



Curating India's insolvency landscape: Key highlights of Insolvency and Bankruptcy Code (Amendment) Bill, 2025

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Abstract

The Insolvency and Bankruptcy Code (Amendment) Bill, 2025 was introduced in the Lok Sabha on August 12, 2025 aiming to address procedural delays, recovery uncertainties, and judicial vagueness in the Insolvency and Bankruptcy Code, 2016. Key provisions include clarifying that statutory dues are not secured creditors, empowering the Committee of Creditors (CoC) to supervise liquidation, introducing a Creditor-Initiated Insolvency Resolution Process (CIIRP) for out-of-court insolvency proceedings, and enabling the central government to frame rules and guidelines for group and cross-border insolvency. The Bill also mandates stricter timelines for liquidation and narrows the window for withdrawal of insolvency applications, potentially limiting out-of-court settlements. Concerns raised include excessive delegation of powers for cross-border insolvency rules, prioritization of certain financial institutions for CIIRP, and elimination of quasi-judicial powers of liquidators, which may impact the finality of claims during liquidation.

Keywords: Liquidator powers, cross-border insolvency, group insolvency, time-bound process

1 Introduction

The Insolvency and Bankruptcy Code (Amendment) Bill, 2025¹ (IBC (A) Bill 2025), has proposed to introduce major reforms for addressing delays in procedural process, uncertainties in recovery process, and ambiguities in judicial proceedings present in the existing framework of insolvency law. Below is an analysis of the key amendments:

Positive Affirmations: The IBC (A) Bill 2025, on face states that statutory dues do get the status and consideration of secured creditors which ensures clarity in the allocation of proceeds from liquidation process. The Committee of Creditors hereinafter (CoC) is being given the authority and power to appoint, remove, and supervise liquidators, enhancing creditors control during liquidation proceedings. Creditor-Initiated Insolvency Resolution Process (CIIRP) allows selected financial institutions to conduct

¹ The Insolvency and Bankruptcy Code (Amendment) Bill 2025, Bill 107 of 2025.

out-of-court insolvency proceedings, enabling faster resolutions and keeping the debtor in control during the process. The IBC (A) Bill 2025,² introduces mandatory timelines for liquidation proceedings (180 days, extendable by 90 days), aiming to reduce delays and maximize asset value.

Key Concerns: The liquidator's powers to admit, reject, and to determine claims are being removed which might lead to complications and undermine the finality of claims during liquidation. Initiation of CIIRP proceedings is to be conducted by only selected financial institutions as notified by the Central government, raising concerns about preferential treatment and exclusion of other creditors. Initiating CIIRP only after default may undermine the goal of maximizing asset value, as value erosion often begins before default happens. The IBC (A) Bill 2025 has narrowed down the scope for withdrawal of insolvency applications, limiting early settlements and potentially increasing costs for debtors and creditors while overburdening courts. The IBC (A) Bill 2025³ has empowered the Central government to frame rules and guidelines for cross-border insolvency neglecting to provide a clear outline as to how these principles need to be formulated, which may lead to excessive delegation and legal uncertainty.

2 Background of the Insolvency law

The Insolvency and Bankruptcy Code (IBC), 2016 (IBC) was enacted to provide a consolidated and time-bound framework for the resolution of insolvency and bankruptcy cases involving companies and individuals. It was introduced to address the inefficiencies in the previous fragmented legal framework, which led to delays, low recovery rates, and uncertainty in resolving financial distress. The primary objectives of the IBC⁴ are ensuring that the value of assets is preserved and maximized during insolvency proceedings. Setting strict timelines for insolvency resolution to prevent prolonged delays and establishing clear processes for creditors, debtors, and other stakeholders⁵. Under the IBC⁶ the Corporate Insolvency Resolution Process (CIRP) is initiated by financial creditors, operational creditors, or the debtor itself upon a default of ₹1 crore or more. The process is overseen by the National Company Law Tribunal (NCLT), and a Resolution Professional (RP) is appointed to manage the proceedings. The company enters into liquidation process if the stipulated plan is not approved within the time limit where its assets are sold and distributed among creditors.

² IBC (A) Bill 2025 (n 1).

³ Ibid.

⁴ The Insolvency and Bankruptcy Code, 2016, No. 31 of 2016.

⁵ The Insolvency and Bankruptcy Code (Amendment) Bill 2025, Bill No 107 of 2025, Lok Sabha (India)

<[https://prsindia.org/files/bills Acts/bills_parliament/2025/The_Insolvency_and_Bankruptcy_Code_\(Amendment\)_Bill.2025.pdf](https://prsindia.org/files/bills Acts/bills_parliament/2025/The_Insolvency_and_Bankruptcy_Code_(Amendment)_Bill.2025.pdf)> accessed 24 December 2025.

⁶ IBC (n 4).

3 Why is the amendment required now?

Despite its success in streamlining insolvency resolution, the IBC⁷ has faced several challenges since its enactment which is CIRP's often exceed the prescribed 330-day limit, with resolved cases taking an average of 602 days and liquidation cases taking 512 days. It undermines the Code's objective and spirit which is striving to achieve timely resolution. The cases which have been resolved have resulted in recoveries amounting to only 33% of admitted claims, highlighting inefficiencies in the process and also ambiguities in judicial interpretations and confusion over certain provisions in the existing law has led to inconsistent judgments which has created uncertainty for stakeholders interest. The current framework lacks provisions for out-of-court settlements and the need of the hour is for alternative resolution mechanisms, which could expedite resolution process and possibly help in reducing the burden on NCLT. The existing framework for cross-border insolvency is ad-hoc and lacks a comprehensive mechanism, making it difficult to address cases where foreign creditors or assets are involved. The Code does not provide a framework for resolving insolvency in corporate groups, which is increasingly relevant in complex business structures⁸.

3.1 Purpose of the amendment

Challenges to be addressed by the Bill are:

- a) Providing stricter timelines for CIRP and liquidation process which could reduce procedural delays.
- b) Introduction of alternate mechanisms such as CIIRP for a faster and efficient out-of-court resolutions process.
- c) By providing more authority and powers to the CoC for supervising the liquidation proceedings and appointment/removal of liquidators.
- d) Clarifying the status of statutory dues and secured creditors to reduce disputes.
- e) To address the gaps in existing framework the Bill proposes to enable the central government for framing rules for group insolvency and cross-border insolvency.

4 Benefit of the IBC (A) Bill, 2025

⁷ IBC (n 6).

⁸ The Insolvency and Bankruptcy Code (Amendment) Bill 2025, Bill No 107 of 2025, Lok Sabha (India).

[https://prsindia.org/files/bills Acts/bills_parliament/2025/The_Insolvency_and_Bankruptcy_Code_\(Amendment\)_Bill,2025.pdf](https://prsindia.org/files/bills Acts/bills_parliament/2025/The_Insolvency_and_Bankruptcy_Code_(Amendment)_Bill,2025.pdf) accessed 24 December 2025.

The IBC (A) Bill 2025 introduces mandatory timelines for liquidation (180 days, extendable by 90 days) and requires NCLT to admit CIRP applications within 14 days if conditions are met. This is a positive step to address delays and ensure faster resolution of insolvency cases. The CoC is given greater control over the liquidation process, including the power to appoint, remove, and supervise liquidators. This aligns with international practices and ensures creditors have a stronger role in decision-making. The Creditor-Initiated Insolvency Resolution Process allows for out-of-court insolvency resolution, which can reduce the burden on NCLT and expedite the process. Keeping the debtor in control during CIIRP may also help preserve the value of assets. The IBC⁹ (A) Bill 2025¹⁰ explicitly states that statutory dues do not qualify to gain status of secured creditors, reducing ambiguity and potential disputes during liquidation.

5 Concerns and limitations

The IBC (A) Bill 2025¹¹ removes the liquidator's powers to admit, reject, and determine claims, transferring these responsibilities to the CoC. This could lead to inefficiencies and disputes, as the liquidator's quasi-judicial role ensures finality in claims during liquidation. The CoC may lack the expertise to handle such matters effectively. The process of CIIRP can only be initiated by financial creditors who belong to a specific set of classes of financial institutions as notified by the central government. This creates an unequal playing field, prioritizing certain creditors over others without clear justification. CIIRP can only be initiated upon default, which may undermine the goal of maximizing asset value. By the time default occurs, value erosion has often already begun. Other jurisdictions allow insolvency proceedings to be triggered earlier, based on signs of financial stress, which could be a better approach. The Bill¹² narrows the scope for withdrawing insolvency applications, where withdrawal is permitted only after the CoC is constituted and prior to calling for resolution plans from resolution applicants. This restriction may discourage early settlements and increase costs for both debtors and creditors, while further burdening the courts. The Bill provides provisions to empower the Central government to frame rules for cross-border insolvency but does not establish a clear framework. This excessive delegation may lead to delays and legal uncertainty, as the rules are left to the discretion of the government without guiding principles. Central Government has been empowered by the Bill¹³ to formulate rules for group insolvency, it does not provide specific details or principles for such proceedings. This might result again in inconsistency in implementation of the law which could lead to complication and uncertainty for stakeholders and their interests.

⁹ IBC (n 6).

¹⁰ Ibid.

¹¹ IBC (A) Bill 2025 (n 7).

¹² IBC (A) Bill 2025 (n 11).

¹³ Ibid.

6 Case laws which motivated amendment

Vidarbha Industries Power Limited v. Axis Bank Limited (2022)¹⁴: This case involved the Supreme Court's interpretation of "may" in Section 7(5)(a) of the IBC, which suggested the NCLT had discretion to reject a financial creditor's application even if debt and default were proven. The 2025 amendment addresses this by mandating that the NCLT shall admit an application if debt and default are established, removing judicial discretion and promoting faster admissions.

State Tax Officer v. Rainbow Papers Limited (2022)¹⁵: The Supreme Court held that statutory dues to the government could be labeled as secured debts if a "charge" existed. This affected the priority of secured creditors in liquidation. The amendment clarifies that a "security interest" arises from an agreement, not just operation of law, restoring the original priority.

CoC of Essar Steel India Limited v. Satish Kumar Gupta (2019)¹⁶: This case established the "clean slate" principle, where a resolution applicant takes over the corporate debtor free from prior claims not in the resolution plan. The 2025 Bill reinforces this principle with explanations, while clarifying that it does not extinguish proceedings against past management or guarantors.

GLAS Trust Company LLC v. Byju Raveendran (2024): This case highlighted ambiguity in withdrawing admitted CIRP applications, particularly concerning the 90% CoC approval requirement. The amendment limits withdrawals to a specific window after CoC formation and requires 90% CoC approval.

Independent Sugar Corporation Limited v. Girish Sriram Juneja (2025)¹⁷: The Supreme Court set aside a resolution plan due to the timing of CCI approval. The Bill allows CCI to approve a plan after receiving consent from CoC prior to submitting it to the Adjudicating Authority.

Innoventive Industries Ltd. v. ICICI Bank (2018)¹⁸: This landmark judgment clarified the definition of "default" under the IBC and reinforced the principle that the Code prioritizes resolution over liquidation. It also emphasized the significance of following the timelines prescribed under the IBC, which led to further legislative refinements.

¹⁴ Vidarbha Industries Power Ltd. v. Axis Bank Ltd., (2022) ibclaw.in 91 SC.

¹⁵ State Tax Officer vs. Rainbow Papers Limited (2022) ibclaw.in 107 SC.

¹⁶ Committee of Creditors of Essar Steel India Ltd. Vs. Satish Kumar Gupta & Ors. reported at (2019) ibclaw.in 07 SC.

¹⁷ Independent Sugar Corporation Ltd. v. Girish Sriram Juneja & Ors. (2025) ibclaw.in 37 SC.

¹⁸ Innoventive Industries Ltd. v. ICICI Bank and Anr. (2017) ibclaw.in 02 SC.

All of the above cases and many more lead to passing the baton to the legislature for further restructuring or modification of existing Insolvency law which was a major motivator for this amendment to be brought upon.

7 Select Committee recommendations

The Select Committee (committee) on the Insolvency and Bankruptcy Code (Amendment) Bill, 2025, chaired by Shri Baijayant Panda, presented its report to the Lok Sabha on 17th December 2025¹⁹.

Recommendations made by the committee:

- a) The committee recommended modifying the definition of "service provider" to include "registered valuer" and inserting a definition for "registered valuer". It also suggested including references to "registered valuer" wherever the term "service provider" is used in the amended Bill to ensure coherence.
- b) The committee proposed extending the definition of "resolution plan" to explicitly allow for the sale of assets to maximize the value for corporate debtors with multifarious businesses. It recommended allowing multiple resolution plans for a corporate debtor experiencing Corporate Insolvency Resolution Process (CIRP).
- c) The committee suggested amending Clause 18(c) to make provisions for the constitution of the Monitoring Committee within the Code. The clause being revised should clearly and categorically mention that the committee is inclusive of the resolution professional, representatives of creditors, and the successful resolution applicant.
- d) The committee appreciated the idea of codifying the "Clean Slate" principle as declaratory and applicable retrospectively since the inception of the Code. It emphasized that this principle should not absolve erstwhile promoters or officers from criminal liability under Section 69, ensuring accountability.
- e) The committee recommended revising Section 34 to ensure a clear separation of roles between the Resolution Professional (RP) and the liquidator. It proposed that the RP who conducted the CIRP or PPIR for the corporate debtor should be ineligible for being appointed as the liquidator in order to avoid conflicts of interest.

¹⁹ Lok Sabha Secretariat Parliament House, Select Committee on the Insolvency and Bankruptcy Code (Amendment) Bill, 2025, 17th December, 2025
[https://sansad.in/getFile/lsscommittee>Select%20Committee%20on%20The%20Insolvency%20And%20Bankruptcy%20Code%20\(Amendment\)%20Bill%202025/pr_files/ENG%20Press%20Release%20-%20Report%20on%20examination%20of%20the%20IBC%20Amendment%20Bill%202025.pdf?source=loksabhadocs](https://sansad.in/getFile/lsscommittee>Select%20Committee%20on%20The%20Insolvency%20And%20Bankruptcy%20Code%20(Amendment)%20Bill%202025/pr_files/ENG%20Press%20Release%20-%20Report%20on%20examination%20of%20the%20IBC%20Amendment%20Bill%202025.pdf?source=loksabhadocs) accessed on 24th December, 2025.

- f) The committee suggested amending Section 53(1)e to clarify the order of priority for government dues and inter-creditor arrangements within the liquidation distribution waterfall mechanism. It emphasized giving government dues a lower priority, aligning with the original legislative intent.
- g) The committee recommended prescribing a specific statutory timeline of three months for the National Company Law Appellate Tribunal (NCLAT) to expedite resolution processes. It proposed amending Section 61 accordingly.
- h) The committee recommended decriminalizing Sections 74 and 76 and substituting them with civil-penalty provisions (Clauses 67B and 67C). This aims to ensure accountability while avoiding over-criminalization of procedural or good-faith errors.
- i) The committee suggested modifying the clause to incorporate a specific period within which the Committee of Creditors must take decisions.
- j) The committee recommended codifying the basic tenets of the cross-border insolvency framework within the Code to harmonize UNCITRAL principles with the Indian legal framework.
- k) The committee proposed clarifying the term "corporate debtor" in Section 240C to include entities incorporated outside Indian territory with limited liability. This ensures that cross-border insolvency provisions apply to foreign companies with assets, creditors, or operations connected to India.

The recommendations are expected to strengthen the Insolvency and Bankruptcy Code by addressing existing challenges, improving operational efficiency, and ensuring legal clarity. These changes will likely foster investor confidence, enhance the ease of doing business, and contribute to the overall economic stability and growth of India.²⁰

8 Conclusion

The IBC (A) Bill 2025²¹ brings in major reforms to tackle the long-standing issues in India's insolvency framework. The amendments aim to make the insolvency resolution process more proficient and impactful by minimising procedural delays, empowering the CoC, and introducing the CIIRP. Key changes in the Bill²² include stricter timelines for liquidation, clarification on the status of statutory dues, and new rules for cross-border as well as group insolvency. Government's commitment to modernization of insolvency process and aligning it with best practices around the globe visible through the provisions intended for introduction in the existing law. The legislators anticipate better outcomes in improved recovery rates, reduction of burden on judiciary and significant clarity for stakeholders. Although concerns have arisen over introduction of power given to CoC for removal/appointment of liquidator and the limited withdrawal

²⁰ Select Committee on the Insolvency and Bankruptcy Code (n 13).

²¹ IBC (A) Bill 2025 (n 12).

²² Ibid.

window aspect but still keeping the spirit and objective of the Code intact these amendments are a significant step towards achieving the core purpose and aim of the Insolvency and Bankruptcy Code which is value maximization, timely resolution, and transparency. In future with further refinements in the cross-border and group insolvency framework, these changes have the potential to strengthen India's insolvency ecosystem and foster a more robust business development environment.