

AVADH SUGAR & ENERGY LIMITED

DIVIDEND DISTRIBUTION POLICY

In pursuance of the Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), which mandates top 500 Listed Companies, 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.

Subject to the provisions of the Companies Act, 2013, rules framed thereunder and any other laws and regulations as may be applicable, the Board of Directors may declare interim dividend or recommend declaration of final dividend by the shareholders. This Policy shall be effective and applicable for dividend(s), if any, declared for the Financial Year 2016-17 onwards.

The Philosophy of the Company is to maximize the Shareholders' wealth in the Company through various means.

The parameters for declaration of dividend are as under:

I) The circumstances under which the shareholders of the Company may or may not expect dividend:

The decision regarding dividend pay-out would seek to balance the dual objective of appropriately rewarding the shareholders through dividend and retaining profits for business needs of the Company.

The shareholder may expect dividend out of the profits of a financial year if there are adequate available profits of the Company for such financial year and such profits are not required to be retained for business needs of the Company.

The shareholders may not expect dividend for a financial year if the profits of the Company for such financial year are not adequate for payment of dividend or otherwise required to be retained for business needs of the Company.

Without prejudice to the above, subject to the provisions of the Companies Act, 2013, the rules framed thereunder and any other laws and regulations, as may be applicable:

a) In case there are no profits or the profits are not adequate during a financial year for declaration of dividend, the Board of Directors may recommend payment of dividend, partly or fully, out of the profits of the Company for any previous financial year(s), provided such profits are not required to be retained for business needs of the Company.

b) The Board of Directors of the Company may consider recommending payment of dividend out of free reserves of the Company in case of inadequacy of profits during a financial year, if the Board of Directors is of the opinion that:

i) Inadequacy of profits is of temporary nature and the Company is expected to earn profits in the next 2 to 3 financial years; and

ii) The amount of dividend to be declared out of the reserves is not required to be conserved for business needs of the Company.

II) The Financial parameters and internal and external factors to be considered for payment of Dividend

The financial parameters and internal and external factors to be considered by the Board of Directors while taking decision for recommendation of dividend are as under:

- a) Profitability of the Company / Stability of the earnings
- b) The requirement of funds for business needs of the Company such as replacement of capital assets, expansion and / or modernisation, capital expenditure programme and growth plans, etc.
- c) Resources required to fund acquisition and/or new business and/or any other strategic priorities / initiatives
- d) Operating cash flow of the Company
- e) Debt repayment obligations of the Company
- f) Financial and other covenants agreed with the lenders of the Company
- g) Cost of servicing outstanding debt
- h) Cost of raising funds for the business needs of the Company
- i) Policies of the Government of India relevant for the business and operations of the Company
- j) Overall economic and business scenario
- k) Regulatory or statutory restrictions in respect of declaration or payment of dividend
- l) Prevailing state of the capital markets
- m) Likelihood of crystallization of contingent liabilities, if any
- n) Other factors beyond control of the Management like natural calamities, fire, etc. effecting
- o) operations of the Company.

Declaration of dividend on the basis of parameters in addition to the elements of this Policy or resulting in amendment of any element or the Policy will be regarded as deviation. Any such deviation on elements of this Policy in extraordinary circumstances, when deemed necessary in the interests of the Company, along with the rationale will be disclosed in the Annual Report

III) Policy in respect of utilization of retained earnings

The retained earnings of the Company can be utilized by the Company for the following, not necessarily in same order:

- a) Declaration of dividend in the manner specified above in the Policy
- b) Issue of Bonus shares
- c) Augmenting the internal resources including working capital
- d) Funding of capital expenditure and / or expansion / modernization plans of the Company
- e) Repayment of Debt
- f) Strategic Investments
- g) Any other purpose as may be determined by the Board of Directors subject to the provisions of the applicable laws

IV) Parameters to be adopted for various classes of shares

Presently, the Authorised Share Capital of the Company is Rs.170,05,00,000.00 divided into 5,60,50,000 (Five crore sixty lac and fifty thousand) Equity Shares of Rs. 10/- (Rupees ten) each and Rs. 50,00,00,000.00 Preference Shares divided into 5,00,00,000 (Five crore) Preference Shares of Rs. 10/- and Rs.34,00,00,000.00 Preference Shares divided into 34,00,000 (Thirty-four lacs) Preference Shares of Rs. 100/- each and Rs.30,00,00,000.00 Unclassified Shares divided into 3,00,00,000 (Three crore) Unclassified Shares of Rs.10/- each.

The Company shall first declare dividend on outstanding preference shares, if any, at the rate of dividend fixed at the time of issue of preference shares and thereafter, the dividend would be declared on equity shares.

As and when the Company issues other kind of shares, the Board of Directors may suitably amend this Policy.

This Policy can be amended, modified or revised by the Board of Directors of the Company from time to time. In case any provisions of this Policy are contrary to or inconsistent with the provisions of the Companies Act, 2013, rules framed thereunder and Listing Regulations ("Statutory Provisions"), the provisions of Statutory Provisions shall prevail.