

## GRSE - DIVIDEND DISTRIBUTION POLICY

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### 1. INTRODUCTION

1.1. The equity shares of Garden Reach Shipbuilders & Engineers Limited (the “GRSE” or “Company”) are listed on National Stock Exchange of India Limited, Mumbai and BSE Limited, Mumbai. As per the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “SEBI Listing Regulations”), as amended, the Company is required to formulate a Dividend Distribution Policy which shall be disclosed in its Annual Report and on the website. Accordingly, the Company has formulated this Dividend Distribution Policy.

1.2. This policy shall be known as GRSE Dividend Distribution Policy (the “Policy”).

1.3. The policy shall come into effect from the date of approval of the Board of Directors.<sup>1</sup>

### 2. OBJECTIVE AND SCOPE OF THE POLICY

2.1. The purpose of this policy is to outline, in broad terms, the external and internal factors, including financial parameters, that will be considered while declaring and distributing dividend. It also defines circumstances under which shareholders of the Company may or may not expect a dividend, the policy on earnings retention and utilisation, and the parameters governing various classes of shares.

2.2. This policy does not override the decision of the Board in recommending dividends every year. The Board will make its decision based on all relevant factors, including those outlined in this policy, as well as any additional considerations it deemed necessary in the overall interest of the Company. If any such additional factors result in the amendment of this policy, these changes will be disclosed in the Annual Report and on the website of the Company.

2.3. This policy has been framed broadly and the same would be implemented by the Company keeping in view the provisions of the Companies Act 2013 (the “Act”), SEBI Listing Regulations and relevant guidelines/ directions issued by SEBI, DPE, DIPAM, Ministry of Finance and Ministry of Defence and other regulatory bodies.

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<sup>1</sup> Approved by the Board of Directors on 06 Jun 20. Further, the Policy was amended by the Board of Directors on 24 Dec 21 and 02 Apr 25.

2.4. The Company strives for maximisation of shareholders' value and believes that this can be attained by driving growth. This policy endeavours to strike an optimum balance between rewarding shareholders through dividends and retaining sufficient profits for growth of the Company and other needs. The Company has a consistent track record of paying dividends, a trend expected to continue in future as well unless constrained by any of the factors outlined in this policy. Subject to these circumstances and factors enlisted hereon, the Company will pursue a progressive dividend policy aligned with the performance of the Company.

2.5. The policy shall not apply to:

- (i) Distribution of dividend in kind i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law;
- (ii) Distribution of cash as an alternative to payment of dividend through Buyback of equity shares.

### **3. FACTORS SHALL BE CONSIDERED WHILE DECLARING DIVIDEND**

3.1.

- (i) In pursuance of Section 123 of the Act and Article 275 of the Articles of Association of the Company, no dividend shall be declared or paid by the Company for any financial year except out of the profits of the Company for that year or out of the profits of the Company for any previous financial year or years arrived at after providing for depreciation. However normally, the Company will decide to declare dividend only out of current year's profits after providing for depreciation in accordance with the law and after transfer to the reserves of the Company such portion of the profits as may be considered appropriate for future growth.
- (ii) Interim dividend will be based on profits as per unaudited results for/up to the last quarter after providing for depreciation in accordance with law and Management estimates of profits for full financial year.

### **4. FINANCIAL PARAMETERS SHALL BE CONSIDERED WHILE DECLARING DIVIDEND**

4.1. The Company while declaring/recommending the dividend may, inter-alia, consider the following parameters:

- a) Net worth of the Company and stability of earnings;
- b) Net profit earned, and cash generated by the Company during the financial year;

- c) Present and future capital requirements for CAPEX plan and investment opportunities;
- d) Retention of sufficient profits for further leveraging in line with R&D projects and Business expansion (CAPEX) needs;
- e) Availability of cash and bank balance and liquidity position of the Company;
- f) Working Capital Requirements;
- g) Existing borrowings including, capacity to further borrow and cost of borrowings;
- h) Tax on profits including dividend tax rate and outgo;
- i) Financial covenants agreed in the loan and other commercial agreements;
- j) Limits prescribed w.r.t. various statutes, notifications, guidelines and directives; and
- k) Any other parameter which the Company may consider fit for declaration of dividend in the best interest of the Company and its Stakeholders.

## **5. INTERNAL AND EXTERNAL FACTORS SHALL BE CONSIDERED FOR DECLARATION OF DIVIDEND**

5.1. The quantum of dividend declared by the Company would depend upon the following external and internal factors:

- (i) The external factors that shall impact the decision to pay dividend will *inter-alia* include economic environment, business or technological environment, market conditions, commodity prices, practices followed by industry and segment, expectation of shareholders, statutory requirements and applicable government guidelines and directives as may be applicable from time to time.
- (ii) The internal factors that shall be considered for dividend will be past dividend trend, profitability of the Company, cash flow and other financial parameters as mentioned above, and any other factors as may impact the decision to declare dividend.

5.2. Additionally, the Company may endeavor to pay minimum annual dividend of 30% of Profit after Tax (PAT) or 4% of net worth, whichever is higher, subject to the limit, if any, under any extant legal provision.

## **6. UTILISATION OF RETAINED EARNINGS**

- 6.1. The Company is a key player in the shipbuilding industry and recognizes the importance of reinvesting profits into operations and capital expenditures in order to maintain, and more importantly to improve its market position in the competitive environment. With an ambitious CAPEX programme and a commitment to investing in various R&D projects, the Company aims to drive long-term growth. Additionally, as higher growth is anticipated in the coming years, increasing working capital requirements will need to be met largely through the cash and reserves of the Company.
- 6.2. The Company may retain its earnings in optimize fund utilization and enhance long-term stakeholder value. The use of retained earnings will be guided by the Company's strategic and long-term plans, diversification opportunities, government guidelines/directives on matters such as issue of bonus, and buy-back etc. The Board will consider any other relevant factors to maximize shareholder returns.

## **7. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND**

- 7.1. The Company has a consistent track record of paying dividends, and it is reasonable to expect this trend to continue in future unless circumstances warrant the contrary.
- 7.2. The shareholders of the Company may or may not expect dividend depending upon the circumstances including, but not limited, to the following: -
- (i) Inadequate profits or losses incurred by the Company
  - (ii) Significant capital expenditure or investments in new areas of business within GRSE or through Joint ventures/ Subsidiaries, if any
  - (iii) Significantly higher working capital requirement adversely impacting cash flows
  - (iv) Utilisation of the surplus cash for buyback of securities
  - (v) Any other circumstance/ instance, which the Board may consider relevant to the dividend declaration decisions.
- 7.3. The Company will take a decision on the dividend distribution after carefully considering both external and internal factors. It will adopt a judicious balance between directly rewarding the shareholders through dividend declaration on the one hand and increasing shareholders wealth in future through appropriate retention of projects and its realisation for sustainable growth, on the other.

## **8. PARAMETERS TO BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES**

The Company has issued only one class of shares i.e. equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of dividend per share. The policy shall be suitably revisited and modified at the time of issue of any new class of shares depending upon the nature and guidelines, thereof.

## **9. AMENDMENTS**

- 9.1. The Board of the Company shall have the power to review, modify and amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this policy entirely with a new Policy.
- 9.2. In the event of the Policy being inconsistent with any new 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.

## **10. DISCLOSURE**

Policy shall be disclosed on the website of the Company and a web-link shall also be provided in their annual reports in accordance with the extant regulatory norms.

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