
THE INTERPLAY BETWEEN IBC AND MERGERS AND ACQUISITIONS IN INDIA: AN ANALYSIS

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ABSTRACT

India's approach to corporate distress underwent a significant shift in 2016 with the implementation of the "Insolvency and Bankruptcy Code (IBC)". A clear, unified procedure for resolving corporate insolvency while safeguarding the interests of creditors and preserving company value was implemented for the first time. The fundamental idea behind this approach is the transfer of power from promoters to creditors, with impartial experts overseeing faltering businesses while they are being resolved. In addition to preventing the demise of numerous significant companies over the years, the IBC has created new opportunities for mergers and acquisitions (M&A). This paper examines how strategic purchasers, such as multinational behemoths like ArcelorMittal and Tata Steel, acquired distressed assets in a clean manner largely free from prior claims, by using the IBC framework. It also emphasizes how legislative regulations such as Section 29A, which exclude prior defaulters, have given the procedure more legitimacy. The corporate landscape in India has changed as a result of these developments, but court decisions, the clarity of regulations provided by regulators like SEBI and RBI, and changing tax laws have all had an impact on how successful the IBC is. Through real-world case studies, such as Piramal's acquisition of DHFL or the resuscitation of major steel companies, the paper demonstrates how IBC has evolved beyond its initial use as a debt recovery tool. It is currently a potent tool for sectoral transformation, wealth generation, and corporate turnaround. Delays, legal disputes, and regulatory barriers are still major obstacles, nevertheless. In the future, quicker and improved regulatory coordination may help unlock the full potential of IBC-led M&A in India.

I. Introduction

Mergers and Acquisitions (M&A) and Insolvency and Bankruptcy laws are extremely significant for the restructuring of a corporation in any mature economy. Both provide the framework for rescuing a failing company, reallocating funds, and ensuring financial stability. A significant change in the manner in which financially distressed companies are handled was ushered into India through the passage of the “Insolvency and Bankruptcy Code, 2016” because prior to that, the bankruptcy process was lengthy, dispersed, and ineffective, leading to asset value erosion and lengthy uncertainty. The Code introduced a one-stop, time-bound process for maintaining value and providing a structured route for resolution. While doing this, it has not merely simplified the framework for insolvency but also opened new windows for strategic acquisition, which has strengthened the appeal of distressed assets for potential buyers. With the establishment of a time-bound creditor-led resolution process, the Code has been crafted with the aim to open new possibilities for taking over distressed companies, boosting M&A activity.

II. Launch of IBC: A revolution in thinking.

The introduction of the IBC in 2016 was a pivotal moment in the insolvency framework.¹ The “National Company Law Tribunal (NCLT)” was established as the adjudicating authority for corporate insolvency resolution processes (CIRP) after the Code brought different insolvency related laws under one roof.² Institutionalization of the CIRP, which mandates that the board be put on hold and administration of the company be entrusted to a Resolution Professional (RP) on admission,³ has been the most groundbreaking aspect of the IBC. The decision-making power is in the hands of the Committee of Creditors, which is primarily composed of financial creditors.⁴ Resolution applicants, such as potential acquirers, need to file resolution plans under Section 30 of the Code, provided they are eligible under section 29A.⁵

III. Strategically Applying IBC for Acquisitions

A. Applying Resolution Plans for M&A

¹Insolvency and Bankruptcy Code, No. 31 of 2016, INDIA CODE (2016)

<https://www.indiacode.nic.in/handle/123456789/2154?>

²Id. § 60(1).

³Id §§ 17(1), 20(1).

⁴Id § 21(2).

⁵Id § 29A, 30.

The CIRP provides a systematic and time-based process for acquiring distressed companies.⁶ At least some of these acquisitions have occurred under the IBC regime including:

- Arcelor Mittal's acquisition of Essar Steel.⁷
- Tata Steel's acquisition of Bhushan Steel.⁸
- JSW Steel's acquisition of Bhushan Power & Steel.⁹

Due to Section 31(1) of the IBC, not only were these transactions able to rescue the companies from liquidation but also enabled acquirers to acquire assets with prior claims largely extinguished in accordance with the approved resolution plan.¹⁰

B. Section 29A and its Implications

To prevent defaulting promoters from re-gaining control, Section 29A was formulated. It restricted the number of qualified resolution applicants but increased the integrity of the process. However, it provided a way for outside buyers and foreign investors to enter the fray.

IV. The Legal and Regulatory Environment Impacting the Interaction of IBC and M&A!

A. Competition Law:

M&A deals are governed by the Competition Act, 2002, and come under the jurisdiction of the Competition Commission of India (CCI).¹¹ Yet, recognising the need for expediency in CIRPs, the CCI has been swift in approving IBC-related matters.¹²

⁶Id § 12(1)

⁷Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta & Ors., (2019) ibclaw.in 07 SC <https://ibclaw.in/committee-of-creditors-of-essar-steel-india-limited-through-authorized-signatory-vs-satish-kumar-gupta-ors-sc/>

⁸Neeraj Singal v. Bhushan Steel Ltd. & Ors., Company Appeal (AT) (Insolvency) No. 221 of 2018 (NCLAT May 10, 2018) (India) <https://nclat.nic.in/sites/default/files/migration/upload/7376004755b7bcf75cca4a.pdf>

⁹JSW Steel Ltd. v. Mahender Kumar Khandelwal, Co. Appeal (AT) (Insolvency) No. 957 of 2019 (NCLAT Feb. 17, 2020) <https://ibbi.gov.in/uploads/order/eb655b79aa6e04ecf4af2d6c353cfb7e.pdf>

¹⁰Insolvency and Bankruptcy Code § 31(1) <https://www.indiacode.nic.in/handle/123456789/2154?>

¹¹The Competition Act, No. 12 of 2003, INDIA CODE (2003) (originally enacted as The Competition Act, No. 12 of 2002). <https://www.cci.gov.in/images/legalframeworkact/en/the-competition-act-20021652103427.pdf>

¹²Mayank Udhvani & Ragini Agarwal, An argument in Favour of an Effectively Mandatory CCI Approval under Section 31(4) of the IBC-Part II, IndiaCorpLaw (Oct. 13, 2020) https://indiacorpplaw.in/2020/10/13/an-argument-in-favour-of-an-effectively-mandatory-cci-approval-under-section-314-of-the-ibc-part-ii/?utm_source=chatgpt.com

B. SEBI Regulations: To alleviate acquirers from open offer obligations, SEBI has highlighted the fact that resolution plans approved under the IBC are eligible for exemption under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, subject to prescribed conditions.¹³

C. Taxation Concerns: While in IBC-led acquisitions, tax implications can be an impediment. To ensure that transfers pursuant to the IBC do not become tax loaded in specific situations, the Finance Act, 2021 clarified several clauses.

V. Legal interpretations and precedents

The judiciary has greatly influenced the M&A under IBC. The resolution plan was approved by Committee of Creditors and the Supreme Court validated that resolution plan in Committee of Creditors of Essar Steel Ltd. (through Authorised Signatory) v. Satish Kumar Gupta & Ors¹⁴, highlighting the reliance on COC's business judgment. It enabled the acquisition of Essar Steel by ArcelorMittal.

The court upheld a settlement scheme in Jaypee Kensington Boulevard Apartments Welfare Association v. NBCC (India) Ltd.¹⁵ that included an asset transfer scheme that required regulatory sanctions post-CoC approval.

VI. Case Studies

A. Piramal Group Acquiring DHFL under IBC

This was a groundbreaking deal and it set a precedent for future acquisitions of distressed assets in India

a. Background

- DHFL (Dewan Housing Finance Corporation Ltd.) was a prominent player in the

¹³M Alliranjan, Sebi exempts open offer for IBC buys, Times of India (India), Jun. 6, 2018, 04:00 IST, <https://timesofindia.indiatimes.com/business/india-business/sebi-exempts-open-offer-for-ibc-buys/articleshow/64469990.cms>

¹⁴Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta & Ors., (2019) ibclaw.in 07 SC <https://ibclaw.in/committee-of-creditors-of-essar-steel-india-limited-through-authorised-signatory-vs-satish-kumar-gupta-ors-sc/>

¹⁵Jaypee Kensington Boulevard Apartments Welfare Association & Ors. v. NBCC (India) Ltd & Ors., (2021) ibclaw.in 63 SC

housing finance space but fell apart under the burden of financial misdoings and accumulating debt.

- In November 2019, Reserve Bank of India (RBI) replaced DHFL's board and initiated Corporate Insolvency Resolution Process (CIRP) under IBC.¹⁶

b. The Acquisition

- Piramal Capital & Housing Finance Ltd. (PCHFL), a group company of Piramal Group, was declared the successful resolution applicant.
- Their resolution proposal comprised a total consideration of Rs. 34,250 crores and was one of the biggest value resolutions under IBC.

c. Key highlights

- More than 94% of the creditors of DHFL supported Piramal's proposal.
- The scheme obtained "RBI", "Competition Commission of India (CCI)", and "National Company Law Tribunal (NCLT)" approvals.
- After the acquisition, DHFL was merged with PCHFL to form a composite entity with specialisation in wholesale and retail lending¹⁷

d. Strategic Impact

- Creditors were repaid almost 46% of their claims which is substantial considering magnitude of distress.
- Piramal acquired DHFL's large retail lending network, ramping up its shift to consumer finance.
- The deal showed that IBC can enable time-bound and transparent resolution even in the

¹⁶"RBI supersedes DHFL board to initiate insolvency proceedings", The New Indian Express (Nov. 20, 2019). <https://www.newindianexpress.com/business/2019/Nov/20/rbi-supersedes-dhfl-board-to-initiate-insolvency-proceedings-2064564.html>

¹⁷Piramal Group Completes DHFL acquisition, The New Indian Express (Sept. 30, 2021). <https://www.newindianexpress.com/business/2021/Sep/30/piramal-group-completes-dhfl-acquisition-2365632.html>

most complex financial spaces.

e. Legal Complexity

- The case involved several avoidance applications concerning transactions totalling around Rs. 45,000 crores, where specific pre-CIRP transactions were disputed.
- The case went to the Supreme Court, showing the developing jurisprudence related to avoidance transaction under IBC.¹⁸

This is a strong example of how IBC can be utilized not only to recover value from distressed companies, but also to facilitate strategic M&A which restructures industry dynamics.

B. Applying India's IBC to Giant Steel Purchasers

Under the “Insolvency and Bankruptcy Code (IBC)”, some of India's largest corporate turnarounds in the steel sector have happened. Some distressed steel giants were suitably taken over by financially strong companies between 2017 and 2025, showcasing how an acquisition could reanimate struggling industrial assets, safeguard creditors, and save jobs. Three major acquisitions have been analysed in this case study,

ArcelorMittal and Essar Steel, Tata Steel and Bhushan Steel, and JSW Steel and Bhushan Power & Steel (BPSL).

i. JSW Steel's acquisition of Bhushan Power & Steel (BPSL)

a. Background

One of India's largest steel companies, BPSL, was heavily indebted, with debt of over Rs. 47,000 crores. BPSL was a major defaulter. BPSL was admitted to the corporate insolvency resolution process.

b. The Purchase

JSW Steel became the successful resolution bidder under Sajjan Jindal's leadership. The

¹⁸ PTI, SC stays NCLAT Order Sending Piramal's Winning Bid for DHFL to Lenders for Reconsidering Valuation, Times of India (April. 11, 2022) <https://timesofindia.indiatimes.com/sc-stays-nclat-order-sending-piramals-winning-bid-for-dhfl-to-lenders-for-reconsidering-valuation/articleshow/90783139.cms>

objective of the resolution plan, priced at around Rs.19,700 crore, was to improve JSW Steel's foothold in eastern India, preserve jobs, and consolidate BPSL. JSW Steel acquired the company after it was approved by the National Company Law Tribunal (NCLT) and the Committee of Creditors (CoC).¹⁹

c. Obstacles and Legal Process

Because of procedural issues, the acquisition was judicially challenged, even to the Supreme Court level. The court initially set aside the approval and remitted the matter, but subsequently cleared the acquisition after compliance with statutory requirements. This underlined the importance of prompt and final orders under the IBC.²⁰

The market position of JSW Steel in eastern India was fortified by the acquisition. It established a benchmark for tackling major Indian industrial insolvencies with proper balancing between business goals and legal necessities.

ii. Tata Steel's acquisition of Bhushan Steel

a. Background

One of India's largest steel manufacturers, Bhushan Steel, defaulted on loans worth Rs. 44,000 crores. In July 2017, lenders sought insolvency under the IBC. They went under Section 7.

b. The Purchase

With a resolution plan of Rs. 35,200 crores involving both cash payment and equity infusion, Tata Steel won the bid. The CoC and NCLT overwhelmingly accepted the resolution plan.²¹

Around sixty-three percent of the creditors admitted claims were realised. With the acquisition of Bhushan Steel's 5.6 MTPA Odisha unit, Tata Steel significantly enhanced production.

¹⁹JSW Steel Acquires Bhushan Power & Steel Ltd., JSW Group (May 14, 2021) <https://www.jsw.in/news/jsw-steel-acquires-bhushan-power-steel-ltd/>

²⁰Supreme Court upholds JSW Steel's Rs. 19,700 crores takeover of BPSL, The Economic Times (Sept. 27, 2025)<https://economictimes.indiatimes.com/industry/indl-goods/svs/steel/jsw-steel-bhushan-power-steel-ltd-supreme-court-upholds-jsw-steels-19700-crore-takeover-of-bpsl-rejects-challenges-by-former-promoters/articleshow/124145918.cms?from=mdr>

²¹Tata Steel Buys Bhushan Steel, to settle dues of Rs. 35,200 crores, Mint (May 18, 2018) <https://www.livemint.com/Companies/zQJ1nAquZndCvPo0baMCEO/Tata-Steel-unit-completes-acquisition-of-Bhushan-Steel.html>

Following the deal in May 2018, the firm was renamed as Tata Steel BSL.

c. Complexity of the Law

The sale was challenged by old promoters on the basis that it was worth less than its real value, but the courts confirmed the IBC's creditor primacy and held in favour of the process.

d. Outcome

Tata Steel's buyout broke new ground for industrial resolution because it provided that the IBC could resuscitate successfully even gargantuan, ailing manufacturing enterprises

iii. ArcelorMittal's Acquisition of Essar Steel

a. History

It defaulted on loans worth more than Rs. 69,000 crores in August 2017 and became insolvent. It was a highly industrial asset, located in Hazira, Gujarat, as an integrated plant.

b. Purchase

Upon establishing their eligibility under Section 29A, ArcelorMittal India Pt. Ltd. placed a successful bid for Rs.42,000 crores. The Supreme Court approved the resolution plan in November 2019 after prolonged litigation.²²

c. Key Points

Almost 85% of the creditors' claims were realised, the highest percentage in major IBC settlements. ArcelorMittal entered India with a robust operations base. ArcelorMittal Nippon Steel India was born out of the transaction, merging local infrastructure with global know-how.²³

²²Supreme Court clears Arcelor's takeover of Essar Steel, *The Economic Times* (Nov. 16, 2019) <https://economictimes.indiatimes.com/industry/indl-goods/svs/steel/supreme-court-clears-arcelors-takeover-of-essar-steel/articleshow/72066365.cms?from=mdr>

²³ArcelorMittal, Nippon Steel complete acquisition of Essar Steel, *Business Standard* (Dec. 16, 2019) https://www.business-standard.com/article/pti-stories/arcelormittal-nippon-steel-complete-acquisition-of-essar-steel-119121601038_1.html

d. Complexity of the Law

The original promoters Ruia family attempted in desperation to the take back control. The Supreme Court fortified IBC jurisprudence by reinstating business prudence standards and setting the CoC's jurisprudence.

VII. Challenges in engagement:

- A. Long Process Delays: Most CIRPs get delayed due to litigation, governmental permission, and dispute between creditors, despite the statutory 330-day cap, as found in Committee of Creditors of Essar Steel Ltd. v. Satish Kumar Gupta & Ors.²⁴
- B. Deterioration of Value as latecomers can cause assets to decay and lose their attractiveness as a buy.
- C. Legal Proceedings and delays in Approvals: Closing of deals can be hindered or delayed by various lawsuits and an absence of coordination among agencies (like the CCI, SEBI, and RBI)
- D. Asymmetry of Information: Legal liabilities and limited access to firm information often obstruct due diligence.

VIII. Sectoral Study: M&A Trends post IBC.

- A. Infrastructure and steel: Most of the important acquisitions have happened in these sectors, and resolution petitioners are targeting assets of long-term strategic significance.
- B. Real Estate and Power: Despite a number of major transactions having taken place, investors have been deterred by the convoluted regulatory environment and continuing litigation.
- C. Financial Services and Banking: Due to structural and regulatory limitation, IBC has

²⁴ Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta & Ors., (2019) ibclaw.in 07 SC <https://ibclaw.in/committee-of-creditors-of-essar-steel-india-limited-through-authorized-signatory-vs-satish-kumar-gupta-ors-sc/>

yet to be successfully implemented in the banking sector.

IX. New Direction and Path Forward

- A. **Pre-Packaged Insolvency:** Pre-packaged insolvency under the Insolvency and Bankruptcy Code is presently available in India primarily for Micro, Small, and Medium-Sized Enterprises (MSMEs). It allows a struggling company to negotiate a resolution plan with its creditors in advance, before initiating formal insolvency proceedings. In comparison to the regular Corporate Insolvency Resolution Process, this process significantly reduces both time and cost. The concept that pre-packs can be extended to larger firms, especially those with uncomplicated debt structures, is becoming popular because of the speed and efficiency associated with it. This would enable faster settlement and reduced burden on the National Company Law Tribunal.
- B. **Distressed funds and private equity investors:** Because of the potential for higher availability of stressed assets following sector-specific weakness and international economic headwinds, foreign distressed asset funds and private equity players are increasingly looking at the Indian market. These investors are able to drive volumes in distressed M&A deals and contribute to the turnaround of acquired businesses as they are equipped with both financial and operational expertise. Further, the trend allows for a larger set of IBC resolution applicants, potentially lifting creditor recovery through more aggressive bidding.
- C. **Judicial Streamlining:** Effectiveness of the judiciary and coordination among regulators such as “Insolvency and Bankruptcy Board of India” “Reserve Bank of India” “Securities and Exchange Board of India” are also critical for a smooth bankruptcy resolution. Resolution timeframes may be significantly reduced through the elimination of procedural bottlenecks, unification of the regulatory framework, and acceleration of the adjudication of disputes. As a bonus to higher recovery rates, streamlined legal procedures will enhance India’s attractiveness as a destination for Merger and Acquisition activity to domestic as well as foreign investors.

x) Conclusion

India’s approach to businesses in financial distress has been totally transformed by the

Insolvency and Bankruptcy Code (IBC). It provides lenders with decision-making authority and establishes a rapid and transparent procedure for resolving issues. The IBC has prevented the closure of numerous businesses and created new avenues for investors to purchase valuable assets with limited historical liabilities. Even though there are still certain issues that hinder progress, such as court cases, delay, and regulations, new concepts like prepack insolvency, improved regulator collaboration, and increased private investment are becoming beneficial. In general, the IBC is now more than merely a debt recovery tool. It has developed into a potent instrument for repairing businesses, expanding the economy, and promoting wise business practices.