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## **DIVIDEND DISTRIBUTION POLICY**

**(Adopted by the Board on: March 25, 2025)**

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### **STUDDS ACCESSORIES LIMITED**

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## DIVIDEND DISTRIBUTION POLICY

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## **STUDDS ACCESSORIES LIMITED**

### **DIVIDEND DISTRIBUTION POLICY**

#### **BACKGROUND AND APPLICABILITY**

In pursuance of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) as amended.

The Board of Directors of **STUDDS ACCESSORIES LIMITED** (“Company”) has approved and adopted this “Dividend Distribution Policy” (“Policy”). Subject to the provisions of the Companies Act, 2013, rules framed thereunder and any other laws and regulations as may be applicable, the Board of Directors may declare interim dividend or recommend declaration of final dividend by the shareholders.

With respect to apportioning a share of its profits to its shareholders, the Company endeavors to be fair and consistent with its strategy, approach and decision. The management determines the distribution of dividends by considering a range of financial parameters, including long-term earning capabilities, growth prospects, strategic business needs including expansion plans, acquisitions strategies, medium term investments, capital expenditure requirements, opportunity costs, and the established dividend payout practice.

This policy will not be applicable to:

- (i) Determination and declaration of dividend on preference shares, as and when issued by the Company, as the same will be as per the terms of issue approved by the shareholders
- (ii) Issue of Bonus Shares by the Company
- (iii) Buyback of Securities.

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 decided as relevant by the Board.

The Policy will be effective from the date of listing of the Equity Shares of the Company on Stock Exchanges.

#### **OBJECTIVE OF THE POLICY**

The objective of the Policy is to broadly specify the external and internal factors including financial parameters that shall be considered while declaring dividend

and the circumstances under which the shareholders of the Company may or may not expect dividend and how the retained earnings shall be utilized.

## **PRINCIPLES GUIDING DIVIDEND DECISION**

### **Internal Factors to be considered**

**Earnings' stability:** The financial performance of the Company has an important bearing on the dividend Policy. A stability of earnings builds our confidence in the Company and inclines the Company to formulate a more consistent dividend Policy than in circumstances or years of an uneven flow of income.

**Liquidity position:** Availability of cash and sound financial position is also an important factor in dividend decisions. As dividend means huge cash outflow, the greater the funds and the liquidity of the firm, the better is its ability to pay dividend.

**Future Funding Requirements:** The Company believes in retaining a part of its profits for investing in business expansion and strengthening the Company's financial position in the future. A part of income is /may be reserved for investing in capital expenditure, research and development, expanding into new geographical markets or for increased requirements of working capital.

**Fluctuations in Business Cycle:** Business cycles exercise influence upon dividend Policy. Dividend Policy is adjusted according to the business oscillations. In peak seasons of performance (operationally and financially), management creates reserves for contingencies or pays out higher dividends. Adequate reserves help the Company through tough times / lean season / aggressive competitions and expansion phases, guiding the Company's decision accordingly.

**Regularity and stability in Dividend Payment:** The Company believes that dividend payout practice should be stable and consistent over long periods of time, thus creating predictability and visibility of cash flows for the shareholders. In the past several years, the Company has been consistently paying high dividend to its shareholders, shall endeavor to follow the same pattern, unless any exceptional circumstances occur.

**Contractual Obligations / Debt Repayments, if any:** The Company shall take into consideration any contractual obligations / debt principal or interest payments, if and when they occur before distributing dividend to its shareholders.

### **External Factors to be considered**

**Legal Requirements:** The Policy has been formed in keeping with the current framework / provisions of The Companies Act, 2013 and Securities and

Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. While taking the dividend decision, any amendments in the same shall be taken into account as and when they occur, with respect to payment and distribution of dividend.

**Government Policies:** The earning capacity of an enterprise is hugely impacted by the changes in monetary, fiscal, industrial, labour, and other government policies. The dividend Policy must be modified or formulated accordingly, if such events occur.

**Taxation Policy:** Various taxes, including Dividend Distribution Tax, tax on dividend income or any other policy or amendments in prevailing rates and conditions can lead to reduction in the earnings of the companies or may affect its investors and accordingly shall be considered while taking the dividend decision.

### **FINANCIAL PARAMETERS TO BE CONSIDERED**

The Company has been amongst the most consistent wealth creators rewarding its shareholders with a high dividend payout over the last several years. The Company in all its future dividend decisions shall consider the below mentioned financial parameters, and internal and external factors while taking decision for recommendation of dividend are as under:

- a) Profitability of the Company
- b) The requirement of funds for business needs of the Company such as replacement of capital assets, expansion and / or modernisation, capital expenditure, investment in subsidiaries and joint venture(s), etc.
- c) Mergers and acquisitions
- d) Operating cash flow of the Company
- e) Debt repayment obligations of the Company
- f) Financial and other covenants agreed with the lenders / debenture trustee(s) of the Company
- g) Cost of servicing outstanding debt
- h) Cost of raising funds for the business needs of the Company
- i) Policies of the Government of India relevant for the business and operations of the Company
- j) Overall economic and business scenario
- k) Regulatory or statutory restrictions in respect of declaration or payment of dividend
- l) Taxes and levies applicable in respect of declaration / payment of dividend
- m) Requirement of funds for meeting contingent liabilities
- n) Other factors beyond control of the Management like natural calamities, fire, etc. affecting operations of the Company.

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

The decision regarding dividend pay-out would seek to balance the dual objective of appropriately rewarding the shareholders through dividend and retaining profits for business needs of the Company.

The shareholder may expect dividend out of the profits of a financial year if there are adequate available profits of the Company for such financial year and such profits are not required to be retained for business needs of the Company.

The shareholders may not expect dividend for a financial year, if the profits of the Company for such financial year are not adequate for payment of dividend or otherwise required to be retained for business needs of the Company.

The Company may reward shareholders in a few ways. Cash dividends may be distributed to shareholders through regular or through extra (also referred to as special) dividends. The Company may issue bonus shares or stock splits, if it considers it prudent to do so.

The Company prefers to declare / distribute dividend annually or at a frequency considered suitable by the Board as per applicable laws. If the financial position, internal and external factors, and laws permit, the Company may declare/ distribute Interim Dividend. The Board may opt to do this subsequent to reviewing the Interim financial statements, at any juncture prior to the end of the financial year.

The Company may in future issue equity shares with differential rights or preference shares or any other class of shares, in which case, the dividend or interim dividend so declared on all or anyone or more of the classes of such shares, shall be consistent with the Dividend Policy and rights and privileges associated with such new issuances.

Without prejudice to the above, subject to the provisions of the Companies Act, 2013, the rules framed thereunder and any other laws and regulations, as may be applicable:

- a) In case there are no profits or the profits are not adequate during a financial year for declaration of dividend, the Board of Directors may recommend payment of dividend, partly or fully, out of the profits of the Company for any previous financial year(s) subject to the applicable provisions of Companies Act, 2013 and other applicable laws, provided such profits are not required to be retained for business needs of the Company.

- b) whenever the Company undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;
- c) whenever the Company undertakes any acquisitions or joint arrangements requiring significant allocation of capital;
- d) significantly higher working capital requirement affecting free cash flow;
- e) whenever the Company proposes to utilize surplus cash for buy-back of securities or setting off of previous year losses or losses of its subsidiary/ies; and
- f) in case of being prohibited to recommend/declare dividend by any regulatory body.

The Board of Directors of the Company may consider recommending payment of dividend out of free reserves of the Company in case of inadequacy of profits during a financial year subject to the applicable provisions of Companies Act, 2013 and other applicable laws, if the Board of Directors is of the opinion that:

- i) Inadequacy of profits is of temporary nature and the Company is expected to earn profits in the next 2 to 3 financial years; and
- ii) The amount of dividend to be declared out of the reserves is not required to be conserved for business needs of the Company.

The Company shall use any of the electronic modes of payment approved by the Reserve Bank of India for the payment of dividends. Also, where it is not possible to use electronic mode of payment, 'payable-at-par' warrants or cheques may be issued, as permissible under applicable rules and regulations.

## **CIRCUMSTANCES AFFECTING LOWER OR NO DIVIDEND PAYOUT**

In certain situations, the Board may choose not to declare dividends or may suggest a reduced payout for a specific financial year. This decision could be influenced by factors like potential opportunities, threats, or challenging regulatory and financial conditions. When such circumstances arise, the relevant disclosures shall be made by the Company.

## **POLICY IN RESPECT OF UTILIZATION OF RETAINED EARNINGS**

The retained earnings of the Company can be utilized by the Company for the following:

- a) Declaration of dividend in the manner specified above in the Policy
- b) Issue of Bonus shares
- c) Augmenting the internal resources including working capital
- d) Funding of capital expenditure and / or expansion / modernization plans of the Company

- e) Repayment of Debt
- f) Investments in subsidiaries / joint venture(s)
- g) Buy-back of shares of the Company
- h) Investment in new business(s)
- i) Any other purpose as may be determined by the Board of Directors subject to the provisions of the applicable laws

### **PARAMETERS TO BE ADOPTED FOR VARIOUS CLASSES OF SHARES**

The Company has presently issued only one class of shares i.e. equity shares, without any preference or priority in respect of payment of dividend. 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 Laws and will be determined, if and when the Company decides to issue other classes of shares.

If the Board decides to consider any parameters in addition to those stipulated above or proposes to change such additional parameters or this Policy, it shall disclose such changes along with the rationale for the same in its annual report and on its website.

### **DISCLOSURE**

The Dividend Distribution Policy shall be disclosed on the website of the Company and the web-link to this Policy shall be disclosed in the annual report of the Company.

### **AMENDMENTS TO THE POLICY**

This Policy can be amended, modified or revised by the Board of Directors of the Company from time to time. In case any provisions of this Policy are contrary to or inconsistent with the provisions of the Companies Act, 2013, rules framed thereunder and Listing Regulations (“Statutory Provisions”), the provisions of Statutory Provisions shall prevail.

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