

**DIVIDEND DISTRIBUTION POLICY**  
**OF**  
**THERMAX LTD.**

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## **1. Objective**

The objective of this Policy is to ensure the right balance between the quantum of Dividend paid and amount of profits retained in the business for various purposes. Towards this, the Policy lays down parameters to be considered by the Board of Directors of the Company for declaration of Dividend from time to time.

## **2. Philosophy**

The philosophy of the Company is to enhance value of all stakeholders which includes maximising the shareholders' wealth in the Company. The Company believes that driving profitable growth creates maximum shareholder value and also serves intent of other stakeholders. Thus, the Company would first utilise its profits for working capital requirements, capital expenditure to meet expansion needs, reducing debt from its books of accounts, earmarking reserves for inorganic growth opportunities and thereafter distributing the surplus profits in the form of dividend to the shareholders.

## **3. Legal Framework**

The Companies Act, 2013 lays down certain provisions for declaration of dividend, which are:

- i) Section 51 permits Companies to pay dividends proportionately i.e. in proportion to the amount paid-up on each share when all shares are not uniformly paid-up i.e. *pro-rata*. Pro rata means in proportion or proportionately, according to a certain rate. The Board of Directors of the Company may decide to pay dividends on *pro-rata* basis if all the equity shares of the company are not equally paid-up. However, in the case of preference shares, dividend shall be paid at a fixed rate as per the terms of issue.

The permission given by this Section is, however, conditional upon the Company's articles of association expressly authorising the Company in this regard.

- ii) Final Dividend is generally declared at an annual general meeting [Section 102(2)] at a rate not more than what is recommended by the Board in accordance with the articles of association of a Company.
- iii) An interim dividend is declared by the Board at any time before the closure of financial year, whereas a final dividend is declared by the members of a Company at its annual general meeting if and only if the same has been recommended by the Board of Directors of the Company.

- iv) In accordance with Section 134(3)(k), Board of Directors shall state in the Directors' Report the amount of dividend, if any, which it recommends to be paid. The dividend recommended by the Board of Directors in the Board's Report must be 'declared' at the annual general meeting of the company. This constitutes an item of ordinary business to be transacted at every annual general meeting. This does not apply to interim dividend.
- v) No dividend shall be declared or paid by the Company for any financial year except out of the profits of the Company for that year arrived at after providing for depreciation in accordance with Section 123 (2) of the Act or out of profits of the Company for any previous financial year/years arrived at after providing for depreciation in accordance with the provisions of above sub-Section and remaining undistributed or out of both or out of moneys provided by the Central Government or a State Government for payment of dividend in pursuance of a guarantee given by the concerned Government [Section 123(1)].
- vi) The Company may before the declaration of any dividend in any financial year, transfer such percentage of its profits for that financial year as it may consider appropriate to the reserves of the Company.
- vii) If owing to inadequacy or absence of profits in any year, the Company proposes to declare dividend out of the accumulated profits earned by it in any previous financial years and transferred to reserves, such declaration of dividend shall not be made except in accordance with the Companies (Declaration and Payment of Dividend) Rules, 2014. No dividend shall be declared or paid by the Company from its reserves other than free reserves. Further the Company shall not declare dividend unless carried over previous losses and depreciation not provided in the previous year / years are set off against the profit of the company for the current year.
- viii) Depreciation, as required under Section 123(1) of the Companies Act has to be provided in accordance with the provisions of Schedule II to the Act.
- ix) If the Company fails to comply with Section 73 and 74 of the Companies Act, relating to acceptance & repayment of deposits, no dividend shall be declared on its equity shares till such default continues.
- x) The amount of dividend (final as well as interim) shall be deposited in a separate bank account within 5 days from the date of declaration. [Section 123(4)]
- xi) Dividend has to be paid within 30 days from the date of declaration.
- xii) Section 24 of the Companies Act, 2013 confers on SEBI, the power of administration of the provisions pertaining to non-payment of dividend.

- xiii) If dividend has not been paid or claimed within the 30 days from the date of its declaration, the Company shall transfer the total amount of dividend which remains unpaid or unclaimed, to a special account to be opened by the Company in a scheduled bank to be called “Unpaid Dividend Account”. Such transfer shall be made within 7 days from the date of expiry of the said period of 30 days.
- xiv) Any money transferred to the unpaid dividend account of a Company in pursuance of Section 124 which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the company to the Investor Education and Protection Fund.
- xv) Any dividend payable in cash may be paid by cheque or warrant through post directed to the registered address of the shareholder who is entitled to the payment of the dividend or to his order or in any electronic mode sent to his banker. [Section 123(5)]

#### **Effective Date**

The Board of Directors of the Company at its meeting held on February 8, 2017 has adopted the dividend distribution policy of the Company as required in terms of the Regulation 43A of the Securities and Exchanges Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015. The effective date of the dividend distribution policy is February 8, 2017.

#### **4. Definitions**

All the words and expressions used in this Policy, shall have meaning respectively assigned to them under the Securities and Exchanges Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 and as per the Companies Act, 2013 and the Rules, Notifications and Circulars issued thereunder, as amended, from time to time.

#### **5. Parameters for declaration of Dividend**

In line with the philosophy stated above in Clause 2, the Board of Directors of the Company, shall consider the following parameters for declaration of Dividend:

## **A. Internal Factors / Financial Parameters**

The Board of Directors of the Company would consider the following financial parameters before declaring or recommending dividend to shareholders:

- i) Consolidated and Standalone profit after tax and net operating profit after tax;
- ii) Working capital requirements;
- iii) Capital expenditure requirements;
- iv) Investment opportunities;
- v) Resources required to fund acquisitions and / or new businesses, diversification of business, expansion/ modernization plans, long term strategic plans;
- vi) Cash flow required to meet contingencies;
- vii) Cost of borrowings vis-à-vis cost of capital, Outstanding borrowings;
- viii) Past Dividend Trends
- ix) Any other criteria as the Board may deem fit from time to time.

## **B. External Factors**

The Board of Directors of the Company would consider the following external factors before declaring or recommending dividend to shareholders:

- i) Prevailing legal requirements, regulatory conditions or restrictions laid down under the Applicable Laws including tax laws;
- ii) Dividend pay-out ratios of companies in the same industry;
- iii) Emerging trends in financial market; and
- iv) Industry growth rate.

## **C. Circumstances under which the shareholders may or may not expect Dividend**

The shareholders of the Company may not expect Dividend under the following circumstances:

- i) Whenever it undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;
- ii) Significantly higher working capital requirements adversely impacting free cash flow;

- iii) Undertaking of any acquisitions or joint ventures requiring significant allocation of capital;
- iv) Whenever it proposes to utilise surplus cash for buy-back of securities;
- v) Determination and declaring dividend on preference shares, if any;
- vi) Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities; or
- vii) Inadequacy of profits or if the Company incurs losses.

#### **D. Utilization of retained earnings**

Subject to provisions of the applicable laws, the Company may declare dividend out of the profits of the Company for the year or out of the profits for any previous year or years or out of the free reserves available for distribution of Dividend, after having due regard to the parameters laid down in this Policy.

#### **E. Parameters adopted with regard to various classes of shares**

Presently, the authorised, the issued and the paid-up share capital of the Company comprises only equity shares of face value of Rs. 2/- each.

The Company shall first declare dividend on outstanding preference shares, if any, at the rate of dividend fixed at the time of issue of preference shares and thereafter, the dividend would be declared on equity shares.

As and when the Company issues other kind of shares, the Board of Directors may suitably amend this Policy.

#### **F. Amount of Dividend**

The Company shall endeavor to maintain a reasonable dividend payout ratio subject to; a) capital needs of the Company, b) positive operating cash flows and c) other financial parameters enumerated herein above.

## **6. Procedure**

- i) The Chief Financial Officer in consultation with the MD & CEO of the Company shall recommend with a rationale of any amount to be declared/ recommended as Dividend to the Board of Directors of the Company.
- ii) Pursuant to the provisions of applicable laws and this Policy, interim Dividend, if any, approved by the Board of Directors will be confirmed by the shareholders and final Dividend, if any, recommended by the Board of Directors, will be subject to shareholders' approval, at the ensuing Annual General Meeting of the Company.
- iii) The Company shall ensure compliance of provisions of Applicable Laws and this Policy in relation to Dividend declared by the Company.

## **7. Disclosure**

The Company shall make appropriate disclosures as required under the SEBI Regulations.

## **8. General**

- i) This Policy would be subject to revision/amendment in accordance with the guidelines as may be issued by Ministry of Corporate Affairs, Securities Exchange Board of India or such other regulatory authority as may be authorized, from time to time, on the subject matter.
- ii) The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy.
- iii) 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.

**9. Cautionary Statement**

The Policy reflects the intent of the Company to reward its shareholders by sharing a portion of its profits after retaining sufficient funds for growth of the Company. The Company shall pursue this Policy to pay, subject to the circumstances and factors enlisted herein above, which shall be consistent with the performance of the Company over the years.

**For Thermax Limited**

Date: February 8, 2017  
Place: Pune

M.S. Unnikrishnan  
Managing Director & CEO



Version: 1 of 2017

Version approved by: The Board of Directors of Thermax Limited

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