

June 19, 2025 | BFSI Research

## Synopsis

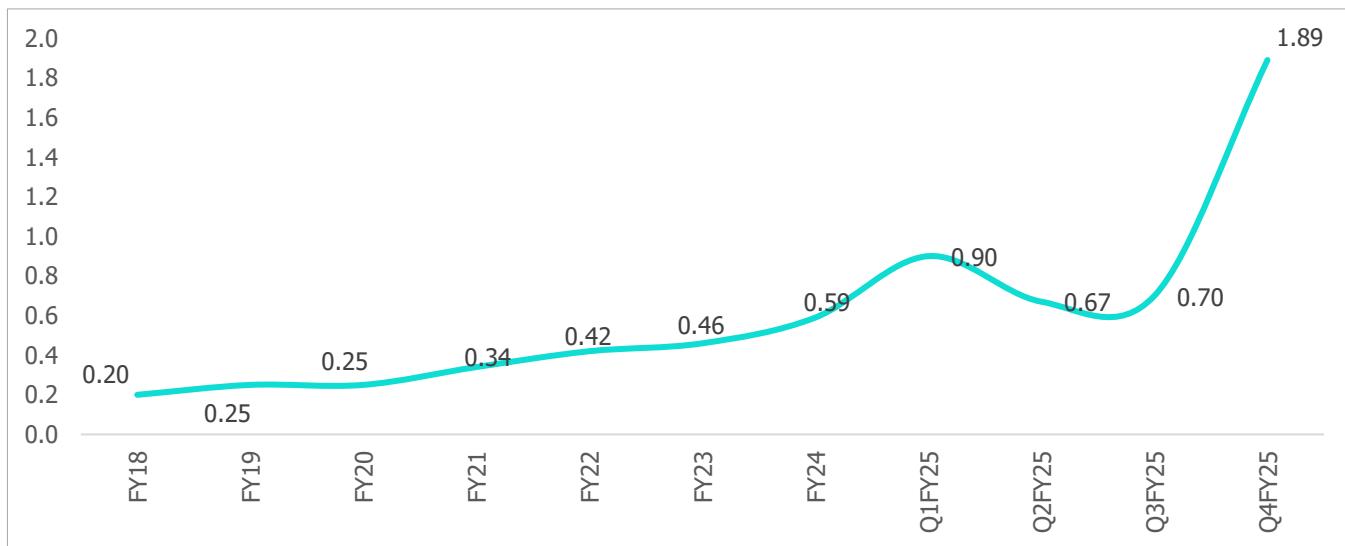
- Overall recovery rate under the IBC till Q4FY25 improved to 32.76% from 31.39% in Q3FY25. However, the aggregate recovery continues to hover around 30%, indicating that the creditors face a haircut of around 70% on admitted claims.
- However, a measure of the effectiveness of the code is the ratio of resolution to liquidation. With several initiatives to improve outcomes, the ratio has improved from 0.20 in FY18 to 1.89 in Q4FY25. Meanwhile, the average time taken for resolution or liquidation continues to increase for operational creditors (OCs) and financial creditors (FCs).
- In Q4Y25, the number of cases admitted increased by approximately 10% y-o-y. However, this figure remains lower than in earlier quarters of FY20, with fewer than 1,000 cases admitted for FY25. The extended timelines for resolution have resulted in a case distribution across sectors that remains largely consistent with previous years' periods.
- Meanwhile, the number of ongoing CIRPs continues to hover around the 1,900-case mark, with manufacturing accounting for the largest chunk of cases.

## Overview

Recent amendments and proposals to the Insolvency and Bankruptcy Code (IBC) signal a concerted effort to enhance accountability and expedite resolution timelines. While these procedural reforms indicate progress, persistent judicial delays and uncertainties following resolution undermine confidence in the IBC framework. The latest developments in the Bhushan Power and Steel Ltd. case have reignited concerns over the finality and predictability of resolution outcomes. Although the ruling reinforces the importance of compliance, its timing and broader implications underscore the urgent need for greater judicial clarity and swifter adjudication. Strengthening these aspects is essential to maintaining long-term investor trust in insolvency.

## Corporate Resolutions

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

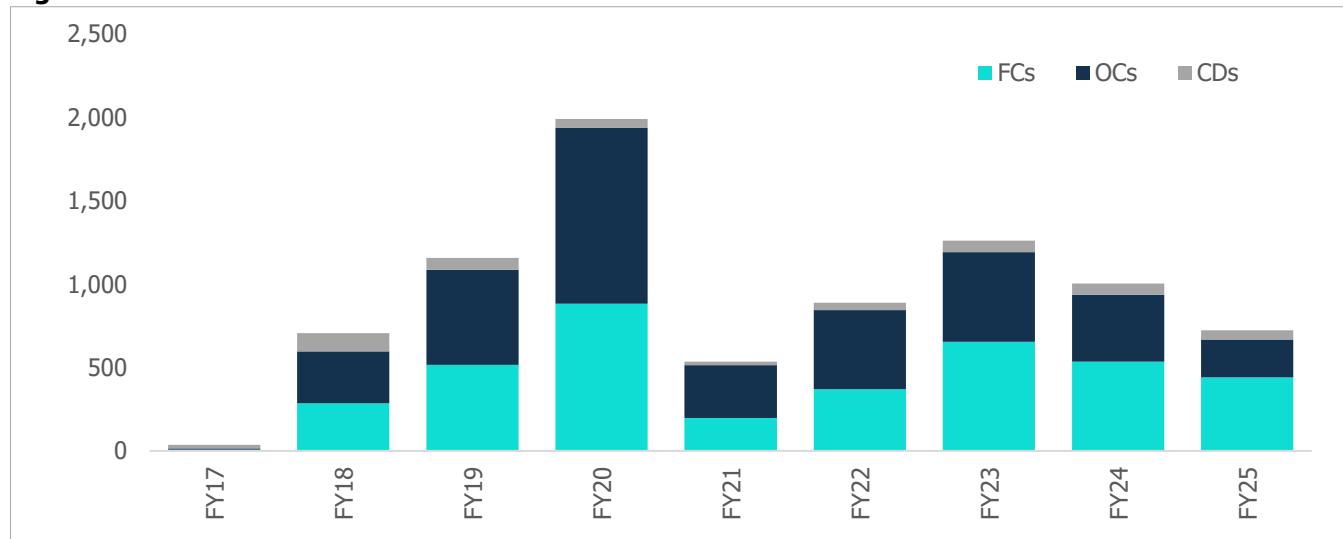


Source: IBBI

A measure of the effectiveness of the code is the ratio of liquidation to resolution. With several initiatives to improve outcomes, the ratio has been enhanced from 5 CDs liquidated for every 1 CD resolved in FY18 to 5 CDs liquidated for every 10 CDs resolved in Q4FY25.

### Additions to the Corporate Insolvency Resolution Process Slow in FY25

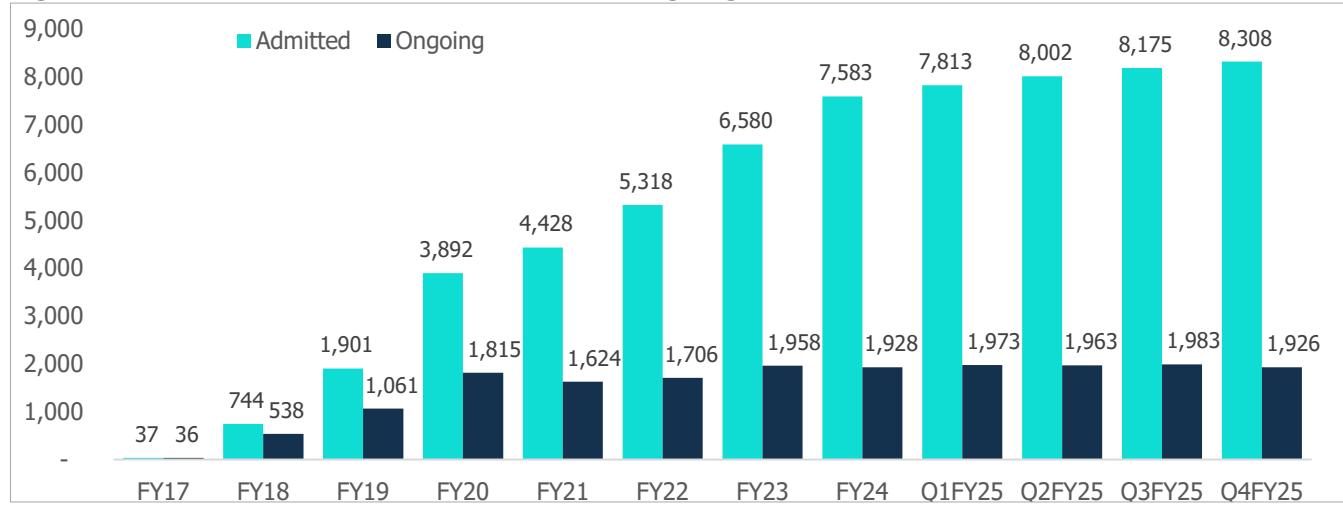
**Figure 2: Year-wise & Stakeholder Initiation**



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; however, the number of instances in FY24 and FY25 has been lower annually. In Q4FY25, around 126 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 8,303 companies being initiated and a significant number of these cases on a cumulative basis being filed by the financial creditors (3,893 cases) and the operational creditors (3,899 cases). The share of corporate debtors has remained the smallest over the same period.

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

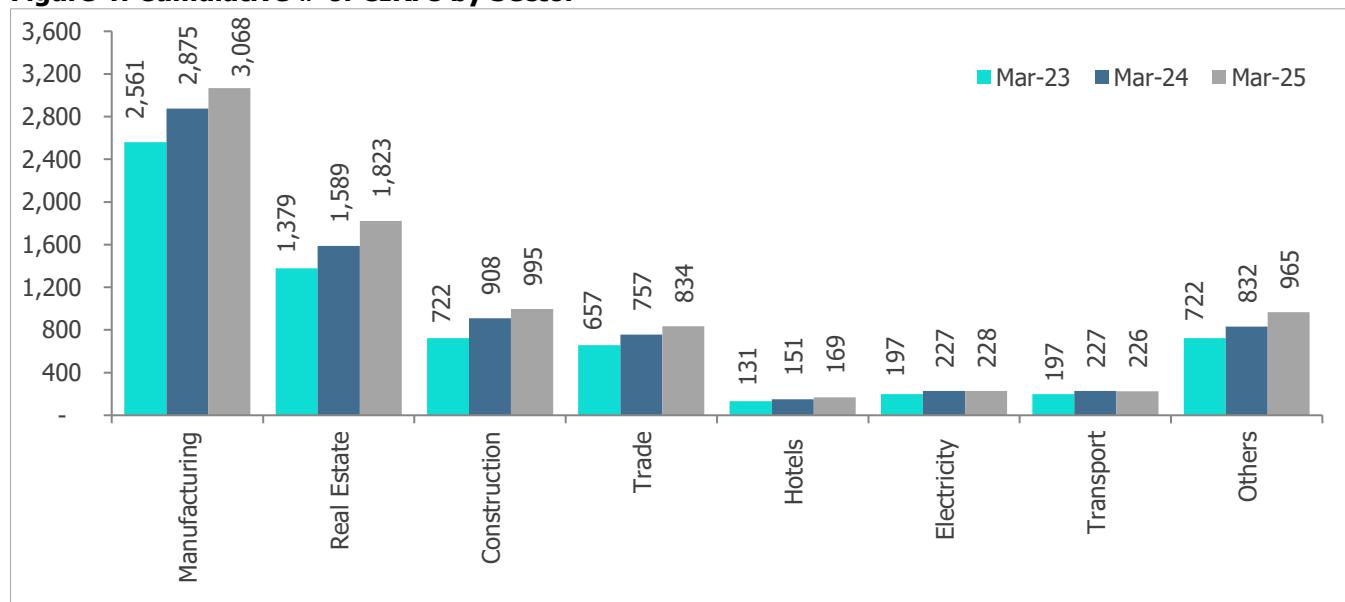


Source: IBBI

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 Q4FY25 by approx. 10%; 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-month period ended March 2025.

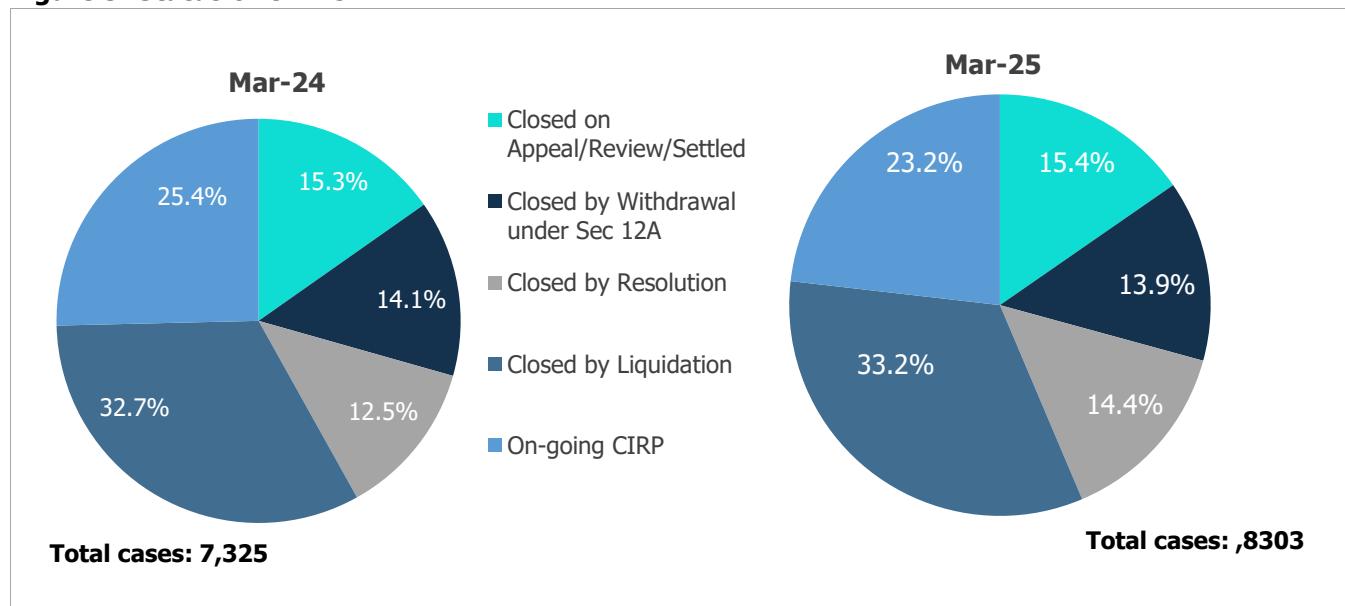
Over the past few years, the number of ongoing cases has consistently stayed around 1,900. Additionally, Figure 4 illustrates the distribution of admitted cases by sector. The proportions across different sectors have largely remained unchanged compared to the previous period. The manufacturing sector holds the largest share at 37% of total cases, trailed by real estate at 22%, construction at 12%, and trade (wholesale & retail) at 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 8,303 cases admitted into CIRP at the end of March 2025:

- Only ~14.4% have ended in approval of resolution plans, while 23.2% 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 (33.2% of the cases admitted). Meanwhile, around 78% of such cases were either BIFR cases/or defunct.
- Around 15.4% (1,276 CIRPs) have been closed on appeal /review /settled, while 13.9% 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 around the 30% Mark.**

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

Particulars	Amt/%	
	For Q4FY25	Up to Mar. 2025
Total admitted claims of Financial Creditors (Rs cr)	45,624.29	11,87,050.80
Liquidation value (Rs cr)	9,048.47	2,28,639.91
Realisable by FCs (Rs cr)	32,036.69	3,88,903.86
Realisable by FCs as a % of their claims admitted	70.22%	32.76%
Realisable by FCs as a % of their liquidation value	354.06%	170.09%

Source: IBBI

The overall recovery rate under the IBC till Q4FY25 improved to 32.76%, compared to 31.39% in Q3FY25. However, the aggregate recovery continues to hover around 30%, indicating that the creditors 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.

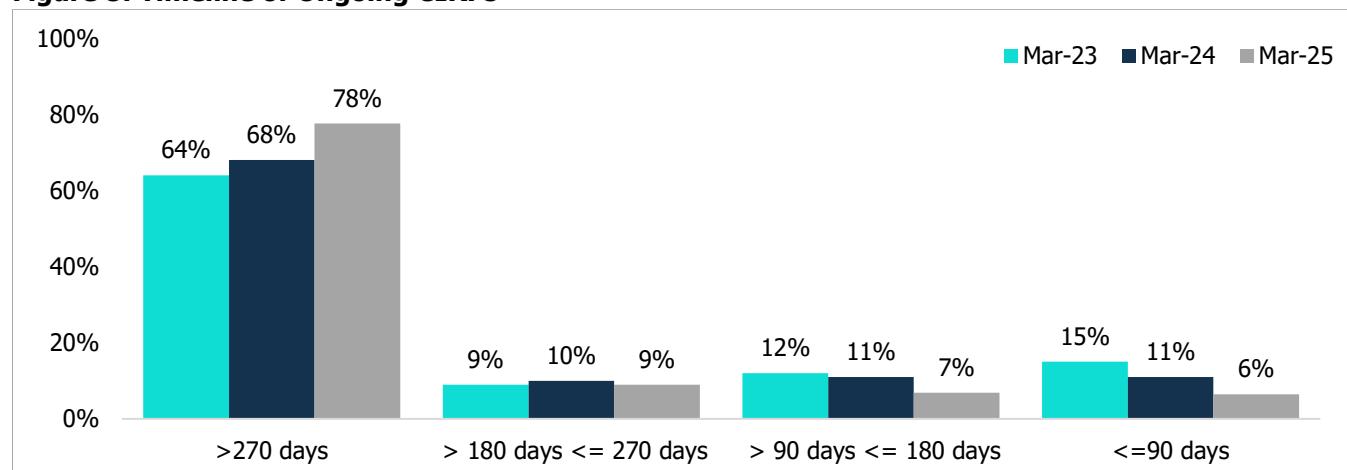
**Figure 7: Timeline of Cases (# of days)**

	Resolution					Liquidation			
	FC	OC	CD	FiSP	Total	FC	OC	CD	Total
Mar-25	723	724	577	677	713	518	511	455	508
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

As of March 2025, of the roughly 1,900 ongoing CIRPs, 78% have experienced delays exceeding 270 days, increasing from 64% in March 2023 to 68% in March 2024. This indicates a general shift towards cases taking longer to resolve. Additionally, the segment of cases taking 'less than 90 days' remains the smallest, suggesting that despite the influx of new cases and progress in older ones, delays are prevalent. Moreover, the proportions of cases falling into the 'more than 90 days but less than 180 days' and 'more than 180 days but less than 270 days' categories have reduced.

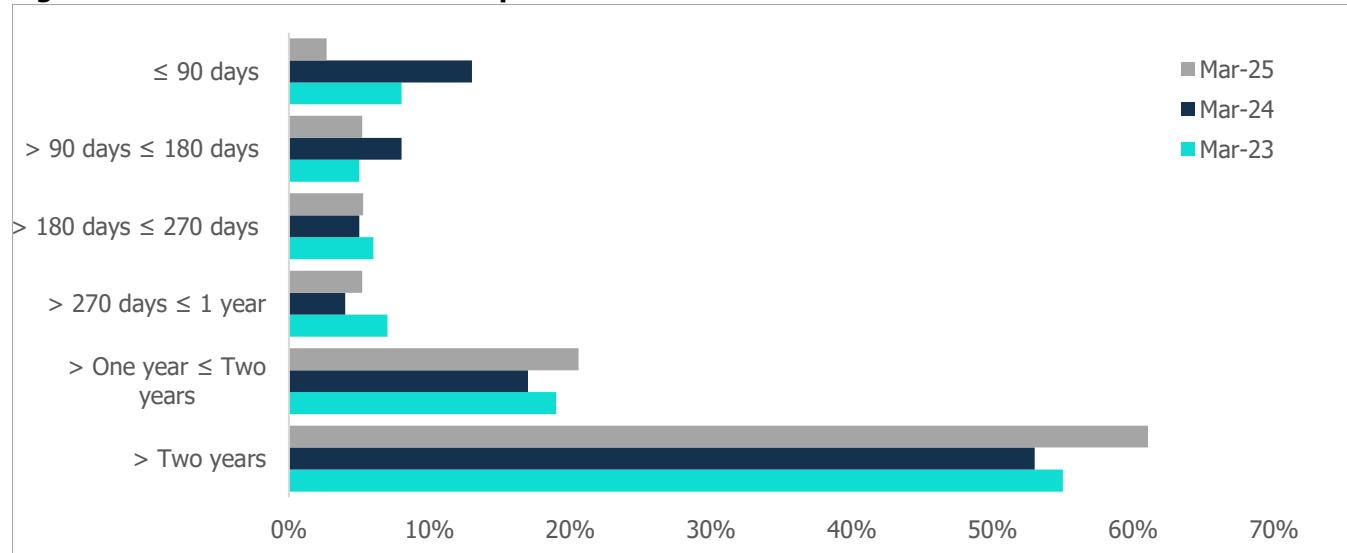
**Figure 8: Timeline of Ongoing CIRPs**



Source: IBBI

**...and Even Time for Liquidation Remains 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 61% pending for more than two years and 21% 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 guarantees.

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

Period	Applications filed by				Total		Adjudicating Authority	
	Debtors		Creditors				NCLT	DRT
	No of Cases	Rs crore	No of Cases	Rs crore	No of Cases	Rs crore		
FY20	4	1,827.6	23	3,299.8	27	5,127.4	26	1
FY21	27	2,493.0	254	40,336.3	281	42,829.3	275	6
FY22	87	3,550.2	961	69,729.7	1,049	73,279.9	1,034	15
FY23	82	10,584.4	907	39,508.8	989	50,093.2	988	1
FY24	247	5,509.7	583	32,569.5	830	38,079.2	803	27
9MFY25	110	3,707.4	676	50,577.2	786	54,285.2	785	1
Q4FY25	55	506.1	186	13,874.7	241	14,380.9	240	1
<b>Total</b>	<b>613</b>	<b>28,178.4</b>	<b>3,590</b>	<b>249,896.0</b>	<b>4,203</b>	<b>278,075.0</b>	<b>4,151</b>	<b>52</b>

Source: IBBI

Of the above 4,203 applications.

- 120 were withdrawn/rejected/dismissed before the appointment of a resolution professional.
- Resolution professionals were appointed in 1,832 cases, while 664 cases have been admitted.
  - Out of these admitted cases, 196 have been closed, 12 have withdrawn, and 149 have been closed due to non-submission/rejection of plans.
  - On an aggregate basis, only 39 have yielded approval of repayment plans and have realised Rs 129.4 crore, which is 2.49% 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>7,930.8*</b>

Source: IBBI

RPs have filed 1,438 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 7,930.8 crore (~12% 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**

The Insolvency and Bankruptcy Code (IBC) has gained significant traction recently, achieving a recovery rate of approximately 32%. Admissions rose by around 10% year-on-year in Q4FY25; however, the total number of cases admitted remains below 1,000 for FY25, still lower than in previous quarters. Meanwhile, the volume of ongoing cases has remained relatively stable, hovering around 1,900 over the past few years. Recovery outcomes under the IBC are closely tied to the timeliness and enforceability of resolution plans. Yet, persistent delays, legal hurdles—particularly due to prolonged litigation in the NCLT and other forums—and post-resolution disputes hinder effective recovery, especially in complex cases. Several reforms are under consideration to address these challenges and preserve the value of distressed assets. These include introducing formal out-of-court mechanisms such as mediation, expanding the pre-packaged insolvency resolution process beyond MSMEs to larger firms, and implementing a group insolvency framework to handle interconnected corporate entities more efficiently.

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