RATING RATIONALE

23 July 2026

PRUDENT ARC LIMITED

Brickwork Ratings assigns the rating at BWR A+/Stable for the Proposed Non Convertible Debentures (NCD) of Rs 100.00 Crores and Proposed Bank Loan Facilities of Rs 100.00 Crores of Prudent ARC Limited.

Particulars

Instruments/ Facilities**	Amount (Rs.Crores)	Tenure	Rating*
NCD- (Proposed)$	**100.00**	**Long Term**	**BWR A+/Stable (Assignment)**
Fund-Based Bank Loan Facilities - (Proposed)$	**100.00**	**Long Term**	**BWR A+/Stable (Assignment)**
Grand Total	**200.00**	**(Rupees Two Hundred Crores Only)**	

*Please refer to BWR website **www.brickworkratings.com/** for the definition of the ratings
** Details of Bank Loan Facilities are provided in Annexure-I
$ Ratings on proposed facilities are valid only until the facility is availed. Once the facility is availed rating will be reviewed based on the performance and utilisation of the facility.

RATING ACTION/ OUTLOOK: ASSIGNMENT/ STABLE

Brickwork Rating assigns the long-term rating at BWR A+/Stable for the proposed non convertible debentures (NCD) amounting to Rs 100.00 Crores and proposed bank loan facilities amounting to Rs 100.00 crores of Prudent ARC Ltd ('Prudent ARC' or the "Company"). BWR has principally relied upon audited financials of the company for FY24 and FY25, provisional financials for FY26, and projections for the ensuing two years, the information/ clarification provided by the Company, and the information available from the public sources.

The rating factors in the Company's experienced promoters and management team, higher recovery in the latest two years resulting in improved earnings profile, comfortable capitalisation, and overall gearing. However, the rating is constrained by the inherent cyclicality of recovery-linked earnings in the ARC business, as well as the dynamic competitive and regulatory landscape, and potential regulatory changes that could impact the distressed asset ecosystem.

The rating also considered the company's existence in the financial sector for more than a decade, and that the company has witnessed multiple asset resolution cycles with cumulative redemptions of Rs 7380 crores since 2022. The company reported AUM of Rs 3506 crores as on 31 March 2026, reflecting stability despite industry challenges. Acquisitions during FY26 were Rs 1832 crores indicates an active pipeline and business traction, which will be expected to support future revenue streams.

Prudent ARC witnessed an exceptionally strong recovery of ₹4,400 crores in FY2025, which significantly outpaced its then Assets Under Management (AUM) size of ₹2,825 crores as on 31 March 2025. This indicates that recoveries exceeded the asset acquisition cost, generating an upside surplus income of ₹181 crores as on 31 March 2025.

The 'Stable' outlook reflects expectations that PARC will strengthen and maintain its strong capital cushion (CRAR of 50% as of March 31, 2026), backed by promoter support and a healthy track record of internal accruals. The outlook is further supported by the company's incremental asset acquisition pace, which reached ₹1,832 crore in FY2026. This expanding asset base ensures predictable, recurring management fee income, buffering the company against the inherent timing volatilities of large corporate resolutions.

KEY COVENANTS OF THE FACILITY RATED

The terms of sanction of the rated facilities will include standard covenants normally stipulated for such facilities. The facilities currently rated are proposed fund-based bank loan facilities.

KEY COVENANTS OF THE INSTRUMENTS RATED

The draft terms of the proposed NCDs shared with BWR indicate that the proposed issuance will be of Rs. 100 crores. It will be raised for a tenor of up to 60 months, repayable in bullet at the end of the tenor. The other details are under discussion and shall be updated by the company upon finalisation.

KEY RATING DRIVERS

Credit Strengths-:

Experienced Promoters and Management Team

Prudent ARC benefits from the experience and diverse business acumen of its promoter director, Mr. Pradeep Goyal. A third-generation industrialist with deep-rooted business interests across key sectors like steel and textiles, Mr. Goyal leverages his extensive industry knowledge and wide corporate network to drive strategic asset acquisitions. Supporting the promoters is a strong, professional management team composed of veteran bankers. These professionals bring over 35 years of individual experience across diverse banking domains, equipping the company with deep operational insights that enable faster, more effective resolution of stressed assets.

Comfortable capitalisation and Healthy Profitability:

Prudent ARC maintains a robust capitalisation profile, supported by consistent capital infusions from its promoters alongside steady internal profit accruals over the past three fiscal years. The promoters demonstrated strong commitment by infusing ₹96 crore via Compulsorily Convertible Preference Shares (CCPS) in FY2024, followed by an additional equity/capital injection of ₹25 crore in FY2025. This capital base was further strengthened by internal accruals of ₹92 crore in FY2025 and ₹50 crore in FY2026. Backed by this continuous equity build-up, the company’s Capital Adequacy Ratio (CRAR) stood at an exceptional 50% as of March 31, 2026, providing a substantial cushion over the regulatory requirement of 15%.

Robust Asset Resolution and Monetization Capabilities:
Prudent ARC's strategy focuses on revenue generation based on the resolution of assets rather than only management fee income generation on the security receipts, which is reflected in the actual resolution performance for the last three financial years. The Company has been able to generate higher resolution performance-linked revenues, minimising the business model's dependence on traditional fees on AUM. Consequently, the company has been able to generate healthy net profit (FY26 (provisional): Rs 60 Crs; FY25: Rs 92 Crs), with robust return on equity (FY 2025 - 27%; FY 26 (Prov) - 15%). As the bulk of the security receipts issued by Prudent ARC have a vintage of less than three years since acquisition, the company would not face any significant mandatory write-offs or provisions in the medium term.

Credit Risks-:

Earning Profile Linked to Resolution cycles:
Prudent ARC's earnings remain inherently linked to the timing and success of asset resolutions, token acquisitions, and the issuance of Security Receipts (SRs), exposing its profitability to volatility. In FY2026, upside surplus income moderated to ₹119 crore from ₹182 crore in FY2025, reflecting steadiness after an exceptionally strong recovery year rather than a structural decline. This is increasingly offset by a growing base of recurring management fee income, supported by a step-up in acquisition volumes to ₹1,832 crore in FY2026 (from ₹1,674 crore in FY2025). The expanding under-resolution portfolio provides good forward visibility on fee income and continued upside potential, supporting management's confidence in sustaining healthy profitability over the medium term.

Inherent challenges in the asset reconstruction business:
As is characteristic of the asset reconstruction industry, cash flows and profitability can vary with the resolution timeline of the underlying assets, with granular retail/SME exposures typically resolving more steadily than large corporate accounts. Prudent's AUM currently has a meaningful concentration in large corporate assets, an area where the Company's experienced management team and promoter network are expected to support effective resolution outcomes over time. Moreover, the valuation of an ARC's assets and the associated management fees are influenced by the recovery ratings of the security receipts. Any deterioration in the recovery rating profile of the portfolio will remain a key monitorable and could impact the company's credit profile.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA: STANDALONE
For arriving at this rating, BWR has considered the standalone financial profile of Prudent Arc Limited and applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale)

RATING SENSITIVITIES

Positive:
- Substantial improvement in the market position with a substantial increase in retail AUM share, coupled with an improved earning profile with ROA over 10% on a sustained basis

Negative:

- Significant decline in earnings profile with ROA below 5% on a sustained basis
- Weakening recovery track record

LIQUIDITY: ADEQUATE :

The company has free cash and bank balance of Rs 9 crores as on 31 March 2026, with no immediate commitment towards debt repayment. The company's recovery for the next 6 months till Dec 2026 will be ~ Rs. 1000 Crores, including redemption from Security Receipts.

ENVIRONMENT, SOCIAL, AND GOVERNANCE: NOT APPLICABLE

ABOUT THE ENTITY

- Prudent ARC Limited, headquartered in Delhi, India, is an Asset Reconstruction Company (ARC) registered with the Reserve Bank of India (RBI).
- The main promoter of the Company is Mr. Pradeep Goel, who is a third-generation industrialist and entrepreneur. He heads the ARC and has extensive experience across varied industries, such as Iron & Steel, energy, real estate, and Financial Institutions. The company is active in the acquisition and resolution of Non-Performing Loans; its 30-35 % of stressed loans are in steel, power, mining & infrastructure projects. The Company has an experienced Independent Board of Directors, which drives the company forward through effective monitoring and corporate governance. Prudent ARC Limited has earned a reputation with regulators, bankers, financial institutions, and professionals in the industry.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY 24 Audited	FY 25 Audited	FY 26 Provisional
AUM	Rs in Crs	2201.36	2824.29	3506
Net Owned Fund (Capital)	Rs in Crs	223.41	340.55	397.29
Total borrowings	Rs in Crs	396.52	409.22	179.1
CRAR	%	40.00	40.35	50.15
Gearing	Times	1.77	1.20	0.45
Total income	Rs in Crs	46.42	234.61	193.47
PAT	Rs in Crs	2.53	92.16	56.71
PAT Margin	%	5.45%	39.28%	29.31%
ROA	%	0.42%	14.95%	9.43%
ROE	%	1.13%	27.06%	14.27%

***Quasi Equity (ICDs from Promoters Company) is included in Adjusted TNW**

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: There was no non-cooperation with other CRAs

Any Other Information: None

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Sr. No.	Facilities	Type	Current Rating (July 2026)		Rating History for the past 3 years		
			Amount Rs crores	Rating	FY 2025	FY 2024	FY 2023
1	Fund Based Bank Loan (Proposed)	Long Term	100.00	BWR A+/ Stable (Assignment)	NA	NA	NA
2	NCD (Proposed)	Long Term	100.00	BWR A+/ Stable (Assignment)	NA	NA	NA
Total			**200.00**	**Rupees Two Hundred Crores Only**			

COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple
For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- General criteria
- NBFC Criteria
- Approach to Financial Ratios

Analytical Contacts	
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Prudent ARC Limited

ANNEXURE-I
Details of Bank Loan Facilities rated by BWR:

Sr. No.	Name of the Bank/ Lender	Type of Facilities	Long Term (Rs crores)	Short Term (Rs crores)	Total	Complexity**
1	Proposed Fund-Based	Term Loan	100.00	NA	100.00	Simple
	Total		**100.00**		**Rupees One Hundred Crores Only**	

****http://www.brickworkratings.com/download/ComplexityLevels.pdf**

ANNEXURE II
INSTRUMENT (NCD/Bonds/CP/FDs) DETAILS :

S. No	Instrument	Issue Date	Rated Amount (Rs in Crs)	Coupon Rate (%)	Maturity Date	ISIN	Complexity
1	Proposed NCD	NA	100.00	NA	NA	NA	NA
	Total		100.00	Rupees one hundred crores only			

*For more information, visit **www.brickworkratings.com/download/ComplexityLevels.pdf**

ANNEXURE III
List of entities consolidated: NA

List of instruments and regulators

As required by SEBI CRA Circular dated Feb 10, 2026, a list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is being disclosed below:

Instrument/Activity	Regulator
Listed/Proposed to be listed bonds/debentures/preference share (all securities)	SEBI
Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA-
Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) [1]	SEBI
Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI)-[1]	SEBI
Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI)-[1]	RBI
Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/FIs -[2]	RBI
External Commercial Borrowings and other similar borrowings	RBI
Certificates of Deposit	RBI
Fixed Deposits raised by NBFC's, Banks, HFCs, Fis	RBI
Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, Fis	MCA
Inter Corporate Deposits/Loans extended by Corporates	MCA
Borrowing programme -[3]	-
Issuer Ratings [4]	-
Credit Ratings for Capital Protection Oriented Schemes (by Mutal Funds and AIFs)	SEBI
Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
Listed Security Receipts	SEBI
Unlisted Security Receipts	RBI
Independent Credit Evaluation (ICE)	RBI
Expected Loss Ratings (for Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/Fis)	RBI
Expected Loss Ratings (Listed/Proposed to be listed bonds/debentures/preference share (all securities))	SEBI
Expected Loss Ratings (Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities))	~~MCA~~
Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) -[1]	Investor-side Regulator such as IRDAI, PFRDA[5]
Monitoring Agency	SEBI
Research activities, incidental to rating, such as research for Economy, Industries and Companies [6]	NA

1. Includes securitisation transactions involving assignee payout, acquirer's payout.
2. Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.
3. The rated instrument may involve the issuance of different instruments, such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In PRs subsequent to issuance(s), BWR shall separately capture the rated quantum details along with the names of respective regulators.
4. There is no instrument being rated, and hence, the Regulator of the Instrument is not applicable.
5. These ratings were assigned during the regulatory regime prior to the introduction of SEBI CRA Circular dated Feb 10, 2026, and accordingly, investor side regulators have been included.
6. Permitted by SEBI vide SEBI Master Circular for CRAs

Grievance Management: For any grievances relating to rating of instruments regulated by SEBI, please contact **sebigrievance@brickworkratings.com**. Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available

For any grievances relating to the rating of instruments regulated by other FSR (Financial Sector Regulators), please contact **grievance@brickworkratings.com**

About Brickwork Ratings

Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI]. BWR is the 5th agency to get a credit rating registration in India in 2009, and its corporate office is in Bengaluru. It has a country-wide presence with representatives in 150+ locations. Canara Bank is Brickwork's strategic partner and promoter.

Brickwork offers credit ratings of Bank Loan, Non- convertible/convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has also rated NGOs, Educational Institutions, Hospitals, Urban Local Bodies and Municipal Corporations.

Disclaimer

Nature of Ratings & Information: BWR ratings are opinions on the relative ability of an entity/instrument to meet its financial obligations and are based on information obtained from issuers and other sources believed to be reliable. BWR does not conduct audits, due diligence, or independent verification of such information and does not guarantee its accuracy, adequacy, or completeness. Ratings are current only as of the date of publication and may be revised based on new or unavailable information.

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