

## D. B. Corp Ltd.

### Dividend Distribution Policy

#### Document Approval Matrix

Version	Type of Document	Reviewed By	Approved By
1.0	<b>Dividend Distribution Policy</b>	Ashok Sodhani, Rakesh Goswami, CFD, Anita Gokhale, Company Secretary	Board of Directors

#### 1. Purpose, Objective and Scope

The Securities and Exchange Board of India (“SEBI”) vide its Notification dated July 08, 2016 has amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 by inserting new Regulation 43A which mandates D. B. Corp Ltd. (the Company) to formulate a “Dividend Distribution Policy” (the Policy) which shall be disclosed in its Annual Report and on its website.

The “Dividend Distribution Policy” lays down a broad framework for considering decisions by the Board of the Company with regard to distribution of dividend to its shareholders and/ or retaining or plough back of its profits.

The Policy reflects the intent of the Company to reward its shareholders by sharing a portion of its profits after retaining sufficient funds for growth of the Company. The Company shall pursue this Policy to pay, subject to the circumstances and factors enlisted hereon, progressive dividend, which shall be consistent with the performance of the Company over the years.

The Policy shall not apply to:

- Determination and declaring dividend on preference shares (if and when the Company has) as the same will be as per the terms of issue approved by the shareholders;
- Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law;

#### 2. General Policy as regards dividend

Since the time of listing of its IPO, the Company has consistently paid dividend.

The Company would endeavour to maintain this trend in future subject to various factors as discussed in this Policy. Declaration of Interim and / or Final dividend would be entirely at the discretion of the Board of Directors of the Company.

The general considerations by the Board for taking decisions with regard to dividend payout or retention of profits shall be as follows:

- a. Subject to the considerations as provided in the Policy, the Board shall determine the dividend payout in a particular year after taking into consideration the operating and financial performance of the Company, the advice of executive management including the CFO and other relevant factors.
- b. The Board may also, where appropriate, aim at distributing dividends in kind, subject to applicable law, in the form of fully or partly paid shares or other securities.

### **3. Definitions**

3.1 **“Act”** means the Companies Act, 2013 and the rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

3.2 **“Board of Directors”** or **“Board”**, in relation to a Company, means the collective body of the directors of the company and as amended from time to time.

3.3 **“Company”** means D. B. Corp Limited.

3.4 **“Policy”** means Policy on Dividend Distribution

3.5 **“Dividend”** shall be as defined under section 2(35) of the Companies Act, 2013 and the Rules made there under.

### **4. Considerations relevant for decision of dividend payout**

The Board shall consider the following, while taking decision as regards dividend payout:

#### **a. Statutory requirements**

The Company shall comply with the relevant statutory requirements including those with respect to mandatory transfer of a certain portion of profits to any specific reserve such as Debenture Redemption Reserve, Capital Redemption Reserve etc. as provided in the Companies Act, 2013, as may be applicable to the Company at the time of taking decision with regard to dividend declaration or retention of profit..

#### **b. Agreements with lending institutions/ Debenture Trustees**

The decision of dividend pay-out shall also be affected by the restrictions and covenants contained in the agreements, if any, as may be entered into with the lenders of the Company / Debenture Trustees, as the case may be.

#### **c. Prudential requirements**

The Company shall analyse the prospective projects and strategic decisions in order to decide:

- i. to build a healthy reserve of retained earnings;
- ii. to augment long term strength;
- iii. to build a pool of internally generated funds to provide long-term resources as well as resource-raising potential for the Company; and
- iv. the need for capital conservation and appreciation.

**d. Proposals for major capital expenditures, etc.**

In addition to plough back of earnings on account of depreciation, the Board may also take into consideration the need for replacement of capital assets, expansion and modernization or augmentation of capital stock, including any major capital expenditure proposals.

**e. Expectations of major stakeholders, including small shareholders**

The Board, while considering the decision of dividend pay-out or retention of a certain amount or entire profits of the Company, shall, as far as possible, consider the expectations of the major stakeholders including the small shareholders of the Company who generally expects a regular dividend payout.

**f. Extent of realized profits as a part of the IND AS profits of the Company**

The extent of realized profits out of its profits calculated as per IND AS, affects the Board's decision of determination of dividend for a particular year. The Board is required to consider such factors before taking any dividend or retention decision.

**5. Other Financial Parameters**

In addition to the aforesaid parameters of statutory requirements and proposed major capital expenditures, the decision of dividend payout or retention of profits shall also be based on the following:

**i. Operating cash flow of the Company**

If the Company cannot generate adequate operating cash flow, it may need to rely on outside funding to meet its financial obligations and sometimes to run the day-to-day operations. The Board will consider the same before its decision whether to declare dividend or retain its profits.

**ii. Net sales of the Company**

To increase its sales in the long run, the Company will need to increase its marketing and selling expenses, advertising etc. The budgeted expenses on these heads will influence the decision of declaration of dividend.

**iii. Return on invested capital**

The efficiency with which the Company uses its capital will impact the decision of dividend declaration.

**iv. Cost of borrowings**

The Board will analyze the requirement of necessary 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 cost of raising necessary funds from outsiders such as bankers, lending institutions or by issuance of debt securities or plough back its own funds.

**v. Obligations to creditors**

The Company should be able to repay its debt obligations without much difficulty over a reasonable period of time. Considering the volume of such obligations and time period of repayment, the decision of dividend declaration shall be taken.

**vi. Inadequacy of profits**

If during any financial year, the Board determines that the profits of the Company are inadequate, the Board may decide not to declare dividends for that financial year.

**vii. Post dividend EPS**

The post dividend EPS can have strong impact on the funds of the Company, thus, impacting the overall operations on day-to-day basis and therefore, affects the profits and can impact the decision for dividend declaration during a particular year.

## **6. Factors that may affect Dividend Payout**

The Board of Directors will endeavor to take a decision with an objective to enhance shareholder's 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.

However, the following factors may be taken into consideration by the board while taking the decision about dividend payout:

**External Factors** such as:

- taxation and other regulatory concern:
  - Dividend distribution tax or any tax deduction at source as required by applicable tax regulations in India, as may be applicable at the time of declaration of dividend.
  - Any restrictions on payment of dividends by virtue of any regulation as may be applicable to the Company at the time of declaration of dividend.
- product/ market expansion plans:

The Company's growth oriented decision to conserve cash in the Company for future expansion plan impacts shareholders expectation for the long run which shall have to be considered by the Board before taking dividend decision.
- macroeconomic conditions prevailing in the country:

Considering the state of economy in the Country, the policy decisions that may be formulated by the Government and other similar conditions prevailing in the international market which may have a bearing on or affect the business of the Company, the management may consider retaining a larger part of the profits to have sufficient reserves to absorb unforeseen circumstances.

**Internal Factors** such as:

- Past performance/ reputation of the Company
- Working capital management in the Company
- Age of the Company and its product/market
- Consolidated net operating profit after tax;
- Resources required to fund acquisitions and / or new businesses
- Outstanding borrowings;
- Additional investments in subsidiaries/associates of the Company;
- Any other factor as deemed fit by the Board.

## **7. Circumstances under which Dividend Payout may or may not be expected**

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 the business. The Board of Directors shall endeavour to take a decision after considering all the factors mentioned above before determination of any dividend payout. The shareholders of the Company may not expect Dividend under the following circumstances:

- Whenever it undertakes or proposes to undertake a expansion project requiring higher allocation of capital;
- Higher working capital requirements adversely impacting free cash flow;
- To infuse funds for the growth of the company
- Whenever it undertakes any acquisitions or joint ventures requiring allocation of capital;
- Whenever it proposes to utilise surplus cash for buy-back of securities; or
- In the event of inadequacy of profits or whenever the Company has incurred losses
- Any other circumstances as deemed fit by the Board

## **8. Manner of Dividend Payout**

**Final dividend:**

- The Board, usually in the Board meeting that considers and approves the annual financial statements, recommends the dividend, if any, subject to further approval of the same by the members of the Company at the Annual General Meeting.
- The payment of dividend shall be made within 30 days from the date of its declaration at Annual General Meeting to the shareholders entitled to receive the same on the record date/book closure period as per the applicable law.

**Interim dividend:**

- Interim dividend, if any, shall be declared by the Board.
- The payment of dividends shall be made within 30 days from the date of declaration to the shareholders entitled to receive the dividend on the record date as per the applicable laws.

## **9. Manner of 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 retained earnings may be utilized for:

- Market expansion plan;
- Product expansion plan;
- Increase in production capacity;
- Modernization plan;
- Diversification of business;
- Long term strategic plans;
- Replacement of capital assets;
- Where the cost of debt is expensive;
- Other such criteria as the Board may deem fit from time to time.

## **10. Parameters that shall be adopted with regard to various classes of shares**

- **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.
- **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.
- As at present the Company has issued only one class of equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of dividend per share. The policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

## **11. Amendments to this policy**

This Policy would be subject to revision/amendment by the Board of Directors on its own or else in accordance with the Regulations on the subject as may be issued by the relevant statutory authorities from time to time.

Any revision/amendment to this Policy as a result of such regulatory changes shall be carried out with the approval of the Managing Director / Dy. Managing Director of the Company and it shall be placed at the next meeting of the Board of Directors for its information and ratification.

## **12. Review of Policy**

This Policy shall be reviewed by the Board as and when required.

## **13. Effective Date**

20<sup>th</sup> October, 2016

## **14. Date of the meeting of the Board of Directors which ratified / approved this version**

The Board of Directors of the Company has adopted this Dividend Distribution Policy as required in terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 at its meeting held on 20 October, 2016.

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