

# THE INDIAN HUME PIPE COMPANY LIMITED

## DIVIDEND DISTRIBUTION POLICY

This Policy will regulate the process of dividend declaration and its pay-out by The Indian Hume Pipe Company Ltd. (“the Company”) in accordance with the provisions of Companies Act, 2013 read with the applicable Rules framed there under, as may be in force for the time being (“**Companies Act**”) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the amendments made thereto [“**SEBI (LODR)**”] and / or other applicable Legislations, Rules and Regulations as may be in force at the relevant time.

**Objective:** The objective of this policy is to ensure a regular dividend income for the shareholders and long term capital appreciation for all stakeholders of the Company. The Company will endeavour to ensure to strike the right balance between the quantum of dividend paid and amount of profits retained in the business for various purposes. The Board of Directors will refer to the policy while declaring/ recommending dividends on behalf of the Company. Through this policy, the Company would endeavour to maintain a consistent approach to dividend pay-out plans. Apart from Dividend and the other benefits such as Bonus Issue, Stock Split etc., are extended to the shareholders subject to compliance of the applicable regulations both stipulated under the Companies Act, 2013, SEBI Regulations and other applicable enactments / regulations. The Company believes that it operates in an Industry/ Environment where Working Capital requirements are high.

**Category of Dividends:** The Companies Act provides for two forms of Dividend- **Final & Interim**. The Board of Directors shall have the power to recommend final dividend to the shareholders for their approval in the 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. The Board may, at its sole discretion, declare / recommend a Special Dividend under certain circumstances such as extraordinary profits from sale of any major asset(s) or any special occasion or significant event.

**Circumstances under which shareholders may not expect dividend/ or when the dividend could not be declared by the Company shall be for the reasons stated herein, but are not limited to, the following reasons only:**

- a) Due to operation of any other law in force;

- b) Due to losses incurred or inadequacy of profits by the Company and the Board considers it appropriate not to declare dividend for any particular year;
- c) Due to any restrictions and covenants contained in any agreement as may be entered with the Lenders;
- d) Due to any default on part of the Company;
- e) Uncertainty of the earnings/ financial results of the Company;
- f) Cash flow constraints due to commitment of the Company for repayment of loans / Debentures and other business creditors; and
- g) The availability of opportunities for reinvestments of surplus funds.

**Factors to be considered while recommending / declaring Dividend:**

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among the shareholders and amount of profit to be retained in business.

The Board of Directors will endeavour to take a decision with an objective to enhance shareholders value and market value of the shares. The Dividend pay-out decision of any company depends upon certain internal and external factors-

**Internal Factors:**

The Board will take into account various internal factors while recommending / declaring Dividend, which inter alia will include-

- i) Profits earned during the year; can either be retained in business or used for acquisitions, expansion or diversification, or it can be distributed to the shareholders.
- ii) Present & future Capital requirements of the existing businesses;
- iii) Commitment of repayment of loan, Debentures, Advances and other business creditors of the Company.
- iv) Expansion/ Modernization of existing businesses;
- v) Investments in subsidiaries/associates of the Company;
- vi) Fresh investments into new businesses;
- vii) Business Acquisitions (if any);
- viii) Any other factors as deemed fit by the Board.

## **External Factors:**

Apart from the various internal factors aforementioned the Board will take into account the various external factors while recommending / declaring dividend which inter alia include the following-

- **State of Economy-** in case of uncertain or recessionary economic and business conditions, Board will endeavour to retain larger part of profits to build up reserves to absorb future shocks.
- **Capital Markets-** when the markets are favourable, dividend pay - out can be liberal. However, in case of unfavourable market conditions, Board may resort to a conservative dividend pay - out in order to conserve cash outflows.
- **Statutory Restrictions-** the Board will keep in mind the restrictions imposed under the applicable legislations and the covenants stipulated by Lenders, if any with regard to recommendation and /or declaration of dividend.

## **Dividend Range:**

The Company stand committed to deliver sustainable value to all its stakeholders barring unforeseen circumstances. The Company will strive to distribute an optimal and appropriate level of the profits after tax earned by it in its business, with the shareholders, in the form of dividend. As explained in the earlier part of this Policy, determining the dividend pay-out is dependent upon several factors, both internal to a business and external to it.

## **Review & Amendment:**

This Policy may be reviewed and amended as and when necessary by the Board to ensure that it meets the objectives of the relevant legislation and needs of the Company.

In the event of any amendment(s), clarification(s), circular(s), provision(s) etc. issued by the relevant authorities, then the same shall be deemed to have been incorporated in the Policy from the date of effective date mentioned in the law and the Policy shall stand amended accordingly.