

Insolvency and Bankruptcy Board of India

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Press Release

Insolvency and Bankruptcy Board of India introduces reforms to strengthen the valuation and information disclosure framework under the Insolvency and Bankruptcy Code, 2016.

I. Structural reforms to strengthen the valuation framework under the Code

The Insolvency and Bankruptcy Board of India (IBBI/Board) has undertaken major and transformative regulatory reforms to significantly strengthen the valuation framework under the Insolvency and Bankruptcy Code, 2016 (Code). Maximization of the value of assets of the corporate debtor (CD) in a time bound manner is one of the core objectives of the Code. In this context, valuation plays a critical role in commercial decision-making by stakeholders and has a direct bearing on value maximisation, the choice between resolution and liquidation, and distribution of proceeds.

Recognising the critical and determinative role of valuation in the insolvency ecosystem, the IBBI has undertaken a comprehensive review of the valuation framework and has introduced structural reforms to enhance transparency, uniformity, and overall credibility of valuation practices under the Code.

The amended Regulations, *inter alia*, provide for the following:

(i) Standardisation of valuation reports and documentation: The registered valuer shall prepare the valuation report and maintain such documentation as per the format notified by the Board through circular. This is intended to promote uniform disclosures, improved auditability, reduced disputes, and enhanced comparability across valuation reports.

(ii) Harmonisation of valuation standards across insolvency processes: The registered valuer shall compute the fair value and liquidation value in accordance with the valuation standards notified by the Board through circular. This amendment aims to ensure that a single, harmonized valuation standard is adopted for all valuations conducted under the Code, irrespective of the nature of process, to promote consistency, reliability, and professionalism in the valuation ecosystem.

(iii) Fair Value to capture underlying synergies: The definition of 'fair value' has been modified to explicitly recognise both tangible and intangible assets, along with their underlying synergies. This will ensure that the value of the CD is captured in a holistic manner, thereby reflecting its true commercial worth and economic value.

(iv) Designating a Coordinating Valuer: This amendment also introduces a framework for designating a Coordinating Valuer amongst the appointed registered valuers, for estimation of the Fair Value of the CD to ensure that enterprise-level consideration, including synergies and going-concern attributes, are appropriately reflected in the value of the CD, thereby enhancing the robustness and credibility of valuation outcomes.

These amendments aim to strengthen the valuation ecosystem under the Code with the objective of enhancing the credibility, comparability, and reliability of valuations

II. Strengthening information disclosure framework under the Code

i) Disclosures relating to allottees:

It has been mandated that the Information Memorandum (IM) shall include details of all allottees, including their names, amounts due, and units allotted, whose claims are reflected in the books of accounts of the corporate debtor or in the records of the Real Estate Regulatory Authority, but who have not submitted claims to the resolution professional. Further, where such details are included in the IM, the resolution plan shall also provide for treatment of such allottees. This amendment seeks to ensure fair and equitable treatment of all homebuyers, enhance transparency, and avoid uncertainty or disputes during plan implementation.

ii) Disclosures to reduce information asymmetry:

It has been mandated that the Information Memorandum shall also include:

- (a) details of receivables of the corporate debtor, including trade receivables, inter-corporate receivables, and receivables arising under any contract;
- (b) details of joint development agreements and other similar collaboration or co-development arrangements, including the rights, obligations, and interests of the corporate debtor arising thereunder; and
- (c) details of assets under attachment by enforcement agencies, including particulars of the assets attached, the authority effecting such attachment, and the status of related proceedings.

These amendments aim to reduce information asymmetry through enhanced disclosures thereby ensuring efficient resolution outcomes.

The amended regulations are available on the website of the Board at www.ibbi.gov.in.
