# भारतीय प्रतिभूति और विनिमय बोर्ड Securities and Exchange Board of India

CIRCULAR

### SEBI/HO/CFD/CMD1/CIR/P/2021/662

November 22, 2021

To,

#### All entities that have listed their specified securities All the Recognized Stock Exchanges

Madam / Sir,

#### Subject: Disclosure obligations of listed entities in relation to Related Party Transactions

- Vide notification dated November 9, 2021, Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 ('LODR Regulations') was amended, *inter-alia*, mandating listed entities that have listed specified securities to submit to the stock exchanges disclosure of Related Party Transactions (RPTs) in the format specified by the Board from time to time.
- 2. Further, it has been decided to prescribe the information to be placed before the audit committee and the shareholders for consideration of RPTs.
- 3. Accordingly, the following provisions shall apply to entities that have listed specified securities on a Recognized Stock Exchange.

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

- 4. 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 investments made or given by the listed entity or its subsidiary:
    - i) details of the source of funds in connection with the proposed transaction;

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- ii) where any financial indebtedness is incurred to make or give loans, intercorporate 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.
- 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-party's annual consolidated turnover that is represented by the value of the proposed RPT on a voluntary basis;
- j. Any other information that may be relevant
- 5. The audit committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

# B. Information to be provided to shareholders for consideration of RPTs

- 6. 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 point 4 above;
  - 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 point 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-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis;
  - f. Any other information that may be relevant.



#### C. Format for reporting of RPTs to the Stock Exchange

- 7. The listed entity shall make RPT disclosures every six months in the format provided at <u>Annex</u>.
- 8. This Circular shall come into force with effect from April 1, 2022. The Stock Exchanges are advised to bring the provisions of this circular to the notice of all listed entities that have issued specified securities and also disseminate on their websites.
- 9. The Circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with Regulation 101 of the LODR.
- 10. This Circular is available at <u>www.sebi.gov.in</u> under the link "Legal→Circulars".

Yours faithfully,

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