

THE GREAT EASTERN SHIPPING COMPANY LIMITED

Dividend Distribution Policy of The Great Eastern Shipping Company Limited

- a) This Policy is made pursuant to the requirements of Clause 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as the 'Regulations').
- b) Dividend is the share of profits of a company which is paid by the company to its shareholders.

The process of declaration of dividend and, in certain circumstances, quantum of dividend is regulated by the Companies Act, 2013 (hereinafter referred to as the '**Act**'). Provisions of Income Tax Act, 1961 are also relevant. There may also be certain contractual constraints.

As per the Act, 'interim' dividend can be declared by the Board of Directors. Whereas, 'final' dividend is recommended by the Board of Directors and declared by shareholders at their annual general meeting.

- c) 'Declaration of dividend' is one of the key financial decisions of the Company, forming part of the overall strategy for efficient allocation of capital as well as increasing shareholder's wealth.

There are numerous factors which affect the decision concerning the portion of the profits of the Company to be distributed by way of dividend and the portion to be retained for future requirements.

This Policy sets out the general parameters adopted by the Company for declaration of dividend for guidance purposes.

The broad parameters (for declaration of dividend or otherwise and quantum of dividend) are as follows:

i) **Profitability:**

'Profitability' is the prime factor that determines the amount of dividend to be distributed by the Company. The Company shall strive to maintain a positive relationship between profitability and dividend payout.

Dividend shall normally be paid out of current year's profits. However, the Company may sometimes declare dividend out of past year's profits.

ii) **Liquidity:**

Liquidity is another factor that determines the amount of dividend to be distributed by the Company. Here, liquidity refers to the 'cash position' of the Company. The Company shall strive to maintain a positive relationship between liquidity and dividend payout.

iii) **Leverage and debt repayment:**

This is also considered a key factor for declaration of dividend. High leverage ratios lead to high financing costs and thereby weakening the position to pay higher dividends. There is a negative relationship between leverage and dividend payout.

iv) **Capital requirements:**

A negative relationship is expected between long term and short term capital requirements and dividend payout. Sometimes, the Company may be required to retain a higher part of its profits for strengthening its financial position as well as for meeting its long term and short term capital requirements.

v) **Group companies**

The Company will also consider the financial support required by its subsidiary and investee companies when deciding on the amount of dividend paid out to shareholders.

vi) **Other factors**

The Company also needs to consider several other factors such as modernization of fleet, major repairs and maintenance, likelihood of crystallization of contingent liabilities, material risks being faced by the Company, etc. while taking decision on declaration of dividend.

d) This Policy has been adopted by the Board of Directors of the Company at its meeting held on August 11, 2016.