

# Reverse CIRP in India: Innovation, Impact, and the Road Ahead



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*Reverse CIRP is a court-evolved mechanism applied during a standard CIRP initiated under Sections 7, 9, or 10 of the IBC, particularly in real estate insolvencies. While the moratorium, appointment of IRP/RP, and constitution of the CoC continue, the distinguishing feature of Reverse CIRP is the tribunal's recognition that value maximization lies in project completion, not in inviting third-party resolution applicants. The IRP/RP primarily monitors fund infusion, escrow-based utilization, and physical progress, often under judicial supervision. This approach balances the IBC framework with homebuyer protection, ensuring timely delivery without derailing ongoing projects, while retaining insolvency discipline in a modified form. In this article, the author traces the evolution of Reverse CIRP and Project-wise CIRP through judicial pronouncements, analyses their significance, and suggests measures for improvement. **Read on to know more....***

## 1. Introduction

The enactment of the Insolvency and Bankruptcy Code, 2016 (the Code/IBC) marked a paradigm shift in India's corporate insolvency regime, seeking to provide time-bound resolution of distressed companies, value maximisation for creditors and revival wherever feasible. However, over the years it became evident that certain sectors, particularly real-

estate development, presented distinct challenges such as multiple allottees/homebuyers, stalled construction, regulatory approvals, long timelines, and significant risk of value destruction if liquidation ensued.

In such a context, the conventional Corporate Insolvency Resolution Process (CIRP) sometimes proved ill-suited for real-estate companies whose core value lay in completing projects and handing over possession rather than mere asset sale. Recognising

this gap, National Company Law Appellate Tribunal (NCLAT) pioneered the concept of Reverse CIRP, a mechanism tailor-made for real-estate insolvencies, wherein the original promoter or developer is allowed (under judicial supervision) to complete the project or act as financier/lender rather than be replaced, thereby preserving homebuyers' interests and concluding the project successfully.

Reverse CIRP represents a notable innovation in Indian insolvency jurisprudence. It offers a creative way of addressing a particularly acute problem in the real-estate sector i.e., stalled projects and helpless homebuyers, while preserving value and continuity. Its success and wider adoption, however, depend on how the legal/regulatory system evolves to provide clarity, safeguards and consistency.

If well-embedded, Reverse CIRP can become an important tool in India's insolvency resolution ecosystem, balancing the interests of multiple stakeholders, improving outcomes in distressed real-estate projects, reducing value destruction, and enhancing trust among homebuyers and creditors.

## 2. Concept and Evolution of Reverse CIRP

### 2.1. Definition and Rationale

Reverse CIRP is not defined in the IBC statute but has emerged via judicial innovation. In essence, it is a process whereby once insolvency proceedings (under Sections 7/9/10 of the IBC) are triggered, rather than inviting third-party resolution applicants, the original promoter/developer (or a related entity) steps in as a lender or financier and assumes responsibility for completing the project (or designated portion thereof) under judicial/insolvency-professional supervision. The aim is to deliver possession to allottees/homebuyers and prevent value destruction from liquidation or protracted delays.

### 2.2. Origin and Early Cases

One of the earliest recognitions of the concept is in the case of *Flat Buyers Association Winter Hills-77, Gurgaon v. Umang Realtech Pvt. Ltd. (2020)*, where NCLAT recognised that a promoter (Uppal Housing)

could act as lender/financier to ensure the project is completed, allottees get possession and that the CIRP could proceed in a "reverse" manner. Subsequent developments in real-estate insolvency (for example, project-wise CIRP in Supertech Limited) strengthened the model<sup>1</sup>.

**“Homebuyers often form the largest group of creditors, but their interests differ from financial creditors. As a result, a standard CIRP may not meet their objectives.”**

### 2.3. Why it Evolved

Key drivers for this innovation include:

- Homebuyers/allottees are often the largest group of creditors but their interests differ (possession of flats) from financial creditors (repayment). A standard CIRP may not align with their objective<sup>2</sup>.
- Many stalled real-estate projects continue incurring cost/opportunity losses; liquidation may destroy value rather than preserve it<sup>3</sup>.
- The existing IBC framework lacked specific provisions to address real estate regulatory approvals, RERA obligations, multiple allottees, and long project timelines. Consequently, a tailored judicial mechanism emerged.

### 2.4. Timeline of Key Evolution

- 2020: Winter Hills case recognised concept of promoter as lender in real-estate CIRP<sup>4</sup>.
- 2022–2023: Project-wise CIRP and Reverse CIRP referenced in Supertech and other real estate cases<sup>5</sup>.

<sup>1</sup> <https://www.ijlra.com/uploads/1753178157.pdf?utm>

<sup>2</sup> <https://ibclaw.in/reverse-cirp-and-its-judicial-endorsement-analysing-the-first-ever-closure-by-nclat-in-grand-reality-by-anshul-bansal/?utm>

<sup>3</sup> <https://cbcl.nliu.ac.in/insolvency-law/legislative-integration-of-reverse-cirp-in-real-estate-insolvency/?utm>

<sup>4</sup> <https://ibclaw.in/a-reverse-cirp-can-be-followed-in-the-cases-of-real-estate-infrastructure-companies-in-the-interest-of-the-allottees-survival-of-the-real-estate-companies-to-ensure-completion-of/?print=print&print-posts=pdf&utm>

<sup>5</sup> <https://24law.in/story/reverse-cirp-nclat-ends-insolvency-against-grand-reality-as-flats-handed-over-and-claims-resolved?utm>

(c) 2025: The case of Grand Reality Pvt. Ltd. culminated in formal closure of CIRP under the Reverse CIRP model by NCLAT, thereby giving strong judicial endorsement.

### 3. Legal Mechanics and Operation

#### 3.1 Initiation of CIRP

Reverse CIRP is ordered by NCLAT or NCLT during a standard CIRP initiated by a financial creditor under Section 7, an operational creditor under Section 9, or the Corporate Debtor (CD) itself under Section 10, files for initiation. A moratorium is imposed, an Interim Resolution Professional (IRP) is appointed, and the Committee of Creditors (CoC) is constituted.

#### 3.2 Transition into Reverse CIRP Mode (Project-specific)

What differentiates Reverse CIRP is the court/tribunal recognising that the resolution must focus on project completion rather than inviting new bidders. Key features include:

- (a) The promoter (or a related entity) may step in as lender/financer (not as resolution applicant) to infuse funds for project completion. For example, in Winter Hills: the promoter agreed to remain outside CIRP but acted as lender<sup>6</sup>.
- (b) The CIRP may be restricted to a specific project/SPV rather than the entire CD. In Supertech, the CoC was confined to one project.
- (c) The existing promoter may be permitted to continue operations (under IRP/RP supervision) as part of the going concern, subject to certain safeguards.

#### 3.3 Role of IRP/RP

(a) The IRP/RP monitors the infusion of funds, the flow of funds, use of proceeds (often via escrow), and physical progress of the project. In the case of Winter Hills, the promoter's payments were required to be by cheque and jointly signed by IRP/RP and company's authorised representative.

- (b) Physical monitoring is also mandated: e.g., in Grand Reality case a Local Commissioner verified project completion<sup>7</sup>.
- (c) The moratorium continues to apply, and the proceedings remain under the IBC, albeit in a modified form.

#### 3.4 CoC and Voting Dynamics

(a) In the Reverse CIRP model, the CoC may include homebuyers/allottees (treated as financial creditors if they have paid amounts) alongside banks/NBFCs.

**“  
In a Reverse CIRP, the CoC may approve a resolution plan (less frequently), or the court may permit an alternative route (completion by the promoter) under its inherent powers.  
”**

(b) The CoC may approve a plan (less frequently) or the court may permit an alternative route (completion by promoter) under inherent powers.

#### 3.5 Completion, Closure & Exit

- (a) Once the project is completed, possession handed over, all claimants resolved (or permitted to continue their claims separately) then the IRP may apply for closure of the CIRP (via Section 12A or by exercise of inherent powers under Rule 11 of NCLAT Rules). In the Grand Reality case, NCLAT closed the CIRP under its inherent power.
- (b) If promoter fails to perform or funding dries up, the tribunal may revert to a standard CIRP/liquidation route.

#### 3.6 Interface with RERA, Section 29A and Other Provisions

(a) Real-estate regulation via the Real Estate (Regulation and Development) Act, 2016 (RERA) and state regulations overlay the process. Promoters must comply with RERA obligations, and the building plan must be approved for

<sup>6</sup> <https://conventuslaw.com/report/india-proposed-amendments-to-the-insolvency-and-bankruptcy-code-a-real-solution-for-real-estate-insolvencies/?utm>

<sup>7</sup> <https://www.ijlra.com/uploads/1014190493.pdf?utm>

monetisation. Eg: In 2025, NCLAT refused monetisation of unsold units without revalidated building plan under Reverse CIRP<sup>8</sup>.

- (b) Section 29A of the IBC (which restricts defaulting promoters from bidding in resolution plans) can conflict with Reverse CIRP if the promoter remains involved.

## 4. Stakeholder Analysis

### 4.1 Homebuyers / Allottees

#### Interests & benefits:

- (a) Primary interest in possession of flats and project completion rather than mere monetary recovery. Reverse CIRP delivers that.
- (b) Faster project completion increases value retention for them.
- (c) Their exposure as unsecured creditors means that payments to other financial creditors may take priority over their claims.
- (d) Possibility of promoter misuse, delays in completion even under RP supervision.
- (e) Monitoring transparency: Ensuring funds infusion, correct utilisation, adherence to timelines.

### 4.2 Financial Creditors (Banks, NBFCs)

#### Interests:

- (a) Recovery of debt via value preservation of the project rather than taking over a stranded asset (lose value prematurely due to factors like technological shifts, changes in market demand, or new regulations).
- (b) Potentially higher recovery if asset value is preserved by completion.
- (c) The promoter's dual role (developer + lender) may tilt priorities towards homebuyers/allottees and leave banks at a disadvantage.
- (d) The CoC may shrink the role of traditional resolution applicants/bidders.

- (e) Delay risks remain, as prolonged project timelines can lead to increased bank exposures.

### 4.3 Developers / Promoters

#### Interests:

- (a) The ability to complete their project, instead of being replaced under standard CIRP, helps preserve their reputation and value.
- (b) Avoids liquidation of group assets and loss of control.
- (c) If the promoter fails to perform, there is a risk of being replaced, or the project may revert to liquidation.
- (d) Regulatory compliance risks, including those relating to RERA and other approvals, remain significant.
- (e) Their status under Section 29A may pose regulatory barriers.

*The monitoring burden remains high, requiring close oversight of promoter and lender infusions, project execution, and the management of complex stakeholder claims*

### 4.4 Regulatory Authorities & Insolvency Professionals (IPs)

#### Interests:

- (a) Efficient resolution of distressed real-estate projects, protect homebuyer interests and reduce systemic risk.
- (b) Ensuring IBC objectives of time-bound resolution, value maximisation and creditor fairness.
- (c) The monitoring burden remains high, requiring close oversight of promoter and lender infusions, project execution, and the management of complex stakeholder claims.
- (d) It may set a precedent for other sectors, creating a risk of stretching the model beyond real estate where it may not be suitable.

<sup>8</sup> <https://www.geosquare.in/nclat-rejects-monetisation-of-unsold-units-in-real-estate-project-without-revalidated-building-plan-831571351341-news/index.html?utm>

(e) Legal uncertainty persists, as the absence of a statutory basis for Reverse CIRP creates jurisprudential risk.

## 5. Key Case Law and Judicial Developments

### 5.1 Flat Buyers Assn. Winter Hills-77, Gurgaon v. Umang Realtech Pvt. Ltd. (2020)

In this landmark NCLAT decision (4 Feb 2020), the tribunal recognised that:

- (a) The allottees (homebuyers) were major stakeholders and preferred completion of project.
- (b) The promoter (Uppal Housing) agreed to act as lender/financier rather than third party applicant.
- (c) The tribunal permitted a loan infusion and ordered completion within a fixed timeframe; if promoter didn't comply, liquidation route could follow. This laid the template for Reverse CIRP.

### 5.2 Project-wise CIRP in Supertech Ltd.

In the case of the Supertech real estate group, the NCLAT adopted a project-wise approach, limiting the CoC to one project (Eco Village-II) of the CD and requiring payment from the promoter. This reinforced the idea that for real estate, different projects may be treated separately, enabling targeted resolution.

### 5.3 Closure under Reverse CIRP: Grand Reality Pvt. Ltd.

In July 2025, the Grand Reality case became a significant milestone. The NCLAT, exercising inherent powers under Rule 11 of the NCLAT Rules, closed the CIRP once - (i) project completion was verified, (ii) flats handed over, and (iii) all pending claims resolved/settled.

These cases collectively recognized and reinforced the concept of Reverse CIRP, where the focus shifts from resolving the CD as a whole to completing a specific real estate project, protecting the interests of homebuyers while keeping the CD as a going concern. Therefore, while the reliefs granted were case-specific, the underlying rationale of project-centric resolution, safeguarding homebuyers, and value maximization

can be applied generally, subject to the facts of each case and the discretion of the Adjudicating Authority (AA).

### Key observations:

- (a) The Local Commissioner verified physical completion (Occupancy Certificates issued 10 & 22 May 2024) and allottees confirmed possession.
- (b) The Income-Tax Department's claim was preserved despite closure (i.e., closure did not extinguish statutory claims).
- (c) This case confirmed that Reverse CIRP was more than an experimental concept, it can lead to final exit.

## 5.4 Other jurisprudence

- (a) Judicial commentary emphasises the need for promoter's fund infusion, oversight, restrictions on monetisation without revalidated building plan. Eg: NCLAT rejected monetisation of unsold units without a revalidated building plan in Belvedere Project (2025).
- (b) Legal analyses highlight a legislative gap, as Reverse CIRP lacks explicit statutory footing under the IBC amendments.

## 6. Critical Assessment (Advantages & Risks)

### 6.1 Advantages

1. **Project completion & value preservation:** Allows stalled real-estate projects to be completed rather than liquidated, which often leads to lower value realisation.
2. **Homebuyer-centred resolution:** Since many allottees are worst affected by delays, this model places their interests at front.
3. **Flexibility and speed:** By leveraging the existing promoter's familiarity with project and avoiding full asset sale, it can reduce time to resolution.
4. **Tailored approach to real estate:** Recognises that real-estate insolvency dynamics differ from manufacturing or service companies; hence gives project-specific treatment.

## 6.2 Risks and Limitations

1. **Legal uncertainty and lack of statutory backing:** Since Reverse CIRP is a judicially evolved concept, it lacks a clear statutory framework, raising questions of predictability.
2. **Conflict with Section 29A:** The promoter's involvement as lender may conflict with the objective of Section 29A (which prevents defaulting promoters from proposing resolution). This remains a grey area.
3. **Creditor hierarchy and fairness:** Financial creditors may feel disadvantaged if homebuyers or promoter lenders get preferential treatment. Ensuring equitable treatment is challenging.
4. **Monitoring and enforcement risk:** Ensuring the promoter indeed infuses funds, adheres the timelines and regulatory approvals demand robust oversight potentially resource intensive.
5. **Potential for misuse:** If applied loosely, promoters may seek to avoid the full rigour of CIRP by invoking Reverse CIRP to delay or manipulate outcomes.
6. **Scope limited to real estate (so far):** The model may not generalise across sectors, and its extension may pose complexities.

*If applied loosely, promoters may seek to avoid the full rigour of CIRP by invoking Reverse CIRP to delay or manipulate outcomes.*

## 7. Comparative Glimpses (International)

While Reverse CIRP is an Indian judicial innovation, a few international regimes offer comparable but not identical mechanisms:

- 7.1 **United States of America (USA) - Debtor-in-Possession (DIP) Financing in Chapter 11:** Under U.S. Bankruptcy Law, the debtor may continue operations and secure new financing (DIP financing) to complete or reorganise.

This resonates with the promoter financing in Reverse CIRP, though institutional context differs significantly.

- 7.2 **United Kingdom (UK) – Administration with Continuation:** In UK insolvency law, a company may be placed into administration but continue trading under administrator's supervision; the focus is on rescue as a going concern rather than liquidation. The UK's Project Merlin type arrangements (for real estate) sometimes allow completion of projects.

- 7.3 **China – Project Completion Mandates in Real Estate Insolvency:** Chinese courts/regulators have devised mechanisms where large real-estate developers with stalled projects are mandated to complete projects (often via state-owned entities) rather than liquidation.

### Insights for India:

- (a) The importance of continuity of operations and project completion rather than asset sale.
- (b) The need for financing mechanisms (new finance, lender involvement) to bridge funding gaps.
- (c) Robust oversight and regulatory approval interplay are critical (as seen in China/UK).

However, the Indian Reverse CIRP remains unique in its combination of promoter-financer, homebuyer-centric orientation, and project-specific approach under IBC's regime.

## 8. Policy & Reform Proposals

### 8.1 Statutory Recognition

It would help if the IBC were amended (or the rules/regulations under IBC and RERA aligned) to provide explicit recognition of Reverse CIRP for real-estate projects: define scope (project-wise only), eligibility of promoter as lender, monitoring structure, timelines. This addresses the current legal uncertainty.

### 8.2 Eligibility and Safeguards

- (a) Criteria for promoters to act as lenders should be set e.g., financial strength, track record, regulatory compliance.

- (b) Clear guidelines for the CoC composition (homebuyers + financial creditors) and voting rights.
- (c) Monitoring mechanisms include the use of escrow accounts, physical progress tracking, and independent verification reports.
- (d) Clear time-bound execution and consequences for failure (automatic switching to standard CIRP/liquidation).

### 8.3 Integration with RERA & Building Approvals

- (a) Since real-estate projects are regulated under RERA and building-plan/OC approvals are critical, the mechanism must ensure synchronisation with state authorities. For example, during monetisation of unsold units, revalidated building plan must exist (cf. Belvedere case).
- (b) Homebuyers' rights under RERA should be explicitly linked to insolvency proceedings to avoid duplication of proceedings.

### 8.4 Protecting Creditor Fairness

- (a) It is essential to safeguard the rights of financial creditors by ensuring clear recovery timelines, adequate disclosure of promoter and lender proposals, and transparent evaluation of plans and alternatives.
- (b) Homebuyers, having advanced funds that constitute financial debt, should not only be recognized as financial creditors but receive timely information, and monitor project progress explicitly codified under the IBC framework, particularly in Reverse CIRP cases where their interests are most directly at stake.

### 8.5 Monitoring Performance & Benchmarking

- (a) Standard performance metrics should be introduced, including time to completion, cost overruns, ratio of payments to allottees, and recovery to banks.
- (b) Use data and charts to benchmark success of Reverse CIRP vs standard liquidation or full CIRP in real-estate sector.



### 8.6 Broader Application & Caution

- (a) While real estate is the clear domain, policymakers may study whether similar models may apply in other asset-heavy sectors (infrastructure, power) with project-specific distress.
- (b) However, care must be taken to preserve the core IBC objectives (time-bound resolution, value maximisation, creditor equality) and avoid diluting them.

## 9. Applicability of Reverse CIRP where accounts and loans are not project-wise:

- (a) **Project Identification through Indirect Segregation:** If formal project-wise accounts do not exist, the RP can rely on:
  - (i) RERA registrations and disclosures
  - (ii) Approved building plans
  - (iii) Allotment letters and buyer agreements
  - (iv) Escrow accounts (if any)
  - (v) Cash flow analysis and cost allocation based on construction stages

These tools help in notional segregation of the project for resolution purposes.

- (b) **Ring-fencing of Cash Flows:** The AA may direct those future receivables and collections from the concerned project be ring-fenced and utilized exclusively for completing that project, irrespective of how past funds were pooled.
- (c) **Cooperation of Promoters / Third-party Funding:** Reverse CIRP, as seen in the above

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cases, often proceeds on the premise that promoters or external investors infuse funds to complete the project. This reduces dependence on historical accounting segregation.

**(d) Equitable Treatment over Accounting Formalities:** The tribunals have emphasized that technical deficiencies in accounting practices should not defeat substantive justice, especially where homebuyers' interests are at stake. The absence of project-wise accounts is therefore not fatal, provided transparency and supervision mechanisms are put in place.

**(e) Adjudicating Authority's Supervisory Role**

The NCLT retains close oversight to ensure that:

- (i) Funds are not diverted
- (ii) The resolution remains project-specific
- (iii) Other creditors' rights are not unfairly prejudiced.

## 10. Statutory Vacuum and the Fragility of Reverse CIRP

The IBBI introduced important reforms through the February 2024 amendments to the Insolvency Resolution Process for Corporate Persons (CIRP) Regulations, 2016, aimed at strengthening the project-centric approach in real estate insolvency resolution. One key change is the insertion of Regulation 4D, which mandates that the Resolution Professional (RP) maintain separate bank accounts for each real estate project of the CD. This requirement promotes financial transparency and ensures that funds generated from a particular project are utilized exclusively for that

project, thereby preventing diversion of resources and safeguarding the interests of homebuyers. Additionally, the Regulation 36A (1) empowers the RP, with the approval of the CoC, to invite resolution plans for specific projects or groups of projects rather than the CD as a whole. This provision introduces greater flexibility in the insolvency resolution process by enabling project-wise bidding, thereby enhancing the prospects of attracting resolution applicants and facilitating the completion of viable projects. Collectively, these amendments reflect a regulatory effort to align the insolvency framework with the unique characteristics of the real estate sector and to further institutionalize the principles underlying the reverse-CIRP approach.

## 11. Conclusion

Reverse CIRP represents a significant evolution in India's insolvency jurisprudence. For the real-estate sector, where value lies in project completion, large numbers of homebuyers are stakeholders, regulatory approvals complicate turnaround, and liquidation often destroys value, it offers a pragmatic and focused mechanism to deliver outcomes aligned with stakeholder interests.

Its successful deployment (as seen in Grand Reality) shows its promise, but it is still embryonic, dependent on novel judicial thinking and lacking a settled statutory framework. To transform it into a robust tool rather than an occasional remedy, policy reform, statutory recognition and detailed procedural guidelines are necessary.

As India grapples with real-estate distress and the larger challenge of resolving stressed infrastructure/asset-heavy entities, Reverse CIRP offers an instructive blueprint of "tailored insolvency resolution" anchored in pragmatism. Going forward, stronger institutional mechanisms, monitoring frameworks, and empirical data will decide whether this innovation becomes mainstream or remains a niche workaround.