Edition #4
The New Playbook

If the last three editions were about crisis, choice, and consequence, this edition is about reinvention. The conversation here is about the way India's insolvency system is preparing for its next leap, and how companies must adapt it before the law overtakes them.

This issue follows the arc of change: from out-of-court insolvency becoming a credible alternative, to cross-border and group insolvencies finally getting structure, to companies asking what these reforms really mean for them.
Let's start with Rapid Wrap! A quick summary of an interesting mandate.

Rapid Wrap: When Creditors Take Control First

It began long before any courtroom filing, in a tense conference room where spreadsheets outnumbered people and the numbers told a story no one wanted to hear.

A company that had once scaled aggressively now found itself sliding into financial quicksand. Revenue cycles tightened, liquidity vanished, and creditors were growing restless. Everyone expected the inevitable: an insolvency petition under Section 7.

Except it never came.

Instead, something unusual happened.
A majority of the financial creditors, holding just over 51%, quietly aligned behind a different strategy: resolve the distress without stepping into the NCLT.

Under the upcoming IBC reforms, this pathway has a name. The **Creditor-Initiated Insolvency Resolution Process (CIIRP)** is a hybrid model where insolvency begins outside the tribunal, timelines shrink, and governance takes on a very different form.

In this case, the shift in power was immediate.
Management continued running operations, but every decision carried a new weight, the burden of being both operator and custodian. The Resolution Professional stepped into the room, not as a liquidator, but as a supervisor of discipline.

For the first time, the "twilight period" became a structured corridor rather than a free fall.

The next weeks revealed the real tension behind out-of-court insolvency:
creditors wanted speed, management wanted breathing room, and every stakeholder understood that a misstep could collapse the entire framework and push the process straight into full CIRP.

Under the amendment's 150–195 day structure, decisions that once took months had to be taken in hours:

Who controls what?
What payments qualify as essential?
Which contracts survive?
Where does oversight end and interference begin?

As negotiations played out, one thing became clear. CIIRP is not a softer version of insolvency. It is a compressed, high-pressure environment where timelines shrink but scrutiny intensifies.

When an agreement finally crystallised, it wasn't through threats or tribunal orders, but through the uncomfortable honesty that financial distress forces on everyone involved.

Whether this new model transforms India's insolvency landscape or becomes another contested arena remains to be seen. But this incident made one truth undeniable:

Insolvency is no longer a building you walk into; it's a process that can begin at the conference table, long before the courts ever hear your name.

What stood out

- The majority of creditors can trigger restructuring without a formal NCLT admission.
- Management stays in charge, but autonomy becomes conditional and monitored.
- Timelines tighten. 150–195 days for the entire process.
- Related-party financial debt loses voting power, altering negotiation dynamics.
- Failed negotiations push the matter into full CIRP, with all its consequences.

What GCs, founders, and boards should take away

- Treat early financial stress as a governance issue, not a private worry.
- Prepare documentation as if CIRP could begin tomorrow, because under CIIRP, it can.
- Expect more creditor-led oversight and less room for experimentation.

- Keep related-party transactions clean and justified; they no longer carry weight in voting.
- Build internal familiarity with out-of-court insolvency: it's a different beast entirely.

A quick pause before we dive deeper

If Rapid Wrap showed how insolvency is shifting outside the courtroom, the next section asks a different question! What happens when insolvency jumps across borders, or when companies inside a group collapse one after another?

That brings us to this edition's Guide.

The Guide: Making Sense of Group & Cross-Border Insolvency

India's insolvency system is entering a new phase. Until now, insolvency processes treated each company separately, even when those companies belonged to the same group or shared the same financial risks. At the same time, cross border financial distress had no predictable legal pathway in India.
The proposed Group Insolvency and Cross Border Insolvency frameworks begin to solve these long-standing gaps. For companies that operate as part of a larger network, and for those with global assets or lenders, these changes are significant. This Guide unpacks these developments in a way that is practical, structured, and ready for boardrooms and legal teams.

What Group Insolvency Actually Means and Why It Matters

Most Indian businesses do not operate in silos. They function within groups that share cash flows, guarantees, intellectual property, and management. When one entity fails, the financial stress spreads quickly across the group.

Group Insolvency gives the system a structured way to address these interconnected failures. It allows group entities to coordinate timelines, pool information, align resolution strategies, and prevent contradictory orders from multiple tribunals.

In simple terms, Group Insolvency acknowledges that groups live and fall together.

Practically, this results in the following:

- Coordinated meetings and aligned timelines.
- Consolidated information sharing.
- Combined review of guarantees and related party claims.
- Greater transparency in intercompany dealings.
- A more efficient process for potential resolution applicants.

Group Insolvency is not about merging companies. It is about managing the consequences of interconnected distress intelligently.

What the Draft Framework Allows

Based on the Draft Part Z and global models, the following pillars define Group Insolvency in India:

- Procedural Coordination- Multiple group entities undergoing CIRP can have harmonised schedules, unified reporting formats, and consistent disclosures.
- Appointment of a Single RP or a Lead RP- A single RP may oversee all group entities. If not feasible, a lead RP acts as coordinator to ensure consistency and prevent duplication.
- Group Dispute Resolution Mechanism- Intercompany disputes that normally derail proceedings can be resolved through a structured internal mechanism within the overall insolvency process.
- Joint Resolution Plans- Where appropriate, a bidder may submit a single plan covering multiple group companies. This is attractive to investors who prefer a consolidated acquisition.
- Scrutiny of Related Party Transactions- Intercompany transfers, loans, or adjustments will now be examined together instead of in isolation.

Cross-Border Insolvency: Why It Matters

Global companies, foreign creditors, and overseas assets require an insolvency system that can interact with courts outside India. The proposed framework follows the UNCITRAL Model Law and offers recognition and cooperation processes that did not exist earlier.

What this introduces:

- Foreign representatives can approach the NCLT directly.
- Indian insolvency professionals can seek support from foreign courts.
- Assets in India can be protected promptly during foreign proceedings.
- Creditors outside India gain better visibility and legal standing.

Two important concepts

- Centre of Main Interests (COMI)
  The jurisdiction where the debtor has its primary operations and management. This is where the main proceeding runs.
- Reliefs after recognition
  Once a foreign proceeding is recognised as a main proceeding, India can grant immediate protection such as moratorium, asset preservation, and coordination with foreign courts.

Red Flags Companies Must Prepare For

- Intercompany Loans - Loans that were once internal adjustments will now be examined as potential preference or undervalued transactions.
- Cross Guarantees- Guarantees across group entities will be assessed more carefully and may influence the direction of the group's resolution.
- Shared Assets- Warehouses, IP, equipment, and brand assets need proper documentation to avoid confusion during insolvency.
- Board Decision Making- Minutes must reflect clear commercial reasoning, assessment of solvency impact, and consideration of creditor interests.

- Foreign Exposure- Companies with overseas assets or lenders will need stronger documentation and record keeping for foreign recognition.

What GCs Should Start Doing Now

- Prepare a Group Insolvency Map- Identify every entity, asset, liability, guarantee, and cross holding within the group.
- Unify Governance Standards- Different compliance cultures across group entities create risk. Harmonisation reduces vulnerability.
- Standardise Documentation- Bring consistency in intercompany agreements, guarantees, IP licenses, and supply contracts.
- Create a Distress Ready Data Room- Maintain updated records so that insolvency professionals and foreign courts can access information quickly.
- Prepare for Recognition Proceedings- If foreign lenders or overseas assets are involved, expect recognition processes and prepare accordingly.

The Bottom Line

Group Insolvency and Cross-Border Insolvency will transform how companies structure risk. These frameworks shift insolvency from a company-level crisis to a group-level reality and from a domestic procedure to an international one. Companies that prepare early will navigate distress with clarity. Those who do not will find themselves reacting to the law instead of shaping their own strategy.

A quick update before we close

We've been expanding the NM ecosystem beyond the Docket, and many of you have already joined us there.

🎙️ **Off The Record—Episode 2 is live**

This time, we tackle something every lawyer deals with but rarely talks about:
Urgency vs. Strategy. When clients want action, but the law demands patience.

From insolvency risks to corporate governance battles, Malak Bhatt breaks down how lawyers manage competing clocks, communicate expectations, and avoid the instinctive reactions that cost more than silence ever could.

🎧 Listen on Spotify: https://lnkd.in/gPFtWtSY

Coming up next in the NM ecosystem

Over the next few weeks, we're rolling out deeper conversations on:

- The DPDP Act and how companies should prepare,
- personality rights and the rising wave of digital impersonation cases,
- and a brand-new segment inside NM Docket that blends fiction with law, our most experimental section yet.

Edition 4 is just the beginning. The landscape is shifting faster than ever, and we're building for that future!

Until next fortnight

Keep reading.
Keep questioning.
And keep preparing, because the law is always evolving, whether the industry is ready or not.