

DIVIDEND DISTRIBUTION POLICY OF INDIA POWER CORPORATION LIMITED

The Board of Directors (the “Board”) of India Power Corporation Limited (the “Company”) has adopted the Dividend Distribution Policy (the “Policy”) of the Company as required in terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “Listing Regulations”) in its meeting held on 10th September, 2016.

EFFECTIVE DATE

The Policy shall become effective from the date of its adoption by the Board i.e. 10th September, 2016.

PURPOSE, OBJECTIVES AND SCOPE

The Securities and Exchange Board of India (“SEBI”) vide its Notification dated 08th July, 2016 has amended the Listing Regulations by inserting Regulation 43A making it mandatory for top five hundred listed companies based on their market capitalization calculated as on the 31st March of every year to have a Dividend Distribution Policy.

Considering the above, the Board of Directors (the “Board”) of the Company recognizes the need to lay down a broad framework and to set out circumstances and different factors for the Board of the Company to consider while taking decision with regard to distribution of dividend to its shareholders and / or retaining or plough back its profits, in the interest of providing transparency to the shareholders.

The Policy is not an alternative to the decision of the Board for recommending dividend, which is made every year after taking into consideration all the relevant circumstances enumerated hereunder or other factors as may be decided as relevant by the Board.

Declaration of dividend on the basis of parameters in addition to the elements of this Policy or resulting in amendment of any element of the Policy will be regarded as deviation. Any such deviation on elements of this Policy in extraordinary circumstances, when deemed necessary in the interests of the Company, along with the rationale will be disclosed in the Annual Report by the Board of Directors.

The Policy reflects the intent of the Company to reward its shareholders by sharing a portion of its profits after retaining sufficient funds for growth and business of the Company. The Company shall pursue this Policy, to pay, subject to the circumstances and factors enlisted hereon, dividend, which shall be consistent with the performance of the Company over the years.

The Policy shall not apply to:

- Determination and declaring dividend on preference shares as the same will be as per the terms of issue approved by the shareholders;
- Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law;
- Distribution of cash as an alternative to payment of dividend by way of buyback of equity shares.

A. GENERAL POLICY OF THE COMPANY AS REGARDS DIVIDEND

The general considerations of the Company for taking decisions with regard to dividend payout or retention of profits shall be as following :

1. Subject to the considerations as provided in the Policy, the Board shall determine the dividend payout in a particular year after taking into consideration the operating and financial performance of the Company and other relevant factors;
2. The Board may also, where appropriate, aim at distributing dividends in kind, subject to applicable law, in form of fully or partly paid shares or other securities.

B. CONSIDERATIONS AND FACTORS RELEVANT FOR DETERMINING DECISION OF DIVIDEND PAY-OUT

The Board shall consider the following factors, while taking decisions of a dividend payout during a particular year-

Statutory requirements

The Company shall observe the relevant statutory requirements including those with respect to mandatory transfer of a certain portion of profits to any specific reserve such as Debenture Redemption Reserve, Capital Redemption Reserve etc. as provided in the Companies Act, 2013 or Electricity Act, 2003 read with relevant Rules and Regulations thereunder, if any, the Listing Regulations, other applicable legislations governing dividends and the Articles of Association of the Company, as in force and as amended from time to time which may be applicable to the Company at the time of taking decision with regard to dividend declaration or retention of profit.

The Company shall also take into account the prevalent taxation and other regulatory concern such as following :

- Dividend distribution tax or any tax deduction at source as required by applicable tax regulations in India, as may be applicable at the time of declaration of dividend.
- Any restrictions on payment of dividends by virtue of any regulation as may be applicable to the Company at the time of declaration of dividend.

Agreements with lending institutions/ Debenture Trustees

The decision of dividend pay-out shall also be affected by the restrictions and covenants contained in the agreements, if any, as may be entered into with the lenders of the Company from time to time.

Prudential requirements

The Company shall analyse the prospective projects and strategic decisions in order to decide :

- to build a healthy reserve of retained earnings;
- to augment long term strength;
- to build a pool of internally generated funds to provide long-term resources as well as resource-raising potential for the Company; and
- the needs for capital conservation and appreciation.

Proposals for major capital expenditures etc.

In addition to plough back of earnings, the Board may also take into consideration the need for replacement of capital assets, expansion and modernization or augmentation of capital stock, including any major capital expenditure proposals.

Extent of realized profits as a part of the IND AS profits of the Company

The extent of realized profits out of its profits calculated as per IND AS, affects the Board's decision of determination of dividend for a particular year. The Board is required to consider such factors before taking any dividend or retention decision.

Expectations of major stakeholders, including small shareholders

The Board, while considering the decision of dividend pay-out or retention of a certain amount or entire profits of the Company, shall, as far as possible, consider the expectations of the major stakeholders including the small shareholders of the Company who generally expects for a regular dividend payout.

Macroeconomic conditions

The Board, while considering the decision of dividend pay-out or retention of a certain amount or entire profits of the Company, shall also take into account the policy decisions that may be formulated by the Government from time to time and other similar conditions prevailing in the international market which may have a bearing on or affect the business of the Company.

Past Dividend Trends of the Company

The past dividend payment trend of the Company also determines the expectation of the shareholders.

C. OTHER FINANCIAL PARAMETERS

In addition to the aforesaid parameters such as realized profits and proposed major capital expenditures, the decision of dividend payout or retention of profits shall also be based the following :

Operating cash flow of the Company

If the Company is not able to generate adequate operating cash flow and may need to rely on outside funding to meet its financial obligations. The Board will consider the same before it decides on whether to declare dividend or retain its profits.

Cost of borrowings

The Board will analyze the requirement of necessary funds considering the long term or short term projects, expansions proposed to be undertaken by the Company and the viability of the options in terms of cost of raising necessary funds from outsiders such as bankers, lending institutions or by issuance of debt securities or plough back its own funds.

Net sales of the Company

To increase its sales in the long run, the Company will need to increase its marketing and selling expenses, advertising etc. The amount outlay in such activities will influence the decision of declaration of dividend.

Return on invested capital

The efficiency with which the Company uses its capital will impact the decision of dividend declaration.

Magnitude of earnings of the Company

Since dividend is directly linked with the availability of earning over the long haul, the magnitude of earnings will significantly impact the dividend declaration decisions of the Company.

Debt Obligations

The Company should be able to repay its debt obligations without much difficulty over a reasonable period of time. Considering the volume of such obligations and time period of repayment, the decision of dividend declaration shall be taken.

Inadequacy of profits

If during any financial year, the Board determines that the profits of the Company are inadequate, the Board may decide not to declare dividends for that financial year.

Post dividend EPS

The post dividend EPS can have strong impact on the funds of the Company, thus, impacting the overall operations on day-to-day basis and therefore, affects the profits and can impact the decision for dividend declaration during a particular year.

D. CIRCUMSTANCES UNDER WHICH DIVIDEND PAYOUT MAY OR MAY NOT BE EXPECTED

The dividend distribution shall be in accordance with the applicable provisions of the Companies Act, 2013 or Electricity Act, 2003 read with relevant Rules and Regulations framed thereunder, if any, the Listing Regulations, other applicable legislations governing dividends and the Articles of Association of the Company, as in force and as amended from time to time.

The Shareholders of the Company may expect dividend only if the Company is having surplus funds after providing for all the expenses as may be statutorily required under various legislations applicable to the Company.

The Board shall consider the factors provided above under Para A, B and C, before determination of any dividend payout. Further the Board may also take into consideration such other circumstances as it may in its absolute discretion think fit.

E. MANNER OF DIVIDEND PAYOUT

Declaration and payment of dividends process will be as follows, subject to applicable regulations:

In case of final dividends

1. Recommendation, if any, shall be done by the Board, usually in the Board meeting that considers and approves the annual financial statements, subject to approval of the shareholders of the Company.
2. The dividend as recommended by the Board shall be approved/declared at the Annual General Meeting of the Company and be paid within 30 days from the date of declaration to the shareholders entitled to receive the dividend on the record date/book closure period as per the applicable law.

In case of interim dividend

1. Interim dividend, if any, shall be declared by the Board.
2. Before declaring interim dividend, the Board shall consider the financial position of the Company that allows the payment of such dividend.
3. The payment of dividends shall be made within 30 days from the date of declaration to the shareholders entitled to receive the dividend on the record date as per the applicable laws.
4. In case no final dividend is declared, interim dividend paid during the year, if any, will be regarded as final dividend in the Annual General Meeting.

F. MANNER OF UTILISATION OF RETAINED EARNINGS

The Board may retain its earnings in order to make optimum utilisation of the available resources and enhance the shareholder's value. The retained earnings of the Company can be used for acquisitions, expansions, diversifications or for meeting the working capital requirements, other liabilities of the Company or may be retained for its business purpose in accordance with the applicable provisions of the Companies Act, 2013 or Electricity Act, 2003 read with relevant Rules and Regulations framed thereunder, if any, the Listing Regulations, other applicable legislations governing dividends and the Articles of Association of the Company, as in force and as amended from time to time.

The decision of distributing dividend or utilisation of the retained earnings shall be taken after having due regard to the parameters laid down in this Policy.

G. PARAMETERS FOR VARIOUS CLASSES OF SHARES

1. The factors and parameters for declaration of dividend to different class of shares of the Company shall be same as covered above. The payment of dividend shall be based on the respective rights attached to each class of shares as per their terms of issue.
2. The dividends shall be paid out of the Company's distributable profits and/or general reserves, and shall be allocated among shareholders on a pro-rata basis according to the number of each type and class of shares held.
3. Dividend when declared shall be first paid to the preference shareholders of the Company as per the terms and conditions of their issue.

AMENDMENT

To the extent any change/amendment is required in terms of any applicable law, the Managing Director or the Chief Executive Officer or the Whole Time Director of the Company shall be jointly / severally authorised to review and amend the Policy, to give effect to any such changes/ amendments. Such amended Policy shall be periodically placed before the Board for noting and necessary ratification immediately after such changes.

Date: 10.09.2016
Place: Kolkata

Sd/-
HEMANT KANORIA
CHAIRMAN