CHL LIMITED
Dividend Distribution Policy

1. Objective

To establish broad principles for declaration and payment of dividend while balancing shareholder returns and long-term financial requirements.

2. Legal Framework

Prepared with reference to Sections 205, 205A, 205B, 206, 206A and other applicable provisions of the Companies Act, 1956, Articles of Association and applicable Listing Agreement requirements prevailing under the 1956 Act.

3. Guiding Principles

Dividend shall be declared out of profits after providing for depreciation, or out of accumulated profits transferred by Government where permitted by law. The Board shall recommend dividend and shareholders shall declare dividend not exceeding the Board recommendation.

4. Category of Dividends

The Act provides for two forms of Dividend- Final & Interim.

4.1 FINAL DIVIDEND

The Final dividend is declared and paid once for the financial year at the time of approval of annual financial statements. The Board has the power to recommend the payment of Final Dividend which is subject to declaration by the shareholders in annual general meeting of the Company.

Approval of payment of Final Dividend

The Board shall recommend amount of final dividend payable to shareholders in its meeting, which shall be subject to Shareholders' approval in the Annual General Meeting.

4.2 INTERIM DIVIDEND

The Board of Directors of the Company may declare interim dividend during any financial year or at any time during the period from closure of financial year till holding of the annual general meeting, out of the surplus in the profit and loss account or out of profits of the financial year for which such interim dividend is sought to be declared or out of the profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend.

Approval of payment of interim dividend

Board may declare interim dividend at its complete discretion in line with this Policy, based on profits arrived at as per quarterly (or half- yearly) financial statements. The Board may decide to declare such interim dividend once or more than once during the year. The Board may also recommend a special dividend, as and when deemed appropriate.

5. Financial Parameters

The Board shall consider profitability, cash flows, working capital, capital expenditure, debt obligations, reserves, contingent liabilities and future business plans.

5. Circumstances

The Dividend pay-out decision of any Company depends upon below-mentioned factors

5.1 External Factors, including but not limited to: -

State of Economy- in case of uncertain or recessionary economic and business conditions,

Board will endeavor to retain a larger part of profits to build up reserves to absorb future shocks. Capital Markets- when the markets are favorable, dividend payout can be liberal. However, in case of unfavorable market conditions, Board may resort to a conservative dividend pay-out in order to conserve cash outflows.

- **Statutory Restrictions**- the Board will keep in mind the restrictions imposed by the Companies Act and other statutory authorities with regard to declaration of dividend.
- **Government Regulations-** Any political, tax and regulatory changes in the geographies in which the Company operates.

5.2 Internal Factors: -

Apart from the various external factors aforementioned, the Board will take into account various internal factors while declaring dividend, which inter alia may include

i) Business plans;

ii) Present & future Capital requirements of the existing businesses;

iii) Brand/ Business Acquisitions/Mergers;

iv) Expansion/ Modernization of existing businesses;

6. Utilisation of Retained Earnings

Retained earnings may be used for expansion, modernization, debt reduction, acquisitions, contingencies and strengthening the financial position.

7. Transfer and Payment

Dividend shall be transferred and paid within timelines prescribed under the Companies Act, 1956. Unpaid dividend shall be transferred to the Unpaid Dividend Account and thereafter dealt with in accordance with Section 205A and Section 205C.

8. Review

The Board may review or amend this policy subject to the Companies Act, 1956.