

Shilchar Technologies Limited - Dividend Distribution Policy

1. PREAMBLE

The Board of Directors (“the Board”) of Shilchar Technologies Limited (“the Company”) has adopted the Dividend Distribution Policy (“the Policy”) and procedures with respect to Dividends declared/recommended by the Company in accordance with the provisions of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”) as amended from time to time. Regulation 43A has mandated top five hundred listed entities based on market capitalization to frame and adopt a Dividend Distribution Policy (“Policy”), which shall be disclosed in their respective Annual Reports and websites of the Company

The philosophy of the Company is to maximize the shareholders’ wealth in the Company through various means. The Dividend Distribution Policy (“the Policy”) establishes the principles to ascertain amounts that can be distributed to equity shareholders as dividend by the Company as well as enable the Company to strike balance between payout and retained earnings, in order to address future needs of the Company. The policy shall come into force for accounting periods beginning from April 1, 2022.

2. OBJECTIVE

Company has an objective of appropriately rewarding shareholders through dividends and long-term capital appreciation. The profits earned by the Company may either be retained in business or used for acquisitions, expansion or diversification, or it can be distributed to the shareholders as dividend. The Company would ensure to strike the right balance between the quantum of dividend paid and amount of profits retained in the business for various purposes. Through this policy, the Company would endeavour to maintain a consistent approach to dividend pay-out plans by reconciling between all these needs.

3. APPROACH

The Company’s dividend payout will be determined based on available financial resources, investment requirements long term growth strategies, internal and external factors and taking into account optimal shareholder return.

4. PROCEDURES:

The Chief Financial Officer in consultation with the Managing Director of the Company shall recommend any amount to be declared/ recommended as Dividend to the Board of Directors of the Company. The agenda of the Board of Directors where Dividend declaration or recommendation is proposed shall contain the rationale of the proposal. Pursuant to the provisions of applicable laws and this Policy, interim Dividend approved by the Board of Directors

will be confirmed by the shareholders and final Dividend, if any, recommended by the Board of Directors, will be subject to shareholders approval, at the ensuing Annual General Meeting of the Company. Pursuant to provisions of Section 123 of the Companies Act, 2013 and rules made thereunder, the Board may declare interim dividend or recommend final dividend, payable to the existing shareholders of the Company subject to shareholders' approval. The Board may consider the free cash flow position, profit earned during that year, capex requirements, applicable taxes, overall market situation and other requisite parameters as per company's state of profitability.

The Board may declare the interim dividend, one or more times in a financial year in line with this policy. This would be in order to supplement the annual dividend or in exceptional situations. Whereas, the final dividend is paid once for the financial year after the annual accounts are prepared. The Board of Directors of the Company has the power to recommend the payment of final dividend to the shareholders in an Annual General Meeting.

5. ADDITIONAL MEASURES

- After assessing the financial position of the Company, the Board shall declare interim dividend or recommend final dividend.
- The Company shall notify in advance to the stock exchange(s) where the securities of the Company are listed and also after the meeting of its Board of Directors at which the declaration of dividend is to be considered.
- On declaration of the dividend, the Company shall notify stock exchange(s) for the record date or book closure date as the case may be and determine the shareholders eligible for the dividend.
- The payment of declared dividend will be processed with the help of Registrar & Share Transfer Agents and the Dividend Distribution bank.
- The final dividend shall accord the approval of shareholders at the Annual General Meeting.
- In case of unpaid or unclaimed dividend, the Company shall prepare the statement of unclaimed dividend and the same shall be uploaded on Company's website at: www.shilchar.com as required under law.
- According to the applicable laws, the unpaid or unclaimed dividend amount shall be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government after the expiry of seven years from the date of transfer to "Unpaid Dividend Account" of the Company.

6. CLASS OF SHARES

Presently, the issued and paid-up share capital of the Company comprises only ordinary equity shares. 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, in future, if any and thereafter, the dividend would be declared on equity shares. The Company shall endeavor to pay dividend, subject to consideration of the parameters stated in this Policy.

CATEGORY OF DIVIDENDS

The Act provides for two forms of Dividend- Final and Interim.

- i. Final Dividend: Final dividend is paid once in a financial year after the annual accounts are prepared and adopted by the members of the Company. The Board of Directors of the Company has the power to recommend the payment of Final Dividend to the members in the Annual General Meeting.
- ii. Interim Dividend: Interim dividend may be declared by the Board of Directors one or more times in a financial year as may be deemed fit by the Board. The Board of Directors of the Company would declare an interim dividend, as and when considered appropriate, in line with this Policy. Normally, the Board may consider declaring an interim dividend after finalization of quarterly (or half yearly) financial results.

The Board at its discretion, may additionally recommend a Special Dividend under certain circumstances such as extraordinary profits from sale of investments etc.

7. FINANCIAL PARAMETERS THAT SHALL BE CONSIDERED WHILE DECLARING DIVIDEND.

Subject to the provisions of the Companies Act, 2013, dividend shall be declared or paid only out of:

(i) Profit of current financial year;

- a) After providing for depreciation in accordance with law;
- b) After transferring to reserves, such amount as may be prescribed or as may be otherwise considered appropriate by the Board at its discretion.

(ii) The profits for any previous financial year(s):

- a) After providing for depreciation in accordance with law;
- b) Out of remaining undistributed amount; or

(iii) Out of (i) & (ii) both

In computing the above, the Board may, at its discretion, subject to provisions of the law, exclude any or all of (i) extraordinary charges (ii) exceptional charges (iii) one off charges on account of change in laws or rules or accounting policies or accounting standards (iv) provisions or write offs on account of impairment in investments (long term or short term) (v) non-cash charges pertaining to amortization or ESOP or resulting from change in accounting policies or accounting standards

8. FACTORS TO BE CONSIDERED WHILE DECLARING DIVIDEND

While determining the nature and quantum of the dividend payout, the Board would take into account the following internal and external factors:

Internal Factors and Financial Parameters:

- Profitable growth of the Company and specifically, profits earned during the financial year as compared with previous years and Internal budgets,

- Cash flow position of the Company and liquidity position;
- Accumulated reserves;
- Earnings stability;
- Future cash requirements for organic growth/expansion and/or for inorganic growth;
- Brand acquisitions;
- Current and future leverage and under exceptional circumstances, the amount of contingent liabilities;
- Deployment of funds in short term marketable investments;
- Capital expenditure(s)
- Long-term investments; and
- Any other factors as deemed fit by the Board.

External Factors:

- State of economy;
- Market conditions;
- Business cycles;
- Economic environment;
- Cost of external financing;
- Any political, tax and regulatory changes in the jurisdiction in which the Company operates.
- Industry outlook for the future years;
- Inflation rate, and;
- Changes in the Government policies or industry specific rulings and regulatory requirements.
- Any other factors as deemed fit by the Board.

Apart from the above, the Board may also consider past dividend history while determining the rate of dividend.

9. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND:

The Equity Shareholders of the Company may expect dividend only if the Company is having surplus profits after providing for all expenses, depreciation and other necessary deductions and after complying with all other statutory provisions of the Companies Act, 2013 and other applicable laws. The internal and external factors specified above shall be a crucial factor for taking a dividend declaration decision and determining the dividend distribution amount.

The Equity Shareholders of the Company may not expect dividend, if the Company does not have surplus funds after providing for all expenses, depreciation, or other necessary deductions and after complying all other statutory provisions of the Companies Act, 2013 and other applicable laws. Also, the equity shareholders of the Company may not expect dividend, if the internal and external factors specified above warrant full retention of the surplus profit. The Board may consider recommending a lower payout for a given financial year, after analyzing the prospective opportunities and threats or in the event of challenging circumstances such as regulatory and financial environment. In such events, the Board shall provide the rationale in the Annual Report.

10. POLICY AS TO HOW THE RETAINED EARNINGS SHALL BE UTILIZED

The retained earnings of the Company may be used in any of the following ways:

- i. Capital expenditure for working capital;
- ii. Organic and/ or inorganic growth;
- iii. Investment in new business (es) and/or additional investment in existing business (es);
- iv. Declaration of dividend;
- v. Capitalisation of shares;
- vi. Buy back of shares;
- vii. General corporate purposes, including contingencies;
- viii. Correcting the capital structure;
- ix. Any other permitted usage as per the Companies Act, 2013.

11. DISCLAIMER

This document does not solicit investments in the Company's securities and further is not an assurance of guaranteed returns (in any form), for investments in the Company's equity shares.

12. DISCLOSURE

This Policy shall be uploaded on the Company's website for public information and the web link of the same shall be provided in the Annual Report of the Company.

13. POLICY REVIEW

The Key management personnel's (KMPs) may review this Policy from time to time. Any material changes to this Policy shall require prior approval of the Board. In case of any inconsistency between the terms of this Policy, Listing Regulations & Companies Act, 2013 the provisions of the Listing Regulations & Companies Act, 2013 shall prevail.
