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PRE-PACKAGED INSOLVENCY FOR FINTECH STARTUPS: BALANCING SPEED AND TRANSPARENCY IN PPIRP UNDER SECTION 54A

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CHAPTER 1 – INTRODUCTION TO PPIRP

1.1 Introduction

Fintech startups in India have transformed financial services by driving innovation, digital inclusion, and technology-driven business models¹. Many, however, remain fragile due to limited capital, high compliance costs, and market sensitivity. Traditional insolvency mechanisms under the Insolvency and Bankruptcy Code, 2016² are slow and disruptive, reducing the chances of successful revival for smaller firms. The Pre-Packaged Insolvency Resolution Process, introduced through the 2021 Amendment³ via Section 54A, offers a hybrid mechanism that aims to balance speed, transparency, and value maximisation under creditor supervision.

India's insolvency reforms provide context for PPIRP's evolution. Pre-2016 frameworks like the Presidency Towns Insolvency Act, 1909⁴ and the Companies Act, 2013⁵ were debtor-controlled, inefficient, and value-eroding. The Bankruptcy Law Reforms Committee, 2014⁶, recommended a creditor-focused, time-bound model. While the IBC strengthened the insolvency ecosystem, challenges such as delays, inconsistent recoveries, and regulatory ambiguities persist, exemplified by cases like Jet Airways.

Meanwhile, the fintech sector has expanded rapidly through digital infrastructure like Aadhaar, e-KYC, and UPI. Rapid growth brought vulnerabilities, including cash-intensive models, reliance on external funding, and operational exposure. Recent regulations, such as the 2023 RBI guidelines⁷ and the Digital Personal Data

¹ Khanindra Das, *Analysis of Pre-Packaged Insolvency Resolution Process (PPIRP) under IBC*, TaxGuru (Jan. 8, 2026), <https://taxguru.in/corporate-law/analysis-pre-packaged-insolvency-resolution-process-ppirp-ibc.html>.

² Insolvency and Bankruptcy Code, No. 31 of 2016, <https://www.indiacode.nic.in/handle/123456789/2154>.

³ Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021, <https://prsindia.org/billtrack/the-insolvency-and-bankruptcy-code-amendment-ordinance-2021>.

⁴ Presidency Towns Insolvency Act, No. 3 of 1909, <https://www.indiacode.nic.in/handle/123456789/19722>.

⁵ Companies Act, No. 18 of 2013, <https://www.indiacode.nic.in/bitstream/123456789/2114/5/A2013-18.pdf>.

⁶ Bankruptcy Law Reforms Committee, *Report of the Bankruptcy Law Reforms Committee* vol. I (2015), https://ibbi.gov.in/BLRCReportVol1_04112015.pdf.

⁷ Reserve Bank of India Act, No. 2 of 1934, <https://www.indiacode.nic.in/handle/123456789/2398>.

Protection Act, 2023⁸, have heightened compliance pressures. This study examines PPIRP's effectiveness for fintech startups, assessing whether Section 54A can deliver swift, transparent, and equitable resolutions in India's digital economy⁹.

CHAPTER 2 – PRE-PACKAGED INSOLVENCY: LEGAL FRAMEWORK

2.1 Conceptual Framework of Pre Packaged Insolvency

Pre packaged¹⁰ insolvency mechanisms have been recognised in several jurisdictions as an effective response to the delays and value erosion associated with prolonged insolvency proceedings, notably in the United States and the United Kingdom. Drawing from these experiences, India introduced its own variant of pre packaged insolvency through the Insolvency and Bankruptcy Code, 2016 to enable faster and more efficient resolution, particularly for MSMEs..

2.2 Legislative History

India introduced¹¹ the pre packaged insolvency framework through the Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021¹² on 4 April 2021. This ordinance inserted Chapter III A, Sections 54A to 54P¹³, into the Insolvency and Bankruptcy Code, 2016 and created the Pre Packaged Insolvency Resolution Process (PPIRP) for Micro Small and Medium Enterprises.

The reform came during the economic disruption caused by the COVID 19 pandemic when many MSMEs¹⁴ faced severe financial stress. The objective was to provide a quicker and cost effective restructuring mechanism that could preserve business continuity and employment. The ordinance was later replaced by the Insolvency and Bankruptcy Code (Amendment) Act, 2021¹⁵ which formally introduced the framework.

⁸ Digital Personal Data Protection Act, No. 22 of 2023, <https://www.indiacode.nic.in/handle/123456789/7265>.

⁹ Vandana Pareek, *Recent Amendments to the Insolvency and Bankruptcy Code (2024–25): Expanding the Scope of Pre-Packaged Insolvency and Strengthening Secured Creditors' Rights*, IBC Laws (Sept. 6, 2025), <https://ibclaw.in/recent-amendments-to-the-insolvency-and-bankruptcy-code-2024-25-expanding-the-scope-of-pre-packaged-insolvency-and-strengthening-secured-creditors-rights-by-van/>.

¹⁰ Reshma Mittal, *Pre-Packaged Insolvency Resolution Process for MSMEs*, The Chartered Accountant (2021), https://www.rrinsolvency.com/resource/Image/ICAI_Journal_Article_Pre_Pack.pdf.

¹¹ *Id.*
¹² Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021, <https://static.pib.gov.in/WriteReadData/specificdocs/documents/2021/apr/doc20214711.pdf>.

¹³ *Id.*
¹⁴ Micro, Small and Medium Enterprises Development Act, No. 27 of 2006, <https://www.indiacode.nic.in/handle/123456789/2003>.

¹⁵ Insolvency and Bankruptcy Code (Amendment) Act, No. 26 of 2021, <https://ibclaw.in/insolvency-and-bankruptcy-code-amendment-act-2021/>.

The amendment¹⁶ established important features such as minimum default thresholds, rules for simultaneous CIRP and PPIRP applications, penal provisions for fraudulent initiation and the complete statutory structure for PPIRP under Chapter III A.

2.3 Eligibility Criteria

Eligibility¹⁷ for PPIRP is primarily governed by Section 54A¹⁸ of the Insolvency and Bankruptcy Code, 2016

- 1 MSME classification: The corporate debtor must qualify as an MSME under the Micro Small and Medium Enterprises Development Act, 2006¹⁹ and hold valid Udyam registration
- 2 Minimum default: The default must be at least ₹10 lakh, with the Central Government empowered to notify an increase up to ₹1 crore
- 3 Time based restrictions: The corporate debtor must not have undergone CIRP or PPIRP in the previous three years, must not be undergoing CIRP at the time of filing and must not be under any liquidation order
- 4 Voluntary initiation: Unlike CIRP, PPIRP can be initiated only by the corporate debtor, creditors cannot directly trigger the process
- 5 Creditor approval: Prior approval of unrelated financial creditors representing at least 66 percent of the financial debt is required, including consent to the proposed resolution professional; in the absence of financial creditors, similar approval must be obtained from unrelated operational creditors, along with a special resolution of members approving the filing.

2.4 Key Features of PPIRP

- 1 Voluntary initiation by corporate debtor²⁰: PPIRP follows a debtor initiated model, where the process begins only upon an application by the corporate debtor before the National Company Law Tribunal
- 2 Prior creditor approval: At least 66 percent of unrelated financial creditors must approve the initiation of PPIRP²¹ and the appointment of the resolution professional before filing
- 3 Base Resolution Plan²²: The corporate debtor is required to submit a Base Resolution Plan, negotiated in advance with creditors, which forms the foundation of the restructuring process

¹⁶ Aishwarya Agrawal, *Pre-Packaged Insolvency Resolution Process under IBC*, LawBhoomi (Nov. 14, 2025), <https://lawbhoomi.com/pre-packaged-insolvency-resolution-process-under-ibc>.

¹⁷ *Id.*

¹⁸ Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021, *supra* note 12.

¹⁹ Micro, Small and Medium Enterprises Development Act, No. 27 of 2006, *supra* note 2.

²⁰ Agrawal, *supra* note 16.

²¹ *Id.*

²² *Id.*

- 4 Moratorium protection²³: Upon admission, a moratorium akin to Section 14 of the Insolvency and Bankruptcy Code, 2016 is declared, restricting legal proceedings, enforcement of security interests and transfer of assets
- 5 Strict timeline²⁴: The process must be completed within 120 days, with 90 days allocated to the Committee of Creditors for approval of the resolution plan and 30 days for tribunal confirmation
- 6 Debtor in possession model²⁵: Unlike CIRP, the existing management continues to operate the company, while the resolution professional supervises the process and the board retains operational control

2.5 Role of Resolution Professional

In the PPIRP framework²⁶, the Resolution Professional (RP) acts primarily as a *facilitator* rather than an administrator, reflecting the debtor-in-possession model that distinguishes PPIRP from CIRP. The proposed RP is approved by unrelated financial creditors before filing, forming a prerequisite for initiation of the process.

Once appointed by the National Company Law Tribunal (NCLT), the RP undertakes several statutory responsibilities, including²⁷:

- issuing a public announcement and inviting claims,
- verifying claims,
- appointing registered valuers,
- constituting the Committee of Creditors (CoC), and
- supervising the conduct and operations of the corporate debtor during the process.

The RP²⁸ also monitors management, attends board meetings, and ensures compliance with the Code, but does not take over the running of the business, since PPIRP preserves management control with the debtor. This aligns with the hybrid model explained in academic and legal analyses of PPIRP.

However, Section 54J introduces a critical safeguard:

²³ Yasir D. Pathan, *Pre-Packaged Insolvency Resolution in India: A Comprehensive Analysis of PPIRP under the IBC*, IBC Laws (2025), <https://ibclaw.in/pre-packaged-insolvency-resolution-in-india-a-comprehensive-analysis-of-ppirp-under-the-ibc-by-yasir-d-pathan>.

²⁴ Agrawal, *supra* note 16.

²⁵ Pathan, *supra* note 23.

²⁶ Agrawal, *supra* note 16.

²⁷ *Id.*

²⁸ Pathan, *supra* note 23.

If the CoC identifies fraud, gross mismanagement, or misconduct, it may recommend that the NCLT transfer management of the corporate debtor to the RP, thereby shifting from a debtor-in-possession to a more traditional administrator-led process.

2.6 Distinction from CIRP

PPIRP differs significantly from the Corporate Insolvency Resolution Process (CIRP) under Chapter II of the Insolvency and Bankruptcy Code, 2016.

- **Initiation:** PPIRP can be initiated only by the corporate debtor while CIRP may be initiated by financial creditors operational creditors or the corporate debtor.
- **Applicability:** PPIRP currently applies only to MSMEs whereas CIRP applies to all corporate debtors.
- **Management control:** PPIRP follows a debtor in possession model while CIRP follows a creditor in control system where management shifts to the resolution professional.
- **Pre filing approval:** PPIRP requires 66 percent creditor approval before filing whereas CIRP does not.
- **Resolution plan:** A Base Resolution Plan exists before filing in PPIRP while plans are invited after commencement in CIRP.
- **Timeline:** PPIRP must conclude within 120 days while CIRP may extend up to 330 days in practice.

2.7 Termination and Liquidation

Section 54D governs the termination of the PPIRP process by providing that where the Committee of Creditors fails to approve a resolution plan within 90 days, the Resolution Professional must apply to the National Company Law Tribunal for termination. Upon such termination, the tribunal may direct liquidation of the corporate debtor under Chapter III of the Insolvency and Bankruptcy Code, 2016, with distribution carried out in accordance with the priority waterfall under Section 53. The tribunal may also reject a resolution plan if it does not satisfy the requirements of Section 30(2) or violates statutory conditions, in which case termination and possible liquidation follow. In practice, however, PPIRP has seen limited utilisation, as reflected in reports such as the Economic Survey, with factors like low awareness, procedural complexity and hesitancy towards promoter led restructuring continuing to impede its wider adoption²⁹.

CHAPTER 3 – FINTECH STARTUPS: STRUCTURE AND INSOLVENCY RISKS

²⁹ Purnima Jain & Anil Sharma, *The Evolution of Pre-Packaged Insolvency Resolution Process (Pre-Packs) under IBC*, 7(3) Int'l J. Advanced Rsch. in Com., Mgmt. & Soc. Sci. 119 (2024), <https://www.inspirajournals.com/uploads/Issues/131248968.pdf>.

3.1 Defining Fintech Startups

The fintech sector³⁰ in India does not have a single clear definition. It generally refers to startups that use technology to deliver financial services such as payments, lending and digital banking. For this study, fintech startups mean entities recognised by the Department for Promotion of Industry and Internal Trade that provide technology driven financial services under the supervision of financial regulators.

India does not have a single law governing fintech. Regulation is divided among several authorities. The primary regulator is the Reserve Bank of India, while sectors connected with securities and insurance fall under the Securities and Exchange Board of India and the Insurance Regulatory and Development Authority of India.

The fintech ecosystem³¹ includes several categories. Payment banks operate under the Reserve Bank of India Act, 1934 and can accept limited deposits but cannot lend. Digital lenders include NBFC based lending platforms and peer to peer platforms regulated by the RBI³². Prepaid Payment Instrument issuers provide mobile wallets and prepaid cards under the Payment and Settlement Systems Act, 2007. Payment aggregators facilitate digital payments between customers and merchants through online platforms. Neobanks operate as digital banking platforms that partner with traditional banks to deliver banking services through technology.

3.2 Asset Structure of Fintech Entities

Fintech startups differ from traditional companies because their value lies mainly in intangible assets rather than physical property. Technology platforms, algorithms, software applications, customer data and analytical models form the core economic value of these businesses³³. Loss of intellectual property or technology systems can therefore destroy the operational foundation of the company.

Another important asset³⁴ is regulatory authorisation. Licences issued by the Reserve Bank of India or other regulators allow fintech entities to legally operate. If regulatory compliance fails these licences may be restricted or cancelled which can severely affect the company's business.

Customer trust also plays a crucial role. Fintech platforms depend heavily on user confidence and brand credibility. Once customers lose trust in the platform it becomes extremely difficult for the business to recover its reputation.

³⁰ Anu Tiwari, Hamraj Singh, Jemima Chelliah & Shrudula Murthy, *Fintech Laws and Regulations Report 2025–2026: India*, ICLG (July 2, 2025), <https://iclg.com/practice-areas/fintech-laws-and-regulations/india>.

³¹ Wryght Research & Capital Pvt Ltd, *Comprehensive Indian Fintech Sector Report 2024: Chapter 2 – Regulatory Landscape of Indian Fintech Sector* (Wryght Research, 2024), <https://www.wrightresearch.in/encyclopedia/chapter-report/chapter-2-regulatory-landscape-of-indian-fintech-sector>.

³² Reserve Bank of India, <https://rbi.org.in>.

³³ Tiwari et al., *supra* note 30.

³⁴ Wryght Research, *supra* note 31.

A unique feature of fintech businesses is the presence of customer funds held in wallets, escrow accounts or payment systems. These funds are usually held in a fiduciary capacity and do not form part of the corporate debtor's assets. Under Section 18(f) of the Insolvency and Bankruptcy Code, 2016 assets belonging to third parties but held by the debtor under contractual arrangements are excluded from the insolvency estate. This creates practical complications during³⁵ insolvency proceedings.

3.3 Regulatory Oversight and Compliance

Fintech startups³⁶ function within a complex regulatory environment. India follows a fragmented structure where different regulators supervise different financial activities. The Reserve Bank of India regulates payment systems, NBFCs, payment aggregators and digital lending platforms. The Securities and Exchange Board of India supervises investment related fintech services such as robo advisory platforms. Insurance related fintech services fall within the jurisdiction of the Insurance Regulatory and Development Authority of India.

Apart from sectoral regulation fintech entities must comply with cross cutting legal obligations. Anti money laundering compliance arises under the Prevention of Money Laundering Act, 2002 which requires identity verification, record maintenance and reporting of suspicious transactions. Data protection obligations will also arise under the Digital Personal Data Protection Act, 2023³⁷ once it is fully implemented.

Regulators have also introduced regulatory sandboxes that allow fintech innovators to test new financial products under supervision before full scale deployment. These frameworks aim to balance innovation with financial stability.

3.4 Insolvency Vulnerabilities of Fintech Startups

Fintech startups face several financial risks that make them vulnerable to insolvency³⁸. One of the most common issues is high cash burn. Many fintech companies spend heavily on technology development and customer acquisition while generating limited revenue in the early stages. This often results in continuous operating losses.

Another challenge is dependence on investor funding. Most fintech startups rely on venture capital rather than stable operational income. If investor confidence declines or funding stops the company may quickly face liquidity problems.

³⁵ Tiwari et al., *supra* note 30.

³⁶ Wryght Research, *supra* note 31.

³⁷ Digital Personal Data Protection Act, No. 22 of 2023, <https://www.indiacode.nic.in/handle/123456789/2452>.

³⁸ Aurelio Gurrea-Martinez, *The Rise of Pre-Packs as a Restructuring Tool: Theory, Evidence and Policy*, 25 Eur. Bus. Org. L. Rev. 123 (2024), <https://insolvencylawacademy.com/the-rise-of-pre-packs-as-a-restructuring-tool-theory-evidence-and-policy/>.

Regulatory compliance risks also create instability. Fintech entities must follow strict licensing and operational rules. Failure to comply with these requirements may lead³⁹ to restrictions, penalties or suspension of operations by regulators such as the Reserve Bank of India.

A further concern⁴⁰ involves the protection of customer funds. Wallet balances and escrow funds often represent a large portion of the platform's financial activity. If record keeping systems fail or funds are mismanaged customers may lose access to their money which can trigger legal disputes and regulatory intervention.

3.5 The Trust Deficit Problem

The fintech business model depends⁴¹ strongly on customer trust. Unlike traditional banks fintech platforms usually do not benefit from deposit insurance or strong public guarantees. Customers therefore rely mainly on the credibility of the platform and regulatory supervision.

Public insolvency proceedings can seriously damage this trust. When financial distress becomes public customers may quickly withdraw their funds which accelerates the company's financial collapse. This situation resembles a digital bank run where large numbers of users attempt to exit the platform simultaneously.

The Pre Packaged Insolvency Resolution Process⁴² under the Insolvency and Bankruptcy Code, 2016 offers some advantage in this context. Because the restructuring plan is negotiated before formal filing and management generally remains in control the business can continue operating with limited disruption. The shorter timeline also reduces prolonged uncertainty.

However confidentiality is not absolute⁴³. Insolvency proceedings still require public announcements and regulatory notifications. Therefore fintech entities must carefully manage stakeholder communication during the resolution process to preserve operational stability and maintain customer confidence.

CHAPTER 4 – JURISPRUDENCE & RECENT CASE LAW

India's insolvency framework has evolved significantly since the Insolvency and Bankruptcy Code, 2016 (IBC). The introduction of the Pre-Packaged Insolvency Resolution Process (PPIRP) in 2021 marked a shift

³⁹ Manas Rohilla & Vaibhav Nishad, *Better Safe Than Sorry: Preventing Systemic Risks from Fintech Firm Insolvency in India*, 21 Indian J.L. & Tech. 1 (2025), <https://repository.nls.ac.in/ijlt/vol21/iss1/1>.

⁴⁰ Naman Jain, *Regulatory Compliance for FinTech Businesses in India: What Foreign Investors Should Know*, Corrida Legal (July 21, 2025), <https://corridalegal.com/regulatory-compliance-for-fintech-businesses-in-india-what-foreign-investors-should-know>.

⁴¹ Gurrea-Martinez, *supra* note 38.

⁴² Rohilla & Nishad, *supra* note 39.

⁴³ Jain, *supra* note 40.

from creditor-led restructuring to a debtor-in-possession model. This approach aims to preserve enterprise value, ensure continuity, and resolve financial distress quickly.

This chapter traces key judicial developments shaping PPIRP, including its emerging role in fintech insolvency. The cases discussed highlight issues of procedural fairness, claim verification, valuation, timeline management, and the overarching goal of value maximisation. While PPIRP jurisprudence is newer compared to CIRP, these decisions show courts balancing statutory interpretation, economic realities, and stakeholder interests.

4.1 PPIRP Success & Structural Cases

1. Amrit India Ltd. (NCLT, 2023)

*Amrit India Ltd*⁴⁴. was among the first judicial validations of PPIRP. The company presented a pre-negotiated restructuring plan to financial creditors. The NCLT examined whether the plan complied with statutory timelines, creditor approval, disclosure norms, and stakeholder rights. Satisfied with procedural adherence, the Tribunal approved the plan, noting it preserved operations and protected creditors. This early decision boosted confidence in PPIRP as a credible and time-efficient restructuring tool.

1. Sudal Industries Ltd. (NCLT, 2024)

*Sudal Industries Ltd*⁴⁵. showcased PPIRP's suitability for MSMEs. The Tribunal verified compliance with statutory thresholds, formation of the Committee of Creditors, and transparency in plan evaluation. Approval highlighted PPIRP's ability to deliver quick resolutions with minimal operational disruption, reinforcing its economic advantage for industries sensitive to downtime.

2. Shree Rajasthan Syntex Ltd. (NCLAT, 2025)⁴⁶

This appeal clarified the scope of the "clean slate" principle. The dispute concerned electricity surcharge liabilities arising after plan approval. The NCLAT held that obligations not crystallised prior to approval could not be extinguished automatically. Section 238 of the IBC applies only where conflict with other laws is irreconcilable. Post-plan statutory dues survive, balancing insolvency objectives with legislative compliance.

3. Enn Tee International Ltd. (NCLT)

*Enn Tee International Ltd*⁴⁷. reaffirmed PPIRP's operational viability. The Tribunal found the plan compliant with statutory thresholds and stakeholder consultation. Quick approval demonstrated how collaborative creditor engagement can enable fast restructuring without CIRP-style disruption.

⁴⁴ In re Amrit India Ltd., IA No. 1599/2023 in CP (IBPP) No. 03/2022 (NCLT Principal Bench, New Delhi May 3, 2023).

⁴⁵ In re Sudal Indus. Ltd., IA No. 3021/2023 in CP (IBPP) No. 01/2022 (NCLT Mumbai Bench Aug. 10, 2023).

⁴⁶ In re Shree Rajasthan Syntex Ltd., (2025) ibclaw.in 182 NCLAT.

⁴⁷ In re Enn Tee Int'l Ltd., IA No. 4313/2023 in CP (IBPP) No. 01/2022 (NCLT Principal Bench, New Delhi Oct. 19, 2023).

4.2 Fintech-Specific Insolvency Jurisprudence

4. TMW Fintech Pvt. Ltd. (NCLT Mumbai, 2026)

The insolvency of *TMW Fintech Pvt. Ltd.*⁴⁸ clarified how digital wallet balances are treated under insolvency law. The company held substantial customer funds in wallets, raising the question of whether these were assets of the debtor or held in trust. The NCLT held that wallet balances are fiduciary and must remain ring-fenced for customers, not forming part of the insolvency estate.

This landmark ruling underscored that fintech platforms managing customer funds cannot treat these as corporate assets. It reinforced regulatory compliance under RBI PPI guidelines, ensuring customer protection and financial stability during resolution. The judgment establishes a key precedent for fintech insolvencies: fiduciary assets are excluded from the debtor's estate.

5. Culver Max Entertainment v. Rechargekit Fintech (NCLAT, 2025)⁴⁹

This case addressed procedural fairness during admission of insolvency applications. An application was rejected on technical grounds without allowing rectification. The NCLAT held that natural justice must apply even at preliminary stages. Adjudicating Authorities must provide an opportunity to cure defects before dismissal.

The ruling is significant for fintech and complex entities, ensuring technical imperfections do not block access to insolvency remedies. It balances efficiency with fairness and sets a standard for procedural discipline in PPIRP and broader IBC practice.

4.3 Judicial Clarifications On PPIRP PROCEDURE

6. Hena Vincom Pvt. Ltd. v. Purvee Anoop Mehrotra (NCLT Kolkata, 2025)⁵⁰

The case focused on claim verification and CoC formation. The Tribunal emphasised transparency, uniformity, and diligence in verifying claims, noting that these steps determine voting shares and plan legitimacy. Arbitrary inclusion or exclusion of claims undermines PPIRP integrity.

This decision strengthens procedural fairness, ensuring that pre-packs remain credible, equitable, and aligned with legislative intent.

7. PPIRP of Kethos Tiles Pvt. Ltd. (NCLT Ahmedabad, 2024)⁵¹

The Tribunal addressed the mandatory 120-day timeline under Section 54D. It held that statutory deadlines are strict, and extensions are impermissible. Since no plan was approved within the period, the PPIRP was terminated.

⁴⁸ In re *TMW Fintech Pvt. Ltd.*, IA No. 94/2024 in C.P. (IB)-XXXX/MB/2022 (NCLT Mumbai Bench Jan. 12, 2026).

⁴⁹ *Culver Max Entm't v. Rechargekit Fintech*, Company Appeal (AT) (Insolvency) No. 792 of 2024 (NCLAT New Delhi Dec. 10, 2025).

⁵⁰ *Hena Vincom Pvt. Ltd. v. Purvee Anoop Mehrotra*, IA (IB) Nos. 611/KB/2024, 612/KB/2024, 783/KB/2025, 967/KB/2025 in CP (IBPP) No. 01/KB/2022 (NCLT Kolkata Bench Sept. 16, 2025).

⁵¹ In re *Kethos Tiles Pvt. Ltd.*, CP (IB & Pre-Packaged) No. 01/2023 (NCLT Ahmedabad Bench Jan. 4, 2024); *see also* order dated June 6, 2024 (terminating the PPIRP).

This ruling reinforces that time is substantive in PPIRP, preserving the process's speed, predictability, and distinction from CIRP.

8. Kratos Energy & Infrastructure Ltd. (NCLT Mumbai, 2025)⁵²

Kratos Energy highlighted compliance with Sections 54A–54K, including CoC formation, creditor approval, and submission of a base resolution plan. The Tribunal found all statutory conditions met and approved the plan.

The case demonstrates judicial confidence in PPIRP as a viable alternative to CIRP, endorsing promoter-led restructuring where procedural safeguards are observed.

9. Mudra Lifespaces Pvt. Ltd. (NCLT Mumbai, 2025)⁵³

This matter reviewed statutory compliance, CoC approval, and base resolution plan submission in a complex real estate context. The Tribunal held that the process followed transparency, fairness, and financial viability principles.

It affirmed that PPIRP works even in sectors with layered financial structures if managed with procedural integrity.

4.4 Landmark Supreme Court IBC Judgments (2024–2026)

10. Noida SEZ Authority v. Manish Agarwal (Supreme Court, 2024)⁵⁴

The Supreme Court reaffirmed the primacy of the Committee of Creditors (CoC). A statutory authority challenged an approved resolution plan, claiming insufficient distribution as an operational creditor. The Court held that the CoC's commercial wisdom cannot be interfered with unless statutory provisions are breached. Operational creditors may be treated differently from financial creditors if the plan complies with Section 30(2). This ruling reinforced predictability and finality in insolvency, emphasising that commercial bargains should not be revisited in court.

11. Independent Sugar Corporation Ltd. v. HNGIL (Supreme Court, 2025)⁵⁵

The Court clarified that Competition Commission of India (CCI) approval under Section 31(4) is mandatory before CoC voting on a resolution plan. Earlier tribunal interpretations treating it as directory were overruled. Since combinations can affect market structure, the CoC must consider competition implications upfront. The judgment strengthens compliance discipline and ensures insolvency proceedings respect competition safeguards.

⁵² In re Kratos Energy & Infrastructure Ltd., CP (IBPP) No. 03/MB/2023 (NCLT Mumbai Bench Feb. 1, 2024) (admission order); final approval order dated July 28, 2025 under Section 54K(15).

⁵³ In re Mudra Lifespaces Pvt. Ltd., CP (IBPP) No. 01 of 2023 (NCLT Mumbai Bench Dec. 6, 2023) (admission order); IA (IBC)(Plan) No. 90/2024, approval order dated Mar. 12, 2025.

⁵⁴ Noida SEZ Auth. v. Manish Agarwal, Civil Appeal Nos. 5918–5919 of 2022, 2024 INSC 839.

⁵⁵ Indep. Sugar Corp. Ltd. v. HNGIL, (2025) 5 SCC 209.

4.5 Broader IBC Landmark Cases (Background Jurisprudence)

12. Essar Steel India Ltd. v. Satish Kumar Gupta (Supreme Court, 2019)⁵⁶

This landmark judgment established that the Committee of Creditors (CoC) holds primacy in insolvency proceedings. Courts cannot substitute their judgment for the CoC, which must act on viability, feasibility, and asset-value maximisation. By limiting judicial intervention, the ruling enhanced predictability and creditor autonomy under the IBC, forming a foundation for later PPIRP jurisprudence.

13. K. Sashidhar v. Indian Overseas Bank (Supreme Court, 2019)⁵⁷

The Court reinforced that adjudicating authorities cannot question the CoC's commercial decisions if statutory requirements are met. Resolution plans' merits are left to creditors, not courts. This principle is frequently cited in both CIRP and PPIRP matters, ensuring judicial deference to commercial expertise.

14. Ghanashyam Mishra & Sons v. Edelweiss ARC (Supreme Court, 2021)⁵⁸

The ruling clarified the "clean slate" principle: once a resolution plan is approved, prior claims are extinguished unless preserved. This provides certainty for resolution applicants and encourages revival of distressed companies. Later cases, such as *Shree Rajasthan Syntex Ltd.*, carefully distinguished between pre-plan and post-plan obligations using this precedent.

15. Maharashtra Seamless Ltd. v. Padmanabhan Venkatesh (Supreme Court, 2020)⁵⁹

The Court held that tribunal valuations cannot be questioned unless shown to be arbitrary or unreasonable. Registered valuers' assessments must be respected, avoiding judicial substitution of enterprise value. This principle is crucial in PPIRP, particularly for intangible assets, goodwill, or synergies. It also influenced 2026 IBBI amendments introducing multi-valuer frameworks for complex assets.

16. Duncans Industries Ltd. v. State of U.P. (Supreme Court, 2000)⁶⁰

Though predating the IBC, this case reinforced that valuation is fact-driven and requires expert input. Courts should intervene only in cases of clear illegality or material irregularity. This principle underpins insolvency tribunals' approach to fair-value disputes, particularly in heavy industry, infrastructure, and fintech sectors where valuation challenges are heightened.

Alongside judicial evolution, the regulatory framework advanced with the IBBI (Pre-Packaged Insolvency Resolution Process) (Amendment) Regulations, 2026, which modernised valuation standards to reflect

⁵⁶ Essar Steel India Ltd. v. Satish Kumar Gupta, (2019) SCC OnLine SC 1478.

⁵⁷ K. Sashidhar v. Indian Overseas Bank, (2019) 12 SCC 150.

⁵⁸ Ghanashyam Mishra & Sons v. Edelweiss ARC, (2021) 9 SCC 657.

⁵⁹ Maharashtra Seamless Ltd. v. Padmanabhan Venkatesh, (2020) 11 SCC 467.

⁶⁰ Duncans Indus. Ltd. v. State of U.P., AIR 2000 SC 355; (2000) 1 SCC 633.

practical needs and global norms. “Fair value” now includes tangible and intangible assets, enterprise synergies and overall enterprise-level value, assessed as on the insolvency commencement date. Regulation 38 introduces sets of valuers for different asset classes, reducing subjectivity and providing multi-dimensional insights, particularly important for fintech firms reliant on software, data and algorithmic infrastructure. Standardised report formats improve transparency and auditability, signalling a shift toward evidence-based and less discretionary insolvency processes. Academic commentary underscores this trend. Dr. Abhishek Gandhi⁶¹ highlights alignment with international norms while Samridh Chaturvedi⁶² emphasises the potential of AI and blockchain to strengthen compliance, risk assessment and record-keeping.

From 2019 to 2026, India’s insolvency jurisprudence has matured, with PPIRP decisions showing confidence in the debtor-in-possession model, prioritising speed, stakeholder cooperation and procedural integrity. Fintech rulings protect customer funds while harmonising insolvency and regulatory obligations. Supreme Court precedents on CoC primacy, judicial restraint, valuation standards and the clean slate principle provide a strong doctrinal foundation. Together, these judicial, regulatory and academic developments signal that India’s insolvency regime is evolving into a robust, predictable and commercially aligned system, capable of addressing complex challenges across sectors, technologies and financial structures.

CHAPTER 5 – ANALYSIS OF PPIRP FOR FINTECH STARTUPS

5.1 Balancing Speed and Transparency: The Central Tension

The central tension⁶³ in fintech insolvency lies in balancing speed with transparency. Fintech firms depend largely on intangible assets such as data, software and user trust, all of which erode quickly during financial distress. Any delay can lead to loss of customers, withdrawal of funds and exit of skilled employees, making revival difficult. In this context, the PPIRP framework under the Insolvency and Bankruptcy Code, 2016 prioritises swift resolution through a debtor in possession model and strict timelines, helping preserve business continuity and regulatory licences under bodies like the Reserve Bank of India.

⁶¹ Abhishek Gandhi, *IBBI (Insolvency Resolution Process for Corporate Persons) (Amendment) Regulations, 2026: A Structural Shift in Valuation, Disclosure and Allottee Protection* (2026), <https://advocategandhi.com/ibbi-insolvency-resolution-process-for-corporate-persons-amendment-regulations-2026-a-structural-shift-in-valuation-disclosure-and-allottee-protection>.

⁶² Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Amendment) Regulations, 2026, <https://ijrlm.com/journal/modernizing-pre-packaged-insolvency-resolution-process-leveraging-blockchain-and-ai-to-address-challenges/>.

⁶³ Pradeep Kobra, *[Title of Article]*, *IIPI J.* 28 (2026), <https://www.iiipicai.in/wp-content/uploads/2026/01/P-28-35-Article-4-Pradeep-Kobra.pdf>.

At the same time,⁶⁴ transparency remains essential to ensure fairness and creditor confidence. The IBC framework relies on informed decision making by the Committee of Creditors, supported by disclosures, claim verification and judicial oversight by the National Company Law Tribunal. Mechanisms such as prior creditor approval, public announcements and competitive bidding through the Swiss challenge method aim to prevent misuse and protect stakeholder interests. Judicial precedents like *Committee of Creditors of Essar Steel India Limited v. Satish Kumar Gupta* reinforce the importance of creditor primacy alongside procedural fairness.

PPIRP attempts to reconcile these competing goals by combining pre negotiated plans with regulatory safeguards. While its design promotes efficiency, concerns remain that excessive emphasis on speed may dilute transparency, especially given promoter control and limited role of operational creditors. In practice⁶⁵, the effectiveness of this balance depends on creditor coordination, quality of disclosures and the complexity of the fintech entity, making careful oversight crucial for achieving both timely and fair outcomes.

5.2 Critical Analysis of PPIRP Applicability to Fintech Startups

1. **MSME eligibility barrier:** PPIRP is confined to MSMEs under the Micro Small and Medium Enterprises Development Act, 2006, excluding many fintech firms that exceed thresholds or have non traditional structures. Such entities must shift to CIRP under the Insolvency and Bankruptcy Code, 2016, creating a structural gap⁶⁶.
2. **Default threshold problem:** Statutory limits often fail to reflect fintech liabilities, which may be higher and more complex. Large defaults and numerous small claims make timely verification within PPIRP difficult.
3. **Debtor only initiation:** Since only the corporate debtor can initiate PPIRP, creditor recourse is limited if management delays action. This can erode value, particularly where customer funds are involved.
4. **Pre negotiated plan difficulty:** Preparing a Base Resolution Plan is challenging due to dispersed creditors and conflicting investor rights. Achieving consensus before filing is often impractical.

⁶⁴ ETBFSI Bureau, *IBBI Strengthens Corporate Insolvency Rules: Mandatory Disclosures, Digital Submission & Enhanced Transparency*, ETBFSI (Jan. 15, 2026), <https://bfsi.economicstimes.indiatimes.com/articles/ibbi-strengthens-corporate-insolvency-rules-mandatory-disclosures-digital-submission-enhanced-transparency/123199024>.

⁶⁵ Akhil Nair, *IBC at the Crossroads: Balancing Speedy Resolution and Stakeholder Rights in India's Insolvency Regime*, LinkedIn (2026), <https://www.linkedin.com/pulse/ibc-crossroads-balancing-speedy-resolution-stakeholder-akhil-nair-uvbvf>.

⁶⁶ P. Goswami, *Recalibrating India's Insolvency and Bankruptcy Regime*, Virtuosity Legal (2026), <https://virtuositylegal.com/recalibrating-indias-insolvency-and-bankruptcy-regime>.

5. **Regulatory coordination challenges:** Fintech insolvency requires alignment between the Reserve Bank of India and the National Company Law Tribunal⁶⁷. Overlapping obligations, including under the Digital Personal Data Protection Act, 2023⁶⁸, create uncertainty.
6. **Valuation difficulties:** Fintech value lies in intangibles like data and technology, which are hard to assess using traditional methods within strict timelines.
7. **Promoter control risks:** The debtor in possession model retains management control, which aids continuity but raises concerns of mismanagement. Safeguards exist, but they operate only after issues emerge⁶⁹.

CHAPTER 6 – FINDINGS, RESULTS & CONCLUSION

6.1 Findings and Results

The study finds that the PPIRP under Section 54A of the Insolvency and Bankruptcy Code, 2016 provides a conceptually strong framework for resolving fintech insolvencies. The debtor-in-possession model aligns with the operational realities of fintechs, preserving management continuity, technology platforms, and customer trust, while the 120-day timeline addresses the need for speed in sectors where intangible assets lose value rapidly. Recent judicial trends, including *TMW Fintech Pvt. Ltd.* and the 2026 IBBI regulations, show growing recognition of the need to protect customer funds and adopt valuation methods that account for intangibles and enterprise synergies.

However, practical challenges persist. Many fintechs fall outside the MSME eligibility criteria, forcing reliance on the longer Corporate Insolvency Resolution Process. Pre-negotiated resolution plans are difficult due to dispersed creditor structures, while valuing intangible assets such as data, software, and licenses remains complex within the strict timeline. The debtor-only initiation model and lack of coordination with regulators like the RBI create additional risks and uncertainty, limiting the framework's effectiveness in the fintech context.

6.1 Conclusion

The PPIRP represents a significant reform for MSMEs and offers fintech startups clear advantages, including management continuity, expedited resolution, and confidential restructuring. Its debtor-in-possession

⁶⁷ S. Chaturvedi, *Modernizing Pre-Packaged Insolvency Resolution Process: Leveraging Blockchain and AI to Address Challenges*, Int'l J. Rsch. L. & Mgmt. (2026), <https://ijrlm.com/journal/modernizing-pre-packaged-insolvency-resolution-process-leveraging-blockchain-and-ai-to-address-challenges>.

⁶⁸ Digital Personal Data Protection Act, No. 22 of 2023, *supra* note 37.

⁶⁹ Insolvency Law Academy, *The Rise of Pre-Packs as a Restructuring Tool: Theory, Evidence and Policy* (2026), <https://insolvencylawacademy.com/the-rise-of-pre-packs-as-a-restructuring-tool-theory-evidence-and-policy>.

approach suits fintechs, where abrupt management changes could damage customer confidence and erode intangible assets. Oversight by the Committee of Creditors and NCLT judicial review provides necessary checks against potential misuse.

Yet, the current framework is not fully adapted to fintech realities. Eligibility rules, valuation difficulties, regulatory gaps, and challenges in pre-negotiated plans hinder practical utility. Limited adoption and few successful resolutions suggest low stakeholder awareness and procedural barriers.

To strengthen PPIRP for fintechs, reforms should expand eligibility criteria, develop valuation standards for digital assets, and formalise coordination between insolvency authorities and sectoral regulators. Technological tools like blockchain and AI-assisted compliance could enhance speed and transparency. These measures are essential to realise PPIRP's full potential as a sustainable insolvency mechanism in India's digital economy.