

DIVIDEND DISTRIBUTION POLICY

1.0 Introduction:

ONGC Tripura Power Company Limited is governed by an Agreement between the Shareholders', which inter-alia, provides that policy of the Company shall be maximizing distribution to Shareholders.

In accordance with the principle enshrined in the Shareholders Agreement and as a good Corporate Governance practice, the Board of Directors ('**Board**') of ONGC Tripura Power Company Ltd (hereinafter expressed as '**OTPC**' or '**Company**') is adopting this Dividend Distribution Policy to lay down a broad framework with regard to decision for distribution of dividend to its shareholders and/ or retaining or ploughing back of profits.

The Policy reflects the intent of the Company to maximize returns to its shareholders after factoring in potential capital requirement funds, funds retention requirements for its obligations and growth and exploring all potential funding options.

Through this Policy, the Company would endeavor to maintain a consistent approach to dividend pay-outs, subject to the applicable laws and conditions.

2.0 This policy shall be known as OTPC Dividend Distribution Policy (**the "Policy"**).

3.0 Dividend and Category of Dividend:

Dividend is the payment made by a Company to its shareholders, usually in the form of distribution of its profits, in proportion to the amount paid up on shares they hold. The Companies Act provides for payment of dividend in two forms – Interim & Final.

Final Dividend: The Final dividend, if any, is paid once for the financial year after the annual accounts are prepared. The declaration of Final dividend shall be included in the ordinary business items that are required to be transacted at the Annual General Meeting.

Interim Dividend: This form of dividend can be declared by the Board one or more times in a financial year as may be deemed fit by it.

4.0 Effective Date

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

5.0 Declaration of Dividend

The Board of the Company shall have the power to recommend final dividend to the shareholders for their approval in the Annual General Meeting of the Company. The Board shall have the absolute power to declare interim dividend during the financial year, as and when they consider it fit. Normally, the Board could consider declaring an interim dividend after finalization of quarterly (or half yearly) financial accounts.

The Policy shall not apply to:

- a) Determination and declaring dividend on preference shares, if any to be issued by OTPC at a later date, as the same will be as per the terms of issue approved by the shareholders;
- b) Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, which are subject to applicable law;

6.0 Statutory Requirements

The Board shall comply with the following statutory requirements while taking decision of a dividend payout during a particular year:

- a) Companies Act 2013 and rules applicable thereto including those with respect to mandatory transfer of a certain portion of profits to any specific reserve which may be applicable to the Company at the time of taking decision with regard to dividend declaration or retention of profit;
- b) Provision of Income Tax with respect to dividend distribution tax;
- c) Any other applicable laws.

7.0 Prudential requirements

The Board of the Company may be guided by the following financial parameters interalia before making any recommendation for the dividend:

- a) Net Profits earned and free cash generated by the Company during the financial year.
- b) Distributable reserves & surplus of the Company.
- c) Projected future profits of the Company.
- d) Present and future Capital requirements of the Company, including working capital.
- e) Future expansion plans of the Company, including probable mergers and acquisition.
- f) Retention of sufficient profits to strengthen the Balance Sheet of the Company which can be leveraged at an appropriate time for supporting growth, if required.
- g) Liquidity available with the Company and cost and availability of funds from alternate sources of financing.
- h) Covenants of loan and other commercial agreements.
- i) Applicable taxation policy with respect to distribution of dividend, including taxation in the hands of investors as well.
- j) Track record of dividend distributed by the Company in the past.

- k) Statutory limits prescribed with respect to dividend distribution.
- l) Impact on Credit Rating and/or networth on the Company. Post dividend distribution, credit rating & fund raising capability of OTPC should not get adversely affected.
- m) Any other internal and/or external factor as the Board may deem fit.

8.0 Circumstances under which the shareholders of the Company may or may not expect dividend

The Company is committed to driving value creation for all its stakeholders. The decision regarding dividend pay-out is a crucial decision as it determines the amount to be distributed among shareholders of the Company out of its distributable profits and the amount of profit to be retained in business. The Board would continue to adopt a progressive and dynamic dividend policy, ensuring the immediate as well as long term needs of the business along with rewarding shareholders of the company.

The Company may not declare dividend or declare dividend at a rate lower than its normal rate of dividend in the circumstances as given below:

- a) where company has undertaken a significant project requiring higher capital allocation.
- b) where company is into merger or acquisitions which demands higher capital allocation.
- c) in an event where the Company profits are inadequate or Company makes losses.
- d) in case of a contingencies which may require higher capital allocation.

In all the above stated circumstances, the Company would use the Company's reserves judiciously. It may also be noted that declaration of dividend will be subject to statutory guidelines prescribed in this regard by Companies Act 2013 & rules made thereunder, MCA or any other statutory/regulatory authority.

9.0 Manner of Utilisation of Retained Earnings

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

- a) Strategic and long term plans of OTPC;
- b) Need to ensure a strong net- worth position;
- c) Diversification opportunities;
- d) Any other criteria which the Board of OTPC may consider appropriate in the larger interest of the Company.

10.0 Parameters to be adopted with regard to various classes of shares

Since the Company has issued only one class of equity shares with equal voting rights, all the

members of the Company are entitled to receive the same amount of dividend per share. The holders of the equity shares of the Company, as on the record date, are entitled to receive dividends.

The policy shall be suitably revisited at the time of issue of any new class of shares depending upon the nature and guidelines thereof.

11.0 Amendment

The Board is authorised to 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.
