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## Supreme Court Clears Path For Single Insolvency Proceedings Against Linked Group Companies

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### A. INTRODUCTION

**SINCE** its inception in 2016, Section 7 of the Insolvency and Bankruptcy Code, 2016 (IBC), has witnessed panoramic transformations and has undergone significant judicial and legislative evolution. Initially conceived as a creditor-driven mechanism enabling financial creditors to trigger insolvency upon proof of debt and default, the provision was interpreted strictly on an entity-specific basis. Early jurisprudence emphasised limited adjudicatory scrutiny by the Adjudicating Authority, confined to verification of debt and default. Over time, legislative amendments, most notably the introduction of threshold requirements for real estate allottees and judicial pronouncements, have refined its contours to prevent misuse while preserving creditor rights. Courts have progressively adopted a substance-oriented approach, recognising commercial realities such as group structures, joint projects, and interconnected liabilities. Recent decisions permitting consolidated or joint Section 7 applications against intrinsically linked corporate entities reflect this evolution, aligning the provision with the IBC's objectives of timely resolution, value maximisation, and avoidance of multiplicity of proceedings.

In a landmark ruling strengthening the insolvency framework in India, the Hon'ble Supreme Court in *Satinder Singh Bhasin vs Col Gautam Mullick and Ors Civil Appeal No. 13628 of 2025 with Civil Appeal No. 13779 of 2025 and Civil Appeal No. 13812 of 2025* - **2026-TIOLCORP-08-SC-IBC**, has held that a single insolvency petition under the IBC can be maintained against more than one corporate entity, where such entities are intricately linked, interdependent, and jointly responsible for the underlying default.

### B. BACKGROUND OF THE CASE

In a significant ruling under the IBC, the Supreme Court in Satinder Singh has affirmed that a single insolvency petition can be maintained against more than one corporate entity, where such entities are intrinsically linked and operate as a single economic unit.

The case concerned a large integrated real estate project known as "*Grand Venezia Commercial Tower*", comprising office spaces, a mall, and other commercial facilities. The project was undertaken through two companies, Bhasin Infotech and Infrastructure Pvt. Ltd., and Grand Venezia Commercial Towers Pvt. Ltd.

Over 100 allottees approached the National Company Law Tribunal (NCLT) under Section 7 of the IBC, alleging non-completion of construction, non-delivery of possession, and stoppage of assured returns. The insolvency petition was filed jointly against both companies.

The promoters objected to the maintainability of a single petition, arguing that each company was a separate legal entity and that insolvency proceedings must be initiated independently.

### C. HON'BLE SUPREME COURT'S FINDINGS

Rejecting the objections, the Supreme Court upheld the orders of the NCLT and the National Company Law Appellate Tribunal (NCLAT), affirming that a joint insolvency petition is legally maintainable where corporate entities are intrinsically connected. The Court also held that formal corporate separateness cannot override commercial reality where companies are functionally and financially intertwined.

The key observations of the Hon'ble Supreme Court were:

- Both companies had common directors and overlapping management

- Their roles in the project were interchangeable and inseparable
- Payments, allotment letters, possession communications, and assurances were issued collectively
- The project functioned as one integrated commercial undertaking, making segregation artificial and impractical

The Court observed that treating such entities as isolated corporate persons would defeat the economic reality of the transaction and undermine the objectives of the IBC.

#### **D. EMPHASIS ON COMMERCIAL SUBSTANCE**

The Supreme Court underscored that the IBC, as an economic legislation, must be interpreted to ensure timely resolution, maximise asset value, protect stakeholders, and prevent abuse through artificial corporate structuring, where substance prevails over form.

#### **E. NOT A FORMAL GROUP INSOLVENCY REGIME YET UNDER THE CODE**

It is observed that India does not yet have a codified group insolvency framework. The Court clarified that the absence of an express provision does not prohibit joint proceedings in appropriate cases. The ruling builds upon earlier jurisprudence, allowing consolidated insolvency processes where companies act as a single economic unit.

#### **F. WIDER IMPLICATIONS**

This judgment has far-reaching implications, particularly for:

- Real estate insolvencies, where projects are often executed through multiple group companies
- Financial creditors and homebuyers, enabling comprehensive resolution instead of fragmented litigation
- Resolution professionals, who can now manage insolvency processes holistically in deserving cases

The ruling also sends a clear message that corporate structuring cannot be used to evade insolvency accountability.

#### **G. IMPACT ON REAL ESTATE AND INFRASTRUCTURE SECTORS**

The ruling clarifies that corporate layering through SPVs will not shield promoters where entities are functionally inseparable. It lowers investor risk of liability disputes in stalled projects and warns developers that project structures must show real independence, as insolvency exposure can now extend across the economic group not just a single entity.

#### **RELEVANT PRECEDENTS RELIED UPON:**

- *Manish Kumar v. Union of India (2021) 5 SCC 1 = [2021-TIOLCORP-03-SC-IBC-LB](#)*: It was held that the threshold of 100 allottees under Section 7 must be determined as on the date of filing the application, not at the time of hearing or admission.
- *Surendra Trading Company v. Juggilal Kamlapat Jute Mills Co. Ltd. Civil Appeal No. 8400 and 15091 of 2017 = [2017-TIOLCORP-06-SC-IBC](#)*: It is clarified that an application under Sections 7, 9, or 10 of the Code is considered validly filed only upon removal of defects and registration as per NCLT Rules.
- *Edelweiss Asset Reconstruction Company Ltd. v. Sachet Infrastructure Pvt. Ltd. (NCLAT) & Mamatha v. AMB Infrabuild Pvt. Ltd. (NCLAT) Company Appeal (AT) (Insolvency) No. 377 to 385 of 2019 = [2019-TIOLCORP-65-NCLAT](#)*: Establishment of the principle of "Group CIRP" or joint insolvency proceedings against multiple corporate debtors who are intrinsically linked in a single real estate project.

#### **H. RATIO DECIDENDI OF THE COURT**

The Supreme Court dismissed all appeals, affirming the orders of the NCLT and NCLAT, and held as follows:

- **Threshold Requirement to Be Tested on the Date of Filing:** Relying on Manish Kumar, the Court held that the relevant date for assessing compliance with the 100-allottee threshold is the date of filing of the insolvency application. Since the petition was

filed by 103 allottees, the statutory requirement stood satisfied. Subsequent settlements or withdrawals were held to be irrelevant for determining maintainability at the admission stage.

**- Permissibility of Amendments During Defect-Curing Stage:** Applying Surendra Trading and Rule 28 of the NCLT Rules, the Court held that until a petition is registered after removal of defects, amendments including changes to the party array are permissible. As the amendments were carried out during the defect-curing stage, they did not amount to an abuse of process.

**- Maintainability of a Joint Insolvency Petition:** The Court affirmed the principle of "Group CIRP," holding that a joint insolvency petition was maintainable where corporate debtors are intrinsically and inextricably linked. In the present case, Bhasin Ltd. was the project developer, while Grand Venezia Ltd., incorporated merely a month earlier functioned as the exclusive marketer, with common directors and interchangeable payment receipts and communications. Given their intertwined roles and the unified real-estate project, a consolidated insolvency process was warranted to maximise value.

**- Existence of Default Established:** Project Incomplete: Upon a detailed factual examination, the Court concluded that the corporate debtors were in clear default. It noted the absence of a final completion or occupancy certificate from UPSIDA; a 2018 Commissioner's Report declaring the units unfit for occupation; and a 2025 Court-appointed Observer's Report recording incomplete construction, lack of basic amenities, and uninhabitable conditions from the 3rd to the 15th floors. The UPSIDA lease mandated delivery of possession only upon execution of tripartite deeds none of which were executed. Assured returns had ceased since 2014, and the purported "possession letters" were found to be either notional or unrelated, lacking legal sanctity in the absence of tripartite deeds.

## I. LEGAL PRINCIPLES REAFFIRMED UNDER THE IBC

- Static Threshold Test:** The eligibility threshold for allottees under Section 7 is assessed only at the time of filing; subsequent events do not affect maintainability.
- Pre-Registration Flexibility:** Amendments, including changes to the party array, are permissible during the defect-curing stage prior to formal registration under NCLT Rules.
- Joint / Group CIRP:** A single insolvency petition is maintainable against intrinsically linked corporate entities forming part of a common project, to enable holistic resolution and value maximisation.
- Substance Over Form in Real Estate Default:** "Default" for allottees includes failure to deliver a legally complete and habitable unit; symbolic or incomplete possession does not constitute valid delivery.

## J. CONCLUSION

By recognising the maintainability of a single insolvency petition against closely linked corporate entities, the Hon'ble Supreme Court has taken a pragmatic and progressive approach. The decision aligns insolvency law with commercial realities and strengthens the IBC's role as a robust mechanism for resolving complex corporate distress.

Until a formal group insolvency regime is enacted, this judgment will serve as a crucial precedent in ensuring that justice is not diluted by corporate technicalities.

The Supreme Court's decision marks an important evolution in IBC jurisprudence. By recognising that intricately linked corporate entities can be subjected to a single insolvency petition, the Court has aligned insolvency law with commercial reality and strengthened creditor confidence.

## K. CONCLUDING REMARKS

For insolvency professionals, investors, and lenders, the ruling underscores a clear principle: where businesses operate as one, insolvency consequences will follow collectively, not selectively.

This judgment significantly reinforces the status of homebuyers as financial creditors; curbs attempt by corporate debtors to evade insolvency through technical separations and affirms a substance-over-form approach by relying on ground realities. It advances the IBC's objective as a resolution-centric framework, extends effective protection to consumers in stalled projects, and brings clarity to procedural requirements at the filing stage.

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