



DIVIDEND DISTRIBUTION POLICY

Swan Defence and Heavy Industries Limited

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1. Background and applicability

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Regulations”), requires the Company to formulate and disclose a Dividend Distribution Policy in the Annual Report and on its website. The Board of Directors (“Board”) of Swan Defence and Heavy Industries Limited (“Company”) has adopted this Dividend Distribution Policy to comply with these requirements.

Dividend represents the profit of the Company, which is distributed to shareholders in proportion to the amount paid-up on shares they hold. Dividend includes Interim Dividend.

2. Dividend Distribution Philosophy

The Company is deeply committed to driving superior value creation for all its stakeholders. The focus will continue to be future growth and long-term interests of the Company as well as its shareholders. Accordingly, the Board would continue to adopt a progressive dividend policy, ensuring the immediate as well as long-term needs of the business.

3. Statutory and Regulatory Parameters

The Company shall declare dividend only after ensuring compliance with the requisite Regulations and directions as stipulated under the provisions of the Companies Act, 2013 (‘Act’) and Rules made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, other SEBI regulations and any other regulations as may be applicable from time to time.

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 Act. If circumstances arise, the Board 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.

4. The Circumstances under which the Shareholders 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 Board will assess the Company’s financial requirements, including present and future organic and inorganic growth opportunities and other relevant factors and declare Dividend in any financial year.

The shareholders of the Company may not expect dividend in the following circumstances, subject to the discretion of the Board of Directors,

- In the event of inadequacy of profits or whenever the Company has incurred losses;
- Significant cash flow requirements towards higher working capital requirements / tax demands / or others, adversely impacting free cash flows;
- An impending / ongoing capital expenditure program or any acquisitions or investment in joint ventures requiring significant allocation of capital;
- Allocation of cash required for buy-back of securities;
- Any of the internal or external factors restraining the Company from considering dividend.

5. Financial parameters and other internal and external factors that would be considered for declaration of Dividend:

The dividend pay-out decision of the Board will depend upon the various financial parameters and internal & external factors, including following -

Financial parameters and Internal Factors:

- Operating cash flow of the Company
- Profit earned during the year
- Profit available for distribution
- Earnings Per Share (EPS)
- Working capital requirements
- Capital expenditure requirement
- Business expansion and growth
- Likelihood of crystallisation of contingent liabilities, if any
- Additional investment in subsidiaries and associates of the Company
- Upgradation of technology and physical infrastructure
- Creation of contingency fund
- Acquisition of brands and business
- Cost of Borrowing
- Past dividend payout ratio / trends

External Factors:

- Economic environment
- Capital markets
- Global conditions
- Statutory provisions and guidelines
- Dividend payout ratio of competitors

6. Utilisation of Retained Earnings

The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision for utilisation of the retained earnings of the Company shall be based on the following factors:

- Market expansion plan
- Product expansion plan
- Increase in production capacity
- Modernisation plan
- Diversification of business

- Long term strategic plans
- Replacement of capital assets
- Where the cost of debt is expensive
- Dividend payment
- Such other criteria as the Board may deem fit from time to time.

7. Multiple Classes of Shares

Currently, the Company has only one class of shares, i.e., Equity shares. In the future, if the company issues multiple classes of shares, the parameters of the Dividend Distribution Policy will be appropriately addressed.

8. Modification of the Policy

This Policy would be subject to modification in accordance with the guidelines / clarifications as may be issued from time to time by relevant statutory and regulatory authority. The Board may modify, add, delete or amend any of the provisions of this Policy. Any exceptions to the Dividend Distribution Policy must be consistent with the Regulations and must be approved in a manner as may be decided by the Board of Directors.

9. Disclosures

The Dividend Distribution Policy shall be disclosed in the Annual Report and on the website of the Company.
