

Dividend Distribution Policy

(Approved by the Board of Directors of the Company on August 7, 2016)

Objective

The objective of the Dividend Distribution Policy of the Company is to reward its shareholders by sharing a portion of the profits, whilst also ensuring that sufficient funds are retained for growth of the Company.

This policy aims to ensure a regular dividend income for the shareholders and long term capital appreciation for all stakeholders of the Company. The Company would ensure to strike the right balance between the quantum of dividend paid and amount of profits retained in the business for various purposes. The Board of Directors will refer to the policy while declaring/ recommending dividends on behalf of the Company. Through this policy, the Company would endeavor to maintain a consistent approach to dividend pay-out plans.

Policy

The Company would endeavor to pay 6% of the face value per share as dividend every year, subject to the gross dividend payout not exceeding 33% of the net profit after tax of the Company.

The Company would endeavor to keep the gross dividend payout ratio up to 33% except for reasons to be recorded. The dividend for each year would be recommended by the Board at its discretion taking into account the free cash flow position, the profit earned during that year, the capex requirements and applicable taxes. The Board may also declare interim dividend at its discretion within the aforesaid payout ratio.

Depending on the long term growth strategy of the Company and the prevailing circumstances, the Board may increase the aforesaid threshold dividend of “6% of the face value per share” from time-to-time, while trying to ensure that sufficient funds are retained for growth of the Company.

Category of Dividends

The Companies Act provides for two forms of Dividend- Final & Interim. The Board of Directors shall have the power to recommend final dividend to the shareholders for their approval in the general meeting of the Company. The Board of Directors shall have the absolute power to declare interim dividend during the financial year, as and when they consider it fit.

Final Dividend

The Final dividend is paid once for the financial year after the annual accounts are prepared. The Board of Directors of the Company has the power to recommend the payment of Final Dividend to the shareholders in a general meeting. The declaration of Final dividend shall be included in the ordinary business items that are required to be transacted at the Annual General Meeting.

Process for approval of Payment of Final Dividend:

- Board to recommend quantum of final dividend payable to shareholders in its meeting in line with this Policy;
- Based on the profits arrived at as per the audited financial statements;
- Shareholders to approve in Annual General Meeting;
- Once in a financial year.

Interim Dividend

This form of dividend can be declared by the Board of Directors one or more times in a financial year as may be deemed fit by it. The Board of Directors of the Company would declare an interim dividend, as and when considered appropriate, in line with this policy. Normally, the Board could consider declaring an interim dividend after finalization of quarterly (or half yearly) financial accounts. This would be in order to supplement the annual dividend or in exceptional circumstances.

Process for approval of Payment of Interim Dividend:

- Board may declare Interim Dividend at its complete discretion in line with this Policy;
- Based on profits arrived at as per quarterly (or half- yearly) financial statements including exceptional items;
- One or more times in a financial year.

Dividend Guideline

The Board at its discretion, while approving the annual accounts in each financial year, also recommend the dividend for approval of the shareholders after taking into account the free cash flow position, the profit earned during that year, the Capex requirements and applicable taxes. A dividend policy stated by the current Board cannot be binding on the extant Board. However, the current Board can form a guideline on dividend payout in future in the interest of providing transparency to the shareholders.

Circumstances under which the shareholders may expect dividend

The Equity Shareholders of the Company may expect dividend only if the Company is having surplus funds after providing all expenses, depreciation etc and complying all other statutory requirements of the Companies Act, 2013. Company's immediate expansion plan shall also be a big factor for taking the dividend decision and determining the dividend amount.

Preference Shareholders shall be entitled and paid dividend at the fixed rate as per the terms of issue. In case of the Cumulative Preference Shares, if the Company is not having distributable profits for any certain financial year or the Company is not able to pay the dividend, then this shall be accumulated and be paid lateron.

The financial parameters that shall be considered while declaring dividend

Subject to the provisions of the Companies Act, Dividend shall be declared or paid only out of:

- (i) Current financial year's profit:
 - a) after providing for depreciation in accordance with law;
 - b) after transferring to reserves such amount as may be prescribed or as may be otherwise considered appropriate by the Board at its discretion.
- (ii) The profits for any previous financial year(s):
 - a) after providing for depreciation in accordance with law;
 - b) remaining undistributed; or
- (iii) out of i) & ii) both.

In computing the above, the Board may at its discretion, subject to provisions of the law, exclude any or all of (i) extraordinary charges (ii) exceptional charges (iii) one off charges on account of change in law or rules or accounting policies or accounting standards (iv) provisions or write offs on account of impairment in investments (long term or short term) (v) non cash charges pertaining to amortisation or ESOP or resulting from change in accounting policies or accounting standards.

The Board may, at its discretion, declare a Special Dividend under certain circumstances such as extraordinary profits from sale of investments.

Internal and external factors that shall be considered for declaration of dividend

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in business. The Board of Directors will endeavor to take a decision with an objective to enhance shareholders wealth and market value of the shares. However, the decision regarding pay-out is subject to several factors and hence, any optimal policy in this regard may be far from obvious.

The Dividend pay-out decision of any company depends upon certain external and internal factors-

External Factors:

State of Economy - in case of uncertain or recessionary economic and business conditions, Board will endeavor to retain larger part of profits to build up reserves to absorb future shocks.

Capital Markets - when the markets are favorable, dividend pay-out can be liberal. However, in case of unfavorable market conditions, Board may resort to a conservative dividend pay-out in order to conserve cash outflows.

Statutory Restrictions - The Board will keep in mind the restrictions imposed by Companies Act with regard to declaration of dividend.

Internal Factors:

Apart from the various external factors aforementioned, the Board will take into account various internal factors while declaring Dividend, which inter alia will include:

- (i) Profits earned during the year;
- (ii) Present & future Capital requirements of the existing businesses;
- (iii) Brand/ Business Acquisitions;
- (iv) Expansion/ Modernization of existing businesses;
- (v) Additional investments in subsidiaries/associates of the Company;
- (vi) Fresh investments into external businesses;
- (vii) Any other factor as deemed fit by the Board.

Policy as to how the retained earnings shall be utilized

The profits earned by the Company can either be retained in business and used for acquisitions, expansion or diversification, or it can be distributed to the shareholders. The Company may choose to retain a part of its profits and distribute the balance among its shareholders as dividend. This Policy aims to reconcile between all these needs.

Provisions for dividend with regard to various classes of shares

Dividend on Preference Shares:

Preference Shareholders shall receive dividend at the fixed rate as per the terms of allotment and shall stand in priority to equity shareholders for payment of dividend.

In case of participatory preference shares, the shareholders shall have the right in receiving a share in the other profits of the company.

Dividend on Equity Shares:

Equity Shareholders shall be entitled for the dividend, interim or final, as the case may be, if declared by the Board of Directors or the shareholders of the Company. Equity dividend shall stand second in priority after payment of dividend to the Preference Shareholders.

Review

This policy will be reviewed periodically by the Board.
