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A COMMENTARY ON KALYANI TRANSCO V. BHUSHAN POWER & STEEL LTD. (2025): INTERPRETING IBC REGULATION REFORMS

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CITATION: 2025 INSC 1165

BENCH: A three-judge bench comprising Chief Justice B.R. Gavai, Justice Satish Chandra Sharma, and Justice K. Vinod Chandran

JUDGEMENT DATE: September 26, 2025

INTRODUCTION

The decision made by the Supreme Court in *Kalyani Transco v. A* leading case on the interpretation of the Insolvency and Bankruptcy Code, 2016 (IBC) and the regulatory reforms thereupon made by Insolvency and Bankruptcy Board of India (Insolvency Resolution Process to Corporate Persons) Regulations, 2016 (as amended to 2025) is *Bhushan Power & Steel Ltd. (2025 INSC 621)*. The case also demonstrates how the Court has changed its outlook on achieving the twin goals of the insolvency law to protect creditors and rescue companies. The ruling is important because it clarifies the meaning of the newly revised provisions particularly the role and powers of Insolvency Resolution Professionals (IRPs) and Committees of Creditors (CoCs), and confirms the importance of having efficient corporate insolvency resolution procedures that are timely.

Since 2016, India has made significant reforms in insolvency framework, since the introduction of IBC. This amendment of the legislation and regulatory modifications came with an aim of minimizing delays, increasing creditor confidence, and avoiding the erosion of asset value in distressed corporate entities.¹ The *Kalyani Transco* case occurs against this backdrop where strict compliance with the procedures and the substantive goals of the IBC were in conflict. This commentary examines this decision as made by the Supreme Court, places it in the context

¹ *Kalyani Transco v. Bhushan Power & Steel Ltd.*, 2025 INSC 621 (India).

of the larger bodies of jurisprudence of Indian insolvency, compares it to some significant precedents, and critiques its policy consequences.

FACTS OF THE CASE

The petitioner (Kalyani Transco) objected to some of the practices of Bhushan Power & Steel Ltd. and the IRP as provided by the amendment in the IBC regulations. The petitioner argued that procedural failure in the Corporate Insolvency Resolution Process (CIRP) corrupted fairness, transparency, and equal distribution of assets hence compromised the rights of creditors. Particularly, there was an objection regarding the behaviour of the IRP in preparing and submitting Information Memorandum, CoC meetings, and resolution plans approvals.

According to the respondent, everything was in line with the legislative intent of the amended IBC framework, which is to focus on timely corporate rescue and value maximisation to the stakeholders. The IRP had implemented the discretion that the IBBI regulations allowed, and any procedural anomalies were not found to have significant influence on the outcome of the resolution.

ISSUES BEFORE THE COURT

1. Whether the amended IBC regulations adequately balance creditor protection and corporate rescue objectives.
2. Whether the IRP's conduct complied with statutory duties and principles of due process under the revised regulatory framework.
3. The interpretation and scope of key provisions of the IBC and its regulations, particularly in light of recent amendments.

RULES

In *Kalyani Transco v. The Supreme Court* based its consideration of the legality of the impugned actions in the Corporate Insolvency Resolution Process (CIRP) on the statutory framework of the Insolvency and Bankruptcy Code, 2016, the delegated regulations that are framed within it and its own prior case law on insolvency.

Sections 5, 7 and 17 of the Insolvency and Bankruptcy Code, 2016 have been used as the basis of the argument of the Court. Section 5 contains very important definitions that regulate the insolvency proceedings such as the meaning of financial creditor or operational creditor which

limits the stakeholders in the CIRP. Section 7 regulates how financial creditors run insolvency proceedings, which emphasizes the creditor-based model in the Code. Section 17 outlines the functions and authority of the Interim Resolution Professional (IRP), giving the managerial control of the corporate debtor to the IRP throughout the CIRP, and accords the fiduciary duties of transparency, neutrality and maximisation of value.²

Besides, the Court trusted the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process of Corporate Persons) Regulations, 2016, but as revised periodically. These rules make the IBC operational by defining specific procedural rules regarding how CIRP should be conducted including timelines, Information Memorandum preparation, meetings of the Committee of Creditors (CoC), and resolution plans reviews. The rules promote ideals of procedural fairness, informed decision-making and accountability of Insolvency Resolution Professionals, and at the same time permit some leeway so as to ensure that the primary goal of a resolution is not lost to hyper-technical adherence³.

The Supreme Court also used the settled judicial precedents to read the statutory framework purposely. In *Swiss Ribbons Pvt. Ltd. v. Union of India*, the Court acknowledged that the ultimate aim of the IBC is corporate revival and value maximisation, but not liquidation and procedural provisions must be read so as to facilitate this goal, as opposed to hindering it by excessive formalism.⁴ In *Committee of Creditors of Essar steel India Ltd. v. Satish Kumar Gupta*, the Court recognised that the primary aim of the IBC being corporate revival and value maximisation not liquidation and the procedures must be understood in a way that promotes the same.⁵ The collective outcome of these legal provisions and judicial principles was the legal framework on the basis of which the Supreme Court evaluated the legality, fairness, and proportionality of the actions taken in the course of the CIRP in the current case.

JUDGMENT

The Court reiterated the primordial intention of IBC, that is, the revival of entities, and not their liquidation. The Court reiterated that mere procedural compliance is necessary but has to be done in a manner that does not hinder the process of resolution.⁶ The Court also reiterated that the IRP/Cos must act in such a manner that there is maximisation of value, timelines are

² Insolvency and Bankruptcy Code, No. 31 of 2016, §§ 5, 7, 17 (India).

³ Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, as amended up to 04.07.2025.

⁴ *Swiss Ribbons Pvt. Ltd. v. Union of India*, (2019) 4 SCC 17 (India).

⁵ *Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta*, (2019) 8 SCC 531 (India).

⁶ *Ibid* (4)

followed, and the interests of all stakeholders are kept in mind. The Court reiterated that "the legal framework seeks to ensure that business continues, jobs are protected, and overall financial stability is maintained." Procedural irregularities are not condoned, but the Court has shown a practical approach that excessive formality should not be allowed to prevent the overall objective of insolvency law from being realised.

ANALYSIS AND COMMENTARY

1. Balancing Creditor Rights and Corporate Rescue

This decision highlights the two-fold role of the IBC as a means for protecting creditors as well as reviving businesses. The role of insolvency law in restructuring rather than punishing, is supported when one considers the emphasis placed upon proportionality in assessing irregularities in procedure. This is in keeping with its earlier stand in another decision in *Swiss Ribbons v. Union of India*, wherein value to stakeholders maximised.⁷

2. Judicial deference to regulatory expertise

The Supreme Court showed a marked display of respect for the IBBI because of its status as a special regulatory body and a necessary display of the judiciary's reluctance to delve directly into the administration of bankruptcy as a field of specialized know-how. The judiciary will thus act as a correcting and supervisory body.⁸

3. Procedural Flexibility and Purposive

Thus, in fulfilling its mandate, the Court uses its interpretative powers to soften the challenges posed in the event that the process takes long. Through the decision, the Court directs that a purposive assessment be employed in the determination of the actions taken by the IRPs and the CoCs.⁹

4. Policy Implications and Stakeholder Confidence

It goes to reemphasize confidence in the framework in place in India in terms of insolvency law as far as foreign as well as domestic investors are concerned. This is due to clarity regarding IRP roles, operating parameters of CoC, as well as derivative interactions between various legal

⁷ Ibid (3)

⁸ Supra (3)

⁹ Ibid (5)

provisions as well as changes in this sector offered by this judgment. It also supports the legislative intention in place to convert insolvency into a time-bound process¹⁰.

5. Comparative Analysis with Precedents

In the matter of *Committee of Creditors of Essar Steel v. Satish Kumar Gupta* (2019), the need for transparency and equity in the decisions of the Committee of Creditors has been given prominence, and this has been reiterated in the *Kalyani*. The case of *Swiss Ribbons v. Union of India* (2019) emphasized the prevalent necessity of corporate rescue, which has again been reaffirmed by the Supreme Court in this case.¹¹

AFTERMATH OF THE JUDGMENT

The judgment gives a strong structure on IRPs and CoCs that will result in quicker and more predictable CIRPs. It is likely to foster investor confidence and lower the risks of litigation during insolvency. To protect the interests of the stakeholders, the IBBI and the judiciary will still keep a check on regulatory compliance and transparency.

CONCLUSION

Kalyani Transco v. Bhushan Power & Steel Ltd. symbolically stands out in the context of the reform in the Insolvency Code as one of the guiding examples that validate the pragmatist approach of the Judicial Body in dealing with the issue of insolvency. By giving balanced treatment to creditors' rights, procedural formalities, and revival of companies, the decision of the Supreme Court of India improves the integrity of the overall insolvency regime in the country. The decision clears all ambiguities for IRPs, CoCs, and parties involved in making it absolutely certain that the regulatory regime runs properly in reality.

REFERENCES

1. *Kalyani Transco v. Bhushan Power & Steel Ltd.*, 2025 INSC 621 (India).
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3. Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, as amended up to 04.07.2025.
4. *Swiss Ribbons Pvt. Ltd. v. Union of India*, (2019) 4 SCC 17 (India).

¹⁰ Ibid (1)

¹¹ Supra (4)

5. *Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta*, (2019) 8 SCC 531 (India).