquisitions. CRAR levels have improved on the back of retention of profits and capital infusion by the promoters. AARCLs Tangible Net worth (TNW) stood at Rs. 209.68 crore as on 31 December 2024 with overall gearing of 0.04x. (Rs 199.45 crore and 0.05x respectively as on 31st March 2024).

Moderate AUM levels with improved recoveries

AARCL's AUM moderated Rs.1,268.00 crore in FY24 (period refers from 01st April 2023 to 31st March 2024) as against Rs.1788.63 crore in FY23 on account of substantial increase in recoveries in FY24 coupled with lower acquisitions. During FY24, total recoveries increased to Rs.606.56 crore when compared to Rs 274.69 crore in FY23 as few major accounts were resolved and the acquisitions of fresh assets increased to Rs 218.15 crore in FY24 when compared to Rs 36.32 crore in FY23.



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Total recoveries stood at Rs 82.50 crore in 9MFY25. AARCLs AUM moderated to Rs.1,215.29 crore in 9MFY25 as against Rs.1594.74 crores in 9MFY24, the moderation in AUM levels is due to substantial increase in recoveries and substantially decline in acquisition of fresh assets in 9MFY25 with company acquiring assets worth of Rs 8.01 crore.

Acquisitions were lower due to non-availability of assets for acquisition and stiff competition in the market. According to the management, the provisional balance sheet as on 31 March 2024, initially indicated Net Owned Funds (NOF) was above Rs 200.00 crore. However, the RBI mandated the creation of provisions for advances to a trust, a requirement not previously imposed led the NOF dropping below Rs 200.00 crore by the end of FY24, thereby breaching RBIs stipulated NOF requirements. The company subsequently complied with the said requirement, restoring its NOF to over Rs 200.00 crore by 15 October 2024 within the extended timeline provided by the RBI. Going forward, the ability of the company to grow its AUM levels by diversifying into retail segment will be a key rating monitorable.

Experienced promoters and management team

AARCL is promoted by Mr. Alok Dhir, a Chartered Accountant and Lawyer having ~4 decades of experience in corporate commercial and civil law with special focus on Corporate and Financial Restructuring, Insolvency Laws, Takeovers, M&A, Banking Law, Real Estate, PE transactions, turning around of financially stressed entities in the country and issues related to Asset Reconstruction & Securitization. Mr. Dhir and his family hold 70.11% stake in the company as on 31 December 2024. The Company has veteran bankers & industry experts on their board, having vast experience in their respective fields and holding various leadership positions & directorships to their credit.

Key Rating Weaknesses

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.



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Intense competition in the Asset Reconstruction sector

There are ~28 registered ARCs in India, which manage more than Rs. 1 lakh Crore of 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 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.

Risks 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, 4 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 – Adequate

Given the scale of operations, AARCs liquidity remains adequate with total CRAR of 103.50% and tangible Networth of Rs 209.68 crores as on 31 December 2024. Also, the average overdraft utilization stood low at ~39.00% for the period January-September 2024.

About the Company

Alchemist Asset Reconstruction Company Ltd. is registered with the Reserve Bank of India as a Securitization and Reconstruction Company under the provisions of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002.



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Financials (Standalone):

For the year ended* / As on	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	35.45	102.96
PAT	5.44	10.57
Tangible Net worth	181.89	199.45
AUM	1788.63	1,268.00
Ratios		
ROTA (%)	2.03	4.40
Interest Coverage (times)	1.73	5.15
Total CRAR (%)	59.39	88.33

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information:

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					21 Feb 2024	22 Feb 2023	-
1.	Term loans	Long Term	8.13	IVR A-/Negative	IVR A-/Stable	IVR A-/Stable	-
2.	Proposed Term loans	Long Term	79.87	IVR A-/Negative	IVR A-/Stable	IVR A-/Stable	-
3.	Proposed NCDs	Long Term	100.00	IVR A-/Negative	IVR A-/Stable	IVR A-/Stable	-
4.	Secured Overdraft	Short Term	12.00	IVR A2+	IVR A2+	IVR A2+	-

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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



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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.

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.

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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
Term Loans	-	-	-	Nov 2027	8.13	-	IVR A- /Negative
Proposed Term loans	-	-	-	-	79.87	-	IVR A- /Negative
Proposed NCDs	-	--	-	-	100.00	Proposed to be listed	IVR A- /Negative



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Secured Overdraft	-	-	-	-	Revolving	-	IVR A2+
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Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-chemist-feb25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities:

Indicative term sheet for the proposed NCDs of Rs 100.00 crore.

Issuer	Alchemist Asset Reconstruction Company Limited
Debenture Trustee	Vistara ITCL (India) Limited
Registrar and Transfer Agent	Skyline Financial Services Private Limited
Security Name	Listed, rated, secured, taxable, redeemable non-convertible debentures of face value of Rs. 10,00,000 (Rupees Ten Lakh) each
Issue	Private Placement @ 12% to be listed, rated, secured, taxable, redeemable non-convertible debentures of face value of Rs. 10,00,000 (Rupees Ten Lakh) each for cash at par, proposed to be issued by Issuer pursuant to the Shelf Prospectus and the relevant Tranche Disclosure Document, in one or more tranches (each being a "Tranche Issue") for an amount aggregating upto Rs. 50,00,00,000 (Rupees Fifty Crore) with a green shoe option of Rs. 50,00,00,000 (Rupees Fifty Crore) ("Shelf Limit") on the terms and conditions as set out in separate Tranche Disclosure Document(s) for each Tranche Issue, which should be read with this Shelf Prospectus.
Nature of Instrument	Secured against SRs rated RR1 and above. (1.35 times the amount raised. SRs adjusted for Rating, rebalanced every quarter)
Mode of Issue	On Private Placement basis
Issue Size	Rs. 50,00,00,000 (Rupees Fifty Crore)
Option to retain oversubscription (Amount)	The issue has an option to retain an additional Rs. 50,00,00,000 (Rupees Fifty Crore)
Objects of the Issue	The proceeds of the issue will be utilised for investment into SRs or Acquisition of Financial Assets. Pending full utilization of proceeds from issue, the temporary surplus will be invested in the permissible investment for Asset reconstruction companies.
Coupon Rate	12% pa. Payable monthly
Interest on Application Money	Interest will be paid from date of receipt of credit of funds in the account till date of allotment @ of 12% pa.
Default Interest Rate	1% (One percent) per annum
Tenor	7 years including 2 years of moratorium (2+5 years)
Redemption Date(s)	Payable in 5 years in 5 annual instalments after the moratorium of two years
Redemption Amount	At Par
Redemption Premium/Discount	NA
Issue Price	Rs. 10,00,000 (Rupees Ten Lakh) per Debenture issued at par



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Face Value	Rs. 10,00,000 (Rupees Ten Lakh) per Debenture
Security	Secured against the pledge of SRs held by AARC at 1.35 times the value of the money raised.
Security Cover	1.35 times the amount of fund raised in the form of Security Receipts

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.

