

# Standing Committee Report Summary

## Review of Working of Insolvency and Bankruptcy Code and Emerging Issues

- The Standing Committee on Finance (Chair: Mr. Bhartruhari Mahtab) presented its report on ‘Review of Working of Insolvency and Bankruptcy Code and Emerging Issues’ on December 2, 2025. The Insolvency and Bankruptcy Code (IBC) was enacted in India in May 2016. It consolidated and amended the law on insolvency, revival and liquidation of companies, limited liability partnerships, and individuals in a time-bound manner. The observations and recommendations of the Committee are as follows:
  - **Post-resolution challenges for debtors:** The Committee identified post-resolution challenges such as delays in obtaining regulatory clearances and difficulties in securing fresh financing due to the debtor’s defaulter status. To address such challenges, it recommended establishing an online mechanism to issue “no dues” certificates and statutory clearances for debtors. Such clearances will be issued after the completion of the resolution process.
  - **Delays and judicial capacity:** The Committee identified the following as the reasons for delays in closure of the insolvency process: (i) shortages of NCLT benches, (ii) judicial and administrative vacancies, and (iii) value-eroding frivolous litigation by promoters and unsuccessful resolution applicants. It recommended that the Ministry of Corporate Affairs (Ministry) expedite the establishment of additional NCLT benches and operationalisation of a centralised case management platform. The Committee recommended raising the penalty for frivolous applications and prescribing a mandatory upfront deposit for unsuccessful resolution applicants.
  - **Valuation of distressed assets:** The Committee observed that while creditors realise 170% of the liquidation value, only 32.8% of the total admitted claims are recovered. This is due to firms entering the insolvency resolution process when their assets are already heavily stressed. These delays can reduce the realisation value of assets. It also observed that lack of transparency in the valuation process leads to distress-sale prices. To address these issues, the Committee made the following recommendations: (i) valuation of assets made on enterprise value, (ii) expansion of competitive bidding through global outreach, and (iii) formulating SOPs and post-resolution valuation reviews for liquidators and registered valuers.
- **Homebuyer rights:** Under IBC, homebuyer associations can submit a resolution plan with the approval of 66% of the Committee of Creditors (CoC). Additionally, to initiate an insolvency process under IBC, homebuyers must meet a minimum threshold of 100 homebuyers or 10% of total home allottees. The Committee observed that despite this provision, homebuyers remain reliant on the discretion of the CoC and lack an independent right to relief. It recommended that the eligibility criteria for homebuyers be reconsidered. It also recommended that the Ministry coordinate with other Ministries and Departments to address this issue.
- **Cross-border insolvency:** The Committee recommended selective adoption of the United Nations Commission on International Trade Law (UNCITRAL) with modifications. It observed that the lack of a cross-border insolvency framework leads to significant losses in high-value cases.
- **Pre-institutional mediation:** The Committee recommended introducing an early-stage mediation process as an alternative dispute resolution mechanism outside a formal court process.
- **Avoidance Transactions:** The Committee highlighted the issue of funds diversion as a critical concern as it causes significant value erosion and impacts recovery for lenders. It recommended empowering the Resolutions Professionals (RPs) to conduct deeper, time-bound investigations into avoidance transactions and fund diversion.
- **The Pre-packaged Insolvency Resolution Process (PPIRP):** The Committee observed the low uptake of the PPIRP process for MSMEs and attributed it to infrastructural and procedural gaps. It noted that these issues are pushing banks to adopt alternative recovery mechanisms such as SARFAESI and Debt Resolution Tribunals. The Committee recommended simplifying the procedure under PPIRP to help distressed MSMEs. It recommended issuance of clear guidelines, greater awareness, and provision of incentives for banks and financial institutions.

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