

Insolvency and Bankruptcy Code (IBC)

IBC (Amendment) Act, 2026 aims to strengthen admission discipline; introduces creditor-initiated resolution mechanism

APRIL 2026

Key abbreviations

CIIRP	Creditor-Initiated Insolvency Resolution Process
NCLT	National Company Law Tribunal
IBBI	Insolvency and Bankruptcy Board of India
CIRP	Corporate Insolvency Resolution Process
CD	Corporate Debtor
CoC	Committee of Creditors
IRP	Interim Resolution Professional
RP	Resolution Professional
CG	Corporate Guarantor
IBC	Insolvency and Bankruptcy Code
LCD	Liquidation Commencement Date



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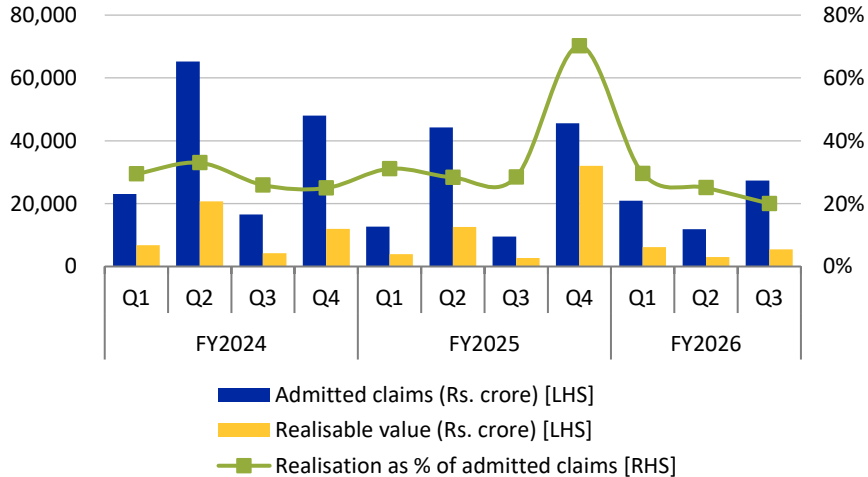
In its decade-long journey, the IBC has seen six amendments with the aim to achieve time-bound recoveries and maximisation of the value of the assets. The latest amendments approved by the Parliament introduce various new frameworks while strengthening the current frameworks. Given the slowdown in recovery rates in 9M FY2026, the amendments are aimed to boost recoveries for lenders in a shorter timeframe.



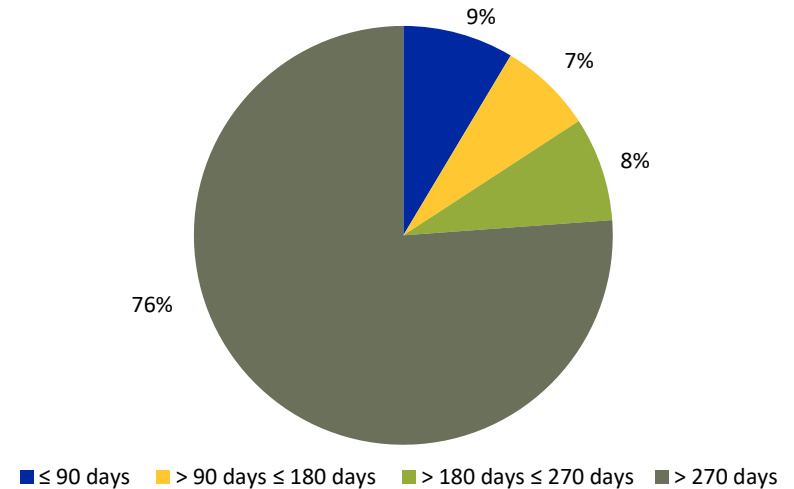
- The IBC has seen limited success, with recoveries of Rs. 4.1 lakh crore for lenders. However, haircuts have been very high at ~68% with elongated average recovery timelines of over 750 days.
- Over the past few years, the Central Government has examined public and stakeholder comments and decided to amend the IBC to improve its operation, enhance its effectiveness, clarify its original intent and incorporate newer concepts to broaden it.
- The latest amendment introduces the creditor-initiated insolvency resolution process (CIIRP) with an out-of-court initiation mechanism to facilitate faster and more cost-effective resolution with minimal business disruption.
- The group insolvency framework has been introduced to efficiently resolve insolvencies involving complex corporate group structures by maximising the value for creditors through coordinated decision-making across various entities in a group.
- Given the nature of assets of many entities spread across multiple geographical jurisdictions, the cross-border insolvency framework has been introduced to lay the foundation for protecting stakeholder interests across domestic and foreign legal proceedings.
- The amendment removes the NCLT's discretionary power to admit a case, thereby shortening case admission timelines. Moreover, it allows for flexibility in resolution plans for piecemeal resolution, which would help settle large cases involving multiple assets.
- ICRA believes that the proposed amendments aim to reduce delays, maximise value for all stakeholders, and improve governance while introducing new provisions that follow global best practices for resolving stressed assets.

Lower recoveries and stretched timelines necessitated amendment of IBC

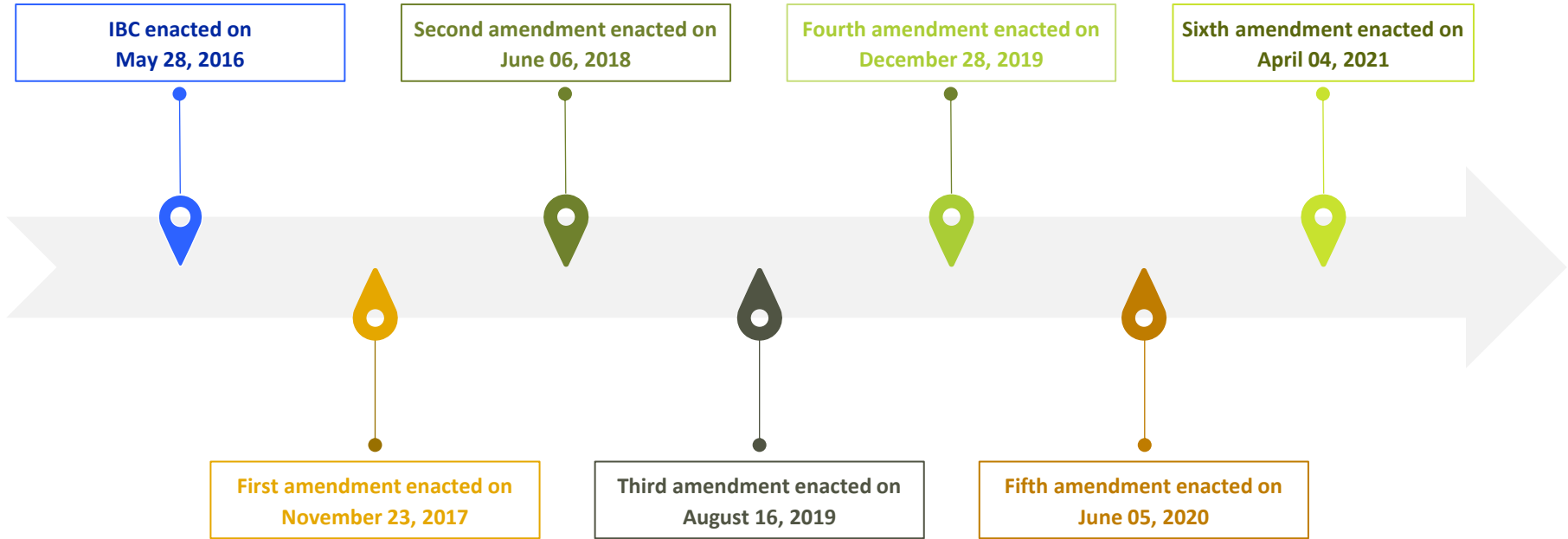
Quarterly realisation vs. admitted claims for resolved cases



Timeline for ongoing CIRPs as on December 31, 2025

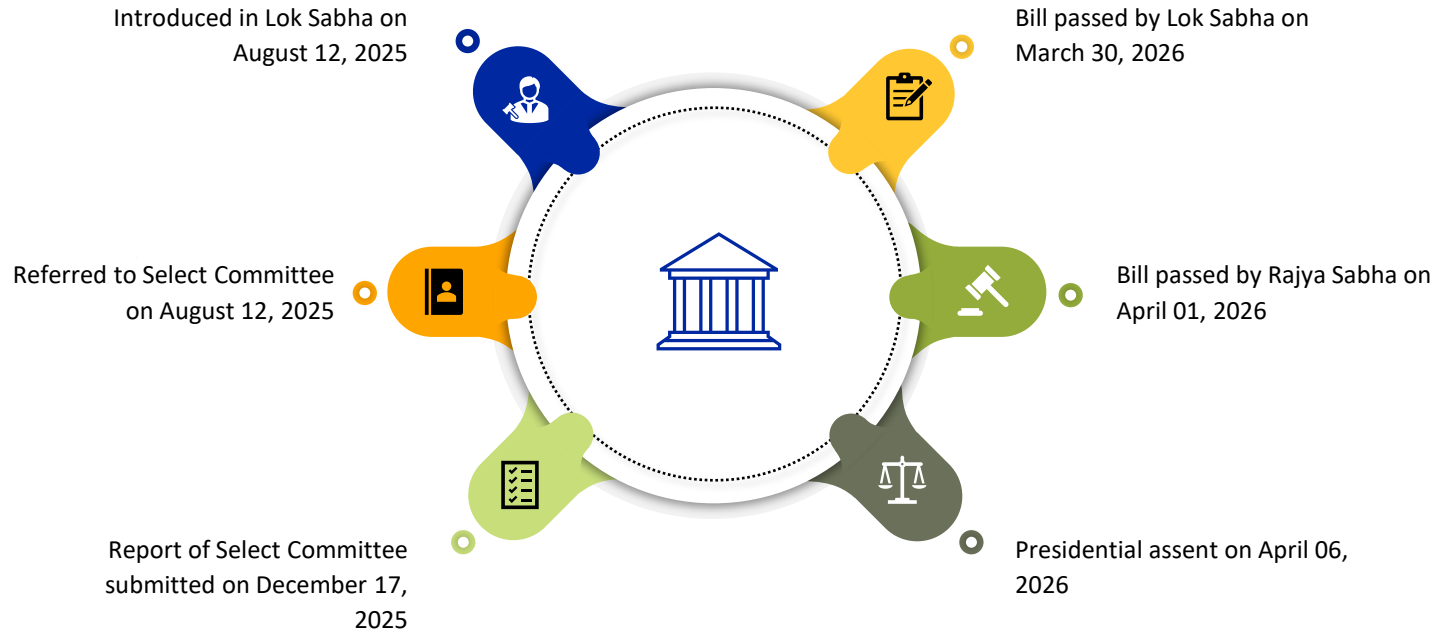


- While the recovery rates improved till Q4 FY2025, the trend somewhat reversed in 9M FY2026 (dip in recoveries in absolute terms as well as the percentage of admitted claims) with the same touching a multi-quarter low of 20% in Q3 FY2026, implying significant haircuts of ~80% for lenders.
- Based on data till December 31, 2025, almost three-fourths of the ongoing CIRP cases exceeded 270 days, post admission by the NCLT. The slowdown in recovery rates and inflated timelines necessitated the need for reforms to the code.



Introduced in 2016, the IBC has seen six significant amendments in the last decade with the last major amendment in April 2021. In the last decade, the Code has seen the resolution of Rs. 4.1 lakh crore to lenders till December 31, 2025. While the IBBI has come out with various improvements to lower recovery timelines and bolster recovery rates for lenders via the code since then, the current amendment marks a paradigm shift in the code.

Development of seventh IBC amendment bill



In the backdrop of issues such as protracted delays in legal proceedings, excessive burden of litigation straining the NCLT and significant haircuts for creditors, the seventh amendment bill was introduced in the Lok Sabha on August 12, 2025. The bill was referred to the SLCB, which had suggested 11 major observations/recommendations. These were approved by both houses of Parliament and the President.

Changes in guidelines and potential impact – (1/4)

Particulars	Key changes	Impact as per ICRA's assessment
Admission of CIRP applications	<p>Three exhaustive and self-sufficient conditions for admission of CIRP under Section 7 of IBC</p> <ul style="list-style-type: none"> (i) default; (ii) application being complete; and (iii) no disciplinary proceeding against insolvency professional (IP). <p>Rejection is not possible on any other ground as against the earlier provision when the NCLT had discretionary power.</p>	<p>The NCLT will not have any discretionary power while admitting or rejecting an application u/s 7 of the IBC despite the existence of a default as was done in the past for a few cases. ICRA expects this to expedite the admission of cases in the NCLT.</p>
IU as default evidence	<p>Information utilities (IU) records are positioned as primary default proof in specified cases, with authentication discipline strengthened through statutory and regulatory alignment.</p>	<p>Better default evidence quality should reduce evidentiary disputes and speed up admissions while eliminating any ambiguity over the evidence of default.</p>
Timelines and onus on NCLT	<p>The NCLT shall approve/reject the application for admission within 14 days. The reason for any delay beyond 14 days has to be recorded. In case of any defect in the application, the NCLT will provide seven days for rectification.</p>	<p>Given that there used to be a significant delay in the admission of cases in the NCLT in the past, this is a major positive as the onus will now be on the NCLT to admit the case in a timebound manner.</p>
Voting share	<p>The definition of 'share' will be computed on the basis of the financial debt owed to only the members of the committee of creditors (CoC) who are eligible to vote. This excludes financial creditors who are related parties of the corporate debtor (CD). Hence, it is clarified that the financial debt owed to creditors who are not eligible to vote in the CoC shall not be included when determining the voting share.</p>	<p>Related financial creditors will not have a voting share in the CoC, which is a positive and boosts the representation of other financial creditors in the CoC.</p>
Filing quality of documents	<p>Regulatory drafting emphasises expanded, structured disclosures to reduce defective filings and repeated rectification cycles.</p>	<p>This improves transparency in the process, reducing later-stage delays in preparation of IM, valuation process and resolution plan evaluation stage.</p>
Introduction of penalty regime	<p>If any person has initiated a frivolous or vexatious proceeding before the NCLT, the NCLT may impose upon such person a penalty, which shall not be less than Rs. 1 lakh but may extend to Rs. 2 crore.</p>	<p>This is expected to reduce tactical filings and litigation-led drag, improving throughput, though consistency in enforcement will remain critical.</p>

Changes in guidelines and potential impact – (2/4)

Particulars	Key changes	Impact as per ICRA's assessment
Withdrawal of admitted applications	An application admitted shall not be withdrawn— (a) before the constitution of the CoC; (b) after the first invitation for submission of a resolution plan has been issued by the resolution professional.	This strengthens certainty once litigation starts and reduces disruptive late withdrawals. This is expected to limit late settlements, which is a positive.
Timelines for withdrawal of admitted applications	A 30-day period is provided to the NCLT to decide the withdrawal application. If the application is not decided within 30 days, the NCLT is required to record reasons for such delay in writing.	Onus lies on the NCLT to decide on withdrawal applications in a timebound manner, which is a positive.
Promoters of CD not to propose IRP	Where an application for insolvency is made under Section 10 (corporate debtor led insolvency), the NCLT shall make a reference for the recommendation of an IP who may act as an interim resolution professional (IRP). It also seeks to insert a proviso to provide that where the application is not decided within 14 days, the NCLT will record reasons for such delay in writing.	This seeks to provide timebound admission under Section 10 and eliminate the possibility of bias in the appointment of IRP, thereby ensuring the impartial discharge of duties and maintaining the confidence of creditors in the process.
Cooperation obligations expanded	Cooperation duty extends beyond 'personnel' to wider 'persons', including past associates and service providers, aligned across processes.	This improves the RP's ability to secure records and operational inputs, reducing information blockade risk and associated delays.
Deemed continuation of IRP as RP	Section 22 of the code seeks to provide the deemed continuation of the IRP as a resolution professional (RP) where the CoC resolves to appoint him as an RP. Separate intervention by the NCLT is not required once this decision is communicated to the NCLT by the CoC.	This reduces additional intervention of the NCLT for continuation from IRP to RP, which is common in most insolvency cases, thus saving time.

Changes in guidelines and potential impact – (3/4)

Particulars	Key changes	Impact as per ICRA's assessment
Flexible resolution plans	The explanation to Clause (26) of Section 5 is amended to clarify that the restructuring of the CD may also include the sale of one or more its assets.	This enables the invitation of plans specifically for one or more assets (piecemeal resolution) of the CD. This would be useful for complex businesses and would improve value discovery where whole company bids are limited.
Clauses regarding CG	The CD's creditor needs to enforce the security over the asset of the corporate guarantor (CG) and then the asset may be transferred to the creditor under the insolvency process of the CD. In case of insolvency against the CG, the asset may be transferred to the creditor under the insolvency process of the CG.	Corporate guarantee documents are generally unsecured in nature and thus the creditors of the CD would need to create and enforce the security interest over the CG's assets, which seems challenging. This sweep of the CG's assets is also an enabling provision with the use of the word 'may' rather than 'shall'.
Dissenting financial creditor floor	The statutory minimum payout is anchored to waterfall benchmarks ('lower of' test) for dissenting financial creditors.	This reduces incentives for strategic dissent and anchors fairness for distribution benchmarks, potentially lowering disputes.
Two-stage approval approach	First level of approval: The NCLT may, with the approval of the CoC, by a vote of not less than 66% of the voting share, first approve the implementation of the resolution plan. Second level of approval: The NCLT would determine the manner of distribution provided therein within a period of 30 days from the date of approval of implementation of such resolution plan.	The two-step approach helps preserve the going concern value of the CD by preventing distribution litigation from stalling implementation/handover.
Clean slate and continuity	Once a resolution plan is approved, claims are settled according to the plan, and unless otherwise specified, they are extinguished. Therefore, such a resolution should be recognised by and be binding on all parties, and past liabilities should not serve as a basis for suspending or terminating any grant or right, or for any proceedings against the resolved CD.	This improves the business continuity of resolved entities while preserving creditor rights with no claims settlement outside the plan, providing swift closure to litigations.

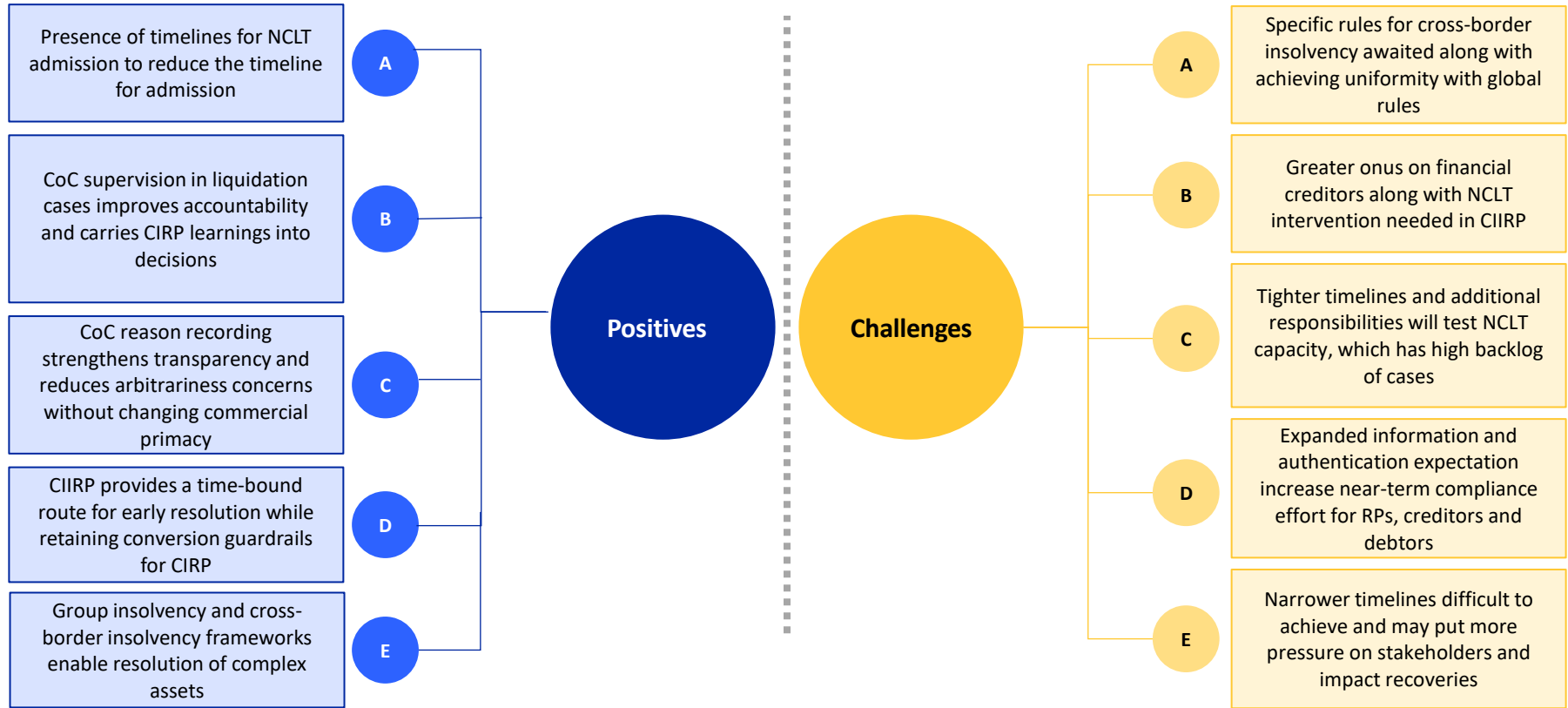
Changes in guidelines and potential impact – (4/4)

Particulars	Key changes	Impact as per ICRA's assessment
Partly secured creditors	In cases where the value of the security interest relinquished by the secured creditor to the liquidation estate is less than the total debt owed to that secured creditor, such secured creditor will be considered a secured creditor to the extent of the value of such security interest. For the remaining value of such debt, it shall be considered an unsecured creditor.	This provides clarity on partly secured creditors, which would shed light on the extent of seniority of such creditors in recovery.
Group insolvency enabler	The Government is empowered to frame rules for group insolvency (common bench/coordination/common IP options in reporting). The definition of group is aligned with the Companies Act, 2013.	This resolves insolvencies involving complex corporate group structures by minimising the value destruction caused by fragmented legal proceedings across multiple group entities and maximising the value for creditors through coordinated decision-making.
Cross-border insolvency enabler	Section 240C of the IBC empowers the Central Government to prescribe rules relating to cross-border insolvency proceedings for administering and conducting cross-border insolvency proceedings.	The cross-border insolvency framework aims to protect stakeholder interests in domestic and foreign legal proceedings, promote investor confidence and align domestic recovery practices with international best practices. This is expected to pave the way for the improved recognition of Indian insolvency proceedings in other jurisdictions, which is critical given the increasing global presence of Indian corporates.
Restoration of CIRP	Before passing the order, the NCLT may consider an application made by the CoC, by not less than 66% of the voting share, for restoring the CIRP. This is to be completed within such duration as it deems fit but not exceeding 120 days.	The process would revert to the stage of submission of resolution plans. The intent seems to be to permit late-stage resolution plans and minimise liquidations which has seen lower recovery for lenders. This would lower the number of liquidations and drive higher recoveries.
Priority certainty on statutory dues	Government dues are not secured debt and will have a status below secured lenders.	This reduces interpretational disputes as have happened in court cases in the past and improves the predictability of waterfall mechanism for secured lenders.
Relevant period for avoidance transactions	For related parties, this would be two years preceding the liquidation commencement date (LCD) till the date of the LCD. In case of other than related parties, this would be one year preceding the LCD till the date of the LCD.	This strengthens creditor protection and value clawback potential as such transactions were at Rs. 4.3 lakh crore as of December 2025. However, it may increase avoidance litigation.

Changes in guidelines and potential impact – Liquidation

Particulars	Key changes	Impact as per ICRA's assessment
Moratorium extension	Moratorium during the CIRP also extends to the liquidation process	It significantly reduces the financial and administrative burden on the liquidator, who would otherwise need to pursue or defend numerous claims across various legal forums.
Liquidator vs resolution plan	This provides that the liquidator shall be appointed on the proposal of the CoC and the RP shall not automatically be appointed as a liquidator. The CoC can either propose the existing RP or propose another insolvency professional, subject to their written consent to be appointed as the liquidator. The existing RP shall be disqualified from being appointed as a liquidator at the initiation or during the process where the resolution plan submitted by it was rejected for failure.	Overlap between the liquidator and the RP will be avoided, which would prevent conflict of interest and drive liquidation from an independent liquidator appointed by the CoC.
Claims during liquidation	The claims collated during the CIRP will be maintained and updated during the liquidation process. A fresh process of invitation of claims will not be conducted.	This would avoid repetition of common activities, ensure faster completion of the liquidation process, ensure smoother claim handling of liquidation, avoid disputes at the later stage of liquidation and harmonise the powers and duties of the liquidator during the liquidation process with those during the CIRP.
Liquidation timelines tightened	This provides timelines for completing the liquidation process within a period of 180 days from the LCD. This period can be extended by the NCLT, provided that such period does not exceed 90 days.	Further tightening of the liquidation completion timeline to 270 days from one year seems challenging, given that more than 80% of the cases as of the end of December 2025 were already beyond 270 days. While this would be applicable to liquidations initiated after the amendment, it puts additional pressure on stakeholders to close liquidations quickly and may impact realisations adversely.
Supervision on liquidation	The CoC from the CIRP (which consists of financial creditors only) shall supervise the liquidation which would be conducted by the liquidator in the manner specified by IBBI.	This changes the CoC's role to 'supervision' from 'consultation', making it a creditor-driven process similar to resolution cases, going forward. This is a positive.

Particulars	Key changes	Impact as per ICRA's assessment
CIIRP	The Creditor-initiated Insolvency Resolution Process (CIIRP) replaces the fast-track process and is described as a creditor-driven, out-of-court commencement route with a 150-day timeline and a onetime 45-day extension.	This creates a faster path for notified cases while retaining conversion guardrails in the CIRP; effectiveness will depend on adoption since the onus is on financial creditors to drive the process.
Approval under CIIRP	Approval has to be obtained from the financial creditors of the CD belonging to the class of financial institutions, who represent not less than 51 per cent in the value of the debt due to such financial creditors.	The 51% threshold would ensure that most lenders would drive the adoption of CIIRP.
Management status during CIIRP	During the CIIRP, the management of the affairs of the CD shall continue to vest in the board of directors or the partners.	The RP shall attend meetings of members with the board of directors and the committee of directors, or partners, and shall have the right to reject any resolution passed in these meetings. Thus, while company is run by the existing management, the RP has oversight and overriding powers.
Debtor-in-possession with oversight	Reporting frames the CIIRP as debtor-in-possession with creditor oversight and tribunal touchpoints for objections/moratorium/approval.	This reduces disruption for viable businesses while maintaining safeguards. It may improve willingness for early resolution where consensus exists.
Moratorium during CIIRP	Approval for moratorium is to be taken from lenders with a 51% share in debt and is then to be sought from the NCLT.	Moratorium on legal proceedings will enable smoother functioning of the CD.
Approval of plan	The resolution plan would be placed before the CoC for its approval by more than 66% share of value in debt and then to the NCLT for its approval.	As this process is similar to the existing regulations, no material change is expected.





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