IBC Recovery Gains Momentum in Q1FY27, Despite Continued Delays

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Synopsis

- **Fresh CIRP admissions remained subdued in Q1FY27,** with 177 cases admitted, down 5.3% y-o-y, taking cumulative admissions to 9,166. Financial creditors (FCs) accounted for 65.5% of new admissions, highlighting their continued role in driving new insolvency filings. While cumulative admissions increased, the stock of ongoing cases remained broadly stable at 1,865 cases, indicating that case closures have largely kept pace with fresh inflows.
- **Recovery outcomes improved sequentially during the quarter,** with FCs recovering 28.6% of admitted claims, up from 22.8% in Q4FY26. Creditors continued to face an average haircut of 71.4%, while realisations remained significantly above liquidation value at 136.7%, underscoring the benefits of resolution-led outcomes despite elevated haircuts.
- **Delays remain the key challenge for the insolvency ecosystem**. Nearly three-fourths of ongoing CIRPs exceeded 270 days. Average resolution time increased to 757 days, while liquidation cases averaged 540 days, with nearly 70% pending for over two years. These prolonged timelines highlight the impact of ageing cases, litigation and procedural bottlenecks on recovery efficiency. Manufacturing accounted for the largest share of ongoing cases at 36%.
- **Recent regulatory amendments aim to improve transparency, information quality and process efficiency,** which could support faster resolutions and better creditor outcomes. Going forward, enhancing execution efficiency and reducing delays will be critical to strengthening the effectiveness of the insolvency framework.

Recovery Performance Improving, But Not Structural Yet

Figure 1: Summary of CIRPs Yielding Resolution

Particulars	Amt/%	
	For Q1FY27	Up to June 2026
Total admitted claims of Financial Creditors (Rs cr)	12,443.4	1,426,665.4
Liquidation value (Rs cr)	2,602.1	261,422.7
Realisable by FCs (Rs cr)	3,557.1	435,469.9
Realisable by FCs as a % of their claims admitted	28.6%	30.5%
Realisable by FCs as a % of their liquidation value	136.7%	166.6%

Source: IBBI

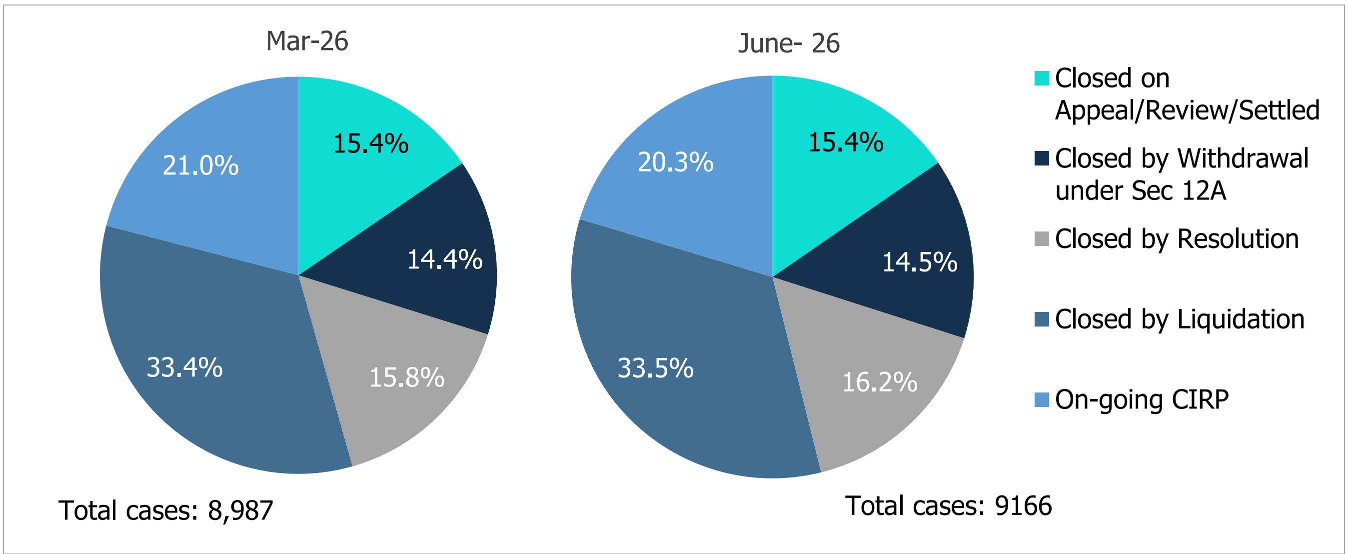
Recovery outcomes under the IBC improved sequentially in Q1FY27, with FCs recovering 28.6% of admitted claims compared with 22.8% in Q4FY26. Despite the improvement, recoveries remained marginally below the cumulative recovery rate of 30.5% achieved across all resolved cases up to June 2026, indicating that creditor losses on resolved accounts continue to remain significant.

During the quarter, FCs realised Rs. 3,557 crores against admitted claims of Rs. 12,443 crores. Notably, recoveries were 136.7% of liquidation value, reaffirming the value-accretive nature of resolution-led outcomes relative to liquidation. On a cumulative basis, creditors have realised Rs. 4.35 lakh crore, equivalent to 30.5% of admitted claims and 166.6% of liquidation value.

The actual realisation percentage is likely to be higher, as resolutions involving older cases often include significant amounts of accrued interest and other receivables added to admitted claims, over and above the actual principal outstanding and overdue amounts. While the improvement in quarterly recoveries indicates favourable outcomes from cases resolved during the period, overall recovery performance continues to be constrained by long-pending and deeply stressed accounts that typically carry lower realisation potential. Nevertheless, the substantial premium over liquidation value demonstrates that the IBC remains an effective mechanism for preserving enterprise value and enhancing creditor recoveries, even in cases involving significant haircuts.

Resolution Continues to Create More Value than Liquidation; However, Liquidation Continues to Dominate Exit Routes

Figure 2: Status of CIRPs



Source: IBBI

The status of CIRPs remained broadly stable in Q1FY27, indicating that case closures continued to broadly keep pace with fresh admissions. Of the 9,166 cases admitted under CIRP as of June 30, 2026, successful resolutions accounted for 16.2% (1,484 cases), up marginally from 15.8% (1,419 cases) at the end of FY26. At the same time, ongoing cases declined to 1,865 from 1,885, reducing their share to 20.3% from 21.0%.

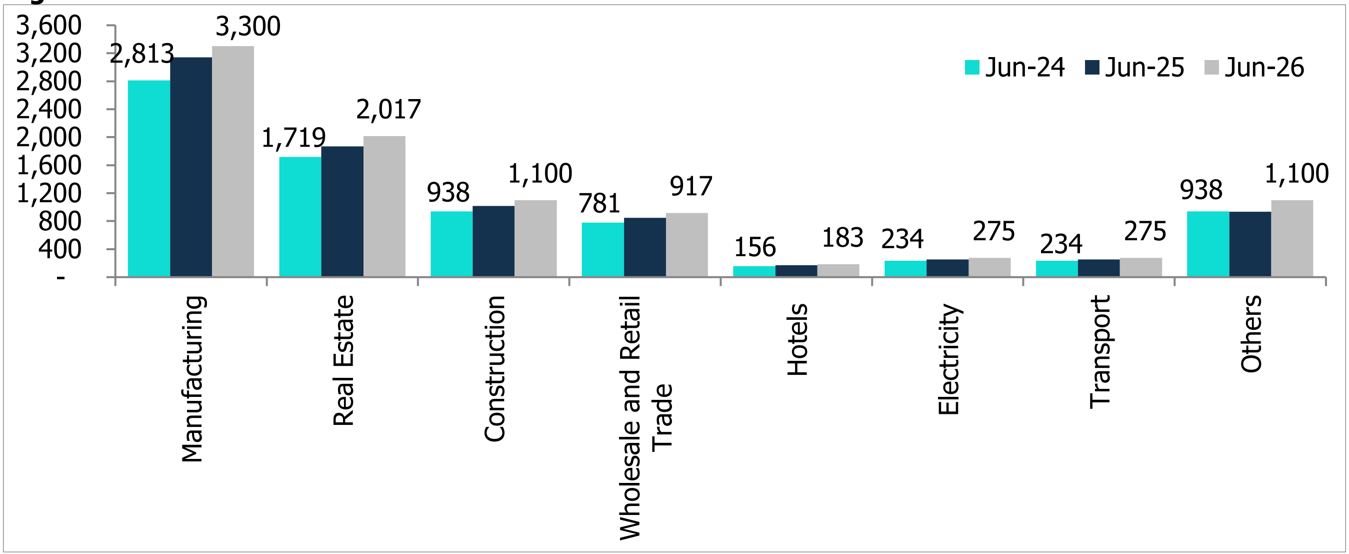
Liquidation remained the dominant closure route, accounting for 33.5% (3,074 cases) of admitted CIRPs, broadly unchanged from 33.4% in FY26. The persistence of liquidation as the most common outcome indicates that a significant proportion of companies continue to enter the insolvency process after substantial deterioration in their financial and operational position, limiting the feasibility of revival through resolution plans.

Cases closed through appeal, review or settlement remained stable at 15.4% (1,410 cases). In comparison, withdrawals under Section 12A increased marginally to 14.5% (1,333 cases) from 14.4% in FY26, indicating the continued use of negotiated settlements outside the formal resolution process.

Overall, the resolution mix showed modest improvement, supported by a gradual increase in successful resolutions and a decline in ongoing cases. However, the continued dominance of liquidation highlights the challenges in preserving stressed businesses as going concerns. While disposal rates have broadly matched fresh admissions, improving the quality and timeliness of resolutions remains critical to enhancing recovery outcomes under the IBC framework. Meanwhile, even as the CIRP pipeline remains stable, the predominance of liquidation over resolution suggests that value preservation remains constrained by delayed admission and severe financial stress at the time of insolvency.

Manufacturing and Real Estate Continue to Drive Insolvency Trends

Figure 3: Cumulative Sectoral Distribution of CIRP Admissions

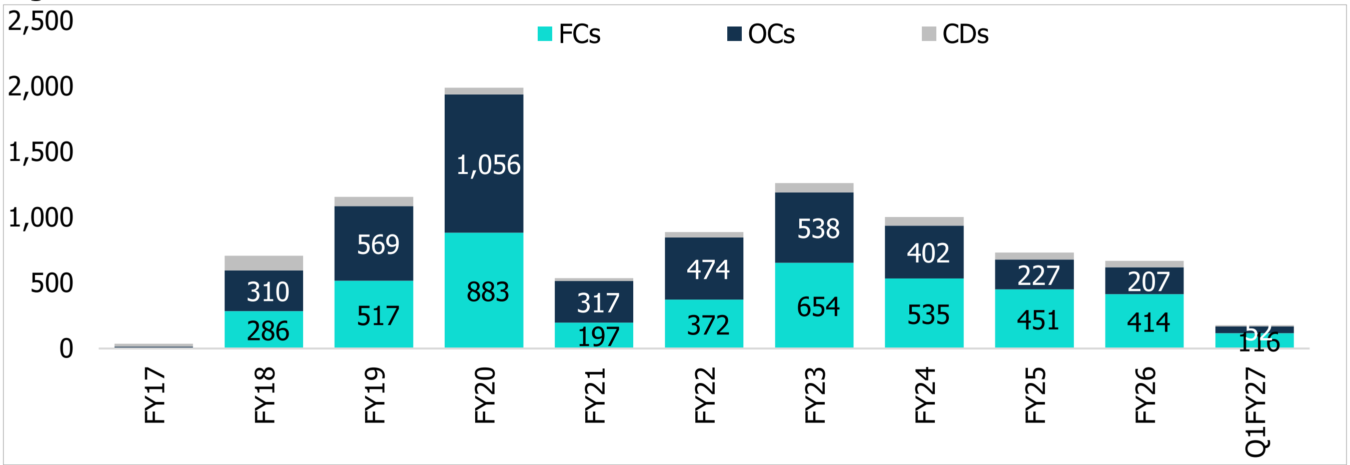


Source: IBBI

The sectoral distribution of CIRP admissions has remained broadly stable over time, with manufacturing, real estate and construction together accounting for nearly 70% of cumulative admissions. The concentration of insolvency cases in these sectors highlights their relatively higher exposure to leverage, cash flow volatility, project execution risks and cyclical demand conditions. The persistence of these sectors as the largest contributors to CIRP admissions indicates that structural vulnerabilities continue to outweigh cyclical improvements in operating conditions.

Lower Admissions Indicate Normalisation Rather Than Deterioration

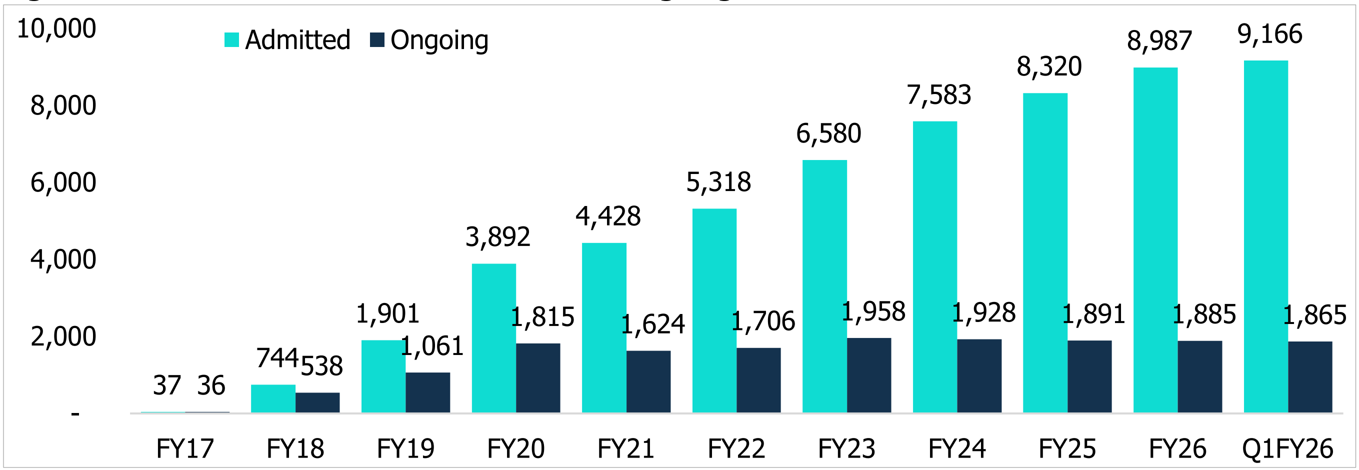
Figure 4: Year-wise & Stakeholder Initiation of CIRPs



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

In Q1FY27, fresh CIRP admissions remained subdued with 177 cases admitted, down 5.3% y-o-y from 187 cases in Q1FY26. The insolvency framework has increasingly become FC-driven. FCs accounted for 116 admissions, representing 65.5% of total cases compared with 54.5% a year ago, underscoring the continued reliance of banks and financial institutions on the IBC as a structured resolution mechanism for stressed assets. Overall, the Q1FY27 trends indicate that the insolvency framework remains predominantly FC-driven, with FCs continuing to account for the majority of fresh insolvency admissions.

Figure 5: Cumulative # of CIRPs: Admitted vs Ongoing



Source: IBBI

Cumulatively, admitted CIRPs increased to 9,166 as of Q1FY27 from 8,987 in FY26, reflecting the continued expansion of the insolvency ecosystem, albeit at a significantly slower pace than during the initial years of IBC implementation. Meanwhile, ongoing CIRPs declined marginally to 1,865 from 1,885 and have remained broadly stable at around 1,900 cases in recent years. This indicates that closures through resolutions, liquidations, withdrawals and settlements have largely kept pace with fresh admissions, preventing a material build-up in pending cases. However, stability in the stock of ongoing cases masks the persistence of ageing matters, as a significant proportion of CIRPs remain unresolved beyond the prescribed timelines, indicating that while case inflows are under control, resolution efficiency remains a key challenge.

Persistent Delays Remain the Biggest Structural Challenge

Figure 6: Timeline of Cases (# of days)

	Resolution					Liquidation			
	FC	OC	CD	FiSP	Total	FC	OC	CD	Total
Jun-26	765	766	632	677	757	552	550	450	540
Mar-26	751	756	629	677	744	540	541	453	531
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

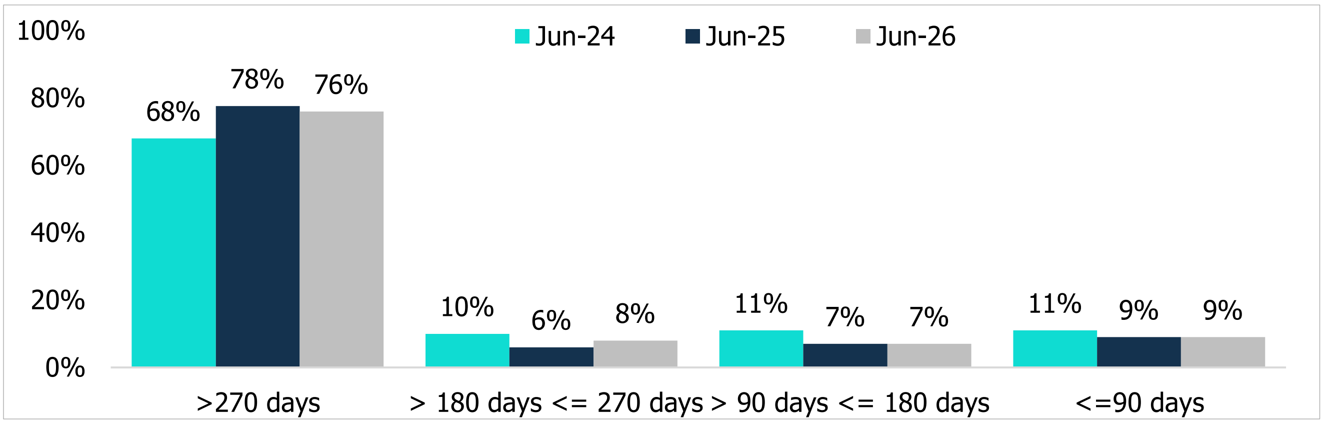
Source: IBBI

As of June 2026, around 76% of the 1,865 ongoing CIRP cases had been pending for more than 270 days, underscoring the continued challenge of resolving insolvency cases within prescribed timelines. Although this represented a marginal improvement from 78% a year earlier, it remained significantly higher than 68% in June 2024, indicating that a substantial stock of ageing cases persists. Cases pending for 180 to 270 days accounted for 8% of the total, while those pending for 90 to 180 days and less than 90 days accounted for 7% and 9%, respectively.

The ageing profile is reflected in the steady increase in average resolution timelines, which rose to 757 days in June 2026 from 744 days in March 2026 and 713 days in March 2025. Resolution periods increased across cases initiated by FCs, operational creditors (OCs) and corporate debtors (CDs), indicating that delays are systemic rather than stakeholder-specific.

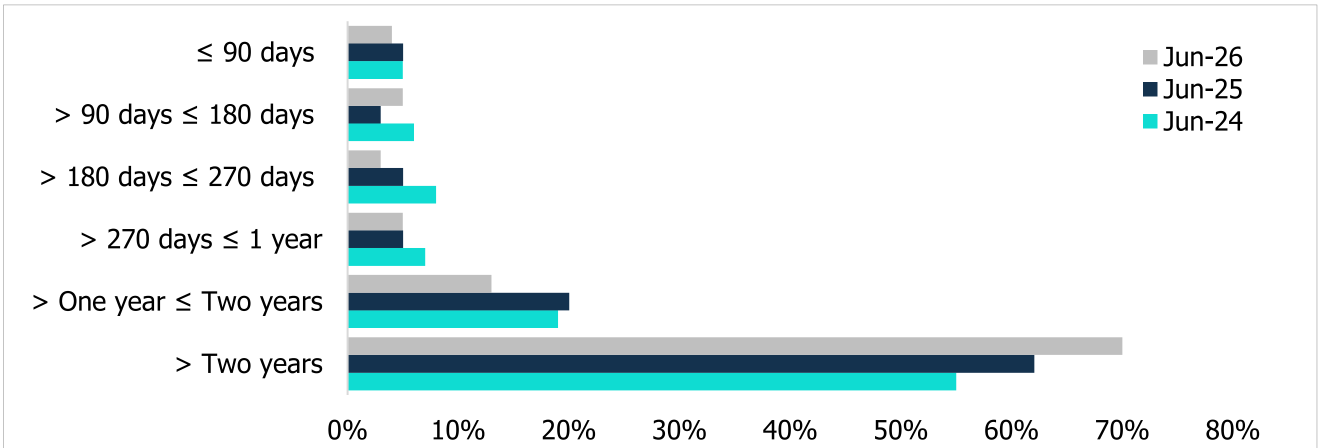
While the stable stock of ongoing CIRPs indicates that case closures have broadly kept pace with fresh admissions, the rising average duration points to increasing complexity within the residual case pool. Prolonged litigation, valuation disputes, challenges in attracting resolution applicants and the complexity of large, stressed assets continue to impede timely resolution. Consequently, despite a modest improvement in the share of cases pending beyond 270 days, delays remain a key structural challenge for the IBC framework and continue to constrain recovery efficiency and value maximisation.

Figure 7: Timeline of Ongoing CIRPs



Source: IBBI

Figure 8: Timeline of Cases under Liquidation



Source: IBBI

Liquidation timelines remained elevated in Q1FY27, highlighting persistent challenges in achieving timely closure under the IBC framework. The average liquidation period increased to 540 days in June 2026 from 531 days in March 2026 and 499 days in June 2024. The ageing profile of liquidation cases also deteriorated, with nearly 70% of cases remaining under liquidation for more than two years, compared with 62% in June 2025 and 55% in June 2024.

The growing concentration of cases in the longest-duration bucket indicates that legacy liquidations continue to face hurdles related to asset monetisation, litigation, stakeholder approvals and resolution of competing claims. These delays not only prolong the closure process but also increase the risk of value erosion, thereby adversely affecting recoveries for creditors. The rising liquidation timelines suggest that while admissions and ongoing CIRPs have stabilised, improving the efficiency of asset disposal and liquidation proceedings remains a critical challenge for the insolvency ecosystem.

Regulatory Amendments Signal Focus on Efficiency and Transparency

The IBBI has notified amendments to multiple regulations to operationalise the Insolvency and Bankruptcy Code (Amendment) Act, 2026, to improve transparency, strengthen information flows, and enhance the efficiency of insolvency proceedings. Key changes include simplified default recognition through Information Utilities, introduction of a standardised framework for recording disputed defaults, enhanced disclosure requirements for pre-packaged insolvency processes, and stronger claim verification and closure procedures in voluntary liquidation. The amendments also strengthen the framework governing personal guarantors by mandating more comprehensive disclosure of assets, including digital and indirectly held assets, while improving coordination between insolvency professionals and creditors. In addition, the revised regulations expand the grievance redressal mechanism and align inspection, investigation and disciplinary provisions with the amended Code. From a resolution perspective, the reforms are expected to improve the quality and availability of information at earlier stages of the insolvency process, thereby reducing disputes, facilitating quicker creditor decision-making and strengthening oversight. Improved disclosures and claim verification could also help mitigate delays arising from information gaps and litigation, which remain key challenges under the IBC framework. Consequently, effective implementation of these amendments could support faster resolutions, better value realisation and improved recovery outcomes over the medium term.

Figure 9: Status of Avoidance Transactions

Nature of Transactions	Applications Filed	
	#	Amount (Rs cr)
Preferential	373	36752.8
Undervalued	114	4217.6
Fraudulent	806	167053.4
Extortionate	9	96.5
Combination	830	256968.5
Total	**2,132**	**465088.7**

Source: IBBI

RPs have filed 2132 applications for avoidance transactions amounting to approximately Rs 4.65 lakh crore. The largest share, both in volume and value, comes from combination transactions, which account for 830 cases totalling approximately Rs 2.56 lakh crore. This is followed by fraudulent transactions, comprising 806 cases worth

Rs 1.67 lakh crore. Preferential transactions account for 373 cases, but their value is relatively low at Rs 0.37 lakh crore, while undervalued and extortionate transactions remained relatively limited.

Conclusion

The IBC framework continued to demonstrate its effectiveness as a recovery and value-preservation mechanism in Q1FY27. While fresh CIRP admissions remained subdued and ongoing cases declined marginally, recovery outcomes improved during the quarter, with resolutions continuing to generate realisations above liquidation values. The gradual increase in successful resolutions and stable case inventory indicate that closures are broadly keeping pace with fresh admissions, reflecting the growing maturity of India's insolvency ecosystem.

However, operational efficiency remains the principal challenge as resolution and liquidation timelines continue to increase, highlighting the influence of ageing and complex cases on overall outcomes. The continued dominance of liquidation as an exit route further indicates that a significant proportion of companies enter the insolvency process after substantial deterioration in business viability, limiting resolution prospects and recovery potential.

Going forward, the effectiveness of the IBC framework will increasingly depend on improving execution rather than expanding its scope. The successful implementation of the IBC (Amendment) Act, 2026, along with measures to reduce litigation-related delays, strengthen information transparency, and expedite decision-making, will be crucial to improving resolution timelines, preserving enterprise value, and enhancing creditor recoveries.

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