

Purchase of banks' bad loans spikes 50% in Q1

MANJU AB
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ASSET RECONSTRUCTION COMPANIES (ARCs) acquired bad loans worth ₹26,304 crore from the banks in first quarter of FY27, compared to ₹16,876 crore during the same time last year.

The over 50% y-o-y rise in purchases of non-performing loans, in the normally lean June quarter, indicates a positive signal that more transactions are taking place in the stressed assets space as resolutions are accelerating.

The purchase order during



CLEAN-UP ACT

■ ARCIL was one of the most active players in Q1, having acquired **₹3K-cr** bad loans

the June 2026 quarter included ₹17,942 crore of corporate loans and ₹8,362 crore of retail loans. In the year-ago quarter, ARCs had bought ₹10,250 crore

of corporate loans and ₹6,626 crore of retail assets.

"Despite headline NPA ratio of the banking system coming down from 2.8% in FY24 to 1.8% in FY26, acquisition of NPAs by ARCs continues to grow. This is because sale to ARCs not only comes from headline NPAs, but also from technical and prudential written off account, not appearing in balance sheet of banks, which are almost double the amount of NPAs," said Hari Hara Mishra, CEO, Association of ARCs in India.

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IN THE JUNE quarter of FY25, ARCs had bought ₹13,852 crore of stressed assets, data from the Association of ARCs showed.

According to a source, Asset Reconstruction Company (India) {ARCIL}, was one of the most active players in the market, having acquired around ₹3,000 crore of bad loans during the June quarter. Among the private banks, RBL was seen to have sold a pool of unsecured loans during the quarter.

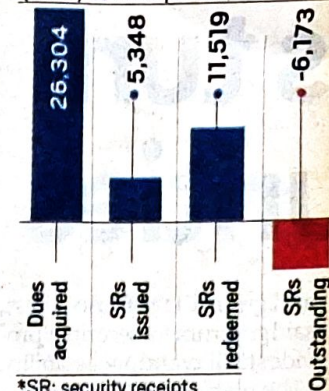
"Public sector banks have been mainly putting up corporate and MSME loans for sale while the private sector lenders have been displaying retail stressed assets, particularly in the unsecured book of personal loans," said the head of an ARC who did not want to be identified.

With the current series of purchases, the total dues acquired by ARCs stands at ₹1.87 lakh crore as of 30 June 2026, up from ₹1.85 lakh crore in the preceding three months.

During the quarter, ARCs issued ₹5,348 of security receipts (SRs), up from ₹4,389 a year ago. Out of this, ₹3,648 crore came from corporate accounts and ₹1,701 crore was retail assets.

In the year-ago period, corporate SRs stood lower at ₹2,685 crore while retail SRs

ARC sector performance
(₹ crore) ■ June quarter



*SR: security receipts

were marginally higher at ₹1,703 crore. SRs represent the price paid by ARCs to acquire the assets.

The SR issues outstanding stood at ₹3.61 lakh crore in the June quarter compared to ₹3.56 lakh crore three months earlier.

Out of this, corporate SRs issued stood at ₹2.97 lakh crore (from ₹2.94 lakh crore) while retail was at ₹63,966 crore (from ₹62,265 crore).

Data showed that redemptions, or payback to the investors holding SRs, increased to ₹11,519 crore from ₹7,723 crore in Q1FY26 and ₹6,310 crore in Q1FY25.

The outstanding SR redemptions were at ₹2.31 lakh crore, down from ₹2.19 lakh crore three months earlier.

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