



Tax alert: Simplified and rationalised Industry Standards on Related Party Transactions

30 June 2025

The Securities and Exchange Board of India (SEBI) issued a circular dated 26 June 2025 revising the Industry Standards, superseding the earlier version issued on 14 February 2025.

In response to substantive feedback from various industry stakeholders, SEBI has revised the Industry Standards with a heightened focus on the nature and materiality of Related Party Transactions (RPTs). The intent is to bring an optimal balance – ensuring robust regulatory oversight while simultaneously fostering ease of doing business, reinforcing sound corporate governance principles.

In a nutshell



The Industry Standards on RPT disclosures in its revised format would be applicable from 1 September 2025, for all Listed Entities.

Certification requirement by the Listed Entity's CFO and CEO/ MD/ WTD/ Manager is retained, whereas certification by promoter director is done away with.

An exemption from Industry Standards disclosure requirement is provided to low value RPTs where the aggregate value of transactions with a RP during a Financial Year (FY) is below INR One crore.



Previous disclosure mechanism based on threshold and Promoter Group Interests is now streamlined into three-tiered structure:

Part A - Applicable to all RPTs. Basic information as per Para A1 to A5; and

Part B - Applicable to specified seven categories of RPTs. Additional information required as per Para B1 to B7; and

Part C - Applicable to specified six categories of material RPTs. Detailed information required as per Para C1 to C6.



Most disclosure requirements are now confined to material RPTs, with the data points streamlined for greater clarity and relevance, such as:

Bidding Process - Bidding process, if any, to be disclosed; minimum bid requirements removed.

Royalty - Industry peer comparison only required in case of material RPTs.

Credit Rating - Credit ratings of RP now only required in case of material RPTs.

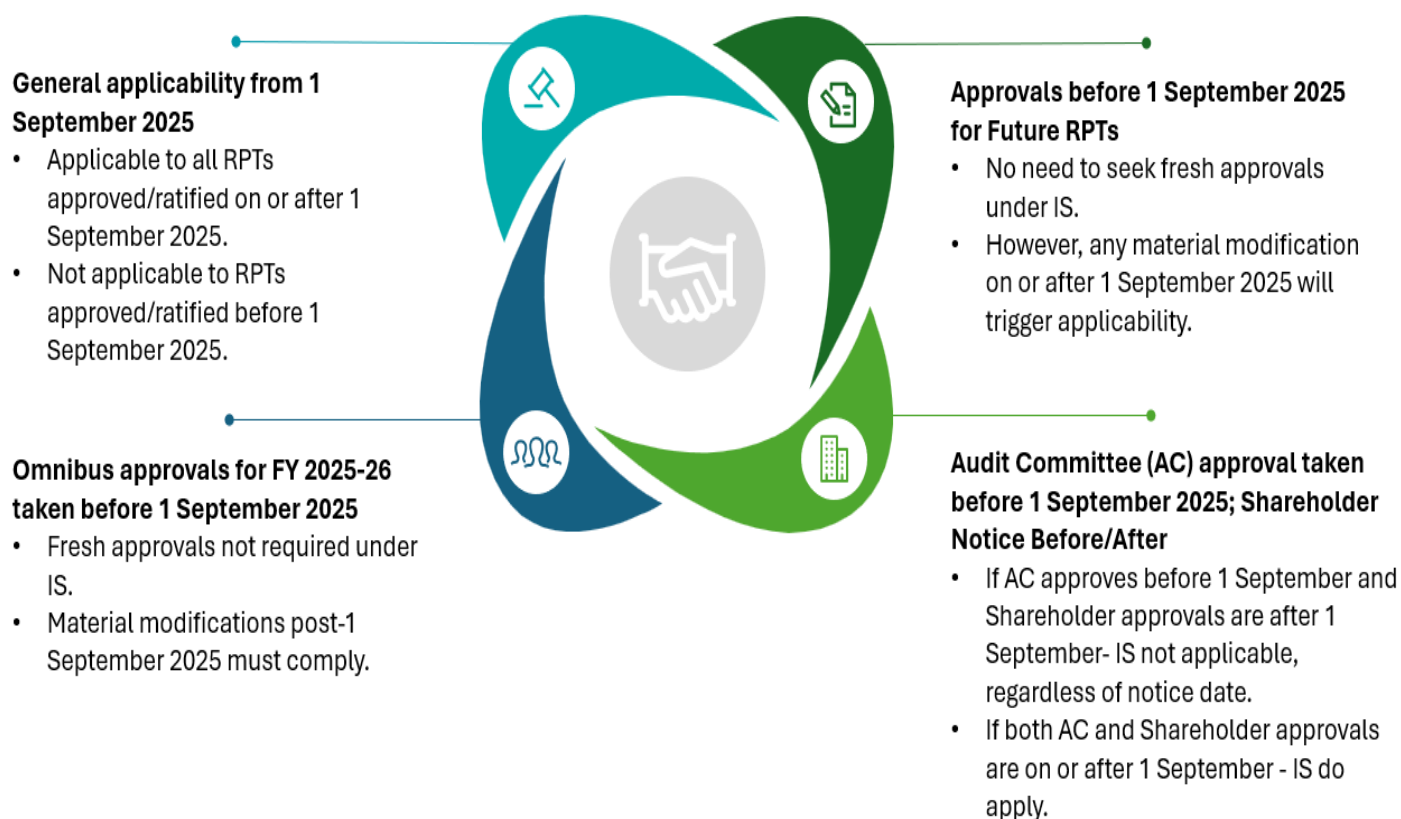


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Earlier, SEBI vide Circular dated 14 February 2025 mandated Listed Entities to follow Industry Standards¹ with effect from 1 April 2025 (subsequently deferred to 1 July 2025).

Now, in response to extensive industry feedback and evolving business requirements, the Industry Standards Forum (ISF) comprising of representatives from ASSOCHAM, CII and FICCI² in consultation with SEBI came out with the revised Industry Standards and also extended the timeline of the applicability to **1 September 2025**.

The applicability of the revised Industry Standards is as follows:



¹ Industry Standards on “Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions.”

² Associated Chambers of Commerce and Industry of India (ASSOCHAM), Confederation of Indian Industry (CII) and Federation of Indian Chambers of Commerce and Industry (FICCI)

While the revised Industry Standards (IS) introduced a range of changes, some of the **key highlights** are outlined below:

Management and Director Certification	<p>Certification by the Promoter Director is no longer required.</p> <p>Certification by the Chief Executive Officer (CEO)/Managing Director/Whole Time Director (WTD)/ Manager and Chief Financial Officer (CFO) has been retained. Additionally, the certificate is required to confirm that the RPTs proposed to be entered into are in the interest of the Listed Entity vis-a-vis the earlier requirement of confirmation that RPTs are not prejudicial to the interest of public shareholders, unfavorable to the Listed Entity and the terms are akin to that of transactions with third parties.</p>
Criteria for Disclosure Requirement	<p>The previous 2-2-5 threshold and the applicability matrix involving the determination of Promoter/Promoter Group/ Promoter Group Interested Entities (P/PG/PGIE) have been removed.</p> <p>A three-tiered approach has been introduced based on the type and materiality of RPTs.</p>
Credit Rating of RP	Credit rating of the Related Party (RP) is now only required for material RPTs.
Royalty Payment Disclosures	Industry peer comparisons, comparison of royalty with net profits, gross amount of royalty paid during last 3 FYs, etc. are now only required for material RPTs.
Bidding Process	The obligatory bidding process and minimum bid requirements have been removed. Listed entities are now required to disclose details of the bidding process only if such a process is undertaken. Also, additional details in relation to bidding process transparency have been done away with.
Last Three Years' Financial Information	Requirement of disclosure of financial performance of the RP and the RPT details has been rationalized from covering last 3 FYs to only the preceding FY.
Audit Committee's Comments	The mandatory requirement for Audit Committee comments on various fields such as on valuation methodology, bids, etc. has been done away with and is now optional.
Exemption from IS	<ul style="list-style-type: none"> RPTs exempt from approval requirements³ viz. between public sector companies, wholly owned subsidiaries and their holding companies with consolidated accounts, and transactions involving statutory payments or dealings with the Central/State Government. Quarterly review of RPTs by AC pursuant to omnibus approvals given. Aggregate value of RPT by a RP during a FY is below ₹ 1 crore.

³ Regulation 23(5) of SEBI LODR

While the above highlights capture the overarching changes, the revised IS also include several detailed modifications across different sections. Below is a part-wise summary of important changes:

Part A – Minimum Disclosures (Applicable to all RPTs):

A (1): Basic details of the related party remain unchanged.

A (2): Disclosure of financial or other concerns (relationships) in the RP is now required.

A (3): Historical RPT data limited to the preceding FY.

A (4): Financial performance of RP required only for the preceding FY.

A (5): Year-wise breakup required for multi-year transactions. Justification of RPTs and external valuation/ other reports remains mandatory. Also, disclosure requirements regarding indicative timelines and maximum transaction values removed.

Part B - Disclosures for Specific RPT Types:

Applicable only for the following RPT types (in addition to Part A):

B (1): Sale/Purchase of Goods or Services and Trade advances -

- Bidding process disclosure required only if undertaken.
- Basis of pricing and Trade advances details now required to be disclosed.

B (2): Loans and Advances (other than trade advances) and inter-corporate deposits Provided -

- Exemptions extended to Insurance and Housing Finance companies apart from banks and NBFCs.
- Clarification on Interest rate disclosure.
- Credit rating not required unless material RPT (material RPT related information moved to Part C).

B (3): Investments made -

- Disclosure on expected returns, past performances, and asset-liability mismatch position done away with.
- Credit rating not required unless material RPT (material RPT related information moved to Part C).

B (4): Guarantees provided -

- Performance guarantees now included.
- New disclosure required on legal binding nature.
- Credit rating requirement is done away with and solvency disclosures to be made if material RPT.

B (5): Borrowings -

- Ratios like debt-equity and debt service coverage ratio now required only for material RPTs.

B (6): Disposals of Assets (i.e. Subsidiary, Unit, Division or Undertaking) -

- Bidding process not obligatory, disclose only if undertaken.
- Basis of determination of price to be disclosed
- Disclosures under the earlier IS viz. similar transaction undertaken during last twelve months, consideration in kind, elimination of segment reporting, transfer of key intangible assets or key customers, major non-financial reason for the RPT, etc. not required unless material RPT.

B (7): Payment of Royalty-

- Peer comparisons and historical royalty data required only if material RPT.
- Clarification provided for Composite license agreements and Peer Comparison Guidelines.

Part C - Disclosures for Material RPT Types:

Applicable only for the following types of material RPTs (in addition to Part A & Part B). Definition of material RPTs not modified, i.e., lower of total aggregate value of transactions with a RP is more than 10% of consolidated turnover or INR 1,000 crores. Pertinent to note, Part C does not cover transactions pertaining to sale, purchase or supply of goods or services.

C (1): Loans and Advances provided -

- Details on material covenants, interest rates charged to others, information on RP's borrowing, advance as % of total loans now excluded.
- Standalone credit rating to be disclosed, SO rating and CE rating⁴ now optional.
- Information required on RP's status viz. NPA, insolvency, willful defaulter, disqualification under IBC⁵, cured defaults, etc.
- Default on borrowings to be disclosed to the extent available in public domain or as may be provided by RP.

C (2): Investments made -

- Details of expected returns, past returns, asset-liability mismatch now excluded.
- Standalone credit rating to be disclosed, SO rating and CE rating now optional.

C (3): Guarantees provided -

- Information required on RP's status viz. NPA, insolvency, willful defaulter, disqualification under IBC, cured defaults, etc.
- Standalone credit rating to be disclosed, SO rating and CE rating now optional.
- Default on borrowings to be disclosed to the extent available in public domain or as may be provided by RP.

C (4): Borrowings -

- Information on Debt-Equity Ratio and Debt Services Coverage Ratio to be provided.
- Exemption for such disclosure for banks extended to NBFCs, insurance and housing finance companies.

C (5): Disposal of Assets (i.e. Subsidiary, Unit, Division or Undertaking) -

- Disclosures under the earlier IS such as on past disposals, in-kind transactions, segment eliminations, intangibles, etc. are retained.

⁴ Structured Obligation rating (SO rating) and Credit Enhancement rating (CE rating)

⁵ Section 29A of the Insolvency and Bankruptcy Code 2016

C (6): Payment of Royalty-

- Disclosures on current year royalty, past or proposed dividends, technology transfer, in-house R&D, and benefits from royalty payments, particularly turnover attributable from usage of brand/ technology are not required.
- Royalty rate trend analysis scope reduced from five to three years.
- Clarification provided for Peer comparison disclosure.

Minimum Information to be provided to the shareholders for approval of material RPT:

While the disclosure as mentioned in earlier IS continues to the extent applicable as per this revised IS, the following additional / changes have been mentioned:

- Basis for determination of price and other material terms and conditions of RPT shall be additionally provided.
- Web-link 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 shall be provided.

Conclusion:

These changes are a welcome development, reflecting SEBI's inclusive approach in promoting ease of doing business while safeguarding investor's interests. SEBI's responsiveness to stakeholders' feedback and its willingness to implement constructive changes demonstrate a balanced and progressive regulatory outlook. Further, it is expected that SEBI would shortly be circulating FAQs addressing clarifications for the revised IS.

While these reforms are expected to ease operational challenges, companies must still take proactive steps to align their RPT policies, strengthen internal controls and explore automation, where feasible, to ensure good governance and compliance with the revised disclosure requirements.



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