MANAPPURAM FINANCE LIMITED

DIVIDEND DISTRIBUTION POLICY

(Approved by Board at its meeting held on 09th August, 2016)
(Last Amendment date-14th Feb 2022)

Introduction:-

Manappuram Finance Limited believes in conduct of its affairs in a fair and transparent manner by adopting highest standards of Corporate Governance Practices and duly complying with applicable laws from time to time for its business. The Company focusses on enhancement of long term shareholder value without compromising on ethical and governance standards. Pursuant to the provisions of Regulation 43A of SEBI and (Listing Obligations and Disclosure Requirements) Regulations, 2015 inserted vide SEBI Notification No. SEBI/ LAD-NRO/GN/2016-17/008 dated July 08, 2016 through SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 and other applicable RBI guidelines, Dividend Distribution Policy is adopted to act as a guiding parameter in declaration of dividend in addition to applicable provisions of the Companies Act, 2013, rules made thereunder and SEBI regulations.

Dividends refers to that portion of a firm's net earnings which are paid to shareholders. It is the portion of corporate profits paid out to stockholders which are usually settled on a cash basis, and shares in the company (either newly-created shares or existing shares bought in the market.) Further, many public companies offer dividend reinvestment plans, which automatically use the cash dividend to purchase additional shares for the shareholder. The dividends are decided by the firm's board of directors and paid to the shareholders who are registered on the "record date".

Applicable RBI Guidelines on distribution of Dividend:

NBFCs shall comply with the following minimum prudential requirements to be eligible to declare dividend:

Declaration of Dividend: Minimum Prudential Requirements

Sl. No.	Parameter	Requirement
1.	Capital Adequacy	NBFCs (other than Standalone Primary Dealers) shall have met the applicable regulatory capital requirement for each of the last three[1] financial years including the financial year for which the dividend is proposed. Every applicable NBFC shall maintain a minimum capital ratio consisting of Tier I and Tier II capital which shall not be less than 15 percent of its aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items The Tier I capital in respect of applicable NBFCs (other than NBFC-MFI and IDF-NBFC), at any point of time, shall not be less 10 per cent. Applicable NBFCs primarily engaged in lending against gold jewellery (such loans comprising 50 percent or more of their financial assets) shall maintain a minimum Tier l capital of 12 percent.
2.	Net NPA	The net NPA ratio shall be less than 6 per cent in each of the last three years, including as at the close of the financial year for which dividend is proposed to be declared.
3.	Other criteria	(a) NBFCs shall comply with the provisions of Section 45 IC of the Reserve Bank of India Act, 1934. HFCs shall comply with the provisions of Section 29 C of The National Housing Bank Act, 1987. (b) NBFCs shall be compliant with the prevailing regulations/ guidelines issued by the Reserve Bank. The Reserve Bank or the NHB (for HFCs) shall not have placed any explicit restrictions on declaration of dividend.

The ceilings on dividend payout ratios for NBFCs eligible to declare dividend are as under:

Ceilings on Dividend Payout Ratio

Sl. No.	Type of NBFC	Maximum Dividend Payout Ratio (percentage)
1.	Other NBFCs	50

[1] Where an NBFC has been in existence for less than three financial years, it shall be since registration.

Reporting format for NBFCs/HFCs declaring dividend

(Every NBFC should furnish the details of Dividend in the below mentioned format fortnightly after declaration of Dividend to the Regional Office of the Department of Supervision of the Reserve Bank/ Department of Supervision of National Housing Bank, under whose jurisdiction the NBFC is registered.)

Details of dividend declared during the financial year

Name of the NBFC – __________

Accounting period *	Net profit for the accounting period (₹ crore)	Rate of dividend (per cent)	Amount of dividend (₹ crore)	Dividend Pay out ratio (per cent)

* quarter or half year or year ended ----- as the case may be

All other applicable provisions of RBI Circular RBI/2021-22/59, DOR. ACC.REC.No.23/21.02.067/2021-22 Dated June 24, 2021 as amended from time to time.

Types of Dividends:

1. Cash Dividends: These Dividends are paid in cash, usually quarterly.
2. Companies can declare both regular and “extra” dividends. Regular dividends usually remain unchanged in the future, but “extraordinary” or “special” dividends are unlikely to be repeated.

3. Stock dividend: Shareholders receive new stock in the corporation as a form of a dividend. Like a "stock split", the number of shares increases, but no cash changes hands.
4. An alternative way to distribute cash is with share repurchases. The firm buys back its own shares. This can be done:
   - ☐ On the Open Market
   - ☐ Tender offer
   - ☐ Buying stock from major shareholders.

Dividend refers to the decision to pay out earnings. The percentage of earnings paid out in form of cash dividend is known as dividend payout ratio. Dividend payout ratio can be calculated as under.

$$\text{Divide Payout ratio} = \frac{\textit{Dividend Paid}}{\textit{Net income}}$$

A firm may retain same portion of its earnings for reinvestment purpose. The percentage of earnings retained in the firm is called retention ratio. High dividend payout ratio means low retention ratio and vice versa.

Retention ratio is calculated as under:

Retention ratio= 1 - Dividend Paid out ratio

Or

$$= \frac{\text{Re}\,\textit{tained earnings}}{\textit{Net income}}$$

There is always a relationship between earning per share and dividend declared by the company to its shareholder. Changes of earnings & dividends indicate broader changes for the company related to their profitability, their current position and future prospects and therefore company would always like to keep stable.

MAFIL has consistently paid the dividend throughout the many years which shows that company is much concerned about to give return to its shareholder as their part of profits. These provide good indication of the profitability and cash position of the company to the market.

Circumstances under which shareholders may or may not expect dividend:

- The company has reported a net loss for the year
- Cash flow from operations is negative
- The capital adequacy metrics of the company are weak
- The company has been prohibited from declaring dividends by any regulatory authority

- The company has implemented, or intends to implement, a share repurchase (buyback) scheme or any other alternative profit distribution measures
- Any other extraordinary circumstance

The financial parameters that shall be considered while declaring dividend

- Standalone / net operating profit after tax.
- Operating cash flow of the Company for the year.
- Liquidity position, aggregate Debt of the Company (both standalone and consolidated), debt service coverage position etc.
- Loan repayment and Working capital requirements;
- Capital expenditure requirements;
- Resources required for funding acquisitions, mergers and / or new businesses.
- Cash flow required for meeting tax demands and other contingencies.
- Regulatory (and growth requirement of) Capital Adequacy.
- Regulatory (and growth requirement of) Solvency. - Trend of dividends paid in the past years; - Dividend receipt from subsidiaries.
- Any windfall, extra-ordinary or abnormal gains made by the Company.
- Any other factor not explicitly covered above but which is likely to have a significant impact on the Company.

Internal and external factors that shall be considered for declaration of dividend

- Stability of Earnings should be considered
- Internal financing policy of the company influences the dividend policy of the company.
- Liquidity of Funds should be considered along with dividend payout.
- Dividend Policy of Competitive Concerns in the same industry.
- Past Dividend Rates of the company to maintain a consistency.
- Debt Obligations and Ability to Borrow funds with respect to Growth Needs of the Company.
- The board of directors will have to consider the legal restriction in companies Act 2013/RBI/SEBI Guidelines.
- Policy of Control and Corporate Taxation Policy
- Tax Position of Shareholders and Effect of Trade Cycle.
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Policy as to how retained earnings shall be utilized

- Company will utilize retained earnings to buy new assets (like land, building, machinery etc.).

- Company will utilize Retained earnings for outside investment if reinvesting back into its own business is not as lucrative.
- Company will utilize its retained earnings for mergers and acquisition, as it may deem necessary from time to time.

Parameters that shall be adopted with regards to various classes of shares

- The Company has only one class of equity shareholders and does not have any issued preference share capital. However, incase 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.
- The payment of dividend shall be based on the respective rights attached to each class of shares as per their terms of issue.
- The dividends shall be paid out of the Company's distributable profits and/or general reserves, and shall be allocated among shareholders on a prorate basis according to the number of each type and class of shares held
- Dividend when declared shall be first paid to the preference shareholders of the Company if any as per the terms and conditions of their issue

Amendment of Policy:

- The Dividend Distribution Policy of the company may be amended at any time by the board of directors of the company.

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