

**CG Power and Industrial Solutions Limited  
(Formerly Crompton Greaves Limited)**

Registered Office:  
CG House, 6th Floor, Dr Annie Besant Road, Worli, Mumbai 400 030, India  
T: +91 22 2423 7777 F: +91 22 2423 7733 W: www.cgglobal.com  
Corporate Identity Number: L99999MH1937PLC002641



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## **DIVIDEND DISTRIBUTION POLICY**

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## 1. Background

Vide Gazette Notification No. SEBI/LAD-NRO/GN/2016-17/008 dated 8 July 2016, Securities and Exchange Board of India, introduced a new Regulation 43A in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 that mandates top 500 listed entities based on the market capitalization (calculated on the basis of 31 March of every financial year) to formulate a Dividend Distribution Policy.

## 2. Effective Date

The Board of Directors of the Company at its meeting held on August 30, 2016 has adopted the Dividend Distribution Policy of the Company as required in terms of the Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. The effective date of the Dividend Distribution Policy is 30 August 2016.

## 3. Objective

Appropriation of net earnings and its allocation among the shareholders continues to be one of the important agenda items that Companies discuss at the Board levels. In order to help investors to get a clearer picture on returns from their investments in the listed entities and also identify the stocks matching their investment objectives, the market regulator the Securities and Exchange Board of India has made it mandatory for the top 500 listed entities to have a Dividend Distribution Policy.

## 4. Definitions

**'Act'** means the Companies Act, 2013.

**'Board'** means Board of Directors of the Company.

**'Company'** means CG Power and Industrial Solutions Limited.

**'Dividend'** includes any interim dividend.

**'Listing Regulations'** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the amendments thereto.

**'Free Reserves'** means such reserves which, as per the latest audited balance sheet of a company, are available for distribution as dividend:

Provided that—

(i) any amount representing unrealised gains, notional gains or revaluation of assets, whether shown as a reserve or otherwise, or

(ii) any change in carrying amount of an asset or of a liability recognized in equity, including surplus in profit and loss account on measurement of the asset or the liability at fair value, shall not be treated as free reserves.





## 5. 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) of the Act] 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) of the Act, the 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) of the Act].
- 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.



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- 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 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 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) of the Act.]
- xi. Dividend has to be paid within 30 days from the date of declaration.
- xii. Section 24 of the Act 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 of the Act 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) of the Act]



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## **6. Parameters**

### **A. Circumstances under which dividend payout may or may not be expected**

Dividend payout is dependent on various factors, which are enumerated herein below in this policy document and the Board of Directors shall before taking any decision on dividend payout consider these factors in the best interest of the Company and the shareholders.

### **B. Financial parameters for declaring dividend**

The decision of the dividend payout or retention of the profits by the Board, shall inter-alia depend on the following financial parameters;

- i. Quantum of anticipated Capital expenditure,
- ii. Magnitude of realized profits,
- iii. Operating cash flow & liquidity,
- iv. Investment opportunities,
- v. Capacity to service interest / principal (borrowings),
- vi. Cost of borrowings vis-à-vis cost of capital,
- vii. Sales volume,
- viii. Anticipated expenses,
- ix. Financial ratios (e.g. EPS-post dividend), etc.

### **C. Internal & External factors**

The most important internal and external factors that affect the dividend payout are regulations (taxation, repatriation & accounting policies), industry growth rate, natural calamity, capital investment needs, profitability, earnings variability, liquidity and cash flows, financial leverage and asset characteristics such as the composition of tangible and intangible assets.

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

Considering the cost of the borrowings vis-à-vis available funds (retained earnings), the quantum of reserves and available depreciation fund, the Board may decide to plough back the earnings for a particular financial year/s. The decision of utilization of the retained earnings of the Company shall be based on the following factors;

- i. High financial leverage
- ii. Mitigate dependence on external debts
- iii. Plant expansion & diversification
- iv. Market & product expansion



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- v. Replacement of capital assets
- vi. Futuristic (long-term) business strategic plans
- vii. Such other criteria as the Board may deem fit from time to time.

**E. Adoption of parameters for dividend payout with respect to various classes of shares**

- i. The factors and parameters for declaration of dividend to different class of shares of the Company shall be in compliance with the existing laws, governing the dividend payout.
- ii. The parameters for declaration of dividend to different class of shares of the Company shall be same as covered above.
- iii. The payment of dividend shall be based on the respective rights attached to each class of shares as per their terms of issue.
- iv. The dividends shall be paid out of the Company's distributable profits and/or general reserves, and shall be allocated among shareholders on a pro-rata basis according to the number of each type and class of shares held.
- v. Dividend when declared shall be first paid to the preference shareholders of the Company as per the terms and conditions of their issue.

**7. 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.

**8. Policy Exclusion:**

The policy shall not be applicable in the following circumstances;

- i. Any distribution of cash as an alternative to payment of dividend by way of buyback of equity shares.
- ii. Distribution of dividend in kind, i.e. by issue of fully or partly paid bonus shares or other securities.
- iii. Determination and declaring dividend on preference shares.

**9. Policy Amendments:**

Any change/amendment, if required in terms of any applicable law, the CEO & Managing Director or the Chief Financial Officer of the Company shall be jointly/severally authorized to review and amend the Policy, to give effect to any such changes/ amendments. Such amended Policy shall be periodically placed before the Board for noting and necessary ratification immediately after such changes. A dividend payout, in deviation of this policy shall be reported in the Annual Report of the Company.



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**10. 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.*

KN Neelkant  
CEO & Managing Director  
Mumbai, 30 August 2016

