

Dividend Distribution Policy (“Policy”) of BASF India Limited (“Company”)

Scope & objective

This Policy governs the general approach of dividend distribution from BASF India Limited. This Policy is applicable for distribution of net income &/or retained earnings as dividends to its Shareholders’ and does not include any other forms of distribution (e.g. reduction in share capital, share buy-back etc.)

The objective of this Policy is to provide a broad and directional framework, with the relevant underlying parameters and principles, which shall influence and impact the distribution of dividends. Thus, the Policy shall also provide the requisite transparency and consistency to concerned stakeholders on dividend distribution of the Company.

Regulatory compliance

The dividend distribution shall be in accordance with the relevant and applicable provisions of Companies Act, 2013 (“the Act”), Rules framed thereunder, the Articles of Association of the Company, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other relevant legislations governing dividend distribution (e.g. Income Tax Act), as in force and as amended from time to time.

Dividend distribution framework

a) Circumstances under which the shareholders may or may not expect dividend

- Current year’s profit or loss situation, cash flows of the Company
- Financial ability of the Company to distribute dividends (elaborated below)
- Achievement or non-achievement of business and other operational targets
- General outlook of the Company with regard to its operational planning and internal and external environment

b) Financial parameters that may be considered while declaring dividend

- Net profit of the Company available for distribution
- Free Cash Flow of the Company
- Financial indebtedness of the Company (e.g. debt equity ratio)
- Serviceability ratios (e.g. debt service, interest coverage etc.)
- Financial ratios (e.g. return on capital, return on equity etc.)
- Funding sources of Dividend (e.g. available cash, borrowings etc.)
- Tax related considerations on the distribution of dividends
- Exceptional & extra ordinary items
- Accumulated profits available for distribution as prescribed under the Act
- Mandatory transfer (if any) to Reserves for any dividends

c) Internal and external factors that would be considered for declaration of dividend

- Capital Structure and financing policy of the Company
- Optimizing after-tax financing costs
- Capital expenditure for existing/ planned projects
- Debt repayment profile of the Company
- Acquisition & divestitures of any business, merger, restructuring etc.
- Thin Capitalization or any such regulation to the extent it is relevant and applicable
- Value based management (e.g. achieving premium on cost of capital)
- Changes in tax and other laws / local regulations
- Impact of dividend distribution on Company's credit ratings
- Macro-economic factors
- Providing for any contingencies

d) Policy as to how retained earnings will be utilized

- Points a, b and c above shall also influence the utilization of the retained earnings
- To be decided by the Company from time to time subject to compliance with the provisions of the Act

e) Parameters that shall be adopted with regard to various classes of shares

The Company currently has only one class of equity shares

The above listing is merely directional in nature and not exhaustive by any means. The Board may take cognizance of the above factors in conjunction with each other &/or consider any other factor(s) beyond the above listing, as it deems fit in the interest of the shareholders' while proposing the profit distribution.

Dividend procedure

The Board of the Company shall recommend the proposed dividend to the Shareholders' for their approval in the general meeting of the Company. The Board may also declare interim dividend(s) as and when it considers fit based on the above mentioned approach. The Board's report shall contain appropriate disclosures regarding distribution / non-distribution of dividends as may be required in accordance with the provisions of the Companies Act, 2013.

The definitions of the terms used in this Policy are to be read as per the provisions in the Companies Act or other relevant statues. The Board reserves its right to add, delete, alter, modify or amend any of the provisions of this policy.

Date: 1st February 2017