



FIL: SEC: LODR R 43A
February 4, 2017

BSE Limited
Floor 25
P J Towers
Dalal Street
Mumbai 400 001

National Stock Exchange
of India Limited
Exchange Plaza
Bandra Kurla Complex
Bandra (E), Mumbai 400 051

Scrip Code:		Scrip Code:	
Equity	500940/FINOLEXIND	Equity	FINPIPE
		NCDS	FIN16
ISIN:		ISIN:	
EUITY	INE183A01016	EQUITY	INE183A01016
		NCDs	INE183A07047

Dear Sirs,

Sub: Outcome of the Board Meeting: Approval of Dividend Distribution Policy

Further to our earlier letter today, kindly be noted that pursuant to Regulations 43A of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, the Board of Directors of the Company at its meeting held today i.e. 4th February, 2017 has also approved Dividend Distribution Policy. The said Dividend Distribution Policy is enclosed herewith and being made available at the website of the Company.

You are requested to kindly take the same on your record.

Thanking you,

Yours truly,
For Finolex Industries Limited

Ms. Vidya Shembekar
General Manager (Legal) &
Company Secretary

Encl: As above

DIVIDEND DISTRIBUTION POLICY

PURPOSE, OBJECTIVES:

The Securities and Exchange Board of India ("SEBI") *vide* its Notification dated June 17, 2016 published in the Gazette of India on July 08, 2016 has amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations"), by inserting Regulation 43A relating to dividend distribution policy which *inter alia* provides that the top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) shall formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites.

Finolex Industries Limited (the "Company") has formulated this dividend distribution policy to comply with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

This dividend distribution policy

- (i) aims to ensure that the Company makes a rational decision with regard to the amount to be distributed to the shareholders as dividend after retaining sufficient funds for the Company's growth, to meet its long-term objective and other purposes; and
- (ii) lays down various parameters which shall be considered by the Board of Directors of the Company before making a recommendation for declaration of dividend to its shareholders.

Policy:

The Board of Directors of the Company (the "Board") at its meeting held on 4th February, 2017, has approved and adopted the dividend distribution policy [this "Policy"] of the Company.

The Policy of the Company, effective from 4th February, 2017 is as under:

A. Circumstances under which the shareholders of the Company may or may not expect dividend:

The Shareholders of the Company may expect dividend only if the Company is having sufficient profits and free reserves with surplus cash

after providing all expenses, depreciation etc. and complying all other statutory requirements of the Companies Act, 2013.

The shareholders of the Company may not expect dividend in the following circumstances, which are inclusive but not limited, subject to the discretion of the Board:

- i. Proposed expansion plans requiring higher capital allocation;
- ii. Business restructuring such as acquisitions, amalgamation, merger, joint ventures, manufacture of new products etc., all of which require significant capital outflow;
- iii. Possibilities of alternate usage of cash, such as requirement of higher working capital for the purpose of business of the Company;
- iv. Non-availability of surplus funds, after providing for expenses, depreciation and complying with statutory requirements under the Companies Act, 2013 (the "Act") and the relevant rules thereunder;
- v. Proposal for buy-back of securities;
- vi. Loss or inadequacy of profits;
- vii. Operating Profit Margin; and
- viii. Sales Growth.

The decision regarding dividend payout 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 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 Company has been consistently paying out dividends to its shareholders and can be reasonably expected to continue declaring in future as well, unless the profits of the Company are insufficient or adversely impacted by any of the factors mentioned under paragraphs A., B. and C. of this Policy.

B. The financial parameters that shall be considered while declaring dividend:

The Board shall consider the following financial parameters which are inclusive but not limited for the purpose of recommending the declaration of dividend:

- i. Current year's net operating profit and profits for any previous financial year available for distribution of dividend as per the applicable provisions of the law;
- ii. Capital expenditure and working capital requirements;
- iii. Financial commitments w.r.t. the outstanding borrowings and interest thereon;
- iv. Financial requirement for business expansion and/or

diversification, acquisition. etc. of new businesses;

- v. Provisioning for financial implications arising out of unforeseen events and/or contingencies;
- vi. Past dividend trend.

C Internal and external factors that shall be considered for declaration of dividend:

The Board shall consider the following internal factors which are inclusive but not limited for the purpose of recommending the declaration of dividend:

- i. Operating cash flow of the Company;
- ii. Profit earned during the year;
- iii. Profit available for distribution;
- iv. Earnings Per Share (EPS);
- v. Working capital requirements;
- vi. Capital expenditure requirement;
- vii. Business expansion and growth;
- viii. Likelihood of crystallization of contingent liabilities, if any;
- ix. Additional investment in subsidiaries or associates of the company;
- x. Up gradation of technology and physical infrastructure;
- xi. Creation of contingency fund;
- xii. Acquisition of brands and business;
- xiii. Cost of Borrowing;
- xiv. Past dividend payout ratio / trends;
- xv. Repayment need for clearing debt;
- xvi. Investment opportunities available; and
- xvii. Contingency Fund.

The Board shall consider the following external factors which are inclusive but not limited for the purpose of recommendation/declaration of dividend:

- i. Economic environment;
- ii. Capital markets;
- iii. Relevant international economic trends;
- iv. Statutory provisions and guidelines;
- v. Dividend payout ratio of competitors;

- vi. Government policies;
- vii. Contractual restrictions / Restrictions in Debt covenants
- viii. Nature of Company's business affected by cyclical economic conditions.
- ix. Market behavior.

D Policy as to how the retained earnings shall be utilized:

The Board may retain its earnings in order to make better use of available funds and deliver sustainable value to the shareholders.

The retained earnings will be utilised for:

- (i) Capital expenditure;
- (ii) Building up free reserves;
- (iii) Unforeseen requirements;
- (iv) Long-term strategic requirements; and
- (v) Revenue short falls

The decision of utilization of the retained earnings of the Company shall be based on the following factors as may be applicable:

- Market expansion plan;
- Product expansion plan;
- Increase in production capacity;
- Modernisation plan;
- Diversification of business;
- Long-term strategic plans;
- Replacement of capital assets;
- Where the cost of debt is expensive;
- Entry into joint ventures
- Other such criteria as the Board may deem fit.

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

The holders of the equity shares of the Company, as on the record date, are entitled to receive dividend as may be declared by the Company. Presently, the issued share capital of the Company comprises of only one class of equity shares of Rs. 10 each which rank pari passu with respect to all their rights. In case the Company decides to issue any other class (es) of shares in future, it shall consider and specify the other parameters to be adopted with respect to such class(es) of shares.

F General:

- i. Pursuant to the provisions of section 123 of the Act, the Articles of Association of the Company and this Policy, the Board shall recommend the final dividend which shall be declared by the shareholders of the Company at the annual general meeting of the Company. The Board may also, from time to time, in its discretion, declare interim dividend.
- ii. The Company shall ensure compliance with the provisions of the Act and rules framed thereunder, the Listing Regulations and other applicable laws with respect to the declaration and payment of dividend.
- iii. Due regard shall be given to the restrictions or covenants contained in any agreement entered into with the lenders of the Company or any other financial covenant as may be specified under any other arrangement or agreement impacting the Company or to which the Company is a party, before recommending or distributing dividend to the shareholders.

G Disclosure:

This Policy shall be disclosed by the Company in its annual report and on its website.

H Review:

The Board reserves the right to review, modify, amend or change any or all clauses of this Policy in accordance with the provisions of the Act, relevant rules framed thereunder, the Listing Regulations, other applicable legislations governing dividends and the Articles of Association of the Company, as in force, and as amended, from time to time.

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