

MANAKSIA LIMITED

[Draft] DIVIDEND DISTRIBUTION POLICY

OVERVIEW

The Securities and Exchange Board of India (“SEBI”) vide SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021 issued on May 5, 2021 has amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “Listing Regulations”) and altered the applicability of Regulation 43A making it mandatory, for the top one thousand listed companies based on their market capitalization calculated as on the 31st day of March of every year, to have a Dividend Distribution Policy (the “Policy”) in place.

Therefore, the Board of Directors (the “Board”) of the Company has adopted the Policy of the Company as per the requirement, abovementioned, in its meeting held on 15th June, 2021.

EFFECTIVE DATE

The Policy shall become effective from the date of its adoption by the Board i.e. 15th June, 2021.

DEFINITIONS AND INTERPRETATIONS

1. “Act” shall mean the Companies Act, 2013 as amended from time to time and shall include the Rules and Secretarial Standards made thereunder or pursuant thereto.
2. “Board” shall mean the Board of Directors of the Company
3. “CFO” shall mean the Chief Financial Officer of the Company.
4. “Company” shall mean Manaksia Limited.
5. “Dividend” shall mean Dividend as defined under the Companies Act, 2013.
6. “Listing Regulations” shall mean the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any subsequent amendments or modifications thereof.
7. “Policy” shall mean the Dividend Distribution Policy of the Company as per Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

All words and expressions used but not defined in this Policy, but defined in the Act or the Listing Regulations shall have the same meaning as respectively assigned to them in such Act or Listing Regulations, as the case may be.

PURPOSE, OBJECTIVE AND SCOPE

The Policy intends to specify the following parameters or circumstances that shall be considered while declaring dividend:

1. the circumstances under which the shareholders of the Company may or may not expect dividend;
2. the financial parameters that shall be considered while declaring dividend;
3. internal and external factors that shall be considered for declaration of dividend;
4. policy as to how the retained earnings shall be utilized; and
5. parameters that shall be adopted with regard to various classes of shares

The Policy is not an alternative to the decision of the Board for recommending dividend, which is made every year after taking into consideration all the relevant circumstances enumerated hereunder or other factors as may be decided as relevant by the Board.

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 the Company's website.

The Policy shall not apply to:

- Determination and declaring dividend on preference shares as the same will be as per the terms of issue approved by the shareholders;
- Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law;
- Buyback of Shares.

A. CONSIDERATIONS RELEVANT FOR DECISION OF DIVIDEND PAY-OUT

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

Statutory requirements

The Company shall observe the relevant statutory requirements including those with respect to transfer of a certain portion of profits to certain reserves, if any, as provided in the Act or the Listing Regulations or any other law which may be applicable to the Company at the time of taking decision with regard to dividend declaration or retention of profit.

Agreements with lending institutions/ Debenture Trustees/ others

The decision of dividend pay-out shall also be affected by the restrictions and covenants contained in the agreements, if any, entered into with the lenders or any other party during the course of business, from time to time.

This provision shall apply mutatis mutandis to agreements already executed before the commencement of the Policy of the Company.

Shareholders agreement including JV agreement entered into by the Company

The decision of dividend pay-out shall meet the conditions of any Shareholders agreement including JV agreement, if any, to be entered into by the Company.

Long term strategic objectives of the Company

The Board may exercise its discretion to change the percentage of dividend or to otherwise take decision of retention or distribution of profits where, the Company is planning for expansion, restructuring, reorganization, diversification, investments including major capital expenditure etc.

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.

Extent of realized profits as a part of the Indian Accounting Standards (IND AS) profits of the Company

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

General consideration

Subject to the considerations as provided in the Policy, the Board shall determine the dividend payout in a particular year after taking into consideration the operating and financial performance of the Company together with the advice of the management and other relevant factors.

B. FINANCIAL PARAMETERS

In addition to the aforesaid parameters the following financial parameters shall be considered while deciding the dividend payout or retention of profits-

Operating cash flow of the Company

If the Company cannot generate adequate operating cash flow, it may need to retain the profits to meet its strategic goals as well as the working capital requirements. The same shall be considered before deciding on whether to declare dividend or retain profits.

Net sales of the Company

To increase its sales in the long run, the Company will need to expand its manufacturing capacity as well as increase its expenditure on sales, marketing, advertising etc. The amount outlay in such activities will influence the decision of declaration of dividend.

Return on invested capital

The efficiency with which the Company uses its capital shall also impact the decision of dividend declaration.

Cost of borrowings

The Board shall analyze 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.

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.

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. Declaration of the dividend is the sole discretion of the Board.

Post dividend Earning Per Share (EPS)

The post dividend EPS can have strong impact on the funds of the Company, thus, impacting the overall operations on day-to-day basis and therefore, affects the profit and can impact the decision for dividend declaration during a particular year.

C. FACTORS THAT MAY AFFECT DIVIDEND PAYOUT

External Factors

Taxation and other regulatory concern

- Taxes including tax deducted at source as required by applicable 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 regulation as may be applicable to the Company at the time of declaration of dividend.

Macroeconomic conditions

Considering the state of economy in the Country, policy decisions that may be formulated by the Government and other similar conditions prevailing in the international market which may have a bearing on or affect the business of the Company, during 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.

Capital Market

When the markets are favorable, dividend pay-out can be liberal. However, in case of unfavorable capital market conditions, Board may resort to a conservative dividend payout in order to conserve cash outflows.

Statutory Restrictions

The Board will keep in mind any restrictions on payment of dividends by virtue of any regulation or loan covenant, as may be applicable to the Company at the time of declaration of dividend.

Internal Factors

Product/ market expansion plan

The Company's growth oriented decision to conserve cash in the Company for future expansion plan impacts shareholders' expectation for the long run which shall have to be considered by the Board before taking dividend decision.

Past performance/ reputation of the Company

The trend of the performance/ reputation of the Company that has been during the past years determine the expectation of the shareholders.

Working capital management in the Company

The system for the management of working capital within the Company will also impact the decision of dividend declaration.

Age of the Company and its product/market

The age of the Company and its product or the market in which the Company operates will be one of the most significant determining factors to the profitability of the Company and dividend declaration or retention.

Amount of cash holdings in the Company

From the investor's point of view, in the absence of any major expansion plan or capital investments or other strategic investment plans in the hands of the Company, the excessive cash holdings in the Company might not be appreciated. The Board shall have to consider the same before taking decision of dividend declaration.

D. CIRCUMSTANCES UNDER WHICH DIVIDEND PAYOUT MAY OR MAY NOT BE EXPECTED

The Board shall consider the factors as provided in the Policy above, before determination of any dividend payout after analyzing the prospective opportunities and threats, viability of the options of dividend payout or retention etc. The decision of dividend payout shall, majorly be based on the aforesaid factors considering the balanced interest of the shareholders and the Company.

E. MANNER OF DIVIDEND PAYOUT

The discussion below is a summary of the process of declaration and payment of dividends, and is subject to applicable regulations:

In case of final dividends

1. Recommendation, if any, shall be done by the Board at its discretion, 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 the statutorily prescribed period 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 at its discretion.
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 statutorily prescribed period 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 the final dividend in the Annual General Meeting.

F. DIVIDEND PAYOUT RATIO

The Board may take into account the regulatory requirements, this Policy and the factors which are necessarily to be considered at the time of recommending/ declaring the dividend, while deciding the payout ratio. The Board is committed to reward the investors at a sustainable rate and shall endeavor to maintain a consistency in dividend payout.

G. 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 Board may not declare or recommend dividend for a particular period if it is of the view that it would be prudent to conserve capital for the then ongoing or planned business expansion or other factors which may be considered by the Board. The decision of utilization of the retained earnings of the Company shall be based on the following factors:

- Market expansion plan;
- New acquisitions & investments;
- Product expansion plan;
- Increase in production capacity;
- Modernization plan;
- Diversification of business;
- Long term strategic plans;
- Replacement/up-gradation/modernization of capital assets;
- Investment plans in long term/short term strategic joint ventures and/or partnerships and/or subsidiary companies;
- To cater expensive cost of debt;
- Such other criteria as the Board may deem fit from time to time.

H. PARAMETERS FOR VARIOUS CLASSES OF SHARES

Since the Company has issued only one class of equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of dividend per share. The Policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

DISCLOSURE

The Policy together with any subsequent alteration shall be disclosed on the website of the Company www.manaksia.com and the web link of the Policy shall be disclosed in the Annual Report prepared by the Company from time to time.

LIMITATION AND AMENDMENT

In the event of any conflict between the provisions of this policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this policy. To the extent any change/amendment is required in terms of any provisions of the Act and/or Listing Regulations, the Managing Director of the Company shall be authorised to review the Policy and recommend any changes to the Board for its approval.

Date: 15.06.2021

Place: Kolkata

MANGING DIRECTOR