

Corporate Insolvency Resolution Process (CIRP)

March 23, 2021

In news : In order to get a better handle on the delays in completion of activities under the Corporate Insolvency Resolution Process (CIRP), Insolvency and Bankruptcy Board of India (IBBI) has now introduced reporting mechanisms to address this issue.

Key updates

- IBBI has mandated interim resolution professional/ resolution professional (IRP/RP) to report delays within three days to the Board their failure to complete specified activities under such a process
- The activities for which reporting has been made mandatory include failure to make public announcement as per prescribed timelines and failure to complete CIRP within 180 days from the insolvency commencement date.
- There is also now an obligation to report to the Board on a continuing basis every 30 days till its completion. The said failure and continuing failures are required to be reported to the Board in Form CIRP-7.

What is the corporate insolvency resolution process (CIRP)?

- Corporate Insolvency Resolution Process is a recovery mechanism for creditors. If a corporate becomes insolvent, a financial creditor, an operational creditor, or the corporate itself may initiate CIRP.
- CIRP is the process of resolving the corporate insolvency of a corporate debtor in accordance with the provisions of the Insolvency and Bankruptcy Code, 2016 (Code)
- The Indian Insolvency & Bankruptcy Code provides for legally binding and sustainable modus operandi for the

- insolvency process of corporates, partnerships and individuals. This guide deals specifically with the CIRP
- Section 6 under Chapter II of The Code defines **CIRP as a process initiated by a financial creditor, operational debtor or the corporate debtor itself when a payment by the corporate debtor has defaulted.**

Who can initiate CIRP?

CIRP may be initiated by a **financial creditor under section 7, an operational creditor** under section 9 and **corporate applicant** of corporate debtor under section 10 of the Code.

What is the minimum default amount for initiating CIRP against a corporate debtor?

The minimum amount of default for initiating CIRP was Rs. 1 lakh till recently. The Government vide notification dated 24th March, 2020, has increased the minimum amount of default to Rs. 1 crore

Jurisdiction to hear an application for CIRP

National Company Law Tribunal, having territorial jurisdiction over the place where the registered office of the corporate person is located serves as the Adjudicating Authority, in relation to insolvency resolution and liquidation for corporate persons

What is the time limit within which the CIRP should be completed?

As per section 12(1) of the Code, the CIRP shall be completed within a period of 180 days from the date of admission of the application to initiate such process. The Adjudicating Authority may grant a one-time extension of 90 days. The maximum time within which CIRP has to be mandatorily completed, including any extension or litigation period, is 330 days.