

ANDREW YULE & COMPANY LIMITED

(A Government of India Enterprise)

CIN No.: L63090WB1919GOI003229

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DIVIDEND DISTRIBUTION POLICY

1.0 Introduction:

Andrew Yule & Co. Ltd. (AYCL) is a Schedule-B Central Public Sector Enterprise (CPSE) under administrative control of the Department of Heavy Industry, Ministry of Heavy Industries & Public Enterprises, Government of India. Its shares are listed on Bombay Stock Exchange (BSE Ltd.). Distribution of Dividend in CPSEs are regulated mainly by statutory provisions and the guidelines issued by the Government from time to time.

Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, also mandates framing of Dividend Distribution Policy for certain class of listed Companies.

2.0 Effective Date

This policy shall be known as "Dividend Distribution Policy of AYCL" (the "Policy") and shall become effective from the date of its approval by the Board.

3.0 Purpose, Objectives and Scope

3.1 The Securities and Exchange Board of India ("SEBI") vide its Gazette Notification dated July 8, 2016 has amended the Listing Regulations by inserting Regulation 43A in order to make it mandatory to have a Dividend Distribution Policy in place by the top five hundred listed companies based on their market capitalisation calculated as on the 31st day of March of every year.

3.2 As the Company is one of the top thousand companies as on March 31, 2021, the Board has laid down a broad framework for distribution of dividend to its shareholders and/or retaining or plough back of its profits. The Policy also sets out the circumstances and different factors for consideration by the Board at the time of taking such decisions of distribution or of retention of profits, in the interest of providing transparency to the shareholders.

3.3 Declaration of dividend on the basis of parameters in addition to the elements of this Policy or resulting in amendment of any element or the Policy will be regarded as deviation. Any such deviation on elements of this Policy in extraordinary circumstances, when deemed necessary in the interests of the Company, along with the rationale will be disclosed in the Annual Report by the Board.

3.4 The Policy reflects the intent of the Company to reward its shareholders by sharing a portion of its profits after retaining sufficient funds for growth of the

Company. The Company shall pursue this Policy, to pay, subject to the circumstances and factors enlisted hereon, progressive dividend, which shall be consistent with the performance of the Company over the years.

4.0 Statutory Requirements

While recommending, declaring and distributing the dividend, followings are to be complied with:

- (a) Companies Act, 2013 and rules applicable thereon, including those with respect to mandatory transfer of a certain portion of profits to any specific reserve which may be applicable to the Company at the time of taking decision with regard to dividend declaration or retention of profit.
- (b) Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) and as amended from time to time.
- (c) Guidelines or directives issued by the Government of India.
- (d) Any other applicable laws.

5.0 Prudential requirements

Decision to declare dividend shall be taken up after taking into account the following.

- (a) Profits of AYCL –
 - i. In case of Final Dividend, the profits (after providing depreciation as per Companies Act, 2013) as per audited financial statements for the year for which the Final Dividend is proposed to be declared and after transferring to the reserves such amount as the Board of AYCL may consider appropriate.
 - ii. In case of Interim Dividend, the profits as per the unaudited results for/upto the last quarter (after providing depreciation as per Companies Act, 2013) which have been approved by the Board and for which limited review as per “Listing Regulations” has been carried out.
- (b) Specifically for interim dividends, the perception of the management with regard to likely profits in the remaining part of the financial year.
- (c) Future Capital Expenditure plans of AYCL.
- (d) Likely maturity of Short-term investments to ensure maximum returns.
- (e) Likely fund requirements for other ventures.
- (f) Expectation of shareholders /stakeholders

6.0 Financial and other important internal and external factors to be considered for dividend distribution

In addition to the aforesaid parameters such as realised profits and proposed major capital expenditures, the decision of dividend payout or retention of profits shall also be based on the following factors/ parameters:

(a) CAPEX Plan:

Funds required for CAPEX plan of the company

(b) Operating cash flow of the Company:

If the Company can not generate adequate operating cash flow, it may need to rely on external funding to meet its financial obligations and sometimes to run the day-to-day operations. The Board will consider the same before its decision whether to declare dividend or retain its profits.

(c) Free Cash Flows:

Free cash flows available to the company after providing for Internal Resource requirement for CAPEX, Working Capital, payment of liabilities, anticipated outflows, etc.

(d) Obligations to lenders:

The Company should be able to repay its debt obligations without much difficulty over a reasonable period of time. Considering the volume of such obligations and time period of repayment, the decision of dividend declaration shall be taken.

(e) Economic Environment

In case of uncertain or recessionary economic and business conditions, the Company will endeavour to retain larger part of profits to build up reserves to sustain future up downs.

(f) Regulatory Norms

Regulatory norms prescribed by the Central/State Governments, may affect company's margins and in turn affect the dividend payout.

(g) Statutory Provisions and Guidelines

Provisions of Companies Act and other statutory provisions with regard to declaration of dividend and guidelines issued by the Government from time to time.

(h) Past performance/ Dividend history and reputation of the Company

Dividend payment history and the impact of the decision on overall reputation of the Company.

(i) Any restrictions on payment of dividends by virtue of any regulation as may be applicable to the Company at the time of declaration of dividend.

7.0 Dividend pay-out ratio

Dividend for every financial year shall be decided by Board inter alia considering the parameters indicated above, various statutory requirements, financial performance of the company and other internal and external factors enumerated in the policy.

However, the company would endeavor to pay minimum dividend as per statutory provisions and extant guidelines issued by the Government in respect of payment of dividend.

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

The decision regarding dividend payout is a crucial decision as it determines the amount of profit to be distributed among shareholders of the Company and the amount of profit to be retained in business. The decision seeks to balance the dual objectives of appropriately rewarding shareholders through dividends and retaining profits in order to fund the growth plans of business.

9.0 Manner of Utilisation of Retained Earnings

The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on the following factors:

- Strategic and long-term plans of AYCL.
- the need to ensure a strong net-worth position.
- Diversification opportunities.
- Non-fund based needs of AYCL and other ventures.
- Market expansion plan
- Replacement of capital assets
- Government guidelines with regard to issue of bonus, buy-back, etc.
- Any other criteria which the Board of AYCL may consider appropriate etc.

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

10.1 AYCL has presently only one class of shares, i.e., equity shares. As and when it proposes to issue any other class of shares, the factors and parameters for declaration of dividend to different class of shares of the Company shall be same as covered above.

10.2 The payment of dividend shall be based on the respective rights attached to each class of shares as per their terms of issue.

10.3 The dividends shall be paid out of the Company's distributable profits and/or general reserves, and shall be allocated among shareholders on a pro-rata basis according to the number of each type and class of shares held.

10.4 Dividend when declared shall be first paid to the preference shareholders of the Company, if any as per the terms and conditions of their issue.

11.0 Disclaimer and Disclosure

This policy does not solicit investments in the shares of AYCL. Nor is it an assurance of guaranteed returns (in any form), for investments made in its equity shares. The Policy will be disclosed in the Annual Report as well as on the website of the Company.

12.0 Amendment

Any amendment/modification to this policy shall require approval of the Board of Directors of AYCL.