



# **HERO MOTOCORP LIMITED**

## **DIVIDEND DISTRIBUTION POLICY**

(Last amended on: November 14, 2024)

## CONTENTS

<b>Rationale for the Policy</b> .....	<b>3</b>
<b>Objective of the Policy</b> .....	<b>3</b>
<b>Internal Factors to be considered</b> .....	<b>4</b>
<b>External Factors to be considered</b> .....	<b>4</b>
<b>Financial Parameters to be considered</b> .....	<b>5</b>
<b>Circumstances affecting lower or no dividend payout</b> .....	<b>5</b>
<b>Utilization of retained earnings</b> .....	<b>5</b>
<b>Covenants of the Dividend Decision</b> .....	<b>6</b>

## AN INTRODUCTION TO THE POLICY

### **Rationale for the Policy**

Hero MotoCorp Limited (“the Company”) has been engaged in the business of development, manufacturing, marketing, sale and distribution of two-wheelers and their parts since 1984. The Company’s strategy focuses on building a robust product portfolio of mobility solutions across various categories, exploring growth opportunities both domestically and internationally, expanding its reach to customers, and ensuring high levels of customer satisfaction. Additionally, the Company is committed to making a positive contribution to the society it operates in through sustainable and green manufacturing initiatives and active social responsibility programs.

*With respect to apportioning a share of its profits to its shareholders, the Company endeavors to be fair and consistent with its strategy, approach and decision. The management determines the distribution of dividends by considering a range of financial parameters, including long-term earning capabilities, growth prospects and opportunity costs.*

Key considerations for the dividend decision include the Company’s historical financial performance, future financial outlook, strategic business needs including expansion plans, acquisitions strategies, medium term investments, capital expenditure requirements, and the established dividend payout practice.

### **Objective of the Policy**

The objective of the Dividend Distribution Policy of the Company is to define the various factors affecting the dividend decision, i.e.:

- › Defining internal and external factors impacting the dividend decision;
- › Financial parameters affecting dividend decision;
- › Circumstances leading to declaration of dividend or the lack of it;
- › Defining dividend distribution payment form and method.

## PRINCIPLES GUIDING DIVIDEND DECISION

### **Internal Factors to be considered**

**Earnings' stability:** The financial performance of the Company has an important bearing on the dividend Policy. A stability of earnings builds our confidence in the Company and inclines the Company to formulate a more consistent dividend Policy than in circumstances or years of an uneven flow of income

**Liquidity position:** Availability of cash and sound financial position is also an important factor in dividend decisions. As dividend means huge cash outflow, the greater the funds and the liquidity of the firm, the better is its ability to pay dividend.

**Future Funding Requirements:** The Company believes in retaining a part of its profits for investing in business expansion and strengthening the Company's financial position in the future. A part of income is /may be reserved for investing in capital expenditure, research and development, expanding into new geographical markets or for increased requirements of working capital.

**Fluctuations in Business Cycle:** Business cycles exercise influence upon dividend Policy. Dividend Policy is adjusted according to the business oscillations. In peak seasons of performance (operationally and financially), management creates reserves for contingencies and pays out higher dividends. Adequate reserves help the Company through tough times / lean season / aggressive competitions and expansion phases, guiding the Company's decision accordingly.

**Regularity and stability in Dividend Payment:** The Company believes that dividend payout practice should be stable and consistent over long periods of time, thus creating predictability and visibility of cash flows for the shareholders. In the past several years, the Company has been consistently paying high dividend to its shareholders, shall endeavor to follow the same pattern, unless any exceptional circumstances occur.

**Contractual Obligations / Debt Repayments, if any:** The Company shall take into consideration any contractual obligations / debt principal or interest payments, if and when they occur before distributing dividend to its shareholders.

### **External Factors to be considered**

**Legal Requirements:** The Policy has been formed in keeping with the current framework / provisions of The Companies Act 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. While taking the dividend decision, any amendments in the same shall be taken into account as and when they occur, with respect to payment and distribution of dividend.

**Government Policies:** The earning capacity of an enterprise is hugely impacted by the changes in monetary, fiscal, industrial, labour, and other government policies. The dividend Policy must be modified or formulated accordingly, if such events occur.

**Taxation Policy:** Various taxes, including Dividend Distribution Tax, tax on dividend income or any other policy or amendments in prevailing rates and conditions can lead to reduction in the earnings of the companies or may affect its investors and accordingly shall be considered while taking the dividend decision.

### **Financial Parameters to be considered**

The Company has been amongst the most consistent wealth creators rewarding its shareholders with a high dividend payout over the last several years. The Company is debt-free and has a healthy level of reserves, a part of which is retained by the Company to provide for future projects and expansion.

The Company in all its future dividend decisions shall consider the below mentioned financial parameters:

- › Net Income attributable to Shareholders
- › Earnings growth
- › Liquidity Ratios
- › Financial Leverage Ratios (if and when debt occurs on the Company's financials)
- › Free Cash flows
- › Redeemable investments
- › Free Reserves
- › Cash Flow projections
- › Investment plans

### **Circumstances affecting lower or no dividend payout**

In certain situations, the Board may choose not to declare dividends or may suggest a reduced payout for a specific financial year. This decision could be influenced by factors like potential opportunities, threats, or challenging regulatory and financial conditions. When such circumstances arise, the relevant disclosures shall be made by the Company.

### **Utilization of retained earnings**

The retained earnings of the Company may be used in any of the following ways:

- › Investment in new business opportunities
- › Capital Expenditure
- › Organic and/ or inorganic growth
- › General corporate purposes, including contingencies,
- › Any other permitted usage as per the Companies Act, 2013.

## COVENANTS OF THE DIVIDEND DECISION

- › The Company shall endeavor to be consistent and stable in its dividend pay-out practice, smoothening out the stream of dividends paid to its shareholders.
- › The Company shall keep sufficient financial flexibility to fund future growth prospects and maximize corporate value in the long run.
- › The Company may declare/distribute dividend out of surplus in the profit and loss account and free reserves of the Company to its shareholders.
- › The Company may reward shareholders in a few ways. Cash dividends may be distributed to shareholders through regular or through extra (also referred to as special or irregular) dividends. The Company may issue bonus shares or stock splits, if it considers it prudent to do so.
- › The Company prefers to declare / distribute dividend annually or at a frequency considered suitable by the Board as per applicable laws. If the financial position, internal and external factors, and laws permit, the Company may declare/distribute Interim Dividend. The Board may opt to do this subsequent to reviewing the Interim financial statements, at any juncture prior to the end of the financial year.
- › The Company may in future issue equity shares with differential rights or preference shares or any other class of shares, in which case, the dividend or interim dividend so declared on all or anyone or more of the classes of such shares, shall be consistent with covenants of the Dividend Policy and rights and privileges associated with such new issuances.
- › The Company shall use any of the electronic modes of payment approved by the Reserve Bank of India for the payment dividends. Also, where it is not possible to use electronic mode of payment, 'payable-at-par' warrants or cheques may be issued, as permissible under applicable rules and regulations.
- › This Policy shall be reviewed periodically by the Board and as per any regulatory amendments. If this Policy is revised, the Company will disclose the same suitably.

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