

# DIVIDEND DISTRIBUTION POLICY

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# 1. Introduction

Vakrangee Limited is committed to create sustainable shareholder wealth for all its shareholders. We shall strive to distribute an optimal and appropriate level of the profits earned by it in its business to the shareholders, in the form of “Dividend”.

The Corporate dividend is governed by the applicable provisions of Companies Act, 2013 and Companies (Declaration and Payment of Dividend) Rules, 2014 and any modifications made therein from time to time.

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## 2. Interpretation

“The Company” refers to Vakrangee Limited.

“Dividend (s)” refers to either an interim or final Dividend(s).

## 3. Objectives

The broad objectives of this policy are:

- To define the policy and procedures in relation to the calculation, declaration and settlement of Dividends and the determination of the form and time periods within which Dividends are paid.
- To ensure that the Company has sufficient distributable profits and/or general reserves, as determined by a review of the Company's audited financial statements, prior to any declaration and/or payment of Dividends.
- To create a transparent and methodological Dividend policy, adherence to which will be required on annual basis, with any deviations clearly identified and promptly communicated to appropriate stakeholders.



## 4. Provisions of Companies Act, 2013

### Section 123 - Declaration of Dividend:

1. No dividend shall be declared or paid for any financial year except
  - a. Out of the profits of the company for that year arrived at after providing for depreciation, or out of the profits of the company for any previous financial year or years arrived at after providing for depreciation in accordance with the provisions of that sub-section and remaining undistributed, or out of both; or
  - b. Out of money provided by the Central Government or the State Government for the payment of dividend by the company in pursuance of a guarantee given by that Government:- The company may, before the declaration of any dividend in any financial year, transfer such percentage of its profits for that financial year as it may consider appropriate to the reserves of the company. No dividend shall be declared or paid by the company from its reserves other than free reserves.
2. For the purposes of clause (a) of sub-section (1), depreciation shall be provided in accordance with the provisions of Schedule II.
3. The Board of Directors of the company may declare interim dividend during any financial year out of the surplus in the profit and loss account and out of profits of the financial year in which such interim dividend is sought to be declared.

## 5. Factors to be considered

The below broad factors need to be considered for the dividend distribution:

1. Liquidity: The liquidity position of the Company.
2. Debt repayment – often there are negative covenants that restrict the dividends that can be paid if the debt is outstanding.
3. The rate of asset expansion – The greater the rate of expansion of the firm, the greater the need to retain earnings to finance the expansion.
4. Control of the firm – If dividends are paid out today, equity may have to be sold in the future causing a dilution of ownership.



## 5.1 Financial Parameters / Internal Factors

The Board of Directors of the Company would consider the following financial parameters before declaring or recommending dividend to shareholders:

1. Consolidated net operating profit after tax
2. Working capital requirements
3. Capital expenditure requirements
4. Resources required to fund acquisitions and / or new businesses
5. Cash flow required to meet contingencies
6. Outstanding borrowings
7. Past Dividend Trends

## 5.2 External Factors

The Board of Directors of the Company would consider the following external factors before declaring or recommending dividend to shareholders:

1. Prevailing legal requirements, regulatory conditions or restrictions laid down under the Applicable Laws including tax laws; and
2. Dividend pay-out ratios of companies in the same industry.



## 6. Circumstances under which the shareholders may or may not expect dividend

The Board of Directors of the Company, while declaring or recommending dividend shall ensure compliance with statutory requirements under applicable laws including the provisions of the Companies Act, 2013 and Listing Regulations. The Board of Directors, while determining the dividend to be declared or recommended shall take into consideration the advice of the executive management of the Company apart from other parameters set out in this Policy. The Board of Directors of the Company may not declare or recommend dividend for a particular period if it is of the view that it would be prudent to conserve capital for the then ongoing or planned business expansion or other factors which may be considered by the Board.

## 7. Utilization of retained earnings

The Company may declare dividend out of the profits of the Company of the current year or out of the profits of 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.

This Policy will be reviewed periodically by the Board.









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