RPTs: Whether to be aggregated for determining materiality??.. SAT upholds SEBI's interpretation

The Securities Appellate Tribunal ("**SAT**"), in a significant ruling dated December 5, 2025, in the matter of *Linde India Limited vs SEBI, 2025* [1] has dismissed the appeal of Linde India Limited ("**LIL**") and thereby upheld the SEBI order dated July 24, 2024, affirming SEBI's interpretation on the aggregation of all the related party transactions ("**RPTs**") with a related party for determining the materiality limit.

SAT clarified that all the RPTs entered by a listed entity with a related party during a financial year must be aggregated for determining the materiality threshold, irrespective of whether such transactions are executed through multiple contracts or at different points in time during a financial year. Resultantly, if the aggregated value exceeds the prescribed materiality thresholds under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**Listing Regulations**"), prior approval of shareholders is mandatory.

1. Brief Background

1.1 LIL, an Indian listed entity and Praxair India Private Limited, an unlisted entity ("**PIPL**") are both subsidiaries of a common parent entity, Linde Plc. (Ireland). PIPL qualifies as a related party of LIL, in accordance with the definition of 'related party' under the Listing Regulations.

1.2 LIL and PIPL executed a joint venture and shareholders' agreement ("**JV & SHA**") and incorporated a joint venture entity namely Linde South Asia Services Private Limited ("**LSASPL**"). The terms of JV & SHA provided for product and geographical allocation of the respective businesses of LIL and PIPL, including future business possibilities. While entering JV & SHA, LIL did not treat the arrangement of allocation of business between the parties as a related party transaction under the Listing Regulations- as the same did not involve a direct exchange of assets or services between the parties.

1.3 Various RPTs were executed between LIL and PIPL/ LSAPL *inter-alia* including relating to purchase and sale of goods and fixed assets recovery of personnel cost, etc. . LIL did not obtain shareholder approval for such transactions entered into with PIPL/ LSASPL during the financial year, contending that such transactions were executed under separate contracts and did not breach the materiality threshold on a contract-wise basis. However, when aggregated, such transactions entered with PIPL and LSAPL breached the materiality threshold applicable under the Listing Regulations.

2. Relevant Provisions

2.1 Regulation 2(1) (zc) of the Listing Regulations defines RPTs with the following elements:

(i) A transaction involving a transfer of resources, services or obligations;
(ii) between a listed entity (or any of its subsidiary) on one hand and related party of the said listed entity (or any of its subsidiary) on the other hand;
(iii) two sub-clarifications, being:

a. the RPT is regardless of whether the price is charged (in respect of such a transaction);
b. a 'transaction' to include a 'single transaction or a group of transactions in a contract'.

[1] *SAT Appeal No. 527 of 2024*

2.2 The proviso to Regulation 23(1), states that a transaction with a related party shall be considered material, 'if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year', exceeds the specified financial threshold.

3. SEBI's key findings

3.1 Whether the value of transactions entered with the related parties during a financial year are required to be aggregated for determining the materiality threshold?

LIL contended that while under Regulation 23 of the Listing Regulations, approval of shareholders is required for material RPTs, however in terms of the definition of RPTs under Regulation 2(1)(zc), "…a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract". Given use of the words "in a contract", to test materiality, transactions with a particular related party were required to be aggregated only if such transactions were in pursuance of a common objective and were ancillary to a mother contract. If there was no nexus between transactions pertaining to unrelated items, the value of such transactions did not have to be consolidated when testing materiality.

SEBI, however, did not agree with LIL's interpretation and opined that there is no ambiguity in the proviso to Regulation 23 which clearly provides that "…transaction in question has to be taken together with previous transactions during a financial year with the same related party while considering whether it has crossed the materiality threshold". The scope of Regulation 23 cannot be restricted by reading in the requirement of "in a contract" from the definition clause – rather, the definition clause should be read within the context of the provision. Noting that the consolidated value of RPTs entered by LIL exceeded the materiality threshold, SEBI held that the transactions entered by LIL with PIPL/ LSAPL required shareholders' approval under Regulation 23 of the Listing Regulations.

3.2 Whether allocation of business (which involves relinquishment of future business) under the JV & SHA between the related parties constitutes a RPT?

LIL contended that the business allocation as per the JV & SHA did not provide for or contemplate the transfer of any existing assets to/ from PIPL and, therefore, there was no transfer of any resources, services or obligations to/from PIPL. Accordingly, the said transaction did not qualify as a 'related party transaction' under the Listing Regulations. The intent and effect of the business allocation was to only to demarcate geographies and products to ensure that the two related entities were not competing in the same areas – this did not result in any inter se transfer of resources/obligations.

SEBI, however, did not agree on the contention made by LIL and held that provisions of the JV & SHA—particularly those relating to product-wise and geographical allocation of business, including future business opportunities—resulted in continuing transactions and mutual obligations between LIL and PIPL over multiple financial years and therefore constitutes a RPT. In SEBI's view, the effect of relinquishment of its rights to undertake certain business in the future (along with the consequent growth, cash flows and revenues) was similar to that of a direct transfer of resources/ business to a related party; accordingly, the business allocation would qualify as a RPT.

4. SAT Ruling

The SAT upheld the SEBI's decision on both the above findings. SAT held that for the purpose of determining the materiality of a transaction with 'a related party' during a financial year, all the

transactions entered by the listed entity with a related party are to be aggregated. Accordingly, aggregation must be viewed in relation to the related party itself, not in relation to individual contracts, and concluded that LIL's contrary interpretation would defeat the underlying purpose surrounding the RPT framework.

With regard to the business allocation undertaken pursuant to the JV and SPA, it was noted that there was a transfer of an entire business undertaking from LIL to PIPL vis-à-vis different geographies and product lines and therefore, it amounts to a clear cut transfer of 'profit making apparatus' from one entity to another and vice-versa along with all assets and liabilities including intangibles (goodwill, brands), order book and future cash flow and therefore the same constituted an RPT. 'SAT further noted that LIL had exited certain geographic territories "without having received any compensation whatsoever," reinforcing the need for a proper valuation.

In view of the above findings, SAT dismissed the appeal of LIL and reiterated that RPT framework under the Listing Regulations must be interpreted in a way that preserves transparency and prevents circumvention of shareholder approval requirements.

LIL has filed an appeal against the SAT's order with the Hon'ble Supreme Court of India which was admitted on January 16, 2026. While no stay has been granted, the same remains pending before the Hon'ble Supreme Court.

This foregoing is only for general informational purposes, and nothing in the contents hereinabove could possibly constitute legal advice, which can only be given after being formally engaged and familiarizing ourselves with all relevant facts.

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