



DIVIDEND DISTRIBUTION POLICY

AZAD ENGINEERING LIMITED

(Formerly Azad Engineering Private Limited)

CIN: U74210TG1983PLC004132

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1. Objective:

The objective of this Policy is to establish the parameters to be considered by the Board of Directors of Azad Engineering Limited (formerly known as “Azad Engineering Private Limited”) (the “**Company**”) before declaring or recommending dividend (which shall include Interim Dividend).

2. Circumstances Under Which The Shareholders May Or May Not Expect Dividend

The decision regarding dividend payout is a crucial decision as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in business. Hence, the shareholders of the Company may expect dividend only if the Company is having surplus funds after providing for all the expenses, depreciation, etc., and after complying with the statutory requirements under the Applicable Laws.

The Board of Directors of the Company may not declare or recommend dividend for a particular period if it is of the view that it would be prudent to conserve capital for the then ongoing or planned business expansion or other factors which may be considered by the Board.

The shareholders of the Company may not expect dividend in the following circumstances, subject to the discretion of the Board of Directors:

- i. the Company has inadequacy of profits or incurs losses for the Financial Year;
- ii. the Company undertakes /proposes to undertake a significant expansion project requiring higher allocation of capital;
- iii. the Company undertakes /proposes to undertake any acquisitions or joint arrangements requiring significant allocation of capital.
- iv. the Company has significantly higher working capital requirements affecting free cash flow.
- v. the Company proposes to utilize surplus cash for buy- back of securities;
- vi. the Company is prohibited to recommend/declare dividend by any regulatory body. The Board may also not recommend a dividend on considering any compelling factors/parameters mentioned in point 3 above.

3. Parameters To Be Considered Before Recommending Dividend

The Board while declaring or recommending dividend to the shareholders, will consider following financial/ internal and external factors:

i. Financial/Internal Factors:

- a. Profits earned and available for distribution during the financial year
- b. Accumulated reserves, including retained earnings
- c. Mandatory transfer of Profits earned to specific reserves, such as Debenture Redemption Reserve, etc.
- d. Past dividend trends – rate of dividend, EPS and payout ratio, etc.
- e. Earning Stability
- f. Future Capital Expenditure requirement of the Company
- g. Growth plans, both organic and inorganic
- h. Capital restructuring, debt reduction, capitalisation of shares



ii. External Factors:

- a. Economic environment, both domestic and global.
- b. Unfavorable market conditions
- c. Changes in Government policies and regulatory provisions
- d. Cost of raising funds from alternate sources
- e. Inflation rates
- f. Sense of shareholders' expectations
- g. Cost of external financing

4. Utilization Of Retained Earnings:

The Company shall endeavor to utilize the retained earnings in a manner which shall be beneficial to the interests of the Company and also its shareholders.

The Company may utilize 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.

5. Parameters That Shall Be Adopted With Regard To Various Classes Of Shares

The Company has issued only one class of shares viz. equity shares. Parameters for dividend payments in respect of any other class of shares will be as per the respective terms of issue and in accordance with the applicable regulations and will be determined, if and when the Company decides to issue other classes of shares.

6. Conflict In Policy

In the event of any conflict between this Policy and the provisions contained in any law, the law shall prevail.

7. Amendments

The Board may, from time to time, make amendments to this Policy to the extent required due to change in applicable laws or as deemed fit on a review.



8. Disclaimer

- i) The Policy does not constitute a commitment regarding the future dividends of the Company, but only represents a general guidance regarding dividend policy. The statement of the Policy does not in any way restrict the right of the Board to use its discretion in the recommendation of the Dividend to be distributed in the year and the Board reserves the right to depart from the policy as and when circumstances warrant.
- ii) Given the aforementioned uncertainties, prospective or present investors are cautioned not to place undue reliance on any of the forward- looking statements in the Policy.
