

Ponni Sugars (Erode) Limited

DIVIDEND DISTRIBUTION POLICY

[Pursuant to Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

[Effective Date: 28.10.2022]

1. Preamble

- (i) Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 mandates the top 1000 listed Companies based on the market capitalization (calculated as on March 31 of every financial year) to formulate a Dividend Distribution Policy, which shall be disclosed on their website and a weblink shall also be provided in their annual reports. It makes it optional for the other listed Companies to disclose their dividend distribution policy on a voluntary basis.
- (ii) In line with the company's proactive pursuit of good corporate governance practices, the Board of Directors of the Company have voluntarily adopted this policy at their meeting held on 28th October, 2022.

2. Effective Date

This Policy becomes effective from the date of its adoption by the Board i.e. 28th October, 2022.

3. Definitions

- a) 'Act' shall mean the Companies Act, 2013 as amended from time to time and shall include Rules, Regulations and Secretarial Standards made thereunder or pursuant thereto.

- b) 'Applicable Laws' means the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and such other act, rules or regulations dealing with or regulating the distribution of dividend and as amended from time to time.
- c) 'Board' or 'Board of Directors' means the Board of Directors of the Company as constituted from time to time.
- d) 'Company' means 'Ponni Sugars (Erode) Limited'.
- e) 'Dividend' includes any interim dividend.
- f) 'Free Reserves' means reserves (that includes retained earnings) as per the latest audited balance sheet of the Company that are available for distribution as dividend:
- g) 'LODR' means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars or clarifications issued thereunder and as amended from time to time.
- h) 'Policy' or 'this Policy' means this Dividend Distribution Policy.

All words and expressions used but not defined in this Policy, but defined in the Act or the LODR shall have the same meaning as respectively assigned to them in such Act or Regulations, as the case may be.

4. Objective of the Policy

- a) This Policy seeks to lay down a broad framework for the distribution of dividend by the Company whilst appropriately balancing the need of the Company to retain resources for its growth and sustainability.
- b) Through this policy, the Company endeavors to maintain fairness and consistency while considering dividend distribution to the shareholders.

- c) The Policy sets out the circumstances and diverse factors for consideration by the Board while taking a decision on distribution or retention of profits.
- d) The Policy is not an alternative to or restraint on the powers of the Board for recommending dividend, which is made by the Board on each occasion upon taking into consideration all the relevant circumstances enumerated hereunder or other factors as may be considered appropriate by the Board.
- e) This Policy is subject to and in accordance with the provisions of applicable Laws.

5. Parameters to be considered for dividend declaration

- (i) The Company's dividend payout will be determined by the Board from time to time based on the operating and financial performance of the company, available financial resources, investment requirement, debt servicing obligation, working capital needs and other factors more fully described hereunder.
- (ii) The Board will consider the following parameters while recommending/ declaring dividend.

5.1 Financial parameters/ Internal factors

- Profit after tax for the year adjusted for exceptional income and income of non recurring nature.
- Free cash flows and adjustment for exceptional/ one-off items.
- Transfer of profits to specific reserves under statute or contractual obligations.

- Working capital requirement based on business cyclicity, stock build up under Government policies and delayed realization of power dues from the distribution licensee.
- Growth plans, both organic and inorganic.
- Capex requirement in the near term.
- Debt servicing including accelerated payments.
- Covenants under loan agreements for term debts and working capital borrowings.
- Crystallization of contingent liabilities.
- Tax demands and litigation outcome.
- Trend of dividend paid in the past years.
- Dividend payout ratios of other companies of comparable nature - in the industry and in the region.

5.2 External factors

- Macro economic conditions, both domestic and global
- Sugar business cyclicity.
- Changes in Government policy and regulatory provisions.
- Taxes such as dividend distribution tax.
- Cost of funds from alternative sources.

6. Circumstances when Shareholders may not expect dividend

- In the event of loss or inadequacy of profits and set-off of past losses.
- Agro-climatic conditions and cyclicity of sugar business having a likely adverse impact in the coming year, even though the company has earned profits during current year.
- When there are regulatory restrictions.
- Recessionary or uncertain economic/ business conditions warranting higher reduction of profits to be able to absorb the impending shocks.
- When Buy-back of securities is proposed.

7. 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:

- a) Long term strategic plans
- b) Expansion, Modernization and Diversification plans.
- c) Balancing the Capital Structure by de-leveraging the company
- d) Such other criteria as the Board may deem fit from time to time.

8. Dividend Payout

- a) Subject to the caveats hereinabove, the Board shall endeavor that the dividend amount in every financial year will be stable and sustainable.
- b) The Board shall strive to maintain a dividend payout ratio of 15 to 20% of Profit After Tax (PAT) for the year towards distribution as Dividend (inclusive of tax outgo thereon, if any) to the shareholders of the Company, subject to exigencies.
- c) In case of a lower dividend payout for any given financial year, the Board will provide a rationale therefor in the Annual Report.
- d) The Board shall take the dividend decision for a year, normally when it considers and approves the Annual Financial Statements. This is called final dividend that is subject to the shareholders' approval in the Annual General Meeting of the Company.
- e) The Board shall also have the power to declare interim dividend for a financial year, before or after the close of that financial year.
- f) The Board shall also have the power to propose or declare special dividend on special occasions such as golden/platinum jubilee in its sole discretion.

9. Policy review and amendments

This Policy will be reviewed by the Board periodically or as may be deemed necessary as per any regulatory changes.

10. Disclosures

The Policy, as amended from time to time, will be hosted on the company website - www.ponnisugars.com.

11. Compliance Responsibility

Compliance of this Policy shall be the responsibility of the Company Secretary of the Company who shall have the power to ask for any information or clarifications from the management in this regard.

12. Disclaimer

- a) The Policy does not constitute a commitment for future dividends but only represents a general guidance regarding dividend policy. The statement of the Policy does not in any way restrict the right of the Board to use its discretion in the recommendation of the Dividend to be distributed in a year. The Board expressly reserves the right to depart from the policy as and when circumstances so warrant.
 - b) Given the inherent uncertainties, prospective or present investors are cautioned not to place undue reliance on any of the forward-looking statements in this Policy.
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