

## DIVIDEND DISTRIBUTION POLICY

Pursuant to the provisions of Companies Act, 2013

**Approved by Audit Committee and Board of Directors Meeting held on 27<sup>th</sup> December 2023 and became applicable w.e.f from 27<sup>th</sup> December 2023**

### **“Introduction”**

The dividend is the payment made by a Company to its shareholders, usually by distributing its profits. The profits earned by the Company can either be retained in business and used for acquisitions, expansion, or diversification, 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 dividends. This Policy aims to reconcile all these divergent needs. The dividend payout of a Company is driven by several factors.

The objective of our policy is to ensure a balance between these apparently conflicting and divergent approaches and ensure that while the Company recommends a regular dividend income for the shareholders, it also ensures long-term capital appreciation for all its stakeholders. The Company would seek to strike the right balance between the quantum of dividends paid and the amount of profits retained in the business for various purposes.

The Board of Directors will refer to the policy while declaring/recommending dividends on behalf of the Company. Through this policy, the Company would endeavour to maintain a consistent approach to dividend pay-out plans. The Company believes that it operates in the fast-growing online power trading segment which is expected to witness new developments and offer investment opportunities, therefore the retention of surplus funds for future growth will equally be important as that of distribution of surplus by way of dividends to shareholders. However, considering the consistent and impressive generation of profits year on year, there is a need to provide greater clarity on the dividend pay-out philosophy of the Company.

**The following financial parameters shall be considered while declaring dividends:**

- i. Financial Performance and Profitability
- ii. Liquidity
- iii. Financial metrics (i.e. Financial Ratios)
- iv. Retained earnings
- v. Capital commitments going forward.

### **“Utilization of Retained Earnings”**

	<p>Where the company predicts, based on appropriate analysis, that the Company can put retained earnings to better use and increase the earnings substantially or has the ability to increase earnings at a higher-than-market rate, the Board may utilize the retained earnings for the following purposes:</p> <ol style="list-style-type: none"> <li>To Secure a durable competitive advantage in the Automotive market;</li> <li>To invest in research and development of the products/contracts in Automotive &amp; related sectors;</li> <li>To expand business by potential acquisition opportunities, as permissible by law;</li> <li>To invest in technology/modernisation plan so as to avoid technological obsolescence risks</li> <li>To consider buy back of shares</li> <li>To expand capacity/facilities utilizing internal accruals to capitalize upon new opportunities in view of regulatory changes.</li> <li>Such other purposes, as the Board may think appropriate from time to time to maintain/enhance its competitive advantage.</li> </ol>
<b><u>“Factors (Internal &amp; External) to be considered while Declaring Dividend”</u></b>	
	<p>The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders and the amount of profit to be retained in the business. The Board of Directors will endeavour to make a decision with the objective of enhancing shareholders' wealth and the market value of the shares. However, the decision regarding pay-out is subject to several factors and hence, an optimal balance needs to be arrived at considering the interest of shareholders and that of the Company.</p> <p>The dividend pay-out decision of any company depends upon certain external and internal factors.</p>
<b>External Factors</b>	
	<p><u>State of Economy</u> In case of uncertain or recessionary economic and business conditions, the Board will endeavour to retain a larger part of profits to build up reserves to absorb future shocks.</p> <p><u>Capital Markets</u> When the markets are favourable, dividend payouts can be liberal. However, in case of unfavourable market conditions, the Board may resort to a conservative dividend pay-out in order to conserve cash outflows.</p> <p><u>Statutory Restrictions</u> The Board will keep in mind the restrictions imposed by the Companies Act with regard to the declaration of dividends.</p>

<b>Internal Factors</b>	
	<p>Apart from the various external factors aforementioned, the Board will take into account various internal factors while declaring dividends, which inter alia will include</p> <ul style="list-style-type: none"> <li>a) Profits earned during the year;</li> <li>b) Present &amp; future capital requirements of the existing businesses;</li> <li>c) Brand/business acquisitions;</li> <li>d) Expansion/modernization of existing businesses;</li> <li>e) Additional investments in subsidiaries/associates of the Company;</li> <li>f) Fresh investments into external businesses;</li> <li>g) Any other factor as deemed fit by the Board.</li> </ul>
<b><u>“Category of Dividend”</u></b>	
	<p>The Companies Act provides for two forms of Dividend- Final and Interim. The Board of Directors shall have the power to recommend the final dividend to the shareholders for their approval in the general meeting of the Company. The Board of Directors shall have the absolute power to declare interim dividends during the financial year, as and when they consider it fit.</p>
<b><u>“Final Dividend”</u></b>	
	<p>The Final dividend is paid once for the financial year after the annual accounts are prepared. The Board of Directors of the Company has the power to recommend the payment of the Final Dividend to the shareholders in a general meeting. The declaration of the Final dividend shall be included in the ordinary business items that are required to be transacted in the Annual General Meeting.</p>
<b><u>“Process of Approval of Payment “</u></b>	
	<p>The board is to recommend a quantum of final dividend payable to shareholders in its meeting in line with this Policy, based on the profits arrived at as per the audited financial statements. Shareholders to approve in Annual General Meeting - once in a financial year;</p>
<b><u>“Interim Dividend”</u></b>	
	<p>This dividend can be declared by the Board of Directors one or more times in a financial year as may be deemed fit by it. The Board of Directors 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 the finalization of quarterly (or half-yearly) financial accounts.</p>
<b><u>“Declaration of Dividend”</u></b>	

	<p>Subject to the provisions of Section 123 (reproduced below) of the Companies Act dividends shall be declared or paid only out of:</p> <ol style="list-style-type: none"> <li>Current financial year's profit after (a) providing for depreciation in accordance with law and (b) transferring to reserves such amount as may be prescribed or as may be otherwise considered appropriate by the Board at its discretion, or</li> <li>The profits for any previous financial year(s) (a) after providing for depreciation in accordance with law; (b) remaining undistributed; or</li> <li>Out of (i) and (ii) both.</li> </ol>
<p><b><u>"Dividend Distribution Range"</u></b></p>	
	<p>The Company stands committed to delivering sustainable value to all its stakeholders. The Company will strive to distribute an optimal and appropriate level of the profits earned by it in its business and investing activity, with the shareholders, in the form of dividends. As explained in the earlier part of this Policy, determining the dividend pay-out is dependent upon several factors, both internal to a business and external to it. Taking into consideration the aforementioned factors, the Board will endeavour to maintain a dividend pay-out (interim, if any, and final, put together) of about 50 per cent of profits after tax (PAT) every financial year on the standalone financials. However, the Board may amend the pay-out range, whenever considered appropriate by it, keeping in mind the aforesaid factors having a bearing on the dividend pay-out decision.</p> <p>The Board may, after taking into consideration the matters such as the financial position, investment plans economic conditions and liquidity, declare or recommend dividend.</p> <p>Circumstances under which shareholders of the Company may not expect dividend; The Board of Directors of the Company may abstain from declaring any dividend / lower percentage of dividend in a particular financial year, if they are of the view that the retained earnings/funds through internal accruals can be better utilised for the following purposes:</p> <ol style="list-style-type: none"> <li>Expansion/modernisation of the existing business operations,</li> <li>Seeking inorganic growth through acquisitions opportunities, within and outside India</li> <li>Investment in Subsidiary and Associate Companies,</li> <li>Embark upon new product / line of business,</li> <li>Buyback of shares etc.</li> <li>Such other purposes, as the Board may think appropriate from time to time to maintain /enhance its competitive advantage.</li> </ol> <p>In case the Board of Directors abstains from declaring dividend, a justification thereof shall be provided to the shareholders in the Directors Report.</p>

<b><u>“Disclosure of Website”</u></b>	
	This Policy shall be disclosed on the Company’s website: <a href="https://www.sawhneyauto.com/">https://www.sawhneyauto.com/</a>
<b><u>“Review/ Amendment”</u></b>	
	This Policy is subject to review/revision by the Board of Directors whenever felt necessary.