



# **Piramal Enterprises Limited**

## **DIVIDEND DISTRIBUTION POLICY OF PIRAMAL ENTERPRISES LIMITED**

**Original Effective Date: February 13, 2017  
[First Updated: May 5, 2023]**

## **1. Regulatory Framework**

The Securities and Exchange Board of India (“SEBI”) on July 8, 2016 inserted Regulation 43A in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires top five hundred listed companies (based on market capitalization of every financial year) to formulate a Dividend Distribution Policy.

Piramal Enterprises Limited (“Company” or “PEL”) being one of the top five hundred listed companies as per market capitalization as on the last day of the immediately preceding financial year, has framed this policy to comply with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

PEL, being a registered NBFC, is required to comply with extant guidelines on declaration of dividends by NBFCs (RBI/2021-22/59 DOR.ACC.REC.No. 23/21.02.067/ 2021-22 dated June 24, 2021) issued by Reserve Bank of India (“RBI”). A copy of the guidelines is attached in Annexure.

## **2. The financial parameters that shall be considered while declaring dividend**

The dividend pay-out decision of the Board of Directors of the Company (“Board”) depends upon the following financial parameters:

- i. Cash flow position of the Company
- ii. Accumulated Reserves
- iii. Transfer to Statutory Reserves as per RBI Guidelines
- iv. Transfer to Debenture Redemption Reserves
- v. Profit earned during the year and available for distribution
- vi. Earnings Per Share (EPS)
- vii. Likelihood of crystallization of contingent liabilities, if any
- viii. Cost of external financing
- ix. Past dividend payout ratio / trends
- x. Capital Adequacy Ratio and leverage

These are general indicative financial parameters. While declaring dividend, the Board may consider other financial ~~params~~ if required.

## **3. Internal and external factors that shall be considered for declaration of dividend**

### **Internal factors:**

- i. Business Growth
- ii. Capital expenditure requirement
- iii. New business expansion, acquisitions
- iv. Additional investment in subsidiaries and associates of the company
- v. Upgradation of technology and physical infrastructure
- vi. Financial parameters referred to above.

### **External factors:**

- i. Economic environment
- ii. Capital markets
- iii. Industry outlook
- iv. Statutory provisions and guidelines
- v. Changes in tax structure applicable on dividend both for Company and shareholders

The Board may consider other internal and external factors as deemed necessary while deciding dividend declaration.

#### **4. Other factors that shall be considered for declaration of dividend**

The Board shall, while considering the proposal for declaration of dividend, take into account:

- i. Supervisory findings of the Reserve Bank of India (RBI) for PEL and National Housing Bank (NHB) for PCHFL on divergence in classification and provisioning for Non-Performing Assets (NPAs)
- ii. Qualifications in the Auditors' Report to the financial statements
- iii. Long term growth plans of the Company
- iv. Total dividend for the financial year does not exceed the ceilings specified in Annexure and mandated by RBI

The Board shall ensure compliance with the provisions of Circular (RBI/ 2021-22/59 DOR.ACC.REC. No. 23/21.02.067/ 2021-22 dated June 24, 2021) issued by RBI including minimum prudential requirements, quantum of dividend payable, and reporting requirements while declaring dividend.

#### **5. Circumstances under which the Shareholders of the Company may or may not expect Dividend**

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders of the Company and the amount of profit to be retained in business. The decision seeks to balance the dual objectives of appropriately rewarding shareholders through dividends and retaining profits in order to maintain a healthy capital adequacy ratio to support future growth. The shareholders of the Company may not expect dividend in the following circumstances, subject to discretion of the Board:

- i. Proposed expansion plans requiring higher capital allocation
- ii. Decision to undertake any acquisitions, merger, joint ventures, etc. which requires significant capital outflow
- iii. Requirement of higher working capital for the purpose of business of the Company
- iv. Proposal for buy-back of securities or other corporate actions
- v. In the event of loss or inadequacy of profit

However, the final decision for declaring dividend vests with the Board, who may, decide to declare dividend despite existence of the above circumstances. However, the Board shall ensure compliance with legal and regulatory requirements including the RBI Circular on Declaration of Dividends by NBFCs (refer Annexure).

#### **6. Utilization of Retained Earnings**

The Board may retain its earnings in order to make better use of the available funds and/or increase shareholder value. The decision of utilization of the retained earnings of the Company will be based on the following factors:

- i. Business Growth
- ii. Diversification, merger and acquisitions
- iii. Buyback of shares, issue of bonus shares
- iv. Repayment of debt

- v. Meeting contingency plans
- vi. Capital expenditure and working capital requirements

The Board may also consider other factors, as deemed necessary, while deciding the basis for profits that will be retained in the business.

#### **7. Parameters that shall be adopted with regard to various classes of shares**

Since the Company has issued only one class of equity shares in its paid up share capital, with equal voting rights, all the members of the Company are entitled to receive the same amount of dividend per share. Specific parameters to be adopted for any other classes of shares that may be issued in future, shall be adopted at that time.

#### **8. Review**

The Board shall have right to modify or amend any or all of the clauses of this policy in accordance with the provisions of the applicable laws. In case of any change in applicable laws or regulations, which make any of the clauses or provisions of this policy inconsistent with the changes, then such changes will prevail over this policy and policy shall deemed to be amended accordingly from the date of effect of change in applicable laws.

The Company's dividend payout will be determined basis available financial resources and investment requirements. Within these parameters, the Company shall ensure that the total dividend payout ratio is within the regulatory limit of maximum 50% of the net profits of the Company for the applicable financial year, subject to fulfilment of conditions as stipulated in RBI Circular (refer Annexure).

#### **9. Disclosures**

The Dividend Distribution Policy shall be disclosed on the website of the Company i.e. at [www.piramal.com](http://www.piramal.com)

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भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

[www.rbi.org.in](http://www.rbi.org.in)

RBI/2021-22/59

DOR.ACC.REC.No.23/21.02.067/2021-22

June 24, 2021

All Non-Banking Financial Companies (NBFCs)

Madam / Sir,

**Declaration of dividends by NBFCs**

In order to infuse greater transparency and uniformity in practice, it has been decided to prescribe guidelines on distribution of dividend by NBFCs.

**Applicability**

2. These guidelines shall be applicable to all NBFCs regulated by RBI<sup>1</sup> as below:

- (a) Applicable NBFCs as defined in Paragraph 2(2) of [Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company \(Reserve Bank\) Directions, 2016](#); and
- (b) Applicable NBFCs as defined in Paragraph 2(2) of [Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company \(Reserve Bank\) Directions, 2016](#).

**Effective Date**

3. These guidelines shall be effective for declaration of dividend from the profits of the financial year ending March 31, 2022 and onwards.

<sup>1</sup> Including Housing Finance Companies (HFCs), Core Investment Companies (CICs), Government NBFCs, Mortgage Guarantee Companies, Standalone Primary Dealers (SPDs), NBFC-Peer to Peer Lending Platform (NBFC-P2P) and NBFC- Account Aggregator (NBFC-AA)

वित्तियमन विभाग, केंद्रीय कार्यालय, 12 वीं और 13 वीं मंजिल, केंद्रीय कार्यालय भवन, शहीद भगत सिंह मार्ग, फोर्ट, मुंबई-400001  
दूरभाष: 022-22601000 फैक्स: 022-22705691 ई-मेल: [cgmcdor@rbi.org.in](mailto:cgmcdor@rbi.org.in)



## Board Oversight

4. The Board of Directors shall, while considering the proposals for dividend, take into account the following aspects:

- (a) Supervisory findings of the Reserve Bank (National Housing Bank (NHB) for HFCs) on divergence in classification and provisioning for Non-Performing Assets (NPAs).
- (b) Qualifications in the Auditors' Report to the financial statements; and
- (c) Long term growth plans of the NBFC.

The Board shall ensure that the total dividend proposed for the financial year does not exceed the ceilings specified in these guidelines.

## Eligibility criteria

5. NBFCs shall comply with the following minimum prudential requirements to be eligible to declare dividend:

**Table 1: Declaration of Dividend: Minimum Prudential Requirements**

Sl. No.	Parameter	Requirement
1.	Capital Adequacy	(a) NBFCs (other than Standalone Primary Dealers) shall have met the applicable regulatory capital requirement (refer <a href="#">Annex I</a> ) for each of the last three <sup>2</sup> financial years including the financial year for which the dividend is proposed. (b) Standalone Primary Dealers (SPDs) should have maintained a minimum CRAR of 20 per cent for the financial year (all the four quarters) for which dividend is proposed.
2.	Net NPA	The net NPA ratio shall be less than 6 per cent in each of the last three years, including as at the close of the financial year for which dividend is proposed to be declared.
3.	Other criteria	(a) NBFCs shall comply with the provisions of Section 45 IC of the Reserve Bank of India Act, 1934. HFCs shall comply with the provisions of Section 29 C of The National Housing Bank Act, 1987. (b) NBFCs shall be compliant with the prevailing regulations/ guidelines issued by the Reserve Bank. The Reserve Bank or the NHB (for HFCs) shall not have placed any explicit restrictions on declaration of dividend.

<sup>2</sup> Where an NBFC has been in existence for less than three financial years, it shall be since registration.



## Quantum of Dividend Payable

6. NBFCs eligible to declare dividend as per paragraph 5 above, may pay dividend, subject to the following:

- (a) The Dividend Payout Ratio is the ratio between the amount of the dividend payable in a year and the net profit as per the audited financial statements for the financial year for which the dividend is proposed.
- (b) Proposed dividend shall include both dividend on equity shares and compulsorily convertible preference shares eligible for inclusion in Tier 1 Capital.
- (c) In case the net profit for the relevant period includes any exceptional and/or extraordinary profits/ income or the financial statements are qualified (including 'emphasis of matter') by the statutory auditor that indicates an overstatement of net profit, the same shall be reduced from net profits while determining the Dividend Payout Ratio.
- (d) The ceilings on dividend payout ratios for NBFCs eligible to declare dividend are as under:

**Table 2: Ceilings on Dividend Payout Ratio**

Sl. No.	Type of NBFC	Maximum Dividend Payout Ratio (percentage)
1.	NBFCs that do not accept public funds and do not have any customer interface	No ceiling specified
2.	Core Investment Company	60
3.	Standalone Primary Dealers	60
4.	Other NBFCs	50

- (e) The Reserve Bank shall not entertain any request for ad-hoc dispensation on declaration of dividend.

7. A NBFC (other than SPD) which does not meet the applicable prudential requirement prescribed in Paragraph 5<sup>3</sup> above for each of the last three financial years, may be eligible to declare dividend, subject to a cap of 10 percent on the dividend payout ratio, provided the NBFC complies with the following conditions :

<sup>3</sup>Sl.Nos.1(a) and 2 of Table 1, Paragraph 5



- (a) meets the applicable capital adequacy requirement in the financial year for which it proposes to pay dividend; and
- (b) has net NPA of less than 4 per cent as at the close of the financial year.

8. As per extant regulations contained in paragraph 30 of [Master Direction - Standalone Primary Dealers \(Reserve Bank\) Directions, 2016](#), in case of SPDs which have a CRAR at or above the regulatory minimum of 15 per cent during each of the quarters of the previous year, but lower than 20 per cent in any of those quarters, the dividend payout ratio shall not exceed 33.3 per cent.

### **Reporting System**

9. NBFC-D, NBFC-ND-SI, HFC & CIC declaring dividend shall report details of dividend declared during the financial year as per the format prescribed in [Annex 2](#). The report shall be furnished within a fortnight after declaration of dividend to the Regional Office of the Department of Supervision of the Reserve Bank/ Department of Supervision of NHB, under whose jurisdiction it is registered.

10. The relevant Master Directions shall be suitably updated.

Yours faithfully,

-sd-

(Usha Janakiraman)  
Chief General Manager





**Annex 1: Applicable regulatory capital requirements as at the date of issuance of the circular**

(Refer paragraph 5 of circular)

The table below enumerates the applicable capital requirements for various categories of non-banking finance companies (NBFCs) as applicable on the date of the issuance of the circular. These are subject to change in future and therefore while declaring dividend, the requirements applicable to the period under consideration need to be considered.

Sl. No.	NBFC category	Capital requirements	Reference
1.	Non-systemically important non-deposit taking (NBFC-ND) (excluding Micro-Finance Institutions (MFI) and Infrastructure Finance Companies (IFCs))	<p>Leverage Ratio</p> <p>The leverage ratio of an applicable NBFC (except NBFC-MFIs and NBFC-IFCs) shall not be more than 7 at any point of time, with effect from March 31, 2015.</p> <p>In respect of NBFCs primarily engaged in lending against gold jewellery (such loans comprising 50 percent or more of their financial assets) they shall maintain a minimum Tier I capital of 12 percent.</p>	Paragraph 6 of Master Direction - Non-Banking Financial Company - Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016
2.	Deposit taking (NBFC-D) and Systemically important (NBFC-NDSI) (includes all IFCs but excluding MFI and NBFC-Infrastructure Debt Funds (IDF))	<p>(a) Every applicable NBFC shall maintain a minimum capital ratio consisting of Tier I and Tier II capital which shall not be less than 15 percent of its aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items</p> <p>(b) The Tier I capital in respect of applicable NBFCs (other than NBFC-MFI and IDF-NBFC), at any point of time, shall not be less 10 per cent</p> <p>(c) Applicable NBFCs primarily engaged in lending against gold jewellery (such loans comprising 50 percent or more of their financial assets) shall maintain a minimum Tier I capital of 12 percent.</p>	Paragraph 6 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016
3.	MFI	NBFC-MFIs shall maintain a capital adequacy ratio consisting of Tier I and Tier II Capital which shall not be less than 15 percent of its aggregate risk weighted assets. The total of Tier II Capital at	Paragraph 55 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and



Sl. No.	NBFC category	Capital requirements	Reference
		any point of time, shall not exceed 100 percent of Tier I Capital.	Deposit taking Company (Reserve Bank) Directions, 2016
4.	NBFC- IDF	The IDF-NBFC shall have at the minimum CRAR of 15 percent and Tier II Capital of IDF-NBFC shall not exceed Tier I.	Paragraph 51 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016
5.	Core Investment Companies	Adjusted Net Worth Adjusted Net Worth of a CIC shall at no point of time be less than 30% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items as on the date of the last audited balance sheet as at the end of the financial year.  Leverage Ratio The outside liabilities of a CIC shall at no point of time exceed 2.5 times its Adjusted Net Worth as on the date of the last audited balance sheet as at the end of the financial year.	Paragraph 8 and 9 of Master Direction – Core Investment Companies (Reserve Bank) Directions, 2016
6.	Housing Finance Company	Every housing finance company shall, maintain a minimum capital ratio on an ongoing basis consisting of Tier-I and Tier-II capital which shall not be less than – 13 per cent as on March 31, 2020; – 14 per cent on or before March 31, 2021; and – 15 per cent on or before March 31, 2022 and thereafter of its aggregate risk weighted assets and of risk adjusted value of off-balance sheet items. The Tier-I capital, at any point of time, shall not be less than 10 per cent. The total of Tier-II capital, at any point of time, shall not exceed 100 per cent of Tier-I capital.	Paragraph 6 of Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021
7.	Mortgage Guarantee Company	(a) A mortgage guarantee company shall maintain a capital adequacy ratio consisting of Tier I and Tier II capital which shall not be less than ten percent (10%) of its aggregate risk weighted assets of on balance sheet and of risk adjusted value of off-balance sheet items or any other	Paragraph 9 of Master Directions - Mortgage Guarantee Companies (Reserve Bank) Directions, 2016



Sl. No.	NBFC category	Capital requirements	Reference										
		<p>percentage that may be prescribed by the Reserve Bank for the purpose, from time to time.</p> <p>(b) A mortgage guarantee company shall maintain at least six percent (6%) of its aggregate risk weighted assets of on balance sheet and of risk adjusted value of off-balance sheet items as Tier I capital.</p> <p>(c) The total of Tier II capital, at any point of time, shall not exceed one hundred per cent of Tier I capital.</p>											
8.	Peer-to-peer lending platform	NBFC-P2P shall maintain a Leverage Ratio not exceeding 2.	Paragraph 7(1) of Master Directions - Non-Banking Financial Company -Peer to Peer Lending Platform (Reserve Bank) Directions, 2017										
9.	Account Aggregator	The company shall not have a leverage ratio of more than seven.	Paragraph 4.2 of Master Direction- Non-Banking Financial Company - Account Aggregator (Reserve Bank) Directions, 2016										
10.	Government NBFCs	<p>NBFC-ND</p> <p>Leverage Ratio as applicable to NBFC-NDs -A roadmap for adherence by March 31, 2022 to be prepared by the Govt. NBFC – ND</p> <p>NBFC-NDSI and NBFC-ND</p> <table border="1"> <thead> <tr> <th>Requirement</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>10% (min Tier I -7%;</td> <td>March 31, 2019</td> </tr> <tr> <td>12% (min Tier I -8%)</td> <td>March 31, 2020</td> </tr> <tr> <td>13% (min Tier I -9%)</td> <td>March 31, 2021</td> </tr> <tr> <td>15% (min Tier I -10%)</td> <td>March 31, 2022</td> </tr> </tbody> </table> <p>Government NBFCs that are already complying with the prudential regulation as per the road map submitted by them shall continue to follow the same.</p>	Requirement	Date	10% (min Tier I -7%;	March 31, 2019	12% (min Tier I -8%)	March 31, 2020	13% (min Tier I -9%)	March 31, 2021	15% (min Tier I -10%)	March 31, 2022	DNBR (PD) CC.No.092/03.10.001/2017-18 dated May 31, 2018
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12% (min Tier I -8%)	March 31, 2020												
13% (min Tier I -9%)	March 31, 2021												
15% (min Tier I -10%)	March 31, 2022												



## Annex 2 : Reporting format for NBFCs/HFCs declaring dividend

(Refer paragraph 9 of circular, to be furnished within a fortnight after declaration of dividend to the Regional Office of the Department of Supervision of the Reserve Bank/ Department of Supervision of National Housing Bank, under whose jurisdiction the NBFC is registered.)

### Details of dividend declared during the financial year

Name of the NBFC – \_\_\_\_\_

Accounting period *	Net profit for the accounting period (₹ crore)	Rate of dividend (per cent)	Amount of dividend (₹ crore)	Dividend Pay out ratio (per cent)

\* quarter or half year or year ended ----- as the case may be