

# MUNJAL SHOWA LIMITED

## Policy for Dividend Distribution

Adopted on: June 23, 2021

### **1. Objective / Background**

The objective of the Dividend Distribution Policy ("Policy") of Munjal Showa Limited ("the Company" or "MSL") is to set standard procedures/guidelines to be followed by the Board of Directors (the "Board") in deciding/recommending the amount of dividend (interim or final) per equity share. A dividend policy decides proportion of dividend and retained earnings. Retained earnings are an important source of internal finance for long term growth of the company while dividend reduces the available cash funds of company. The objective of the Dividend Distribution Policy of the Company is to reward its shareholders by sharing a portion of the profits/earnings, while also ensuring that enough funds are retained for future prospects of the Company.

This policy aims to ensure dividend incomes to the shareholders and long term capital appreciation for all stakeholders of the Company.

### **2. Legal Framework**

- 2.1 SEBI has, through its notification dated May 05, 2021, notified the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, amended the Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") which extends an obligation on the top one thousand listed entities based on market capitalization (calculated as on March 31 of every financial year) to formulate a dividend distribution policy which shall be placed on the website and web-link to be provided in the Annual Report.
- 2.2 The Board of Directors of the Company is under an obligation to formulate a policy for determining the dividend distribution to its shareholders to comply with the requirements of Listing Regulations. The Company will declare Dividend subject to the compliance of the Companies Act, 2013, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, other applicable laws as may be applicable, the Articles of Association of the Company and this Dividend Distribution Policy.

### **3. Definitions**

- 3.1 **Act:** Act means Companies Act, 2013 including the rules framed there under and any statutory amendment(s) or modification(s) or circular(s) or notification(s) or order(s) thereof, for the time being in force.
- 3.2 **Listing Regulations:** Listing Regulations mean SEBI (Listing Obligations and



Disclosure Requirements) Regulations, 2015 and any statutory amendment(s) or modification(s) or circular(s) or notification(s) thereof, for the time being in force.

**3.3 Dividend:** As defined under Section 2(35) of the Act.

**3.4 Free Reserves:** As defined under Section 2(43) of the Act.

**3.5** Words and Expressions used and not defined in this Policy but defined in the Act, Listing Regulations, Securities Contracts (Regulation) Act, 1956 or the Securities and Exchange Board of India Act, 1992 or the Depositories Act, 1996 shall have the same meaning respectively assigned to them in those Acts/Regulations.

#### **4 Effective Date**

The Board of Directors of the Company at its meeting held on June 23, 2021 has adopted the Dividend Distribution Policy (Policy) of the Company as required in terms of the Regulation 43A of the Listing Regulations. The effective date of the dividend distribution policy is on or after June 23, 2021 and all dividends declared on or after the effective date will conform to the Policy.

#### **5 Parameter for Dividend Distribution**

The factors/parameters falling within the following categories shall be considered while making decision on dividend distribution.

##### **5.1 Internal Factors**

- a) **Profitability:**
- b) **Free Cash Flow:**
- c) **Growth Plans:**
- d) **Correction of high leverage:**
- e) **Enhance borrowing Capacity:**
- f) **Investment Opportunities:**
- g) Any other factor not explicitly covered above but which is likely to have a significant impact on the Company and as deemed appropriate by the Board.

##### **5.2 External Factors**

- a) **Statutory restrictions:** The dividend to be distributed will be subject to prevailing legal requirements, regulatory conditions or restrictions laid down under the Applicable Laws including tax laws.
- b) **Contractual Restrictions/Restrictions in Debt Covenants:** The Company's ability to pay dividends may be restrained by limiting provisions in a loan agreement.
- c) **Emerging Trends:** The dividend decisions may also be influenced by the growth and performance of the applicable industrial sector, emerging trends in the financial market and performance of the Company vis-à-vis its peers and dividend payout ratio of the comparable companies.

- d) **Economic Scenario** - The Board shall endeavour to retain a larger portion of profits to build up reserves, in case of adverse economic scenario.
- e) Any other factor which has a significant influence/impact on the Company's working/financial position beyond control of the Management like natural calamities, fire, etc. effecting operations of the Company may impact the decision with regard to dividend declaration.

### 5.3 Financial Parameters for Declaring Dividend

To keep investment attractive and to ensure capital appreciation for the shareholders, the Company shall also endeavour to provide consistent return over a period of time. While deciding on the dividend, micro and macro-economic parameters for the country in general and the Company in particular shall also be considered.

The Company shall endeavour to maintain a reasonable dividend payout ratio subject to: a) Capital needs of the Company; b) positive operating cash flows; and c) other financial parameters enumerated herein above.

Taking into consideration the aforementioned factors, the Board shall endeavour to maintain a dividend payout.

### 5.4 Circumstances under which 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 and amount of profit to be retained in the business. The shareholders of the Company may not expect dividend under the following circumstances:

- a) During the growth phase of the Company or during significant expansion or undertaking of any acquisitions or joint ventures requiring higher allocation of capital.
- b) Whenever the Company proposes to utilize surplus cash for buy-back of securities.
- c) Inadequacy of profits or if the Company incurs losses.
- d) Any of the other parameters that may impact the decision of dividend distribution.

### 5.5 Utilization of retained earnings:

Subject to the provisions of the Act and other applicable laws, retained earnings may be utilised as under:

- Declaration of dividend - Interim or Final;
- Issue of fully paid-up bonus shares;
- Augmenting internal resources;
- Repayment of debt;
- Funding for Capex / expansion plans / acquisition;
- Buy-back of shares.
- Any other permitted use



**5.6 Parameters adopted with regard to various classes of shares:** Presently, the authorized issued and paid up share capital of the Company comprises of only equity shares. However, 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 classes of shares, the Board of Directors may suitably amend this Policy.

**6. Provisions with regard to dividend**

- 6.1 Payment of dividend:** Subject to the provisions of the Act and Listing Regulations and Memorandum and Articles of Association of the Company and the terms & conditions of the issue of securities by the Company, the Company may pay dividend in proportion to the amount paid up on each equity share of the Company.
- 6.2 Transfer to the reserves:** The Company may, before declaration of any dividend in any financial year, transfer such percentage of its profit for that financial year as it may consider appropriate to the reserves of the Company in accordance with the relevant provisions of the Act.
- 6.3 Declaration of Dividend in case of inadequacy or absence of profits in any financial year:** Subject to the relevant provisions of the Act, in the event of inadequacy or absence of profits in any year, the Company may declare dividend out of free reserves subject to the fulfillment of the following conditions, namely:
- a) The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the three years immediately preceding of the year for which dividend is being declared.
  - b) The total amount to be drawn from such accumulated profits shall not exceed one-tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.
  - c) The amount so drawn shall first be utilized to set off the losses incurred in the financial year in which dividend is declared before any dividend in respect of equity shares is declared.
  - d) The balance of reserves after such withdrawal shall not fall below fifteen percent of its paid up share capital as appearing in the latest audited financial statement.
- 6.4 Interim Dividend:** The Board of Directors may declare Interim Dividend at its absolute discretion in line with this Policy, during any financial year or at any time during the period from closure of financial year till holding of the annual general meeting 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.





Provided that in case the Company has incurred loss during the current financial year upto 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 dividend declared by the Company during the immediately preceding three financial years.

- 6.5 Payment of Final Dividend:** Subject to approval of shareholders in Annual General Meeting, the Board of the Company may recommend quantum of final dividend payable to shareholders in its meeting in line with this Policy, based on the aforesaid parameters arrived at as per the audited financial statements.
- 6.6 Special Dividend:** The Board of Directors may additionally recommend a Special Dividend in special circumstances.

## **7. Disclosures**

- 7.1** The Dividend Distribution Policy shall be disclosed on the Company's website & a web-link thereto shall be provided in the Annual Report of the Company.

## **8. General**

- 8.1** This Policy would be subject to revision/amendment by the Board of the Company, in accordance with the guidelines as may be issued by Ministry of Corporate Affairs, Securities Exchange Board of India or such other regulatory authority as may be authorized, from time to time, on the subject matter.
- 8.2** The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy.
- 8.3** In case of any amendment(s), clarification(s), circular etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular etc. 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), circular etc.

## **9. Disclaimer**

This Policy has been prepared for the purpose of Listing Regulations. The above Policy does not constitute a commitment regarding the future dividends of the Company, but only represents a general guidance regarding dividend policy. The statement of the Policy does not in any way restrict the right of the Board to use its discretion in the recommendation of the dividend to be distributed in the year and the Board reserves the right to depart from the policy as and when circumstances so warrant.

