

March 2026

## National Company Law Appellate Tribunal reinforces reverse insolvency resolution approach for real estate projects

In the recent case of *Navin M Raheja vs. Vipul Jain and Ors.*<sup>1</sup>, the Hon'ble National Company Law Appellate Tribunal, New Delhi ("NCLAT") has held that the Corporate Insolvency Resolution Process ("CIRP") against a real estate company should be project-based and should not be extended to all ongoing projects of the real estate company.

The decision of the NCLAT reaffirms and extends the principle of 'reverse CIRP', a judicially developed concept meant to revive real estate companies. Unlike in a traditional CIRP under the Insolvency and Bankruptcy Code, 2016 ("IBC"), a 'reverse CIRP' allows promoters of the real estate company to infuse funds into the distressed company and continue development together with the insolvency resolution professional and allows project-based CIRP instead of CIRP against the corporate debtor as a whole.

The decision of the NCLAT goes a long way in providing clarity to real estate companies, homebuyers and other stakeholders with respect to the initiation of CIRP against real estate companies. It further establishes that courts prioritise balancing the interests of the corporate debtor and the homebuyers in real estate insolvencies for ensuring survival of real estate companies and completion of projects, in line with the objectives of rehabilitation and asset maximisation under the IBC.

### Brief facts

The appeal before the NCLAT had been filed by a suspended director of the Corporate Debtor, M/s Raheja Developers Limited ("**Corporate Debtor**"), challenging the order of the National Company Law Tribunal, New Delhi ("**NCLT**"), initiating the CIRP under Section 7<sup>2</sup> of the IBC against the Corporate Debtor ("**Impugned Order**"). The application under Section 7 of the IBC ("**Section 7 Application**") was filed by 43 (forty-three) homebuyers/financial creditors in a class, all of whom were allottees of 'Raheja Shilas (Low Rise)', a residential project being developed by the Corporate Debtor ("**Project**").

Before the NCLAT, the appellant challenged the Impugned Order primarily on the grounds that: (a) the CIRP should be closed, since the occupancy certificate for the Project had been obtained and possession of units had been handed over; and (b) the Corporate Debtor's CIRP ought to have been confined only to the Project.

On the other hand, the respondents argued that the issues regarding the Project, including *inter alia* compensation for delay in possession and registration of the allotted units had not been resolved. Various intervenors, who were allottees in other projects of the Corporate Debtor and had filed other applications seeking commencement of the

<sup>1</sup> Company Appeal (AT) (Insolvency) No. 2168 of 2024 (decided on March 20, 2026)

<sup>2</sup> Section 7 of the IBC enables financial creditors to initiate the CIRP of a corporate debtor.

Corporate Debtor's CIRP, also appeared and sought clarity on whether adjudication of their applications could proceed.

## Issues

1. Whether the CIRP against the Corporate Debtor ought to have been confined to the Project in which the 43 (forty-three) respondent had received the units?
2. Whether the intervention applications filed by financial creditor in a class of other projects of the Corporate Debtor, are entitled to prosecute their Section 7 Applications before the NCLT?
3. Whether the Respondents have been able to prove debt and default on the part of the Corporate Debtor, so as to initiate CIRP against the Corporate Debtor?
4. Whether the CIRP should be closed since the 43 (forty-three) respondents have received possession of their units?

## Findings and analysis

The NCLAT held that the CIRP ought to have been confined to the Project and should not be proceeded with against the other projects of the Corporate Debtor. The NCLAT relied on its recent judgment in *Gagan Tandon and Ors. vs. IL&FS Financial Services Limited and Ors.*,<sup>3</sup> which had highlighted that the objective of CIRP proceedings is not repayment or recovery of dues, but revival and rehabilitation of the Corporate Debtor and balancing interests of the stakeholders. In a CIRP against a real estate project, the revival of the project is necessary to safeguard the interests not just of the Corporate Debtor, but also of the allottees. The NCLAT also referred to its judgment in *Flat Buyers Association Winter Hills – 77, Gurgaon vs. Umang Realtech Private Limited through IRP and Ors.*<sup>4</sup>, which had introduced the concept of 'reverse CIRP', wherein if allottees or financial institutions of one project initiate CIRP against a real estate company, it is to be confined to the particular project and cannot affect other projects of the real estate company in separate places where there are separate plans, separate authorities, separate land, and separate allottees. Thus, the NCLAT reiterated that in CIRPs against real estate companies, the CIRP should be project-based. Accordingly, the NCLAT modified the Impugned Order, and confined the CIRP to the Project.

The NCLAT further directed that the intervenors may pursue appropriate proceedings against the Corporate Debtor and their pending applications under the IBC would proceed in accordance with law. The NCLAT made it clear that the Impugned Order as modified by the NCLAT would not be an impediment to such proceedings.

Further, on initiation of CIRP, the NCLAT upheld the finding of the NCLT that due to the default of the Corporate Debtor in handing over possession of the units and various emails acknowledging the debt, the essential ingredients of debt and default are fulfilled.

Lastly, the NCLAT held that considering the respondents, who initiated the CIRP against the Corporate Debtor, have contended that issues have not been fully resolved, no order for closure of the CIRP can be passed, and the parties would have the liberty to file an application for withdrawal of the CIRP in accordance with Section 12A<sup>5</sup> of the IBC in case the issues get resolved.

<sup>3</sup> Company Appeal (AT) (Insolvency) No. 500 of 2025

<sup>4</sup> Company Appeal (AT) (Ins.) No. 926 of 2019

<sup>5</sup> Section 12A of the IBC permits withdrawal of an admitted application under Sections 7, 9 or 10 (i.e., a CIRP that has already commenced) with the approval of 90% of the voting share of the Committee of Creditors.

## Conclusion

The judgment marks a significant step in refining the insolvency framework applicable to real estate companies under the IBC. By unequivocally endorsing a project-wise approach to CIRPs for real estate companies, the NCLAT has reinforced the viability of 'reverse CIRP' as a mechanism tailored to the unique complexities of the real estate sector. This approach ensures that distress in one real estate project does not jeopardise the progress of other ongoing developments, thereby preserving enterprise value and protecting homebuyer interests.

However, the continued reliance on judicial innovation, rather than a codified statutory framework, may give rise to interpretational challenges in future cases. While the concept of reverse CIRP is laudable for preserving homebuyer interests and ensuring completion of pending real estate projects, allowing participation of extant promoters/management in a CIRP may fall foul of the legislative intent to limit involvement of extant promoters/management (as envisioned in Sections 17<sup>6</sup> and 29A<sup>7</sup> of the IBC).

Overall, the Judgment represents a clear affirmation of the evolving jurisprudence favouring a balanced, pragmatic and sector-sensitive application of the IBC to real estate insolvencies.

---

<sup>6</sup> Section 17 of the IBC provides that upon commencement of the CIRP, the management of the corporate debtor vests in the interim resolution professional, and the powers of the board of directors or partners stand suspended.

<sup>7</sup> Section 29A of the IBC sets out criteria that disqualify persons from submitting a resolution plan, preventing *inter alia* wilful defaulters, undischarged insolvents, disqualified directors, and those with long-term non-performing assets from gaining control of the corporate debtor.

## Insolvency and Debt Restructuring Practice

JSA is recognised as one of the market leaders in India in the field of insolvency and debt restructuring. Our practice comprises legal professionals from the banking & finance, corporate and dispute resolution practices serving clients pan India on insolvency and debt restructuring assignments. We advise both lenders and borrowers in restructuring and refinancing their debt including through an out-of-court restructuring as per the guidelines issued by the Reserve Bank of India, asset reconstruction, one-time settlements as well as other modes of restructuring. We also regularly advise creditors, bidders (resolution applicants), resolution professionals as well as promoters in connection with corporate insolvencies and liquidation under the IBC. We have been involved in some of the largest insolvency and debt restructuring assignments in the country. Our scope of work includes formulating a strategy for debt restructuring, evaluating various options available to different stakeholders, preparing and reviewing restructuring agreements and resolution plans, advising on implementation of resolution plans and representing diverse stakeholders before various courts and tribunals. JSA's immense experience in capital markets & securities, M&A, projects & infrastructure and real estate law, combined with the requisite sectoral expertise, enables the firm to provide seamless service and in-depth legal advice and solutions on complex insolvency and restructuring matters.

**This Prism has been prepared by:**



**Divyam Agarwal**  
Partner



**Aniket Agarwal**  
Senior Associate



**Kavya Jha**  
Associate



19 Practices and  
40 Ranked Lawyers



8 Ranked Practices,  
22 Ranked Lawyers



15 Practices and  
20 Ranked Lawyers



13 Practices and  
49 Ranked Lawyers



20 Practices and  
24 Ranked Lawyers



8 Practices and  
10 Ranked Lawyers  
Highly Recommended in 5 Cities



**Regional Legal Expertise Awards  
(APAC) of the Year**  
Energy Firm Competition/  
Antitrust Firm



Among Best Overall  
Law Firms in India and  
14 Ranked Practices

9 winning Deals in  
IBLJ Deals of the Year

15 A List Lawyers in  
IBLJ A-List – 2026



Recognised in World's 100 best  
competition practices of 2026



Ranked Among Top 5 Law Firms in  
India for ESG Practice



Asia M&A Ranking  
2025 – Tier 1

For more details, please contact [km@jsalaw.com](mailto:km@jsalaw.com)

[www.jsalaw.com](http://www.jsalaw.com)



Ahmedabad | Bengaluru | Chennai | Gurugram | Hyderabad | Mumbai | New Delhi



This Prism is not an advertisement or any form of solicitation and should not be construed as such. This Prism has been prepared for general information purposes only. Nothing in this Prism constitutes professional advice or a legal opinion. You should obtain appropriate professional advice before making any business, legal or other decisions. JSA and the authors of this Prism disclaim all and any liability to any person who takes any decision based on this publication.

Copyright © 2026 JSA | all rights reserved