

COCHIN SHIPYARD LIMITED

DIVIDEND DISTRIBUTION POLICY

1. PREAMBLE

- 1.1. The shares of CSL are listed on BSE Limited and National Stock Exchange of India Limited. As per Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”) the top 1000 listed entities based on market capitalization need to formulate a dividend distribution policy which shall be disclosed on the website of the Company and a web-link shall also be provided in its Annual Report.
- 1.2. This policy lays down the general framework for considering and deciding the distribution of dividend to the Company’s shareholders and/ or retaining of earnings for sustained growth.

2. POLICY FRAME WORK

- 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 deciding on the distribution of dividend, the circumstances under which shareholders of the Company, may or may not expect dividend and the policy relating to retention and utilisation of earnings. 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.
- 2.2. The policy will be implemented by the Company keeping in view the provisions of the SEBI Listing Regulations, the Companies Act, 2013 (“**the Act**”) and also taking into consideration guidelines issued by SEBI, DPE, DIPAM, Ministry of Ports, Shipping and Waterways as also other guidelines to the extent applicable to the Company.

3. EFFECTIVE DATE

- 3.1. The policy will be effective from the financial year 2017-18. Any amendments to this policy shall be effective from the date of their approval by the Board of Directors of the Company, unless otherwise specified.

4. EXCLUSIONS

- 4.1. The policy shall not apply to:
 - (a) Distribution of dividend in kind i.e., by issue of fully or partly paid bonus shares or other securities, subject to applicable law; and
 - (b) Distribution of cash as an alternative to payment of dividend through Buyback of equity shares.

5. FACTORS CONSIDERED WHILE DECLARING DIVIDEND

5.1. The declaration of dividend shall be subject to the following:

- (a) In pursuance of Section 123 of the Act, 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.
- (b) Interim dividend will be based on profits of the current year as per unaudited results after providing for depreciation in accordance with law and Management estimates of profits for full financial year.

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

- (a) The external factors that shall impact the decision to pay dividend will inter-alia include economic environment, market conditions, expectation of shareholders, statutory requirements and applicable Government directives as may be applicable from time to time.
- (b) The internal factors that shall be considered for dividend will be profitability of the Company, its net worth, its requirement for funds for its Capital Expenditure towards renewals & replacement/ upgradation/ R&D and expansion (CAPEX), investment in Subsidiaries/ JVs, stability of earnings, past dividend trends, obligation to creditors and any other factors as may impact the decision to declare dividend.
- (c) The Company may endeavour to pay minimum annual dividend of 30% of Profit after Tax (PAT) or 4% of net worth, whichever is higher subject to the maximum dividend permitted under the extant legal provisions.

6. UTILISATION OF RETAINED EARNINGS

6.1. The Company is a major player in the ship building and ship repair sector and is acutely conscious of the need to plough back adequate profits for operations and capital investment in order to maintain, and more importantly improve its market position in the face of emerging new technologies requiring investments to stay abreast of current technologies, competition arising from the private players, both domestic and foreign. The Company has an ambitious expansion programme, CAPEX requirements which includes multi locational ship repairing/ building facility, and also has necessarily to invest in upgrading & renewals and replacement of its existing facility and R&D projects. Further, with the anticipated higher growth in sales year on year, the incremental working capital requirements also will have to be met increasingly from cash and reserves of the Company.

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

- 7.1. 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.
- 7.2. The shareholders of the Company may or may not expect dividend depending upon the circumstances including, but not limited, to the following:-
- (a) In the event of inadequacy of profits or whenever the Company has incurred losses;
 - (b) Whenever the Company undertakes or proposes to undertake significant capital expenditure or investment in new areas of business whether in CSL itself or in Joint ventures/ Subsidiaries;
 - (c) Significantly higher working capital requirement adversely impacting cash flows;
 - (d) Whenever the Company proposes to utilise the surplus cash for buyback of securities; and
 - (e) Any other circumstance/ instance which the Board of Directors may consider relevant to the dividend declaration decisions.
- 7.3. 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 profits for projects and its realisation for sustainable growth, on the other.

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

- 8.1. The Company has issued only one class of shares i.e., equity shares with equal voting rights and hence all the members of the Company are entitled to receive the same amount of dividend per share.

9. INTERPRETATION & AMENDMENTS

- 9.1. Any word used in this policy shall have the same meaning as defined under the Act, SEBI Listing Regulations and any other applicable statutory regulations.
- 9.2. The Board of Directors may review, amend and modify the policy at any point of time as it may deem necessary and/ or as may be required from time to time in accordance with subsequent amendments in the Act and the Rules, Circulars, Notifications, Guidelines thereto, SEBI Listing Regulations, the relevant guidelines of the Ministry of Finance, Ministry of Ports, Shipping and Waterways, DPE, DIPAM etc. and other applicable statutes.

10. DISCLOSURE

- 10.1. This policy shall be hosted on the Company's website and a web-link thereto shall be provided in the Annual Report to meet statutory requirements, if any.