



GUJARAT STATE FERTILIZERS & CHEMICALS LIMITED

Fertilizernagar – 391 750, Vadodara, Gujarat, India, CIN – L99999GJ1962PLC001121

DIVIDEND DISTRIBUTION POLICY

INTRODUCTION

As per Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016, dated 8th July, 2016, the Board of Gujarat State Fertilizers & Chemicals Limited has adopted the Dividend Distribution Policy.

OBJECTIVE AND SCOPE

The intent of the policy is to broadly specify the external and internal factors including financial parameters that shall be considered while declaring 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 i.e. 24th October, 2016.

The Policy shall not apply to:

- Determination and declaring dividend on preference shares, if any, to be issued by GSFC at a later date, as the same will be as per the terms of issue approved by the shareholders;
- Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law;
- Distribution of cash as an alternative to payment of dividend by way of buyback of equity shares.

STATUTORY REQUIREMENTS

The Board while taking decision of a dividend payout during a particular year, shall comply with the statutory requirements including the Companies Act 2013 and rules applicable thereon including those with respect to mandatory transfer of a certain portion of profits to any specific reserve which may be applicable to the Company at the time of taking decision with regard to dividend declaration or retention of profit.

Further, the Board of Company shall take a decision to declare dividend after taking into account the Profits of the Company after providing depreciation as per Companies Act, 2013 as per audited financial statements for the year for which the Dividend is proposed to be declared and after transferring to the reserves such amount as the Board of GSFC may consider appropriate.



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However, in case of Interim Dividend, the profits as per the unaudited results for/up to the last quarter (after providing depreciation as per Companies Act, 2013) which have been approved by the Board and for which limited review as per “Listing Regulations” has been carried out shall be considered. And also, the perception of the management with regard to, likely profits in the remaining part of the financial year, the prevailing and forward product prices in the international market, foreign currency exchange rate, future Capital Expenditure plans of GSFC, likely maturity of short-term investments to ensure maximum returns, expectation of shareholders /stakeholders, be taken into account.

IMPORTANT INTERNAL AND EXTERNAL FACTORS

The Board decision in respect of dividend payout or retention of profits shall inter alia be based on the following factors:

- (a) **Cash flow** – If the Company cannot generate adequate operating cash flow, it may need to rely on outside funding to meet its financial obligations and sometimes to run the day-to-day operations. The Board may consider the same before its decision whether to declare dividend or retain its profits.
- (b) **Cost of borrowings** – The Board may analyze the requirement of necessary funds considering the 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 such as bankers, lending institutions or by issuance of debt securities or plough back its own funds.
- (c) **Taxation and other regulatory concern** - Dividend distribution tax or any tax deduction at source as required by tax regulations in India, as may be applicable at the time of declaration of dividend and its impact.
- (d) **Macroeconomic conditions** - Considering the state of economy in the Country, the policy decisions that may be formulated by the Government and other similar conditions prevailing in the international market which may have a bearing on or affect the business of the Company, the management may consider retaining a larger part of the profits to have sufficient reserves to absorb unforeseen circumstances.
- (e) Any restrictions on payment of dividends by virtue of any regulation as may be applicable to the Company at the time of declaration of dividend.



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CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

The Company has been consistently paying out dividends to its shareholders and can be reasonably expected to continue declaring in future as well unless the Company is restrained to declare dividends under following circumstances:

- (a) **Inadequacy of profits** – If during any financial year, the Board determines that the profits of the Company are inadequate, the Board may decide not to declare dividends for that financial year.
- (b) **Dividend not to be declared out of reserves** – As a rule, the Board shall not declare any dividends out of its reserves, except for reasons to be expressly laid down. Any decision in this regard shall be reflected in the Annual Report and website of the company while declaring/ recommending dividend.

MANNER OF UTILIZATION OF RETAINED EARNINGS

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

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

PARAMETERS TO BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

GSFC has presently issued only one class of equity 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 depending upon the nature and guidelines thereof.

MODIFICATIONS/ DEVIATIONS TO THE POLICY

The Board of Directors shall have the right to carry out any changes in the Policy, as it may deem appropriate.
