

The Haircut Remains at Around 67% in Q1FY26

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Synopsis

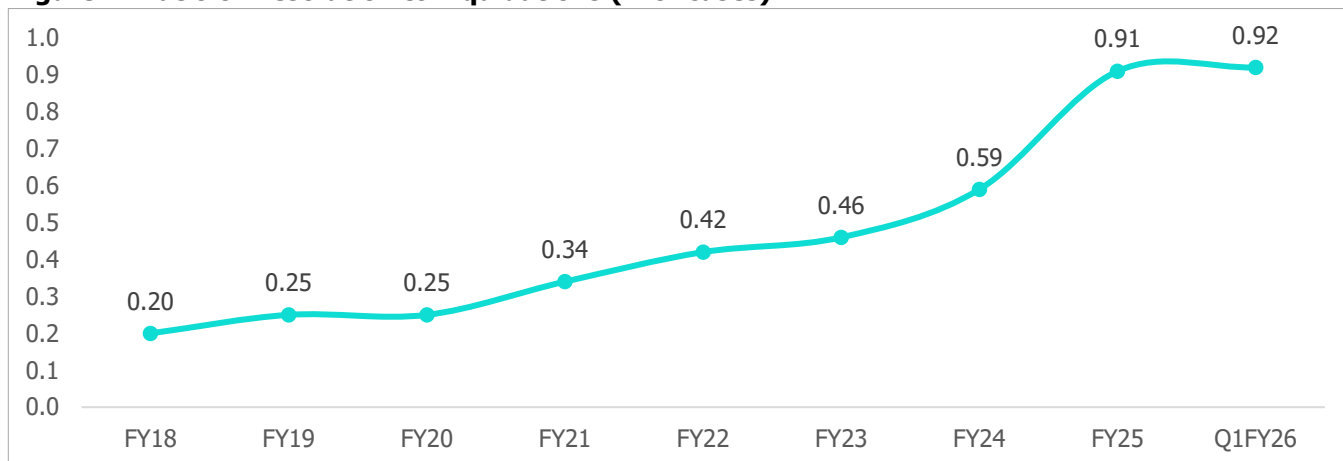
- Overall recovery rate under the IBC till Q1FY26 marginally reduced to 32.57% from 32.76% in Q4FY25. However, the aggregate recovery continues to hover around 30%, indicating that the creditors face a haircut of around 67% on admitted claims.
- However, a measure of the effectiveness of the code is the ratio of resolution to liquidation. With several initiatives to improve outcomes, the ratio has improved from 0.20 in FY18 to 0.92 in Q1FY26. Meanwhile, the average time taken for resolution or liquidation continues to increase for operational creditors (OCs) and financial creditors (FCs).
- In Q1FY26, the number of cases admitted increased by 8.5% y-o-y. 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 cases resolved every year for the last two years is higher than the number of fresh cases admitted, reflecting on the efficiency of the process.
- Meanwhile, the number of ongoing CIRPs declined to 1,905 cases in Q1FY26 from 1,974 cases in Q1FY25, thereby crossing the 1,900 mark, with manufacturing continuing to account for the largest chunk of these cases.

Overview

The recent amendments represent a significant step toward strengthening India's insolvency ecosystem. Creditor-initiated insolvency resolution process (CIIRP) and Pre-Packaged Insolvency for MSMEs (PIRP) aim to reduce reliance on prolonged litigation and encourage faster, negotiated settlements critical for unclogging NCLT pipelines. Group insolvency would help maximise recovery in complex cases with interlinked firms, while cross-border provisions could expand creditor rights in a globalised business landscape. Together, these measures are expected to improve recovery rates, shorten timelines, and enhance investor confidence. However, their effectiveness will depend on judicial capacity, regulatory clarity, and consistent implementation.

Corporate Resolutions

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

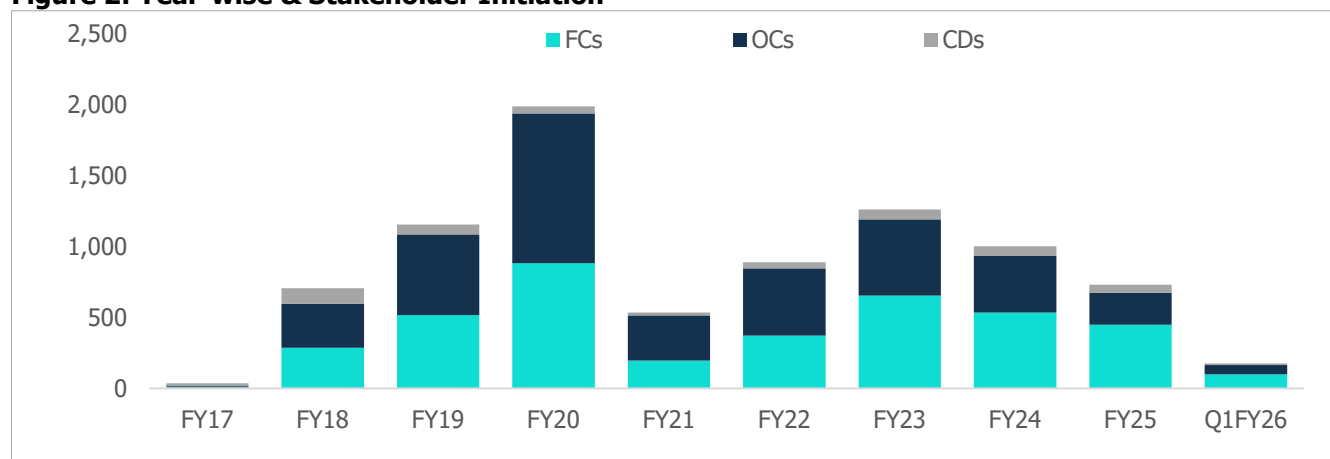


Source: IBBI

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 1 CD liquidated for every 0.92 CDs resolved in Q4FY25.

Additions to the Corporate Insolvency Resolution Process Slow in Q1FY26

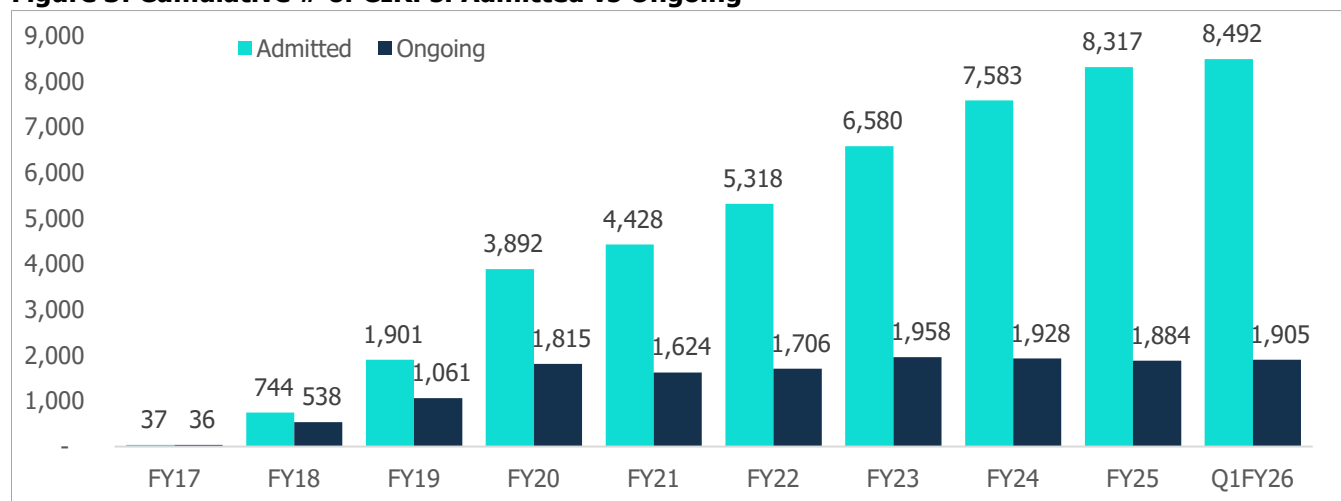
Figure 2: Year-wise & Stakeholder Initiation



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 began to rise 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 Q1FY26, around 175 cases were initiated, slightly higher than Q4FY25. 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 8,487 companies being initiated and a significant number of these cases on a cumulative basis being filed by the financial creditors (4,002 cases) and the operational creditors (3,963 cases). The share of corporate debtors has remained the smallest (522 cases) over the same period.

Figure 3: Cumulative # of CIRPs: Admitted vs Ongoing



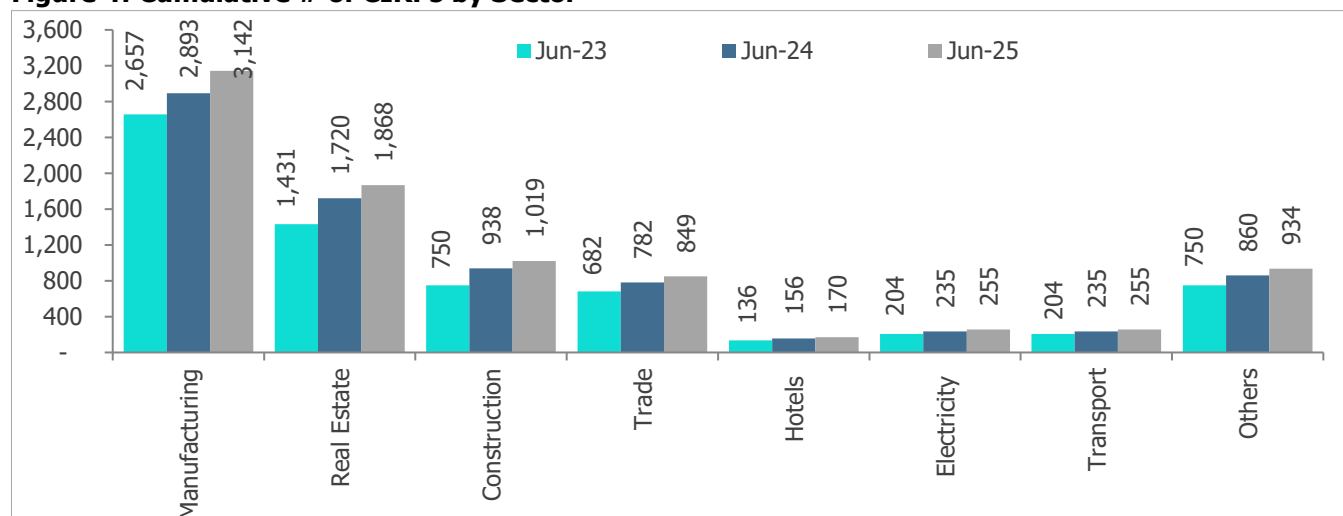
Source: IBBI

The cases admitted for Corporate Insolvency Resolution Processes (CIRPs) have risen significantly since the launch of the IBC in 2016, highlighting its effective debt resolution mechanism. The admission of cases has increased by

8.5% y-o-y in Q1FY26. However, despite the increase, the number of cases admitted to the insolvency process remains lower compared to earlier quarters in FY20. It remains less than 1,000 cases for the quarter ending June 2025, indicating the efficiency of the process.

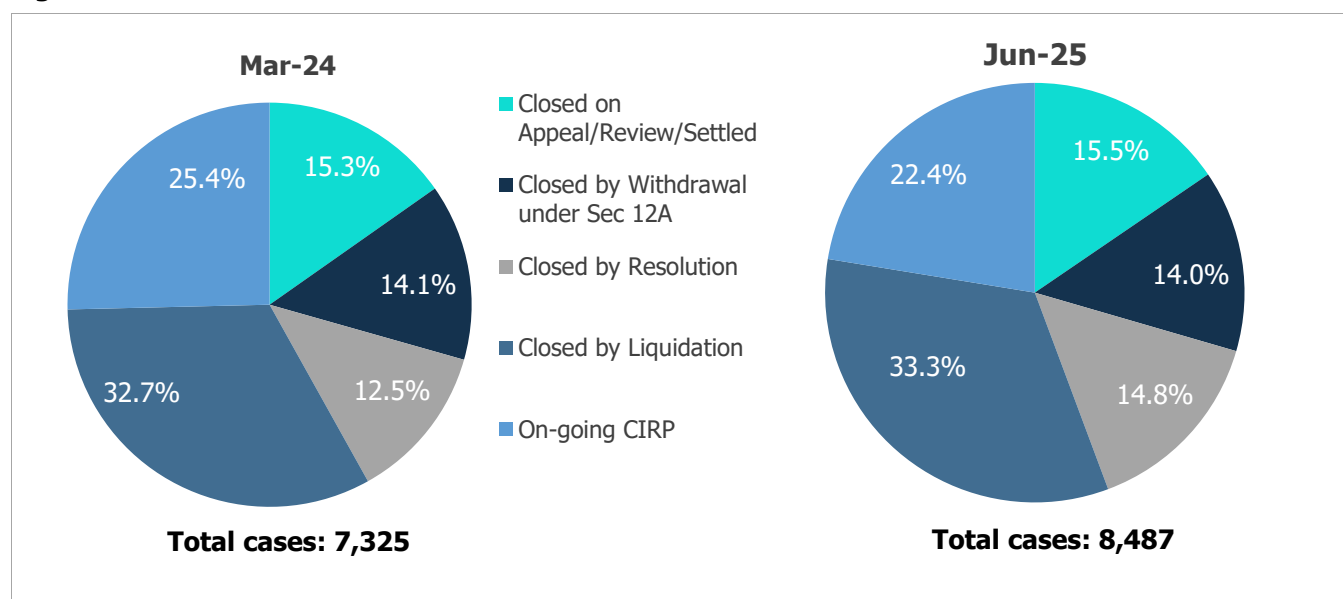
Over the past few years, the number of ongoing cases has consistently stayed around 1,900. The number of ongoing CIRPs declined to 1,905 cases in Q1FY26 from 1,974 cases in Q1FY25. Additionally, Figure 4 illustrates the distribution of admitted cases by sector. The proportions across different sectors 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



Source: IBBI

The cases' status has remained constant compared with the previous period. Of the total 8,487 cases admitted into CIRP at the end of June 2025:

- Only ~14.8% have ended in approval of resolution plans, while 22.4% 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 2,800 cases have ended in liquidation (33.3% of the cases admitted). Meanwhile, around 78% of such cases were either BIFR cases/or defunct.
- Around 15.5% (1,314 CIRPs) have been closed on appeal /review /settled, while 14.0% 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 Q1FY26	Up to Jun. 2025
Total admitted claims of Financial Creditors (Rs cr)	20,960.90	12,15,445.12
Liquidation value (Rs cr)	2,853.58	2,31,717.03
Realisable by FCs (Rs cr)	6,204.60	3,50,070.93
Realisable by FCs as a % of their claims admitted	29.60%	32.57%
Realisable by FCs as a % of their liquidation value	217.43%	170.84%

Source: IBBI

The overall recovery rate under the IBC till Q1FY26 marginally reduced to 32.57%, compared to 32.76% in Q4FY25. 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, 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 creditors and operational creditors). Sequentially, the number of days has broadly increased across all categories.

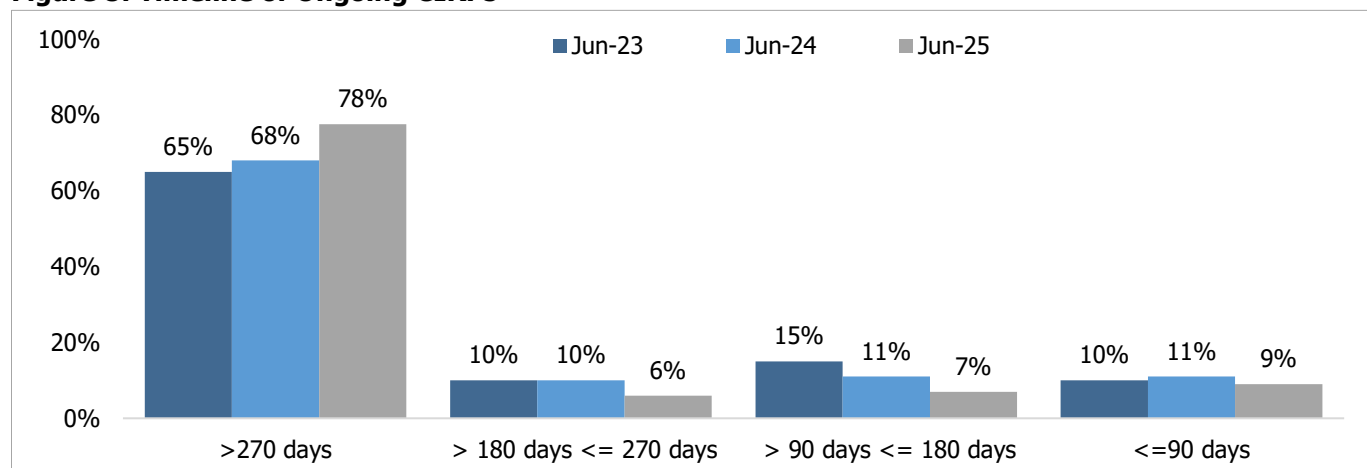
Figure 7: Timeline of Cases (# of days)

	Resolution					Liquidation			
	FC	OC	CD	FiSP	Total	FC	OC	CD	Total
Jun-25	729	738	625	677	724	522	515	456	512
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
Jun-23	643	635	541	552	632	480	458	391	462
Jun-22	552	555	518	-	550	447	418	390	428

Source: IBBI

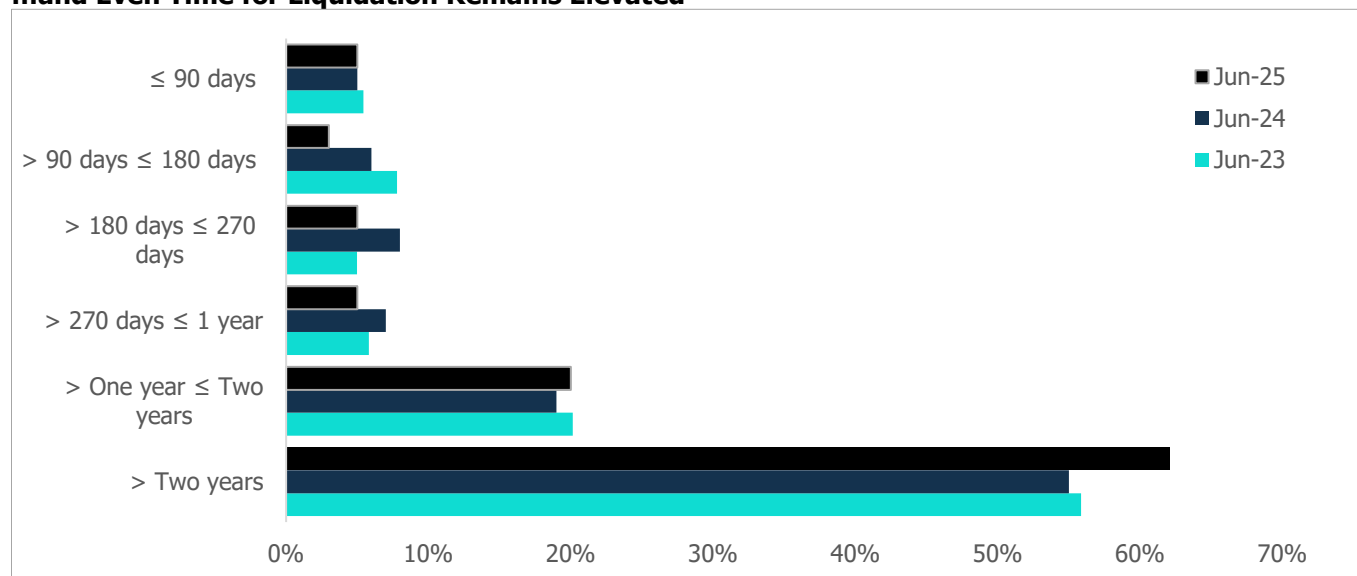
As of June 2025, of the 1,905 ongoing CIRPs, 78% have experienced delays exceeding 270 days, increasing from 65% in June 2023 to 68% in June 2024. This indicates a general shift towards cases taking longer to resolve. Additionally, the segment of cases taking 'more than 180 days but less than 270 days' 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 'less than 90 days' categories have reduced.

Figure 8: Timeline of Ongoing CIRPs



Source: IBBI

...and Even Time for Liquidation Remains Elevated



Source: IBBI

Figure 9 highlights the pendency even for cases that have gone into liquidation, with nearly 62% pending for more than two years and 20% 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					
	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	40,336.3	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
FY25	173	5,921.1	892	65,204.19	1,065	71,125.30	1064	1
Q1FY26	1	3.42	18	151.25	19	154.67	19	0
Total	631	30,824.41	3,645	2,55,350.63	4,276	2,86,175.04	4,225	51

Source: IBBI

Of the above 4,276 applications.

- 121 were withdrawn/rejected/dismissed before the appointment of a resolution professional.
- Resolution professionals were appointed in 1,941 cases, while 711 cases have been admitted.
 - Out of these admitted cases, 216 have been closed, 12 have withdrawn, and 157 have been closed due to non-submission/rejection of plans.
 - On an aggregate basis, only 44 have yielded approval of repayment plans and have realised Rs 102.78 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	
	#	Amount (Rs cr)
Preferential	211	29,919.9
Undervalued	40	1,818.0
Fraudulent	423	1,22,370.4
Extortionate	4	75.6
Combination	764	2,35,779.86
Total	1,442	3,85,067.4

Source: IBBI

RPs have filed 1,442 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, the 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 8.5% year-on-year in Q1FY26; however, the total number of cases admitted remains below 1,000 for FY25, still lower than in previous quarters. While the volume of ongoing cases has remained relatively stable at around 1,900 over the past few years, in Q1FY26, this number edged up, crossing the 1,900 mark. Meanwhile, the number of ongoing CIRPs declined to 1,905 cases in Q1FY26 from 1,974 cases in Q1FY25. 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 continue to hinder effective recovery, particularly in complex cases.

Recent reforms under the IBC, including the introduction of formal out-of-court mechanisms through CIIRP, the expansion of pre-packaged insolvency beyond MSMEs, and the rollout of a group insolvency framework, aim to address these challenges and preserve the value of distressed assets. In addition, the cross-border insolvency framework and operational enhancements such as segregated asset sales and expanded NCLT benches are expected to strengthen the overall efficiency of the resolution process. While these measures mark significant progress, timely judicial clarity and consistent enforcement will remain critical to realising their full impact.

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