



**TITAGARH RAIL SYSTEMS LIMITED**  
(Formerly TITAGARH WAGONS LIMITED)

## **DIVIDEND DISTRIBUTION POLICY**

## 1. BACKGROUND / PREAMBLE

- 1.1. The Securities and Exchange Board of India ("SEBI") vide its Gazette Notification dated May 05, 2021 has amended the various provisions of Listing Regulations. Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021 (the "**Regulations**") mandated top 1000 (thousand) listed companies (based on market capitalization of every financial year) to formulate a Dividend Distribution Policy, which shall be placed on the website of the listed entity and a web-link shall also be provided in their Annual reports.
- 1.2. As the Company is one of the top 1000 listed companies as on March 31, 2021, the Board has laid down a broad framework for distribution of dividend to its shareholders and/or retaining or plough back of its profits.
- 1.3. The Board of Directors (the "**Board**") of Titagarh Wagons Limited (the "**Company**") at its meeting held on 8<sup>th</sup> June, 2021 has adopted the Dividend Distribution Policy (the "**Policy**"), based on the applicable laws and regulations applicable to the Company. The policy shall become effective from the date of its approval by the Board i.e. 8<sup>th</sup> June, 2021.

## 2. DEFINITIONS

The terms referred to in this policy will have the same meaning as defined under the Companies Act, 2013 (the "Act") and the Rules made thereunder, and the Regulations.

## 3. OBJECTIVES

- 3.1. The objective of this Policy is to lay down the criteria and parameters that are to be considered by the Board of Directors of the Company while deciding on the declaration of Dividend from time to time.
- 3.2. 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 hereon, dividend which shall be consistent with the performance of the Company over the years.

## 4. SCOPE OF THE POLICY

The Policy covers the following:

### a. Dividend to Equity Shareholders of the Company:

At present the company has only one class of equity shares. As and when the company proposes to issue any other class of equity shares, the policy shall be modified accordingly.

### b. Interim Dividend:

- i. Interim dividend can be declared by the Board of Directors during the financial year by passing a resolution at its meeting.

- ii. Before declaring interim dividend, the Board shall consider whether the financial position of the Company permits the payment of such dividend.
- iii. The payment of dividends shall be made within the statutorily prescribed period from the date of declaration to the shareholders entitled to receive the dividend on the record date, as per the applicable laws.
- iv. In case no final dividend is declared, interim dividend paid during the year, if any, will be regarded as final dividend in the Annual General Meeting (AGM).

**c. Final Dividend:**

- i. Final dividend is recommended by the Board of Directors in the Board meeting that considers and approves the Annual financial statements, subject to approval of the shareholders at the AGM.
- ii. The dividend as recommended by the Board shall be approved/declared in the AGM of the Company.
- iii. The shareholders have the right to approve the dividend recommended by the Board with or without modification(s), however the amount/rate of dividend on equity shares recommended by the Board cannot be raised by the shareholders.
- iv. The payment of dividends shall be made within the statutorily prescribed period from the date of declaration, to those shareholders who are entitled to receive the dividend on the record date/book closure period, as per the applicable law.

**5. PARAMETERS TO BE CONSIDERED WHILE DECLARING DIVIDEND**

The Board will consider various parameters as mentioned below before arriving at a decision on declaration of dividend:

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

Generally, the Board shall determine the dividend for a particular period after taking into consideration the financial performance of the Company, the advice of executive management, and other parameters described in this policy.

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

- Whenever it undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;
- Significantly higher working capital requirements adversely impacting free cash flow;
- Whenever it proposes to utilise surplus cash for buy-back of securities; or
- In the event of inadequacy of profits or whenever the Company has incurred losses.

**5.2. Financial /Internal parameters that shall be considered while declaring dividend:**

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

- Consolidated net operating profit after tax
- Accumulated reserves
- Earnings Per Share ("EPS")
- The Company's liquidity position including its working capital requirements and debt servicing obligations
- Capital expenditure requirements
- Return on invested capital
- Operating cash flow and future cash flow needs
- Long term growth strategy of the Company requiring it to conserve cash to execute growth plan
- Funds requirement for contingencies and unforeseen events with financial implications
- Cost of Borrowings
- Capital market scenarios
- Business expansion and growth

### **5.3. External factors that shall be considered for declaration of dividend;**

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

- Government Policies and any changes there in;
- Industry Outlook , Macro- economic conditions and any changes therein;
- Prevailing Taxation Policy or any amendments expected thereof, with respect to dividend distribution ;
- Any changes in the competitive environment requiring significant investment;
- Any other relevant factors that the Board may deem fit to consider before declaring Dividend.

### **5.4. Policy as to how the retained earnings shall be utilized;**

Retained earnings shall be utilized in accordance with prevailing regulatory requirements, creating reserves for specific objectives, generating higher returns for shareholders through reinvestment of profits for future growth & expansion, capitalisation of shares and any other specific purpose as approved by the Board of Directors of the Company.

The Company shall endeavour to utilize retained earnings in a manner that shall be beneficial to both, the interests of the Company and its stakeholders in the long run.

### **5.5. Provisions in regard to various classes of shares.**

The Company has only one class of equity shares with equal voting rights and does not have any issued preference share capital. 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 any other classes of shares.

## **6. APPLICABILITY OF THE POLICY**

The Policy shall not apply to:

- Determination and declaring dividend on preference shares as the same will be as per the terms of issue approved by the shareholders;

- Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities, subject to applicable law;
- Distribution of cash as an alternative to payment of dividend by way of buyback of equity shares.

## **7. DISCLOSURES**

The Policy shall be placed on the website of the Company i.e. at [www.titagarh.in](http://www.titagarh.in) and a web-link shall also be provided in their Annual reports.

## **8. REVIEW AND AMENDMENT**

The Policy will be reviewed periodically by the Board. The Board is authorized to change/amend this policy from time to time and/or in pursuance of any amendments made in the Companies Act, 2013, SEBI and other Regulations, etc.

Such amended Policy shall be periodically placed before the Board for adoption immediately after such changes.

## **9. CONFLICT IN POLICY**

In the event of any conflict between the provisions of this policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this policy.

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*[Adopted by the Board vide Resolution passed on 8<sup>th</sup> June, 2021]*