

Corporate resolution cases under IBC continue to decline

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The Corporate Insolvency Resolution Process (CIRP) initiated by stakeholders such as financial creditors, operational creditors and corporate debtors under the Insolvency and Bankruptcy Code (IBC), 2016, continues to be in the slow lane.

CIRPs initiated by the aforementioned stakeholders has declined from 1,262 in FY23 to 723 in FY25 even as the average time for approval of resolution plans and closure of CIRPs has increased substantially during the said period.

AVERAGE TIME

The average time for approval of resolution plans has increased from 611 days in FY23 to about 850 days in FY25. The average time for closure of a CIRP has risen from 614 days to 717 days, according to the latest Insolvency and Bankruptcy Board of India (IBBI) data.

The aforementioned data clearly show that the CIRP has been exceeding the maximum time of 330 days within which it has to be mandatorily completed, in-



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cluding any extension or litigation period.

Realisation by creditors as a percentage of their claims continues to be low at 31-32 per cent levels — 32.8 per cent in FY25; 32.1 per cent in FY24; and 31.8 per cent in FY23.

Further, in an indication of the slowdown in the CIRP process, the number of insolvency professionals (IPs) registering with the IBBI in each of the financial years beginning FY22 has been steadily declining — from 549 in FY22 to 110 in FY25.

EXPERT VIEWS

CIRP is a process for resolving the corporate insolvency of a corporate debtor in accordance with the provisions of the IBC.

Hari Hara Mishra, CEO, Association of ARCs in India, said, "One of the USPs of the IBC, as envisaged, was time-bound completion of the process as there is a time value of money. Delay results in value erosion and adversely affects the process sanctity."

"The recent Supreme Court verdict, setting aside a resolution plan approved after stipulated deadline, has brought timely completion of process into spotlight and we can fairly expect a series of measures to improve timeliness," he said.

Akshat Khetan, AU Corporate Advisory and Legal Services, observed that the decline in Corporate Insolvency Resolution Processes under the IBC could be attributed to increased awareness and the growing preference for out-of-court settlements. "Creditors and debtors are now using the IBC as a credible deterrent rather than a default mechanism, pushing for early settlements or restructuring before formal admission. Moreover, financial institutions are exercising more due diligence, leading to a drop in frivolous or weak filings," he said.