

Hinduja Global Solutions Limited

Dividend Distribution Policy

Introduction

The Securities and Exchange Board of India vide SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016, introduced Regulation 43A in the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations'), which requires top 500 hundred listed entities based on market capitalisation (calculated as on March 31 of every financial year) to formulate a dividend distribution policy, which shall be disclosed in their Annual Reports and on their websites.

The Hinduja Global Solutions Limited ("HGSL" or "the Company") being amongst top 500 listed entities based on aforesaid criteria for the year ended March 31, 2021, has formulated this policy on dividend distribution with a view to inform the shareholders about how it aims to utilise extra profits and the parameters that shall be adopted with regard to the shares.

The regulation further prescribed that, the dividend distribution policy shall, *inter-alia*, include the following parameters:

- a) the circumstances under which the shareholders of the listed entities may or may not expect dividend;
- b) the financial parameters that shall be considered while declaring dividend;
- c) internal and external factors that shall be considered for declaration of dividend;
- d) policy as to how the retained earnings shall be utilized; and
- e) parameters that shall be adopted with regard to various classes of shares

Objective

The objective of the policy is to specify the external and internal factors including financial parameters that shall be considered while declaring dividend and the circumstances under which the shareholders of the Company may or may not expect dividend and how the retained earnings shall be utilised, etc.

While the "Company" has always strived to enhance shareholders value, the objective of this Policy is to reward the Company's shareholders by sharing profits earned by the Company through payment of dividend, after ensuring that adequate funds are retained for sustaining its operations, required capital expenditure and future growth of the Company.

The Policy is aimed at striking the right balance between the quantum of dividend paid to its shareholders and the amount of profits retained for its business requirements, present and future.

The Board of Directors ('Board') may consider declaration of interim dividend depending upon the cash flow situation of the Company. The dividend distribution shall be as per the recommendations of the Board and shall always be decided at an annual general meeting of shareholders in case of final dividend. Depending on the long term growth strategy of the Company and the prevailing circumstances, the Board may consider a higher dividend payout ratio, while trying to ensure that sufficient funds are retained for growth of the Company.

Definitions

The terms referred to in the policy will have the same meaning as defined under the Companies Act, 2013 ('Act') and the Rules made thereunder, and the SEBI Listing Regulations.

Declaration and payment of Dividend

In compliance with Section 51 of the Act, the Company shall pay dividend proportionately, i.e., in proportion to the amount paid-up on each share. Dividend for a financial year shall be paid after the annual financial statements of the Company are finalised and the amount of distributable profits is available. The declaration and payment of dividend shall be in accordance with the provisions of Sections 123 to 127 of the Act. Pursuant to the provisions of Section 123 of the Act, the Board shall recommend dividend for any financial year subject to the following:

- a) out of the profits of the Company for that year arrived at after providing for depreciation; or
- b) out of the profits of the Company for any previous financial year(s) arrived at after providing for depreciation and remaining undistributed; or
- c) out of both (a) and (b).

Section 285BA of the Income Tax Act, 1961 and Rule 114E requires specified reporting persons to furnish statement of financial transaction (SFT)¹

Types of Dividend

Dividend include includes final and interim dividend.

- The Act provides for two forms of Dividend i.e., Final & Interim.
- The Board of Directors have the power to recommend final dividend to the Shareholders for their approval in the Annual General Meeting of the Company. The Board's recommendation shall be in accordance with this policy and with the provisions of the applicable Statutes and Rules.
- The Board of Directors have the power, at its discretion, to declare one or more interim dividend(s) during the financial year based on the Company's financials as per its quarterly/ half yearly financial statements.

¹ Notification No. 1 of 2021/21.4.2021

Parameters for declaration of dividend

The Board shall consider the following various circumstances like current year's profit, future outlook, reinvestment opportunities of the Company, tax benefits, Company's present and future performance for declaration and payment of dividend.

(i) Financial parameters

- a) Availability of profits;
- b) Financial feasibility of the Company;
- c) Favourable Debt Equity ratio;
- d) Debt interest coverage ratio;
- e) Liquidity position;
- f) Business expansions, acquisitions, etc.;
- g) Favourable state of the capital markets;
- h) Profit growth.

(ii) External Factors

- a) Shareholders' expectations;
- b) Uncertain or recessionary economic and business conditions;
- c) Restrictions imposed under the Act with regard to declaration of dividend;
- d) Sectorial performance;
- e) Future uncertainties and industrial downturn;
- f) Government policy;
- g) Clientele effect;
- h) Risk effect.

(iii) Internal Factors

- a) Growth rate of past earnings;
- b) Growth rate of predicted profits;
- c) Expansion and modernisation of existing business;
- d) Investment in research and development;
- e) Working capital requirements;
- f) Mergers and Acquisitions;
- g) Investments in subsidiaries/Joint ventures/associates;
- h) Buyback options;
- i) Approach adopted - residual, stability or hybrid.

(iv) Utilisation of retained earnings

The decision of utilisation of retained earnings of the Company shall be based on the following factors:

- a) Acquisition/Diversification of business;
- b) Long term strategic plan;
- c) High cost of debt;
- d) Market or product development/expansion plan;
- e) Increase in production capacity;
- f) Modernisation Plan;
- g) Replacement of Capital intensive assets.

The Board shall also review the following in particular, to arrive at the declaration of dividend:

- (i) The current cash balance and Free Cash Flow generation of the company
- (ii) Current and future capital expenditure needs
- (iii) Cash requirements for organic investments
- (iv) Changes in tax and other regulations
- (v) Any other factor deemed relevant by the Board

Your Company has shown a steady upward trend with regard to return on capital. The current policy is to distribute cumulative excess cash (defined as free cash flow less investments for acquisitions, short term lending and internal initiatives). The Board will decide on the pay-out for each year depending upon the quantum of excess cash for that year.

Circumstances under which the Company may or may not be expected to declare dividend are :

- adverse market conditions
- Business uncertainty
- Inadequacy of profits earned during the fiscal year
- Inadequacy of cash balances
- Huge capital requirements
- Changing government regulations etc.,

(v) Classes of Shares

The Company has issued only one class of shares viz., equity shares. There are no other class of shares issued or proposed to be issued by the Company. In case of issue of new class of shares in the future, the policy will be reviewed accordingly.

Publication of Policy

This Policy, as approved by the Board, shall be disclosed in the Annual Report and on the website of the Company at www.teamhgs.com

Limitation and Amendment

In case of any conflict and /or subsequent changes in the provisions of the Act or Regulations or Income Tax Act, 1961 or any other regulations which makes any of the provisions of this Policy inconsistent with the Act or such other regulations, then the provisions of the Act or such other regulations would prevail over this Policy and the relevant provisions contained in this Policy would be modified accordingly in due course to make it consistent with applicable laws. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this policy.

Any such amendments shall be disclosed along with the rationale for the same in the Annual Report and on the website of the Company.

Exception

The Policy shall not apply to:

- a) Determination and declaration of dividend on preference shares, as and when issued by the Company, as the same will be as per the terms of such issuance of preference shares, if any.
- b) Issue of Bonus Shares.
- c) Buyback of Securities.

This Policy shall be applicable only to the Company and not to any of its Subsidiaries.

Disclosures

- The Company shall make appropriate disclosures as may be required under the Act and/or SEBI Listing Regulations.
- This Policy has been approved by the Board of Directors of the Company at its meeting held on June 18, 2021 and will be applicable from Financial Year 2021-22 and onwards.

Amendments

The Board may amend or modify this Policy in whole or in part, from time to time.
