Dividend Distribution Policy

Owner
Chief Investor Relations Officer and Company Secretary

Effective Date
October 24, 2016
DIVIDEND DISTRIBUTION POLICY

1. **Preamble, Objective and Scope**

   In terms of Regulation 43A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (‘Listing Regulations’), the company is required to formulate a Dividend distribution policy which shall be disclosed in its Annual Report and on its website.

   To comply with the above requirement and with an endeavour to maintain a consistent approach to dividend pay-out plans, the Board of Directors (‘Board’) of Bharti Infratel Limited (‘the Company’) adopts this Dividend Distribution Policy (‘Policy’).

   The objective of this Policy is to:

   (i) specify the parameters (including internal and external factors) that shall be considered while declaring the dividend;
   (ii) lay down the circumstances under which the shareholders of the Company may or may not expect dividend; and
   (iii) provide for the manner of utilization of retained earnings.

2. **Dividend Philosophy**

   The Company intends to have a total distribution payout (including any dividend and/or any other form of distribution and related taxes, cess, levies, if any relating to the dividend or distribution) between 60% to 80% of net profit of the Company for the year; or 100% of any dividend or distribution received by the Company from its investee company (ies), whichever is higher, subject to the company retaining adequate liquidity to take care of planned business activities and expansion plans including capital expenditure and other use of such funds including, but not limited to, any debt servicing requirements, acquisitions, and ensuring an acceptable credit rating, as may be determined, by the Board from time to time.

3. **Parameters/Factors considered by the Company while declaring dividend**

   In line with the philosophy stated in clause 2 above, the Board of Directors of the Company shall consider the following parameters before declaring or recommending dividend to shareholders:

   **A) Financial Parameters / Internal Factors:**

   (a) Financial performance including profits earned (standalone), available distributable reserves etc;
   (b) Impact of dividend payout on Company’s return on equity, while simultaneously maintaining prudent and reasonably conservative leveraging in every respect viz. interest coverage, DSCR (Debt Service Coverage Ratio) Net Debt: EBITDA and Net debt: Equity, including maintaining a targeted rating – domestically and internationally;
   (c) Alternate usage of cash viz. acquisition/investment opportunities or capital expenditures and resources to fund such opportunities/expenditures, in order to create significantly higher returns for shareholders;
   (d) Debt repayment schedules;
   (e) Fund requirement for contingencies and unforeseen events with financial implications;
   (f) Past Dividend trend including Interim dividend paid, if any; and
   (g) Any other factor as deemed fit by the Board.
B) External Factors:

(a) **Macroeconomic conditions**: In the event of uncertain or recessionary economic and business conditions, the Board may consider retaining a larger part of the profits to have sufficient reserves to absorb unforeseen circumstances;

(b) **Statutory requirements**: Statutory requirements, regulatory conditions or restrictions as applicable including tax laws, the Companies Act, 2013 and SEBI regulations etc;

(c) **Agreements with Lending Institutions**: The Board may consider protective covenants in a bond indenture or loan agreement that may include leverage limits and restrictions on the payment of cash dividends in order to preserve the Company’s ability to service its debt; and

(d) **Capital Markets**: In favorable market scenarios’, the Board may consider for liberal pay – out. However, it may resort to a conservative dividend pay-out in case of unfavorable market conditions.

4. **Circumstances under which the shareholders of the Company may or may not expect dividend**

There may be certain circumstances under which the shareholders of the Company may not expect dividend, including the circumstances where:

(a) The Company proposes to utilize surplus cash in entirety for alternative forms of distribution such as buy-back of securities;

(b) The Company has sufficient avenues to generate significantly higher returns on such ‘surplus’ than what a common shareholder can generate himself;

(c) The Company is in higher need of funds for acquisition/diversification/expansion/investment opportunities/deleveraging or capital expenditures; or

(d) The Company has incurred losses or in the stage of inadequacy of profits

5. **Utilization of retained earnings**

The profits retained by the Company (i.e. retained earnings) shall either be used for business purposes/ objects mentioned in its Memorandum & Articles of Association or shall be distributed to the shareholders.

6. **Parameters with regard to various classes**

Presently, the issued and paid-up share capital of the Company comprises of equity shares only. In case, the Company issues other kind of shares, the Board may suitably amend this Policy.

7. **General**

This Policy will be reviewed at least once every 3 years. The Chief Investor Relations Officer and the Company Secretary are jointly authorized to amend the Policy to give effect to any changes / amendments notified by Ministry of Corporate Affairs, Securities and Exchange Board of India or any appropriate authority from time to time. Such amended policy shall be periodically placed before the Board for noting and ratification. Any questions and clarifications relating to this Policy should be addressed to the Company Secretary at compliance.officer@bharti-infratel.in.