



## **COMPETENT AUTOMOBILES COMPANY LIMITED**

**Registered Office:** Competent House, F-14, Connaught Place, New Delhi – 110001,  
**Phone No.:** +911145700000; **Fax:** +911123327640; **E-mail:** cs@competent-maruti.com,  
**Website:** www.competent-maruti.com

### **“Dividend Distribution Policy”**

*Under Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.*

## **1. PREAMBLE:**

Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021 (the "Regulations") mandated top thousand listed companies (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. The policy, in the interest of providing transparency to the shareholders, sets out the circumstances and different factors for consideration by the Board at the time of deciding on distribution or of retention of profits. In view of the said requirement, 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 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.

The Company would ensure to strike the right balance between the quantum of the dividend paid and amount of profits retained in the business for various purposes. The Board of Directors will have regards to this policy while declaring/recommending dividends on behalf of the Company. Through this policy, the Company would strive to maintain a consistent approach to dividend pay-out plans.

## **2. SCOPE AND OBJECTIVE**

This Policy seeks to lay down a broad framework for the distribution of dividend by the Company whilst appropriately balancing the need of the Company to retain resources for the Company's growth & sustainability. Through this policy, the Company also endeavors to maintain fairness and consistency while considering distributing dividend to the shareholders.

The Policy sets out the circumstances and different factors for consideration by the Board at the time of taking a decision on distribution or retention of profits, in the interest of providing transparency to the shareholders.

The Policy is not an alternative to the decision of the Board for recommending dividend, which is made every year after taking into consideration all the relevant circumstances enumerated hereunder or other factors as may be considered relevant by the Board.

The Policy is being recommended for adoption by the Board of Directors of all the companies in the Competent Group i.e. by its subsidiary and to the extent possible, the joint ventures after discussions with its partners.

## **3. STATUTORY REQUIREMENTS**

The declaration and distribution of dividend shall, at all times, be in accordance with the provisions of the Companies Act, 2013, read with applicable rules framed thereunder, as may be in force for the time being ("Act") in particular Sections 2(35), 24, 51, 134(3)(k), 123, 124, 125, 126 and 127 of the Act and the Companies (Declaration and Payment of Dividend) Rules, 2014, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), such other applicable provisions of law and the Articles of Association of the Company as amended.

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

The decision regarding dividend payout 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. Hence, the shareholders of the Company may expect dividend only if the Company is having surplus funds after

providing for all the expenses, depreciation, etc., and after complying with the statutory requirements under the Applicable Laws.

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

- The Company has inadequacy of profits or incurs losses for the Financial Year;
- The Company undertakes /proposes to undertake a significant expansion project requiring higher allocation of capital;
- The Company undertakes /proposes to undertake any acquisitions or joint arrangements requiring significant allocation of capital.
- The Company has significantly higher working capital requirement affecting free cash flow.
- The Company proposes to utilize surplus cash for buy- back of securities;
- The Company is prohibited to recommend/declare dividend by any regulatory body.

## **5. PARAMETERS TO BE CONSIDERED WHILE RECOMMENDING/DECLARING DIVIDEND**

The Board while declaring or recommending dividend to the shareholders, will consider following financial/ internal and external factors:

Financial/ Internal Factors:

- Profits earned and available for distribution during the financial year;
- Accumulated reserves, including retained earnings;
- Mandatory transfer of Profits earned to specific reserves;
- Past dividend trends – rate of dividend, EPS and payout ratio, etc. ;
- Earning Stability;
- Future Capital Expenditure requirement of the Company;
- Growth plans, both organic and inorganic;
- Capital restructuring, debt reduction, capitalisation of shares;
- Crystallization of contingent liabilities of the Company;
- Profit earned under the Consolidated Financial Statement;
- Cash Flows;
- Current and projected Cash Balance and Company's working capital requirements;
- Covenants in loan agreements, Debt servicing obligations and Debt maturity profile.

External Factors:

- Economic environment, both domestic and global;
- Unfavorable market conditions;
- Changes in Government policies and regulatory provisions;
- Cost of raising funds from alternate sources;
- Inflation rates;
- Sense of shareholders' expectations;
- Cost of external financing.

The Board may also not recommend a dividend on considering any compelling factors/parameters mentioned in point 4 above.

## **6. POLICY AS TO HOW THE RETAINED EARNINGS WILL BE UTILIZED**

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:

- 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.

## **7. PARAMETERS TO BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES**

Since the Company has issued only one class of equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of dividend per share. Parameters for dividend payments in respect of any other class of shares will be as per the respective terms of issue and in accordance with the applicable regulations and will be determined, if and when the Company decides to issue any other classes of shares.

## **8. DISCLOSURES**

The Policy shall be disclosed in the Annual report and on the website of the Company i.e. at [www.competent-maruti.com](http://www.competent-maruti.com).

## **9. POLICY REVIEW AND AMENDMENTS**

The Policy will be reviewed periodically by the Board. This revised policy has been adopted by the Board of Directors of the Company at its meeting held on May 20, 2019, being the effective date of this Policy.

## **10. DISCLAIMER**

- a) 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 the 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.