

FAIRCHEM ORGANICS LIMITED

DIVIDEND DISTRIBUTION POLICY

THE NEED – REGULATORY REQUIREMENT:

The Securities and Exchange Board of India (“SEBI”) vide its Notification dated May 05, 2021 has amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “Listing Regulations”) by substituting the words ‘five hundred’ with the figure ‘1,000’ in Regulation 43A (i) for the purpose of mandatory requirement for listed company covered in the said list to have a Dividend Distribution Policy (the “Policy”) in place based on their market capitalization calculated as on the 31st March every year. As the company is covered in the list of top 1,000 companies as per market capitalization as at March 31 of just completed financial year, it is required to frame Dividend Distribution Policy and disclose the same in its annual report and on company’s website. To comply with the said requirement of Listing Regulations, the Company hereby makes the following policy :

OBJECTIVE :

The objective of this Policy is to ensure the optimum apportionment of ‘profits’ generated during the financial year by way of distribution amongst the equity shareholders and retention in the business to meet any contingency, particularly unforeseen like the COVID 19. Towards this end, the Policy lays down parameters to be considered by the Board of Directors (the “Board”) of the company for declaration of Dividend from time to time.

PHILOSOPHY :

The philosophy of the Company is to maximise the investors’ wealth in the Company by targeting mix of distribution of dividend on equity shares and improving financial performance by judicious use of available resources. Thus, the Company would first utilise its profits for capital expenditure to meet expansion needs, reducing debt from its books of accounts, deploy funds for energy saving measures and thereafter distributing the surplus profits in the form of dividend to the shareholders.

The Policy shall not apply to:

- (a) Determination and declaring dividend on preference shares, if any issued in future, as the same will be as per the terms of issue approved by the shareholders.
- (b) Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law / regulations.
- (c) Distribution of cash as alternative to payment of dividend by way of buyback of equity shares.

GENERAL POLICY OF THE COMPANY AS REGARDS DIVIDEND:

The general consideration of the Company for taking decisions with regard to dividend pay-out or retention of profits shall be as following: 1. Subject to the 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 Advisory Board and other relevant factors. 2. The Board may also, where appropriate, aim at distributing dividends in kind, subject to applicable law, in form of fully or partly paid shares or other securities. 3. Company's Dividend Policy is to distribute 10-25% of its net profit as dividend (including tax on such distribution / payment, if so imposed).

1. CIRCUMSTANCES UNDER WHICH DIVIDEND PAYOUT MAY OR MAY NOT BE EXPECTED:

The shareholders of the Company may not expect Dividend in the event of inadequacy of profits or whenever the Company has incurred losses or in the extreme case of adverse unforeseen circumstances arising between the yearend and date of Board Meeting at which such declaration of dividend is to be made.

2. PARAMETERS FOR DECLARATION OF DIVIDEND:

In line with the philosophy stated above, the Board of the Company shall consider the following parameters for declaration of Dividend. The Financial Parameters/Internal Factors: The Board of the Company would consider the following financial parameters before declaring or recommending dividend to shareholders: →

- (a) Net operating profit after tax;
- (b) Capital expenditure requirements;
- (c) Resources required to fund acquisitions and/or new businesses
- (d) Cash flow required to meet contingencies;
- (e) Outstanding borrowings;
- (f) Past Dividend Trends;
- (g) Net sales of the Company;
- (h) Return on invested capital; and
- (i) Any other factor as deemed fit by the Board.

3. INTERNAL & EXTERNAL FACTORS TO BE CONSIDERED FOR DECLARATION OF DIVIDEND:

The Board of the Company would consider the following internal/external factors before declaring or recommending dividend to shareholders:

INTERNAL FACTORS :

- (a) History of dividend of past years vis-à-vis its financial performance during the said years
- (b) Collective wisdom and view point of the Board of Directors

EXTERNAL FACTORS :

- (a) Applicable legal / regulatory requirements, if any, pertaining to declaration of dividend from time to time
- (b) Dividend pay-outs by other listed companies operating in speciality chemicals industry
- (c) Economic forecasts – for the country and global
- (d) Local conditions in the area of the Company's operations in terms of industrial relations, availability of right manpower for right jobs etc..
- (e) Giving more weightage to the interest of non-promoter shareholders, particularly smaller ones.

4. UTILISATION OF RETAINED EARNINGS:

The Company may declare dividend out of the profits of the Company for any previous year or years or out of the free reserves available for distribution of Dividend, after having due regard to the parameters laid down in this Policy.

5. PARAMETERS FOR VARIOUS CLASSES OF SHRES:

- (a) The Authorised Share Capital of the Company is divided into equity share of Rs. 10/- each and the issued and paid-up share capital of the Company also comprises only of equity shares.
- (b) If in future, the Company decides to issue any other kind of shares, this Dividend Distribution Policy may be suitably amended by the Board.

This Policy would be subject to revision/amendment in accordance with the directives as may be issued by the Govt. of India, SEBI or such other regulatory authority on the subject matter. The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy to comply with the said directives.