

PRESS RELEASE
December 29, 2025

Proposed IBC amendments encouraging, given persistently low recovery rates and lengthy resolutions: ICRA

- *Recovery timelines under IBC have further elongated with recovery rates dipping in H1 FY2026*
- *Proposed amendments to the code such as introduction of group insolvency, cross-border insolvency and creditor-initiated insolvency could boost recovery rates*
- *Strengthening of NCLT and NCLAT manpower along with other legal reforms are expected to reduce burden on judiciary*

ICRA expects the proposed amendments introduced to Insolvency and Bankruptcy Code (IBC), in Parliament along with other reforms and proposals put forth by Ministry of Corporate Affairs (MCA) and Insolvency and Bankruptcy Board of India (IBBI), to reduce recovery timelines and improve recovery rates for lenders, albeit only for non-real estate sector cases. Real estate sector-specific reforms have not been addressed in the current proposals despite the fact that the real estate and construction (RE) sector has the second highest share in cases ongoing in corporate insolvency resolution process (CIRP) as on September 30, 2025. ICRA believes that structural reforms would be needed for the RE sector as protecting homebuyers and resolution of stuck housing projects has been a focus area for the Government.

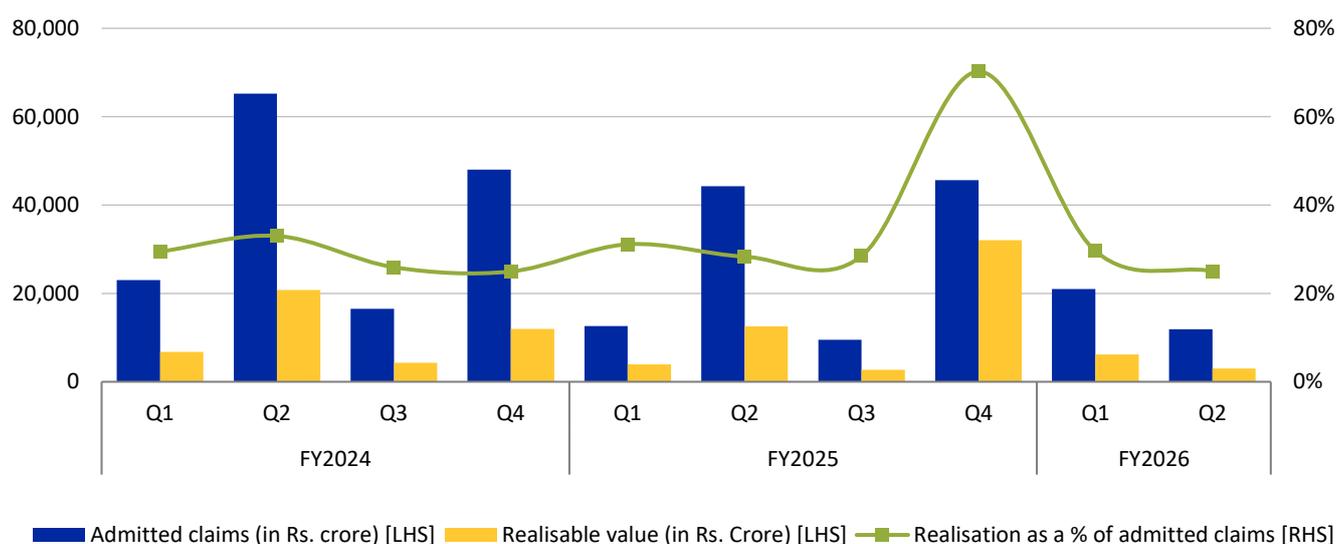
The IBC which completed nine years in October 2025, has delivered better realisations for creditors over other recovery modes with total recovery of ~Rs. 4 lakh crore despite its shortcomings. Till September 2025, an overall 8,658 corporate debtors (CD) have been admitted, of which 63% of the CIRP has been resolved either through a successful resolution plan or withdrawal or liquidation. However, lenders had to take steep haircuts with limited recovery of 32% recorded through successful resolution plans. In the backdrop of higher haircuts for lenders and extended recovery timeframes, an extensive overhaul of the IBC has been in the works with the seventh amendment to The Insolvency and Bankruptcy Code (Amendment) Bill, 2025, introduced in the Lok Sabha in August 2025 and under examination of the Select Committee of Lok Sabha (SCLB). Both the MCA and SCLB have submitted their reports/recommendations, which have been tabled in the Lok Sabha in the recently concluded winter session of the Parliament. While it was initially expected that the bill would pass in the Parliament in the winter session, it is now expected to be taken up in the upcoming Budget session.

Manushree Saggur, Senior Vice President and Group Head, Structured Finance Ratings, ICRA, said: “While the recovery rates improved till Q4 FY2025, the trend somewhat reversed in H1 FY2026 with dip in recovery (both in absolute terms as well as the percentage of admitted claims). Further, based on data till September 30, 2025, almost three-fourth of the ongoing CIRP cases exceeded 270 days, post admission by the National Company Law Tribunal (NCLT). The recommendations of SCLB, if passed, are expected to improve recovery rates and reduce timelines for the CIRP process under IBC.”

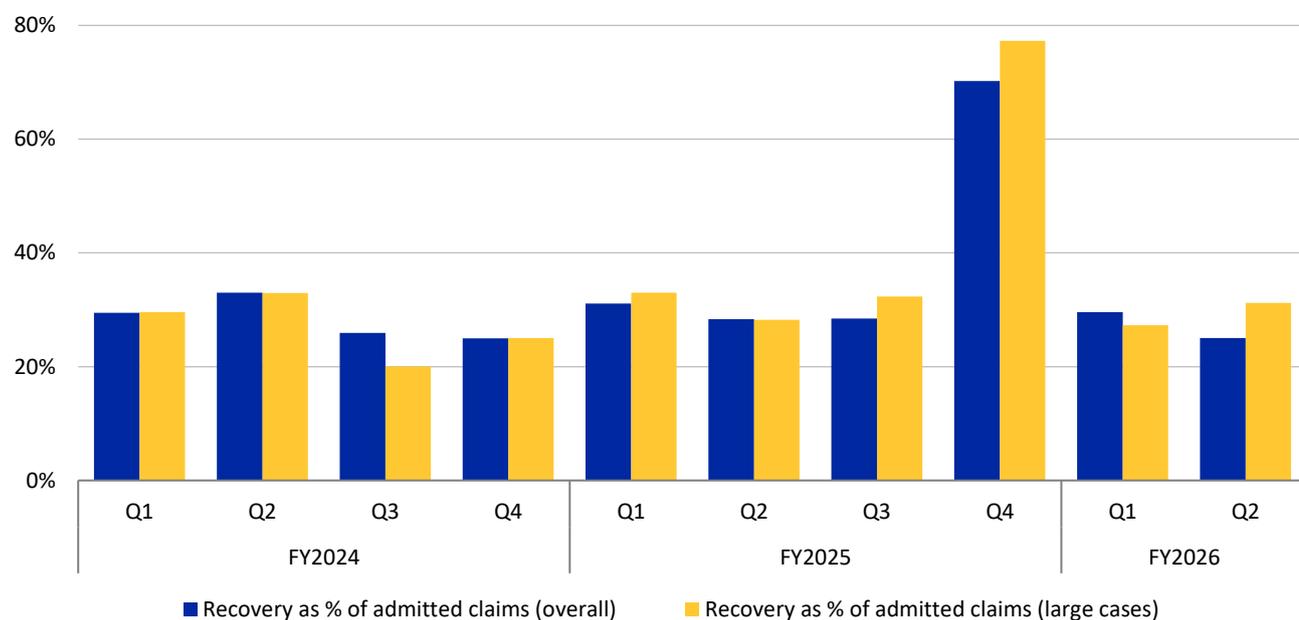
The major recommendations of SCLB include, permitting more than one resolution plan, enabling asset-wise or business vertical-wise resolution of CD. In ICRA’s view, this could enhance resolution outcome for CDs operating across multiple business segments and help attract a broader pool of bidders. Also, the ‘clean slate’ principle was endorsed by SCLB, which would ensure settled judicial pronouncements are not reopened and separation of legal liability of CD with that of the erstwhile promoters/senior management of CD. SCLB also recommended that a

specific statutory timeline of three months be prescribed for the National Company Law Appellate Tribunal (NCLAT). While all these measures are positive, ICRA notes that there are delays at NCLT, which have not been specifically addressed. As of March 2025, there are over 30,000 IBC cases pending before NCLT and basis the existing capacity of the NCLT, it is expected to take more than a decade to conclude these cases. While the number of fresh cases being admitted to NCLT has been coming down, ICRA notes that there has not been much traction in approval of resolution plans (RP) with only 105 RPs approved in H1 FY2026 against 124 in H1 FY2025. ICRA notes that while MCA is planning to increase the number of NCLT and NCLAT benches for getting meaningful traction, the same would be key to reduce the timelines for the CIRP process, which stands at over 700 days, over twice the mandated 330-days timeline. The introduction of a 'creditor-initiated insolvency resolution process' with an out-of-court initiation mechanism to facilitate faster and more cost-effective insolvency resolution with minimal business disruption would reduce the burden of the exiting judicial system. Further, introduction of provisions for 'group insolvency' and 'cross-border insolvency' are also positives. The IBBI has on December 22, 2025 notified the IBC code making ultimate beneficial ownership disclosure mandatory in resolution plans. ICRA believes that this would close the gap on complex holding structures, which may have been used by promoters to obscure true ownership of CD in the past.

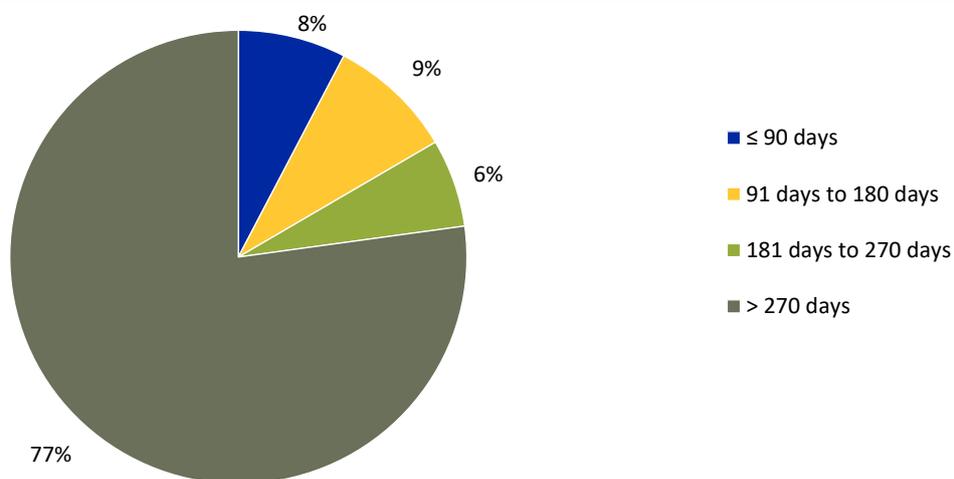
Quarterly realisation vs. admitted claims for resolved cases



Source: IBBI; ICRA Research

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


Source: IBBI; ICRA Research

Timeline for ongoing CIRPs as on September 30, 2025


Source: IBBI; ICRA Research

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