

Royalty payments to related parties

written by Kulin Dave | May 9, 2019

Royalty payments to related parties - The Securities and Exchange Board of India ("SEBI") vide notification no. SEBI/LAD-NRO/GN/2019/07 dated March 29, 2019 has issued the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2019^[1].

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 Royalty payments to related parties.

Also, 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.

Contributed by - Kulin Dave

King Stubb & Kasiva,

Advocates & Attorneys

Click Here to Get in Touch

New Delhi | Mumbai | Bangalore | Chennai | Hyderabad | Kochi

Tel: +91 11 41032969 | Email: info@ksandk.com