

AUSTERE SYSTEMS LIMITED

DIVIDEND DISTRIBUTION POLICY

INTRODUCTION & APPLICABILITY

The Board of Directors (the "**Board**") of Austere Systems Limited (the "**Company**") at its meeting held on Thursday, 1st Day of August 2024 has adopted this Dividend Distribution Policy (the "**Policy**") and procedures with respect to dividend declared/recommended by the company in accordance with the provisions of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "**Listing Regulations**") as amended from time to time and the policy shall be effective from Thursday, 1st Day of August 2024.

OBJECTIVE

The objective of this Policy is to regulate the process of dividend declaration and its pay-out by establishing the parameters to be considered by the Board of Directors ("**Board**") of the Company before declaring or recommending dividend.

The Board of Directors of the Company recognizes the need to lay down a broad framework with regard to the distribution of dividend to its shareholders and utilization of the retained earnings. The Company aimed at maximization of shareholders' value and believes that this can be attained by driving growth. The Policy reflects the intent of the Company to reward its shareholders by distributing a portion of its profits after retaining sufficient funds for the business needs and growth of the Company.

POLICY

Policy:

Dividend payout in a particular year shall be determined after considering the operating and financial performance of the Company and the cash requirement for financing the Company's future growth.

Procedure:

The Board may declare one or more Interim Dividends during the year. Additionally, the Board may recommend Final Dividend for the approval of the shareholders at the Annual General Meeting. The date of the Board meeting in which the Dividend proposal will be considered, will be provided to the stock exchanges, as required by Listing Regulations.

The agenda of the Board of Directors where Dividend declaration or recommendation is proposed shall contain the rationale of the proposal which shall be in line with the Parameters mentioned in this Policy.

If the Company proposes to declare dividend on the basis of parameters in addition to this policy or proposes to change such parameters or the dividend distribution policy contained in any of the parameters, it will take necessary note in board meeting and subsequently reflect in the policy.

CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

The decision regarding dividend payout is a vital decision. Thus, the Board of Directors of the Company, while declaring or recommending dividend shall ensure compliance with statutory requirements under applicable laws including the provisions of the Companies Act, 2013 and Listing Regulations. The Board of Directors, while determining the dividend to be declared or recommended shall take into consideration the advice of the executive management of the Company and the planned and further investments for growth apart from other parameters set out in this Policy.

Notwithstanding the above, the shareholders of the Company may not expect Dividend under the following circumstances:

- Whenever company undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital or undertake any restructuring.
- Significantly higher working capital requirements adversely impacting free cash flow.
- Whenever it undertakes any acquisitions or joint ventures requiring significant allocation of capital.
- In the event of inadequacy of profit or whenever the Company has incurred losses and Board considers it appropriate not to declare dividend for any particular year.
- Due to any restrictions and covenants contained in any agreement as may be entered into with the Lenders.
- Due to operation of any other law in force.

PARAMETERS TO BE CONSIDERED BEFORE RECOMMENDING DIVIDEND

The Board of Directors of the Company shall consider the following financial / internal parameters while declaring or recommending dividend to shareholders:

- Distributable surplus available as per the Act and Regulations
- The Company's liquidity position and future working capital requirement and cash flow needs
- Track record of Dividends distributed by the Company
- Capital expenditure requirements considering the expansion, investment and acquisition opportunities
- Cost and availability of alternative sources of financing
- Stipulations/ Covenants of loan agreements
- Applicable taxes including tax on dividend
- Providing funds for unforeseen event and contingency with financial implications
- Leverage Profile and liabilities of the Company
- Any other relevant factors that the Board may deem fit to consider before declaring Dividend.

The Board of Directors of the Company shall consider the following external parameters while declaring or recommending dividend to shareholders:

- **Macro-economic environment** - The Board will endeavor to retain larger part of profits to build up reserves to absorb future shocks in case of uncertain or recessionary economic conditions and in situation where the policy decisions of the Government have a bearing on or affect the business of the Company.
- **Taxation and other Regulatory changes** – Introduction of new regulatory requirements or material changes in existing taxation or regulatory requirements, which significantly affect the businesses in

which the Company is engaged. Any restrictions on payment of dividends by virtue of any regulation as may be applicable to the Company at the time of declaration of dividend

- **Capital Markets (Debt Markets):** In case of unfavorable market conditions, Board may resort to a conservative dividend pay-out in order to conserve cash outflows and reduce the cost of raising funds through alternate resources.
- **Monetary Policy:** The Monetary Policy of the Country plays a pivotal role in managing macro-economic liquidity trends and thereby any amends in the same also influences the Dividend Distribution Policy of the Company.
- **Payout Ratios of comparable companies** – the payout ratios practiced by the other listed peers of the Company.

UTILISATION OF RETAINED EARNINGS

The Company shall endeavor to utilize the retained earnings in a manner which shall be beneficial to the interests of the Company and also its shareholders.

Subject to applicable regulations, the Company's retained earnings shall be applied for:

- Funding inorganic and organic growth needs including working capital, capital expenditure, repayment of debt, product and market expansion etc.
- Buyback of shares subject to applicable limits
- Payment of Dividend in future years
- Issue of Bonus shares
- Any other permissible purpose

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 regulations, the regulations shall prevail and in case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

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.

DISCLOSURE

The Policy is disclosed on Company's website i.e. www.austersystems.com

DISCLAIMER

This document does not solicit investments in the Company's securities. Nor is it an assurance of guaranteed returns (in any form), for investments in the Company's equity shares.