

DIVIDEND DISTRIBUTION POLICY

1. PREAMBLE:

Dividend is the Company's primary distribution of profits to its Shareholders. The Company's objective is to sustain a steady and consistent distribution of profits, by way of Dividend to its shareholders. The Board of Directors (the "Board") of MADHUR INDUSTRIES LIMITED ("MADHUR") has adopted the Dividend Distribution Policy ("The Policy") of the Company as required in terms of Regulation 43A of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 in its Board Meeting held on 30th November, 2016 as defined below.

2. EFFECTIVE DATE:

The Policy shall become effective from the date of its adoption by the Board i.e. 30th November, 2016.

3. PURPOSE, OBJECTIVES AND SCOPE:

This Policy is framed as per requirement of Regulation 43A of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015 as specified in the SEBI in its notification dated July 08, 2016, which is applicable mandatory to top 500 listed companies based on their market capitalization calculated as on 31st March, 2016. The Company is one of the top 500 listed companies as per the market capitalisation as on 31st March, 2016 and this Policy is to comply with the requirements of the SEBI (LOADR) Regulations, 2015.

The Board of Directors (the "Board") of the Company recognizes the need to lay down a broad framework for considering decisions with regards to distribution of dividend to its shareholders and/ or retaining or plough back of its profits. The Policy also sets out the circumstances and different factors for consideration by the Board at the time of taking such decisions of distribution or of retention of profits, in the interest of providing transparency to the shareholders. The policy endeavours for fairness, consistency and sustainability while distributing profits to the shareholders.

This Policy aims to ensure a regular dividend income for the shareholders and long term capital appreciation for all stakeholders of the company. Declaration of dividend on the basis of parameters in addition to the elements of this Policy or resulting in amendment of any element or the Policy will be regarded as deviation.

Any such deviation on elements of this Policy in extraordinary circumstances, when deemed necessary in the interests of the Company, along with the rationale will be disclosed in the Annual Report by the Board of Directors and also on the website of the Company.

The general considerations of the Company for taking decisions with regard to dividend pay-out or retention of profits shall be operating and financial performance of the Company and the advice of executive management including the CFO of the Company.

The Board shall also consider the following, while taking decisions of a dividend payout during a particular year.

4. CONSIDERATIONS RELEVANT FOR DECISION OF DIVIDEND PAY-OUT:

Statutory Requirements:

The Company shall observe the relevant statutory requirements of all applicable laws including mandatory transfer of a certain portion of profits to General Reserves or any specific reserve such as Debenture Redemption Reserve, Capital Redemption Reserve etc. as provided in the Companies Act, 2013, which may be applicable to the Company at the time of taking decision with regard to dividend declaration or retention of profit.

Prudential Requirements:

The Company shall analyse the prospective projects and strategic decisions in order to decide:

- to build a healthy reserve of retained earnings;
- to augment long term strength;
- to build a pool of internally generated funds to provide long-term resources as well as resource-raising potential for the Company; and
- the needs for capital conservation and appreciation.

Expectations Of Major Stakeholders, Including Small Shareholders:

The Board, while considering the decision of dividend pay-out or retention of a certain amount or entire profits of the Company, shall, as far as possible, consider the expectations of the major stakeholders including the small shareholders of the Company who generally expects for a regular dividend pay-out.



5. FINANCIAL PARAMETERS:

In addition to the aforesaid parameters such as realized profits and proposed major capital expenditures, the decision of dividend pay-out or retention of profits shall also be based the following:

Operating Cash Flow:

If the Company cannot generate adequate operating cash flow, it may need to rely on outside funding to meet its financial obligations and sometimes to run the day-to-day operations. The Board will consider the same before its decision whether to declare dividend or retain its profits.

Proposals for major capital expenditures:

In addition to plough back of earnings on account of depreciation, the Board may also take into consideration the need for replacement of capital assets, expansion and modernization or augmentation of capital stock, including any major capital expenditure proposals.

Extent of realized profits as a part of the IND AS profits of the Company:

The extent of realized profits out of its profits calculated as per IND AS, affects the Board's decision of determination of dividend for a particular year. The Board is required to consider such factors before taking any dividend or retention decision.

Net Sales:

To increase its sales in the long run, the Company may need to increase its marketing and selling expenses, advertising etc. The amount outlay in such activities may influence the decision of declaration of dividend by Board.

Magnitude of Earnings:

Since dividend is directly linked with the availability of earning over the long haul, the magnitude of earnings will impact the decision of declaration of dividend by the Board.

Cost of Borrowings:

The Board will analyses the requirement of necessary funds considering the long term or short term projects proposed to be undertaken by the Company and the viability of the options in terms of cost of raising necessary funds from outsiders such as bankers, lending institutions or by issuance of debt securities or plough back its own funds will impact the decision of declaration of dividend by the Board.

Obligations to Creditors:

The Company should be able to repay its debt obligations without much difficulty over a reasonable period of time. Considering the volume of such obligations and time period of repayment, the decision of dividend declaration shall be taken by the Board.

Inadequacy of Profits:

If during any financial year, the Board determines that the profits of the Company are inadequate, the Board may decide not to declare dividends for that financial year.

Additional Investments in subsidiaries / associates:

If during any financial year, the Board determines additional investment in the Subsidiaries / Associates can impact the decision for declaration of dividend by the Board.

6. FACTORS THAT MAY AFFECT DIVIDEND PAYOUT:**External Factors:**

Taxation and other regulatory concern:

- Dividend distribution tax or any tax deduction at source as required by tax regulations in India, as may be applicable at the time of declaration of dividend.
- Any restrictions on payment of dividends by virtue of any regulations as may be applicable to the Company at the time of declaration of dividend.

Capital Markets:

In the times of favorable markets, dividend pay-out can be liberal. However, in case of unfavorable market conditions where the availability of credit is restricted, the Company may resort to a conservative dividend pay-out in order to conserve cash outflows.

Acquisition / Restructuring / Joint Venture:

The Company's plan to acquire / restructuring / joint venture requiring sufficient allocation of funds may be considered at the time of declaration of dividend.

Buyback Of Shares:

The Company's plan to buyback of the Equity Shares requires sufficient allocation of funds may be considered at the time of declaration of dividend.



Up-gradation of Technology:

The Company's up-gradation of technology and updating of infrastructure for manufacturing of products may be considered at the time of declaration of dividend.

Macro-Economic Conditions:

Considering the state of economy in the Country and the policy decisions that may be formulated by the Government and international market conditions which may have a bearing on or affect the business of the Company, the management may consider retaining a larger part of the profits to have sufficient reserves to absorb unforeseen circumstances at the time of declaration of dividend.

Internal Factors:

Past Performance/ Reputation Of The Company

The trend of the performance/ reputation of the Company that has been during the past years may consider at the time of declaration of dividend.

Working Capital Management In The Company

The current working capital management system will be considered at the time of declaration of dividend.

7. CIRCUMSTANCES UNDER WHICH DIVIDEND PAY-OUT MAY OR MAY NOT BE EXPECTED:

The Board shall endeavour to pay Dividend to its shareholders in a steady and consistent manner except considers the factors and consideration provided as above before determination of any dividend pay-out and after analysing the prospective opportunities and threats, viability of the options of dividend pay-out or retention etc.

8. MANNER OF DIVIDEND PAY-OUT:

The Company shall ensure compliance of provisions of applicable Laws and this Policy in relation to Dividend declared by the Company. The discussion below is a summary of the process of declaration and payment of dividends:

In case of final dividends:

1. Recommendation, if any, shall be done by the Board, usually in the Board meeting that considers and approves the annual financial statements, subject to approval of the shareholders of the Company.
2. The dividend as recommended by the Board shall be approved/declared at the annual general meeting of the Company.



3. The payment of dividends shall be made within 30 days from the date of declaration to the shareholders entitled to receive the dividend on the record date/book closure period as per the applicable law

In case of interim dividend:

1. Interim dividend, if any, shall be declared by the Board.
2. Before declaring interim dividend, the Board shall consider the financial position of the Company that allows the payment of such dividend.
3. The payment of dividends shall be made within 30 days from the date of declaration to the shareholders entitled to receive the dividend on the record date as per the applicable laws.
4. In case no final dividend is declared, interim dividend paid during the year, if any, will be regarded as final dividend in the annual general meeting.

9. MANNER OF UTILISATION OF RETAINED EARNINGS:

The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on the following factors:

1. Product expansion plan;
2. Market expansion plan;
3. Increase in production capacity;
4. Diversification of business;
5. Modernization plan;
6. Long term strategic plans;
7. Replacement of capital assets;
8. Where the cost of debt is expensive;
9. Other such criteria as the Board may deem fit from time to time.

10. PARAMETERS FOR VARIOUS CLASS OF SHARES:

The Company has currently only one class of shares i.e. Equity shares. Hence it has not fixed the parameters for different class of shares. In case the Company issues any other class of shares, this policy shall be modified suitably for stipulating the parameters for distribution of dividend to all class of shares.



11. AMENDMENT:

To the extent any change/amendment is required in terms of any applicable law, the Managing Director and Whole time Director of the Company shall be severally authorised to review and amend the Policy, to give effect to any such changes/ amendments. Such amended Policy shall be periodically placed before the Board for noting and necessary ratification immediately after such changes.