



## DIVIDEND DISTRIBUTION POLICY

### **Objective:**

The objective of this Policy is to ensure the right balance between the quantum of Dividend and amount of profits retained in the business for various purposes. Towards this end, the Policy lays down parameters to be considered by the Board of Directors (the “Board”) of the AIA Engineering Limited (the “Company”) for declaration of Dividend from time to time.

### **Philosophy:**

The philosophy of the Company is to maximise the shareholders’ wealth in the Company through various means. The Company believes that driving growth creates maximum shareholder value. Thus, the Company would first utilise its profits for working capital requirements, capital expenditure to meet expansion needs, reducing debt from its books of accounts, earmarking reserves for inorganic growth opportunities and thereafter distributing the surplus profits in the form of dividend to the shareholders.

### **Regulatory Framework:**

The Securities and Exchange Board of India (“SEBI”) vide its Notification dated July 08, 2016 has amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015(the “Listing Regulation”) by inserting Regulation 43A in order to make it mandatory to have a Dividend Distribution Policy (the “Policy”) in place by the top five hundred listed companies based on their market capitalization calculated as on the 31<sup>st</sup> day of March of every year.

The Company being one of the top five hundred listed companies as per the market capitalization as on the last day of the immediately preceding financial year, frames this policy to comply with the requirements of the SEBI Listing Regulation.

The Policy shall not apply to:

- Determination and declaring dividend on preference shares as the same will be as per the terms of issue approved by the shareholders.
- Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law;
- Distribution of cash as alternative to payment of dividend by way of buyback of equity shares.



**GENERAL POLICY OF THE COMPANY AS REGARDS DIVIDEND:**

The general consideration of the Company for taking decisions with regard to dividend payout or retention of profits shall be as following:

1. Subject to the considerations as provided in the Policy, the Board shall determine the dividend payout in a particular year after taking into consideration the operating and financial performance of the Company, the advice of Advisory Board and other relevant factors.
2. The Board may also, where appropriate, aim at distributing dividends in kind, subject to applicable law, in form of fully or partly paid shares or other securities.
3. Company's Dividend Policy is to distribute 10-25% of its consolidated net profit as dividend (including Dividend Distribution Tax).

**A. CIRCUMSTANCES UNDER WHICH DIVIDEND PAYOUT MAY OR MAY NOT BE EXPECTED:**

The shareholders of the Company may not expect Dividend under the following circumstances:

- Whenever it undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;
- Significantly higher working capital requirements adversely impacting free cash flow;
- Whenever it undertakes any acquisitions or joint ventures requiring significant allocation of capital;
- Whenever it proposes to utilise surplus cash for buy-back of securities;

In the event of inadequacy of profits or whenever the Company has incurred losses.

**B. PARAMETERS FOR DECLARATION OF DIVIDEND:**

In line with the philosophy stated above, the Board of the Company shall consider the following parameters for declaration of Dividend.

**The Financial Parameters/Internal Factors:**

The Board of the Company would consider the following financial parameters before declaring or recommending dividend to shareholders:

- Consolidated net operating profit after tax;
- Working Capital requirements;
- Capital expenditure requirements;
- Resources required to fund acquisitions and/or new businesses
- Cash flow required to meet contingencies;



- Outstanding borrowings;
- Past Dividend Trends;
- Net sales of the Company;
- Return on invested capital; and
- Any other factor as deemed fit by the Board.

**C. INTERNAL & EXTERNAL FACTORS TO BE CONSIDERED FOR DECLARATION OF DIVIDEND:**

The Board of the Company would consider the following internal/external factors before declaring or recommending dividend to shareholders:

**INTERNAL FACTORS**

- Past performance/reputation of the Company
- Age of the Company and its product/market

**EXTERNAL FACTORS**

- Prevailing legal requirements, regulatory conditions or restrictions laid down under the Applicable Laws including tax laws;
- Dividend pay-out ratios of companies in the same industry;
- Product/Market expansion plan;
- Macroeconomic conditions; and
- Expectations of major stakeholders including small shareholders.

**D. MANNER OF UTILISATION OF RETAINED EARNINGS:**

The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision of utilisation of the retained earnings of the Company shall be based on the following factors:

- Market expansion plan;
- Product expansion plan;
- Increase in production capacity;
- Modernization plan;
- Diversification of business;
- Long term strategic plans;
- Replacement of capital assets;
- Where the cost of debt is expensive; and
- Other such criteria as the Board may deem fit from time to time.



**E. PARAMETERS FOR VARIOUS CLASSES OF SHARES:**

1. The factors and parameters for declaration of dividend to different class of shares of the Company shall be same as covered above.
2. The payment of dividend shall be based on the respective rights attached to each class of shares as per their terms of issue.
3. The dividends shall be paid out of the Company's distributable profits and/or general reserves, and shall be allocated among shareholders on a pro-rata basis according to the number of each type and class of shares held.

Dividend when declared shall be first paid to the preference shareholders of the Company as per the terms and conditions of their issue.

**AMENDMENT**

This Policy would be subject to modification in accordance with the guidelines/clarifications as may be issued from time to time relevant statutory and regulatory authority. The Board may modify, add or amend any of the provisions of this Policy. Any exceptions to the Dividend Distribution Policy must be consistent with the Regulations and must be approved in the manner as may be decided by the Board.