

**GOVERNMENT OF INDIA
MINISTRY OF CORPORATE AFFAIRS**

**LOK SABHA
STARRED QUESTION NO. *203
ANSWERED ON MONDAY, AUGUST 04, 2025**

PENALTIES FOR RELATED-PARTY TRANSACTIONS

QUESTION

***203. SMT. APARAJITA SARANGI:
SHRI PRATAP CHANDRA SARANGI:**

Will the Minister of CORPORATE AFFAIRS be pleased to state:

- (a) the rationale behind the April newsletter issued by the Ministry highlighting penalties for Related-Party Transactions;**
- (b) the differentiation between listed companies and other companies;**
- (c) the measures taken by the Government to ensure transparency in Related-Party Transactions disclosures;**
- (d) whether the Government has taken concrete steps to ensure transparency in Related-Party Transactions disclosures and to curb fund diversion and abuse of Related-Party transactions under the Companies Act, 2013;**
- (e) if so, the details of such measures and their impact on companies operating in industrial areas of Dewas and Shajapur Lok Sabha Constituency;**
- (f) the number of companies in Dewas-Shajapur investigated or penalised for fund diversion or non-disclosure of Related-Party transactions during the last three years; and**
- (g) whether any local or regional compliance outreach programme have been conducted to improve awareness among MSMEs and industrial units, if so, the details thereof?**

ANSWER

**MINISTER OF FINANCE &
CORPORATE AFFAIRS**

(SMT. NIRMALA SITHARAMAN)

- (a) to (g) : A statement is laid on the Table of the House.**

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION *203 FOR ANSWER ON 04.08.2025.

(a) Publication of newsletter is a monthly exercise and is informative in nature only. The previous news letters published included topics such as prevention of oppression and mismanagement, Corporate Insolvency Resolution process (CIRP), Incorporation of Companies etc.

(b) Listed company means a company which has any of its securities listed on any recognized stock exchange as per section 2 (52) of the Companies Act, 2013 (the Act).

Following classes of companies shall not be considered as listed companies in terms of proviso to clause (52) of section 2 of the Act read with Rule 2A of Companies (Specification of Definitions Details) Rules, 2014 :-

- (a) Public companies which have not listed their equity shares on a recognized stock exchange but have listed their –**
 - (i) non-convertible debt securities issued on private placement basis in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008; or**
 - (ii) non-convertible redeemable preference shares issued on private placement basis in terms of SEBI (Issue and Listing of Non-Convertible Redeemable Preference Shares) Regulations, 2013; or**
 - (iii) both categories of (i) & (ii) above.**
- (b) Private companies which have listed their non-convertible debt securities on private placement basis on a recognized stock exchange in terms of SEBI (Issue and Listing of Debt Securities) Regulations, 2008;**
- (c) Public companies which have not listed their equity shares on a recognized stock exchange but whose equity shares are listed on a stock exchange in a jurisdiction as specified in sub-section (3) of section 23 of the Act.**

Further, any other category of company would be non-listed company.

(c) & (d) To provide transparency, the Companies Act, 2013 provides for definition of Related-party and for various requirements in respect of approval including disclosures in respect of related party transactions. The details of the important provisions are as under: -

(1) Section 2(76) of the Act define "related party", with reference to a company, means—

- (i) a director or his relative;**
- (ii) a key managerial personnel or his relative;**
- (iii) a firm, in which a director, manager or his relative is a partner;**
- (iv) a private company in which a director or manager or his relative is a member or director;**
- (v) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;**
- (vi) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;**
- (vii) any person on whose advice, directions or instructions a director or manager is accustomed to act.**

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

(viii) any body corporate which is—

- (A) a holding, subsidiary or an associate company of such company;**
- (B) a subsidiary of a holding company to which it is also a subsidiary; or**
- (C) an investing company or the venturer of the company.**

Explanation.— For the purpose of this clause, "the investing company or the venturer of a company" means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

(ix) such other person as may be prescribed.

(2) Section 188 of the Act read with Rule 15 of Companies (Meetings of Board and its Powers) Rules, 2014 provides for various conditions for entering into contract or arrangement with a related party.

(3) Section 177 (4) (iv) of the Act, functions of the Audit committee include approval or any subsequent modification of transactions of the company with related parties.

(4) The Board's report u/s 134 (3) (h) of the Act requires disclosure in respect of particulars of contracts or arrangements with related parties referred to in sub-section (1) of section 188 in the prescribed form.

To ensure compliance of provisions pertaining to Related-Party Transactions, approvals are required under the Companies Act, 2013 including oversight function to be performed by the Independent Directors in various committees viz Audit Committee, Nomination and Remuneration Committee, Risk Management Committee, CSR Committee etc. Further, in case violations based on Inquiry, Inspection and Investigation Reports are found, appropriate action as per law is taken including adjudication, prosecution, winding-up, disgorgement of assets etc.

(e)&(f) : In the last three years no such action has been taken for companies in the districts of Dewas and Shajapur.

(g) : No specific awareness programme for MSME and Industrial units have been organised by this Ministry.
