



DIVIDEND DISTRIBUTION POLICY

Background :

As per Regulation 43A of SEBI (LODR) Regulations, 2015, the top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) shall formulate a dividend distribution policy which shall be disclosed in their annual reports and on their websites. Further, the listed entities other than top five hundred listed entities based on market capitalization may disclose their dividend distribution policies on a voluntary basis in their annual reports and on their websites. Considering the fact that Igarashi Motors India Limited is amongst the top 500 listed entities as per the criteria, its ranking as per BSE being 455th as at 31st March 2016, the dividend distribution policy has been formulated.

1) Definitions:

- a) **“Act”** means the Companies Act, 2013 (18 of 2013), or any statutory modification or re-enactment thereof and includes any Rules and Regulations framed thereunder.
- b) **“Articles”** means the Articles of Association of a company, as originally framed or as altered from time to time.
- c) **“Board” or “Board of Directors”** means the Board of Directors of Igarashi Motors India Limited
- d) **“Company”** means Igarashi Motors India Limited
- e) **“Dividend”** means a distribution of any sums to Members out of profits or reserves available for the purpose and refers to Dividend recommended by the Board and declared by Members, i.e. ‘final’ Dividend and also includes ‘Interim Dividend’.
- f) **“EPS”** means Earnings per Share
- g) **“Free Reserves”** means reserves the utilisation of which is not restricted in any manner.
- h) **“IND AS”** means the Indian Accounting Standards, as may be notified from time to time.
- i) **“Interim Dividend”** means the Dividend declared in a Meeting of the Board of Directors.
- j) **“Policy”** means Dividend Distribution Policy, as modified from time to time.

2) Objective:

- a. The objective of the Dividend Distribution Policy of the Company is to reward its shareholders by sharing a portion of the profits, while also ensuring that sufficient funds are retained for growth of the Company.
- b. This policy aims to ensure a regular dividend income for the shareholders and long term capital appreciation for all stakeholders of the Company.
- c. to provide clarity to stakeholders on the cash and profit distribution strategies of the Company.

3) Scope:

The Board will refer to this policy before giving their recommendations on the nature and quantum of dividends for any financial year. Declaration of dividend on the basis of parameters in addition to the elements of this Policy or resulting in amendment of any element or the Policy



will be regarded as deviation. Any such 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.

The Policy shall not apply to:

- a) Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law;
- b) Distribution of cash as an alternative to payment of dividend by way of buyback of equity shares.

4) General Policy of the Company as regards the dividend:

The dividend payout in each financial year, including interim dividends, will be between 25% and 33% of annual post-tax profits. Special dividends, if any, will be declared in addition to the regular dividend payout. The dividend for each year would be recommended by the Board at its discretion taking into account the free cash flow position, the profit earned during that year, the capex requirements and applicable taxes.

5) Circumstances under which the shareholders of the Company may or may not expect dividend

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders of the Company and the amount of profit to be retained in business. The decision seeks to balance the dual objectives of appropriately rewarding shareholders through dividends and retaining profits in order to maintain a healthy capital adequacy ratio to support future growth.

The Company has been consistently paying out dividends to its shareholders and can be reasonably expected to continue declaring in future as well unless the Company is restrained to declare profits due to insufficient profits or funds required for future growth.

6) Considerations relevant for decision of dividend pay-out:

The Board shall consider the following, while taking decisions of a dividend payout during a particular year:

6.1) Statutory requirements:

The Company shall observe the relevant statutory requirements including those with respect to mandatory transfer of a certain portion of profits to any specific reserve such as Debenture Redemption Reserve, Capital Redemption Reserve etc. as provided in the Companies Act, 2013, which may be applicable to the Company at the time of taking decision with regard to dividend declaration or retention of profit.



6.2) Proposals for major capital expenditures:

In addition to plough back of earnings on account of depreciation, the Board may also take into consideration the need for replacement of capital assets, expansion and modernization or augmentation of capital stock, including any major capital expenditure proposals.

6.3) Extent of realized profits as a part of the IND AS profits of the Company:

The extent of realized profits out of its profits calculated as per IND AS, affects the Board's decision of determination of dividend for a particular year.

6.4) Expectations of major stakeholders, including small shareholders:

The Board, while considering the decision of dividend pay-out or retention of a certain amount or entire profits of the Company, shall, as far as possible, consider the expectations of the major stakeholders including the small shareholders of the Company who generally expects for a regular dividend payout.

7) Other Financial Parameters:

7.1) Operating cash flow of the Company:

If the Company cannot generate adequate operating cash flow, it may need to rely on outside funding to meet its financial obligations and sometimes to run the day-to-day operations. The Board will consider the same before its decision whether to declare dividend or retain its profits

7.2) Net sales of the Company:

To increase its sales in the long run, the Company will need to increase its selling and research & development expenses, etc. The amount outlay in such activities will influence the decision of declaration of dividend

7.3) Return on invested capital:

The efficiency with which the Company uses its capital will impact the decision of dividend declaration.

7.4) Post dividend EPS:

The post dividend EPS can have strong impact on the funds of the Company, thus, impacting the overall operations on day-to-day basis and therefore, affects the profits and can impact the decision for dividend declaration during a particular year.

8) Factors that may affect dividend payout:

8.1) Internal Factors

- a) Past performance/ reputation of the Company
- b) Past dividend trends
- c) Working capital management



- d) Up gradation of technology and physical infrastructure
- e) Capital expenditure requirements

8.2) External Factors

- a) Taxation and other regulatory concern
- b) Product/ market expansion plan
- c) Macroeconomic conditions

9) Manner of utilisation of retained earnings:

The profits earned by the Company can either be retained in business or used for acquisitions, expansion or diversification, or it can be distributed to the shareholders. The Company may choose to retain a part of its profits and distribute the balance among its shareholders as dividend. The Policy aims to reconcile between all these needs.

10) Provisions for dividend with regard to various classes of shares:

The holders of the equity shares of the Company, as on the record date, are entitled to receive dividends. Since the Company has only one class of equity shares and does not have preference share capital. All the members of the Company are entitled to receive the same amount of dividend per Equity Share based on their shareholding as on record date. The policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

11) Policy effective date: April 01,2016

12) Modification / amendment :

The Board of Directors will approve any modifications/ deviations to the policy and will be the competent authority for any interpretation regarding the policy from time to time.

13) Last amended on: N.A