

PRESS RELEASE

May 27, 2025

## Sharp increase in recoveries and lower liquidations in Q4 FY2025, albeit with a longer resolution time: ICRA

- Resolutions outpace liquidations in FY2025, with Q4 FY2025 achieving the highest resolution-to-liquidation ratio since IBC's inception
- Record high 70% realisation seen against admitted claims in resolution cases in Q4 FY2025, driven by better recovery from large cases

Rating agency ICRA noted that in FY2025, the number of resolution plans (RP) approved by the National Company Law Tribunal (NCLT) under the Insolvency and Bankruptcy Code (IBC) showed a marginal dip to 259 cases from 263 cases approved in FY2024. At the same time, the number of cases admitted in the corporate insolvency resolution process (CIRP) dipped sharply to 724 from 1,003 i.e. by nearly 28%. While Q4 FY2025 has seen peak realisations of ~70% against admitted claims, a sustained momentum would be needed to minimise haircuts for lenders, which remain high at 67%.

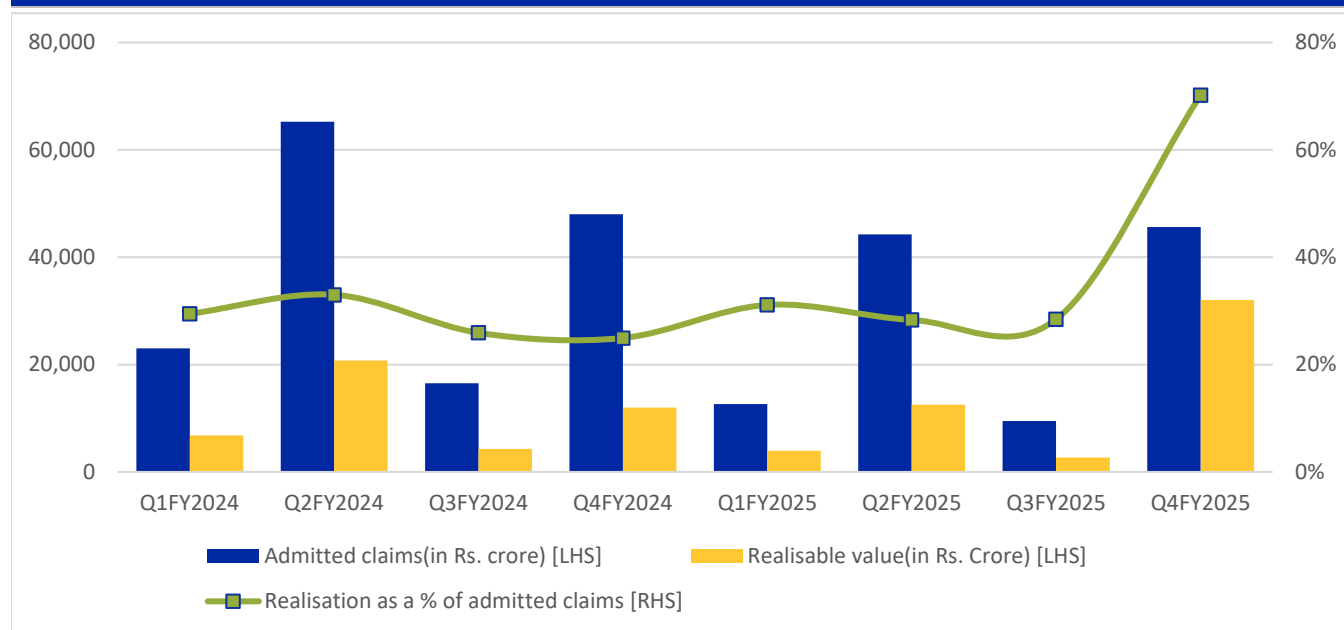
Since the introduction of the IBC in 2016, an overall 8,308 corporate debtors have been admitted, of which 61% the CIRPs have been resolved (either through a successful resolution plan or withdrawal or liquidation) by end-March 2025. Nevertheless, the limited recovery through the successful resolution plan has seen an estimated rate of 33% for these cases.

**Manushree Sagar, Senior Vice President and Group Head, Structured Finance Ratings, at ICRA,** said: *"The IBC, despite its shortcomings, continues to deliver better realisations for creditors over other recovery modes. Historically, resolutions from the IBC have been plagued by long resolution timeframes, high share of liquidations and sizeable haircuts. While FY2025 was a positive with improved realisations, the overall resolution time remains a cause for concern. Almost ~78% of the ongoing CIRP cases have exceeded 270 days, post admission by the NCLT, as on March 31, 2025. Nevertheless, some of the recent judgments reinforce the need for timely and transparent resolution, thereby putting greater onus on the Committee of Creditors (CoC) and NCLT. However, such rulings may also impact investor confidence in stressed assets setting precedents that the decision made by the CoC and the NCLT may be challenged and overturned by the judicial system, thus impacting the effectiveness of the resolution process. ICRA believes that prolonged delays and judicial interventions impact recovery for lenders adversely and thus greater regulatory clarity and adherence of stakeholders to the code is critical for its success."*

Empirical data suggests that recoveries in case of successful resolutions plans (~33% recovery) have been higher than liquidation (~4% recovery). This supported the higher recoveries in Q4 FY2025, as resolutions outpaced liquidation orders during this period. The record recovery in Q4 FY2025 was led by a few large cases (admitted claims > Rs. 1,000 crore) where 77% recovery was achieved against the admitted claims. These large cases had ~90% share in recovery but only 10% share in approved resolution plans. Thus, ICRA believes that improvement in recovery of large cases would be critical to the overall success of the code. Also, to improve the efficiency of NCLT, which usually gets blocked in the resolution of small value cases, a focus on the special mechanism to resolve smaller cases like the Pre-packaged Insolvency Resolution Process (PPIRP) is critical, though it has seen limited success so far.

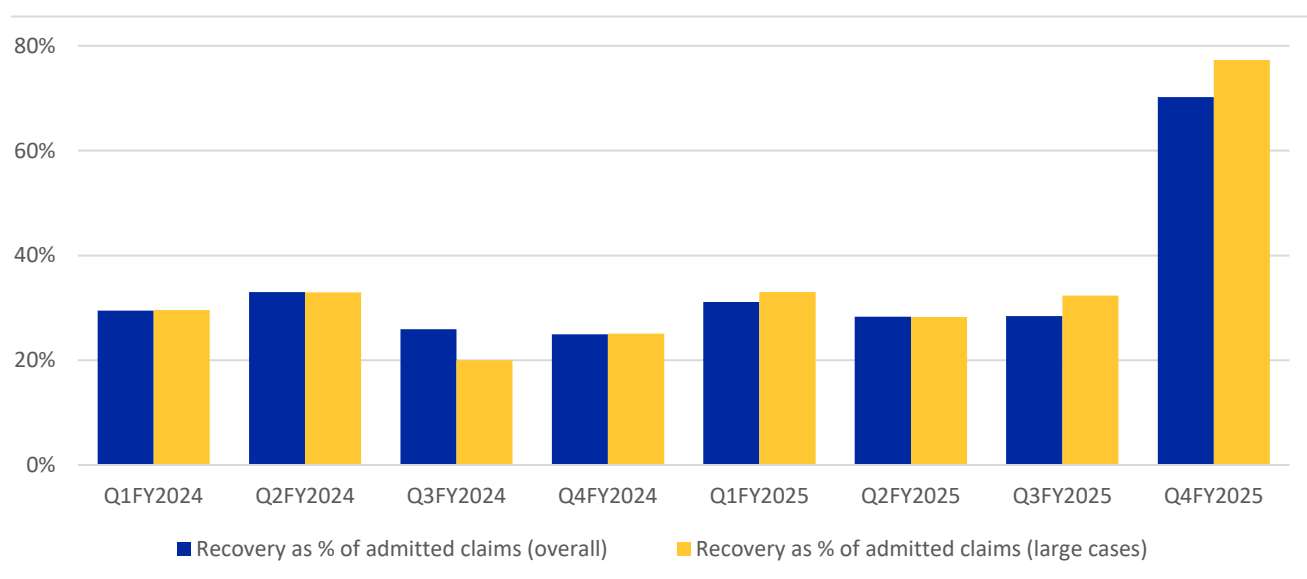
While the ratio of resolution to liquidation rose to a high of 0.9 in FY2025 (1.9 in Q4 FY2025) from 0.6 in FY2024, the average resolution time worsened to 713 days as on March 31, 2025 from 679 days as on March 31, 2024, significantly higher than the deadline provided by the IBC. To improve the CIRP process, the Insolvency and Bankruptcy Board of India (IBBI) introduced amendments to the IBC code in Q4 FY2025 to improve efficiency of the auction process and the liquidation process. This in turn is expected to standardise asset sales, enhance bidder participation and improve realisation for creditors.

#### Quarterly realisation vs admitted claims for resolved cases



Source: IBBI; ICRA research

#### Recovery trend seen in large cases (admitted claims > Rs. 1,000 crore) as % of admitted claims



Source: IBBI; ICRA research

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