

Related Party Insight

Related Party Transactions (RPTs)

Companies Act 2013 | SEBI (LODR & ICDR) | Corporate Governance

May 11, 2026

Covers all companies — public, private & listed — under Sections 2(76), 177 & 188

Key Provisions

Who It Covers

All companies — public, private & listed — under Sections 2(76), 177 & 188. Related Parties include directors/KMP & their relatives; holding, subsidiary & associate companies; firms/private companies linked to directors.

Voting Restriction

Interested directors cannot vote on RPT resolutions at Board or shareholder meetings.

Approval Requirement

Board approval required for ALL RPTs. Shareholder approval needed when transactions exceed prescribed thresholds.

Approval Framework



Board Approval — All RPTs

Board approval mandatory for every related party transaction without exception.



Audit Committee Review

Must review & recommend all RPTs before Board approval. Mandatory pre-step.



Shareholder Approval (Above Thresholds)

Special resolution required; interested related parties excluded from voting.

RPT under SEBI (LODR + ICDR) — Key Requirements

Applicability (Regulation)	Listed Companies (LODR Framework)	IPO-Bound Companies (ICDR Framework)
Audit Committee Approval	Mandatory — applies to all listed entities	Mandatory — applies to all IPO-bound companies
Shareholder Approval (Material RPTs)	Mandatory — all RPTs approved by Audit Committee	Mandatory — all RPTs need committee & board sign-off
Related Party Voting Restriction	Cannot vote — same restriction applies pre-IPO	₹1,000 Cr or 10% of annual turnover — same as listed entities
Material RPT Threshold	₹1,000 Cr or 10% of annual turnover (whichever lower)	10% of turnover or ₹1,000 Cr — same as listed entities
Disclosure Frequency	Half-yearly to stock exchanges	Disclosed in DRHP for 3 preceding financial years
CEO/CFO Certification	Required — CEO/CFO must certify all RPTs	CEO/CFO to certify RPT compliance in offer documents
IPO Focus (ICDR Specific)	Full audit trail; prospectus disclosure mandatory	3-year RPT disclosures; arm's length validation mandatory

* Material RPT defined as ₹1,000 Cr or 10% of annual consolidated turnover, whichever is lower.

Companies Act vs SEBI — Key Distinctions



Applicability

Companies Act applies to ALL companies (public, private, listed). SEBI framework applies only to listed entities and IPO-bound companies.



Focus

Companies Act is compliance-focused (board governance);
SEBI framework is investor protection-focused with continuous monitoring.



Disclosure

Companies Act requires annual disclosures in Board report. SEBI mandates half-yearly disclosures to stock exchanges.



Thresholds

SEBI provides broader definition of related parties and stricter thresholds — ₹1,000 Cr or 10% turnover for material RPTs.

Recent Indian Developments



Adani Group Case

Hindenburg report alleged offshore RPT misuse. SEBI found no violation but triggered regulatory tightening.



Man Industries Case

SEBI barred key executives for fund diversion via subsidiaries. Highlighted gaps in audit committee oversight.



Regulatory Tightening (Post-2022)

CEO/CFO certification introduced; audit committees strengthened; increased penalties and stricter enforcement adopted.

Key Takeaways

☰ RPTs are transactions between a company and its related parties — directors, KMPs, relatives, subsidiaries, and associates.

✓ All RPTs require Audit Committee review and Board approval; shareholder approval is mandatory for material transactions above thresholds.

₹ Material RPT threshold under SEBI: ₹1,000 Cr or 10% of annual consolidated turnover — whichever is lower.

• Companies Act (Sections 177 & 188) governs all companies; SEBI (LODR Reg. 23) adds stricter requirements for listed & IPO-bound entities.

▶ For IPO-bound companies: 3 years of RPT disclosures must appear in the DRHP; all transactions must be at arm's length.