

Evolution of Insolvency Laws in India

Historically, India's insolvency framework was fragmented and governed by several separate statutes.



Sick Industrial Companies Act (SICA), 1985:

- Designed to help revive financially distressed industrial companies.
- This act often resulted in prolonged proceedings and inadequate asset recovery.



Recovery of Debts Due to Banks and Financial Institutions Act (RDDBFI), 1993:

- Designed to help revive financially distressed industrial companies.
- This act often resulted in prolonged proceedings and inadequate asset recovery.



Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002:

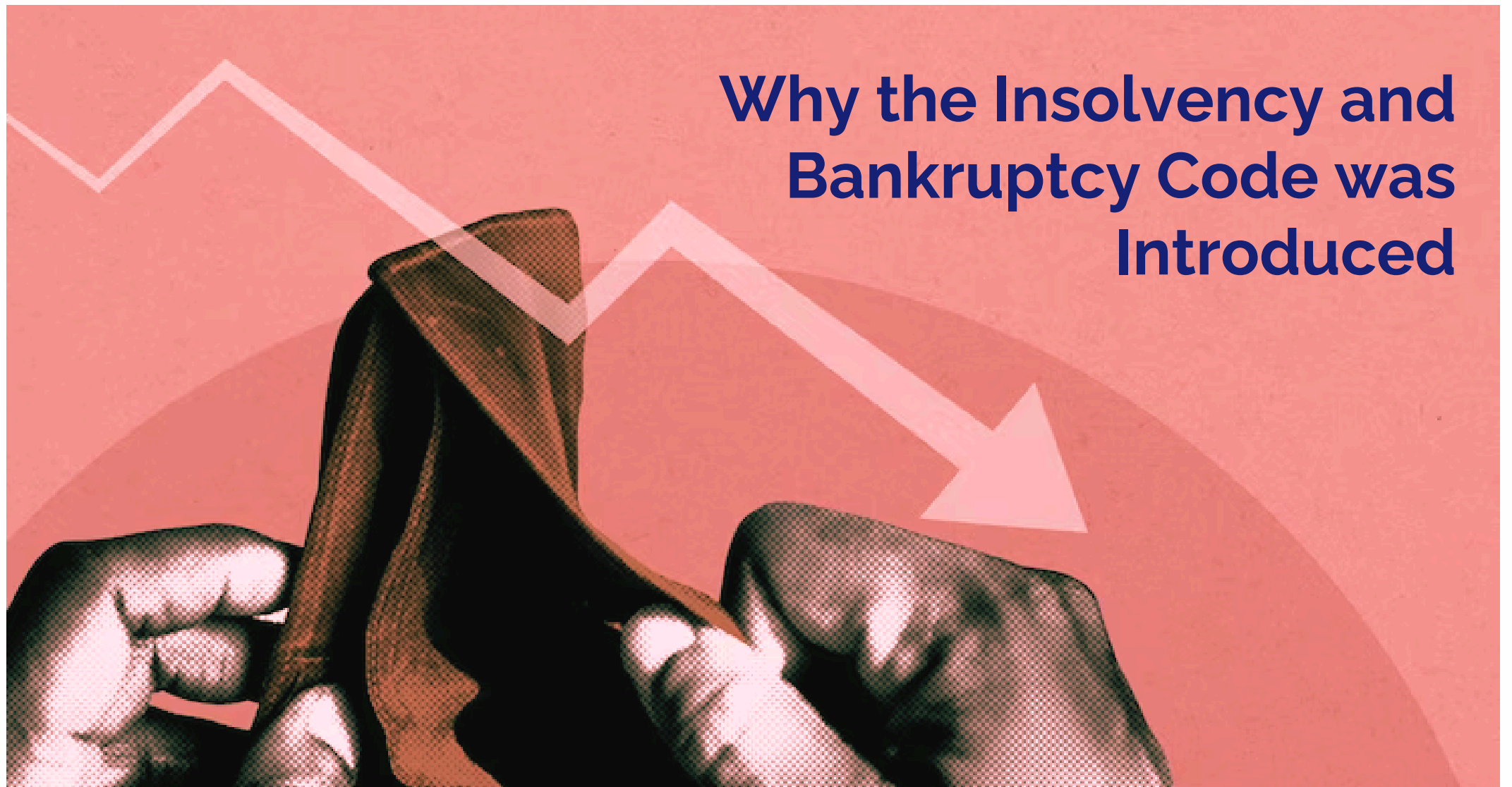
- While this provided a mechanism for banks to recover loans by enforcing security interests.
- It did not address the broader issues of insolvency resolution.



Companies Act, 2013 (Winding-Up Provisions):

- These provisions applied to the liquidation of companies.
- But they were not designed for a swift and value-maximizing resolution process.





Why the Insolvency and Bankruptcy Code was Introduced

- **Time-bound Resolution:** Enforces a strict timeline (generally 180 days, extendable to 270 days for complex cases) for resolution.
- **Maximization of Asset Value:** Focuses on resolution rather than liquidation to optimize asset value for creditors and sustain business operations.
- **Creditor Empowerment:** Strengthens the role of the Committee of Creditors (CoC) to make key decisions, ensuring market-driven processes.
- **Streamlined Process:** Unifies multiple insolvency laws into a single framework, reducing legal ambiguities and expediting proceedings.
- **Moratorium Provision:** Temporarily halts legal actions against the debtor, providing a “breathing space” for developing a viable resolution plan.



Judgments that have shaped the interpretation and application of IBC

Case Name and Citation	Legal Principle	Holding
<p>Board of Trustees, Port of Mumbai vs. Indian Oil Corporation and Ors.</p> <p>MANU/SC/0284/1998 1998 INSC 181 16.04.1998</p>	<p>Protection of Secured Creditors' Rights under the IBC</p>	<p>The Court held that secured creditors' rights are to be enforced in strict accordance with the IBC's provisions. The ruling reinforces that security interests and the priority of secured claims cannot be undermined by extraneous legal interpretations.</p>
<p>Pavithra Agencies and Ors. vs. Jayashree P. Khakri</p> <p>MANU/TN/3068/2007 18.04.2007</p>	<p>Non-setting aside of the Insolvency Notice under Section 9 of the Presidency Towns Insolvency Act, 1909 based on non-filing of an Execution Petition</p>	<p>The Court held that the application to set aside the Insolvency Notice issued under Section 9 of the Presidency Towns Insolvency Act, 1909 must be dismissed because the creditor's failure to file an Execution Petition did not render the decree non-executable nor did it undermine the insolvency notice itself. The Court emphasized that the statutory provisions are aimed at ensuring the finality and enforceability of the decree rather than obliging the creditor to file execution proceedings. It further clarified that the absence of such filing does not entitle the judgment-debtors to invalidate the insolvency notice. Thus, the Court affirmed the validity of the insolvency notice and allowed the insolvency proceedings to continue.</p>



Case Name and Citation	Legal Principle	Holding
<p>IPRO Sugar Engineering Private Limited vs. Spray Engineering Devices Limited</p> <p>MANU/NC/0002/2008 03.09.2008</p>	<p>Right to initiate the Corporate Insolvency Resolution Process under Section 9 of the Insolvency and Bankruptcy Code, 2016 based on non-payment of operational debt</p>	<p>The Court held that the petition filed by the operational creditor under Section 9 of the Insolvency and Bankruptcy Code, 2016 was properly instituted as it satisfied all statutory requirements by submitting complete invoices, duly served demand notices, and verified absence of any dispute or pending disciplinary proceedings. The Court observed that the operational debt, comprising both the principal and the accrued interest, was effectively established and largely acknowledged by the corporate debtor. It further noted that the relationship between the parties was immaterial to the merits of the claim and that the petitioner's choice to pursue insolvency proceedings instead of arbitration did not affect the validity of the application. Consequently, the Court declared a moratorium on legal proceedings against the debtor and appointed an Interim Resolution Professional to manage its affairs.</p>
<p>Vodafone International Holdings B.V. vs. Union of India and Ors.</p> <p>MANU/SC/0051/2012 2012 INSC 45 20.01.2012</p>	<p>Extraterritorial Application of Indian Tax Laws in Cross-Border Transactions</p>	<p>The Court held that where the underlying economic substance of a transaction has a nexus with India, the provisions of Indian tax law may be enforced against foreign companies, even if the transaction is structured or executed abroad. This decision ensures that multinational firms cannot evade fiscal obligations, thereby contributing to a more predictable framework in insolvency proceedings by clearly defining tax liabilities.</p>



Case Name and Citation	Legal Principle	Holding
Innoventive Industries Ltd. vs. ICICI Bank and Ors. MANU/SC/1063/2017 2017 INSC 837 31.08.2017	Primacy of IBC over State Law (Non-obstante Clause)	The court held that the IBC, as a later Parliamentary enactment, prevails over the earlier Maharashtra Act due to its non-obstante clause. It confirmed that the debtor had defaulted and upheld the financial creditor's application by imposing a moratorium. The belated clarification application was rightly dismissed.
Mobilox Innovations Private Limited vs. Kirusa Software Private Limited MANU/SC/1196/2017 2017 INSC 975 21.09.2017	Requirement of Genuine Notice of Dispute	The court held that if an operational creditor's complete application includes a notice or record of dispute, the adjudicating authority must acknowledge a genuine dispute. Dismissal is unwarranted solely due to the absence of a certificate at the appellate stage, as long as the dispute is not spurious.
Brilliant Alloys Private Limited v. S. Rajagopal MANU/SC/1547/2018 14.12.2018	Directory Nature of Statutory Timelines under the IBC	The Court observed that the time limits prescribed under the IBC are essentially directory. Any extension of such timelines requires compelling justification, and belated claims cannot be automatically accommodated without rigorous evidentiary support.



Case Name and Citation	Legal Principle	Holding
<p>Committee of Creditors of Essar Steel India Limited vs. Satish Kumar Gupta and Ors.</p> <p>MANU/SC/1577/2019 2019 INSC 1256 15.11.2019</p>	<p>Exclusion of Post-Approval Claims</p>	<p>The Court held that, once a resolution plan is approved, no new or unresolved claims may be introduced. This principle safeguards the integrity and conclusiveness of the approved resolution process by precluding any post-approval contestation of liabilities.</p>
<p>Committee of Creditors of Essar Steel India Limited vs. Satish Kumar Gupta and Ors.</p> <p>MANU/SC/1577/2019 2019 INSC 1256 15.11.2019</p>	<p>Finality of the Resolution Process and Timeliness of Claim Submissions</p>	<p>The Supreme Court directed that once a resolution plan is approved, no new or unresolved claims can be introduced thereafter. This principle reinforces that all creditor claims must be raised within the prescribed timelines, thereby ensuring the finality and efficiency of the corporate insolvency process while safeguarding the rights of the creditors.</p>
<p>Jaypee Kensington Boulevard Apartments Welfare Association and Ors. vs. NBCC (India) Ltd. and Ors.</p> <p>MANU/SC/0206/2021 2021 INSC 206 24.03.2021</p>	<p>Limited Jurisdiction in Commercial Aspects of Resolution Plans</p>	<p>The court held that the adjudicating authority's role is limited to ensuring statutory compliance in a resolution plan and not interfering with commercial decisions made by the Committee of Creditors. Modifications that deviated from statutory parameters were set aside or remanded, while key elements of the plan were upheld.</p>



Case Name and Citation	Legal Principle	Holding
<p>Ghanashyam Mishra and Sons Private Limited vs. Edelweiss Asset Reconstruction Company Limited and Ors.</p> <p>MANU/SC/0273/2021 2021 INSC 250 13.04.2021</p>	<p>Binding Effect of Approved Resolution Plan</p>	<p>The court held that once a resolution plan is duly approved by the Adjudicating Authority after meeting statutory conditions, it becomes binding on the corporate debtor and all stakeholders. This approval freezes all claims not included in the plan, ensuring that the revival process is not disrupted.</p>
<p>State Tax Officer (1) vs. Rainbow Papers Limited</p> <p>MANU/SC/1109/2022 2022 INSC 927 06.09.2022</p>	<p>Adherence to the Statutory Waterfall Mechanism</p>	<p>The Court reiterated that the allocation of creditor claims must conform strictly to the waterfall hierarchy prescribed by the IBC. Deviations from this statutory order are impermissible, ensuring an equitable distribution of assets among all creditors.</p>
<p>DLF Ltd. vs. IL&FS Engineering and Construction Company</p> <p>MANU/DE/5272/2022 DHC:5697 21.12.2022</p>	<p>Enhanced Accountability and Transparency in the Appointment of Resolution Professionals</p>	<p>The Court held that the process for appointing and conducting the duties of resolution professionals must be transparent and subject to stringent accountability measures. This judgment was aimed at addressing the shortcomings observed during the insolvency of IL&FS and mandates reforms to safeguard creditor interests by ensuring that the resolution process is executed with the highest standards of integrity and procedural fairness.</p>



Case Name and Citation	Legal Principle	Holding
<p>Paschimanchal Vidyut Vitran Nigam Ltd. v. Raman Ispat Pvt. Ltd.</p> <p>MANU/SC/0771/2023 2023 INSC 625 17.07.2023</p>	<p>Primacy of the IBC over Conflicting Statutory Provisions</p>	<p>The Supreme Court confirmed that the Insolvency and Bankruptcy Code prevails over other statutes such as the Electricity Act. All claims are to be adjudicated strictly under the IBC's waterfall framework, without affording special treatment to statutory dues arising under conflicting laws.</p>
<p>EVA Agro Feeds Private Limited vs. Punjab National Bank and Ors.</p> <p>MANU/SC/0986/2023 2023 INSC 809 06.09.2023</p>	<p>Obligation of Reasoned Rejection in Auction Process</p>	<p>The Court held that a liquidator is duty-bound to provide clear, objective reasons when rejecting the highest bid. This requirement ensures transparency in the auction process and prevents arbitrary exercise of discretion in contravention of the statutory mandate.</p>
<p>RPS Infrastructure Ltd. vs. Mukul Kumar and Ors.</p> <p>MANU/SC/1001/2023 2023 INSC 816 11.09.2023</p>	<p>Finality of Resolution Process and Timely Claim Filing</p>	<p>The Court held that claims must be filed within the statutory timeline. In this case, the appellant's 287-day delay precluded admission of its claim, thereby preserving the finality of the resolution process and preempting an endless reopening of the CIRP.</p>