TVS HOLDINGS LIMITED

DIVIDEND DISTRIBUTION POLICY

As approved by the Board of Directors on 24th January 2017 [Effective Date – 24th January 2017] and revised on 8th August 2024

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DIVIDEND DISTRIBUTION POLICY

1. PREAMBLE

The Board of Directors (the "**Board**") of TVS Holdings Limited (the "**Company**"), has adopted this policy on Dividend Distribution (the "**Policy**").

The Policy is formulated in accordance with the requirements prescribed under Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ("**Listing Regulations**"). The Policy sets out the circumstances and different factors for consideration by the Board at the time of taking such decisions of distribution or of retention of profits, in the interest of providing transparency to its shareholders.

The Board shall also ensure compliance of conditions prescribed by RBI on guidelines on declaration of dividends by NBFCs vide circular No. RBI/2021-22/59 DOR.ACC.REC.No.23/21.02.067/2021-22 dated June 24, 2021 ('RBI Circular') to the extent applicable as a Core Investment Company and the requirements of Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016.

As part of its responsibilities, the Company is required to disclose this Policy in its annual report as well as on its website.

2. SCOPE

This Policy applies to payment of interim and final dividend by the Company to its shareholders.

3. OBJECTIVE

The objective of the Policy is to ensure regularity of dividend payment, wealth maximization of the shareholders and a consistent approach to dividend pay-out. Towards this end, the Policy lays down the parameters to be considered by the Board for declaration of dividend from time to time which are as follows:

(a) the circumstances under which the shareholders of the Company may or may not expect dividend;

(b) the financial parameters that are considered by the Company for declaration of dividend;

(c) internal and external factors that shall be considered for declaration of dividend;

(d) policy as to how the retained earnings shall be utilized by the Company; and

(e) parameters that shall be adopted with regard to various classes of shares of the Company.

4. DECLARATION OF DIVIDEND

The Board reserves the right to declare interim dividend/ final recommend dividends to the shareholders during any financial year out of the surplus in the statement of profit and loss and/ or out of the profits of the financial year in which such interim dividend is sought to be declared, subject to the provisions of the Companies Act, 2013 and the rules made thereunder ("**Act**"), including the Companies (Declaration and Payment of Dividend) Rules, 2014 ("**Rules**") and other applicable laws and conditions.

The Board also reserves the right to declare special dividend in the event of the Company earns extra-ordinary profits under exceptional circumstances.

In case the net profit for the relevant period includes any exceptional and/or extraordinary profits/ income or the financial statements are qualified (including 'emphasis of matter') by the statutory auditor that indicates an overstatement of net profit, the same shall be reduced from net profits while determining the Dividend Pay-out Ratio.

5. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND

5.1 The Board, while declaring or recommending dividend shall ensure compliance with statutory requirements under applicable law including the provisions of the Companies Act, 2013, Rules and the Listing Regulations. The Board, while determining the dividend to be declared or recommended shall take into consideration the advice of the executive management of the Company.

5.2 The Board may not declare or recommend dividend for a particular period if it is of the view that it would be prudent to conserve capital for the then ongoing or planned business expansion or other factors which may be considered by the Board, including the situation where earnings are greater than what is needed to finance for capital budgeting needs of the Company as projected in the annual operating plan for each year.

5.3 The Board may declare one or more interim dividends during the year. Additionally, the Board may recommend final dividend for the approval of the shareholders at the annual general meeting.

5.4 The dividend for any financial year shall be paid:

(a) out of the Company's profits for that year (arrived at after providing for depreciation in accordance with applicable law and transferring such amount to reserves as may be prescribed or as may be considered appropriate by the Board of the Company); and / or

(b) out of accumulated profits of any previous financial year(s) in accordance with provisions of the Companies Act, 2013, Rules, Listing Regulations and any other applicable law, as applicable.

5.5 In the event of inadequacy or absence of profits in any year, if the Board considers appropriate, the Company may declare dividends out of the accumulated profits earned by it in previous years and transferred by the Company to the free reserves subject to the fulfilment of the conditions laid down in Rule 3 of the Rules and any other applicable law.

5.6 Any of the above referred internal or external factors, including any regulatory restriction, if any, restraining the Company from considering dividend;

6. FINANCIAL PARAMETERS AND OTHER INTERNAL AND EXTERNAL FACTORS THAT WOULD BE CONSIDERED FOR DECLARATION OF DIVIDEND

6.1 The Board shall consider the following financial/ internal parameters while declaring or recommending dividend to the shareholders of the Company:

(a) Investment opportunities, ie, opportunities for expansion and diversification into new projects, acquisitions and/or any other potential strategic actions that may help the Company grow;

(b) Liquidity position of the Company;

(c) Growth in earnings of the Company;

(d) Restrictions in debt agreements executed with lenders in relation to the payment of dividends;

(e) Track record of payment of dividend, historically;

(f) Dividend pay-out policies adopted by peers;

(g) Contingency requirements;

(h) State of the economy and nature of industry;

(i) Macro-economic and business conditions in general;

(j) Buyback of shares or any such alternate profit distribution measure;

(k) Supervisory findings of the Reserve Bank on divergence in classification and provisioning for Non-Performing Assets (NPAs);

(l) Qualifications in the Auditors Report to the financial statements

(m) Long term growth plans of the Company

(n) Any other factors that may be considered by the Board as relevant before declaring dividend.

6.2 These internal and external factors are described in more detail below:

Internal Factors

1	Liquidity	In order to pay dividends, the Company will require access to cash. Even in the event that the Company is profitable, payment of dividend would be difficult if resources are tied up in other forms of assets or commitments.
2	Repayment of debt	Dividend pay-out would depend upon debt repayment schedule, agreed upon by the Company with its creditors / lenders.
3	Stability of profits	With a stable profit, it is more likely that dividend pay-out will be at a higher percentage of earnings.
4	Project finance	The Company may use retained earnings to finance new projects, expansion programs, acquisitions and/or any other potential strategic actions, without raising external finances.

External Factors

1	Access to capital market	The access to capital markets would be easier, when the Company declares more dividends rather than retain earnings.
2	Legal consideration	Prevailing legal requirements, tax rules, Government policies and statutory conditions or restrictions as may be provided under applicable laws.
3	Market expectation	The declaration of dividends and its quantum may have a positive impact on the market prices.
4	Peers	Dividend pay-out policies adopted by peers or companies similarly placed in the industry.
5	Tax Considerations	Dividend pay-out may be impacted by change in applicable taxation laws.
6	Inflation	The Company may also take into account the rate of inflation when declaration of dividend .

6.3 Financial parameters that will be considered while declaring dividends:

While the Company has various financing alternatives, retained earnings can be a source of finance for creating profitable investment opportunities. The Company, therefore, may consider retaining funds from the profits incurred by the Company for the purpose of funding acquisitions, reducing long-term debt, expand its business and product development. Apart from the aforementioned factors, the Board may also consider the following financial parameters:

(a) Long term financing decision:

Apart from the capital expenditure and investment plans envisaged in the annual operating plan envisaged by the Company, in the event that the Company does not intend to invest funds into a profitable investment opportunity, the Company may declare dividend.

(b) Ceiling of Dividend Pay-Out Ratio

The Board shall ensure that the total dividend proposed for the financial year does not exceed the maximum ceilings specified under the RBI Circular for Core Investment Company which is at present 60% of the net profits.

Provided however in case the Company does not meet applicable prudential requirement with respect to Capital Adequacy and Net NPA as prescribed in RBI circular and summarised in sub-clause 1 and 2 of para 6 of the Policy mentioned below, for each of the last three financial years, the Company may be eligible to declare dividend, subject to a cap of 10 percent on the dividend payout ratio, provided the Company complies with the following conditions:

a) meets the applicable capital adequacy requirement in the financial year for which it proposes to pay dividend; and

b) has net NPA of less than 4 per cent as at the close of the financial year

(c) Eligibility Criteria

The Company being a Core Investment Company shall comply with the minimum prudential requirements with respect to Capital Adequacy, Net NPA and other criteria as applicable to be eligible to declare dividend as applicable as mentioned below:

Requirement	Conditions
Capital Adequacy	The Company shall have met the applicable regulatory capital requirement (including minimum adjusted net worth and maximum leverage ratio) for each of the last three financial years including the financial year for which the dividend is proposed as specified under Paragraph 8 and 9 of Master Direction – Core Investment Companies (Reserve Bank) Directions, 2016 Adjusted Net Worth Adjusted Net Worth of a CIC shall at no point of time be less than 30% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items as on the date of the last audited balance sheet as at the end of the financial year. Leverage Ratio The outside liabilities of a CIC shall at no point of time exceed 2.5 times its Adjusted Net Worth as on the date of the last audited balance sheet as at the end of the financial year.
Net NPA	The net NPA ratio shall be less than 6 per cent in each of the last three years, including as at the close of the financial year for which dividend is proposed to be declared.
Other Criteria	a. Comply with the provisions of Section 45 IC of the Reserve Bank of India Act, 1934. b. Compliant with the prevailing regulations/ guidelines issued by the Reserve Bank and Reserve Bank shall not have placed any explicit restrictions on declaration of dividend

REPORTING SYSTEM:

The Company while declaring dividend shall report details of dividend declared during the financial year as per the format prescribed in the RBI Circular

The report shall be furnished within a fortnight after declaration of dividend to the Regional Office of the Department of Supervision of the Reserve Bank under whose jurisdiction it is registered.

(d) Arbitrage between the retained earnings and external equity:

The Company raises funds by way of external equity financing that involves floatation costs. In comparison, earnings that are retained to make payments towards operational costs or investment opportunities do not involve floatation costs.

Thus, the Board may decide to retain its earnings as part of its long -term financing decision so as to achieve the objective of wealth maximization for its shareholders.

When the internal return rate of the Company is greater than the return required by its shareholders, it would be advantageous for the shareholders to re-invest their earnings.

7. UTILIZATION OF RETAINED EARNINGS

The Company maintains sufficient amount of retained earnings to address the financing of working capital, capital expenditure, corporate actions, *inter alia,* buyback and reduction of capital, and unanticipated and emergency expenditures. The Company may also use the retained earnings for such purposes as are within the provisions the Act, Rules, Listing Regulations and any other applicable law.

8. PARAMETERS THAT SHOULD BE ADOPTED WITH REGARD TO VARIOUS CLASS OF SHARES

The Company has issued only one class of shares viz. equity shares. 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 other classes of shares.

9. AMENDMENTS

The Board may, subject to applicable law, amend, suspend or rescind this Policy at any time. Any difficulties or ambiguities in this Policy will be resolved by the Board and/ or administrative committee of the Board, in line with the broad intent of this Policy, as and when required.

10. DISCLAIMER

This Policy shall not be construed as a solicitation for investments in the Company’s securities and shall neither act as an assurance for guaranteed returns (in any form), on investments in the Company’s securities.

11. CHANGE IN LAW

In case of any subsequent changes in the provisions of the Act or further rules and regulations / guidelines from the Securities and Exchange Board of India including the Listing Regulations or any other regulations which makes any of the provisions of this Policy inconsistent, then the provisions of the Act or such other regulations would prevail over this Policy and the relevant provisions contained in the Policy would be modified accordingly in due course to make it consistent with applicable laws.

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