

S H KELKAR AND COMPANY LIMITED

DIVIDEND DISTRIBUTION POLICY

1. Introduction:

The Securities Exchange Board of India vide its Notification No. SEBI/LAD-NRO/GN/2016-17/008 dated July 08, 2016, inserted Regulation 43A in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandating the formulation of a Dividend Distribution Policy for the top 500 listed entities based on their market capitalisation calculated on March 31 of every financial year. The Board of Directors of the Company has adopted this Dividend Distribution Policy to comply with the said requirements. The Policy shall come into force for accounting periods beginning from April 01, 2016.

2. Objective:

The Policy sets forth the broad principles that would guide the Board in matters concerning declaration and distribution of dividend with a view to impart transparency in the decision making process and ultimately assist stakeholders in making informed investment decisions. The Policy reflects the intent of the Company to reward its shareholders by sharing a portion of its profits after retaining sufficient funds for growth of the Company thus maximizing shareholders' value.

3. Philosophy:

The Company is deeply committed to driving superior value creation for all its stakeholders. The focus will continue to be on sustainable returns, through an appropriate capital strategy for both medium term and longer term value creation. Accordingly, the Board would continue to adopt a progressive and dynamic dividend policy ensuring the immediate as well as long term needs of the business.

4. Definitions:

- i) **“Act”** shall mean the Companies Act, 2013 including the Rules made thereunder, as amended from time to time.
- ii) **“Applicable Laws”** shall mean the Companies Act, 2013 and Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; as amended from time to time and such other act, rules or regulations which provides for the distribution of Dividend.
- iii) **“Company”** shall mean S H Kelkar and Company Limited.
- iv) **“Dividend”** shall mean Dividend as defined under Companies Act, 2013.
- v) **“Policy”** shall mean this Dividend Distribution Policy.
- vi) **“SEBI Regulations”** shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars issued thereunder, including any statutory modification(s) or re-enactment(s) thereof for the time being in force.

5. Interim and Final Dividend:

Pursuant to the provisions of Applicable Laws and the Policy, the Board may declare Interim Dividend during the year which will be confirmed by the shareholders. Final Dividend, if any, recommended by the Board, will be subject to shareholders' approval at the ensuing Annual General Meeting of the Company.

6. Parameters and Factors for declaration of Dividend:

While determining the nature and quantum of the dividend payout, the Board shall consider the following parameters and factors:

i) Financial Parameters:

- a) Net operating profit after tax
- b) Operating cash flow
- c) Outstanding borrowings
- d) Debt to equity ratio
- e) Cost of borrowings

ii) Internal Factors:

- a) Working capital requirements
- b) Capital expenditure requirement
- c) Business expansion and growth
- d) Acquisitions including any strategic acquisitions
- e) Additional investment in subsidiaries and associates of the company
- f) Likelihood of crystallization of contingent liabilities, if any
- g) Up-gradation of technology and physical infrastructure
- h) Restrictive covenants under financing arrangements with lenders

iii) External Factors:

- a) General state of the economy in the country and worldwide
- b) Social/geo-political factors/risks
- c) Prevailing legal requirements and regulatory conditions, including tax regulations
- d) Industry Trend
- e) Dividend pay-out ratio of competitors

7. Circumstances under which the shareholders may not expect Dividend:

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

- i) Whenever it undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;
- ii) Whenever it undertakes any acquisitions or joint ventures requiring significant allocation of capital;
- iii) Whenever there are significantly higher working capital requirements adversely impacting free cash flow;
- iv) Whenever it proposes to utilise surplus cash for buy-back of securities; or
- v) In the event of inadequacy of profits or whenever the Company has incurred losses.

8. Utilization of retained earnings:

The retained earnings shall be utilized for business purposes of the Company and to increase the value of the shareholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on its market expansion plan, product expansion plan, increase in production capacity, diversification of business, long term strategic plan, dividend payment and such other criteria as the Board may deem fit from time to time.

9. Parameters adopted with regard to various classes of shares:

Since the issued and paid-up share capital of the Company comprises only equity shares at present, all the members of the Company are entitled to receive the same amount of dividend per share. The Policy shall

be revisited and suitably amended at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

10. Disclosures:

The Company shall make appropriate disclosures as required under the Act and SEBI Regulations.

11. General:

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. The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under the Policy, then such amendment(s), clarification(s), circular(s) 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(s) etc.

12. Disclaimer:

The Policy does not solicit investments in the Company's securities nor it is an assurance of guaranteed returns (in any form), for investments in the Company's equity shares.