

# **IFCI Limited**

## **Equity Dividend Distribution Policy**

## **1. INTRODUCTION:**

1.1 Dividend represents the profit of the Company, which is distributed to shareholders in proportion to the amount paid-up on shares they hold. Dividend includes Interim Dividend.

1.2 As per Regulation 43A of Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 (Listing Regulations) the top 500 listed entities based on market capitalization (calculated as on March 31 of every financial year) shall formulate a dividend distribution policy which shall be disclosed in their annual reports and on their website.

1.3 The Policy is not an alternative to the right of the Board for recommending dividend, which is made after considering all the relevant circumstances and other factors as may be considered relevant by the Board. This Policy shall serve as guiding Principles while the Board considers declaration / recommendation of dividend.

1.5 The objective of Dividend Policy is to specify in broad terms the external and internal factors including financial parameters that will be considered while declaring dividend and the circumstances under which the shareholders of the company may or may not expect dividend, etc.

1.6 This Dividend Policy is in line with the provisions of the Listing Regulations, Companies Act and other guidelines, to the extent applicable to the company.

## **2. EFFECTIVE DATE:**

This Policy is effective from the date of its approval by the Board of Directors of the company i.e. 11.02.2017.

## **3. Manner and timelines for Dividend Payout**

### **3.1 Interim dividend(s)**

3.1.1. Interim dividend(s), if any, shall be declared by the Board.

3.1.2. The payment of dividend shall be made within 30 days from the date of declaration to the shareholders entitled to receive the dividend on the record date as per the applicable laws.

3.1.3. In case no final dividend is declared, interim dividend paid during the year, if any, will be confirmed in the annual general meeting.

## **3.2 Final dividend**

3.2.1. Recommendation, if any, shall be done by the Board, usually in the Board meeting that considers and approves the annual financial statements, subject to approval of the shareholders of the Company, in Annual General Meeting.

3.2.2. The payment of dividend shall be made within 30 days from the date of declaration, to the shareholders entitled to receive the dividend on the record date/book closure period as per the applicable law.

## **4. FACTORS CONSIDERED WHILE DECLARING DIVIDEND:**

While considering the declaration or recommendation of dividend, following factors shall be considered:

### **4.1 External Factors**

#### **4.1.1 Economic Environment**

In case of uncertain economic and business scenario / condition, the Company will endeavour to retain larger part of profits to build up reserves to sustain future growth.

#### **4.1.2 Statutory and Regulatory Norms**

Changes in regulatory norms with respect to payment of dividend may affect the dividend pay-out by the Company. Also changes in the provisioning norms may affect the available profits for distribution of dividend.

#### **4.1.3 Capital Markets**

In the times of favourable markets, dividend pay-out can be liberal. However, in case of unfavourable market conditions where the availability of credit is restricted, the Company may resort to conservative dividend pay-out in order to conserve cash flows.

### **4.2 Internal Factors**

#### **4.2.1 Profit earned during the year**

Pursuant to the provisions of Section 123 of the Companies Act, 2013, dividend shall not be declared or paid by a Company for any Financial Year except out of profits of

the Company for that Financial Year or out of profits of the Company for any previous financial year /years arrived after providing for depreciation in accordance of the Companies Act, 2013.

#### **4.2.2 Capital to Risk-weighted Ratio (CRAR)**

IFCI being a Non-Banking Financial Company (NBFC), it is required to maintain a minimum CRAR of 15% (with a minimum Tier I Capital of 10%). Hence, the tentative CRAR shall also factor while declaring or recommending dividend so that the minimum of CRAR is maintained throughout.

#### **4.2.3 Investment need in Subsidiaries / Joint Ventures**

IFCI at present has both Subsidiaries and Step-Down Subsidiaries. Hence, the future need of infusion of funds in the subsidiaries is also an internal factor which may have a bearing on the dividend pay-out by the Company, directly, due to cash flow and indirectly, due to impact on CRAR.

#### **4.2.4 Liquidity Position and Future Cash Flow Requirements**

Payment of dividend has direct impact on the Cash Flows of the Company. Accordingly, payment of dividend will largely depend upon the availability of cash balance. Further, pay-out of dividend will also be ascertained by the liability to service debt of the Company.

### **5. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS MAY OR MAY NOT EXPECT DIVIDEND:**

5.1 The dividend declaration decision of the company will be based on a balanced approach to declare dividend with the objective of rewarding the shareholders appropriately and at the same time retaining the profits for its business growth.

5.2 The Company has always endeavoured to reward the shareholders by paying dividends regularly. However, due to unfavourable business condition and / or inadequacy of sufficient profits for any financial year or owing to any of the above mentioned internal and external factors, the Board of the Company in the best interest of the Company, may decide to retain the profits of the Company instead of distributing the same among the shareholders.

### **6. RETAINED EARNING UTILIZATION:**

The retained earnings will be deployed in line with the objects of the company as detailed in the Memorandum of the company. The profits being retained in the business shall be continued to be deployed in promoting the objectives of the Company viz. financing and other related activities. The retained earnings may also

be utilized for further expansion of the business of the company. Also, the decision of utilization of the retained earnings of the Company shall be based on the factors like Strategic and long term plans of the company etc.

## **7. Financial Parameters / Regulatory and Other Guidelines that shall be considered while declaring dividend**

Following are the parameters that shall be considered while declaring dividends:

- i. Earnings per share of the Company
- ii. Need for debt reduction for having optimum debt: equity ratio.
- iii. Liquidity position of the Company and expected cash flow in next six months.
- iv. Dividend pay-out history
- v. Future expansion plans and the capital expenditure requirement including acquisition or diversification to be made by the Company from time to time.
- vi. Need for ploughing back of profits into Business
- vii. Other reasons, which in the view of the Board of Directors of the Company or as per applicable regulations may be required to be considered from time to time before declaration of dividend.
- viii. Companies Act, 2013 & applicable Rules thereof
- ix. SEBI Regulations / Guidelines

## **8. PARAMETERS WITH REGARD TO VARIOUS CLASSES OF SHARES:**

All Equity shares shall rank pari-passu for the purpose of Dividend as IFCI has only one class of equity shares. Other classes of shares shall be eligible for dividend as per the terms of issue of such shares from time to time.

## **9. AMENDMENTS:**

The Board of Directors of the Company reserves the rights to amend, modify or review this policy in whole or in part, at any point of time, as may be deemed necessary.

## **10. DISCLOSURE:**

This policy shall be disclosed in the Annual Report and hosted on the website of the Company at [www.ifcilttd.com](http://www.ifcilttd.com).