

BODAL CHEMICALS LTD

Dividend Distribution Policy

1. Introduction

- I. As per the Regulation 43A of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (the "Regulations") read with SEBI (Listing Obligations & Disclosure Requirements) (Second Amendment) Regulations, the top 1000 listed entities based on market capitalization (calculated as on March 31 of every financial year) shall formulate a dividend distribution policy. As a result the Company is required to frame a policy for Distribution of Dividend. This Policy applicable to Interim and Final Dividend declared or recommended by Board of Directors of the Company.
- II. The objective of this policy is to define the Policy and Procedures of the Company in relation to the calculation, declaration and settlement of Dividends and to create a transparent and methodological Dividend Policy, clearly identified and promptly communicated to appropriate stakeholders.
- III. Board of Directors at their meeting held on 14th August 2021 formed Dividend Distribution Policy of the Company.

2. Preamble

Dividend is the payment made by a Company to its shareholders, usually in the form of distribution of its profits. The profits earned by the Company can either be retained in business and/or used for acquisitions, expansion or diversification, reduction of debt, or it can be distributed to the shareholders. The Company may choose to retain a part of its profits and distribute the balance among its shareholders as dividend. This Policy aims to reconcile between all these needs.

The dividend pay-out of a Company is driven by several factors, which are presented in the below policy framework

3. Definitions

"Financial Year" shall have the same meaning as defined under Section 2(41) of the Companies Act, 2013 and any amendments thereto

"Dividend" includes interim Dividend

"Board of Directors" means the collective body of Directors of the Company.

"Company" shall have the same meaning as defined under Companies Act, 2013 and any amendments thereto.

"PAT" shall mean Profit after tax and Deferred Tax

4. Parameters for Distribution of Dividend

a) The circumstances under which the shareholders of the listed entities may or may not expect dividend.

The Dividend can be declared to the shareholders in the following Cases:-

1. The Board may declare Dividend when there are profits in the Company in the current year after providing for Depreciation in accordance to the provisions of Schedule II of the Companies Act, 2013 and transferring such percentage of its profits for that Financial Year as it may consider appropriate to the reserves of the Company;
2. The Board may declare Dividend when there are undistributed Profits in the Company in any previous Financial Year after providing for Depreciation in accordance to the provisions of Schedule II of the Companies Act, 2013 and transferring such percentage of its profits for that Financial Year as it may consider appropriate to the reserves of the Company;

Dividend can be declared in case of both 1 and 2 mentioned above;

The Board may declare Dividend when In case of inadequacy or absence of Profits in any Financial year, Company may propose to declare dividend out of the accumulated profits after complying with the Provisions of the Companies Act, 2013;

The Board may declare Interim Dividend in any Financial Year from the surplus in Profit and Loss of the Financial Year in which it is sought to be declared;

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 the then ongoing or planned business expansion or other factors which may be considered by the Board.

b) the financial parameters that shall be considered while declaring dividend:-

The Company would ensure to strike the right balance between the quantum of dividend paid and amount of profits retained in the business for various purposes. The Board of Directors will refer to the policy while declaring/ recommending dividends on behalf of the Company. The Board may consider the following Financial Parameters for declaring the Dividend:-

- ❖ PAT for the Current Year
- ❖ PAT for Previous Year
- ❖ Retained Earnings
- ❖ Reserves and Surplus
- ❖ Present and proposed level of gearing and plan for optimising the leverages;
- ❖ Prevailing working capital cycle and the expected changes in the same resulting into requirement of further cash-flows for managing the same;
- ❖ Expected outlay on various projects in pipeline;

- ❖ Overall liquidity situation and Bank line availability, prevailing both internally and externally.

c) internal and external factors that shall be considered for declaration of dividend;

The decision regarding dividend pay-out 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. The Board of Directors will endeavour to take a decision with an objective to enhance shareholders wealth and market value of the shares. However, the decision regarding pay-out is subject to several factors and hence, any optimal policy in this regard may be far from obvious.

The Dividend pay-out decision of any company depends upon certain external and internal factors

External Factors:-

- ✚ in case of uncertain or recessionary economic and business conditions, Board will endeavour to retain larger part of profits to build up reserves to absorb future shocks.
- ✚ The Board will keep in mind the restrictions imposed by Companies Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2016 with regard to declaration of dividend.
- ✚ The Board shall keep in mind the Goodwill and Company's duration of its existence while declaring the Dividend declaration capacity.
- ✚ Stability of Earnings;

Internal Factors:-

Apart from the various external factors aforementioned, the Board will take into account various internal factors while declaring Dividend, which inter alia will include:-

- ✚ Profits earned during the year;
- ✚ Present & future Capital requirements of the existing businesses;
- ✚ Business Acquisitions;
- ✚ Expansion/ Modernization of existing businesses;
- ✚ Additional investments in subsidiaries/associates of the Company;
- ✚ Fresh investments into external businesses;
- ✚ Changes in working Capital;
- ✚ Availability of Bank Finance for Funding Company's requirement;
- ✚ Any other factor as deemed fit by the Board

d) policy as to how the retained earnings shall be utilized;

Retained earnings is an equity account that comprises the balance of a company's earnings accumulated over time that remains "retained" or undistributed. Net profit (PAT) figures that can be viewed in companies profit and loss accounts can serve two purpose.

Either it can be distributed among shareholders or it can be transferred to balance sheet as retained earnings.

When profits are retained, company use this fund to gain competitive advantage. The competitive advantage can be achieved by increasing sales or by increasing profit margin. To improve sales or margins company shall either expand its capacity or modernize its facility to make it more productive. For both expansion and modernization's plans companies need funds.

The Board of directors may even declare dividends, Declaration of Dividend leads to reduction in the retained earnings and the cash balance is reduced.

The Following are the purposes for which the retained earnings may be used:-

❖ Save Money

- Set aside cash for expected future expenses
- Set aside cash for unexpected future expenses

❖ Spend Money:

- Invest into fixed assets (capital expenditures)
- Invest into Current Assets
- Research and Development Purpose
- Pay down debt
- Acquire property or any Company or Joint Ventures
- License intellectual property, such as patent rights
- Expand the market for your products
- Make Investment that are profitable

❖ Buy Back

❖ Dividend

e) parameters that shall be adopted with regard to various classes of shares:

As of now, the Company has only Equity shares. The Company has not issued any other classes of Shares. Further in case of issue, the same parameters shall be taken into consideration for the other class of shares as which shall be taken into consideration for Equity shares.

5. Dividend pay-out Ratio:

The Company has adopted the policy to maintain dividend pay-out ratio of about 10% to 20% of net profit of the company and which is in line with our historic trends of dividend pay-out. The Board has the discretion to recommend a higher or lower dividend keeping in mind the business considerations and other corporate actions which result in high utilization of cash.

6. Disclosures:

The Company required to make disclosure of Dividend Distribution Policy shall be disclosed in the Annual Report and on website of the Company.

7. Policy Amendments:

The Company is committed to continuously reviewing and updating our policies and procedures. Therefore, this policy is subject to modification. Any amendment(s) of any provision of this policy shall be carried out by the Board of Directors in this regard.

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