

One Group, One Grave? The Cases For Substantive Consolidation In Governance-Weak Conglomerates

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Abstract:

This article explores the phenomenon of group insolvency in India, a growing concern that affects not just the Corporates but the health of the broader economy. With a sharp rise in Corporate Insolvency Resolution Processes (CIRPs) over the past five years, it becomes critical to examine why even high-profile business groups, which were once considered financially robust, are now collapsing under the weight of their internal governance fiascos. Through a focused analysis of five case studies, Videocon Group, Lavasa Corporation Ltd, Essel Homes Pvt Ltd, Jaypee Group, and IREO Five Rivers, the article maps the systemic deficiencies that triggered these group-level failures.

There are several judgments passed early, as held in Edelweiss Asset Reconstruction Co Ltd v. Sachet Infrastructure Pvt Ltd & Ors, (Edelweiss Asset Reconstruction Company Ltd. v. Sachet Infrastructure Pvt. Ltd., 2019), where the NCLAT ordered a simultaneous Corporate Insolvency Resolution Process (CIRP) for five group companies under a common resolution professional. The Supreme Court, in Bikram Chatterji & Ors. v. Union of India, exercised its powers to protect homebuyers affected by the Amrapali Group's financial crisis Dasgupta, Karbhari, & Shikha, 2021). The collapse of the IL&FS Group, a massive corporate entity with 348 companies, further emphasised the urgent need for a structured group insolvency framework under the IBC. A major development came on June 22, 2021, when the NCLAT, while dealing with the IL&FS case, acknowledged that the legal framework had evolved to accommodate group insolvency (Dasgupta, Karbhari, & Shikha, 2021)

This study looks deeper into the governance fabric of these corporate groups rather than simply highlighting financial shortcomings. The recurring themes of promoter overreach, opaque intra-group dealings, weakened oversight, and structural opacity reveal that traditional financial analysis is no longer sufficient to predict or prevent corporate distress. These failures are not abnormalities; they are characteristic of a much larger oversight that continues to threaten investor capital and economic productivity.

Keywords: Corporate Governance, Insolvency, Corporate Insolvency Resolution Plan(CIRP), Insolvency and Bankruptcy Board of India (IBBI), National Company Law Appellate Tribunal(NCLAT), Environmental Social Governance(ESG)

1. INTRODUCTION:

Videocon Group In India, Group Company refers to a set of companies which are related through Ownership, control or the same management. Usually, these companies have a common promoter, a board member, or a board member with significant shareholding. Though the Companies Act 2013 does not define the Group Company term explicitly, several regulations like SEBI's Issue of capital and disclosure(ICDR) Regulations, Competition Act 2002 and RBI Guidelines treat companies as a group company with 26% or more voting rights, board control or the same management as a part of the group.¹

In the **Insolvency and Bankruptcy Code (IBC), 2016**, each company is a separate legal entity. However, many Indian businesses operate through interlinked subsidiaries, and there will be associate companies and sister concerns, often lacking governance independence.

In response to widespread inefficiencies and financial entanglements among group companies, Indian courts have progressively recognised the principle of substantive Consolidation to ensure a more equitable and effective insolvency resolution process. United Nations Commission on International Trade Law (UNCITRAL) as per Part 3 of its legislative guide mentions Substantive Consolidation of insolvency proceedings affecting two or more group members, appointment of a single or the same insolvency

¹ <https://timesofindia.indiatimes.com/business/india-business/govt-clarifies-what-group-company-means/articleshow/20420115.cms>

representative to all group members subject to insolvency² **Substantive Consolidation** is a mechanism where assets and liabilities of multiple group companies are pooled together into a single insolvency resolution process, first adopted in *State Bank of India vs Videocon Industries Ltd* (NCLT Mumbai, 2019), where 13 group companies were consolidated due to intertwined operations and control by a common promoter (Business Standard, 2019).

India has seen a surge in corporate insolvency cases, over 7325 CIRPs since 2016 (IBBI)³. While IBC has strengthened creditors' rights, its focus on individual companies falls short when the entire business group unravels together, showing deeper cracks in the entire ecosystem. Many Indian companies aren't just single businesses; they are a vast network of subsidiaries and associated firms, tied together with the same promoters, sharing loans and overlapping operations. So, in one company, trouble started, and it spread across the entire setup. Group Insolvency isn't just about finances or legal process- it's often a sign that something needs to be addressed soon before it affects the whole group.

This article sets out to understand and explain why substantive consolidation is becoming relevant in India's Insolvency landscape. By examining some real cases like Videocon Group, Jaypee Group, Lavasa (HCC), Essel, or IREO, the study highlights how interconnected corporate structures, without adequate governance checks, necessitate treating group companies as a single unit during insolvency. Each case reveals how poor governance, characterised by unchecked operations, opaque financial dealings across group entities, and ineffective board oversight, can sink not just individual companies but entire business ecosystems. The fallout has been significant for Videocon's collapse, which impacted 13 interconnected entities, with lenders recovering less than 5% of their dues⁴. Jaypee Infratech's insolvency left over 20,000 homebuyers in limbo, uncovering misused project funds and systemic planning failures⁵. These companies reflect broken promises, eroded trust, and real economic distress. The objective is to help investors, policymakers, and regulators grasp why a consolidation approach is not only justified but often important to achieve a fair and practical resolution.

To understand how governance failures and structural entanglements necessitate substantive consolidation, let us examine these cases one by one, beginning with the Videocon Group, one of India's most prominent examples of group insolvency in action.

2.1 Videocon Group

Videocon Industries Ltd began its journey in 1979, founded by **Venugopal Dhoot**, and grew as a consumer electronics and home appliances hulk in India. By the 1990s, Videocon had diversified for expansion in oil and gas exploration, telecom (via Videocon Telecom), and DTH services, positioning itself as an extensive conglomerate; however, aggressive investment and diversification with excessive leverage and weak internal governance laid the groundwork for its eventual collapse. Between 2008 and 2015, Videocon's debt levels surged as the group borrowed heavily to fund its ventures, but the same didn't yield as expected. The situation became worse when Videocon failed in a competitive telecom space, especially after the cancellation of its 2G licenses by the Supreme Court in 2012. Further, Videocon also invested in Oil and gas exploration, expecting larger returns. These expansions were often underfunded by equity and primarily funded with debt, leading to unsustainable leverage. Debt exposure exceeded ₹90000 Cr, with over ₹29000 Cr default to a consortium of 50-plus banks⁶. But as the investment failed to generate revenue, it stressed the group's cash flows. In **June 2018**, **State Bank of India (SBI)** applied to the **NCLT Mumbai** under **Section 7 of the Insolvency and Bankruptcy Code**,

² https://uncitral.un.org/en/texts/insolvency/legislativeguides/insolvency_law

³ (Indian Bankruptcy Board of India [IBBI], n.d., p. 24)

<https://ibbi.gov.in/uploads/resources/4ec8b72b703bb9d8532642a0bf07c6d8.pdf>

⁴ <https://www.ndtvprofit.com/business/nclat-stays-anil-agarwals-takeover-of-videocon-industries>

⁵ <https://economictimes.indiatimes.com/industry/services/property/-cstruction/ray-of-hope-for-20k-homebuyers-as-work-begins-in-noidas-ghost-town/articleshow/103083645.cms>

⁶ <https://www.financialexpress.com/business/industry-bank-clean-up-sbi-takes-videocon-to-nclt-for-insolvency-for-rs-3900-crore-loan-default-1006807/>

<https://www.moneylife.in/article/banks-others-may-lose-over-rs90000-crore-as-videocon-sinks/56777.html?>

2016, citing a default of over ₹20,000 crore⁷. In a landmark order dated August 8, 2019, the NCLT admitted the CIRP against Videocon Industries Ltd and 13 of its group companies, allowing substantive consolidation of their resolution processes indebted to deep financial and operational linkages across the group entities (State Bank of India v. Videocon Industries Ltd & Ors., NCLT Mumbai Bench, CP(IB)-02/MB/2018). The judgment was the first major Indian case of court-approved group insolvency under IBC, setting a precedent for dealing with conglomerates that function as single economic units despite corporate separateness.

Governance Erosion

1. **Conflict of Interest in ICICI Loan Sanction:** One of the most glaring governance failure was a sanction of ₹1875 Cr loan by ICICI Bank in 2012, while Deepak Kochhar, husband of the CEO Chanda Kochhar, has business links with the promoter of Videocon Group Venugopal Dhoot. Venugopal Dhoot transferred a stake in NuPower Renewable Pvt Ltd. (Founder Deepak Kochhar) Shortly after ICICI disbursed of loan. This deal raised a serious concern of quid pro quo, violating the conflict of interest and credit approval norms of bank (Rajput & Ohri, 2019).

2. **Promoter Misconduct:** Allegations of fund siphoning and preferential transactions. Promoter Venugopal Dhoot exercised centralised control with weak board oversight across subsidiaries. Funds were siphoned or misused, especially in oil and gas ventures and telecom licences.

3. **Fund Diversion:** ED and CBI found diversion of funds from loan proceeds. The CBI acting director registered a First Information Report ('FIR') on the matter in January 2019. The FIR accused Chanda Kochhar of receiving "illegal gratification through her husband (Deepak Kochhar) from Videocon MD VN Dhoot for sanctioning a term loan of ₹300 crores to Videocon International Electronics Ltd" (Economic Times, 2025).

4. **Questionable Accounting Entries:**

The Resolution Professional(RP) of debt-ridden Videocon Industries has initiated an independent transaction Audit to review fraudulent, preferential, undervalued, and extortionate transactions, and the resultant observation has found certain questionable accounting entries and transactions entered into before commencement of CIRP. Resolution Professional has requested NCLT for such adjustments.

2.2 Essel Homes Pvt Ltd (Essel Group)

Once celebrated as one of India's most diversified business conglomerates, Essel Group founder Subhash Chandra grew from modest beginnings in the 1980s to grow empire in media, infrastructure, real estate, education, packaging, and renewable energy. With blockbuster ventures like Zee TV and Dish TV, the group became a household name. It reshaped Indias entertainment landscape by establishing private broadcasting. This growth attracted diversified investor interest which helped it to secure large loans and also enter into public private partnerships(PPP) with diversification across various sectors.

However, behind the scenes, the financial setup wasn't as solid as it looked. The Company has a fragile financial structure and is heavily reliant on **inter-company borrowings, corporate guarantees, and opaque funding mechanisms**. As market dynamics changed, debt levels soared, defaults triggered and started affecting the **group**. By 2022, group entities, like Essel Homes Pvt Ltd, Primcomm Media, Essel Infra projects, and Vivek Infracon, were all trapped in insolvency proceedings. Missed repayments initiated a group insolvency crisis, exposing deep-rooted flaws in governance, transparency, and promoter accountability. What started with a minor problem soon ballooned for the whole group.

In 2006-2010: Subhash Chandra led the group through rapid expansion and diversification, from Media to infrastructure, real estate and many other sectors. Essel Homes started expanding its presence in various geographical areas, undertaking projects in other major Indian cities such as Bangalore, Pune, and Delhi NCR. The growth attracted heavy investments, which also came with rising debts.

2011-2017: Essel Homes launched new projects and delivered completed units to its customers. The company with a clear focus provided affordable and mid-segment housing options. But due to a slowdown in the real estate market, Essel Homes started facing financial pressures, which also began to build debt

⁷ <https://www.businesstoday.in/industry/banks/story/videocon-industries-insolvency-sbi-venugopal-dhoot-149172-2018-06-07?>

levels. The company tried to meet its financial obligations, along with customer complaints about delayed possessions. The financial difficulties of Essel Group were visible, and the parent company of Essel Homes began to surface.

2018-2019: Essel Homes experiences significant project delays and defaults on payments to lenders and contractors. As promises of delivery were missed, customers started growing restless. As the company's reputation weakens, Essel Group initiates to reduce its massive debts by selling off assets, including stakes in Zee Entertainment Enterprises, to meet its financial crisis. Essel Homes becomes a part of the overall restructuring plan.

2020-22: India Bulls Housing Finance approved a loan of ₹190 cr with Gnex Realtech as the borrower and Essel Homes and Primmmcom Media as co-borrowers⁸. In September 2021, the loan was classified as Non Performing Asset(NPA) due to Default. Insolvency petition under Section.7 IBC against Essel Homes and Primcomm by India Bulls Housing was filed and admitted by NCLT Mumbai Bench in Apr.2024 (Legal Economic Times, 2024). Further, Essel Infraprojects defaulted on ₹87 Cr to J&K Bank . Vivek Infracon defaulted on ₹170 Cr, in which Subhash Chandra provided his personal guarantee (Moneylife, 2024). In Koti Infrapower and Multiventures a claim of ₹12.99 Cr against Kotak AMC was filed.

2019-2024: Legal and Regulatory changes were made in response to collapses like Vivek Infracon. The 2019 IBC Amendment empowered creditors to initiate insolvency proceedings against personal guarantors. In 2024, NCLT admitted proceedings against Subhash Chandra related to a guarantee for ₹170 Cr Loan(Moneylife, 2024).

Governance Erosion

1. **Promoter Dominance:** Subhash Chandra and his family exercised centralised control over the group's financial and operational decisions.

2. **Opaque Financial Practices:** Zee Entertainment Enterprises Ltd (ZEEL), once a highly profitable entity, was used to fund struggling group companies through questionable practices.

a. ZEEL had parked ₹200 crore as fixed deposits in Yes Bank.

b. In 2019, these deposited funds were prematurely withdrawn without board or shareholder approval, which Yes Bank used to settle dues of seven promoter-linked companies.

c. Weak board oversight, lack of transparent risk disclosures.

d. SEBI penalised Essel promoters in 2010 for delays in disclosing changes in shareholding.

3. **Auditors Overlook:** NFRA accused Deloitte, the statutory auditor, of failing to report these irregularities in the audit. NFRA penalised Deloitte Haskins and Sells ₹2 Cr for its audit failures of ZEEL for FY 2018-19 and 2019-20. Auditors gross negligence and failure in multiple red flags ignorance, including YES Bank FD, significantly related party transactions and unauthorised fund diversion, two partners were debarred from auditing for 5 years and 3 years respectively(Broadcast and CableSat, 2024).

4. **Interconnected Default risk:** Due to intra-group guarantees, the default of a single affiliate (like Gnex Realtech) had systemic repercussions across group entities. The legal and financial domino effect led to multiple CIRP filings across the Essel umbrella.

5. **Regulatory Non Compliance:** Essel-affiliated entities, including Essel Finance Advisors & Managers and the India Asset Growth Fund, were fined ₹29 lakh by SEBI (June 2025) for failing to disclose material information, misreporting valuations, and inadequate investor grievance handling, further showcasing a culture of transparency deficiency (Moneylife, 2024).

2.3 Jaypee Group (Jaiprakash Associates & Jaypee Infratech)

Jaiprakash Associates Ltd (JAL), once a well-known leader in India's infrastructure and real estate space, stood out as a flagship company of the Jaypee Group. To lead a specific infrastructure project, JAL incorporated Jaypee Infratech Ltd (JIL) in 2007 as a special purpose vehicle (SPV). JIL was tasked with constructing landmark ventures such as the Yamuna Expressway, residential townships, and sports infrastructure including the Formula 1 racing circuit in Greater Noida. The company was also allotted

⁸ <https://www.livemint.com/companies/news/essel-group-insolvency-nclt-indiabulls-essel-homes-primcomm-media-11714051512020.html?>

land parcels along the expressway in lieu of the development contract, which it used for launching ambitious real estate projects involving over 32,000 housing units⁹. Backed by government contracts and aggressive expansion plans, both JAL and JIL flourished during India's infrastructure boom.

Despite heavy upfront investment, project deadlines slipped. Cracks began to appear when JIL started missing construction deadlines around 2013-14. The reasons were clear: mounting debt, poor financial planning, and operational mismanagement. JIL diverted its unencumbered land assets to secure loans for JAL. This act was later deemed irregular and potentially fraudulent under the Insolvency and Bankruptcy Code (IBC). The weight of financial obligations, stalled projects, and pressure from disgruntled homebuyers pushed both entities into a downward spiral. JIL mortgaged 858 acres of its own land to help its parent company JAL, raise funds (Indian Bankruptcy Board of India [IBBI], 2018), which raised serious governance concerns. Eventually, IDBI Bank filed an insolvency petition against JIL, citing ₹526 cr default in August 2017¹⁰, and what began as a symbol of modern infrastructure turned into one of the most complex insolvency cases under the IBC regime. The collapse of JIL, and by extension the distress in JAL, exposed deep governance failures, misaligned promoter priorities, and the perils of unchecked expansion. In the landmark case of **Chitra Sharma & Others v. Union of India** (Indian Kanoon, n.d.) homebuyers approached the Supreme Court, worried about losing both homes and money. The court ordered JAL to deposit ₹2000 Cr to protect the buyer's interests.

Several failed Bids-several resolution plans were floated, including ones from NBCC and Suraksha Realty between 2018 and 2020.

The main triggers for JIL's Insolvency were Construction delays, which left thousands of homebuyers stranded. Defaults on bank loans pushed the company into NPA status. Improper land transfer raised serious red flags. Legal battles and stakeholder conflicts dragged out the resolution process.

Governance Erosion

1. **Promoter Centric Decisions and transparency:** Funds from one entity diverted to another without proper approvals and disclosure-delay in project delivery and no timely updation to investors or homebuyers. JAL, as a parent company, continued to exercise dominant influence over financial decisions, including asset pledges.
2. **Related Party Lending:** Intra-group loans without arm's length principle.
3. **Weak Board oversight:** IL's board did not challenge critical decisions made by JAL for related party transactions, major capital commitments and fund diversions.

2.4 Lavasa Corporation Ltd (Part of Hindustan Construction Company Group)

"Lavasa" meant nothing but a feeling of luxury, warmth and peace. Lavasa, India's first planned private hill city near Pune, was envisioned as a European-style utopia with open promenades, waterfronts, and elite urban amenities. Created by Hindustan Construction Company (HCC's) Ajit Gulabchand, it stalled after environmental violations and mounting debt, leaving just 1/5th built structure.

In 1997, the Maharashtra government approved the idea of building a private hill station across 20 villages in the scenic Mulshi and Velhe Talukas of Pune district. By 2001, the State Urban Development Department sanctioned the plan to Lake City Corporation Pvt. Ltd. (formerly Pearly Blue Lake Resorts Pvt. Ltd.), later renamed Lavasa Corporation Ltd (LCL) in 2004, which is a subsidiary of HCC (National Company Law Tribunal [NCLT], 2020).

2002-2010: Land acquisition began in 2002, and by 2007, Lavasa was open for real estate sales. Villas, apartments, lakeside promenades, and resorts were developed, attracting retirees, NRIs, and middle-class investors like Minoo Wadia, a retired Air Force officer who put his life's savings into the dream of a peaceful retirement. But in 2010, just as Lavasa was preparing for its IPO, a major blow struck. The Ministry of Environment and Forests (MoEF), led by Jairam Ramesh, slapped a stop-work notice on the project, citing violations of Environmental Impact Assessment (EIA) norms of 1994, 2004, and

⁹ https://en.wikipedia.org/wiki/Jaypee_Infratech?

¹⁰ <https://economictimes.indiatimes.com/industry/services/property/-cstruction/jaypee-infratech-resolution-key-lenders-assure-homebuyers-of-best-possible-outcome/articleshow/82972879.cms?>

2006(ThePrint, 2024). Activists like Medha Patkar and Anna Hazare intensified the opposition, flagging large-scale illegal hill cutting and reservoir encroachment.

2011-16: In 2011, the MoEF gave conditional approval, but investor confidence was shaken. By 2012, a Comptroller and Auditor General(CAG) report flagged the lack of transparency, noting that the project was driven more by private interest than public good. IPO attempts in 2014 and 2016 failed due to waning trust and mounting debts. The company was forced to scrap the plan.¹¹

The involvement of high-profile names Sharad Pawar, his daughter Supriya Sule (a former stakeholder), and her husband, fuelled further political controversies. Allegations of conflict of interest, illegal land transfers, and bypassing environmental norms dominated the headlines.

2018-2024: Raj Infrastructure filed an insolvency petition. The NCLT admitted the case, beginning the Corporate Insolvency Resolution Process (CIRP). Multiple creditors were involved, and Lavasa's standalone resolution was impossible due to interlinked finances with HCC Group companies. LCL CIRP commenced on 30.08.2018, Dasve Convention Centre(DCCL) CIRP commenced on 05.02.2019, Dasve Retail Ltd(DRL) wholly owned subsidiary of LCL, Warasgaon Power Supply Ltd(WSPL) wholly owned subsidiary of LCL-which was not under CIRP, Warasgaon Asset Maintenance Ltd(WAML) wholly owned subsidiary of LCL, CIRP Commenced on 17.12.2018 in WAML. The entire Financial Debt of WAML, DCCL, DRL and WPSL is guaranteed by LCL and the claims of the Financial Creditors are already admitted as Financial Debt in LCL. The Debt of DRL and WPSL on a stand-alone basis can never happen and only when it is consolidated with LCL, that Resolution may happen. However, the Bench was aware that DRL and WPSL is not undergoing Insolvency. Recognising this, the NCLT Mumbai Bench ordered substantive consolidation of the group's insolvency cases in Axis Bank Ltd & Ors v. Lavasa Corp Ltd.(LCL),((National Company Law Tribunal [NCLT], 2020).The tribunal noted that resolving subsidiaries in silos would magnify financial losses, and that Lavasa's fate was inseparable from its parent company HCC.

Governance Erosion:

1. **Promoter Dominance:** Operational control rested with HCC Group. The company had influential board members, including Supriya Sule, daughter of Union Agriculture Minister and NCP Leader Sharad Pawar, her husband Sadanand Sule, and close associate Aniruddha Deshpande. The couple owned 21.97% in 2004. Sule sold and withdrew from LCL, but the company did not lose political patronage. Vitthal Maniyar, who serves in the trust of the Pawar Family, was to be one of LCL's BOD. The government handed over 20km of Land near the river that was acquired for a Public purpose to a private company, according to B. G. Ahuja, former CE with the Central Government in Pune.

2. **Governance Lapses:** Large-scale hill cutting, quarrying, construction without environmental clearances, Weak financial disclosure, underreporting of liabilities, delays in project delivery. In LCL Planning norms were also violated as per the Maharashtra Regional and Town Planning Act 1966, which includes inviting public objections and obtaining approval from the state government.¹² MoEF's site inspection report notes that there is no approved landscape plan, parking and circulation plans or baseline environmental information. Sites of concrete pavement almost touch the reservoir. LCL has reclaimed land from the reservoir bank. LCL used a portion of the leased land, which was a submergence zone, to construct commercial and residential buildings. Ajit Pawar, Nephew of Sharad Pawar, issued the lease orders. For which Revenue authority permission was needed and not taken. MPCB (Maharashtra Pollution Control Board) gave LCL consent in 2005; however, the project was started in 2003.LCL has also acquired land illegally in this project.

3. **Intra-group Guarantees:** Interruptions in construction led to a delay in revenue generation. Rising interest costs and stalled cash flows made loan repayment difficult, creating a financial burden. Investor's enthusiasm and credit lines dwindled due to regulatory uncertainty and slower-than-expected

¹¹ <https://www.moneylife.in/article/sebi-seek-clarifications-on-ipos-from-lavasa-adlabs/38424.html#:~:text=Lavasa%2C%20which%20is%20developing%20a,shares%20for%20about%20Rs80%20crore.>

¹² Lavasa exposed. <https://www.downtoearth.org.in/coverage/lavasa-exposed-33282>

project implementation. HCC had extended corporate guarantees, which entangled it in Lavasa's insolvency.

4. **Lack of transparency:** The Comptroller & Auditor General (CAG) had rapped the Maharashtra government for "total lack of transparency" in the selection of the Lavasa hill station project.

2.5 IREO Five Rivers Pvt Ltd (IREO Group)

2007–2012: Ambitious Expansion Lalit Goyal is the co-founder and MD of the IREO group of companies¹³. IREO, co-founded with foreign investors, specialises in luxury real estate across India. By 2012, it launched IREO Five Rivers, a high-end project in Panchkula, Haryana, under Joint Development Agreements (JDAs) with the land owning companies. The project consisted of plotted development, group housing towers, villas, independent floors, commercial development, etc. Ten SPVs (special purpose vehicles) held the land, while the actual development rights were vested in IREO Five Rivers. Various licences were obtained from the Department of Town and Country Planning (DTCP), named Magnolia Propbuild Pvt. Ltd., and other landowning companies. Some of the lands were also disputed. (Indian Institute of Insolvency Professionals of ICAI [IIPI], 2023).

2013–2017: Cross-Border Funding To finance its growth, IREO routed investments through a Mauritius-based entity, Camixo Ltd., described as the group's primary funding arm. This offshore structure aimed to streamline capital inflows, but also complicated transparency.

December 13, 2018: Insolvency Trigger

Worxpace Consulting Pvt Ltd, an operational creditor supplying services at Five Rivers, filed a Section 9 IBC petition. On the same day, the NCLT (New Delhi) admitted the petition and appointed an Interim Resolution Professional (IRP).

2019–2020: Asset & Legal Intricacies

The IRP discovered that IREO Five Rivers held no land, only development rights. Around 75% of the JDA-backed land was already mortgaged. Funds were tracked to Camixo Ltd. in Mauritius, raising FEMA and fund diversion red flags. Investigations highlighted that nearly 1,700 homebuyers lost their plots or flats, and more than ₹1700 crore was transferred between 2011 and 2021 under the cover of buyback of shares, redemption, purchase of shares on instructions of Lalit Goyal, in contravention of the FDI Policy, a serious indictment of governance.¹⁴

August 6, 2021: Resolution Achievement

After detailed restructuring, a resolution plan was approved by CoC and NCLT: financial creditors were to be paid, and homebuyers would either receive plot possession or refunds from the ₹220 crore recovery package (Indian Institute of Insolvency Professionals of ICAI [IIPI], 2023).

Governance Erosion:

1. **Opaque Ownership and Operational Structure:** RP found that there was no real asset in the name of the corporate debtor, and it was merely holding JDA's with certain companies.

2. **Offshore Fund routing and misuse:** Funds were routed through Camixo Ltd., a Mauritius-based entity, making monitoring and repatriation difficult. The Enforcement Directorate (ED) found that nearly ₹1225 Crore was siphoned abroad using tax haven of British Virgin Islands to launder the money¹⁵.

¹³ <https://www.thehindu.com/news/national/ireos-lalit-goyal-arrested-by-enforcement-directorate/article37519449.ece>

¹⁴ <https://www.hindustantimes.com/cities/chandigarh-news/ireo-group-scam-1-700-homebuyers-did-not-receive-possession-of-flats-1-700-crore-siphoned-out-of-country-101692050502222.html>

¹⁵ <https://indianexpress.com/article/india/ireo-group-siphoned-off-homebuyers-rs1225-crore-to-tax-havens-ed-tells-court-7735834/>

3. **Improper Land Mortgage Practices:** A significant portion of the project land (held by JV companies) was already mortgaged, leaving IREO Five Rivers with little tangible backing. This misalignment between legal title and liability diluted recovery value for creditors and homebuyers.
4. **Inadequate Financial Disclosures:** No clear records of how much funding was collected or where it was used. Disclosures to investors, regulators, and creditors were delayed and missing.
5. **Failure of board oversight and audit:** The governance model lacked an effective board and audit function. No redressal mechanisms were in place for home buyers or operational creditors.

3.CONCLUSION:

The core problem wasn't poor finances-it was trust erosion. Investors who once dreamt of peaceful growth were left abandoned. Political favouritism, questionable board decisions, promoters' fund diversions, delayed disclosures, aggressive borrowings, lack of empathy towards the environment, failed environmental clearances have led these giant groups into a devastating state. Delays in the project crippled the company's cash flows. Environmental hurdles, court battles, ballooning interests and liabilities created a perfect storm. The collapses of major groups show that big names and large empires are not immune to failure. Each of these cases highlights serious governance lapses. Deforestation, villagers' displacements, and improper land acquisitions for expansion have hit the companies hard in past. For Indian Investors, this might be a wake-up call. It's no longer enough to look just financially, but to do a detailed background check, keeping in mind the Environmental, social and Governance (ESG) factor.

The Concept of group insolvency and substantive consolidation offers a practical approach for resolution. When group companies are treated as one group, it increases the chances of fair outcomes for creditors and stakeholders. Indian courts are showing that no matter how influential the business group is, the law will always look for public interest protection. Companies now must understand that governance is no longer optional; it is vital for survival. It's high time corporate India shifts from promoter-led business to well-regulated and monitored organisations.

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