VOLTAS LIMITED

DIVIDEND DISTRIBUTION POLICY

ADOPTED BY VOLTAS BOARD
AT ITS MEETING HELD ON
22ND MARCH, 2017

VOLTAS LIMITED

DIVIDEND DISTRIBUTION POLICY

Background

The Securities and Exchange Board of India ("SEBI") has, by notification dated July 8, 2016, amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 by inserting a new Regulation 43A. The said Regulation mandates the top 500 listed entities (based on the market capitalization calculated as on March 31 of every financial year) to formulate a dividend distribution policy and disclose the same in their annual reports and on their websites. Accordingly, the Company has formulated its Dividend Distribution Policy, which has been approved and adopted by the Directors at the Board Meeting held on 22nd March, 2017.

Objective

This Policy is based on the need to balance the twin objectives of appropriately rewarding the shareholders with dividend in a fair and consistent manner and of conserving cash resources to meet the Company's growth and business exigencies.

Dividend Payout

Dividend will be declared out of the relevant financial year's Profit after Tax of the Company after complying with the provisions of the Companies Act, 2013 and Rules thereunder and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Only in exceptional circumstances, including but not limited to Loss after Tax in any particular financial year, the Board may consider utilizing Retained Earnings for declaration of dividend, subject to the applicable provisions of the Companies Act, 2013.

The Board may recommend special dividend as and when it deems fit.

The Board will endeavour to maintain a dividend payout ratio in the range of 25% to 45% of the annual standalone Profit after tax, taking into consideration and balancing the interests of the business, the Company's financial creditors and shareholders.

Criteria to be considered for determining the quantum of dividend

The Board will consider various financial, internal and external factors, including but not limited to the following before making any recommendation for dividend:

- **Financial Factors:**
  (a) Result of Operations
  (b) Earnings stability
  (c) Working Capital requirements and surplus
  (d) Liquidity position
  (e) Quantum of profits

(f) Future fund requirements, including for Brand / Business Acquisitions, Expansion/ Modernisation of existing business
(g) Providing for unforeseen events and contingencies
(h) Any other financial factor as the Board may deem fit

- **Internal factors:**
  (a) Business expansion plan
  (b) Investment plans
  (c) Contractual restrictions
  (d) Contingent liabilities
  (e) Past dividend trends
  (f) Any other factor as deemed fit by the Board

- **External factors:**
  (a) Industry outlook and business cycles for underlying businesses
  (b) Overall economic / regulatory environment
  (c) Capital market

Frequency of Dividend

The Companies Act, 2013 provides for two forms of Dividend:

- **Final Dividend:**
  The final dividend is paid once for the financial year after the annual accounts are prepared. The Board of Directors of the Company has the power to recommend the payment of final dividend to the shareholders for their approval at the General Meeting of the Company.

- **Interim Dividend:**
  Interim dividend can be declared by the Board of Directors once or more during the financial year as may be deemed fit. The Board shall have the absolute power to declare interim dividend during the financial year, in line with this Policy, after taking into consideration the expected performance of the Company and other requirements of the Companies Act, 2013, including depreciation for the full year and tax on profits.

Circumstances under which the shareholders may not expect dividend

(a) Proposed expansion plans requiring higher allocation of capital.
(b) Significantly higher working capital requirements adversely impacting free cash flow.
(c) Whenever Company undertakes any acquisitions or investments including in joint ventures, new product launches etc., requiring significant capital outflow.
(d) Proposal for buyback of shares.
(e) In the event of loss or inadequacy of profits.

In case the Board proposes not to distribute profit, the grounds thereof and information on utilization of undistributed profit, if any, shall be disclosed to the shareholders in the Annual Report of the Company.

Utilisation of Retained Earnings

Retained Earnings will be used for the Company's growth plans, working capital requirements, debt repayments, issue of bonus shares, buyback of shares, declaration of dividend, other contingencies and any other permitted usage under the Companies Act, 2013.

General

The Company has only Equity shares and currently does not have any other class of shares.

This Policy would be reviewed on a periodic basis and would be suitably modified / revised, if so required and necessary. In the event of a conflict between this Policy and the applicable regulations, the regulations shall prevail. In case of any deviation from the Policy, the rationale for the same will be suitably disclosed in the Annual Report of the Company and on the Company's website.

The Policy will be disclosed on the Company's website at www.voltas.com and in the Annual Report.

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22.3.2017