Hindustan Copper Limited

Dividend Distribution Policy

1. Preamble

This "Dividend Distribution Policy" ("Policy") of Hindustan Copper Ltd. ("Company") has been formulated in terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations"). Regulation 43A of the Listing Regulations requires top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) to formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites. Considering the fact that the Company is amongst the top 500 listed entities as per the criteria as at 31st March 2016, the dividend distribution policy has been formulated.

2. Objective

The objective of the Policy is to lay down a framework with regard to the amount of profit which may be distributed among shareholders of the Company after balancing the requirement of deployment of internal accruals for its sustenance and growth plans.

3. Policy framework

3.1 The circumstances under which the shareholders of the Company may or may not expect dividend

The dividend is recommended for payment by the Board of Directors of the Company subject of approval of members at the Annual General Meeting. The Board may or may not recommend dividend, at its discretion, to be paid to our members. Generally, the factors that may be considered by the Board before recommending dividend payment include, but are not limited to, profits earned during the financial year, cash flow position, future capital expenditure plans, cost of raising funds from alternate sources, and applicable taxes including tax on dividend, subject to the provisions of the Companies Act, 2013 (the Act) and guidelines issued by the Government of India. The decision regarding dividend pay-out is a crucial decision as it balances the amount of profit to be distributed among shareholders of the company with the requirement of deployment of internal accruals for its sustenance and growth plans.

3.2 The financial parameters that shall be considered while declaring dividend

Being a Central Public Sector Enterprise (CPSE), the Company is expected to declare 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 Government of India on 27.05.2016, mandating every CPSE to pay a minimum annual dividend of 30% of PAT or 5% of the net-worth, whichever is higher subject to the maximum dividend permissible under the extant legal provisions. The Company is expected to pay the maximum dividend permissible under the Act, unless lower dividend is justified on a case to case basis at the level of Administrative Ministry after considering the following financial parameters:

(i) Net-worth of the CPSE and its capacity to borrow;
(ii) Long-term borrowings;
(iii) CAPEX / Business Expansion needs;
(iv) Retention of profit for further leveraging in line with the CAPEX needs; and
(v) Cash and bank balance.

The analysis should confirm that the retention of funds augmenting the net-worth of the Company is being optimally leveraged to ensure higher investment by the Company. The report for exemption, if any, in this regard is to be submitted by the Company through the Administrative Ministry to Secretary, Department of Economic Affairs and Secretary, DIPAM before the end of second quarter of the financial year.

3.3 Internal and external factors that shall be considered for declaration of dividend

(i) Statutory Requirements

Payment of dividend by the Company is subject to the provisions of Companies Act 2013 and rules applicable thereon, guidelines and directives issued by the Government of India and any other applicable laws.

(ii) Cash flow

For ascertaining the dividend payout, free cash flow available to the Company will be considered after providing for CAPEX, repayment of borrowings and working capital requirements.

(iii) Economic environment

In case of uncertain or recessionary economic and business conditions, the Company will endeavor to retain larger part of profits to build up reserves for its sustenance.

(iv) Taxation

Dividend distribution tax or any tax deduction at source as required by tax regulations in India, as may be applicable at the time of declaration of dividend and its impact on the finances of the Company.

3.4 Utilization of retained earnings

The retained earnings will be utilized in line with the objects of the Company as per the Memorandum and Articles of Association of the Company and thus contributing to the growth of the business and operations of the Company.

3.5 Parameters that shall be adopted with regard to various classes of shares

The Company has presently only one class of shares i.e. equity shares. As and when it proposes to issue any other class of shares, the policy shall be modified accordingly.

4. Amendment to the Policy:

Any change / modification in the Policy due to amendment in the provisions of the applicable statutes shall be done with the approval of the Board.

5. Effective Date

The Policy shall be effective from the date of its approval by the Board of Directors of the Company.

6. Disclosure on Company website

Policy shall be hosted on the website of the Company.

******