

# VINOD KOTHARI & COMPANY

Practising Company Secretaries

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To,  
The Chief General Manager,  
Corporation Finance Department (CFD)  
Securities Exchange Board of India

Dear Sir,

We take the liberty of placing before the Securities Exchange Board of India certain suggestions relating to the framework on related party transactions as applicable to entities having listed their specified securities and High-Value Debt Listed Entities (HVDLEs), provided as *Annexure A* below. These submissions have been structured in the form of specific problem statements accompanied with possible solutions along with suggested language for changes in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Our suggestions draw from our continuous engagement with regulatory, compliance, and implementation challenges encountered by listed entities in the course of their operations. Our objective in making this submission is to contribute constructively to the evolution of a regulatory framework that achieves clarity, proportionality, and ease of compliance, while fully preserving the regulatory discipline and supervisory oversight. We would be grateful for an opportunity to provide any further clarifications or engage in discussions, should the SEBI consider it useful.

Thanks & Regards,

For and on behalf of

**Vinod Kothari and Company**

Payal Agarwal | Partner

*Suggested changes in RPT Framework under SEBI LODR  
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*Annexure - A*

Problem Statement	Our Recommendations	Suggested Changes (language of law)
<b>Regulation 2(1)(zb) read with Regulation 23(5)(d), Reg 23(5)(e), Reg 62K(d) and Reg 62K(e) Meaning of Related Party</b>		
<p>The Central Government or State Government is identified as an RP either if it holds 10% or more of the shareholding of the listed entity or has been identified as the promoter of the entity. CG or SG are promoters for public sector companies.</p> <p>Reg. 23 (5) and Reg. 62K (7) exempts (d) transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand and (e) 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.</p> <p>Thus, the transactions that may be entered into with the aforesaid categories of related parties are either:</p> <p>(a) excluded from the meaning of related party transaction under Reg 2(1)(zc), for example, corporate actions offered to all shareholders or preferential allotment of securities etc, or</p> <p>(b) exempt from the approval requirements in terms of Reg 23(5) and 62K(7), for example, statutory payments, or transactions between a public sector company and the Government etc.</p> <p>The only compliance that remains applicable is the disclosure of transactions entered into with the Central/ State Government as a related party. Disclosure of such transactions</p>	<p>Instead of pointed exemption, it is more appropriate to exclude CG or SG as a related party altogether.</p>	<p>Regulation 2(1)(zb) “related party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards:</p> <p>Provided that:</p> <p>(a) any person or entity, forming a part of the promoter or promoter group of the listed entity; or</p> <p>(b) any person or any entity, holding equity shares of <b>ten per cent or more:</b></p> <p><del>(i) of twenty per cent or more; or</del></p> <p><del>(ii) of ten per cent or more, with effect from April 1, 2023;</del></p> <p>in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party:</p> <p><b>Provided further that, the Central Government or any State Government or any combination thereof, shall not be considered as a related party.</b></p> <p>Regulation 23(5): Omission of clause (d) and (e).</p> <p>Regulation 62K(5): Omission of clause (d) and (e).</p>

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does not involve any value addition for the shareholders.		
<b>Regulation 2(1)(zc) - Exclusions from the meaning of related party transaction</b>		
<p>The following transactions are excluded from the meaning of RPTs:</p> <ul style="list-style-type: none"> <li>- acceptance of fixed deposits</li> <li>- acceptance of current account deposits and savings account deposits</li> </ul> <p>Further, in the SEBI Board Meeting dated <a href="#">September 30, 2024</a>, it was discussed that: <i>Exempting acceptance of deposits by banks from the definition of RPT implies that the transaction itself is being exempted. Hence, the counter related party is already exempted in treating such transaction as RPT.</i></p> <p>However, in the absence of an express exclusion in the definition of related party transaction, the benefit of such provision is not currently being availed by companies resulting in compliance burden. Certain related parties of banks are taking shareholders' approval for these deposit facilities as Material RPTs.</p>	<p>The exclusions may specifically provide for the same.</p>	<p>(c) acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board:</p> <p>(d) acceptance of current account deposits and saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India or any other central bank in the relevant jurisdiction from time to time:</p> <p>Explanation: For the purpose of clauses (c) and (d) above, acceptance of deposits includes payment of interest thereon. <a href="#">For the purpose of clauses (c) and (d) above, placing of fixed, current account and saving account deposits and receipt of interest thereon shall also not be considered as a related party transaction for the counter related party.</a></p>
<p>Retail purchases from the listed entity or its subsidiary are currently excluded only if made by specific RPs, such as, directors or KMPs of the listed entity or its subsidiary and their relatives without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees, directors, KMP and relatives of directors or KMP.</p> <p>In case of retail purchases, where the transaction does not establish a business relationship and is undertaken at uniformly applicable terms, the same does not pose any concern for conflict of interest with any related</p>	<p>The scope of exclusion of "retail purchases" may be extended to all Related Parties at terms which are uniformly applicable/ offered to all employees/ public, as the case may be.</p> <p>This would result in excluding retail transactions that do not have any concerns on conflicts of interest, and allow the Audit Committee to put time on more significant transactions, requiring its</p>	<p>(e) retail purchases from any listed entity or its subsidiary by the <del>directors or key managerial personnel</del> <a href="#">related parties</a> of the listed entity or its subsidiary, <del>and the relatives of such directors or key managerial personnel</del>, without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and/or the public. <del>directors, key managerial personnel and relatives of directors or key managerial personnel.</del></p> <p><a href="#">The meaning of "retail purchases" shall be as defined in the Policy on Related Party Transactions of the listed entity.</a></p>

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party.	attention and scrutiny.	
<b>Regulation 23(1A) - Clarification on materiality thresholds for royalty payments</b>		
<p>Alongside the materiality thresholds for related party transactions under Schedule XII, a separate materiality threshold of 5% of the annual consolidated turnover of the listed entity is specified for payments made to a related party with respect to brand usage or royalty. Listed entities have varied practices on treating the materiality thresholds for royalty payment as a sub-limit vis-a-vis a separate limit over and above the aggregate materiality thresholds.</p> <p>The FAQs issued by NSE on disclosure of related party transactions under Reg 23(9) states that:</p> <p><i>Q7. Materiality criteria for brand usage or royalty are defined separately in regulation 23 (1A). Does it mean that even if the threshold in proviso to regulation 23 (1) substituted w.e.f. 01 April 2022, is exceeded in case of brand usage or royalty, still it shall not be disclosed if threshold in regulation 23 (1A) is not exceeded?</i></p> <p><i>Answer: Yes, transactions involving brand usage or royalty shall only be tested with the materiality threshold provided in regulation 23 (1A) and be disclosed only if the threshold therein is exceeded.</i></p> <p>Further, in the matter of Linde India Limited v. SEBI, hon'ble SAT has, vide its order dated 5th December, 2025, observed that:</p> <p><i>8.13 It is noteworthy that the LODR Regulations specifically excludes certain transactions with RPs for materiality threshold testing. Certain RPTs are defined as not RPTs under Regulation 2(1)(zc), and are to be excluded. Further, Regulation 23(1A)</i></p>	<p>A clarification may be incorporated in the provisions itself that the limits on royalty payment for materiality assessment is over and above the aggregate limits provided under Reg 23(1) r/w Schedule XII of the Regulations.</p>	<p>(1A) Notwithstanding the above, with effect from July 01, 2019 a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 211{five} percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.</p> <p><i>Explanation: It is clarified that all transactions involving payments made to a related party with respect to brand usage or royalty shall be aggregated together and tested for materiality against the aforesaid threshold and shall not be aggregated with other transactions with a related party for the purpose of materiality under sub-regulation (1).</i></p>

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<p><i>defines separate materiality threshold in respect of other category of transactions being in the nature of payment for Brand usage or royalty, where the threshold is kept low at 5% of the annual consolidated turnover.</i></p> <p><i>XXX</i></p> <p><i>Therefore, these transactions are the only transactions to be excluded from the prescribed threshold under Proviso to Regulation 23(1).</i></p>		
<p><b>Second proviso (d) to regulation 23(2), 23(4) - Clarification on approval for related party transactions of listed subsidiaries</b></p>		
<p>Under the existing regulatory framework, prior approval of the audit committee/ shareholders of the listed entity is not required for a RPT to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of these regulations apply to such listed subsidiary.</p> <p>The provisions currently do not refer to subsidiaries covered under Reg 62K, hence, might create interpretational issues.</p> <p>Further, for companies covered under the exemption from corporate governance provisions under Reg 15(2), in the absence of a framework for controls over related party transactions, such transactions should be brought before the Audit Committee based on significance.</p>	<p>Amendments may be made to remove the reference to exemptions under Reg 15(2) and incorporate reference to Reg 62K.</p>	<p>(d) prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 or regulation 62K is <del>and sub-regulation (2) of regulation 15 of these regulations are</del> applicable to such listed subsidiary.</p>
<p><b>Regulation 62K(6) - Voting by shareholders on material RPTs and related modifications</b></p>		

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<p>Pursuant to the SEBI (LODR) (Amendment) Regulations, 2026, Regulation 62K(1) referring to regulation 23(4) prohibits related parties from voting to approve on material RPT and subsequent material modifications. While this prohibition is reasonable for equity listed companies by seeking to prevent conflict of interest for RP shareholders, it may not serve the same purpose for HVDLEs. HVDLEs have public debenture holders and the purpose is to protect those debentureholders whose consent is already being obtained in the current regime. Barring the RP shareholders from voting poses a practical difficulty in closely held HVDLEs as has been discussed by SEBI in various consultation papers in the past.</p>	<p>A clarification may be added in case of HVDLEs that the prohibition on related parties to vote does not apply in case of voting by shareholders.</p>	<p>(6) After obtaining approval of the debenture holders, approval of the shareholders through resolution shall be obtained. Explanation (1): — If the No-Objection Certificate has been withheld, the matter shall not be taken forward for shareholders’ consideration. Explanation (2): — This No-Objection Certificate from Debenture Trustee and debenture holders shall be obtained in respect of listed debt securities issued on or after April 01, 2025: <del>Provided that in case of outstanding listed debt securities as on March 31, 2025, No-Objection Certificate from Debenture Trustee and debenture holders shall not be required for existing or prospective material related party transactions:</del> Provided further that, notwithstanding anything contained in Regulation 23 of these Regulations, the restriction on voting by related parties shall not apply for voting by shareholders.</p>
<p>The proviso provides that the requirement of obtaining no-objection certificate from debenture trustee and debenture holders shall not apply for outstanding listed debt securities as on March 31, 2025. However, explanation 2 already provides that such requirement applies only for listed debt securities issued on or after April 01, 2025. This proviso appears to be an unnecessary repetition.</p>	<p>This will ensure streamlining of the language of the law.</p>	<p><del>Provided further that prior approval of the shareholders and No-objection Certificate by Debenture Trustee of a HVDLE, in the manner as specified in sub-regulation (5) of regulation 62K of these regulations shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 62K of these regulations is applicable to such listed subsidiary.</del></p>
<p>The exemption to listed subsidiaries as existing under Regulation 23 has already been extended to HVDLEs, vide sub-regulation (1) of Regulation 62K. The references are repeated in Reg 62K, however, does not capture all combinations of listed subsidiaries (viz., only equity-listed, HVDLE etc.) appropriately.</p>	<p>The repeat references under Reg 62K may be omitted.</p>	
<b>Reg 23(9) and Reg 62K(9) - Disclosure of related party transactions</b>		
<p>The list of half-yearly disclosures of RPTs made by listed entities under the current regime is often very extensive and runs into thousands. This bulk of information does not</p>	<p>While the current regime requires all the RPTs of the listed entity and its subsidiaries to be disclosed,</p>	<p>(9) The listed entity shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website,</p>

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<p>serve the purpose of the disclosure which is bringing relevant transactions to the notice of the shareholders.</p>	<p>we suggest disclosure of only those transactions of subsidiaries which are being approved by the audit committee and shareholders of the listed entity i.e. all the RPTs of the listed entity excluding exempted transactions and significant transactions of the subsidiaries.</p>	<p>covering:</p> <p>(a) All related party transactions to which the listed entity is a party,</p> <p>(b) In case of related party transactions of subsidiary to which the listed entity is not a party, such transactions of the subsidiary that are brought for approval of the Audit Committee:</p> <p><del>Provided further that the listed entity shall make such disclosures every six months within fifteen days from the date of publication of its standalone and consolidated financial results:</del></p> <p>Provided further that the listed entity shall make such disclosures every six months on the date of publication of its standalone and consolidated financial results. <del>with effect from April 1, 2023</del></p> <p>Provided further that the remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require disclosure under this sub-regulation provided that the same is not material in terms of the provisions of sub-regulation (1) of this regulation.</p>
<p>The list of half-yearly disclosures of RPTs made by listed entities under the current regime is often very extensive and runs into thousands. This bulk of information does not serve the purpose of the disclosure which is bringing relevant transactions to the notice of the shareholders.</p>	<p>While the current regime requires all the RPTs of the listed entity and its subsidiaries to be disclosed, we suggest disclosure of only those transactions of subsidiaries which are being approved by the audit committee and shareholders of the listed entity i.e. all the RPTs of the listed entity excluding exempted transactions and significant transactions of the subsidiaries.</p>	<p>(9) The HVDLE shall submit to the stock exchanges disclosures of related party transactions in the format as specified by the Board from time to time, and publish the same on its website covering:</p> <p>(a) All related party transactions to which the listed entity is a party,</p> <p>(b) In case of related party transactions of subsidiary to which the listed entity is not a party, such transactions of the subsidiary that are brought for approval of the Audit Committee:</p> <p>Provided that a HVDLE shall submit such disclosures along with its standalone financial results for the half year.</p>