

DIVIDEND DISTRIBUTION POLICY

INTRODUCTION

Regulation 43A of the Securities Exchange Board of India (“SEBI”) (Listing Obligations and Disclosure Requirements) Regulations, 2015, mandates top 1000 listed entities, determined on the basis of their market capitalization calculated on March 31 of every financial year, to formulate a Dividend Distribution Policy. In compliance with the said Regulations, the Company has framed this Dividend Distribution Policy (the Policy).

The Policy shall be effective from the date of adoption of the same by the Board of Directors.

OBJECTIVE

The Policy reflects the intent of the Company to reward its shareholders by sharing a portion of its distributable profits after retaining sufficient funds for its future growth initiatives and maintaining the financial soundness of the Company. The purpose of the Policy is to lay down criteria to be considered by the Board in taking decisions for recommending dividend to its shareholders.

REGULATORY FRAMEWORK

The Policy has been formulated in line with the provisions of the Companies Act, 2013 read with the Companies (Declaration and Payment of Dividend) Rules, 2014, the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Any subsequent amendments in these provisions would, ipso facto, apply to the policy.

PARAMETERS TO BE CONSIDERED FOR DECLARATION OF DIVIDEND

GENERAL

Dividend is the amount paid by the company out of its profits, to its shareholders in proportion to the amount paid up on the shares held by the shareholders. The term dividend also includes interim dividend. The Board shall recommend or declare dividend as the case may be, only if it is of the opinion that it is financially prudent to do so. Further, the Board may declare one or more Interim Dividends during the year and the Board may recommend Final Dividend for the approval of the shareholders at the Annual General Meeting. The Board may also recommend/declare Special Dividends as considered appropriate.

INTERNAL AND EXTERNAL FACTORS TO BE CONSIDERED FOR DECLARATION OF DIVIDEND

The Board of Directors shall take a decision to declare dividend after taking into account the following internal and external factors:

A. Internal Factors:

The Board shall consider the following internal factors (which are illustrative and not exhaustive) while taking a decision for declaration of dividend;

- a) Profitability of the Company;
- b) Availability and Liquidity of Funds;
- c) Capex needs for the existing business /modernization/expansion;
- d) Any proposed Mergers and Acquisitions;
- e) Requirement of additional investments in subsidiaries/associates of the Company;
- f) Cost of raising funds from alternate sources;
- g) Cost of servicing outstanding debts;
- h) Funds for meeting contingent liabilities
- i) Any other factors which can have material financial implications on the Company.

B. External Factors:

In addition to the above, the Board shall consider the following external factors (which are illustrative and not exhaustive) while taking a decision for declaration of dividend:

- a) Economic Scenario - The Board shall endeavor to retain a larger portion of profits to build up reserves, in case of adverse economic scenario.
- b) Competitive / Market Scenario - The Board shall evaluate the market trends in terms of technological changes mandating investments, competition impacting profits, etc., which may require the Company to conserve resource
- c) Regulatory Restrictions /Statutory obligations under the Companies Act, 2013 to transfer a certain portion of profits to Reserves
- d) Agreements with Lenders - The decision of dividend pay-out should factor restrictive covenants, if any, contained in the agreements with the lenders of the Company;
- e) the external factors which can have material financial implications on the Company.

CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND:

The Company has been consistently paying out dividends to its shareholders and can be reasonably expected to continue in future as well, unless it is restrained due to insufficient profits or any other external or internal factors listed above.

MANNER OF DIVIDEND PAYOUT

A. Interim Dividend:

- a) The Board may declare Interim Dividend at its complete discretion in line with this Policy, based on distributable profits arrived at on a quarterly or half-yearly financial result of the Company.
- b) In case no Final Dividend is declared, Interim Dividend paid during the year, if any, will be regarded as Final Dividend for confirmation of shareholders in the Annual General Meeting.

B. Final Dividend:

- a) The Board shall recommend final dividend usually in the Board Meeting that considers and approves the annual financial statements of the Company.
- b) The final dividend, if any, that the Board may consider shall factor Interim Dividend, if any, that it might have declared during the applicable financial year.

MANNER OF UTILIZATION OF RETAINED EARNINGS

The Board may consider to retain earnings, considering weighted average cost of capital in application for growth initiatives and increase in stakeholders' value from long term perspective. The decision of utilization of the retained earnings of the Company will, among others, be based on the following factors:

- a) Strategic and long-term plans of the Company;
- b) Organic and in-organic growth opportunities available to the Company;
- c) Non-fund-based needs of the Company, its subsidiaries and Joint Ventures which may require the Company to have a healthy consolidated balance sheet;
- d) Decision for issue of bonus, buy-back etc.; and
- e) Funding for Capex / expansion plans / acquisition;
- f) Repayment of debt;
- g) Any other criteria which the Board of the Company may consider appropriate.

PARAMETERS THAT SHALL BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

The holders of the Equity Shares of the Company as per the Issued and Paid-up Capital, on the record date (determined as per applicable laws), are entitled to receive dividends.

The other classes of shares for e.g. Preference shares or shares with differential voting rights, if issued anytime, will be governed by the terms of issue of such shares.

Further, any convertible instruments issued by the Company shall be entitled for dividend only upon conversion.

DISCLOSURES

This Dividend Distribution Policy shall be disclosed in the Annual Report of the Company and on the Company's website www.raclgeartech.com.

REVIEW OF POLICY

The policy will be reviewed and amended by the Board of Directors as and when required periodically and consider modifying, amending, deleting any of the provisions of this Policy.