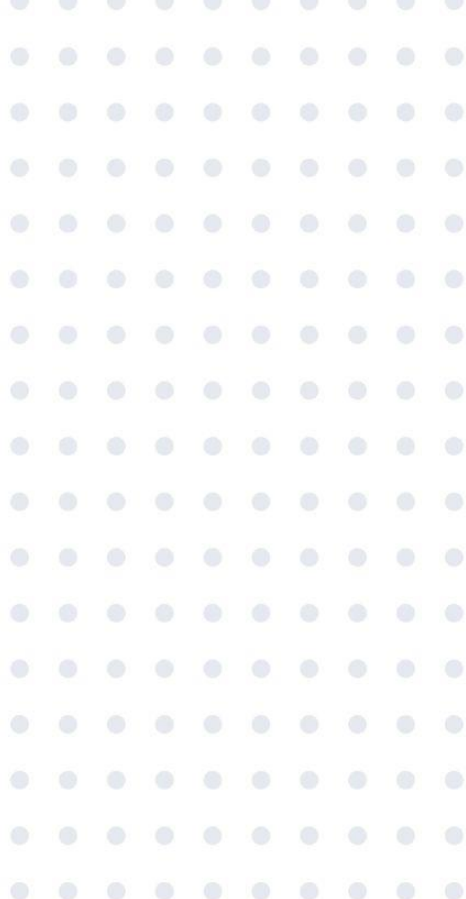




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Dividend distribution
policy

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1. Background

The Securities and Exchange Board of India (SEBI) vide its notification dated May 5, 2021 has amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”), making it mandatory for 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 the website and a web-link shall also be provided in their annual reports.

Eternal Limited (“the Company”) has framed Dividend Distribution Policy (“Policy”) in compliance with the SEBI LODR and the Companies Act, 2013 (hereinafter referred to as the “Act”). This Policy has been approved by the board of directors (“Board”) of the Company at its meeting held on August 01, 2022 being the effective date of this Policy.

2. Definitions

The terms referred to in the policy will have the same meaning as defined under the Act and the rules made thereunder, and the SEBI LODR.

3. Objectives

The objective of this Policy is to establish the parameters (including internal and external factors) to be considered by the Board of the Company before declaring or recommending dividend.

Through this Policy, the Company will endeavor to maintain fairness, consistency and sustainability while distributing profits to the shareholders of the Company. The Policy also sets out the circumstances and different factors for consideration by the Board at the time of taking a decision on distribution of or retention of profits, in the interest of providing transparency to the shareholders.

The Policy is not an alternative to the decision of the Board for recommending/ declaring dividend, which takes into consideration all the relevant circumstances enumerated hereunder or other factors as may be decided by the Board.

4. Concept of dividend

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 can either be retained in business or it can be distributed to the shareholders. The Company may choose to retain a part of its profits and distribute the balance among its shareholders as dividend. This Policy aims to reconcile between all these needs.

5. Category of dividends

The Act provides for two forms of Dividend – Final & Interim.

- **Final Dividend** The final dividend is paid once for the financial year after the annual accounts are prepared. The Board of the Company has the power to recommend the payment of final dividend to the shareholders in a general meeting.
- **Interim Dividend** The Act authorises the Board to declare interim dividend during any financial year or at any time during the period from closure of financial year till holding of the annual general meeting out of the surplus in the profit and loss account or out of profits of the financial year for which such interim dividend is sought to be declared or out of profits generated in the financial year till the quarter preceding the date of declaration of the interim dividend.

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The Board shall have the absolute power to declare interim dividend during the financial year, as and when considered appropriate, in line with this Policy.

6. Declaration of dividend

Subject to the provisions of the Act, Dividend shall be declared or paid only out of-

- I. Current financial year's profit:
 - a. after providing for depreciation in accordance with law;
 - b. 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):
 - a. after providing for depreciation in accordance with law; b) 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) (v) non cash charges pertaining to amortisation or ESoP or resulting from change in accounting policies or accounting standards.

The Board may, at its discretion, declare a Special Dividend under certain circumstances such as extraordinary profits from sale of investments.

7. Circumstances under which the shareholders may or may not expect dividend

The decision regarding dividend payout is an important decision as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in business. Hence, the shareholders of the Company may expect dividend only if the Company is having adequate profits after complying with all other statutory requirements under the applicable laws.

The shareholders of the company may not expect dividend in the following circumstances, subject to the discretion of the Board:

- in case of inadequacy of profits or whenever the Company has incurred losses;
- whenever the Company undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;
- whenever the Company undertakes any acquisitions or joint arrangements requiring significant allocation of capital;
- significantly higher working capital requirement affecting free cash flow;
- whenever the Company proposes to utilize surplus cash for buy-back of securities or setting off of previous year losses or losses of its subsidiary/ies; and
- in case being prohibited to recommend/declare dividend by any regulatory body.

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

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then ongoing or planned business expansion or other factors which may be considered by the Board. 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 the financial year and the Board reserves the right to depart from the Policy as and when circumstances so warrant. Given the aforementioned uncertainties, prospective or present investors are cautioned not to place undue reliance on any of the forward-looking statements in the Policy, if any.

8. Parameters to be considered before recommending dividend

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in business. The Board of Directors will endeavor to take a decision with an objective to enhance shareholders wealth and market value of the shares.

However, the dividend pay-out decision of any company depends upon below mentioned factors-

Financial / Internal Factors:

- Profits earned and available for distribution during the financial year
- Accumulated Reserves including Retained Earnings
- Earnings outlook for next three to five years o Expected future capital / expenditure requirements of the Company
- Organic growth plans / expansions
- Long term investment proposed, capital restructuring, debt reduction
- Cost of raising funds from alternate sources
- Crystallization of contingent liabilities of the Company
- Net Profit earned during the financial year as per the consolidated Financial Statements
- Cash Flows
- Current and projected Cash balance
- Debt repayment schedules, if any
- Impact of dividend payout on Company's return on equity, while simultaneously maintaining prudent and reasonably conservative leveraging in every respect viz. interest coverage, DSCR (Debt Service Coverage Ratio) Net Debt: EBITDA and Net debt: Equity, including maintaining a targeted rating - domestically and internationally
- Fund requirement for contingencies and unforeseen events with financial implications
- Past Dividend trend including Interim dividend paid, if any; and
- Any other relevant factors and material events

External Factors:

- Macro-economic environment - Significant changes in macro-economic environment materially affecting the business in which the Company is engaged in the geographies in which the Company operates.
- Regulatory changes - Introduction of new regulatory requirements or material changes in existing taxation or regulatory requirements, which significantly affect the business in which the Company is engaged.
- Technological changes which necessitate significant new investments in any of the businesses in which the Company is engaged.
- Other factors like statutory and contractual restrictions

9. Utilization of retained earnings

Retained earnings shall be utilized in a manner which is beneficial to the interests of the Company and also its shareholders. The retained earnings may be utilized by the Company for making investments for future growth and expansion plans, for the purpose of generating higher returns for the shareholders or for any other specific purpose, as approved by the Board of the Company. In absence of any viable growth opportunity (organic / inorganic), the Company shall utilize retained earnings for reducing its debt obligations. In absence of the opportunity to utilize retained earnings in any of the above options, as an exception, the Board shall use the larger portion of profits to distribute amongst the shareholders as dividend.

10. Parameters that shall be adopted with regard to various classes of shares

Presently, 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 laws and will be determined, if and when the Company decides to issue other classes of shares.

11. Disclosures

The Policy shall be disclosed on the website of the Company and a web-link shall also be provided in the annual report.

If the Company proposes to declare dividend on the basis of the parameters in addition to the parameters mentioned above in this policy it shall disclose the such changes along with the rationale for the same in its Annual Report & on its website.

12. Conflict of policy

In the event of any conflict between this Policy and the provisions contained in the applicable laws, the provisions of applicable laws shall prevail.

13. Amendment

Any change in the Policy shall be approved by the Board. The Board shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment/modification in the Act or the rules framed thereunder or the SEBI Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

14. Compliance

The Board of Directors of the Company or any duly authorized committee thereof, subject to applicable laws, may amend, suspend, or rescind this Policy at any time. Any difficulties or ambiguities in the Policy will be resolved by the Board of Directors or such committee in line with the broad intent of the Policy.

15. Interpretation

In any circumstance where the terms of this Policy are inconsistent with any existing or newly enacted law, rule, regulation or standard governing the Company, the said law, rule, regulation or standard will take precedence over this Policy.

16. Version history

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Version	Approval date	Revision date	Description
Version 1	August 01 , 2022	-	Original Policy