



MUTHOOT CAPITAL SERVICES LIMITED

CIN: L67120KL1994PLC007726

**POLICY ON DISTRIBUTION
OF DIVIDENDS**

Pursuant to Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

This Policy was approved by the Board of Directors at the meeting held on June 19, 2021

Version Control:

Sl. No.	Name of Policy	Version	Board approval date	Remarks
1.	Dividend Distribution Policy	v1.0	19/06/2021	Policy document approved.



POLICY ON DISTRIBUTION OF DIVIDENDS

I. About the Company

Muthoot Capital Services Limited (hereinafter the “Company” or “MCSL”) promoted by the Muthoot Pappachan Group (MPG), is a Deposit Taking Non-Banking Financial Company (“NBFC-D”) registered with Reserve Bank of India (RBI) having its equity shares listed on the BSE Limited and National Stock Exchange of India Limited and its debt instruments listed on the BSE Limited.

II. Preface

Dividend is the payment made by a Company to its shareholders, usually in the form of distribution of its profits. The profits earned by the Company can either be retained in business and used for acquisitions, expansion, or diversification, or it can be distributed to the shareholders which is at the sole discretion of the management. The Company may choose to retain a part of its profits and distribute the balance among its shareholders as dividend. This Policy aims to reconcile between all these needs and determine a sustainable way forward.

III. Objective

The Dividend Distribution Policy (“the policy”) establishes the principles to ascertain the amount that can be distributed to equity shareholders as dividend by the Company as well as to enable the Company to strike a balance between pay-out and retained earnings, in order to address future needs of the Company. This Policy aims to create a framework for deciding distribution of profits generated by the Company as dividend(income) to its equity shareholders and at the same time to assure a long-term capital appreciation and wealth creation for its shareholders. The Board of Directors (hereinafter the “Board”) and the Audit Committee of the Board shall refer to the policy while declaring / recommending dividends. Through this Policy, the Company would endeavor fairness, consistency and sustainability while distributing profits to the shareholders.

This Policy emphasizes the process for recommendation / declaration of dividend and its pay-out by the Company which is in accordance with the provisions of the Companies Act, 2013 (the Companies Act) and other rules, regulations etc. as applicable to the Company and is in line with Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) for distribution of dividends.

IV. Timing of Dividend Declaration

The Board of Directors may declare one or more interim dividends any time during the financial year. The Board may recommend final dividend after approval of the audited financial statements by the Board which shall be paid after approval of shareholders in the Annual General Meeting. The Board will consider Financial and Non-Financial parameters stated in the policy for declaring both interim as well as final dividend.

Dividend would continue to be declared on per share basis on the Ordinary Equity Shares of the Company. 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.

V. Financial Parameters to be Considered While Declaring Dividend

1. Financial parameter will include but is not limited to profit for the period, availability and need of liquidity in the Company, Capital to Risk Assets Ratio, Leverage ratio, Return on Assets, requirement of maintaining reserves including statutory reserves prescribed by various regulators such as Debenture Redemption Reserve, fund requirement for future expansion, etc.
2. Dividends shall generally be declared out of the Profit After Tax of the Company relating to the current financial year or out of the profits of the company for any previous financial year or years, subject to any other regulatory provisions that may be introduced from time to time.

VI. Non- Financial Parameters to be Considered While Declaring Dividend

Non - Financial Parameters to be considered by the Board, for determining the declaration of dividend, will include but would not be limited to the following:

a) Internal Factors

- Expected business growth
- Accumulated reserves
- Quality of assets and NPA
- Cash flow position of the Company
- Profitability of the Company
- Asset-Liability Management Position
- Ability to raise or availability of Debt capital
- Future fund requirements in business
- The ratio of debt to equity (at net debt and gross debt level)
- Deployment of funds in short term marketable investments
- Current and future leverage and, under exceptional circumstances, the amount of contingent liabilities

b) External Factors

- Macro-economic environment
- Business cycles
- Cost of external financing

- Industry outlook for the future years
- Overall retail credit growth in the economy
- Liquidity position in the economy
- Performance and Outlook of the sector that the Company currently caters to (2 Wheeler and Used 4W).
- Monetary policy of Reserve Bank of India
- Changes in government policies
- Regulatory changes
- Inflation rate
- Changes in the Government policies, industry specific rulings & regulatory provisions.
- Change in tax structure applicable on dividend both for the Company as well as Shareholders

VII. Circumstances Under Which the Shareholders of the Company May Not Expect Dividends

Shareholders of the Company may not expect declaration of dividend in below mentioned circumstances.

- i) Expectation of growth opportunity in the existing business and capital is required to be conserved for meeting the opportunity.
- ii) In the event of an opportunity for acquisition and/or strategic investment in existing lines of business or new business where company may be required to allocate capital.
- iii) In the event of requirement of working capital in business.
- iv) In the event of inadequacy of cashflow available for distribution of dividend.
- v) In the event of absence or inadequacy of profits.
- vi) In the event of unstable economy where the Company would be expected to preserve cash for meet any future contingencies.

VIII. Policy Guidelines on Utilization of the Retained Earnings of the Company

The retained earnings of the Company may be used, inter alia, for one or more of the following purposes:

- Business Growth
- Capital expenditure

- Working capital requirements
- Acquisition of businesses/entities
- Declaration of dividend
- Buyback of shares
- Issue of Bonus Shares
- Investment in new lines of business
- Repayment of debt
- Meeting contingency plans
- Correcting the capital structure; and
- Any other purpose as may be permitted by the Companies Act, 2013

IX. Parameters and treatment of Various Classes of Shares at Time of Payment of Dividend

The Company has issued only one class of equity shares and has not issued any Preference shares till date; hence there will be no differential treatment in dividend.

X. Transfer of Unpaid / Unclaimed Dividend and Equity Shares to Investor Education and Protection Fund (IEPF)

As per Section 124 (5) of the Companies Act, the dividend which remains unpaid / unclaimed for a period of 7 years from the date of transfer to unpaid dividend account shall be transferred by the Company to IEPF.

XI. Review

This Policy shall be reviewed by the Board periodically for additions, deletions, changes or alterations in the parameters, process of recommendation/declaration/ pay-out of dividend considered in the Policy. Further, the Board shall have right to modify or amend any or all of the clauses of this Policy in line with changes in regulations as applicable to the Company. In case of any change in applicable laws which make any of the clauses or provisions of this Policy inconsistent with changes then such changes will prevail over this Policy and Policy shall deemed to be amended accordingly from the date of effect of change in applicable laws.

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