

## **DIVIDEND DISTRIBUTION POLICY**

### **Introduction**

This Dividend Distribution Policy (hereinafter referred to as “**the Policy**”) has been adopted by the Board of Directors of Cummins India Limited (hereinafter referred to as “**the Company**”) in the meeting held on February 1, 2017, pursuant to Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 (hereinafter referred to as “**the SEBI Regulations**”).

### **Dividend**

Dividend means distribution of profits, earned in the current year or earlier years, by the Company, to its shareholders in proportion to the amount paid-up on shares held by them. Under Companies Act 2013 (the “Act”), a Company can either declare dividend during the year, which is called interim dividend, or can declare dividend after the end of financial year, which is called final dividend.

Interim dividend can be declared by the Board of Directors during the financial year by passing a resolution at its meeting. Final dividend is recommended by the Board of Directors for approval by the shareholders at the annual general meeting. This policy applies to declaration of interim dividend and recommendation of final dividend by the Board.

The dividend for any financial year shall normally be paid:

- out of the profits for the year (arrived at after providing for depreciation in accordance with law and transferring such amount to reserves as may be considered appropriate by the Board of Directors of the Company); and/or
- out of accumulated profits of any previous financial year(s) in accordance with provisions of the Act and Regulations, as applicable.

### **Factors affecting dividend declaration**

The Board of Directors considers the following factors while arriving at the dividend amount:

- **internal factors**
  - profits earned during the year
  - distributable surplus available with the Company
  - Company’s liquidity position, future cash flow requirements for operations and reserve for any contingencies
  - capital expenditure requirements for expansion and growth
  - history of dividends distributed by the Company
  - loan covenants, if any
- **external factors**
  - dividends distributed by other comparable companies
  - taxation policy and any amendments expected thereof
  - cost and availability of alternative sources of financing
  - state of economy and nature of industry
  - macroeconomic and business conditions in general
  - any other relevant factors that the Board may deem fit.

**Utilisation of retained earnings**

The portion of profits not distributed among the shareholders as dividends are used for the business activities of the Company.

**Review & modification**

The Board is authorised to change or modify this Policy from time to time at its sole discretion and/or in pursuance of any amendments made by any relevant law for the time being in force.

**Disclaimer**

This Policy shall not be construed as a solicitation for investments in the Company's securities and shall neither act as an assurance of guaranteed returns (in any form), on investments in the Company's securities.

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