

BEML LIMITED
Bengaluru

BEML Dividend Distribution Policy

1. Introduction:

Securities Exchange Board of India (SEBI) vide its notification dated 08.07.2016 has inserted Regulation 43A in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (second amendment) which stipulates that top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) shall formulate a dividend distribution policy which shall be disclosed in its annual report and on its website.

Further, the Dividend Distribution Policy shall include the following parameters:

- (a) the circumstances under which the shareholders of the Company may or may not expect dividend;
- (b) the financial parameters that shall be considered while declaring dividend;
- (c) internal and external factors that shall be considered for declaration of dividend;
- (d) policy as to how the retained earnings shall be utilized; and
- (e) parameters that shall be adopted with regard to various classes of shares.

Provided that if the Company proposes to declare dividend on the basis of parameters in addition to clauses (a) to (e) above or proposes to change such additional parameters or the dividend distribution policy contained in any of the parameters, it shall disclose such changes along with the rationale for the same in its annual report and on its website.

The securities of the Company are listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). BEML Limited (BEML) is amongst the top 500 listed entities as per the market capitalization criteria and accordingly formulated its Dividend Distribution Policy.

2. Objective:

The objective of this Policy is to enhance the value of the Company and its shareholders through regular dividend payout by the Company after balancing the requirement of immediate payout from profits, for its sustenance and future growth plans.

3. Policy Framework:

The policy has been formulated in line with the provisions of the Companies Act, 2013, SEBI LODR Regulations, 2015, Guidelines on "Capital Restructuring of

Central Public Sector Enterprises” issued by Department of Investment and Public Asset Management (DIPAM), guidelines issued by Ministry of Finance, Ministry of Corporate Affairs, Department of Public Enterprises and other guidelines, to the extent applicable to the Company from time to time. Any subsequent amendments issued by the regulatory authorities and Government of India in these provisions would apply to this policy from time to time.

4. Effective Date:

The ‘BEML Dividend Distribution Policy’ approved by the Board on 25.05.2018 will be effective from the financial year 2017-18.

5. Exclusions:

The Policy shall not apply to:

- (a) Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law;
- (b) Distribution of cash as an alternative to payment of dividend by way of buyback of equity shares.

6. Declaration / Recommendation of Dividend:

Interim Dividend

- (a) The Board may consider declaration of Interim dividend(s) in the Board meeting convened for approval of 2nd or 3rd quarter financial results and also the profit projections for the remaining part of the year.
- (b) The payment of the dividend shall be as per the applicable provisions of the Companies Act, 2013.
- (c) In case no final dividend is declared, the interim dividend, if any, paid during the year, will be regarded as the final dividend in the annual general meeting.

Final Dividend

- (a) Recommendation of final dividend, if any, shall be done by the Board usually in the Board Meeting that considers and approves the annual financial statements, subject to the approval of the shareholders of the Company.
- (b) The dividend recommended by the Board shall be approved / declared at the annual general meeting of the company.
- (c) The payment of the dividend shall be as per the applicable provisions of the Companies Act, 2013.

7. 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 for future growth and modernization & expansion plan of the Company.

In terms of Section 123 of the Companies Act, 2013, no dividend shall be declared or paid by a company for any financial year, except 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.

Provided that the company may, before the declaration of any dividend in any financial year, transfer such percentage of its profits for that financial year as it may consider appropriate to the reserves of the company.

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

- (a) In case of inadequacy of profits or the Company has incurred losses;
- (b) Whenever the Company proposes to utilise the surplus cash for buyback of securities.
- (c) Any other circumstance/instance which the Board of Directors may consider relevant to the dividend declaration decisions.

Further, the dividend for the financial year shall be decided / recommended by the Board of Directors, considering the statutory, economic, market, industry, external and internal factors.

8. Financial Parameters that shall be considered while recommending / declaring dividend:

BEML, being a Central Public Sector Enterprise (CPSE) has to comply with the guidelines on "Capital Restructuring of Central Public Sector Enterprises" issued by DIPAM, Govt. of India on 27.05.2016 and 19.12.2016, mandating every CPSE to pay a minimum annual dividend of 30% of PAT or 5% of the net-worth, whichever is higher subject to the maximum dividend permissible under the extant legal provisions. Nonetheless, CPSEs are expected to pay the maximum dividend permissible under the Act under which a CPSE has been set up, unless lower dividend proposed to be paid is justified on a case to case basis after considering the following financial parameters:

- (a) Net worth of the Company and its capacity to borrow;
- (b) Long-term borrowings;
- (c) Retention of profit for further leveraging in line with CAPEX/Business Expansion needs;
- (d) Cash and bank balance;
- (e) Working capital requirements; and
- (f) Any other parameter which the Board may consider fit.

9. Internal and External factors that shall be considered for declaration of dividend:

Internal Factors

The internal factors that shall be considered by the Board for declaring / recommending dividend would include past payout of dividend, cash flow, CAPEX plan and statutory provisions applicable to the Company for payment of dividend, etc.

External Factors

The external factors that shall be considered by the Board for declaring / recommending dividend would include macro-economic conditions affecting the industry and Company, practice followed by industry and industry segment, applicable statutory provisions and guidelines, commodity prices, expectations of the shareholders and any other factor which the Board may consider fit based on the general market conditions.

10. Utilization of Retained Earnings:

The Company is a major player in Defence, Mining & Construction and Rail & Metro business segments and is acutely conscious of the need to plough back adequate profits for operations and capital investment in order to maintain, and more importantly improve its market position in the face of stiff competition arising from the opening up of this sector to private players, both domestic and foreign.

The Company has an ambitious CAPEX programme and also has necessarily to invest in various R&D projects for conducting “No Cost No Commitment Trials” with users in order to foster growth. Further, with the anticipated higher growth in sales year on year, the incremental working capital requirements also will have to be met increasingly from cash and reserves of the Company.

11. 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 members of the Company are entitled to receive the same amount of dividend per share. As and when it proposes to issue any other class of shares, the policy shall be modified accordingly.

12. Amendments:

The Company reserves its right to amend any or all of the provisions of the policy as it may deem fit from time to time in accordance with the subsequent amendments to the Companies Act, 2013, SEBI LODR Regulations 2015, guidelines or directives

issued by Ministry of Defence, Ministry of Finance, DPE, DIPAM, etc and other applicable statutes.

13. Disclosure:

This policy shall be disclosed in the Annual Report and hosted on the Company's website at www.bemlindia.in.
