Stressed assets and special situations

The asset class, the structure of security receipt transactions, the routes to exit, the generation of returns and the risks involved



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The asset class and its approach

Banks and NBFCs are compelled by provisioning, capital and supervisory pressure to sell loans in default at a fraction of their dues, while the land, buildings and plant securing those loans retain a far higher realisable value. Stressed asset investing earns the difference between the two.

Hard collateral

Every investment is secured on land, buildings or property backed loans, bought at a multiple of cover on a stress tested realisable value.

Entry far below value

ARCs had acquired loans with a book value of ₹16.19 lakh crore for security receipts of ₹3.20 lakh crore, or 19.8%, to March 2025.

Resolution by specialists

An ARC registered with the RBI enforces security, settles with borrowers and pursues insolvency, powers no ordinary investor holds.

How the return is earned

Acquisition

An ARC buys the loan from a bank and issues security receipts to investors to fund it.

Valuation

The price is capped at the realisable value of the collateral, discounted over the expected resolution period.

Resolution

The ARC recovers through settlement, enforcement under the SARFAESI Act, insolvency or a sale of the asset.

Redemption

Recoveries redeem the security receipts in order of seniority, returning capital and the return to investors.

The return depends on 3 variables: the price paid against the realisable value of the collateral, the amount recovered and the time taken to recover it.



Why the asset class is emerging

Every credit cycle produces stress, and India is in its fastest expansion of credit in more than a decade. The supply of stressed loans, the incentive to sell them and the capital to buy them are rising together.

₹223 lakh cr

Bank credit stood at ₹223.29 lakh crore on 15 September 2026, 18.1% higher than a year earlier, and CRISIL estimates MSME stress at about ₹9.2 lakh crore.

A growing supply of stressed credit

Retail stress across banks and NBFCs reached ₹6.96 lakh crore in FY25, compounding at 12.3% a year since FY20, as unsecured and small business lending expanded.

₹4.35 lakh cr

Realised by creditors under the IBC across 9,166 admitted cases to June 2026, as the Code completed 10 years.

A mature legal framework

The IBC (Amendment) Act, 2026 compressed admission and liquidation timelines, and the RBI consolidated ARC regulation in its Directions of 28 November 2025.

166.6%

IBC realisations against the liquidation value of the assets, and NARCL's 3 fully resolved accounts returned 148%, 115% and 183% of cost.

Recoveries far above entry prices

Resolution converts collateral into cash at values well above a forced sale, which is the source of the asymmetry in the asset class.

5%

Provision floor on loans more than 30 days overdue under expected credit loss norms from 1 April 2027, against 0.4% today.

Provisioning that rewards early sale

The higher cost of carrying stressed loans strengthens the incentive for banks to sell them early rather than hold them for a distant recovery.

₹17.53 lakh cr

Commitments raised by SEBI registered AIFs by June 2026, up 23.6% in a year, with private credit deployment at a record USD 12.4 billion in CY2025.

Institutional capital

Global distressed investors run dedicated India strategies, and India's largest ARC listed on the exchanges in September 2026.

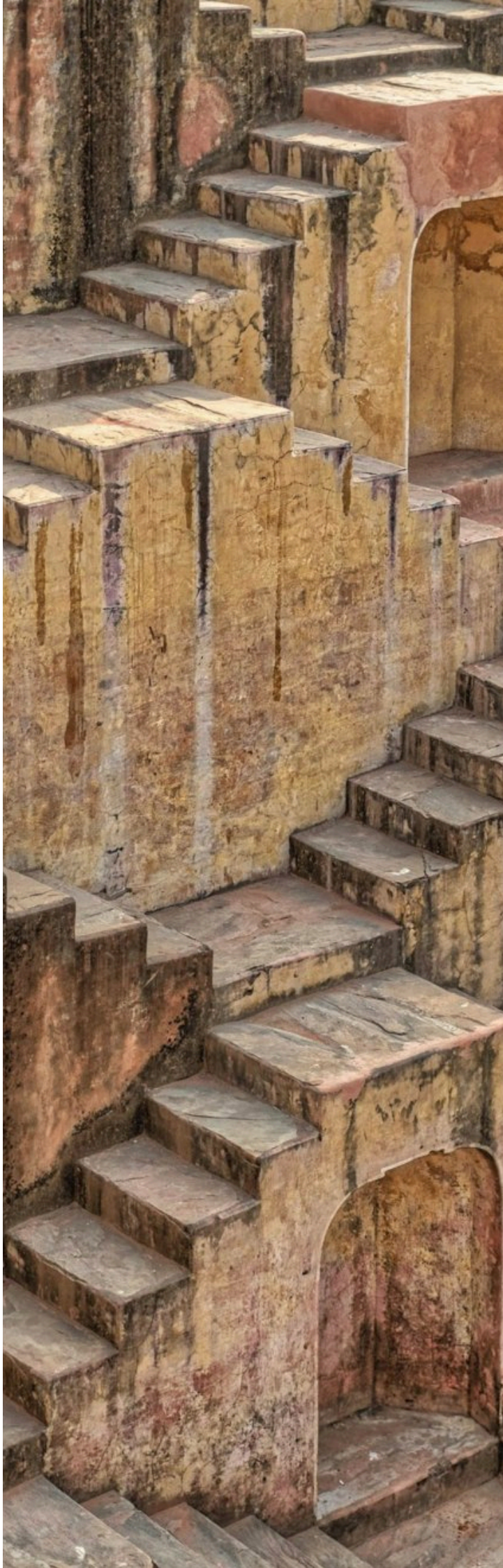
Access that favours specialists

RBI directions permit banks to sell stressed loans only to ARCs and specified regulated lenders. Fund capital therefore reaches the asset class through security receipts and ARC partnerships, which rewards managers with origination through an ARC.

Sources: RBI weekly statistical supplement, 25 September 2026; CRISIL estimates cited in the Asset Reconstruction Company (India) Limited prospectus, September 2026; IBBI data to 30 June 2026; CRISIL on ECL norms, 30 April 2026; SEBI AIF data to 30 June 2026; EY, private credit in India, February 2026; Ministry of Finance on NARCL, 1 May 2026.

How the asset class works

Value in stressed assets lies beneath the outstanding dues, in the land, buildings and guarantees that secure them. The pages that follow trace how a loan falls into stress, how it is bought and resolved, and how the difference between price and recovery becomes a return.



Stressed loans and why they trade at a discount

A bank sells a loan for a fraction of its dues because of the constraints that bind the seller, not because the collateral is worth that little.

Classification	Criterion	Classification	Criterion
SMA 0	Overdue for 1 to 30 days	Substandard	NPA for up to 12 months
SMA 1	Overdue for 31 to 60 days	Doubtful	Substandard for 12 months
SMA 2	Overdue for 61 to 90 days	Loss	Uncollectible, not yet written off
Non performing asset	Overdue for more than 90 days	Stressed assets	NPAs, restructured and written off loans

Provisioning

An NPA attracts provisions that rise with the age of the default, whereas a sale settles the matter at a known value.

Capital and supervision

Stressed loans consume regulatory capital and supervisory attention, and boards favour a clean balance sheet.

Capability and time

Recovery demands legal and enforcement capability sustained over years, which a bank is not organised to deploy.

Thin bidding

Sales run through auctions, with a Swiss challenge for exposures of ₹100 crore or more, and few bidders can underwrite complex collateral.

Accrued dues

Dues include years of interest and penal charges, so a price stated against dues overstates the discount to the collateral.

Price discovery

A private bank sold about ₹48,000 crore of stressed loans for about 23% of book in 2022, and a microfinance pool sold for 9.4% of principal in 2025.

Price against dues and against collateral

A loan with dues of ₹250 crore secured on property worth ₹100 crore may sell for ₹40 crore, which is 16 paise in the rupee against the dues but 40% of fair market value against the collateral. The second measure is the one that protects capital.

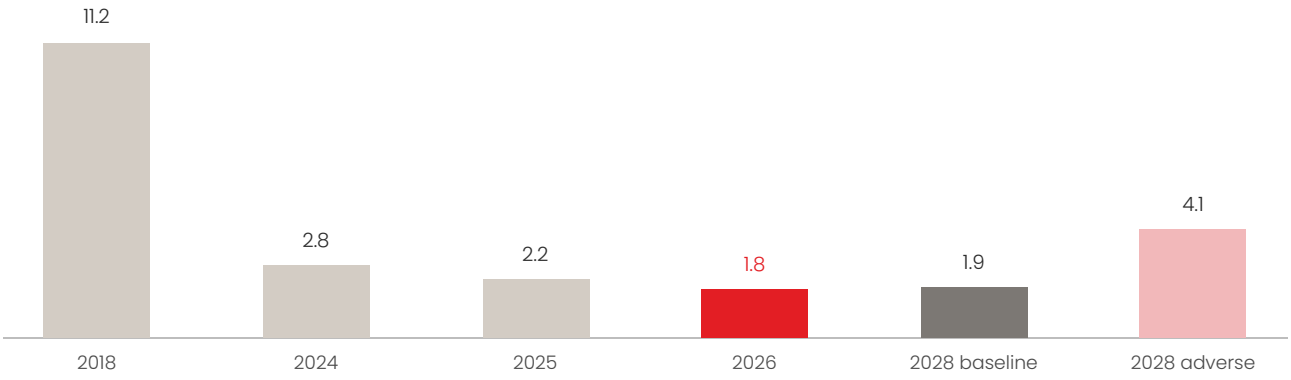
Sources: RBI prudential norms on income recognition, asset classification and provisioning; RBI directions on transfer of loan exposures, updated 1 October 2026; Business Standard, December 2022 and March 2025.

The Indian market in 2026

Headline asset quality is the strongest in decades, but stress has migrated from large corporate accounts to retail, MSME, NBFC and real estate exposures, and the stock of loans awaiting recovery is large.

Gross NPA ratio of scheduled commercial banks, %

March of each year; 2028 under the RBI's baseline and adverse scenarios



Stressed credit by segment, ₹ lakh crore

Banks and NBFCs, including NPAs, restructured and overdue loans



Gross NPAs, banks, March 2026	₹3.85 lakh crore
Gross NPA ratio, NBFCs	2.4%
Unsecured retail gross NPA ratio	1.7%
Recovery from PSB write offs, FY21 to FY25	About 28%

The ARC industry

Registered ARCs, June 2026	27
SRs outstanding, March 2026	₹1.33 lakh crore
Book value acquired to March 2025	₹16.19 lakh crore
SR redemptions, FY25	₹43,256 crore
Recoveries by ARCs, FY25	₹46,621 crore
Cash share of acquisitions, FY25	65%
SRs held by banks, March 2025	58.9%

The shift to cash acquisitions, from about 40% of debt acquired by rated ARCs in FY22 to 65% in FY25, has made the price paid for each loan a genuine market price.

Sources: RBI Financial Stability Report, June 2026; RBI Report on Trend and Progress of Banking in India, 2017 to 18 and 2024 to 25; Rajya Sabha reply of 21 July 2026; CRISIL estimates cited in the Asset Reconstruction Company (India) Limited prospectus, September 2026; Association of ARCs; CRISIL Ratings, December 2025. Book value acquired includes ₹4.22 lakh crore transferred from the Stressed Asset Stabilisation Fund in FY25.

The recovery record

Recoveries have improved as the industry moved from structures paid largely in security receipts to cash, and as the insolvency and enforcement framework matured.

₹43,256 cr

SRs redeemed by ARCs in FY25, up 15.8% on the previous year, exceeding new issuance.

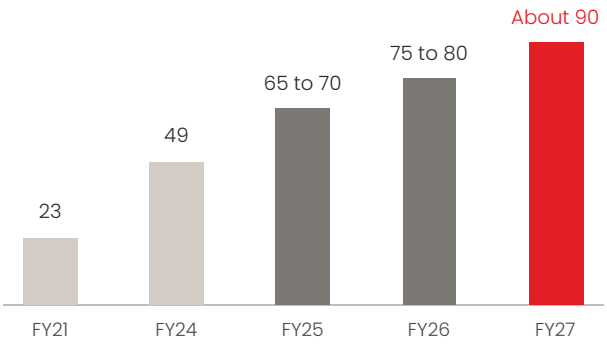
41.8%

SRs outstanding at the start of FY25 that were fully redeemed during the year.

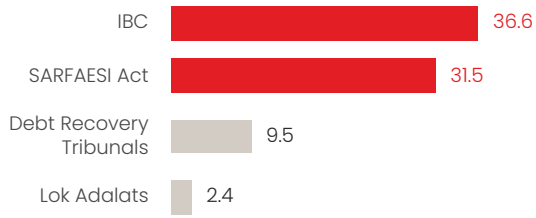
₹6,345 cr

Recovered by NARCL by March 2026, over 48% of its acquisition cost.

Cumulative recovery rate on rated SRs, %
Gross recoveries against SRs issued



Recovery by channel, FY25, %
Amount recovered against amount involved



Rated security receipts

CRISIL's cumulative recovery rate on rated SRs rose from 23% in FY21 to 49% in FY24 and is expected to reach about 90% in FY27, with real estate contributing 40% to 45% of FY27 recoveries.

NARCL

The government sponsored ARC acquired 33 accounts with debt of ₹1,65,862 crore by March 2026, and the 3 accounts resolved in full returned 148%, 115% and 183% of acquisition cost.

Recovery channels

The IBC and the SARFAESI Act, the 2 routes available to ARCs and secured lenders, recovered far more than tribunals or conciliation; the IBC alone accounted for 52.4% of recoveries by banks in FY25.

Redemption ratios

The 2 largest ARCs report cumulative SR redemption ratios of 54.3% and 61.8% in March 2026.

Sources: Association of ARCs; RBI Report on Trend and Progress of Banking in India 2024 to 25; CRISIL Ratings, June 2025 and March 2026; Ministry of Finance on NARCL, 1 May 2026; CRISIL rating rationales, June 2026. FY25 is estimated, FY26 projected and FY27 expected by CRISIL.

Investment types across the stress cycle

Stress offers distinct entry points, each with its own security, tenure and source of return.

Type	Structure and security	Tenure	Return
Rescue and structured credit	Secured NCDs to stressed but viable borrowers, first charge and 2 times cover or more	1 to 3 years	17% to 22% coupons
One time settlement funding	Finance for a borrower to settle dues at a discount, secured on the collateral released	1 to 3 years	18% to 24% targeted
SR subscription	Senior or subordinate SRs in a trust acquiring NPAs	2 to 5 years, within 8 by law	Recovery against entry price
Secondary SRs	Positions bought from banks or other holders, often partly redeemed	1 to 3 years	Accrued claim or recovery
Last mile real estate	Funding to complete stalled housing against project receivables	2 to 4 years	Structured coupon
Interim finance	Lending to a company in insolvency, ranking first as a process cost	Under 1 year	Priority coupon
Resolution plan	Acquisition of a company under the IBC	3 to 5 years	Equity return
Liquidation assets	Purchase of assets or a going concern in liquidation	Varies	Value on resale
Listed special situations	Open offers, delistings, buybacks and demergers	Months	Event spread

One time settlement

A one time settlement is a negotiated cash discharge of the dues, usually at a discount to the claim, under the RBI framework of 8 June 2023. Each lender acts under a board approved policy, the approving authority sits at least 1 level above the sanctioning authority, and a pending recovery case requires a consent decree.

ARCs examine every settlement above ₹1 crore through an independent advisory committee and generally accept no less than the realisable value of the security in present value terms.

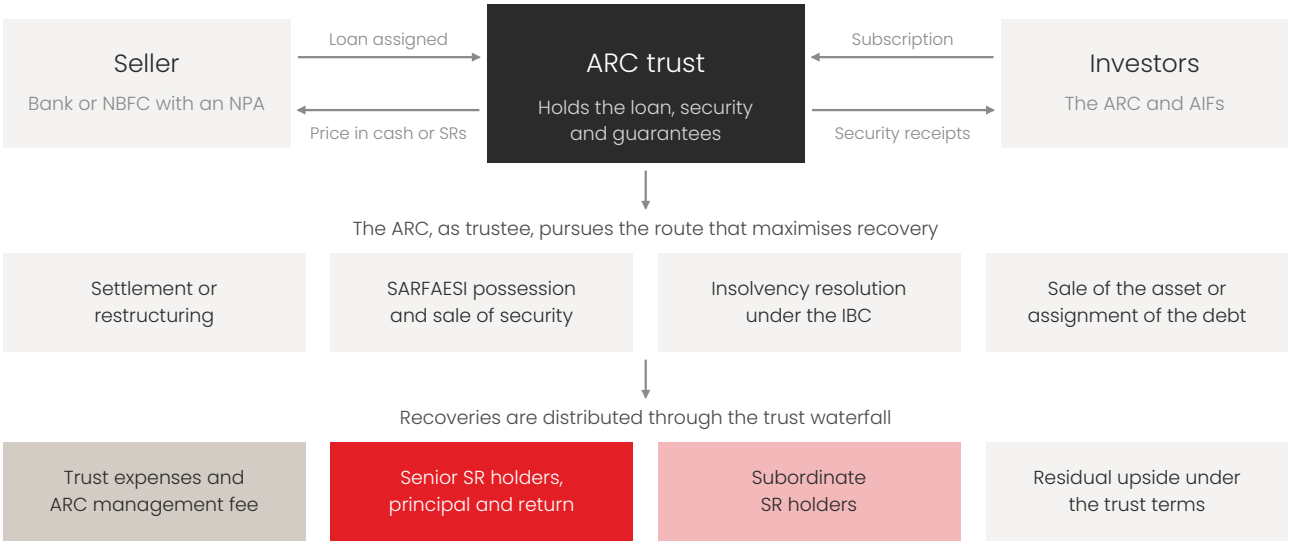
Where Areion invests

Areion's funds concentrate on 3 of these entry points: subscription to security receipts in trusts originated by Omkara ARC, secondary purchases of senior security receipts from banks and other holders, and high yield secured NCDs with a first charge and at least 2 times asset cover.

Sources: Octus, India Private Credit Deals FY25 (17.25% to 21.75% on stressed refinancing); EY, Evolution of private credit in India (18% to 24% for special situations credit); RBI framework for compromise settlements, 8 June 2023; RBI (Asset Reconstruction Companies) Directions, 2025. Tenures and returns are indicative.

How a security receipt transaction works

A security receipt is a certificate evidencing an undivided right in the loans acquired by an ARC trust. It carries no coupon payable by the borrower, and its value depends on what the trust recovers and on the class held.



Alignment

The ARC must hold the higher of 15% of the transferors' SRs or 2.5% of all SRs in each class until redemption.

Rating and valuation

A SEBI registered agency rates the SRs within 6 months and then every half year, and the net asset value must sit within the rated range.

Fees from recoveries

The management fee is computed on the lower end of the rated value, capped at the acquisition value and paid only out of recoveries.

Realisation period

The ARC must frame a plan within 6 months and realise the assets within 5 years, extendable by its board to 8 years.

Reporting

Holders receive quarterly disclosures of collections, defaults and rating changes, and the rating rationale.

Consent of holders

Holders of 60% of SRs must consent to a change in the management of the borrower.

Source: RBI (Asset Reconstruction Companies) Directions, 2025, paragraphs 12, 36, 45, 81 to 83, 87, 90, 142 and 143.

The life of a transaction

Every acquisition passes through the same 5 stages, from the bank's decision to sell to the final redemption of the security receipts, and the ARC remains invested alongside its investors throughout.

1

Sale

The seller classifies the loan as an NPA, fixes a reserve price and invites bids, often under a Swiss challenge.

2

Diligence and bid

The ARC examines title, collateral, litigation and guarantors, and prices its bid against the expected recovery and time.

3

Acquisition

The price is paid in cash or partly in SRs, and the trust issues senior and subordinate SRs to qualified buyers.

4

Resolution

The ARC settles, enforces, files for insolvency or sells, and the credible prospect of one route often accelerates another.

5

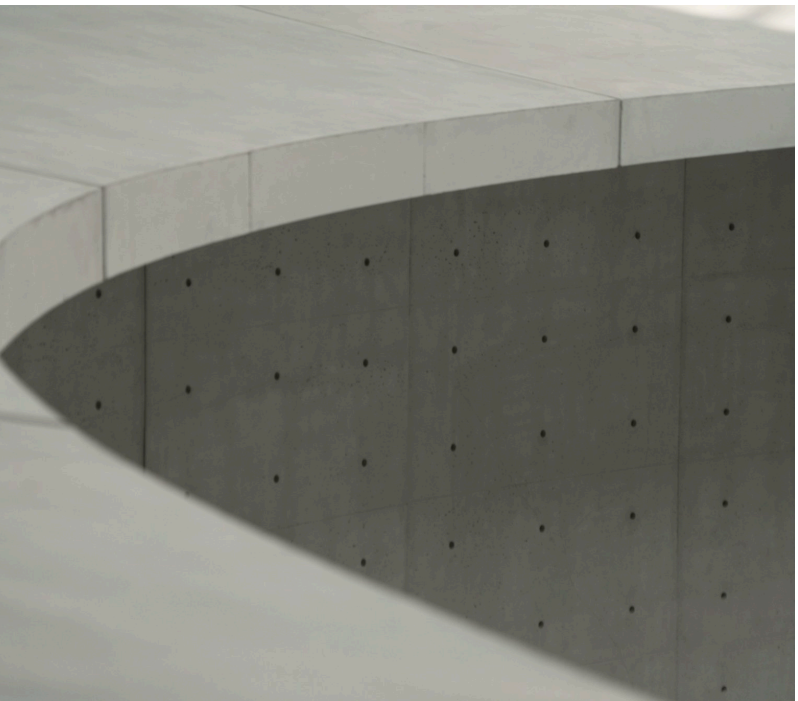
Redemption

Recoveries pass through the waterfall and redeem SRs in order of seniority within the realisation period.

Recovery rating scale

Rating	RR1+	RR1	RR2	RR3	RR4	RR5
Expected recovery to face value	Above 150%	100% to 150%	75% to 100%	50% to 75%	25% to 50%	Up to 25%

The rating anchors the net asset value declared for each class of security receipt and is reviewed as at 30 June and 31 December every year.



Sources: RBI directions on transfer of loan exposures, updated 1 October 2026; RBI (Asset Reconstruction Companies) Directions, 2025; CRISIL and ICRA criteria for the recovery rating of security receipts.

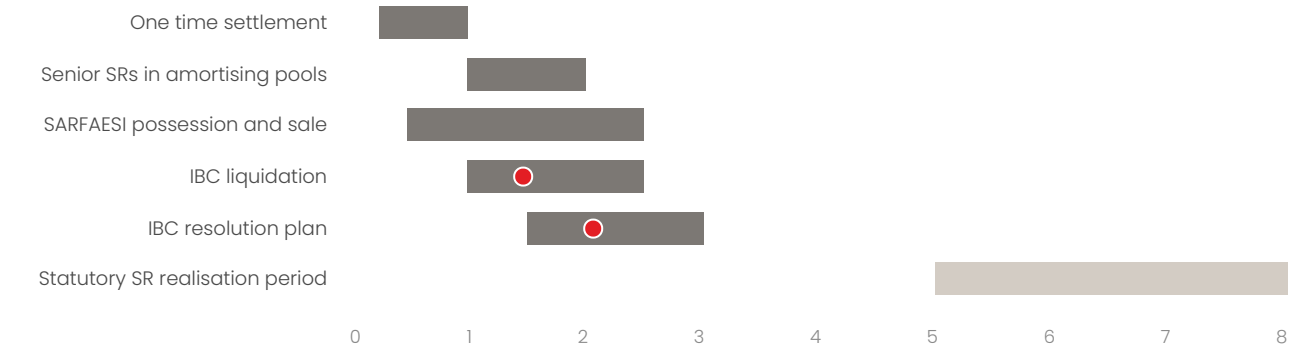
Routes to recovery and exit periods

The ARC chooses among routes according to the borrower's conduct, the quality of title and the market for the collateral, and the statutory steps set the floor on how quickly each route can deliver cash.

Route	Statutory steps	Observed time
One time settlement	Negotiated; consent decree where a recovery case is pending	3 to 12 months
SARFAESI enforcement	60 day demand notice, possession, magistrate's order within 30 to 60 days, 30 day sale notice	3 to 5 months at the minimum
IBC resolution	180 days plus 90, outer limit of 330 days; admission within 14 days under the 2026 Act	757 days on average to June 2026
IBC liquidation	180 days plus 90 under the 2026 Act	540 days on average to June 2026
Creditor initiated process	150 days plus 45 for notified classes of creditors, debtor in possession	New under the 2026 Act
Debt Recovery Tribunal	Recovery suit before the tribunal	Slowest; 1.78 lakh cases pending

Indicative exit periods by route, years

Red markers show IBBI averages to June 2026



Redemption

Recoveries redeem security receipts in order of priority, which is the usual exit.

Transfer

Receipts may be sold to another qualified buyer, as in the secondary purchases made by Areion.

Put option

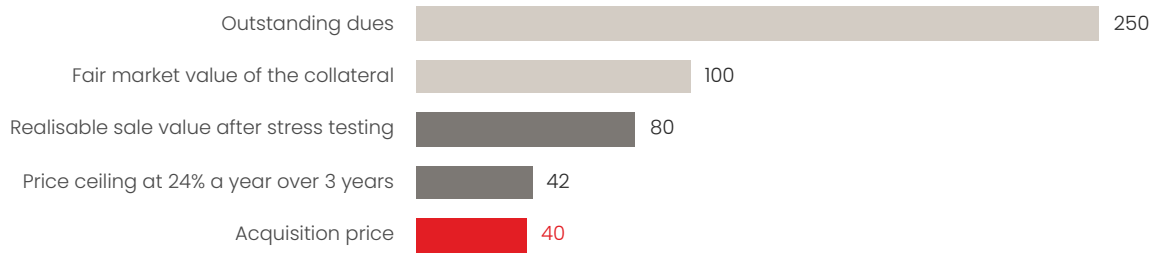
Where negotiated, the holder may require the ARC to buy back the position at an agreed return.

Sources: SARFAESI Act, 2002 and Security Interest (Enforcement) Rules, 2002; IBC (Amendment) Act, 2026; IBBI data to 30 June 2026 as reported by CareEdge; Rajya Sabha reply on pending DRT cases, November 2025. Ranges are indicative.

How returns are generated

A disciplined buyer prices downward from the collateral rather than from the dues. The hypothetical loan below follows the valuation hierarchy Areion applies to every transaction.

Valuation hierarchy of a hypothetical stressed loan, ₹ crore



16%

Price paid against outstanding dues of ₹250 crore.

40%

Price paid against fair market value of ₹100 crore.

2.0x

Cover provided by the stress tested realisable sale value of ₹80 crore.

Entry discount

Acquisition at a fraction of the realisable value of the collateral sets the multiple available on recovery, and the price is capped at that value discounted over the expected resolution period.

Accrual on senior classes

Senior receipts in certain trusts carry a contractual return of 21% to 22% a year, so delay increases the claim rather than eroding it, provided the recovery covers the accrued claim.

Resolution value

Settlement, enforcement or insolvency converts collateral and guarantees into cash at a value well above a forced sale.

Additional recourse

Personal guarantees of promoters, related properties and upside in the trust waterfall add to recovery and are usually excluded from underwriting.

Underwritten case	Year 0	Year 3	Multiple	IRR
Recovery at realisable value in 3 years, ₹ crore	(40.0)	80.0	2.00x	26.0%
Same recovery received 2 years later	(40.0)	80.0 in year 5	2.00x	14.9%

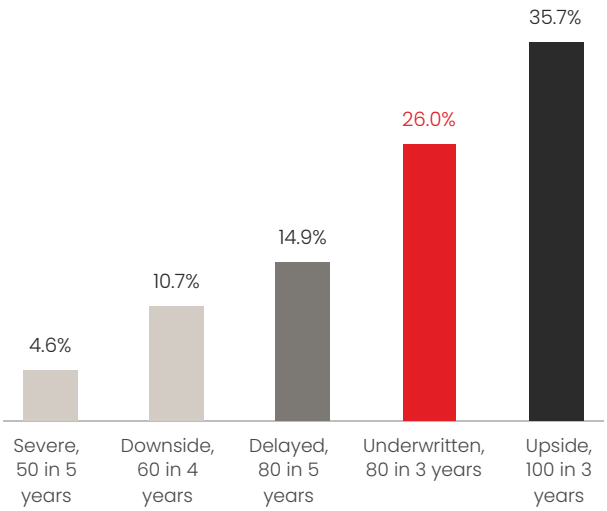
The loan is hypothetical and is included solely to explain the mechanics of pricing.

The asymmetry of risk and reward

Collateral cover sets a floor on capital, while the multiple between entry price and realisable value sets the ceiling on return. Time, rather than loss, is the dominant risk.

IRR across outcomes for the hypothetical loan

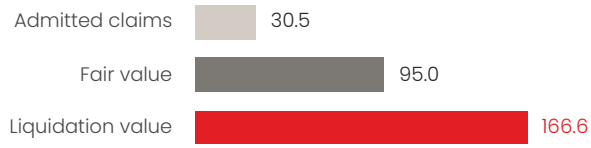
Recovery in ₹ crore and years to recovery



Even a recovery 37.5% below the stress tested value, received 2 years late, returns capital with a positive return, while a recovery at fair market value lifts the IRR above 35%.

IBC realisations measured 3 ways, %

Cumulative



Measured against admitted claims, which include years of accrued interest, insolvency recoveries look poor; measured against the value of the assets, they are high. The gap is the space in which a buyer at the right price earns its return.

IRR by multiple of capital and years to recovery

Single investment and single recovery

Multiple	1.5 years	2 years	3 years	4 years	5 years
1.50x	31.0%	22.5%	14.5%	10.7%	8.4%
1.75x	45.2%	32.3%	20.5%	15.0%	11.8%
2.00x	58.7%	41.4%	26.0%	18.9%	14.9%
2.50x	84.2%	58.1%	35.7%	25.7%	20.1%
3.00x	108.0%	73.2%	44.2%	31.6%	24.6%

Sources: IBBI data to 30 June 2026 for admitted claims and liquidation value, and to 31 December 2025 for fair value. Outcomes for the hypothetical loan assume a single investment of ₹40 crore and a single recovery.

Risks and their mitigation

Stressed assets offer elevated returns because the risks are real and difficult to quantify. Each is addressed at a specific stage of underwriting.

Risk	Nature of the risk	Mitigation
Legal and timeline	Appeals, stays and fresh litigation delay recovery and reduce the IRR even where the recovery is unchanged.	Every bid is capped at the stress tested value discounted at the hurdle rate over the legal team's exit timeline.
Valuation	Collateral may be overvalued, defective in title or deteriorate during proceedings.	Registered valuers, at least 3 for NCDs, inspection of every site and a stress tested realisable value.
Liquidity	Security receipts are unlisted and transferable only among qualified buyers.	Funds are closed ended, with tenure matched to the resolution horizon.
Information and fraud	Records may be incomplete, assets diverted or liabilities concealed.	Title and forensic diligence, the lender's records on assignment and IBC avoidance provisions.
Priority of claims	Workmen, operational creditors and tax authorities may assert competing claims.	Ranking is reviewed before pricing, and senior classes and first charges are preferred.
Operational	Running a business demands capital, licences and management.	A focus on land and buildings and on operating assets run by professional operators.
Regulatory and cycle	Rule changes and downturns lower collateral values and lengthen resolution.	Cover of a multiple of the price paid absorbs a decline in collateral values.
Manager and ARC	Capability, conflicts and fees decide the net outcome for investors.	ARC co investment, independent ratings and quarterly trust reporting.

757 days

Average time to an approved IBC resolution plan, against a statutory limit of 330 days.

68%

Average haircut on admitted claims under resolution plans approved in FY26.

2x

Minimum asset cover required on every Areion NCD, secured by a first charge.

The decisive variables

Returns are determined by the entry price and the quality of execution. A loan acquired at 30% of face value can deliver an inadequate return if the recovery is 20% of face value, or if resolution takes 8 years rather than 3.

Sources: IBBI data to 30 June 2026 as reported by CareEdge; ICRA, IBC at 10, June 2026.

Evaluating a stressed asset proposal

The 6 questions below separate a well underwritten transaction from a merely cheap one, and apply equally to a fund and to a single security receipt.

The 6 questions asked of every proposal

Origination

A manager that acquires directly from banks through an ARC sets the entry price, whereas a later buyer accepts a price set by another party.

Price against realisable value

Protection is measured by the cover of a stress tested realisable value over the price paid, never by the discount to dues.

Seniority and structure

The class held, the subordinate classes behind it and any contractual return or put option decide who absorbs a shortfall.

Timeline

The exit period assumed is tested against statutory steps and published averages, and the return recomputed at a delay of 1 to 2 years.

Record of redemption

The ARC's cumulative redemption ratio, its ratings and the share of its acquisitions paid in cash indicate the quality of its book.

Alignment

The ARC's holding in every class, the manager's own commitment and fees paid from recoveries align every party.

Comparison with other asset classes

	Listed equity and debt	Performing private credit	Stressed assets
Return driver	Markets, earnings and rates	Contractual coupon	Resolution of an account
Entry price	Quoted	At par	Negotiated, below dues
Return	Moderate, market linked	14% to 18% net targeted	Elevated, uneven
Liquidity	Days	Tenure of the loan	Years
Main risk	Price volatility	Default	Timing of recovery
Protection	Diversification	Covenants and security	Collateral at a multiple of cost
Portfolio role	Core holding	Income allocation	Satellite allocation

Sources: Northern Arc Investment Managers, March 2026, for the targets of performing private credit funds. Globally, Oaktree's distressed strategy returned a 15.8% net IRR from 1988 to December 2023, according to its annual report.

Regulation and taxation

Investors reach security receipts through SEBI registered alternative investment funds, which are qualified buyers under the SARFAESI framework and pass income through to their unit holders.

	Category II AIF	Special situation fund, Category I
Minimum investment	₹1 crore, waived for accredited investors	₹10 crore, or ₹5 crore for accredited investors
Mandate	Primarily unlisted securities and listed debt rated A or below, including SRs	Stressed loans, SRs and securities of companies in insolvency or default
Tenure	Close ended, at least 3 years, extendable by 2	Close ended; 6 month lock in on stressed loans
Valuation and units	Independent valuer every 6 months; demat units	Independent valuer every 6 months; demat units

10%

Tax deducted on distributions to resident investors by AIFs and securitisation trusts.

12.5%

Long term capital gains on unlisted assets held for more than 24 months.

100%

Share of each security receipt tranche that FPIs may hold under the automatic route.

Eligibility

Category II and III AIFs were notified as qualified buyers of SRs on 16 May 2018, subject to bars on SRs of an ARC in which the AIF has invested and on loans of its group companies.

Security receipts

Under the Income Tax Act, 2025, in force from 1 April 2026, income of an ARC trust is taxed in the hands of SR holders as if earned directly, under section 221.

AIF units

Category I and II AIFs pass income other than business income through to unit holders under section 224, and the Finance Act 2025 treats their securities as capital assets.

Capital gains

Short term gains on unlisted assets are taxed at slab rates, and each investor should consider the character of income from SRs with a tax adviser.

How income reaches an investor

Layer	Treatment	Tax deducted
ARC trust	Recoveries pass through to SR holders, taxed as if earned directly	10% for residents
Category II AIF	Income other than business income passes through to unit holders	10% for residents
Investor	Taxed on the character of the income received, as interest or capital gains	Credit for tax deducted

Sources: SEBI (Alternative Investment Funds) Regulations, 2012, as amended to 2026; SEBI circular of 27 January 2022 on special situation funds; RBI notification of 16 May 2018 on qualified buyers; Income Tax Act, 2025; Press Note 4 of 2016. References to tax are general and are not tax advice.

Investing with Areion

Areion invests in stressed assets through transactions originated by Omkara ARC, priced from the collateral upward and secured predominantly on land and buildings. The pages that follow set out the underwriting standard and 4 transactions from the portfolio.



The Areion approach

Areion Assets Management Private Limited manages SEBI registered AIFs that invest in the security receipts of ARCs and in high yield secured NCDs, with deal flow originated through Omkara Assets Reconstruction Private Limited, an ARC under common promotion with the Areion group.

The underwriting process

1
Sourcing
Omkara ARC acquires NPAs directly from banks; NCDs are referred to the Investment Committee.

2
Classification
Liquid collateral near resolution is separated from chronic or litigated accounts.

3
Valuation
Registered valuers, at least 3 for NCDs, and inspection of every site by the team.

4
Stress testing
Realisable value is modelled across downside legal and market scenarios.

5
Price ceiling
Realisable value discounted at the hurdle rate over the exit timeline caps the price.

₹5,081 cr

Security receipts outstanding at Omkara ARC at 31 March 2024.

₹3,209 cr

Recoveries by Omkara ARC in FY24, against acquisitions of ₹2,864 crore.

₹30,000 cr

Stressed debt in whose resolution and restructuring the Areion group has played a role.

The Areion group

2013
The Areion group is founded by Manish Lalwani to work in the resolution and restructuring of stressed debt.

2015
Omkara Assets Reconstruction is registered with the Reserve Bank of India as an ARC.

2019
Areion Assets Management begins operations as manager of the Areion Special Situation Fund.

2020
The group acquires Areion Finserve, an NBFC registered with the Reserve Bank of India.

2026
The Areion Growth Fund is launched at GIFT City, and Areion Wealth is established.

Sources: Infomerics Valuation and Rating, rating rationale on Omkara Assets Reconstruction Private Limited, 20 August 2024, the latest public disclosure of its figures; Areion group. The figure of ₹30,000 crore refers to the involvement of the Areion group in the resolution and restructuring of stressed debt and is not a measure of assets under management.

Areion transactions

4 transactions illustrate the structures described in this guide: 2 secondary acquisitions of senior security receipts and 2 primary investments alongside Omkara ARC, all secured on land, buildings or property backed loans.

Transaction	Investment	Cover	Expected exit	Expected IRR
Senior SRs backed by an industrial land parcel	₹60 crore	3.0x expected recovery	Up to 4 years	22%
SRs backed by an operating 144 room hotel, Ludhiana	₹85 crore	1.5x realisable value	1.5 to 2 years	20% to 25%
SRs backed by a 33 acre resort, Nagpur	₹100 crore	1.4x to 1.7x	2 to 3 years	21%
Senior SRs in a retail and MSME loan pool	₹30 crore	2.0x fair market value	About 2 years	21%

Industrial land, senior SRs

Class A receipts bought from another ARC in a trust whose borrower has been in insolvency since February 2026, with 33 parties expressing interest; the 22% return accrues within an expected recovery of 3 times the price paid.

Hotel, Ludhiana

A branded 144 room hotel that has traded profitably throughout insolvency since July 2024, bought 40% to 45% below fair market value, with bidders identified ahead of the sale.

Resort, Nagpur

A public sector bank's entire exposure to a Nagpur group, won at auction by the Omkara ARC trust at 45% to 50% below fair market value, with the promoters' guarantees excluded from estimates.

Retail and MSME pool, senior SRs

A leading private sector bank's senior position, rated RR1, carrying a put option on Omkara ARC at cost plus 21% a year, with more than a third of the capital already returned.

Returns are indicative, in rupee terms, and rest on independent valuations and recovery estimates available in October 2026. No minimum return is offered.



Glossary

Term	Meaning
ARC	Asset reconstruction company registered with the RBI under the SARFAESI Act
Asset cover	Value of collateral divided by the amount invested
CIRP	Corporate insolvency resolution process under the IBC
Committee of Creditors	Financial creditors who take decisions in a CIRP, including approval of a plan
DRT	Debt Recovery Tribunal under the Recovery of Debts and Bankruptcy Act, 1993
ECL	Expected credit loss provisioning, effective for banks from 1 April 2027
FMV	Fair market value of an asset in an orderly sale
Haircut	Shortfall of recovery against the admitted claim
IBC	Insolvency and Bankruptcy Code, 2016
IRR	Annualised return reflecting the timing of cash flows
NARCL	National Asset Reconstruction Company Limited, the government sponsored ARC
NPA	Loan overdue for more than 90 days
OTS	One time settlement of dues for an agreed amount
Put option	Right of an SR holder to require the ARC to buy back the position at an agreed return
Qualified buyer	Investor eligible to hold SRs under the SARFAESI framework
Recovery rating	Rating of expected recovery on SRs against face value, from RR1+ to RR5
RSV	Realisable sale value of collateral under stressed conditions
SARFAESI Act	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
Senior and subordinate SRs	Classes in which the senior class is repaid first and the subordinate class bears a shortfall first
SR	Security receipt issued by an ARC trust
Swiss challenge	Auction in which an anchor bid is opened to counter offers
Waterfall	Order in which a trust applies recoveries to expenses, fees and each class of SR

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Investments in securities markets are subject to market risks. Read all the related documents carefully before investing.

This guide has been prepared by Areion Assets Management Private Limited for information and education only. It does not constitute an offer, solicitation or recommendation to invest in any fund or security, and it is not investment, legal or tax advice.

Market data are drawn from the Reserve Bank of India, IBBI, SEBI, CRISIL, ICRA, CareEdge, EY and other public sources believed to be reliable, and regulatory references reflect the position as at October 2026.

Illustrations are hypothetical and are included solely to explain the mechanics of the asset class. Returns, timelines and values for Areion transactions are indicative and rest on valuations and recovery estimates; no minimum return is offered and past performance is not a reliable indicator of future results.

Investments in stressed assets are illiquid and carry the risks described in this guide, including the loss of capital. Security receipts are transferable only among qualified buyers.

Any investment in an Areion fund is made solely on the basis of its private placement memorandum and contribution agreement, which should be read carefully before investing.

Entities of the Areion group, including Omkara Assets Reconstruction Private Limited, are under common promotion, and the relationship is disclosed in the offer documents of every fund.

References to tax reflect the Income Tax Act, 2025 as understood at the time of writing and are not tax advice.

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