Chalet Hotels Limited

DIVIDEND DISTRIBUTION POLICY

Objective and Philosophy

– This Dividend Distribution Policy ("the policy") establishes the principles to ascertain amounts that can be distributed to Equity Shareholders as dividend by the Company as well as enable the Company to strike a balance between pay-out and retained earnings, in order to address future needs of the Company.

– The hospitality industry is a capital intensive industry and the hotels of the Company are owned by the Company which entails substantial capital outlays.

– The objective of this Policy is to reward its shareholders by returning a portion of its profits after retaining sufficient funds for growth of the Company thus maximizing shareholders' value.

– The Policy sets forth the broad principles for guiding the Board and the Management in matters concerning declaration and distribution of dividend, with a view to ensure fairness, transparency, sustainability and consistency in the decision for distributing profits to shareholders.

– The Company believes that driving growth creates maximum shareholder value. Thus, the Company would first utilise its profits inter-alia for working capital requirements, capital expenditure to meet expansion needs, reducing borrowings, earmarking reserves for growth opportunities and thereafter distributing the surplus profits in the form of dividend to the shareholders.

– The Policy shall broadly specify the external and internal factors including financial parameters that shall be considered while declaring dividend and the circumstances under which the shareholders of the Company may or may not expect dividend and how the retained earnings shall be utilized, etc.

Regulatory Framework

– The Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, requires listed companies to formulate a Dividend Distribution Policy.

– The Company has framed this policy to comply with the aforesaid requirements which has been approved by their Board of Directors.

– This Policy shall be effective and applicable for dividend, if any, declared for the Financial Year 2018-19 and onwards.

– Dividends will generally be recommended by the Board once a year, after the announcement of the full year results and before the Annual General Meeting (AGM) of the shareholders, out of the profits of the Company for the current year or out of profits of the Company for any previous financial years or out of both, as may be permitted by the Companies Act, 2013 (the Act).

– In the event of inadequacy or absence of profits in any year, the Board may

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recommend to declare dividend out of the accumulated profits earned by the Company in any previous financial years and transferred to free reserves, provided such declaration of dividend shall be in accordance with the provisions of the Act and Rules framed thereunder.

– The Board may also declare interim dividends as may be permitted by the Act.

– Subject to the provisions of the applicable laws, the Company's dividend pay-out will be determined based on available financial resources, investment and business requirements and taking into account optimal shareholder return.

– While determining the nature and quantum of the dividend pay-out, the Board would take into account the following factors:

a) Internal Factors:
– Cash flow position of the Company
– Profit after Tax during the financial year
– Working capital requirements
– Capital expenditure requirement
– Future cash requirements for Business expansion / organic growth and / or for inorganic growth
– Likelihood of crystalization of contingent liabilities, if any
– Up gradation of technology and physical infrastructure
– Debt levels and cost of borrowings
– Past dividend pay-out ratio / trends

b) External Factors:
– Business cycles
– Industry Outlook for the future
– Economic environment
– Capital markets
– Global conditions
– Changes in the government policies and regulatory provisions and guidelines

c) Circumstances under which the shareholders of the Company may or may not expect dividend

The shareholders of the Company may not expect dividend in the following circumstances, subject to discretion of the Board of Directors:
– Proposed expansion plans, renovations and up-gradations requiring higher capital allocation
– Decision to undertake any acquisitions, amalgamations, merger, joint ventures, new launches etc. which requires significant capital outflow
– Requirement of higher working capital for the purpose of business of the Company
– Debt obligations
– Proposal for buy-back of securities
– In the event of loss or inadequacy of profit

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d) Utilization of Retained Earnings

The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on the following factors:

– Market expansion plans
– Organic and / or inorganic growth
– Diversification of business
– Long term strategic plans for growth
– Replacement of capital assets
– Such other criteria's as the Board may deem fit from time to time.

Disclosures

The Dividend Distribution Policy shall be disclosed in the Annual Report and on the website of the Company i.e. at www.chalethotels.com

Policy review and amendments

The Board may review the Policy from time to time or when changes may be required.

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