

# CIRP Initiations Drop in Q3FY25; Recovery Steady at 30%

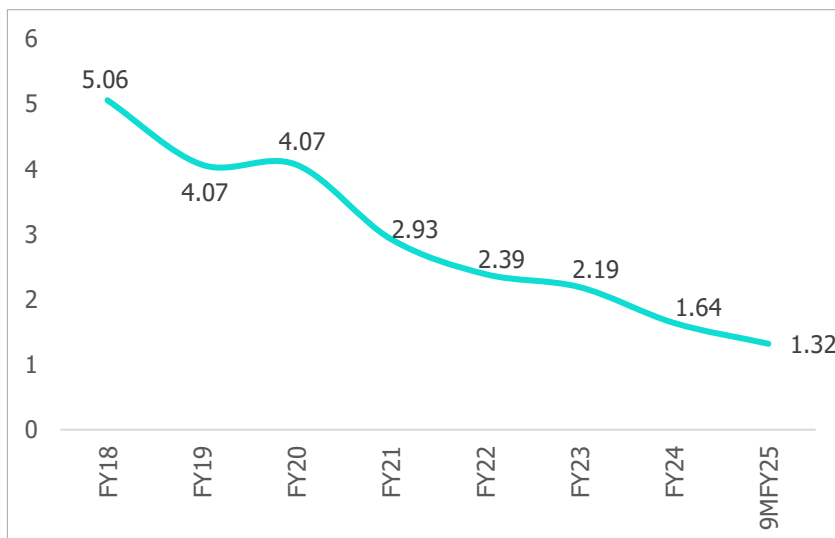
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## Synopsis

- The overall recovery rate till Q3FY25 was 31.39%, implying a haircut of approximately 70%. The cumulative recovery rate has been on a downtrend, decreasing from 43% in Q1FY20 and 32.06% in Q1FY25, as larger resolutions have already been executed and a significant number of liquidated cases were either BIFR cases and/or defunct with long-resolution time. However, a measure of the effectiveness of the code is the ratio of liquidation to resolution. With several initiatives to improve outcomes, the ratio has improved from 5.06 in FY18 to 1.32 in 9MFY25. Meanwhile, the average time taken for resolution or liquidation continues to increase for operational creditors (OCs) and financial creditors (FCs).
- After slowing during the pandemic of FY21 and FY22, the number of insolvency cases referred increased by around 11% y-o-y in Q2FY25. However, despite the increase, the number of cases admitted to the insolvency process remains lower than in earlier quarters. Given the extended resolution timelines, the distribution of cases across sectors remains broadly like earlier periods.
- Meanwhile, the number of ongoing CIRPs continues to hover slightly below the 2,000-case mark, with manufacturing accounting for the largest chunk of cases.

## Corporate Resolutions

**Figure 1: Ratio of Liquidations to Resolution (# of cases)**

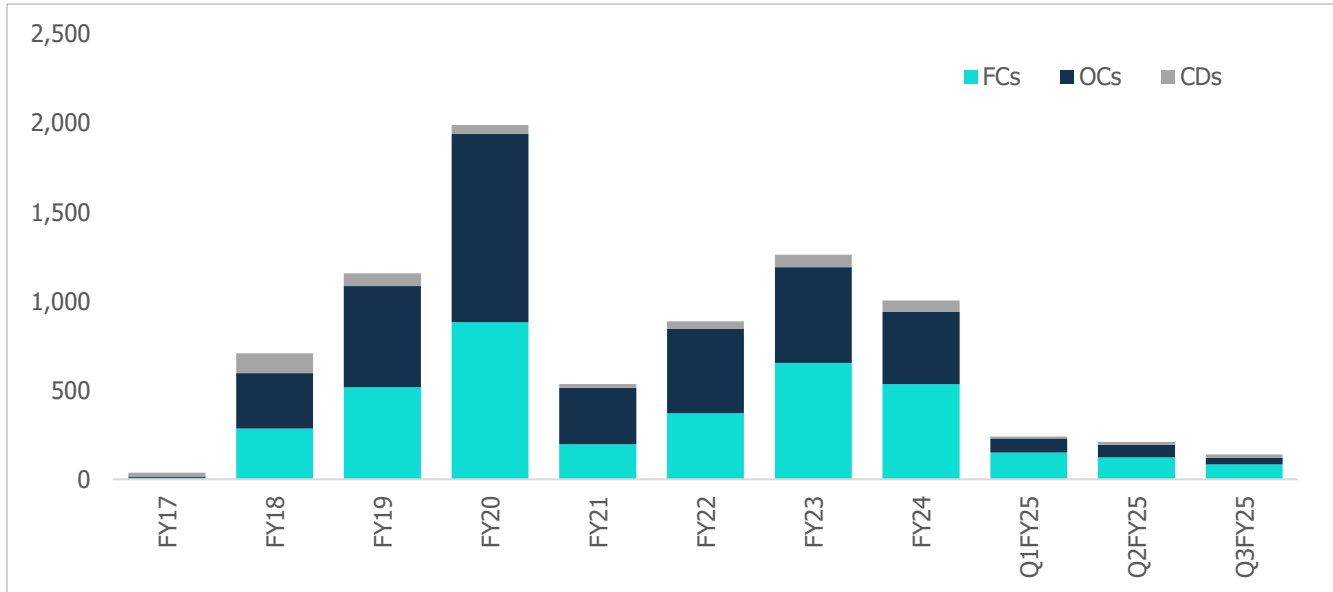


Source: IBBI

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### Additions to the Corporate Insolvency Resolution Process Slow in Q3FY25

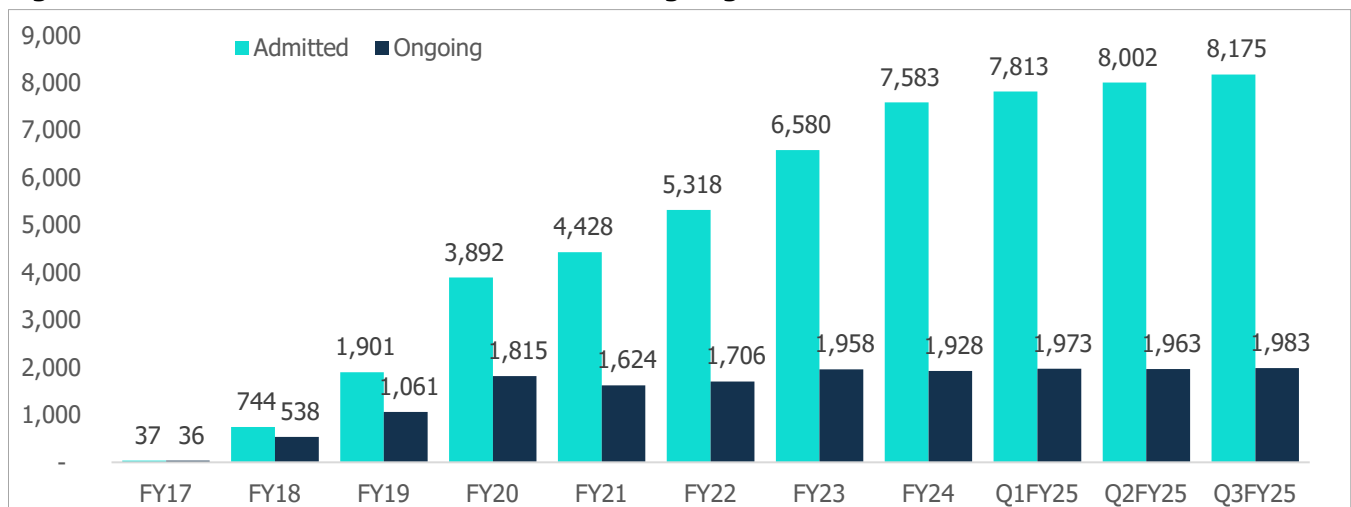
**Figure 2: Year-wise & Stakeholder Initiation**



Source: IBBI; Note: Excludes FiSPs admitted by the RBI

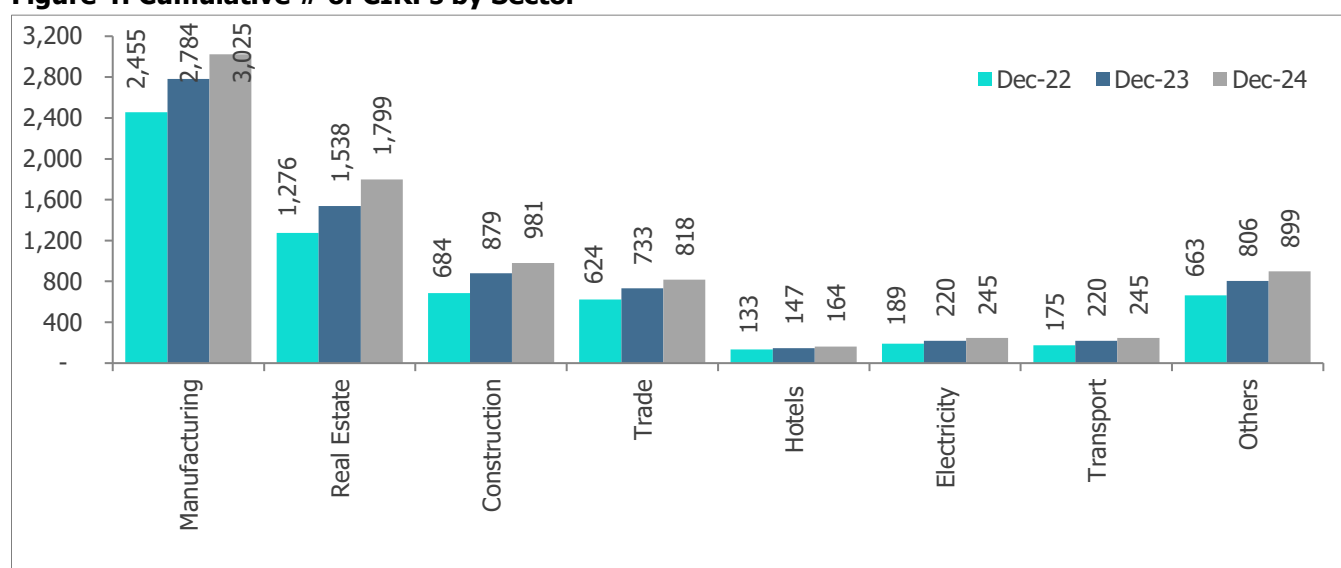
The CIRP initiation scaled up rapidly till FY20 and dropped off in FY21 due to the pandemic. In FY22 and FY23, CIRP initiation commenced rising again. In FY23, the number of cases crossed the FY19 threshold, and although the number of instances in FY24 has been lower compared to FY23, the number continues to rise, albeit at a slower pace. In Q3FY25, around 140 cases were initiated. The share of CIRPs initiated by corporate debtors has reduced significantly over time, and the number of cases initiated by operational creditors has also decreased. IBC has continued to gain popularity, with over 8,100 companies being admitted and a significant number of these cases on a cumulative basis being filed by the financial creditors (3,810 cases) and the operational creditors (3,861 cases). The share of corporate debtors has remained the smallest over the same period.

**Figure 3: Cumulative # of CIRPs: Admitted vs Ongoing**

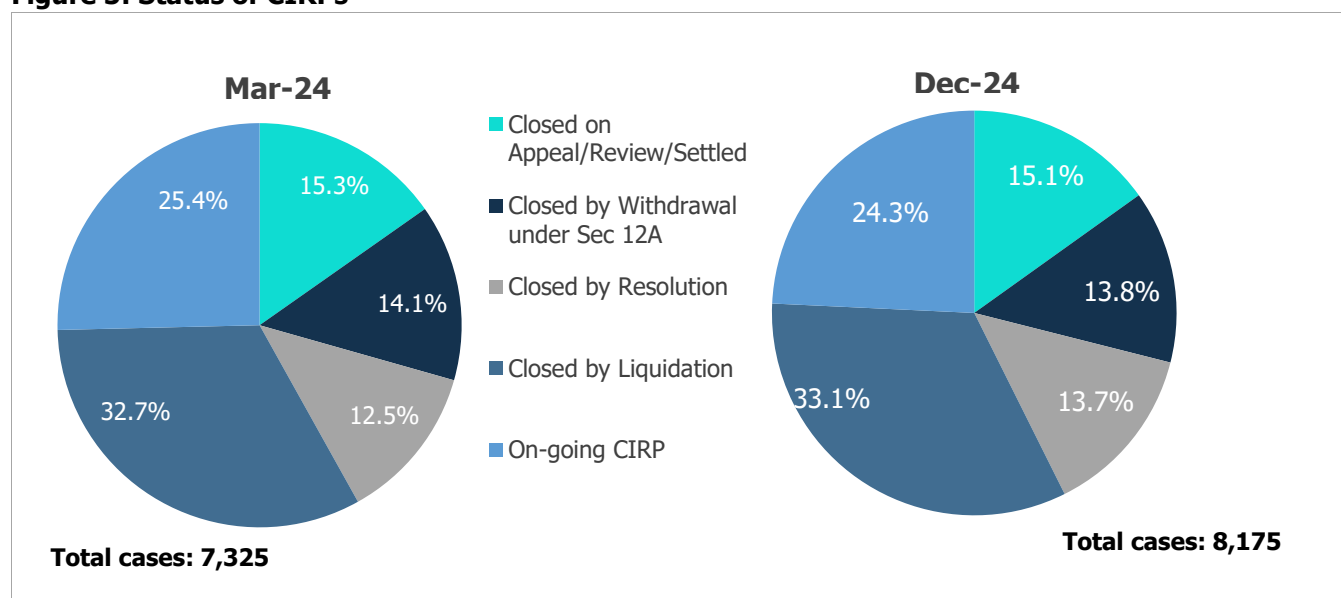


Source: IBBI

The cases admitted for Corporate Insolvency Resolution Processes (CIRPs) have continued each quarter since the launch of the IBC in 2016, highlighting its effective debt resolution mechanism. The admission of cases has increased y-o-y in Q3FY25 by over 11%; however, despite the increase, the number of cases admitted to the insolvency process continues to be lower compared to earlier quarters in FY20 and has continued to remain less than 1,000 cases for the trailing 12 months period ended December 2024. Meanwhile, the number of ongoing cases has remained steady at around the 2,000-case mark for the last few years. Further, Figure 4 shows the dispersion of the admitted cases by sector. The share of various sectors has broadly remained constant compared with the previous period. As can be observed in Figure 8, the manufacturing sector accounts for the highest share at 37% of the overall cases, followed by the real estate (22%), construction (12%) and trade (wholesale & retail) sectors (10%).

**Figure 4: Cumulative # of CIRPs by Sector**


Source: IBBI

**Figure 5: Status of CIRPs**


The cases' status has remained constant compared with the previous period. Of the total 8,175 cases admitted into CIRP at the end of December 2024:

- Only ~13.8% have ended in approval of resolution plans, while 24.3% remain in the resolution process vs. 25.4% as of the end of March 2024.
- Liquidation remains the most common path of closure under the IBC process. Over 2,700 cases have ended in liquidation (33.1% of the cases admitted). Meanwhile, around 78% of such cases were either BIFR cases and/or defunct.
- Around 15.1% (1,236 CIRPs) have been closed on appeal /review /settled, while 13.8% have been withdrawn under Section 12A. The primary reason for withdrawal has been the entire settlement with the applicant/creditors or another settlement with creditors.

### The Recovery Rate Continues to be Stuck at just over the 30% Mark.

**Figure 6: Summary of CIRPs Yielding Resolution**

Particulars	Amt/%	
	For Q3FY25	Up to Sep. 2024
Total admitted claims of Financial Creditors (Rs cr)	9,509.7	1,139,304.6
Liquidation value (Rs cr)	1,584.5	219,721.8
Realisable by FCs (Rs cr)	2,705.2	357,677.2
Realisable by FCs as a % of their claims admitted	28.45	31.39
Realisable by FCs as a % of their liquidation value	170.73	162.79

Source: IBBI

Following the implementation of the IBC, the overall recovery rate till Q3FY25 in India reached 31.39%. However, the recovery for Q2FY25 has marginally reduced from Q1FY25. Meanwhile, for the cases which have been resolved, the creditors continue to face a haircut of around 70% on admitted claims. Some of the cases being disposed of are several years old. Thus, a tremendous amount of interest and overdue charges/costs are admitted to such cases, inflating the overall claim figures.

### Timelines Continue to Increase for Cases across the Board...

The delays for CIRP closure are higher than those for liquidation across various stakeholder categories. Still, the corporate debtors take somewhat less time to resolve than the other two stakeholders (financial creditor and operational creditor). Sequentially, the number of days has broadly increased across all categories.

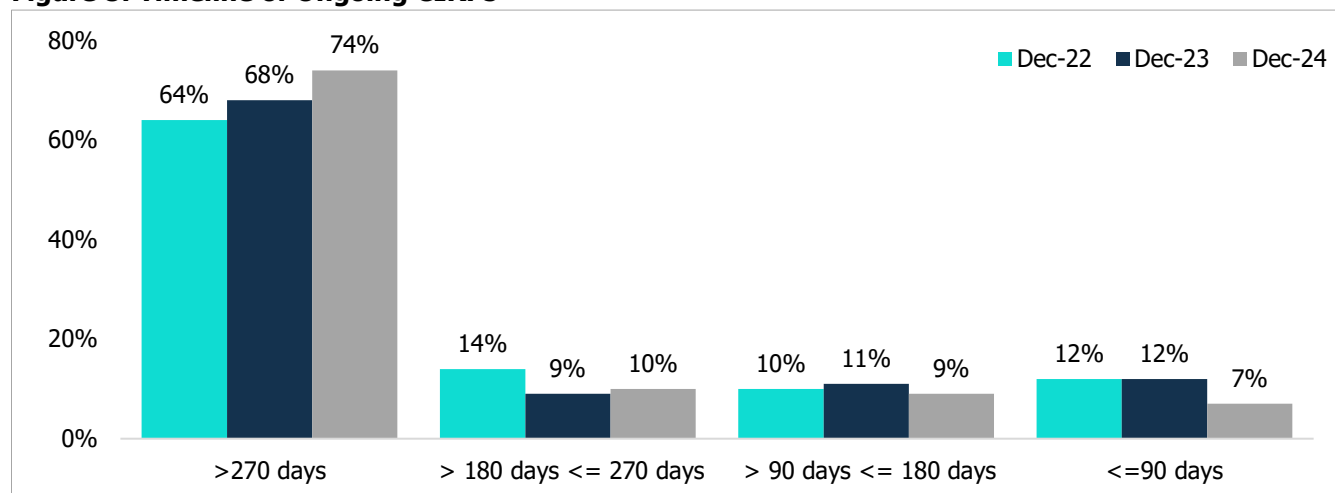
**Figure 7: Timeline of Cases (# of days)**

	Resolution					Liquidation			
	FC	OC	CD	FiSP	Total	FC	OC	CD	Total
Dec-24	706	717	589	677	701	517	511	449	508
Sep-24	704	714	572	677	698	508	504	442	499
Jun-24	692	700	564	677	685	508	504	442	499
Mar-24	683	691	573	677	679	495	492	437	495
Mar-23	613	632	541	-	614	476	450	390	456
Mar-22	531	528	516	-	528	433	401	373	412
Mar-21	463	458	439	-	459	366	344	324	351

Source: IBBI

Of the approximately 2,000 ongoing CIRPs, there has been a delay of more than 270 days for the completion of the process of 74% of ongoing CIRPs in December 2024, compared to 64% in December 2022 and 68% in December 2023. The share has broadly moved to the higher number of days tier. Further, we can observe that the 'less than 90 days' segment is the smallest, highlighting that while more cases are being added and earlier cases are moving forward, they seem to be delayed. Further, the share of the 'more than 90 days but less than 180 days' segment has reduced while the 'more than 180 days but less than 270 days' segment has increased.

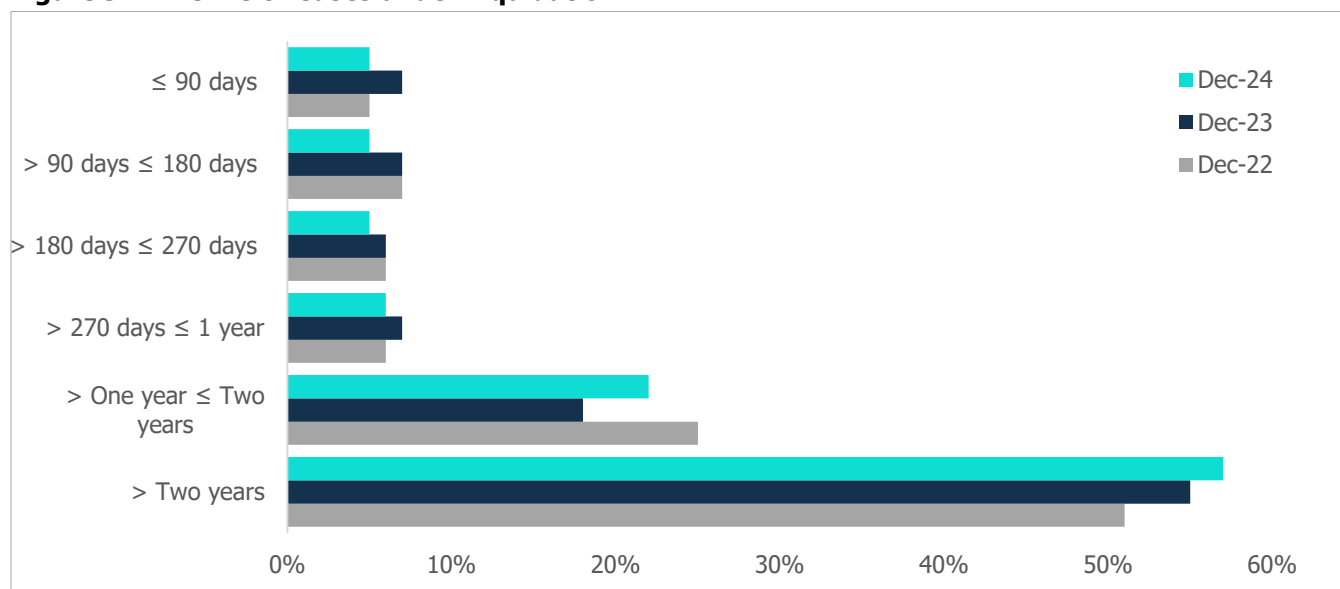
**Figure 8: Timeline of Ongoing CIRPs**



Source: IBBI

**...and Even Time for Liquidation Remain Elevated**

**Figure 9: Timeline of Cases under Liquidation**



Source: IBBI

Figure 9 highlights the pendency even for cases that have gone into liquidation, with nearly 57% pending for more than two years and 22% pending for more than one year but less than two years.

### Insolvency Resolution of Personal Guarantors

Apart from the details on the corporate insolvency process covered later, figure 10 contains information on the insolvency resolution and bankruptcy proceedings related to personal guarantors.

**Figure 10: Insolvency Resolution of Personal Guarantors**

Period	Applications filed by				Total		Adjudicating Authority	
	Debtors		Creditors					
	No of Cases	Rs crore	No of Cases	Rs crore	No of Cases	Rs crore	NCLT	DRT
FY20	4	1,827.6	23	3,299.8	27	5,127.4	26	1
FY21	27	2,493.0	254	40,111.6	281	42,604.6	275	6
FY22	87	3,545.8	960	69,330.6	1,047	72,876.4	1,032	15
FY23	81	10,547.4	903	39,471.2	984	50,018.6	983	1
FY24	244	5,007.0	560	31,860.6	804	36,867.6	777	27
Q1FY25	40	1,673.1	218	12,132.9	258	13,806.0	258	-
Q2FY25	38	740.2	185	15,437.6	223	16,177.8	223	-
Q3FY25	25	259.6	157	3,056.5	182	3,316.0	181	1
Total	546	26,093.5	3,260	2,14,700.8	3,806	2,40,794.3	3,755	51

Source: IBBI

Of the above 3,806 applications.

- 119 were withdrawn/rejected/dismissed before the appointment of a resolution professional.
- Resolution professionals were appointed in 1,767 cases, while 620 cases have been admitted.
  - Out of these admitted cases, 169 have been closed, 12 have withdrawn, and 129 have been closed due to non-submission/rejection of plans.
  - On an aggregate basis, only 26 have yielded approval of repayment plans and have realised Rs 102.8 crore, which is 2.16% of their admitted claims.

### Update on Avoidance Transactions

Under the IBC, resolution professionals (RP) can reverse any transaction the debtor company enters before the IBC is invoked if the RP can prove that the transaction was intended to divert funds or alienate assets. These provisions are generally used on related party transactions, fund diversions, and other relevant corporate actions, and any money recovered is distributed amongst the lenders. However, such claims can only be made after approval by the NCLT.

**Figure 11: Status of Avoidance Transactions**

Nature of Transactions	Applications Filed		Applications Disposed		
	#	Amount (Rs cr)	#	Amount inv. (Rs cr)	Amount rec. (Rs cr)
Preferential	209	29,916.4	81	1,831.4	38.3
Undervalued	37	1,817.4	6	368.7	5.9
Fraudulent	405	1,21,454.8	78	6,576.5	1,452.4
Extortionate	4	75.7	1	0.1	-
Combination	741	2,31,803.1	202	56,873.5	6,434.2*
<b>Total</b>	<b>1,396</b>	<b>3,85,067.4</b>	<b>368</b>	<b>65,650.2</b>	<b>7,516.1*</b>

Source: IBBI

As per Figure 11, RPs have filed 1,396 applications for avoidance transactions amounting to approximately Rs 3.85 lakh crore. Of these, only 368 transactions involving over Rs 65,650 crore (approximately 17.0% of the amount involved) were disposed of, and only Rs 7,516.1 crore (11.4% of the amount disposed) have been recovered. Further, in one case, 758 acres of land out of 858 acres, which was earlier valued at approximately Rs 5,500 crore, has been transferred; hence, proportionate value has been considered.

**Conclusion**

IBC has gained prominence in the past few years with a recovery rate of around 31%. After slowing in the pandemic period of FY21 and FY22, the number of insolvency cases referred has increased. Yet, the number of cases admitted continues to be lower than earlier quarters in FY20. Meanwhile, ongoing cases have hovered slightly below the 2,000-case mark for the last few years. However, the quantum of time required to resolve a case adequately remains elevated due to ongoing litigation at NCLT and other forums. Several measures are being contemplated to preserve the business value of the underlying asset and reduce the timeline, such as formal out-of-court solutions such as Mediation, an extension of the pre-pack resolution mechanism to larger firms (currently available for MSMEs), and insolvencies of group companies.

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