

IRCON INTERNATIONAL LIMITED

Dividend Distribution Policy

1. Background

- 1.1 Securities Exchange Board of India (SEBI) vide its notification dated 8th July, 2016 has inserted Regulation 43A in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (second amendment) which requires top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) to formulate a Dividend Distribution Policy, which shall be disclosed in their annual reports and on their websites.
- 1.2 The intent of the policy is to broadly specify the following parameters (external and internal factors) that shall be considered while declaring dividend and the circumstances under which shareholders of the Company may/ may not expect dividend and how the retained earnings shall be utilized.

The Company strives for maximisation of shareholders' value and believes that this can be attained by driving growth. The policy endeavours to strike an optimum balance between rewarding shareholders through dividend and ensuring that sufficient profits are retained for the growth of the Company and other needs.

This Policy is not an alternative to the decision of the Board for recommending dividend, which is made every year after taking into consideration the interest of the Company and all the relevant circumstances enumerated in the policy or other factors as may be decided as relevant by the Board.

2. Policy Framework

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, SEBI Regulations and other guidelines, to the extent applicable.

3. Factor to be considered while declaring Dividend

3.1 Financial Parameters that shall be considered while declaring dividend

IRCON being a Central Public Sector Enterprise has to comply with the guidelines on "Capital Restructuring of Central Public Sector Enterprises" issued by DIPAM, Govt. of India on 27.05.2016.

3.2 Internal and External factors that shall be considered for declaration of dividend

3.2.1 Internal Factors

The Board while considering declaration of dividend for a financial year may, inter-alia, consider the following factors while taking into account the nature and scale of company's operations:

- a) Profit upto the Quarter/ for the financial year

- b) Available balance in the Free Reserves of the Company
- c) Dividend payout trend of the Company and the industry
- d) Future business projections and operational requirements
- e) Stability of earnings and projections of future profits
- f) Operating cash flows, treasury positions and operational requirements
- g) Borrowing levels and the capacity to borrow
- h) Present and Future Capital expenditure plans of the Company
- i) Additional investments in Subsidiaries/ Joint Ventures and Associates of the Company
- j) Providing for unseen events and contingencies which has financial implications.
- k) Any other factor as may be deemed fit by the Board.

3.2.2 External Factors

- a) **Economic Environment and Business Environment:** Macro Economic conditions including present and likely business scenario will be considered while declaration of dividend in any year.
- b) **Status of Industry:** Prevailing conditions in the Industry in which the Company operates will also be considered while taking decisions regarding declaration of dividend.
- c) **Statutory Provisions and Guidelines:** The Company shall ensure compliance to the provisions of Companies Act & regulations of SEBI and other Statutory Authorities with regard to declaration of dividend. Further, being a Government Company, the Company shall also consider the applicable guidelines in force in respect of dividend declaration, as issued from time to time by the Govt. of India or by any other statutory bodies.
- d) **Applicable taxes including tax on dividend:** The taxes applicable on the company including taxes on dividends that effect overall cash outflow.

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

Distribution of profits in the form of dividends and retaining some proportion of it for use in business for other objectives is a fundamental decision for every company. This decision requires adequate balancing between suitably rewarding shareholders through dividends and retaining profits to fund the operational requirements and growth plans of business. Although the Company has been consistently paying out dividends to its shareholders and they can reasonably expect it in future also unless the Company is constrained not to declare dividends under following circumstances:

- (a) **Absence or Inadequacy of profits-** If during any financial year, there are no profits or it is determined that the profits of the Company are not sufficient, the Board may decide not to declare dividends for that financial year.
- (b) **Other constraints-** Crucial factors like limited/ non- availability of cash resources, limitations due to future cash flow projections, emergent needs requiring significant resources, unstable business and profit projections etc and any other statutory

factors as considered by the Board while arriving at the decision not to declare dividends for that financial year.

4. Utilization of Retained Earnings

The retained earnings of the company, shall be continued to be deployed in infrastructure creation and expansion of the business of the Company. The decision of utilization of the retained earnings of the Company shall be based on the factors like Strategic and Long-term plans of the Company, diversification, Government guidelines with regard to issue of bonus, buy-back and any other criteria which the Board of the Company may consider appropriate. Therefore, retained earnings shall be utilized in a manner which will enhance value of all its shareholders in a sustainable manner.

5. Parameters to be adopted with regard to various classes of shares

Company has presently only one class of shares i.e. Equity Shares and all the members of the Company on the record date are entitled to receive the same amount of dividend declared per share. As and when it proposes to issue any other class of shares, the policy shall be modified accordingly.

6. The Policy shall not apply to:

- Distribution of dividend in kind i.e. by issue of bonus shares or other securities, subject to applicable law;
- Distribution of cash as an alternative to dividend payment by way of buyback of equity shares etc.

7. Amendment

The Board of Directors may review or amend this policy, in whole or in part, as it may deem fit or in accordance with the guidelines as may be issued by SEBI.

However, any amendment in the Policy required in compliance with the Listing Regulations or any statutory enactment, Chairman & Managing Director of the Company is empowered to approve such amendment.

8. Disclosures:

- 8.1 Declaration of dividend on the basis of parameters in addition to the elements of this Policy or resulting in amendment of any element of the Policy, will be disclosed in the Annual Report as well as on the website of the Company.
- 8.2 The Change in the policy shall however, be disclosed alongwith the justification thereof on the Company's Website and in the ensuing Annual Report in accordance with the extant regulatory provisions.
- 8.3 In the event of the policy being inconsistent with any regulatory provision, such regulatory provision shall prevail upon the corresponding provision of this policy and the policy shall be construed to be amended accordingly from the effective date of such provision.
