



DIVIDEND DISTRIBUTION POLICY

Veritas (India) Limited

DIVIDEND DISTRIBUTION POLICY

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 Listing Regulations**”), 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 will be disclosed in their annual report and on their website.

Veritas (India) Limited (“**the Company**”) has framed Dividend Distribution Policy (“**Policy**”) in compliance with the SEBI Listing Regulations. This Policy has been approved by the board of directors (“**Board**”) of the Company at its meeting held on January 30, 2024 being the effective date of this Policy.

This Policy shall come into force with effect from the date the SEBI Listing Regulations take effect with respect to the Company.

2. 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 objective of the policy is also 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 utilized, etc. The Board of Directors (Board) may consider declaration of interim dividend depending upon the cash flow situation of the Company.

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. Depending on the long-term growth strategy of the Company and the prevailing circumstances, the Board may consider a higher dividend payout ratio, while trying to ensure that sufficient funds are retained for growth of the Company.

3. DEFINITIONS

In this Policy:

a) **Act**: Act means the Companies Act, 2013, the rules made thereunder and any amendment(s) or modification(s) or circular(s) or notification(s) or order(s) thereof made.

b) **Applicable Laws**: shall mean the Companies Act, 2013 and rules made thereunder, as amended from time to time, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, together with the circulars issued thereunder; and such other act, rules or regulations which deals with the distribution of dividend.

c) **Board or Board of Directors:** shall mean Board of Directors of the Company.

d) **Dividend:** includes interim dividend.

Words and Expressions used and not defined in this Policy but defined in the Act or Applicable Laws shall have the same meaning respectively assigned to them in those Acts/Applicable Laws.

4. CATEGORY OF DIVIDENDS

The Act provides for two forms of Dividend - Final & Interim. The Board shall have the power to recommend final dividend to the shareholders for their approval in the general meeting of the Company. The Board shall have the absolute power to declare interim dividend during the financial year, as and when they consider it fit.

- 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. The declaration of final dividend shall be included in the ordinary business items that are required to be transacted at the Annual General Meeting.

- Interim Dividend

This form of dividend can be declared by the Board one or more times in a financial year as may be deemed fit by it. The Board of the Company would declare an interim dividend, as and when considered appropriate, in line with this Policy. Normally, the Board could consider declaring an interim dividend after finalization of quarterly (or half yearly) financial accounts.

5. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

The decision regarding declaration and payment of dividend 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 any

proposed or 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.

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).

6. PARAMETERS TO BE CONSIDERED BEFORE RECOMMENDING DIVIDEND

The Board of the Company shall consider the following financial / internal parameters while declaring or recommending dividend to shareholders:

- Profits earned and available for distribution during the financial year
- Accumulated Reserves including Retained Earnings
- Net Profit earned during the financial year as per the consolidated Financial Statements
- Cash Flows
- Debt repayment schedules, if any
- Fund requirement for contingencies and unforeseen events with financial implications
- Any other relevant factors and material events

The Board of the Company shall consider the following external parameters while declaring or recommending dividend to shareholders:

- 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.
- Internal Factors
 - Growth rate of past earnings;
 - Growth rate of predicted profits;

- Expansion and modernisation of existing business;
 - Investment in research and development;
 - Working capital requirements;
 - Mergers and Acquisitions;
 - Investments in subsidiaries/Joint ventures/associates;
 - Buyback options;
 - Approach adopted - residual, stability or hybrid.
- Utilization of retained earnings
- The decision of utilization of retained earnings of the Company shall be based on the following factors:
 - Acquisition/Diversification of business;
 - Long term strategic plan;
 - High cost of debt;
 - Market or product development/expansion plan;
 - Increase in production capacity;
 - Modernization Plan;
 - Replacement of Capital-intensive assets.
- Classes of Shares:
- The Company has issued only one class of shares viz., equity shares. There are no other class of shares issued or proposed to be issued by the Company. In case of issue of new class of shares in the future, the policy will be reviewed accordingly.

7. 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.

The Board may declare dividend upto 80% of its Profit after Tax in any financial year.

8. PARAMETERS THAT SHALL BE ADOPTED WITH REGARD TO VARIOUS 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 Laws and will be determined, if and when the Company decides to issue other classes of shares.

9. CONFLICT IN 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.

10. REVIEW / AMENDMENT

In case of any subsequent changes in the provisions of the Act or Regulations 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. Any such amendments shall be disclosed along with the rationale for the same in the Annual Report and on the website of the Company.
