



NARAYANA HRUDAYALAYA LIMITED



DIVIDEND DECLARATION POLICY



OFFICIAL DOCUMENT

This Policy document is the property of Narayana Hrudayalaya Ltd. All ideas and information contained within this document are Intellectual Property Rights of Narayana Hrudayalaya Ltd. These documents are not for general distribution and are meant for use only for the person they are specifically issued to. These documents shall not be loaned to anyone, within or outside Narayana Hrudayalaya Ltd, including its customers. Copying or unauthorized distribution of these documents, in any form or means including electronic, mechanical, photocopying or otherwise is illegal.

All rights reserved by Narayana Hrudayalaya Ltd.



1. Purpose and Scope

Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 mandated framing of Dividend Distribution Policy by top 500 listed companies, based on the market capitalisation.

In view of the said requirement, the Board of Directors of the Company recognises the need to lay down a broad frame work with regard to distribution of dividend to its shareholders and utilisation of the retained earnings. The Policy reflects the intent of the Company to reward its shareholders by distributing a portion of its profits after retaining sufficient funds for the business needs and growth of the Company.

The policy, in the interest of providing transparency to the shareholders, sets out the circumstances and different factors for consideration by the Board at the time of deciding on distribution or of retention of profits.

The Company would ensure to strike the right balance between the quantum of the dividend paid and amount of profits retained in the business for various purposes. The Company believes that driving growth through the unique business model of the company in the healthcare sector is the key to maintaining a balance between creating value for the shareholders and ensuring growth of the company. Towards this end, the company would utilise its profits first towards various business requirements like expenditure to meet expansion, reducing debt, maintaining optimum working capital, funds for inorganic growth opportunities. The Board of Directors will have regards to this policy while declaring / recommending dividends on behalf of the Company. Through this policy, the Company would strive to maintain a consistent approach to dividend pay-out plans.

The Board of Directors (the “Board”) of the Company (Narayana Hrudayalaya Limited) in its meeting held on 23rd March 2017 had approved and adopted the Dividend Distribution Policy (the “Policy”) as required in terms of Regulation 43A of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 read with SEBI (Listing Obligations & Disclosure Requirements) (Second Amendment) Regulations, 2016.

The policy shall become effective from the date of its approval by the Board i.e. 23rd March 2017.

2. Parameters for the policy

2.1. Operating Performance

The Board shall determine the dividend pay-out in a particular year after taking into consideration the operating and financial performance of the Company, the advice of executive management and other relevant factors in this regard.

2.2. Operating cash flow of the Company

In case of inadequacy in operating cash flow, the Company may need to rely on external funding to meet its financial obligations and other working capital needs. The Board will consider the same before deciding on whether to declare dividend or retain its profits.



2.3. Inadequacy of profits

If during any financial year, the Board determines that the profits of the Company are inadequate or in the event of loss, the Board may decide not to declare dividends for the financial year.

2.4. Statutory / Regulatory requirements and tax considerations

- a. The Company shall observe the relevant statutory requirements including those with respect to mandatory transfer of a certain portion of profits to any specific reserve(s), as may be applicable to the Company at the time of taking decision with regard to dividend declaration or retention of profit.
- b. Dividend distribution tax as per applicable tax regulations in India.
- c. Any restriction on payment of dividends by virtue of any regulation, if any, as may be applicable to the Company at the time of declaration of dividend.

2.5. Operational and working capital requirements, provision for depreciation and capital expenditure plans

In addition to the operational and working capital requirements, the Board may also take into account the need to plough back the earnings on account of depreciation, replacement of capital assets, expansion and modernization or augmentation of capital assets, including any major capital expenditure proposal(s) and inter-corporate investments.

2.6. Prudential requirements

The Company may take into account the following prudential requirements:-

- a. The need to augment long term financial resources for the Company,
- b. Ability of the Company to raise finance from the lending markets and capital markets and prevailing market conditions thereto.
- c. Prospective projects and strategic decisions in order to decide to build a healthy reserve of retained earnings to fund organic and inorganic expansions.

2.7. Stakeholders' expectations

The Board, while considering the decision of dividend pay-out or retention of a certain amount out of entire profits of the Company, shall, as far as possible, consider the expectations of the major stake holders including the small shareholders of the Company, who generally expects for a regular dividend pay-out.

3. Other significant parameters:

3.1. Circumstances under which the shareholders may or may not expect dividend

The Shareholders of the Company may not expect Dividend under the following circumstances:-

- a. Significant expansion project requiring higher allocation of capital.
- b. Any acquisitions or joint ventures requiring significant allocation of capital.
- c. Utilisation of surplus cash for buy-back of securities.

3.2. Financial parameters that shall be considered while declaring dividend

- a. Profits earned during the year.
- b. The need for ploughing back the profits into business.
- c. Need for conservation of cash due to economic downturn.
- d. Additional investments in subsidiaries/associates.
- e. Working capital requirements.
- f. Capital expenditure requirements.
- g. Funds required for organic and inorganic growth plans from time to time.
- h. Funds to meet any contingencies.
- i. Position of the outstanding borrowings.
- j. Cost of debt.
- k. Consolidated net profit after tax.
- l. Prior dividend trends.

3.3. Internal and External factors to be considered while declaring dividend

The decision regarding dividend pay-out is a crucial business decision as it determines the amount of profit to be distributed among the shareholders and amount of profit to be retained in business. The Board of Directors may decide to declare / recommend dividend, subject to several factors and hence, any optimal policy in this regard may depend upon multifarious factors.

The dividend pay-out decision depends upon the following external and internal factors:-

External Factors:

Prevailing economic and monetary conditions including credit availability, both domestic and international.

Internal Factors:

- a. Restructuring events including mergers and acquisitions.
- b. Loan covenants entered into with Bankers / Lenders / Financial institutions.
- c. Expansion of existing business.
- d. Legal and regulatory requirements.
- e. Any other relevant factors as may be deemed fit by the Board of Directors of the Company.

4. Policy on utilisation of retained earnings:

The Company may utilise the retained earnings for issue of fully paid bonus shares, buy back of shares, restructuring events including mergers and acquisitions, other general factors specified in this policy and for such other purposes as may be statutorily permissible.

5. Parameters adopted with regard to various classes of shares:

- a. At present, the issued, subscribed and paid up share capital comprises only one class, i.e. equity shares.
- b. The payment of dividend shall be based on the respective rights attached to each class of shares as per their terms of issue.



- c. The dividends shall be paid out of the Company's distributable profits and / or general reserves and from such other reserves as may be statutorily permissible, and shall be allocated among shareholders on a pro-rata basis according to the number of each type and class of shares held.

6. Rate/ Quantum of Dividend:

It has always been the Company's endeavour to deliver sustainable value to all its stakeholders. The Company will strive to distribute an optimal and appropriate level of the profits earned by it in its business, to the shareholders, in the form of dividend. The Company would maintain a dividend pay-out as may be determined by the Board from time to time, considering the general business factors and other significant parameters specified in this policy.

7. Amendments to the Policy:

This policy may be amended by the Board at any time either suo-moto and / or pursuant to amendments to the SEBI (Listing Obligations & Disclosure Requirements) Regulations or such other law, rules, regulations, standards, guidelines as applicable and such amendment will take effect from date of the approval of such amendment.