

PREFACE TO REVISED EDITION

Related Party Transactions (RPTs) are a normal feature of present day commercial activities. Apart from unrelated parties, companies do their business activities through various subsidiaries, associates and joint venture companies which are treated as related parties. Transactions between related parties may not be made on the same terms as between unrelated parties. By virtue of existing relationship, related party may get favourable treatment in terms of pricing or other conditions which may affect the financial position or profitability of the company concerned.

RPTs need not always be disadvantageous to the parties concerned. The concern arises only when there is an abuse arising out of RPTs on account of conflict of interest and non-arm's length dealings. RPTs raise important concerns and hence transparency in such transactions is essential. The law contains detailed compliance and disclosure provisions with respect to RPTs. The restrictions imposed by the Companies Act, 2013 ("the Act") as well as the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") are reasonable to avoid a conflict of interest between the company and the related parties.

Recently, the Listing Regulations stipulate a requirement that only independent directors who are members of the Audit Committee shall approve the RPTs, which indicates the prominence given to independent directors in the legal fabric of RPTs and how important is the subject.

In order to appreciate the nuances of RPTs, it is important to understand the updated provisions of law and the related aspects which may need explanation. Hence, this revised edition of the Guidance Note on Related Party Transactions is formulated to explain the various provisions, procedures, practices and compliances associated with the subject matter of RPTs.

I place on record my sincere thanks to all members of the Secretarial Standards Committee (SSC) as well as the Expert Group on Secretarial Standards, for their valuable contribution made during formulation of this revised edition of the Guidance Note on RPTs, under the leadership of CS B. Narasimhan and CS Satwinder Singh. My special thanks to CS S. Sudhakar, Vice-Chairman, Expert Group on Secretarial Standards for leading the task of formulating this revised edition.

I commend the dedicated efforts put in by CS Rakesh Kumar, Assistant Director under the guidance of CS Saurabh Jain, Joint Director in bringing out this revised edition of Guidance Note on RPTs under the stewardship of CS Asish Mohan, Secretary, ICSI.

I am sure that this revised edition of Guidance Note on RPTs will be immensely useful for all readers interested in the subject. Improvement is a continuous process and equally applicable to this Guidance Note. I would personally be grateful to the readers to offer their suggestions/ comments for further advancement of this Guidance Note.

Place: NOIDA

Date: 12th January, 2023

CS Devendra V. Deshpande

President

The Institute of Company Secretaries of India