DIVIDEND DISTRIBUTION POLICY OF SUMIT WOODS LIMITED

1. PREAMBLE

The Board of Directors ("Board") of **Sumit Woods Limited** ("Company") has adopted this Dividend Distribution Policy ("Policy") in accordance with the applicable provisions of the Companies Act, 2013 ("Act"), the Companies (Declaration and Payment of Dividend) Rules, 2014, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"), and other applicable laws, rules, regulations and guidelines, as amended from time to time.

The objective of this Policy is to provide transparency and clarity to the shareholders and other stakeholders regarding the approach of the Company towards declaration and distribution of dividend.

2. OBJECTIVE

The Policy aims to:

a. provide clarity to the shareholders regarding the circumstances under which dividend may or may not be declared;

b. establish the financial parameters and other factors that will be considered by the Board while recommending or declaring dividend;

c. ensure an appropriate balance between distribution of profits to shareholders and retention of earnings for the Company's future growth and business requirements;

d. ensure compliance with the applicable provisions of the Companies Act, 2013 and SEBI LODR Regulations; and

e. provide transparency and predictability in the Company's dividend decisions.

3. SCOPE AND APPLICABILITY

This Policy shall apply to the declaration and payment of dividend by the Company on its equity shares and, where applicable, other classes of shares.

The Policy shall be read together with the Memorandum and Articles of Association of the Company and the applicable provisions of the Companies Act, 2013, SEBI LODR Regulations and other applicable laws.

In case of any conflict between this Policy and any statutory or regulatory provision, the applicable statutory or regulatory provision shall prevail.

4. CIRCUMSTANCES UNDER WHICH SHAREHOLDERS MAY EXPECT DIVIDEND

The Company may recommend and declare dividend when the financial performance, cash flows, profitability, liquidity position and future business requirements of the Company permit such distribution.

The Board may consider payment of dividend where the Company has adequate distributable profits and sufficient cash flows after taking into account:

- profitability of the Company;
- accumulated profits and free reserves;
- cash flow position;
- working capital requirements;
- capital expenditure requirements;
- debt servicing obligations;
- ongoing and proposed projects;
- future expansion and growth plans;
- statutory and regulatory requirements; and
- overall financial position of the Company.

The declaration of dividend shall, however, not be regarded as an obligation on the Company. The Board shall have the discretion to recommend dividend depending upon the circumstances prevailing at the relevant time.

5. CIRCUMSTANCES UNDER WHICH SHAREHOLDERS MAY NOT EXPECT DIVIDEND

The Company may not recommend or declare dividend, inter alia, in circumstances where:

a. the Company does not have adequate distributable profits;

b. the Company's cash flows or liquidity position do not permit distribution;

c. significant funds are required for working capital or capital expenditure;

d. the Company has substantial debt repayment or servicing obligations;

e. the Company requires funds for expansion, development, acquisition, redevelopment or other strategic business opportunities;

f. distribution of dividend may adversely affect the Company's financial position or credit profile;

g. there are significant uncertainties or adverse market or economic conditions;

h. such declaration is restricted or prohibited under applicable laws, regulations, contractual arrangements or financing documents; or

i. the Board, based on its assessment, considers it prudent to retain profits for the long-term interests of the Company and its stakeholders.

6. FINANCIAL PARAMETERS FOR DECLARATION OF DIVIDEND

While recommending or declaring dividend, the Board may consider, inter alia, the following financial parameters:

1. Net profit after tax;
2. Earnings per share;
3. Free cash flows;
4. Cash and bank balances;
5. Accumulated profits and free reserves;
6. Working capital requirements;
7. Debt-equity ratio and other financial covenants;
8. Interest and debt servicing obligations;
9. Capital expenditure requirements;
10. Future investment and expansion requirements;
11. Return on equity and return on capital employed;
12. Liquidity position;
13. Projected financial performance; and
14. Other financial parameters considered relevant by the Board.

The Board may consider these parameters individually or collectively depending upon the circumstances prevailing at the time of consideration of dividend.

7. INTERNAL FACTORS

The following internal factors may be considered while determining the quantum of dividend:

- current and projected profitability;
- availability of distributable profits;
- cash flow and liquidity position;
- working capital requirements;
- capital expenditure and project requirements;
- expansion and growth plans;
- debt repayment and financing requirements;
- investment requirements;
- acquisition, redevelopment or other strategic opportunities;
- contingent liabilities;
- financial commitments;
- tax implications; and
- any other factor considered relevant by the Board.

8. EXTERNAL FACTORS

The following external factors may also be considered:

- prevailing economic conditions;
- market conditions;
- interest rates;
- inflation;
- taxation and regulatory changes;
- government policies;
- changes in applicable laws and regulations;
- industry outlook;
- availability and cost of financing;
- general business environment; and
- other external factors that may materially affect the Company's business or financial position.

9. UTILISATION OF RETAINED EARNINGS

The Company may retain its earnings for purposes including, but not limited to:

a. funding working capital requirements;

b. meeting capital expenditure requirements;

c. expansion and development of existing and new projects;

d. acquisition of land, properties, businesses or other assets;

e. repayment or servicing of debt;

f. meeting contingencies and unforeseen financial requirements;

g. strengthening the Company's financial position;

h. investment in strategic opportunities;

i. meeting statutory or contractual obligations; and

j. any other purpose considered appropriate in the long-term interest of the Company.

The retained earnings shall be utilised in accordance with the business requirements and strategic objectives of the Company.

10. PARAMETERS FOR VARIOUS CLASSES OF SHARES

The Company presently has [only one class of equity shares] having equal voting rights and equal entitlement to dividend, subject to the applicable provisions of the Companies Act, 2013 and the Company's Articles of Association.

In case the Company issues any other class of shares in future, the declaration and payment of dividend shall be determined in accordance with the terms of issue of such shares, the Articles of Association and applicable laws and regulations.

11. DIVIDEND PAYOUT

The Company does not propose to prescribe any fixed dividend payout ratio or minimum dividend rate under this Policy.

The quantum of dividend, if any, shall be determined by the Board after considering the parameters set out in this Policy and shall be subject to approval of the shareholders wherever required under applicable law.

The Board may recommend dividend at a rate that it considers appropriate based on the Company's financial performance and future requirements.

12. INTERIM DIVIDEND

The Board may, subject to the provisions of the Companies Act, 2013 and other applicable laws, declare interim dividend during any financial year based on the financial position and performance of the Company.

The Board shall consider the relevant financial parameters, cash flows, liquidity position, future requirements and other factors specified in this Policy before declaring any interim dividend.

13. FINAL DIVIDEND

The Board may recommend final dividend based on the audited financial statements of the Company for the relevant financial year.

The final dividend shall be subject to approval of the shareholders at the Annual General Meeting, wherever required under applicable law.

14. DIVIDEND OUT OF FREE RESERVES

In the event of inadequacy or absence of profits in any financial year, the Company may declare dividend out of free reserves only in accordance with the conditions and restrictions prescribed under the Companies Act, 2013 and the Companies (Declaration and Payment of Dividend) Rules, 2014, as amended from time to time.

15. COMPLIANCE WITH LAW

The declaration, payment and distribution of dividend shall be subject to the provisions of the Companies Act, 2013, including Sections 123, 124, 125, 126 and 127, the Companies (Declaration and Payment of Dividend) Rules, 2014, SEBI LODR Regulations and other applicable laws, regulations and guidelines.

The Company shall ensure timely transfer of unpaid or unclaimed dividend to the Unpaid Dividend Account and, where applicable, transfer of amounts to the Investor Education and Protection Fund ("IEPF") in accordance with applicable law.

16. DISCLOSURE

This Policy shall be disclosed on the Company's website and the web-link to the Policy shall be provided in the Annual Report, wherever applicable under the SEBI LODR Regulations.

Any change in the parameters or additional parameters adopted by the Company for declaration of dividend shall be disclosed along with the rationale for such change in the Annual Report and on the Company's website, wherever required under applicable regulations.

17. REVIEW AND AMENDMENT

The Board may review and amend this Policy from time to time to ensure compliance with applicable laws, regulations and changes in the Company's business requirements.

Any amendment to this Policy shall be subject to approval of the Board and shall be effective from such date as may be determined by the Board.

In case of any amendment to the applicable statutory or regulatory provisions, the provisions of such amended law or regulation shall prevail over this Policy to the extent of any inconsistency.

18. DISCLAIMER

This Policy is intended to provide general guidance regarding the Company's approach to dividend distribution. The declaration of dividend shall remain subject to the applicable provisions of law and the discretion of the Board of Directors and, wherever applicable, approval of the shareholders.

The Policy shall not create any right in favour of any shareholder to demand or claim dividend.

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