

HIL LIMITED

DIVIDEND DISTRIBUTION POLICY

**[Pursuant to Regulation 43A of the Securities and Exchange Board of India
(Listing Obligations and Disclosure Requirements) Regulations, 2015]**

1. SCOPE & OBJECTIVES

This Policy seeks to lay down a broad framework for the distribution of dividend by the Company whilst appropriately balancing the need of the Company to retain resources for the Company's growth & sustainability. Through this policy, the Company also endeavours to maintain fairness and consistency while considering distributing dividend to the shareholders.

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. The intent of the Policy is to broadly cover the following:

- a) The circumstances under which the shareholders of the Company may or may not expect dividend;
- b) Internal and external factors including financial parameters that shall be considered while declaring dividend;
- c) Policy as to how the retained earnings shall be utilized;
- d) Parameters that shall be adopted with regard to various classes of shares.

The Policy is not an alternative to the decision of the Board for recommending dividend, which is made every year after taking into consideration all the relevant circumstances enumerated hereunder or other factors as may be considered relevant by the Board.

2. Statutory Requirements & Effective Date

As per Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 ("Listing Regulations"), top five hundred listed companies based on their market capitalization, as on March 31 of the previous financial year, are required to have in place a Dividend Distribution Policy. The declaration and distribution of dividend shall, at all times, be in accordance with the provisions of the Companies Act, 2013, read with applicable rules framed thereunder, as may be in force for the time being ("Act") in particular Sections 2(35), 24, 51, 134(3)(k), 123, 124, 125, 126 and 127 of the Act and the Companies (Declaration and Payment of Dividend) Rules, 2014, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), such other applicable provisions of law and the Articles of Association of the Company as amended.

This Dividend Distribution Policy is effective from April 01, 2021. The Board of Directors of the Company in its meeting held on February 2, 2021 has approved this Dividend Distribution Policy of the Company which endeavour's fairness, consistency and sustainability while distributing profits to the shareholders of the Company.

3. DEFINITIONS

- a) **"Act"** means Companies Act, 2013 including the Rules made thereunder, as amended from time to time.
- b) **"Board"** or "Board of Directors" means the Board of Directors of the Company.
- c) **"Company"** means HIL Limited.
- d) **"Dividend"** includes any interim dividend and shall mean Dividend as defined under the Act.
- e) **"Listing Regulations"** shall mean the "Securities and Exchanges Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015" and the amendments thereto.
- f) **"Policy"** means this Dividend Distribution Policy.

- g) “SEBI” means Securities and Exchange Board of India

4. PARAMETERS AND FACTORS FOR DECLARATION OF DIVIDEND

The Board while declaring or recommending dividend to the shareholders, will consider following financial/ internal and external factors:

A. Financial parameters and Internal Factors

- a) Profits earned and available for distribution during the financial year
- b) Accumulated reserves, including retained earnings
- c) Profits earned during the year
- d) Mandatory transfer of Profits earned, to specific reserves, such as Debenture Redemption Reserve, etc. if any.
- e) Cash flow required to meet contingencies
- f) Current and projected Cash Balance and Company's working capital requirements.
- g) Covenants in loan agreements, Debt servicing obligations and Debt maturity profile.
- h) Past dividend pay-out ratio/ trends
- i) Earnings Per Share (EPS)
- j) Cost of Borrowing
- k) Capital expenditure requirement
- l) Business expansion, growth and acquisition
- m) Creation of contingency fund
- n) Investment in Joint-Ventures, associates and subsidiaries
- o) Agreements with lending institutions / Debenture Trustees etc.
- p) Likelihood of crystallization of contingent liabilities, if any

B. Economic environment, both domestic and global.

- a) Unfavourable market conditions
- b) Changes in Government policies and regulatory provisions
- c) Cost of raising funds from alternate sources
- d) Inflation rates
- e) Sense of shareholders' expectations
- f) Cost of external financing
- g) Statutory provisions and guidelines
- h) Dividend pay-out ratio of competitors

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

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in business. Hence, the shareholders of the Company may expect dividend only if the Company is having surplus funds after providing for all the expenses, depreciation, etc., and after complying with the statutory requirements under the Applicable Laws.

The shareholders of the Company may not expect dividend in the following circumstances, subject to the discretion of the Board of Directors:

- a) the Company has inadequacy of profits or incurs losses for the Financial Year;
- b) the Company undertakes /proposes to undertake a significant expansion project requiring higher allocation of capital;
- c) the Company undertakes /proposes to undertake any acquisitions or joint arrangements requiring significant allocation of capital.

- d) the Company has significantly higher working capital requirement affecting free cash flow.
- e) the Company proposes to utilize surplus cash for buy- back of securities;
- f) the Company is prohibited to recommend/declare dividend by any regulatory body.
- g) In the event of loss or inadequacy of profit.

The Board may also not recommend a dividend on considering any compelling factors/parameters mentioned in point 3 above.

6. MANNER OF UTILIZATION OF RETAINED EARNINGS

The Board may decide to plough back the earnings for a particular financial year(s) to ensure the availability of funds for any of the following purpose:

- a) Expansion and long term plans
- b) Augmentation/ Increase in production capacity
- c) Modernization plans and product range expansion
- d) Diversification/ acquisition of business
- e) Plant expansion & diversification
- f) Replacement of capital assets
- g) Balancing the Capital Structure by de-leveraging the Company
- h) High financial leverage
- i) Payment of Dividend or issue of Bonus Shares
- j) Other such criteria as the Board may deem fit from time to time

7. PARAMETERS FOR VARIOUS CLASSES OF SHARES

The holders of the equity shares of the Company, as on the record date, are entitled to receive dividends. Since the Company has issued only one class of equity shares with equal voting rights, all the shareholders of the Company are entitled to receive the same amount of dividend per share. The Policy shall be suitably revisited at the time of issue of any new class of shares with or without differential voting rights, depending upon the nature and guidelines thereof.

8. PROCEDURE

- a) The Chief Financial Officer in consultation with Managing Director & CEO of the Company shall recommend any amount to be declared / recommended as Dividend to the Board of the Company.
- b) The agenda of the Board where Dividend declaration / recommendation is proposed shall contain the rationale of the proposal.
- c) Pursuant to the provisions of the applicable laws and this Policy, interim dividend approved by the Board will be confirmed by the shareholders and final dividend, if any, recommended by the Board, will be subject to shareholders approval, at the ensuing Annual General Meeting of the Company.
- d) The Company shall ensure compliance of provisions of applicable laws, the Act, SEBI Rules and Regulations and this Policy in relation to Dividend declared by the Company.

9. POLICY EXCLUSION:

The Policy shall not be applicable in the following circumstances:

- a) Any distribution of cash as an alternative to payment of dividend by way of buyback of equity shares.
- b) Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities.
- c) Determination and declaring dividend on preference shares, if any.

10. DISCLOSURES

The Dividend Distribution Policy shall be disclosed in the Annual Report and on the website of the Company i.e. at www.hil.in

11. GENERAL

- a) The Policy shall be subject to revision/ amendment in accordance with the guidelines as may be issued by Ministry of Corporate Affairs, SEBI or such other regulatory authority as may be authorised, from time to time, on the subject matter.
- b) The Company reserves its right to alter, modify, cancel, add, delete or amend any of the provisions of this Policy.
- c) In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.
- d) The Policy does not constitute a commitment regarding the future dividends of the Company, but only represents a general guidance regarding dividend policy. The statement of the Policy does not in any way restrict the right of the Board to use its discretion in the recommendation of the Dividend to be distributed in the year and the Board reserves the right to depart from the policy as and when circumstances so warrant.
- e) Given the aforementioned uncertainties, prospective or present investors are cautioned not to place undue reliance on any of the forward- looking statements in the Policy.