

**GUJARAT NARMADA VALLEY FERTILIZERS & CHEMICALS LTD**

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**DIVIDEND DISTRIBUTION POLICY**

**INTRODUCTION**

Securities & Exchange Board of India (SEBI) has vide SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016, on 8th July, 2016, inserted Regulation 43.A in the SEBI Listing Regulations, 2015, which requires top 500 listed companies based on market capitalization (calculated as on 31<sup>st</sup> March of every financial year) to formulate a 'Dividend Distribution Policy', which shall be disclosed in their Annual Reports and on their websites.

Gujarat Narmada Valley Fertilizers & Chemicals Limited (here-in-after referred to as 'the Company') being one of the top 500 listed companies as per the market capitalization as on the last day of immediately preceding financial year, hereby frames this policy to comply with the requirement of Listing Regulations, 2015.

**OBJECTIVE AND SCOPE**

The intent of the policy is to broadly specify the internal and external factors, including financial parameters that shall be considered while recommending the dividend and the circumstances under which the shareholders of the Company may or may not expect dividend, etc.

**EFFECTIVE DATE AND APPLICABILITY**

This Policy shall be effective from the date of its adoption by the Board.

The Policy shall not be applicable in the following circumstances :

- Determination and declaring dividend on preference shares, if any;
- Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable laws;
- Any distribution of cash as an alternative to payment of dividend by way of buyback of equity shares.

**STATUTORY REQUIREMENTS**

The Board of Directors shall recommend the dividend as per the Policy, in compliance with the provisions of the Companies Act, 2013, Rules made thereunder and other applicable laws, if any.

Further, the Board of Directors of the Company will consider the recommendation of dividend for any financial year after taking into account the Profits of the Company and after transfer of such percentage of its profits for that financial year as it may consider appropriate to the reserves of the company.

The Board of Directors may declare interim dividend, subject to the provisions of the Companies Act, 2013 and the Rules made thereunder, 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.

## **FINANCIAL PARAMETERS / INTERNAL AND EXTERNAL FACTORS FOR DECLARATION OF DIVIDEND**

The decision of dividend payout or retention of profits by the Board shall, inter-alia, depend, including but not limited to the following financial parameters / internal and external factors :

### Financial Parameters :

- i) Quantum of anticipated capital expenditure,
- ii) Magnitude of realized profits,
- iii) Operating cash flow and liquidity,
- iv) Investment opportunities,
- v) Capacity to service interest / principal (borrowings),
- vi) Cost of borrowings vis-à-vis cost of capital,
- vii) Sales volume,
- viii) Anticipated expenses,
- ix) Financial ratios (e.g. EPS-post dividend), etc.

### Internal & External Factors :

- (a) Cash flow position of the company,
- (b) Stability of earnings,
- (c) Cost of borrowings,
- (d) Number of shareholders,
- (e) Future growth plans / strategies / capital expenditure, etc.
- (f) Past dividend trends,
- (g) Over-all economic / regulatory environment including tax laws,
- (h) Macro-economic conditions / Industry outlook and stage of business cycle for underlined business,
- (i) Dividend payout ratios of companies in same industries,
- (j) Any other contingency plans.

## **CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND**

The shareholders of the company may not expect dividend under the following circumstances :

- (a) **Inadequacy of profits or losses** – If during any financial year, the Board determines that the profits of the Company are inadequate or the Company has incurred losses, the Board may decide not to declare dividends for that financial year.
- (b) Any other circumstances / factors which the Board may consider appropriate in the best interest of the company and the shareholders.

## **MANNER OF UTILIZATION OF RETAINED EARNINGS**

The Board may retain its earnings in order to make better use of available funds and increase the value of stakeholders in the long run. The decision of utilization of retained earnings of the Company shall be mainly based on the following factors :

- Strategic and long term plans;
- Diversification & expansion opportunities;
- Revamp of ageing plants and for achieving better energy efficiency;
- Non-fund based need of the Company, its Subsidiary and Joint Ventures which may require to have healthy consolidated balance sheet;
- Any other criteria which the Board may consider appropriate.

## **PARAMETERS TO BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES**

The Company has presently issued only one class of shares i.e. Equity Shares with equal voting rights. The Policy shall be suitably revisited at the time of issue of any new class of shares, subject to the provisions of the Companies Act, 2013 and other applicable laws prevailing from time to time.

## **AMENDMENT IN POLICY**

Any amendment / modification in the SEBI Listing Regulations, 2015 and in the Companies Act, 2013 shall automatically apply to this Policy. Any amendment / modification in this Policy as may be deemed expedient will be carried out with the approval of Managing Director and as per the authorization granted by the Board.

## **CAUTIONARY STATEMENT**

The Policy reflects the intent of the company to reward its shareholders by sharing a portion of its profits after retaining sufficient funds for growth of the company. The company shall pursue this Policy to pay dividend, subject to the circumstances and factors enlisted here-in-above, which shall be consistent with the performance of the company over the years.