

P. N. GADGIL & SONS LTD
DIVIDEND DISTRIBUTION POLICY

1) PREFACE

The Securities Exchange Board of India (SEBI) vide SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 dated July 8, 2016 has inserted Regulation 43A after Regulation 43 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires top five hundred listed companies (based on market capitalization of every financial year) to formulate a Dividend Distribution Policy.

P.N.GADGIL & SONS LTD (the “Company”), has approved and adopted this Dividend Distribution Policy (the “Policy”) at its Board meeting held on 30th March 2018, being the effective date of the Policy.

2) OBJECTIVE

The objective of the Policy is to broadly specify the circumstances under which the shareholders of the Company may or may not expect dividend, the external and internal factors including financial parameters that shall be considered while declaring dividend and how the retained earnings shall be utilized etc.

3) DEFINITIONS

3.1) “Act” means the Companies Act, 2013 and Rules made thereunder, as amended from time to time.

3.2) “Board” means Board of Directors of the Company.

3.3) “Company” means P.N.GADGIL & SONS LTD.

3.4) “Dividend” includes any interim dividend.

3.5) “Policy” means Dividend Distribution Policy.

3.6) “Listing Regulations” means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as notified by The Securities and Exchange Board of India and as amended from time to time.

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

The Board will assess the Company’s financial requirements, including present and future organic and inorganic growth opportunities and other relevant factors (as mentioned in heading 5 of this Policy) and declare Dividend in any financial year.

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders of the Company and the amount of profit to be retained in business. The decision seeks to balance the dual objectives of appropriately rewarding shareholders through dividends and retaining profits in order to maintain a healthy capital adequacy ratio to support future growth. The shareholders of the Company may not expect dividend in the following circumstances, subject to discretion of the Board of Directors:

- i) Future expansion plans requiring higher capital allocation;
- ii) Requirement of higher working capital for the purpose of business of the Company;
- iii) Decision to undertake any acquisitions, amalgamation, merger, joint ventures, new product launches etc., which requires significant capital outflow;
- iv) Lenders restricting the Company from payment of dividend;
- v) In the event of loss or inadequacy of profit.

5) FINANCIAL PARAMETERS AND FACTORS FOR DECLARATION OF DIVIDEND

The dividend pay-out decision of the Board depends upon the following financial parameters, internal and external factors:

- i) The Company's liquidity position and future cash flow needs;
- ii) Profits earned during the year;
- iii) Profits available for distribution;
- iv) Working capital requirements;
- v) Capital expenditure requirements considering the expansion and acquisition opportunities;
- vi) Business expansion and growth;
- vii) Likelihood of crystallization of contingent liabilities, if any;
- viii) Investment in subsidiaries and associates of the Company;
- ix) Cost of borrowing;
- x) Stipulations/Covenants of loan agreements;
- xi) Past dividend payout ratio / trends;
- xii) Dividend pay-out ratio of comparable companies;
- xiii) Any other relevant factors that the Board may deem fit to consider before declaring Dividend.

6) UTILIZATION OF THE RETAINED EARNING

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. Subject to applicable provisions, the Company's retained earnings will be applied for:

- i) Funding inorganic and organic growth needs including working capital, capital expenditure etc.;
- ii) repayment of debt;
- iii) Market expansion plan;
- iv) Increase in production capacity;

- v) Payment of Dividend in future years;
- vi) Any other permissible purpose as the Board may deem fit from time to time.

7) MANNER OF DIVIDEND PAYOUT

The Company may pay dividend annually, as and when recommended by the Board and approved by the shareholders at the Annual General Meeting of the Company. The Board may also declare interim dividend(s) as and when they consider it fit.

8) PARAMETERS TO BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

i) EQUITY SHARES

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.

ii) PREFERENCE SHARES

Declaration of dividend on preference shares, shall be as per the terms of issue approved by the shareholders.

9) DISCLOSURES

The Policy shall be disclosed in the Annual Report and on the website of the Company i.e. at www.pngadgilandcons.com

10) SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy and of the Listing Regulations / Act or any other statutory enactments, rules, the provisions of Listing Regulations / Act or statutory enactments, rules shall prevail over the Policy.

11) AMENDMENT

The Board may review / amend this Policy, as and when necessary, subject however to the provisions of the Act and the Listing Regulations.

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