

Bharat Heavy Electricals Limited

Dividend Distribution Policy

1. SCOPE & OBJECTIVE

- 1.1 This policy has been formulated in line with Regulation 43A notified vide SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 on July 8, 2016. The said notification requires top five hundred listed companies (based on market capitalization of every financial year) to formulate a Dividend Distribution Policy, which shall be disclosed in its Annual Report and on its website.
- 1.2 Accordingly, the Company has approved and adopted this Dividend Distribution Policy (the "Policy") at its meeting held on 6th April 2017, being the effective date of the Policy.
- 1.3 The intent of the Policy is to broadly specify the 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, etc.

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 growth of the Company and other needs.

The 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. DEFINITIONS

- 2.1 **"Board"** shall mean Board of Directors of the Company.
- 2.2 **"Companies Act"** shall mean the Companies Act, 2013 and Rules thereunder, notified by the Ministry of Corporate Affairs, Government of India, as amended from time to time.
- 2.3 **"Dividend"** includes interim dividend.
- 2.4 **"Company"** shall mean Bharat Heavy Electricals Limited.
- 2.5 **"Policy"** means Dividend Distribution Policy.
- 2.6 **"Regulations"** shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as notified by The Securities and Exchange Board of India, as amended, from time to time.
- 2.7 **"Stock Exchange"** shall mean a recognised Stock Exchange as defined under clause (f) of Section 2 of the Securities Contracts (regulation) Act, 1956, where shares of the company are listed.

3. Factors including financial parameters that shall be considered while declaring and pay-out decision on dividend of the Company:

3.1 External Factors

- 3.1.1 Economic and Business Environment:** Macro Economic-conditions including present and likely business scenario will be considered while declaration of dividend in any year.
- 3.1.2 Status of Industry:** Prevailing conditions in the Industry in which the Company operates will also be considered while taking decisions regarding declaration of dividend.
- 3.1.3 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 applicable guidelines in force in respect of dividend declaration, as issued from time to time by the Govt. of India.
- 3.1.4 Applicable taxes including tax on dividend:** The taxes applicable on the company including taxes on dividends that effect overall cash outflow.

3.2 Internal Factors

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

- 3.2.1 Profits upto the Quarter/for the financial year
 - 3.2.2 Available balance in Free Reserves of the Company
 - 3.2.3 Dividend payout trend of the Company and the industry
 - 3.2.4 Future business projections and operational requirements
 - 3.2.5 Stability of earnings and projections of future profits
 - 3.2.6 Operating cash flows, treasury positions and cash flow projections for near future
 - 3.2.7 Borrowing levels and the capacity to borrow
 - 3.2.8 Present and future capital expenditure plans of the Company including organic/ inorganic growth avenues
 - 3.2.9 Additional investment requirements in subsidiaries / JVs and associates of the company
 - 3.2.10 Providing for unforeseen events and contingencies which has financial implications
 - 3.2.11 Any other factor as may be deemed fit by the Board
- 3.2** The profits for a year may be adjusted at the discretion of the Board, for the purpose, to exclude exceptional or one-off items or non-cash items resulting from change in law, accounting policies, accounting standards or otherwise.
- 3.3** The Board may consider payment of interim dividend as and when it feels appropriate. Final dividend shall be recommended by the Board for approval of shareholders of the Company as per prevalent applicable rules and regulations.

4 Circumstances under which the shareholders 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.

5.0 Utilization of Retained Earnings

The retained earnings of the company, after distribution of dividend, shall primarily be utilized towards requirements for growth plans and for meeting operational requirements of the company as the company is committed towards continuous growth and safeguarding of stake holders interest.

6.0 Parameters to be adopted with regard to various classes of shares

Company has presently only one class of shares i.e. equity shares. As and when it proposes to issue any other class of shares, the policy shall be modified accordingly.

7.0 Modifications to the policy

The Company reserves its right to amend any or all of the provisions of the policy as it may deem fit or in accordance with the guidelines as may be issued by SEBI, Government of India or any other regulatory authority. The change in the policy shall, however, be disclosed along with the justification thereof on the Company's Website and in the ensuing Annual Report in accordance with the extant regulatory provisions.

8.0 GENERAL:

- 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 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.
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