

AJAX ENGINEERING LIMITED
POLICY FOR DIVIDEND DISTRIBUTION

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POLICY FOR DIVIDEND DISTRIBUTION

Preamble

The Board of Directors of AJAX Engineering Limited (the “Company”), herein after referred as “the Board”, has approved the Dividend Distribution Policy of the Company (“the Policy”). This Policy establishes the overarching principles guiding the Company's declaration of dividends.

Regulation 43A of the Listing Regulations mandates framing of a dividend distribution policy by the top 1,000 listed companies, based on market capitalisation.¹

In view of the said requirement, the Board recognises the need to lay down a broad framework with regard to distribution of dividend to its shareholders and utilisation of the retained earnings. This Policy reflects the intent of the Company to reward its shareholders by declaring dividend and seeks to establish the parameters (including internal and external factors) to be considered by the Board before declaring or recommending dividend.

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

Objective

The company strives to maximize shareholder value by fostering growth. The policy seeks to achieve an optimal equilibrium between rewarding shareholders through dividends and retaining ample profits for the company's ongoing growth and other essential requirements. The primary objective of the policy is to establish a uniform approach to the declaration of dividends.

Effective Date

Dividend Distribution Policy shall be effective from the date of its approval by the Board of Directors.

Note for Reference – The statutory requirements / conditions may not be included in the policy as the same would be applicable irrespective of this reference. This also helps us in removing requirement of amending the policy whenever there is a change in the regulation.

Parameters to be considered while recommending/declaring dividend

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

Financial/Internal Factors:

¹ **43A.** (1) The top 1000 listed entities based on market capitalization shall formulate a dividend distribution policy which shall be disclosed on the website of the listed entity and a web-link shall also be provided in their annual reports.

(2) The dividend distribution policy shall include the following parameters: (a) the circumstances under which the shareholders of the listed entities may or may not expect dividend; (b) the financial parameters that shall be considered while declaring dividend; (c) internal and external factors that shall be considered for declaration of dividend; (d) policy as to how the retained earnings shall be utilized; and (e) parameters that shall be adopted with regard to various classes of shares:

Provided that if the listed entity proposes to declare dividend on the basis of parameters in addition to clauses (a) to (e) or proposes to change such additional parameters or the dividend distribution policy contained in any of the parameters, it shall disclose such changes along with the rationale for the same in its annual report and on its website.

(3) The listed entities other than those specified at sub-regulation (1) of this regulation may disclose their dividend distribution policies on a voluntary basis on their websites and provide a web-link in their annual reports.

- Profits earned and available for distribution during the financial year
- Accumulated reserves, including retained earnings
- Mandatory transfer of Profits earned to specific reserves, such as Debenture Redemption Reserve, etc.
- Past dividend trends – rate of dividend, EPS and payout ratio, etc.
- Earning Stability
- Future Capital Expenditure requirement of the Company
- Growth plans, both organic and inorganic
- Capital restructuring, debt reduction, capitalisation of shares
- Crystallization of contingent liabilities of the Company
- Profit earned under the Consolidated Financial Statement
- Cash Flows
- Current and projected Cash Balance and Company's working capital requirements.
- Covenants in loan agreements, Debt servicing obligations and Debt maturity profile.
- Company's liquidity position including its present and expected obligations;
- Cost of raising funds from alternate sources
- Other corporate action options available to the Company (including bonus issue, buy-back of shares, etc.); and

External Factors:

- Economic environment, both domestic and global.
- Technology changes
- Unfavorable market conditions
- Changes in Government policies and regulatory provisions
- Cost of raising funds from alternate sources
- Inflation rates
- Sense of shareholders' expectations
- Cost of external financing

Rate/Quantum of Dividend

It has always been the Company's endeavour to deliver sustainable value to all its stakeholders. The Company will strive to distribute an optimal and appropriate level of the profits earned by it in its business, to the shareholders, in the form of dividend. The Company shall a dividend pay-out as may be determined by the Board from time to time, considering the general business factors and other significant parameters specified in this Policy.

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

Recognising the importance of delivering sustainable value to shareholders while providing for adequate investment in the Company's long-term growth, the Company aims for an appropriate balance between dividend distribution and reinvestment of profits. taking into consideration a range of factors such as applicable legal requirements, the Company's financial performance, capital expenditure plans, economic and market conditions, and the overall liquidity position. The Board retains full discretion to determine the timing, amount, and form of dividends in the best interests of the Company and its shareholders.

The shareholders of the Company may not expect dividend in the below mentioned circumstances:

- i. In the event the Company undertakes /proposes to undertake any acquisitions or joint arrangements where the Company may be required to allocate a significant amount of capital.
- ii. In the event of higher working capital requirement for business operations or otherwise.
- iii. In the event of inadequacy of cashflow available for distribution.
- iv. In the event of inadequacy or absence of profits.
- v. in case the Company undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;
- vi. in case the Company proposes to utilise surplus cash for buy-back of securities or setting off of previous year losses or losses of its subsidiary/ies; and
- vii. In the event of any regulation or contractual restriction.
- viii. Any other circumstance as the Board may deem fit.

The Board may consider not declaring dividend or may recommend a lower payout for a given financial year, after analysing the prospective opportunities and threats or in the event of challenging circumstances such as regulatory and financial environment.

The Board may also not recommend a dividend on considering any compelling factors/parameters mentioned above.

Utilisation of retained earnings

The rationale for utilisation of the retained earning shall be based on the factors like strategic and long-term plans of the Company, future equity acquisitions, diversification opportunities, market expansion plan or any other criteria that may be considered relevant by the Board in this regard.

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.

Conflict in Policy

In the event of any conflict between this Policy and the provisions contained in the Applicable Laws, the provisions of Applicable Laws shall prevail.

Review

This Policy will be reviewed periodically by the Board.

Amendments

The Board may, from time to time, make amendments to this Policy to the extent required due to change in applicable laws and regulations or as deemed fit on a review. Any subsequent amendment/modification in the Companies Act 2013, or the Rules framed thereunder or the SEBI Listing Regulations and/or any other laws in this regard, the statutes would prevail over the Policy and shall automatically apply to this Policy.

Disclosure

The Policy shall be disclosed on the website of the Company and a web-link shall also be provided in its annual report.