

BALMER LAWRIE & CO. LTD.

DIVIDEND DISTRIBUTION POLICY

1.0 INTRODUCTION

Securities and Exchange Board of India (SEBI) vide its SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 (the “Listing Regulations”) dated 8th July, 2016, (Annexure I) has mandated through the introduction of regulation 43A that, the top five hundred listed entities based on market capitalisation (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.

2.0 OBJECTIVE

The objective of this Policy is to ensure a balance between the quantum of Dividend paid and amount of profits retained in the business for internal requirements. Towards this end, the Policy lays down parameters to be considered by the Board of Directors of the Company for declaration of Dividend from time to time. This Policy applies to all types of Dividend declared or recommended by the Board of Directors of the Company and seeks to conform to the requirements of Section 123 of the Companies Act 2013, the notified rules thereof and other such provisions. The policy is not an alternative to the decision of the Board for recommending dividend, which is made every year taking into consideration all the relevant circumstances enumerated hereunder or other factors as maybe decided as relevant by the Board.

3.0 PHILOSOPHY

The philosophy of the Company is to maximise the shareholders’ wealth through various means. The Company has consistently delivered value to its shareholders through its manufacturing and services verticals. This could be achieved due to harnessing available resources to the maximum extent and at the same time minimising risks to maximise shareholder value. The Company believes that driving growth creates maximum shareholder value. Thus, the Company would endeavour to first utilise its profits for its working capital requirements, capital expenditure required to meet expansion needs, earmarking reserves for future growth opportunities and thereafter distributing the surplus profits in the form of dividend to the shareholders.

4.0 REGULATORY FRAMEWORK

This Company being a CPSE, the policy has been framed broadly in line with the provisions of the Companies Act, 2013, and also taking into consideration, guidelines on “Capital Restructuring of Central Public Sector Enterprises” issued by Department of Investment and Public Asset Management (DIPAM), Ministry of Finance, Department of Public Enterprises on May 27, 2016, and other guidelines, to the extent applicable as well as any other laws.

The guidelines mandate that every CPSE has to pay a minimum annual dividend of 30% of PAT or 5% of the net-worth, whichever is higher subject to the maximum dividend permissible under the existing legal provisions.

Nonetheless, CPSEs are expected to pay the maximum dividend permissible under the Act under which a CPSE has been set up, unless lower dividend proposed to be paid is justified on a case to case basis at the level of Administrative Ministry/Department after considering the following financial parameters:

- (i) Capacity to borrow;
- (ii) Long-term borrowings;
- (iii) CAPEX/Business Expansion needs;
- (iv) Retention of profit for further leveraging in line with the CAPEX needs; and
- (v) Cash and bank balance.

5.0 INTERNAL AND EXTERNAL FACTORS TO BE CONSIDERED FOR DECLARATION OF DIVIDEND

In line with the philosophy enumerated in clause 3.0, the Board of Directors shall consider the following internal and external factors while deciding on dividend declaration.

- (a) Current year profits and outlook in line with the internal and external macroeconomic environment
- (b) Working Capital requirements
- (c) Capital expenditure requirements
- (d) Cash flows required to meet contingencies and commitments
- (e) Past dividend trends
- (f) Requirement for investment (new/additional) in the existing joint ventures of the company to enable growth aspirations of such companies
- (g) Cost and availability of financing from alternative sources
- (h) Government of India guidance, statutory requirements and legal or regulatory restrictions, if any, prevailing from time to time
- (i) Any other factor that the Board may deem fit to consider before declaring dividend

6.0 POLICY AS TO HOW THE RETAINED EARNINGS SHALL BE UTILISED

Subject to regulations as applicable from time to time, the retained earnings of the Company shall be applied for

- (a) Funding for growth, considering inter alia, capital expenditure, working capital, future commitments for expansion and diversification etc.
- (b) Payment of dividend in future years
- (c) Issue of bonus shares
- (d) Any other permissible purpose

7.0 CIRCUMSTANCES UNDER WHICH SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

The decision regarding dividend pay-out is a crucial decision as it balances the amount of profit to be distributed among shareholders of the company with the requirement of deployment of internal accruals for its sustenance and growth plans.

The Board may recommend dividend to be paid to the shareholders at its discretion. The factors that may generally be considered by the Board before making any recommendations for the dividend would inter alia include, profits earned during the financial year under consideration, future capital expenditure requirements, cost of raising funds from alternate sources, cash flow position and applicable taxes including dividend tax, subject to the guidelines issued by the Government of India.

In case the Board proposes not to distribute profits, the reasons thereof and information on utilisation of the undistributed profits, if any, will be disclosed in the Annual Report of the Company.

8.0 PARAMETERS THAT SHALL BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

The current Authorised Share Capital is ₹. 120 crores, divided into 12 crore equity shares of ₹. 10 each and the Issued and Paid up share capital consists of only equity share capital.

As and when the Company considers issue of other kind of shares, the Board of Directors will suitably amend this Policy.

9.0 MODIFICATION OF THE POLICY

The Board is authorised and reserves the right to change/amend this policy, at its sole discretion, from time to time in pursuance of any amendments made in the Companies Act, 2013, or for any change in guidelines issued by the Government of India or any other laws.