



Transformers and Rectifiers (India) Limited

Dividend Distribution Policy



1. Introduction

The Board of Directors (the “Board”) of Transformers and Rectifiers (India) Limited (the “Company”) at its meeting held on 6th February, 2023 had adopted this Dividend Distribution Policy (the “Policy”) according to Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “Listing Regulations”).

2. Objective

The objective of this Policy is to establish the parameters to be considered by the Board of Directors of the Company before declaring or recommending dividend.

3. Preamble

Dividend is the payment made by a Company to its shareholders, usually in the form of distribution of its profits. The profits earned by the Company can either be retained in business and/or used for acquisitions, expansion or diversification, reduction of debt, or it can be distributed to the shareholders. The Company may choose to retain a part of its profits and distribute the balance among its shareholders as dividend. This Policy aims to reconcile between all these needs.

4. Definitions

“Financial Year” shall have the same meaning as defined under Section 2(41) of the Companies Act, 2013 and any amendments thereto

“Dividend” includes interim Dividend

“Board of Directors” means the collective body of Directors of the Company.

“Company” shall have the same meaning as defined under Companies Act, 2013 and any amendments thereto.

“PAT” shall mean Profit after tax and Deferred Tax



5. Parameters for Distribution of Dividend

a) The circumstances under which the shareholders of the listed entities may or may not expect dividend.

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.

The Board of Directors of the Company may not declare or recommend dividend for a particular period if it is of the view that it would be prudent to conserve capital for the then ongoing or planned business expansion or other factors which may be considered by the Board.

b) The financial parameters that shall be considered while declaring dividend:

The Company would ensure to strike the right balance between the quantum of dividend paid and amount of profits retained in the business for various purposes. The Board of Directors will refer to the policy while declaring/recommending dividends on behalf of the Company. The Board may consider the following Financial Parameters for declaring the Dividend:

- ❖ PAT for the Current Year
- ❖ PAT for Previous Year
- ❖ Retained Earnings
- ❖ Reserves and Surplus
- ❖ Present and proposed level of gearing and plan for optimising the leverages;
- ❖ Prevailing working capital cycle and the expected changes in the same resulting into requirement of further cash flows for managing the same;
- ❖ Expected outlay on various projects in pipeline;



- ❖ Overall liquidity situation and Bank line availability, prevailing both internally and externally.

c) internal and external factors that shall be considered for declaration of dividend;

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in business. The Board of Directors will endeavour to take a decision with an objective to enhance shareholders wealth and market value of the shares. However, the decision regarding pay-out is subject to several factors and hence, any optimal policy in this regard may be far from obvious.

The Dividend payout decision of any company depends upon certain external and internal factors

External Factors:

- ✚ in case of uncertain or recessionary economic and business conditions, Board will endeavour to retain larger part of profits to build up reserves to absorb future shocks.
- ✚ The Board will keep in mind the restrictions imposed by Companies Act and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2016 with regard to declaration of dividend.
- ✚ The Board shall keep in mind the Goodwill and Company's duration of its existence while declaring the Dividend declaration capacity.
- ✚ Stability of Earnings;

Internal Factors:

Apart from the various external factors aforementioned, the Board will take into account various internal factors while declaring Dividend, which inter alia will include:

- ✚ Profits earned during the year;
- ✚ Present & future Capital requirements of the existing businesses;



- ✚ Business Acquisitions;
- ✚ Expansion/ Modernization of existing businesses;
- ✚ Additional investments in subsidiaries/associates of the Company;
- ✚ Fresh investments into external businesses;
- ✚ Changes in working Capital;
- ✚ Availability of Bank Finance for Funding Company's requirement;
- ✚ Any other factor as deemed fit by the Board

d) policy as to how the retained earnings shall be utilized;

Retained earnings are an equity account that comprises the balance of a company's earnings accumulated over time that remains "retained" or undistributed. Net profit (PAT) figures that can be viewed in companies profit and loss accounts can serve two purpose. Either it can be distributed among shareholders or it can be transferred to balance sheet as retained earnings.

When profits are retained, company use this fund to gain competitive advantage. The competitive advantage can be achieved by increasing sales or by increasing profit margin. To improve sales or margins company shall either expand its capacity or modernize its facility to make it more productive. For both expansion and modernization's plans companies need funds.

The Board of directors may even declare dividends, Declaration of Dividend leads to reduction in the retained earnings and the cash balance is reduced.

The Following are the purposes for which the retained earnings may beused:-

❖ Save Money

- Set aside cash for expected future expenses
- Set aside cash for unexpected future expenses

❖ Spend Money:

- Invest into fixed assets (capital expenditures)
- Invest into Current Assets



- Research and Development Purpose
 - Pay salaries/ bonuses to executives and other employees
 - Pay down debt
 - Acquire property or any Company or Joint Ventures
 - License intellectual property, such as patent rights
 - Expand the market for your products
 - Make Investment that are profitable
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- ❖ Buy Back
 - ❖ Dividend

e) 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.

6. Dividend pay-out Ratio:

The Company had recently started paying dividend after a gap of __ years. In future, the Company would endeavour to pay sustainable dividend keeping in view the Company's policy of meeting the long-term growth objectives from internal cash accruals.

7. Disclosures:

The Company required to make disclosure of Dividend Distribution Policy shall be disclosed in the Annual Report and on website of the Company.

8. Conflict in Policy:

In the event of any conflict between this Policy and the provisions contained in the Listing Regulations, the Regulations shall prevail.



9. Amendments:

The Board may, from time to time, make amendments to this Policy to the extent required due to change in applicable laws and Listing Regulations or as deemed fit on a review.