



## **POLICY ON DISTRIBUTION OF DIVIDEND**

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### 1. Objective

The Dividend Distribution Policy (“**the Policy**”) establishes the principles to ascertain amounts that can be distributed to 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 in accordance with the provisions contained in Companies Act, 2013 (“**Act**”) read with the applicable rules, regulation 43A of SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 as applicable from time to time. However, this document does not solicit investments in the Company’s equity shares.

The policy has been adopted by the Board of directors of Hero Motors Limited (“**the Company**”) in its meeting held on August 12, 2024 and shall come into force for accounting periods beginning from April 1, 2024.

### Implementation

#### Definitions

1.1. Unless repugnant to the context:

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

“**Applicable Laws**” shall mean the Companies Act, 2013 and Rules made thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; as amended from time to time and such other act, rules or regulations which provides for the distribution of Dividend.

“**Company**” shall mean Hero Motors Limited.

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

“**Compliance Officer**” shall mean the Compliance Officer of the Company appointed by the Board of Directors pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

“**Dividend**” shall mean Dividend as defined under Companies Act, 2013.

“**MD & CEO**” means Managing Director and Chief Executive Officer of the Company.

“**Policy**” shall mean the Policy on Distribution of Dividend.

**“SEBI 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.

## 1.2. Interpretation

In this Policy, unless the contrary intention appears:

- the clause headings are for ease of reference only and shall not be relevant to interpretation;
- a reference to a clause number includes a reference to its sub-clauses;
- words in singular number include the plural and vice versa;
- words and expressions used and not defined in this Policy but defined in Companies Act, 2013 or rules made thereunder or Securities and Exchange Board of India Act, 1992 or regulations made thereunder or Depositories Act, 1996 shall have the meanings respectively assigned to them in those Acts, Rules and Regulations.

## 2. Declaration of Dividend

Dividends will generally be recommended by the board of directors of the Company (“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 Act. The Board may also declare interim dividends as may be permitted by the Act. 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.

The Company shall ensure compliance of provisions of Applicable Laws and this Policy in relation to Dividend declared by the Company.

## 3. Category of Dividends

The Act provides for two forms of Dividend - Final & Interim. The Board shall have the power to recommend final dividend to the shareholders for their approval in the Annual General meeting of the Company. The Board shall have the absolute power to declare interim dividend during the financial year, as and when they consider it fit.

**Final Dividend** - The final dividend is paid once for the financial year after the annual accounts are prepared. The Board of the Company has the power to recommend the payment of final dividend to the shareholders in an Annual General meeting. The declaration of final dividend shall be included in the ordinary business items that are required to be transacted at the Annual General Meeting.

**Interim Dividend** - This form of dividend can be declared by the Board one or more times in a financial year as may be deemed fit by it. The Board of the Company would declare an interim dividend, as and when considered appropriate, in line with this

Policy. Normally, the Board could consider declaring an interim dividend after finalization of quarterly (or half yearly) financial accounts.

#### **4. Parameters for declaration of Dividend**

In line with the philosophy stated above in Clause 2, the Board of Directors of the Company shall consider the following parameters for declaration of Dividend:

##### Financial Parameters / Internal Factors:

The Board of Directors of the Company would consider the following financial parameters before declaring or recommending dividend to shareholders:

- Standalone net operating profit after tax;
- Working capital requirements;
- Capital expenditure requirements;
- Resources required to fund acquisitions and / or new businesses;
- Cash flow required to meet contingencies;
- Outstanding borrowings;
- Accumulated Reserves including Retained Earnings;
- Earnings outlook for next three to five years;
- Long term investment proposed, capital restructuring, debt reduction;
- Cost of raising funds from alternate sources;
- Crystallization of contingent liabilities of the Company;
- Any other relevant factors and material events; and
- Past Dividend Trends

##### External Factors

The Board of Directors of the Company would consider the following external factors before declaring or recommending dividend to shareholders:

- Prevailing legal requirements, regulatory conditions or restrictions laid down under the Applicable Laws including tax laws;
- Dividend pay-out ratios of companies in the same industry; and
- Significant changes in macro-economic environment materially affecting the business in which the Company is engaged in the geographies in which the Company operates.

#### **5. Circumstances under which the shareholders may or may not expect Dividend**

The decision regarding dividend payout is an important 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 adequate profits after complying with all other statutory requirements under the Applicable Laws.

The shareholders of the Company may not expect Dividend under the following circumstances:

- Whenever it undertakes or proposes to undertake a significant expansion requiring higher allocation of capital;
- Significantly higher working capital requirements adversely impacting free cash flow;
- Whenever it undertakes any acquisitions or joint ventures requiring significant allocation of capital;
- Whenever it proposes to utilise surplus cash for buy-back of securities; or
- In the event of inadequacy of profits or whenever the Company has incurred losses.

The Board of Directors of the Company may not declare or recommend dividend for a particular period if it is of the view that it would be prudent to conserve capital for the then ongoing or planned business expansion or other factors which may be considered by the Board. The statement of the Policy does not in any way restrict the right of the Board to use its discretion in the recommendation of the Dividend to be distributed in the financial year and the Board reserves the right to depart from the Policy as and when circumstances so warrant. Given the aforementioned uncertainties, prospective or present investors are cautioned not to place undue reliance on any of the forward- looking statements in the Policy, if any.

## **6. Entitlement and Timelines for Dividend Payments**

- Entitlement: The dividend shall be paid to the shareholders entitled to receive dividend on the record date / book closure date as per applicable laws.
- Timelines: The payment of dividend shall be made within the time prescribed under the Act or the rules made there under. Presently, dividend is to be paid within 30 days from the date of declaration by the Board in case of interim dividend and within 30 days from the declaration by the shareholders in the AGM in case of final dividend.

## **7. Classes of Shares**

The above parameters shall apply to all the classes of shares as prescribed under the Act subject to the terms of issue of such class of shares.

## **8. Utilization of retained earnings**

The Company may utilize the retained earnings for:

- i. Issue of fully paid bonus shares,
- ii. Buy back of shares, restructuring events including mergers and acquisitions,
- iii. General corporate purposes, including contingencies,
- iv. Other general factors specified in this policy and for such other purposes as may be statutorily permissible.

The Company may declare dividend out of the profits of the Company for the year or out of the profits for any previous year or years or out of the free reserves, after having due regard to the parameters laid down in this Policy.

## **9. Disclosure**

The Company shall make appropriate disclosures as required under the SEBI Regulations.

## **10. General**

This Policy would be 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 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 of the provisions of this Policy. 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.