

DIVIDEND DISTRIBUTION POLICY

Effective Date: June 30, 2021

1. Background and Applicability:

The Securities Exchange Board of India (“SEBI”) vide its Notification dated May 5, 2021 has amended Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires top one thousand listed companies (based on market capitalization of every financial year) to formulate and disclose a Dividend Distribution Policy on their website and provide its web-link in the Annual Report.

Elpro International Limited (“the Company”) being one of the top one thousand listed companies as per the market capitalization as on the last day of the immediately preceding financial year i.e. March 31, 2021, frames this policy to comply with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board of Directors (“Board”) of the Company at their Meeting held on June 30, 2021 has adopted this Dividend Distribution Policy to comply with these requirements.

2. Circumstances under which the shareholders may or may not expect Dividend:

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

1. Whenever the Company undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;
2. Significantly higher working capital requirements impacting free cash flow;
3. Whenever the Company undertakes or has plans to do any acquisitions or joint ventures requiring significant allocation of capital;
4. Whenever the Company intends to retain funds for future investment opportunities for future growth.
5. Whenever the Company proposes to utilize surplus cash for buy-back of securities; or
6. In the event of inadequacy of profits or whenever the Company has incurred losses.
7. Unforeseen circumstances or future (like pandemic) which necessitates Company to conserve cash reserve to deal with uncertainty.

3. Financial parameters and other internal and external factors that would be considered for declaration of Dividend:

Internal factors:

Distributable surplus available as per the Companies Act and relevant Rules;

- Working Capital requirements;
- Outstanding borrowings;
- The Company's liquidity position and future cash flow needs;
- Track record of Dividends distributed by the Company;
- Capital expenditure requirements considering the expansion and acquisition opportunities;
- Cost and availability of alternative sources of financing;
- Stipulations/ Covenants of loan agreements;
- Business conditions in general;
- Providing of unforeseen event and contingency with financial implications;
- Any other relevant factors that the Board may deem fit to consider before declaring Dividend

External factors:

- Dividend Payout ratios of comparable companies;
- Prevailing Taxation Policy or any amendments expected thereof, with respect to Dividend distribution;

4. Utilization of retained earnings:

Subject to applicable regulations, the Company's retained earnings shall be applied for:

- Funding inorganic and organic growth needs including working capital, capital expenditure, repayment of debt, etc.
- Buyback of shares subject to applicable limits
- Payment of Dividend in future years
- Issue of Bonus shares
- Any other permissible purpose

5. Parameters adopted with regard to various classes of shares:

The Company has only one class of shares referred to as Equity Shares of the Face Value of Re. 1/- each, forming part of its Issued, Subscribed and Paid-up Share Capital.

6. Procedure:

6.1 The Chief Financial Officer in consultation with the MD & CEO of the Company shall recommend any amount to be declared/ recommended as Dividend to the Board of Directors of the Company.

6.2 The agenda of the Board of Directors where Dividend declaration or recommendation is proposed shall contain the rationale of the proposal.

6.3 Pursuant to the provisions of applicable laws and this Policy, Interim Dividend approved by the Board of Directors will be confirmed by the shareholders and Final Dividend, if any, recommended by the Board of Directors, will be subject to shareholders' approval, at the ensuing Annual General Meeting of the Company.

6.4 The Company shall ensure compliance of provisions of Applicable Laws and this Policy in relation to Dividend declared by the Company

7. Review:

The Policy will be reviewed by the Managing Director/ Chief Financial Officer on annual basis and he will be authorized to carry out the necessary amendments therein as per the amendments in the Companies Act, 2013, Rules thereunder and SEBI (Listing Obligations and Requirements) Regulations, 2015.