



## TECHNO ELECTRIC & ENGINEERING COMPANY LIMITED

### DIVIDEND DISTRIBUTION POLICY

#### 1. Introduction

- 1.1 The Dividend Distribution Policy (hereinafter referred to as the “Policy”) have been prepared and adopted in accordance with the provisions of the Companies Act, 2013 and as mandated by SEBI regulations.
- 1.2 The Board of Directors (the “Board”) of Techno Electric & Engineering Company Limited (the “Company”) has adopted the Policy as required in terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “Listing Regulations”) in its meeting held on April 17, 2017.
- 1.3 Under Section 2(35) of the Companies Act, 2013, “Dividend” includes any interim dividend. In common parlance, “dividend” means the profit available for distribution not retained in the business and is distributed among the shareholders.

#### 2. Effective date

The Policy shall become effective from the date of its adoption by the Board i.e. April 17, 2017.

#### 3. Purpose, objectives and scope

- 3.1 The Securities and Exchange Board of India (“SEBI”) has amended the Listing Regulations by inserting Regulation 43A in order to make it mandatory to have a Dividend Distribution Policy in place by the top five hundred listed companies based on their market capitalization calculated as on the 31<sup>st</sup> day of March of every year.
- 3.2 The Company is falling under one of the top five hundred category in the Stock Exchanges, a broad framework need to be in place for distribution of dividend to its shareholders and/ or retaining or plough back of its profits.
- 3.3 The purpose of the Policy is to reflect the intent of the Company to reward its shareholders by distributing a portion of its profits after retaining sufficient funds for future growth of the Company. The Company shall pursue this Policy, to pay, subject to the circumstances and factors enlisted hereafter, dividend, which shall be consistent with the performance of the Company over the years.

#### **4. Parameters for consideration and declaration of dividend**

- 4.1 (i) Since earnings has a direct bearing on dividend, the availability and magnitude thereof may significantly impact the decision of the Company to consider and declare dividend.
- (ii) In case of inadequate operating cash flow, the Company may depend on outside fund to meet its financial obligations and to run the day-to-day operations. This may impact the decision of the Board whether to declare dividend or retain its profits.
- (iii) Return on capital invested and efficiency with which the Company uses its capital.
- (iv) The Board will analyze the requirement of necessary funds for long term or short term purposes by the Company and the viability of the raising funds from alternative sources vis-a-vis plough back its own funds.
- (v) The debt obligations and terms of repayment may impact the decision of dividend declaration.
- (vi) In case of inadequacy of profits during any financial year, the Board may decide not to declare dividends for that financial year.
- (vii) The post dividend Earning Per Share may impact the decision for dividend declaration during a particular year.
- 4.2 The Board may also take into consideration the need for expansion and diversification including any major sustenance, improvement and growth proposals.
- 4.3 Agreements with Lenders, including Debenture Trustees that is entered or may be entered in future may impact the decision of dividend pay-out due to the restrictions and covenants that may be imposed from time to time in terms of the said agreements.
- 4.4 The relevant statutory requirements including mandatory transfer of profits to any specific reserve as provided in the Companies Act, 2013 and applicable to the Company at the time of taking decision with regard to dividend declaration or retention of profit.

#### **5. Factors that may affect dividend payout**

- (i) The current and future outlook of the economy, the policy decisions by the Government etc. may have a bearing on or affect the business of the Company that may force the management for retaining a larger part of the profits to create adequate reserves to meet the exigency during unforeseen circumstances.
- (ii) If the cost of raising funds to pursue its planned growth and expansion plans is significantly higher, the management may consider retaining a larger part of the profits to meet the requirements.
- (iii) The applicable tax regulations i.e. dividend distribution tax or any tax deduction at source, as may be applicable at the time of declaration of dividend and 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.

(iv) The Company's long term growth strategy which requires to conserve cash in the Company to execute the growth plan.

(v) The liquidity position of the company including its working capital requirements and debt servicing obligations.

## **6. Expected dividend payout**

6.1 The dividend policy of the Company a progressive with an intention to maintain or grow the dividend each year.

6.2 The Board shall consider the parameters and factors provided under Clause 4 and 5 above before deciding dividend payout keeping in view the balanced interest of the shareholders and the Company;

## **7. Manner of dividend payout**

7.1 The given below is a summary of the process of declaration and payment of dividends, and is subject to applicable regulations

7.2 In case of final dividend

(i) The final dividend be recommended by the Board in the Board meeting that considers and approves the annual financial statements and shall be subject to approval of the shareholders of the Company at the Annual General Meeting.

(ii) The dividend as recommended by the Board shall be approved/declared at the annual general meeting of the Company. The shareholders shall have the right to reduce the dividend, but in no circumstances can increase the same.

(iii) The payment of dividends shall be made within 30 days from the date of declaration by the shareholders at the Annual General Meeting to those shareholders entitled to receive the dividend on the date of book closure as per the applicable law.

7.3 In case of interim dividend

(i) Interim dividend, if any, shall be declared by the Board.

(ii) Before declaring interim dividend, the Board shall consider the financial position of the Company that allows the payment of such dividend.

(iii) The payment of interim dividend shall be made within 30 days from the date of declaration by the Board to the shareholders entitled to receive the dividend on the record date as per the applicable laws.

(iv) In case no final dividend is declared, interim dividend paid during the year, if any, will be regarded as final dividend in the annual general meeting in respect of that financial year.

## **8. Utilization of retained earnings**

8.1 The earnings may be retained by the decision of the Board for better utilization in future and to increase the value of the stakeholders in the long run.

8.2 The decision of utilization of the retained earnings of the Company shall be based on the following factors:

(i) Long term strategic plans

(ii) Market expansion plan

(iii) Diversification of business

(iv) Other such criteria as the Board may deem fit from time to time.

## **9. Applicability to various classes of shares**

9.1 The factors and parameters mentioned as above shall be applicable to any class of equity shares that the Company may issue in future. However, the Company has only one class of issued, subscribed and paid up equity share capital at present and does not have any issued preference share capital.

9.2 The payment of dividend shall be based on the respective rights attached to each class of shares as per their terms of issue.

9.3 The dividends shall be paid out of the Company's distributable profits and/or general reserves and/or out of both and shall be distributed among shareholders on pro-rata basis according to the number of each type and class of shares held.

9.4 The preference shareholders of the Company, if any shall have the first right to dividend, if declared, as per the terms and conditions of their issue.

## **10. Applicability of the policy**

The Policy shall not apply to:

(i) Determination and declaring dividend on preference shares as the same will be as per the terms of issue approved by the shareholders;

(ii) Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law; and

(iii) Distribution of cash as an alternative to payment of dividend by way of buyback of equity shares.

11. **Reporting and disclosure**

As prescribed by Regulation 43A of the Listing Regulation, this Policy shall be disclosed on the Company's website and the Annual report.

12. **Review of the policy**

This Policy shall be subject to review as may be deemed necessary as per any regulatory amendments.

13. **Compliance**

Compliance of this Policy shall be the responsibility of the Company Secretary of the Company.

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