3. Insolvency and Bankruptcy Code Amendment Bill- Economy

IBC Amendment Bill 2025- Select Committee Submits Report to Lok Sabha. The Insolvency and Bankruptcy Code (Amendment) Bill, 2025, as reviewed by the Select Committee, proposes critical reforms like a mandatory 14-day timeline for NCLT to admit insolvency applications and a strict 3-month limit for NCLAT appeals. It also introduces a "Creditor-Initiated Insolvency Resolution Process" (CIIRP) where management remains with the debtor, and empowers the Committee of Creditors (CoC) to appoint liquidators.

The Select Committee Report

The Chairperson of the Select Committee of the Lok Sabha recently presented the Report on the Insolvency and Bankruptcy Code (Amendment) Bill, 2025. The report suggests crucial changes to streamline and expedite the insolvency resolution process.

Recommendations of the Select Committee

The Committee proposed specific amendments to address delays and ambiguity in the current system-

Time Limit for Appeals (NCLAT)- The Committee proposed a strictly fixed three-month time limit for the National Company Law Appellate Tribunal (NCLAT) to decide on insolvency appeals. This aims to reduce the backlog of cases and ensure faster finality.

Inclusion of 'Registered Valuer'

Definition Modification- The term 'service provider' should be modified to explicitly include 'registered valuer' in the list of entities under the IBC.

New Definition- A specific definition for 'registered valuer' should be inserted into the Code.

Coherence- Appropriate references to 'registered valuer' must be included wherever 'service provider' is mentioned in the Bill to ensure legal consistency across all consequential effects.

Multiple Resolution Plans (CIRP)- The Committee recommended widening the definition of a resolution plan.

Objective- To allow the submission and consideration of more than one resolution plan for a single corporate debtor undergoing the Corporate Insolvency Resolution Process (CIRP). This increases the options available for successful restructuring.

Key Provisions of the Amendment Bill, 2025

The Bill introduces structural changes to the admission, resolution, and liquidation processes.

Mandatory Admission of CIRP

Timeline- The National Company Law Tribunal (NCLT) is mandated to admit an insolvency application within 14 days.

Conditions- Admission is mandatory if the default is proven and the application is complete.

Removal of Discretion- The provision removes judicial discretion regarding this timeline, ensuring no unnecessary delays at the admission stage.

Creditor-Initiated Insolvency Resolution Process (CIIRP)

Nature- A new, largely out-of-court process designed for specific financial creditors.

Management Control- Unlike the standard CIRP, in CIIRP, the management remains with the debtor.

Oversight- The process is supervised by a Resolution Professional (RP).

Timeline- The goal is to complete the resolution within 150 days.

Enhanced Role for Committee of Creditors (CoC) in Liquidation

Supervision- The CoC is empowered to actively supervise the liquidation process.

Appointments- The CoC can now appoint or replace the liquidator.

Shift in Power- These shifts control away from the liquidator (who was previously solely appointed by NCLT) to the creditors, giving them more say in asset realization.

Streamlined Withdrawals

Timing- Withdrawal of an insolvency application is permitted only after the CoC is formed and before the first invitation for resolution plans.

Approval- It requires 90% approval from the CoC.

Purpose- This strict condition is designed to prevent tactical delays or misuse of the IBC framework by debtors or creditors.

Insolvency and Bankruptcy Code (IBC) 2016

Origin & Purpose- Introduced in 2016 to tackle the twin challenges of rising Non-Performing Assets (NPAs) and ineffective debt recovery mechanisms. It consolidates and amends the laws relating to reorganization and insolvency resolution.

Paradigm Shift- The Code overhauled the corporate distress resolution system by moving from a "Debtor-in-Control" regime (where the defaulting management kept control) to a "Creditor-in-Control" mechanism (where control shifts to an RP and the CoC).

Core Objectives

Business Revival- Focuses on saving the business as a "going concern" through restructuring, ownership changes, or mergers.

Maximization of Asset Value- Prioritizes preserving the value of the debtor's assets rather than letting them depreciate during long litigation.

Promoting Entrepreneurship- Balances the interests of all stakeholders (creditors, employees, debtors) to improve credit availability and encourage business risk-taking.

Timelines

Max Limit- Currently, a maximum of 330 days (including litigation time) is allowed to find a resolution.

Consequence- If no resolution is found within this period, the company is legally required to go into liquidation.

Comparison- Standard CIRP vs. Proposed CIIRP

Feature	Standard CIRP (Corporate Insolvency Resolution Process)	Proposed CIIRP (Creditor-Initiated Insolvency Resolution Process)
Control of Management	Creditor-in-Control- Management is suspended; Resolution Professional (RP) takes charge.	Debtor-in-Possession- Management remains with the debtor under RP oversight.
Process Nature	Court-monitored process via NCLT.	Largely out-of-court process.
Timeline	Max 330 days (including litigation).	Targeted completion within 150 days.
Initiation	Initiated by Financial/Operational Creditors or Corporate Debtor.	Initiated by specific financial creditors.

Source- https-//www.newsonair.gov.in/ibc-amendment-bill-2025-select-committee-submits-report-to-lok-sabha/#-~-text=Chairperson%20of%20the%20Select%20Committee,to%