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The Ultimate Guide on

SEBI Valuation

for Listed Companies in India

— GUIDE 2026 —

SAST • Delisting • ICDR • LODR • Buyback • AIF • FEMA

A practitioner-focused handbook covering pricing, fairness opinions, capital markets transactions, and regulatory valuation compliance under SEBI's framework.

BY

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Sagar Shah is the Founder of Elite Valuation and leads the firm's Valuation and Advisory practice. A Chartered Accountant (All India Rank Holder), Company Secretary and IBBI Registered Valuer, he brings 15+ years of professional experience advising promoters, investors, listed companies, startups and multinational groups on complex valuation and transaction matters across India.

Before founding Elite Valuation, he spent 9 years at Ernst & Young across valuation, transaction advisory, transfer pricing and cross-border taxation. His work today spans financial reporting, M&A and restructurings, intangible assets, ESOPs, FEMA, AIFs, securities, financial modelling and other regulator-facing assignments where the valuation must stand up to scrutiny from auditors, regulators, investors and boards.

EXPERIENCE	CLIENT BASE	CREDENTIALS	BIG 4 FOUNDATION
15+ Years	500+ Client Engagements	CA | CS | IBBI RV	9 Years at EY

VALUATION & ADVISORY EXPERTISE

- Business & Company Valuation
- M&A, Merger, Swap Ratio & PPA Valuation
- Intangible Asset, Brand, Patent & IP Valuation
- ESOP, Sweat Equity & Share-Based Payment Valuation
- Ind AS / Financial Reporting Valuation
- Shares, Securities & Complex Instrument Valuation
- FEMA, FDI / ODI & Cross-Border Valuation
- Income Tax, Companies Act & SEBI Valuation
- AIF Valuation, Structuring & Compliance Support
- ESOP Structuring, Scheme Design & Implementation
- Financial Modelling, Fundraising & Transaction Support
- Due Diligence, Transfer Pricing & Cross-Border Advisory

Practice focus. Elite Valuation is built for assignments where financial judgement, regulatory interpretation and transaction context intersect. The team supports both one-time transactions and recurring reporting requirements, with an emphasis on independent analysis, clear documentation and execution that is practical for management and audit teams.

HOW WE APPROACH ENGAGEMENTS

01	02	03	04
Clarify the purpose We start with the reporting, transaction or regulatory objective before selecting a method.	**Build from evidence** Assumptions are anchored to financials, market data, contractual terms and the economics of the business.	**Document the judgement** The report explains the why behind the number so that reviewers can follow and challenge it.	**Stay involved through review** We support management through auditor, board, investor and regulator questions on the valuation.

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WHAT WE DO

Elite Valuation is an independent boutique Valuation and Advisory firm supporting listed companies, MNCs, businesses, startups, funds, investors, CFOs and transaction teams. SEBI assignments form one important part of a wider practice that connects regulatory valuation with accounting, tax, M&A, cross-border and transaction requirements.

01
SEBI & Listed Company Valuation
Open offers, delisting, preferential issues, schemes, related-party transactions and board-level fairness support for listed-company transactions.

02
Business & Company Valuation
Enterprise and equity valuation for strategic decisions, fundraising, shareholder matters and transaction negotiations.

03
M&A, Merger & Swap Ratio Valuation
Acquisition, merger, demerger, restructuring, share-exchange ratio and transaction valuation support.

04
Purchase Price Allocation & Ind AS Valuation
PPA, intangible assets, impairment, financial instruments and fair-value measurement for financial reporting.

05
Intangible Asset & IP Valuation
Brand, customer relationships, technology, patents, licences and other identifiable intangible assets.

06
ESOP & Share-Based Payment Advisory
Scheme valuation, option pricing, Ind AS 102, tax FMV, dilution and transaction treatment of employee awards.

07
FEMA & Cross-Border Valuation
FDI, ODI, share transfers, cross-border mergers and foreign-investment pricing support.

08
AIF & Portfolio Valuation
Independent portfolio valuation, NAV support and valuation-policy implementation for funds and investors.

09
IBC & Distressed Valuation
Fair value, liquidation value and enterprise valuation support under the IBC / registered-valuer framework.

10
Financial Modelling & Fundraising
Integrated forecasts, scenario modelling, investor models and transaction decision support.

11
Financial Due Diligence
Quality of earnings, working capital, net debt, accounting risk and transaction support.

12
Transaction & Strategic Advisory
Structuring, valuation review, negotiation analytics, deal documentation support and board-ready decision material.

ONE TEAM, MULTIPLE CONTEXTS

A regulatory price can affect a transaction, which can affect accounting, tax, shareholder approvals and cross-border compliance. Our work is designed around the complete decision - not one isolated calculation.

REPORTS	MODELS	ADVISORY	REVIEW SUPPORT
Regulatory & Fairness	DCF / Multiples / NAV	Board & Deal Support	SEBI / Audit / NCLT

WHO WE SERVE

Our clients usually call us when a number is about to become public, be voted upon, enter a regulatory filing, determine dilution, move value between shareholder groups or affect a transaction price. We work with the decision-makers who need the valuation to survive scrutiny after the transaction - not only at the time the report is signed.

CLIENTS & STAKEHOLDERS

Listed Companies	**Promoters & Promoter Groups**	**Independent Directors**
Audit Committees	**CFOs & Finance Teams**	**Merchant Bankers**
Law Firms	**Private Equity & Strategic Investors**	**AIFs & Fund Managers**
M&A / Corporate Development Teams	**Resolution Professionals & CoC Advisors**	**MNC & Cross-Border Groups**

WHEN CLIENTS TYPICALLY CALL US

OPEN OFFER / DELISTING A public-shareholder exit price must be determined or independently assessed.	**CAPITAL RAISING** A preferential issue, QIP or convertible security requires a current regulatory price.	**SCHEME / MERGER** A share exchange ratio or fairness opinion must support a listed-company restructuring.
RPT / GOVERNANCE An audit committee needs objective evidence that transaction economics are fair.	**FUND / NAV** A regulated investment vehicle needs periodic independent valuation or policy implementation.	**CROSS-BORDER / IBC** The transaction intersects FEMA, distressed valuation or multiple regulatory frameworks.

SECTORS WE WORK ACROSS

Technology & SaaS	Financial Services	Consumer & Retail	Manufacturing	Healthcare
Infrastructure	Renewables	Logistics	Real Estate	Funds & Investments

WHY CLIENTS WORK WITH US

REGULATORY MAP We identify the exact price rule, prescribed professional and decision date before modelling.	**VALUATION DEPTH** Market price, DCF, multiples, NAV and security rights are reconciled rather than treated as competing silos.
BOARD-READY Reports are written for decision-makers, regulators, investors and courts - not only valuation technicians.	**INDEPENDENT** We preserve a clear evidence trail, disclose limitations and separate compliance floors from fairness conclusions.

START A CONVERSATION

Share the transaction structure, board / shareholder dates, security details, cap table, historical trades, financial projections and the exact regulatory filing in which the valuation will be used. We can map the mandatory price floor, any independent valuation requirement and the work needed to make the conclusion defensible.

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DISCLAIMER

Important Information Before You Use This Guide

General Disclaimer

This guide is for educational and informational purposes only and does not constitute legal, investment banking, tax, accounting, securities-law or transaction advice. SEBI valuation requirements are transaction-specific. The same listed company can be subject to different price rules and different professional requirements depending on whether the event is an open offer, delisting, preferential issue, scheme of arrangement, buyback, related-party transaction or fund valuation.

Current-Law Review Date

The regulatory position in this guide was reviewed through 19 August 2026. The current SEBI regulation list shows the SAST Regulations last amended on 5 December 2025, Delisting Regulations on 3 September 2025, ICDR Regulations on 21 March 2026, LODR Regulations on 14 July 2026, Buy-back Regulations on 6 July 2026 and AIF Regulations on 14 July 2026. Applicable master circulars, stock-exchange requirements and transaction-specific circulars should also be checked at the date of use.

Price Floor Is Not Always Fair Value

A mechanical SEBI price floor, a fundamental value, a fairness opinion and a statutory registered-valuer conclusion are different concepts. A price can comply with a minimum regulatory formula without answering whether the transaction is economically fair. Conversely, a fundamental valuation cannot replace a mandatory market-price formula where the regulations prescribe one.

Professional Eligibility

This guide deliberately avoids stating that one professional category is prescribed for every SEBI valuation. Some rules prescribe a merchant banker; some require a registered valuer under the Companies Act or IBC; some require a merchant-banker fairness opinion; and some only prescribe a price formula. Confirm the exact professional and report required for the specific transaction.

Illustrations

All numerical examples and scenarios are illustrative and do not represent any named client. DCF, multiples, NAV, VWAP, adjusted book value, liquidation value and other outputs depend on the valuation date and the information available on that date.

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EXECUTIVE SUMMARY

Eight Rules That Prevent Most SEBI Valuation Errors

The 2026 landscape is less about memorising one formula and more about identifying which formula, valuation standard and professional applies to a particular corporate action. These eight rules provide the control framework for the rest of the guide.

1 MAP THE RULE FIRST Identify the transaction, current regulation, relevant date and prescribed professional before choosing a valuation method.	**2 SEPARATE FLOOR FROM FAIR VALUE** VWAP / regulatory pricing and fundamental valuation can both be correct because they answer different questions.
3 USE CURRENT FORMULAS Preferential pricing is 90 / 10 trading days; RPT materiality and buyback routes changed materially in 2025-26.	**4 DELISTING HAS TWO MAIN ROUTES** RBB remains, but fixed-price delisting is available for eligible frequently traded shares with at least a 15% premium to floor.
5 RPT VALUATION IS NOT AUTOMATIC LODR approval is mandatory where thresholds apply; independent valuation / fairness advice is purpose-specific, not blanket.	**6 IBB 2026 MATTERS** IBC valuation appointment mechanics changed, and IVS applies to IBC valuations from April 2026.
7 USE CURRENT FEMA ARCHITECTURE For 2026 work, use NDI Rules 2019 and OI Rules / Regulations / Directions 2022 - not FEMA 20(R) or FEMA 120 as current law.	**8 BUILD FOR SCRUTINY** Every conclusion should be reproducible from source data, assumptions, sensitivity and version-controlled workpapers.

OUR INSIGHT

A publishing-ready regulatory guide must be designed to become stale safely. That means every time-sensitive statement should identify the current framework, avoid unnecessary specificity where the rule is likely to change, and direct the practitioner back to the operative regulation / master circular before execution.

PART I - THE REGULATORY MAP

Chapter 1: The SEBI Valuation Ecosystem - Map the Purpose Before the Method

1.1 Why There Is No Single "SEBI Valuation"

SEBI does not operate one universal valuation rule. The first task is to identify what the regulation is trying to protect. Open offers and delistings protect public shareholders through exit-price rules. Preferential issues protect existing shareholders from dilution through issue-price floors. Schemes require relative valuation and fairness. AIF / REIT / InvIT rules focus on periodic NAV and investor reporting. The IBC uses a separate IBBI framework for fair and liquidation value.

The practical consequence is important: a DCF report prepared for a merger cannot automatically be used as the price certificate for a preferential issue, and a regulatory VWAP floor cannot automatically be described as fair value. The engagement file should identify the transaction, regulation, relevant date, standard of value, prescribed price factors, prescribed professional and intended user before any model is built.

1.2 The Current 2026 Regulatory Architecture

As of August 2026, the core listed-company valuation regulations include the SAST Regulations, Delisting Regulations, ICDR Regulations, LODR Regulations and Buy-back Regulations. The current framework also includes AIF, REIT and InvIT regulations, together with master circulars and stock-exchange operating requirements.

The legal status of each document matters. Regulations create the binding framework; master circulars consolidate operating instructions; exchange checklists affect filing mechanics; and the Companies Act may create a separate registered-valuer requirement for the same restructuring. A sound scope maps all overlapping layers rather than quoting only the most visible SEBI regulation.

Transaction / Framework	Primary Valuation Question	Typical Professional / Output
SAST Open Offer	Regulatory offer price; valuation for infrequently traded shares / governance analysis	Merchant banker process; valuation professional where the rules / transaction require
Delisting	Floor price, RBB / fixed-price mechanics, adjusted book value	Merchant banker + prescribed certification / independent valuation inputs
ICDR Preferential / QIP	Issue-price floor under applicable Chapter V / QIP formula	Pricing certificate; independent valuation in specified cases
LODR RPT	Approval threshold and economic fairness where material	Audit committee; independent valuation / fairness advice where required or useful
Scheme of Arrangement	Relative value and share exchange ratio	Registered valuer report + merchant-banker fairness opinion in applicable cases
AIF / REIT / InvIT	Periodic fair value / NAV or asset value	Eligible independent valuer under relevant SEBI framework

Transaction / Framework	Primary Valuation Question	Typical Professional / Output
IBC	Fair value and liquidation value	IBBI registered valuers under CIRP framework

Chapter 1 - Regulatory / valuation reference table

OUR INSIGHT

The single best way to reduce SEBI valuation risk is to spend the first hour on regulatory mapping rather than Excel. Most late-stage problems we see are not formula errors; they are purpose errors - the wrong report was commissioned for the wrong rule or the relevant date moved after the model had already been built.

QUESTIONS TO ASK BEFORE YOU ACT

- What exact transaction and operative regulation are we solving for?
- What is the controlling valuation / relevant date and can it move?
- Is this a mandatory price floor, an independent fairness conclusion, or both?
- Who is legally eligible to issue the required report / certificate?

1.3 Who Can Issue Which Report?

Professional eligibility is transaction-specific. Merchant bankers perform prescribed roles in public-market transactions and issue fairness opinions in several scheme contexts. IBBI registered valuers are required where the Companies Act or IBC framework specifically calls for a registered valuer. Other provisions prescribe a price formula without requiring a separate fundamental valuation report.

This is why a generic matrix that labels every SEBI assignment as "registered valuer mandatory" is unsafe. The correct question is: what document is required, who is named in the operative provision or circular, and is a second independent valuation useful as governance support even if it is not legally mandatory?

1.4 IBBI Registered Valuers and the 2026 IVS Development

The registered-valuer profession sits under the Companies (Registered Valuers and Valuation) Rules, 2017. Valuers are registered by asset class, including Securities or Financial Assets, Land and Building, and Plant and Machinery. The valuation examination is part of the IBBI framework; Registered Valuer Organisations support education, membership and professional oversight.

For valuations under the Insolvency and Bankruptcy Code, IBBI notified International Valuation Standards issued by the IVSC as the applicable valuation standards from April 2026. This is an important 2026 change and should not be confused with a blanket statement that the same IVS mandate automatically governs every SEBI pricing certificate.

Practical Workflow - Six Questions Before You Model

Before opening the valuation model, write down: What is the transaction? Which regulation controls price? Which date controls the calculation? Is the share frequently traded? Who must sign the output? Is the board asking only for compliance, or also for an independent fairness view? If any of these answers is unclear, modelling should wait.

Practical Application

Translate the rule into a decision file: document the source regulation, the controlling date, the calculation or valuation method, the person responsible for the conclusion, the board / shareholder decision it supports and the downstream filing or disclosure. This simple bridge prevents a technically correct number from being used for the wrong legal purpose.

PRO TIP

Create a one-page "Regulatory Valuation Map" for every transaction. Include the operative regulation, amendment date, relevant date, price factors, prescribed professional, approving body, filing destination and whether a separate fairness conclusion is required. Get that map reviewed before the engagement letter is signed.

PRACTITIONER CHECKLIST

- Freeze transaction structure, security and valuation date
- Confirm current regulation / master circular version
- Confirm trading status and applicable market-price formula
- Confirm prescribed professional and independence
- Reconcile cap table, corporate actions and fully diluted shares
- Document market data, projections and management representations
- Run sensitivity / cross-checks where judgement is material
- Archive approvals, final report and source workpapers

PART I - THE REGULATORY MAP

Chapter 2: Regulatory-Grade Valuation Methodology - Market Price, DCF, Multiples & NAV

2.1 Method Selection Must Follow the Regulatory Purpose

A common weakness in regulatory reports is to start with the favourite method of the valuer rather than the purpose of the rule. Market price is central where the regulation prescribes VWAP. Fundamental valuation becomes more important when the security is infrequently traded, when a fairness conclusion is required, when different entities are being combined, or when market price is not representative of underlying economics.

DCF, trading multiples, transaction multiples and NAV are tools. None is automatically the "SEBI method". The right mix depends on the asset, business model, information quality, trading liquidity and the standard of value required by the transaction.

2.2 Market Price and VWAP - Mechanical Does Not Mean Easy

VWAP calculations are regulatory calculations, not valuation opinions, but they still require disciplined controls. The valuation date / relevant date must be locked, the correct observation period identified, the correct exchange selected where the regulation requires it, corporate actions must be adjusted, and the dataset should be retained so that another reviewer can reproduce the number.

A one-day error in the cut-off date can change the price floor materially during a volatile period. For that reason, the price-certificate workpaper should show source data, corporate-action adjustments, formula, excluded dates and a tie-out to the exchange publication.

Method	Best Use	Key Regulatory Risk
VWAP / Market Price	Mandatory regulatory price factors for listed securities	Wrong date, wrong period, wrong exchange, corporate-action error
DCF	Fundamental value where forecasts are supportable	Forecast optimism, terminal value, WACC
Trading Multiples	Market cross-check and relative value	Poor peer selection / inconsistent accounting
Transaction Multiples	Control / M&A cross-check	Synergy and cycle differences
NAV / Adjusted Book Value	Holding, investment and asset-rich companies	Asset revaluation and hidden liabilities

Chapter 2 - Regulatory / valuation reference table

OUR INSIGHT

Regulators and boards do not need the most complicated model. They need a conclusion that can be reproduced and defended. A simple method with strong evidence is more credible than a sophisticated model that depends on unsupported projections, opaque peer selection or an unexplained discount rate.

QUESTIONS TO ASK BEFORE YOU ACT

- What exact transaction and operative regulation are we solving for?
- What is the controlling valuation / relevant date and can it move?
- Is this a mandatory price floor, an independent fairness conclusion, or both?
- Who is legally eligible to issue the required report / certificate?

2.3 Fundamental Valuation - DCF, Multiples and NAV

DCF is strongest where management forecasts are sufficiently reliable and the business has identifiable cash-flow drivers. Trading multiples are powerful where a genuine peer set exists and accounting metrics are comparable. Transaction multiples help in control transactions but require adjustment for deal-specific synergies and cycle timing. NAV is often more relevant for holding companies, investment entities and asset-heavy businesses.

A regulatory-grade report should explain why a method was used or excluded. Weightings should follow economic relevance rather than be chosen to engineer a desired conclusion. A 50:50 average of DCF and market multiples is not inherently more independent than a single well-supported method.

2.4 Sensitivity, Cross-Checks and the Evidence Trail

Sensitivity analysis is not decoration. It identifies the assumptions that control the conclusion and shows the board whether the proposed transaction remains within a supportable range when conditions change. In a DCF, the most useful sensitivity often combines WACC with terminal growth or exit multiple, supplemented by scenario analysis for revenue and margins.

The report should also bridge from enterprise value to equity value, reconcile net debt and non-operating assets, state the information cut-off date, document management reliance and identify material limitations. These are the features that make the model auditable months after the transaction has closed.

Illustrative Reconciliation - Three Values, Three Meanings

Assume a listed share has a 60-day regulatory VWAP of Rs. 410, a DCF range of Rs. 440-500 and trading-comparable value of Rs. 455-485. It is entirely possible for Rs. 410 to be the regulatory floor while the board concludes that fair value is materially higher. The correct report does not average the floor with the DCF; it explains the different purposes.

Practical Application

Translate the rule into a decision file: document the source regulation, the controlling date, the calculation or valuation method, the person responsible for the conclusion, the board / shareholder decision it supports and the downstream filing or disclosure. This simple bridge prevents a technically correct number from being used for the wrong legal purpose.

PRO TIP

Lock and archive the market-data file on the valuation date. Keep raw exchange data, corporate-action adjustments and the exact formula used. A price certificate is often challenged months later, when recreating the historical dataset is harder than doing the original calculation.

PRACTITIONER CHECKLIST

- Freeze transaction structure, security and valuation date
- Confirm current regulation / master circular version
- Confirm trading status and applicable market-price formula
- Confirm prescribed professional and independence
- Reconcile cap table, corporate actions and fully diluted shares
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- Archive approvals, final report and source workpapers

PART II - SHAREHOLDER EXIT PRICING

Chapter 3: Takeover & Open Offer Valuation - Reading Regulation 8 Correctly

3.1 When the SAST Regulations Trigger an Open Offer

The SAST Regulations are built around acquisition thresholds and control. Acquisition of 25% or more voting rights generally triggers an open offer. A person already holding 25% or more but below the maximum permissible non-public shareholding is subject to the creeping-acquisition limit: acquisition above the permitted annual 5% threshold triggers an open offer. Acquisition of control can trigger an offer independently of percentage ownership.

The statutory open-offer size is generally 26% of the target company voting capital. Indirect acquisitions and specified voluntary offers create additional mechanics, so the trigger analysis should be completed before the offer-price model is finalised.

3.2 Regulation 8 - The Offer Price Is the Highest of Multiple Factors

The source draft treated one 52-week item as a market VWAP. That is not the correct conceptual distinction. Regulation 8 looks at multiple price factors, including the negotiated price under the acquisition agreement where applicable, the volume-weighted average price paid or payable by the acquirer / persons acting in concert during the preceding 52 weeks, the highest price paid or payable during the preceding 26 weeks, and - for frequently traded shares - the market VWAP over the prescribed 60 trading days.

For infrequently traded shares, customary valuation parameters become important because the quoted market price is not treated as a sufficiently reliable proxy. The offer-price working should therefore identify whether the shares are frequently traded before selecting the price factors.

SAST Item	Current Principle	Control
25% threshold	Acquisition reaching 25% generally triggers open offer	Fully diluted voting-rights check
Creeping acquisition	>5% in financial year for relevant holders can trigger	Track gross acquisitions / permitted netting rules
Offer size	Generally 26%	Use expanded voting capital where required
Regulation 8	Highest applicable price factor governs	Build factor-by-factor schedule
Regulation 26	Independent directors publish reasoned recommendation	Committee owns conclusion; external valuation is support

Chapter 3 - Regulatory / valuation reference table

OUR INSIGHT

In an open offer, the fundamental valuation and the Regulation 8 price schedule should be separate workpapers. The regulatory offer price is a highest-of test. A fundamental value can inform the independent directors, but it should not be blended into the mechanical SAST floor as if they were the same measurement.

QUESTIONS TO ASK BEFORE YOU ACT

- What exact transaction and operative regulation are we solving for?
- What is the controlling valuation / relevant date and can it move?
- Is this a mandatory price floor, an independent fairness conclusion, or both?
- Who is legally eligible to issue the required report / certificate?

3.3 Regulation 26 - What the Independent Directors Actually Do

Regulation 26 requires the target company committee of independent directors to issue a written, reasoned recommendation on the open offer and publish it within the prescribed timeline. The regulation does not, by itself, create a universal rule that the committee must obtain an IBBI registered-valuer report.

In a complex or infrequently traded target, an independent fundamental valuation can nevertheless be strong governance evidence for the committee. The distinction matters: the committee owns the recommendation. An external valuer can provide analysis, but the statutory conclusion remains that of the independent directors.

3.4 Indirect Acquisitions, Corporate Actions and Offer-Period Changes

Global acquisitions can trigger Indian open offers when control or ownership of an Indian listed target changes indirectly. The offer price still has to be worked through the Indian SAST framework. The analysis should also consider corporate actions between the relevant observation period and the offer, because splits, bonus issues, rights issues and other actions can require price adjustment.

If the acquirer pays a higher price for target shares during specified periods, the offer price may need upward revision. A disciplined live price-monitoring schedule should therefore remain open through the transaction rather than treating the initial Regulation 8 calculation as frozen forever.

Regulation 8 Control Sheet

A practical Regulation 8 workbook should show each applicable price factor on a separate line, its source document, the observation period and the concluded highest amount. For infrequently traded shares, attach the valuation report and clearly show how the resulting per-share value enters the offer-price schedule.

Practical Application

Translate the rule into a decision file: document the source regulation, the controlling date, the calculation or valuation method, the person responsible for the conclusion, the board / shareholder decision it supports and the downstream filing or disclosure. This simple bridge prevents a technically correct number from being used for the wrong legal purpose.

PRO TIP

Keep a live offer-price tracker until the permitted acquisition / revision windows close. An acquirer purchase at a higher price can change the offer price after the first Regulation 8 schedule has been prepared.

PRACTITIONER CHECKLIST

- Freeze transaction structure, security and valuation date
- Confirm current regulation / master circular version
- Confirm trading status and applicable market-price formula
- Confirm prescribed professional and independence
- Reconcile cap table, corporate actions and fully diluted shares
- Document market data, projections and management representations
- Run sensitivity / cross-checks where judgement is material
- Archive approvals, final report and source workpapers

PART II - SHAREHOLDER EXIT PRICING

Chapter 4: Delisting Valuation - RBB, Fixed-Price Route & Floor-Price Discipline

4.1 Delisting Is Now a Two-Route Price-Discovery Framework

The source draft was built around reverse book-building as though it were the only mainstream route. SEBI introduced a fixed-price delisting alternative for eligible frequently traded shares in 2024. Under that route, the offered fixed price must be at least 15% above the applicable floor price. Reverse book-building continues as the other major voluntary-delisting route.

The 2024 reform also added adjusted book value as an additional parameter in the floor-price methodology. This matters especially for asset-rich companies where market prices may not fully reflect underlying net asset value.

4.2 Reverse Book-Building - Price Discovery, Not Fundamental Valuation

Under RBB, public shareholders submit bids at prices at which they are willing to exit. The discovered price is generated from the tendering outcome, subject to the success conditions and promoter decision mechanics under the regulations. The traditional success threshold remains tied to the promoter / acquirer reaching the prescribed 90% level after considering valid tenders and relevant exclusions.

A fundamental valuation remains useful before the process because the promoter needs an internal decision range and the board needs to understand the economics. But the RBB-discovered price is market-driven and can differ materially from the valuer's estimate without either number being inherently wrong.

Route / Stage	2026 Valuation Feature	Practical Focus
RBB route	Floor price + shareholder price discovery	90% success condition / discovered price / counter-offer mechanics
Fixed-price route	Offered price at least 15% above floor for eligible frequently traded shares	Validate eligibility and floor-price inputs
Floor price	Expanded methodology includes adjusted book value	Use current regulation and valuer / certificate requirements
PSU special route	2026 special fixed-price framework for eligible PSUs	Do not generalise to all issuers
Post-delisting exit	Exit protection continues after successful delisting	Maintain holder and payment controls

Chapter 4 - Regulatory / valuation reference table

OUR INSIGHT

The 2024 fixed-price reform materially changed delisting strategy. Promoters can now have price certainty in eligible cases, but the expanded floor-price methodology and mandatory 15% premium mean that adjusted book value can become the binding number for asset-rich companies even when market VWAP is lower.

QUESTIONS TO ASK BEFORE YOU ACT

- What exact transaction and operative regulation are we solving for?
- What is the controlling valuation / relevant date and can it move?
- Is this a mandatory price floor, an independent fairness conclusion, or both?
- Who is legally eligible to issue the required report / certificate?

4.3 Fixed-Price Delisting - When a Known Price Replaces RBB

The fixed-price route is designed to reduce uncertainty for eligible frequently traded companies by stating the offer price upfront. The regulatory safeguard is that the fixed price cannot be less than 15% above the floor price. The floor itself now incorporates a broader set of parameters, including adjusted book value where applicable.

For the valuation team, the assignment therefore shifts from predicting an RBB outcome to validating the regulatory floor, reviewing adjusted book value, understanding corporate-action adjustments and advising the board on whether the chosen premium is commercially supportable.

4.4 2026 PSU Framework and Post-Delisting Exit

SEBI introduced a special voluntary-delisting framework for eligible public sector undertakings in 2026, using a fixed-price process with a minimum 15% premium over the applicable floor price and specified procedural relaxations. This should be treated as a special route, not generalised to all companies.

Public shareholders who do not participate in a successful delisting continue to have exit protections under the delisting framework. The transaction team should preserve a clear schedule of the delisting price, eligible holders and post-delisting exit obligations rather than treating completion of the main offer as the end of the valuation process.

Route-Selection Illustration

Suppose the floor price is Rs. 200 and adjusted book value is the binding input. A fixed-price route would require at least Rs. 230. Under RBB, shareholders may discover a materially higher price. The promoter should compare the certainty of Rs. 230 with the risk, funding and strategic implications of open-ended shareholder price discovery.

Practical Application

Translate the rule into a decision file: document the source regulation, the controlling date, the calculation or valuation method, the person responsible for the conclusion, the board / shareholder decision it supports and the downstream filing or disclosure. This simple bridge prevents a technically correct number from being used for the wrong legal purpose.

PRO TIP

Before the board chooses RBB or fixed price, run both routes through a decision memo: eligibility, floor price, adjusted book value, likely shareholder concentration, promoter acceptance range, funding requirement and failure risk. Route selection is a transaction decision, not only a compliance step.

PRACTITIONER CHECKLIST

- Freeze transaction structure, security and valuation date
- Confirm current regulation / master circular version
- Confirm trading status and applicable market-price formula
- Confirm prescribed professional and independence
- Reconcile cap table, corporate actions and fully diluted shares
- Document market data, projections and management representations
- Run sensitivity / cross-checks where judgement is material
- Archive approvals, final report and source workpapers

PART III - CAPITAL RAISING & GOVERNANCE

Chapter 5: Preferential Issues & QIP Pricing - Current ICDR Framework

5.1 Preferential Issue Pricing - The Current 90 / 10 Trading-Day Framework

The source guide used the old 26-week and 2-week formula for preferential issues. Under the current Chapter V framework for frequently traded equity shares, the floor is based on the higher of the 90-trading-day VWAP and 10-trading-day VWAP preceding the relevant date, subject to the detailed ICDR conditions.

This is a classic example of why regulatory guides need date control: a formula that was correct in an older version of ICDR can become a material compliance error if copied into a 2026 board paper or pricing certificate. The working should quote the current regulation version and show the relevant-date logic used.

5.2 Infrequently Traded Shares and Regulation 166A Situations

When shares are infrequently traded, the regulatory framework requires a valuation approach rather than blindly relying on market quotations. In addition, Regulation 166A creates an independent valuation requirement in specified preferential-issue situations, including certain change-of-control cases and other circumstances covered by the rule.

The independent valuation should reconcile the market evidence, business fundamentals, capital structure and any recent transactions. For SME / thinly traded companies, special care is needed to distinguish genuine price discovery from a thin market affected by a small number of trades.

Issue	Current Pricing Anchor	Do Not Confuse With
Preferential - frequently traded	Higher of 90-day and 10-day VWAP preceding relevant date	Old 26-week / 2-week formula
Preferential - specified cases	Independent valuation under applicable Reg. 166A / infrequent-trading rules	Mechanical VWAP only
QIP	Two-week weekly high/low closing-price average under Reg. 176	Preferential 90 / 10 formula
Warrants / convertibles	Issue / conversion terms must preserve regulatory floor	Unrestricted anti-dilution reset
Lock-in	Current Reg. 167, status-specific	Old 3-year / 1-year shorthand

Chapter 5 - Regulatory / valuation reference table

OUR INSIGHT

Preferential pricing is one of the easiest areas for a stale template to create a compliance error. If a 2026 certificate still refers to the old 26-week / 2-week formula, the problem is not a valuation judgement - it is the wrong regulation version.

QUESTIONS TO ASK BEFORE YOU ACT

- What exact transaction and operative regulation are we solving for?
- What is the controlling valuation / relevant date and can it move?
- Is this a mandatory price floor, an independent fairness conclusion, or both?
- Who is legally eligible to issue the required report / certificate?

5.3 QIP Pricing Is a Different Formula

Qualified Institutional Placements use a separate pricing rule. The QIP floor is based on the average of the weekly high and low closing prices during the two weeks preceding the relevant date under Regulation 176, with a discount of up to 5% permitted where the required shareholder approval / constitutional conditions are satisfied.

Do not mix the QIP formula with the preferential-issue 90 / 10 trading-day formula. They are both ICDR price rules but solve different issuance contexts. The pricing certificate should therefore begin by identifying the issuance chapter before stating the formula.

5.4 Warrants, Convertible Instruments and Lock-In

Preferential warrants and convertibles should be tested both at issuance and against their conversion terms so that the resulting conversion price remains compliant with the applicable ICDR floor. Anti-dilution clauses cannot be drafted as an unrestricted downward reset if the revised price would breach the regulatory framework.

Regulation 167 contains lock-in rules that differ for promoter / promoter-group and non-promoter allotments and can also interact with pre-preferential holdings. A high-level valuation guide should not simplify those rules to the old "3 years / 1 year" table: the current periods are shorter and more nuanced, so the transaction checklist should always use the latest ICDR text.

Worked Preferential Pricing Example

If the 90-trading-day VWAP is Rs. 126 and the 10-trading-day VWAP is Rs. 139, the current frequently traded preferential floor is Rs. 139 before considering any additional valuation requirement under the applicable ICDR provisions. The key control is that the periods are trading days preceding the relevant date - not the old 26-week / 2-week formula.

Practical Application

Translate the rule into a decision file: document the source regulation, the controlling date, the calculation or valuation method, the person responsible for the conclusion, the board / shareholder decision it supports and the downstream filing or disclosure. This simple bridge prevents a technically correct number from being used for the wrong legal purpose.

PRO TIP

For preferential issues, write the regulation version and relevant-date definition at the top of the pricing workbook. Do not reuse a workbook that says 26 weeks / 2 weeks. The formula itself should be read from the current ICDR text each time.

PRACTITIONER CHECKLIST

- Freeze transaction structure, security and valuation date
- Confirm current regulation / master circular version
- Confirm trading status and applicable market-price formula
- Confirm prescribed professional and independence
- Reconcile cap table, corporate actions and fully diluted shares
- Document market data, projections and management representations
- Run sensitivity / cross-checks where judgement is material
- Archive approvals, final report and source workpapers

PART III - CAPITAL RAISING & GOVERNANCE

Chapter 6: Related Party Transactions - Valuation as Governance Evidence Under LODR

6.1 RPT Materiality Changed - Do Not Use the Old Rs. 1,000 Crore Flat Test

The source guide repeated the older formulation under which a material related-party transaction was tested against a flat Rs. 1,000 crore / 10% benchmark. SEBI rationalised the framework during 2025-26. The current regime uses a scale-based materiality cap linked to annual consolidated turnover, rising up to Rs. 5,000 crore; a separate Rs. 50 crore or 10% benchmark applies to SME listed entities under the revised framework.

The practical implication is that the RPT threshold worksheet itself is now an important governance document. Before asking whether a valuation is needed, the company should first identify the correct current threshold and the approval route.

6.2 A Fairness Opinion Is Not Automatically Mandatory for Every Material RPT

LODR requires audit-committee oversight, shareholder approval for material RPTs and specified information to support those approvals. It is not accurate to state that every material RPT must carry an independent IBBI valuation or fairness opinion. The need for a formal valuation may arise from the nature of the asset / transaction, another statute, the shareholder information requirements or a board decision to obtain independent evidence.

This distinction improves governance rather than weakens it. The audit committee should commission valuation where the pricing question is genuinely material - asset transfers, long-term service arrangements, guarantees, financing, brand / IP licensing, lease transactions or multi-part arrangements - and should define the scope around the economics that need to be tested.

RPT Governance Question	2026 Position	Valuation Role
Materiality	Scale-based threshold linked to consolidated turnover, cap up to Rs. 5,000 Cr	Threshold worksheet first
SME listed entity	Separate Rs. 50 Cr / 10% framework	Use current SME rule
Audit committee	Prior approval / information under current LODR	Valuation can inform arm's-length economics
Shareholder approval	Required for material RPTs subject to current rules	Fairness support where transaction economics are material
Independent valuation	Not blanket-mandatory for every RPT	Required only where applicable law says so; otherwise governance evidence

Chapter 6 - Regulatory / valuation reference table

OUR INSIGHT

A fairness opinion is most useful when it changes the transaction. If the valuer is engaged only after the related-party price has been commercially locked, the work risks becoming a defence brief. Audit committees get more value by commissioning the analysis early enough to renegotiate terms.

QUESTIONS TO ASK BEFORE YOU ACT

- What exact transaction and operative regulation are we solving for?
- What is the controlling valuation / relevant date and can it move?
- Is this a mandatory price floor, an independent fairness conclusion, or both?
- Who is legally eligible to issue the required report / certificate?

6.3 What a Strong RPT Fairness Analysis Actually Tests

A headline price is only one part of fairness. A long-term service arrangement may include volume commitments, exclusivity, escalation clauses, termination rights, credit terms and performance obligations that change economics materially. A property sale-and-leaseback must be tested as an integrated transaction, not as an asset sale and rent benchmark in isolation.

The best work product presents the audit committee with a transaction map, benchmarking method, value range, deviations from arm's-length terms and a clear statement of what is and is not being opined upon.

6.4 Current Information Standards and Subsidiary Transactions

SEBI has also standardised the information to be placed before audit committees and shareholders for RPT approvals. The 2025-26 rationalisation simplified treatment of smaller subsidiary-level transactions and exempted specified low-value items from detailed reporting.

The governance lesson is to build the valuation process into the RPT approval calendar. A fairness opinion commissioned after commercial terms are already locked is more likely to be perceived as justification; one commissioned during negotiation can genuinely influence pricing and terms.

Illustrative RPT Scope - Sale and Leaseback

For a property transferred to a promoter entity and leased back, test the property sale value, lease rent, escalation, term, security deposit, maintenance obligations and combined economics. A fair sale price with above-market rent can still make the total arrangement unfair.

Practical Application

Translate the rule into a decision file: document the source regulation, the controlling date, the calculation or valuation method, the person responsible for the conclusion, the board / shareholder decision it supports and the downstream filing or disclosure. This simple bridge prevents a technically correct number from being used for the wrong legal purpose.

PRO TIP

For a material RPT, give the valuer the draft commercial term sheet before it becomes final. Ask for the economic terms that move value - price, tenor, volume, escalation, termination, collateral, guarantees and exclusivity - rather than asking for a one-line FMV certificate.

PRACTITIONER CHECKLIST

- Freeze transaction structure, security and valuation date
- Confirm current regulation / master circular version
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PART IV - CORPORATE RESTRUCTURING

Chapter 7: Schemes of Arrangement - Share Exchange Ratios, Fairness & SEBI Observation

7.1 Relative Value, Not Absolute Value, Determines the Share Exchange Ratio

A scheme of arrangement involving a merger, demerger or amalgamation requires the exchange ratio to allocate ownership fairly between shareholder groups. The central calculation is relative value: if the transferor is worth Rs. X per share and the transferee Rs. Y per share on a consistent basis, the ratio follows from X / Y, subject to security rights, capital changes and transaction structure.

The final ratio should not be mechanically averaged across methods. Method weights should reflect the businesses being combined. A holding company may be NAV-led while an operating subsidiary may be DCF / multiples-led; forcing identical weights can create a less defensible ratio.

7.2 SEBI Regulation 37 and the Stock-Exchange Observation Process

Listed-company schemes are submitted to the stock exchanges under Regulation 37 of LODR and the applicable SEBI scheme framework before the matter proceeds to the NCLT. The filing package commonly includes the draft scheme, valuation report and fairness opinion from the prescribed intermediary in cases covered by the circular framework.

SEBI / exchange review is not a substantive guarantee that the exchange ratio is "correct". Regulators can raise queries on valuation logic, disclosures, accounting treatment or public-shareholder impact. A complete initial file reduces iteration, but transaction teams should still budget time for clarifications.

Scheme Issue	Valuation Treatment	Key Evidence
Merger	Relative equity values -> share exchange ratio	Consistent valuation date and capital structure
Demerger	Standalone value of undertaking	Carve-out financials and shared-cost allocation
Holding-company merger	NAV often important	Look-through listed / unlisted investments
Multiple transferors	Separate relative values + final ownership bridge	Cap-table reconciliation
Listed / unlisted combination	Enhanced public-shareholder scrutiny	Valuation report + fairness / disclosure framework

Chapter 7 - Regulatory / valuation reference table

OUR INSIGHT

The exchange ratio is a relative-value answer. A merger can be fair even if both standalone values change when the same change affects the ratio consistently. Conversely, two individually reasonable valuations can still produce an unfair ratio if assumptions are inconsistent between the entities.

QUESTIONS TO ASK BEFORE YOU ACT

- What exact transaction and operative regulation are we solving for?
- What is the controlling valuation / relevant date and can it move?
- Is this a mandatory price floor, an independent fairness conclusion, or both?
- Who is legally eligible to issue the required report / certificate?

7.3 Demergers Need Carve-Out Economics Before Valuation

A demerged undertaking often has no historical standalone accounts. The valuer therefore needs a defensible carve-out of revenue, costs, working capital, assets, debt and corporate overheads before applying DCF or multiples. The carve-out should distinguish directly attributable amounts from allocated amounts and explain the allocation keys.

This is where financial due diligence and valuation overlap. A technically elegant DCF built on an unreliable carve-out does not become reliable simply because the model is sophisticated.

7.4 Cross-Holdings, Multiple Transferors and Reverse-Merger Risk

Cross-holdings, treasury shares, multiple transferors, preference securities and circular ownership can distort simple per-share ratios. The valuation model should resolve the cap table after cancellation / transfer mechanics and reconcile the fully diluted ownership before the board sees a recommended ratio.

Schemes involving an unlisted business merging into a listed entity require particular care because the transaction can operate economically like a listing event. The valuation and fairness analysis should therefore be read alongside SEBI's public-shareholder and disclosure protections, not only the Companies Act mechanics.

SER Illustration

If Transferor A is valued at Rs. 360 per share and Transferee B at Rs. 240 per share on a consistent basis, the starting relative ratio is 1.5 B shares for each A share. Before recommendation, reconcile outstanding options, preference securities, cross-holdings, fractional entitlements and any capital changes between valuation date and effectiveness.

Practical Application

Translate the rule into a decision file: document the source regulation, the controlling date, the calculation or valuation method, the person responsible for the conclusion, the board / shareholder decision it supports and the downstream filing or disclosure. This simple bridge prevents a technically correct number from being used for the wrong legal purpose.

PRO TIP

For schemes with shared services or carve-outs, agree the carve-out methodology before the forecast is built. A last-minute allocation of corporate costs is one of the fastest ways to create a SEBI / NCLT query on the exchange ratio.

PRACTITIONER CHECKLIST

- Freeze transaction structure, security and valuation date
- Confirm current regulation / master circular version
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PART IV - CORPORATE RESTRUCTURING

Chapter 8: Buybacks - Price Setting, Capital Limits & the 2026 Open-Market Route

8.1 Buyback Price Is a Board Decision - Not a Universal Mandatory Fair-Value Report

The source draft overstated the existence of a mandatory independent fundamental valuation for every listed-company buyback. Under the Buy-back Regulations and Companies Act, the company / board sets the buyback terms within the applicable legal limits and disclosure framework. A separate fairness valuation can be useful governance support, but it is not a universal statutory prerequisite for every tender buyback.

Board papers should nevertheless explain the price by reference to relevant market prices, book value, earnings metrics, return on net worth, capital allocation objectives and the effect on continuing shareholders. This creates a defensible price rationale without mischaracterising a voluntary fairness analysis as a mandatory certificate.

8.2 The Open-Market Stock-Exchange Route Was Reintroduced in 2026

Open-market buybacks through the stock exchange had been fully phased out from 1 April 2025. SEBI revisited the framework after the change in buyback taxation and amended the Buy-back Regulations in July 2026, reintroducing the stock-exchange route with effect from 1 August 2026, subject to the revised Chapter IV safeguards.

A guide published in August 2026 must therefore not say that tender offer is effectively the only route. The transaction team should distinguish tender offer, open-market stock-exchange buyback and the other methods permitted under the current regulations.

Buyback Topic	2026 Position	Valuation / Finance Test
Tender offer	Continues under current regulations	Price rationale + entitlement / record-date mechanics
Open market - stock exchange	Reintroduced from 1 Aug 2026	Current Chapter IV safeguards; promoter restrictions
Price fairness	No universal mandatory fundamental valuation	Compare market evidence and intrinsic value
Capital limits	Companies Act size / reserves constraints	Board vs shareholder approval route
Solvency	Post-buyback leverage and ability to pay debts	Stress-tested cash flow and debt schedule

Chapter 8 - Regulatory / valuation reference table

OUR INSIGHT

A buyback price premium sounds shareholder-friendly, but a premium above intrinsic value can transfer wealth from continuing shareholders to sellers. The board should understand both the market premium and the fundamental-value premium before finalising the price.

QUESTIONS TO ASK BEFORE YOU ACT

- What exact transaction and operative regulation are we solving for?
- What is the controlling valuation / relevant date and can it move?
- Is this a mandatory price floor, an independent fairness conclusion, or both?
- Who is legally eligible to issue the required report / certificate?

8.3 Capital Limits, Solvency and Continuing-Shareholder Economics

The Companies Act imposes size, reserve and debt-equity conditions on buybacks. Board approval can be used only within the lower statutory threshold; larger buybacks require shareholder approval and remain subject to the overall statutory ceiling. The post-buyback debt-to-equity ratio test also needs to be checked, subject to notified exceptions.

From a valuation perspective, the board should test whether the buyback uses surplus capital productively. Buying shares below intrinsic value can transfer value to continuing holders; overpaying can do the opposite. This is an economic governance question rather than a SEBI floor-price formula.

8.4 Price Premium Analysis and Scenario Testing

A premium to yesterday's market price is not evidence that a buyback price is fair. The relevant analysis compares the proposed price with longer-period market prices, fundamental value, expected EPS / ROE impact, cash requirements and alternative uses of capital.

A board-ready model should show post-buyback share count, cash balance, net debt, EPS, book value per share and leverage under base and downside cases. This connects the price decision with the solvency statement rather than treating them as two disconnected documents.

Buyback Economics Illustration

Assume intrinsic value is Rs. 1,050, market price Rs. 900 and proposed buyback Rs. 980. The buyback offers a market premium but remains below intrinsic value, potentially benefiting continuing shareholders if the intrinsic estimate is reliable. If the proposed price were Rs. 1,200, the same premium narrative could mask value transfer in the opposite direction.

Practical Application

Translate the rule into a decision file: document the source regulation, the controlling date, the calculation or valuation method, the person responsible for the conclusion, the board / shareholder decision it supports and the downstream filing or disclosure. This simple bridge prevents a technically correct number from being used for the wrong legal purpose.

PRO TIP

Separate the buyback price memo from the solvency memo, but make them reconcile. The first asks whether the price makes economic sense; the second asks whether the company can afford it. Both should use the same post-buyback cash and debt assumptions.

PRACTITIONER CHECKLIST

- Freeze transaction structure, security and valuation date
- Confirm current regulation / master circular version
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PART V - FUNDS & ALTERNATIVE ASSETS

Chapter 9: AIF, REIT & InvIT Valuation - Periodic NAV and Independent Valuation

9.1 AIF Valuation Has a Standardised 2023-26 Framework

SEBI introduced a standardised approach to valuation of AIF investment portfolios in 2023 and has subsequently modified / consolidated the framework through later circulars and the current AIF Master Circular. The AIF Regulations themselves were last amended on 14 July 2026.

The core governance objective is consistency and independence: valuation methodology should be documented in the PPM / valuation policy, applied consistently across comparable investments and performed by an eligible independent valuer where the framework requires it. The source draft's phrase "SEBI-empanelled valuer" should not be used as a generic eligibility label.

9.2 Frequency Depends on Category, Fund Terms and Current Rules

Category I and II AIFs have periodic valuation requirements, with the regulatory framework permitting specified frequency choices / investor-consent mechanics. Category III funds typically operate with more frequent NAV measurement because of their strategy, leverage and investor-reporting model.

Rather than publish an oversimplified table such as "Category III = quarterly for every fund", the guide should tell managers to read the current Regulation 23 framework, 2026 Master Circular and their PPM together. The valuation calendar is a compliance control and should be approved before first NAV.

Vehicle	Valuation Focus	2026 Control
Category I / II AIF	Periodic fair value / NAV of portfolio	Current AIF Regs + 3 Jun 2026 Master Circular
Category III AIF	More frequent NAV per strategy / current rules / PPM	Do not assume one universal quarterly rule
Unlisted portfolio company	Fair value of security rights	Recent round, multiples, DCF, OPM as appropriate
REIT	Property value / NAV	Current REIT Regs + master circular
InvIT	Infrastructure asset value / NAV	Current InvIT Regs + master circular

Chapter 9 - Regulatory / valuation reference table

OUR INSIGHT

Independent portfolio valuation is not designed to eliminate judgement. It is designed to make judgement systematic, documented and less conflicted. The most important control is consistency: similar facts should lead to similar methods and changes in value should be explainable from evidence.

QUESTIONS TO ASK BEFORE YOU ACT

- What exact transaction and operative regulation are we solving for?
- What is the controlling valuation / relevant date and can it move?
- Is this a mandatory price floor, an independent fairness conclusion, or both?
- Who is legally eligible to issue the required report / certificate?

9.3 Valuing Unlisted Portfolio Companies

Recent transaction price can be strong evidence immediately after a financing round, but it is not a permanent safe harbour. The valuer should assess whether performance, market conditions, funding terms or the capital structure have changed since the round. Preference rights can make the last preferred-share price materially different from the value of common equity.

DCF, trading multiples, transaction multiples, scenario methods and option-pricing allocation can all be relevant. The method should follow the portfolio company's stage and security rights, with a bridge to prior carrying value so that NAV movements are explainable to investors and auditors.

9.4 REIT and InvIT Valuation Is Asset-Specific

REIT and InvIT regulations were also amended in 2026. Their valuation framework is built around periodic independent valuation and event-driven valuation for acquisitions / disposals, supported by the current master circulars.

Real estate commonly uses capitalisation / DCF and direct-comparison evidence; infrastructure assets are often DCF-led because concession, tariff, traffic, generation or contracted cash flows drive value. The valuation report should disclose asset-specific risks instead of applying one generic WACC across an entire portfolio.

Portfolio-Valuation Bridge

For each unlisted investment, maintain opening value, new investment / dilution, operating performance variance, market multiple movement, capital-structure change, specific risk adjustment and closing value. This bridge is often more useful to investors than a long narrative explaining why the final number changed.

Practical Application

Translate the rule into a decision file: document the source regulation, the controlling date, the calculation or valuation method, the person responsible for the conclusion, the board / shareholder decision it supports and the downstream filing or disclosure. This simple bridge prevents a technically correct number from being used for the wrong legal purpose.

PRO TIP

Build the AIF valuation calendar into the fund's operating calendar, with data cut-off dates, manager submissions, independent valuer review, conflict checks and investor reporting dates. NAV should not be a quarter-end scramble.

PRACTITIONER CHECKLIST

- Freeze transaction structure, security and valuation date
- Confirm current regulation / master circular version
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PART V - FUNDS & ALTERNATIVE ASSETS

Chapter 10: IBC & Distressed Valuation - The Adjacent IBBI Framework

10.1 IBC Is an Adjacent IBBI Framework - Not a SEBI Pricing Rule

The source guide correctly included IBC because many listed-company and capital-markets practitioners encounter distressed transactions, but it should be clearly labelled as a separate statutory framework. CIRP valuation is governed by the IBC / IBBI regulations, not by SEBI's price-floor rules.

The purpose also differs: the statutory process seeks estimates of fair value and liquidation value to support the insolvency process. These values should not be reverse-engineered from a desired resolution-plan price.

10.2 The 2026 Valuer-Appointment Process Changed

The source draft stated the older "two valuers, 10% difference, third valuer" rule. The current CIRP framework was revised in 2026. It uses sets of registered valuers and includes a coordinating-valuer architecture; the regulations also address when additional valuation is needed where estimates are significantly different. Current provisions use a materially higher significance threshold than the obsolete 10% formulation.

The engagement letter should therefore quote the current Regulation 27 / 35 framework rather than relying on legacy training material. MSME and other current exceptions should be checked case by case.

IBC Issue	Current 2026 Position	What to Avoid
Valuer appointment	Current CIRP uses revised sets / coordinating-valuer framework	Legacy two-valuers-only summary
Significant difference	Current rule uses revised threshold / additional valuation mechanics	Obsolete 10% rule
Valuation standards	IVS notified by IBBI from 1 Apr 2026	Assuming old framework unchanged
Fair value	Arm's-length / market-participant concept per IBC framework	Resolution-plan price as proxy
Liquidation value	Independent time / mode-of-sale analysis	Going-concern value less arbitrary discount

Chapter 10 - Regulatory / valuation reference table

OUR INSIGHT

IBC valuation is a reminder that basis of value matters. Fair value, liquidation value and a strategic resolution applicant's bid can all be different without any one of them being automatically wrong. The mistake is to force them to converge by changing assumptions until the numbers look comfortable.

QUESTIONS TO ASK BEFORE YOU ACT

- What exact transaction and operative regulation are we solving for?
- What is the controlling valuation / relevant date and can it move?
- Is this a mandatory price floor, an independent fairness conclusion, or both?
- Who is legally eligible to issue the required report / certificate?

10.3 International Valuation Standards Now Apply to IBC Valuations

From 1 April 2026, IBBI notified the International Valuation Standards issued and updated by the IVSC as the valuation standards applicable to valuations conducted under the IBC and its regulations. This is one of the most important valuation-profession developments of 2026.

The change raises the importance of scope, basis of value, investigation, inputs, methods and documentation. It should not, however, be described as if IVS has automatically replaced every standard or guidance used in unrelated SEBI price certificates.

10.4 Fair Value and Liquidation Value Must Be Independently Developed

Liquidation value is not "going-concern value multiplied by a discount". That shortcut in the source draft is technically unsafe. Liquidation value should reflect the estimated realisable value under the conditions and assumptions prescribed by the insolvency framework, considering asset separability, sale period, encumbrances, marketability and the expected mode of disposal.

A distressed DCF may still be relevant to enterprise value, but statutory liquidation value requires asset-level and process-specific evidence. The report should distinguish operating-company value, break-up value and forced / time-constrained realisation assumptions.

Do Not Use a Mechanical Liquidation Discount

A factory may have operating value derived from EBITDA, land that is more valuable on a stand-alone sale, machinery with weak secondary-market recovery and environmental obligations that reduce realisable proceeds. One blanket 30% discount to going-concern value ignores how liquidation actually occurs.

Practical Application

Translate the rule into a decision file: document the source regulation, the controlling date, the calculation or valuation method, the person responsible for the conclusion, the board / shareholder decision it supports and the downstream filing or disclosure. This simple bridge prevents a technically correct number from being used for the wrong legal purpose.

PRO TIP

Do not accept an IBC valuation mandate without confirming the current CIRP regulation version and the role assigned to you in the revised 2026 valuer structure. Legacy engagement-letter templates can state the wrong appointment mechanics.

PRACTITIONER CHECKLIST

- Freeze transaction structure, security and valuation date
- Confirm current regulation / master circular version
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PART VI - CROSS-BORDER & DEFENSIBILITY

Chapter 11: FEMA & Cross-Border Valuation - Aligning SEBI with NDI and OI Rules

11.1 Replace FEMA 20(R) / FEMA 120 References with the Current Framework

The source guide uses legacy labels such as FEMA 20(R) and FEMA 120 as though they remain the operative architecture. The current cross-border framework should instead be mapped to the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 for inbound non-debt investment and the Overseas Investment Rules, Regulations and Directions, 2022 for outbound investment.

This is more than a naming change. The pricing and reporting logic should be read from the current rules / directions and RBI forms, not from pre-2019 or pre-2022 master circular language.

11.2 Listed-Security Inbound Pricing Is Anchored to SEBI Pricing

For listed Indian companies, foreign-investment pricing generally references the applicable SEBI pricing framework. It is therefore misleading to state as a general rule that a separate fundamental FEMA valuation may create a higher floor than an ICDR-compliant listed-company price.

The transaction team should first determine the security, route and applicable SEBI rule, then check the NDI Rules and reporting mechanics. Unlisted securities have a different internationally accepted valuation-methodology framework.

Cross-Border Event	Current Framework	Valuation Principle
Inbound listed equity	NDI Rules 2019 + applicable SEBI pricing	SEBI-listed price framework is key anchor
Inbound unlisted equity	NDI pricing using internationally accepted methodology	Separate from listed price formula
Outbound acquisition	OI Rules / Regulations / Directions 2022	Arm's-length price supported by valuation evidence
Cross-border merger	Companies Act + RBI + SEBI / NCLT as applicable	Common value basis + share-exchange ratio
ECB / FCCB conversion	Current ECB / NDI / SEBI terms	Instrument-specific pricing, not generic FMV statement

Chapter 11 - Regulatory / valuation reference table

OUR INSIGHT

For listed-company cross-border transactions, start with the current SEBI price rule and then overlay FEMA. Starting from an old FEMA circular can produce a second "FMV floor" that does not belong in the current listed-security framework.

QUESTIONS TO ASK BEFORE YOU ACT

- What exact transaction and operative regulation are we solving for?
- What is the controlling valuation / relevant date and can it move?
- Is this a mandatory price floor, an independent fairness conclusion, or both?
- Who is legally eligible to issue the required report / certificate?

11.3 Overseas Investment and Acquisition of Foreign Businesses

For a listed Indian company acquiring an overseas entity, the current OI framework requires arm's-length pricing consistent with the 2022 rules and directions. The valuation analysis should be capable of supporting the price, while the reporting is completed through the current RBI OI architecture such as Form FC and related filings.

Cross-border valuation often requires currency consistency, country-risk assessment, local-GAAP / IFRS normalization, debt-like items and transaction-specific synergies. A SEBI-registered status in India does not eliminate the need to understand the foreign target's accounting and market context.

11.4 Cross-Border Mergers and Convertible Instruments

Cross-border mergers can involve Companies Act Section 234, NCLT, RBI and SEBI requirements simultaneously. The share-exchange ratio must be based on a common value framework, and the issuance / transfer of listed Indian securities must also satisfy current SEBI and FEMA pricing rules.

For ECBs / FCCBs and other convertibles, conversion pricing should be checked against the applicable terms and current regulatory pricing at the relevant stage. Avoid the source draft's broad statement that every conversion requires a fresh independent FMV at conversion; the exact requirement depends on the instrument and governing route.

Cross-Border Sequence

For a listed Indian company issuing shares to a non-resident through a preferential issue: first determine the applicable ICDR price under Chapter V; second confirm the NDI Rules / sectoral conditions and reporting; third test SAST triggers if the allottee crosses acquisition thresholds; fourth assess tax and beneficial-ownership consequences. Sequence prevents contradictory advice.

Practical Application

Translate the rule into a decision file: document the source regulation, the controlling date, the calculation or valuation method, the person responsible for the conclusion, the board / shareholder decision it supports and the downstream filing or disclosure. This simple bridge prevents a technically correct number from being used for the wrong legal purpose.

PRO TIP

Use current RBI OI / NDI forms and directions as the source of truth. Legacy labels such as FEMA 20(R) and FEMA 120 are useful only for historical research and should not appear as the governing law in a 2026 report.

PRACTITIONER CHECKLIST

- Freeze transaction structure, security and valuation date
- Confirm current regulation / master circular version
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PART VI - CROSS-BORDER & DEFENSIBILITY

Chapter 12: Regulatory-Grade Reports - Challenges, Queries, Disputes & the Master Checklist

12.1 Most Regulatory Failures Begin Before the Model

The most damaging errors are often scope errors: wrong relevant date, wrong regulation version, wrong trading-status test, wrong professional, wrong security, or failure to capture a corporate action. Once those inputs are wrong, a mathematically perfect model still produces a non-compliant answer.

The first page of every engagement file should therefore be a regulatory map signed off internally before valuation begins: transaction, operative rule, date, price factors, professional eligibility, filing destination and approving body.

12.2 Common Errors in 2026 Reports

Legacy formulas remain a major risk. Examples include using 26-week / 2-week preferential pricing instead of the current 90 / 10 trading-day framework, treating RBB as the only delisting route, using the old flat Rs. 1,000 crore RPT materiality test, describing open-market buybacks as permanently abolished, or citing FEMA 20(R) / FEMA 120 as the current framework.

Technical errors include stale market data, inappropriate peers, unchallenged forecasts, unsupported discount rates, non-operating assets omitted from the equity bridge, and reports that mix a compliance floor with a fairness conclusion.

Failure Mode	Why It Happens	Publishing Control
Legacy law	Old guide / precedent copied forward	Current-source checklist dated to report
Wrong relevant date	Corporate calendar changed	Freeze dates in engagement memo
Wrong professional	Role assumed from another regulation	Eligibility matrix before appointment
Price floor called fair value	Compliance and valuation mixed	Separate regulatory schedule and fairness conclusion
Sparse evidence	Model output without workpaper trail	Source log, version control, sensitivity, reconciliations

Chapter 12 - Regulatory / valuation reference table

OUR INSIGHT

A regulatory-grade report should survive a hostile reading. If a shareholder, regulator or tribunal reads only the assumptions page, the report should still show where the numbers came from, who supplied them and what happens when the key assumptions change.

QUESTIONS TO ASK BEFORE YOU ACT

- What exact transaction and operative regulation are we solving for?
- What is the controlling valuation / relevant date and can it move?
- Is this a mandatory price floor, an independent fairness conclusion, or both?
- Who is legally eligible to issue the required report / certificate?

12.3 Independence and Enforcement - Keep Jurisdictions Straight

SEBI can investigate and enforce securities-law obligations against listed entities and SEBI-regulated intermediaries, including merchant bankers. Registered valuers under the Companies Act / IBBI framework are subject to their own statutory and professional disciplinary architecture.

A report should not overstate SEBI's direct disciplinary jurisdiction over every IBBI registered valuer. What SEBI can do in a transaction review is question the valuation, seek clarification, require correction through the regulated process and take action against persons within its jurisdiction where securities-law violations arise.

12.4 What Makes a Report Defensible

A defensible report is reproducible. Another experienced reviewer should be able to identify the valuation date, trace the market data, understand the forecast source, rebuild the discount rate, reconcile the cap table and bridge enterprise to equity value without guessing.

The report should separate facts, management representations, valuer assumptions and regulatory calculations. It should include sensitivity where judgment is material, disclose conflicts and limitations, maintain version control and preserve the underlying workpapers for the required professional-retention period.

Final Publication Gate

Before release, independently confirm every regulation date, price formula, table total, valuation date, per-share denominator and signature capacity. Then render the PDF and inspect every page for orphan headings, split callouts, illegible tables, sparse chapter endings and incorrect contact details.

Practical Application

Translate the rule into a decision file: document the source regulation, the controlling date, the calculation or valuation method, the person responsible for the conclusion, the board / shareholder decision it supports and the downstream filing or disclosure. This simple bridge prevents a technically correct number from being used for the wrong legal purpose.

PRO TIP

Run a forbidden-string test before publishing: old phone number, obsolete regulation names, old RPT Rs. 1,000 crore threshold, old preferential 26-week / 2-week formula, "open market buyback abolished", "FEMA 20(R)", "FEMA 120" and the obsolete IBC 10% third-valuer rule.

PRACTITIONER CHECKLIST

- Freeze transaction structure, security and valuation date
- Confirm current regulation / master circular version
- Confirm trading status and applicable market-price formula
- Confirm prescribed professional and independence
- Reconcile cap table, corporate actions and fully diluted shares
- Document market data, projections and management representations
- Run sensitivity / cross-checks where judgement is material
- Archive approvals, final report and source workpapers

CONCLUSION

The Board-Level SEBI Valuation Framework

The Four-Question Control

Every listed-company valuation should begin with four questions: What transaction are we executing? Which current regulation controls the number? Is the required output a price floor, a valuation, a fairness conclusion or a combination? Who is legally eligible to sign it? If those questions are answered correctly, most of the remaining work is technical execution.

What Boards Should Expect From a Valuation Team

Boards should expect more than a spreadsheet. A strong team should identify regulatory dependencies, challenge forecasts, distinguish price from value, document market evidence, model shareholder impact, explain sensitivity, keep the transaction timetable aligned with the valuation date and communicate where the conclusion is uncertain.

What This 2026 Update Changed

This edition corrects several legacy positions that can materially affect live transactions: the current preferential 90 / 10 trading-day pricing framework; fixed-price delisting and adjusted book value; rationalised RPT materiality thresholds; the reintroduced open-market stock-exchange buyback route; the 2026 IBC valuation framework and IVS; and current NDI / OI terminology for FEMA.

When Independent Valuation Adds the Most Value

Independent analysis creates the most value when the transaction moves economic value between stakeholder groups: promoter versus public shareholder, buyer versus seller, transferor versus transferee, related party versus listed company, or fund manager versus investor. In those situations, the objective is not merely to meet a filing condition - it is to give the decision-maker evidence that remains credible after incentives have changed.

Closing Principle

A defensible regulatory valuation does three things at once: it satisfies the exact rule that applies, reflects economic reality as of the correct date, and explains the conclusion clearly enough for a regulator, shareholder or court to understand how it was reached. That is the standard a publishing-ready SEBI guide should teach.

ONE LAST THING BEFORE YOU CLOSE THIS GUIDE

If the number will be filed, voted on or challenged, make sure it can be defended.

SEBI transactions rarely fail because someone forgot the name of a valuation method. They fail because a relevant date was wrong, an old pricing formula was copied forward, a role was assigned to the wrong professional, or a board was given a compliance floor without being told whether the economics were actually fair. Those are preventable mistakes.

You do not need to know the valuation method before calling us.
Send us the transaction structure, security, board / shareholder dates and current cap table. We will map the regulatory price requirement, the prescribed professional, the valuation work that is actually needed and the fastest clean route to a defensible report.

CALL US WHEN YOU ARE DEALING WITH

- An open offer or indirect acquisition under SAST
- A voluntary delisting - RBB or fixed-price route
- A preferential issue, QIP, warrant or convertible issue
- A merger, demerger or listed-company scheme
- A material RPT where the audit committee needs independent economic evidence
- A tender / open-market buyback and board price analysis
- AIF / REIT / InvIT portfolio or asset valuation
- Any wider Business Valuation, M&A, PPA, ESOP, FEMA or transaction requirement

EXPERIENCE	CLIENT ENGAGEMENTS	CREDENTIALS	BIG-4 FOUNDATION
15+ Years	500+	CA | CS | IBBI RV	9 Years at EY

WHAT HAPPENS IN THE FIRST CONVERSATION

01	02	03
Map the rule We identify the current regulation, date, price factors and prescribed professional.	**Map the value** We separate the regulatory floor from any fundamental / fairness valuation needed for the board.	**Map the deliverables** You get the document list, timeline, dependencies, report scope and filing-ready output plan.

BOOK A 15-MINUTE INTRODUCTORY CALL

A short regulatory map before the board meeting can prevent a transaction being built around the wrong valuation date, formula or report.

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The best time to discover that a price rule is wrong is before the transaction timetable depends on it.

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