

Amending the Insolvency Resolution Process for Corporate Debtors

October 27, 2025 • vajiramandravi.com



What's in today's article?

- Why in News?
- What is the Insolvency and Bankruptcy Code (IBC)?
- What is the Insolvency and Bankruptcy Board of India (IBBI)?
- What is the Process Followed under the IBC?
- What is the Recent Proposal of IBBI?

Why in News?

- The **Insolvency and Bankruptcy Board of India** (IBBI) has proposed amendments to the Insolvency Resolution Process for Corporate Process regulations.
- These amendments are expected to enhance the efficiency (and reduce costs) and transparency of the Corporate Insolvency Resolution Process (CIRP), and benefit creditors and other stakeholders involved in the CIRP.

What is the Insolvency and Bankruptcy Code (IBC)?

- **Insolvency vs Bankruptcy:** While insolvency results from an inability to pay debts due to a lack of assets, bankruptcy occurs when an application is presented to an authority declaring insolvency and requesting to be declared bankrupt.
- **About the IBC 2016:**
 - It is the bankruptcy law of India which seeks to **consolidate the existing framework** by creating a single law for insolvency and bankruptcy.
 - It is **a one stop solution** for resolving insolvencies which previously was a long process that did not offer an economically viable arrangement.
 - It **aims to protect the interests of small investors** and make the process of doing business less cumbersome.

What is the Insolvency and Bankruptcy Board of India (IBBI)?

- **It is the regulator for overseeing insolvency proceedings** and entities like Insolvency Professional Agencies (IPA), Insolvency Professionals (IP) and Information Utilities (IU) in India.
- **It was established on 1 October 2016** and given statutory powers through the IBC 2016.
- It functions under the **Ministry of Corporate Affairs** and **covers** Individuals, Companies, Limited Liability Partnerships and Partnership firms.

What is the Process Followed under the IBC?

- **When a corporate debtor (CD) or a company** which has taken loans to run its business, defaults on its loan repayment, either the creditor or the debtor can apply for the initiation of a CIRP.
 - CIRP stands for **Corporate Insolvency Resolution Process (CIRP)**, which comes under Section 6 of the IBC.
- Earlier, the minimum amount of default after which the creditor or debtor could apply for insolvency was ₹1 lakh.
 - But, considering the stress on companies amid the pandemic, the government increased **the minimum amount to ₹1 crore**.
- **To apply for insolvency**, one has to approach a stipulated adjudicating authority (**AA**) under the IBC.
 - The various benches of the **National Company Law Tribunal (NCLT)** across India are the designated AAs.
- **The Tribunal has 14 days to admit or reject** the application or has to provide a reason if the admission is delayed.
 - The CIRP or resolution process begins once an application is admitted by the AA.
 - The amended mandatory deadline for the completion of the resolution process is **330 days**.

What is the Recent Proposal of IBBI?

- **A comprehensive valuation report for the corporate debtor:**

- The IBBI proposed that the registered valuer should submit a comprehensive valuation report for the corporate debtor as a whole, rather than separate valuations for different asset classes.
 - For companies with an asset size of up to Rs 1,000 crore and MSMEs, the board proposes to appoint **only one registered valuer** for providing the estimates of the fair value and the liquidation value.
 - However, keeping in view the complexities involved, they can have two valuers.
 - **Interim resolution professional:** To prevent delays in the appointment of authorised representatives (AR) for creditors, the IBBI also proposed to allow the interim resolution professional.
 - **Issue of release of guarantees in the resolution plan:** Such a proposal submitted by the applicant will not extinguish the rights of creditors to proceed against guarantors and enforce realisation of guarantees governed through various agreements.
 - **Significance of these proposals:**
 - These proposals **seek to eliminate inconsistencies** between the CIRP regulations and the Companies (Registered Valuers and Valuation) Rules.
 - These measures will reduce CIRP costs and expedite the process for small entities.
-

Q.1. What is the National Company Law Tribunal (NCLT)?

The NCLT is a quasi-judicial body in India established in 2016 under the Companies Act 2013. It adjudicates issues relating to Indian companies and is based on the recommendation of the V. Balakrishna Eradi committee.

Q.2. What are the steps taken by the Indian government to improve ease of doing business?

The Indian government has simplified procedures related to applications, renewals, inspections, etc; rationalised by repealing, amending or subsuming redundant laws; and promoted digitisation to improve ease of doing business in India.

Source: [IBBI proposes amendments to insolvency rules; seeks public comments](#) | HBL

Source: <https://vajiramandravi.com/current-affairs/amending-the-insolvency-resolution-process-for-corporate-debtors/>

© Vajiram & Ravi. For personal use only.