

Financial Turnaround through Debt Restructuring: Evidence from Indian Corporates

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Abstract

This paper examines the impact of debt restructuring on firm valuation, investor sentiment, and capital structure using firm-level evidence from three major Indian corporates — Suzlon Energy Ltd., DLF Ltd., and Tata Steel Ltd. Covering the period 2013–2025, the study combines trend analysis of stock prices, market capitalisation, enterprise value and debt, with firm-specific regression models to assess how restructuring influences financial outcomes and market perception. The results show that debt restructuring plays a significant role in restoring financial stability and improving market valuation, although its effectiveness varies across firms and industries. Aggressive deleveraging through debt–equity conversion and capital infusion as in Suzlon leads to rapid recovery in valuation and strong investor response, while asset monetisation and equity infusion as in DLF generate steady valuation growth. Refinancing and maturity extension as in Tata Steel improve liquidity and stability but produce more moderate valuation gains due to cyclical industry conditions. Regression results consistently show a strong negative relationship between market capitalisation and total debt and a positive relationship between enterprise value and total debt, highlighting the interaction between leverage and valuation measures. The findings suggest that debt restructuring enhances long-term investor confidence and firm value when supported by favourable industry conditions, credible execution, and transparent communication, while short-term volatility remains influenced by macroeconomic and sectoral factors.

Keywords: Debt Restructuring; Firm Valuation; Investor Sentiment; Market Capitalisation; Enterprise Value; India.

INTRODUCTION

Introduction

In recent years, debt restructuring has assumed considerable importance in the financial management of businesses across the world, particularly in emerging economies like India. As firms operate in an environment marked by economic uncertainty, volatile markets, rising interest rates, and frequent external shocks, the ability to manage financial distress has become critical for business survival. Debt restructuring has therefore emerged not merely as a remedial financial tool, but as a strategic mechanism that allows distressed firms to realign their financial obligations, restore stability, and sustain long-term operations.

Debt restructuring refers to the process by which the terms of existing debt are modified to provide relief to the borrower and improve the feasibility of repayment. This may involve changes in interest rates, extension of repayment periods, conversion of debt into equity, partial forgiveness of debt, or refinancing under new terms. The fundamental objective of restructuring is not to avoid repayment, but to make repayment viable in the context of the firm's actual financial capacity. In this sense, restructuring serves both borrowers and lenders by preventing value-destroying insolvency and enabling recovery through orderly resolution.

The relevance of debt restructuring has become particularly visible in India over the past decade, as several sectors have faced prolonged financial stress. Capital-intensive sectors such as power, infrastructure, steel, real estate, telecom, and aviation have accumulated high levels of leverage due to long gestation periods, regulatory bottlenecks, cyclical demand, and global price fluctuations. The situation was further aggravated by macroeconomic slowdowns and the COVID-19 pandemic, which severely disrupted cash flows and increased default risks across industries. As a result, debt restructuring has increasingly been used as a formal and informal mechanism to manage stress and prevent widespread business failures.

India's evolving regulatory and institutional framework has also played a key role in shaping restructuring practices. The introduction of the Insolvency and Bankruptcy Code (IBC) marked a shift from ad-hoc and fragmented resolution mechanisms to a more structured, time-bound process for dealing with stressed assets. In parallel, the Reserve Bank of India (RBI) has periodically introduced restructuring and resolution frameworks to help banks and borrowers address financial stress in a systematic manner. These policy interventions have encouraged early recognition of stress and promoted restructuring as a means of resolution rather than liquidation.

Globally, debt restructuring has gained prominence in response to rising corporate leverage, tightening financial conditions, and geopolitical and economic uncertainties. From real estate distress in China and corporate bankruptcies in the United States to sovereign debt crises in parts of Europe, Latin America, and Africa, restructuring has become a central feature of modern financial systems. These developments underline the fact that debt restructuring is no longer an exceptional response to crisis but an integral part of financial risk management and economic stabilization.

Against this backdrop, this paper examines the evolving landscape of debt restructuring, with reference to its trends across sectors in India, its growing significance, the methods and processes involved, and its financial and operational impacts. It also places Indian experience in a broader global context and identifies the key stakeholders who benefit from restructuring, including firms, financial institutions, investors, regulators, employees, and the wider economy. By doing so, the study seeks to highlight how debt restructuring functions as a balancing mechanism between financial discipline and economic continuity, and why it has become an essential instrument in managing corporate and systemic financial stress in contemporary economies.

LITERATURE REVIEW

The literature on debt restructuring has developed significantly over the past three decades, reflecting changes in financial markets, regulatory regimes, and the growing complexity of corporate and sovereign debt. Early theoretical work conceptualised debt restructuring as a contractual renegotiation mechanism between borrowers and creditors designed to resolve financial distress efficiently and avoid value-destroying liquidation (Gertner & Scharfstein, 1991; Bolton & Scharfstein, 1996). This stream emphasised the value-preserving role of renegotiation for economically viable but financially distressed firms.

Subsequent research integrated restructuring into broader frameworks of corporate governance and agency theory. Jensen and Meckling (1976) showed that high leverage intensifies conflicts between shareholders and creditors, increasing the likelihood of financial distress and the need for restructuring. Empirical studies demonstrated that firms often prefer private workouts—such as debt rescheduling, interest concessions, and asset sales—over formal bankruptcy, as

these allow greater flexibility and preserve operational continuity (Gilson et al., 1990; Asquith et al., 1994).

With increasing financial integration, debt restructuring has also been examined from a macro-financial and systemic risk perspective. Debt overhang has been shown to constrain investment and delay recovery unless addressed through restructuring (Stiglitz, 2002; Eichengreen, 2003). Following global financial crises, restructuring has been recognised as a mechanism for stabilising not only firms but also financial systems (Acharya, 2009).

Institutional quality plays a critical role in restructuring outcomes, particularly in emerging economies. Studies show that creditor rights, legal enforcement, and bankruptcy institutions significantly influence recovery rates and resolution speed (La Porta et al., 1998; Djankov et al., 2007). In India, the introduction of the Insolvency and Bankruptcy Code improved creditor recovery and resolution discipline, although challenges related to judicial delays persist (Ravi, 2015; Sengupta et al., 2017; Ghosh, 2020).

Beyond crisis resolution, restructuring has been conceptualised as a strategic tool for value enhancement. Mavlutova et al. (2020) view restructuring as a mechanism for achieving operational and financial synergies and improving long-term stability. However, the market response to restructuring depends on firm context and intent. Khurana and Lippincott (2003) show that restructuring by loss-making firms is perceived positively, while similar actions by profitable firms may be viewed as value-neutral or negative.

Sectoral and firm-level studies further highlight heterogeneity in restructuring outcomes. Ramdas and Kumar (2014) find that restructuring affects shareholder value in the IT sector, while Koh et al. (2015) show that restructuring strategies vary across the firm lifecycle, although certain financial adjustments support recovery across stages. Sudarsanam and Lai (2002) emphasise that implementation quality, rather than the choice of strategy alone, determines turnaround success.

Recent theoretical work highlights the dynamic effects of restructuring on investment and financing decisions. Tan and Luo (2021) show that credible debt restructuring can reduce agency conflicts, alleviate underinvestment, and improve investment efficiency by weakening shareholders' incentives for risk-shifting.

At the sovereign level, debt restructuring is recognised as a recurring and systemic phenomenon (Reinhart & Rogoff, 2009), with calls for orderly, rule-based mechanisms to limit prolonged economic and social costs (Guzman et al., 2016).

Overall, the literature portrays debt restructuring as a complex institutional and financial mechanism balancing value preservation, incentive alignment, and systemic stability. While existing studies document its effects on recovery and efficiency, there remains limited empirical evidence on its impact on firm valuation, investor perception, and sectoral recovery in emerging markets such as India. This study seeks to address this gap.

Research Design

This study adopts a quantitative, explanatory research design to examine the impact of debt restructuring on investor sentiment, firm valuation, and capital structure. The analysis is structured around three core objectives: (i) to evaluate the effect of debt restructuring on stock prices and investor sentiment; (ii) to assess its impact on market valuation measures; and (iii) to empirically examine the relationship between total debt, market capitalisation, and enterprise value. The study combines event-based analysis, trend analysis, and econometric modelling to capture both market reactions and structural valuation changes.

The sample consists of three Indian firms — Suzlon Energy Ltd., DLF Ltd., and Tata Steel Ltd. — that underwent major debt restructuring during the study period. These firms were selected because they represent different sectors (renewable energy, real estate, and steel), experienced significant financial distress prior to restructuring, and had publicly observable restructuring events, allowing meaningful comparison across industries and time.

Data Sources and Variables

This study uses secondary data collected from multiple reliable sources. Firm-level financial information is obtained from company annual reports and audited financial statements, while stock price data are sourced from the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE). Additional financial and market data are drawn from established databases such as Bloomberg, Reuters, and Moneycontrol. Information on corporate announcements and restructuring-related disclosures is collected from stock exchange filings and disclosures published by the Securities and Exchange Board of India (SEBI). The analysis covers the period from 2013 to 2025, subject to data availability for each firm.

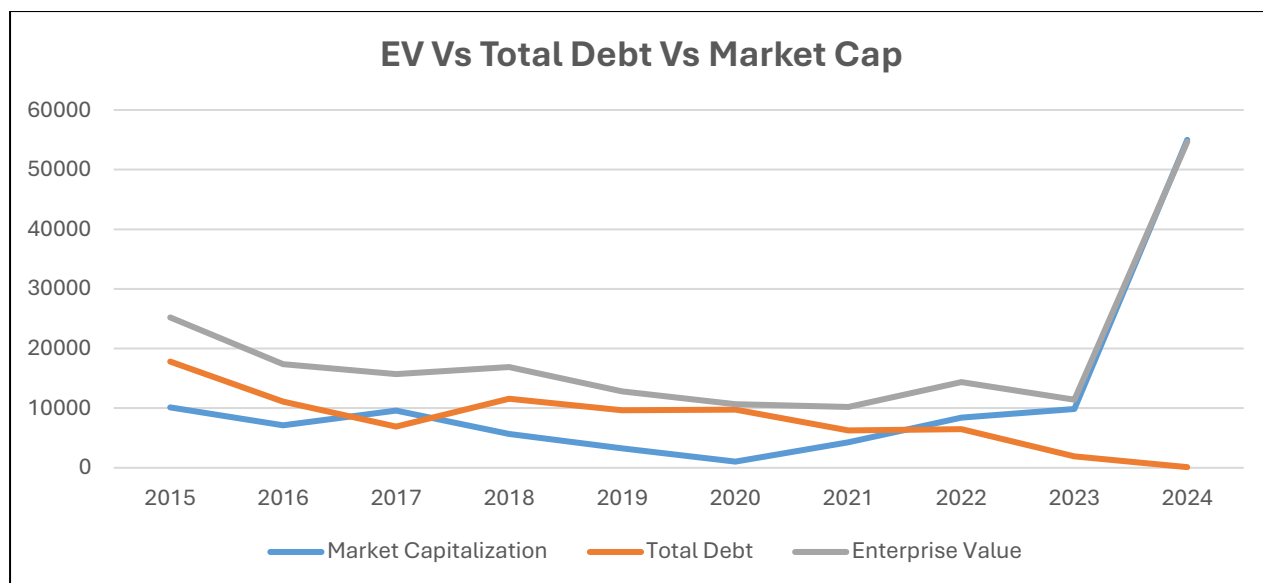
The dependent variables used in the study include stock price returns, market capitalisation, and enterprise value, which together capture investor response and firm valuation. The primary independent variable is total debt, which represents the firm's leverage and financial restructuring status.

Data analysis and Discussion :

1.Suzlon Energy Ltd Debt Restructuring :

Suzlon Energy Ltd. is one of the leading global renewable energy solutions providers and a vertically integrated wind turbine generator (WTG) manufacturer, engaged in the design, development, manufacturing, installation, and operation and maintenance (O&M) of wind energy projects in India and overseas. The company offers end-to-end services covering wind resource assessment, infrastructure development, power evacuation, technical planning, execution, and long-term O&M support. Prior to restructuring, Suzlon faced severe financial distress, with total outstanding debt of approximately ₹13,800 crore, largely comprising term loans and working capital facilities from a consortium of lenders led by the State Bank of India, which significantly constrained cash flows and operational flexibility. To address this, Suzlon entered into a Framework Restructuring Agreement on June 5, 2020, and implemented the resolution plan on June 30, 2020. The restructuring involved a substantial reduction and reorganisation of term debt, with the remaining portion restructured at an interest rate of 9% per annum and a repayment period of 10 years starting July 2020, while a significant share of outstanding debt was converted into long-term instruments, including Optionally Convertible Debentures carrying a nominal interest rate of 0.01% and Compulsorily Convertible Preference Shares issued by a subsidiary at 0.0001%, both with maturities of up to 20 years and conversion into equity. In addition, promoters infused ₹392 crore as fresh equity, strengthening the capital base and signalling commitment to the company's revival. As a result, Suzlon's debt burden declined sharply, maturity was extended, interest costs fell substantially, and cash flow pressures eased. While pre-restructuring interest rates were as high as approximately 14.5% per annum, post-restructuring borrowing costs declined significantly, with term debt at 9% and most restructured instruments carrying only nominal interest, thereby materially improving the company's financial stability and long-term sustainability.

Debt Restructuring impact on valuation and financial performance:



Market Capitalisation: Before 2020, Suzlon’s market capitalisation exhibited a sharp declining trend, falling from ₹10,140 crore in 2015 to ₹1,037 crore in 2020, representing a decline of nearly 90 percent. Following the implementation of the debt restructuring in June 2020, the company’s market capitalisation began to recover, increasing to ₹8,433 crore in 2022 and rising further to ₹54,995 crore in 2024, reflecting an overall increase of about 550 percent. This sharp post-restructuring rise indicates a strong recovery in investor confidence and market valuation.

Total Debt Reduction: Suzlon’s debt burden was significantly high prior to restructuring, amounting to ₹17,810 crore in 2015 and declining gradually to ₹9,758 crore by 2020. After restructuring, debt reduction accelerated sharply, falling to ₹6,269 crore in 2021, ₹1,937 crore in 2023, and eventually to just ₹110 crore in 2024. This substantial decline reflects the effectiveness of the restructuring process through mechanisms such as debt settlement, refinancing, conversion into equity-linked instruments, and asset monetisation.

Enterprise Value (EV): Suzlon’s enterprise value declined steadily before 2020, decreasing from ₹25,227 crore in 2015 to ₹10,654 crore in 2020, a fall of approximately 57.8 percent. Post-restructuring, EV initially stabilised but then increased sharply, reaching ₹11,424 crore in 2023 and ₹54,670 crore in 2024. This represents a surge of about 435 percent between 2021 and 2024, driven primarily by rising market capitalisation and improved financial stability following the restructuring.

Regression analysis summary:

Model 1: OLS, using observations 2015-2025 (T = 11) for Suzlon

Independent variable: Total Debt

	Coefficient	Std. Error	t-ratio	p-value
const	-643.284	557.810	-1.153	0.2821
Market Capitalization	-1.11929	0.0466427	-24.00	<0.0001
Enterprise Value	1.14048	0.0543448	20.99	<0.0001
R-squared	0.989972		Adjusted R-squared	0.987465
F(2, 8)	394.8774		P-value(F)	1.01e-08
rho	0.208493		Durbin-Watson	1.206329

The regression results indicate that market valuation measures have a significant influence on total debt. Market capitalisation shows a strong negative association with total debt (coefficient

= -1.11929, $p < 0.0001$), implying that firms with higher market value tend to have lower leverage. In contrast, enterprise value exhibits a positive and highly significant relationship with total debt (coefficient = 1.14048, $p < 0.0001$), reflecting the mechanical inclusion of debt within EV. The model explains a substantial proportion of variation in total debt ($R^2 = 0.9899$), although the Durbin–Watson statistic (1.206) suggests mild positive autocorrelation

Impact on investor sentiments and stock price:



Investors' sentiments: From 2015 to mid-2020, Suzlon's stock price remained low and stagnant, reflecting financial distress, high debt burden, and weak profitability. Investors were wary due to liquidity concerns, poor earnings, and corporate governance issues. The stock price trended downward, indicating weak confidence in Suzlon's ability to recover. 2021-2022: Following the debt restructuring, the stock price started recovering gradually as investors gained confidence in Suzlon's improved financial position. 2023-2024: A major rally occurred, with the stock price surging exponentially.

This sharp upward movement suggests that Debt reduction and improved financial stability, Strong earnings recovery and Growth prospects in renewable energy projects

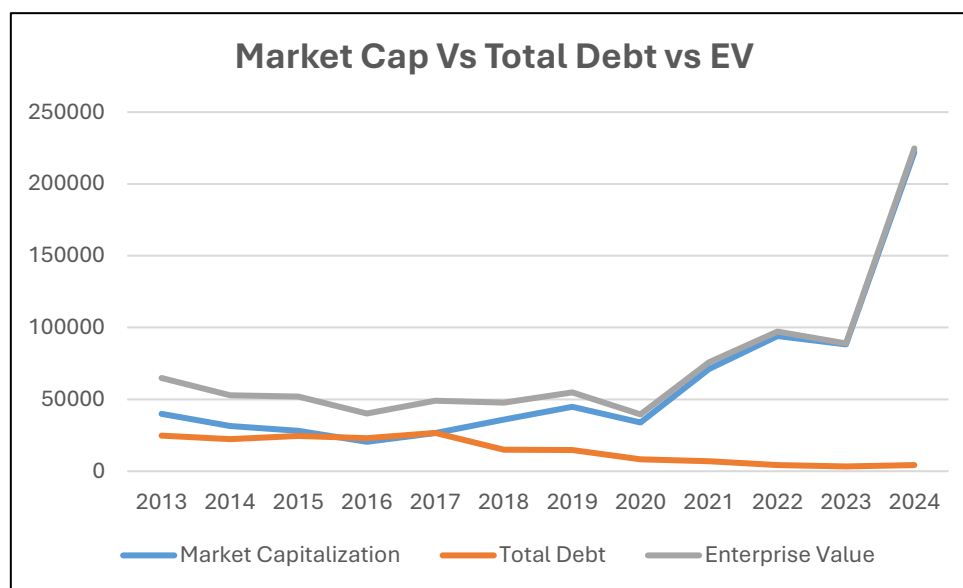
Stock Performance: Pre-restructuring, the stock price fell from Rs. 27.78 per share in March 2015 to an all-time low of Rs. 1.59 per share in January 2020. This was a fall in price by approximately 94.28%. After 2020, due to a reduction in financial distress and a boost in investors' confidence, the stock surged exponentially from Rs 1.59 per share in Jan 2020 to Rs 86 per share in May 2025, an increase in stock price by 5300%. For the past 5 years, investors have gained immensely from Suzlon Energy Ltd.'s shares. But in 2025, due to a global economic crisis, weak earning potentials and FII outflows from India, the stock price has been volatile and down from its all-time high.

2. DLF Ltd Debt Restructuring

DLF Ltd., founded in 1946 by Chaudhary Raghvendra Singh, is India's largest publicly listed real estate company, with residential, commercial, and retail developments across 15 states and 24 cities. The company and its subsidiaries are engaged in the full real estate value chain, including land acquisition, project planning and development, leasing, power generation, maintenance, hospitality, and recreational services. Prior to restructuring, DLF carried a substantial debt burden that constrained its financial flexibility, with consolidated net debt of approximately ₹26,663 crore at the parent level and ₹16,447 crore in its subsidiary DLF Cyber City Developers Ltd. (DCCDL) by FY2019. To address this, the company undertook a comprehensive restructuring involving the formation of a joint venture with the Government

of Singapore Investment Corporation (GIC) for DCCDL, monetisation of rental assets generating ₹6,000–₹6,500 crore, promoter equity infusion of ₹11,250 crore through warrant conversion, and a ₹3,170 crore Qualified Institutional Placement. These measures significantly reduced leverage and improved liquidity, leading to a marked decline in finance costs as reported in the FY2022–23 annual report. Before restructuring, DLF’s cost of debt was relatively high at around 11.5%, reflecting its leveraged position, but following restructuring interest expenses on long-term borrowings declined steadily, reaching a five-year low of ₹271 crore by March 2024. The average cost of debt for leading real estate developers, including DLF, also declined from 9.64% in Q4 FY2020 to 8.14% in Q2 FY2023, indicating improved credit quality and more efficient financing post-restructuring.

Impact on Enterprise value and market capitalisation:



The trends indicate a strong improvement in DLF’s valuation following its debt restructuring. During the pre-restructuring period (2013–2017), market capitalisation remained stagnant or declined due to high leverage and financial stress, falling by nearly 49% by 2016. After the 2017 restructuring, market capitalisation began to recover gradually and then increased sharply from 2020 onwards, rising by nearly 985% by 2024 at an average annual growth rate of about 35%, reflecting renewed investor confidence in the company’s financial health. At the same time, total debt declined steadily after 2017 and stabilised at lower levels from 2019 onwards, indicating effective deleveraging through asset monetisation and equity infusion. Enterprise value remained relatively stable before 2017, experienced a mild decline during 2018–2019 due to ongoing deleveraging, and then rose sharply after 2020, signalling a substantial improvement in the firm’s overall valuation as the market responded positively to its stronger capital structure and operational stability.

Regression analysis summary:

Model 2: OLS, using observations 2013-2025 (T = 13) for DFL

Independent variable: Total Debt

	Coefficient	Std. Error	t-ratio	p-value
const	4195.61	1221.68	3.434	0.0064
Market Capitalization	-0.926116	0.0515500	-17.97	<0.0001
Enterprise Value	0.913057	0.0568575	16.06	<0.0001

R-squared	0.981329	Adjusted R-squared	0.977595
F(2, 10)	262.7996	P-value(F)	2.27e-09
rho	0.393173	Durbin-Watson	1.061920

The regression results show a strong and statistically significant relationship between valuation and debt for DLF. Market capitalisation has a negative and highly significant coefficient (-0.926 , $p < 0.0001$), indicating that higher market valuation is associated with lower total debt, consistent with successful deleveraging and improved investor confidence. In contrast, enterprise value has a positive and significant coefficient (0.913 , $p < 0.0001$), reflecting the mechanical inclusion of debt within enterprise value. The model has very high explanatory power ($R^2 = 0.98$), although the high correlation between market capitalisation and enterprise value (0.99) suggests multicollinearity, and the Durbin–Watson statistic (1.06) indicates some positive autocorrelation. Overall, the results confirm that valuation dynamics are closely linked to DLF’s debt reduction process.

Impact on investor sentiments and stock price:



Investors' sentiments: The trading volume ($14.716B$) during the period indicates strong investor participation, reinforcing optimism about DLF's turnaround. The price peaked around 2023-2024, suggesting that investors rewarded the company’s financial restructuring with long-term confidence. Debt restructuring was a major turning point that led to a strong bullish trend in DLF's stock price. Investors reacted positively to the lower debt burden and improved solvency, as seen in the steep price appreciation post-2017. The sharp increase in valuation reflects enhanced market confidence and better financial fundamentals.

Stock Performance: The stock price remained stagnant and range-bound from 2014 to early 2017, indicating low investor confidence and limited growth prospects. The lack of upward movement suggests concerns regarding high debt levels and financial instability before restructuring. After August 2017, the stock price showed a strong upward trend, indicating positive investor sentiment. The price surged from approximately ₹163.14 to ₹962.48, marking a massive 489.97% increase over the period. This substantial rally reflects renewed confidence in DLF’s financial position, likely driven by deleveraging, improved profitability, and better cash flows.

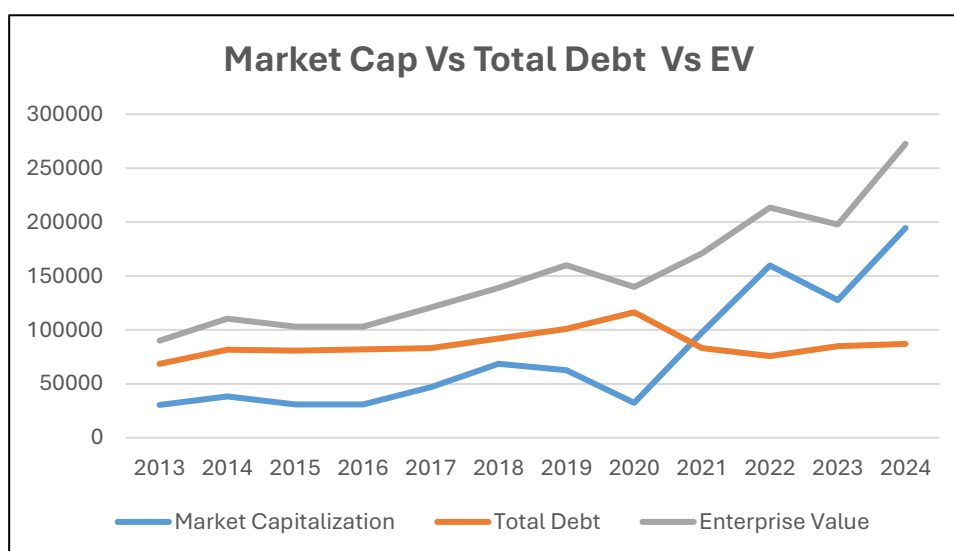
Tata Steel: Profile and Debt Restructuring

Tata Steel, formerly known as Tata Iron and Steel Company Limited (TISCO), is one of the world’s largest and most geographically diversified steel producers, with operations in 26 countries and major production facilities in India, the Netherlands, and the United Kingdom. It

has an annual crude steel capacity of about 35 million tonnes and employs approximately 78,300 people, with its largest plant located in Jamshedpur, Jharkhand. Prior to restructuring in early FY 2018–19, Tata Steel had a highly leveraged balance sheet, with gross debt of ₹1,18,680 crore, comprising long-term debt of ₹72,800 crore and short-term debt of ₹45,880 crore, which placed pressure on cash flows and financial stability. During the restructuring phase, the company reduced gross debt by ₹17,864 crore through asset divestments, refinancing initiatives including ₹4,315 crore raised via non-convertible debentures to extend debt maturity, improved operating cash flows, and the integration and restructuring of Bhushan Steel’s liabilities. As a result, by the end of FY 2018–19, gross debt declined to ₹1,00,816 crore, with a strategic shift toward longer-term borrowings as long-term debt increased to ₹80,300 crore and short-term debt fell sharply to ₹20,516 crore, improving liquidity and lowering rollover risk. While exact pre- and post-restructuring interest rates are not fully disclosed, Tata Steel’s effective interest rate ranged between 6.7% and 7.9% during 2020–2023, indicating relatively stable borrowing costs following restructuring, influenced by both improved credit profile and changing market interest conditions.

Debt Restructuring impact on valuation and financial performance:

1. Impact on Enterprise value and market capitalisation:



From 2013 to 2017, Tata Steel’s market capitalisation increased gradually while total debt also rose steadily, reflecting expansion accompanied by higher leverage. Between 2018 and 2020, debt levels peaked and market capitalisation declined sharply, indicating financial stress compounded by restructuring costs and the COVID-19 shock. After 2020, Tata Steel implemented deleveraging and refinancing measures, leading to a reduction in total debt and a strong recovery in market capitalisation from 2021 onwards. Enterprise value increased moderately from 2013 to 2019, declined slightly in 2020, and then rose sharply between 2021 and 2024, reflecting both improved operating performance and a positive market re-rating. Overall, the period from 2013 to 2024 shows a transition from leveraged growth and financial stress to post-restructuring stabilisation and strong valuation recovery.

Regression analysis summary:

Model 3: OLS, using observations 2013-2024 (T = 12) for TATA

Independent variable: Total Debt

	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-ratio</i>	<i>p-value</i>
const	23278.4	8607.63	2.704	0.0242

Market Capitalization	-0.788231	0.0998303	-7.896	<0.0001
Enterprise Value	0.813974	0.103208	7.887	<0.0001
R-squared	0.875606	Adjusted R-squared	0.847963	
F(2, 9)	31.67537	P-value(F)	0.000084	
rho	-0.415802	Durbin-Watson	2.553782	

The regression results indicate a strong relationship between firm valuation and leverage. Market capitalisation has a negative and highly significant coefficient (-0.788 , $p < 0.0001$), indicating that firms with higher market value tend to have lower levels of total debt. In contrast, enterprise value shows a positive and highly significant association with total debt (0.814 , $p < 0.0001$), reflecting the inclusion of debt within enterprise value. The model explains a substantial proportion of variation in total debt ($R^2 = 0.876$), although the high correlation between market capitalisation and enterprise value (0.966) suggests multicollinearity, and the Durbin-Watson statistic (2.55) indicates possible negative autocorrelation in the residuals. Overall, the findings confirm that valuation measures are closely linked to firms' capital structure dynamics.

Impact on investor sentiments and stock price:



Investors sentiments: Debt restructuring improved long-term investor confidence, as seen in the strong price appreciation from 2020 to 2022. Short-term volatility persists due to macroeconomic factors, steel price fluctuations, and global uncertainty. Stock remains sensitive to cyclical trends in the steel industry, which affects earnings and valuation multiples.

Stock Performance: Stock price exhibited gradual growth from 2013 to 2017, reflecting improved market confidence in Tata Steel's operational strength. 2018-19 witnessed a decline in stock price, likely due to market uncertainty surrounding the debt restructuring process. Investors were initially cautious about the impact of high debt levels and restructuring costs on profitability. From April 2020 to June 2022, the stock surged by 606%, indicating strong investor confidence post-restructuring.

Key factors contributing to the rise: **Deleveraging efforts:** Lower debt levels reassured investors about the company's long-term financial health. **Cyclical recovery in the steel sector:** Rising steel prices during 2021-22 boosted Tata Steel's profitability, further driving up stock value.

Improved profitability and operational efficiency post-restructuring. After reaching a peak in 2022, the stock experienced a sharp correction, followed by continued volatility

Findings

The study shows that debt restructuring strategies differ in their effectiveness depending on the firm's financial condition, the nature of restructuring, and industry characteristics. Suzlon's aggressive debt reduction through debt–equity conversion, capital infusion, and interest rate cuts led to rapid financial recovery and a strong surge in market valuation, indicating that deep deleveraging can quickly restore investor confidence. Tata Steel primarily adopted refinancing and maturity extension, which improved liquidity and stability but resulted in a more moderate valuation response due to the cyclical nature of the steel industry. DLF relied on asset monetisation and equity infusion, which enabled immediate debt reduction and generated steady valuation growth.

Industry conditions played a crucial role in determining restructuring outcomes. Firms operating in high-growth sectors such as renewable energy and real estate experienced faster valuation recovery, whereas cyclical industries like steel remained vulnerable to global demand fluctuations despite successful restructuring. Investor sentiment further amplified these effects: firms that clearly communicated restructuring plans and demonstrated operational improvements experienced faster stock price recovery, while macroeconomic uncertainty and sectoral volatility limited valuation gains in other cases.

Conclusion

Debt restructuring is a critical mechanism for restoring financial stability and improving firm valuation, particularly in highly leveraged and capital-intensive industries. This study demonstrates that while restructuring may initially create uncertainty, it leads to improved market capitalisation, enterprise value, and investor confidence when executed effectively. The cases of Suzlon, DLF, and Tata Steel show that strategies such as debt reduction, asset monetisation, and refinancing can significantly enhance financial health, though their effectiveness depends on industry dynamics and execution quality.

Furthermore, the analysis confirms that investor sentiment and stock price performance are strongly influenced by the company's ability to communicate and execute restructuring plans effectively. Companies that proactively address debt burdens through asset monetization, equity infusion, or long-term refinancing tend to regain financial stability more quickly, attracting institutional investments.

In conclusion, while debt restructuring is not a one-size-fits-all solution, it remains an essential financial strategy for distressed firms aiming for long-term sustainability. Policymakers and corporate leaders must ensure that restructuring mechanisms are well-structured, transparent, and aligned with business fundamentals to maximize value creation and financial recovery.

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