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STANDING COMMITTEE ON FINANCE

(2025-26)

EIGHTEENTH LOK SABHA

MINISTRY OF CORPORATE AFFAIRS

REVIEW OF WORKING OF INSOLVENCY AND BANKRUPTCY CODE AND EMERGING ISSUES

TWENTY EIGHTH REPORT

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

December, 2025 / Agrahayana,1947 (Saka)

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Presented to Lok Sabha on 02 December, 2025

Laid in Rajya Sabha on 02 December, 2025

LOK SABHA SECRETARIAT
NEW DELHI

December, 2025/ Agrahayana, 1947 (Saka)

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Shri Bhartruhari Mahtab - Chairperson

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4. Shri Rajesh Naranbhai Chudasama
5. Shri Lavu Sri Krishna Devarayalu
6. Shri Gaurav Gogoi
7. Shri K. Gopinath
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12. Shri N. K. Premachandran
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SECRETARIAT

1.	Shri Gaurav Goyal	Joint Secretary
2.	Smt. Bharti Sanjeev Tuteja	Director
3.	Shri T. Mathivanan	Deputy Secretary
4.	Ms. Vandana	Committee Officer

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30. Dr. M. Thambidurai
31. Shri Pramod Tiwari

INTRODUCTION

I, the Chairperson of the Standing Committee on Finance, having been authorized by the Committee, present this Twenty-Eighth Report on the subject 'Review of working of Insolvency and Bankruptcy Code and Emerging Issues'.

2. The Committee, on 29 May, 2025, held deliberations with the representatives of the Ministry of Corporate Affairs and also took oral evidence of the representatives of three Public Sector Banks namely Union Bank of India, Punjab National Bank and Canara Bank on the subject. In their next sitting on 30 May, 2025, the Committee took oral evidence of the representatives of the Insolvency and Bankruptcy Board of India (IBBI). Thereafter, the Committee, on 10 July, 2025, took oral evidence of four Public Sector Banks, namely State Bank of India, Bank of Baroda, Indian Bank and Indian Overseas Bank. Finally, the Committee, on 29 July, 2025, took oral evidence of the representatives of Reserve Bank of India on the subject.

3. The Committee considered and adopted this Report at their sitting held on 26 November, 2025.

4. The Committee wish to express their thanks to the above-mentioned organizations for appearing before the Committee and furnishing the requisite material and information desired by the Committee in connection with the examination of the subject.

5. The Committee would also like to place on record their deep sense of appreciation for the invaluable assistance rendered to them by the officials of Lok Sabha Secretariat attached to the Committee.

6. For facility of reference, the Observations/Recommendations of the Committee have been printed in bold at the end of the Report.

NEW DELHI;
26 November, 2025
05 Agrahayana, 1947 (Saka)

BHARTRUHARI MAHTAB
Chairperson,
Standing Committee on Finance

PART-I
INTRODUCTORY

(A) Background

Several attempts were made in the past to provide a legal and institutional machinery for dealing with debt defaults. The Provisions for recovery action by creditors through fragmented legislations like the Indian Contract Act, 1872, special laws such as the Recovery of Debts and Bankruptcy Act, 1993 (RDBFI) and the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 (SARFAESI) did not yield desired outcomes. Further, action through the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and the winding-up provisions under the Companies Act, 1956 were not proving to be very helpful for either recovery by lenders or restructuring of firms. The laws dealing with individual insolvency, namely, the Presidential Towns Insolvency Act, 1909 and the Provincial Insolvency Act, 1920, were also archaic and not suitable to the changing needs of the time. This hampered confidence of lenders and consequently debt market.

1.2 It is in this backdrop that a Bankruptcy Law Reforms Committee (BLRC) was constituted to study the legal framework for corporate bankruptcy in India. Based on the recommendations of the BLRC, the Insolvency and Bankruptcy Code, 2016 was enacted on 28th May, 2016 to consolidate and amend the law on insolvency, revival and liquidation of companies, limited liability partnerships, and individuals in a time bound manner for maximization of value of assets of such persons, to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders including alteration in the order of priority of payment of the Government dues.

Amendments to the Code

1.3 The Code has matured over the past six years with several amendments made to streamline the process based on stakeholders' experience on the ground. Over the first six years, a major legislative amendment was made each year which addressed a specific burning issue. The corrective measures brought about with each amendment are summarised here under:

Amendment	Concern/Corrective Measure
1st Amendment (23-11-2017)	• Classified personal guarantors to corporate debtors as a separate category of debtors (S. 2) • Preventing undesirable persons from taking over companies (Section 29A)
2nd Amendment (06-06-2018)	• Home buyers made financial creditors • Voting threshold reduced from 75% to 66% • Permitted withdrawal of the corporate insolvency resolution process by 90% or more voting of Committee of Creditors (S. 12A) • Excluded guarantors from moratorium • Relaxed section 29A for MSMEs • Section 240A opened window for special regime for MSMEs
3rd Amendment (16-08-2019)	• Mandatory completion in 330 days • Distribution of resolution proceeds • Decision by classes of creditors, present and voting • Resolution plan binding on everyone
4th Amendment (28-12-2019)	• No termination of license, permits, grants, etc. • Immunity to CD from past misdeeds (Section 32A) • Facilitation of resolution of financial service providers
5th Amendment (05-06-2020)	• Suspension of initiation for COVID-19 related defaults
6th Amendment (04-04-2021)	• Introduction of a pre-packaged insolvency resolution process
7th Amendment (Bill introduced in Lok Sabha on 12.8.2025- under examination of the Select Committee of Lok Sabha)	• Introduction of "creditor-initiated insolvency resolution process" with an out-of-court initiation mechanism for genuine business failures to facilitate faster and more cost-effective insolvency resolution, with minimal business disruption. • Introduction of "group insolvency" and "cross-border insolvency" frameworks. The cross-border insolvency framework is another area covered in the bill which seeks to lay the foundation for protecting stakeholder interests in domestic and foreign proceedings, promoting investor confidence and aligning domestic practices with international best practices

1.4 On being asked about the procedure that can be adopted for disposing of cases which were pending before implementation of IBC in 2016, the Ministry of Corporate Affairs in their written submission stated as under:-

> "On enactment of the Insolvency and Bankruptcy Code, 2016 (IBC), transitional provisions were introduced to bring pre-existing insolvency matters under its ambit. These are below:
>
> BIFR cases: All pending references before the Board for Industrial and Financial Reconstruction (BIFR) and Appellate Authority (AIFR) stood

abated with the repeal of Sick Industrial Companies Act, 1985 (SICA) with effect from December 1, 2016. However, companies could, within 180 days, file afresh under IBC if they wished to seek insolvency resolution.

High Court Winding-up Cases: Pending winding-up petitions under the Companie Act, 2013 before High Courts were partly transferred to the National Company Law Tribunal (NCLT), depending on their stage. If the petition had not reached the stage of notice to the company, they were transferred to NCLT and treated as IBC petitions. Advanced-stage cases continued under the Companies Act, 2013.

Debt Recovery Tribunal (DRT) Cases: Recovery suits pending before DRTs continued there, but fresh insolvency applications by banks/financial institutions post-IBC were filed before NCLT/DRT under the new framework."

(B) Components of IBC

1.5 The Code is considered as a game-changing economic legislation as it provides a comprehensive procedural framework to deal with insolvency in a time-bound manner. The Code provides a four-pillar ecosystem to resolve the insolvency related stress. A class of regulated Insolvency Professionals (IPs), who play a key role in the efficient working of the insolvency, liquidation, and bankruptcy processes serve as the first pillar. Next pillar is the Information Utility (IU) that stores financial information about debts and defaults, providing records of defaults, thereby, minimizing the possibility of admission delays and related disputes. Thirdly, the National Company Law Tribunal (NCLT) and Debt Recovery Tribunals (DRTs) are the Adjudicating Authorities (AAs) on matters pertaining to the IBC. The fourth pillar is the regulator, the Insolvency and Bankruptcy Board of India (IBBI) which regulates the IPs and other service providers as well as the processes.

1.6 The Code provides a comprehensive procedural framework to deal with insolvency in a time-bound manner. The Code provides for reorganisation in two ways; firstly, by way of the rescue of the company in financial distress through a resolution plan; secondly, in cases where resolution is not possible due to the Corporate Debtor (CD) being under economic distress, the company is closed through liquidation. The Code enables the market to make the choice. The market usually chooses to rescue a company if its business is viable or close it if unviable.

1.7 The Code has brought about a significant behavioral change amongst the creditors and debtors. As a consequence of the resolution process control and management of the company moves away from existing ineligible promoters. This in turn encourages the debtors to settle default with the creditor, at the earliest, even outside the ambit of the Code.

(C) Impact of the IBC

1.8 When the Committee sought to know from representatives of the IBBI, the overall impact of IBC on various stakeholders, the IBBI submitted the following details in their written replies:-

> "Through the research initiatives of the IBBI, a comprehensive research study has been conducted by the Indian Institute of Management Ahmedabad (IIMA) to assess the effectiveness of the resolution process under the IBC in India. This study examined the performance of firms both before and after the resolution process, comparing them against sector and size peers to understand the impact of the IBC. Key findings from the IIM Ahmedabad study are as follows:
>
> (a) Financial Recovery: Creditors have, on average, realised 32% of admitted claims and 168% of liquidation value in cases resolved under IBC.
> (b) Sales Growth: Average sales of resolved firms increased by 76% in the three years following resolution.
> (c) Operational Profitability: While net margins remain negative, resolved firms have achieved operational break-even (4% operating margin) by the third year post-resolution, a significant improvement from the pre-resolution period.
> (d) Employment: There was a 50% increase in average employee expenses three years post- resolution, indicating higher employment intensity in resolved listed firms. Total employment across firms also showed a substantial increase.
> (e) Asset Growth: Average total assets of resolved firms increased by about 50% post- resolution, coupled with a 130% increase in capital expenditure (CAPEX), indicating a build-up of tangible assets.
> (f) Profitability Convergence: The study found that profitability ratios of resolved firms converged with benchmark averages in the post-resolution period.
> (g) Market Valuation: For listed resolved firms, there was a significant revival in average market valuations post-resolution. The aggregate market valuation of all resolved firms increased from around Rs. 2 lakh crore to Rs. 6 lakh crore post-resolution.
> (h) Liquidity Improvement: Liquidity improved by about 80% in the post-resolution period. The current assets to current liabilities ratio improved from 1.01 in the year of bankruptcy to 1.83 in the third year post-resolution.
>
> These findings suggest that IBC has been effective in not only providing financial recovery for creditors but also in reviving and

improving the operational and financial health of resolved firms. The study demonstrates that firms undergoing resolution through the IBC process have shown significant improvements in various aspects of their business, including sales, profitability, asset growth, market valuation, and liquidity.

IIM Bangalore study:

Further, the impact of the IBC on credit discipline has also been corroborated by a comprehensive study conducted by the Indian Institute of Management Bangalore (IIMB). The study has analysed data on corporate loan accounts, CIRP, firm-level financial data and NPA data. The study finds that IBC has prompted borrowers to adhere to stipulated loan payment schedules. During the period under review, the study notes a significant reduction in loan accounts deemed '*Overdue*', both in terms of the Rupee amount as well as in terms of the number of accounts. Similarly, the yearly proportion of transitions of loan accounts from the '*Overdue*' category to the '*Normal*' category have increased, supporting the view of an improvement in the credit culture of corporates. Even the average number of days that a loan account stays in '*Overdue*' category before transitioning to '*Normal*' category has reduced from 248–344 days to 30-87 days. This shows that both debtors and creditors are trying to resolve the delinquencies at the earliest.

The IIM Bangalore study also indicates a 3% reduction in cost of debt for distressed firms post- IBC (vs. non-distressed firms), indicating an improved credit environment for distressed firms. As per the study, the IBC has improved corporate governance by increasing independent directors on resolved companies' Boards…."

1.9 The IIM Ahmedabad in their focus interviews with management of firms that underwent Resolution had registered following findings:-

" We conducted discussions with a few of the representatives of the resolved firms to get a detailed review and suggestions about the resolution process and the period after that. The representatives indicated satisfaction with the overall process post-IBC. The participants also conveyed that some improvements are desirable going forward. The firms found interactions with NCLT helpful. However, the participants raised process difficulties with other government institutions, such as the Income Tax Department, Customs Department and RBI. A lack of general awareness about the new resolution process by all stakeholders has been pointed out by the respondents. This has led to delays in getting necessary clearances from these departments and an overall delay in the resolution process. A transparent online mechanism was proposed to issue no dues claims once the process is completed as a step to solve the issue. This will enable the firms to engage freely with banks with a clean slate. Suggestions were also made to improve the resolution process. Sometimes, claims are made, or bids are put in at the last moment, further delaying the process. The appeals filed prolong the resolution process; hence, some mechanisms to discourage such parties must be incorporated, as many of the participants still had pending litigation

processes. A few participants mentioned difficulty in obtaining bank financing even after the resolution process was over. The banks were very cautious and had not removed the label of "defaulter" until after the firms started performing well. The respondents had varied opinions about the performance and guidance of the Resolution Professionals (RP) during the interim period. Most participants believed that the RPs' competence could be improved through training, as most of them do not have a business/managerial background. While the committee of creditors are entrusted with monitoring the RPs, it will be beneficial if there is a control mechanism through an additional internal auditor or similar arrangements."

1.10 Asked about the views of RBI, in their written submission they provided as stated below:-

"After the notification of the Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019 (FSP Rules), the RBI has been notified as the appropriate regulator by the Government of India for initiating the CIRP under the IBC framework against non-banking financial companies (including housing finance companies),with an asset size of ₹500 crore or more. Pursuant to this, the RBI has initiated CIRP against four Financial Service Providers (FSPs), namely Dewan Housing Finance Corporation Limited, Srei Infrastructure Finance Limited, Srei Equipment Finance Limited, and Reliance Capital Limited. In these cases, the RBI ensured that the appointed Administrator (acting as the Resolution Professional) as well as the members of the Advisory Committee possessed adequate experience in both banking and non-banking sectors. Further, in terms UNCITRAL of FSP Rules, the RBI is also required to provide a "no-objection" to the successful resolution applicant with regard to the "fit and proper" criteria for acquiring the concerned FSP. It is submitted that in all four CIRP cases, the RBI has issued the requisite "no-objection" in a timely manner, and no delays have been observed in this process."

1.11 On being enquired about the protection available to the Corporate Debtor from legal actions of other Government agencies during resolution process and cases are pending before the NCLT, the Ministry of Corporate Affairs in their written response apprised as under:-

"Under the IBC, when a company is undergoing resolution and cases are pending before the NCLT, the Code provides a moratorium that protects the company from legal actions, including recovery or enforcement proceedings. However, this protection does not extend to criminal investigations or actions by investigation agencies, which can continue independently. If funds are seized or deposited in government accounts, their release depends on the outcome of these investigations and relevant court orders. IBC safeguards creditors and investors during resolution, In essence the IBC aims to streamline the insolvency process by pausing certain legal actions while allowing the resolution process to take place. However, it does not shut down all legal

activity; it selectively halts proceedings that could interfere with the resolution process. The concept of Moratorium is to protect to the Company and its asset. Section 60(5) of the IBC, grants the NCLT a residuary jurisdiction to adjudicate any question of law or fact arising out of or in relation to the insolvency resolution of a corporate debtor. This should afford sufficient protection to investors who are investing in good faith."

1.12 When asked further about country's position in global landscape in respect of insolvency laws, the Ministry of Corporate Affairs submitted the following written reply:-

"As per the World Bank's Ease of Doing Business Report 2020, India had moved up to rank 52, with a significant improvement in the "Resolving Insolvency" parameter from 136 to 52 in just a few years, largely attributed to the enactment of IBC. Advanced jurisdictions such as the UK, Singapore, and the USA offer models where restructuring is emphasized over liquidation, cross-border insolvency is fully recognized, and judicial capacity is stronger and more specialized…."

1.13 In this regard, the Chairperson, IBBI in an elaborate submission during the course of evidence *inter alia* indicated towards various indirect benefits accrued under the Code:-

"But IBC has a large number of indirect benefits, and I will just touch on this. The first and the biggest indirect benefit is that IBC has changed the debtor-creditor relationship in this country and this has led to improvement in bank NPAs. The bank NPAs, which were about 12 per cent or 11.18 per cent have come down to about 2.5-2.6 per cent. This is the figure of September. In March, it would be even lower.

Sir, a large number of creditors file applications in NCLT, but as you can see, about 30,000 applications have been withdrawn because of this change in debtor-creditor relationship because people are afraid that their companies will be taken over. About Rs. 13.94 lakh crore of debt has been underlined, and has been settled just by withdrawal alone.

Sir, in the last Ease of Doing Business Report, which came in 2020, India did exceedingly well, and IBC was one of the reasons or one of the factors which helped in our rank improvement. The most important thing here is that India did better than most OECD countries. Our recovery rate was better than the average of OECD countries. In 2026, when the next Report will come, I expect that we will continue to do as well as we had done in 2020."

1.14 He further added as follows:-

"…….Another significant improvement is that the average days in overdue of all loans has dropped from about 344 days to 30 to 87 days because companies do not want to go into insolvency. They do not want to go to NCLT. So, there has been a great improvement in the credit culture because of IBC.

The last Economic Survey which was presented to the Parliament shows that IBC has led to improved forex hedging. It has reduced the bond credit spreads, and has improved access to credit for exports. Now these are great indirect benefits which I think IBC has achieved."

1.15 On being asked about the interest of global investors in IBC, the Bank of Baroda in their written submission informed as stated below:-

> "The Insolvency and Bankruptcy Code (IBC) has generally increased global investor interest in India due to its framework for efficient resolution of distressed assets, enhanced creditor rights, and improved legal certainty. However, certain challenges like procedural delays and the need for a robust cross-border insolvency framework still need addressing to further boost investor confidence.
>
> The IBC promotes transparency in the insolvency resolution process, which helps build trust and confidence among foreign investors. The IBC aims for efficient recovery of dues for creditors, including foreign investors, making India a more attractive destination for investment.
>
> Overall, the IBC has been a positive step in attracting foreign investment, but ongoing reforms and addressing the existing challenges are crucial for maximizing its impact and attracting sustained global interest."

(D) Performance under the IBC

(a) Ecosystem

1.16 The IBC since its inception, has fostered a robust ecosystem featuring 4,435 IPs (Individuals), 92 Insolvency Professional Entities (IPEs) functioning as IPs, 127 IPEs, three Insolvency Professional Agencies (IPAs), one Information Utility (IU) viz. the National e-Governance Services Limited, 5,812 Registered Valuers (RVs), 118 Registered Valuer Entities (RVEs) and 14 Registered Valuer Organisations (RVOs).

(b) Corporate Insolvency Resolution Process (CIRP)

1.17 Till October 31, 2025, 8715 CIRPs have been admitted under the Code. Out of these, the Code has rescued 1322 Corporate Debtors (CDs) through resolution plans.

1.18 The stakeholder-wise outcome of CIRPs as on March 31, 2025 is given below:-

Outcome	Description	CIRPs initiated by/for				
		Financial Creditors	Operational Creditors	Corporate Debtors	FiSPs	Total
Status of CIRPs	Closure by Appeal/Review/Settled	402	863	11	0	1276
	Closure by Withdrawal u/s 12A	343	803	8	0	1154
	Closure by Approval of Resolution Plan	725	383	82	4	1194*
	Closure by Commencement of Liquidation	1290	1172	296	0	2758
	Ongoing CIRP's	1133	678	114	1	1926
	Total	3893	3899	511	5	8308*
CIRPs yielding Resolution Plans	Realisation by Creditors as % of Liquidation Value	187.0	128.0	144.9	134.9	170.1
	Realisation by Creditors as % of their Claims	33.2	25.2	18.1	41.4	32.8
	Average Time taken for Closure of CIRP	723	724	577	677	713
CIRPs yielding Liquidations	Liquidation Value as % of Claims	5.3	8.2	8.1	-	6.0
	Average Time taken for order of Liquidation	518	511	455	-	508

**As per the updated information / data received from the Ministry of Corporate Affairs, till October 31, 2025, 8715 CIRPs have been admitted under the Code. Out of these, the Code has rescued 1322 Corporate Debtors (CDs) through resolution plans.*

1.19 When the Committee asked why does the IBC's Section 12A grant the original applicant absolute veto power over withdrawal even when the debtor is ready to settle, and why is the CoC voting threshold for withdrawal (90%) significantly higher than the one for approving a resolution plan (66%), the Chairman, IBBI has stated the following during oral evidence before the Committee:-

"…… only the applicant can withdraw and there needs to be 90 per cent of the CoC approval. There are different views in the market. There is a view that the applicants should not be necessary. There is a view in the ecosystem.
As of now, both should agree, but there is a view in the market that it should not be mandatory for the applicant because if 90 per cent of the COC has agreed, then why should the applicant consent also be necessary? So, this view is there, but the law says that both should be there".

1.20 As regards the scope of disposal of cases at pre-admission stage, the Ministry of Corporate Affairs submitted following written response:-

" Pre-admission cases under the IBC are typically disposed of due to a settlement having been arrived between the Corporate Debtor and the applicant or owing to non-fulfilment of mandatory conditions such as the existence of a default or procedural deficiencies. The National Company Law Tribunal (NCLT) reviews whether the default is genuine and all filing requirements are met before admitting a case. Disposal at this stage helps filter out non-meritorious or technically flawed petitions, ensuring efficient use of judicial resources."

1.21 On being asked about the measures taken for the benefit of resolution applicants, facing uncertainty and delays in CIRP, the IBBI in its written reply stated the following:-

"Several legislative and structural measures have been implemented under the IBC framework. The doctrine of the 'clean slate' finds its roots in section 31(1) of the Code which provides that the approved resolution plan by the AA shall be binding on the all the stakeholders in the resolution plan. The Insolvency and Bankruptcy Code (Amendment) Act, 2019 amended section 31(1) to make the successful resolution plan binding on Central Government, any State Government or any local authority and such amendment was declaratory and clarificatory in nature and therefore retrospective in operation.

The Supreme Court in the case of *Ghanashyam Mishra and Sons Private Limited Vs. Edelweiss Asset Reconstruction Company Limited & Ors*[2021] has ruled that once a resolution plan is approved by the AA under Section 31 of the Code all claims which are not a part of the resolution plan shall stand extinguished and no person will be entitled to initiate or continue any proceedings in respect to a claim which is not part of the resolution plan.

Section 238 of the IBC provides that the provisions of the IBC shall override the provisions of any other law, notwithstanding anything inconsistent contained under such other laws. Further, all claims, which are not a part of resolution plan, shall stand extinguished and no person will be entitled to initiate or continue any proceedings in respect of a claim, which is not part of the resolution plan. In recognition to the above provision, the Government has amended the Finance Act 2022 by inserting section 156A in the Income Tax Act to give effect to the orders of the AA and to modify the demands accordingly

The Insolvency and Bankruptcy Code (Amendment) Act, 2020 inserted section 32A that reiterates the importance of ring fencing the CD from liabilities for past offences once a resolution plan has been approved. The Supreme Court in the matter of *Manish Kumar vs. Union of India (2021)* upheld the constitutional validity of Section 32A of the IBC, which provides immunity to the CD and its property from prosecution for prior offences once a resolution plan is approved and there is a change in management/control."

Recent Amendments in CIRP Regulations

1.22 Several Amendments have been undertaken in the IBBI (Insolvency Resolution of Corporate Persons) Regulations, 2016 (CIRP Regulations) for reducing delays, maximising the value, and facilitating processes by better flow of information. Some of the recent amendments are as under:-

(i) Measures to reduce delays:

- Limiting Modification in RFRP: The amendment caps the number of times the Request for Resolution Plan (RFRP) can be modified, addressing delays caused by repeated Expression of Interests (EoIs) and RFRP changes.

- Extended Claim Filing: The amendment extends the claim filing deadline to 90 days from insolvency commencement date (ICD) or until the RFRP is issued, whichever is later. RPs can opine on late claims, and CoC can recommend their inclusion before AA's adjudication.

- Recording Reasons for Liquidation: The amendment provides that CoC must consider guiding factors and record reasons when recommending early liquidation, to be submitted with the application to the AA.

(ii) Measures to maximise value

- Challenge Mechanism Introduced: A challenge mechanism process as an additional option is made available under CIRP to promote value maximization and transparency.

- Marketing Strategy Formulation: The amendment permits CoC-approved asset marketing strategies to expand applicant outreach and also advances Form G issuance to the 60th day from ICD with improved disclosures.

- Flexibility in Real Estate Cases: Allows CoC to direct RPs to invite separate resolution plans for individual projects within a real estate case, acknowledging the unique nature of each project.

(iii) Measures to facilitate processes by better flow of information

- Information Submission by Management: Requires CD personnel, promoters, and others to submit information such as records of information relating to the assets, finances and operations of the CD and assets recorded in the balance sheet of the CD to support the RP.

- Information Sharing by Creditors: Creditors must share relevant financial and audit information from their records in respect of assets and liabilities of the CD from the last valuation report, stock statement, receivables statement, inspection reports of properties, audit report, stock audit report, title search report, technical officers report, bank account statement to aid RPs in preparing the Information Memorandum (IM) and avoidance applications.

- Strengthened Information Disclosure in IM: Timeline for preparing the IM extended from 54 to 95 days, with mandatory inclusion of details like contingent liabilities, asset locations, company overview, investment highlights, and growth drivers for companies with assets over Rs. 100 crore. The IM will also include the details of carry forward of losses and unabsorbed depreciation as per the Income Tax Act.

- Revision of Form H: The compliance certificate (Form H) is revised to include key elements typically reviewed by NCLT, streamlining approvals and improving transparency.

- Disclosure of Valuation Methodology: Mandates explanation of valuation methods to CoC before estimating values to enhance transparency and reduce disputes.

(iv) Measures to facilitate resolutions in the real estate sector

- Handing Over Possession: RPs can now hand over possession of plots, apartments, or buildings to homebuyers during the resolution process, with CoC approval and upon fulfilment of obligations by homebuyers.

- Appointment of Facilitators: Facilitators can be appointed for sub-classes (e.g., homebuyers) to aid communication with the authorised representative and support creditor understanding of the resolution process.

- Participation of Competent Authorities: CoC may invite land authorities (e.g., NOIDA, HUDA) to meetings for regulatory inputs, improving resolution plan feasibility and stakeholder confidence.

- Report on Development Rights: RPs must prepare a report within 60 days on development rights, approvals, and permissions in real estate projects to guide creditor decision-making.

- Relaxations for Homebuyer Groups: CoC can relax eligibility criteria, performance security, and deposit requirements to enable homebuyer groups to participate as resolution applicants.

- Separate Bank Accounts for Real Estate Projects: Requires opening separate bank accounts for each real estate project to ensure financial transparency and accountability.

1.23 When asked about the major bottlenecks faced in implementation of CIRP, the SBI in their written submissions stated as below:-

"For NCLT:

NCLT is experiencing significant backlogs, with a large number of cases pending at various stages. This is mainly due to following reasons:

(i) Shortage of NCLT benches

(ii) Vacant position of judges and administrative staff at NCLT/NCLAT

(iii) Requirement of separate bench for non-IBC matters

(iv) Plethora of vexatious and frivolous litigations, and

(v) NCLT travelling beyond Section 31, leading to avoidable delays.

For RP:

(i) IPs face difficulty in obtaining information and records from the suspended directors/promoters of the CD as in many instances, information/record are either not provided or are reported lost/burnt.

(ii) Resistance from employees/workers of the CD in taking control of the CD.

(iii) If the information is submitted on a single platform, there will be a single source of truth which can be viewed by all parties having access to that information.

For CoC:

(i) Undue delay in admission of CIRP application.

(ii) Personal guarantors having undue benefit of interim moratorium, during which time the moratorium is not applicable on them.

(iii) Adjournments by NCLT based on compromise submitted by erstwhile promoters

(iv) Undue delay in adjudication of PUFE petitions Multiplicity of litigations and IAs resulting into undue delay in plan approval."

1.24 The Chairman, SBI has *inter-alia* made the following suggestions during his oral submission before the Committee:-

> *"One of the suggestions to reduce excessive haircuts is asset valuation systems to ensure the reflection of enterprise value instead of liquidation value. This is something we are working on. IBBI has also come out with guidelines on valuation and also a list of valuers who can be utilised for assessment of the enterprise value. The bankers probably would have to take insolvency steps if the company is not able to resolve. Early filing, early admission and preparation of complete information memorandum also will be helpful. Other things which are also delaying, as I mentioned, in terms of the distribution of recovery or resolution amount among the creditors because there are unsecured creditors who are also claiming this. Reduced differential voting rights between secured and unsecured creditors will be reducing the litigation.*
>
> *There are non-core assets of the corporate data which is undergoing CIRP. If some monetisation in the interim is permitted, I think would also be helpful in terms of reducing the haircuts"*.

1.25 SBI has further added the following in their written reply as follows:-

> "Asset valuation means valuation of all physical and financial assets of the company. Valuation is based on fair market value, realizable value, liquidation or distress value. For cases under IBC, at least 2 valuers are appointed who based on records & physical examination of the assets, arrive at fair value and liquidation value applying approved methodologies. As already suggested by us, though valuation methodology is shared with CoC members, it would be beneficial if the entire valuation is discussed to ensure that all assets are included and are properly valued as per established standards.
>
> The role of auditor is to assess the inclusion/exclusion of assets, adoption of internationally accepted methodology, true realizability of value and ethical ways of valuation. However, at times we observe opacity in their conduct".

1.26 The Chairman, IBBI has *inter-alia* stated the following during his oral evidence before the Committee:-

> *"Two years back, the Supreme Court permitted personal guarantors also to be taken up under IBC. Now, this is being misused. A lot of rich people are just applying to NCLT, and an interim moratorium sets in, and the banks cannot proceed against them under SARFAESI. So, this needs to be removed. This is part of the amendments that I had discussed. But this needs to be removed very urgently so that this loophole can be plugged. A lot of rich personal guarantors are taking advantage of this".*

1.27 Asked about the sector-wise major bottlenecks encountered in the implementation of IBC, the Indian Overseas Bank apprised in their written reply, as given below:-

“The sector-wise major bottlenecks encountered by the Resolution Professional (RP) and the Committee of Creditors (CoC) during the Corporate Insolvency Resolution Process (CIRP) are as follows:

Real Estate & Construction

- Fragmented ownership and multiple stakeholders (homebuyers, authorities, contractors).
- Regulatory overlaps with RERA and local development bodies.
- Incomplete projects with low liquidation value.
- Delays in approvals for resolution plans involving project completion.

Manufacturing

- Outdated technology and machinery reduce buyer interest.
- Environmental clearances and compliance issues delay asset transfer.
- High fixed costs and low working capital attractiveness.
- Labour disputes and legacy liabilities.

Hospitality & Tourism

- Brand-dependent valuation—assets lose value without brand continuity.
- Seasonal cash flows make viability assessments difficult.
- Licensing and lease issues with state/local authorities.
- Low bidder interest due to pandemic aftershocks and high capex.

Retail & Wholesale Trade

- Inventory obsolescence and fast-changing consumer trends.
- Leasehold properties with non-transferable agreements.
- Thin margins and high competition reduce resolution value.
- Limited interest from strategic investors.

Power & Energy

- Long-term PPAs (Power Purchase Agreements) complicate resolution.
- Tariff disputes and regulatory interventions.
- High capital intensity and sector-specific risks.
- Pending dues from DISCOMs affect valuation.

Transport & Logistics

- Asset-heavy models with depreciating fleet value.
- Route permits and licenses are often non-transferable.

- Fuel price volatility and regulatory compliance burdens.
- Limited interest from new entrants due to high entry barriers.

Common Bottlenecks Across Sectors

- Delays in admission and plan approval by Adjudicating Authorities (AA).
- Litigation by promoters or operational creditors.
- Lack of quality resolution applicants.
- Disagreements within CoC on valuation and plan viability."

(c) Realisation by creditors

1.28 Creditors have realised about Rs.3.89 lakh crore under the resolution plans till March, 2025. This realisation is more than 32.8% as against the admitted claims and more than 170.1% as against the liquidation value. Resolution plans on average are yielding 93.41% of fair value of the CDs.

1.29 As regards the key factors impacting recovery rate, the Union Bank of India in their written response provided the following:-

"Key Factors Affecting Recovery:

▪ Delay in Resolution Process: due to litigation, CoC indecisiveness, or NCLT backlogs.

▪ Stressed Asset Value – significant erosion in asset value by the time it enters CIRP.

▪ Limited Security – many accounts have insufficient or unsecured exposures.

▪ Legal Complications – attachment by ED, tax issues, and inter-creditor conflicts." (UBI Reply 17)

1.30 During oral evidence before the Committee, the CGM, Indian Bank has *inter-alia* suggested the following measures to prevent frequent stays from unsuccessful resolution applicants that cause delays in the resolution plan:-

"One is, the promoters are unsuccessful, resolution applicants are frequently challenging the admissions and resolution plans are sent for liquidation. Then, its impact is that legal cost and also deterioration in the value of the asset. What we suggest is that IBBI may prescribe some threshold amount to be deposited upfront before these what you call unsuccessful resolution applicants are approaching for stay or something like that so that there will be some discipline and each and every person cannot go for stay in the decision".

1.31 In this connection the Committee wanted to understand the prospects of Competitive bidding and of global outreach for expanding excess to international Bidders, the Bank of Baroda provided following information in their written replies:-

> "Competitive bidding is a procurement process where multiple vendors or suppliers submit proposals to win a contract. Global outreach expands the potential pool of bidders to international markets, increasing competition and potential benefits. This combination can lead to lower costs, access to innovative solutions, and a more robust supply chain.
>
> Understanding Competitive Bidding:
>
> It aims to ensure transparency, fairness, and optimal value for the buyer by fostering competition among bidders. Competitive bidding can lead to lower costs, improved quality, access to innovative solutions, and increased transparency in the procurement process.
>
> Global Outreach in Competitive Bidding:
>
> 1. Extends the competitive bidding process to international markets, potentially attracting a wider range of suppliers and increasing competition.
> 2. By including international bidders, organizations can drive down costs and improve the quality of goods or services through enhanced competition. "

1.32 As regards the effectiveness of recovery rate of 32.8 per cent against total admitted claims and 170 percent against liquidation value under the IBC, the Committee sought to know about the key factors contributing to the significant shortfall in recovery against total claims despite achieving higher realization compared to liquidation value, the Ministry of Corporate Affairs in their written submissions apprised as mentioned below:-

> "The higher realization compared to liquidation shows the IBC's success in preserving enterprise value and supporting revival of distressed companies, aligning with its objective of maximizing asset value and balancing creditor interests. However, the low recovery against total claims highlights issues are majorly due to factors such as pre-existing financial deterioration of firms.
>
> Realisation in CIRP depends on several factors, including the nature of business, business cycles, market sentiments, and marketing effort. It, however, critically depends on at what stage of stress, the company enters the IBC process, If the company has been sick for years, and the assets have depleted significantly, the IBC process may yield low or no realisation or even liquidation.
>
> It may not be appropriate to see realisation in relation to claims of the creditors. The assets available on the ground may make better sense, because the market offers a value in relation to what a company brings on the table, and not what it owes to creditors. The IBC maximises the value of the existing assets at the commencement of the process, not of the assets which probably existed earlier. Since it redeems a part of the going concern

surplus, rescue is realising, on average, around 170% of the liquidation value of the existing assets.

The amount of realisation often does not include the amount that would be realised from equity holding post-resolution, and through reversal of avoidance transactions and insolvency resolution of guarantors, personal and corporate. It also does not include realisations made in other accounts. The amount of claim often includes NPA, which may be completely written off, and interest on such NPA. It may include loans as well as the guarantee against such loans.

It is to mention here that the primary objective of the Code is resolution not recovery. However, recoveries are merely incidental to CIRP under the Code. The stakeholders should use IBC in early days of stress, when value of the company is almost intact, and close the process quickly before value recedes further. "

1.33 Given the data as of September 2024 concerning avoidance transactions under the Insolvency and Bankruptcy Code (IBC) — specifically, 1,326 applications filed, valued at ₹3.76 lakh crore, yet resulting in a recovery of only about ₹7,500 crores — the Committee when asked what measures can be implemented to effectively address this significant gap and the apparent diversion of funds With regard to avoidance transactions, RBI in their post-evidence reply has stated as under:-

"Diversion or siphoning of funds is a critical concern for REs, as it can severely undermine asset quality and lead to large-scale loan defaults. To address this, regulations require REs to adopt a comprehensive approach that combines strong credit appraisal and end use monitoring mechanisms. Further, diversion of funds etc. is also subjected to checks such as credit audits by regulated entities. Supervisory examinations of RBI also focus on diversion and end use if fund.

The primary responsibility of monitoring of individual large borrower accounts lies with the banks. RBI examines compliance to its regulations, including on exposure norms, bank's credit underwriting and monitoring processes, on a sample basis as part of on-site inspection / continuous supervision. The sample selection for examination of large accounts varies from bank to bank, depending upon the assessment of the Senior Supervisory Manager of the concerned bank. Significant observations, if any, are captured in the Inspection and Risk Assessment Report for necessary supervisory/enforcement action. Supervisory action includes giving direction to banks to revise internal policies, enhance monitoring mechanisms, placing the bank under Prompt Corrective Action framework, among others. While enforcement action constitutes imposition of penalties for violations related to exposure limits, borrower monitoring, improper end-use of funds, etc.

Banks are also required to examine staff accountability and wilful default in loan default cases, and carry out fraud examination where fraud is suspected, which leads to filing fraud complaint with the Law Enforcement Agencies.

In addition to the above, Central Repository of Information on Large Credits has been put in place by RBI for gathering information about borrowers with aggregate exposure of ₹5 crore and above across all forms (fund-based, non-fund-based, and investments). This facilitates in monitoring of large borrowers.

However, RBI's onsite inspection and/or off-site monitoring are not audit per se, and RBI's supervisory framework does not seek to replace an audit."

1.34 In this regard, SBI has submitted the following written response to improve the recovery rate:-

"Though 32% recovery through IBC is low, it is still relatively better than other modes of recovery e.g. SARFAESI, DRT etc. both in terms of time as well as amount recovered. However, this can further improve if recovery from financial assets can be expedited by way of adjudication of PUFE transactions, streamlining of PIRP cases etc".

1.35 In this context the Committee sought to understand the Asset valuation System, the Indian Overseas Bank submitted following in their written Reply:-

"The asset valuation system under the Insolvency and Bankruptcy Code (IBC) in India is a structured and regulated process designed to determine the value of a corporate debtor's assets during insolvency proceedings. Here's an overview of how it works:

Types of Valuation

- Fair Value: The estimated realizable value of assets in an arm's length transaction between knowledgeable and willing parties.
- Liquidation Value: The estimated realizable value if the corporate debtor were to be liquidated on the insolvency commencement date

Role of Registered Valuers

- Valuation must be conducted by IBBI-registered valuers, appointed by the Resolution Professional (RP).
- Typically, two independent valuers are appointed to ensure objectivity and reduce bias

Valuation Process

- Valuers assess both tangible and intangible assets, including land, buildings, machinery, intellectual property, and brand value.
- Sector-specific methodologies are applied depending on the nature of the business (e.g., manufacturing, real estate, technology)

Regulatory Oversight

- The Insolvency and Bankruptcy Board of India (IBBI) provides guidelines and compliance standards for valuation.

  Valuation reports are submitted to the Committee of Creditors (CoC) and form the basis for evaluating resolution plans"

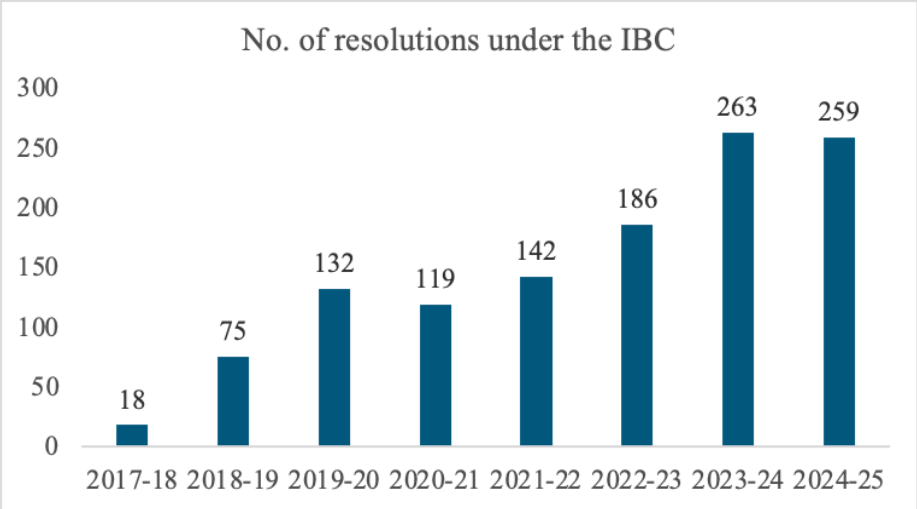
1.36 On being further queried about the Asset Valuation System and its importance in resolution process, the Bank of Baroda in their written reply stated the following:-

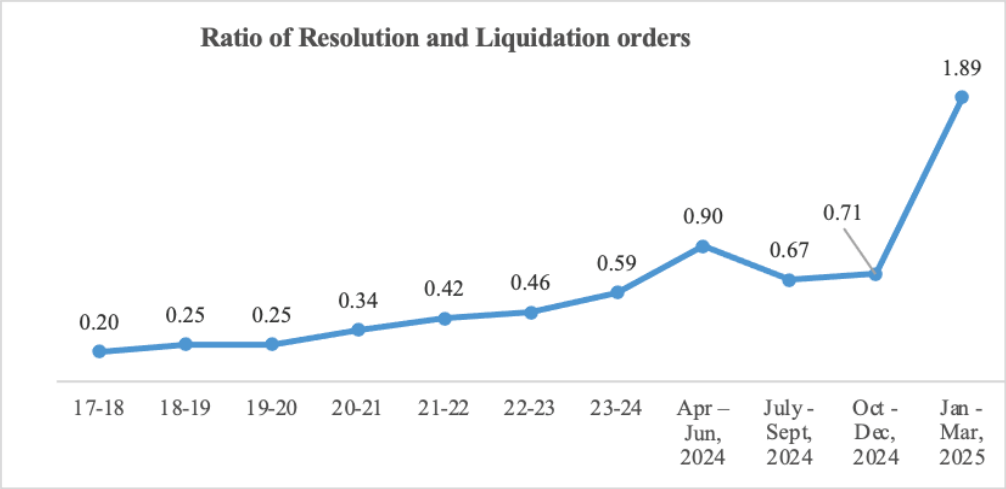
> "One of the crucial aspects of resolution under IBC, is accurate and timely valuation of the corporate debtor's assets. This valuation plays a pivotal role in maximizing the value of assets for creditors and ensuring a fair outcome for all stakeholders involved.
>
> The IBC emphasizes achieving several key objectives through valuation:
>
> Maximizing Asset Value: Accurate valuation helps identify the true worth of the corporate debtor's assets. This allows for maximizing the recovery for creditors and potentially facilitating a successful revival plan.
>
> Facilitating Resolution Process: A clear understanding of the asset values helps guide decisions throughout the insolvency resolution process. This includes determining the viability of a revival plan, negotiating with PRAs and ensuring fair liquidation proceeds."

(d) Resolutions

1.37 The number of liquidations have come down over the years. In 2017-18, for every 1 CD resolved, 5 CDs were liquidated. Steadily, this ratio has now improved to nearly 10 CDs being resolved against 5 CDs going to liquidation. Till March 31, 2025, 1,194 CDs have been resolved under the IBC.

The year-wise number of cases ending with resolution under IBC





1.38 Out of 1194 Resolution Plans over the last eight years, 702 resolutions i.e. 60% of the cases were done during 2022-23, 2023-24, and 2024-25. About 40% of the CIRPs, which yielded resolution plans, were defunct companies that were not 'going concerns'. In these cases, the claimants have realised 151.92% of liquidation value and 19.03% of their admitted claims.

1.39 When the Committee pointed this out that the 60% cases of the total resolutions have happened in the duration of last three years and asked about the factors behind it, the IBBI in their written submission provided as mentioned below:-

> "The last three years have witnessed an unprecedented surge in the approval of resolution plans by the NCLT under the IBC, showcasing the effectiveness of the legal framework in facilitating the revival of insolvent businesses. This upward trend can be largely attributed to the efficient decision-making and sustained efforts of the NCLT. The NCLT should be

commended for speeding up resolutions in the last three years. Out of 1194 resolution plans over the last eight years, 60% (708) resolutions were done in the last 3 years. Further, a number of initiatives are being taken to improve the outcomes of the Code. These include monitoring of cases pending for admission and ongoing CIRPs. Further, the IBBI revised its mechanisms for real-time sharing of information regarding applications for the initiation of CIRP with the IU. These initiatives have had a substantial impact on the IBC process, as evidenced by the increase in NCLT-approved resolutions and the admission of cases initiated by financial creditors."

1.40 In absence of buyers for distressed assets, the process invariably might lead to liquidation rather than resolution, on being asked as to how RBI ensure that every effort is put into rehabilitating distressed businesses, the RBI furnished following written reply:-

"In line with the objectives enshrined in the IBC of time-bound resolution of stressed assets, RBI has put in place a Prudential Framework for Resolution of Stressed Assets (07, June 2019) which mandates banks to identify stress and attempt time-bound restructuring, focusing on turnaround options before initiating insolvency. The framework provides that since default with any lender is a lagging indicator of financial stress faced by a borrower, lenders are expected to initiate the process of implementing a resolution plan even before a default. Once a borrower is reported to be in default by any of the banks/ AIFIs, lenders have to undertake a prima-facie review of the account within thirty days of such default ("Review Period"). During this Review Period of thirty days, lenders may decide on the resolution strategy, Including the nature of the resolution plan, the approach for implementation of the resolution plan, etc. The lenders may also choose to initiate legal proceedings for insolvency or recovery. To incentivize resolution in a time bound process, the framework provides for additional provisioning requirement in case of delay in resolution.

Further, RBI is taking steps to progressively deepen the market for distressed assets and pool of resolution professionals, inter-alia, including allowing ARCs as resolution professional and proposing a regulatory framework for securitization of stressed assets (draft circular issued for consultation, final circular yet to be issued)."

1.41 When asked about the key issues faced pertaining to Asset Valuation of the corporate debtor under IBC, Indian Overseas Bank in their written submissions provided following information:-

"Key Issues faced by the CoC/RP in Asset Valuation of the corporate debtor under IBC are as under:

Inconsistent Valuation Standards

Valuation practices vary widely due to lack of uniform guidelines across sectors.

Registered valuers often use different methodologies, leading to divergent valuation reports that confuse stakeholders.

Third-Party Held Assets

Assets used by the corporate debtor (CD) but legally owned by related parties or sister concerns pose valuation challenges.

Determining beneficial ownership vs. legal title is complex and often requires forensic audits.

Sector-Specific Complexities

Industrial assets like machinery, infrastructure, and technology require specialized valuation approaches.

Valuers often lack sectoral expertise, leading to mispricing or undervaluation, especially in manufacturing, real estate, and energy sectors.

Data Limitations

Incomplete or outdated asset records hinder accurate valuation.

Lack of digital asset registries and poor documentation practices are common in distressed companies.

Judicial Oversight and Interpretation

Courts have had to intervene to clarify valuation disputes, especially where economic realities differ from legal structures.

Timing and Cost Constraints

Valuation is time-sensitive under CIRP timelines but delays in appointing valuers or receiving reports can derail resolution.

High costs of multiple valuations (especially when a third valuer is needed) burden the insolvency estate."

1.42 In this regard, the Union Bank of India in their written reply shared their opinion as under:-

> "Valuation is a concern. RPs appoint two valuers, but the process lacks transparency and accountability. Sometimes, undervaluation leads to distress-sale prices, especially in liquidation. The role of liquidators and registered valuers must be strengthened with clear SOPs, audit trails, and post-resolution valuation reviews. We suggest that fresh valuation can be carried out again after specific intervals."

(e) Liquidations

1.43 Till March, 2025, 2758 CIRPs have ended in liquidation. Of 2758 CDs ending up with orders for liquidation, 214 had admitted claims of more than Rs. 1,000 crore. These CDs had an aggregate claim of Rs. 9.63 lakh crore. However, they had assets,

on the ground, valued only at Rs. 0.46 lakh crore. Of the 2758 CDs, 1374 CDs have been completely liquidated with submission of final report. Around 78% of the CIRPs ending in liquidation (2107 out of 2704 for which data are available) were earlier with BIFR and/or defunct. The economic value in most of these CDs had almost completely eroded even before they were admitted into CIRP. These CDs had assets, on average, valued at 6% of the outstanding debt amount.

1.44 On being enquired about the main reasons corporates are going into liquidation, the Canara Bank in their written response informed as under:-

> "Major reasons for accounts going into liquidation are as follows:
>
> (i) Non-Receipt of Viable / acceptable Resolution Plans
>
> (ii) Multiple litigations filed by stakeholders.
>
> (iii) Non-compliance of Plan by Resolution Applicant
>
> (iv) Dispute among creditors regarding distribution of proceedings
>
> (v) Ineligibility of Resolution Applicant under section 29A
>
> Average % of recovery in liquidation is 10.62% of admitted claims."

1.45 Asked about the extant or proposed mechanisms to encourage bankers to opt for resolution rather than liquidation, the Ministry of Corporate Affairs furnished the following written reply:-

> "Financial creditors constitute the Committee of Creditors. The IBBI's Guidelines for the Committee of Creditors (CoC) issued in 2024 emphasize objectivity, integrity, and informed decision-making in the CoC's functions. Members must adhere to the Code and regulations, maintain integrity, and foster informed decisions by sharing relevant information with the CoC and the Insolvency Professional. The CoC plays a crucial role in deciding on the needs of the company to remain a going concern. Ultimately the objective of the IBC is Resolution and it is expected that a fine balance would be struck between viability and commercial wisdom while considering the resolution plan by not deciding on liquidation in cases of companies which can be revived."

1.46 Asked about the conditions that justify a re-CIRP instead of liquidation, the RBI in their written reply made clear that:-

> "Under the current IBC framework, once a resolution plan has been approved by the CoC and sanctioned by the Adjudicating Authority, a failure

of that plan normally triggers liquidation under Section 33(2). It may be noted that, once a resolution plan is approved by the NCLT, its implementation should be swift and strict with provisions for penalizing non-compliance by the successful resolution applicant including, forfeitures of performance security and faster legal recourse for breaches. Thus, re-CIRP should be the exception and not the rules and only employed where it preserves value and is supported by the commercial wisdom of the CoC. Further, it should be with the concurrence of CoC and NCLT approval."

(f) Impact on Non-Performing Assets(NPA)

1.47 The IBC has enhanced recovery of NPAs by Scheduled Commercial Banks (SCBs). As per RBI's Report on Trend and Progress of Banking in India (from 2017-18 to 2023-24),SCBs have recovered Rs. 96,325 crore through various channels. The IBC remained the dominant mode of recovery and alone contributed Rs. 46,340 crore, which is 48.1% of the total recoveries. The amount recovered by SCBs through various channels has been given below:-

Channel	Amount recovered (in Rs. crore)						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24(P)
Lok Adalats	1811	2750	4211	1119	2778	3774	3322
DRTs	7235	10552	9986	8113	12035	39785	16202
SARFAESI Act	26380	38905	34283	27686	27349	30957	30460
IBC	4926	66440	104117	27311	47409	54161	46340
Total	40352	118647	152597	64229	89571	128676	96325

The RBI's Financial Stability Report (FSR December 2024) indicates a decline in the Gross Non-Performing Asset (GNPA) ratio of SCBs to a 12-year low of 2.6% in September 2024.

1.48 Observing the recovery figures, the Committee sought enlightenment from the representatives of the Ministry of Corporate Affairs about the significance of IBC contribution in addressing non-performing assets and its relative effectiveness compared to the other recovery channels like Lok Adalats, DRTs, SARFAESI Acts, the Ministry in their written submissions apprised as under:-

"The IBC has significantly contributed to addressing NPAs by offering a structured and time-bound resolution process, leading to better resolutions.

While Lok Adalats, DRTs, and SARFAESI Act focused mainly on enforcement and recoveries rather than resolutions, IBC has enabled market driven resolutions with higher realizations and improved credit disciplines. The success story of IBC can be best captured in the following table which shows that IBC has come of age and is the most preferred channel in such cases as things stand today."

(Amount in Crores)

2022-23					2023-24 (P)			
Recovery Channel	No. of cases referred	Amount involved	Amount Recovered	% Recovery	No. of cases referred	Amount involved	Amount Recovered	% Recovery
Lok Adalats	1,37,72,958	1,88,135	3,774	2.0	1,26,84,815	1,89,694	3,322	1.8
DRTs	56,198	4,02,753	39,785	9.9	31,414	1,06,887	16,202	15.2
SARFAESI Act	1,87,340	1,11,359	30,957	27.8	2,31,407	1,23,363	30,460	24.7
IBC (FCs)	1,262*	1,38,715	54,161	39.0	1,004*	1,63,943	46,340	28.3
* Total of Cases admitted by NCLTs under IBC								

1.49 In a pointed query Committee asked whether the RBI has ever looked into a different form of classification for assets based on credit and business growth and to discipline borrowers to understand the relevancy of NPA in today's context, the RBI in their written submissions provided as under:-

"The regulatory norms for classification of a borrower account as NPA constitutes the foundational elements of the prudential framework, not just in India but globally. Classification of an account in default as NPA is only a recognition of the continuing financial stress of the borrower. The desirable approach for a sustainable credit ecosystem would be to resolve the stress through appropriate interventions early on, much before it becomes NPA. Even under IBC, given its objective of resolution, a CIRP can be filed on a one-day default. Further, regulations do not restrict lenders from continuing to fund the borrower or provide additional/fresh credit facilities to a borrower classified as NPA. The same is left to the commercial discretion of the lenders, based on the viability considerations. RBI's existing NPA norms (primarily the 90-day overdue rule) are aligned with globally accepted prudential standards aimed at maintaining transparency, early detection of stress, and the health of the banking sector. Easing the classification or introducing subjective categories risks the recurrence of past problems (evergreening, delayed recognition) that previously masked bad loans and undermined the system."

1.50 Gross NPA ratio of scheduled commercial banks has significantly decreased from over the years. However, considering the evolving challenges in debt recovery and the broader financial ecosystem including risks of default, delays and liquidation under IBC, the Committee enquired about the sustainability of decline in GNPA in the long term, the SBI written replies informed as under:-

> "Reducing GNPA is indicative of the following:
>
> 1. Fear of losing control of the CD in case of commencement of Insolvency Proceedings. The promoters are now effectively overseeing management function to rule out possible action under IBC.
>
> 2. Close monitoring of delinquency and quick red flagging and corrective action.
>
> 3. Out of court settlements.
>
> Sustainability of declining GNPA depends on continued effort to arrest slippage of accounts from standard asset to NPA by way of early detection of red flags and corrective action plan, maintaining robust credit assessment system and pre-and post-sanction follow up and adherence to regulatory guidelines."

1.51 On being asked about the availability of mechanism to repeatedly examine the viability of project, the RBI submitted following reply:-

> "Banks are required to have a detailed credit risk management framework that includes provisions relating to pre-sanction appraisal as well as post-sanction monitoring. The performance of any loan exposure is reviewed periodically to reassess its viability and adherence to loan covenants. There are guidelines in place' that require banks to closely monitor early stress/default and take early resolution action."

1.52 When asked about the measures taken by SBI to ensure accurate and timely disclosure, especially in loan portfolios to prevent debt defaults, the SBI submitted following written reply:-

> "Banks are guided by strict disclosure norms as prescribed by RBI Directions as well as Bank's Internal Control and Risk Management System. Besides Banks have technology driven Early Warning signals, automated reporting of debt and default as well as robust audit system. Bank has three layers of control. Each such business data is subject to review by Compliance Deptt., and Inspection & Audit Deptt., of the Bank. It is also reviewed by External Auditors and then by Audit Committee of the Board. As regards timely disclosure under IBC, Bank is reporting status of all IBC accounts to RBI on monthly interval through digital platform (CRIMMAR), besides reporting data/information to IBBI/DFS as when sought for."

(E) MSMEs

1.53 MSMEs play a crucial role in the Indian economy, driving employment, entrepreneurship, and innovation. However, these businesses often face unique challenges, particularly during financial distress. The IBC, enacted in 2016 which aimed to provide a structured and time-bound process for resolving insolvency and bankruptcy cases significantly impacted these MSMEs. In this connection the Committee observed that as IBC has a creditor-centric approach, it appears to be heavily tilted in favour of creditors and thus queried if this approach has in any manner adversely impacted MSMEs and safeguards put in place to protect interest of MSMEs, the IBBI in their written submissions stated the following:-

> "The Code includes specific legal provisions, exemptions, and policy relaxations tailored for MSMEs to encourage resolution and continuity of the businesses of the MSMEs.
>
> 1. Section 240A – Special Provisions for MSMEs, introduced via the IBC (Amendment) Act, 2018, through which the Code is applied to MSMEs.
>
> The key benefits under this are MSMEs are exempted from disqualification under Section 29A(c) and 29A(h) of the IBC, which means existing promoters can participate in rescuing their business.
>
> 2. Threshold Relaxation for MSME Default – Section 4 (read with MCA Notification dated 24.03.2020)
>
> The minimum default threshold to initiate insolvency proceedings was raised from Rs. 1 lakh to Rs. 1 crore to protect MSMEs.
>
> 3. Pre-Pack Insolvency for MSMEs (Sections 54A–54P of IBC, 2016)
>
> Through the sixth amendment (2021) to the Code, a specific provision exclusive for corporate MSMEs was introduced. Pre-Packaged Insolvency Resolution Process (PPIRP) has been introduced for MSMEs to fast- track resolution of cases for MSMEs.
>
> 4. Section 29A Exemptions for MSMEs under Pre-Pack
>
> Under Section 29A read with 240A, promoters of MSMEs are not barred from submitting plans even in pre-pack proceedings."

1.54 When asked what specific due diligence practices does the State Bank of India (SBI) employ during the Corporate Insolvency Resolution Process (CIRP) to prevent

barred promoters from re-acquiring control through a Resolution Applicant (PRA), and what is the bank's formal position on supporting limited exemptions to Section 29A of the IBC for MSMEs or first-time defaulters, subject to safeguards, the SBI in their written reply stated as follows:-

> "Since IBC is an evolving process, in the initial period there have been instances where promoters have resumed control of the company. However, after Section 29A was made applicable, the checks are in place to not let either the erstwhile promoter or a related party have control of the entity.
>
> IBC 2016, through Section 29A clearly spells out the entity/persons who are not eligible to apply as Resolution Applicant.
>
> To further strengthen the process, our suggestion would be as under:
>
> a. CD shall be MSME at least at the time of NPA to be eligible for any exemption under 29A. Subsequent certification as MSME shall not allow exemption.
>
> b. At present Section 29A (g) states ineligibility only if the PUFE transactions are adjudicated. Since disposal of PUFE petitions are very low and delayed, promoters and related parties are still able to apply as Resolution applicant in case the CD is an MSME, on the plea that the PUFE transactions are not adjudicated. Act shall be modified to provide that if PUFE transactions are identified against the promoter/related party, then such person shall become ineligible irrespective of whether the PUFE petition is adjudicated or not."

1.55 In this regard, the Chairman, IBBI has stated the following in his oral submission before the Committee:-

> *"There is a Supreme Court order which says that MSME registration under IBC can be obtained at any stage. A lot of people are misusing this. What this means is that the bids have been invited, and then someone takes an MSME registration and then wants the MSME concession. What we are proposing is that before admission, whoever is MSME should be MSME. But, after admission, after the IBC case has been admitted, then this should not change. This Supreme Court order came two years back".*

1.56 As regards the impact of Preferential, Undervalued, Fraudulent, and Extortionate (PUFE) transactions over recoveries and realisations, the Ministry of Corporate Affairs submitted following written reply:-

> "The primary objective of the Insolvency and Bankruptcy Code (IBC) is to streamline and expedite the insolvency resolution process for corporate persons, partnerships, and individuals. IBC fosters good corporate governance by creating a framework that promotes transparency, accountability, creditor empowerment, and the protection of stakeholder interests. This leads to a more responsible and ethical business environment. It may be of interest that under the Insolvency and Bankruptcy Code (IBC), the Adjudicating Authority (AA), typically the National Company Law Tribunal (NCLT), can claw back (recover) the value of assets that were

transferred in certain types of transactions, known as Preferential, Undervalued, Fraudulent, and Extortionate (PUFE) transactions, prior to the initiation of the insolvency process. The Resolution Professional (RP) or Liquidator has a duty to identify and file applications with the AA to ensure that these assets are returned to the Corporate Debtor's estate for the benefit of creditors. Hence even in cases of closely held companies the law permits the Adjudicating Authority to claw back transactions which would have been done to divert resources of Companies showing stress before they ultimately become insolvent. These include preferential, undervalued, fraudulent, and extortionate transactions, covered under sections 43, 45, 50, and 66 of the IBC....."

1.57 The Pre-Packaged Insolvency Process (PPIRP) was introduced in India in 2021 specifically for Micro, Small, and Medium Enterprises (MSMEs) to provide a faster, more cost-effective, and less disruptive alternative to the standard Corporate Insolvency Resolution Process. The objective was to help financially distressed but viable MSMEs recover, preserving jobs and business continuity. It was designed to be faster and more cost-effective than the traditional Corporate Insolvency Resolution Process. Unlike CIRP where default amount is at least ₹ 1 crore, it is also available in where minimum default is ₹10 lakh. The Committee specifically asked about the experience and achievements with the implementation of pre-pack insolvency for MSMEs and sought details about improvements that are required to enhance its efficacy, the IBBI in their written replies submitted the following:-

"Pre-Packaged Insolvency Resolution Process (PPIRP) was introduced during the Covid-19 pandemic to provide an efficient alternative insolvency resolution process for corporate persons classified as MSMEs. It seeks to provide quicker, cost-effective, and value- maximising outcomes for all the stakeholders in a manner that is least disruptive to the continuity of their business and helps in preserving jobs.

The discussion paper issued by MCA on 18.01.2023 proposed that the following modifications and relaxations be made to the procedures stipulated under Chapter IIIA of Part II of the Code:

(a) The PPIRP framework may involve a diverse range of FCs who will be required to approve its initiation at the pre-commencement stage by confirming the proposed RP under section 54A (2) (e). Thus, to facilitate quicker and more efficient decision-making at this stage, the sixty- six per cent threshold for unrelated FCs may be lowered to fifty-one per cent. Similarly, under section 54A (3), the sixty-six per cent threshold for unrelated FCs may be replaced by an enabling provision for the IBBI to specify the appropriate threshold, not being less than fifty- one per cent of the unrelated FCs, for approving the filing of an application.

(b) In practice, it is observed that the MSME CDs face challenges in furnishing a declaration regarding avoidance transactions or improper trading under section 54C (3) (c). Such transactions or trading may not be

easy to identify as it is often not the nature of the transaction or trading but the zone of insolvency, which renders transactions or trading suspect. Further, in the case of larger companies too, this may be a cumbersome requirement. Such a requirement should not discourage bona fide CDs from utilising the PPIRP for insolvency resolution. Accordingly, it is being considered to omit clause (c) of sub-section (3) of section 54C. The possibility of abuse of this relaxation is mitigated by the CoC's power to terminate the PPIRP or direct the initiation of separate proceedings where it is made aware of such transactions or trading. Notably, during the CIRP, where an application is filed by the CD, such declaration is not required to be furnished before and after the commencement of the process.

(c) Further, *bona fide* CDs attempting to resolve insolvency through this process should not be concerned about the possibility of a change of management pursuant to section 54J or conversion to CIRP or liquidation under sections 54O or 54N (4). Stakeholders' feedback also highlights similar concerns. Hence, it is being considered that these provisions may be omitted. Since the CoC has the discretion to terminate the PPIRP at any stage if it believes that the continuation of PPIRP is not viable or the management is involved in any fraudulent activities, this discretion should serve as a sufficient safeguard against abuse of the process.

Experience with Pre-pack mechanism:

As per the information available with the Board, 14 applications have been admitted as on March 31, 2025, out of which one has been withdrawn, and resolution plans has been approved in eight cases."

1.58 On being pointed out that adoption of PPIRP by MSMEs has been very limited; and the Committee asked about the key reasons for low uptake by MSMEs under IBC, the Ministry of Corporate Affairs in their written reply provided the following:-

"The IBBI has been asked to do a study on the reasons for low uptake and recommend how the same can be improved. It is also proposed to amend certain procedural aspects to make the process more attractive for MSMEs."

1.59 The RBI Governor, in his address in January 2024, had stated that there is hesitancy on the part of the Financial Creditors in approving the proposal under the mechanism where the haircut is perceived as voluntary. On being asked about the views of RBI on proposing PPIRP for non-MSMEs, the RBI submitted following written reply:-

"In principle, we are agreeable to the expansion of the prepack scheme for corporates as it further strengthens the approach towards resolution of stressed assets. Further, given the institutional capabilities of corporate debtors, they may be better placed than MSMEs to negotiate a resolution plan under PPIRP with the creditors. This also enables lenders to dovetail their resolution mechanism under the Prudential Framework on Resolution of stressed assets with that of the IBC Framework."

1.60 When the Committee interrogated about the feasibility of RBI driving banks to implement Pre-Packaged Insolvency Resolution Process other than MSMEs, the Committee was apprised by RBI in their written submissions stated as below:-

> " Pre-packaged Insolvency Resolution Process (PPIRP)
>
> Central Government enacted the Insolvency and Bankruptcy Code (Amendment) Act, 2021 introducing the PPIRP for corporate MSMEs. Subsequently rules and regulations on the same were notified by Central Government and IBBI respectively. As per the information made available by IBBI , 14 applications have been admitted as on March 31, 2025, out of which one has been withdrawn, and resolution plans has been approved in eight cases. However, resolution and the choice of resolution vehicle is a commercial decision of the lender, and thus RBI can only play a facilitative role in providing an enabling framework and cannot direct the lender to choose a particular resolution vehicle."

1.61 As regards the impact of the insolvency process and Pre-pack mechanisms on the MSME sector, the Secretary, Ministry of Corporate Affairs stated the following during the course of evidence:-

> *"regarding the impact of the insolvency process on the MSME sector and what will be its impact, the point about having a study on that. It is noted. We will do a separate study on that. However, regarding the pre-pack insolvency framework set up for the MSMEs, only six or seven of them have actually come forward. So, when we tried to analyze the reason for it, the first reason was that most of the MSMEs do not have a multi-bank kind of credit facility. They obviously have one bank giving them all the facilities. So, banks prefer going for the SARFAESI or the DRT route rather than the IBC route. The second point that came was, it was very complicated for them to file all the applications. The entire thing is very complicated. So, now in the proposed amendments, that is being crunched completely. We are leaving it to the IBBI rather than specifying in the code. So, it becomes a dynamic process. These are the two points regarding the MSME part."*

1.62 Regarding creation of awareness amongst MSMEs for taking advantage of PPIRP, SBI has submitted the following written response:-

> "Steps which can create awareness may include:
>
> - Financial literacy program
> - Collaboration with other businesses and organization.
> - Participation in Industry even/Conclave
> - Use of technological platform for marketing their product
> - Ease of doing business and ease of credit availment."

1.63 The Code provides an order of priority to distribute assets during liquidation, that is, (i) secured creditors will receive their entire outstanding amount, rather than up to their collateral value, (ii) unsecured creditors have priority over trade creditors, and (iii) government dues will be repaid after unsecured creditors. In this regard, the Committee wanted to know about the ways this 'waterfall mechanism' prioritize certain classes of creditors over others, and specific consequences of this hierarchy for MSMEs, in their capacity of operational creditors, the Ministry of Corporate Affairs in their written reply furnished following information:-

> "The preamble of the Code gives a clear indication of the objective that the Code seeks to achieve: to maximise the value of assets, to promote entrepreneurship, to promote availability of credit and to balance the interests of all the stakeholders. The overarching intention of the Code to provide for a waterfall mechanism, detailing the order and priority of distribution of proceeds from the sale of liquidation assets among the stakeholders, flows from the Preamble to the Code. In this regard, the *Report of the BLRC Volume 1 (2015)* (BLRC Report) states as follows:
>
> *"The Committee has recommended to keep the right of the Central and State Government in the distribution waterfall in liquidation at a priority below the unsecured financial creditors in addition to all kinds of secured creditors for promoting the availability of credit and developing a market for unsecured financing (including the development of bond markets). In the long run, this would increase the availability of finance, reduce the cost of capital, promote entrepreneurship and lead to faster economic growth. The government also will be the beneficiary of this process as economic growth will increase revenues. Further, efficiency enhancement and consequent greater value capture through the proposed insolvency regime will bring in additional gains to both the economy and the exchequer".*
>
> The waterfall mechanism under section 53 of the Code *inter alia* provides that
>
> *…the proceeds from the sale of the liquidation assets shall be distributed in the following order of priority and within such period and in such manner as may be specified, namely: -*
>
> *(a) the insolvency resolution process costs and the liquidation costs paid in full;*
> *(b) the following debts which shall rank equally between and among the following:*
> *(i) workmen's dues for the period of twenty-four months preceding the liquidation commencement date; and*
> *(ii) debts owed to a secured creditor in the event such secured creditor has relinquished security in the manner set out in section 52;*
> *(c) wages and any unpaid dues owed to employees other than workmen for the*
> *period of twelve months preceding the liquidation commencement date;*
> *(d) financial debts owed to unsecured creditors;*
> *(e) the following dues shall rank equally between and among the following: -*

(i) any amount due to the Central Government and the State Government including the amount to be received on account of the Consolidated Fund of India and the Consolidated Fund of a State, if any, in respect of the whole or any part of the period of two years preceding the liquidation commencement date;
(ii) debts owed to a secured creditor for any amount unpaid following the enforcement of security interest;
(f) any remaining debts and dues;
(g) preference shareholders, if any; and
(h) equity shareholders or partners, as the case may be.

Furthermore, before the enactment of the Code, the provisions of the Bill 'Insolvency and Bankruptcy Code, 2015' were also examined in detail by the Joint Committee of both the Houses of Parliament. The waterfall as provided under section 53 of the Code is also in line with the observations/ recommendations contained in the *Report of the Joint Committee on the Insolvency and Bankruptcy Code, 2015.*

The constitutionality of the provisions pertaining to waterfall mechanism and other provisions of IBC has been upheld by the Hon'ble Supreme Court (SC) in the matter of *Swiss Ribbons Private Limited vs. Union of India*. Further, in the matter of *Moser Baer Karamchari Union Thr. President Mahesh Chand Sharma vs. Union of India and Ors*., the Hon'ble SC has stated that the waterfall mechanism prescribed in the Code is a well-considered and thought-out decision, align with the overall objective of the Code and in economic matters, conflicting interest of stakeholders needs to be balanced rather than adopting a one-sided approach. It also observed that non-obstante clause in section 53 of the Code override the rights of parties, including the secured creditor. It further stated that waterfall mechanism is based on a structured mathematical formula and rearranging the hierarchy in the waterfall mechanism may lead to several trips and disrupt the working of the equilibrium. Further, the guiding principle for the Code in setting the priority of payments in liquidation was to bring the practices in India in line with global practices.

With regard to recovery of operational creditors including MSMEs under IBC, 22,477 applications initiated by Operational Creditors (OCs) having an underlying default of ₹4,68,432 crore, have been settled before admission,. Notably, OCs achieved a realization of 11.3% against their admitted claims, outperforming Financial Creditors under the category of Unsecured Financial Creditors (USFCs), who realized 10% in 1194 cases yielded resolution plans as on 31st March 2025. Further, since October 2022, 622 cases have been resolved, including 208 cases involving Corporate Debtors (CDs) classified as MSMEs. In these 208 MSME cases, creditors realized ₹5,474 crore, amounting to 21.5% of the admitted claims, 95.0% of the fair value, and 134.9% of the liquidation values."

1.64 When Committee asked whether any directions or training have been issued to authorities concerned to clear the pending claims of the income tax and GST following post approval of resolution plan, the Ministry of Corporate Affairs submitted following written response:-

> "The Government dues are given a lower priority in the waterfall mechanism (Section 53) of the IBC. The awareness sessions are being held for different ministries by IBBI, and the regulator has been requested to hold more such awareness sessions."

1.65 When asked the Committee whether RBI contemplate to treat institutory dues as a secured creditor, the Deputy Governor, RBI has responded as follows during oral evidence:-

> "*No, Sir. The point you have raised is very valid and this was taken in cognizance immediately. We had deliberated and the banks had flagged these concerns. So, what our view at that time, was conveyed to the Government and it will be ideal if an amendment is brought to the Code where under Section 53, it should be qualified explicitly that the Government dues, whether unsecured or secured, should be below the secured creditors".*

1.66 In the present context, when asked whether, the present order of priority meets the ends of fair-play and equity or there is a need for its modification, the Reserve Bank of India in their written reply stated as below:-

> "The intent of the waterfall mechanism prescribed under Section 53 was to give top priority to insolvency process costs, then secured creditors and workmen, followed by unsecured creditors, government dues, and finally shareholders. However, certain recent legal pronouncements have resulted in some ambiguity relating to Government dues. The Supreme Court judgement in Rainbow Papers case elevated certain government dues by recognizing statutory "first charge" claims as secured creditors. Although in a subsequent judgement (July 17, 2023) of Supreme Court in Paschim Anchal Vidyut Vitran Nigam Limited vs. Raman Ispat Private Limited and Others, the court had confined the applicability of Rainbow Papers verdict to its own factual circumstances, it would be desirable to clarify the status and ranking of government dues to prevent any ambiguity in the interpretation."

1.67 In this regard, SBI has submitted written reply as follows:-

> "After the decision in Rainbow Papers, division bench of the Hon'ble Supreme Court in Paschimanchal Vidyut Vitran Nigam Ltd. Vs. Raman Ispat Pvt. Ltd. & Ors., held that Rainbow Papers judgment did not notice the 'waterfall mechanism' under Section 53 – the provision had not been adverted to or extracted in the judgment. The dues payable to the government are placed much below those of secured creditors and even

unsecured and operational creditors. This design was either not brought to the notice of the court in Rainbow Papers or was missed altogether.

Further, the Hon'ble Court held that in any event, the judgment has not taken note of the provisions of the IBC which treat the dues payable to secured creditors at a higher footing than dues payable to Central or State Government.

Impact on Government Dues: The developments post Rainbow Papers have clarified that while government dues are important, they do not automatically override the established priority of secured creditors under the IBC.

Ongoing Debate: Despite the clarifications, the treatment of government dues under the IBC remains a topic of discussion and debate, with ongoing considerations on how to balance the interests of various stakeholders, including the government, secured creditors, and operational creditors.

Way forward: To bring amendment in IBC, 2016 to remove the ambiguity on this."

1.68 When the Committee sought to know whether any impact assessment study has been conducted on the consequential effects of waterfall mechanism on the MSMEs, the Ministry of Corporate Affairs in their written reply stated as under:-

> "MCA has already issued directions to IBBI to conduct a study on this topic and suggest remedial measures, if any, to facilitate better recoveries by MSME's vis-à-vis other creditors."

1.69 In PPIRP, the existing management (debtor) remains in control of the company, while the Committee of Creditors (CoC) provides oversight. In this background the Committee sought to understand as to how does the 'debtor-in-possession' model balance the need for speed and business continuity with the creditors' need for security and transparency, the Ministry of Corporate Affairs has submitted written response as follows:-

> "PPIRP "seeks to provide quicker, cost-effective, and value-maximising outcomes for all the stakeholders in a manner that is least disruptive to the continuity of their business and helps in preserving jobs." The said paper also observed that "Since the CoC has the discretion to terminate the PPIRP at any stage if it believes that the continuation of PPIRP is not viable or the management is involved in any fraudulent activities, this discretion should serve as a sufficient safeguard against abuse of the process.". The "debtor-in-possession" model is followed in a large number of countries for resolution of distressed assets.""

1.70 It has also been informed by the Ministry of Corporate Affairs that no such proposal for expansion of PIRP to include other Corporate debtors is under consideration.

F. Insolvency and Bankruptcy Fund

1.71 In this connection, the Committee also enquired about the status of pending operationalisation of the Insolvency and Bankruptcy Fund provided for under Section 224 of the Code for which IBBI had also requested the Ministry of Corporate Affairs in 2019. The Committee probed into the specific challenges in areas like contributions, utilization, and governance needed to be addressed to make it a functional part of the insolvency ecosystem, the Ministry of Corporate Affairs in their written submission stated as below:-

> "The Insolvency Law Committee (ILC) Report (2022) considered the revisions to Section 224 to enable its use for the purposes of insolvency, liquidation and bankruptcy processes under the Code.
>
> The Committee noted that:
>
> "2.98. The Committee noted that the current design of the IBC Fund does not incentivise contributions to it and provides very limited ways of utilising the amounts contributed. Firstly, contribution to the Fund is voluntary and may be made by the Central Government in the form of grants and by any person who voluntarily wants to make such contribution. The Committee discussed that incentives may need to be built or mandates may be required for contributions to the Fund, as it may not be feasible to expect voluntary contributions otherwise. Secondly, the purposes for which the IBC Fund will be utilised are limited. Section 224(3) allows persons who have contributed to the Fund to withdraw it, to the extent of their contribution.
>
> 2.99. Consequently, the Committee agreed that suitable amendments may be made to Section 224 to allow the Central Government to prescribe a detailed framework for contribution to and utilisation of the IBC Fund. For this purpose, the Government may undertake a review of the design of funds in other statutes like the Investor Protection and Education Fund under Section 11(5) of the Securities and Exchange Board of India Act, 1992 and the Investor Education and Protection Fund under Section 125 of the CA, 2013.
>
> 2.100. Further, the Government may consider building incentives or mandates in order to enable regular contributions. Sources for contributions to the Fund may also be expanded. Additionally, the utilisation of the Fund may be bolstered and wider uses may be identified. For instance, the Fund may be used to meet the expenses of resource-strapped insolvency proceedings, including payment of workmen's dues; pursuing avoidance action proceedings, etc."

Accordingly, the discussion paper issued by MCA in 2023 proposes to make suitable modifications to Section 224 to effectively operationalise the Insolvency and Bankruptcy Fund. The same has been addressed in the proposed Amendment Bill introduced in the Parliament and referred to the select Committee."

(G) Capacity Building

1.72 The Insolvency Professionals (IPs) are central to the insolvency resolution process. They are responsible for managing the affairs of the Corporate Debtors, ensuring compliance with the IBC/Code, and acting impartially in the best interests of all stakeholders. The overall regulatory framework of IPs is designed to ensure entry of qualified professionals through a competitive entry level examination, undergoing pre-registration educational course and continuous professional education, specialised trainings, peer review mechanism and independent performance review particularly for high stake cases.

As the principal regulator of the insolvency profession, the IBBI is entrusted to promote the development of, and regulate, the working and practices of, IPs, in furtherance of the objectives of the Code. The IPAs, as the front-line regulators are mandated to lay down standards of professional conduct for its members, develop the profession of IPs and promote their continuous professional development. To maintain the integrity of the insolvency process, only compliant IPs can obtain or renew their Authorisation for Assignment (AFA) with the IPA in which they are enrolled and thus become eligible to take up insolvency assignments under the Code.

The IBBI has also institutionalized the concept of IPEs whereby several IPs can come together and pool their resources and capabilities to form an IPE so as to handle insolvency proceedings involving high stakes or where complex issues or law or practical difficulties are involved. An IPE can take the form of a company, a limited liability partnership or a registered partnership firm having minimum net worth of Rs. 1 crore.

1.73 The details of IPA-wise, AFAs (Authorisation for Assignment) held by registered IPs as on 31st March 2025 are given below:

City / Region	Registered IPs				IPs having AFA			
	IIIP ICAI	ICSI IIP	IPA of ICMAI	Total	IIIP ICAI	ICSI IIP	IPA of ICMAI	Total
New Delhi	506	294	97	897	242	145	48	435
Rest of Northern Region	516	219	88	823	228	109	34	371
Mumbai	444	157	42	643	211	81	18	310
Rest of Western Region	380	141	54	575	203	73	22	298
Chennai	157	90	24	271	69	39	13	121
Rest of Southern Region	453	237	95	785	189	111	52	352
Kolkata	243	43	28	314	134	18	17	169

Rest of Eastern Region	80	35	12	127	35	20	7	62
Total (Individual)	2779	1216	440	4435	1311	596	211	2118
Total (IPE as IP)	51	16	25	92	49	15	16	80
Grand Total	2830	1232	465	4527	1360	611	227	2198

1.74 The details as provided by the Ministry of Corporate Affairs/ Insolvency and Bankruptcy Board of India of IPEs recognised with the Board as on 31st March 2025 are presented in Table below:

Quarter	No. of IPEs		
	Recognised	Derecognised	At the end of the Period
2016 - 17 (Jan – Mar)	3	0	3
2017 – 18	73	1	75
2018 – 19	13	40*	48
2019 – 20	23	2	69
2020 – 21	14	0	83
2021 – 22	10	2	91
2022 – 23	17	1	107
2023 – 24	15	0	122
2024 – 25	7	2	127
Total	175	48	127

Note (*) There were higher derecognitions due to introduction of additional eligibility requirements like sole objective, minimum net worth, etc.

The tables above indicates that as on 31st March 2025, there were 4,527 IPs registered with the Board, out of which 2,198 (about 49%) are holding AFA issued by their IPAs. The number of IPEs as on 31st March 2025 stood at 127. Out of these, 92 IPEs (about 72%) are also registered with the Board to carry on the activities of an IP and 80 of these IPEs (about 87%) are holding AFA to undertake assignments as an IP. Further, till 31st March 2025, IPEs registered as IPs have undertaken 161 assignments under the Code in various capacities as IRP, RP, Liquidator involving admitted claims to the tune of Rs. 1,19,132 crore.

1.75 When the Committee asked the Ministry to critically examine the current state of domain and sector-specific expertise within India's IBC network to identify major challenges posed by a potential knowledge deficit in effectively handling complex

corporate insolvencies, outlining the proactive steps and capacity building initiatives being undertaken by the Ministry of Corporate Affairs to address these gaps, the Ministry in their written submission provided the following details:-

> "Continuous skill upgradation of the professionals is undertaken by the IBBI, being the regulator of Insolvency Professionals. The IBBI actively engages with IPs through diverse formats such as advocacy programmes, workshops, webinars, and specialised training sessions, focusing on both foundational and advanced aspects of insolvency practice. Efforts to augment IPs' expertise include workshops targeting niche areas of insolvency, alongside encouraging IPAs to offer similar educational opportunities. Through Indian and international experts, Train-the-Trainers programmes, aimed at expanding the pool of knowledgeable professionals within the insolvency ecosystem, are being organised regularly.
>
> IBBI and IPAs, independently as well in consultation have been issuing communications facilitating conduct of process by an IP, issuing best practices on recurrent complex issues and releasing publications for guidance of the IPs and other stakeholders. The IPAs are also including case studies of large cases in their pre-registration education course and CPE programmes.
>
> In FY 2024-25, the IBBI conducted 22 Workshops, 3 Webinars, 2 roundtables, 1 Insolvency Professionals' Conclave and 1 train-the-trainers program for capacity building of IPs.
>
> The IPAs also undertake several capacity building measures to augment the capacity of IPs. These include pre-registration educational courses (PREC) for prospective IPs, CPE programmes, trainings, workshops, roundtables, and webinars. IPAs also conduct and monitor CPE credits of their member IPs. In FY 2024-25, the IPAs have conducted 3 pre-registration courses, 250 CPE programmes, 92 training workshops, and 161 other events.
>
> Thus, the framework of IBBI, as laid down above, has been evolving regularly for meeting post-registration professional development needs of IPs in a comprehensive manner, enabling them to meet the emerging challenges of insolvency resolution, particularly in large and complex cases."

1.76 On being enquired, if there is lack of specialization in any specific required field in any way which is posing hindrance in handling big cases, the Ministry of Corporate Affairs further clarified in their replies:-

> "IPs are qualified and experienced professionals who are engaged in the nuances of insolvency law and resolution mechanics continuously. The IBBI has also institutionalized the concept of Insolvency Professional Entities (IPEs) whereby several IPs can come together and pool their resources and capabilities to form an IPE so as to handle insolvency proceedings involving high stakes or where complex issues or law or practical difficulties are involved."

1.77 Addressing Committee's concern regarding the unbridled power at the hands of IPs/RPs and possible misuse thereof, the Chairperson, IBBI deposed the following before the Committee:-

> *"Sir, the Standing Committee in its 10thReport had also directed us to look at RPs because there is a perception that RPs have become very powerful, and the system of RPs needs to be improved. We have taken note of that suggestion, and we are trying our best to improve the insolvency profession. All IPs have to pass an exam before becoming an IP, and our pass percentage is about 17 per cent.*
>
> *Sir, we have also registered firms as IPs because individuals cannot work. I mean, it is difficult for an individual to do the work of a large company. So, we have registered 92 firms to act as IPs. We conduct workshops and training programs. We have prescribed that all IPs have to do continuing professional education. They have to do 60 hours in three years. So, we are trying to improve the quality of the insolvency professionals.*
>
> *We are adapting a carrot and stick policy. So, we also have a very strong disciplinary mechanism. As you can see, last year we did about 73 disciplinary orders against RPs, and 45 RPs were suspended. Monetary penalty was imposed on 13, and registration of three RPs was cancelled. So, we have a carrot and stick policy. If we find that an RP is doing wrong, we start disciplinary proceeding. This is a quasi-judicial proceeding. We try to be very strict against the RPs."*

1.78 A Resolution Professional under IBC sometimes face potential conflicts of interest due to their various acquaintances with stakeholders, including creditors, related parties, and even the corporate debtor itself. The IBBI emphasizes the importance of avoiding conflicts of interest and maintaining objectivity in professional dealings. When the Committee sought to understand the import and extent of the interest, the Secretary, Ministry of Corporate Affairs made the following oral submission before the Committee:-

> *"RP's conflict of interest. A lot of issues have come as to what should be the conflict of interest? Which RP should not be appointed and in what case? Here again, I believe that there is a very transparent system of a conflict of interest which is being used for the arbitration where right now IBBI simply says that there should be no conflict of interest. But we have not specified what is the permissible one. Where you have to disclose? This kind of a regimen which is there for arbitration which has been accepted across for arbitration is what we are proposing to fine tune and get into the IBC system."*

1.79 In this connection the Committee specifically asked about the Registration and Authorization of Resolution Professionals and ways to check and control over misuse of their office, the Ministry of Corporate Affairs has stated the following in their written reply:-

> "Registration under the IBC is the basic process by which an individual becomes eligible to act as a Resolution Professional (RP) after meeting prescribed qualifications. Authorization, however, is a higher level of approval granted by the Insolvency and Bankruptcy Board of India (IBBI) , allowing the RP to undertake specific cases, usually allotted by the Adjudicating Authority. For being granted an authorization, it is envisaged that these RP's attend the trainings and pay the requisite fees and remain informed about current developments and best practices in the IBC ecosystem.
>
> The IBBI has laid down Code of Conduct for the RP's under Regulation 7(2)(h) of Insolvency and Bankruptcy Board of India (Insolvency Professionals) Regulations, 2016. Strict enforcement and monitoring by the IBBI, specifically Disciplinary Committee keeps a check on such misuse. Moreover, to prevent insider information leaks by Resolution Professionals (RPs) a secure digital platform is in the early stages of development by the MCA with the aim to ensure balance of transparency and security of information."

1.80 In this connection the Committee sought to know about the measures in place to monitor the functioning of IPs and disciplinary action taken against errant IPs, the IBB submitted their written replies as below:-

> "The IBBI is the regulatory body responsible for overseeing the insolvency profession in India. It has established a comprehensive regulatory framework to ensure the integrity and professionalism of IPs. Pursuant to the authority granted by Section 196 of the Code, the IBBI has established a robust oversight mechanism on IPs under the IBC. IBBI has established a comprehensive regulatory framework, including a detailed Code of Conduct, to govern the behaviour and practices of IPs. The key regulations framed for this oversight mechanisms are outlined below:
>
> (i) IBBI (Insolvency Professionals) Regulations, 2016
> (ii) IBBI (Grievance and Complaint Handling Procedure) Regulations, 2017
> (iii) IBBI (Inspection and Investigation) Regulations, 2017
>
> To ensure timely reporting and analysis of the performance, the IPs are mandated to submit progress of the processes to the Board. For CIRPs and liquidation processes, Forms are required to be submitted to the Board after completion of a certain stage of the process. The Board closely monitors these filings on parameters like timeliness, completeness, etc. Based on the analysis of these Forms, cases are identified for further administrative or regulatory intervention by the Board in areas like delays in filing avoidance applications, delays in approval of resolution plans, etc.
>
> Complaints and grievances received by the Board provide important inputs for proceeding with investigation and investigation which in turn provide feedback loop for effective oversight of Ips. The Board has put in place IBBI (Grievance and Complaint Handling Procedure) Regulations, 2017 for

effective functioning of this mechanism.

Inspection and Monitoring: The IBBI also conducts investigations and inspections of IPs to ensure adherence to regulations, which aids in identifying any lapses or issues in their conduct during the insolvency process. On noticing any *prima facie* contravention as a result of the investigation and inspection, disciplinary proceedings are initiated against the IP by issuing Show Cause Notice (SCN) to such IP. When an SCN is issued, the IP is prevented from undertaking any new assignments until the SCN is disposed of by the Disciplinary Committee as per provisions of the Code. This suspension serves as an interim measure to uphold the integrity of the insolvency process and ensures that only qualified, compliant professionals are actively engaged in cases.

Role of IPAs: Under the Code, IPAs play the role of frontline regulator and are responsible for registering and regulating the conduct of their members (IPs), ensuring they adhere to the ethical and professional standards set by the IBBI.

Disciplinary Committees: As prescribed under Section 220 of the Code, the IBBI has the authority to set up disciplinary committees to consider the report of investigating authority formed to investigate the complaints against Ips. The disciplinary committee assesses the allegations and if an IP is found to have contravened the provisions of the Code or Regulations made thereunder, it can impose penalties, which may include suspension or cancellation of the IP's registration, along with other disciplinary actions. The disciplinary committee operates as a quasi-judicial body, following a due process to uphold natural justice principles. The orders of the disciplinary committee can be challenged before the higher judicial forums."

Grievance, complaints handling and disciplinary actions

The IBBI has set up a system for receiving, processing, and investigating the complaints and grievances received against Ips. IBBI received a total of 8670 complaints and grievances in 1590 assignments against the conduct of 935 IPs. Out of these, 8431 (97.25%) complaints and grievances have been dealt with as on 31st March 2025.

With regards to the disciplinary action as on 31st March 2025, the Board has issued 159 advisories and 303 show cause notices. Out the 303-show cause notice issued, 275 SCNs have been disposed of by the board as on 31st March 2025, resulting in imposition of penalties in 158 cases, as follows:

Cancellation of registration of IPs - 13

Suspension of registration of IPs - 97

Monetary penalties - 48

During the last three years, 194 SCNs have been disposed of by the Board,

resulting in imposition of penalties in 116 cases, as per the following details:

Cancellation of registration of IPs	08
Suspension of registration of IPs	73
Monetary penalties	3”

1.81 The year-wise details of the disciplinary action taken against erring IPs as submitted by IBBI is given below:-

	2022-23	2023-24	2024-25
Disciplinary Committee Orders Issued	70	52	73
Advisory & others	28	17	12
Suspension	25	22	45
Monetary Penalty	15	10	13
Cancellation	2	3	3

1.82 Asked about the internal action banks initiate against IPs those who fell short in exercising due diligence, the SBI in their written reply stated as below:-

> “Bank has SOP on “Empanelment & Monitoring of IPs” and have separate SOP on “Engagement of IP” which takes care of the due diligence before financing IPs.
> Timely review process at half yearly intervals is done based on reviews received from operating units and IBBI order.
> RP is accountable to the Adjudicating Authority (AA) and the CoC. CoC supervises the RP's functioning and can replace them if dissatisfied with their conduct. RP's actions are also subject to scrutiny by the AA.
> IBBI (Insolvency Professionals) Regulations, 2016 outlines the framework for the registration, conduct, and oversight of Insolvency Professionals (IPs) in India.
> Besides, there is IBBI Grievance and Complaint Handling Procedure, Regulations, 2017. Under these regulations disciplinary proceedings against IP can be initiated for misconduct.”

1.83 In this regard, when asked about the action required to be taken against Resolution Professionals if they do not work in accordance with the law and remedial measures needed for fastening the accountability, the SBI furnished following written response :-

> “In the Corporate Insolvency Resolution Process (CIRP), Resolution Professional (RP) and the Committee of Creditors (CoC) have distinct roles, powers, and responsibilities, with accountability mechanisms in place to

ensure fair and efficient proceedings. The CoC, as the primary decision-making body, supervises RP's actions and can replace them if necessary. RP, as a facilitator, manages the day-to-day affairs of the Corporate Debtor (CD) and assists the CoC in making informed decisions.

Resolution Professional (RP):

Competence: The RP, an Insolvency Professional (IP), is entrusted with various statutory and legal duties under IBC, 2016. They manage the CD's affairs, exercise the powers of its Board of Directors, and comply with applicable laws etc. Accountability: RP is accountable to the Adjudicating Authority (AA) and the CoC. CoC supervises the RP's functioning and can replace them if dissatisfied with their conduct. RP's actions are also subject to scrutiny by the AA.
IBBI (Insolvency Professionals) Regulations, 2016 also outlines the framework for the registration, conduct, and oversight of Insolvency Professionals (IPs) in India. Besides, there is IBBI Grievance and Complaint Handling Procedure, Regulations, 2017. Under these regulations disciplinary proceedings against IP can be initiated for misconduct. The IBBI, whenever its findings prove any mala-fide or infringement by RP, it suspends the AFA of that particular RP and thus debars him/her to take up any further assignment

Committee of Creditors (CoC):

The CoC, primarily composed of financial creditors, is the decision-making body during CIRP, and approve or reject the agenda item put forth by RP for voting. CoC is governed by the guidelines of conduct, brought out by IBBI. The CoC members work on the principles of collective wisdom in the interest of the resolution of CD. Moreover, in case of CoC members from financial sector like Banks, they are also governed by the respective service condition and all the decisions are taken and/or ratified through a laid down policy for IBC."

1.84 SBI has further stated as under:-

"IBBI has structured system of attending to complaints against RPs contravening any act/regulations and it initiates disciplinary action depending on the gravity of contravention. However, penalty could be more severe and there should be cooling period after which only they can take any new assignments.
While the Insolvency Professional bodies are taking steps to train RP, individual IPs, at times, fail to meet the skills required to run a full-fledged company during the CIRP.
To address the issues, IBBI has suggested appointment of IPEs who have the AFAs to bring in teams having required skills."

1.85 As regards the process for removing RP under the Code, the Committee was informed that under the Code, an RP, appointed to manage the corporate insolvency resolution process, can be replaced by the CoC. The CoC can decide to replace the

RP by a vote of 66% of their voting shares. The CoC then proposes the replacement to the AA.

1.86 On being asked whether it is necessary that the persons who appoint the RP should be empowered with the decision to remove him and replace him or should it be as it is; and what impact is it having on resolution mechanism, the Chairman, IBBI has clarified the following during his oral submission before the Committee:-

> "About the RPs being appointed and changed, RPs are appointed by the court actually. The RPs are appointed by NCLT. What actually happens is when an application is made, the creditor recommends an RP. That is what the law allows him to do. The creditor recommends an RP and based on the recommendation of the creditor, the adjudicating authority or the NCLT approves the RPs.Now if the CoC finds the conduct of the RP unsatisfactory and if the CoC wants to change the RP, the CoC again passes a resolution by 51 per cent majority and then sends that new name to the NCLT. The NCLT, who is the appointing authority, actually changes the RP. The RP is appointed by the NCLT and the RP is changed by the NCLT on the recommendation of the creditor or the CoC or the Committee. This is about appointment of RP. It takes time because you need a meeting of the CoC. The meeting of the CoC recommends a change, then it goes to NCLT, and then the NCLT approves it. So, it takes some time".

1.87 In this regard, SBI in their post-evidence reply has stated as under:-

> "IBBI has a system of reviewing performance of each RP and to decide on continuation or otherwise of AFAs. However, there is no system as yet, for recording data on change of RPs in a given IBC case.
>
> Banks are guided by such continuation or otherwise of AFA by IBBI. IBBI, being regulator of Resolution Professionals, entertains complaints and has structured system of disciplinary proceedings wherein contraventions are examined and penalties, as and when required, are imposed.
>
> Resolution professionals are changed based on conduct of the RPs engaged for the purpose".

1.88 On being queried about the powers of CoC regarding Resolution Professionals (RPs) and the steps taken to empower CoC, the IBBI in their written submissions stated the following:-

> " Appointment and Replacement Powers:
>
> - Recommendation of IRP: Financial creditors and operational creditors have the statutory right to recommend the name of Interim Resolution Professional (IRP) to the NCLT at the time of filing the application. While the NCLT formally approves the appointment, this is based on recommendations from creditors.
> - Confirmation/Replacement of RP: The CoC has the power to recommend

replacement of the RP or confirmation of the IRP as the RP during the CIRP.

Operational Control Powers:

- Section 28 Powers: Under Section 28 of the Code, the RP cannot take any significant actions without prior approval of the CoC, including decisions related to legal proceedings, disposal of assets, raising of interim finance, and other material decisions affecting the corporate debtor.

The CoC thus has comprehensive powers spanning appointment and operational oversight regarding RPs.

Initiatives by IBBI to empower CoC and foster timely decision making:

- Guidelines for Conduct of CoC: IBBI has issued guidelines dated 6th August, 2024 to the CoC to foster more effective, transparent, coordinated and time bound decision making by the CoC members. The guidelines encompass provisions covering critical areas including objectivity and integrity, professional competence, independence and impartiality, cooperation, supervision and timeliness, confidentiality and active participation in the resolution process.
- Monthly meetings of the committee of creditors (CoC): Under the amended dispensation, the RP is mandated to convene a CoC meeting at least once in every thirty days, with a provision to extend the interval between meetings to a maximum of one meeting per quarter, if CoC so decides.
- Approval of insolvency resolution process costs: With a view to enhance the oversight of the CoC over going concern costs, the amendment provides that the RP to seek approval from the CoC for all costs including going concern costs related to the insolvency resolution process.
- Disclosure of valuation methodology: With an aim to increase transparency and reduce disputes over valuation related issues, the amendment provides for explaining the valuation methodology to the members of the CoC before the computation of estimates.
- Flexibility in inviting resolution plans in real-estate cases: With a view that each project in a real estate case may need different treatment in terms of resolution, the amendment clarifies that after due examination, the CoC may direct the RP to invite separate plan for each project.
- Monitoring committee for implementation of resolution plan: The amendment enables the CoC to decide for constitution of a monitoring committee for overseeing the implementation of the resolution plan.
- Handing Over Possession: The RP, after obtaining approval of the CoC and upon fulfilment of all obligations by the homebuyer, can now hand over possession of plots, apartments, or buildings to the homebuyers while the resolution process is still ongoing. Thus, the distressed homebuyers would not have to wait for long periods in order to get possession of their properties.
- Participation of Competent Authority in Real Estate Projects: CoC can now invite relevant land authorities such as NOIDA, HUDA etc. to their meetings for inputs and perspectives on regulatory and land development related matters. Participation of land authorities would not only enhance the viability and feasibility of resolution plans but also build confidence among

homebuyers and other stakeholders in the resolution process.

Institutional Coordination: DFS (Department of Financial Services, Ministry of Finance) regularly reviews large ongoing cases under IBC, with banks. IBBI participates in such review meetings and facilitates expediting the processes. In addition, IBBI also organises training sessions for CoC members and senior bank officials.
These measures aim to foster informed decision-making while maintaining commercial wisdom of the CoC."

1.89 Regarding the major issues with the Committee of Creditors, Bank of Baroda has submitted the written response:-

"The Committee of Creditors (CoC) plays a crucial role in the Corporate Insolvency Resolution Process (CIRP). Key problems include delayed decision-making, potential manipulation of claims, and challenges in ensuring fair treatment of all creditors, particularly dissenting ones. Furthermore, issues like information asymmetry for interim finance providers. Specific issues and challenges related to the CoC in CIRP:

(i) CoC can face delays in decision-making, sometimes due to a lack of proper delegation of authority.

(ii) Financial creditors (FCs) may inflate their claims during the CIRP, potentially increasing their voting share and influencing the CoC's decisions.

(iii) Unequal Treatment of financial creditors i.e., voting share based on the claims and no differentiation between secured/ unsecured and first charge holders and second charge holders. Some times unsecured/ second charge holders because of their voting share dominating in the CoC, affecting the interest of secured/first charge holders.

(iv) Lack of understanding between the members of CoC leads to filing of Interlocutory applications and appeals, which can significantly delay the CIRP."

(H) Emerging Issues and Challenges

(a) Timelines

1.90 The IBC endeavours to close the various processes at the earliest. The CIRPs, which have yielded resolution plans by the end of March, 2025 took on average 597 days (after excluding the time excluded by the AA) for conclusion of process, while incurring an average cost of 1.22% of liquidation value and 0.77% of resolution value. Similarly, the 2758 CIRPs, which ended up in orders for liquidation, took on average 508 days for conclusion. Further, 1374 liquidation processes, which have closed by submission of final reports took on average 646 days for closure. Similarly, 1704 voluntary liquidation processes, which have closed by submission of final reports, took on average 401 days for closure.

1.91 As regards the key challenges faced in implementation of IBC, the Deputy Governor, RBI during the Sitting, informed the Committee as stated below:-

> *"Now looking at the key challenges in the IBC. Firstly, the major issue is the delay in the resolution of the processes. Out of the 935 cases resolved as of March 2024, the average time taken for resolution stood at 674 days. However, during 2024 to March 2025, 259 cases were resolved, where the average time taken had increased to 853 days. The Code envisages a time limit of 180 days, extendable by another 90 days and an additional 60 days specifically for completing the legal processes, that is, a total of 330 days. Though the actual time being taken for resolution is notably higher, which leads to significant value erosion.*
>
> *The key challenges include appeals by the various stakeholders, lack of a formal Code of Conduct for the Committee of Creditors, and infrastructural limitations. The other important issues contributing to the delay in initiating the process of invoking IBC provisions include coordination among the lenders, the need for improvement in the performance of the Committee of Creditors, proper selection of the resolution professionals, and use of technology for faster resolution of the issues……"*

1.92 The RBI, in their post-evidence written replies, further stated as follows:-

> "Delays in liquidation process under the IBC often could stem from a combination of procedural, legal, and/ or market-related reasons. Procedural irregularities or disputes during the corporate insolvency resolution process can lead to approved plans being withdrawn or re-examined, forcing liquidators to revisit valuation, verification of claims, and stakeholder consultations, which significantly extends timelines. In our view, IBBI may be better placed to offer comments on this issue".

1.93 In this regard, when the Committee asked for the steps taken to contain the delays in legal processes, the Ministry of Corporate Affairs in their written reply added following details:-

> "MCA is proactively working to reduce the delay by increasing the number of benches of NCLT and NCLAT, a proposal in this regard has already been sent for consideration and the same is being examined. The contemplated notification of Adjudicating Authority Rules also aim at speedier redressal. All the vacancies at the NCLAT and NCLT has been filled up except the ones that may be arising out of recent retirements etc which too are being filled up proactively. While specific data on the total value of pending cases is not easily ascertainable as the value can only be ascertained on the receipt of claims and adjudication of the same by the Resolution professional."

1.94 Considering the alarming trend of increased timelines for filing applications, admitting cases, and completing resolutions or liquidations, the Committee sought to

know the strategy of RBI to address underlying causes of these delays, such as legal challenges, inter-creditor disputes, non-cooperation from promoters, and incomplete financial information etc., the RBI stated as under:-

> "Section 7 of IBC deals with the process for admission of CIRP application when the same is initiated by a Financial Creditor. Presently, under Section 7(4), which prescribes timeline of 14 days for the adjudication authority (AA) to admit the application, there is a proviso which states that "….if the Adjudicating Authority has not ascertained the existence of default and passed an order under sub-section (5) within such time, it shall record its reasons in writing for the same". Further, section 7 (5)(a) and 7 (5)(b) had the words "…may, by order, admit/ reject such application". Amendment of Proviso to Section 7(4) and amendment of 'may' to 'shall' in Section7(5)(a) and Section 7(5)(b) will help in reducing delays at admission stage. This has already been flagged by RBI in multiple forums. On the aspect of Intercreditor disputes, a statutorily enforceable code of conduct would help in addressing inter-creditor disputes arising during the CIRP process. Having said that, it may be appreciated that each creditor's assessment may lead to a different conclusion of the same problem statement and thus consensus is not something which is envisaged in all cases. The same has also been appreciated in the Code which only requires decision by majority of creditors and not all creditors. In any case, delinking distribution from resolution would ensure that delays on account of inter-creditor disputes pertaining to distribution of resolution proceeds, where consensus by majority has been reached on the resolution value, do not result in stalling the resolution process."

1.95 When asked about the reasons, the NCLT is not able to provide judgment within allotted timeline of 90 days, the Ministry of Corporate Affairs in their written reply stated as under:-

> "Despite the 180 days resolution timeline under Section 12 of the IBC (permitted to go upto 330 days under certain circumstances), courts often end up taking more time due to factors like frequent adjournments, complex litigation, and interim applications by stakeholders. The judicial authorities are bound to follow principles of natural justice for each stakeholder, which in certain complex cases leads to several applications, counter replies and consequent increase in time taken for judicial adjudication."

1.96 The liquidation process yields an average recovery of 3-4% of admitted claims for creditors. Further, the extension of time period in passing liquidation order by the adjudicating authority leads to rapid deterioration in value of asset of CDs. On being queried about the efforts taken to ensure minimising the delays in passing of

liquidation orders, the Ministry of Corporate Affairs in their written submissions apprised as under:-

> "Around 78% of the CIRPs ending in liquidation (2107 out of 2704 for which data are available) were earlier with BIFR and/or defunct. The economic value in most of these CDs had almost completely eroded even before they were admitted into CIRP. These CDs had assets, on average, valued at 6% of the outstanding debt amount.
>
> To reduce delays during the transition from the CIRP to liquidation, the IBBI has clarified through CIRP Regulation that meetings of the CoC may be convened until a resolution plan is approved or a liquidation order is passed. This enables the CoC to receive regular updates on the status of the liquidation application and to issue instructions to the RP for expediting the matter before the Adjudicating Authority (AA), thereby ensuring continuity and avoiding procedural delays. Additionally, Form H, which accompanies the RP's application for approval of the resolution plan or initiation of liquidation, has been amended to streamline and standardise the required disclosures. This facilitates faster decision-making by the AA by providing consolidated and structured information.
>
> Presently, there are no timelines for the Adjudicating Authority to pass a liquidation order. Further, to address systemic delays, the Ministry of Corporate Affairs (MCA) in its discussion paper had proposed considering a statutory timeline of 30 days for the AA to pass a liquidation order from the date of filing under section 33 of the Code.
>
> The same has been addressed in the proposed Amendment Bill introduced in the Parliament and referred to the select Committee
> Also, the proposed Integrated Technology Platform under the IBC will assist the Adjudicating Authority in early disposal of orders, thereby enforcing the time-bound nature of the IBC and preserving the value of the corporate debtor's assets. It is aimed at improving the overall efficiency and oversight of the insolvency framework."

1.97 As regards the action being taken on the delay caused due to frivolous Interim Applications filed by the corporate debtor and other stakeholder, the Ministry of Corporate Affairs submitted following written information:-

> "Section 65 of the Code provides strong deterrent measures against fraudulent or malicious initiation of CIRP proceedings. This provision empowers the AA to impose substantial penalties ranging from one lakh rupees to one crore rupees on any person who initiates CIRP, liquidation proceedings, or pre-packaged insolvency resolution process fraudulently or with malicious intent for purposes other than genuine insolvency resolution.

Further, the issue is also under consideration of the MCA. In this regard, the MCA Discussion Paper 2023 stated as follows –

"5.2. Further, it is observed that several proceedings are maliciously instituted before the AA to delay the conduct of processes. Proceedings are also initiated with no reasonable prospect of success or based on insufficient evidence submitted without any purpose to determine the actual issue. These proceedings take up a substantial time of the AA, which can be utilised for other matters, resulting in draining of resources for the concerned parties and causing delays in the conduct of insolvency resolution processes under the Code. Therefore, it is being considered that the Code should have a mechanism to discourage the initiation of such proceedings. Section 65 of the Code provides a penalty against fraudulent or malicious initiation of admission proceedings. However, no penalty is imposed on other proceedings filed before the AA. Hence, it is being considered that the AA should also be empowered to impose a penalty where it believes that such a person has filed frivolous or vexatious applications.

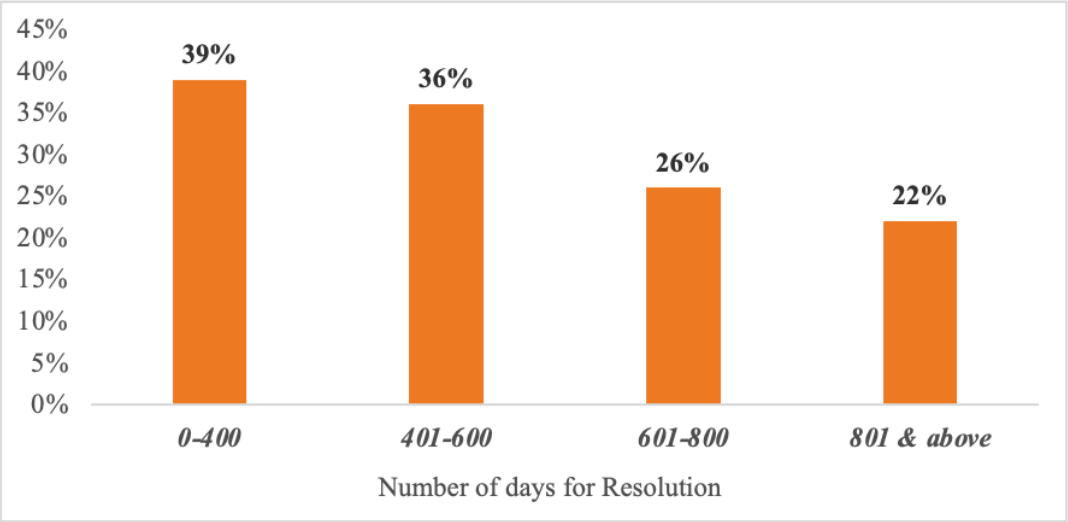
5.3. Additionally, it is felt appropriate that considering the collective nature of proceedings undertaken under the Code and the interdependence of interests of different stakeholders, the quantum of the penalty that can be imposed for the contraventions mentioned above should be linked to the loss caused to any person or the unlawful gain made by the concerned person responsible for such contravention. Therefore, the minimum penalty that the AA may impose for the contraventions mentioned above should not be less than one lakh rupees per day, which may extend to three times the loss caused or unlawful gain, whichever is higher. Since the precise type of contravention is not identified under the kind of wrongs discussed above, linking the penalty to the loss caused or unlawful gain made will ensure that the consequence of the contravention determines the extent of penalty that the AA may impose. Pursuant to this, the AA may determine an appropriate penalty within the given range based on the gravity of the contravention."

The same has been addressed in the proposed Amendment Bill introduced in the Parliament and referred to the select Committee"

(b) Low realisation

1.98 The realisation to the creditors is about 32.8% as against admitted claims and about 170.1% against the liquidation value. Delays in the CIRP can significantly decrease the realisation value under a resolution plan. These delays lead to the deterioration of assets, operational inefficiencies, market volatility, creditor fatigue, increased costs, interest accrual, investor aversion, damaged relationships, reputation loss, and potential legal and regulatory changes. Such factors collectively erode the

value of distressed companies, affecting creditors and stakeholders by reducing the funds available for distribution. Delays lead to deterioration in value of assets on the one hand and inflate the claims on the other hand because of accumulated interest and penal interest. Chances of stripping of assets also increase with delays. Therefore, the loss becomes steeper as the delays increase. Fast resolution is crucial to preserve asset value and maximisation of returns. The Figure below depicts that the realisation in the process is inversely proportional to the time taken in closure of the process.



1.99 In this regard, the Chairman, IBBI during the course of evidence made following oral submissions:-

> *" There are two problems in IBC. One is delays, and the other is low recoveries. These are the two problems which are highlighted in IBC. Both of them are directly correlated. What we have seen is, if there is more delay, then the recovery comes less. We have done a study of all the resolutions that have happened so far. We find that if the resolution happens in less than 400 days, then we get a recovery of about 39 per cent. As the time increases, the recovery reduces. If we could somehow take control of the delays or reduce delays, recoveries will automatically improve. That is what our studies show.*
> *We have also done a study of about 1,093 cases. If you see, the claims of creditors were more than Rs.10 lakh crore. But when a company comes into IBC, a valuation is done. The valuation of these 1,000 cases was about Rs.3,48,000 crore. What did IBC give in return to the creditors? It is Rs.3,25,000 crore.*
> *The point that I want to make here is that the loss in value happens before a company comes into IBC. That means, the banks are delaying. Suppose, an NPA happens, by the time they come to IBC after one year or two years, there is an erosion in value during that period. Then, once the case is put up*

before NCLT, it again takes a year to admit it. So, these two things, one, delay by banks in sending the case to IBC, and, two, delay in admission by NCLT, have led to the greatest loss in value. If we could somehow take care of these two things, if banks come to, or the creditors come to IBC earlier, and if we could somehow reduce the time taken in admission, the realization will automatically increase. This is what our study shows."

1.100 The Committee further asked about the details of recoveries and haircuts experienced by the banks under IBC along with methods to decrease the excessive haircuts in IBC, the IBBI furnished following written response:-

" 1194 CIRPs have yielded Resolution plans as on 31st March, 2025. In the cases the creditors have realised Rs. 3.89 lakh crore under the resolution plans. In these cases, the realisation by creditors as against their admitted claims, fair value and liquidation value is 32.8%, 93.4% and 170.1%, respectively.

Additionally, this recovery figure excludes CIRP costs and potential future recoveries, such as equity, proceeds from corporate and personal guarantees, funds infused by resolution applicants, including capital expenditures, and recoveries from avoidance applications. Recoveries are a reflection of the underlying asset quality and the commercial viability of the distressed enterprise. The recoveries can be improved through: -

(i) early admission of cases before value erosion;
(ii) enhanced information availability and valuation discipline; and
(iii) promotion of competitive bidding and wider participation in resolution."

1.101 When asked whether the RBI has plans to review massive haircuts happening in high asset value, the written submission from RBI apprised as under:-

"The recovery rates as a share of admitted claims may present a dismal picture of 30 to 33%. However, that may not be a fair measure of the efficiency of the process as the recovery rate as a share of fair value at the time of admission and recovery rate as a share of liquidation value would be a better estimate of the effectiveness of the process. The recovery rates for the recent three financial years are given below for comparison:-

Realisation 2022-23 2023-24 2024-25

Through resolution plans

As % of fair value 85% 95% 157%value 128% 136% 230%

Through Liquidations

As % of liquidation

value 90.24% 90.85% 86.97%

Having stated the above, the reduction in recovery as a share of admitted claims may be partly attributed to the significant delay between a default and the completion of the insolvency process. The RBI guidelines on resolution

of stressed assets provide for a time-bound initiation of the resolution process, which may include filing of CIRP by the lenders under IBC. Even post-filing, significant delays have been observed in admission and completion of the resolution process under IBC. As of March 2024, for CIRPs yielding resolution, the average time taken between insolvency commencement and approval of resolution plan was 674 days. This timeline includes around 112 days, wherein there were delays caused due to courts granting a stay on the proceeding, orders reserved by the AA/courts, non-appointment of RP etc."

1.102 Till March, 2025, 1374 CDs have been completely liquidated with submission of final report. Out of the 1374 CDs, 878 have been closed. In the closed liquidations, the creditors have realised Rs. 9330 crore which is nearly 90% realisation as against the liquidation value. The details regarding the filing and disposal of the cases is mentioned below:-

Particulars	Number	Impact
Total Cases (1)	51,474	
Pre-admission case disposal* (2)	30,745	₹ 13,93,902 crore of underlying default addressed through behavioral change in creditor-debtor relation
Post-admission case disposal# (3)	4,998	₹ 5,08,873 crore realizable value of all the settled cases
Resolution#	*1,194*	-Realisable Value- ₹ 3,88,904 crore -170.1 % of liquidation value – approx. 32.8 % of claims
Settled/withdrawn/closed#	*2,430*	₹ 1,05,625 crore
Liquidation completed#	*1,374*	₹ 14,344 crore realized (Assets re-allocated to better use)
Total Disposal (2)+(3)	35,743	₹ 19,02,775 crore
Ongoing Cases (including admission) (1-2-3-4)	15,731	

**NCLT's Note for pad as on 31.03.2025*
 # IBBI data as on 31.03.2025

1.103 When asked about the reforms necessary to further improve creditor recoveries and incentivize resolutions of viable companies, particularly in light of the substantial gaps between claims and realization, the Ministry of Corporate Affairs intimated the following:-

" IBC has a robust mechanism with time bound approach to preserve the value of asset of the Corporate Debtor. Therefore, it is proposed to ensure strict adherence to the time-bound resolution limiting delays, as was highlighted in the discussion paper issued by MCA. Improving asset valuation practices and ensuring better transparency in the resolution process will help bridge the gap between claims and realizations. Additionally, enhancing the

quality of resolution applicants through e-auction platforms like BAANKNET attracts more viable bids and will help align the IBC's objectives of value maximization, timely resolution, and equitable creditor recovery. The rolling out of the platform integrating most of the IBC ecosystem which is in its early stages of development should give impetus to the above reforms."

1.104 In this connection, the Committee sought the implementation status of the recommendation of the erstwhile Standing Committee on Finance to allow flexibility in resolution Plan of a company to enable resolution applicants to bid for a part of the corporate debtor or some assets of the corporate debtor instead of the whole company to attract more options in RP, the Ministry of Corporate Affairs in their written replies stated as under:-

"The Explanation to section 5(26) "*resolution plan*" clarified that a resolution plan may include provisions for the restructuring of the corporate debtor, including by way of merger, amalgamation and demerger. Further, regulation 37 of the CIRP Regulations earlier provided that resolution plan includes sale of all or part of the assets whether subject to any security interest or not; or restructuring of the corporate debtor, by way of merger, amalgamation and demerger. It was amended in 2022 to clarify that the resolution plan may provide for sale of one or more assets of CD to one or more successful resolution applicants submitting resolution plans for such assets; and manner of dealing with remaining assets.

The CIRP Regulations now permit that the RP with the approval of the CoC can invite expression of interest for submission of resolution plans for the CD as a whole, or for sale of one or more of assets of the CD, or for both. Subsequent to this, in one of the matters of CIRP, the NCLT has approved resolution plan for part assets of the CD.

Additionally partial resolution also exists in the real estate sector. Amendments to the CIRP regulations have enabled significant flexibility for real estate cases, allowing the CoC to direct RPs to invite separate resolution plans for individual projects within a real estate company. This recognition acknowledges that each real estate project has unique characteristics, geographical locations, market dynamics, and completion requirements that may be better served through project-specific resolution approaches.

By enabling concurrent invitations, the resolution process can reduce timelines, prevent value erosion in viable segments, and encourage broader investor participation.

The same has been addressed in the proposed Amendment Bill introduced in the Parliament and referred to the select Committee."

(c) Statutory Overlap

1.105 The statutory conflict between the Insolvency and Bankruptcy Code (IBC) and the Prevention of Money Laundering Act (PMLA) has consistently posed a challenge

to the timely and efficient conclusion of the Corporate Insolvency Resolution Process (CIRP). This issue, primarily stemming from the Enforcement Directorate's (ED) authority to attach a corporate debtor's assets, often deters prospective resolution applicants and delays asset realization, thereby undermining the core objectives of the IBC. In this regard, the Committee wanted to know about the efforts undertaken to resolve this statutory overlapping, the Ministry of Corporate Affairs submitted the following written response:-

> "The IBC was enacted to provide a consolidated framework to resolve insolvency in a time-bound manner and to maximise the value of assets. This objective is further aided by a moratorium under section 14, that halts legal proceedings against the corporate debtor, and the immunity provision under section 32A, which offers a clean slate to resolution applicants upon plan approval. Section 32A of the IBC introduced through the IBC (Amendment) Act, 2020, grants immunity to the corporate debtor and its assets from prosecution for offenses committed prior to the commencement of the insolvency process, once a resolution plan is approved. However, this immunity is only granted to new management and unrelated resolution applicants and the provision bars (a) the erstwhile promoters or management or control of the corporate debtor or a related party of such a person; and (b) person against whom the investigating authority, on material in its possession, has reason to believe that he abetted or conspired in the commission of the offence and has filed the requisite report/complaint. Accordingly, it continues to punish the offenders.
>
> This "clean slate" principle ensures that resolution applicants are not deterred from bidding for insolvent companies due to the fear of being burdened with the past criminal liabilities of the company. Section 32A thus aims to balance the objective of reviving stressed entities and ensures that criminal proceedings against former promoters or individuals who managed the company, along with their related parties, continues under PMLA.
>
> The judiciary, particularly the Supreme Court, has played a crucial role in clarifying and enforcing section 32A. In the matter of Manish Kumar Vs. Union of India and Another [WP(C) No. 26 of 2020 with 40 other writ petitions], the SC upheld the constitutional validity of section 32A, noting that its purpose was to strike a balance between prosecuting guilty individuals and facilitating economic revival. The Court stated that "…Having regard to the object of the Code, the experience of the working of the code, the interests of all stakeholders including most importantly the imperative need to attract resolution applicants who would not shy away from offering reasonable and fair value as part of the resolution plan if the legislature thought that immunity be granted to the corporate debtor as also its property, it hardly furnishes a ground for this this Court to interfere. The provision is carefully thought out. It is not as if the wrongdoers are allowed to get away. They remain liable...".
>
> It is also in line with the doctrine of a clean or fresh slate, as was originally propounded by the SC in Committee of Creditors of Essar Steel Ltd v. Satish Kumar Gupta. The courts have consistently reinforced the 'clean slate'

principle and clarified that the immunity is for the corporate debtor, not for the individuals responsible for the offenses as they remain liable.

The Delhi High Court in the matter of Rajiv Chakraborty RP of EIEL Vs Directorate of Enforcement held that no action can be taken against the properties of CD in respect of offences committed prior to commencement of CIRP. Once the resolution plan comes to be approved or when sale of liquidation starts taking place, the process of resolution or liquidation must be taken forward unhindered. This interpretation of section 32-A is in the larger interest of all the stakeholders. It is the imperative especially in the context of attracting resolution applicants who would otherwise be shy and not forthcoming if penalties arising out of offences are to affect the corporate debtor.

The Bombay High Court in Shiv Charan & Ors. vs. Adjudicating Authority & Ors. [Writ Petition (L) No.9943 & 29111 of 2023] had also directed to release attached properties of a corporate debtor, once a resolution plan had been approved in terms of section 32A, ensuring a clean slate for the entity post-insolvency resolution. However, an appeal from this judgment, involving issues between interplay of section 32A of IBC and PMLA, is pending before Hon'ble Supreme Court."

1.106 Further, the Chairperson, IBBI has deposed the following before the Committee:-

> "There has been a recent order by the Supreme Court where it has mentioned that all resolution plans which are put up before the Committee of Creditors have to get approval of CCI. This will really delay the IBC process. What we have proposed to the Ministry is that only the approved plan should go to CCI before going to NCLT. If this is not done, perhaps it will lead to more delays in the approval process".

(d) Homebuyer's Rights

1.107 The minimum threshold for filing of applications for the purpose of initiating CIRP under the Code was introduced vide IBC (Second Amendment) Act, 2018 to resolve the issue of single homebuyer/allottee initiating insolvency proceedings in NCLT based on minor or frivolous disputes which impacted the entire project and other homebuyers/allottees. The Committee in their 32nd report (17th Lok Sabha) had *inter-alia* recommended that once a single homebuyer decides to initiate insolvency proceedings in NCLT, the real estate owner should be obligated in the Rules/ Guidelines to provide details of other homebuyers of the project to the concerned homebuyer so that the required 10% or 100 homebuyers can be mobilised. Though there are mechanisms outside the purview of the Code to enable initiating CIRP through Real Estate Regulatory Authority(RERA) and allottee specific action, there are no specific enabling provisions in the IBC. In this regard the Ministry of Corporate

Affairs have further submitted that as the issue pertains to the stage before admission under IBC, therefore does not fall within the purview of Ministry of Corporate Affairs

1.108 The MD & CEO, Bank of Baroda has *inter-alia* stated the following on hombuyers' rights as follows during the oral evidence before the Committee:-

> "....*Through a different judgment, it has also given huge protection to the home buyers which has been one of the point that is debated in the system. Actually, homebuyers have now been recognized as financial creditors and have the voting right also in COC, the 66 per cent approval to be put through a resolution. There is a transparency involved therein".*

1.109 To facilitate resolutions in the real estate sector, following recent amendments have been undertaken in the IBBI (Insolvency Resolution of Corporate Persons) Regulations, 2016 (CIRP Regulations):-

(i) Handing Over Possession: RPs can now hand over possession of plots, apartments, or buildings to homebuyers during the resolution process, with CoC approval and upon fulfilment of obligations by homebuyers.

(ii) Appointment of Facilitators: Facilitators can be appointed for sub-classes (e.g., homebuyers) to aid communication with the authorised representative and support creditor understanding of the resolution process.

(iii) Participation of Competent Authorities: CoC may invite land authorities (e.g., NOIDA, HUDA) to meetings for regulatory inputs, improving resolution plan feasibility and stakeholder confidence.

(iv) Report on Development Rights: RPs must prepare a report within 60 days on development rights, approvals, and permissions in real estate projects to guide creditor decision-making.

(v) Relaxations for Homebuyer Groups: CoC can relax eligibility criteria, performance security, and deposit requirements to enable homebuyer groups to participate as resolution applicants

(vi) Separate Bank Accounts for Real Estate Projects: Requires opening separate bank accounts for each real estate project to ensure financial transparency and accountability.

(e) Cross-Border Insolvency Framework

1.110 The Committee in the 32nd Report (17th Lok Sabha) had *inter alia* recommended for expeditious adoption of the provisions of the Cross-border Insolvency framework had been recommended, when asked about the progress in the

matter, the Secretary, Ministry of Corporate Affairs deposed before the Committee the following:-

> *"……we are considering having an enabling provision in the proposed amendments. However, there have been concerns raised, especially in the revised scenario of trade talks and all of that, whether we should be adopting the United Nations Commission on International Trade Law(UNCITRAL) Model at all in the first place because it may lead to a situation where the foreign creditors have a priority in certain cases vis-à-vis the domestic creditors. So, this is being analyzed right now, although we are trying to have an enabling provision in the proposed amendments."*

1.111 In this regard it has been informed that the Ministry of Corporate Affairs (MCA), *vide* Notice dated 23.12.2021 had invited comments from the public on changes being considered to the Insolvency and Bankruptcy Code, 2016 via 'MCA Discussion Paper 2021' which included the cross-border insolvency framework and the same has been addressed in the proposed "Insolvency and Bankruptcy Code(Amendment) Bill, 2025 introduced in the Parliament and referred to the select Committee.

(f) Technological integration aka Digitization

1.112 The Government has announced setting up of an Integrated Technology Platform under the IBC. It will provide for an integrated case management system for processes under the IBC, automated processes to file applications with the AA, delivery of notices, enable interaction of IPs with stakeholders, storage of records of the corporate debtor, and incentivise effective participation of stakeholders. The Integrated Technology Platform would lead to better transparency, minimisation of delays, effective decision making and better oversight of the processes by the authorities.

1.113 In this regard, the Chairman, IBBI, has deposed before the Committee as follows:-

> *"Sir, in the 10th Report of the Standing Committee, which came early this year, the Standing Committee had directed us to implement a direct submission system. So, for liquidation, we have already done it. We are using the Banknet platform, which is promoted by the PSB alliance. In the next four or five months, all resolution plans will also be tried to bring it on this platform, as was directed by the Standing Committee. An integrated technology platform is being built by MCA".*

1.114 The Committee was curious to know as to how this platform would streamline existing IBC procedures, and what ongoing or anticipated challenges may prove critical to its successful operationalization, the Ministry of Corporate Affairs in their written reply submitted following information:-

> "The institutions forming pillars of the Code, including the Ministry of Corporate Affairs, the Adjudicating Authority ("AA"), the Insolvency and Bankruptcy Board of India ("IBBI"), information utilities ("IUs") and service providers, operate on separate technological platforms. However, there are challenges posed by the fragmented nature of this approach.
>
> In order to integrate all the stakeholders of the IBC ecosystem on a single platform, the Government is working on an Integrated electronic Platform for Insolvency Ecosystem (iPIE). The proposed platform will provide for an integrated case management system for processes under the IBC, automated processes to file applications with the Adjudicating Authority, delivery of notices, enable interaction of IPs with stakeholders, storage of records of the corporate debtor, and incentivise effective participation of stakeholders. The work on this platform is ongoing."

1.115 On the extant issue the Secretary, Ministry of Corporate Affairs during the oral evidence apprised the Committee as stated below:-

> *"The second point which is again fairly factual is the technical system which we have set up, which you are asking us. We are going to be setting up 'the single source of truth'……*
> *…..So, a lot of the issues which you are raising in terms of information asymmetry, or the information which is coming in the information memorandum and its non-disclosure to all the important stakeholders, I think a lot of it will be addressed through that. In case of timeline, I think, knowing how IT projects take time and the scope of the project and the design is very important, I would say that a reasonable time would be between 12 to 14 months before this is actually put on the ground. This is because a lot of it would go to the design component of it. We want to be absolutely in tune with what the stakeholders want. So, the first process is on. We are hiring a PMU. We are showing an RFP for the system integrator. But the real thing will be when we start preparing the system's requirement study and the FRS. So, my assessment is that it will take 12 to 14 months".*

1.116 The Committee wanted to know as to how iPIE would deter manipulations and misconducts of IP/RP for creating an efficient IBC ecosystem, the IBBI in their written reply submitted the following:-

> *"The government has proposed that an Integrated Technology Platform will be set up for improving the outcomes under the IBC, thereby ensuring the consistency, transparency, timely processing and better oversight for all stakeholders. The proposed iPIE platform will include a comprehensive Case Management system that will serve as a*

centralized platform to handle the end-to-end lifecycle of cases, providing a structured framework for activity tracking, collaboration, communication, and documentation. This system would incorporate security measures, such as access controls, encryption, and user authentication, to protect sensitive case information, while maintaining detailed audit trails and logs that capture all activities related to the case and actions taken by users. The system will also include secure Virtual Data Room (VDR) capabilities and resolution plan submissions, ensuring that sensitive documents like resolution plans are handled with security measures, thereby preventing manipulation and unauthorized information leaks while maintaining the integrity of the resolution process. As such, the issue raised will be taken care upon operationalisation of the iPIE platform."

(g) Judicial Scrutiny of CIRP

1.117 In the Bhushan Power and Steel Limited CIRP, the Supreme Court, in a significant decision had ordered the liquidation of the company despite the prior approval and implementation of a resolution plan by JSW Steel The court had found procedural lapses and non-compliance with the IBC in the resolution process. However, later, in a recent significant development, the Supreme Court recalled its controversial verdict that had ordered liquidation of Bhushan Power & Steel Limited (BPSL) while setting aside a resolution plan of JSW Steel Limited for the ailing firm. The matter albeit is still sub-judice and the earlier decision of quashing down the implemented resolution plan has been overturned, the court's earlier decision emphasizes the need for strict adherence to IBC regulations during the resolution process. Taking into account the developments relating to the order of the Hon'ble Supreme Court in the CIRP of Bhushan Power and Steel Limited, IBBI submitted the following written response:-

"(i) Reinstating CIRP in case of failure of plan implementation:
If a resolution plan fails, the CD should be placed back into CIRP rather than being sent directly into liquidation. This amendment was part of the MCA's discussion paper dated 18th January, 2023 inviting public comments on proposed amendments to the Code and is currently under consideration by the Government.

(ii) Recommendation to provide certainty to resolution plan:
The law should expressly provide that, once the CD has been handed over to the resolution applicant pursuant to the approval of the resolution plan and the resolution plan value has been duly paid to the creditors, the outcome of the resolution process shall attain finality and shall not be reversed by any judicial authority.

(iii) Ensuring compliance with moratorium under Section 14 and release of attachments post-approval of resolution plan:
Under IBC, the properties of the CD are attached by the investigating Authorities either prior to or during CIRP. This severely limits the value recovery for creditors, as valuable CD assets remain locked under attachment despite the resolution process under IBC being time-bound and market-driven.

Thus, the Code may be amended to provide that moratorium under Section 14 of the Code will be respected by all Government agencies and no seizure, confiscation or attachment can be done after moratorium comes into force. Also, all attachments, if any, made before the moratorium will be released in favour of the successful resolution applicant on approval of the resolution plan".

1.118 In this regard, the Chairman, SBI inter-alia made the following submission before the Committee:-

"...Hon. Supreme Court in its recent decision to set aside the resolution plan by JSW has raised significant questions regarding the efficiency and scope of the IBC. While the matter is still sub judice, but we can give some emerging perspective to avoid recurrence of such a situation. One is clear legislative provisions to deal with situation arising out of appeal filed against plan already voted upon by CoC and approved by the NCLT; ensure paramountcy of the commercial wisdom of the Committee of Creditors; safeguard interest of assenting creditors -- while there is a safeguard for dissenting creditors, the creditors who have approved the plan and then moving on have no safeguards available with them; timeline for appellate court to act on appeal -- this is also something which we have been presenting to various legal forums that quick decision-making is extremely important in this particular case as it went on for almost four years; and limit Appellate Tribunal / Court from intervening unless there is a fundamental violation of the law or if the process of resolution has been flawed to undermine objective of IBC. These are some of the suggestions and things which have emerged out of the Bhushan Power case.

1.119 In this connection, the Deputy Governor, RBI deposed the following before the Committee:-

"20. The Hon'ble Court had raised concerns around non-adherence to the procedural aspects and non-conformity with resolution timelines envisaged in the Act. The Court also flagged concerns related to governance framework, compliance culture and recovery architecture of lenders and thereon passed Orders for liquidating BSPL, instead of resolution. While the concerns flagged by the Court undoubtedly remain valid, the Orders to make the Resolution Plan void and thereon liquidate the borrower will have significant implications for the lenders. Going forward, this may also create uncertainty regarding the finality of resolution plans approved under IBC.

21. IBC, being a major enabler facilitating the resolution of stressed assets, the RBI shall continue to engage with the stakeholders to ensure an effective leveraging of the Code by the regulated entities."

1.120 In this context the Committee sought to know the grounds that the promoter or other interested parties are invoking to persuade the High Court to exercise its jurisdiction under Article 226, the SBI in their written submission informed the Committee as stated below:-

> "• The objective of IBC was to bring all litigation under NCLT's jurisdiction. Section 60(5) ensures that NCLT is the sole authority for application and proceedings related to corporate debtors.
> • Article 227 of the Constitution of India gives the High Court, power to oversee all courts and tribunals within its jurisdiction. However, this power does not extend to NCLT cases.
> • But it is frequently observed that various litigants, mostly Corporate Debtor (CD)/unsecured creditors approach Hon'ble High Court to obtain stay/injunction by filing IAs, while proceedings are underway in NCLT/NCLAT.
> • The grounds of approaching High Court is not very justifiable as we believe that NCLT/NCLAT are competent enough to ensure judicious disposal of all matters.
> • Main intention of the litigants appear to be to stall or derail the process to cater to their own vested interest."

1.121 In this regard, the Chairman, SBI has made the following oral submission before the Committee:-

> *"There are IBC cases in High Court. If this process of NCLT, NCLAT and the Supreme Court is followed, then that would be better. But a lot of cases are also filed in the High Court and the High Court giving stays is completely derailing the process of NCLT. We have been submitting to various Committees and the Government of India to ensure that NCLT, NCLAT and finally the Supreme Court should be the adjudicating authorities in the IBC process. This is something that we have been requesting".*

1.122 When the Committee raised concern as to how can insolvency and bankruptcy processes be seen as reliable when its fully implemented resolution plans are challenged and what protection does the Government plans to offer to resolution applicants from Judicial reversals, the Ministry of Corporate Affairs in their written submissions provided following information:-

> "Once order is issued under Section 31 of the IBC by the Adjudicating Authority approving the resolution plan, it is binding on all parties including the Central Government, the State Governments, and attains finality. The Ministry proposes to further streamline the implementation of the code to reduce delays and also introduce timelines for approvals by the Adjudicating Authority. The right to appeal is a statutory right enshrined in the Constitution of India, therefore the Ministry has no comments to offer in this aspect."

1.123 When asked about the suggestions in contemplation of Government to improve the system so that certain officers can be made accountable for the misconducts to avoid such decision from the Supreme Court, the Ministry of Corporate Affairs in their written submissions provided the following:-

> "The Government is looking at a number of measures to ensure stricter compliance of the Code and amendments in the Act as well as regulations are being contemplated. IBBI has also issued guidelines for the Committee of Creditors on 6th August, 2024 aiming to improve the efficiency and timeliness of the corporate insolvency resolution process. Section 235A of the Insolvency and Bankruptcy Code (IBC) addresses punishment for violations where no specific penalty is provided within the Code. It mandates that any person who violates the IBC, its rules, or regulations for which no specific penalty is defined shall be punished with a fine, ranging from a minimum of one lakh rupees to a maximum of two crore rupees. This section was inserted by the Insolvency and Bankruptcy Code (Amendment) Act, 2018, effective from November 23, 2017. "

1.124 In this connection, the Chairperson, IBBI during the Sitting made following oral submissions:-

> *"In April, just 2 months back, the Reserve Bank has changed the provisioning now for ARCs. So, this has created an arbitrage between ARCs and IBC. So, we are requesting the Reserve Bank to look at it again. We would request the Committee also to recommend that there should be no arbitrage between ARCs and the IBC. There was a recent decision by the hon. Supreme Court in the Bhushan Power case where a resolution plan which was approved several years back is being reversed to liquidation. So, we are requesting the Committee to look at this, and we are saying that if a resolution plan has been approved and the creditors have been paid, then it should not be reversed. If something has gone wrong, then action can be taken against whoever has done wrong. But, if we do this, then we will not get bids because there will be confusion in the market and there should be a certainty to the resolution plan. Once a person has bid and then he has paid to the creditors, perhaps he should not be allowed to…"*

1.125 On being asked about the extent, the 2024 amendments to the Committee of Creditors (CoC) guidelines address the specific procedural and governance concerns highlighted by the Supreme Court in the Bhushan Power and Steel case, the Ministry of Corporate Affairs in their written reply stated the following:-

> "The Hon'ble Supreme Court on 31.07.2025 has allowed the Review Petition and has recalled its Judgement dated 02.05.2025 in the Bhushan Power and Steel case. However, the observations made by Hon'ble Supreme Court in this case, are addressed by the Guidelines dated 06th

August 2024 issued by IBBI. The key highlights of the Guidelines for CoC members, as issued by IBBI, are as follows:

- Objective and Integrity: Members should follow the provisions of the IBC and its regulations, maintain integrity and objectivity in their functions, and foster informed decision-making. They should also proactively share relevant information with the IP.
- Independence and Impartiality: Members must immediately disclose any existing or potential conflicts of interest arising from pecuniary, personal, or professional relationships with any stakeholder.
- Professional Competence and Participation: Members are expected to stay updated with the Code, rules, and regulations. They must nominate representatives with the proper authorization and a sufficient mandate to participate effectively in meetings.
- Cooperation, Supervision, and Timeliness: Members are to supervise and facilitate the IP in their duties and help with the timely appointment of other professionals. They should also try to resolve disputes among themselves through non-adversarial means to avoid litigation.
- Confidentiality: Complete adherence to confidentiality of information is required at all times.
- Costs: Members must ensure that the insolvency resolution process cost is reasonable. They should also quickly decide on the expenses to be incurred by the Insolvency Professional, including their fee and the fees for a liquidator if a liquidation is decided upon.
- Meetings of the CoC: Members are required to regularly monitor the Insolvency Professional's activities, seek the rationale for their decisions, and actively participate in presentations by Registered Valuers. They must also ensure that meetings are held at regular intervals as specified in the regulations.
- Sharing of Information: Members must proactively share financial statements and audit extracts with the Insolvency Professional. They should also seek details of any litigation involving the corporate debtor and recommend necessary actions to safeguard its interests.
- Feasibility and Viability of Corporate Debtor: The guidelines instruct members to carefully review the information memorandum, contribute to the marketing strategy, and ensure that all resolution plans are placed before the CoC for consideration. They should also consider the requirement of a monitoring committee for the implementation of the resolution plan."

1.126 On being asked about the RBI views on the introduction of institutory enforcement power for IBBI to penalize or correct the behaviour by Committee of Creditors, corporate debtors or insolvency professionals when they impede time-bound resolution and safeguards on such institutory powers the RBI furnished following response:-

"Code of Conduct for Committee of Creditors
Since, CIRP under IBC involves various stakeholders such as Corporate Debtor,
Insolvency Professional, CoC, Resolution Applicant etc., their conduct during the
CIRP has a significant bearing on the smooth and successful completion of process. Through the regulations framed under the Code, a Code of Conduct for IPs have been specified by IBBI. While certain principles have been issued by IBBI to CoC, there is no clear Code of Conduct which is legally enforceable in case of any violation. Thus, RBI would welcome empowering IBBI to enforce a uniform Code of Conduct across all CIRP stakeholders (CoC members, Insolvency Professionals, Corporate Debtors). It is also observed that often there is overlapping of roles and lack of co-ordination amongst stakeholders, which causes delay in the process. Therefore, there is a need to bring clarity in the respective roles of each stakeholder in the process and the rules of participation to be followed by each of them in the process. While the Code empowers IBBI to make regulations to carry out the provisions of the Code under section 240 (1), it does not explicitly provide for laying down a Code of Conduct for all stakeholders and the enforcement mechanism in respect of the same.

- A Code of Conduct, including with regard to conflict of interest, for all stakeholders in a CIRP may be provided as guidelines or by way of Regulations.
- IBC may explicitly provide for laying down of Code of Conduct, including with regard to conflict of interest, for all stakeholders in a CIRP and for enforcement of such Code of Conduct.
- Where the contravention is committed by members of the stakeholders, in respect of which IBBI is not the primary regulator, the Code may provide enforcement powers to either IBBI or the Adjudicating Authority.

Market Based Compensation Model

RBI supports marked based compensation for resolution professionals along with incentive system for quicker resolution, as in case the resolution process gets delayed, the value deteriorates sharply. As highlighted by DG, RBI during the SCOF discussions, there were some instances where the compensations were pretty larger than what is warranted or what the company could pay. If the pay is large, there is no incentive for him to come to a quicker resolution. Then he is left to handover the company to somebody else. So, he may not have an incentive. So, it should be time-bound, there should be adequate compensation. It should be for limited time so that he is encouraged to resolve the issue quickly because that is the critical aspect."

1.127 In this regard, Chairman, SBI *inter-alia* suggested the following during oral evidence before the Committee:-

"....proactive engagement by all stakeholders, mainly resolution professionals, resolution applicants, and financial creditors, to remove hurdles in resolution. IBBI which actually frames the regulations and rules for IBC, has come out with detailed guidelines on how to conduct its

proceedings. Similar guidelines for resolution professionals will also streamline the process".

1.128 Considering the increasing judicial activism and strides in IBC arena, the Committee asked whether there is need to define boundaries for commercial wisdom of CoC and allow judicial review in cases of extreme haircuts, the SBI furnished following written reply:-

> "The Committee of Creditors holds a determinant position in the CIRP as it is subject to the commercial wisdom of CoC to decide whether Corporate Debtor (CD) is to be revived or liquidated. It is a heterogenous body made of financial creditors having varied interests. The CoC is solely responsible for actions and decisions accordance with Section 28[6] of the Code. As above-mentioned, the approval threshold by CoC under Section 30(4) showcases the powers of CoC in determining the fate of corporate debtor. Hence, it is undoubtedly clear that the commercial wisdom is a substantial factor which needs to serve the purpose as entailed in Preamble of the Code. We do not see any limitation of commercial wisdom of CoC. Moreover, CoC is a representative set of major Banks/FIs/Corporate bodies/ARCs etc. who all have a robust and compliant system of taking commercially sound decisions at an appropriate authority structure."

(I) Suggestions for Strengthening IBC Ecosystem

1.129 The IBBI in their background note submitted suggestions for strengthening the IBC ecosystem. These are as follows:-

(a) Expediting the proposed amendments as per the discussion paper of MCA dated 18th January, 2023

It has been informed that the Government and the Board are contemplating measures to take all proactive steps in reducing the delays caused in the CIRP process. In this regard, the MCA has issued a consultation paper dated 18th January, 2023 seeking comments from the public on the proposed changes in the IBC, suggesting, *inter alia* for faster admission of CIRP applications, and streamlining the insolvency resolution process.

(b) Additional NCLT benches for dealing with huge backlog of cases

As of March 2025, about 30,600 IBC cases are currently pending before the NCLT. The current strength of about 30 benches is not sufficient to deal with the above backlog in a time-bound manner. IBBI suggested that 50 additional benches may be set up for 5 years to deal with this backlog. It is expected that creditors would realise additional Rs. 3 to 5 lakh crore from this exercise.

(c) Dedicated benches in AA and strengthening institutional capacity

The NCLT was initially established to exercise and discharge the functions under the Companies Act, 2013. Thereafter from 1st December, 2016, the jurisdiction of NCLT was extended to discharge the functions of AA under the Code. Subsequently, with effect from 1st December, 2019, when the provisions relating to PGs to CDs came into force, the additional jurisdiction under sections 94 and 95 of the Code were also entrusted to NCLT. As seen from above, overtime the ambit of jurisdiction of the NCLT has increased manifold. To facilitate efficient disposal of cases, separate benches and verticals may be created in the AA for dealing with matters pertaining to each legislation separately. It is suggested that dedicated benches of the AA solely for insolvency matters may be created and institutional capacity of AA benches be enhanced accordingly.

1.130 On the issue of creation of additional benches, the Chairperson, IBBI, during the sitting gave following elaborate reply :-

> *"NCLT today disposes about 250 to 300 cases in resolution, about 200 cases in liquidation, and about 100 other cases. The capacity of NCLT today is about 500 to 600 cases. That is what they are deciding. But we have 7,000 cases just pending for admission, and a large number of other cases also. Even if no new cases come, I think it will take 10 years for NCLT to just dispose of the backlog. It will be very difficult to give an exact figure, but I think they will take about 10 years to just dispose of. So, my request to the Government is that we need fast track additional benches. We are requesting for 50 additional NCLT benches for five years to deal with huge backlog of cases. And, if we do not do this, then it will take more time for resolving these cases. The value will go down. Now, we try to find out as to what amount is involved in these cases, but it is very difficult because we do not know the number of applications. But our assumption is that around Rs. 10 to 15 lakh crore is stuck up in these cases which are pending in NCLT. And, if we can have these additional benches, even if we get 20, 30 percent recovery, I think we will be able to recover Rs. 3 to 4 lakh crore to the creditors in four, five years. The NCLT was established for the Companies Act. That is what NCLT was basically established for. But we have not increased the strength of NCLT when IBC was given to them. I would submit that the strength of NCLT needs to be reviewed, and we should have a separate NCLT for IBC and a separate NCLT for the Companies Act because merger cases in the Companies Act are also getting delayed because of low strength in NCLT."*

1.131 He supplemented further as follows:-

> *"About the strength of NCLT, we have recommended two things. One is special benches of fast-track benches to take care of backlog because there is a huge backlog. If we do not take care of backlog, then it will take a long time and the value will decline. So, once we have asked to set up benches*

to take care of backlog. The second point we have said is to review the strength of NCLT because NCLT was set up for Companies Act, and perhaps we need to review the strength of NCLTs, so that they can take care of Companies Act also and they can take care of IBC also. One thing I have not mentioned, but NCLAT also has to take care of Competition Act. The appeals under Competition Act also go to NCLAT. So, they are also overburdened there."

1.132 On being enquired about the role of RBI in establishment of the Fast-Track Benches of NCLT in High Value Insolvencies, the RBI submitted following written response:-

"Fast Track Benches of NCLT in High Value Insolvencies

RBI supports the suggestion on setting up of dedicated fast-track benches in NCLT for handling high value insolvencies. This would allow for faster adjudication and resolution of high value insolvencies which are often complex and involve large number of stakeholders. Faster resolution would also preserve asset value and improve recovery prospects thus strengthening the overall insolvency ecosystem. However, the decision on setting up of dedicated benches of NCLT falls within the purview of Government."

1.133 During oral evidence before the Committee, the Deputy Governor, RBI suggested the following to further strengthen IBC 2016:-

"…….Although the IBC has proved to be an invaluable tool for creditors, certain amendments, if carried out in the Act, would enhance its potential and contribute to improvement in the resolution prospects.

The first we are suggested is amendment to Section 75(a) and Section 75(b) of the Code to make it binding on the adjudicating authority to admit an insolvency application filed by a financial creditor without getting into the reasons for default and reducing the grounds for appeal. It will considerably reduce the scope for excessive litigation at the admission stage and thereby reduce overall delays.

Second is to empower the IBBI (Insolvency Banking Bankruptcy Board) to issue and enforce Code of Conducts for stakeholders involved in the IBC process. This includes the resolution professionals, the Committee of Creditors, the professionals engaged by the resolution professional, and the corporate debtors, which will ensure maintenance of the process credibility.

Third would be modifying and notifying the fast-track resolution process as a creditor-led out of court workout mechanism, similar to the pre-packaged insolvency resolution process available for MSMEs, in line with the recommendations of the Expert Committee constituted by IBBI. This will help in dovetailing the IBC with the out of court resolution mechanisms put in place by the Reserve Bank of India. This will lead to a faster resolution and better realization for the stakeholders.

Then comes the Amendment to Section 53(i) of the distribution waterfall to provide clarity on the treatment of statutory dues of the Government. This includes the State Government and the Local Bodies as well as the rights created through the attachment orders of law enforcement agencies, which will help to address the concerns of the stakeholders. By this, there would be upfront clarity in the order of settlement of claims.

Then, Empowering Committee of Creditors and the Adjudicating Authority to reinitiate the resolution in cases where the successful resolution applicant has failed to bring in the capital as committed in the resolution plan will enhance recovery prospects for the stakeholders as presently such cases are mechanically ordered for liquidation as envisaged in the court. Then, we can also consider a proportionate approach by creating dedicated fast track NCLT benches for handling high value accounts which will help in quick resolution of such accounts which may otherwise see accelerated value destructions. These are my submissions at this stage."

1.134 The GST regime uses an advance ruling mechanism to provide certainty and pre-empt post-litigation disputes. The Committee when asked whether, in the context of the IBC, which prioritizes time-bound resolution, such a pre-admission clarity mechanism feasible or applicable to the IBC process to provide stakeholders with binding clarity on key issues before the initiation or admission of an insolvency petition; Chairman, IBBI has made the following oral submission before the Committee:-

"We do not have an advanced ruling mechanism under IBC. The IBC legal community has been demanding this for quite some time but as of now we do not have an advanced ruling mechanism under IBC".

(d) Adjudicating Authority Rules for IBC

1.135 The current adjudication process under the IBC suffers from protracted delays at the pre-admission stage, primarily caused by repeated adjournments, multiple replies and rejoinders, and procedural ambiguity. The existing Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016 refer to the NCLT Rules, which were not designed specifically for insolvency matters. This overlap has led to confusion, lack of clarity, and judicial inefficiency, significantly blocking the adjudicatory bandwidth of the NCLT and the NCLAT. In order to address procedural delays and confusion in the proceedings before the NCLT and NCLAT, IBBI suggested for notification of dedicated Rules of Procedure specifically for IBC matters before the NCLT and NCLAT. These rules should ensure procedural clarity, provide timelines for filing responses and rejoinders, enhance the role of Registry so that judicial officers can concentrate on judicial work etc.

1.136 The Secretary, Ministry of Corporate Affairs during the course of evidence apprised the Committee as stated below:-

> *."All of you have raised the issue regarding accountability of the adjudicating authorities and their performance accountability.*
>
> *So, I would mention it here that we have the rules for the adjudicating authority which we are coming up with, Sir. We are trying to come up with the suitable formations so that the working of the adjudicating authority can be assessed in a way which does not impinge on the judicial independence. However, it holds them accountable in a fashion which can be handled at both the levels. So, we are trying to do that. If the Committee can also in its recommendations mention this point about accountability."*

1.137 As regards the CIRP getting affected due to less than required number of benches of NCLT & NCLAT, the Committee sought to know the measures taken to contain pendency and improve overall resolution timelines, the Ministry of Corporate Affairs informed that:-

> " The filling up of vacancies is a continuous process. As against a sanctioned strength of 63, as of today 58 members are in position. The process for filling up the existing and upcoming vacancies is ongoing."

1.138 As regards the functioning of e-courts, the Chairperson, IBBI in the oral submissions informed as mentioned below:-

> *"…NCLT has got e-courts, and the Government is thinking of introducing e-courts, too, in NCLT. But, when we go and see the functioning, we find that the judges are not technologically so fluent. I think we need a new cadre of IT professionals in NCLT who will help them in implementing the e-court system. Mr. Amitabh Kant had recently spoken at one of our functions. He had recommended that we should have something like the passport system in NCLT. The basic groundwork, the basic IT work can be done by a technology firm. It can be done by some firm, and the decisions can be taken by the NCLT members or judges. We need a technological backbone in NCLT. The e-court system says that everything is online. But papers are taken for everything because the members are not technically trained to do it online. (H) Repercussions of Supreme Court Judgment in the Bhushan Power and Steel Case…."*

PART II

OBSERVATIONS/RECOMMENDATIONS

Impact of IBC, Successes, and Systemic Challenges

1. The Committee acknowledge the Insolvency and Bankruptcy Code (IBC), enacted in 2016, as having played a pivotal role in improving the ease of doing business in India by introducing a faster and more structured insolvency resolution process maximising the value of assets, promote entrepreneurship, availability of credit and balance the interests of all the stakeholders. This efficacy is substantiated by the fact that as of March 31, 2025, a total of 1,194 companies have been successfully resolved under the IBC framework. Through these cases, creditors have realised an amount of ₹3.89 lakh crore which is over 170% of the liquidation value and more than 93% of the fair value of these companies, as assessed at the time of admission into the IBC process. The Committee, further, note that the enactment of the IBC led to a significant improvement in the "Resolving Insolvency" parameter in the World Bank's Ease of Doing Business Report 2020, moving India's rank up to 52 from 136 in just a few years.

Despite these undeniable successes, the Committee express profound concern over persistent and systemic challenges that significantly undermine the Code's optimal performance. These challenges include protracted delays in proceedings, an excessive burden of litigation straining adjudicating authorities, contentious issues surrounding excessive haircuts for creditors, and the incomplete implementation of key frameworks, specifically the individual insolvency framework and the pre-packaged mechanism for MSMEs. The Committee particularly note that slow admission of insolvency applications

continues to impede rapid value realisation and leads to asset deterioration, and significantly dilutes the Code's objective of time-bound resolution.

In this context, the Committee commend the Ministry of Corporate Affairs for constructively responding to their earlier reports and for incorporating their recommendations into the formulation of key reforms proposed in the Insolvency and Bankruptcy Code (Amendment) Bill 2025. The Committee note that the Bill provides for time-bound admission of insolvency cases, introduces a framework for creditor-initiated insolvency framework, establishes a statutory structure for group insolvency resolution, and empowers the Central Government to prescribe rules relating to cross- border insolvency proceedings. The Bill further clarifies critical definitions, including those of resolution plan and resolution applicant, strengthens procedures relating to liquidation and distribution of proceeds, enhances scrutiny of avoidance transactions, and provides for more robust regulatory enforcement. The Committee note that while new dynamics have emerged in the corporate and financial environment consequent upon changes in borrower behaviour influenced by the IBC, the impact of digitization and the IBC's performance relative to other recovery statutes, the unwavering strategic focus must be the consistent optimisation of the IBC's efficiency. This sustained commitment is essential to ensure a prompt, time-bound resolution of default cases, maximize recovery, and ultimately fulfill the Code's potential in significantly enhancing the ease of doing business in India.

Efficacy and Post-Resolution Challenges

2. The Committee note that the IBC has demonstrated significant success in reviving firms, 1,322 corporate debtors (CDs) rescued through resolution plans and a total of 8,715 CIRPs admitted until October 31, 2025. This efficacy is substantiated by resolved companies achieving a 76% increase in sales and the Code's deterrent effect leading to the resolution of approximately ₹13.94 lakh crore of debt outside the formal process, with 1,154 CDs having been withdrawn under Section 12A. The Committee observe that the Ministry of Corporate Affairs emphasized the objective of the IBC is Resolution, and that the CoC is expected to strike a "fine balance" between viability and commercial wisdom by not deciding on liquidation in cases where revival is possible. The Committee also observe from the report of IIM Ahmedabad that despite these achievements, post-resolution difficulties persist, including delays in obtaining necessary clearances from other government agencies and significant difficulty in obtaining fresh bank financing due to the corporate debtor being labelled a defaulter.

The Committee recommend the establishment of a transparent, online mechanism for issuing “no dues” certificates and statutory clearances immediately upon completion of a resolution plan, ensuring that revitalised corporate debtors truly start with a clean slate. The Committee also note that the IBC Amendment Bill 2025 seeks to strengthen post-resolution implementation by mandating strict timelines and regulatory oversight, further enhancing accountability for successful resolution applicants. The Committee therefore emphasise that early intervention in stressed cases should continue to be promoted to preserve enterprise value, and that once a resolution plan is approved by the NCLT, its implementation should be prompt and monitored,

with clear provisions to penalise non-compliance and ensure maximum recovery for all stakeholders.

Delays, Backlogs, and Judicial Capacity

3. The Committee note that the average time taken for closure of the Corporate Insolvency Resolution Process (CIRP) is 713 days, far exceeding the mandated 330-day timeline. The Committee observe that these excessive delays are primarily caused by a severe shortage of NCLT benches, vacant judicial and administrative staff positions, and widespread frivolous litigation and appeals by promoters or unsuccessful resolution applicants, which erodes asset value. The Committee further observe that to streamline the adjudicatory process and reduce delays, a modus operandi should be adopted, involving a three-part checklist. This checklist would track compliance by the Resolution Professional [under Section 30(2)], compliance by the Committee of Creditors (CoC), and finally, examination by the NCLT to ensure only those issues contained in Section 30(2) are argued, thereby preventing arguments that go beyond the mandate of the Act.

The Committee note that an amendment has been brought in the IBC Bill,2025 to ensure that the adjudicating authority admits an insolvency application filed by a financial creditor without getting into the reasons for default, thereby reducing the grounds for appeal and cutting down consequently the scope for excessive litigation at the admission stage to reduce overall delays .The Committee, strongly, recommend that the establishment of additional NCLT benches be expedited and that the Ministry of Corporate Affairs accelerate the operationalisation of the proposed Integrated Technology Platform (iPIE) for centralised case management, which is vital for strengthening the capacity and efficiency of the NCLT and NCLAT. To deter

vexatious challenges, the Committee further recommend that the IBBI prescribe a mandatory upfront threshold deposit for unsuccessful resolution applicants filing appeals, and the minimum penalty for frivolous applications should be substantially raised.

Creditor Realisation and Asset Valuation

4. The Committee note that while creditors realise 170.1% of the liquidation value, the overall recovery is only 32.8% of the total admitted claims, indicating a significant shortfall largely due to firms entering the IBC when assets are already heavily stressed. The Committee observe that recovery is constrained by valuing assets based merely on liquidation potential rather than enterprise value, and by a limited pool of quality resolution applicants. The Committee further observe that valuation is a concern due to the lack of transparency and accountability in the process, sometimes leading to distress-sale prices.

The Committee, therefore, recommend that the system be evolved to value assets based on enterprise value to better reflect the corporate debtor's potential. The Committee further recommend that to reduce 'haircuts' the process for competitive bidding be expanded through global outreach to enhance competition. The Committee also recommend that the role of liquidators and registered valuers must be strengthened with clear Standard Operating Procedures (SOPs), audit trails, and post-resolution valuation reviews, and that the option for fresh valuation to be carried out again after specific intervals should be explored. The Committee note that the IBC Amendment Bill, 2025 introduces provisions aimed at enhancing transparency and accountability in liquidation and valuation processes. The Committee believe that implementing these reforms, together with improved institutional

checks, will help maximise value for all stakeholders and make the recovery process more robust.

Integrity of the IBC Process and Accountability

5. The Committee note that the statutory overlap between the Insolvency and Bankruptcy Code (IBC) and the Prevention of Money Laundering Act (PMLA) is posing a great challenge. The simultaneous application of the IBC and the PMLA often creates a conflict, as the attachment of assets by the Enforcement Directorate can undermine the immunity granted to the new management under Section 32A of the IBC. The Committee further note that for giving them protection from any past misconducts of the outgoing management, the confiscation of property under PMLA is unknowingly pushing away the Resolution Applicants and affecting the revival prospects of distressed corporate debtors, thereby defeating the very purpose of IBC to resolve insolvency in a time-bound manner.

In this regard, the Committee while noting that IBBI has recently issued a circular providing that in cases where assets of the corporate debtor are attached by the ED under the provisions under PMLA, the Insolvency Professional may file an application/undertaking before the Special Court under sections 8(7) or 8(8) of the PMLA for restitution of such assets hope that expeditions disposal of such applications by the Special Courts will significantly enhance the value of the Corporate Debtor thereby leading to higher realization.

The Committee observe that concerns exist regarding the competence and possible misuse of power by some Resolution Professionals (RPs), despite IBBI following a "carrot and stick policy" involving mandatory professional

education and a strong disciplinary mechanism, with 73 disciplinary orders issued against RPs in the last year. It is important to remember that though the law is credit-driven, the success of this law practically depends on the RP, as it is basically the RP which drives it. However, the Committee are of the view that this long process of accountability, requiring Committee of Creditors (CoC) action under Section 25 before approaching the NCLT, needs revisiting. The Committee also express concern regarding the instances where the conduct of the RP is collusive with the erstwhile promoter or interested parties, and the suspected allegations of round-tripping of ownership. The Committee further note that the IBC Amendment Bill, 2025 strengthens the accountability of Resolution Professionals (RPs) by prescribing higher penalties and enabling enhanced regulatory oversight for instances of misconduct. In view of these developments, the Committee recommend that the Insolvency and Bankruptcy Board of India (IBBI) mandate and expand specialized training programs for RPs, and consider the introduction of an additional internal auditor or similar monitoring mechanism to ensure compliance and improve oversight. The Committee also recommend that the Ministry of Corporate Affairs revisit the provisions governing the appointment and removal of RPs to empower the Committee of Creditors (CoC) more effectively, and streamline the process for establishing accountability of RPs and CoC members in cases of any infringement of statutory provisions.

<u>Homebuyers Rights</u>

6. The Committee note that the IBC's intent to empower homebuyers, a concession formalized by authorizing the Committee of Creditors (CoC) to relax eligibility criteria for homebuyer associations to submit a resolution plan. However, the Committee observe that this relief is significantly undermined by

the high requirement of a 66% voting share for the CoC to approve this relaxation, effectively negating the intended concession. While the Ministry of Corporate Affairs has viewed the procedural challenge of meeting the minimum threshold (100 or 10% of total homebuyers) to initiate CIRP as being outside its purview, the Committee nonetheless believes that Government functionaries must coordinate across jurisdictions to operationalize laws effectively. The Committee are of the considered opinion that despite the empowering move, homebuyers remain reliant on the CoC's discretion and lack an absolute right to relief independently.

The Committee, therefore, recommend that to give effective implementation to the granted concession, the eligibility criteria for homebuyers must be reconsidered to make the concession meaningful and enable resolution plans from these groups. The Committee desire that the Ministry of Corporate Affairs explore ways to coordinate with other nodal Ministry/Department (like Ministry of Housing and Urban Affairs/RERA) to facilitate the inclusion of the necessary provisions to help homebuyers and also to address regulatory overlaps with other statutes.

<u>Cross-border insolvency Framework</u>

7. The Committee note that the establishment of Cross-border insolvency is the need of the hour in a developing nation like India, as an increasing number of corporate entities are operating internationally with assets spread across multiple jurisdictions. The Committee further note that the current vacuum in a well-established framework to handle cross-border insolvency disputes under IBC, 2016, is causing significant losses in high-value cases and making asset recovery and settlement tedious.

The Committee also note that their 32nd Report (17th Lok Sabha) had recommended the incorporation of the United Nations Commission on International Trade Law (UNCITRAL) Model Law on Cross-Border Insolvency and the expeditious adoption of a framework. While concerns have been raised that adopting the UNCITRAL Model may inadvertently grant foreign creditors priority over domestic creditors, the Committee duly understand these looming concerns. The Committee further note that the IBC Amendment Bill 2025 proposes to insert a new enabling provision for empowering the Central Government to prescribe Rules relating to Cross-border Insolvency proceedings, which is currently under active consideration of the Select Committee.

The Committee, therefore, recommend that for making IBC 2016 instrumental in addressing the resolution of cross-border insolvency cases, the Ministry of Corporate Affairs may consider selective adoption of the UNCITRAL Model with some modifications, well suited for India's financial and legal framework to avoid the attached shortcomings. The Committee would also like to be informed about those specific instances which are posing a challenge in the implementation of the UNCITRAL Model to have a better understanding of the specific issues.

<u>Advance Ruling Mechanism and Mediation</u>

8. The Committee note that a mechanism for advance ruling, such as the one used in the GST regime to provide certainty and pre-empt post-litigation disputes, is currently absent in the Insolvency and Bankruptcy Code (IBC). The Committee observe that the IBC legal community has been demanding the introduction of such an advanced ruling mechanism for some time. Given that the IBC prioritizes time-bound resolution, the lack of a system that can provide

stakeholders with binding clarity on key issues before the initiation or admission of an insolvency petition contributes to procedural ambiguity and subsequent litigation. The Committee, therefore recommend that the Ministry of Corporate Affairs and the IBBI should urgently explore the feasibility and applicability of introducing a suitable advance ruling mechanism within the IBC framework. This mechanism should aim to provide stakeholders with pre-admission clarity on key legal or factual issues, thereby significantly reducing unnecessary litigation and safeguarding the time-bound nature of the resolution process.

The Committee also note that mediation under IBC, 2016 is in an early evolution stage, and an expert Committee constituted by IBBI recommended for pre-institutional mediation to help resolve disputes outside the formal court process. The Committee, therefore, recommend that the integration of mediation as an alternative dispute resolution mechanism, drawing from international best practices, must be sufficiently promoted and its importance not to be undermined, as this would considerably reduce the burden on Adjudicating Authorities and expedite resolution.

<u>Diversion or Siphoning of Funds</u>

9. The Committee note that the issue of diversion or siphoning of funds, along with avoidance transactions, is a critical concern, evidenced by the fact that out of 1,326 applications filed for avoidance transactions valued at ₹3.76 lakh crore, the recovery was only about ₹7,500 crores. This vast gap highlights the apparent diversion of funds and its severe undermining effect on asset quality and subsequent recovery for lenders.

The Committee observe that RBI views the diversion or siphoning of funds as a "critical concern for REs" (Regulated Entities). To address this, regulations require REs to adopt a comprehensive approach combining strong credit appraisal with end-use monitoring mechanisms. Further, the RBI observed that diversion of funds is subjected to checks such as credit audits and that the RBI's supervisory examinations also focus on diversion and end-use of funds. The RBI further note that the primary responsibility of monitoring large borrower accounts lies with the banks.

The Committee, therefore, recommend that given the significant value erosion caused by these activities, the Ministry of Corporate Affairs and IBBI must enhance their coordination with the RBI and the Enforcement Directorate ED to strengthen forensic audit capabilities during the Corporate Insolvency Resolution Process (CIRP). Specifically, the Committee recommend that the IBC framework should be amended to explicitly empower Resolution Professionals (RPs) to conduct deeper, time-bound investigations into avoidance transactions and diversion of funds, ensuring that the claw-back process is expedited and effectively contributes to maximizing the value of the corporate debtor's assets. The existing legal provisions related to avoidance transactions (PUFE petitions) must be adjudicated without "undue delay" by the NCLT to ensure that the recovery is not compromised.

<u>Impact of IBC on MSMEs and the Pre-packaged Insolvency Resolution Process (PPIRP)</u>

10. The Committee note that the Pre-Packaged Insolvency Resolution Process (PPIRP) was introduced through the Sixth amendment in 2021 to the IBC Code specifically to bail out and ameliorate distressed MSME corporates,

envisioning a quicker, cost-effective, and value-maximizing outcome for all stakeholders. The Committee observe that the outcomes of the PPIRP have been "not so encouraging". As of March 31, 2025, only 14 applications had been admitted, with only 8 cases seeing an approved resolution plan. The Committee albeit note that the IBC Amendment Bill 2025 has proposed for certain measures for streamlining the PPIRP which is under consideration of a the Select Committee.

The Committee further observe that the low uptake is attributed to various infrastructural and procedural gaps, such as the complicated procedure for filing applications, the lack of liquidity, trust deficit amongst financial creditors, sophistication required by MSMEs to navigate the entire complexities of the process etc.. Consequently, these drawbacks are cumulatively pushing banks toward alternate routes like the SARFAESI and DRT Acts. The Committee, therefore, recommend that a "less complicated procedural set up" be evolved to truly help distressed MSME corporates. The Committee further recommend that the effective implementation of the PPIRP framework be supported through greater awareness, the provision of appropriate incentives, and the issuance of clear guidelines for Banks and Financial Institutions to facilitate timely resolution, and maximize the intended benefits of the PPIRP under the amended Code.

<u>Adjudicating Authority Rules</u>

11. The Committee note that the current adjudication process under the IBC suffers from protracted delays at the pre-admission stage, driven by factors like repeated adjournments and the filing of multiple replies and rejoinders. The Committee observe that the fundamental issue is the procedural ambiguity

arising because the existing Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016 only refer to the general NCLT Rules, which are not specifically designed for insolvency matters. This reliance has led to confusion, a lack of clarity, and judicial inefficiency, which significantly block the adjudicatory bandwidth of the NCLT and NCLAT. The Committee note that the IBBI suggested the notification of dedicated Rules of Procedure specifically for IBC matters to ensure clarity, provide fixed timelines, and enhance the role of the Registry. The Committee also observe that the IBC Amendment Bill, 2025, underscores the need for procedural streamlining to expedite the resolution process. In view of these considerations, the Committee recommend that immediate action be taken to notify dedicated Rules of Procedure specifically tailored for IBC matters.

<u>Part settlement of Resolution Plan</u>

12. The Committee note that in compliance with its previous recommendation, CIRP Regulation 37 had been accordingly amended in 2022, which clarified that a resolution plan may provide for the sale of one or more assets of the Corporate Debtor (CD) to one or more successful resolution applicants. The Committee are pleased to note that the MCA adopted a proactive approach in amending Regulation 37 to clarify the scope of a 'Resolution Plan' defined under Section 5(26), and the NCLT has also approved the implementation of a resolution plan in parts. The Committee also take note of the IBC Amendment Bill 2025 which proposes to further amend Section 5(26) to explicitly clarify that the restructuring of the CD may include the sale of one or more of its assets.

The Committee, however, desire that in addition to the amendment in the CIRP regulation, a consolidated administrative order clearly citing the scope

and extent of the enabling provision/regulation authorizing the part settlement of the Resolution Plan in clear, unambiguous regional language should be issued. This is necessary to avoid any misinterpretation and ensure that any corporate entity or individual, irrespective of their resources or level of erudition, can easily reach out and comprehend this important aspect of CIRP, thereby making the legal position clear.

Waterfall Mechanism and Stakeholder Claims

13. The Committee note that a major issue that plagues the resolution process is the ambiguity surrounding the waterfall mechanism (Section 53 of the IBC), which defines the priority of claims during liquidation. This mechanism dictates that secured creditors take priority over unsecured creditors, and operational creditors are ranked below financial creditors, often resulting in minimal recovery for the former. The Committee observe that the MCA has already issued directions to the IBBI to conduct a study on the consequential effects of the waterfall mechanism on MSMEs and suggest remedial measures to facilitate better recoveries by MSMEs vis-à-vis other creditors. This action acknowledges the potential unintended consequences of the current priority structure on certain stakeholder groups. The Committee, therefore, recommend that the Ministry of Corporate Affairs must expedite the review of the waterfall mechanism's impact on vulnerable stakeholder groups, particularly MSMEs and operational creditors, whose lower recovery often undermines their ability to sustain business. The Committee further recommend that based on the findings of the IBBI study, the Ministry should propose targeted amendments to the waterfall mechanism to strike a better balance, maximizing value while ensuring that the distribution framework does not unduly disadvantage MSMEs, which are critical to the economy.

Strengthening the Capacity and Efficiency of NCLT

14. The Committee note that one of the major issues in the efficient implementation of IBC is the delay in the resolution of processes. The average time taken for resolution as of March 2024 stood at 674 days, which jumped to 853 days during 2024-2025, significantly traversing the mandated 330-day timeline. The Committee observe that this concerning delay, which is diminishing asset value, is primarily attributable to the inadequacy of legal institution infrastructure, as the NCLT capacity needs to be scaled up to get an optimal outcome. The Committee also note that currently, 30,600 IBC cases are pending before 30 NCLT Benches that would take at least a decade to dispose of this huge backlog with the current strength. The Committee further observe that these excessive delays are compounded by widespread frivolous litigation and appeals by promoters or unsuccessful resolution applicants. The Committee note that the Ministry of Corporate Affairs is proactively working to reduce the delay by increasing the number of benches of NCLT and NCLAT, and a proposal in this regard is already under consideration.

The Committee, therefore, strongly recommend that the Government must review the strength of NCLT & NCLATs for the creation of additional Benches and consider enhancing the efficiency of existing NCLT benches, beside filling up the existing vacancies. Special designated fast track courts for a fixed time period may also be established to shoulder the burden and ensure expeditious disposal. To deter vexatious challenges, the Committee further recommend that the IBBI prescribe a mandatory upfront threshold deposit for unsuccessful resolution applicants filing appeals, and the minimum penalty for frivolous applications should be substantially raised.

E-Court System

15. The Committee note that the presently operating e-court system under IBC has a vital role to play in case management and streamlining the process. However, the Committee further note that one of the functional challenges in making e-courts a success is the lack of technological fluency among some Judges. The Committee therefore, recommend that to make the e-court system effective, the Adjudicating Officers must be adequately trained and made comfortable in navigating the e-court platform. The Ministry, in this regard, may explore options for tying up with capacity building institutions for imparting the requisite training.

The Committee further recommend the creation of a dedicated cadre of IT professionals to support NCLT operations, the engagement of specialized personnel for the digital infrastructure and groundwork, and the adoption of international best practices to build a robust technological backbone, ensuring the e-court system functions efficiently.

Insolvency and Bankruptcy Fund

16. The Committee note that the Insolvency and Bankruptcy Fund provided for under Section 224 of the Code remains pending operationalisation, despite the IBBI having requested the Ministry of Corporate Affairs (MCA) to operationalize it as early as 2019. Given the critical and documented need to strengthen the capacity and efficiency of the Adjudicating Authorities (NCLT/NCLAT) by filling vacant judicial and administrative posts, the Committee strongly recommend that the IBC Fund be immediately operationalized. The Committee further recommend that the Ministry must ensure that the Fund is suitably utilized for enhancing the human resources and efficiency of the NCLT

and NCLAT to help reduce the excessive delays plaguing the Corporate Insolvency Resolution Process (CIRP).

Conclusion

17. The Committee conclude that the Insolvency and Bankruptcy Code (IBC) by offering a clear and time-bound framework for revival, has strengthened creditor confidence and encouraged both domestic and foreign investment. However, the Code's potential remains hampered by persistent systemic challenges. The primary issues are the protracted delays stemming from inadequate judicial infrastructure, the uncertainty regarding the finality of resolution plans (exacerbated by judicial reversals and the statutory overlap with PMLA), and a lack of accountability among resolution professionals (RPs), whose role is critical as they drive the success of this credit-driven law. To address these issues, the Committee is resolute that the primary strategic focus must be the unwavering optimization of the IBC's efficiency. This requires immediate and targeted intervention across all fronts: judicial capacity must be scaled up with new benches and a review of the NCLT's strength; accountability for RPs must be fixed by empowering the CoC and streamlining disciplinary actions; the finality of approved plans must be guaranteed through express legislative amendment; and procedural ambiguity must be removed by notifying dedicated Rules of Procedure for IBC matters. The Committee, therefore, urge the Ministry of Corporate Affairs to ensure expeditious implementation of these reforms in a manner that fully realizes their intended impact, leveraging the IBC Amendment Bill, 2025, to realize the full potential of the Code, maximizing enterprise value, safeguarding stakeholder interests, promoting financial stability, and reinforcing India's position as a favourable destination for business. A sustained, integrated, and time-bound approach is essential to

ensure that the IBC delivers on its promise of effective, equitable, and efficient insolvency resolution.

NEW DELHI;
26 November, 2025
05 Agrahayana, 1947 (Saka)

BHARTRUHARI MAHTAB
Chairperson,
Standing Committee on Finance

Appendix – I

Minutes of the Twenty Second Sitting of the Standing Committee on Finance (2024-25)

The Committee sat on Thursday, the 29th May, 2025 from 1100 hrs.to 1315 hrs in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Bhartruhari Mahtab - Chairperson

LOK SABHA

2. Shri P.P. Chaudhary
3. Shri Gaurav Gogoi
4. Shri K. Gopinath
5. Shri Chudasama Rajeshbhai Naranbhai
6. Thiru Arun Nehru
7. Shri N. K. Premachandran
8. Smt. Sandhya Ray
9. Prof. Sougata Ray
10. Dr. K. Sudhakar
11. Shri Balashowry Vallabhaneni

RAJYA SABHA

12. Shri P. Chidambaram
13. Shri Yerram Venkata Subba Reddy
14. Shri S. Selvaganabathy
15. Dr. Dinesh Sharma
16. Smt. Darshana Singh
17. Shri Pramod Tiwari

SECRETARIAT

1. Shri Gaurav Goyal - Joint Secretary
2. Shri Vinay Pradeep Barwa - Director
3. Shri Kuldeep Singh Rana - Deputy Secretary
4. Shri T. Mathivanan - Deputy Secretary

WITNESSES

Ministry of Corporate Affairs

1. Ms. Deepti Gaur Mukerjee, Secretary
2. Ms. Anita Shah Akella, Joint Secretary (Insolvency)
3. Shri Hemant Kumar Patil, Director

2. At the outset, the Chairperson welcomed the witnesses to the sitting of the Committee. After the customary introduction of the witnesses the Chairperson opened the discussion on the subject 'Review of working of Insolvency and Bankruptcy Code and Emerging Issues'. The major issues deliberated upon include effectiveness of the resolution process in balancing creditor's interest vis-à-vis revival of distressed debtors, delays in the initiation and closure of insolvency proceedings, application of pre-packaged insolvency mechanism to MSMEs and small businesses, need to improve the individual insolvency framework, legislative changes necessary to optimize the efficiency and effectiveness of the IBC, need for revival of companies instead of liquidation and total obliteration, recovery rate against liquidation value under the IBC, effectiveness of IBC compared to other recovery channels like Lok Adalats, DRTs and SARFAESI Act, timelines for adjudication by NCLT/NCLA, factors affecting recovery rate and shortfall therein against total claims, reliability and steadfastness of IBC proceedings, impact of Supreme Court Judgment in Bhushan Power& Steel Limited (BPSL) case on IBC and emerging perspectives, timeline for giving commercial decisions and finality of the decision. steps to improve the IBC system for fixing accountability of persons/officers concerned with the implementation of IBC, IB proceedings by NCLT and other parallel processes under separate laws/Agencies, 'loss of choice' for the consumers in consequence to winding up of large number of corporate entities, extinguishment of claims against the Corporate Debtor under Section 31 of the IBC post approval of the Resolution plan and compliance thereof by IT/GST/Bank officials, feasibility of barring revocation of claims after admittance, delays caused during the adjudication proceedings, lack of comprehensive framework for Cross-Border Insolvency cases, vacancies in NCLT and NCLAT benches etc.

3. Beside the issues mentioned above, the Committee also discussed, provision for stay of implementation of resolution plan, reassessment of Section 32A to define

the scope of immunity granted to corporate entities post-resolution, setting up of an integrated technology platform under IBC for an integrated case management system, incorporation of the United Nations Commission on International Trade Law (UNCITRAL) model law into the Insolvency and Bankruptcy Code, best global practices needed to be incorporated in insolvency and bankruptcy processes and ecosystem, regulation and oversight over the working of the Resolution Professionals to ensure their integrity and righteous conduct etc.

4. The witnesses responded to the queries raised by the Members. The Chairperson then directed the representatives to furnish written replies to the points raised by the Members which could not be readily responded to by them during the discussion, within a week's time to the Secretariat.

The witnesses then withdrew.

A verbatim record of the proceedings has been kept.

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Appendix – II

Minutes of the Twenty Third Sitting of the Standing Committee on Finance (2024-25)

The Committee sat on Thursday, the 29th May, 2025 from 1400 hrs.to 1545 hrs in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Bhartruhari Mahtab - Chairperson

LOK SABHA

2. Shri P.P. Chaudhary
3. Shri Gaurav Gogoi
4. Shri K. Gopinath
5. Shri Suresh Kumar Kashyap
6. Shri Chudasama Rajeshbhai Naranbhai
7. Thiru Arun Nehru
8. Shri N. K. Premachandran
9. Smt. Sandhya Ray
10. Prof. Sougata Ray
11. Dr. K. Sudhakar
12. Shri Balashowry Vallabhaneni

RAJYA SABHA

13. Shri P. Chidambaram
14. Shri Yerram Venkata Subba Reddy
15. Shri S. Selvaganabathy
16. Dr. Dinesh Sharma
17. Smt. Darshana Singh
18. Shri Pramod Tiwari

SECRETARIAT

1.	Shri Gaurav Goyal	-	Joint Secretary
2.	Shri Vinay Pradeep Barwa	-	Director
3.	Shri Kuldeep Singh Rana	-	Deputy Secretary
4.	Shri T. Mathivanan	-	Deputy Secretary

WITNESSES

Union Bank of India

1. Ms. A. Manimekhalai, MD & CEO
2. Shri Ravindra Babu, CGM (SAMV)
3. Shri Dharmendra Meena, Senior Manager

Punjab National Bank

1. Shri Ashok Chandra, MD & CEO
2. Shri E. Rajagur, CGM Recovery

Canara Bank

1. Shri K. Satyanarayana Raju, MD & CEO
2. Shri Rajesh Kumar Singh, Chief General Manager
3. Shri Abhay Kumar Malviya, General Manager

2. At the outset, the Chairperson welcomed the witnesses to the sitting of the Committee. After the customary introduction of the witnesses the Chairperson opened the discussion on the subject 'Review of working of Insolvency and Bankruptcy Code and Emerging Issues'. The major issues deliberated upon include balancing out the interest of creditors *vis-a-vis* Corporate debtors(CD),requirement of Notice to CDs under Section 7 before admission of claim, delay in admission of CIRP applications and in approval of Resolution plan, suggestions by Indian Bank Association for amendment to IBC, regulation and oversight of Committee on Creditors on Resolution Professionals to ensure their integrity, excessive haircuts of banks against the outstanding credits, collaboration among the Resolution applicant and CDs for duping Banks out of their due and rightful claims, working of NCLT& NCLAT and need to make them more functionally efficient and productive, quality of the Resolution Professionals, disproportionate voting power to the secured creditors at the cost of marginalizing other stakeholders, discretionary power of liquidators without regulatory approvals thereon, risk of undervaluation of assets by liquidators, diminishing value of assets caused due to delay in settlement of claims, withdrawal of application under section 12A due to coercion, feasibility of easing the severity of IBC procedures for small entrepreneurs and MSMEs.

3. In addition to the issues mentioned above, the Committee also discussed preconditions for the approval of Resolution plan under section 30, fraudulent dealings by RPs and action taken against delinquents, 'Waterfall mechanism' under Section 51 and application thereof to the MSMEs in capacity of operational creditors, adherence to procedural norms in CoC decisions to prevent legal setbacks, gaps in the provision coverage ratio and actual recoveries under IBC valuation methodology of CoC for assets valuation, sector specific insolvency patterns and adoption of sector specific strategy or unit for handling IBC-linked exposures in case of capital intensive industries, best recovery law and achievements among the DRT, SARFAESI Act & IBC, lack of reach of Banks to the rural Community/Districts for providing Mudra Loans and impact of Supreme Court Judgment in Bhushan Power& Steel Limited (BPSL) case over banks and consequential haircuts realized etc.

4. The witnesses responded to the queries raised by the Members. The Chairperson then directed the representatives to furnish written replies to the points raised by the Members which could not be readily responded to by them during the discussion, within a week's time to the Secretariat.

The witnesses then withdrew.

A verbatim record of the proceedings has been kept.

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Appendix – III

Minutes of the Twenty Fourth Sitting of the Standing Committee on Finance (2024-25)

The Committee sat on Friday, the 30th May, 2025 from 1100 hrs.to 1315 hrs in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Bhartruhari Mahtab - Chairperson

LOK SABHA

2. Shri P.P. Chaudhary
3. Shri K. Gopinath
4. Shri Suresh Kumar Kashyap
5. Shri Kishori Lal
6. Thiru Arun Nehru
7. Shri N. K. Premachandran
8. Dr. C.M. Ramesh
9. Prof. Sougata Ray
10. Dr. Jayanta Kumar Roy
11. Shri Balashowry Vallabhaneni
12. Shri Prabhakar Reddy Vemireddy

RAJYA SABHA

13. Shri Yerram Venkata Subba Reddy
14. Shri S. Selvaganabathy
15. Dr. Dinesh Sharma
16. Smt. Darshana Singh
17. Shri Pramod Tiwari

SECRETARIAT

1.	Shri Gaurav Goyal	-	Joint Secretary
2.	Shri Vinay Pradeep Barwa	-	Director
3.	Shri Kuldeep Singh Rana	-	Deputy Secretary
4.	Shri T. Mathivanan	-	Deputy Secretary

WITNESSES

Insolvency and Bankruptcy Board of India (IBBI)

1. Shri Ravi Mital, Chairperson
2. Shri Jayanti Prasad, Whole-time Member
3. Shri Sandip Garg, Whole-time Member
4. Shri Bhushan Kumar Sinha, Whole-time Member
5. Shri Satish Sethi, Executive Director
6. Shri Jithesh John, Executive Director

2. At the outset, the Chairperson welcomed the witnesses to the sitting of the Committee. After the customary introduction of the witnesses the Chairperson opened the discussion on the subject 'Review of working of Insolvency and Bankruptcy Code and Emerging Issues'. The major issues deliberated upon *inter alia* include need for legislative changes to strengthen and improve the overall functioning of IBC; Supreme Court Judgment in Bhushan Power & Steel Limited (BPSL) case and emerging perspectives therefrom; delays in resolution plan and its impact on recovery rate and steps taken to improve the same; appropriateness and implications of reversal of resolution plan; moratorium under section 14 and compliance thereof by Government authorities; factors attributed to delays in Corporate Insolvency Resolution Process (CIRP); measures for disposal of backlog of cases pending before National Company Law Tribunal (NCLT); role of IBBI in selection of Insolvency Professionals/Resolution Professionals and their regulations, fair treatment, disciplinary proceedings, etc.

3. Beside the issues mentioned above, the Committee also discussed overall impact of IBC proceedings on the consumers and market dynamics post-resolution; new *modus operandi* and suggestions to reduce excessive haircuts experienced by bank; Pre- packaged insolvency process for MSMEs; feasibility of timely public disclosure of case data such as timelines, recovery rates, and resolution outcomes on IBBI portal; cross-border insolvency framework proposed by IBBI, impact of the IBC on different stakeholders of the financial ecosystem namely MSMEs, financial institutions and individual investors or home buyers; measures for protecting the rights of operational creditors in the Committee of Creditors; Protection of debtors against creditor's coercive tactics to acquire their assets at distressed prices;

implementation of direct submission system and improvement of performance of Resolution Professionals, as recommended by the Standing Committee on Finance in their earlier Report; difference in the requirement of voting percentage for withdrawal of application and approval of resolution plan under section 12; feasibility of entrusting power to appoint and remove RP with the same authority; fixing the accountability of actual wrongdoers i.e., the errant corporate defaulters instead of surrounding stakeholders and components of economic ecosystem etc.

4. The witnesses responded to the queries raised by the Members. The Chairperson then directed the representatives to furnish written replies to the points raised by the Members which could not be readily responded to by them during the discussion, within a week's time to the Secretariat.

The witnesses then withdrew.

A verbatim record of the proceedings has been kept.

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Appendix– IV

Minutes of the Twenty-Eighth sitting of the Standing Committee on Finance (2024-25)

The Committee sat on Thursday, the 10th July, 2025 from 1100 hrs. to 1330 hrs in Committee Room 'C', Parliament House Annexe (PHA), New Delhi.

PRESENT

Shri Bhartruhari Mahtab - Chairperson

LOK SABHA

2. Shri P. P. Chaudhary
3. Shri Lavu Sri Krishna Devarayalu
4. Shri Gaurav Gogoi
5. Shri Suresh Kumar Kashyap
6. Shri Kishori Lal
7. Dr. C. M. Ramesh
8. Smt. Sandhya Ray
9. Shri P. V. Midhun Reddy
10. Dr. Jayanta Kumar Roy
11. Shri Manish Tewari

RAJYA SABHA

12. Shri Yerram Venkata Subba Reddy
13. Shri Sanjay Seth
14. Shri Pramod Tiwari

SECRETARIAT

1.	Shri Gaurav Goyal	-	Joint Secretary
2.	Shri Vinay Pradeep Barwa	-	Director
3.	Shri Kuldeep Singh Rana	-	Deputy Secretary
4.	Shri T. Mathivanan	-	Deputy Secretary

WITNESSES

State Bank of India

1. Shri C. S . Setty, Chairman
2. Mr. Kshitij Mohan- DMD (SARG)

Bank of Baroda

1. Shri Debadatta Chand, Managing Director & CEO
2. Shri Dinesh Pant, Chief General Manager

Indian Overseas Bank

1. Shri Ajay Kumar Srivastava, MD & CEO
2. Mr. Chandra Mohan Achary, General Manager
3. Mr Sanjay Kishore, General Manager

Indian Bank

1. Shri G Rajeswara Reddy, CGM, Recovery
2. Shri Ram Kumar Das, CGM, Chief Compliance Officer and former GM of Recovery

2. At the outset, the Chairperson welcomed the witnesses to the sitting of the Committee. After the customary introduction of the Witnesses, the Chairperson initiated the discussion on the subject 'Review of working of Insolvency and Bankruptcy Code and Emerging Issues'. The major issues discussed *inter alia* included impact of IBC on MSMEs, financial institutions, individual investors and home buyers; suggestions to reduce excessive haircuts of lenders; reasons for delay in CIRP and suggestions to check these delays; accumulation of NPAs and resolution thereof post-IBC; Pre-pack resolution plan for MSMEs under Section 29A and other restructuring mechanisms; priority and voting share of unsecured financial creditors over other creditors in Committee on Creditors; strict compliance of Section 32 for protecting the properties of Corporate Debtor from any attachment, confiscation and restraint connected to any offence committed prior to the approval of the resolution plan; measures for improvement in the working of NCLT and NCLAT and easing out their workload; perspectives emerging out of the Bhushan Power & Steel Ltd. adjudication; review petition filed by resolution application, applicant and the lenders in the case; progress and issues relating to cross-border insolvency and group insolvency, achievements under IBC 2016 as per the true intent and objectives of the code i.e., the companies actually rehabilitated; action and remedial measures taken by

banks against officers fell short in exercising due diligence while sanctioning big loans and charge sheeted till date.

3. Beside the afore-mentioned issues, the Committee also deliberated upon the measures to ensure integrity and righteousness of the Resolution professionals to prevent collusion and plotting with resolution applicant or outgoing Promoter of the debtor Company; efficacy of pre-pack resolution process for MSMEs *vis a vis* CIRP, excessive Haircuts and recovery rates under IBC versus other recovery mechanism like SARFAESI, Lok Adalat and DRT; reasons for delays and adherence to the stipulated timeline of 330 days in CIRPs: asset valuation system and role of Auditors in the entire process; competitive bidding in CIRP through digital platforms and global outreach for obtaining improved asset value; delay caused due to lack of coordination among the lender banks in a consortium, need for devising pre-emptive measures by banks in case of anticipated default; OTS Scheme and the success rate thereof; CDs indulging in repeated defaults with several lenders and impact thereof on the credibility of IBC and banks; sustainability in the GNPA decline ratio; need of a professional code of conduct for the Committee of Creditors; bidding price mistaken as resolution plan marring prospects of entrepreneurship and steps taken to check the distortion; asset devaluation due to attachment of assets by ED under section 14 of IBC, 2016 during the moratorium; mandate and rigors of section 31 of IBC, 2016 and implications thereof; grounds used by promoter and others for invoking jurisdiction under Article 227 of the Constitution etc..

4. The witnesses responded to the queries raised by the Members. The Chairperson then directed the representatives to furnish written replies to the points raised by the Members which could not be readily responded to by them during the discussion, within a week's time to the Secretariat.

The witnesses then withdrew.

A verbatim record of the proceedings has been kept.

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Appendix– V

Minutes of the Thirtieth sitting of the Standing Committee on Finance (2024-25). The Committee sat on Tuesday, the 29 July, 2025 from 1430 hrs to 1615 hrs in Committee Room '62', Samvidhan Sadan, New Delhi.

PRESENT

Shri Bhartruhari Mahtab – Chairperson

LOK SABHA

2. Shri P. P. Chaudhary
3. Shri K. Gopinath
4. Shri Chudasama Rajeshbhai Naranbhai
5. Thiru Arun Nehru
6. Smt. Sandhya Ray
7. Dr. Jayanta Kumar Roy
8. Dr. K. Sudhakar
9. Shri Balashowry Vallabhaneni
10. Shri Prabhakar Reddy Vemireddy

RAJYA SABHA

11. Shri S. Selvaganabathy
12. Shri Sanjay Seth
13. Smt. Darshana Singh

SECRETARIAT

1.	Shri Gaurav Goyal	-	Joint Secretary
2.	Smt. Bharti Sanjeev Tuteja	-	Director
3.	Shri Kuldeep Singh Rana	-	Deputy Secretary
4.	Shri T. Mathivanan	-	Deputy Secretary

PART I

WITNESSES

Reserve Bank of India (RBI)

1. Shri M. Rajeshwar Rao, Deputy Governor
2. Shri Kesavan Ramachandran, Executive Director
3. Shri Vaibhav Chaturvedi, Chief General Manager
4. Shri Sandeep Mahajan, GM and EA to Deputy Governor
5. Shri Shivaji Radhakrishnan, General Manager

2. At the outset, the Chairperson welcomed the witnesses to the sitting of the Committee. After the customary introduction of the witnesses the Deputy Governor, Reserve Bank of India (RBI) gave his opening remarks on the subject, "Review of working of Insolvency and Bankruptcy Code and Emerging Issues". The Chairperson then opened the discussion on the subject. The major issues deliberated upon *inter alia* included amendments needed for strengthening IBC and improving resolution aspects; role and contribution of ARCs in resolving stressed assets and promoting Financial stability; feasibility of establishment of fast track benches in the case of high value evaluation; feasibility of implementing Pre-packaged Insolvency Resolution Process to other Corporate; provision of Code of Conduct for stakeholders in IBC; failure in adherence to the stipulated timeline during various steps of CIRP; Trade Receivables Counting System and implementation thereof to MSME; unique NCLT order in case of Hindustan photo films mfg. Co. Ltd.; partial resolution and liquidation of remaining assets; justification for allowing a fresh CIRP instead of liquidation in disputes for preventing or halting other court proceedings; re-opening of NCLT adjudicated resolution; extraordinary high percentage of haircuts on high value asset cases; practicality of Implementing PPIRP on other corporate due to lukewarm response in MSME Sector; effectiveness of the current resolution processes and the need for strengthening it; views of RBI on market based compensation model calibrated to reward faster turn around and higher recovery; status of implementation of Supreme Court Judgment in Bhushan Power and Steel case under the IBC etc. The witnesses responded to the queries raised by the Members. The Chairperson then directed the representatives to furnish written replies to the points raised by the Members which could not be readily responded to by them during the discussion, within a week's time to the Secretariat.

The Witnesses then withdrew.

Record of the Verbatim Proceedings has been kept.

PART II

3.	XX	XX	XX	XX	XX	XX
	XX	XX	XX	XX	XX	XX.

The Committee then adjourned.

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X - matter not related to this Report.

Appendix– VI

Minutes of the Fourth Sitting of the Standing Committee on Finance (2025-26). The Committee sat on Wednesday, the 26th November, 2025 from 1230 hrs. to 1310 hrs in Committee Room 'B', Parliament House Annexe, New Delhi.

PRESENT

Shri Bhartruhari Mahtab - Chairperson

LOK SABHA

2. Shri P. P. Chaudhary
3. Shri Kishori Lal
4. Shri Harendra Singh Malik
5. Thiru Arun Nehru
6. Shri N. K. Premachandran
7. Smt. Sandhya Ray
8. Shri Manish Tewari

RAJYA SABHA

9. Shri Narain Dass Gupta
10. Shri Yerram Venkata Subba Reddy
11. Shri S. Selvaganabathy
12. Shri Sanjay Seth
13. Smt. Darshana Singh
14. Dr. M. Thambidurai
15. Shri Pramod Tiwari

SECRETARIAT

1.	Smt. Bharti Sanjeev Tuteja	-	Director
2.	Shri Kuldeep Singh Rana	-	Deputy Secretary
3.	Shri T. Mathivanan	-	Deputy Secretary

2. At the outset, the Chairperson welcomed the Members to the sitting of the Committee. Thereafter, the Committee took up the following draft reports for consideration and adoption:

i. Twenty-Seventh Report on 'Performance review of National Statistical Commission (NSC)'; and
ii. Twenty-Eighth Report on 'Review of working of Insolvency and Bankruptcy Code and Emerging Issues'.

3. After some deliberations, the Committee adopted the above draft Reports with minor modifications and authorised the Chairperson to finalise them and present the Reports to the Parliament in the upcoming Winter Session.

The Committee then adjourned.

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