



ISSN: 2583-7753

LAWFOYER INTERNATIONAL JOURNAL OF DOCTRINAL LEGAL RESEARCH

[ISSN: 2583-7753]

Volume 4 | Issue 1

2026

DOI: <https://doi.org/10.70183/lijdlr.2026.v04.98>

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ESSAR STEEL LEGACY: JUDICIAL ENFORCEMENT OF COMMERCIAL WISDOM IN PLAN APPROVALS AMID 2026 AMENDMENTS

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I. ABSTRACT

This paper discusses the development and application of the doctrine of commercial wisdom within Insolvency and Bankruptcy Code, 2016 (IBC) with reference to a landmark case in Committee of Creditors of Essar Steel India Limited (through Authorised Signatory) v Satish Kumar Gupta & Ors, (2020) 8 SCC 531 and cases that have happened thereafter, including 2026 changes. The research is now placed in the wider context of the historical changes in the insolvency regime within India which has changed into a resourceful, disaggregated, debtor-centric system, to a coherent, creditor-centric system that ensures value enhancement and a time-limited resolution. The main question this paper will analyse is the scope used by judicial authorities to interfere with the commercial decision making of the Committee of Creditors (CoC) when approving resolution plans. The proposed case will examine the legal framework on insolvency resolution, appraise the interpretation of commercial wisdom as applied by courts, and determine the effects of the recent legislative changes on the equilibrium between the freedom of creditors and protection of stakeholders. The approach taken is a doctrinal one, which is based on statutory measures, landmark judicial precedents, and secondary legal material. The most important provisions of the IBC such as Sections 7, 12, 30, and 31 are discussed with major case laws in order to comprehend the developing jurisprudence. Practical implications of the 2026 amendments in promoting transparency, accountability, and efficiency in the procedures are also taken into account in the study. As per the findings, the Essar Steel ruling has clearly cemented the primacy of the CoC commercial wisdom and placed a strong restriction of the judicial interference to legal compliance and the procedural irregularity issues. This has increased efficiency, minimized delays and increased investor confidence. The paper concludes by saying that although the doctrine of commercial wisdom is a requirement of an efficient insolvency regime, it has to be counterbalanced with sufficient

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safeguards to guarantee fairness and transparency. The amendments of 2026 are a positive move in this direction, and they seek to make accountability institutional, without compromising creditor autonomy.

II. KEYWORDS

Commercial Wisdom, Insolvency and bankruptcy, Committee of creditors, Stakeholders, Resolution plan.

III. INTRODUCTION & STATUTORY FRAMEWORK

The Insolvency regime in India has been changing drastically in the last decade, and the result has been the introduction of the Insolvency and Bankruptcy Code, 2016 (IBC). Before the IBC, the legal framework covering insolvency was very disjointed and spread over various laws including the Companies Act, SICA and SARFAESI and resulted in delay, inefficiency and low rates of recovery. There was no single mechanism in place, and it led to increment of litigation and loss in assets value. IBC was presented as a holistic reform to deal with these systemic problems by integrating the laws that concerned the insolvency and providing for a creditor-oriented and lean process of resolution.

The IBC core objectives are based on value maximization of the assets, time bound resolution process and promoting a creditor driven process. The IBC focuses on revival of financially distressed entities as going concerns unlike its previous frameworks which focused on liquidation. The focus on the strict deadlines makes sure that the value of the debtor is not worsened any more by the delays. Moreover, this shift to the creditor-driven process will enable financial creditors to make commercial decisions on the viability and restructuring of the debtor company.

The IBC statutory regime establishes a systematic procedure of starting and continuing Corporate Insolvency Resolution Process (CIRP). Both operational and financial creditors and the corporate debtor are given powers to institute insolvency under Section 6 to 9 in case of default. Section 7 can allow financial creditors to make an application to the adjudicated body when a default takes place and thus leads to the CIRP. Upon admission, it is subject to strict timelines as operational per Section 12

which requires completion in 180 days with an extension of a maximum of 330 days including litigation periods. This legislative period is indicative of the efficiency and expediency with which the Code focuses.

One of the main structural changes brought by the IBC is that the acquaintance with a debtor-in-possession paradigm of the development is replaced with a creditor-in-control policy. In this type of model, the management of the corporate debtor is being displaced, and the power is assigned to an Insolvency Resolution Professional (IRP/RP), who works under the patronage of the Committee of Creditors (CoC). The CoC which consists majorly of financial creditors assumes a critical role in analyzing and sanctioning resolution plans in accordance with its commercial acumen. This change will make the process of resolution to be driven by people with the greatest financial interest in the outcome.

The introduction of the CoC as the seat of decision making under the IBC has created a great impact on the laws of insolvency, especially the judicial review of commercial decisions. It is against this context that the current research aims to discuss the history and application of the doctrine of commercial wisdom, with particular attention to the case of Essar Steel and the ensuing events. The study will examine the legal framework and judicial interpretation of the statutory framework and judicial explanation of resolutions plan approvals particularly with the amendments to IBC in 2026. The study is narrowed as it only talks of corporate insolvency resolution and doctrinal examination of legal provisions and case law. The empirical approach taken is mainly doctrinal which used statutes, judicial precedents and secondary legal material in critically considering the current state of the insolvency regime in India.

A. Research Objectives

1. To examine the evolution and scope of the doctrine of commercial wisdom under the Insolvency and Bankruptcy Code, 2016.
2. To analyse the extent of judicial review over decisions of the Committee of Creditors in resolution plan approvals.
3. To evaluate the impact of the 2026 amendments on creditor autonomy and stakeholder protection.

4. To assess whether the existing framework ensures a balance between efficiency, transparency, and fairness.

B. Research Questions

1. What is the permissible scope of judicial review over the commercial decisions of the Committee of Creditors?
2. How have the 2026 amendments influenced the exercise of commercial wisdom and the autonomy of the Committee of Creditors?
3. Does the doctrine of commercial wisdom adequately safeguard the interests of operational creditors and other stakeholders?

C. Research Methodology

This study adopts a doctrinal research methodology based on the analysis of statutory provisions, judicial precedents, and secondary legal literature. It primarily relies on key provisions of the Insolvency and Bankruptcy Code, 2016, including Sections 7, 12, 30, and 31, along with leading judicial decisions such as *Committee of Creditors of Essar Steel India Limited (through Authorised Signatory) v Satish Kumar Gupta & Ors*, (2020) 8 SCC 531. The research involves critical examination of case law developments and legislative amendments to evaluate the evolving jurisprudence. Secondary sources such as journal articles and commentaries are also used to provide analytical depth and contextual understanding.

IV. COMMERCIAL WISDOM & ROLE OF COMMITTEE OF CREDITORS

The concept of “commercial wisdom” lies at the heart of the corporate insolvency resolution process under the Insolvency and Bankruptcy Code, 2016 (IBC). It is associative business judgment that is exercised by the financial creditors concerning the feasibility, viability, and distributive mechanism of a resolution plan. As opposed to a decision-making process based on legal principles and procedural fairness in judicial decision-making, commercial wisdom is based on economic factors, assessment of risk, and market reality. The IBC makes a conscious decision in favour

of such commercial decisions in the understanding that creditors are in a better position to weigh the financial possibilities of a distressed organization.

This commercial wisdom is the institutional representation of the Committee of Creditors (CoC). It is established by Section 21 of the IBC, and it is mainly made up of a financial creditor of the corporate debtor. Important stakeholders such as the operational creditors are not usually the holders of voting rights in case of no financial creditors. This difference indicates that the legislature aims at putting the power to make decisions in the hands of those who directly have financial interests and can determine the proposals of restructuring.

There are a few provisions that govern the operation of the CoC. Section 24 governs CoC meetings, and this section maintains transparency and involvement of the pertinent stakeholders such as Resolution Professional (RP), suspended directors, and operational creditors (not having a vote). CoC has a strong control of the process of insolvency such as has the authority to appoint or remove the RP by way of Section 27 thus accounts to the management of the process. Additionally, Section 28 ensures that some important activities, including the increase of the interim finance, the establishment of security interest, or the adjustment of the capital structure, must be previously approved of the CoC which strengthens its supervisory authority.

Section 30(4) is the most important strength of the CoC where it is stated that a resolution plan could be approved only by the vote of not less than 66% of the voting share of the financial creditors. This clause highlights the central role of the consensus of creditors in the resolution. The CoC reviews plans of resolutions according to their feasibility, viability, and how they balance the interest of different parties. Notably, the Code does not lay down strict standards of such evaluation thus permitting creditors the freedom to make their commercial judgment.

The main characteristic of the IBC framework is the principle of non-interference in the commercial choices of the CoC by the judiciary. The adjudicating body, which is the National Company Law Tribunal (NCLT), can only review whether the resolution plan is in line with the requirements outlined in the Code and more so in Section 30(2). This involves making sure that operation creditors at least get the minimum they

would get in case of a liquidation and that the plan does not contravene the existing laws. The NCLT, however, may not challenge the merits of the business decisions made by the CoC including the manner in which funds are distributed to the creditors or even whether a specific resolution applicant is accepted.

The political justification of this narrow judicial function is based on effectiveness and professionalism. The courts are unfamiliar with complicated financial evaluations or with overruling business judgment, risk, and market forces. By staying subservient to the business prudence of creditors, the IBC makes an attempt to save delays due to litigation and contribute to expedited solving. This also boosts the confidence of investors because the resolution applicants will be certain of the finality of CoC-approved plans without the risk of the overreaching judicial review.

But commercial wisdom is not quite a free play. The IBC aims at balancing between creditor freedom and safeguarding other stakeholders, especially the operational creditors. Although the CoC uses the financial creditors as the dominant, the code has protective measures that allow against arbitrary or discriminatory treatment. As an example, the provision of the operational creditors in Section 30(2)(b) guarantees that operational creditors are not adversely affected compared to the situation in liquidation. Further, the judicial pronouncements have noted that even though equality of treatment is not a compulsory factor, the allocation under a resolution plan should be fair and just.

The clash between financial pragmatism and fair treatment is a pressing problem in the insolvency law. Over interference in commercial decisions might cripple the effectiveness of the process on the one hand; and undisciplined creditor domination on the other may cause iniquitous results to minority stakeholders. The principle of commercial wisdom therefore functions in a well-tuned mechanism that attempts to level these conflicting deliberations.

Overall, the CoC plays the role of a decision-making core of the insolvency process, and its commercial wisdom is the basis of resolution plan approvals. The judicial interpretation has helped to elucidate and reinforce this framework and most notably

the case of Essar Steel, which was the first to affirm the primacy of CoC decisions and the limits of judicial review.

V. ESSAR STEEL CASE - COMMERCIAL WISDOM DOCTRINE FOUNDATION

The Essar Steel India Limited insolvency resolution is the high point in the history of insolvency legislation in India especially with regard to solidifying the doctrine of commercial wisdom with the Insolvency and Bankruptcy Code, 2016 (IBC). The case did not only challenge the strength of the newly passed Code, but it also helped to determine how far the judiciary can intervene in the corporate insolvency resolution process (CIRP).

Essar steel, which is among the largest steel manufacturing companies in India, failed to fulfill its massive financial obligations and the financial creditors of Essar Steel moved to the CIRP process as per section 7 of the IBC. At the time of admission by the National Company Law Tribunal (NCLT), an Interim Resolution Professional (IRP) was appointed under the provisions of Section 16 and was put in charge of the management of the corporate debtor under the provisions of Section 17. According to Section 18, the IRP has to collect the information concerning the assets, finances, and operations of the debtor. This was followed by a Resolution Professional (RP) being appointed under Section 22 whose duties under Section 25 were to administer the CIRP and invite potential applicants of resolutions.

Under Section 21, there was the formation of a Committee of Creditors (CoC) which consisted of the major financial creditors, mainly of banks and financial institutions. The CoC considered various resolution plans which were presented by bidders such as ArcelorMittal and Numetal. Having deliberated on and negotiated on the resolution plan, the CoC under Section 30(4) voted in favor of the resolution plan as submitted by ArcelorMittal because it felt that it was practicable, viable and maximized value.

The approval process however proved to be controversial with arguments on how the proceeds should be distributed between various classes of creditors, especially the

operational creditors. The resolution plan suggested various treatment, whereby the high payouts were given to the secured financial creditors whereas the low payouts were given to the operational creditors. It resulted in obstacles in front of NCLT that reviewed the plan in accordance to Section 30(2) so that it is compliant to the requirements of the statute in terms of payment that has to be made to operational creditors.

The case was transferred to the National Company Law Appellate Tribunal (NCLAT) where interventionism approach was adopted. The NCLAT took a decision that all the creditors be treated equally, whether financial or operational, in respect of distribution, and so changed the resolution plan approved under CoC. It effectively overlooked the business prudence of the CoC by inculcating a fair distribution model. This ruling cast serious doubts on judicial overreach and dilution of the creditor autonomy under the IBC.

This case finally got into the hands of the Supreme Court of India where it made its historic ruling in *Committee of Creditors of Essar Steel India Limited (through Authorised Signatory) v Satish Kumar Gupta & Ors*, (2020) 8 SCC 531. The Supreme Court reversed the decision made by the NCLAT with great force and reestablished the primacy of the commercial wisdom of the CoC. It believed that the judicial review that the adjudicating authority and the appellate tribunal could undertake was limited to the satisfaction that it could be used to verify that the provisions under Section 30(2) and Section 31 of the IBC had been complied with.

The Court made it clear that the legislature had deliberately decided to transfer decision making authority to financial creditors, by the IBC, as they were the ones who understood the viability of resolution plans. It noted that the judgments made by the CoC are founded on intricate financial grounds and that instances of law courts were not institutionally competent in second-guessing the firm decisions. Therefore, the Court held that the NCLT or the NCLAT are not allowed to interfere with the merits of a business decision made by CoC, as well as with allocation of proceeds between creditors.

Among the most prominent principles established in the Essar Steel case, one must state that the principle of equitable treatment does not imply the principle of equal treatment. The Court made it clear that financial and operational creditors are particular classes, and they may be treated differently provided that they are treated on the basis of intelligible criteria, and do not breach the minimum protection available under the Code. Specifically, Section 30(2) (b) is there to guarantee that operational creditors will be granted at least what they would have been in the case of liquidation as calculated under Section 53, which dictates the waterfall mechanism of assets distribution.

That Court also supported the legitimacy of amendments that were made to the IBC and which made it clear that CoC decisions took precedence over judicial intervention. It further emphasized the need to stick to deadlines in Section 12 by observing that any delay occasioned by the slow litigation process is counterproductive to the Code itself. The judgment was aimed at adding some degree of confidence and predictability to the insolvency process by strengthening the finality of CoC-approved plans.

The other significant feature of the judgment was that it acknowledged the position of the Resolution Professional. The Court made it clear that the RP is not an adjudicator, it is only a facilitator who facilitates the process and makes sure that it is operating within the Code. The decision-making authority is finally vested to the CoC whose commercial prudence is supreme.

The case of Essar Steel therefore has created a clear distinction of both the judiciary and financial creditors in the insolvency process. Although the judiciary serves to make sure that the process is being carried out according to the law, it cannot replace the judgment of its CoC. This has since been the foundation of insolvency jurisprudence in India.

The Essar Steel judgment has had a far-reaching effect. It has enhanced the criteria of confidence by the creditors in that their decision will not be arbitrarily interfered by the judiciary. It has likewise been very fast in the resolution process through minimizing litigation and enhancing the time-limited CIRP. Simultaneously, it has

elicited arguments about the sufficiency of protection to operational creditors and minority stakeholders and the necessity to use a balanced strategy.

To sum up, the Essar Steel case can be viewed as a highlight in the interpretation of the IBC. The Supreme Court established the primacy of commercial wisdom and pressed the boundaries of judicial review by which it established the basis of a more efficient and predictable insolvency regime. This doctrine still prefectures the future judicial rulings and is still a key to the comprehension of the changing environment of the corporate insolvency in India, especially due to the latest changes in the Code.

VI. JUDICIAL TRENDS POST ESSAR STEEL

The doctrine of commercial wisdom has been constantly strengthened since the landmark decision in *Committee of Creditors of Essar Steel India Ltd v Satish Kumar Gupta*², and the judiciary has continued to clarify the notion of commercial wisdom. The delineation of the boundaries of judicial review in the context of Insolvency and Bankruptcy Code, 2016 (IBC) has been done with the assistance of the Supreme Court of India and appellate tribunals to ensure that the balance between autonomy of creditors and judicial control is not breached.³

*K. Sashidhar v Indian Overseas Bank*⁴ is one of the very first instances which gave the foundation to this doctrine, even before Essar Steel but later reiterated it, nonetheless. In this instance, the Supreme Court decided that the commercial judgment made by the Committee of Creditors (CoC) to accept or decline a resolution plan is non-justiciable. It made it clear that bearing in mind that CoC can vote, by the necessary vote, to reject a plan, the body that is adjudging a case cannot force the CoC to take the case up again or challenge the substance of its decision. This decision indicated that a court can only intervene on a strict basis of compliance with procedures and legal, and not commercial judgment.

² *Committee of Creditors of Essar Steel India Limited (through Authorised Signatory) v Satish Kumar Gupta & Ors*, (2020) 8 SCC 531

³ Trivedi, Prachi, Sheikh, Amaan, "Essar Steel Insolvency Case: Essar Steel India Limited through Authorised Signatory vs. Satish Kumar Gupta & Ors" (Judgment Dated 15.11.2019 in Civil Appeal No. 8766-67 of 2019)

<https://heinonline.org/HOL/P?h=hein.journals/ijlmhs2&i=1619>

⁴ *K. Sashidhar v Indian Overseas Bank*, (2019) 12 SCC 150

Principles that were developed in *Essar Steel* were further enforced in *Maharashtra Seamless Ltd v Padmanabhan Venkatesh*⁵. The main matter in this case was that could a resolution plan be invalidated on the basis that the value provided was smaller than the liquidation value. The Court reasoned that the IBC does not in any way require that the resolution plan should correspond or even surpass the liquidation value. It also highlighted that the value determination is a question of commercial prudence of the CoC and the plan cannot be brought to interference provided that it adheres to the provisions of Section 30(2). This ruling supported the notion that the financial factor such as haircut decisions squarely belong to the creditors.

The other important progress was in *Jaypee Kensington Boulevard Apartments Welfare Association v NBCC (India) Ltd* where the Court was concerned with the clashing interest of the homebuyers, financial institutions, and other stakeholders. Although the commercial wisdom of CoC should always be respected in the Court, the Court also noted that such wisdom had to be practiced under the umbrella of fairness and reasonableness. It once again pointed out that the judiciary may only intervene in cases when the resolution plan goes against the obligatory provisions of the IBC or is clearly arbitrary. Thus, the case also raised the question of the growing complexity of insolvency procedures in which numerous classes of creditors having competing interests are to be struck.

Section 31 and Section 61 of the IBC are the main determinants of the scope of judicial review in the matter of insolvency. The adjudging body (NCLT) under Section 31 has the role of approving a resolution plan as long as it meets the requirements that are stipulated in Section 30(2). This involves making sure that the plan is designed to cover the cost of insolvency resolution, security the operational creditors and that the relevant laws are taken into consideration. This makes the role of NCLT supervisory as opposed to adjudicatory in a substantive manner.⁶

⁵ *Maharashtra Seamless Ltd v Padmanabhan Venkatesh*, AIR 2020 SUPREME COURT 3779, AIRONLINE 2020 SC 431

⁶ A Saxena, A Kothiyal (2020) "Supreme Court of India's Judgment in *Essar Steel Case*: A Shot in the Arm for India's Insolvency Law" *Insolvency & Restructuring Int'l*, - HeinOnline

Additionally, under Section 61, there are caused grounds of appeals to the NCLAT, which include material irregularity exercising powers by the Resolution Professional, failure to comply with statutory provisions, or breach of law. It is worth noting that a resolution plan is not appealable on the grounds of dissatisfaction with the commercial terms. This statutory constraint supports the fact that courts and tribunals are not allowed to sit and adjudicate the business decision of CoC.

Although the non-interference emphasis has been high, cases have been recorded where the court has intervened in order to remedy non-procedural or legal gaps. The intervention of the judiciary has been allowed in cases that involve:

1. Acts in contravention of the requirements of Section 30 (2) especially insufficient protection to the operational creditors.
2. Procedural anomalies of the CIRP conduct.
3. Inadequacy of transparency/fairness in decision making.
4. Arbitrary discrimination which is not founded on reasonable classification.

These exceptions provide that commercial wisdom is paramount, but not absolute. The judiciary still plays a very slight yet very crucial role in making sure that the process is conducted as per the rule of law and dictates of natural justice.

One of the consistent disputes of post-Essar Steel jurisprudence is the focus of equity versus commercial wisdom. Although the Supreme Court has made the distinction that the equality of creditors is not a requirement, the question of the fairness of the different treatment usually arises. Resolution plans have often been put in question by the operational creditors and dissenting financial creditors based on unequal distribution. Despite the general support of CoC decisions by courts, they have occasionally been concerned by excessive haircuts and transparency.

The other trend that is on the rise is that the judiciary is focusing on integrity of processes and not scrutinising the outcome. Courts are also paying more attention to the question whether the CoC decision-making process was in a fair, informed and transparent way. The results of the process are hardly ever interfered with in cases when it is discovered to be healthy and meets the statutory provisions. This strategy goes together with minimization of delays and certainty in insolvency resolution.

To sum up, the post-Essar Steel court situation is indicative of a steady initiative to emphasize the superiority of the CoC commercial wisdom preserving the required legal protection. The courts have generally left itself to a policy of restraint, only interfering where there is a non-compliance with statutory requirements or where there is a procedural unfairness. Through these developments, the efficiency and predictability of the insolvency regime have been enhanced though issues concerning stakeholder equity and transparency still persist. The changing jurisprudence preconditions consideration of interactions between recent legislative amendments, especially those ones which are established in 2026, and the doctrine of commercial wisdom which can be transformed or reshaped in accordance with their interactions.

VII. 2026 AMENDMENTS AND THEIR EFFECTS ON PLAN APPROVALS

The ongoing development of the insolvency regime in Insolvency and Bankruptcy Code, 2016 (IBC) is a sign of the effort of the legislature to ensure practical solutions to the difficulties arising during the application of the latter. In this respect, the 2026 amendments are a major move towards the perfecting of Corporate Insolvency Resolution Process (CIRP) especially with regard to the resolution plan approvals and the range of commercial wisdom. These amendments are also based on judicial interpretations, particularly those established in the Essar Steel judgment, but they also seek to strike efficiency and fairness between the stakeholders.

Among the most important aspects of the 2026 amendments is the introduction of the Creditor-Initiated Insolvency Resolution Process (CIIRP), which enables specified financial creditors holding not less than fifty one percent of the voting share to initiate a pre-admission resolution process. This mechanism represents a shift towards early, creditor-driven resolution and strengthens the role of commercial wisdom at a stage prior to formal admission under the Code. It is intended to preserve value by reducing delays and encouraging consensual restructuring outside the traditional Corporate Insolvency Resolution Process framework.

A significant reform introduced by the amendments is the requirement that the Committee of Creditors record reasons for the selection of a particular resolution

applicant. This marks a departure from the earlier framework where the commercial wisdom of the CoC was largely non-justiciable and did not require detailed justification. While the primacy of creditor decision-making is retained, the obligation to provide reasons enhances transparency and may enable limited judicial scrutiny to ensure that decisions are not arbitrary or discriminatory. This development seeks to balance the Essar Steel principle with greater accountability in the resolution process. The amendments also introduce a mandatory fourteen-day timeline for the admission of insolvency applications by the adjudicating authority upon proof of default. This provision seeks to address one of the persistent challenges in insolvency practice, namely delays at the admission stage. By ensuring prompt commencement of proceedings, the amendment reinforces the time-bound nature of the Code and contributes to preservation of asset value, which is central to the insolvency framework.

In addition, the amendments provide an enabling framework for group insolvency, allowing coordinated resolution processes for related corporate entities. This is a significant development in complex insolvency situations involving interconnected companies, where fragmented proceedings previously led to inefficiencies and value erosion. A parallel enabling framework for cross-border insolvency has also been introduced, aligning the Indian regime with evolving international standards and facilitating cooperation in cases involving foreign assets or creditors.

The amendments further expand the look-back period for avoidance transactions to two years, thereby strengthening the ability of the resolution process to scrutinize and reverse suspect transactions undertaken prior to insolvency. This enhances the recovery framework and prevents erosion of the asset base, which directly impacts the effectiveness of resolution plans considered by the Committee of Creditors.

A key question arising from these reforms is whether they alter the scope of the doctrine of commercial wisdom as articulated in *Committee of Creditors of Essar Steel India Limited (through Authorised Signatory) v Satish Kumar Gupta & Ors*, (2020) 8 SCC 531. While the amendments retain the primacy of the Committee of Creditors in approving resolution plans, they introduce procedural safeguards that require greater

transparency and structured decision-making. The judicial role continues to be limited to statutory compliance, but the requirement of recorded reasons may indirectly shape the contours of permissible judicial review.⁷

Thus, the 2026 amendments do not displace the doctrine of commercial wisdom but refine its operation within a more accountable institutional framework. The introduction of CIIRP strengthens creditor autonomy at an earlier stage, while the requirement to record reasons and the expansion of procedural mechanisms such as group and cross-border insolvency ensure that this autonomy is exercised in a transparent and structured manner.

These amendments have a complex effect on the approvals of resolution plans. To the financial creditors, the alterations present an improved information and procedural outline that improves decision-making. To the operational creditors and minority stakeholders, the amendments have greater protection against arbitrary treatment. To the rescue applicants, the enhanced transparency requirements can lead to higher compliance costs and can also add to the increased certainty and credibility in the process.

Hence, there exist some difficulties in the real application of these reforms. It will be important to make sure that there is a consistent application of cases, that the procedure is not overly burdened, and that there is a fine line between autonomy and oversight. Another risk is that the increase in scrutiny may increase litigation, which in turn will jeopardize the goal of resolving a case on time.

To sum up, the 2026 amendments are a measured attempt to streamline the insolvency in India. Instead of radically revising the doctrine of commercial wisdom, they aim at institutionalizing it in more transparent and accountable format. Essar Steel legacy still informs the application of these provisions, making sure that a creditor-based decision-making procedure is still at the center of the insolvency process, but which is

⁷ B Banerjee, A Chandra, S Barman (2025) "STATUTORY PRECISION AND COMMERCIAL PRUDENCE: THE SUPREME COURT'S INTERPRETATION OF SECTION 31 (4) IBC IN INDEPENDENT" Academic Research & Multispectrum.Org
<https://www.multispectrum.org/img/ebooks/557814889.pdf#page=53>

being progressed to fit the requirements of fairness and efficiency in the constantly changing economic setting.

VIII. CRITICAL ANALYSIS, CONCLUSION AND RECOMMENDATIONS

The development of the doctrine of commercial wisdom under the Insolvency and Bankruptcy Code, 2016 (IBC), especially since the celebrated decision of Committee of Creditors of Essar Steel India Limited (through Authorised Signatory) v Satish Kumar Gupta & Ors, (2020) 8 SCC 531 has largely influenced the jurisprudence in the area of insolvency in India. Though the framework has introduced much needed efficiency and predictability, it also poses significant challenges of fairness, accountability and the boundaries of creditor dominance. One can critically analyze this doctrine and, in particular, in the context of the 2026 amendments, understand its advantages and the difficulties it presents.

Perhaps the greatest success of the Essar Steel doctrine is that it brought about certainty in resolving insolvency. The Supreme Court of India did not allow any judicial intervention with the resolution plans by reaffirming the primacy of the Committee of Creditors (CoC) and limiting the period of commercial litigation. This has boosted investor confidence, stimulated involvement by the resolution applicants, and boosted recovery rates to financial creditors. Section 12 with its focus on time-bound resolution has helped in decreasing the delay, though there are still challenges in practice.

Nevertheless, the doctrine has been condemned on the grounds that it has resulted in too much power of financial creditors. The CoC mainly consists of financial creditors, so the operational creditors and other stakeholders lack much say in decision-making. Despite the fact that the Section 30(2)(b) offers a bottom-line protection in that the operational creditors will get a minimum protection in the form of the liquidation value as in the case of Section 53, the protection has often been perceived to be

insufficient. Operation creditors are in most instances getting lower recoveries than financial creditors and this begs the question of impartial treatment.⁸

The other important progress was in Jaypee Kensington Boulevard Apartments Welfare Association & Ors v NBCC (India) Ltd & Ors⁹ where the Court was concerned with the clashing interest of the homebuyers, financial institutions, and other stakeholders.

The 2026 amendments are trying to solve some of these issues by making them more transparent and disclosed. The success of these measures however relies on how these are carried out. More documentation and regulatory control have the potential to increase accountability, but it also has the effect of making the process more complex and can further confuse the disputes. Therefore, the issue is how to make sure that such increased scrutiny would not erode the productivity resulting in the constraints imposed on judicial intervention.

In legal terms, the doctrine of commercial wisdom is an intentional policy decision to have a greater focus on economic decision-making than judicial review. The strategy is in line with the international insolvency trends whereby creditors have a leading role in restructuring decision making. Nevertheless, the experience of the Indian underlines the necessity of more subtle balance of creditor autonomy and stakeholder protection. Although this is merely a limited role, the judiciary still plays a vital role in protecting the integrity of the process and making sure that statutory requirements are also met.

Based on these observations, it is possible to recommend some improvements to the insolvency framework:

1. **Elucidation of the boundaries of Judicial Review:** The parameters of judicial interference are very clear; although this area could be furthered by statutory

⁸ N Rawat, A Dhall (2025) "The Role of Committee of Creditors (COC) in Shaping Resolutions" LawFoyer Int'l J. Doctrinal Legal Rsch., 2025 - HeinOnline <https://heinonline.org/HOL/P?h=hein.journals/lwfyri13&i=808>

⁹ Jaypee Kensington Boulevard Apartments Welfare Association & Ors v NBCC (India) Ltd & Ors, (2022) 1 SCC 401 (decided on 24 March 2021).

elucidation, this would help in eliminating the possibility of inconsistency in views that are taken by tribunals.

2. **Increased Openness in CoC Decisions:** CoC must be obliged to document more information on the basis of approving or disapproving resolution plans, especially when it comes to allocation among creditors. This would enhance accountability but without infringing the commercial discretion.
3. **Enhancing the Protection of Operational Creditors:** On top of the liquidation value guarantee, more safeguards may be put to place so that more fair treatment may be treated, particularly where the resolution value is far more considerable.
4. **Capacity Building of Insolvency Professionals:** The Resolution Professional is a major factor in making the process effective, thus, enhancing the standard and supervision of the profession will improve the quality of the decision-making process.
5. **Procedural Compliance and Ethical Conduct:** The oversight of the regulatory bodies like the IBBI must not interfere in business decision-making but must aim at procedural compliance and ethical behaviour.

To sum up, the Essar Steel has left behind a legacy in that it effectively created the doctrine of commercial wisdom as a foundation of insolvency resolution in India. This principle has to a large extent been supported by the subsequent judicial developments and the amendments of 2026 in an effort to deal with concerns that have risen. The IBC has certainly revolutionized the insolvency situation in India by bringing in a professional, effective, and creditors-based system.

Therefore, the success of this regime in the long-term is based on a fine line between efficiency and fairness. As much as creditor autonomy is a necessary principle to facilitate timely and successful resolution, the interests of all the stakeholders should be sufficiently safeguarded in order to guarantee the authenticity and endurance of the process. The question that policymakers and courts will face as the insolvency law is kept changing will be how to adjust this balance such that the doctrine of

commercial wisdom is not only a means of economic efficiency but also one of fair justice.

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