

DIVIDEND DISTRIBUTION POLICY

1. Background and applicability

The Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, require the top 1000 listed companies (by market capitalization as on March 31 of every financial year) to disclose a Dividend Distribution Policy on their corporate website and provide a web-link of the same in their annual reports.

The Board of Directors of **Shakti Pumps (India) Limited** has adopted this Dividend Distribution Policy to comply with these requirements.

2. Objective

The objective of this Policy is to ensure the right balance between the quantum of Dividend paid and amount of profits retained in the business for various purposes. Towards this end, the Policy lays down parameters to be considered by the Board of Directors of the Company for declaration of Dividend from time to time.

3. Definitions

“**Applicable Laws**” shall mean the Companies Act, 2013 and Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time and such other act, rules or regulations which provides for the distribution of Dividend.

“**Board**” shall mean Board of Directors of the Company.

“**Companies Act or Act**” shall mean the Companies Act, 2013 and Rules thereunder, notified by the Ministry of Corporate Affairs, Government of India, as amended.

“**Policy**” means this Dividend Distribution Policy.

“**Regulations**” shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as notified by The Securities and Exchange Board of India, as amended, from time to time.

4. Circumstances under which shareholders may or may not expect dividend:

The decision regarding dividend payout is a crucial decision as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in business. Hence, the shareholders of the Company **may expect Dividend** only if the Company is having surplus funds after providing for all the expenses, depreciation, etc., and after complying with the statutory requirements under the Applicable Laws.

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

- a. Whenever it undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;
- b. In case of significant higher working capital requirements adversely impacting free cash flow;
- c. Whenever it undertakes any acquisitions or joint ventures requiring significant allocation of capital;
- d. In the event of inadequacy of profits or whenever the Company has incurred losses.
- e. For any other reason as the Board may deem fit from time to time.

5. Financial Parameters and Internal and external factors that would be considered for declaration of dividend

The Board while declaring or recommending dividend to the shareholders, will consider following financial/ internal and external factors:

Financial/Internal Factors:

- a. Profits earned and available for distribution during the financial year
- b. Accumulated reserves, including retained earnings
- c. Past dividend trends – rate of dividend, EPS and payout ratio, etc
- d. Earning Stability
- e. Future Capital Expenditure requirement of the Company
- f. Growth plans of the company.
- g. Current and projected Cash Balance and Company's working capital requirements
- h. Covenants in loan agreements, Debt servicing obligations and Debt maturity profile.

External Factors:

- a. Economic environment, both domestic and global.
- b. Unfavorable market conditions
- c. Cost of raising funds from alternate sources
- d. Inflation rates

6. Utilization of retained earnings

The Company shall endeavor to utilize the retained earnings in a manner which shall be beneficial to the interests of the Company and also its shareholders. The Company may utilize the retained earnings for making investments for future growth and expansion plans, for the purpose of generating higher returns for the shareholders or for any other specific purpose, as approved by the Board of Directors of the Company.

7. Parameters to be adopted with regard to various class of shares

Since the Company has issued only one class of equity shares with equal voting rights, all the members of the Company are entitled to receive the same amount of dividend per share. The Policy shall be suitably reviewed / amended at the time of issue of any new class of shares depending upon the

nature and guidelines thereof.

8. Disclosures

The Dividend Distribution Policy shall be disclosed in the Annual Report and on the website of the Company

9. Modification of this Policy

The Board is authorized to change/amend this policy from time to time at its sole discretion and/or in pursuance of any amendments made in the Companies Act, the Regulations, etc.

10. Disclaimer

This document does not solicit investments in the Company's securities. Nor is it an assurance of guaranteed returns (in any form), for investments in the Company's equity shares.