

# **BANGLADESH BUILDING SYSTEMS LTD.**

## **DIVIDEND DISTRIBUTION POLICY**

**[Pursuant to Directive No. BSEC/CMMRCD/2021-386/03 of the Bangladesh Securities and Exchange Commission]**

### **01. Scope and Objective:**

This policy seeks to lay down a broad frame work for the distribution of dividend by the company whilst appropriately balancing the need of the Company to retain resources for the Company's growth & sustainability. Through this policy, the Company also endeavors to maintain fairness and consistency while considering distributing dividend to the shareholders.

The Policy sets out the circumstances and different factors for consideration by the Board at the time of taking a decision on distribution or retention of profits, in the interest of providing transparency to the shareholders.

The Policy is not an alternative to the decision of the Board for recommending dividend, which is made every year after taking into consideration all the relevant circumstances enumerated hereunder or other factors as may be considered relevant by the Board.

The Policy is being recommended for adoption by the Board of Directors of the Company.

### **02. Statutory Requirements**

The declaration and distribution of dividend shall, at all times, be in accordance with the provisions of the Companies Act, 1994, Directive and Notification of Bangladesh Securities and Exchange Commission (BSEC) and listing regulation 2015(DSE & CSE) and such other applicable law and the Articles of Association of the Company as amended.

### **03. Parameters to be considered while recommending/declaring dividend**

The Board while declaring or recommending dividend to the shareholders, will consider following financial/internal and external factors:

#### **Financial/Internal Factors:**

- Profits earned and available for distribution during the financial year
- Accumulated reserves, including retained earnings
- Mandatory transfer of Profits earned to specific reserves, such as Debenture Redemption Reserve, etc.
- Past dividend trends – rate of dividend, EPS and payout ratio, etc.
- Earning Stability
- Future Capital Expenditure requirement of the Company
- Growth plans, both organic and inorganic
- Capital restructuring, debt reduction, capitalization of shares
- Crystallization of contingent liabilities of the Company

- Profit earned under the Consolidated Financial Statement
- Cash Flows
- Current and projected Cash Balance and Company's working capital requirements.
- Covenants in loan agreements, Debt servicing obligations and Debt maturity profile.

**External Factors:**

- Economic environment, both domestic and global.
- Unfavorable market conditions
- Changes in Government policies and regulatory provisions
- Cost of raising funds from alternate sources
- Inflation rates
- Sense of shareholders' expectations
- Cost of external financing

**Disclosures and Conditions in regard to recommendation Bonus Shares (Stock Dividend) which will be disclosed as PSI:**

01. Bonus Shares or stock dividend should be declared only for the purpose of Company's BMRE (Balancing, Modernization, Rehabilitation and Expansion) or any of BMRE components.
02. regulatory requirements to raise capital or
03. Profitable investment or reinvestment in the company.
04. the reasons for declaration of stock dividend or bonus shares and purposes or utilization of such retained amount as capital.
05. that the company has declared such stock dividend or bonus shares out of the accumulated profit or retained earnings and
06. that the company has not declared such stock dividend or bonus shares from capital reserve or revaluation reserve or any unrealized gain or out of profit earned prior to incorporation of the Company or through reducing paid-up capital or through doing anything so that the post dividend retained earnings become negative or a debit balance.

For further information, in case of Bonus Shares or Stock Dividend, the Company will follow the Notification # BSEC/CMRRCD/2009-193/23/Admin/123 Dated: June 30, 2021 of Bangladesh Securities and Exchange Commission.

**04. Dividend Distribution:**

The dividend will be distributed according to the Directive # BSEC/CMRRCD/2021/386/03 dated: 14 January, 2021 of Bangladesh Securities and Exchange Commission.

**05. Circumstances under which Shareholders of the Company may or may not expect dividend.**

The decision regarding dividend payout is a crucial 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 surplus funds after providing for all the expenses, depreciation, etc., and after complying with the 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 of Directors:

- The Company has inadequacy of profits or incurs losses for the Financial Year;
- The Company undertakes /proposes to undertake a significant expansion project requiring higher allocation of capital;
- The Company undertakes /proposes to undertake any acquisitions or joint arrangements requiring significant allocation of capital.
- The Company has significantly higher working capital requirement affecting free cash flow.
- The Company is prohibited to recommend/declare dividend by any regulatory body.

The Board may also not recommend a dividend on considering any compelling factors/parameters mentioned in point 3 above.

#### **06. Policy as to how the retained earnings will be utilized:**

The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on the following factors:

- Long term strategic plans
- Augmentation/ Increase in production capacity
- Market expansion plan
- Product expansion plan
- Modernization plan
- Diversification of business
- Replacement of capital assets
- Balancing the Capital Structure by de-leveraging the Company
- Payment of Dividend or issue of Bonus Shares
- Other such criteria as the Board may deem fit from time to time.

#### **07. Quantum and manner of dividend payout**

Subject to the circumstances and scenarios mentioned above, the Company shall endeavor to maintain a total dividend pay-out ratio in the **range of 30% to 40%** of the annual standalone profits after tax (PAT) of the Company. Under the applicable provisions of the Act, the Company's ability to declare and pay dividends is based on the standalone Financial Statements only. In future should the regulations be amended permitting the Company to pay dividend based on its Consolidated Profits, the Board would consider such a payout ratio on its Consolidated Profits.

The Company may declare dividends for a year, usually payable for a financial year at the time when the Board considers and recommends the Annual Financial Statements, which is called final dividend. The Board of Directors shall have the power to recommend final dividend to the shareholders for their approval in the Annual General Meeting of the Company.

The Board of Directors may also declare interim dividend during the financial year, between two Annual General Meetings as and when they consider it fit.

#### **08. Disclosure:**

The Policy shall be disclosed in the Annual Report and on the website of the Company i.e at [www.bbspeb.com](http://www.bbspeb.com).

**09. Policy review and amendments:**

This Policy has been adopted by the Board of Directors of the Company. Going forward, the Board would review and may amend the Policy, as and when required. The Company in such a case shall disclose the changes along with the rationale for the same in its Annual Report and on its website.

**10. Disclaimer:**

- a) The Policy does not constitute a commitment regarding the future dividends of the Company, but only represents a general guidance regarding dividend policy. The statement of the 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 year and the Board reserves the right to depart from the policy as and when circumstances so warrant.
- b) Given the aforementioned uncertainties, prospective or present investors are cautioned not to place undue reliance on any of the forward- looking statements in the Policy.

Sd/-

Engr. Hasan Morshed Chowdhury  
**Managing Director**