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## HOW THE IBC 2026 AMENDMENTS ARE TRANSFORMING INDIA'S INSOLVENCY FRAMEWORK : A DEEP DIVE INTO FASTER RESOLUTIONS, CREDITOR EMPOWERMENT, AND GLOBAL STANDARDS

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The Insolvency and Bankruptcy Code, 2016 marked a revolutionary shift in the country's approach to handle corporate distress. By replacing fragmented, debtor friendly system with a time bound, creditor in control mechanism, the IBC sought to maximise asset value, promote entrepreneurship and enhance credit discipline. Since its rollout, the code has facilitated the resolution of thousand of cases, with cumulative recoveries for financial creditors crossing 4.1 Lakh crore by late 2025. Yet, persistent challenges- including prolonged timelines exceeding the 330 day statutory limit, modest average recovery rates hovering around 31-32%, heavy reliance on liquidation and difficulties in managing complex group structures, or cross border assets- these highlighted the need for further reform.

On 6th April 2026, the Insolvency and Bankruptcy (Amendment) Act, 2016 received Presidential assent ushering what many experts are calling IBC 2.0. Passed by the Parliament after detailed scrutiny with the bill introduced in early 2025 and cleared in April 2026, this comprehensive amendment addresses systemic bottlenecks through stricter timelines, a new hybrid resolution process, enhanced Committee of Creditors (CoC) powers, provisions for group and cross border insolvency, and several other procedural clarifications. The reforms aim to reduce value erosion, boost recovery rates, and align insolvency regime more closely with global best practices, such as UNCITRAL Model Law.

### The Evolution of IBC : From 2016 to the 2026 Overhaul

The original IBC consolidated multiple outdated laws, including the Sick Industrial Companies (Special Provision) Act and various recovery mechanism under Recovery of Debts due to Banks and Financial Institutions Act. It introduced the Corporate Insolvency Resolution Process (CIRP) with a 180 day timeline (extendable by 90 days) with an overall cap of 330 days (including litigation). Key features included immediate moratorium upon admission, suspension of board of directors, formation of CoC with voting rights proportional to debt and a strict waterfall mechanism for distribution in liquidation under Section 53.

Over nearly a decade, the IBC delivered notable successes. It cleaned up bank balance sheets, deterred wilful defaults, and enabled resolutions where creditors recovered substantial more than liquidation value - often 160-170% of the liquidation value in approved plans. However, the data from the Insolvency and Bankruptcy Board of India (IBBI) as of 2025 December revealed ongoing issues:

- Aggregate recovery rate for financial creditors stood at approximately 31.63% in Q3 FY26 (marginally down from 32.44% in Q2)
- About 76% of CIRPs exceed 270 days, with average resolution timelines around 677-745 days in recent quarter.

- Liquidation continued to dominate closures, yielding poor outcomes compared to successful resolutions.
- Complex cases involving corporate groups faced parallel proceedings, leading to inefficiencies, while cross border elements relied on Ad-Hoc judicial co-operation.

These pain points causing asset value erosion, discretionary rejection at admission stage, limited flexibility for viable business, and fragmented holding of interconnected holdings prompted the 2026 Amendments.

The 2026 reform emphasise speed, flexibility, creditor oversight, and modernisation without any dilution of creditor friendly core of the IBC.

### Major Provisions Introduced by the IBC (Amendment) Act, 2026

The Amendment Act touches definitions, admission, withdrawal, resolution process, liquidation, avoidance transaction, and introduces entirely new chapters .

#### 1. Streamlined Admission Process and Mandatory Timelines

NCLT, the adjudicating authority for corporate cases must now admit or reject applications under section 7 (financial creditors) or Section 10 (voluntary by corporate debtor) within 14 days of receipt. Reasons must be recorded for any delay. Once default is proven (failure to pay suffices, supported by Information Utility records) admission is largely mandatory.

This change effectively limits judicial discretion on extraneous grounds, addressing earlier concerns.

Impact: Pre-admission litigation reduces significantly, allowing quicker entry into moratorium and resolution phases, thereby preserving enterprise value .

#### 2. Creditor Initiated Insolvency Resolution Process (CIIRP)- The Hybrid Innovation

Arguably the most transformative addition is the chapter IV-A introducing the Creditor Initiated Insolvency Resolution Process (CIIRP).

Specified financial creditors (categories to be notified, based on asset size or debt quantum) can initiate the process with at least 51% approval by value.

Key features:-

- Debtor-in-possession model with creditor oversight: Existing management retains day to day control but major value transaction require prior CoC approval.
- Pre-initiation notice period of 30 days to the corporate debtor.
- No automatic moratorium: It must be sought if needed.
- Targeted timeline: 150 days extendable by 45 days.
- Flexibility to convert into standard CIRP or allow withdrawal under defined conditions.

CIIRP offers a middle path between pure out of court settlements and formal insolvency, minimising operational disruption while ensuring creditor control. IBBI is expected to notify detailed regulations soon, with draft discussions already underway.

#### 3. Targeted Timeline : 150 Days, Extendable by 45 Days

CIIRP is designed to be significantly faster than standard CRIP :

- The entire process must be completed within 150 days from date of public announcement.
- A one time extension of upto 45 days can be granted by the NCLT typically requiring 66% of CoC approval.
- If the process is not completed within extended period, it automatically converts into standard CIRP.

This compressed timeline aims to minimise value erosion of assets and provides greater predictability. In contrast standard CIRP targets 180 days ( extendable by 90 days with an overall cap of 330 days including litigation).

#### 4. Flexibility to convert to standard CIRP or Allow Withdrawal under Defined Conditions

- At any stage, the CoC with 66% voting share can decide to convert CIIRP into CIRP. This may happen due to non-cooperation by the debtor, failure to receive viable resolution plan. The RP applies to NCLT for the conversion order.

- Section 12A allows the withdrawal of admitted CIRP application filed after a settlement or other commercial arrangement between applicator and corporate debtor. The 2026 Amendment replaced section 12A to bring greater discipline, predictability and credit control while curbing last minute or premature withdrawals that delay process and erode value.

- Withdrawal only permitted within a narrow window (Post 2026):

1. After constitution of Committee of Creditors(CoC)
2. 90% CoC approval is obtained
3. Before the issuance of first invitation of submission of resolution plan.

- Withdrawal is not permitted when:

1. Before the CoC is constituted
2. After the first invitation of resolution plan has been issued to prevent disruption one the resolution process has already meaningfully progressed.

5. Less Disruptive Than Traditional CIRP – Suitable for "Genuine Business Stress" Cases

This is one of the core advantages of CIIRP:

- Debtor-in-Possession Model with Creditor Oversight: The existing board of directors (or partners) continues to manage day-to-day operations. Management is not suspended (unlike CIRP, where the board is immediately suspended and the RP takes control).

- The appointed Resolution Professional (RP) plays a supervisory role: Attends all board, shareholder, and committee meetings; can veto or require prior CoC approval for transactions above specified thresholds (major decisions, related-party deals, etc.).

- Information Memorandum is prepared by the RP with cooperation from promoters/personnel.

- The process leans toward out-of-court initiation with limited initial NCLT involvement (NCLT's role is more for moratorium, plan approval, conversion, or appeals).

- Why it's less disruptive:

Preserves continuity of operations, employee morale, supplier relationships, and business value – especially important for viable companies facing temporary or "genuine business stress" (e.g., sector slowdowns, working capital issues) rather than outright fraud or mismanagement.

Reduces costs and operational chaos associated with full board suspension in CIRP.

Encourages cooperation from promoters while giving creditors strong oversight and escalation options.

### **Practical Impact of the IBC 2026 Amendments: Real World Changes or Lender, Debtors and the Economy**

The Insolvency and Bankruptcy Code Amendment Act, 2026 got approval from the President on 6 April 2026. This act is going to make a lot of changes to India's insolvency system. It will fix problems like delays in court, loss of value and problems with companies that have parts. The changes will also help with cooperation.

- For Lenders and Financial Creditors

Lenders will benefit the most from these changes. The new rule that says the NCLT has to decide on applications within 14 days is a help. This reduces the time spent on deciding if a case should be heard in court. Once it is clear that a company has defaulted on a loan the NCLT will usually accept the case.

One of the changes is the Creditor-Initiated Insolvency Resolution Process. This process allows lenders to start the insolvency process with the approval of 51% of the creditors. The

company that owes the money gets a 30-day notice before the process starts. This gives the company a chance to talk to the lenders and maybe settle the debt without going to court.

The whole process has to be finished within 150 days which's much faster than before. The lenders can also decide if they want to stop the company operations or not. This gives them control over the process.

- For Corporate Debtors, Promoters and Management

The changes will affect companies that owe money in ways. Companies that are having problems can use the new process to get help. The company management can still run the day-to-day operations. They have to get approval from the lenders for big decisions.

However the process is not easy. Once it starts it is hard to stop. The company owners have to talk to the lenders and try to find a solution. If they do not, the lenders can take control of the company.

- For Complex Corporate Structures and Cross-Border Entities

The new rules will help companies that have parts or operate in many countries. The rules allow for proceedings, which means that all the parts of the company can be dealt with together. This makes it easier to find a solution and get the money back.

The rules also help with cooperation. This means that companies that operate in countries can get help from courts in other countries. This makes it easier to get the money back and reduces the risk of companies hiding assets in countries.

- For the Broader Insolvency Ecosystem and Economy

The changes will make the insolvency system more efficient. The courts will have work to do and the process will be faster. This will make it easier for companies to get credit. Will reduce the cost of borrowing.

The changes will also help medium-sized businesses. They will have access to credit and will be able to operate in a more stable environment.

There are still some challenges to overcome. The government has to make sure that the rules are clear and that the courts have the capacity to handle the cases. It may take some time to see the effect of the changes.

Overall the changes are a step in the right direction. They will make the insolvency system more efficient. Will help companies that are in trouble. The Insolvency and Bankruptcy Code Amendment Act, 2026 is a thing, for Indias economy.

### CONCLUSION

The Insolvency and Bankruptcy Code Amendment Act of 2026 is a change for Indias bankruptcy system. It makes things faster by setting timelines more flexible with the hybrid CIIRP and better coordinated with tools for group and cross-border cases. It also adds discipline by limiting withdrawals and giving power to the CoC. These changes fix the main problems that caused delays and lost value in the old system.

Lenders now have control and a better chance of getting their money back. Companies that really want to pay their debts have a way to recover. Complex cases and international ones are also handled in a way. The whole economy will benefit from more credit being available it being easier to do business and a stronger financial system.

In the few months we will see how the new rules work as the IBBI sends out notifications and the first cases start. If everything goes well we can expect to see more money recovered less backlog in the NCLT and lenders feeling more confident. The changes made in 2026 do not fix every problem away but they give us a strong system that keeps the main goal of the Insolvency and Bankruptcy Code. To solve problems quickly get the most value and

balance what all parties want which helps the economy grow in the long run.

India's insolvency system is now in a phase where things are more efficient. People who adapt quickly to the changes by getting involved keeping documents transparent and using the hybrid system in a smart way will be in the best position to navigate the new landscape. The Insolvency and Bankruptcy Code Amendment Act of 2026 is a step forward, for India's bankruptcy framework and it will be interesting to see how it works out for the Insolvency and Bankruptcy Code.

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