

VMS INDUSTRIES LIMITED

DIVIDEND DISTRIBUTION POLICY

Pursuant to Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

VMS INDUSTRIES LIMITED

CIN: L74140GJ1991PLC016714

Registered Office:

808/C PINNACLE BUSINESS PARK,
CORPORATE ROAD, PRAHLADNAGAR,
Ahmedabad, Gujarat-380015, India

VMS INDUSTRIES LIMITED

DIVIDEND DISTRIBUTION POLICY

1. BACKGROUND

The Board of Directors (the “**Board**”) of VMS INDUSTRIES LIMITED (the “**Company**”) has adopted this Dividend Distribution Policy (the “**Policy**”) and procedures with respect to dividend declared/ recommended by the company in accordance with the provisions of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “**SEBI LODR Regulations**”) as amended from time to time.

Objective

The objective of this Policy is to establish the parameters to be considered by the Board of Directors of the Company before declaring or recommending dividend.

The Board of Directors of the Company recognizes the need to lay down a broad framework with regard to the distribution of dividend to its shareholders and utilization of the retained earnings. The Company aimed at maximization of shareholders’ value and believes that this can be attained by driving growth. The Policy reflects the intent of the Company to reward its shareholders by distributing a portion of its profits after retaining sufficient funds for the business needs and growth of the Company.

2. REGULATORY/ POLICY FRAMEWORK

- i. The Policy has been framed broadly in line with the provisions of the Companies Act, 2013 and rules made thereunder (“the **Act**”) and the SEBI LODR Regulations; and
- ii. Any other law, regulations, guidelines, to the extent applicable.

3. DEFINITIONS

“**Act**” means the Companies Act, 2013 and Rules made thereunder, notified by the Ministry of Corporate Affairs, Government of India, as amended.

“**Board**” means Board of Directors of the Company.

“**Company**” means VMS Industries Limited.

“**Director**” means a director appointed to the Board of the Company.

“**Dividend**” means the dividend defined under Section 2(35) of the Act.

“**Free Reserves**” means the free reserves as defined under Section 2(43) of the Act.

“**SEBI LODR 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, as amended, from time to time.

“**Policy**” means Policy on the dividend distribution.

“**Rules**” means the rules made under the Act, as amended.

“**SEBI**” means the Securities and Exchange Board of India.

Words and Expressions used and not defined in this Policy but defined in the Act, Regulations, Securities Contracts (Regulation) Act, 1956 or the Securities and Exchange Board of India Act, 1992 or the Depositories Act, 1996 shall have the same meaning respectively assigned to them in those Acts/Regulations.

4. **EFFECTIVE DATE:**

The Board of Directors of the Company at its meeting held on 28th November, 2015 has adopted the Policy of the Company.

5. **CATEGORY OF DIVIDENDS**

The Companies Act, 2013 provides for two forms of Dividend - Final and Interim. The Board of Directors shall have the power to recommend final dividend to the shareholders for their approval in the general meeting of the Company. The Board of Directors shall have the absolute power to declare interim dividend during the financial year, as and when they consider it fit.

- i. **Final Dividend:** Final dividend is paid once for the financial year after the annual accounts are prepared. The Board of Directors of the Company has the power to recommend the payment of final Dividend to the shareholders in a general meeting. The declaration of final dividend shall be included in the ordinary business items that are require to be transacted at the Annual General Meeting.
- ii. **Interim Dividend:** Interim dividend may be declared by the Board one or more times in a financial year as may be deemed fit by the Board. The Board of the Company would declare an interim dividend, as and when considered appropriate, in line with this Policy. Normally, the Board could consider declaring an interim dividend after finalization of quarterly or half-yearly financial accounts.

6. **CIRCUMSTANCES UNDER WHICH SHAREHOLDERS OF THE COMPANY MAY OR MAY NOT EXPECT DIVIDEND**

The shareholders of the Company may not expect dividend in the following circumstances, subject to the discretion of the Board:

- a. in case of inadequacy of profits or whenever the Company has incurred losses;
- b. whenever the Company undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;
- c. whenever the Company undertakes any acquisitions or joint arrangements requiring significant allocation of capital;
- d. significantly higher working capital requirement affecting free cash flow;
- e. whenever the Company proposes to utilize surplus cash for buy- back of securities or setting off of previous year losses or losses of its subsidiary/ies; and
- f. in case being prohibited to recommend/declare dividend by any regulatory body.

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, if any.

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

The factors / parameters falling within the following categories shall be considered while taking decision on dividend distribution. This is an illustrative list of factors and is not exhaustive.

a. **INTERNAL FACTORS**

- (i) Distributable surplus available as per the Act and the Regulations
- (ii) Free cashflow for the period under consideration
- (iii) Growth and expansion plans including (but not limited to) any inorganic opportunities
- (iv) Debt repayment obligations
- (v) Accumulated reserves, including retained earning
- (vi) Cost and availability of alternative sources of funding
- (vii) Past dividend trends

- (viii) Capital expenditure requirements considering the expansion and acquisition opportunities.
- (ix) Earning Stability
- (x) Any other relevant factor not explicitly covered above but which is likely to have a significant impact on the Company.

b. EXTERNAL FACTORS

- (i) Prevailing legal requirements, regulatory conditions or restrictions laid down under the Applicable Laws including tax laws
- (ii) Contractual restrictions/restrictions (if any) in debt covenants
- (iii) Macro economic environment
- (iv) Market conditions
- (v) Taxation and other regulatory changes
- (vi) Industry outlook for business in which company operates
- (vii) Cost of raising funds from alternate sources
- (viii) Any other factor which has a significant influence / impact on the Company's operations.

8. UTILISATION OF RETAINED EARNINGS

The Company shall endeavor to utilize the retained earnings in a manner which shall be beneficial to the interest of the Company and also its shareholders, subject to the applicable regulations, the Company's retained earnings shall be applied for:

- a. Long term and strategic plans of the Company
- b. payment of dividend in future years
- c. Opportunities available to the Company – Organic and in-organic
- d. General corporate purposes including contingencies
- e. Issue of bonus shares or buy back
- f. Any other factor(s) which the board of the Company may consider appropriate

9. PARAMETERS THAT SHALL BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

Presently the Company has only one class of shares, i.e. equity shares. As and when it proposes to issue any other class of shares, this policy shall be accordingly modified, if needed, to cover such other class of shares.

10. MANNER AND TIMELINES FOR DIVIDEND PAYOUT

- i. Dividend for every financial year shall be decided by the Board considering various statutory requirements, financial performance of the Company and other internal and external factors enumerated earlier in the Policy.
- ii. Interim dividend(s), if any, may be declared by the Board in addition to final dividend.
- iii. Subject to applicable laws, the payment of interim dividend shall be made within 30 days from the date of approval by the Board to the shareholders entitled to receive dividend on the record date.
- iv. Recommendation for final dividend, 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 shareholders of the company.
- v. Subject to applicable laws, the payment of final dividend shall be made within 30 days from the date of approval by the members to the shareholders entitled to receive dividend on the record date.
- vi. The payment of Interim Dividend shall be subject to Shareholders' ratification.

11. CONFLICT IN POLICY

In the event of any conflict between this Policy and the provisions contained in the regulations, the regulations shall prevail.

12. DISCLOSURE OF THIS POLICY

The Policy shall be disclosed in the Annual Report of the Company as well as on Company's website, as required under Act and the SEBI LODR Regulations or as may be required under any other law for the time being in force.

13. AMENDMENTS

The Policy shall be reviewed periodically by the Board. Any amendments or changes made to it subsequent to the changes in the provisions of any Act or Regulations shall be disclosed in the annual report and on the website of the Company.

14. DISCLAIMER

The Policy does not constitute a commitment regarding the future dividends of the Company, but only represents a general guidance regarding this 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.
