Mphasis Limited

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Dividend Distribution Policy

INTRODUCTION

The Board of Directors(the "Board") of the Mphasis Limited (the "Company") has adopted the Dividend Distribution Policy in line with the Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment)Regulations, 2016.The Policy will be applicable to the Company effective the dividends declared on or after 1 January 2017.

OBJECTIVE

The Policy establishes the parameters for Dividend Distribution by Mphasis Limited and its subsidiaries ("Mphasis" or "Company") as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The objective of this policy is to ensure optimum combination of Company's interest and the interest of its shareholders in the dividend payout. This Policy also endeavors to bring further transparency in the procedures for determining the extent of dividend pay outs.

POLICY

The declaration and payment of final dividend for any financial year will be recommended by the Board of Directors and approved by the members of the Company subject to provisions of Law. The Board of Directors shall have the absolute power to declare one or more interim dividend, at such frequency, during the financial year, as and when they consider it fit.

While recommending the dividend the Board of Directors will consider and discuss the circumstances "for"/ "for not" declaring the dividend including financial parameters, internal & external factors, utilization of retained earnings of the Company etc. Apart from this the Board of Directors will also consider other factors including, sharing of profits with Shareholders, funding for Strategy and Statutory requirements with respect to transfer to reserves, retention of reserves etc.

The following, including Internal and External factors, will be considered by the Board at the time of recommending and/or declaring the dividend -

1. Financial Parameters –

   The payment of dividend is made by the Company to its shareholders in the form of distribution of profits. The Board will recommend the final dividend only out of the profits for that financial year or for any previous financial years after providing for depreciation. The interim dividend, if any, will be based on surplus in the profit and loss account and/or profits for the period for which such Interim dividend is sought to be declared.

   The Company may declare dividend after transferring profits for that financial year to the reserves of the Company as considered appropriate by the Board at its discretion and also after providing for depreciation as per the provisions of the Companies Act, 2013.

   In the event of absence or inadequacy of profits, the Board may, subject to provisions of the law, after considering the cash requirements for stability of earnings and profits, will declare dividend from its free reserves.

   The percentage of dividend will depend on the profits, past dividend trends, cash flows of the Company and need for addition capital for future growth.

   The Company would ensure to strike a right balance between objective of sharing of profits with the Shareholders and amount of profits retained in the business for various purposes.

If Board of Directors at any time deem that the available retained earnings are in excess of financial needs, the Board may distribute the surplus amount as dividends.

2. Circumstances for /for not declaring dividend –

The Board of Directors will endevour to maintain a consistent dividend payout to its shareholders keeping in mind the objective of sharing of profits with the Shareholders. However, while declaring the dividends, the Board will consider the circumstances "for" and "for not" declaring the dividends, which may inter-alia include the following-

a) Strategic factors- The Company is largely dependent on the internal cash generation through its operations. In case the Company's Strategic Plans involve funding for major Mergers and Acquisitions, Buybacks and other Strategic Actions, the Board may consider retaining the profits towards such Strategy.

b) Financial factors – The Company will not declare dividend during the absence of profit in any year except that the Board may declare dividends as permitted under the law.

The Company will also consider the debt equity ratio for the year and the liquidity position of the Company before declaring or recommending the dividend. In case the debt equity ratio or the liquidity position of the Company is adverse, the Board may consider retaining the profits during that financial year.

Apart from considering the above factors, the Board of Directors will consider the various internal factors at the time of declaring dividend which *inter alia* may include present & future Capital requirements of the existing businesses, expansion/modernization of existing businesses, additional investments in subsidiaries/associates of the Company, fresh investments into external businesses and other factors as may be deemed necessary by the Board.

c) Contractual constraints –The Company's ability to pay dividend may be constrained by restrictive provisions in the business agreements including financing and banking agreements.

d) Statutory and Legal Constraints - The Board of the Company may not declare dividend in case of statutory approvals, if any required for payment of such dividend, are not in place and/or there are legal restrictions on the Company from declaring dividend by any Regulatory bodies and authorities.

e) Other Factors – The Board of Directors may also consider such other constraints as may be relevant for recommendation of the dividend /declaration of the dividend, like industry trends and capital markets which will impact the decision of declaring the dividend. The Board of Directors will discuss applicable external factors while declaring the dividend. In case of uncertain or recessionary economic and business conditions, the Board will endeavor to retain larger part of profits to build up reserves. In case of unfavorable market condition the Board may resort to a conservative dividend payout in order to conserve cash outflow. The statutory constraints includes the taxation regime as dividend is always given after paying off the taxes. Other constrains which may be relevant in relation to for recommendation of the dividend to the shareholders/declaration of the dividend, *inter – alia* includes the following-

i) Additional cost in the completion and/or development of Projects;
ii) Delays in the collection of receivables from Clients;
iii) Any significant disputes/litigations which could adversely affect business;
iv) Non-renewal of contracts with the existing clients affecting the future business and revenues; and
v) Any loss or damage due to natural or man-made disasters like terrorist attack, wars or other act of violence.

POLICY SEVERABLE

This Policy constitutes the entire document in relation to its subject matter. In the event that any term, condition or provision of this Policy being held to be a violation of any applicable law, statute or regulation, the same shall be severable from the rest of this Policy and shall be of no force and effect, and this Policy shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Policy. In the event of conflict between the provisions of the law and the Policy, the provisions of law shall prevail over the Policy.

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