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भारतीय प्रतिभूति
और विनिमय बोर्ड
*Securities and Exchange
Board of India*

CFD/CMD/OW/2017/21277/1

September 06, 2017

Ashutosh Sharma
Head Internal Legal Counsel
PNB Housing Finance Limited
9th Floor, Antriksh Bhawan,
22 Kasturba Gandhi Marg,
New Delhi – 110 001

Dear Sir,

Sub: Request for "Interpretive Letter" under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2003 ("Scheme") by PNB Housing Finance Limited ("PNBHFL") under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

1. This has reference to your letter dated July 18, 2017 seeking Interpretive Letter under Securities and Exchange Board of India (Informal Guidance) Scheme, 2003.
2. You have, inter alia, represented as follows:
 - a. PNBHFL was listed on the Bombay Stock Exchange and the National Stock Exchange pursuant to its Initial Public Offer (IPO) on November 7, 2016.
 - b. In 2009, M/s Destimoney Enterprises Limited, Mauritius ("DEL-Mauritius") acquired 49% of the share capital of PNBHFL through its downstream Indian subsidiary namely M/s Destimoney Enterprises Limited ("DEL-India"). The principal assets of DEL-India were the shares of PNBHFL.
 - c. In the year 2015, Quality Investments Holdings, Mauritius ("QIH") acquired the entire shareholding (constituting over 95%) held by DEL-Mauritius in DEL-India at a premium.
 - d. Since DEL-Mauritius received an excellent return on its investment in PNBHFL, it extended its appreciation to the members of the senior management team of PNBHFL for their efforts and support and proposed to make certain ex gratia payments to them. However, the proposal was not acted upon as there was no clarity on the legality of such payments.

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सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.
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- e. DEL-Mauritius has sought to revive the proposal and wishes to make the ex gratia payments to the senior management team of PNBHFL. The proposed ex gratia amounts would be remitted to PNBHFL's account and thereafter the board of directors of PNBHFL would decide on the method and criteria for distribution of the ex gratia amounts to them.
3. In view of the above, you have sought interpretive letter from SEBI on the following issue:

Whether PNBHFL would have to comply with the requirements of regulation 26(6) of the Listing Regulations and seek prior approval of the board of directors and public shareholders of PNBHFL for receipt of ex gratia amounts by the senior management team of PNBHFL, given the facts that:

- a. There has been no dealing or transfer of shares of PNBHFL by DEL-Mauritius and DEL-India continues to hold the shares of PNBHFL;
- b. The ex gratia payment proposed to be made by DEL-Mauritius is in the form of a reward for the high return on investment on sale of its entire shareholding in DEL-India in 2005 when PNBHFL was an unlisted company;
- c. As on date, DEL-Mauritius does not, directly or indirectly, hold any investments in PNBHFL.
4. We have considered the submissions made by you in your letter under reference and without necessarily agreeing with your analysis, our views are as under:
- a. Reference is drawn to regulation 26(6) of the Listing Regulations, which *inter alia* stipulated as under:
- "No employee including key managerial personnel or director or promoter of a listed entity shall enter into any agreement for himself or on behalf of any other person, with any shareholder or any other third party with regard to compensation or profit sharing in connection with dealings in the securities of such listed entity, unless prior approval for the same has been obtained from the Board of Directors as well as public shareholders by way of an ordinary resolution".

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- b. As per regulation 26(6) of the Listing Regulations, an agreement proposed to be entered into by any employee or director or promoter of a listed entity with any shareholder or any other third party would require prior approval from the board of directors as well as public shareholders when the same is with regard to compensation or profit sharing in connection with dealings in the securities of such listed entity.
- c. As represented by you, DEL-Mauritius wishes to make the ex gratia payments to the senior management team of PNBHFL in respect of the returns made by DEL-Mauritius on its investment in PNBHFL through its erstwhile subsidiary DEL-India. The shares of DEL-India have been transferred to QIH by DEL-Mauritius in 2015 and there has been no direct dealing in the securities of PNBHFL either by DEL-Mauritius or by DEL-India. However; since the principal assets of DEL-India were the shares of PNBHFL, there has been an indirect dealing in the shares of PNBHFL while the shares of DEL-India were being transferred to QIH by DEL-Mauritius in 2015.
- d. Further, it is noted that PNBHFL was an unlisted entity at the time of indirect transfer of its shares from DEL-Mauritius to QIH in 2015 and PNBHFL was listed only pursuant to its IPO on November 7, 2016. However, the proposal to make ex gratia amounts to the senior management team of PNBHFL is under consideration when PNBHFL is listed and regulation 26(6) of the Listing Regulations is effective.
5. In the facts and circumstances as represented, the proposal made by DEL-Mauritius is covered under regulation 26(6) of the Listing Regulations and therefore, PNBHFL would have to comply with the requirements of regulation 26(6) for receipt of ex gratia amounts by the senior management team of PNBHFL.
6. The above position is based on the information furnished in your letter under reference. Different facts or conditions might lead to a different result. Further, this letter does not express a decision of the Board on the questions referred.
7. You may also note that the above views are expressed only with respect to the clarification sought in your letter under reference with respect to the Listing Regulations and do not affect the applicability of any other law or requirements of any other SEBI Regulations, Guidelines and Circulars administered by SEBI or of the laws administered by any other authority.

Yours sincerely,

TVVPS Chakravarti T