

SCHAEFFLER INDIA LIMITED
Dividend Distribution Policy



1. Introduction

In accordance with the provisions of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 made effective from July 8, 2016, the top five hundred listed entities based on market capitalization (calculated as on March 31 of every financial year) are required to formulate 'Dividend Distribution Policy'. The 'Schaeffler India Limited' is ranked 141 as on the effective date of regulation (published in the Official Gazette on July 8, 2016), and therefore this 'Dividend Distribution Policy' (the Policy) is formulated with an objective and scope as under. This Policy will come into effect from the effective date of regulation i.e. July 8, 2016.

2. Objectives

The Company is committed to adhere to the highest standards of ethical, moral and legal conduct of business operations with an ultimate aim to increase the value of investment made by the Shareholders. This Policy is aimed for the investors to take a well informed decision for their investment based upon the Company's criteria to deal with earned / retained profits.

3. Scope

This Policy intends to bring transparency, on the basis to prevailing circumstances in the Company / Industry – it operates, with respect to deal with distribution of earned / retained profit amongst its existing equity shareholders. This Policy is and shall be governed under the applicable legal provisions viz;

1. The Companies Act 2013 (Chapter VIII and other applicable provisions),
2. Securities And Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015,
3. The Companies (Declaration and Payment of Dividend) Rules, 2014 and
4. Any amendment therein made applicable from time to time.

4. Definitions:

- 4.1 **“Act”** means the Companies Act, 2013, or any statutory modification or re-enactment thereof and includes any Rules and Regulations framed thereunder.
- 4.2 **“Company”** means Schaeffler India Limited.
- 4.3 **“Dividend”** Under Section 2(35) of the Companies Act, 2013, “Dividend” includes any ‘interim dividend’. In common parlance, “dividend” means the profit of a company, which is not retained in the business and is distributed among the shareholders in proportion to the amount paid-up on the shares held by them.
- 4.4 **“Free Reserves”** means reserves the utilisation of which is not restricted in any manner.
- 4.5 **“Interim Dividend”** means the Dividend declared in a Meeting of the Board of Directors.
- 4.6 **“Member”** means any person who agrees, either by subscribing to the Memorandum of Association of the company or by applying in writing, to become a Member of the company and whose name is entered either in the Register of Members of the company or in the records of the depository as a beneficial owner in respect of the shares of the Company held by him.

5. Policy on Declaration of Dividend

The Company may declare dividend considering;

- A) The circumstances under which its shareholders can or cannot expect dividend, which includes;
- i) The Company’s Performance trend,

- ii) Past years' (at least 5 years) track record of Dividend Rate, Dividend Outflow including taxes thereon,
- B) The Company's Financial Parameters, including;
- i) Company's Profitability,
 - ii) Value Added,
 - iii) Earning per Share [EPS]
 - iv) Free Cash Flow
- C) Internal & External Factors, including;
- i) Business / Financial Projections for Mid Term Period,
 - ii) Unplanned Liabilities,
 - iii) Likely financial risks,
 - iv) Regulatory Changes,
 - v) Industry trend, market challenges and growth optimism
- D) Mode of utilisation of retained earnings, including;
- i) Business Growth & Expansion,
 - ii) Market Development,
 - iii) Better Resources Utilisation,
 - iv) Research & Development,
 - v) Reducing Long Term Liabilities
 - vi) Dividend
- And
- E) Other parameters as decided by the Board, provided the Policy is revised to the extent of incorporating those parameters and disclosed on the Company's website together with its rationale.

6. Target Dividend

- The Company has adopted a progressive dividend policy, intending to sustain or raise the dividend each year, in conjunction with the financial performance and cash profit generation each year.
- Subject to the circumstances and scenarios mentioned in the Policy, the Company shall endeavour to consider a total dividend pay-out ratio in the range of 30% to 50% of the annual standalone profits after tax (PAT) to be announced by the Company from time to time, subject to the applicable rules and regulations.

7. Distribution of Dividend

A) Periodicity:

- i) During the Financial Year –
The Board of Directors of the Company may declare Interim Dividend during any financial year.
- ii) On Completion of Financial Year -
The Board of Directors of the Company may recommend a Dividend for respective financial year and may be declared in the Annual General Meeting.

B) Dividend Entitlement:

The members, whose name appear in the Register of Members as on the Record Date / Book Closure, shall be entitled for the dividend.

C) Mode of Payment:

The payment of the dividend would be in cash;

- i) Through electronic clearing services (local, regional or national), direct credit, real time gross settlement, national electronic funds transfer etc. for making payment of dividend. OR
- ii) Through issuance of 'payable-at-par' warrants/ cheques / demand drafts, in case where bank details are not available or the electronic payment instructions have failed or have been rejected by the bank,

D) Transfer to IEPF:

The dividend remained unpaid and unclaimed for a period of 7 years (as per the provisions of sections 124(5) of the Companies Act 2013) shall be transferred to Investors Education and Protection Fund set up by the Government in that regard.

8. Policy Review / Amendments

In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions in the Policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

i. Statutory Updates

This Policy shall be considered as updated automatically, without any formal approval, to the extent it needs to be aligned with any change in law. An update thereon would be reported to the Board of Directors.

ii. Other updates

All major procedural updates, shall be effective only if, those are carried out after the review and approval of the Board of Directors.