

# Banks

India

Sector View: **Attractive** NIFTY-50: **24,008**

May 09, 2025

## IBC: A setback, but not a pullback

Our conversations with various stakeholders suggest that the recent Supreme Court order to liquidate Bhushan Power and Steel (BPSL) is a setback to the case and the IBC process. However, it is likely that stakeholders will look at other legal options before looking at liquidation. While it appears as a setback to the IBC process, we see these rulings as a means that strengthens the law rather than a reversal of the process. We expect buyers through the IBC process to be cautious in the future.

### JSW Steel—no timebound respite visible

Our reading and conversations with various stakeholders on the recent court order to liquidate BPSL suggest that the order has looked at the adherence to the law from a factual standpoint (gaps in execution as prescribed under the law). This would imply that JSTL could look to file a review petition, followed by a curative petition. There is no time limit for the disposal of these petitions due to which the legal process could be long-drawn. We also understand that lenders may not have to reverse the provision of the payment made for this acquisition. We understand that liquidation or reversal of the transaction is not a straightforward exercise. JSTL has invested management bandwidth/capital for the turnaround of the asset in the past five years, apart from capacity expansion. There is limited clarity on (1) how JSTL would get compensated in the case of liquidation and (2) how the asset will be run while legal proceedings are ongoing.

### Beyond the boundaries—new challenges for IBC

While we note that IBBI and the government is studying the judgment, it does not look like there is any need to revisit the law at this stage. This judgment opens questions on the path forward. We would have to interpret that this could result in revisiting previously completed cases where there were operational lapses. Current or prospective bidders are likely to wait for full clarity of all legal aspects before concluding the deal. This implied delay in completing deals looks a like possible downside. The intense scrutiny at every step of the resolution process will lead to lower flexibility, as any marginal deviation could have severe consequences.

### Costly course correction triggered by a retrospective ruling

At this stage, we firmly believe that IBC remains a robust tool for lenders to exercise their rights when a borrower defaults. We are confident that recent judgments only reinforce the law rather than reverse it. Creditor protection typically reduces the cost of credit by ensuring higher recovery rates. This gives comfort to creditors that would imply that the benefit is eventually passed to debtors through various means (covenants, collateral or interest rates). Corporates must tread carefully, as a successful resolution to a default could result in them losing business. This inherent risk serves as a deterrent, likely leading to lower default rates.

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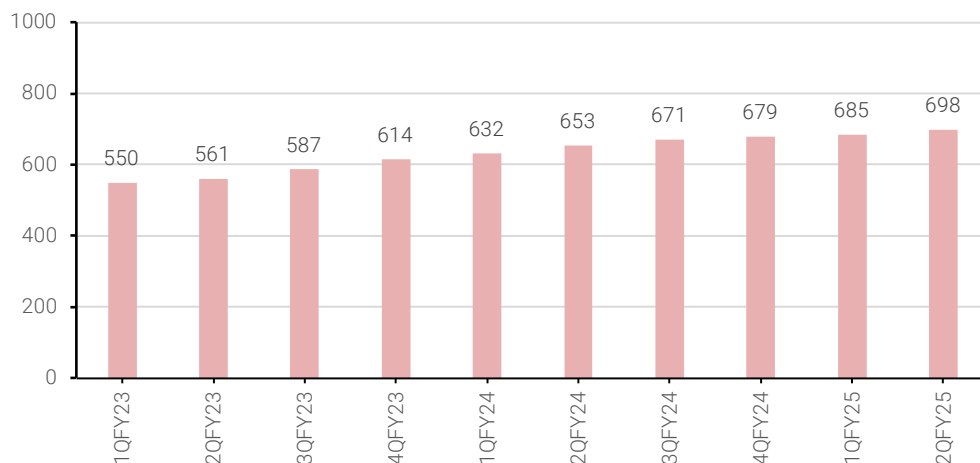
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### Average resolution has taken ~22 months

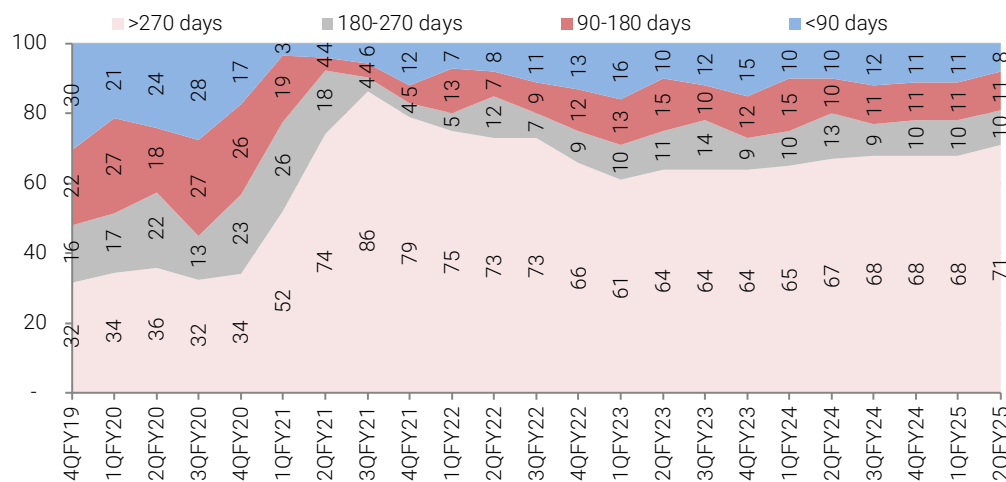
Exhibit 1: Average time taken for closure of CIRPs that yielded a resolution plan, March fiscal year-ends (#, days)



Source: IBBI

### ~71% of ongoing CIRPs have crossed 270 days

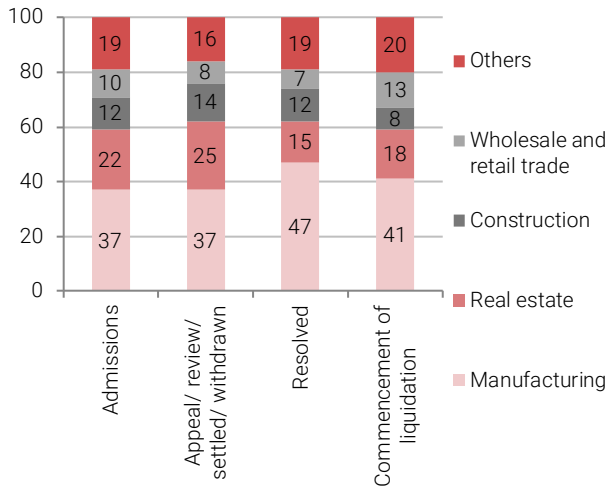
Exhibit 2: Timeline of ongoing CIRPs, March fiscal year-ends (%)



Source: IBBI

**Manufacturing, real estate and construction account for ~70% of CIRPs admitted**

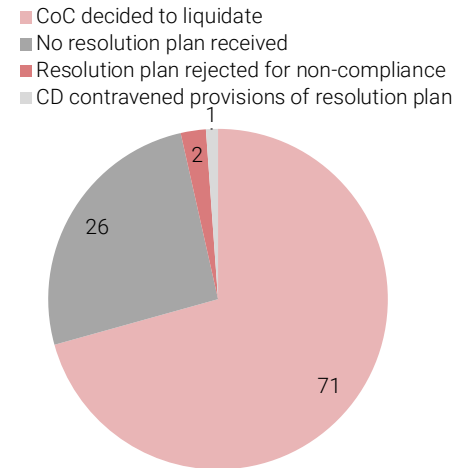
Exhibit 3: Sector-wise breakup of CIRPs, as of March 2024 (%)



Source: IBBI

**~26% liquidations stemmed from receiving no resolution plans**

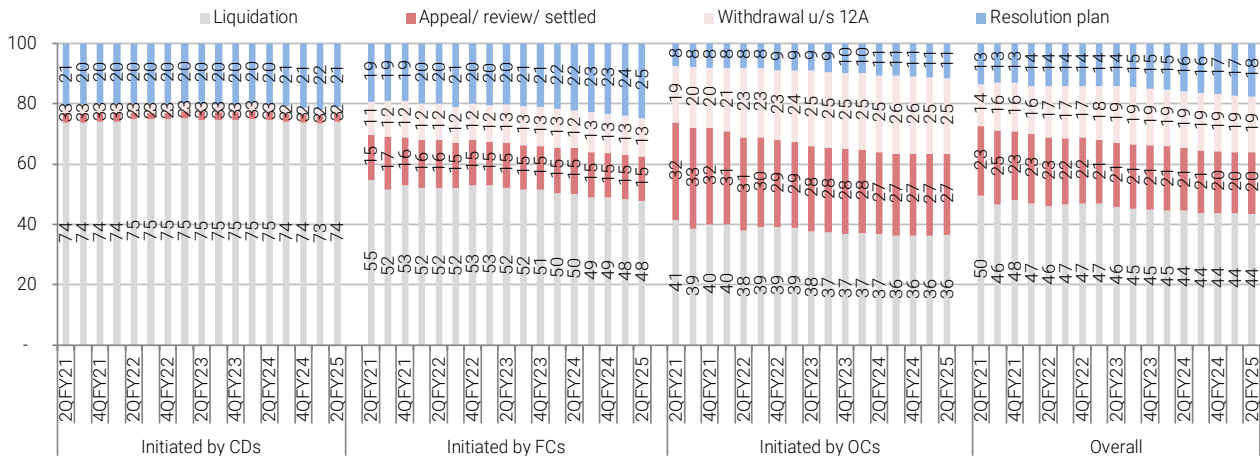
Exhibit 4: Reasons for liquidation until March 2024, March fiscal year-ends (%)



Source: IBBI

**~45% of all CIRP conclusions have been through liquidation, while only ~18% have yielded a successful resolution plan**

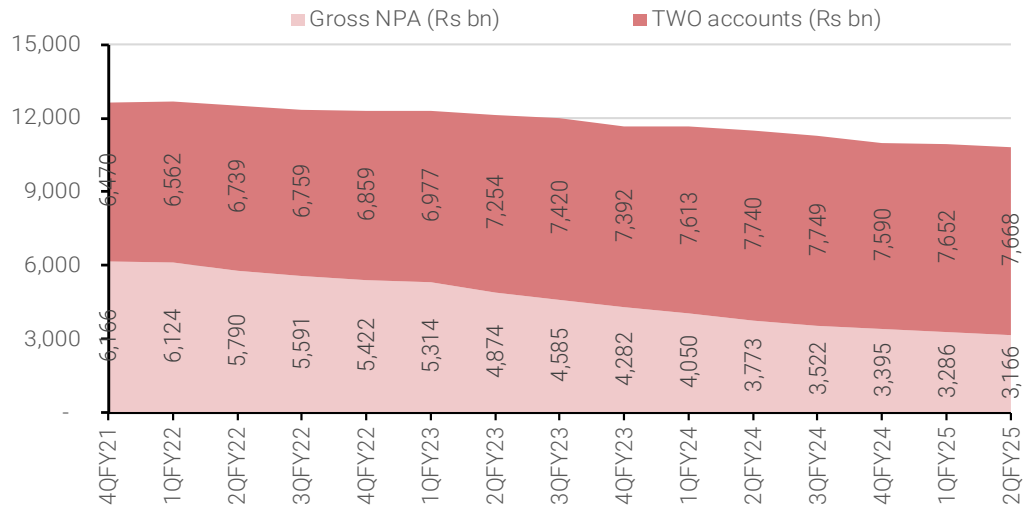
Exhibit 5: Mode of closure of CIRPs until respective date, March fiscal year-ends (%)



Source: IBBI

**The pool of bad loans with PSU banks is still quite high at ~Rs11 tn**

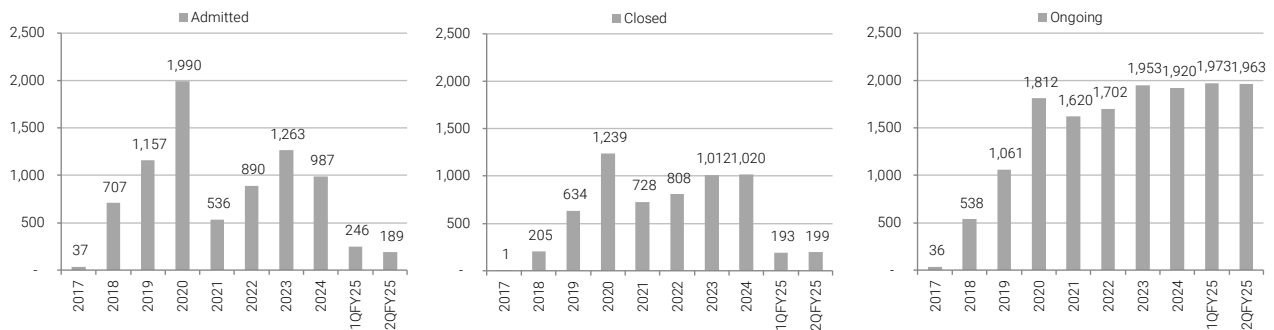
**Exhibit 6: Pool of bad loans with PSU banks (including IDBI Bank), March fiscal year-ends (Rs bn)**



Source: Companies

**Number of IBC case admissions shows slight reduction to ~190 for 2QFY25**

**Exhibit 7: Number of cases admitted/closed/ongoing, March fiscal year-ends (#)**



Source: IBBI

**Creditors have taken ~70% haircut on cases resolved so far**
**Exhibit 8: Cases that yielded resolution, March fiscal year-ends (Rs bn)**

	Total admitted claims of FCs	Liquidation value	Realisation by FCs	Realisation by FCs as % of their claims admitted	Realisation by FCs as % of liquidation value
3QFY18	55	14	19	34	130
4QFY18	44	14	31	70	215
1QFY19	762	181	429	56	237
2QFY19	423	95	111	26	116
3QFY19	84	30	73	86	247
4QFY19	891	172	506	57	294
1QFY20	315	42	44	14	105
2QFY20	786	148	271	34	183
3QFY20	237	24	29	12	118
4QFY20	391	196	251	64	128
1QFY21	294	46	89	30	194
2QFY21	183	26	38	21	145
3QFY21	609	59	77	13	131
4QFY21	174	35	46	26	131
1QFY22	1,675	333	426	25	128
2QFY22	27	12	13	49	112
3QFY22	329	33	44	13	134
4QFY22	126	13	13	10	98
1QFY23	107	8	11	11	145
2QFY23	101	28	40	39	142
3QFY23	301	44	71	23	160
4QFY23	651	257	321	49	125
1QFY24	230	48	68	29	141
2QFY24	652	95	208	32	220
3QFY24	165	33	43	26	129
4QFY24	480	149	120	25	81
1QFY25	126	32	39	31	123
2QFY25	443	89	125	28	141
<b>Total</b>	<b>11,447</b>	<b>2,206</b>	<b>3,386</b>	<b>30</b>	<b>154</b>

Source: IBBI

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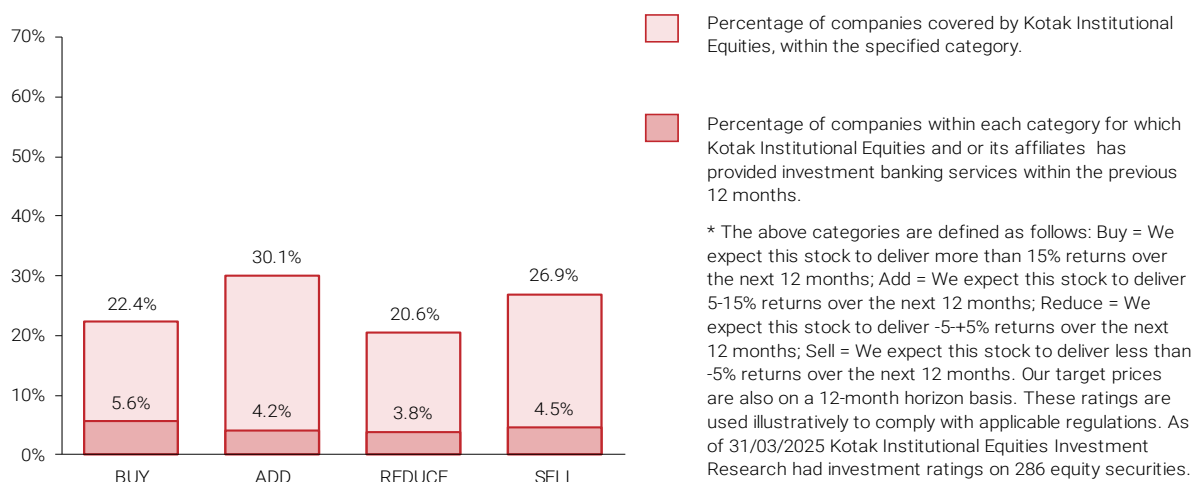
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As of March 31, 2025

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