



NACL Industries Limited

Dividend Distribution Policy

Effective from 28th May, 2021

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1) Background and Applicability:

Pursuant to Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) read with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021 dated 05th May, 2021 every top 1000 listed entities (based on market capitalisation, to be determined as on 31st March, of every financial year) to formulate and adopt a Dividend Distribution Policy, which shall need to be disclosed in the on Corporate Websites.

NACL being one of the top 1,000 listed companies as per the criteria mentioned above, the Board of Directors has approved and adopted this Policy, in its meeting held on 28th May 2021, being the effective date of the Policy.

NACL has currently has only one class of shares i.e Equity Shares, for which this Policy is applicable. The Policy is subject to review, if and when, the Company issues other classes of Shares.

2) Scope and Objective:

The objective of this Dividend Distribution Policy (“the Policy”) seeks to laydown broad framework for the distribution of the dividend by the Company, whilst appropriately balancing the need of the Company to retain resource for the Company’s growth and sustainability.

The Policy sets out the circumstances and different factors for considerations by the Board at the time of taking decisions or retention of Profits, in the interest of providing transparency to the Shareholders.

The Policy is not an alternative to the decisions of the Board for declaring or recommending dividend, which is made after taking into consideration all the relevant circumstances enumerated hereunder or other factors as may be considered relevant by the Board.

The Board shall declare or recommend Dividend only after ensuring the compliance with the provisions of the Companies Act, 2013 and rules made thereunder, Listing Regulations and other legislations, as amended

and to the extent applicable to the Company. "Dividend" herein for this Policy mean and include Interim, Final and Special Dividends.

3) Dividend Distribution Philosophy:

The Company is committed to driving superior value creation for all its stakeholders. The focus will continue to be on sustainable returns, through an appropriate capital strategy for both medium and longer term value creation. Accordingly, the Board would continue to adopt a progressive and dynamic dividend policy, ensuring the immediate as well long term needs of the business as well as its Shareholders.

The Company shall endeavour to maintain a total dividend pay-out ratio not exceeding 30% of the distributable profits after tax (PAT) of the Company, unless warranted by special circumstances.

The Company may declare dividends for a year, usually payable for a financial year at the time when the Board considers and recommends the Annual Financial Statements, which is called final dividend. The Board of Directors shall have the power to recommend final dividend to the shareholders for their approval in the Annual General Meeting of the Company. The Board of Directors may also declare interim dividend during the financial year, between two Annual General Meetings as and when they consider it fit. The overall ceiling of the sum total of all such dividends for a financial year shall ordinarily not exceed 30% of the post-tax distributable profits for a financial year.

4) Circumstances under which the shareholders may or may not expect dividend:

The factors that may generally be considered by the Board before making any recommendations for declaration of dividend will include, but not limited to, ongoing and future capital expenditure plans, profits earned during the financial year, dividend payable on outstanding preference capital if any, cost of raising funds from alternate sources, cash flow position and applicable taxes including tax on dividend and/or any other financial or economic factors affecting the operations of the Company subject to any statutory guidelines as may be applicable from time to time.

The Board may not declare or recommend a dividend in the following circumstances:

- a) the Company has inadequacy of profit or incurs losses for the financial year;
- b) the Company undertakes/ proposes to undertake a significant expansion project in the immediate future requiring higher allocation of capital;
- c) the Company undertakes /proposes to undertake any acquisitions or joint venture arrangements requiring significant allocation of capital.
- d) the Company has significantly higher working capital requirement thereby affecting free cash flows;
- e) the Company proposes to utilize surplus cash for buy- back of its securities; and
- f) the Company is restrained/ prohibited from recommending/declaring dividend by any regulatory body.

5) Parameters to be considered while recommending / declaring Dividend:

The Board while declaring or recommending dividend to the shareholders, will consider the following internal or external factors:

Internal Factors:

- Profit earned and available for distribution during the financial year;
- Accumulated reserves, including retained earnings;
- Cash-flow position of the Company;
- Past dividend trends - rate of dividend, EPS and pay-out ratio, etc.;
- Earnings stability;
- Capital restructuring, debt restructuring of the Company;
- Growth Plan, both organic and inorganic;
- Current and projected cash balance and Company's Working Capital requirement; and
- Any other relevant factors that the Board may deem fit to consider before declaring Dividend.

External Factors:

- Business cycles;
- Economic environment;
- Cost of external financing;
- Applicable taxes including tax on dividend;
- Inflation Rate; and
- Changes in the Government Policies

6) Utilisation of retained earnings:

The Board may retain its earning in order to make better use of the available funds and increase the value of the stakeholders in the long run. The retained earnings of the Company may be used in any of the following ways:

- a) Capital expenditure for working capital;
- b) Organic and/or inorganic growth;
- c) Investment in new business(es) and/or additional investment in existing business(es);
- d) Declaration of dividend;
- e) Issue of bonus shares;
- f) Buy back of shares;
- g) General corporate purposes, including contingencies;
- h) Correcting capital structure;
- i) Any other permitted usage as per the Companies Act, 2013.

7) Disclosure:

The Policy shall be disclosed in the Annual Report and on the website of the Company i.e. at www.naclind.com.

8) Conflict in Policy:

In the event of any conflict between this Policy and the statutory provisions contained in the Listing Regulations or the Companies Act, 2013, the said statutory provisions shall prevail.

9) Policy Review and Amendments:

The Policy will be reviewed periodically by the Board. The Board of Directors may, from time to time, change/amend this policy to the extent

required due to change in applicable laws and Regulations or as deemed fit on a review.

10) Disclaimer:

This Policy does not constitute a commitment regarding the future dividends of the Company, but only represents a general guidance regarding dividend policy. This Policy does not, in any way, restrict the right of the Board to use its discretion in the declaration / recommendation of the Dividend to be distributed based on prevalent market conditions. The Board reserves the right to depart from the policy as and when circumstances so warrant.

Present or Prospective Investors are requested to note that this policy is only a guidance for prudent financial management of the company and is subject to review and change from time to time at the sole discretion of the Company and its Board. It is not intended to be a guidance statement for a Prospective Investors.

Date: 28/05/2021

For and on behalf of Board

Sd/

M.Pavan Kumar

Managing Director & CEO

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