

THE SHIPPING CORPORATION OF INDIA LTD



SCI DIVIDEND DISTRIBUTION POLICY

PREAMBLE:

The shares of Shipping Corporation of India Limited (“SCI”) are listed on BSE Limited, Mumbai and National Stock Exchange of India Limited (NSE), Mumbai.

In accordance with Regulation 43A in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, SCI is hereby publishing the amended Dividend Distribution Policy of the Company.

The Board of Directors of the Company (“the Board”) has adopted the Dividend Distribution Policy at its meeting held on August 07, 2020. This policy shall be known as SCI Dividend Distribution Policy (the “Policy”)

STATUTORY REQUIREMENTS:

The Board shall comply with the following statutory requirements while taking decision of a dividend payout during a particular year:

- (a) Companies Act, 2013 and rules applicable thereon including those with respect to mandatory transfer of a certain portion of profits to any specific reserve which may be applicable to the Company at the time of taking decision with regard to dividend declaration or retention of profit.
- (b) Guidelines or directives issued by the Government of India
- (c) Any other laws

CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND:

The Board of Directors of the Company, while declaring or recommending dividend shall ensure compliance with statutory requirements under applicable laws including the provisions of the Companies Act, 2013 and Listing Regulations.

The Board of Directors, while determining the dividend to be declared or recommended shall take into consideration the advice of the executive management of the Company and the planned further investments for growth apart from other parameters set out in this Policy. The Board of Directors of the Company may not declare or recommend dividend for a particular period if it is of the view that it would be prudent to conserve capital for the then ongoing or planned business expansion or other factors which may be considered by the Board.

FINANCIAL PARAMETERS FOR DIVIDEND DISTRIBUTION

The Company has issued only one class of Shares, i.e. Equity Shares. Hence, the parameters disclosed hereunder apply to the same.

The Board while considering payment of dividend for a financial year may, inter-alia, considers the following factors: -

- ❖ Profit for the financial year as well as general reserves of the Company
- ❖ Projections of future profits and cash flows
- ❖ Borrowing Levels and the Capacity to borrow
- ❖ Present and Future Capital expenditure plans of the Company including organic/inorganic growth avenues
- ❖ Applicable taxes including tax on dividend

- ❖ Compliance with the provisions of the Companies Act, 2013 or any other statutory guidelines including guidelines issued by Government of India
- ❖ Past dividend trend for the Company and the industry
- ❖ State of economy and capital markets
- ❖ Any other factor as may be deemed fit by the Board.

The profits for a year may be adjusted at the discretion of the Board, for the purpose, to exclude exceptional or one off items or non-cash items resulting from change in law, accounting policies, accounting standards or otherwise.

The company endeavors to declare the dividend as per the guidelines issued by Department of Investment & Public Asset Management (DIPAM), Government of India from time to time.

The company is committed to continuous growth and has plans requiring significant capital outlay. The retained earnings, after distribution of dividend, shall primarily be utilized towards this purpose.

The Board may declare interim dividend(s) as and when considered fit, and recommend final dividend to the shareholders for their approval in the general meeting of the Company. The Board may additionally recommend special dividend in special circumstances.

INTERNAL AND EXTERNAL FACTORS THAT SHALL BE CONSIDERED FOR DECLARATION OF DIVIDEND

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in business. The Board of Directors will endeavor to take a decision with an objective to enhance shareholders wealth and

market value of the shares. However, the decision regarding pay-out is subject to several factors. Hence, any optimal policy in this regard may be far from obvious.

The Board of Directors may consider the below mentioned internal and external factors in addition to financial parameters while deciding the dividend payout ratio:

EXTERNAL FACTORS:

- ❖ Economic environment, both domestic and global.
- ❖ Unfavorable market conditions
- ❖ Changes in Government policies and regulatory provisions
- ❖ Cost of raising funds from alternate sources
- ❖ Inflation rates
- ❖ Sense of shareholders' expectations
- ❖ Cost of external financing

INTERNAL FACTORS:

- ❖ Profits earned and available for distribution during the financial year
- ❖ Accumulated reserves, including retained earnings
- ❖ Mandatory transfer of Profits earned to specific reserves, such as Debenture Redemption Reserve, etc.
- ❖ Past dividend trends – rate of dividend, EPS and payout ratio, etc.
- ❖ Earning Stability
- ❖ Future Capital Expenditure requirement of the Company
- ❖ Growth plans, both organic and inorganic
- ❖ Capital restructuring, debt reduction, capitalisation of shares
- ❖ Crystallization of contingent liabilities of the Company

- ❖ Profit earned under the Consolidated Financial Statement
- ❖ Cash Flows
- ❖ Current and projected Cash Balance and Company's working capital requirements.
- ❖ Covenants in loan agreements, Debt servicing obligations and Debt maturity profile.

UTILISATION OF RETAINED EARNINGS:

The profits retained in business may be used for corporate actions in accordance with applicable laws and for investments towards growth of the business. The Company may choose to retain a part of its profits and distribute the balance among its shareholders as dividend. The Board of Directors will aim to balance between all these needs.

PARAMETERS THAT SHALL BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARE

Company does not have different classes of shares.

POLICY REVIEW

The Policy will be reviewed as and when required by the Board. Any changes or revisions to the policy will be communicated to shareholders in a timely manner. This revised policy has been adopted by the Board of Directors of the Company at its meeting held on ___ August, 2020 being the effective date of this Policy.

CONFLICT IN POLICY

In the event of any conflict between this Policy and the provisions contained in the regulations, the regulations shall prevail.

AMENDMENT

The following amendments in the Policy shall be carried out with approval from Chairperson & Managing Director of SCI:

- ❖ Amendments in the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015,
- ❖ The Companies Act, 2013 and rules made there under
- ❖ Any other statutory legislation.

Provided the Board is kept informed about the said amendment at the first Board Meeting held after such amendment

Any amendment for the reasons other than those mentioned above shall need approval by the Board of Directors.

DISCLOSURES

The Policy shall be disclosed in the Annual Report of SCI and on the website of the Company i.e. at www.shipindia.com
