



PENNA CEMENT INDUSTRIES LIMITED
CIN: U26942TG1991PLC013359



Policy on Dividend Distribution



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1. Objective / Background

The objective of the Policy is to set guidelines to be followed by the Board of Directors in declaring / recommending the amount of dividend (interim or final) per share. A dividend policy decides proportion of dividend and retained earnings. Retained earnings are an important source of internal finance for long term growth of the company while dividend reduces the available cash funds of company. The objective of the Dividend Distribution Policy of the Company is to reward its shareholders by sharing a portion of the profits / earnings, while also ensuring that enough funds are retained to meet future requirements of the Company.

This policy aims to ensure dividend incomes to the shareholders and long term capital appreciation for all stakeholders of the Company.

2. Legal Framework

- i. The Regulation 43A of the SEBI (LODR) Regulations, 2015 casts an obligation on the top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) to formulate a dividend distribution policy, which shall be disclosed in their annual reports and on their websites.
- ii. Though Penna Cement Industries Limited currently not listed and does not come under the above category of top 500 companies, its Board of Directors have adopted this policy on a voluntary basis.

3. Definitions

- i. **Act:** “Act” means Companies Act, 2013 including the rules framed there under and any statutory amendment(s) or modification(s) or circular(s) or notification(s) or order(s) thereof for the time being in force.
- ii. **SEBI Regulations:** SEBI Regulations mean SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any statutory amendment(s) or modification(s) or circular(s) or notification(s) thereof for the time being in force.
- iii. **Dividend:** As defined under Section 2(35) of the Act.
- iv. **Free Reserves:** As defined under Section 2(43) of the Act.
- v. Words and Expressions used and not defined in this Policy but defined in the Act, Regulations, Securities Contracts (Regulation) Act, 1956 or the Securities and Exchange Board of India Act, 1992 or the Depositories Act, 1996 shall have the same meaning respectively assigned to them in those Acts/Regulations.



4. Effective Date

The Board of Directors of the Company at its meeting held on 15th April, 2021 has adopted the Dividend Distribution Policy (Policy) of the Company.

This Policy will come into force on 15th April, 2021 and all dividends declared on or after this date will conform to the Policy.

5. Parameter for Dividend Distribution

The factors / parameters falling within the following categories shall be considered while taking decision on dividend distribution.

i. Internal Factors

- a) **Profitability:** Dividend decision will be taken having regard to the profitability of the Company on a standalone basis.
- b) **Free Cash Flow:** Availability of free cash flow has a direct bearing on the amounts to be distributed to shareholders via dividends as the Company is required to meet all its business obligations before distributing profits.
- c) **Growth Plans:** Growth plans of the Company and the associated capital expenditure may necessitate the Company to preserve its funds generation to be deployed for the planned growth/expansion opportunities within the desired leverage. The Board would take into consideration internal funds generation to be earmarked for the proposed growth plans prior to taking decision on dividend distribution.
- d) **Correction of high leverage:** Cement industry being cyclical in nature and capital intensive, the operations can be best managed by keeping low leverage. In the event of free cash flows being available to the Company, it will be the endeavour of the Company to reduce the leverage to the extent considered necessary, which may have an impact on the availability of distributable profits for dividend.
- e) **Enhancement in the borrowing Capacity:** It may be prudent for the Company to build up certain level of net worth to be in a position to raise debts with a view to seize any growth opportunities, inorganic or otherwise.
- f) **Investment Opportunities:** Dividend decisions shall be made in the light of timing of investment opportunities available with the Company.



- g) Any other factor not explicitly covered above but which is likely to have a significant impact on the Company.

ii. External Factors

- a) Statutory restrictions: The dividend to be distributed will be subject to prevailing legal requirements, regulatory conditions or restrictions laid down under the Applicable Laws including tax laws.
- b) Contractual Restrictions/Restrictions in Debt Covenants: The Company's ability to pay dividends may be restrained by limiting provisions, if any, in loan agreements.
- c) Emerging Trends: The dividend decisions may also be influenced by the growth and performance of the economy impacting the cement industry, emerging trends in the financial market and performance of the Company visà-vis its peers and dividend payout ratio of the comparable companies.
- d) Any other factor which has a significant influence / impact on the Company's operations.

iii. Circumstances under which shareholders may or may not expect dividend:

The shareholders of the Company may not expect dividend under the following circumstances:

- a) During significant expansion organic or inorganic, or during the phase of implementation of any joint ventures, all of which may require higher allocation of capital.
- b) Whenever the Company proposes to utilize surplus cash for buy-back of securities.
- c) Inadequacy or absence of profits.

iv. Utilization of retained earnings: Subject to the provisions of the applicable laws, the Company may declare dividend out of profits of the Company for the year or out of the profit of previous year or out of free reserves available for distribution of dividend, after having due regard to the parameters laid down in the Policy.

v. Parameters adopted with regard to various classes of shares: Presently, the issued and paid up share capital of the Company comprise of only equity shares. However, 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 and thereafter, the dividend would be declared on equity



shares. As and when the Company issues other classes of shares, the Board of Directors may suitably amend this Policy.

- vi. **Amount of dividend:** The Company shall endeavour to maintain a reasonable dividend payout ratio subject to:
 - a) Capital needs of the Company;
 - b) positive operating cash flows; and
 - c) other parameters enumerated herein above. The company shall however endeavour to earmark a minimum of 10% on Profit after Tax (PAT).

- vii. **Special Dividend:** The Board of Directors may additionally recommend a Special Dividend in special circumstances.

6. Provisions with regard to dividend

- i. **Payment of dividend:** Subject to the provisions of the Act and SEBI Regulations and Memorandum and Articles of Association of the Company and the terms & conditions of the issue of securities by the Company, the Company may pay dividend in proportion to the amount paid up on each share.

- ii. **Transfer to the reserves:** The Company may, before declaration of any dividend in any financial year, transfer such percentage of its profit for that financial year as it may consider appropriate to the reserves of the Company in accordance with the relevant provisions of the Act.

- iii. **Declaration of Dividend in case of inadequacy or absence of profits in any financial year:** Subject to the relevant provisions of the Act, in the event of inadequacy or absence of profits in any year, the Company may declare dividend out of retained earnings or out of free reserves. Where the dividend is paid out of free reserves, the same will be subject to the fulfilment of the following conditions, namely:-
 - a) The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by the company in the three years immediately preceding that year; Provided that this will not apply, if no dividend was declared by the company in each of the three preceding financial year.
 - b) The total amount to be drawn from such accumulated profits shall not exceed one-tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.



- c) The amount so drawn shall first be utilized to set off the losses incurred in the financial year in which dividend is declared before any dividend in respect of equity shares is declared.
 - d) The balance of reserves after such withdrawal shall not fall below fifteen percent of its paid up share capital as appearing in the latest audited financial statement.
- iv. **Interim Dividend:** The Board of Directors may declare Interim Dividend at its absolute discretion in line with this Policy, based on profits arrived at as per quarterly (or half- yearly) financial statements. Provided that in case the Company has incurred loss during the current financial year upto the end of the quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall not be declared at a rate higher than the average dividend declared by the Company during the immediately preceding three financial years. In case no final dividend is declared, interim dividend(s) paid during the year, if any will be regarded as final dividend in the Annual General Meeting.
- v. **Payment of Final Dividend:** Subject to approval of shareholders in Annual General Meeting, the Board of the Company may recommend quantum of final dividend payable to shareholders in its meeting in line with this Policy, based on the aforesaid parameters arrived at as per the audited financial statements.
- vi. **Form and Mode of Dividend:** The dividend shall be paid only in cash form by bankers' cheque or dividend warrant or through use of any electronic mode of payment facility approved by the Reserve Bank of India from time to time.
- vii. **Prior Intimation of Dividend:** The Company shall give prior intimation (at least two working days in advance, excluding the date of the intimation and date of meeting in which the proposal to declare / recommend dividend will be considered) to stock exchange(s) about the Board Meeting in which the declaration/recommendation of dividend will be considered.
- viii. **Record Date or Date of closure of transfer books:** The Company shall intimate/announce (at least seven working days in advance, excluding the date of the intimation and the record date/dates of closure of its transfer books) the record date/dates of closure of its transfer books to the stock exchange(s) for the purpose of declaration of dividend.

7. Disclosures

- i. The Dividend Distribution Policy shall be disclosed on the Company's website & a web-link thereto shall be provided in the Annual Report.



8. General

- i. This Policy would be subject to revision/amendment in accordance with the guidelines as may be issued by Ministry of Corporate Affairs, Securities Exchange Board of India or such other regulatory authority as may be authorized, from time to time, on the subject matter.
- ii. The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy.
- iii. In case of any amendment(s), clarification(s), circular etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular etc.

9. Disclaimer

The above Policy does not constitute a commitment regarding the future dividends of the Company, but only represents a general guidance regarding dividend policy. The statement of the Policy does not in any way restrict the right of the Board to use its discretion in the recommendation of the dividend to be distributed in the year and the Board reserves the right to depart from the policy as and when circumstances so warrant.

Place: Hyderabad

Date: 15th April, 2021