



## **THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED**

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**ELOOR, UDYOGAMANDAL, KOCHI – 683 501**

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### **DIVIDEND DISTRIBUTION POLICY**

#### **1. BACKGROUND**

The Securities and Exchange Board of India (SEBI) vide its notification dated 08.07.2016 has inserted regulation 43A in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 which requires top five hundred (500) listed entities based on market capitalization (calculated as on March 31<sup>st</sup> of every financial year) to formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites.

Considering the fact that The Fertilisers and Chemicals Travancore Limited (FACT) is amongst the top 500 listed entities as per the notification dated 31.03.2021 of National Stock Exchange of India Limited (NSE), the Dividend Distribution Policy has been formulated.

#### **2. EFFECTIVE DATE**

The policy shall become effective from 18<sup>th</sup> June 2021 the date of its adoption by the Board of Directors.

#### **3. REGULATORY / POLICY FRAMEWORK**

- The policy has been framed broadly in line with the provisions of the Companies Act, 2013.
- Taking into consideration, guidelines on “Capital Restructuring of Central Public Sector Enterprises” issued by Department of Investment and Public Asset Management (DIPAM), Ministry of Finance, Department of Public Enterprises; and
- SEBI and other guidelines, to the extent applicable.

#### **4. OBJECTIVE OF THE POLICY**

The objective of this Policy is to provide clarity to the stakeholders of the Company on the dividend distribution framework adopted by the Company.

The intent of the Policy is to broadly sets out the circumstances and different factors i.e. internal and external including financial parameters for consideration by the Board while declaring dividend or of retention of profits and the circumstances under which the shareholder of the company may not expect any dividend, for providing transparency to the shareholders.

The policy covers the timing, factors, financial parameters etc. which shall be considered for taking decisions on declaration of dividend or of retention of profits, to bring transparency with the shareholders of FACT.

The intent of the policies are;

- the circumstances under which the shareholders of the Company may or may not expect dividend
- the financial parameters that shall be considered while declaring dividend
- internal and external factors that shall be considered for declaration of dividend
- policy as to how the retained earnings shall be utilized
- parameters that shall be adopted with regard to various classes of shares and
- Any other parameter

#### **5. DIVIDEND**

Dividend means the profit of the Company, which is distributed to shareholders in proportion to the amount paid-up on the shares held by them. Dividend includes Interim Dividend.

#### **6. THE CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE FACT MAY OR MAY NOT EXPECT DIVIDEND**

Decision regarding dividend payout is a crucial decision as it balance the dual objective of rewarding the shareholders through dividend and retain profit to fund the growth plan of the company.

The Board may declare one or more Interim Dividends during any year. The Board may recommend Final Dividend for the approval of the shareholders at the Annual General Meeting.

In case of inadequacy or absence of profits in any financial year, the Board may consider declaring final dividend out of accumulated profits earned in previous years and transferred to the reserves, subject to applicable rules.

No dividend shall be declared or paid by the company from any reserves other than free reserves.

The company endeavours to declare dividend as per the guidelines issued by Department of Investment and Public Asset Management (DIPAM), Government of India as specified under clause 5.3 and 5.4 of Guidelines on Capital Restructuring of Central Public Sector Enterprises (CRCPSE). However, the Company may however propose lower dividend after analysis of various financial parameters, cash flow position, funds required for future growth after approval of concerned Department of Government of India.

Notwithstanding the above, the shareholders of the Company may not expect Dividend under the following circumstances:

- Whenever it undertakes or proposes to undertake a significant expansion project requiring higher allocation of funds.
- Significantly higher working capital requirements adversely impacting free cash flow.
- Whenever it undertakes any acquisitions or joint ventures requiring significant allocation of capital.
- In the event of inadequacy of profit or whenever the Company has incurred losses.

## **7. FACTORS TO BE CONSIDERED FOR DIVIDEND DISTRIBUTION**

Being a Central Public Sector Enterprise (CPSE), FACT has to comply the guidelines issued by DIPAM on 27th May, 2016 on “Capital Restructuring of Central Public Sector Enterprises” mandating every CPSE to pay a minimum annual dividend of 30% of PAT or 5% of Net-worth, whichever is higher subject to the maximum dividend permissible under the extant legal provisions. Nonetheless, the Company is expected to pay the maximum dividend

permissible under the Act, unless lower dividend proposed to be paid is justified on a case to case basis after analyzing of the following.

1. Net-worth of the Company and its capacity to borrow;
2. Long-term borrowings;
3. CAPEX / Business Expansion needs;
4. Retention of profit for further leveraging in line with the CAPEX needs;  
and
5. Cash and bank balance.

The Board will consider various parameters/ factors, including but not limited to the following before making any recommendation for dividend in the best interest of the Company and its Stakeholders.

**A. Financial Parameters and Internal Factors:**

- Distributable surplus available as per the Companies Act 2013 and Regulations
- The Company's liquidity position and future cash flow needs
- Payout ratios of comparable companies
- Capital expenditure requirements considering the expansion and acquisition opportunities
- Cost and availability of alternative sources of financing
- Providing of unforeseen event and contingency with financial implications

**B. External Factors:**

a. Macro-economic environment:

In case of uncertain or recessionary economic and business conditions, the Company may decide to retain larger part of profits to build up reserves to sustain future uncertainties.

b. Statutory requirements:

The Company shall observe the relevant laws including taxation laws, regulations and the guidelines issued by the Department of Investment and Public Asset Management (DIPAM) and the Administrative Ministry, Government of India as applicable for the time being in

force.

c. State of Capital Markets:

The Board will analyze the requirement of necessary funds considering normal capital expenditure, long term or short term projects proposed to be undertaken by the Company and the viability of the options in terms of cost of raising necessary funds from external sources or plough back of its own funds.

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

The Company shall endeavor to utilise the retained earnings in a manner which shall be beneficial to the interests of the Company and also its shareholders. The Company may utilize the retained earnings for making investments for future growth and expansion plans, for the purpose of generating higher returns for the shareholders or for any other specific purpose, as approved by the Board of Directors of the Company.

Subject to applicable regulations, the Company's retained earnings shall be applied for:

- Furtherance of the objects of the FACT as detailed in Memorandum of Association
- Strategic and long terms requirements of FACT
- Diversification plan
- Buyback of shares subject to applicable limits
- Payment of Dividend in future years
- Issue of Bonus shares
- Any other permissible purpose

**9. PARAMETERS TO BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES**

The Company has issued only one class of equity shares with equal voting rights, hence all the members of the Company are entitled to receive the same amount of dividend per share. As and when it proposes to issue any other class of shares, the policy shall be modified accordingly

## **10. INTERPRETATION**

Chairman & Managing Director is the final authority on interpretation of any clause in this policy and his decision shall be final and binding.

## **11. DISCLOSURE OF THE POLICY**

The policy shall be disclosed in the Annual Report of the Company, as required under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time and as may be required under any other law for the time being in force. This Policy (as amended from time to time) will also be available on the Company's website.

## **12. REVIEW**

To the extent any change / amendment is required in terms of any applicable law, the Chairman and Managing Director of the company is authorized to review and amend the Policy, to give effect to any such changes / amendments. Such amended Policy shall be placed before the Board for its noting.

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