

Chembond Material Technologies Limited

(formerly Chembond Chemicals Limited)

Dividend Distribution Policy

(As approved by the Board of Directors at its meeting held on 30th October, 2021)

INTRODUCTION

This Policy is formulated in accordance with Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), 2015 introduced on 8th July 2016 as may be amended from time to time. The Board of Directors (the “Board”) of Chembond Material Technologies Limited (“CMTL” or the “Company”) recognizes the importance of shareholders’ faith and confidence in the Company.

PURPOSE

The purpose of this Policy is to layout the process and parameters of dividend recommendation or declaration and its pay-out that are to be considered by the Board of Directors whilst deciding on declaration of Dividend by the Company from time to time. The profits earned by the Company can either be retained in business or used for acquisitions, expansion or diversification, or it can be distributed to the shareholders. The Company may choose to retain a part of its profits and distribute the balance among its shareholders as dividend. The Company would ensure to strike the right balance between the quantum of dividend paid and amount of profits retained in the business.

Currently, the Company does not have different classes of shares and follows the ‘one share, one vote’ principle. If the Company has more than one class of shares in future, dividend for each class would be subject to prescribed statutory guidelines as well as terms of offer of each class to the investors of that class of shares.

This Policy is applicable to dividend declared/recommended on the equity shares of the Company and does not cover dividend on preference shares, if any, where the rate of dividend is governed by the terms of the issue of preference shares or any other form of dividend.

AUTHORITY

Dividend Distribution Policy (“Policy”) has been adopted by the Board of Directors at its meeting held on 15th May, 2021. The Policy shall also be displayed in the Annual Report and also on the website of the Company.

PARAMETERS / FACTORS AFFECTING DIVIDEND DECLARATION:

Subject to the provisions of applicable laws, the Company’s dividend pay-out will be determined by the Board of Directors from time to time based on the available financial resources, investment requirements and other factors more fully described hereunder.

The Board of Directors of the Company will consider the following parameters while recommending / declaring Dividend:

Financial Parameters / Internal Factors :

1. Standalone / net operating profit after tax;

2. Operating cash flow of the Company for the year;
3. Liquidity position, aggregate Debt of the Company (both standalone and consolidated), debt service coverage position etc.;
4. Loan repayment and Working capital requirements;
5. Capital expenditure requirements;
6. Resources required for funding acquisitions, mergers and / or new business / ventures;
7. Cash flow requirements;
8. Regulatory (and growth requirement of) Capital Adequacy;
9. Regulatory (and growth requirement of) Solvency;
10. Trend of dividends paid in the past years;
11. Dividend received from subsidiaries;
12. Any windfall, extra-ordinary or abnormal gains made by the Company; &
13. Any other factor not explicitly covered above but which is likely to have a significant impact on the Company.

External Factors:

1. Prevailing legal requirements, regulatory restrictions laid down under the applicable laws including tax laws and changes made in accounting laws;
2. Dividend pay-out ratios of companies in the same industry;
3. Buyback of Shares &
4. Any other factor that has a significant influence / impact on the Company's working / financial position of the Company.

FORMS OF DIVIDENDS

- Interim Dividend

The interim dividend may be declared by the Board one or more times in the financial year as it may deemed fit.

- Final Dividend

The final dividend is paid once for the financial year after the annual accounts are prepared. The Board of Directors of the Company has the power to recommend the payment of final dividend to the shareholders for their approval at the Annual General Meeting of the Company. The declaration of final dividend shall be included in the ordinary business items that are required to be transacted at the Annual General Meeting.

- Special Dividend

The Board may declare/recommend special dividend as and when it deems fit.

PER SHARE BASIS

The dividend will be declared on per share basis only.

DIVIDEND PAYOUT

The Board of Directors shall endeavour to take a decision for Dividend Distribution with an objective to enhance shareholders value. However, the decision regarding pay-out will be subject to several parameters which form part of this Policy.

The Dividend once declared or approved will be paid/ distributed within the statutory period permitted by law.

DECLARATION OF DIVIDEND

Dividend shall be declared or paid only out of –

1) Current financial year's profit:

- a. after providing for depreciation in accordance with law;
- b. after transferring to reserves such amount as may be prescribed or as may be otherwise considered appropriate by the Board at its discretion and as per applicable law.

Or

2) The profits for any previous financial year(s) after providing for depreciation in accordance with law and remaining undistributed;

Or

3) Out of 1) & 2) both.

In case of inadequacy or absence of profits in any financial year, the Company may also declare/ pay Dividend out of the accumulated profits earned by it in previous years and transferred by the Company to the reserves, provided such declaration/ payment of dividend shall be made only in accordance with the provisions of the Companies Act, 2013 and rules specified therein.

CIRCUMSTANCES UNDER WHICH SHAREHOLDERS MAY NOT EXPECT DIVIDEND

The shareholders of the Company may not expect Dividend under the following circumstances, however, it shall not be limited to the reasons stated herein below:

- a. Due to operation of any other law in force;
- b. Due to losses incurred by the Company and the Board considers it appropriate not to declare dividend for any particular year;
- c. Due to any restrictions and covenants contained in any agreement as may be entered with the Lenders;
- d. Uncertainty of the earnings/ financial results of the Company; and
- e. The availability of opportunities for reinvestments of surplus funds;

- f. Any other corporate action resulting in cash outflow

REVIEW & AMENDMENT

This Policy may be reviewed and amended periodically as and when required by the Board to ensure that it meets the objectives of the relevant legislation and needs of the Company and remains effective. The Board has the right to change/ amend the policy as may be expedient taking into account the law for the time being in force.

In the event of any amendment(s), clarification(s), circular(s), provision(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then the same shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly.