



SEBI Update : Royalty payments to related parties

April 17, 2019

The Securities and Exchange Board of India (“SEBI”) vide notification no. SEBI/LAD-NRO/GN/2019/07 dated March 29, 2019 ([available here](#)) has issued the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2019.

As a result of the amendment to Regulation 23(1A), with effect from July 1, 2019, payments made to related parties by a listed entity for brand usage or royalty shall be deemed to be material related party transactions, if such transactions exceed 2% of the annual consolidated turnover of the listed entity during a financial year. Previously, the section was to come into effect on April 1, 2019.

Changes may have to be made to the policy adopted by listed companies pertaining to related party transactions, as required under Regulation 23, to reflect the deemed materiality of the aforementioned related party transactions.

Also, please note that approval of the shareholders of the listed entity is required for material related party transactions (except as specifically exempted). Related parties who are shareholders of the listed entity are not permitted to vote on any material related party transactions.

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at insights@elp-in.com.

***Disclaimer:** The information provided in this update is intended for informational purposes only and does not constitute legal opinion or advice. Readers are requested to seek formal legal advice prior to acting upon any of the information provided herein. This update is not intended to address the circumstances of any particular individual or corporate body. There can be no assurance that the judicial/ quasi-judicial authorities may not take a position contrary to the views mentioned herein.*



ECONOMIC
LAWS
PRACTICE
ADVOCATES & SOLICITORS

MUMBAI | NEW DELHI | BENGALURU | AHMEDABAD | PUNE | CHENNAI

[Email: Insights@elp-in.com](mailto:Insights@elp-in.com)

© Economic Laws Practice 2019