



ESSEL PROPACK LIMITED

DIVIDEND DISTRIBUTION POLICY

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1. INTRODUCTION

Security and Exchange Board of India has issued the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 vide notification dated 2 September 2015 coming into effect from 1 December 2015. The said Regulation is in substitute of compliance requirement of listing agreements entered into with recognized Stock Exchanges in India in respect to listing of equity shares, debts and other securities. Said Regulations as amended from time to time *inter alia* provides for the top five hundred listed entities based on market capitalization to formulate a dividend distribution policy.

2. PURPOSE

The purpose of this Policy is to outline guiding factors, parameters and procedures in relation to the determining amount of Dividend on equity shares of the Company by the Board and recommend the same for approval of shareholders whenever necessary.

This Policy is intended to provide guidance and approach of the Board of Directors for determining and recommendation on the amount of dividend on equity shares of the Company and process for payment.

To achieve these objectives, maintain decency and to observe applicable regulation, in relation to determining amount of dividend and distribution, the Board of Essel Propack Limited is adopting this Dividend Policy.

3. TITLE, COMMENCEMENT AND EXTENT

3.1 This Policy is called the "Dividend Distribution Policy" or "Dividend Policy" or the "Policy".

3.2 This Policy has been approved by the Board and the same shall come into effect accordingly.

4. DEFINITIONS AND INTERPRETATION

In this Policy, except where the context otherwise requires, the following words and expressions shall have the following meaning.

4.1 "**Board**" or "**Board of Directors**" means the Board of Directors of the Company.

- 4.2 **“Company” or “Essel”** means the **Essel Propack Limited**, registered in India under the Companies Act 1956/2013 having CIN L74950MH1982PLC028947.
- 4.3 **“Dividend”** means annual dividend and also includes interim and/or special dividend.
- 4.4 **“Executive Management”** means the Managing Director, Chief Operating Officer and Chief Financial Officer of the Company.
- 4.5 **“Shares” or “Equity Shares”** means the existing equity shares and equity shares as may be allotted by the Company from time to time.
- 4.6 **“Statutory provisions”, “Regulation” or “Listing Regulations”** means applicable provisions of the Companies Act 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 as amended or reenacted time to time and other applicable law in relation to the Dividend.
- 4.7 The words importing the singular include the plural and *vice versa* and pronouns importing a gender include each of the masculine, feminine and neuter genders and shall be interpreted in the wide sense in spirit of this Code.

5. ESSEL’S DIVIDEND POLICY

Essel’s Board adopts the policy of steady and progressive dividend distribution out of the net profit keeping in view the following factors. The Board believes this will serve the interest of the Shareholders for their regular income and the Company’s business growth.

In determining the amount of dividend on equity shares of the Company for distribution to equity shareholders from time to time, the Board will consider the following guidelines and parameters, keeping in view the audited or reviewed financial results of the Company, as may be relevant to the financial year and estimates of the next financial year when context so requires.

5.1 Financial parameters

The Board shall be guided by the following financial factors when recommend the Dividend.

- a) To recommend steady dividend payout keeping in view standalone and consolidated net profit of the Company as per audited financial results, Subject to financial, external, internal and others factors.

- b) Increase in standalone and consolidated net sales, net profit, cash profit and net worth as compared to previous financial year.
- c) Position of debts, interest rate and debt servicing during the financial year and change expected during the next financial year.
- d) Other factors would include magnitude of realized profits, operating cash flow, liquidity, capacity to service borrowings, cost of borrowings vis-à-vis cost of capital, sales volume, anticipated expenses, financial ratios etc.

5.2 Internal Factors

- a) Cash requirements in short to medium term for capex program, organic and inorganic growth, acquisition, further investment in subsidiaries and joint ventures, surge sustainability in global business markets.
- b) Profitability, earnings variability, liquidity and cash flows, financial leverage and asset characteristics such as the composition of tangible and intangible assets.
- c) Achievement of targets in relation to capacity additions, inventions, new customers, quality excellence, fair inventory levels, sustainable balance between oral, non-oral care and pharma segments, as and when the management has set the targets for all or any of the aforesaid.
- d) To consider the proposal, if any, presented by Executive Management in relation to the recommendation of the Dividend.

5.3 External factors

- a) Change in statutory provisions, domestic and international taxation aspects, government policies, major accounting adjustments and audit assumptions.
- b) Contingent liability and legal disputes expected to tolerate in medium to long term and natural calamity.
- c) Material change in technology, market position, statutory restrictions, commercial assumptions and other aspects which is anticipated to affect to the business or profitability of the Company, its subsidiaries, joint ventures or major customers.
- d) Major write off of the bad debts, distressed assets or investments, bankruptcy of major customers, stricture of public liability and similar aspects affecting to the business or profit of the Company on standalone and consolidated basis.

In exceptional circumstances, the Board may deviate some parameters in determining the amount of dividend, if after deliberations in board meeting, it is decided so in interest of the Company, with consent of all the directors present.

6. UTILIZATION OF RETAINED EARNING

It is intended to use the retained earnings for business growth, capacity additions and general corporate purpose. Considering the cost of the borrowings vis-à-vis available funds (retained earnings), the quantum of reserves and available depreciation fund, the Board may decide to plough back the earnings. Utilization of the retained earnings of the Company shall be inter alia based on the factors includes financial leverage, mitigate dependence on external debts, expansion and diversification.

7. CIRCUMSTANCES UNDER WHICH MAY NOT EXPECT DIVIDEND

The Board intends to recommend reasonable dividend every financial year in normal business scenario keeping in view the provisions of this Dividend Policy. However the Board may consider to recommends lesser dividend as compared to previous financial years or may not recommend Dividend for any one or more financial years keeping in view the possible effect of one or more “External Factors” to the business, sales, profit or sustainability of the Company, its subsidiaries or in any other circumstances the Board decides that distribution of the profit by way of Dividend is not advisable in interest of the Company.

8. POLICY EXCLUSION

The policy shall not be applicable in the following circumstances.

- a) Buyback of shares or securities.
- b) Dividend on preference shares.
- c) Benefit to shareholders or class of shareholders by virtue of arrangements as may be approved by National Company Law Tribunal or appropriate authority.

9. INTERIM, SPECIAL OR HIGHER DIVIDEND

The Board may approve Interim Dividend, Special or higher Dividend considering the recommendation from the Executive Management and factors as mentioned in this Policy, keeping in view the financials based on reviewed or audited financial statements and as may be permitted under the statutory provisions. The Board at its discretion may consider the aforesaid proposal if the Board thinks that the factors as referred in the policy are favorable, available and possible use of cash and other factors as the Board may think relevant.

10. PROCEDURE IN RELATING TO THE DIVIDEND AND PAYMENT

- a) The Board usually to recommend Dividend annually for financial year based on annual financial results. Recommendation of the Board on annual dividend will be submitted to the shareholders in accordance with the statutory provisions for the adoption of a final decision at the shareholders' meeting. The amount of annual dividends shall not exceed the amount recommended by the Board of Directors.
- b) Annual Dividend as approved by the Shareholders or interim or special Dividend as approved by the Board will be paid in cash to those who are Shareholders on record date or book closure as may be determined for the purpose.
- c) Primary method for the payment of Dividends is the transfer or direct credit of dividend amount in Indian rupee to respective accounts of the shareholders in the Indian Bank details of which is registered with the Company or made available by the Depositories. In absence of correct bank account details, the Company will pay Dividend by way of dispatch of physical dividend instrument or demand drafts.
- d) The Company shall follow the statutory provisions as may be applicable from time to time relating to approval, declaration and payment of Dividend.

11. CLARIFICATIONS, AMENDMENT ETC

- 8.1 This Policy has been framed in compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. In case of any amendment in the Regulations, direction or clarification by SEBI, provision of this Code shall be read and implemented in context of such amended or clarified positions.
- 8.2 This Policy may be modified, amended, clarified or substituted by the Board as may be necessary.
- 8.3 This Policy is approved by the Board of Directors and signed for authentication on its behalf as under.

12. CAUTIONARY STATEMENT

The Policy reflects the intent of the Company to reward its shareholders by distributing a portion of its profits after retaining sufficient funds for growth of the Company and subject to other aspects as mentioned in this Policy and/or other aspect the Board may think appropriate at its discretion from time to time.