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V-Mart Retail Limited Dividend Distribution Policy

Version: 2.0

6th February, 2023

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Document Revision History		
Version	**Release date**	**Change description** *(in Brief)*
1.0	**May 2018**	Documentation and approval of Dividend Distribution Policy.
2.0	**Feb 2023**	Inclusion of Dividend Payout Ratio

Document Control	
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Approval	As per Board Resolution dated 24th May 2018.

V-MART RETAIL LIMITED

Dividend Distribution Policy

1. Background and Applicability

In terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), which requires top 500 listed entities (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.

V-Mart Retail Limited being one of the top 500 listed entities as per market capitalization as on the last day of the immediately preceding financial year, has framed this Dividend Distribution Policy in compliance with this regulation.

2. Dividend distribution philosophy

The Company is deeply committed to driving superior value creation for all its stakeholders. The focus will continue to be on sustainable returns, through an appropriate capital strategy for both medium-term and longer-term value creation. Accordingly, the Board would continue to adopt a progressive and dynamic dividend policy, ensuring the immediate as well as long-term needs of the business.

3. Definitions

3.1 Act: Act means Companies Act, 2013 including the rules framed there under and any statutory amendment(s) or modification(s) or circular(s) or notification(s) or order(s) thereof for the time being in force.

3.2 SEBI Regulations: SEBI Regulations mean SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any statutory amendment(s) or modification(s) or circular(s) or notification(s) thereof for the time being in force.

3.3 Dividend: As defined under Section 2(35) of the Act.

3.4 Free Reserves: As defined under Section 2(43) of the Act.

4. Circumstances under which the Shareholders of the Company 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 the 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 Board will assess the Company's financial requirements, including present and future organic and inorganic growth opportunities and other relevant factors (as mentioned elsewhere in this policy) and declare Dividend in any financial year.

The Dividend for any financial year shall normally be paid out of the Company profits for that year. This will be arrived at after providing for depreciation in accordance with the provisions of the Companies Act, 2013. If circumstances require, the Board may also declare dividend out of accumulated profits of any previous financial year(s) in accordance with provisions of the Act and Regulations, as applicable.

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

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

5. Target Dividend Payout

Subject to the circumstances and scenarios mentioned in this document, the leverage position, availability of cash flows and future investments, the Company will endeavor to achieve a dividend payout ratio (including tax, if any applicable on the Company) a maximum of up to 15% of the annual profit after tax (PAT) of the Company. The dividend Payout ratio would be based upon profitability and retained earnings and would be further subject to business requirements and general economic conditions. The Company will attempt to maintain a consistent dividend record to reward shareholders.

The Board of Directors may also declare interim dividend(s) during the financial year, between two Annual General Meetings as and when they consider it fit.

6. Parameters/Factors considered by the Company while declaring dividend

The Board of Directors of the Company shall consider the following parameters before declaring or recommending dividend to shareholders:

A) Financial Parameters / Internal Factors:

(a) Financial performance including profits earned (standalone), available distributable reserves etc;
(b) Impact of dividend payout on Company's return on equity, while simultaneously maintaining prudent and reasonably conservative leveraging in every respect viz. interest coverage, DSCR (Debt Service Coverage Ratio) Net Debt: EBITDA and Net debt: Equity, including maintaining a targeted rating – domestically and internationally;
(c) Alternate usage of cash viz. acquisition/Investment opportunities or capital expenditures and resources to fund such opportunities/expenditures, in order to generate significantly higher returns for shareholders;
(d) Debt repayment schedules;
(e) Fund requirement for contingencies and unforeseen events with financial implications;
(f) Past Dividend trend including Interim dividend paid, if any; and

(g) Any other factor as deemed fit by the Board.

B) External Factors:

(a) Macroeconomic environment
(b) Capital markets
(c) Global Conditions
(d) Statutory provisions and guidelines
(e) Dividend payout ratio of competitors

7. Utilization of the Retained Earning

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 retained earnings of the Company may be used in any of the following ways:

i. Funding organic growth needs including working capital, capital expenditure, repayment of debt, etc.
ii. Investment in new business(es) and/or additional investment in the existing business(es),
iii. Declaration of dividend,
iv. Buyback of shares,
v. General corporate purposes, including contingencies,
vi. Any other permissible purpose.

8. Parameters with regard to various classes of shares

Presently, the Company has issued only one class of equity shares with equal voting rights. Accordingly, all the shareholders of the Company are entitled to receive the same amount of dividend per share. In case, the Company issues other kind of shares, the Board may suitably amend this Policy.

9. Policy Review and Amendments

This Policy would be subject to modification in accordance with the guidelines/clarifications as may be issued from time to time by relevant statutory and regulatory authority. The Board may modify, add, delete or amend any of the provisions of this Policy. Any exceptions to the Dividend Distribution Policy must be consistent with the Regulations and must be approved by the Board of Directors.