

NITIN SPINNERS LIMITED

Dividend Distribution Policy

Introduction

The Securities and Exchange Board of India vide SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021, amended Regulation 43A in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires top one thousand listed entities based on market capitalisation (calculated as on March 31 of every financial year) to formulate a dividend distribution policy.

The Company being amongst top 1000 listed entities based on aforesaid criteria for the year ended March 31, 2021, has formulated this policy on dividend distribution with a view to inform the shareholders about how it aims to utilise profits and the parameters that shall be adopted with regard to the dividend distribution.

Objective

The objective of the policy is to 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 and how the retained earnings shall be utilised, etc.

Philosophy

The philosophy of the Company is to maximise the shareholders' wealth in the Company through various means. The Company believes that driving growth creates maximum shareholder value. Thus, the Company would first utilise its profits for working capital requirements, capital expenditure to meet expansion needs, reducing debt from its books of accounts, earmarking reserves for inorganic growth opportunities and thereafter distribute the surplus profits in the form of dividend to the shareholders.

Definitions

- (i) **"Act"** means the Companies Act, 2013 and Rules made thereunder, including any statutory amendment(s) or modification(s) thereof for the time being in force.
- (ii) **"Dividend"** includes final and interim dividend.
- (iii) **"Market capitalisation"** means the aggregate value of the company based on its current market price and the total number of outstanding shares of the company.

- (iv) **“Paid-up”** means such aggregate amount of money credited as paid-up as is equivalent to the amount received as paid-up in respect of shares issued and also includes any amount credited as paid-up in respect of shares of the company, but does not include any other amount received in respect of such shares, by whatever name called.
- (v) **“Regulations”** shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended, from time to time and as notified by the Securities and Exchange Board of India.

Declaration and payment of Dividend

In compliance with Section 51 of the Act, the Company shall pay dividend proportionately, i.e., in proportion to the amount paid-up on each share. Dividend for a financial year shall be paid after the annual financial statements of the Company are finalised and the amount of distributable profits is available. The declaration and payment of dividend shall be in accordance with the provisions of Sections 123 to 128 of the Act. Pursuant to the provisions of Section 123 of the Act, the Board shall recommend dividend for any financial year subject to the following:

- (a) out of the profits of the Company for that year arrived after providing for depreciation;
or
- (b) out of the profits of the Company for any previous financial year(s) arrived at after providing for depreciation and remaining undistributed; or
- (c) out of both (a) and (b).

The Board of Directors of the Company, while declaring or recommending dividend shall ensure compliance with statutory requirements under applicable laws including the provisions of the Companies Act, 2013 and Listing Regulations. The Board of Directors, while determining the dividend to be declared or recommended, shall take into consideration the advice of the executive management of the Company and the planned and further investments for growth apart from other parameters set out in this Policy.

The dividend distribution shall be as per the recommendations of the Board and shall always be decided at an annual general meeting of shareholders in case of final dividend. The Board of Directors (Board) may consider declaration of interim dividend depending upon the cash flow situation of the Company.

The Board of Directors of the Company may not declare or recommend dividend for a particular period if it is of the view that it would be prudent to conserve capital for the then ongoing or planned business expansion or other factors which may be considered by the Board.

Parameters for declaration of dividend

The Board shall consider the following various circumstances like current year's profit, future outlook, reinvestment opportunities of the Company, tax benefits, Company's present and future performance for declaration and payment of dividend.

(i) Financial parameters

- (a) Availability of profits;
- (b) Financial feasibility of the Company;
- (c) Favourable Debt Equity ratio;
- (d) Debt interest coverage ratio;
- (e) Liquidity position;
- (f) Business expansions, acquisitions, etc.;
- (g) Favourable state of the capital markets;
- (h) Profit growth.

(ii) External Factors

- (a) Shareholders' expectations;
- (b) Uncertain or recessionary economic and business conditions;
- (c) Restrictions imposed under the Act with regard to declaration of dividend;
- (d) Sectorial performance;
- (e) Future uncertainties and industrial downturn;
- (f) Government policy
- (g) Agreement with lenders, if any.

(iii) Internal Factors

- (a) Growth rate of past earnings;
- (b) Growth rate of predicted profits;
- (c) Expansion and modernisation of existing business;
- (d) Investment in research and development;
- (e) Working capital requirements;
- (f) Mergers and Acquisitions;
- (g) Investments in subsidiaries/Joint ventures/associates;
- (h) Buyback options;
- (i) Approach adopted - residual, stability or hybrid
- (j) Any other factor/material event which Board may consider from time to time.

(iv) Utilisation of retained earnings

The decision of utilisation of retained earnings of the Company shall be based on the following factors:

- (a) Acquisition/Diversification of business;
- (b) Long term strategic plan;
- (c) Increase in production capacity/expansion or modernisation plan.

(v) 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) In the event of inadequacy of profits or whenever the Company has incurred losses.
- (b) Whenever it proposes to utilise surplus cash for buy-back of securities;
- (c) Whenever it undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;
- (d) Whenever it undertakes any acquisitions or joint ventures requiring significant allocation of capital.

(vi) Classes of Shares

The Company has issued only one class of shares viz. equity shares. Parameters for dividend payments in respect of any other class of shares will be as per the respective terms of issue and in accordance with the applicable regulations and will be determined, if and when the Company decides to issue other classes of shares

Disclosure

The Company shall place this Policy on its website i.e. www.nitinspinners.com and web link of the same shall be provided in the Annual Report of the Company.

Amendment

In case of any subsequent changes in the provisions of the Act or Income Tax Act, 1961 or any other regulations which makes any of the provisions of this Policy inconsistent with the Act or such other regulations, then the provisions of the Act or such other regulations would prevail over this Policy and the relevant provisions contained in this Policy would be modified accordingly in due course to make it consistent with applicable laws. The Policy was framed on 03.08.2021.