L&T Finance Holdings

L&T FINANCE HOLDINGS LIMITED

DIVIDEND DISTRIBUTION POLICY

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VERSION CONTROL

Version	Date of adoption	Change Reference	Owner	Approving Authority
1.	October 2016	-	Accounts &Secretarial	Board of Directors
2.	October 2017	Annual review (No change)	Accounts &Secretarial	Board of Directors
3.	October 2018	Annual review (No change)	Accounts & Secretarial	Board of Directors

1. BACKGROUND AND PURPOSE:

Regulation 43A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), requires top five hundred listed companies (based on market capitalization as on March 31 of every financial year) to formulate a dividend distribution policy which is required to be disclosed in the respective annual reports and on the websites.

L&T Finance Holdings Limited ("the Company") is listed on BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE").

The policy on distribution of dividend ("the Policy") lays down the process for distribution/declaration of dividend by the Company in accordance with the provisions of the Companies Act, 2013 ("the Act") and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) and other applicable provisions, as may be prescribed by various regulators from time to time. The purpose of the Policy is to endeavor to strike a balance between the quantum of dividend distributed/declared and amount of profits retained in the business for various purposes.

2. CATEGORY OF DIVIDEND:

As per the Act, dividend includes any interim dividend. The Board of Directors ("the Board") shall have the power to recommend a final dividend to the shareholders for their approval in the General Meeting of the Company.

The Board shall have the absolute power to declare interim dividend during the financial year, as and when they deem fit.

The dividend, if any, declared shall be subject to the Company having adequate profits which would warrant dividend distribution/declaration.

3. FINANCIAL PARAMETERS:

Dividend shall be declared or paid only out of profits computed as per the applicable provisions of the Act and Rules made thereunder and other applicable laws.

Additionally, the declaration of dividend will be impacted by the factors mentioned below.

4. FACTORS TO BE CONSIDERED WHILE DECLARING 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. The Board will endeavor to take a decision with an objective to enhance shareholders wealth and market value of the shares but at the same time ensuring that sufficient funds are available to the Company to carry on its business. 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) External Factors:

- Legal requirements, regulatory conditions or restrictions laid down under the applicable laws including tax laws prevailing at the time of declaration of dividend.
- Market conditions prevalent at the time of declaration of dividend 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.

b) Internal Factors:

- Profits earned during the year.
- Dividend policy followed by its subsidiaries, as a substantial portion of the Company's income is earned by way of dividends from its subsidiaries.
- Present and future capital requirements of the business (example – day to day requirements, funding of business acquisitions, investment in new business/initiatives, etc).
- Additional investments in the subsidiaries/associates of the Company, by way of loans or subscription to their securities.
- Cash flow required to meet contingencies.
- Borrowingsoutstanding.
- Trends of declaration of dividends in the past.

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

The shareholders of the Company may not expect dividend under the certain circumstances, for example:

- Whenever there is a higher working capital requirement, including for making loans to its subsidiary / associate companies or subscribing to the securities of such companies, considering its inherent nature as a Core Investment Company, adversely impacting free cash flow
- Whenever the Company undertakes any acquisitions or enters into joint ventures requiring significant allocation of capital.
- Whenever the Company proposes to utilise surplus cash for buy-back of securities.
- Whenever the Company has incurred losses or there is inadequacy of profits.

6. UTILIZATION OF RETAINED EARNINGS:

The profits earned by the Company can either be retained for business purposes i.e. acquisitions, expansion or diversification, or it can be distributed to the shareholders. The Board has the discretion to retain a part of its profits and distribute the balance among its shareholders as dividend.

7. PARAMETERS ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES:

Presently, the Authorised Share Capital of the Company is divided into equity share of Rs.10/- each and Preference shares of Rs. 100/- each. At present, the issued and paid-up share capital of the Company comprises of Equity Shares and Preference Shares.

The Company shall first declare dividend on preference shares, if any, at the rate of dividend fixed at the time of issuance of the preference shares and thereafter, the dividend would be declared on equity shares.

As and when the Company issues other kind of shares, the Board and/or any Committee(s) may suitably amend this Policy.

8. REVIEW / REVISION OF POLICY:

If at any point, a conflict of interpretation / information between the Policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities ("Regulatory Provisions") arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions. The Board and/or its Committee reserve(s) the right to alter, modify, add, delete or amend any of the provisions of the Policy.