

## **DIVIDEND DISTRIBUTION POLICY**

### **Purpose, objective and scope:**

The Securities and Exchange Board of India (the “SEBI”) vide its notification dated 8<sup>th</sup> July 2016 has amended the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “Listing Regulations”) by inserting Regulation 43A in order to make it mandatory to have a Dividend Distribution Policy in place by the top five hundred listed companies based on their market capitalization calculated as on the 31<sup>st</sup> day of March of every financial year. Accordingly, the Board of Directors of the Company have approved this Dividend Distribution Policy (the “Policy”) which lays down parameters to be considered by the Board of Directors of the Company for declaration of Dividend from time to time.

### **Definitions:**

Unless repugnant to the context:

“Act” shall mean the Companies Act, 2013 including the Rules made thereunder, as amended from time to time.

“Applicable Laws” shall mean the Companies Act, 2013 and Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; as amended from time to time and such other Act, Rules or Regulations which provides for the distribution of Dividend.

“Company” or “SEPC” shall mean Shriram EPC Limited.

“Board” or “Board of Directors” shall mean the Board of Directors of the Company.

“Dividend” shall mean Dividend as defined under the Companies Act, 2013.

“Policy” or “this Policy” shall mean the Dividend Distribution Policy.

“SEBI Regulations” shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars issued thereunder, including any statutory modification(s) or re-enactment(s) thereof for the time being in force.

Interpretation – In this Policy unless the contrary intention appears, words and expressions used and not defined in this Policy but defined in Companies Act, 2013 or Rules made thereunder or Securities and Exchange Board of India Act, 1992 and Rules and Regulations made thereunder or Depositories Act, 1996 or the Listing Regulations or the Accounting Standards shall have the meanings respectively assigned to them in those Acts, Rules and Regulations.



### **Financial parameters / internal / external factors for declaration of Dividend:**

The Company shall observe the relevant statutory requirements as may be applicable to the Company at the time of taking decision with regard to dividend declaration. However, the Board of Directors of the Company shall consider the following parameters for declaration of Dividend:

### **Financial Parameters / Internal Factors / External Factors:**

The Board of Directors of the Company would consider the following list of parameters / factors before declaring dividend to its shareholders, including but not restricted to:

- 1) Net operating profit after tax;
- 2) Availability of retained earnings;
- 3) Operating cash flow including cash flow required to meet contingencies;
- 4) Inadequacy of profits;
- 5) Working capital requirements;
- 6) Capital expenditure requirements;
- 7) Resources required to fund acquisitions and / or new businesses;
- 8) Borrowings;
- 9) Past Dividend trends, if any;
- 10) Peer industry practices;
- 11) Economic viability;

### **Restrictions from Lenders / Bondholders / CDR.**

Circumstances under which the shareholders may or may not expect Dividend:

The Board shall consider the parameters and factors provided above before declaring any dividend payout after analysing the prospective opportunities and threats, viability of the options of dividend payout or retention, etc. The decision of dividend payout shall, majorly be based on the aforesaid factors considering the balanced interest of the shareholders and the Company.

However, the shareholders of the Company may not expect Dividend under the following circumstances:

- 1) Whenever the Company undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;
- 2) Significantly higher working capital requirements adversely impacting free cash flow;
- 3) Whenever it undertakes any acquisitions or joint ventures requiring significant allocation of capital;



- 4) Whenever it proposes to utilise surplus cash for buy-back of securities;
- 5) In the event of inadequacy of profits or whenever the Company has incurred losses;
- 6) Where the Company believes redeployment of profits will maximise shareholders' wealth; or
- 7) Where there is a need to repay Debt as per covenant put in place by the lenders.

**Utilisation of retained earnings:**

The Company may declare dividend out of the profits of the Company for the year or out of the profits for any previous year or years or out of the free reserves available for distribution of Dividend, after having due regard to the parameters laid down in this Policy and subject to compliance of applicable laws.

**Parameters adopted with regard to various classes of shares:**

At present, the share capital of the Company comprises only of equity shares. As and when the Company issues other kind of shares, the Board of Directors may suitably amend this Policy.

**General:**

To the extent any change or amendment is required in terms of any of the applicable laws, the Managing Director & CEO of the Company shall be authorised to review and amend the Policy in due course, to give effect to any such changes or amendments. Such amended Policy shall be placed before the Board for noting and necessary ratification. The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy.

