Speech by Shri Ashwani Bhatia, WTM SEBI

Launch of Related Party Transactions Analysis Portal

ICAI Tower, BKC, Mumbai

Ladies and Gentlemen, Esteemed representatives of Mutual Funds, Credit Rating Agencies, Audit Committee Chairs, Chartered Accountants and Members of the Media,

I am happy to stand before you today as we mark the launch of a transformative initiative — the Related Party Transactions (RPTs) Analysis Portal. The launch of this portal is not just about technology or data; it is about transparency, trust, and the evolution of governance in India's corporate ecosystem. It is a step towards ensuring that every investor, whether institutional or retail, has access to fair, standardized, and comparable information on RPTs.

The Power of Coming Together: Learning from MF Central

Before we delve into the importance of this portal, let's take a moment to appreciate the collaboration that made it possible. Three leading proxy advisory firms have set aside competition to work towards a common goal—enhancing transparency in corporate transactions. This reminds me of the creation of MF Central, where mutual fund registrars came together to create a unified platform for mutual fund investors.

Much like MF Central simplified investor interactions with mutual funds, this portal will simplify investor access to critical governance data on RPTs. It will ensure that transparency in related party transactions is no longer a privilege reserved for institutional investors but a right accessible to all.

The Role of Related Party Transactions: A Double-Edged Sword

Related Party Transactions have long been an essential part of business operations. When done right, they unlock synergies, streamline operations, and create efficiencies that benefit all stakeholders. Whether it is vertical integration ensuring a smooth supply chain, horizontal integration strengthening market reach, or intra-group transactions that are more reliable due to established trust—RPTs can be powerful tools for business growth.

However, the problem arises when these transactions are not conducted at arm's length. When the price is not fair, when transparency is lacking, and when such transactions benefit a select few at the cost of public shareholders, the integrity of our markets is at stake. When transparency is compromised, it leads to shareholder wealth destruction, regulatory scrutiny, and loss of investor confidence.

A Cautionary Tale: The Cost of Poor Governance

Let me share a story—a real-world example of what happens when related party transactions are misused.

A listed company was engaged in round-tripping of funds—creating artificial revenues by transacting with related parties that it, in fact, controlled. The financials looked great, until one day, the reality caught up. Investors saw their wealth erode as the stock collapsed.

Another example of a listed company, where funds were routed through multiple related entities to create an illusion of repayment. Such practices not only shake investor confidence but also tarnish the reputation of the entire corporate sector.

These cases remind us of Warren Buffett's words:

"You only find out who's swimming naked when the tide goes out."

When the markets are booming, governance lapses might go unnoticed, but when the tide turns, the truth emerges—and by then, it's often too late for investors.

An Expanding Capital Market Needs an Informed Investor Base

Today, the Indian capital market is at an inflection point. We are among the top markets globally in terms of trading volume and market capitalization. Our investor base is becoming more diverse. Domestic Institutional Investors (DIIs), Foreign Portfolio Investors (FPIs), and a rapidly expanding pool of retail investors are shaping the investment landscape. Each of these investors brings their own perspective, risk appetite, and information needs.

While institutional investors have the resources to conduct deep due diligence, retail investors often lack access to crucial governance insights. This is where proxy advisory firms have been doing invaluable work—analysing governance practices, decoding financials, and flagging concerns. However, their reports have primarily been available to institutional clients.

But today, with the launch of DBI for RPTs, that changes.

DBI for RPTs: A Game-Changer for Corporate Governance

With the launch of this portal, we are democratizing access to crucial information. For the first time, all investors—whether retail or institutional—will have access to comprehensive, standardized, and comparable data on Related Party Transactions. This portal will provide:

Central repository of standardized RPT Data – Single source of analysis for investors
Benchmarking of Transactions for investors to compare across companies to assess the fairness of transactions
Data-driven insights to help investors make informed decisions

It is often said that "sunlight is the best disinfectant." This Portal will bring that sunlight into corporate boardrooms, nudging companies towards higher governance standards.

The 'G' in ESG: The Foundation for Ethical Markets

Globally, Environmental, Social, and Governance (ESG) factors are shaping investment decisions. Among the three, Governance (G) is the bedrock upon which E and S stand. A company with strong governance is more likely to take responsible environmental and social actions.

By focusing on RPT disclosures, this portal will shine a light on the 'G' aspect of ESG, strengthening governance practices across corporate India. Investors will no longer have to second-guess whether a transaction benefits the company or just a select few—because now, the data will speak for itself on a common platform, for the common good. Many times we discuss utilities and the idea of 'common good'. This platform is a common good.

A Call to Action: Embracing Transparency for a Stronger Market

To all the mutual funds, FPIs, and institutional investors present here—this is your opportunity to integrate this portal into your due diligence frameworks. Use this data to demand better governance from the companies you invest in.

To the audit committee chairs, chartered accountants, and governance professionals—let us work together to set higher standards and ensure that RPTs are conducted in a manner that upholds shareholder value.

To the journalists and members of the media—you are the voice of the markets. Use the insights from this portal to bring greater awareness and accountability to corporate governance practices.

Closing Thoughts: The Future of Governance is Here

As we launch this initiative today, we are not just unveiling a portal—we are laying the foundation for a more transparent, accountable, and investor-friendly market.

Warren Buffett once said, *"It takes 20 years to build a reputation and five minutes to ruin it."*

The RPT Analysis Portal ensures that corporate reputations are built on trust, transparency, and good governance. Let us take this step forward together, towards a future where investors—big or small—can invest with confidence, knowing that they have access to the right information at the right time.

Thank you. Let's build a stronger and more accountable market together!