

PRESS RELEASE  
November 13, 2024

## Creditor realisation crosses Rs. 3.5 lakh crore through successful resolutions under IBC; haircuts, however, continue to rise: ICRA

- **H1 FY2025 sees lower number of cases admitted to IBC**
- **Higher than average recovery in large cases (admitted claims > Rs. 1,000 crore) at ~32% of admitted claims; however, dip in recovery seen in these large accounts in Q2FY25**

Rating agency ICRA noted that in Q2 FY2025, the number of corporate debtors admitted by the National Company Law Tribunal (NCLT) under the Insolvency and Bankruptcy Code (IBC) declined to a low of 189 cases i.e. a moderation of 23% and 16% on a QoQ and YoY basis, respectively. However, the number of corporate insolvency resolution processes (CIRPs) closed during the quarter increased to 199, i.e. higher by 3% and 29% on a QoQ and YoY basis, respectively, which is an encouraging sign. The number of overall admitted corporate debtors since the introduction of IBC in 2016 has now crossed the 8,000 mark, of which 6,039 CIRPs have been resolved (either through a successful resolution plan or withdrawal or liquidation) by end-September 2024. A total of 1,068 CIRPs have seen successful closure through a resolution plan, thereby allowing the corporate debtor to continue as a going concern. The total amounts realised by the financial creditors in these cases crossed Rs. 3.5 lakh crore in September 2024, though the amount as a percentage of admitted claims continued to be low at ~31%.

**Abhishek Dafria, Senior Vice President and Group Head, Structured Finance Ratings, at ICRA,** said: *“The IBC, over a period of time, has brought in some meaningful change in debtor behaviour as the code acts as a deterrent for promoters to lose control of entities. The number of cases being admitted to NCLT was relatively low in H1 FY2025, which is an indication of the better credit profile of India Inc., in our view. Further, the banking industry has seen stressed assets at multi-year lows in the last few years. The number of closed cases outpaced the number of cases admitted in Q2 FY2025, which is encouraging, as it improves the bandwidth available with the NCLT benches. However, the lenders continue to face steep haircuts or reduction in loan amounts of nearly 72% in Q2 FY2025 as the overall resolution process continues to face material delays emerging from litigations from either promoters or dissenting creditors. As on September 2024, ~71% of the ongoing corporate insolvency resolution processes (CIRPs) had exceeded 270 days, post admission by the NCLT. The elongated process results in further erosion of the corporate debtor, which has also resulted in high share (44%) of CIRPs being closed through liquidation orders.”*

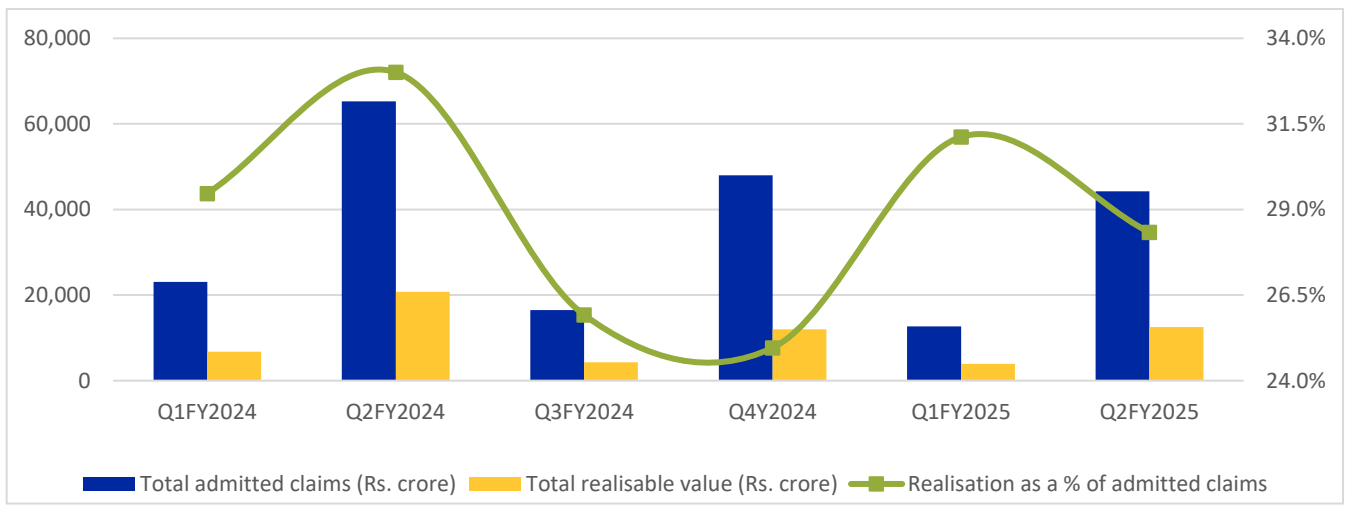
The large accounts (admitted claims > Rs. 1,000 crore) have 15% share in resolved cases but have 89% share in the recovery and thus any improvement in recovery in these large accounts would drive the overall recovery. The dip in the overall realised value from CIRPs yielding a resolution plan to ~31% till September 2024, can be attributed to a marginal decline in recovery in these large accounts. ICRA believes the resolution of these large accounts is critical for the success of IBC.

Over a period, it has been seen that the share of financial creditors (FCs) has risen in initiating the CIRP proceedings while the share of operational creditors (OCs) has been declining. Typically, these creditors 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. Cases with such low amounts under default can be better resolved via a standardised approach. While the

Pre-Packaged Insolvency Resolution Process (PPIRP) has been rolled out for the MSMEs, which is a positive, its implementation has been muted.

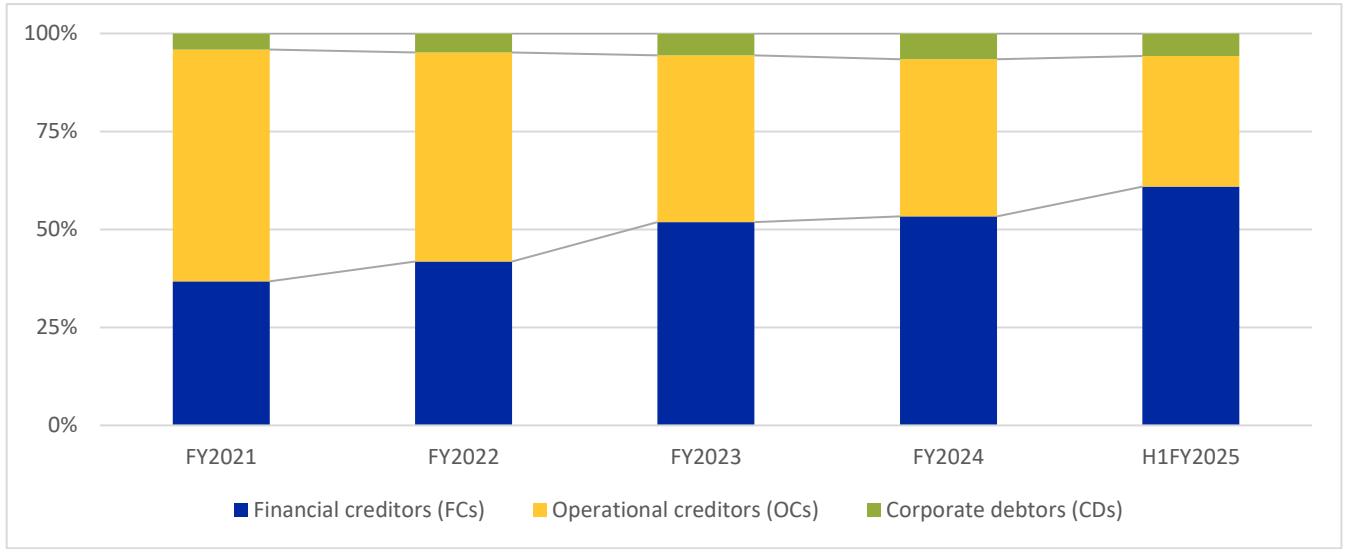
Recently, a discussion paper was circulated by the IBC governing body on mediation for OCs before approaching the NCLT to reduce the burden on the benches and thereby expediting admissions. Successful implantation of such measures remains to be seen to improve both, the timeliness of CIRP closure and the amounts realised by the creditors.

### Quarterly realisation vs admitted claims for resolved cases

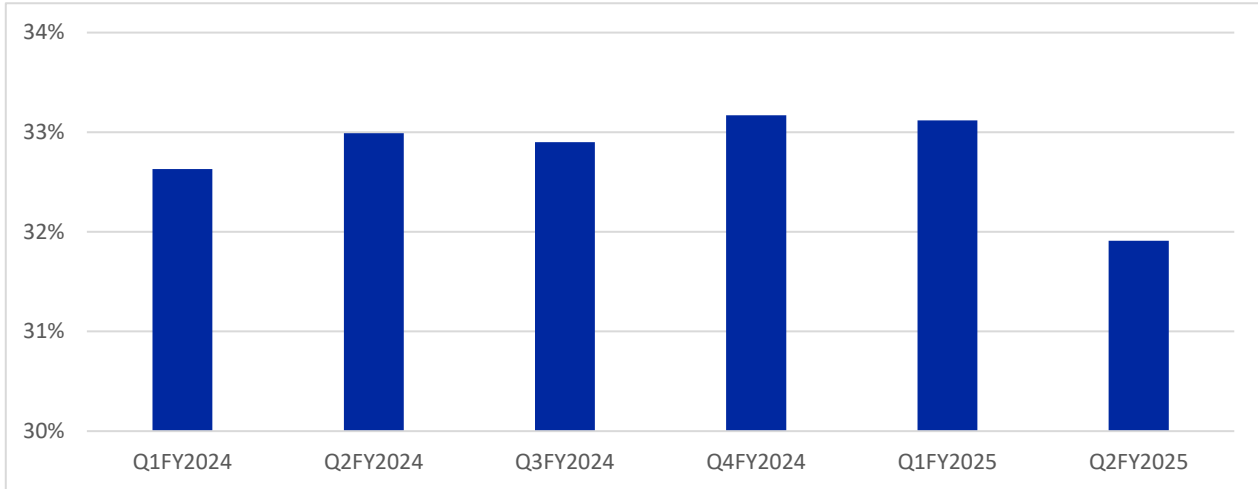


Reference: IBB

### Stakeholderwise share in initiation of CIRP process



Reference: IBB

**Recovery trend seen in large accounts (admitted claims > Rs. 1,000 crore) as % of admitted claims**


Reference: IBBI

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