

Dividend Distribution Policy

PREFACE

Dividend Distribution Policy is framed pursuant to Regulation 43 A of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. Aarti Surfactants Limited is ranked in top 1000 on National Stock Exchange of India Limited and BSE Limited based on the Market Capitalization as on March 31, 2021. Dividend is the payment made by a Company to its shareholders, usually in the form of distribution of its profits. The Policy endeavors for fairness, consistency and sustainability while distributing profits to the shareholders.

OBJECTIVE

The Company is committed to adhere to the highest standards of ethical, moral and legal conduct of business operations with an ultimate aim to increase the value of investments made by the shareholders. The objective of this policy is to set parameters to be considered by the Board of Directors of the Company before declaring or recommending Dividend and to keep a check that the same is not done beyond the scope of the applicable Statutory Laws.

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Version 1 of 2021

1. DEFINITIONS

- 1.1. **“Dividend”** Under Section 2(35) of Companies Act, 2013, “Dividend” includes any Interim Dividend. In common parlance, “dividend” means the profit of a Company which is not retained in the business and is distributed among the shareholders in proportion to the amount paid – up on shares held by them.
- 1.2. **“Financial Year”** shall have the same meaning as defined under Section 2 (41) of the Companies Act, 2013 and any amendment thereto.
- 1.3. **“Interim Dividend”** means the Dividend declared in a meeting of Board of Directors and which does not require shareholders’ approval.
- 1.4. **“free reserves”** means such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend:
Provided that—
- i. any amount representing unrealised gains, notional gains or revaluation of assets, whether shown as a reserve or otherwise, or
 - ii. 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,
- shall not be treated as free reserves.

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

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

3. PARAMETERS THAT SHALL BE CONSIDERED FOR DECLARATION OF DIVIDEND

A. *Financial Parameters*

- i. Company’s Profitability
- ii. Retained Earnings
- iii. Reserves and Surplus
- iv. Value added
- v. Earnings Per Share (EPS)
- vi. Free Cash Flow
- vii. Outstanding Borrowings
- viii. Any other significant developments that require cash investments.

B. *External Factors:-*

- i. Macroeconomic Conditions
- ii. Taxation provisions;
- iii. Government policies
- iv. Shareholder expectations, including individual shareholders.

C. *Internal Factors:-*

- i. Profits earned during the year/ Profitability outlook for the next two / three years;
- ii. Present and future Capital

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- requirements of the existing business expansion/ Modernization;
- iii. Business Acquisitions;
- iv. Additional investment in subsidiaries/associates of the Company;
- v. Unplanned Liabilities;
- vi. Likely Financial Risk;
- vii. Changes in working Capital;
- viii. Overall liquidity requirement and Bank line availability;
- ix. Compliance with covenants contained in any agreement entered into by the Company with its lenders/debenture trustees/ Customers, if any and

d. *Any other factor as deemed fit by the Board*

Provided the policy is revised to the extent of incorporating those parameters and disclosed on Company Website together with its rationale.

4. UTILIZATION OF RETAINED EARNING

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

- i. Capital expenditure
- ii. Organic/Inorganic growth and expansion
- iii. General corporate purposes, including contingencies
- iv. Investments in the new/existing business
- v. Investment in Tangible / Intangible Assets
- vi. Research and develop new products & processes

- vii. Reducing Long term liabilities
- viii. Creating Reserves for specific Objectives

Any other permitted use under the Companies Act, 2013 or any other law in force.

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

Currently, the Company has Equity shares and Preference Shares. In the future, if the Company issues multiple classes of shares, the parameters of the Dividend distribution policy will be appropriately addressed.

6. DISTRIBUTION OF DIVIDEND

A) Periodicity :

i) During the Financial year -

The Board of Directors of the Company may declare interim Dividend during any Financial Year.

ii) On Completion of Financial Year –

The Board of Directors of the Company may recommend a Dividend for respective financial year and may be declared in the Annual General Meeting.

B) Dividend Entitlement

The members, whose name appear in the register of members as on the Record date / Book Closure shall be entitled for dividend.

C) Mode of Payment

Electronic mode of payment facility as approved by the Reserve Bank of India

Provided that where it is not possible to use electronic mode, 'payable-at-par' warrants or cheques may be issued.

Provided further that where the amount payable as dividend exceeds one thousand and five hundred rupees, the 'payable-at-par' warrants or cheques shall be sent by speed post.

D) Transfer to IEPF

The Dividend remained unpaid or unclaimed for a period of 7 years (as per the provisions of Section 124 (5) of the Companies Act, 2013) shall be transferred to Investor Education and Protection Fund set up by the Government in that regard.

7. AMENDMENTS

7.1. Statutory Updates

This Policy is designed particularly in line with provisions of the Listing Regulations and shall be considered as updated automatically, without any formal approval, to the extent it needs to be aligned with any changes notified in the aforesaid Regulations. An update thereon would be reported to the Board of Directors.

7.2. Other updates

All major procedural updates, shall be effective only, if those are carried out after the review and approval of the Board of Directors.

8. REVIEW

This Policy may be reviewed by the Board of Directors as and when deemed necessary or required, to the condition that such alterations shall not be inconsistent with the provisions of the Regulations.
