

## SJVN LIMITED

### DIVIDEND DISTRIBUTION POLICY

#### **Background:**

SEBI has inserted regulation 43A in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 which requires that:

1. The top five hundred listed entities based on market capitalization (calculated as on 31<sup>st</sup> March of every Financial Year) shall formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites.
2. The dividend distribution policy shall broadly include the following parameters:
  - a. the circumstances under which the shareholders may or may not expect dividend;
  - b. the financial parameters that shall be considered while declaring dividend;
  - c. internal and external factors that shall be considered for declaration of dividend;
  - d. policy as to how the retained earnings shall be utilized; and
  - e. Parameters that shall be adopted with regard to various classes of shares.

Keeping in view the above parameters, the Dividend Distribution Policy of the Company has been framed.

#### **Policy Framework:**

The policy has been framed broadly in line with the provisions of the Companies Act, and also taking into consideration the 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 and other guidelines, to the extent applicable in context with payment of dividend.

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## **Objectives of the policy**

- Dividend distribution policy has significant impact on the value of the company and is aimed at increasing the company's fundamental value ensuring an annual dividend payout based on the amount of profit to be distributed among shareholders of the company after balancing the requirement of deployment of internal accruals for its sustenance and growth plans.
- The company is committed to provide sustainable value to all its stakeholders.
- Company is consistently paying dividend and the policy aims at ensuring consistent dividend payout trend in future also unless the company is constrained to declare dividend due to any of the internal or external factors listed ahead.

### **Circumstances under which the shareholders of the Company may or may not expect dividend:**

Dividend is declared at the Annual General Meeting of the shareholders based on the recommendation by the Board. The Board may recommend dividend, considering relevant law and other factors into consideration, to be paid to the members. The Board may also declare interim dividend. Generally, factors that may be considered by the Board before making any recommendations for the dividend include, but are limited to, future capital expenditure plans, profits earned during the financial year, cost of raising funds from alternate sources, cash flow position and applicable taxes including tax on dividend, subject to the guidelines issued by Government in this regard.

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**Financial Parameters that shall be considered while declaring dividend:**

Being a Central Public Sector Enterprise, the company require to declare the dividend as per the guidelines on "Capital Restructuring of Central Public Enterprises" (CPSE's) issued by DIPAM, Govt. of India on 27.05.2016. As per the guidelines , every CPSE would 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 extant 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 after the analysis of the following aspects on a case to case basis at the level of Administrative Ministry/Department.

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

**Dividend Declaration:**

Dividend for the financial year shall be decided by the Board of Directors considering various statutory requirements, financial performance of the company and other internal and external factors enumerated in the Policy. However, broadly the dividend payment by company shall be in line with the ibid DIPAM guidelines i.e. 30% of PAT or 5% of net-worth, whichever is higher.



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

**Internal factors:**

**CAPEX plan**

Declaration of dividend will depend on the CAPEX plan of the company. Utilisation of internal resources to meet the committed CAPEX may affect the dividend payout.

**Free cash flows**

For ascertaining the dividend payout, free cash flows available to the company will be considered after providing for internal resource requirement for CAPEX, repayment of long term borrowings and increase in working capital requirements.

**External factors :**

External factors include economic conditions, regulatory norms applicable to the company, applicable statutory provisions & the guideline issued by the Govt. of India or other statutory bodies from time to time. These factors will be considered while deciding the quantum of dividend.

**Manner of Utilization of Retained Earnings:**

The retained earnings will be utilized in line with the objects of the company considering the growth prospects and maximization of the shareholder's fund. The company shall take following factors into consideration for the utilization of the retained earnings:

- (i) Short term and long term plans of the company
- (ii) Diversification opportunities.
- (iii) Government guidelines with regard to issue of bonus, buy-back etc.
- (iv) Any other criteria which the Board of Directors may consider appropriate.



**Parameters to be adopted with regard to various classes of shares:**

The decision to pay (declare) dividends is taken by the Board of Director (s)/Shareholders at the AGM of the company. Under this decision, the size of dividends per shares of each category (type) is determined. Since, the company has only one class of equity share with equal voting right, all the members of the company are entitled for the same amount of dividend per share. The policy shall be suitably amended at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

**Other Provisions:**

The Policy needs to be approved by the Board of Directors of the company and all changes and amendments shall be made following a decision passed by the Board of Directors. The policy will be reviewed every three years or as company's Board of Directors may deem fit from time to time.

If as a result of changes to the laws of the land, any individual clause of this policy contradicts such change, the policy shall be applied in the part that does not contradict the law in force.

