First Notes

SEBI notifies revised RPT Industry Standards

14 July 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

Background

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) 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, the circular did not provide any specific format in which RPT information could be provided to Audit Committee and shareholders.

Uniform approach

To facilitate a uniform approach and assist listed entities in complying with RPTs' approval requirements, SEBI issued a circular[1] on 14 February 2025 (earlier circular on RPT standards).

The circular specified 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). These RPT Industry Standards were originally made applicable in respect of RPTs entered by the listed entity on or after 1 April 2025. However, following stakeholders' feedback requesting extension, the effective date was deferred to 1 July 2025.

1 Circular no. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/18 dated 14 February 2025

New development

- Based on the feedback received from stakeholders on simplification and review of the RPT Industry Standards, the Industry Standards Forum (ISF) in consultation with the SEBI, issued the revised Industry Standards on 'Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions (Revised RPT Standards) on 26 June 2025.

- These Revised RPT Standards would be effective from 1 September 2025 and supersede the earlier circulars[2] issued by SEBI.

- The listed entities will now be required to follow the Revised RPT Standards to ensure compliance with Part A and Part B of Section III-B of the Master Circular read with Regulations 23(2), (3) and (4) of the LODR Regulations.

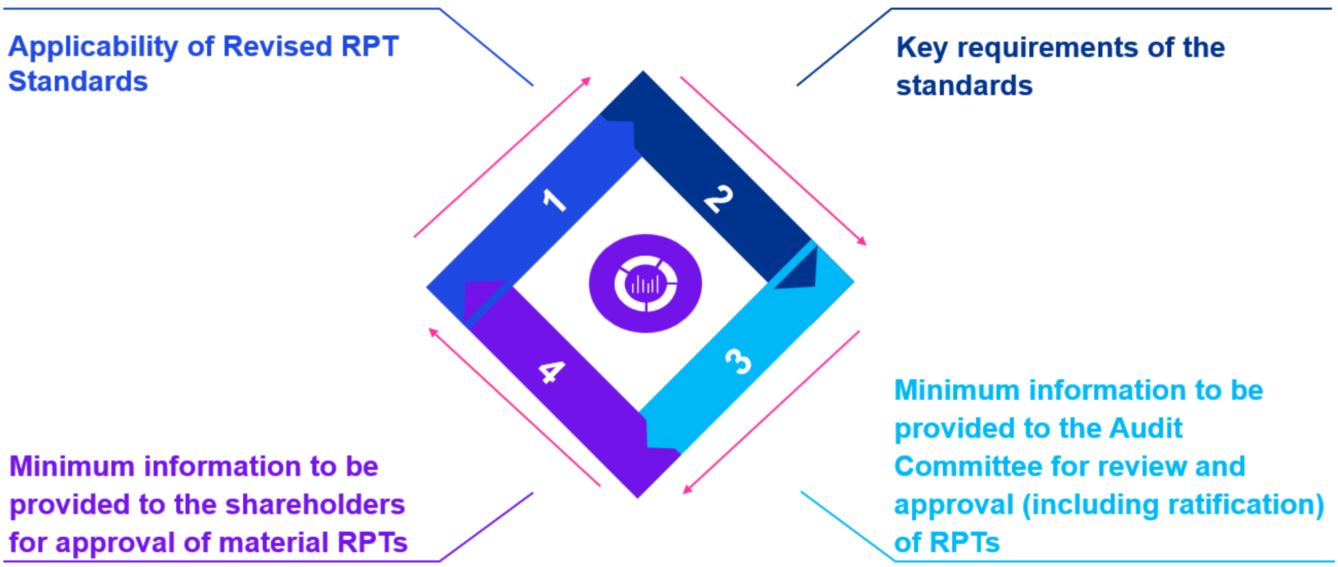
  – *Regulation 23(2): All RPTs and subsequent material modifications shall require prior approval of the Audit Committee of the listed entity.*

  – *Regulation 23(3): An audit committee may grant omnibus approval for related party transactions proposed to be entered into by the listed entity or its subsidiary. It would need to fulfil certain conditions.*

  – *Regulation 23(4): All material RPTs and subsequent material modifications as defined by the Audit Committee under Regulation 23(2) shall require prior approval of the shareholders through resolution and no related party shall vote to approve such resolutions whether the entity is a related party to the particular transaction or not.*

The Revised RPT Standards aim to standardise the disclosure of the 'minimum information' required for RPTs to ensure transparency and consistency in approvals by Audit Committees and shareholders.

The following infographic illustrates some of the key aspects discussed in the Revised RPT Standards:



2 Circular no. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/18 dated 14 February 2025 and Circular no. SEBI/HO/CFD/CFDPoD-2/P/CIR/2025/37 dated 21 March 2025

Applicability matrix

The Revised RPT Standards are applicable to:

- All RPTs placed for review and approval by the Audit Committee under Regulations 23(2) and 23(3) of the LODR Regulations.
- Material RPTs as defined under Regulations 23(1) and 23(1A) of the LODR Regulations, which require approval from both the Audit Committee and shareholders.

As per Regulation 23(1) and 23(1A), 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.*

Non-applicability of the Revised RPT Standards

Revised RPT Standards would not apply to:

- Exempted transactions under Regulation 23(5)[3].
- Quarterly reviews of RPTs by the Audit Committee for the transactions entered into by the listed entity or its subsidiary with regard to each omnibus approval given (as required by Regulation 23(3)(d)).
- Transactions with a related party (individually or cumulatively during a financial year) that do not exceed INR1 crore, including those approved via ratification.

Transition requirements

The following infographic summarises the transition requirements for RPTs at various stages of approval before effective date i.e. 1 September 2025

Audit Committee and/or/ shareholders' approval before 1 September 2025	Omnibus approval before 1 September 2025	Material RPT - Audit Committee's approval obtained before 1 September 2025	Approval of Audit Committee and/or shareholders to be obtained after 1 September 2025
If, date of execution of RPT is on or after effective date, Revised RPT Standards are not applicable, unless there is any material modification	If, date of execution of RPT is on or after effective date, Revised RPT Standards are not applicable, unless there is any material modification	If, date of execution of RPT is on or after effective date, Revised RPT Standards are not applicable irrespective of whether the notice to shareholders is sent before/ on/ after 1 September 2025	If, date of execution of RPT is on or after effective date, Revised RPT Standards are applicable

3 The following transactions are not subject to shareholders' approval under the specified sub-regulations:

- Public sector transactions: Transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand.
- Holding-subsidiary transactions: Transactions between a holding company and its wholly owned subsidiary, provided their accounts are consolidated and presented to shareholders for approval.
- Subsidiary-subsidiary transactions: Transactions between two wholly owned subsidiaries of a listed holding company, with consolidated accounts placed before shareholders for approval.
- Statutory payments: Payments of statutory dues, fees, or charges made to or received from the Central or State Government.

Approval of RPTs

The Revised RPT Standards provide guidelines for listed entities to obtain necessary approvals from the Audit Committee and shareholders.

Steps for compliance:

1. **Identify related parties and RPTs**: Identify RPTs as per LODR Regulations. Additionally, determined the RPTs that are exempt as per the Revised RPTs Standards.
2. **Determine material RPTs**: After step 1, determine material RPTs as per Regulations 23(1) and 23(1A) of the LODR Regulations.
3. **Framework for 'minimum information'**: The Revised RPT Standards have structured the information to be provided to Audit Committees in three parts: Part A, Part B and Part C. These parts are explained below:

Part A

This part will capture the minimum information of the proposed RPT and provides universal disclosures for all RPTs

This section requires:
- Basic detail of the related party i.e. name, country of incorporation and nature of business of the related party
- Relationship and ownership of the related party
- Details of previous transactions with the related party
- Details of the proposed transaction including value, tenure, financial performance of the related party for the immediately preceding year and justification
- Disclosure of interested directors or Key Managerial Personnels (KMPs)

Part B

This part will capture information to be provided for specific type of RPTs. This information is in addition to Part A.

This section requires information when the RPT falls into one of seven categories:
1. Sale/purchase/supply of goods or services
2. Loans and advances
3. Investments
4. Guarantees or indemnities
5. Borrowings
6. Asset or share disposals
7. Royalty payments

Each category has tailored disclosure requirements such as pricing basis, security terms, repayment schedules, and peer comparisons.

Part C

This part will capture information when the RPT qualifies as 'material' under LODR Regulations.

This section builds on Parts A and B and includes:
- Credit ratings and default history
- Solvency and going concern status
- Impact on financial ratios and segment reporting
- . Historical royalty trends and industry benchmarking.

Detailed format for disclosure of 'minimum information':

Part	Disclosures required	Material RPT	Non-material RPT
A	**Minimum information of the proposed RPT, applicable to all RPTs**		
A(1)	Basic details of the related party	Yes	Yes
A(2)	Relationship and ownership of the related party	Yes	Yes
A(3)	Details of previous transactions with the related party	Yes	Yes
A(4)	Amount of the proposed transactions	Yes	Yes
A(5)	Basic details of the proposed transactions	Yes	Yes
B	**Information to be provided only if a specific type of RPT as mentioned below is proposed to be undertaken and is in addition to Part A**		
B(1)	Sale, purchase or supply of goods or services or any other similar business transaction and trade advances	Yes	Yes
B(2)	Loans and advances (other than trade advances) or inter-corporate deposits given by the listed entity or its subsidiary	Yes	Yes
B(3)	Investment made by the listed entity or its subsidiary	Yes	Yes
B(4)	Guarantee (including performance guarantee in nature of security/contractual commitment or which could have an impact in monetary terms on the issuer of such guarantee)), surety, indemnity or comfort letter, by whatever name called, made or given by the listed entity or its subsidiary	Yes	Yes
B(5)	Borrowings by the listed entity or its subsidiary	Yes	Yes
B(6)	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	Yes	Yes
B(7)	Transactions relating to payment of royalty	Yes	Yes
C	**Information to be provided only if a specific type of RPT mentioned below proposed to be undertaken is a material RPT and is in addition to Part A and B**		
C(1)	Loans and advances (other than trade advances) or inter-corporate deposits given by the listed entity or its subsidiary	Yes	No
C(2)	Investment made by the listed entity or its subsidiary	Yes	No
C(3)	Guarantee (including performance guarantee in nature of security/contractual commitment or which could have an impact in monetary terms on the issuer of such guarantee)), surety, indemnity or comfort letter, by whatever name called, made or given by the listed entity or its subsidiary	Yes	No
C(4)	Borrowings by the listed entity or its subsidiary	Yes	No
C(5)	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	Yes	No
C(6)	Transactions relating to payment of royalty	Yes	No

Detailed format for minimum information (contd.)

The earlier circular on RPT standards categorised RPTs into three categories

- Material RPTs.
- Other RPTs, but which is with promoter/promoter group or person/entity in which promoter or promoter group has concern or interest
- Residual RPTs.

Further, the information regarding RPTs was categorised into balance sheet and profit and loss account information. Material and promoter/promoter group RPTs required comprehensive information, while residual RPTs required limited disclosure of information. The Revised RPT Standards bring in the following key updates in the disclosure of minimum information requirements-

- **Reduced information on financial performance of the related party:** The earlier circular on RPT standards required the management to provide financial performance details of the related party - covering turnover, net profit, and net worth for the past three financial years as part of basic details of the related party. Under the Revised RPT Standards, this has been reduced to only the immediately preceding financial year.

- **Inclusion of trade advances and certain performance guarantees:** Under the Revised RPT Standards, 'minimum information' for specific transactions now include trade advances along with sale, purchase or supply of goods or services. Further, under the information for guarantees, performance guarantees in the nature of security/contractual commitment, or which could have an impact in monetary terms on the issuer of such guarantee are covered. These aspects were not included in the earlier circular on RPT standards.

- **Bids/proposals for transaction related to purchase/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:** The earlier circular on RPT standards, required the management to obtain a minimum of three bids, and if fewer were secured, the Audit Committee had to justify the adequacy of the reduced number. Under the Revised RPT Standards, obtaining bids or proposals is no longer mandatory and is now subject to the management's discretion and justification.

- **Credit rating of related party:** The earlier circular on RPT standards required disclosure of the related party's credit rating and evaluation of interest rates based on that rating for loans, advances, or inter-corporate deposits. Under the Revised RPT Standards, only the latest credit rating is required for **material** RPTs. Other evaluations are no longer mandated.

- **Exemptions to certain companies**: The Revised RPT Standards extend certain exemptions related to transaction of loans and advances (other than trade advances), inter-corporate deposits given, investments made, borrowings by the listed entity or its subsidiary to insurance companies and housing finance companies. The earlier circular on RPT standards gave these exemptions only to listed banks and Non-Banking Financial Company (NBFCs).

- **Reduction in disclosure of minimum information**: In relation to investments made, the Revised RPT Standards no longer mandates following information:
  - expected annualised returns (for debt instruments)
  - returns on past investments over the last three financial years, including Return on Equity and
  - justification for negative returns and asset-liability mismatch post investment (for debt instruments)

  Further, in relation 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, details of operating cash flow margin and Return on Assets are no longer required.

- **Royalty payment information:** The Royalty payment information has been significantly reduced for non-material RPTs. Details required under the Revised RPT Standards for material RPTs are - purpose of royalty, value, details of royalty paid by parent company and sunset clause. Further, information related to royalty paid/ payable for imported technology, for brands or other intangible assets, along with the turnover attributable to their use which were previously required are now deleted. Further peer comparison requirement previously mandated companies to benchmark royalty payments against global peers and prescribed a hierarchy. This has now been removed to reduce compliance burden.

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

Management has following responsibilities to the Audit Committee:

- **Standardised format**:
  - Information must be provided in the format specified by the RPT Industry Standards.
  - Fields marked 'NA' must include a reason for non-applicability unless self-evident.

- **Certification requirement**:
  A certificate must be provided by the Chief Executive Officer (CEO) **or** Managing Director **or** Whole Time Director **or** Manager **and** Chief Financial Officer (CFO) confirming that the terms of the proposed RPTs are in the interest of the listed entity.

- **External valuation reports**:
  A copy of any valuation or external report, if available, must be submitted.

- **Financial extracts**:
  If audited financials of a related party are unavailable for the preceding financial year, certified financial extracts (as relevant to/for the minimum information) from the party's books of accounts must be provided.

- **Disclosure of financial year differences**:
  Any difference in the financial year followed by the related party must be disclosed.

- **Transaction type segregation**:
  Each type of proposed transaction must be detailed separately. Examples of transactions that would be disclosed separately are
  - Sale and purchase of goods
  - Sale of goods and sale of services
  - Loans and guarantees.

Audit Committee has following discretion:

- **Comments and rationale**:
  The Audit Committee, at its discretion, may comment on the information provided by the management. Such comments and the rationale for not approving any RPT must be recorded in the meeting minutes.

- **Request for additional information**:
  The Audit Committee may seek further details from management as deemed necessary and reasonable for evaluating the proposed RPT.

Key changes from previous requirements:

- The earlier circular on RPT standards required Audit Committee to provide comments alongside the management's comments for the information to be provided in the RPT standardised format. The revised format has removed this requirement .

- The earlier circular on RPT standards required
  - certificates from the CEO or CFO or any other Key Managerial Personnel of the listed entity and from every director of the listed entity who is also promoter (promoter director)
  - to confirm that the proposed RPTs are not prejudicial to the interest of public shareholders

Standards for minimum information to be provided to the shareholders for approval of material 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 (2013 Act):

- **Minimum information requirement:** Ensure shareholders receive sufficient details to assess whether the RPT terms and conditions are favorable to the listed entity.
- **Mandatory inclusions in explanatory statement:**
  - **Format of the information:** Present information as per Revised RPT Standards' format, as reviewed by the Audit Committee, to the extent applicable.
  - **Transaction justification:** Explain why the RPT is in the interest of the listed entity, including price basis and material terms and conditions.
  - **Executive certification review:** Confirm Audit Committee has reviewed certificates from CEO/MD/WTD/Manager and CFO.
  - **Board and committee approval:** Disclose the fact that the Audit Committee and Board have approved the RPT and recommend the proposed transaction to the shareholders.
  - **Access to external reports:** Provide a web link and QR code to valuation report or other external reports of the external party, if any, considered by Audit Committee while approving the RPT.
  - **Redaction policy:** The Audit Committee and Board of Directors, while providing information to shareholders can approve redaction of commercial secrets and other such information that would affect competitive position of listed entity and affirm that any redacted commercial secrets still allow informed shareholder decision-making.
  - **Additional relevant Information:** Include any other material details that support transparency and informed voting.

Key changes from previous requirements:

- The earlier circular on RPT standards required the Copy of valuation/expert reports considered by Audit Committee was required to be provided to the shareholders. As per the Revised RPT Standards, a web-link and QR code to access reports is to be provided.
- As per the earlier circular on RPT standards, the Audit Committee was permitted to approve redaction of commercially sensitive information from the minimum information to be provided to shareholders, provided it certifies that the remaining content is sufficient for informed decision-making. Under the Revised RPT Standards, the Audit Committee and the Board of Directors need to approve redaction of information.
- The earlier circular on RPT standards required justification to be provided to the shareholders if bids were not invited for certain specified transactions. This requirement has now been removed.
- The earlier circular on RPT standards required the Audit Committee to confirm that all relevant information was reviewed and that the promoter(s) would not benefit from the RPT at the expense of public shareholders. Now, this requirement has been removed.
- The Revised RPT Standards require that a disclosure be provided to shareholders that material RPT or any significant modification to RPT has been approved by the Audit Committee and that the Board recommends it for shareholders' approval. This requirement was not present under the earlier circular on RPT standards.

Our comments

The SEBI's issuance of the Revised RPT Standards marks a positive development, offering greater clarity, consistency and simplification in how listed companies review and disclose such transactions. Incorporating stakeholders' feedback, SEBI has streamlined formats for minimum information, relaxed certification requirements, and eliminated certain benchmarking obligations. These changes are expected to ease the compliance burden that initially accompanied the introduction of the RPT Industry standards earlier this year. Importantly, while manner of disclosure of minimum information has been simplified, SEBI has maintained robust transparency for audit committees and shareholders. Overall, the revised standards are poised to enhance governance practices across the industry without adding unnecessary complexity. Some of the key considerations are:

- **Streamlined applicability and thresholds**: The Revised RPT Standards simplify the overall framework by introducing a tiered disclosure structure - Part A for all transactions, Part B for seven specified types, and Part C for material RPTs - replacing the earlier complex thresholds and bifurcation between balance sheet and profit and loss transactions. This restructuring helps companies better navigate applicability requirements and focus their governance efforts on transactions that merit detailed scrutiny. Additionally, the inclusion of clear transitional provisions, such as the treatment of approvals granted before the effective date, provides much-needed clarity and supports smoother implementation.

- **Distinction between material and non-material RPTs:** A key improvement under the Revised RPT Standards is the clearer distinction between material and non-material RPTs. For non-material transactions, companies are now required to provide only minimal information, which is expected to significantly reduce the compliance effort. Importantly, resource-intensive requirements such as peer benchmarking and hierarchy-based comparisons for royalty payments, have been restricted to material transactions, ensuring that detailed analysis is reserved for higher-impact cases.

- **Simplification of minimum information requirements**: The Revised RPT Standards bring notable simplifications to the minimum information requirements, particularly for non-material transactions. By limiting financial information to the most recent year as compared to three FYs and removing detailed metrics such as operating margins, return on investment, and bid justifications, the standards reduce the reporting burden for companies. 'Minimum information' requirements as per ISF are now confined to material RPTs under Part C, allowing companies to prioritise efforts where they are most needed. Additionally, exemption from applicability of RPT Industry Standards has been extended to insurance companies and housing finance companies which were previously available only to banks and NBFCs – this demonstrates an inclusive and sector-sensitive approach. These changes are expected to improve efficiency in compliance processes while maintaining governance standards.

- **Enhanced flexibility for Audit Committees**: The Revised RPT Standards introduce meaningful flexibility for Audit Committees, moving away from the rigid, prescriptive format of the earlier version. Under the revised framework, Audit Committees are no longer required to provide standardised comments for every transaction; instead, they are empowered to exercise discretion in evaluating proposals and requesting additional information where necessary. This shift acknowledges the varying complexity and risk profiles of RPTs and allows committees to focus their oversight on transactions that warrant deeper scrutiny. By enabling a more tailored and judgement-based approach, the revision supports more effective governance without overburdening the review process.

- **Certification requirements:** The certification requirements under the Revised RPT Standards reflect a shift towards more practical and focused governance. By narrowing the certifying group to the CEO/MD/Whole-Time Director/Manager and CFO, and removing the need for promoter-director certification, SEBI has responded to stakeholder concerns about procedural burden while maintaining accountability. The change in language- from confirming arm's length fairness and protection of public shareholders to affirming that the transaction is in the interest of the listed entity, places greater emphasis on management's judgement. This revision simplifies compliance while still ensuring that key transactions are subject to meaningful oversight by the Board of Directors.

Our comments (Contd.)

- **Board of Directors**: Under the Revised RPT Standards, the Board of Directors have been assigned additional responsibilities that were not explicitly required under the earlier circular on RPT standards. Under the Revised RPT Standards, the Board is now required to approve RPTs and formally recommend them for shareholders' approval. Additionally, in collaboration with the Audit Committee, the Board is responsible for authorising the redaction of commercially sensitive information to be provided as part of minimum information to the shareholders. The Board's approval adds an extra layer of review, and making sure shareholders get clear and useful information. The requirement for the Board of Directors' approval reflects its overall responsibility towards oversight of all transactions of the company even if the RPTs are considered by the Independent Directors of the Audit Committee. By involving senior leadership, the new rules improve accountability and help ensure that RPTs support the company's goals.

- **Interaction with the Companies Act:** The Revised RPT Standards are designed to bring sharper focus and consistency to how companies present RPTs to their Audit Committees and shareholders. These standards do not override the provisions of the Companies Act, 2013 (2013 Act) but rather complement them. Section 188 of the 2013 Act continues to govern RPTs from a statutory perspective, including threshold limits and approval mechanisms . Listed companies will, therefore, have to ensure dual compliance - adhering to both the 2013 Act and the Revised RPT Standards. This means that while the 2013 Act sets the legal framework for RPTs, the Revised RPT Standards provide the granular information and procedural requirements necessary for compliance with SEBI requirements as well as regulatory and investor scrutiny. This integrated approach will help strengthen corporate governance and reinforce investor confidence in the transparency of related party dealings.

Bottomline

SEBI has continued its efforts to strengthen the regulatory framework around related party transactions by revising the RPT Industry Standards, shaped by stakeholder feedback. The Revised RPT Standards builds on the earlier version by introducing a more structured and tiered disclosure of information format, easing certain requirements for non-material transactions, and removing prescriptive elements such as mandatory peer benchmarking and bid processes. These refinements offer practical relief to companies, especially in terms of reduced documentation for lower-risk transactions, while still maintaining transparency and governance. Although companies will need to recalibrate internal processes to meet the revised information requirements, the changes are expected to make the approval process more efficient and focused over time, aligning regulatory expectations more closely with operational realities.

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Issue no. 107 – June 2025

The topics covered in this issue are:

- Accounting for commodity contracts
- Evolving trends in financial reporting timelines
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To access the publication, please click here

MCA amends Ind AS 21 to address lack of exchangeability of exchange rates

05 June 2025

Under Ind AS 21, The Effects of Changes in Foreign Exchange Rates, a company on initial recognition, uses a spot exchange rate when translating a foreign currency transaction at the date of the transaction. Additionally, Ind AS 21 requires the use of a spot exchange rate when an entity reports foreign operation's results and financial position in its financial statements. A spot exchange rate is the exchange rate for immediate delivery.

However, in rare circumstances, it is possible that one currency cannot be exchanged into another. This lack of exchangeability may occur when a government imposes controls on capital imports and exports, or when it limits the volume of foreign currency transactions at an official exchange rate. In some cases, severe economic instability or hyperinflation can disrupt normal currency exchange mechanisms, leading to a lack of exchangeability. Consequently, market participants are unable to buy and sell currency to meet their needs at the official exchange rate and turn instead to unofficial, parallel markets.

Although circumstances in which a currency is not exchangeable might arise relatively lower or only few jurisdictions may be affected by this, it can have a significant accounting impact over affected companies.

Ind AS 21 specifies the exchange rate to use in reporting foreign currency transactions when exchangeability between two currencies is temporarily lacking. However, Ind AS 21 does not specify what an entity is required to do when a lack of exchangeability is not temporary.

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 30 June 2025) provides a summary of key updates from Amendments to Ind AS 21,The Effects of Changes in Foreign Exchange Rates, Updates from SEBI Board meeting, IFRS 18, Presentation and Disclosure in Financial Statements

To access the publication, please click here

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