



## ***Dividend Distribution Policy***



## DIVIDEND DISTRIBUTION POLICY<sup>1</sup>

### **1. Scope and Purpose**

- 1.1 **Motherson Sumi Systems Limited (the Company)** equity shares are listed on the BSE Limited and the National Stock Exchange of India Limited.
- 1.2 This Dividend Distribution Policy<sup>2</sup> (**the Policy**) defines conditions to be considered by the Board for recommending / paying a dividend to the shareholders of the Company. The Board of Directors will recommend any interim / annual dividend based on this Policy, applicable laws, as well as any specific financial or market conditions prevailing at the time.
- 1.3 Subject to the factors mentioned in para 1.2 above, the Company has a consistent dividend policy for **“distribution of upto 40% of consolidated profit as dividend and the Board may decide higher dividend in special and exceptional circumstances”**.
- 1.4 The Policy set out the broad criteria to be considered for determining the proposed dividend to appropriately reward shareholders through dividends while supporting the future growth of the Company.

### **2. Dividend Policy**

#### **2.1 Dividend Distribution Philosophy**

- 2.1.1 The Company believes in long term value creation for its shareholders while maintaining the desired liquidity and leverage ratios and protecting the interest of all the stakeholders. Accordingly, the focus will continue to be on sustainable returns in terms of dividend, in consonance with the dynamics of business environment.

#### **2.2 The circumstances under which shareholders may not expect dividend**

- 2.2.1 The Company shall comply with relevant statutory requirements that are applicable to the Company in declaring dividend or retained earnings. Generally, the Board shall determine dividend for a particular period after taking into consideration financial performance of the Company, advice of executive management and other parameters described in the Policy.

#### **2.3 The financial parameters that shall be considered while declaring dividend**

- 2.3.1 As in the past, subject to provisions of applicable law, the Company's dividend pay-out will be determined based on available financial resources, investment requirements and taking into account optimal shareholder return.

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<sup>1</sup> Approved and adopted by the Board of Directors of Motherson Sumi Systems Limited in their meeting held on February 13, 2018.

<sup>2</sup> The Securities and Exchange Board of India (“SEBI”) vide its notification dated July 8, 2016 has inserted Regulation 46A in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and has made it mandatory for the top 500 listed entities, based on market capitalization, as on March 31 of every financial year to formulate a Dividend Distribution Policy (‘Policy’).



2.3.2 Based on above and, subject to factors mentioned in para 2.4 below, the Company will endeavour to maintain steady level of dividend.

#### 2.4 The internal / external factors that shall be considered for declaration of dividend

2.4.1 When recommending / determining the dividend, the company will consider, amongst other matters:

- actual results for the year and the outlook for business operations
- providing for anticipated capital expenditures or acquisitions to further enhance shareholder value or meet strategic objectives
- setting aside cash to meet debt repayments
- changes in cost and availability of external financing
- level of dividends paid historically
- retaining earnings to provide for contingencies or unforeseeable events
- the overall economic environment including taxation
- changes in government policy, industry rulings and regulatory provisions

#### 2.5 Policy on utilization of retained earning

2.5.1 The utilization of retained earnings will include:

- Inorganic / organic growth
- Diversification opportunities / capital expenditure
- Fund based requirement of company, its subsidiaries, joint ventures and/or other investee companies
- General corporate purposes including contingencies
- Investments in the new/existing business
- Any other permitted use under the Companies Act, 2013 and applicable laws

#### 2.6 Provisions with regard to various classes of shares

2.6.1 The provisions contained in this policy shall apply to all classes of shares of the Company. It may be noted that currently the Company has only one class of shares, *namely*, equity shares.

### **3. Review and Disclosure**

3.1 This policy will be reviewed and amended, as and when, required by the Board and/or under applicable laws. Any revisions in the Policy will be communicated to shareholders in a timely manner. The Policy shall be disclosed in the Annual report and on the website of the Company, i.e., [www.motherson.com](http://www.motherson.com)

### **4. Limitation**

4.1 In the event of any conflict between the Act or the SEBI Regulations or other statutory enactments (the Regulations) and the provisions of this policy, the Regulations shall prevail over this policy. Any subsequent amendment / modification in the Regulations, in this regard, shall automatically apply to this policy.



**5. Disclaimer**

- 5.1 The Policy does not constitute a commitment regarding future dividends of the Company, but only represents a general guidance regarding payment of dividend.
- 5.2 The statement of the policy does not in any way restrict right of the board to use its discretion in the recommendation of the dividend to be distributed considering various factors mentioned in the policy. Further, subject to the provisions of applicable laws, the board reserves the right to depart from the policy as and when circumstances so warrant.

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