

STERLING TOOLS LIMITED

CIN : L29222DL1979PLC009668

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STERLING TOOLS LIMITED

DIVIDEND DISTRIBUTION POLICY

[Pursuant to Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

[As approved by the Board of Directors on 12th June, 2021]

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DIVIDEND DISTRIBUTION POLICY

1. Introduction & Objective:

- A. The Securities and Exchange Board of India (the “SEBI”) vide its Notification dated July 08, 2016 has amended the Listing Regulations (the “Regulations”) by inserting Regulation 43A in order to make it mandatory to have a Dividend Distribution Policy in place by the top five hundred listed companies based on their market capitalization calculated as on the 31st day of March of every year. As per SEBI Press Release dated 25th March, 2021, it is mandatory to have a Dividend Distribution Policy in place by the top thousand listed companies based on their market capitalization calculated as on the 31st day of March of every year.
- B. Pursuant to above, as gesture of good governance practice the Board of Directors (the “Board”) of STERLING TOOLS LIMITED (“STL” or the “Company”) has adopted the Dividend Distribution Policy on 12th June, 2021.
- C. This policy shall be known as STL Dividend Distribution Policy (the “Policy”).

Objective

The objective of the Dividend Distribution Policy (“the Policy”) of the Company is to define the various parameters to be considered by the Board of Directors of the Company before declaring or recommending dividend. The Policy endeavors to strike an optimum balance between rewarding shareholders through dividend and ensuring that sufficient funds are retained for growth of the Company.

2. Definitions

The terms referred to in this policy will have the same meaning as defined under the Companies Act, 2013 (the “Act”) and the Rules made thereunder, and the Listing Regulations.

3. Effective Date

The Policy will come into effect on its adoption by the Board i.e. from FY 2021-22 onwards.



4. Scope of the Policy

The Policy covers the following:

4.1 Dividend to Equity Shareholders of the Company:

At present the company has only one class of equity shares. As and when the company proposes to issue any other class of equity shares, the policy shall be modified accordingly.

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 covenants of the dividend Policy and rights and privileges associated with such new issuances.

4.2 Interim Dividend:

4.2.1 Interim Dividend(s), if any, shall be declared by the Board.

4.2.2 In case no final dividend is declared for any particular financial year, interim dividend paid during that year, if any shall be regarded as final dividend for the year in the Annual General Meeting (AGM).

4.3 Final Dividend:

4.3.1 Recommendation, if any, shall be made by the Board, usually in the Board meeting that considers and approves the annual financial statements, subject to approval of the shareholders of the Company.

4.3.2 The dividend as recommended by the Board shall be approved / declared in the AGM of the Company.

4.4 The Policy shall not apply to:

4.4.1 Dividend to Preference Shareholders.

4.4.2 Distribution of cash or other assets to Equity Shareholders pursuant to buyback of shares.

4.4.3 Issue of fully paid-up bonus shares or other securities to Equity Shareholders or converting partly paid-up equity shares to fully paid-up shares.

5. Parameters to be considered before recommending dividend

The Board shall consider the following financial/internal/External parameters while declaring or recommending dividend to shareholders:



- A. **External Factors:** The Board shall consider following external factors:
- a. **Statutory Requirements:** The Policy has been framed keeping in view 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.
 - b. **Negative changes in the Earning Capacity of the Company:** Any adverse or negative changes in the Earning Capacity of the Company due to changes in the macro-economic environment materially affecting the business in which the Company is engaged or due to any change in the monetary, fiscal, labour, industrial and any other government policies, the Dividend Policy of the Company has to be modified or formulated accordingly.
 - c. **Technological Changes:** Any Technological change which necessitate significant new investments in the business of the Company.
- B. **Internal Factors:** The Board shall consider following internal factors:
- a) Company's Liquidity position including its present and expected obligations.
 - b) Profits of the Company.
 - c) Present and Future Capital expenditure plans of the Company including organic / inorganic growth opportunities.
 - d) Likely fund requirements of STL's Subsidiaries and Joint Venture companies.
 - e) Past dividend trend of the Company and the Industry.
 - f) Loan covenants entered into with Bankers / Lenders / Financial institutions.
 - g) Any other relevant or material factor as may be deemed fit by the Board.

6. Rate / Quantum of Dividend

The Company has a consistent track history of paying the dividend and the Company would maintain a dividend pay-out as may be determined by the Board from time to time, considering the Internal as well as External factors duly specified in this policy.

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

The Company has been consistent in paying out dividends to its shareholders and can be reasonably expected to continue declaring dividends in future as well, unless the Company is restrained to declare dividends in following circumstances:



- 7.1. Inadequate profits: If during any financial year, the profits of the Company are not adequate, the Board may decide not to recommend any dividend for that year.
- 7.2. Dividend not to be declared out of Retained Earning: As a rule, dividend for any particular financial year shall be recommended or paid out of the Profit of that financial year and the Board shall not declare or recommend any dividend out of the reserves, except for reasons to be expressly laid down. Any decision in this regard shall be reflected in the Annual Report and website of the company while declaring/ recommending dividend.
- 7.3. Utilization of Surplus Cash for buy-back of securities.

8. Entitlement and Timelines for Dividend payments

- 8.1. Entitlement: The dividend shall be paid to the shareholders entitled to receive dividend on the record date / book closure date as per applicable laws.
- 8.2. Timelines: The payment of dividend shall be made within the time prescribed under the Act or the rules made thereunder.

9. Conflict of Policy

In the event of the Policy being inconsistent with any regulatory provision, such regulatory provision shall prevail upon the corresponding provision of this Policy.

10. Amendment

This policy may be amended by the Board at any time either suo-moto and / or pursuant to amendments to the LODR Regulations or such other law, rules, regulations, standards, guidelines as applicable. If there is any amendment to the policy, this policy will be deemed to have been amended and such amendment will take effect from date of the approval of such amendment.
