



DIVIDEND DISTRIBUTION POLICY OF M/s SESHASAYEE PAPER AND BOARDS LIMITED

**[As approved by the Audit Committee and the Board of Directors in their
respective meetings held on October 22, 2021 & October 23, 2021]**

1) PREAMBLE

- a) The Securities Exchange Board of India (SEBI) vide its notification dated May 5, 2021 has amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR"), making it mandatory for the top 1000 listed Companies based on the market capitalization (calculated as on March 31 of every financial year) to formulate a Dividend Distribution Policy, which will be disclosed in their annual report and on their website.
- b) Seshasayee Paper and Boards Limited (SPB), presently is within Top 1000 Companies by Market Capitalization and accordingly the regulation, as amended for formulation of "Dividend Distribution Policy" is applicable for our Company.
- c) The policy has been adopted by the Board of Directors of the Company at its meeting held on October 23, 2021, being the effective date of this policy.

2) SCOPE AND OBJECTIVE

- a) This Policy seeks to lay down a broad framework for the distribution of dividend by the Company whilst appropriately balancing the need of the Company to retain resources for the Company's growth & sustainability.
- b) Through this policy, the Company also endeavors to maintain fairness and consistency while considering distributing dividend to the shareholders.
- c) The Policy sets out the circumstances and different factors for consideration by the Board at the time of taking a decision on distribution or retention of profits, in the interest of providing transparency to the shareholders.
- d) 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 considered relevant by the Board.

3) STATUTORY REQUIREMENTS

- a) This policy on dividend distribution shall be in accordance with
 - The provisions of the Companies Act, 2013, read with applicable rules framed thereunder, as may be in force for the time being ("Act"),



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- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, ("SEBI LODR") and
- Such other applicable provisions of law.

4) DEFINITIONS

- a) "Act" shall mean the Companies Act, 2013 including the Companies (Declaration and Payment of Dividend) Rules, 2014, as amended from time to time.
- b) "Applicable Laws" shall mean the Companies Act, 2013 and Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars issued thereunder; as amended from time to time and such other act, rules or regulations which deals with the distribution of dividend.
- c) "Board" or "Board of Directors" shall mean Board of Directors of the Company.
- d) "Company" or "SPB" shall mean "Seshasayee Paper and Boards Limited"
- e) "Dividend" includes any interim dividend as defined under the Companies Act, 2013.
- f) "Free Reserves" shall means such reserves which, as per the latest audited balance sheet of a Company, are available for distribution as dividend:
 - Provided that - (i) any amount representing unrealized gains, notional gains or revaluation of assets, whether shown as reserves or otherwise, or (ii) any change in carrying amount of an asset or of a liability recognized in equity, including surplus in profit and loss account on measurement of the asset or the liability at fair value, shall not be treated as free reserves."
- g) "SEBI LODR" shall mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars issued thereunder; as amended from time to time.
- h) "Policy" or "this Policy" shall mean the Dividend Distribution Policy.

5) STATUTORY PROVISIONS RELATING TO DISTRIBUTION OF DIVIDEND

- a) In accordance with the provisions of the Act, dividend shall be declared or paid only:
 - A. Out of distributable profits of current year or previous financial years:
 - (i) Current financial year's profit after tax of standalone financial statement as per applicable Accounting Standards:



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(a) after providing for depreciation in accordance with Applicable laws and regulations; and

(b) after transferring to reserves such amount as may be prescribed or as may be otherwise considered appropriate by the Board at its discretion; OR

(ii) Profits for any previous financial year(s):

(a) after providing for depreciation in accordance with Applicable Laws and regulations; and

(b) remaining undistributed; OR

(iii) A combination of (i) & (ii) above;

B. Out of free reserves – in the event of inadequacy / absence of profits.

In the event of inadequacy or absence of profits in any year, Company may declare dividend out of free reserves, subject to fulfilment of conditions specified under the Act, as amended from time to time.

C. Company may, in certain cases, declare dividend using a combination of A and B above.

6) PARAMETERS TO BE CONSIDERED WHILE RECOMMENDING / DECLARING DIVIDEND

a) The Board while determining quantum of the dividend payout to the shareholders, will consider following internal and external factors:

– Internal Factors:

- Profits earned and available for distribution during the financial year
- Accumulated reserves, including retained earnings
- Mandatory transfer of Profits earned to specific reserves, such as Debenture Redemption Reserve, etc.
- Past dividend trends – rate of dividend, EPS and payout ratio, etc.
- Earning Stability
- Future Capital Expenditure requirement of the Company
- Growth plans, both organic and inorganic
- Capital restructuring, Debt reduction, Capitalisation of shares
- Crystallization of contingent liabilities of the Company
- Profit earned under the Consolidated Financial Statement



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- Cash Flows
- Current and projected Cash Balance and Company's working capital requirements.
- Covenants in loan agreements, Debt servicing obligations and Debt maturity profile.
- External Factors:
 - Economic environment, both domestic and global.
 - Unfavorable market conditions
 - Changes in Government policies and regulatory provisions
 - Cost of raising funds from alternate sources
 - Inflation rates
 - Sense of shareholders' expectations
 - Cost of external financing

7) CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE COMPANY MAY OR MAY NOT EXPECT DIVIDEND

- a) The decision regarding dividend payout is a crucial decision as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in business. Hence, the shareholders of the Company may expect dividend only if the Company is having surplus funds after providing for all the expenses, depreciation, etc., and after complying with the statutory requirements under the Applicable Laws.
- b) The shareholders of the Company may not expect dividend in the following circumstances, subject to the discretion of the Board of Directors:
 - The Company has inadequacy of profits or incurs losses for the Financial Year;
 - The Company undertakes / proposes to undertake a significant expansion project requiring higher allocation of capital;
 - The Company undertakes / proposes to undertake any acquisitions or joint arrangements requiring significant allocation of capital.
 - The Company has significantly higher working capital requirement affecting free cash flow.
 - The Company proposes to utilize surplus cash for buy-back of securities;



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- The Company is prohibited to recommend / declare dividend by any regulatory body.
- c) The Board may also not recommend a dividend on considering any compelling factors / parameters mentioned in point 6 above.
- d) Subject to the caveats given in this policy, the Board shall endeavour that the dividend amount in every financial year will be stable and steady. Subject to the profits and other financial parameters of the Company as per applicable legal provisions, the Board shall endeavor, after due consideration to the surplus funds and the CAPEX programs on the anvil, to maintain a dividend payout ratio of 15% on Profits After Tax (PAT) on the Company's standalone financials, for distribution as Dividend (inclusive of tax outgo, if any) to the shareholders of the Company, subject to exigencies.

8) MANNER AND TIMELINES FOR DIVIDEND PAYOUT

- a) Under the applicable provisions of the Act, the Company's ability to declare and pay dividends is based on the standalone Financial Statements only. In future should the regulations be amended permitting the Company to pay dividend based on its Consolidated Profits, the Board would consider such a payout ratio on its Consolidated Profits.
- b) The Company may declare dividends for a year, usually payable for a financial year at the time when the Board considers and recommends the Annual Financial Statements, which is called final dividend.
- c) The Board of Directors shall have the power to recommend final dividend to the shareholders for their approval in the Annual General Meeting of the Company. The Board of Directors shall also have the absolute power to declare interim dividend during the financial year, between two Annual General Meetings as and when they consider it fit.

9) POLICY REVIEW AND AMENDMENTS

- a) The Policy will be reviewed periodically by the Board. The policy, as amended from time to time by the Board of Directors, will be hosted in the website of the Company.

10) DISCLOSURES

- a) The Policy shall be disclosed on the website of the Company i.e. at www.spbltd.com.



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11) DISCLAIMER

- a) The 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.
- b) Given the aforementioned uncertainties, prospective or present investors are cautioned not to place undue reliance on any of the forward-looking statements in the Policy.

(N.GOPALARATNAM)
Chairman