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UNDERSTANDING RPT INDUSTRY STANDARDS

**MONDAY, JUNE 23,
2025**



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CONTENT

S No.	Topic	Slide Number
1.	BACKGROUND	4
2.	KEY ASPECTS OF THE RPT INDUSTRY STANDARDS	5
3.	APPLICABILITY AND APPROVAL MATRIX	6
4.	DISCLOSURES	7
5.	KEY PROVISIONS RELATING TO MINIMUM INFORMATION TO BE PROVIDED TO THE AC	8
6.	STANDARDS FOR MINIMUM INFORMATION TO BE PROVIDED TO THE SHAREHOLDERS FOR CONSIDERATION OF RPTS	9
7.	FORMATS AS SPECIFIED IN PARA 4 OF THESE STANDARDS	10-29
8.	IMPLICATIONS & NEXT STEPS FOR LISTED COMPANIES	30

BACKGROUND

- ❑ The law on related party transactions (“**RPTs**”) has been evolving since its inclusion in the Companies Act, 2013 (“**the Act**”), and the introduction of stricter regulations for listed companies by the Securities and Exchange Board of India (“**SEBI**” or “**Regulator**”) in the Listing Obligations and Disclosure Requirements Regulations, 2015 (“**SEBI LODR**”).
- ❑ In terms of the Act (read with the rules made thereunder) and SEBI LODR, RPTs need to be approved by:
 - Audit Committee;
 - Wherever applicable, by the Board or Shareholders of the Company.
- ❑ SEBI issued a Master circular on November 11, 2024, providing key requirements relating to the information to be placed before Audit Committee and the shareholders for approval of RPTs. However, no specific format for such information was specified.
- ❑ In order to facilitate a uniform approach, SEBI issued a circular on February 14, 2025, specifying that the listed entities should comply with the Industry Standards on **Minimum information to be provided to AC and Shareholders for RPT Approval.**

KEY ASPECTS OF THE RPT INDUSTRY STANDARDS

- Minimum information (based on certain value -based parameters) to be provided to Audit Committee for review and approval of RPTs (including ratification)
- For material RPTs, the required information must included in the explanatory statement sent to shareholders
- In case of conflict between RPT Industry Standards and SEBI LODR and SEBI circulars , the later shall prevail
- Inclusion of Standardised information in audit committee agenda and minutes
- To ensure that necessary information/ data is provided to the audit committee/shareholders to take an informed decision
- Applicability Matrix for approval and disclosures
- Disclosures are categorised as comprehensive, limited, or minimum disclosures , depending upon the nature of the transaction and its value
- Certification from CEO, CFO or any other KMP and from all promoter director

Applicability w.e.f. July 1, 2025

APPLICABILITY AND APPROVAL MATRIX

Type of Transaction	Threshold	Balance Sheet / Profit and Loss (P&L) items	Approvals Required	Disclosure Requirement
Material RPTs	An RPT would be considered to be material: - based on the materiality policy formulated by the listed entity, including clear threshold limits which are duly approved by the Board of Directors. - individually or taken together with previous transactions during a financial year, that exceed the lower of INR1,000 crore or 10 per cent of annual consolidated turnover; or - individually or taken together with previous transactions during a financial year exceed 5 per cent of annual consolidated turnover for brand usage/royalty payments.	Both	Audit Committee + Shareholders	Comprehensive disclosures
Other RPTs, but which is with promoter/promoter group or person/entity in which promoter or Promoter group has concern or interest	Exceeds the lower of - 2 per cent of turnover as per last audited consolidated financial statements, 2 per cent of net worth (if positive) as per last audited consolidated financial statements, or 5 per cent of average profit/loss after tax over the last three years as per audited consolidate financial statements	Both	Audit Committee	Comprehensive disclosures
	Less than the above threshold	Balance sheet items	Audit Committee	Comprehensive disclosures
		Profit and Loss items		Limited disclosures
Residual RPTs	Transaction(s) with a related party to be entered into individually or taken together with previous transactions during the financial year exceeds INR1 crore in a financial year	Both	Audit Committee	Limited disclosures
	Transaction(s) with a related party to be entered into individually or taken together with previous transactions during the financial year less than INR1 crore in a financial year	Both	Audit Committee	Minimum disclosures

Promoter or promoter group shall be deemed to be concerned or interested in any person, if they in any way, whether directly or indirectly—
(a) where the person is a body corporate, holds more than 2 per cent shareholding or voting rights of that body corporate, or is a promoter, managing director, manager, Chief Executive Officer of that body corporate; or
(b) where the person is a firm or other entity, the promoter(s) or the promoter group is a partner, owner or member, as the case may be.

DISCLOSURES

- Paragraph 4 of the RPT Industry Standards provides a format for minimum information to be provided to the Audit Committee : Details of disclosure requirement are as under :

Part	Disclosure Required	Balance Sheet/ Profit and Loss Items	Comprehensive Disclosures	Limited Disclosures	Minimum Disclosures
A	Details of Related Party and transactions with the related party.				
A(1)	Basic details of the related party	Both	Yes	Yes	Yes
A(2)	Relationship and ownership of the related party	Both	Yes	Yes	Yes
A(3)	Financial performance of related party	Both	Yes	Yes	No
A(4)	Details of previous transactions with the related party	Both	Yes	Yes	Yes
A(5)	Details of proposed transactions (All types of transactions taken together)	Both	Yes	Yes	Yes
B	Details for specific transactions				
B(1)	Basic details of the proposed transaction	Both	Yes	Yes	Yes
B(2)	Additional details for proposed transactions relating to sale, purchase or supply of goods or services or any other similar business transaction	Profit and Loss	Yes	Yes, except information in rows 13 to 17 in relation to comparable bids	No
B(3)	Additional details for proposed transactions relating to any loans, inter corporate deposits or advances given by the listed entity or its subsidiary	Balance Sheet	Yes	Yes, except financial information related to the related party is to be provided for previous FY as against preceding 3 FYS in rows 31 and 32	No
B(4)	Additional details for proposed transactions relating to any investment made by the listed entity or its subsidiary	Balance Sheet	Yes	Yes, except information in rows 43 on asset-liability mismatch	No
B(5)	Additional details for proposed transactions relating to any guarantee (excluding performance guarantee), surety, indemnity or comfort letter, by whatever name called, made or given by the listed entity or its subsidiary	Balance Sheet	Yes	Yes	No
B(6)	Additional details for proposed transactions relating to borrowings by the listed entity or its subsidiary	Balance Sheet	Yes	Yes	No
B(7)	Additional details for proposed transactions relating to sale, lease or disposal of assets of subsidiary or unit, division or undertaking of the listed entity, or disposal of shares of subsidiary or associate	Balance Sheet	Yes	Yes	No
B(8)	Additional details for transactions relating to payment of royalty	Profit and Loss	Yes	Yes, except information in rows 78 and 79 on dividend, row 84 on royalty from foreign entities and row 86 on industry peers	No

KEY PROVISIONS RELATING TO MINIMUM INFORMATION TO BE PROVIDED TO THE AC

Following are steps explained in the RPT Industry Standards:

- **Information provision:** Management must provide the Audit Committee with specified information while placing any proposal for review and approval of an RPT.
- **Information collection and collation:**
 - ❖ Provide comments against each information sought in the specified format. Indicate 'NA' for not applicable fields and 'NIL' for no comments.
 - ❖ Certificates from the CEO, CFO, or any other KMP and from every promoter director
 - ❖ Inform the Audit Committee and shareholders if any promoter director does not provide the required certificate for material RPTs.
 - ❖ Place a copy of the valuation or other external party report before the Audit Committee.
 - ❖ If audited financial statements of the related party are unavailable, provide certified financial details.
 - ❖ Disclose if the related party follows a different financial year.
 - ❖ Explicitly bifurcate and disclose management fees, service fees, etc., in the case of royalty payments.
 - ❖ Compare royalty payments with a minimum of three Industry Peers, where feasible, following a specified hierarchy
 - ❖ Preference to Indian listed Industry Peers.
 - ❖ If unavailable, a comparison may be made with listed global Industry Peers, if available
 - ❖ If no suitable peers are available, refer to the peer group considered by SEBI-registered research analysts in their publicly available research reports (Research Analyst Peer Set). If the listed entity's business model differs from such Research Analyst Peer Set, then provide an explanation if the business model differ
 - ❖ Disclose if fewer than three Industry Peers are available for comparison that only one or two peers are available for comparison.
- **Audit Committee comments:** Provide comments on applicable line items as per the specified format, leaving non-applicable line items blank.

STANDARDS FOR MINIMUM INFORMATION TO BE PROVIDED TO THE SHAREHOLDERS FOR CONSIDERATION OF RPTs

Audit Committee information: Information as placed before the Audit Committee in the specified format of RPT Industry Standards.

Redaction approval: The Audit Committee can approve redaction of commercial secrets and other information that would affect the competitive position of the listed entity. The Audit Committee must certify that the redacted disclosures still provide all necessary information for informed decision-making.

Justification: Justification as to why the proposed transaction is in the interest of the listed entity.

Assessment statement: Statement of assessment by the Audit Committee that relevant disclosures for decision making were placed before them, and they have determined that the promoter(s) will not benefit from the RPT at the expense of public shareholders.

Certificates review: Disclosure that the Audit Committee reviewed the certificate provided by the CEO, CFO, or any other KMP, as well as the certificate provided by the promoter directors of the listed entity.

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Valuation report: Copy of the valuation report or other reports of external parties, if any, considered by the Audit Committee while approving the RPT.

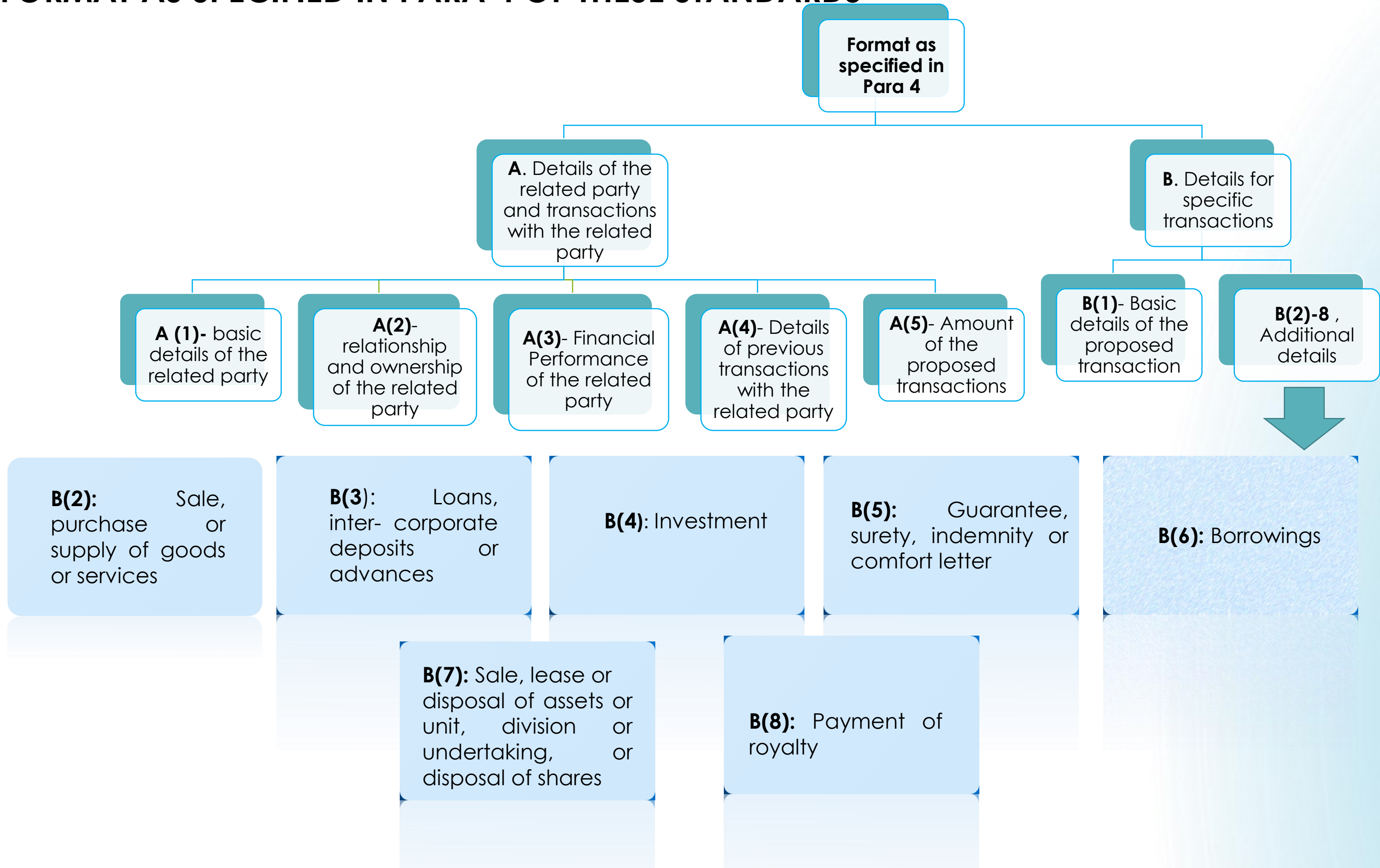
Bids review: In case of sale, purchase, or supply of goods or services, or the sale, lease, or disposal of assets of a subsidiary, unit, division, or undertaking of the listed entity, if the Audit Committee has reviewed the terms and conditions of bids from unrelated parties, this fact must be stated. If bids have not been invited, the fact must be disclosed along with the justification, and if comparable bids are not available, the basis for recommending that the terms of the RPT are beneficial to the shareholders must be stated.

Comments: Comments of the Board/Audit Committee of the listed entity, if any.

Other information: Any other relevant information.

**FORMAT AS SPECIFIED IN PARA 4
OF THESE STANDARDS**

FORMAT AS SPECIFIED IN PARA 4 OF THESE STANDARDS



A(1). BASIC DETAILS OF THE RELATED PARTY

- (1) Name of the related party.
- (2) Country of incorporation of the related party.
- (3) Nature of business of the related party.

Disclosures: Comprehensive, Limited & Minimum.

A(2). RELATIONSHIP AND OWNERSHIP OF THE RELATED PARTY

- (1) Relationship between the listed entity/subsidiary (in case of transaction involving the subsidiary) and the related party.
- (2) Shareholding or contribution % or profit & loss sharing % of the listed entity/subsidiary (in case of transaction involving the subsidiary), whether direct or indirect, in the related party.
- (3) Shareholding of the related party, whether direct or indirect, in the listed entity/subsidiary (in case of transaction involving the subsidiary).

Disclosures: Comprehensive, Limited & Minimum.

A(3). FINANCIAL PERFORMANCE OF THE RELATED PARTY

- (1) Standalone turnover of the related party for each of the last three financial years.
- (2) Standalone net worth of the related party for each of the last three financial years.
- (3) Standalone net profits of the related party for each of the last three financial years.

Disclosures: Comprehensive & Limited.

A(4). DETAILS OF PREVIOUS TRANSACTIONS WITH THE RELATED PARTY

- (1) Total amount of all the transactions undertaken by the listed entity or subsidiary with the related party during each of the last three financial years.
- (2) Total amount of all the transactions undertaken by the listed entity or subsidiary with the related party during the current financial year (till the date of approval of the Audit Committee / shareholders).
- (3) Whether prior approval of Audit Committee has been taken for the above mentioned transactions?
- (4) Any default, if any, made by a related party concerning any obligation undertaken by it under a transaction or arrangement entered into with the listed entity or its subsidiary during the last three financial years.

Disclosures: Comprehensive, Limited & Minimum.

A(5). AMOUNT OF THE PROPOSED TRANSACTIONS

- (1) Total amount of all the proposed transactions being placed for approval in the current meeting.
- (2) Whether the proposed transactions taken together with the transactions undertaken with the related party during the current financial year is material RPT?
- (3) Value of the proposed transactions as a percentage of the listed entity's annual consolidated turnover for the immediately preceding financial year.
- (4) Value of the proposed transactions as a percentage of subsidiary's annual standalone turnover for the immediately preceding financial year (in case of a transaction involving the subsidiary, and where the listed entity is not a party to the transaction).
- (5) Value of the proposed transactions as a percentage of the related party's annual standalone turnover for the immediately preceding financial year.

Disclosures: Comprehensive, Limited & Minimum.

B(1). BASIC DETAILS OF THE PROPOSED TRANSACTION

1. Specific type of the proposed transaction.
2. Details of the proposed transaction.
3. Tenure of the proposed transaction.
4. Indicative date / timeline for undertaking the transaction.
5. Whether omnibus approval is being sought?
6. Provide the transaction value for the financial year. For multi-year contracts, include the total value over the contract tenure.
7. Whether the RPTs proposed to be entered into are not prejudicial to the interest of public shareholders, and going to be carried out on the same terms and conditions as would be applicable to any party who is not a related party.
8. Provide a clear justification for entering into the RPT, demonstrating how the proposed RPT serves the best interests of the listed entity and its public shareholders.
9. Details of the promoter(s)/ director(s) / KMP of the listed entity who have interest in the transaction, whether directly or indirectly.
10. Details of shareholding (more than 2%) of the director(s) / KMP/ partner(s) of the related party, directly or indirectly, in the listed entity.
11. Copy of the valuation or other external party report, if any.
12. Other information relevant for decision making.

Disclosures: Comprehensive, Limited & Minimum.

B(2). SALE, PURCHASE OR SUPPLY OF GOODS OR SERVICES

1. Number of bidders / suppliers / vendors / traders / distributors / service providers from whom bids / quotations were received with respect to the proposed transaction along with details of process followed to obtain bids.
2. Best bid / quotation received (If comparable bids are available, disclose the price and terms offered).
3. Additional cost / potential loss to the listed entity or the subsidiary in transacting with the related party compared to the best bid / quotation received.
4. Where bids were not invited, the fact shall be disclosed along with the justification for the same.
5. Wherever comparable bids are not available, state what is basis to recommend to the Audit Committee that the terms of proposed RPT are beneficial to the shareholders.

Disclosures: Comprehensive only.

B(3). LOANS, INTER-CORPORATE DEPOSITS OR ADVANCES

1. Source of funds in connection with the proposed transaction.
2. Where any financial indebtedness is incurred to give loan, inter-corporate deposit or advance, specify: Nature of indebtedness, Total cost of borrowing, Tenure and Other details;
3. Material covenants of the proposed transaction;
4. Interest rate charged on loans / inter-corporate deposits / advances by the listed entity (or its subsidiary, in case of transaction involving the subsidiary) in the last 3 FYs: to any party & to related party;
5. Interest rate at which the related party borrows or could borrow based on its credit rating and financial position;
6. Interest rate at which the listed entity or its subsidiary borrows or could borrow based on its credit rating and financial position;

Disclosures: Comprehensive & Limited.

B(3). LOANS, INTER-CORPORATE DEPOSITS OR ADVANCES

7. Proposed interest rate to be charged by the listed entity or its subsidiary from the related party.
8. Maturity/ due date.
9. Repayment schedule & terms.
10. Whether secured or unsecured?
11. If secured, the nature of security & security coverage ratio.
12. The purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the transaction.
13. Latest credit rating of the related party (other than SO rating and CE rating).
14. Amount of total borrowings of the related party over the last 3 FYs;
15. Interest rate paid on the borrowings by the related party from any party in the last 3 FYs;
16. Default in relation to borrowings, if any, made during the last three financial years, by the related party from the listed entity or any other person.

Disclosures: Comprehensive & Limited (except 14 and 15 pertaining to provide info for previous FY instead of last 3 FYs).

B(3). LOANS, INTER-CORPORATE DEPOSITS OR ADVANCES

Additional details relating to advances other than loan given by the listed entity or its subsidiary

(1) Advances provided, their break-up and duration.

S. No.	Advance given to	Amount	Duration of advance given
1.			
2.			

(2) Advance as % of the total loan given during the preceding 12 months.

Disclosures: Comprehensive & Limited.

B(4). INVESTMENT

- (1) Source of funds in connection with the proposed transaction.
- (2) Purpose for which funds shall be utilized by the investee company.
- (3) Where any financial indebtedness is incurred to make investment, specify: Nature of indebtedness, Total cost of borrowing, Tenure & Other details.
- (4) Material covenants of the proposed transaction.
- (5) Latest credit rating of the related party (other than SO rating and CE rating).
- (6) Expected annualised returns.
- (7) Returns on past investments in the related party over the last 3 FYs.
- (8) Details of asset-liability mismatch position, if any, post investment.
- (9) Whether any regulatory approval is required. If yes, whether the same has been obtained.

Disclosures: Comprehensive & Limited (except line item no. 8)

B(5).GUARANTEE (EXCLUDING PERFORMANCE GUARANTEE), SURETY, INDEMNITY, OR COMFORT LETTER

1. Rationale for giving a guarantee, surety, indemnity or comfort letter.
2. Material covenants including (i) commission, if any to be received by the listed entity or its subsidiary; (ii) contractual provisions on how the listed entity or its subsidiary will recover the monies in case such guarantee, surety, indemnity or comfort letter is invoked.
3. Specify the obligations guaranteed by the listed entity or its subsidiary and any required provisions in the accounts.
4. Latest credit rating of the related party (other than SO and CE rating), if guarantee, surety, indemnity or comfort letter is given in connection with the borrowing by a related party.
5. Details of solvency status and going concern status of the related party during the last 3 FYs.
6. Default on borrowings, if any, over the last 3 FYs, by the related party from the listed entity or any other person.

Disclosures: Comprehensive & Limited.

B(6). BORROWINGS

- (1) Material covenants of the proposed transaction.
- (2) Interest rate (in terms of numerical value or base rate and applicable spread).
- (3) Cost of borrowing (This shall include all costs associated with the borrowing).
- (4) Maturity/ due date.
- (5) Repayment schedule & terms.
- (6) Whether secured or unsecured?
- (7) If secured, the nature of security & security coverage ratio.
- (8) The purpose for which the funds will be utilized by the listed entity/ subsidiary.
- (9) Debt to Equity Ratio of the listed entity or its subsidiary based on last audited financial statements (Before & After transaction).
- (10) Debt Service Coverage Ratio of the listed entity or its subsidiary based on last audited financial statements (Before & After transaction).

Disclosures: Comprehensive & Limited.

B(7). SALE, LEASE OR DISPOSAL OF ASSETS OR UNIT, DIVISION OR UNDERTAKING, OR DISPOSAL OF SHARES

- (1) Number of bidders / suppliers / vendors / traders / distributors / service providers from whom bids / quotations were received with respect to the proposed transaction along with details of process followed to obtain bids.
- (2) Best bid / quotation received (If comparable bids are available, disclose the price and terms offered).
- (3) Additional cost / potential loss to the listed entity or the subsidiary in transacting with the related party compared to the best bid / quotation received.
- (4) Where bids were not invited, the fact shall be disclosed along with the justification for the same.
- (5) Wherever comparable bids are not available, state what is basis to recommend to the Audit Committee that the terms of proposed RPT are beneficial to the shareholders.
- (6) Reasons for sale, lease or disposal of assets of subsidiary or of unit, division or undertaking of the listed entity, or disposal of shares of subsidiary or associate.

Disclosures: Comprehensive & Limited.

B(7). SALE, LEASE OR DISPOSAL OF ASSETS OR UNIT, DIVISION OR UNDERTAKING, OR DISPOSAL OF SHARES

- (6) Financial track record of the subsidiary/ undertaking that is being sold (in case of sale of undertaking, segment level data to be provided) during the last 3 FYs: Turnover, Net worth Net Profit, Net profit margin, Operating cash flow margin, Return on Assets;
- (7) Expected financial impact on the consolidated turnover, net worth and net profits of the listed entity or its subsidiary due to sale of the subsidiary/ undertaking;
- (8) Provide details of asset or share disposals involving the same subsidiary, unit, or associate to related parties in the past 12 months.
- (9) Whether the transaction would result in issue of securities or consideration in kind to a related party? If yes, please share the relevant details.
- (10) Would the transaction result in eliminating a segment reporting by the listed entity or any of its subsidiary?
- (11) Does it involve transfer of key intangible assets or key customers which are critical for continued business of the listed entity or any of its subsidiary?
- (12) Are there any other major non-financial reasons for going ahead with the proposed transaction?

Disclosures: Comprehensive & Limited.

B(8). PAYMENT OF ROYALTY

- (1) Gross amount of royalty paid by the listed entity or subsidiary to the related party during each of the last 3 FYs.
- (2) Purpose for which royalty was paid to the related party during the last 3 FYs.
- (3) Purpose for which royalty is proposed to be paid to the related party in the current financial year.
- (4) Royalty paid in last 3 FYs as % of Net Profits of previous FYs.
- (5) Dividend paid in last 3 FYs as % of Net Profits of previous FYs.
- (6) Royalty and dividend paid or proposed to be paid during the current FY.
- (7) Rate at which royalty has increased in the past 5 years, if any, vis-à-vis rate at which the turnover, profits after tax and dividends have increased during the same period.
- (8) In case of new technology i.e. first year of technology transfer (to be provided separately for each new technology): Expected duration of technology transfer; Benefits derived from the technology transfer.

Disclosures: Comprehensive & Limited (except line item no. 5 & 6)

B(8). PAYMENT OF ROYALTY

(9) In case of existing technology, i.e., technology being imported (to be provided separately for each existing technology): Years since technology transfer initiated, Expected duration of technology transfer & Benefits derived from the technology transfer.

(10) Details of in-house research & development, if any;

(11) If royalty is paid to the parent company, disclose royalty received by the parent company from foreign entities: Minimum & Maximum rate of royalty charged along with corresponding absolute amount.

(12) Sunset Clause for Royalty payment;

(13) Royalty paid or payable for imported technology, along with the turnover attributable to such technology.

(14) Royalty paid or payable for brands or other intangible assets, along with the turnover attributable to their use.

Disclosures: Comprehensive & Limited (except line item no. 11)

B(8). PAYMENT OF ROYALTY

(15) Peer Comparison:

	Listed Entity/ Subsidiary	Peer 1	Peer 2	Peer 3
Royalty Payment over last 3 years	Aggregate Amount	Aggregate Amount	Aggregate Amount	Aggregate Amount
Royalty paid as a % of net profits over the last 3 years	%	%	%	%
Annual growth rate of Turnover over last 3 years.	%	%	%	%

Disclosures: Comprehensive only.



IMPLICATIONS & NEXT STEPS FOR LISTED COMPANIES

Audit Committees, Management, Chief Financial Officer ('CFO'), and compliance teams must:

1. Revise RPT Policies to incorporate new materiality thresholds and committee structures under SEBI LODR.
2. Update Approval Templates in line with the Industry Standards' disclosure by July 1, 2025.
3. Train Governance Bodies (Boards, Audit Committees) on enhanced oversight responsibilities and reporting formats.
4. Align Secretarial & Financial Disclosures across annual reports, notice of meetings, and audit working papers to ensure consistency.
5. Monitor on going Compliance via periodic internal reviews, leveraging checklists that map each RPT against SEBI and Companies Act requirements.

THANK YOU !

