

Practical Perspectives on the RPT Industry Standards

This article enumerates concerns related to RPTs and the recent Industry Standards on “Minimum information to be provided for Review of the Audit Committee and shareholders for approval of RPTs” and further the revised Industry Standards on Minimum information to be provided to the Audit Committee and Shareholders for approval of RPTs (“RPT Industry Standards”) on June 26, 2025 w.e.f. September 01, 2025. The RPT Industry Standards aimed to critically analyse the adequacy and clarity of the information provided, ensuring that it meets the legal and regulatory requirements set forth under the LODR Regulations and the SEBI Master Circular.



CS Ankit Singh, FCS

Head – Corporate Affairs & Compliance
Corporate Professionals, Delhi
ankit@indiap.com



CS Shivam Singhal, ACS

Principal Associate, Research & Publications
Corporate Professionals, Delhi
shivam.singhal@indiap.com

INTRODUCTION

Related Party Transactions (RPTs) have traditionally been viewed as a sensitive aspect of corporate governance, given their inherent risk of conflicts of interest, manipulation of financial reporting and excessive promoter influence. In the past, disclosures relating to RPTs were largely unstructured and inconsistent, often presented in a descriptive and subjective manner. Such practices created significant information gaps, leaving Audit Committees and shareholders without sufficient clarity to properly assess the business rationale and governance impact of these transactions.

In an effort to address these concerns and to enhance the quality of disclosures relating to RPTs, Industry Standards Forum (ISF) had issued Industry Standards on

“Minimum information to be provided for Review of the Audit Committee and shareholders for approval of RPTs”, effective from April 01, 2025. The RPT Industry Standards aimed to critically analyze the adequacy and clarity of the information provided, ensuring that it meets the legal and regulatory requirements set forth under the LODR Regulations and the SEBI Master Circular.

Following the circular, stakeholders voiced practical concerns and requested simplification. Acknowledging the feedback, SEBI extended the effective date to July 01, 2025 vide Circular dated March 21, 2025 and tasked the Industry Standards Forum (ISF)—comprising representatives from FICCI, CII and ASSOCHAM—to revisit and revise the Standards.

Pursuant to this direction, the ISF, after consultation with the working group members representing FICCI, CII and ASSOCHAM; independent directors and SEBI, has issued the **revised Industry Standards on Minimum information to be provided to the Audit Committee and Shareholders for approval of RPTs (“RPT Industry Standards”)** on **June 26, 2025 w.e.f. September 01, 2025**. These revised RPT Industry Standards not only replace the February version but also address industry concerns by streamlining the applicability matrix, reducing unnecessary disclosure burdens and ensuring better alignment with practical governance needs.

SEBI, vide Circular dated **June 26, 2025**, has amended **Section III-B of the SEBI Master Circular dated November 11, 2024**, mandating that listed entities must follow the RPT Industry Standards. The purpose of the RPT Industry Standards is to:

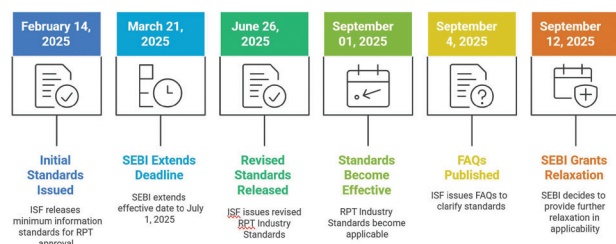
- Promote greater transparency in the disclosure of RPTs;
- Establish uniformity and comparability in reporting practices;
- Enhance the Audit Committee’s ability to exercise effective oversight; and
- Provide shareholders with clear, structured and dependable information.

After this Circular, ISF issued 25 FAQs on the RPT Industry Standards dated **September 4, 2025**, to provide clarity on

various aspects, including their applicability, guidelines for placing information before the Audit Committee and the minimum information to be provided to shareholders for the approval of material RPTs.

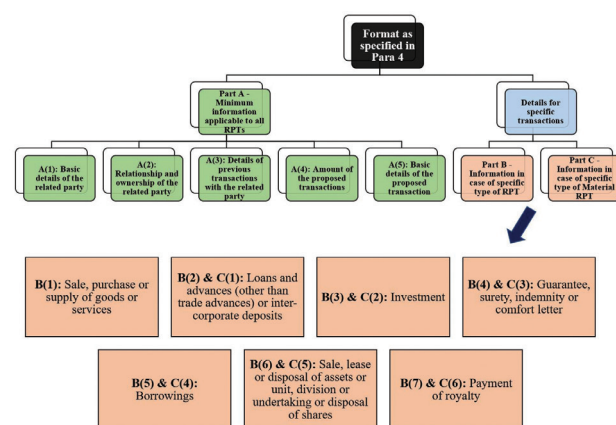
Recently, SEBI in its meeting held on September 12, 2025, approved further relaxations in the applicability of the RPT Industry Standards.

TIMELINE



ASPECTS COVERED UNDER THE RPT INDUSTRY STANDARDS

The RPT Industry Standards specify the minimum information required for the approval of RPTs, generally covering the following aspects in the format:



APPLICABILITY OF RPT INDUSTRY STANDARDS

The RPT Industry Standards shall apply to:

- All RPTs placed for review and approval by the Audit Committee of the listed entity, in terms of Regulation 23(2) and 23(3) of the LODR Regulations; and
- Material RPTs as defined under Regulation 23(1) & 23(1A) of the LODR Regulations, which are placed for approval of both the Audit Committee and the shareholders.

For material RPTs, Parts A, B and C of Para 4 of the RPT Industry Standards shall be applicable. For non-material RPTs, Parts A and B of Para 4 shall apply.

However, the RPT Disclosure Standards shall not be applicable to:

- Transactions exempted under Regulation 23(5) of the LODR Regulations; and
- Quarterly review of RPTs by the Audit Committee in terms of Regulation 23(3)(d) of the LODR Regulations.
- Transaction(s) with a related party to be entered into individually or taken together with previous transactions during a financial year (including which are approved by way of ratification) do not exceed Rs. One Crore.

Further, the SEBI has relaxed the applicability of RPT Industry Standards for the transaction(s) with a related party to be entered into individually or taken together with previous transactions during a financial year (including which are approved by way of ratification) which does not exceed 1% of annual consolidated turnover of the listed entity or Rs. 10 Crore, whichever is lower.

For ease of understanding, a simplified applicability matrix is provided below:

Applicability Matrix

Type of Transaction	Threshold / Applicability Condition	Approvals required	Disclosure Requirement
Material RPT	As defined under Regulation 23(1) & (1A) of the LODR Regulations.	Audit Committee + Shareholders	Parts A, B and C shall be applicable.
Other than Material RPT	Transaction(s) with a related party to be entered into individually or taken together with previous transactions during a financial year (including which are approved by way of ratification) exceeds 1% of annual consolidated turnover of the listed entity or ₹ 10 Crore, whichever is lower.	Audit Committee	Parts A and B shall be applicable.
	In any case, if 1% of the annual consolidated turnover is ₹1 crore or less, then the threshold limit shall be more than ₹1 crore.		
Residual RPT	Other than the above	Audit Committee	As provided in Section III-B of the SEBI Master Circular dated November 11, 2024.

After reading the applicability matrix mentioned above, the following questions may arise:

Q 1. Do the RPT Industry Standards apply to High Value Debt Listed Entities (HVDLEs), especially in light of Chapter VA and Regulation 62K applicable from April 1, 2025? Are there any exemptions for HVDLEs operating under PPP models?

Answer: The RPT Industry Standards have been formulated under Regulation 23 of the LODR Regulations, 2015. Listed entities that have listed non-convertible debt securities with an outstanding value of Rs. 1,000 crore or more (HVDLEs) are required to comply with Chapter VA (Regulations 62B to 62Q). However, if such an HVDLE also has its specified securities listed, it must comply with Regulations 15 to 27 as well. This means that HVDLEs which do not have specified securities listed are not required to follow the RPT Industry Standards.

¹[Q 2.] If a transaction is not covered under Part B and Part C, does it still need to comply with the RPT Industry Standards?

Answer: As stated in Para 4 of the Executive Summary of the RPT Industry Standards itself, Part A of Para 4 of the RPT Industry Standards applies to all related party transactions unless exempt under Para 1(3) of the RPT Industry Standards.

²[Q 3.] A listed entity enters into three related party transactions during the financial year, each amounting to ₹30 lakh. It then proposes a fourth transaction of ₹11 lakh with the same related party. Will the RPT Industry Standards be applicable to the fourth transaction? From when will the disclosure requirement apply?

Answer: Yes, the RPT Industry Standards will be applicable to the fourth transaction (assuming approvals are taken at different point in time during the financial year), as the cumulative value of transactions during the financial year will exceed the ₹1 Crore threshold. The disclosure requirement will apply from the point at which the cumulative value crosses the prescribed limit, i.e., at the time of entering into the ₹11 lakh transaction, if the transactions are approved at different points of time. In the instant case, the RPT Industry Standards would need to be complied with at the time of seeking approval for the RPT for Rs.11 lakh.

However, if the transactions are approved at the same time or on omnibus basis, then the disclosure requirements would become applicable at that time.

³[Q 4.] If a listed entity has an annual consolidated turnover of ₹5 Crore, then 10% of such turnover is ₹50 lakh. If the listed entity now seeks approval for a ₹90 lakh transaction with a related party, it falls below the ₹1 Crore threshold specified in Para 1(3) of the RPT Industry Standards. However, this would be a material RPT under Regulation 23(1) of the LODR Regulations, 2015. In such a case, will the RPT Industry Standards apply?

Answer: No. the RPT Industry Standards are not applicable for RPTs below ₹1 Crore. However, the Board of Directors and the Audit Committee may at its discretion, prescribe minimum information required to be placed for approval of RPT below ₹1 Crore in their internal policy for approval of RPT as formulated under Regulation 23(1) of LODR.

Q 5. The materiality threshold is defined as exceeding ₹1,000 crore or 10% of the annual consolidated turnover of the listed entity. If a listed entity enters into two separate transactions with a related party, such as a ₹500 crore sale of goods and a ₹600 crore sale of an undertaking, the combined value exceeds ₹1,000 crore and thus qualifies as a material RPT. In this case, at the time of seeking shareholder approval, will the RPT Industry Standards apply, since each individual transaction is below the materiality threshold?

Answer: Yes. Para 1(2) of the RPT Industry Standards clearly states that these Standards shall apply to material RPTs, as defined under Regulations 23(1) and 23(1A) of the LODR Regulations, which are placed before both the Audit Committee and the shareholders for approval. Further, Para 3(1)(f) of the RPT Industry Standards states that in case of multiple types of proposed transactions, details to be provided separately for each type of the proposed transaction.

TRANSITIONAL PROVISIONS FOR IMPLEMENTATION OF RPT INDUSTRY STANDARDS

The RPT Industry Standards have been applicable from **01st September, 2025**. However, ISF has clarified the following in the RPT Industry Standards:

- (a) **Approval Granted Before Effective Date for Future RPTs:** If the Audit Committee and/or shareholders have granted approval before **1st September 2025** for RPTs to be executed on or after that date, the listed entity shall not be required to seek fresh

approval during the validity of such approval, unless there is any material modification to the RPTs that is placed before the Audit Committee on or after **1st September 2025**.

- (b) **Omnibus Approval Prior to Effective Date for FY 2025–26:** If omnibus approval has been granted before **1st September 2025** for RPTs pertaining to the financial year 2025–26, the listed entity shall not be required to seek fresh approval with disclosures as per the RPT Industry Standards. However, any material modification to such RPTs on or after **1st September 2025** shall be subject to the RPT Industry Standards.
- (c) **Material RPT Approved by Audit Committee Before Effective Date:** If a Material RPT is approved by the

¹. Part of FAQs on the RPT Industry Standards issued by ISF.

². Part of FAQs on the RPT Industry Standards issued by ISF.

³. Part of FAQs on the RPT Industry Standards issued by ISF.

Audit Committee before **1st September 2025**, the RPT Industry Standards shall not apply, irrespective of whether the notice to shareholders is sent before, on or after **1st September 2025**.

MINIMUM INFORMATION REQUIRED FOR AUDIT COMMITTEE REVIEW

As per RPT Industry Standards, the following information shall be provided by the management of the listed entity to the Audit Committee:

- a) The information in the format as specified in Para 4 of the RPT Industry Standards. 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.
- b) Certificates from the CEO/Managing Director/Whole Time Director/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.
- c) Copy of the valuation or other report of external party, if any.

At the time of providing the aforementioned information, the management of the listed entity shall also consider other important factors:

- If the audited financial statements of the related party for the immediately preceding financial year are not available, the related party shall provide financial extracts relevant to the minimum information required under the RPT Industry Standards. Such extracts shall be drawn from its books of accounts and duly certified by the related party.
- 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 – *for example, (i) the sale of goods and the purchase of goods would need to be treated as separate transactions; (ii) the sale of goods and the sale of services would need to be treated as separate transactions; (iii) the giving of loans and the giving of guarantee would need to be treated as separate transactions*

MINIMUM INFORMATION REQUIRED FOR SHAREHOLDERS APPROVAL

As per RPT Industry Standards, the following information shall be provided to the shareholders:

- a) Information as placed before the Audit Committee in the format as specified in Para 4 of the RPT Industry Standards, to the extent applicable.

- b) 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.
- c) Disclose the fact that the Audit Committee has reviewed the certificates provided by the CEO/ Managing Director/ Whole Time Director/ Manager and CFO of the Listed Entity.
- d) Disclosure that the material RPT or any other material modification, has been approved by the Audit Committee and the Board of Directors recommends the proposed transaction for the approval of shareholders.
- e) 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.
- f) The Audit Committee and Board of Directors, while providing access to the shareholders, may approve

For regulatory authorities such as SEBI, stock exchanges and other corporate regulators, the Industry Standards bring greater clarity and efficiency to compliance, monitoring and enforcement processes by ensuring Consistency Across Listed Companies, Elimination of Regulatory Arbitrage, Stronger Oversight Mechanisms, Curbing Misreporting and Fraud.

redaction of commercial secrets and such other information if it affects the competitive position of listed entity and in its assessment, confirms that the redacted disclosures still provide the necessary information for informed decision-making to the public shareholders.

- g) Any other information that may be relevant.

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.

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.
3. **Ease out the 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.



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.
 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.
 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.
 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.
- *Management* benefits from clearer compliance pathways;
 - *Shareholders* enjoy stronger governance safeguards; and
 - *Regulators* can enforce compliance more effectively.

BENEFITS OF THE RPT INDUSTRY STANDARDS: A MULTI-STAKEHOLDER PERSPECTIVE

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

- *Audit Committee* to gain better oversight tools;

1. Benefits for Audit Committee & Independent Directors

- **Standardized Disclosure Format:** RPT information is now presented in a consistent and structured manner, enabling Audit Committees to review and analyze transactions more effectively.
- **Improved Decision-Making:** By requiring benchmarking of RPTs with industry peers and comparable third-party transactions, Audit Committees can better determine whether such deals are at arm's length and commercially justified.
- **Mandatory Certifications:** Declarations from the CEO, Managing Director, Whole-Time Director, Manager and CFO confirm that the proposed RPTs serve the best interests of the listed entity.
- **Enhanced Oversight Role:** With stricter scrutiny requirements, Audit Committees are empowered with stronger tools to question, assess and where necessary, reject transactions, thereby lowering governance-related risks.

2. Benefits for the Management of the Listed Entity

- **Clarity in Compliance:** Defined approval processes and standardized disclosure formats

make RPT approvals smoother and reduce ambiguity in compliance.

- **Stronger Market Reputation:** Transparent disclosures of RPTs enhance investor, regulator and analyst confidence, thereby strengthening the company's long-term credibility.
- **Efficient Internal Workflows:** A structured reporting framework ensures that both financial and non-financial aspects of RPTs are captured systematically, minimizing errors and compliance lapses.
- **Lower Regulatory Exposure:** Adhering to uniform procedures helps companies reduce the risk of penalties, regulatory intervention, and potential litigation, leading to more seamless business operations.

3. Benefits for Shareholders (Including Public Shareholders)

- **Improved Transparency:** Investors now have access to comprehensive and structured disclosures, allowing them to evaluate the necessity, fairness and commercial soundness of related party transactions.
- **Checks on Promoter Influence:** Mandatory certifications by the CEO, Managing Director, Whole-Time Director, Manager and CFO assure shareholders that proposed RPTs are aligned with the company's best interests.
- **Fair Pricing and Valuation:** Benchmarking with independent transactions and reliance on external valuation reports safeguard investors from unfairly priced deals favoring related parties.
- **Boosted Investor Confidence:** Consistent and reliable disclosures foster trust, encouraging greater participation from institutional and foreign investors, ultimately strengthening market sentiment.

4. Benefits for Regulators

For regulatory authorities such as SEBI, stock exchanges and other corporate regulators, the RPT Industry Standards bring greater clarity and efficiency to compliance, monitoring and enforcement processes by ensuring:

- **Consistency Across Listed Companies:** Standardized disclosure formats make supervision easier and guarantee that all entities follow a uniform level of transparency.
- **Elimination of Regulatory Arbitrage:** Clearly defined thresholds and detailed reporting norms prevent companies from exploiting gaps

or manipulating disclosures, ensuring fair and consistent practices.

- **Stronger Oversight Mechanisms:** The structured framework enables regulators to more effectively detect irregularities, questionable transactions, or governance failures, allowing for timely intervention.
- **Curbing Misreporting and Fraud:** With mandatory audit committee approvals, reliance on external valuations, and peer comparisons, regulators are better equipped to identify and prevent financial misstatements and RPT-related misconduct.

CONCLUSION

The RPT Industry Standards represent a significant milestone in strengthening corporate governance in India by ensuring that:

- Audit Committees receive comprehensive transaction information, thereby minimizing risks at the approval stage.
- Audit Committees are better equipped to critically evaluate and question proposed transactions.
- Management benefits from a clear, structured compliance framework, reducing uncertainty.
- Public shareholders gain from greater transparency, which helps limit the scope for financial irregularities.

The RPT Industry Standards make corporate governance more transparent, accountable and investor-friendly. This is not just a compliance requirement — it is a fundamental shift towards corporate integrity, transparency and financial accountability.

REFERENCES:

- FAQs on "RPT Industry Standards" issued by ISF on 04th September, 2025: https://www.assochem.org/uploads/files/FAQs_RPT%20Industry%20Standards_04.09.2025.pdf*
- Industry Standards on "Minimum information to be provided to the Audit Committee and Shareholders for approval of RPTs": https://nsearchives.nseindia.com/web/circular/2025-06/NSE_Circular_26062025_20250626233339.pdf*
- Webinar on "RPT Industry Standards: Practical Perspectives with Q&A" conducted by Corporate Professionals on 11th July, 2025: <https://www.youtube.com/watch?v=m463D7Gzp1g>*

