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Corporate Restructuring in India: A Framework for Practitioners

Indian businesses are increasingly using corporate restructuring as a key strategic tool to navigate a regulatory environment that is becoming more complex and a market that is always changing. This paper gives a complete, practice-based framework for corporate restructuring in India, and the regulatory framework set out by the Insolvency and Bankruptcy Code (IBC), 2016 and the Companies Act, 2013. This study examines how restructuring methods have changed between 2024 and 2025, identifies major problems, such as delays in the process and issues with interpreting the law, and suggests practical alternatives. The article is designed to share information on mergers and acquisitions, insolvency, cross-border restructuring, and new trends in how AI can be used in the changing professional services segment.



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INTRODUCTION

Since the implementation of the Insolvency and Bankruptcy Code, 2016, the way businesses in India restructure has changed completely. The IBC was a major change from the old, fragmented legal system that handled corporate bankruptcy. It created a time-limited, creditor-driven process to extract the most value from assets and encourage entrepreneurship. As of December 2024, the IBC has initiated more than 8,175 insolvency processes, and 3,485 have been completed. This shows that the code is widely used.

At the same time, the Companies Act, 2013 provides businesses with a comprehensive set of rules for voluntary

restructuring through mergers, amalgamations, and schemes of arrangement. The process has become easier with the adoption of fast-track merger processes and the transfer of jurisdiction from High Courts to the National Company Law Tribunal (NCLT). However, it is still hard to strike a balance between efficiency and stakeholder protection.

OBJECTIVES OF THE STUDY

The objectives of this study are to provide a comprehensive framework for understanding and implementing corporate restructuring strategies in India. The precise objectives are as follows:

- To analyse the current laws that regulate corporate restructuring, such as the latest amendments in the IBC, 2016 and the Companies Act, 2013.
- To examine key restructuring options, such as mergers, amalgamations, demergers, and insolvency resolutions.
- To identify new trends and possible future directions in the practice of restructuring businesses.

THE INSOLVENCY AND BANKRUPTCY CODE, 2016

1. Goals and Growth

The Insolvency and Bankruptcy Code, 2016 changed how India deals with financial problems by creating a single, time-limited system. The main goal of the Code is to help financially troubled businesses get back on their feet as going concerns, with liquidation being a last resort. This ensures the process is quick while preserving asset value.

The IBC, 2016 played a significant role in this improvement; the gross NPAs of scheduled commercial banks fell from a high of 11.2% in March 2018 to 2.8% in March 2024. The IBC has always had a higher recovery rate than other methods. For example, in FY 2023-24, IBC accounted for 48% of bank recoveries, SARFAESI for 32%, and Debt Recovery Tribunals for 17%.

2. Important Parts and Steps

A financial creditor (Section 7), an operational creditor (Section 9), or the corporate debtor itself (Section 10) can start the CIRP if the company owes Rs 1 crore or more. When CIRP commences, a Section 14 moratorium stops all legal and enforcement actions, giving everyone time to reach an agreement. The Committee of Creditors (CoC), which comprises all financial creditors, makes important business decisions and reviews resolution plans submitted by those seeking to resolve their debts.

As of September 2024, CIRP has taken in roughly 8,002 cases, and about 75% of them have been closed in different ways. Fifty-six per cent of the closed cases were either resolved, settled, or withdrawn. This shows that the IBC Code, 2016 encourages people to settle their disputes through negotiation. Notably, 633 corporate debtors whose financial creditors filed for bankruptcy have been successfully resolved, with an average realisation of 30.09% of allowed claims—well above the usual liquidation values.

The resolution plan must follow the rules in Section 30(2) and not break any laws. The plan is sent to the NCLT for final approval after 66% of the CoC votes in favour. The historic decision of the Supreme Court in *K Sashidhar v. Indian Overseas Bank*¹ made it clear that the role of NCLT is only to check compliance, not to judge the CoC's business sense.

THE IBC AMENDMENT BILL, 2025: A COMPLETE OVERHAUL

The IBC Amendment Bill, introduced in the Lok Sabha on August 12, 2025, is the most significant change to the IBC Code, 2016 since its enactment. The Bill addresses ongoing problems such as delays in procedures, ambiguity in recovery outcomes, and confusion arising from different judicial interpretations. NCLT must accept applications when certain conditions are met; there can be no other reasons for rejection; there is a 14-day deadline with written justifications for delays.

1. CIIRP Overview

The Creditor-Initiated Insolvency Resolution Process (CIIRP) allows some banks to initiate the process outside of court. The debtor stays in charge during CIIRP.

2. Restrictions on withdrawals

Allowed only after a 90% vote from the CoC; only for plans to resolve issues before the first call; must be disposed of within 30 days.

3. Insolvency of a Group

A plan for working together to solve problems with group firms that are tied to each other, joint creditor

committees, a shared insolvency professional, and single-bench hearings.

4. Framework for Cross-Border

Recognising foreign bankruptcy cases, working together with Indian and foreign courts, and working together to settle the bankruptcies of multinational groups.

THE COMPANIES ACT, 2013: FRAMEWORK FOR VOLUNTARY RESTRUCTURING

1. Sections 230–240: Full Restructuring System

Chapter XV of the Companies Act, 2013 (Sections 230–240) gives a full set of rules for compromises, agreements, and mergers. This system makes it easier for companies to restructure on their own through court-approved plans, which protects stakeholders while allowing for business flexibility. Some important parts are:

Section 230: Deals and compromises between a business and its members or creditors.

Section 231: What the NCLT can do to enforce and oversee plans.

Section 232: Companies can merge or combine.

Section 233: Quick mergers for small businesses and combinations of holding and subsidiary enterprises.

Section 234: Mergers between companies from different countries that have been notified.

2. Reforms to Fast-Track Mergers (2024–2025)

The changes to the Companies (Compromises, Arrangements, and Amalgamations) Rules in September 2024 and 2025 significantly improved the fast-track merger system. Most importantly, these changes made it clear that “reverse-flip” mergers—where a foreign holding company merges into a wholly owned Indian subsidiary—could proceed under fast-track procedures with the consent of the Reserve Bank of India.

The changes also made the rules less strict about the time limit for filing petitions with the Regional Director. The time limit for filing petitions was changed from 7 days to 15 days after the member/creditor meetings ended. These adjustments are in line with what the sector has asked for to make reorganisations within groups easier, and they also align with the Government's goals to make business easier, as outlined in the Union Budget 2025-26.

Fast-track mergers do not have to go through NCLT proceedings. Instead, they need permission from at least 90% of shareholders and 90% of creditors, followed by certification from the Regional Director. Small businesses, parent-subsidiary combinations, start-ups, and foreign-Indian holding-subsidiary reverse mergers are now all eligible.

Type of Restructuring depends on the goal of the Strategy, and on the industry. Merger across the board helps in consolidation of the market, enables lower costs synergies and improves margins due to larger size and lessens rivalry.

¹ *Supreme Court of India, CIVIL APPEAL NO.10673 OF 2018*

3. Restructuring Corporate Debt under Section 230

Section 230(2)(c) especially talks about corporate debt restructuring plans that change or reorganise how a company owes money to its creditors. At least 75% of secured creditors by value must agree to such plans, and they must include:

- Protection for other creditors, both secured and unsecured.
- Auditor's report certifying compliance with liquidity rules after restructuring.
- Adoption of RBI CDR guidelines statement (if relevant).
- A registered valuers report on the worth of all assets.

PRACTICAL RESTRUCTURING FRAMEWORK: INSIGHTS FROM THE INDUSTRY

1. Different Types of Restructuring and Their Strategic Reasons

Type of Restructuring depends on the goal of the Strategy, and on the industry. Merger across the board helps in consolidation of the market, enables lower costs synergies and improves margins due to larger size and lessens rivalry.

Mergers in the telecom and banking sectors (PSU banks) is a key example of size related benefits that can accrue in the financial services industry which is crucial for sustainable growth and survival.

Merging Vertically helps in integration of the supply chain, lowering costs, and quality control and helps combine manufacturing and distribution, as well as tech and hardware, as seen in manufacturing and FMCG industries.

Group exposures can reduce risks by diversification, spreading out risk, and working together across industries, on either partner basis or strategic alliance route. Also traditional business groups are growing into new areas, and are not averse to test the new age industries like IT services, IT enabled services, AI, ML and technology tools.

Demerger or spin-off helps focus on one's core business, uncover value, and set discrete paths for expansion, and helps obtain value for the investment locked up in assets. Also the separations between IT services and infrastructure-financial services, helps diversify or reduce risk and ring fence the assets from external adverse factors which can otherwise impact the combined financial statements of entities, which can potentially erode value in times of distress.

Reverse Merger, is helpful in certain cases where tax optimisation, regulatory arbitrage, are required and making things easier to preserve flexibility and maintain value of assets, while at the same time make good business sense in the process. A subsidiary taking over parent, reverse flips from other countries.

The type of restructuring that an entity chooses should be based on its strategic goals, how it wants to position itself in the market, its risk appetite, governance characteristics, and how it proposes to create value for the stakeholders, not just be focused on financial or tax reasons.

2. Framework for Due Diligence

A thorough due diligence process is the key to a successful reorganisation. According to what top companies do, the due diligence process should include:

- Financial Due Diligence: Looking at past financial data, the quality of earnings, the amount of working capital needed, the structure of debt, any potential liabilities, and tax situations.
- Legal Due Diligence: Corporate structure, important contracts, lawsuits, following the law, intellectual property, and labour/employment issues.
- Operational Due Diligence: Checking the long-term viability of the business model, the strength of the supply chain, the technology infrastructure, and the skills of the employees.
- Commercial Due Diligence: Identify synergies, looking at the market position, the competitive landscape, the concentration of customers, and the growth potential.
- ESG and Compliance: Environmental obligations, social responsibility metrics, governance structures, and following the rules of integrated corporate governance that work against unfair business practices.

3. A Step-by-Step Process Framework for Mergers and Amalgamations

The following framework brings together the rules from the Companies Act, 2013, the SEBI rules, the Competition Act, 2002, and the best practices from top law firms:

The first Stage involves the identification of important tasks, requirements of law, and scheduling the planning process from a strategic perspective.

Planning ahead is based on strategic reasons and needs proper alignment to board set-up objectives in the corporate charter, and this is to be articulated well by the Board and in line with the same conduct of due diligence, on the target or acquirer, which is performed, and this helps figure out the value, and deciding on the structure. Deciding on the structure can be quite complex is governed by a range of factors like existing ownership structure of the target or acquirer, RBI guidelines, SEBI guidelines, and whether the industry is in the regulated category or otherwise.

In cross-border cases FEMA and the Government of India policies on FDI may also likely trigger some special approvals to be obtained, in select cases.

Verification of the MOA and lender consent in principle is likely to take around 2 to 3 months.

Approval from the Board needs to be based on the draft plan, board approval, and notify the stock exchange (if listed). SEBI notice and the stock exchange's clearance process as also filing with the NCLT within the stipulated time.

Filing with the NCLT-Form NCLT-1, accompanying documentation, and a hearing for directions are all needed.

Regional Director, Official Liquidator, and Income Tax Clearance – Need around two to three months.

Meetings of shareholders and creditors, voting, and the chairman's report needs to be made ready and kept. A 3/4 of the value and a simple majority of the headcount is required, in the time frame of 1- 2 months.

The next step involves final NCLT hearing, objections dealt with, and order for scheme sanction.

CCI approval if limits are met with needs to be obtained, if and as applicable, likely time period being 2 to 4 months.

Necessary ROC filings, moving assets, giving out shares, and moving employees across entities and filing of Form INC-28, for order passed by NCLT, MGT-14, and additional filings for compliance, within a period of one month. The whole process takes 9 to 15 months for ordinary mergers and 4 to 6 months for fast-track mergers. NCLT backlogs or complicated rules can make timelines far longer than they should be.

INSOLVENCY RESOLUTION

1. The CIRP Process: A Professional's View

The Corporate Insolvency Resolution Process represents a major change in how India addresses financial problems. CIRP differs from standard winding-up procedures because it prioritises going-concern sales and operational continuity. The procedure is well thought out, but it is hard to put into action, and resolution professionals and advisers need to be very skilled at navigating it.

2. Important Factors for Success

Based on successful solutions recommended by top law firms and RBI's December 2024 review, the main elements for success are:

- **Early Intervention:** Cases initiated immediately after a default have far higher resolution rates. The 28,818 cases that were dropped before admission (worth Rs 10.22 lakh crore) show that IBC has a deterrent effect.
- **Competent Resolution Professional:** Choosing experienced RPs with expertise in the field is

directly linked to good results. The IBBI's enhanced professional standards aim to improve this dimension.

- **Effective CoC Coordination:** When all creditors work together, especially when they have different financial and operational needs, decisions are made faster. The employment of facilitators, added in the February 2025 revisions, is very important for real estate proceedings involving more than 1,000 creditors.
- **Operational Continuity:** Keeping the business going during CIRP keeps its value. Section 14's moratorium provides people with the space they need, but active operational management remains very important.
- **Competitive Bidding Process:** Strong marketing and a large number of qualified bidders help you secure the highest price. For the 17 cases that RBI sent to NCLT, under Section 35AA, the average amount recovered was 50% of the admitted claims and 190% of the liquidation value.

3. Challenges faced

Experience from major restructuring practices shows that several challenges arise due to issues not getting properly addressed and absence of fall-back plan for mitigation. Also there exists too much litigation by stakeholders leading to delays in timeline, increased costs and loss of value for assets under consideration. Early engagement with stakeholders, a clear methodology, and the required deadlines under the IBC Amendment Bill, 2025 can help alleviate the issues to some extent.

Insufficient information memorandum, interests by few bidders only, non-attractive prices for assets, and longer timelines for due diligence are also key issues that need to be effectively dealt with. Full data room, expert advisors, and platforms for virtual data rooms, can be helpful to some extent.

Disruption of operations during CIRP can cause Loss of customers, problems with suppliers, employees leaving, and assets physically and in value getting lower valuations. It also involves maintaining a well-structured operational management team, supplier guarantees, and packages to keep employees, hold to the restructuring entity.

Difficult group structures arise due to problems with inter company claims, assets becoming mixed up, and finding a complete answer to these issues is a major pain point. The Amendment Bill, 2025 for the group insolvency framework, starting with the CIRP in a coordinated way, helps in the process.

Disputes about eligibility under Section 29A, disqualification of bidders, restarting the process, and delays in resolution, verification of eligibility up front, full declarations, and legal checks of ownership structures also create a set of conditions that must be passed before a viable resolution plan can be tabled.

The rules under the IBC Amendment Bill, 2025 on group insolvency, statutory deadlines, and the CIRP are intended to address many of these problems systematically.

NEW TRENDS AND FUTURE DIRECTIONS

1. Digital Transformation and AI Integration

The professional services sector's own reorganisation, driven by AI and automation, can teach businesses a lot about how to change. The Government's introduction of an integrated technology platform for IBC in the 2024 budget shows that they recognise technology can help speed up processes and clarify matters.

2. Changes in Cross-Border Restructuring

The IBC Amendment Bill 2025- cross-border insolvency framework, based on UNCITRAL principles, is a major step forward in India's integration with global restructuring practices. This framework enables foreign bankruptcy cases to be recognised, for Indian and foreign courts to operate together, and for multinational business groups to be resolved in a coordinated way.

Recent court decisions show that courts are increasingly inclined to apply comity principles in cross-border insolvency cases. The revisions made in September 2024 that allow reverse-flip mergers (a foreign parent into an Indian wholly owned subsidiary) through fast-track procedures demonstrate that policymakers are aware of how investment patterns are shifting and that global corporate structures need flexible restructuring tools, and this can help in ease of doing business and cut down timelines for resolution plan execution.

3. ESG and Sustainability Issues

Environmental, Social, and Governance (ESG) issues are increasingly important to restructuring plans. Resolution plans now often include ESG pledges, which show that sustainable business models add value over time. Top consulting firms say that sustainability consulting is one of the fastest-growing areas. BCG's move into sustainability consulting through BCG X is a good example of this trend.

For organisations in trouble, ESG factors affect both the likelihood of resolving the issue and how well they perform after it is resolved. Environmental liabilities need to be carefully assessed during due diligence; social factors affect how stakeholders are involved, and plans for resolving problems often focus on improving governance.

SUGGESTIONS AND BEST PRACTICES

1. For Compliance Professionals and Company Secretaries

- **Create Early Warning Systems:** Use strong financial monitoring to spot warning signs of trouble before they lead to default. The IBC's threat works best when it is used early on at the beginning.
- **Keep your business documentation, financial records, and important contracts organised and easy**

to find so that you are always ready to restructure. The quality of the information has a big effect on how well restructuring works.

- **Build Advisor Networks:** Get to know your legal, financial, and operational advisors before you need them. Because of time constraints during CIRP, existing relationships are important.
- **Stay up to date on changes to the law:** IBC case law and changes to the Companies Act, 2013 happen quickly, so you need to keep studying. Sign up for updates from IBBI, MCA, and top legal firms.
- **Document Corporate Decisions Thoroughly:** Proper board resolutions, member approvals, and stakeholder communications generate evidence trails critical for regulatory compliance and dispute resolution.

2. For Advisors and Resolution Professionals

- **Prioritise Operational Continuity:** To keep entity assets safe during a moratorium, IPs need to manage their operations actively, not merely passively protect them.
- **Engage Stakeholders Proactively:** Maintaining open contact with all types of stakeholders reduces the risk of lawsuits and helps generate support for settlement plans.
- **Use technology to improve the resolution process and reach as many bidders as possible.** For example, use data analytics, virtual data rooms, and digital marketing platforms.
- **Consider other options:** In some circumstances, explore pre-pack insolvency, bilateral discussions, or English Restructuring Plans as alternatives to a full CIRP.
- **Follow Professional Standards:** Following IBBI rules and professional ethics makes you look good, strong on the legal front, and makes it easier to obtain government clearance.

3. A brief Framework on the process for Effective Business Restructuring

The diagrams below (see Fig. 1, 2, 3) divide the process into three pillars, and under each pillar, respective stakeholders will have to play their roles effectively to ensure that all efforts in the business restructuring process fall in the right place at the right time. Pillar -3, as a process, needs more commitment from the stakeholders, IP, and IRP so that the outcomes can be more beneficial and visible to society at large and improve the effectiveness of business restructuring, making the economy more vibrant and dynamic, and enable it to act as an accelerator for growth rather than the other way around. While legal and institutional mechanisms seem adequate, the issue is mainly in the effective execution of the tasks to arrive at a workable plan that can stand a commercial test in the real world, as any other options would only be lip service to the process.

Fig - 1



Fig - 2

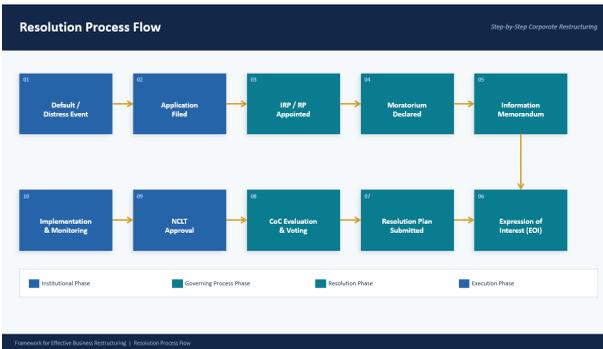
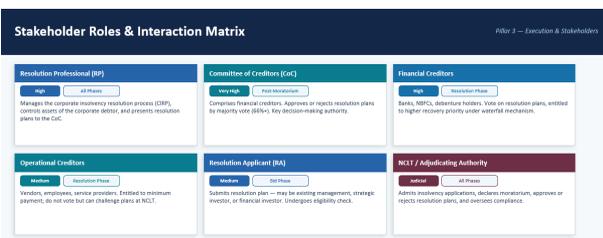


Fig - 3



Source –prepared by Author.

CONCLUSION

India's corporate reorganisation is a very important point. The IBC has changed the landscape in a big way by making insolvency a real threat, thereby enhancing credit discipline and making it easier to recover stressed assets. The framework's effectiveness is shown by the drop in NPAs in the banking industry from 11.2% to 2.8% and the IBC's rise to prominence as the main recovery tool. This supports the policy approach while also identifying areas for improvement.

The Companies Act, 2013 framework for voluntary restructuring, improved by recent fast-track merger amendments, provides corporations with more ways to reorganise proactively. Combining both distress-driven (IBC) and voluntary (Companies Act, 2013) restructuring paths offers a complete ecosystem that can handle a wide range of business scenarios.

The IBC Amendment Bill 2025- wide-ranging changes, such as addressing procedural delays, creating CIIRP and group

insolvency frameworks, and establishing mechanisms for cross-border cooperation, are well-thought-out ways to address gaps identified.

The ideas from top consulting and legal firms highlight several important aspects. First, successful restructuring needs people with a wide range of skills in finance, law, operations, and strategy. Second, taking action early makes a big difference in the results. Third, clear communication among stakeholders helps everyone get on the same page, making things go more smoothly and speeding up the process. Fourth, combining technology and AI can greatly improve efficiency and analytical skills.

The changing business landscape requires Company Secretaries and compliance experts to continue learning, planning, and maintaining a deep understanding of regulatory frameworks and market practices. The job goes beyond ensuring procedures are followed; it also involves providing strategic advice, which means you need to know how to analyse finances, manage stakeholders, and use new technology.

India's restructuring system is in process of still becoming better. It balances the rights of creditors with the needs of entrepreneurs, the needs of stakeholders with the needs of domestic businesses, and the needs of global businesses with the needs of domestic businesses.

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