



Escorts Limited

## Dividend Distribution Policy

### Preamble:

This Dividend Distribution Policy (“**Policy**”) will regulate the process of dividend declaration and its pay-out by Escorts Limited ( “**Company**”) in accordance with the provisions of Companies Act, 2013 (the “**Act**”) read with the applicable rules framed there under and regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), (the “**Regulations**”) and other applicable laws.

This Policy has been adopted in place of the existing “Dividend Distribution Policy” by the Board of Directors of the Company (“**Board**”) at its meeting held on November 28, 2018. The effective date of this Policy will be January 18, 2019.

### Scope and Purpose:

The objective of this Policy is to establish the principles and criteria to be considered by the Board for recommending dividend. The Board will refer to the Policy while declaring/ recommending dividends on behalf of the Company.

The profits earned by the Company can either be retained in business to be used for acquisitions, expansion or diversification, or it can be distributed as dividend to the shareholders. The Company may also choose to retain a part of its profits and distribute the balance among its shareholders as dividend. This Policy aims to reconcile and balance these needs in order to maintain fairness and consistency while considering distribution of dividend to its shareholders in order to ensure a regular dividend for the shareholders as well as the long term capital appreciation for all stakeholders of the Company.

Through this Policy, the Company would endeavor to maintain a consistent approach to dividend pay-out plans. The Board may however, in extraordinary circumstances, deviate from the parameters listed in this Policy.

## **Category of Dividends**

### Final Dividend

The final dividend refers to the dividend paid once for the financial year after the annual accounts are prepared. The Board has the power to recommend the payment of final dividend to the shareholders for their approval in the annual general meeting. The declaration of final dividend shall be included in the ordinary business items that are required to be transacted at the annual general meeting.

### Interim Dividend

Interim dividend can be declared by the Board one or more times in a financial year as may be deemed fit by it. The Board would declare an interim dividend, as and when considered appropriate, in line with this Policy. Normally, the Board could consider declaring an interim dividend after finalization of quarterly (or half yearly) financial accounts. This would be in order to supplement the annual/ final dividend.

The Board shall refer to this Policy while declaring/ recommending the interim dividend as well as the final dividend, as the case may be.

## **Circumstances under which shareholders may or may not expect dividend**

The Company shall comply with the relevant applicable laws in declaring dividends. The Board will determine the dividend in its discretion keeping in mind the financial performance of the Company, advice of the management and the parameters listed in this Policy.

The shareholders of the Company may expect dividend only if the Company has surplus funds after providing for all the expenses, depreciation, etc., and after complying with the statutory requirements under the applicable laws.

The circumstances in which the shareholders may not expect dividend include the following:

- Inadequacy or absence of profits.
- Inadequacy of cash flow available for distribution on account of higher working capital requirement.
- In the event that the Company proposes to undertake a significant expansion project or technical upgrades or any acquisitions or joint arrangements requiring higher allocation of capital. In the event the Company is prohibited to recommend/declare dividend by any regulatory body/ operation of any law. Any other compelling or extraordinary circumstances on account of which the Board deems fit not to declare dividend.

### **Factors to be considered while declaring Dividend**

The Board will consider the following factors while determining the declaration of dividend including the quantum of dividend-

#### **External Factors: -**

- State of Economy- in case of uncertain or recessionary economic and business conditions (globally or domestically), Board will endeavor to retain larger part of profits to build up reserves to absorb future shocks;
- Capital Markets- when the markets are favorable, dividend pay-out can be liberal. However, in case of unfavorable 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 by the Act and any other applicable laws with regard to declaration of dividend;
- Changes in Government policies, regulatory provisions and tax rates;
- Any changes in the competitive environment requiring significant investment;
- Industry outlook for future years;
- Cost of external financing; and
- Inflation rates.

#### **Financial Parameters/ Internal Factors: -**

Apart from the various external factors aforementioned, the Board will take into account various financial parameters and internal factors while declaring dividend, which *inter alia* will include:

- i) Profits earned during the year and the need to accumulate reserves;
- ii) Present & future Capital requirements of the Company;
- iii) Brand/ business acquisitions;
- iv) Cash flows and working capital requirements;
- v) Expansion/ modernization of existing businesses;
- vi) Additional investments in subsidiaries/ associates of the Company;
- vii) Fresh investments into new businesses;

- viii) Provisioning for financial implications arising out of unforeseen events and/or contingencies;
- ix) Financial commitments for outstanding borrowings and interest thereon;
- x) Buy Back Plan, Bonus or Split Issue;
- xi) Liquidity and Return Ratios; and
- xii) Any other factor and/or material events as considered fit by the Board.

### **Dividend Range**

The Company stands committed to deliver sustainable value to all its stakeholders. The Company will strive to distribute an optimal and appropriate level of the profits earned by it with the shareholders, in the form of dividend.

Subject to the provisions of the applicable law, the Company's dividend pay-out will be determined based on available financial resources, investment requirements and optimal shareholder return. Within these parameters and other factors as stated in this Policy, **the Company would endeavor to pay a total dividend (inclusive of dividend tax) upto 20% of standalone profits after tax of the relevant financial year of the Company to the extent possible.**

### **Retained profit**

- The Company shall endeavor to utilize retained earnings in a manner that shall be beneficial to both the interests of the Company and its stakeholders;
- This Policy shall not impede the development of Company's operations and investment capabilities; and
- Retained earnings shall be utilised in accordance with prevailing regulatory requirements for technical upgrades and other investments, for future growth and expansion, working capital financing and any other purposes deemed fit by the Board (including those specified under 'Internal Factors' above) to support the Company's sustainability.

### **With Reference to Clause 43A (2) (e) of the Regulations-**

As the Company only has equity shares, hence no parameters shall be adopted with regard to various classes of shares.

**Review**

This Policy will be reviewed periodically every 3 years unless decided otherwise by the Board. In the event of any amendment(s), clarification(s), circular(s), provision(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then the same shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly.

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