

**Mahindra & Mahindra Financial Services Limited**  
**Dividend Distribution Policy**

**PREAMBLE**

Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016, [“the Listing Regulations”] makes it mandatory for the top five hundred listed entities based on their market capitalization calculated as on March 31 of every financial year to formulate a Dividend Distribution Policy.

In compliance with the provisions of Regulation 43A of the Listing Regulations the Board of Directors of the Company at its meeting held on 25<sup>th</sup> October, 2016, has approved and adopted the Dividend Distribution Policy of the Company [“the Policy”]. The Policy shall come into force for accounting periods beginning from 1<sup>st</sup> April, 2016.

**OBJECTIVE**

The Policy establishes the principles to ascertain amounts that can be distributed to equity shareholders as dividend by the Company as well as enable the Company strike balance between pay-out and retained earnings, in order to address future needs of the Company.

This Policy aims to ensure that the Company makes rational decision with regard to the amount to be distributed to the shareholders as dividend after retaining sufficient funds for the Company’s growth, to meet its long-term objective and other purposes. It lays down various parameters which shall be considered by the Board of Directors of the Company before recommendation/declaration of dividend to its shareholders.

**DEFINITIONS**

- a. “Act” means the Companies Act, 2013 and Rules made thereunder [including any amendments or re-enactments thereof].
- b. “Applicable laws” shall mean to include Companies Act, 2013 and Rules made thereunder, [including any amendments or re-enactments thereof], Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, [including any amendments or re-enactments thereof], Rules/guidelines/ notifications/circulars issued by the Reserve Bank of India and

any other regulation, rules, acts, guidelines as may be applicable to the distribution of dividend.

- c. "Board" or "Board of Directors" shall mean Board of Directors of the Company, as constituted from time to time.
- d. "Company" shall mean Mahindra & Mahindra Financial Services Limited.
- e. "Dividend" includes any interim dividend; which is in conformity with Section 2(35) of the Companies Act, 2013 read with Companies (Declaration and Payment of Dividend) Rules, 2014.
- f. "Financial year" shall mean the period starting from 1<sup>st</sup> day of April and ending on the 31<sup>st</sup> day of March every year.
- g. "Free reserves" shall mean the free reserves as defined under Section 2 (43) of the Act.
- h. Capital to Risk Assets Ratio (Capital Adequacy Ratio) shall mean the Percentage of Capital Funds to Risk Weighted Assets/Exposures of the Company.

#### **DIVIDEND DISTRIBUTION PHILOSOPHY**

Dividends will generally be recommended by the Board once a year, after the announcement of the full year results and before the Annual General Meeting (AGM) of the shareholders, as may be permitted by the Companies Act, 2013. The Board may also declare interim dividends as may be permitted by the Companies Act, 2013.

The Company has had a consistent dividend policy that balances the objective of appropriately rewarding shareholders through dividends and to support the future growth.

Information on dividend for the last 10 years is furnished in the Annual Report.

#### **PARAMETERS ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES**

- i) Dividend would continue to be declared on per share basis on the Equity Shares of the Company having face value of Rs. 2 each. Presently, the Authorised Share Capital of the Company is divided into Equity Shares of Rs. 2 each and preference shares of Rs. 100 each. At present, the issued and paid-up share capital of the Company comprises of only Equity Shares of Rs. 2 each which rank

pari passu with respect to all their rights. Therefore, dividend declared will be distributed amongst all shareholders, based on their shareholding on the record date. In the event of the Company issuing any other class(es) of shares, it shall consider and specify the other parameters to be adopted with respect to such class(es) of shares.

- ii) The Company shall first declare dividend on outstanding preference shares, if any, at the rate of dividend fixed at the time of issue of preference shares and thereafter, the dividend would be declared on Equity Shares.
- iii) As and when the Company issues other kind of shares, the Board of Directors may suitably amend this Policy.

### **FACTORS FOR RECOMMENDATION/ DECLARATION OF DIVIDEND**

As in the past, subject to the provisions of the applicable law, the Company's dividend payout will be determined based on available financial resources, investment requirements and taking into account optimal shareholder return. Within these parameters, the Company would endeavour to maintain a total dividend pay-out ratio in the range of 20% to 30% of the annual standalone Profits after Tax (PAT) of the Company.

While determining the nature and quantum of the dividend payout, including amending the suggested payout range as above, the Board would take into account the following factors:

#### **Internal Factors (Financial Parameters):**

- i. Profitable growth of the Company and specifically, profits earned during the financial year as compared with:
  - a. Previous years; and
  - b. Internal budgets,
- ii. Cash flow position of the Company,
- iii. Accumulated reserves,
- iv. Capital to Risk Assets Ratio (Capital Adequacy Ratio),
- v. Transfer to Statutory Reserves as per the Reserve Bank of India Act, 1934,
- vi. Transfer to Debenture Redemption Reserve,

- vii. Earnings stability,
- viii. Future cash requirements for organic growth/ expansion and/or for inorganic growth,
- ix. Brand acquisitions,
- x. Current and future leverage and, under exceptional circumstances, the amount of contingent liabilities,
- xi. Deployment of funds in short term marketable investments,
- xii. Long term investments,
- xiii. Capital expenditure(s), and
- xiv. The ratio of debt to equity (at net debt and gross debt level).

**External Factors:**

- i. Business cycles,
- ii. Economic environment,
- iii. Cost of external financing,
- iv. Applicable taxes including tax on dividend,
- v. Industry outlook for the future years,
- vi. Inflation rate, and
- vii. Changes in the Government policies, industry specific rulings and regulatory provisions.

Apart from the above, the Board also considers past dividend history and sense of shareholders' expectations while determining the rate of dividend. The Board may additionally recommend special dividend in special circumstances.

**CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE COMPANY MAY OR MAY NOT EXPECT DIVIDEND**

The shareholders of the Company may not expect dividend in the below mentioned circumstances:

- i. In the event of a growth opportunity where the Company may be required to allocate a significant amount of capital.

- ii. In the event of higher working capital requirement for business operations or otherwise.
- iii. In the event of inadequacy of cash flow available for distribution.
- iv. In the event of inadequacy or absence of profits.

The Board may consider not declaring dividend or may recommend a lower payout for a given financial year, after analysing the prospective opportunities and threats or in the event of challenging circumstances such as regulatory and financial environment.

In such event, the Board will provide rationale in the Annual Report.

### **MANNER OF UTILISATION OF RETAINED EARNINGS**

The retained earnings of the Company may be used in any of the following ways:

- i. Capital expenditure for working capital,
- ii. Organic and/or inorganic growth,
- iii. Investment in new business(es) and/or additional investment in existing business(es),
- iv. Declaration of dividend,
- v. Capitalisation of shares,
- vi. Buy back of shares,
- vii. General corporate purposes, including contingencies,
- viii. Correcting the capital structure,
- ix. Any other permitted usage as per the Companies Act, 2013.

### **GENERAL**

Due regard shall be given to the restrictions/ covenants contained in any agreement entered into with the lenders of the Company or any other financial covenant as may be specified under any other arrangement/agreement, if any, before recommending or distributing dividend to the shareholders.

## **REVIEW**

The Board of Directors shall have the right to modify, amend or change any or all clauses of this Policy in accordance with the provisions of the Applicable laws/ Acts/Regulations or otherwise.

In case of any amendment(s), clarification(s), circular(s), etc. issued under any Applicable laws/ Regulations, which is not consistent with any of the provisions of this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions hereunder and this Policy shall be deemed to be amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s), etc.

## **DISCLOSURES**

The Company shall make appropriate disclosures in compliance with the provisions of the Listing Regulations, in particular the disclosures required to be made in the annual report and on the website of the Company.

The policy will be available on the Company's website and the link to the policy is: <https://www.mahindrafinance.com/policies.aspx>. The Policy will also be disclosed in the Company's Annual Report.

In case, the Company proposes to declare dividend on the basis of the parameters in addition to those as specified in this Policy and/or proposes to change any of the parameters, the Company shall disclose such changes along with the rationale in the Annual Report and on its website.

\*\*\*\*\*