



VARINDERA CONSTRUCTIONS

Construction

**DIVIDEND DISTRIBUTION POLICY
OF
VARINDERA CONSTRUCTIONS LIMITED**

Procurement

Engineering

Varindera Constructions Limited (CIN No.: U45201DL1987PLC128579)



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Dividend Distribution Policy

1. Preface

The Board of Directors (the “**Board**”) of Varindera Construction Limited (the “**Company**”) has adopted the ‘Dividend Distribution Policy’ (the “**Policy**”) of the Company with regard to the determination of criteria to be considered by the Board before recommending the final dividend to the shareholders and/or declaring the interim dividend by the Board. The Policy is framed as per the Provision of Companies Act, 2013 & the rules thereunder and Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

2. Objective /Background

The objective of the Policy is to set standard procedures/guidelines to be followed by the Board of Directors in deciding/recommending the amount of dividend per share. A dividend policy decides proportion of dividend and retained earnings. Retained earnings are an important source of internal finance for long term growth of the company while dividend reduces the available cash funds of company. The objective of the Dividend Distribution Policy of the Company is to reward its shareholders by sharing a portion of the profits/earnings, while also ensuring that enough funds are retained for future prospects of the Company.

This policy aims to ensure dividend incomes to the shareholders and long-term capital appreciation for all stakeholders of the Company.

3. Definitions

Act: Act means Companies Act, 2013 including the rules framed there under and any statutory amendment(s) or modification(s) or circular(s) or notification(s) or order(s) thereof for the time being enforce.

Dividend: As defined under Section 2(35) of the Act.

Free Reserves: As defined under Section 2(43) of the Act.

4. Effective Date

The Board of Directors of the Company at its meeting held on 28th August 2024 has adopted the Dividend Distribution Policy (Policy) of the Company. The effective date of the dividend distribution policy is on or after 28th August 2024 and all dividends declared on or after the effective date will conform to the Policy.





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5. Types of Dividend

The Companies Act, 2013 provides for two types of dividend – Interim and Final.

- **Interim Dividend:** Interim dividend is the dividend declared by the Board between two Annual General Meetings as and when considered appropriate. The Act authorizes the Board to declare interim dividend(s) during any financial year out of the profits for the financial year in which the dividend is sought to be declared and / or out of the surplus in the profit and loss account.
- **Final Dividend:** Final dividend is the dividend recommended for the financial year at the time of approval of the Annual Financial Statements. The Board shall have the power to recommend final dividend to the shareholders for their approval at the Annual General Meeting of the Company. The decision whether or not to recommend the final dividend shall be made by the Board after considering the interim dividend(s) declared during the year.

6. Parameter for Dividend Distribution

The factors/parameters falling within the following categories shall be considered while making decision on dividend distribution.

Internal Factors

- a) **Profitability:** Dividend decision will be taken having regard to the profitability of the Company on a standalone basis.
- b) **Free Cash Flow:** Availability of free cash flow has a direct bearing on amounts to be distributed to shareholders via dividends as the Company is required to meet all its business obligations before distributing profits.
- c) **Growth Plans:** Growth plans of the Company and the associated capital expenditure may necessitate the Company to preserve its funds generation to be deployed for the planned growth/expansion opportunities within the desired leverage. The Board would take into consideration internal funds generation to be earmarked for the proposed growth plans prior to making decision on dividend distribution.
- d) **Enhance borrowing Capacity:** It may be prudent for the Company to build up certain level of net worth to be in a position to raise debts with a view to capture any growth opportunities, inorganic or otherwise.
- e) **Investment Opportunities:** Dividend decisions shall be made in the light of timing of investment opportunities available with the Company.
- f) Any other factor not explicitly covered above but which is likely to have a significant impact on the Company.

External Factors

- g) **Statutory restrictions:** The dividend to be distributed will be subject to prevailing legal requirements, regulatory conditions or restrictions laid down under the Applicable Laws





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including tax laws.

- h) **Contractual Restrictions/Restrictions in Debt Covenants:** The Company's ability to pay dividends may be restrained by limiting provisions in a loan agreement.
- i) **Emerging Trends:** The dividend decisions may also be influenced by the growth and performance of the applicable industrial sector, emerging trends in the financial market and performance of the Company vis-à-vis its peers and dividend payout ratio of the comparable companies.
- j) Any other factor which has a significant influence/impact on the Company's working/financial position.

7. **Circumstances under which shareholders may or may not expect dividend:** The shareholders of the Company may not expect dividend under the following circumstances:

- a) Due to operation of any other law in force;
- b) Due to losses incurred by the Company and the Board considers it appropriate not to declare dividend for any particular year;
- c) Due to any restrictions and covenants contained in any agreement as may be entered with the Lenders;
- d) Uncertainty of the earnings/ financial results of the Company; and
- e) The availability of opportunities for reinvestments of surplus funds;
- f) Any other corporate action resulting in cash outflow

8. **Utilization of retained earnings:** Subject to the provisions of the applicable laws, the Company may declare dividend out of profits of the Company for the year or out of the profit of previous year or out of both or out of free reserves, in case of inadequate or absence of profits in any financial year, available for distribution of dividend, after having due regard to the parameters laid down in the Policy. The Company shall endeavour to utilize its retained earnings in a manner which shall be beneficial to the interest of the Company and also its shareholders. The decision of utilization of the retained earning shall be based on the factors like strategic and long term plans of the Company, future equity acquisitions, diversification opportunities or any other criteria that may be considered relevant by the Board in this regard.

9. **Parameters adopted with regard to various classes of shares:** Presently, the share capital of the Company comprises of equity shares only. In the absence of any other class of shares, the entire distributable profit for the purpose of declaration of dividend is considered for the equity shareholders.

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

10. **Amount of dividend:** The Company shall endeavor to maintain a reasonable dividend payout ratio subject to: a) capital needs of the Company; b) positive operating cash flows; and c) other financial parameters enumerated hereinabove.





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11. Provisions with regard to dividend

Payment of dividend: Subject to the provisions of the Act and memorandum of association and articles of association of the Company and the terms & conditions of the issue of securities by the Company, the Company may pay dividend in proportion to the amount paid up on each share.

Transfer to the reserves: The Company may, before declaration of any dividend in any financial year, transfer such percentage of its profit for that financial year as it may consider appropriate to the reserves of the Company in accordance with the relevant provisions of the Act.

Payment of final dividend: Subject to approval of shareholders in Annual General Meeting, the Board of the Company may recommend quantum of final dividend payable to shareholders in its meeting in line with this Policy, based on the aforesaid parameters arrived at as per the audited financial statements.

Form and mode of dividend: The dividend shall be paid only in cash form by bankers cheque or dividend warrant or through use of any electronic mode of payment facility approved by the Reserve Bank of India from time to time.

Record date or date of closure of transfer books: The Company shall intimate/announce (at least seven working days in advance, excluding the record date/dates of closure of its transfer books) the record date/dates of closure of its transfer books for the purpose of declaration of dividend.

12. Review and Amendments:

The Policy may be reviewed and amended periodically by the Board of Directors in order to ensure the provision of any amendments of legislature and needs of the Company. The Board has the right to change, amend and modify as the case may be expedient with the current provision of the laws and regulations.

In the event of any amendments, modifications, clarifications, circulars, provisions etc. issued by the relevant authorities, not being consistent with the provisions laid down under this policy, then the same shall prevail upon provisions hereunder and the Policy shall stand amended accordingly.

13. Disclosures

The Dividend Distribution Policy shall be disclosed on the Company's website & a web-link thereto shall be provided in the Annual Report.

14. General

The Board may, from time to time, amend, modify, repeal or revise any or all provisions of this Policy. This Policy is also subject to modification, if any, in accordance with the guidelines / clarifications as may be issued from time to time by relevant statutory and regulatory authorities. If the Board proposes to declare dividend on the basis of criteria in addition to those specified in the





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Policy, or proposes to modify the criteria, it shall disclose such changes along with the rationale for the same in the Annual Report. In the event of a conflict between this Policy and the external regulations, the regulations shall prevail.

15. Disclaimer

This Policy has been prepared in compliance of Companies Act, 2013. The above Policy does not constitute a commitment regarding the future dividends of the Company, but only represents a general guidance regarding dividend policy. The statement of the Policy does not in any way restrict the right of the Board to use its discretion in the recommendation of the dividend to be distributed in the year and the Board reserves the right to depart from the policy as and when circumstances so warrant.

