

ISGEC HEAVY ENGINEERING LIMITED

March 30, 2017

Dividend Distribution Policy

1. The Board of Directors in its meeting held on 30th March 2017 has adopted this Dividend Distribution Policy containing following parameters, as required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016.

(a) **Circumstances under which the shareholders of the listed entities may or may not expect dividend:**

- (i) The dividend for any financial year shall normally be paid out of the Company's profits for that year. This will be arrived at after providing for depreciation in accordance with the provisions of the Companies Act, 2013. The shareholders may expect dividend unless there is a loss or inadequate profit. The Company has been consistently paying out dividends to its shareholders and can be reasonably expected to continue paying dividends in future as well, quantum of which shall be decided by the Board considering the available distributable profits.
- (ii) The shareholders would, therefore, expect the dividend unless, as explained below, there are circumstances in which the shareholders may not expect dividend due to various internal as well as external factors. The internal factors are requirement of funds due to nature of high value projects executed by the Company, financial constraints, retention by the customers against performance warranties, contingent liabilities, investment for up-gradation, replacement and modernization of Plant and Equipments, investment required in subsidiary companies and for acquisition and diversification of businesses and technologies.
- (iii) The external factors which may affect the decision regarding declaration of dividend are cyclical nature of Industry to which the Company caters to, rates of interest, foreign exchange fluctuations, economic policies of the Government, particularly affecting capital goods industry.

(b) **Financial parameters that shall be considered while declaring dividend:**

The financial parameters for consideration of dividend are:-

- Profits earned during the financial year;
- Distributable surplus after transfer to Reserves in the opinion of the Board and as required under the Act and Regulations from time to time;
- The Company's liquidity position and future cash flow needs as mentioned in paragraph (a);
- Present and future capital requirements of the Company; and
- Stipulations/Covenants of agreements for loans/bank facilities.

(c) **Internal and external factors that shall be considered for declaration of dividend:**

As explained in paragraph (a).

(d) **Policy as to how the retained earnings shall be utilized:**

- To meet the Working Capital/Business needs of the Company;
- Issue of fully paid-up Bonus shares;
- Declaration of Dividend- Interim or Final;
- Buyback of shares subject to applicable limits;
- Any other permitted use.
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(e) **Parameters that shall be adopted with regard to various classes of shares:**

The Company currently has only one class of shares, viz. equity, for which this Policy is applicable. The Policy is subject to review if and when the Company issues different classes of shares.
