Paying the parent: related-party deals

Name: Class: Date:

A company sometimes pays, or is paid by, people closely linked to it, such as its parent company. These are related-party transactions, and listed companies must disclose them.

Ground rule: In this lesson there is no winner. We explain differences; we don't rank companies or say which is better to own.

What to do

1. Read the made-up uniform shop story and answer Part A.
2. Find the payment to the parent on each ₹100 receipt.
3. Read the three disclosure cards when your teacher says so.
4. Answer the questions. Every number you need is on this page.

The receipts

Where each ₹100 went: Hindustan Unilever, FY26

Line	Per ₹100 that came in
Materials and goods bought	₹48.6
Advertising and promotion	₹9.6
Other running costs, incl. fees to Unilever	₹12.7
Employees	₹4.9
Depreciation, interest and net one-off charges	₹3.1
Tax	₹4.8
Kept as profit for HUL shareholders	₹16.3
Total	₹100.0

Source: Hindustan Unilever's FY26 annual report, filed with NSE on 2 Jun 2026; consolidated statement of profit and loss, continuing business (Cityfort calculation: each line ÷ revenue plus other income × 100).

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Where each ₹100 went: LG Electronics India, FY26

Line	Per ₹100 that came in
Materials, parts and goods bought	₹68.9
Employees	₹4.0
Royalty to LG Electronics Inc.	₹1.8
Other running costs	₹14.3
Depreciation and interest	₹1.7
Income tax	₹2.5
Kept as profit	₹6.8
Total	₹100.0

Source: LG Electronics India's FY26 annual report, filed with NSE on 29 Jul 2026; standalone statement of profit and loss (Cityfort calculation: each line ÷ revenue plus other income × 100; the royalty is shown on its own line).

Part A. A made-up uniform shop

A made-up family runs a school uniform shop. It rents its space from the owner's brother for ₹40,000 a month.

1. Why is the brother a related party?

2. Who outside the family might want to check the rent, and why?

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Part B. Find the parent on the receipt: LG Electronics India

Where each ₹100 went: LG Electronics India, FY26

Line	Per ₹100 that came in
Materials, parts and goods bought	₹68.9
Employees	₹4.0
Royalty to LG Electronics Inc.	₹1.8
Other running costs	₹14.3
Depreciation and interest	₹1.7
Income tax	₹2.5
Kept as profit	₹6.8
Total	₹100.0

Source: LG Electronics India's FY26 annual report, filed with NSE on 29 Jul 2026; standalone statement of profit and loss (Cityfort calculation: each line ÷ revenue plus other income × 100; the royalty is shown on its own line).

1. Which line is a payment to the parent? How much of each ₹100 is it?

Part B, continued. Hindustan Unilever

Where each ₹100 went: Hindustan Unilever, FY26

Line	Per ₹100 that came in
Materials and goods bought	₹48.6
Advertising and promotion	₹9.6
Other running costs, incl. fees to Unilever	₹12.7
Employees	₹4.9
Depreciation, interest and net one-off charges	₹3.1
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1. Which line includes HUL's fees to Unilever?

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2. The fees are about ₹3.1 inside that line. What else might the line hold?

Groups: take one card each. Every group reports back to the class.

Name: _____ Class: _____ Date: _____

Part C, group 1. Hindustan Unilever

HUL, FY26. Paid to Unilever group companies: royalty for trademarks and technology ₹1,171 crore, fees for central services ₹870 crore, total ₹2,041 crore.

1. Who was paid, and for what?

2. Add the two payments. Does your total match the card?

Part C, group 2. LG Electronics India

LG Electronics India, FY26. Royalty to LG Electronics Inc.: ₹459.7 crore. Bought from it: ₹1,503.9 crore of materials, ₹1,142.3 crore of finished goods. Sold to it: ₹710.4 crore. FY27 limit approved by shareholders on 31 Mar 2026: ₹7,250 crore, with 99.988% of valid votes in favour.

1. Name the four kinds of deal with the parent on this card.

2. Who approved the FY27 limit, and how?

Part C, group 3. Tata Power

Tata Power, FY26. Paid to Tata Sons as a brand equity contribution for the Tata name: ₹75.3 crore (FY25: ₹92.6 crore). The company says its related-party deals were approved by its audit committee.

1. What did Tata Power pay for?

2. Did the payment rise or fall from FY25 to FY26?

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Part D. Who approves?

SEBI's listing rules: the audit committee approves every related-party deal before it happens. Shareholders vote on material ones, and no related party may vote in favour.

1. Which card shows a shareholder vote? Which shows an audit committee approval?

2. Why might the rules stop related parties from voting in favour?

Exit ticket

1. In your own words, what is a related-party transaction?

2. Name the two checks SEBI's listing rules require.

3. Name one thing a disclosure does not tell you about a deal.

Word bank

Related party	A person or company closely linked to a company, such as its promoter group, a group company or a director.
Royalty	A fee paid to use someone else's brand name, trademark or technology.
Brand fee	A payment for using a group's name, such as Tata, on products or the company name.
Audit committee	A committee of the board, with independent directors on it, that checks the accounts and approves related-party deals.
Postal ballot	A shareholder vote by post or online, without a meeting.

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Sentence starters

- In ___, ___ paid ___ to ___ for ___.
- The deal was approved by ___.
- The disclosure tells me ___, but it does not tell me ___.

student page

Scan the code or type: **cityfort.in/class/related-party**

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