

**Nahar****SPINNING MILLS LTD.****Regd. Office & Corporate Office** : 373, Industrial Area-A, Ludhiana - 141 003 (INDIA)

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CIN No. : L17115PB1980PLC004341 GST No. : 03AAACN5710D1Z6

**DIVIDEND DISTRIBUTION POLICY****1. Background and applicability:**

Pursuant to Regulation 43(A) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Regulations") as amended by SEBI via Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021 dated 5th May, 2021, top 1000 listed companies (by market capitalisation) shall formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites. Accordingly, the Board of Directors ("Board") of Nahar Spinning Mills Limited ("Company") in their Meeting held on 31st May, 2021 has adopted this Dividend Distribution Policy to comply with these requirements.

The Company currently has only one class of shares, viz. equity, for which this policy is applicable.

**2. Objective:**

The objective of this Policy is to facilitate the process of dividend recommendation or declaration and its pay-out by the Company in accordance with the provisions of Companies Act, 2013 read with the applicable Rules framed thereunder, as may be in force for the time being ("Companies Act") and the Regulations which would ensure a regular dividend income for the shareholders and long term capital appreciation for all stakeholders of the Company.

Dividend is the payment made by a Company to its shareholders, usually in the form of distribution of its profits. The profits earned by the Company would first be utilised for working capital requirements, modernisation/expansion needs, reducing long term as well as short term debts, earmarking reserves for inorganic growth opportunities and thereafter to distribute the surplus profits in the form of dividend to the shareholders.

The Company would ensure to strike the right balance between the quantum of dividend paid and amount of profits retained in the business. The Board will refer to the Policy while declaring/ recommending dividends on behalf of the Company.

**3. Forms of Dividend:**

- **Interim Dividend:** Having regard to profitability of the Company, the Board may declare the interim dividend as per Articles of Association of the Company and the provisions of Companies Act, 2013, and other applicable laws.
- **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.



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- **Special Dividend:** The Board may declare/recommend special dividend as and when it deems fit.

#### **4. Declaration of Dividend:**

Subject to the provisions of the Companies Act, dividend shall be declared or paid only out of:

- i) Current financial year's profit:
  - after providing for depreciation in accordance with law;
  - after transferring to reserves such amount as may be prescribed or as may be otherwise considered appropriate by the Board at its discretion.
- ii) The profits for any previous financial year(s):
  - after providing for depreciation in accordance with law;
  - remaining undistributed; or
- iii) out of i) & ii) both.

In computing the above, the Board may at its discretion, subject to provisions of the law, exclude any or all of (i) extraordinary charges (ii) exceptional charges (iii) one off charges on account of change in law or rules or accounting policies or accounting standards (iv) provisions or write offs on account of impairment in investments (long term or short term).

#### **5. Per Share Basis:**

The dividend will be declared on per share basis only.

#### **6. Circumstances under which shareholders can expect Dividend:**

The Board will assess the Company's financial requirements, including present and future organic and inorganic growth opportunities and other relevant factors (as mentioned in this policy) and declare Dividend in any financial year.

Notwithstanding the above, the shareholders of the Company may not expect Dividend under the following circumstances:

- Whenever it undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital
- Significantly higher working capital requirements adversely impacting free cash flow
- Whenever it undertakes any acquisitions or joint ventures requiring significant allocation of capital
- In the event of inadequacy of profit or whenever the Company has incurred losses

#### **7. Financial parameters and factors that would be considered for declaration of Dividend:**

##### **a. Internal factors**

- Distributable surplus available as per the Act and Regulations
- The Company's liquidity position and future cash flow needs
- Track record of Dividends distributed by the Company





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- Capital expenditure requirements considering the expansion and acquisition opportunities
- Cost and availability of alternative sources of financing
- Providing of unforeseen event and contingency with financial implications
- Any other relevant factors that the Board may deem fit to consider before declaring Dividend.

**b. External factors**

- Any policy, tax and regulatory changes with respect to Dividend distribution.
- Any significant change in the macroeconomic and business conditions in general.
- Any change in the business or technological environment resulting in Company making significant investments to effect the necessary changes to its business model.

**8. Rate of Dividend:**

The Company strikes to maintain an equilibrium between retaining sufficient funds for the growth of the Company and meeting contingency and also rewarding & providing return to shareholders. The Board of Directors may recommend the dividend after keeping into account the above factors. While recommending such dividend the management will also take into account dividends declared during the preceding 3 financial years.

Notwithstanding the above, the Board reserves the right not to declare dividend or decide any rate of dividend, for a particular year owing to certain regulatory restrictions if any, during the year, capital conservation prudence or other exigencies which shall be stated by the Board.

**9. Utilisation of retained earnings:**

Subject to applicable regulations, the Company's retained earnings shall be applied for:

- a. Funding inorganic and organic growth needs including working capital, capital expenditure, repayment of debt, etc.
- b. Buyback of shares subject to applicable limits
- c. Payment of Dividend in future years
- d. Issue of Bonus shares
- e. Any other permissible purpose as per the provisions of Companies Act, 2013.

**10. Review:**

The Board of Directors is authorised to review and amend this policy from time to time, in pursuance of any amendments made in the Companies Act, 2013, the Regulations, etc. 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.

