

DIVIDEND DISTRIBUTION POLICY

1. INTRODUCTION

The Board of Directors (“**Board**”) of Pradeep Metals Limited (“**Company**”) has, at its meeting held on 12th February, 2021 voluntarily adopted this Dividend Distribution Policy (“**Policy**”) in terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”).

2. OBJECTIVE OF THE POLICY

The objective of this Policy is to establish the parameters to be considered by the Board before declaring or recommending dividend to its shareholders in a financial year.

3. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

- The Board of Directors of the Company, while declaring or recommending dividend shall ensure compliance with statutory requirements under applicable laws including the provisions of the Companies Act, 2013 and Listing Regulations.
- The Board may not recommend or declare any dividend or may recommend a low payout for a particular financial year, after analyzing the prospective opportunities and threats or in the event of challenging circumstances such as regulatory and financial environment.
- In the event of inadequacy or absence of profits in any year, the rate of dividend declared shall not exceed the average of the rates at which dividend was declared by the Company in the three years immediately preceding that year.
- The Company is committed to deliver sustainable value to its stakeholders. The Company shall strive to distribute an optimal and appropriate level of the profits among the shareholders in the form of dividend. Subject to the performance of the Company and its subsidiaries, debt servicing and other calls on its resources, the Company shall endeavor to pay sustainable dividend to keep the investment attractive and to ensure capital appreciation for the shareholders.
- Given below are some of the circumstances in which shareholders of the Company may or may not expect dividend pay-out:
 - **May expect dividend:**
 - Adequate profits and liquidity;
 - Accumulated profits not warranted for immediate business needs.
 - **May not expect dividend:**
 - Non availability of profits for dividend distribution;

- Funds available for dividend but need to be retained due to:
 - Business needs;
 - Adverse economic /market scenario expected in near future;
 - Augmenting internal resources.

4. FINANCIAL PARAMETERS TO BE CONSIDERED BEFORE RECOMMENDING OR DECLARING DIVIDEND

The financial parameters that may be considered before declaring dividend are profitability, cash flow and future growth and profitability outlook of the Company. While deciding on the dividend, micro and macro-economic parameters for the country in general and the Company in particular shall also be considered, including without limitation the following parameters:

- Financial performance of the Company for the year for which dividend is recommended
- Any interim dividend paid
- Tax implications if any, on distribution of dividends
- Internal capital planning framework and cost of raising funds from alternate sources of capital
- Any corporate actions
- Such other material factors which the Board may consider relevant

Taking into consideration the aforementioned factors, the Board shall endeavor to maintain a dividend pay-out.

5. FACTORS TO BE CONSIDERED BEFORE RECOMMENDING OR DECLARING DIVIDEND

The Board will strive for a 15-30% dividend payout ratio but the board reserves its right depending on various external and internal factors as mentioned below, including but not limited to the following before declaring or recommending any dividend:

External factors:

- Macro-economic environment - Significant changes in macro-economic environment materially affecting the businesses in which the Company is engaged in the geographies in which the Company operates.
- Competitive / Market Scenario - The Board shall evaluate the market trends in terms of technological changes mandating investments, competition impacting profits, etc., which may require the Company to conserve resources.

- Regulatory Restrictions / Obligations - In order to ensure compliance with the applicable laws, the Board shall consider the restrictions, if any, imposed by the Act and other applicable laws with regard to declaration of dividend.
 - Statutory obligations under the Companies Act, 2013 to transfer a certain portion of profits to any specific reserve such as Debenture Redemption Reserve, Capital Redemption Reserve, etc. may impact the decision with regard to dividend declaration.
 - Dividend distribution tax or any tax deduction at source as required by tax regulations in India, applicable at the time of declaration of dividend may impact the decision with regard to dividend declaration.
- The decision of dividend pay-out may also be affected by the restrictions and covenants contained in the agreements entered into with the lenders or Debenture Trustees of the Company from time to time.
- Technological changes which necessitate significant new investments in any of the businesses in which the Company is engaged.
- Other Factors- Other factors beyond control of the Management like natural calamities, fire, etc. effecting operations of the Company may impact the decision with regard to dividend declaration.

Internal factors:

- Profitability
- Availability and Liquidity of Funds
- Capex needs for the existing businesses
- Mergers and Acquisitions
- Expansion / Modernization of the business
- Additional investments in subsidiaries/associates of the Company
- Cost of raising funds from alternate sources
- Cost of servicing outstanding debts
- Funds for meeting contingent liabilities
- Any other factor as deemed appropriate by the Board.

6. MANNER OF UTILIZATION OF RETAINED EARNINGS

Retained Earnings shall be utilized by the Company to undertake corporate actions as approved by the Board, which will strengthen the Company's financial position, in accordance with the applicable laws and regulations.

7. PARAMETERS WITH REGARD TO VARIOUS CLASSES OF SHARES

At present, the Company has only one class of shares - equity shares. As and when the Company proposes to issue any other class of shares, the policy shall be modified accordingly.

8. PERSONS ENTITLED TO RECEIVE DIVIDENDS

Save as provided in Section 27 of the Securities Contracts (Regulation) Act 1956, all persons whose name appears on the register of members as on the record date fixed by the Company for determining eligible shareholders for dividend are entitled to receive dividends.

9. OTHER PROVISIONS

- The Company shall first declare dividend on outstanding preference shares, if any, at the rate fixed at the time of issue of such shares.
- The Board will recommend final dividend on equity shares and the same shall be subject to approval by the members at the Annual General Meeting of the Company.
- The Board may declare interim dividend as and when they consider it fit and as per the provisions of this policy.

10. AMENDMENT

The Board may amend, abrogate, modify or revise any or all provisions of this Policy.

11. DISCLOSURE

The Company shall disclose this Policy on the Company's website at www.pradeepmetals.com and a web link thereto shall be provided in the Board's Report.

(The above policy was reviewed and approved by the Board of Directors at its meeting held on [12th February, 2021]
