

PITTI ENGINEERING LIMITED
[Formerly Pitti Laminations Limited]
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DIVIDEND DISTRIBUTION POLICY

A. BACKGROUND

The Company is listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE") and has appeared for the first time in the published list of top one thousand listed entities based on market capitalization as on March 31, 2022 by the BSE and NSE. Regulation 43 A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires the top one thousand listed entities based on market capitalization (calculated as on March 31 of every financial year) to formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites. The Board of Directors had approved a Dividend Distribution Policy on voluntary basis at their meeting held on July 17, 2017 and the same was disclosed in annual reports and on the websites of the Company.

The Board of Directors at its meeting held on May 23, 2022 had adopted this Dividend Distribution Policy (the "Policy") in compliance with Regulation 43A of SEBI Listing Regulations. Effective from the accounting period beginning April 1, 2022 this policy supersedes the earlier Dividend Distribution Policy of the Company.

B. PURPOSE

This Policy seeks to lay down a broad framework for the distribution of dividend by the Company whilst appropriately balancing the need of the Company to retain resources for the Company's growth & sustainability. It establishes the principles to ascertain amounts that can be distributed to shareholders as dividend by the Company as well as enable the Company strike balance between pay-out and retained earnings, in order to address future needs of the Company.

The Policy sets out the circumstances and different factors for consideration by the Board at the time of taking a decision on distribution or retention of profits, in the interest of providing transparency to the shareholders.

The Policy is not an alternative to the decision of the Board for recommending / declaring dividend, which takes into consideration all the relevant circumstances enumerated hereunder or other factors as may be decided by the Board.

C. DEFINITIONS

1. "Act" shall mean Companies Act, 2013 and includes any amendments thereof.

2. **“Listing Regulations”** shall mean SEBI (Listing Obligations & Disclosure Requirements) Regulation 2015 and includes any amendments thereof.

All Capitalized terms used in this Policy but not defined herein shall have the meaning assigned to such term in the Act and the Rules thereunder and the Listing Regulations, as amended from time to time.

D. PROCEDURES

The Companies Act, 2013 provides for two forms of Dividend- Final and Interim.

- A. Final Dividend: Final dividend is paid once in a financial year after the annual accounts are prepared and adopted by the members of the Company. The Board of Directors of the Company has the power to recommend the payment of Final Dividend to the members in the Annual General Meeting.
- B. Interim Dividend: Interim dividend may be declared by the Board of Directors one or more times in a financial year as may be deemed fit by the Board. The Board of Directors of the Company would declare an interim dividend, as and when considered appropriate, in line with this Policy.

The Board at its discretion, may additionally recommend a Special Dividend under certain special or extraordinary circumstances.

The recommendation, declaration, and payment of dividend by the Company shall be subject to the applicable provisions of the Act and Listing Regulations as amended.

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

The Company shall comply with the relevant statutory requirements that are applicable to the Company in declaring dividend. Generally, the Board shall determine the dividend for a particular period after taking into consideration the financial performance of the Company, the advice of executive management and other parameters described in this policy.

The Board of Directors of the Company may not declare or recommend dividend for a particular period if it is of the view that it would be prudent to conserve capital. 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 higher working capital requirement affecting free cash flow.
- the Company undertakes /proposes to undertake expansion project requiring higher allocation of capital.
- the Company undertakes / proposes major corporate events which may impact the cash flows or require huge cash flows.
- the Company has inadequacy of profits or incurs losses for the financial year.
- restrictions imposed by any regulatory body, lenders or investor or any other person and
- any other circumstance in which the Board does not deem it expedient to recommend any dividend.

F. PARAMETERS THAT SHALL BE CONSIDERED WHILE DECLARING DIVIDEND

The Board of Directors of the Company would consider the Profit After Tax (PAT) before declaring or recommending dividend to shareholders. The Board may consider to distribute dividend (excluding corporate dividend tax) upto 15% of the Profit After Tax each year under normal circumstances. The Board may declare or recommend special dividends in excess of 15% of profit after tax depending upon the financial performance and also on certain special occasions.

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

Financial/Internal Factors

- Operating cash flows
- Profits earned during the year
- Distributable surplus available as per the various Acts and Regulations
- Past dividend trends
- Earnings stability
- Working capital requirements
- Capital expenditure requirements
- Business expansion and growth
- Capital restructuring, debt reduction, capitalization of shares
- Likelihood of crystallization of contingent liabilities, if any
- Covenants in loan agreements and debt servicing obligations

External Factors

- Economic environment, both domestic and global
- Industry outlook for the future years
- Statutory and regulatory provisions
- Capital market scenario
- Cost of external financing

G. POLICY AS TO HOW THE RETAINED EARNINGS SHALL BE UTILIZED

The profits earned by the Company can either be retained in the business and used for various purposes as determined by the Board or it can be distributed to the shareholders.

H. PARAMETERS THAT SHALL BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES.

The Company has issued only one class of shares viz. equity shares. Parameters for dividend payments in respect of any other class of shares will be as per the respective terms of issue and in accordance with the applicable regulations and will be determined, if and when the Company decides to issue other classes of shares.

I. DISCLOSURE

This Policy shall be uploaded on the Company's website for public information and the web link of the same shall be provided in the Annual Report of the Company.

J. POLICY REVIEW AND AMENDMENT

Any or all provisions of this policy would be subject to revision / amendment in accordance with the Act and Listing Regulation on the subject as may be issued by relevant statutory authorities, from time to time.

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, circular (s) etc. shall prevail upon the provision hereunder and this policy shall stand amended accordingly.

In the event of any conflict between the provisions of this policy and of the applicable law dealing with the Dividend Distribution, such applicable law in force from time to time shall prevail over this policy.

The Board may, from time to time, make amendments to this Policy as deemed fit on a review.
