



# **CENTURY ENKA LIMITED (CEL)**

## **DIVIDEND DISTRIBUTION POLICY**

## **DOCUMENT CONTROL**

### **Document version:**

This Dividend Distribution Policy document is version 1.0.

### **Preparation/Revision History**

<b>SR. No.</b>	<b>Date of preparation / modification</b>	<b>Version No.</b>	<b>Modified by</b>	<b>Reviewed and Approved by</b>
1	18/05/2021	1.0	Legal & Secretarial Department	Board of Directors

### **Issuing Authority**

This policy document is approved by the Board of the Company

### **Author and Responsible Official**

This policy document is to be maintained and updated by way of additions, deletions and modifications, only by the Legal and Secretarial Department subject to review of Chief Financial Officer and/or Managing Director and presented before the Board for their approval.

Every time the policy document is edited, the version increases by one unit and the version is to be mentioned in the Document Control section.

### **Applicability and Usage**

This policy document applies to **Century Enka Limited**.

## **PREFACE**

The Securities Exchange Board of India vide its Notification No. SEBI/LAD-NRO/GN/2021/22 dated 5<sup>th</sup> May 2021, amended Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') by mandating the formulation of a Dividend Distribution Policy for the top 1000 listed entities based on their market capitalisation calculated on 31<sup>st</sup> March of every financial year, which shall be disclosed in its Annual Report and on its website.

Accordingly, the Board of Directors of the Company ("the Board") has adopted this Dividend Distribution Policy (the "Policy") of the Company as required in terms of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, which endeavours for a consistent approach to dividend pay-out plans, aid investors to match their investment objectives and to provide for long term capital appreciation for all stakeholders of the Company.

## **Preamble**

The Policy is not an alternative to the decision of the Board for recommending dividend, which is made every year after taking into consideration the relevant circumstances, guidelines, parameters or factors enumerated hereunder or other factors as may be decided and considered relevant by the Board while recommending dividend, including whilst declaring interim dividend(s). The Policy reflects the intent of the Company to enhance stakeholder value and reward its shareholders by sharing a portion of its profits after retaining sufficient funds for the growth of the Company.

## **Dividend Pay out**

The Board will pursue a consistent and stable dividend pay out policy, subject to the general guidelines, parameters and factors as mentioned hereinbelow.

## **General Guidelines for Distribution of Dividend**

- a) The Company shall pay dividend (including interim dividend) in compliance with the Article of Association of the Company and applicable provisions of the Companies Act, 2013, rules prescribed thereunder and any amendments made thereto from time to time.

- b) In exceptional circumstances, the Board may consider payment of dividend out of accumulated Profits/ Free Reserves in case of inadequacy or absence of profit for the relevant year, subject to compliance of applicable laws, in line with historical trends.
- c) The Board shall not recommend dividend if there are circumstances which is unfavourable to the Company or that the Company has better opportunity in reinvesting the funds. The Board of Directors has the privilege of deciding whether there are unfavourable internal / external conditions and take necessary decisions.
- d) If the Company proposes to declare dividend on the basis of parameters in addition to those covered in this Policy or proposes to change such additional parameters or the dividend distribution policy contained in any of the parameters, it shall disclose such changes along with the rationale for the same in its annual report and on its website.
- e) The dividend pay out in any financial year, shall be subject to compliance of covenants with Lenders/Securities holders, if any.

#### **Circumstances under which the Shareholders may or may not expect Dividend**

The decision regarding dividend pay out seeks to balance the dual objectives of appropriately rewarding shareholders through dividends and retaining profits in order to fund the investment activities.

The Equity Shareholders of the Company may expect dividend only if the Company is having surplus funds and after taking into consideration relevant internal and external factors, enumerated elsewhere in this policy, for declaration of dividend.

The shareholders of the Company may not expect dividend in the following circumstances, subject to discretion of the Board of Directors,

- a) In the event of loss or inadequacy of profit;
- b) Adverse market conditions or regulatory constraints;
- c) Proposal for buy-back of securities;
- d) Specific need to conserve resources for investment

#### **Financial Parameters considered while declaring dividend**

The amounts paid as dividends in the past will not be necessarily indicative of the dividend amounts, if any, that may be payable in future. The form, frequency and amount of future dividends shall be at the discretion of our Board and subject to the approval of our shareholders and will depend on various factors including but not limited to:

- a) Revenues
- b) Cash flows
- c) Financial condition (including capital position)
- d) Capital requirements
- e) Profit earned during the financial year
- f) Liquidity
- g) Future expansion plans
- h) Retained earnings v/s expected return from the business
- i) Adequate cash utilization opportunities.
- j) Adequacy of net profit available for distribution:
- k) Financial Ratio: i.e. Dividend pay out ratios, debt/equity. interest coverage, return on equity etc.
- l) Cost of borrowings:
- m) Contingent liabilities with financial implications.

### **External and Internal Factors**

#### **1. External Factors:**

- a) State of the economy i.e. the macro economic environment prevailing in the country:
- b) Growth outlook
- c) Statutory/Legislative and Executive restrictions
- d) Taxation and other regulatory concerns
- e) Practice adopted by peer Group Companies
- f) Global business environment.
- g) Covenants with lenders and Bond holders

#### **2. Internal Factors**

- a) Historical dividend payout trends based on past performance of the Company
- b) Present and future working capital requirements of the existing business of the Company
- c) Brand/business acquisition, expansion / Modernisation of existing business/diversification into new business:
- d) Additional investments in Subsidiaries / Associates of the Company, if any
- e) Any other relevant factor as may be deemed fit by the Board.

### **Utilisation of retained earnings**

The Board may retain its earning in order to make better use of available funds and increase the stakeholder value in long run. The decision of utilization of the retained earnings of the Company will

be subject to the applicable provisions of the Companies Act, 2013 and other applicable laws/regulations. The retained earnings shall be utilized for securing the long term growth objectives of the Company's business including:

- a) Diversification/ Expansion of the Company's business;
- b) Modernisation of plant and machinery;
- c) Acquisitions;
- d) Repayment of loans
- e) Payment of dividend in future.

### **Parameters to be adopted with regard to various classes of shares**

At present the Company has only one class of shares i.e. equity shares with equal voting rights. However, in case of other class of capital in future, the dividend distribution will be as under:

#### **1. Dividend on Preference Shares:**

Preference Shareholders shall be entitled and paid dividend at the fixed rate as per the terms of issue and shall stand in priority to equity shareholders for payment of dividend. In case of the Cumulative Preference Shares, if the Company is not having distributable profits for any certain financial year or the Company is not able to pay the dividend, then this shall be accumulated and be paid later on in accordance with the terms of issue and subject to the provisions of the Companies Act, 2013.

The parameters mentioned above in this Policy shall not apply to determination and declaration of dividend on preference shares issued by the Company, as the same will be as per the terms of issue of such preference shares.

#### **2. 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.

### **Amendments**

The Board may at any point of time amend, modify or review this Policy in whole or in part, as may be deemed necessary.