

DIVIDEND DISTRIBUTION POLICY

INTRODUCTION

Mastek Limited (“Mastek” or “Company”), is a dividend paying Company to its shareholders and thereby creating shareholder value. In order to provide shareholders a greater visibility and predictability in the dividend pay-outs, the Board of Directors of the Company (“Board”) have adopted and hereby publish the Dividend Distribution Policy with respect to dividend to be distributed by the Company, in accordance with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

SCOPE AND OBJECTIVE

Mastek shall always strive to drive growth and thereby maximise shareholders’ value. The Dividend Distribution Policy of the Company balances the objectives of rewarding the shareholders through capital return (dividends and/or buyback) and retaining capital to invest in the growth of the Company. The Board considers the net Profit after Tax (PAT) available for distribution as reported in the consolidated statutory financial statements prepared in accordance with the applicable Accounting Standards. The Board will decide on the pay-out for each year depending upon the quantum of excess cash for that year.

The Policy will be available on the website of the Company.

EFFECTIVE DATE

This Policy will become effective from April 1, 2021 i.e. from financial year 2021 -2022 onwards.

I. DEFINITIONS & INTERPRETATIONS

Unless repugnant to the context:

- a) ‘Act’ shall mean the Companies Act, 2013 as amended from time to time and shall include Rules, Regulations and Secretarial Standards made thereunder or pursuant thereto.
- b) ‘Board’ shall mean the Board of Directors of the Company, as constituted from time to time.
- c) ‘Policy’ shall mean this Dividend Distribution Policy as per the SEBI (Listing Obligations and Disclosure Requirements).
- d) ‘Listing Regulations’ shall mean SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended).

All words and expressions used but not defined in this Policy, but defined in the Act or the Listing Regulations shall have the same meaning as respectively assigned to them in such Act or Regulations, as the case may be.

II. DECLARATION

1. Dividend shall be declared or paid only out of:
 - i. Current period profit, after providing for depreciation in accordance with law; and/ or
 - ii. The profit from any previous financial year(s):
 - a) after providing for depreciation in accordance with law; and
 - b) out of the amount available for dividend that remains undistributed after prescribed appropriations have been made;
2. Before declaring any dividend, the losses, if any, of any previous year(s) must be set off against the profit of the Company for the current year; and
3. The Board may approve/declare dividend out of free reserves, in accordance with the provisions of the Act, after due regard to the parameters laid down in this policy.

III. AMOUNT OF DIVIDEND

The company will take into consideration the following broad criteria while arriving at the quantum of dividend subject to periodic revision based on actual circumstances:

1. Dividend Pay-out ratio, that is, Dividend / Net Profit for the year;
2. Company's need for capital for its growth plan;
3. Cash flow availability; and
4. Assessment of ability to sustain the rate of dividend.

IV. KEY PARAMETERS TO BE CONSIDERED WHILE DECLARING THE DIVIDEND

The factors to be considered (in addition to past dividend trends), while arriving at the quantum of dividend(s) are:

1. Income and profitability parameters:
 - i. Net Income (NI);
 - ii. Return on Equity (RoE);
 - iii. Operating Cash Flows;
 - iv. Dividend Yield; and
 - v. Shareholders return.
2. Capitalisation level parameters:
 - i. Net Owned Funds (NOF)
 - ii. Gross leverage and net leverage
 - iii. Contingencies for unforeseen events with financial implications
 - iv. Alternate usage of cash- Capital Expenditure, Acquisition, Debt Repayment etc.

V. INTERNAL AND EXTERNAL FACTORS THAT SHALL BE CONSIDERED FOR DECLARATION OF DIVIDEND;

1. Plough back of profits i. e. future capital expenditure programme including
 - i. New project;
 - ii. Business expansion and growth/ Long term strategic plans;
 - iii. Renovation/ Modernisation/upgradation of technology and physical infrastructure;
 - iv. Major Repairs & Maintenance; and
 - v. Research & Development;
2. IT industry scenario, even if the Company has earned profits in the year;
3. Taxation and other Regulatory Restrictions;
4. Proposal to utilise the surplus cash for buy back of securities;
5. Likelihood of crystallization of contingent liabilities, if any;
6. Creation of contingency Fund; and
7. Acquisition of brands/ businesses.

Other Factors - Following are the external factors / circumstances on which Management has no control, inter-alia, that may affect dividend pay-out and the expectations of the Shareholders around Dividend:

8. Growth outlook for the IT sector and competition intensity may result in margin pressures and may result in a need to shore up equity capital levels;
9. Current liquidity scenario and outlook for the same. The Company is in the IT business and it relies on its ability to raise funds efficiently to undertake its IT activities. If the liquidity scenario is poor or if the outlook is adverse on market conditions and business uncertainty then the Company may choose to hold back dividend pay-outs to shore up equity capital levels;

10. Being in IT sector, the Company is subject to various risks including but not limited to Operations. Incidence of substantial loss from any risks may impact dividend pay-outs;
11. The various legal rules and constraints such as paying dividends that would impair capital and policy decisions that may be formulated by the government or in case of uncertain or recessionary economic and business conditions, the Company will endeavour to retain larger part of its profits to build up reserves to absorb future shocks;
12. Geo Political reason;
13. Dividend pay-out ratios of companies in IT industry; and
14. Any other factor that may not be in control of the Company but deemed relevant for dividend pay-out by the Board.

VI. POLICY AS TO HOW THE RETAINED EARNINGS SHALL BE UTILISED:

The retained earnings shall be utilized towards the main objective of the Company which is providing information technology Services to its customers, including upgradation and introduction of new age technologies to enable such services. To maintain adequate liquidity levels, Company may also invest a part of the retained earnings in liquid/Liquid Plus /debt fund schemes of mutual funds and Fixed Deposits of Banks and other financial institutions.

VII. TIMING

1. Interim Dividend
 - i. Board may decide to pay Interim Dividend, based on review of profits earned during the current financial year to date;
 - ii. The frequency may be up to four times during the financial year; and
 - iii. Special dividend may be paid at any time as may be considered appropriate.
2. Final Dividend
 - i. Board to recommend to members for their approval based on review of profits arrived at as per audited financial statements, for the financial year; and
 - ii. Frequency shall be once in a year.

However, the Company reserves the right to carry out any change in the aforesaid parameters, in the best interest of the Company, shareholders and/or other stakeholders.

VIII. PARAMETERS THAT SHALL BE ADOPTED WITH REGARD TO VARIOUS CLASSES OF SHARES

Company does not have different classes of shares at present and follows the ‘one share, one vote’ principle.

IX. GENERAL

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

The Company reserves its right to alter, modify, add, delete or amend any of the clauses of this Policy by taking into account the national and global economic conditions.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.
