



TD POWER SYSTEMS LIMITED

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DIVIDEND DISTRIBUTION POLICY

(Pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015) (hereinafter called as "LODR")

(effective from May 6, 2021)

1. KEY PRINCIPLES OF DIVIDEND DISTRIBUTION POLICY

This dividend distribution policy is formulated to have a uniform policy with respect to payment of dividends to its shareholders and to maintain consistency and predictability on dividend payments. Various regulatory and financial parameters, as enumerated below will be considered while declaring dividends.

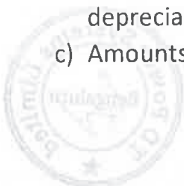
Circumstances under which shareholders may or may not expect dividend -

- a) Dividend shall be payable subject to meeting regulatory requirements applicable for such payments&
- b) Dividend shall be paid if the Board is of the view that the internal Guidelines including financial parameters for payment of dividend set out in this policy are met.

2. REGULATORY CONSIDERATIONS

Companies Act 2013 and Rules thereof & SEBI's Listing Regulations on payment of dividend and other applicable Regulations enumerate the requirements in this respect. The Company is required to consider the following key requirements for declaring dividend:

- a) losses and depreciation not provided in previous year or years are set off against the profits of the Company of the Current year;
- b) Current year's depreciation charge has been duly provided for and there is balance in the Profit and Loss account after providing for past accumulated losses and current year depreciation and depreciation of previous periods;
- c) Amounts transferred to reserves as may be stipulated;



- d) Compliance with FEMA Regulations and Rules prescribed from time to time by Reserve Bank of India for payment of dividend to Non Residents;
- e) Unpaid dividend, if any, shall be transferred to Investor Education and Protection Fund as per the provisions of the Companies Act, 2013;
- f) Any other applicable laws and regulations in this respect.

3. FINANCIAL PARAMETERS

The key financial parameters that shall be considered while declaring dividends:

- a) Percentage of profits to Turnover – Gross Profit Ratio and Operating Profit Margin ratio
- b) Earnings per share of the Company
- c) Dividend payout ratio
- d) Total borrowings of the Company, interest rate, cost of raising funds from alternate sources and need for cash to reduce debt including having optimum debt: equity ratio.
- e) Cash Flow position of the Company; funds for revenue budgets including for payment of taxes..
- f) Adjustments on dividend per share due to buy back, split, bonus and other corporate actions.
- g) Future expansion plans and the capital expenditure requirement including acquisition or diversification to be made by the Company from time to time.
- h) Dividend Payout ratio in comparable companies and thresholds as per Group Dividend Policy.
- i) Need for ploughing back of profits into Business.
- j) Other reasons, which in the view of the Board of Directors of the Company or as per applicable regulations may be required to be considered from time to time before declaration of dividend.

4. INTERNAL AND EXTERNAL FACTORS FOR DECLARATION OF DIVIDEND

Following are important internal and external factors which will have a bearing on dividend declaration:

i. Internal Factors:

- a) Internal proposal from Management, recommendation of the Audit Committee and by the Board of Directors, financial considerations and approval of Shareholders
- b) Such other factors as may be relevant from time to time and as considered by the Board of Directors.

ii. External Factors:

- a) Regulatory changes and implications.
- b) Payout Ratios of peer group companies in general.
- c) Long term dividend yield of peer group Companies.
- d) Utilization of retained earnings (Profit and Loss and General Reserve):

The retained earnings i.e., balance in Profit and Loss account (other than balance in reserves) will be utilized as per Guidelines stated in Para 2 and para 3 above. Payment of Dividend out of Reserves shall be subject to applicable Regulations or the amount of General Reserve being transferred to Profit and Loss Account through necessary approvals by shareholders, courts/ other statutory authorities.



5. PARAMETERS THAT SHALL BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

All Equity shares shall rank pari-passu for the purpose of Dividend and voting and other classes of shares if any, shall be eligible for dividend as per the terms of issue of such shares from time to time. Shares of a Particular category/class shall rank paripassu and all shareholders holding shares on the Book Closure/Record Date shall be entitled to dividend on the same basis and be paid the same dividend per share irrespective of the holding period or date of allotment of such shares.

6. APPROVAL PROCESS

Payment of Dividend shall be proposed by the Management (after necessary internal clearances) to the Board of Directors for consideration which shall then recommend for approval of the shareholders. Dividend shall be paid either by way of interim dividend during the year which shall be approved by the Board or as final dividend after the end of the year end which shall be subject to approval by shareholders of the Company.

7. AMENDMENTS/ MODIFICATION TO THE POLICY

The provisions of this dividend policy would be subject to revision/amendment in accordance with the provisions of the Act, Rules and Regulations as may be issued by relevant statutory authorities, from time to time. Further, the Board may amend this policy as and when required or deemed fit.

Bangalore
May 6, 2021



TD Power Systems Limited