



CENTRAL MINE PLANNING & DESIGN INSTITUTE LIMITED

Dividend Distribution Policy

**CENTRAL MINE PLANNING & DESIGN INSTITUTE LIMITED
(A MINIRATNA COMPANY)
(A Subsidiary of Coal India Limited)
RANCHI – 834008**

Central Mine Planning & Design Institute Limited

DIVIDEND DISTRIBUTION POLICY

1.0 Background

As per SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 (hereinafter called as “LODR”), the Company is required to formulate and disclose its dividend distribution policy. Accordingly, the Board of directors (“the Board”) of the Company has approved this Dividend Distribution Policy (the “Policy”) at its meeting held on 25th Sep’17.

The objective of this Policy is to provide clarity to the stakeholders of the Company on the dividend distribution framework to be adopted by the Company.

2.0 Factors to be considered for dividend distribution

The Board will consider various parameters/ factors, including but not limited to the following before making any recommendation for dividend distribution in the best interest of the Company and its Stakeholders:

A. Financial Parameters / Internal Factors:

- a. Magnitude of current year’s earnings of the Company:
Since dividend is directly linked with the availability of earnings, the magnitude of earnings will significantly impact the dividend declaration decision of the Company.
- b. Free cash flows of the Company:
For ascertaining the amount of dividend distribution, free cash flows available to the Company will be ascertained after consideration of capital expenditure requirement, proposed investment in projects, repayment of borrowings, change in working capital requirement, diversification, research and development etc.
- c. Return on invested capital:
The efficiency with which the Company uses its capital will impact the decision of dividend declaration.
- d. Cost of borrowings :
The Board will analyze the requirement of necessary funds considering the long term or short term projects proposed to be undertaken by the Company and the viability of raising funds from alternative sources viz a viz plough back of its own funds.
- e. Obligations to lenders:
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.

B. External Factors:

- a. Macro-economic environment:
In case of uncertain or recessionary economic and business conditions, the Company may decide to retain larger part of profits to build up reserves to sustain future uncertainties.

b. Statutory requirements:

The Company shall observe the relevant laws including taxation laws, regulations and the guidelines issued by the Department of Investment and Public Asset Management (“DIPAM”) and the Administrative Ministry, Government of India as are applicable for the time being in force.

c. State of Capital Markets:

The Board will analyze the requirement of necessary funds considering normal capital expenditure, long term or short term projects proposed to be undertaken by the Company and the viability of the options in terms of cost of raising necessary funds from external sources or plough back of its own funds.

3.0 Applicable laws, rules, regulations and guidelines:

- The Board shall consider the provisions of the Companies Act, 2013 and Rules made thereunder, other relevant laws, regulations, the guidelines issued by the Department of Investment and Public Asset Management (“DIPAM”) and the Administrative Ministry, Government of India as are applicable for the time being in force while recommending the dividend.
- Interim Dividend:
Interim Dividend will be declared out of the surplus in the profit and loss account and out of profits of the financial year in which such interim dividend is sought to be declared, provided that in case the company has incurred loss during the current financial year up to the end of the quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall not be declared at a rate higher than the average dividends declared by the company during the immediately preceding three financial years.
- Final Dividend:
Final Dividend will be declared out of the profits of the company for that year arrived at after providing for depreciation, or out of the profits of the company for any previous financial year or years arrived at after providing for depreciation and remaining undistributed, or out of both.

In case of inadequacy or absence of profits in any financial year, the Board may consider declaring final dividend out of accumulated profits earned by it in previous years and transferred by the company to the reserves, subject to applicable rules. No dividend shall be declared or paid by the company from any reserves apart from free reserves.

- Unrealized gains included in ‘Other Comprehensive Income’ will not be considered for declaration of dividend.

4.0 Circumstances under which the shareholders of the company may or may not expect dividend

The decision regarding dividend payout 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. Hence, the shareholders of the Company *may expect* dividend only if the Company is having surplus funds after providing for all the expenses, depreciation, Capital Commitment etc., and after complying with the statutory requirements under the Applicable Laws.

The shareholders of the Company *may not expect* dividend in the following circumstances, subject to the discretion of the Board of Directors:

- in case of inadequacy of profits or whenever the Company has incurred losses;
- whenever the Company undertakes or proposes to undertake a significant expansion project requiring higher allocation of resources;
- whenever it undertakes any acquisitions or joint arrangements requiring significant allocation of resources.

- significantly higher working capital requirement affecting free cash flow and
- in case being prohibited to recommend/declare dividend by any regulatory body

5.0 Policy as to how the retained earnings shall be utilized

The Company shall endeavor to utilise the retained earnings in a manner which shall be beneficial to the interests of the Company and also its shareholders. The Company may utilize the retained earnings for making investments for future growth and expansion plans, for the purpose of generating higher returns for the shareholders or for any other specific purpose, as approved by the Board of Directors of the Company.

6.0 Parameters to be adopted with regard to various classes of shares

The Company has issued only one class of equity shares with equal voting rights, hence all the members of the Company are entitled to receive the same amount of dividend per share. The Policy shall be suitably revisited if and when any new class of shares are issued, depending upon the nature and guidelines thereof.

7.0 Other provisions

All changes and amendments to this Policy shall be made by the Board of Directors as and when necessary. If as a result of changes to the laws of the land, any individual clause of this Policy contradicts such change, the law shall have the overriding effect over Policy. This Policy (as amended from time to time) will be available on the Company's website and in its annual report.

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