

Dividend Distribution Policy

February 2017

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Approved by: Board of Director
SKF India Limited

Approved on: 13 February 2017

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I. Introduction

This Policy is called SKF India Limited – Dividend Distribution Policy (hereinafter referred to as `this policy") and shall be effective from 13th February, 2017 (Effective Date)

II. Background

The policy is being adopted in compliance with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (second amendment) Regulations, 2016 [SEBI].

III. Objective

The objective of "this Policy" is to define the various factors affecting the dividend decision i.e :

- a. Defining the internal and external factors that shall be considered in the dividend decision
- b. The financial parameters affecting the dividend decision
- c. Policy regarding the utilization of retained earnings
- d. The circumstances leading to the declaration of dividend or the lack of dividend.

IV. PHILOSOPHY OF THE POLICY

The Company strives to enhance stakeholder value for its investors and believes in the philosophy of maximization of shareholders' wealth from a long term perspective. The Company believes that returning cash to shareholders by way of dividends is one of the important components of overall shareholder value creation .

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V. Principles guiding Dividend Decision

The Company would , inter alia, consider the following financial parameters and / or internal and external factors while declaring or recommending dividend to the shareholders :

1. Reported Net Profit after Tax (PAT) available for distribution in the financial statements prepared in accordance with prescribed accounting standards for the current period.
2. Accumulated profits brought forward from prior years, available for dividend distribution, in accordance with the provisions of the Companies Act, 2013
3. Liquidity position and availability of free cash flows
4. Committed and projected cash flow needs to finance forecasted capital expenditure, network expansion, working capital requirements of the business, organic and inorganic growth opportunities
5. Optimal level of free cash to fund any emergencies in future
6. Earnings stability and fluctuations in business cycles
7. Regularity and stability in dividend payment
8. Prevailing legal requirements, regulatory conditions or restrictions laid down under the applicable laws, taxation policy
9. Contractual obligations / debt repayments, if any

In case the Board proposes not to declare any dividend in a particular year , the grounds thereof shall be disclosed by the Board to the shareholders in the Board Report forming part of the Annual Report of the Company for that year

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The Company, at present has only one class of shares referred to as equity shares of the face value of Rs 10 each . The Company may, in future, issue any other class of shares in which case the dividends declared on such other class of shares shall be consistent with "this policy" and/or rights and privileges associated with such new issuances

VI. Process for declaration of Dividend

The final dividend is declared at the Annual General Meeting of the shareholders on the basis of recommendations of the Board.

The Board may, at its discretion, also declare an interim dividend. The interim dividend if any will be considered based on the various parameters mentioned in this policy

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

VII. Amendments to this Policy

The Board of Directors will review this Policy as and when required and can modify/amend the policy depending on business need and external environment.

In case of any amendment(s), clarification(s), circular(s), notification(s), etc., issued by the relevant authorities, not being consistent with the provisions of this policy, such amendment(s), clarification(s), circular(s), etc. shall prevail over the provisions of this policy.