RATING RATIONALE

27 August 2026

Rare Asset Reconstruction Ltd

Brickwork Ratings assigns the long-term ratings for the proposed Non-Convertible Debentures of Rs. 65.00 Crores and reaffirms the long-term rating for the existing Non-Convertible Debentures of Rs 90.00 Crores of Rare Asset Reconstruction Ltd.

Particulars:

Instruments**	Amount Rated (Rs. Cr)		Tenure	Rating*		
	Previous	Present		Previous (19 Feb 2026)	Present	Regulator
Non-Convertible Debentures	90.00	**90.00**	Long Term	BWR BBB+/ Stable (Reaffirmed)	**BWR BBB+/ Stable (Reaffirmed)**	SEBI
Non-Convertible Debentures	0.00	**65.00**	Long Term	Nil	**BWR BBB+/ Stable (Assigned)**	SEBI
Total	90.00	**155.00**	**Rupees One Hundred and Fifty Five Crores Only**			

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings
** Details of outstanding NCDs are provided in Annexure-II

RATING ACTION / OUTLOOK: ASSIGNMENT/ REAFFIRMATION/ STABLE

Brickwork Ratings (BWR) assigns the long-term rating at BWR BBB+/Stable for the proposed Non-Convertible Debentures (NCDs) amounting to Rs. 65.00 Crores and reaffirms the long-term rating at BWR BBB+/Stable on the existing Non-Convertible Debentures of Rare Asset Reconstruction Limited (Company or ' RARE').

The rating factors in the improvements across asset acquisitions, recoveries, and redemption performance. It remains supported by a comfortable capitalization profile, backed by regular equity infusions from promoters that enabled the company to achieve the regulatory minimum Net Owned Funds (NOF) requirement of ₹300 crore by March 2026. The Company will be expected to maintain the NOF above the regulatory requirement with the growth in business. Additionally, the improved recovery and redemption momentum contributed directly to higher overall earnings and profitability. While remaining constrained by the inherent risks associated with the asset reconstruction business, including recovery volatility and leverage dependence.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED:

INE03UZ07023: These instruments are senior, secured, listed, rated and redeemable debt instruments in the nature of non-convertible debentures amounting to ₹90.00 Crores raised at par on a private placement basis. The instruments were issued on 20 March 2025 for a tenor of 5 years. The NCDs have a fixed coupon rate of 14.00% payable annually on 31 March until their maturity date of 20 March 2030. The other covenants are as per the terms of the term sheet.

Proposed NCD: These instruments are proposed to be senior, secured, listed, rated and redeemable debt instruments in the nature of non-convertible debentures amounting to ₹65.00 Crores to be raised at par on a private placement basis. The instruments will be issued for a tenor of 36 months, with a fixed coupon rate. The coupon shall be compounded monthly and payable at quarterly rests in arrears, and NCDs will be payable in equal quarterly payments after a one year moratorium from the allotment month. The other covenants will be as per the terms of the term sheet.

KEY RATING DRIVERS

Credit Strengths:-

Comfortable Capitalisation for regulatory adherence:
The Company's net worth crossed ₹300 crores as of 31 March 2026. There was a capital infusion of ~ Rs.150 crores during the year FY26, in the form of ₹46.875 crores of proceeds from issuance of share capital and ₹103.125 crores of proceeds of security premium from issuance of share capital reflected in other equity. The strengthening of net worth was also supported by internal accruals apart from the capital infusion by the promoters. The Company's net worth stood at ₹302 crores as on 31 March 2026 (audited) and ₹305 crores as on 30 June 2026 (unaudited/ provisional), against ₹210.27 crores as on 31 March 2025 (audited). As per regulatory requirements, the net owned funds are required to be maintained above ₹300 crores for an asset reconstruction company from 31 March 2026. The company's Capital to Risk Weighted Assets Ratio (CRAR) stood at 22.04% as on 31 March 2026, compared to 17.14% as on 31 March 2025.

Growth in portfolio and consistency in acquisition strategy:
AUM (Assets under management) as on 31 March 2026 is at Rs 3866.47 crores and Rs 3851.21 crores as on 30 June 2026. Portfolio acquisitions in FY 2026 nearly doubled compared to FY 2025. In FY 2025-26, assets worth ₹ 9300 crores (principal outstanding) were acquired compared to assets worth ₹4820 crores were acquired in FY 2024-25, at an average cost of ~12%. The company, in a changing market scenario, has been able to acquire debt at competitive pricing (2%–25% depending on structure), supporting potential upside in recoveries. The Company's ability to strategically acquire new assets while maintaining a comfortable capital structure and a competitive borrowing cost will remain monitorable.

Improving Recovery Momentum and Earnings Visibility:
During FY26, the Company reported aggregate recoveries of approximately ₹1017 crores, surpassing the recoveries of Rs.521 crores in FY25. Management has guided for recoveries of ₹1259 crores in HY2FY27, which, if achieved, will further strengthen cash accruals and liquidity.

Total operating income increased from ₹76 crore in FY25 to ₹116 crore in FY26. Thus, operating revenue grew 34% year-on-year, while Net Profit (PAT) rose 42% to Rs 16.29 Crs as on 31 March 2026 from Rs. 9.52 Crs as on 31 March 2025. Despite higher interest costs and write-offs, better recovery and acquisitions pushed Return on Assets (ROA) from 0.69% as on 31 March 2025 to 1.14% as on 31 March 2026. Although the Company has demonstrated improvement in income and profitability during FY26 when compared to FY25, the absolute level of earnings remains modest when compared with established peers in the ARC industry.

The comparatively moderate profitability is partly attributable to write-offs and provisioning undertaken pursuant to the completion of the statutory eight-year resolution period prescribed under regulatory guidelines. Going forward, the ability to scale up income—through higher recoveries, stable management fee contribution, and improved resolution efficiency—while containing write-offs and ageing-related provisioning will remain a key monitorable.

Credit Weakness:-

Elevated Gearing and Rising Interest Cost:
Leverage remains elevated, with total debt at Rs 516 crore as on 31 March 2026. Apart from interest-bearing borrowings, the Company has also mobilised substantial advances for resolution and security deposits, which is increased from Rs 584 crore as on 31 March 2026 to Rs 608 Crs as on 31 March 2026, which are adjustable against future realizations of Security Receipts (SRs). Although recoveries are expected to support gradual deleveraging, the gearing profile remains sensitive to recovery volatility and acquisition intensity. The Company's total outside liabilities reduced from ₹1169 crores as of 31 March 2025 to ₹1123 crores as of 31 March 2026, stabilising the overall gearing ratio from 2.7x in FY25 to 1.7x in FY26 due to infusion of capital strenegthening the networth. The company's plan for additional borrowing in the form of the proposed NCDs over the near term, and proportionate capital infusion to maintain the gearing shall be monitorable..

SR Rating Movements and Write-offs:
The movement in Security Receipt (SR) rating profile also indicates moderation in portfolio quality. The proportion of RR1+ and RR1 rated SRs declined from approximately 53% of the RARE share portfolio as on December 2024 to around 37% as on December 2025 to around 25% as on 31 March 2026. Concurrently, exposure in RR3 and RR4 categories increased, reflecting ageing or moderation in recovery expectations. Additionally, ₹441 crore of SRs were categorised as "not due" as of December 2025, representing recently acquired pools yet to undergo rating. The eventual rating outcome of these pools will materially influence the portfolio risk profile. Deterioration in SR ratings may impact investor appetite, NAV stability, and funding flexibility.

Inherent Risk associated with ARC business:
The ARC faces general industry challenges arising from developments in the policy framework as the distressed asset market in India is still at a nascent stage. The ARCs will continue to face challenges, given the inherent nature of the asset reconstruction business and the ARC industry as a whole. Since the resolution of stressed assets is subject to a variety of factors, recovery amounts and time may not always be as expected. The earnings profile is volatile because of unpredictable recoveries from acquired assets. One of the major challenges is the sale of NPAs on a 100% cash

basis as compared to the security-receipts-based model adopted earlier, which requires the ARCs to bring in more capital and/or arrange other qualified buyers to part-fund the transaction. The company is moderately sized as the AUM is Rs. 3851 Crs as of 30 June 2026 and its ability to enhance its book in a competitive environment will be monitorable.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA: STANDALONE
For arriving at its ratings, BWR has considered the standalone approach for the Company. There are no subsidiaries of Rare ARC. BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positive:

- Steady growth in acquisitions with improved resolutions, increasing its over-AUM portfolio, on a sustained basis
- Improvement in ROA above 3% on a sustained basis shall be a rating positive.

Negative:

- Gearing above 4x levels shall be a rating negative
- Material shortfall in recoveries impacting liquidity

LIQUIDITY: ADEQUATE
Liquidity is adequate as repayment of a significant proportion of borrowings is linked to the recovery in the underlying assets. However, fixed obligations against NCDs are Rs. 45 crores for the next 6 months, whereas recoveries expected in the next 12 months are Rs. 503 crores.

COMPANY PROFILE
Rare Asset Reconstruction Limited (Rare ARC), a Securitization and Asset Reconstruction company, registered with the Reserve Bank of India (RBI), under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, is in the business of acquiring Non-Performing Assets (NPAs) and SMA-2 Standard Assets from banks, financial institutions and eligible NBFCs, and resolving them through appropriate resolution strategies enunciated in the SARFAESI Act, 2002. It was incorporated on September 16, 2015. It was previously known as Raytheon Asset Reconstruction Private Limited.

The primary focus of Rare ARC is the revival and turnaround of potentially viable industrial enterprises. The company also manages, inter alia, Special Assets Funds targeted towards distressed as well as early stress/ restructured assets, so as to provide a comprehensive solution including additional funding to such concerns. It has its registered office in Ahmedabad, Gujarat. Rare Asset Reconstruction Limited undertakes NPA acquisitions through Trusts (acquisition on Security Receipt basis) and in its own books (100% cash basis).

The company is promoted by Renaissance Fiscal Services Pvt Ltd., and Mr. P K Jain.

ENVIRONMENTAL, SOCIAL, GOVERNANCE - ESG PRACTICES
Not Applicable

BRICKWORK RATINGS

KEY FINANCIAL INDICATORS OF THE RARE ARC LTD - (STANDALONE)

Particulars	Units	FY24	FY25	9MFY26	FY26
		Audited	Audited	Audited	Audited
Net Owned Funds	Rs. in Cr.	203.6	210.00	253.25	302
Total assets	Rs. in Cr.	1152	1384	1560	1436
Total income	Rs. in Cr.	65.4	84.38	86.12	135.61
Profit after tax	Rs. in Cr.	8.09	9.52	12.39	16.29
Gross NPA	%	NA	NA	NA	NA
Return on assets	%	0.73%	0.69%	1.07*	1.14
Gearing	Times	1.42x	2.76x	1.95x	1.70x

***annualised**

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY: None with other CRA

Any Other Information: Not Applicable

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

Sr No	Instrument	Tenure	Current Rating		Rating History (for the previous three years)			
			Amount (Rs Crs)	Rating				
	-	-	-	27 Aug 2026	19th Feb 2026	20th Feb 2025	2024	2023
1	NCD	Long Term	90.00	BWR BBB+ / Stable Reaffirmed	BWR BBB+ / Stable Reaffirmed	BWR BBB+ / Stable Assigned	-	-
2	NCD	Long Term	65.00	BWR BBB+ / Stable Assigned	-	-	-	
	Total		**155.00**	**Rupees One Hundred Fifty Five Crores Only**				

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

Any Other Information- NA

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Banks & Financial Institutions

Analytical Contacts	
Sonali Mittal **Analyst - Ratings** **B :+91 9606993221** **sonali.mittal@brickworkratings.com**	**Hemant Sagare** **Director - Ratings** **B :+91 22 2831 1426, +91 22 2831 1439** **hemant.sagare@brickworkratings.com**
Client support | clientsupport@brickworkratings.com	

RARE ASSET RECONSTRUCTION LTD.

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

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

Instrument	Issue Date	Rating Amount (Rs. Crs.)	Coupon Rate (%)	Maturity Date	ISIN	Series	Complexity Level
NCD	20 March 2025	90.00	14%	20 March 2030	INE03UZ07023	IV	Simple
NCD (Proposed)	-	65.00	-	yet to be raised	-	-	Simple

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

ANNEXURE – III
List of Entities Consolidated – NA

Annexure IV: List of instruments and names of regulators of the instruments

A.	Rating activities	
Sr. No.	Instrument/activity Name	Regulator of the instruments
1	Listed/Proposed to be listed bonds/debentures/preference shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI)* $	RBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI)*	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI)*	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/FIs ^	RBI
9	External Commercial Borrowings and other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Borrowing programme ~	-
15	Issuer Ratings #	-
16	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
17	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18	Listed Security Receipts $	RBI
19	Unlisted Security Receipts	RBI
20	Independent Credit Evaluation (ICE)	RBI
21	Expected Loss Ratings (Listed/Proposed to be listed bonds/debentures/preference share (all securities))	SEBI
22	Expected Loss Ratings (Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities))	MCA
23	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) *	Investor-side regulator such as IRDAI, PFRDA @

*

Includes securitisation transactions involving assignee payout and acquirer's payout.

~ The rated instrument may involve 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), Brickwork Ratings India Private Limited (BWR) shall separately capture the rated quantum details along with the names of respective regulators.

^ Includes bank facilities such as liquidity facility, second loss facility, which are part of securitisation transactions. # There is no instrument being rated, and hence, the Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in the SEBI Master Circular for CRAs.

@ These ratings were assigned during the regulatory regime prior to the introduction of SEBI CRA Circular dated Feb 10, 2026, and the investor side regulators have accordingly been included.

$ By virtue of the instrument being listed, SEBI acts as the regulator for listing and related issues.

Note: 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.

B	Other Activities	Regulator of the Instruments
1	**Monitoring Agencies**	**SEBI**
2	**Research activities incidental to rating such as research for Economy, Industries and Companies ***	**NA**

Grievance Management: For any grievances relating to the 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**

DISCLOSURE ON CONFLICT OF INTEREST

BWR Board of Directors has no influence over rating decisions, nor do they sit on the rating committee or review, discuss, or evaluate any credit rating during the Board meetings.

About Brickwork Ratings

Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and is accredited by the 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.

Brickwork offers credit ratings of Bank Loans, 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.

No Advice or Recommendation: Ratings, reports, and related communications are not investment advice and do not constitute recommendations to buy, sell, or hold securities, or to sanction, renew, or disburse credit facilities. They do not represent offers or solicitations for any transaction. Users must rely on their own independent judgment and professional advice. Access to or use of these materials does not create any client relationship with BWR.

Liability, Usage & Regulatory Framework: This content is published for the purpose of dissemination of information as required under applicable laws and regulations. BWR holds exclusive copyright over the content. It may be used with appropriate credit to BWR, provided that the content is not altered or modified in any way that could change its meaning or intent. BWR retains the exclusive right to distribute or share its rating rationales, directly or indirectly, through any print, digital, or electronic media. All reports are provided on an "as is" basis without warranties of any kind, express or implied, including but not limited to merchantability, fitness for a particular purpose, or non-infringement. BWR and its affiliates shall not be liable for any direct, indirect, incidental, or consequential losses or damages arising from the use of these reports. Ratings are subject to continuous surveillance and may be revised, suspended, or withdrawn at any time without notice. These reports are intended for use within India only. BWR operates under SEBI Regulations and Code of Conduct.

For more information on policies and ratings, please visit **www.brickworkratings.com**