

DIVIDEND DISTRIBUTION POLICY

(In terms of Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

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1. OBJECTIVE

Pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Regulations**”) read with Notification dated July 8, 2016 issued by the Securities and Exchange Board of India, which requires top five hundred listed companies (based on market capitalization of every financial year) to formulate a Dividend Distribution Policy and to disclose the same in their Annual Report and on the Corporate Website.

The Board of Directors of Covidh Technologies Limited (“**the Company**”) being one of the top five hundred listed companies as per the market capitalization as on the last day of the immediately preceding Financial Year, frames this policy to comply with the requirements of the Regulations.

The Company proposes to adopt a Dividend Distribution Policy that balances the dual objectives:

- a) Appropriate reward to Shareholders through dividends and
- b) Ploughing back earnings to support sustained growth.

2. BACKGROUND

Dividend is the payment made by a Company to its Shareholders, usually in the form of distribution of its profits. The profits earned by the Company can either be retained in business 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. This Policy aims to reconcile between all these needs.

The Company recognizes the need to lay down a broad framework for considering decisions by the Board of Directors, with regard to distribution of dividend to its Shareholders and/or retaining or ploughing back of its profits. Declaration of dividend is one of the key financial decisions of the Company, forming part of the overall strategy for efficient allocation of capital as well as increasing shareholder’s wealth. The Company shall post this policy on the website of the Company (www.covidh.co.in).

3. DIVIDEND DISTRIBUTION PHILOSOPHY

The Company is deeply committed to driving superior value creation for all its Stakeholders and aims to maximize the Shareholders' wealth in the Company through various means. The focus will continue to be on sustainable returns, through an appropriate capital strategy for both medium term and longer term value creation. Accordingly, the Board of Directors would continue to adopt a progressive and dynamic dividend policy, ensuring the immediate as well as long term needs of the business.

4. LEGAL PROVISIONS REGARDING PAYMENT OF DIVIDEND

The recommendation, declaration and payment of dividend by the Company is subject to the provisions of Sections 123 and 134(3) of the Companies Act, 2013 ("the Act") read with the Companies (Declaration and Payment of Dividend) Rules, 2014 ("the Rules") and Regulations 12, 29, 42, and 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

5. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE LISTED ENTITIES MAY OR MAY NOT EXPECT DIVIDEND

The Board will assess the Company's financial requirements, including present and future organic and inorganic growth opportunities and other relevant factors (as mentioned elsewhere in this policy) and declare Dividend in any Financial Year.

The Dividend for any Financial Year shall normally be paid out of the Company profits for that year. This will be arrived at after providing for depreciation in accordance with the provisions of the Companies Act, 2013. If circumstances require, the Board of Directors may also declare dividend out of accumulated profits of any previous Financial Year(s) in accordance with provisions of the Act and Regulations, as applicable.

Notwithstanding the above, the shareholders of the Company may not expect Dividend under the following circumstances:

- a) Whenever it undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;
- b) Significantly higher working capital requirements adversely impacting free cash flow;
- c) Whenever it undertakes any acquisitions or joint ventures requiring significant allocation of capital
- d) In the event of inadequacy of profit or whenever the Company has incurred losses;
- e) Whenever it proposes to utilize surplus cash for buy-back of securities; or
- f) In the event of inadequacy of profits or whenever the Company has incurred losses.

6. FINANCIAL PARAMETERS AND OTHER INTERNAL AND EXTERNAL FACTORS THAT WOULD BE CONSIDERED FOR DECLARATION OF DIVIDEND:

➤ FINANCIAL PARAMETERS / INTERNAL FACTORS :

- Distributable surplus available as per the Act and Regulations;
- Consolidated net operating profit after tax
- The Company's liquidity position and future cash flow needs;
- Track record of Dividends distributed by the Company;
- Payout ratios of comparable companies;
- Prevailing Taxation Policy or any amendments expected thereof, with respect to Dividend distribution;
- Capital expenditure requirements considering the expansion and acquisition opportunities;
- Cost and availability of alternative sources of financing;
- Resources required to fund acquisitions and / or new businesses;
- Stipulations/ Covenants of loan agreements;
- Cash flow required to meet contingencies;
- Macroeconomic and business conditions in general;
- Any other relevant factors that the Board of Directors may deem fit to consider before declaring Dividend.

In the event of inadequacy of profits, the Board may decide not to declare dividends for that Financial Year or declare dividend out of Free Reserves, subject to the compliance of the Act, Rules and Listing Regulations.

➤ EXTERNAL FACTORS:

The Board of Directors of the Company would consider the prevailing legal requirements, regulatory conditions or restrictions laid down under the applicable laws including tax laws, if any, before declaring or recommending dividend to the Shareholders.

7. UTILISATION OF RETAINED EARNINGS

The Company firmly believes that consistent growth will maximize Shareholders value. Thus, the Company will endeavor to utilize retained earnings, for the following purposes, subject to applicable regulations:

- Funding inorganic and organic growth needs including Working Capital, Capital expenditure, repayment of debt, etc;
- Buyback of Shares subject to applicable laws and limits;
- Payment of Dividend in future years;
- Issue of Bonus shares;
- Any other permissible purpose.

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

The Company presently has only 1 (one) class of shares, i.e. Equity Shares. Hence, the parameters which are required to be adopted for various classes of shares do not apply to the Company. This Policy is subject to review if and when the Company issues different classes of Shares.

9. MANNER OF DIVIDEND PAYOUT

The Board may declare one or more Interim Dividends during the year. Additionally, the Board may recommend Final Dividend for the approval of the Shareholders at the Annual General Meeting. The date of the Board meeting in which the Dividend proposal will be considered, will be provided to the Stock Exchanges, as required by Listing Regulations.

A. In case of Final dividend, the following procedure shall be followed:

- i. The Board shall recommend dividend to the Shareholders, which shall be paid subject to approval of the Shareholders at Annual General Meetings of the Company.
- ii. Dividends shall be paid only out of Current Profits or past profits after providing for depreciation and setting off losses, if any.
- iii. The amount of the dividend shall be deposited in a scheduled bank in separate account within 5 (five) days from the declaration of dividend.
- iv. The payment of dividend shall be made within 30 (thirty) days from the date of declaration to the Shareholders entitled to receive the dividend on the record date as per the applicable law.

B. In case of Interim dividend the following procedure shall be followed:

- i. Interim dividend, if any, shall be declared by the Board.
- ii. Before declaring Interim dividend, the Board shall consider the financial position of the Company that allows the payment of such dividend.
- iii. In case no Final dividend is declared at the Annual General Meeting, Interim dividend will be considered as the Final dividend of the Company.

The Company shall ensure compliance of provisions of Applicable Laws and this Policy in relation to any Dividend, if any, declared by the Company.

C. Payment mode

Dividend shall be paid by cheque or warrant or in any electronic mode to the Shareholders entitled to the payment of the dividend. The Dividend shall be delivered to the Shareholders through ordinary post / Registered post / Speed post / courier.

10. CONCLUSION

The Company shall endeavor to maintain a consistency in dividend payout, every year. The focus of the Company is to declare a policy on distribution of dividend so that the investor may know as to when and how much dividend they may expect.

11. REVIEW AND AMENDMENT OF POLICY

This policy will be reviewed by the Board of Directors of the Company as they deem necessary. Any change in the Policy shall be approved by the Board of Directors of the Company. The Board of Directors or its Committee (as may be authorized by the Board of Directors in this regard) shall have the right to withdraw and/or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board of Directors in this respect shall be final and binding. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed thereunder or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

12. DISCLAIMER

This document does not solicit investments in the Company's securities. Nor is it an assurance of guaranteed returns (in any form), for investments in the Company's Equity Shares.