



**MOTILAL OSWAL FINANCIAL SERVICES LIMITED**

**DIVIDEND DISTRIBUTION POLICY**

Version 1.0

**Version Details**

<b>S. No</b>	<b>Details of Changes</b>	<b>Date of Creation/Change</b>	<b>Author</b>	<b>Version Number</b>	<b>Approved By</b>
1.	Original Document	5 <sup>th</sup> October, 2016	Vidhi Gala	Ver. 1.0	Shalibhadra Shah

## **INTRODUCTION**

The Securities and Exchange Board of India (“SEBI”) has notified the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) which shall be applicable to all listed entity with effect from December 01, 2015.

Subsequently, SEBI has issued the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 containing the additional Regulation 43A consisting of provisions for formulation of Dividend Distribution Policy which shall be applicable to top five hundred listed entities based on market capitalization as on March 31 of every financial year.

Accordingly, in compliance to the provision of aforesaid Regulation, the Board of Directors of the Company at its meeting held on 26<sup>th</sup> October, 2016 has approved the Dividend Distribution Policy effective from 26<sup>th</sup> October, 2016.

### **1. NEED FOR THE POLICY**

Predictability of returns is a very important factor driving shareholder value creation. Motilal Oswal Financial Services Limited has always believed in shareholder value creation and this policy is one of the means of achieving the objective of shareholder value maximisation.

### **2. SCOPE**

2.1 This policy is aimed at giving a general guidance to the equity shareholders (“Shareholder”) of the Company on the dividend including interim dividend pay-out by the Company in various performance scenarios.

2.1 This policy is in no way intended to minimise or prejudice the rights of the Board of Directors (“Board”) and/or the Shareholders’ to declare dividends at the rate at which they in their absolute discretion deem necessary in the interest of the Company and its Shareholders.

### **3 POLICY STATEMENT**

3.1 The Shareholders’ may refer to the various circumstances, parameters and factors as referred to in Clause 3.2, Clause 0 and Clause 3.4 respectively for the guidance on the likelihood of declaration of dividend by the Board and the Company. The Board of the

Company shall be guided by all of the factors and parameters as referred to aforementioned clauses for proposing quantum and rate of dividend declaration.

### **3.2 Circumstances under which the Shareholders of the Company;**

#### **3.2.1 May expect dividend**

The Shareholders may expect dividend in all financial years where the Company has both on a standalone and consolidated basis earned a net profit after tax ("Profit"). The Company will strive to pay steadily rising dividend every year in lieu of increase in profits. The dividend pay-out will be calibrated in the range up to 25% to 35% of the consolidated net profits of the Company and subject to the financial parameters referred to in Clause 3.3 and internal and external factors referred to in Clause 3.4.

#### **3.2.2 May not expect dividend**

In circumstances where the financial position of the Company is such that the Company has no profits or retained earnings available for distribution as dividend, it will be prudent for the Shareholders to not expect any dividend declaration.

### **3.3 Financial parameters that shall be considered while declaring dividend:**

a) Profit in absolute terms - The profits earned by the Company is the major factor of consideration in case of payment of dividend.

b) Growth Rate - The growth rate is the percentage change in profit during the specific time period.

c) Outstanding Capital Commitments - The Company set aside the certain amount for meeting the outstanding capital commitments of the Company.

d) Availability of surplus funds for:

(i) Additional investments in Subsidiaries of the Company - The Company make Non Current investments in Subsidiaries of the Company on regular basis

(ii) Working capital requirements - The funds are also utilised for meeting the working capital requirements of the Company

(iii) Capital expenditure requirement

(iv) The Company also makes investment in various products of its group companies

### **3.4 Internal and external factors that shall be considered for declaration of dividend:**

- 3.4.1 Past Dividend History – The dividend paid by the Company in past is major factor considered for payment of dividend
- 3.4.2 Impact of dividend declaration on share price of the Company – The dividend declaration also impact the share price of the Company since it encourages investors to purchase shares of the Company.
- 3.4.3 Sector performance and industry trend – The Company also consider the area of economy in which businesses share the same or a related service i.e. trend followed in the financial services industry
- 3.4.4 Taxation and other regulatory concern – The taxation and other regulatory aspects are also considered
- 3.4.5 Markets Risks - The market risk exposure impacting the Company is measured for declaration of dividend
- 3.4.6 Stipulations/Covenants of loan agreements
- 3.4.7 Any other relevant factors that the Board may deem fit to consider before declaring Dividend

### **3.5 Policy as to how the retained earnings shall be utilized**

Retained earnings shall unless transferred to any reserves (other than general reserves) be available for disposal by the Board as they deem fit in their absolute discretion in the interest of all Shareholders and may be utilized for distribution of dividends in accordance with past dividend distribution trend of the Company after considering the factors and parameters as referred to in Clause 0 and Clause 3.4.

### **3.6 Parameters that shall be adopted with regard to various classes of shares**

- 3.6.1 *Non-cumulative Preference Shares:* The Company shall declare dividend to non-cumulative preference shareholders in accordance with the terms of the issue of such preference shares. In case if the terms of such preference shares provide an option to the Company to not declare any dividend in case of a year in which the Company has earned profit then the Board shall be guided by the same parameters and factors for equity shareholders as provided in Clause 0 to Clause 3.4 in determining whether dividend should be declared and the quantum and rate of dividend declaration.
- 3.6.2 *Cumulative Preference Shares:* The Company shall declare dividend to cumulative preference shareholders in accordance with the terms of the issue of such

preference shares. In case if the terms of such preference shares provide an option to the Company to not declare any dividend in case of a year in which the Company has earned profit then the Board shall be guided by the same parameter and factors for equity shareholders as provided in Clause 0 to Clause 3.4 in determining whether dividend should be declared and the quantum and rate of dividend declaration. In case of cumulative preference shares apart from the above the Board shall also consider and have regard to the negative impact on the equity shareholders in case of the preference shareholders being entitled to voting rights due to non-payment of dividend.

3.6.3 *Shares with differential rights or other shares:* The Board of Directors shall decide on a case to case basis for any other category of shares, whether all or any of the factors and parameters as specified in Clause 0 to Clause 3.4 should be made applicable for such other class of shares in order to determine the quantum and rate of dividend declaration.

#### **4 AMENDMENT IN POLICY**

To the extent any change/amendment is required in terms of any applicable law, the Managing Director/Chief Financial Officer/Company Secretary of the Company shall be severally authorised to review and amend the Policy, to give effect to any such changes/amendments. Such amended Policy shall be periodically placed before the Board for noting and necessary ratification immediately after such changes.