

Pre-Packaged Insolvency Resolution Process (PIRP) for MSMEs

PIRP allows MSMEs & their creditors to quickly agree on a resolution plan without going through the full Corporate Insolvency Resolution Process (CIRP).

Applicability:



- ✓ Only for MSMEs.
- ✓ Default value must be up to ₹1 crore.
- ✓ Minimum 3-year gap from any previous PIRP or CIRP filing.
- ✓ If CIRP has already started, MSMEs must file for PIRP within 14 days for it to prevail.

 **Example:**  A small manufacturing company defaults on ₹80 lakh in bank loans.

- Instead of going through a lengthy CIRP, the company proposes a resolution plan to creditors under PIRP.
- The process is quicker, allowing the business to survive.

How is PIRP Initiated?

Key Differences from CIRP:

- ✓ CIRP = Creditor-Controlled Process 
- ✓ PIRP = Debtor-In-Possession Process 

Step	PIRP (For MSMEs) <input checked="" type="checkbox"/>	CIRP (Regular Insolvency Process) <input checked="" type="checkbox"/>
Who Starts It?	MSME Debtor (Company itself) with approval from 66% of financial creditors.	Banks, suppliers, or corporate debtor itself.
Control of Business?	Debtor remains in control.	Creditors take over management.
Approval Needed?	66% of creditors must approve PIRP before it starts.	No pre-approval required from creditors.

PIRP Timelines & Process

PIRP is much faster than CIRP!

Step	Timeline
PIRP Starts <input checked="" type="checkbox"/>	Day 0
Resolution Plan Submission	Within 90 days
Plan Approval by Adjudicating Authority (NCLT)	Within 120 days
If Not Approved? <input checked="" type="checkbox"/>	PIRP ends (Liquidation or CIRP may start).

Key Features:

- Moratorium starts immediately** (no legal action can be taken against the company).
- Resolution Plan must be submitted within 90 days.**

✓ Entire process must finish in 120 days.

✓ If plan is rejected, liquidation or CIRP may start.

What Happens to the Resolution Plan? 📄

📌 Section 29A of IBC applies to PIRP, meaning:

✗ Defaulting promoters & willful defaulters CANNOT submit a resolution plan.

✓ The MSME debtor must submit a base resolution plan within 2 days of PIRP commencement.

✓ If creditors reject the base plan, they can invite competing bids.

✓ If the plan does not fully pay operational creditors, new bids are required.

🔍 **Example:** 🏢 A small textile firm files for PIRP but offers to pay only 50% to suppliers.

- Creditors reject the plan and invite outside investors to submit new bids.
- A third party offers a better plan, and creditors approve it.

PIRP vs CIRP – Key Differences 📄

📌 PIRP is a faster and more debtor-friendly process!

🔍 Criteria

✓ PIRP (For MSMEs)

✗ CIRP (Regular Insolvency)

Who Can Apply?	Only MSMEs	Any corporate debtor
Default Threshold	Up to ₹1 crore	Over ₹1 crore
Who Starts It?	Only the MSME debtor (Company itself)	Banks, suppliers, or debtor itself
Management Control	Debtor stays in control	Creditors take control
Resolution Plan Submission	Within 90 days	180 days (extendable to 330 days)
If Resolution Plan Fails?	Liquidation or CIRP may start	Liquidation starts
Moratorium Start Date	From date of PIRP commencement	From date of plea filing
Termination Rule	Can terminate PIRP with 66% creditor votes	Needs 90% creditor votes to withdraw CIRP

What Happens If PIRP Fails? ❌

📌 If PIRP fails or is rejected, the MSME can face:

- ✅ **Liquidation** (Company assets are sold to pay creditors).
- ✅ **CIRP (Full Insolvency Process Starts).**

📌 Termination Rules:

- PIRP can be terminated if 66% of creditors vote for it.
- CIRP can be withdrawn only with 90% creditor approval.

📌 Summary Table – PIRP for MSMEs 🔄

🔍 Aspect

📄 PIRP for MSMEs

⚖️ CIRP (Regular Insolvency) ❌

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Who Can Apply?	Only MSMEs	Any company
Default Threshold	Up to ₹1 crore	Over ₹1 crore
Who Starts It?	Only MSME debtor (with creditor approval).	Financial creditor, operational creditor, or corporate debtor.
Who Controls Business?	Debtor remains in control.	Creditors take over management.
Resolution Plan Timeline	Within 90 days.	Within 180-330 days.
Moratorium Start Date	From PIRP commencement.	From the date of filing a CIRP plea.
What Happens If It Fails?	Termination, liquidation, or CIRP starts.	Liquidation starts.
Special Conditions?	- 3-year cool-off period from any other PIRP/CIRP.	No such cool-off rule.

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