

HeidelbergCement India Limited

Dividend Distribution Policy

1. PREFACE

In compliance with the provisions of the Companies Act, 2013 and the rules made thereunder (the “Act”) and Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “Listing Regulations”), the Board of Directors of HeidelbergCement India Limited has adopted this Dividend Distribution Policy. The Policy provides guidance for declaration of dividend by the Company. The Board of Directors (the “Board”) will keep these guidelines in view while declaring / recommending dividend.

The objective of this Policy is to:

- specify the parameters (including internal and external factors) that shall be considered while recommending / declaring the dividend;
- lay down the circumstances under which the shareholders of the Company may or may not expect dividend; and
- provide for the manner of utilization of retained earnings.

2. CONCEPT OF DIVIDEND

Dividend is the share of the profit that a Company decides to distribute amongst its shareholders. The profits earned by the Company can be retained in the business, distributed amongst the shareholders as Dividend or utilised as a combination of the two. The Act allows the Companies to declare and pay interim and final dividends.

Interim dividend is the dividend declared by the Board of Directors between any two Annual General Meetings as and when considered appropriate. The Board has the absolute power to declare interim dividend out of the profits for the financial year in which the dividend is sought to be declared and / or out of the surplus in the profit and loss account.

The Board may, while approving the audited financial statements, recommend final dividend to the shareholders for their approval at the Annual General Meeting of the Company.

3. DECLARATION OF DIVIDEND

Subject to the provisions of the Companies Act, 2013 dividend may be declared and paid out of:

- a) Profits of the Company for the year for which the dividend is to be paid after setting off carried over losses of the previous year(s) and depreciation not provided in the previous year(s);
- b) Undistributed profits of the previous financial years remaining undistributed after providing for depreciation in accordance with law.
- c) Out of (a) and (b) both.

Before declaration of dividend, the Company may transfer a portion of its profits to reserves of the Company as may be considered appropriate by the Board at its discretion.

4. FINANCIAL PARAMETERS

The following financial parameters may be considered by the Board while recommending / declaring dividend:

- a) Adequacy of profit calculated in accordance with the applicable provisions of the Companies Act, 2013 and Accounting Standards. The Board of Directors may, in exceptional circumstances, consider utilizing retained earnings for declaration of dividend subject to the provisions of law in the said behalf.
- b) The Board may consider the following financial parameters while recommending/declaring dividend namely, profits earned, distributable reserves, impact of dividend pay-out on Return on Equity, Earnings per Share, Return on Assets, Return on Capital Employed, alternative use of cash, debt repayment schedule, etc.

5. INTERNAL AND EXTERNAL FACTORS

The following factors may be considered by the Board while recommending / declaring dividend:

Internal factors: Profitability, cash flow position, accumulated reserves, earnings stability, capex plans, mergers & acquisitions, investment in new business, debt servicing, meeting contingencies, cost of raising funds from alternate source, honouring shareholders' sentiment, etc.

External factors: Economic environment, business cycles, tax regime, industry outlook, interest rate structure, economic and regulatory framework, government policies, etc.

6. UTILIZATION OF RETAINED EARNINGS

Retained earnings may be utilized for declaration of dividend (interim/final), issue of bonus shares, buy-back of shares, repayment of debt, capital expenditure, organic

and/or inorganic growth plans, general corporate purposes (including contingencies) and such other purposes as may be permitted under the Companies Act, 2013.

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

Dividend pay-out is a crucial decision as it determines the share of profit to be distributed amongst the shareholders and share of profit to be retained in the business. The decision seeks to balance the dual objectives of appropriately rewarding shareholders through dividends and retaining profits in order to maintain a healthy capital adequacy ratio to support future growth. The shareholders of the Company may not normally expect dividend in the following circumstances, subject to discretion of the Board of Directors:

- a) The Company needs funds for expansion / diversification / acquisition / deleveraging or capital expenditures;
- b) The Company proposes to utilize surplus cash for alternative forms of distribution such as buy-back of securities;

The Company has incurred losses or has earned inadequate profits.

8. PARAMETERS WITH REGARD TO VARIOUS CLASSES OF SHARES

Since 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. The Policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

9. AMENDMENT

The Board of Directors of the Company have the power to suitably amend the Policy in part or in full as may be deemed appropriate.

10. DISCLAIMER

The Policy may not be construed as either soliciting investments in the Company's securities or assuring guaranteed returns (in any form whatsoever) for investments made in the Company's securities.
