

PRESS RELEASE

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Sharp decline in IBC recoveries in 2025-26; resolution time remains stretched: ICRA

- **Steep rise in haircuts, especially in 2025-26, with recovery rates dropping by half to 23%**
- **Resolution timelines for resolved cases remain stretched at 744 days on average while liquidation timelines continue to be elevated at 531 days**

Rating agency ICRA notes that the number of resolution plans (RPs) approved by the National Company Law Tribunal (NCLT) under the Insolvency and Bankruptcy Code (IBC) dipped to 225 cases in 2025-26 from 259 cases approved in 2024-25. At the same time, the number of cases admitted in the corporate insolvency resolution process (CIRP) declined by 5% to 679 from 724. Further, realisations reduced significantly in 2025-26 with recoveries against admitted claims halving to 23% from 46% in 2024-25. This was led by the significant drop in recoveries to 22% in H2 2025-26 from 63% in H2 2024-25, which is a cause for concern. Since the introduction of the IBC in 2016, 8,987 corporate debtors have been admitted, with 64% of the CIRPs being resolved (either through a successful RP or withdrawal or liquidation) by March 2026.

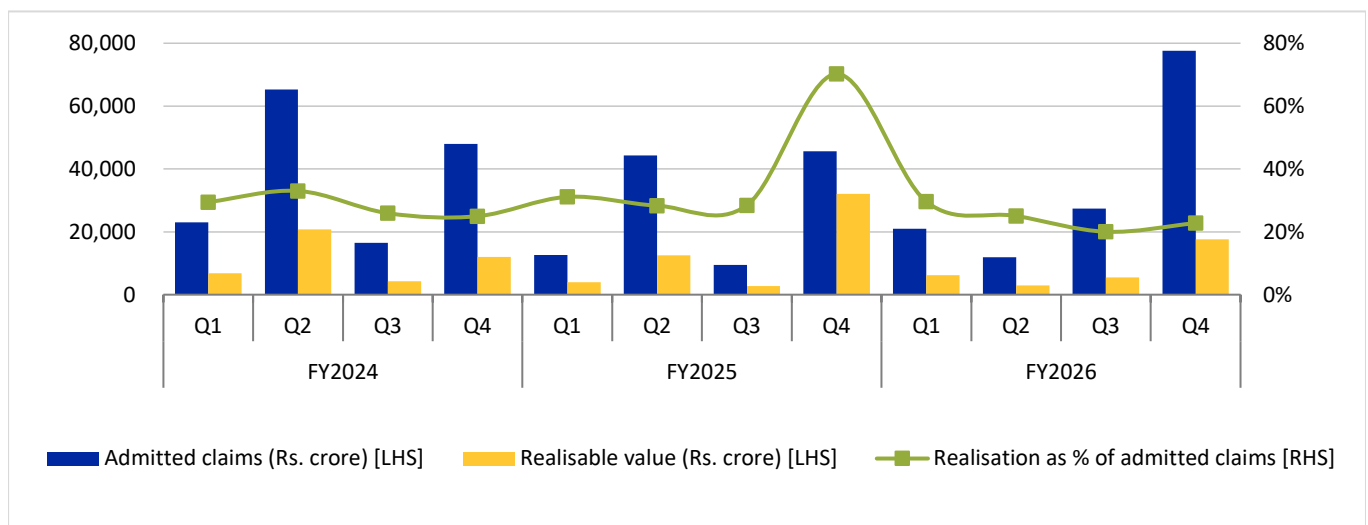
Manushree Saggur, Senior Vice President and Group Head, Structured Finance Ratings, ICRA, said: *“The IBC, which completed 10 years in May 2026, continues to be plagued by long resolution timeframes, high haircuts for lenders and a sizeable share of liquidation cases. After the strong recovery witnessed in 2024-25, realisations dipped sharply with Q3 2025-26 seeing the worst haircut of 80%. While some improvement was noted in Q4 2025-26 with recovery rates inching up to 23%, this was well below the recovery rates seen in 2024-25 as well as 2025-26. Further, almost 78% of the ongoing CIRP cases had exceeded 270 days, post admission by the NCLT, as on March 31, 2026. Although the seventh IBC amendment bill was passed in April 2026 to address shortcomings, ICRA believes that the actual implementation of the revised code would be critical to improve the success rate. Also, while various measures have been undertaken to place greater onus on the NCLT to resolve cases in a timebound manner, it continues to be affected by manpower shortfall, leading to elongated timelines and consequently significant haircuts.”*

Empirical data suggests that recoveries in case of successful RPs (~31% recovery) have been higher than for cases resolved through liquidation (~4% recovery). An encouraging sign was lower liquidations in H2 2025-26, resulting in a resolution to liquidation ratio¹ of 1.11 against 0.77 in H1 2025-26. The decline in recovery rates in 2025-26 was due to a few large cases (admitted claims of more than Rs. 1,000 crore), wherein 24% recovery was achieved against the admitted claims. These cases accounted for ~95% of the recovery amount but a miniscule 8% of the number of approved RPs in 2025-26. Thus, ICRA believes that an improvement in recoveries for large cases would be critical to the overall success of the code. Also, small value cases (underlying default of more than Rs. 10 crore) have an 80% share in the number of CIRPs initiated by financial creditors. Thus, a dedicated mechanism for CIRPs for small entities is needed since Pre-packaged Insolvency Resolution Process (PPIRP), introduced in August 2021, has seen limited success; only 18 applications were admitted as on March 31, 2026, of which RPs had been approved for 10 cases.

¹ Number of cases where the RP is approved by the NCLT divided by the number of cases for which liquidation orders are passed by the NCLT

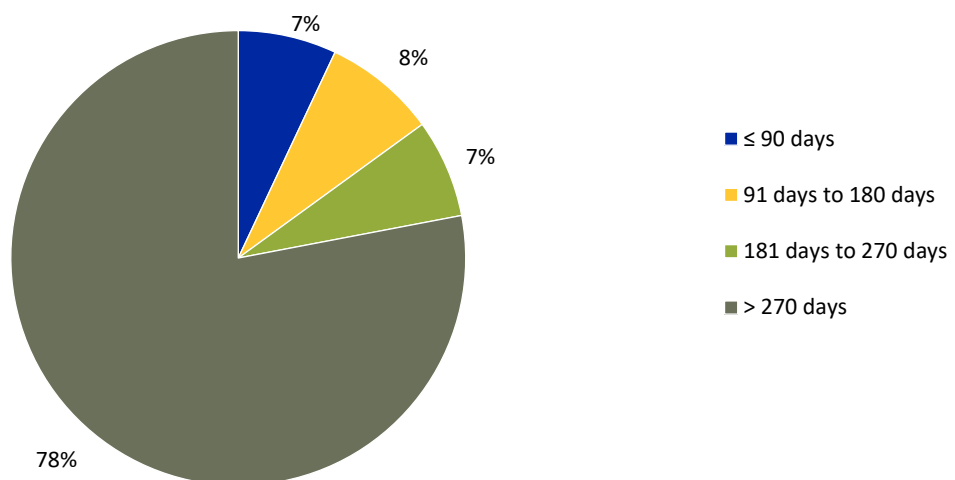
While the resolution to liquidation ratio remained stable at 0.92 in 2025-26 (0.91 in 2024-25), the average resolution time worsened to 744 days as on March 31, 2026 from 713 days as on March 31, 2025, significantly exceeding the deadline provided by the IBC. Despite the reforms implemented by the Insolvency and Bankruptcy Board of India (IBBI) in March 2025, aimed at improving the efficiency of the auction process under liquidation, recovery rates dipped to 4% in 2025-26 from 5% in 2024-25 with timelines worsening to 531 days as on March 31, 2026 from 508 days as on March 31, 2025. Real estate and construction continued to account for the highest number of cases admitted in 2025-26. Although the IBBI has come up with some amendments to the IBC, more changes are proposed, given the wider socio-economic impact of stalled RE projects.

Quarterly realisation vs admitted claims for resolved cases



Source: IBBI, ICRA Research

Timeline for ongoing CIRPs as on March 31, 2026



Source: IBBI, ICRA Research

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