SUPREME COURT CLEARS JSW'S BHUSHAN STEEL ACQUISITION: A TEST FOR INDIAN INSOLVENCY LAW

Background and JSW's Resolution Plan

Bhushan Power and Steel Limited (BPSL), a major steel manufacturer, became insolvent in 2017 after RBI identified it among the biggest defaulters in India's "dirty dozen" list. Punjab National Bank led a consortium of creditors with claims over INR 47,000 crore (~ USD 5.5 billion). As part of the insolvency process, JSW Steel, Tata Steel, and Liberty House submitted bids. The Committee of Creditors (CoC) evaluated these bids and selected JSW Steel's INR 19,700 crore (~ USD 2.3 billion) plan, making JSW the winning bidder. The plan promised a fresh capital infusion into BPSL and the protection of jobs and operations. The plan was approved by the CoC, the National Company Law Tribunal (NCLT) in September 2019, and later by the National Company Law Appellate Tribunal (NCLAT) in February 2020. JSW Steel started reviving BPSL and made major payments to financial and operational creditors by 2021.

Supreme Court Liquidation Decision (May 2025)

In May 2025, the Supreme Court, acting on appeals instituted by certain creditors, cancelled both the NCLT and NCLAT approvals and ordered BPSL's liquidation. The Court found that:

- There had been major delays. Financial creditors waited over 540 days for payments and operational creditors over 900 days.
- JSW's capital infusion obligation into BPSL was done by way of compulsorily convertible debentures (CCDs) rather than pure equity infusion.
- The CoC repeatedly extended timelines, and post-approval changes were made to the resolution plan, against IBC rules.

The Court directed the unwinding of the resolution plan and directed the creditors and equity contributors to return the funds received by them from JSW. This liquidation order shocked investors and created uncertainty in India's insolvency ecosystem. It pointed out that procedural lapses and post-approval changes weakened IBC's discipline and efficiency.

Supreme Court Recall and Final Judgment

In July 2025, JSW and the CoC filed review petitions. In the final Supreme Court judgement dated September 26, 2025, the court emphasised that the commercial wisdom of the CoC should be respected, and that judicial review of resolution plans should be strictly limited to questions of process and law, not business judgment.

The Supreme Court recalled its liquidation order and upheld the JSW resolution plan on the following grounds:

- It found implementation delays were mostly caused by asset attachments and pending cases with enforcement agencies and were not caused due to lapses by JSW or the CoC.
- The use of CCDs was declared valid, since Indian law treats them at par with equity.
- Once a resolution plan is approved and implemented, reopening issues or demands undermines the IBC.
- Promoters who lost control after insolvency proceedings cannot challenge completed resolution plans.

Conclusion: Impact on India's Insolvency Regime

If JSW's resolution plan had been unwound, it would have shaken the core of India's insolvency regime. Any reversal of completed acquisitions would create risk for bidders, creditors, and the system, discouraging future participation. This judgment restored investor confidence and confirmed that once a resolution is achieved through legal processes, it should remain final except for the clearest cases of fraud or non-compliance. The Supreme Court's ruling restores certainty and consistency in applying legal frameworks in India, reinforcing confidence in the judicial process and preventing the meandering tendencies of Indian courts.

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