

# Corporate & Commercial

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## Standardising RPT Approvals: SEBI's Updated Disclosure Guidelines for Listed Entities

### Background

Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR") mandates that all related party transactions ("RPT(s)") of listed entities be approved by the audit committee of the listed entity (the "Audit Committee"),<sup>1</sup> and if deemed material, by shareholders as well. Securities and Exchange Board of India's ("SEBI") Master Circular dated November 11, 2024<sup>2</sup> (the "SEBI November 2024 Master Circular"),<sup>3</sup> had set out the broad information to be placed before the Audit Committee and shareholders, for their consideration and eventual approval of RPTs. SEBI subsequently sought to bring uniformity in the quality and depth of disclosures required by the listed entities, by facilitating the formulation of industry standards in the form of a standard format of minimum information on RPTs, sought to be undertaken or undertaken on an ongoing basis by the listed entities. This information is to be provided to the Audit Committee and shareholders (as applicable), by the board of the listed entities, for their review and eventual approval of the RPT(s).

The industry standards were drafted by the "Industry Standards Forum" (which comprised representatives from the Associated Chambers of Commerce and Industry of India, the Confederation of Indian Industry and the Federation of Indian Chambers of Commerce and Industry, who operate under the aegis of the stock exchanges) in consultation with SEBI, and was initially mandated to come into effect from April 1, 2025 vide the SEBI circular dated February 14, 2025<sup>4</sup> (the "SEBI February 2025 Circular").

Pursuant to stakeholder feedback, SEBI vide a circular dated March 21, 2025<sup>5</sup> (the "SEBI March 2025 Circular"), deferred the applicability of the industry standards to July 1, 2025, and referred the feedback received for simplification of the industry standards to the Industry Standards Forum, for its reconsideration and review. Based on such review, the Industry Standards Forum published the revised "Industry Standards on Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions" (the "RPT Industry Standards") which was notified through SEBI's circular dated July 29, 2025 (the "SEBI July 2025 Circular"). The SEBI's July 2025 Circular supersedes the SEBI's February 2025

Circular and the SEBI's March 2025 Circular. The RPT Industry Standards will come into effect from September 1, 2025 for all listed entities and effectively expand upon, delineate and standardize (i) the information to be reviewed by the Audit Committee for approval of RPTs; and (ii) the information about RPTs that are required to be provided to the shareholders for their consideration, as originally required in the SEBI's November 2024 Master Circular.

### Introduction

Under the LODR, an RPT is defined under Regulation 2(zc) as "*a transaction involving a transfer of resources, services or obligations between: (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or (ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023.*" For the purpose of LODR, a "related party" means, a related party as defined under Section 2(76)<sup>6</sup> of the Companies Act, 2013 or under the applicable accounting standards.

RPTs are subject to heightened regulatory oversight due to the potential for conflict of interest, and the risk of transactions being structured in a manner that favours related parties at the expense of the company or its minority shareholders. Thus, to mitigate such risks, Regulation 23 of the LODR requires all RPTs to be approved by the Audit Committee, and in the case of Material RPTs (*defined ahead*), approved by shareholders. RPTs are considered material ("Material RPTs"): (i) if the transaction entered into individually or taken together with previous transactions during a financial year, exceeds INR one thousand crore or ten per cent of the annual consolidated turnover of the listed entity, whichever is lower;<sup>7</sup> and (ii) if the transaction entered into individually or taken together with previous transactions during a financial year, exceeds five percent of the annual consolidated turnover of the listed entity, in case of transactions involving payments made to a related party with respect to brand usage or royalty.<sup>8</sup> However, it is to be noted that Regulation 23(4), read with Regulation 15 of the LODR, specify carve-outs for when shareholder approval is not required for a Material RPT. In such instances, the RPT Industry Standards will not apply.

<sup>1</sup>An Audit Committee is required to be established by every listed company, under Section 177 of the Companies Act, 2013, and must comprise a minimum of three directors, with the majority of them being independent directors.

<sup>2</sup>Master circular for compliance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 by listed entities, dated November 11, 2024. (Circular No. SEBI/HO/CFD/PoD2/CIR/P/0155)

<sup>3</sup>See, Section III-B, Part A and Part B of the SEBI November 2024 Master Circular. Only paragraph 4 under Part A and paragraph 6 under Part B of the SEBI November 2024 Master Circular are effectively modified by way of an expanded disclosure format.

<sup>4</sup>SEBI Circular No.: SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/18

<sup>5</sup>SEBI Circular No.: SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/37

<sup>6</sup>"related party", with reference to a company, means: (i) a director or his relative; (ii) a key managerial personnel or his relative; (iii) a firm, in

which a director, manager or his relative is a partner; (iv) a private company in which a director or manager or his relative is a member or director; (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital; (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager; (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act; (viii) any body corporate which is (A) a holding, subsidiary or an associate company of such company; (B) a subsidiary of a holding company to which it is also a subsidiary; or (C) an investing company or the venturer of the company; (ix) such other person as may be prescribed.

<sup>7</sup>See Regulation 23(1) of the LODR.

<sup>8</sup> See Regulation 23(1-A) of the LODR.

## Key Highlights of the RPT Industry Standards

### 1. Applicability and Exclusions of the RPT Industry Standards

#### 1.1. Applicability:

The RPT Industry Standards will apply to:

- All RPTs that are required to be placed before the Audit Committee for review and approval/omnibus approval, in accordance with Regulation 23(2) and 23(3) of the LODR.
- All Material RPTs that are placed for prior approval of the shareholders of the listed entity, in accordance with Regulation 23(4) of the LODR.

#### 1.2. Exclusions:

The RPT Industry Standards shall not be applicable to:

- the categories of transactions that are exempted under Regulation 23(5)<sup>9</sup> of the LODR;
- the quarterly review of RPTs undertaken by the Audit Committee pursuant to the omnibus approvals given by the Audit Committee in terms of Regulation 23(3)(d) of the LODR<sup>10</sup>;
- the transaction(s) with a related party to be entered into individually or taken together with previous transactions during a financial year (including those transactions which are approved by way of ratification) that do not exceed INR one crore.

### 2. Standardized Disclosure Templates to the Audit Committee

The RPT Industry Standards introduce a structured disclosure framework to ensure transaction-specific disclosures to the Audit Committee. Depending on the type of RPTs, there can be one, two or three parts to the disclosure. Each of the parts of disclosure, and the relevant RPTs to which they apply, are discussed below.

- Part A: It lays down the baseline information required for all RPTs. This includes basic details of the related party, nature of relationship of the related party with the listed entity, ownership structure of the related party, history of past transactions with the related party, amount involved in the proposed RPT, and details of any key managerial personnel with an interest in the RPT.
- Part B: In addition to disclosures under Part A, the RPT Industry Standards prescribe additional disclosures for seven specified categories of RPTs. They are: (i) sale, purchase or supply of goods or services from or to a related party; (ii) loans, inter-corporate deposits and advances given by the listed entity or its subsidiary; (iii) investments by the listed entity or its subsidiary; (iv) guarantee, indemnity, surety, comfort letter or undertaking given by the listed entity or its subsidiary; (v)

borrowings by the listed entity or its subsidiary; (vi) sale, lease or disposal of assets of the subsidiary, or of a unit division or undertaking of the listed entity or disposal of the shares of the subsidiary or associate entity of the listed entity and (vii) transactions relating to payment of royalty. For each category, specific information must be provided, such as purpose of funds in case of loans, or royalty computation methods in case of brand usage arrangements etc.

- Part C: In addition to disclosures under Part A and B, Part C applies to Material RPTs (as defined above) for six specified categories of RPTs. They are (i) loans, inter-corporate deposits and advances given by the listed entity or its subsidiary; (ii) investments by the listed entity or its subsidiary; (iii) guarantee, indemnity, surety, comfort letter or undertaking given by the listed entity or its subsidiary; (iv) borrowings by the listed entity or its subsidiary; (v) sale, lease or disposal of assets of the subsidiary, or of a unit division, or undertaking of the listed entity or disposal of the shares of the subsidiary, or associate entity of the listed entity, and (vi) transactions relating to payment of royalty. For each category, the RPT Industry Standards require transaction-specific risk indicators such as the creditworthiness of the related party, past defaults or insolvency proceedings of the related party, key financial ratios of the related party, such as the debt-equity ratio and debt service coverage ratio etc. Unlike Part A and B, which focus on describing the nature and structure of the transaction, disclosures under Part C assess the viability and risk implications of the RPT.

### 3. Management Certification

To ensure that disclosure to the Audit Committee is not merely a perfunctory exercise, the RPT Industry Standards introduce a requirement for management certification. A certification must be provided by the following senior officers:

- The Chief Executive Officer; or
- The Managing Director/Whole-Time Director/Manager; and
- The Chief Financial Officer.

This certification must confirm that the terms of RPTs proposed to be entered into are in the interest of the listed entity.

### 4. Mandatory Disclosure of Valuation Report

Another important enhancement under the RPT Industry Standards is the compulsory submission of a valuation report

<sup>9</sup>RPTs that fall under Regulation 23(5) of the LODR are exempted from the approvals to be obtained from the Audit Committee and the shareholders of the listed entity in accordance with Regulation 23(2), (3) and (4) of the LODR. These transactions involve: (i) transactions entered between two public sector companies; (ii) transactions entered between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval; (iii) transactions entered between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval; (iv) 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 (v) 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.

<sup>10</sup>The quarterly review by the Audit Committee under Regulation 23(3)(d) of the LODR is intended as a monitoring exercise and not an approval mechanism. It enables the Audit Committee to review existing RPTs entered into pursuant to prior approvals, particularly those under omnibus or recurring arrangements.



to the Audit Committee. Additionally, for shareholder transparency, the valuation report must be made accessible through a quick response (“QR”) code or web link in the explanatory statement, attached to the notice for shareholder approval of the RPT.

## 5. Enhanced Shareholder Disclosures

For all Material RPTs requiring shareholder approval, the explanatory statement to the notice of approval sent to the shareholders for seeking their approval must provide minimum disclosures to enable informed decision making. In addition to requirements under the Companies Act, 2013, the following must be included:

- Disclosures as made to the Audit Committee, in the format specified under the RPT Industry Standards.
- Justification for the transaction, including why it is in the interest of the listed entity, pricing basis, and key terms and conditions.
- Confirmation that the Audit Committee has reviewed the certificate provided by the Chief Executive Officer/Managing Director/Whole-Time Director or the Chief Financial Officer, as required under the RPT Industry Standards.
- Disclosure of approvals, confirming that the material RPT or its modification has been approved by the Audit Committee and recommended by the board of directors for shareholder approval.
- Web link and QR code for accessing the valuation report or any external reports relied upon by the Audit Committee while approving the RPT.
- Redaction clause, allowing the Audit Committee and the board of directors to redact commercially sensitive information, subject to confirming that the remaining disclosures are sufficient for public shareholders to make an informed decision.

These disclosures ensure that unrelated shareholders have sufficient and well-structured information to evaluate the merits of the transaction and make an informed voting decision.

## Our Analysis

The RPT Industry Standards increases the robustness in India’s corporate governance framework, with wide ranging implications for all stakeholders involved.

For listed entities, the RPT Industry Standards introduces a more structured and compliance intensive process. While this may increase the administrative burden, it also compels companies to strengthen internal documentation and embed greater rigour in their governance processes. The certification requirement from top management adds an additional layer of accountability.

For the Audit Committees, the structured disclosure framework enables more informed and focused scrutiny, particularly for high-risk or high-value transactions. However, it also raises expectations on the Audit Committee members to thoroughly evaluate not just legal compliance but also commercial prudence of the RPT and stakeholder impact.

For shareholders, the enhanced disclosures ranging from detailed transaction terms to valuation reports empowers them to make informed voting decisions.

The RPT Industry Standards represent a long-term step towards fostering trust, improving transparency and aligning listed company corporate governance practices with global benchmarks. Over time, the RPT Industry Standards are likely to reduce information asymmetry and reinforce board accountability, contributing meaningfully to the maturing corporate governance ecosystem of India.

# The Registration Bill, 2025

## Introduction

An all-pervading and significant statute pertaining to registration of instruments in India is sought to be substantially revised by the Registration Bill, 2025 (“Bill”), which proposes to repeal and replace the Registration Act, 1908, with a more contemporary, technology-driven, and citizen-centric framework. Succinctly stated, registered instruments provide reliability, legal certainty, and evidentiary value in proving transactions. Registration also helps in the process of due diligence, by providing constructive notice to ascertain the marketability of an immovable property.

The Bill seeks to make document registration simpler, faster and more transparent, while also building robust safeguards against fraud, impersonation and procedural abuse. If seen through the constitutional lens, the Bill draws its legitimacy from Entry 6 of List III in the Seventh Schedule, which grants concurrent powers to both Parliament and State Legislatures to enact laws governing the registration of deeds and documents.

The Bill enlarges the list of documents that must be compulsorily registered. Whilst the Bill seeks to impart greater legal clarity and benefits, its implementation may still pose challenges. Succinctly put in common parlance, registered instruments are generally considered reliable and carry a presumption of correctness as opposed to unregistered documents. This reform is about the trust that the property people buy will be theirs without dispute, that their documentation will be secure against tampering, and that the law will protect them with more efficacy.

## Key Features of the Bill

- Digitization of Registration Processes: The Bill introduces online registration through centralized portals, enabling electronic submission, issuance of e-certificates and digital maintenance of records. These provisions eliminate the traditional mandatory requirement for physical presence at registration offices.
- Expanded Scope of Compulsorily Registrable instruments: The Bill broadens the list of documents that must be compulsorily registered to encompass instruments such as agreement for sale, power of attorney etc.
- Identity Verification: Under the framework of the Act, the responsibility of verifying the identity of parties vested with the registering officer. The Bill takes a significant leap forward by introducing consent-based Aadhaar authentication.
- Refusal of Registration: Registering officers without adjudicating title or ownership can refuse registration on specific grounds.
- Rectification of Errors, Re-registration and Cancellation: The Bill expressly provides mechanisms for correcting errors, re-registering documents and cancelling registrations. Where a document has been registered by someone without the legal

authority to present it, the rightful claimant may now resubmit the document for registration after rectifying the earlier defect. In addition, the Bill vests a designated Adjudicating Authority with the power to cancel registrations procured through fraud or in violation of the law, subject to appeal before the competent appellate forum.

### Our Analysis

The Bill represents a decisive shift to a digitised, secure and transparent system. Nevertheless, strong data protection and cybersecurity measures will be essential to guard against risks such as misuse of e-signatures, unauthorised access, frauds etc. Implementation of the Bill would not be without its hurdles, especially in places where internet access or digital infrastructure is weak. For people from many rural and remote areas, using an online registration portal could be a real challenge, leading to slow or uneven adoption of the Bill. Overcoming these challenges will mean investing heavily in better connectivity, setting up the necessary infrastructure and training both officials and citizens to confidently use digital systems. While these measures will demand considerable financial and administrative commitment, the long-term benefits can fundamentally transform India's registration framework.

This reform, amongst others, is significant for the Real Estate sector, which has always posed a monumental challenge to determination of valid and marketable title where buyers and investors often face uncertainty over who really owns a property, get stuck in slow and complicated paperwork and lose confidence because of endless red tape and old, outdated and archaic systems. The Bill strengthens certainty by expanding the list of instruments that must be compulsorily registered, such as agreements to sell, power of attorney, development agreements etc. This reduces disputes over title and ownership and enlarges the repository of legally valid instruments. It also aligns with other key statutes, such as the Real Estate (Regulation and Development) Act, 2016.

The powers, responsibilities and procedure of the registering authorities have been enhanced and enlarged. However, these changes introduce certain concerns. Provisions enabling refusal of registration of certain instruments by the registering authority may require legal expertise that may not be consistently achievable. Further, there has been a paradigm shift about the registering authority requiring to evaluate all instruments for registration or refusal which will burden the already stretched registering machinery. Traditionally, cancellation of registered documents has fallen within the domain of civil courts, given the legal complexities involved. Whilst the jurisdiction of the civil courts over title issues have been retained, the residuary clause 58 (f) increases the responsibility of the registering authority. Without adequate legal training, these registering authorities may struggle to exercise such powers objectively and correctly. Safeguards like provisions for deterrence against malpractice are essential. The process of admissions and enquiries in conjunction with various rights and responsibilities of the registering authority regarding cancellation of instruments, determination of eligibility, and other amended functions, mark a shift from exclusive administrative function to more elaborate functions pivoting on varying academic competencies. These issues would require fine tuning aligned with real time issues and practicalities to churn out a system that works with consummate ease.

Thus, many changes are expected to take place, and it would be interesting to watch how the Bill, for the challenges and uncertainty it poses, will pass the judicial muster and will of the various consultative bodies.

## Contributors

**Amaresh Kumar Singh**  
Partner

**Armin Pardiwala**  
Partner

**Annapurna Sreehari**  
Senior Associate

**Kermina Patel**  
Trainee Associate

**Vaishnavi Tripathi**  
Trainee Associate

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[www.hsalegal.com](http://www.hsalegal.com)



[mail@hsalegal.com](mailto:mail@hsalegal.com)



HSA Advocates

## PAN INDIA PRESENCE

### New Delhi

Email: [newdelhi@hsalegal.com](mailto:newdelhi@hsalegal.com)

### Mumbai

Email: [mumbai@hsalegal.com](mailto:mumbai@hsalegal.com)

### Bengaluru

Email: [bengaluru@hsalegal.com](mailto:bengaluru@hsalegal.com)

### Kolkata

Email: [kolkata@hsalegal.com](mailto:kolkata@hsalegal.com)