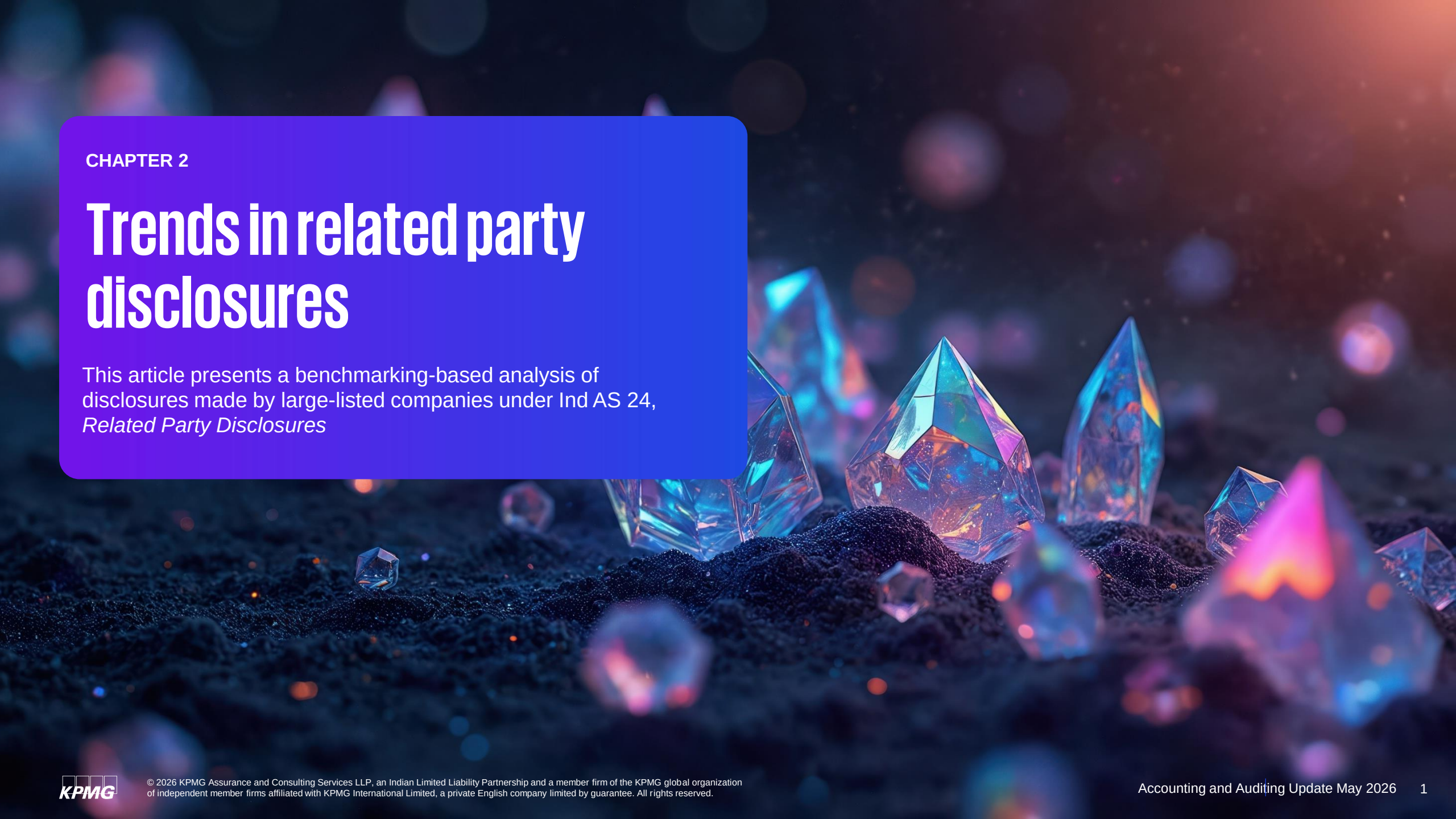

CHAPTER 2

Trends in related party disclosures

This article presents a benchmarking-based analysis of disclosures made by large-listed companies under Ind AS 24, *Related Party Disclosures*

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Introduction

Over the years, Related Party Transactions (RPTs) have consistently remained a key area of focus for regulators, auditors, and investors, given their significance in financial reporting and the need for appropriate transparency around such arrangements. Consequently, robust and transparent disclosures assume critical importance in enabling users of financial statements to understand the nature, extent, and financial implications of these relationships and transactions.

Indian Accounting Standard (Ind AS) 24, *Related Party Disclosures* provides the framework for related party disclosures in financial statements in India, prepared in accordance with Indian Accounting Standards. The standard requires disclosure of related party relationships, transactions, balances, and terms and conditions of the transactions, enabling users to assess their impact on financial position and performance, helping stakeholders better understand these relationships and transactions.

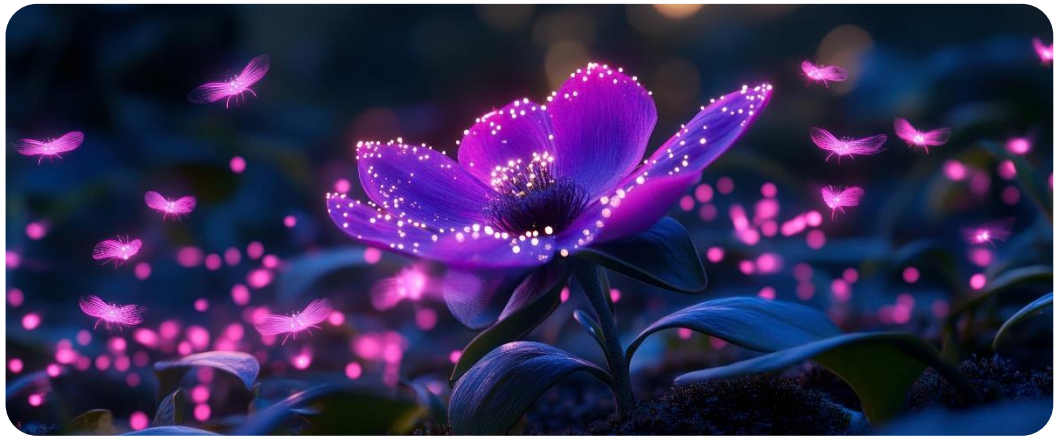
In this context, this article presents a benchmarking-based analysis of disclosures under Ind AS 24 by large-listed companies. The objective of this article is to provide preparers, auditors, regulators, investors, and other stakeholders with practical insights into how related party disclosures are currently being presented in financial statements, and to highlight opportunities to enhance clarity, consistency, and alignment with the intent of the standard.

Profile of companies covered

For this article, we have undertaken a benchmarking analysis of related party disclosures presented in the standalone financial statements of the top 100 listed companies[1] on the National Stock Exchange (NSE), based on market capitalisation[2], for the year ended 31 March 2025 (including two companies with non-March year ends: 30 September 2025 and 31 December 2025, respectively).

Out of these 100 companies, 10 government companies were excluded, as they are exempt from the disclosure requirements of Ind AS 24[3]. Accordingly, the final sample size for our analysis comprises 90 companies (referred to as the 'Covered Companies').

The analysis covers companies across industries based on the NIFTY 500 Index classification, which have been consolidated into 10 broader categories based on KPMG in India's interpretation, for the purposes of this analysis, as outlined in the table on the next page.



1. To arrive at the top 100 companies, top 116 NSE-listed companies based on market capitalisation were selected and 16 banks and insurance companies reporting under the Accounting Standards framework (not subject to Ind AS 24 requirements) were excluded.
2. List extracted from NSE Website > Products & Services > Indices > Broad Market Indices > Nifty 500 Index (based on Average Market capitalisation from July 2025 to December 2025) extracted on 1 February 2026.
3. Paragraph 25 of Ind AS 24, *Related Party Disclosures*.

Editorial
ToC
Chapter 1
Chapter 2
Chapter 3

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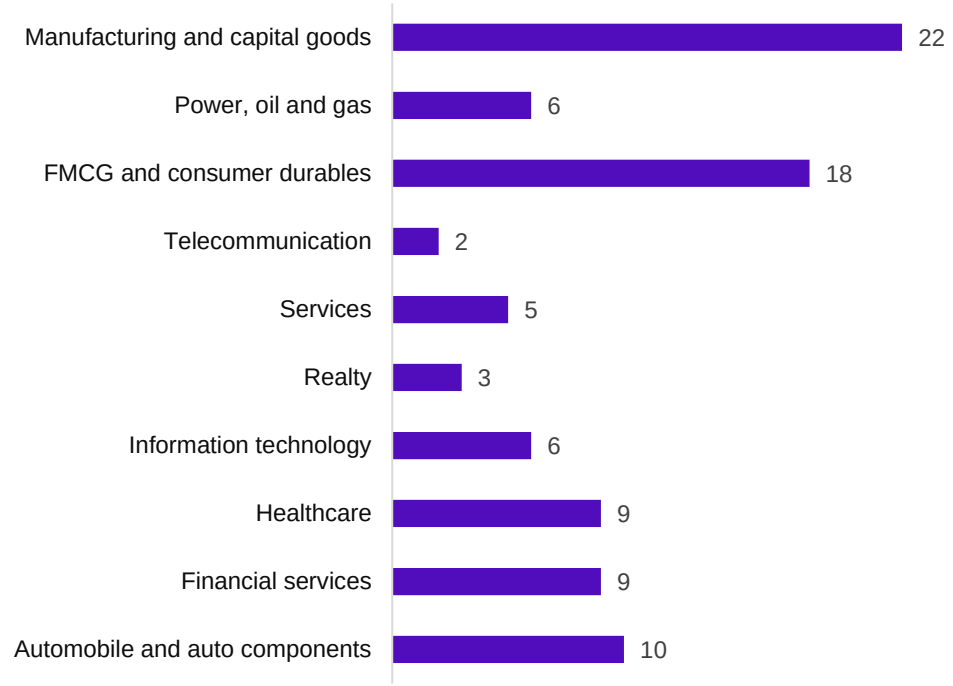
Profile of companies covered (contd.)

Industry as per NIFTY 500 index classification	Industry for KPMG in India analysis
Automobile and auto components	Automobile and auto components
Financial services	Financial services
Healthcare	Healthcare
Fast moving consumer goods (FMCG) **Consumer services** **Consumer durables** **Household appliances** **Consumer electronics**	FMCG and consumer durables
Power **Oil, gas and consumable fuels**	Power, oil and gas
Metals and mining **Capital goods** **Construction materials** **Chemicals** **Telecom – infrastructure** **Compressors, pumps and diesel engines** **Cables – electricals**	Manufacturing and capital goods
Construction **Realty**	Realty
Information technology	Information technology
Telecommunication	Telecommunication
Airport and airport services **E-retail / E-commerce** **Exchange and data platform**	Services

The chart below presents the breakup of Covered Companies by industry:



(Source: KPMG in India's analysis based on primary data gathered from financial statements of 90 Covered Companies)

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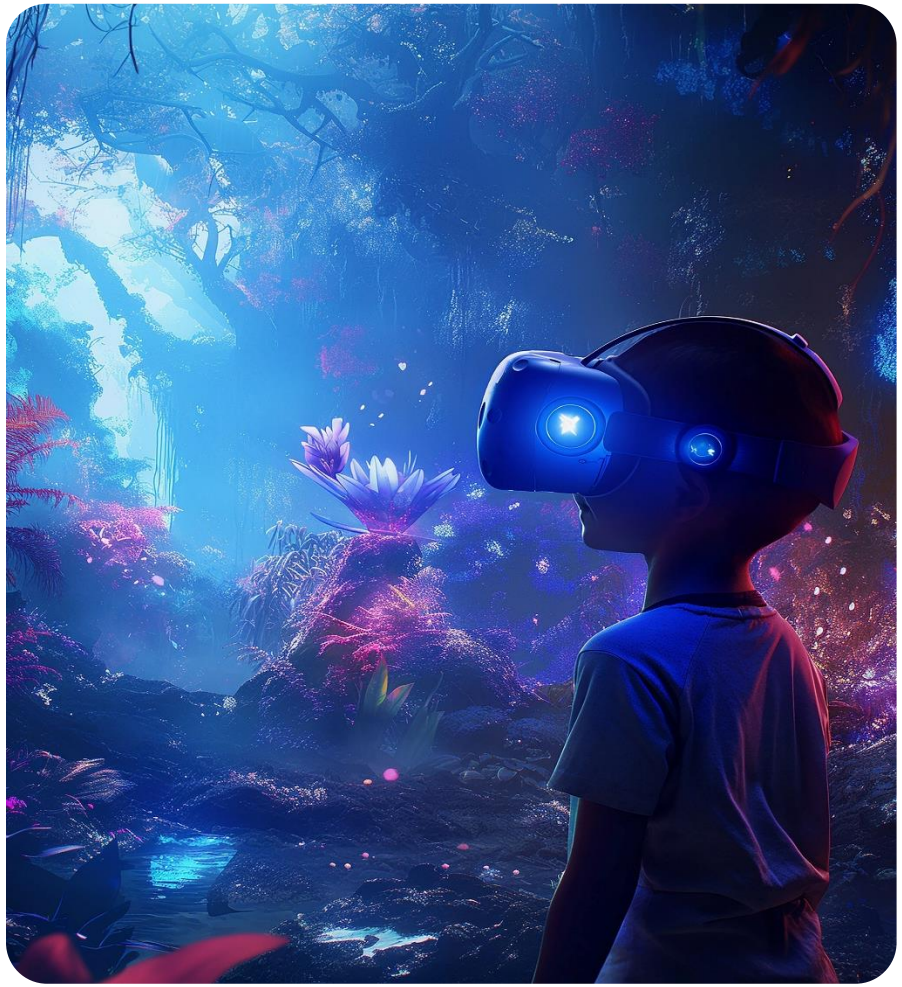
Disclosure of transactions by type of related party

Paragraph 24A of Ind AS 24 provides that transactions of a similar nature may be aggregated based on the type of related party. However, such aggregation should not obscure the significance of material transactions, for instance, transactions such as purchases or sales of goods should not be aggregated with transactions relating to fixed assets. Additionally, material transactions with specific related parties should be presented separately rather than included in aggregated figures. However, Ind AS 24 does not prescribe specific criteria for determining materiality.

Under the Accounting Standards (AS) framework, as per explanation to paragraph 27 of AS 18, *Related Party Disclosures*, materiality is assessed based on the specific facts and circumstances of each case, considering both the nature and size of transactions. A related party transaction is ordinarily considered material if its value exceeds 10 per cent of the total related party transactions of the same category. This quantitative benchmark offers practical guidance while also preserving flexibility, acknowledging that transactions below the 10 per cent threshold could still be material depending on their nature and underlying facts and circumstances. In contrast, Ind AS 24 adopts a principles-based approach and leaves the determination of materiality entirely to the company's judgement. In doing so, it requires companies to evaluate both quantitative and qualitative factors, including the size, nature, and context of the transaction, as well as its potential impact on the decisions of users of financial statements.

The chart on the next page presents how the Covered Companies have disclosed RPTs to comply with the requirements of Ind AS 24.



Editorial
ToC
Chapter 1
Chapter 2
Chapter 3

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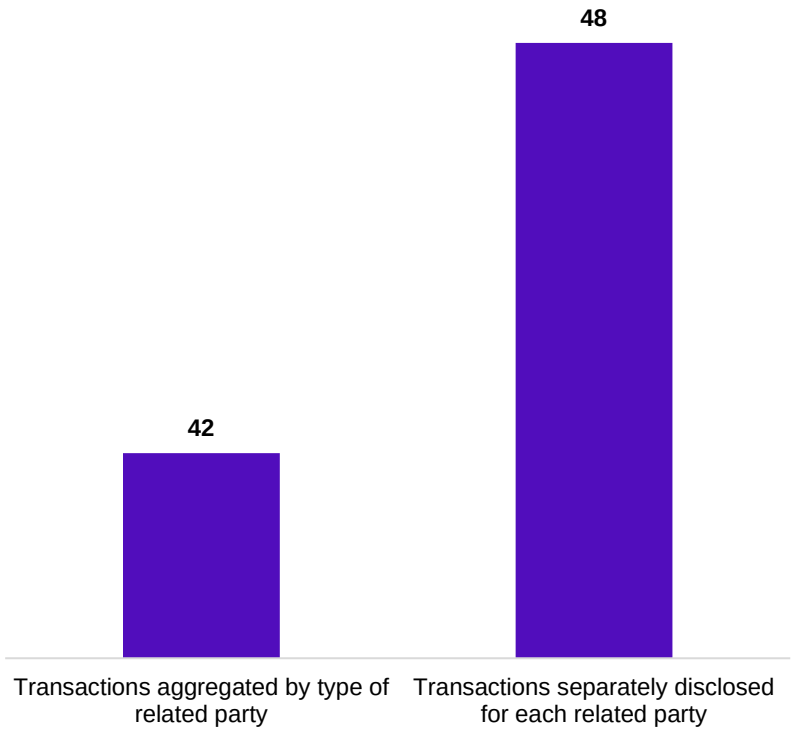
Disclosure of transactions by type of related party (contd.)

Table 1A: Covered Companies that have aggregated transactions by type of related party



(Source: KPMG in India's analysis based on primary data gathered from financial statements of 90 Covered Companies)

Our analysis:

Of the 90 Covered Companies, 48 companies disclosed RPTs individually for each related party.

42 companies aggregated RPTs by the type of related party e.g., a subsidiary, associate, or joint venture, consistent with the alternative provided under Ind AS 24. These companies, however, presented the nature of transactions separately, such as purchases, sales, services, loans, guarantees and reimbursements, thereby maintaining transparency and supporting users' understanding of related party relationships.

While the extent of aggregation appeared to be influenced by factors such as transaction volume, operational complexity, internal materiality considerations, the level of detail provided varied across companies and sectors.

Further analysis of the 42 Covered Companies that disclosed aggregated transactions by type of related party, shows that 30 companies (approximately 70 per cent) disclosed material RPTs separately. The remaining companies did not present any RPT separately, suggesting that the remaining companies did not identify any material transactions warranting a separate disclosure based on the materiality judgements applied by them.

Within the subset of 30 companies that disclosed material items separately, 10 companies defined an explicit quantitative threshold for aggregating RPTs, with all of them applying a 10 per cent threshold. The remaining 20 companies did not articulate any specific criteria for identifying material transactions. In the absence of explicit threshold guidance under Ind AS 24 for determining material RPTs, it appears that several companies continue to rely on the quantitative guidance previously available under AS 18, as discussed on the previous page. Further, since disclosure of such thresholds is not mandated by Ind AS 24, our analysis indicates a diversity in practice, with certain companies choosing to disclose the materiality threshold that has been applied, while others do not.

Companies should consider both quantitative and qualitative factors when assessing materiality, and may consider disclosing the thresholds applied, as this level of information will help improve the understanding and usefulness of related party disclosures for users of financial statements.

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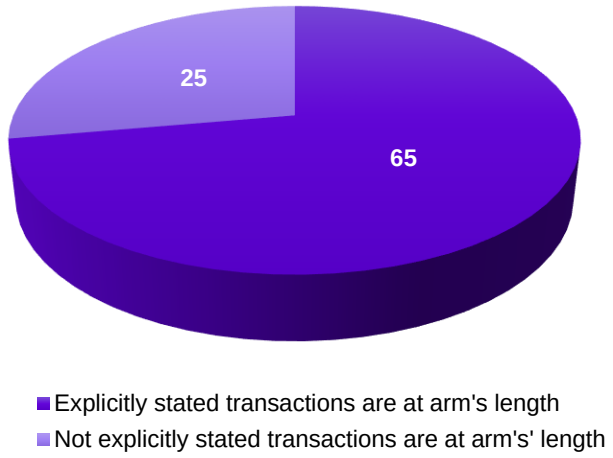
Analysis of arm's length assertion

RPTs are generally expected to be undertaken on an arm's length basis to prevent any undue advantage to related parties. The concept of arm's length pricing primarily stems from governance requirements under the Companies Act, 2013, as well as the transfer pricing provisions under the Income-tax Act, 1961. While the SEBI (LODR) Regulations, 2015 do not explicitly mandate a detailed arm's length assessment, they emphasise robust oversight through the approval framework for RPTs. In this context, pursuant to the RPT industry standards developed by the Industry Standards Forum, listed companies are required to place adequate and relevant information before the audit committee and shareholders to enable an informed evaluation of whether such transactions are conducted on an arm's length basis. This reinforces the need for transparency and credibility in RPTs, ensuring that such transactions are carried out on terms comparable to those with unrelated parties and are not prejudicial to the interests of stakeholders.

From an accounting perspective, Ind AS 24 intends to promote transparency by requiring companies to disclose the nature of related party relationships, transactions, and outstanding balances. The standard does not prescribe pricing mechanisms or mandate that transactions be conducted at arm's length; rather, it acknowledges that such transactions may differ from those with unrelated parties. Consistent with this disclosure-centric objective, paragraph 23 of Ind AS 24 clarifies that a company should assert that transactions are conducted on an arm's length basis, only when such terms are capable of substantiation.



(Source: KPMG in India's analysis based on primary data gathered from financial statements of 90 Covered Companies)

Our analysis:

Out of the 90 Covered Companies, 65 companies (72 per cent) explicitly stated that their RPTs are conducted at an arm's length. Within this group, 3 companies further disclosed that while most transactions are at an arm's length, certain transactions - primarily loans to subsidiaries and transfer of investments at book value - are not at an arm's length but have been approved by the Board of Directors in accordance with Section 188 of the Companies Act, 2013. Additionally, one company indicated that the arm's length assertion applies only to international transactions, without specific reference to domestic RPTs.

Our analysis suggested that a majority of companies seek to provide transparency around the pricing of RPTs. Companies may exercise judgement in making such disclosures, ensuring that any statements are supported by appropriate evidence and remain consistent with the requirements and intent of the standard.

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Other key disclosures

In addition to the disclosures discussed above, our benchmarking also noted variation in disclosure practices across certain other areas under Ind AS 24, suggesting differing interpretations and application in practice.

In this context, the Educational Material on Ind AS 24 published by the Institute of Chartered Accountants in India (ICAI) (Educational Material), in February 2026, serves as a valuable reference point for improving the consistency, completeness, and comparability of related party disclosures.

A. Disclosure of terms and conditions of RPTs

Paragraph 18(b)(i) of Ind AS 24 requires disclosure of the terms and conditions of outstanding balances, including commitments, with related parties. While the standard establishes the need for comprehensive qualitative and quantitative information, the extent and granularity of disclosures made by companies vary significantly in practice. Certain companies provide only high-level descriptions, whereas others include detailed information.

The illustrations in the Educational Material primarily cover key terms and conditions such as whether balances are secured or unsecured, interest-bearing or interest-free, and the expected timelines for settlement or recovery. They also highlight aspects like repayment terms, pricing (interest/dividend rates), utilisation of funds, and the absence or presence of guarantees. Additionally, they include treatment of impairment, conversion/redemption features (for instruments), and commitments or obligations under agreements, such as minimum purchase requirements and related penalties.

B. Disclosure of compensation of Key Management Personnel

Another area where divergent approaches were observed related to disclosures regarding compensation involving Key Management Personnel (KMP). Paragraph 17 of Ind AS 24 requires disclosure of KMP compensation in total and for each of the following categories:

- short-term employee benefits;
- post-employment benefits;
- other long-term benefits;
- termination benefits; and
- share-based payment.

In practice, there is diversity in how these disclosures are made by companies. The Educational Material re-emphasises that KMP compensation should be disclosed separately for each prescribed category, although amounts may be aggregated for all KMP within each category for presentation.

Further, the standard does not explicitly address the timing of disclosures related to share-based payments, i.e., whether share-based payment expense should be included in KMP compensation based on the expense recognised in accordance with Ind AS 102, *Share-based Payment*, or at the point when the KMP exercises options under the share-based payment arrangement. Consequently, practices vary, with some companies limiting disclosures to the year of grant or exercise.

The Educational Material provides clarity in this regard and indicates that consistent with the objective of presenting relevant and decision-useful information, companies should disclose the expense arising from share-based payments as recognised in profit or loss over the vesting period, even where no shares are exercised by KMP during that period. This approach reflects the underlying economic substance that services are rendered by KMP over the vesting period, with the corresponding cost accruing accordingly.

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Other key disclosures (contd.)

B. Disclosure of compensation of Key Management Personnel (contd.)

Further, the guidance suggests that disclosures should also be made at the time of exercise, when shares are issued, assuming the related party relationship continues at that point. Similar principles apply to cash-settled share-based payment arrangements, where expense recognition occurs over the vesting period even though settlement happens later.

C. Determination of subsidiary's KMP as KMP of the group for consolidated financial statements

Determination of KMP of the company or the group requires significant judgement. This identification may need additional considerations in the context of consolidated financial statements. As per Ind AS 24, KMP are individuals who have the authority and responsibility for planning, directing, and controlling the activities of an entity, either directly or indirectly.

The Educational Material reiterates that Ind AS 24 does not restrict the identification of KMP at the group level to directors or employees of the parent company. For instance, in a group with multiple segments operated through subsidiaries, Chief Executive Officers or business heads of material segments may qualify as KMP if they have authority and responsibility over those activities. Accordingly, determining whether an individual qualifies as KMP at the group level requires an assessment of both the significance of the relevant entity's operations to the group and the extent of the individual's role in influencing the group's activities.

These instances highlight the need for more consistent application of the principles underlying Ind AS 24 and greater alignment with interpretative guidance to improve comparability and transparency in related party disclosures.

Bottom line

Our benchmarking indicates that, while the top listed companies are broadly aligned with the requirements of Ind AS 24, there remains scope to strengthen these disclosures by bringing out how companies apply judgement, particularly around aggregation versus separate presentation, the articulation of materiality considerations, and the depth of qualitative explanations.

Companies should consider strengthening their internal frameworks for identification, documentation, and disclosure of related party relationships and transactions. This includes ensuring comprehensive coverage across both standalone and consolidated financial statements and promoting consistent application of Ind AS 24 requirements. With increasing regulatory and stakeholders' focus in this area, high-quality and decision-useful disclosures are critical for users to better understand the nature and impact of related party relationships and RPTs, thereby helping build trust in financial reporting, and supporting informed decision-making.

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Key questions from ICAI's Educational Material on Ind AS 24

The ICAI's Educational Material on Ind AS 24 provides interpretative guidance on several key application issues, some of which are discussed in this article. It also addresses common challenges faced by preparers of financial statements in relation to related party disclosures. The table below presents key questions covered in the Educational Material.

Question number	Issue/topic addressed
5	Impact of family relationships on related party status
11	Disclosure requirements for KMP compensation
12	Identification of related parties for a company receiving key management personnel services from another company and related disclosures
13	Disclosure of allowance for expected credit loss relating to related party balances
16	Aggregation of related party transactions
18	Disclosure on whether related party transactions are at arm's length in the financial statements
22	Determination of KMP in consolidated financial statements
23	Disclosure of RPTs which are without consideration, i.e., non-monetary transactions (e.g., security given on behalf of another company)
24	Disclosure of related party period-end balances - gross or net of Goods and Service Tax (GST)
25	Disclosure of Employee Stock Option Plans / share-based payments to KMP

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