

HIRECT LIMITED
(Formerly known as Hind Rectifiers Limited)

DIVIDEND DISTRIBUTION POLICY

BACKGROUND, PURPOSE, OBJECTIVES, AND SCOPE

The Board of Directors of the Company recognizes the need to lay down a broad framework for considering decisions by the Board of Directors of the Company, with regard to the distribution of dividends to its shareholders and/ or retaining or plough back of its profits, and wants to adopt this policy voluntarily.

This policy is applicable to the equity shares of the company. The Company currently has no other class of shares. Therefore, the dividend declared will be distributed amongst all shareholders, based on their shareholding on the record date.

The intent of the Policy is to broadly cover the following:

- (a) The circumstances under which the shareholders of the Company may or may not expect dividend;
- (b) Internal and external factors including financial parameters that shall be considered while declaring dividend;
- (c) Policy as to how the retained earnings shall be utilized;
- (d) Parameters that shall be adopted with regard to various classes of shares.

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.

Declaration of Dividend on the basis of parameters other than those stated in this Policy or resulting in the amendment of any element stated in this Policy will be regarded as deviation.

Any deviation on elements of this Policy in extraordinary circumstances, when deemed necessary in the interests of the Company, along with the rationale will be disclosed in the Annual Report by the Board of Directors.

EFFECTIVE DATE

This Dividend Distribution Policy is effective from June 11, 2021.

PARAMETERS AND FACTORS FOR DECLARATION OF DIVIDEND

(I) Financial parameters and Internal Factors

- (a) Working capital requirements
- (b) Cash flow required to meet contingencies

- (c) Profitable growth of the Company and specifically, profits earned during the financial year as compared with:
 - (a) Previous years and
 - (b) Internal budgets
 - (c) Profit available for distribution
 - (d) Accumulated reserves
 - (e) Earnings stability
 - (f) Past dividend payout ratio/ trends
 - (g) Earnings Per Share (EPS)
 - (h) The ratio of debt to equity (at net debt and gross debt level)
 - (i) Cost of Borrowing
 - (j) Capital expenditure requirement
 - (k) Business expansion, growth, and acquisition
 - (l) Creation of contingency fund
 - (m) Investment in Joint-Ventures, associates, and subsidiaries
 - (n) Agreements with lending institutions, etc.
 - (o) Likelihood of crystallization of contingent liabilities, if any

(II) External Factors

- (a) Statutory provisions and guidelines
- (b) Economic Environment
- (c) Capital Markets
- (d) Global conditions
- (e) Dividend payout ratio of competitors
- (f) Business cycles
- (g) Applicable taxes including the tax on dividend
- (h) Industry outlook for the future years
- (i) Inflation rate
- (j) Changes in the Government policies, industry-specific rulings & regulatory provisions

Apart from the above, the Board also considers past dividend history and sense of shareholders' expectations while determining the rate of dividend. The Board may additionally recommend a special dividend in special circumstances.

The Board may consider not declaring dividends 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 the regulatory and financial environment.

CIRCUMSTANCES UNDER WHICH DIVIDEND PAYOUT MAY OR MAY NOT BE EXPECTED

The decision of dividend payout shall majorly be based on the aforesaid factors considering the balanced interest of the shareholders and the Company. The Board of the Company may not declare a dividend under the following circumstances:

- (a) Proposed expansion plans including capital expenditure for existing operations, requiring higher capital allocation.
- (b) Decision to undertake any acquisitions, amalgamation, merger, joint ventures, new product launches, etc. which requires significant capital outflow.
- (c) Requirement of higher working capital for the purpose of the business of the Company.
- (d) In the event of loss or inadequacy of profit.

MANNER OF UTILIZATION OF RETAINED EARNINGS

The retained earnings of the Company may be used in any of the following ways:

- (a) Expansion plans
- (b) Modernization plans
- (c) Diversification/ acquisition of business
- (d) Plant expansion & diversification
- (e) Replacement of capital assets
- (f) Mitigate dependence on external debts
- (g) High financial leverage
- (h) Capital expenditure for working capital
- (i) Capitalization of shares
- (j) General corporate purposes, including contingencies
- (k) Any other permitted usage as per the Companies Act, 2013 and other such criteria as the Board may deem fit from time to time

PROCEDURE

- (a) Considering the various financial parameters and also internal & external factors, the Managing Director & CEO of the Company shall recommend any amount to be declared/recommended as a dividend to the Board of the Company.
- (b) The agenda of the Board where a dividend declaration/recommendation is proposed shall contain the rationale of the proposal.
- (c) Pursuant to the provisions of the applicable laws and this Policy, the interim dividend approved by the Board will be confirmed by the shareholders and final dividend, if any, recommended by the Board, will be subject to shareholders' approval, at the ensuing Annual General Meeting of the Company.
- (d) The Company shall ensure compliance with provisions of applicable laws, the Act, SEBI Rules, and Regulations and this Policy in relation to dividend declared by the Company.

POLICY EXCLUSION

The Policy shall not be applicable in the following circumstances:

- (a) Distribution of dividend in kind, i.e. by the issue of fully or partly paid bonus shares or other securities.
- (b) Determination and declaring dividend on a preference shares, if any.

DISCLOSURES

The Dividend Distribution Policy shall be disclosed on the website of the Company i.e. at www.hirect.com and a web-link shall also be provided in the Company's Annual Report.

- (a) The Policy would be subject to revision/ amendment in accordance with the guidelines as may be issued by the Ministry of Corporate Affairs, SEBI, or such other regulatory authority as may be authorized, from time to time, on the subject matter.
- (b) The Company reserves its right to alter, modify, cancel, add, delete or amend any of the provisions of this Policy.
- (c) In case of any amendment(s), clarification(s), circular(s), etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

-----X-----X-----

Approval by the Board on 10.06.2021	V1
Approval by the Board on 28.07.2026	V2