

PRESS RELEASE

May 17, 2024

**ICRA: Record high number of resolution plans approved under IBC in FY2024; increase in average duration of the resolution process though remains a worry**

- *Creditor claims of Rs 1.7 lakh crore resolved through approval of resolution plan in FY2024 against Rs 1.5 lakh crore in FY2023; haircut remains high at 73%*
- *Average duration for closing CIRP yielding a resolution plan increased to 843 days in FY2024*
- *Number of CIRPs closed through liquidation orders continue to outpace those yielding a resolution plan*

In FY2024, the National Company Law Tribunal (NCLT) approved a record number of 269 resolution plans under the Insolvency and Bankruptcy Code (IBC), surpassing the previous high of 189 cases in FY2023. The notable increase can be attributed to a sharp rise in corporate debtors admitted under IBC in FY2023 (i.e. 1,263 cases) following the impact of the Covid-19 pandemic. In FY2024, the fresh admissions under IBC declined to 987 corporate debtors. The NCLT has thus been able to bring down the number of ongoing corporate insolvency resolution processes (CIRPs) to 1,920 as on March 31, 2024 from 1,953 as on March 31, 2023.

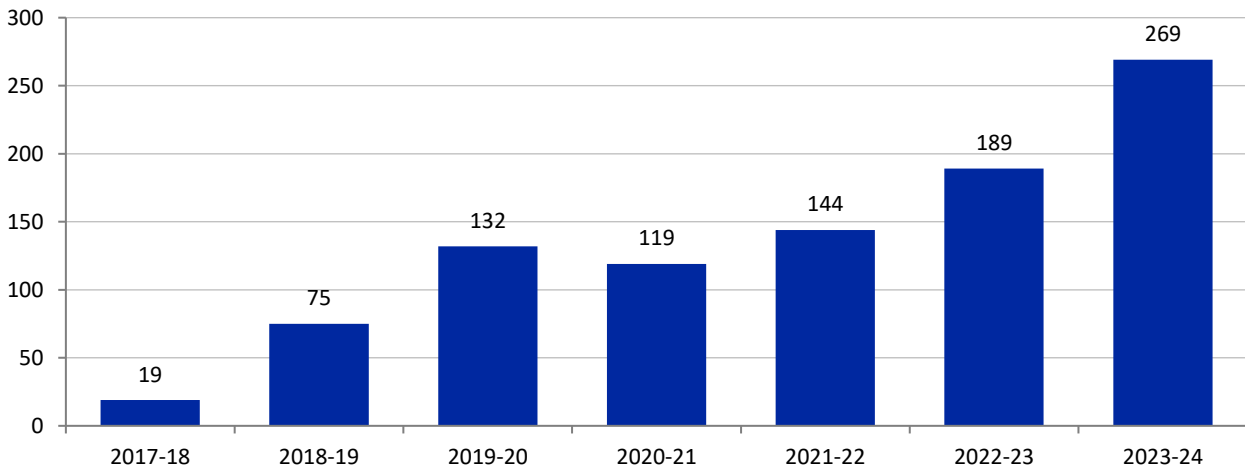
**Mr. Abhishek Dafria, Senior Vice President and Group Head, Structured Finance Ratings, at ICRA,** said: *“It is heartening to see the increase in the number of CIRPs that are yielding a resolution plan and thus managing to keep the corporate debtor as a going concern, thereby safeguarding jobs to some degree. Nonetheless, we continue to find creditors approaching the NCLT to admit a defaulting corporate debtor with substantial delays, which results in significant erosion of assets. Further, there is an acute difficulty in closing the CIRPs in a time-bound manner, on account of litigations by the promoters or dissenting creditors as well as overburdened NCLT benches.*

*“In FY2024, about Rs 1.7 lakh crore of admitted claims by creditors were resolved, 13% higher than the Rs. 1.5 lakh crore recorded in FY2023, through a resolution plan under the IBC. Nevertheless, ICRA estimates that the average duration for closing a CIRP yielding a resolution plan increased to 843 days in FY2024 against 831 days in FY2023. This contributed to a worsening of the haircut that the creditors had to take through the IBC process to a steep 73% in FY2024, from the already high cut of 64%, seen in the preceding fiscal,”* **Mr Dafria** said.

In addition to the CIRPs, the NCLT also passed liquidation orders for 446 corporate debtors in FY2024 against 400 corporate debtors in FY2023. The number of CIRPs that have resulted in liquidation continues to be significantly high, at ~45% of the 5,467 closed CIRPs, since the inception of IBC. Only 17% yielded a resolution plan with the remaining cases withdrawn post NCLT admission. As on March 2024, liquidation for 960 corporate debtors had been completed wherein the creditors realised a paltry 4% of their total admitted claims.

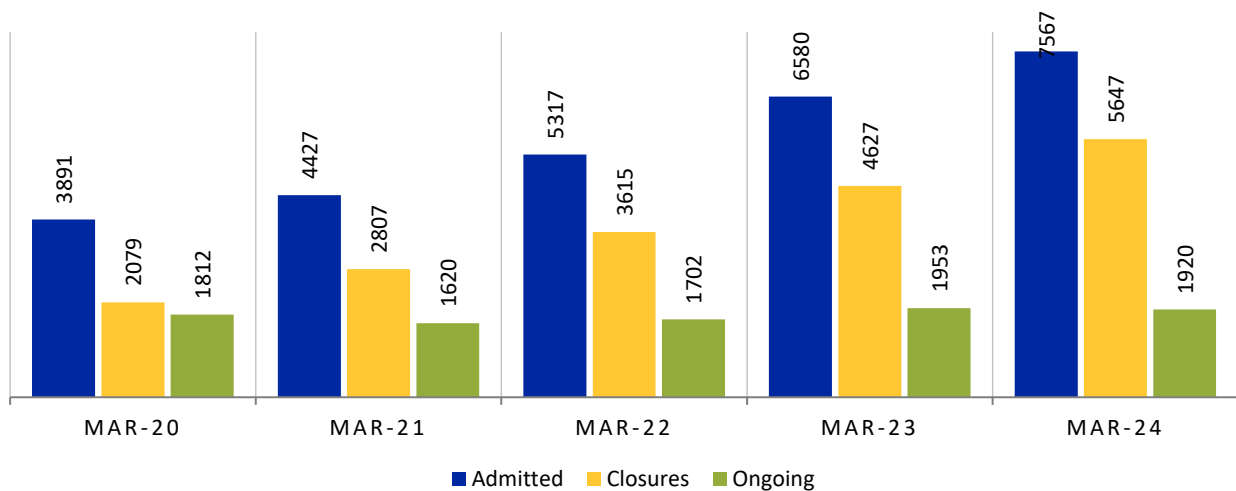
*“The objective for admitting an entity under IBC is not to recover the claims through liquidation, but for most cases, there has been no other alternative, either due to lack of bids or low valuations submitted by the bidders. More than 75% of the CIRPs that entered into liquidation had been defunct entities or were already under the Board of Industrial and Financial Reconstruction (BIFR) at time of admission under the IBC. This again demonstrates the need for creditors to approach the NCLT benches to resolve defaulting entities sooner to have a better chance of keeping the entity as a going concern. We thus fear that average recoveries for creditors will remain modest at 30-35% of the claims even in FY2025, while recovery from the liquidation process would be closer to 5%,”* added **Mr. Dafria**.

### Number of resolution plans approved under IBC



Reference: IBB

### Year-wise CIRP additions and closures



Reference: IBB

Click on the appended links to access our previous press releases:

Link: <https://www.icra.in/Media/MediaRelease>

For further information, please contact:

#### Media Contacts:

##### Naznin Prodhani

Head - Group Media & Communications

Tel: + (91 124) 4545300,

Dir - 4545860

Email:

[naznin.prodhani@icraindia.com](mailto:naznin.prodhani@icraindia.com)

##### Saheb Singh Chadda

Deputy Manager - Media & Communications

ICRA Ltd

Mob: +91- 9833669052

Email:

[saheb.chadda@icraindia.com](mailto:saheb.chadda@icraindia.com)

---

© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions presented in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Disclaimer:**

This Press Release is being transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The Press Release may be used by you in full or in part without changing the meaning or context thereof, but with due credit to ICRA Limited. However, ICRA Limited alone has the sole right of distribution of its Press Releases for consideration or otherwise through any media including, but not limited to, websites and portals.

---

**About ICRA Limited:**

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

Click on the icon to visit our social media profiles.

