

4. The Company has always maintained the maximum dividend payout ratio permitted under the Act. The Company has been consistently paying 2 (two) dividends each year – interim and final. The Company has rewarded its Shareholders with 8 (eight) bonus issues since the public issue done way back in 1983 which is borne out by the fact that approximately 98.5% (Ninety Eight point Five percent) of its paid-up capital comprised of bonus shares.

The Company has a large cash reserve which is invested in low yielding securities. The present Members funds are lying in the form of investment in Term Deposits with Banks which yielded a pre-tax return of only 9.17% during the year ended 31st December, 2012.

5. The Company is confident that even after capital reduction, it would be able to maintain its dividend pay-out ratio and meet its present and future funds requirements.

6. The Capital Reduction proposed is therefore in the interest of the Company and its Members for various reasons including the following :

- (a) that the Capital Reduction proposal would benefit all the Members uniformly;
- (b) that even after the Capital Reduction, the Company would continue to have a strong Balance Sheet positively impacting the return on equity from 71.39 per cent to 92.81 per cent based on the Balance Sheet as of 31st December, 2012.
- (c) that the Capital Reduction would help individual Members to invest the funds in other better yielding securities thereby maximizing the returns therefrom as against the Company's investments in treasury which yielded a pre-tax return of only 9.17% as of 31st December, 2012 and
- (d) that the Capital Reduction would not affect the Company's ability to fund its future growth plans as it would continue to have a strong Balance Sheet with cash surplus.

It is quite apparent from the above that the Company has large surplus cash which it feels would be beneficial if returned to the Members by way of capital redemption.

It is pertinent to note that the shareholding pattern would remain unchanged even after implementing of the Capital Reduction. However, the present paid-up equity share capital would be reduced from Rs. 4,945,611,920/- comprising of 49,45,61,192 fully paid-up equity shares of Rs. 10/- each to Rs. 2,472,805,960/- comprising of fully paid-up 49,45,61,192 equity shares of Rs. 5/- each upon the Capital Reduction becoming finally effective.

Barring unforeseen circumstances, the Company expects to maintain and grow its business operations and reward its Members consistent with its investor-friendly policy.

The Resolutions for altering the capital clauses in the Memorandum and Articles of Association of the Company as set out at Item Nos. 3 and 4 are proposed to reflect the corresponding changes in the capital clauses of the Memorandum and Articles of Association of the Company upon the Capital Reduction referred to in Item No. 1 and Item No. 2 becoming finally effective. The Board accordingly recommends passing the resolutions set out at Item Nos. 1 to 4 of the Notice for Postal Ballot.