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# Dividend Distribution Policy

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# Dividend Distribution Policy

## 1. Introduction

The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “SEBI LODR Regulations 2015”) vide insertion of a new Regulation 43A on July 08, 2016, mandates top five hundred listed companies (based on market capitalization of every financial year) to formulate a Dividend Distribution Policy, which shall be disclosed in its Annual Report and on its website.

## 2. Applicability and effective date

Bajaj Hindusthan Sugar Limited being one of the Top Five hundred Company as per market capitalisation as on March 31, 2016 framed this “Dividend Distribution Policy”

This policy will be applicable to the Company effective from September 12, 2016.

## 3. Scope and Purpose

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

The Policy shall not apply to:

- Determination and declaration of dividend on preference shares, as and when issued by the Company, as the same will be as per the terms of issue approved by the shareholders
- Issue of Bonus Shares by the Company
- Buyback of Securities.

## 4. Definitions

- 4.1 “**Board**” shall mean Board of Directors of the Company.
- 4.2 “**Companies Act**” shall mean the Companies Act, 2013 and Rules thereunder, notified by the Ministry of Corporate Affairs, Government of India, as amended.
- 4.3 “**Dividend**” included any interim dividend.
- 4.4 “**Listed entity**” shall mean Bajaj Hindusthan Sugar Limited /BHSL.
- 4.6 “**Policy**” means Dividend Distribution Policy.

4.7 **“Regulations”** shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as notified by The Securities and Exchange Board of India, as amended.

4.8 **“Stock Exchange”** shall mean a recognised Stock Exchange as defined under clause (f) of Section 2 of the Securities Contracts (regulation) Act, 1956.

## **5. Policy**

### **5.1 Manner of Dividend Payout:**

#### **In case of final dividend:**

- i. Recommendation, if any, shall be done by the Board, usually in the Board meeting that considers and approves the annual financial statements, subject to approval of the shareholders of the Company.
- ii. The dividend as recommended by the Board shall be approved/declared at the annual general meeting of the Company.
- iii. The payment of dividends shall be made within the statutorily prescribed period from the date of declaration, to those shareholders who are entitled to receive the dividend on the record date/book closure period, as per the applicable law.

#### **In case of interim dividend:**

- i. Interim dividend, if any, shall be declared by the Board.
- ii. Before declaring interim dividend, the Board shall consider the financial position of the Company that allows the payment of such dividend.
- iii. 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, as per the applicable laws.
- iv. In case no final dividend is declared, interim dividend paid during the year, if any, will be regarded as final dividend in the annual general meeting.

### **5.2 The circumstances under which the shareholders of the listed entities may or may not expect dividend:**

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:

- i. Proposed expansion plans requiring higher capital allocation
- ii. Decision to undertake any acquisitions, amalgamation, merger, joint ventures which requires significant capital outflow
- iii. Requirement of higher working capital for the purpose of business of the Company
- iv. Proposal for buy-back of securities
- v. In the event of loss or inadequacy of profit

### **5.3 The financial parameters that shall be considered while declaring dividend:**

The following financial parameters shall be considered before declaration of Dividend:

#### **Operating cash flow of the Company**

If the Company cannot generate adequate operating cash flow, it may need to rely on outside funding to meet its financial obligations and sometimes to run the day-to-day operations. The Board will consider the same before its decision whether to declare dividend or retain its profits.

#### **Net sales of the Company**

To increase its sales in the long run, the Company will need to increase its marketing and selling expenses, 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 will impact the decision of dividend declaration.

#### **Magnitude of earnings of the Company**

Since dividend is directly linked with the availability of earning over the long haul, the magnitude of earnings will significantly impact the dividend declaration decisions of the Company.

#### **Cost of borrowings**

The Board will 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.

### **Post dividend 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 profits and can impact the decision for dividend declaration during a particular year.

### **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 consider by the Board before taking dividend decision.

### **Other parameters:**

- i. Working capital requirements
- ii. Capital expenditure requirement
- iii. Likelihood of crystalization of contingent liabilities, if any
- iv. Additional investment in subsidiaries and associates of the company
- v. Up gradation of technology and physical infrastructure
- vi. Past dividend payout ratio

## **5.4 Internal and external factors that shall be considered for declaration of dividend:**

### ***Internal Factors:***

#### **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 current working capital management system within the Company also impacts the decision of dividend declaration.

#### **Present liquidity scenario and outlook for the same**

If the liquidity scenario is poor or if the outlook is adverse then the Company may choose to hold back dividend payouts to shore up equity capital levels.

### ***External Factors:***

#### **Statutory requirements**

The Company shall observe the relevant statutory requirements including those with respect to mandatory transfer of a certain portion of profits to any specific reserve such as Debenture Redemption Reserve, Capital Redemption Reserve, Molasses Storage Tank reserve etc. as provided

in the Companies Act, 2013 and other regulations, 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/Banks**

The decision of dividend pay-out shall also be affected by the restrictions and covenants contained in the Master Restructuring agreements/Loan agreements entered/as may be entered into with the lenders of the Company from time to time.

**Taxation and other regulatory concern**

- Dividend distribution tax or any tax deduction 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, the 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, the management may consider retaining a larger part of the profits to have sufficient reserves to absorb unforeseen circumstances.

**5.5 Policy as to how the retained earnings shall be utilized:**

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 decision of utilization of the retained earnings of the Company shall be based on the following factors:

- Increase in production capacity
- Modernization plan
- Diversification of business
- Long term strategic plans
- Replacement of capital assets
- Where the cost of debt is expensive
- Other such criteria as the Board may deem fit from time to time.

**5.6 Parameters to be adopted with regard to 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.

## **6. Disclosures**

The Dividend Distribution Policy shall be disclosed in the Annual Report and on the website of the Company at [www.bajajhindusthan.com](http://www.bajajhindusthan.com).

## **7. Policy Review and Amendments**

The Board of Directors reserves the power to review and amend this policy from time to time. Any exceptions to the Dividend Distribution Policy must be consistent with the SEBI (LODR) Regulations 2015 and must be approved in the manner as may be decided by the Board of Directors.

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