Merchant Banking in India

June 20, 2025 • vajiramandravi.com

Merchant Banking Latest News

The Securities and Exchange Board of India (SEBI) recently said merchant bankers (MB) can now engage in unregulated activities such as advisory and consultancies without needing a separate legal entity.

About Merchant Banking

- Merchant Banking refers to **financial services designed** especially **for businesses and corporate clients.**
- These services **help business owners raise funds, manage investments,** and **expand operations.**
- Banks registered as merchant bankers provide **expert advice on mergers, acquisitions,** and **other business activities requiring capital.**
- They act as **intermediaries between companies and investors** to ensure smooth financial growth.
- The role of a merchant banker is **similar to that of a financial advisor.**
- They **help make critical decisions** and also help businesses expand by **arranging private equity investments or strategic partnerships.**

- One of the primary services merchant bankers provide is **issue management.** It involves **helping companies raise capital** from the public by **managing the process of issuing shares**, debentures, or other **securities**.
- Merchant banks **do not provide regular banking services to the general public.**
- The **regulatory framework** governing merchant banks in India is primarily **overseen by the Securities and Exchange Board of India (SEBI).**
- One of the key regulations involves the maintenance of **minimum net worth requirements**, which ensures that merchant banks have **sufficient financial resources to undertake their activities and absorb potential losses.**
- Additionally, SEBI mandates that merchant banks **adhere to a strict code of conduct,** which includes provisions **related to fair dealing, conflict of interest,** and **transparency**.
- Merchant banks are also s**ubject to periodic inspections and audits by SEBI** to ensure ongoing compliance.
- Any violations can result in penalties, including suspension or cancellation of the registration certificate.

Services Offered by Merchant Banks

- **Corporate advisory services:** Offering guidance on mergers, acquisitions, and restructuring
- **Capital raising:** Helping businesses raise funds through debt or equity.
- **Investment management:** Managing large-scale investments and portfolios.
- **Underwriting:** Assisting in public offerings by guaranteeing the sale of securities.
- **Risk management:** Reducing financial risks by offering expert advice.

Source: TH
