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CORPORATE DEBT RESTRUCTURING: LEGAL INTERSECTION OF COMPANY LAW AND IBC

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I. ABSTRACT

Corporate Debt Restructuring (CDR) is a critical mechanism within India's financial ecosystem, designed to facilitate the revival of financially distressed companies while safeguarding broader economic stability. This article examines the evolving legal framework governing CDR in India, focusing on the intersection of company law, banking regulation, and insolvency legislation. The Companies Act, 2013, provides the statutory foundation for corporate-level restructuring decisions through Sections 230 to 232, which enable schemes of compromise and arrangement to be made under judicial supervision. Simultaneously, the Reserve Bank of India (RBI) has issued prudential frameworks, including the erstwhile Corporate Debt Restructuring Mechanism and the recent Prudential Framework for Resolution of Stressed Assets, guiding financial institutions in managing non-performing assets. The introduction of the Insolvency and Bankruptcy Code (IBC), 2016 marked a transformative shift in India's restructuring regime by introducing a time-bound, creditor-driven resolution process with legal enforceability. The IBC complements existing restructuring frameworks by serving as both a deterrent and a formal resolution mechanism. Provisions such as Section 230 schemes during liquidation and the Pre-Packaged Insolvency Resolution Process (Pre-Pack IBC) reflect the integration of insolvency laws. Beyond statutory regimes, this article addresses contractual and security law dimensions, including loan renegotiations, covenant modifications, and enforcement of security interests under the SARFAESI Act, 2002. The analysis highlights judicial evolution through landmark rulings such as Essar Steel, Jet Airways, and Swiss Ribbons, which reinforce creditor rights and ensure procedural integrity. Despite progress, challenges persist, including regulatory overlaps, procedural delays, and inter-creditor conflicts. Recent developments such as RBI's emphasis on out-of-court restructuring and India's move toward cross-border insolvency norms signal a forward-looking approach. This article concludes that a harmonized framework combining

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company law, banking regulation, and insolvency law is essential for improving efficiency, enhancing creditor confidence, and strengthening India's corporate resilience.

II. KEYWORDS

Corporate Debt Restructuring, Companies Act 2013, Insolvency and Bankruptcy Code, Banking Regulation, RBI Framework, SARFAESI Act, Judicial Interpretation

III. INTRODUCTION

Corporate Debt Restructuring (CDR) has emerged as a critical tool in the Indian financial ecosystem, particularly in the wake of escalating corporate debt, financial distress, and rising non-performing assets (NPAs).[2] CDR refers to the process by which a financially distressed company reorganizes its outstanding obligations to restore liquidity, reduce debt burden, and regain financial stability. While primarily an economic mechanism, the restructuring of corporate debt is deeply embedded within a legal framework that intertwines provisions of company law, banking regulations, and insolvency legislation.

In India, this intersection is particularly significant as the restructuring process must navigate the Companies Act, 2013, which governs internal corporate decision-making, alongside the regulatory framework established by the Reserve Bank of India (RBI) and other financial regulators who oversee lending and recovery mechanisms.[3] Furthermore, the Insolvency and Bankruptcy Code, 2016 (IBC) has introduced a paradigm shift in corporate debt resolution, emphasizing time-bound, creditor-driven processes that highlight the complexity and necessity for harmonization of corporate and financial regulations.

Recent data underscores the urgency of this subject: as of March 2024, India's gross non-performing asset (GNPA) ratio for scheduled commercial banks stood at approximately 3.2%, while the overall stressed assets in the banking sector exceeded ₹10 lakh crore, reflecting persistent challenges in credit recovery and corporate distress (Reserve Bank of India, Financial Stability Report, 2024). These figures

[2] Reserve Bank of India, Financial Stability Report (June 2024), available at https://www.rbi.org.in.
[3] Reserve Bank of India, Prudential Framework for Resolution of Stressed Assets, RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 (June 7, 2019).

illustrate the continuing relevance of effective debt restructuring mechanisms to safeguard economic stability.

This article seeks to examine the evolving legal framework governing corporate debt restructuring in India, focusing on the overlapping jurisdictions of company law, banking regulation, and insolvency law. It aims to analyze statutory provisions, regulatory challenges, and jurisprudential developments shaping India's restructuring landscape, while exploring recent reforms and global best practices for a more harmonized and efficient regime.

IV. LEGAL FRAMEWORK UNDER COMPANY LAW:

Corporate debt restructuring in India does not occur in isolation; it is intrinsically linked to multiple corporate decisions regulated under the Companies Act, 2013.[4] The Act establishes the statutory procedures and corporate governance standards that companies must comply with when restructuring their debt, particularly where negotiations with creditors, issuance of new securities, or alterations in the capital structure are involved.

A. Relevant Provisions under the Companies Act, 2013

Sections 230–232: Scheme of Compromise and Arrangement

Section 230 permits a company to enter into a compromise or arrangement with its creditors and shareholders, serving as the most commonly employed legal route for debt restructuring.[5] The process involves filing an application before the National Company Law Tribunal (NCLT), convening meetings of creditors or classes of creditors, obtaining approval from creditors representing 75% in value of those present and voting, and ultimately seeking final sanction from the NCLT.[6] These schemes may encompass an extension of repayment periods, conversion of debt into equity, reduction of interest rates, or partial debt write-offs (haircuts).[7]

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[4] Companies Act, No. 18 of 2013, INDIA CODE (2013).
[5] Companies Act, No. 18 of 2013, § 230, INDIA CODE (2013).
[6] Companies Act, No. 18 of 2013, § 230(6), INDIA CODE (2013).
[7] Companies Act, No. 18 of 2013, § 230(2)(c), INDIA CODE (2013).

Section 232 applies where restructuring includes mergers or amalgamations, which may sometimes serve as tools for financial restructuring.[8]

B. Board and Shareholder Approvals

Major restructuring decisions—such as issuing additional shares or bonds, selling significant assets, converting debt into equity, or altering share capital—require board approval and, in certain cases, special resolutions from shareholders pursuant to Sections 62, 66, and 180 of the Companies Act, 2013.[9]

C. Corporate Governance Considerations

Directors are obligated to ensure that restructuring serves the best interests of the company and its stakeholders, in accordance with their fiduciary duties under Section 166.[10] Any misuse of restructuring mechanisms, such as restructuring in bad faith or to defraud creditors, can trigger liability under Section 245 (class action suits) or even Section 447 (fraud provisions).[11]

D. Role of NCLT and MCA

The NCLT plays a quasi-judicial role in approving restructuring schemes under Sections 230–232, while the Ministry of Corporate Affairs (MCA) supervises procedural compliance and may intervene in cases of regulatory concern.[12]

Illustrative Example

In Reliance Communications Ltd. v. Ericsson India Pvt. Ltd.[13] the company proposed a restructuring strategy under Section 230 of the Companies Act, which included asset monetization and payment of obligations to creditors. Although the plan ultimately failed and insolvency proceedings were initiated under the Insolvency and Bankruptcy Code, 2016, the case illustrates the Companies Act's role as a restructuring mechanism before triggering the IBC process.

[8] Companies Act, No. 18 of 2013, § 232, INDIA CODE (2013).
[9] Companies Act, No. 18 of 2013, §§ 62, 66, 180, INDIA CODE (2013)
[10] Companies Act, No. 18 of 2013, § 166, INDIA CODE (2013).
[11] Companies Act, No. 18 of 2013, §§ 245, 447, INDIA CODE (2013).
[12] Companies Act, No. 18 of 2013, §§ 230–232, INDIA CODE (2013).
[13] Reliance Communications Ltd. v. Ericsson India Pvt. Ltd., Company Appeal (AT) (Insolvency) No. 364 of 2018 (NCLAT 2018).

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E. Intersection with insolvency and bankruptcy code, 2016:

The enactment of the Insolvency and Bankruptcy Code, 2016 (IBC), marked a significant turning point in India's corporate debt restructuring landscape.[14] While earlier mechanisms, such as the Corporate Debt Restructuring (CDR) framework and RBI's prudential guidelines, relied largely on voluntary cooperation and were often protracted, the IBC introduced a time-bound, creditor-driven resolution process with legal enforceability. It functions both as a fallback mechanism when restructuring efforts fail and as a tool of negotiation in ongoing restructuring discussions.

F. IBC as a Structured Alternative to Restructuring

Under the IBC, creditors may initiate the Corporate Insolvency Resolution Process (CIRP) upon the occurrence of a default. Unlike voluntary restructuring models, the IBC displaces the company's board of directors with an insolvency professional, imposes a moratorium on lawsuits, recovery actions, and enforcement proceedings against the debtor, and empowers the Committee of Creditors (CoC) to determine the corporate debtor's future. The framework mandates resolution or liquidation within a maximum of 330 days, including all legal proceedings, as per the Insolvency and Bankruptcy Code (Amendment) Act, 2019. This structure provides creditors with an effective statutory solution in cases where out-of-court restructuring fails or where promoters do not cooperate.

G. Use of Section 230 Schemes within IBC Proceedings

Section 230 of the Companies Act, 2013 has been permitted within liquidation proceedings under the IBC, enabling liquidators to propose a scheme of compromise or arrangement with creditors as a last-mile effort to revive the company and prevent liquidation. However, the National Company Law Appellate Tribunal (NCLAT) in Jindal Steel and Power Ltd. v. Arun Kumar Jagatramka clarified that Section 29A of the IBC, which disqualifies certain persons from submitting resolution plans, applies to schemes under Section 230 during liquidation proceedings.[15] This integration

[14] Insolvency and Bankruptcy Code, No. 31 of 2016, INDIA CODE (2016).
[15] Jindal Steel and Power Ltd. v. Arun Kumar Jagatramka, Company Appeal (AT) (Insolvency) No. 221 of 2018 (NCLAT 2019).

underscores the overlapping authority of company law and insolvency law in restructuring efforts.

H. Pre-Packaged Insolvency Resolution Process (Pre-Pack IBC)

Introduced through the Insolvency and Bankruptcy Code (Amendment) Act, 2021, the Pre-Packaged Insolvency Resolution Process (Pre-Pack IBC) offers a hybrid approach, primarily for Micro, Small, and Medium Enterprises (MSMEs). Unlike CIRP, Pre-Pack permits the existing management to retain control during the process, provided the promoters negotiate a resolution plan with creditors before initiating formal insolvency. This method is significantly quicker and less disruptive compared to a full CIRP, and it is anticipated that the framework will eventually extend to larger corporations. Pre-Packs are viewed as structured, court-supervised restructuring tools that minimize business disruption while preserving enterprise value.

I. Deterrence and Leverage Effect

The existence of IBC as a statutory remedy often serves as a powerful deterrent, compelling promoters to engage in out-of-court restructuring to avoid insolvency proceedings. This phenomenon—often referred to as the "stick effect"—enhances the effectiveness of voluntary debt restructuring frameworks.[16] Several companies have opted to settle or restructure their obligations upon receiving IBC notices, underscoring their leverage value in negotiations.

J. Judicial Pronouncements Enhancing the IBC–Restructuring Link

The Supreme Court in Swiss Ribbons Pvt. Ltd. v. Union of India emphasized that debt restructuring plans under RBI guidelines do not preclude financial creditors from triggering the IBC process once a default occurs, as prior agreements cannot waive the statutory right under IBC.[17] This principle reinforces the primacy of creditor rights under the IBC and preserves its role as the ultimate recourse in the insolvency hierarchy.

[16] RBI, Prudential Framework for Resolution of Stressed Assets, RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 (June 7, 2019).
[17] Swiss Ribbons Pvt. Ltd. v. Union of India, (2019) SCC OnLine SC 73 (India).

K. Challenges in Coordination

Despite its strengths, the coexistence of IBC with other restructuring mechanisms occasionally creates overlaps and uncertainty. For instance, concurrent processes under the Companies Act, 2013, and the IBC—such as Section 230 schemes during liquidation—have raised questions regarding jurisdiction and harmonization. Furthermore, liquidation under the IBC, if pursued prematurely, risks eroding business value without exploring viable restructuring alternatives.

L. Banking regulation and rbi framework for debt restructuring:

While corporate law governs the internal mechanisms of restructuring, the Reserve Bank of India (RBI) and associated banking regulations control the external financial architecture within which debt restructuring operates. Because most corporate borrowings originate from banks and financial institutions, any restructuring of these debts must comply with the RBI's prudential regulations, circulars, and restructuring schemes. These frameworks ensure that while distressed companies are granted financial breathing space, banks maintain asset quality and systemic stability.[18]

1. RBI's Regulatory Role in Debt Restructuring

The RBI functions as the primary regulator for banks and financial institutions, and any major restructuring involving bank loans is required to follow its guidelines. These regulations aim to:

- Guarantee fair and transparent treatment for distressed borrowers;
- Minimize adverse impacts on the banking sector's balance sheets;
- Enable timely detection and resolution of stressed assets.[19]

Further, banks must classify restructured loans in compliance with the Income Recognition and Asset Classification (IRAC) norms, and provisioning requirements remain applicable even after restructuring.

2. Key RBI Frameworks for Corporate Debt Restructuring

[18] Reserve Bank of India Act, No. 2 of 1934, INDIA CODE (1934)
[19] Reserve Bank of India, Master Circular – Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances, RBI/2021-22/16 (Apr. 1, 2021)

Over the years, the RBI has introduced multiple schemes to address corporate stress.

i. **Corporate Debt Restructuring (CDR) Mechanism (2001–2015)**

Introduced in 2001, the CDR mechanism was a voluntary, non-statutory institutional framework for restructuring large debts involving multiple banks. It operated under a three-tier structure comprising the CDR Cell, the CDR Empowered Group, and the CDR Standing Forum. Approval of a restructuring proposal required the consent of 75% of lenders by value and 60% by number.[20] The CDR mechanism was formally discontinued by RBI in 2015 due to prolonged delays and inefficiencies.[21]

ii. **Strategic Debt Restructuring (SDR) Scheme (2015)**

The SDR scheme enabled banks to convert a portion of the corporate debtor's outstanding debt into equity, facilitating a change of ownership and management to enhance financial discipline.[22] However, the scheme achieved limited success because of valuation disputes and a lack of investor interest.

iii. **Scheme for Sustainable Structuring of Stressed Assets (S4A) (2016)**

Launched in 2016, the S4A targeted companies with viable operations but temporary financial distress. It bifurcated debt into two components: sustainable debt, which the borrower could service, and unsustainable debt, which could be converted into equity or other quasi-equity instruments.[23]

iv. **Prudential Framework for Resolution of Stressed Assets (June 7, 2019)**

The RBI introduced the Prudential Framework for Resolution of Stressed Assets through its Circular dated June 7, 2019, which superseded all earlier restructuring schemes, including CDR, SDR, and S4A. This framework emphasizes early detection of stress and mandates time-bound resolution.

[20] Reserve Bank of India, Corporate Debt Restructuring Mechanism – Revised Guidelines, RBI/2008-09/367 DBOD.BP.BC.No.104/21.04.132/2008-09 (June 4, 2009).
[21] Reserve Bank of India, Withdrawal of CDR Mechanism,RBI/201415/627 DBR.No.BP.BC.116/21.04.132/2014-15 (Apr. 10, 2015).
[22]ReserveBankofIndia,StrategicDebtRestructuringScheme,RBI/2014-15/6 DBR.No.BP.BC.101/21.04.132/2014-15 (June 8, 2015)
[23] Reserve Bank of India, Scheme for Sustainable Structuring of Stressed Assets (S4A), RBI/2015-16/422 DBR.No.BP.BC.103/21.04.132/2015-16 (June 13, 2016).

Lenders must formulate a Resolution Plan (RP) within 180 days of default, subject to approval from lenders representing at least 75% of the total value and 60% of the total number of lenders. The framework promotes restructuring outside the IBC while imposing strict compliance obligations and timelines on lenders.

3. **Challenges with RBI Frameworks**

Despite the RBI's proactive measures, certain challenges persist. Frequent regulatory changes have caused uncertainty for stakeholders. Banks often face hurdles in asset valuation and exhibit limited incentives to undertake restructuring because of stringent provisioning norms. Furthermore, schemes like SDR and S4A experienced minimal success in reviving distressed companies due to practical implementation issues.

V. CONTRACTUAL AND SECURITY LAW ASPECTS

While statutory frameworks such as the Insolvency and Bankruptcy Code, 2016 (IBC) and the Reserve Bank of India (RBI) guidelines provide the formal foundation for debt resolution, the contractual and security law apparatus gives practical effect to restructuring arrangements. These legal dimensions shape the enforceability of negotiated terms and determine the balance of rights between creditors and debtors.

A. Modification of Loan Agreements and Covenants

At the heart of most restructuring exercises lies the renegotiation of contractual terms governing existing credit facilities. Under Section 62 of the Indian Contract Act, 1872, parties may agree to substitute, rescind, or alter a contract, enabling the incorporation of revised repayment schedules, interest concessions, or even debt-to-equity conversions.[24] Common modifications include:

- Relaxation or waiver of financial covenants such as debt-to-equity ratios or Debt Service Coverage Ratio (DSCR).

[24] Indian Contract Act, No. 9 of 1872, § 62, INDIA CODE (1872)

- Recasting repayment timelines into balloon repayment structures or step-up models.
- Insertion of performance-linked conditions tied to operational revival milestones.

However, such contractual amendments must conform to statutory frameworks. For instance, any restructuring under the Prudential Framework for Resolution of Stressed Assets requires adherence to RBI-mandated timelines and lender consent thresholds.[25] Similarly, if the company falls under IBC proceedings, the terms of a resolution plan must override private contractual arrangements as per Section 238 of the IBC.[26]

Further, in syndicated loan or consortium arrangements, unilateral modifications can trigger disputes if they violate inter-creditor agreements or priority structures. Courts have emphasized that restructuring agreements should not prejudice minority creditors, as doing so may invite litigation under Section 241 of the Companies Act, 2013 for oppression and mismanagement or under Section 245 for class action suits.[27]

B. Enforcement of Security Interests under SARFAESI

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) empowers secured creditors to enforce their security without court intervention.[28] In restructuring scenarios, the threat of SARFAESI enforcement often functions as a negotiation lever, compelling borrowers to accept revised terms.

Section 13(4) authorizes secured creditors to take possession of secured assets, assume management control, or sell the assets for recovery. However, procedural compliance is mandatory, including the issuance of a 60-day demand notice under Section 13(2) and adherence to valuation norms before sale. Borrowers aggrieved by enforcement

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[25] Reserve Bank of India, Prudential Framework for Resolution of Stressed Assets, RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 (June 7, 2019).
[26] Insolvency and Bankruptcy Code, No. 31 of 2016, § 238, INDIA CODE (2016).
[27] Companies Act, No. 18 of 2013, §§ 241, 245, INDIA CODE (2013).
[28] Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, No. 54 of 2002, INDIA CODE (2002).

actions may challenge them under Section 17 before the Debt Recovery Tribunal (DRT).

Although SARFAESI was designed for speedy recovery, lenders increasingly use its invocation as a strategic pressure point in restructuring negotiations. Over-reliance on enforcement, however, can undermine genuine revival attempts and depress enterprise value, particularly when asset valuation reflects long-term viability.

C. Interaction Between Contractual Modifications and Statutory Frameworks

The interaction between private restructuring agreements and statutory schemes remains complex. While contractual freedom under the Indian Contract Act, 1872 allows renegotiation, such modifications are subordinate to overriding statutes like the IBC, which expressly prevails under Section 238. Similarly, RBI's prudential norms impose public law obligations on lenders, limiting the scope of purely contractual solutions.

This layered interplay ensures that while market-driven negotiations remain central to restructuring, they must operate within the guardrails of regulatory compliance and creditor protection norms. In essence, contractual flexibility complements statutory rigor, creating a dual-track mechanism for effective debt resolution.

VI. JUDICIAL PERSPECTIVE AND KEY CASE LAWS

Indian courts have played a transformative role in shaping the legal contours of corporate debt restructuring, particularly by interpreting the Insolvency and Bankruptcy Code, 2016 (IBC), balancing competing stakeholder rights, and clarifying procedural ambiguities. Through landmark rulings, the judiciary has underscored the principles of creditor primacy, procedural fairness, and good faith obligations, while reinforcing the statutory objectives of time-bound resolution.

A. Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta (2019)

In Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta, the Supreme Court reaffirmed the commercial wisdom of the Committee of Creditors (CoC) as paramount under Section 30(4) of the IBC, insulating their business decisions

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from judicial interference.[29] The Court clarified that distribution of resolution proceeds need not be equal across creditors but must be based on class-specific considerations and commercial rationale. This interpretation restored creditor confidence by upholding the principle that restructuring frameworks prioritize maximization of value over equality of treatment.

B. Bhushan Power & Steel Ltd. Resolution (2020)

In Lender Consortium v. JSW Steel Ltd., the Delhi High Court and NCLT emphasized that the approval of a resolution plan shields the successful applicant from past liabilities, including criminal proceedings, under Section 32A of the IBC.[30] This judgment reinforced the concept of a "fresh start" for resolution applicants, which is critical to incentivizing participation in complex restructurings.

C. State Bank of India v. Jet Airways India Ltd. (2021)

In the Jet Airways case, the NCLT permitted coordination between Indian and Dutch insolvency administrators during concurrent insolvency proceedings, reflecting an emerging recognition of cross-border insolvency principles.[31] This pragmatic approach anticipates India's prospective adoption of the UNCITRAL Model Law on Cross-Border Insolvency, demonstrating judicial openness to global best practices.

D. Phoenix ARC Pvt. Ltd. v. Spade Financial Services Ltd. (2021)

The Supreme Court in Phoenix ARC ruled that related parties masquerading as financial creditors cannot influence CoC decisions, preserving the sanctity of the voting process.[32] This ruling operationalizes the legislative intent of Section 21(2) of the IBC, which excludes related parties from CoC voting, and fortifies creditor autonomy against insider manipulation.

E. Swiss Ribbons Pvt. Ltd. v. Union of India (2019)

[29] Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta, (2019) ibclaw.in 07 SC.
[30] JSW Steel Ltd. v. Mahender Kumar Khandelwal & Ors., (2020) ibclaw.in 111 NCLAT
[31] State Bank of India v. Jet Airways (India) Ltd., (2021) ibclaw.in 239 NCLT.
[32] Phoenix ARC Pvt. Ltd. v. Spade Financial Services Ltd., (2021) ibclaw.in 165 SC.

In Swiss Ribbons, the Supreme Court upheld the constitutional validity of the IBC on January 25, 2019, rejecting challenges based on Articles 14 and 19 of the Constitution.[33] The Court emphasized that the resolution process is fundamentally economic but embedded within constitutional principles of fairness and equity. It also reaffirmed the necessity of judicial oversight to prevent arbitrary creditor conduct, highlighting that the CoC's commercial wisdom is not absolute but subject to minimal judicial review for fairness and legality

F. Judicial Themes Emerging

1. **Creditor-Centric Approach:** Courts consistently uphold CoC's autonomy under Sections 30(4) and 31 of the IBC, recognizing creditors' business judgment as sacrosanct.
2. **Promoter Accountability:** Judicial interpretations of Section 29A bar promoters from regaining control after default, reinforcing ethical governance norms.
3. **Balancing Stakeholder Interests:** Courts act as arbiters ensuring procedural fairness, safeguarding workmen under the "going concern" principle, and rejecting plans that contravene public policy or statutory mandates.

VII. CHALLENGES IN THE LEGAL FRAMEWORK

Despite significant progress in India's corporate debt restructuring regime, several structural, regulatory, and procedural challenges continue to impede its effectiveness. These challenges arise not only from the complexity of overlapping legal frameworks but also from coordination gaps among regulatory authorities and stakeholders.

A. Regulatory Overlaps Between MCA, RBI, NCLT, and Banks

A major impediment in corporate debt restructuring stems from jurisdictional overlaps between the Ministry of Corporate Affairs (MCA), Reserve Bank of India (RBI), National Company Law Tribunal (NCLT), and financial institutions.

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[33] Swiss Ribbons Pvt. Ltd. v. Union of India, (2019) ibclaw.in 03 SC.

1. The Companies Act, 2013 governs schemes of compromise and arrangement under Sections 230–232, empowering companies to restructure obligations with shareholder and creditor approval.[34]
2. The RBI enforces prudential norms and asset classification standards under its Prudential Framework for Resolution of Stressed Assets (2019), which often impose time-bound compliance obligations on banks.[35]
3. The NCLT and NCLAT, under the Insolvency and Bankruptcy Code, 2016, supervise insolvency resolution, creating friction when parallel proceedings under Section 230 schemes are pursued during liquidation.[36]

For example, in Jindal Steel & Power Ltd. v. Arun Kumar Jagatramka, the NCLAT clarified that promoter's ineligible under Section 29A of the IBC cannot propose Section 230 schemes during liquidation, establishing statutory precedence of IBC over Companies Act provisions.[37]Such judicial pronouncements attempt to resolve the tension between two overlapping frameworks, but uncertainty persists in practice.

B. Procedural Delays and Compliance Burdens

Procedural inefficiencies significantly erode the effectiveness of debt restructuring. According to the Insolvency and Bankruptcy Board of India (IBBI) Quarterly Newsletter (2023), the average Corporate Insolvency Resolution Process (CIRP) in India took 403 days, far exceeding the statutory limit of 330 days.[38] Similar delays plague NCLT approval of Section 230 schemes, attributed to overloaded benches and frequent adjournments.

Additional compliance burdens include:

1. Multiple filings under Companies Act, IBC, and sector-specific regulations.
2. Mandatory disclosure requirements under RBI frameworks.

[34] Companies Act, No. 18 of 2013, §§ 230–232, INDIA CODE (2013).
[35] Reserve Bank of India, Prudential Framework for Resolution of Stressed Assets, RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 (June 7, 2019).
[36] Insolvency and Bankruptcy Code, No. 31 of 2016, INDIA CODE (2016).
[37] Jindal Steel & Power Ltd. v. Arun Kumar Jagatramka, (2020) ibclaw.in 59 NCLAT.
[38] Insolvency and Bankruptcy Board of India, Quarterly Newsletter, Vol. XXIII (Jan.–Mar 2023).

3. Coordination challenges for multi-creditor arrangements under the Prudential Framework.

Empirical data suggests that over 65% of CIRPs initiated in FY 2022 ended in liquidation rather than resolution, indicating systemic inefficiencies in achieving restructuring objectives.

C. Conflicts Between Creditors and Corporate Management

Another persistent obstacle is the power struggle between creditors and corporate management:

1. Disputes over restructuring terms—creditors seek aggressive haircuts, while promoters resist dilution of equity or loss of control.
2. Non-cooperation by promoters, delaying negotiations and undermining timelines.
3. Inter-creditor conflicts—especially between financial and operational creditors regarding distribution of proceeds under Section 53 waterfall.[39]

The Essar Steel case exemplifies these tensions, where differential treatment of creditors was upheld by the Supreme Court as consistent with the CoC's commercial wisdom under Section 30(4) of the IBC.[40] Similarly, in Standard Chartered Bank v. Satish Kumar Gupta, dissenting creditors challenged distribution mechanisms, highlighting the difficulty of balancing interests within the creditor pool.[41]

VIII. RECENT DEVELOPMENTS AND REFORMS

India's approach to corporate debt restructuring has undergone a significant transformation, driven by legislative reforms, technological integration, and the emergence of cross-border insolvency considerations. This section discusses major reforms and current developments shaping corporate restructuring, focusing on regulatory changes, technological advancements, and global trends.

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[39]Insolvency and Bankruptcy Code, § 53, INDIA CODE (2016).
[40] Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta, (2019) ibclaw.in 07 SC.
[41] Standard Chartered Bank v. Satish Kumar Gupta, (2019) ibclaw.in 110 NCLAT.

A. Shift from CDR to IBC-Centric Approach

Prior to the enactment of the Insolvency and Bankruptcy Code, 2016 (IBC), corporate debt restructuring in India primarily operated under the Corporate Debt Restructuring (CDR) mechanism supervised by the Reserve Bank of India (RBI). However, the limitations of the CDR system—such as non-binding enforceability and prolonged timelines—necessitated a shift toward the IBC-based framework, which offers a structured, time-bound, and creditor-centric model.

Key advantages of IBC over CDR include:

1. **Time-bound resolution:** The IBC mandates completion of the Corporate Insolvency Resolution Process (CIRP) within 330 days, including litigation delays, as per the Insolvency and Bankruptcy Code (Amendment) Act, 2019
2. **Creditor-driven process**: Under Section 30(4), the Committee of Creditors (CoC) exercises commercial discretion in approving resolution plans.
3. **Legal enforceability:** Approved resolution plans have statutory backing under Section 31, ensuring enforceability and addressing earlier deficiencies under CDR.

This transition underscores India's commitment to strengthening its insolvency ecosystem, enhancing recovery rates, and instilling greater creditor confidence.

B. RBI's Emphasis on Resolution Outside IBC

Although the IBC remains the principal legal mechanism, the RBI continues to promote out-of-court resolution frameworks for certain distressed sectors, particularly those impacted by exogenous shocks such as the COVID-19 pandemic.

1. **Resolution Framework for COVID-19-related Stress (August 6, 2020):** The RBI introduced a one-time restructuring window for eligible borrowers without asset classification downgrade, detailed in RBI Circular No. RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21.[42]

[42] Reserve Bank of India, Resolution Framework for COVID-19-related Stress, RBI Circular No. RBI/2020-21/16 (Aug. 6, 2020).

2. **Resolution Framework 2.0 (May 5, 2021):** Extended relief to MSMEs and individual borrowers facing financial stress during the second wave of COVID-19, via RBI Circular No. RBI/2021-22/31 DOR.STR.REC.11/21.04.048/2021-22.[43]

3. **Prudential Framework for Resolution of Stressed Assets (June 7, 2019):** RBI mandated that lenders implement a Resolution Plan (RP) within 180 days of default, approved by 75% of lenders by value and 60% by number, as per Circular No. RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19.[44]

These frameworks aim to reduce insolvency filings, preserve value, and provide sector-specific relief outside the formal insolvency process.

C. Use of Technology and Data Analytics in Early Detection

Technological integration has become central to restructuring in India, enabling early detection of stress and enhanced efficiency in insolvency resolution.

1. **IBBI e-Platform for Claims:** The Insolvency and Bankruptcy Board of India introduced electronic platforms for creditor claim submissions, reducing manual delays.[45]

2. **AI & Predictive Analytics:** Banks increasingly deploy machine learning models for predicting defaults and assessing borrower creditworthiness, while RBI's Central Repository of Information on Large Credits (CRILC) assists in identifying systemic risks.[46]

3. **Virtual Hearings & E-voting:** The NCLT and IBBI facilitated digital hearings and e-voting for CoC decisions, significantly improving procedural efficiency during the pandemic.[47]

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[43] Reserve Bank of India, Resolution Framework – 2.0: Resolution of COVID-19 related Stress of Individuals and Small Businesses, RBI Circular No. RBI/2021-22/31 (May 5, 2021).
[44] Reserve Bank of India, Prudential Framework for Resolution of Stressed Assets, RBI Circular No. RBI/2018-19/203 (June 7, 2019)
[45] Insolvency and Bankruptcy Board of India, Electronic Platform for Claim Submission, available at https://ibbi.gov.in.
[46] Reserve Bank of India, CRILC Reporting System, available at https://rbi.org.in.
[47] Insolvency and Bankruptcy Board of India, COVID-19 Circulars on Virtual Hearings and E-voting (2020).

These initiatives demonstrate India's movement toward a data-driven, technology-enabled insolvency ecosystem, improving transparency and creditor confidence.

D. Cross-Border Insolvency Developments

Globalization of businesses has heightened the need for a robust cross-border insolvency framework. India has taken progressive steps in this regard:

1. **Insolvency and Bankruptcy Code (Amendment) Bill, 2021:** Introduced enabling provisions for adopting the UNCITRAL Model Law on Cross-Border Insolvency, providing mechanisms for recognition of foreign proceedings and cooperation with foreign courts.[48]
2. **Jet Airways Case:** In State Bank of India v. Jet Airways (India) Ltd., the NCLT (Mumbai Bench) permitted coordination between Indian and Dutch insolvency administrators in the airline's resolution, signaling judicial willingness to embrace cross-border principles.[49]
3. **UNCITRAL Model Law Alignment:** India's draft framework proposes COMI (Center of Main Interests) test, relief mechanisms, and reciprocity principles to ensure predictability in multinational insolvencies.[50]

These developments aim to bolster investor confidence and align India's insolvency system with global best practices.

IX. COMPARATIVE INSIGHTS AND GLOBAL BEST PRACTICES

Corporate debt restructuring in India can benefit significantly from studying international models that have achieved better recovery rates and creditor confidence.

A. United States – Chapter 11 Bankruptcy Framework

The U.S. Chapter 11 system is widely recognized for its debtor-in-possession model, allowing management to retain control during restructuring under court supervision. Unlike India's IBC, which is creditor-driven, Chapter 11 promotes operational

[48]Ministry of Corporate Affairs, Draft Framework for Cross-Border Insolvency, available at https://www.mca.gov.in.
[49] State Bank of India v. Jet Airways (India) Ltd., (2019) ibclaw. in 16 NCLT.
[50] UNCITRAL Model Law on Cross-Border Insolvency, G.A. Res. 52/158 (Dec. 15, 1997).

continuity and provides mechanisms for quick financing (debtor-in-possession financing), enhancing the chances of revival.

B. United Kingdom – Scheme of Arrangement

The UK's Scheme of Arrangement under the Companies Act, 2006, enables flexible restructuring of debts without the stigma of insolvency proceedings. It allows class-based creditor voting and binding court sanction, similar to India's Section 230 schemes but with greater international recognition and simplified cross-border enforcement.

C. Singapore – Hybrid Approach

Singapore's Insolvency, Restructuring and Dissolution Act (IRDA) adopts features from both U.S. and UK models, providing a modern, creditor-friendly framework. It incorporates moratorium relief, pre-pack schemes, and cross-border cooperation provisions aligned with the UNCITRAL Model Law.

X. CONCLUSION

Corporate debt restructuring in India has undergone a major shift with the Insolvency and Bankruptcy Code, 2016, moving from voluntary frameworks like CDR to a structured, creditor-driven model. This article examined the intersection of company law, banking regulation, and insolvency law in shaping this evolution. While significant progress has been made, challenges such as regulatory overlaps, procedural delays, and inter-creditor conflicts persist. Future reforms should include a unified restructuring code, cross-border insolvency adoption under UNCITRAL, and expanded pre-pack schemes. Greater use of technology-driven solutions and enhanced coordination among regulators will ensure a more efficient, transparent, and globally aligned restructuring regime.

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