Dividend Distribution Policy

The Dividend Distribution Policy ("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. The policy shall come into force for accounting periods beginning from 1st January, 2017.

Dividend would be declared on per share basis on the Ordinary Equity Shares of the Company having face value Rs. 10 each. The Company currently has no other class of shares. Therefore, dividend declared will be distributed amongst all shareholders, based on their shareholding on the record date.

Dividends will generally be considered 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. The Board may also declare interim dividends as may be permitted by the Companies Act.

The dividend policy would have twin objective of appropriately rewarding shareholders through dividends and retaining capital, in order to maintain a healthy capital adequacy ratio to support the future growth.

The Company has not paid any dividend to the shareholders in the past. Going forward, 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.

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:

    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. Earnings stability
    v. Future cash requirements for organic growth/expansion and/or for inorganic growth,
    vi. Current and future leverage and, under exceptional circumstances, the amount of contingent liabilities,
    vii. Deployment of funds in short term marketable investments,
    viii. Long term investments,
    ix. Capital expenditure(s), and
    x. 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 & regulatory provisions.

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

The Board may consider not declaring dividend or may recommend a lower payout for a given financial year, in the event of challenging circumstances such as regulatory and financial environment. In such event, the Board will provide rationale in the Annual Report.

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.

This policy may be reviewed periodically by the Board. Any changes or revisions to the policy will be communicated to shareholders in a timely manner.

The policy will be available on the Company's website and the link to the policy is: http://www.mahindracie.com/investors/investor-relations/governance.html

The policy will also be disclosed in the Company's annual report.