

Recovery Rates Remain Rangebound at 32% in Q3FY26

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Synopsis

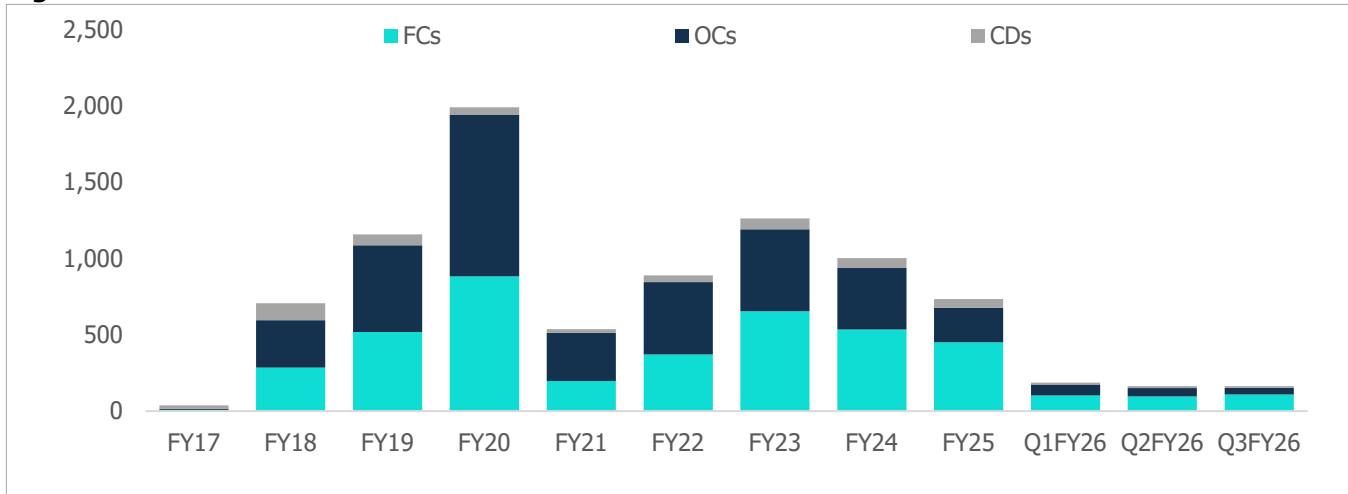
- The aggregate recovery rate under the Insolvency and Bankruptcy Code (IBC) remained largely rangebound, easing marginally to 31.63% in Q3FY26 from 32.44% in Q2FY26, reflecting that creditors continue to face a haircut of approximately 68% on admitted claims.
- In Q3FY26, the number of cases admitted witnessed an uptick by 8.0% year-on-year (y-o-y). However, total admissions through YTD FY26 remained below 600, indicating relatively subdued levels over the past five years. Extended resolution timelines have led to a sectoral distribution that remains largely consistent with previous periods.
- Meanwhile, the number of ongoing Corporate Insolvency Resolution Process (CIRPs) declined to 1,879 cases in Q3FY26 from 1,983 cases in Q3FY25, remaining broadly around the 1,900 level, with the manufacturing sector continuing to account for the largest share of cases (37%).

Overview

- The IBC (Amendment) Bill, 2025, proposes a significant overhaul of India's insolvency framework since the code was introduced in 2016. It seeks to address implementation challenges and clarify ambiguities arising from judicial interpretations. A key structural shift is the extension of creditor primacy beyond CIRP into liquidation, through enhanced CoC supervision and control over the appointment and replacement of liquidators. This is expected to improve commercial decision-making in liquidation, which has previously delivered weak recoveries.
- The proposed separation of resolution and liquidation roles further addresses incentive misalignment, reducing the risk of viable firms being pushed prematurely into liquidation. Together, these changes could gradually improve realised recoveries and narrow the gap between admitted claims and value realised.
- The Bill also tackles systemic delays by proposing time-bound disposal of appeals at the NCLAT level, an area that has materially undermined resolution timelines and creditor confidence. Furthermore, under the Bill, the voting threshold for unrelated financial creditors to initiate a PPIRP is 66%, which has now reduced to 51%.
- Meanwhile, the shift toward decriminalisation of technical and good-faith lapses reflects prioritising commercial resolution. Alongside clearer provisions for cross-border and group insolvency, the amendments enhance legal certainty and align India's framework more closely with global best practices. The parliamentary committee has submitted its report on the proposed legislation under the Insolvency and Bankruptcy Code (IBC). The bill will be tabled in the second half of the Budget session, starting March 9, 2026.

Initiations in Corporate Insolvency Resolution Process Remain Flat Q-o-Q

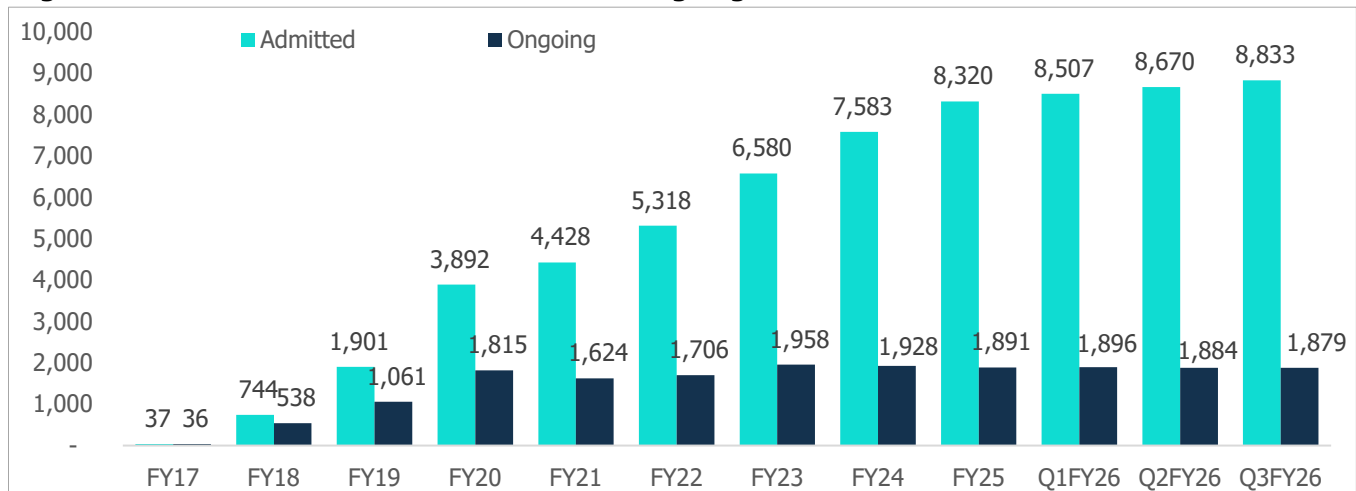
Figure 1: Year-wise & Stakeholder Initiation of CIRPs



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

In Q3FY26, approximately 163 CIRPs were initiated, broadly flat sequentially. Over time, the composition of CIRP initiations has evolved, with a marked decline in cases filed by corporate debtors and a moderation in filings by operational creditors. Financial creditors continue to dominate insolvency filings, reflecting the increasing institutionalisation and acceptance of the IBC as a creditor-led resolution mechanism. To date, more than 8,833 companies have been admitted under CIRP. Financial creditors account for the largest share of cases (4,211), followed closely by operational creditors (4,069), while corporate debtor-initiated cases remain limited to 547.

Figure 2: Cumulative # of CIRPs: Admitted vs Ongoing



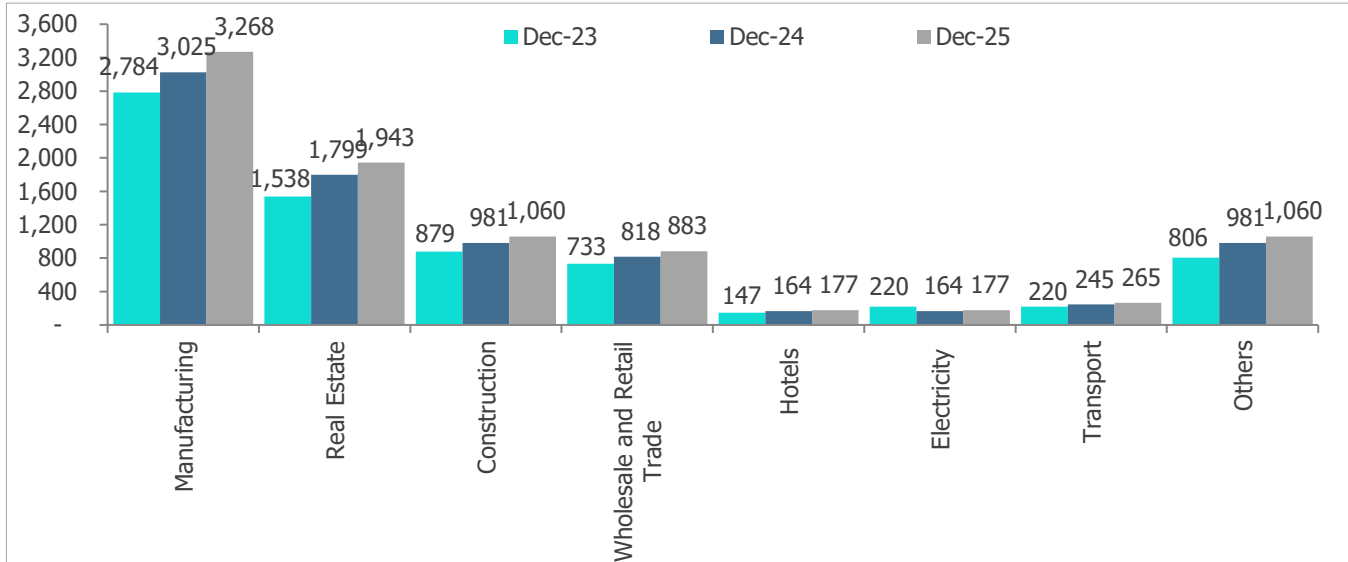
Source: IBBI

The number of cases admitted under the Corporate Insolvency Resolution Process (CIRP) has risen significantly since the introduction of the IBC in 2016, underscoring its effectiveness as a debt resolution mechanism. In Q3FY26, admitted cases grew by 8.0% y-o-y. However, despite this increase, the absolute number of admissions remains below the levels seen over the past 5 years.

In recent years, the number of ongoing CIRP cases has hovered around the 1,900-mark. This figure continued to decline for the second consecutive quarter to 1,879 cases in Q3FY26, from 1,983 cases in Q3FY25. Figure 3 shows

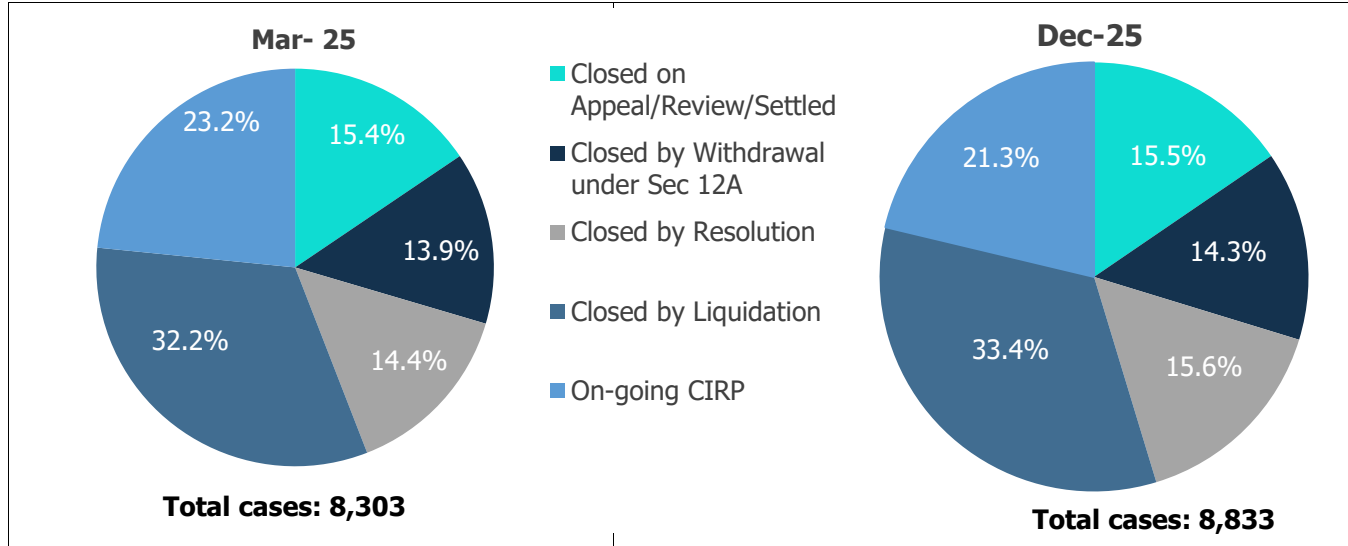
the sector-wise distribution of admitted instances, which has remained largely unchanged from the previous period. The manufacturing sector continues to account for the largest share, at 37% of total cases, followed by real estate (22%), construction (12%), and trade (wholesale and retail) at 10%.

Figure 3: Cumulative Sectoral Distribution of CIRP Admissions



Source: IBBI

Figure 4: Status of CIRPs



Source: IBBI

The cases' status has slightly increased compared with March 25. Of the total 8,833 cases admitted into CIRP at the end of December 2025:

- Only ~15.0% have ended in approval of resolution plans, while 21.3% remain in the resolution process vs. 23.2% as of the end of March 25.
- Liquidation continues to be the most common mode of closure under the IBC framework. More than 2,950 cases, or 33.4% of all admitted cases, have concluded in liquidation, increasing by 32.2% from March 25.

Notably, nearly 77% of these cases pertained to entities that were either former BIFR-referred cases or defunct companies.

- Around 15.5% (1,366 CIRPs) have been closed on appeal /review /settled, while 14.3% 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.
- Overall, the share of ongoing CIRPs has edged up by December 2025, even though the absolute cases have remained broadly rangebound at around 1,900. More notably, closures through liquidation have increased, reinforcing concerns. While resolution-led closures have inched up marginally, liquidation continues to dominate as the primary mode of closure, indicating that a rising proportion of cases are failing to achieve viable resolutions.

Recovery Rate Continues to Hover Around the 32% Mark

Figure 5: Summary of CIRPs Yielding Resolution

Particulars	Amt/%	
	For Q3FY26	Up to December 2025
Total admitted claims of Financial Creditors (Rs cr)	27,360.9	12,99,603.4
Liquidation value (Rs cr)	4,263.3	2,39,644.2
Realisable by FCs (Rs cr)	5,477.3	4,11,080.9
Realisable by FCs as a % of their claims admitted	20.02%	31.63%
Realisable by FCs as a % of their liquidation value	128.48%	171.54%

Source: IBBI

The overall recovery rate under the IBC continued to decline, reaching 31.63% in Q3FY26, compared with 32.44% in Q2FY26, indicating that creditors are absorbing an average haircut of nearly 68% on admitted claims. It is also important to note that several of the cases currently being resolved are long-pending matters. As a result, accrued interest and overdue charges are included in these cases, inflating the aggregate claim amounts and affecting the overall recovery ratio.

Figure 6: Timeline of Cases (# of days)

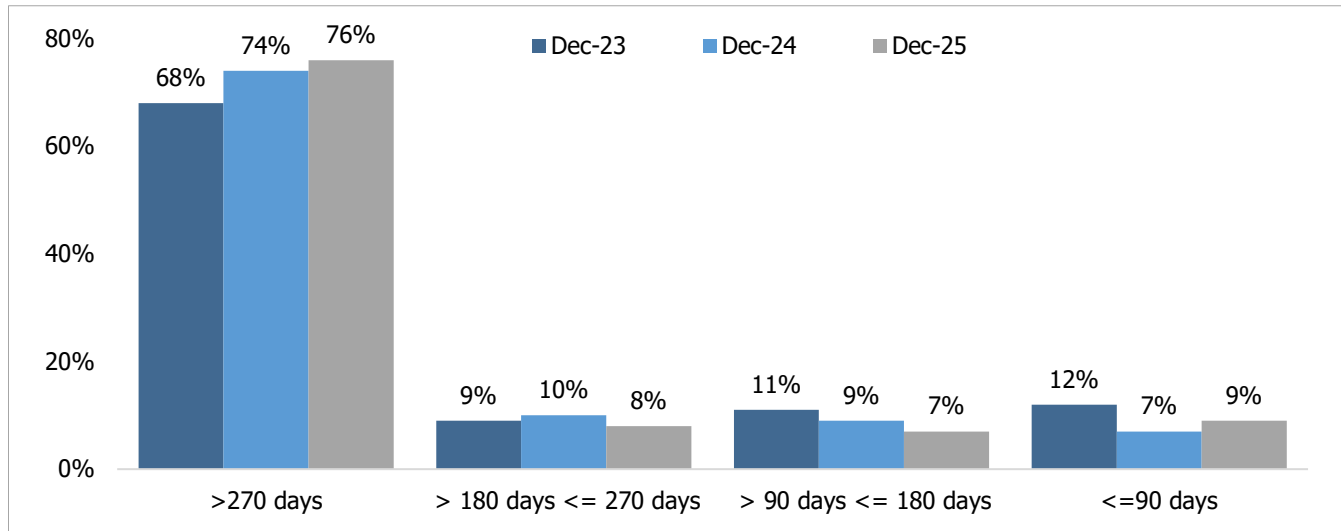
	Resolution					Liquidation			
	FC	OC	CD	FiSP	Total	FC	OC	CD	Total
Dec-25	745	751	623	677	739	533	539	452	527
Sep-25	729	739	627	677	725	526	527	454	518
Mar-25	723	724	577	677	713	518	511	455	508
Dec-24	706	717	589	677	701	517	511	449	508
Sep-24	704	714	572	677	698	508	504	442	499
Jun-24	692	700	564	677	685	508	504	442	499
Mar-24	683	691	573	677	679	495	492	437	495
Dec-23	677	686	569	632	671	496	492	414	486

Source: IBBI

As of December 2025, 76% of the 1,879 ongoing CIRP cases have been pending for more than 270 days, marginally lower than 77% in September 2025 but materially higher than 74% in December 2024. Over the medium term, the data clearly indicates a progressive accumulation of cases in the >270 days bucket. The recent moderation in the share of cases in the 90–180 days (7%) and ≤90 days (9%) buckets in Q3FY26 does not reflect faster

resolutions but rather a pipeline effect, in which cases are increasingly slipping into the longest-duration category. Notably, the decline in the 90–180 days share over the past year has coincided with a steady rise in cases exceeding 270 days, suggesting that mid-stage cases are failing to progress to closure and are instead ageing into prolonged resolution. Overall, the timeline distribution in Q3FY26 reflects heightened resolution stress rather than improvement, with incremental shifts across shorter buckets being overwhelmed by the continued build-up of long-pending cases.

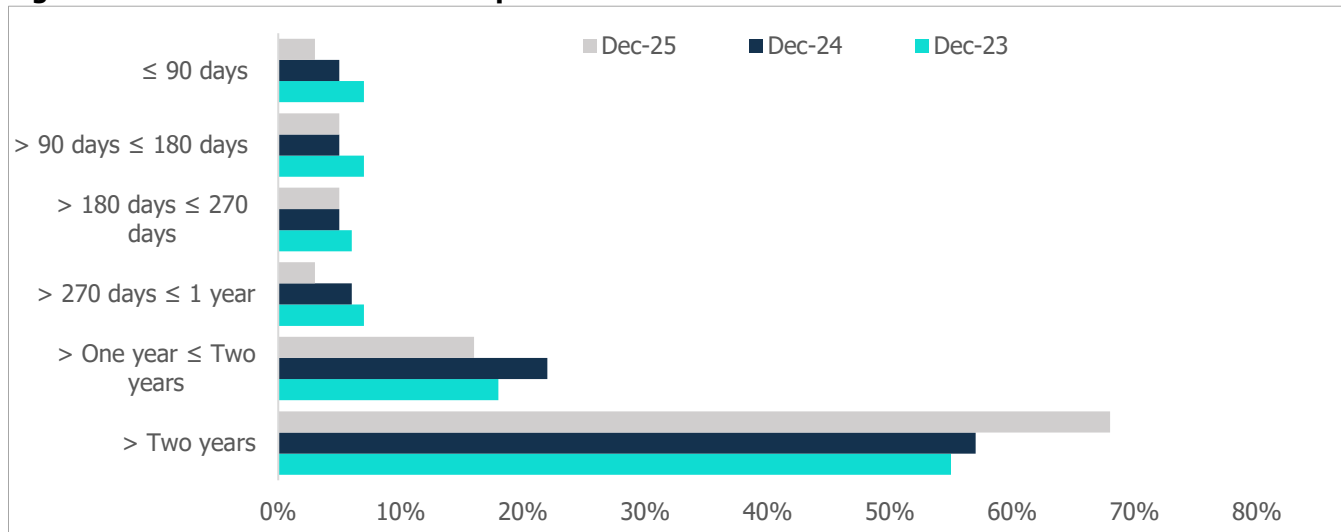
Figure 7: Timeline of Ongoing CIRPs



Source: IBBI

Liquidation Timelines Continue to Remain Elevated

Figure 8: Timeline of Cases under Liquidation



Source: IBBI

Figure 8 underscores the significant pendency even after cases transition into liquidation, highlighting structural delays in closure. As of December 2025, nearly 68% of ongoing liquidation cases have been pending for more than two years, up from 55% in December 2023, indicating a steady buildup of long-stalled cases. In addition, about 16% of cases have remained in liquidation for over one year but less than two years, implying that more than four-fifths of liquidation cases continue to face prolonged timelines. Conversely, the share of cases with relatively shorter

liquidation timelines remains compressed. Cases pending for less than one year collectively account for only around 16% of ongoing liquidations in December 2025, down from over 27% in December 2023, reflecting judicial and procedural constraints within the liquidation process.

Insolvency Resolution of Personal Guarantors

In addition to the details on the corporate insolvency process covered later, Figure 9 provides information on insolvency resolution and bankruptcy proceedings related to personal guarantees.

Figure 9: 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	65,204.2	1,065	71,125.3	1,064	1
Q1FY26	1	3.42	18	151.25	19	154.67	19	-
Q2FY26	9	3.16	7	5	16	8.16	16	-
Q3FY26	22	121.8	72	136.30	94	258.06	94	-
Total	662	30,949.3	3,724	2,55,491.9	4,386	2,86,441.3	4,335	51

Source: IBBI

Of the above 4,335 applications.

- 121 were withdrawn/rejected/dismissed before the appointment of a resolution professional.
- Resolution professionals were appointed in 1,976 cases, while 742 cases have been admitted.
 - Out of these admitted cases, 220 have been closed, 12 have withdrawn, and 164 have been closed due to non-submission/rejection of plans.
 - On an aggregate basis, the trend continues to remain the same over the previous quarter, with only 44 having yielded approval of repayment plans and have realised Rs 102.78 crore, which is 2.16% of their admitted claims.

Figure 10: Status of Avoidance Transactions

Nature of Transactions	Applications Filed	
	#	Amount (Rs cr)
Preferential	294	33,833
Undervalued	68	3,205
Fraudulent	615	1,41,393
Extortionate	8	96
Combination	803	2,49,829
Total	1,788	4,28,358

Source: IBBI

RPs have filed 1,788 applications for avoidance transactions amounting to approximately Rs 4.28 lakh crore. The largest share, both in volume and value, comes from combination transactions, which account for 803 cases

totalling approximately Rs 2.50 lakh crore. This is followed by fraudulent transactions, comprising 615 cases worth Rs 1.41 lakh crore. Preferential transactions account for 294 cases, but their value is relatively low at Rs 0.34 lakh crore. In contrast, undervalued and extortionate transactions remain negligible.

Conclusion

The IBC framework remains the cornerstone of India's insolvency resolution ecosystem, though outcomes in Q3FY26 reflect consolidation rather than acceleration. Recovery rates have mainly remained rangebound, slightly lower than in the previous quarter, implying that creditors continue to absorb nearly two-thirds of haircuts on admitted claims. While case admissions rose by 8.0% y-o-y in Q3FY26, overall admissions during YTD FY26 remain subdued compared with historical peaks, suggesting a stabilisation in fresh stress recognition. Encouragingly, the stock of ongoing CIRPs has declined to 1,879 cases, broadly holding around the 1,900 level, even as manufacturing continues to dominate sectoral exposure.

However, prolonged resolution and liquidation timelines remain a structural drag, with most cases extending well beyond prescribed limits, which weigh on recovery efficiency and erode value. The proposed IBC (Amendment) Bill, 2025, assumes critical importance. Strengthening creditor oversight across both resolution and liquidation, addressing conflicts of interest, introducing time-bound appellate processes, and easing initiation thresholds for alternative resolution mechanisms could improve speed, predictability, and commercial outcomes. The shift toward decriminalisation and clearer cross-border and group insolvency provisions further enhances legal certainty and investor confidence. These reforms could materially improve resolution efficiency and recovery outcomes over the medium term, reinforcing the IBC's credibility as an effective stress-resolution framework.

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