



**Corporate
Professionals**
WHERE EXCELLENCE IS LAW

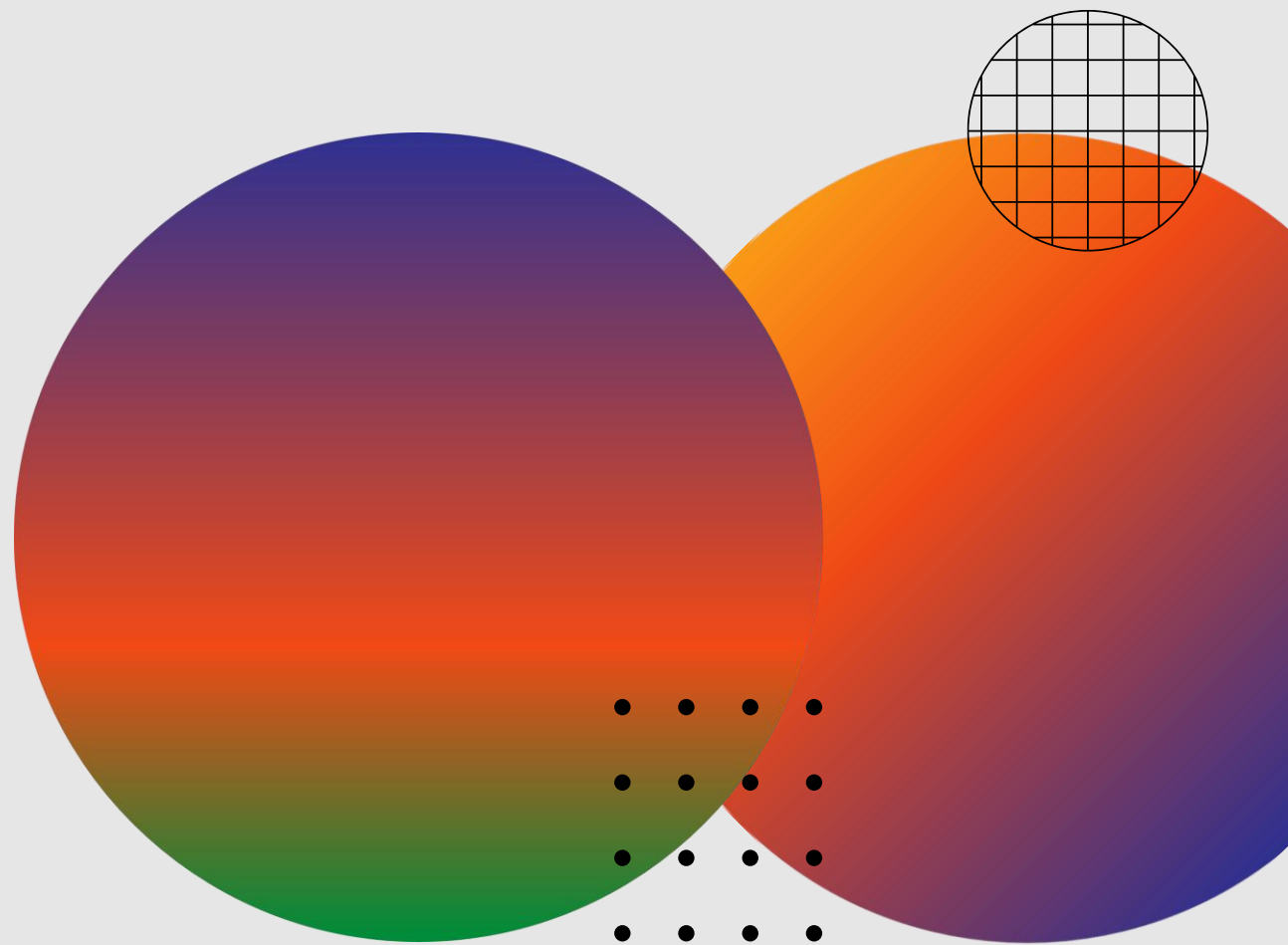


Industry Standards on “Minimum Information to be Provided to the Audit Committee and Shareholders for Approval of RPTs”





KEY CHANGES IN REVISED RPT INDUSTRY STANDARDS



Key Changes in Revised RPT Industry Standards

1. Applicability Matrix Simplified:

The matrix has been completely modified and simplified. The RPT Industry Standards are now applicable to all Material RPTs and other RPTs with a transaction value exceeding ₹1 crore. However, the Standards shall not apply to transactions that are exempt under Regulation 23(5) of the LODR Regulations, as well as to the quarterly review of RPTs by the Audit Committee under Regulation 23(3)(d) of the LODR Regulations.



Key Changes in Revised RPT Industry Standards

2. Ease out the signatory requirement for RPT Certification:

Instead of promoter directors, the certificate confirming that the RPT terms are in the interest of the listed entity will now be signed by the CEO/ MD/ WTD/ Manager and CFO.



Key Changes in Revised RPT Industry Standards

3. Ease out the disclosures on bidding requirement:

For transactions involving the sale or purchase of goods or services and the sale or disposal of assets, the listed entity must now disclose whether any bidding or other process was followed to select the counterparty, along with the basis for determining the transaction price. Previously, five detailed line items of mandatory disclosures regarding the bidding process were required.



Key Changes in Revised RPT Industry Standards

4. Elimination of various line items in royalty payment:

The number of disclosure line items, including disclosures on new and existing technology, in-house research and development, royalty paid or payable for imported technology and royalty related to brands or other intangible assets, have been done away with.

5. Ease out the peer comparison requirement:

The requirement for peer comparison in royalty-related disclosures has been eased, reducing the subjective burden and removing ambiguity.



Key Changes in Revised RPT Industry Standards

6. Exemption to insurance companies:

Certain line items exempted for listed banks, NBFCs and insurance companies. Previously it was limited to listed banks and NBFCs.



Key Changes in Revised RPT Industry Standards

7. Audit Committee's Role Clarified:

Rather than requiring a separate certificate, the audit committee is now expected to apply its mind and record its rationale for approving RPTs, striking a better balance between diligence and operational ease.



Key Changes in Revised RPT Industry Standards

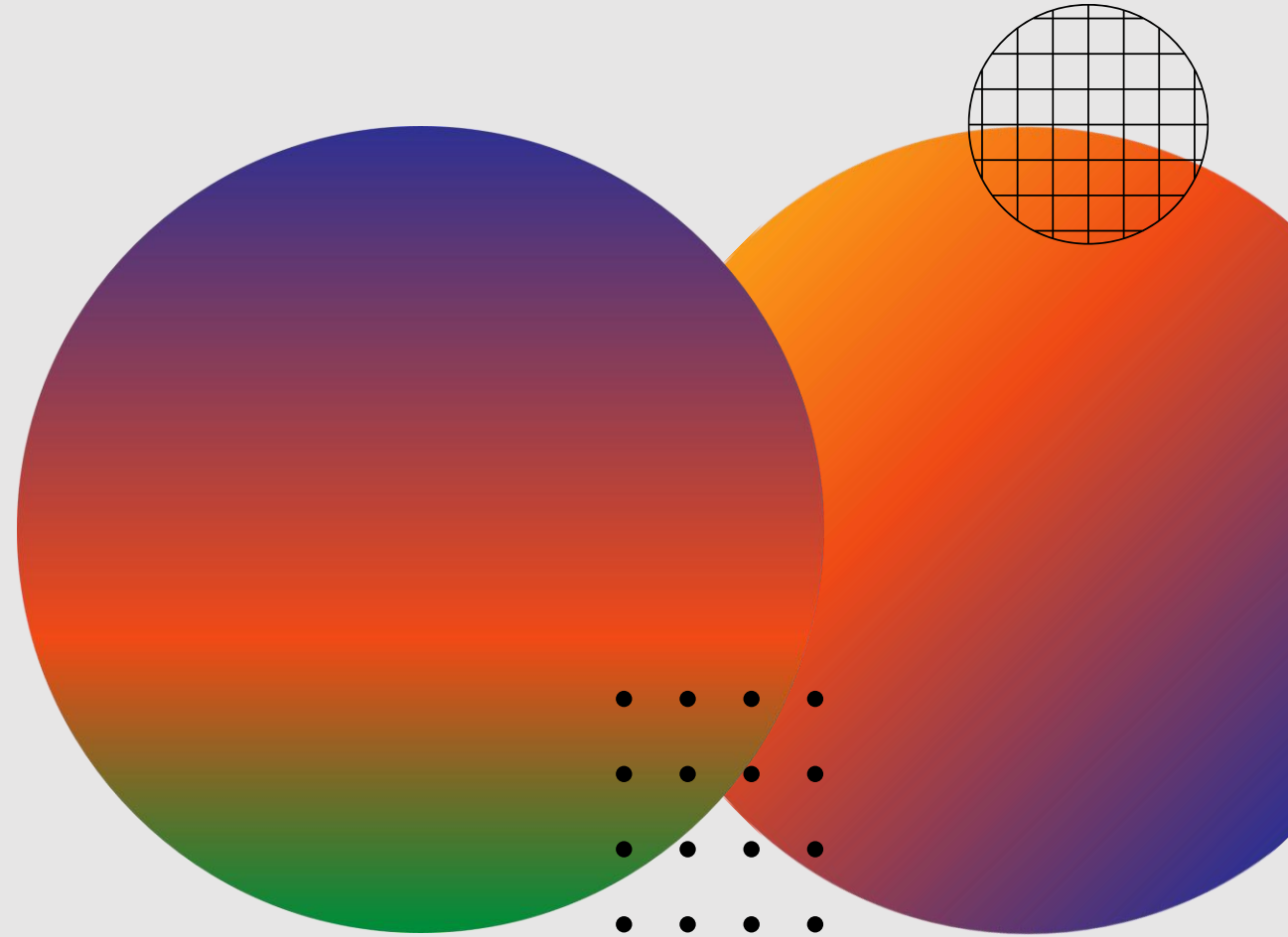
8. Web Link and QR Code for Accessing Valuation Reports in RPTs:

For the valuation report, the listed entity should provide a web link and a QR code through which shareholders can access the valuation or other external reports, if any, considered by Audit Committee while approving the RPT.





OBJECTIVE AND PURPOSE



Objective of the RPT Industry Standards

To provide a standard format for minimum information to be provided to the Audit Committee and Shareholders (as applicable) for review and approval of RPT.



Objective of the RPT Industry Standards

The RPT Industry Standards are a win-win for all stakeholders—

- Audit Committee to gain better oversight tools;
- Management benefits from clearer compliance pathways;
- Shareholders enjoy stronger governance safeguards; and
- Regulators can enforce compliance more effectively.



Benefits for Audit Committee & Independent Directors

**Standardized
RPT Disclosure
Format**

**Greater Clarity
in Decision-
Making**

**Mandatory
Certifications**

**Strengthened
Audit
Committee Role**



Benefits for the Management of the Listed Entity

**Reduced
Compliance
Uncertainty**

**Enhanced
Corporate
Credibility**

**Streamlined
Internal
Processes**

**Protection from
Regulatory
Penalties**



Benefits for Shareholders (Including Public Shareholders)

**Greater
Transparency**

**Enhanced
Approval Rights**

**Stronger
Safeguards
Against Promoter
Influence**

**More Investor
Confidence**



Benefits for Regulators

**Uniformity
Across Listed
Entities**

**Reduced Scope
for Regulatory
Arbitrage**

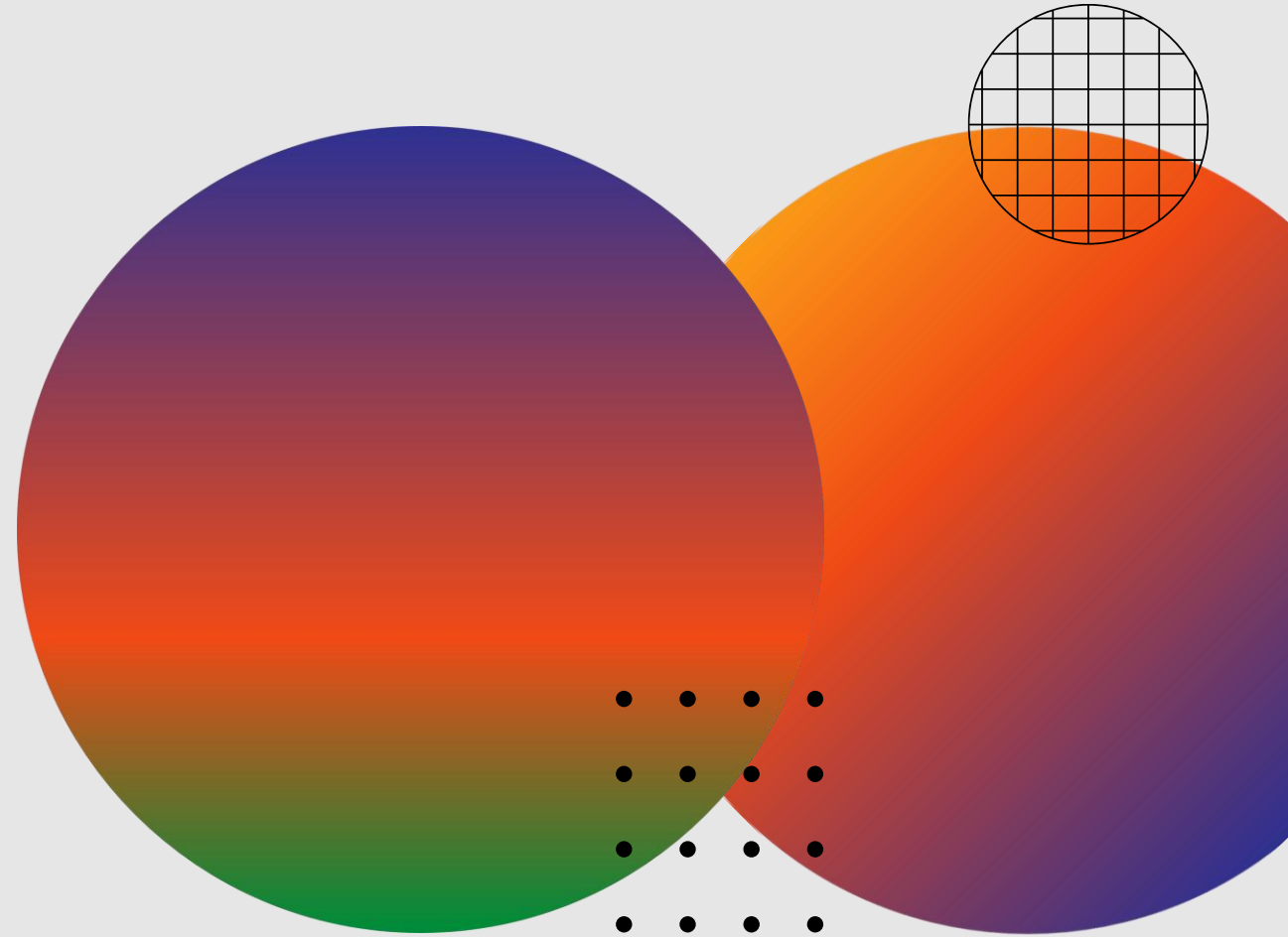
**Efficient
Regulatory
Oversight**

**Prevention of
Financial
Misreporting**





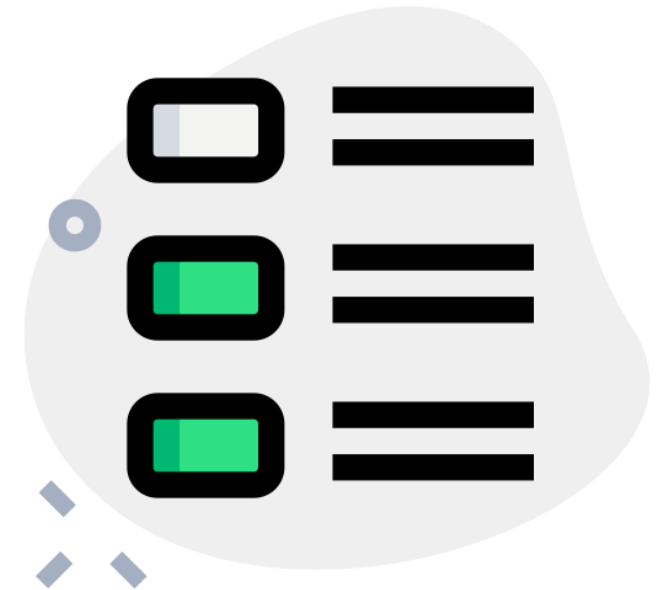
OVERVIEW OF THESE STANDARDS



Overview of these Standards

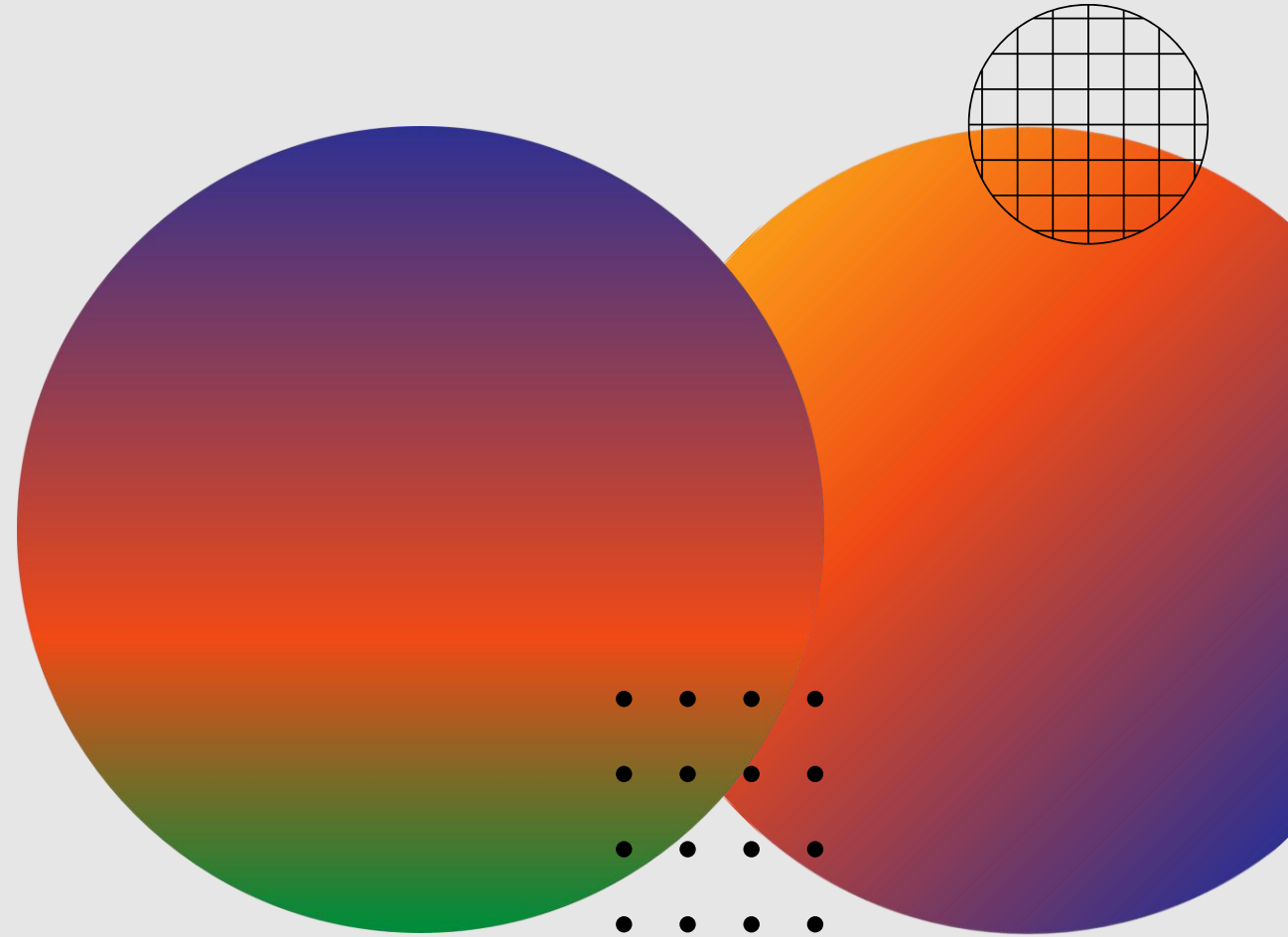
MAIN ASPECTS COVERED:

1. Applicability of the RPT Industry Standards.
2. Words and expressions used in the RPT Industry Standards;
3. Guidelines for placing information to the Audit Committee;
4. Format for Minimum Information to be provided to the Audit Committee for Approval (including ratification) of RPTs;
5. Minimum Information to be provided to the shareholders for approval of Material RPTs.

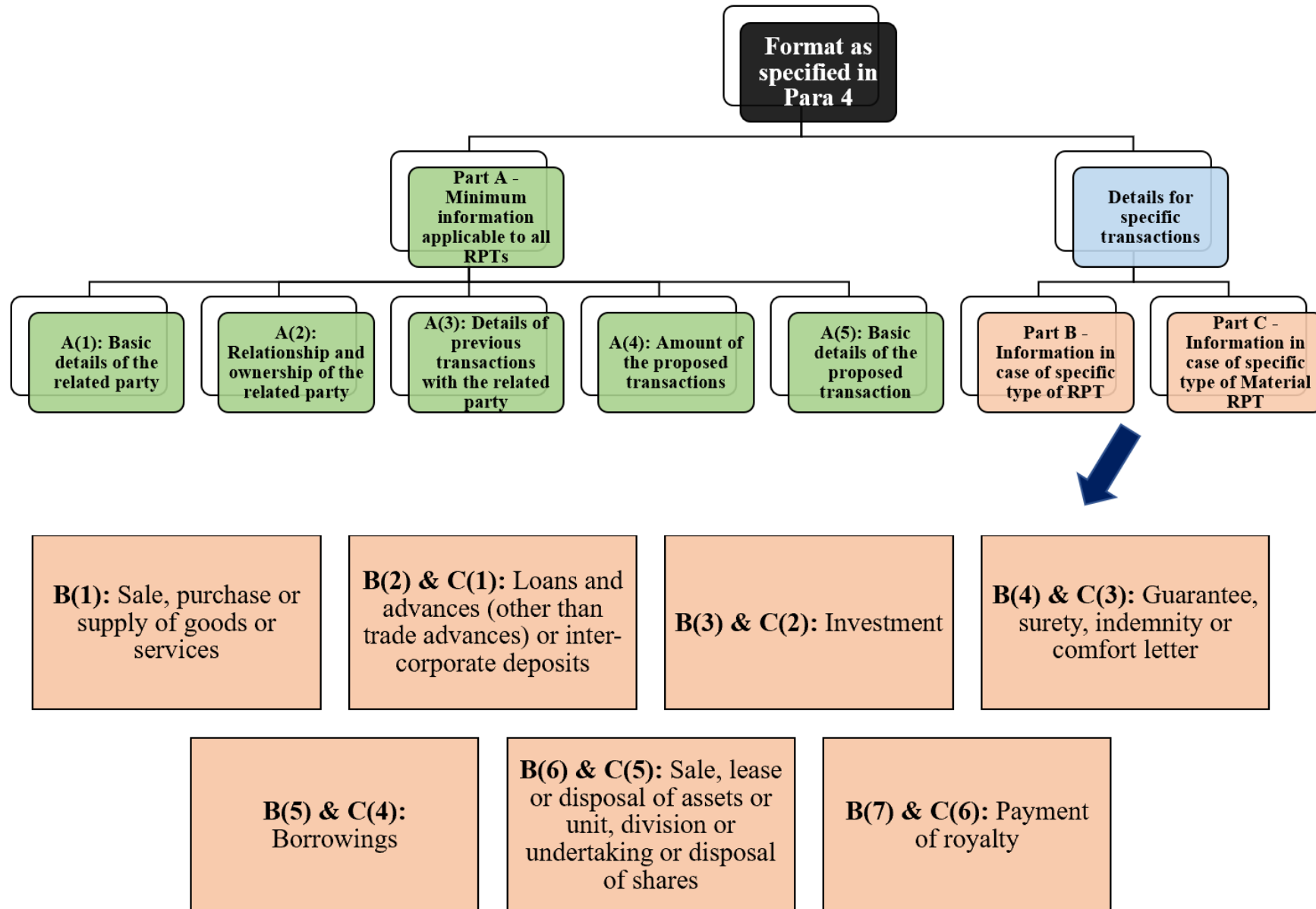




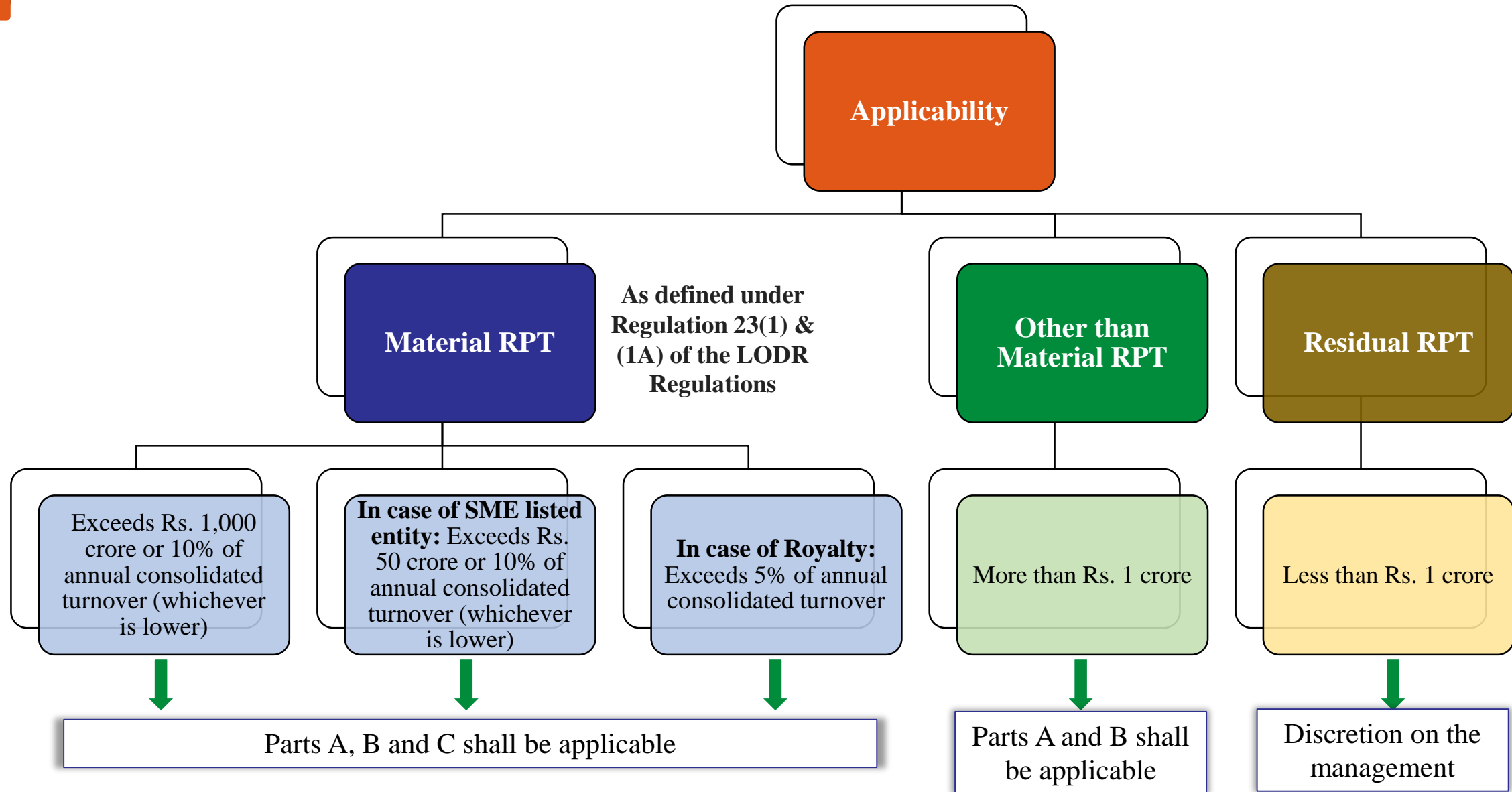
Applicability of the Standards



Format as specified in Para 4 of the RPT Industry Standards



Applicability of the RPT Industry Standards



Non-applicability of the RPT Industry Standards

Transactions exempted
under Regulation 23(5)
of the LODR
Regulations.

Quarterly review of
RPTs by the Audit
Committee in terms of
Regulation 23(3)(d) of
the LODR Regulations.



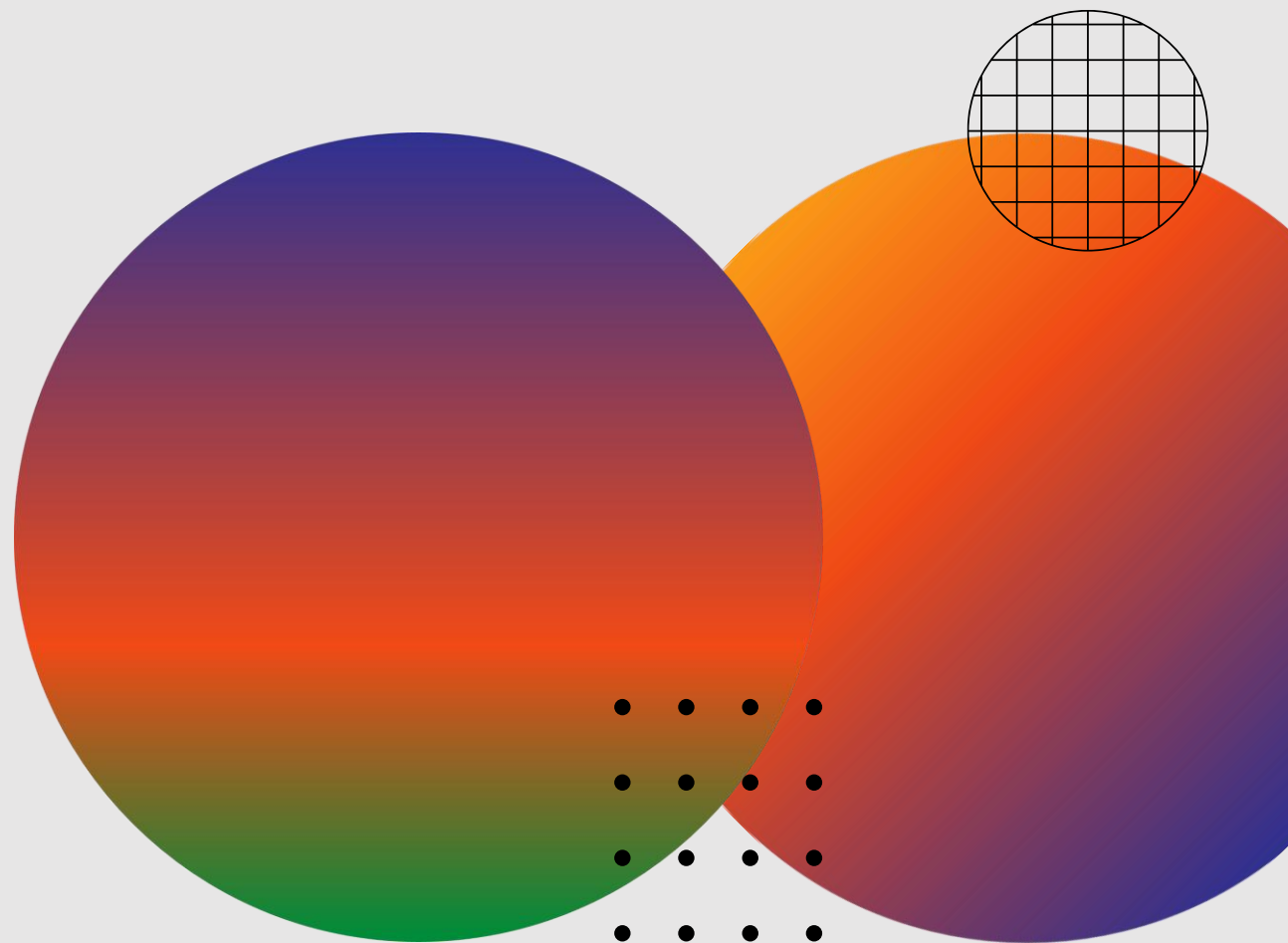
Transitional provisions for Applicability

- (a) **Approval Granted Before Effective Date for Future RPTs:** If approval for RPTs is granted by the Audit Committee and/or shareholders before 1st September 2025, fresh approval is not needed unless there is a material modification after that date.
- (b) **Omnibus Approval Prior to Effective Date for FY 2025–26:** If omnibus approval for FY 2025–26 RPTs is granted before 1st September 2025, fresh approval under RPT Industry Standards is not needed unless there's a material modification after that date.
- (c) **Material RPT Approved by Audit Committee Before Effective Date:** If a Material RPT is approved by the Audit Committee before 1st September 2025, the RPT Industry Standards won't apply, irrespective of whether the notice to shareholders is sent.





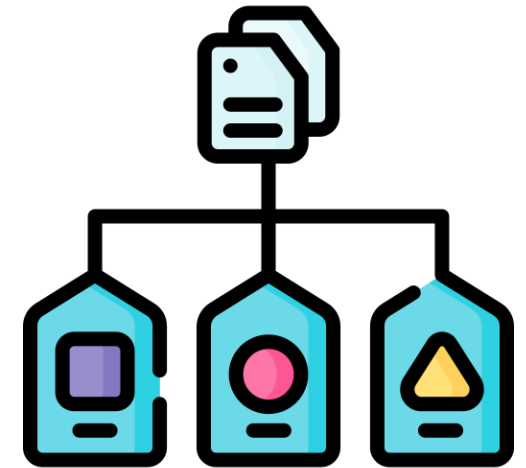
Standards on Definitions



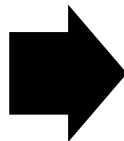
Words and expressions used in the RPT Industry Standards (Hierarchy Manner)

The “words and expressions” used in these Standards shall be construed in the following manner:

- (1) Words and expressions defined under the LODR Regulations, shall be construed in the manner they have been defined in LODR Regulations;
- (2) Words and expressions used but not defined in LODR Regulations, but defined under the SEBI Act, 1992, or the Companies Act, 2013, or the Securities Contracts (Regulation) Act, 1956, or the Depositories Act, 1996 and/or the rules thereof and regulations made thereunder shall have the same meaning as assigned to them in such Acts or rules or regulations or any statutory modification or re-enactment thereto, as the case may be.



**Defined in LODR
Regulations**

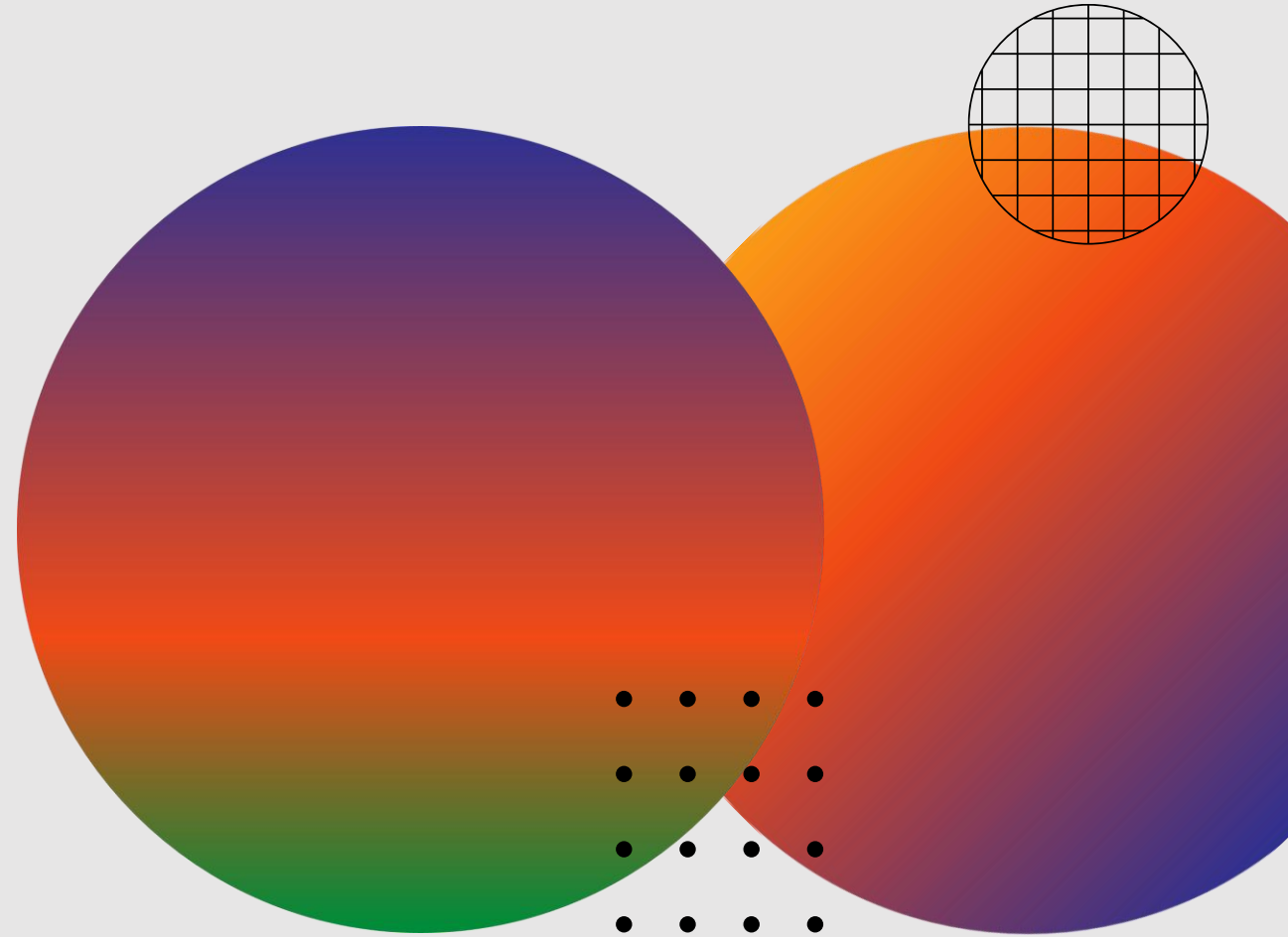


**SEBI Act, 1992, or the
Companies Act, 2013, or
the SCRA, 1956, or the
Depositories Act, 1996
and/or the rules thereof
and regulations**





Guidelines for placing information to the Audit Committee



Guidelines for placing information to the Audit Committee

- (1) The information, as specified in Para 4 of the Standards.
- (2) Certificates from the CEO/ MD/ WTD/ Manager and CFO of the listed entity **confirming that the terms of RPTs proposed to be entered into are in the interest of the Listed Entity.:**
- (3) Copy of the valuation or other report of external party, if any.



Guidelines for placing information to the Audit Committee

Other important points to be kept in mind

Where a field is not applicable, it shall be indicated as 'NA', with the reason for non-applicability to be disclosed to the Audit Committee, unless it is self-evident

If audited financials of the related party for the previous year are unavailable, it must provide certified financial extracts from its books, relevant to the RPT Industry Standards.

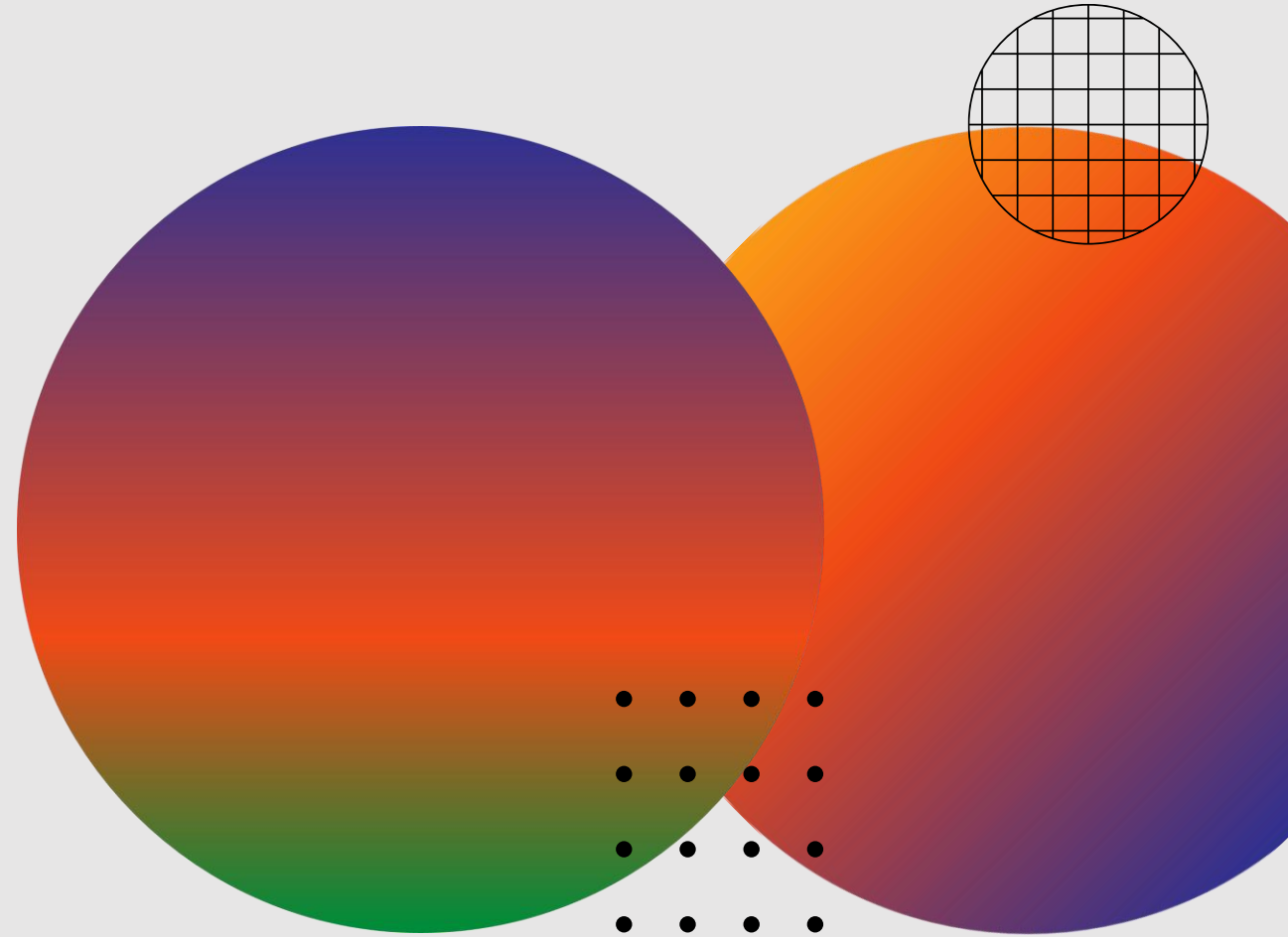
If the related party follows a different financial year, this fact shall be disclosed.

In case of multiple types of proposed transactions, details to be provided separately for each type of the proposed transaction.





**Standards on ‘Minimum
Information to be provided
to the Shareholders for
consideration of RPTs**



Minimum Information to be provided to the Shareholders for consideration of RPTs

- (1) Information as placed before the Audit Committee in the format **as specified in Para 4 of the Standards**, to the extent applicable.
- (2) **Justification** as to why the proposed transaction is in the interest of the listed entity, basis for determination of price and other material terms and conditions of RPT.
- (3) Disclose the fact that the Audit Committee has reviewed the **certificates provided by the CEO/ MD/ WTD/ Manager and CFO** of the Listed Entity as required under the RPT Industry Standards.
- (4) Disclosure that the **material RPT or any material modification thereto, has been approved by the Audit Committee** and the Board of Directors recommends the proposed transaction to the shareholders for approval.



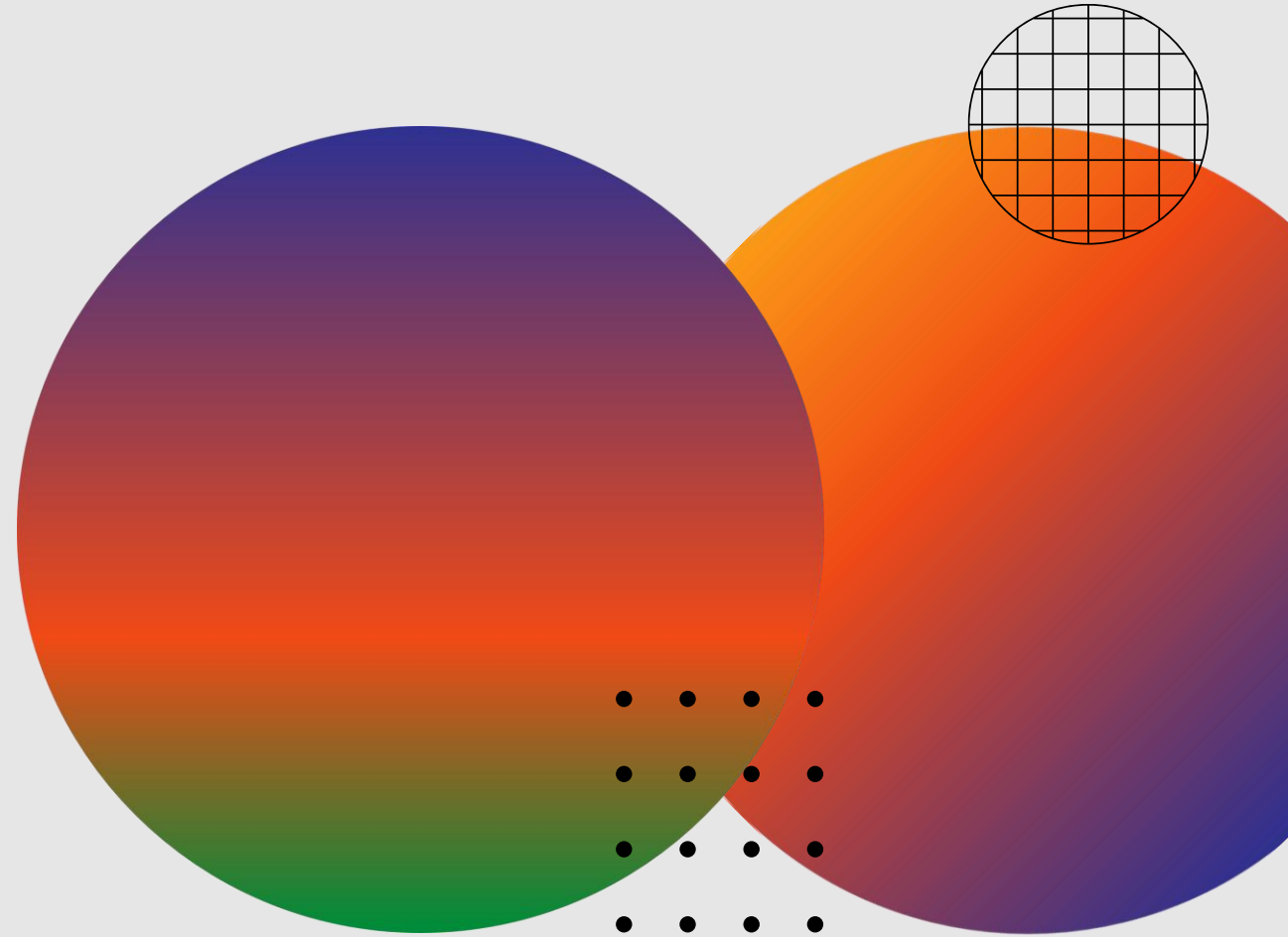
Minimum Information to be provided to the Shareholders for consideration of RPTs

- (5) **Provide web-link and QR Code**, through which shareholders can access the valuation report or other reports of external party, if any, considered by Audit Committee while approving the RPT.
- (6) The Audit Committee and Board of Directors, while providing information to the shareholders, **can approve redaction of commercial secrets and such other information** that would affect competitive position of listed entity and affirm that, in its assessment, the redacted disclosures still provides all the necessary information to the public shareholders for informed decision-making.
- (7) **Any other information** that may be relevant.

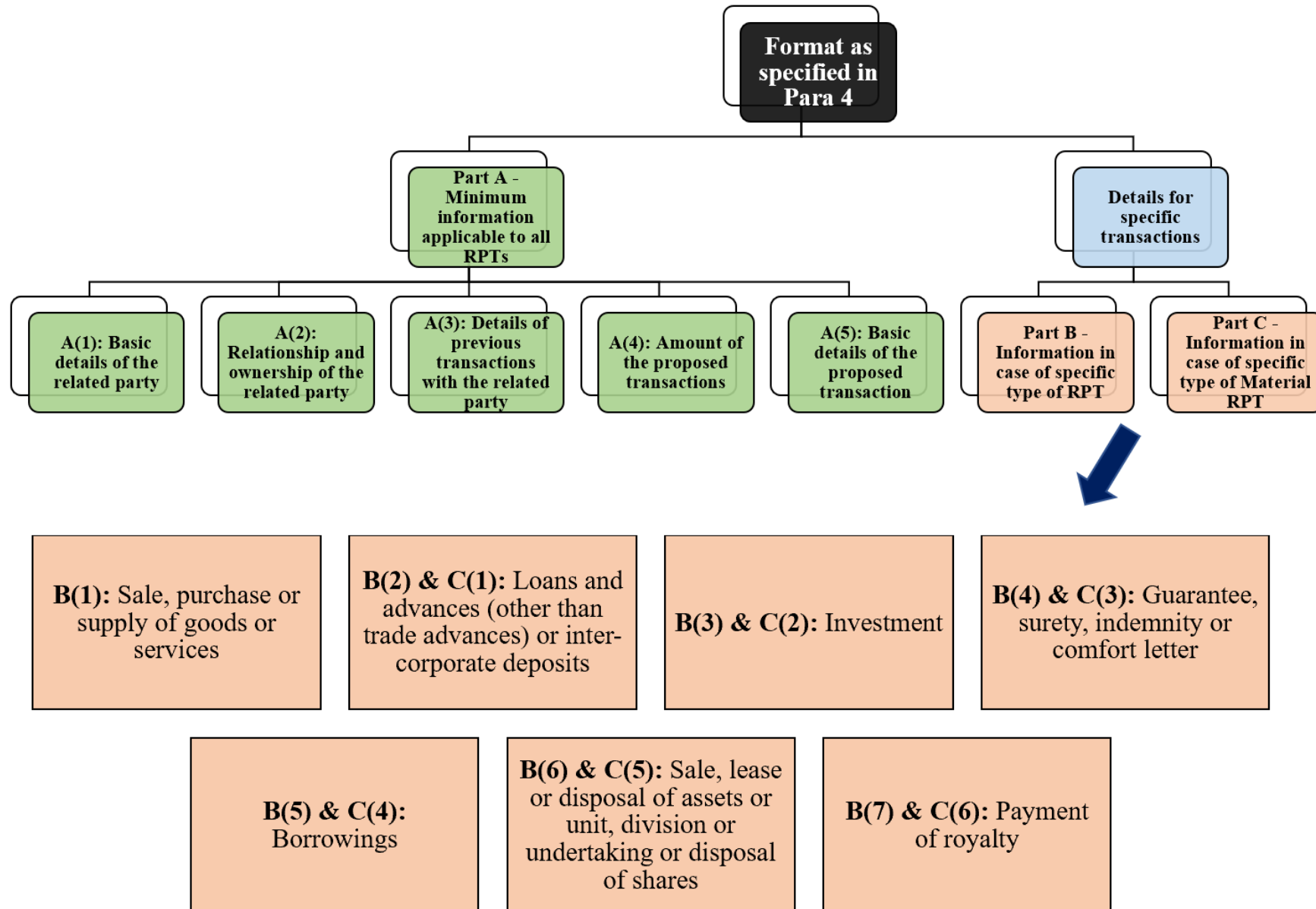




**Format as specified in Para
4 of these Standards**



Format as specified in Para 4 of the RPT Industry Standards



A(1). Basic details of the related party

Applicability: All type of RPT beyond Rs. 1 crore.

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



A(2). Relationship and ownership of the related party

Applicability: All type of RPT beyond Rs. 1 crore.

(1) Relationship between the listed entity/subsidiary (in case of transaction involving the subsidiary) and the related party – including nature of its concern (financial or otherwise) and the following:

- Shareholding of the listed entity/ subsidiary (in case of transaction involving the subsidiary), whether direct or indirect, in the related party.
- Where the related party is a partnership firm or a sole proprietorship concern or a body corporate without share capital, then capital contribution, if any, made by the listed entity/ subsidiary (in case of transaction involving the subsidiary).
- Shareholding of the related party, whether direct or indirect, in the listed entity/ subsidiary (in case of transaction involving the subsidiary).

Explanation

Indirect shareholding shall mean shareholding held through any person, over which the listed entity/ Subsidiary/ related party has control. While calculating indirect shareholding, shareholding held by relatives shall also be considered.



A(3). Details of previous transactions with the related party

Applicability: All type of RPT beyond Rs. 1 crore.

- (1) Total amount of all the transactions undertaken by the listed entity or subsidiary with the related party during the last financial year.
- (2) Total amount of all the transactions undertaken by the listed entity or subsidiary with the related party during the current financial year up to the quarter immediately preceding the quarter in which the approval is sought.
- (3) 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 financial year.



A(4). Amount of the proposed transaction(s)

Applicability: All type of RPT beyond Rs. 1 crore.

- (1) Amount of the proposed transactions being placed for approval in the meeting of the Audit Committee/ shareholders.
- (2) Whether the proposed transactions taken together with the transactions undertaken with the related party during the current financial year would render the proposed transaction a 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 consolidated turnover (if consolidated turnover is not available, calculation to be made on standalone turnover of related party) for the immediately preceding financial year, if available.
- (6) Financial performance of the related party for the immediately preceding financial year.



A(5). Basic details of the proposed transaction

Applicability: All type of RPT beyond Rs. 1 crore.

- (1) Specific type of the proposed transaction.
- (2) Details of each type of the proposed transaction.
- (3) Tenure of the proposed transaction.
- (4) Whether omnibus approval is being sought?
- (5) Value of the proposed transaction during a financial year.
- (6) Justification as to why the RPTs proposed to be entered into are in the interest of the listed entity.
- (7) Details of the promoter(s)/ director(s) / KMP of the listed entity who have interest in the transaction, whether directly or indirectly.
- (8) Copy of the valuation or other external party report, if any.
- (9) Other information relevant for decision making.



B(1). Sale, purchase or supply of goods or services

Applicability: Specific RPT beyond Rs. 1 crore.



- (1) Bidding or other process, if any, applied for choosing a party for sale, purchase or supply of goods or services.
- (2) Basis of determination of price.
- (3) In case of Trade advance (*of upto 365 days or such period for which such advances are extended as per normal trade practice*), if any, proposed to be extended to the related party in relation to the transaction, specify the following:
 - a. Amount of Trade advance
 - b. Tenure
 - c. Whether same is self-liquidating?



B(2). Loans, inter-corporate deposits or advances (other than trade advances)

Applicability: Specific RPT beyond Rs. 1 crore.

- (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) Rate of interest at which the listed entity or its subsidiary is borrowing from its bankers/ other lenders.
- (4) Proposed interest rate to be charged by listed entity or its subsidiary from the related party.
- (5) Maturity / due date.
- (6) Repayment schedule & terms.
- (7) Whether secured or unsecured?
- (8) If secured, the nature of security & security coverage ratio.
- (9) The purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the transaction.



C(1). Loans, inter-corporate deposits or advances (other than trade advances)

Applicability: Specific Material RPT



- (1) Latest credit rating of the related party.
- (2) Default on borrowings, if any, over the last three financial years, by the related party from the listed entity or any other person and value of subsisting default.

Additionally, state whether the related party:

- a) is currently classified as an NPA by any banker;
- b) is declared a wilful defaulter by any banker;
- c) is undergoing or facing insolvency or liquidation proceedings;
- d) (if not an MSME) is disqualified under Section 29A of the IBC, 2016.



B(3). Investment

Applicability: Specific RPT beyond Rs. 1 crore.



- (1) Source of funds in connection with the proposed transaction.
- (2) Where any financial indebtedness is incurred to make investment, specify: Nature of indebtedness, Total cost of borrowing, Tenure & Other details.
- (3) Purpose for which funds shall be utilized by the investee company.
- (4) Material terms of the proposed transaction



C(2). Investment



Applicability: Specific Material RPT

- (1) Latest credit rating of the related party.
- (2) Whether any regulatory approval is required. If yes, whether the same has been obtained.



B(4). Guarantee, surety, indemnity or comfort letter

Applicability: Specific RPT beyond Rs. 1 crore.



- (1) Rationale for giving guarantee, surety, indemnity or comfort letter.
- (2) Whether it will create a legally binding obligation on listed entity?
- (3) 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.
- (4) The value of obligations undertaken by the listed entity or any of its subsidiary, for which a guarantee, surety, indemnity or comfort letter has been provided by the listed entity or its subsidiary. Additionally, any provisions required to be made in the books of account of the listed entity or any of its subsidiary shall also be specified.



C(3). Guarantee, surety, indemnity or comfort letter

Applicability: Specific Material RPT



- (1) If guarantee, performance guarantee, surety, indemnity or comfort letter is given in connection with the borrowing by a related party, provide latest credit rating of the related party.
- (2) Details of solvency status and going concern status of the related party during the last three financial years.
- (3) The value of obligations undertaken by the listed entity or any of its subsidiary, for which a guarantee, performance guarantee, surety, indemnity or comfort letter has been provided by the listed entity or its subsidiary. Additionally, any provisions required to be made in the books of account of the listed entity or any of its subsidiary shall also be specified.
- (4) Default on borrowings, if any, over the last three financial years, by the related party from the listed entity or any other person.

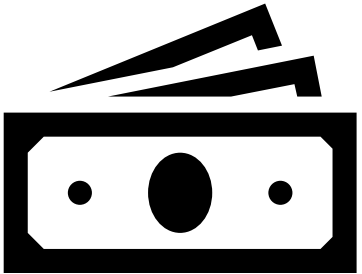
Additionally, state whether the related party:

- a) is currently classified as an NPA by any banker;
- b) is declared a wilful defaulter by any banker;
- c) is undergoing or facing insolvency or liquidation proceedings;
- d) (if not an MSME) is disqualified under Section 29A of the IBC, 2016



B(5). Borrowings

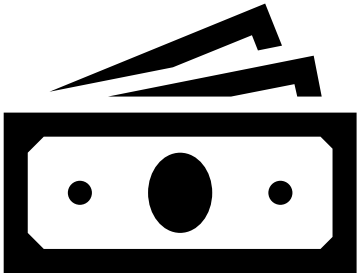
Applicability: Specific RPT beyond Rs. 1 crore.



- (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.



C(4). Borrowings



Applicability: Specific Material RPT

- (1) Debt to Equity Ratio of the listed entity or its subsidiary based on last audited financial statements: *Before and After Transaction*
- (2) Debt Service Coverage Ratio of the listed entity or its subsidiary based on last audited financial statements: *Before and After Transaction*



B(6). Sale, lease or disposal of assets or unit, division or undertaking, or disposal of shares

Applicability: Specific RPT beyond Rs. 1 crore.



- (1) Bidding or other process, if any, applied for choosing a party for sale, lease or disposal of assets of subsidiary or of unit, division or undertaking of the listed entity.
- (2) Basis of determination of price.
- (3) 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.
- (4) 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 three financial years.
- (5) 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.



C(5). Sale, lease or disposal of assets or unit, division or undertaking, or disposal of shares

Applicability: Specific Material RPT

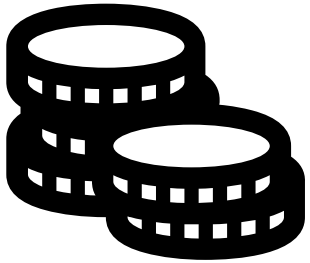


- (1) Details of earlier sale, lease or disposal of assets of the same subsidiary or of the unit, division or undertaking of the listed entity or disposal of shares of the same subsidiary or associate to any related party during the preceding twelve months.
- (2) Whether the transaction would result in issue of securities or consideration in kind to a related party? If yes, please share the relevant details.
- (3) Would the transaction result in eliminating a segment reporting by the listed entity or any of its subsidiary?
- (4) 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?
- (5) Are there any other major non-financial reasons for going ahead with the proposed transaction?



B(7). Payment of Royalty

Applicability: Specific RPT beyond Rs. 1 crore.



- (1) Purpose for which royalty is proposed to be paid to the related party in the current financial year.
- (2) The listed entity may confirm whether the parent company charges royalty at a uniform rate from all group companies in other jurisdiction.

If No: *Minimum & Maximum rate of royalty charged along with corresponding absolute amount*

- (3) Sunset Clause for Royalty payment, if any.

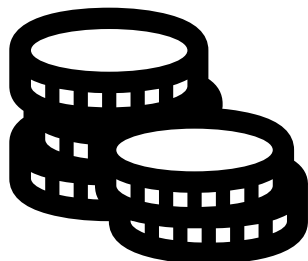


C(6). Payment of Royalty

Applicability: Specific Material RPT

- (1) Gross amount of royalty paid by the listed entity or subsidiary to the related party during each of the last three financial years.
- (2) Purpose for which royalty was paid to the related party during the last three financial years.
- (3) Royalty paid in last 3 FYs as % of Net Profits of previous FYs.
- (4) Percentage or Rate at which royalty has increased in the past 3 years, if any, vis-à-vis rate at which the turnover and profits after tax have increased during the same period.
- (5) 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	%	%	%	%



C(6). Payment of Royalty

In case of payment of royalty, how to select Industry Peers?

- (1) The Listed Entity will compare the royalty payment with a minimum of three suitable and relevant Industry Peers (i.e. apple to apple comparable Industry Peers), where feasible.
- (2) In cases where fewer than three Industry Peers are available, the listed entity will disclose, that only one or two peers are available for comparison.
- (3) If the listed entity is part of any sectoral index, the listed entity is to consider the other constituents of such sectoral index for the purpose of peer comparison which are in similar line of business.
- (4) In case there are no Industry Peers, the Listed Entity shall state that no Industry Peers are available for comparison.



THANK YOU



**Corporate
Professionals**
WHERE EXCELLENCE IS LAW



**Mr. Pavan Kumar Vijay,
Founder, Corporate
Professionals & Past President,
ICSI**

**Mr. Ankit Singhi,
Head – Corporate Affairs &
Compliance, Corporate
Professionals**