

Report of the Working Group on Group Insolvency

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The Working Group on group insolvency (Chair: Mr. U. K. Sinha) submitted its report to the Insolvency and Bankruptcy Board of India

Background

The Working Group was constituted to examine issues arising under The Insolvency and Banking Code, 2016 in Corporate Insolvency Resolution Processes (CIRPs) where a distressed company is linked to other group companies

Key observations and recommendations include:

- **Need for a common framework:** The Working Group noted that the Code does not have a common framework for resolving situations in which interlinked companies are going through CIRPs. In these cases, treating the insolvency of each group company in an isolated manner might be expensive, and might result in creditors realizing lesser value.
- **Proposed framework:** The Working Group recommended that the definition of 'corporate group' include holding, subsidiary, and associate companies. The adjudicating authority may include other groups not covered in the definition. The Working Group suggested a comprehensive framework for group insolvency, that would start with a procedural coordination mechanism in the first phase.
- **Elements of the proposed framework:** Elements of the proposed framework may include:
 - A joint application against all corporate debtors who have defaulted and are part of a group

- A single insolvency professional and a single adjudicating authority, and
- The creation of a group creditors' committee. These may be voluntary. Exceptions may be allowed in certain cases, including those where stakeholders would get adversely affected. **Cooperation, communication and information sharing among insolvency professionals, creditors' committee, and adjudicating authorities must be mandatory.**
- **Phased implementation:** The Working Group recommended that the framework for group insolvency may be introduced in a phased manner. In the first phase, only domestic companies may be covered, and only procedural consolidation mechanisms may be implemented.