

DIVIDEND DISTRIBUTION POLICY
FINOLEX CABLES LIMITED

**Registered Office : 26 - 27, Mumbai – Pune Road,
Pimpri
Pune – 411 018.**

1. PREAMBLE

- 1.1. The Dividend Distribution Policy (this “**Policy**”) has been formulated by Finolex Cables Limited (the “**Company**”) with the object of putting in place a set of guidelines for the purpose of taking the decision of distributing profits among shareholders and / or retaining profits.
- 1.2. This Policy serves to lay down the criteria regulating the manner in which the Company will arrive at the amount or percentage of dividend to be disbursed or retained based on the financial position of the Company on a yearly basis.
- 1.3. This Policy sets out the broad principles of approach of the Board of Directors of the Company (the “**Board**”) for declaring dividend and guides the shareholders of the circumstances under which the Board considers declaring dividend.
- 1.4. This Policy is aimed at meeting the expectations of the shareholders by giving the shareholders the scope of taking better investment decisions with a knowledge of whether or not their expectations will be effectively met by the Company. In this manner, this Policy is designed to bridge any gap between the expectations of the shareholders and the Company’s ideology in respect of the payment of dividend and establish a balance between the dual objectives of appropriately rewarding shareholders through dividends and retaining profits in order that a healthy reserve is maintained to support future growth.

2. LEGAL FRAMEWORK

- 5¹⁴ The Securities and Exchange Board of India, *vide* its notification dated July 8, 2016, has amended the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “**Listing Regulations**”) by inserting Regulation 43A in order to make it mandatory for the top five hundred listed companies to formulate a dividend distribution policy based on their market capitalization calculated as on March 31 of every financial year.
- 5¹⁵ Considering the provisions of the aforesaid Regulation 43A, the Board recognizes the need to lay down a broad framework for considering decisions with regard to distribution of dividend to its shareholders and / or retaining or ploughing back of profits.

3. EFFECTIVE DATE

This Policy will become effective from the date of its approval and adoption by the Board, that is 25th October, 2016.

4. APPLICABILITY

- 7¹⁴ This Policy will be applicable in respect of dividend(s) declared by the Company during any financial year commencing from the financial year ended 31st March 2017.

7¹⁵ This Policy will not apply in the following cases:

- (i) Determination and declaration of dividend on preference shares as the same will be as per the terms of issue approved by the shareholders;
- (ii) Distribution of dividend in kind, that is, by issue of fully or partly paid bonus shares or other securities, subject to applicable law;
- (iii) Distribution of cash as an alternative to payment of dividend by way of buy-back of equity shares;
- (iv) Where strategic agreements have been entered into by the Company with any investor, where such agreements have negative covenants with respect to seeking approval of the shareholders before declaration of dividend.

5. DECLARATION OF DIVIDEND

8¹⁴ Dividend declaration and payment by the Company will be in accordance with the applicable provisions of the Companies Act, 2013, the relevant rules framed thereunder, the Listing Regulations and the Articles of Association of the Company.

8¹⁵ The Chief Financial Officer will recommend to the Board the amount to be declared or recommended as dividend.

8¹⁶ The Board may declare interim dividend, after considering the rationale of the proposal for payment of interim dividend,

8¹⁷ Final dividend, if any, recommended by the Board will be declared, subject to approval of the shareholders at the annual general meeting of the Company.

6. FACTORS DETERMINING DIVIDEND DECLARATION AND PAYMENT

9¹⁴ Circumstances for / for not declaring dividend

6.1.1. The following factors will be taken into consideration by the Company whilst determining whether or not it will be able to declare dividends:

- (i) Industry trends and market outlook;
- (ii) Operational and financial performance of the Company;
- (iii) Profits during the currency of any financial year under consideration for declaration or recommendation of dividend ("**current financial year**");
- (iv) Realisation of distributable profits under the Generally Accepted Accounting Principles applicable to the Company;

- (v) Company's outlook in line with the development of internal and external environment;
- (vi) Possibilities of alternate usage of cash, such as capital expenditure, with potential to create greater value for shareholders; and
- (vii) Unforeseen events and contingencies with financial implications.

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

- (i) Inadequacy or absence of profits and inability to declare dividend out of free reserves upon fulfillment of prescribed conditions;
- (ii) Business restructuring such as significant expansion projects, acquisitions or joint ventures requiring higher allocation of capital or modernization or augmentation of capital stock;
- (iii) Non-availability of sufficient capital to meet the minimum capital requirements prescribed by the Reserve Bank of India, if applicable;
- (iv) Increased working capital requirements;
- (v) Utilisation of surplus cash for buy-back of securities; and
- (vi) Internal and External factors identified in Clause 6.3 of this Policy impeding dividend payment.

915 **Financial Parameters**

The following financial parameters will be considered while declaring or recommending dividend:

- (i) Operating cash flows and treasury position keeping in view the total debt to equity ratio;
- (ii) Outstanding borrowings and obligations to creditors;
- (iii) Liquidity position;
- (iv) Net Sales;
- (v) Stability of earning;
- (vi) Net Interest Income;
- (vii) Profit Before Tax and Profit After Tax;
- (viii) Return on Assets;
- (ix) Return on Equity;

- (x) Earnings Per Share;
- (xi) Profit growth targets for the current financial year, profits for any previous financial year or years and market expectations;
- (xii) Availability of free reserves in conformity with the provisions of the Companies Act, 2013 and the relevant rules thereunder;
- (xiii) Net Owned Funds;
- (xiv) Capital to Risk-weighted Assets Ratio;
- (xv) Gross leverage and net leverage;
- (xvi) Absolute values of gross Non-Performing Asset and net Non-Performing Asset as a percentage of loan assets;
- (xvii) Provisioning levels and provision coverage; and
- (xviii) Outlook on portfolio quality.

916 **Internal and External Factors for dividend declaration**

6.3.1. The internal factors which will be considered while declaring or recommending dividend include but are not limited to:

- (i) Business growth and expansion plans;
- (ii) Past performance of the Company with specific reference to the revenue which the product(s) launched by the Company in the market generate;
- (iii) Profits made by the Company during the current financial year;
- (iv) Capital expenditure;
- (v) Corporate restructuring or scheme of arrangement having a financial impact on the Company;
- (vi) The feasibility of retaining cash holdings in the absence of any major expansion plan or capital investments or other strategic investment plans of the Company; and
- (vii) Net worth of the Company.

6.3.2 The external factors which will be considered while declaring or recommending dividend include but are not limited to :

- (i) Fluctuating or recessionary economic and business conditions and liquidity position in the market which may compel the Company to retain a large part of its profits to build up reserves to absorb future shocks;

- (ii) Market conditions which, if unfavourable, could result in a restriction on the availability of credit, thereby obligating the Company to resort to a conservative dividend disbursement;
- (iii) Competition in the market impacting the prospects of growth of the Company, thereby requiring the Company to increase capital to enhance operational efficiency;
- (iv) Changes in government policies having a financial impact on the Company;
- (v) Statutory provisions and guidelines on declaration and payment of dividend by the Company which necessitate compliance by the Company; and
- (vi) Environmental, operational, regulatory and legal risks adversely impacting the dividend disbursement by the Company.

7. MANNER OF UTILISATION OF RETAINED EARNINGS

The Company stands committed to deliver sustainable value to its shareholders and further the business and operations of the Company by endeavoring to make better use of its retained earnings, after taking into consideration the factors for determining dividend declaration and payment as stated in Clause 6. of this Policy and other factors which the Board, in its absolute discretion, may think fit while determining the manner of utilization of retained earnings.

8. PARAMETERS TO BE ADOPTED WITH REGARD TO VARIOUS CLASS OF SHARES

The holders of the equity shares of the Company, as on the record date, are entitled to receive dividends. Since the Company has issued only one class of equity shares with equal voting rights, all the shareholders of the Company are entitled to receive the same amount of dividend per share. This Policy will be suitably revisited at the time of issue of any new class of shares depending upon the nature and applicability of relevant rules, regulations and guidelines.

9. DISCLOSURE

This Policy will be disclosed in the annual report of the Company and on the website of the Company, as required under the Listing Regulations.

10. POLICY REVIEW

The Board has the right to amend or modify this Policy in whole or in part, at any time without assigning any reason, whatsoever.

Date: 10th November, 2016

Place: Pune

CHAIRMAN