

BANCO PRODUCTS (INDIA) LIMITED

DIVIDEND DISTRIBUTION POLICY

INTRODUCTION

The Securities and Exchange Board of India (“SEBI”) vide SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 inserted new Regulation 43A after the Regulation 43 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) on July 8, 2016.

On May 5, 2021, SEBI further amended Regulation 43A of Listing Regulations which states that the top thousand listed companies based on market capitalization (calculated as on 31st March of every financial year) shall formulate Dividend Distribution Policy, which shall be placed on the website of the listed entity and a web-link to be provided in their annual reports.

OBJECTIVE AND SCOPE

Keeping in view amended Regulation 43A of the Listing Regulations, since the Company became part of the top 1000 (Thousand) listed companies as per the market capitalization as on 31st March, 2021 and as per the requirements of Regulation 43A of Listing Regulations, the Company is required to formulate Dividend Distribution Policy. Therefore, the Company has formulated Dividend Distribution Policy which is approved by the Board of Directors (“Board”) at its meeting held on 25th June, 2021.

The Policy sets out the circumstances and different factors for consideration by the Board at the time of taking such decisions relating to the extent of distribution of profits and/or of retention of profits, in the interest of providing transparency to the equity shareholders. The Policy is not an ‘alternative’ but a ‘Guide’ to the decision of the Board for recommending dividend, which may be made after taking into consideration all the relevant circumstances enumerated hereunder and such other factors as may be decided as relevant by the Board.

While recommendation of Dividend, it shall be guided by this Policy. However, in extraordinary circumstances, the Board shall have complete liberty to recommend dividend in deviation to this policy, if so deemed necessary in the best interests of the Company and its stakeholders.

The Policy reflects the intent of the Company to reward its equity shareholders by sharing a portion of its profits after adjusting for accumulated losses, if any, and also retaining sufficient funds for future growth of the Company. The Company intends to pay subject to the circumstances and factors enlisted hereon, dividend, which shall be consistent with the performance of the Company over the years.

APPLICABILITY AND EFFECTIVE DATE

This Policy shall be applicable to the Company for the Dividend recommended/declared by the Company for the Financial Year commencing on 1st April, 2021 and onwards.

This Policy shall not apply to –

- a. Determination and declaring dividend on preference shares, if any, to be issued by the Company at a later date, as the same will be as per the terms of issue to be approved by the shareholders;
- b. Distribution of profits in kind i.e. Issue of bonus shares or other securities by the Company;

c. Buyback of equity shares.

STATUTORY REQUIREMENTS

The Board while taking decision of a dividend payout during a particular financial year, will comply with the applicable statutory requirements including the Companies Act, 2013, the Income Tax Act, 1961 and rules made thereunder. The Board would be guided by Secretarial Standard on Dividend as may be applicable.

Further, the Board of Directors will also take a decision to declare/recommend dividend after taking into account the profits of the Company after providing depreciation as per the applicable provisions of the Companies Act, 2013 and after transferring to the reserves such amount as may be required under law and/or as may be considered appropriate by the Board.

In case of interim dividend, the profits as per the unaudited results for/up to the last quarter(after providing depreciation as per the Companies Act, 2013 for the full year end) which have been approved by the Board and for which limited review as per Listing Regulations has been carried out shall be considered. The Board will also take into consideration, the perception of the management with regard to, likely profits in the remaining part of the financial year and other statutory provisions for entire financial year, the prevailing and likely future prices of the products, future capital expenditure plans, likely maturity of short term liabilities/investments etc.

PAYMENT OF DIVIDEND FROM RESERVES

Dividend shall normally be declared from the profits earned by the Company during the relevant financial year after adjusting for accumulated losses & unabsorbed depreciation, if any and out of the carried forward profits not transferred to any reserves. However, under special circumstances, Dividend may be declared out of the accumulated profits earned by it in previous years and transferred by it to the free reserves, subject to compliance with the requirements of the relevant provisions of the Companies Act, 2013 and other laws including the Rules made thereunder.

CIRCUMSTANCES TO BE CONSIDERED WHILE DETERMINING DIVIDEND PAYOUT

The Board shall consider the circumstances provided below before determination of any dividend payout after analyzing 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 stakeholders and the business requirement of the Company.

· Accumulated Losses, if any

The profits earned by the Company during any financial year shall be first utilized to set off the accumulated losses/ unabsorbed depreciation, if any of the Company from the previous financial years.

· Operating cash flow of the Company

The Board will consider the impact of proposed dividend on the operating cash flow of the Company and shall satisfy itself of its adequacy before taking a decision on whether to declare dividend or retain its profits extent of declaration of dividend and/or retaining profits.

· **Transfer to Reserves and other Statutory Requirements**

The Board shall examine the implications of relevant statutory requirements including payment of Dividend Distribution Tax, transfer of a certain portion of profits to Reserves etc., if applicable, on the financials of the Company at the time of taking decision with regard to dividend declaration and/ or retention of profit.

· **Covenants with lenders/ Debenture Trustees, if any**

The decision of dividend pay-out shall also be subject to compliance with covenants contained in any agreement entered into by the Company with the lenders/ Debenture Trustee's, from time to time, if any.

· **Prudential & Strategic requirements**

The Board shall analyze the ongoing and prospective projects and strategic decisions including need for replacement of capital assets, expansion and modernization etc., before recommending Dividend Pay-out for any financial year with an object to build a healthy reserve of retained earnings to augment long term strength and to build a pool of internally generated funds to provide long-term resources as well as resource-raising potential for the Company.

· **Expectations of major stakeholders, including small shareholders**

The Board, while considering the decision of dividend pay-out and/or retention of 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.

PARAMETERS / FACTORS TO BE CONSIDERED:

Financial: While recommending / declaring dividend, the Board will consider financial parameters, including but not limited to,

- (i) Operating results and overall financial position;
- (ii) Working capital;
- (iii) Return on invested capital;
- (iv) Capital expenditure requirement including for inorganic growth, if any;
- (v) Debt servicing requirements of the Company;
- (vi) Cash Flow and Fund Flow position;
- (vii) Parity of Dividend Payout Ratio/ Retained Earnings;
- (viii) Other Financial Parameters as may be considered appropriate from time to time.

Internal and External: While recommending / declaring Dividend, the Board will consider Internal and External Factors such as:

- (i) Product / project expansion plan;
- (ii) Stage of ongoing projects;
- (iii) Possibility of earning consistent profit;
- (iv) Domestic/Global Market Conditions;
- (v) Capital Market conditions;
- (vi) Statutory Restrictions imposed, if any;

- (vii) Tax policy.
- (viii) Any calamity including Pandemic

Dividend Expectations: The recommendation/ payment of Dividend will always be at the sole discretion of the Board. The Board will recommend and / or declare Dividend after reviewing this Policy keeping in mind the business environment and requirements of the Group.

The decision on whether to declare and pay Dividends (other than Interim Dividend) will be a separate item of agenda at the respective Annual General Meeting.

In case of sufficient reasonable profits, the Board may endeavor to declare Dividend in the Dividend Payout Ratio as may be decided. However, in case of inadequacy of inconsistent/ sustainable profits in any year, the Board may decide to conserve profits of the Company and utilize profits for further business purposes or meeting business exigencies.

UTILISATION OF RETAINED EARNINGS:

The Board may retain its earnings in order to make better utilisation of the available funds and increase the value of the stakeholders in the long run. The retained earnings of the Company may, inter alia, be utilized for the following purposes:

- To meet the working capital/ business needs of the Company;
- To fund the project expansion plans of the Company;
- Towards replacement/ up-gradation /modernization of equipment's &plants;
- Towards investment in long term/ short term strategic joint ventures &/or partnerships and/or subsidiary companies;
- To fund new acquisitions & investments;
- Towards diversification of business;
- Such other manner as the Board may deem fit from time to time.

PARAMETERS TO BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

The Company has presently issued only one class of Equity Shares with equal voting rights. The policy will be reviewed in case of issue of any new class of shares depending upon the nature and guidelines thereof.

POLICY REVIEW AND AMENDMENTS

This Policy will be subject to modification in accordance with the guidelines /clarifications as may be issued by the Regulatory Authorities. The Board of Directors may review and amend or modify this policy in whole or in part, at any time.

For Banco Products (India) Ltd.

Sd/-
Whole Time Director
