

DIVIDEND DISTRIBUTION POLICY

1. BACKGROUND

The Securities and Exchange Board of India (“**SEBI**”) vide the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, (“**SEBI Listing Regulations**”), has made it mandatory for the top 1000 listed companies based on the market capitalization (calculated as on March 31 of every financial year) to formulate a dividend distribution policy, which will be disclosed on their website. The SEBI Listing Regulations further stipulate that other listed entities may undertake such compliance on a voluntary basis.

Schloss Bangalore Limited (“**the Company**”) has framed this Dividend Distribution Policy (“**Policy**”) in compliance with the SEBI Listing Regulations. This Policy has been approved by the board of directors (“**Board**”) of the Company at its meeting held on 18 September, 2024 being the effective date of this Policy.

This Policy shall come into force with effect from the date the SEBI Listing Regulations take effect with respect to the Company.

2. OBJECTIVES

This policy aims to ensure fairness, consistency, and transparency in distributing profits to shareholders. The Board of Directors considers various factors, including financial performance and executive management advice, before declaring dividends. The company also commits to complying with statutory requirements unless unforeseen circumstances prevent it. Additionally, the Board may deviate from the policy in extraordinary situations.

The objective of this Policy is to establish the parameters (including internal and external factors) to be considered by the Board of the Company before declaring or recommending dividend to shareholders and/or retention or plough back of its profits. Through this Policy, the Company will endeavor to maintain fairness, consistency and sustainability while distributing profits to the shareholders of the Company in the interest of providing transparency to the shareholders.

The Board shall determine the dividend for a particular period after taking into consideration the financial performance of the Company, the advice of executive management, and other parameters described in this policy.

The Company shall comply with the relevant statutory requirements that are applicable to the Company in declaring dividend or retained earnings unless the Company is restrained to declare the dividend in unexpected circumstances.

The Board of Directors may in extra-ordinary circumstances, deviate from the parameters listed in this Policy.

3. DEFINITIONS

In this Policy:

- a) **Act**: Act means the Companies Act, 2013, the rules made thereunder and any amendment(s) or modification(s) or circular(s) or notification(s) or order(s) thereof made.
- b) **Applicable Laws** shall mean the Act, the SEBI Listing Regulations, together with the circulars issued thereunder; and such other act, rules or regulations which deals with the distribution of dividend.
- c) **Board or Board of Directors** shall mean Board of Directors of the Company.
- d) **Dividend** includes interim dividend.

Words and Expressions used and not defined in this Policy but defined in the Act or Applicable Laws shall have the same meaning respectively assigned to them in the Act / Applicable Laws.

4. CATEGORY OF DIVIDENDS

The Company may, subject to its articles of association, pay dividends in proportion to the amount paid-up on each share. The Act provides for two forms of Dividend - Final and Interim. The Board shall have the power to

recommend final dividend to the shareholders for their approval in the general meeting of the Company. The Board shall have the absolute power to declare interim dividend during the financial year, as and when they consider it fit.

• **Final Dividend:**

The final dividend is paid once for the financial year after the annual accounts are prepared. The Board of the Company has the power to recommend the payment of final dividend to the shareholders in a general meeting. The declaration of final dividend shall be included in the Board's report and the ordinary business items that are required to be transacted at the annual general meeting.

• **Interim Dividend:**

This form of dividend can be declared by the Board one or more times in a financial year as may be deemed fit by it or at any time during the period from closure of financial year till holding of the annual general meeting out of the surplus in the profit and loss account or out of profits of the financial year for which such interim dividend is sought to be declared or out of profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend. Further, such declaration of interim dividend shall be in line with this Policy. By way of guidance, the Board should usually declare an interim dividend after finalization of quarterly (or half yearly) financial accounts.

5. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

The decision regarding declaration and payment of dividend is an important decision as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in business. Hence, the shareholders of the Company may expect dividend only if the Company is having adequate profits after complying with all other statutory requirements under the Applicable Laws.

The shareholders of the Company may not expect dividend in the following circumstances, subject to the discretion of the Board and Applicable Laws:

- in case of inadequacy of profits or whenever the Company has incurred losses;
- whenever the Company undertakes or proposes to undertake a significant expansion project, renovations and upgradation requiring higher allocation of capital;
- whenever the Company undertakes any acquisitions, amalgamations, mergers, joint ventures, new launches etc. requiring significant allocation of capital;
- significantly higher working capital requirement affecting free cash flow;
- 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
- in case of being prohibited to recommend/declare dividend by any regulatory body.

The Board of Directors of the Company may not declare or recommend dividend for a particular period if it is of the view that it would be prudent to conserve capital for any proposed or ongoing or planned business expansion or other factors which may be considered by the Board. The statement of this Policy does not in any way restrict the right of the Board to use its discretion in the recommendation of the Dividend to be distributed in the financial year and the Board reserves the right to depart from the Policy as and when circumstances so warrant.

Given the aforementioned uncertainties, prospective or present investors are cautioned not to place undue reliance on any of the forward-looking statements in this Policy, if any.

6. PARAMETERS TO BE CONSIDERED BEFORE RECOMMENDING DIVIDEND

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

- New projects, ongoing projects including expansion, renovation of Hotels etc.;
- Current year profits and outlook in line with the development of internal and external environment;
- Profits earned and available for distribution during the financial year
- Accumulated reserves including retained earnings

- Net profit earned during the financial year as per the consolidated financial statements
- Operating Cash flows
- Upgradation of technology and physical infrastructure
- Working capital requirements
- Debt repayment schedules, if any
- Fund requirement for contingencies and unforeseen events with financial implications
- Expansion/diversification of business by the Company
- Any tax and regulatory changes;
- Any significant change in the business or technological environment resulting in the Company making significant investments to effect the necessary changes to its business model;
- Any changes in the competitive environment requiring significant investment.

Any other relevant factors, and material events The Board of the Company shall consider the following external parameters while declaring or recommending dividend to shareholders:

- Macro-economic environment – Significant changes in macro-economic environment materially affecting the business in which the Company is engaged in the geographies in which the Company operates.
- Regulatory changes – Introduction of new regulatory requirements or material changes in existing taxation or regulatory requirements, which significantly affect the business in which the Company is engaged.
- Industry outlook for the future.
- Business cycles.
- Global conditions.
- Other factors like statutory and contractual restrictions.

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.

7. UTILIZATION OF RETAINED EARNINGS

Retained earnings shall be utilized in a manner which is beneficial to the interests of the Company and also its shareholders. The retained earnings may be utilized by the Company for making investments for future growth and expansion plans, for the purpose of generating higher returns for the shareholders or for any other specific purpose, as approved by the Board of the Company. In absence of any viable growth opportunity (organic / inorganic), the Company shall utilize retained earnings for reducing its debt obligations. In absence of the opportunity to utilize retained earnings in any of the above options, as an exception, the Board shall use the larger portion of profits to distribute amongst the shareholders as dividend.

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

The Company has issued only one class of shares viz. equity shares. 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.

9. CONFLICT IN POLICY

In the event of any conflict between this Policy and the provisions contained in the Applicable Laws, the provisions of Applicable Laws shall prevail.

10. DISCLOSURE

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

REVIEW / AMENDMENT

The Board can amend this Policy, as and when deemed fit.