

POLICY ON DIVIDEND DISTRIBUTION

1. Introduction

The Securities Exchange Board of India (“SEBI”) on July 8, 2016 inserted Regulation 43A in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which requires top five hundred listed companies (based on market capitalization of every financial year) to formulate a Dividend Distribution Policy which shall be disclosed in their annual reports and on their websites.

PTC India Financial Services Limited (“PFS” or “Company”) being one of the top five hundred listed companies as per the market capitalization as on the last day of the immediately preceding financial year, frames this policy to comply with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

2. Objectives & Scope

This Policy lays down the broad framework which will act as guiding principles for the purpose of declaring or recommending any dividend during or for any financial year by the Company.

The Policy aims at balancing the twin objectives of the growth of the Company and Shareholders’ value.

Through this Policy, the Company endeavours to bring a fair, transparent and consistent approach to its dividend pay-out plans. The Policy has been framed broadly in line with the provisions of the Companies Act, 2013 and also taking into consideration guidelines issued by SEBI/ RBI/and other regulations, to the extent applicable.

The Policy is a general declaration of intention and the actual declaration of dividend will require corporate action at the time a decision is taken, depending on the precise circumstances at that point of time.

In addition, payment of any such dividend will be subject to any restriction under applicable laws and regulation, the Articles of Association, available cash flows and capital requirements.

The Policy, however, is not an alternative to the decision of the Board for recommending dividend, which is made every year after taking into consideration all relevant circumstances enumerated hereunder or other factors as may be considered by the Board of Directors from time to time.

3. Definitions

- 3.1. **“Act”** shall mean the Companies Act, 2013 including the Rules made thereunder, as amended from time to time.
- 3.2. **“Applicable Laws”** shall mean the Companies Act, 2013 and Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; as amended from time to time and such other act, rules or regulations which provides for the distribution of dividend.
- 3.3. **“Company”** shall mean PTC India Financial Services Limited
- 3.4. **“Board” or “Board of Directors”** shall mean Board of Directors of the Company.
- 3.5. **“Dividend”** shall mean Dividend as defined under Companies Act, 2013 and shall include interim dividend.
- 3.6. **“Policy or this Policy”** shall mean the Dividend Distribution Policy.
- 3.7. **“SEBI Regulations”** shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars issued thereunder, including any statutory modification(s) or re-enactment(s) thereof for the time being in force.
- 3.8. **“RBI Regulations”** means Reserve Bank of India Act, 1934 and various circulars, guidelines issued by Reserve Bank of India from time to time.

4. Relevant Statutory Provisions of the Companies Act, 2013 and Companies (Declaration and Payment of Dividend) Rules 2014 relating to Dividend

- 4.1 Dividend shall be declared or paid by company for any financial year:
- i) Out of the current year profit after providing depreciation.

- ii) Out of the previous years profit remaining undistributed and after providing for depreciation.
- iii) Out of both the above.

4.2 No Dividend shall be declared or paid by company from its reserves other than free reserves.

4.3 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.

4.4 Company shall declare dividend after carried over previous losses and depreciation not provided, if any, in previous year or years are set off against profit of the company for the current year.

4.5 In case of losses or inadequate profits in any financial year, the Company can declare dividend out of the profits earned by it in previous years and transferred to the reserves subject to the following conditions:-

- i. The rate of dividend declared shall not exceed the average of the rates at which dividend was declared by it in the three years immediately preceding that year:
Provided that the above condition shall not apply in case the Company has not declared any dividend in each of the three preceding financial year.
- ii. The total amount to be drawn from such accumulated profits shall not exceed one-tenth of the sum of its paid-up share capital and free reserves as appearing in the latest audited financial statement.
- iii. The amount so drawn shall first be utilised to set off the losses incurred in the financial year in which dividend is declared before any dividend in respect of equity shares is declared.

The balance of reserves after such withdrawal shall not fall below fifteen per cent of company's paid up share capital as appearing in the latest audited financial statement

5. Circumstances under which the shareholders may or may not expect dividend:

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among shareholders of the Company and the amount of profit to be retained in business.

The Board will consider the factors mentioned under Clause 5 below and before determination of any dividend payout analyse the prospective opportunities and threats, viability of the option of dividend payout or retention etc. If the Board proposes that it is financially prudent not to recommend dividend, it may recommend no dividend, in that case, reason(s) thereof and

information on utilization of the undistributed profit, if any, shall be disclosed to the shareholders in the Annual Report of the Company.

5. Parameters for declaration of Dividend

The Board of Directors will consider the following parameters for determining the quantum of dividend:

5.1 Financial Parameters

- Net profit after tax;
- Transfer of Statutory Reserve as per Reserve Bank of India Act, 1934
- Working Capital requirements;
- Capital expenditure requirements and alternative use of cash;
- Outstanding borrowings
- Available cash and cash flow requirement to meet any unforeseen events & contingencies/ group's capital requirements
- Dividend received by the company.
- Net worth of the company
- Dividend yield
- Dividend payout ratio.
- In case the dividend is paid out of the reserves, the balance of reserves after such withdrawal shall not fall below 25% of company's paid up share capital as appearing in the latest audited financial statement.

5.2 Developments in internal and external environment.

- Opportunities available for growth/expansion/ modernisation
- Past Dividend Trends
- Expectations of shareholders
- Prudential requirements
- Capital Markets
- Industry Conditions
- Customers and suppliers concentration and their financial health
- Market Capitalization
- Statutory Provisions and Guidelines;
- Policies of the Government (centre and state)
- Dividend Pay-out ratios of companies in same industries i.e. Peer Group Comparison
- Economic Environment

5.3 Any other factor as the Board may deem fit

6. Utilization of retained earnings

The Company is engaged into financing the infrastructure sector and the retained earnings are deployed in the long-term infrastructure loan assets. 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 profit being retained in the business shall be continued to be deployed in its operations, expansion plans, investment plans etc. The Company stands committed to deliver sustainable value to all its stakeholders.

7. Provision with regard to various classes of shares

The holders of the equity shares of the Company, as on the record date, will be entitled to receive dividends. Since the Company has issued only one class of equity shares with equal voting rights, all the members of the Company shall be entitled to receive the same amount of dividend per share. The Policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

8. Timing of Dividend

- 8.1 Interim dividends, as and when decided by the Board, will be declared after considering the interim financial statements for the period for which interim dividends are declared along with factors mentioned in clause 4 & 5 above. Interim financial statements will be prepared considering working expenses, depreciation and anticipated losses, if any, for the full year.
- 8.2 Final dividends as and when approved at the Annual General Meeting (AGM) of the shareholders will be based on the recommendations of the Board based on review of audited financial statements for the year, factors mentioned in clause 4 & 5 above and considering interim dividend, if any, declared during the year.
- 8.3 In case no final dividend is declared, interim dividend, if any, will be regarded as final dividend in AGM.

9. Exclusions

- This policy shall not cover the following
- Capitalizing of profits by way of bonus issue of fully or partly securities

- Declaration of dividend on preference shares (as and when issued), since the same will be governed by terms of issue of such shares
- Buyback of shares

10. Amendment(s):

- The Board will change/amend this Policy from time to time at its sole discretion and/or pursuant to any amendments made in the Companies Act, 2013 or any other Statutory Regulations.
- In case of any clarification(s), circular(s) etc. issued by the relevant authorities, not being inconsistent with the provisions laid down under this Policy, then this Policy shall be read along with such clarification(s), circular(s) so issued, from the effective date as laid down under such clarification(s), circular(s) etc. In case of any conflict in the Policy and regulatory provisions then regulatory provisions shall prevail.

11. Disclosures:

The Company shall disclose this Policy in its Annual Reports & website.

EFFECTIVE DATE The Policy shall become effective from the date of its adoption by the Board.