

# **DIVIDEND DISTRIBUTION POLICY**

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## **1. BACKGROUND, SCOPE PURPOSE AND EFFECTIVE DATE**

The Securities Exchange Board of India (SEBI) on July 8, 2016 has notified the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 (Regulations).

Vide these Regulations, SEBI has inserted Regulation 43A after Regulation 43 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires top five hundred listed companies (based on market capitalization of every financial year) to formulate a Dividend Distribution Policy, which shall be disclosed in its Annual Report and on its website.

Shankara Building Products Limited (the “Company”) being one of the top five hundred listed company as per the criteria mentioned above, the Company has approved and adopted this Dividend Distribution Policy (the “Policy”) at its meeting held on May 10, 2018, being the effective date of the Policy.

The intent of the Policy is to 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.

The Policy shall not apply to:

- Determination and declaration of dividend on preference shares, as and when issued by the Company, as the same will be as per the terms of issue approved by the shareholders
- Issue of Bonus Shares by the Company
- Buyback of Securities.

The Policy is not an alternative to the decision of the Board for recommending dividend, which is made every year after taking into consideration all the relevant circumstances enumerated hereunder or other factors as may be decided as relevant by the Board.

## **2. DEFINITIONS**

2.1 “**Board**” shall mean Board of Directors of the Company.

2.2 “**Companies Act**” shall mean the Companies Act, 2013 and Rules thereunder, notified by the Ministry of Corporate Affairs, Government of India, as amended.

2.3 “**Dividend**” includes any interim dividend.

2.4 **“Listed Entity / Company”** shall mean Shankara Building Products Limited.

2.5 **“Policy”** means Dividend Distribution Policy.

2.6 **“Regulations”** shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as notified by The Securities and Exchange Board of India, as amended, from time to time.

2.7 **“Stock Exchange”** shall mean a recognised Stock Exchange as defined under clause (f) of Section 2 of the Securities Contracts (regulation) Act, 1956.

### **3. POLICY**

#### **A. PARAMETERS AND FACTORS FOR DECLARATION OF DIVIDEND**

The dividend pay-out decision of the Board depends upon the following financial parameters and internal and external factors:

##### **Internal Factors:**

- i. Operating cash flow of the Company
- ii. Profit earned during the year
- iii. Up gradation of technology and physical infrastructure
- iv. Creation of contingency fund
- v. Acquisition of brands and business
- vi. Cost of Borrowing
- vii. Past dividend payout ratio / trends
- viii. Profit available for distribution
- ix. Working capital requirements
- x. Capital expenditure requirement
- xi. Business expansion and growth
- xii. Earnings Per Share (EPS)
- xiii. Likelihood of crystallization of contingent liabilities, if any
- xiv. Additional investment in subsidiaries and associates of the company

##### **External Factors:**

- i. Economic environment
- ii. Capital markets
- iii. Global conditions
- iv. Government regulations

- v. Statutory provisions and guidelines
- vi. Dividend payout ratio of competitors
- vii. Any other factors

Subject to the other 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 and other relevant factors.

## **B. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE COMPANY MAY OR MAY NOT EXPECT DIVIDEND**

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders of the Company and the amount of profit to be retained in business. The decision seeks to balance the dual objectives of appropriately rewarding shareholders through dividends and retaining profits in order to maintain a healthy capital structure to support future growth. The shareholders of the Company may not expect dividend in the following circumstances, notwithstanding the parameters and factors conducive for dividend, subject to discretion of the Board of Directors,

- i. Proposed expansion plans requiring higher capital allocation
- ii. Whenever it undertakes any acquisitions, amalgamation, merger, joint ventures, business combinations, new product launches etc. which requires significant capital outflow
- iii. Requirement of higher working capital for the purpose of business of the Company
- iv. Whenever company proposes to utilise surplus cash for buy back of securities.
- v. In the event of loss or inadequacy of profit
- vi. Any restrictions and covenants contained in any agreement as may be entered with the lenders.

## **C. UTILIZATION OF THE RETAINED EARNING**

The portions of profits not distributed among the shareholders but retained and used in business are termed as retained earnings. It is also referred to as ploughing back of profit. The Company should ensure to strike the right balance between the quantum of dividend paid and amount of profits retained in the business for various purposes. These earnings may be utilised for internal financing of its various activities and for fixed as well as working capital. Thus, the retained earnings shall be utilised for carrying out the main objectives of the Company and maintaining adequate liquidity levels. The decision of utilisation of the retained earnings of the Company shall be based on the following factors:

- Where the cost or debt is expensive
- Long term strategic plans
- Diversification of business
- Market expansion plan
- Modernisation plan
- Other such criteria as the board may deem fit from time to time.

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 distribution of Dividend, after having due regard to the parameters laid down in this Policy.

#### **D. MANNER OF DIVIDEND PAYOUT**

##### **In case of final dividend:**

- i. Recommendation, if any, shall be done by the Board, usually in the Board meeting that considers and approves the annual financial statements, subject to approval of the shareholders of the Company.
- ii. The dividend as recommended by the Board shall be approved/declared at the Annual General Meeting of the Company.
- iii. The payment of dividends shall be made within the statutorily prescribed period from the date of declaration, to those shareholders who are entitled to receive the dividend on the record date/book closure period, as per the applicable law.

##### **In case of interim dividend:**

- i. Interim dividend, if any, shall be declared by the Board.
- ii. Before declaring interim dividend, the Board shall consider the financial position of the Company that allows the payment of such dividend.
- iii. The payment of dividends shall be made within the statutorily prescribed period from the date of declaration to the shareholders entitled to receive the dividend on the record date, as per the applicable laws.
- iv. In case no final dividend is declared, interim dividend paid during the year, if any, will be regarded as final dividend in the Annual General Meeting.

#### **E. PARAMETERS TO BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES**

At present, the issued and paid-up share capital of the Company comprises only equity shares; the Company does not have different classes of shares. As and when the Company issues other kind of shares, the Board of Directors may suitably amend this Policy.

#### **4. DISCLOSURES**

The Company shall make appropriate disclosures as required under the SEBI Regulations.

#### **5. POLICY REVIEW AND AMENDMENTS**

The Policy shall be reviewed as and when required to ensure that it meets the objectives of the relevant legislation and remains effective. This Policy would be subject to revision/amendment in accordance with the guidelines as may be issued by Ministry of Corporate Affairs, Securities Exchange Board of India (SEBI) or such other regulatory authority as may be authorised, from time to time, on the subject matter. The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy. In case of any amendment(s), clarification(s), circular(s) and so on issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) and so on shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), and circular(s), among others.