

DIVIDEND DISTRIBUTION POLICY

Background and applicability

The Securities and Exchange Board of India (“SEBI”) vide SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016, introduced Regulation 43A (*as amended by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021 which were made effective from 5th May, 2021*), which requires the top 1,000 listed entities based on market capitalisation (calculated as on March 31 of every financial year) to formulate a dividend distribution policy, and disclose the same in their annual reports and on their websites.

Usha Martin Limited (“**Company**”) being amongst the top 1,000 listed entities has formulated this policy on dividend distribution, for distribution to shareholders in proportion to the amount of paid-up on shares they hold as on record date / book closure date (“**Policy**”). Dividend shall include interim dividend and final dividend.

The Policy provides guidance with respect to the principles for the purpose of ascertaining the quantum that may be distributed as dividend to the equity shareholders by the Company as well as to enable the Company to strike a balance between pay-out and retained earnings, in order to address future funds requirements of the Company. The Policy shall come into force with effect from the date on which the Board approves this Policy.

The Company’s dividend payout will be determined in compliance with the requisite regulations and directions as stipulated under the provisions of the Companies Act, 2013 and rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time and other such statutory provisions as may be applicable from time to time (“**Applicable Law**”) and the discretion of the Board of Directors (“**the Board**”) based on available financial resources, investment requirements and taking into account factors for optimising return to the shareholders.

Factors in determining nature and quantum of dividend

The Board shall consider the following factors while determining the nature and quantum of the dividend payout:

A. Circumstances under which shareholders may or may not expect Dividend

The Board will assess the Company’s financial requirements, including present and future possibilities of organic and inorganic growth, relevant financial parameters / internal factors and external factors (as mentioned elsewhere in this policy), and accordingly recommend declaration of dividend in any financial year.

The Board may also consider not recommending dividend in any financial year after analyzing the prospective opportunities and threats or in the event of

challenging financial parameters / internal factors and external factors (as mentioned elsewhere in this policy). Accordingly, the Company's historical payment of dividends is not indicative, nor can it serve as a template, for payment of dividends in the future.

B. Financial parameters / internal factors and external factors that would be considered for declaration of dividend:

The Board will consider various parameters as mentioned below before arriving at a decision on declaration of dividend:

I. Financial parameters / internal factors

- a. Profitable growth of the Company and specifically, profits earned during the financial year as compared with earlier years and business plans;
- b. Liquidity position;
- c. Accumulated reserves;
- d. Earnings sustainability;
- e. Projected future cash requirements for capital expenditures, future growth, expansion, acquisition and long term investments;
- f. Current and future leverage and the amount of contingent liabilities;
- g. Debt equity ratio;
- h. Debt interest coverage ratio;
- i. Investment in research and development;
- j. Working capital requirements;
- k. Contractual obligations;
- l. Acquisitions including any strategic acquisitions;
- m. Investments in other business; and
- n. Any other relevant factors that the Board may deem fit to consider before declaring dividend.

II. External factors

- a. Future outlook of the industry in which the Company operates;
- b. External macroeconomic environment;
- c. The business cycles of the Company;
- d. External financing cost;
- e. Impact of Applicable Law, government policies, court orders or rulings on declaration of dividend;
- f. Shareholders' expectations;
- g. Payout ratios of comparable companies; and
- h. Any other relevant factors that the Board may deem fit to consider before declaring Dividend.

C. Utilization of retained earnings

Retained earnings shall be utilized in accordance with prevailing regulatory requirements including but not limited to the following purposes:

- a. Capital expenditure;
- b. Fund requirement for growth;
- c. Expansion, diversification, acquisition, etc.;
- d. Existing business(es);
- e. Declaration of dividend;
- f. Capitalisation of shares;
- g. Buy back of shares;
- h. General corporate purposes, including contingencies;
- i. Correcting the capital structure; and
- j. Any other permitted usage as per the Companies Act, 2013 and/or Applicable Law.

D. Parameters with regard to various classes of shares

Presently, the issued and paid-up share capital of the Company comprises of equity shares only. In case, the Company issues other kind(s) of shares, the Board may suitably amend this Policy.

E. TARGET DIVIDEND

Subject to (A), (B) and (C) above and applicable rules and regulations, the Company endeavours to pay a minimum dividend of 30% of profit after tax of the Company.

Modification of the Policy

The Board is authorized to change/amend this Policy from time to time at its sole discretion and/or in pursuance of any amendments made to Applicable Law.

Review and Disclosure of Policy

The Board may review the Policy of the Company periodically. In case of any doubt or ambiguity arising out of interpretation of this Policy or any difficulty arising out of the implementation of the Policy, the Board is empowered to release necessary clarifications and the decision of the Board shall be final. The Dividend Distribution Policy shall be disclosed in the Annual Report of the Company and placed on the Company's website.

This Policy is approved by the Board at their Meeting held on 20th May 2021 and the said date shall be deemed to be the effective date of this Policy. Further, it has been amended and approved by the Board on 30th April 2022. The amended Policy shall supersede the earlier Policy.