

The remedy under Section 7 of the Insolvency & Bankruptcy Code (IBC) to initiate the Corporate Insolvency Resolution Process (CIRP) is not discretionary but mandatory, leaving the adjudicating authority with no option but to admit the application once the existence of a debt and a default is established

The **Supreme Court** in the case of **Power Trust vs Bhuvan Madan [Civil Appeal No. 2211/2024]** dated **February 18, 2026**, has held that the remedy under Section 7 of the Insolvency & Bankruptcy Code (IBC) to initiate the Corporate Insolvency Resolution Process (CIRP) is not discretionary but mandatory, leaving the adjudicating authority with no option but to admit the application once the existence of a debt and a default is established.

The Court observed that the Adjudicating Authority is not required to go into the inability of a corporate debtor to pay its debt. This is a clear departure from the scheme of winding up envisaged under Section 433(e) of the erstwhile Companies Act, 1956 which required the Adjudicating Authority to come to a finding with regard to the inability of the company to pay the debt and thereby arrive at a requisite satisfaction whether it is just and equitable to wind up the company. The Code restricts the scope of enquiry for admission of an insolvency process by a financial creditor merely to the existence of default of a debt due and payable and nothing more.

The Court further observed that when the financial creditor initiates the insolvency process for the purposes of admission, the Adjudicating Authority is only to ascertain the existence of a default from the records of the information utility or the evidence furnished by the financial creditor within fourteen days from the receipt of such application. At this stage, neither is a corporate debtor entitled nor is the Adjudicating Authority required to examine any dispute regarding the existence of such debt. This significantly reduces the scope of enquiry at the stage of a time-bound admission of an insolvency process by a financial creditor.