India Tourism Development Corporation Limited

Dividend Distribution Policy

Background

SEBl vide its notification dated 08.07.2016 has inserted regulation 43A in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 which requires top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) to formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites. ITDC has been declared among top 500 listed entities as per the criteria as on 31st March, 2018.

Factors to be considered while declaring Dividend

a) The circumstances when shareholders may/ may not expect dividend

Shareholders of the Company declare dividend at the Annual General Meeting of the Company on the recommendation of the Board of Directors. The dividend is recommended at the discretion of the Board. The factors considered by Board for recommending dividend includes but are not restricted to future expansion plans, profits earned during the financial year, cash flow position, applicable taxes and the guidelines issued by Government from time to time. The decision regarding dividend payout is a crucial decision as it balances the amount of profit to be distributed among the company with the requirement of deployment of internal accruals for sustainment and growth plans of the company.

b) The financial parameters to be considered while declaring dividend

ITDC has been setup under the provisions of Companies Act, 1956, being a Central Public Sector Enterprise the Company endeavors to declare the dividend as per the guidelines on "Capital Restructuring of Central Public Sector Enterprises" issued by DIPAM, Govt., of India on 27.05.2016, 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 at the level of Administrative Ministry/ Department after considering the following financial parameters:

(i) 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.

c) The internal and external factors to be considered while declaring dividend

Internal Factors

The company considers various financial parameters before considering the declaration of dividend as below:

1. Internal Factors:

i. Profit earned during the year

As per 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 or out of profits of the company for any previous financial year/ years arrived at after providing for depreciation in accordance with the provisions of the Act.

ii. Net Worth of the Company

As per the guide lines issued by DIPAM, Government 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 Govt. Company, ITDC is also required to comply with these guidelines or any subsequent modification thereto as may be issued from time to time.

iii. Liquidity Position

The company shall take into account the availability of sufficient cash and bank balances while declaring dividend despite having sufficient retained earnings.

iv. Tax on distribution of profit

The amount / rate of tax payable on distribution of dividends as per taxation laws applicable from time to time may also have a bearing on the amount of dividends.

v. CAPEX Plan

Declaration of Dividend will depend upon the CAPEX plan of the company. Deployment of internal resources to meet the commitment of CAPEX may affect the dividend payout.

vi. Others

Apart from the above financial parameters, the Company may also consider various other internal factors, which inter alia include:

- Present & future capital requirements of the existing businesses and new business as per Business Plan;
- Additional investments in subsidiaries of the Company;

- Dividend yield
- Any other factor as deemed fit

2. External Factors:

i. Capital Market

In the times of favorable markets, dividend pay-out can be liberal. However, in case of unfavorable market conditions where the availability of credit is restricted, the Company may resort to a conservative dividend pay-out in order to conserve cash outflows.

ii. Statutory Provisions and Guidelines

The Company will keep in mind the restrictions 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 Government of India.

Conclusion

ITDC has been set up under the provisions of the Companies Act hence ITDC will adhere to the restriction imposed by the 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.

Modifications/ deviations to the policy

The Board of Director may amend, modify or alter the Policy, as may be considered necessary from time to time. If the company proposes to declare dividend on the basis of parameters in addition to above parameters or proposes to change the above parameters, it shall disclose such changes along with rationale for the same in its annual report and on its website.