

# **TEJAS NETWORKS LIMITED**

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## **DIVIDEND DISTRIBUTION POLICY**

*(adopted by the Board of Directors on April 24, 2018)*

### **1. Background**

The Securities Exchange Board of India (SEBI) on July 8, 2016 has notified Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements)(Second Amendment) Regulations, 2016, incorporating Regulation 43A which requires top five hundred listed entities based on market capitalization (calculated as on March 31 of every year financial year) to formulate a dividend distribution policy which shall be disclosed in the annual reports of the listed entity and on its websites.

### **2. Objective**

This policy sets out the parameters and circumstances including external and internal factors and financial parameters that will be taken into account by the Board of Directors of the Company in determining the distribution of dividend and also the circumstances under which the shareholders of the Company may or may not expect dividend and how the retained earnings shall be utilized. Subject to these parameters, The Board may distribute dividend upto 25 % of the free cash flow of the corresponding Financial Year or out of retained earnings, subject to applicable laws and requisite approvals, if any. Free cash flow is defined as net cash provided by operating activities less capital expenditure as per the consolidated statement of cash flows prepared under Ind As. Dividend payout includes Dividend Distribution Tax (DDT).

### **3. Parameters to be considered for declaration of dividend**

The Board of Directors may declare interim dividend/ recommend final dividend for the consideration of the shareholders of the Company subject to the limits mentioned in para 2. The Company dividend payout, subject to the provisions of applicable laws, will be determined by the Board of Directors from time to time based on the available financial resources, investment requirements and other applicable factors. The Board of Directors of the Company will consider the following parameters while declaring or recommending dividend to the shareholders:

**a. Financial / Internal Parameters**

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

- Liquidity and cash flow position of the Company including net operating profit after tax.
- Expected cash requirements of the Company towards working capital, capital expenditure in technology and infrastructure etc.
- Resources required for funding acquisitions, mergers and or new businesses and also execution of Company's strategy including any share buyback plan.
- Cash required for meeting contingencies or unforeseen events.
- Funds required to service any outstanding loans.'
- Any other significant development that require cash investments.
- Any other factor not explicitly covered above but which is likely to have significant impact on the Company.

**b. External factors / parameters:**

The Board of Directors of the Company shall consider the following External factors / parameters while declaring or recommending dividend to the shareholders:

- Any significant changes in the macro-economic environment in which the company operates or the business of the Company or its clients.
- Any political, tax and regulatory changes in the places where the Company operates.
- Any significant change in the business or technological environment resulting in the Company making significant investments to effect the necessary changes to its business model.
- Any changes in the competitive environment requiring significant investment

**4. Circumstances under which the shareholders may or may not expect Dividend:**

The Company shall comply with the relevant statutory requirements that are applicable to the Company in declaring dividend or retained earnings. The decision to pay dividend 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 the business. The decision seeks to balance the objective of appropriately rewarding shareholders through dividends and retaining profits in order to maintain healthy capital adequacy ratio to support future growth. The shareholders of the Company may not receive dividend in the following circumstances:

- In the event of inadequacy of profits or whenever the Company has incurred losses.
- Any significant / impending/ ongoing capital expenditure program or any acquisition or investment in joint ventures requiring significant allocation of capital.
- Any significant cash flow requirements towards higher working capital requirements/ tax demands or other factors which adversely impacts the free cash flow.
- Any cash required for buyback of securities.

## **5. Utilization of retained earnings**

The Company may declare dividend out of the profits of the Company for the year or out of profits of any previous year or years or out of free reserves available for distribution of dividend. The consolidated profits earned by the Company can either be retained in the business or used for the various purposes as mentioned in Clause 3(a) above or it can be distributed to t

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

The provisions contained in this policy shall apply to all classes of shares of the Company except on the determination and declaration of dividend of preference shares, as and when issued by the Company, as the same will be as per the terms of the issue approved by the shareholders. At present the Company has only one class of shares, namely, Equity Shares.

## **7. General**

- The Policy shall be disclosed in the Annual Report and on the website of the Company.
- The dividend proposal placed before the Board for consideration shall be in terms of this policy.
- The Company shall ensure compliance of the provisions of applicable laws and this policy in relation to dividend declared by the Company.
- This policy will be reviewed and amended as and when required by the Board.
- This policy would be subject to revision/ amendment in accordance with the guidelines as may be issued by the Ministry of Corporate Affairs, Securities Exchange Board of India or such other regulatory authorities. Any subsequent amendment/ modification in the Regulations, in this regard shall automatically apply to this Policy.