
ESQUIRE KNIT COMPOSITE LIMITED

DIVIDEND DISTRIBUTION POLICY

(As approved by the Board of Directors on 20th May 2021
[Effective Date – 20th May 2021]

DIVIDEND DISTRIBUTION POLICY

This Policy will regulate the process of dividend declaration and its pay-out by Esquire Knit Composite Limited (hereinafter referred to as "the Company") in accordance with the requirements prescribed under **Directive No. BSEC/CMRRCD/2021-386/03 Dated 14 January 2021** of the Bangladesh Securities and Exchange Commission.

PREAMBLE

Dividend is the payment made by a company to its shareholders, usually in the form of distribution of its profits. The company may choose to retain a part of its profits and distribute the balance among its shareholders as dividend. The objective of this policy is to ensure a regular dividend income for the shareholders and long term capital appreciation for all stakeholders of the Company. Through this policy, the Company would endeavour to maintain a consistent approach to dividend pay-out plans.

As part of its responsibilities, the Company is required to disclose this Policy in its annual report as well as on its website.

Effective Date

The policy shall come into force from the date of approval of the Board of Directors i.e. May 20, 2021

SCOPE

This Policy applies to payment of interim and final dividend by the Company to its shareholders.

Objective

To lay down a broad framework for consideration of the Board of Directors of the Company (the Board) while declaring/ recommending Dividends to its shareholders and/ or retaining or plough back of its profits.

To set out the circumstances and different factors for consideration by the Board at the time of taking such decisions of distribution or of retention of profits, in the interest of providing transparency to the shareholders

DIVIDEND

The Board may recommend Dividend while approving Final accounts, for any financial year (July to June), at its discretion, subject to the approval of the Members of the Company.

The Dividend as recommended by the Board shall be approved/declared at the Annual General Meeting of the Company.

The Board may also declare Interim Dividends for any financial year, (July to June), at its discretion, to be paid to the Members of the Company. Before declaring Interim Dividend, the Board shall consider the quarterly or half yearly financial position of the Company for the payment of such Dividend.

The payment of Interim Dividends shall be made within 30 (thirty) days from the record date / book closure period.

The payment of annual or final Dividends shall be made within 30 (thirty) days from the date of approval at the Annual General Meeting of the Company to the shareholders entitled to receive the Dividend on the record date/book closure period as per the applicable law.

In case no Final Dividend is declared, Interim Dividend paid during the year, if any, will be regarded as Final Dividend in the Annual General Meeting.

PARAMETERS

Dividend payout is contingent upon various factors and their combination thereof, which are enumerated below and the Board of Directors shall before deciding the dividend consider these factors in the best interest of the Company and its shareholders.

Circumstances under which the shareholder may not expect dividend

The shareholder may not expect dividend, inter-alia, in the following circumstances, subject to discretion of the Board:

- ❖ In event of loss or inadequacy of profit or Cash flow;
- ❖ Higher capital investments on account of expansion of business, etc. by the Company;
- ❖ Decision to undertake any acquisition, amalgamation, merger, takeover, etc. requiring significant capital outflow;
- ❖ Other business condition(s) in the opinion of the Board it would be prudent to plough back the profits of the Company;
- ❖ De-growth in the overall business;
- ❖ The Company has been prohibited to declare dividends by any regulatory authority;
- ❖ Any other extra-ordinary circumstances.

Financial Parameters

While determining the quantum of dividend the Board of Director shall, inter-alia, consider following financial parameters:

- Profit After Tax considering write-off of accumulated losses, exceptional and extraordinary items, if any;
- Accumulated reserves;
- Cash flow and treasury position keeping in view the total debt to equity ratio;
- Earnings Per Share;
- Dividend Payout during the previous years;
- Capital Expenditure;
- Contingent Liabilities;

FACTORS FOR DECLARATION OF DIVIDEND

The quantum of dividend is an outcome of due deliberation by the Board considering various Internal and External factors including but not limited to:-

Internal Factors

- Business Forecast (near to medium term);
- Earning stability;
- Availability;
- Accumulated Reserves;
- Working capital requirements of the Company;
- Capital Expenditure requirements of the Company;
- Investments in new line(s) of business;
- Expenditure on Research & Development of new products;
- Investment in technology;
- Acquisition of brands/businesses;

External Factors

- Statutory provisions, legal requirements, regulatory conditions or restrictions laid down under applicable laws;
- Prevailing macro-economic environment;
- Re-investment opportunities;
- Investor Expectations;
- Prevailing taxation structure including any amendments expected thereof.

Dividend will generally be declared once a year, after the approval of the Audited Financial Statement and shall be subject to approval/confirmation of shareholders at the Annual General Meeting (AGM). In certain years and to commemorate special occasions, the Board may consider declaring special dividend for its shareholders.

Considering the above factors, the Company would endeavor to declare a dividend (including any special dividend or a payout in the form of a one-time/special dividend) as may be decided by the Board of Directors from time to time.

UTILISATION OF RETAINED EARNINGS

Subject to the applicable regulations, retained earnings may be applied for:

- ❖ Funding the organic and inorganic growth of the Company;
- ❖ Diversification of business;
- ❖ Capacity Expansion;
- ❖ Replacement of Capital Assets;
- ❖ Declaration of Dividend in future years;
- ❖ Issue of Bonus Shares;
- ❖ Buy-back of Shares/Capital Reduction;
- ❖ Other permissible purposes.

PARAMETERS THAT SHALL BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

The Company has only one class of shares viz., Equity Shares of Face Value of Tk. 10 each.

Since the Company has issued only one class of equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of Dividend per share.

DISCLOSURE

In terms of the requirements of Bangladesh Securities and Exchange Commission, this policy has been uploaded on the website of the Company viz., "www.esquirekmit.com" and will also form a part of the Annual Report of the Company.

In case the Company declares dividend on the basis of parameter in addition to the parameters stated in this Policy, such parameters will be disclosed on the website as well as Annual Report of the Company.

GENERAL

This Policy is subject to revision/amendments in accordance with the Directive as may be issued by the Bangladesh Securities and Exchange Commission from time to time on the subject matter. Accordingly, the Company reserves the right to alter, modify, add, delete or amend any of the provisions of this Policy.

Notwithstanding anything contained herein but subject to the applicable Directive, the Board may, at their discretion revise, amend or modify the policy, which they in their absolute discretion may deem fit.

DISCLAIMER

The Policy reflects the intent of the Company to reward its shareholders by sharing a portion of its profits after retaining sufficient funds for growth of the Company. The Company shall pursue this Policy to pay, subject to the circumstances and factors enlisted herein above, which shall be consistent with the performance of the Company over the years.

This document does not solicit investment in the Company's shares nor is it an assurance of guaranteed returns (in any form), for investments in the Company's shares.

The Policy is not an alternative to the decision of the Board for recommending dividend, which is made generally every year after taking into consideration all the relevant circumstances contained in this Policy as may be decided by the Board.

CHANGE IN DIRECTIVE

In case of any subsequent changes in the Directive of the Act or further rules and regulations / guidelines from the Securities and Exchange Board of India including the Listing Regulations or any other regulations which makes any of the provisions of this Policy inconsistent, then the provisions of the Act or such other regulations would prevail over this Policy and the relevant provisions contained in the Policy would be modified accordingly in due course to make it consistent with applicable laws.

The End