Dividend Distribution Policy

Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Regulations") is amended on 5th May 2021 which extends an obligation on the top thousand listed entities based on market capitalization (calculated as on March 31) to formulate a dividend distribution policy ("the Policy") which shall be disclosed on the website of the listed entity and a web-link shall also be provided in their annual reports.

The Board of Directors of Deccan Cements Limited ("the Company") is under an obligation to formulate the policy for determining the dividend distribution to its shareholders to comply with the requirements of the Regulations.

The objective of the policy is to establish the parameters to be considered by the Board before declaring or recommending dividend. The Policy enables the Company to strike an optimum balance between rewarding shareholders through dividend pay-out and at the same time ensures that sufficient funds are retained for growth of the Company.

This Policy is not an alternative to the decision of the Board for declaring or recommending dividend.

As per the requirements of the Regulations the Board of Directors framed this policy, and while declaring or recommending dividend to the shareholders, the Board of Directors will consider the following parameters:

(a) <u>the circumstances under which the shareholders may or may not expect dividend</u>:

The Board may declare dividend out of profits of the Company for the year or out of the profit of previous years or out of free reserves available for distribution of dividend after complying with the statutory requirements under the applicable laws.

The Company has had a consistent dividend payment track record. However, the shareholders of the Company may not expect dividend in the following circumstances, subject to the discretion of the Board of Directors:

- the Company has inadequacy of profits or incurs losses for the Financial Year;
- the Company undertakes /proposes to undertake a significant expansion project requiring higher allocation of capital;
- the Company undertakes /proposes to undertake any acquisitions or joint arrangements requiring significant allocation of capital.
- the Company has significantly higher working capital requirement affecting free cash flow.
- the Company proposes to utilize surplus cash for buy- back of securities;
- the Company is prohibited to recommend/declare dividend by any regulatory body.

(b) the financial parameters that shall be considered while declaring dividend:

- Distributable surplus available as per the Act and Regulations
- The Company's liquidity position and future cash flow needs
- Track record of Dividends distributed by the Company
- Prevailing Taxation Policy or any amendments expected thereof, with respect to Dividend distribution
- Capital expenditure requirements considering the expansion and acquisition opportunities
- Cost and availability of alternative sources of financing
- Stipulations/ Covenants of loan agreements
- Macroeconomic and business conditions in general
- Any other relevant factors that the Board may deem fit to consider before declaring Dividend

(c) internal and external factors that shall be considered for declaration of dividend:

Internal Factors:

- Profits earned and available for distribution during the financial year
- Accumulated reserves, including retained earnings
- Past dividend trends – rate of dividend, EPS and payout ratio, etc.
- Earning Stability
- Future Capital Expenditure requirement of the Company
- Growth plans, both organic and inorganic
- Capital restructuring, debt reduction, capitalisation of shares
- Crystallization of contingent liabilities of the Company
- Cash Flows
- Current and projected Cash Balance and Company's working capital requirements.
- Covenants in loan agreements, Debt servicing obligations and Debt maturity profile.

External Factors:

- Economic environment, both domestic and global.
- Market conditions
- Changes in Government policies and regulatory provisions
- Cost of raising funds from alternate sources
- Inflation rates
- Sense of shareholders' expectations
- Cost of external financing

(d) utilization of retained earnings:

The retained earnings shall be deployed in line with the objects of the Company as detailed in Memorandum of Association of the Company. The Company shall endeavor to utilize its retained earnings in a manner which shall be beneficial to the interest of the Company and also its shareholders.

The decision of utilization of the retained earnings of the Company shall be based on the following factors:

- Long term plans
- Increase in production capacity
- Market expansion plan
- Modernization plan
- Diversification of business
- Replacement of capital assets
- Balancing the Capital Structure by de-leveraging the Company
- Payment of Dividend or issue of Bonus Shares
- Other such criteria as the Board may deem fit from time to time.

(e) parameters that shall be adopted with regard to various classes of shares:

The Company currently has ordinary equity shares having face value of Rs.5 each only. Dividend would continue to be declared or recommended on per share basis on the face value of Ordinary Equity Shares of the Company. Therefore, dividend declared will be distributed amongst all shareholders, based on their shareholding as on the record date or date of book closure.

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 dividend payout ratio of 6% on Profit after Tax (PAT).

The 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.

This policy has been adopted by the Board of Directors of the Company at its meeting held on 11th June 2021, being the effective date of this Policy.

In the event of the Policy being inconsistent with any regulatory provision, such regulatory provision shall prevail upon the corresponding provision of this Policy.

The Board may, from time to time, make amendment(s) to this Policy to the extent required due to change in applicable laws and / or regulations or as deemed fit.