

DIVIDEND DISTRIBUTION POLICY

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DIVIDEND DISTRIBUTION POLICY OF SOBHA LIMITED

OBJECTIVE AND PURPOSE

The objective of this policy is to define the methodology of appropriation of the profit earned in a financial year and of any retained earnings, provide clarity to stakeholders on the cash and profit distribution strategies of the Company. Further, through this policy an attempt is made in balancing the quantum of profit to be distributed amongst the shareholders and profit to be retained with the Company for internal/external appropriations. The Board of Directors ('Board') will refer to this policy before giving their recommendations on the nature and quantum of dividends for any financial year.

Further, the Securities and Exchange Board of India ("SEBI") vide its Notification dated July 08, 2016 has amended the Listing Regulations by inserting Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations"), in order to make it mandatory to have a Dividend Distribution Policy in place with the Company.

EFFECTIVE DATE

The Board of Directors of Sobha Limited (the "Company") has adopted the Dividend Distribution Policy (the "Policy") of the Company as required in terms of Regulation 43A the Listing Regulations in its meeting held on 10th September, 2016.

The Policy shall become effective from the date of its adoption by the Board i.e. 10th September, 2016.

SCOPE

The Company shall pursue this Policy, to pay the dividend, subject to the circumstances, which shall be consistent with the performance of the Company over the years. Dividends (both, equity and preference) will generally be recommended/ declared once a year, along with the approval of the Financial Statements for the full year. In certain years, which includes special occasions and years in which the Company has made exceptional profits, the company may choose to declare interim dividend for its shareholders.

EXCEPTIONS:

- Determination and declaring dividend on preference shares as the same will be as per the terms of issue approved by the shareholders;
- Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law;
- Distribution of cash as an alternative to payment of dividend by way of buyback of equity shares.

GENERAL POLICY OF THE COMPANY AS REGARDS DIVIDEND PAYMENT

The general considerations of the Company for taking decisions with regard to dividend payout or retention of profits shall be as following:

1. Subject to the considerations as provided in the Policy, the Board shall determine the dividend payout in each financial year including Interim dividend, after taking into consideration the operating and financial performance of the Company, the advice of executive management, and other relevant factors.
2. The Board may also, wherever appropriate, aim at distributing dividends in kind, subject to applicable law, in form of fully or partly paid shares or other securities.

CONSIDERATIONS BY THE BOARD FOR DECISION OF PAYMENT OF DIVIDEND

The Board shall consider the following parameters, while taking decisions of a dividend payout during a particular year.

(i) Statutory requirements

- a) The Company shall comply the provisions of the Companies Act 2013 and the Rules made thereunder and the guidance if any, issued by the SEBI, such as mandatory transfer of a certain portion of profits to General Reserve or any specific reserve such as Debenture Redemption Reserve, Capital Redemption Reserve etc., which may be applicable to the Company at the time of taking decision with regard to dividend declaration, appropriation or retention of profit.
- b) Agreements with Banks/lending institutions / Debenture Trustees.
- c) Taxation and other regulatory concern

(ii) Financial requirements

- (a) Profits earned during the financial year
- (b) Accumulated reserves
- (c) Earnings stability
- (d) Cost of raising funds from alternate sources
- (e) Leverage profile and, under exceptional circumstances, the mount of contingent liabilities

(iii) Strategic requirements

The Company shall analyse the prospective projects and strategic decisions

- (a) To enhance the shareholders value by building a healthy reserve of retained earnings;
- (b) To build a pool of internally generated funds to provide feasible resources as well as external resource raising potential for the Company;
- (c) The needs for capital conservation and appreciation.

- (d) For major capital expenditures /Inorganic growth plans.
- (e) Stage of business cycle
- (f) Past dividend trends
- (g) Economic environment

(iv) Expectations of Shareholders

The Board, while considering the decision of dividend pay-out or retention of a certain amount or entire profits of the Company, shall, as far as possible, consider the expectations of the major stakeholders including the small shareholders of the Company who generally expects for a regular dividend payout.

(v). Other Financial parameters

In addition to the aforesaid parameters such as realized profits and proposed major capital expenditures, the decision of dividend payout or retention of profits shall also be based the following-

(a) 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.

(b) 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.

(c) Return on invested capital

The efficiency with which the Company uses its capital will impact the decision of dividend declaration.

(d) 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.

(e) 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.

CIRCUMSTANCES UNDER WHICH DIVIDEND PAYOUT MAY OR MAY NOT BE EXPECTED

The Board may not recommend any dividend or may recommend a lower payout for a given financial year, if:

- (i) The company has reported a net loss for the year
- (ii) Cash flow from operations is negative
- (iii) The credit protection or capital adequacy metrics of the company are weak
- (v) The company is undergoing any form of debt restructuring
- (vi) The company has been prohibited to declare dividends by any regulatory authority
- (vii) The company has implemented, or intends to implement, a share repurchase (buyback) scheme or any other alternate profit distribution measures
- (viii) Any other extraordinary circumstances

MANNER OF DIVIDEND PAY-OUT

The discussion below is a summary of the process of declaration and payment of dividends, and is subject to applicable regulations:

In case of final dividends

1. 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.
2. The dividend as recommended by the Board shall be approved/declared at the annual general meeting of the Company.
3. The payment of dividends shall be made within time limit specified in the Companies Act, 2013, Rules made thereunder and other applicable provisions if any, pursuant to any Act, Rules, Regulations, Notices, Circulars etc., on the date of declaration to the shareholders entitled to receive the dividend on the record date /book closure period as per the applicable law.

In case of interim dividend

1. Interim dividend, if any, shall be declared by the Board.
2. Before declaring interim dividend, the Board shall consider the financial position of the Company that allows the payment of such dividend.
3. The payment of dividends shall be made within the time limit specified under the Companies Act, 2013 Rules made thereunder and other applicable provisions if any, pursuant to any Act, Rules, Regulations, Notices, Circulars etc., on the date of declaration to the shareholders entitled to receive the dividend on the record date as per the applicable laws.

MANNER OF UTILISATION OF RETAINED EARNINGS

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:

- Market expansion plan;
- Product expansion plan;
- 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.

PARAMETERS ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES:

Presently, the Authorised Share Capital of the Company is divided into equity share of Rs. 10 each and Preference shares of Rs. 100 each. At present, the issued and paid-up share capital of the Company comprises only equity shares.

The Company shall first declare dividend on outstanding preference shares, if any, at the rate of dividend fixed at the time of issue of preference shares and thereafter, the dividend would be declared on equity shares.

As and when the Company issues other kind of shares, the Board of Directors may suitably amend this Policy.

AMENDMENT

To the extent any change/amendment is required in terms of any applicable law, the Vice Chairman and Managing Director or the Chief Executive Officer of the Company shall be jointly/severally authorised to review and amend the Policy, to give effect to any such changes/amendments. Such amended Policy shall be periodically placed before the Board for noting and necessary ratification immediately after such changes.

I. AMENDMENTS TO THE POLICY:

The Policy may be amended, altered, substituted or modified by the Board of Directors from time to time.

II. DISSEMINATION OF THE POLICY:

The Policy, as amended from time to time, shall be placed on the website of the Company.