

SEL MANUFACTURING COMPANY LIMITED

DIVIDEND DISTRIBUTION POLICY

The Dividend Distribution Policy (“the policy”) establishes the principles to ascertain amounts that can be distributed to equity shareholders as dividend by the Company as well as to enable the Company to strike balance between pay-out and retained earnings, in order to address future needs of the Company.

The objective of the policy is to specify the external and internal factors including financial parameters that shall be considered while declaring dividend and the circumstances under which the shareholders of the Company may or may not expect dividend and how the retained earnings shall be utilised, etc.

The Board of Directors (Board) may consider declaration of interim dividend depending upon the cash flow situation of the Company. The dividend distribution shall be as per the recommendations of the Board and shall be decided at an annual general meeting of shareholders in case of final dividend, as may be permitted by the Companies Act, from time to time.

Subject to the provisions of the applicable law, the Company’s dividend payout will be determined based on available financial resources, investment requirements and taking into account optimal shareholder return:

Definitions

- (i) “**Act**” means the Companies Act, 2013 and Rules made thereunder, including any statutory amendment(s) or modification(s) thereof for the time being in force.
- (ii) “**Dividend**” includes final and interim dividend.
- (i) “**Dividend Payout ratio**” means a fraction of net income a company pays to its shareholders as dividend.
- (ii) “**Market capitalisation**” means the aggregate value of the company based on its current market price and the total number of outstanding shares of the company.
- (iii) “**Paid-up Share Capital**” means such aggregate amount of money credited as paid-up as is equivalent to the amount received as paid-up in respect of shares issued and also includes any amount credited as paid-up in respect of shares of the company, but does not include any other amount received in respect of such shares, by whatever name called.
- (iv) “**Regulations**” shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended, from time to time and as notified by the Securities and Exchange Board of India.

Parameters for declaration of dividend

The Board may consider the following various circumstances like current year's profit, future outlook, reinvestment opportunities of the Company, tax benefits, Company's present and future performance for declaration and payment of dividend.

(i) Financial parameters

- (a) Liquidity position;
- (b) Financial feasibility of the Company;
- (c) Availability of profits;
- (d) Business expansions, acquisitions, etc.;
- (e) Profit growth;
- (f) Debt interest coverage ratio;
- (g) Favorable Debt Equity ratio;

(ii) External Factors

- (a) Uncertain or recessionary economic and business conditions;
- (b) Restrictions imposed under the Act with regard to declaration of dividend;
- (c) Sectoral performance;
- (d) Shareholders' expectations;
- (e) Uncertain or recessionary economic and business conditions;
- (f) Government policy;
- (g) Risk effect.
- (h) Future uncertainties and industrial downturn;

(iii) Internal Factors

- (a) Working capital requirements;
- (b) Expansion and modernization of existing business;
- (c) Investment in research and development;
- (d) Mergers and Acquisitions;
- (e) Buyback options;

(iv) Utilisation of retained earnings

The decision of utilisation of retained earnings of the Company shall be based on the following factors:

- (a) High cost of debt;
- (b) Acquisition/Diversification of business;
- (c) Replacement of Capital intensive assets
- (d) Long term strategic plan;
- (e) Market or product development/expansion plan;
- (f) Modernisation Plan;
- (g) Increase in production capacity;

The Board may consider not declaring any dividend or may recommend a lower payout for a given financial year, after analyzing the prospective opportunities and threats or in the event of challenging circumstances such as regulatory and financial environment. Dividend declared, if any, shall be declared and paid as per the provisions of the Act and other applicable regulations.

This policy may be reviewed periodically by the Board. In case of any subsequent changes in the provisions of the Act or Regulations or any other regulations which makes any of the provisions of this Policy inconsistent with the Act or such other regulations, then the provisions of the Act or such other regulations would prevail over this Policy and the relevant provisions contained in this Policy would be modified accordingly in due course to make it consistent with applicable laws.

The policy will be available on the Company's website:

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