

ARC Performance up to June 2025

INR in crore

	Particulars	Mar-25	Jun-25	Growth During Q1 2025-26	Growth During Q1 2024-25	Growth F.Y 2025
1	Total Dues acquired	16,12,811	16,29,688	16,876	13,852	1,71,047
2	Total SRs issued	3,19,875	3,24,264	4,388	3,678	37,511
3	Total SR redeemed	1,85,714	1,93,439	7,725	6,273	43,256
4	SR Outstanding	1,34,161	1,30,825	-3,337	-2,595	-5,745

Association Activity

41st General Meeting – Taj Santacruz, August 26, 2025



Meeting of the CFO Group at Arcil office, July 18, 2025



Our Vision

To harness a common platform for Asset Reconstruction Companies acting in coordination and develop favourable legal and regulatory environment for smooth functioning of ARCs.

Advisory Board

Birendra Kumar

M Narendra

Siby Antony

Anil Bhatia

Managing Committee

Chairman

Sanjay Tibrewala

MD & CEO, Phoenix ARC

Vice Chairman

Pradeep Goel

CIO, Prudent ARC

Joint Secretary

Chandan Churiwal

CEO, ACRE

Treasurer

Girish Sinha

MD & CEO, ASREC

Members

Pramod Gupta

CFO, ARCIL

Myathili Bala Subramanian

MD & CEO, Edelweiss ARC

Mr R. Mallikarjuna

MD & CEO, Pridhvi ARC

Rahul Gupta

MD & CEO, JC Flowers ARC

Chief Executive Officer

Hari Hara Mishra

ESG for Asset Reconstruction Companies (ARCs)

A Comprehensive Perspective



Angad Kumar Roy

B.Com (Hons.); FCA
CFO-ASREC (India) Limited

Introduction

Environmental, Social, and Governance (ESG) is a globally recognised framework that drives sustainable and responsible business practices.

While its application is well-established in manufacturing, infrastructure, and financial services, the relevance of ESG in the Asset Reconstruction Company (ARC) industry is becoming increasingly significant in light of global best practices, regulatory expectations, and stakeholder scrutiny.

ARCs operate in a unique and sensitive financial niche - managing, acquiring, and resolving distressed financial assets, often under intense legal, social, and economic implications. Therefore, adopting ESG principles is not only about compliance but also about building a sustainable resolution ecosystem.

Why ESG is relevant for ARCs?

- Regulatory Expectations and Investor Sentiments:** India's financial regulators have increasingly emphasised ESG integration across financial institutions, including ARCs:

Reserve Bank of India (RBI) in its Annual Report 2021–22, highlighted the importance of climate-related financial risks and the need for regulated entities to incorporate ESG frameworks into governance and risk management.

Source: RBI Annual Report 2021–22, Chapter III: Regulation, Supervision and Financial Stability

- Securities and Exchange Board of India (SEBI):** Through its Business Responsibility and Sustainability Reporting (BRSR) framework, SEBI has made ESG disclosures mandatory for the top 1000 listed companies. This extends to investee companies of ARCs, especially those planning restructuring or listing.

Source: SEBI Circular dated May 10, 2021: BRSR Guidelines

- Investor Sentiment:** Global institutional investors, including sovereign funds, private equity firms, and ESG-aligned asset managers, are increasingly applying ESG filters. This affects ARCs in two ways:

- When raising capital from such investors (especially for trusts or new funds).
- When selling distressed assets or companies to ESG-sensitive buyers.

Example: BlackRock and Norway's Government Pension Fund Global have clearly stated ESG criteria for their portfolio decisions. ESG due diligence is becoming a requirement in investment decisions by major funds (e.g., BlackRock, Norges Bank Investment Management).

What does ESG mean for an ARC?

ESG for an ARC is not about direct emissions or factory operations - it is about the indirect impact ARCs create through their strategic decisions related to asset resolution, borrower revival, investor returns, and stakeholder engagement.

'From the perspective of an Asset Reconstruction Company (ARC), ESG refers to the systematic integration of environmental risk assessment, social responsibility, and ethical governance practices into every aspect of the ARC's operations - from acquisition of stressed assets to their resolution or restructuring - ensuring sustainable outcomes for stakeholders, the economy, and the financial ecosystem.'

Environmental Responsibility (E):

While ARCs do not operate industrial plants or logistics fleets, they acquire and restructure businesses that do. Therefore, indirect environmental influence is substantial.

Key Considerations for ARCs

1. **Environmental Due Diligence (EDD):** Assess environmental compliance and legacy liabilities of borrower companies prior to acquisition.
2. **Risk Evaluation:** Avoid revival or restructuring plans that rely on environmentally harmful operations.
3. **Green Revival Strategies:** Promote and support sustainable technologies or clean energy alternatives during business turnaround.

Implementation

1. Include environmental checklists during asset appraisal.
2. Collaborate with environmental consultants in high-risk sectors (e.g., mining, chemicals).

3. Discourage disposal of assets to entities with poor environmental track records.

Example: An ARC reviving a paper mill should assess whether its effluent discharge complies with local environmental norms.

Social Responsibility (S):

ARCs influence various social dimensions, particularly:

1. Employees and communities connected to the distressed enterprise,
2. Vendors and professionals (valuers, recovery agents),
3. Public sector creditors and court-appointed stakeholders.

Key responsibilities

- **Ethical Recovery Practices:** Ensure all field agents follow respectful, lawful, and ethical recovery methods.
- **Employee Welfare:** Factor in employee retention or retraining as part of revival plans.
- **Community Engagement:** Recognise community impact when deciding on revival vs. liquidation.

Implementation

1. Draft and adopt a Code of Conduct for Recovery Agents.
2. Develop SOPs for sensitive recovery cases (e.g., involving SMEs or rural borrowers).
3. Require a social audit as part of the resolution strategy in large or community-sensitive projects.

Example: If reviving a closed manufacturing unit, efforts should be made to re-employ local workers or engage in skill-building programs.

Governance Standards (G):

Governance is the most direct and critical ESG pillar for an ARC, given its fiduciary role between banks, investors, regulators, and courts.

**We invite topical articles from our colleagues
to be published in the Newsletter
- Chief Executive Officer**

Governance focus areas

1. **Board Oversight:** Establish ESG oversight at the Board or sub-committee level.
2. **Transparency:** Disclose valuation methodology, resolution strategy, and outcomes to stakeholders.
3. **Integrity in Bidding:** Ensure fair and transparent auctions/disposals of assets.
4. **Vendor Governance:** Conduct due diligence on lawyers, valuers, and consultants to ensure ethical practices.

Implementation

1. Form an ESG Risk and Compliance Committee under the Board.
2. Mandate training on ESG ethics for all employees and resolution agents.
3. Integrate ESG scoring in bidder eligibility during asset sales.

Example: A potential bidder with prior NCLT penalties or SEBI investigations should be flagged under the governance review system.

Why ESG Matters for ARCs

Area	Relevance
Regulatory Compliance	Aligns with RBI and SEBI focus on ESG integration.
Investor Relations	Attracts global ESG-conscious investors in ARC trusts.
Reputation Management	Builds trust with stakeholders (banks, courts, government).
Operational Resilience	ESG risks, if ignored, can derail resolutions.
Sustainable Recovery	Resolutions based on ESG principles lead to long-term success.

How Can ARCs Integrate ESG?**Step-by-Step Implementation Framework:**

Phase	Key Activities
ESG Policy Formation	Draft and adopt Board-approved ESG policy for the ARC.
ESG Risk Framework	Define red-flag sectors (e.g., coal mining, asbestos), ESG risks, and rating methods.
ESG Due Diligence	Include ESG risks in asset evaluation templates.
Capacity Building	Train staff, recovery agents, and vendors on ESG compliance.
Monitoring & Reporting	Regular ESG compliance reviews; voluntary ESG disclosures in the Annual Report.
Stakeholder Integration	Engage banks, investors, bidders, and regulators on ESG initiatives.

(To be continued...)

ARC Association welcomes its new member, Shriram ARC



(Pic- at General Meeting of Association on 26/08/2025)

Legal Updates

1. Case Title - Ashdan Properties Pvt. Ltd. and Ors. Vs DSK Global Education and Research Pvt. Ltd. and Anr., before the Hon'ble Supreme Court of India.

(Civil Appeal No. 10603 of 2024, DOJ: 12th August 2025)

Brief Synopsis: The Hon'ble Supreme Court was dealing with the timelines and requirements of a certified copy (order under challenge) for filing an appeal under Section 62 of the IBC. After having discussed a number of judgments on the law point, the Hon'ble Supreme Court allowed the appeal on the basis of the following and set aside NCLAT's judgment, which had been passed without considering / addressing these issues:

- An Appeal before the NCLAT must be filed within 30 days of the pronouncement of the NCLAT order and accompanied by a certified copy of the impugned order.
- Exemption from filing a certified copy may be granted only for a limited period to enable compliance and not to dispense with the requirement entirely.
- Failure to file the appeal with a certified copy or to seek exemption / condonation of delay renders the appeal defective and barred by limitation.

(2025 INSC 959)

2. Case Title- Shri Shri Swami Samartha Construction and Finance Solution & Anr. Vs The Board of Directors of NKGSB Co-op. Bank Ltd. & Ors., before the Hon'ble Supreme Court of India.

(Writ Petition (Civil) No. 684 of 2025, DOJ: 28th July 2025)

Brief Synopsis: This case (filed under Article 32 of the Constitution of India) involves the harmonious reading and interpretation of the seemingly confusing terms of the Framework (Notification dated 29.05.2015 containing the Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises) by the Hon'ble Supreme Court to ensure that a right under the MSME Act is not destroyed by the SARFAESI Act or vice versa. The Hon'ble Supreme Court's reading of the framework was as follows:

- The terms of the framework do not prohibit the lending bank / secured creditor (assuming that it has no conscious knowledge that the defaulting borrower is an MSME) -

- to classify the account of the defaulting MSME as NPA;
- to even issue the demand notice under Section 13(2) of the SARFAESI Act without such identification of incipient stress in the account of the defaulting borrower (MSME);
- however, upon receipt of the demand notice, if such borrower in its response under Section 13(3-A) of the SARFAESI Act asserts that it an MSME and claims the benefit of the Framework citing reasons supported by an affidavit, the lending bank/secured creditor would then be mandatorily bound to look into such claim keeping further action under the SARFAESI Act in abeyance; and,
- should the claim be found to be worthy of acceptance within the framework of the Framework, to act in terms thereof for securing revival and rehabilitation of the defaulting borrower.

(2025 INSC 908)

3. Case Title- Pradeep Kumar Kesarwani Vs The State of Uttar Pradesh & Anr., before the Hon'ble Supreme Court of India.

(Criminal Appeal No. 3831 of 2025, DOJ: 2nd September 2025)

Brief Synopsis: The Supreme Court has laid down the following guidelines and steps to be followed by the High Courts while determining the veracity of a prayer for quashing made in a petition filed under section 482 of the CrPC:

- Step one, whether the material relied upon by the accused is sound, reasonable, and indubitable, i.e., the material is of sterling and impeccable quality.
- Step two, whether the material relied upon by the accused, would rule out the assertions contained in the charges levelled against the accused, i.e., the material is sufficient to reject and overrule the factual assertions contained

Compiled By



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in the complaint, i.e., the material is such, as would persuade a reasonable person to dismiss and condemn the factual basis of the accusations as false.

- Step three, whether the material relied upon by the accused has not been refuted by the prosecution / complainant, and/or the material is such that it cannot be justifiably refuted by the prosecution/complainant.
- Step four, whether proceeding with the trial would result in an abuse of process of the court and would not serve the ends of justice.

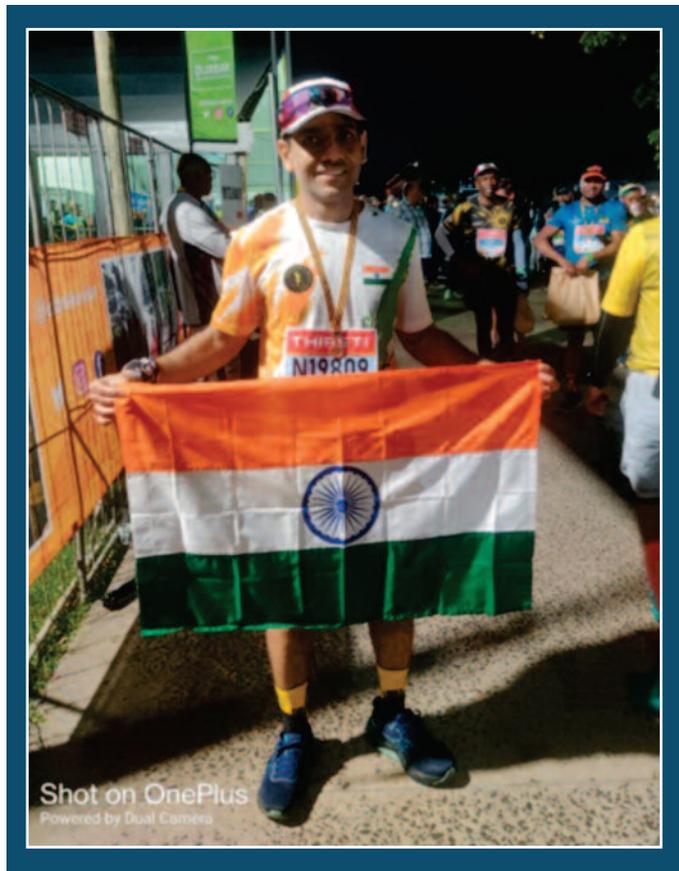
If the answer to all the steps is in the affirmative, the judicial conscience of the High Court should persuade it to quash such criminal proceedings, in exercise of power vested in it under Section 482 of the CrPC.

Besides doing justice to the accused, such an exercise of power would save precious court time., which would otherwise be wasted in holding such a trial as well as proceedings arising therefrom.

This exercise of power helps, especially when it is clear that the same would not conclude in the conviction of the accused.

Sporting Achievements

90 km Marathoner- Girish S Sinha, MD & CEO, ASREC India Ltd



Girish S Sinha, MD & CEO, ASREC India Ltd, successfully completed the world-renowned Comrades Marathon 2025, a 90-kilometre ultramarathon held in South Africa.

V Sai Kumar, ASREC India Ltd, has demonstrated outstanding commitment to para-sports, particularly in Divyang Cricket. His contributions include:

- Representing India in an international cricket match against Bangladesh in 2022, where he was declared Man of the Match.
- Receiving a selection letter from the Rotary Club, recognising his consistency and performance.



Kumar's journey is a reminder that resilience and talent transcend physical limitations.

For any information, please contact:

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