



ARDEE ENGINEERING LIMITED

DIVIDEND DISTRIBUTION POLICY

PREAMBLE

This Dividend Distribution Policy is made pursuant to the applicable provisions of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**Listing Regulations**"). The Board of Directors of Ardee Engineering Limited (the "**Company**"), herein after referred as (the "**Board**"), has approved the Dividend Distribution Policy of the Company (the "**Policy**") at its meeting held on [●]. The Policy shall be disclosed on a voluntary basis in the annual reports and on the website of the Company. This Policy sets out the general parameters adopted by the Company for declaration of dividend for guidance purposes.

Objective

The Company aimed at maximization of shareholders' value and believes that this can be attained by driving growth. The Policy endeavours to strike an optimum balance between rewarding shareholders through dividend and ensuring that sufficient profits are retained for growth of the Company and other needs. The objective of the Policy is to lay down a consistent approach to dividend declaration.

Definitions

The terms referred to in the Policy will have the same meaning as defined under the Act and the Rules made thereunder, and the Listing Regulations

Policy Framework

The Policy has been formulated in line with the provisions of the Companies Act, 2013, Regulations issued by SEBI, Guidelines on Capital Restructuring of Central Public Sector Enterprises issued by Department of Investment and Public Asset Management (DIPAM), Guidelines issued by Ministry of Finance/Ministry of Corporate Affairs and other guidelines, to the extent applicable on the Company. Any subsequent amendments in these provisions would, ipso-facto, apply to this Policy. The Policy is not an alternative to the decision taken by the Board regarding declaration/recommendation of dividend after considering the various relevant factors.

DIVIDEND

Dividend is the amount paid by the Company out of profits, to its Shareholders in proportion to the amount paid up on the shares held by the shareholders. As per the provisions of the Companies Act, 2013, the dividend can be paid as interim or final.

Interim Dividend

(a) The Board of the Company may declare the interim dividend during the financial year, as and when they consider it fit to so declare.

(b) The interim dividend can be declared by the Board one or more times in a financial year and normally, the Board may consider the declaration of interim dividend after the finalization of the quarterly/half yearly financial statements of the Company.

(c) The interim dividend, if declared, shall be paid to the eligible shareholders, as per provisions of the Companies Act, 2013, SEBI Regulations and other laws, to the extent applicable. First interim dividend, if any, may be declared in the Board Meeting convened for approving financial statements for the 2nd quarter/half-year, and 2nd interim dividend, if any, may be declared at the time of approving financial statements for the 3rd quarter of the financial year.

(d) In case no final dividend is declared by the Company, interim dividend paid during the financial year, if any, shall be considered as final dividend at the Annual General Meeting of the Company.

Final Dividend

- a) The final dividend, if any, is paid once in a financial year after the preparation of the annual financial statements.
- b) The Board shall recommend the final dividend to the Shareholders for their approval in the Annual General Meeting of the Company. The declaration of final dividend, if any, shall be included in the ordinary business items to be transacted at the Annual General Meeting of the Company.
- c) The final dividend shall be paid to the eligible shareholders subject as per provisions of the Companies Act, 2013, SEBI Regulations and other laws, to the extent applicable.

CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE COMPANY MAY OR MAY NOT EXPECT DIVIDEND

The decision regarding dividend pay-out is a vital decision, as it determines the amount of the profit to be distributed among its shareholders and the amount of the profit to be retained in business for the future growth and modernization expansion plan of the Company. The Company would continue to adopt a progressive and dynamic dividend distribution policy to ensure its immediate and long term requirements along with rewarding the Shareholders of the Company. Dividend for the financial year shall be decided/recommended by the Board, considering, statutory, economic, market, industry, external and internal factors. The Company may not declare dividend or declare dividend at a lower rate under the following circumstances:

- a) In the event of the Company making losses or the profits are inadequate;
- b) Where the Company is having requirement of funds for Capex requiring high capital allocation, working capital, repayment of loans taken in the past;
- c) Inadequate availability of cash; and
- d) Higher cost of raising funds from alternate sources.

It may be noted that declaration of dividend shall be subject to the provisions of Companies Act, 2013, SEBI Regulations, Guidelines issued by Ministry of Corporate Affairs/Ministry of Finance/Department of Investment and Public Asset Management or any other authority.

Parameters to be Considered for Dividend Distribution

The Company has only one class of shares i.e. Equity shares and, hence, the parameters disclosed here under apply to the same.

The Board while considering payment of dividend for a financial year may, inter alia, consider the following factors:

Profit for the financial year as well as general reserves of the Company.

- Projections of future profits and cash flows;
- Borrowing levels and the capacity to borrow including repayment commitments;
- Present and future Capital expenditure plans of the Company including organic/inorganic growth avenues;
- Applicable taxes including tax on dividend;
- Compliance with the provisions of the Companies Act or any other statutory guidelines including guidelines issued by Government of India;

- Past dividend trend for the Company and the industry;
- State of economy and capital markets; and
- Any other factor as may be deemed fit by the Board.

The profits for a year may be adjusted at the discretion of the Board, for the purpose, to exclude exceptional or one-off items or non-cash items resulting from change in law, accounting policies, accounting standards or otherwise.

Other important internal and external factors to be considered by the Board

In addition to the aforesaid parameters such as realized profits and proposed major capital expenditures, the decision of dividend pay-out or retention of profits shall also be based on the following factors/ parameters:

1. **Cash flow** – If the Company cannot generate adequate operating cash flow, it may need to rely on outside funding to meet its financial obligations and sometimes to run the day-to-day operations. The Board will consider the same before its decision whether to declare dividend or retain its profits.
2. **Cost of borrowings** – The Board will analyse the requirement of necessary funds considering the long term or short-term projects proposed to be undertaken by the Company and the viability of the options in terms of cost of raising necessary funds from external sources such as bankers, lending institutions or by issuance of debt securities or plough back its own funds.
3. **Taxation and other regulatory concern** - Dividend distribution tax or any tax deduction at source as required by tax regulations in India, as may be applicable at the time of declaration of dividend and its impact on the finances of company.
4. **Macroeconomic conditions** - Considering the state of economy in the Country, the policy decisions that may be formulated by the Government and other similar conditions prevailing in the international market which may have a bearing on or affect the business of the Company, the management may consider retaining a larger part of the profits to have sufficient reserves to absorb unforeseen circumstances.
5. **Past performance/ Dividend history and reputation of the Company** - The standing of company in the business space, its dividend payment history and the impact of the decision on overall reputation of the Company.
6. Any restrictions on payment of dividends by virtue of any regulation as may be applicable to the Company at the time of declaration of dividend.

Dividend pay-out ratio

Dividend for every financial year shall be decided by Board considering various statutory requirements, financial performance of the company and other internal and external factors enumerated earlier in the policy.

The Company is committed to continuous growth and has plans requiring significant capital outlay. The retained earnings, after distribution of dividend, shall primarily be utilized towards this purpose.

UTILISATION OF RETAINED EARNINGS

The Company shall endeavour to utilise the retained earnings in a manner which shall be beneficial to the interests of the Company and also its shareholders. The Company may utilise the retained earnings 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 Directors of the Company.

REVIEW / AMENDMENT

In the event of the Policy being inconsistent with any new regulatory provision, such regulatory provision shall prevail upon the corresponding provision of this policy and the policy shall be construed to be amended accordingly from the effective date of such provision.

The Company reserves its right to alter, modify, add, delete or amend any or all of the provisions of the Policy as it may deem fit or in accordance with the guidelines and regulations as may be issued by Securities and Exchange Board of India, Government of India or any other regulatory authority. The change in the policy shall, however, be disclosed along with the justification thereof on the Company's website and in the ensuing annual report of the Company in accordance with the extant regulatory provisions.