



***“DHAMPUR BIO ORGANICS LIMITED”***

***“DIVIDEND DISTRIBUTION POLICY”***

## **1. PREAMBLE AND BACKGROUND:**

A dividend is a return on investment made by the shareholders that is the part of a company's profits and it is divided amongst the shareholders in proportion to the amount of paid up shares held by them in the Company.

The Dividend Distribution Policy (the “**Policy**”) is framed pursuant to the terms of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board of Directors (the “**Board**”) shall recommend dividend in accordance with this policy and applicable provisions of the Companies Act, 2013 and rules framed thereunder along with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI LODR**”) and other legislations governing dividends and the Articles of Association of the Company, as in force and as amended from time to time.

The policy shall become effective from the date of its approval by the Board i.e. 30<sup>th</sup> May, 2022.

## **2. OBJECTIVE:**

Rewarding its shareholders by sharing a part of its profit after retaining sufficient funds.

This policy has been framed with a purpose to ensure the right balance between Dividend payout and amount of profits retained in the business for future growth. This policy lays out the circumstances and different factors, which the Board may consider, at the time of deciding on distribution or of retention of profits in the interest of providing transparency to the shareholders.

In view of the said requirement, the Board of Directors of the Company recognizes the need to lay down a broad framework with regard to the distribution of dividend to its shareholders and utilization of the retained earnings for the growth of the Company.

## **3. REGULATORY PROVISIONS:**

The declaration and payment of dividend are governed as follows:

### **a) COMPANIES ACT, 2013;**

- i) **Chapter VIII** of the Companies Act, 2013 from section 123 to 127 and the Companies (Declaration and Payment of Dividend) Rules, 2014.

- ii) Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001.
- b) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- c) Section 27 of Security Contract Regulation Act, 1956.
- d) Income Tax Act, 1961.
- e) SEBI Guidelines/Circulars etc. as amended from time to time and to the extent applicable.

The Company shall adhere to the provisions of applicable Laws as amended from time to time and to the extent applicable.

#### 4. **DEFINITIONS:**

- ✓ **“BOARD”**: mean the Board of Directors of the Company.
- ✓ **“COMPANIES ACT”**: shall mean The Companies Act, 2013 and Rules thereunder, notified by the Ministry of Corporate Affairs, Government of India, and as amended.
- ✓ **“COMPANY”**: mean Dhampur Bio Organics Limited.
- ✓ **“DIVIDEND”**: The term '**dividend**' has been defined under Section 2(35) of the Companies Act, 2013 as which includes any interim dividend. It is an inclusive and not an exhaustive definition.
- ✓ **“DIVIDEND PAYOUT RATIO”**: The dividend payout ratio measures the percentage of Net Profit (PAT) that is distributed to shareholders in the form of dividends during the year. In other words, this ratio shows the portion of profits, the company decides to keep for funding operations and the portion of profits that is given to its shareholders. It is calculated by dividing the proposed dividend (excluding taxes on dividend) by the Profit after tax and depreciation.
- ✓ **“FINAL DIVIDEND”**: It is declared by members at an Annual General Meeting as "Ordinary Business in terms of section 102(2)(ii) of the Companies Act, 2013 only if recommended by the Board of Directors and at a rate not more than what is recommended by the directors in accordance with the Articles of Association of a company.
- ✓ **“FREE RESERVES”**: As per Section 2(43) of Companies Act, 2013, "Free reserves" mean such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend.

**However the following shall not be treated as free reserves:**

- Any amount representing unrealized gains, notional gains or revaluation of assets, whether shown as a reserve or otherwise, or
  - Any change in carrying amount of an asset or of a liability recognized in equity, including surplus in profit and loss account on measurement of the asset or the liability at fair value.
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- ✓ **“INTERIM DIVIDEND”**: The Board of Directors of a company may declare interim dividend during any financial year out of the surplus in the profit and loss account and out of profits of the financial year in which such interim dividend is sought to be declared. In case the company has incurred loss during the current financial year up to the end of the quarter immediately preceding the date of declaration of interim dividend, such interim dividend shall not be declared at a rate higher than the average dividends declared by the company during the immediately preceding three financial years in terms of section 123 (3) of Companies Act, 2013.
  - ✓ **“LISTING REGULATIONS OR SEBI (LODR) REGULATIONS, 2015”**: means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation, 2015.
  - ✓ **“POLICY”**: means this Dividend Distribution Policy.
  - ✓ **“STOCK EXCHANGE”**: shall mean a recognised Stock Exchange as defined under clause (f) of Section 2 of the Securities Contracts (Regulation) Act, 1956.
  - ✓ **“TRADING WINDOW”**: In terms of regulation 2(1)(n) of SEBI (Prohibition of Insider Trading), 2015, declaration of dividends (interim or final) shall be treated as "Unpublished Price Sensitive Information" hence company shall comply with norms / compliances of trading window read with Company's insider Trading Policy viz. Code of Conduct for Regulating, Monitoring and Reporting of Trading by Insiders pursuant to regulation 9 of SEBI (Prohibition of Insider Trading), 2015.

**5. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE COMPANY MAY OR MAY NOT EXPECT DIVIDEND:**

**A dividend payout** is a decision that determines the amount of profit to be distributed among shareholders of the Company as compared with the amount of profit to be retained in the business.

The above decision must balance the dual objective of the Board of rewarding shareholders appropriately and retaining profits for future growth.

Following are the circumstances under which the shareholders of the Company may or may not expect dividend.

✓ **SHAREHOLDERS MAY NOT EXPECT DIVIDEND:**

In following circumstances, the shareholders may not expect dividend:

- In case there is a requirement of higher working capital for the purpose of business of the Company;
- In case of significant expansion project requiring higher allocation of capital;
- In case there is a decision to undertake any scheme of arrangement, acquisitions, amalgamation, merger, joint ventures, new product launches, etc. which requires significant capital outflow;
- In case of allocation of cash required for buy-back of securities;
- In the event of losses or inadequate profit;
- Forthcoming / ongoing capital expenditure program or any acquisitions or investment in joint ventures requiring significant allocation of capital;
- Any of the internal or external factors restraining the Company from considering dividend.

✓ **SHAREHOLDERS MAY EXPECT DIVIDEND:**

In the event company is having adequate surplus funds after deducting all expenses, depreciation, etc. and complying with all other statutory requirements.

## **6. FINANCIAL PARAMETERS THAT SHALL BE CONSIDERED WHILE DECLARING DIVIDEND:**

The Board shall consider the following financial parameters before making any recommendation for dividends:

- ✓ Stability and sustainability of earnings;
- ✓ Cash flow from operations;
- ✓ Consolidated net operating profit after tax;
- ✓ Working capital requirements;
- ✓ Future capital expenditure;
- ✓ Resources required to fund acquisitions and/or new business;
- ✓ Industry outlook and stage of business cycle for underlying businesses;
- ✓ Leverage profile and capital adequacy metrics;
- ✓ Overall economic / regulatory environment;
- ✓ Contingent liabilities;
- ✓ Buyback of shares or any such alternate profit distribution measure;
- ✓ Any other contingency plans;
- ✓ Any other criteria as the Board may deem fit from time to time.

## **7. INTERNAL AND EXTERNAL FACTORS THAT SHALL BE CONSIDERED FOR DECLARATION OF DIVIDEND:**

### **✓ INTERNAL FACTORS:**

- Financial Performance of the Company;
- Working capital requirements;
- Long Term Strategic Plans;
- Capital expenditure requirements;
- Operating cash flow of the Company;
- Technology up gradation and physical infrastructure;
- Debt Repayment schedules and contractual constraints;
- Profit earned during the year;
- Profit available for distribution;
- Earnings per Share (“EPS”);
- Past dividend pay-out ratio / trends;
- Likelihood of crystallization of contingent liabilities, if any;
- Restrictions in any agreements executed by the company;
- Outlook of the company in line with its business plan.

### **✓ EXTERNAL FACTORS:**

- Sugar Industry Scenario;
- Economic environment;
- Prevailing Taxation Policy, with respect to dividend distribution;
- Government Policies/ regulations;
- Capital market scenario;
- Shareholders expectations;
- Macro-economic and market conditions;
- Global conditions;
- Statutory provisions and guidelines;
- Dividend pay-out ratio of competitors with similar revenue;
- Any other relevant factors that the Board may deem fit to consider before declaring Dividend.

## **8. POLICY AS TO HOW THE RETAINED EARNINGS SHALL BE UTILIZED:**

The retained earnings shall be deployed based on factors like strategic and long term plans of the Company, expansion and diversification opportunities, replacement of capital assets or any other criteria that may be considered relevant by the Board in this regard.

The Company may utilise the retained earnings to increase the value of the stakeholders in the long run. Such Utilization may be for the following purposes:

- ✓ Dividend payment;

- ✓ Acquisition of brands/ businesses;
- ✓ Entry into Joint Ventures;
- ✓ Modernization plan;
- ✓ Expansion plan;
- ✓ Improvement of production capacity;
- ✓ For business diversification;
- ✓ Long term Business plans;
- ✓ Increasing staff or equipment so that company grow its business;
- ✓ Replacement of capital assets;
- ✓ Such other criteria as the Board may deem fit from time to time.

## **9. PARAMETERS THAT SHALL BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES:**

Presently, the issued and paid-up share capital of the Company comprises of only one class of equity shares. The dividend declared will be equally distributed among all the shareholders based on the shareholding on the record date. As and when the Company issues other class of equity shares or other kind of shares, the Board may suitably amend this Policy.

## **10. DIVIDEND PAYOUT:**

For the purpose of taking decisions with regard to dividend payout or retention of profits, the general considerations shall be as following:

- ✓ Subject to other considerations as provided in the Policy, the Board shall determine the dividend payout in a particular year after taking into consideration the operating and financial performance of the Company, the advice of executive management and other relevant factors.
- ✓ The Board may also, where appropriate, aim at distributing dividends in the form of fully or partly paid shares or other securities, subject to applicable laws.

Subject to general conditions and parameters as mentioned in this policy, the board shall endeavor to recommend/pay dividend (including taxes as may be applicable) in the range of 15% - 40% of profit after tax every year. However, any buy back of securities may require revisit of dividend payout.

## **INTERIM DIVIDEND:**

- ✓ The Board may declare an Interim Dividend, if any and before declaring such Interim Dividend, the Board shall consider the financial position of the Company.

- ✓ The payment of dividends shall be made within the prescribed period as per applicable laws from the date of declaration of such dividend to the shareholders entitled to receive the dividend on the record date.
- ✓ In case there is no Final Dividend declared, an Interim Dividend paid during the year, if any, will be regarded as the Final Dividend at the Annual General Meeting of the Company.

### **FINAL DIVIDEND:**

- ✓ The Board may make the recommendation, if any, generally in the Board meeting that considers and approves the annual financial statements, subject to the approval of the shareholders of the Company in the ensuing Annual General Meeting of the Company.
- ✓ The dividend, as recommended by the Board, shall be approved/declared at the Annual General Meeting of the Company.
- ✓ The payment of dividends shall be made within the prescribed period as per applicable laws from the date of declaration of such dividend to those shareholders who are entitled to receive the dividend on the record date/book closure period.

### **11. CONFLICT IN POLICY:**

In the event of any conflict between this Policy and the provisions contained in the regulations, the provisions contained in the regulations shall prevail over the content of this policy.

### **12. DISCLOSURE:**

This Policy shall be disclosed on the website and a web-link shall be provided in the annual report for the same.

### **13. POLICY REVIEW:**

The Board may review the Dividend Distribution Policy of the Company periodically and in case of any subsequent amendment(s), clarification(s), circular(s) in the provisions of the Companies Act, 2013 and SEBI, LODR (2015) or any other regulations ("the Regulations") which makes any of the provisions in the policy inconsistent with the said Regulations, then such amendment(s), clarification(s), circular(s) etc. would prevail over this Policy and the provisions in the policy shall stand amended accordingly to make it consistent with such amendment(s), clarification(s), circular(s) etc.

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