FAST DEALS, FAIR DEALS? ASSESSING INDIA'S RELATED-PARTY TRANSACTION THRESHOLD REFORMS

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The regulation of Related-Party Transactions (RPTs) serves as a cornerstone of the corporate governance framework in India, especially due to the high risk of conflicts of interest in companies dominated by promoters. This article addresses the specific problem of whether recent proposals by the Securities and Exchange Board of India (SEBI) to increase materiality thresholds for RPTs, which are designed to simplify compliance, actually reduce regulatory scrutiny. The paper argues that these higher limits may encourage transaction structuring that favors large conglomerates at the

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expense of minority shareholders. Furthermore, it examines the Ministry of Corporate Affairs (MCA) fast-track merger framework under Section 233 of the Companies Act, 2013, to assess whether the emphasis on procedural speed undermines substantive fairness.

To address these risks, the paper conducts a thorough cross-jurisdictional analysis of the percentage ratio tests in the United Kingdom, the "entire fairness" standard in Delaware, the shareholder rights regime of the European Union, and the governance models for family-controlled groups in Singapore and Hong Kong. The study finds that fragmented oversight between SEBI and the MCA currently weakens institutional accountability.

The article concludes that India is at a crossroads between a shareholder-centric European model of prior empowerment and a *fiduciary-based Delaware model of judicial review. It recommends a roadmap for regulatory harmonization between SEBI and the MCA, focusing on the role of independent directors and the balance between disclosure and enforcement. These refinements are necessary to maintain market integrity in the governance landscape after 2025.*

Keywords: *Related-Party Transactions, Corporate Governance, Minority Shareholders, Materiality Thresholds, Fast-Track Mergers.*

I. BACKGROUND

Corporate governance discourse across jurisdictions has long recognised that the manner in which companies transact with their related parties is central to evaluating fairness, transparency, and accountability in corporate decision-making. RPTs, by their very nature, straddle the fine line between legitimate business arrangements and potential avenues for abuse. On one hand, they enable synergies within corporate groups, facilitate resource sharing, and often make strategic and economic sense and on the other, they present serious risks of tunnelling, self-dealing, and expropriation of minority shareholder value. For listed companies, particularly in economies like India with highly concentrated ownership structures and sprawling family-controlled conglomerates, RPTs have become one of the most pressing governance flashpoints. The regulatory and judicial evolution of RPT norms in India reflects this ongoing tension between fostering efficient intra-group coordination and preventing opportunistic behaviour that undermines investor confidence in the securities market.

The centrality of RPTs to governance frameworks lies in the unique combination of conflict-of-interest risks and the opacity with which such transactions may be executed. Unlike arm's length transactions between unrelated parties, RPTs are susceptible to the influence of controlling shareholders or management who can dictate terms that favour one entity within a group to the detriment of others. These transactions include a wide range of dealings: transfer of assets, sale of goods or services, provision of loans and guarantees, and restructuring arrangements such as mergers or amalgamations. The importance of effective RPT regulation in India cannot be overstated given the predominance of promoter-driven businesses, the intricate web of group structures, and the relatively nascent stage of institutional investor activism compared to developed jurisdictions. The regulatory environment has therefore had to evolve in tandem with corporate India's growth trajectory, balancing ease of doing business with investor protection.

Understanding the risk profile of RPTs requires an appreciation of the diverse forms of group structures that dominate the Indian corporate landscape. At the most basic level are subsidiaries, entities in which the parent company exercises control through majority shareholding or voting rights. Subsidiaries often engage in transactions with the parent relating to capital infusion, operational support, or shared services. Next are joint ventures, in which two or more companies, often with overlapping business interests, collaborate on specific projects or sectors. RPT concerns are heightened in such structures since decision-making may be skewed towards the party with greater influence.

A further category is fellow subsidiaries, which are entities controlled by the same parent company, but which transact with each other without direct ownership links. These dealings can raise suspicions of resource transfers designed to consolidate assets in one arm of the group while leaving liabilities with another. Similarly, associate companies, where significant influence is exercised without control (often through 20-50% shareholding), are frequent participants in RPTs because of shared interests and overlapping directors.

Practical illustrations abound in the Indian context. Large conglomerates such as the Tata Group, Reliance Industries, or Aditya Birla Group operate through dozens of subsidiaries, associates, and JVs spanning sectors from energy to telecommunications to retail. The sheer scale and complexity of these webs create fertile ground for

RPT scrutiny. For instance, restructuring of telecom assets within the Reliance Group, or cross-holdings among financial services arms in diversified conglomerates, often draws regulatory attention. Each of these structures underscores why RPT regulation in India cannot adopt a one-size-fits-all approach; instead, it must grapple with the multifaceted ways in which control, influence, and intra-group dealings manifest.

Three governance flashpoints recur most prominently in debates surrounding RPTs: tunnelling of resources, opacity in intra-group dealings, and conflicts of interest.

Tunnelling of resources refers to the transfer of value from firms where minority shareholders are significant stakeholders to entities controlled by the majority shareholders. This can take the form of asset sales at undervalued prices, loans or guarantees extended on favourable terms, or preferential allocation of business opportunities. Indian corporate history is replete with allegations of such tunnelling, particularly in family-controlled businesses where promoters may prioritise the interests of one entity over another.

The opacity of intra-group dealings exacerbates this risk. Often, related party transactions are embedded in complex webs of cross-holdings and layered subsidiaries, making it difficult for regulators, investors, or even independent directors to discern the true economic impact. Disclosure standards, though strengthened significantly by SEBI in recent years, still struggle against information asymmetries deliberately cultivated by controlling interests. In the Fortis Healthcare case[1] for instance, SEBI investigated allegations that the Singh brothers, who were the controlling shareholders of Fortis, had diverted over INR 470 crore from the company to entities associated with them without proper disclosure to minority shareholders. The transactions were camouflaged as inter-corporate deposits, and the company's board initially failed to provide transparent details of these related-party dealings. It was only after SEBI's intervention, following whistleblower complaints and scrutiny by the Securities

[1] *Securities and Exchange Board of India v Fortis Healthcare Ltd. and Others*, SEBI Order No. WTM/GM/EFD/DRA-1/31/2018 (17 October 2018).

Appellate Tribunal, that the full extent of the diversion came to light.

This instance underscores how information asymmetries are actively maintained by promoters and controlling interests to obscure the true financial health of a listed entity. Despite SEBI's disclosure framework requiring prompt and fair disclosure of material events, the mechanisms failed to prevent concealment until external intervention occurred. The episode demonstrates the inherent tension between the regulatory push for disclosure and the entrenched incentives of controlling shareholders to suppress or distort material information.

Finally, conflicts of interest are inherent to RPTs because the same individuals may be wearing multiple hats, serving as directors across group entities and influencing decision-making on both sides of the transaction. This undermines the ability of boards and shareholders to ensure arm's-length principles are genuinely applied. In such scenarios, independent directors and audit committees are often positioned as safeguards, but their effectiveness is contingent on robust regulatory oversight and enforcement.

Recognising these concerns, regulators in India have repeatedly revised and tightened RPT frameworks. A major overhaul occurred in 2021 when the Securities and Exchange Board of India ("**SEBI**") broadened the definition of "related party" and "related party transaction" under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations**").[2] However, the regulatory journey did not end there. On August 4, 2025, SEBI proposed a fresh set of amendments that recalibrated thresholds for materiality and approval, ostensibly to reduce compliance burdens for large listed entities while retaining safeguards against abuse.[3] These changes included raising rupee-value limits for materiality, refining turnover-linked thresholds, and

[2] Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations 2021, Gazette of India, 9 November 2021.
[3] Securities and Exchange Board of India, Consultation Paper on Amendments to Provisions Relating to Related Party Transactions under SEBI (LODR) Regulations, 2015 and Circulars Thereunder (4 August 2025).

creating limited carve-outs for certain transactions deemed routine or insignificant in economic impact.

While industry hailed these reforms as a pragmatic step toward facilitating large-scale corporate activity, governance commentators cautioned against the risks of reduced scrutiny. Higher thresholds may result in significant transactions flying under the radar, particularly when companies structure deals just below the reporting limits. The August 2025 update[4] thus represents a pivotal moment in the RPT regulatory landscape, potentially shifting the balance toward efficiency while also raising fresh concerns about minority protection.

Simultaneously, the Ministry of Corporate Affairs ("**MCA**") has advanced its own reform agenda through the fast-track merger mechanism under Sections 232[5] and 233[6] of the Companies Act, 2013. These provisions enable certain classes of companies, such as small companies, holding and wholly-owned subsidiaries and

[4] ibid.
[5] Companies Act 2013 (Act No 18 of 2013), s 232 (India).
[6] Companies Act, 2013 (Act No 18 of 2013), s 233.

start-ups, to undergo mergers and amalgamations with reduced procedural hurdles, bypassing the lengthy approval processes of the National Company Law Tribunal ("**NCLT**"). While this streamlining has been welcomed as a boost to India's ease of doing business rankings, it intersects uncomfortably with RPT concerns. Mergers within group companies, particularly between parents and subsidiaries or among fellow subsidiaries, are quintessential related party transactions. Allowing such mergers on a fast-track basis risks undermining scrutiny mechanisms that are essential to protect minority shareholders.

The Consultation Paper's proposal to recalibrate materiality thresholds for related party transactions has a direct bearing on fast-track mergers. At present, RPT materiality is assessed against quantitative thresholds, such as transactions exceeding a specified percentage of the company's annual consolidated turnover. The Consultation Paper seeks to tighten these thresholds by lowering the percentage trigger and extending the scope of "related party" definitions. If adopted, these reforms will subject a wider pool of intra-group dealings to disclosure and shareholder approval requirements. However, the statutory framework for fast-track mergers exempts certain categories of companies, such as small companies, holding and wholly-owned subsidiaries, and start-ups, from the need to obtain approval through the National Company Law Tribunal. This means that while the RPT regime is moving towards deeper scrutiny of intra-group transactions, the merger framework simultaneously removes one of the key institutional checkpoints, such as NCLT oversight, for precisely the same category of transactions. The result is a tension between two reform directions: on one hand, a policy thrust towards increasing transparency and minority shareholder safeguards in RPTs, and on the other, a procedural shortcut that could dilute these very protections in the context of corporate restructuring.

II. REGULATORY LANDSCAPE IN INDIA

The regulation of related party transactions in India has not been static but has evolved in response to corporate scandals, global governance trends, and the structural characteristics of Indian business groups. The framework that exists today is the product of an incremental but deliberate effort by regulators to balance operational ease for companies with the imperative of safeguarding minority shareholders and maintaining investor confidence in the securities markets. This dual regulatory trajectory, led on one side by the SEBI through its securities market framework and on the other by the MCA through the Companies Act, 2013, forms the backbone of India's RPT regime. Yet, their coexistence has often generated friction, producing a landscape where compliance is both complex and contested.

The earliest attempt to bring RPTs within a governance framework emerged with Clause 49 of the Listing

Agreement in 2000.[7] At that stage, the Indian regulatory environment was still grappling with the growing influence of promoter-controlled conglomerates, and Clause 49 reflected a soft-law approach. It emphasised disclosure of materially significant related party dealings, mandated board-level approvals, and encouraged greater accountability of independent directors. However, given its contractual nature between SEBI and stock exchanges and the absence of strong enforcement mechanisms, Clause 49 often became an exercise in formal compliance rather than substantive governance. Nonetheless, it represented the first acknowledgement that related party transactions could no longer be treated as routine corporate matters but required specific regulatory attention.

This early framework was given statutory force with the notification of the LODR Regulations, which

[7] Securities and Exchange Board of India, Circular No. SMDRP/Policy/Cir-10/2000, 21 February 2000, <https://taxguru.in/sebi/sebi-presidentsexecutive-directors-managing-directors-stock-exchanges.html> accessed 20 August 2025.

consolidated all corporate governance obligations of listed entities into a single enforceable instrument. Regulation 23 of the LODR Regulations [8] directly addressed RPTs, prescribing approval requirements by audit committees and shareholders, as well as restrictions on related parties participating in votes concerning their own transactions. Parallel provisions existed within the Companies Act, 2013, especially under Sections 177[9] and 188[10], which extended certain RPT obligations across all companies, not only those that were listed. Together, these provisions marked a significant transition from the voluntary ethos of Clause 49 to a codified regulatory system with sanctions for non-compliance. For a time, this framework was considered sufficient to provide the checks and balances necessary to protect investors.

The 2015 framework, however, was soon found inadequate in addressing the complexity of group structures in India and the creative means by which

[8] Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, reg 23.
[9] Companies Act 2013 (Act No 18 of 2013), s 177.
[10] Companies Act 2013 (Act No 18 of 2013, s 188.

promoters could structure transactions to avoid disclosure or shareholder scrutiny. This recognition culminated in the sweeping reforms of November 2021,[11] when SEBI broadened both the definition of "related party" and the scope of "related party transaction." Under the amended framework, related parties included not only those with formal control or significant equity stakes but also members of the promoter group, irrespective of their shareholding, as well as entities holding a minimum of ten percent of the equity capital. Similarly, RPTs were defined expansively to cover transactions where the listed company itself was not a direct party but where its resources or obligations were affected for the benefit of a related party. These changes were designed to pierce the corporate veil and address the reality that many questionable arrangements were routed indirectly through subsidiaries or affiliates. Additionally, the role of the audit committee was reinforced, with a requirement to vet all RPTs and modifications thereto, while shareholder approval mechanisms were made more stringent by

[11] (Sixth Amendment) Regulations (n 2).

extending them to a wider array of transactions. These reforms were lauded as a milestone, signalling SEBI's intent to align India with global governance standards, yet they also imposed significant compliance costs, particularly for large business groups where intra-group transactions form an indispensable part of day-to-day operations. It was in this context of heightened compliance and industry pushback that SEBI issued its August 2025 consultation paper [12], recalibrating the framework in what it described as a rationalisation exercise. The most significant change was the introduction of a graded system for materiality thresholds. Previously, transactions exceeding ten percent of a listed entity's annual consolidated turnover were deemed material, triggering the requirement of shareholder approval. Under the amended framework, very large entities were permitted a higher threshold of fifteen percent of turnover, reflecting the regulator's recognition that conglomerates routinely engage in transactions of enormous scale and that blanket thresholds risked

[12] Consultation Paper (n 3).

dragging even ordinary course transactions into the ambit of heightened scrutiny. Alongside this turnover-linked change, SEBI raised the absolute rupee-value cap for material transactions from INR 1,000 crore to INR 1,500 crore, a move justified by inflationary trends, the rising market capitalisation of Indian firms, and the growing complexity of corporate operations. Certain exemptions were also introduced, carving out transactions considered routine, such as intra-group services or financing arrangements carried out on terms consistent with board-approved policies.

The impact of the August 2025 update is complex. On the one hand, it reduces the number of transactions requiring shareholder approval, thereby easing compliance burdens and facilitating the smoother conduct of business. On the other hand, it raises serious concerns that significant transactions may now escape scrutiny, particularly if companies deliberately structure them to fall just below the materiality thresholds. While audit committee approval remains mandatory for all RPTs, the shift of transactions away from shareholder oversight risks eroding the participatory safeguard that minority shareholders previously enjoyed. Critics argue that the recalibration reflects a tilt towards ease of doing business at the cost of governance, potentially undermining the credibility of the Indian securities market.[13] When placed against global practices, the contrast is stark, in jurisdictions such as the United Kingdom and the European Union, thresholds for related party oversight are relatively lower and the emphasis is on rigorous shareholder involvement, whereas SEBI's 2025 amendments move in the opposite direction by prioritising efficiency.

In parallel to SEBI's initiatives, the MCA has continued to refine the merger and amalgamation framework under the Companies Act, 2013, through provisions contained in Sections 232 and 233. Section 232 establishes the standard procedure requiring approval from the NCLT for

[13] Dr. Megha Jain and Vanyaa Gupta, 'SEBI's Sweeping Reforms: Striking a Balance Between Investor Protection and Business Growth' (*ET Government,* 11 March 2025) < https://government.economictimes.indiatimes.com/blog/sebis-sweeping-reforms-striking-a-balance-between-investor-protection-and-business-growth/118877255>.

compromises, arrangements, and amalgamations, ensuring judicial scrutiny of fairness and transparency. Section 233, by contrast, introduces a fast-track merger mechanism designed to reduce costs and timelines for certain categories of companies, including holding and wholly-owned subsidiaries, small companies, and start-ups. Under this procedure, companies can bypass the NCLT process if they secure board, shareholder, and creditor approval, alongside filing compliance with the Registrar of Companies and Official Liquidator. While this fast-track route has been celebrated as a means to enhance India's ease of doing business rankings, its implications for RPTs are disquieting. Mergers between group entities, holding and subsidiary or fellow subsidiaries, are quintessential related party transactions, and by removing tribunal oversight, the fast-track mechanism risks leaving significant space for tunnelling and unfair valuations. In promoter-dominated companies, where shareholder and creditor approvals are often a formality rather than a substantive check, the absence of judicial scrutiny may compromise minority interests.

The approval architecture for RPTs thus rests on three distinct levels: the board, the audit committee, and the shareholders. Audit committees, composed predominantly of independent directors, form the first line of defence, scrutinising the terms and conditions of transactions and assessing whether they meet arm's length standards. At the second level, shareholder approval, usually by special resolution, is required for transactions deemed material. This is intended as the external safeguard that allows minority investors to veto arrangements they perceive as unfair. Finally, and uniquely in the Indian context, related parties are barred from voting on their own transactions. This rule is a recognition of India's concentrated ownership patterns and ensures that the voice of independent shareholders retains a decisive role. Yet, with SEBI's August 2025 reforms raising thresholds for shareholder involvement, the efficacy of this safeguard may diminish in practice. By increasing the materiality thresholds for related-party transactions and other shareholder approvals, transactions that would previously have required scrutiny by minority investors may now escape their oversight altogether. This recalibration creates scope for promoters and controlling shareholders to structure deals just below the revised thresholds, thereby avoiding disclosure or approval requirements. In practice, this dilutes the very intent of empowering shareholders as a check against self-dealing, since fewer transactions will ever reach the floor of general meetings or invite meaningful debate.

III. CONFLICT POINTS IN PRACTICE

The regulation of RPTs in India, despite considerable reforms, continues to be fraught with tension points that manifest in real-world practice. These conflicts usually arise in areas where commercial imperatives of group restructuring collide with the regulatory objective of fairness and transparency. Among the most significant flashpoints are valuation disputes, intra-group shifting of assets and debts, and the subtle biases that affect merger approvals. Each of these issues reflects broader concerns about minority shareholder protection and the integrity of corporate governance systems in India.

3.1. Valuation disputes in RPT contexts

One of the most recurring sources of conflict in RPT-driven mergers and acquisitions is the question of valuation. Group companies often rely on multiple methods of valuation, such as the Discounted Cash Flow ("**DCF**") method, Net Asset Value ("**NAV**") method, and market comparable approaches. The DCF method determines value by calculating the present value of projected future cash flows, which makes it highly dependent on assumptions around growth rates, margins, and discount factors. The NAV method, in contrast, assesses worth by subtracting liabilities from the fair value of assets, a technique particularly relevant for asset-heavy entities such as real estate or infrastructure companies. The market comparable approach, meanwhile, benchmarks valuation against peer companies using financial multiples such as Price-to-Earnings ("**P/E**") or Enterprise Value-to-EBITDA ("**EV/EBITDA**"). While this offers a market-driven check, it often becomes contentious in related-party contexts, as disputes frequently arise over the selection of comparable companies and the influence of market sentiment on valuations.

The market comparable approach relies on benchmarking the valuation of the concerned entity against peer companies operating in the same industry, which are of similar size, business model, and growth trajectory. Typically, this involves analysing ratios such as P/E, EV/EBITDA, or Price-to-Book ("**P/B**") multiples of comparable listed companies, and applying those multiples to the financial metrics of the entity under consideration. While this approach is intended to provide an objective, market-driven benchmark, it is often contentious in related-party contexts. The choice of comparables may be selectively tailored by the controlling shareholders, with promoters highlighting favourable peer sets or excluding underperforming peers to inflate valuations. Moreover, the approach is heavily influenced by prevailing market sentiment, which may not reflect the intrinsic value of the entity, particularly in industries prone to cyclical swings or speculative overvaluation.

As a result, disputes frequently arise between controlling shareholders seeking to justify a higher or lower valuation and minority shareholders demanding a more transparent and balanced assessment of the peer group. This makes the market comparable approach both a widely used and yet deeply contested valuation tool in RPT-driven M&A transactions.

Hence, while these methods are recognised and widely used, their application in practice leaves significant room for discretion. For example, the DCF method, while theoretically grounded in projecting future cash flows, is highly sensitive to assumptions regarding growth rates, discount rates, and market forecasts. A slight alteration in these assumptions can substantially alter the enterprise valuation, creating space for manipulation in favour of a related party. Similarly, NAV-based valuations may understate or overstate the worth of intangible-heavy companies, while market comparables can be selectively chosen to present an unduly favourable picture.

This malleability creates a fertile ground for disputes. In intra-group restructurings, where the parties are not negotiating at arm's length, the temptation to manipulate valuation metrics becomes even greater. For instance, a parent company may structure a merger with an undervalued subsidiary to consolidate control over profitable assets at the expense of minority shareholders. Conversely, an overvaluation of loss-making affiliates can enable promoters to offload liabilities onto listed entities. These disputes not only undermine trust in the governance of conglomerates but also highlight the limits of regulatory scrutiny when valuation opinions are cloaked in technical expertise.

3.2. Asset and debt shifting through intra-group restructurings

A second area of concern lies in the shifting of assets and liabilities across group companies through mechanisms such as mergers, demergers, and slump sales. While corporate restructuring is often justified on grounds of operational efficiency, market synergies, or balance sheet strengthening, the use of these mechanisms in RPT scenarios has frequently raised red flags.

For example, slump sales, where an undertaking is sold as a going concern without individual valuation of its assets and liabilities, can be strategically used to shift high-value assets at understated consideration. Similarly, mergers and demergers within related entities can function as vehicles for transferring debt burdens from promoter-controlled private entities onto publicly listed arms, effectively making minority shareholders bear disproportionate financial risks. Such practices amount to a form of "tunnelling", where controlling shareholders siphon value away from the company to entities within their sphere of influence.

While broader corporate scandals such as the Satyam-Maytas episode [14] have highlighted these risks, even enforcement by SEBI's adjudicatory authorities, both the Adjudicating Officer(s) and the Whole-Time Members, against misleading financial practices offers relevant caution. For instance, in the MFL case, SEBI found over

[14] Order in the matter of Satyam Computer Services Ltd in respect of B Ramalinga Raju, B Rama Raju, Vadlamani Srinivas, G Ramakrishna and V S Prabhakara Gupta, SEBI Order No WTM/RKA/SRO/64-68/2014 (15 July 2014).

90% of sales and 84% of purchases were fictitious, involving circular money flows between related parties.[15] This incident underscores the ease with which RPTs can be misused to distort financials and shift value within group networks.

The Indian corporate landscape is not unfamiliar with such concerns. The Satyam-Maytas episode, though an extreme case, remains illustrative of how intra-group structuring can be exploited for self-serving objectives. While regulations have tightened since then, including mandatory fairness opinions and independent valuations, the inherent opacity of intra-group dealings continues to present governance risks. In the absence of vigilant regulatory oversight and truly independent board mechanisms, such practices can erode shareholder confidence and destabilise market perceptions of governance quality.

3.3. Bias in mergers and approvals

[15] Interim Order in the matter of Mishtann Foods Ltd, SEBI Order No WTM/AB/CFID/CFID-SEC3/31030/2024-25 (5 December 2024).

A third and equally important conflict point is the bias that manifests in the approval process for RPT-linked mergers and arrangements. While SEBI regulations mandate that audit committees approve all RPTs and that related parties abstain from voting on shareholder resolutions, the independence of these mechanisms in practice is questionable.

Audit Committees, though theoretically independent, are often composed of directors who may not possess the requisite expertise to challenge complex valuation or structuring decisions, or who may feel pressured by dominant promoters. Their ability to resist subtle forms of influence is further weakened in promoter-driven companies, which remain the dominant business model in India. Moreover, controlling shareholders often find indirect ways to exercise influence over decision-making, either through nominee directors or by shaping the composition of "independent" boards.

Indian case law illustrates these tensions well. The much-publicised Tata-Mistry dispute[16], while not limited to RPTs, revealed the extent to which governance mechanisms can falter under the weight of promoter influence, with questions of independence and fairness being raised before judicial forums. Similarly, the case of *Shree Rama Multi-Tech Ltd. v Gujarat Venture Finance Ltd.*[17] demonstrated how controlling shareholders could engage in transactions detrimental to minority investors, with courts being called upon to adjudicate fairness in such scenarios. These cases underline the limitations of relying solely on board-level mechanisms without complementary regulatory vigilance.

Although not RPT-specific, SEBI's recent requirement for CEOs and CFOs to certify that RPTs are in the company's best interest highlights this concern. Introduced in June

[16] *Tata Consultancy Services Ltd v Cyrus Investment Pvt. Ltd.* 2021 SCC OnLine SC 272 (India).
[17] *Shree Rama Multi-Tech Ltd. v Gujarat Venture Finance Ltd*. C/OJA/42/2015 (India).

2025,[18] this move shifts accountability to top management while removing that responsibility from promoters, aiming to counterbalance promoter influence with executive responsibility.

Another transparency enhancement came in early 2025, SEBI mandated new disclosure norms and launched a dedicated RPT portal, meant to ensure that both audit committee members and shareholders receive uniform and detailed transaction information, addressing asymmetry and improving scrutiny.[19]

Despite these reforms, the fast-track merger mechanism under the MCA's Companies Act poses structural concern: systemic bias remains when mergers, effectively RPTs, can bypass tribunal oversight, potentially enabling weak independent vetting of fairness.

[18] Industry Standards on "Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions", SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/93 (26 June 2025).

[19] Industry Standards on "Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction", SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/18 (14 February 2025).

3.4. The structural problem of conflicted transactions

Taken together, these conflict points, valuation disputes, asset and debt shifting, and biases in approval processes reveal a structural problem in the governance of related party dealings. Even when regulatory frameworks are well-intentioned and formally robust, the realities of concentrated ownership, information asymmetry, and practical enforcement gaps create opportunities for abuse. This explains why RPTs remain a flashpoint in Indian corporate governance discourse, despite successive reforms. Unless valuation practices are standardised, intra-group asset transfers are subjected to stricter scrutiny, and independent oversight mechanisms are strengthened, the integrity of the regulatory framework will remain vulnerable.

IV. MINORITY SHAREHOLDER PROTECTION

At the heart of related-party transactions lies a persistent concern: the vulnerability of minority shareholders in concentrated ownership structures. When promoters or controlling families dominate corporate groups, they possess both the incentive and the ability to influence terms of intra-group deals in ways that may quietly shift value away from outside investors. The problem is not merely theoretical, history shows repeated instances where mergers, preferential allotments, or long-dated intra-group agreements have eroded minority wealth under the guise of legitimate business strategy. While India's regulatory framework has steadily introduced checks in the form of disclosure requirements, voting filters, and statutory remedies, the practical efficacy of these measures often turns on how information is timed, presented, and contested. This dynamic tension between formal safeguards and the realities of promoter influence is what renders minority protection the most pressing governance challenge in RPT-driven transactions.

4.1. Why minority protection is the core governance problem in RPT-heavy groups

RPTs sit at the fault line between legitimate group synergies and potential abuse. In concentrated ownership structures (characteristic of Indian corporate groups), controllers can, intentionally or otherwise, set terms that shift value across the group in ways that the market cannot easily price in real time. The classic minority-holder risks are threefold. First, dilution through unfair exchange ratios in mergers, demergers or preferential issuances that overvalue assets of entities closer to the controller and undervalue assets where outside investors hold a larger float. Second, value erosion via long-dated intra-group contracts (guarantees, royalties, procurement, marketing support, intra-group loans) that look ordinary but embed off-market pricing or open-ended risk transfer. Third, procedural sidelining: when information is released too late or in a form too complex for effective challenge, the "voice and vote" that listed-company frameworks promise minorities can be blunted in practice.

These risks are not hypothetical; they have repeatedly manifested in real transactions. It is for this reason that India's dual governance framework, company law through the MCA/NCLT and securities regulation through SEBI and the stock exchanges, imposes special brakes on

RPTs, including ex-ante committee and shareholder approvals, heightened disclosures, voting filters that neutralise conflicted owners, and, at the litigation stage, oppression/mismanagement and class-action remedies.

The friction, as this paper argues, lies in the gaps between those two stacks and in how much real negotiating leverage minorities actually have when time-sensitive restructurings are pushed through group boards.

4.2. Legal avenues

While the risks around related party transactions underscore why regulatory safeguards exist, the real test lies in the legal and institutional mechanisms available to address them. Indian law provides a layered architecture, spanning securities regulation, company law, and judicial oversight, that attempts both to prevent conflicts ex ante and to remedy harm ex post. This section examines these legal avenues, beginning with how voting and disclosure guardrails under securities law shape minority protection, before turning to the statutory remedies under company law and the specific rules on RPT approvals.

4.2.1. Voting architecture and the "majority of the minority"

For listed entities, Regulation 23 of the LODR Regulations[20] creates a strong voting filter. All "material" RPTs require shareholder approval, and related parties must abstain from voting, so the resolution effectively turns on a majority of disinterested shareholders. This voting architecture is the single most important ex-ante protection that securities law gives minorities in India.

The guardrails extend upstream as well. Under LODR Regulations, the audit committee must prior-approve RPTs (with omnibus approval only for repetitive, low-risk items) and, post-2021 amendments[21], only independent directors on the audit committee can approve RPTs. Through its June 2025 circular[22], SEBI supplemented process quality by prescribing industry standards on the minimum information that must be placed before the audit committee and shareholders, pushing issuers to table comparable pricing, counterparty relationships across the

[20] Regulation 23 (n 2).
[21] (Sixth Amendment) Regulations (n 2).
[22] Industry Standards (n 19).

group, and rationale beyond boilerplate. Together, these measures try to ensure that minority votes are informed, not perfunctory.

That architecture has tightened further at the disclosure edge. Regulation 23(9)[23] requires half-yearly disclosures of RPTs to stock exchanges (with prescribed detail on amounts, pricing basis and arms-length assertions), enabling ex-post market scrutiny and proxy-advisor engagement.

4.2.2. Statutory remedies under company law

When a process breaks down or outcomes appear unfair, minorities can seek relief before the NCLT. The oppression and mismanagement route under Sections 241-242[24] is the primary path, but it has entry hurdles: applicants typically need to meet the Section 244[25] locus threshold (10% share capital or 100 members), unless the Tribunal grants a waiver. Courts do grant waivers in

[23] Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, reg 23(9).
[24] Companies Act, 2013 (Act No 18 of 2013), s 241-242.
[25] Companies Act, 2013 (Act No 18 of 2013), s 244.

appropriate cases, yet the threshold itself deters dispersed retail action and slows time-sensitive challenges.

Separately, Section 245[26] creates class actions, a tool designed for collective minority redress (including orders restraining ultra vires acts or seeking damages from directors/auditors). But class actions are still rare in corporate control disputes, partly because of minimum numerosity/holding thresholds and coordination costs among small investors.

The merger-sanction route also influences remedies. In schemes under Sections 230-232[27], courts follow the Supreme Court's Miheer H. Mafatlal[28] and Hindustan Lever Employees' Union[29] observation: if process boxes are ticked (class meetings, disclosures, regulator/no-objection, fairness opinion) and there is no fraud or patent unreasonableness in valuation, the "commercial wisdom"

[26] Companies Act 2013 (Act No 18 of 2013), s 245.
[27] Companies Act 2013 (Act No 18 of 2013), ss 230-232.
[28] *Miheer H Mafatlal v Mafatlal Industries Ltd* AIR 1997 SC 506 (India)
[29] *Hindustan Lever Employees' Union v Hindustan Lever Ltd and Ors* AIR 1995 SC 470 (India).

of shareholders prevails. This high deference standard protects transactional certainty but makes it hard for minorities to relitigate price unless they can show clear perversity.

4.2.3. Companies Act RPT rules: different thresholds, different abstentions

Under Section 188[30] and the corresponding Rules[31], many RPTs can proceed with board approval if they are in the ordinary course and at arm's length; specified transactions breaching prescribed thresholds require member approval. Crucially, the Companies Act voting restriction typically bars only the related member "interested" in the transaction from voting, whereas LODR Regulations' bar applies to all related parties, thereby providing a stricter standard. This divergence creates outcomes in which a transaction may be technically compliant under company law yet fail the securities-law test for listed companies, illustrating the importance of overlaying LODR Regulations standards on listed-company restructurings.

[30] Companies Act 2013 (Act No 18 of 2013), s 188.
[31] Companies (Meetings of Board and its Powers) Rules, 2014 (India)

4.3. SEBI-MCA harmonisation gaps: where arbitrage opportunities arise

The first gap is the one just noted, who must abstain. LODR Regulations disqualify all related parties from voting on material RPTs; the Companies Act's default disqualifies only the concerned related member. In a controlled group, this difference is decisive because extended family entities or promoter affiliates that are not direct counterparties can still passa vote under company law, but not under LODR Regulations.

The second gap is scope and timing. SEBI's 2021 amendments[32] widened "related party" and "RPT" to capture transactions between a listed entity's subsidiaries and related parties of the listed entity. It has also introduced materiality triggers based on consolidated turnover/rupee caps. By contrast, company-law thresholds and ordinary-course/arm's-length carve-outs are framed differently. A corporate group might, for instance, structure a transaction in stages, first securing board approvals at the subsidiary level under Section

[32] (Sixth Amendment) Regulations (n 2).

188[33], and then pursuing a fast-track internal merger under Sections 233 or 232[34]. While this sequence may leave no obvious voting choke point under company law, the very same pattern would still activate stricter obligations under the LODR Regulations, including audit committee scrutiny, shareholder approval, and review through exchange observation letters at the listed parent.

The third gap is information asymmetry. SEBI has, especially in 2025, moved to standardize the minimum pack that goes to audit committees and shareholders for RPT approvals, but the Companies Act does not prescribe an equivalent level of detail for private or unlisted group companies that sit within the same restructuring chain. That informational unevenness can become a channel for arbitrage, as transactions are sequenced in ways where the denser disclosure regime does not apply.

These are not abstract differences. They determine whether minorities see enough, early enough, to mobilize

[33] Companies Act, 2013 (Act No 18 of 2013), s 188.
[34] Companies Act, 2013 (Act No 18 of 2013), ss 232-233.

"majority-of-minority" vetoes or seek timely injunctive relief.

A particularly illustrative instance of this regulatory tension in India arose during the merger of Cairn India Limited into Vedanta Limited in 2016.[35] While the scheme of arrangement was sanctioned under Sections 391-394 of the erstwhile Companies Act, 1956 (later carried into Section 230 of the Companies Act, 2013)[36], serious concerns were raised over whether the SEBI retained the power to insist on enhanced disclosure and shareholder protection standards under the LODR Regulations and the SEBI Circular on Schemes of Arrangement[37]. The controversy emerged because, although the Bombay High Court approval under company law was obtained, Vedanta sought listing approvals from stock exchanges without fully addressing

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[35] *Vedanta Ltd, In re Cairn India Ltd* (2016) 202 Comp Cas 145 (Bom).
[36] ibid.
[37] Securities and Exchange Board of India, 'Circular on Schemes of Arrangement by Listed Entities and Relaxation under Rule 19(7) of the Securities Contracts (Regulation) Rules, 1957' CFD/DIL3/CIR/2017/21 (10 March 2017).

issues of fairness in the share-exchange ratio and the potential dilution of Cairn India’s minority shareholders. SEBI, invoking its investor-protection mandate, initially resisted granting the “no-objection” certificates required for the merger to proceed, citing inadequate disclosures, a weak fairness evaluation, and concerns over whether independent shareholder approval had been meaningfully secured.

Litigation followed, with Vedanta arguing that once a court/tribunal sanctioned the scheme under company law, SEBI could not impose additional conditions. The courts, however, ultimately recognised that SEBI’s jurisdiction in the securities market operates in parallel and cannot be ousted by corporate-law sanction. This recognition underscored that even schemes blessed by the Ministry of Corporate Affairs’ judicial fora are subject to SEBI’s independent scrutiny where listed entities and market integrity are implicated.

This highlights how promoters may attempt to strategically invoke the lighter procedural path of company law to avoid the stricter, disclosure-oriented framework of securities regulation. It also demonstrates how overlapping jurisdictions, rather than providing seamless protection, can create regulatory gaps that fuel delay, litigation, and uncertainty for minority investors.

Unless harmonisation occurs, corporate groups will continue to exploit forum-shopping between SEBI and MCA, weakening the efficacy of both frameworks.

4.4. The independent director: mandate, expectations, and on-ground constraints

4.4.1. The formal mandate

Independent directors ("**IDs**") carry statutory duties under Section 149(8) [38] read with Schedule IV [39] of the Companies Act. These include:

1. to bring independent judgement on strategy, risk, and standards of conduct;
2. to satisfy themselves as to the integrity of financial information; and

[38] Companies Act, 2013 (Act No 18 of 2013), s 149(8).
[39] Companies Act, 2013 (Act No 18 of 2013), schedule IV.

3. to safeguard the interests of all stakeholders, particularly minority shareholders.

LODR Regulations overlays this with process roles, composition of the audit committee and nomination/remuneration committee, separate ID meetings, and, since the 2021 Amendments to the LODR Regulations, appointment/re-appointment/removal of IDs only by special resolution.

The 2021 Amendments further centralized RPT approval in the hands of the independent directors on the audit committee, recognizing that conflicted executives and promoter-nominees cannot be the arbiters of conflicted deals.

As highlighted in the previous section, SEBI's 2025 "industry standards" circular[40] takes this forward. The audit committee (its IDs) and shareholders are now entitled to a baseline, which includes: comparable information set for each RPT, counterparty mapping across the group, a narrative of business purpose, pricing

[40] Industry Standards (n 19).

benchmarks, and explicit certification of benefits to the listed entity. Further, it also pivoted the certification obligation so that the CEO/WTD and CFO must certify to the audit committee that proposed RPT terms are in the company's interest, removing the earlier expectation of a promoter certificate. This shows an accountability shift towards the management, who negotiate and sign.

4.4.2. The ground reality

Despite the stronger rulebook, IDs face information asymmetry and broad capture risks. Management controls the timing and granularity of data, while complex, multi-step group restructurings can be sliced into individually "immaterial" legs that are hard to evaluate cumulatively. Where promoter influence shapes board appointments and tenure, IDs can be reluctant to push for external fairness opinions beyond what is minimally required, to demand competing term sheets, or to escalate to shareholder veto. And even motivated IDs may be constrained by time, approvals are often sequenced against deal clocks, with late papers and limited bandwidth to explore alternatives.

These frictions are precisely why process details matter. First, whether the audit committee looks at consolidated exposure (including subsidiaries and joint ventures). Second, whether it requires side-by-side comparable pricing rather than narrative justifications. Third, whether it conditions approval on protective terms (caps, step-outs and independent monitoring). SEBI's standardized information pack is intended to make those behaviours routine rather than personality-driven.

4.5. Practical risks of side-lining and how they show up

While the preceding discussion has focused on the structural and regulatory framework governing related-party transactions and schemes of arrangement, it is equally important to turn to the practical vulnerabilities that continue to expose minority shareholders. These risks do not arise from the absence of law alone, but often from the way in which processes are implemented, disclosures are drafted, and approvals are structured. The following subsections examine the principal ways in which minority protections can be weakened in practice, through valuation dilution, value tunnelling *via* seemingly routine contracts, and procedural manoeuvres that limit effective scrutiny. Together, these illustrations demonstrate how the balance between deal certainty and fairness can tilt, despite a maturing legal architecture.

4.5.1. Dilution and unfair ratios

Minorities are most exposed in share-for-share combinations where valuation sets the effective transfer price. Indian courts have consistently held that, in the absence offraud or demonstrable perversity, they will not second-guess expert valuations or the commercial wisdom of an overwhelming shareholder majority. The doctrine from Miheer Mafatlal[41] and Hindustan Lever[42], if process boxes are ticked (class meetings, disclosures, regulator/no-objection, fairness opinion) and there is no fraud or patent unreasonableness in valuation, the "commercial wisdom" of shareholders prevails, protects deal certainty but also means minorities must fight on process. Ensuring that the board obtained independent fairness opinions, tested valuation sensitivities (DCF

[41] Miheer H. Mafatlal (n 38).
[42] Hindustan Lever (n 29).

versus market multiples *versus* asset value), and disclosed all material assumptions. Where those steps are thin, even a facially "fair" ratio can embed material value transfer.

4.5.2. Value tunnelling through "plain-vanilla" contracts

Long-dated intra-group agreements, royalties, management services, marketing support, and back-to-back guarantees can tunnel value without triggering obvious red flags. The LODR Regulations framework tries to get rid of these through: (i) prior audit-committee scrutiny by IDs, (ii) majority-of-minority votes for material items, and (iii) periodic RPT disclosures to the exchanges. But the effectiveness of these brakes still depends on how carefully the committee interrogates benchmarking and on whether shareholders receive intelligible, comparable metrics rather than boilerplate.

4.5.3. Procedural under-protection

Even with abstention requirements, minorities can be procedurally sidelined if timelines are compressed, explanatory statements are sparse, or late "clarifications" shift key terms. SEBI's 2025 information standards[43] and the shift to CEO/CFO certification are meant to counter this by:

1. Standardizing what must be disclosed before the vote;
2. Placing personal accountability on officers who control information.

These levers are valuable only if audit committees insist on full compliance and stock exchanges treat materially incomplete papers as approval-blocking defects.

4.6. What minorities can realistically do

Having mapped the various ways in which minority shareholders may be side-lined in practice, it becomes equally important to consider what practical levers remain available to them within the existing regulatory and judicial framework. While these remedies are often constrained by procedural hurdles and judicial deference to majority decisions, they nonetheless provide a toolkit,

[43] Industry Standards (n 19).

if used strategically, that can meaningfully shape outcomes and protect minority interests.

First, use the LODR Regulations voting filter strategically. Because related parties cannot vote on material RPTs, organized minority and institutional investors can exert real leverage if they engage early (pre-EGM) with IDs and proxy advisors, demanding side-by-side pricing comparables and conditional approvals (caps, step-outs, third-party audits).

Second, escalate using NCLT tools where the process is plainly defective. Seek waivers under Section 244[44] to bring oppression/mismanagement petitions in urgent cases; consider Section 245[45] class actions where a pattern of disclosures suggests systemic prejudice and numerosity thresholds can be met. Use the merger-sanction process tactically, file objections that target process unfairness (inadequate disclosure, failure to circulate fairness

[44] Companies Act, 2013 (Act No 18 of 2013), s 244.
[45] Companies Act, 2013 (Act No 18 of 2013), s 245.

opinions) rather than simply re-litigating price, mindful of Miheer Mafatlal[46] constraints.

Third, track half-yearly RPT disclosures and stock-exchange filings under Regulation 23(9)[47] to identify creeping exposure, especially at subsidiaries and JVs; pattern recognition is often what converts a one-off "ordinary course" item into a material governance issue that warrants a vote or a re-opener.

4.7. Toward better alignment: Bridging SEBI and MCA

For listed groups, the safe operational assumption should be that LODR Regulations are the higher, overriding standard whenever there is a divergence. That means: (i) applying the LODR abstention rule in spirit across the group (even where the Companies Act would allow a related member to vote), (ii) routing all material intra-group transfers, whether executed at subsidiaries or via fast-track mergers, through the listed parent's audit committee of independent directors, and (iii) using SEBI's new information standards as the baseline pack even when

[46] Miheer H. Mafatlal (n 28).
[47] Regulation 23(9) (n 23).

company-law pathways would permit leaner documentation. Boards that institutionalize these practices reduce litigation risk and increase market trust; minorities get earlier sight, better comparables, and meaningful veto power.

V. FAST RESTRUCTURING VERSUS RPT OVERSIGHT

The reforms introduced by SEBI in 2025 on related-party transactions,[48] particularly in relation to turnover-linked thresholds and higher rupee-value caps, inevitably raise fundamental questions about whether the policy of facilitation of faster corporate restructuring sits uneasily with the objective of protecting investor interests through heightened scrutiny of intra-group dealings. The tension between enabling swift reorganisations on the one hand, and maintaining adequate checks on related-party transfers on the other, has long been present in Indian corporate governance. However, with the twin

[48] Industry Standards (n 19)

developments of SEBI's recalibration of RPT materiality and the Ministry of Corporate Affairs' continued expansion of "fast-track" corporate restructuring procedures under Sections 232 [49] and 233 [50] of the Companies Act, 2013, this conflict has acquired a sharper edge.

5.1. Impact of higher thresholds: dilution of oversight or pragmatic reform?

One of the most debated aspects of SEBI's 2025 notification [51] lies in the introduction of higher rupee-value materiality limits alongside turnover-linked thresholds. At first glance, this may appear to be a rational move, large conglomerates often engage in transactions worth hundreds or even thousands of crores as part of routine business, and subjecting each such transaction to shareholder approval may generate unnecessary friction. From this standpoint, raising the thresholds offers pragmatic relief, ensuring that boards and audit committees are not overwhelmed by routine approvals

[49] Companies Act, 2013 (Act No 18 of 2013), s 232.
[50] Companies Act, 2013 (Act No 18 of 2013), s 233.
[51] Industry Standards (n 19).

and can devote their energy to transactions of real significance.

Yet, the countervailing argument is equally strong. Higher thresholds invariably mean that a number of related-party transactions, particularly those that are sizeable in absolute terms but relatively minor compared to a group's massive consolidated turnover, may escape mandatory approval by non-interested shareholders. For instance, a conglomerate with a turnover of INR 1 lakh crore could engage in a INR 700 crore intra-group asset transfer, and depending on the new thresholds, such a transaction may fall below the "material" category despite its clear economic and governance implications. The danger here is one of regulatory dilution: what is "immaterial" in relative terms may still have a profound impact on minority shareholders and creditors, particularly if the transaction involves an undervaluation of assets, a siphoning of resources, or a debt-shifting exercise designed to shield one group entity at the expense of another.

5.2. Faster mergers: section 233 and the risk of eroded checks

The Companies Act, 2013, introduced the mechanism of fast-track mergers under Section 233 [52] to simplify mergers between small companies, holding companies and wholly-owned subsidiaries. The legislative intent was to promote ease of doing business by eliminating the need for NCLT approval in cases presumed to be low-risk.

In the listed space, however, the applicability of the fast-track merger route is inherently limited. Even with the proposed amendments, only certain configurations qualify: (i) where the holding company is a listed entity and the subsidiary is unlisted, or (ii) where the transferor entity is unlisted, such as when an unlisted subsidiary merges into a listed parent. By contrast, if the transferor company itself is listed, for instance, where a listed subsidiary seeks to merge into another entity, the fast-track mechanism is unavailable. This means that the universe of listed entities that can realistically use Section

[52] Companies Act, 2013 (Act No 18 of 2013), s 233.

233 is far narrower than the broad framing of "listed company mergers" might suggest.

Yet, even within this constrained applicability, the governance concerns remain pronounced. The fundamental premise of the FTM route is speed and reduced oversight, but SEBI's related-party transaction framework is anchored in disclosure, transparency, and minority approval. The overlap becomes problematic because intra-group mergers that do fall within the ambit of Section 233, such as a listed parent absorbing an unlisted subsidiary, often involve precisely the kind of related-party dealings that SEBI has sought to bring under stricter scrutiny through its evolving materiality thresholds. In such cases, minority shareholders of the listed parent may see assets restructured or liabilities consolidated without the depth of oversight that SEBI's regime ordinarily envisages.

It is true that Regional Directors are tasked with reviewing fast-track schemes, and in principle could address concerns around fairness or shareholder prejudice. However, RD review is procedural and primarily focused on compliance with statutory conditions, not on evaluating the substantive governance risks that SEBI's RPT framework is designed to mitigate. This creates a unique regulatory gap: the MCA framework allows a "light-touch" merger process in the very situations where SEBI expects heightened scrutiny of intra-group transactions. Unlike generic concerns about minority protection under FTM, the RPT–FTM intersection specifically raises the risk that the enhanced disclosure and approval safeguards of the securities law framework could be diluted in favour of corporate restructuring expediency.

Unless SEBI and MCA move towards a harmonised approach, fast-track mergers, even with their limited applicability to listed entities, risk creating a misalignment in regulatory expectations: efficiency on one side, and transparency on the other.

5.3. Structuring transactions and the risk of underreporting

A further challenge arising from the combined effect of higher thresholds and fast-track mechanisms is the incentive for companies to engage in creative structuring of transactions. By deliberately splitting a large transaction into multiple smaller tranches, each falling below the rupee-value or turnover-linked materiality limits, companies may succeed in avoiding shareholder approval requirements. Similarly, companies may attempt to design restructuring transactions in such a manner that they qualify for the fast-track merger route, thereby eliminating opportunities for external scrutiny altogether.

SEBI has, in the past, acknowledged this risk of "salami slicing" of transactions in its consultation papers. Yet, practical enforcement remains extremely difficult. Monitoring the true economic substance of a series of interconnected transactions requires a forensic exercise that stretches beyond SEBI's routine disclosure-driven model of enforcement. The problem is aggravated by the fact that companies often provide fragmented disclosures in different regulatory filings, making it difficult for investors to piece together the full picture of intra-group transfers. Unless SEBI and MCA develop a coordinated framework to detect and penalise such structuring practices, the efficacy of related-party transaction regulation will remain vulnerable to deliberate underreporting.

5.4. The larger policy dilemma: balancing speed and scrutiny

At the heart of the debate lies a larger policy dilemma. India, as an economy, seeks to simultaneously attract capital by promising ease of doing business, while also assuring investors, particularly global institutional investors, that its corporate governance standards are not compromised. Raising RPT thresholds and encouraging fast-track restructuring both serve the former goal by reducing friction for large enterprises. But if minority shareholders begin to perceive that their rights are being subordinated to the interests of controlling shareholders in the name of efficiency, the credibility of India's governance regime could take a significant hit. The key, therefore, lies in balancing speed with scrutiny, ensuring that fast-track processes are not exploited to camouflage related-party transfers, and that SEBI retains enough oversight to capture transactions that may be small relative to turnover but large in their substantive governance impact.

VI. CROSS-JURISDICTIONAL COMPARISON

The debate around SEBI's reform of RPT thresholds cannot be understood in isolation from global regulatory practices. Corporate governance challenges arising from related-party dealings are by no means unique to India. Jurisdictions across the world have grappled with balancing efficiency, disclosure, and minority protection, leading to a mosaic of approaches. A comparative examination of select regimes, particularly the United Kingdom, the United States, the European Union, and Asian financial hubs such as Singapore and Hong Kong, sheds valuable light on where India aligns, where it lags, and where it innovates.

6.1. United Kingdom: Listing Rules (LR 11) and sponsor oversight

The UK has traditionally adopted a stringent approach to RPT regulation under the Financial Conduct Authority's

Listing Rules, specifically Chapter 11.[53] The centrepiece of this framework is the “percentage ratio test”, which classifies a related-party transaction based on its relative materiality to the company, measured against a series of financial ratios such as gross assets, profits, and consideration value. If any of these ratios exceed the 5% threshold, the transaction is deemed material and subject to enhanced scrutiny. This is in contrast to SEBI’s more formulaic turnover-linked and rupee-limit based thresholds, which may not capture qualitative concerns as effectively.

Equally important in the UK system is the role of sponsor firms, typically investment banks accredited by the FCA, which serve as intermediaries ensuring that issuers comply with disclosure requirements and that minority shareholders are not prejudiced. By mandating third-party oversight, the FCA creates a strong buffer against insider manipulation. In India, no equivalent sponsor system exists, leaving audit committees and independent

[53] Financial Conduct Authority, Listing Rules, LR 11 (Related Party Transactions) (FCA Handbook 2025).

directors as the main gatekeepers, roles that are often weakened by information asymmetry and promoter dominance.

6.2. United States: The Delaware fairness doctrine

In the US, the regulatory landscape is shaped not by prescriptive securities laws but by the judiciary, particularly the Delaware courts, which have developed the "entire fairness" doctrine. This doctrine applies in cases where conflicted transactions involving controlling shareholders are challenged. The test involves two prongs: fair dealing (covering timing, structure, negotiations, and disclosure) and fair price (assessing the substantive economic fairness of the transaction).[54]

Case precedents underscore the rigour of this framework. In Weinberger v. UOP,[55] the Delaware Supreme Court expanded the range of acceptable valuation

[54] Zohar Goshen, Assaf Hamdani and Dorothy S Lund, 'Fixing MFW: Fairness and Vision in Controller Self-Dealing' (European Corporate Governance Institute – Law Working Paper No 818/2025, Columbia Public Law Research Paper No 5061341, 17 December 2024) <http://dx.doi.org/10.2139/ssrn.5061341>.
[55] *Weinberger v UOP, Inc* 457 A.2d 701 [Del. 1983].

methodologies in fairness determinations, emphasising a holistic inquiry rather than mechanical formulae. Later, in Kahn v. Lynch,[56] the Court held that transactions with controlling shareholders are presumptively subject to entire fairness review, unless structured with sufficient procedural safeguards such as approval by an independent committee or majority-of-minority shareholders.

India has attempted to emulate aspects of this through shareholder approval requirements and audit committee vetting under the LODR Regulations. However, unlike the US system where fairness reviews are intensive and judicially enforced, Indian courts rarely intervene substantively in valuation disputes, and SEBI's oversight tends to be more rule-based than principles-driven.

6.3. European Union: Shareholder Rights Directive II

The Shareholder Rights Directive II (SRD II)[57], adopted in 2017, marks the EU's effort to standardise RPT oversight across Member States. At its core, SRD II

[56] *Kahn v Lynch* 638 A.2d 1110 [Del. 1994].

[57] Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement OJ L132/1.

requires listed companies to publicly disclose material RPTs at the time of conclusion and, in certain cases, to obtain approval from the board or the general meeting of shareholders.[58] By mandating transparency and enhanced shareholder voice, the Directive aims to curb the risk of value diversion by insiders.

Yet, divergences persist among Member States. Some, like Italy, mandate binding votes of minority shareholders for large RPTs, while others, like Germany, have adopted a more flexible disclosure-based approach. The heterogeneity reveals that even within the EU, the balance between efficiency and protection is contested. For India, the Directive provides a useful model in emphasising shareholder empowerment and harmonised disclosure, areas where SEBI's current proposals on higher thresholds may be seen as moving in the opposite direction by weakening rather than strengthening shareholder oversight.

[58] Ivan Romashchenko, 'The Ukrainian Regulatory Approach for Related Party Transactions and the SRD II: A Two-Way Street of Learning' (2025) 22(1) European Company and Financial Law Review <https://ssrn.com/abstract=5303937>.

6.4. Singapore and Hong Kong: Tailored rules for family-controlled groups

Both Singapore and Hong Kong, with their prevalence of family-controlled conglomerates, have crafted RPT regimes that directly address the risks of concentrated ownership. The Singapore Exchange ("**SGX**") Listing Manual[59] requires RPTs above a certain threshold (5% of net tangible assets) to be subject to shareholder approval, with interested parties abstaining from voting. Similarly, in Hong Kong, the Listing Rules (Chapter 14A) [60] mandate both disclosure and approval requirements, often with minority veto rights for significant transactions.

What sets these jurisdictions apart is the explicit recognition of ownership concentration risks and the correspondingly enhanced role for independent directors. In Hong Kong, for instance, independent board committees must issue recommendations on whether RPTs are fair and reasonable, providing a quasi-advisory

[59] Singapore Exchange Securities Trading Ltd., Listing Manual, ch. 9 (rev. 2025) (Sing.).
[60] Hong Kong Exchanges and Clearing Ltd., Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd., ch. 14A (rev. 2025) (H.K.).

function to minority shareholders. India, while recognising similar ownership patterns in its corporate landscape, often relies more on statutory duties than on robust procedural mechanisms like minority vetoes or third-party recommendations.

6.5. Comparative lessons for India

When placed against this global backdrop, India's regulatory position on RPTs appears hybrid and transitional. Its framework is more prescriptive than the US judicial model but less flexible than the EU's disclosure-and-approval regime. In India, RPTs are subject to detailed statutory provisions under the Companies Act, 2013 and the LODR Regulations, which mandate specific thresholds, compulsory board and shareholder approvals, and disclosure formats. This creates a prescriptive framework because the law itself dictates the process rather than leaving it to courts to review fairness after the fact, as is the case in the United States where judicial doctrines such as the *entire fairness* standard[61] or the *business judgment* rule[62] apply. At the same time, India's approach lacks the adaptability of the European model, where emphasis is placed on transparent disclosures and shareholder approval mechanisms, allowing companies more flexibility in structuring RPTs provided that transparency safeguards are met. This places India somewhere between the US and EU approaches, rigid in process but less accommodating of contextual adjustments.

However, unlike the UK and Hong Kong, India lacks strong intermediary or minority veto mechanisms, and unlike Singapore, it has not fully adapted its oversight to the realities of family-controlled businesses, despite such structures being dominant in the Indian corporate sphere.

The move to raise materiality thresholds under SEBI's proposed reform risks further widening this gap. Whereas global trends point towards tightening shareholder empowerment and qualitative fairness review, India's trajectory could be read as privileging corporate

[61] Kahn (n 56).
[62] *Aronson v Lewis* 473 A2d 805 [Del 1984].

efficiency at the expense of minority rights. Unless counterbalanced by stronger disclosure norms, procedural safeguards, or independent oversight akin to UK-style sponsor regimes, India risks being perceived as lagging behind in the international convergence towards greater accountability in related-party transactions.

When one evaluates the Indian regulatory architecture on related-party transactions in juxtaposition with other major jurisdictions, a complex picture emerges, one that demonstrates certain areas of convergence with global best practices, but also reveals persistent gaps that risk undermining investor confidence. The most critical lesson for India lies in recognising that the governance of RPTs cannot be reduced to a mechanical exercise of thresholds and disclosure; instead, it must function as a substantive safeguard against conflicted decision-making, a principle that is deeply entrenched in the UK, US, EU, Singapore, and Hong Kong.

6.5.1. The thresholds dilemma: India and the UK comparison

The UK's Listing Rules, particularly LR 11,[63] stand out for their reliance on the "percentage ratio tests," which measure the significance of a related-party transaction by reference to company size and transaction magnitude. This system allows proportionality, ensuring that larger companies do not escape scrutiny simply because of high rupee-value thresholds. By contrast, SEBI's approach of prescribing absolute rupee limits (INR 1,000 crore or 10% of turnover) risks precisely this problem, enabling conglomerates with enormous balance sheets to undertake transactions of very high economic value without triggering heightened scrutiny.

The comparative lesson for India is that proportionality-based tests are far superior in balancing oversight with efficiency. SEBI has experimented with turnover-based metrics in the past but has not entrenched them with the same precision as the UK's multi-factorial ratio tests. A refined Indian approach could involve layering percentage tests alongside absolute value thresholds,

[63] Listing Rules (n 59).

thereby preventing both regulatory overreach into trivial transactions and regulatory underreach in mega-deals.

Moreover, the UK framework introduces an additional safeguard through the requirement of sponsor firms and active Financial Conduct Authority ("**FCA**") oversight. Sponsors act as gatekeepers, ensuring compliance before transactions are presented for shareholder approval. India has no equivalent concept of sponsor firms, placing disproportionate reliance on Audit Committees of listed entities, committees which may be structurally weak due to information asymmetry or controlling shareholder influence. Thus, India lags behind the UK in embedding an independent institutional checkpoint.

6.5.2. The US model: Substance over form

A second, equally important lesson comes from the United States, where RPT governance is not primarily statutory but judicial, crystallised in Delaware's fairness doctrine, as highlighted in the previous section. The cases Weinberger v. UOP, Inc. [64] and Kahn v. Lynch

[64] Weinberger (n 55).

Communications [65] underscore that conflicted transactions must withstand an “entire fairness” review, examining both process (fair dealing) and substance (fair price). This judicial standard empowers minority shareholders to challenge transactions ex post and places a heavy evidentiary burden on controllers and boards.

The Indian regime, by contrast, has tended to be disclosure-centric and compliance-driven. While SEBI insists on Audit Committee and shareholder approvals, it rarely evaluates substantive fairness. Indian courts, too, have been deferential in cases of shareholder-approved restructurings, as seen in Miheer H. Mafatlal v. Mafatlal Industries[66], where the Supreme Court adopted a non-interventionist stance if majority approval was secured and statutory procedure followed. Unlike Delaware, where courts actively scrutinise the intrinsic fairness of exchange ratios or pricing methodologies, Indian jurisprudence has refrained from reopening valuation

[65] Kahn (n 56).
[66] Miheer H. Mafatlal (n 28).

debates once an expert or shareholder body has given its assent.

Here, the lesson is profound: India could adopt a hybrid standard where SEBI and the judiciary are empowered to look beyond procedural compliance and interrogate the substantive fairness of RPTs, particularly in situations where controlling shareholders benefit disproportionately. Such a reform would align Indian corporate governance more closely with the "entire fairness" tradition, deterring tunnelling and expropriation of minority wealth.

6.5.3. Lessons from the EU: Empowering shareholders through SRD II

The European Union's Shareholder Rights Directive II (SRD II) [67] embodies a third critical lesson, the empowerment of shareholders themselves. SRD II requires companies to disclose material RPTs publicly and submit them for shareholder approval, thereby directly enfranchising minority investors. While SEBI regulations also mandate shareholder approval for certain classes of

[67] European Union's Shareholder Rights Directive II (n 57).

RPTs, the process in India is vulnerable to capture because promoters, despite being excluded from voting, often control sufficient board influence to shape disclosures and timing.

Furthermore, SRD II allows member states to experiment with stricter rules. For example, Italy[68] and Poland[69] mandate shareholder votes on all RPTs above relatively low thresholds, while France[70] requires comprehensive disclosure irrespective of value. India, in contrast, has adopted a more uniform and threshold-based approach, which risks creating loopholes. The comparative insight here is that India could introduce a graduated system where the scope of disclosure and shareholder approval tightens depending on the transaction's risk profile, not merely its monetary size.

[68] CONSOB, *Regulation on Related Party Transactions* (Resolution No 17221 of 12 March 2010, as amended by Resolution No 17389 of 23 June 2010).
[69] Act of 29 September 1994 on Accounting (Dz.U. 1994 Nr 121 poz 591), as amended; see also Polish Commercial Companies Code 2000 (Dz.U. 2000 Nr 94 poz 1037), implementing EU Directive (EU) 2017/828 (Shareholder Rights Directive II).
[70] *Code de commerce* (Legislative Part), art L225-38.

Additionally, SRD II has catalysed harmonisation of investor rights across EU capital markets, reducing the scope for regulatory arbitrage. India, however, continues to face fragmentation between SEBI's securities market regime and the Ministry of Corporate Affairs' company law regime. The lack of full harmonisation leads to uncertainty and inconsistent investor protection. The EU example highlights that India must move towards integrated regulation, perhaps through a joint SEBI-MCA working group that aligns thresholds, approval requirements, and remedies.

6.5.4. Singapore and Hong Kong: Special lessons for family-controlled firms

The experiences of Singapore and Hong Kong hold particular resonance for India, where family-controlled conglomerates dominate capital markets. Both jurisdictions have recognised the heightened risks of tunnelling and expropriation in family businesses and have crafted RPT rules tailored to such contexts. For instance, as highlighted in the previous section, SGX

Listing Rules[71] require independent shareholder approval for RPTs involving controlling shareholders, even if the monetary value is relatively low. Hong Kong goes further by requiring "connected transactions" to be reviewed with enhanced disclosure obligations and mandatory independent financial adviser opinions.[72]

The Indian system, while mandating Audit Committee approval and independent director involvement, does not yet place sufficient emphasis on the special risks posed by promoter-dominated groups. Audit Committees often lack the bargaining power to resist promoters, and independent directors may be reluctant to challenge entrenched families due to reputational or relational considerations. The lesson from Singapore and Hong Kong is clear: India needs a more robust, context-sensitive framework that recognises the peculiar governance hazards of promoter-controlled ecosystems. Measures could include

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71 SGX Listing Rules (n 59).

72 Hong Huang, Charles Zhen Qu and Haitian Lu, 'Can Independent Directors Effectively Monitor Related Party Transactions? Evidence from Hong Kong' (2025) 82 International Review of Law and Economics 106261 <https://doi.org/10.1016/j.irle.2025.106261> accessed 13 October 2025.

compulsory minority veto rights, mandatory independent valuations in promoter-led transactions, and heightened disclosure where familial relationships overlap with business dealings.

6.5.5. India's innovations: Acknowledging strengths amidst gaps

While much of the comparative analysis highlights where India lags, it is important to recognise areas where SEBI has innovated. For example, SEBI's insistence that promoters abstain from voting on RPTs is more stringent than Delaware law, where controlling shareholders may still vote provided fairness is demonstrated ex post. Similarly, India's introduction of prior approval requirements (Audit Committee vetting before transaction execution) is an advance over the EU model, which in some cases only requires disclosure after the fact.

However, these innovations risk being diluted by weak enforcement. SEBI's track record of penalising RPT violations is sporadic and often results in modest monetary penalties rather than structural remedies. By contrast, Hong Kong and Singapore not only impose penalties but also require companies to unwind or revise transactions found to be unfair. The lesson is that procedural innovations must be backed by credible enforcement and remedies to generate real deterrence.

VII. TOWARDS A CONTEXTUAL INDIAN MODEL

Ultimately, the comparative landscape suggests that India cannot simply transplant foreign models wholesale. Instead, it must craft a contextual model that blends proportionality (from the UK), substantive fairness review (from the US), shareholder empowerment (from the EU), and promoter-sensitive oversight (from Singapore and Hong Kong). Such a hybrid system would be uniquely suited to India's corporate ecosystem, which is marked by a high incidence of family control, rapid corporate restructuring, and evolving capital markets.

This contextual model would also require recalibrating the roles of independent directors, Audit Committees, and minority shareholders, moving from a largely procedural to a more substantive regime. It would entail more frequent use of independent financial advisers, binding minority veto rights in high-risk transactions, and stronger judicial willingness to interrogate the fairness of exchange ratios. Only by internalising these comparative lessons can India strike the delicate balance between efficient corporate restructuring and genuine protection of minority investor interests.

The comparative survey across jurisdictions demonstrates that India's regulatory architecture for RPTs stands at a crucial inflection point. While SEBI's incremental tightening of disclosure norms and the MCA parallel governance framework under the Companies Act, 2013 have steadily expanded safeguards, gaps remain in operationalising these safeguards to match the sophistication of corporate structures in India, especially within promoter-driven conglomerates. The pressing question is not whether India should borrow from the experiences of other jurisdictions, but how such borrowings can be contextualised, legislatively anchored, and practically enforced without derailing legitimate corporate restructuring.

7.1. Legislative borrowings: Anchoring RPT oversight in law

A central issue in India is the duality between the Companies Act, 2013 and the LODR Regulations. The Act regulates RPTs at a general corporate law level (Section 188), while the LODR Regulations mandate market-facing disclosures for listed entities. However, unlike the UK's Listing Rules[73] or the EU's Shareholder Rights Directive II[74], where the legislative framework expressly incorporates disclosure and shareholder engagement standards, India's architecture remains fragmented.

To address this, India could legislate a "statutory charter on RPT governance", either as a dedicated chapter within the Companies Act or as an amendment to the SEBI Act. Such a statutory provision could:

[73] Listing Rules (n 59).
[74] European Union's Shareholder Rights Directive II (n 57).

1. Mandate a harmonised materiality threshold test across both SEBI and MCA frameworks, borrowing from the UK's percentage ratio tests (assets, profits, gross capital tests).

2. Codify shareholder veto rights for certain categories of conflicted transactions, akin to the EU SRD II model, particularly in cases of substantial asset transfers or intra-group guarantees.

3. Require enhanced narrative disclosures, not merely quantitative thresholds, by obligating directors to explain the commercial rationale of an RPT in terms of arm's length considerations, market benchmarks, and risk assessments.

Such legislative codification would reduce the scope of regulatory arbitrage, where companies currently exploit the grey space between SEBI and MCA regimes.

7.2. Independent Directors: Structural empowerment beyond formalism

Comparative insights reveal that jurisdictions such as Hong Kong and Singapore have embedded independent directors into the very fabric of RPT decision-making, going so far as to require their approval as a condition precedent to board or shareholder endorsement. India, in contrast, still struggles with the formalism of independence, where independent directors are appointed but rarely empowered.

Specific reforms could include:

1. A statutory requirement that all RPT Audit Committee approvals must include a recorded vote of independent directors, with dissent explicitly disclosed in public filings.

2. A mandate, similar to Singapore Exchange rules, that independent directors commission independent financial opinions (valuations, fairness opinions) in significant RPTs. This would curb board capture and reduce the reliance on management-provided information.

3. Enhanced liability standards: borrowing from Delaware's fairness doctrine, India could legislate that independent directors who approve conflicted RPTs

without adequate diligence may face heightened fiduciary liability for breach of duty of care.

Such measures would ensure that independent directors are not reduced to ornamental figures but become genuine gatekeepers of minority protection.

7.3. Institutionalising shareholder voice: From passive approval to substantive engagement

A major comparative lesson from the EU's SRD II and US shareholder litigation culture is that minority investors can serve as a check on conflicted transactions if procedural safeguards allow meaningful engagement. India's current framework, while requiring shareholder approval for certain RPTs, often degenerates into a box-ticking exercise dominated by promoter votes (save for restricted voting rights in certain instances).

Practical improvements could include:

1. Legislative codification of minority veto rights, where related parties and their affiliates are compulsorily excluded from voting, not merely for prescribed

classes of transactions but for all material RPTs above a certain monetary threshold.

2. Mandating explanatory statements accompanying RPT resolutions that disclose not only transaction terms but also alternative options considered, cost-benefit analyses, and fairness benchmarks.
3. Encouraging proxy advisory firms and institutional investors through SEBI-mandated stewardship codes to publish reasoned voting rationales, thereby enriching the discourse around RPT approvals.

These reforms would shift shareholder approvals from ritualistic compliance to substantive oversight.

7.4. Enforcement architecture: Moving beyond reactive penalties

India's enforcement challenge lies not in the absence of regulations but in their reactive character. SEBI frequently initiates investigations only post facto, after alleged abusive RPTs surface. By contrast, the UK's reliance on sponsor firms and Hong Kong's use of pre-clearance mechanisms highlight the utility of ex ante enforcement.

Practical adaptations for India could include:

1. Creation of an RPT Pre-Clearance Cell within SEBI, which could review and provide non-binding comfort letters for complex, high-value transactions. While not mandatory, the very existence of such a process would incentivise companies to seek scrutiny.

2. Deployment of AI-driven monitoring systems within SEBI's Integrated Market Surveillance System ("**IMSS**") to flag patterns of transaction structuring, such as multiple deals just below materiality thresholds.

3. Enhanced use of continuous disclosure audits, where SEBI empanels external auditors to randomly scrutinise RPT disclosures of listed companies annually, akin to the PCAOB's oversight role in the US.

These measures would recalibrate enforcement from a deterrence model based solely on penalties to a preventive architecture.

7.5. Harmonisation between SEBI and MCA: Bridging the regulatory divide

Dual oversight by SEBI and MCA remains one of India's most persistent structural challenges. While SEBI regulates listed entities from a securities market lens, MCA governs all companies through the corporate law framework. This fragmented jurisdiction risks leaving gaps exploitable by sophisticated corporate groups.

A harmonisation roadmap could include:

1. Establishment of a joint SEBI-MCA standing committee on RPT governance, tasked with issuing consolidated circulars that integrate both corporate law and securities law requirements.

2. Aligning definitional inconsistencies, for example, by adopting a single, uniform definition of "related party" across the Companies Act and the LODR Regulations, eliminating discrepancies in coverage of promoter entities, subsidiaries, and associate firms.

3. Synchronising approval thresholds so that what qualifies as a "material" RPT under the Companies

Act automatically triggers SEBI disclosure and shareholder approval requirements, thereby ensuring consistency.

Such institutional coordination would reduce duplication and strengthen regulatory predictability.

7.6. Context-sensitive calibration: Tiered thresholds and phased adoption

A final lesson from comparative jurisdictions is that regulatory intensity must be context-sensitive, balancing minority protection with the operational realities of corporate India. The risk of over-regulation is particularly acute for mid-cap firms that lack the compliance infrastructure of large conglomerates.

India could adopt a tiered threshold model, where:

1. Large-cap listed entities (say, top 500 by market capitalisation) face the most stringent requirements, independent fairness opinions, mandatory minority veto, and detailed narrative disclosures.

2. Mid-cap and small-cap firms are subject to proportionately lighter disclosure and approval norms but with an emphasis on audit committee oversight.
3. Phased implementation timelines allow smaller firms to build compliance capacity before being subjected to the full rigour of RPT oversight.

This approach would prevent the blanket application of onerous norms while ensuring that the systemic risks posed by conglomerates are effectively regulated.

VIII. CONCLUSION

The evolving debate around SEBI's reform of RPT thresholds illustrates the perennial tension between efficiency and accountability in corporate regulation. On the one hand, India's growing corporate sector, particularly large conglomerates with multiple listed entities, argues for greater flexibility and reduced procedural friction in carrying out intra-group transactions, restructuring exercises, and financing arrangements. Higher materiality thresholds, turnover-linked exemptions, and fast-track approval routes are justified as mechanisms to align compliance requirements with the scale of operations, preventing routine transactions from becoming mired in red tape. However, the converse risk is that by prioritising speed, scrutiny is diluted in precisely the kinds of transactions most susceptible to abuse: those involving insiders, affiliates, or controlling shareholders.

The challenge is thus not one of rejecting efficiency altogether but of designing regulatory thresholds and processes that ensure speed without sacrificing safeguards. Any regulatory reform that treats efficiency as the overriding objective risks replicating a pattern familiar to Indian corporate governance: short-term gains in deal-making ease, followed by high-profile failures or scandals that erode investor confidence and invite a cycle of reactionary regulation. SEBI's reforms must therefore tread cautiously, embedding mechanisms for proportionality while preserving the accountability that RPT rules are meant to secure.

A key lesson emerging from India's regulatory experience over the last decade is that fragmented oversight produces arbitrage opportunities. The Companies Act, 2013, administered by the MCA, and the LODR Regulations often overlap in their treatment of related party matters, yet they embody different philosophies. The Companies Act is premised on shareholder consent and corporate democracy, while SEBI's framework is oriented towards protecting public market investors through disclosure and independent approval requirements. The resulting dualism allows companies to engage in forum shopping, selectively invoking provisions that are more convenient, and at times exploiting gaps in enforcement coordination.

Without harmonisation between SEBI and MCA, raising thresholds under one regime while retaining stricter controls under the other will only compound confusion. For instance, a transaction that skirts SEBI's definition of materiality may still fall within the ambit of shareholder approval under company law, or vice versa. This creates uncertainty for boards and compliance officers, while also limiting the ability of minority shareholders to effectively challenge transactions. Harmonisation does not mean eliminating regulatory pluralism but ensuring complementarity: SEBI's market-focused disclosure norms should dovetail with MCA's substantive corporate governance requirements. A joint working group, or even a formal coordination mechanism akin to the SEBI-RBI arrangements in the securities and banking domain, may be necessary to close these jurisdictional gaps.

The debate on India's path forward naturally draws from comparative experience. The European model, anchored in the Shareholder Rights Directive II[75], places significant emphasis on shareholder-centric oversight of RPTs, requiring enhanced disclosures and often shareholder approval for material transactions. This model has the advantage of empowering investors directly, embedding democratic accountability into corporate governance structures. However, its success in Europe is facilitated by higher levels of shareholder activism and institutional investor participation, features that remain uneven in India, where concentrated promoter ownership is the

[75] ibid.

norm. Simply transplanting the European model without addressing India's ownership structures may lead to formal compliance without substantive empowerment.

By contrast, the Delaware model in the United States relies less on ex ante shareholder approval and more on judicially enforced fiduciary duties. Through doctrines such as the "entire fairness" test, courts play a central role in scrutinising conflicted transactions after the fact, deterring managerial opportunism through the threat of liability. India's judicial system, however, is not well-positioned to play this role. Protracted litigation timelines and limited judicial expertise in financial transactions mean that post facto judicial review is unlikely to provide timely or effective remedies for minority shareholders.

India must therefore craft a hybrid approach, blending features of both systems while adapting them to local realities. SEBI's disclosure-based regulation already approximates aspects of the European model, but its effectiveness depends on bolstering institutional investor engagement and creating meaningful opportunities for minority voices. Simultaneously, MCA's fiduciary framework should be recalibrated to hold directors accountable in a manner akin to Delaware, but through specialised regulatory or quasi-judicial bodies rather than the general court system. For example, SEBI's adjudicating officers or the NCLT could be empowered to apply fairness-based standards in a more specialised and expedited manner, mitigating the limitations of India's conventional judicial process.

Looking forward, the trajectory of enforcement will likely hinge on the interaction between SEBI's evolving materiality thresholds and MCA's broader governance agenda. Several possible trends can be anticipated. First, SEBI may increasingly shift towards principles-based regulation, expecting boards and audit committees to justify why a particular RPT does or does not require shareholder scrutiny. This would mirror global shifts towards outcome-oriented governance rather than prescriptive compliance. Second, MCA's increasing focus on board independence and director accountability may lead to a greater role for independent directors in RPT approvals, though this will necessitate stronger safeguards against information asymmetry and board capture. Third, given recent high-profile controversies in India, ranging from allegations of tunnelling in large conglomerates to disputes over exchange ratios in mergers, enforcement bodies are unlikely to tolerate outright abuse. Instead, we may see calibrated enforcement: penalties for non-disclosure, scrutiny of structuring practices designed to avoid thresholds, and greater reliance on forensic audits in cases of suspected abuse.

Ultimately, the post-2025 regime may witness India moving neither fully towards a European-style shareholder democracy nor entirely towards a Delaware-style judicial enforcement model. Instead, it may settle into a uniquely Indian synthesis: heightened disclosure, greater reliance on independent directors, strengthened SEBI-MCA coordination, and targeted enforcement designed to deter egregious abuse while permitting legitimate business flexibility. Whether this synthesis succeeds will depend on implementation. If regulators strike the balance effectively, India could emerge as a model for other jurisdictions grappling with similar ownership patterns and governance challenges in emerging markets. If not, the risk remains that RPT reforms will serve more as a rhetorical promise of efficiency than a substantive guarantee of accountability.