



GRSE - DIVIDEND DISTRIBUTION POLICY

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, 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 become effective from Financial Year 2020-21.¹

2. OBJECTIVE AND SCOPE OF THE POLICY

- 2.1. The purpose of the policy is to specify in broad terms, the external and internal factors including financial parameters that will be considered while declaring and distributing dividend, the circumstances under which shareholders of the Company, may or may not expect dividend, the policy relating to retention and utilisation of earnings and parameters that shall be adopted with regard to various classes of shares.
- 2.2. This policy is not an alternative to the decision of the Board for recommending dividend every year based on all relevant factors namely, factors enumerated in this policy and also other additional factors that the Board may consider relevant in the overall interest of the Company. However, such additional factors if any resulting in amendment of the policy will be disclosed in the Annual Report as well as the website of the Company.
- 2.3. The 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 LODR Regulations and also taking into consideration guidelines/ directions issued by SEBI, DPE, DIPAM, Ministry of Finance and Ministry of Defence and other guidelines/ directions to the extent applicable to the Company.

¹ Approved by the Board of Directors on 06 Jun 20. Further, the Policy was amended by the Board of Directors on 24 Dec 21.



2.4. The Company strives for maximisation of shareholders' value and believes that this can be attained by driving growth. The policy endeavours to strike an optimum balance between rewarding shareholders through dividend and ensuring that sufficient profits are retained for growth of the Company and other needs. The Company has been consistently paying dividends and this trend is expected to continue in future as well unless the company is constrained to declare dividend due to any of the factors listed ahead. 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.

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/upto 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.

6. UTILISATION OF RETAINED EARNINGS

4.1. The Company is a major player in the shipbuilding industry and is acutely mindful of the need to plough back adequate profits for operations and capital investment in order to maintain, and more importantly to improve its market position in the competitive environment. The Company has an ambitious CAPEX programme and also has necessarily to invest in various R&D projects, in order to foster its growth. Further, with the anticipated higher growth in the coming years, the incremental working capital requirements also will have to be met increasingly from cash and reserves of the Company.



- 4.2. The Company 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 strategic and long-term plans of the Company, diversification opportunities, government guidelines/ directions with regard to issue of bonus, buy-back etc, for the purpose of generating higher returns for shareholders and any other criteria which the Board of the Company may consider appropriate.

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

- 5.1. The Company has been consistently paying dividends to its shareholders and that it will continue to do so in future is a reasonable expectation unless circumstances warrant the contrary.
- 5.2. The shareholders of the Company may or may not expect dividend depending upon the circumstances including, but not limited, to the following: -
- (i) In the event of inadequacy of profits or whenever the Company has incurred losses;
 - (ii) Whenever the Company undertakes or proposes to undertake significant capital expenditure or investment in new areas of business whether in GRSE itself or in Joint ventures/ Subsidiaries, if any;
 - (iii) Significantly higher working capital requirement adversely impacting cash flows; or
 - (iv) Whenever the Company proposes to utilise the surplus cash for buyback of securities;
 - (v) Any other circumstance/ instance which the Board may consider relevant to the dividend declaration decisions.
- 5.3. The Company will take a decision on the dividend distribution keeping all external and internal factors in view and duly adopting 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

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.

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.
