

SUNDARAM-CLAYTON LIMITED

DIVIDEND DISTRIBUTION POLICY

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1. PREAMBLE

The Board of Directors (the “Board”) of Sundaram-Clayton Limited (the “Company”), has adopted this Dividend Distribution Policy (“Policy”) in accordance with the requirements prescribed under Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time (“Listing Regulations”).

As part of its responsibilities, the Company is required to disclose this Policy in its annual report as well as on its website.

2. SCOPE

This Policy applies to payment of interim and final dividend by the Company to its shareholders.

3. Objective

The objective of the Policy is to set out the circumstances and parameters for consideration by the Board at the time of taking such decisions of distribution or retention of profits, in the interest of providing transparency to its shareholders.

4. DECLARATION/ RECOMMENDATION OF DIVIDEND

The Board reserves the right to declare interim dividend/ recommend final dividends, to the shareholders in accordance with and subject to the provisions of the Companies Act, 2013 and the rules made thereunder (“Act”), including the Companies (Declaration and Payment of Dividend) Rules, 2014 (“Rules”) and other applicable laws and conditions.

5. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

- 5.1 The Board, while declaring or recommending dividend shall ensure compliance with statutory requirements under applicable law including the provisions of the Act, Rules and the Listing Regulations. The Board, while determining the dividend to be declared or recommended shall take into consideration the advice of the executive management of the Company.
- 5.2 The Board 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, even in a situation where earnings are greater than what is needed to finance for capital budgeting needs of the Company as projected in the annual operating plan for each year.

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- 5.3 The Board may declare one or more interim dividends during the year. Additionally, the Board may recommend final dividend for the approval of the shareholders at the annual general meeting.

6. FINANCIAL PARAMETERS AND OTHER INTERNAL AND EXTERNAL FACTORS THAT WOULD BE CONSIDERED FOR DECLARATION OF DIVIDEND

- 6.1 The Board shall consider the following financial and other internal and external parameters while declaring or recommending dividend to the shareholders of the Company:

- (a) Investment opportunities, i.e., opportunities for expansion and diversification into new projects, acquisitions and/or any other potential strategic actions that may help the Company grow;
- (b) Liquidity position of the Company including working capital requirement;
- (c) Growth in earnings of the Company;
- (d) Restrictions in debt agreements executed with lenders in relation to the payment of dividends;
- (e) Track record of payment of dividend, historically;
- (f) Dividend pay-out policies adopted by peers;
- (g) Contingency requirements;
- (h) State of the economy and nature of industry;
- (i) Macro-economic and business conditions in general; and
- (j) Any other factors that may be considered by the Board as relevant before declaring dividend.

- 6.2 Some of these internal and external factors are described in more detail below:

Internal Factors

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| 1 | Liquidity | In order to pay dividends, the Company will require access to cash. Even in the event that the Company is profitable, payment of dividend would be difficult if resources are tied up in other forms of assets or commitments including expected cash requirement for working capital. |
| 2 | Repayment of debt | Dividend pay-out would depend upon debt repayment schedule, agreed upon by the Company with its creditors / lenders. |

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| 3 | Stability of profits | With a stable profit, it is more likely that dividend pay-out will be at a higher percentage of earnings. |
| 4 | Project finance | The Company may use retained earnings to finance new projects, expansion programs, acquisitions and/or any other potential strategic actions, without raising external finances. |

External Factors

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| 1 | Repayment of debt | Dividend pay-out would depend upon debt repayment schedule, agreed upon by the Company with its creditors / lenders. |
| 2 | Legal consideration | Prevailing or any new legal requirements, tax rules, Government policies and statutory conditions or restrictions as may be provided under applicable laws. |
| 3 | Market expectation | The declaration of dividends and its quantum may have a positive impact on the market prices. |
| 4 | Peers | Dividend pay-out policies adopted by peers or companies similarly placed in the industry. |
| 5 | Tax considerations | Dividend pay-out may be impacted by existing or change in applicable taxation laws. |
| 6 | Inflation | The Company may also take into account the rate of inflation when declaration of dividend. |
| 7 | Macro economics | Significant changes in macroeconomic environment may materially affect the Company businesses in the geographies in which the Company operates. |

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7. UTILISATION OF RETAINED EARNINGS

The Company maintains sufficient amount of retained earnings to address the financing of working capital, capital expenditure, research and development, merger and acquisition, venturing into new markets/ geographies/ verticals/ new product development, corporate actions, *inter alia*, buyback and reduction of capital, and unanticipated and emergency expenditures. 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 also use the retained earnings for such purposes as are within the provisions of the Act, Rules, Listing Regulations and any other applicable law.

8. CLASSES OF SHARES

Currently, the Company has only one class of equity shares. In the future, if the Company issues different classes of shares, the parameters of the dividend distribution policy will be appropriately addressed taking into consideration the terms of issue and the applicable regulations governing issue such class of shares.

9. AMENDMENTS

The Board may, subject to applicable law, amend, suspend or rescind this Policy at any time. Any difficulties or ambiguities in this Policy will be resolved by the Board and/ or administrative committee of the Board, in line with the broad intent of this Policy, as and when required.

10. DISCLAIMER

This Policy shall not be construed as a solicitation for investments in the Company's securities and shall neither act as an assurance of guaranteed returns (in any form), on investments in the Company's securities.

11. CHANGE IN LAW

If any subsequent changes in the provisions of the Act or the Listing Regulations or coming into force of any further rules and regulations / guidelines from the Securities and Exchange Board of India or any other statutory enactments, rules or regulations make any of the provisions of this Policy inconsistent, then the provisions of the Act or Listing Regulations or such other statutory enactments, rules or regulations would prevail over and automatically apply to this Policy and the relevant provisions contained in the Policy would be modified accordingly in due course to make it consistent with applicable laws to record the same.