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EVALUATING TIME BOUND INSOLVENCY RESOLUTION UNDER THE INSOLVENCY AND BANKRUPTCY CODE 2016

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ABSTRACT

The Indian legal environment for distressed assets is fragmented due to ineffective legislation leading to bad loans, and therefore has always been quite complicated. However, the introduction of the Insolvency and Bankruptcy Code (IBC) in 2016 was a major step towards a creditor control model that tackled value erosion due to system delays longer than expected. As there have been delays in previous attempts to introduce similar legislation, the introduction of a completely new creditor control model will be dependent on strict, no-excuse deadlines for the completion of corporate insolvency resolution processes. In order to keep the corporate debtor solvent, the corporate insolvency resolution process should be finished within 330 days. The Indian court system is witnessing a huge gap between the legal timelines set by the statutory provisions for completing the cases and what is actually happening in the courts. The 2019 Amendment was put in place to allow longer periods for disposing of properties by extending the deadline for the disposal of a property to 330 days in order to stop the property from appreciating any further. However, the 330-day deadline is still being missed as a matter of routine in the ordinary course of business due to the extremely rigid nature of the statutory requirement. Various courts have issued significant decisions that have altered this firm requirement including the Supreme Court of India's judgment in Essar Steel Ltd. v. Satish Kumar Gupta. The Supreme Court ruled that the 330-day deadline is normally enforceable as a strict rule, however, the Court also ruled that this requirement may be modified under exceptional circumstances to achieve justice.

This paper brings up the concept of a litigation trap. Therefore, it runs counter to the very purpose of the Code. Among the reasons for delay are an overburdened National Company Law Tribunal (NCLT), the litigation on Section 29A eligibility as well as the influence of the unforeseen international situations. Besides, the pandemic-induced halting of filing new cases under Section 10A of the Code has caused inconsistent credit flows and a growing backlog of

unprocessed cases. This means that the 330-day period is basically a target to be reached rather than a firm legal requirement.

Now, defaulting promoters are more inclined to be afraid of losing control. Nevertheless, such a feeling does not always accelerate the process. Both lawmakers and practitioners should cease changing the law all the time and instead concentrate on developing a robust institutional framework. Such a framework will help IBC, not just as a means of pressurizing people, but as a tool for uncovering the truth. In fact, the road to efficiency lies in an excellent system that will offer the chance for effective implementation, not by enforcing regulations that require efficiency.

KEYWORDS: IBC 2016, 330 DAYS LIMIT, EXCEPTIONAL CIRCUMSTANCES, SECTION 10A.

INTRODUCTION

The Insolvency and Bankruptcy Code 2016 is considered a landmark reform in the Indian corporate world. It completely changed the old and chaotic insolvency system of the country. The main promise of the Code is to provide a creditor-driven, time-bound process, which would help in the maximization of asset value and will also promote entrepreneurship by reviving distressed companies quickly or efficiently liquidating them. Nevertheless, after almost ten years of the Code implementation, the vision of a time-bound and efficient process is more and more being challenged by the reality of operations. Discussion on whether the time-bound feature of the Code is a reality or a legislative myth has drawn a lot of public interest in 2025 and 2026.

HISTORICAL CONTEXT AND THE ECONOMIC IMPERATIVE OF SPEED

Before the introduction of the Insolvency and Bankruptcy Code (IBC), India followed a "debtor-in-possession" system under which the management of a company suffering from financial distress continued to hold control for years, and in some instances, even decades. This led to a massive loss of value and sluggishness in the nation's capital base. A report of the Bankruptcy Law Reforms Committee that laid down the structure for the IBC noted that speed is the most crucial factor in the insolvency resolution process of a company. The reason for this rapidity in a company's resolution process is due to a high economic rate of depreciation and

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the necessity to keep the company as a going concern so that creditors have a higher chance of recovery. A company that is insolvent should not be allowed to operate without proper management and ownership for a very long time as it is destined to reach a stage where the only feasible solution is liquidation.

The legislative measure to address this need for speed is the introduction of stringent law time limits under Section 12, which set the regulation completion of the Corporate Insolvency Resolution Process (CIRP) to a period of 180 days, with a one-time extension of 90 days. The 2019 Amendment Act has further set a "hard cap" of 330 days, that should cover the time that is not only consumed in the process of litigation but also the judicial delays. Nonetheless, the data for 2024-2025 shows that even these stringent legislative timelines are not being complied with as a matter of fact, some academics publishing in journals such as IJCRT (2026) are describing time-bound resolution as a "reform in progress" rather than a fact.

THE ADJUDICATORY HIERARCHY AND INSTITUTIONAL BOTTLENECKS

The success of the IBC depends heavily on the robustness and performance of the tribunals where disputes related to it are sorted namely, the National Company Law Tribunal (NCLT) and the National Company Law Appellate Tribunal (NCLAT). To make the strict timeline scheme actually work, these institutions not only need the staff and physical facilities necessary to handle the huge number of cases, but also have to make sure that they resolve cases within the stipulated time. However, the institutional framework has always faced significant difficulties. For example, among other things, the institutional framework has been riddled with problems like vacancies and unused courtrooms.

As on 31st March, 2025 the approved strength of the NCLT stood at 63 members, however only 60 posts had been filled by the NCLT. There has been a minor shortfall in the number of members. On the other hand, it is certainly better than the previous years. From the NCLT Case Status Report as of March 2025, the sheer number of cases that remain unresolved at the NCLT can be seen. Numerous cases are awaiting a decision at the NCLT. The situation is made worse by the fact that the NCLT benches have to share courtrooms and sitting hours.

The average time taken for the admission of an insolvency application, which should be a procedure mandatorily completed within 14 days, is more than a year. This "admission delay" causes the company's remaining value to be drained significantly long before the time of insolvency is even started. Considering these difficulties, the Ministry of Corporate Affairs

(MCA) released a proposal in the end of 2025 to add 50 more courts of the NCLT and 2 more benches of the NCLAT. Such pressures on current infrastructure mean that the "myth" of a "time-bound" resolution may, in some ways, be a "structural" issue.

LANDMARK JURISPRUDENCE: BALANCING SPEED WITH SUBSTANTIVE JUSTICE

The judiciary has been a key player in interpreting the IBC timelines, and it is not uncommon for it to tread the fine line between the legislative intent to achieve speed and the constitutional imperatives of fairness and natural justice. In their leading case on constitutional validity, Swiss Ribbons Pvt. Ltd. v. Union of India (2019), the Supreme Court, reaffirmed the IBC as a beneficial code that facilitates the reorganization of companies within a prescribed time frame. The Court also accepted the difference between financial creditors and operational creditors, thus emphasizing the primacy of the Committee of Creditors (CoC) enabling it to make quick decisions owing to their expertise.

On the other hand, the strict enforcement of the 330-day limit came under scrutiny in Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta, a determined worker. In the landmark decision, the highest court completely dispensed with the word "mandatorily" from the amended Section 12, which made the winding up of Corporate Insolvency Resolution Process within 330 days including the litigation period as a binding rule. The Supreme Court observed that if the reason of the delay is mainly due to the adjudicating authority or the appellate tribunal, it will not be just to liquidate the company which is not at fault of the stakeholders. As a result, this ruling changed the hard cap into a directory guideline.

THE SECTION 29A CONUNDRUM: THE INTEGRITY-SPEED TRADE-OFF

Section 29A is perhaps the biggest culprit for the "litigation loop" within the IBC process. It has been introduced to safeguard the scenario wherein promoters who have defaulted, turn around and buy back their companies at a cheap price. Subsequently, it has evolved into a strict disqualification step for resolution applicants under the IBC. Though this provision is very vital in upholding the ethical standards of the whole process, it is also one of the main reasons leading to its delay. One of the factors causing a large backlog in the cases at both NCLT and NCLAT is the need to identify the eligibility of resolution applicants by extending the scrutiny to their "connected persons, " previous NPA status, and other criminal records. It is the duty of

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the RP as a fiduciary to thoroughly examine the affidavits filed under Section 29A and failure in this regard shall be treated as a negligence of duty.

Academic publications have highlighted that "heavy judicial examination of the eligibility criteria under Section 29A has in fact been considered by unsuccessful bidders as a strategy to litigate their case, making the whole resolution process a sort of adversarial match. This not only reveals the struggle between the clean slate doctrine and the time-bound mandate but also shows that the very law allowing a clean start to the corporate debtor ironically results in the delay start due to the thorough checking for undesirable persons.

REALITIES OF 2024-2025: DATA-DRIVEN INSIGHTS

The financial year 2024-2025, in its entirety, is a valid time frame for the assessment of IBC's performance in line with its temporal promises. For instance, the average resolution time of CIRPs as per ICRA was 713 days by March 31 2025 a figure more than double the original "hard cap" of 330 days. Besides this, it was also found that about 78% of the ongoing CIRPs had already exceeded 270 days from their admission date by the NCLT, suggesting that delays are actually the rule and not the exception. One more thing that may be pondered over is the fact that even if the IBC is not resulting in the disposal of cases within the stipulated time, visibly the quality of results is getting better in a significant manner. The RSL ratio for the last quarter of FY 2025 peaked at 1:9, for the first time. This ratio shows that saving companies outweighs dissolving them as a result of the resolution process, although it is happening with delays for a larger time period. For every one corporate debtor that is resolved in the year 2024-2025, 1:3 are liquidated is a fact reflecting the above point and serves as a basis for comparison with 2017-2018 when the ratio was as high as 1:5.

Resolution Timeline and Recovery Metrics (FY2024-2025)	Data Point
Average Resolution Time (as of March 31, 2025)	713 Days
Ongoing Cases Exceeding 270 Days	78%
Resolution-to-Liquidation Ratio (Q4 FY2025)	1:9
Average Recovery in Successful Resolutions	33%
Average Recovery in Liquidations	4%
Cases Resolved Beyond 330 Days (filed by RP)	208

This divergence between time and quality in the empirical data might suggest that the "time-bound" mandate is a real one in terms of intention and structure but a "myth" when it comes to

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strict compliance. The rise in time for resolution is an unmistakable sign of the fact that the complex nature of today's corporate structures and the legal issues emerging from them cannot be simply resolved within the 330-day baseline set for all cases.

UNAVOIDABLE REALITIES: THE COVID-19 PANDEMIC AND SECTION 10A

Almost every aspect of the world is undergoing transformation due to the Covid-19 pandemic, and it has affected the way insolvency laws work in India to a great extent. Section 10A by the government, which is a 'perpetual embargo' on the start of CIRP proceeding for the act, that has defaulted raising between March 2020 and March 2021, reflect the fact that a person who has defaulted cannot be used to trigger an IBC case at any of the time in his life. Period of lockdown has led to liquidity crunch and situation where businesses could run out of money following which they could be forced to insolvency, to take such lethal blow to the businesses, government has come up with the recourse of Section 10A.

However, this was not all the effects of the pandemic, which went beyond simply the suspension of filings and it also resulted in an increase of the threshold to initiate insolvency proceedings from 1 lakh to 1 crore. This measure, which on the face of it was aimed at protecting MSMEs, ended up going against them, as MSMEs are the ones who, in most cases, have to issue creditors notices for very small amounts through NCLT proceedings. Besides that, certain cases have put on record that the only thing to figure out 10As applicability is the date of default and that the creditors cannot use this to their advantage to avoid the suspension of proceedings. Therefore, one can say that the pandemic created a "temporal vacuum" in the history of the IBC, which really means that IBC timelines are to be seen in the context of the country's overall economic and social scenario.

CASE STUDY: THE 2025 BHUSHAN POWER AND STEEL REVERSAL

The insolvency proceedings of Bhushan Power and Steel Ltd. are a quite revealing illustration of the clash between the finality and pragmatism. According to the Supreme Court, the resolution plan of JSW Steel was rejected in May 2025, as the insolvency proceedings had lasted far longer than the prescribed 330 days. Therefore, the ruling of the Supreme Court in this case hardly stands as a balanced decision and, as it is only fixated on the time factor, it ends up being the liquidation of a company that had already been through the insolvency process and its ownership was already changed.

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Nevertheless, in a surprising reversal in September 2025, the Supreme Court retracted its verdict, acknowledging that it had missed some significant elements of the case. The Supreme Court took a sensible stance and stated that the 'timer' in Section 12 would be frozen the moment a resolution plan is given the green light by the NCLT. It should not be the case that the validity of a resolution plan is jeopardized by the delays in executing the plan due to external factors like the ED confiscating assets under the PMLA. This decision has brought back the trust in the IBC as it emphasizes that business logic and the main purpose of a resolution are more important than a 330-day 'checklist.'

INSTITUTIONAL REFORMS AND THE 2025-2026 REGULATORY LANDSCAPE

The Insolvency and Bankruptcy Board of India(IBBI) has taken several initiatives to, among other things, amend the various regulatory provisions to address causes of delays. Key changes have been affected in February 2025 to simplify the procedure. Among these changes, Regulation 38 of the IBBI Insolvency Resolution Process Regulations 2024 has been revised to require the constitution of "monitoring committees" for all resolution plans, to ensure the smooth handover from the Resolution Professional to the successful applicant, which is reported quarterly to the Adjudicating Authority. This is one of the ways of closing the "implementation gap, " which was very blatantly exposed in the Bhushan Steel case. Introduction of the BAANKNET auction platform will be mandatory for selling assets during liquidation, starting from April 1, 2025. This platform is expected to significantly improve the efficiency of the sale process and will be used for thousands of auctions. One of the major bottlenecks in asset realization, which is a time-consuming process during liquidation, will be alleviated.

SYNTHESIS: TIME-BOUND RESOLUTION AS A REFORM IN PROGRESS

Evaluating the IBC progression in 2024-2025 unveils that it is not completely a reality or a myth but a "living framework" that keeps changing with judicial reviews, institutional limitations, and unexpected economic changes. Indeed the 180 and 330-day deadlines are regularly violated in real situations with the average resolution time going up to 700 days or more however, the mere presence of such deadlines has been a significant "temporal discipline" which was totally missing in the past regimes. The reality of the IBC is that it has been a great tool in changing the behavioural incentives of corporate India. The mere possibility of losing control of a company on account of default has induced a culture of credit discipline and prompt settlement of billions of dollars of debt even before the cases are formally admitted to the NCLT. Besides, the clean slate principle and the judicial leniency as manifested in the Bhushan Steel case clearly indicate that revival of business and maximization of economic value continues to be the core focus of the Code.

The concept of perfectly fixing insolvency problems in a completely mechanical way, simply by sticking to a calendar, is a myth that continues. There are many things that come in between negotiation with multiple stakeholders, Section 29A due diligence being very strict, and the fact that there are a lot of case backlogs in institutions, which will mean that the 330-day time line is more of a goal than a reality. In order for the time-bound resolution directive to turn into a reality, it is not only a case of law making and intent but also the investment by institutions, the restraint of courts in not over-litigating cases and the use of flexible resolution tools such as pre-packs.

CONCLUSION

The analysis of the IBC in 2025 and 2026 ends up describing an insolvency system that is strong but also has some problems in it. The time-bound resolution mechanism is the guiding light for the entire insolvency system of the country, a fundamental principle which ensures speed is the driving force of the economic agenda, even though the system is still struggling with the delays caused by an inherently complex legal and financial system. If the IBC is to be successful in the coming years, it will depend on whether the legislature and the judiciary can continue to make this system fast enough to create value and at the same time flexible enough to do justice.

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