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ATHER ENERGY LIMITED

DIVIDEND DISTRIBUTION POLICY

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1. Introduction

- 1.1 The objective of the policy is to maintain guidelines for the Board of Directors to follow when declaring or recommending the amount of dividend (interim or final) per share.
- 1.2 Given the importance of dividend in creating shareholder value, the Company has adopted this Dividend Distribution Policy to promote transparency in its financial operations, which is also a requirement stipulated in Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- 1.3 The Company's Dividend Distribution Policy aims to reward its shareholders by sharing a portion of its profits / earnings, while also ensuring that enough funds are retained to meet the Company's future needs. This policy focuses on ensuring dividend income for shareholders as well as long-term capital appreciation for the Company's stakeholders;
- 1.4 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 considered relevant by the Board;
- 1.5 The Policy sets out the principles to determine the amount that can be distributed to equity shareholders as a dividend.

2. Legal Framework

In terms of Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”), the top 1000 listed entities based on market capitalization are required to formulate a Dividend Distribution Policy (“**Policy**”) which shall be disclosed on the website of the Company and a web-link shall also be provided in their annual reports.

3. Definitions

- 3.1 ‘**Act**’ means Companies Act, 2013 including the rules framed there under and any statutory amendment(s) thereto for the time being in force.
- 3.3 ‘**Board**’ means the Board of Directors of the Company.
‘**Company**’ means Ather Energy Limited.
- 3.4 ‘**Dividend**’ shall have meaning as defined under Section 2(35) of the Act.
- 3.5 ‘**Free Reserves**’ shall have meaning as defined under Section 2(43) of the Act.
- 3.6 ‘**SEBI Listing Regulations**’ means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any statutory amendment(s) or modification(s) or circular(s) or notification(s) thereof for the time being in force.
Words and Expressions used but not defined in this Policy shall have the meaning as in the Act, Regulations, Securities Contracts (Regulation) Act, 1956 or the Securities and Exchange Board of India Act, 1992 or the Depositories Act, 1996.

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4. **Objective**

- 4.1 The objective of the Policy is to specify parameters which shall be considered by the Board in relation to dividend distribution under the Policy including:
- Internal and external factors to be considered while declaring dividend.
 - Financial parameters to be considered while declaring dividend.
 - Circumstances under which the shareholders of the Company may or may not expect dividend.
 - Utilisation of retained earnings.
 - Parameters that shall be adopted with regard to various classes of shares.
- 4.2 Further, the intent of the Policy is to inform stakeholders of the Company with regard to declaration and distribution of dividend and to comply with statutory and regulatory requirements, to the extent applicable.
- 4.3 The Board may consider a declaration of interim dividend depending upon the profits for the period and cash flow situation of the Company. The final dividend may be recommended by the Board and shall be decided at the Annual General Meeting of the Company.

5. **Parameter for Dividend Distribution**

5.1 **Internal Factors**

- 5.1.1. Profitability of the Company on a standalone basis.
- 5.1.2. Availability of free cash flow for distribution as dividend to shareholders of the Company after meeting business and operational funding requirements.
- 5.1.3. Growth plans of the Company and the associated capital expenditure may necessitate the Company to preserve its funds to be deployed for the planned growth/expansion/modernisation/upgradation opportunities. The Board would take into consideration internal funds generation to be earmarked for the proposed growth plans prior to taking decision on dividend distribution.
- 5.1.4. Enhancement in the borrowing capacity of the Company to build up certain level of net worth to be in a position to raise debts with a view to seize any growth opportunities, inorganic or otherwise.
- 5.1.5. Dividend decisions shall be made in the light of timing of investment opportunities available with the Company.
- 5.1.6. Accumulated reserves, including retained earnings.
- 5.1.7. Expenditure in research and development that Company may undertake.
- 5.1.8. Mandatory transfer of Profits earned to specific reserves, such as Debenture Redemption Reserve, etc.
- 5.1.9. Past dividend trends – rate of dividend, EPS and payout ratio, etc.
- 5.1.10. Earning Stability.
- 5.1.11. Future Capital Expenditure requirement of the Company.
- 5.1.12. Growth plans, both organic and inorganic.
- 5.1.13. Crystallization of contingent liabilities of the Company.
- 5.1.14. Any other factor not explicitly covered above but which is likely to have a significant impact on the Company.

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5.2 **External Factors**

- 5.2.1 Prevailing legal requirements, regulatory conditions or restrictions laid down under the Applicable Laws including tax laws.
- 5.2.2 The Company's ability to pay dividends may be restrained by limiting provisions, if any, in loan agreements.
- 5.2.3 The dividend decisions may also be influenced by the growth and performance of the economy impacting the industry, emerging trends in the financial market and performance of the Company vis-à-vis its peers and dividend payout ratio of the comparable companies.
- 5.2.4 Economic environment, both domestic and global.
- 5.2.5 Unfavourable market conditions.
- 5.2.6 Changes in Government policies and regulatory provisions.
- 5.2.7 Cost of raising funds from alternate sources.
- 5.2.8 Inflation rates.
- 5.2.9 Sense of shareholders' expectations.
- 5.2.10 Cost of external financing.
- 5.2.11 Any other factor which has a significant influence / impact on the Company's operations.

6. **Declaration and Payment of Dividend**

- 6.1 Dividend, other than interim dividend, for a financial year shall be paid after the annual financial statements of the Company are finalised and the distributable profits is available.
- 6.2 The declaration and payment of dividend shall be in accordance with the provisions of Sections 123 to 127 of the Act.
- 6.3 Pursuant to the provisions of Section 123 of the Act, dividend shall be declared:
 - out of the profits of the Company for that year arrived after providing for depreciation in accordance with the provisions of the Act;
 - out of the profits of the Company for any previous financial year(s) arrived at after providing for depreciation and remaining undistributed; or
 - out of both (a) and (b)

7. **Circumstances under which shareholders of the company may or may not expect Dividend**

- 7.1 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.
- 7.2 The shareholders of the Company may not expect dividend in the following circumstances, subject to the discretion of the Board of Directors:
 - The Company has inadequacy of profits or incurs losses for the financial year;
 - The Company undertakes /proposes to undertake a significant expansion project requiring higher allocation of capital;

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- The Company undertakes /proposes to undertake any acquisitions or joint arrangements requiring significant allocation of capital;
- The Company has significantly higher working capital requirement affecting free cash flow;
- The Company proposes to utilize surplus cash for buy- back of securities;
- The Company is prohibited to recommend/declare dividend by any regulatory body.

8. Utilization of Retained Earnings

8.1 The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run.

8.2 The decision of utilization of the retained earnings of the Company shall be based on, inter alia, the following factors:

- Long term strategic plans
- Augmentation/ Increase in production capacity
- Market expansion plan
- Product expansion plan
- Modernization plan
- Diversification of business
- Replacement of capital assets
- Balancing the Capital Structure by de-leveraging the company
- Other such criteria as the Board may deem fit from time to time.

9. Modifications/ deviations to the policy

The Board of Directors or the Chairman is authorized to approve any modifications/ deviations to the Policy and will be the competent authority for any interpretation regarding the Policy. The modifications in the Policy if any, authorized by the Chairman, shall be placed at the ensuing/ next meeting of the Board of Directors for noting/ ratification.

11. Disclosure

The Policy shall be uploaded on the website of the Company and a web-link of the same shall be provided in the Company's Annual Report. Any amendments or changes made to it subsequent to the changes in the provisions of any Act or Regulations shall be published on the website of the Company.

12. Review and amendments

In the event of any conflict between the Companies Act, 2013 or the SEBI Listing Regulations or any other statutory enactments and the provisions of this Policy, the Regulations shall prevail over this Policy and the provisions in the Policy would be modified in due course to make it consistent with law. Any subsequent amendment/modification in the Act or the Rules framed thereunder or the SEBI Listing

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Regulations and/or any other laws in this regard, the statutes would prevail over the Policy and shall automatically apply to this Policy.

The Policy does not constitute a commitment regarding the future dividends of the Company, but only represents a general guidance regarding this Policy. The statement of the Policy does not in any way restrict the right of the Board to use its discretion in the recommendation of the Dividend to be distributed in the year and the Board reserves the right to depart from the Policy as and when circumstances so warrant.
