

From Speed to Stagnation: Litigation-Induced Delays in CIRP and Their Legal Implications

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Abstract: This paper examines the emerging problem of litigation-induced delays in the Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code, 2016. Initially, the code was enacted with one of the objectives of ensuring a time-bound resolution within 180 to 330 days; however, in practice, this timeline is often exceeded due to increasing judicial intervention and complexity with procedures. The research highlights the gap between the statutory framework and the actual timelines observed during proceedings. The paper adopts a doctrinal research methodology, relying on analysis of statutory provisions, judicial precedents, and secondary sources such as reports and articles to examine the issue in depth. The paper further examines the cause of delays, including frequent appeals, strategic litigation by stakeholders, and infrastructural limitations of the adjudicating authority. It also examines how the litigation-induced delay in CIRP leads to value erosion of assets, reduced creditor confidence, and how it deviates it from one of the main objectives of the Code. In addition, the research identifies emerging litigation trends that have contributed to the shift from a resolution-oriented process to a litigation-driven mechanism. Finally, the paper proposes a practical and modern solution to address these challenges, aiming to restore the efficiency and effectiveness of CIRP.

Keywords: CIRP Delays, Insolvency AND Bankruptcy Code, 2016, Litigation Trends, Time-Bound Resolution.

1. Introduction

The enactment of the Insolvency and Bankruptcy Code, 2016 marked a watershed moment in Indian corporate legal history. Before it was introduced, India's insolvency and bankruptcy architecture was a fragmented web of overlapping statutes, like the *SARFAESI Act, 2002*, *Recovery of Debts due to Banks and Financial Institutions Act, 1993*, and the *Companies Act, 2013*, administered across multiple forums including DRT, the Board for Industrial and Financial Reconstruction, NCLT, High Courts, and Supreme Court. The absence of a unified adjudicatory mechanism increased jurisdiction conflicts, inconsistent orders, and chronic delays, rendering the pre-IBC insolvency regime largely ineffective.

The code was designed to overhaul this system by establishing a consolidated, time-bound mechanism for corporate insolvency resolution. CIRP, one of the primary objectives of the Code, was initially required to be completed within 180 days from the commencement date of Insolvency, with an extension (shall not be granted more than once) up to 90 days upon the approval of at least 75 per cent of the Committee of Creditors (CoC). The Insolvency and Bankruptcy Code (second amendment) Act, 2018, introduced significant changes in section 12 by reducing the CoC voting threshold from 75 per cent to 66 per cent for critical decisions, while the Insolvency and Bankruptcy Code (second amendment) Act, 2019, further extended the time limit to 330 days within which CIRP shall mandatory be completed, including any extension of the period of CIRP granted in section 12 and time taken in legal proceedings. This amendment was a direct acknowledgement that proceedings routinely exceeded the 270 (180+90) days limit, especially in high-value and complex cases.¹

¹ Insolvency and Bankruptcy Code, No. 31 of 2016, § 12 (India).

The Preamble of the code shows this intent unequivocally; it aims at the reorganisation and insolvency resolution of corporate persons in a time-bound manner for the maximisation of asset value. The Supreme Court of India, in the landmark judgment in *Innovative Industries Ltd v. ICICI Bank & Anr.*, laid down the foundational principle that the IBC creates a new paradigm for insolvency resolution, overruling conflicting legislation and prioritising swift action². In *Swiss Ribbons Pvt. Ltd. v. Union of India*, the SC upheld the constitutional validity of the IBC while reaffirming that its time-bound resolution is inseparable from its objective of rehabilitating financially distressed companies over mere asset liquidation.³

The difference between the statutory framework and empirical reality has become noticeably clear. Data published by the IBBI reveals that the average time for resolution plan approval presently stands at more than 700 days, which is double the statutory ceiling of 330 days.⁴ There are over 131,710 cases with claims exceeding Rs. 9,00,000 crores remaining pending, and 71 per cent of them have been unresolved for more than 180 days. The Essar Steel proceedings, one of the earliest flagship resolutions under the IBC and a landmark case, took 866 days before completion of CIRP, during which secured creditors lost approx. Rs. 17,000 crores in interest income.⁵

This actual timeline exposes deep structural irony; the very code designed to end the era of litigation-induced delay has itself been captured by the same dynamics. The CIRP, concept as resolution-oriented process, has in practice transformed into a litigation-driven mechanism where stakeholders resort to judicial intervention at every stage. This shift from speed to stagnation is not incidental. It is the outcome of the systematic loopholes, institutional deficits, and adversarial incentives that have collectively subverted the IBC's time-bound mandate.

2. Motivation and Objective

The emerging trends of delays in CIRP due to litigation raise serious concerns regarding the effectiveness of the statutory framework of the code. Instead of functioning as a swift resolution mechanism, CIRP is often used as a strategic tool by stakeholders to delay proceedings or regain control of the company. When a corporate debtor enters insolvency proceedings, its value erodes with each passing day- customers divert their business, skilled employees resign, working capital dries up, and assets depreciate. In *CoC Essar Steel India Ltd. v. Satish Kumar Gupta & Ors.*, the SC explicitly acknowledged the direct nexus between prolonged proceedings and value destruction. ICRA data reinforces this, documenting that the average haircut accepted by creditors worsened from 64 per cent in FY2023 to 73 per cent in FY2024 as CIRP durations extended.⁶

Against this backdrop, this research's primary objectives are:

- To examine the gap between the statutory timeline and the actual duration of CIRP
- To analyse causes of litigation-induced delays across the different stages of the CIRP
- To assess the legal and economic implications of such delays for stakeholders and for the integrity of the insolvency regime
- To propose targeted legal and institutional reforms to re-anchor the CIRP within its time-bound mandate.

3. Methods of Research

This paper adopts a doctrinal research methodology. The analysis draws primarily upon the statutory provisions of the code. Judicial precedents from the Supreme Court of India, NCLAT, and various NCLT benches form the empirical backbone of the legal analysis. Secondary sources include IBBI reports, ICRA assessments, Parliamentary Standing Committee reports and academic literature have been consulted for quantitative and qualitative analysis.

² *Innovative Industries Ltd. v. ICICI Bank & Anr.* (2018) 1 SCC 407.

³ *Swiss Ribbon Pvt. Ltd. v. Union of India* (2019) 4 SCC 17.

⁴ IBBI Quarterly Newsletter, July-September 2025.

⁵ *CoC of Essar Steel India Ltd. v. Satish Kumar Gupta & Ors* (2020) 8 SCC 531.

⁶ ICRA Research Analysis, FY2024, Press release, May12, 2024.

4. Statement of Contribution

This research contributes to insolvency jurisprudence in the following ways:

- It highlights litigation as a structural issue, not a mere incidental one
- It bridges the gap between law in books and law in practice
- Identifies emerging litigation trends that are reshaping insolvency proceedings
- It provides a practical and contemporary solution to enhance efficiency

Unlike the general study on IBC, this research specially addresses the transformation of CIRP into litigation-driven process and its implications.

5. Results

A. The Statutory Timeline and its Practical Breach

The statutory timeline for CIRP is governed by section 12 of the IBC. Initially set at 180 days with a 90-day extension, it was revised by the 2019 amendment to cap the entire process at 330 days, inclusive of all litigation period. This amendment was partly a legislative response to the SC ruling in *ArcelorMittal India Pvt. Ltd. v. Satish Kumar Gupta*, which had excluded time consumed in legal proceedings from the CIRP timeline, effectively removing any meaningful outer limit.⁷ The 2019 amendment sought to foreclose such exclusion by making 330 days the absolute ceiling.

Actual data, however, shows a markedly different story. IBBI's newsletter, i.e., quarterly data for July-September 2025, places the average time from insolvency commencement to resolution plan approval at more than 700 days. For CIRPs culminating in liquidation, the average stands at more than 500 days. ICRA data for FY2024 records the average CIRP duration for resolution plan cases at 843 days, up from 831 days in FY2023.⁸ These figures confirm that 330-day tenure has become, in practice, a floor that is consistently breached across the vast majority of proceedings.

Table I. Statutory V. Actual Cirp Timelines

Category/ Metric	Statutory Limit	Actual Average
Admission (S.7(4), 9(5) IBC)	14 days	133 days*
Duration of CIRP (s. 12(3) IBC)	330 days	>700 days**
Resolution Cases (FY 2024)	330 days	843 days***
Liquidation Cases	N/A	654 days***

*IBBI Survey 2021; **IBBI Q1 FY2025; ***ICRA FY2024

B. CIRP Stages Analysis of Litigation-Induced Delays

Stage 1: Admission- The 14-Day- Myth or Reality

Sections 7(4), 9(5), and 10(4) of the IBC direct the NCLT to admit or reject a CIRP application within 14 days of its filing. This mandate has never been met in practice. A 2021 IBBI survey on CIRP timelines disclosed that the NCLT takes an average of 133 days from filing to adjudicate a CIRP application.⁹ Data for 2021-22 shows admission on section 9 applications averaging 650 days, with 82 cases exceeding 2 years for admission alone.

The Supreme Court judgement in *Vidarbha Industries Power Ltd. v. Axis Bank Ltd.* has further increased the problem.¹⁰ The court held that section 7(5)(a) of the IBC states that the NCLT 'may' admit an application upon proof of debt and default which is directory, not mandatory. This confers NCLT discretion to reject applications even when the twin conditions of debt and default are well established. While the judgement aimed to protect

⁷ArcelorMittal India Pvt. Ltd. v. Satish Kumar Gupta & Ors. (2019) 2 SCC 1.

⁸ ICRA Analysis, FY2024, Insolvency Resolution Outcomes Report.

⁹ IBBI survey on CIRP timelines, 2021

¹⁰Vidarbha Industries Power Ltd. v. Axis Bank Ltd. (2022) 8 SCC 352; see also M. Suresh Kumar Reddy v. Canara Bank, (2023) SCC onlineSC 632, clarifying that Vidarbha applies on its specific facts and does not displace the mandatory admission principle in Innovative Industries.

genuine viable companies from misuse of insolvency process, it has effectively expanded the grounds for prior admission litigation, enabling corporate debtors to file detailed pre-admission challenges contesting their financial condition before the respective or similar tribunal. However, the position articulated in *Vidarbha Industries* is not without subsequent judicial qualification. The SC, in *M. Suresh Kumar Reddy v. Canara Bank (2023)*, clarified that the discretionary admission principle was specific to its peculiar facts and did not displace the foundational mandatory admission rule established in the case of *Innoventive Industries*. Therefore, the Court reaffirmed that, as a general proposition, NCLT is obligated to admit an application once the debt and default are established, and also that the case of *Vidarbha Industries* cannot be read as conferring a wide discretion to refuse admission on extraneous grounds in every case. Nonetheless, the practical uncertainty generated in Vidarbha Case has not been fully neutralized in practice, with NCLT benches continuing with the scope of their threshold discretion.

Stage 2: Post-Admission- Moratorium Disputes and Interim Applications

Once the CIRP is admitted by adjudicating authority, a moratorium takes effect under section 14 of the IBC, prohibiting the legal proceedings against the corporate debtor. However, the scope of this moratorium itself has now become fertile litigation ground. Regulatory enforcement actions under FEMA, Customs Act, and PMLA are frequently contested as falling the outside the moratorium's ambit, denoting parallel judicial proceedings that stall or complicate the insolvency process.

The NCLT Mumbai bench, in *Bank of India v. Housing Development & Infrastructure Ltd.*, noted with concern that over 730 days had passed since the commencement date of the CIRP without a viable resolution plan.¹¹ The bench observed that the multiplicity of the interlocutory applications filed by various stakeholders had significantly contributed to the delay. Similarly, in the case of *VOVL Ltd.* before the same Mumbai bench, the Resolution Professional was compelled to seek an extension of 180 days beyond the already extended CIRP period, attributing the delay to ongoing attachment proceedings, inter-creditor disputes, and challenges to the Resolution Professional's conduct, each constituting a different category of litigation-induced delay.¹²

Across all the NCLT benches, comparable patterns have been documented. In *Lomat International NV v. Wearit Global Ltd.*, before the NCLT Kolkata Bench, the Resolution Professional sought a 90-day CIRP extension immediately upon the expiry of the initial period provided, attributing the delay to pending documentation and stakeholder disputes.¹³ Whereas, NCLT Hyderabad Bench, in the case of *Pioneer Gas Power Ltd.*, was approached for a second extension beyond the already-extended CIRP period in May 2025, even though the proviso in section 12 clearly states that extension to the CIRP shall not be granted more than once. The extension application appeal was again on account of the ongoing inter-creditor negotiations and unresolved Resolution Professional applications.¹⁴

Stage 3: Plan-Approval- Judicial Over-Scrutiny and Creditor Disputes

The Insolvency and Bankruptcy Code, 2016, section 31 empowers the NCLT to approve a resolution plan once it has been adopted by the CoC with the requisite 66 per cent voting share. Judicial review at this stage is intended to be supervisory and limited to verifying compliance with section 30(2) and applicable regulations, and not to re-examine the commercial merits of the plan. The Supreme Court in the case of *Essar Steel* reiterated that the NCLT and NCLAT must not sit in appeal over the CoC's commercial wisdom.¹⁵ Nevertheless, resolution applicants, government authorities and operational creditors routinely challenge approved plans on substantive grounds, raising objections regarding adequacy of consideration, treatment of claims, and the applicant's eligibility under section 29A, thereby prolonging the approval stage substantially.

¹¹ *Bank of India v. Housing Development & Infrastructure Ltd.*, I.A. 2118/2021 in C.P.(IB)-27(MB)/2019, NCLT Mumbai Bench, Order dated 29.09.2021.

¹² *VOVL Ltd.*, I.A. No.3361 of 2022 in C.P.(IB) No. 2742/(MB)/2019, NCLT Mumbai Bench, order dated 02.12.2022.

¹³ *Lomat International NV v. Wearit Global Ltd.*, IA(IBC)/595(KB)2024 in C.P.(IB)/100(KB)2019, NCLT Kolkata Bench, Order dated 22.03.2024.

¹⁴ *Pioneer Gas Power Ltd.*, IA(IBC)/866/2025 in Company Petition/IB/164/7/2021

¹⁵ *Supra* 5

The *Punjab National Bank v. Vallabh Textiles Company Ltd.* proceedings before the NCLT Chandigarh bench stated a pointed example.¹⁶ The resolution process extended significantly beyond 330 days as Income Tax department objections pertaining to the priority of government dues under section 53 of the IBC, disputed operational creditor claims, and the eventual negotiation of an accepted resolution plan consumed year of NCLT. The case exemplifies how inter-creditor priority disputes are particularly between secured financial creditors and statutory authorities who can indefinitely prolong the plan-approval stage.

Stage 4: Strategic Litigation (by erstwhile management)

One of the most potent litigation-induced causes of delay is the recourse to strategic litigation by the corporate debtor's promoters and former management. While facing the prospect of losing control over the company, the erstwhile promoters routinely challenge the constitution of the CoC, the appointment of the IRP, the valuation methodology, and the eligibility of resolution applicants under section 29A. These applications, even when they are ultimately unsuccessful, consume the time of NCLT and cause delays at every stage. In the *Samson and Sons Builders and Developers Pvt. Ltd.*, before the NCLT Kochi bench, the Resolution Professional was compelled to seek exclusion of 139 days from the CIRP period on account of delays attributable to IRP-phase disputes and contested claims.¹⁷ Similarly, in *Rahul Carbon Commercials Pvt. Ltd. v. Kohinoor Steel Pvt. Ltd.*, before the NCLT Kolkata bench, the Resolution Professional was constrained to seek exclusion of large portions of the CIRP period owing to attachment orders issued by the Enforcement Directorate, which had created parallel proceedings that halted the insolvency process.¹⁸

Stage 5: COVID-19 and Systemic Exclusions

The COVID-19 pandemic and lockdown throughout the entire country, which introduced a significant structural dimension to CIRP delays in the corporate world. In *Paramount Consultants and Corporate Advisors Pvt. Ltd. v. Prabhat Technologies (India) Ltd.*, the NCLT Mumbai special bench extended the CIRP period by 90 days under section 12(2) of the IBC, noting that the entire work of the tribunal had been suspended from March 2020 pursuant to the Principal Bench's directive.¹⁹ The pandemic period from March 2020 to September 2021 effectively stopped proceedings across all NCLT benches, and the time consumed during this suspension was treated as an exclusion under section 12, which further inflated overall durations.

The NCLAT's judgment in *Quinn Logistics India Pvt. Ltd. v. Mack Soft Tech Pvt. Ltd.* formalised multiple grounds for excluding time from the 330-day calculation, including periods when CIRP was stayed, periods without a functioning RP, and time between admission and the RP assuming charge, and periods when orders were reserved by tribunals.²⁰ Each exclusion ground, while individually defensible, has cumulatively eroded the effectiveness of the outer limit.

6. Discussions

The findings indicate a significant shift in the functioning of CIRP.

A. Emerging Litigation Trends in CIRP

The evolution of CIRP litigation over the years, since the IBC's enactment, reveals several identifiable trends that collectively explain the shift from a resolution-oriented process to a litigation-driven mechanism.

Firstly, there has been a marked rise in IBC section 29A eligibility challenges, with former promoters and resolution applicants contesting each other's eligibility before the NCLT and NCLAT, frequently pausing the resolution process for months at a time.

¹⁶*Punjab National Bank v. Vallabh Textiles Company Ltd.*, IA No. 458 of 2020 in CP(IB) No.391/Pb/2018, NCLT Chandigarh bench, Order dated 24.05.2022.

¹⁷*K. Parameswaran Nair v. Samson and Sons Builders and Developers Pvt. Ltd.*, IA(IBC)/106(KOB)/2022 in CP(IB)/05(KOB)/2021, NCLT Kochi bench, Order dated 01.07.2022

¹⁸*Rahul Carbon Commercial Pvt. Ltd. v. Kohinoor Steel Pvt. Ltd.*, IA (IBC) /1029/KB/2022 in C.P.(IB)/82/KB/2019, NCLT Kolkata bench

¹⁹*Paramount Consultants and Corporate Advisors Pvt. Ltd. v. Prabhat Technologies (India) Ltd.*, IA No. 1038/2020 in CP(IB) No. 1874(MB)/2019, NCLT Mumbai Special Bench, Order dated 10.08.2020.

²⁰*Quinn Logistics India Pvt. Ltd. v. Mack Soft Tech Pvt. Ltd.*, NCLAT.

Secondly, regulatory agencies, particularly the Enforcement Directorate and Income Tax Department, have increasingly asserted parallel enforcement and recovery claims during CIRP, generating multi-forum litigation that effectively stalls the resolution timeline even when a moratorium is in force.

Thirdly, there has been a proliferation of appeals against CoC decisions to the NCLAT and thence to the Supreme Court, particularly where operational creditors or dissenting financial creditors seek judicial re-examination of the commercial wisdom underlying approved resolution plans.

Fourthly, the discretionary exclusion of time periods from the 330-day outer limit, whether on account of court vacations, reserved orders, or pandemic-related closures, has been progressively weaponised as a delay tactic, with parties engineering procedural circumstances that qualify for exclusion.

These emerging litigation trends reveal a systemic transformation; the CIRP has migrated from a commercial resolution forum to a quasi-adversarial judicial arena, and the reform agenda must directly address each of these emergent patterns if the Insolvency and Bankruptcy Code, 2016, time-bound character is to be meaningfully restored.

B. Legal Implications of Prolonged CIRP

The legal implications of litigation-induced delays are multifold. First, they result in direct and irreversible value erosion. A corporate debtor under CIRP operates under a moratorium that restricts asset transactions, yet its business deteriorates through customer attrition, employee exits, and asset depreciation. The IBC's core objective of 'maximisation of value of assets' is thereby subverted.

Second, extended timelines undermine creditor confidence in the insolvency framework. Financial creditors' willingness to extend credit in the broader economy depends on their confidence that the IBC's recovery mechanisms are efficient. The documented worsening of haircuts from 64% in FY2023 to 73% in FY2024²¹ signals to the credit market that insolvency resolution in India remains an uncertain proposition.

Third, the treatment of the 330-day time limit as a flexible aspiration rather than a hard ceiling risks transforming the Insolvency and Bankruptcy Code, 2016, into a replica of the pre-reform regime it was designed to displace. The 2019 amendment's legislative intent, to foreclose open-ended exclusions, has been partially negated by judicial creativity in the expanding exclusion grounds.

Fourth, as per the equity perspective, when operational creditors, employees, and small enterprise stakeholders lack the resources to sustain prolonged litigation, suffers a disproportionate erosion of their rights. As the Supreme Court acknowledged in *Essar Steel*, while financial creditors may endure extended timelines, hoping for better recoveries, operational creditors, especially workers, cannot afford to wait.²²

C. Reasonable Grievance v. Obstruction: The Core Tension

Corporate Insolvency Resolution Process litigation is not inherently malicious or invalid. The Insolvency and Bankruptcy Code, 2016 framework must balance two competing imperatives: the Code's time-bound character and the principles of natural justice and due process. The *Vidarbha Industries* litigation was rooted in a genuine dispute over financial viability. Objections by operational creditors over the inadequacy of resolution plans reflect substantive concerns over the inadequacy of resolution plans reflect substantive concerns about equitable treatment across creditor categories. The *Fast Track* CIRP mechanism introduced in the Insolvency and Bankruptcy Code, 2016, under sections 55-58, depicts a legislative acknowledgement that smaller, simpler entities should not be subjected to the same litigation-driven process as large corporate debtors.

Nevertheless, systematic data suggest that a significant proportion of CIRP litigation is strategic rather than substantive. The Standing Committee on Finance has specifically identified frivolous interim applications by erstwhile management, delayed CoC decision-making, and challenges to RP appointments as primary contributors to extended timelines. The normalisation of delays that is described by a senior insolvency practitioner as '*an*

²¹ICRA Research Analysis, FY2024, Press release, May12, 2024.

²² *Supra* 5

apathetic mindset where the urgency and sanctity of timelines under IBC are no longer sacrosanct', indicates a cultural shift in how CIRP participants relate to the Code's time-bound mandate.

The Standing Committee on Finance has explicitly flagged two critical bottlenecks-

- Delays in admission
- Delays in approval of resolution plans by the NCLT²³

Both are amenable to litigation-driven manipulation by parties with vested interests in prolonging the proceedings.

D. Institutional Deficits of the NCLT

A well-structured dimension of the delay problem lies in the NCLT's severely constrained institutional capacity. The NCLT operates with a fraction of its sanctioned bench strength, resulting in a crushing caseload per bench. Infrastructure limitations, such as inadequate courtroom facilities, insufficient support staff, and limited technological capabilities, further impede timely adjudication. In the *Nano Minpro Pvt. Ltd.* case before the NCLT Mumbai bench, the CoC had resolved to dissolve the corporate debtor, yet the dissolution application itself faced registry delays, necessitating a 90-day CIRP extension simply to keep the process alive while administrative procedures were completed.²⁴ This shows how institutional bottlenecks within the tribunal can independently generate de facto delays, entirely apart from any litigation by the parties.

E. The Resolution Professional Accountability Gap

The absence of accountability for Resolution Professionals whose conduct contributes to CIRP delays represents a critical lacuna. Section 65 of the Insolvency and Bankruptcy Code, 2016, penalises fraudulent initiation of proceedings, but contains no comparable provisions penalising RPs who do not follow statutory timelines or CoC members whose indecision prolongs the process. The NCLT Mumbai Bench explicitly noted, in a recent proceeding, that an RP was '*steering the CoC proceedings in such a way so as to achieve the objective of getting the plan of [a specific] respondent approved*', a clear instance of professional bias contributing to delay.

F. Suggestions and Reforms

The problems identified throughout this paper call for practical and focused reforms. The following suggestions, were directly derived from the patterns of delay observed across NCLT benches and the broader insolvency framework, are put forward to restore the CIRP to the efficient, time-bound process it was always meant to be.

First, *strict adherence to timelines under section 12 of the IBC*- The most straightforward reform is to make the existing timelines actually work. Section 12 of the IBC sets a 330-day outer limit for completing the CIRP, yet as the data shows, the average resolution now takes over more than 700 days, more than twice the legal maximum. Admission alone, which the law requires within 14 days, is taking an average of 133 days. The legislature must introduce a hard 30-day cap on admission decisions with a written-reasons requirement for any delay, and the IBC Amendment Bill, 2025's proposal of a 30-day window for plan approval should be passed and enforced without further delay. Equally important, the list of grounds for which time can be excluded from the 330-day calculation should be made exhaustive so that parties can no longer exploit vague exclusion clauses to effectively extend the process indefinitely.

Second, *penalising frivolous litigation*- one of the clearest findings of this research is that a large portion of CIRP litigation is strategic rather than genuine, former promoters challenge CoC constitutions, dispute RP appointments, and file last-minute eligibility objections simply to delay the process and retain control. Currently, Section 65 of the IBC only penalises fraudulent initiation of proceedings, leaving no accountability for those who misuse litigation at later stages. This gap needs to be closed. The law should empower the NCLT to impose costs on parties found to have filed frivolous applications, and to treat deliberately dilatory conduct by promoters, CoC

²³ Standing Committee on Finance, Parliament of India, Report on the Insolvency and Bankruptcy Code, 2021.

²⁴ Pradhvi Multitrade Pvt. Ltd. v. Nano Minpro Pvt. Ltd., IA-5425/2023 in C.P.(IB)/302 (MB)/2021, NCLT Mumbai Bench, order dated 29.01.2024.

members, or Resolution Professionals as a punishable infraction. Creating real consequences for delay-causing behaviour is the most direct way to change incentives in the system.

Third, *promoting pre-pack insolvency mechanisms*- not every insolvency case needs to go through the full, litigation-heavy CIRP process. The Pre-Packaged Insolvency Resolution Process (PPIRP) introduced under the 2021 Amendment allows most of the resolution to be worked out between the debtor and creditors before approaching the NCLT, and must be completed within 120 days. This significantly reduces the opportunity for adversarial litigation. Currently, the PPIRP is only available to MSMEs, but it should be extended to a broader range of smaller corporate debtors whose cases are less complex. Similarly, the Fast-Track CIRP under Sections 55 to 58 of the IBC, which sets a 90-day resolution window, has been largely unused because the eligibility criteria are too narrow. Widening access to these faster pathways would reduce the overall burden on the NCLT and move fewer complex cases out of the full CIRP route.

Fourth, *introducing technological solutions*- a number of delays that have come up in the cases reviewed, including the registry-level delay in *Pradhvi Multitrade v. Nano Minpro*, are not caused by contested litigation at all but by slow administrative processes within the NCLT itself. These delays can be addressed through technology. Mandatory e-filing of all CIRP applications, claims, and orders would reduce paperwork-related bottlenecks and make documents accessible in real time.

Fifth, *strengthening NCLT infrastructure*- many of the delays documented in cases such as *Bank of India v. HDIL*, *Nano Minpro*, and *Pioneer Gas Power Ltd.* are not caused by bad-faith litigants but simply by an overwhelmed institution. The NCLT operates with far fewer judges than it needs, and cases pile up as a direct result. Dedicated insolvency benches staffed by members with specialised knowledge of insolvency law, valuation, and corporate restructuring should be set up at each NCLT bench.

Sixth, *limiting unnecessary judicial interference*- judicial discretion at the admission stage has become a source of delay rather than a safeguard. Courts should respect the commercial wisdom of the Committee of Creditors and limit their review of resolution plans to questions of legal compliance under Section 30(2), rather than re-examining the merits of commercial decisions, as the Supreme Court directed in the *Essar Steel* judgment. Interlocutory applications filed at every stage of the CIRP, many of which are tactical rather than genuine, must be screened more rigorously, with courts taking a stricter approach toward applications that are clearly intended only to delay the process.

7. Conclusion

This paper set out to examine why a law designed to end India's culture of insolvency-related delay has, in practice, been consumed by it. What the research ultimately demonstrates is that the problem is not one of the legislative framework alone. The Insolvency and Bankruptcy Code, 2016, was enacted with clarity and purpose, setting timelines and establishing a creditor-led process, but the failure to honour those time-bounded resolution is a product of how the law is being used, not merely how it is written. Litigation has become a tool of strategy rather than a remedy of last resort, and the CIRP, as a result, has ceased to function as the commercial rescue mechanism it was conceived to be.

The significance of this finding extends well beyond insolvency law. India's ability to attract investment, maintain a healthy credit market, and sustain entrepreneurship depends, in no small measure, on the credibility of its debt resolution system. When lenders cannot predict how long it will take to recover dues from a defaulting borrower, they price that uncertainty into the cost of credit, and that cost is ultimately borne by every business that borrows. An inefficient CIRP is not merely a legal problem; it is a macroeconomic one. The steady worsening of creditor haircuts documented in this paper is not an isolated data point; it is a signal that the insolvency framework is under-delivering on its core promise, and that the consequences are spreading through the credit ecosystem.

Looking ahead, the proposed IBC reforms and the pending IBC amendment bill, 2025, represent a genuine legislative opportunity to recalibrate the process. However, legislative amendment alone will not be sufficient if the institutional culture within the NCLT, among resolution professionals, and across the creditor community does not shift alongside it. Future research may usefully examine the effectiveness of the PPIRP after its potential

expansion, the comparative outcomes of mediated versus litigated CIRP proceedings, and the extent to which technological tools such as end-to-end digital case tracking can reduce administrative delay independent of judicial reform. The IBC is still a young law, and its trajectory is not fixed. Whether it fulfils its founding promise of speed, efficiency, and value maximisation depends on whether all participants- legislators, judges, professionals, and creditors alike- treat the 330-day ceiling not as a suggestion, but as a commitment.

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