

BHARAT FORGE

DIVIDEND DISTRIBUTION POLICY OF BHARAT FORGE LIMITED

1. INTRODUCTION

The Securities and Exchange Board of India ('SEBI') vide notification dated July 08, 2016 has amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI LODR') whereby it has become mandatory for top five hundred listed companies (based on their market capitalization calculated as on 31st day of March every year) to formulate Dividend Distribution Policy and make appropriate disclosures in terms of SEBI LODR in their Annual Reports and on the Company's website.

Accordingly, based on the parameters prescribed by SEBI, the Company has adopted this Policy titled "**Dividend Distribution Policy of Bharat Forge Limited**" ("**The Policy**").

2. PURPOSE AND APPLICABILITY

- 2.1 This Policy reflects the intent of the Company to reward its shareholders by sharing a portion of its distributable profits after retaining sufficient funds for its future growth initiatives and maintaining the financial soundness of the Company. The purpose of this Policy is also to lay down criteria to be considered by the Board of Directors of the Company ("**The Board**") in taking decision for recommending dividend to its shareholders for any financial year.
- 2.2 This Policy shall deem to have come into force with effect from the date written herein below.
- 2.3 This Policy shall not apply to:
 - 2.3.1 determination and declaration of dividend on preference shares, if any, issued or to be issued by the Company, since dividend on preference shares will always be as per the terms of issue approved by the Shareholders;
 - 2.3.2 distribution of dividend in kind, i.e. by issuance of fully or partly paid-up bonus shares (whether equity or preference shares) or other securities;



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- 2.3.3 distribution of cash (i) as an alternative to payment of dividend, if any, permissible under the Companies Act, 2013 ("The Act"); (ii) by way of buy-back of equity shares; (iii) reduction in share capital of the Company; and (iv) on account of fraction entitlement due to sub-division, split of securities or any other similar such corporate action by the Company.

3. DIVIDEND

For the purpose of this Policy, the term "Dividend" means, distributable profits of the Company, which are available for distribution in accordance with the provisions of Clause 4 below to the equity shareholders in proportion to the amount paid-up on equity shares held by them. The term "Dividend" also includes Interim Dividend.

4. STATUTORY/OTHER REQUIREMENTS

The Board is expected to adhere to the following while making recommendations to the Shareholders for their approval on dividend payout during any financial year:

- a) Companies Act, 2013 and applicable rules thereunder ;
- b) SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, as amended from time- to-time;
- c) Any other applicable laws for the time being in force; and
- d) Financial covenants as may be stipulated by lenders of the Company.

5. THE INTERNAL AND EXTERNAL FACTORS THAT SHALL BE CONSIDERED FOR DECLARATION OF DIVIDEND

- 5.1 The Board of the Company shall take a decision to declare dividend after taking into account the following internal and external factors:

A. Internal Factors :

The Board shall, among others, consider the following indicative internal factors (which are illustrative and not exhaustive) while taking a decision for declaration of dividend:

- a) The un-consolidated profits of the Company made during the year;
- b) Obligations towards the creditors;
- c) Business Plans;
- d) Expansion plans;
- e) Corporate Restructuring plans;



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- f) Scheme of arrangement, if any; or
- g) Any other factors which can have possible material financial implications on the Company.

B. External Factors :

In addition to the above, the Board shall, among others, consider the following indicative external factors (which are illustrative and not exhaustive) while taking a decision for declaration of dividend:

- a) Macro-economic environment;
- b) Indian/ Global Capital Markets;
- c) Industry outlook (domestic as also global) for business in which Company operates;
- d) Change in taxation laws and economic/ trade policies/ global trade agreements;
- e) Geo-political reasons or
- f) Any other external factors which can have a material financial implications on the Company.

5.2 Circumstances under which the Board of the Company may or may not recommend/ declare dividend :

Subject to the criteria and other provisions of this Policy, the Board may in its absolute discretion decide not to recommend/ declare any dividend for any financial year, including for the reason such as inadequate un-consolidated profits after tax or the growth initiatives of the Company, do not warrant distribution of profits.

5.3 Financial parameters that shall be considered while declaring dividend :

In cases where the Board considers it appropriate to declare Interim Dividend, then for the purposes of declaring Interim Dividend, the Board shall consider un-consolidated profit after tax (PAT) and overall financial projections for the unexpired portion of the financial year. In cases where the Board considers it appropriate to recommend final dividend for declaration, then for the purposes of declaration of final dividend, the Board shall consider un-consolidated profit after tax, Interim Dividend declared, if any, and earnings that the Board deems appropriate to be carried to reserves to maintain financial health and to fund growth initiatives of the Company. Considering these aspects including the other criteria laid down in this Policy, the Board shall endeavor to maintain an annual dividend payout range of 15% to 35% of the un-consolidated profit after tax of the Company.



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6 MANNER OF DIVIDEND PAYOUT

6.1 Final Dividend :

- a) The Board shall recommend final dividend usually in the Board Meeting that considers and approves the annual financial statements of the Company.
- b) The final dividend, if any, that the Board may consider shall factor Interim Dividend, if any, that it might have declared during the applicable financial year.

6.2 Interim Dividend :

- a) The Board may declare Interim Dividend at its complete discretion in line with this Policy, based on distributable profits arrived at on a quarterly or half- yearly financial results of the Company .
- b) In case no Final Dividend is declared, Interim Dividend paid during the year, if any, will be regarded as Final Dividend for confirmation of shareholders in the Annual General Meeting.

7 MANNER OF UTILISATION OF RETAINED EARNINGS

The Board may consider retained earnings considering weighted average cost of capital in application for growth initiatives, if any, and increase in stakeholder's value from long term perspective. The decision of utilization of the retained earnings of the Company will, among other, be based on the following factors:

- a) Strategic and long term plans of the Company;
- b) Organic and in-organic growth opportunities available to the Company;
- c) Non-fund based needs of the Company, its subsidiaries and Joint Ventures which may require the Company to have a healthy consolidated balance sheet;
- d) Decision for issue of bonus, buy-back etc.; and
- e) Any other criteria which the Board of the Company may consider appropriate.

8 PARAMETERS TO BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

Presently, the Company has only one class of shares i.e. equity shares. As and when it proposes to issue any other class of shares, this policy shall be accordingly modified, if necessary, to cover such other class of securities.



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9 DISCLOSURES

The Company shall disclose the Policy on its website and a web link thereto shall be provided in the Annual Report.

10 SCOPE AND LIMITATION

In the event of any conflict between the provisions of this Policy and SEBI LODR or the Act or any other statutory enactments, rules (collectively "Laws"), the provisions of Laws shall prevail over this Policy.

11 AMENDMENTS AND UPDATES

To the extent any change/amendment is required in terms of any applicable law or change in regulations, the regulations shall prevail over this Policy. In such a case, the provisions in this Policy would be modified in due course to make it consistent with such amended law and the amended policy shall be placed before the Board for noting and necessary ratification.

12 REVIEW OF POLICY

The Board of Directors will review the policy periodically and consider modifying, amending, deleting any of the provisions of this Policy. If the Board, at any time, proposes to declare dividend(s) on the basis of criteria other than those specified in this Policy, or proposes to modify any of the criteria, then it shall disclose such changes along with the rationale for the same to the Shareholders on the Company's website and in the Annual Report.

13 DISCLAIMER

This Policy does not purport to or solicit investment in the Company's securities nor this Policy purports to provide any kind of assurance to Shareholders of any guaranteed returns (in any form), for investments in the Company's equity shares.

For Bharat Forge Limited



B. N. Kalyani
Chairman and Managing Director

Date : February 8, 2017

Place : Pune



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