



CAPITAL FIRST LIMITED

POLICY ON DIVIDEND DISTRIBUTION	
Prepared By: SECRETARIAL DEPARTMENT	Version : 1
Approved By: BOARD OF DIRECTORS	Adopted Date : January 31, 2017
	Last Amendment Date: N.A.

1. PREAMBLE

Pursuant to the provisions of Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016, ["Listing Regulations"] vide circular no. SEBI/LAD-NRO/GN/2016-17/008 dated July 08, 2016, the Board of Directors of the Company at its meeting held on January 31, 2017 have approved and adopted the Dividend Distribution Policy ["Policy"] of the Company which shall be effective from January 31, 2017.

Regulation 43A of the Listing Regulations makes it mandatory for the top five hundred listed entities based on their market capitalization calculated as on March 31 of every financial year to formulate Dividend Distribution Policy.

The Company being one of the top five hundred listed companies as per the market capitalization as on the last day of the immediately preceding financial year, i.e. March 31, 2016, framed this Policy to comply with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

2. OBJECTIVE

The objective of this policy is to lay down the criteria to be considered by the Board of Directors of the Company before recommending dividend to its shareholders.

This Policy aims to ensure that the Company makes rationale decision with regard to the amount to be distributed to the shareholders as dividend after retaining sufficient funds for the Company's growth, to meet its long-term objective and other purposes.



This Policy lays down various parameters which shall be considered by the Board of Directors of the Company before recommendation/ declaration of Dividend to its shareholders.

3. **DEFINITIONS**

“Act” shall mean the Companies Act, 2013 including the Rules made thereunder, as amended from time to time.

“Applicable laws” shall mean to include Companies Act 2013 and rules made thereunder, [including any amendments or re-enactments thereof], Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, [including any amendments or re-enactments thereof], Rules/guidelines/notifications/circulars issued by Reserve Bank of India and any other regulation, rules, acts, guidelines as may be applicable to the distribution of dividend.

“Board” or “Board of Directors” shall mean Board of Directors of the Company.

“Chairman” shall mean the Chairman of the Board of Directors of the Company.

“Companies Act” shall mean the Companies Act, 2013 and Rules thereunder, notified by the Ministry of Corporate Affairs, Government of India, as amended.

“Dividend” includes any interim dividend; which is in conformity with Section 2(35) of the Companies Act, 2013 read with Companies (Declaration and Payment of Dividend) Rules, 2014 as amended from time.

“Financial year” shall mean the period starting from 1st day of April and ending on the 31st day of March every year.

“Free reserves” shall mean the free reserves as defined under Section 2 (43) of the Act as may be amended from time to time.

“Listed Entity / Company” shall mean Capital First Limited.

“Policy or this policy” shall mean the Dividend Distribution Policy.

“Regulations” shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 together with the circulars issued thereunder, including any statutory modification(s) or re-enactment(s) thereof for the time being in force.



4. PARAMETERS GOVERNING THE DISTRIBUTION OF DIVIDEND

(A) Factors for recommendation/ declaration of Dividend:

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among the shareholders and amount of profit to be retained in the business for future growth; such that the decision will result in enhancing shareholders' value by ensuring an appropriate approach to dividend distribution.

The decision to declare any sum as dividend in a company also depends upon certain external and internal factors. Some of these are stated below and these will be considered at the time of declaration of dividend (*please note these are illustrative and not an exhaustive list*):

a) Internal factors (Financial Parameters)

The Board shall consider the below mentioned financial parameters for the purpose of recommendation/declaration of dividend:

- i. Profitable growth of the Company and specifically, profits earned during the financial year as compared with previous years
- ii. Cash Flow Position of the Company;
- iii. Accumulated reserves;
- iv. Capital expenditure and working capital requirements,
- v. Financial commitments with respect to the outstanding borrowings and interest thereon;
- vi. Financial requirement for business expansion and/or diversification, acquisition. etc. of new businesses;
- vii. Provisioning for financial implications arising out of unforeseen events and/or contingencies;
- viii. Deployment of funds in short term marketable investments;
- ix. Past dividend trend;
- x. Such other factors and/or material events which the Company's Board may consider.

b) External Factors

The Board shall also consider the below mentioned external factors at the time of taking a decision with respect to recommendation/declaration of dividend:

- i. Prevailing legal requirements, regulatory conditions or restrictions laid down under the Applicable Laws including taxation laws;



- ii. Business cycles;
- iii. Economic environment;
- iv. Cost of external financing;
- v. Industry outlook for the future years;
- vi. Changes in the Government policies, industry specific rulings & regulatory provisions;
- vii. Prevalent Market Practices i.e. when the markets are favorable, the dividend pay-out could be liberal vis-à-vis in case of unfavorable market conditions, where the dividend pay-out could be conservative to ensure conservation of cash outflows.
- viii. Such other factors and/or material events which the Company's Board may consider.

Considering the inherent dynamic nature of the market and business environment including need to balance capital adequacy with growth prospect in financial services, it is not possible to fix the dividend payout as a percentage of earnings. The Company will endeavor to increase the dividend per share over the years as compared to the previous year, subject to the provisions of this policy.

(B) Circumstances under which the shareholders of the Company may or may not expect dividend:

The decision to recommend/declare the dividend by the Board of Directors shall primarily depend on the factors listed out at point no. 1 above. However, the shareholders of the Company may not expect dividend in the below mentioned circumstances:

- i. In the event of a growth opportunity where the Company may be required to allocate a significant amount of capital.
- ii. In the event of higher working capital requirement for business operations or otherwise.
- iii. In the event of inadequacy of cashflow available for distribution.
- iv. In the event when Company proposes to utilise surplus cash for buy-back of securities.
- v. In the event when Company has incurred losses or there is inadequacy or absence of profits.

(C) Manner of utilization of Retained Earnings:

The Board of Directors of the Company may recommend/declare dividend out of the profits of the Company or out of the profits for any previous year or years or out of free reserves available for distribution of dividend, after consideration of the factors as stated at point no. 1 above. The Board has the discretion to retain a part of its profits and distribute the balance among its shareholders as dividend. The Company would utilize the retained earnings of the Company in a manner which is beneficial to its interest and of its



stakeholders, including, but not limited to ensuring maintenance of a healthy level of minimum capital adequacy ratios, meeting the Company's future business growth / expansion and strategic plans or such other purpose the Board may deem fit from time to time in the interest of the Company and its stakeholders.

(D) Other factors to be considered with regard to various classes of shares.

Currently, the Company does not have any other class of shares (including shares with differential voting rights) other than equity shares. In the absence of any other class of shares and/or shares with differential voting rights, the entire distributable profit for the purpose of declaration of dividend is considered for the equity shareholders.

In the event of the Company issuing any other class(es) of shares, it shall consider and specify the other parameters to be adopted w.r.t. such class(es) of shares.

5. REVIEW / REVISION OF POLICY:

This Policy could be revised/amended in accordance with the guidelines as may be issued by Ministry of Corporate Affairs, Securities Exchange Board of India or such other regulatory authority as may be authorized, from time to time, on the subject matter.

The Company reserves its right to alter, modify, add, delete or amend any or all clauses of this Policy in accordance with the provisions of the Applicable laws/ Acts /Regulations or otherwise.

In case of any amendment(s), clarification(s), circular(s) etc. issued under any Applicable laws/ Regulations, which is not consistent with any of the provisions of this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall be deemed to be amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

