

ADVANI HOTELS AND RESORTS (INDIA) LIMITED
DIVIDEND DISTRIBUTION POLICY

Preamble

This Policy shall be called “**The Dividend Distribution Policy**” (hereinafter referred to as “**Policy**”) of Advani Hotels and Resorts (India) Limited (hereinafter referred to as the “**Company**”).

The Policy has been framed in accordance with the applicable provisions of the Companies Act, 2013, rules framed thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other legislations, by-laws, regulations, directions, as may be applicable, as in force and as amended from time to time (“**Applicable Laws**”).

This Policy aims at laying down a broad framework for considering decisions by the Board of Directors of the Company (“**Board**”), with regard to the distribution of dividends to shareholders of the Company (“**Shareholders**”) and / or retention or reinvestment of its profits. The Board may in certain special circumstances or on an achievement of a milestone may deviate from the parameters listed in this Policy.

This Policy is not an alternative to the decision of the Board for recommending the amount of dividends, which recommendation is made after taking into consideration all the circumstances or factors as may be considered relevant by the Board.

This Policy has been approved by the Board.

Objective

The Policy sets out the general principles and parameters adopted by the Company for the declaration of dividends for guidance purposes.

The objective of the Policy is to broadly specify the internal and external factors, including financial and non-financial parameters, which may be considered by the Board while determining the quantum and timing of dividends.

The Policy is aimed to ensure the maximization of Shareholders’ value by maximizing the amount of dividend that is paid to them, while at the same time balancing the need to reward shareholders, without compromising the Company’s ability to incur regular repairs and maintenance expenses and incur routine capital expenditures in the Hotel over the long-term. Lastly, as experienced during the COVID-19 crisis, having a free Cash & Bank Balance of Rs. 10 crores enabled the Company to navigate the crisis and emerge stronger. Therefore, all these competing priorities and parameters should be adequately considered by the Board.

As the Company is debt-free and has a very strong balance sheet with adequate financial reserves, future growth can be achieved by not investing 100% equity, as the Company can leverage its balance sheet to grow with a balanced combination of equity and debt in line with the debt to equity ratio prevalent in the hotel industry. (This growth strategy will result in a higher ROI for all shareholders, as debt provides an interest-tax-shield and also lowers the weighted-average cost of capital).

Keeping the above in mind, the Policy establishes the principles to ascertain the amounts that can be distributed to Shareholders as a dividend by the Board of Directors of the Company, whilst also ensuring that sufficient cash-flows are available in order to address the on-going needs of the Company.

One of the goals of the Company is to develop a reputation of maintaining a consistent track record of suitably rewarding all Shareholders, to attract high-quality investors and especially those who seek a reliable dividend yield.

Effective Date

The Policy shall be effective from the date of its approval by the Board of the Company.

Dividend

Subject to the Applicable Laws, dividend is the amount paid by the Company out of current profits and accumulated profits of earlier years, to its Shareholders in proportion to the amount paid-up on the shares held by the Shareholders. As per the provisions of the Companies Act, 2013, the dividend can be paid as interim or final.

Interim Dividend

- (a) The Board may declare an interim dividend during any financial year or at any time during the period from the closure of a financial year till the holding of the annual general meeting of the Company ("**AGM**") out of the surplus in the profit and loss account or out of profits of the financial year for which such interim dividend is sought to be declared or out of profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend.
- (b) In case the Company has incurred a loss during the current financial year up to the end of the quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall not be declared at a rate higher than the average dividends declared by the Company during the immediately preceding 3 (three) financial years.

- (c) The interim dividend can be declared by the Board one or more times in a financial year and normally, the Board may consider the declaration of interim dividend after the finalization of the quarterly / half yearly financial statements of the Company. However, as there is a transactional distribution cost incurred each time by nature of fees payable to a Registrar & Transfer Agent, courier charges, etc. it is prudent to declare a higher dividend payable in one-go, rather than numerous smaller dividends.
- (d) The interim dividend, if declared, shall be paid to the eligible Shareholders, as per provisions of the Applicable Laws. The first interim dividend, if any, may be declared in the Board Meeting convened for approving financial statements for the 2nd quarter / half-year, and 2nd interim dividend, if any, may be declared at the time of approving financial statements for the 3rd quarter of the financial year.
- (e) In case no final dividend is declared by the Company, the interim dividend paid during the financial year, if any, shall be considered as the final dividend at the AGM of the Company.

Final Dividend

- (a) The final dividend, if any, is paid once in a financial year after the announcement of the annual performance of the Company.
- (b) The Board shall recommend the final dividend to the Shareholders for their approval in the AGM. The declaration of the final dividend, if any, shall be included in the ordinary business items to be transacted at the annual general meeting of the Company.
- (c) The final dividend shall be paid to the eligible Shareholders subject as per provisions of the of the Applicable Laws.

Policy framework

The Company currently has only one class of shares, i.e., equity shares. Therefore, the dividends declared will be distributed amongst all the equity Shareholders, based on their shareholding on the record date as fixed by the Company.

Dividends may be recommended by the Board, after the announcement of the performance of the Company for the entire financial year and before the AGM. The Board may also declare interim dividends as may be permitted as per the Applicable Laws.

The profits being retained in the business shall be continued to be deployed in the Company. The Company stands committed to deliver sustainable value to all its Shareholders.

Parameters for the declaration of dividends

The Board would consider the following (but not limited to) financial parameters and factors before declaring or recommending dividends to Shareholders:

Internal factors / financial parameters:

- (a) Current and future estimated Operating cash flow of the Company;
- (b) Profits earned and available for distribution during the financial year;
- (c) Accumulated profits earned up to the last financial year and available;
- (d) General reserves of the Company;
- (e) Current and future estimated Cash & Bank Balances of the Company;
- (f) Cash-Conversion-Cycle of the Company;
- (g) Working capital requirements;
- (h) On-going and proposed repairs and maintenance requirements;
- (i) On-going and proposed capital expenditure requirements;
- (j) Likelihood of crystalization of contingent liabilities, if any;
- (k) Creation of contingency fund of approximately Rs. 10 crores;
- (l) Past dividend payout ratio / trends;
- (m) Capital restructuring, debt reduction, capitalisation of shares;
- (n) Covenants in the existing loan agreements (if any); and
- (o) Any long-term expansion or growth plans that provide a significant and sustainable ROI.

External factors:

- (a) *Industry outlook and economic environment* - The Board shall reasonably endeavor to retain a portion of profits to build up reserves, in case of any estimated materially significant adverse economic scenarios;
- (b) *Macroeconomic conditions* – Statistically-significant changes in macroeconomic environment materially affecting the businesses in which the Company is engaged in the geography in which the Company operates;

- (c) *Taxation and other regulatory concerns* - Introduction of new regulatory requirements or material changes in the existing taxation or regulatory requirements, which significantly affect the businesses in which the Company is engaged;
- (d) *Statutory provisions and guidelines* – Potential dividends for every financial year shall be decided by Board considering all the various statutory requirements, financial performance of the Company and other internal and external factors enumerated in the Policy;
- (e) *Sense of shareholders' expectations* – The Board shall endeavor to take into consideration the sentiments of the small, individual, retail Shareholder's and comments and expectations while determining the quantum and timing of the dividend;
- (f) *Cost of external financing* - The Board shall analyze the existing debt-to-equity ratio of the Company versus the industry and in addition factor-in the potential requirement of funds considering the long term or short-term projects proposed to be undertaken by the Company and the viability of the options in terms of the cost of raising such necessary funds from external sources, such as bankers, lending institutions or by issuance of debt securities or plough back its own funds; and
- (g) *Market conditions* - The Board shall make reasonable efforts to evaluate the market trends in terms of technological changes mandating investments, competition impacting profits, etc., while determining the dividend.

Circumstances under which the Shareholders may or may not expect a dividend

The decision regarding the timing and quantum of a dividend payout is an important decision, as it determines the amount of the profit to be distributed among all the Shareholders and the amount of the profit to be retained in the business.

The Company would continue to adopt a progressive and dynamic dividend distribution policy to ensure that dividend payments are maximized to reward the Shareholders of the Company while at the same time keeping in mind its immediate and long-term requirements. Dividend for the financial year shall be recommended by the Board, considering the statutory, economic, market, industry, external and internal factors. The Company may not declare dividends or declare dividends at a lower rate under the following circumstances:

- (a) the Company is of the opinion that due to materially significant and statistically-significant risks it is financially not prudent to do so;

- (b) where the Company is having a requirement of funds for working capital, revenue expenditure, on-going and proposed capital expenditure, repayment of loans taken in the past, including in case the Company proposes to utilise surplus cash for the buy-back of securities.

The Company may declare dividend out of the profits of the Company for the year or out of the profits for any previous year(s) or out of the free reserves available for the distribution of dividends, subject to the provisions of the Applicable Laws and after having due regard to the parameters laid down in this Policy.

Disclosure

The Policy will be available on the Company's website.

Modification of the Policy

The Board is authorized to change / amend this Policy from time to time at its sole discretion and / or in pursuance of any amendments made in the Applicable Laws. Any subsequent amendments in these provisions would, *ipso-facto*, apply to this Policy.

The Company reserves its right to alter, modify, add, delete or amend any or all of the provisions of the Policy as it may deem fit or in accordance with the guidelines and regulations as may be issued by Securities and Exchange Board of India or any other regulatory authority. The change in the Policy shall, however, be disclosed along with the justification thereof on the Company's website in accordance with the extant regulatory provisions.

In the event of the Policy being inconsistent with any new regulatory provision, such regulatory provisions shall prevail upon the corresponding provision of this Policy and the Policy shall be construed to be amended accordingly from the effective date of such a provision.