

---

---

**DIVIDEND DISTRIBUTION POLICY**

**OF**

**RICO AUTO INDUSTRIES LIMITED**

---

---

# Rico Auto Industries Limited

## Background

The Securities Exchange Board of India (“SEBI”) vide its Notification dated 5<sup>th</sup> May, 2021 has amended Regulation 43A the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “Listing Regulations”) in order to make it mandatory to have a Dividend Distribution Policy in place by the top thousand (1000) listed companies based on their market capitalization calculated as on the 31<sup>st</sup> day of March of every year.

Rico Auto Industries Limited (“the Company”) is among these 1,000 companies as of 31<sup>st</sup> March, 2021, therefore, the Board of Directors of the Company has adopted this Dividend Distribution Policy of the Company as per the requirement, abovementioned.

## Definitions

- i. **“Act”** means the Companies Act, 2013 and includes any re-enactment and statutory modification thereof for the time being in force.
- ii. **“Board of Directors”** or **“Board”** means the Board of Directors for the time being of the Company.
- iii. **“Company”** means Rico Auto Industries Limited.
- iv. **“Listing Regulations”** means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- v. **“Policy”** means Dividend Distribution Policy of Company.
- vi. **“SEBI”** means The Securities and Exchange Board of India.

All capitalised words and expressions used in this Policy, unless defined hereinafter, shall have meaning respectively assigned to them under the Listing Regulations and in the absence of its definition or explanation therein, as per the Act.

## Purpose and Scope of Policy

Considering the provisions of the Regulation 43A of the Listing Regulations, the Board recognizes the need to lay down a broad framework for considering decisions by the Board of the Company, with regard to distribution of dividend to its shareholders and/ or retaining or plough back of its profits. The Policy also sets out the circumstances and different factors 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 the shareholders. This Policy, further, set forth the objectives, guiding principles and process by which the Board will evaluate, declare and pay dividends.

The Policy is not an alternative to the decision of the Board for recommending dividend, which is made every year after taking into consideration all the relevant circumstances enumerated hereunder or other factors as may be decided as relevant by the Board.

The Policy reflects the intent of the Company to reward its shareholders by sharing a portion of its profits after retaining sufficient funds for growth of the Company. The Company shall pursue this Policy, to pay, subject to the circumstances and factors enlisted hereon, progressive dividend, which shall be consistent with the performance of the Company over the years.

The objective of the Policy is to define the various factors affecting the dividend decision, i.e.:

- Defining internal and external factors impacting the dividend decision;
- Financial parameters affecting dividend decision;
- Circumstances leading to declaration or non-declaration of dividend;
- Defining dividend distribution payment form and method.

The Policy shall not apply to:

- Determination and declaring dividend on preference shares, if any, as the same will be as per the terms of issue approved by the shareholders;
- Distribution i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law;
- Distribution of cash as an alternative to payment of dividend by way of buyback of equity shares.

### **Frequency of Dividend**

The Dividend shall be payable in the manner as provided in the Act read with the applicable provisions of the Listing Regulations.

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. The date of the Board meeting in which the Dividend proposal to be considered, will be intimated to the stock exchanges, as required by SEBI Regulations.

The Board may in its absolute discretion decide to recommend / declare any dividend for any financial year in case of loss during any financial year, subject to the compliance of the provisions of the Act read with the applicable provisions of the Listing Regulations.

### **Considerations relevant for decision of Dividend Pay-Out**

The Board shall consider the following, while taking decisions of a dividend payout during a particular year:

#### **I. Internal Factors to be considered (if and when applicable)**

**Earnings' stability**: The financial performance of the Company has an important bearing on the dividend policy. A stability of earnings builds confidence in the company and inclines the Company to formulate a more consistent dividend policy than in circumstances or years of an uneven flow of income

**Dividend Sustainability:** The Board and the Company while deciding on the declaration of Dividend must take cognizance of the factors like futuristic approach of the Company to attract/raising of capital on favorable terms, augmenting shareholders' return on capital, furthering confidence of various stakeholders in the Company. The Board shall also take into consideration and carefully evaluate the risks that may threaten the Company's ability to maintain the present level of Dividends.

**Liquidity position:** Availability of cash and sound financial position is also an important factor in dividend decisions. As dividend means huge cash outflow, the greater the funds and the liquidity of the firm, the better is its ability to pay dividend.

**Future Funding Requirements:** The Company believes in retaining a part of its profits for investing into business expansion and strengthening the Company's financial position in the future. A part of income is /may be reserved for investing in capital expenditure, research and development, expanding into new geographical markets or for increased requirements of working capital.

**Fluctuations in Business Cycle:** Business cycles exercise influence upon dividend Policy. Dividend policy is adjusted according to the business oscillations. In peak seasons of performance (operationally and financially), management creates reserves for contingencies and pays out higher dividends. Adequate reserves help the Company through tough times / lean season / aggressive competitions and expansion phases, guiding the Company's decision accordingly.

**Regularity and stability in Dividend Payment:** The Company believes that dividend payout practice should be stable and consistent over long periods of time, thus creating predictability and visibility of cash flows for the shareholders. In past several years, the Company has been consistently paying high dividend to its shareholders and shall endeavor to follow the same pattern, unless any exceptional circumstances occur.

**Contractual Obligations / Debt Repayments, if any:** The Company shall take into consideration any contractual obligations / debt principal or interest payments, if and when they occur before distributing dividend to its shareholders.

## **II. External Factors to be considered**

**Legal Requirements:** The Policy has been formed in keeping with the current framework / provisions of The Companies Act 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. While taking the dividend decision, any amendments in the same shall be taken into account as and when they occur, with respect to payment and distribution of dividend.

**Government Policies:** The earning capacity of an enterprise is hugely impacted by the changes in monetary, fiscal, industrial, labour, and other government policies. The dividend policy has to be modified or formulated accordingly, if such events occur.

**Taxation Policy:** Various taxes, including Dividend Distribution Tax, tax on dividend income or any other policy or amendments in prevailing rates and conditions can lead to reduction in the earnings of the companies or may affect its investors and accordingly shall be taken into account while taking the dividend decision.

In addition to the aforesaid, the Board may also take into consideration any other factor/ aspect while deciding on Dividends, as they may deem fit in the best interest of the Company and its stakeholders.

### **III. Financial Parameters to be considered**

The Company has been amongst the most consistent in rewarding its shareholders with optimum dividend payout over the last several years. The Company in all its future dividend decisions shall consider the below mentioned financial parameters:

- Net Income attributable to Shareholders
- Earnings growth
- Liquidity Ratios
- Financial Leverage Ratios
- Free Cash flows
- Redeemable investments
- Free Reserves
- Cash Flow projections
- Investment plans

#### **Manner of utilisation of retained earnings**

The Board may retain its earnings in order to make better use of the available funds and increase the value of the shareholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on the following factors:

- Market expansion plan;
- Product expansion plan;
- Increase in production capacity;
- Modernization plan;
- Diversification of business;
- Long term strategic plans;
- Replacement of capital assets;
- Where the cost of debt is expensive;
- Other such criteria as the Board may deem fit.

#### **Parameters with regard to various classes of shares**

The paid-up capital of the Company consists of only equity shares of nominal value of Re.1/- each and does not have different classes of shares. However, if different class of shares be issued subsequently, the same shall meet the parameters based on the respective rights attached to each class of shares as per their terms of issue.

## **Intimation & Disclosures**

The Company shall be required to make the below requisite disclosures in accordance with the applicable requirements under the Act as well as Listing Regulations:

- The Company shall give notice of Record Date in advance of at least 7 (seven) working days (excluding the date of Intimation and the Record Date) to stock exchange(s) specifying the purpose of the Record Date.
- The Company shall recommend or declare all dividend and/or cash bonuses at least 5 (five) working days (excluding the date of Intimation and the Record Date) before the Record Date fixed for the purpose.
- The Company shall give prior Intimation about the Meeting of the Board of Directors in which Declaration/Recommendation of Dividend is to be considered at least 2 (two) working days in advance, excluding the date of intimation and date of the meeting.
- The Company shall disclose to the Stock Exchange(s), within 30 (thirty) minutes of the closure of the Meeting, held to consider the Dividends and/or cash bonuses Recommended or Declared or the decision to pass any Dividend and the date on which Dividend shall be paid/dispatched.
- The Company shall be required to declare and disclose Dividend on per share basis only.

## **Unclaimed/Unpaid Dividend**

The Company shall transfer the unclaimed/unpaid Dividend amount in accordance with the provisions of the Act, Listing Regulations and any other applicable laws including any amendments thereof.

## **Disclosures**

The Dividend Distribution Policy shall be disclosed on the website of the Company.

## **Review and Modification of the Policy**

In case of any subsequent changes in the provisions of the Act and/or Listing Regulations, which makes any of the provisions in the Policy inconsistent with the Act and/or Listing Regulations, the provisions of the Act and/or Listing Regulations, as the case may be, shall prevail over the Policy and the provisions in this Policy will be modified in due course to make it consistent with provisions of applicable law (s).

The Managing Director of the Company shall be authorised to review and amend the Policy, to give effect to any changes/ amendments notified by any regulator under the applicable law from time to time. Such amended Policy shall be periodically placed before the Board for noting and necessary ratification.

## **Disclaimer**

The Policy does not constitute a commitment regarding future dividends of the Company but represent a general guidance regarding payment of dividend. This policy does not purport to or solicit investments in the Company's securities.

The Policy does not in any way restrict right of the Board to use its discretion in the recommendation of the dividend to be distributed considering various factors mentioned in the policy. Further, subject to the provisions of applicable laws, the Board reserve the right to depart from the policy as and when circumstances so warrant.

\*\*\*\*\*