



INSOLVENCY & BANKRUPTCY

Redefining Fair Value: Critical Analysis of IBBI's 2026 CIRP Amendment Regulations

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The Indian insolvency and bankruptcy framework continues to evolve with strategic regulatory interventions aimed at enhancing the efficacy and transparency of corporate debt resolution mechanisms. The Insolvency and Bankruptcy Board of India (IBBI) notified the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Amendment) Regulations, 2026, on February 25, 2026, through notification No. F. No. IBBI/2025-26/GN/REG135. These amendments represent a significant step forward in addressing longstanding challenges within the Corporate Insolvency Resolution Process (CIRP), particularly in areas of asset valuation, professional accountability, and stakeholder protection. The regulatory changes through IBBI's 2026 CIRP Amendments demonstrate IBBI's commitment to creating a stronger, transparent, and efficient insolvency resolution ecosystem that serves the interests of all stakeholders while maintaining the integrity of the process.

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Regulatory Context and Legislative Framework

The amendment regulations derive their authority from Section 196 read with Section 240 of the Insolvency and Bankruptcy Code, 2016, empowering the IBBI to formulate detailed procedural regulations for corporate insolvency resolution processes. These amendments build upon the principal IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, which were initially published on November 30, 2016, and have undergone multiple iterations to address emerging challenges and judicial interpretations.

The regulatory framework operates within the broader context of India's insolvency and bankruptcy regime, which has processed thousands of cases since its inception. The amendments reflect lessons learned from practical implementation challenges, stakeholder feedback, and judicial pronouncements that have shaped the interpretation and application of insolvency laws in India.

Redefinition of 'Fair Value': A Paradigm Shift in Valuation Methodology

The most substantive change introduced by the 2026 amendments concerns the redefinition of 'fair value' under Regulation 2(1)(hb). The amended definition establishes fair value as 'the estimated realizable value of the corporate debtor or the assets of the corporate debtor, as the case may be, if they were to be exchanged on the insolvency commencement date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, and where the parties had acted knowledgeably, prudently, and without compulsion.'

This definition incorporates critical market-based principles that align with international valuation standards while addressing specific challenges encountered in Indian insolvency proceedings. The emphasis on 'willing buyer' and 'willing seller' scenarios ensures that valuations reflect genuine market conditions rather than distressed sale circumstances, which often result in significant undervaluation of corporate assets.

The accompanying explanation to the fair value definition introduces a comprehensive approach to asset valuation by mandating consideration of 'the total estimated realizable value of all the assets of the corporate debtor including but not limited to tangible and intangible assets, along with their underlying synergies.' This holistic approach recognizes that corporate value often exceeds the sum of individual asset values, particularly when assets operate in conjunction with each other to create operational efficiencies and revenue synergies.

The inclusion of synergies in valuation calculations addresses a critical gap in previous valuation methodologies, where piecemeal asset assessments often failed to capture the going concern value of enterprises. This approach is particularly

relevant for manufacturing enterprises, technology companies, and integrated business operations where asset interdependencies create additional value propositions that traditional valuation methods might overlook.

Enhanced Professional Accountability Through Structured Valuer Appointments

The amendments introduce significant reforms to the appointment and functioning of registered valuers through modifications to Regulations 27 and 35. Under the revised Regulation 27(1), the resolution professional must appoint two sets of registered valuers within seven days of appointment but not later than the forty-seventh day from the insolvency commencement date. This timeline enhancement ensures that valuation processes commence promptly, preventing delays that could compromise the effectiveness of resolution efforts.

The restructured valuation framework under Regulation 35 establishes a more systematic approach to professional engagement. Each set of registered valuers must comprise one registered valuer for each asset class of the corporate debtor, with one designated as the coordinating valuer for fair value computation. This specialization ensures that complex corporate structures receive appropriate expertise for different asset categories, whether tangible fixed assets, inventory, intellectual property, or financial instruments.

The amendment introduces a collaborative framework requiring resolution professionals to enable meetings where registered valuers explain their valuation methodologies to committee members before computation begins. This transparency mechanism serves multiple purposes: it enables stakeholder understanding of valuation approaches, enables informed decision-making, and creates accountability checkpoints that can prevent arbitrary or inadequately justified valuations.

The regulations establish a strong verification process requiring each registered valuer to conduct physical verification of inventory and fixed assets before submitting valuation reports. This mandatory verification requirement addresses concerns about desk-based valuations that may not reflect actual asset conditions, locations, or market realities. The physical verification mandate particularly benefits cases involving manufacturing assets, real estate, or inventory-heavy businesses where asset condition significantly impacts valuation outcomes.

Quality Assurance Mechanisms and Dispute Resolution in Valuations

The amendments introduce sophisticated quality assurance mechanisms to address valuation discrepancies and ensure accuracy in asset assessments. The regulation permits appointment of a third set of registered valuers when fair value or liquidation value estimates are 'significantly different,' defined as a difference of twenty-five percent or more. This threshold provides objective criteria for identifying potentially problematic valuations while allowing reasonable variance in professional judgment.

The committee of creditors receives enhanced authority to propose appointment of additional valuers for documented reasons, creating stakeholder oversight of the valuation process. This provision balances professional independence with stakeholder accountability, ensuring that creditors and other interested parties can seek additional opinions when valuations appear questionable or inadequately supported.

The averaging methodology for final value determination provides mathematical objectivity to resolve discrepancies between professional opinions. Fair value calculations use the average of two closest estimates submitted by coordinating valuers, while liquidation value employs the average of two closest estimates from registered valuers in each asset class. This approach minimizes the impact of outlier valuations while preserving professional judgment within reasonable parameters.

These quality assurance mechanisms create multiple checkpoints in the valuation process, reducing the likelihood of significant errors or manipulations that could prejudice stakeholder interests. The structured approach also provides clear guidance for resolution professionals and committee members when valuations appear inconsistent or require additional scrutiny.

Documentation Standards and Regulatory Oversight

The introduction of Regulation 35(1A) establishes comprehensive documentation requirements for registered valuers, mandating preparation of valuation reports and maintenance of supporting documentation in formats notified by the Board through circulars. This standardization initiative addresses previous inconsistencies in valuation reporting and creates uniform benchmarks for professional documentation across all insolvency proceedings.

The documentation requirements serve multiple regulatory objectives: they enable regulatory oversight of valuation quality, enable audit trails for dispute resolution, and create standardized benchmarks for professional performance evaluation. The format specifications ensure that all relevant information is captured consistently, reducing information asymmetries between different proceedings and enabling comparative analysis of valuation practices.

The Board's authority to specify documentation formats through circulars provides flexibility to refine requirements based on practical experience and evolving best practices. This mechanism allows for continuous improvement in documentation standards without requiring formal regulatory amendments, enabling responsive adaptation to emerging challenges or technological advances in valuation methodologies.

Enhanced Information Disclosure Requirements

The amendments substantially expand information disclosure requirements under Regulation 36, introducing new categories of information that must be included in information memoranda. These additions address information gaps that previously hindered comprehensive assessment of corporate debtors' financial positions and asset compositions.

The inclusion of detailed receivables information, encompassing trade receivables, inter-corporate receivables, and contractual receivables, provides stakeholders with clearer pictures of corporate debtors' working capital positions and collection prospects. This information proves crucial for resolution planning, as receivables often represent significant value components that influence feasibility assessments and restructuring strategies.

The requirement to disclose joint development agreements and similar collaboration arrangements addresses the complex web of relationships that modern corporate entities often maintain. These arrangements frequently involve significant rights, obligations, and contingent interests that may not appear prominently in traditional financial statements but substantially impact corporate value and resolution prospects.

The mandatory disclosure of assets under attachment by enforcement agencies provides critical information about potential constraints on asset realization and resolution plan implementation. This requirement ensures that resolution professionals and stakeholders have complete information about legal encumbrances that could affect asset availability for creditor satisfaction or business continuation.

Protection of Allottee Interests in Real Estate Projects

The amendments introduce specific provisions addressing the treatment of allottees in real estate projects through new Regulation 38A and enhanced disclosure requirements under Regulation 36(2)(ja). These provisions recognize the unique position of homebuyers and other allottees in real estate insolvency proceedings, where individual consumers often lack sophisticated legal representation or comprehensive understanding of insolvency processes.

The disclosure requirements mandate inclusion of all allottee details, including names, amounts due, and units allotted, whose claims either appear in corporate debtors' books or Real Estate Regulatory Authority records but who have not submitted formal claims to resolution professionals. This comprehensive disclosure ensures that resolution professionals and committees have complete information about potential stakeholder populations, even when those stakeholders have not actively participated in proceedings.

Regulation 38A establishes mandatory treatment provisions for non-claiming allottees in resolution plans, ensuring that their interests receive consideration even without active claim submission. This protection mechanism acknowledges that individual homebuyers may not have timely knowledge of insolvency proceedings or may lack resources to engage professional assistance for claim preparation and submission.

The allottee protection provisions align with broader policy objectives of consumer protection in real estate transactions while maintaining the integrity and efficiency of corporate insolvency processes. The requirements ensure that resolution plans address legitimate consumer interests without creating procedural complexities that could undermine resolution feasibility or timeline adherence.

Implementation Challenges and Practical Considerations

The implementation of these amendments will require significant coordination among resolution professionals, registered valuers, creditor committees, and regulatory authorities. The enhanced valuation requirements, while improving accuracy and

transparency, may initially increase process costs and timelines as professionals adapt to new documentation standards and collaborative frameworks.

The success of the reformed valuation framework depends substantially on the availability of qualified registered valuers across different asset classes and geographical regions. The specialization requirements may strain professional resources in certain sectors or locations, potentially necessitating capacity building initiatives or temporary flexibility in implementation approaches.

The enhanced disclosure requirements will require resolution professionals to develop more sophisticated information gathering and verification processes, particularly for complex corporate structures with multiple subsidiaries, joint ventures, or international operations. These requirements may necessitate additional professional support and extended due diligence timelines.

The allottee protection provisions will require resolution professionals to develop new stakeholder engagement strategies and communication mechanisms to identify and address non-claiming allottees effectively. This requirement may involve coordination with real estate regulatory authorities and consumer protection agencies to ensure comprehensive stakeholder identification.

Conclusion: Advancing Toward a More Robust Insolvency Framework

The IBBI (Insolvency Resolution Process for Corporate Persons) (Amendment) Regulations, 2026, represent a significant advancement in India's corporate insolvency resolution framework, addressing critical challenges in valuation accuracy, professional accountability, and stakeholder protection. The amendments demonstrate sophisticated understanding of practical implementation challenges while maintaining focus on fundamental objectives of maximizing value realization and ensuring equitable treatment of all stakeholders.

The redefinition of fair value and enhanced valuation procedures address longstanding concerns about asset undervaluation and inadequate consideration of corporate synergies. The structured approach to professional appointments and quality assurance mechanisms creates strong frameworks for ensuring valuation accuracy while maintaining professional independence and stakeholder oversight.

The enhanced disclosure requirements and allottee protection provisions demonstrate regulatory responsiveness to emerging stakeholder needs and market developments, particularly in sectors like real estate where consumer interests require specific attention. These provisions balance efficiency considerations with fairness objectives, ensuring that insolvency processes serve broader economic and social policy goals.

The success of these amendments will ultimately depend on effective implementation by insolvency professionals, appropriate support from regulatory authorities, and continued refinement based on practical experience. The amendments position India's insolvency framework for continued evolution toward international best practices while addressing domestic market characteristics and stakeholder needs. As the Indian economy continues to mature and corporate structures become increasingly complex, these regulatory enhancements provide essential foundations for maintaining an effective and credible insolvency resolution system.

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