



DIVIDEND DISTRIBUTION POLICY

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Approved by	Board of Directors

I. PREAMBLE:

This Policy is framed pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and in compliance with the provisions of Companies Act, 2013 including any statutory modification(s) and/or re-enactment(s) thereof for the time being in force which shall be disclosed on the website of the Company and web-link shall also be provided in the Company's Annual Report.

This policy sets out the parameters and circumstances that will be taken into account by the Board of Directors of the Company in determining the distribution of dividend to its shareholders and/or retaining profits earned by the Company. The Board of Directors may, in extraordinary circumstances, deviate from the parameters listed in this policy.

Definitions:

Unless the context otherwise requires, the words, terms, expressions and derivations used in this Policy shall have the same meaning given in the Companies Act, 2013 and/ or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

- a. **"Applicable laws"** shall mean the Companies Act, 2013 and Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; as amended from time to time and such other act, rules or regulations which provides for the distribution of Dividend.
- b. **"Board of Directors"** or **"Board"** shall mean the Board of Directors of Muthoot Microfin Limited.
- c. **"Company"** shall mean Muthoot Microfin Limited
- d. **"the Act"** shall mean Companies Act, 2013 read with related rules framed thereunder and including all amendments and modifications thereto.
- e. **"Listing Regulations"** shall mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- f. **"Policy"** shall mean Dividend Distribution Policy.
- g. **"SEBI"** shall mean Securities and Exchange Board of India.

II. OBJECTIVES:

The objective of the policy is to;

- a. Specify the parameters (including internal and external factors) that shall be considered while declaring the dividend;
- b. Lay down the circumstances under which the shareholders of the Company may or may not expect dividend; and
- c. Provide for the manner of utilization of retained earnings.

Policy shall not apply to

- Determination and declaration of dividend on preference shares, as and when issued by the Company, as the same will be as per the terms of issue approved by the Shareholders.
- Issue of Bonus Shares by the Company
- Buy back of securities.

III. DIVIDEND DISTRIBUTION PHILOSOPHY

Dividend represents the profit of the Company, which is distributed to the shareholders in proportion to the amount paid-up on shares held by them. Dividend includes Interim Dividend.

The Company is deeply committed to driving superior value creation for all its stakeholders. The focus will continue to be on sustainable returns, through an appropriate capital strategy for both medium- and long-term value creation. Accordingly, the Board would continue to adopt a progressive and dynamic dividend policy, ensuring the immediate as well as long term needs of the business.

IV. DECLARATION OF DIVIDEND

Subject to the provisions of the Act, Dividend shall be declared or paid only out of-

i) Current Financial Year's profit:

a) after providing for depreciation in accordance with law and

ii) The profits for any previous Financial Year(s):

a) after providing for depreciation in accordance with law; and

b) remaining undistributed; or

iii) out of i) & ii) both.

The Board may, while declaring or recommending Dividend, transfer to reserves such amount as may be considered appropriate. However, transfer of amount to reserves, before declaring or recommending Dividend is not mandatory, as per the provisions of the Act.

The Board may, at its discretion, declare a Special Dividend as it may deem fit.

V. FINANCIAL PARAMETERS AND OTHER INTERNAL AND EXTERNAL FACTORS THAT SHALL BE CONSIDERED WHILE DECLARING DIVIDEND

In line with the philosophy stated above, the Board shall consider the following parameters before declaring or recommending dividend to shareholders:

A. Financial Parameters / Internal Factors:

- i. Financial performance including profits earned (standalone), available distributable reserves etc.;
- ii. Opportunities for investments of the funds of the Company to capture future growth in the industry, e.g. capital expenditure, network expansion, etc.;
- iii. Requirement of fund infusion in Wholly-owned subsidiaries / subsidiaries, if any;
- iv. Debt repayment schedules;
- v. Funding requirements for any organic and inorganic growth opportunities to be pursued by the Company;
- vi. Past Dividend trend including Interim dividend paid, if any;
- vii. Fund requirements to finance the working capital needs of the business;
- viii. Cost and availability of alternative sources of financing;
- ix. Optimal free cash to fund any exigencies, if any;

- x. Prevailing legal requirements, regulatory conditions or restrictions laid down under the applicable laws including tax laws; and
- xi. Such other criteria as the Board may deem fit from time to time.

B. External Factors

- i. Economic environment
- ii. Capital markets
- iii. Global conditions
- iv. Statutory provisions and guidelines
- v. Dividend pay-out ratio of competitors
- vi. Industry Growth Rate
- vii. Natural Calamities

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

The decision regarding the dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among the Shareholders of the Company and the amount of profit to be retained in the business. The decision seeks to balance the dual objectives of appropriately rewarding shareholders through dividends and retaining profits in order to maintain a healthy capital adequacy ratio to support future growth.

In line with the Policy of the Company, there may be certain circumstances under which the shareholders of the Company may not expect dividend, including but not limited to:

- a. Adverse market conditions and business uncertainty.
- b. The Company is in higher need of funds for acquisition/ diversification/ expansion/ investment opportunities/ deleveraging or capital expenditures.
- c. The Company proposes to utilize surplus cash in entirety for alternative forms of distribution such as buy-back of securities.
- d. The Company has incurred losses or in the stage of inadequacy of profits.
- e. Changing government regulations.
- f. Any other extraordinary circumstances etc.

Even under such circumstances, the Board may at its discretion, and subject to applicable laws, choose to recommend a dividend out of the Company's free reserves.

VII. DIVIDEND TYPES

A. Final Dividend

The Board of Directors of the Company, subsequent to adoption of audited annual financial statements of a Financial Year, recommends the Final Dividend to be paid for that particular Financial Year subject to the approval of shareholders in their Annual General Meeting (AGM).

Process for approval of payment of Final Dividend

- Board to recommend quantum of final dividend payable to shareholders in its meeting in line with this Policy;
- Based on the profits arrived at as per the audited financial statements;
- Shareholders to approve in Annual General Meeting;

- Once in a Financial Year.
- Dividend is subject to TDS / Withholding Tax (TDS/WHT) at the time of payment of dividend at the applicable tax rates as per the Income Tax Act, 1961.

B. Interim Dividend

The Board of the Company may declare interim dividend during a Financial Year, based on the profits of any quarter or half year or in exceptional circumstances.

Process of approval of payment of Interim Dividend

- Board may declare Interim Dividend at its discretion in line with this Policy;
- Based on profits arrived at as per quarterly (or half- yearly) financial statements including exceptional items;
- One or more times in a Financial Year. As per Income Tax Act, 1961 dividend declared, paid or distributed by a Company, shall be taxable in the hands of the shareholders. The Company shall, deduct TDS/ Withholding Tax (TDS/WHT) at the time of payment of dividend at the applicable tax rates.

VIII. DIVIDEND RANGE

The Company aims in ensuring sustainable wealth creation for its shareholders and with this objective, would distribute an optimum level of profits among the shareholders and retain the balance for meeting the expansion requirements. Subject to applicable laws, the Board may at its discretion choose to recommend a dividend out of the Company's free reserves. The Board of Directors will have absolute discretion to recommend or declare dividend considering Internal & external factors.

The Board may, at its discretion, consider declaring or recommending **special dividends**, at times, when the Company has huge cash surpluses, which is not deployed or earmarked for expansion programmes or makes extraordinary profits.

IX. PARAMETERS TO BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

- i. The Company has only one class of equity shareholders and as on date of this policy does not have any issued preference share capital. However, in case Company issue different class of equity shares any point in time, the factors and parameters for declaration of dividend to different class of shares of the Company shall be same as covered above.
- ii. The payment of dividend shall be based on the respective rights attached to each class of shares as per their terms of issue.
- iii. 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 and paid-up value.

X. UNCLAIMED/UNPAID DIVIDEND

The Dividend (Final/Interim) declared by the Company for any financial year, is deposited into a separate bank account and the same is disbursed to the eligible shareholders within the statutory limit of 30 days, either through electronic mode or by issuing dividend warrants.

Dividend amount which remains unpaid / unclaimed in the dividend account after 30 days from the date of transfer of the amount to the dividend account, shall be transferred to unpaid dividend account. Any shareholder who has not collected the dividend, can make a claim for receipt of the same, to the Company.

Any money transferred to the Unpaid Dividend Account of the Company 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 (IEPF).

The Company shall inform the concerned shareholder three months before the due date of transfer of shares regarding the shares liable to be transferred to IEPF for which dividend has remained unpaid and unclaimed for seven consecutive years or more as on the date of transfer, at their latest available address and also simultaneously publish a notice in the leading newspaper in English and regional language (at place of registered office) having wide circulation and on their website giving details of such shareholders and shares due for transfer.

XI. REVIEW AND AMENDMENT

The Board may review this policy on periodical basis, considering various external and internal factors. However, in case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.