

STRUCTURED FINANCE

Sharp increase in recoveries and lower liquidations in Q4 FY2025; however, resolution timelines remain stretched

JUNE 2025





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The Insolvency and Bankruptcy Code (IBC) continues to drive positive change in debtor behaviour and recovery for lenders. Haircuts, however, remain elevated and timelines stretched

The total amounts realised by financial creditors in these cases stood at Rs. 3.9 lakh crore in March 2025; however, a further Rs. 13.8 lakh crore has been resolved prior to admission of cases in National Company Law Tribunal (NCLT)



The number of resolution plans (RP) approved by the NCLT under the IBC showed a marginal dip to 259 cases in FY2025 from 269 cases in FY2024, which was a record high. The dip in cases admitted in the NCLT was much sharper from 1,003 in FY2024 to 724 in FY2025.



Since introduction of the IBC in 2016, an overall 8,308 of corporate debtors have been admitted, of which, 61% CIRPs (Corporate Insolvency Resolution Process) have been resolved (either through a successful resolution or withdrawal or liquidation) by March 2025.



Q4 FY2025 saw peak realisations of ~70% against admitted claims largely driven by better realisation in some high-ticket size accounts. However, haircuts for lenders till FY2025 remained elevated at 67%.



While FY2025 recorded improved realisations, the overall resolution time remains a cause of concern with ~78% of the ongoing CIRP cases having exceeded 270 days (180-day resolution period plus additional 90-day extension permitted by NCLT), post admission by the NCLT as of end of FY2025.



The average resolution time has worsened to 713 days as on March 31, 2025 from 679 days as on March 31, 2024, which is more than twice the 270-day resolution period. This has led to erosion of value of debtor assets and lower realisations.



Realisations through liquidation have remained significantly lower than realisation through resolution plans except in Q4 FY2025, where recovery through approved resolution plans outpaced recovery through liquidations for the first time.

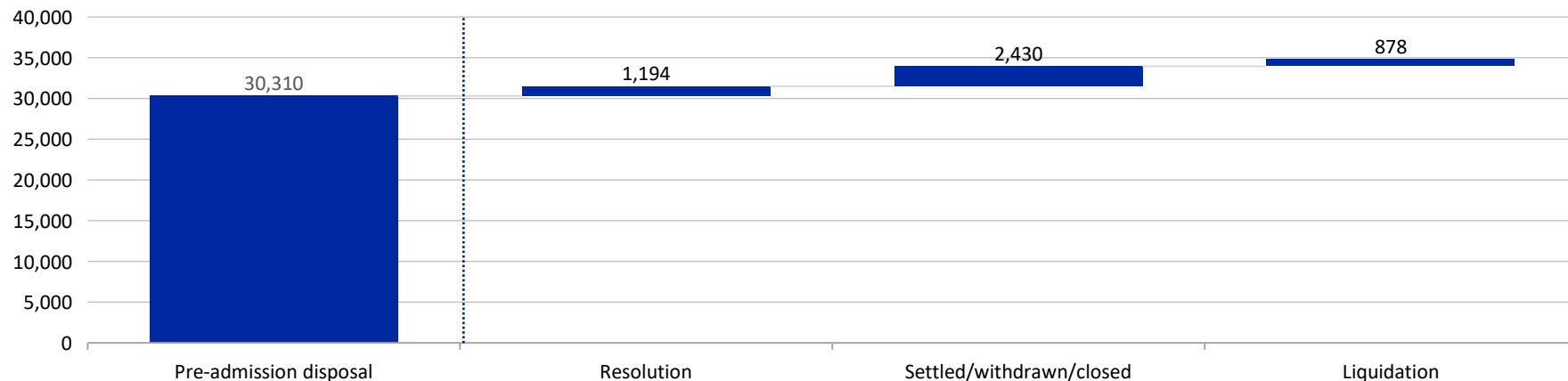


The Insolvency and Bankruptcy Board of India (IBBI) has introduced amendments to the IBC code in recent months regarding auction process for liquidation cases and part resolution of debtor, among others, to boost the CIRP process.

¹ Corporate Insolvency Resolution Process

Significant share of cases disposed off at pre-admission stage

Exhibit: Pre and post-admission case disposal and break-up

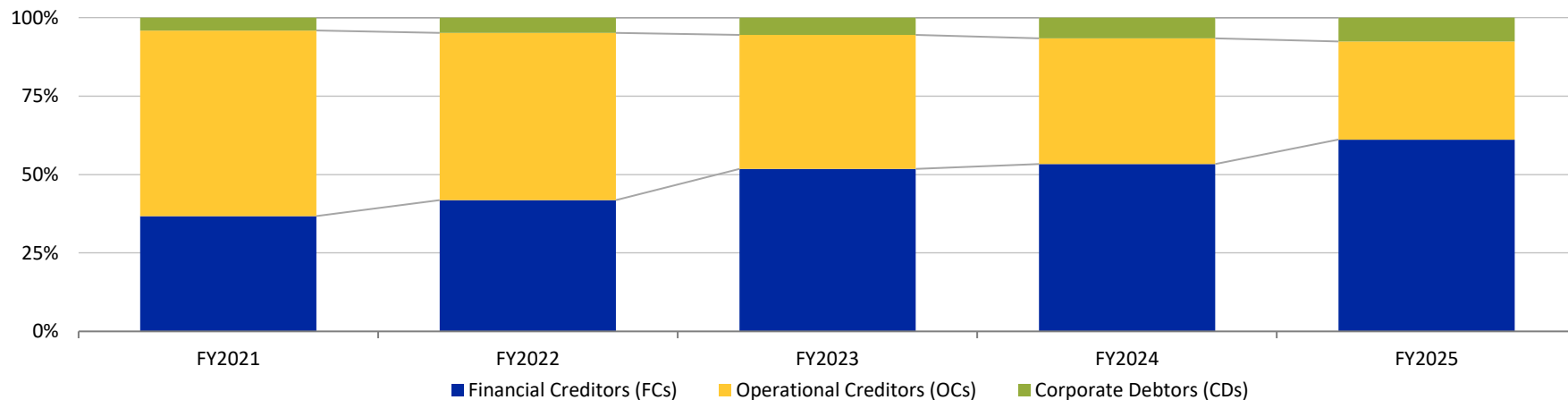


Source: IBBI, ICRA Research

- Till March 2025, 34,812 debtors were taken to NCLT and disposed; however, 30,310 of these cases (~87%) having underlying default worth Rs. 13.8 lakh crore have been settled pre-admission.
- This can be attributed to the behavioral change caused by the IBC code wherein most debtors are settling their dues before start of insolvency proceedings.
- Post admission, the IBC has resolved 1,194 cases through resolution plans, a further 2,430 cases have been closed through settlement, withdrawals and appeal while 878 liquidations have closed.

Increasing share of financial creditors initiating CIRP process

Exhibit: Stakeholder-wise share in initiation of CIRP process



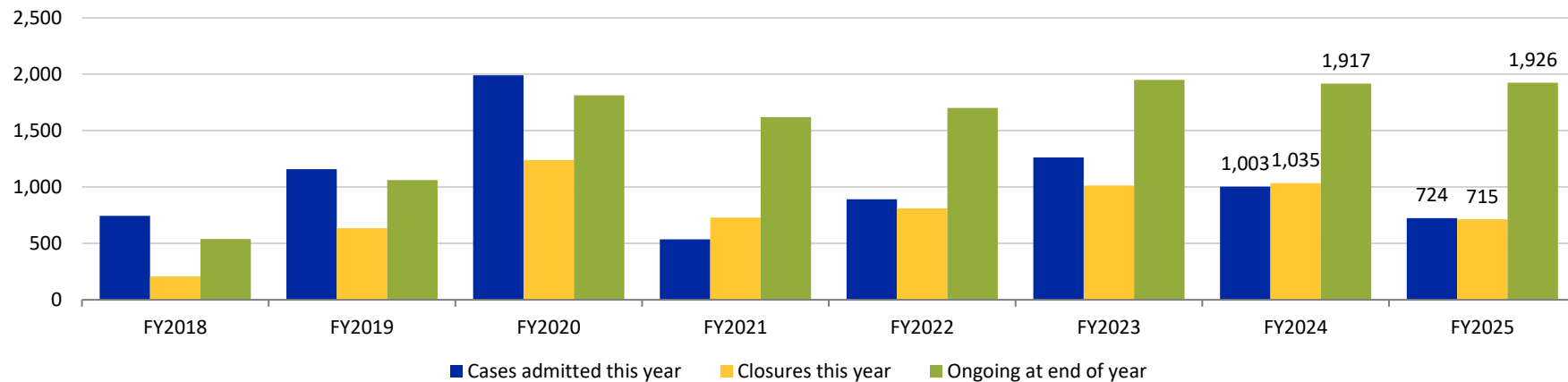
Source: IBBI, ICRA Research

- The share of financial creditors (FCs) has risen in initiating the CIRP proceedings while the share of operational creditors (OCs) has been declining. Typically, OCs have a smaller quantum of claims, and it has been observed that 80% of the cases initiated by OCs had an underlying default of less than Rs. 1 crore.
- While the Pre-Packaged Insolvency Resolution Process (PPIRP) had been rolled out for the MSMEs¹, its implementation has been limited. ICRA believes that there is a necessity for separate framework for OCs before approaching the NCLT to reduce the burden on the benches and thereby expediting admissions for larger ticket-size cases.

¹ Micro, Small and Medium Enterprises

Reduction in admitted cases a positive; however, fewer closures a concern

Exhibit: Year-wise CIRP additions and closures



Source: IBBI, ICRA Research

- There was a dip in admissions in FY2024, and this trend has continued into FY2025, which can be attributed to the improved credit profile of India Inc. along with increased pre-admission settlement.
- However, the number of ongoing cases has remained around 1,900 since FY2023 given fewer closures.
- The Government of India is taking steps such as improving the NCLT infrastructure and manpower, along with reforms to the code, which is expected to alleviate the burden on the tribunal going forward.

Dip in number of resolution plans approved in FY2025

Exhibit: Number of resolution plans approved under IBC

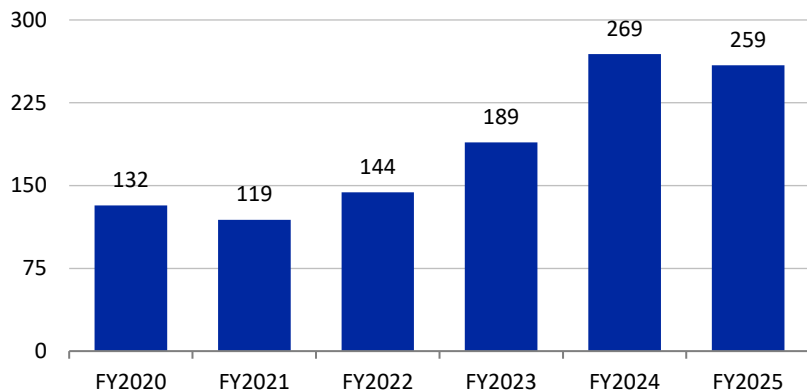
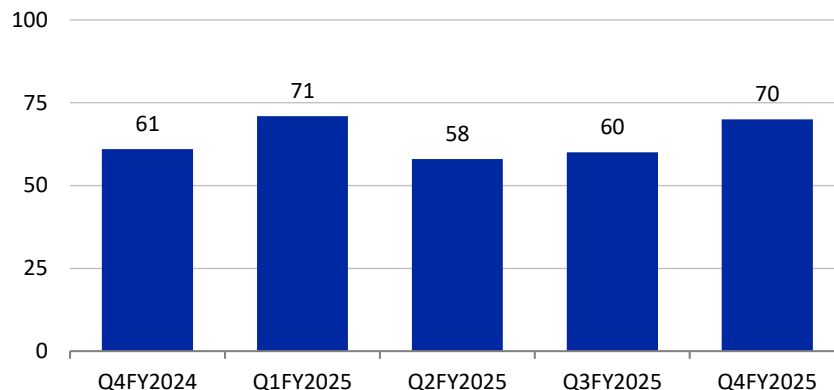


Exhibit: Number of resolution plans approved under IBC (last 5 quarters)

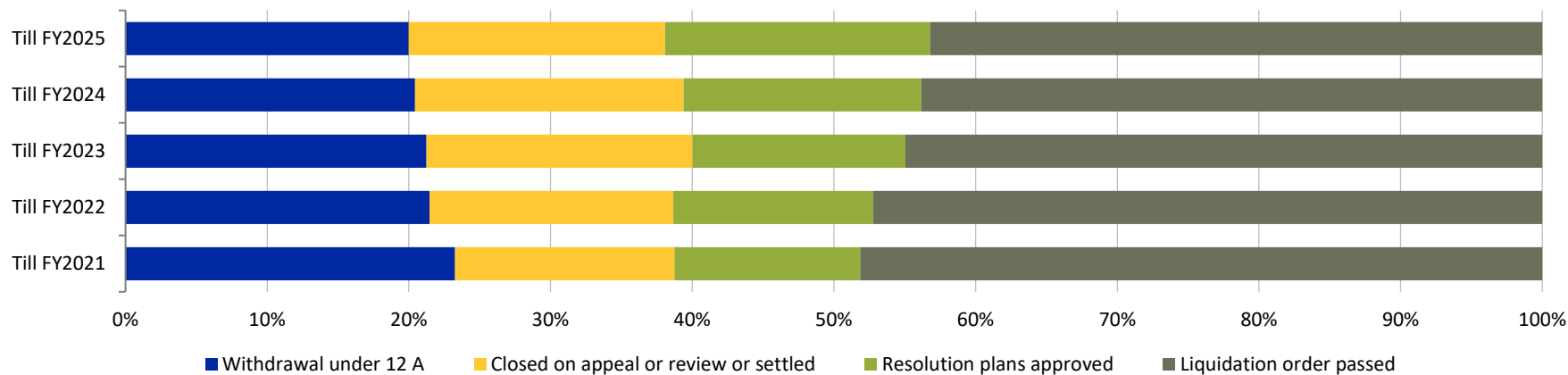


Source: IBBI, ICRA Research

- After record approval of resolution plans in FY2024, there has been a dip in approved resolution plans in FY2025.
- A positive is the pick-up in traction in approved resolution plans in Q4 FY2025, which was higher both YoY and QoQ basis.
- The dip in resolution plans approved follows the decline in cases admitted in the NCLT in FY2025 relative to FY2024 as debtors have been proactively looking to settle with lenders before the insolvency proceedings are initiated.
- Further, the NCLT has grappled with manpower and infrastructure issues, which have also impacted the efficient implementation of the code.
- The Government of India is taking steps to bolster manpower and infrastructure, which resulted in some traction in Q4 FY2025, however sustained momentum would depend on continued strengthening of NCLT benches and increase in tribunal members.

Maximum resolutions through liquidation route

Exhibit: Outcome of CIRPs as a % of cumulative closed cases



Source: IBBI, ICRA Research

- An encouraging trend has been the increasing share of withdrawals and closures as debtors are willing to settle their defaults to avoid the CIRP process.
- Further, the share of approved resolution plans has been increasing, rising to ~19% till FY2025 from ~13% till FY2022, which is in line with the objective of the code to maximise resolution and preserve economic value of assets.
- While the share of liquidation continues to be high at ~43% till FY2025, it has declined from 48% till FY2021. While ICRA expects these trends to continue, a meaningful increase in the share of successful resolution plans is needed to improve overall realisations through the IBC process.

Lower creditor claims resolved through liquidation incrementally

Exhibit: Admitted claims resolved through resolution plans (Rs. lakh crore)

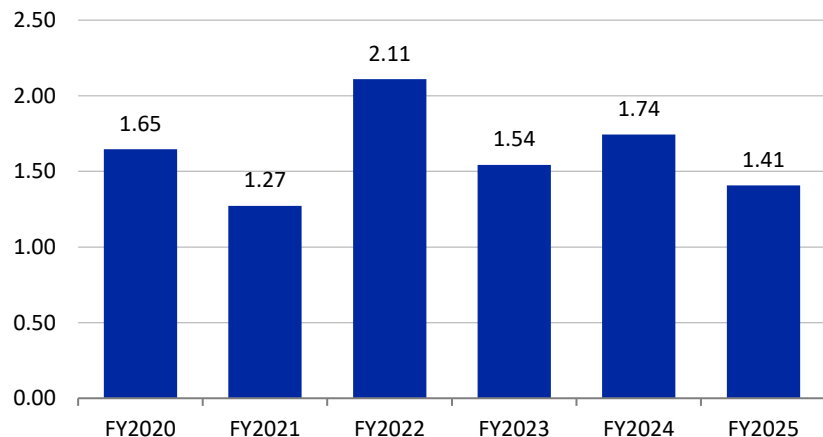
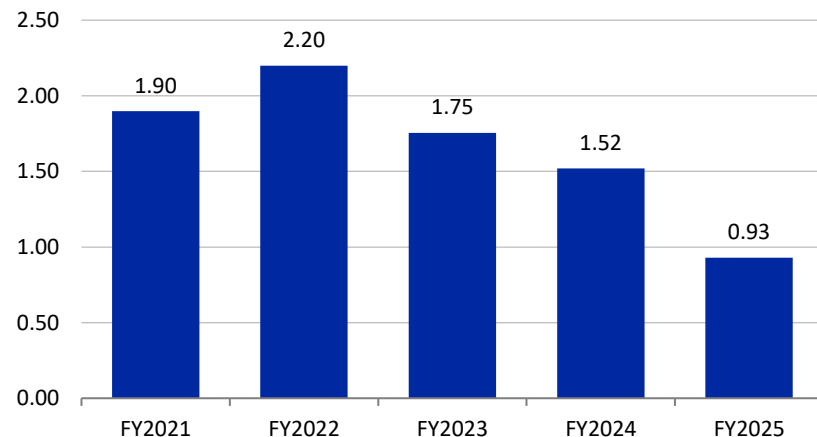


Exhibit: Admitted claims resolved through liquidation (Rs. lakh crore)



- With FY2024 seeing a record number of resolution plans approved, the amount of resolved claims touched Rs. 1.7 lakh crore.
- Despite a dip in the number of resolution plans approved in FY2025, the resolved claims stood at ~Rs. 1.4 lakh crore. The total cumulative claims of creditors resolved through resolution plans stood at Rs. 11.9 lakh crore.
- The cumulative recovery through resolution plans against the claims admitted stood at Rs. 3.9 lakh crore as on March 31, 2025.
- The amount of admitted claims resolved through liquidation has been on a declining trend post FY2022, which is attributed to lower share of liquidations in resolution; this is a positive, given the higher haircuts in liquidation cases.

Resolution-to-liquidation ratio hits all-time high

Exhibit: Resolution-to-liquidation ratio post FY2020

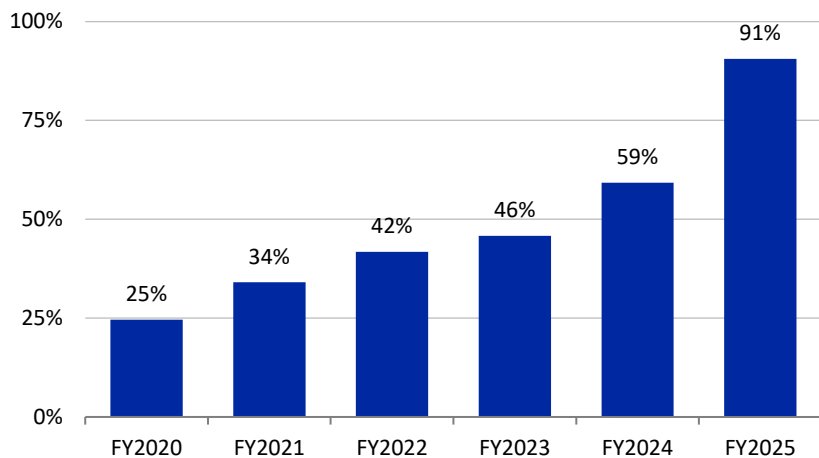
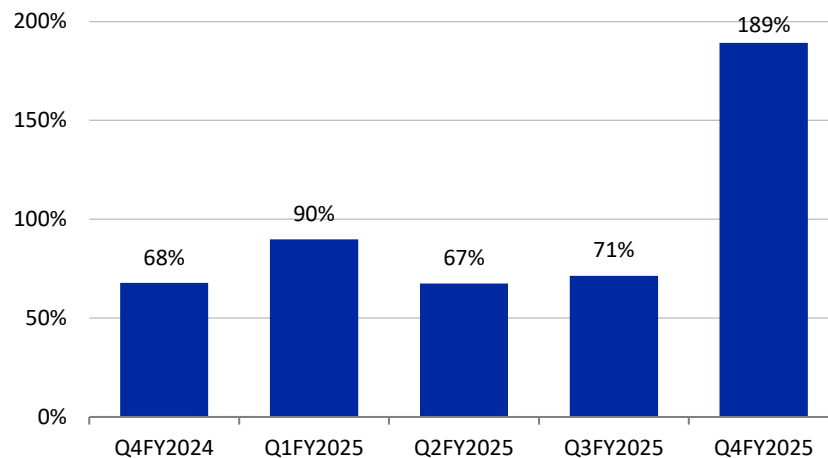


Exhibit: Resolution-to-liquidation ratio (last 5 quarters)



- A major challenge faced by the code has been the high share of liquidations that have led to elevated haircuts for lenders due to lack of preservation of value of underlying debtors.
- Higher liquidations have also resulted in job losses, which has a broader socioeconomic impact; however, there has been a positive traction with lowering share of liquidations in cases resolved through the NCLT.
- The trend has been turned in Q4 FY2025 with resolutions outpacing liquidations for the first time, supported by higher resolution plans being approved.

Improved recoveries from resolution plans (RPs)

Exhibit: Realisation under resolution plans

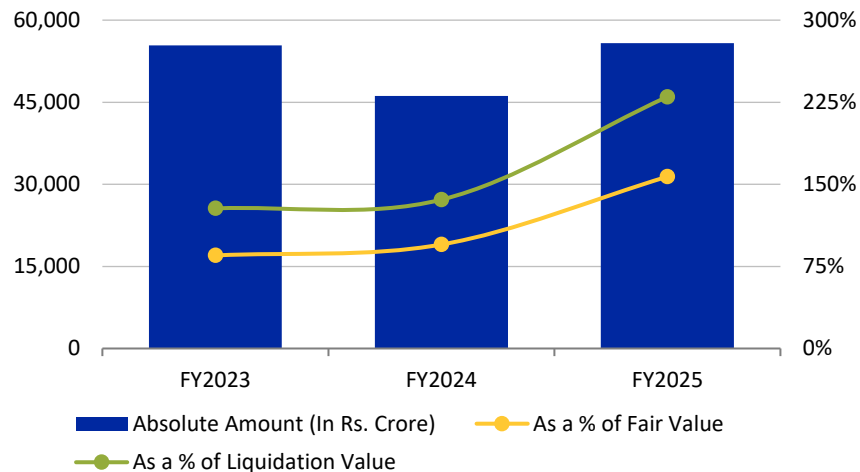
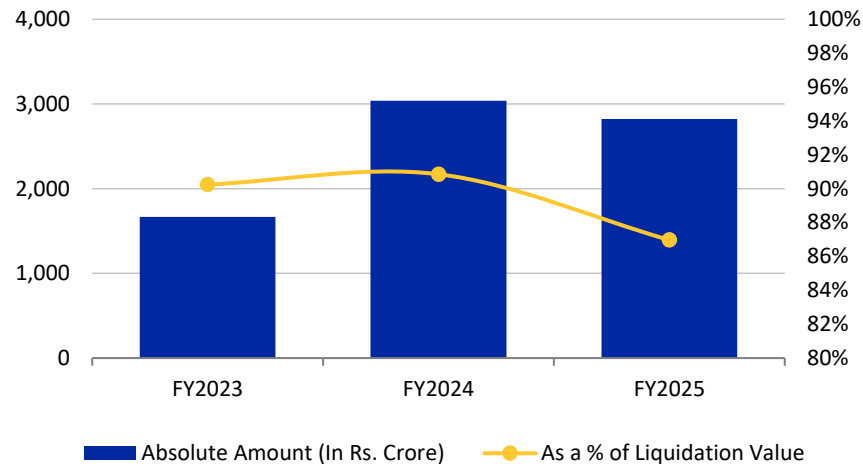


Exhibit: Realisation under closed liquidations



- There has been a positive traction in realisation for accounts under resolution plans (RPs), both as a % of fair value and % of liquidation value after FY2023.
- The absolute recovery in FY2025 under approved RPs touched a high of Rs. 55,821 crore, an encouraging trend was the jump in recovery as % of fair value and % of liquidation value touching 157% and 230%, respectively.
- While absolute recovery from closed liquidations has also increased after FY2023, the recovery as % of liquidation value has dipped from 90% to 87% in this period, reflecting possible increase in haircuts in liquidation cases for lenders.

Resolution process timelines remain elevated

Exhibit: Average days for CIRP process

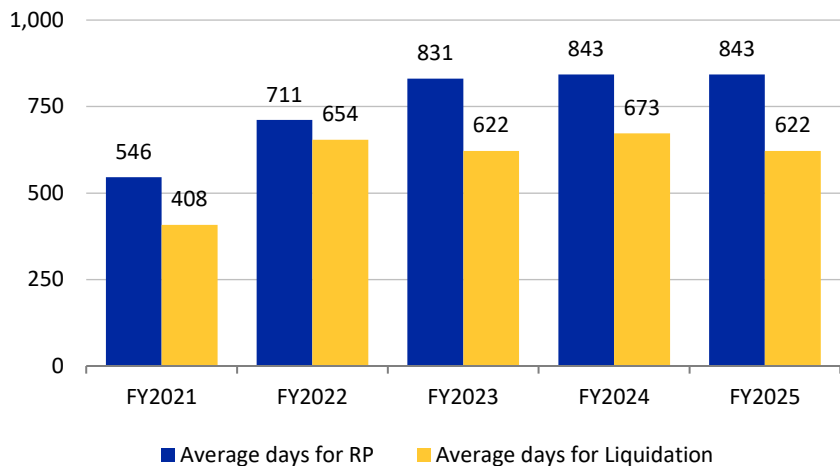
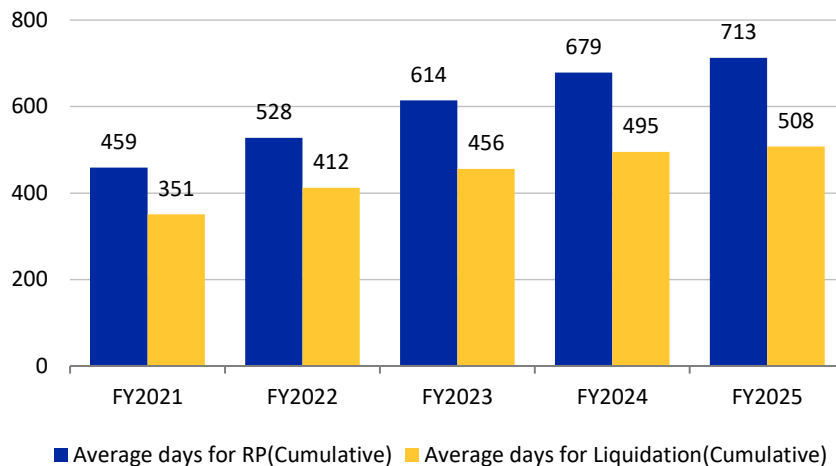


Exhibit: Cumulative average days for CIRP process



- The average days for resolving CIRPs either through a resolution plans (RP) or liquidation had generally been on an increasing trend until FY2024.
- However, over the last two financial years, the average days taken for RP has remained stable, which is a positive trend. While the average days for liquidation declined in FY2025, it continues to be high.
- The period taken to resolve a CIRP continues to exceed that envisaged at the time the IBC was introduced. ICRA believes that a faster period for recovery is needed to ensure retention of economic value in the underlying assets, which would lead to maximization of recovery for lenders

Significant haircuts for lenders due to prolonged resolution

Exhibit: Realisation for CIRPs leading to resolution plan

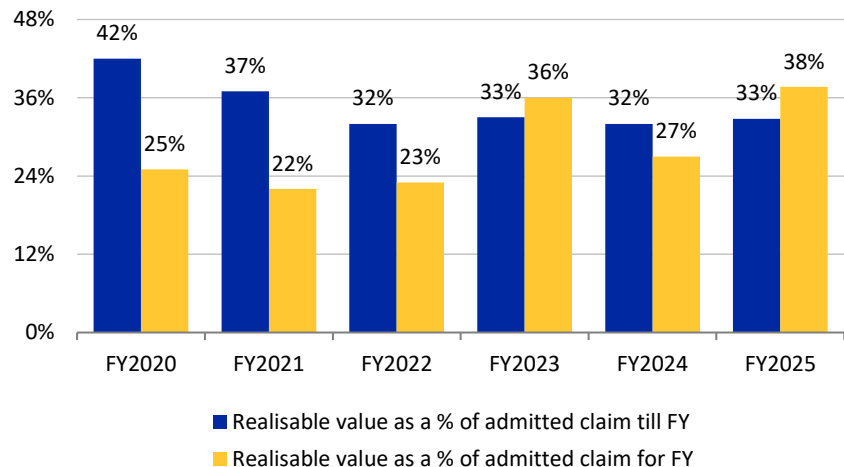
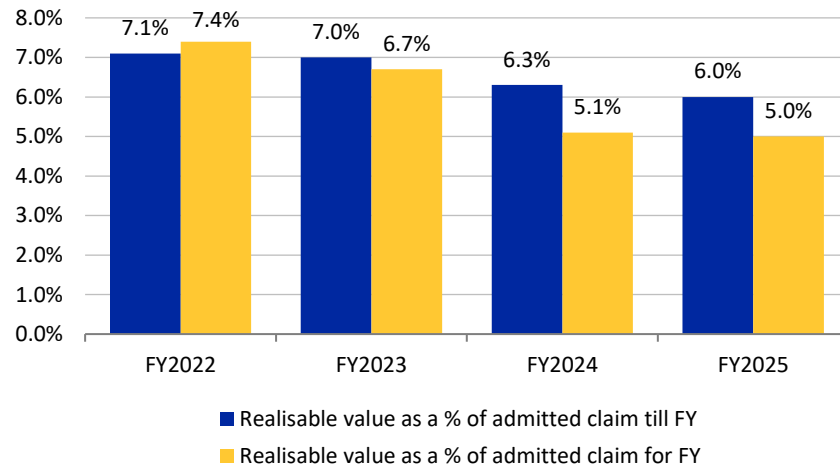


Exhibit: Realisations for CIRPs leading to liquidations



- The prolonged period for resolution of cases has been a key factor in the muted recovery seen under the IBC as the delays erode the value of the assets. While there has been some improvement in recovery in FY2025, the haircuts faced by lenders continue to be high at ~67% on an overall basis. The improvement in FY2025 was driven by better recovery seen in few large accounts, especially in Q4 FY2025, where realisations jumped sharply to 70%. ICRA believes that if this momentum continues for the next few quarters, the realisations on an overall basis are likely to improve.
- The recovery from cases resolved through liquidation, however, has been declining and touched a low of 5.0% for FY2025.
- The IBBI, as on January 10, 2025, has mandated the use of eBKray auction platform for sale of assets in respect of ongoing liquidations. The usage of a centralised platform is expected to streamline the liquidation process and improve transparency in liquidation cases.

High number of legacy cases awaiting resolution

Exhibit: Age of ongoing CIRP cases as on March 31, 2025

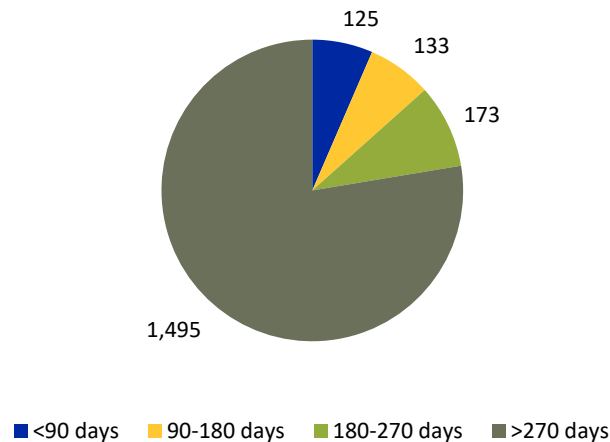
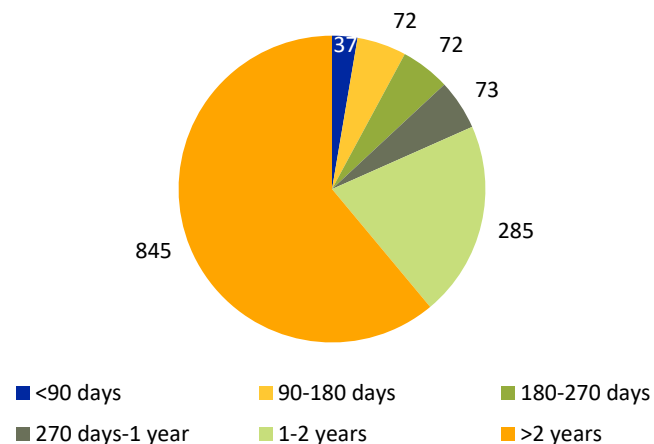


Exhibit: Age of ongoing liquidations as on March 31, 2025



- One of the biggest challenges that the IBC has faced is that of legacy cases, due to which timelines have exceeded those specified in the code for both ongoing resolutions and liquidations.
- A high share of legacy cases continues to choke the bandwidth of the NCLT benches and results in lower recovery/sizeable haircuts for lenders.
- The situation is more concerning in liquidation where ~61% of cases have crossed two years. With recovery in liquidation cases being substantially lower, this has been a significant drag on the recovery for lenders from the IBC.
- Around 78% of cases with ongoing CIRP process have crossed the 270-day limit (180-day resolution period plus additional 90-day extension permitted by NCLT) as specific in the code. Thus, a swifter resolution of legacy cases would be critical to the success of the code. 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.

Sharp jump in recovery in large accounts

Exhibit: Recovery trend seen in large accounts as % of admitted claims

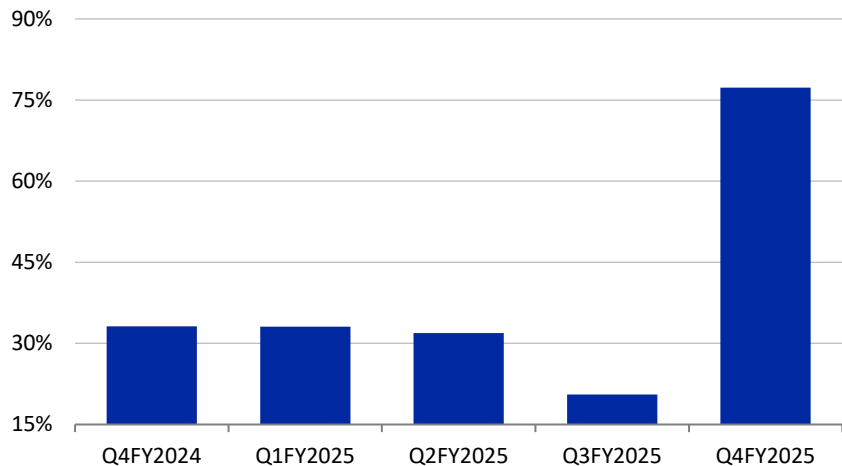
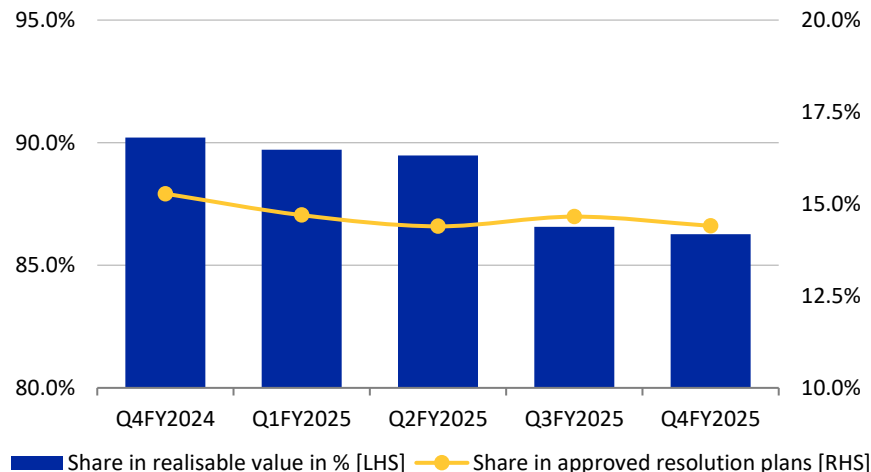


Exhibit: Trend in share of large accounts



- As on March 31, 2025, large accounts (admitted claims >Rs. 1,000 crore) have ~14% share in resolved cases but have ~89% share in the recovery.
- In Q4 FY2025, where overall recovery rates were ~70%, the same was driven by ~76% realisation as percentage of admitted claims in these large accounts.
- While the share of such cases in total approved cases and amount recovered have dipped marginally in the last few quarters, they still constitute the bulk of recovery cases. Thus, a more focused approach towards the resolution of such large accounts is critical to improve the overall recovery for creditors through the IBC process.

Defunct cases drag overall recovery rates; most of recovery happening outside defined timelines

Exhibit: Recovery as % of admitted claims through resolution plan

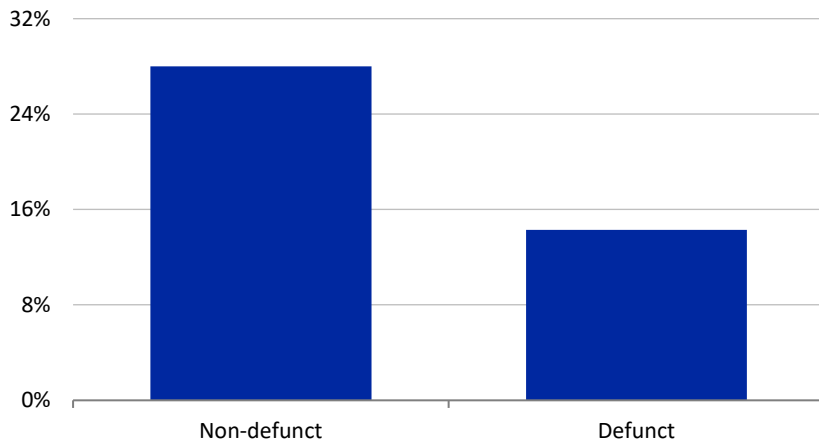
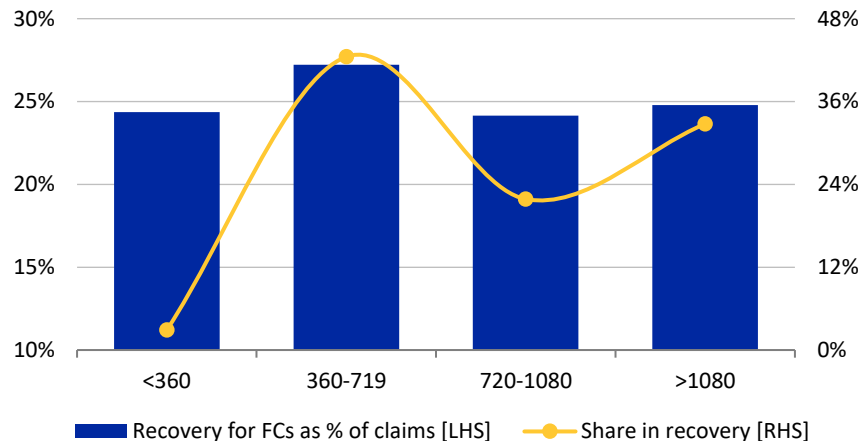


Exhibit: Recovery vis-à-vis the number of days for approval of resolution plan



- As per ICRA's analysis, there is a stark difference in the recoveries in comparison to the status of the corporate debtor (CD). In cases where the CD is defunct (as classified by IBBI), the recovery rates are half of that seen in non-defunct cases.
- Thus, ICRA believes that there is a need for an early resolution of the CIRP process as the value erosion has been high in defunct cases, which resulted in higher haircuts for lenders. For cases where the time for the approval of RP takes over two years, the recovery rates have been lower.
- Bulk of the RPs have been approved with an average time of ~2 years, which is more than twice the timelines specified in the code. ICRA believes that a meaningful reduction in time frame for approval along with early admission of CD while operating can drive better recovery.
- While the Supreme Court of India has stressed on adherence of timelines under the code, the IBBI and Government of India are working on various amendments to improve the code.

Source: IBBI, ICRA Research; data till March 2025

Recovery through liquidation dragged by high-ticket cases

Exhibit: Ticket size vis-à-vis recovery (liquidation)

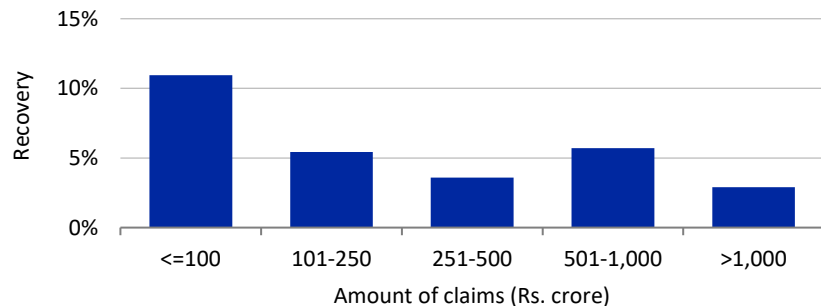
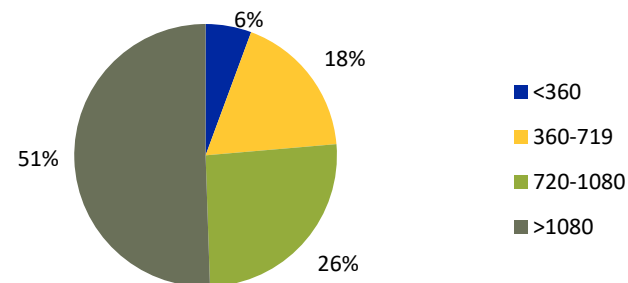
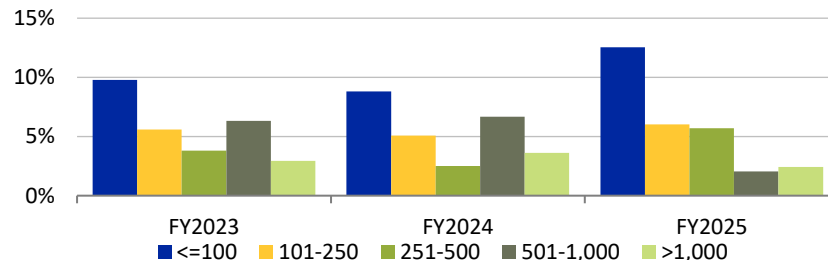


Exhibit: Number of days vis-à-vis share in recovery (liquidation)



- A key concern of the IBC has been the higher share of liquidations and the lower recovery seen in the same.
- While ~75% of the liquidated cases are small cases (claims <=Rs. 100 crore), the recovery seen in these accounts is higher. A concern has been the very low recovery seen in larger cases (claims > Rs. 1,000 crore) whose share in liquidated cases has been ~8%.
- ICRA believes that while liquidation is not the preferred mode of recovery or the intent of the IBC, an improvement in recovery from these large cases would drive overall recovery rates. As on March 31, 2025, more than half the recovery through liquidation has taken more than three years and even in such cases the recovery has been ~6% for the financial creditors, thus entailing a haircut of ~94%, which remains a concern.

Exhibit: Trend in ticket size vis-à-vis recovery (liquidation) since FY2023



Source: IBBI, ICRA Research

Manufacturing has highest share in admitted cases but real estate (RE) & construction on the rise

Exhibit: Sector-wise cases admitted under IBC as on March 31, 2025

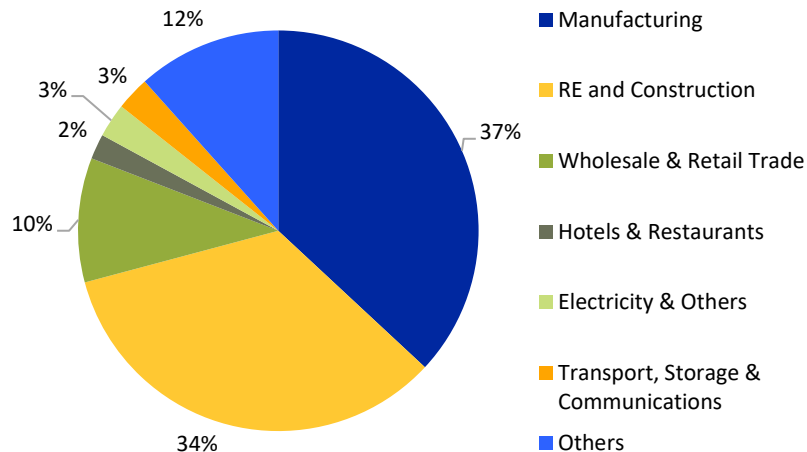
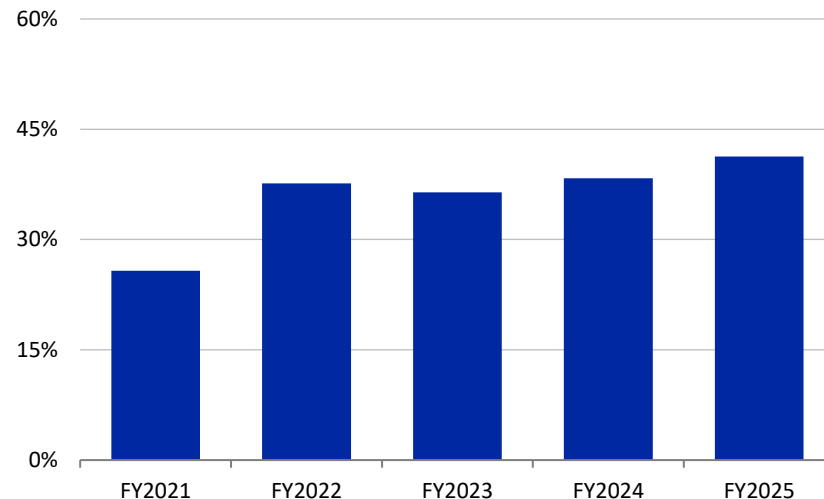


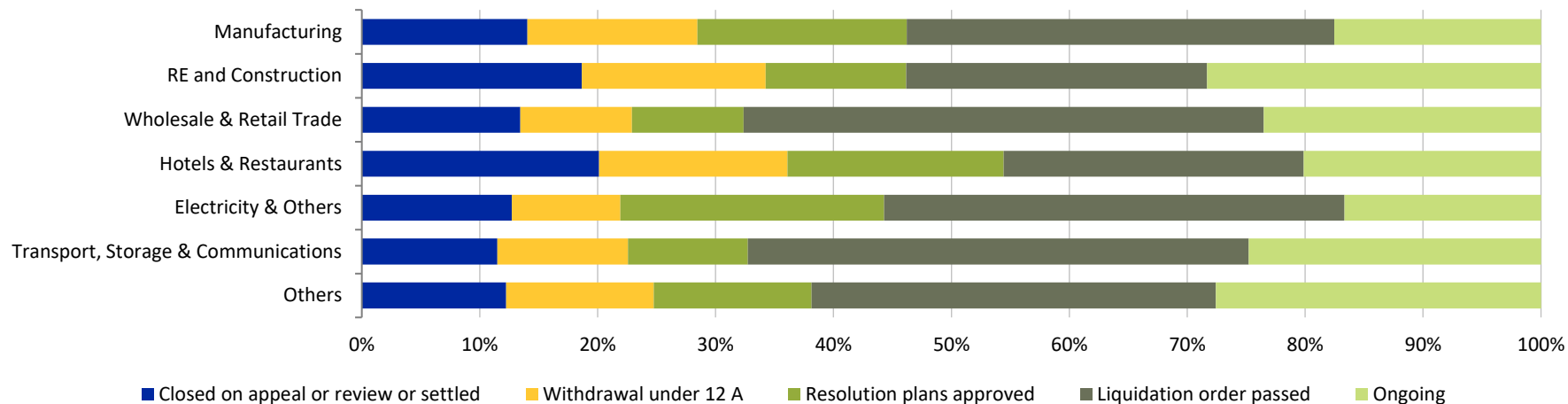
Exhibit: Share of cases from RE and construction sector post FY2020



- While manufacturing continues to dominate with the highest share of admitted cases till March 31, 2025, there has been a trend in higher share of cases from the RE and construction sector being admitted to the IBC in recent years.
- In FY2025, the share of cases admitted from the RE and construction sector crossed 40%, indicating relatively higher stress seen in this sector compared to other sectors. In recent years, many RE and construction projects have been delayed on account of funding constraints.

RE and construction sector leads share in ongoing cases

Exhibit: Sector-wise break-up of cases as on March 31, 2025

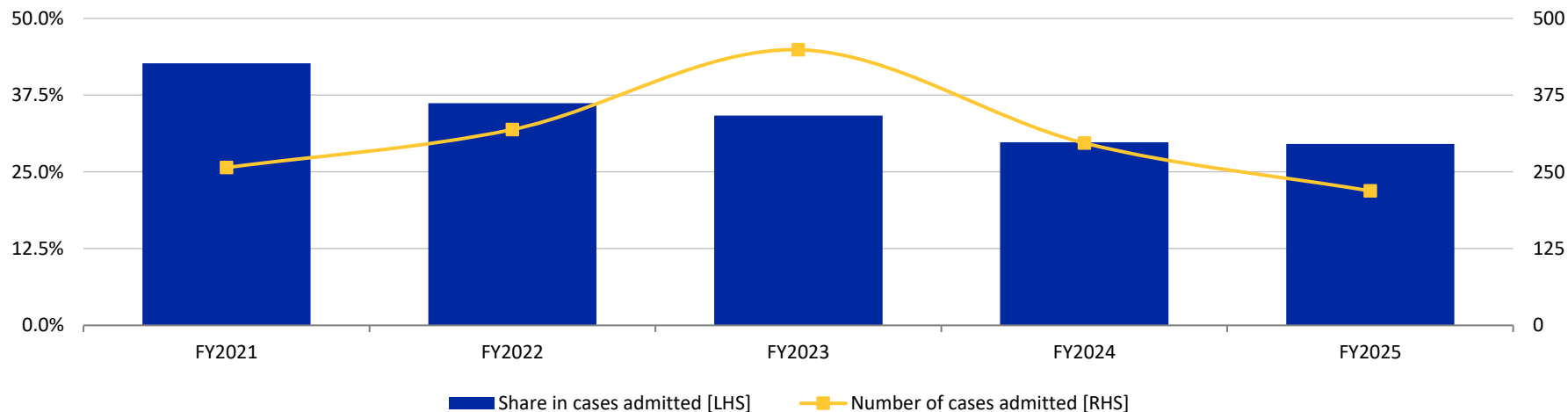


Source: IBBI, ICRA Research

- The share of liquidation has been highest in wholesale and retail trade and over 4 in 10 debtors in this sector have been liquidated, while only 1 in 10 debtors has seen resolution plans approved.
- Due to the increase in number of cases from the RE and construction sector in recent years, the share of this sector in ongoing cases is highest at 28%.
- While the RE sector has seen a traction in number of cases admitted, it also has highest share of 20% in cases withdrawn, which indicates that the promoters have shown willingness to settle and avoid the CIRP process.

Decline in share of admitted cases in traditionally dominant manufacturing sector

Exhibit: Trend in cases for manufacturing sector under IBC



Source: IBBI, ICRA Research

- Manufacturing continues to dominate with the highest share of admitted cases till March 31, 2025. However there has been a reduction in absolute number of admitted cases after FY2023 from the manufacturing sector.
- FY2025 saw a record low of only 219 cases admitted from this sector, which indicates the better performance of the manufacturing sector.
- While legacy cases from the manufacturing sector are still high, the reduction in admission of fresh cases is a positive.

Recent amendments to CIRP regulations in May 2025

Particulars	Key changes	Impact as per ICRA's assessment
Part-wise resolution of Corporate Debtor	The resolution professional, with the approval of the Committee of Creditors (CoC), can invite expression of interest (EoI) for submission of resolution plans for the corporate debtor as a whole, or for sale of one or more of assets of the corporate debtor, or for both.	ICRA believes that by enabling concurrent EoIs for whole and part of debtor assets, the resolution process timelines are likely to be reduced as multiple EoIs can be evaluated at the same time. Further, this would encourage broader investor participation and prevent value erosion and segregation of viable/better quality assets especially in large debtors.
Timelines for payment under resolution plan	Where the resolution plans (RP) provides for payment in stages, the financial creditors who did not vote in favour of the resolution plans shall be paid at least pro rata and in priority over financial creditors who voted in favour of the plan, in each stage.	Given that aggregation of debt and arriving at consensus for implementation of RP has been a challenge, ICRA believes that the revised guidelines balance the rights of dissenting creditors with the practical constraints of phased implementations of RP.
Providers of interim finance	The CoC has been empowered to direct the resolution professional to invite the providers of interim finance to attend CoC meetings as observers without voting rights.	Debtors face funding constraints and need finance to sustain operations and, thus, interim finance providers play a key role. ICRA believes that this provision is intended to provide interim finance providers with a better understanding of the corporate debtor's operational status, thus enabling them to make well-informed decisions regarding funding requirements.
Presentation of all plans before the CoC	Resolution professionals are now required to present all resolution plans received, including those that are non-compliant, to the CoC along with relevant details.	One of the objectives of the IBC is to drive maximum recovery and this ensures that the focus is also put on the commercial wisdom of the CoC. ICRA believes that this provision enables the CoC to have access to comprehensive information for decision-making, which may lead to more informed choices and ultimately to a more transparent and effective resolution process.



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