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Industry Standards for providing minimum information to the
Audit Committee / Shareholders
for Approval of Related Party Transactions
under
Securities and Exchange Board of India
(Listing Obligations and Disclosure Requirements) Regulations, 2015
(“Listing Regulations”)

Listed companies are required to take prior approval of its audit committee for all “Related Party Transactions and subsequent material modifications thereto” (jointly referred hereinafter as “RPT” or “RPTs”). Further, the audit committee may also grant omnibus approval for RPTs proposed to be entered into by the listed entity(ies) or its subsidiary with certain stipulated conditions as envisaged vide Regulation 23(3) of the Listing Regulations. Furthermore, all non-material RPTs with aggregate value not exceeding Rs. 1 Core in a financial year and not placed before the audit committee for approval, may be ratified by the independent directors as members of the audit committee within three months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier, with additional conditions as may be stipulated. However, in terms of Regulation 23(4) of the Listing Regulations all “Material RPTs” shall also require prior approval of the shareholders in the manner as specified therein. Furthermore, SEBI Master Circular No. SEBI/HO/CFD/PoD2/CIR/P/0155 dated November 11, 2024 (“Master Circular”) vide Part A and Part B in Section III-B specify the information to be placed before the audit committee and shareholders, respectively, for consideration and approval of RPTs. These provisions ensure that RPTs are conducted transparently, fairly and in the best interests of the listed entity and its public shareholders so that they have relevant data to assess the transaction’s nature, terms, and potential impact on the listed entity.

In order to facilitate uniform approach and assist listed entities in complying with the above mentioned requirements, the Industry Standards Forum (“ISF”) comprising of representatives from three industry associations, viz. ASSOCHAM, CII and FICCI, under the aegis of the Stock Exchanges, has formulated industry standards, in consultation with SEBI, for minimum information to be provided for review of the audit committee and shareholders for approval of RPTs. The industry associations which are part of ISF (ASSOCHAM, FICCI, and CII) and the stock exchanges have published the industry standards on their websites.



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Now, SEBI vide its Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/18 dated February 14, 2025 mandate the listed entities to follow the aforesaid industry standards to ensure compliance with Part A and Part B of Section III-B of the Master Circular read with Regulations 23(2), (3) and (4) of the Listing Regulations. These standards aim to critically analyse the adequacy and clarity the information provided, ensuring that it meets the legal and regulatory requirements set forth under the Listing Regulations and the Master Circular. The information provided in the standardized format shall be incorporated into the agenda convening the meeting of the audit committee and the comments of the audit committee, wherever applicable, shall be recorded in the minutes of the meeting of the audit committee. For material RPTs, the information as prescribed in these standards shall be included in the Explanatory Statement to the Notice sent to shareholders.

These Standards shall be applicable in respect of RPTs entered into by the Listed Entity on or after **April 1, 2025**. Various aspects of these new provisions are analysed below :

| Srl. No. | Particulars | Summary |
|-----------------|--|--|
| 1 | What information are required to be provided for review of the audit committee for approval / ratification of RPTs, at present. | At present, the information as elaborated vide Paragraph 4 under Part – A in Section III-B of the SEBI Master Circular No. SEBI/HO/CFD/PoD2/CIR/P/0155 dated November 11, 2024 (“Master Circular”) are required to be provided for review of the audit committee for approval / ratification of RPTs. (<i>Annexure – “I”</i>). |
| 2 | Is there any change in information as required to be provided for review of the audit committee for approval / ratification of RPTs, at present, in terms of the Master Circular. | Yes. The existing provisions as elaborated vide Paragraph 4 under Part – A in Section III-B of the Master Circular will be replaced with the following w.e.f. April 1, 2025 in terms of SEBI Circular No. : SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/18 dated February 14, 2025 (“New Circular”). (<i>Annexure – “II”</i>) : <i>“The listed entity shall provide the audit committee with the information as specified in the Industry Standards on “Minimum information to be provided for review of the audit committee and shareholders for approval</i> |



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| | | <i>of a related party transaction”, while placing any proposal for review and approval of an RPT.”</i> |
| 3 | What information are required to be placed before the shareholders for approval of Material RPTs, at present. | At present, the notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the items as elaborated vide Paragraph 6 under Part – B in Section III- B of the Master Circular. (<i>Annexure – “III”</i>). |
| 4 | Is there any change in information as required to be placed before the shareholders for approval / ratification of RPTs, at present, in terms of the Master Circular. | Yes. The existing provisions as elaborated vide Paragraph 6 under Part – B in Section III-B of the Master Circular will be replaced with the following w.e.f. April 1, 2025 in terms of New Circular : <i>“The notice being sent to the shareholders seeking approval for any RPT shall, in addition to the requirements under the Companies Act, 2013, include the information as part of the explanatory statement as specified in the Industry Standards on “Minimum information to be provided for review of the audit committee and shareholders for approval of RPTs.””</i> |
| 5 | Whether the information as specified in the Industry Standards on “Minimum information to be provided for review of the audit committee and shareholders for approval of RPTs”, would be applicable for all RPTs from April 1, 2025 onwards. | These standards shall be applicable in respect of RPTs entered into by the listed entity on or after April 1, 2025. Further, the audit committee shall also continue the process to review the status of long-term (more than one year) or recurring RPTs on an annual basis. |



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| 6 | <p>What is “Industry Standards” on “Minimum information to be provided for review of the audit committee and shareholders for approval of RPTs”.</p> | <p>The Industry Standards Forum comprising of representatives from three industry associations, viz. ASSOCHAM, CII and FICCI, under the aegis of the Stock Exchanges, has formulated Industry Standards (“IS” or “Standards”), in consultation with SEBI, for “Minimum information to be provided for review of the audit committee and shareholders for approval of RPTs”. These Standards are published on the website of the stock exchanges as well as of ASSOCHAM, CII and FICCI.</p> <p>SEBI vide its New Circular has mandated listed companies to follow these Standards in compliance with the Master Circular read with provisions of the Listing Regulations and the listed companies are required to provide the audit committee and shareholders with the information as specified in the “IS” on “Minimum information to be provided for review of the audit committee and shareholders for approval of RPTs”, while placing any proposal for review and approval of an RPT.</p> |
| 7 | <p>Whether “IS” on “Minimum information to be provided for review of the audit committee and shareholders for approval of RPTs” is applicable to all listed companies.</p> | <p>Yes.</p> |
| 8 | <p>Is there any classification of RPT under “IS”.</p> | <p>Yes. RPTs are classified into following categories under “IS” :</p> <ul style="list-style-type: none"> a. Material RPTs b. Non-Material RPTs : |



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| | | <ul style="list-style-type: none"> i. Non-Material RPTs with promoter or promoter group or person/entity in which promoter or promoter group has concern or interest and: <ul style="list-style-type: none"> a. Exceeding the stipulated threshold; b. Not exceeding the stipulated threshold ii. Non-Material RPTs not falling under b(i) and : <ul style="list-style-type: none"> a. Aggregated value of transactions during an FY > Rs. 1 Crore b. Aggregated value of transactions during an FY < Rs. 1 Crore |
| 9 | What is Material RPT. | <p>Material RPT has been defined under Regulation 23(1) and (1A) of the Listing Regulations as follows :</p> <p>23(1) : A transaction with a related party shall be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceeds rupees one thousand crore or ten per cent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity, whichever is lower;</p> <p>23(1A) : Notwithstanding the above, 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 five percent of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity.</p> |
| 10 | How to determine Non-Material RPTs with promoter or promoter | Promoter or promoter group shall be deemed to be concerned or interested in any person, if they in any way, whether directly or indirectly— |



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| | group or person/ entity in which promoter or promoter group has concern or interest. | <p>(a) where the person is a body corporate, holds more than 2% shareholding or voting rights of that body corporate, or is a promoter, managing director, manager, Chief Executive Officer of that body corporate; or</p> <p>(b) where the person is a firm or other entity, the promoter(s) or the promoter group is a partner, owner or member, as the case may be.</p> |
| 11 | What is the stipulated threshold to determine Non-Material RPTs with promoter or promoter group or person/ entity in which promoter or promoter group has concern or interest. | <p>Transaction(s) with a related party, where the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed lower of the following:</p> <p>(a) 2% of turnover, as per the last audited consolidated financial statements of the listed entity;</p> <p>(b) 2% of net worth, as per the last audited consolidated financial statements of the listed entity, except in case the arithmetic value of the net worth is negative;</p> <p>(c) 5% of the average of absolute value of profit or loss after tax, as per the last three audited consolidated financial statements of the listed entity.</p> |
| 12 | Is there any classification of “Disclosure Requirements” also under “IS” on “Minimum information to be provided for review of the audit committee and shareholders for approval of RPTs”. | <p>Yes. Disclosure Requirements have also been classified under the following categories :</p> <p>i. Comprehensive Disclosures</p> <p>ii. Limited Disclosures; and</p> <p>iii. Minimum Disclosures;</p> |



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| | | mandating information to be provided for review of the audit committee and shareholders for approval of RPTs depending upon the classification of the RPT. |
| 13 | Is there any “Applicability Matrix” in respect of RPTs entered into by the listed entities on or after April 1, 2025 following “IS” on “Minimum information to be provided for review of the audit committee and shareholders for approval of RPTs”. | Yes. “IS” on “Minimum information to be provided for review of the audit committee and shareholders for approval of RPTs” provides for Applicability Matrix in respect of RPTs entered into by the listed entities on or after April 1, 2025. (<i>Annexure – “IV”</i> .) |
| 14 | Whether “IS” on “Minimum information to be provided for review of the audit committee and shareholders for approval of RPTs” is applicable in case of ratification of Non-Material RPTs too. | Yes. |
| 15 | What is the standard process, to be followed by the listed entities, for providing minimum information to the audit | 1. The management of the listed entity shall provide the Audit Committee with the information, as specified in Para 4 of “IS”, while placing any proposal for review and approval of a RPT. |



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committee for review and approval (including ratification) of RPTs.

2. The information provided in the standardized format shall be incorporated into the agenda convening the meeting of the audit committee and the comments of the audit committee, wherever applicable, shall be recorded in the minutes of the meeting of the audit committee.
3. While collecting and collating the information, the management of the listed entity shall take into account the following:
 - (a) Provide comments against each information where it is sought in the format specified in Para 4 of 'IS' against transaction-based information.
 - (b) Certificates from the CEO or CFO or any other KMP of the Listed Entity and from every director of the listed entity who is also promoter ("promoter director") to the effect that:
 - i. the RPTs to be entered into are not prejudicial to the interest of public shareholders; and
 - ii. the terms and conditions of the RPT are not unfavorable to the listed entity, compared to the terms and conditions, had similar transaction been entered into with an unrelated party.

However, if any promoter director does not provide such certificate, the same shall be informed to the Audit Committee and the shareholders, if it is a material RPT.
 - (c) Copy of the valuation or other report of external party, if any, shall be placed before the Audit Committee.
 - (d) If audited financial statements of the related party as required to be submitted to Audit Committee are not available for any financial year, the financial details shall be certified by the related party.



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(e) If the related party follows a different financial year, this fact shall be disclosed.

(f) In the case of the payment of royalty : management fees, service fees, etc., if any, shall be explicitly bifurcated and disclosed.

(g) In the case of the payment of royalty : the criteria for selecting Industry Peers shall be as follows:

(i) The listed entity will strive to compare the royalty payment with a minimum of three Industry Peers, where feasible. The selection shall follow the following hierarchy:

A. Preference will be given to Indian listed Industry Peers.

B. If Indian listed Industry Peers are not available, a comparison may be made with listed global Industry Peers, if available.

(ii) If no suitable Indian listed/ global Industry Peers are available, the listed entity may refer to the peer group considered by SEBI-registered research analysts in their publicly available research reports (“Research Analyst Peer Set”). If the listed entity’s business model differs from such Research Analyst Peer Set, it may provide an explanation to clarify the distinction.

(iii) In cases where fewer than three Industry Peers are available, the listed entity will disclose, that only one or two peers are available for comparison.

4. If the Audit Committee has any comments on the line items as per the format specified in Para 4 of these Standards, it shall provide them



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| | | <p>accordingly. However, comments are required only for applicable line items, while non-applicable line items may be left blank.</p> |
| 16 | <p>What is the standard process, to be followed by the listed entities, for providing minimum information to the shareholders for approval of Material RPTs.</p> | <p>1. The explanatory statement contained in the notice sent to the shareholders for seeking their approval for a Material RPT shall provide the minimum information so as to enable the shareholders to take a view whether the terms and conditions of the RPT are favourable to the listed entity.</p> <p>2. The notice being sent to the shareholders seeking approval for any material RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:</p> <p>(a) Information as placed before the audit committee in the format as specified in Para 4 of these Standards, to the extent applicable.</p> <p>(b) The audit committee can approve redaction of commercial secrets and such other information that would affect competitive position of listed entity from disclosures to shareholders. Further, the audit committee shall certify that, in its assessment, the redacted disclosures still provide all the necessary information to the public shareholders for informed decision-making.</p> <p>(c) Justification as to why the proposed transaction is in the interest of the listed entity.</p> <p>(d) Statement of assessment by the audit committee that relevant disclosures for decision-making were placed before them, and they have determined that the promoter(s) will not benefit from the RPT at the expense of public shareholders.</p> |



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| | | <p>(e) Disclose the fact that the audit committee had reviewed the certificate provided by the CEO or CFO or any other KMP as well as the certificate provided by the promoter directors of the listed entity.</p> <p>(f) Copy of the valuation report or other reports of external party, if any, considered by audit committee while approving the RPT.</p> <p>(g) In case of sale, purchase, or supply of goods or services or the sale, lease, or disposal of assets of a subsidiary, unit, division, or undertaking of the listed entity, if the audit committee has reviewed the terms and conditions of bids from unrelated parties then such fact shall be stated. In case bids have not been invited, the fact shall be disclosed along with the justification thereof, and in case comparable bids are not available, state the basis for recommending that the terms of the RPT are beneficial to the shareholders.</p> <p>(h) Comments of the Board/ audit committee of the listed entity, if any.</p> <p>(i) Any other information that may be relevant.</p> |
| 17 | <p>Is there any format for minimum information to be provided for review of the Audit Committee for Approval (including ratification) of RPTs.</p> | <p>Yes. “IS” on “Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)” provides the format for minimum information to be provided for review of the Audit Committee for Approval (including ratification) of RPTs. (Annexure – “IV”).</p> |
| 18 | <p>What are the salient features of the format for minimum information to be provided for review of</p> | <p>1. The ”Disclosure Format” are divided into two parts :</p> <p>Part – A : Details of the Related Party and transactions with the Related Party; and</p> <p>Part – B : Details for Specific Transactions.</p> |



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the Audit Committee for Approval (including ratification) of RPTs.

2. Following information are required to be provided in Part – A and is applicable for all RPTs :

- i. Basic details of the Related Party
- ii. Relationship and Ownership of the Related Party
- iii. Financial performance of the Related Party
- iv. Details of previous transactions with the Related Party
- v. Amount of proposed transactions

3. Part – B deals with following specific RPTs :

Balance Sheet items :

- a. Loans, inter-corporate deposits or advances given by the listed entity or its subsidiary;
- b. Investment made by the listed entity or its subsidiary;
- c. Guarantee (excluding performance guarantee), surety, indemnity or comfort letter, by whatever name called, made or given by the listed entity or its subsidiary;
- d. Borrowings by the listed entity or its subsidiary; and
- e. Sale, lease or disposal of assets of subsidiary or of unit, division or undertaking of the listed entity, or disposal of shares of subsidiary or associate.

Profit & Loss (P/L) items :

- a. Sale, purchase or supply of goods or services or any other similar business transaction; and
- b. Payment of Royalty.

Note : (a) Apart from basis details for the aforesaid RPTs, additional details also to be given in the prescribed format;

(b) In case of multiple types of proposed transactions, details to be provided separately for each type of the proposed



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| | | <p><i>transaction – for example, (i) sale of goods and purchase of goods to be treated as separate transactions; (ii) sale of goods and sale of services to be treated as separate transactions; (iii) giving of loans and giving of guarantee to be treated as separate transactions.</i></p> |
| 19 | <p>Whether existing policy on materiality of related party transactions and on dealing with related party transactions, adopted by the listed companies need to be altered due to the New Circular.</p> | <p>Existing policy on materiality of related party transactions and on dealing with related party transactions, adopted by the listed companies is not required to be altered due to the New Circular. However, the same may require alteration if it specifically mention placing of the information for review of the audit committee or shareholders for approval of RPTs in terms of the elaborated list specified in Part – A and Part – B of Section III-B of the Master Circular or if it contravenes any of the provisions of the New Circular in any manner.</p> |
| 20 | <p>What is the fine/penalty in case of failure to comply with Regulation 23 of the Listing Regulations / Master Circular or the New Circular.</p> | <p>In accordance with Regulation 23(9) of the Listing Regulations, the listed entity is required to submit to the stock exchanges disclosures of RPTs in the format as specified by the Board from time to time, and publish the same on its website and the Master Circular provides for a fine of Rs. 5,000/- per day for non-compliance with the said stipulations.</p> <p>However, no specific fine/penalty is specified in case of failure of compliance with the provisions of Part – A and Part – B of Section III-B of the Master Circular or the New Circular and the same will be determined by the stock exchange(s) in terms of Regulation 98 of the Listing Regulations, which <i>inter alia</i> provides as follows :</p> <p><i>“The listed entity or any other person thereof who contravenes any of the provisions of these regulations, shall, in addition to liability for action in terms of the securities laws, be liable for the following actions by the respective stock exchange(s), in the manner specified in circulars or guidelines issued by the Board:</i></p> |



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| | | <p><i>(a) imposition of fines;</i></p> <p><i>(b) suspension of trading;</i></p> <p><i>(c) freezing of promoter/promoter group holding of designated securities, as may be applicable, in coordination with depositories.</i></p> <p><i>(d) any other action as may be specified by the Board from time-to-time</i></p> |
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Conclusion :

Providing detailed information with full disclosures to the audit committee and shareholders for the approval of related party transactions is crucial. Their role in reviewing and approving related party transactions is vital for maintaining the integrity, fairness, and transparency of the organization's financial practices, which, in turn, fosters trust with stakeholders. It not only ensures proper disclosure and enhances audit quality strengthening corporate governance norms but plays an important role in preventing conflicts of interest by ensuring compliance with legal and regulatory requirements and protecting shareholders' interests too.



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Annexure – “I”

Paragraph 4 under Part – A in Section III-B of the SEBI Master Circular No. SEBI/HO/CFD/PoD2/CIR/P/0155 dated November 11, 2024

Information to be reviewed by the Audit Committee for approval of RPTs

The listed entity shall provide the following information, for review of the audit committee for approval of a proposed RPT:

- a. Type, material terms and particulars of the proposed transaction;
- b. Name of the related party and its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise);
- c. Tenure of the proposed transaction (particular tenure shall be specified);
- d. Value of the proposed transaction;
- e. The percentage of the listed entity’s annual consolidated turnover, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the subsidiary’s annual turnover on a standalone basis shall be additionally provided);
- f. If the transaction relates to any loans, inter-corporate deposits, advances or investment made or given by the listed entity or its subsidiary :
 - i. details of the source of funds in connection with the proposed transaction;
 - ii. where any financial indebtedness is incurred to make or give loans, interoperate deposits, advances or investments, nature of indebtedness; cost of funds; and tenure;
 - iii. applicable terms, including covenants, tenure, interest rate and repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - iv. the purpose for which the funds will be utilized by the ultimate beneficiary of such funds pursuant to the RPT.



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- g. Justification as to why the RPT is in the interest of the listed entity;
- h. A copy of the valuation or other external party report, if any such report has been relied upon;
- i. Percentage of the counter the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant.

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Annexure – “III”

Paragraph 6 under Part – B in Section III-B of the SEBI Master Circular No. SEBI/HO/CFD/PoD2/CIR/P/0155 dated November 11, 2024

Information to be provided to shareholders for consideration of RPTs

The notice being sent to the shareholders seeking approval for any proposed RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- a. A summary of the information provided by the management of the listed entity to the audit committee as specified in paragraph 4 of this Section;
- b. Justification for why the proposed transaction is in the interest of the listed entity;
- c. Where the transaction relates to any loans, inter-corporate deposits, advances or investments made or given by the listed entity or its subsidiary, the details specified under para 4(f) above; (The requirement of disclosing source of funds and cost of funds shall not be applicable to listed banks/NBFCs.)
- d. A statement that the valuation or other external report, if any, relied upon by the listed entity in relation to the proposed transaction will be made available through the registered email address of the shareholders;
- e. Percentage of the counter the value of the proposed RPT, on a voluntary basis;
- f. Any other information that may be relevant.

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Disclaimer : The above note/analysis has been prepared by our research team for guidance purpose only. For authentication of data/information provided, please refer the respective acts, rules and laws. For any further query in the matter, you may contact us at aklabhcs@gmail.com or aklabh@aklabh.com Please visit at www.aklabh.com to know more about us and our services.