

# **SOMA TEXTILES & INDUSTRIES LIMITED**

## **DIVIDEND DISTRIBUTION POLICY**

**[Pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]**

### **1. Scope And Objective**

This Policy seeks to establish a broad framework for the distribution of dividend by the Company while appropriately balancing the need to retain resources for its growth, sustainability and future business requirements. Through this Policy, the Company endeavors to ensure fairness, consistency and transparency in the declaration and distribution of dividends to its shareholders.

The Policy sets out the circumstances and various factors that may be considered by the Board of Directors while deciding on the distribution or retention of profits, with a view to providing greater transparency to shareholders.

This Policy is not intended to restrict the discretion of the Board in recommending dividends. The Board shall continue to exercise its judgment in recommending dividends after taking into consideration the factors set out herein and such other relevant factors as it may deem appropriate from time to time.

This Policy shall be applicable to Soma Textiles & Industries Limited and shall be implemented in accordance with the applicable provisions of the Companies Act, 2013, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and other applicable laws.

### **2. Statutory Requirements**

The declaration and distribution of dividend shall, at all times, be in accordance with the provisions of the Companies Act, 2013, read with applicable rules framed thereunder, as may be in force for the time being (“Act”) in particular Sections 2(35), 24, 51, 134(3)(k), 123, 124, 125, 126 and 127 of the Act and the Companies (Declaration and Payment of Dividend) Rules, 2014, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”), such other applicable provisions of law and the Articles of Association of the Company as amended.

### **3. Parameters to be Considered While Recommending/Declaring Dividend**

The Board while declaring or recommending dividend to the shareholders, will consider following financial/ internal and external factors:

#### **Financial/Internal Factors:**

- Profits earned and available for distribution during the financial year
- Accumulated reserves, including retained earnings
- Mandatory transfer of Profits earned to specific reserves, such as Debenture Redemption Reserve, etc.
- Past dividend trends – rate of dividend, EPS and payout ratio, etc.

- Earning Stability
- Future Capital Expenditure requirement of the Company
- Growth plans, both organic and inorganic
- Capital restructuring, debt reduction, capitalisation of shares
- Crystallization of contingent liabilities of the Company
- Profit earned under the Consolidated Financial Statement
- Cash Flows
- Current and projected Cash Balance and Company's working capital requirements.
- Covenants in loan agreements, Debt servicing obligations and Debt maturity profile

External Factors:

- Economic environment, both domestic and global.
- Unfavorable market conditions
- Changes in Government policies and regulatory provisions
- Cost of raising funds from alternate sources
- Inflation rates
- Sense of shareholders' expectations
- Cost of external financing

**4. Circumstances under which Shareholders of the Company may or may not Expect Dividend**

The decision regarding dividend payout 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. Hence, the shareholders of the Company may expect dividend only if the Company is having surplus funds after providing for all the expenses, depreciation, etc., and after complying with the 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 of Directors:

- the Company has inadequacy of profits or incurs losses for the Financial Year;
- the Company undertakes /proposes to undertake a significant expansion project requiring higher allocation of capital;
- the Company undertakes /proposes to undertake any acquisitions or joint arrangements requiring significant allocation of capital.
- the Company has significantly higher working capital requirement affecting free cash flow.
- the Company proposes to utilize surplus cash for buy- back of securities;
- the Company is prohibited to recommend/declare dividend by any regulatory body.

The Board may also not recommend a dividend on considering any compelling factors/parameters mentioned in point 3 above.

## **5. Policy as to how the Retained Earnings will be Utilized**

The Board may retain earnings to support the Company's growth, financial stability, and long-term stakeholder value. Retained earnings may be utilized for, inter alia:

- Long-term strategic and business plans;
- Expansion, modernization, or diversification of business operations;
- Capital expenditure, replacement of assets, and working capital requirements;
- Market and product development initiatives;
- Strengthening the capital structure, including debt reduction;
- Payment of dividend or issuance of bonus shares; and
- Any other purpose as may be considered appropriate by the Board from time to time.

## **6. Disclosures**

The Policy shall be disclosed in the Annual report and on the website of the Company i.e. at <https://www.somatextiles.com/>

## **7. Policy review and amendments**

This Policy shall be reviewed periodically by the Board and may be amended, modified, or revised from time to time in accordance with applicable laws and business requirements.

This Policy has been approved and adopted by the Board of Directors of the Company at its meeting held on 31<sup>st</sup> May, 2026 and shall be effective from the date of such approval.

## **8. Disclaimer**

- a. The Policy does not constitute a commitment regarding the future dividends of the Company, 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 the year and the Board reserves the right to depart from the policy as and when circumstances so warrant.
- b. 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.