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Industrial Reconstruction Corporation of India (IRCI/IRBI/IIBI)

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Industrial Reconstruction Corporation of India (IRCI/IRBI/IIBI)

IRBI is one institution that carried three names: IRCI, IRBI and IIBI. It began as a company in 1971. It became a statutory bank in 1985. It was reconstituted as a company again in 1997.

1 What was the Industrial Reconstruction Corporation of India?

IRCI was set up to rescue sick industrial units. A sick unit is a firm that cannot run on its own earnings. IRCI tried to put such firms back on their feet.

When and how did it begin?



The Reserve Bank of India building in Kolkata, the city where IRBI had its head office. Photo: Vyacheslav Argenberg, CC BY 4.0, via Wikimedia Commons.

- The text of the 1984 Act says IRCI was set up as a company on 12 April 1971.
- It was formed under the Companies Act.
- Its purpose was to rehabilitate ailing industrial concerns.

What kind of body was it?

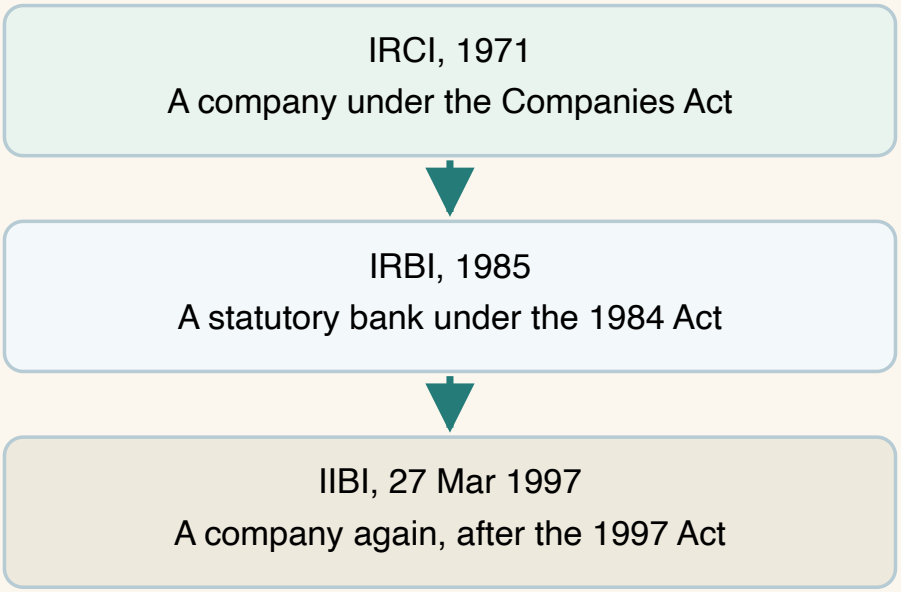
At first it was an ordinary company, not a law-made body. The law made it a statutory body only in the 1980s. Card 3 explains how.

> **Quick check 1.** IRCI was first set up as a company, not as a statutory body. *(True or False?)* See answer ↓

Sources: lawsisto.com; legalauthority.in

2 Why did one institution carry three names?

The body changed its form twice. It was still one institution with one history.



One institution, three legal forms. Original explanatory diagram.

What are the three names?

- **IRCI:** the Industrial Reconstruction Corporation of India, a company from 1971.
- **IRBI:** the Industrial Reconstruction Bank of India, a statutory bank under the 1984 Act.
- **IIBI:** the Industrial Investment Bank of India, from 27 March 1997.

Which year did IRBI start?

The RBI says IRBI was established in 1985 under the IRBI Act, 1984. The Act is from 1984. The bank began in 1985. Link the Act with 1984 and the bank with 1985.

Are they three separate bodies?

No. The Supreme Court calls IIBI the successor of IRBI. Each name was the same institution in a new legal form.

> **Quick check 2.** IRCI, IRBI and IIBI were three separate institutions that worked at the same time. *(True or False?)* See answer ↓

Sources: rbi.org.in; legalauthority.in

3 What did the Industrial Reconstruction Bank of India Act, 1984 do?

The Act turned the company into a statutory body. It also fixed the main facts of the new bank.

What are the key facts?

- The head office was at Calcutta, now Kolkata.
- Authorised capital was ₹200 crore.
- Initial paid-up capital was ₹50 crore.
- The Central Government subscribed all the paid-up capital.
- The Government could give the bank policy directions.

What could the bank do?

It could prepare schemes to reconstruct or merge sick concerns. It could also lend to help them recover.

What is the memory hook?

Think “200 and 50”. Authorised capital was ₹200 crore. The first paid-up amount was ₹50 crore.

> **Quick check 3.** Under the 1984 Act, IRBI's authorised capital was ₹200 crore. *(True or False?)* See answer ↓

Sources: lawsisto.com; indiankanoon.org

Sources: rbi.org.in; legalauthority.in

4 How did IRBI become IIBI in 1997?

A second law ended the statutory bank. It moved its business to a new company.

What are the key steps?

- The Industrial Reconstruction Bank (Transfer of Undertaking and Repeal) Act, 1997 came into force on 27 March 1997.
- A Government notification, S.O. 242(E) of 25 March 1997, vested the undertakings in the new company.
- The new company was IIBI Ltd, set up under the Companies Act.

What happened to the old Act?

The 1997 Act repealed the 1984 Act. So IRBI as a statutory body ceased to exist.

What is the exam trap?

Do not say IRBI was closed in 1997. It was renamed and reconstituted. Its business carried on as IIBI.

> **Quick check 4.** A 1997 Act repealed the 1984 Act and moved IRBI's business to IIBI from 27 March 1997. *(True or False?)* See answer ↓

Sources: legalauthority.in; indiankanoon.org; rbi.org.in

5 How was IRBI different from BIFR?

Both dealt with sick companies. Their jobs were different.



Bank lends, board decides. Original explanatory diagram.

How do they compare?

Body	Role	Legal basis
IRBI	A lender and reconstruction bank for sick units	IRBI Act, 1984

Body	Role	Legal basis
BIFR	A board that decided on revival of sick companies	Sick Industrial Companies Act, 1985

What happened to BIFR?

Parliament repealed the 1985 Act in 2016. BIFR and its appeal body were dissolved. Pending BIFR and AAIFR proceedings abated. Specified companies could refer their case to the NCLT under the Insolvency and Bankruptcy Code within a 180-day window. That route was not automatic, and the window has long closed.

What is the memory hook?

Think “bank lends, board decides”. IRBI gave finance. BIFR gave verdicts on revival.

> **Quick check 5.** BIFR was a lender that gave rehabilitation loans to sick companies. *(True or False?)* See answer ↓

Sources: indiacorplaw.in; lawsisto.com

6 Why was IIBI closed?

IIBI shrank and lost its purpose. The Government then chose to close it.



A Ministry of Textiles event on the e-auction of land from closed mills. Photo: Ministry of Textiles, GODL-India, via Wikimedia Commons.

What do the reports show?

- In 2005 the IDBI ruled out acquiring IIBI, along with IFCI.
- By December 2006 the Government had set the closure in motion.
- The RBI was told of the plan.
- 178 staff were offered voluntary retirement or transfers.

What was the reason?

Business Standard reported a shrinking balance sheet loaded with sick loans. It said IIBI lost relevance after asset reconstruction companies emerged.

Do we know the exact wind-up date?

Not from these reports. Do not quote a precise closing year. Say only that closure began in the mid-2000s.

> **Quick check 6.** In 2005 the IDBI ruled out acquiring IIBI. *(True or False?)* See answer ↓

Sources: business-standard.com

7 What are the common exam traps?

Four mix-ups appear again and again. Learn each pair.

What are the traps?

- **How many bodies?** One institution with three names, not three bodies.
- **Which year?** Company in 1971, bank in 1985, IIBI from 27 March 1997.
- **Lender or board?** IRBI lent money. BIFR decided on revival.
- **Closed when?** Closure began in the mid-2000s. Do not quote an exact year.

Why check the date?

These institutions no longer exist. Old guides repeat claims that no official source backs. Trust dated, sourced facts.

> **Quick check 7.** Parliament repealed the Sick Industrial Companies Act in 2016, and BIFR was dissolved. *(True or False?)* See answer ↓

Sources: legalauthority.in; indiacorplaw.in; business-standard.com

Practice MCQs

1. In which year was the Industrial Reconstruction Corporation of India (IRCI) set up, and for what purpose?

A. 1971, to rehabilitate sick industrial units

B. 1969, to nationalise private commercial banks

C. 1991, to liberalise India's industrial licensing regime

D. 1985, to regulate India's stock exchanges

See answer ↓

2. In 1985, the Industrial Reconstruction Corporation of India was renamed as which institution?

A. The Industrial Finance Corporation of India (IFCI)

B. The Industrial Development Bank of India (IDBI)

C. The Small Industries Development Bank of India (SIDBI)

D. The Industrial Reconstruction Bank of India (IRBI)

See answer ↓

3. In March 1997, IRBI was reincorporated under the Companies Act as which institution?

A. The National Bank for Industry and Infrastructure

B. The Industrial Investment Bank of India (IIBI)

C. The Reserve Industrial Corporation of India

D. IRBI was never reincorporated; it continued under its original name until closure

See answer ↓

4. Which option best matches reports on how IIBI came to be closed after 2005?

A. A merger with IDBI and IFCI, proposed in 2005, that IIBI itself rejected

B. A Supreme Court order finding IIBI's charter unconstitutional

C. A direct 2005 government decision to dissolve it, with no merger ever proposed

D. IIBI voluntarily surrendered its licence to the RBI in 2005

See answer ↓

5. What was the authorised capital of the Industrial Reconstruction Bank of India under its 1984 Act?

A. ₹100 crore

B. ₹200 crore

C. ₹1,000 crore

D. ₹50 crore

See answer ↓

Answer Key

1. **A.** The answer is 1971, to rehabilitate sick industrial units. The Act says IRCI was set up as a company on 12 April 1971. Bank nationalisation, the 1991 reforms and stock exchange regulation are other stories. None of them was IRCI's job. Memory hook: 1971, sick units, a company first. ↑ Q1
2. **D.** The answer is the Industrial Reconstruction Bank of India (IRBI). The 1984 Act turned the company into a statutory bank, and the bank began work in 1985. IFCI, IDBI and SIDBI are other institutions with their own laws. Memory hook: reconstruction company, then reconstruction bank. ↑ Q2
3. **B.** The answer is the Industrial Investment Bank of India (IIBI). A 1997 Act repealed the 1984 Act, and IIBI took over the business from 27 March 1997. The other names are not IRBI's successor. IRBI was not left unchanged until closure. Memory hook: 1997 turned IRBI into IIBI. ↑ Q3
4. **A.** The best answer is the merger option. Reports from 2005 show the IDBI ruling out an acquisition of IIBI, and a Government closure plan followed by December 2006. No court struck down its charter, and the other options match no report. Do not rely on any exact wind-up date or on who rejected the 2005 idea. Memory hook: no buyer, then closure. ↑ Q4
5. **B.** The answer is ₹200 crore. The 1984 Act fixed the bank's authorised capital at that figure. ₹50 crore is the initial paid-up capital, not the authorised capital. ₹100 crore and ₹1,000 crore match nothing in the Act. Memory hook: 200 authorised, 50 paid up. ↑ Q5

Quick-check answers

1. **True.** The 1984 Act turned the company into a statutory body. ↑ 1
2. **False.** it is false. They were one institution in three legal forms. ↑ 2
3. **True.** The first paid-up capital was ₹50 crore, all from the Central Government. ↑ 3
4. **True.** IRBI was renamed and reconstituted, not simply closed. ↑ 4
5. **False.** it is false. BIFR was a board that decided on revival. IRBI was the lender. ↑ 5
6. **True.** Business Standard reported it, and closure was set in motion later. ↑ 6

7. **True.** Pending proceedings abated. Specified companies could refer to the NCLT under the IBC. ↑ 7

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