

Dividend Distribution Policy

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INTRODUCTION:

The Board of Directors (the “Board”) of Onward Technologies Limited (“Onward Tech” or the “Company”) understands the importance of shareholders’ confidence and trust in the Company. In order to preserve the same with transparency and to ensure that there is no conflict of interest or any apprehension in the minds of its shareholders, the Board of the Company, has adopted the Dividend Distribution Policy (“Policy”) and procedures with respect to Dividends declared/ recommended by the Company in accordance with the provisions of Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) as amended from time to time.

PURPOSE:

The purpose of this Policy is to facilitate the process of dividend recommendation or declaration and its pay-out by the Company which would ensure a regular dividend income for the members and long-term capital appreciation for all stakeholders of the Company.

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 or used for acquisitions, expansion or diversification, or they 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 a dividend. The Company would ensure to strike the right balance between the quantum of dividend paid and number of profits retained in the business. The Board will refer to the Policy while declaring/ recommending dividends on behalf of the Company.

DEFINITIONS:

Unless repugnant to the context:

“**Act**” shall mean the Companies Act, 2013 including the Rules made thereunder, as amended from time to time.

“**Applicable Laws**” shall mean the Companies Act, 2013 and Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; as amended from time to time and such other act, rules or regulations which provides for the distribution of Dividend.

“**Company or Onward Tech**” shall mean Onward Technologies Limited.

“Compliance Officer” shall mean the Compliance Officer of the Company appointed by the Board of Directors pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

“Board” or “Board of Directors” shall mean Board of Directors of the Company.

“Dividend” shall mean Dividend as defined under Companies Act, 2013.

“Policy or this Policy” shall mean the Dividend Distribution Policy.

“SEBI Regulations” shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars issued thereunder, including any statutory modification(s) or re-enactment(s) thereof for the time being in force.

“Subsidiary” shall mean Subsidiary of the Company as defined under the Companies Act, 2013.

Words and expressions used and not defined in this Policy but defined in Companies Act, 2013 or rules made there under or Securities and Exchange Board of India Act, 1992 or regulations made there under or Depositories Act, 1996 shall have the meanings respectively assigned to them in those Acts, Rules and Regulations.

FORMS OF DIVIDENDS:

1. Interim Dividend

The interim dividend may be declared by the Board one or more times in the financial year as may be deemed fit.

2. Final Dividend

The final dividend is paid once for the financial year after the annual accounts are prepared. The Board of Directors of the Company has the power to recommend the payment of final dividend to the shareholders for their approval at the Annual General Meeting of the Company. The declaration of final dividend shall be included in the ordinary business items that are required to be transacted at the Annual General Meeting.

3. Special Dividend

The Board may declare/recommend special dividend as and when it deems fit.

PER SHARE BASIS:

The dividend will be declared on per share basis only.

DIVIDEND DISTRIBUTION:

The Board of Directors shall endeavor to take a decision for Dividend Distribution with an objective to enhance shareholders value. However, the decision regarding pay-out is subject to several parameters which form part of this Policy.

As in the past, subject to the provisions of the applicable law, the Company's dividend pay-out will be determined based on available financial resources, investment requirements and taking into account optimal shareholder return. Within these parameters, the Company would undertake to maintain a total dividend pay-out ratio in the range of 50% to 80% of the annual standalone Profits after Tax (PAT) of the Company excluding accumulated profits.

The Dividend once declared or approved will be paid/distributed within the statutory period permitted by law.

DECLARATION OF DIVIDEND:

Dividend shall be declared or paid only out of –

- 1) Current financial year's profit:
 - a. after providing for depreciation in accordance with law;
 - b. after transferring to reserves such amount as may be prescribed or as may be otherwise considered appropriate by the Board at its discretion and as per applicable law.

Or

- 2) The profits for any previous financial year(s) after providing for depreciation in accordance with law and remaining undistributed;

Or

- 3) Out of 1) & 2) both.

In case of inadequacy or absence of profits in any financial year, the Company may also declare/ pay Dividend out of the accumulated profits earned by it in previous years and transferred by the Company to the reserves, provided such declaration/payment of dividend shall be made only in accordance with the provisions of the Companies Act, 2013 and rules specified therein.

FINANCIAL PARAMETERS CONSIDERED WHILE DECLARING DIVIDEND:

The financial parameters that may be considered before declaring dividend are profitability, cash flow and future growth and profitability outlook of the company.

CIRCUMSTANCES UNDER WHICH SHAREHOLDERS MAY NOT EXPECT DIVIDEND/ OR WHEN THE DIVIDEND COULD NOT BE DECLARED BY THE COMPANY SHALL BE FOR THE REASONS STATED HEREIN, BUT ARE NOT LIMITED TO, THE FOLLOWING REASONS ONLY

- a) Due to operation of any other law in force;
- b) Due to losses incurred by the Company and the Board considers it appropriate not to declare dividend for any particular year;
- c) Due to any restrictions and covenants contained in any agreement as may be entered with the Lenders;
- d) Uncertainty of the earnings/ financial results of the Company; and
- e) The availability of opportunities for reinvestments of surplus funds;
- f) Any other corporate action resulting in cash outflow.

FACTORS AFFECTING DIVIDEND DECLARATION:

- a. **External Factors to be considered while recommending/declaring dividend:**
 - 1. Any significant changes in macro-economic environment affecting India or the geographies in which the Company operates, or the business of the Company or of its clients;
 - 2. Any political, tax and regulatory changes in the geographies in which the Company operates;
 - 3. Any significant change in the business or technological environment resulting in the Company making significant investments to effect the necessary changes to its business model;

4. Any changes in the competitive environment requiring significant investment.

b. Internal Factors to be considered while recommending/ declaring dividend:

Apart from the various external factors, the Board shall take into account various internal factors including the financial parameters while declaring dividend, which inter alia will include:

1. Expected cash requirements including working capital, capital expenditure;
2. Quarterly and Annual results;
3. Investments including Mergers and Acquisitions (M&A);
4. Free cash flow generation;
5. Buy-back of shares;
6. Funds required to service any outstanding loans.

c. Retained Earnings:

Retained earnings would be used to further the company's business priorities. If there are excess reserves beyond the medium to long term business requirements, the retained earnings would be distributed to shareholders via Dividends or other means as permitted by applicable regulations.

d. Parameters that shall be adopted about various classes of shares:

Currently, the Company does not have different classes of shares and follows the 'one share, one vote' principle. If the Company has more than one class of shares in future, dividend for each class would be subject to prescribed statutory guidelines as well as terms of offer of each class to the investors of that class of shares.

DISCLOSURE:

This Policy shall be uploaded on the Company's website for public information and the web link of the same shall be provided in the Annual Report of the Company.

REVIEW & AMENDMENT:

In case of any subsequent changes in the provisions of Companies Act 2013 or the Listing Agreement or Income Tax Act 1961 or any other regulations which makes any of the provisions of this Policy inconsistent with the Act or such other regulations, then the provisions of the Act or such other regulations would prevail over this Policy and the relevant provisions contained in this Policy would be modified accordingly in due course to make it consistent with applicable laws.

This Policy may be reviewed and amended periodically as and when required by the Board to ensure that it meets the objectives needs of the Company and remains effective. Subject to applicable laws, the Board has the right to change/ amend the policy as may be deemed necessary. Any difficulties or ambiguities in this Policy will be resolved by the Board of Directors in line with the Board's intent of this Policy. The Board may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy and further the objective of good corporate governance.
