The Pre-Pack Paradox: How PPIRP Recreated the Inefficiencies it was Built to Fix

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At the IBBI-INSOL India International Conclave on 7 December 2024, the Reserve Bank of India's Deputy Governor noted that only 10 applications had been admitted under India's Pre-Packaged Insolvency Resolution Process since its introduction in April 2021. By September 2025, that number had grown to 16. The Insolvency and Bankruptcy Code (Amendment) Act 2026 (**2026 Amendment Act**), which received Presidential assent on 6 April 2026, and a series of IBBI regulatory amendments in February and May 2026 have since introduced procedural refinements to the pre-packaged insolvency resolution process (**PPIRP**): clarified default thresholds, tightened internal milestone timelines, and streamlined the valuation duties of the resolution professional (**RP**). Against a backdrop of over 8,700 admissions under the standard corporate insolvency resolution process (**CIRP**), however, the PPIRP, introduced under the Insolvency and Bankruptcy Code (Amendment) Ordinance 2021 specifically to rescue micro, small and medium enterprises (**MSME**), continues to serve fewer corporate debtors than a typical mid-sized CIRP has creditors.

The 2026 reforms represent a legislative acknowledgment that PPIRP has underperformed. This article argues that they address the mechanism at the margins while leaving intact three structural defects that have made PPIRP's core propositions, speed, management continuity, and judicial minimalism, legally unachievable in practice.

The PPIRP Proposition

Introduced by Chapter IIIA of the Insolvency and Bankruptcy Code 2016 (**IBC**), PPIRP was built on three propositions: *speed* (a 120-day outer timeline under Section 54D); *management continuity* (a debtor-in-possession model where existing management retains operational control rather than ceding it to an RP); and *judicial minimalism* (the National Company Law Tribunal (**NCLT**) was confined to a 30-day ministerial approval window under Section 54M).

Each design choice was a direct response to a documented CIRP failure. The 330-day CIRP ceiling routinely erodes going-concern value. Management displacement destroys MSME-specific relationships and institutional knowledge. NCLT adjudicatory delays, a structural problem the Supreme Court (**SC**) directly addressed in *K Sashidhar v. Indian Overseas Bank*, which clarified the limits of judicial review in insolvency proceedings, had become CIRP's defining institutional liability.

The IBBI (Pre-Packaged Insolvency Resolution Process) (Amendment) Regulations 2026 (February 2026 PPIRP Regulations), notified on 25 February 2026, confirmed the minimum default threshold at Rs. 10 lakh, clarified the eligibility ceiling calculation, and introduced milestone deadlines for RP claim verification and Adjudicating Authority hearing scheduling within the 120-day window. The IBBI's Second Amendment Regulations 2026 (19 May 2026) further tightened the RP's valuation duties: registered valuers must now be appointed within three days of the RP taking charge, and a single registered valuer set suffices for MSMEs. These are meaningful operational improvements. The three structural defects below persist unaddressed.

The Section 30 Contamination

PPIRP's most consequential structural defect lies in Section 54M(2)(a), which conditions NCLT approval of a PPIRP resolution plan on satisfaction that it meets *"the requirements as referred to in sub-section (2) of section 30."* Section 30(2) was not drafted for pre-packs. It was designed for full-cycle CIRPs with multiple competing resolution applicants, competitive bidding, and formal committee of creditors (**CoC**) deliberation over rival proposals. Its requirements are substantive: dissenting financial creditors must receive at least liquidation value; operational creditors must receive minimum specified payments; the plan must contain no legal contraventions. Each verification requires engagement with the commercial terms of the plan itself.

When Section 54M imports Section 30(2) by reference, the NCLT's 30-day approval window becomes legally incapable of remaining ministerial. The analytical demands of Section 30(2) presuppose precisely the level of substantive judicial scrutiny that PPIRP's debtor-in-possession philosophy was designed to foreclose.

The consequences are documented in GCCL Infrastructure and Projects Limited (***GCCL Infrastructure***), the first PPIRP admitted by NCLT Ahmedabad on 14 September 2021. The Committee of Creditors unanimously approved a Base Resolution Plan offering 100% recovery to all admitted creditors. The plan should have received Section 54M approval within 30 days. Instead, the approval order arrived on 5 September 2023, nearly two years after admission, as the NCLT examined the merger mechanics and assessed compliance against each limb of Section 30(2). Even a 100%-recovery, unanimously approved plan could not escape the scrutiny that Section 54M's cross-reference structurally produces. The NCLT in *GCCL Infrastructure* also directed the RP to submit interim progress reports, found nowhere in Chapter IIIA, revealing the supervisory instinct that PPIRP's design presupposes an absence of.

The 2026 Amendment Act did not amend Section 54M(2)(a)'s reference to Section 30(2). The structural contamination documented in *GCCL Infrastructure* remains live under the reformed framework.

The Essar Steel Shadow

PPIRP's second replication of CIRP pathology involves its timeline guarantee. Section 54D prescribes a 120-day outer limit but is silent on whether extensions are available. This silence produced a direct conflict in the *Mr Vikash Gautamchand Jain RP of Kethos Tiles Private Limited* (***Kethos Tiles***) proceedings. The NCLT, Ahmedabad, by order dated 6 June 2024, rejected a CoC-approved extension application, holding that Section 54D's 120-day period is absolute. The National Company Law Appellate Tribunal (**NCLAT**), on appeal, set aside this order. Relying on the SC's earlier reasoning in *Committee of Creditors of Essar Steel India Limited v. Satish Kumar Gupta*, which struck down the mandatory reading of Section 12's CIRP timeline to permit extensions in exceptional circumstances, the NCLAT held that Section 54D's ceiling is similarly amenable to judicial extension where sufficient cause is shown.

The February 2026 PPIRP Regulations introduced milestone deadlines within the 120-day window, a targeted response to stage-level delays. These milestones address velocity *within* the process; they do not resolve whether the 120-day ceiling may be judicially overridden.

Kethos Tiles remains authoritative NCLAT precedent on that question, unremedied at the statutory level. PPIRP's speed proposition, its sharpest contrast with CIRP, is now legally indistinguishable from CIRP's judicially extendable ceiling.

The Base Plan Deadlock

Section 54C of the IBC requires the PPIRP application to be accompanied by a base resolution plan (**BRP**) submitted by the corporate debtor's management. The CoC must vote on the BRP before formal PPIRP commencement; if rejected by a 66% CoC vote under Section 54L, a Swiss Challenge under Section 54H is triggered to invite third-party resolution applicants.

This presupposes pre-admission goodwill between promoters and financial creditors that India's MSME credit market does not produce. A promoter's rational incentive is to minimize creditor recoveries while preserving management control. Financial creditors, public sector banks under RBI's NPA classification norms and accountability pressures, are incentivized to reject inadequate plans rather than negotiate concessions that may attract regulatory scrutiny, a systematic pre-admission standoff.

The 2026 Amendment Act amended Section 54C(3) to replace the statutory document list with a flexible enabling provision allowing the IBBI to specify required documents by regulation. IBBI's consequential discussion paper (April 2026) proposes reducing the pre-filing financial creditor approval threshold from 66% to 51% of unrelated financial debt, a meaningful reduction in the initiation barrier. It also proposes removing the requirement to declare avoidance transactions at initiation, easing a significant compliance hurdle for MSMEs.

These are welcome changes to the initiation stage. The BRP vote, however, is not the initiation stage: it occurs *after* PPIRP is admitted, under Section 54L, which retains the 66% CoC approval threshold. A promoter who successfully initiates PPIRP under the lower 51% threshold still faces the same adversarial binary vote at Section 54L. Once the BRP fails there, PPIRP becomes a CIRP with an additional pre-filing step.

In *Loon Land Developers Limited and Krrish Realtech Private Limited* (***Krrish Realtech***), MSME eligibility objections and Section 424 challenges under the Companies Act 2013 consumed over 445 days from initiation to resolution in one case, exceeding CIRP's own 330-day ceiling.

Three Targeted Amendments

The three defects, Section 54M's Section 30(2) import, Section 54D's judicial elasticity after *Kethos Tiles*, and Section 54C's adversarial BRP vote, have precise statutory remedies that the 2026 Amendment Act has not supplied.

First, Section 54M should be amended to replace the reference to Section 30(2) with PPIRP-specific compliance criteria: NCLT approval should require verification only that (i) operational and (ii) dissenting financial creditors receive no less than liquidation value, and (iii) the plan contains no contravention of applicable law. These are computational checks, not commercial evaluations. Excising it eliminates the doctrinal gateway through which substantive judicial scrutiny enters PPIRP, making the 30-day window achievable. The 2026 Act's silence on Section 54M, despite comprehensively amending surrounding provisions, is the reform package's most consequential omission.

Second, Section 54D should be amended to specify that the 120-day period commences from NCLT admission (not application), and to provide a single CoC-driven extension of up to 60 days, available by a 66% CoC resolution without any judicial order. The February 2026 PPIRP Regulations introduced milestone sub-deadlines; the statutory gap their existence does not fill is an explicit legislative answer to the *Kethos Tiles* doctrine of judicial extendability. A CoC-driven extension mechanism is structurally different from judicial discretion: it preserves process certainty while eliminating the open-ended delay risk that judicial extension creates.

Third, Section 54L's 66% BRP approval threshold should be reduced to 51%, the same threshold the IBBI has proposed for the pre-filing initiation stage. The 2026 amendments rightly reduced the initiation barrier; applying the same logic to the BRP vote itself closes the adversarial gap that remains.

Alternatively, following the UK's Statement of Insolvency Practice 16, the BRP should be reconceived as a non-binding restructuring disclosure rather than a binary vote, preserving transparency while removing the take-it-or-leave-it dynamic that causes BRPs to fail.

Conclusion

PPIRP's record of sixteen admissions in four years is not a marketing problem, and the 2026 Amendment Act's improvements do not resolve it. They clarified thresholds, tightened timelines, streamlined RP valuation, and eased documentation at initiation. They have not touched Section 54M's Section 30(2) import, Section 54D's judicial extendability under *Kethos Tiles*, or Section 54L's adversarial BRP vote. The three amendments above target what the 2026 legislature left unaddressed, what a second reform package must supply. India's MSMEs did not need a new insolvency law, they needed an existing one that works as designed.