Mahindra EPC Irrigation Ltd.
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MAHINDRA EPC IRRIGATION LIMITED

DIVIDEND DISTRIBUTION POLICY

Name of Document	Dividend Distribution Policy
Version	3
State whether Policy/Code/Manual/ Guideline	Policy
Group Level/ Sector Level/ Company Level (Specify which sector)	Company Level
Issuing Authority	Board of the Company
Owner of the Document	Company Secretary and compliance officer
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Version History	The Policy was first approved by the Board of Directors on May 11, 2021, and further amended on January 31, 2023.

1. Scope and Objective

The Dividend Distribution Policy ("the policy") establishes the principles to ascertain amounts that can be distributed to equity shareholders as dividend by the Company as well as enable the Company strike balance between pay-out and retained earnings, in order to address future needs of the Company. The policy shall come into force for accounting periods beginning from 1st April, 2021.

The Company aims at maximization of shareholders' value and believes that this can be attained by driving growth. This policy aims to strike an optimum balance between rewarding shareholders through dividend and ensuring that sufficient profits are retained for growth of the Company and other needs.

The Policy shall serve as a broad framework for consideration by the Board of Directors while determining the declaration and distribution of dividend, having regard to the financial position, business requirements and other relevant circumstances of the Company.

2. Statutory Requirements

The declaration and distribution of dividend shall, at all times, be in accordance with the provisions of the Companies Act, 2013, read with applicable rules framed thereunder, as may be in force for the time being in particular Sections 2(35), 24, 51, 134(3)(k), 123, 124, 125, 126 and 127 of the Companies Act, 2013 and the Companies (Declaration and Payment of Dividend) Rules, 2014, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ,such other applicable provisions of law and the Articles of Association of the Company as amended.

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3. Parameters to be considered while recommending/declaring dividend

As in the past, subject to the provisions of the applicable law, the Company's dividend payout will be determined based on available financial resources, investment requirements and taking into account optimal shareholder return. Within these parameters, the Company would endeavor to maintain a total dividend pay-out ratio in the range of 17% to 35% of the annual standalone Profits after Tax (PAT) of the Company.

While determining the nature and quantum of the dividend payout, including amending the suggested payout range as above, the Board would take into account the following factors:

- **Internal Factors:**
  - i. Profitable growth of the Company and specifically, profits earned during the financial year as compared with:
    - a. Previous years and
    - b. Internal budgets,
  - ii. Cash flow position of the Company,
  - iii. Accumulated reserves
  - iv. Earnings stability
  - v. Future cash requirements for organic growth/expansion and/or for inorganic growth,
  - vi. Brand acquisitions,
  - vii. Current and future leverage and, under exceptional circumstances, the amount of contingent liabilities,
  - viii. Deployment of funds in short term marketable investments,
  - ix. Long term investments,
  - x. Capital expenditure(s), and
  - xi. The ratio of debt to equity (at net debt and gross debt level).

- **External Factors**:

  - i. Business cycles,
  - ii. Economic environment,
  - iii. Cost of external financing,
  - iv. Applicable taxes including tax on dividend,
  - v. Industry outlook for the future years,
  - vi. Inflation rate, and
  - vii. Changes in the Government policies, industry specific rulings & regulatory provisions.

Apart from the above, the Board also considers past dividend history and a sense of shareholders' expectations while determining the rate of dividend. The Board may additionally recommend special dividend in special circumstances.

The Board may consider not declaring dividend or may recommend a lower payout for a given financial year, in the event of challenging circumstances such as regulatory and financial environment. In such event, the Board will provide rationale in the Annual Report.

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Apart from the above, the Board also considers past dividend history and sense of shareholders' expectations while determining the rate of dividend. The Board may additionally recommend special dividend in special circumstances.

The profits for a year may be adjusted at the discretion of the Board, for the purpose, to exclude exceptional or one-off items or non-cash items resulting from change in law, accounting policies, accounting standards or otherwise.

4. Circumstances under which shareholders may or may not expect dividend

The decision regarding dividend payout is a crucial decision as it determines the amount of profit to be distributed among shareholders and amount of profit to be retained in business. Hence, the shareholders of the Company may expect dividend only if the Company is having surplus funds after providing for all the expenses, depreciation, etc., and after complying with the statutory requirements under the Applicable Laws.

The shareholders of the Company may not expect dividend in the following circumstances, subject to the discretion of the Board of Directors:

i. The Company has inadequacy of profits or incurs losses for the Financial Year;
ii. The Company undertakes /proposes to undertake a significant expansion project requiring higher allocation of capital;
iii. The Company undertakes /proposes to undertake any acquisitions or joint arrangements requiring significant allocation of capital.
iv. The Company has significantly higher working capital requirement affecting free cash flow.
v. The Company proposes to utilize surplus cash for buy- back of securities;
vi. The Company is prohibited to recommend/declare dividend by any regulatory body.

5. Policy as to how the retained earnings will be utilized

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

i. Capital expenditure for working capital,
ii. Organic and/ or inorganic growth,
ii. Investment in new business(es) and/or additional investment in existing business(es),
iii. Declaration of dividend,
iv. Capitalisation of shares,
v. Buy back of shares,
vi. General corporate purposes, including contingencies,
vii. Correcting the capital structure,
viii. Any other permitted usage as per the Companies Act, 2013.

The utilisation of retained earnings shall be determined by the Board based on the Company's business requirements, strategic objectives and financial position.

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6. Disclosures

Information on dividends paid in the past period is provided in the Annual Report.

The policy will be available on the Company's website- www.mahindrairrigation.com . The policy will also be disclosed in the Company's annual report.

7. Quantum and manner of dividend payout

Dividend would continue to be declared on a per-share basis on the Equity Shares of the Company having face value of Rs. 10 each. 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.

Dividends will generally be recommended by the Board once a year, after the announcement of the full year results and before the Annual General Meeting (AGM) of the shareholders, as may be permitted by the Companies Act.

The Board may also declare interim dividends as may be permitted by the Companies Act.

The aforesaid payout range shall not be construed as a commitment or assurance regarding the declaration of dividend for any particular financial year.

The profits for a year may be adjusted at the discretion of the Board for the purpose of excluding exceptional or one-off items or non-cash items resulting from changes in law, accounting policies, accounting standards or otherwise.

8. Parameters with regard to various classes of shares:

The Company currently has only one class of equity shares. Accordingly, dividend, if declared, shall be distributed uniformly among the equity shareholders in proportion to their respective shareholding as on the record date, subject to applicable laws.

9. Policy review and amendments

This policy may be reviewed periodically by the Board. Any changes or revisions to the policy will be communicated to shareholders in a timely manner.

10. Disclaimer

This Policy provides general guidance on the Company's approach to dividend declaration and does not constitute any assurance or commitment regarding future dividends. The Board of Directors shall retain the discretion to recommend dividends based on the Company's financial position and prevailing circumstances and may deviate from this Policy, where appropriate and in accordance with applicable laws.

Investors are advised not to place undue reliance on any forward-looking statements contained in this Policy.

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