

**DIVIDEND DISTRIBUTION POLICY  
OF  
INGERSOLL – RAND (INDIA) LIMITED**

**Purpose:**

The Securities and Exchange Board of India (SEBI) vide its Notification dated July 8, 2016 has amended the Listing Regulations by inserting Clause 43A in order to make it mandatory for Companies to have a Dividend Distribution Policy. Considering the provisions of the aforesaid Regulation 43A, the Board of Directors (the “Board”) of the Company recognizes the need to lay down a broad framework for considering decisions by the Board, with regard to distribution of dividend to its shareholders and/or retaining or plough back of profits. The Policy sets out the circumstances and different factors for consideration by the Board at the time of taking such decisions of distribution or retention of profits, in the interest of providing transparency to the shareholders.

**Objective and Scope:**

The objective of the Dividend Distribution Policy of the Company is to reward its shareholders by sharing a portion of the profits, whilst also ensuring that sufficient funds are retained in the Company for growth, working capital requirements, capex requirements etc.

This policy aims to ensure a regular dividend income for the shareholders and long-term capital appreciation for all stakeholders of the Company. The Company would strive to ensure to strike an optimum balance between the quantum of dividend paid and amount of profits retained in the business for different purposes. The Company will pursue this Policy, to pay, subject to the circumstances and factors enlisted hereon, progressive dividend, which shall be consistent with the performance of the Company over the years. The Board will refer to the policy while declaring/recommending dividends on behalf of the Company and through this policy the Board would endeavor to maintain a consistent approach to dividend pay-out plans.

Declaration of dividend on the basis of parameters in addition to the elements of this Policy or potentially resulting in amendment of any element of the Policy will be the prerogative of the Board.

This Policy shall not apply to:

- Distribution of dividend in kind i.e. by issue of fully or partly paid bonus shares or other securities, as per applicable law;
- Distribution of cash as an alternative to payment of dividend by way of buy-back of equity shares.

**Circumstances under which the shareholders may expect dividend**

The Equity Shareholders of the Company may expect dividend only if the Company is having surplus funds after providing for all expenses, depreciation etc. and complying with all other statutory requirements of the Companies Act, 2013.

## **Statutory considerations that shall be considered while declaring dividend**

Subject to the provisions of the Companies Act, 2013, dividend shall be declared or paid only out of:

- (a) Current financial year's profit:
  - a. After providing for depreciation in accordance with law;
  - b. After transferring to reserves such amount as may be statutorily prescribed or as may be otherwise considered appropriate by the Board at its discretion.
- (b) The profits of any previous financial year(s):
  - a. After providing for depreciation in accordance with law;
  - b. Remaining undistributed; or
- (c) Out of (a) and (b) both.

In computing the above, the Board may at its discretion, subject to provisions of law, exclude any or all of (i) extraordinary expenses/income (ii) exceptional expenses/income (iii) one-time expenses/income.

## **General Policy as regards dividend:**

The general factors considered by the Company for taking decisions with regard to dividend payout or retention of profits shall be as following:

- Current year profits and outlook in line with the development in internal and external environment
- Operating cash flows and treasury position keeping in view the liquidity ratios
- Possibilities of alternate usage of cash e.g. capital expenditure with potential greater value for shareholders
- Providing for unforeseen events and contingencies with financial implications
- Advice of executive management including Managing Director/Chief Financial Officer
- Other relevant/pertinent factors

## **Considerations relevant for decision of dividend payout:**

The Board shall consider the following, while taking decisions of a dividend payout

- Statutory requirements – The Company shall observe the relevant statutory requirements including any mandatory transfer to reserves as provided in the Companies Act, 2013
- Agreements with lending institutions/Debtenture Trustees – The decision of dividend payout shall be subject to the restrictions and covenants contained in agreements as may be entered into with the lenders to the Company from time to time
- Prudential requirements – The Company shall analyze the prospective projects and strategic decisions in order to decide to build a healthy reserve of retained earnings, to augment long term resources, to build a pool of internally generated funds etc.

- Expectations of major stakeholders, including small shareholders – The Board shall, as far as possible, consider the expectations of the major stakeholders, including small shareholders, who generally expect a regular dividend payout.
- Financial parameters – The decision of dividend payout shall be based on operating cash flow, net sales, return on invested capital, obligations to creditors, post dividend Earnings Per Share (EPS) etc.

**Factors that may affect dividend payout:**

- External Factors
  - Taxation and other regulatory requirements – Dividend distribution tax or any tax deduction at source as required by applicable law
  - Macro-economic conditions – Considering the state of economy in the Country, the policy decisions that may be formulated by the Government and other similar conditions prevailing in the international market which may have a bearing on the business of the Company
- Internal Factors
  - Past performance / reputation – The trend of performance / reputation that has been built during the past years
  - Working capital management – The current working capital management system within the Company and estimated future working capital requirements

**Category of Dividends:**

The Companies Act provides for two forms of Dividend – Final & Interim. The Board shall have the power to recommend final dividend to the shareholders for their approval in general meeting of the Company. The Board shall have the absolute power to declare interim dividend during the financial year, as and when they consider it fit.

**Final Dividend:**

The Final dividend is paid once for the financial year after the annual financial statements are prepared. The Board has the power to recommend the payment of Final Dividend to the shareholders in a general meeting. The declaration of Final dividend shall be included in the ordinary business items that are required to be transacted at the Annual General Meeting. The process for approval of payment of final dividend would be:

- The Board, usually in the Board meeting that considers and approves annual financial statements, to recommend quantum of final dividend payable to shareholders
- Shareholders to approve dividend, as recommended by the Board, in Annual General Meeting
- The payment of dividend shall be made within time limits as per Companies Act, 2013 to the shareholders entitled to receive dividend on the record date/book closure date

**Interim Dividend:**

Interim dividend can be declared by the Board one or more times in a financial year as may be deemed fit by it. The process for approval of payment of interim dividend would be:

- Interim dividend, if any, shall be declared by the Board at its meeting
- The payment of dividend shall be made within time limits as per Companies Act, 2013 to the shareholders entitled to receive dividend on the record date/book closure date
- If no final dividend is declared, interim dividend paid during the year, if any, shall be regarded as final dividend in the Annual General Meeting

The Board may, at its discretion, declare a Special Dividend as may be deemed fit by it.

**Right not to declare/recommend dividend:**

If during any financial year, the Board determines that the profits of the Company are inadequate, the Board may decide not to declare/recommend dividends for that financial year. In such event, the grounds thereof and information on utilization of the undistributed profit, if any, shall be disclosed to the shareholders in the Annual Report of the Company.

**Review:**

This policy will be reviewed by the Board periodically.

**Approval:**

The Board has approved this Dividend Distribution Policy at its meeting held on March 24, 2017.

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