

## DIVIDEND DISTRIBUTION POLICY

The Board of Directors ("**Board**") of BHARAT FIH Limited at its meeting held on December 14, 2021 has approved and adopted the Dividend Distribution Policy ("**Policy**") of the Company. The Policy shall become effective from the date of its adoption by the Board i.e. December 14, 2021.

### BACKGROUND

In accordance with Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations the listed entities other than the top 1000 entities based on market capitalization may disclose their dividend distribution policies on a voluntary basis on their websites and provide a web-link in their annual reports.

This Policy sets out the parameters and circumstances that will be taken into account by the Board of Directors of the Company in determining the distribution of dividend to its shareholders and/or retaining profits earned by the Company. The Board of Directors may, in extraordinary circumstances, deviate/change from the parameters listed in this policy subject to disclose such deviations/changes along with the rationale for the same in its annual report and on its website.

### NEED AND OBJECTIVE OF THE POLICY

Company has many expansion plans for its growth in the coming years and it expects more shareholders to be part of the Company ownership during this period. The Company intends to reward the shareholder's commitment to the Company by returning the Profits by way of dividend (which includes interim dividend) and also ensuring that sufficient profits are retained for growth of Company thereby enhancing the stakeholders value.

Considering the above and recognising the need to lay down a broad and structured framework for deciding the matters pertaining to distribution of Dividend and / or retaining the profits of the Company, the Board of the Company has laid down and adopted this policy.

The Policy reflects the intent of the Company to reward its shareholders by sharing a portion of its profits after retaining sufficient funds for the growth of the Company. The Policy sets out the circumstances and different factors for consideration by the Board at the time of taking such decisions.

### CATEGORY OF DIVIDENDS

The Companies Act, 2013 provides for two forms of Dividend-Final & Interim. The Board shall have the power to recommend final dividend to the shareholders for their approval in the general meeting of the Company. The Board of Directors shall have the absolute power to declare interim dividend during the financial year, as and when they consider it fit.

### FINAL DIVIDEND

Final dividend is paid once for the financial year after the annual accounts are prepared. The Board of Directors of the Company has the power to recommend the payment of final Dividend to the shareholders in a general meeting. The declaration of final dividend shall be included in the ordinary business items that are require to be transacted at the Annual General Meeting.

## INTERIM DIVIDEND

Interim dividend may be declared by the Board one or more times in a financial year as may be deemed fit by the Board. The Board of the Company would declare an interim dividend, as and when considered appropriate, in line with this Policy. Normally, the Board could consider declaring an interim dividend after finalization of quarterly or half yearly financial accounts.

## CONSIDERATIONS RELEVANT FOR DECISION ON DIVIDEND

The Board shall consider the following, while taking decisions of a Dividend pay-out during a particular year.

### **A. The parameters that shall be considered while declaring dividend:**

The Board of Directors will consider the following parameters before deciding on the dividend distribution:

#### **A. Internal Factors:**

- a. Net Profit earned during the relevant financial year (or period, in case of interim dividend)
- b. Cash flow of the Company during the relevant financial year (or period, in case of interim dividend)
- c. Funds required for business diversification or expansion plans
- d. Funds required for Mergers and Acquisitions plans
- e. Proposals for major capital expenditures or investments
- f. Investments required towards execution of the Company's strategy
- g. Working capital requirements, Cash planning of the company, clientele effect and health capital structure;
- h. Any share buy-back plans
- i. Minimum cash required for contingencies or unforeseen events;
- j. Funds required to service any outstanding loans;
- k. Liquidity and return ratios;
- l. Statutory obligations and requirements thereof;
- m. Any other factors affecting the financials of the Company

#### **B. External Factors that shall be considered for declaration of dividend:**

The Board of Directors of the Company shall consider the following external parameters while declaring dividend or recommending dividend to shareholders

- a. Economic and political Environment
- b. Government Policies
- c. Cost of funds/ Financial costs viz. Interest rate/inflationary rate including other factors in market.
- d. Taxation and other regulatory concerns

**C. How the retained earnings shall be utilized:**

The consolidated profits earned by the Company can either be retained in the business or used for various purposes as outlined below or it can be distributed to the shareholders:

- a. To fund expansion plans of the Company
- b. To fund the research and development activities of the Company
- c. For both organic and inorganic growth of the Company
- d. For funding the capital expenditures of the Company

**D. Circumstances under which the shareholders may or may not expect dividend:**

In the event of following circumstances, the shareholders may not expect dividend from the Company:

**a. Inadequacy of profits**

If during any financial year the profits of the Company are inadequate, the Board may decide not to declare Dividends for that financial year.

**b. Inadequacy of Operating cash flow of the Company**

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 shall consider the same and may decide not to declare Dividends for that financial year.

**c. Competition and Industry landscape**

The company will take and recommend the decision of Dividend precisely by looking at the competition level in the market.

**d. Macroeconomic conditions**

Considering the state of the Country's economy, 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 Board may consider retaining a larger part of the profits to have sufficient reserves to meet unforeseen circumstances.

**e. Major Capital Investment or Expansion:**

If the Company has planned for new investments or expansion of the business the Board shall consider the requirement of funds for that purpose and may not declare dividend for the financial year.

**D. Parameters that shall be adopted with regard to various classes of shares:**

The Company has issued only one class of shares viz., equity shares. There are no other classes of shares issued or proposed to be issued by the Company. In case of issuance of a new class of shares in the future, this Policy will be reviewed and modified accordingly.

**REVIEW**

The Company has adopted this dividend policy which aims at enhancing transparency and facilitating its shareholders and potential investors to make more informed investment decisions – the form, frequency and amount of dividends to be declared each year and dividend pay-out ratio

will be dependent upon the Group's business outlook and strategy, financial performance and cash flow generated from operations, projected working capital and capital structure, future expansion plan and capital expenditure and capital requirements, cash position and other relevant factors as the Board may from time to time deem appropriate. The performance of the Group has been volatile in the past couple of years and the COVID-19 pandemic and U.S. ban and component shortage have led to a lot of uncertainties for the coming periods of time and the Group needs time to recover and to maintain a healthy capital structure. Therefore, the Company will continue to closely monitor the situation, and where it considers necessary, will adjust and/or enhance its dividend policy, as appropriate.

This policy will be reviewed and amended by the Board, as and when required.

## **AMENDMENT**

In the event of any conflict between the Act or the SEBI Regulations or any other statutory enactments ("Regulations") and the provisions of this policy, the Regulations shall prevail over this policy. Any subsequent amendment / modification in the Regulations, in this regard shall automatically apply to this policy.