

DIVIDEND DISTRIBUTION POLICY OF JAIN IRRIGATION SYSTEMS LIMITED

(Effective from 12-08-2016)

1. BACKGROUND

SEBI vide its Second Amendment to SEBI (LODR), 2015 dated 8th July, 2016 made it mandatory to top 500 listed entities to formulate a Dividend Distribution Policy which needs to be disclosed in Annual Report and on website of the Company.

2. DIVIDEND ELIGIBILITY

Both the classes of shares of the Company i.e. Ordinary Equity Shares and DVR Equity Shares shall carry the same dividend payout ratio.

3. DECLARATION

As expressed by Late Padmashree Dr. Bhavarlal H. Jain, Founder Chairman of the Company, through his thoughts there are mainly 5 stakeholders of the Company i.e. Vendors, Suppliers, Bankers, Associates and Shareholders (including Promoters). Vendors and Suppliers get their respective payments, Bankers get their return from the Company in the form of interest, Associates receive salaries for their work, the last category which is left is Shareholders (including Promoters), they get nothing except dividend. Company should distribute 20% of its profit to its Shareholders in the form of dividend whenever possible, he had suggested.

Dividend shall be declared or paid only out of –

- i) Current Year's profit
 - a) After providing for depreciation in accordance with law
 - b) After transferring to the reserves such amount of Profit as may be prescribed, or
- ii) The Profits for any previous financial year(s)
 - a) After providing for depreciation in accordance with law, and
 - b) Remaining undistributed, or
- iii) Out of Current year's profit and profits of any previous financial years(s) after providing for the statutory deductions.

Before declaring any dividend,

- i) The losses, if any, of any previous year(s) must be set off
- ii) Against the profits of the Company for the current year or previous years.

Factors to be considered before declaring dividend.

| Sr. No. | Particulars | Sr. No. | Particulars |
|---------|---|---------|--|
| 1 | Profits earned during the financial year. | 10 | Cost of raising funds from alternate sources. |
| 2 | New projects to be undertaken. | 11 | Cash flow position. |
| 3 | Expansion of capacities of existing units, if any | 12 | Likelihood of crystallization of contingent liabilities, if any. |
| 4 | Renovation/ Modernisation | 13 | Contingency Fund. |
| 5 | Major Repairs & Maintenance | 14 | Acquisition of brands/ businesses. |
| 6 | Accumulated reserves. | 15 | Sale of brands/ businesses. |



| | | | |
|---|-----------------------|----|---------------------------------|
| 7 | Earnings stability. | 16 | Stage of business cycle. |
| 8 | Economic environment. | 17 | Legal and regulatory framework. |
| 9 | Past dividend trends. | 18 | Investor demands. |

4. DECLARATION OF DIVIDEND OUT OF RESERVES (RETAINED EARNINGS)

Board shall avoid the practice of Declaration of Dividend out of Reserves, unless it becomes necessary to maintain consistency/continuity of Dividend pay-outs. The retained earnings of the Company are expected to be used across the following activities

- i. Capital expenditure.
- ii. Inorganic growth.
- iii. General corporate purposes, including contingencies.
- iv. Correcting the capital structure.

However, the Board of Directors shall decide from time to time about the policy as to how the retained earnings shall be utilized and parameters that shall be adopted with respect to different classes of shares.

5. AMOUNT OF DIVIDEND

Board shall endeavour to maintain the Dividend Pay-out Ratio* (Dividend/ Net Profit for the year) as near as possible to 25% subject to

- a. Company's need for Capital for its growth plan
 - b. Positive Cash Flows
- * To be reviewed every 2 years.

6. TIMING

I. Interim Dividend

- Board to declare
- Based on review of profits earned during the current year - to date (one to three times a year)

II. Final Dividend

- Board to recommend to members for their approval
- Based on review of profits arrived at as per Audited Financial Statements, for the year
- Maximum once in a year.

7. DIVIDEND INFORMATION

Information on dividends paid in the last 5 years is as follows;

| Year | Dividend per Shares (Rs.) | Payout Ratio (Standalone) (%) | Payout Ratio (Consolidated) (%) |
|---------|---------------------------|-------------------------------|---------------------------------|
| 2011-12 | 1.00 | 15.09 | 18.12 |
| 2012-13 | 0.50 | 75.42 | 732.26 |
| 2013-14 | 0.50 | 592.31 | (58.04) |
| 2014-15 | 0.50 | 46.76 | 42.00 |
| 2015-16 | 0.50 | 33.43 | 27.74 |



8. DEVIATIONS FROM THE POLICY

The Board may not recommend any dividend or may recommend a lower payout for a given financial year, if;

- i. The Company has reported a net loss for the year.
- ii. Cash flow from operations is negative.
- iii. The credit protection or capital adequacy metrics of the Company are weak.
- iv. The Company is undergoing any form of debt restructuring.
- v. The Company has been prohibited to declare dividends by any regulatory authority.
- vi. The Company has implemented, or intends to implement, a share repurchase (buyback) scheme or any other alternate profit distribution measures.
- vii. Any other extraordinary circumstances.

If the Company does not declare any dividend or if the final payout for the year is lower than the target ratio, the Board will provide a rationale for the deviation from the policy in the Annual Report.

9. AVAILABILITY

The most recent version of this policy shall be available on the Company's website i.e. www.jains.com. The policy will also be disclosed in the Company's Annual Report. To access previous policies, shareholders may write to us at investor.corr@jain.com or look up previous annual reports.

For Jain Irrigation Systems Limited



Anil B. Jain
Vice Chairman & Managing Director

