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PERSONAL INSOLVENCY FRAMEWORK IN INDIA

The Venugopal Dhoot Bankruptcy Case

Personal Insolvency: Latest News

Recently, the National Company Law Tribunal (NCLT) declared Venugopal Dhoot, former promoter and director of Videocon Industries, bankrupt — holding him personally liable as guarantor for loans worth ₹12,668 crore extended by the State Bank of India (SBI).

This is a rare occurrence in India, as very few loan default cases reach the stage of personal bankruptcy. Once a business titan, Dhoot now stands to lose control over his companies and personal assets, unless an appellate authority stays or sets aside the order.

1. Understanding Insolvency and Bankruptcy

Insolvency

Occurs when a person or company cannot repay debts as they fall due.

Bankruptcy

The formal legal process through which an insolvent individual is declared bankrupt, enabling asset distribution among creditors.

The framework is governed in India by the Insolvency and Bankruptcy Code (IBC), 2016 — used by banks for loan recovery, and promoted by the government as a rescue mechanism for financially distressed companies.

2. How the Recovery Process Works

Three sequential/simultaneous mechanisms:

Corporate Insolvency Resolution Process (CIRP)

Creditors approach NCLT to recover dues from a defaulting company; failure leads to liquidation.

Personal Insolvency Resolution Process (PIRP)

In force since December 2019 — banks can pursue a personal guarantor (promoter) who guaranteed company loans.

Bankruptcy

The final stage — triggered only when both CIRP and PIRP fail to recover dues; effectively the liquidation of the personal guarantor.

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Key Rule

If a company owes ₹100, the bank's total claim across CIRP and PIRP combined cannot exceed ₹100 — the processes can run simultaneously or sequentially, but recovery is capped at the actual debt.

3. Timeline of the Dhoot Case

- 2010–2012: SBI and associated banks (merged with SBI in April 2017) granted loans to Videocon Industries Ltd and Videocon Telecommunications Ltd; Dhoot provided an unconditional personal guarantee.
- February 2018: Companies defaulted; SBI issued demand notices to Dhoot — yielding no recovery.
- June 2018: CIRP admitted by NCLT; eventually 12 more Videocon group companies were brought under the process. Creditors claimed ₹72,078 crore, of which approximately ₹65,000 crore was admitted.
- June 2021: NCLT approved a resolution plan by Twin Star Technologies Ltd.
- January 2022: NCLAT set aside this plan, as it offered creditors only ₹2,962 crore — a haircut of over 95%. The matter was remanded to the Committee of Creditors; Twin Star's Supreme Court challenge remains pending.
- Result: Videocon's dues to banks remain largely unresolved even today.
- May 2021 onwards: SBI (largest lender) filed for PIRP against Dhoot; the tribunal initiated PIRP in April 2026 after Dhoot failed to submit a repayment plan.
- Dhoot's offer of ₹600 crore was rejected, as it was contingent on a future Siliguri project with no upfront payment.
- July 2026: PIRP terminated — leading directly to bankruptcy declaration in November 2026.

4. What Happens to Dhoot Now?

- His entire estate vests with a bankruptcy trustee appointed by NCLT.
- He must disclose all assets, income sources and net worth.
- Assets will be sold (similar to liquidation) to repay creditors, with limits even on retaining residential property.
- A bankrupt individual cannot hold a company directorship.

5. Why Personal Bankruptcy Cases Are Rare

Personal guarantor bankruptcy remains "largely untested" under the IBC — it takes very long to reach this stage, and recovery is typically low, since discovering an individual's actual net worth is harder than recovering from a company's tangible assets.

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6. The Data Tells the Story

As per the Insolvency and Bankruptcy Board of India (IBBI):

Bankruptcy Applications

- Only 310 filed since 2019.

PIRP Applications

- 5,186 filed; only 64 resulted in approved repayment plans — creditors realised just approximately 1% of admitted claims.

Corporate CIRP (Since 2016)

- 9,166 applications admitted.
- 1,484 resolution plans approved.
- 3,074 liquidations ordered.
- 1,333 withdrawn (Section 12A).
- 1,410 closed/settled.
- 1,865 ongoing.

Recovery Comparison

Resolution plans yielded an average 30.52% recovery for creditors; liquidation yielded only approximately 4% — far higher than personal insolvency recovery rates.

7. Conclusion

The Dhoot case illustrates both the IBC's reach and its limitations — while the law empowers creditors to pursue personal guarantors, actual recovery remains minimal and the process painfully slow.

With recovery rates far lower than corporate insolvency, India's personal bankruptcy framework needs stronger enforcement mechanisms to make guarantees a genuine deterrent against loan defaults.