

## REFORMING CORPORATE RESOLUTION: THE 2025 AMENDMENT BILL AND CODIFICATION OF GROUP INSOLVENCY

**Tushar Yadav\***

\*Penultimate year Student, Campus Law Centre, University of Delhi, Email Id- tusharyadav1262@gmail.com

**Corresponding Author:** Tushar Yadav

**Email:** tusharyadav1262@gmail.com

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### **Abstract**

*The Insolvency and Bankruptcy Code, 2016 (IBC), introduced as a framework for resolving insolvency in India, has significantly transformed the corporate restructuring landscape over the past decade. However, the complex economic realities of modern corporate structures which include vast conglomerates, special purpose vehicles, and integrated enterprise groups, have exposed critical legislative gaps in the Code's original single-entity approach. To rectify these gaps, the Insolvency and Bankruptcy Code (Amendment) Bill, 2025, was introduced.*

*This article critically examines the approach of group insolvency in India. It highlights the necessity of transitioning from ad hoc judicial interventions to a codified, statutory mechanism, as envisioned by the proposed Chapter VA and Section 59A of the Code. Furthermore, it examines important court decisions in cases like Videocon, Adel Landmarks, Lavasa, and IREO that filled the legal gap before the 2025 Amendment Bill. The article further analysed the other relevant legislations, such as the UNCITRAL Model Law on Enterprise Group Insolvency (MLEGI) 2019, the European Union's EIR Recast 2015, the United States Chapter 11 framework, the German Insolvency Code (InsO), and the Italian Code of Corporate Distress. Finally, this article outlines the optimal regulatory framework to maximise asset value and ensure fair recovery for creditors in complex group insolvencies in a time-bound manner.*

**Keywords:** *Insolvency and Bankruptcy Code; Amendment Bill; Group Insolvency; Corporate Group, Procedural Coordination; Substantive Consolidation.*

## 1. Introduction

The Central Government introduced an amendment bill on 12<sup>th</sup> August, 2025, before the Lok Sabha, which proposes several crucial changes to the existing concepts codified in the Insolvency and Bankruptcy Code, 2016 (the “IBC Code”) and further proposed certain new concepts keeping in mind the challenges encountered during the operation of the IBC Code. The proposed Bill introduced certain new additions to the code, which include “creditor-initiated insolvency resolution process”, “group insolvency” and “cross-border insolvency”<sup>1</sup>. The IBC code, now a decade old, has revealed critical shortcomings during its implementation over this period, which the present bill seeks to address. Among the proposed amendments, the central focus of this article is the introduction of ‘group insolvency’. In essence, this framework enables insolvency proceedings under the Code to be conducted collectively for two or more corporate debtors that form part of a group of companies, rather than treating each debtor individually.

The concept of group insolvency is not new to India’s legal landscape as it has evolved through scholarly discourses and judicial pronouncements, drawing inspiration from foreign legislations and jurisprudence. The landmark ruling, which laid the foundation of the group insolvency, is *State Bank of India v. Videocon Industries Ltd. & Ors.*<sup>2</sup>, which marked a significant jurisprudential shift from a single-entity approach to a consolidated ‘group’ approach, departing from a longstanding principle of separate legal entity established in the *Salomon Case*<sup>3</sup>. The latter approach treats the members of a corporate group as a unified economic entity that functions to promote the collective interests of the group as a whole<sup>4</sup>. The group insolvency approach includes several methods and techniques, of which the two are the most prevalent ones, i.e. (a) communication, coordination and cooperation between the insolvent group members and (b) substantive consolidation<sup>5</sup>.

This article seeks to analyse the proposed amendments to the IBC Code, 2016, introduced by the 2025 Amendment Bill, with a particular focus on the newly introduced group insolvency framework under Section 59A. It examines the rationale and necessity behind these reforms, undertakes a comparative analysis with established group insolvency regimes in other foreign jurisdictions, and draws valuable insights from relevant domestic judicial precedents.

## 2. What amendment bill proposes

The bill represents a pivotal reform to India’s insolvency regime, with an emphasis on establishing a structured framework for group insolvency. This amendment addresses longstanding gaps in handling interconnected corporate entities, where traditional single-entity approaches often lead to value erosion and procedural inefficiencies. By introducing Chapter VA and Section 59A, the bill empowers the Central Government to prescribe rules for conducting coordinated insolvency proceedings involving two or more corporate debtors forming part of a “group”. It leads to codification of judicial innovations with global best practices, marking a transition from ad hoc tribunal interventions to a statutory mechanism aimed at maximising stakeholder value through synergies among group members.

The bill provides a definition of a “group,” which encompasses corporate debtors interconnected by control or significant ownership. It further provides for an interpretation of “Control”, which include the right to appoint a majority of directors or key managerial personnel, influence management or policy decisions, and extends to arrangements via shareholding, agreements, or indirect means, drawing from the Companies Act, 2013. “Significant ownership” is interpreted as the right to exercise 26% or more of voting rights, ensuring the framework captures both vertical integrations (such as holding-subsidiary relationships) and horizontal ones (cross-ownership structures). This definition includes subsidiaries, holding companies, and associate companies, but excludes financial service providers unless notified otherwise, to prevent overreach into regulated sectors<sup>6</sup>.

The bill’s provisions focus on procedural coordination as the initial phase, with rules potentially enabling a common bench for adjudicating related proceedings, joint hearings, and the appointment of a single insolvency professional to manage multiple entities. It also facilitates the formation of a committee comprising representatives from the Committees of Creditors of the involved debtors, promoting synchronised decision-making and information sharing. The emphasis on procedural aspects is based on the recommendations from the 2019 Working Group on Group Insolvency<sup>7</sup>, which advised for a phased manner of implementation i.e. introducing procedural mechanism first and then substantive mechanism at a later stage.

## 3. Need for a dedicated framework

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<sup>1</sup> The Insolvency and Bankruptcy Code (Amendment) Bill, 2025, Bill No. 107 of 2025 (as introduced in Lok Sabha Aug. 12, 2025) (India).

<sup>2</sup> *State Bank of India v. Videocon Industries Ltd. & Ors.* M.A 1306/ 2018 & Ors. in CP No. 02/2018 & Ors- decision dated 08.08.2019.

<sup>3</sup> *Salomon v. Salomon & Co., Ltd.* (1897) AC 22 (HL)

<sup>4</sup> Ilya Kokorin, *The Rise of ‘Group Solution’ in Insolvency Law and Bank Resolution*, 22 Eur. Bus. Org. L. Rev. 781 (2021), <https://doi.org/10.1007/s40804-021-00220-4>.

<sup>5</sup> *Ibid.*

<sup>6</sup> Report of the Select Committee on the Insolvency and Bankruptcy Code (Amendment) Bill, 2025, Lok Sabha (presented Dec. 17, 2025).

<sup>7</sup> Insolvency & Bankruptcy Bd. of India, Report of the Working Group on Group Insolvency (Sept. 23, 2019), <https://ibbi.gov.in/uploads/whatsnew/2019-10-12-004043-ep0vq-d2b41342411e65d9558a8c0d8bb6c666.pdf>.

The group insolvency framework is a need of the hour in order to ensure that the code, which is a decade old, must evolve. The amendment seeks to foster the very core objective of IBC as enshrined in the preamble as well, i.e. maximisation of asset value and resolution in time-bound manner.

Despite the absence of a dedicated statutory framework governing group insolvency, judicial pronouncements have effectively bridged the resultant legislative void, thereby mitigating the deficiencies occasioned by such omission in the legal provisions. There have been several instances in which the adjudicating authority has proceeded in accordance with the principles of a group insolvency mechanism. For example, in the landmark Videocon case, the NCLT, for the first time, permitted the substantive consolidation of group companies, thereby merging their assets and liabilities. In doing so, it delineated an inclusive list of criteria upon which such consolidation may be approved.

The need of a dedicated framework in the code is quite reflective in the analysis of previous insolvency cases involving group business structure. For instance, there are groups which involves multiple entities established for the sole purpose of overcoming the regulatory and other restrictive impediments. An example of this situation was crafted in the IBBI report that the subsidiaries or SPVs are generally used by the real estate companies to bypass the urban land ceiling<sup>8</sup>. The situation outlined in this paragraph was present in the IREO case<sup>9</sup>, where only the parent company was admitted to the CIRP, whereas there were ten other land holding companies. Later, NCLT allowed consolidation of the group companies to resolve them jointly.

In the said case, Corporate Debtor (CD) under Corporate Insolvency Resolution Process is intricately linked with ten land-owning companies through Joint Development Agreements and Inter-Corporate Deposits. Although the land-owning entities held development licenses and agricultural land purchased with CD's funds, with no defaults on their part, 75% of the land was mortgaged to the CD's financial creditors, creating interdependencies that a standalone resolution of the CD would fail to address. This case exemplifies the necessity for a group insolvency framework in India, underscoring how group insolvency mechanisms are essential to holistically resolve entangled corporate groups, maximise asset value, and ensure equitable creditor recovery without fragmenting interdependent operations. Furthermore, in the case of integrated groups of companies, a group solution often entails the preservation of going concern value, which requires the prevention of group disintegration upon insolvency<sup>10</sup>.

Expanding on this economic rationale, large-scale corporate collapses demonstrate the severe problems caused by resolving each company in isolation. The case of the IL&FS Group collapse, which comprised of 348 interconnected entities, clearly showed that traditional single-entity insolvency tools are inadequate to handle complex group structures<sup>11</sup>. The real value of such integrated groups lies not merely in the individual assets of each subsidiary, but in the "going-concern surplus" which includes centralised management, shared intellectual property, integrated supply chains, and cross-collateralised financing.<sup>12</sup> Treating these entities separately often creates a domino effect, where the failure of one entity disrupts liquidity across the group, paralysing even solvent companies and destroying significant value. Section 59A seeks to prevent this loss by legally recognising that highly integrated corporate groups function as one economic entity.

For the purpose of this part, the need for such codified frameworks rests upon certain factors. Firstly, in the case of a group of companies exhibiting intrinsic inter-linkages, the resolution or liquidation of such group members under a single-entity approach would not be as advantageous as under a group insolvency approach<sup>13</sup>; secondly, to prevent the duplication of insolvency process and to maximise the asset value and creditors claim<sup>14</sup>; and lastly, the absence of a dedicated group insolvency framework has created a void, compelling judicial bodies to intervene and fill it, thereby underscoring the inevitable necessity for such a framework in the Code.

#### 4. Understanding Corporate Groups in Insolvency Laws

'Corporate groups' or a 'group of companies', in general terms, referred to a cluster of distinct corporate entities with functional interdependence and common control or ownership. The legal identity of such groups rests upon a persistent dichotomy, as on the one hand the law recognises each constituent member as *separate legal entity*<sup>15</sup>, whereas on the other hand, the economic reality is defined by an *intrinsic interconnectedness or linkages* (operational or financial). Corporate groups function as an interplay between autonomy and integration. Various national statutes, regulations, and accounting standards define the term "corporate groups" and related concepts<sup>16</sup>. One of such statutes is the Competition Act, 2002, which defines a "group" as comprising two or more enterprises that, directly or indirectly, are capable of: (i) exercising twenty-six percent or more of the voting rights in the other enterprise; (ii) appointing more than fifty percent of the members of the board of directors in the other enterprise; or (iii) controlling the management or affairs of the

<sup>8</sup> Procedural and Substantive Aspects of Group Insolvency: Learnings from Practical Experiences, Study by Indian Inst. of Insolvency Prof'ls of ICAI (IIPI) (Mar. 2021).

<sup>9</sup> *Ibid.*

<sup>10</sup> *Supra* note 4 at 2.

<sup>11</sup> Vibha Pandey & Samir Gopalan, One Group, One Grave? The Cases For Substantive Consolidation In Governance-Weak Conglomerates, 11 Int'l J. Env'tl Sci. 1414 (2025)

<sup>12</sup> *Ibid.*

<sup>13</sup> *Supra* note 7 at 3.

<sup>14</sup> Gaurav Chaliya, Three-C's in the Group Insolvency: An Indian Outlook, 17 Pratt's J. Bankr. L. 208 (June 2021).

<sup>15</sup> *Supra* note 3 at 2.

<sup>16</sup> Rajiv Mani, Group Insolvency in India, in IBC: Idea, Impressions and Implementation 323 (Insolvency & Bankruptcy Bd. of India 2022),

other enterprise. The Reserve Bank of India, in its circular on ‘Foreign Direct Investment (FDI) in India’<sup>17</sup>, similarly defines a “group” in substantially identical terms, with the exception of omitting sub-clause (iii) from the aforementioned definition.

However, the approach to defining a corporate group under international and foreign insolvency laws differs materially from the methodology outlined in the preceding paragraph. Such instruments at the international level include the BRRD (2014), the EIR Recast (2015), and the UNCITRAL Model Law on Enterprise Group Insolvency (2019) (“MLEGI”) and Legislative Guide on Insolvency Law (2012) (“Guide”). Further, pertinent national legislations include the insolvency laws of Germany, the United States, the United Kingdom, and Italy.

The EIR Recast defines ‘group of companies’ as “a parent undertaking and all its subsidiary undertakings” (BRRD also defines it on similar lines). MLEGI and Guide takes a different approach and base their definition on two factors: ‘Control’ and ‘Ownership’ which reads as “two or more enterprises that are interconnected by control or significant ownership”<sup>18</sup>.

Further, coming to the insolvency laws present in Germany, a group is delineated as comprising legally independent enterprises whose centre of main interests is situated within the domestic territory, and which maintain direct or indirect affiliations with one another arising from either the capacity to exert controlling influence or their integration under unified management<sup>19</sup>. Similarly, in the Italian Bankruptcy Code,<sup>20</sup> a corporate group in a manner that encompasses all entities subject to the direction and coordination exerted by a controlling company or entity, including those under direct or indirect control.

The US insolvency laws do not directly define the term corporate group or enterprise group; however, they rely on the term ‘Affiliate’ to administer the cases of group insolvency in order to direct procedural consolidation, generally or substantive consolidation, in rare cases<sup>21</sup>.

The WC, after analysing several definitions as cited in preceding paragraphs, recommended; firstly, the existing definitions of ‘group’ under legislations and standard currently in force in India are not relevant for the purpose of insolvency of group of companies<sup>22</sup>; and secondly, the WC recommended that the specific definition should be provided for group insolvency framework under the Code and such definition should include holding, subsidiary and associate companies<sup>23</sup>.

However, they further recommended a mechanism to include companies that are not covered by the definition but are “so intrinsically linked as to form part of a ‘group’ in commercial understanding”, through an application to the adjudicating authority. There can be diverging opinions on this recommendation as it opens a channel for frivolous litigation in contravention of the objective of the Code to conclude the insolvency procedure in a “time-bound manner” as enshrined in the preamble.

The Amendment bill defines the ‘group’ as “two or more corporate debtors that are interconnected by control or significant ownership, and include a holding company, a subsidiary company and an associate company of a corporate debtor, as defined under the Companies Act, 2013”. For further removal of doubts, the bill defines the terms ‘control’ and ‘significant ownership’ separately. The 26% voting rights threshold for “Significant Ownership” deviates from the 20% standard prevalent in US and UK jurisdictions. This 26% figure attempt to align with the Indian corporate structure, where a 26% stake confers the “negative control” necessary to block special resolutions.

However, the primary drawback of such a broad definition is that it is likely to trigger excessive litigation in ascertaining whether a corporate group falls within its ambit. The definition of ‘control’ under the Bill encompasses not only procedural control but also de facto control. Furthermore, these definitions are inclusive rather than exhaustive in nature. This open-ended approach is bound to generate interpretational disputes, resulting in increased pendency and further overburdening the already strained NCLT and NCLAT, where a substantial volume of insolvency cases remains pending. It is therefore imperative that the Central Government incorporates robust mechanisms in the subordinate rules to prevent such unnecessary litigation. For instance, the legislature need to clarify the interaction between the new 26% threshold and the existing 20% “Associate Company” definition in the Companies Act to prevent the opening of the floodgate of litigation.

## 5. Insight into Procedural Coordination, Procedural Consolidation and Substantive Consolidation

The Group Insolvency across the globe includes several mechanisms which can be classified into two broad categories, i.e. Procedural Coordination and Substantive Consolidation. Most international insolvency frameworks prefer procedural coordination over substantive consolidation as it upholds the fundamental principle of separate legal personality and limited liability. Nevertheless, substantive consolidation plays a vital role in appropriate cases,

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<sup>17</sup> RBI circular on ‘Foreign Direct Investment (FDI) in India – definition of ‘group company’, November, 2013.

<sup>18</sup> Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on Insolvency Proceedings (Recast), 2015 O.J. (L 141) 19

<sup>19</sup> InsO (n 4) s 3e; translated by Schultze & Braun GmbH & Co. KG, "Insolvency and Restructuring in Germany" (Yearbook 2019).

<sup>20</sup> Roberto Bonsignore et al., "Italy's New Insolvency Code" (Cleary Gottlieb Steen Hamilton LLP, 2019); available at <https://www.clearygottlieb.com/-/media/files/alert-memos2019/italys-new-insolvency-code.pdf>.

<sup>21</sup> Supra note 12 at 5.

<sup>22</sup> Supra note 7 at 3.

<sup>23</sup> *Ibid.*

particularly where the group companies are highly integrated, their affairs are significantly commingled, or where separate treatment would lead to substantial destruction of enterprise value.

### **5.1. Procedural coordination and consolidation**

The preliminary analysis of the Bill unequivocally demonstrates that the Government is adhering to the framework delineated by the Working Group (WG). The WG recommends that the Group Insolvency Framework be implemented in a phased manner, with the initial phase emphasising procedural coordination.

In the WG report, the procedural coordination is explained through the delineation of key mechanisms, with particular emphasis on: (a) cooperation, communication and information sharing, (b) group coordination for the preparation of a common expression of interest, resolution plan, etc., (c) a joint application process, and (d) the designation of single Adjudicating Authority, appointment of a single insolvency professional and formation of a group creditors' committee.<sup>24</sup>

However, the scholarly discourse has been more categorised in its approach to classification than the WG. The procedural aspect of group insolvency has been delineated into a coordinative and consolidative one<sup>25</sup>. Procedural coordination generally includes the mechanism mentioned above from (a) to (c). On the other hand, the mechanism (d) forms part of procedural consolidation.

To further explain it, procedural consolidation particularly includes a process in insolvency law whereby a single common court within one jurisdiction assumes oversight or administration of the insolvency proceedings pertaining to multiple affiliated entities comprising a corporate group.<sup>26</sup> Unlike mere coordination, this approach centralises control over key elements of the cases, such as appointing a unified insolvency professional or streamlining claims handling, which helps minimise expenses, speed up resolutions, and eliminate redundant efforts. Nevertheless, it fundamentally differs from substantive consolidation insofar as, unlike the latter, the creditors' claim against a particular entity remains limited to the asset value of that entity only, notwithstanding the procedural consolidation with other corporate debtors.

Procedural consolidation, in fact, is an extension of procedural coordination, where an insolvency or liquidation process of different entities forming a group is put under a "common procedure",<sup>27</sup> evolving from mere coordination and cooperation between separate processes. The bill seems to be more inclined towards these two mechanisms and envisages the Substantive Consolidation mechanism to be introduced at a later stage.

### **5.2. Substantive Consolidation**

Substantive consolidation is generally regarded as a stringent mechanism within the group insolvency framework, with courts consistently ruling that it must be approached with extreme caution and granted only in extraordinary circumstances<sup>28</sup>. This is because it transcends the fundamental principle of separate legal personality, permitting the merger of assets and liabilities of distinct corporate entities that form part of the same group.

The jurisprudence of substantive consolidation has been meticulously propounded by the US courts. In the *Augie/Restivo Baking Co.*<sup>29</sup> case, the court explained substantive consolidation as "pooling the assets of, and claims against, the two entities; satisfying liabilities from the resultant common fund; eliminating inter-company claims; and combining the creditors of the two companies for purposes of voting on reorganisation plans." Similarly, the court has classified substantive consolidation as an equitable remedy<sup>30</sup>.

The idea of substantive consolidation is based on two notions, as iterated in *Owen Corning Case*; firstly, that the entities were so intrinsically linked or tangled that the line of separateness between them became blurred resulting in forced perception upon the creditors that they are "single entity"; and secondly, that the assets and liabilities of such entities are so intermingled that following a standalone approach will be detrimental to the interest of the creditors. The second part is based on the concept of 'Pareto efficiency' i.e. at least one should benefit from the consolidation and no creditor must be worse off<sup>31</sup>.

The landmark example of case involving substantive consolidation in the Indian insolvency jurisprudence is the *Videocon case*<sup>32</sup>. Owing to the fact that the member entities of the Videocon group were so intrinsically interlinked to each other, the line of being separated consequently became blurred, compelling the NCLT to allow substantive consolidation of 13 companies out of the total of 15. While the Amendment Bill does not currently incorporate provisions for substantive consolidation, its underlying intent is to introduce such a framework at a subsequent stage, in accordance with the recommendations of the Working Group and the Select Committee.

## **6. What should be our group insolvency regime: Comparative analysis and the way forward**

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<sup>24</sup> *Ibid.*

<sup>25</sup> Sarra, J., "Maidum's challenge, legal and governance issues in dealing with cross-border business enterprise group insolvencies" (2018) 17(2) *International Insolvency Review* 73, 122.

<sup>26</sup> *Ibid.*

<sup>27</sup> *Supra* note 8 at 4.

<sup>28</sup> *In re United Stairs Corp.*, 176 B.R. 359, 368-69 (Bankr.D.N.J.1995).

<sup>29</sup> *In re Augie/Restivo Baking Co.*, 860 F.2d 515 (2d Cir. 1988).

<sup>30</sup> *In re Owens Corning*, 419 F.3d 195 (3d Cir. 2005).

<sup>31</sup> *Supra* note 4 at 2.

<sup>32</sup> *Supra* note 2 at 1.

The amendment bill only proposes certain factors on which the central government may provide rules. A bare analysis of it gives an impression that the intention of the lawmakers is inclining more towards the procedural coordination and 'consolidation' as a means to group insolvency. However, the scope of implementation is very wide and may include other mechanism based on the needs of the group insolvency regime in order to curb the loopholes and maximise the efficiency. Through the analysis of previous judicial pronouncements of Indian as well as foreign jurisdiction and drawing inspiration from foreign statutes consisting of group insolvency framework, we can make an idea of what our group insolvency framework should look like.

### 6.1. Previous judicial developments in India

Prior to the legislative formalisation envisioned by the 2025 Amendment Bill, the Indian adjudicatory bodies, specifically the National Company Law Tribunal (NCLT) and the National Company Law Appellate Tribunal (NCLAT), were compelled to engineer ad hoc mechanisms to prevent the failure of interdependent conglomerates. This body of jurisprudence provides the operational blueprint for how Section 59A must be executed in practice.

- *Edelweiss Asset Reconstruction Co. Ltd. v. Sachet Infrastructure Pvt. Ltd.*<sup>33</sup>.

This judgment significantly expanded the doctrine of group insolvency into the highly distressed real estate sector. The principal borrower, Adel Landmarks Ltd., operated as the sole developer for a township project which utilised a consortium model which involved several corporate guarantors that owned the underlying land parcels<sup>34</sup>. When Edelweiss Asset Reconstruction Company Ltd. filed Section 7 CIRP applications against nine of these corporate guarantors, the NCLT initially dismissed them by stating that a CIRP was already underway against the principal borrower for the identical debt.

On appeal, the NCLAT looked into the collaborative development agreements and town planning licenses. They held that the whole real estate project was basically one economic unit and hence, indivisible. The NCLAT directed the initiation of a consolidated Group CIRP against five corporate debtors alongside the principal borrower, appointing a common Resolution Professional to oversee the synchronised process. Further, the NCLAT declined to impose group insolvency on four other affiliated entities due to a lack of evidentiary linkage. This case highlighted the significance of evidentiary linkages while ascertaining the need of group insolvency and established that group consolidation is an evidence-based remedy rather than an automatic presumption.

- *Oase Asia Pacific Pte Ltd v. Axis Bank Ltd*<sup>35</sup>

The complexities surrounding procedural consolidation were further demonstrated in the Lavasa Corporation case. The NCLT Mumbai Bench ordered the consolidation of the CIRP of Lavasa Corporation Ltd. with its two wholly-owned subsidiaries, i.e. Warasgaon Assets Maintenance Ltd. and Dasve Convention Centre Ltd., based on their profound operational interdependencies. When an operational creditor challenged the order on the ground that the entities had distinct creditor bases and liabilities, the NCLAT dismissed the appeal. Relying on the Videocon criteria, the Appellate Tribunal observed that the subsidiaries were entirely dependent on the parent company for their commercial existence and that prospective resolution applicants insisted on the extinguishment of the entire group's debts. Accordingly, the NCLAT sanctioned the constitution of a single consolidated Committee of Creditors to administer the unified proceedings, setting a significant precedent for coordinated group insolvency resolution.

The aforementioned case underlines the need of formulating specific criteria that can serve as a checklist for prima facie determining whether a group of companies falls within such a distinction and, if so, to what extent. In the absence of any such predefined list of criteria, ascertaining the nature of a corporate group is likely to result in unnecessary litigation, thereby causing unwarranted delays.

- *State Bank of India v. Videocon Industries Ltd*<sup>36</sup>.

The Tribunal's justification for consolidating the entities involved in this case ultimately came down to how deeply their operations were entangled. As discussed previously, the companies exhibited a common management structure, shared debt obligations, and a highly interlaced financial architecture. To address this, the Tribunal took the significant step of ordering substantive consolidation. This effectively merges the group into one entity for the purposes of bankruptcy. The order passed by the Hon'ble Tribunal led to substantive consolidation by directing a single insolvency resolution process, pooling of assets and liabilities, extinguishment of intra-group debts, aggregation of cross-guarantees, and the formation of a single Committee of Creditors under one Resolution Professional, all with a common date of insolvency commencement.

However, two entities shown independent operational viability and the capacity to service their debts without reliance on the rest of the group were expressly excluded from the consolidated proceedings. This ruling shown that Indian adjudicating authorities exercise substantive consolidation on a strictly discretionary, case-specific basis rather than as a

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<sup>33</sup> Edelweiss Asset Reconstruction Co. Ltd. v. Sachet Infrastructure Pvt. Ltd., Company Appeal (AT) (Insolvency) No. 377 of 2019 (NCLAT Sept. 20, 2019),

<sup>34</sup>*Ibid.*

<sup>35</sup> Oase Asia Pacific Pte Ltd v. Axis Bank Ltd & Ors., Company Appeal (AT) (Insolvency) No. 783 of 2020 (NCLAT Feb. 26, 2021).

<sup>36</sup> Supra note 2 at 1.

blanket rule. Similarly, the proposed group insolvency framework, which envisages the introduction of substantive consolidation at a later stage, must address two critical aspects. First, it should expressly codify the criteria developed in landmark judicial precedents, thereby providing clear and objective yardsticks for determining when substantive consolidation is needed. Second, it must grant the Adjudicating Authority sufficient discretion to apply these criteria in a flexible, case-by-case manner, ensuring that the mechanism remains responsive to the specific facts and circumstances of each corporate group.

## 6.2. Comparative Analysis of International Frameworks

For the optimal formulation and execution of the delegated legislation under Section 59A of the amendment bill, the Indian framework must draw inspiration from established international insolvency regimes. The global community codified these mechanisms to manage enterprise distress, providing invaluable blueprints for balancing administrative synergy with creditor protection.

- *UNCITRAL Model Law on Enterprise Group Insolvency (MLEGI) 2019*

The MLEGI 2019 serves as an international standard for managing corporate conglomerates. It represents an evolution from its 1997 predecessor (the Model Law on Cross-Border Insolvency), which excluded enterprise groups because group insolvency was then considered “a stage too far”. MLEGI 2019 introduces flexible coordination tools<sup>37</sup>. The framework introduces the concept of a “planning proceeding” which includes a single insolvency proceeding commenced at the location where at least one central group member maintains its centre of main interests (COMI). This proceeding enabled the appointment of a “group representative” responsible for formulating a comprehensive “group insolvency solution” that encompasses the reorganisation or liquidation of multiple group members. Importantly, MLEGI 2019 strictly operates on a foundation of voluntary participation and rigidly respects the legal separateness of entities. Further, it explicitly forbids any group solution from overriding the rights of specific creditors of an individual group members.

- *European Union Insolvency Regulation (EIR Recast 2015)*

The EU EIR Recast 2015 provides a highly sophisticated regional response to the complexities of cross-border enterprise distress<sup>38</sup>. Acknowledging the chaotic consequences of disorganised parallel proceedings, the Recast mandates that insolvency practitioners and adjudicatory courts across the Union must communicate and cooperate to the maximum extent possible. Furthermore, it introduced a dedicated framework known as “group coordination proceedings” under Article 61, and when it is initiated, a court appoints a “group coordinator” tasked with designing a holistic group reorganisation plan<sup>39</sup>. However, the European framework imposes stringent boundary conditions: the coordinator cannot legally interfere in the distinct insolvency proceedings of individual entities, and the coordination plan remains entirely non-binding. The entire structure is anchored by the “No Creditor Worse Off” principle, ensuring that the pursuit of group-wide synergy never compromises the minimum baseline recovery expected by the creditors of any single subsidiary.

- *United States Bankruptcy Code*

The United States uses a bifurcated approach to manage multi-debtor bankruptcies<sup>40</sup>. Rule 1015(b) of the Federal Rules of Bankruptcy Procedure explicitly permits the “joint administration” of affiliated debtors<sup>41</sup>. Joint administration is an administrative mechanism which allows consolidated hearings and a unified claims register. However, the underlying legal estates and creditor pools of the debtors remain resolutely distinct<sup>42</sup>. Conversely, substantive consolidation in the US is not explicitly codified in the Bankruptcy Code but exists as a potent equitable remedy derived from the broad discretionary powers granted to bankruptcy courts under Section 105(a). US courts treat substantive consolidation as an extreme “rough justice remedy” of last resort.<sup>43</sup>

As established in foundational cases like the Owens Corning case, courts demand incontrovertible proof that either the creditors dealt with the entities as a single economic unit and did not rely on their separate identities, or that the assets and liabilities are so hopelessly commingled that attempting to untangle them would destroy what little value remains.

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<sup>37</sup> “UNCITRAL Model Law on Enterprise Group Insolvency with Guide to Enactment (2019).” United Nations Commission on International Trade Law, [uncitral.un.org/en/MLEGI](http://uncitral.un.org/en/MLEGI).

<sup>38</sup>. Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on Insolvency Proceedings (Recast), 2015 O.J. (L 141) 19

<sup>39</sup> *Id.*

<sup>40</sup> S.D. Ind. B-1015-1 (Consolidation or Joint Administration of Cases Pending in Same Court), <https://www.insb.uscourts.gov/content/b-1015-1-consolidation-or-joint-administration-cases-pending-same-court>.

<sup>41</sup> Daniel J. Merrett, First Impressions: 9th Circuit Rules that Notice of Proposed Substantive Consolidation Must Be Given to Creditors of Non-Debtor, *Jones Day* (Dec. 2019)

<sup>42</sup> *Supra* Note 40 at 17.

<sup>43</sup> *Supra* Note 41 at 17.

The US courts are very reluctant to go against the priority rules set out in Chapter 11 unless there's a really strong economic reason to do so.<sup>44</sup>

- *Germany Insolvency Code - InsO*

Germany amended its Insolvency Code (*InsO*) in 2018 by adding comprehensive group insolvency rules (*Konzerninsolvenzrecht*) under Sections 269a to 269i<sup>45</sup>. This framework provides a highly structured mechanism for procedural consolidation. Under Section 3a of the *InsO*, the disparate insolvency proceedings of multiple group companies can be formally consolidated before a single, specialised central court known as the *Koordinationsgericht*<sup>46</sup>. Section 56b authorises the appointment of a single insolvency administrator across the entire group. In scenarios where multiple administrators are utilised, Section 269a imposes an inescapable statutory duty of cooperation upon them. Furthermore, the German central court is empowered to appoint a proceedings-coordinator (*Verfahrenskoordinator*), whose duty is to formulate an overarching coordination plan<sup>47</sup>. This highly regulated, statute-driven approach provides India with an excellent template for balancing centralised oversight with respect for distinct corporate personalities.

- *Italian Code of Corporate Distress and Insolvency*

The Italian legal system recently enacted the Code of Corporate Distress and Insolvency, which fully entered into force in 2022 and introduced specialised procedural mechanism for handling enterprise groups.<sup>48</sup> The Italian Code establishes a framework where distressed companies operating within a group may submit a single, unified request for admission into a joint composition with creditors (*concordato preventivo*) or a comprehensive debt restructuring agreement.<sup>49</sup> This unified approach significantly reduces administrative friction and allows for the implementation of group-wide rescue financing (DIP Financing).<sup>50</sup> Crucially, however, the Italian courts retain vigilant oversight capabilities in order to protect against the inequitable treatment of different creditor classes. The court possesses the authority to unilaterally order the separation of a group-wide proceeding at any moment if it detects a material conflict of interest among the different group companies or their respective creditors<sup>51</sup>. This mechanism will also be relevant in the Indian context to enable the constant judicial oversight.

## 7. The Forward Trajectory: Outlining India's Group Insolvency Regime

The synthesis of domestic judicial precedents and international frameworks clearly delineates the optimal path for the implementation of Section 59A under the amendment bill. As the Central Government and the Insolvency and Bankruptcy Board of India (IBBI) formulate the subordinate rules, it is imperative that the regulatory framework avoids vague and ambiguous provisions. Such ambiguity is likely to trigger unnecessary litigation, ultimately undermining the core objectives of the Insolvency and Bankruptcy Code.

Referring to the Select Committee Report, the Committee placed significant emphasis on the nature, scope, and substance of the subordinate rules to be formulated by the Central Government. It is recommended that these rules must be precisely drafted to ensure that the procedural coordination mechanism enhances efficiency in group insolvency proceedings, while simultaneously preventing the introduction of any provisions that could create greater complexity or open additional avenues for legal disputes.<sup>52</sup>

The statutory mechanism must be one of robust procedural coordination and joint administration. Referring to the German *Konzerninsolvenzrecht* and US Chapter 11 Rule 1015(b) frameworks, the Indian rules should establish a special common adjudicatory bench to facilitate the joint hearings, and the appointment of unified Resolution Professionals. The explicit codification of a "Group Coordinator," as strongly advocated by the Select Committee in December 2025 and utilised in both the EU EIR Recast and German models, will be crucial in bridging informational asymmetries and negotiating holistic resolution plans without violating the distinct rights of individual CoCs.

Simultaneously, the framework must provide an exceptional mechanism for substantive consolidation. A sole focus on procedural consolidation and coordination risks creating unintended loopholes that may be exploited, thereby

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<sup>44</sup> Kevin C. Maclay, Todd E. Phillips & Caroline E. Parke, Is "Per Debtor" Better? Cases Analyzing Cramdown and Substantive Consolidation Reflect Ongoing Debate About Creditor Protections in Multi-Debtor Bankruptcies, *Caplin & Drysdale*, Chartered (Apr. 19, 2018).

<sup>45</sup> Insolvency Code (Insolvenzordnung – *InsO*) of 5 October 1994 (Federal Law Gazette I p. 2866), as last amended by Article 2 of the Act of 7 May 2021 (Federal Law Gazette I p. 850) (Ute Reusch trans.), [https://www.gesetze-im-internet.de/englisch\\_inso/englisch\\_inso.html](https://www.gesetze-im-internet.de/englisch_inso/englisch_inso.html).

<sup>46</sup> *Ibid.*

<sup>47</sup> *Ibid.*

<sup>48</sup> Michael Immordino et al., The Insolvency Code: Perfect Timing for a New Legal Framework for Distressed Companies, *White & Case LLP* (Nov. 4, 2022).

<sup>49</sup> Pierantonio Musso et al., The New Italian Insolvency Code: A Predicted Revolution, *Hogan Lovells* (July 27, 2022).

<sup>50</sup> Andrea Novarese, Tiziana Germinario & Francesco Giovanni Giuseppe Pirisi, The Italian Insolvency Code: New Rules on "Debtor-in-Possession" Financing, *Latham & Watkins* (Apr. 16, 2019).

<sup>51</sup> Roberto Bonsignore, Giuseppe Scassellati-Sforzolini, Francesco Iodice & Sara Maria Crupi, Updates to Italy's Insolvency Code, 21 *Pratt's J. Bankr. L.* 40 (2025).

<sup>52</sup> Report of the Select Committee on the Insolvency and Bankruptcy Code (Amendment) Bill, 2025, Lok Sabha (presented Dec. 17, 2025).

undermining the core objectives of the IBC Code. Referring to the criteria established in the Videocon and the Lavasa cases, the rules should clearly stipulate that the merging of distinct corporate estates is permissible only upon incontrovertible evidence of asset commingling, total operational interdependence, and unified financial structure where disentanglement is physically impossible or economically disadvantageous. Furthermore, the rules must reflect the principle of “No Creditor Worse Off” as an inviolable statutory safeguard.

By meticulously combining the mechanisms of procedural coordination with the equitable safeguards against unjustified consolidation, the 2025 amendment bill possesses the potential to finally equip India with an insolvency ecosystem capable of addressing the complexities of modern enterprise groups. If executed with statutory precision, this framework will eradicate the systemic delays and value erosion that have plagued the past decade, ensuring the maximisation of fundamental objectives of the Code.

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