

First Notes



Related party transactions – Minimum information for review

25 March 2025

First Notes on

Financial reporting

Corporate law updates

Regulatory and other information

Disclosures

Sector

All

Banking and insurance

Information, communication, entertainment

Consumer and industrial markets

Infrastructure and government

Relevant to

All

Audit committee

CFO

Others

Effective

Immediately

Within the next three months

Post three months but within six months

Post six months

Forthcoming requirement

Introduction

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations)¹ require Related Party Transactions (RPTs) to be approved by

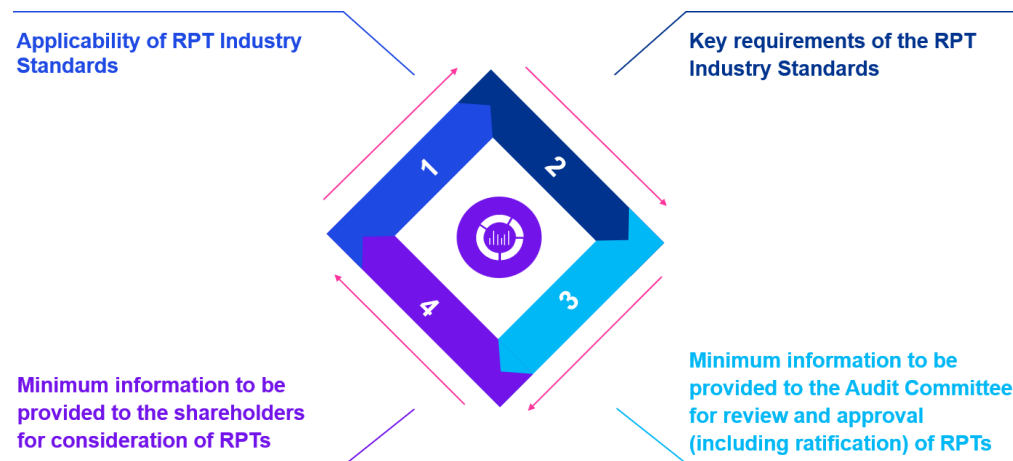
- the Audit Committee and,
- where applicable, by the shareholders.

The Securities and Exchange Board of India (SEBI) issued a Master Circular on 11 November 2024, providing broad requirements on the information to be placed before the Audit Committee and shareholders for approval of RPTs under Section III-B of the said SEBI Circular. However, no specific format for such information was provided.

Uniform approach

To facilitate a uniform approach and assist listed entities in complying with RPTs' approval requirements, SEBI issued a circular on 14 February 2025, specifying that listed entities should comply with the Industry Standards on Minimum information to be provided for Review of the Audit Committee and Shareholders for approval of an RPT (RPT Industry Standards).

The below infographic illustrates some of the key aspects discussed in the RPT Industry Standards:



¹ Regulation 23(2), (3), and (4)

Uniform approach (Contd.)

The RPT Industry Standards have been formulated by the Industry Standards Forum (ISF), comprising representatives from three industry associations: Associated Chambers of Commerce and Industry of India (ASSOCHAM), Confederation of Indian Industry (CII), and Federation of Indian Chambers of Commerce and Industry (FICCI) in consultation with SEBI. Following are the key aspects of the RPT Industry Standards:

Specifies the minimum information, based on certain value-based parameters, to be provided to:

- The Audit Committee for review and approval (including ratification) of RPTs
- The shareholders for consideration of RPTs.



For material RPTs, the information must also be included in the explanatory statement to the notice sent to shareholders



While these RPT Industry Standards align with the LODR Regulations and SEBI Circulars, in case of inconsistencies, the LODR Regulations and SEBI Circulars prevail



This standardised information must be included in:

- The Audit Committee meeting agenda
- The meeting minutes with recorded comments



Provide a certification from the CEO, CFO, or any Key Management Personnel (KMP) and from every promoter director



Ensure that:

- The audit committees and shareholders have access to relevant data
- They can thoroughly assess the nature, terms, and potential impact of RPTs before approval



Provides an Applicability Matrix for approvals and disclosures



Disclosures are categorised as comprehensive, limited, or minimum, depending on the nature of the transaction and its value



RPT Industry Standards will be applicable effective 1 July 2025 as per SEBI clarification dated 21 March 2025



(Source: KPMG in India's analysis, 2025 based on the Industry Standards on "Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)" dated 14 February 2025)

The RPT Industry Standards were made applicable in respect of RPTs entered into by the listed entity on or after 1 April 2025 as per the Applicability matrix. However, on 21 March 2025, SEBI clarified that on the basis of feedback from various stakeholders, the effective date shall be 1 July 2025.

Applicability and approval matrix for RPTs

The RPT Industry Standards provide guidelines for listed entities to obtain necessary approvals from the Audit Committee and shareholders. These standards also establish value-based thresholds for the required disclosures.

Steps for compliance:

- 1. Identify related parties and RPTs:** As per LODR Regulations.
- 2. Classify RPTs:** Based on the thresholds in the applicability matrix to determine the required approvals and disclosures.

Applicability 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 <ul style="list-style-type: none"> 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 - <ul style="list-style-type: none"> 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 consolidated financial statements 	Both	Audit Committee	Comprehensive disclosures
	Less than the above threshold	Balance sheet items Profit and Loss items	Audit Committee	Comprehensive disclosures 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

(Source: Industry Standards on “Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)” dated 14 February 2025)

Promoter or promoter group shall be deemed to be concerned or interested in any person, if they in any way, whether directly or indirectly—

- 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
- 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 for review of the Audit Committee for approval (including ratification) of RPTs in two sections – Part A and Part B. This format also has a column for comments by the Audit Committee. Below table summarises the disclosures to be provided for approval based on the category of the RPT determined as per the Applicability matrix explained earlier :

Part	Disclosures required	Balance Sheet / Profit and Loss items	Comprehensive disclosures	Limited disclosures	Minimum disclosures
A	Details of the 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 the related party	Both	Yes	Yes	No
A(4)	Details of previous transactions with the related party	Both	Yes	Yes	Yes
A(5)	Amount of the proposed transactions (<i>All types of transactions taken together</i>)	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 of 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

(Source: Industry Standards on “Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)” dated 14 February 2025)

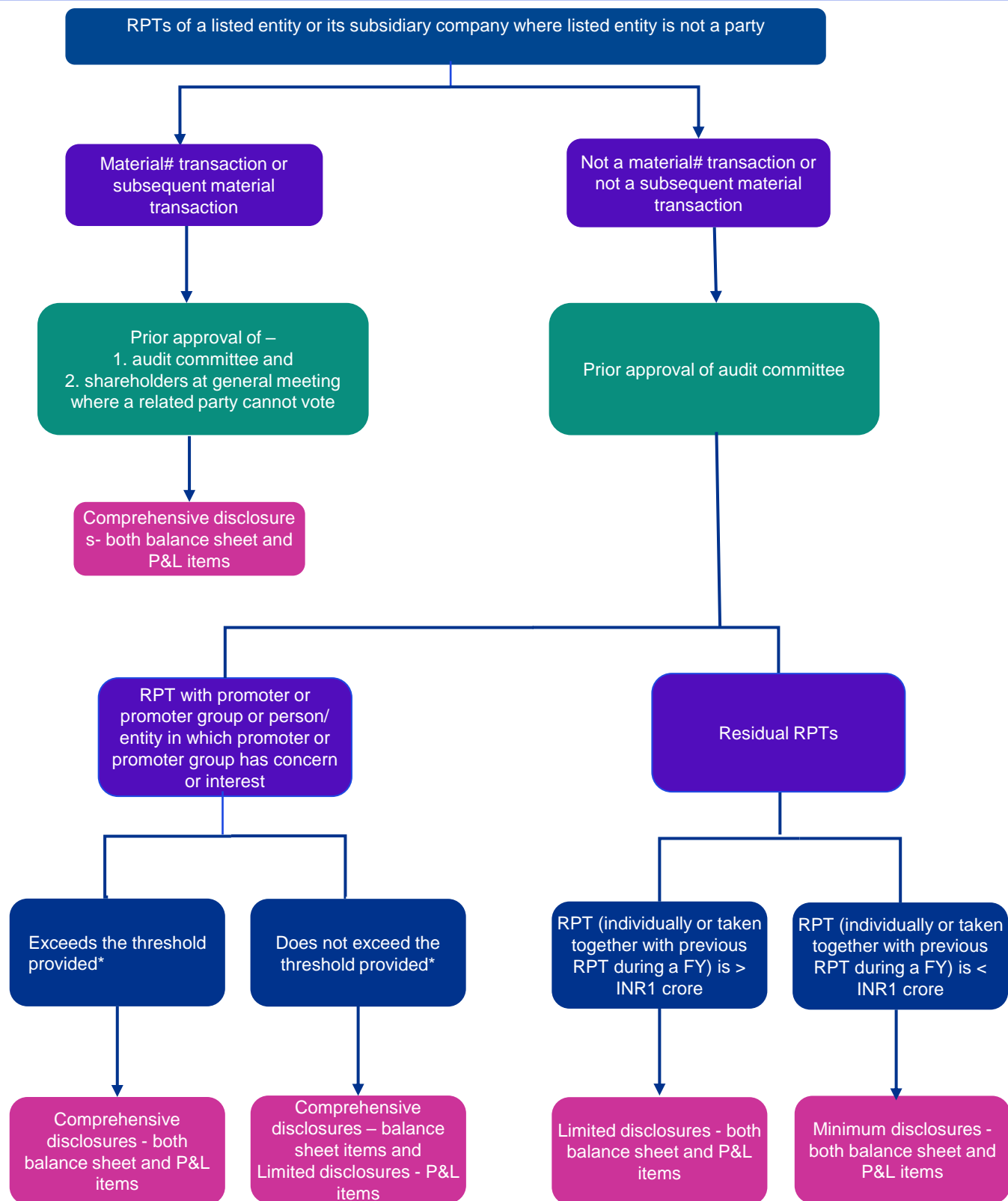
The RPT Industry Standards ensure that listed entities comply with the necessary approvals and disclosures for RPTs.

Considerations for management of the listed entity

- Management should consider specific aspects while collecting and collating the information to be provided to the Audit Committee for review and approval.
- Provide a certification from the CEO, CFO, or any KMP and from every promoter director confirming that:
 - The RPTs are not prejudicial to the interest of public shareholders.
 - The terms and conditions are not unfavorable to the listed entity, compared to the terms and conditions, had similar transaction been entered into with an unrelated party.

If any promoter director does not provide this certificate, the same shall be informed to the Audit Committee and the shareholders, if it is a material RPT.

Below flowchart summarises the disclosure requirements



(Source: KPMG in India's analysis, 2025 based on Regulation 23 of the LODR Regulations and RPT Industry Standards)

Material as per Regulation 23 of the LODR Regulations

* RPTs entered into individually or taken together with previous transactions during a FY exceeds the lower of -

- 2 per cent of turnover as per last audited consolidated financial statements of listed entity,
- 2 per cent of net worth (if positive) as per last audited consolidated financial statements of listed entity, or
- 5 per cent of average profit or loss after tax over the last three years as per audited consolidated financial statements of listed entity

Key aspects

Standards for minimum information to be provided to the Audit Committee for review and approval (including ratification) of RPTs

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 differs
 - 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

The notice sent to shareholders seeking approval for any material RPT must include the following information in addition to the requirements under the Companies Act, 2013:

- **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.
- **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.

Our comments

In recent years, SEBI has intensified its focus on RPTs by implementing detailed guidelines under the LODR Regulations. It has continuously amended the definitions of related parties and RPTs to tighten regulations and introduced comprehensive guidelines for obtaining approvals from Audit Committees and shareholders. SEBI has also launched a dedicated portal for reporting RPTs, aiming to streamline the process for listed companies, ensure consistent and timely disclosures, and simplify reporting through a centralised platform so as to enhance governance and transparency in India's securities market.

The issuance of RPT Industry Standards is a major step in this direction of promoting corporate governance and transparency. These standards offer a consistent format for standardised reporting, enhancing transparency and aiding the Audit Committee and investors in making more informed decisions. They also place additional responsibilities on the Audit Committee and management, ensuring decisions are made in the best interest of the company and its shareholders.

Key considerations regarding the RPT Industry Standards are as follows:

Applicability of the RPT Industry Standards

The RPT Industry Standards will be applicable effective 1 July 2025. Initially, according to the SEBI circular on the RPT Industry Standards and FAQs released by the National Stock Exchange, the RPT Industry Standards were applicable to all transactions approved on or after 1 April 2025, including material modifications. With SEBI extending the effective date to 1 July 2025, companies will have additional time to establish processes to comply with the RPT Industry Standards. Meanwhile, the ISF will consider the feedback received for simplifying these standards and aim to release the updated guidelines promptly to meet the revised deadlines.

The RPT Industry Standards apply to all transactions which require to be approved by Audit Committee and shareholders as per the LODR Regulations. Thus, for transactions exempted under Regulation 23(5) of the LODR Regulations such as transactions between two public sector companies or transactions between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval for obtaining approvals, these RPT Industry Standards would not apply.

Uniform disclosures and transparency

Although the existing SEBI Circular outlined the requirements for information to be provided to the Audit Committee or shareholders, companies faced practical challenges due to the lack of detailed guidance on the extent of information required. These RPT Industry Standards now offer a consistent format for standardised reporting, enhancing transparency and aiding the Audit Committee and investors in making more informed decisions. Additionally, these standards will strengthen governance, and their consistent application across industries will simplify compliance reviews for regulatory bodies.

Key changes for the management

For a large number of companies, transactions with related parties are undertaken – as they are essential or prudent from a business perspective. While the RPT Industry Standards offer a consistent framework on compiling information to be provided to the Audit Committee and shareholders, different companies may encounter unique challenges while compiling these disclosures, which would vary based on the maturity of their current practices, nature of their transactions and complexity in their ownership structure.

Therefore, companies would need to invest in putting in place a framework with detailed systems and processes that provide sufficient ease in entering into transactions with related parties that has enough checks and balances to deter any abusive transactions.

The Board of Directors as well as management of the companies would need to step up their internal policies, processes and practices, for example:

- advance planning of the RPTs for which approvals would be required and categorising them as per the applicability matrix
- provide clear guidelines with regard to RPTs and identification of related parties to various departments within the organisation including monitoring the holdings of promoter and promoter group

Our comments (Contd.)

Key changes for the management (Contd.)

- understand the business rationale for the RPTs and establish procedures and practices to gather sufficient information to be made available to the approvers for making an informed decision as required by the RPT Industry Standards and LODR requirements
- documentation as per the requirements of RPT Industry Standards by the management and Audit Committee approval.

In some cases, management of the companies would need to relook at the timing of their meetings, for example, many companies have historically finalised their submissions for shareholders' meetings during the same meetings where the Audit Committees approved the RPTs. However, the RPT Industry Standards now require Audit Committees to review detailed documentation, engage in discussions and, in some cases, document their rationale for approving the RPT, which would then need to be included in the explanatory notice sent to the Notice sent to the shareholders.

Management of the companies will also need to plan more effectively and in advance to compile certifications from the CEO, CFO, or other key management personnel, as well as from each promoter director, to obtain approvals from Audit Committee and shareholders for the RPTs.

Failure to comply with some of these new requirements could lead to regulatory penalties, investor concerns, and financial losses.

Increased market integrity and regulatory compliance

As mentioned above, these new standards also place additional responsibilities on the Audit Committee, such as providing detailed justifications for bid comparisons, reviewing the creditworthiness of related parties for loans/advances, and assessing valuation and expert reports. Thorough documentation and independent assessments by the Audit Committee will enhance accountability, ensuring decisions are made in the best interest of the company and its shareholders. Having access to comprehensive information presented to Audit Committee will also facilitate auditors to evaluate RPTs.

Rigorous scrutiny of related party dealings will minimise opportunities for unethical practices or undisclosed transactions, helping listed companies mitigate financial and reputational risks.

The bottom line

SEBI has rightly continued to take measures to strengthen regulations around RPTs. The introduction of RPT Industry Standards will help enhance corporate governance and financial integrity.

While the companies may need to adapt to changes in the short term in relation to enhancing their business processes to compile the detailed information to be submitted for review to Audit Committee, the RPT Industry Standards will, in the long term, significantly streamline the approval process for related party transactions by Audit Committees and shareholders.

Additionally, it is important to note that the LODR Regulations are different from the Companies Act, 2013 and Ind AS with regard to RPTs. For example, LODR Regulations consider certain indirect transactions as RPT, i.e. a transaction where a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries. This aspect of RPT definition has been challenging from implementation perspective and the ISF should consider addressing this aspect as well and develop further implementation guidance on RPTs.

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Missed an issue of Accounting and Auditing Update or First Notes?



Issue no. 103 – February 2025

The topics covered in this issue are:

- The measurement period in business combination
- Sustainability reporting – Disclosure of material information
- Regulatory updates

To access the publication, please click [here](#)



SEBI introduces certain key changes in BRSR reporting

23 December 2024

The Securities and Exchange Board of India (SEBI), under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('the LODR Regulations') mandates the top 1,000 listed entities in India to prepare the Business Responsibility and Sustainability Reporting (BRSR).

On 12 July 2023, SEBI issued the framework for the disclosure and assurance requirements for BRSR Core, ESG disclosures for value chain and assurance requirements. Further, in May 2024, the Expert Committee for facilitating ease of doing business, made certain important recommendations in relation to BRSR.

This issue of First Notes aims to provide an overview of the key changes introduced by SEBI in BRSR reporting.

To access the First Note, please click [here](#)



KPMG in India – Voices on Reporting quarterly updates publication

Voices on Reporting – Quarter updates publication (for the quarter ended 31 December 2024) provides a summary of key updates from the Ministry of Corporate Affairs (MCA), Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI), National Financial Reporting Authority (NFRA) and the Institute of Chartered Accountants of India (ICAI).

To access the publication, please click [here](#)

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