

# **Dividend Distribution Policy of National Aluminium Company Limited**

## **1. Introduction :**

Securities Exchange Board of India (SEBI) vide its notification dated 8th July, 2016 has inserted Regulation 43A in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (second amendment) which requires top five hundred listed entities based on market capitalization (calculated as on March 31 of every year) to formulate a dividend distribution policy to be disclosed in its Annual Report and on its website. The Regulation further provides that the dividend distribution policy shall include the following parameters:

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

## **2. Guiding Principles**

The dividend distribution policy of the Company is principally guided by applicable provisions of the Companies Act, 2013, Provisions of SEBI Regulations and also guidelines on "Capital Restructuring of Central Public Sector Enterprises" issued by Department of Investment and Public Asset Management (DIPAM), Ministry of Finance, Govt. of India and other guidelines issued by Govt. of India from time to time, to the extent applicable.

## **3. Objective**

The objective of this policy is to enhance value of the Company and its shareholders & to briefly outline the considerations for declaration of dividend as a good corporate governance practice, bring transparency & improve investor confidence. The dividend policy of the Company aims at setting appropriate guidelines to be followed while deciding the amount of dividend to be paid to the shareholders.

## **4. Dividend**

In common parlance, "dividend" means the profit of a company, which is not retained in the business and is distributed among the shareholders in proportion to the amount paid-up on the shares held by them. As per the provisions of the Companies Act, 2013, the dividend can be paid as interim or final.

The Interim dividend can be declared by the Board of Directors during the financial year one or more times as it considers fit & normally after finalization of quarterly/half yearly financial results of the Company. The Board of Directors may also consider declaration of interim dividend at any other time during the financial year if deemed fit.

The final dividend, if any, is normally proposed by the Board of Directors after finalization of annual financial statements and recommend for approval by the Shareholders in the Annual General Meeting of the Company. In case no final dividend is declared by the

Company, interim dividend paid during the financial year, if any, shall be considered as final dividend in the Annual General Meeting of the Company.

Both interim & final dividend are paid to the shareholders as per the applicable provisions of relevant statutes namely Companies Act, 2013 and SEBI regulations.

**5. The circumstances under which the shareholders may or may not expect dividend**

- a) Dividend payment would essentially depends on profit earned during a year, a part of which can be distributed to shareholders without affecting any business need.
- b) The Company would endeavor to maintain the dividend trend subject to availability of distributable profit as per the extant statutory provisions and guidelines.
- c) Payment of lower dividend in a year may arise in the event of inadequate profit/surplus cash, larger capital outlay for growth & other financial commitments.

**6. Financial parameters to be considered.**

- a) The Company is a Central Public Sector Enterprise (CPSE) under the Control of Govt. of India. The Company declares dividend as per the guidelines on "Capital Restructuring of Central Public Sector Enterprises" issued by Department of Investment and Public Asset Management (DIPAM), Ministry of Finance, Govt. of India. The guideline mandates that "Every CPSE would pay a minimum dividend of 30% of Profit after Tax (PAT) or 5% of net-worth whichever is higher subject to the maximum dividend permissible under the extant legal provisions".
- b) The Board of Directors while declaring dividend may consider the following parameters:
  - i. Net profit & cash accruals during year.
  - ii. Availability of cash & bank balance
  - iii. Capital requirement for ongoing and future expansion programs.
  - iv. Existing borrowing, capacity to borrow further and cost of borrowing vis a vis investment opportunity of own fund.
  - v. Buyback plan
  - vi. Cash outflow for dividend distribution tax
  - vii. Retention of profit for further leveraging in line with CAPEX needs.

**7. The Internal and external factors to be considered.**

**a) Internal Factors:**

The internal factors to be considered by the Board of Directors while declaring dividend would include other than financial parameters considered, past dividend trend and extant legal provision as applicable to the Company for the relevant financial year.

**b) External Factors:**

The external factors to be considered by the Board of Directors while declaring dividend would include state of economy, factors affecting industry in general & the Company in particular, applicable statutory & regulatory provisions and any other parameter that may be considered relevant.

## **8. Utilization of Retained Earnings:**

The retained earnings shall be utilized primarily to finance the growth & modernization programs and working capital needs. Besides, the retained earnings may also be used for buyback of shares, payment of dividend in future years, issue of bonus shares and any other permissible purpose permitted by law subject to complying with applicable statutory /regulatory provisions.

## **9. Parameters to be adopted with regard to various classes of shares**

As the Company has issued only one class of equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of dividend per share.

## **10. Other Provisions**

Any change in statutory or regulatory provisions which makes any of the provisions of this Policy inconsistent with the same, then the relevant provisions contained in this Policy would be modified accordingly in due course to make it consistent with applicable laws & regulations.

The Company is committed to comply with applicable statutory provisions for different activities of dividend payment process like timely & efficient payment of dividend to stakeholders, transfer of dividend to special bank account, payment of dividend distribution tax, unpaid / unclaimed dividend & their payment / transfer to Investor Education and Protection Fund.

The Company may amend this Policy and also establish further rules and procedures, from time to time, to give effect to the intent of this Policy as may be deemed appropriate. Any difficulties or ambiguities in this Policy will be resolved by the Company in line with the broad intent of this Policy