HERANBA INDUSTRIES LIMITED

CIN: L24231GJ1992PLC017315

DIVIDEND DISTRIBUTION POLICY

(Framed under regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

Approved on: May 30, 2023

1. **OBJECTIVE:**

The Board of Directors (the "Board") of HERANBA INDUSTRIES LIMITED (the "**Company**") has adopted the "Dividend Distribution Policy" of the Company as required in terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations") in its meeting held on May 30, 2023 in line with amendment in Securities Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015.

The objective of this Policy document is to articulate HERANBA INDUSTRIES LIMITED'S Dividend Distribution Policy (DDP). This Policy applies to all types of Dividend declared or recommended by the Board of Directors of the Company and seeks to conform to the requirements of Section 123 of the Companies Act, 2013, the notified rules thereof and other such provisions.

2. **PHILOSOPHY:**

At HERANBA INDUSTRIES LIMITED we respect, and are committed to, our role towards shareholders and meeting our obligations to the communities in which we do business. We believe that sustainable growth can be achieved by creating wealth and jobs, developing useful skills, and investing time and money in people. HERANBA INDUSTRIES LIMITED aims to share its prosperity with the shareholders by way of declaring dividend subject to liquidity and growth requirement.

3. **THE REGULATORY FRAMEWORK:**

Pursuant to Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, top 1000 Listed Companies in India based on market capitalization as on the preceding Financial Year shall formulate a dividend distribution policy. HERANBA INDUSTRIES LIMITED falls within the list of Top 1000 Listed Companies.

4. **DEFINITIONS:**

"Act" shall mean the Companies Act, 2013 including the Rules made thereunder.

"Company or HERANBA" shall mean Heranba Industries Limited.

"Chairman" shall mean the Chairman of the Board of Directors of the Company.

"Board" or **"Board of Directors"** shall mean Board of Directors of the Company.

"Dividend" shall mean Dividend as defined under Companies Act, 2013 or SEBI Regulations.

"SEBI Regulations" shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars issued there under, including any statutory modifications or re-enactments thereof for the time being in force.

5. STATUTORY REQUIREMENTS:

The Board while taking decision of a dividend payout during a particular financial year will comply with the statutory requirements including the Companies Act, 2013 and rules made thereunder. Further, the Board of Directors will also take a decision to declare/recommend dividend after taking into account the Profits of the Company after providing depreciation as per the provisions of the Companies Act, 2013 and after transferring to the reserves such amount as may be required under Law and/or as may be considered appropriate by the Board.

6. FREQUENCY OF PAYMENT OF DIVIDEND:

The Company believes in rewarding its shareholders as and when the funds are available for distribution as dividend and generally strive to recommend Final Dividend to the Members at the Annual General Meeting of the Company.

7. FINANCIAL PARAMETERS, INTERNAL AND EXTERNAL FACTORS THAT WOULD BE CONSIDERED FOR DECLARATION OF DIVIDEND:

(A) Financial Parameters/Internal Factors:

Subject to the provisions of the Act, Dividend shall be declared or paid only out of:

i. Current Financial Year's Profit:
- After providing for depreciation in accordance with law;
- After transferring to reserves such amount as may be prescribed under the Act or as may be otherwise considered appropriate by the Board at its discretion.

ii. The profits for any previous Financial Year(s):
- After providing for depreciation in accordance with law;
- Remaining undistributed; or

iii. Out of (i) & (ii) both

The Board of Directors of the company would consider the following financial parameters/ internal factors before declaring or recommending Dividend to shareholders:

i. Profits earned during the year;
ii. Capital expenditure requirements;
iii. Past performance/Dividend history of the company;
iv. Resources required to fund acquisitions and/or new businesses;
v. Cash flow required to meet operations & contingencies;
vi. Cost of borrowings and outstanding borrowings;
vii. Return on capital invested & post Dividend EPS;
viii. Additional investment in subsidiaries/associates of the company;
ix. Any other factor as deemed fit by the board.

(B) External Factors:

The Board of Directors of the company would consider the following external factors before declaring or recommending Dividend to shareholders:

i. State of Economy:

In case of uncertain or recessionary economic and business conditions, board will endeavour to retain larger part of profits to build up reserves to absorb future contingencies.

ii. Statutory Restrictions:

Prevailing legal requirements, regulatory conditions or restrictions laid down under the Applicable Laws including taxation.

8. THE CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE COMPANY MAY OR MAY NOT EXPECT DIVIDEND:

The shareholders of the company may or may not expect Dividend under the following circumstances:

i. Whenever it undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital.

ii. Significant higher working capital requirements adversely impacting free cash flow.

iii. Whenever it undertakes any acquisitions or restructuring or joint ventures requiring significant allocation or reduction of capital;

iv. Whenever it proposes to utilize surplus cash for buy-back of securities; or

v. In the event of inadequacy of profits or whenever the company has incurred loss.

vi. Such other factors as the board may consider appropriate to declare or not to declare the dividend.

9. UTILISATION OF RETAINED EARNINGS:

The profits earned by the company can either be retained in business or used for acquisitions, expansion or diversification, or it can be distributed to shareholders. The company may choose to retain a part of its profits and distribute the balance among its shareholders as Dividend after having due regard to the parameters laid down in this policy.

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

- Long term strategic plans
- Augmentation/ Increase in production capacity
- Market expansion plan
- Product expansion plan
- Modernization plan
- Diversification of business
- Replacement of capital assets
- Balancing the Capital Structure by de-leveraging the Company
- Payment of Dividend or issue of Bonus Shares
- Other such criteria as the Board may deem fit from time to time.

The Company would like to retain the balances in Reserves and Surplus to give the required strength to the balance sheet for exploring leverage options for supporting growth. The Company would be very cautious in declaring divided out of past profits and reserves.

10. PROVISIONS REGARDING CLASS OF SHARES:

Equity shareholders shall be entitled for the dividend, interim or final, if recommended by the Board of Directors and confirmed or approved by the shareholders of the Company, as the case may be. Equity Dividend shall stand second in priority after payment of dividend to the preference shareholders, if any.

Currently, the Company has issued only Equity Shares and this Policy shall be applicable to Equity Shares. As and when the Company issues other kind of shares, the Board shall amend this Policy along with Rationale at the time or before issue of other class of shares.

11. **PROCEDURE FOR DECLARATION OF DIVIDEND:**

The Board of Directors of the Company will analyze all the parameters and recommend appropriate dividend.

The Company Secretary & Compliance Officer of the Company shall ensure compliance of Insider Trading Regulations of the Company and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board of Directors shall approve the declaration or recommendation of Dividend after ensuring compliance of Act, SEBI Regulations and this Policy.

The Company shall ensure compliance with the provisions of Act, SEBI Regulations and this Policy in relation to dividend.

12. **DISTRIBUTION OF DIVIDEND:**

(A) PERIODICITY:

On Completion of Financial Year the Board of Directors of the Company may recommend a Dividend for respective financial year and may be declared in the Annual General Meeting.

The Board has authority to declare interim dividend(s) as it may deem fit and appropriate subject to the provisions of the Companies Act, 2013 and other applicable laws.

(B) DIVIDEND ENTITLEMENT:

The members, whose name appear in the register of members as on the record date / Book Closure date, shall be entitled for the dividend.

(C) MODE OF PAYMENT:

<u>The payment of the dividend would be in cash:</u>

i. Through electronic clearing services (local, regional or national), direct credit, real time gross settlement, national electronic funds transfer etc. for making payment of dividend; OR

ii. Through issuance of 'payable-at-par' warrants/ cheques /demand draft, in case where bank details are not available or the electronic payment instructions have failed or have been rejected by the bank.

<u>Transfer To Unpaid Dividend Account:</u>

i. Where a dividend has been declared by a company but has not been paid or claimed within thirty days from the date of the declaration to any shareholder entitled to the payment of the dividend, the company shall, within seven days from the date of expiry of said period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed to a special account to be opened by the company in that behalf in any scheduled bank to be called the Unpaid Dividend Account.

ii. The company shall, within a period of ninety days of making any transfer of an amount under sub-section (1) to the Unpaid Dividend Account, prepare a statement containing the names, their last known addresses and the unpaid dividend to be paid to each person and place it on the web-site of the company, if any, and also on any other web-site approved by the Central Government for this purpose, in such form, manner and other particulars as may be prescribed.

(D) TRANSFER TO IEPF:

The dividend remained unpaid and unclaimed for a period of 7 years (as per the provisions of Sections 124(5) of the Companies Act, 2013) shall be transferred to Investors Education and Protection Fund set up by the Government in that regard.

13. MODIFICATIONS /AMENDMENT TO THE POLICY:

This Policy will be subject to modification in accordance with the guidelines / clarifications as may be issued by the Regulatory Authorities. The Board of Directors shall review the Policy periodically and may amend the same from time to time, as may be deemed necessary.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

14. DISCLOSURE REQUIREMENT UNDER SEBI LODR:

The Company shall disclose this Policy on the Company's website at www.heranba.co.in and a web link thereto shall be provided in the Board's Report.

15. DISCLAIMER:

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 any year and the Board reserves the right to depart from the Policy as and when circumstances so warrant. Having regard to the aforementioned uncertainties, prospective or present investors are cautioned not to place undue reliance on any of the forward looking statements in the policy.

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