

# Project-Wise CIRP: A Key to Unlocking Real Estate Resolution Potential



**Manindra K Tiwari**

The author is an Insolvency Professional (IP) Member of IIPI.  
He can be reached at  
[ip.camkt@gmail.com](mailto:ip.camkt@gmail.com)

*The IBC (Amendment) Act, 2018 accorded homebuyers the status of financial creditors, enabling them to initiate the Corporate Insolvency Resolution Process (CIRP) under Section 7 of the IBC against real estate developers. Over time, courts have evolved mechanisms such as Reverse CIRP and Project-Wise CIRP to safeguard homebuyers' interests. In February 2024, the IBBI amended the CIRP Regulations, allowing Resolution Professionals (RPs) to invite resolution plans for specific assets or projects of the Corporate Debtor. Despite these initiatives, significant legal and operational challenges persist. This article critically examines developments relating to Project-Wise CIRP and Reverse CIRP, assessing their practical utility in resolving stressed real estate projects. It also offers recommendations to formally embed Project-Wise CIRP and Reverse CIRP in the IBC and align them with related laws such as RERA. **Read on to know more...***

## 1. Introduction

The Real Estate Sector is a key player in the India's Gross Domestic Product (GDP) and job market, but it still struggles with serious problems. These issues include ongoing delays in project execution, insolvency, and fraud by developers. As a result, many stakeholders, especially homebuyers, suffer. They often find themselves without homes even after making significant financial investments. The Insolvency and Bankruptcy Code, 2016 (IBC/Code), though effective for corporate debt resolution, was not designed to address the unique complexities of real estate projects.

Over time, changing laws and policy efforts have created a more detailed approach within the IBC for handling insolvency cases

in the real estate sector. A major change occurred pursuant to the Report of the Insolvency Law Committee dated March 26, 2018. The resulting amendment classified allottees of real estate projects as "financial creditors," thereby enabling them to initiate Corporate Insolvency Resolution Process (CIRP) proceedings under Section 7 of the IBC against the real estate developer. However, the standard CIRP mechanism has proven inadequate in the real estate context, where the objectives of financial creditors—primarily focused on loan recovery—are often at odds with those of homebuyers, who seek possession of residential units rather than financial returns.

In response to these challenges, Indian courts and tribunals have introduced innovative legal solution Project-wise CIRP, tailored

to real estate's unique requirements. The Project-wise CIRP model aims to treat each real estate project as an independent unit for insolvency resolution, thereby safeguarding the interests of allottees in specific projects without jeopardizing other projects of the developer. This approach has been instrumental in preventing systemic contagion across multiple projects of a single developer and ensuring that resolution efforts remain aligned with the expectations of homebuyers.

Despite these advancements, empirical data suggest that successful resolution through CIRP in the real estate sector remains relatively low. Several real estate companies in India have undergone insolvency proceedings, including well-known names such as Supertech Limited<sup>1</sup>. As per the Quarterly Newsletter for January-March, 2025<sup>2</sup> of Insolvency and Bankruptcy Board of India (IBBI), the Real Estate Sector contributes to about 22% of the cases of CIRP admission, which is the second highest after the manufacturing sector that contributes 37%. However, only about 16% of real estate insolvency cases have culminated in resolution plans, with a significant proportion either withdrawn i.e. 25% or pushed into liquidation i.e. 18%. The data indicates that real estate companies admitted into insolvency proceedings are more undergoing liquidation or withdrawal than achieving successful resolution. This trend reflects the inherent complexities and challenges in resolving real estate insolvencies, which often demand alternative or sector-specific approaches compared to other industries.

**About 16% of real estate CIRP cases have resulted in approved resolution plans, while 25% have been withdrawn and 18% have proceeded to liquidation.**

In March 2023, the Ministry of Housing and Urban Affairs (MoHUA) created a committee led by Amitabh Kant<sup>3</sup> to deal with problems related to real estate projects that have been delayed for a long time. The committee found that the main issue was the lack of financial viability and suggested specific steps to improve the sustainability of these projects. Key recommendations include:

- (a) Mandatory RERA registration of all projects;
- (b) Execution of Registration/Sub-Lease Deeds for occupied units;
- (c) Grant of occupancy/possession for substantially completed projects;

- (d) State-led rehabilitation packages to support promoter-driven resolutions;
- (e) Revival frameworks led by RERA and Administrators;
- (f) Dedicated financing mechanisms for stalled projects;
- (g) Invoking the IBC as a measure of last resort.

According to the committee's report, based on data from the Indian Banks' Association (IBA), around 4.12 lakh distressed residential units—worth ₹4.08 lakh crore—remain stalled, with 2.40 lakh units concentrated in the National Capital Region (NCR). Resolving even 75% of these could unlock nearly three lakh homes, offering critical relief to middle and lower-middle-class homebuyers and significantly boosting economic activity in the housing sector.

This article critically analyses the legal and institutional developments surrounding Project-wise CIRP and its practical relevance in streamlining resolution mechanisms for stressed real estate projects. Ultimately, the adoption of project-specific resolution models, supported by legislative clarity and regulatory oversight, may provide the balance needed between value maximization and protection of homebuyer interests—thus reaffirming the Code's objective of equitable and efficient resolution.

## 2. What is Project Wise Insolvency Resolution Process (PWIRP)?

PWIRP introduces a major change from the usual CIRP process, which typically treats the Corporate Debtor (CD) as one single, combined unit. Unlike the conventional method, PWIRP adopts a project-specific framework, wherein different components, assets, or divisions of a distressed real estate company are treated as separate projects, each with distinct objectives and tailored strategies. This approach allows for independent management of each project, enabling focused interventions and customized solutions suited to the specific challenges of individual projects. The idea is to avoid putting all the company's projects on hold and to make sure that other ongoing and financially healthy projects can continue without being disrupted.

When a real estate company faces insolvency, the insolvency process may apply in different ways based on the situation:

- (i) **Default in Specific Projects:** If the company defaults in one or more specific real estate projects, the Adjudicating Authority (AA) may admit the company into CIRP but apply the process only to those defaulting projects.

1. *Ram Kishor Arora, Suspended Director of Supertech Ltd. vs. Union Bank of India and Anr.*, Company Appeal (AT) (Insolvency) No. 406 of 2022, decided on June 10, 2022.

2. <https://ibbi.gov.in/uploads/publication/912e97d4d9f96651386541fb7059203b.pdf>

3. <https://mohua.gov.in/upload/whatsnew/64e31f9e36e0creport.pdf>

**(ii) CIRP for Whole Company, Project-wise Action by CoC:**

Sometimes, even if the default is not linked to any one project, the entire company enters CIRP. Later, the Committee of Creditors (CoC) may decide to handle insolvency project by project.

**(iii) Excluding Viable Projects from CIRP:** If some of the company's projects are financially sound and have unsold inventory that can generate value, the AA may consider excluding such projects from the CIRP framework to safeguard the interests of homebuyers and facilitate efficient repayment to lenders.

Regulation 36A(1A) of the IBBI Insolvency Resolution Process for Corporate Persons (CIRP) Regulations, introduced via the February 2024 amendment, allows the Resolution Professional (RP) to invite resolution plans for specific assets or projects of the CD. However, this does not amount to a separate PWIRP. The insolvency process remains unified for the CD, but the resolution plans can be asset specific or project specific.<sup>4</sup>

On 7<sup>th</sup> November 2024, the IBBI released a Discussion Paper<sup>5</sup> aimed at enhancing the legal framework that regulates the insolvency resolution processes of real estate projects under the IBC. In February 2025, recommendations in the discussion paper have been adopted by the IBBI through amendments to the IBBI (CIRP) Regulations, 2016<sup>6</sup>. It addressed certain key concerns which are given below:

- a) Possession to Homebuyers During CIRP:** Resolution Professionals (RPs) can now hand over possession of plots, apartments, or buildings to homebuyers during the resolution process itself, with CoC approval and once the homebuyer meets all obligations. This reduces delays in possession for distressed homebuyers.
- b) Appointment of Facilitators for Creditor Sub-Classes:** Facilitators can be appointed to assist sub-groups like homebuyers within large creditor classes. They facilitate communication between the authorised representative and the creditors and share information related to the process.
- c) Inclusion of Land Authorities in CoC Meetings:** CoCs may now invite local land authorities (e.g., NOIDA, HUDA) to their meetings.
- d) Mandatory Report on Development Rights:** Within 60 days of insolvency commencement date, RPs must submit

a report detailing the status of approvals, permissions, and development rights for real estate projects. This helps creditors assess the project's viability effectively.

- e) Relaxations for Real Estate Allottees:** CoCs can now allow associations or groups of homebuyers to submit resolution plans by relaxing certain criteria like eligibility, performance security, and deposits.
- f) Monitoring Committee for Plan Implementation:** CoCs must consider forming a monitoring committee—comprising the RP, creditor representatives, and the successful resolution applicant—to oversee plan execution. This committee is required to submit quarterly updates to the Adjudicating Authority.
- g) Disclosure of MSME Status:** RPs must disclose whether the CD is registered as an MSME. This enables interested resolution applicants to access specific benefits and relaxations under the IBC meant for MSMEs.

**3. Judicial Recognition and Evolving Jurisprudence around PWIRP**

The legitimacy and practical necessity of PWIRP have gained considerable traction within Indian insolvency jurisprudence, particularly due to the complex and fragmented nature of the real estate sector. A notable endorsement of this approach can be found in the Supreme Court's ruling in *Indiabulls Asset Reconstruction Co. Ltd. vs. Ram Kishore Arora & Ors*<sup>7</sup>. In paragraph 10 of the judgment, the Court acknowledged the importance of avoiding disruptions to ongoing real estate projects by refusing to interfere with the NCLAT's direction for project-specific resolution. It observed that constituting a company-wide CoC could lead to greater inconvenience and irreparable harm, especially for homebuyers awaiting possession. The Court emphasized that, in stalled real estate projects, allowing the IRP to oversee progress—with the assistance of the ex-management where necessary—posed a lower risk of injustice. The judicial support for the project-wise CIRP model shows a sensible and balanced approach, aiming to protect the interests of homebuyers while also helping to revive housing projects more effectively.

However, a contrasting perspective emerged in the case of *N. Kumar, RP of M/s. Sheltrex Developers Pvt. Ltd. vs. M/s. Tata Capital Housing Finance Ltd.*<sup>8</sup>, where the NCLT Chennai Bench held that Project-Wise CIRP cannot be applied uniformly. The

4. <https://ibbi.gov.in/uploads/legalframework/88458173f47fbd03d775370a420f307.pdf>

5. <https://ibbi.gov.in/uploads/whatsnew/c7ddc802e5b2c4f073fa0d419813844a.pdf>

6. <https://ibbi.gov.in/uploads/legalframework/69518dbf0bcccfeafdae76b906fcdcaab.pdf>

7. [https://api.sci.gov.in/upremecourt/2022/33603/33603\\_2022\\_5\\_1502\\_44362\\_Judgement\\_11-May-2023.pdf](https://api.sci.gov.in/upremecourt/2022/33603/33603_2022_5_1502_44362_Judgement_11-May-2023.pdf)

8. [https://nclt.gov.in/gen\\_pdf.php?filepath=/Efile\\_Document/ncltdoc/casedoc/3305118008312020/04/Order-Challenge/04\\_order-Challange\\_004\\_1650957716111261600162679d94b620e.pdf](https://nclt.gov.in/gen_pdf.php?filepath=/Efile_Document/ncltdoc/casedoc/3305118008312020/04/Order-Challenge/04_order-Challange_004_1650957716111261600162679d94b620e.pdf)



Tribunal clarified that such an approach must be determined based on the specific facts and circumstances of each case and further emphasized that the IBC does not explicitly provide for Project-Wise CIRP.

Although courts have taken different views on the issue, the Amitabh Kant Committee Report firmly supports implementing Project-Wise CIRP in the real estate sector. It emphasizes that since every real estate project must already be registered individually under RERA, it would make both legal and administrative sense to adopt the same approach under the IBC. Such alignment would help streamline the insolvency process, ensure greater accountability, and offer more focused relief to affected homebuyers.

In the landmark ruling of *Flat Buyers Association Winter Hills-77 vs. Umang Realtech Pvt. Ltd. through IRP & Others*<sup>9</sup>, the NCLAT recognized the shortcomings of the traditional CIRP in addressing real estate insolvencies. The Appellate Authority observed that the existing IBC framework disproportionately benefits institutional secured creditors, while homebuyers—classified as unsecured creditors—often find themselves at a disadvantage. To remedy this imbalance, the NCLAT pioneered the concept of “Reverse CIRP,” enabling construction to continue under the oversight of the Interim Resolution Professional (IRP), with the promoter retained for execution. This mechanism prioritizes the completion and delivery of homes to allottees over asset liquidation.

Together, these decisions reflect the evolving jurisprudence around insolvency in the real estate sector, reinforcing the need for project-wise frameworks and adaptive mechanisms that respond to the interests of all stakeholders, particularly vulnerable homebuyers.

## 4. Challenges Faced by Stakeholders

### a) Challenges for IRP/RP/Liquidator

IRP, RP, and Liquidator face significant difficulties in real estate insolvency cases. There is no financial segregation between different projects of the same CD, making it extremely challenging to accurately collate claims and allocate assets and liabilities. Common operations across multiple projects and shared infrastructure further complicate the segregation process. Moreover, there are no clear guidelines under the IBC to assist professionals in managing project-wise CIRPs.

**Amitabh Kant Committee emphasized that as every real estate project is mandatorily registered under RERA, it would make both legal and administrative sense to adopt the same approach under the IBC.**

### b) Challenges for Statutory Authorities

Statutory authorities, such as municipal corporations and development authorities, often find themselves in a difficult position when a CD enters insolvency proceedings. Their claims are usually made against the company as a whole, rather than being linked to any one specific project. This creates confusion during CIRP, as it's unclear whether these authorities should file their claims on a project-wise basis or for the entire entity.

Many of these due to the demands like land-related charges, development fees, Provident Fund contributions, or taxes—are typically associated with the CD at the company level. The lack of clarity around how to submit such claims not only causes delays in the resolution process but also adds to the administrative burden. The situation is made worse by the absence of clear, structured guidelines for how statutory claims should be handled during insolvency.

### c) Challenges for Creditors

In real estate insolvency, there are various categories of creditors such as homebuyers, land development authorities (who have been recognized as secured creditors in the *Prabhjit Singh Soni*<sup>10</sup> case), statutory authorities like EPFO and tax authorities, and financial institutions including banks and NBFCs. When any project of a CD enters insolvency, all of these creditors submit their claims. If a comprehensive CoC is formulated, homebuyers, being unsecured creditors, may end up with lower voting rights, increasing the risk of injustice during negotiations on the Resolution Plan.

The judiciary has also recognized these disparities. In *Flat Buyers Association Winter Hills-77 vs. Umang Realtech Pvt. Ltd. through IRP & Others*, the Appellate Authority observed that the existing framework under the IBC tends to disproportionately favor institutional secured creditors such as banks and financial institutions. Although homebuyers are classified as financial creditors, they remain at a disadvantage due to their unsecured

9. <https://ibbi.gov.in/uploads/order/d70efb8cb431050862f08d0957ddc9e9.pdf>

10. *Greater Noida Industrial Development Authority v. Prabhjit Singh Soni*, AIR 2024 SC 1227.

status, leading to conflicts within the CoC and friction during the resolution process. This conflict is further exacerbated when multiple projects of the same CD undergo CIRP separately, without a consistent legal approach toward the treatment of claims.

The implementation of the proposals outlined in the Discussion Paper is expected to significantly impact both homebuyers and developers. The effects will not be limited to those whose units are pending in a defaulting project but will also extend to homebuyers in other projects due to the cascading consequences of its default. The suggestion to allow possession of units on an “as is where is” basis gives allottees the choice between accepting an incomplete unit or receiving a payment with a haircut.

#### d) Challenges for AA

The AA also faces considerable challenges due to the absence of clear statutory guidelines regarding the insolvency resolution process in the real estate sector. There is a lack of clarity on whether the Authority should opt for Project-Wise CIRP, Reverse CIRP, or bring the entire Corporate Debtor (CD) into Insolvency. This ambiguity forces the AA to rely heavily on judicial discretion, leading to inconsistent approaches across different cases and contributing to further confusion and delays.

Real estate developers often raise finance by creating project-specific charges in favor of different lenders. When a financial institution initiates CIRP under Section 7 of the IBC, the entire company is typically brought under insolvency proceedings. However, when homebuyers initiate the process under Section 7 of the IBC, courts/tribunals have preferred mechanisms like Reverse CIRP or project-wise CIRP to specifically protect the interests of allottees and ensure the completion of individual projects without pushing the entire developer into liquidation.

Complications arise when, after one project is admitted into CIRP, homebuyers from another project of the same developer file fresh applications under Section 7 of the Code. This leads to serious procedural dilemmas such as whether there should be separate RPs for different projects or whether a single RP should manage multiple project-wise CIRPs within the same company. Currently, there is no clear legal or regulatory framework to guide such situations, which results in overlapping claims, confusion in the constitution of CoC, and significant delays in the resolution process. The AA is often left to decide between competing

approaches without any standardized guideline, thereby adding layers of complexity to an already intricate insolvency process.

### 5. Case Study: Project-Wise Insolvency proceedings in Raheja Developers

Raheja Developers, a real estate company, has several ongoing real estate projects. One such project is Raheja Shilas Low Rise, where 94 homebuyers have been waiting for possession since 2012. After exhausting all possible remedies—including complaints to the Consumer Forum and filing grievances under RERA—these homebuyers turned to IBC as their last resort. They filed an application under Section 7 of the Code, which was admitted by the NCLT after due consideration.

However, the developer challenged the order before the NCLAT, which stayed the CIRP. The appellate tribunal directed the IRP to assist the existing management in securing the Occupation Certificate (OC), effectively pushing the case into a form of Reverse CIRP.

The IRP is also facing serious challenges during the claim collation process, as financial creditors, including banks, homebuyers of other projects, and operational creditors who provided services to the CD —have begun submitting their claims. Current laws and regulations remain silent on how such claims should be dealt with in a multi-project real estate insolvency.

Another significant hurdle is that financial statements and

**Financial statements and accounts are not maintained project-wise by the CD, making it extremely difficult to evaluate the financial viability and liabilities of individual projects.**

accounts are not maintained project-wise by the CD, making it extremely difficult to evaluate the financial viability and liabilities of individual projects. While the IBC envisions a time-bound resolution process aimed at maximizing asset value and balancing the interests of all stakeholders, its current framework is not adequately equipped to handle the unique complexities of the real estate sector. Despite homebuyers increasingly preferring the IBC route for relief, there is still no statutory framework or procedural clarity for undertaking PWIRP.



## 6. Evaluating Legal and Practical Implications of Project-wise CIRP

- (i) **Legal Effect of Project-Wise Resolution Plan on CD's Residual Liability:** A Resolution Plan that settles only partial claim of a creditor in relation to one project of CIRP does not fully discharge the CD from its remaining liability—so long as the underlying contract is with the CD as a whole and not limited to that specific project.

The Hon'ble Supreme Court in *BRS Ventures Investment Ltd. v. SREI Infrastructure Finance Ltd*<sup>11</sup>, clarified in paragraph 28(a) that partial payment under a Resolution Plan involving a guarantor does not extinguish the full liability of the principal borrower (i.e., the CD). Moreover, in paragraph 28(b), it was held that a Resolution Plan approved for a holding company cannot automatically extend to the liabilities or assets of its subsidiaries—emphasizing the principle of corporate distinctness.

As a result, where the contract is not project-specific, a creditor retains the right to pursue recovery from the CD for unpaid dues arising from other projects, even if part of the claim has already been resolved under a Resolution Plan.

- (ii) **Entity Test under IBC-Validity of Project-wise CIRP/Plans:** Project-wise CIRP/plans, though permitted in certain real estate cases by NCLT/NCLAT, do not withstand the Entity Test under the Companies Act, 2013, LLP Act, 2008, or the IBC.

These statutes recognize a company or LLP as a single juristic entity—not a collection of independent projects. Under IBC, insolvency is initiated against the corporate debtor as a whole, not against individual business segments. In *Flat Buyers Association Winter Hills-77 v. Umang Realtech Pvt. Ltd.*, NCLAT allowed a project-wise CIRP to protect

homebuyers' interests, but that remains an exception. Thus, unless each project is a separate incorporated entity, project-wise CIRP violates the core principle of single legal entity, making it legally untenable under the entity test.

### (iii) Does IBC Amendment Alone Justify Project-Wise CIRP:

The amendment to the IBC enabling project-wise CIRP, while a progressive step to safeguard homebuyers' interests, does not by itself suffice, as it raises significant concerns under contract act and statutory interpretation. Contracts are executed with the CD as a whole, not project-wise entities, and fragmenting insolvency may impair privity and obligations. Moreover, "person" under Section 3(23) of IBC and other statutes does not recognize a real estate project as a separate legal person. Without harmonizing these definitions legislatively or judicially, the amendment risks inconsistency and legal uncertainty, necessitating a comprehensive legal framework.

- (iv) **Differentiating Project Performance and Fund Movements in Real Estate Business CD- Legal and Accounting Perspectives:** In a real estate CD, distinguishing whether a project is performing well or approaching insolvency requires a detailed financial and operational analysis aligned with the business nature. Each project typically has its own Profit & Loss (P&L) statement and Balance Sheet (B/S), enabling management to assess individual project viability.

## 7. Conclusion

Project-wise insolvency marks a significant and practical shift in India's approach to resolving distress in the real estate sector. By allowing insolvency proceedings to be handled at the individual project level, it ensures that relief reaches the affected homebuyers more directly and increases the chances of reviving stalled developments. Recent regulatory changes, including the February 2024 amendments to the CIRP framework, reflect growing recognition of this need. However, the lack of formal legal backing under the IBC remains a major gap, often leading to uncertainty in implementation. To truly make this approach effective, it is crucial to formally incorporate project-wise resolution within the IBC and harmonize it with laws like RERA. A dedicated legal framework—backed by coordinated regulatory action and a pragmatic judicial approach—will be key to protecting stakeholders' interests and rebuilding trust in the insolvency process.

11. <https://ibbi.gov.in/uploads/order/4688087e4e8ccbbc67df12eca3134f29.pdf>