RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

DIVIDEND DISTRIBUTION POLICY

1. DIVIDEND DISTRIBUTION POLICY OF RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED

The Board of Directors (the "Board") of **RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED** (the "Company") has adopted the Dividend Distribution Policy of the Company as required in terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations") in its meeting held on 18th November, 2016.

2. EFFECTIVE DATE

"The Policy" shall become effective from the date of its adoption by the Board i.e. 18th November, 2016.

1. NAME OF THE POLICY

This policy shall be known as "Dividend Distribution Policy"(Policy)

2. DIVIDEND

The term dividend has been defined under section 2(35) of the Companies Act, 2013 as under:

"Dividend includes any interim dividend."

In other words, dividend means profit of the company which is distributed among the shareholders in proportion to the amount paid up on the shares held by them.

5. PURPOSE, OBJECTIVES AND SCOPE

5.1 The Securities and Exchange Board of India ("SEBI") vide its Notification dated July 08, 2016 has amended the Listing Regulations by inserting Regulation 43A in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to make it mandatory to have a

Dividend Distribution Policy in place by the top five hundred listed companies based on their market capitalization calculated as on the 31st day of March of every year. Considering the fact that RCF is amongst the top 500 listed entities, its ranking 402 as per NSE as at 31st March, 2016, the dividend distribution policy, as stipulated in the regulation 43A, has been formulated with regard to distribution of dividend to its shareholders and/ or retaining or plough back of its profits.

5.2 The intent of the Policy is to broadly sets out the circumstances and different factors i.e. internal and external including financial parameters for consideration by the Board while declaring dividend or of retention of profits and the circumstances under which the shareholder of the company may not expect any dividend, in the interest of providing transparency to the shareholders.

5.3 The Policy is not an alternative to the decision of the Board for recommending dividend, which is made every year after taking into consideration all the relevant circumstances enumerated hereunder or other relevant factors by the Board.

5.4 The Policy shall not apply to:

- Determination and declaring dividend on preference shares 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.

6. GENERAL POLICY OF THE COMPANY AS REGARDS DIVIDEND

6.1 Subject to the considerations as provided in the Policy, the Board shall determine the dividend payout in a particular year after taking into consideration the operating and financial performance of the Company, the legal provision in this regard, the need to retain the funds in the business to take care of various expansions, diversification and other unforeseen eventualities, the advice of Chairman and Managing Director and Director Finance/CFO, and other relevant factors. The Board shall consider the following external and internal factors while taking decisions on a dividend payout during a particular year-

6.2. External Factors

6.2.1 Economic Environment

In case of uncertain or recessionary economic and business conditions, the Company may like to retain the profit to build up the reserves to meet future eventualities.

6.2.2 Capital Market

In case of unfavorable market conditions, the Company may resort to a conservative dividend pay out.

6.2.3 Statutory requirements and Government Guidelines

- The Company shall observe the relevant statutory requirements of the Companies Act, 2013 including those with respect to mandatory transfer of a certain portion of profits to any specific reserve such as Debenture Redemption Reserve, Capital Redemption Reserve etc. as provided in the Act, at the time of taking decision with regard to dividend declaration or ploughing back their profit in the business.
- Being a Government Company, the Company shall also consider the guidelines in force in respect of dividend declaration as issued from time to time by the Government of India. In the event the Company is not able to comply with the Government of India guidelines, it would approach the government for suitable exemption from the same through its Administrative Ministry.
- In terms of section 123 of the Companies Act, 2013, no dividend shall be declared by a company except out of the profit of the company for that year or out of profit of the any previous year or years arrived at

after providing for depreciation in accordance with the provision of the Act and after transfer of such percentage of its profit for that financial year as it may consider appropriate to the reserves of the company.

6.2.4 Agreements with lending institutions/ Debenture Trustees

The decision of dividend pay-out shall also be affected by the restrictions and covenants contained in the agreements as may be entered into with the lenders of the Company from time to time.

6.3 Internal Factors

6.3.1 Extent of realized profits as a part of the IND AS profits of the Company

The extent of realized profits out of its profits calculated as per IND AS, affects the Board's decision of determination of dividend for a particular year. The Board is required to consider such factors before taking any dividend or retention decision.

6.3.2 Prudential requirements

The Company shall analyze the prospective projects and strategic decisions in order to decide-

- to build a healthy reserve of retained earnings;
- to augment long term strength;
- to build a pool of internally generated funds to provide long-term resources as well as resource-raising potential for the Company; and
- the needs for capital conservation and appreciation.

6.3.3 Planned for major capital expenditures etc.

In addition to plough back of earnings on account of obsolescence, the Board may also take into consideration the need for replacement of capital assets, expansion and modernization or augmentation of capital stock, including any major capital expenditure proposals.

As a general internal policy, funding of future CAPEX is evaluated with a mix of debt and equity with the portion of debt not less than 70% of the total CAPEX as debt financing may enable higher post tax returns to investors. Accordingly a portion of earnings is ploughed back for financing the same.

6.3.4 OTHER FINANCIAL PARAMETERS

In addition to the aforesaid parameters such as realized profits and proposed major capital expenditures, the decision of dividend payout or retention of profits shall also be based the following-

- Operating cash flow of the Company
- Magnitude of earnings of the Company
- Cost of borrowings
- Obligations to creditors
- Inadequacy of profits /Loss

7. CIRCUMSTANCES UNDER WHICH DIVIDEND PAYOUT MAY OR MAY NOT BE EXPECTED

7.1 The Board shall consider the factors provided above under Para 6, before determination of any dividend payout after analyzing the prospective opportunities and threats to the business, viability of the options of dividend payout or ploughing of it back in the business etc. The decision of dividend payout shall, majorly be based on the aforesaid factors considering the balanced interest of the shareholders and the Company.

7.2 Even though the Company endeavors to declare dividend as per the guidelines issued by DIPAM, Government of India, Company may propose a lower dividend after analysis of the various financial parameters, cash flow position and funds required for future growth and approach it's Administrative Ministry for approval/exemption as the case may be.

The company has been consistently paying dividend to its shareholders and can be reasonably expected to pay in future unless the Company is restrained from doing so due to insufficient profits or funds required for future growth or other unforeseen factors.

8. MANNER OF UTILISATION OF RETAINED EARNINGS

8.1 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:

- Market expansion plan;
- Product expansion plan;
- Increase in production capacity;
- Modernization and revamps;
- Diversification of business;
- Long term strategic plans;
- Replacement of capital assets;
- Where the cost of debt is expensive;
- Other such criteria as the Board may deem fit from time to time.

9. PARAMETERS FOR VARIOUS CLASSES OF SHARES

9.1 There are no class of shares other than equity shares of Rs.10/- each which carry equal voting rights and all members of the Company are entitled to receive the same amount of dividend per share.

9.2 The policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

10. MODIFICATIONS/AMENDMENT /DEVIATIONS TO THE POLICY

10.1 To the extent any change/amendment is required in terms of any applicable law, the Chairman and Managing Director of the Company shall be authorized to review and amend the Policy, to give effect to any such changes/ amendments. Such amended Policy shall be placed before the Board for noting and necessary ratification immediately after such changes.

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