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REGULATORY UPDATE

CAN MERCHANT BANKERS CONTINUE DOING VALUATIONS WITHOUT BEING REGISTERED AS A VALUER?



Can Merchant Bankers continue doing valuations without being registered as a Valuer?

INTRODUCTION:

SEBI vide its Informal Guidance dated 16 November 2026, has clarified to Navigant Corporate Advisors Limited ("**Navigant**") that any merchant banker carrying out valuation-related activity would be required to obtain registration as a valuer from the relevant regulatory authority in terms of Regulation 13A(4) of the SEBI (Merchant Bankers) Regulations, 1992 ("**MB Regulations**").

KEY HIGHLIGHTS:

Nature of valuation activities undertaken by Navigant:

- **Income-tax Act valuations:** Fair market value of unquoted equity shares and other assets for fiscal purposes, such as Section 56(2)(x) and Section 50CA of the Income-tax Act, 1961 (and corresponding provisions of the Income-tax Act, 2025), read with Rules 11U, 11UA and 11UAA.

- **FEMA valuations:** Pricing of equity instruments in FDI and resident/non-resident transfers under Rule 21 of the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019.

Navigant Submissions:

Navigant submitted that its valuation work is advisory and certification-based, fee-based, non-fund based and that it pertains to the financial services sector. It also stated that it does not take principal positions or deploy its own funds in connection with these assignments.

Navigant further stated that neither the Income-tax framework nor the NDI Rules requires the valuer to be a "registered valuer" with IBBI, or to hold any other valuation-specific registration. In its view, both frameworks expressly recognise a SEBI-registered Merchant Banker as an eligible valuer.

For example, Rule 21 of the NDI Rules allows pricing to be certified by a Chartered Accountant, a SEBI-registered Merchant Banker or a practising Cost Accountant.

Since no valuation-specific registration exists for these assignments, Navigant is of the view that the condition triggering the 9-month wind-down under Regulation 13A (4) of MB Regulations is not met.

Navigant also submitted that these valuations are not regulated by SEBI or any other financial sector regulator. It said they therefore fall under Regulation 13A (2) (iii) and can continue through a separate business unit on an arm's-length basis.

Queries referred to SEBI:

- Can Navigant continue these valuations without being subject to the 9-month wind-down under Regulation 13A (4)?

- Do these valuations qualify as permissible activities under Regulation 13A(2)(iii)?

SEBI's clarification:

SEBI examined the submissions made by Navigant without necessarily agreeing with its analysis.

SEBI clarified that in terms of Regulation 13A (4), ***any merchant***

banker carrying out valuation-related activity would be required to obtain registration from the relevant regulatory authority.

It added that valuation-related activities pertaining to the financial services sector would qualify as permitted activities under Regulation 13A, provided the merchant banker complies with the other applicable requirements of the MB Regulations, including registration as a "valuer" under Section 247 of the Companies Act, 2013.

The guidance indicates that ***holding a merchant banker licence alone may not be enough to continue valuation related activities***.

Merchant bankers carrying out such assignments should evaluate the applicability of registration requirements under Section 247 of the Companies Act, 2013, and the relevant valuation framework and must ensure compliance with the applicable conditions, including the requirement to operate through a separate business unit on an arm's-length basis, wherever applicable.

For more details, refer to the SEBI Informal Guidance dated 16 November 2026:

https://www.sebi.gov.in/enforcement/informal-guidance/nov-2026/request-for-informal-guidance-by-way-of-an-interpretive-letter-under-the-securities-and-exchange-board-of-india-informal-guidance-scheme-2025-regarding-provisions-of-the-securities-and-exchange-boa-_105792.html

***DISCLAIMER**: - The summary information herein is based on the Informal Guidance issued by SEBI dated 16 November 2026. While the information is believed to be accurate, we make no representations or warranties, express or implied, as to the accuracy or completeness of it. Readers should conduct and rely upon their own examination and analysis and are advised to seek their own professional advice. This note is not an offer, advice or solicitation. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies upon it.*