Petronet LNG Limited

Dividend Distribution Policy

Background

As per Regulation 43A of SEBI (LODR) Regulations, 2015, the top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) shall formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites.

Further, the listed entities other than top five hundred listed entities based on market capitalization may disclose their dividend distribution policies on a voluntary basis in their annual reports and on their websites.

Considering the fact that Petronet LNG Limited (PLL) is amongst the top 500 listed entities as per the criteria, its ranking as per NSE being 95th as at 31st March 2016, the said regulation applies to PLL.

As per the regulation, the dividend distribution policy shall include the following parameters:

a) the circumstances under which the shareholders of the Company may or may not expect dividend;
b) the financial parameters that shall be considered while declaring dividend;
c) internal and external factors that shall be considered for declaration of dividend;
d) policy as to how the retained earning shall be utilized; and
e) parameters that shall be adopted with regards to various classes of shares.

The regulation also states that if the listed entity proposes to declare dividend on the basis of parameters in addition to clauses (a) to (e) or proposes to change such additional parameters or the dividend distribution policy contained in any of the parameters, it shall disclose such changes with the rationale for the same in its annual report and on its website.

The policy has been framed broadly in line with the provisions of the Companies Act and also taking into consideration, guidelines issued by SEBI to the extent applicable. The policy shall be applicable from Financial Year 2016-17 onwards.

Dividend and Category of Dividend

Dividend is the payment made by a Company to its shareholders, usually in the form of distribution of its profits, in proportion to the amount paid up on shares they hold.

The Companies Act provides for payment of dividend in two forms – Interim & Final. The Board of Directors shall have the power to recommend final dividend to the shareholders for their approval in the Annual General Meeting of the Company. The Board of Directors shall have the absolute power to declare interim dividend during the financial year, as and when they consider it fit.

Final Dividend

The Final dividend, if any, is paid once for the financial year after the annual accounts are prepared. The declaration of Final dividend shall be included in the ordinary business items that are required to be transacted at the Annual General Meeting.

Interim Dividend

This form of dividend can be declared by the Board of Directors one or more times in a financial year as may be deemed fit by it. The Board of Directors of the Company would declare an interim dividend, as and when considered appropriate, in line with this policy. Normally, the Board could consider declaring an interim dividend after finalization of quarterly (or half yearly) financial accounts.

Circumstances under which the shareholders of the Company may or may not expect dividend

The Company is committed to driving value creation for all its stakeholders. The decision regarding dividend pay-out is a crucial decision as it determines the amount to be distributed among shareholders of the Company out of its distributable profits and the amount of profit to be retained in business. The Board would continue to adopt a progressive and dynamic dividend policy, ensuring the immediate as well as long term needs of the business along with rewarding shareholders of the company.

The Company has been consistently paying out dividends to its shareholders since FY 2006-07 and can be reasonably expected to continue paying dividends in future as well, quantum of which shall be decided by the Board considering the available distributable profits.

The company may not declare dividend or declare dividend at a rate lower than its normal rate of dividend in the circumstances as given below:

a) where company has undertaken a significant project requiring higher capital allocation.
b) where company is into merger or acquisitions which demands higher capital allocation.
c) in an event where the Company profits are inadequate or Company makes losses
d) in case of a contingencies which may require higher capital allocation.

In all the above stated circumstances, the company would like to use the Company's reserves judiciously.

It may also be noted that declaration of dividend will be subject to statutory guidelines prescribed in this regard by Companies Act 2013, SEBI, MCA or any other statutory authority.

The financial parameters that shall be considered while declaring dividend

The Board of the Company may be guided by the following financial parameters interalia before making any recommendation for the dividend:

1. Net Profits earned and free cash generated by the Company during the financial year.
2. Projected future profits of the Company.
3. Present and future Capital requirements of the Company, including working capital.
4. Future expansion plans of the Company, including probable mergers and acquisition.
5. Retention of sufficient profits to strengthen the Balance Sheet of the Company which can be leveraged at an appropriate time for supporting growth, if required.
6. Liquidity available with the Company and cost and availability of funds from alternate sources of financing.
7. Covenants of loan and other commercial agreements.
8. Applicable taxation policy with respect to distribution of dividend, including taxation in the hands of investors as well.
9. Track record of dividend distributed by the Company in the past.
10. Statutory limits prescribed with respect to dividend distribution.
11. Any other factor as the Board may deem fit.

Internal and External factors that shall be considered while declaring dividend.

External Factors:

External factors that shall be considered while recommending the dividend, would include the state of economy, inflation, growth of economy and business, commodity prices, prevailing interest rate, tax rates, condition of the capital markets and statutory guidelines with respect to dividend pay-out.

INTERNAL FACTORS:

Internal factors that shall be considered while recommending the dividend, would mainly be the factors as mentioned above in the financial parameters

Policy as to how the retained earnings shall be utilized

The Company is engaged in the business of LNG import and re-gasification, including operation of LNG import terminals. The retained earnings are to be deployed in the long-term investment in LNG value chain including overseas projects, debt repayment and working capital requirement. Retained earnings can also be used for dividend payment in future years; and buy back of shares, as also for acquisition and investment in subsidiaries. It will be the endeavour to give investors on yearly basis:

a) Reasonable yield on their investment.
b) Adequate dividend payout targeted around 30% to 40% of net profit after tax or 5% of its Net Worth, whichever is higher.

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

Since the Company has issued only one class of equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of dividend per share. The holders of the equity shares of the Company, as on the record date, are entitled to receive dividends.

The policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

Modification/Deviations to the policy

The Board is authorised to change/amend this policy from time to time at its sole discretion and/or pursuant to any amendments made in the Companies Act, 2013 or any other Statutory Regulations.