

OVERVIEW OF
COMPANIES ACT,2013

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RELATED
PARTY
TRANSACTION

Relative

- Section 2 (77) “relative”, with reference to any person, means anyone who is related to another, if—
 - (i) they are members of a Hindu Undivided Family;
 - (ii) they are husband and wife; or
 - (iii) one person is related to the other in such manner as may be prescribed;

Rule 4

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- | | | | |
|---|----------------------------------|---|--------------------------------|
| 1 | Father (including step father) | 2 | Mother (including step mother) |
| 3 | Son (including step son) | 4 | Son's wife |
| 5 | Daughter | 6 | Daughter's husband |
| 7 | Brother (including step brother) | 8 | Sister (including step sister) |

Related Party

Sec 2 (76) “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 is a member or director;
- (v) a public company in which a director or manager is a director or holds along with his relatives, more than two per cent. of its paid-up share capital;

Related Party

- (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;

Related Party

(*viii*) any company which is—

(*A*) a holding, subsidiary or an associate company of such company; or

(*B*) a subsidiary of a holding company to which it is also a subsidiary;

(*ix*) such other person as may be prescribed;

Related Party Transaction (Section 188)

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Except with approval of Board of Directors, a company shall not enter into any contract or arrangement and the related party with respect to:

- ❑ Sale, Purchase or supply of goods or material and services.
- ❑ Selling or disposing off or buying of property
- ❑ Lease of property
- ❑ Appointment of any agent for sale, purchase of goods, services or property.

Related Party Transaction (Section 188)

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- Appointment of any related party to any office or place of office of the company or its subsidiary or associate company.
- Contract for underwriting.

Conditions for Related Party Transaction (Rule 15)

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- 1) Agenda shall disclose:
 - a) Name and relationship.
 - b) Nature, duration and particulars of contract
 - c) Terms and conditions of RPT
 - d) Any advance paid / received
 - e) Manner of determining the pricing
 - f) Any other information.
- 2) Director interested shall not participate in discussion.

Conditions for Related Party Transaction (Rule 15)

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3) S/R is required if:

- a) Paid up capital Rs.10.00 crores or more.
- b) Sale / purchase / supply exceeds Rs.25% of Annual turnover.
- c) Sales of property > 10% of networth.
- d) Leasing of property > 10% of networth or 10% of Turnover.
- e) Availing services > 10% of networth
- f) Appointment to any office or place of office > Rs.2.50 lacs per month.
- g) Remuneration for underwriting exceeds 1% of networth.

Related Party Transaction (Section 188)

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Note:

1. The provisions of section 188 will not be applicable to the transaction entered into by the company in its ordinary course of business other than the transaction which are not on Arm's Length Basis (the expression 'Arm's Length' means the transaction between two related parties i.e. contacting as if they were unrelated so that there is no conflict of interest).
2. In case the related party transaction outstanding as on commencement of this section i.e. 14 of 2014, the company shall ratify the same in the meeting of the Board of Directors or the shareholders as the case may be within 3 months from the commencement of this act.



THANK YOU