



commTel

ENGINEERING
INTELLIGENCE

Policy for Distribution of Dividend

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DIVIDEND DISTRIBUTION POLICY

Pursuant to Regulation 43A of SEBI (Listing Obligations Disclosure Requirements) Regulations, 2013

1 PREAMBLE

Dividend is the payment made by a company to its shareholders, usually in the form of distribution of its profits. The profits earned by the company can either be retained in business and/or used for acquisitions, expansion or diversification, reduction of debt, or it can be distributed to the shareholders. The company may choose to retain a part of its profits and distribute the balance among its shareholders as dividend. This Policy aims to reconcile between all these needs.

The dividend pay-out of a company is driven by several factors, which are presented in the below policy framework.

2 APPLICABILITY

As per the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (the "Regulations"), the top 1000 listed entities based on market capitalization shall formulate a dividend distribution policy.

Although the above provisions are presently not applicable to the CommTel Networks Limited ('the Company' or 'CommTel Networks'), in line with its ongoing commitment to shareholder transparency, the Company is voluntarily adopting this Policy. In the event that these provisions become applicable in the future, this Policy shall be considered as meeting the necessary compliance requirements.

3 OBJECTIVES

The Board endeavours to maintain fairness, consistency and sustainability while distributing profits and to strike a balance between the quantum of dividend paid and amount of profits retained in the business.

The main objective of this Policy is to provide a mechanism for determining the amount of dividend pay-out by the Company after retention of sufficient funds for the future business needs and to set parameters for distribution of Dividend and to keep a check that the same is not done beyond the scope of the applicable Statutory Laws.

4 DEFINITIONS

☞ "Financial Year" shall have the same meaning as defined under Section 2(41) of the Companies Act, 2013 and any amendments thereto;

☞ "Dividend" includes interim Dividend;

- ☞ “Board of Directors” or “Board” means the collective body of Directors of the Company;
- ☞ “Company” shall have the same meaning as defined under Section 2(20) of the Companies Act, 2013 and any amendments thereto;
- ☞ “PAT” shall mean Profit after tax and Deferred Tax.

5 PARAMETERS FOR DISTRIBUTION OF DIVIDEND

5.1 The circumstances under which the shareholders may expect dividend.

Dividend can be declared to the shareholders in the following cases:-

- i. The Board may declare Dividend when there are profits in the Company in the current year after providing for depreciation in accordance to the provisions of Schedule II of the Companies Act, 2013 and transferring such percentage of its profits for that Financial Year as it may consider appropriate to the reserves of the Company;
- ii. The Board may declare Dividend when there are undistributed profits in the Company in any previous Financial Years after providing for Depreciation in accordance with the provisions of Schedule II of the Companies Act, 2013 and transferring such percentage of its profits for that Financial Year as it may consider appropriate to the reserves of the Company;
- iii. Dividend can be declared in case of both (i) and (ii) mentioned above;
- iv. The Board may declare Dividend when in case of inadequacy or absence of Profits in any Financial year, the Company may propose to declare dividend out of the accumulated profits after complying with the provisions of the Companies Act, 2013;
- v. The Board may declare Interim Dividend in any Financial Year from the surplus in Profit and Loss of the Financial Year in which it is sought to be declared.

5.2 The financial parameters that shall be considered while declaring dividend

The Board of Directors will refer to this Policy while declaring/ recommending dividends on behalf of the Company. The Board may consider the following financial parameters for declaring the dividend:-

- ☞ PAT for the current Financial Year;
- ☞ PAT for previous Financial Year;
- ☞ Retained earnings;
- ☞ Reserves and surplus;
- ☞ Present and proposed level of gearing and plan for optimizing the leverages;

- ☞ Prevailing working capital cycle and the expected changes in the same resulting into requirement of further cash-flows for managing the same;
- ☞ Expected outlay on various projects in pipeline;
- ☞ Overall liquidity situation and bank line availability, prevailing both internally and externally;
- ☞ Considering various financial parameters, the Company may elect to, generally, declare dividends (including dividend tax) considering the payouts of upto 30% of the PAT.

5.3 Internal and External factors that shall be considered for declaration of dividend

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in business. The Board of Directors will endeavour to take a decision with an objective to enhance shareholders wealth and market value of the shares. However, the decision regarding pay-out is subject to several factors and hence, any optimal policy in this regard may be far from obvious.

The Dividend pay-out decision of any company depends upon certain external and internal factors:

External Factors: -

- ☞ In case of uncertain or recessionary economic and business conditions, the Board will endeavour to retain larger part of profits to build up reserves to absorb future shocks.
- ☞ The Board will keep in mind the restrictions imposed by Companies Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 with regard to declaration of dividend.
- ☞ The Board shall keep in mind the goodwill and Company's duration of its existence while declaring the Dividend declaration capacity.
- ☞ Stability of Earnings.

Internal Factors: -

Apart from the various external factors aforementioned, the Board will take into account various internal factors while declaring Dividend, which inter alia include:-

- ☞ Profits earned during the Financial Year;
- ☞ Present & future capital requirements of the existing businesses;
- ☞ Business acquisitions;
- ☞ Expansion/ modernization of existing businesses;

- ☞ Additional investments in subsidiaries/associates of the Company;
- ☞ Fresh investments into external businesses;
- ☞ Changes in working Capital;
- ☞ Availability of bank finance for funding Company's requirement;
- ☞ Any other factor as deemed fit by the Board.

5.4 Policy as to how the retained earnings shall be utilized

Retained earnings is an equity account that comprises the balance of a company's earnings accumulated over time that remains "retained" or undistributed. Net profit (PAT) figures that can be viewed in companies profit and loss accounts can serve two purpose. Either it can be distributed among shareholders or it can be transferred to balance sheet as retained earnings.

When profits are retained, the Company use this fund to gain competitive advantage. The competitive advantage can be achieved by increasing sales or by increasing profit margin. To improve sales or margins company shall either expand its capacity or modernize its facility to make it more productive. For both expansion and modernization's plans companies need funds.

The Board of Directors when declare dividends, it leads to reduction in the retained earnings and the cash balance is reduced.

The following are the purposes for which the retained earnings may be used:-

☞ Save Money:

- Set aside cash for expected future expenses;
- Set aside cash for unexpected future expenses.

☞ Spend Money:

- Invest into fixed assets (capital expenditures);
- Invest into current assets;
- Research and develop new products & processes;
- Pay salaries/ bonuses to executives and other employees;
- Pay down debt;
- Acquire another company;
- License intellectual property, such as patent rights;
- Expand the market for products;
- Make investments that are profitable.

☞ Buyback;

☞ Dividend.

5.5 Parameters that shall be adopted with regard to various classes of shares:

As of now, the Company has only Equity shares. The Company has not issued any other classes of Shares. Further in case of issue, the same parameters shall be taken into consideration for the other class of shares as which shall be taken into consideration for Equity shares.

6 DISCLOSURES

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

7 POLICY REVIEW AND AMENDMENTS

The Policy will be reviewed periodically by the Board.

8 DISCLAIMER

a) The Policy does not constitute a commitment regarding the future dividends of the Company but only represents a general guidance regarding Dividend distribution 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 a year and the Board reserves the right to depart from the Policy as and when circumstances so warrant.

b) 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.