

Performance Update : Insolvency and Bankruptcy Code

Sharp dip in recoveries in FY2026;
resolution timelines remain
stretched

JUNE 2026



Key abbreviations

NCLT	National Company Law Tribunal
IBBI	Insolvency and Bankruptcy Board of India
CIRP	Corporate Insolvency Resolution Process
FC	Financial Creditors
OC	Operational Creditors
CD	Corporate Debtor
RE	Real estate & construction
RP	Resolution Professional
SARFAESI	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest
IBC	Insolvency and Bankruptcy Code
PPIRP	Pre-packaged Insolvency Resolution Process
DRT	Debt Recovery Tribunal
ARC	Asset Reconstruction Company
FII	Foreign Institutional Investor
QIB	Qualified Institutional Buyer
QoQ	Quarter on Quarter
YoY	Year on Year



Click to Provide Feedback

IBC has completed a decade of its implementation with cumulative realisations by creditors of Rs. 4.3 lakh crore as of March 2026, the code continues to see high haircuts and stretched timelines.

The recent amendment to the IBC enacted in April 2026 has put forth changes such as placing onus on NCLT for timelines, piecemeal and group resolution along with out of court settlement framework, which are expected to be positive from an overall recovery perspective.



The number of resolution plans (RP) approved by the NCLT under the IBC declined to 225 cases in FY2026 from 259 cases in FY2025. There was also a dip in cases admitted in the NCLT from 724 in FY2025 to 679 during the same period.



In its decade-long journey, the IBC has seen the admission of 8,987 corporate debtors overall, of which 64% of CIRPs have been resolved (either through a successful resolution or withdrawal or liquidation) by end of March 2026.



Q4 FY2026 saw muted realisations of 23% against admitted claims, largely driven by lower realisation in large accounts (admitted claims >Rs. 1,000 crore). Thus, haircuts for lenders till FY2026 remained elevated at 68%.



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 FY2026.



The average resolution time has worsened to 744 days as on March 31, 2026 from 713 days as on March 31, 2025, which is 2.8 times the 270-day resolution period. This has caused significant erosion of value of debtor assets and lower realisations.

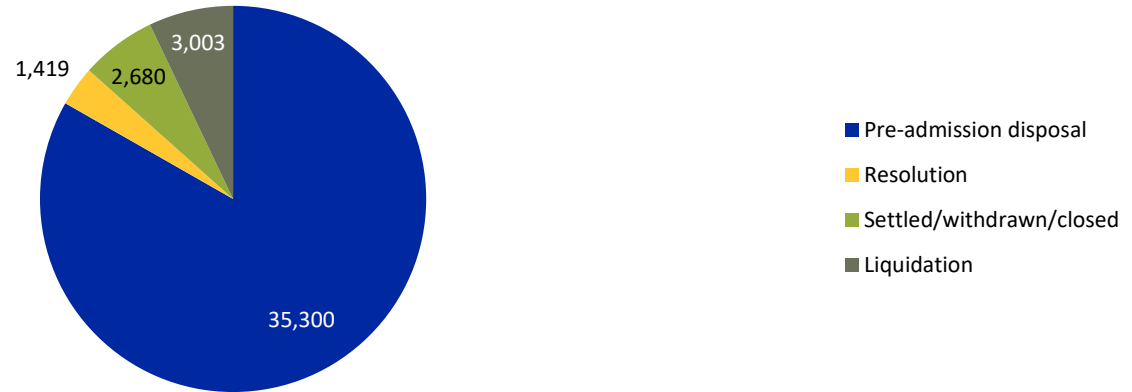


Realisations through liquidation have remained significantly lower than realisation through RP in FY2026, and resolution to liquidation ratio touched an all-time high of 0.92 as on March 31, 2026.



Despite its shortcomings, the IBC continues to be the leading mode of recovery for banks as compared to other avenues like SARFAESI, DRT and Lok Adalats, with 52% of total recovery in FY2025 done via IBC.

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

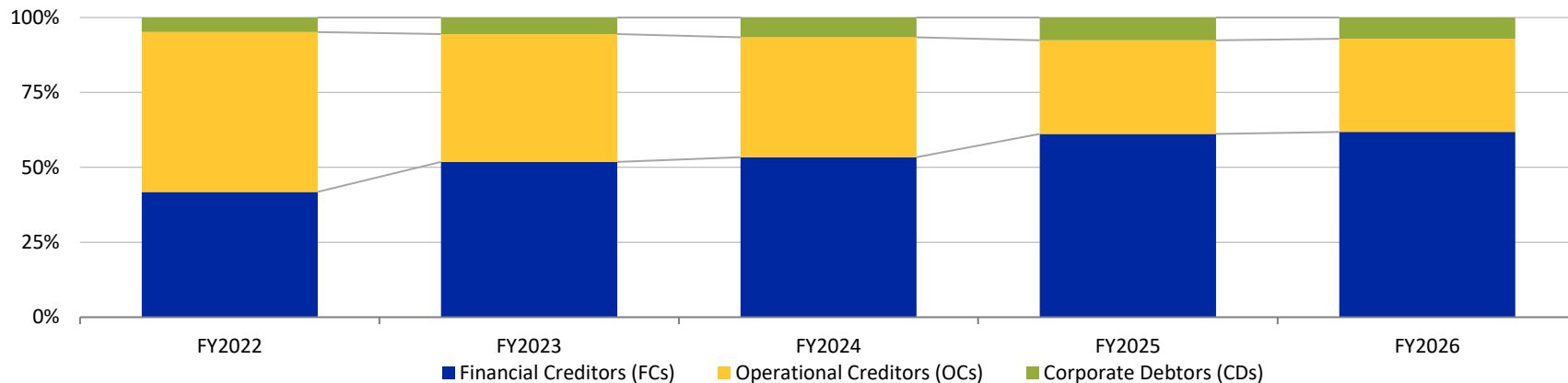


Source: IBBI, ICRA Research

- Till March 2026, 42,402 debtors were taken to NCLT and their cases were disposed of; however, 83% of these cases having underlying default worth ~Rs. 16 lakh crore have been settled pre-admission.
- This can be attributed to the behavioural change caused by the IBC, wherein most debtors are settling their dues before start of insolvency proceedings.
- Post admission, the IBC has resolved 1,419 cases through resolution plans, a further 2,680 cases have been closed through settlement, withdrawals and appeal while liquidation orders have been passed in 3,003 cases.

Financial creditors continue to play dominant role in initiating CIRP process

Exhibit: Stakeholder-wise share in initiation of CIRP process

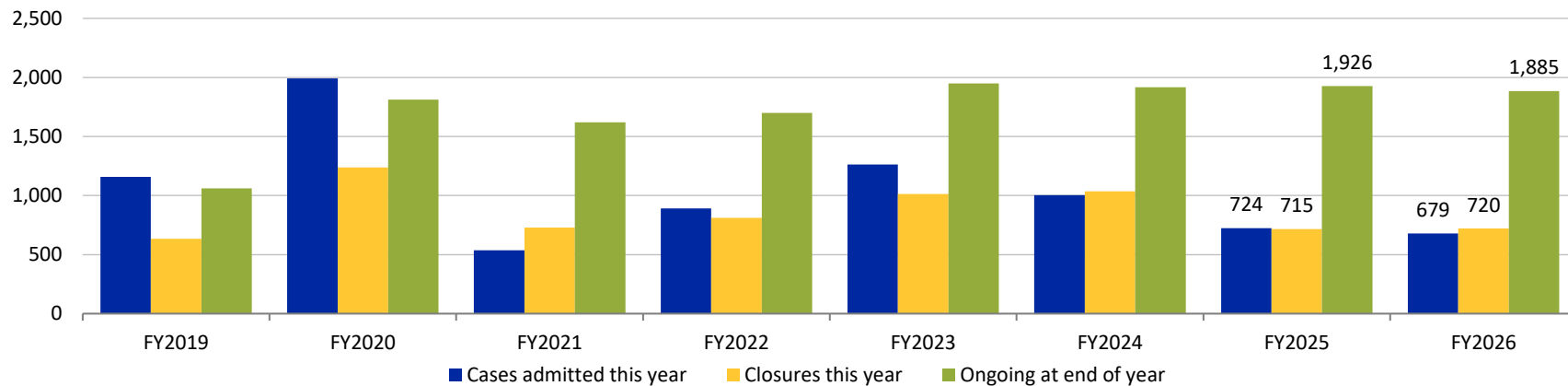


Source: IBBI, ICRA Research

- The share of FCs in initiating the CIRP proceedings has risen, while the share of 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. Further 80% of CIRPs having an underlying default of more than Rs. 10 crores were initiated on applications by FC.
- While PPIRP had been rolled out for the MSMEs, its implementation has been limited with only 10 plans approved in last 5 years. ICRA believes that there is a necessity for separate framework for small ticket-size cases before approaching the NCLT to reduce the burden on the benches and thereby expediting admissions for larger ticket-size cases.

While admitted cases have reduced, fewer closures remain a concern

Exhibit: Year-wise CIRP additions and closures



Source: IBBI, ICRA Research

- There was a dip in admissions in FY2025, and this trend continued into FY2026, which can be attributed to the healthy credit profile of India Inc. along with high pre-admission settlement.
- The number of ongoing cases has dipped to 1,885 in March 2026, driven by closures outpacing admissions in FY2026. However, traction on closures continues to be low, which is a concern.
- The Government of India and IBBI have taken various steps such as the seventh amendment to the IBC enacted in April 2026 and further improvements to the Code, along with focus on improving the NCLT infrastructure and manpower, which is expected to drive better recovery and lower resolution timelines.

Dip in number of resolution plans approved in FY2026

Exhibit: Number of resolution plans approved under IBC

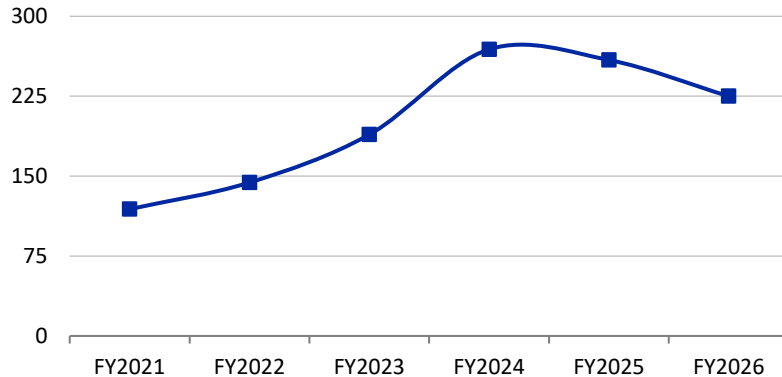
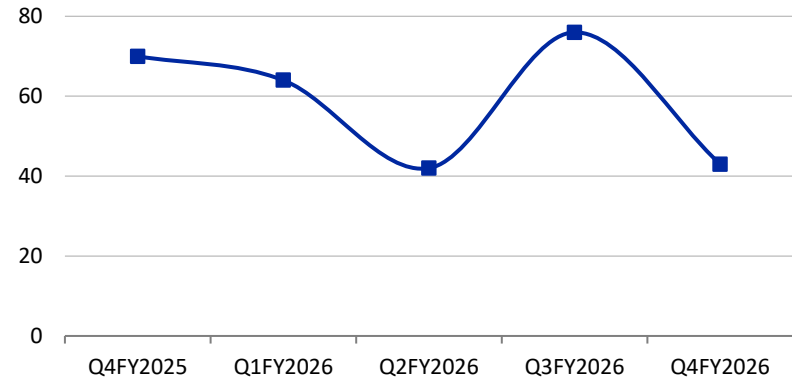


Exhibit: Number of resolution plans approved under IBC (last 5 quarters)

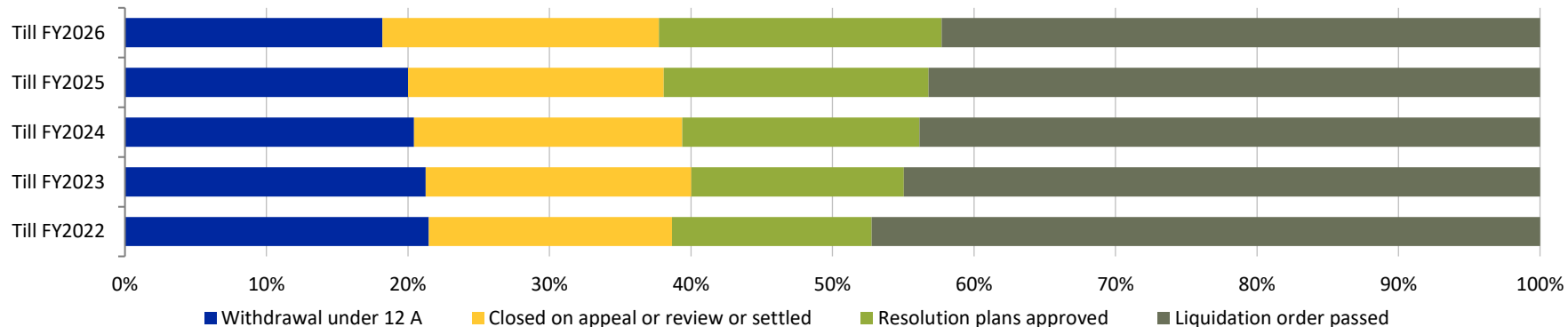


Source: IBBI, ICRA Research

- After record approval of resolution plans in FY2024, there has been a dip in number of resolution plans approved in the subsequent two years.
- Q4FY2026 saw only 43 resolution plans being approved, a sharp dip of 43% QoQ and 39% dip YoY.
- The dip in resolution plans approved follows the decline in cases admitted in the NCLT in FY2026 relative to FY2025 as debtors have been proactively looking to settle with lenders before the insolvency proceedings are initiated, with pre-admission resolution rates being upwards of 80%.
- Further, the NCLT has grappled with manpower and infrastructure issues, which have also impacted the efficient implementation of the code.
- ICRA believes that improvement in approved resolution plans would depend on continued strengthening of NCLT benches and increase in tribunal members, which continue to be plagued by shortfall.

Gradually declining share of liquidations as share of resolutions increases

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



Source: IBBI, ICRA Research

- There is an increasing trend in withdrawals post admission, which is in line with high withdrawals prior to admission 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 ~20% till FY2026 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 ~42% till FY2026, it has declined from ~47% till FY2022. 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)

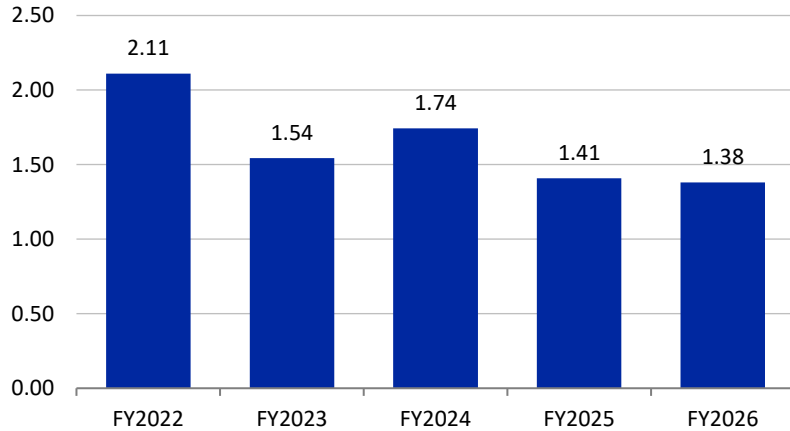
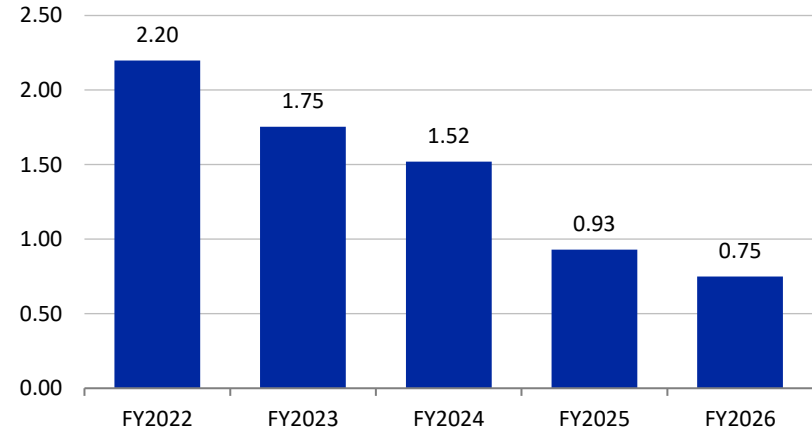


Exhibit: Admitted claims resolved through liquidation (Rs. lakh crore)



- The admitted claims resolved through resolution plans stood at ~Rs. 1.38 lakh crore in FY2026 and total cumulative claims resolved through resolution plans stood at Rs. 14.14 lakh crore.
- The cumulative recovery through resolution plans against the claims admitted stood at Rs. 4.3 lakh crore as on March 31, 2026.
- The amount of admitted claims resolved through liquidation stood at ~Rs. 0.75 lakh crore in FY2026; this has been on a declining trend post FY2022, which is attributed to lower share of liquidations in resolution.
- The lower quantum of admitted claims resolved through liquidation is a positive, given the higher haircuts in liquidation cases.

Liquidations outpace resolution in three out of last five quarters

Exhibit: Resolution-to-liquidation ratio¹

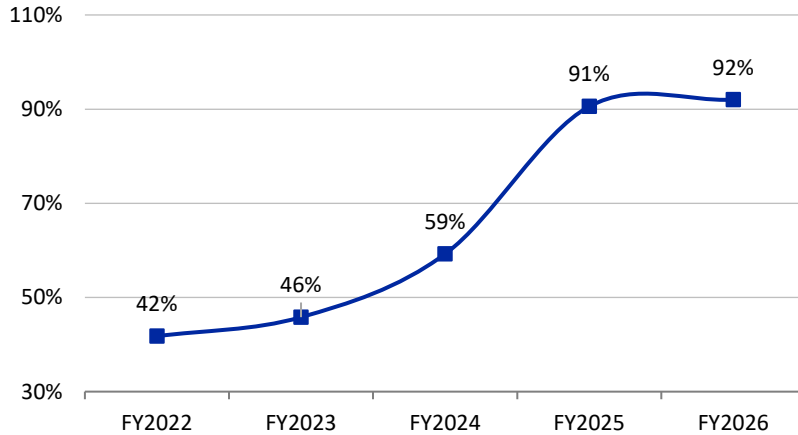
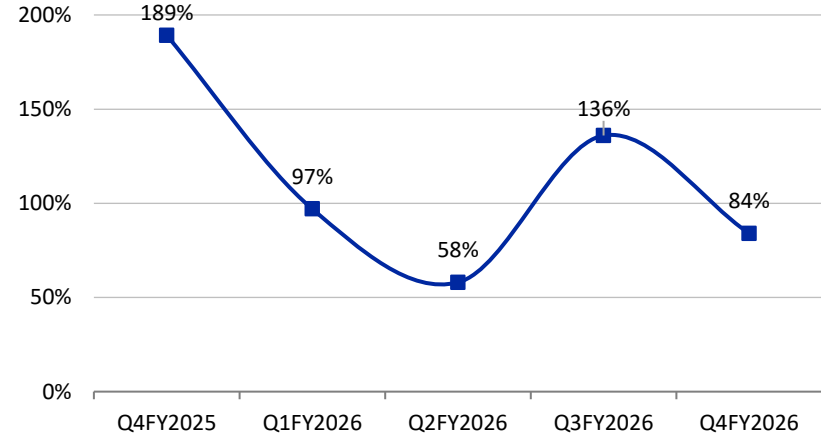


Exhibit: Resolution-to-liquidation ratio (last 5 quarters)



- A major challenge faced by the code has been the high share of liquidations that have resulted in elevated haircuts for lenders due to lack of preservation of value of underlying debtors.
- Higher liquidations have also resulted in job losses, which have a broader socioeconomic impact; however, there has been a positive traction with lowering share of liquidations in cases resolved through the NCLT.
- While Q4 FY2025 saw resolutions outpacing liquidations for the first time, the traction has been lower in FY2026 with resolutions outpacing liquidations only in Q3 FY2026.

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

Source: IBBI, ICRA Research

Dip in recoveries from resolution plans

Exhibit: Realisation under resolution plans

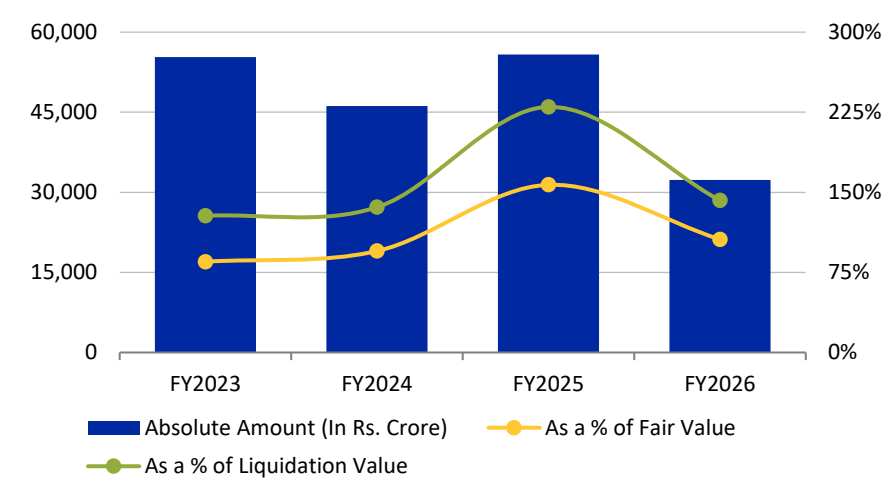
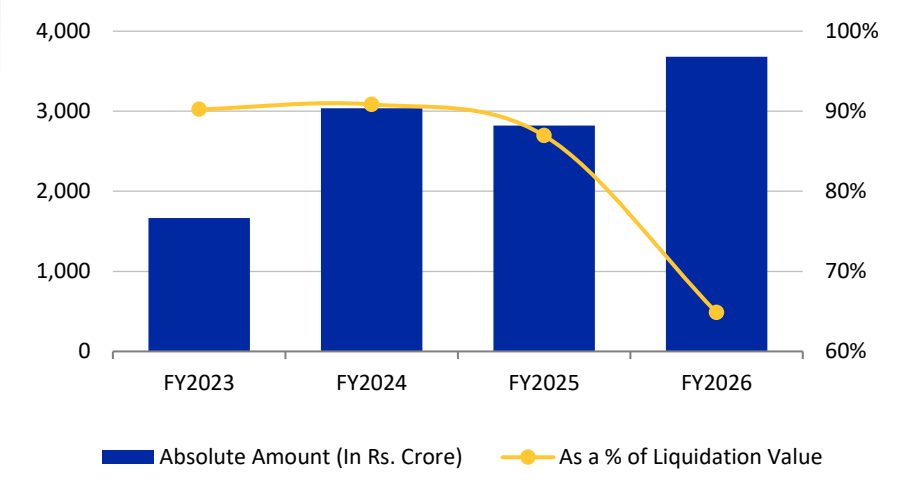


Exhibit: Realisation under closed liquidations



- There has been a dip in realisation for accounts under resolution plans both as a % of fair value and % of liquidation value in FY2026 after seeing healthy improvement in FY2025.
- The absolute recovery in FY2026 under approved RPs dipped to Rs. 32,328 crore from Rs. 51,225 crore in FY2025, however, an encouraging trend was the recovery as % of fair value and % of liquidation value were still higher than FY2024.
- While absolute recovery from closed liquidations has also increased after FY2023, the recovery as % of liquidation value has dipped sharply in FY2026, reflecting increases in haircuts in liquidation cases for lenders.

Source: IBBI, ICRA Research

Resolution process timelines remain elevated

Exhibit: Average days for CIRP process

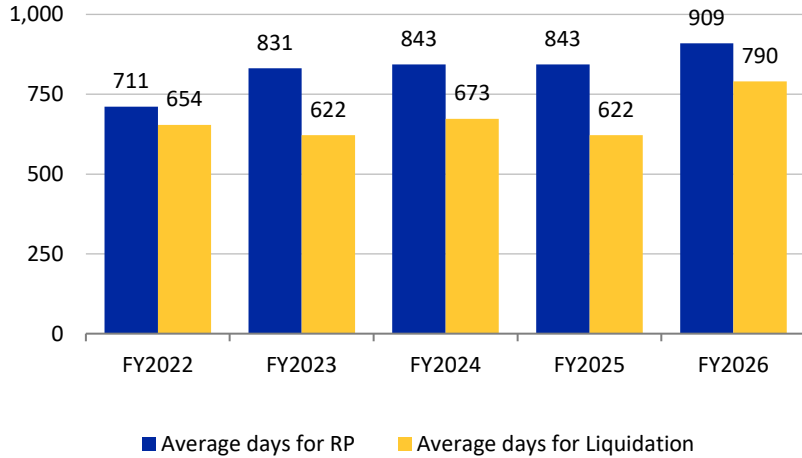
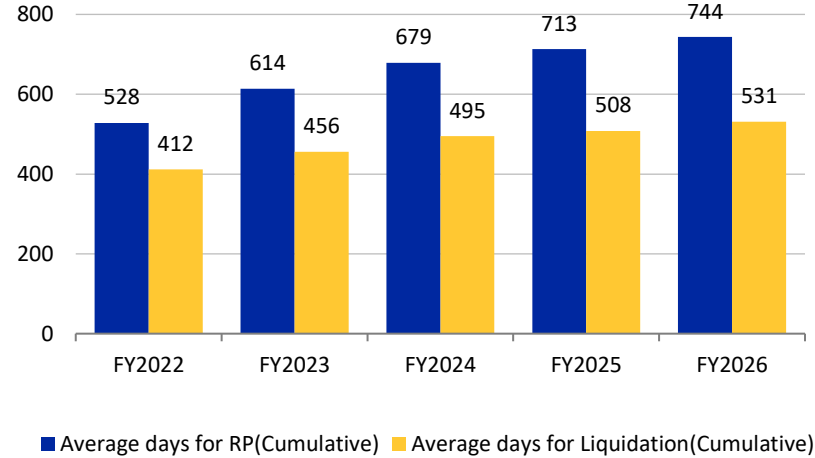


Exhibit: Cumulative average days for CIRP process



- The average days for resolving CIRPs either through an RP or liquidation increased in FY2026.
- While the recent amendment to the code places timelines on NCLT in admission of cases, there continue to be delays for completion of CIRP process and delays at various levels of judiciary.
- Also, while the recent amendment on liquidation proposes a 180-day timeline, achieving the same would be difficult in ICRA's view.
- 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 maximisation of recovery for lenders

Source: IBBI, ICRA Research

Significant haircuts for lenders due to prolonged resolution

Exhibit: Realisation for CIRPs leading to resolution plan

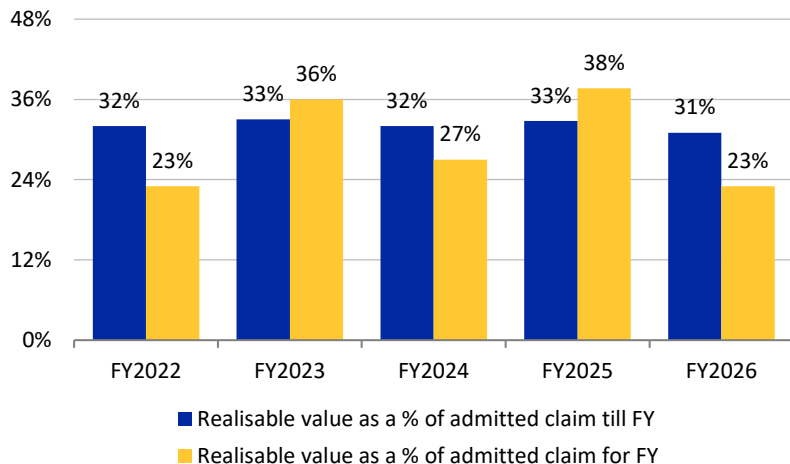
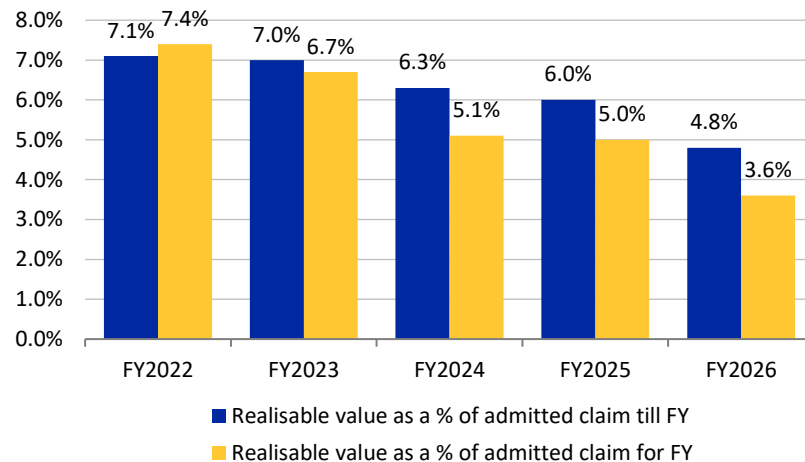


Exhibit: Realisations for CIRPs leading to liquidations



- The prolonged period for resolution of cases has been one of the key factors in the muted recovery seen under the IBC as delays erode the value of the assets.
- While there had been some improvement in recovery in FY2025, there has been a sharp increase in haircuts in FY2026 led by a sharp dip in recoveries from large accounts.
- The recovery from cases resolved through liquidation has also been declining and touched a low of 3.6% for FY2026 despite various amendments put forth by IBBI in Q4 FY2025 to improve the efficiency of liquidation cases.
- ICRA believes that while the recent amendments to the code are positive, the impact of the same may lead to better recovery in FY2027.

Source: IBBI, ICRA Research

Sharp jump in recovery in large accounts

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

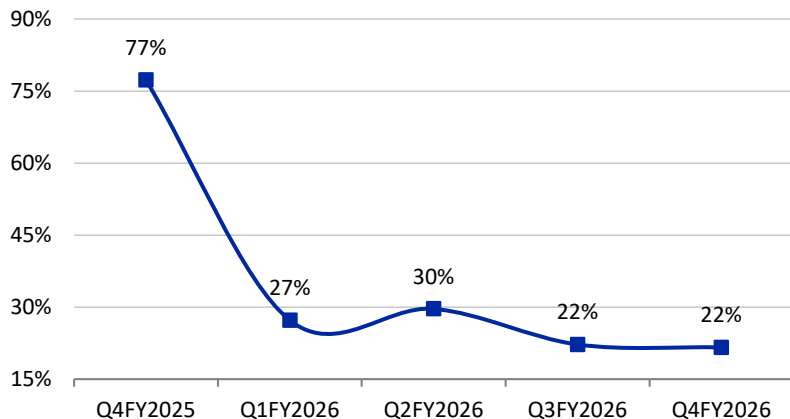
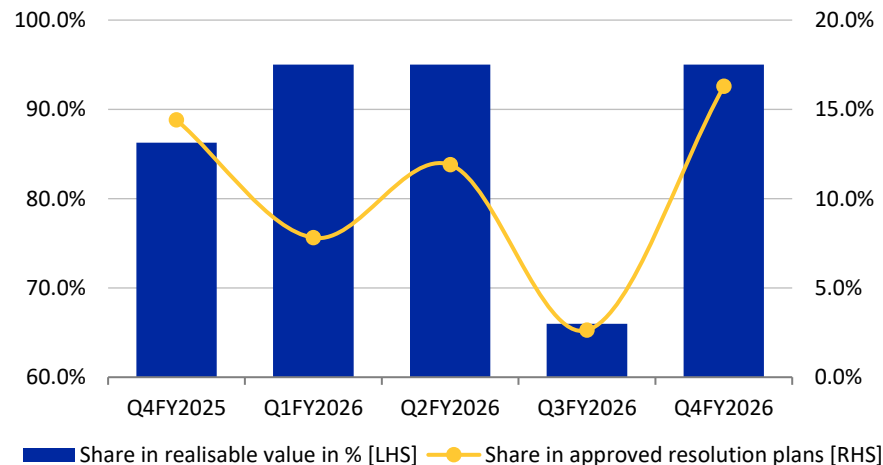


Exhibit: Trend in share of large accounts



- As on March 31, 2026, large accounts (admitted claims >Rs. 1,000 crore) have ~11% share in resolved cases but have ~89% share in the recovery.
- In Q4 FY2026, where overall recovery rates were ~23%, the same was driven by ~91% realisation as percentage of admitted claims in these large accounts.
- Thus, ICRA believes that a more focussed approach towards the resolution of such large accounts is critical to improve the overall recovery for creditors through the IBC process.
- Reforms such as piecemeal resolution, group resolution and cross-border insolvency, which are a part of the recent amendment to the code, are thus a positive.

High number of legacy cases awaiting resolution

Exhibit: Age of ongoing CIRP cases as on March 31, 2026

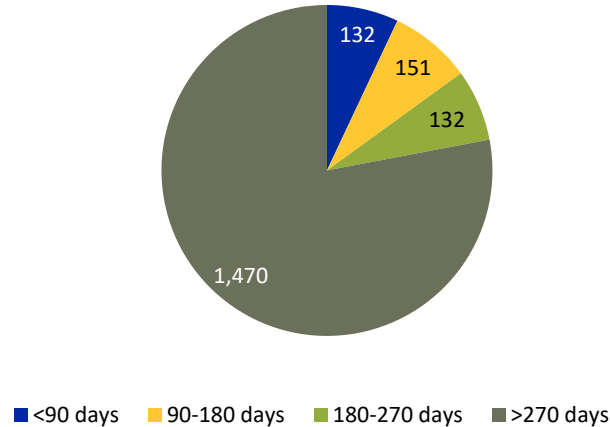
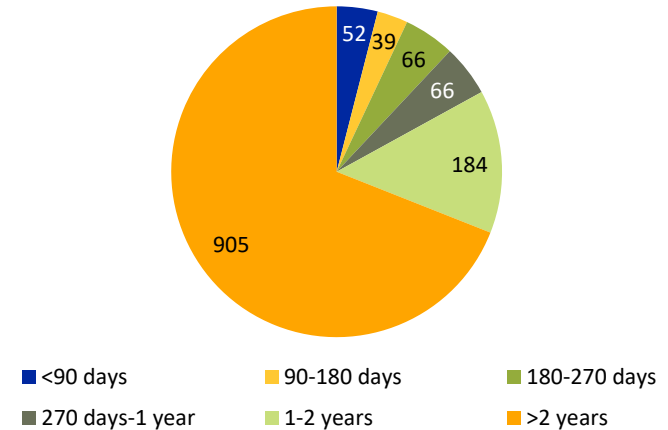


Exhibit: Age of ongoing liquidations as on March 31, 2026



- The biggest challenge 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 which are already plagued by manpower issues and results in lower recovery/sizeable haircuts for lenders.
- The situation is more concerning in liquidation where 69% 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 specified in the code. ICRA believes that a swifter resolution of legacy cases would be critical to the success of the code.

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

Exhibit: Recovery as % of admitted claims through resolution plan

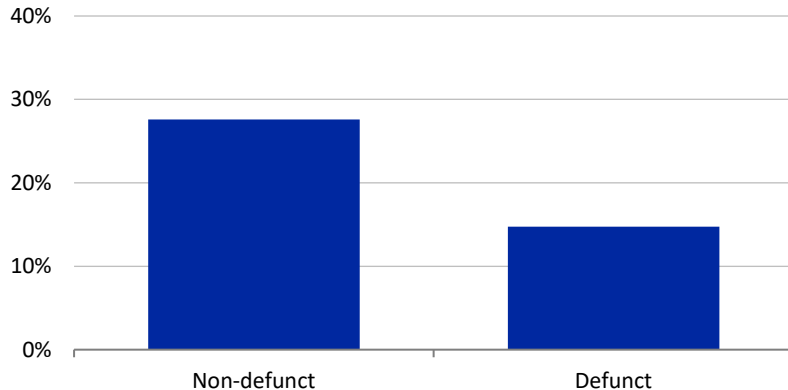
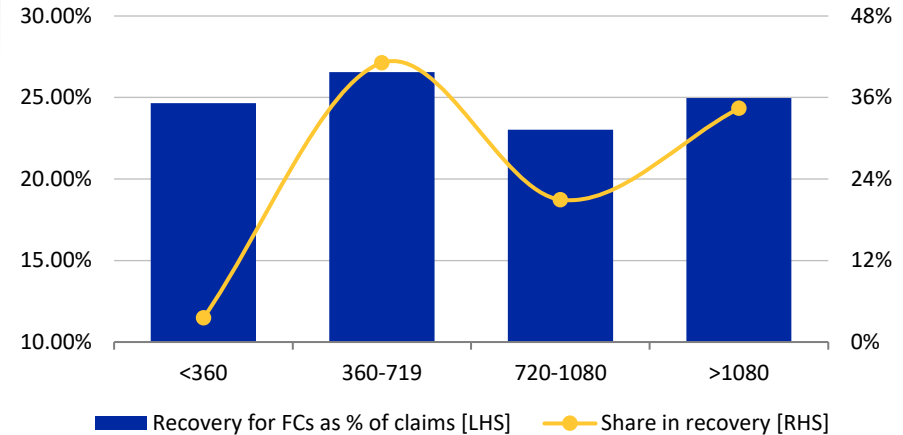


Exhibit: Recovery vis-à-vis the number of days for approval of resolution plan



- As per ICRA's analysis, there is a stark difference in the recoveries in comparison to the status of the corporate debtor. In cases where the CD is defunct (as classified by IBBI), the recovery rates are almost 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 higher in defunct cases, which resulted in significant haircuts for lenders. Further, 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.
- Thus, the recent amendment which places the onus on NCLT for timely admission of cases is a positive.

Lower recovery through liquidation in high-ticket cases

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

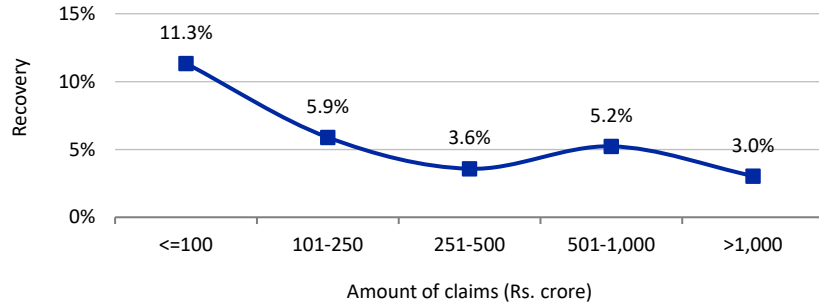
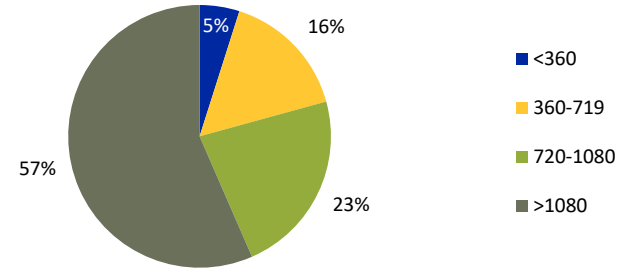


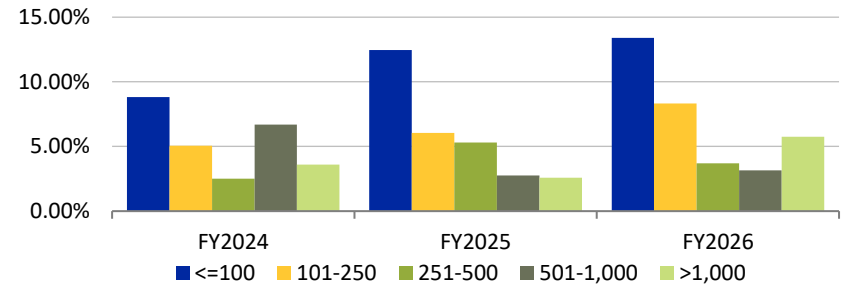
Exhibit: Number of days vis-à-vis share in recovery (liquidation)



- IBC has seen higher share of liquidations and the lower recovery seen in the same, although the share of liquidations has been declining.
- 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 weak recoveries seen in larger cases (claims > Rs. 1,000 crore), which account for only ~7% of the total liquidated cases.
- 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, 2026, more than half the recovery through liquidation has taken more than three years and even in such cases the recovery has been ~5% for the financial creditors, thus entailing a haircut of ~95%, which remains a concern.

Source: IBBI, ICRA Research

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



RE continues to be the dominant sector under cases in IBC

Exhibit: Sector-wise cases admitted under IBC as on March 31, 2026

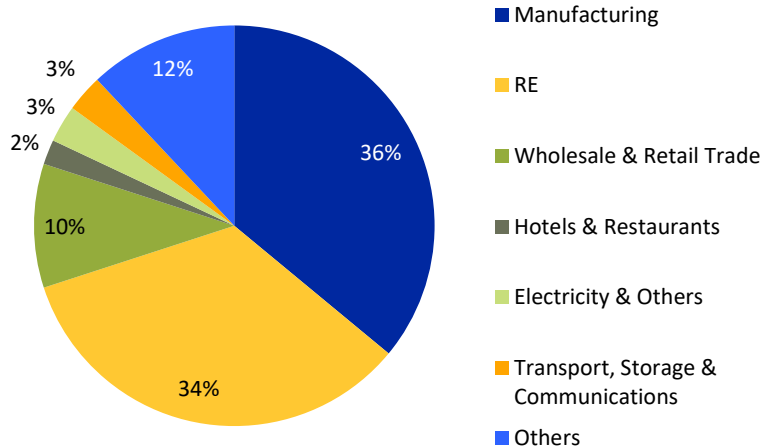
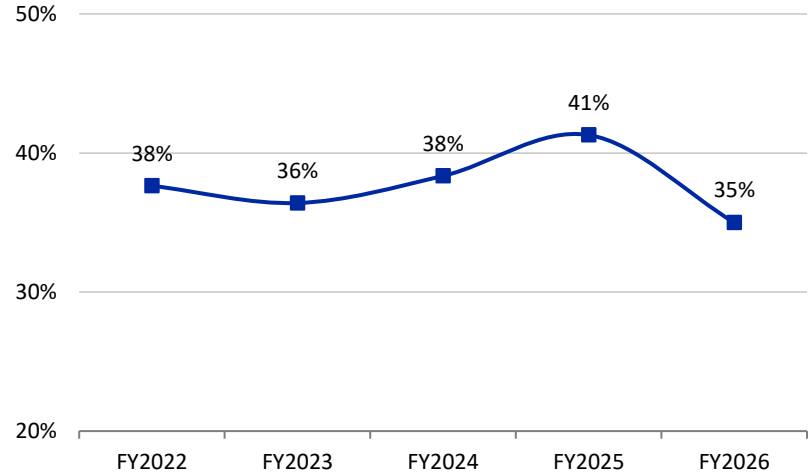


Exhibit: Share of cases from RE and construction sector in cases admitted

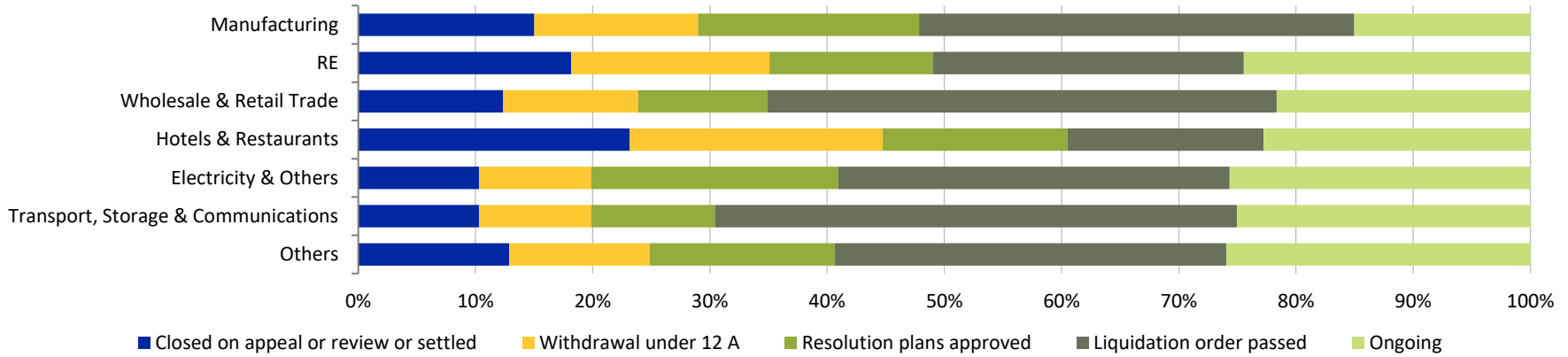


- While manufacturing continues to dominate with the highest share of admitted cases till March 31, 2026, there has been a trend in higher share of cases from the RE and construction sector being admitted to the IBC with RE sector having the highest share post FY2022.
- This indicates relatively higher stress seen in this sector compared to other sectors. In recent years, many RE projects have been delayed on account of funding constraints.
- The IBBI has recently come out with sector-specific proposals for RE sector and impact of the same would be critical as the sector has wider socioeconomic impact.

Source: IBBI, ICRA Research;

RE sector leads share in ongoing cases

Exhibit: Sector-wise break-up of cases as on March 31, 2026

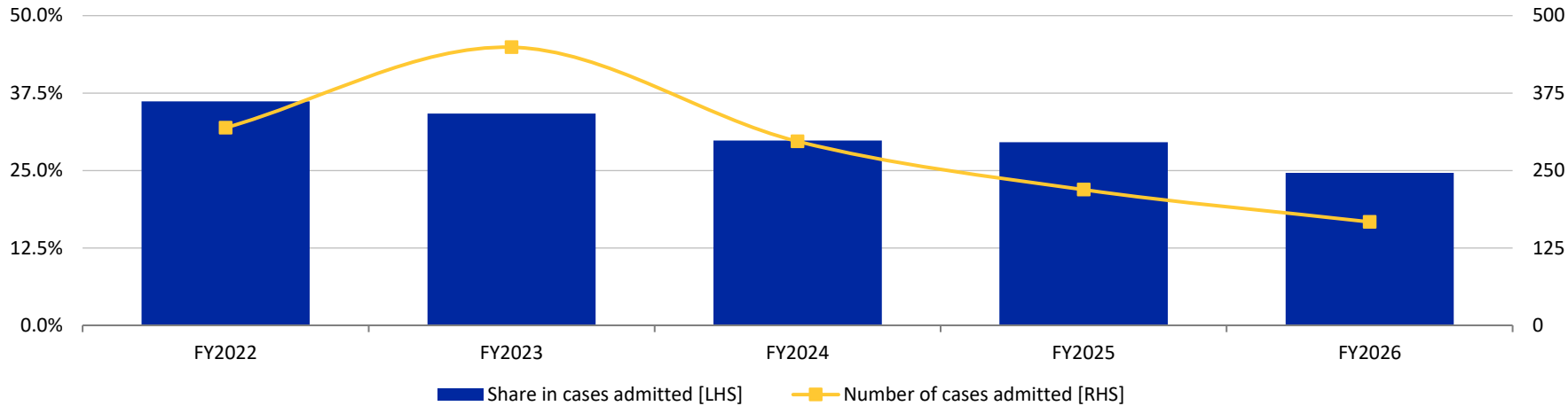


Source: IBBI, ICRA Research

- Due to the increase in number of cases from the RE sector in recent years, the share of this sector in ongoing cases is highest at 41%.
- While the RE sector has seen a traction in number of cases admitted, it also has a higher share of 17% in cases withdrawn, which indicates that the promoters have shown willingness to settle and avoid the CIRP process.
- The share of liquidation has been highest in transport, storage and communications, while the historically dominant manufacturing sector has seen nearly twice as many liquidations as resolution plans.

Decline in number and share of admitted cases in historically dominant manufacturing sector

Exhibit: Trend in cases for manufacturing sector under IBC



Source: IBBI, ICRA Research

- While manufacturing continues to dominate with the highest share of admitted cases till March 31, 2026, there has been a reduction in absolute number of admitted cases from FY2022 from the manufacturing sector.
- FY2026 saw a record low of only 167 cases admitted from this sector, which indicates the improved 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.

IBC continues to show better recovery rate for banks

Exhibit: Percentage NPA recovery for banks through various channels

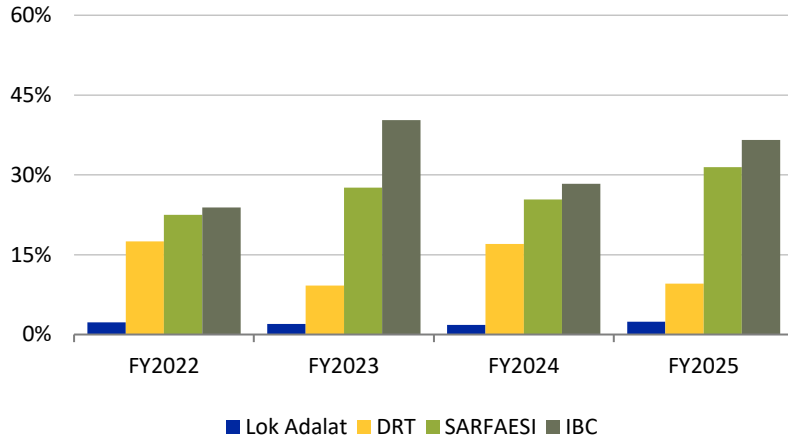
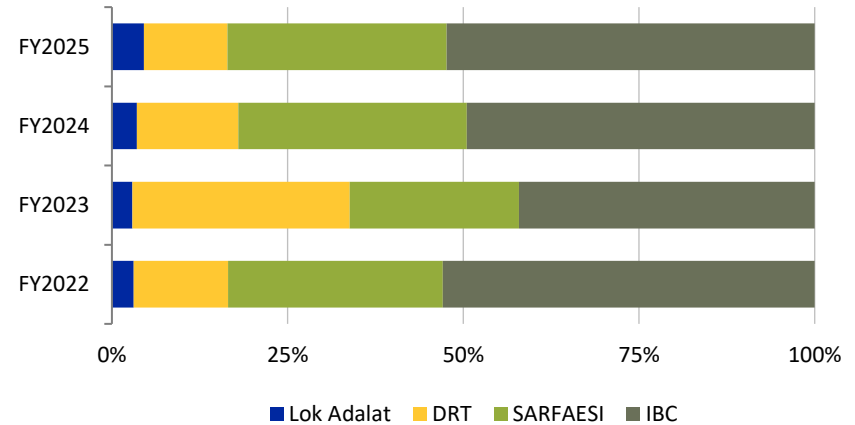


Exhibit: Share in recovery for banks through various channels



- While the creditors have seen high haircuts under the IBC, the recovery under the IBC still has consistently outperformed the recovery under other channels available like Lok Adalats, DRT and the SARFAESI act.
- Typically, it has been seen that recovery through the DRT route has been very slow while in many SARFAESI cases, there have been delays on account of stay and various procedural steps like obtaining court orders. The advent of IBC has been seen as more an effective mechanism to deal with defaulting borrowers.
- Thus, despite elevated haircuts and prolonged timelines, the IBC remains a better channel for resolving defaulting debtors, especially for large corporate accounts and has also acted as a deterrent for promoters of defaulting entities with significant share of pre-admission withdrawals and withdrawals under Section 12A of the IBC.

Source: RBI, ICRA Research; data till March 2025

High haircuts and shrinking asset size for ARC industry; however, redemptions improving

Exhibit: Value of assets acquired and haircuts

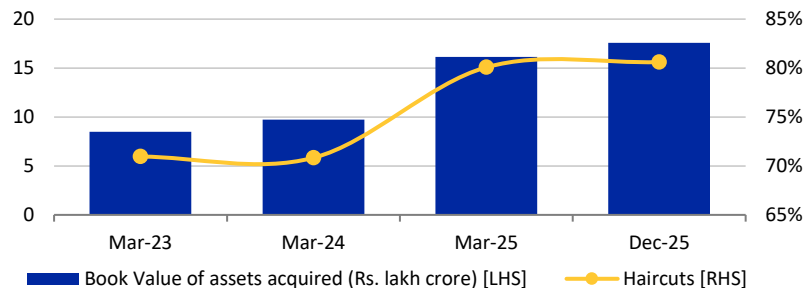
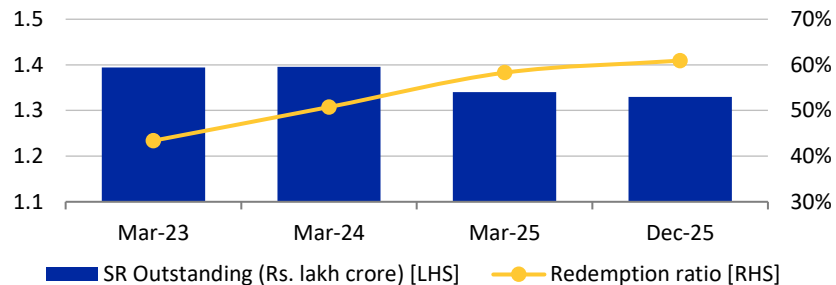
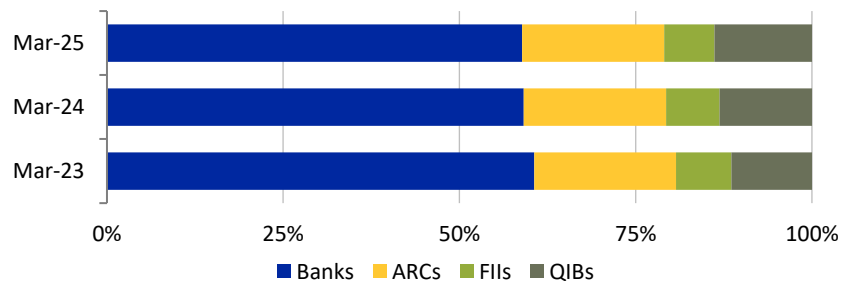


Exhibit: Outstanding security receipts (SRs) and redemption ratio



- The increased capital requirements and other regulatory changes have also resulted in slowdown in growth of ARCs.
- The haircuts for lenders in ARC cases continue to be high which is seen as a deterrent for many of them to approach ARCs.
- The ARC performance has been healthy with the redemption ratio (ratio of SRs redeemed to SRs issued) crossed 60% in December 2025.
- The banking industry has seen lower stress in recent years especially in its corporate loan book, while there has been build-up of stress in unsecured retail book. This has also led to ARCs focussing on lower ticket-size retail loan acquisition in recent years.
- Strengthening of the IBC would also be a shot in the arm for ARCs, many of as share of wholesale asset book in dues acquired is 87%.
- The lack of a secondary market for SRs is a negative since the majority of the SRs are held by the selling bank.

Exhibit: Share of investors in SRs



Source: RBI, Association of ARCs, ICRA Research



Recent amendments to IBC

Changes in guidelines and potential impact – I

Particulars	Revised guidelines	Impact as per ICRA's assessment
Insolvency Professional Agencies (IPAs)	<p>Minimum seven directors excluding the nominee director</p> <p>An independent director is not a member of any statutory regulator that has sponsored or promoted the insolvency professional agency, or that directly or indirectly holds shareholding in, or exercises control over, such insolvency professional agency; and who is not an independent director of any other insolvency professional agency.</p> <p>The second term shall be subject to a satisfactory performance review of the first term and approval by the IBBI</p> <p>IBBI shall nominate one individual as its nominee director on the governing board of an IPA, and such nominee director shall have the same status, rights, duties, powers and responsibilities as other directors of the governing board.</p> <p>For the purpose of obtaining prior approval of the IBBI for appointment or renewal of appointment of the managing director, an IPA shall forward not less than two names to the Board, at least one month prior to the expiry of the tenure of the existing managing director.</p>	<p>The amendment strengthens governance by increasing minimum board size, tightening eligibility criteria and restricting conflict of interest. Further reappointment of directors including managing director of IPAs is now subject to performance review and approval by IBBI which would enhance regulatory oversight and accountability of IPAs, aligning them with stronger corporate governance standards.</p>
Insolvency Resolution Process for Corporate Persons	<p>In respect of a corporate debtor classified as a micro, small or medium enterprise under the Micro, Small and Medium Enterprises Development Act, 2006, the resolution professional shall appoint one set of registered valuers, unless the committee of creditors (CoC) decides, for reasons to be recorded in writing, to appoint two sets of registered valuers.</p>	<p>The amendment strengthens and standardises valuation process for MSME clients.</p>
Liquidation Process	<p>Provided that, in respect of a corporate debtor classified as a micro, small or medium enterprise under sub-section (1) of section 7 of the Micro, Small and Medium Enterprises Development Act, 2006, the liquidator shall appoint one registered valuer for each asset class of the corporate debtor, unless the liquidator after consultation with the consultation committee decides, for reasons to be recorded in writing, to appoint two registered valuers</p>	<p>The amendment strengthens and standardises valuation process for liquidation of MSME clients. Further asset class wise valuation is a positive.</p>

Particulars	Revised guidelines	Impact as per ICRA's assessment
<p>PPIRP</p>	<p>Appointment of Registered Valuers</p> <p>The resolution professional shall, within three days of his appointment, appoint a set of registered valuers to determine the fair value and liquidation value of the corporate debtor, unless the committee decides otherwise, with reasons recorded in writing, to appoint two sets of registered valuers.</p> <p>The following persons shall not be appointed as registered valuers:</p> <ul style="list-style-type: none"> (a) A related party of the corporate debtor; (b) An auditor of the corporate debtor during the five years preceding the pre-packaged insolvency commencement date; (c) A partner or director of the insolvency professional entity of which the resolution professional is a partner or director; or (d) A relative of the resolution professional or of a partner or director of such insolvency professional entity <p>The fair value as submitted by the coordinating valuer shall be considered as the fair value of the corporate debtor provided that where two sets of registered valuers are appointed, the average of the two estimates of the fair value submitted by the coordinating valuers shall be considered as the fair value of the corporate debtor.</p> <p>The aggregate of the estimates of the liquidation value submitted by registered valuers in each asset class shall be considered as the liquidation value of the corporate debtor provided that where two sets of registered valuers are appointed, the aggregate of the average of the two estimates of liquidation value submitted by registered valuers in each asset class shall be considered as the liquidation value of the corporate debtor.</p>	<p>The amendment places timelines on RP for appointment of valuers. Also, the clauses covering conflict of interest of valuer have been added.</p> <p>The amendment also defines the fair value and liquidation value which provides greater clarity on the valuation process for all lenders who would be better informed while taking decisions in CoC.</p>



Click to Provide Feedback



ICRA Analytical Contact Details

Name	Designation	Email	Contact Number
Manushree Saggar	Senior Vice-President & Group Head	manushrees@icraindia.com	0124 – 4545 316
Sachin Joglekar	Vice-President & Co-Group Head	sachin.joglekar@icraindia.com	022 – 6114 3470
Gaurav Mashalkar	Vice-President & Sector Head	gaurav.mashalkar@icraindia.com	022 – 6114 3431
Arijit Datta	Analyst	arijit.datta@icraindia.com	022 – 6114 3433
Shivam Dussawar	Analyst	shivam.dussawar@icraindia.com	022 – 6114 3400





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Sai Krishna	Head - Research Sales and Investor Connect	sai.krishna1@icraindia.com	9840774883
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860





© Copyright, 2026 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 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.

#35YearsofUnwaveringCredibility



ICRA

35
Years of
Unwavering
Credibility

Thank You!

#35YearsofUnwaveringCredibility

Sensitivity Label : Public