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**BIRLA CORPORATION LIMITED**

**DIVIDEND DISTRIBUTION POLICY**

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## **PREAMBLE, OBJECTIVE AND SCOPE**

In terms of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), the Company is required to formulate a Dividend Distribution Policy which shall be disclosed in its Annual Report and on its website.

To comply with the above requirement and with an endeavor to maintain a consistent approach to dividend pay-out plans, the Board of Directors ('Board') of Birla Corporation Limited ('the Company') adopts this Dividend Distribution Policy ('Policy').

The objective of this Policy is to:

- (i) specify the parameters (including internal and external factors) that shall be considered while declaring the dividend;
- (ii) lay down the circumstances under which the shareholders of the Company may or may not expect dividend; and
- (iii) provide for the manner of utilization of retained earnings.

## **EFFECTIVE DATE**

The Policy shall become effective from the date of its adoption by the Board i.e. 8<sup>th</sup> February, 2017.

## **PARAMETERS/ FACTORS AFFECTING DIVIDEND DECLARATION:**

The Board of Directors of the Company shall, inter alia, consider the following Parameters for recommendation / declaration of Dividend:

### ***External Factors:***

- **Macroeconomic conditions:** In the event of uncertain or recessionary economic and business conditions, the Board may consider retaining a larger part of the profits to have sufficient reserves to absorb unforeseen circumstances;
- **Statutory requirements:** Statutory requirements, regulatory conditions or restrictions as applicable including tax laws, the Companies Act, 2013 and SEBI regulations etc;
- **Agreements with Lending Institutions:** The Board may consider protective covenants in a bond indenture or loan agreement that may include leverage limits & restrictions on payment of cash dividends in order to preserve the Company's ability to service its debt;
- **Capital Markets:** In favourable market scenarios, the Board may consider liberal pay-out. However, it may resort to a conservative dividend pay-out in case of unfavourable market conditions.
- **Taxation Policy:** The tax policy of the country may also influence the dividend policy of the Company. The rate of tax directly influences the amount of profits available to the Company for declaring dividends.
- Any other factor as may be deemed fit by the Board.

***Internal Factors:***

Apart from the various external factors, the Board shall take into account various internal factors including the financial parameters while declaring dividend, which inter alia will include:

- Financial performance including profits earned (standalone), available distributable reserves etc;
- Impact of dividend payout on Company's return on equity, while simultaneously maintaining prudent and reasonably conservative leveraging in every respect e.g. Interest coverage, DSCR (Debt Service Coverage Ratio) Debt: EBITDA and Debt: Equity, including maintaining a targeted rating – domestically and internationally;
- Alternate usage of cash viz. acquisition/Investment opportunities or capital expenditures and resources to fund such opportunities/expenditures, in order to generate significantly higher returns for shareholders;
- Leverage profile, liabilities and liquidity position of the Company;
- Fund requirement for contingencies and unforeseen events with financial implications;
- Past Dividend trend including Interim dividend paid, if any; and
- Any other factor as deemed fit by the Board.

**CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND**

The circumstances under which shareholders may not expect dividend/or when the dividend could not be declared by the Company shall include, but are not limited to, the following:

- The Company is in higher need of funds for acquisition/ diversification/ expansion/ investment opportunities/ deleveraging or capital expenditures;
- The Company has incurred losses or in the stage of inadequacy of profits.
- Significantly higher working capital requirements adversely impacting free cash flow;
- Due to operation of any law in force;

The Shareholders of the Company may expect dividend only if the Company is having surplus funds after providing for all the expenses as may be statutorily required under various legislations applicable to the Company.

In addition to the above, the Board of Directors of the Company may also consider declaration of any special dividend, on special occasions, as and when they may deem fit, subject to the provisions of the Companies Act, 2013 and rules made thereunder and other relevant requirements, if any.

Further, the Board may also take into consideration such other circumstances as it may in its absolute discretion think fit.

### **UTILIZATION OF RETAINED EARNING**

The Board may retain its earnings in order to make optimum utilisation of the available resources and enhance the shareholder's value. The retained earnings of the Company can be used for acquisitions, expansions, diversifications or for meeting the working capital requirements, other liabilities of the Company or for any other object covered in Memorandum of Association; or may be retained for its business purpose in accordance with the applicable provisions of the Companies Act, 2013 read with the Rules framed thereunder, if any, the Listing Regulations, other applicable legislations governing dividends and the Memorandum and Articles of Association of the Company, as in force and as amended from time to time.

The decision of distributing dividend or utilisation of the retained earnings shall be taken after having due regard to the parameters laid down in this Policy.

### **PARAMETERS THAT SHALL BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARE**

Presently, the issued share capital of the Company comprises of only one class of Shares i.e. equity shares. In the event of the Company issuing any other class(es) of shares, it shall consider and specify the other parameters to be adopted with respect to such class(es) of shares.

### **DISCLOSURE**

The Company shall disclose the Policy on the Company's website and a web link thereto shall be provided in the Annual Report.

### **REVIEW & AMENDMENT**

The Policy shall be reviewed as and when required to ensure that it meets the objectives of the relevant legislation and remains effective. The Board has the right to amend or modify this Policy in whole or in part, at any time without assigning any reason, whatsoever.