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Legal Update: Subhash Chandra's Personal Insolvency Proceedings and the Section 95 Framework Under the IBC

Hanspal Bakul · 08 Oct 2026

The Subhash Chandra's Personal insolvency proceedings have opened up a rather unprecedented chapter in the field of corporate restructuring in India.

This case signals the immense points of friction faced in Part III of the code implementing the clause for personal guarantees.

A repayment plan suggesting a rather huge haircut of 99.97% in return promised by a very divided NCLT ruling and an ongoing investigation by CBI with regard to fraud marks the extreme levels of operational and procedural challenges faced in resolving huge individual defaults in India.

Background

The issue revolves around the personal insolvency resolution proceedings against Subhash Chandra, who is the founder of Zee Entertainment and Essel Group, which were filed under **Section 95 of the Insolvency and Bankruptcy Code, 2016** by Indiabulls Housing Finance Limited, acting in the capacity of being a personal guarantor for loans taken by the Essel Group.

The said hearings fall under **Part III of the respective Act**, providing guidelines related to the *insolvency and bankruptcy of individuals along with the partnerships that include personal guarantors who are in debt with the corporate*.

Chandra put hence a repayment plan of ₹6.25 crore to the creditors against the total claims of ₹22,006.57 crore with ₹25 lakh earmarked for the insolvency process. Thus, the respective plan resulted in a 99.97% haircut on the admitted claim amount.

Chandra has stated that the ₹22,006 crore figure is confusing, as it *represents the total of the personal guarantees received by him for the different loans that were taken by the Essel Group*

and not the money borrowed personally by him and he places the actual amount of personal guarantees at ₹3,990 crore.

Procedural History: A Fractured Tribunal Record

The case of the repayment plan in NCLT demonstrates the negative effects of a multi-member bench in an instance of disagreement among members.

The two-member NCLT bench composed of a Judicial and a Technical Member gave a split decision as per *which one member supported the Plan while the other rejected it due to complications in the admission of claims and voting of creditors.*

In accordance with the procedural rules of the Code, the split resulted in the necessity for involving a third member and this member provided the approval of the repayment plan on August 25, 2026, in a 144-page order with the requirement to disregard some of the contested claims and reorganize the credit share of the eligible creditors.

However, because of the absence of a clear majority view based on the third opinion and the previously issued split verdicts, ***an unusual five-member special bench was established by the NCLT president to resolve the issue.***

The NCLT's September 1 Order

The special five-member bench of NCLT, presided over by NCLT President, retired Justice Anupinder Singh Grewal, issued a stay on the operation of the order dated August 25 and ordered Chandra not to alienate any property, directly or indirectly, until further orders and the framework for determining the issue.

The reasoning of the bench was centered around the view that since there was no clear majority so the *repayment plan was of this size and importance, it needed a clear and decisive ruling before any party relied on it.*

In practical terms, this order had a great significance in the CLAT PG context, ***as restraints on asset alienation of this kind work like an interim injunction as it would prevent the likelihood of the assets being wasted during a process, which is undecided.***

Escalation to the NCLAT

It was the dissenting creditors, which included several public-sector lenders like LIC Housing Finance, Canara Bank, and Union Bank, that filed a case with the National Company Law Appellate Tribunal ahead of the pronouncement of the order by the five-member bench, to protect themselves against the earlier approval of the ₹6.5 crore settlement.

The Solicitor General, Tushar Mehta, representing the dissenting lenders, contended before the NCLAT that letting the repayment scheme to remain would undermine the essence of the Insolvency and Bankruptcy Code due to the **quantum of the haircut in comparison to the accepted claims.**

Later Chandra himself approached the NCLAT challenging the NCLT order of September 1 that barred him from transferring assets on the ground that the order of the special bench was beyond its powers as per the statute.

A three-member bench of the NCLAT issued notice to the creditors on Chandra's application and also, on the request of the Solicitor General combined the separate objection of the creditors against the settlement with Chandra's appeal and scheduled the matter for hearing together.

A Parallel Criminal Dimension

Additionally, the case has a criminal law aspect to it. The CBI has filed a FIR against Chandra, claiming that he had submitted exaggerated net-worth certificates to obtain loans totalling ₹980 crore from LIC Housing Finance Ltd., loans on which he ultimately defaulted on and then cost the public sector lender over ₹1,322 crore.

The NCLT has also given notice to the CBI during the insolvency proceedings concerning the allegations and has ordered to maintain the status quo with regard to asset alienation until the case comes to a close.

*This case provides an interesting set of facts concerning the working of **Part III of the Insolvency and Bankruptcy Code, which regulates personal guarantors to corporate creditors, a concept which was made applicable only when the Supreme Court, in 2021, upheld the government's notification making the provisions of the Code applicable to personal guarantors.***

It shows how the process of Section 95 works in practice: how a creditor initiates the process, how a resolution professional is appointed, the application of moratorium on the assets of the

guarantor, and how the plan of repayment of the guarantor is finally approved or rejected by the adjudicating authority.

The case is equally significant in understanding the procedure of the tribunal, apart from the substantive insolvency law. The series of the split verdicts by the two benches, the reference to the third member of the bench, and the eventual constitution of the bench of five members, demonstrates how internal dissents are resolved in multiple-bench tribunals.