

SEBI's New RPT Disclosure Framework

Strengthening Governance through Transparent Disclosures

October 2025



Over the last decade, SEBI has steadily tightened the governance framework around Related Party Transactions (RPTs) to enhance transparency and accountability in listed companies. The requirement for Audit Committee approval was a key step in this journey, which was aimed at ensuring that transactions with related parties are scrutinised not merely for compliance but for their fairness, rationale, and alignment with shareholder interests.

Yet, as the scale and complexity of RPTs have grown, inconsistencies in disclosures, a lack of uniform evaluation parameters, and varying levels of diligence by key managerial personnel and audit committees have posed challenges in achieving comparability, transparency and informed decision-making. To bridge these gaps, SEBI has now approved comprehensive amendments to the RPT framework under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR").

Effective September 1, 2025, SEBI's new Minimum Industry Standards¹, formulated by the Industry Standards Forum (ISF) comprising ASSOCHAM, CII, and FICCI, have introduced a structured, uniform disclosure format for RPTs. This initiative, was followed by SEBI Board's approval of broader regulatory changes on September 12, 2025, which introduced scale-based thresholds, harmonised subsidiary level approvals, and simplified disclosure for small RPTs, marking a significant step forward in India's corporate governance landscape.

1. What are the Minimum Industry Standards?

The Industry Standards establish a comprehensive three-tier reporting framework for the RPTs for the Audit Committee's consideration:

Part A: Universal Requirements

- Applicable to all RPTs regardless of size or nature
- Covers basic details of related party (RP), relationship mapping, previous transaction history, proposed transaction amounts, and transaction specifics
- Requires disclosure of promoter/director/KMP interests in the transaction



¹SEBI issued Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/93 dated June 26, 2025, introducing revised Industry Standards on "Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions"

Part B & C: Transaction-Specific Requirements and Additional Disclosure Requirements

Transaction-specific disclosures for seven specific transaction types and additional disclosures if these seven specific transactions are considered to be 'material':

Transaction Type	Part B: Specific Disclosures ²	Part C: Additional Disclosures (if material RPT)
Sale, purchase or supply of goods/ services and trade advances	- Rationale for choosing RP (e.g. bidding or other process) - Basis for determining transaction price - Whether it involves any Trade Advance; - Amount of advance - Tenure - Whether self-liquidating	No additional disclosure
Loans and advances (excluding trade advances) or inter-corporate deposits	- Source of funds - If funds are borrowed, following details: - Nature of indebtedness - Total cost of borrowing - Tenure - Other details - Interest rate on similar existing borrowings - Proposed interest rate - Purpose of fund utilization - Whether secured or unsecured? - Nature of security and coverage ratio - Maturity / due date - Repayment schedule & terms	- Latest credit rating of the RP - Details of defaults in last 3 FYs - Additional disclosures (if any): - NPA status - Wilful defaulter status - Insolvency/liquidation proceedings - IBC disqualifications (Sec 29A)
Investments made by listed entity or subsidiary	- Source of funds - If funds are borrowed, following details: - Nature of indebtedness - Total cost of borrowing - Tenure - Other details - Purpose of fund utilization - Material terms	- Latest credit rating of the RP - Status of regulatory approval (if any)
Guarantees, sureties, indemnities or comfort letters	- Rationale for issuing guarantee - Whether creates legally binding obligation? - Rate of guarantee fee charged - Value of obligations undertaken - Recovery mechanism in case invoked - Whether any provision required in the books?	- Latest credit rating of the RP - Solvency and going concern status - Value of obligations covered - Accounting provisions - Details of defaults in last 3 FYs (if any) - Additional disclosures (if any): - NPA status - Wilful defaulter status - Insolvency/liquidation proceedings - IBC disqualifications (Sec 29A)
Borrowings by listed entity or a subsidiary	- Material covenants - Interest rate - Cost of borrowing - Maturity / due date - Repayment schedule & terms - Whether secured or unsecured - Nature of security and coverage ratio - Purpose of fund utilization	- Key financial ratios (pre and post) - Debt-to-Equity Ratio - Debt Service Coverage Ratio
Sale, lease or disposal of assets/ subsidiaries or of undertaking or of shares	- Rationale for choosing RP (e.g. bidding or other process) - Basis for determining transaction price - Rationale for sale/lease/disposal. - Financial track-record (last 3 FYs) - turnover - net worth - net profit - Expected financial impact on above	- Prior sale/lease of the same (if any within 12 months) - Consideration discharged in kind or through issue of securities? - Impact on Segment reporting - Impact on key intangibles/ key customers - Other major non-financial rationale.
Royalty payment transactions	- Purpose of proposed royalty payment - For use of brand name / trademark - For transfer of technology know-how - For professional fee, corporate management fee or any other fee - Any other use (specify) - Whether uniform pricing policy applies? - If not: min & max rates with amounts - Sunset Clause	- Gross royalty paid in last 3 FYs. - Purpose of royalty for last 3 FYs - Purpose for which royalty is paid: - Brand/trademark % - Technology/know-how % - Professional/corporate fees % - Other % - Royalty as % of net profits (3 FYs) - Comparison of growth in royalty rate vs turnover / PAT growth - Peer comparison for royalty payouts

²Not applicable for smaller RPTs – refer Point 3

Where a field is not applicable, it shall be indicated as 'NA', and the reason for non-applicability shall be disclosed to the Audit Committee, unless it is self-evident.

2. What will constitute a Material RPT?

For Listed Entity

Under the pre-amendment framework, an RPT was deemed material if it exceeded 10% of the listed entity's annual consolidated turnover or ₹1,000 crore, whichever was lower. This single-point threshold often resulted in routine intra-group transactions being subjected to shareholder approval, especially for large corporates.

SEBI has now adopted a scale-based materiality threshold linking the approval threshold to company size. The new limits are as follows:

Annual Consolidated Turnover of Listed Entity	Revised Materiality Threshold
Up to ₹20,000 crore	10% of consolidated turnover
₹20,001– ₹40,000 crore	₹2,000 crore + 5% of excess turnover over ₹20,000 crore
Above ₹40,000 crore	₹3,000 crore + 2.5% of excess turnover over ₹40,000 crore (capped at ₹5,000 crore)

This dynamic model ensures proportionality, and larger entities will now require shareholder approval only for transactions of real significance.

For unlisted subsidiaries of the Listed Entity

Aspect	Earlier Framework	New Framework (Effective September 1, 2025)
Applicability for Audit Committee Approval	RPT exceeded 10% of the subsidiary's standalone turnover.	Subsidiaries with audited financials: RPT exceeds the stricter of: 10% of the subsidiary's standalone turnover, or the Parent company's scale-based threshold. Subsidiaries without audited financials: RPT exceeding 10% of paid-up share capital and securities premium or the parent's threshold, whichever is lower.
Shareholder Approval for 'Material' RPTs	RPT exceeded 10% of the consolidated turnover of the listed entity or ₹1,000 crore, whichever was lower.	Continues to apply at the group (consolidated) level, but now harmonised with the audit committee approval threshold to remove inconsistencies.

The earlier regime created a disconnect as some transactions could be material at the group level (thus needing shareholder approval) but escaped audit committee scrutiny at the subsidiary level. The revised framework introduces a scale-based and harmonised approach, preventing any material transaction from slipping through regulatory review.

3. What is the disclosure-related relief for 'Smaller RPTs'

Recognising industry feedback that smaller, low-risk RPTs bear disproportionate disclosure obligations, SEBI has introduced simplified disclosure norms for such transactions. Under the new structure:

- RPTs up to rupees one crore per related party per year remain fully exempt.
- RPTs not exceeding the lower of 1% of consolidated turnover or ₹10 crore will require only simplified disclosure³ instead of full RPT Industry Standards compliance, which has been provided below:

For any nature of RPT		Additional details if RPT is in nature of loan/ Investment
- Type of transaction and key terms - Name of the related party, nature of the relationship - Transaction value and its proportion to consolidated turnover*	- Justification for why the transaction is in the interest of the listed entity - Valuation or external expert reports, if relied upon - Voluntary disclosure of the counterparty's turnover percentage represented by the transaction value - Any other relevant information	- Source of funds and, if financed through borrowings, nature, cost, and tenure of indebtedness - Interest rate, tenure, covenants, repayment schedule, and security (if any) - Purpose or end-use of funds by the ultimate beneficiary

³SEBI to issue a circular to specify minimum information to be provided to the Audit Committee

4. Who must certify RPT disclosures to the Audit Committee?

A certificate from the CEO/ Managing Director/ Whole-time Director/ Manager and CFO must confirm that the proposed RPTs are in the best interest of the listed entity.

5. What is the validity of omnibus approvals for RPTs?

SEBI has codified the earlier guidance on the validity period of omnibus approvals (previously contained only in circulars). Where approval is granted in an Annual General Meeting (AGM), it remains valid till the next AGM, but not beyond 15 months. Approvals given in any other general meeting are valid for one year.

6. What are the key implications for Listed Entities?

Compliance Burden Assessment

Reduced Material RPTs: Industry analysis suggests the new scale-based thresholds could reduce material RPT approvals by approximately 60%⁴ for large companies, with total resolutions decreasing from 235-293 to 95-119 for top 100 NSE companies.

Enhanced Documentation: Despite threshold relaxations, the standardized disclosure requirements under Industry Standards will require more comprehensive documentation and internal processes.

Governance Enhancement

Improved Transparency: The three-tier disclosure structure ensures appropriate information flow to audit committees and shareholders based on transaction complexity and materiality.

Minority Shareholder Protection: Rs. 5,000 crore upper ceiling and enhanced disclosure requirements for material RPTs maintain robust safeguards for minority shareholders.

Operational Efficiency

Streamlined Processes: The simplified disclosure requirements for smaller RPTs and clarified exemptions will reduce compliance costs for routine transactions.

Harmonized Framework: Integration of omnibus approval provisions into LODR Regulations creates a unified regulatory framework.

7. How can Dhruva help?

While SEBI Regulation does not explicitly mandate determining arm's length price for RPTs, it places significant emphasis on justifying how the transaction is in the interest of the listed entity and the basis of determining the price. Even for small-value RPTs, it needs to be disclosed how the transaction is in the best interest of the company, with transparent disclosure of pricing basis, terms, and rationale.

In practice, one of the most credible ways to evidence that a transaction serves the entity's interest is by substantiating that it is priced at arm's length, i.e., comparable to terms that would prevail between independent parties under similar economic circumstances. To help companies meet this expectation and align internal practices with regulatory intent, we offer an integrated suite of solutions:



Assistance with the determination of the Arm's Length Price

- Independent assessment of transaction terms to establish adherence with the arm's length price
- Quantitative and qualitative analysis to support the 'interest of the entity's disclosure before the Audit Committee.



RPT Policy Review and Customisation

- Review of existing RPT policies to align with SEBI's revised LODR and Minimum Industry Standards.
- Customisation of approval matrices, documentation protocols, and reporting templates.



Assistance in Disclosure, Reporting and Representation

- Preparation and standardisation of SEBI-compliant RPT disclosures, ensuring completeness and comparability.
- Assistance in articulating transaction rationale, pricing basis, and justification of fairness in audit committee notes.
- Representation before the Audit Committee (if required) to explain the transaction terms and justification from an arm's length perspective



Training and Capacity Building

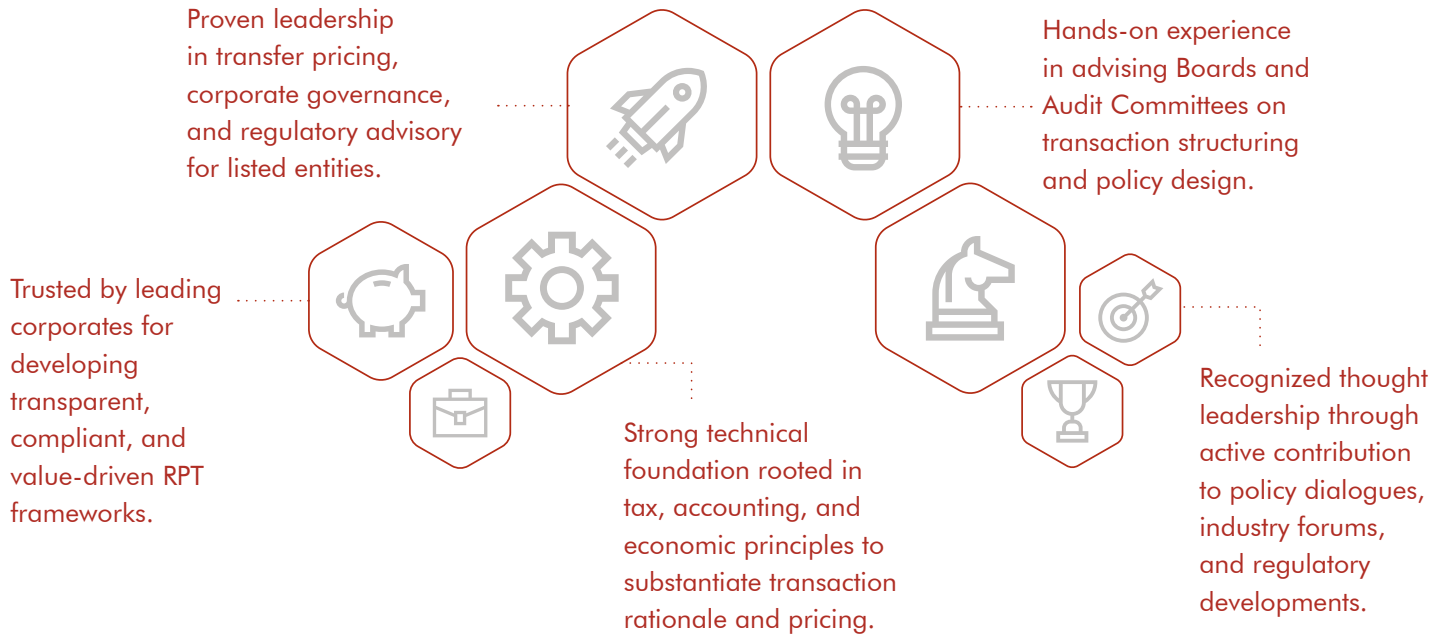
- Targeted workshops for finance and operational teams, company secretaries, and audit committee members.
- Focused on practical interpretation of SEBI's disclosure expectations and good governance practices in RPT review.

⁴where relevant, the subsidiary's standalone turnover

⁵SEBI Consultation Paper on RPT dated 4 August 2025

WHY DHRUVA?

At Dhruva, we combine deep regulatory insight with practical implementation expertise to help clients navigate complex disclosure and governance frameworks with confidence.



Our approach goes beyond compliance as it is anchored in delivering practical solutions and ensuring clarity and transparency in disclosures made to the Audit Committee.



ABOUT DHRUVA

At Dhruva, we understand that navigating the complex world of tax and regulatory compliance can feel overwhelming. That is why we have built a team that does not just deliver solutions but we also work alongside you as trusted advisors, helping you make confident decisions in an ever-changing landscape.

Since 2014, we have grown into a firm with a strong presence across India and key international hubs in Dubai, Abu Dhabi, Saudi Arabia, and Singapore. Our journey has been guided by a single principle - Excellence in everything we do.

Over the years, we have had the privilege of working on some of the most critical and challenging tax matters in the country, and being recognized as a Tier 1 Tax Firm in India and winning the India Tax Firm of the Year award for five consecutive years is a reflection of the trust our clients place in us.

Our expertise spans across diverse sectors from Aerospace, Automobiles, and IT to Pharma, Energy, and Financial Services. No matter the industry, our goal remains the same: to bring clarity, confidence, and innovative solutions to every engagement.

We look forward to building a meaningful partnership with you and supporting your journey with integrity, expertise, and personalized attention.

OUR RECOGNITIONS

Dhruva Advisors has been consistently recognized among India's leading tax and regulatory advisory firms.

ITR World Tax 2026 Rankings	
2025	- For over five consecutive years, Dhruva Advisors has maintained its Tier 1 position in India's General Corporate Tax, Indirect Tax and Transfer Pricing tables in ITR's World Tax Guide. - Dhruva Consultants has also been recognized with Tier 1 in Indirect Tax, Tier 2 in General Corporate Tax, Transfer Pricing and Transactional Tax, and Other Notable in Tax Controversy.
2017 – 2021	Dhruva Advisors was honoured as the "India Tax Firm of the Year" at the ITR Asia Tax Awards for five consecutive years - 2017, 2018, 2019, 2020 and 2021.
2018 & 2020	Recognized as the "India Disputes and Litigation Firm of the Year" at the ITR Asia Tax Awards.
2020	Dhruva Consultants was named the "Best Newcomer Firm of the Year" at the ITR European Tax Awards.
2016	Dhruva Advisors received the "Best Newcomer Firm of the Year" award at the ITR Asia Tax Awards.

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