

DIVIDEND DISTRIBUTION POLICY

Introduction

This Dividend Distribution Policy (hereinafter referred to as “the Policy”) has been adopted by the Board of Directors of Cummins India Limited (hereinafter referred to as “the Company”) in the meeting held on February 1, 2017, pursuant to Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 (hereinafter referred to as “the SEBI Regulations”).

The Policy intends to set out several factors for consideration by the Board at the time of taking a decision on distribution *vis-a-vis* retention of profits, in the interest of providing transparency to the shareholders and maximising returns on investments.

The Policy is one of the guiding factors to the decision of the Board for recommending dividend, which is made every year after taking into consideration all the relevant circumstances enumerated hereunder or other factors as may be considered relevant by the Board.

Dividend

Dividend means distribution of profits, earned in the current year or earlier years, by the Company, to its shareholders in proportion to the amount paid-up on shares held by them. Under Companies Act 2013 (the “Act”), a Company can either declare dividend during the year, which is called interim dividend, or can declare dividend after the end of financial year, which is called final dividend.

This policy applies to declaration of interim dividend and recommendation of final dividend by the Board.

Interim dividend can be declared by the Board of Directors during the financial year by passing a resolution at its meeting. Final dividend is recommended by the Board of Directors for approval by the shareholders at the annual general meeting.

The dividend for any financial year shall normally be paid in accordance with the provisions of the Act or such other provisions as may be applicable including:

- out of the profits for the year (arrived at after providing for depreciation in accordance with law and transferring such amount to reserves as may be considered appropriate by the Board of Directors of the Company); and/or
- out of accumulated profits of any previous financial year(s) in accordance with provisions of the Act and Regulations, as applicable.
- Out of free reserves

Factors affecting dividend declaration

The Board of Directors considers the following factors while arriving at the dividend amount:

Internal Factors & Financial Parameters

- profits earned during the year
- distributable surplus available with the Company
- Company's liquidity position & return ratios, future cash flow requirements for operations and reserve for any contingencies
- capital expenditure requirements for expansion and growth
- history of dividends distributed by the Company
- loan covenants, if any
- Contingent liabilities, under exceptional circumstances
- Any other significant developments that require cash investments.

EXTERNAL FACTORS

- dividends distributed by other comparable companies
- taxation policy and any amendments expected thereof
- cost and availability of alternative sources of financing
- state of economy and nature of industry
- macroeconomic and business conditions in general
- any other relevant factors that the Board may deem fit.

Utilisation of retained earnings

The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision of utilisation of retained earnings of the Company would be based on criteria as the Board may deem fit from time to time.

Quantum and manner of dividend payout

The Company is committed to deliver sustainable value to all its stakeholders. The Company strives to distribute an optimal and appropriate level of the profits earned by it in its business and investing activity, with the equity shareholders, in the form of dividend. Determining the dividend pay-out depends on several factors, both internal to a business and external to it. Taking into consideration the aforementioned factors, the Board shall have absolute discretion to determine & recommend appropriate Dividend pay- out for the relevant financial year.

The circumstances under which the shareholders may or may not expect dividend

The shareholders of the Company may expect dividend only if the Company has surplus funds after providing for all the expenses, depreciation, etc., and after complying with the statutory requirements under the Applicable Laws.

The shareholders of the Company may not expect dividend in the following circumstances, subject to the discretion of the Board of Directors:

- the Company has inadequacy of profits or incurs losses for the Financial Year;
- the Company undertakes /proposes to undertake a significant expansion project requiring higher allocation of capital;
- the Company undertakes /proposes to undertake any corporate action likely to have an impact on cash flows such as buy back of securities, acquisitions or joint arrangements requiring significant allocation of capital etc.
- the Company has significantly higher working capital requirement affecting free cash flow.
- the Company is prohibited to recommend/declare dividend by any regulatory body.

Provisions in regard to various classes of shares.

The provisions contained in this policy shall apply to all classes of Shares of the Company. It may be noted that currently the Company has only one class of shares, namely, Equity.

Review & modification

The Board is authorised to change or modify this Policy from time to time at its sole discretion and/or in pursuance of any amendments made by any relevant law for the time being in force.

Amendment

In the event of any conflict between the provisions in this Policy and of the Act/ Regulations or any other statutory enactments, rules, the provisions such Act or the Regulations or statutory enactments or rules would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

Disclaimer

This Policy represents a general guidance regarding dividend and shall not be construed as a solicitation for investments in the Company's securities. It shall not act as an assurance or a commitment of guaranteed returns (in any form), on investments in the Company's securities.

The statement of the Policy does not in any way restrict the right of the Board to use its discretion in the recommendation of the Dividend to be distributed in the year and the Board reserves the right to depart from the policy as and when circumstances so warrant.

Approved by the Board of Directors on - Feb 1, 2017

Last Modification date - February 05, 2025

Effective Date: February 05, 2025