
DISTRESSED MERGERS & ACQUISITIONS IN INDIA: HOW IBC HAS CHANGED THE LANDSCAPE OF CORPORATE ACQUISITIONS

Sanchita Pandey, Law Student, SVKM's Narsee Monjee Institute of Management Studies

ABSTRACT

Corporate financial distress, which is traditionally perceived as a sign of business breakdown or simply as business collapse, is today increasingly perceived as a potential pathway in order to enable strategic restructuring and renewed value creation. In the ever-changing financial markets, distressed assets have been gaining importance for investors who seek strategic gains. At the intersection of financial distress and strategic opportunity, Distressed Mergers and Acquisitions enable the investorsto take over the financially distressed companies and sustain the value. The landscape in which all this takes place in India has undergone a major shift with the introduction of the Sick Industrial Companies Act¹, The Recovery of Debts Due to Banks and Financial Institutions Act 1993², and SARFAESI³ led to jurisdictional conflicts and procedural delays. This paper seeks to examine the evolving scenario of distressed Mergers and Acquisitions in India with special prominence on the transformative position of IBC, 2016. First and foremost, the study will discuss the parameters on the basis of which a company is termed “distressed” in the context of mergers and acquisitions. To illustrate this concept, the paper demonstrates the role of financial distress in placing the company under the insolvency resolution proceeding, which facilitates the acquisitions of the company by the prospective investors. Additionally, the paper will evaluate and explore the legal frameworks that existed before the implementation of the IBC. The case of Dunlop India Limited vs. E.V. Mathai and Sons is analysed to understand the failure of the earlier frameworks to facilitate timely and effective restructuring of distressed companies. The paper assesses the impact of the introduction of IBC on this scenario. It

¹Sick Industrial Companies (Special Provisions) Act, 1985 (Act 1 of 1986).

²The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (Act 51 of 1993).

³The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (Act 54 of 2002).

also addresses the IBC's role in developing framework for structured and time-bound insolvency decision under the National Company Law Tribunal and particularly focuses on provisions under IBC. Through this analysis, this paper aims to bring out the importance of the IBC in improving the environment of distressed mergers and acquisitions, encouraging investors to participate and making corporate restructuring more efficient in India.

Key Words: - Financial Distress, Distressed M&A, IBC 2016, Insolvency Process, Restructuring.

I. INTRODUCTION

In the present day Indian economic scenario, corporate failure is not viewed as a step backward in the economic arena but what was once thought to be a situation from which there was no return has come to be regarded as a strategic opportunity for investors to step in and restore economic viability. “If a failing company is highly coveted in the market, then the legal framework around distress is heightened”. Pursuant to the promulgation of the Insolvency and Bankruptcy Code, 2016⁴ distressed Mergers and Acquisitions has gained significant traction in India. Before IBC came into effect, distressed Mergers and acquisitions deals were rare, uncertain and difficult to execute and frequently stalled by inconsistent laws and prolonged legal disputes that steadily eroded asset valuations. Here, the code brought a major shift by empowering creditors, formalising bidding procedures and stimulating competition for acquiring insolvent companies.

⁴The Insolvency and Bankruptcy Code, 2016 (Act 31 of 2016).

II. WHAT MAKES A COMPANY DISTRESSED IN MERGERS AND ACQUISITION?

A prime recent case demonstrating distressed Mergers and Acquisition can be seen in Hindustan National Glass & Industries⁵ limited, a longstanding name in India's Glass Industry. After struggling for years with escalating debts and operational difficulties, HNG landed in insolvency proceedings in accordance with IBC. The deterioration in its financial position was so extreme that it was on the brink of shutting down entirely. Instead of shutting down, HNG emerged as a lucrative opportunity for investors. By 2025, Independent Sugar Corporation ("INSCO") took over the company by paying ₹1,851 to its creditors as a part of structured insolvency process.

This is the core idea of distressed M&A, where a company about to collapse is acquired by another company that identifies untapped value in its assets, market presence or technical expertise. For the acquirer, it's an opportunity to secure an established firm at a reduced valuation while the distressed entity receives a chance to rebuild under new control. Hence, distressed M&A goes beyond buying a distressed business it's a strategic way of leveraging crisis to create opportunities and rejuvenating failing companies.

III. BEFORE THE IBC: A BROKEN FRAMEWORK THAT PREVENTED DISTRESSED MERGERS & ACQUISITION

Prior to 2016, India operated under one of the weakest insolvency systems globally, and the data leaves no room for the doubt. According to World Bank's 2016⁶ data India took around 4.3 years⁷ on average to settle a single insolvency case, a pace far slower than Japan's 0.6 years and Singapore 0.8 years⁸. With a creditor recovery of just 25.7 cents on

⁵Economic Times, "INSCO pays creditors ₹1,851 crore to complete Hindusthan National Glass buy", *The Economic Times*, Nov. 3, 2025, available at: <https://economictimes.indiatimes.com/industry/indl-goods/svs/paper/-/wood/-/glass/-plastic/-marbles/inSCO-pays-creditors-1851-crore-to-complete-hindusthan-national-glass-buy/articleshow/125040083.cms> (last visited on Mar. 6, 2026).

⁶World Bank Group, *Doing Business 2015: Economy Profile – India*, available at: <https://documents1.worldbank.org/curated/en/641141468267363258/pdf/920420WP0Box380494580India00Public0.pdf> (last visited on Mar. 6, 2026).

⁷ET Online, "Ease of doing business: 3 factors Modi is counting on for a jump in World Bank's rankings", *The Economic Times*, Oct. 31, 2017, available at: <https://economictimes.indiatimes.com/news/economy/indicators/ease-of-doing-business-3-factors-modi-is-counting-on-for-a-jump-in-world-banks-rankings/articleshow/61353250.cms> (last visited on Mar. 6, 2026).

⁸Ranvir Singh, "Financial Sector Reforms – A Propellant for New India", *India Foundation*, available at: <https://indiafoundation.in/articles-and-commentaries/financial-sector-reforms-a-propellant-for-new-india/> (last visited on Mar. 6, 2026)

the dollar, India was positioned at 130 in “Resolving Insolvency” out of 189⁹ countries. Here, these figures were not just a piece of information they reveal in stark reality that corporate failure was almost irreversible in India and investors shield away from defective acquisitions the system that did not deliver either quick or reliable results. In other areas besides this, institutional set up was also ineffective. Apart from that, institutional mechanisms were of no help either. The Board of Industrial and Financial Reconstruction¹⁰, a government agency constituted under Sick Industrial Companies (Special Provision) Act, 1985 to revive sick distressed companies effectively became a dormant zone for firms that seldom got revived. BIFR handled 5,471 cases between 1987 and 2015 but managed to revive just around 825 corporates when in fact the revival rate was at best about 15%, which means either company lose out completely or that relapses are a way of life for most. Several big companies, like Dunlop and Hindustan Cables and numerous textile mills hung fire in the BIFR for years due to delays and other issues. Facilitating revival was replaced by BIFR as the focal point of endless delays, interminable litigations and erosion of assets. It was in the absence of Insolvency and Bankruptcy Code of India that there was no unified model in India to deal with corporate failures and a lot of frameworks was in state of dispersion under various laws and bodies. Laws like Sick Industrial Companies (Special Provisions Act, 1985), The Recovery of Debts due to Banks and Financial Institutions Act 1993, The Securitisation and Reconstruction of Financial Assets and enforcement of Securities Interest Act 2002 and some provisions from the Companies Act¹¹ planned on regulating insolvency or debt recovery but lack of an integrated framework left significant gaps. Consequently, Distressed Companies, Creditors and Potential Acquirers had to file under several yet different forums such as BFIR, DRTs, High courts and official liquidators all operating with overlapping powers and procedural inconsistency. As multiple legal studies note, the overlapping statutes fostered insufficiency, lengthy delays and prolonged uncertainty that

⁹ET Online, “Ease of doing business: 3 factors Modi is counting on for a jump in World Bank’s rankings”, *The Economic Times*, Oct. 31, 2017, available at: <https://economictimes.indiatimes.com/news/economy/indicators/ease-of-doing-business-3-factors-modi-is-counting-on-for-a-jump-in-world-banks-rankings/articleshow/61353250.cms> (last visited on Mar. 6, 2026).

¹⁰“Board for Industrial and Financial Reconstruction”, *Wikipedia*, available at: https://en.wikipedia.org/wiki/Board_for_Industrial_and_Financial_Reconstruction (last visited on Mar. 6, 2026).

¹¹The Institute of Company Secretaries of India, *Insolvency and Bankruptcy – Law and Practice*, available at: <https://www.icsi.edu/media/webmodules/InsolvencyLaw%26Practice230223.pdf> (last visited on Mar. 6, 2026).

undermined trust between investors and financial investors. As a result, delays in the process of insolvency were characterized with prolonged delays, systematic inadequacies and poor recovery results due to disjoints among laws and forums working in silos.

Nothing illustrates the deficiency of the pre-IBC insolvency process better than those real life businesses that did not survive it, despite how pervasive the problem initially turned out to be, Dunlop India has been easily one of the most notable cases (**Dunlop India Limited v E.V. Mathai and Sons**) where the insolvency system and the old system did not aid in improving companies when they became distressed or failed to revive distressed companies. Dunlop was once a market leading name in the tyre business, but fell into financial difficulty in the 2000s and became embroiled in the years of legal battles. Instead of seeking a definitive resolution, the firm wasted years shuttling between Calcutta High Court and BIFR. Many attempts to try and liquidate and rehabilitate the company were constantly obstructed by delays and proceedings, even the 2013 winding up¹² yielded only nominal progress on it. Due to parallel litigations and several stay proceedings, in the pre-IBC era it remained mired in limbo without an appropriate resolution, much less a timely one. The course of Dunlop's case here is a classic case of the fundamental flaws of the pre-IBC regime wherein there is no central authority, timelines are not structured and there are no reliable mechanisms for investors to revive or acquire the distressed companies.

IV. HOW IBC CHANGED THE GAME?

A major change in India's distressed asset space has been brought about by the enactment of Insolvency and Bankruptcy code in 2016. Insolvency resolution for the first time has been brought under a single umbrella through the mechanism of National Company Law Tribunal as provided in Section 60¹³ of IBC, thus bringing much-needed clarity to the jurisdiction confusion that companies like Dunlop and Kingfisher have been facing.

It also replaces promotor control post default to a Resolution Professional and assigns commercial authority to the Committee of creditors. The IBC, through Section 17¹⁴ removes management control from the board of directors to the Interim resolution

¹²Arnab Dutta, "Court orders winding up of Dunlop India", *LiveMint*, Jan. 31, 2013, available at: <https://www.livemint.com/Industry/tPjJXJo57W1YIzG9NxBnpO/Court-orders-winding-up-of-Dunlop-India.html> (last visited on Mar. 6, 2026).

¹³The Insolvency and Bankruptcy Code, 2016 (Act 31 of 2016), s. 60.

¹⁴The Insolvency and Bankruptcy Code, 2016 (Act 31 of 2016), s. 17.

professional while Section 23¹⁵ and 28¹⁶ mandate that the resolution professional act under the CoC's promoting transparency and accountability. Most significantly, the IBC imposed a firm 180–270-day timeline for insolvency resolution which gave investors the certainty needed to pursue distressed companies. Earlier, distressed acquisitions were little more than legal gambles; after its enactment they became part of a structured insolvency market. The Code further established a standard information memorandum, a transparent auction mechanism and a clear proceeds waterfall thereby creating certainty for buyers and creditors.

As per the Insolvency and Bankruptcy Board of India and industry reports¹⁷, the Code has facilitated the resolution of thousands of distressed companies while promoting early credit discipline with over 30,000 default cases worth ₹13.78 lakh crore were settled prior to corporate insolvency resolution processes admission to prevent IBC proceedings. Other than that, the Code has altered the outcomes significantly by prioritising resolution over liquidation. In FY2025, resolutions surpassed liquidations by 2:1 unlike the pre-IBC landscape¹⁸. Further in FY2024, The NCLT's approval of a record 269¹⁹ resolution plan reflects enhanced judicial efficiency and consistent progress in corporate turnarounds. Creditors recovered ₹67,000 crores in FY2024-25, reflecting a 42% annual increase²⁰ and improved executions of tribunal-led resolutions. In contrast to earlier frameworks, the IBC has outperformed and delivered stronger recovery outcomes. IBBI

¹⁵The Insolvency and Bankruptcy Code, 2016 (Act 31 of 2016), s. 23.

¹⁶The Insolvency and Bankruptcy Code, 2016 (Act 31 of 2016), s. 28.

¹⁷PTI, "Over 30,000 cases involving ₹13.78 lakh crore resolved even before IBC intervention", *The Economic Times*, May 10, 2025, available at: <https://economictimes.indiatimes.com/industry/banking/finance/over-30000-cases-involving-rs-13-78-lakh-crore-resolved-even-before-ibc-intervention/articleshow/121063790.cms> (last visited on Mar. 6, 2026).

¹⁸PTI, "Now insolvency resolutions exceed liquidations", *The Times of India*, May 22, 2025, available at: <https://timesofindia.indiatimes.com/business/india-business/now-insolvency-resolutions-exceed-liquidations/articleshow/121325791.cms> (last visited on Mar. 6, 2026).

¹⁹PTI, "Now insolvency resolutions exceed liquidations", *The Times of India*, May 22, 2025, available at: <https://timesofindia.indiatimes.com/business/india-business/now-insolvency-resolutions-exceed-liquidations/articleshow/121325791.cms> (last visited on Mar. 7, 2026).

²⁰Vasudha Mukherjee, "Creditors recover ₹67,000 crore via IBC resolutions in FY25", *Business Standard*, May 15, 2025, available at: https://www.business-standard.com/economy/news/creditors-recover-rs-67000-crore-ibc-resolutions-fy25-insolvency-bankruptcy-125051500817_1.html (last visited on Mar. 6, 2026).

linked industry data indicates that creditor recoveries under CIRP stands at 32.8%²¹ up from 25.7 cents on the dollar.

V. CONCLUSION

In conclusion, India's insolvency and corporate restructuring framework has undergone a substantial transformation, which is reflected in the evolution of distressed mergers and acquisitions. Therefore, distressed M&A is a crucial tool for reorganizing failing businesses and transferring them to investor who can restore their financial and operational stability. IBC has redefined how distressed mergers and acquisitions are pursued in India. Through the alignment of legal certainty, it has reframed insolvency from a story of a failure to one of opportunity, while establishing a balanced framework for creditors, investors and promotes economic stability. The framework has infused insolvency process with certainty, accountability and strong commercial orientation. IBC's reforms have created a solid basis for the growth of a more vibrant distressed mergers & acquisitions market in India, even though practical implementation issues and changing jurisprudence continue to influence how the insolvency framework operates. Long term investor confidence and the effective resolution of corporate distress will depend on further strengthening the framework. In essence, IBC treats failure like a timeout, pausing the entire structure to think clearly in order to rebuild the structure properly.

²¹Ruchika Chitravanshi, "IBC resolutions rise sharply; 60% cleared in last three years: IBBI", *Business Standard*, May 22, 2025, available at: https://www.business-standard.com/industry/news/ibc-resolutions-rise-sharply-60-cleared-in-last-three-years-ibbi-125052101171_1.html (last visited on Mar. 6, 2026).