DIVIDEND DISTRIBUTION POLICY

A. Background

Pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires top thousand listed entities based on market capitalization (calculated as on 31st March of every financial year) to formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites, the Dividend Distribution Policy of STC has been formulated.

Dividend is declared at the Annual General Meeting of the shareholders based on the recommendation by the Board. Board may recommend dividend / interim dividend, at its discretion, to be paid to shareholders.

B. Policy Framework

The policy has been framed broadly in line with the provisions of the Companies Act and also taking into consideration, guidelines on “Capital Restructuring of Central Public Sector Enterprises” issued by Department of Investment and Public Asset Management (DIPAM), Ministry of Finance, Department of Public Enterprises, SEBI and other guidelines, to the extent applicable.

C. Objective and Scope of the Policy

The decision regarding dividend pay-out is a crucial decision as it balances the amount of profit to be distributed amongst shareholders with the requirement of deployment of internal accruals for sustenance and growth plans of the Company.

Therefore, the objective of this Policy is to establish the parameters to be considered by the Board of Directors of the Company before declaring or recommending dividend / interim dividend.

The Policy reflects the intent of the Company to reward its shareholders by sharing a portion of its profits after retaining sufficient funds for growth of the Company. The Company would endeavor to pay sustainable dividend keeping in view the Company's policy of meeting the long-term growth objectives from internal cash accruals.

D. Circumstances under which the shareholders of the Company may or may not expect dividend

Generally, the Board will consider parameters such as, but not limited to, future capital expenditure plans, profits earned during the financial year, cost of raising funds from alternate sources, cash flow position and applicable taxes including tax on dividend, guidelines issued by the Government before making any recommendations for the dividend.

E. Financial Parameters that shall be considered while declaring dividend

STC, a CPSE, endeavors to declare dividend as per the guidelines on "Capital Restructuring of Central Public Sector Enterprises" issued by DIPAM, Govt. of India on 27.05.2016, which 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.

However, the Company is expected to pay the maximum dividend permissible under the Act under which it has been set up, unless lower dividend proposed to be paid is justified on a case to case basis at the level of Ministry of Commerce & Industry after considering the following financial parameters:

- **(i)** Net-worth and Capacity to borrow;
- **(ii)** Long-term borrowings;
- **(iii)** CAPEX/Business Expansion needs;
- **(iv)** Retention of profit for further leveraging in line with the CAPEX needs; and
- **(v)** Cash and bank balance.

F. Internal and External factors to be considered for declaration of Dividend:

In addition to the aforesaid parameters such as profits and proposed capital expenditures, the decision of dividend payout or retention of profits shall also be based on the following internal and external factors/ parameters:

Internal Factors

The Company shall consider various internal factors such as, but not limited to, networth, present & future capital requirements of the existing businesses, additional investments in subsidiaries/associates of the Company and any other factor as deemed fit by the Board.

As per the extant guidelines issued by DIPAM, Govt. of India, every CPSE would 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. Being a Government Company, STC is required to comply with these guidelines.

External Factors

The Company shall consider various external factors such as, but not limited to, Economic Environment and Statutory Provisions and Guidelines for declaration of Dividend.

The Company, in case of uncertain or recessionary economic and business conditions, the Company will endeavor to retain larger part of profits to build up reserves to sustain future updowns.

The Company will adhere to the restraints imposed by Companies Act with regard to declaration of dividend. Further, being a Government Company, the Company shall also consider the guidelines in force in respect of dividend declaration as issued from time to time by the Govt. of India or by any other statutory bodies.

G. Utilization of Retained Earnings

The retained earnings shall be utilised primarily for the growth prospect of the company for the maximisation of the shareholder’s fund. The company shall take following factors into consideration for the utilisation of the retained earnings:

(i) Short term and long term plans of the Company.
(ii) Diversification opportunities.
(iii) Government guidelines with regard to issue of bonus, buy-back etc.
(iv) Any other criteria which the Board of Directors may consider appropriate.

H. <u>Parameters to be adopted with regard to various classes of shares:</u>

The holders of the equity shares of the Company, as on the record date, are entitled to receive dividends. Since the Company has issued only one class of equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of dividend per share. The policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

I. <u>Other provisions</u>

In case of any subsequent changes in any Statutory Act, Rules, Regulations etc. which makes any of the provisions in this policy inconsistent with them, then the provisions of the Statutory Act, Rules, Regulations etc. would prevail over the policy.

CMD/Functional Director is authorized to approve any minor modifications/ deviations to the policy and will be the competent authority for any interpretation with regard to this Policy.

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